Agenda
Investment Advisory Council (IAC)

Monday, June 10, 2024, 11:00 A.M.*

Hermitage Room, First Floor
1801 Hermitage Blvd., Tallahassee, FL 32308

11:00 – 11:05 A.M.	**1.**	**Welcome/Call to Order/Approval of Minutes** *(See Attachments 1A – 1B)* ***(Action Required)***	*Ken Jones, Chair*
11:05 – 11:15 A.M.	**2.**	**Opening Remarks/Reports** *(See Attachments 2A – 2E)*	*Chris Spencer,* *Executive Director* *Lamar Taylor,* *Chief Investment Officer*
11:15 – 12:00 P.M.	**3.**	**Private Equity Asset Class Review** *(See Attachments 3A – 3B)*	*John Bradley, SIO* *Private Equity* *Sheila Ryan,* *Dan Aylott,* *Cambridge Associates*
12:00 – 12:15 P.M.	**4.**	**Corporate Governance Review/Proxy Voting Guidelines** *(See Attachment 4)*	*Michael McCauley, Senior Officer* *Investment Programs & Governance*
12:15 – 12:20 P.M.	**5.**	**Review Changes to the FRS Pension Plan Investment Policy Statement** *(See Attachments 5A – 5B)* ***(Action Required)***	*Lamar Taylor,* *Chief Investment Officer*
12:20 – 1:05 P.M.	**6.**	**FRS Investment Plan Program Review** *(See Attachments 6A – 6B)*	*Daniel Beard,* *Chief of Defined Contribution Programs* *Mini Watson,* *Director of Administration* *Walter Kelleher,* *Director of Educational Services* *Katie Comstock,* *Kile Williams,* *Aon*

1:05 – 1:10 P.M.	**7.**	**Review Changes to the FRS Investment Plan Investment Policy Statement** *(See Attachments 7A – 7B)* ***(Action Required)***	*Lamar Taylor,* *Chief Investment Officer*
1:10 – 2:10 P.M.	**8.**	**Florida PRIME™ Review** *(See Attachments 8A – 8C)*	*Michael McCauley, Senior Officer* *Investment Programs & Governance*
		A. Florida PRIME Legal Compliance Review – Chapter 218, Pt. IV, F.S.	*Glenn Thomas,* *Lewis, Longman, & Walker*
		B. Florida PRIME Best Practices Review	*Katie Comstock,* *Aon*
		C. Florida PRIME Portfolio Review	*Heather Froehlich,* *Paige Wilhelm,* *Luke Raffa,* *Federated Hermes*
2:10 – 2:15 P.M.	**9.**	**Review of Florida PRIME™ Investment Policy Statement** *(See Attachments 9A – 9B)* ***(Action Required)***	*Lamar Taylor,* *Chief Investment Officer*
2:15 – 2:35 P.M.	**10.**	**Asset Class SIO Updates** *(See Attachments 10A – 10D)*	*Tim Taylor, SIO* *Global Equity* *Trent Webster, SIO* *Strategic Investments* *Todd Ludgate, SIO* *Fixed Income* *Lynne Gray, SIO* *Real Estate*
2:35 – 2:45 P.M.	**11.**	**Major Mandate Performance Review** *(See Attachment 11)*	*Katie Comstock,* *Aon*
2:45 – 2:50 P.M.	**12.**	**Audience Comments/Closing Remarks/Adjourn** *(See Attachment 12)*	*Ken Jones, Chair*

***All agenda items and times are subject to change.**

MINUTES
INVESTMENT ADVISORY COUNCIL
March 12, 2024

A hybrid meeting of the Investment Advisory Council (IAC) was held on Tuesday, March 12, 2024, via Microsoft Teams. The attached transcript of the March 12, 2024, meeting is hereby incorporated into these minutes by this reference.

Members Present:

Attended In Person:	**Attended Virtually:**	**Not In Attendance**
John Goetz	Ken Jones	Freddie Figgers
Vinny Olmstead	Peter Jones	
Tere Canida	Pat Neal	
Gary Wendt	Peter Collins	

SBA Employees:	Lamar Taylor	Paul Groom
	Jim Treanor	John Benton
	Trent Webster	Tim Taylor
	Todd Ludgate	John Bradley
	Dan Beard	Lynne Gray
	Michael Fogliano	
Consultants:	Richard Brown, Townsend	Eileen Neill, Verus
	Seth Marcus, Townsend	Marc Gesell, Verus
	Jeff Leighton, Townsend	Katie Comstock, Aon

WELCOME/CALL TO ORDER/ELECTION OF OFFICERS/APPROVAL OF MINUTES

John Goetz, Chair, called the meeting to order at 11:02am. John nominated Ken Jones as the next Chair. Senator Neal seconded the nomination. All in favor. Ken Jones was elected Chair. John explained that he would be Acting Chair for the remainder of the meeting since Ken was attending virtually. Ken expressed his excitement and gratitude for the opportunity and thanked Senator Neal for his service on the IAC. Senator Neal praised the SBA staff and expressed his regret at having to leave the IAC.

Ken Jones nominated Peter Jones as the next Vice-Chair. Senator Neal seconded the nomination. All in favor. Peter Jones was elected Vice-Chair. Peter thanked Ken for the opportunity. John echoed Ken's gratitude toward Senator Neal and wished him well.

John requested a motion to approve the December 12, 2023, IAC meeting minutes. Tere Canida moved to approve the minutes. The motion was seconded. All in favor. The December 12, 2023, IAC meeting minutes were approved.

OPENING REMARKS/REPORTS

Lamar Taylor, Interim Executive Director & CIO, reminded all attending virtually to identify themselves when speaking. He then thanked Senator Neal for his service on the IAC. Lamar provided a brief update on performance, stating that the FRS Pension Plan was up 7.4%, 138 bps behind the benchmark CYTD. Performance through the end of calendar year 2023 was up 11.4%, 190 bps behind benchmark. Lamar explained that this is due to private market lags, primarily from Private Equity, though he noted that the 10-year return for Private Equity is double that of the public markets.

Lamar summarized the recent changes to the asset allocation, noting the transition would take time to complete. Regarding the search for the new Senior Investment Officer of Real Estate, Lamar stated that they have narrowed the applicant pool to four candidates, two of which are internal.

Lamar discussed recent legislation that will prohibit the SBA from owning Chinese state-owned entities, requiring that the SBA divest from these entities by September 1, 2025. He noted that the SBA's exposure in these entities is under $300 million. Lamar answered questions from IAC members. Ken Jones requested that a list of the entities be provided to IAC members. After Gary Wendt requested an explanation regarding the Total Fund's underperformance, John Goetz suggested that a simplified attribution report be provided to the IAC. On a final note, Lamar mentioned that a proposal to reintroduce the cost-of-living adjustment into the Pension Plan did not pass this year.

ASSET ALLOCATION TRANSITION UPDATE

Jim Treanor, Deputy Chief Investment Officer, provided an overview of the changes to the asset allocation. He explained that the Active Credit asset class will be a combination of Private Credit, which is currently in Strategic Investments, and Multi-Asset Credit. Jim stated that this transition was being conducted methodically over time, noting that this has been a good time to reallocate Global Equity as the market has been up.

Jim briefly went over the new benchmarks for the asset classes. He then discussed asset allocation as of February 29, 2024, market close. He noted that Strategic Investments will be breaking out into the Active Credit asset class effective April 1st. Jim and Trent Webster, Senior Investment Officer – Strategic Investments, answered a question from John Goetz regarding the Active Credit asset class.

REAL ESTATE ASSET CLASS REVIEW

Paul Groom, Deputy Executive Director/Acting Senior Investment Officer – Real Estate, provided an overview of Real Estate's role in the Total Fund, benchmark, team, and investment vehicles. He discussed the Private Real Estate portfolio construction and how risk is managed within the portfolio. Paul also discussed Real Estate's consultant, Townsend; the investment process; target allocation; and the portfolio. Paul answered a question from Ken Jones. Regarding performance, Real Estate outperformed the benchmark over all time periods. Paul noted that performance was down 8.3% over the 1-year period due to the repricing of real estate. Paul; Lynne Gray, Senior Portfolio Manager; Michael Fogliano, Senior Portfolio Manager; and Seth Marcus, Townsend, answered a question from Vinny Olmstead regarding the portfolio's outperformance. Paul explained how returns varied by property type, after which there was discussion among the Real Estate team, Lamar Taylor, and IAC members regarding geographic and property type exposure. Paul briefly discussed the portfolio's contributors/detractors, property type and geographic diversification, 2023 investment activity, leverage, the credit facility program, capital markets, and valuations/transactions. Lamar, Michael, and Lynne answered questions from IAC members.

Seth Marcus, Townsend, explained how their focus is on long-term strategies. He discussed attractive opportunities including non-traditional property types. Seth provided an overview of how the

Real Estate program has evolved over the last 20 years, stating that alternatives are the next growth strategy. He also explained that they have been looking at non-core opportunistic strategies.

Jeff Leighton, Townsend, stated that as of the end of September 2023, the Real Estate portfolio had outperformed the benchmark by 110 bps over the 5-year period. He discussed annualized income and appreciation, noting that Real Estate has been meeting its objective of generating attractive risk-adjusted returns. Jeff also explained that there has been total value creation of $19.4 billion since inception of the Real Estate program.

Seth Marcus answered a question from John Goetz regarding the Real Estate program relative to peers. Lamar Taylor explained that with the recent 2% increase in Real Estate's target allocation, specifically in non-core strategies, there is room to take advantage of new opportunities.

PORTFOLIO CONCENTRATION RISK

Eileen Neill, Verus, explained that most of the time, index concentration is normal and a reflection of the economy that is thriving. She provided background on capital market theories and industry best practices, explaining why a cap-weighted benchmark is used for Global Equity. Eileen showed that U.S. equity market concentration is average compared to international markets. She discussed factors that have contributed to shifts in the S&P 500 top 10's sector composition over the last 30 years, and explained that there is diversification within those sectors, including among the Magnificent 7.

Marc Gesell, Verus, provided a comparison of cap-weighted vs equal-weighted benchmarks, providing an overview of historical relative performance. He explained that when performing an analysis of historical shock factors on current index holdings, the equal-weighted index showed larger drawdowns than the cap-weighted index. Marc also compared the relative risk-efficiency of the two, explaining that the equal-weighted has not been any more risk-efficient than the cap-weighted index.

Eileen Neill stated that they recommend staying the course and explained that diverting from the cap-weighted structure would come with its own risks. She noted that the Global Equity asset class could implement an equal-weighted strategy as an active management strategy.

Lamar Taylor, Interim Executive Director & CIO, discussed how the SBA mitigates the equity concentration risk through Global Equity's portfolio construction, Global Equity's active management, and the Total Fund asset allocation. Lamar explained how Global Equity's Dedicated Global strategy can diversify against any underperformance by the Magnificent 7. He also underscored Verus' points of healthy vs unhealthy concentration and that utilizing active management to divert from the cap-weighted benchmark would require further analysis. Lamar and Tim Taylor, Senior Investment Officer – Global Equity, answered a question from John Goetz.

ASSET CLASS SIO UPDATES

Tim Taylor, Senior Investment Officer – Global Equity, explained that 2023 was a strong year for the markets and noted that the benchmark is up 6% CYTD 2024. He explained that because it was such a strong year for the markets, he was not disappointed about Global Equity's underperformance over both Q4 2023 and the 1-year period. Tim then discussed active aggregate performance and current initiatives, including the implementation of the new asset allocation.

Trent Webster, Senior Investment Officer – Strategic Investments, provided an overview of Strategic Investment's performance and recent activity. He discussed the new portfolio construction and current portfolio allocation and answered a question from John Goetz. Trent also provided a brief update on Multi-Asset Credit, noting that the plan is to start with passive allocations.

Todd Ludgate, Senior Investment Officer – Fixed Income, discussed Fixed Income's outperformance over all time periods and noted that the strong performance has continued into 2024. He also discussed portfolio positioning and portfolio risk. Todd explained that there is still uncertainty regarding rates with Fed cut expectations declining. Todd also provided a brief review of 2023.

John Bradley, Senior Investment Officer – Private Equity, explained that Private Equity deal activity rebounded in 4Q23. He also noted that 2023 marked the 7th consecutive year that the program was self-funding. John discussed Private Equity's strong performance over the long-term and noted that while the 1-year period underperformed due to swings in the public market benchmark and a lag in valuations, the performance is in line with that of industry peers. John answered a question from John Goetz and provided a review of commitment activity in 2023.

Dan Beard, Chief of Defined Contribution Programs, stated that assets had increased to $16.3 billion as of March 11th market close. Regarding performance as of February 29th, he stated that it was 8.95% FYTD (15bps below benchmark), 15.79% over the 1-year period (32bps above benchmark), and 7.04% since inception (28bps above benchmark). Dan then discussed the Investment Plan's assets and the MyFRS Financial Guidance Program's activity over 2023.

MAJOR MANDATE PERFORMANCE REVIEW

Katie Comstock, Aon, provided an overview of the performance of the FRS Pension Plan, the FRS Investment Plan, the Florida Hurricane Catastrophe Fund, and Florida PRIME.

AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURN

Senator Neal remarked on his enjoyment of his time with the IAC. There being no further questions or items for discussion, the meeting was adjourned at 2:33pm.

Ken Jones, Chair

5/30/2024

Date

STATE OF FLORIDA

STATE BOARD OF ADMINISTRATION

INVESTMENT ADVISORY COUNCIL

PUBLIC MEETING

PAGES 1 - 166

Tuesday, March 12, 2024

11:03 a.m. - 2:39 p.m.

LOCATION:
1801 Hermitage Blvd.
Tallahassee, FL

Stenographically Reported By:

TRACY BROWN

APPEARANCES:

John Goetz, Chair
Vinny Olmstead
Pat Neal (appearing remotely)
Ken Jones (appearing remotely)
Peter Collins (appearing remotely)
Gary Wendt
Tim Taylor
Lamar Taylor
Tere Canida
Peter Jones
Paul Groom
Jim Treanor
John Benton
Trent Webster
Seth Marcus
Jeff Leighton
Richard Brown
Eileen Neill
Mark Gesell
Lynne Gray
Michael Foliano
Katie Comstock
Todd Ludgate
Ryan Morris
John Bradley
Dan Beard
Amy Walker
Audrey Milnes
Marissa Hicks

Thereupon,

The following proceedings began at 11:03 a.m.:

MR. CHAIR: So we'll call the meeting to order. The first order of business is actually election of officers. And as is our process, we rotate the chairmanship. So this will be the last meeting that you have to deal with my organizing the meeting. So what we're going to do here is I'm going to nominate Ken Jones as the next chairman. And I think we should just call that to --

MR. NEAL: When you do that, I'm going to -- I ask that we second it. If you've nominated him, I'm seconding him.

MR. CHAIR: Thank you.

So I think what I'll do is I'll just put that directly to vote. All in favor of Ken Jones stepping in, say aye.

(Members reply aye.)

MR. CHAIR: So, Ken, you are officially in. We can't see you right now, but I am sure we can hear you. So I'm going to turn it to you for the moment. And then, just for process and ease of process, I'm going to be the acting

chair for the remainder of this meeting just to make it easier since Ken's on the screen.

So, Ken, over to you.

MR. K. JONES: Thank you, John. I appreciate it. And I'll keep this short and sweet. I am excited to step in and be the chair.

Pat, I'm sorry you're too busy and you've got to go run your real day job to go make money. We're going to be sad to see you go do that, but obviously we'll stay in touch. And your guidance and wisdom and counsel over the last few years have been very invaluable. We really appreciate it. I think we learned more from you than you probably learned from us. So thank you for the service.

MR. NEAL: Let me take 30 seconds.

MR. K. JONES: Please.

MR. NEAL: -- everyone on the Board. I think the staff is terrific. I like working with Lamar. It just got, like you said, too busy doing my day job, so I regret leaving, but I'm leaving. So good luck.

MR. K. JONES: Yeah, well, thank you, Pat. Again, we appreciate it.

Well, I'm looking forward to being the chair. And going forward, you know, my leadership style has always been very inclusive. You know, I like to ask a lot of questions. They might not always be smart questions, but I really do believe in the philosophy of no dumb questions.

You know, the collaborative aspect of having a board, where you do have feedback, it's not just a one-way transmit mode only; it's receive mode and transmit mode. I think that's super important. You can always learn more. And my culture, my mindset, is continuous improvement. And so everything we do is an approach, whether it's on a charitable board, on a really heavy policy board, like the IAC, the SBA, or whether it's in business, like Pat just talked about. Everything is collaborative and everything is a two-way street where we try and have continuous improvements.

So that's the philosophy that I'll bring as chair to the board, and I'm looking forward to working with everybody. So, thank you.

MR. CHAIR: Thank you, Ken. So I'm going to leave it with you for the next item, which is for vice chair.

MR. K. JONES: Yeah. I'd like to nominate Peter Jones to be the vice chair, please.

MR. CHAIR: Seconded?

MR. NEAL: I second that nomination.

MR. CHAIR: All those in favor?

(Members reply aye.)

MR. K. JONES: Well, great. Well, that's exciting. And, Peter, I'm glad to have you as vice chair. I think it's -- it could get slightly confusing with Ken Jones, Peter Jones and Peter Collins, but I think we'll figure that out. But excited to have another fellow Tampa Bay person on the board with me. And looking forward to working with you, Peter.

MR. P. JONES: Great. Same here, Ken. I appreciate the vote of confidence and look forward to working together and as we go forward in this year.

MR. K. JONES: Thank you.

Well, John, I guess back to you now to run the meeting.

MR. CHAIR: Thank you. Thank you.

And, Pat, let me add my thanks to you for your very constructive questions and comments over the past meetings. So I do hope you -- I wish you well in your busy activity in the real estate business. Let us know when the next crisis is coming so we can avoid it.

MR. NEAL: Crisis is we're selling too fast and we're not building fast enough. That's the only crisis. Too much business. Thank you. Thanks for your kindness.

MR. CHAIR: Okay. So the first order of business now is approval of the minutes.

Do I have a motion?

MS. CANIDA: Moved.

MR. NEAL: So moved.

MR. CHAIR: Second?

MR. K. JONES: Second.

MR. CHAIR: All in favor?

(Members reply aye.)

MR. CHAIR: Okay. So the minutes are approved, Lamar. So we're on to agenda item number two.

Before we do that, because we're starting this meeting now at 11:00, Lamar and I talked about it. I think what we'll do is we'll take like a 15-minute break or so. I'll call the

meeting back to order after the real estate review. So there'll be lunch across the hall. So we can grab lunch. If you can eat it within 15 minutes, go ahead. Otherwise, you can bring it back here and we can continue. Okay.

So, Lamar, over to you for your update on the markets. Thank you.

MR. L. TAYLOR: Well, thank you. And good morning, everyone. I guess a couple of housekeeping items. For those on the phone, if you could, you know, just, say who you are when you make a comment, it's going to be helpful for our court reporter here.

And then if I could take a minute and pile on and thank Senator Neal for his service on the IAC. I have certainly enjoyed his time on the Board and had a lot of very good and constructive conversations with Senator Neal. And so as the others, I will also miss him and appreciate his time and contributions.

MR. NEAL: Thank you, Lamar.

MR. L. TAYLOR: So first, I've got a few comments. I'll provide a little bit of an update on performance. We'll talk a little bit about the asset allocation transition. We'll talk a bit about the update on the real estate, the senior investment officer search, and then a brief report on legislation.

So real quickly on performance. Through yesterday, the performance of the fund is up. The FRS Retirement System Defined Benefit Pension Plan is up 7.4 percent, which is 138 basis points behind benchmark for the calendar year, which is -- a lot of the performance report on today is through end of calendar year '23. The pension plan was up 11.4 percent versus a benchmark of 13.3 percent. So 190 basis points behind benchmark there.

We continue to be trailing the benchmark, largely in functional lags in private markets. A lot of that is attributable -- not all of it -- a lot of it is attributable -- continues to be attributable to private equity. It's just -- it's a tough business when your public market comps continue to move so precipitously. I think the ACWI was up 20 -- over 20 percent in the calendar year '23. Continues to be up 6, 7 percent this year.

We are also getting back some value in venture capital space. But this is after years

of significant value increase as a result of venture capital. And one item I would point to, and I think it's in John's presentation, we're in private markets and, particularly, private equity for the long term. And if you look at the 10-year return in private equity going through, I believe it's September in those numbers, the 10-year return for private equity is double the 10-year return for its public market. So that's why we're in this space and this performance will right itself over time.

So quickly turning to asset allocation transition. If you recall, we have implemented a new asset allocation and enshrined that now in our investment policy statement. And briefly, just sort of summarizing, we are moving -- reducing global equity from a target of 53 percent to 45 percent. We're increasing fixed income 21 percent of the pension plan from 18 percent. We're creating an active credit asset class at about a 7 percent allocation. We're increasing private equity to 10 percent from 6 percent. Increasing real estate 12 percent from 10 percent. We're decreasing strategic investments to 4 percent from 12 percent. And we're maintaining cash at 1 percent. But that's the context. We have started that transition process. It's going to take us quite a while.

So a number of things we did in January, we changed some of our benchmark references. So in real estate, we excluded from the benchmark, which was part of the recommendation, and we increased the target allocation to 12 percent effective January 1.

In private equity, we decreased the premium over the ACWI to 250 basis points from 300 basis points. Again, that was part of the recommendations as well. And we increased the target for private equity to 10 percent, effective January 1.

We also began the first of many transitions from global equity to fixed income in January. So we moved about $3 billion in January to fixed income. This is going to be a continuing -- process is going to take quite a while. We're going to do this in stages, moving that global equity target down to 45 percent.

We also, effective February 1st, transitioned to the full aggregate and the intermediate aggregate benchmark in fixed income.

And, let's see. What else? In April, we will begin the process of formally creating the active credit asset class and starting the benchmark there as well. And I believe Jim will have some additional information when he provides his update on asset class transition later in the materials today -- or actually I think following me.

So that is sort of a brief update on asset allocation transition. The real estate senior investment officer search. Our prior senior investment officer retired and so we have the position open. We advertised that position in January. We had about 25 applicants, all very good applicants. We've whittled that down to about four individuals that we intend to interview. We have two very excellent internal candidates as well. So we will continue to work through that process and we'll keep you all informed as that develops.

Finally, legislation. Not as a packed

year this year as it was last year. But there was a bill that will affect the pension plan. The legislature did pass a bill that will prohibit the State Board of Administration from owning state-owned entities, Chinese state-owned entities. And so that bill will become effective -- upon law, it'll prohibit us from acquiring additional Chinese state-owned identities and will require us to divest of Chinese state-owned entities in about a year and a half. So September 1st of 2025, the SBA is required to be completely divested of its exposure to Chinese state-owned entities.

I will tell you this, it's not a lot. The exposure is not very high, for a number of reasons. But it is something that we will implement once that bill -- if -- presumably it will be assigned or will become law here soon.

MR. K. JONES: Lamar, what is the exposure?

MR. L. TAYLOR: It's about -- it's under $300 million today.

MR. CHAIR: Is the bill -- just a clarifying question. Is that bill any Chinese state-ownership interest in the company or

wholly-owned?

MR. L. TAYLOR: Its definition is 50.1 percent.

MR. CHAIR: 50.1.

MR. L. TAYLOR: And so that, you know -- a fairly ascertainable standard. And there's a number of service providers that we can look through to help us identify those companies so that we can implement that from a compliance process.

MR. K. JONES: Lamar, could you just put a quick list together on that and circulate this so we can take a look at it?

MR. L. TAYLOR: Sure. A list of the entities?

MR. K. JONES: Yeah, of what we currently own and what the entities are, yeah.

MR. L. TAYLOR: Sure. Absolutely.

MR. P. JONES: Excuse me, Lamar, this is Peter Jones. A quick question on that. With our outside managers, I guess we have separate accounts so we can just ask them to divest or what if we have a -- we're in a fund, along with many other investors, how does -- how does that -- how does that work?

MR. L. TAYLOR: So that's a good question. So this legislation is directed at what's called direct holdings. So it'll be public market assets in separately managed accounts. And so that is exactly the point, we will have the ability to instruct our managers to divest of those holdings. And as a result, we will also have that run through our custom benchmarks, as we do now with the Iran and Sudan requirements. So, as you know, we are required to divest of certain companies that violate the Iran/Sudan sanctions. And when we do that, we divest of those companies, we also pull those companies out of our benchmark. And it'll be the same process here, but it applies to what's termed as direct holdings, which are public market investments, in separately managed accounts.

MR. P. JONES: Very good. Thank you.

MR. WENDT: Does green mean it's on? I guess it does.

Okay. I wanted to talk just a minute about the miss of your -- the benchmark miss. I, unfortunately, have been the longest serving member of the group that's here, and that

number of -- miss the benchmark is by far the largest by which it's ever happened. And I think we should be given a little deeper explanation, not necessarily at this meeting, but I think you should write us and go through the numbers item by item, group by group, however you feel it's necessary. But I think that's something that we need. I need to understand that, I know that.

Sorry about that.

MR. L. TAYLOR: Absolutely can do that. I think that it's worth a pretty thorough report to the IAC on what's driving that. It is the lags in private market assets. It is a function of -- to some degree of, like I said, giving back some value in venture capital. Most of that is attributable to private equity, but not all of it. And we can certainly drill down on --

MR. WENDT: Are private equity returns down or are public equity returns up?

MR. L. TAYLOR: I think -- and I can let John elaborate a little bit more. I think it's a combination of both. I think it's -- they're down relative to where they were historically, but as compared to a benchmark that includes the Magnificent 7 and that are running pretty significantly ahead of it.

So overall -- so the fund is up in terms of absolute performance. Just on a relative basis against a benchmark that is running itself and then adding 250 basis points on top of that, it's a tough bogey to hit.

MR. WENDT: I'd just like to point out, and this is my personal view as opposed to factual, I suppose, but the 10-year period you mentioned where private equity had done better than anything else was a period where two things are different than they are today. One is that it was -- the market was less crowded with number of participants in pinning up the prices. And the other thing is that interest rates were close to zero during that whole period of time. And so there should be no surprise that private equity was good during that period of time. I'm not sure what that means other than perhaps it may not be the best thing in the world in the future.

MR. L. TAYLOR: Fair point.

MR. CHAIR: Gary, thank you for that. It

does raise a point that we could, as the IAC, have kind of a simplified attribution report, right, for when -- because you say it in the text, right? But we could have a simplified attribution, whether we're ahead or behind, you know, on kind of what the key ingredients would be. And I'm not saying we know how to format that right now, but you guys could think about what is the format, even for your own, you know, recollection each period. I think it's a good idea here.

MR. L. TAYLOR: Point taken. We can absolutely do that.

MR. CHAIR: I don't think we're looking for a 200-line-item attribution, I think it's the chunky stuff that we'd be interested in.

MR. L. TAYLOR: Very good.

And if there are no further questions on that, the only other question I would -- or the only other point I would make in terms of legislation is, and I think Senator Neal had mentioned this as well, there was a proposal early on during the session to reintroduce the cost of living adjustment in the pension plan. It was a bipartisan bill. It was -- identical bill was filed in the House and the Senate. It did not pass this year. It did make it all the way through the House. So the House membership were very much interested in. It did not make much progress in the Senate.

The proposal, were it adopted as proposed, would've been expected to add, I think, several billion dollars to the unfunded liability based on the study that was conducted. But as I said, that did not pass. So that there will not be this -- at least from the COLA, a significant increase in the unfunded liability.

And that's all I have to report.

MR. CHAIR: Okay. Thank you, Lamar.

Item number three on the agenda is the asset allocation update.

Jim, so you -- we have some materials in here, but we would appreciate, you know, kind of what is the process. And I'd appreciate it.

MR. TREANOR: Sure. Happy to go through all that. Here's some numbers. Lamar mentioned the biggest issue is -- or biggest change is global equity going from 53 percent down to 40 percent as a target allocation. Fixed income is getting an increase.

Active credit is a combination of, you know, private credit that we already have currently in strategic that we'll be moving into that bucket, as well as multi-asset credit -- or multi-asset credit, which is a new -- a new asset class that we're -- we'll be kicking off this year.

Real estate is going up to 12. Private equity, staying steady at 10. Strategic looks -- is lower at four. But, again, part of that was a movement from strategic to active credit as well as a couple percent -- or up to 2 percent for hedge funds. Insurance-linked securities at 1 percent. And real assets and infrastructure at about 1 percent. And then cash equivalency.

You know, as Lamar mentioned, given our size, you know, roughly $200 billion, you can't do this in a day. So we're taking, you know, our time to transition and do this methodically and not time the markets. We've been pretty good about, you know, getting out of global equity. We've been fortuitous in that respect. Markets have gone up. And so we're -- you know, it's what we generally do, which is we buy low and we sell high, so that's -- it's been a relatively good time to reallocate. So we continue to do that methodically. And we should be getting done, you know, sometime this year. We try not to telegraph to the market exactly when we're kind of in the market selling these securities, so just be -- know it's being done very methodically. We speak every day about transitions. And we actually had some money being sold this morning so it's all going fine.

The next slide just goes through some of the benchmarks. Fixed income is the -- you know, as Lamar mentioned, we moved to the full agg. And so that's different from the intermediate agg that we had been at. Active credit is a -- you know, again, we -- there's a lot of sub-asset class benchmarks in the portfolio which we think makes sense. At the high level, it's, you know -- you know, fixed income has a mission, active credit has a mission, but we also want to, you know, hold our feet to the fire and make sure we're doing a good job at it, and, you know, picking good managers who are making good investments. And

so that's why we try to break down the constituent parts.

You know, for example, active credits is high yield, EMD, bank loans and private credit. So we look at, you know, both the high-level benchmarks as well as the sub-asset class benchmarks.

Real estate benchmark hasn't changed. It's a combination of core and non-core real estate.

And then private equity remains -- last year we lowered from 300 basis points to 250 basis points above our global equity target index. And, again, strategic investments. It has different asset classes, sub-asset classes, depending on the investments being made.

And strategic -- you know, I think in general what we've tried to do with strategic is, it -- as you remember, the asset class started in 2007. It was very opportunistic. And what we've tried to do is just -- it's still opportunistic. It's still -- we're still permitted to do anything we think will be accretive to the fund on a risk/return basis. But we're trying to be a little more disciplined about swim lanes, making sure that we are more methodical about how we invest and what we invest in, and, you know, have a vision for the constituent parts that add up to the total.

So this is just a snapshot. This is as of two weeks ago, kind of where we are. This is actually -- it's all changed on the margin. Global equity we continue to sell out. Fixed income continues to increase. Real estate, relatively steady. Private equity, relatively steady. And strategic, steady. Again, strategic is going to be broken out into the active credit as well. So that's -- at our next presentation, we should be able to break that into more detail.

MR. CHAIR: Well, Jim, that's what I was going to ask. You're -- so the fixed income part of strategic is still in the 11?

MR. TREANOR: Yes.

MR. CHAIR: So that isn't -- you don't -- I thought maybe we had to liquidate to get some of these. We don't. That's -- a good portion of that 11 is still just going to be moved over?

MR. TREANOR: Exactly. Yeah.

MR. WEBSTER: We have been -- we have -- because of these set targets, we've been above or below some of these, so we've had a plan to implement changes. So we'll talk a little bit later in strategic on what some of those changes are. So we have been reacting to it. But like Jim said, methodically, we'll be changing it over time. Because some of this stuff is just a good -- but where we have been able to, we have been making changes pretty aggressively.

MR. TREANOR: And technically the breakout that -- John Benton, correct me if I'm wrong -- it doesn't change till April 1st; is that correct? And that's why it's kind of shown the way it is as of March.

So, you know, those are the action plans. We're moving forward. I think we've had a good transition. It's been orderly. The teams are communicating every day. Todd and Tim, in particular, with fixed income and global equity. So I'll stop there and see if there are any questions on the transition.

MR. CHAIR: Any other questions from the

IAC?

Thank you.

So, Paul, I understand you're going to stand in here for real estate asset class.

MR. GROOM: I will do the best I can.

MR. CHAIR: Thank you.

MR. GROOM: Good morning. I'm Paul Groom. We are joined in the audience by Lynne Gray, our principal investments team, and Michael Foliano of our externally managed team who will be available if there are specific questions regarding the portfolio. We also have the Townsend team, who is our consultant, who are -- will be available to answer questions and to present additional information regarding the market in our portfolio.

So our agenda for today will be to look at an overview of the asset class, including its objectives, the benchmark, the staff, the portfolio structure, and the role of our consultant. After that, we'll discuss the -- our investment process and review the portfolio.

The real estate asset class was designed to provide an attractive risk adjusted return,

to provide diversification to the total fund against public equities and fixed income investments, to provide an inflation hedge, and to generate returns through income and appreciation. Over time, the portfolio has performed that role.

If you look at a stan- -- the historical charts of risk and return and where the real estate portfolio fits in, you would see a nice balance against equities and fixed income. And overall return in risk profile that some -- that falls somewhere between those two asset classes.

In the short term, we've seen a negative impact on the real estate market from inflation. As the Fed has increased interest rates and that has flowed through to higher cap rates. But over time, real estate tends to provide an inflation hedge as rents are reset and increase along with inflation. For residential properties, that may happen as leases are renewed. For commercial properties, that may -- that may happen as rents are reset with annual adjustments. And commercial properties may also pass through some of those higher expenses.

There's also a benefit from fixed rate debt which remains stable while income increases. Those factors should help to offset inflation over time.

This slide shows the real estate benchmark. Our performance objective is to exceed this benchmark over a full market cycle, which is generally a five-year rolling period. The benchmark is presented to the IAC for recommendation to the trustees and is included in the investment policy statement that is approved by the trustees. The first bullet point represents our core private market allocation. You'll see the first footnote, that 76.5 percent relates to our private market allocation to core investments at the time relating to this report. The second footnote shows that the benchmark that we use is the NFI-ODCE. The NFI stands for NCREIF Funds Index, where NCREIF is the National Council of Real Estate Investment Fiduciaries. And ODCE stands for Open End Diversified Core Equity. This is a widely accepted industry index based on core diversified open-end funds. So it

relates to core investments. The funds on which it is based are diversified, so they invest in all the main property types. And the investments are generally equity and investments in US real estate. All that makes it appropriate as a benchmark for our core portfolio.

The second bullet point represents our non-core private allocation of 13.5 percent of the total real estate portfolio. Again, we use the same index but because we expect to get paid a premium for the additional risk associated with non-core investments, we add 150 basis points to reflect the additional expected return required for the non-core risk exposure.

The third bullet point shows our public REIT allocation of 10 percent. And the benchmark is a global index representing worldwide publicly traded real estate equities. So this, combined, is the benchmark that we try to exceed and against which we measure diversification of our portfolio.

This is our organizational chart. We have a fabulous real estate team. You'll see that I report to Jim Treanor and Lamar. Within our asset class, we have principal investments, which are managed in-house. And externally managed investments which consist of funds and REITs. Lynne Gray leads the principal investments team of five portfolio managers and a senior research analyst. Michael Foliano leads the externally managed team of three portfolio managers and a senior investment analyst. Tiffany Williams is the administrative assistant for the asset class. And Laura Frost is the asset class senior investment analyst. We have one vacant position for an asset class investment analyst. And we are in the process of filling that position and hope to have that completed in the near future.

Our asset class is structured to include principal investments and externally managed investments. For us, principal investments includes direct-owned investments owned through separate accounts. Our internal staff retains discretion over major decisions including acquisitions, dispositions, financing, major leases, capital improvements, and annual

business plans.

Externally managed investments include pooled funds, club investments, co-investments and REITs.

This slide shows the investment structure of the private market portfolio. We believe that core -- that portfolio structure is a primary driver of returns. The portfolio is anchored by the core component. The non-core component is expected to be a source of excess returns. The private market allocation is 85 percent to core investments and 15 percent to non-core investments through the end of last year. That moved to approximately 83 percent core and 17 percent non-core beginning in January 2024.

We're trying to manage towards the higher end of the non-core range. The core component is meant to represent the beta exposure. It includes properties that are income focused, institutional quality stabilized, meaning that they have a high occupancy, low media capital needs and low leverage.

The non-core component is expected to be the primary source of enhanced returns. It includes value-add and opportunistic properties with strategies such as lease up, development, redevelopment, repositioning and recapitalization. It generally uses higher leverage. We consider international investments to be non-core investments due to currency risks. And we frequently use a build-to-core strategy that involves developing a property with a JV partner, leasing it up to the point that it is -- that it is stabilized, and then transferring that property to core investments. We think that this gives us the opportunity to enter investment at a lower cost basis.

The transfer to a core investment creates some divergence around these numbers, depending on when a property is moved from one category to another. If you put all of our development properties within the non-core group, these numbers would change to about 83 percent core and 17 percent non-core.

Managing risk is an important component of the mission of the portfolio. We have a process to manage risk in several ways. First, we make allocations to sectors with different

levels of risk and return. Those are the core and non-core allocations we just discussed. We also ensure prudent diversification by comparing our private market diversification by property types and geography to the diversification within the ODCE index. We'll look at those comparisons in a moment.

Generally, we're managing to a wide plus or minus 15 percent range around the benchmark to give flexibility to take advantage of opportunities and market inefficiencies. We also control risk by imposing limits on manager concentration and leverage. We limit our concentration to any one manager to no more than 35 percent of the portfolio for separate accounts, and 10 percent for pooled funds or REITs. We limit our leverage to 40 percent loan-to-value for the total real estate portfolio. 50 percent for wholly-owned properties, 70 percent for joint ventures. And leverage in all cases must be accretive. The use of leverage for pooled funds requires controls for its management, a justification for its use and limited liability to the SBA.

Finally, we manage risks by working

through defined processes and procedures for managing the portfolio.

The Townsend Group is the consultant to the asset class. They assist us with quarterly and annual performance reports and investment monitoring. They're particularly helpful in identifying new fund investments and helping to narrow down the list of funds that best fit our portfolio. They assist us with due diligence and market research. And they provide pre-demand opinions for funds that are selected for investments, which gives us additional confirmation that we're acting as prudent fiduciaries.

I mentioned the investment process a minute ago. As a risk control, every year we create a work plan for the asset class. It identifies the major objectives for the asset class, both administratively and for anticipated investment activity. One of the things that Townsend helps us with is the construction of a pacing model for investments. It helps us to manage vintage year risks so that we are not over or underexposed to investments in a particular year.

The principal investment process includes sourcing deals through our advisers, staff, and contacts. We're consistently reviewing the market for opportunities. Our investment team retains discretion for investments and dispositions. We perform the normal due diligence that you would expect with real estate investments. After that, each investment goes through legal negotiation that is managed by outside and internal counsel.

Finally, we have an established process for asset management. Each property is managed by a designated portfolio manager internally. And we -- and by a designated external investment adviser and property manager.

We obtain and review quarterly reports for each property. And every year, we work through an annual business plan for each property with our related external investment adviser, and as applicable, our JV partner. We have regular calls to discuss property issues and to confirm conformity with the annual business plan. And we conduct site visits to inspect the properties.

Externally managed investments go through a similar process. Deals are sourced through our consultant and staff. They are subject to due diligence reviews. Then each deal is subject to legal negotiation in conjunction with outside counsel in the general counsel's office. The investments are monitored by our staff and consultant. We receive reporting packages and attend quarterly calls and annual meetings. We are frequently members of limited partnerships, advisory committees, which also provide us with an additional source of oversight.

Through the end of last year, real estate had been given a target allocation of 10 percent of the overall pension plan portfolio, with a range of 4 to 16 percent. The allocation went up to 12 percent at the beginning of 2024, with a range of 8 to 20 percent. The allocation to real estate is established through the investment policy statement based on the recommendation of the overall consultant to the FRS, and with the advice of this council and final approval by the trustees.

You'll see that our allocation through

September 30th was 11.6 percent. And at the time of this report, was down to 9.8 percent. That's the result of moving the REIT portfolio out of the asset class, which Jim mentioned a moment ago. When we went through our asset allocation study last year, that was the result of the recommendation there. And the recommendation was primarily due to REITs already being included within the global equity asset class, and because of the short-term correlation between REITs and global equities.

Principal investments compose 66 percent of the private real estate portfolio. As we discussed, principal investments includes wholly-owned properties and joint ventures. The advantage of principal investments is that it provides superior control over investments and lower fees than externally managed funds.

One of the really interesting statistics that Townsend provided last year is that the management fees associated with principal investments are about half of those for ODCE funds. They also noted that our principal investment fees are about 40 percent a year against about 90 or a hundred basis points for

ODCE. So that's a very significant fee savings on a $14 billion portfolio.

Externally managed investments are about 34 percent of the portfolio. Again, these are pooled fund and REIT investments. The pooled funds support the portfolio structure by providing opportunities for diversification, access to specialized strategies, and expertise and exposure to non-core investments. The REITs have provided a source of diversification and liquidity, and, again, lower fees. As I mentioned a moment ago, we are transitioning out of REITs with the change to the real estate allocation.

As of September 30th, the real estate portfolio gross asset value was about $27 billion. The net value was about $21 billion. You'll see that the overview for principal investments and externally managed investments, principal investments had a gross value of about 17.2 billion, and a net value of 13.8 billion. And externally managed had a gross value of about 10.6 billion and a net value of 7.1 billion. The interesting number on this chart to me is that there are 313

individual properties in the principal investments portfolio.

MR. K. JONES: Well, if I could ask a question. Sorry. Back up.

MR. GROOM: Sure.

MR. K. JONES: Why is that an -- why is that an interesting number to you?

MR. GROOM: It's a -- it's a lot to manage. There are a lot of properties in that portfolio.

MR. K. JONES: Is it -- are you suggesting that it's too many and it's too difficult to manage, therefore it should be reduced? Or it's -- notwithstanding the fact that it's a large number, it's still manageable?

MR. GROOM: Notwithstanding the fact that it's a large number, I think it's still manageable. We have a number of people within our staff, and we have our advisers and property managers who are all involved in managing those properties. So it's a manageable number, but it's a -- it's a good number of properties to manage.

MR. K. JONES: Okay. Thank you.

MR. GROOM: This slide shows our portfolio returns against the benchmark. Our portfolio outperformed the benchmark in all time periods. The most important periods are the five- and 10-year periods since our goal is to outperform on a rolling five-year basis. And we outperformed by about 1 percent for both.

Principal investments and externally managed investments outperformed the overall benchmark and they -- and their specific benchmarks in all time periods. For the past year, we've seen a significant repricing of real estate, and that is reflected in last year's returns. You'll see that our overall portfolio was down about 8.3 percent. In general, these returns are based on appraisals, which tend to lag the actual market. So we should probably expect our valuations, returns and the benchmark valuation returns to go down a further step.

MR. OLMSTEAD: Quick question. When you -- when you look at -- sort of a Gary-Wendt question here with regards to outperformance. So if you sort of unpackaged that a little bit, is there anything you can tell us about why we're outperforming the benchmark?

MR. GROOM: Probably two things. One, portfolio construction. And, two, asset selection. And I don't know if Lynne or Michael want to elaborate on that, but that -- those would be the things that I think would drive that outperformance.

MS. GRAY: This is Lynne. I would just add to that, that I agree with those comments. But to provide further detail, we also have attribution reports that show what funds and can drill down on what properties (inaudible) overall (inaudible) and performance.

MR. FOLIANO: And the other thing that we would add, and Paul mentioned there were fees for the separate accounts, there's some structural alpha within your portfolio that you already had -- then it's just the selection of the properties themselves are outperforming on a relative basis.

MR. GROOM: So this chart shows the index returns by property types and time periods. You'll see that the returns vary significantly by property type.

For the past year, you'll see that office was down the most, it's 17.1 percent. This has been a little bit of a drag on our principal investments portfolio since it has a slight overweight to office. Externally managed ODCE valuations are based on appraisals which lag the market. Non-core funds, though, typically adjust valuations in real time, so the values for our non-core funds may reflect more current information than the benchmark and may show further declines in comparison to it. And, again, we expect more valuation declines in the benchmark.

In connection with the returns of the various property types, I want to discuss a few trends that we saw over the past year for each property type, starting with industrial. Of course, this has been the most in-favor property type for the last few years. However, that attractive outlook has caused more developers to enter the space and supply has increased. Last year saw a significant increase in the delivery of new buildings and reduced absorption by tenants, meaning vacancy rates have increased. But although they have increased, they still remain below the long-term average. So we still think this is

an attractive property type, but we should expect rental growth to moderate going forward.

Constraints in capital markets are also likely to reduce new supply going forward, so that should help.

For residential, a record number of new apartments were delivered last year, and we expect an even greater number of deliveries this year. That increase in supply has increased vacancies and caused rental rate increases to moderate for residential, too. This has been particularly noticeable in the Sunbelt cities.

At the same time, apartments are experiencing increases in expenses due to inflation. The combination of reduced rental growth and increased expenses has reduced net operating incomes. So, while apartment rents have moderated, single-family housing has become more expensive due to a lack of new supply and increases in interest rates, which, besides increasing cost for buyers, has disincentivized sellers.

For most of the country, renting has become more affordable than purchasing a home.

That comparatively lower cost to rent and increases in population and new household formation may offset some of the increased supply over time. And we think this remains an attractive property type. The lack of availability and increased cost of capital may also reduce new supply going forward.

For office, of course, office remains depressed. Overall, we have seen increased vacancies and erosion of rents and income. And the uncertainty in the market has reduced -- resulted in fewer transactions. All of this has contributed to a reduction in valuations and increased cap rates. It's important to note that there's a bifurcation in the office market. New, well-located properties are holding their tenants rents and values much better than older properties. And overall, though, it's likely to take some time for the office market to settle.

Finally, retail is surprisingly a bright spot. You'll see on the slide, that I think it was down only 1.5 percent for the past year. After the e-commerce boom, developers were much less interested in bringing new retail

properties to the market, which reduced new supply. Despite inflation, consumers' incomes and wealth remains strong. And this has led to reduced availability in the retail market. Like office, this varies with the quality and type of product. Properties that concentrate on services, necessity retail and experiences have shown the greatest strength. Malls and high-street retail, on the other hand, have been relatively weaker. But even in malls, for (inaudible) properties remain strong.

Going forward, retail is cyclical and is likely to fluctuate with the strength of the consumer.

MR. CHAIR: Paul, before we move on, just a question on office.

MR. GROOM: Sure.

MR. CHAIR: We have an overweight to office you mentioned, that that would be a negative in the attribution, right? If we were looking at real estate. So two questions: One, is that minus 17 in the MPI office? I'm on --

MR. GROOM: Yes.

MR. CHAIR: I can't find a page.

MR. GROOM: I've got it.

MR. CHAIR: 143. Yeah. So minus 17. I remember Steve mentioning just before he left that not much was happening in office transactions.

MR. GROOM: That is true.

MR. CHAIR: Is there a -- is there a cap rate developing? And do we know enough to know that that 17 is most of the pain or is this still lagging badly, in your opinion?

MR. GROOM: My impression -- my impression is that it continues to lag. I think that there is a further step to go for valuations, both in our portfolio and in the index.

MR. CHAIR: Yeah. So I guess the obvious question is, we -- someone said earlier, buying -- you know, buying low and selling high.

MR. GROOM: Yes.

MR. CHAIR: Are we going to try to adjust this during this nightmare? Or what -- kind of, what's the plan? Because we're overweight.

MR. GROOM: Yes.

MR. CHAIR: So you're saying in the next attribution, next quarter, you would expect

another negative hit?

MR. GROOM: I do.

MR. CHAIR: Okay. Is there anything we should -- what are you -- what are you guys thinking about it, I guess, is really the question?

MR. GROOM: So I think that it's difficult to -- if even if we were inclined to sell office at the moment, it would be difficult to do that because there's a lot of uncertainty in the market. The expectations of both buyers and sellers are different. Most people who have office are holding onto it for the moment and not turning loose of it. There may be some really low-price opportunities in the market. But, again, there's so much uncertainty around it that it's difficult to gain clarity about what values really should be.

MR. L. TAYLOR: And if I could add onto that, it's -- the office is not truly -- there's different -- so obviously good quality office is doing well relative to your older stock. And we have some of that in the portfolio, I think, as well.

I think our office -- and the reporting

here also includes things like medical office, which is a subset, which has a different return profile relative than your CBD office. So not all office, necessarily, is going to be painted with this same broad brush. So we do have that sort of advantage as well.

MR. GROOM: That's true.

MR. K. JONES: You know, I would just make a comment. You know, we own a lot of office around the country, thankfully not in California, Illinois and New York, at least not that much. But I -- but I would disagree a little bit with the comment that was made a minute ago. You know, we are seeing transactions happening in the office space and including fairly large sellers, like PGM, and large institutional holders that have made a very -- a very specific policy determination with their investment committees to say, we're going to get out of office. And I know AEW, Prudential, New York, a bunch of the bigger folks that are -- that are holders of these assets, including a tower right here in downtown Tampa, you know, the 100 North Tampa Towers is -- is about to be on the market. You

know, they are looking to sell, even if they're well located buildings.

Now, I think it is very regionalized. As I said, you know, being -- if you're in Seattle and New York and Illinois, places like that, I think you're -- particularly San Francisco -- you're very, very challenged. But I would -- we are seeing transactions happen. In fact, you know, we saw several buildings just trade within the last two weeks in Chicago for a nominal -- you know, basically a dollar, give it back to the bank. Or they've sold it off to the debt holder, or in some cases, the building operator. So we are seeing things transact and I would think that, you know, to -- I don't know who made the comment earlier. You know, there could be an opportunity here to lean in a little bit as the pain gets a little bit worse.

But if we're overweight in office and it's down 17 percent, you know, there may be an opportunity here to take a look at some of these assets that -- I don't think they're quite fire sale yet, but there are -- there are lenders and there are owners willing to do deals right now, and we're seeing it live.

That's been my experience. And we're pretty active in this market.

MR. CHAIR: Ken, is there -- is there a cap -- is there a meaningful cap rate analysis that you are aware of? You know what I mean, in terms of what our expected return might be if we were to add? Because that's what you're suggesting.

MR. K. JONES: Yes.

MR. CHAIR: -- thinking about adding than subtracting from this portfolio right now.

MR. K. JONES: Yeah. Again, it really is regionally dependent. And so, you know, the cap rates in Chicago look pretty lousy relative to the cap rates in St. Petersburg, Florida. And obviously, new construction office is pretty much nonexistent. I mean, you can underwrite to a yield on cost, but if your cost of capital went from, you know, SOFR 250 to, you know -- or when SOFR was zero, right? And now it's five and a half or five, and their all-in cost of capital is more like eight or nine versus two or three, you know, it makes those metrics a lot more challenging to underwrite.

But I do think it's very, very -- I can -- it's very regional in terms of the approach that we take. So we're, you know, seeing cap rates, I mean, double digits in bad markets like Philly, San Fran, Chicago, Seattle. But in places like, you know, South Florida, Tampa, you know, Southeast Sunbelt, you know, you're still seeing relatively healthy cap rates on good buildings with high-credit tenants. So, you know, it's something we can talk about offline with the real estate group, but I do think it's worth taking an extra look at this because painting it with the brush or just saying, hey, it's set down 17, we're overweight, we're going to sort of let it sit and settle out, I would be -- I would be a lot more cautious and optimistic -- I'm sorry. A lot more cautious and a lot more paying attention to it as opposed to just letting it ride out.

We're -- again, like I said, we're seeing lots of people that have got capital on the sidelines and they're starting to lean in. There are deals getting done. Definitely deals getting done.

MR. WENDT: Excuse me, Ken, this is Gary Wendt. Would like to ask you this question from more --

MR. K. JONES: Hey, Gary.

MR. WENDT: You talked about the deals being done. Many of you discussed more, like, giveaways, foreclosures. Are there transactions being done that we would say, gosh, we've made a profit on the building? Are you seeing any of that? Are you seeing prices go up anywhere?

MR. K. JONES: You know, Gary, it's a good question. And you're right, some of these are just giveaways, right? Where the bank's saying, fine, take it back. Give us a dollar, you guys go deal with it. Particularly, if it's not a fee simple deal, if it's a leasehold deal where, you know, you have a lease obligation underlying. You know, we're seeing decent opportunities. If you are okay being in what I would consider to be long-term challenge markets, like the ones I mentioned, yeah, there are probably some deals to be had. And -- but, again, we've made -- from our firm, we've made a policy decision that, you know, we're not

going to be in those long-term challenge markets, so it just requires turning over a lot of rocks in the markets that we think are still viable which are going to be, you know, Southeast Florida, Georgia, North/South Carolina, Tennessee, Texas, Arizona, maybe Utah. But, yeah, those are the markets we're focusing on.

But, yeah, Gary, I don't -- I don't have a specific example I can give you, but I do know that those giveaway deals, as you call them, they're certainly happening and there could be opportunities there as well, but you have to be willing to step in and operate the building, right? I mean, that's going to be the challenge. And looking at the credit base of the tenants that are in there is also going to be a huge factor in figuring out, you know, can you meet your debt service coverage if you've got debt on the property, what's the OPEX look like?

And the other thing that's a killer on those markets, too, are taxes. You know, notwithstanding the fact that, you know, Chicago property values ostensibly have gone down significantly, property taxes have more than doubled in some of those markets. So really taking a hard look at your OPEX, your CAPEX and your taxes, and then really the viability long term of the creditworthiness of the tenants that you're putting in. I mean, are those markets shrinking? Is there job growth and population growth and income growth? And if the answer is no to any of those three questions, we tend to stay away from those markets.

MR. WENDT: All of that is good advice. Staying away from some of these markets, it's a good idea. But I hope we can do a thorough analysis to the point where we are not moving too quickly to sell things. From what it sounds like, you're not selling anything, right?

MR. K. JONES: Yeah, I agree with you. I agree with you, Gary.

MS. GRAY: This is Lynne.

MR. WENDT: Here we are. We own them. They're ours.

MS. GRAY: This is Lynne. Just a couple of comments. And I appreciate your comments,

but we have actually been to the market to sell properties that we believe are not long-term holds in the portfolio. And the thing that we found is, one -- and there still is a wide spread between buyer and seller pricing expectations. But the other thing that sellers -- buyers are looking for is seller financing. And so when we evaluate a property to bring it to market, we look at what is the long-term future and performance of that property relative to if we were to sell it today and what the market would bring for that disposition.

So we're not just thinking that we're going to hold these properties long term. We do evaluate the properties and look at where they are today and where we think they will be in the future. And we are in challenging markets. And I think probably one of the most challenging markets that we see today for office is Washington, DC. And that's a market where we will -- we're not sitting on the sidelines, but we are evaluating and determining what we believe is the best time to bring the property to market, or if there is a future for it being a long-term holding in the portfolio.

MR. WENDT: Don't envy you.

MS. CANIDA: What percentage of your office is in that area, the DC area?

MS. GRAY: I have that information, but not at my fingertips. I can get it for you.

MS. CANIDA: Okay. Thank you.

MR. K. JONES: Yeah, I was going to ask the same question. I'd love to see the analysis on the market breakdown, whether it's San Fran, Seattle, DC, Chicago, all the -- all the markets that -- you know, no offense to any of you that have lived or would like to live there -- that none of us really want to live. I'd like to see that as well to kind of see what we're doing on a geographic analysis. That would be very, very good information.

MS. GRAY: We have that readily available. I just don't have it in front --

MR. K. JONES: Okay. Thank you.

MR. FOLIANO: This is Michael Foliano. I just wanted to comment earlier when we were talking cap rates. So I think we've seen in the REIT market, office cap rates are around

10 percent, plus or minus. And then ODCE cap rates for office is somewhere in the 6 plus-or-minus rate. So I think there's still -- you're going to see ODCE cap rates continue to go up a little while in office until there's a little more clarity on back to work, whether there's still work from home and the viability of the have and have nots, the bifurcation between the good office and the not-so-great commodity type office.

We have exposure probably mostly in our ODCE funds. We have -- on my side, we have 16 percent exposure overall. And a lot of the managers have aggressively written those assets down. And there's probably still a little more pain to come.

MR. CHAIR: Thanks. Thanks for that.

MR. COLLINS: Mr. Chairman?

MR. CHAIR: Yeah, go ahead.

MR. COLLINS: Mr. Chairman, this is Peter.

MR. CHAIR: Yeah, Peter.

MR. COLLINS: And I apologize for joining late.

You know, the interesting thing about all of this is on one hand, it's specific assets, but the overriding comment is these, quote, "core markets" that we have lived with for the last, you know, several decades are not going to be core markets going forward. So, you know, sometimes when you're in a bad trade, the only thing to do is get out of it. Because I don't think the prospects in a lot of these markets that we're talking about are -- you know, the best case scenario isn't to remain flat from where it is today. The best case scenario is to only be down another 10 or 20 percent. Forget about the individual property type, I'm talking about specific markets.

And so I think -- I'm not one to rush in and sell something, but I think we need to be realistic about what the portfolio in these markets is going to look like in a couple of years. But more importantly than that, what are the new core markets? Where are we going? You know, to Ken's point about the Southeast, there's going to be a total shift in what we consider core. And I hope that we're looking at that and leaning into that before those -- and getting in earlier on that, not -- you

know, we're probably a little late but not too late. So I would caution us not to just sit there and look at these assets and say, well, we're down 17 percent, we're going to ride it out. We could be down 27 percent next year. And then we were like, well --

The other thing I would say is I think the cap rates, as you were saying, Michael, cap rates being 10 percent, I don't think that's a true cap rate. I think that there's so much -- so much stuff coming to market that's not trading because sellers can't sell it for that, that it's depressed perceived cap rates. Real cap rates are actually higher in those markets and for those asset types than whatever the ODCE index says today. Because if you bring a property to market, the likelihood of it selling in these markets is less than 20 percent, at a price that you would be willing to pull the trigger.

So I would caution us to really think hard about selling some of these assets, even if it's at a 10 or 15 percent loss. But really look at what the future core markets are and where we're going.

MR. K. JONES: Yeah. I won't -- I won't beat the dead horse here but Peter Collins is exactly right. We know of at least a dozen failed marketed properties in some of those cities. And those non-transactions, if you will, don't ever get captured in some index somewhere, because basically there was just no buyer. And I can't tell you what a cap rate would be if they had sold, what, 20, 18? Certainly not 10.

So I think it's -- you know, the data, right -- you know the old saying, right, garbage in, garbage out. There's a not nicer word you can use. But it's really one of these things where, you know, you can put in the sales that happen, but it doesn't take into account the stuff that went to market, failed. It was a broken deal. They went back to market, another broken deal, no buyers. It just -- and, again -- and then some of the ones where basically it was a gift back to the bank. The bank wrote off the entire loan. That's happening now. We're seeing it happen in those -- in those, what Peter correctly described as sort of legacy core markets, that

are no longer going to be core markets.

So I agree. I would just caution us to make sure we're being very intellectually honest about how we're evaluating the values of these assets in those markets.

MR. L. TAYLOR: If I could just real quick, just to kind of -- excellent comments. All excellent comments. And I think we absolutely take to heart the point about making sure that we're really taking part of the portfolio and being realistic about that evaluation and what the future holds.

I would say, just by virtue of having been here a while and having a lot of great faith in the team and real estate, I would say that they have been leaders in a number of areas. And I would, to your point, with respect to geographic exposure, direct your attention to slide 148, where you can see in terms of relative overweight/underweight across the US. Very much, you know, underweight the West, very much overweight in the South, as you look at both the total portfolio and principal investments.

So, again, kind of taking, you know -- I think -- I think our team saw early on that the South and the Southeast area was a pretty good place to be. And so I think they've kind of moved in that direction a little bit ahead, I think, as well as different property types, kind of being a little bit of a leader in terms of taking on some alternative property types, medical office, for example. And so I would say the team has been very thoughtful and forward-thinking about where the real estate asset class is going to develop. And we would certainly take to heart your points about continuing to do that. So thank you for those points.

MR. CHAIR: Yeah. And this is John. Peter and Ken, obviously you guys are in the business. I don't think you would advocate dumping, right? Like, if you had a -- if you had to sell it at -- obviously the bid ask is really wide in the Chicago market or San Francisco, but if -- but if you sold it at a 17 cap rate, you'd basically be fire selling it. I presume you're not advocating that we -- that we force buildings into the market. Or are you?

MR. COLLINS: What I'm -- what I'm saying is that you need to recognize that this isn't an, oh, this market will come back, right? Oh, you know, this is a temporary blip. This is a long term, if you will, mega trend in a lot of these markets. What's the estimate on when San Francisco downtown comes back? What's the estimate when Chicago downtown comes back? I don't know. But I wouldn't put any faith in it in at least the next five years.

So, you know, it's a slippery slope. And I don't want to go on and on about this, but if there's -- the first time somebody is worried about crime in Chicago as they're booking a 2000-person conference, that's the beginning of the end, right, for a lot of hotel rooms, for a lot of people, for a lot of activity, for a lot of businesses, restaurants, et cetera, et cetera. And you've seen that happen in -- for different reasons. You know, it's happening in Austin, Texas, right? It's happening in Chicago. It's happening in all these areas. So it's one thing to hold it and wait for the market to come back. It's one -- it's another thing to be in a market that's not going to come back anytime soon.

MR. CHAIR: Yeah. It's just that some of that's probably reflected in the valuations, right? Certainly, right, that expectation.

MR. WENDT: Excuse me, this is Gary Wendt. Would like to -- at risk of sounding like an idiot, which very often happens, I'm going to give the dead horse a little water. You know, if there -- if there ever was an organization that can -- that can afford to hold on for a while, we're it. I mean, we got this money sitting here for years and years and years and years and years and years, and sometimes recovery returns are better than new returns.

Anyway, I'm not -- I'm not disagreeing with what anybody said except, I'm in no hurry.

MR. CHAIR: One other thought -- thanks, Gary.

One other thought. And, again, to you guys that are active in the market, Lynne made the point that financing for these things is also holding transactions back. So, Peter, how do you think about an arb where the building was salable in the market? You don't like longer term, but only if we do provide the

finance. Because you take out the spread that the real estate finance people get. If you do do that and you reduce your exposure, is that -- do you think about that? I mean, Lynne, is that really a prevalent ask?

MR. COLLINS: I would tell you, you're not really re- -- I would tell you you're not really reducing your risk. If you're selling a property, but you're seller-financing it, you're not selling it.

MR. CHAIR: At a seven -- at a 70 LTV, you would be reducing it by 30, no?

MS. GRAY: I think that what you are saying --

MR. COLLINS: Well, not 30, because we have some debt.

MS. GRAY: You should be prepared to have that property come back with you, just at a better basis.

MR. COLLINS: Yeah.

MS. GRAY: Yeah. If you're providing seller financing.

MR. CHAIR: But is -- but if you really -- I'm just going to the darkness that Peter is putting out there for Chicago and San

Francisco. I don't know that I know that it's that dark, but if you thought it was that dark, you would do that. You would do that to move the building. Because otherwise, you're just out the hundred instead of the 70.

MS. GRAY: I think that there are a number of things you have to evaluate. You have to evaluate your buyer and financial strength and the likelihood that you would get that property back. I think that's what you have to keep in the back of your mind.

MR. K. JONES: Yeah. I would say the same thing. You know, if we've looked at things where there -- where we've gone and said, hey, you know what, we'll do the deal, but you've got to provide the financing. If it were us, I mean, I'd like to think I'm a good credit risk and our company is, but that's where the rubber meets the road, is the evaluation of the creditworthiness of the borrower or the buyer. That's obvious, right? But that's something that has to be considered if we're going to do any kind of seller financing.

And to Gary's point about giving this horse maybe one more drink, I think that if we

could -- just, let's be sure that we're being super thoughtful about it and really digging in and making sure that, you know, we're really thinking through -- again, as Peter Collins said, you know, there are some long-term permanent structural trends that are literally happening right now. And I do think that they're going to be here for a long, long time. And we need to take a hard look at the portfolio and figure out, you know, if it -- look, if it's a 20-year horizon, that's tough, right? If it's a five-year horizon, that's a different conversation. So I just want to make sure we're being thoughtful about it and we're being intellectually honest about how we're looking at the values, especially in these challenged geographies.

MS. GRAY: I appreciate that, and I assure you that we are. And just hot off the press, our DC exposure is roughly 24 percent of our office portfolio. And that's in four buildings. Two of them are GSA lease, longer-term leases, and the others are private -- so we do look at the office portfolio and we evaluate those properties on an annual basis, and on the interim, if we need to, looking at what the forward returns are and what the projections are. So know that we are not just accepting where we are and watching the values go down.

Thank you.

MR. GROOM: Well, I had hoped to generate a discussion, so I appreciate it. And we will take those comments to heart. The thing that I took away from it is you have to look at whether there's a reasonable prospect of recovery. And, two, that everybody wants to come to Florida, which is good.

So we're going to move quickly now.

MR. WENDT: I don't think we helped you a lot in this last conversation, but good luck. Good luck. Hang in there.

MR. GROOM: Let's try to move quickly.

So on the next slide, relative contributors. Our manufactured housing portfolio was strong last year. Student housing was strong. The REITs had a great run at the -- in the fourth quarter. And retail, as we saw on the slide before, was relatively strong.

On the detractors' side, of course, office and the multifamily was not as strong for us. And international suffered due to currency conversion risks and the strength of the dollar.

This slide shows our private market property type diversification, all within benchmark ranges. You'll see that we are slightly underweight to apartments and slightly overweight to office. This slide shows our principle investments by property types. The interesting point for this slide is all of the specialty property types that you see on the right-hand side of the slide, cold storage, live sciences, manufactured housing, student housing, medical office, agg, and self storage.

So this is the same chart for pooled funds. The interesting point here is the greater exposure to industrial, and a lot of exposure, again, to the other category. This exposure highlights the ability to obtain access to property types that might be difficult to access through one-off investments.

This slide shows the geographic location of the portfolio in comparison to the benchmark. And, of course, it's all within the benchmark ranges. And as Lamar pointed out a moment ago, we are underweight to the west and East, but overweight to the South, which is intentional given that we expect that will be the region with the strongest growth.

This slide is a little bit different from the one that was initially in your book. So if you will look at the one on the screen, it shows our 2023 calendar year investment activity. Last year, our principal investment group purchased several industrial properties for a total of $344 million. We also invested $38 million in medical offices. On the disposition side, we had three small agriculture dispositions.

And, finally, we made four loans in our principal investment portfolio using our credit facility program for a total of $116 million.

On the externally managed side, we closed five transactions last year for a total of $408 million. One industrial outdoor storage fund, two apartment funds, one diversified fund, and one secondary fund. And we added

exposure to our REITs portfolio in the middle of last year, which was helpful when they went up in the fourth quarter.

Turning to our leverage, we had private market leverage of 27 percent loan to value. The principal investments were 20.6 percent levered. And our pooled funds were 40 percent levered.

This chart shows the principal investments leverage and how it has changed over time. The top left shows the change over time. You'll see that our total debt is up to 3.6 billion from 3.2 billion five years ago, but down from a high of 4.0 billion in 2022. And it's gone down slightly from a high of 26.8 percent in 2018. And that's generally because we've paid off some loans as they became due because the credit markets are constrained. And to the extent that new leverage is available, it's difficult to obtain at attractive rates.

The bottom left chart shows that the majority of our debt is fixed rate and that debt has a low cost. And the chart at the top right shows that for the longer term, most of our debt is fixed.

This slide shows more detail regarding our credit facility program that I mentioned a moment ago. In March of '23, we obtained a credit facility. It has a three-year term with two one-year extensions. The total amount of the facility is $750 million with a $250 million accordion feature.

So to explain this a little bit, this is a line of credit. We borrow from that line, and then we loan those proceeds to our joint ventures on a short-term basis, usually as a construction loan. This program has been extremely valuable because it's allowed us to have access to credit when credit has been otherwise difficult to obtain in the market.

Through the end of last year, again, we closed $116 million of loans to our joint ventures, and we had 519 million committed and in negotiation. The pipeline shows another 128 million that's been offered, but is not yet subject to a formal commitment. So we've reserved the use of $714 million of our $750 million line of credit.

And the chart at the bottom of the page shows the funding schedule for our line of

credit and how it will be used as expected over time.

Turning to the real estate capital markets. For interest rates, we expect higher borrowing costs and limited debt availability will remain in the near term. Inflation remains elevated but below its peak, which means we should expect higher development and replacement costs.

Anecdotally, we believe that --

Yes?

MR. K. JONES: Just one point real quick. You said you expect higher borrowing costs. So are you suggesting that rates are going to continue to go up this year?

MR. GROOM: I shouldn't say that we expect them to be higher, but maybe to remain higher than they were maybe before the pandemic. So higher for longer.

So, anecdotally, we've heard that some construction cost increases may be leveling off. We think that cap rates will continue to expand but that that's beginning to moderate in some property sectors, mainly those other than office.

And finally for pooled funds, the top 20 funds raised approximately 50 percent of global capital, which has left a lot of other funds unable to access institutional capital. Overall, general partners are having a difficult time finding investors, and negotiating leverage has shifted back to the limited partner investment community.

Looking at the past year for valuations and transactions, we've seen an expansion of cap rates and increased cost of debt which has resulted in higher required unlevered returns for new investments, lower levered returns due to increased cost of borrowing and lower valuations. The third quarter represented the fourth consecutive quarter of negative returns for ODCE. Peak to trough, ODCE has declined 12.1 percent gross. And we think there's significant unrealized declines in valuations to go.

Transaction volumes have been suppressed. The lack of transactions has made it difficult for appraisers to keep up with valuation declines in the market which means that valuations are lagging the actual state of the

market. And then there are significant cues for redemptions for open-end funds.

This chart shows the lag in private market valuations in comparison to the public REITs. The bars show the quarterly returns and the dash line shows the total returns over time. The point is that REITs tend to lead the private market since they react to investor sentiment in real time, which also means that they can be volatile in the short-term. And you can see that in this chart. The REITS took big losses in '22 as interest rates increased. And then they rebounded significantly at the end of last year when it looked like the Fed might be near the end of its cycle.

Looking forward, we can anticipate continued higher interest rates, at least in the near term. And, again, that's -- that they will stay high, not that they will go higher.

We expect that most property types will continue to experience pressure from operations and capital markets. We continue to look for market inefficiencies and hope to be able to find good opportunities to exploit those inefficiencies given the SBA's liquidity.

We're going to selectively -- or hope to selectively pursue development opportunities in structurally resilient sectors, such as industrial and residential. And we may find distress opportunities and hope to find those to take advantage of them.

And then we probably will --

MR. K. JONES: Let me ask --

MR. GROOM: Yes, sir.

MR. K. JONES: Sorry to interrupt again. Just on the interest rate questions, I heard you say it again. I want to just be sure I'm clear on that. Saying that we think rates are going to be higher for longer or will continue to remain high. Have we developed a view, or has the staff or our outside advisers developed a view on where we think rates end up? Obviously going into a presidential cycle muddies the water quite significantly and nobody's really got a crystal ball. But, you know, I think general consensus, whether you look at the dot plot or whoever you're studying these days about Fed policy, you know, looks to be that rates will come down. They will be higher for longer relative to the ERP, which

was in place for a decade, right, where basically money was free. And I don't think anybody would debate that. But have we developed a policy view internally about where we think rates land? Are they a hundred basis points lighter a year from now? Because, you know, that's a 20 percent move relative to the rate itself.

So if rates are five and they go to four, you know, that's not nothing. And so I'd just like to get a little bit of clarity on how we think that plays out because that will affect the returns on a real basis.

MR. L. TAYLOR: So I guess what I would say is that, you know, predicting rates is in some ways -- trying to be precise in predicting rates can be a very difficult task. And I think Todd can probably underscore that peril. I think at the -- from the top of the house perspective, and this was some of the discussion we had with respect to the asset allocation exercise, is that fundamentally, secularly, we think that the -- you know, the next 15 years is going to look significantly different than the last 15 years. So that when we think in terms of rates, it's on a relative basis -- relative to or compared to the last 15 years of basically zero rates.

And, and on top of a macro environment, that is more likely to be inflationary rather than deflationary for a variety of reasons. And on top of an environment where there's likely to be higher term premium than there has been in the past. So it's at a high level in terms of when we think about rates. And so I think that's -- from a portfolio, the total fund perspective, I think that's where we're coming in from the real -- I think some of that filters down into the real estate, you know, side to the extent that we're really talking about cost of capital and risk premium. And so I think it does sort of filter in at those levels. I don't -- I'm not aware of anybody in the real estate asset class, or even Todd's asset class, having sort of specific views of whether we think rates are going to be a hundred basis points lower a year from now than where they are today.

I can tell you that there was a lot of people thinking they were going to be a lot

lower now than they are now. And I think Todd's got a chart around, you know, looking at the expected interest rate cuts and how that's changed over the last several months. So it's anybody's guess exactly kind of where these things land out. I think we made the call at a high level from a secular perspective, is sort of how I would answer the question.

MR. K. JONES: Yeah, I just want to be sure, Lamar, that we're thinking about it, you know, in a macro perspective as we think about the portfolio, not just real estate, but all the way across. I'm not saying, hey, are rates going to be 375 ten months from now, or 425 six months from now, but just, you know, a generic view on, yes, higher for longer relative to 2012, right? But probably not, you know, five points for the next three years. And so just thinking about what does that do from a leverage perspective, from borrowing costs.

And really more importantly, everybody thinks about it from that, you know, how it affects the capital markets from the buyer pool that's available. Because I'll tell you right now, buyer pools in certain sectors, including senior living and others, it's like nuclear winter out there. There's just no credit. Now, if you want to put a personal guarantee on it, it's a different story, right. But absent that, you know, non-recourse traditional financing at, you know, 55 to 62.5 percent, that's a tough task these days, so -- but if rates were, you know, a hundred points lighter, I think that conversation changes.

So I just want to be sure we're thinking about it in those terms across the portfolio.

MR. L. TAYLOR: Absolutely. Absolutely.

MR. GROOM: Well, that ends my presentation. And I'm going to turn --

MR. COLLINS: Just one more question. Maybe you'll address it in a few minutes, but, again, I'm not a real estate guy, but when I look from afar, you sort of see commercial office is still a slippery slope for a while. Although we're not at ODCE, we're still pretty concentrated on the west coast.

And so my question was, as I look at -- you know, and everybody knows the interest rates are unpredictable and hopefully it will likely go down. But from a real strategy

standpoint, do we have any more granular strategy or, you know, hypothesis on where we want to go? Because when I listen to all this, I get a little bit nervous that we're going to continue down this slippery slope. I'm not sure I see an aggressive approach to being more proactive to where there are opportunities. It's not that you don't have them, it's just when you look at looking forward, they're sort of just, like, global statements as opposed to, no, we do have -- and you may, not close enough to it, but it looks sort of high level, not real granular.

MR. FOLIANO: I think I could say something here. So we're looking at a lot of managers across the globe, trying to find strategies that make sense today. And a lot of them don't. So when we're looking at a fund manager, for instance, we're looking at some of their last deals that they've done. We're looking at what's in their pipeline, and if they're assuming a six going in cap rate and a five exit cap rate, well, I'm thinking that interest rates sometime in the next two, three years end up somewhere in the fives on a lending rate. So if they're five, five and a half, I want the exit cap rate to be closer to six.

So we -- that has steered us towards certain opportunities, like data centers, where we're seeing yield on costs for development in the eight-plus range with exit cap rates six or higher. Industrial outdoor storage, which has gained some popularity, we see the benefits of it, and cap rates in the sevens and exit cap rates, again, above six.

And secondary type transactions funds that specialize in recap opportunities where they can come in, recap a deal using preferred equity and, you know, things like that. So those are the kinds of things that make sense today. And a lot of things have been turned away. And that's why there's only -- transaction volume is down, like, 50 to 60 percent year on year.

So, Lynne, anything to add there?

MS. GRAY: I would just say that we continue to look at strategies that are residential focused, given housing shortages. We also are focusing on industrial and looking

at opportunities within those subsets.

MR. L. TAYLOR: And I guess if I could add to that, just to maybe make sure if you're sort of addressing this point, it may be that in fact you're not sensing a kind of aggressiveness in part because I think we historically want to be thoughtful and deliberative and step into the actions we take, given the amount of capital that we oversee. We are long-term investors. And so we have not had, and I don't think many of our peers have had, really great experiences being tactical in times of market -- too tactical in terms of -- even in great dislocations, you can sort of overdo it if you want to sort of react too quickly. So I do think we're trying to be more deliberative on a case by case basis. However, everything gets evaluated. And as you said, we are sort of trying to take a more realistic approach to the portfolio but not necessarily just transacting to transact because there is a risk that you sort of over presume that the current situation is going to protect itself in the future at infinitum. That's not always the case.

MR. COLLINS: You know, Mr. Chair, one more question, please. So the difficulty in all of this, right, is finding a strategy that is a solid strategy, but that you can also put enough capital to work, right? Because we have to put a lot of capital to work. And you tend to do that through funds. And hopefully, they're deploying capital and -- but you're taking a risk that they don't see the world the way that we see it. And they want to go into these markets and put a lot of money on assets that are depressed, which, you know, otherwise might seem like a sound strategy. But, you know, if they're doing it in some of these markets we're talking about, we would certainly have an argument with them about that.

There are a lot of deals today out in the market that I'm sure you guys are seeing where the deal doesn't really work as it was penciled out and as it was started because of interest rates, because of increased costs, because of flattening rents or whatever the issue is, it doesn't really pencil out. And that is interesting to me because I think that, you know, with our cost of capital, we can't go in

and we can provide a facility, but we can go in and reset the basis. And maybe they don't get total -- maybe the current developer doesn't get totally wiped out, but they can't go back to the bank -- to Ken's comment earlier, they can't go back to the bank and adjust LTV or get more proceeds. But a JV person can come in, provide that capital, like we can, with our $750 million facility, and maybe we just do it directly, but -- and I think that that's a real opportunity.

Do you guys look at that? And it's my fear that there's just not a -- one place where we can put enough of that capital to work that maybe you might look -- maybe you might say, oh, well that's not an opportunity. Because I do think from a basis standpoint and a long-term basis, you know, there's lots of good projects out there that just for whatever work -- for whatever reason, the economics don't work today. It has nothing to do with the market, but the economics don't work. But we could step in and help that situation.

MR. L. TAYLOR: I think I'll probably push that over to Lynne, particularly, on the principal investment side, because I think that's where we'll see and have more ability to transact, you know, where opportunities arise.

And I just -- from the history, I'm aware that they are pretty reactive to good opportunities as they come up, given the tangency they have to the markets all across each of the sectors. So, you know, where those opportunities come up, I would expect that we would take a very hard look at them. And where we have the ability to deploy capital effectively, we'll do that. But I'll let Lynne add to it.

MS. GRAY: Yep. To add to that, we are looking at opportunities. They're still in the transaction or negotiation stage, so keep that in mind. But they include opportunities of a programmatic nature where we would also -- so there would be a chunk of capital deployed, and we would also perhaps put our line of credit to work alongside that. So we do have things in the pipeline, but they are, again, in the pipeline. And hopefully at some point in another meeting, we can talk about what we've got going on.

MR. COLLINS: And we do that through third party advisers or who do we have help sourcing that for us?

MS. GRAY: Well, we do use third-party advisers. And then sometimes the opportunities present themselves to staff here internally and we vet and evaluate and then bring the adviser in. So it works both ways. There's always an adviser involved in the transaction, and the JV partner.

MR. COLLINS: Uh-huh.

MR. CHAIR: Any other questions from the IAC?

All right. Thank you, real estate team. I think -- obviously interesting times. So if we can, I think what you're hearing in general is if we have some solid analytics behind moves, we're happy to see the moves. I think that's what we're -- what you're hearing.

So at this point, we're going to take a break. And I'm going to suggest we come back, you know, promptly at 1:00.

MR. L. TAYLOR: You want to hear from --

MR. CHAIR: Oh, I'm sorry.

MR. MARCUS: We'll be brief.

MR. CHAIR: You're totally right. I shouldn't break this into two. Shouldn't have you come back after lunch when we're falling asleep. Okay. You're right. Thank you for that.

MR. MARCUS: Thanks for having us again. We'll keep this brief. It's been a long, good conversation. Some of what -- the questions asked, we'll elaborate maybe in our brief commentary. But we're going to talk -- just mention some of the topics that have been talked about in the market. So we've seen a correction across the industry, and we do think that's creating opportunities. And we do have sort of a plan for that, how to take advantage. So capital remains scarce, but there's also a lot of capital that's been raised, just sort of sitting on the sideline. And therefore, you know -- and as we've talked about, you know, financing, it remains challenged. Or even really good real estate, it's a challenged market.

For all those reasons, it really does appear to be a good entry point for multiple strategies. Not all, but multiple. Much

better than 12 months.

So what we're focused on, to the question asked, is really thematic, multi-use strategies. So because capital is scarce, because it's a good moment to take advantage without taking on additional risks, we're looking at trends that will last beyond the immediate, you know, time frame. So housing was one that was mentioned and housing historically within -- was called multifamily. And they're completely changing their definition to call it housing. It is a single-family rental, it is senior housing, student housing, multifamily, as a collective bucket. The US is chronically short on housing supply due to limited stock. And it's not easy to reverse that. So being an investor in the build to rent strategies where millennials are really the majority of renters today, whether it's by choice or by necessity, is an attractive opportunity.

Another one that Michael mentioned, data centers driven by AI and everything that's going on in those Magnificent 7 that have been mentioned, you know, we've looked at a couple different opportunities. Everyone in their book now in their presentation says, we can do data centers. That's not the case. And there's very select few that can actually execute on a strong opportunity like that. Cold storage is another one. So these are non-traditional property types outside of the primary four that we sort of talked about.

And to the question that Member Olmstead mentioned, where are we going with the portfolio? So on this slide, I'm on 162 in the presentation, try and look at the timeline, not just because it's a cool graphic, but five years ago in 2018, we had a 14 percent exposure in industrial. And today it's 32. So where are we taking the portfolio? What is going to be that next growth strategy that drives returns, but also that can be executable to Member Collins' comment that we can execute in scale? It's that collective alternative property sector, so the data center, the self storage, the medical office, those cold storage; those sectors, as a whole, will have become a major -- a more -- a broader component of institution in real estate.

So this slide, you know, it's quite busy and it shows a lot of different value changes over time, but really focused on the future -- the past is the past -- and where we're going. So it talks about everything that we chatted about here. So 12 percent target. Each 1 percent increase in our target is about $1.8 billion of capital to go out and invest in the market. So that factors into a scale of executing on new strategies. We are looking at a number of different opportunities across the non-core sector at this point in time. I think non-core opportunistic strategies have their moment in time. As a distressed buyer today, we think that moment exists. So that's just kind of a broad brush commentary on the market. Jeff's going to talk a little bit about a couple different metrics on our performance and then wrap it up and take any initial questions.

MR. LEE: Thanks, Seth.

And, you know, I'll jump ahead. I know we've talked a little about performance. So I'll just cover a couple slides -- or a couple slides that kind of show the relative performance.

So here on slide 164, here we show rolling five-year returns at the total portfolio level relative to, you know, the ODCE benchmark or the primary benchmark. As you can see, you know, over the most recent five-year period that ended the third quarter, there's 110 basis points of outperformance.

If you go out further time periods, go out 10 years, 15 years, that kind of relative outperformance only improves. So a very strong, you know, relative performance.

Advancing it here one slide. It's actually my favorite slide in our deck because I really think it speaks volumes to the quality of the portfolio and some of comments earlier that Seth had about not just being reactive to market conditions, but being proactive and getting into, you know, alternative sectors kind ahead of some other groups. And the reason why that -- you know, I think that speaks volumes, if you look at the charts, particularly the busy chart on the (audio distortion) do show, you know, both an income and appreciation component for the total real estate portfolio relative to the benchmark.

For each calendar year, you've had a very durable income stream. But in addition, when you've had marketing conditions that were favorable for private real estate, you have outsized appreciation.

So I think, you know -- then you have a summary on the bar chart to the right. So these are annualized figures over more than 20 years. From an income standpoint, you have 20 basis points on an annualized basis from an income standpoint, so kind of talking lower risk income, producing stabilized properties. Then also on the generating alpha component, you have 120 basis points of annualized performance of appreciation more than the benchmark. So, again, I think it really goes to Paul's earlier points earlier when you kind of talked about some of the strategic objectives of the real estate program. One was to generate attractive risk adjusted returns. So certainly from an asset and relative basis, your real estate portfolio's doing that.

And then secondly, having a component of both income and appreciation, I think these charts here certainly support that.

Then lastly, you know, I think the prior slide showed the consistent and strong execution. And I think the slide here really shows the end result of that is a lot of value creation. If you look at the chart to the upper right and the table, since the inception of the real estate program, SBA has contributed, you know, $31.6 billion to real estate investments. They received back $30 billion in distributions. The end of the third quarter had an ending market value of $20.9 billion. So total value creation of approximately $19.5 billion since inception of the real estate program. So overall, very pleased with the performance of the program and also the portfolio composition.

Those were my prepared remarks. I don't know if we want to open up for questions.

MR. CHAIR: I'll kick off one question. You know, it's interesting when you look at the value-add of this -- of this program, it's showing a little less volatility than the indices, right? But also return over time. So the risk/reward looks attractive. I was -- I was looking down on page 167, looking at one

year where some people were actually positive, which is kind of hard to believe. I don't know who that peer was that was positive in real estate, but, you know, it's interesting you're -- as Townsend, you say to the State of Florida, stay there, stay in that -- stay in that zone where maybe you don't get to the first quartile in return, but you're never down in the quartiles. Is that -- is that basically how you see it, even though we changed the mix a little bit, we're still trying to maintain that kind of behavior relative to peers?

MR. MARCUS: Yeah. Well, you know, the same group that's probably in that positive return over the one-year time period, when markets turn and -- they'll be at the bottom. So there's a lot of volatility. The first and fourth quartile performers are usually the -- you know, bouncing back and forth. Where we look to stay, you know, right around median, a little bit above. Obviously, we don't want to be below over the course of multiple market cycles.

The other component of this, and it's difficult to really pull out the specific data here, there are much different size and risk profiles within this comparison within the peer set of the 20 billion size real estate portfolios. It's just a very small group. So there's a handful, right. We know who the large groups' peers are. Within those, again, we're in -- we're in the median. I think it's a lot of -- you can significantly attribute it to the high core component within our portfolio. It's consistently been in the 70-plus percent range. Others take a lot more risk and then, you know, in times of volatility or times of distress, will underperform. In times of a rising market, will outperform. But our goal for obviously, you know, long-term pension beneficiaries is to be slightly above median over multiple cycles.

MR. CHAIR: Any other questions?

MR. L. TAYLOR: If I could just end on one thing, Mr. Chair, and that's sort of -- kind of sum a number of things up. Just sort of taking it back to the exercise that we did several months back with asset allocation, we added 2 percent to the real estate asset class and added that non-core exposures from a target

perspective. Currently, we're at a little over 9 percent in terms of real estate as it's comprised, total portfolio. So there is some headroom for us to start taking advantage of opportunities in this space that -- where you're going to see some opportunities and, in a way, to be thoughtful in terms of how to look at the portfolio going forward. So we're not necessarily in a position of having to think about how to reposition an existing portfolio, but we have the advantage of thinking about how to build out and further construct a portfolio in light of the current situations with new dollars.

MR. CHAIR: Any other questions?

Okay. Thank you. Thank you, Townsend. Appreciate that.

So now what if we say that we reconvene at 1:10, so we take a break and come back by 1:10 with your food or without? We appreciate that. Thank you.

(Recess from 12:51 p.m. to 1:11 p.m.)

MR. CHAIR: This section is about portfolio concentration risk. The IAC had raised the question of our markets becoming concentrated and what is the risk. So there's two parts of this. One is Verus, materials are included in this tab five. And then the team here at the SBA also has some --

How did you want to start that, Lamar? Do you want to start? Or, Verus, go ahead and start.

Okay. All right. Verus, over to you. Thank you.

MS. NEILL: Thank you, Mr. Chair. And good afternoon, everyone. Hopefully you can all hear me well.

I'm Eileen Neill with Verus, managing director and senior consultant. And joining me today is Mark Gesell, also a consultant with Verus.

So we were very happy to work with you all on this project. And we'll walk through a couple of different topics. For table setting, we thought it would be helpful to briefly discuss the capital market theory that typically is relied upon to support investment decision making by bodies such as yourselves, as well as the best practices by funds similar to the SBA. Then we'll review the historical

US equity market concentrations, that's the focus of our review and analysis. And then specifically, a comparison of the cap-weighted versus equal-weighted portfolio -- or market portfolio structures. And just then make a couple of comments about tactical decision making versus maintaining the market benchmark. And then conclude and turn it over to Lamar and team.

So before we start, though, as the focus is on index concentration, we thought it would be helpful to talk about the -- how we see index concentration in terms of what the causes are and how that affects whether or not there should or should not be concern about the level of concentration.

So in our view, index concentration is most often just a reflection of the economy that is driving or behind that market, underlies the market. So if an economy has achieved global leadership in certain industries -- so right now, I think the US would be considered a global leader in the certainly tech and related space, then that translates to being global -- those global corporations generally taking up more of the market index exposures. Global leaders generally hold strong pricing power, so that enables them to typically generate strong earnings growth, which then obviously is passed on to shareholders in the form of dividends or deems or both.

And then on the other side, investors -- or the demand is typically greater for those businesses or global market leaders because of the expectation of higher earnings and higher returns. So we would call that sort of a normal concentration and not a concentration level that would spur concern or action on the part of the board.

Index concentration can occasionally be a reflection of a market bubble, and we certainly saw that during the dot-com era. I think Bitcoin was kind of a mini bubble that we saw recently. And then during COVID, there was a period, a bubble period as well, which subsequently was followed by valuations coming down. But in those market environments, typically the companies that are driving that concentration don't tend to reflect those

cash-flow based earnings or maybe even would be in negative earnings situations, which was the case for many of those internet-related companies back in the 1999, 2000 era. And that certainly, we would view as unhealthy concentration, and maybe would be worthy of spurring a discussion and potential action -- be a basis for action.

So turning to the prevailing capital market theories, we wanted to touch on these because, as an institutional public fund, your decision making is typically driven by adherence to establish capital and investment market theory with respect to those important strategic and implementation decisions. And it's because you're fiduciaries. And as fiduciaries, you're required to adhere to a prudent investor standard. And you have Florida statutes which further require good fiduciary oversight.

So the strategic decisions, the decisions that you make as a committee, relate to setting the asset allocation policy as well as benchmark selection. And then the implementation decisions that would rely on prevailing capital market theory is the asset class structure or asset class strategy selection, which obviously staff has been delegated.

So the two prevailing capital market theories then are modern portfolio theory or MPT, and capital asset pricing model or CAPM. So, MPT is the mathematical framework, i.e., the main variance analysis process that is employed by investors, SBA, to identify that total fund portfolio that is multi-asset and provides that desired level of investment return at some minimal level of risk you're willing to tolerate.

The second, CAPM, is really focused on the equity asset class structure. And it is predicated on modern portfolio theory and assumes that the capital market portfolio is the most efficient portfolio, i.e., the highest returning market portfolio is the highest returning for the level of risk or data.

And so when we think about the best practices then that institutional investors employ, I basically outlined four here, and that is, you know, again, the reliance on these

degrees for making those strategic and implementation decisions. MPT is the industry standard approach to setting the asset allocation policy. You employ it here at SBA.

And as you recall, that process involves, as inputs, expectations for return risk and correlation for the capital market. And those inputs are always represented by some capital market index as a proxy for the asset class, right? So for global equities, it's the MSCI ACWI. For US equities, it's typically the Russell 3000, et cetera. So it is those cap-weighted indexes that serve as the index proxy. So they're very directly tied to that asset allocation policy.

And it also reflects the conviction, and this is another theory, the fundamental law of active management, that the broadest market opportunity set typically maximizes the probability of meeting those asset class expectations for return and risk in that asset allocation policy.

The third best practice relates to benchmark selection. And you all went through this process, I believe, back in June. And that is that public markets, again, benchmarks are based on the broad cap-weighted market indexes. And the main reason is because they tie directly to those proxies that were employed in developing the asset allocation policy. So benchmarks are very important. They are how you measure how well the program is performing and meeting those expectations set at the asset allocation policy setting process. And they need to be reflective, importantly, of the asset class structures or they provide guidance certainly to staff in developing the assets.

And then the fourth best practice is that with respect to public equities, the asset class structures today generally are market risk neutral. So there are no prevailing or predominant style, size, or other risk factor tilts that would be meaningfully away from the, again, capital market based index. So the best practices are heavily reliant on those capital market cap-weighted indexes, if you will.

So now we'll look at the evolution, if you will, or dive in more deeply into the US capital market. And we're using the S&P 500

because we could get data going back further and more characteristics. We understand the Russell 3000 is your benchmark. However, the S&P is something like 92, 93 percent of the Russell. So it's not too dissimilar.

So what we see here is since, certainly the early '90s, there has been a couple of periods and the most recent period being a time when there has been, certainly evidence of strong market concentration in terms of the top ten exposures or stocks in the index. So the question is, is it normal or is it unhealthy today?

When we look at the S&P compared to other countries and other -- or more global capital market indexes, it doesn't look terribly concentrated. Now granted, some of those market indexes are smaller, but certainly you look at the MSCI emerging markets or the Stock 600, those are both indexes with well over 500 securities. The S&P is not really meaningfully different from those in terms of concentration.

And then on the upper right-hand side -- oh, and this is -- I'm sorry -- slide 195 to those of you on the phone or online. Hopefully you're following along the charts.

When we look at the top names in each of these indexes in the S&P 500, it's Apple. It's roughly between 6 and 7 percent. And you can see, again, it's sort of middle of the pack or even lower exposure relative to some of these other indexes. And then the -- I don't know if you recognize -- some of you may recognize the Herfindahl-Hirschman index graph on the lower right-hand side, that is a measure of market concentration. And what it does is it basically calculates based on percent of market share of stocks per industry and aggregates those -- aggregates all of those exposures to come up with a score. And a score of less than 1500 is considered to be a competitive market. So it looks like all these market indexes are competitive.

A concentrated market would have a score of 2500 or greater. No -- none of these indexes are even close to that. But when you look at the S&P based on this index, again, it does not look to be terribly concentrated.

So kind of looking at the next level into the composition of the S&P 500 based on sector,

we look at sector or industry because changing market concentration can be explained by trends in industry. So we could see the tech IT sector, information technology, is the dotted line, which, you know, clearly in the bubble period, rose very quickly. And if you look at the beginning of that line, you look at close to that January 1990, it was hovering right at the 5 percent mark. So that was a rapid and very rapid ascent in between, again, that '98, '99 period. And then obviously a rapid decline. But then if you look at the trend after that, it's been more of a nice steady march upward until sort of the pandemic, right? And then it obviously is at the level that it is today.

Other interesting trends is energy, which is kind of the thick, dark line that peaks and then goes almost straight back down to the bottom. That was, at the beginning, 15 percent back in 1990. It is, today, just hovering at around 5 percent. So big decline in energy. Similar declines or large declines in materials and industrials. Healthcare was just around where tech was at 5 percent in 1990, and it is, today, right about 15 percent. So clearly the US market has changed quite a bit in terms of industry trends since -- over the last 30 or so years.

So if we just continue looking at sectors and industries and focus on the top 10 in the S&P 500, here we can go back to 1995 and you could see that the top 10 stocks were more diversified back in 1995 than certainly today, and this is as of the end of 2023. But this tells us a number of important things. Number one, back in 1995 and 1998, there were almost 10,000 stocks, publicly traded stocks, in the US market. Today, there are 2800. There's even less stocks than your benchmark, right? So a huge consolidation in companies and stocks.

Now, a lot of that is tied to the outsourcing. Because remember, NAFTA was going on back there in the mid '90s, late '90s. And manufacturing clothing, consumer goods, so much was offshore. So that was a big factor. Another big factor was the regulation that occurred post the GFC. So companies are staying private for longer and maybe forever,

and that has let the remaining companies, those tend to be larger than they were in the past as a result. Because they're already in existence, they're already -- you know, have the infrastructure to comply with all of the regulatory requirements. But those are factors that have caused, we think, another sectoral shift and really led to the concentration that we see today. However, when we look within sectors -- so we drill down yet another level to industry, we could see that it's the IT or those tech-related, the Mag 7 in particular, they're not monolithic. They are actually spread across a handful of sectors, but very different sectors.

So, you know, we highlight here Tesla. The auto business is very different from Amazon business, right? Distribution in retail. And those are different from Nvidia, so -- and then the rest of the stocks, the other 493 that are kind of in -- way in the background these days are pretty well diversified. So, again, we believe that this is reflective of normal concentration.

And then the last sort of concentration

metric that a lot of folks focus on, and we do, too, is valuations. And evaluations are higher today. In fact, if you look at the chart on slide 199 on the upper left-hand side, where we are today is that 80th percentile. So if you look on the X-axis, current P/E percentile, that's where we're at. We're at 80. So we're not at the 90th. So if you observe on this chart, and this is 70 years of P/Es that are both trailing and observed from the S&P 500, it is in those tails, the 10th and 90th deciles, where we really see strong mean reversion. But once you start coming away from the tails, it really tapers in.

So, again, given what we've observed historically, and if you look at the chart on the lower right-hand side, kind of show you, point to, where on this trend line -- and what this trend line represents are actual annualized returns based on trailing P -- or PEP ratios from the prior three-year period is definitely a downward trend. So we do see some of that mean reversion. But, again, none of those produced returns below what we currently expect. Our 10-year forecast for US stocks

right now is about 6 percent.

So, again, stocks are overvalued. We acknowledge that. And actually the overvaluation is concentrated in those Mag 7 stocks. When you look at the other 493, they're not quite so overvalued. They're much more closer to that 17 or 16 times P/E. And even undervalued in several industries.

So with that as a backdrop, I am going to turn it over to my colleague, Mark, to review the specific comparison of cap-weighted versus equal-weighted benchmarks.

MR. GESELL: If there are no questions at this time.

So at the outset, Eileen reviewed for you the theoretical basis when using a cap-weighted index to get your beta exposure. We also felt it was important to consider the behavior of an alternative approach, specifically an equal-weighted index, such as the equal-weighted version of the S&P 500. And, again, this is not because it's one of your benchmarks but because it gives us the longest available history with which to make the comparison.

So inception -- the live inception of this index was 2003, but they backfilled it so we can get all the way back to the early '90s to get us a really long history. And what you're seeing here at the bottom is essentially the rolling one-year performance of the standard S&P 500 -- excuse me, of the equal-weight S&P 500 minus the performance of the standard. So bars up at the top is when equal weight outperformed. Bars at the bottom is when standard weight outperformed.

You can see that there are periods of outperformance for equal weight in a few of these segments in the last 30 years, especially after the dot-com bubble in 2000. And after 2008, global financial crisis. And you can see there, right to the right most in there, that there's been mixed results since 2020.

This time frame also includes prolonged periods of underperformance by the equal weight, most notably in the run-up to exactly those same three events.

So I essentially acted as Eileen's quant on this project, and we ran some factor base -- some factor analysis on both of these indices

in order to understand how the current equal-weight index, which we can compare to the current S&P 500 which has the concentration in it, want to see how that equal-weight index might perform during such crisis period -- similar crisis periods to what we just showed you. And this type of analysis enables us to apply these historical shocks even to securities that might not have existed during the periods considered.

For example -- although Nvidia did go public in '99, so it was a tiny stock back then. I think Facebook wasn't till 2012. Google was like 2003. And I think Tesla was 2010. And so a lot of these Magnificent 7 stocks didn't exist during these crisis periods.

So what the factor model does is it takes a lot of the metrics, say price to book or a projected earnings growth, and it takes slices and dices by country and by currency. So you end up with a -- it's essentially a gigantic regression model for each of the securities in the index. And a bunch of these variables together into what are called factors, and we estimate the factors over the full history.

So comparing the hypothetical drawdown of the current equal-weight index to that of the standard-weight index, we see that the equal weight generally shows moderately larger drawdowns during major historical events. So what we're doing there is sort of removing -- we're using a sledgehammer to sort of remove all concentration from the S&P 500 and seeing how that performs in drawdowns. And the equal weight -- once we remove those concentrations, actually does perform a little worse in drawdown. So, for example, the equal-weight index would lose 54 percent during a GFC type of event compared to 51 percent for the cap-weighted.

So drilling down into the model a bit, and this is as technical as I'm going to get, this reveals which factor groups contributed most to these performance differences. And, again, these are the characteristics in aggregate of the stocks in the indices. And these are Z scores, so anything greater than a positive or negative .2 on this chart is meaningful.

Unsurprisingly, we observed that the

equal-weight index has less exposure to the size factor, the characteristics of the largest stocks. So no surprise there. And, therefore, it's more correlated to smaller companies in the index.

And this -- you know, I think it's not too much of a stretch to say that that contributes to deeper scenario drawdowns. One interpretation for this is that portfolio managers may see larger companies as safer to hold through the initial stages of a draw -- of a market dislocation.

Also looking at the factor exposures on -- is kind of related that the standard cap-weighted index has a higher exposure to earnings quality, factor group. An example of that would be cash earnings to standard earnings. So that may also contribute to lower scenario drawdowns for the cap-weighted index.

I think for most -- perhaps the most important takeaway from the factor analysis in this page is that the equal-weight index has significantly more exposure to value stock factors, like price to book, and significantly less exposure to growth stock factors, like projected growth earnings. And therefore, the equal-weight index could be considered an implicit-of-value bet, so -- and confirmation of this can be seen in the way we showed you that equal weight outperformance sort of corresponds to periods of value outperformance, namely in market recoveries.

And then finally in this section -- so in addition to weighing the possible outperformance of equal weight against the somewhat unfavorable drawdown characteristics and the hidden style and size risks, it's also relevant to examine the relative risk efficiency of equal-weight index in the context of portfolio theory, which we talked about a little bit at the outset as well. One way to do that is to compare the sharp ratio of both indices. And as a reminder, a sharp ratio is a risk-adjusted return, it's a return in excess of cash divided by standard deviation.

And over rolling periods, this comparison shows that on average, the equal-weight index has been no more risk -- risk efficient than the standard cap-weighted S&P 500 index. And this leads us to a question. So if this sort

of deviation from a cap-weighted benchmark essentially represents a set of active tilts, the question is, is this the best use of the funds active -- of a fund's active risk budget? And our view is that this is not a -- it is not a compelling or consistent enough a source of active return.

And it's also important to emphasize that implementing an equal-weight US equity portfolio structure, as we showed, has a high probability of exacerbating negative equity returns during drawdowns -- large drawdown environments, which is precisely the risk that you've mitigated against with the carefully constructed strategic asset allocation policy and implementation.

MS. NEILL: I just wanted to spend a minute on tactical decision making and there was a little bit of discussion during the real estate section, I think, along these lines. And that is, you know, even if opportunities seem compelling or risks seem compelling -- I think in this case, we don't think the risks are as compelling, but say that they were, it's very difficult. It's a really difficult decision to make with respect to, you know, what we do about it, right? You have to determine what your course is going to be, how you're going to implement it in terms of how big you're going to pivot away from your target structure, when you will do it, the cost associated with pivoting away, and importantly, getting back to your target structure. Because the benchmark remains the benchmark for the asset class no matter what the underlying implementation decisions are. You're simply measuring those implementation decisions against the benchmark. And I thought that this data was interesting. Vanguard produced this to show, you know, what the potential cost is in terms of return give-up from pivoting away from, again, here, the cap-market benchmark to some alternative type of benchmark. And it can be very meaningful is the point.

So you make the asset allocation decision to deal with equity risk mitigation through allocating to diversifying assets. And so within the structure, the implementation decision has to be managing the active as well as the risk factor exposures relative to the

benchmark, in this case, the Russell 3000.

So just to kind of conclude and sort of summarize that public funds, large public funds, most public funds tend to mitigate risk through the asset allocation policy. And we are, those of us that are consultants and working with large public funds, are very cognizant of the drawdowns and conduct the types of scenarios that Mark showed you in order to help clients understand what -- how to size that equity exposure in order to achieve their objectives but not exceed their risk tolerance, and that the best practice is to make that strategic decision and other important decisions really guided by the prevailing capital market investment theories. In fact, a lot of investment policy statements -- the clients that we work with will actually articulate that the decision-makers, fiduciaries, will avoid decision making that is based upon, you know, behavioral biases or other non-theoretical premises.

In terms of the US equity market, we think it demonstrates an average level of concentration relative to some other markets, and really not a level of concentration. If you think of the Herfindahl-Hirschman index, that would indicate that there is a lack of balance in our economy from the different industries that are currently leading.

There is not evidence of sort of what we call common factor risks. So risks associated to either the meaningful decline in GP or meaningful increase in inflation, which affects all asset classes. At least at this point in time, the Fed seems to have reigned in inflation. And, you know, growth seems to be still chugging along at a steady pace. So we don't foresee or feel that there is a bubble or any other indicators that would preclude -- that would precede a precipitous equity market drawdown. And we think that pivoting away from a cap-weighted equity structure to some alternative structure, as Mark demonstrated, would really introduce additional risks. It would introduce a style bet, it would introduce the size bet, as well as a quality bet, and would increase tracking error.

The tracking error between the

equal-weighted and the cap-weighted index is something on the order of 4- to 500 basis points, so it's not insignificant, it's pretty large. So, again, we rely on prevailing capital market theory. Any systematic bets away from the capital market exposures, as Mark indicated, are not expected to be consistently rewarded. However, that said, we think that there is a role within the equity investment asset class for potentially implementing, as an active management strategy, an equal-weighted or some other alternative-weighted strategy. And a lot of funds do that, whether it's through you know, some sort of systematic beta or other type of exposure as just simply another manifestation of active management.

And I think Lamar is going to be discussing that now. So happy to entertain any questions, otherwise we'll turn it over to Lamar.

MR. CHAIR: Yeah, I'm actually happy, Lamar, to turn it over to you now. And then we can ask questions at the end if we think we're off course.

MR. L. TAYLOR: Happy to do that. Just, I need to grab the clicker.

So thank you for that. And I thought it was important -- I think, you see there's two sets of materials here. There's Verus' material, which is very excellent. I thought it was important to kind of have Verus provide sort of a high-level overview in understanding the foundations around capital market theories, cap-weighted indices in terms of -- you know, particularly for large institutional investors like ourselves, and the importance of that and how fundamental they are in the asset allocation process, even though they may lead to exposures -- lead us to the point we're in now, which is that certain of these indices do have significant exposures and concentration.

And so then the next question is, well, in light of that, notwithstanding that, are we comfortable that the overall exposure at the State Board of Investment, State Board of Administration with respect to the Florida retirement system investment, is sufficient, or at least our risk mitigation is sufficient? And the short answer is, I believe, yes. And I'm going to try to get to the punchline first.

Yeah, so I'm going to -- so this is the slide, I think, that really just addresses it. And the reason why I feel like ultimately we are fine at the fund level with respect to the exposures is three things: One, portfolio construction within the global equity asset class. Two, active management within the global equity active asset class. And three, asset allocation at the total fund level.

So if you look at -- there's three pie charts on the page here. The upper left pie chart is the Russell 3000. That is the benchmark that we use with respect to domestic US exposures. And as a function of that, which is at least in terms of our passively managed book, that's about half of the global equity exposure. And so the Russell 3000 index is about 25 percent the Magnificent 7, if you sort of look at that as a benchmark. So that's pretty significant with respect to seven names. That gets mitigated, watered down, across the portfolio by virtue of the fact that the Russell 3000 is not the asset class target, the asset class target is a global all cap MSCI ACWI all-world index. And that benchmark only has a little over 15 percent exposure to the Magnificent 7 names. And so when you look at the global equity asset class as a whole, that 25 percent gets whittled down to 15 percent just in terms of target exposure.

What's not in this slide here is the fact that then when you -- and I'll flip to it. If you go down even one more layer, which is within the global equity asset class, we have multiple strategies. And so there is a dedicated global strategy. It's about $10 billion of AUM within the asset class. And that benchmark -- the -- and that's where we have all of the managers in that segment. Those are actively managed portfolios. And that's the middle section of columns there. So there's a chart on the page that has, like, nine columns. The middle three columns relate to this dedicated global aggregate group of managers. And you can see that their benchmark, which I believe is the MSCI ACWI, I believe, has an 18.69 percent weighting. But they are underweight almost 6 percent. And so from an active management perspective, they are doing some of the things -- they have some of

the same concerns that a number of people have that maybe there's overvaluation in those names. And so they've taken an underweight to those names. So there's some -- an example of active management that helps further mitigate the risk.

And so when you look at the overall SBA exposure at the global equity level, it's even actually -- it's a hundred basis points even below the entire global equity target. So active management has further reduced that exposure.

And then finally, and I'll go back to this chart, asset allocation. And that's the bottom right chart. So just overall, when you look at these seven names as enormous as they are, they represent something like 7 percent of the total fund. And that exposure is diversified across multiple asset classes, so real estate, private equity -- which by the way, has zero exposure to the Magnificent 7 -- a lot of private credit exposure, a lot of very diversifying exposures relative to equity that further mitigates the risk from the Magnificent 7.

So I think in a nutshell, I think overall, we're in a good spot. The one thing I would point out is this diversification was very helpful to us in 2022. That's what this chart here shows. In 20- -- so calendar year 2022 -- and what you've got is basically it's sort of a cumulative value of a dollar over that calendar year. If you had a dollar invested in the Magnificent 7 in the dedicated global agg, in a specific strategy within the dedicated global aggregate, which is called Sinensis, which is an equal-weighted factor based strategy and the Russell 3000.

And so you could -- the orange line is that Sinensis portfolio, which has very, very low exposure. I think it's, like, 2 percent exposure to the Magnificent 7. You can see it significantly outperformed the Magnificent 7 over that 2022 period when the Magnificent 7 really underperformed. The blue line -- the middle line, that's the dedicated global agg. It also significantly outperformed the Magnificent 7, but slightly underperformed Sinensis. The point of all that is to show that, with respect to about $10 billion of assets within global equity, they were very

diversifying against the Magnificent 7 in a very specific point in time.

What's not shown in this chart is the cost of that, which is, if you go back to 2016, particularly the Sinensis portfolio has underperformed the Russell 3000 pretty significantly over that period of time. So it is diversifying and it paid off in 2022, but there's a cost of sort of being over -- you know, not being in areas where there's momentum in the markets and where we've been paid for it.

And the final point I'd make with respect to the Magnificent 7 is, you know, to kind of go back to Verus' presentation. There's a difference between healthy concentration and unhealthy concentration. And you saw the unhealthy concentration in the dot-com era where we had this big spike in tech names, and then it collapsed. And what you saw, you know, by comparison -- or what you're seeing by comparison with respect to these names is a much more prolonged buildup of capitalization, which could frankly be a -- you know, sort of a systematic shift and acknowledgment that everything is tech today. And these companies have a huge advantage in that space. And frankly, are more like more legalized monopolies than regulated monopolies in many aspects. So it's not inconceivable that they may continue to have -- create a, you know, value to us, you know, on a relative basis going forward.

And the final point I would make is also to underscore Verus' points. Like to the extent, you know, there was going to be further action taken to kind of further mitigate this risk with respect to the Magnificent 7, essentially what that is is active management. And so then -- you know, and that will generate tracking errors relative to our benchmark. And so that would entail an analysis of exactly how is the best way to spin that risk budget? How's the best way to spin that tracking error? That's not something that specifically, you know, with, say -- with respect to an equal-weighted benchmark, whether, you know, an equal-weighted benchmark, which is one of multiple options of actively managing a portfolio, whether that's the best way to spend

that risk budget is still an open question. It would point out that, you know, it was also our determination that just looking at an equal-weight Russell 1000 relative to the global equity target, it's generating something like 573 basis points of tracking error. That's a lot of risk budget. And so you would hope to generate a lot of alpha if you were going to spend that kind of risk budget.

So long story short, I think it was a great question. It was a fantastic exercise internally. We spent a lot of time thinking about portfolio construction, about how exactly -- you know, because this -- it's an open question. I mean, it's a real question. A lot of people are asking it, the concern of the exposure to the Magnificent 7, and getting comfortable that ultimately, I think we've got a good process in place to mitigate that risk. And so ultimately, I think we're in a good spot, but are happy to answer any questions.

MR. CHAIR: I mean, to put a point on it, you're saying even if they were all disasters, the way you're doing this pie chart, you know, it's 7 percent of the total exposure.

MR. L. TAYLOR: Right.

MR. CHAIR: So that's 7 percent that's working for us if they work. And 7 percent that works against us. But it's not 20 percent.

MR. L. TAYLOR: Right.

MR. CHAIR: That's the point. And, Tim, I just wanted to put a point, in your pursuit of active management, specifically outside the United States, that is all diversifying away from the Magnificent 7 in essence, right? Because there's no Magnificent 7 in the international?

MR. T. TAYLOR: Correct. So, yeah, we're really managing our risk budget of 75 basis points to a global target, to the point that Lamar made. So, you know, we have a lot of diversification, a lot of countries, several thousand more stocks that we have the ability to invest in. So that will limit our concentration to this market. The Mag 7's all in the US.

MR. CHAIR: Thank you.

MR. P. JONES: Yeah, this is Peter Jones. I was just going to say that was an excellent

question that was raised, and I thought this was a very compelling analysis to give a comfort level. So anyway, I found it very insightful.

MR. L. TAYLOR: Thanks, Peter.

MR. CHAIR: Any other questions?

Okay. So let's keep the agenda rolling.

Thank you, Verus. Thank you for coming to this.

MS. NEILL: Thank you.

MR. CHAIR: All right. We're into the SIO updates. And, Tim, speaking of equity, global equity --

MR. T. TAYLOR: Yes.

MR. CHAIR: -- why don't you get us kicked off?

MR. T. TAYLOR: Thank you, Mr. Chairman.

I'll give you an update on the markets for 2022. And as we know, it was a strong year. You could say that in the fourth quarter alone, the equity markets had a good year. That was just the fourth quarter. For the year, as you can see, our target ACWI was up almost 22 percent. And it was really led by the US. The US was up 25 percent. Developed markets outside the US were also up 17. And even emerging markets were positive, only up 12 -- they were up 12 percent, which is a good return. China was a disappointment for many. Many thought China, coming out of COVID, would have a good year because they had a bad year in 2022. They thought 2023 would turn the corner. Well, China was actually negative, but unable to drag down all of the emerging markets. Markets like India, Taiwan, South Korea, all powered ahead.

The markets -- a lot of enthusiasm. You think back, it hasn't been so long ago, but in December, people were thinking, you know, we're going to have five or six interest rate reductions, you know, in 2024. That has been scaled back. Now, maybe it's -- people are expecting two or three or four. Now that's under question. Maybe because of the inflation numbers, we won't see those. But there was a lot of enthusiasm in the fourth quarter. Much of the enthusiasm has continued on this year. This year to date, our benchmark's up 6 percent. Again, the US is leading the way. This is through year-to-date 2024.

So how did we do? In this very strong market environment, in the fourth quarter, we trailed modestly, I'd say by seven basis points. For the full year, we provided a return of almost -- well, 21 and a half percent. So we slightly lagged the benchmark. And, you know, in such a strong year for markets, I'm not too disappointed in that return. We did lag, but I would expect this to lag. Generally, when we see markets like we have seen in 2022, a lot of companies go up. Companies that maybe their earnings quality isn't that good, they go up. So, as an asset class, we have more of a focus on higher quality companies, let's say. And so I'm not disappointed to see that.

This next page will just give a quick snapshot of -- these are our active aggregates. We have a very large -- as Lamar said, 50 percent of the asset class is passive -- and a very successful, I would say, passive strategies.

For the quarter, our active aggregate's underperforming a little bit, really led by foreign developed large cap and dedicated global. Also, US small cap was below the benchmark. And you can see there the performance of other aggregates. You know, really in terms of strategy, the idea is to try. When some strategies are challenging in terms of performance, when they're underperforming, we have other strategies that will outperform and add value. Unfortunately, we've seen in the last probably three years that the more challenging areas of active management have overwhelmed where we have been successful. And that has led us to underperform.

Finally, Mr. Chairman, just a quick update on what we've been working on. We've talked about the asset allocation. We're going to continue to implement that. As mentioned, we have been extremely fortunate thus far. We've raised probably 5 to $6 billion, and we've moved it on over to the fixed income group. The markets have been very good for us during that time.

In fact, even though we have shipped 5 to $6 billion out of the asset class, the absolute value of global equity, since the beginning of

the year, is actually up about half a billion dollars, which will give you an idea of the strength of the market.

Internally, we're putting final touches to the restructuring of our dedicated global aggregate. We've tried to -- as I've mentioned before in this meeting, we've tried to change that aggregate a little bit by adding some more diversification, adding some more growth managers, adding value managers. In the past, it was a market preservation aggregate. We're trying to make it more fully diversified.

We're also finalizing an emerging market search. We'll be hiring some emerging market managers. The recommendation is pending. And we're going to be implementing that over the next several months.

Finally, I will remember -- I will also note that we continue to be a significant provider of liquidity to support benefit payments in addition to the asset allocation. In quarter four, we raised $2.2 billion. So for the full calendar year, we raised about seven and a half billion dollars. And always, I think, a very remarkable statistic, since

July 2010, when global equity became an asset class, we've provided over $80 billion of liquidity since that time.

So, Mr. Chairman, that's all I have to say. Any questions, I'd be happy to answer them.

MR. CHAIR: Any questions for Tim?

Okay. Trent.

MR. WEBSTER: All right, thank you, Mr. Chairman.

This is performance of strategic investments. We underperformed over the one and five-year time periods, and we outperformed over the three and 10-year time periods. The calendar year underperformance was driven primarily by a timing issue. For some of our funds, we used a public markets benchmark, which was reflective at the end of the quarter -- of the fourth calendar year quarter, but the marks, the last accounting statements we had, were of the third quarter. So that's part of it. Part of also is that we have -- some of our funds are benchmarked to a real return benchmark. And the strategies in those -- or those strategies benchmarked to the

real return benchmark have struggled a little bit.

So we think that calendar 2024, it won't be an immediate catch-up, but we do think that you will see some of that underperformance narrow in the coming months.

See here, we were cash flow positive or negative for the year, 185 million. Our pacing slowed down. We closed on $1.7 billion in our calendar year. We typically closed between two and a half and 3 billion. During the pandemic, we were as high as five and a half billion. So you've seen our activity really slow down over the last year or two. But we currently have 14 funds in our pipeline.

The new strategic investments 2.0 as a target of 2 percent has a pretty wide range of -- between 2 and 14, and it will be comprised of hedge funds, which will have an allocation of up to 2 percent infrastructure at one, insurance up to one, and then what we're calling opportunistic at 0 to 5 percent. There are certain strategies which we believe you shouldn't have a set allocation to, but you should have a ceiling. You can find those investments, which we think are positive. We don't think you should be forcing money into those markets.

And that's what the new portfolio looks like -- will look like. We expect that the diversifying hedge funds will, in this pie anyways, will grow. The growth hedge funds will decline. Infrastructure will decline. Insurance will grow. Activists will stay above the same. Timberland above the same. The legacy assets will go down. The legacy assets include things we used to invest in in the past. So we used to have a suite for private equity. We're not doing that anymore. We used to have a suite for real estate. We're not doing any that anymore. But we underwrote it, so it stays in our asset class. So that will run off over time.

Hedge funds are currently two -- just under two and a half percent of the total fund. We're going through a pretty significant restructuring in hedge funds. We used to say before we didn't have a hedge fund program. We had a program that included hedge funds. Well, now we have a hedge fund program. So we've

defined some of the characteristics and given the asset allocation and the restructuring of strategic investments -- we were waiting for the final go-ahead before we started doing things. And we started doing things. And we've had the most significant restructuring of, you know, hedge fund books since we started this 12, 13 years ago.

Infrastructure, this has been a long running theme of ours. Our opinion is that core and core-plus infrastructure is pretty overvalued. So our strategy is to invest in smaller, more niche year strategies or more lower and middle market strategies where you can up-sell bigger funds. So we've been getting smaller in infrastructure. So we've moved away from the big 20, $25 billion funds in infrastructure and are focusing on smaller ones. Not entirely. We've got one that we're keeping, but for the most part we've been reducing our exposure there.

We love insurance. So this is another drum we've been beating on for a while. Insurance returns over the last few years have been pretty poor until last year. Last year, our book generated a -- it was a 22 percent return after fairly flat for four or five years. If you live in the state of Florida, you know what's going on with your housing insurance. Well, that's benefiting us because you've seen a hardening of the market. One of the good things that we really like about this, and we put $400 million into the January 1st renewables -- or renewals, I'm sorry -- is that you're not seeing a lot of capital come in. And so typically in an insurance market, and it's very cyclical, but typically good returns are followed by capital that's coming either through new participants and new formation of companies, or an increase in allocation from people like us. Insurance bank securities really didn't exist 15 years ago. It was primarily a cap bond market. Reinsurance market is a 5 to $600 billion market. And ILS became an 80 to a $90 billion market over the last 10 years. A lot of that capital's been spooked, and it has shrunk. So that ILS is maybe 60 billion today.

And the ILS providers or private people like us (audio disruption) boards like

yourself. And currently, there's a lot of discussions. From what we're hearing from our managers, there's a lot of boards who are very gun shy about what's happened to insurance over the last several years. Returns have been poor. There've been some dramatic collapses of some of the entities. So that's causing boards to be cautious on their allocations to insurance. So you're not seeing much of a movement, at least yet, from big pension plans. So we think this hardening market could be like this for a while. We do expect pricing to come down a little bit. But we still think the returns will be above normal for the next few years.

We're also taking a look at Lloyd's of London. I was over in London last week meeting with top management at Lloyd's, and they're looking to raise institutional capital. We think that's a fascinating market. Whether or not we get there, I don't know. But that gives a lot of diversification from different perils and different lines of business away from property catastrophe, reinsurance, which is what we're primarily exposed to. So there's some interesting things going on in that market.

MR. CHAIR: Hey, Trent, just on the point about the capital flows. There were also -- you know, when the markets were really tough and then the premiums reset, there was also some hedge fund money that pursued it as well.

MR. WEBSTER: Yeah.

MR. CHAIR: Is that drying up, probably because of lack of leverage or is that part of this equation of the lack of -- you're basically saying, it's not going to follow the last cyclical patterns is what you're --

MR. WEBSTER: Well, it doesn't appear to be. So you are right. You did have some hedge fund money come in, it seems like after the Berkshire Hathaway meeting when Azure -- got up and said, we really like reinsurance, and then a bunch of money from the hedge funds came in. But you really haven't seen it in other capital providers.

So you have some traditional hedge funds which do fund these strategies, but it's not a big chunk of the market. So there are certain markets in -- like in CAT bonds, you've seen in

a pretty dramatic narrowing of spreads. And the way the insurance market works is if you kind of think about risk tower as kind of like a balance sheet, the top of the balance sheet in, say, a corporation would be the senior loans, that's the most risk remote. In insurance, those are CAT bonds. So CAT bonds might have a 1-in-50 or 1-in-100-year event, so that's less risky.

So what happened is that everybody who was still involved in the insurance market went scampering up into the CAT bonds, which caused those spreads to narrow. But what also happened is that in kind of the mid-tier risk levels, you started seeing terms tighten and risks went higher. So attachment points went higher. So in the parlance of say -- in say, you know, in corporate credit, if you saw, you know, terms of leverage get lower, terms get tighter, covenants get tighter, that's what's happening in the insurance market. So not only have the returns gotten much better, but the risk adjusted returns are way better. And I've been in and out of the insurance markets for 25 years, and I've never seen a market as attractive to what we're seeing right now. And that's what participants are telling us as well.

So we think this is a really good area, and we would put more money into the market on January 1st renewals if we were able to. It was just a matter of where we could put the capacity with our managers at the time. So we think this is a really good market. And the mean loss expected return is in the mid-to-high teens, currently, amongst our funds. So if you have, like, just regular natural disasters throughout the world with hurricanes, fires, earthquakes, if that's just normal insurance, our funds will generate a 15 to 18 percent return. You dial back the clock, say eight, ten years, that mean loss return was maybe 5 or 6 percent, right? So you're -- it's really gotten really strong.

And the way I kind of look at, it's probably over a cycle that should be somewhere around 8, 10, or 11 percent, right? So now you're getting at 15, 16, 17 percent. But if you have -- if perils are -- there's a lot of disasters that will -- obviously the returns

will come down. But from what we're hearing in the insurance markets is that if you do have an above-average storm season, the market could get very disorderly and some coverage will not get placed. So we think that's a good place to be.

And one of our continued (audio disruption) themes has always been try to find pockets of opportunity where there's not a lot of capital. Try to avoid those areas where there's a lot of capital because we think over time, you probably get paid better on the risk by going where there's not a lot of capital. But we like insurance right now.

So in opportunistic, this is where we -- were our activists in Timberland are. We also have something called an innovation portfolio, that's -- Jim had mentioned earlier about having a flexible pool of capital. That's where we kind of think that that will be. We're looking at one fund right now that would fit into that related to a -- bank. Whether we get there, I don't know, but we're looking at one or two things.

We've carved out private credit. Private credit is currently 4.7 percent of the total fund. We've been involved in private credit for 20 years. And new, private credit will be defined as basically non-equity financing, which makes up a good chunk of the original strategic investments. One of the things that we're going to do is we're going to focus more on income generation. And you can see this is what our framework, at least right now, that's what it looks like. This -- you can see this portfolio of what it looks like or what it's going to look like here once we get everything reconfigured. You can see direct lending is 15 percent. We're going to double that over the next few years. We think there's a lot of really good opportunities right now, the top of the capital stack.

And then if you kind of go into that left, around 9 o'clock, where that's credit opportunities, we expect that to fall. We actually do think that there are some interesting things in credit ops. Earlier we talked about real estate being able to finance. You have really good properties, but the balance sheet's upside down. We're seeing that

in corporate lending as well. There could be some interesting opportunities there, but our direction directionally will be going more into the income generating and more of what I like to call boring credit.

Multi-asset credit. We'll just touch about this briefly. We've been working with fixed income. We're hoping we -- we've scheduled a few interviews at the end of the month with some possible providers. Hopefully in April, we'll be able to go out there and do on-site due diligence. Knock on wood, we'll have some money in the ground starting in June. That's what we're targeting.

I think, and correct me if I'm wrong, Todd, but sort of the idea is to kind of methodically put it into passive allocations at first, and then we'll see about the active management later. So the first allocations will be in passive. And we think it's an attractive market, just generally. We think it's a really good beta market to be in. But hopefully within the next few months, we'll have some dollars in the ground.

Any questions?

MR. LUDGATE: All right. Good afternoon, everyone. I'll provide a quick fixed income update here.

So the performance of the fixed income asset class remains strong, positive over all time periods. Very good information ratio. And that has continued into the current fiscal year, including January and February, which I'll just say, were remarkably strong months in risk assets. So the positive story continues for fixed income.

The portfolio is overweight spread product, the graphic on the left. I will note that both our internal and external managers have been dialing down their risk, given the run-in risk assets that you've seen. We've all seen this play before and we all know how it ends. So you've seen managers prudently trim their risk, given the level of opportunity. Not as -- not quite as fertile as we have seen in the past.

In somewhat of a change from prior situations, the portfolio's pretty neutral, both overall duration and the curve position. You know, the curve steepener (sic) was a

widely popular trade for quite a while in the market. That has come off to a large degree. And a lot of managers have gotten a lot closer to home with respect to overall duration. I'll harken back to Lamar's earlier comment about trading rates is a very hard game, a far inferior information ratio to many of the other spaces that we play in fixed income. So typically, most fixed income managers don't spend a lot of risk on rates given it's a tough game.

The only thing I have to say on risk levels is they are fairly muted. And a cautionary note that I do put on the right side of this slide is that the active risk levels are stable right now in the fixed income book, but when we hit a market disruption, you will see that spike. My experience is most fixed income portfolios look pretty boring until you get to an event, and then all of a sudden it's way more exciting than you can possibly imagine. And the ex-ante risk models that most folks use understate volatility at this point in the cycle. This is ex-post but nonetheless, still the point is that you will see that volatility move up when we hit another market disruption.

This is a slide showing the screenshots of the expected Fed interest rate cuts. And we've -- several of us at the table have talked about this. On the left, we had the market pricing for -- as of the end of the year. The market expected a 6.3 Fed cut in 2024. And then as of February 16th, it declined down to 3.4 Fed cuts. So the market has been dialing back the Fed cut expectations, which frankly, the team felt was pretty -- I don't know whether to call it optimistic or pessimistic. If you really thought we were going to get six and a half Fed cuts, did you think it was just through inflation collapsing or was it actually a weak growth? So I question that at that point in time.

So now we've seen the Fed cut expectations come off. Certainly the -- you know, a little warmer than expected CPI print this morning is continuing to feed that story. And a lot of market participants have started to question their outlook about aggressive Fed cuts in 2024. And in fact, you know, there's been some

folks that have started to talk about, oh, maybe their next move is a hike, another hike, which scares a lot of people, but it's not necessarily my call. But, again, more uncertainty with rates not unexpected.

In excess return space, securitized and corporate sectors did quite well as of the end of the calendar year and over longer time periods as well. So it's generically a good time to be in spread spaces.

And then I will close with, we've been very busy in fixed income. We changed the benchmark at the beginning of February. We also had some -- a lot of kind of fundings and defunding of various portfolios to accommodate that. And then also we're going through an optimization of our manager allocations as we continue to evolve the asset class.

And we identified that we needed more capacity in the core external manager space. We have a search in progress. It is in the late stages currently.

And then one additional bit on the multi-asset credit or MAC piece provides a little bit of additional color. Part of our diligence process, we have talked with numerous other allocators, particularly on the public side around their approach to MAC, what their learnings were and how we can implement it most efficiently. And then we have begun our consultant relationship to start the hiring process. And, indeed, as Trent mentioned, we have some conversations later this month and then on-sites with the managers coming up probably next month, so --

Well, it is well in process and we're making really good progress and I'm very happy with how that's going. So expect more to come.

MR. CHAIR: Have you emailed Katie the 5 percent number just so she'll know what that looks like?

MR. LUDGATE: Yeah. It's -- again, rates confound a great number of people, myself included, at many points on the cycle.

Questions?

MR. BRADLEY: Thank you, Todd.

All right. So I'm going to -- I'll start with a quick look at the private equity market environment and what was a very tough deal environment in 2023 ended on a positive note

with private equity deal activity rebounding in the fourth quarter. Global MMA activity exceeded 1 trillion, which was the first time that's happened since the second quarter of 2022, while US buyout volume increased, bringing the year-to-date total to $400 billion, which was up 35 percent from what we saw in 2022.

Both purchase price and leverage multiples fell during the quarter. Average leverage fell to 4.7 times EBITDA and purchase price multiples were down just slightly to 9.3 times EBITDA. Our private equity portfolio's performance was more or less flat. We were up a tenth of a percent during the third quarter.

And then finally, although 2023 was a very tough year for distributions across the industry, we ended the year with positive net cash flow of $56 million. And so that marked the seventh straight year our program was self-funding where our cash flows in exceeded our cash flows out.

There's been no change in our sector of geographic exposures. Our portfolio overweights to technology. North America remains. Asset class performance, it remains strong over the long-term. Strong outperformance over the three, five, ten, and since inception measurement periods. Our one-year performance has lagged, and by not an insignificant amount, I would add, about 20 percent. You know, this year's underperformance follows a year prior where the outperformance was just as dramatic. So it's largely a reflection of some fairly sizable year-to-year swings in the public market benchmark in 2022 and 2023, coupled with a lag in PE valuations. But I guess I'd add, in general, our private equity portfolio is performing up to our expectations and it's performing consistent with industry peers.

You know, we heard a little bit earlier from Verus around the Magnificent 7 and how 2023's public market performance, this 23 percent, was driven by the large kind of mega funds in the equity markets. So I went back and looked, and if you looked at the performance of the Russell 2000 over this same time period, the Russell 2000 was up two and a half percent, and so relative to our 3 percent.

If we looked at the Russell micro cap, which is a common index that people say, based on size and growth factors, private equity should look more like the Russell micro cap. The Russell micro cap over this time period was down 5.8 percent. And so when we look at the portfolio, the underperformance is a lot. But the portfolio and the companies and our GPs, we think, are performing up to our expectations and how we would expect them to.

Looking at our sub-strategies, we can see the short-term underperformance in our venture and growth equity programs both down at the year-end at September 30. While our buyout portfolios -- so if you look at both our US buyouts and our non-US buyouts over this past year, made up quite some ground in the third quarter and looked to be closing out with a strong 2023.

And then longer-term, if we look at anything three years and beyond, we continue to see really solid performance across the portfolio in all of our sub-strategies.

MR. CHAIR: John, just to Gary's point earlier, you know, so we're saying these lag effects and these measure -- you know, micro cap index, et cetera. So if you were guessing numerically what the combination of the lag effect is in these things in the three versus 23, I mean, do you have a quantitative assessment of breaking down the lag here?

MR. BRADLEY: I don't.

MR. CHAIR: You don't.

MR. BRADLEY: I don't. I would say it's almost -- I wouldn't say all, but it's mostly the benchmark in the market. That lag is a little less than the numbers that we showed because we're matching up those benchmark periods, and so we're not working off of a lagged PE valuation versus a 930 public market benchmark. And so, you know, I think it's largely a factor of just the volatility in the benchmark.

Anecdotally in 2022 -- and I wrote it down. So in that three-year number, I think we're up 640 basis points. If we look at value-add across the asset class, in 2021, we were up 24 percent over the benchmark. 2022, we were up 16 percent. And then this past 2023, down 20. And that's how we get to that

640 basis points.

You know, in 2022, we asked our GPs, wow, we're doing so well, you know, why is that? And their comment was, well, the public markets are down a ton. When we look across our portfolio and our businesses, they're performing fine. They're not blowing the lights out, but they're doing well. And we asked them in 2023, wow, we're underperforming. What's coming -- you know, and the response is the same. It's, well, the public markets are just blowing it out, but in our portfolio, things are going okay. Things are kind of chugging along. And so, you know, it's really that benchmark volatility that we see over the short-term impacting the performance.

So I'll just end with our commitment activity for the full calendar year of 2023. We made commitments totaling $2.1 billion to 21 funds during the year. 1.2 billion was committed to 11 buyout funds, 79 million to three venture funds. We committed 725 million to six distressed or turnaround funds. And then 95 million was allocated to one secondary fund during the year.

And that is all I have prepared. Happy to answer any questions.

MR. CHAIR: Dan.

MR. BEARD: Good afternoon, everyone. I'll be brief here.

So what you see here is some metrics as of December 31. Just a quick update on this slide is, as of market close yesterday, we were up to 16.3 billion in assets. So since January about another .7 billion.

For the plan choice, we still have about 71 percent of all new hires who are enrolling into the investment plan. And then 30 percent that are going into the pension plan. Same percentages that have been for the last couple of years.

Since fiscal year close, an additional 15,000 members have joined the investment plan.

For performance. So the performance you see here on the slide is as of December 31. Just some updates on that. And these are through February 29th. So for fiscal year, 8.95 percent returns, which is slightly below the benchmarks by about 15 basis points. However, for one year, a return of 15.79, which

is 32 basis points above the benchmark. And then inception-to-date 7.04, which is 28 basis points above.

So how are the assets broken out? Again, over half the assets are in the retirement date funds. Again, that's a function of the number of people who are defaulting into the plan that default into a retirement date based on their age.

Then the last slide is just for the MyFRS Financial Guidance Program, just showing the calls that have come into EY, who answers all those calls, as well as financial workshops, attendance to those workshops. You see those two are up, and then slightly drops in website hits and chats over the previous 12-month period.

Happy to answer any questions.

MR. WENDT: Everybody happy?

MR. BEARD: As far as I know.

MR. CHAIR: Thank you.

As usual, Katie, we put you in a rushed end spot. Sorry about that.

MS. COMSTOCK: No worries. I can be brief. I will try to speak clearly. But please interject with questions. I plan to just quickly touch on the four major mandates and wrap up everything that you just heard into the total portfolio level discussion.

This is all through the end of 2023. So as you can imagine, a strong period for both equities and bonds was a good result for the total portfolio up just under $10 billion for the fourth quarter. This put the fiscal-year-to-date numbers into positive territory as well.

The asset allocation on this page is still your legacy policy, and you'll see that through the end of the first quarter of 2024 as well. And so as the portfolio shifts, and you heard about that earlier in this meeting, you'll see the policy relative to your actual allocation shift as well. So the message here is that the portfolio continues to be managed in line with its policy and is transitioning, you know, according to the plan that's being laid out.

The results for the total pension plan are shown here. So net of fee performance is the first bar on the left. So you can see a strong -- for the fourth quarter, 6.4 percent

return driven by public markets. Again, that brought your total fund performance for the fiscal-year-to-date in positive territory of 4.5 percent, and that boosted longer-term results. With the exception of the three-year, the portfolio has earned above your assumed rate of return, pretty notably north of 9 percent over that five and trailing 15-year period. Here kind of highlights that relative performance over the near term, over the quarter fiscal-year-to-date in one year, some underperformance relative to the performance benchmark. Again, primarily driven by the public/private differences that we've seen in volatility in public markets.

If it does provide any comfort, you're not alone here. Other plans and peers of yours who have a meaningful allocation to private equity, and they use a public market benchmark, are having these discussions quarter over quarter. What I would point you to is towards that longer term performance that you just saw from John's slides, and that are in the more detailed analysis, that private equity has added value, both on an absolute basis as well as a relative basis when we look at it compared to what public equity markets have earned over the 5, 10, 15-year periods. And that is why we're investing in it. You have the benefit of being long-term investors. You're here for the long game. But it is creating noise over the short-term period. And we understand that -- understand that's why. The other benchmark is the absolute nominal target rate of return.

As a reminder, this is inflation plus a range of between 4 and 5 percent over time. So you can see that bogey is pretty high over the one year. But over time it has leveled out and the portfolio has outperformed that over these longer time periods. Over the last 20 and 30-year periods as well, the portfolio has outperformed this benchmark. The last 25 years was a bit rough, which includes the dot-com, global financial crisis, COVID. But still a strong return for the portfolio over the long term.

Relative to peers. This is TUCS top 10 universe largest pension plans in the US. Your asset allocation is fairly similar to this median here, slightly more exposure to global

equity, primarily within international equities with an offset in alternatives. You'll notice that when you do transition to the new asset allocation, you'll be closer to peers. Not that that is a goal, just an observation. Asset allocation does drive the relative performance when we look at your plan versus peers'.

And I'll skip ahead two slides so you can see where you all rank. Favorably, close to median. And above median over the one-year and the 10-year. Some of the things that I would comment on are, one, is when public equities do well, this tends to be a tailwind for you all relative to peers, given you've had more exposure than your peers. But also diversification that you've added to your return-seeking portfolio is also a benefit when you have yours, like 2022, and where equity markets sell off. You have that nice balance, which has led to these ranks being median and above median for most of period.

Moving on to the investment plan here. Dan covered this. So just a few comments. Again, assets have grown very nicely.

$15.6 billion at the end of 2023, another billion or so dollars since then. But strong returns. Over the one year, 15.7 percent of when we roll up where participants are allocating their assets. What we like to focus on here is the relative performance, so how are the active strategies performing relative to their benchmarks? And for the most part, they're in line or above, some struggling over the three year due to some of the equity strategies and the real assets portfolio. But generally some -- you know, the options provided are strong and favorable for the participants.

And then the last two here, the hurricane catastrophe funds. The operating pool stood at about $11.3 billion at the end of the year. As a reminder, these are invested in very (audio disruption) highly liquid, high quality bonds. And we can start to see some nice return here for the one year, 4.7 percent. We haven't seen that in quite some time, and that's reflected in those longer term returns. But if interest rates stay higher, we should start to see some returns here for this pool of assets.

And then finally, Florida Prime. This grew to $27.8 billion at the end of the year. This is growth of over $8 billion for the quarter. Seasonal inflows for a tax collection is part of what drove this growth. So a big pool, again, similar mandate to the CAT funds. Short term, the goals here are safety, preservation of capital liquidity, and then finally, competitive return.

Similarly, we're starting to see some return with short-term yields high. We had a return of 5.3 percent for the one-year period. Federated manages this portfolio and you can see here, they've been able to add value above this benchmark, which is a peer group of other money market prime, like, funds. They have been able to do so also at a lower level of risk. We look at that part as well. So a good story here for Florida Prime through the end of the year.

And with that, I'm happy to take any questions.

MR. CHAIR: Okay. Thank you. So at this point, Lamar, do you have any closing comments? Otherwise, we'll turn it to the audience for comments or questions.

MR. L. TAYLOR: No closing comments. We did take notes. We know there's a few items to deliver back to IAC members. So we will do that and follow up.

MR. CHAIR: All right.

MR. L. TAYLOR: Do we have any audience -- no. Nothing from the audience.

MR. CHAIR: Okay. Very good.

MR. NEAL: I'm not a member of the audience. This is Pat Neal once again. I've just enjoyed being with you these years and maybe I'll come back. I thought it was a fun meeting.

Thanks, Mr. Chairman.

MR. CHAIR: Thank you.

Motion to adjourn.

MS. CANIDA: I move.

MR. CHAIR: Second.

All in favor.

(Members reply aye.)

(Meeting adjourned at 2:39 p.m.)

* * *

CERTIFICATE OF REPORTER

STATE OF FLORIDA

COUNTY OF LEON

I, Tracy Brown, certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript is a true and complete record of my stenographic notes.

Dated this 1st day of June, 2024.

TRACY BROWN
Tallahassee, FL
Tbrown567@comcast.net

This Page Intentionally Left Blank

FRS Pension Plan: Performance Contribution and Attribution Report for IAC

March 31, 2024

Name	Market Value (In Millions)	1 Month	3 Months	1 Year
Total Fund Return	$ 196,526	**2.00%**	**4.01%**	**11.52%**
Total Fund Policy Benchmark		2.07%	4.19%	13.29%
Total Fund Value Added		***-0.07%***	***-0.18%***	***-1.77%***
Global Equity Asset Class xTrans Return	$ 95,075	3.20%	8.06%	22.62%
Global Equity Policy Benchmark		3.17%	7.72%	22.51%
Asset Class Value Added		**0.03%**	**0.34%**	**0.12%**
Asset Class Contribution to Total Fund Return		***1.58%***	***3.90%***	***10.69%***
Attribution to Total Fund Value Added		***0.02%***	***0.16%***	***0.05%***
Fixed Income Asset Class xTrans Return	$ 33,936	0.99%	-0.23%	2.96%
Fixed Income Policy Benchmark		0.92%	-0.50%	2.22%
Asset Class Value Added		**0.06%**	**0.27%**	**0.74%**
Asset Class Contribution to Total Fund Return		***0.17%***	***-0.04%***	***0.47%***
Attribution to Total Fund Value Added		***0.01%***	***0.05%***	***0.13%***
Real Estate Asset Class Actual Return	$ 18,969	-0.31%	-2.81%	-7.81%
Real Estate Policy Benchmark		-1.67%	-4.93%	-10.89%
Asset Class Value Added		**1.36%**	**2.12%**	**3.08%**
Asset Class Contribution to Total Fund Return		***-0.03%***	***-0.32%***	***-0.94%***
Attribution to Total Fund Value Added		***0.14%***	***0.23%***	***0.39%***
Private Equity Asset Class Return	$ 17,680	0.79%	1.46%	2.93%
Private Equity Policy Benchmark		3.35%	8.34%	24.79%
Asset Class Value Added		**-2.57%**	**-6.89%**	**-21.86%**
Asset Class Contribution to Total Fund Return		***0.07%***	***0.14%***	***0.28%***
Attribution to Total Fund Value Added		***-0.24%***	***-0.65%***	***-2.13%***
Strategic Investments Asset Class Return	$ 21,915	1.81%	2.70%	8.30%
Strategic Investments Policy Benchmark		1.76%	3.08%	10.79%
Asset Class Value Added		**0.05%**	**-0.38%**	**-2.50%**
Asset Class Contribution to Total Fund Return		***0.21%***	***0.31%***	***0.95%***
Attribution to Total Fund Value Added		***0.01%***	***-0.04%***	***-0.29%***
Cash CC + Enhanced Cash	$ 2,391	0.45%	1.10%	4.70%
Cash CC + Enhanced Cash: Policy Benchmark		0.46%	1.32%	5.38%
Cash CC + Enhanced: Value Added		**-0.01%**	**-0.22%**	**-0.67%**
Asset Class Contribution to Total Fund Return		***0.01%***	***0.02%***	***0.08%***
Attribution to Total Fund Value Added		***0.00%***	***0.00%***	***-0.01%***
Other**	$ 6,559			
Other Contribution to Total Fund Return		***-0.02%***	***-0.05%***	***-0.04%***
Other Attribution to Total Fund Value Added		***0.00%***	***0.03%***	***0.05%***
Asset Allocation Contribution to Total Fund Return		***0.00%***	***0.05%***	***0.04%***
Asset Allocation Attribution to Total Fund Value Added		***0.00%***	***0.05%***	***0.04%***

* Totals might not add due to methodology and rounding

** Captures transition accounts, liquidity portfolios, and unexplained differences due to methodology.

This Page Intentionally Left Blank

STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

Date:	May 13, 2024
To:	Board of Trustees
From:	Sam McCall, Audit Committee Chair
Subject:	Quarterly Audit Committee Report

The State Board of Administration's Audit Committee met on May 13, 2024. Please see the attached agenda for the items discussed. Also please see the attached Office of Internal Audit & Inspector General Quarterly Report presented to the Audit Committee at the meeting.

STATE BOARD OF ADMINISTRATION
Audit Committee Open Meeting
Agenda
May 13, 2024
10:00 A.M. – Conclusion of Business

1. Call to Order

2. Approve minutes of open meeting held on February 26, 2024

3. SBA Update: Investment performance, risks, opportunities and challenges
    - Executive Director status report/update
    - Chief Investment Officer status report/update

4. Chief Risk & Compliance Officer Quarterly Report
    - Public Market Compliance Presentation

5. Office of Internal Audit & Inspector General Quarterly Report

6. Proposed Annual Audit Plan FY 2024-25

7. Proposed Internal Audit Budget FY 2024-25

8. Other items of interest

9. Closing remarks of the Audit Committee Chair and Members

10. Adjournment

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Office of Internal Audit & Inspector General (OIA&IG) Quarterly Report to the Audit Committee

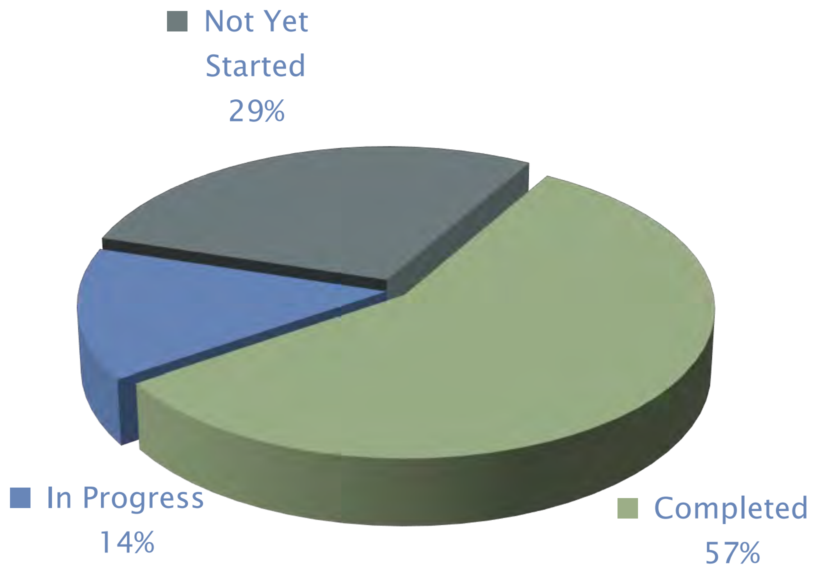
May 13, 2024

Table of Contents

Status of the FY 2023-2024 Annual Audit Plan

Status of the FY 2023-24 Annual Audit Plan

- Internal Audit and Advisory Engagements

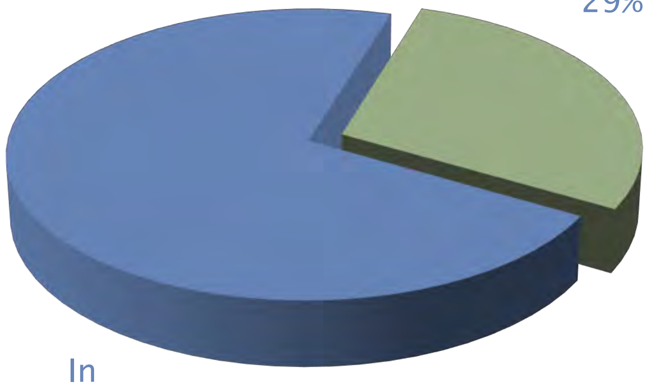


Highlighted: Completed since prior quarterly report.

Projects Status	Type	Planned Timing
Completed		
Public Market Manager Search/Selection (GE/FI)	OIA&IG Operational Audit	Q1
Periodic Follow-up	OIA&IG Follow-up Audit	Q1-Q2
Periodic Follow-up	OIA&IG Follow-up Audit	Q2-Q3
Vendor Management	OIA&IG Operational Audit	Q1
Real Estate Credit Facility Program	OIA&IG Operational Audit	Q1-Q2
Cloud Computing	OIA&IG Advisory	Q1-Q3
Incentive Compensation	OIA&IG Operational Audit	Q4
Futures Rolling	OIA&IG Flash Audit	Q3
In Progress		
Human Resources and Payroll	OIA&IG Operational Audit	Q1-Q3
CIS/CSC Framework	OIA&IG Advisory	Q3-Q4
Not Started		
Critical Programming/"Shadow" IT	OIA&IG Advisory	Q3
Account Opening Workflow	OIA&IG Advisory	Q3
Securities Settlement, Clearning, Corp Actions	OIA&IG Operational Audit	Q4
Other Flash Audits	OIA&IG Operational Audit	Q1-Q4

Status of the FY 2023-24 Annual Audit Plan

- Special Projects, Risk Assessments, Annual Audit Plan and QAR



Project Status	Type	Planned Timing
Completed		
Annual Risk Assessment	OIA&IG Risk Assessment	Q3-Q4
Annual Audit Plan	OIA&IG Risk Assessment	Q4
In Progress		
Meradia Phase 2 - Middle Office Modernization Project	OIA&IG Special Projects	Q1-Q4
AuditBoard Configuration Updates and New Templates	OIA&IG Special Projects	Q1-Q4
Continuous Risk Assessment	OIA&IG Risk Assessment	Q1-Q4
Complimentary User Entity Control Testing Validation	OIA&IG Special Projects	Q1-Q4
Annual Quality Assessment Review - Self-Assessment	OIA&IG Quality Assurance	Q4

Highlighted: Completed since prior quarterly report.

Status of the FY 2023-24 Annual Audit Plan

External Engagement Oversight

Highlighted: Completed since prior quarterly report.

Project Status	Service Provider	Type	Planned Timing
Completed			
AG Financial Systems – PSFS, Eagle, PRIME	Auditor General	External Operational Audit	Q2-Q3
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY22-23	Q1-Q2
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY22-23	Q1-Q2
Florida Hurricane Catastrophe Fund	Crowe	External Financial Statement Audit for FY22-23	Q1-Q2
Network Security Assessment, outsourced	Peraton	External IT Assessment	Q1-Q2
Florida PRIME Financial Statement Audit	Auditor General	External Financial Statement Audit for FY22-23	Q1-Q2
Florida Growth Fund Initiative	OPPAGA	External Review	Q1-Q3
AG Operational Audit – FHCF	Auditor General	External Operational Audit	Q1-Q2
AG Statewide Financial Statement Audit	Auditor General	External Financial Statement Audit for FY22-23	Q1-Q3
In Progress			
None			
Not Started			
None			

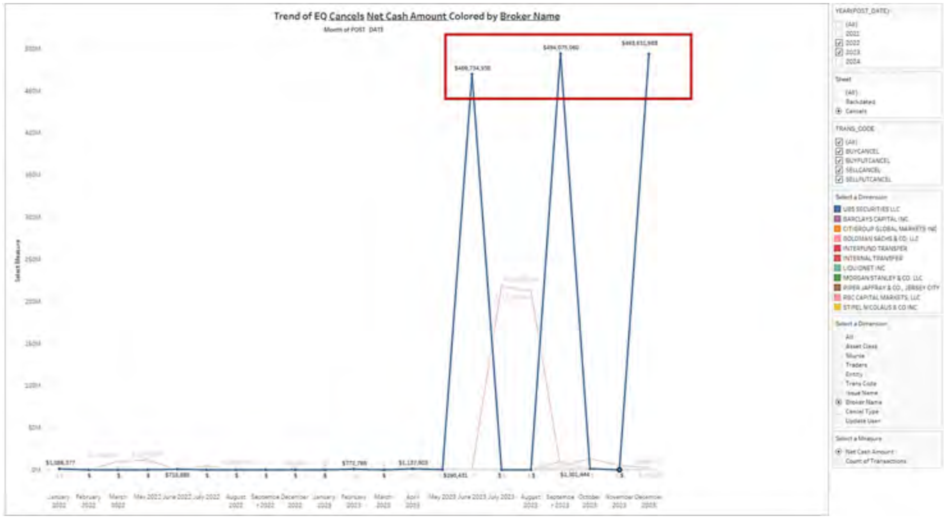
Completed Projects & Status of Management Action Plans/Recommendations

Futures Rolling Flash Audit

About Flash Audit:
A flash audit is an abbreviated audit that only covers one, or few, focused controls or areas and is much shorter than a traditional audit. It allows more flexibility to dynamically provide assurance in real-time as risks present themselves.

Project Identification & Scope

- Source: Quarterly continuous risk assessment



- Scope: Futures contracts rolling process performed by Global Equity front office

Key Controls

Observed From	# of Key Controls	Legend for Control Effectiveness Rating
Continuous Risk Assessment	1	Effective
Real-time Process Walkthrough	4	In Place and Designed Effectively [1]
Total Key Controls	5	

[1] Because these key controls were not directly related to the audit objectives, we did not perform further testing for operational effeteness.

Reportable Findings

Priority	Description	Status	Target Date
Low	Establish a rule to Alert Global Equity of "Unreasonable" Variation between Filled Price and Opening Price	In progress	09-30-2024

Real Estate Credit Facility Program Audit

Executive Summary: We completed the review of the Real Estate Credit Facility Program (RE CFP) process (the Audit), assessing the design and operating effectiveness of certain key controls as of November 30, 2023. In certain cases, we reviewed information subsequent to our cut-off date to provide updated information. The Audit included an examination of:

(a) Due diligence and underwriting for new loan requests
(b) Monitoring and governance of the overall CFP, including effectiveness of program and downstream loans
(c) Oversight of the loan administrator, including ongoing operational due diligence
(d) Contract negotiation process and key terms
(e) Ongoing collection and payment of loans, with the exception of wire processes that are the same as normal wire procedure
(f) Reporting processes and supporting accounting controls, with focus on new processes
(g) Monitoring of compliance to loan covenants and SBA policies and guidelines

Legend for Control Effectiveness Rating	Key Controls
Effective	26
Improvement Needed	1
Not Effective	1
Not Tested (tested in other audits, etc.)	various controls[1]
Total Key Controls	28

[1] Various controls on liquidity management, cash movement, reporting, and vendor management have been tested as a part of previous audits and were not included in the scope of our audit.

Based on the procedures performed, we are of the opinion that processes are in place, operational, and provide reasonable assurance that RE CFP processes are in compliance with applicable guidelines. However, the review did result in one high risk area finding detailed below where processes or controls could be strengthened:

Reportable Findings			
Risk	**Description**	**Status**	**Target Date**
High	Enhance the oversight of Loan Administrator’s operations and controls	In progress	06/30/2025

Additionally, the Audit resulted in 2 medium and 2 low risk observations. Management has agreed to implement action plans for all observations (except for 1 medium-risk observation, which has been mitigated through alternative means) and is working to implement appropriate process changes to mitigate the risks identified.

Incentive Compensation Operational Audit

Executive Summary: We completed the review of the incentive compensation process (the Audit), assessing the design and operating effectiveness of certain key controls related to approximately $2 million in incentive compensation payments for the fiscal year ended June 30, 2023. The Audit was undertaken in using external consultants with industry experts from Weaver and included an examination of:

(a) The governance structure over relevant plans, policies, and procedures
(b) Determination of eligible positions for incentive compensation
(c) Verification of compliance with prerequisites for incentive eligibility
(d) Assessment of adherence with relevant governing documents
(e) Timeliness, accuracy and security of payments

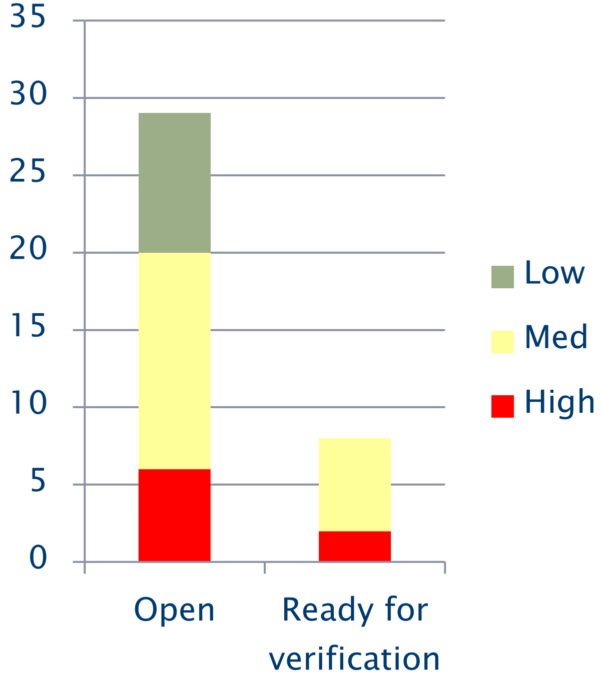
Legend for Control Effectiveness Rating	Key Controls
Effective	9
Improvement Needed	6
Not Effective	1
Not Tested (tested in other audits, etc.)	6
Total Key Controls	**22**

Based on the procedures performed, we are of the opinion that processes are in place, operational, and provide reasonable assurance that payments made by SBA under the Plans for the fiscal year ended June 20, 2023, are in compliance with applicable guidelines. However, the review did result in two high risk areas findings detailed below where processes or controls could be strengthened which are detailed in the table below.

Reportable Findings			
Risk	**Description**	**Status**	**Target Date**
High	No policy on minimum control measures for critical spreadsheets	In Progress	9/30/2024
High	Inadequate encryption of emails with sensitive information sent outside the SBA network	Complete	N/A

Additionally, the Audit resulted in 2 medium and 2 low risk observations. Management has agreed to all recommendations (except for one medium-risk issue which management has risk-accepted) and is working to implement appropriate process changes to mitigate the risks identified.

Status of Management Action Plans–Audits



Report Title	Report Date	Risk Rating for Open Recs: High	Risk Rating for Open Recs: Med	Risk Rating for Open Recs: Low	Status: Open	Status: Ready for verification	Status: *Verified during Qtr*
Private Equity Operational Audit 2021	9/9/2021		1	1	2		
Derivatives Collateral and Cash Management Operational Audit	3/31/2022			1	1		
Performance Reports for Alternative Investments Operational Audit	9/19/2022	2	1		3		
Cybersecurity Incident Response Plan Operational Audit	5/10/2023		2	1	3		
Real Estate Externally Managed Portfolios Search and Selection Audit	5/31/2023		1		1		
Public Market Manager Search and Selection Audit	9/8/2023			1	1		
AG IT Operational Audit 2023	11/1/2023		2			2	
AG IT Operational Audit 2023 – Confidential	11/1/2023		5		3	2	
AG FHCF Operational Audit and Follow-up 2023	11/20/2023		1			1	
Vendor Management Operational Audit	12/19/2023		2		1	1	
Real Estate Credit Facility Operational Audit	4/30/2024	1	1	2	4		
Futures Rolling Flash Audit	4/30/2024			1	1		
Incentive Compensation Operational Audit	5/3/2024	5	4	2	9	2	
		8	20	9	29	8	
		22%	54%	24%	78%	22%	

For details, see Appendix A.

Changes highlighted in yellow

Management Action Plans relate to findings from audits performed by internal or external auditors. The OIA&IG monitors and performs follow-up procedures on the management action plans in accordance with the IIA Standard 2500. A1. In certain cases, follow-up procedures are performed by external auditors.

Status of Recommendations – Advisory Projects

Report Title	Report Date	Open	Closed per Mgmt	*Closed by Peraton*[2]	*Closed per OIA&IG Risk Assessment*[1]
		Status			
Security Configuration and Vulnerability Management Advisory[1]	8/3/2021	3			
Identity and Access Management Advisory[1]	9/27/2022	3			*1*
Network Security Assessment 2022 (Peraton)[2]	11/14/2022	1	25		
Governance, Risk Management, and Compliance Assessment (Funston)[1]	6/26/2023	17	11		*3*
Network Security Assessment 2023 (Peraton)[2]	11/9/2023	13	16		
Cloud Computing Advisory[1]	5/6/2024	2	1		
		39	53		

Changes highlighted in yellow

Advisory Recommendations made by OIA&IG or external consultants resulting from an assessment of a program or activity such as governance, risk management, compliance, ethics, etc. The OIA&IG monitors the disposition of these recommendations in accordance with the IIA Standard 2500.C1."

[1]At the advice of the Audit Committee, the OIA&IG closes Advisory Recommendations that management represented as "complete" once the OIA&IG has considered those in the risk assessment, which is reviewed quarterly by the OIA&IG.

[2]Recommendations will be reviewed for remediation and closure as part of the subsequent Network Security Assessment.

Inspector General Report

Inspector General Update

- The Chief Audit Executive & Inspector General is responsible for investigations regarding the following:
  - Fraud
  - Theft
  - Internal control failures
  - Allegations of non-compliance with laws and/or policies

- Since July 2006, the SBA has utilized an independent provider for its Fraud Hotline services. Through an 800 number, SBA employees, service providers, and others may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Online reporting is also available. Additionally, the hotline information is available on the SBA internet site as part of the SBA contact page. In late September 2021, the SBA transitioned to a new hotline service provider, EthicsGlobal.

- Any complaint, including whistleblower complaints, received through the anonymous hotline or other means, will be documented in a log of all complaints received through the OIA&IG Office or the General Counsel & Chief Ethics Office. The log will indicate which complaints, if any, are considered whistleblower complaints. As of December 2023, pertinent investigable complaints made to the Senior Operating Officer-HR will also be logged in accordance with the change in the Discrimination and Harassment Prevention and Complaint Process (Policy 10-254) to include "***Upon receipt of the complaint, the SOO-HR or Director of HR will notify General Counsel & Chief Ethics Officer and Chief Audit Executive & Inspector General. The Chief Audit Executive & Inspector General will maintain a log of all complaints.***"

- During the quarter, no complaints were received via the hotline or other means. *(See the next slide for the complaint log statistics.)*

Complaint Log Statistics (From 4/1/22 through present)

# Received via hotline	# Received via other means	# Relevant to the SBA with investigations conducted	# Considered whistleblower complaints	# Closed with violations	# Closed with no violations
3	4	5	0	0	5

No change since the prior quarter's report. Confirmed with the General Counsel & Chief Ethics Officer and the Senior Operating Officer – Human Resources that no complaints were received in their respective areas of responsibilities.

Other OIA&IG Activities

Other Items for Discussion

- Audit Committee 2024 Meeting Dates
  - August 12
  - November 18

- New Certifications in OIA&IG
  - Elizabeth McGuire - CFA
  - Kim Stirner - CIG

- New standards released in January 2024 effective in 2025
  - OIA&IG is adopting new standards during the course of 2024
  - OIA&IG will perform self-assessment as compared to new standards
  - Training by IIA on new standards being held at the SBA in June for OIA&IG

- Upcoming in 2024 - APPFA conference in Tallahassee
  - Conference will be held at the AC Hotel Nov 4-7, 2024

Questions/Comments

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

STATE BOARD OF ADMINISTRATION OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

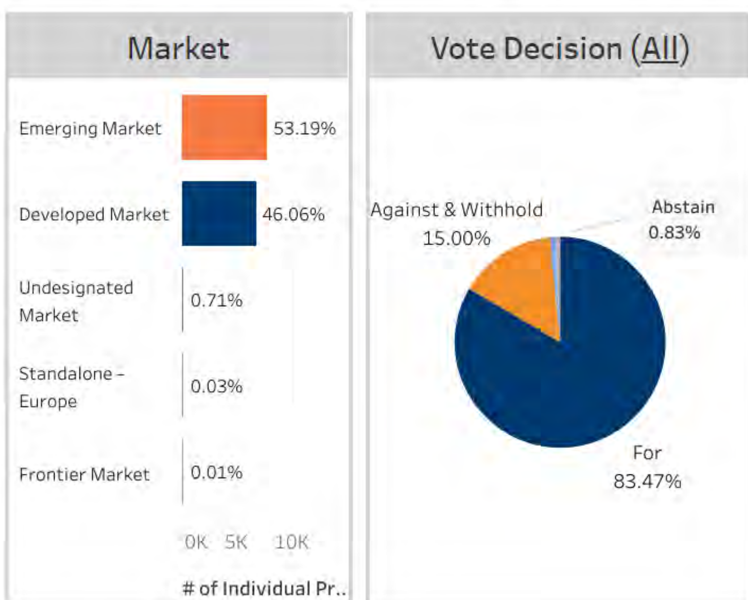
POST OFFICE BOX 13300
32317-3300

MEMORANDUM

To: Chris Spencer
From: Michael McCauley
Date: May 22, 2024
Subject: Quarterly Standing Report - Investment Programs & Governance (IP&G)

GLOBAL PROXY VOTING & OPERATIONS

During the first quarter of 2024, SBA staff cast votes at 2,002 meetings worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes involved 14,503 distinct voting items—voting 83.5% "For'' and 15% "Against/Withheld," with the remaining 1.5% involving abstentions. Of all votes cast, 14.9% were "Against" the management-recommended vote. SBA proxy voting occurred in forty-nine countries, with the top five by meeting volume comprised of South Korea (521), China (392), India (284), United States (202), Japan (195). The charts below detail the market segment and summary breakdown of all proxy votes made between January 1, 2024, and March 31, 2024:



CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The most recent meeting of the Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) occurred on March 28, 2024, and the next meeting will be held on June 20, 2024. The Proxy Committee continues to review ongoing governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA), and other statutory investment restrictions related to China, Israel, and Venezuela.

LEADERSHIP & SPEAKING EVENTS
Staff periodically participates in investor and corporate governance conferences and other meetings. Typically, these events include significant involvement by the largest asset owners and managers, corporate directors, senior members of management, and other key investor or regulatory stakeholders. The following items detail involvement at events that occurred most recently:

- In March, SBA staff participated in CII's Spring Conference, which covered a wide variety of corporate governance and proxy voting topics. Staff was also re-elected to the Council's Board of Directors and appointed as Public Funds Co-Chair. The SBA has been an active member of CII for over 35 years. Related to the organization's current search for a new Executive Director, SBA staff participated in several other Search Committee meetings during the quarter, both virtually and in-person.

- In March, just prior to CII's Spring Conference, SBA staff participated in an industry roundtable discussion hosted by Tumelo, including major asset owners and managers focused on the challenges and opportunities of pass-through proxy voting. Tumelo is a fintech company enabling pass-through proxy voting and other voting related "expression of wish" options for investors. Based on technological and operational advancements, there are now at least four large global asset managers embracing greater voting choice for a wide variety of clients.

- In March, just after the CII's Spring Conference concluded, SBA staff participated in a meeting of its Proxy Voter Group, discussing a range of topics including share class-by-class vote disclosure, evaluating executive compensation plans, and pre-meeting vote disclosure. CII's Proxy Voter Group brings together asset owners and asset managers' proxy voting and stewardship professionals for candid, peer-to-peer conversations of timely topics.

ACTIVE OWNERSHIP & CORPORATE ENGAGEMENT
The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns, reviewing forthcoming proxy voting items, and seeking opportunities to improve alignment with the interests of our beneficiaries. Since early March 2024, SBA staff conducted engagement meetings with several companies owned (or with investor groups owning companies) within Florida Retirement System (FRS) portfolios, including the JLens Investor Network (RTX Co.), IBM, and several companies under examination with potentially scrutinized business operations in Iran.

HIGHLIGHTED PROXY VOTES
The Walt Disney Co. (DIS)—for its April 3, 2024, contested shareowner meeting, SBA staff voted approximately 1.81 million shares in support of a majority of management's director nominees. The director election was contested, with two separate dissident slates from Trian Partners and Blackwells. Given the similarities between the business strategies and operational activities of both the incumbent management and that of Trian Partner's proposal, the dissident's support for current CEO Bob Iger, a lack of compelling rationale to make board changes at this point in time, and more recent improving business execution and stock price movement, SBA staff voted in support of all management nominees, with the exception of director Lagomasino (as Chair of the Compensation Committee amid concerns about pay design) and director Rice (for serving on too many boards simultaneously). The contested election was estimated to be the most expensive proxy contest in U.S. corporate

history, costing $70 million. Disney has a remarkably high retail ownership segment (~30%), which raised the cost of investor outreach for both the company and the dissident.

Trian, for a second time in a year, proposed two nominees: Nelson Peltz and former Disney Chief Financial Officer Jay Rasulo. In their February 12, 2024, letter, Trian argued that Disney needs new independent directors to improve the board's, "focus, alignment and accountability." The activist said that its nominees seek to better align the interests of executives with shareholders and hold the leadership team accountable for lackluster performance. In early 2023, Disney outlined a plan to "succeed at succession," reignite its creative engine and to achieve profitability in the streaming business. Trian noted that the company's "stock price is lower now than a year ago, its streaming business lost another $1.7 billion, 2024 earnings per share estimates are down nearly 20% [and] two of Disney's last five movies have failed to turn a profit." Trian and its affiliated investors owned over $3 billion in Disney stock and were the company's fifth largest shareowner at the time of the proxy contest.

Trian proposed numerous changes to the firm's executive compensation structures and pay design: 1) raising the award thresholds of LTIP performance objectives (they believe the Compensation Committee has set them below historical averages and their expected level); and 2) simplify the AIP by orienting more towards growth metrics. In a February 12th letter to shareowners, DIS management argued that none of Trian and Blackwells' nominees "possess the appropriate range of talent, skill, perspective and/or expertise to effectively support Disney's building priorities in the face of continuing industry-wide challenges."

ValueAct, which positions itself as more CEO-friendly and reluctant to wage proxy fights than other activist hedge funds, and other notable industry figures and market pundits signaled their support for incumbent management and CEO Bob Iger, including George Lucas, Jamie Dimon, and Jeffrey Sonnenfeld. Disney's long-term total stock return (TSR) has clearly been poor over multiple time-periods, underperforming both sector peers and large company indices. However, shorter-term business performance and total stock returns over the last six months have started to improve, with an approximate 33% return year to date over the voting date. Several stock analyst upgrades have also occurred, and the firm's turnaround plan is gaining traction.

The two largest proxy advisors, Glass, Lewis & Co. (GLC) and Institutional Shareholder Services (ISS) were split on their recommendations. GLC suggested shareowners vote FOR the incumbent management nominees, with no support for dissident nominees, based on the following key thesis: "Ultimately, we believe that burgeoning inflection proves sufficient here. Prior succession imbroglio notwithstanding, our engagement with Disney did not leave us with the impression that the board was lacking in focus or that Bob Iger's second stint as Disney's CEO is mired in a slapdash series of confused or poorly conceived initiatives. Much to the contrary, we believe there exists adequate cause to suggest Mr. Iger's return to the role has been accompanied by an appropriately sober assessment of Disney's recent failings and a correlated series of programs intended to remediate the Company's less favorable footing, as further backed by board and executive refreshment and what we consider to be reasonably constructive engagement with other active investors."

On the other side, ISS recommended shareowners vote FOR Nelson Peltz and WITHHOLD on Maria Elena Lagomasino, based on the following key thesis: "Because the company has made positive changes to its board as well as operational changes that have been well received by the market, we recognize that some shareholders may feel that the company has sufficiently course corrected. These investors have likely drawn comfort from Iger's return." ISS went on to state, "Moreover, multi-year concerns surrounding Lagomasino's role as a compensation committee member strengthen the case that Peltz's addition, on balance, would appear a net positive." Although no longer used by SBA staff for proxy analysis, Strive Advisory recommended shareowners WITHHOLD support for numerous directors and other ballot items based on a simplistic view that management has displayed an "anti-fiduciary" policy stance on several issues. SBA staff engaged both Disney's Investor Relations staff as well as staff at Trian Partners about the proxy vote.

All incumbent nominees were re-elected, with CEO Iger receiving approximately 94% support. Notably, Nelson Peltz received about 31% support from the voted shares. Nominee Lagomasino received the lowest level of support among any of the continuing directors, with only 63% of the voted shares. Disney reportedly gained the support among its largest shareowners, including BlackRock, Vanguard, T. Rowe, and State Street Advisors. The proxy contest was the most visible contested meeting to date to use the so-called universal proxy card—whereby all investors can mix and match individual director voting across both the management and dissident(s) slates. The remaining ballot items fell in management's favor, with its say-on-pay item receiving just under 80% support, and the two shareholder proposals receiving each less than 30% support. Since the proxy contest, the firm's stock price has decreased about 12%.

Norfolk Southern Corp. (NSC)—for the company's May 9, 2024, annual meeting, the SBA voted 277,824 shares of NSC, representing approximately $64 million, in favor of all seven dissident shareowner nominees. NSC has had persistent operational problems, lagging efficiency measures, a significant deterioration in stock price performance, and several corporate governance concerns. Director elections were contested, with a dissident slate of seven nominees from Ancora Group (Ancora), owner of approximately 0.4% of NSC's outstanding shares. This contested election was unusual in that a majority of the incumbent board was targeted with no control-share premium applied. Ancora focused its engagement with the company on management's implementation of precision-scheduled railroading ("PSR"), which has surfaced in historical proxy contests and investor activity at Canadian Pacific (CP) in 2012 and at CSX in 2017. In the CP and CSX scenarios, SBA staff voted to support dissident candidate slates and PSR strategies in general, with favorable ex-post stock and financial performance at both companies. NSC's long term total stock return (TSR) has been poor over multiple time-periods, underperforming both sector peers and the leading company in the sector. NSC's operational performance has also been poor, lagging industry averages, with a deteriorating overall safety record occurring alongside the notable 2023 derailment in East Palestine, Ohio.

For these performance reasons, four of the largest proxy advisors in the U.S. recommended clients vote FOR a subset or the full slate of dissident nominees. Glass, Lewis & Co. (GLC) recommended shareowners vote FOR most of the incumbent management nominees along with six of the seven dissident nominees. GLC supported its recommendation by stating, "Based on our review, we believe the operating performance of the Company has been consistently worse than its peers for an extended period." GLC went on to state, "Investors who support Ancora's campaign will likely view the initial focus on a PSR-driven network redesign as a positive first step, as a successful redesign could yield improved asset utilization and greater efficiencies, thereby contributing to increased shareholder value."

Institutional Shareholder Services (ISS) recommended shareowners vote FOR most of the incumbent management nominees along with five of the seven dissident nominees—recommending investors withhold from nominees Atkins (due to over-boarding) and Barber (due to concerns about disruption as he is the CEO candidate from the dissident side). In its supporting analysis, ISS said, "Replacing Miles, Thompson, and Scanlon with dissident nominees possessing deep expertise in railroad operations and safety (Sameh Fahmy, Gilbert Lamphere, and William Clyburn) would remove the majority of the cohort most responsible for the board's disconnect with shareholders, while infusing needed independence and a diversity of perspective on key strategy, operational, and regulatory matters." ISS went on to state, "It is important to recognize that the dissident has also articulated a plan that appears logical (the underlying model has been implemented successfully at other Class I railroads) and has assembled a credible management team that features a COO with proven experience." Separately, Ancora received the support of a sizable proportion of the company's unionized workforce, including the Brotherhood of Locomotive Engineers and Trainmen Division of the International Brotherhood of Teamsters.

In addition to the board nominees, SBA staff voted FOR ratifying the company's external auditor, voted AGAINST their say-on-pay executive compensation, and voted FOR both shareowner proposals covering improved lobbying reporting as well as the repeal of bylaw amendments since last summer. The company indicated shareowners voted to elect ten of NSC's nominees, including CEO Alan Shaw, and Ancora winning three seats (nominees Clyburn, Fahmy and Lamphere) out of their seven nominees. The company commented, "moving forward, we will continue building on the significant progress Alan Shaw, John Orr, and the entire team have already achieved." Ancora stated, "given that we have no standstill agreement and a clear mandate from a critical mass of shareholders, we [sic] will continue to hold Shaw to account and push for the appointment of a qualified operator who can actually drive shareholder value." Since the proxy contest, the firm's stock price has been flat.

REGULATORY AND MARKET DEVELOPMENTS

Platform for Trading Proxy Voting Rights Shutting Down

The Shareholder Vote Exchange, a fintech startup that sought to let investors sell their proxy voting rights, is winding down its operations, stating, "After much deliberation, we ultimately realized that scaling SVE to its full potential is not something that we can achieve." Founded in 2021, the California-based startup created a website that ran auctions for the proxy voting rights tied to shareowner meetings of publicly traded companies. Investors were allowed to earn money on owned stocks by selling the security's proxy voting rights to other market participants. Critics of the service warned it could increase the risk of manipulation in corporate proxy battles and potentially lead to a breach of fiduciary responsibilities.

SEC Rule Regulating Proxy Advisors Declared Invalid

A federal court invalidated a 2020 Securities and Exchange Commission (SEC) rule that extended regulatory authority over firms providing proxy voting advice, like Institutional Shareholder Services (ISS) and Glass, Lewis & Co. The SEC's amendment to include proxy voting advice under the definition of "solicit" and "solicitation" was deemed unlawful and beyond its statutory authority. Despite a 2022 SEC repeal of some requirements, the court ruled it insufficient. Large investors depend on proxy advisory firms for analysis on corporate proxy votes, which has increased their influence. Business groups opposing the SEC's 2022 rollback sought to maintain the 2020 regulations, alleging that proxy firms improperly affect vote outcomes, particularly on ESG matters. ISS and Glass Lewis dispute these claims. The 2020 rule mandated public disclosures and anti-fraud measures for proxy advisors. However, the SEC's 2022 revisions, led by Chair Gary Gensler, removed requirements for simultaneous disclosure of voting advice to clients and companies and the obligation to share company feedback on advice with investors. ISS, arguing that its advice is not a solicitation, had sued the SEC over this interpretation. Pending appeals from the National Association of Manufacturers (NAM) and the US Chamber of Commerce argue the SEC overstepped its authority in the 2022 reversals. The court's decision underscores that the definition of "solicit" at the time of the Exchange Act's enactment in 1934 did not include independent voting advice for a fee. Both NAM and the SEC plan to appeal the decision, which consolidated their cases. The conflict highlights ongoing debates over the regulation of proxy advisory firms and their role in corporate governance.

SEC Finalizes Climate Disclosure Rule

On March 6, 2024, the SEC published its final rules on climate disclosure for public companies. The rules, approved on a 3-2 party-line vote by SEC Commissioners, aim to standardize climate-related disclosures and enhance transparency, aiding investors in comparing companies' climate-related risks and their potential financial impacts. The new rules aim to enhance transparency regarding climate-related risks and their financial impacts on public companies—with required disclosures included in specific SEC filings, such as annual reports and registration statements.

The final rules do not require the disclosure of so-called "Scope 3" emissions, which are indirect emissions resulting from a company's activities but occur from sources not owned or controlled by the company (e.g., supply chain emissions). This was a controversial aspect due to measurement difficulties. Companies are only required to report "Scope 1" (direct emissions) and "Scope 2" (indirect emissions from purchased energy) if they are deemed material—meaning the disclosures are necessary if they significantly impact the company's business strategy, operations, or financial condition. Small and emerging growth companies are exempt from these requirements, and larger companies will start compliance in 2025, with a gradual phase-in for others. Companies are not required to include climate-related disclosures in a separate section; they can embed the information within existing sections of their reports. Based on the Task Force on Climate-Related Financial Disclosures (TCFD), companies must disclose: 1) the impact or potential impact of climate-related risks on business strategy, operations, or financial condition; 2) material Scope 1 and 2 greenhouse gas (GHG) emission data; 3) board of directors' oversight of climate-related risks; 4) processes for managing these risks; 5) climate-related targets and progress if deemed material.

The rules have faced legal challenges from various groups, including companies and environmental organizations. Despite the legal roadblocks, many companies are establishing internal controls and procedures to comply with the new requirements. As well, the global trend toward improved climate-related disclosures continues, driven by regulations both in the U.S. and internationally.

SEC Rejecting More Shareholder Proposals
A review by the Shareholder Rights Group indicates the SEC has increased the rate at which it provides "no-action" relief for companies filing to exclude shareholder proposals (SHPs) from their proxy statements. From November 1, 2023, to May 1, 2024, the SEC supported company requests to exclude SHPs about 68% of the time, with a significant rise in the number of requests leading to more exclusions. This informal review process allows the SEC staff to decide whether a shareholder proposal can be excluded under SEC Rule 14a-8. In this period, 259 no-action decisions were issued, compared to 167 the previous year. Exclusions have nearly doubled, with the proportion of granted exclusion requests rising from 56% last year to 68% this year. Many climate and social proposals were excluded for being overly detailed or micromanaging. For instance, proposals for detailed greenhouse gas emissions breakdowns and disclosures of union suppression expenses were excluded on these grounds. Interestingly, there were no challenges based on the irrelevance of proposals, despite claims that shareowner proposals often lack relevance. The increase in exclusions suggests the SEC Staff is responsive to market feedback. However, for investors, the exclusion of proposals addressing material issues is viewed as a setback by some, potentially hindering risk management and governance improvements. Despite elevated shareholder proposal submission levels over the last 3 years, there are still approximately two out of 3 SHPs excluded from corporate proxy ballots.

STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

MEMORANDUM

To: SBA Trustees
Chris Spencer, Incoming Executive Director

From: Maureen M. Hazen, General Counsel & Chief Ethics Officer Maureen M. Hazen

Date: May 21, 2024

Subject: Office of General Counsel: Standing Report
For Period February 22, 2024 – May 17, 2024

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 25 new agreements – including 1 new Global Equity investment manager agreement; 8 new Private Equity investments (including 2 co-investments); 4 new Strategic Investments; and 12 Real Estate investment transactions (including 3 loans under the Master Credit Facility); 2 new Investment Management Agreements for the DC Program; and 1 new Master Forwards Trading Agreement for Fixed Income; (ii) 234 contract amendments, addenda or renewals, including 56 amendments to the Investment Management Agreements for the Global Equity and Fixed Income asset classes to incorporate Section 215.4735, Fla. Stat. (2024), limiting investments in Chinese companies; and (iii) 3 terminations.

SBA Litigation.

(a) Passive. As of April 30, 2024, the SBA was monitoring (as an actual or putative passive member of the class) 658 securities class actions. During the period from February 1 – April 30, 2024, the SBA collected recoveries in the amount of $628,527.06 as a passive member in 30 securities class actions.

(b) FRS Investment Plan. During the period covered by this report, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued 1 Final Order, received notice of filing of 4 new cases and continued to litigate 8 cases that were pending during the periods covered by previous reports (including 1 appellate case).

Other Matters.

(a) Public Records. During the period covered by this report (through April 30, 2024), the General Counsel's Office received 34 new public records requests and provided responses to 35 requests and continues to work on 2 open requests.

(b) SBA Rule Activities. During the period covered by this report, the SBA engage din the following rules activities:

(i) Rules for the FRS Investment Plan:

A. Rule Chapter 19-11, F.A.C: Revisions are in process for the following rules:

19-11.001 Definitions
19-11.002 Beneficiary Designations and Distributions for FRS Investment Plan
19-11.003 Distributions from FRS Investment Plan Accounts
19-11.004 Excessive Trading in the FRS Investment Plan
19-11.006 Enrollment Procedures for New Hires
19-11.007 Second Election Enrollment Procedures for the Florida Retirement System Retirement Programs
19-11.008 Forfeitures
19-11.009 Reemployment with an FRS-Participating Employer after Retirement
19-11.012 Rollovers or Plan to Plan Transfers to or from the FRS Investment Plan
19-11.014 Benefits Payable for Investment Plan Disability and In-Line-of-Duty Death Benefits

The Notice of Development of Rulemaking for the above rules was filed in the November 16, 2023 issue of Florida Administrative Register ("FAR"). At the December 19, 2023 Trustees meeting, the Trustees gave approval to file the rules for notice and further to file the rules for adoption if no member of the public timely requests a rule hearing related to the rules. The rules then were filed with the Office of Fiscal Accountability and Regulatory Reform ("OFARR") to ensure OFARR had no concerns. OFARR did not have any substantive comments. As such, a Notice of Proposed Rulemaking ("NOPR") was filed with FAR on February 21, 2024, and the rules also were submitted to the Joint Administrative Procedures Committee ("JAPC") for approval. JAPC did not have any comments, and no member of the public requested a rule hearing. The rules were filed for adoption on April 2, 2024 and approved, on the date of filing, by the Bureau of Administrative Code, with an effective date of April 22, 2024.

The proposed changes made are as follows:

Rule 19-11.001- Definitions.
Rule 19-11.001 is being amended to update the definition of an exempt transaction to include rollovers of eligible funds; to update the age by which plan members must take Required Minimum Distributions once they terminate employment; to add a definition for "volunteer services;" and to make some editorial revisions.

Rule 19-11.002- Beneficiary Designations and Distributions for FRS Investment Plan.

Rule 19-11.002 is being amended to adopt the latest version of the FRS Investment Plan Beneficiary Designation Form; to set forth the most recent versions of the General Retirement Plan Enrollment Form and the 2nd Election Enrollment Form; and to provide that if a member's spouse either cannot be located or refuses to sign the acknowledgement of beneficiary designation form, then the member may request that the requirement of the acknowledgement be waived by providing an affidavit setting forth the particular facts and circumstances.

19-11.003-Distributions from FRS Investment Plan Accounts

Rule 19-11.003 is being amended to update instructions as to how a copy of Internal Revenue Code Section 401(a)(9) may be obtained from the Internal Revenue Service website; to update the age by which plan members must take Required Minimum Distributions once they terminate employment; and to update examples showing how certain distributions to members could be invalid.

19-11.004-Excessive Trading in the FRS Investment Plan

Rule 19-11.004 is being amended to update how to obtain copies of the SEC regulations on excessive trading; and to update the examples for market timing trades and roundtrip trades.

Rule 19-11.006- Enrollment Procedures for New Hires.
Rule 19-11.006 is being amended to adopt the latest versions of the various enrollment forms.

Rule 19-11.007- Second Election Enrollment Procedures for the Florida Retirement System Retirement Programs.

Rule 19-11.007 is being amended to adopt the latest versions of the 2nd election enrollment forms.

Rule 19-11.008- Forfeitures.
Rule 19-11.008 is being amended to state that if a member, who transferred from the Pension Plan to the Investment Plan before vesting in the Pension Plan benefit leaves FRS employment, the member will be entitled to employee contributions plus any vested Investment Plan benefit.

However, if the member takes a distribution of any Investment Plan funds, the member will immediately be considered "retired" and will forfeit any unvested Pension Plan funds, as well as any earnings on such funds and any service credit related thereto.

Rule 19-11.009- Reemployment with an FRS-Participating Employer after Retirement.
Rule 19-11.009 is being amended to provide that a member who participates in an FRS-participating employer's volunteer programs within the first 12-month period following termination still will be eligible to receive retirement benefits; and to adopt the latest version of the Certification Form that is used to prevent the hiring of ineligible retirees.

Rule 19-11.012- Rollovers or Plan to Plan Transfers to or from the FRS Investment Plan.

Rule 19-11.012, F.A.C. is being amended to adopt the latest version of the applicable rollover form.

19-11.014- Benefits Payable for Investment Plan Disability and In-Line-Of-Duty-Death Benefits
Rule 19-11.014 is being amended to update a statutory cite.

B. Rule 19-9.001 F.A.C.:

After receiving approval from OFARR, a Notice of Development of Rulemaking for Rule 19-9.001, F.A.C.-Investment Policy Statement, was filed in the Florida Administrative Register ("FAR") on May 13, 2024. The purpose of the proposed rule amendment is to adopt the latest version of the Florida Retirement System Investment Plan Investment Policy Statement, as approved by the Trustees on March 26, 2024. The Investment Policy Statement was amended to reflect the fact that the State Board of Administration now is authorized to develop one or more investment products for the FRS Investment Plan. Further, the list of investment alternatives that may not be offered through the self-directed brokerage account has been expanded. At the June 11, 2024 Trustees Meeting, the Trustees will consider approving the filing of a Notice of Proposed Rule for the amendments.

(ii) Rules for the CAT Fund:

Rule 19-8.028, F.A.C.: A Notice of Development of Rulemaking for Rule 19-8.028, FAC-Reimbursement Premium Formula Contract, was filed in the March 7, 2024 issue of FAR. In accordance with Section 215.555(5), Florida Statutes, the proposed amendments to the rule are required to adopt the 2023-2024 reimbursement premium formula as set forth in the Florida Hurricane Catastrophe Fund 2024 Rulemaking Formula Report presented to the SBA on March 21, 2024. At the June 11, 2024 Trustees Meeting, the Trustees will be asked to approve the filing of a Notice of Proposed Rule for the amendments.

(c) Fiduciary Training. During the period covered by this report, the General Counsel's Office conducted 3 sessions of in-person fiduciary training. All SBA employees are required to complete the training.

This Page Intentionally Left Blank

STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

MEMORANDUM

DATE: May 1, 2024

TO: Lamar Taylor, Interim Executive Director & CIO

FROM: Sooni Raymaker, Chief Risk & Compliance Officer SR

SUBJECT: Trustee and Audit Committee Report – May 2024

The following is a summary report of Risk Management and Compliance (RMC) activities and initiatives completed or in progress since the last dated report of February 2024 to the current period. All RMC activities, reviews, controls, and processes are continuing to operate effectively and as expected during this reporting period.

The role of the RMC unit is to assist the Executive Director & CIO in maintaining an appropriate and effective risk management and compliance program to identify, monitor and mitigate key investment and operational risks. RMC plays a critical role in developing and enhancing the enterprise-wide system of internal controls. RMC proactively works with the Executive Director & CIO and designees to ensure issues are promptly and thoroughly addressed by management.

SBA senior management has created a culture of risk management and compliance through the governance structure, allocation of budgetary resources, policies and associated training and awareness. Management is committed to ethical practices and to serving the best interests of the SBA's clients.

Compliance Exceptions
No material compliance exceptions were reported during the period.

Enterprise Risk Management (ERM)
Response Plans and associated performance and risk metrics developed by designated risk owners and ERM from the last quarter have been updated. All metrics are as expected with no observed concerns. Plans are based on the major business model functions of Enterprise Oversight & Governance, Investment Management, and Organizational Operations. Plans include vital functions for each high-level process, vital signs (metrics), risk assessment results, risk tolerance levels, and current controls or activity to help mitigate those risks. Additionally, ERM has completed control validations on investment approvals and related funds transfers and actively continues building an assurance map of enterprise controls across the first, second, and third lines of defense. ERM is also participating in the organizational cloud migration of SharePoint system workflows to ensure controls and policy requirements are

reflected in automated workflows. The Risk and Compliance Committee is scheduled to meet on May 1. The risk metrics and assurance map will be discussed along with reports from Internal Audit, General Counsel, and Operational Due Diligence.

Trading and Investment Oversight Group (TOG)
On April 25, 2024, TOG conducted its quarterly oversight meeting and reviewed internal trading activity, compliance reports, trading counterparty oversight updates and other standard trading information reports.

Last quarter, TOG created a Permitted Securities Working Group. The group includes representation from General Counsel, Global Equity, Fixed Income, and RMC. The group met several times and reviewed each security and associated statutory authorization noted by the public market staff and verified by General Counsel staff. The Group presented a final list for TOG approval and final review by the General Counsel's office.

External Manager Operational Due Diligence (ODD)
During this reporting period, the ODD team reviewed and commented on 13 consultant operational due diligence reports on investment managers as part of the investment approval process, which represents approximately $3.6 billion in potential investments. The team reviewed three real estate property acquisitions which represents approximately $186 million in new investments. Three real estate credit facility loans were reviewed which represent approximately $154 million. Twelve new consultant ODD reports were added to the Manager Operational Risk Oversight page for use by the asset classes since the last meeting.

The annual certification for external investment managers was requested in early April, with a deadline of May 31, 2024.

Mercer and the ODD team conducted three ODD reviews during this period. Additionally, the ODD team participated in four consultant interviews and three Fixed Income Core manager search interviews during the period.

Public Market Compliance (PMC)
During the reporting period, PMC reviewed 7 investment guidelines for internal and external accounts, which included the onboarding of 4 new public market portfolios.

For the SharePoint Migration to Cloud, PMC worked with Project Management and IT staff to convert the current Exceptions Workflow and Monthly IOG Workflow. PMC staff attended weekly check-in meetings to ensure tasks were completed in accordance with the project timeline. Testing has been completed for both workflows and is pending deployment by IT.

Kickoff for the Charles River upgrade from version 21R3 to 23R2 began on February 7th. PMC was heavily involved in testing and participated in daily calls discussing issues and progress of the project. Testing by PMC involved the review and confirmation of access and functionality in the new environment. Additionally, compliance rules were tested to ensure they work correctly in the new version. Despite an access issue that temporarily prevented PMC from having the capability to test compliance rules in UAT, PMC was able to complete testing by the April 26 deadline. Parallel testing began on April 29. The new version, 23R2, is scheduled to Go-Live on May 6, 2024.

Performance Reporting & Analytics (PRA)
As reported previously, the SBA has enlisted the services of a consultant (Meradia) to assess investment performance, performance attribution, and risk analytics processes, among other items, to support the organization's strategic goals. The purpose of this engagement is to identify areas of improvement and opportunities within the SBA architecture to bolster investment performance and analytics. Another objective of this project is to enhance quantitative decision-making by expanding analytics for portfolio construction, monitoring, and refining core key performance indicators. In addition, the project aims to improve operating effectiveness by evaluating the systems architecture, enhancing data management practice, and reducing technical debt.

This quarter, The PRA team primarily focused on the Investment Policy Statement changes while maintaining momentum on the Eagle Access project with Meradia. The PRA team undertook the task of transferring over 200 portfolios from the Strategic Investments asset class to the new Private Credit asset class. This was done manually under the current on-premises environment.

Additionally, the PRA team established over 35 composites, each added individually to the database, and created and implemented new quality daily and monthly checks and reports to reflect the changes of the Investment Policy Statement.

Moreover, the PRA Team, in collaboration with Meradia and Eagle SMEs, has been conducting tests on complex calculations such as Policy Weights to ensure those calculations can be performed automatically in PACE. During Model Office 2, PRA validated and confirmed that PACE does have the capability to execute them. As a result, PRA will be incorporating those calculations, alongside others, into PACE. The PRA team continues having discussions on information delivery and establishing a road map to achieve the objectives of the SBA.

Policy Administration
During the review period, six internal policies were revised. The Risk Budget, Rebalancing and Liquidity Management, and the Private Equity Allocation policies were all updated for consistency with the FRS Defined Benefit Investment Policy Statement, which became effective 1/1/2024. The Trading Counterparty Management - Public Market Asset Classes policy (Counterparty policy) was revised to update certain responsibilities associated with daily counterparty monitoring and the review of credit standards for Direct Issuers. A provision was also added to permit the execution of swaps on a Swap Execution Facility with counterparties other than those on the authorized list. The Trading, Investment Oversight and Compliance policy was revised to include the annual requirement for the Trading Oversight Group approval of the Designated Futures, Options, and Swaps Exchanges Markets list, which was previously included in the Counterparty policy. Finally, the Investment Valuation policy was also revised to update its three attachments, which include the custodian Global Pricing Guidelines, the SBA's Internal Pricing Hierarchy, and the Valuation Procedures for Private Market investments.

Three investment guidelines were revised to update portfolio parameters such as benchmarks, risk profiles, and maturity constraints for the Florida Hurricane Catastrophe Fund Operating Liquidity and Claims Paying portfolios, as well as for the SBA Finance Corporation Pre-Event 2020A fund. New investment guidelines were implemented for the SBA Finance Corporation Pre-Event 2020A Transition portfolio, which will hold securities slated for the payment of debt service, and for the SBA Finance Corporation Pre-Event 2024A fund, which will be used to pay hurricane claims and debt service on the pre-event bonds, as needed.

Two new investment guidelines were also implemented for the Fixed Income Policy Transition Account 4 and Account 5. These accounts will be utilized to manage large rebalancing and other asset allocation transitions. No revisions to internal policies or guidelines were made due to the implementation of the revised FRS Investment Plan Investment Policy Statement, which became effective on 3/26/2024.

Regulatory and Statutory Reporting

The *SBA Statutory and Regulatory Reporting Requirements with Calendar Due Dates* spreadsheet was further developed and distributed to affected business units monthly for responses to demonstrate compliance with each reporting or disclosure obligation. During this reporting period, RMC and fourteen other SBA teams reviewed and confirmed the completion of 42 regulatory and statutory obligations. Many of the obligations are derived from Florida Statutes and Administrative Code and the remaining obligations are primarily derived from regulatory bodies such as the Securities Exchange Commission, Commodity Futures Trading Commission, and other foreign regulatory bodies.

A summary of some major statutory reporting activity includes: the Annual Investment Report; the Trustee Quarterly Report; Certification and Disclosure requirements for investment advisers and manager; OPPAGA's Analysis of technology and growth funds; Annual Financial Audit of Florida PRIME; and Comprehensive report detailing adherence to fiduciary standards. Other reports include quarterly 13F and 13G forms filed with the SEC, which include holdings in certain public equity securities.

Personal Investment Activity (PIA)

During the period (February 1 – April 29), there were 288 requests for pre-clearance by SBA employees, with 217 being approved, 50 being denied (due to blackout restrictions), and 21 being retracted (not traded). There were 4 violations during the period. Two violations were the result of trades being executed in a different account than what was approved on the pre-clearance requests. The other two violations were the result of employees failing to pre-clear prior to transacting with their broker.

INVESTMENT ADVISORY COUNCIL

Asset Class Update

John Bradley, SIO Private Equity

State Board of Administration
June 10, 2024

Agenda

PE Policy, Benchmarking and Structure
- Goals/Objectives
- Benchmarks
- Staffing

Asset Class Investment Process
- Annual Investment Plan
- Sourcing
- Due Diligence
- Monitoring

Asset Class Portfolio
- Performance/Cash Flows
- Allocations/Targets/Exposures

Asset Class Sub-Strategies
- Buyouts/Growth Equity
- Venture Capital
- Distressed/Turnaround
- Secondary

Portfolio Evolution and Looking Forward

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Private Equity Policy

- Policy target allocation: 10% of total fund
- Allocation range: 6% - 20% of total fund
- 5/31/24 allocation: ~9.2% of total fund

Per Policy:

- Private Equity shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment experience and resources
  - Alignment of interests
  - Transparency and repeatability of investment process, and
  - Controls on leverage

Goals/Objectives

- Asset Class Goals/Objectives
  - Create a portfolio that outperforms both our primary and secondary benchmarks while remaining within the bounds of our asset class risk budget
  - Construct the program to avoid concentrated exposure to a particular vintage year, manager, strategy or geography
  - Establish prudent portfolio diversification while minimizing proliferation of manager relationships

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

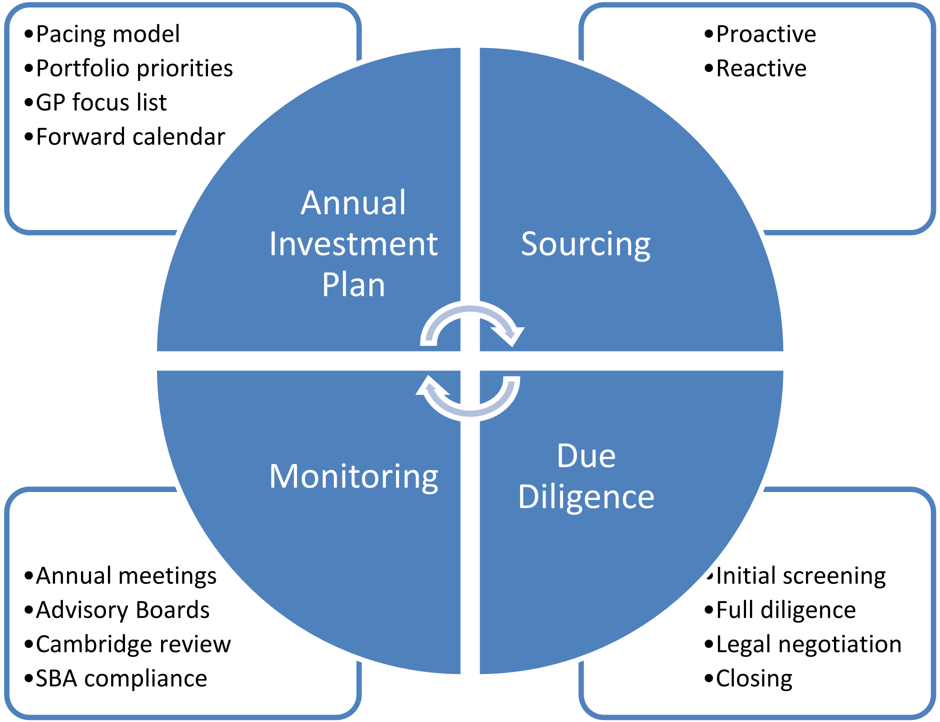
- Benchmarks
  - Primary: MSCI ACWI IMI + 250bps premium
    - Current benchmark of the Global Equity asset class plus an illiquidity premium
    - Opportunity cost benchmark
  - Secondary: Cambridge Associates Benchmark
    - Cambridge Associates Global Private Equity and Venture Capital Index
    - Peer benchmark
    - Measures effectiveness of staff in selecting managers

Staffing

- Staff of eight investment professionals
  - Senior Investment Officer
  - Three Senior Portfolio Managers
  - One Portfolio Manager
  - Three Analysts
  - Administrative Assistant
- Cambridge Associates
  - Dedicated global team of 5 Investment Directors and 7 Associates/Analysts
  - Market research
  - Fund due diligence
  - Operational due diligence
  - Quarterly performance review
  - Semi-Annual strategy review

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Private Equity Investment Process

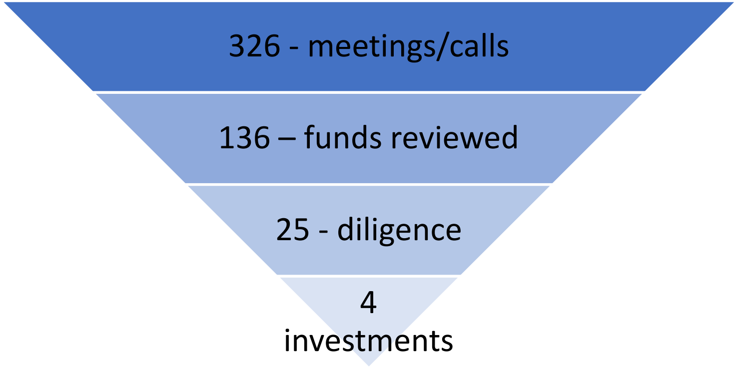


- Annual Investment Plan
  - Serves as the roadmap for the future
    - Numerous inputs, including:
      - Portfolio Const. Model
      - Priority Rankings
      - Focus List
      - Forward Calendar

Geography	Large Buyout	Mid-Mkt Buyout	Small Buyout	Growth Equity	Venture Capital	Distressed / Turnaround
North America	Low Priority	Medium Priority	High Priority	Medium Priority	Medium Priority	Medium Priority
Europe	Low Priority	High Priority	Medium Priority	Medium Priority	Medium Priority	Medium Priority
Asia	Low Priority	Medium Priority	Medium Priority	Low Priority	Medium Priority	Low Priority
ROW	Low Priority	Low Priority	Low Priority	Low Priority	Low Priority	Low Priority

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

- Sourcing
  - Vast majority of investments sourced proactively
  - Invested in four funds in 2023 managed by general partners that were new to the PE program
  - Sourcing activity increased in 2023



Private Equity Investment Process

- Due Diligence
  - Goal: leverage SBA resources and staff expertise to create an effective and consistent investment decision-making process
  - Keys to success: people, <u>process</u>, and plumbing
  - Stages of Due Diligence
    - Initial Screening
    - Full Diligence
    - Legal Negotiations
    - Closing

Private Equity Investment Process

DUE DILIGENCE

- Fund Overview
- Meeting with GP at SBA office
- Preliminary Diligence Summary
- Interim Diligence Summary (IDS)
- Investment Approval Memo

Interim Diligence Summary (IDS) inputs:

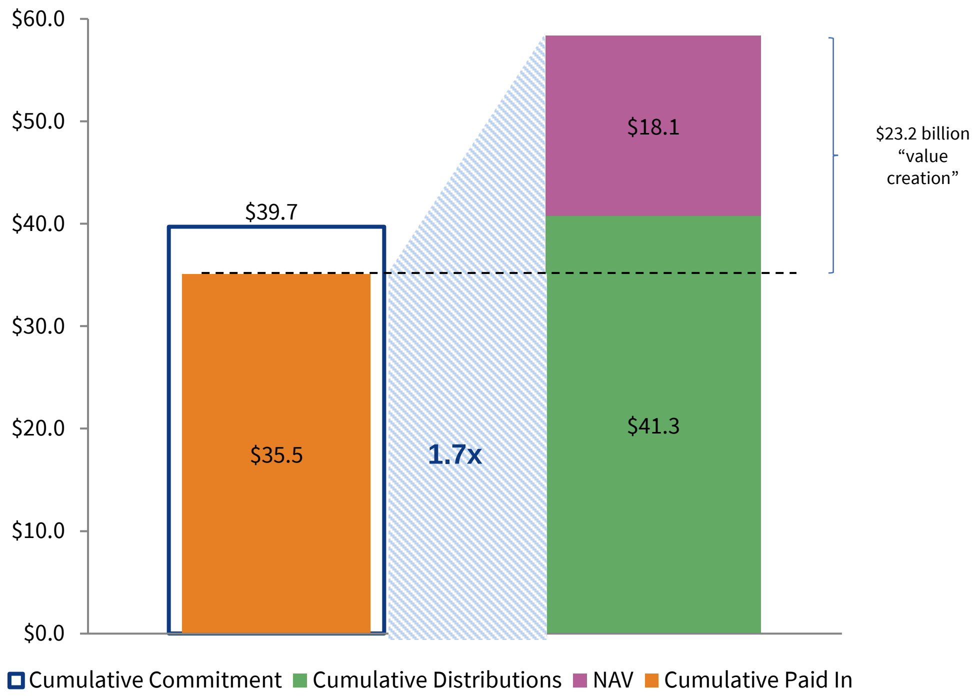
- Due Diligence Questionnaire
- Quantitative Data Request (Excel)
- Reference Calls
- Onsite Visit
- Consultant Memo
- Legal Terms Review

- Monitoring
  - Review of all capital calls and distributions
  - Bi-weekly calls with Cambridge Associates
  - Portfolio management/CRM system
  - Attendance at annual meetings
  - Participation on advisory boards
  - Quarterly update calls
  - In-person updates
  - Cambridge Associates strategy meetings
  - SBA Risk Management and Compliance

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Private Equity Performance

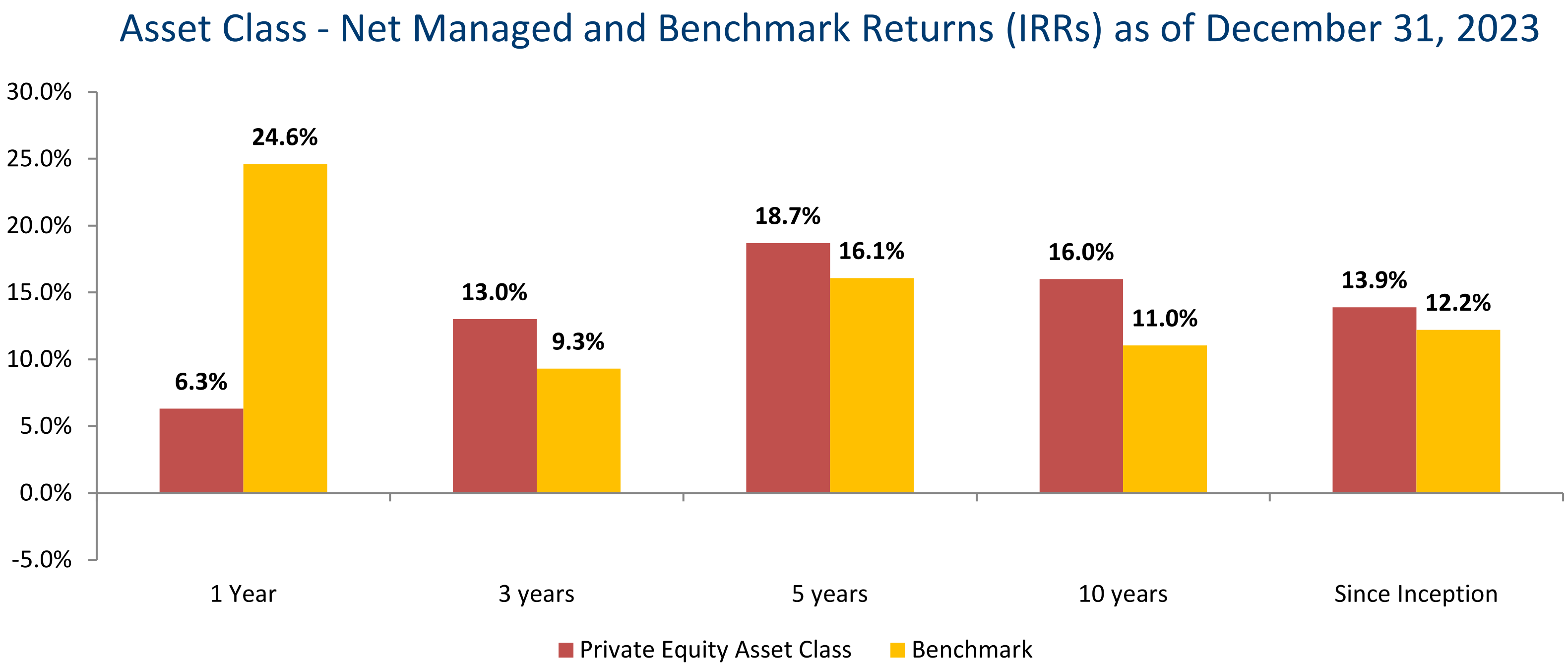
TOTAL PRIVATE EQUITY PORTFOLIO ($B)



- Since inception, the asset class has committed over $39.7b to 358 funds
- $35.5b called to date
- $41.3b distributed; 1.2x DPI
- $18.1b in remaining value; 1.7x TVPI
- Value creation to date of $23.2b

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Private Equity Performance



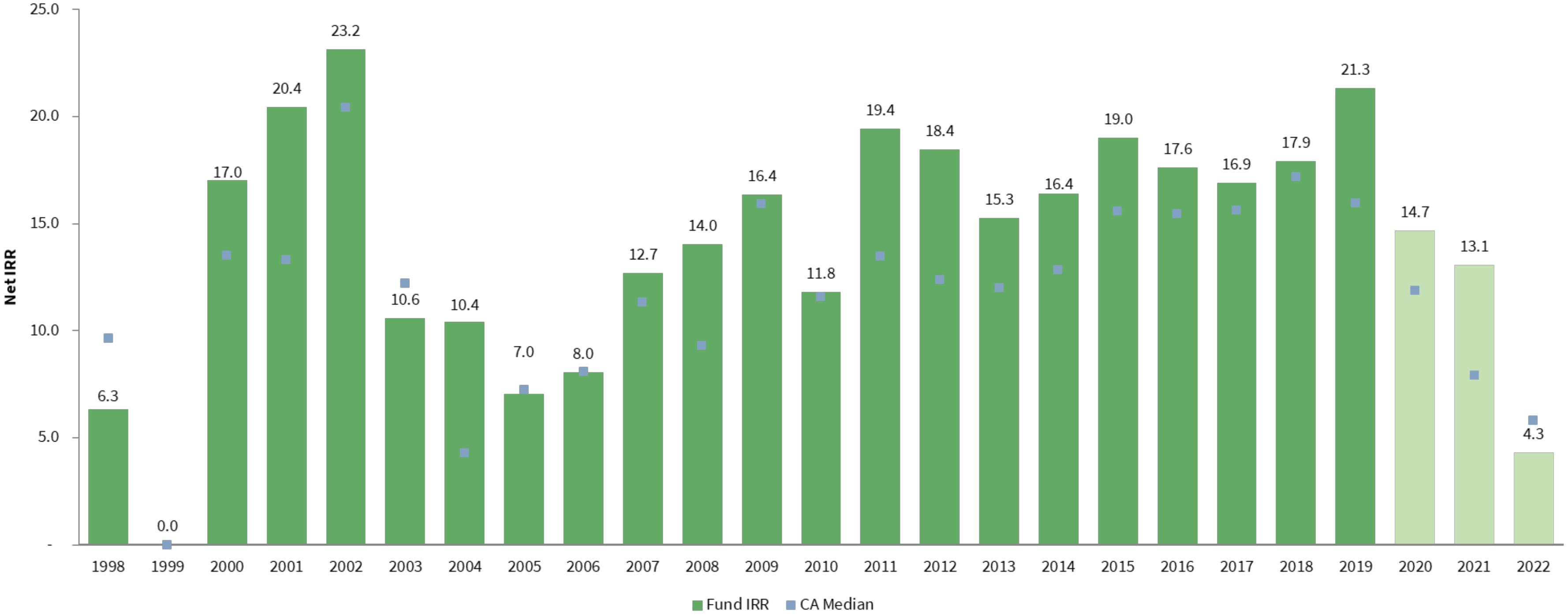
Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 300bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010 , the benchmark was the Russell 3000 + 450 bps. Prior to November 1999, Private Equity was part of the Domestic Equities asset class and its benchmark was the Domestic Equities target index + 750 bps.

Please see Appendix for performance of the Legacy or pre-asset class portfolio.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Vintage Year Performance

As of December 31, 2023

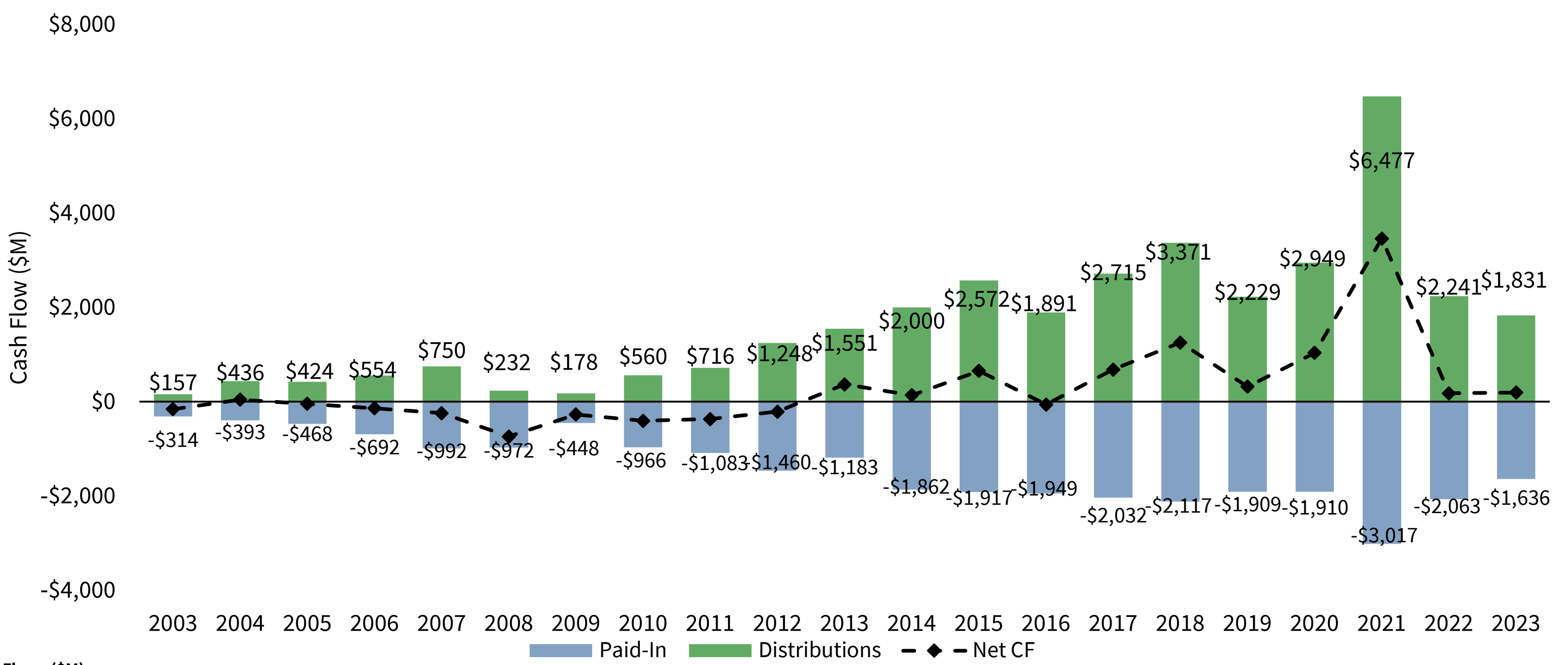


- Since inception of the asset class, the SBA has outperformed vintage year benchmarks in 21 out of 25 years (84%)

*Light shading (2020 - 2022) indicates vintages too young to have meaningful performance

Cash Flow History

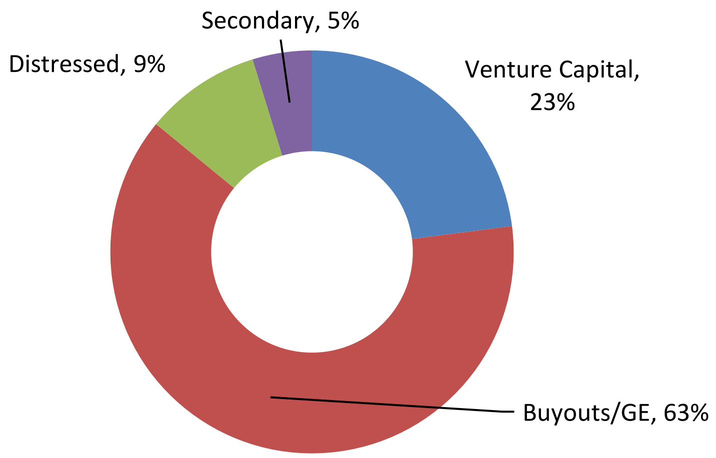
As of December 31, 2023



Cash Flows ($M)

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net CF	-$157	$44	-$44	-$138	-$242	-$740	-$270	-$406	-$367	-$212	$368	$138	$655	-$58	$682	$1,254	$320	$1,038	$3,460	$178	$195
Cumulative CF	-$782	-$739	-$782	-$920	-$1,162	-$1,902	-$2,172	-$2,578	-$2,944	-$3,156	-$2,789	-$2,651	-$1,996	-$2,055	-$1,373	-$119	$202	$1,240	$4,700	$4,878	$5,073

Current Allocations and Targets



($ millions)	12/31/23 NAV	%	Total Exposure+	%	Target Allocation
Buyouts*	$ 11,412	63%	$ 15,280	62%	65%
Venture Capital	$ 4,159	23%	$ 4,830	20%	10%
Distressed	$ 1,685	9%	$ 3,079	12%	15%
Secondary	$ 863	5%	$ 1,519	6%	10%
Total	$ 18,119		$ 24,709		

*Buyout sub-target: 85% funds 15% co-investments
+Total Exposure equals NAV + unfunded commitments

Portfolio Composition

PE Portfolio

- $18.1b NAV (12/31/23)
- $6.6b Unfunded
- 243 funds
- 71 GPs (45 core)

Geographic Focus*

- 2 - Global
- 31 - U.S.
- 7 - Europe
- 5 - Asia

Sector Focus*

- 25 - Generalist
- 9 - Technology
- 5 - Energy
- 1 – Financials
- 4 – Consumer/Retail
- 1 – Health Care

*Geographic and sector focus of our 45 core managers

SBA FLORIDA STATE BOARD OF ADMINISTRATION

GP Concentration

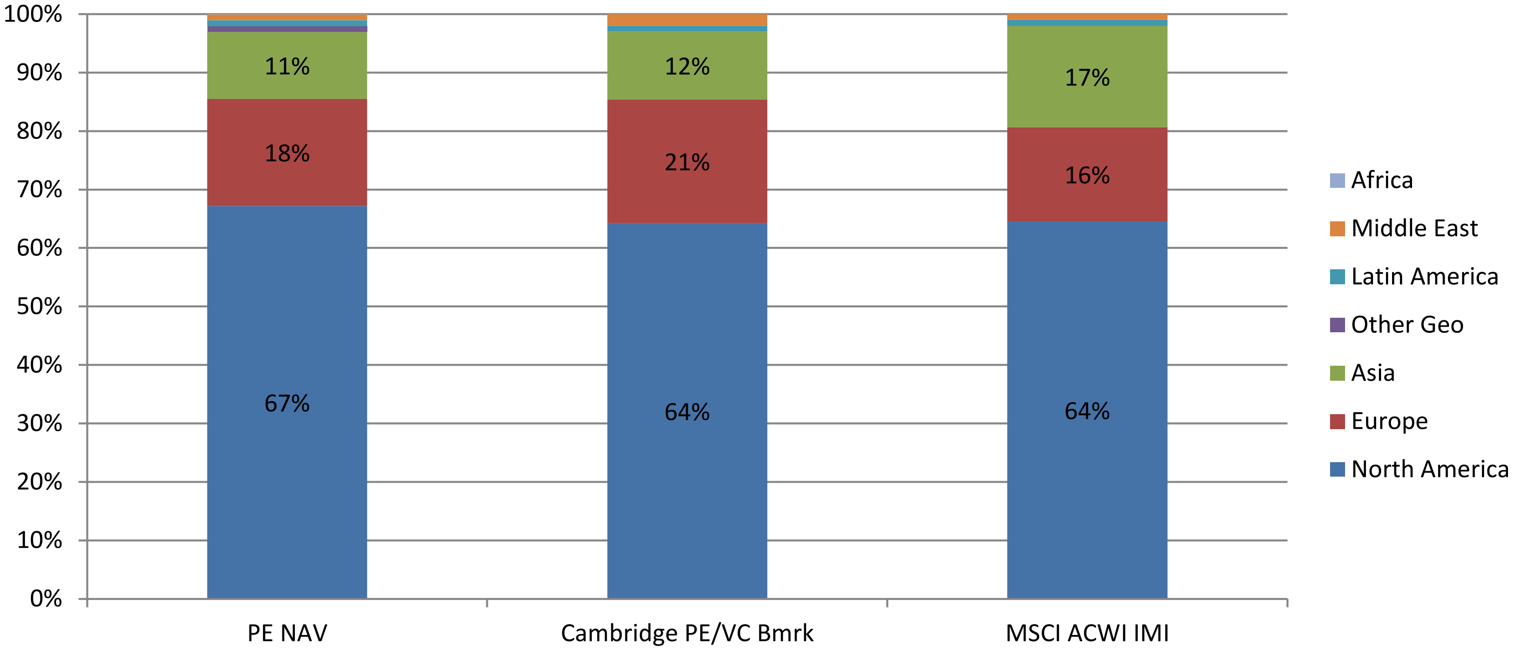
General Partner	12/31/23 NAV	% of PE Portfolio
Lexington Partners	2,168,888,526	12%
Truebridge Capital	1,362,470,252	8%
SVB Capital	1,360,636,689	8%
Thoma Bravo	1,215,486,316	7%
Hellman & Freidman	861,764,162	5%
Asia Alternatives	661,785,297	4%
Fairview Capital Partners	534,690,727	3%
Tiger Iron Capital	525,206,720	3%
Silver Lake Partners	494,728,545	3%
Grove Street Advisors	494,045,079	3%
Total	**$ 9,679,692,313**	**53%**

- Total portfolio is diversified by GP
- Venture FOFs and technology GPs make up majority of top 10 GP exposures
- The largest 10 exposures represent 53% of portfolio NAV
- Top 10 represent 32% of committed capital

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Geographic Exposure

As of December 31, 2023

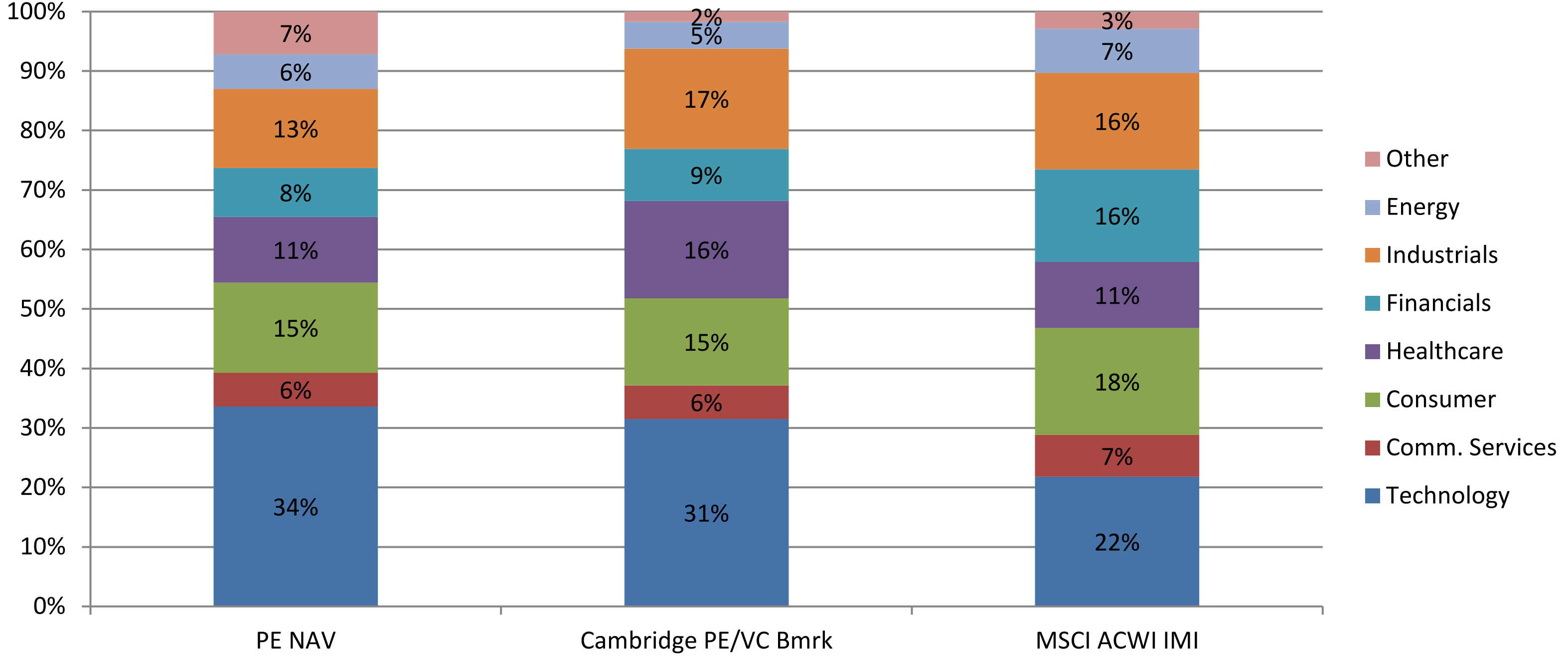


Source: Cambridge Associates

SBA FLORIDA STATE BOARD OF ADMINISTRATION

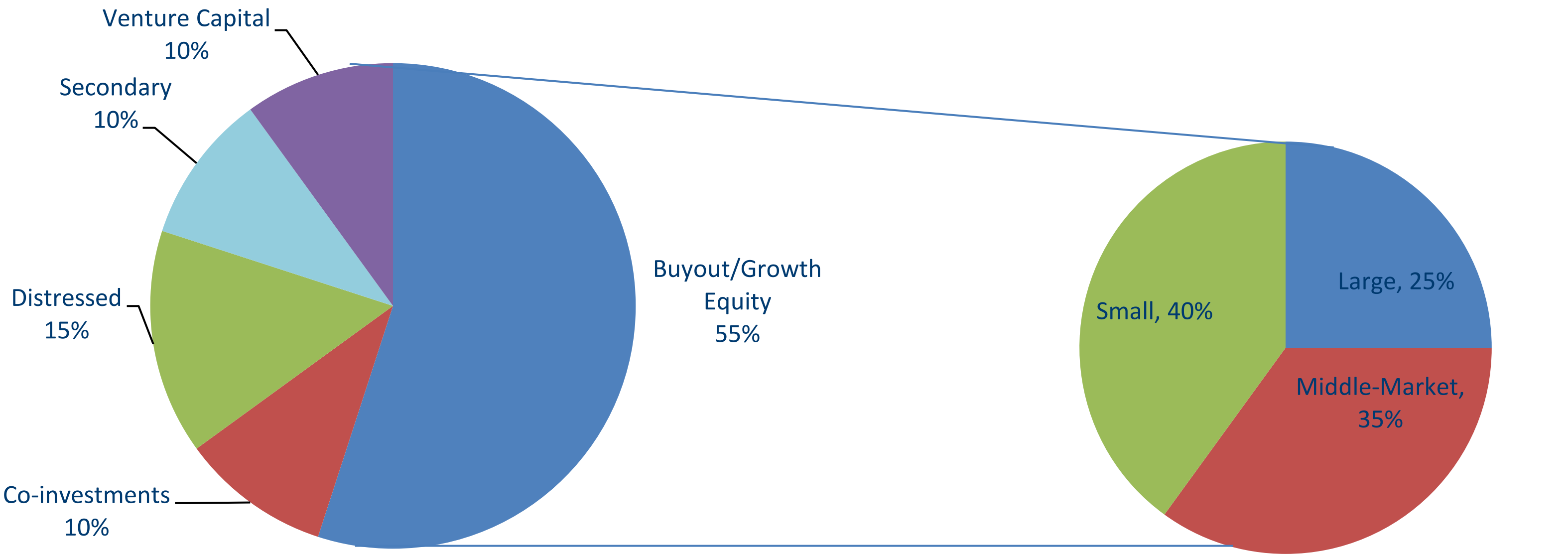
Sector Exposure

As of December 31, 2023



Source: Cambridge Associates

Buyout/Growth Equity Portfolio Targets



Buyout/Growth Equity Portfolio

Firm	Geographic Focus	Sector Focus
Advent International	Global	Generalist
CVC	Global	Generalist
Francisco Partners	U.S.	Technology
Hellman & Friedman	U.S.	Generalist
MBK	Asia	Generalist
Thoma Bravo	U.S.	Technology

Large

- 6 GPs – Target of 6
- Fund sizes range from $16b - $25b
- Avg. EV greater than $750m
- $100 - $200m target commitment

Firm	Geographic Focus	Sector Focus
DCP	China	Generalist
EnCap	U.S.	Energy
FS Equity	U.S.	Consumer
Hahn & Co.	Korea	Generalist
InvestIndustrial	Europe	Generalist
Quantum	U.S.	Energy
Stone Point	U.S.	Financials
Thoma Bravo Discover	U.S.	Technology

Middle-Market

- 8 GPs – Target of 12
- Fund sizes range from $350m-$7.5b
- Avg. EV between $250m-$750m
- $75m - $200 target commitment

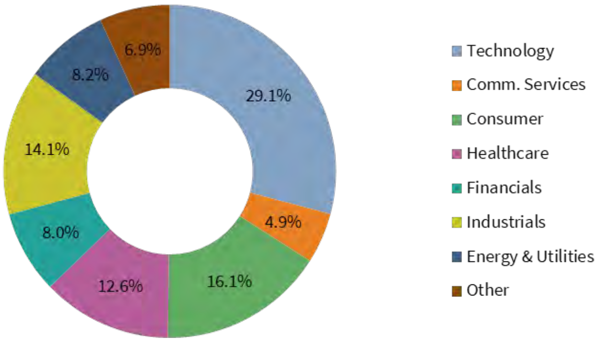
Firm	Geographic Focus	Sector Focus
Accel KKR	U.S.	Technology
Arbor	U.S.	Consumer
Asia Alternatives	Asia	Generalist
Brynwood	U.S.	Consumer
Carnelian	U.S.	Energy
Equistone	Europe	Generalist
Falfurrias	U.S.	Generalist
Inflexion	Europe	Generalist
Juniper	U.S.	Energy
Livingbridge	Europe	Generalist
NIC	Japan	Generalist
One Peak	Europe	Technology
Paragon	Europe	Generalist
Post Oak	U.S.	Energy
Rubicon	U.S.	Technology
Stride	U.S.	Consumer
Trace Energy	U.S.	Energy
Warren	U.S.	Generalist
Waterland	Europe	Generalist
WindRose	U.S.	Health Care

Small

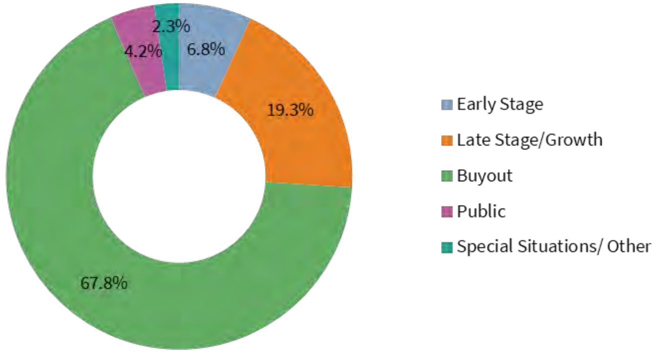
- 20 GPs – Target of 18
- Fund sizes range from $400m - $4.0b
- Avg. EV less than $250m
- $25m - $100m target commitment

Buyout/Growth Equity Portfolio

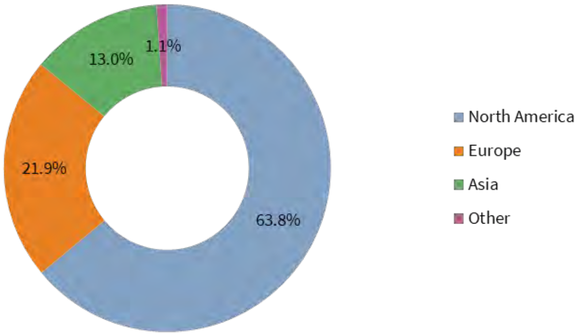
Exposure by Sector



Exposure by Stage



Exposure by Geography



Portfolio Commentary

- Buyout/Growth Equity portfolio remains tech heavy at 29%
- Portfolio is diversified by sector
- Buyout exposure continues to shift down market
- Portfolio weighted heavily towards North America

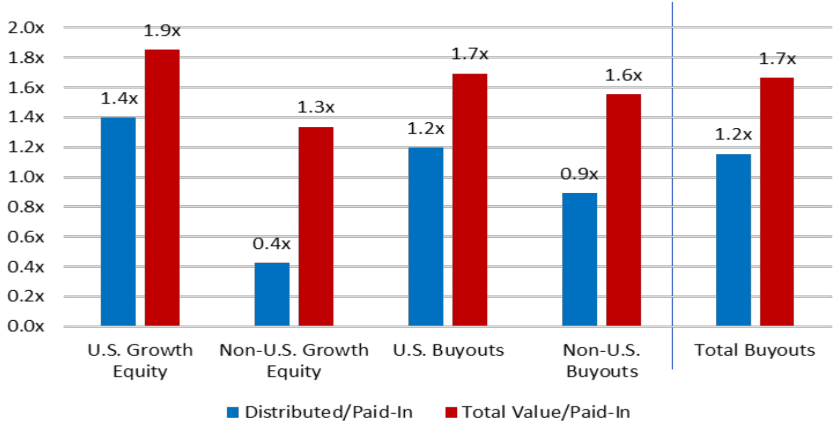
*Exposure weightings by NAV as of 12/31/23

Buyout/Growth Equity Portfolio Performance

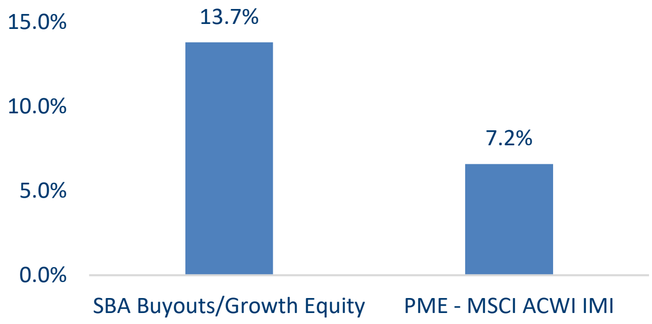
As of December 31, 2023

	1yr	3yr	5yr	10yr	S.I.
U.S Buyouts	11.5%	14.3%	17.3%	15.8%	13.0%
Non-U.S. Buyouts	11.0%	11.7%	16.3%	15.0%	12.9%
U.S. Growth Equity	0.6%	13.3%	21.2%	18.4%	15.3%
Non-U.S. Growth Equity	-1.4%	4.1%	8.2%	8.2%	7.9%
Total Buyouts	10.4%	14.2%	17.0%	15.1%	13.7%
CA Benchmark (mean)	10.0%	13.3%	16.2%	14.0%	12.9%
CA Benchmark (median)	3.5%	9.7%	10.2%	12.1%	13.3%
PME*	21.4%	6.1%	12.2%	7.9%	7.2%

- Strong performance relative to benchmarks
- U.S. growth has outperformed other strategies with non-U.S. growth lagging
- Alpha over public markets (PME) of 6.5%
- DPI of 1.2x and TVPI of 1.7x



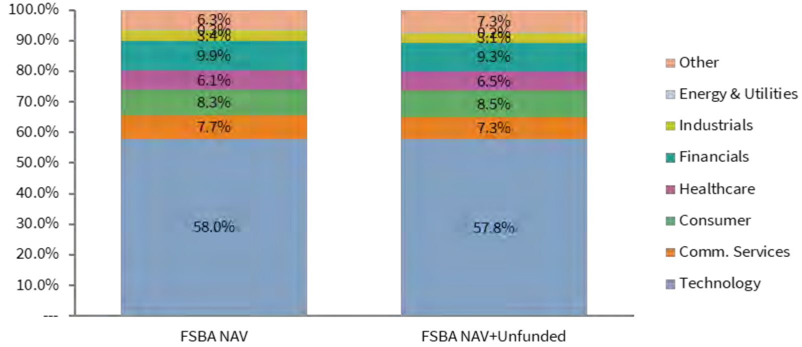
Since Inception Performance



*PME calculations represented by the MSCI All Country World Investable Market Index (Net). Since Inception PME uses inception date of the US Buyouts sub-asset class. CA Benchmark represents Cambridge Associates' Buyout Benchmark.

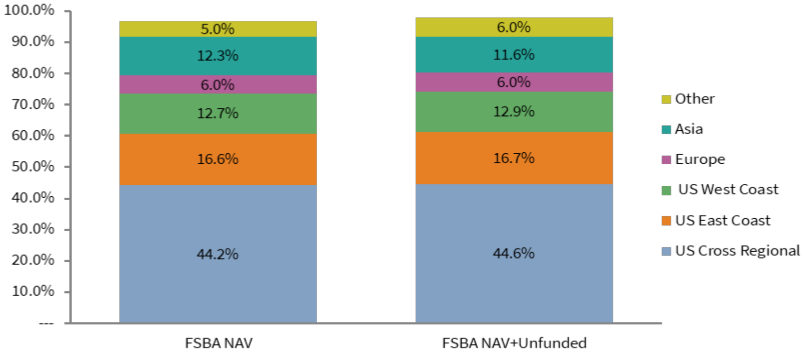
Venture Capital Portfolio

Exposure by Sector

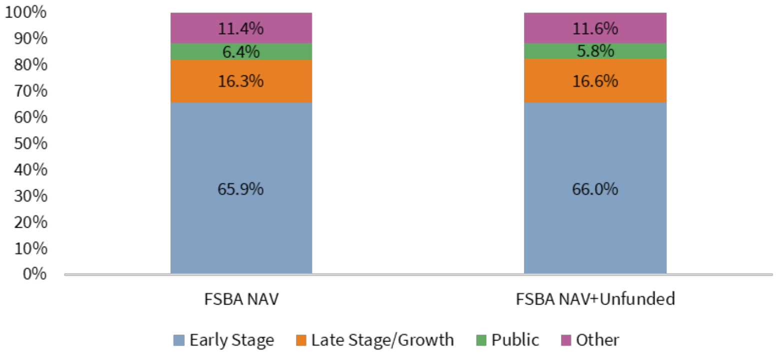


- Three active separate account/fund-of-fund relationships: TrueBridge, Silicon Valley Bank and Tiger Iron
- Majority of the venture portfolio is focused on IT
- Over half the portfolio is located in centers of innovation (Silicon Valley, Boston and NYC)
- 65% of the VC portfolio is invested in early-stage companies

Exposure by Geography



Exposure by Stage



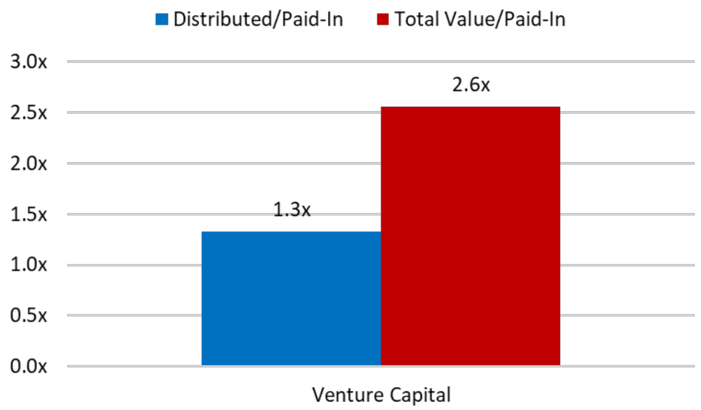
*Exposure weightings by NAV as of 12/31/23

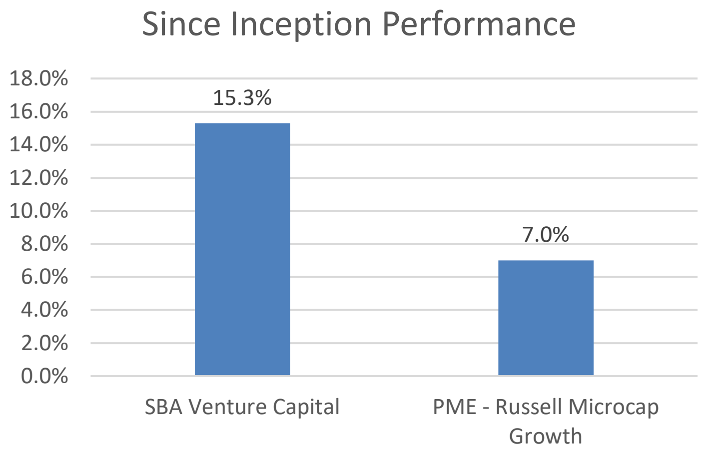
Venture Capital Portfolio Performance

As of December 31, 2023

	1yr	3yr	5yr	10yr	S.I.
Venture Capital	-2.2	11.4%	25.2%	19.1%	15.3%
CA Benchmark (mean)	-3.4%	6.7%	18.1%	15.3%	12.0%
CA Benchmark (median)	-3.9%	1.4%	6.5%	6.7%	7.2%
PME*	9.0%	-7.3%	8.1%	4.6%	7.0%

- Venture portfolio down -2.2% in 2023, longer-term performance remains strong
- Outperformance vs. the PME by 8.3%
- 1.3x DPI and 2.6x TVPI lead all other strategies



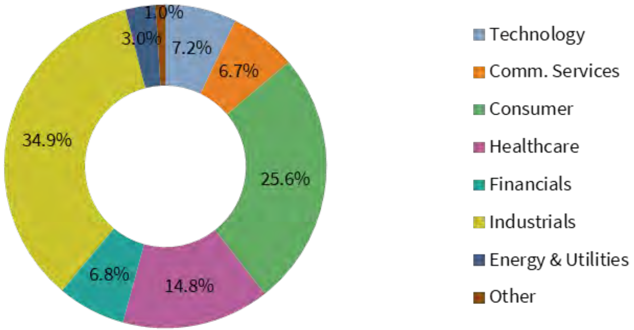


*PME calculation represented by the Russell Microcap Growth Index. CA Benchmark represents Cambridge Associates' US Venture Capital Benchmark.

Distressed/Turnaround Portfolio

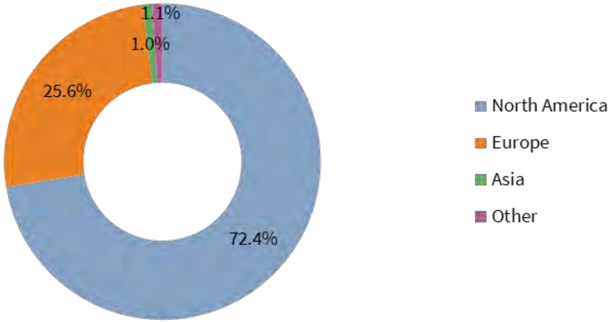
Firm	Geographic Focus
American Industrial Partners	U.S.
Atlas Holdings	U.S.
KPS Capital Partners	U.S.
LightBay	U.S.
Peak Rock	U.S.
Searchlight Capital Partners	U.S./Europe
Towerbrook Capital Partners	U.S./Europe
Trive Capital	U.S.

Exposure by Sector



- Manufacturing/industrials, consumer/retail, and health care account for 75% of the portfolio
- Focus on control and driving value through operations - not a trading strategy
- Variety of strategies represented: debt-for-control, purchasing assets out of a bankruptcy process (363 sale), out-of-court restructurings, negative EBITDA companies, carve-outs of underperforming businesses, and complex situations

Exposure by Geography



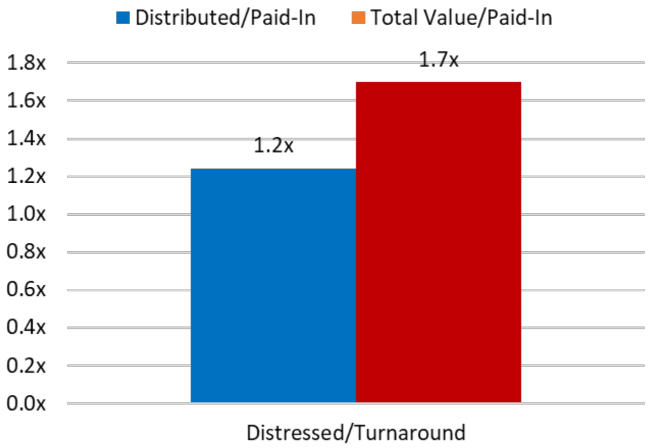
*Exposure weightings by NAV as of 12/31/23

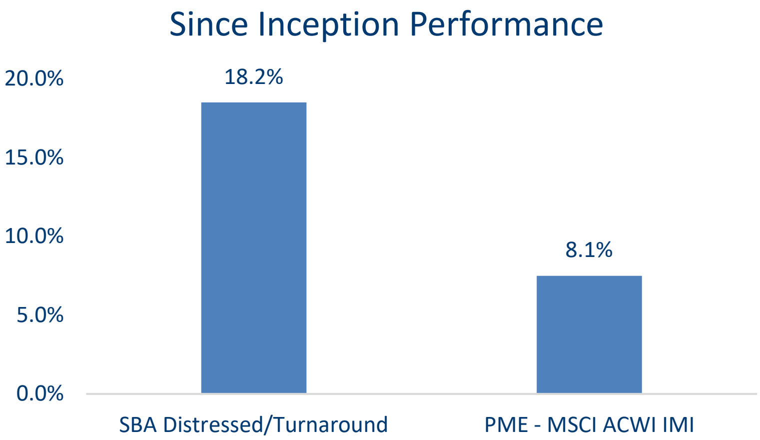
Distressed/Turnaround Portfolio Performance

As of December 31, 2023

	1yr	3yr	5yr	10yr	S.I.
Distressed/Turnaround	8.2%	18.6%	18.5%	14.1%	18.2%
CA Benchmark (mean)	6.6%	12.9%	11.4%	9.3%	10.6%
CA Benchmark (median)	5.9%	8.5%	7.9%	8.2%	9.7%
PME*	21.7%	6.1%	12.4%	8.0%	8.1%

- Strong overall performance
- Alpha over the public markets (PME) of 10.1%
- 1.2x DPI and 1.7x TVPI in line with other strategies





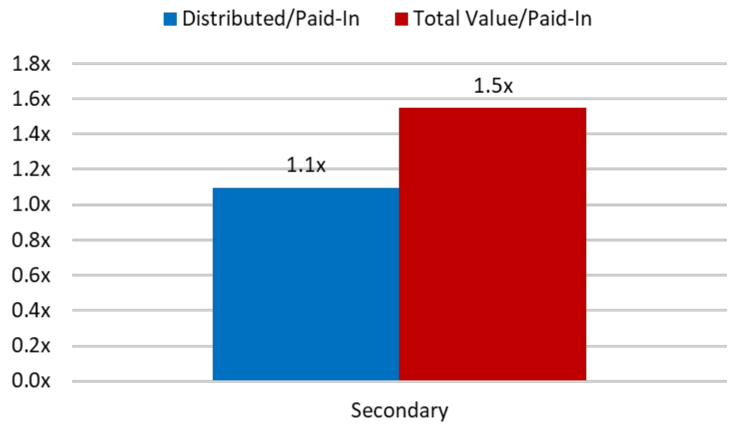
*PME calculations represented by the MSCI All Country World Investable Market Index (Net). CA Benchmark represents Cambridge Associates' Distressed Benchmark.

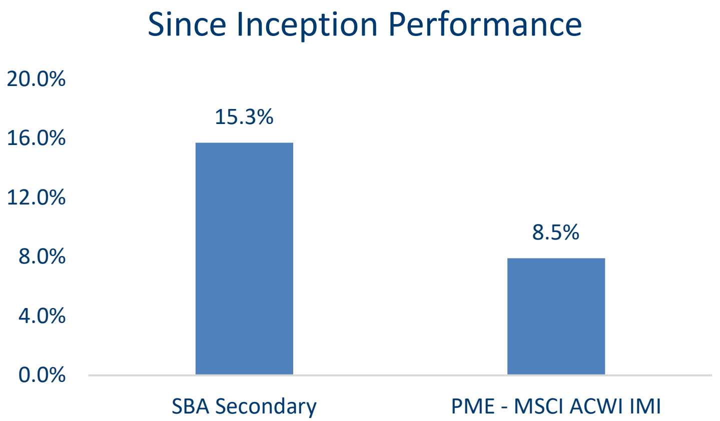
Secondary Portfolio Performance

As of December 31, 2023

	1yr	3yr	5yr	10yr	S.I.
Secondary	4.0%	11.3%	13.3%	11.7%	15.3%
CA Benchmark (mean)	3.9%	12.3%	14.3%	12.4%	12.4%
CA Benchmark (median)	0.0%	3.5%	7.8%	10.1%	13.7%
PME*	21.9%	6.2%	12.1%	7.8%	8.5%

- Two GPs: Lexington Partners and Aegon Asset Management
- Alpha over public markets (PME) of 6.8%
- DPI of 1.1x and TVPI of 1.5x





*PME calculations represented by the MSCI All Country World Investable Market Index (Net). CA Benchmark represents Cambridge Associates' Distressed Benchmark.

Private Equity Portfolio Evolution

The Private Equity asset class actively manages the private equity portfolio and its exposures

- Six secondary sales in the last ten years
- Evolving portfolio sub-strategies to market conditions
- Creative approaches with partners
- Consistent pacing and willingness to be contrarian

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Evolution of the portfolio

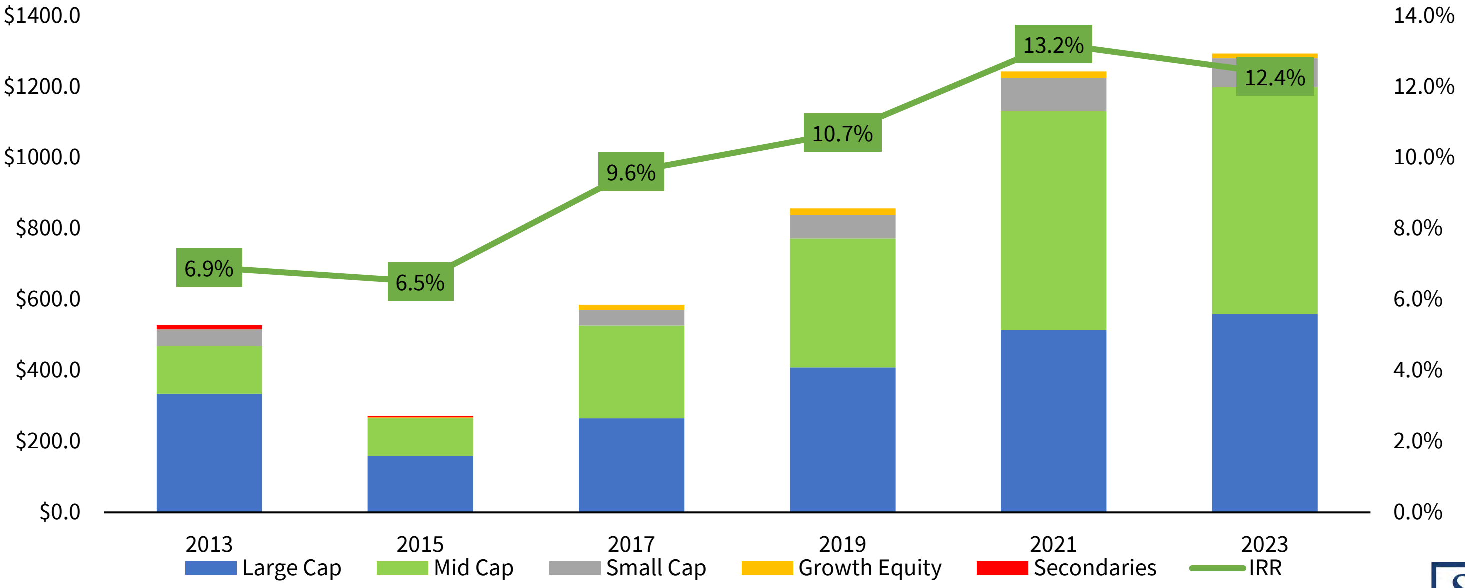
European portfolio has evolved from a pan-European portfolio to a regional and country-focused portfolio

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Evolution of the portfolio

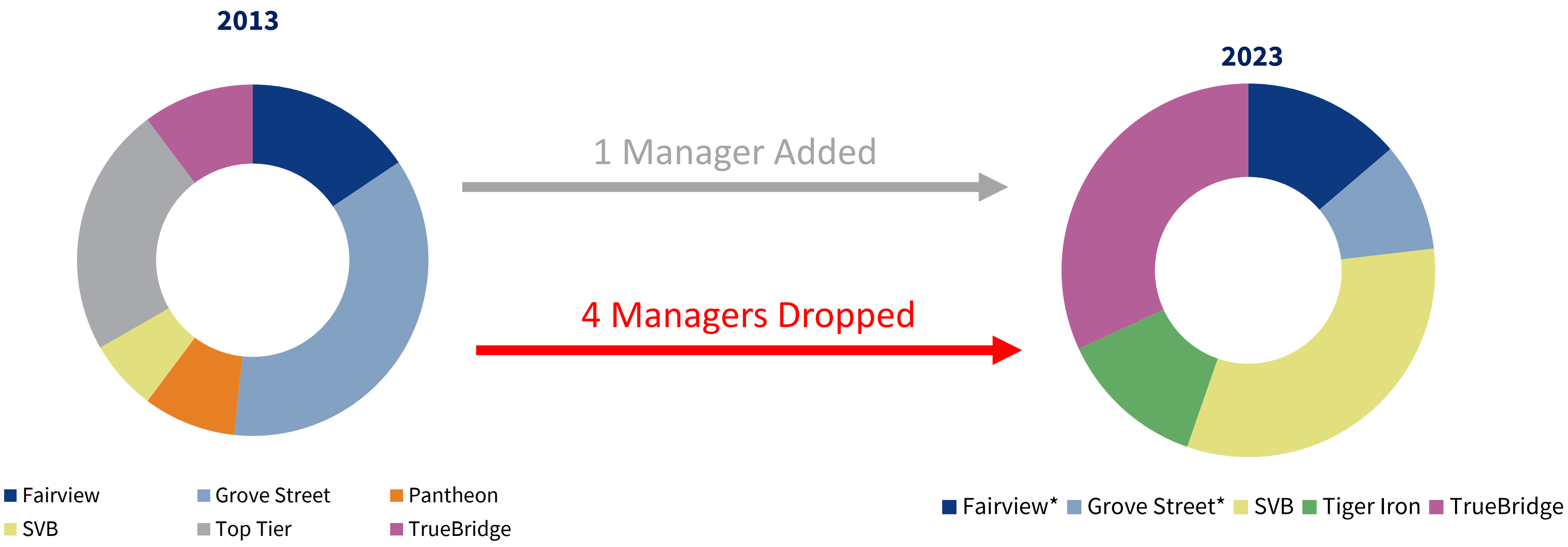
European portfolio performance increased as a result

European Portfolio NAV and Performance Over Time



Evolution of the portfolio

Venture portfolio was refocused and concentrated

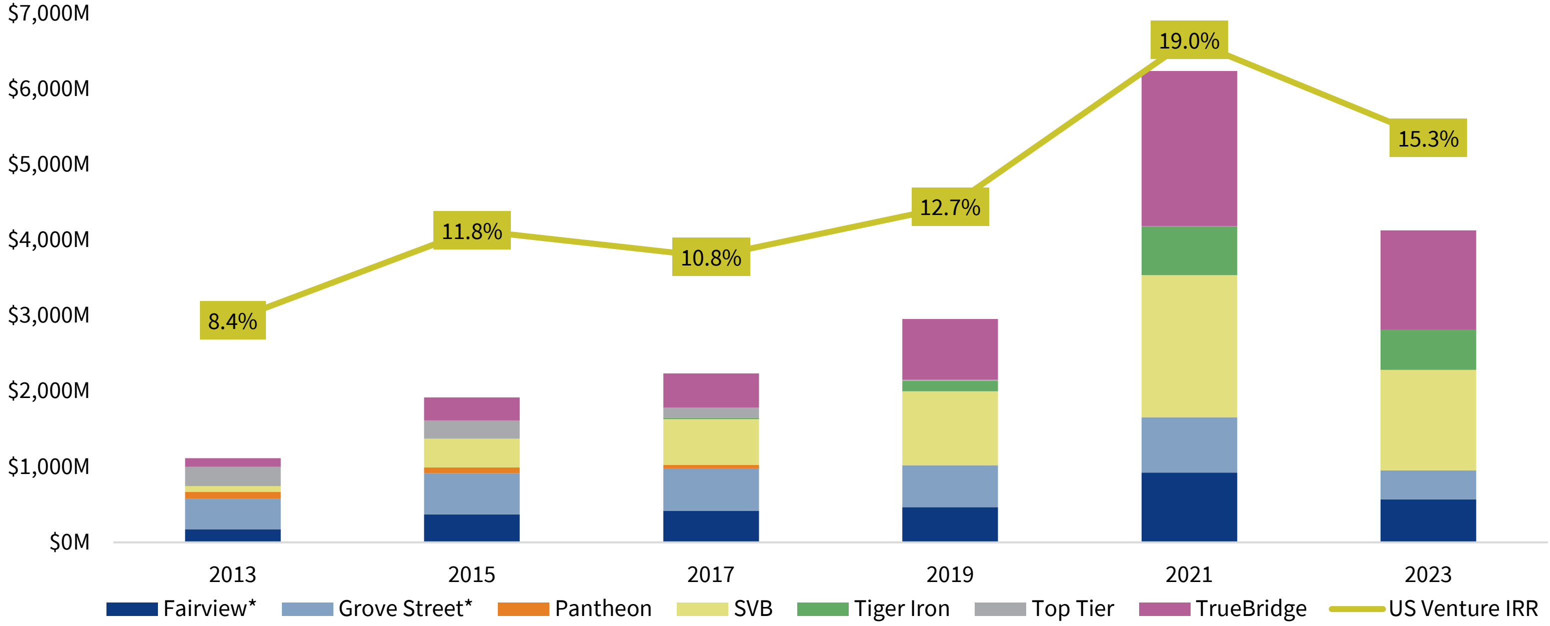


SBA FLORIDA STATE BOARD OF ADMINISTRATION

Evolution of the portfolio

Venture portfolio has performed well

Venture Portfolio NAV and Performance Over Time



The Private Equity asset class will continue to actively manage the portfolio and its exposures

- New GP relationships
- Secondaries
- Co-Investments
- Alternate liquidity methods
  - CFOs
  - NAV loans

Appendix

Private Equity Aggregates

Dollar-Weighted Performance (IRRs) as of December 31, 2023

	Inception Date	Market Value (in Millions)	1yr	3yr	5yr	10yr	Since Inception
Total Private Equity	1/27/1989	$18,119	6.3%	13.0%	18.7%	16.0%	10.8%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.6%	9.3%	16.1%	11.0%	11.1%
Private Equity Legacy Portfolio	1/27/1989	$3	0.0%	0.0%	-2.8%	8.8%	3.7%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.6%	9.3%	17.9%	11.0%	9.9%
Private Equity Asset Class Portfolio	8/31/2000	$18,121	6.3%	13.0%	18.7%	16.0%	13.9%
Custom Iran- and Sudan-free ACWI IMI +300bps			24.6%	9.3%	16.1%	11.0%	12.2%

Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 300bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010 , the benchmark was the Russell 3000 + 450 bps. Prior to November 1999, Private Equity was part of the Domestic Equity asset class and its benchmark was the Domestic Equity target index + 750 bps.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
3i Europartners V LP	77,440,017	0	0.97	-0.6%
3i Growth Capital Fund LP	54,440,286	0	0.93	-2.0%
ABRY Partners VII LP	75,000,000	0	1.78	14.8%
ABRY Partners VIII LP	75,000,000	0	1.26	10.8%
Accel-KKR Capital Partners V LP	50,000,000	58,041,502	2.07	27.4%
Accel-KKR Capital Partners VI LP	45,000,000	40,429,163	1.00	0.0%
Accel-KKR Capital Partners VII LP	75,000,000	0	NA	NA
Accel-KKR Growth Capital Partners II LP	25,000,000	17,275,800	2.36	29.8%
Advent International GPE IX LP	150,000,000	195,917,337	1.50	18.2%
Advent International GPE VI-D LP	58,000,000	0	2.09	16.6%
Advent International GPE VII-D LP	102,335,815	0	1.87	13.7%
Advent International GPE VIII-D LP	150,000,000	161,346,578	2.08	17.6%
Advent International GPE X Limited Partnership	150,000,000	54,106,789	1.00	0.3%
American Industrial Partners Capital Fund VI LP	50,000,000	85,564,380	2.63	24.5%
American Industrial Partners Capital Fund VII LP	75,000,000	92,422,222	1.50	22.9%
American Industrial Partners Capital Fund VIII, L.P.	100,000,000	0	NA	NA
Apax VIII-B LP	157,584,000	0	1.50	13.7%
Apollo Investment Fund IX LP	200,000,000	0	1.10	10.2%
Apollo Investment Fund V LP	150,000,000	0	2.66	38.8%
Apollo Investment Fund VI LP	200,000,000	0	1.70	9.5%
Apollo Investment Fund VII LP	200,000,000	0	1.94	23.0%
Apollo Investment Fund VIII LP	200,000,000	0	1.37	9.1%
Arbor Debt Opportunities Fund II LP	15,000,000	13,731,324	1.18	11.8%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Arbor Investments V LP	75,000,000	60,145,832	1.01	0.4%
Ardian LBO Fund VI-A LP	98,905,446	51,186,348	1.22	5.2%
Ares Corporate Opportunities Fund III LP	100,000,000	384,250	2.57	21.5%
Ares Corporate Opportunities Fund IV LP	200,000,000	37,398,356	1.91	14.5%
Ares Corporate Opportunities Fund V LP	200,000,000	196,930,973	1.35	8.4%
ASF VI-B LP	150,000,000	20,831,669	1.45	11.7%
ASF VII-B LP	150,000,000	62,757,702	1.52	14.2%
ASF VIII-B LP	200,000,000	146,498,923	1.38	18.7%
Asia Alternatives FL Investor II LP	270,000,000	321,212,820	1.34	9.7%
Asia Alternatives FL Investor III LP	303,000,000	124,637,130	1.07	4.3%
Asia Alternatives FL Investor IV, LP	50,000,000	0	NA	NA
Asia Alternatives FL Investor LP	200,000,000	215,935,347	1.66	10.8%
Atlas Capital Resources II LP	20,000,000	17,214,595	1.83	19.5%
Atlas Capital Resources III LP	40,000,000	39,872,857	1.75	36.5%
Atlas Capital Resources IV LP	75,000,000	41,091,855	1.08	9.6%
AXA LBO Fund V LP	76,858,858	4,082,467	1.60	11.3%
AXA Secondary Fund V-B LP	100,000,000	254,926	1.60	16.3%
BC European Capital IX LP	101,118,077	0	1.09	5.8%
Berkshire Fund IX LP	110,000,000	0	1.24	22.3%
Berkshire Fund VIII LP	60,000,000	0	1.70	16.1%
Blackstone Capital Partners V LP	150,000,000	0	1.60	7.1%
Blackstone Capital Partners VI LP	200,000,000	0	1.85	13.1%
Blackstone Capital Partners VII LP	180,000,000	0	1.53	18.9%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Blackstone Capital Partners VIII LP	100,000,000	0	1.05	10.9%
Blue Water Energy Fund I-A LP	12,500,000	10,516,703	1.15	6.9%
Brynwood Partners IX L.P.	50,000,000	6,410,461	0.87	NA
Cap. Partners VI, L.P.	20,000,000	2,432,596	0.79	NA
Capital Partners V LP	30,000,000	29,236,155	1.13	5.6%
Carlyle Asia Growth Partners IV LP	75,000,000	6,577,207	1.06	1.4%
Carlyle Europe Partners III LP	66,000,377	0	1.61	12.9%
Carlyle Partners III LP	200,000,000	0	2.30	22.8%
Carlyle Partners IV LP	75,000,000	0	2.03	13.1%
Carlyle Partners V LP	200,000,000	0	1.81	13.5%
Carlyle Partners VI LP	133,400,000	47,824,372	1.74	14.9%
Carlyle Partners VII LP	100,000,000	118,852,725	1.26	8.0%
Carnelian Energy Capital II LP	40,000,000	16,293,928	1.82	21.8%
Carnelian Energy Capital III LP	75,000,000	77,663,569	1.44	22.0%
Carnelian Energy Capital IV LP	75,000,000	39,962,296	1.09	12.3%
Charlesbank Equity Fund IX LP	105,000,000	125,278,637	1.56	16.9%
Charlesbank Equity Fund IX Overage Program LP	20,000,000	13,577,172	1.28	8.6%
Charlesbank Equity Fund VII LP	75,000,000	544,558	2.46	24.4%
Charlesbank Equity Fund VIII LP	85,000,000	60,892,745	1.64	14.9%
Charlesbank Equity Fund X LP	115,000,000	77,109,367	1.23	14.8%
Charlesbank Equity Overage Fund X LP	10,000,000	11,602,042	1.41	26.2%
Charterhouse Capital Partners IX LP	90,366,890	0	1.35	13.7%
Co-Investment Partners 2005 LP (Pool III)	500,000,000	178,211,152	1.94	16.0%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Co-Investment Partners 2005 LP (Pool IV)	500,000,000	545,336,529	1.81	17.4%
Co-Investment Partners 2005 LP (Pools I & II)	500,000,000	6,298,827	1.44	5.2%
Co-Investment Partners LP (Pools III & IV)	500,000,000	4,460,871	2.18	23.4%
Cortec Group Fund V LP	50,000,000	0	4.23	30.8%
Cortec Group Fund VI LP	75,000,000	0	1.24	7.9%
Cressey & Company Fund IV LP	50,000,000	118,289	2.24	22.2%
Cressey & Company Fund V LP	75,000,000	82,917,099	2.38	20.0%
Cressey & Company Fund VI LP	100,000,000	101,782,354	1.50	18.2%
Cressey & Company Overage Fund VI LP	10,000,000	13,331,996	2.17	38.9%
CVC Capital Partners IX L.P.	213,449,450	0	NA	NA
CVC Capital Partners VI-A LP	102,645,517	72,609,458	2.01	16.7%
CVC Capital Partners VII-A LP	102,163,598	153,867,018	1.87	22.0%
CVC Capital Partners VIII-A LP	225,468,975	173,502,702	1.10	8.4%
CVC European Equity Partners V-A LP	102,826,253	2,202,780	2.08	16.6%
Datadog, Inc.	70,564,685	0	1.60	371.7%
DCP Capital Partners II LP	100,000,000	14,196,799	0.62	-37.0%
DCPF VI Oil & Gas Coinvestment Fund LP	50,000,000	131,731	1.60	15.9%
Denham Commodity Partners Fund VI LP	100,000,000	52,311,245	1.01	0.3%
Denham Energy Resources Fund II LP	100,000,000	64,254,737	1.17	14.7%
Denham Oil & Gas Fund LP	100,000,000	91,308,427	1.30	8.8%
EnCap Energy Capital Fund IX LP	75,000,000	22,906,130	1.51	10.4%
EnCap Energy Capital Fund VIII LP	75,000,000	27,641,697	1.02	0.4%
EnCap Energy Capital Fund X LP	100,000,000	58,188,751	1.91	15.4%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
EnCap Energy Capital Fund XI LP	100,000,000	103,793,425	1.59	19.4%
EnCap Flatrock Midstream Fund III LP	50,000,000	27,055,871	1.38	10.0%
EnCap Flatrock Midstream Fund IV LP	65,000,000	37,988,001	1.19	7.6%
Energy Capital Partners II-A LP	100,000,000	0	1.46	8.4%
Energy Capital Partners III-A LP	150,000,000	44,223,415	1.53	11.7%
EnerVest Energy Institutional Fund XII-A LP	60,000,000	162,115	0.64	-19.0%
EnerVest Energy Institutional Fund XIII-A LP	100,000,000	0	0.09	-93.3%
EnerVest Energy Institutional Fund XIV-A LP	100,000,000	50,305,442	1.48	9.1%
Equistone Partners Europe Fund V LP	74,366,455	35,076,111	1.45	7.6%
Equistone Partners Europe Fund VI LP	88,195,865	69,673,906	1.63	19.9%
European Private Equity Opportunities I LP	49,181,385	50,520,003	1.30	9.2%
European Private Equity Opportunities II LP	75,523,436	44,715,931	1.16	9.1%
Fairview Special Opportunities Fund II LP	87,000,000	160,066,295	2.47	16.7%
Fairview Special Opportunities Fund LP	220,000,000	374,624,432	3.91	22.2%
Fairview Ventures Fund II LP	50,000,000	0	1.34	3.9%
Fairview Ventures Fund III LP	75,000,000	0	1.83	11.8%
Falfurrias Capital Partners IV LP	60,000,000	106,648,044	2.59	44.1%
Falfurrias Capital Partners V LP	100,000,000	59,222,388	1.24	18.3%
First Reserve Fund XI LP	100,000,000	26,883	0.64	-9.4%
First Reserve Fund XII LP	200,000,000	134,496	0.49	-18.0%
Francisco Partners III LP	75,000,000	0	3.44	23.8%
Francisco Partners IV LP	75,000,000	79,057,330	3.06	27.1%
Francisco Partners V LP	75,000,000	116,561,641	2.02	20.1%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Francisco Partners VI LP	100,000,000	107,485,770	1.28	16.3%
Francisco Partners VII LP	100,000,000	1	0.00	NA
FS Equity Partners IX, L.P.	75,000,000	0	NA	NA
FS Equity Partners V LP	50,000,000	0	2.10	16.1%
FS Equity Partners VI LP	75,000,000	0	3.08	23.1%
FS Equity Partners VII LP	100,000,000	106,222,131	1.59	9.8%
FS Equity Partners VIII LP	100,000,000	127,841,786	1.55	17.9%
FSBA AAM Strategic Fund I LP	100,000,000	98,575,824	1.40	68.3%
FSBA AAM Strategic Fund II, LP	200,000,000	11,777,853	1.09	NA
Gores Capital Partners I LP	50,000,000	0	1.30	8.4%
Gores Capital Partners II LP	50,000,000	0	1.14	3.8%
Gores Capital Partners III LP	125,000,000	0	1.00	-0.1%
Green Equity Investors IV LP	100,000,000	0	1.78	10.7%
Green Equity Investors V LP	100,000,000	0	1.94	17.4%
Green Equity Investors VI LP	190,000,000	0	1.25	12.3%
GS Partners Buyouts II LLC	230,000,000	108,185,318	1.98	15.5%
GS Partners Buyouts LLC	150,000,000	9,727,435	1.68	10.6%
GS Partners Ventures II LLC	200,000,000	177,216,031	3.54	21.0%
GS Partners Ventures III LLC	150,000,000	198,916,295	2.88	18.9%
GS Partners Ventures LLC	200,000,000	0	1.56	7.2%
Hahn & Company III LP	50,000,000	66,471,595	1.60	21.2%
Hahn & Company IV L.P.	75,000,000	0	NA	NA
Hahn & Company IV-S L.P.	25,000,000	0	NA	NA

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Hellman & Friedman Capital Partners IX LP	250,000,000	350,744,946	1.45	14.2%
Hellman & Friedman Capital Partners V LP	75,000,000	0	2.74	29.4%
Hellman & Friedman Capital Partners VI LP	100,000,000	0	1.79	12.6%
Hellman & Friedman Capital Partners VII LP	200,000,000	47,388,731	3.39	24.8%
Hellman & Friedman Capital Partners VIII LP	200,000,000	255,260,784	1.77	13.1%
Hellman & Friedman Capital Partners X LP	250,000,000	208,359,701	1.16	9.0%
Hellman & Friedman Capital Partners XI, L.P.	200,000,000	0	NA	NA
Hicks Muse Tate Furst V LP	25,000,000	0	1.77	21.0%
Inflexion Buyout Fund IV LP	52,587,527	29,028,846	1.82	15.7%
Inflexion Enterprise Fund IV LP	19,982,149	21,755,859	1.99	22.8%
Inflexion Partnership Capital Fund I LP	26,372,724	8,707,719	1.90	22.0%
Insight Venture Partners Growth-Buyout Coinvestment Fund LP	50,000,000	0	3.75	36.6%
Insight Venture Partners IX LP	75,000,000	0	3.65	32.4%
Insight Venture Partners VIII LP	75,000,000	0	3.01	22.0%
Investindustrial VI LP	55,802,326	52,422,810	1.64	12.4%
Investindustrial VII LP	76,982,294	79,634,598	1.46	22.8%
J.H. Whitney VII LP	75,000,000	0	1.92	13.0%
Juniper Capital IV, L.P.	50,000,000	0	NA	NA
Kelso Investment Associates VII LP	50,000,000	0	1.73	12.2%
Kelso Investment Associates VIII LP	100,000,000	0	1.58	13.8%
KKR Asian Fund II LP	100,000,000	42,406,351	1.14	3.3%
KKR Asian Fund III-EEA SCSp LP	150,000,000	181,783,077	1.88	22.4%
KKR European Fund III LP	58,757,859	0	1.05	1.8%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Kohlberg Investors V LP	45,000,000	0	1.06	1.2%
Kohlberg Investors VI LP	50,000,000	0	1.67	15.8%
KPS Special Situations Fund III-Supplemental LP	50,000,000	0	2.67	22.7%
KPS Special Situations Fund IV LP	150,000,000	64,287,343	2.07	23.5%
KPS Special Situations Fund V LP	200,000,000	140,298,606	1.58	22.0%
KPS Special Situations Fund VI, LP	200,000,000	0	NA	NA
KPS Special Situations Mid-Cap Fund II, LP	75,000,000	0	NA	NA
KPS Special Situations Mid-Cap Fund LP	50,000,000	40,554,102	1.57	21.3%
LCP FSBA Co-Invest Account LP	200,000,000	138,628,114	1.82	20.8%
Lexington Capital Partners IV LP	200,000,000	0	1.78	20.2%
Lexington Capital Partners IX LP	250,000,000	253,185,480	1.47	22.4%
Lexington Capital Partners V LP	100,000,000	392,814	1.68	18.9%
Lexington Capital Partners VI-B LP	100,000,000	531,996	1.37	6.4%
Lexington Capital Partners VII LP	200,000,000	20,283,107	1.66	13.7%
Lexington Capital Partners VIII LP	250,000,000	144,879,054	1.68	15.7%
Lexington Capital Partners X LP	150,000,000	33,080,625	1.47	NA
Lexington CIP V-F-O LP	200,000,000	175,153,775	1.29	19.7%
Lexington Co-Investment Partners (Pools I & II)	500,000,000	0	1.35	6.3%
Lexington Co-Investment Partners V-F LP	600,000,000	622,252,703	1.29	19.5%
Lexington Co-Investment Partners VI-F, L.P.	150,000,000	0	NA	NA
Lexington Middle Market Investors III LP*	100,000,000	46,193,479	1.80	16.8%
LightBay Investment Partners II LP	75,000,000	7,522,360	0.58	-66.9%
LightBay Investment Partners LP	50,000,000	59,007,438	1.40	15.1%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Lindsay Goldberg & Bessemer II LP	100,000,000	0	1.48	8.0%
Lindsay Goldberg III LP	100,000,000	0	1.18	6.8%
Livingbridge 7 LP	82,665,124	49,689,905	1.05	2.5%
Livingbridge Enterprise 3 LP	32,305,168	37,437,140	1.27	14.3%
MBK Partners Fund V LP	100,000,000	79,385,145	1.36	23.2%
Montagu IV LP	56,819,796	2,451,173	1.52	12.2%
Montagu V LP	111,109,877	89,552,473	1.69	17.8%
Montagu VI LP	82,323,886	49,980,344	1.05	4.1%
New Mountain Partners II LP	50,000,000	0	2.03	13.5%
New Mountain Partners III LP	100,000,000	3,921,936	2.52	14.5%
New Mountain Partners IV LP	100,000,000	0	1.59	22.1%
One Peak Growth III SCSp	50,152,463	11,495,346	0.86	-28.5%
OpCapita Consumer Opportunities Fund II LP	38,251,366	27,440,075	0.80	-5.7%
OpCapita Consumer Opportunities Fund III LP	38,682,154	51,513,357	1.49	88.1%
OpenView Venture Partners IV LP	25,000,000	12,007,266	2.06	14.3%
OpenView Venture Partners V LP	25,000,000	32,064,589	2.27	28.3%
OpenView Venture Partners VI LP	30,000,000	19,543,413	0.82	-8.4%
OpenView Venture Partners VII LP	20,000,000	2,431,382	0.86	-19.9%
PAI Europe V LP	42,563,071	0	1.30	7.0%
Pantheon Global Secondary Fund IV LP	100,000,000	5,437,982	1.59	12.8%
Pantheon Venture Partners II LP	100,000,000	0	1.52	6.8%
Peak Rock Capital Credit Fund II LP	20,000,000	4,946,569	1.12	19.0%
Peak Rock Capital Fund II LP	80,000,000	55,575,955	1.99	37.3%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Peak Rock Capital Fund III LP	125,000,000	64,544,775	1.40	26.4%
Permira IV LP	64,037,705	0	1.56	8.3%
Permira V LP	136,860,690	0	2.84	24.2%
Platinum Equity Capital Partners I LP	50,000,000	0	2.91	60.2%
Platinum Equity Capital Partners II LP	75,000,000	4,131,064	1.74	12.8%
Platinum Equity Capital Partners III LP	200,000,000	28,916,037	2.12	29.1%
Pomona Capital VI LP	50,000,000	1,079,346	1.30	4.5%
Pomona Capital VII LP	50,000,000	0	1.31	7.9%
Post Oak Energy Partners II LP	25,000,000	21,123,233	1.77	14.0%
Post Oak Energy Partners III LP	60,000,000	34,083,356	1.51	13.3%
Post Oak Energy Partners IV LP	60,000,000	74,229,614	1.35	11.3%
Providence Equity Partners VI LP	50,000,000	0	1.46	7.3%
Providence Equity Partners VII LP	200,000,000	0	1.61	21.2%
Quantum Energy Partners VIII, LP	85,714,000	29,515,982	0.98	NA
Quantum Energy Partners VIII-B Co-Investment Fund, LP	14,286,000	4,994,274	1.13	NA
RCP Fund IV LP	50,000,000	374,182	1.88	13.1%
RCP Fund IX LP	50,000,000	57,041,055	2.02	17.9%
RCP Fund V LP	50,000,000	0	1.80	14.2%
RCP Fund VI LP	50,000,000	2,187,678	2.08	15.9%
RCP Fund VII LP	50,000,000	17,588,253	2.11	17.0%
RCP Fund VIII LP	50,000,000	27,923,671	2.33	20.8%
RCP Fund X LP	50,000,000	59,072,004	1.94	17.9%
Ripplewood Partners II LP	100,000,000	0	1.19	6.2%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Riverside Capital Appreciation Fund V LP	75,000,000	0	1.32	8.2%
Riverside Capital Appreciation Fund VI LP	75,000,000	0	1.43	14.4%
Riverside Europe Fund IV LP	49,699,937	0	1.04	1.5%
RTP J Holdings LP	10,000,000	9,992,314	0.94	NA
Rubicon Technology Partners II LP	76,000,000	64,941,193	2.24	31.5%
Rubicon Technology Partners III LP	100,000,000	102,350,426	1.12	5.2%
Rubicon Technology Partners IV LP	100,000,000	17,554,039	0.86	-21.0%
Rubicon Technology Partners LP	50,000,000	24,545,753	1.65	14.6%
Searchlight Capital II LP	100,000,000	59,832,049	1.77	21.0%
Searchlight Capital III LP	150,000,000	158,842,125	1.55	28.3%
Searchlight Capital IV, L.P.	150,000,000	0	NA	NA
SIF-Ascension I LP*	25,000,000	5,416,492	0.81	-15.7%
Silver Lake Partners IV LP	100,000,000	151,581,713	2.70	22.2%
Silver Lake Partners V LP	140,000,000	147,539,350	1.56	13.7%
Silver Lake Partners VI LP	175,000,000	195,607,482	1.18	10.7%
Siris Partners III LP	75,000,000	0	1.22	8.6%
Siris Partners IV LP	75,000,000	0	1.07	4.3%
Snow Phipps II AIV LP	50,000,000	0	1.37	14.6%
Strategic Investors Fund IX-A LP	75,000,000	104,569,143	1.64	16.0%
Strategic Investors Fund V-A LP	125,000,000	162,623,164	5.30	25.0%
Strategic Investors Fund V-A Opportunity LP	55,000,000	149,624,999	6.14	26.2%
Strategic Investors Fund VI-A LP	125,000,000	290,900,725	3.95	20.9%
Strategic Investors Fund VII-A LP	125,000,000	245,137,500	3.27	21.2%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Strategic Investors Fund VIII-A LP	100,000,000	207,076,745	2.92	24.5%
Strategic Investors Fund X-A LP	75,000,000	58,212,917	1.03	1.7%
Stride Consumer Fund I LP	50,000,000	25,348,044	1.19	13.8%
Summa Equity Fund III-No 1 AB	40,962,202	10,075,038	0.73	-40.2%
Summa Equity Fund II-No 1 AB	29,887,712	45,251,539	1.67	28.9%
Summit Partners Growth Equity Fund VIII-A LP	125,000,000	0	1.52	32.0%
SVB Capital Partners III LP	22,500,000	11,903,780	1.80	11.9%
SVB Capital Partners IV LP	25,000,000	35,936,200	1.49	10.2%
SVB Venture Overage Fund LP	100,575,334	57,566,273	2.48	18.5%
TA XI LP	100,000,000	0	1.55	19.7%
The Energy & Minerals Group Fund III LP	85,000,000	45,532,815	0.69	-4.8%
The Paragon Fund IV GmbH & Co. KG	54,159,675	58,936	0.21	NA
The Rise Fund II LP	50,000,000	59,647,952	1.29	15.5%
The Rise Fund LP	25,000,000	27,492,565	1.52	13.3%
Thoma Bravo Discover Fund II LP	75,000,000	108,022,939	1.99	24.8%
Thoma Bravo Discover Fund III LP	100,000,000	119,113,317	1.19	8.7%
Thoma Bravo Discover Fund IV LP	100,000,000	62,278,166	1.09	15.2%
Thoma Bravo Discover Fund LP	50,000,000	35,049,759	3.19	35.9%
Thoma Bravo Fund IX LP	50,000,000	0	4.08	48.1%
Thoma Bravo Fund X LP	100,000,000	0	4.05	39.2%
Thoma Bravo Fund XI LP	100,000,000	99,214,807	3.00	26.0%
Thoma Bravo Fund XII LP	150,000,000	183,243,129	2.13	16.8%
Thoma Bravo Fund XIII LP	150,000,000	221,564,749	1.89	27.8%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Thoma Bravo Fund XIV LP	200,000,000	199,906,029	1.15	6.2%
Thoma Bravo Fund XV LP	150,000,000	119,199,816	1.11	10.1%
Thoma Bravo Special Opportunities Fund I LP	45,000,000	9,873,639	4.01	33.7%
Thoma Bravo Special Opportunities Fund II LP	50,000,000	58,019,966	2.29	16.4%
Thoma Cressey Fund VIII LP	50,000,000	0	2.93	18.3%
Thomas H. Lee Equity Fund V LP	50,000,000	0	1.63	13.4%
Thomas H. Lee Equity Fund VI LP	75,000,000	0	1.89	12.3%
Tiger Iron Special Opportunities Fund II LP	195,700,531	198,981,520	1.24	8.6%
Tiger Iron Special Opportunities Fund III, L.P.	300,000,000	21,162,393	0.90	-9.9%
Tiger Iron Special Opportunities Fund LP	191,877,777	305,062,807	1.93	17.6%
Top Tier Special Opportunities Fund LP	12,450,000	262,035	0.74	-4.0%
Top Tier Venture Capital II LP	120,000,000	0	1.34	4.3%
Top Tier Venture Capital III LP	75,000,000	0	1.40	5.3%
Top Tier Venture Capital IV LP	100,000,000	0	2.00	13.9%
TowerBrook Investors II LP	75,000,000	0	1.88	9.8%
TowerBrook Investors III LP	150,000,000	333,139	1.41	8.6%
TowerBrook Investors IV LP	190,000,000	114,137,180	1.90	17.9%
TowerBrook Investors V LP	200,000,000	232,346,676	1.27	14.0%
TowerBrook Investors VI (Onshore), L.P.	100,000,000	0	NA	NA
TPG Growth II LP	100,000,000	0	2.14	16.4%
TPG Growth III-A LP	100,000,000	65,654,221	1.67	17.6%
TPG Growth IV LP	100,000,000	114,895,409	1.54	15.3%
TPG Growth V LP	150,000,000	167,895,215	1.22	16.7%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
TPG Partners IV LP	50,000,000	0	1.89	14.3%
TPG Partners V LP	100,000,000	0	1.18	2.6%
TPG Partners VI LP	200,000,000	0	1.42	11.3%
Trident IX LP	100,000,000	51,103,423	1.10	11.5%
Trident V LP	75,000,000	0	1.82	11.4%
Trident VI LP	75,000,000	63,245,266	2.45	22.0%
Trident VII LP	75,000,000	137,269,023	2.05	20.2%
Trident VIII LP	100,000,000	125,184,290	1.40	14.0%
Trive Capital Fund IV LP	75,000,000	59,782,517	1.23	19.0%
Trive Capital Fund V LP	100,000,000	0	NA	NA
TrueBridge Blockchain I LP	30,000,000	12,898,181	1.19	20.3%
TrueBridge Capital FSA II LLC	74,739,895	78,865,292	1.24	10.1%
TrueBridge Capital FSA III, LLC	34,650,000	5,609,504	0.83	NA
TrueBridge Capital FSA LLC	79,600,000	212,883,051	3.66	35.1%
TrueBridge Capital Partners Fund V (Parallel) LP	100,000,000	189,338,641	2.21	24.0%
TrueBridge Capital Partners Fund VI (Parallel) LP	100,000,000	112,333,078	1.20	8.5%
TrueBridge Capital Partners Fund VII (Parallel) LP	75,000,000	29,926,042	0.92	-7.9%
TrueBridge Special Purpose (F) LLC*	47,972,078	66,165,004	4.44	21.2%
TrueBridge Special Purpose (F3) LLC	22,500,000	31,761,707	3.28	21.8%
TrueBridge-Kauffman Fellows Endowment Fund II (Parallel) LP	100,000,000	138,350,122	4.78	20.1%
TrueBridge-Kauffman Fellows Endowment Fund III (Parallel) LP	125,000,000	203,423,171	3.17	17.3%
TrueBridge-Kauffman Fellows Endowment Fund IV (Parallel) LP	125,000,000	280,916,459	3.31	26.2%
W Capital Partners III LP	75,000,000	17,414,657	1.28	6.1%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Warburg Pincus China LP	68,000,000	62,702,485	1.29	6.2%
Warburg Pincus China-Southeast Asia II LP	68,000,000	33,530,040	1.11	5.1%
Warburg Pincus Private Equity IX LP	75,000,000	88,733	1.72	9.7%
Warburg Pincus Private Equity X LP	150,000,000	2,752,887	1.80	9.5%
Warburg Pincus Private Equity XI LP	200,000,000	71,175,410	1.76	11.7%
Warburg Pincus Private Equity XII LP	90,000,000	73,659,607	1.98	16.3%
Warren Equity Partners Fund IV, L.P.	75,000,000	29,792,439	1.00	NA
Waterland Private Equity Fund IX (A) C.V.	161,509,379	0	NA	NA
Waterland Private Equity Fund VI LP	61,110,432	37,450,014	2.20	23.5%
Wellspring Capital Partners III LP	50,000,000	0	2.19	27.1%
Wellspring Capital Partners IV LP	75,000,000	0	1.40	6.6%
Wellspring Capital Partners V LP	150,000,000	0	1.57	16.3%
Willis Stein & Partners III LP	100,000,000	0	1.01	0.1%
WindRose Health Investors V LP	50,000,000	68,043,192	1.39	14.3%
WindRose Health Investors VI LP	75,000,000	37,802,021	1.18	16.1%
Wisteria Fund II Cayman LP	27,531,776	13,422,030	1.03	2.8%
WPEF VI Overflow Feeder LP	28,974,931	0	0.00	-100.0%
WPEF VII Feeder LP	113,659,612	122,549,323	1.48	18.0%
WPEF VIII Feeder LP	150,461,222	111,011,201	1.23	16.7%

Private Equity Partnership Performance

As of December 31, 2023

Private Investment Partnerships (LEGACY)	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Apollo Investment Fund IV LP	250,000,000	0	1.52	6.8%
Carlyle Partners II, L.P.	200,000,000	0	2.30	20.1%
Centre Capital Investors II, L.P.	200,000,000	0	0.81	-4.1%
Chartwell Capital Investors II LP	50,000,000	0	1.34	4.7%
Corporate Partners, L.P.	149,192,410	0	2.13	12.4%
Cypress Equity Group Trust	15,000,000	0	2.15	16.1%
Green Equity Investors III LP	60,000,000	0	2.31	21.9%
Hicks Muse Tate Furst III LP	200,000,000	0	0.89	-1.8%
Hicks Muse Tate Furst IV LP	400,000,000	0	0.63	-8.8%
Liberty Partners Group II, L.P.	9,766,830	0	0.00	-100.0%
Liberty Partners Pool I	205,686,600	0	2.35	20.7%
Liberty Partners Pool II	359,789,821	0	1.61	10.7%
Liberty Partners Pool III	506,208,481	0	1.02	0.4%
Liberty Partners Pool IV	195,075,745	0	0.67	-19.2%
Liberty Partners Pool V	329,664,359	0	1.14	2.7%
Liberty Partners Pool VI	595,484,687	13,000	0.86	-6.6%
Liberty Partners Pool VII	290,808,542	2,559,626	0.85	-7.0%
Ripplewood Partners, L.P.	100,000,000	0	1.74	13.6%
Thomas H. Lee Equity Fund IV LP	100,000,000	0	0.87	-2.6%
TSG Capital Fund III LP	100,000,000	0	0.54	-13.7%
Willis Stein & Partners II LP	40,000,000	0	0.58	-9.7%

STATE BOARD ADMINISTRATION OF FLORIDA

PRIVATE EQUITY UPDATE

CAMBRIDGE ASSOCIATES

JUNE 2024

STATE BOARD ADMINISTRATION OF FLORIDA

PRIVATE EQUITY UPDATE

JUNE 2024

PORTFOLIO PERFORMANCE & EXPOSURES

CAMBRIDGE ASSOCIATES

CA Client Private Investment Returns

FSBA consistently ranks above the median versus CA clients on a medium to long-term basis

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
FSBA Total PE Asset Class Portfolio	3.0%	18.7%	17.5%	16.7%
Quartile Ranking	2nd	2nd	1st	1st
FSBA PE Total Portfolio	3.0%	18.7%	17.5%	16.6%
Quartile Ranking	2nd	2nd	1st	1st
S&P 500 AACR	21.0%	9.6%	9.3%	11.3%
MSCI ACWI AACR	20.8%	6.9%	6.5%	7.6%
CA PE + VC Legacy Benchmark	4.6%	15.9%	14.5%	14.0%
CA PE + VC Benchmark	3.7%	15.5%	15.5%	15.1%
Sample Size	717	675	635	568

Prior Quarter Quartile Rankings

	1 YEAR	3 YEARS	5 YEARS	10 YEARS
FSBA Total PE Asset Class Portfolio – 2Q23	2nd	1st	1st	1st
FSBA Total PE Asset Class Portfolio – 1Q23	3rd	1st	1st	1st
FSBA Total PE Asset Class Portfolio – 4Q22	3rd	1st	2nd	1st

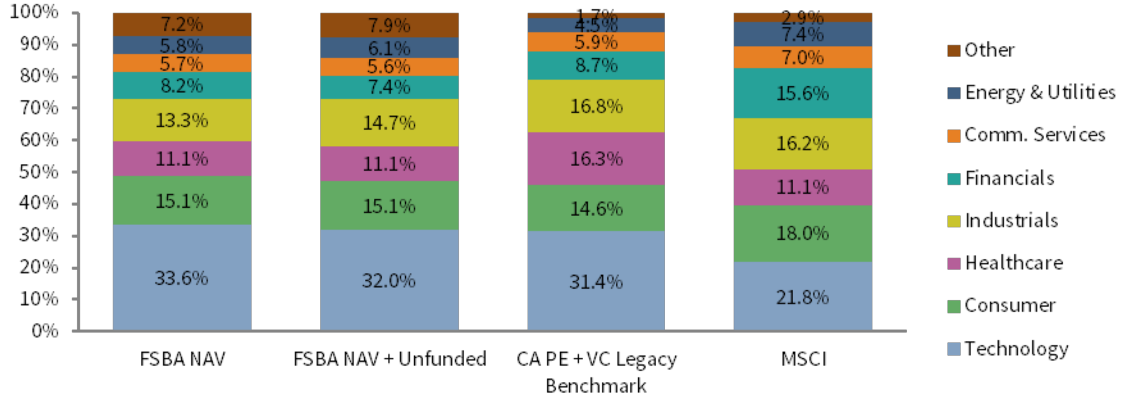
Sources: Cambridge Associates, LLC, S&P, MSCI

Notes: Data as of September 30, 2023. FSBA returns are compared to CA client returns. Client returns are End-to-End IRRs and the public index AACRs are calculated for the period ending 09/30/2023, with all time periods as trailing. Includes PI fund programs with a least 10 PI funds per portfolio who receive performance reports as of 09/30/2023. Terminated client returns are not included due to unavailability of data. The performance of CA's clients may be attributable to factors other than CA's advice. Similarly, client returns shown may include investments made prior to client's relationship with CA. Performance data is net of fees but has not been adjusted to reflect CA's advisory fees and other expenses that a client may incur. CA PE + VC Benchmark represents median returns from the general Global CA PEVC Benchmark, whereas CA PE + VC Legacy Benchmark represents the CA PEVC Benchmark including Subordinated Capital and PE Energy.

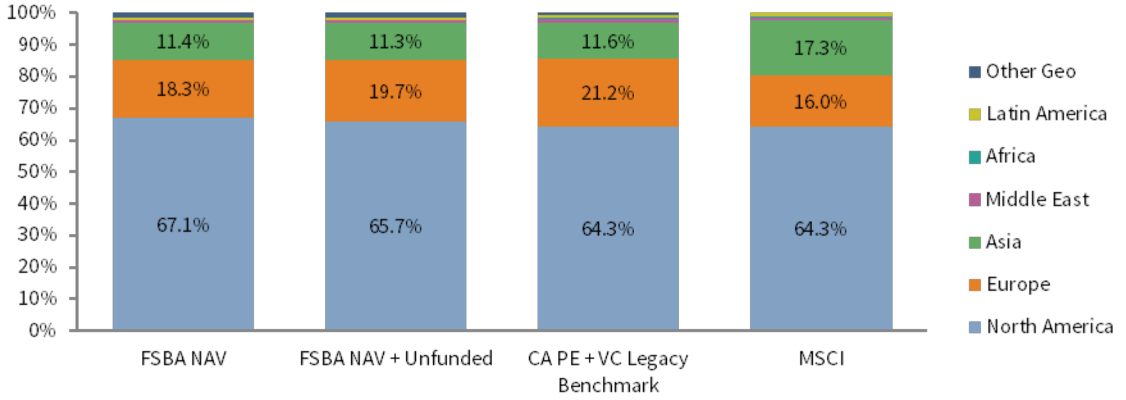
Investment Level Total Portfolio Snapshot

Relative to the CA BM, FSBA is modestly overweight to technology and North America, and underweight to healthcare, industrials, and growth stage investments. Relative to the MSCI BM, FSBA is overweight technology.

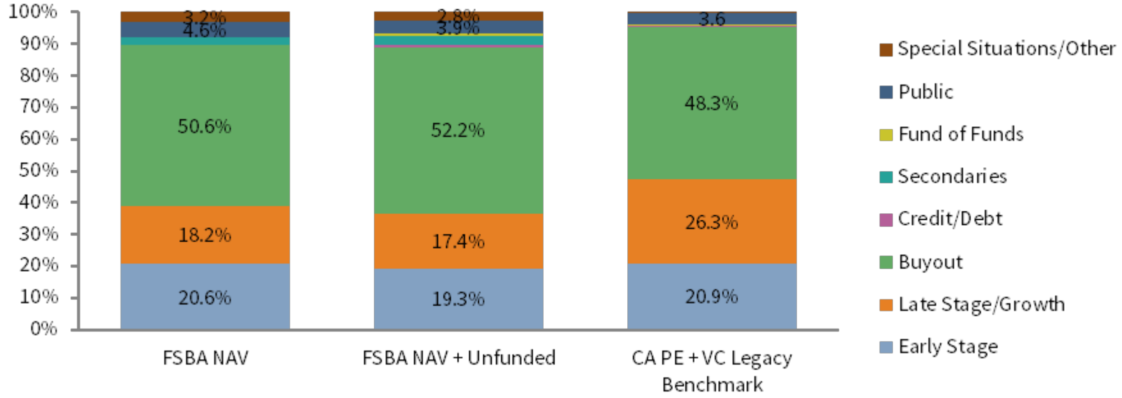
PORTFOLIO EXPOSURES BY SECTOR



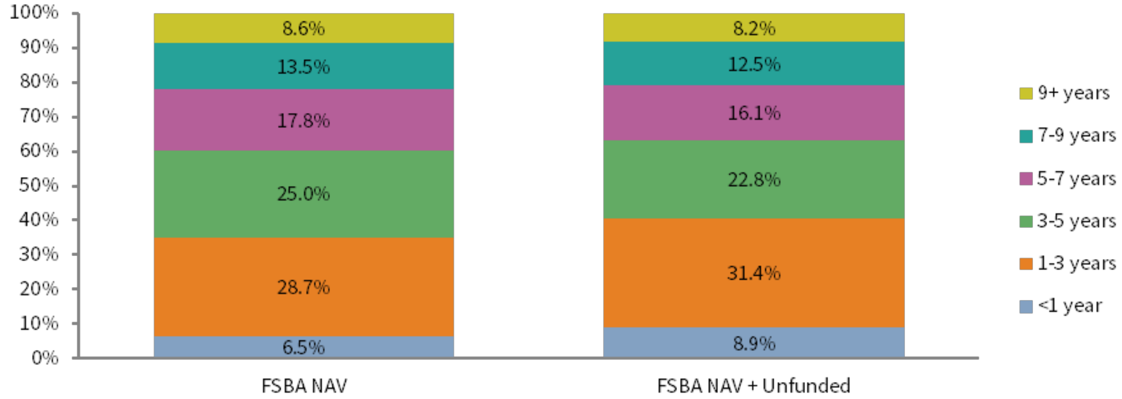
PORTFOLIO EXPOSURES BY GEOGRAPHY



PORTFOLIO EXPOSURES BY STAGE



PORTFOLIO EXPOSURES BY AGE OF NAV



Notes: Data as of December 31, 2023. Excludes subsequent commitments. Exposures are based on a combination of CA and I-Level reported investment-level data, and manager reported data. Exposure data for fund of funds and co-investments are reported at the fund level. Funds with uncalled capital and subsequent commitments have exposure assumptions based off the most recent CA fund underwriting. These exposures are reflected in the 'FSBA NAV + Unfunded' column. CA PE + VC Legacy Benchmark represents Global Private Equity and Venture Capital and includes legacy asset classes Subordinated Capital and Private Equity Energy.

CURRENT MARKET ENVIRONMENT

CAMBRIDGE ASSOCIATES

Environment is full of headwinds

Geopolitical conflicts and tension

Stubborn inflation in EU and US

Interest rates raging through private markets

Public market concentration – Looking at you, AI

Mega funds looming large

Software suffering from indigestion

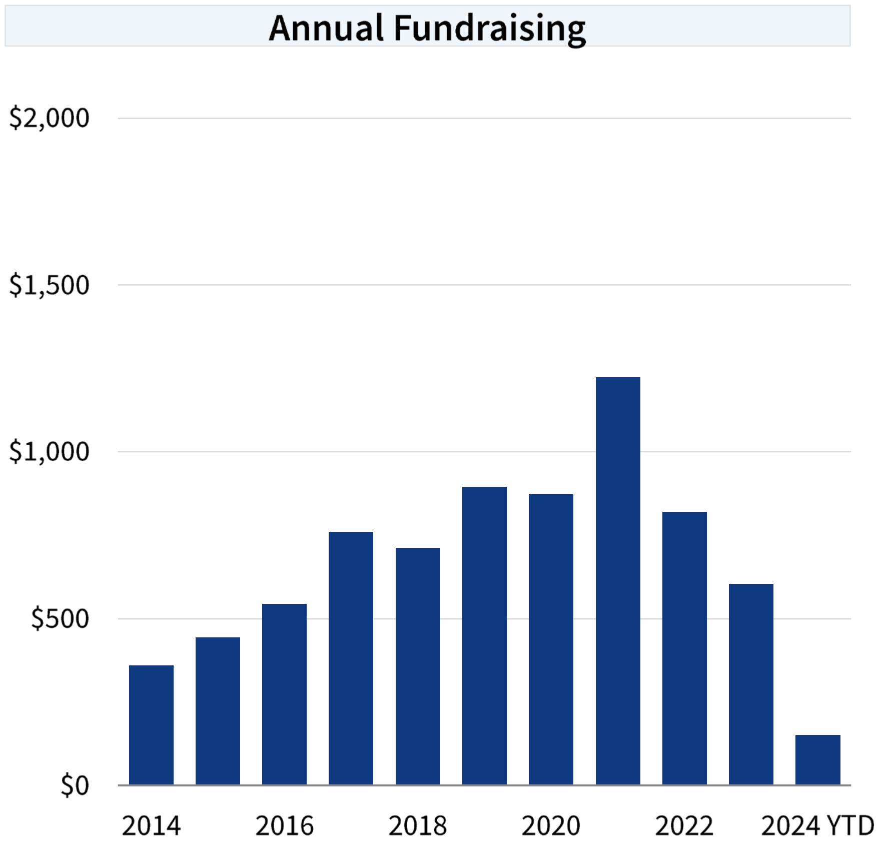
Distribution drought – GPs and LPs searching for liquidity

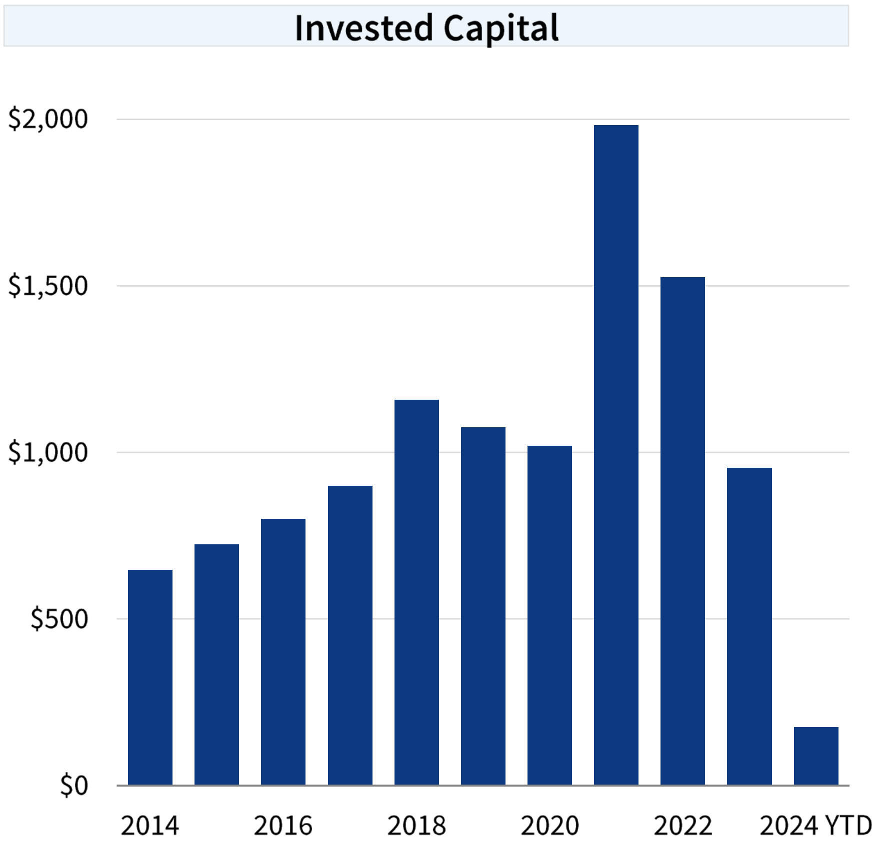
Private market returns in a public market eclipse

Increasing public (agency) scrutiny of private markets

Global Buyouts, Growth Equity, and Venture Capital: Annual Fundraising and Invested Capital

As of March 31, 2024



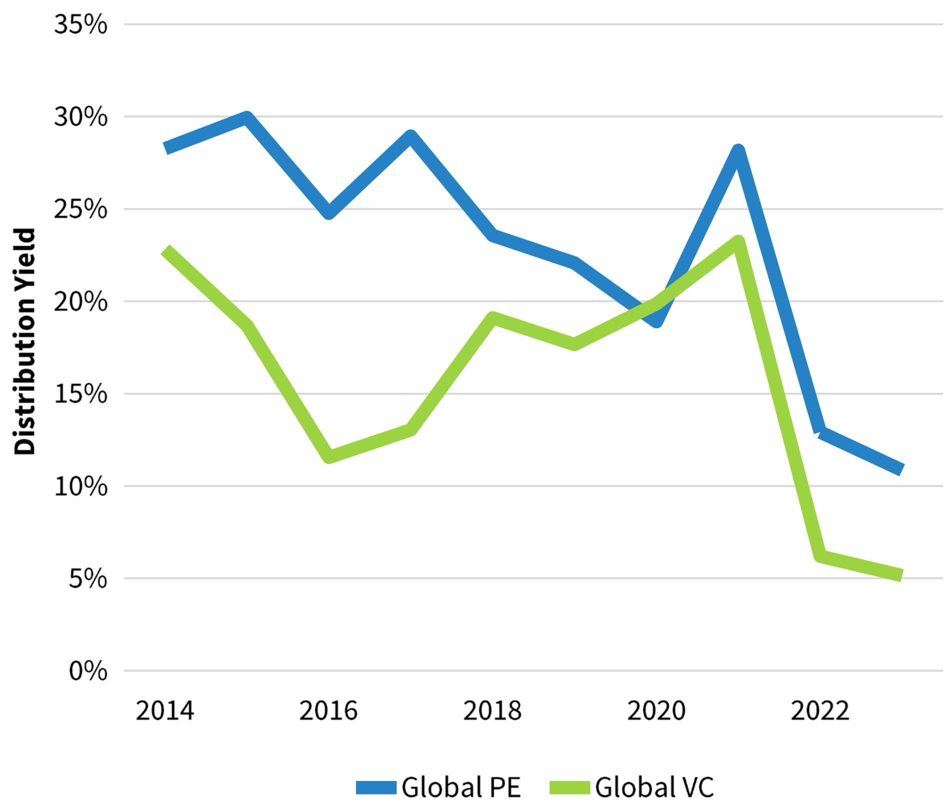


Sources: Cambridge Associates LLC and PitchBook Data, Inc. Notes: Fundraising figures represent capital raised by buyout, growth equity, and venture capital funds globally. Invested capital figures represent capital invested by buyout, growth equity, and venture capital funds globally plus "shadow capital" that is estimated and refers to investors deploying capital alongside private investment funds, such as through co-investments. Fundraising and invested capital figures shown are in USD billions.

Private markets also playing catch up

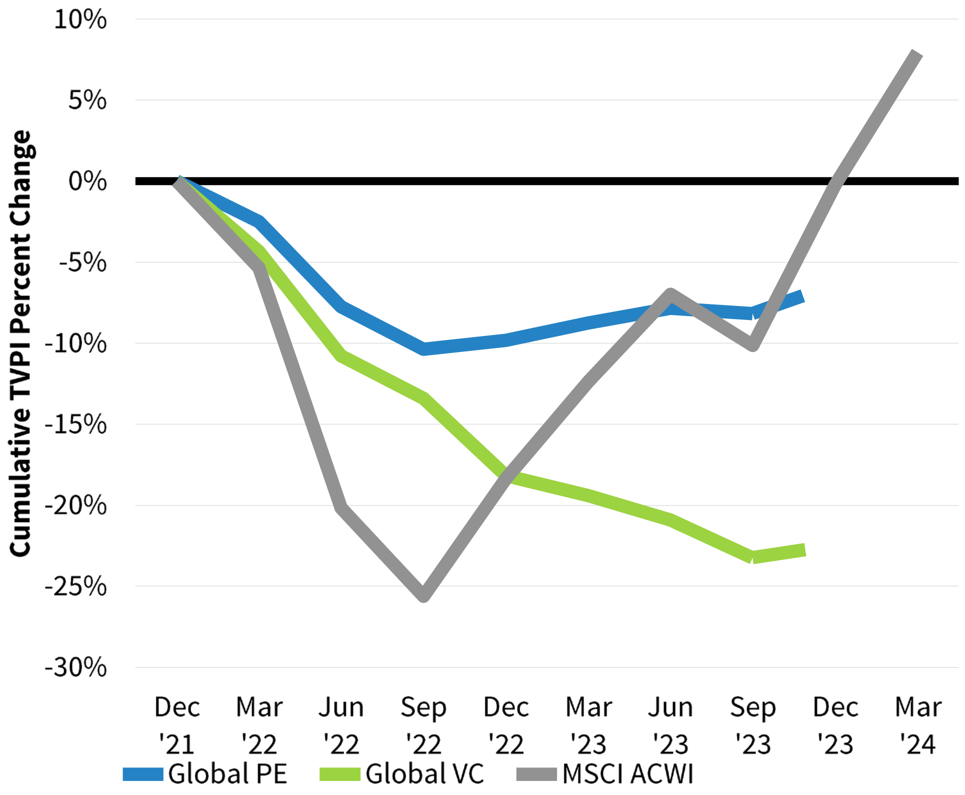
Global Private Equity and Venture Capital: Annual Distribution Yields

As of December 31, 2023



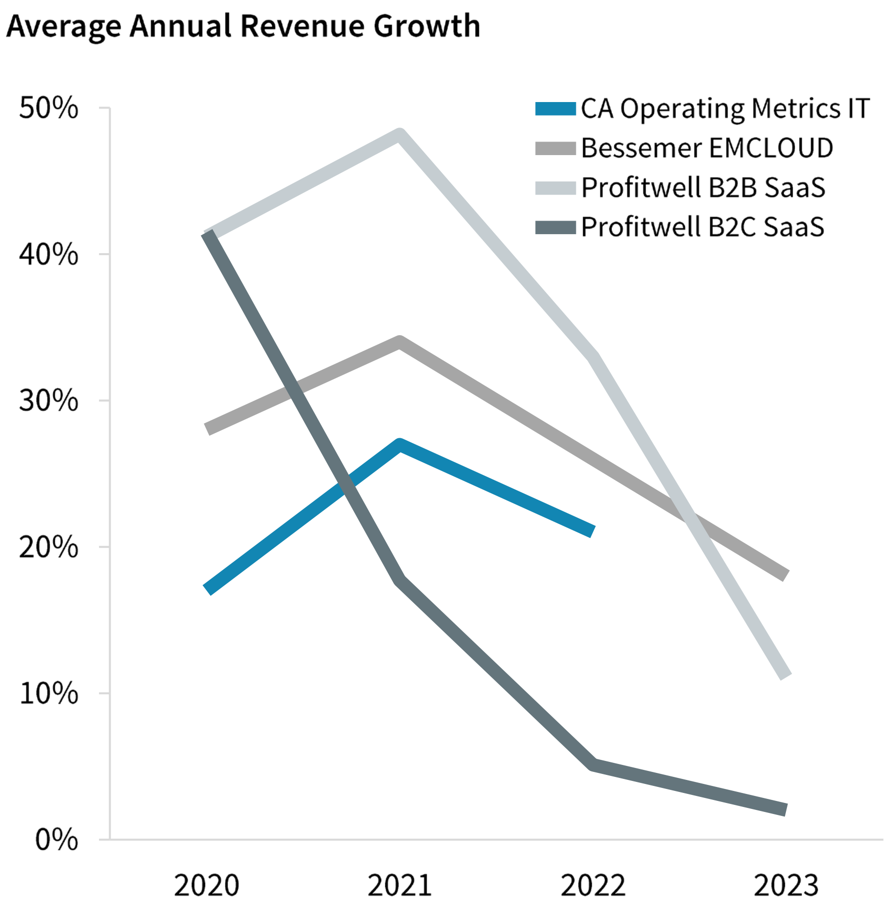
Global Private Equity, Venture Capital, and MSCI ACWI: Cumulative Time to Recovery

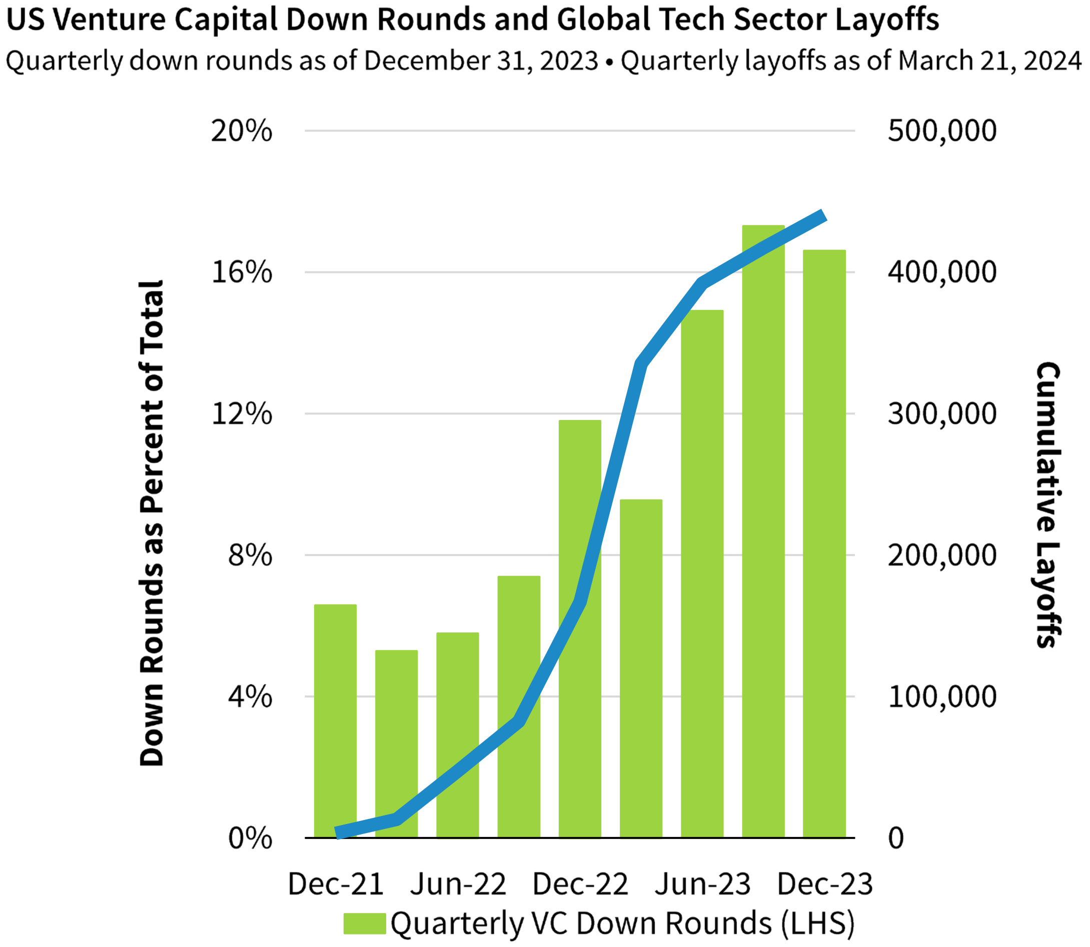
PE and VC as of December 31, 2023 • MSCI as of March 31, 2024



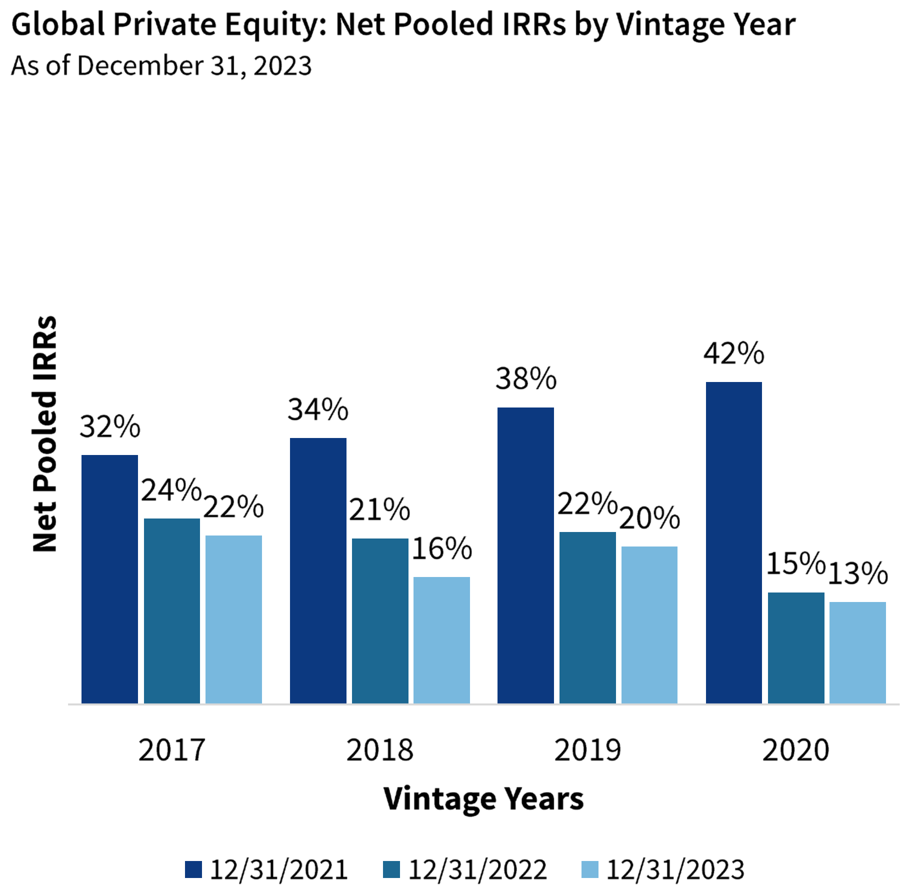
Sources: Cambridge Associates LLC, and MSCI, Inc. MSCI data provided "as is" without any express or implied warranties. Notes: Cumulative TVPI and percent change are based on returns that are net of fees, expenses and carried interest. Global PE and Global VC cumulative returns calculated for vintage years 2016-2021. Distribution yield is defined as calendar year LP distributions divided by beginning NAV. 2023 distribution yield based on preliminary full year 2023 data. Private equity includes buyout and growth equity funds.

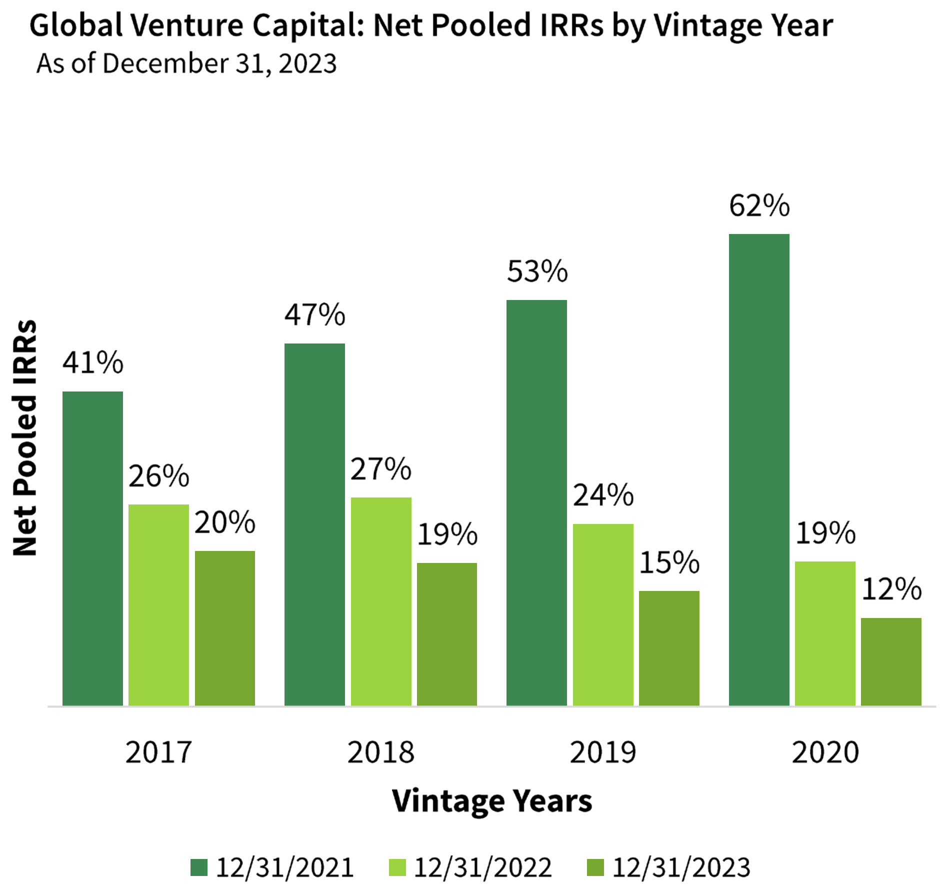
Technology, by far the largest sector in private investments, has been having a tough go of it lately





Reality settled in



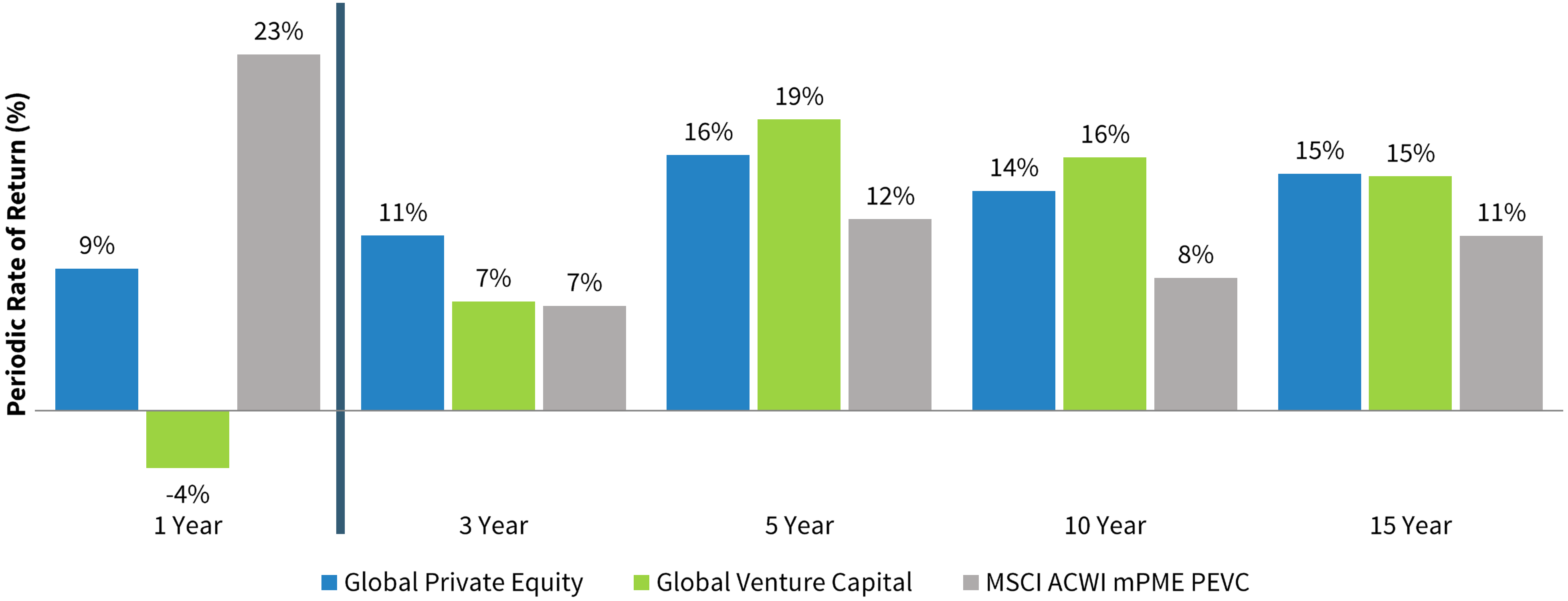


Source: Cambridge Associates LLC. Notes: Internal rates of return are by vintage year, since inception, and net of fees, expenses and carried interest. Vintage year returns as of December 31, 2023 are preliminary.

Focus on the compass, not the clock

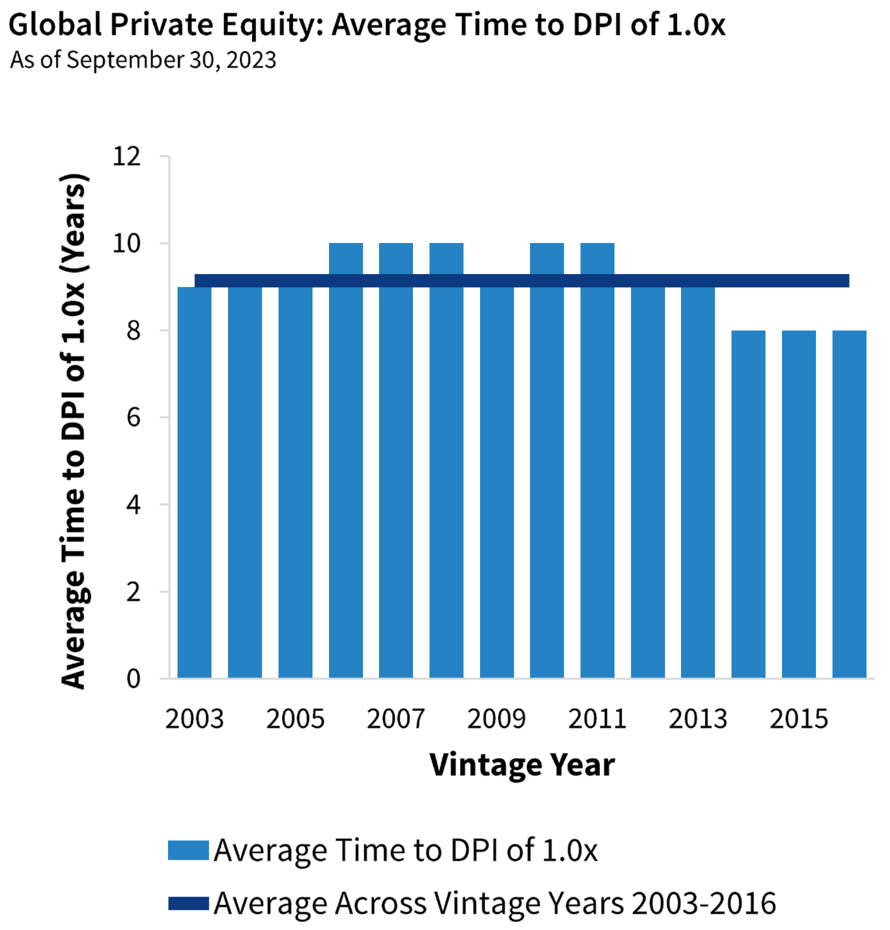
Private Equity and Venture Capital: Periodic Returns vs MSCI ACWI mPME

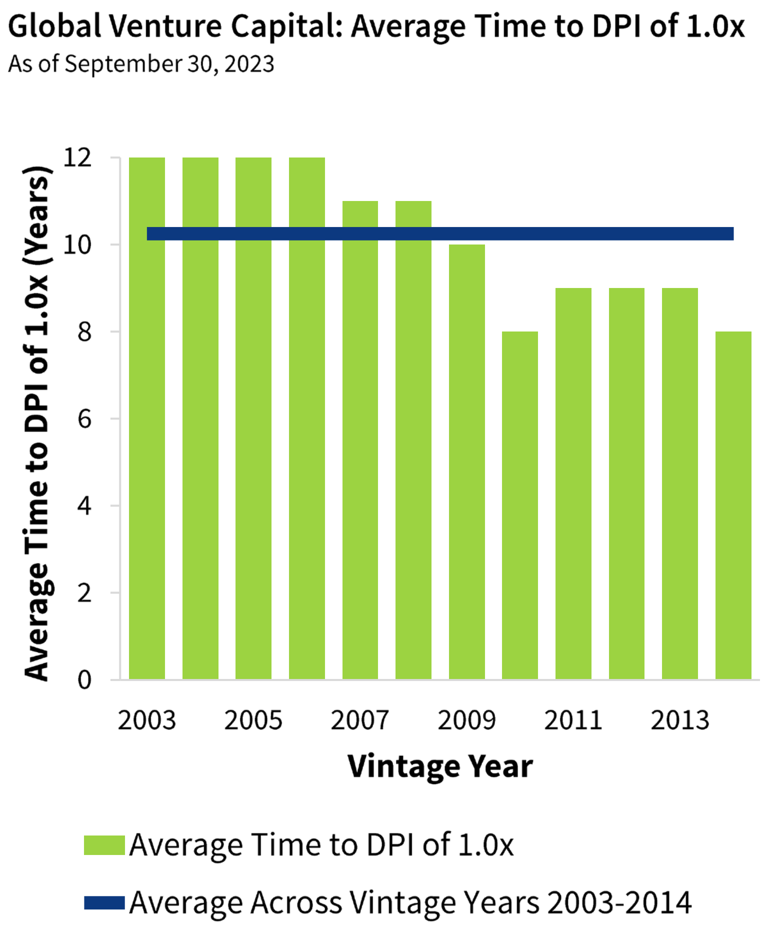
As of December 31, 2023



Sources: Cambridge Associates LLC, MSCI, Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties. All financial investments involve risk. Depending on the type of investment, losses can be unlimited. Past performance is not a reliable indicator of future results. Notes: Pooled private investment periodic returns are net of fees, expenses and carried interest. Private equity includes buyouts and growth equity. Returns are based on preliminary full year 2023 data.

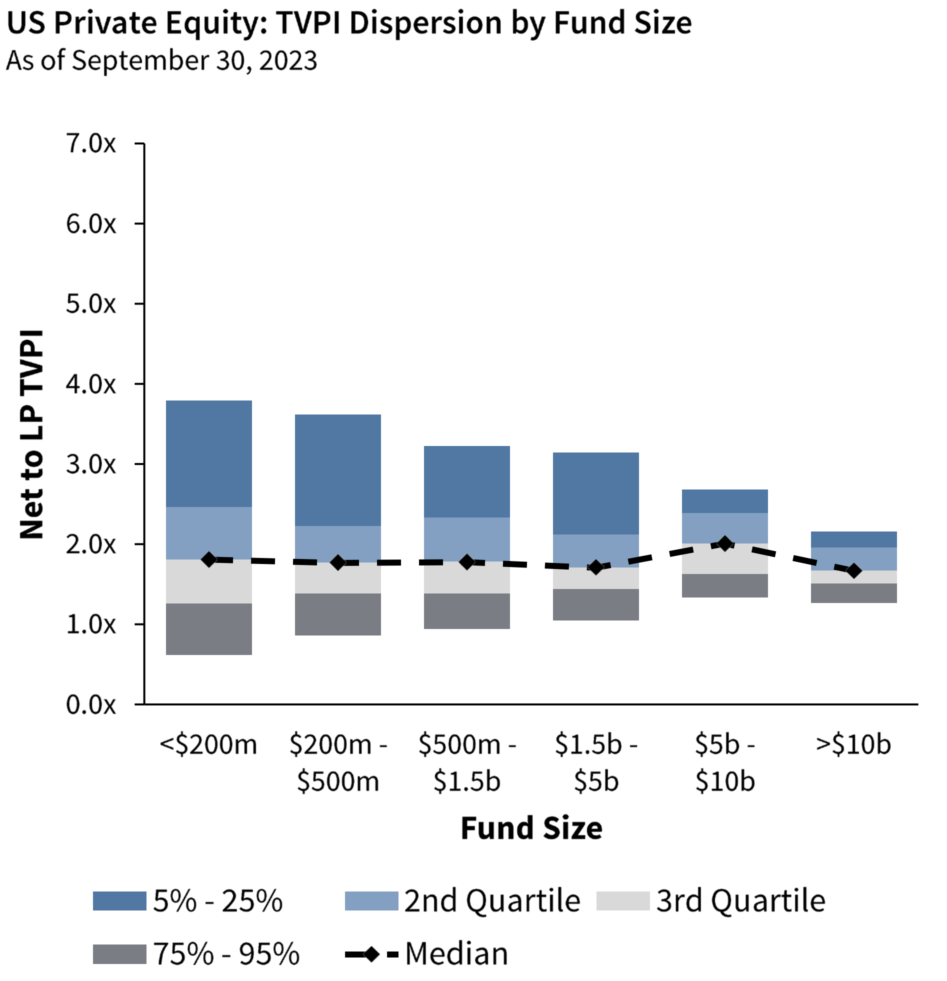
The unit of measurement is years, not quarters

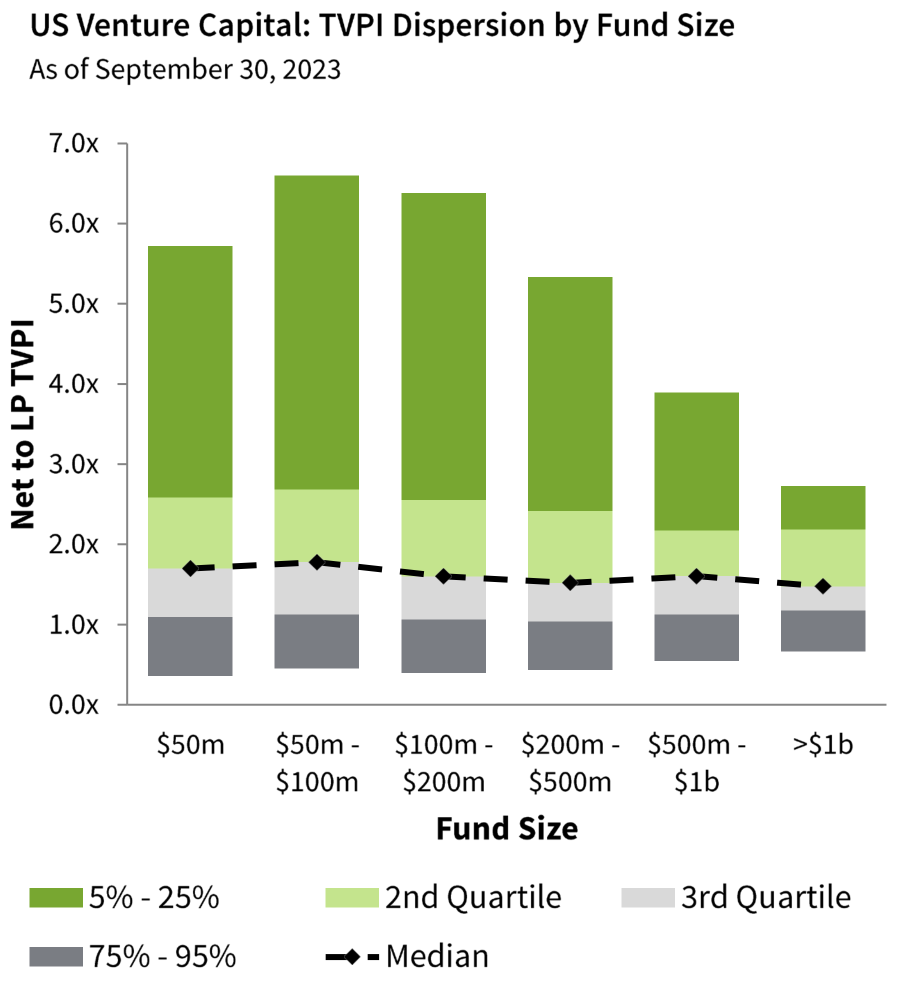




Source: Cambridge Associates LLC. Notes: Analysis represents average time in years for funds in each vintage to reach a net DPI of 1.0x. PE funds formed after 2016 and VC funds formed after 2014 have not yet reached an average DPI of 1.0x. . All financial investments involve risk. Depending on the type of investment, losses can be unlimited. Past performance is not a reliable indicator of future results

When fewer, larger funds compete for similar assets, returns start to converge





Source: Cambridge Associates LLC. Notes: Pooled returns are net of fees, expenses and carried interest. USPE analysis includes vintage years 1986-2020 and USVC includes vintage years 1981-2020. Funds less than three years old are considered too young to have produced meaningful returns; those vintages have been excluded from this analysis.

Smaller and earlier results in better diversification benefits

US Private Equity and Venture Capital: Correlations to Public Market mPMEs by Size and Stage

As of September 30, 2023

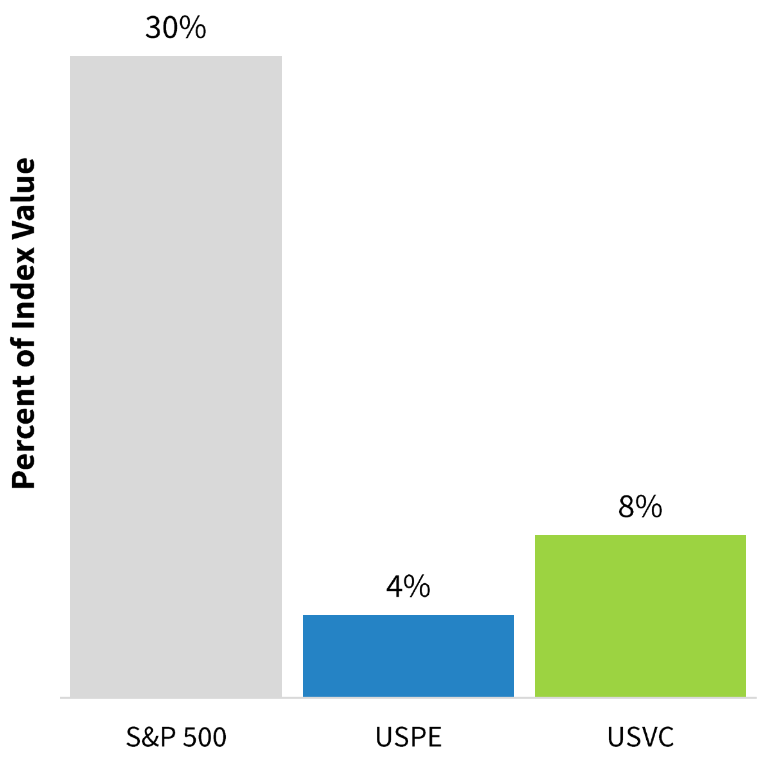
	S&P 500	Russell 2000®	Russell 2500®	Russell Midcap®	Nasdaq
USPE Mega Cap	0.69	0.67	0.69	0.71	0.61
USPE Large Cap	0.66	0.61	0.64	0.65	0.68
USPE Mid Cap	0.59	0.57	0.59	0.59	0.66
USPE Small Cap	0.44	0.43	0.43	0.42	0.44
USVC Multi Stage	0.46	0.46	0.46	0.45	0.59
USVC Expansion and Late Stage	0.45	0.44	0.45	0.45	0.57
USVC Early Stage	0.36	0.34	0.35	0.34	0.51

Source: Cambridge Associates LLC, Frank Russell Company, Nasdaq, Standard & Poor's, and Thomson Reuters Datastream. Notes: Vintage years included are 1995–2018 for Mega Cap and 1986–2020 for Large, Mid, and Small Cap. By Cambridge benchmark definitions, Mega funds from 2005 on represent only those that are $10B and larger. Data shows the correlation between the return of each sub-grouping and the return of respective public mPME. Mega is defined as >$10B from 2005 on, >$3.5B from 2000–2004, and >$1B from 1995–1999. Large is defined as $2B to $10B from 2005 on, $1B to $3.5B from 2000–2004, $750M to $1B from 1997–1999, $500M to $1B from 1995–1996, and >$500M from 1986-1994. Mid is defined as $750M to $2B from 2005 on, $350M to $1B from 2000-2004, $250M to $750M from 1997-1999, $200M to $500M from 1995-1996, and $100M to $500M from 1986–1994. Small is defined as <$750M from 2005 on, <$350M from 2000-2004, <$250M from 1997-1999, <$200M from 1995-1996, and <$100m from 1986-1994. Private equity includes buyout and growth equity funds. US venture capital correlations are based on funds in the US venture capital index formed between 1981-2020. Vintages less than three years old are considered too young to have produced meaningful results; these funds have been excluded from the analysis.

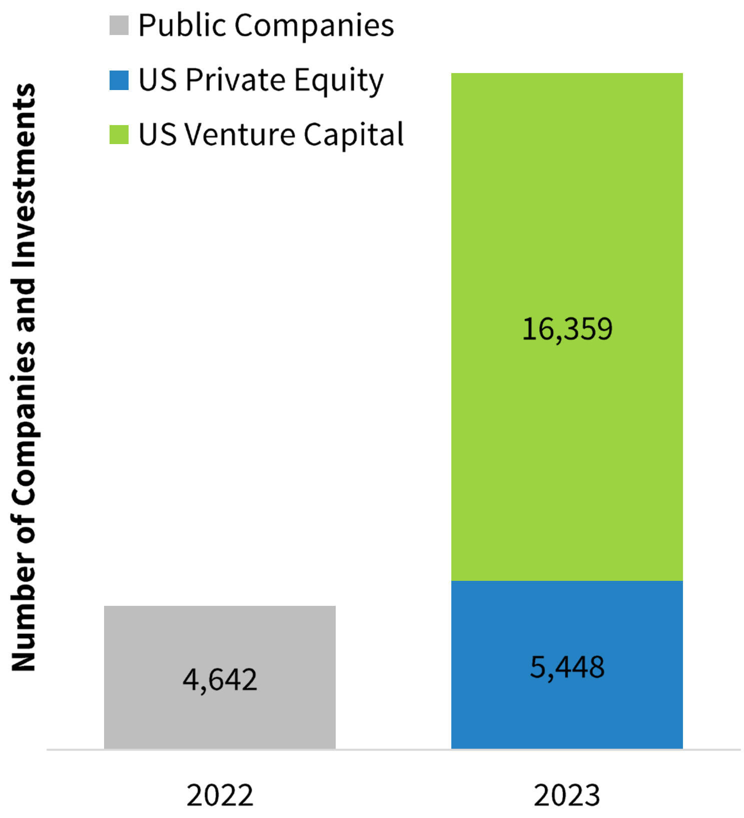
C|A

Private programs add diversifying, differentiated exposure

S&P 500, US Private Equity and Venture Capital: Top Seven Companies by Value



Number of Publicly Listed Companies on US Exchanges and Active Private Investments



Source: Cambridge Associates LLC and The World Bank Group. Notes: Index value analysis based on the combined market value of the largest seven companies in each index: S&P 500 as of December 29, 2023 and PE and VC as of September 30, 2023. For listed company analysis, data for active private investments includes unrealized and partially realized investments made by US buyout, growth equity, and venture capital funds as of September 30, 2023. Public company data as of June 1, 2022.

INVESTMENT ADVISORY COUNCIL

Investment Programs & Governance (IP&G)

Corporate Governance—Annual Proxy Voting Review

Michael McCauley, Senior Officer

State Board of Administration
June 10, 2024

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Investment Programs & Governance (IP&G)

Corporate Governance

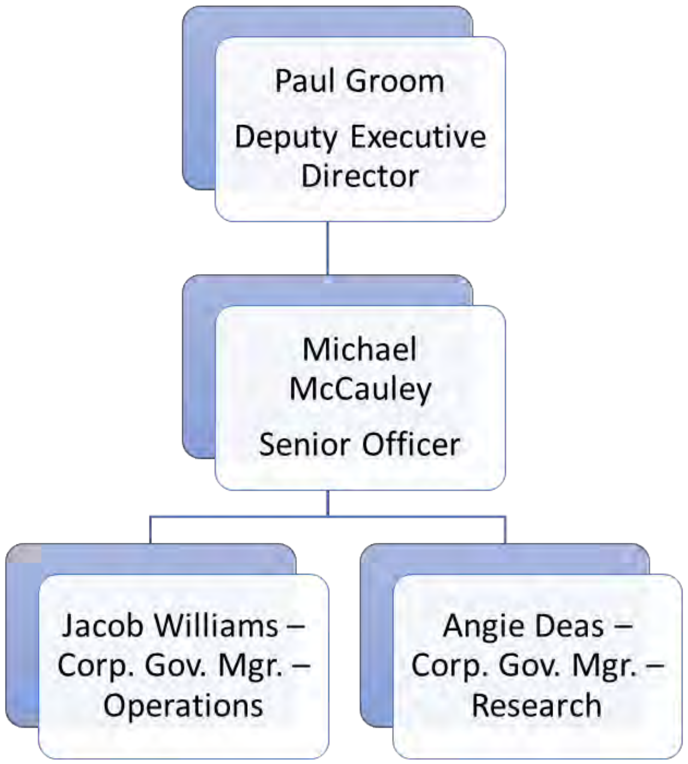
- Proxy Voting
- Issuer Engagement
- Divestment Research (PFIA, other)
- Regulatory Commentary
- Investor Collaboration

Florida PRIME

- Program Management
- External Investment Manager Liaison
- Investor Reporting

Non-Pension Client Mandates

- Client Service
- Trust Agreements
- Special Corporations



SBA FLORIDA STATE BOARD OF ADMINISTRATION

Corporate Governance and Firm Performance

- SBA focuses on enhancing share value and ensuring that public companies are accountable to their shareowners, with qualified boards of directors, transparent disclosures, accurate financial reporting, ethical business practices, and policies that protect and enhance the value of trust fund investments.
- Well-governed companies can lead to market confidence and higher business integrity, typically exhibit lower risk levels, and can achieve a lower cost of capital.
- National governance codes provide foundation for economic development and investment growth.
- Companies routinely communicate their long-term planning and governance practices with their investors.

Corporate Governance Defined—Framework of legal rules, regulations, and corporate policies that ensures the strategic guidance of the company by the board and its accountability to the company and its shareowners. Corporate governance focuses on the equitable treatment of all shareowners, including minority and foreign investors.

SBA Perspective—Public companies should meet high standards of independent and ethical corporate governance practices. The SBA acts as a strong advocate on behalf of FRS members and beneficiaries, retirees, and other clients to strengthen shareowner rights and promote leading corporate governance practices at U.S. and international companies in which the SBA holds stock. SBA mitigates governance-related risks, which can lead to higher returns and/or lower risk for our portfolio companies. This is an important aspect of fulfilling our fiduciary responsibility.

SBA Proxy Voting (CY2023)

Proxy Voting is a primary means by which shareowners can influence a company's business operations and corporate governance practices.

Voting corporate proxies is a fiduciary responsibility and an important way to manage the risks associated with public equity ownership and attempts to align interests between investors and management.

Over the course of any fiscal year, staff considers thousands of management proposals and hundreds of shareowner proposals covering a wide variety of issues.

Voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals.

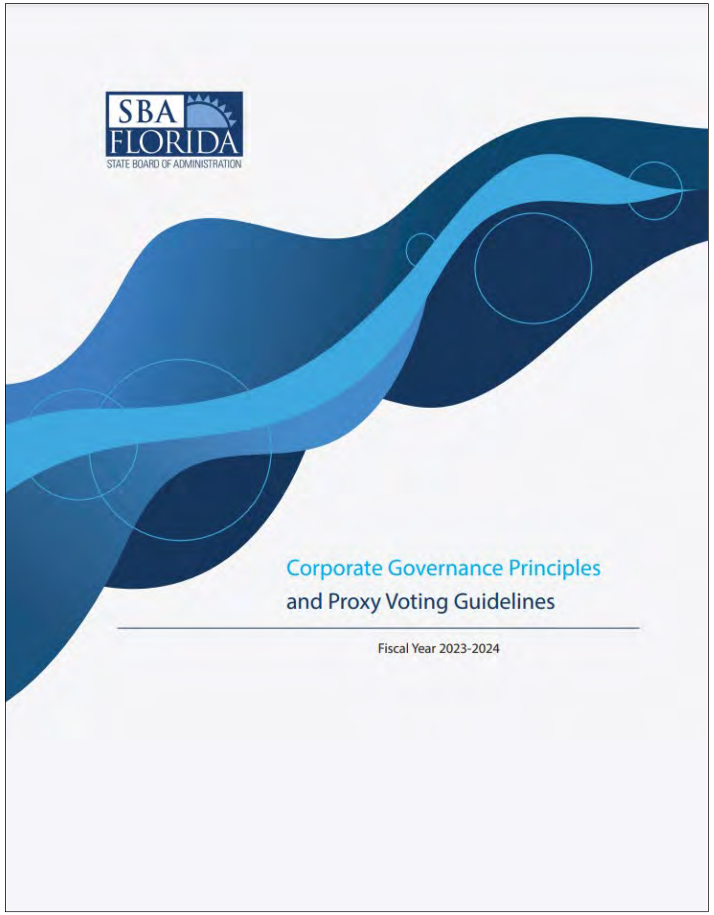
Analysis is focused on the drivers of company performance and investor protections associated with shareowner rights.

Emphasis on corporate disclosures and reporting—investors benefit from consistent and accurate corporate disclosures, providing shareowners with comparable and reliable information that is used to identify drivers of risk and return and efficiently allocate capital

12,829	Public company meetings
70	Countries where SBA votes
119,351	Total voting decisions

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

SBA Proxy Voting Guidelines



- Policies linked to portfolio value and risk mitigation
- Comprehensive and empirically grounded, supporting consistent approach to voting
- SBA policies modeled on best practices, global codes, and state law
- *Principles* – high level, global best practice
- *Guidelines* – general rationale and specific factors used by staff to aid decision making

SBA Proxy Committee

SBA Corporate Governance & Proxy Voting Oversight Group ("Proxy Committee")

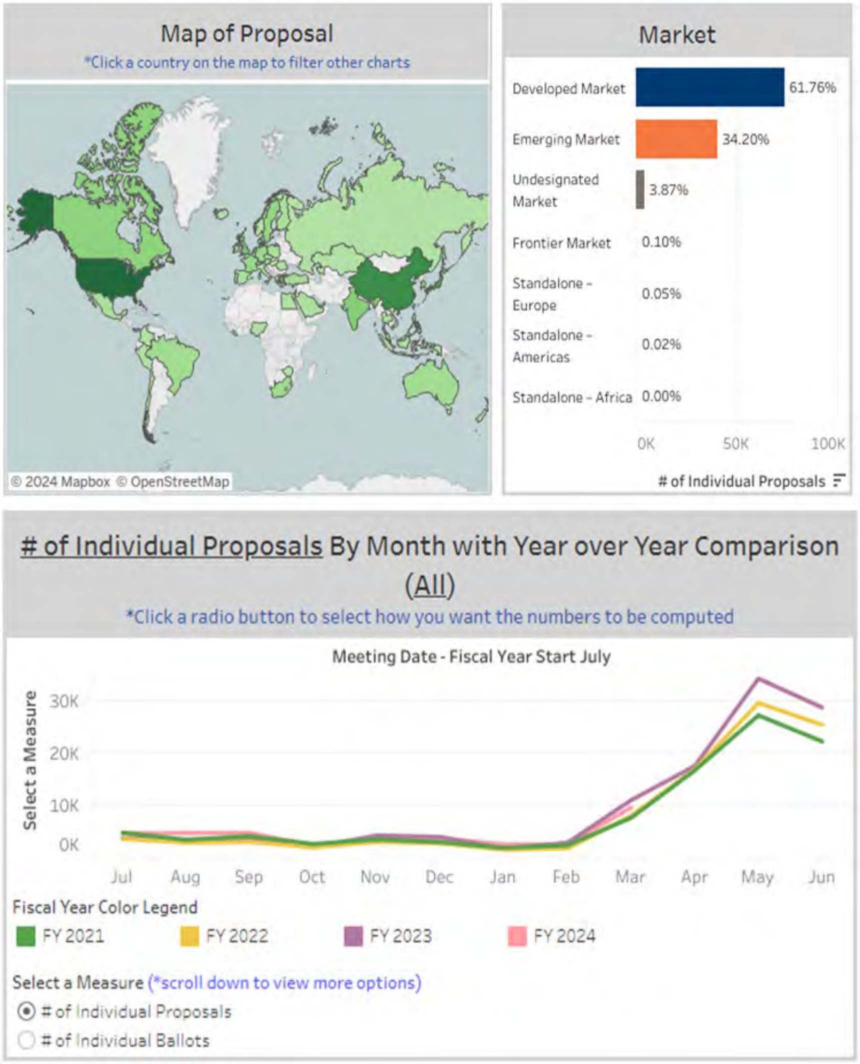
- ❑ Meets at least once each quarter to review ongoing governance issues
- ❑ Reviews volume and trends for SBA proxy votes
- ❑ Company-specific voting scenarios
- ❑ Oversight and development of corporate governance principles and proxy voting guidelines
- ❑ Reviews major regulatory developments by SEC, DOL, NYSE, etc.
- ❑ Reviews divestment research and reporting related to the Protecting Florida's Investments Act (PFIA) and other statutory investment requirements related to Israel and Venezuela.

SBA Policy 10-015

- ❑ The primary objective of the SBA corporate governance program is to improve the governance structures at invested companies—with the ultimate goal of lowering risk and enhancing the long-term value of SBA investments.

CY23 Was a Record Year for SBA Global Proxy Votes

Voting Category	*CY2023*	*Q1 2024*
Total Meetings Voted	12,829	2,002
Individual Ballot Items Voted	119,351	14,503
Markets Voted	70	49
Total Companies Votes	9,605	1,829
% Total Votes "For"	81%	83.5%
% Total Votes "Against"	15.8%	15%
% Total Votes "Abstain" or Do Not Vote (DNV)	3.2%	1.5%
% Total Votes Against Management Recommended Vote (MRV)	15.8%	14.9%
% of Director Elections "For"	81.3%	80.8%
% of Compensation Items "For"	63.7%	77.1%
% of Merger-Acquisition Items "For"	91.2%	95.8%
% of All Shareowner Proposals (SHPs) "For"	26.6%	17.3%



- Level and geography of proxy voting directly reflects FRS equity portfolios
- Largest proportion of voting occurs in developed markets
- YOY increase in global voting driven by the increased use of "pass-through" voting

Top Voted Equity Markets

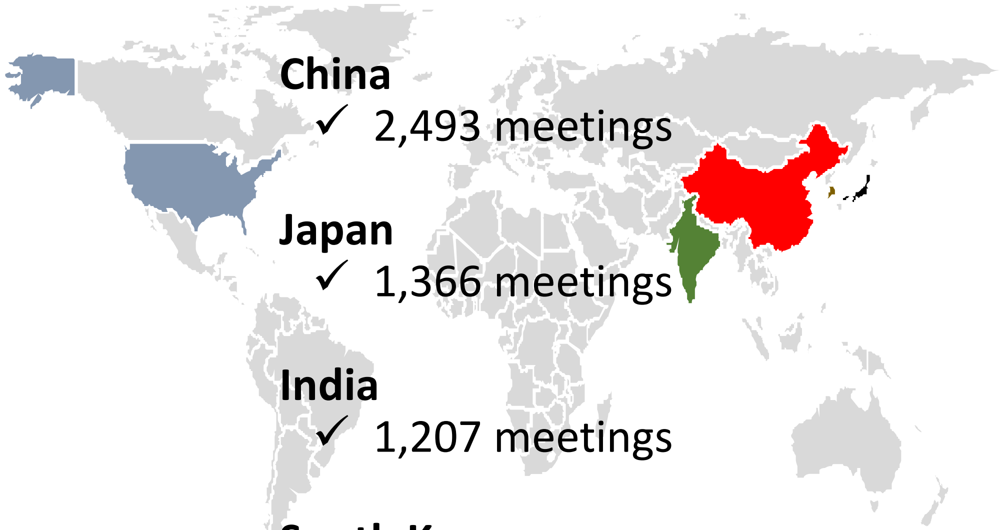
United States
- ✓ 2,827 meetings

China
- ✓ 2,493 meetings

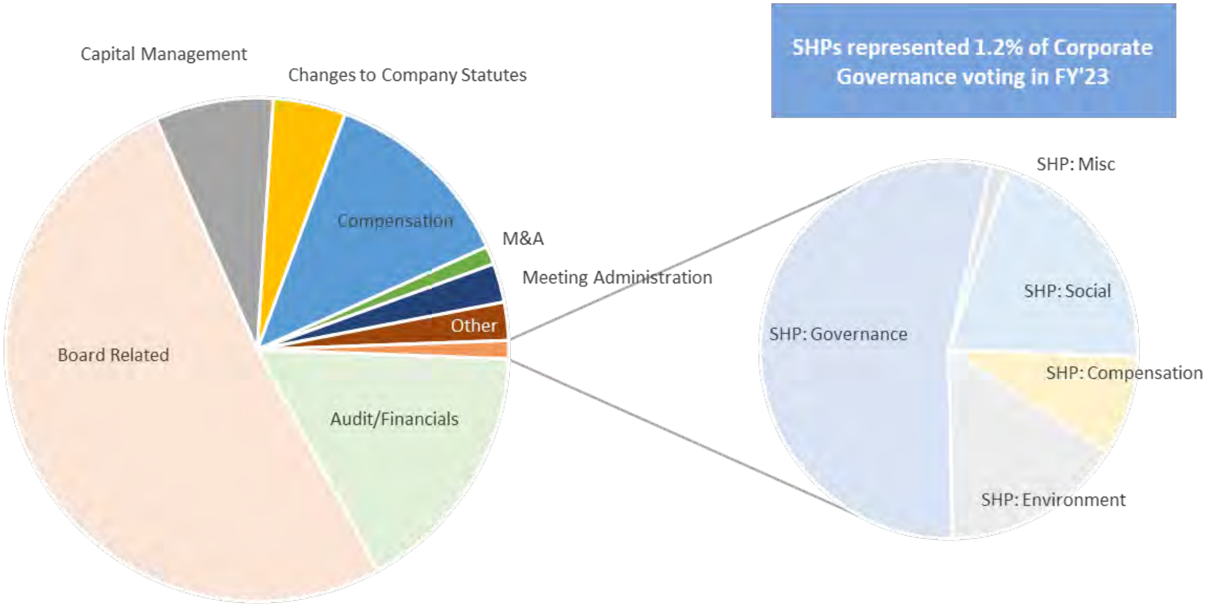
Japan
- ✓ 1,366 meetings

India
- ✓ 1,207 meetings

South Korea
- ✓ 598 meetings



Corporate Governance Voting is Predominantly Board Related, Audit Matters, and Executive Compensation



SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Proxy Advisors

ISS Proxy Voting Research:
- All U.S. equities / Large Cap Dev. Intl. / Material Non-U.S.
- Data Screening—DataDesk, Director Database

Glass Lewis Voting Research and Voting Agency:
- SBA's proxy voting agent since 2016 (ViewPoint system)
- All U.S. and Foreign Equities

Proxy Research and Advice—SBA staff use a variety of news, research, and ratings sources to understand the issues that are facing the markets, specific industries, and individual companies. This information helps SBA staff develop governance policies, make informed proxy voting decisions, collaborate with other asset owners and asset managers, elevate items of concern at owned companies, and weigh in on regulatory proposals that may impact portfolio value. The SBA utilizes proxy research from several different sources in order to gain high-quality assessments of financially-material risks.

Proxy Advisors

GLASS LEWIS

ISS

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Proxy Voting Agent

Glass Lewis Voting Research and Voting Agency:

- SBA's proxy voting agent since 2016 (ViewPoint system)
- All U.S. and Foreign Equities
- All Global Ballot ingestion and reconciliation
- All Proxy Vote Execution
- All Proxy Vote Recordkeeping

About Glass, Lewis & Co.—covers 31,000 meetings each year, across approximately 100 global markets. Started in 2003 and relies exclusively on publicly available information to inform its policies, research, and voting recommendations. Clients include a majority of the world's largest asset owners (pension plans), mutual funds, and asset managers, collectively managing over $40 trillion in assets. Offices located in the United States, Europe, and Asia-Pacific.

Voting Agent & Proxy Advisor

GLASS LEWIS

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Governance and Data Partners

Investor Advocacy

Council of Institutional Investors®
The voice of corporate governance

The Harvard Law School
Program on Institutional Investors

ICGN
International Corporate Governance Network

CFA Institute

isg

UNIVERSITY OF DELAWARE
WEINBERG CENTER FOR
CORPORATE GOVERNANCE

Analysis and Data

EQUILAR

MSCI

ISS

Diligent
Market Intelligence

FACTSET

EIRIS CONFLICT RISK NETWORK

SBA Voting—2023 U.S. Proxy Season Review

Director Elections—the SBA supported 83.4% of all board nominees at U.S. companies within the Russell 3000 stock index, an increase of 7.4% from last fiscal year. Only two individual directors at S&P 500-listed firms failed to receive majority support in the 2023 season.

Auditor Ratification—the SBA ratified 99.1% of all external auditors among U.S. companies within the Russell 3000 stock index, a slight increase of 0.4% from last fiscal year.

Mergers & Acquisitions—the SBA supported 100% of all merger/acquisition proposals globally (both in the U.S. market and all other markets), an increase of 4.6% from last fiscal year.

Executive Compensation & Say-on-Pay *(SOP)*—the SBA supported just 36.4% of all compensation related ballot items at U.S. companies within the Russell 3000 stock index, a decrease of 13.1% from last fiscal year. Within the same company universe, the SBA supported 46.3% of all SOP ballot items, an increase of 4.1% from last fiscal year.

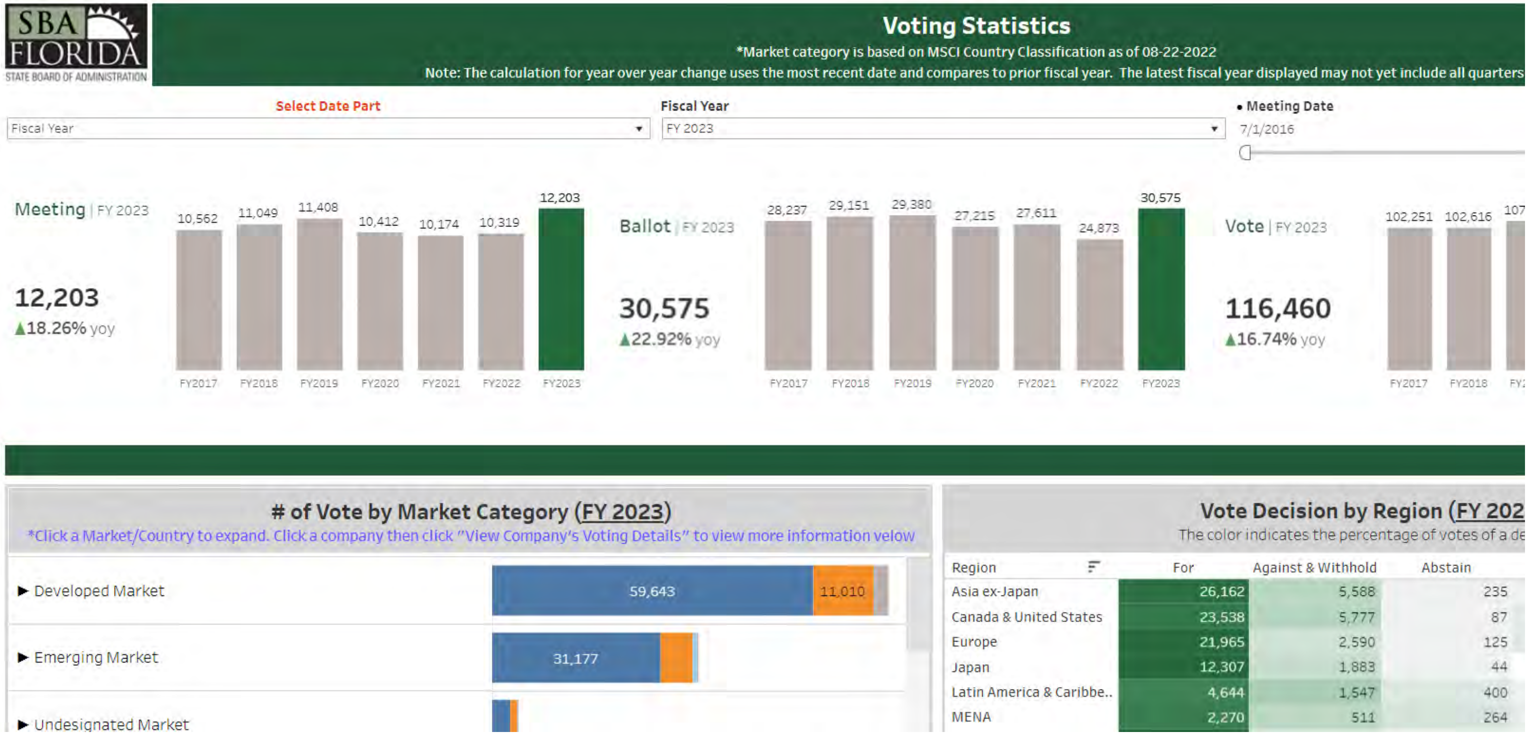
Proxy Contests—during the fiscal year, SBA staff voted on a total of fifteen contested board elections globally, supporting management board proposals 67% of the time.

Shareowner Resolutions—Focusing only on those proposals that went to a vote, there was a 12% increase in volume in 2023, which followed a 30% increase in 2022. The SBA supported 37% of shareowner-proposed ballot resolutions at U.S. companies within the Russell 3000 stock index, a decrease of 26.1% and follows on the 25% decrease year over year in 2022.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

SBA Proxy Voting Dashboard—Full Voting Disclosure

- Interactive Tableau Dashboard
- Updated Quarterly
- Voting Decisions Published within ~24 Hours
- Sorting and filtering based on a number of dimensions:
    - Geography/Market
    - Time Period
    - Type of Vote

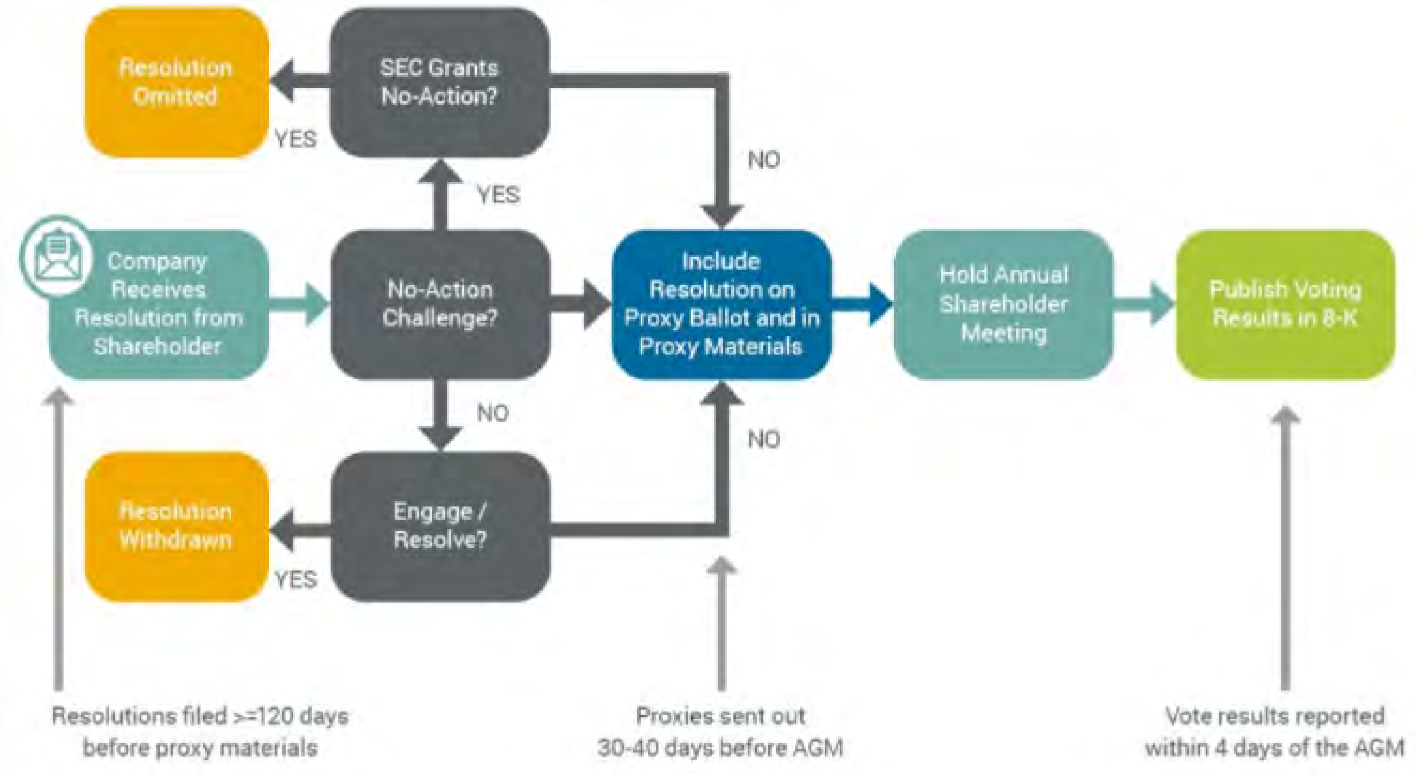


SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Q&A

CONTACT: Michael McCauley
Email: governance@sbafla.com

Shareowner Resolutions / SEC Rule 14a-8

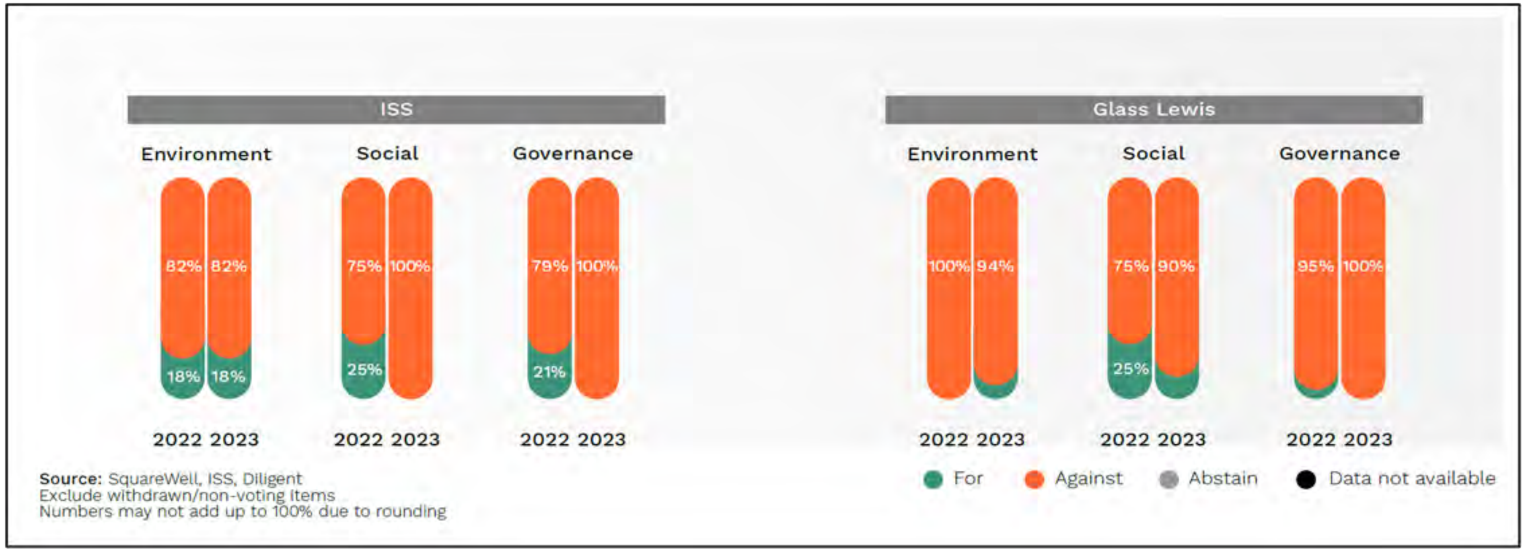


		Support for Re-submission within 5 years		
		1st	2nd	3rd
14a-8(i)(12): Revised level of shareholder support a proposal must receive to be eligible for resubmission	Before	3%	6%	10%
	After	5%	15%	25%
Effective Date: **January 1, 2022**				

Shareowner Proposal Volumes

Proxy Advisor Support for Shareowner Proposals

Data for S&P 500 index



Data for STOXX Europe 600 index

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Proxy Voting on Shareowner Proposals (U.S. proxy votes only)

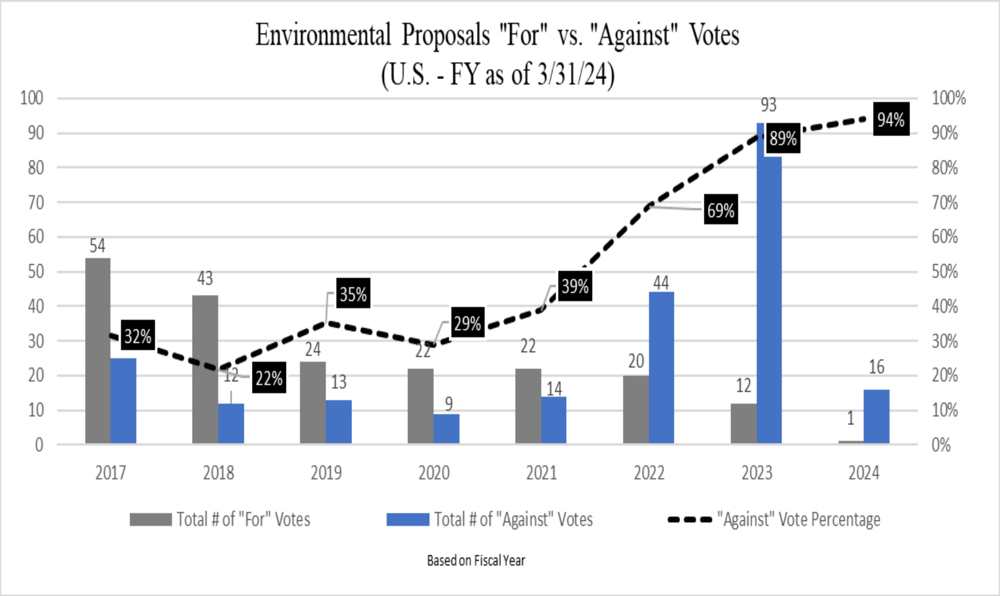
Key Metrics

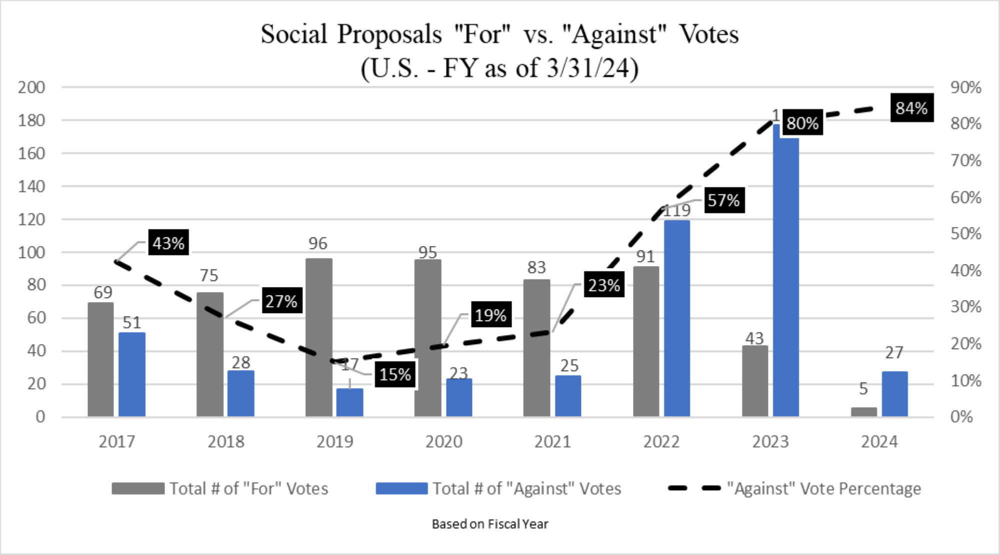
Issue Category	FY2020			FY2021			FY2022			FY2023			FY2024		
	Proposal	% of SHP	SBA Support %	Proposal	% of SHP	SBA Support %	Proposal	% of SHP	SBA Support %	Proposal	% of SHP	SBA Support %	Proposal	% of SHP	SBA Support %
SHP: Environment	31	5.92%	70.97%	40	6.85%	55.00%	68	9.28%	29.41%	106	14.87%	11.32%	17	14.41%	5.88%
SHP: Social	118	22.52%	80.51%	111	19.01%	74.77%	215	29.33%	42.33%	224	31.42%	19.20%	36	30.51%	13.89%
SHP: Governance	371	70.80%	76.82%	427	73.12%	66.28%	438	59.75%	57.76%	361	50.63%	56.79%	58	49.15%	39.66%
SHP: Misc	4	0.76%	25.00%	6	1.03%	33.33%	12	1.64%	25.00%	22	3.09%	18.18%	7	5.93%	0.00%
Grand Total	**524**	**100.00%**	**76.91%**	**584**	**100.00%**	**66.78%**	**733**	**100.00%**	**50.07%**	**713**	**100.00%**	**37.03%**	**118**	**100.00%**	**24.58%**

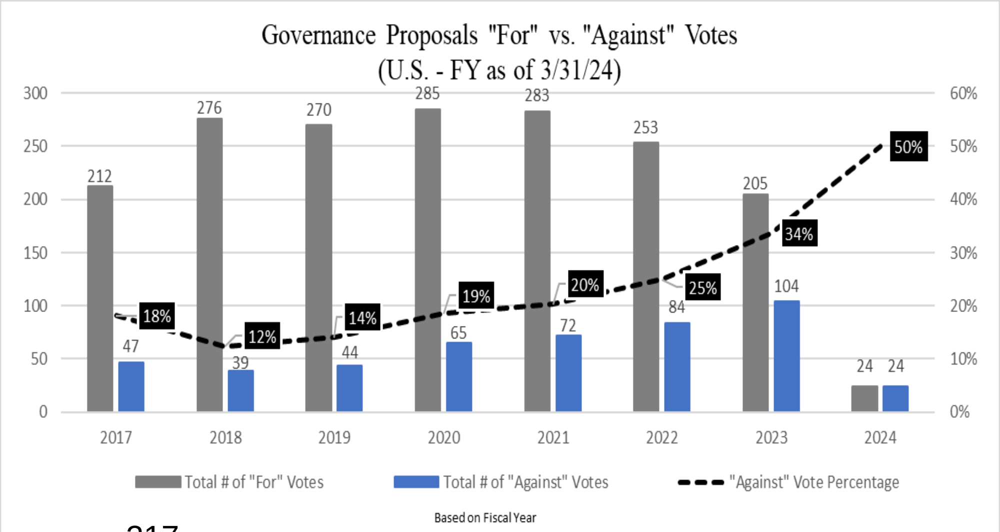
Vote Decision

Issue Category	"For"					"Against&Withhold"					"Abstain"					"Other"				
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2020	FY2021	FY2022	FY2023	FY2024	FY2020	FY2021	FY2022	FY2023	FY2024	FY2020	FY2021	FY2022	FY2023	FY2024
SHP: Environment	22	22	20	12	1	9	14	44	93	16	0	1	1	1	0	0	3	3	0	0
SHP: Social	95	83	91	43	5	23	25	119	177	29	0	1	1	4	0	0	2	4	0	2
SHP: Governance	285	283	253	205	23	65	72	84	104	20	6	5	3	2	1	15	67	98	50	14
SHP: Misc	1	2	3	4	0	2	1	6	15	6	0	0	1	0	0	1	3	2	3	1
Grand Total	**403**	**390**	**367**	**264**	**29**	**99**	**112**	**253**	**389**	**71**	**6**	**7**	**6**	**7**	**1**	**16**	**75**	**107**	**53**	**17**

Proxy Voting on Shareowner Proposals (US meetings)

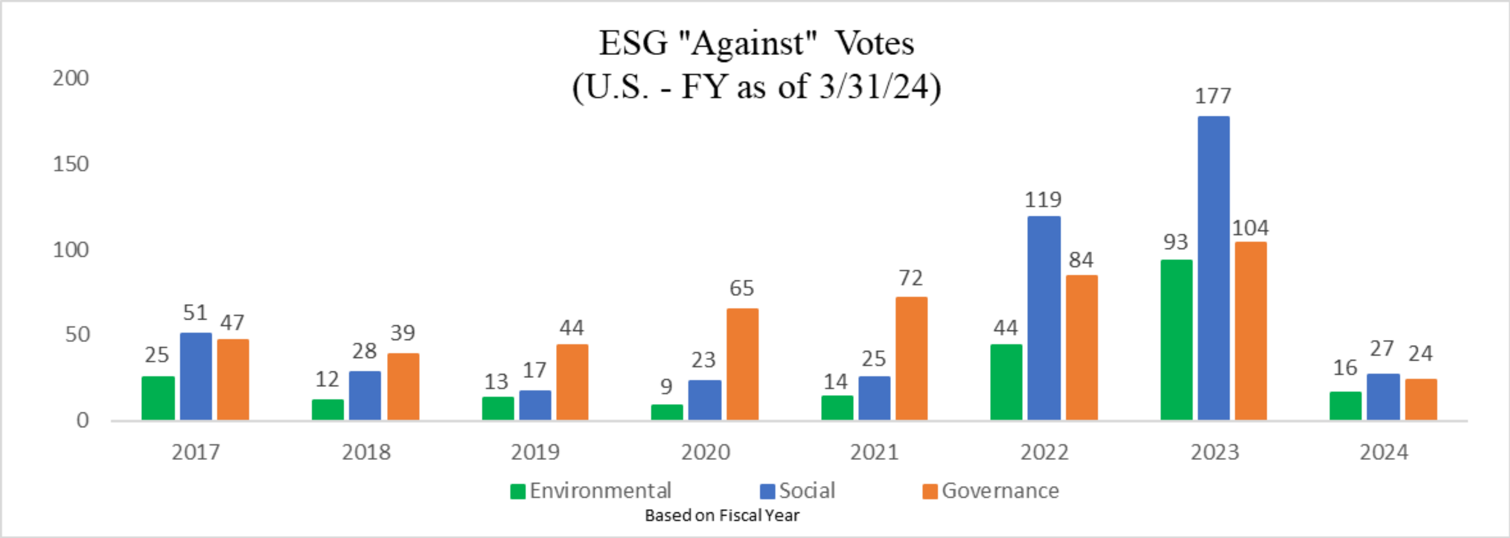


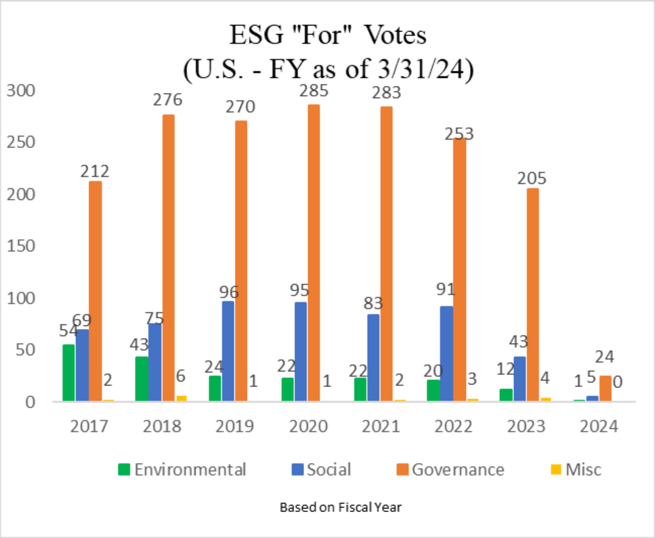


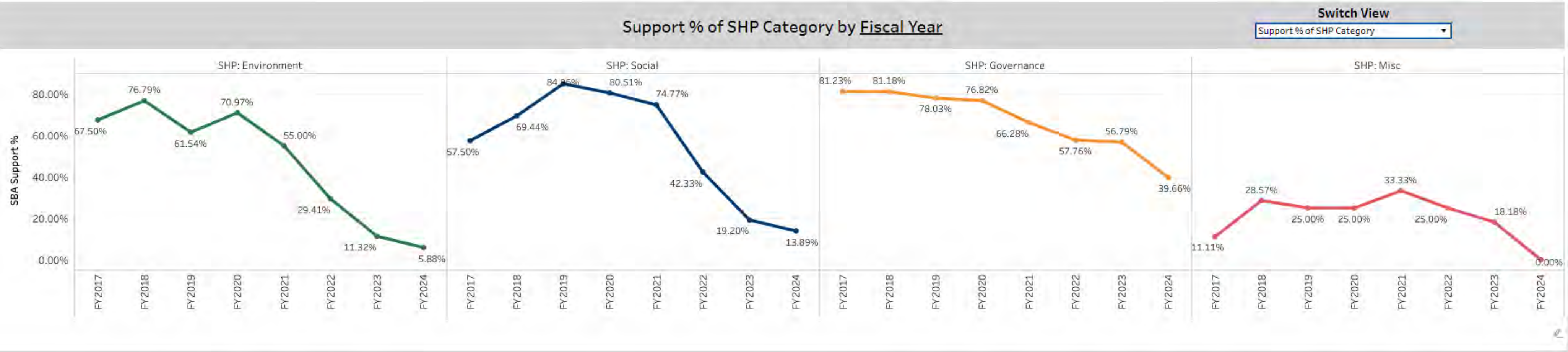


SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Proxy Voting on Shareowner Proposals



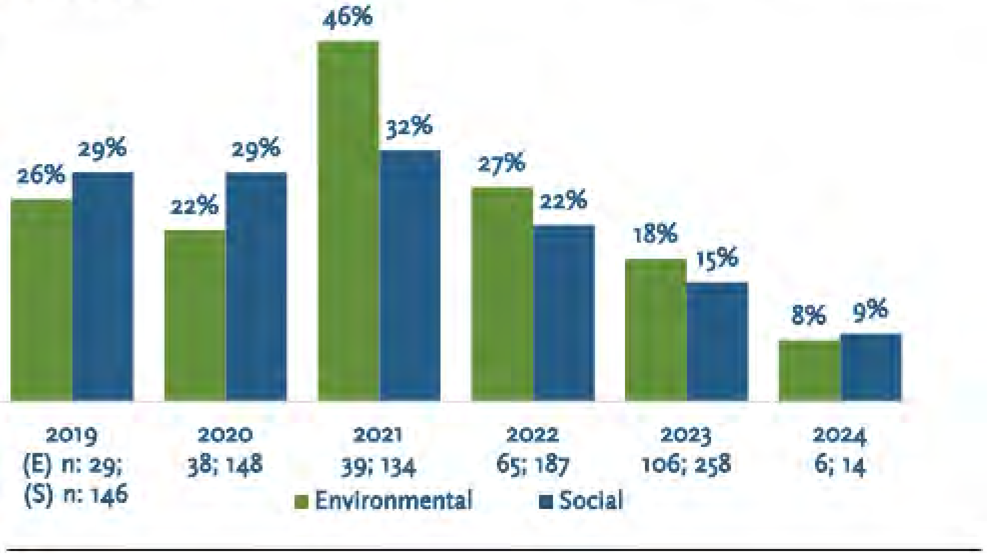




SBA FLORIDA
STATE BOARD OF ADMINISTRATION

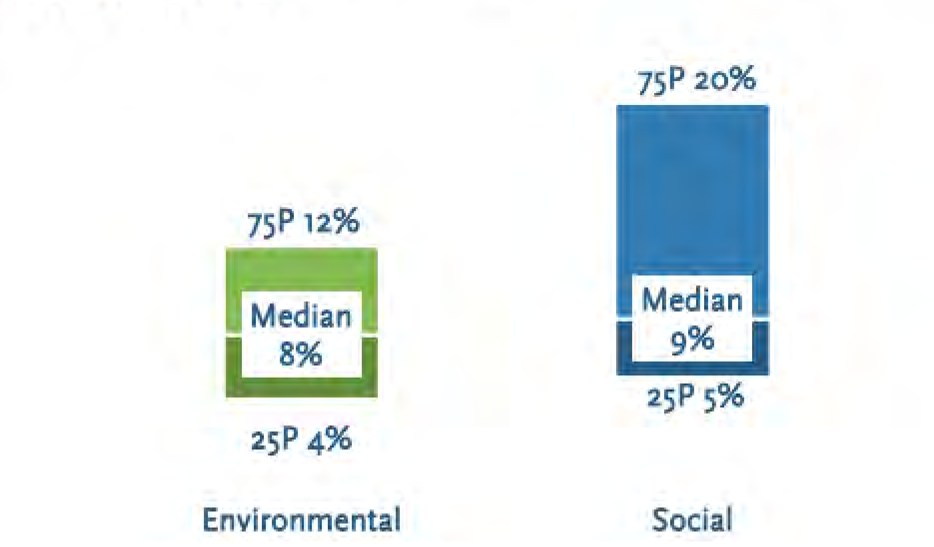
Shareholder Proposals (SHPs)

ENVIRONMENTAL & SOCIAL PROPOSALS MEDIAN VOTE RESULTS



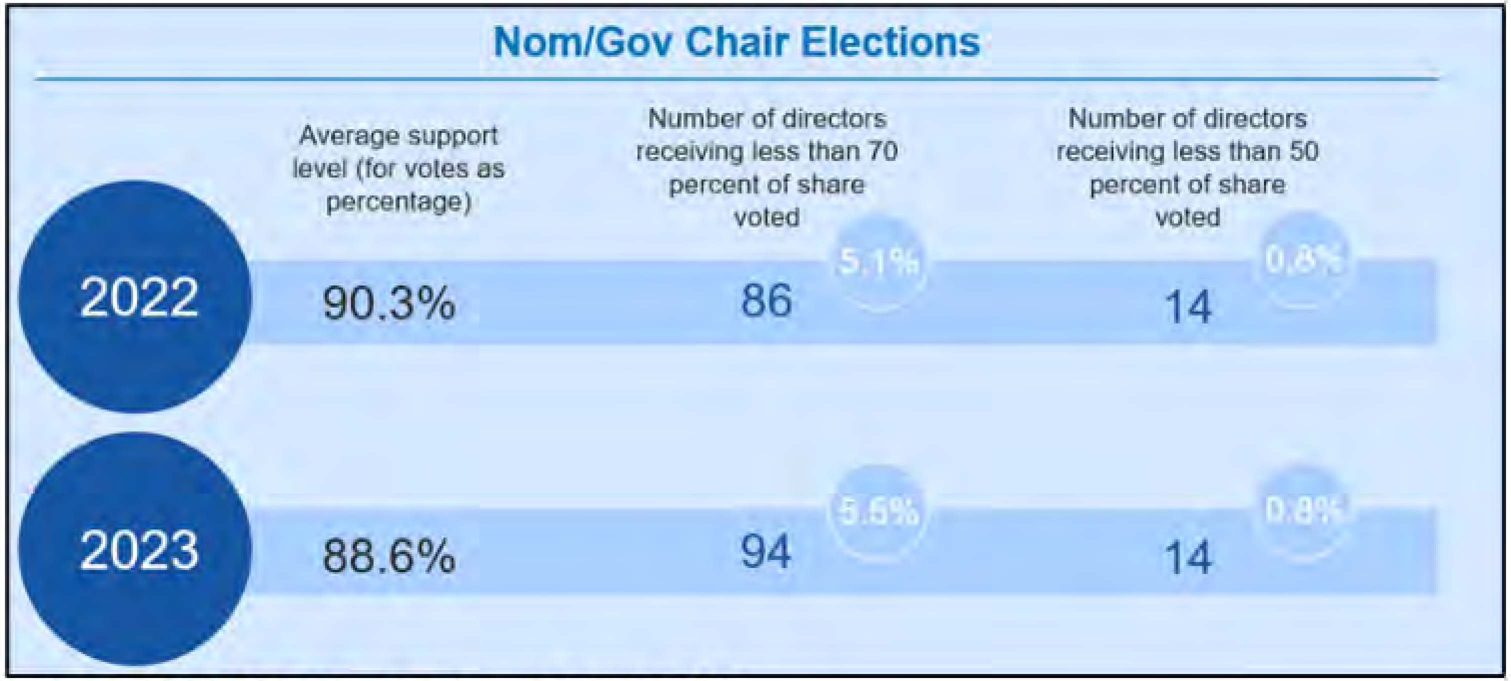
Source: Semler Brossy, April 4, 2024

ENVIRONMENTAL & SOCIAL PROPOSALS VOTE RESULT DISTRIBUTIONS



SBA FLORIDA STATE BOARD OF ADMINISTRATION

Shareholder Proposals (SHPs)

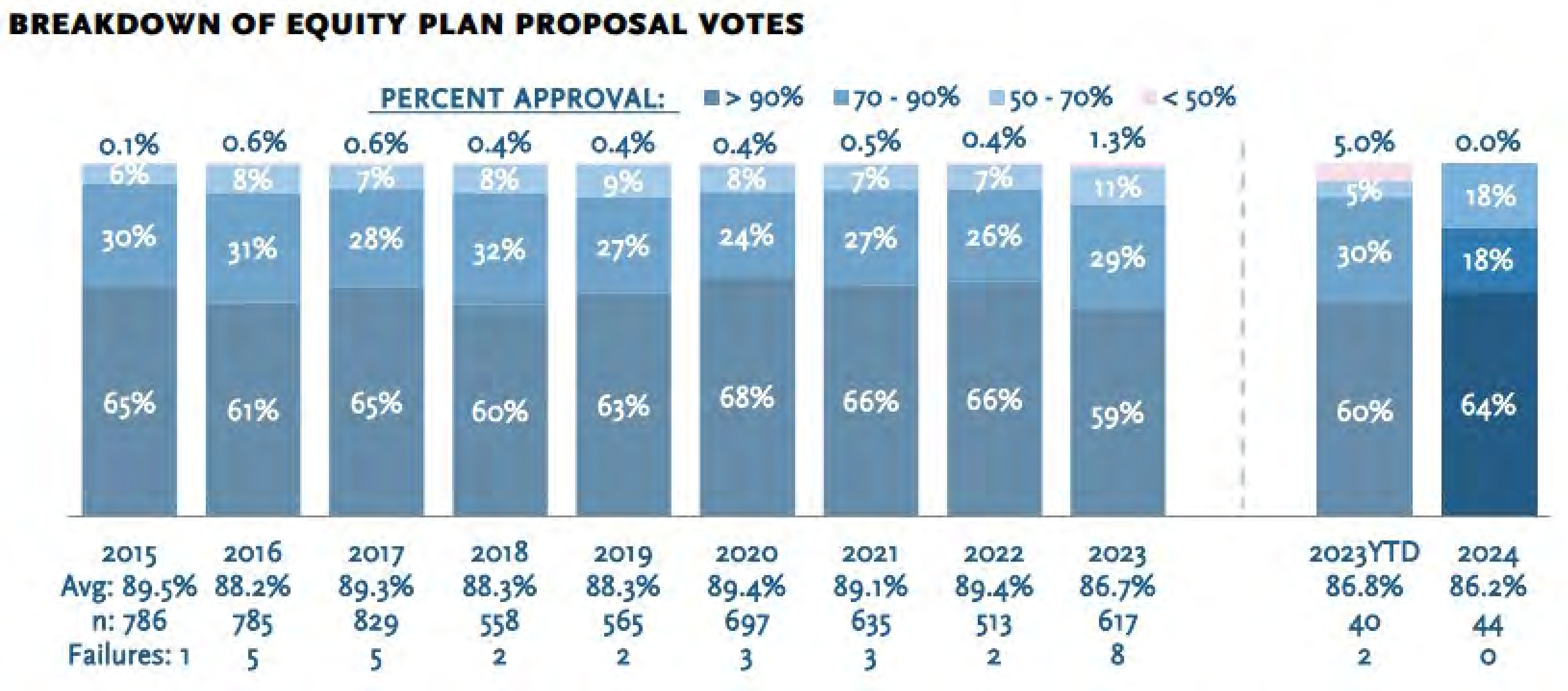


Source: ESGAUGE / The Conference Board, 2024.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Executive Compensation

- Average vote support for equity proposals thus far in the proxy season (86.2%) is 60 basis points below the average vote support observed at this time last year (86.8%)
- No equity proposal has received vote support below 50% thus far in 2024
- ISS has recommended “Against” 32% of equity proposals, continuing increased scrutiny trend seen in 2023
- Average support for equity proposals that received an ISS “Against” recommendation thus far in proxy season (70%) is 200 basis points below the average vote support observed for companies that received an ISS “Against” in 2023 (72%)



Source: Semler Brossy, April 4, 2024

Glass Lewis Voting—Executive Compensation (Say On Pay)

Major Concerns Identified by Glass Lewis (Say on Pay)	Percentage*
Pay and Performance Disconnect	41.5%
Poor Program or Award Design Structure	31.2%
Concerning Pay Practices (Excessive Grants/Compensation)	29.3%
Concerning Pay Practices (Other)	26.1%
Insufficient Response to Shareholder Dissent	22.4%

Executive Compensation Analysis

RITE AID CORP (RAD)

Equilar P4P™ Profile

Annual Meeting Date: Aug 18, 2023

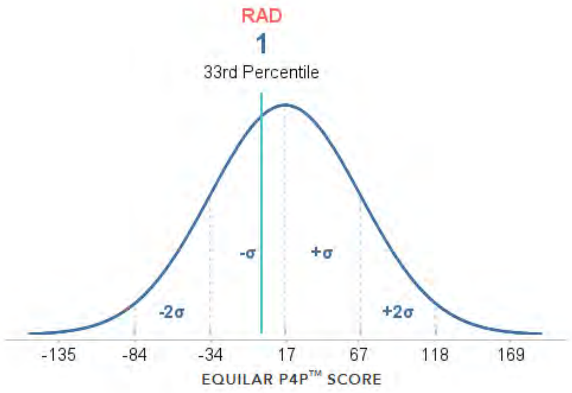
For help, please see the FAQs and Methodology

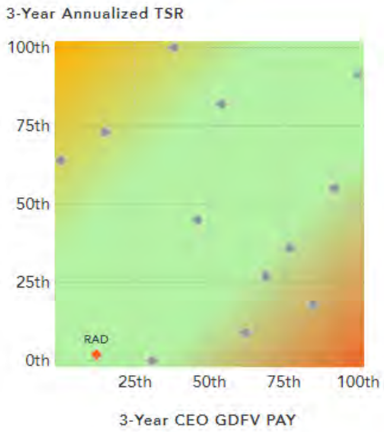
EXCEL PDF

Peer Companies Revise Peers

P4P™ SCORE | P4P™ ALIGNMENT NEW | PAY DETAILS | PERFORMANCE DETAILS NEW | PEER COMPARISON

Rank Comparison





SBA FLORIDA STATE BOARD OF ADMINISTRATION

This Page Intentionally Left Blank

FLORIDA RETIREMENT SYSTEM
DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.[1] For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

---

[1] The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a), 215.47(10) and 112.662(1)-(3), Florida Statutes.

On August 23, 2022, the Board adopted a Resolution directing the following policy language be included in this Investment Policy Statement:

1. STANDARD OF CARE AND EVALUATION OF INVESTMENTS

   (a) The evaluation by the Board of an investment decision must be based only on pecuniary factors. As used in this section, "pecuniary factor" means a factor that the board prudently determines is expected to have a material effect on the risk and return of an investment based on appropriate investment horizons consistent with the fund's investment objectives and funding policy. Pecuniary factors do not include the consideration of the furtherance of social, political, or ideological interests.
   (b) The board may not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote any non-pecuniary factors. The weight given to any pecuniary factor by the board should appropriately reflect a prudent assessment of its impact on risk and returns.
   (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

2. PROXY VOTING - When deciding whether to exercise shareholder rights and when exercising such rights, including the voting of proxies, the board:

   (a) Must act prudently and solely in the interests of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries and defraying the reasonable expenses of the Florida Retirement System Defined Benefit Pension Plan.
   (b) May not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote non-pecuniary factors.
   (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

3. INTERNAL REVIEW

The State Board of Administration will organize and conduct a comprehensive review and prepare a report of the governance policies over the voting practices of the Florida Retirement System Defined Benefit Pension Plan, to include an operational review of decision-making in vote decisions and adherence to the fiduciary standards of the Fund. The State Board of Administration will ensure compliance with the updated Investment Policy Statement and adherence to the proxy voting requirements through the review process of this resolution. The State Board of Administration will submit its report to the Trustees no later than December 15, 2023.

The State Board of Administration will file and submit to the Governor, the Attorney General, the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives a comprehensive report detailing and reviewing the governance policies concerning decision making in vote decisions and adherence to the fiduciary standards required under Section 112.662, Fla. Statutes, including the exercise of shareholder rights. The SBA will submit this report by December 15, 2023 and by December 15 of each odd-numbered year thereafter.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance. The IAC will review formal asset allocation studies every three-years or less on an as-needed basis.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.8% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 10-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.1% and 9.2% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -1.4% and 10.6%.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	5th Percentile Real Return	10th Percentile Real Return	90th Percentile Real Return	95th Percentile Real Return
1 Year	-14.8%	-10.4%	18.8%	22.9%
3 Years	-6.3%	-3.9%	13.1%	15.4%
5 Years	-4.0%	-2.0%	11.1%	13.0%
7 Years	-2.5%	-0.9%	10.1%	11.6%
10 Years	-1.4%	0.1%	9.2%	10.6%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

The Executive Director shall prudently execute the transition from the Target Asset Allocation in Table 2 of the Investment Policy Statement, effective January 17, 2023, to the New Target Asset Allocation in Table 2 below.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	45%	35%	60%
Fixed Income	21%	12%	30%
Active Credit	7%	2%	12%
Real Estate	12%	8%	20%
Private Equity	10%	6%	20%
Strategic Investments	4%	2%	14%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.[2] An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated

[2] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow ($ millions/ % Fund)

	In 5 Years			In 10 Years		
10th Percentile	$	7,367	3.62%	$	5,275	2.97%
25th Percentile	$	7,977	3.87%	$	7,497	3.49%
Median	$	8,539	4.20%	$	9,744	3.99%
75th Percentile	$	9,080	4.59%	$	13,041	4.47%
90th Percentile	$	9,601	4.98%	$	13,149	4.91%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy or that would be prohibited by Florida law if acquired as of the date of the measurement of such Index notwithstanding that the securities or investments were actually acquired before such date
Fixed Income	The Bloomberg U.S. Aggregate Bond Index
Active Credit	Floating based on public/private mix: (1) High Yield – Bloomberg U.S. High Yield Index; (2) Bank Loans – LSTA Leveraged Loan Index; (3) Emerging Market Debt, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy – Bloomberg Emerging Market Local Currency Government 10% Country Capped, Bloomberg Emerging Market USD Sovereign, and Bloomberg Emerging Market USD Corporate; and (4) Private Credit - LSTA Leveraged Loan Index + 1.75%

Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 83.3%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 16.7%, plus a fixed return premium of 150 basis points per annum[3]
Private Equity	Global Equity Target Index, plus a fixed premium return of 250 basis points per annum
Strategic Investments	Floating based on sub-category weights: (1) Hedge Funds - Secured Overnight Financing Rate (SOFAR) + 3%; (2) Real Assets – CPI + 4%; (3) Insurance Linked Securities – Swiss RE CAT Bond Total Return Index; and (4) Opportunistic Strategies – Shall be assessed against an appropriate benchmark
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations. The policy allocations for the Active Credit and private market asset classes would all "float" against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Active Credit and Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity and Fixed Income) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes			
		Active Credit	Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	67%	65%	100%	35%
Fixed Income	N/A	33%	35%	0%	65%

3 $\overbrace{(83.3\% * \text{NFI-ODCE})}^{\text{Core RE}} + \overbrace{[16.7\% * (\text{NFI-ODCE} + 150\text{ bps})]}^{\text{Non-Core RE}}$

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class's actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, a weighted average of individual portfolios' benchmarks.
- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low-cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Credit and Bank Loans (within the Active Credit asset class), Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment expertise and resources;

- Alignment of interests;
- Transparency and repeatability of investment process; and
- Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's Sharpe Ratio, over five-year measurement periods.
- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

Other Guidelines

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the "Protecting Florida's Investments Act." Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2016-36, Laws of Florida, an act relating to companies that boycott Israel. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4725(5), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: "The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela."

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2024-187, Laws of Florida, an act relating to investments in certain Chinese companies (as defined therein). Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4735(3), Florida Statutes.

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.
- The reports listed in No. 3 above (Internal Review).

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective ~~January 1, 2024~~ upon adoption by Trustees.

This Page Intentionally Left Blank

FLORIDA RETIREMENT SYSTEM
DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.[1] For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

---

[1] The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a), 215.47(10) and 112.662(1)-(3), Florida Statutes.

On August 23, 2022, the Board adopted a Resolution directing the following policy language be included in this Investment Policy Statement:

1. STANDARD OF CARE AND EVALUATION OF INVESTMENTS

   (a) The evaluation by the Board of an investment decision must be based only on pecuniary factors. As used in this section, "pecuniary factor" means a factor that the board prudently determines is expected to have a material effect on the risk and return of an investment based on appropriate investment horizons consistent with the fund's investment objectives and funding policy. Pecuniary factors do not include the consideration of the furtherance of social, political, or ideological interests.
   (b) The board may not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote any non-pecuniary factors. The weight given to any pecuniary factor by the board should appropriately reflect a prudent assessment of its impact on risk and returns.
   (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

2. PROXY VOTING - When deciding whether to exercise shareholder rights and when exercising such rights, including the voting of proxies, the board:

   (a) Must act prudently and solely in the interests of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries and defraying the reasonable expenses of the Florida Retirement System Defined Benefit Pension Plan.
   (b) May not subordinate the interests of the participants and beneficiaries to other objectives and may not sacrifice investment return or take on additional investment risk to promote non-pecuniary factors.
   (c) In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

3. INTERNAL REVIEW

The State Board of Administration will organize and conduct a comprehensive review and prepare a report of the governance policies over the voting practices of the Florida Retirement System Defined Benefit Pension Plan, to include an operational review of decision-making in vote decisions and adherence to the fiduciary standards of the Fund. The State Board of Administration will ensure compliance with the updated Investment Policy Statement and adherence to the proxy voting requirements through the review process of this resolution. The State Board of Administration will submit its report to the Trustees no later than December 15, 2023.

The State Board of Administration will file and submit to the Governor, the Attorney General, the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives a comprehensive report detailing and reviewing the governance policies concerning decision making in vote decisions and adherence to the fiduciary standards required under Section 112.662, Fla. Statutes, including the exercise of shareholder rights. The SBA will submit this report by December 15, 2023 and by December 15 of each odd-numbered year thereafter.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance. The IAC will review formal asset allocation studies every three-years or less on an as-needed basis.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.8% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 10-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.1% and 9.2% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -1.4% and 10.6%.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	5^{th} Percentile Real Return	10^{th} Percentile Real Return	90^{th} Percentile Real Return	95th Percentile Real Return
1 Year	-14.8%	-10.4%	18.8%	22.9%
3 Years	-6.3%	-3.9%	13.1%	15.4%
5 Years	-4.0%	-2.0%	11.1%	13.0%
7 Years	-2.5%	-0.9%	10.1%	11.6%
10 Years	-1.4%	0.1%	9.2%	10.6%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

The Executive Director shall prudently execute the transition from the Target Asset Allocation in Table 2 of the Investment Policy Statement, effective January 17, 2023, to the New Target Asset Allocation in Table 2 below.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	45%	35%	60%
Fixed Income	21%	12%	30%
Active Credit	7%	2%	12%
Real Estate	12%	8%	20%
Private Equity	10%	6%	20%
Strategic Investments	4%	2%	14%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.[2] An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated

[2] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow ($ millions/ % Fund)

	In 5 Years		In 10 Years	
10th Percentile	$ 7,367	3.62%	$ 5,275	2.97%
25th Percentile	$ 7,977	3.87%	$ 7,497	3.49%
Median	$ 8,539	4.20%	$ 9,744	3.99%
75th Percentile	$ 9,080	4.59%	$ 13,041	4.47%
90th Percentile	$ 9,601	4.98%	$ 13,149	4.91%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy or that would be prohibited by Florida law if acquired as of the date of the measurement of such Index notwithstanding that the securities or investments were actually acquired before such date
Fixed Income	The Bloomberg U.S. Aggregate Bond Index
Active Credit	Floating based on public/private mix: (1) High Yield – Bloomberg U.S. High Yield Index; (2) Bank Loans – LSTA Leveraged Loan Index; (3) Emerging Market Debt, adjusted to reflect securities and other investments prohibited by Florida law and SBA policy – Bloomberg Emerging Market Local Currency Government 10% Country Capped, Bloomberg Emerging Market USD Sovereign, and Bloomberg Emerging Market USD Corporate; and (4) Private Credit - LSTA Leveraged Loan Index + 1.75%

Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 83.3%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 16.7%, plus a fixed return premium of 150 basis points per annum[3]
Private Equity	Global Equity Target Index, plus a fixed premium return of 250 basis points per annum
Strategic Investments	Floating based on sub-category weights: (1) Hedge Funds - Secured Overnight Financing Rate (SOFAR) + 3%; (2) Real Assets – CPI + 4%; (3) Insurance Linked Securities – Swiss RE CAT Bond Total Return Index; and (4) Opportunistic Strategies – Shall be assessed against an appropriate benchmark
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations. The policy allocations for the Active Credit and private market asset classes would all "float" against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Active Credit and Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity and Fixed Income) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes			
		Active Credit	Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	67%	65%	100%	35%
Fixed Income	N/A	33%	35%	0%	65%

3 $\underbrace{(83.3\% * \text{NFI-ODCE})}_{\text{Core RE}} + \underbrace{[16.7\% * (\text{NFI-ODCE} + 150\text{ bps})]}_{\text{Non-Core RE}}$

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class's actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, a weighted average of individual portfolios' benchmarks.
- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low-cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Credit and Bank Loans (within the Active Credit asset class), Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
    - Financial, operational and investment expertise and resources;

- Alignment of interests;
- Transparency and repeatability of investment process; and
- Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's Sharpe Ratio, over five-year measurement periods.
- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

Other Guidelines

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the "Protecting Florida's Investments Act." Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2016-36, Laws of Florida, an act relating to companies that boycott Israel. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4725(5), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: "The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela."

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2024-187, Laws of Florida, an act relating to investments in certain Chinese companies (as defined therein). Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4735(3), Florida Statutes.

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.
- The reports listed in No. 3 above (Internal Review).

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective upon adoption by Trustees.

This Page Intentionally Left Blank

INVESTMENT ADVISORY COUNCIL

FLORIDA RETIREMENT SYSTEM (FRS) INVESTMENT PLAN

and

MyFRS FINANCIAL GUIDANCE PROGRAM

State Board of Administration
June 10, 2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FRS INVESTMENT PLAN REVIEW

Office of Defined Contribution Programs

Daniel Beard, Chief of Defined Contribution Programs
Mini Watson, Director of Administration
Walter Kelleher, Director of Educational Services

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FRS PENSION PLAN AND INVESTMENT PLAN

The State of Florida offers public employees the option to participate in one of two retirement plans.

Traditional Defined Benefit Plan- Pension

- Funded by mandatory employer and employee contributions
- Has been in existence since 1970
- Assets: $196.2 B (as of 3/31/24)

401(a) Defined Contribution Plan- Investment

- Funded by mandatory employer and employee contributions
- Has been in existence since July 2002
- Assets: $16.7 B (as of 3/31/24)

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

PENSION PLAN AND INVESTMENT PLAN

- New employees, at the time of hire, choose to enroll in one of the two FRS Plans – the Pension Plan or Investment Plan.

- The Division of Retirement within the Department of Management Services is responsible for the day-to-day administration of the Pension Plan.

- The State Board of Administration (SBA) is responsible for the day-to-day administration of the Investment Plan.
  - All major components – recordkeeping, custodian services, benefit payments are outsourced as mandated by Florida Statutes.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

GOVERNANCE

- Section 121.4501 – Florida Legislature passed legislation in 2000 mandating the establishment of a defined contribution plan under the FRS. It also included provisions for an educational component for ALL FRS employees.
  - Directed that the State Board of Administration Trustees (Trustees) would be the responsible governing entity.

- Executive Director
  - Delegated authority by Trustees to oversee the implementation and ongoing oversight of the Investment Plan and education component.

- Deputy Executive Director and Chief Investment Officer
  - Provide guidance and input on Investment Plan administration and education component.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

GOVERNANCE (continued)

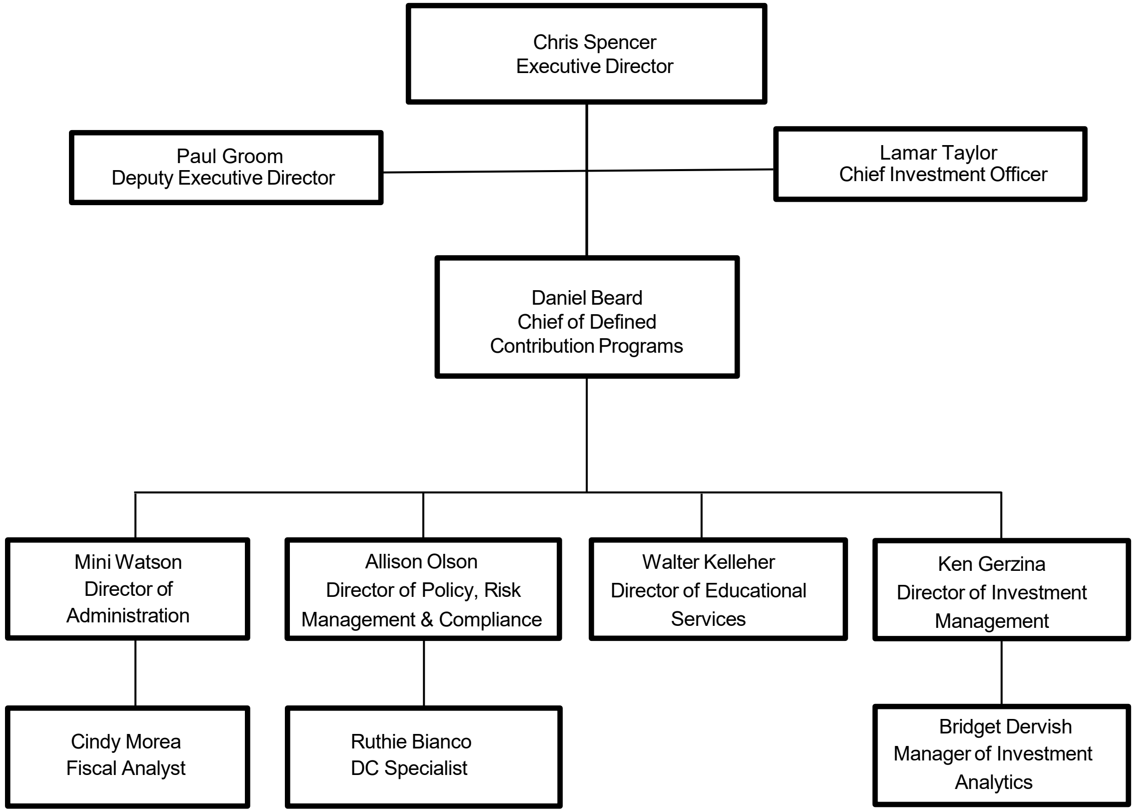
- Chief of Defined Contribution Programs
  - Delegated authority by Executive Director to oversee the administrative duties and responsibilities for the contract management of all service providers for the Investment Plan and the Financial Guidance Program.

- Investment Advisory Council (IAC)
  - Sections 121.4501(12) and (14) – states role of the IAC to the Investment Plan:
    - Assist the SBA with administering the Investment Plan.
    - May provide comments on recommendations on providers and investment products.
    - Will review any proposed changes to the Investment Policy Statement and present the result of the review to the Trustees.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

OFFICE OF DEFINED CONTRIBUTION PROGRAMS

Organizational Chart



SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FLORIDA RETIREMENT SYSTEM

(as of March 31, 2024)

Participating Employers • State Agencies – 45 • State Universities - 12 • County Agencies – 396 • School Boards – 67 • State Colleges – 28 • Cities – 180 • Independent Hospitals – 2 • Special Districts – 153 • Charter Schools – 95 • Other – 12	**990** **Total Employers**

Plan	Members	Retirees
Investment Plan – 1 year vesting (Defined Contribution)	**335,651**	**204,876**
Pension Plan – 8 year vesting (Defined Benefit)	**433,612***	**489,119**

*Active Members

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

OVERVIEW OF THE INVESTMENT PLAN ADMINISTRATION

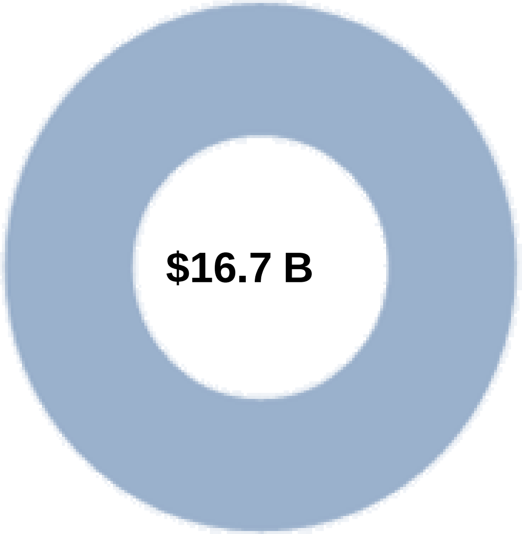
Mini Watson

Director of Administration

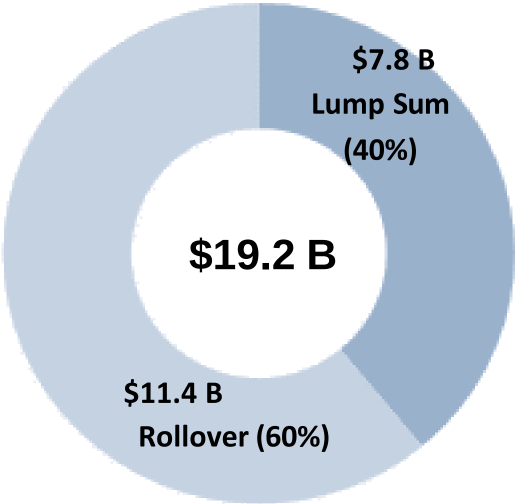
FRS INVESTMENT PLAN SNAPSHOT

(Inception to March 31, 2024)

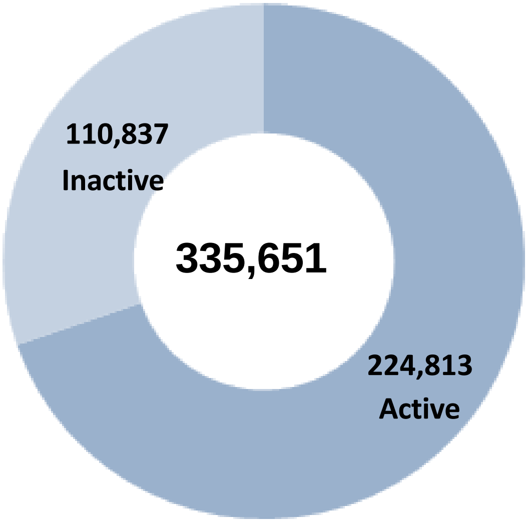
Assets



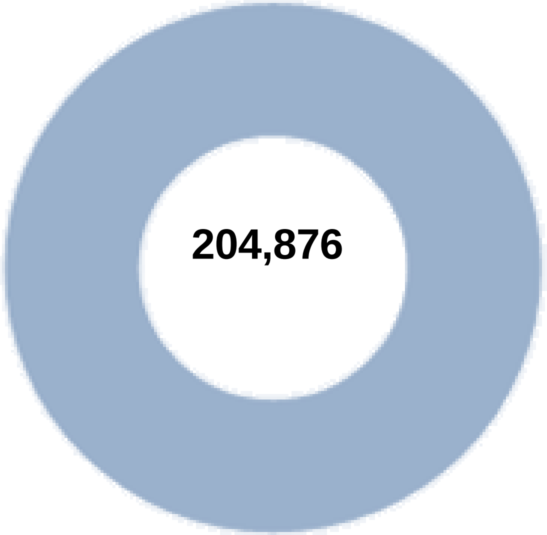
Distributions



Members



Retirees



Average Statistics

(Active Members)

Female 65%   Male 35%

Age 45

$51,245 account balance

5.2 years of service

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

INVESTMENT PLAN SERVICE PROVIDERS

Alight Solutions

- FRS Plan Choice Administrator/Choice Service Provider
- Investment Plan Administrator (record keeper)
- Self Directed Brokerage Account (SDBA) provider

BNY Mellon

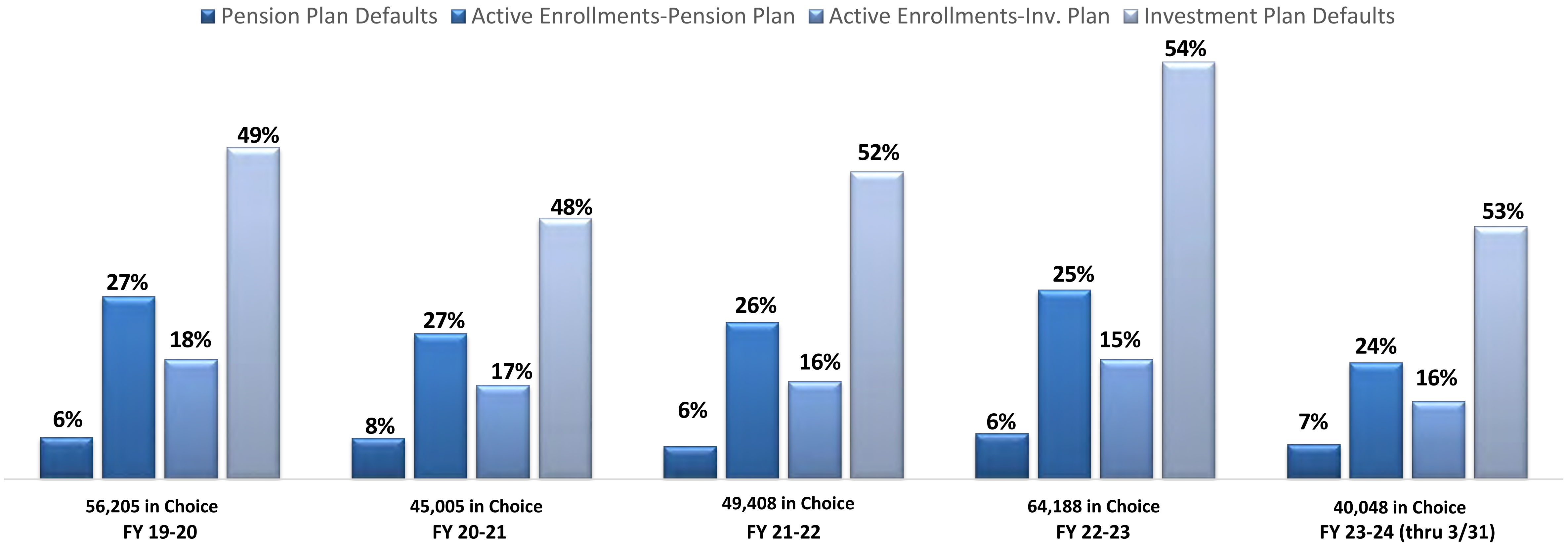
- Investment Plan Custodian Bank
- Benefit Disbursements
- Custody Separate Accounts

Division of Retirement

- Pension Plan Administrator
- Retirement payroll reporting
- Health Insurance Subsidy (HIS) Program
- Disability and In-Line of Duty death benefits for the Investment Plan

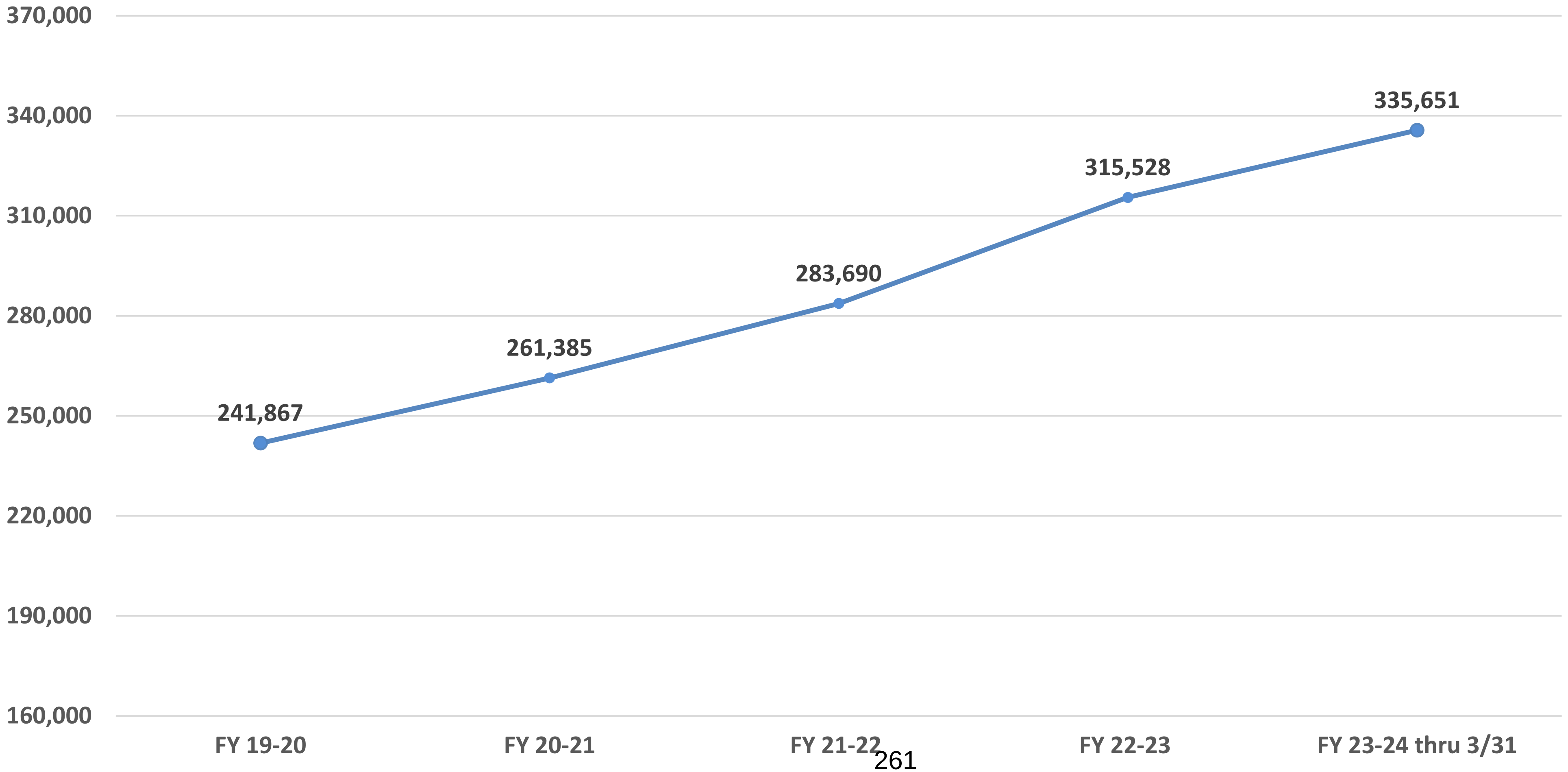
PLAN CHOICE STATISTICS

(as of March 31, 2024)



SBA FLORIDA STATE BOARD OF ADMINISTRATION

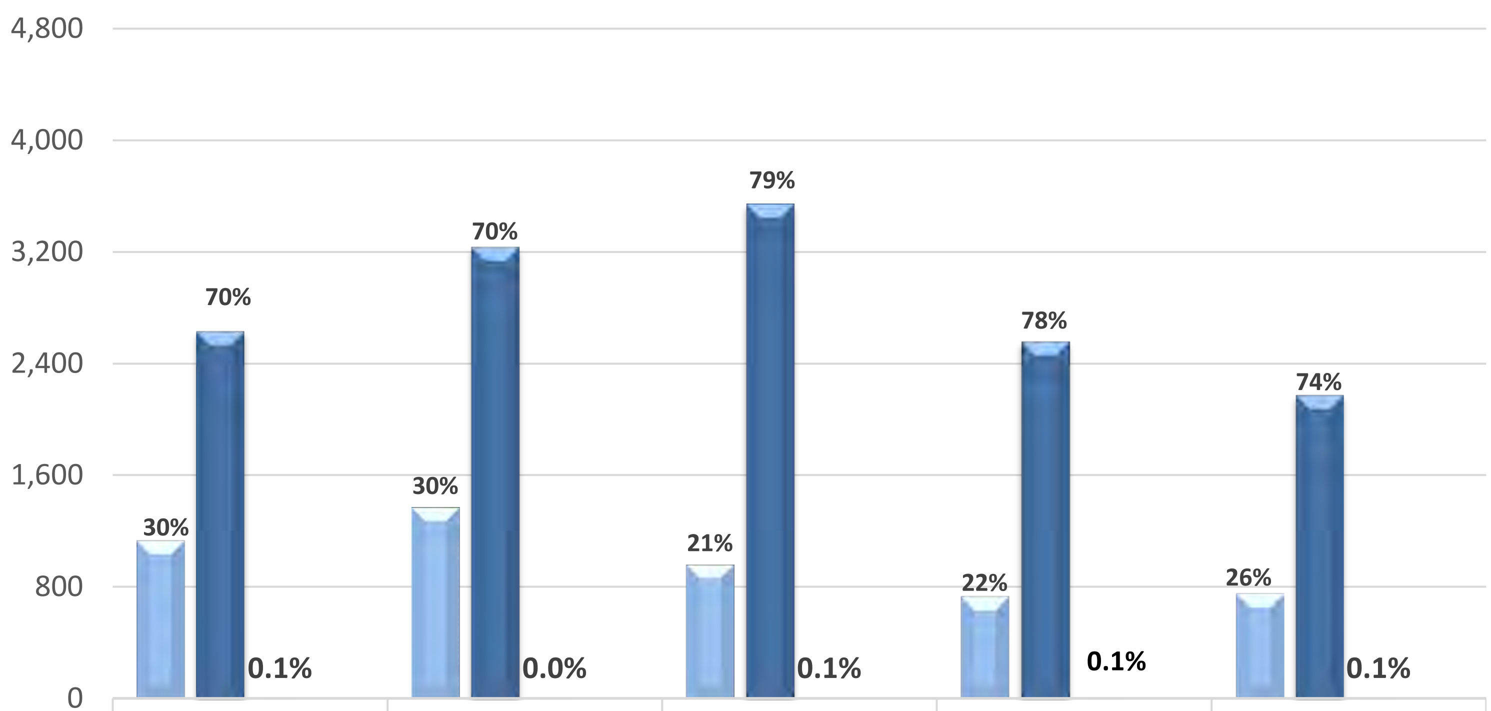
INVESTMENT PLAN MEMBERSHIP GROWTH



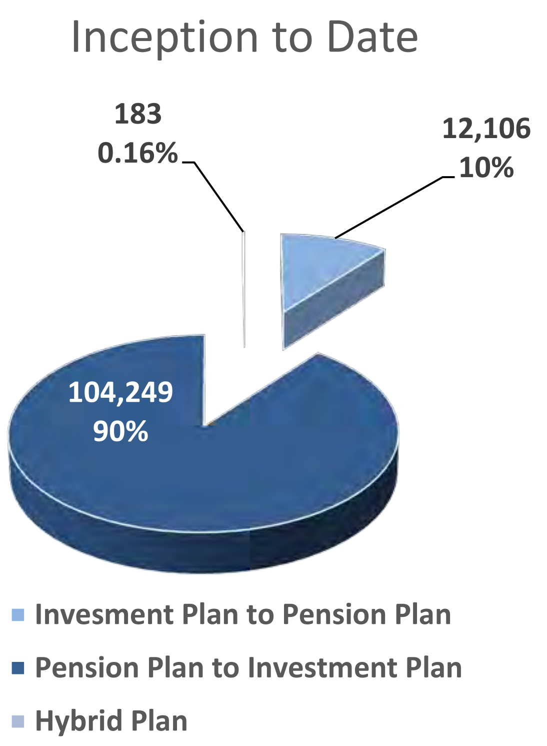
SBA FLORIDA STATE BOARD OF ADMINISTRATION

2nd ELECTION STATISTICS

(as of March 31, 2024)



	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24 (thru 3/2024)
Investment to Pension	1130	1370	960	733	752
Pension to Investment	2628	3232	3541	2555	2172
Hybrid	2	2	0	4	2
Total	3760	4604	4501	3292	2926



ADMINISTRATION STATISTICS

(July 2023 through March 2024)

Alight Solutions

- Processed **2,246,163** member contributions postings totaling **$948 M**
- Sent an average of **325,928** quarterly statements
- Generated **1,143,557** personalized communications
- Received **77,566** telephone calls

BNY Mellon

- Mailed **12,167** distribution checks
- Direct deposited **44,211** distribution payments
- Assets under custody **$15.3 B**

REQUESTS FOR INTERVENTION

- **Total Complaints Fiscal Year to March 31, 2024: 454**

- **Total Complaints Inception to March 31, 2024: 7,612**

- **Top 5 Reasons for Filing Complaint:**
  - **Terminated Employment Prior to Election Receipt**
  - **Requesting 3rd Election**
  - **Distribution (Hardship/Emergency)**
  - **Dispute of First Election**
  - **Did Not Earn Salary/Service Credit the Month Election was Received**

SBA FLORIDA STATE BOARD OF ADMINISTRATION

OVERVIEW OF THE FINANCIAL GUIDANCE PROGRAM

Walter Kelleher

Director of Educational Services

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FINANCIAL GUIDANCE PROGRAM SERVICE PROVIDERS

EY

- Financial planners
- Provide unbiased financial planning guidance via telephone\chats
- Conduct retirement/financial planning workshops

GuidedChoice

- Online personal ADVISOR SERVICE

Alight

- Design, printing, focus groups
- Online 1st & 2nd Election Choice Services

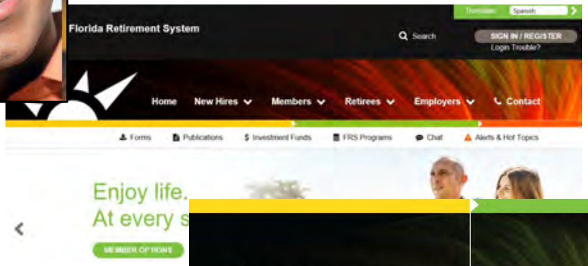
MetLife

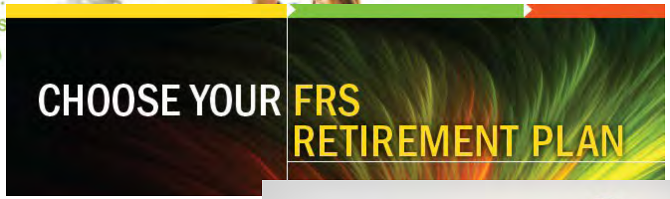
- Fixed lifetime annuities
- Deferred lifetime annuities (QLAC)

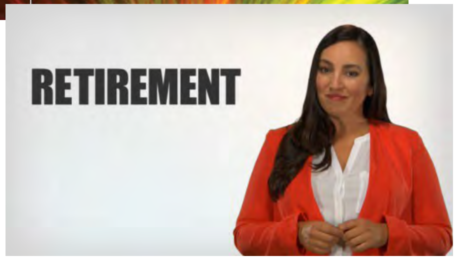
The MyFRS Financial Guidance Program is for ALL FRS Pension and Investment Plan Members.

MyFRS FINANCIAL GUIDANCE PROGRAM

- **Telephone**
- **MyFRS.com**
- **Print**
- **Videos**
- **Workshops/Webcasts**







MyFRS FINANCIAL GUIDANCE PROGRAM

(April 1, 2023-March 31, 2024)

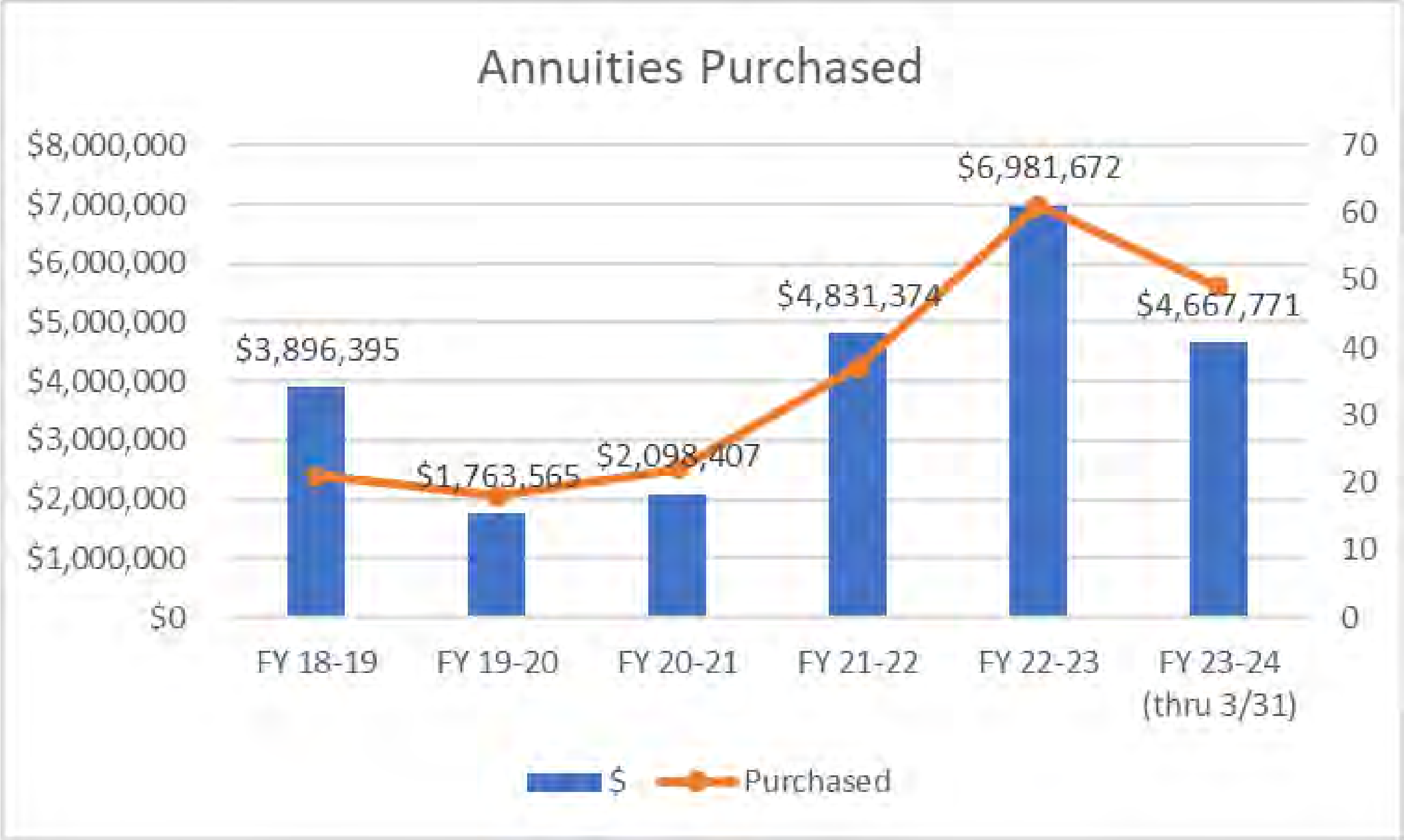
INVESTMENT EDUCATION

EY FINANCIAL PLANNER CALLS	FINANCIAL PLANNING WORKSHOPS	ATTENDANCE FINANCIAL WORKSHOPS	WEBSITE HITS	WEBSITE CHATS
287,864	586	25,157	2,648,575	99,516
-8%	+9%	+7%	+19%	-2%

(% change from previous 12 months)

STATE BOARD OF ADMINISTRATION

ANNUITIES PURCHASED



318 Total Annuities purchased inception to date - $38.3 million

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

EDUCATION HIGHLIGHTS

- Multi-Factor Authentication now required for all members on MyFRS.com
- New Online Asset Guidance Provider selected
- Additional retirement election reminders sent to school board new hires with choice period end date of 4/30/2024 & 5/31/2024

OVERVIEW OF THE INVESTMENT PLAN INVESTMENT FUND OPTIONS

Daniel Beard

Chief of Defined Contribution Programs

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

ASSET CLASS PERFORMANCE

(as of March 31, 2024)

	QTD	FYTD	1 Yr	3 Yr	5 Yr	Incept.
Total Fund	5.79%	11.58%	16.08%	4.69%	8.05%	7.13%
Stable Value	0.71%	2.14%	2.82%	2.19%	2.20%	2.13%
Inflation Protected Assets & TIPS*	0.53%	2.10%	0.96%	1.89%	3.33%	1.84%
Fixed Income	0.19%	4.47%	4.13%	-1.28%	1.41%	3.94%
Domestic Equities	10.16%	19.80%	29.93%	9.20%	13.64%	10.87%
Global & International Equities	5.15%	10.92%	14.24%	2.22%	7.15%	7.73%
Retirement Date Funds	4.89%	10.20%	13.57%	4.07%	7.46%	6.22%
Real Estate	-2.37%	-7.94%	-9.17%	3.17%	3.51%	4.35%
TF x RDFs	6.90%	13.25%	19.10%	5.43%	8.70%	7.37%

*Prior to 2014, TIPS only.
Retirement Date Funds Inception July 1, 2014
TF x RDFs Inception July 1, 2014
Stable Value Fund Inception July 1, 2021

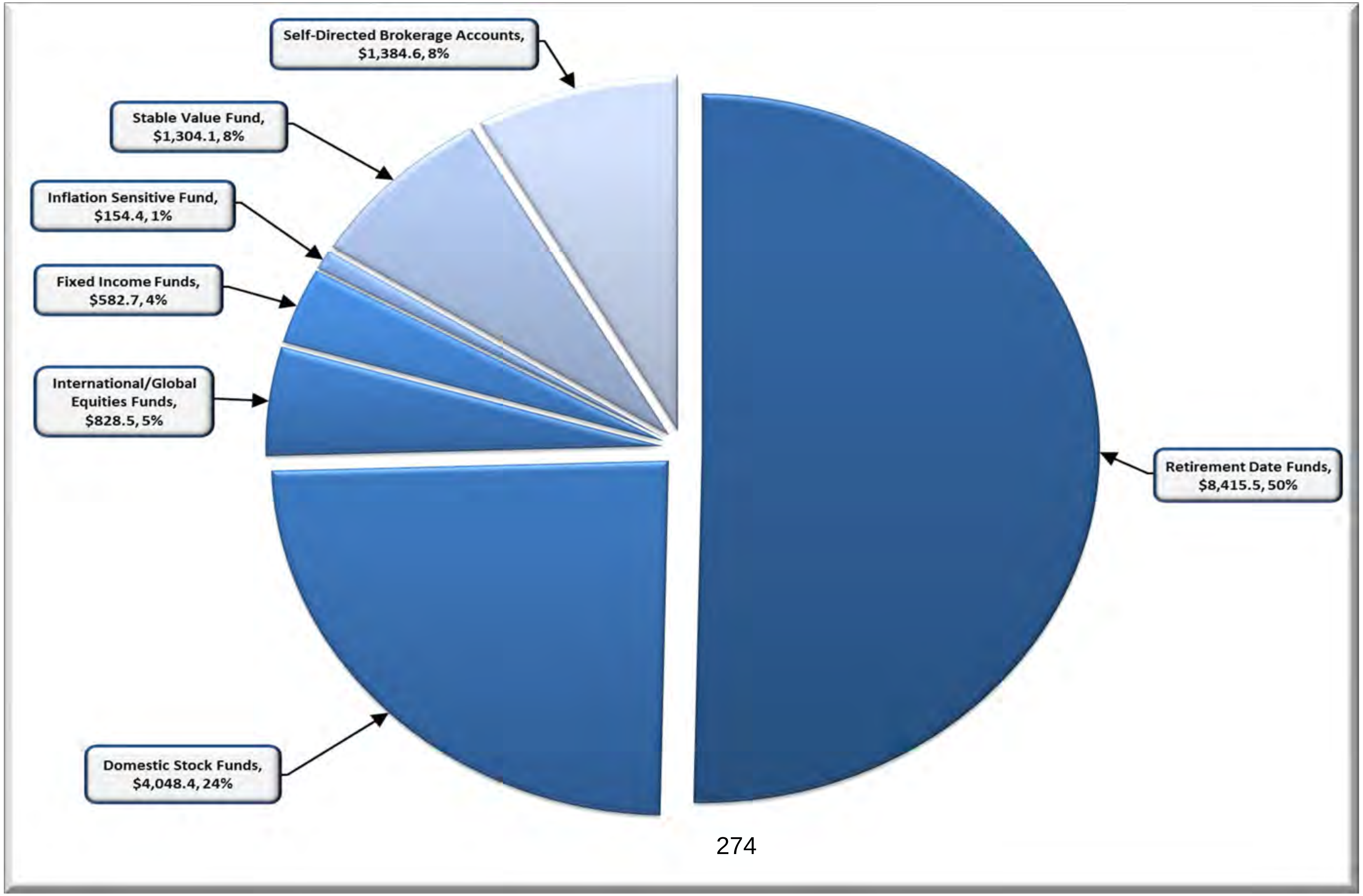
INVESTMENT PLAN AVAILABLE FUND OPTIONS

as of March 31, 2024 (fees bps)

9 Core Funds – White Labeled	11 Retirement Date Funds – White Labeled
➢ FRS Stable Value Fund (8 bps)	➢ FRS 2065 Retirement Date Fund (2065) (13 bps)
➢ FRS Inflation Sensitive Fund (36 bps)	➢ FRS 2060 Retirement Date Fund (2060) (13 bps)
➢ FRS U.S. Bond Enhanced Index Fund (5 bps)	➢ FRS 2055 Retirement Date Fund (2055) (13 bps)
➢ FRS Core Plus Bond Fund (19 bps)	➢ FRS 2050 Retirement Date Fund (2050) (13 bps)
➢ FRS U.S. Stock Market Index Fund (2 bps)	➢ FRS 2045 Retirement Date Fund (2045) (14 bps)
➢ FRS U.S. Stock Fund (35 bps)	➢ FRS 2040 Retirement Date Fund (2040) (15 bps)
➢ FRS Foreign Stock Index Fund (3 bps)	➢ FRS 2035 Retirement Date Fund (2035) (16 bps)
➢ FRS Foreign Stock Fund (47 bps)	➢ FRS 2030 Retirement Date Fund (2030) (18 bps)
➢ FRS Global Stock Fund (42 bps)	➢ FRS 2025 Retirement Date Fund (2025) (22 bps)
	➢ FRS 2020 Retirement Date Fund (2020) (22 bps)
	➢ FRS Retirement Fund (2000) (21 bps)

FRS INVESTMENT PLAN AUM

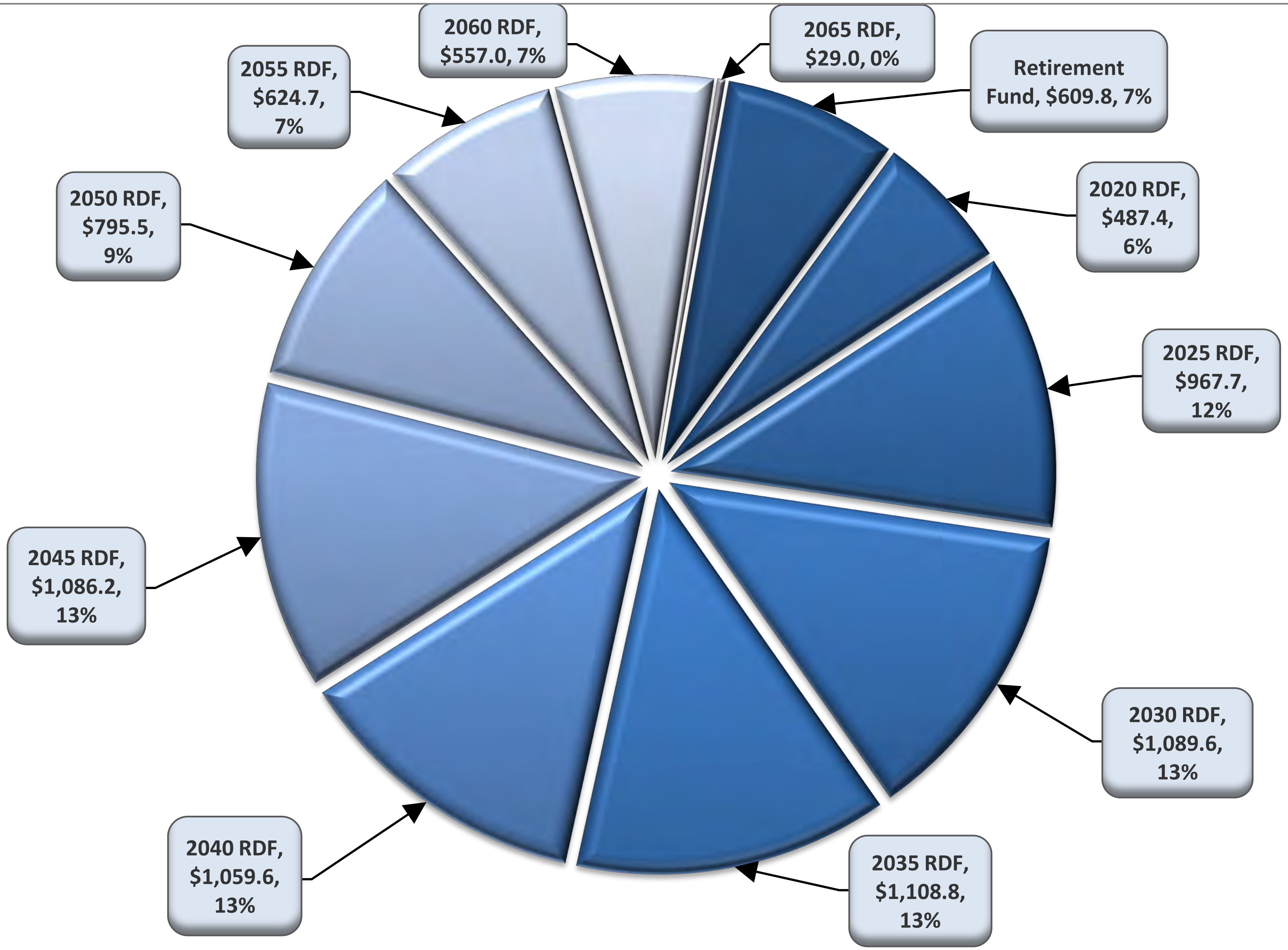
(by Asset Class—in $millions, as of March 31, 2024)



SBA FLORIDA STATE BOARD OF ADMINISTRATION

CURRENT RETIREMENT DATE FUNDS

($ RDF Assets in millions, % Members, as of March 31, 2024)



Assets in Each RDF and the Percentage of Members in the Investment Plan

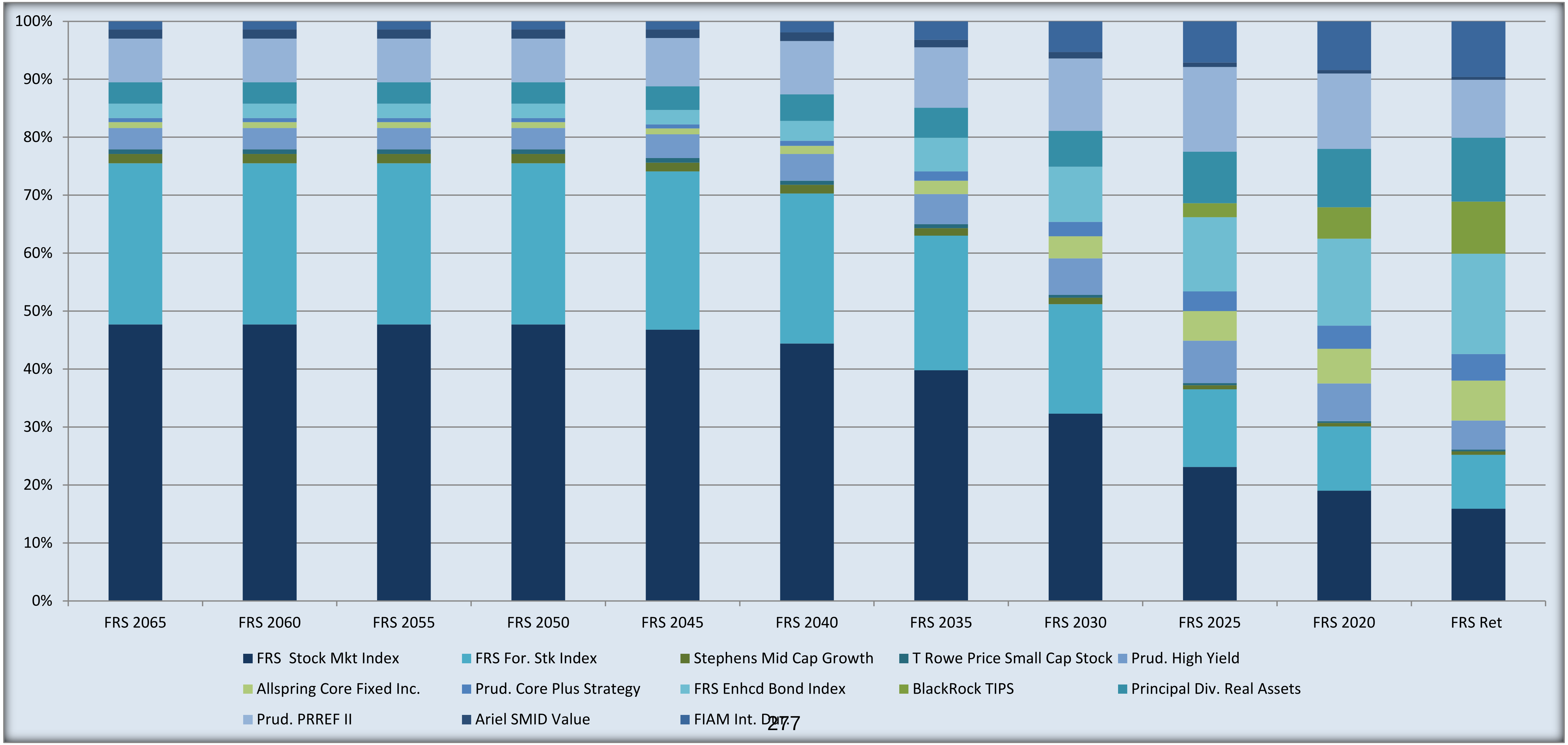
FRS RETIREMENT DATE FUNDS

Investment Manager/Fund Allocations and Fees - Effective July 1, 2024

Underlying Funds	Investment Fund Category	FRS 2065	FRS 2060	FRS 2055	FRS 2050	FRS 2045	FRS 2040	FRS 2035	FRS 2030	FRS 2025	FRS 2020	FRS Retirement Fund
FRS Diversified Income Fund	Bonds	6.80%	6.80%	6.80%	6.80%	7.20%	8.80%	12.30%	17.90%	22.90%	24.90%	26.10%
FRS US Bond Enhanced Index Fund	Bonds	2.50%	2.50%	2.50%	2.50%	2.50%	3.40%	5.80%	9.50%	12.80%	15.00%	17.30%
FRS US Stock Market Index Fund	U.S. Stocks	47.70%	47.70%	47.70%	47.70%	46.80%	44.40%	39.80%	32.30%	23.10%	19.00%	15.90%
Stephens Mid Cap Growth Fund	U.S. Stocks	1.60%	1.60%	1.60%	1.60%	1.50%	1.50%	1.30%	1.10%	0.70%	0.60%	0.60%
T Rowe Price Small Cap Stock Fund	U.S. Stocks	0.80%	0.80%	0.80%	0.80%	0.80%	0.70%	0.70%	0.50%	0.40%	0.30%	0.30%
Ariel Small Mid Cap Value Fund	U.S. Stocks	1.60%	1.60%	1.60%	1.60%	1.50%	1.50%	1.30%	1.10%	0.80%	0.60%	0.50%
FRS Foreign Stock Index Fund	Foreign Stocks	27.80%	27.80%	27.80%	27.80%	27.30%	25.90%	23.20%	18.90%	13.40%	11.10%	9.30%
FRS Inflation Sensitive Fund	Real Assets	3.70%	3.70%	3.70%	3.70%	4.10%	4.60%	5.20%	6.20%	11.30%	15.50%	20.00%
Prudential Retirement Real Estate Fund II	Real Estate	7.50%	7.50%	7.50%	7.50%	8.30%	9.20%	10.40%	12.50%	14.60%	13.00%	10.00%
Current Weighted Average Fees (per $1,000)		$1.20	$1.20	$1.20	$1.20	$1.30	$1.40	$1.50	$1.80	$2.10	$2.20	$2.10

FRS RETIREMENT DATE FUNDS

Investment Manager Allocations- Effective July 1, 2024



2024-25 INITIATIVES

Investment Option Updates

- Update RDF Glidepath allocations effective July 1, 2024
- Continue to evaluate the SBA managing investments for the FRS Investment Plan

Plan Administration Initiatives

- Multi-factor Authentication (MFA) login notification for all members when accessing MyFRS.com
- Continue outreach to Investment Plan members with Per Florida Law beneficiary designation

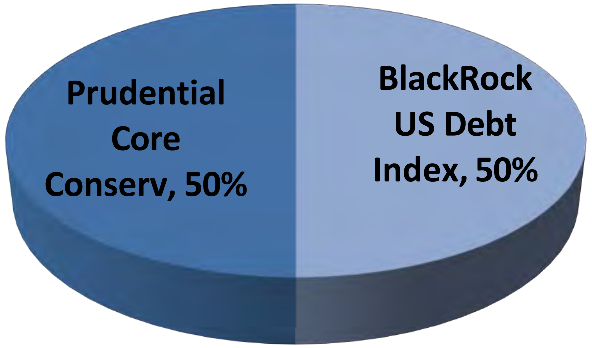
SBA FLORIDA STATE BOARD OF ADMINISTRATION

Q&A

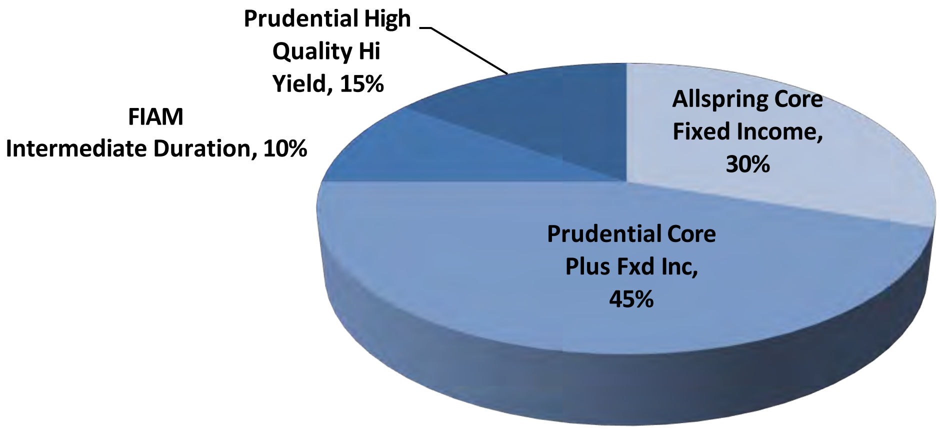
FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(% Allocations by Investment Manager)

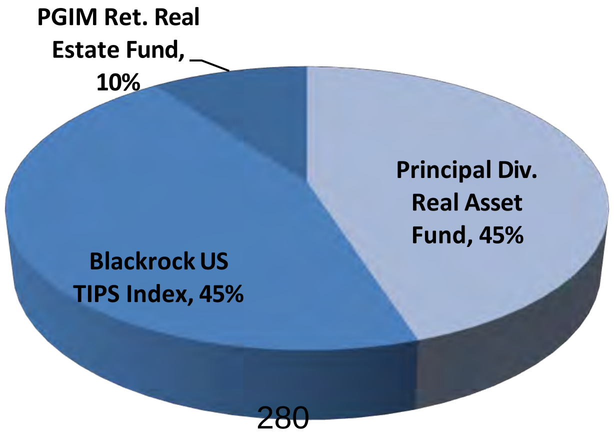
FRS US Enhanced Bond Index Fund



FRS Core Plus Fixed Income Fund



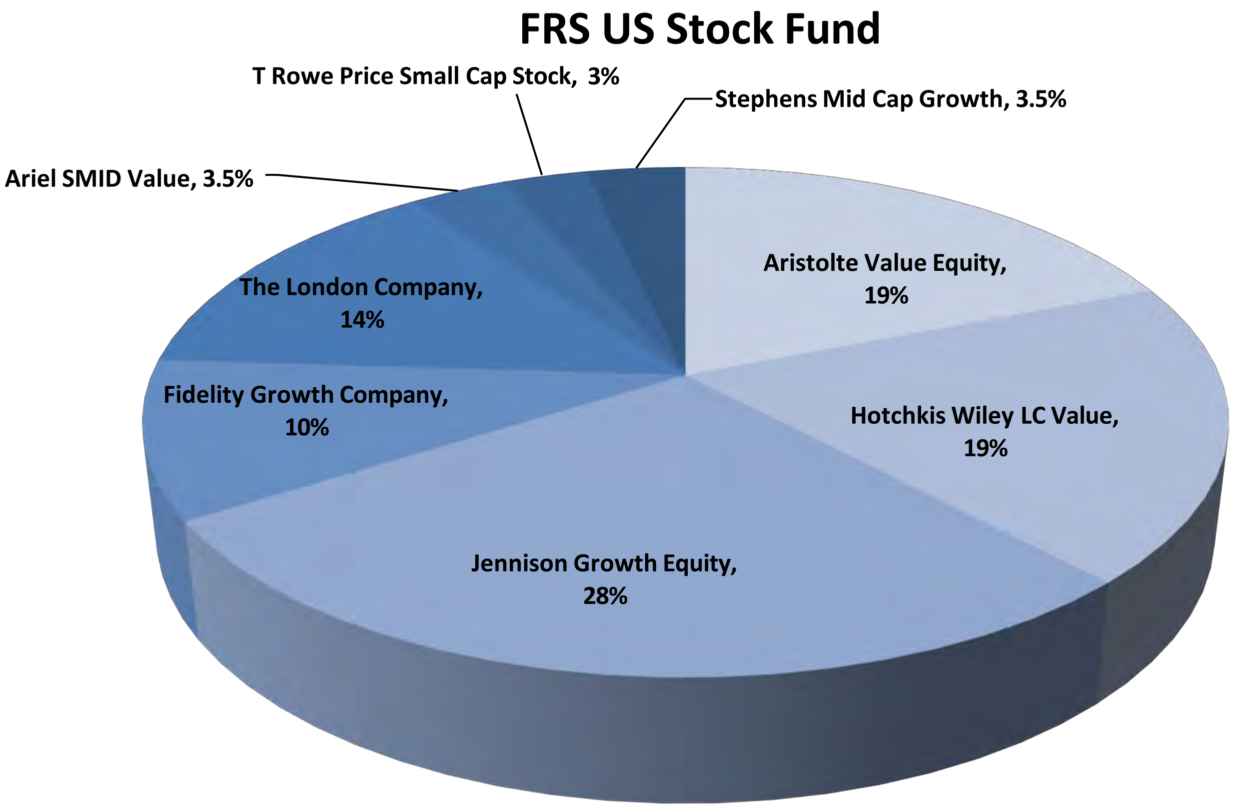
FRS Inflation Sensitive Fund



SBA FLORIDA
STATE BOARD OF ADMINISTRATION

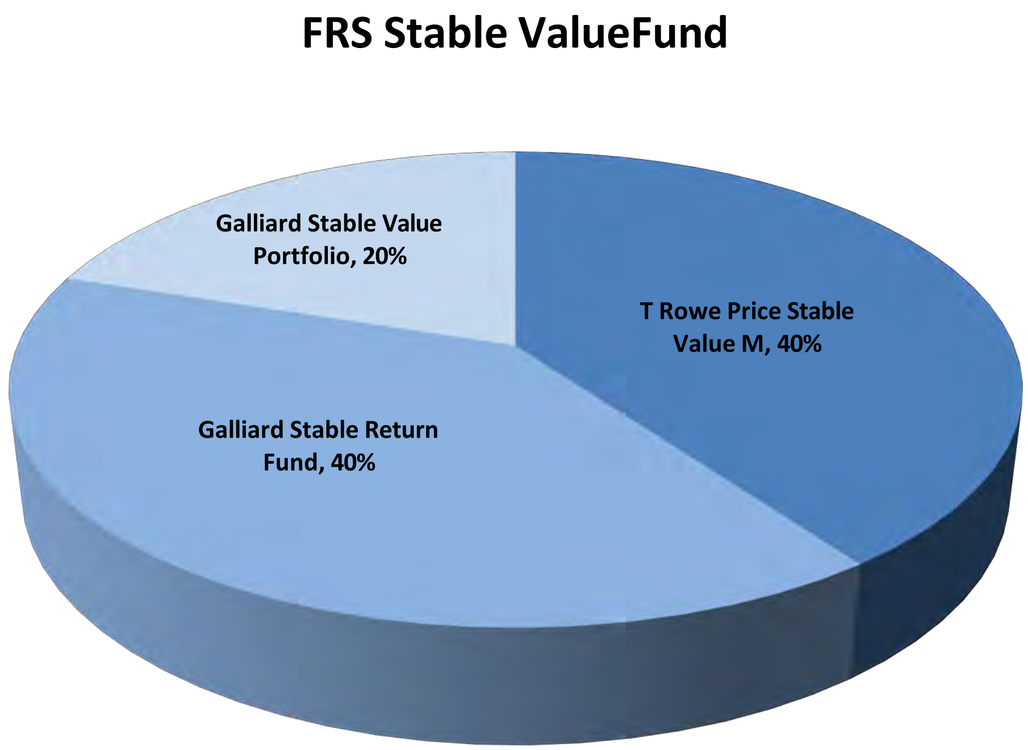
FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(% Allocations by Investment Manager)



FRS INVESTMENT PLAN STABLE VALUE FUND

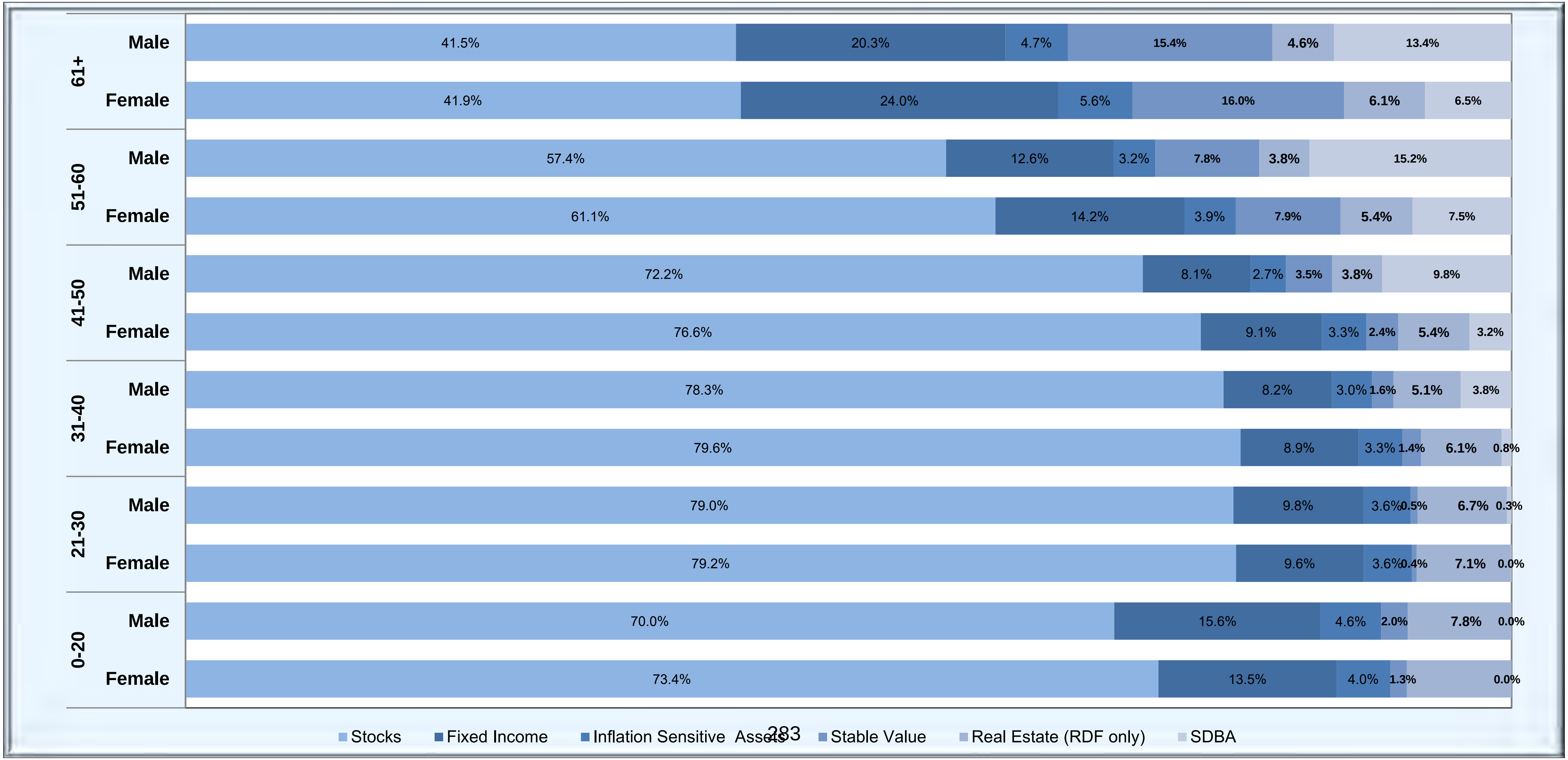
(% Allocations by Investment Manager)



SBA FLORIDA
STATE BOARD OF ADMINISTRATION

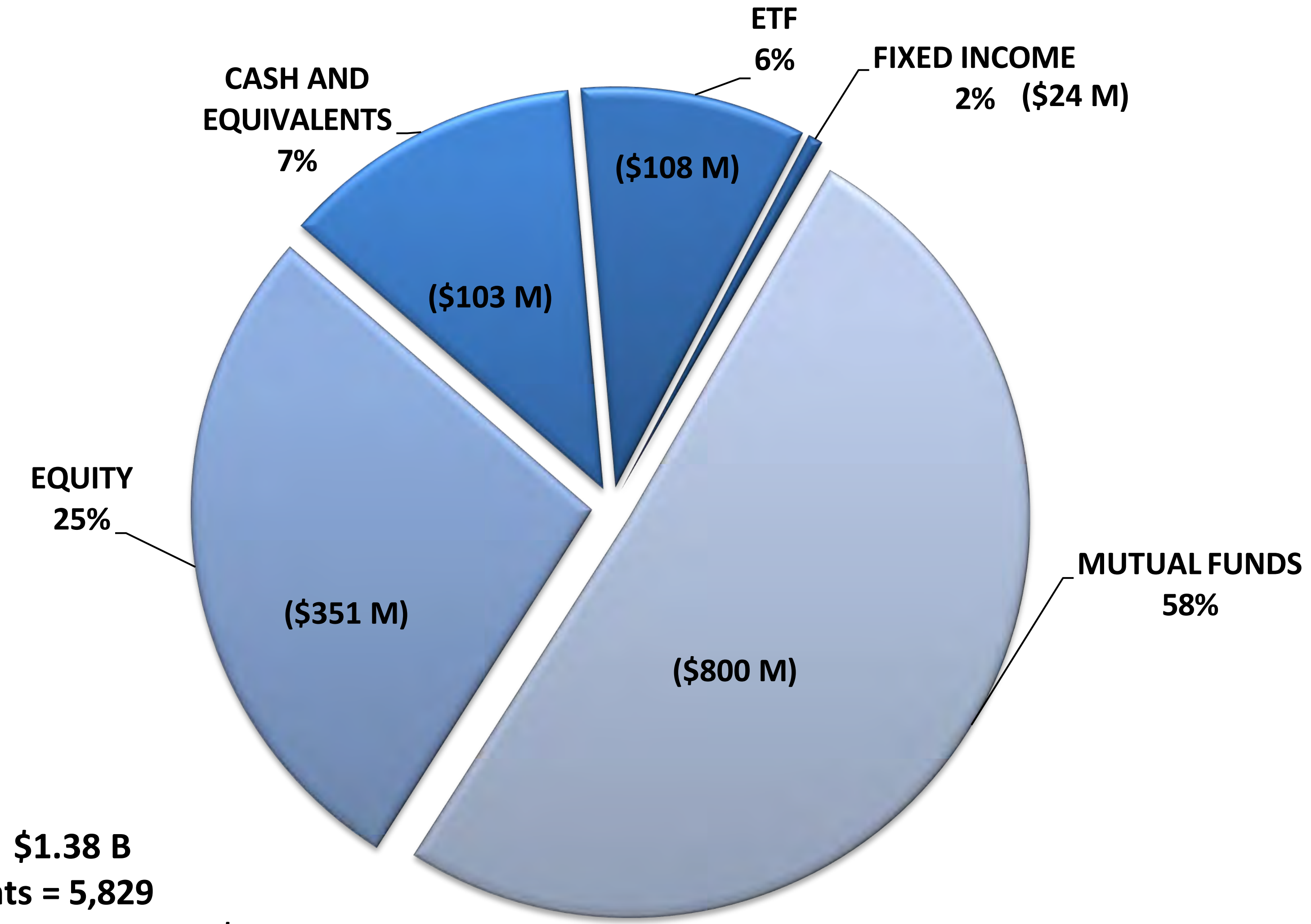
TOTAL FUND ASSET ALLOCATION BY AGE AND GENDER

(as of March 31, 2024)



FRS Investment Plan Self-Directed Brokerage Account

(as of March 31, 2024)

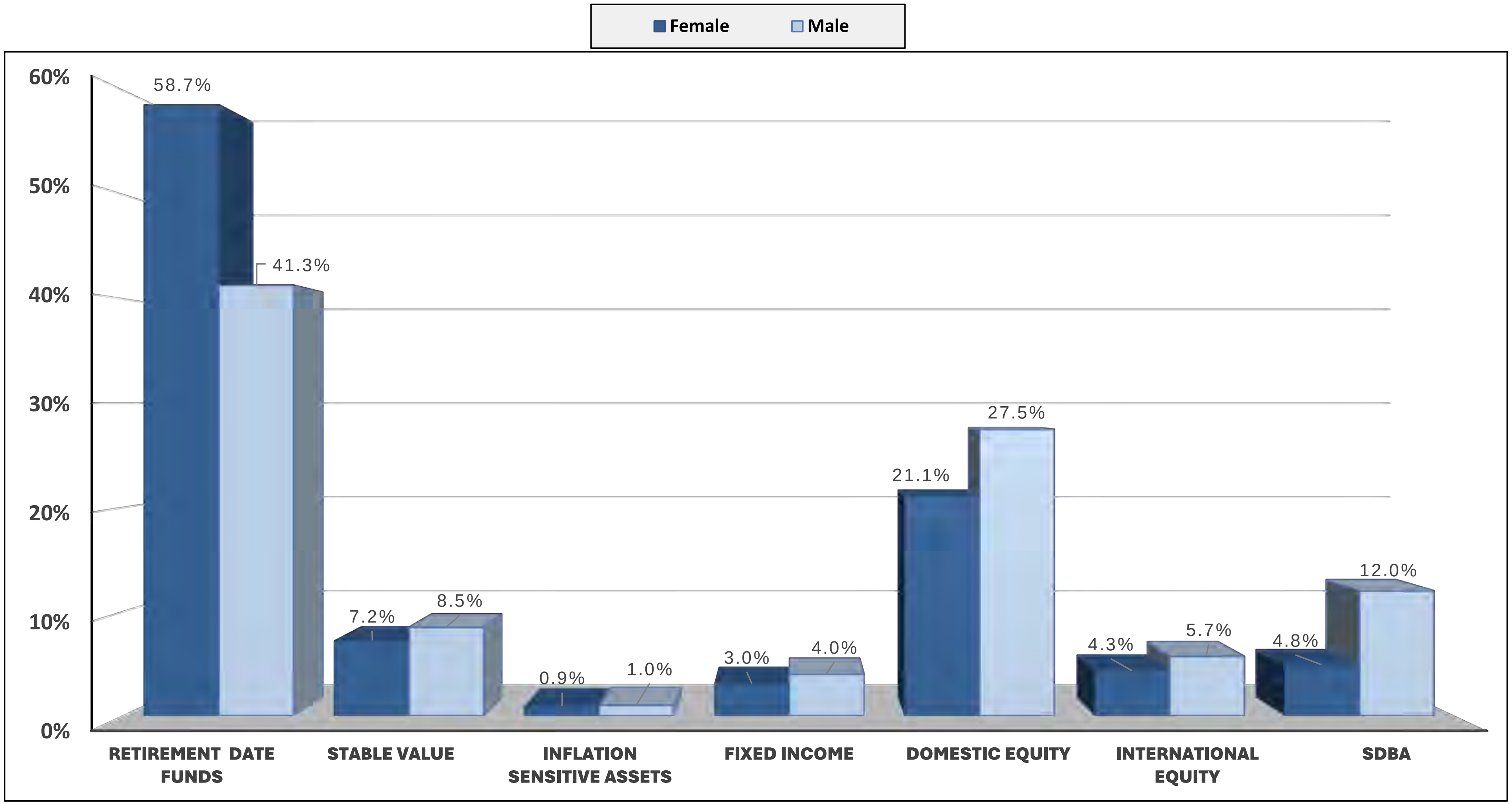


Total Assets = $1.38 B
Active Accounts = 5,829
Average Account Balance = $237,565

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

ASSET ALLOCATION BY GENDER

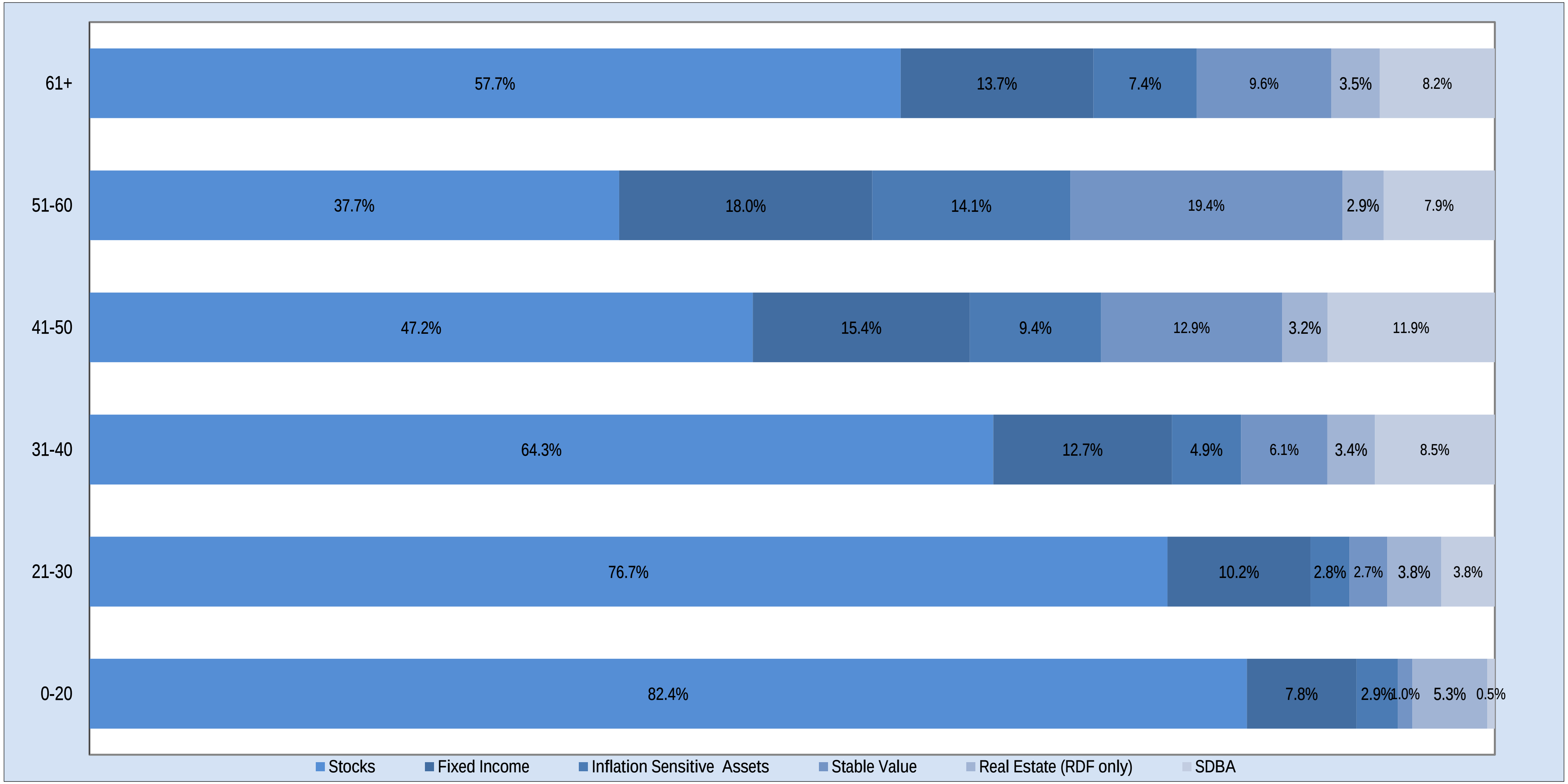
(as of March 31, 2024)



SBA FLORIDA
STATE BOARD OF ADMINISTRATION

TOTAL FUND ASSET ALLOCATION BY AGE

(as of March 31, 2024)



SBA FLORIDA STATE BOARD OF ADMINISTRATION

FRS Investment Plan Structure Review

Florida State Board of Administration

June 10, 2024

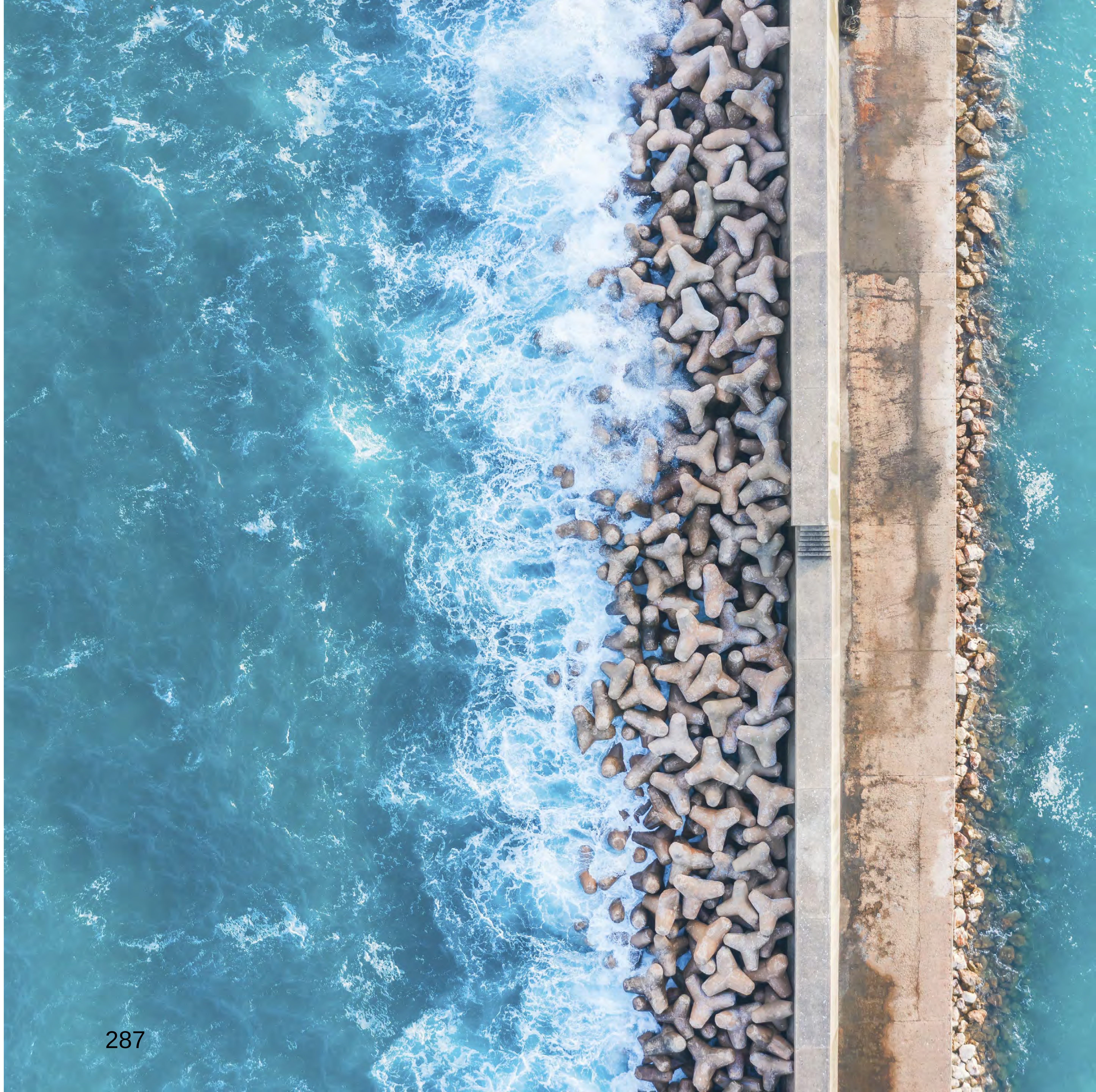
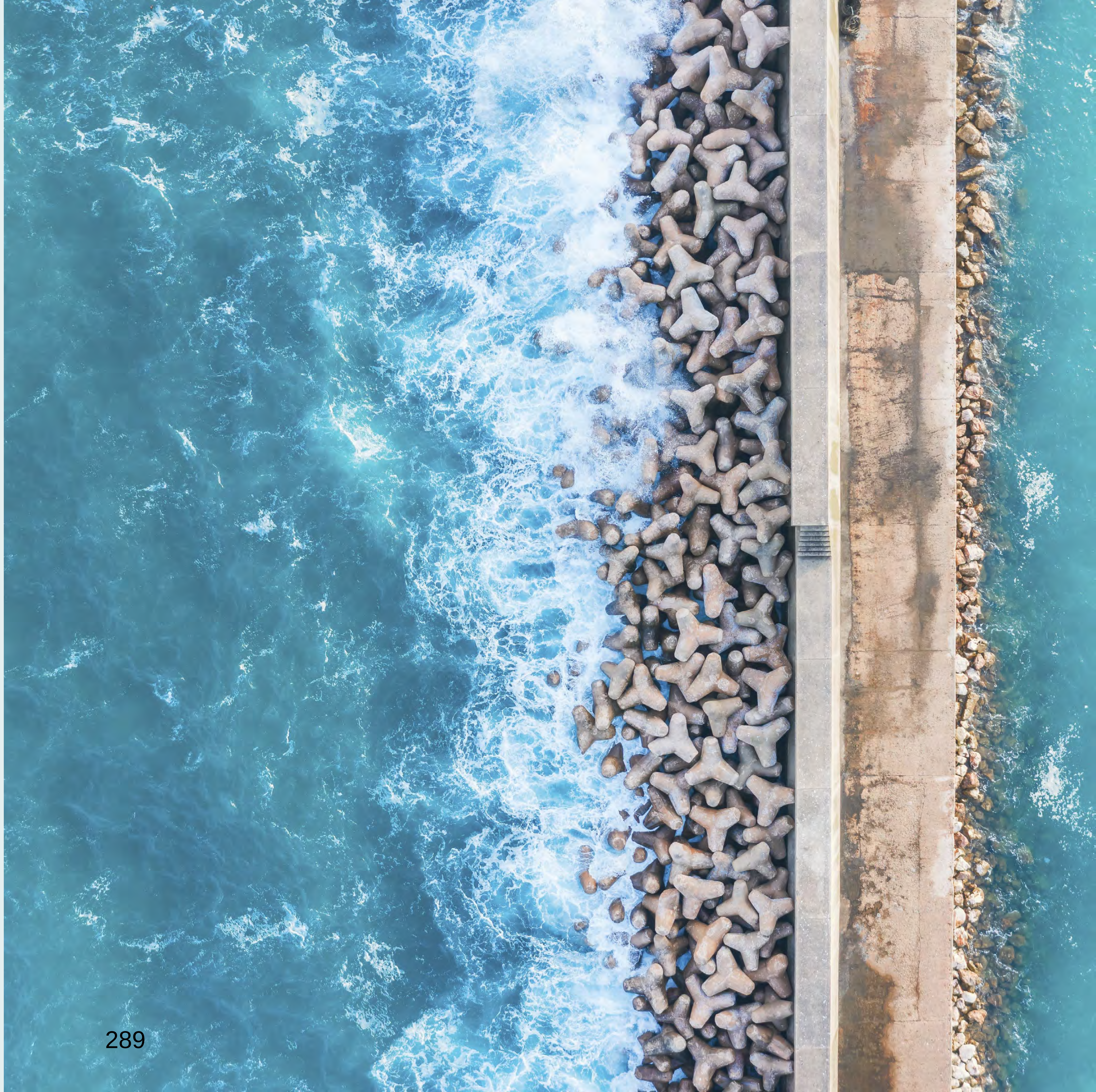


Table of Contents

1

Executive Summary



Executive Summary

Aon conducts an annual investment structure review for the FRS Investment Plan that covers three main aspects:

1. Investment Plan Structure – Investment plan design, best practices, & defined contribution trends
    - There is additional detail comparing capital preservation options given the material rate changes since 2022
2. Investment Plan Fees – Comparison of the investment fees for each plan options based on strategy, peer group, vehicle, and asset size
3. Performance – Most of the options in the plan are tracking in line or above the benchmark for the trailing time periods

Aon did not identify any immediate changes to recommended for the investment structure during the 2024 review given the notable enhancements the SBA has made to the investment structure over the past several years:

- Balancing style exposure within the FRS Foreign Stock Fund & FRS Global Stock Fund
- Adding core real estate to the Diversified Income Fund to diversify the income generation
- Consolidating the active U.S. equity options into a single broad U.S. stock fund to streamline the active tier
- Replacing the Money Market Fund with the Stable Value Fund

The SBA Investment team continues to evaluate the following potential future enhancements for the plan:

- Integration of assets from the Pension Plan within the Retirement Date Funds
- White label fund evaluation of multi-asset credit within the Diversified Income & Retirement Date Funds and Stable Value construction

Investment Plan Structure Review

Key Observations and Take-Aways

Aspect	Observations	Take-Aways	Future Considerations

Investment Structure	▪ Custom TDFs
	▪ Streamlined & diversified options across:
	  ▪ asset type
	  ▪ risk/return
	  ▪ investment styles
	  ▪ Fees
	▪ Appropriate use of white label funds
	▪ Number of features to assist in retirement preparation
		✓ Investment structure is sophisticated and aligned with best practices
		✓ Custom TDFs highly utilized, offering SBA-unique glidepath and custom portfolios that are highly efficient, cost effective and diversified across skilled managers
		✓ White-label funds provide flexibility, efficiency and significant benefit to participants
		✓ Access to investment advice and brokerage window are favorable features
			▪ Integration of assets from the pension plan within the Retirement Date Funds
			▪ Evaluate the role of multi-asset credit within the Diversified Income & Retirement Date Funds
			▪ Analyze the underlying manager construction of the FRS Stable Value Fund

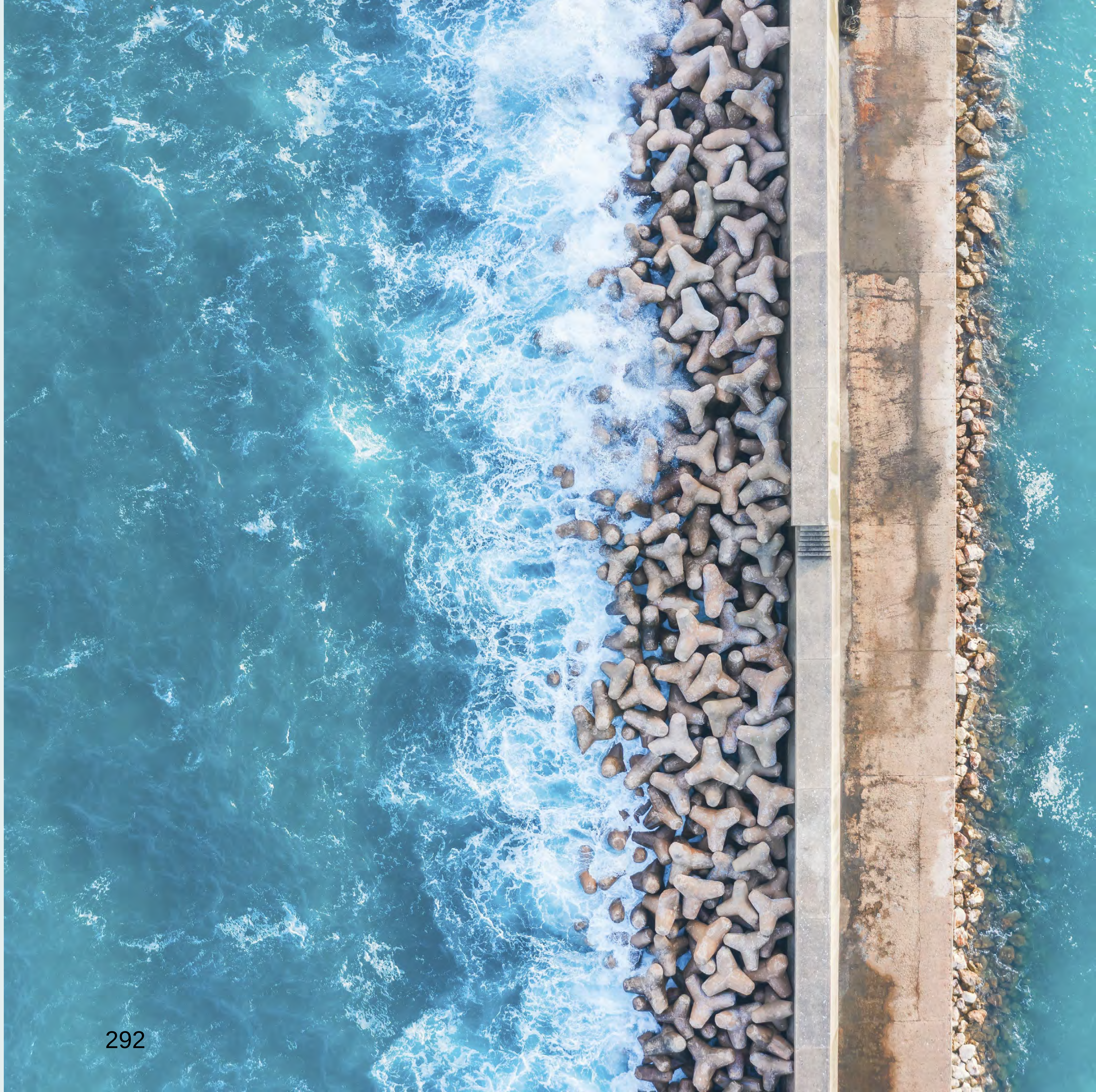
Plan Costs	▪ Plan's investment option fees are well-below peer group medians	✓ FRS uses size and reach to offer competitive plan services to participants ✓ FRS Investment Plan offers participants very competitively priced options	▪ Continue to monitor ways to leverage the plan size to reduce fees for participants
Performance	▪ Performance has generally been strong across asset classes and both short and long-term time periods	✓ Actively managed options have added value over both short and long-term time periods	▪ N/A

The Investment Plan structure is sophisticated and continues to align with many aspects of Aon's best thinking

2

Investment Structure Review

Aon



The Path to a Successful Retirement Program

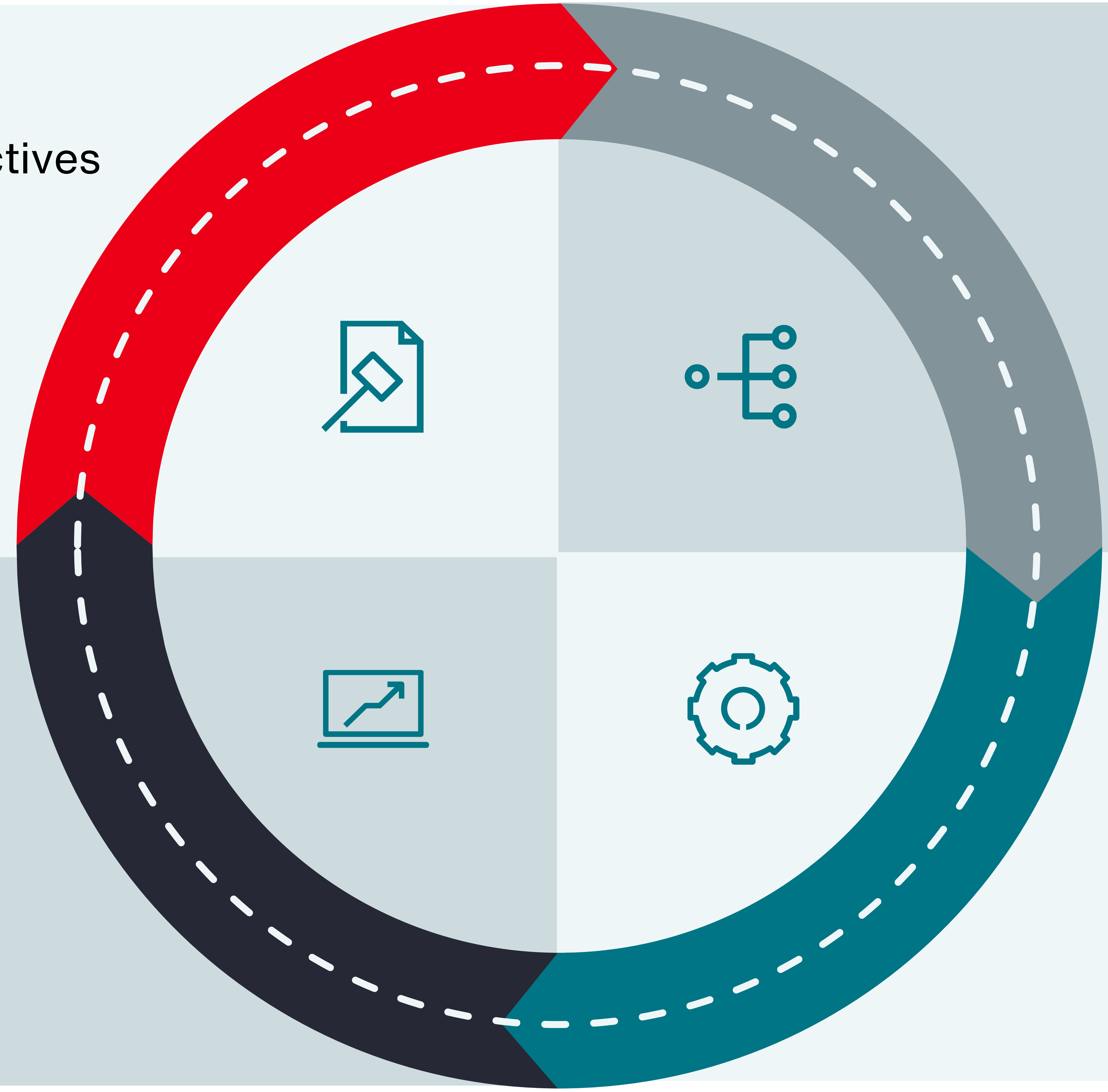
Evolving landscape requires ongoing review of investment program best practices

Policy

- Define and categorize plan objectives
- Maintain broad, long-term focus

Structure

- Outline plan policy destinations
- Number & types of options offered
- Education on option implementation



Monitor

- Ongoing monitoring and maintenance for better participant outcomes

Implementation

- Finalize investment options within structure
- Manager selection
- Legal vehicle type
- Fees

Investment Structure
Why Structure Matters

Defined contribution participants are responsible for key actions that influence their own outcomes, including:

Savings Behavior > < Investment Choices

The structure of a DC investment menu can have a significant impact on the choices people make, and ultimately their success. For these reasons, Aon believes in two key principles relating to investment menu structure:

Facilitate Smart Decisions

- Participants seek forms of help for making decisions
- Systems can nudge participants to act in their best long-term interest
- Structure can help the move into distribution stage
- Good governance leads to a strong investment menu

Streamline Investment Options

- Streamline investment options, as much as possible
- Target date funds as default where participants can choose one fund and "forget it"
- A core-lineup of passive and/or active strategies for participants that want to build customized investment portfolios

Participant Investment Menu Behavioral Finance

401(k) plan sponsors continue to grapple with offering the right number of fund choices...

Less Choice

Menu Consolidation

Fewer Fund Options

Broader Mandates

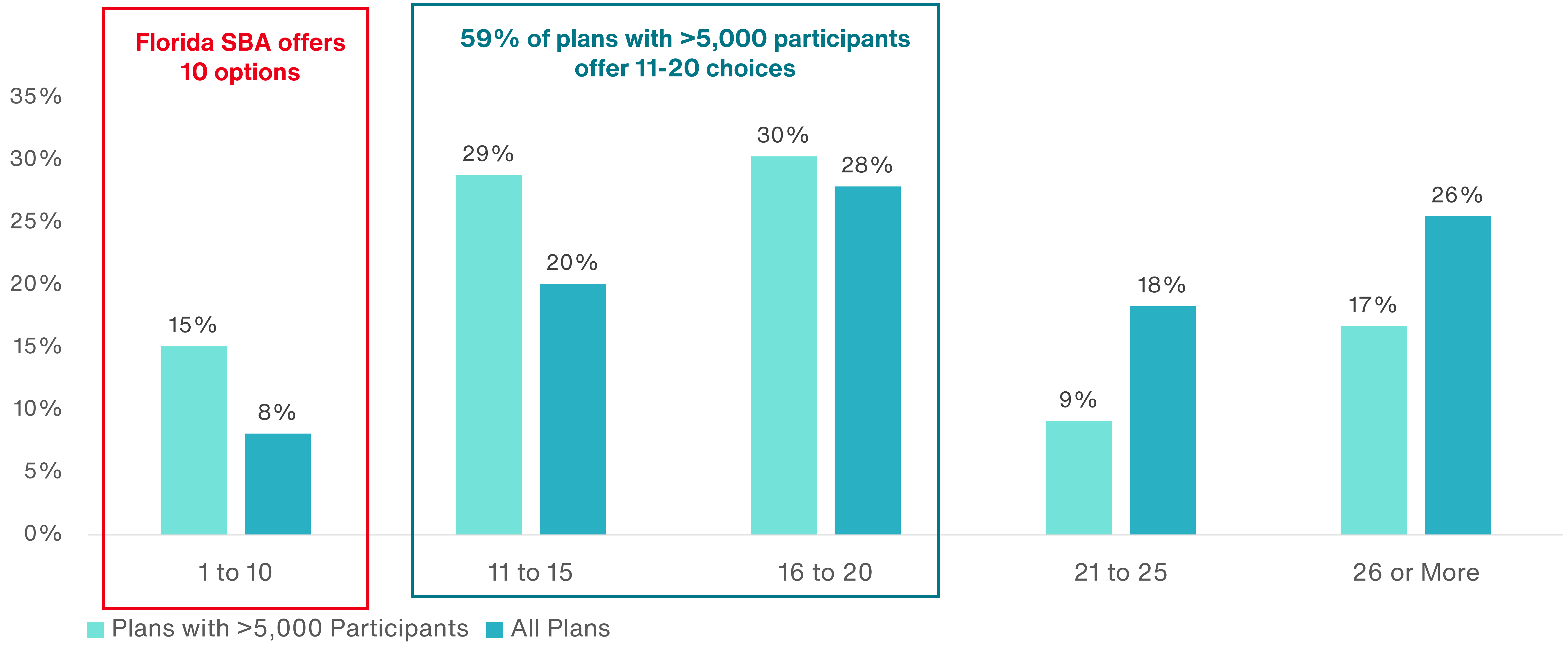
More Choice

Large Menu

More Fund Options

Specialized Mandates

Number of Investment Options: Distribution of Results[1]



The trend in recent years has been for plans to reduce the number of investment options available to participants

[1] Source: Plan Sponsor Council of America "65th Annual Survey – PSCA's Annual Survey of Profit Sharing and 401(k) Plans." 2022
Target date fund suites are counted as one option

FRS Investment Plan Lineup Review

	Tier 1 Mixed-Asset	Tier 2 Passive	Tier 3 Active	Tier 4 Self-Directed
Savings Phase	**Target Date Funds** FRS Retirement Date Funds		**Capital Preservation** FRS Stable Value Fund	Self-Directed Brokerage Window
		Fixed Income Index FRS U.S. Bond Enhanced Index Fund	**Core Plus Fixed Income** FRS Diversified Income Fund	
		U.S. Equity Index FRS U.S. Stock Market Index Fund	**U.S. Equity** FRS U.S. Stock Fund	
		Non-U.S. Equity Index FRS Foreign Stock Index Fund	**Non-U.S. Equity** FRS Foreign Stock Fund	
			Global Equity FRS Global Stock Fund	
Spending Phase	**Target Date Funds** FRS Retirement Date Funds	**Inflation Protection** FRS Inflation Sensitive Fund	**Annuity**[1] MetLife Fixed Annuities	
			Longevity Insurance[1] MetLife Deferred Annuities	

QDIA options can straddle both the savings and spending phases due to continued glide path de-risking through retirement or embedded retirement income solutions

Systematic withdrawal functionality from the recordkeeper could turn savings phase solutions into spending phase solutions

Objective: Asset Allocation (blue) | Capital Preservation (green) | Income (orange) | Growth (purple) | Retirement Income (red)

[1] The MetLife Annuities can be offered either as in-plan or out-of-plan

FRS Investment Option Fee Comparison: eVestment Universe

As of March 31, 2024

Observations

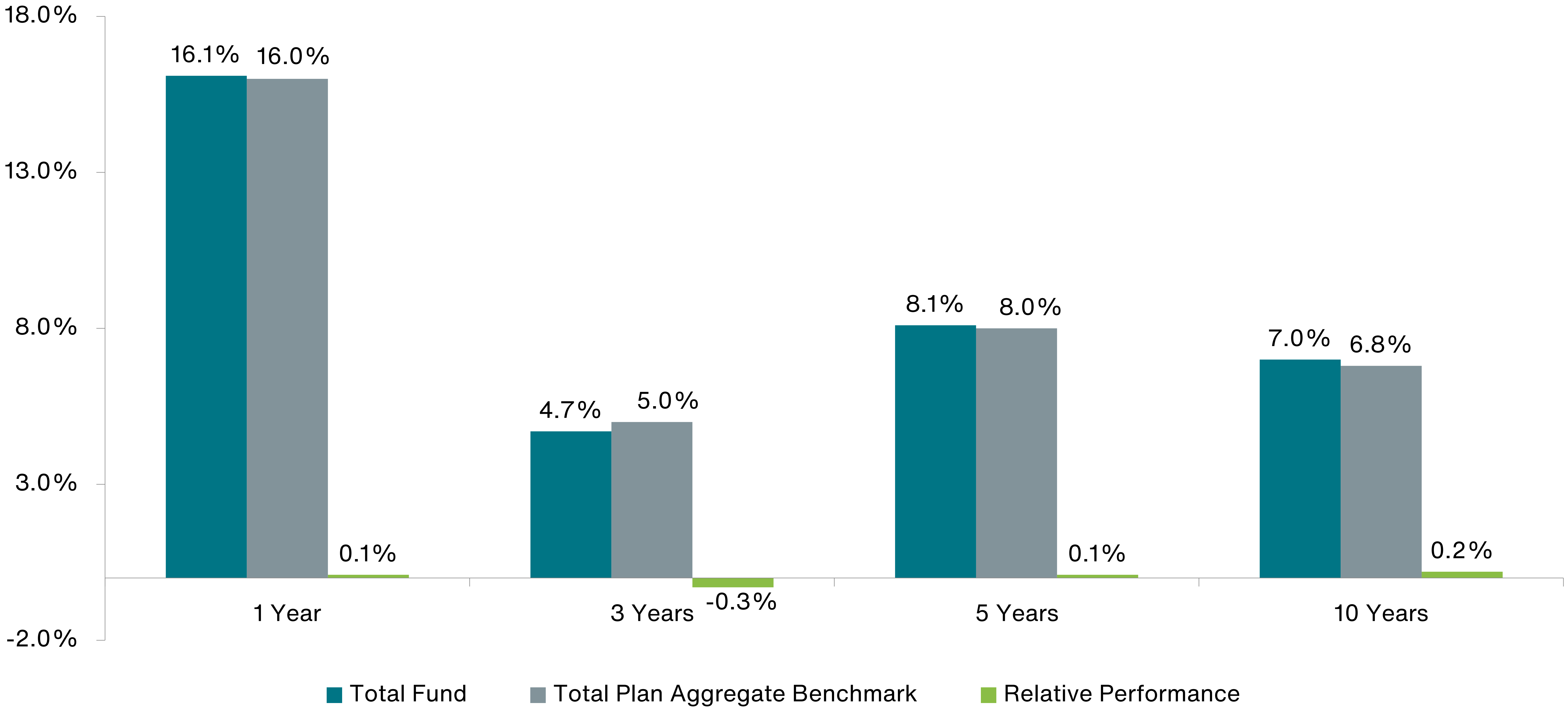
- The FRS option investment management fees are competitive across Plan options
- 8 of 10 investment options offer fees within the top quartile of the respective eVestment universe
- For the FRS Inflation Sensitive Fund & FRS Diversified Income Fund, the fees are very competitive given the exposure to private real estate and other diversifying asset classes, however, the relevant peer group does not have the same diversifying exposures
  - Peer universe shown includes only the core asset class funds, which we would expect to offer lower fees

Option Name	Market Value ($ M)	Current Fee	Peer Group	5th Percentile	25th Percentile	Median	75th Percentile	95th Percentile	# of Funds in Universe
FRS Retirement Date Funds	$765[1]	0.12%-0.22%	All Lifecycle/Target Date	0.07%	0.15%	0.32%	0.48%	0.55%	162
FRS Stable Value	$1,304	0.19%	US Stable Value / Fixed Income	0.08%	0.15%	0.20%	0.30%	0.51%	23
FRS Inflation Sensitive Fund	$154	0.36%	US TIPS / Inflation Fixed Income[2]	0.07%	0.12%	0.16%	0.24%	0.31%	37
FRS U.S. Bond Enhanced Index Fund	$220	0.05%	US Passive Core Fixed Income	0.05%	0.05%	0.06%	0.06%	0.14%	10
FRS Diversified Income Fund	$362	0.25%	All U.S. Core Plus Fixed Income[3]	0.17%	0.21%	0.23%	0.27%	0.39%	127
FRS U.S. Stock Market Index Fund	$1,859	0.01%	US Passive All Cap Equity	0.01%	0.02%	0.04%	0.06%	0.36%	20
FRS U.S. Stock Fund	$2,189	0.35%	US All Cap Equity	0.23%	0.40%	0.50%	0.70%	1.00%	306
FRS Foreign Stock Index Fund	$291	0.03%	ACWI ex-US Passive Equity	0.03%	0.06%	0.08%	0.08%	0.15%	15
FRS Foreign Stock Fund	$179	0.49%	All ACWI ex-US Equity	0.33%	0.52%	0.61%	0.75%	0.99%	309
FRS Global Equity	$358	0.45%	All Global Equity	0.11%	0.46%	0.61%	0.75%	1.00%	408

Fee Universe Data sourced from eVestment Alliance. Universe information filtered by strategy, vehicle, and asset size.
[1] Reflects average allocation among RDFs
[2] Reflects only TIPS Funds which are expected to offer lower fees than the FRS option which includes other inflation hedging asset categories such as real estate and commodities.
[3] Reflects only Core Plus Fixed Income Funds which are expected to offer lower fees than the FRS option which includes other diversifiers such as real estate.

Total Investment Plan Returns[1]

As of March 31, 2024



[1] Returns shown are net of fees. Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights

Trailing Period Performance[1]

As of March 31, 2024

	Performance %				
	1 Quarter	1 Year	3 Years	5 Years	10 Years
Retirement Date Funds					
FRS Retirement Fund	**2.0 (83)**	**6.7 (82)**	**1.9 (34)**	**4.9 (29)**	**4.3 (71)**
Relative Performance	0.6	0.5	0.1	0.2	0.1
FRS 2020 Retirement Date Fund	**2.4 (98)**	**7.4 (98)**	**2.2 (48)**	**5.3 (78)**	**5.0 (84)**
Relative Performance	0.7	0.3	0.0	0.0	0.1
FRS 2025 Retirement Date Fund	**3.1 (85)**	**9.1 (98)**	**2.7 (31)**	**6.1 (63)**	**5.7 (70)**
Relative Performance	0.7	0.0	-0.1	0.0	0.1
FRS 2030 Retirement Date Fund	**4.3 (68)**	**12.0 (88)**	**3.6 (24)**	**7.0 (67)**	**6.5 (71)**
Relative Performance	0.6	0.0	-0.1	-0.1	0.2
FRS 2035 Retirement Date Fund	**5.3 (64)**	**14.4 (91)**	**4.3 (31)**	**7.8 (87)**	**7.0 (80)**
Relative Performance	0.5	0.0	-0.1	-0.1	0.1
FRS 2040 Retirement Date Fund	**5.9 (77)**	**16.0 (92)**	**4.7 (66)**	**8.4 (92)**	**7.4 (79)**
Relative Performance	0.5	0.0	-0.1	0.0	0.1
FRS 2045 Retirement Date Fund	**6.1 (92)**	**17.1 (95)**	**5.0 (78)**	**8.8 (95)**	**7.7 (95)**
Relative Performance	0.4	0.2	0.0	-0.1	0.1
FRS 2050 Retirement Date Fund	**6.2 (95)**	**17.6 (96)**	**5.2 (79)**	**9.1 (92)**	**7.8 (93)**
Relative Performance	0.3	0.2	-0.1	0.0	0.1
FRS 2055 Retirement Date Fund	**6.2 (98)**	**17.7 (97)**	**5.4 (75)**	**9.3 (94)**	**7.9 (100)**
Relative Performance	0.3	0.3	0.1	0.1	0.2
FRS 2060 Retirement Date Fund	**6.2 (100)**	**17.7 (100)**	**5.4 (75)**	**9.4 (-)**	**-**
Relative Performance	0.3	0.3	0.1	0.2	-
FRS 2065 Retirement Date Fund	**6.2 (100)**	**-**	**-**	**-**	**-**
Relative Performance	0.3	-	-	-	-

[1] Relative returns shown above are net of fees. The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Fixed Income Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Trailing Period Performance[1]

As of March 31, 2024

	Performance %				
	1 Quarter	1 Year	3 Years	5 Years	10 Years
Stable Value					
FRS Stable Value Fund	**0.7 (49)**	**2.8 (75)**	**-**	**-**	**-**
Relative Performance	0.4	-0.2	-	-	-
Real Assets					
FRS Inflation Sensitive Fund	**0.5 (82)**	**1.0 (96)**	**1.9 (30)**	**3.3 (16)**	**2.3 (82)**
Relative Performance	0.6	-0.1	-0.2	0.2	0.0
Fixed Income					
FRS U.S. Bond Enhanced Index Fund	**-0.6 (59)**	**1.9 (61)**	**-2.4 (45)**	**0.5 (65)**	**1.6 (59)**
Relative Performance	0.2	0.2	0.1	0.1	0.1
FRS Core Plus Bond Fund	**0.3 (14)**	**4.7 (10)**	**-1.2 (18)**	**1.6 (17)**	**2.5 (11)**
Relative Performance	0.7	1.3	0.3	0.4	0.4
Domestic Equity					
FRS U.S. Stock Market Index Fund	**10.0 (47)**	**29.4 (32)**	**9.8 (35)**	**14.4 (25)**	**12.4 (16)**
Relative Performance	0.0	0.1	0.0	0.1	0.1
FRS U.S. Stock Fund	**10.8 (33)**	**32.3 (20)**	**8.7 (50)**	**-**	**-**
Relative Performance	0.8	3.0	-1.1	-	-
International/Global Equity					
FRS Foreign Stock Index Fund	**4.4 (47)**	**13.0 (48)**	**1.9 (49)**	**6.2 (46)**	**4.6 (41)**
Relative Performance	0.1	-0.2	0.2	0.2	0.3
FRS Foreign Stock Fund	**7.4 (14)**	**13.5 (45)**	**-0.2 (62)**	**6.9 (38)**	**5.6 (21)**
Relative Performance	2.7	0.2	-2.1	0.9	1.3
FRS Global Stock Fund	**8.5 (33)**	**22.9 (34)**	**5.2 (49)**	**12.8 (13)**	**11.0 (5)**
Relative Performance	0.3	-0.3	-1.8	1.9	2.3

[1] Relative returns shown above are net of fees. The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Fixed Income Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter. The U.S. Stock Fund and the Stable Value Fund were incepted into the Plan in 2020 and 2021, respectively.

Capital Preservation Options

There are primarily two investment types that can fill a Capital Preservation option

Money Market

Invests in very short-term fixed income securities

Money market mutual funds have a maximum weighted average maturity of 60 days and a maximum weighted average life[1] of 120 days

Stable Value

Generally, invest further along the yield curve in comparison to where money market funds invest

Can achieve a higher return compared to money market over the long-term by investing in short- to intermediate-term maturities (typically 1-5 years)

Alight Solutions' 2019 Trends & Experience in Defined Contribution Plans survey revealed

75% of plans offer stable value funds (compared to 35% of plans that offer money market funds)

Generally, few plans offer both stable value funds and money market funds (due to "competing fund" restrictions and the desire to avoid participant confusion)

When offered, on average, 12% of plan assets are invested in stable value (in contrast to 5% for money market)

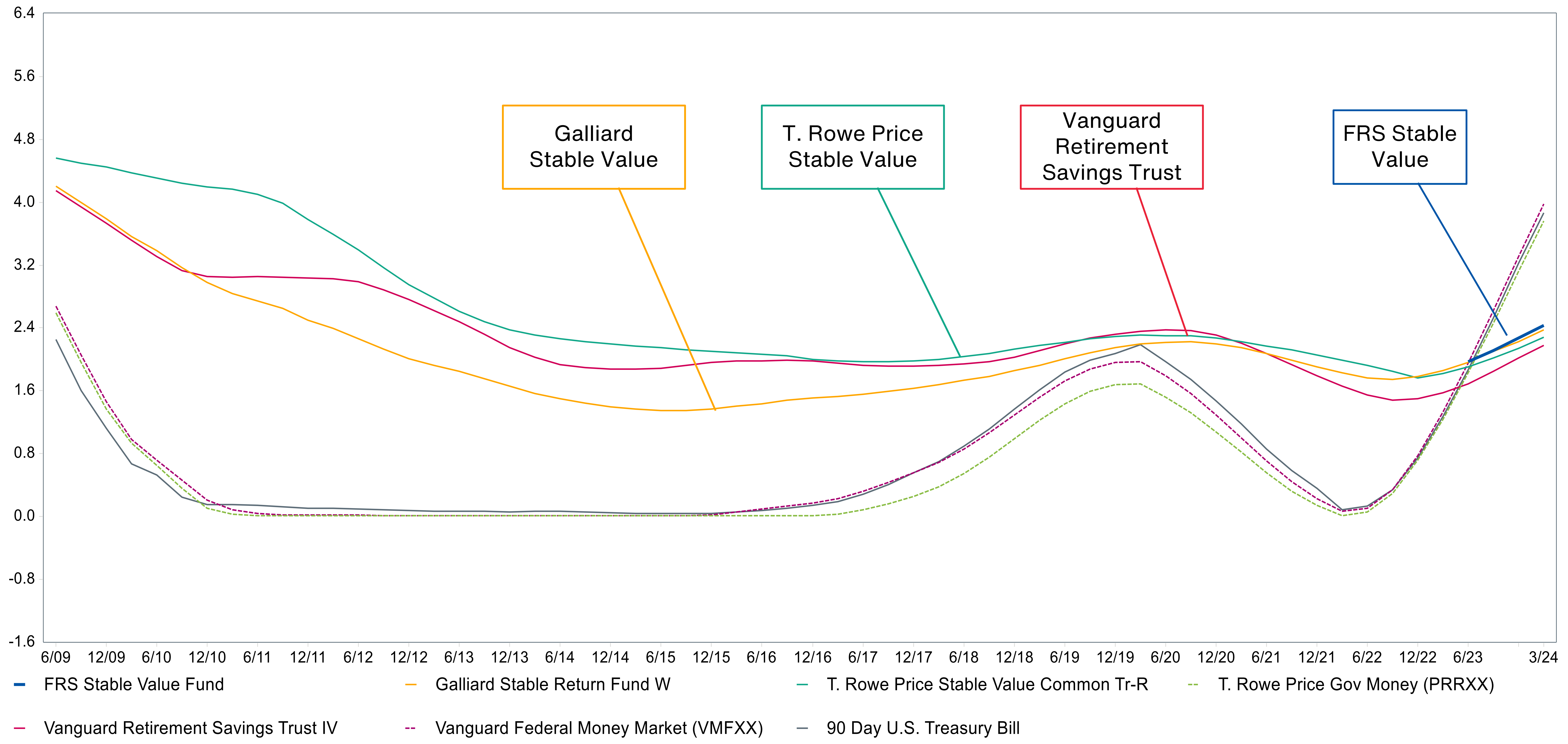
Aon generally prefers Stable Value given the potential for higher returns over the long-term with a similar level of risk

[1] Weighted average life of a portfolio is measured without reference to a Rule 2a-7 provision that otherwise permits a fund to shorten the maturity of an adjustable-rate security by reference to its interest rate reset dates.

Capital Preservation

Performance

Rolling 2-Year Returns (Net of Fees)

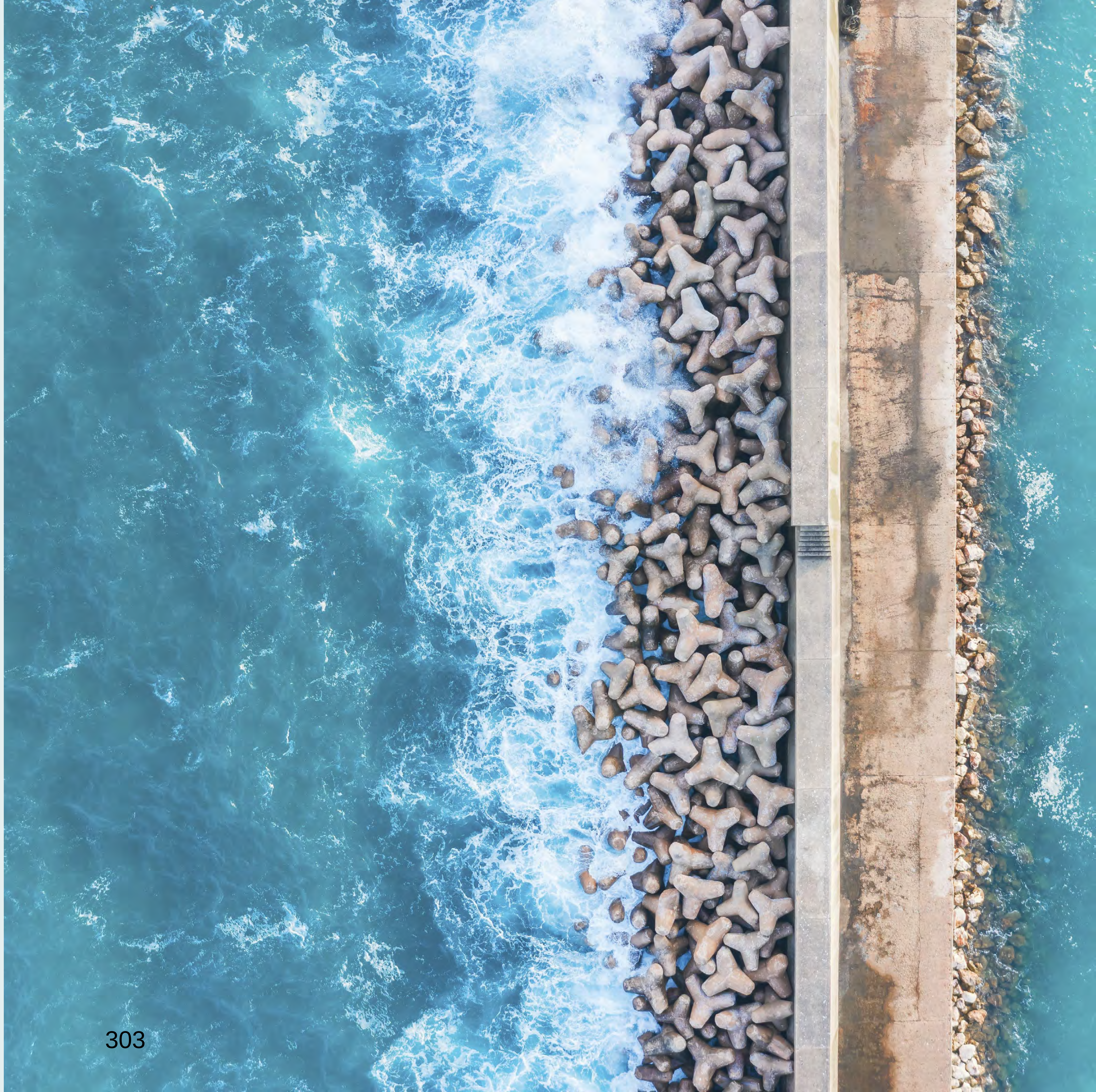


- Over the long-term the returns of stable value have exceeded those of money market products
- Money market funds respond quickly to rate changes such as those implemented by the Fed during 2022 & 2023
- Given the longer maturity of stable value, the products are impacted less by rate changes

Source: Lipper
For illustrative purposes only. Returns as of March 31, 2024
Past performance does not guarantee future results. Returns are net of sub-advisor fees and expenses. Actual returns may differ from returns presented based on your plan's individual fees/expenses. AIUSA's advisory fees are described in Form ADV Part 2A. The purpose of this exhibit is to show a comparison of stable value fund and money market fund return statistics over the period shown and is not intended to serve as an opinion of the merits of any of the particular manager strategies shown. Other stable value funds and money market funds may have different investment and statistical profiles.

3

Conclusions & Future Considerations



AON

Conclusions

Investment Plan Design

The Investment Plan structure is sophisticated, and the SBA continues to innovate to improve participant outcomes

As a result of the 2024 review, Aon did not identify any immediate changes to recommended for the investment structure

FRS's Investment Plan Structure Design Conclusions:

- Streamlined and diversified across asset classes, investment styles (active / passive), and risk/return spectrum
- Coverage of necessary and relevant asset classes and investment options
  - Additional standalone asset classes or investment options are not appropriate to add at this time
  - Within the current plan options, there are asset classes such as private markets and multi-asset credit that are being evaluated for further consideration

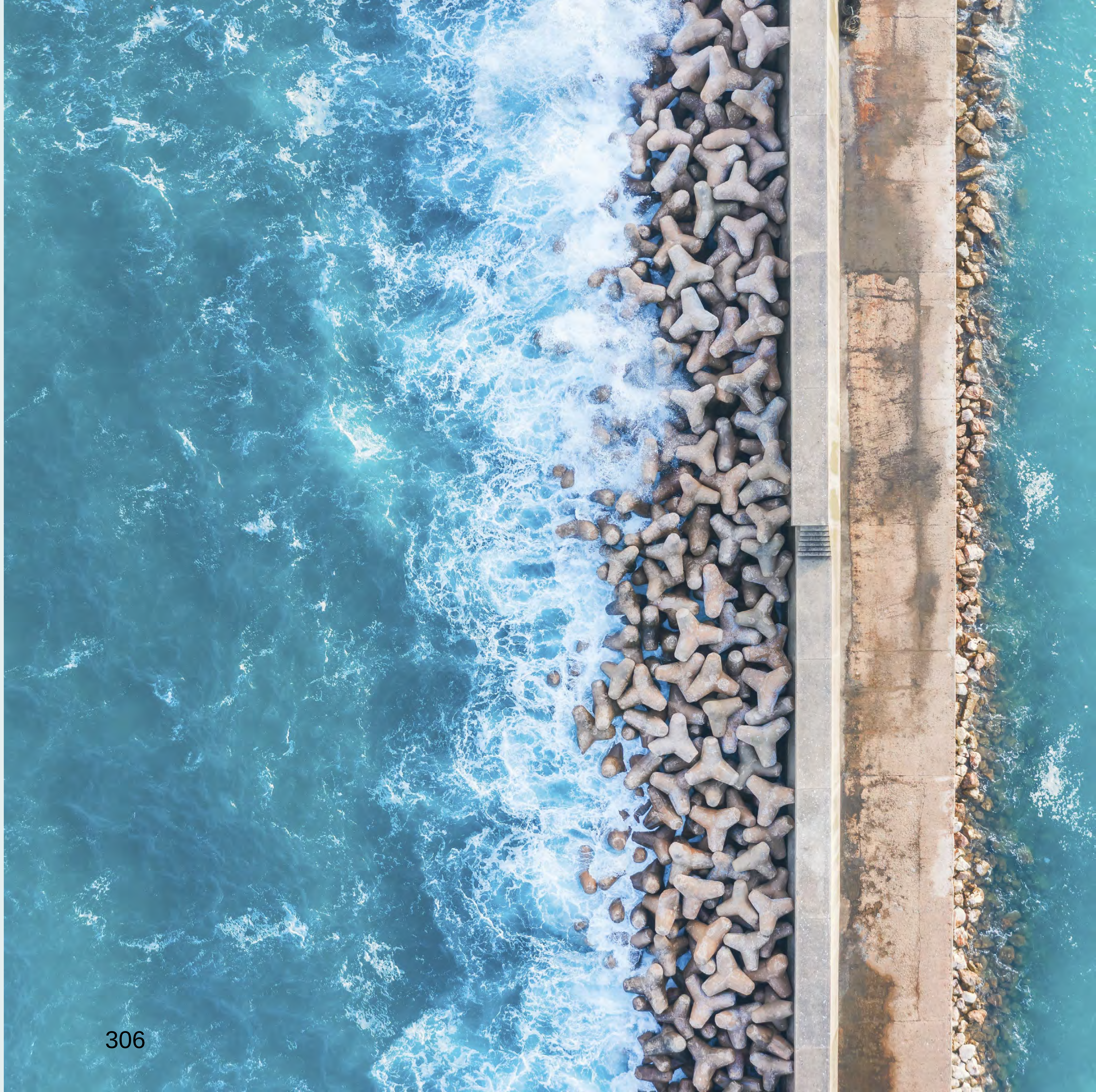
Future Considerations

Investment Plan Design

As the defined contribution landscape continues to evolve, Aon and the SBA DC Investment Team have discussed the following topics for future consideration

- **Private Markets / Pension Unitization**: While inclusion of private markets and other illiquid investments into DC plans are still the exception rather than the rule, it has become a more frequently discussed topic and staying apprised of the landscape is important
  - This also may be accomplished within the DC plans through unitization of the Pension Plan
- **White Label Fund Construction**: Modest suggestions for additional diversification may enhance the expected risk/reward profile of certain white label strategies
  - Consider expanding the FRS Diversified Income Fund's opportunity set to include multi-asset credit to offer greater diversification and potential for value-add
  - Consider reducing the number of providers of the Stable Value Fund into a separate account to improve economies of scale without losing investment diversification

Appendix



AON

Regulation Meets Policy and Objectives

Regulation	Objective	Background
Pension Protection Act of 2006	**Asset Allocation**	Defined that a professionally managed investment solution could be a Qualified Default Investment Alternative (QDIA)
ERISA 404(c)	**Capital Preservation**	Compliance requires a minimum of 3 investment options, one of which could be an asset class exposure seeking stability of principle with a conservative yield on capital
ERISA 404(c)	**Income**	Compliance requires a minimum of 3 investment options, one of which could be an asset class producing returns though dividends and interest payments (predominately high-quality fixed income)
ERISA 404(c)	**Growth**	Compliance requires a minimum of 3 investment options, one of which could be an asset class exposure seeking long-term capital growth through investments in stocks
SECURE Act of 2019 & 2022	**Retirement Income**	Encouraged plan sponsors to pursue expanded retiree optionality including investment solutions designed to help facilitate distributions and/or protect purchasing power for spending phase participants

Defined Contribution Industry Investment Design Evolution

- The table to the right illustrates the general evolution of the DC industry's investment lineup over time
- The number in the parenthesis denotes the number of offerings per asset class
- The FRS Investment Plan has progressed over time from left to right
- The current plan straddles between a modern and an emerging lineup

Objectives	Historic Lineup	Modern Lineup	Emerging Lineup
Asset Allocation	Target Date Fund (1) Balanced Funds (3)	Target Date Fund (1)	Target Date Fund (1)
Capital Preservation	Stable Value (1) Money Market (1)	Stable Value (1)	Capital Preservation (1)
Income	Core /Core Plus Bond (3)	Core / Core Plus Bond (2)	Diversified Income (2)
Growth	U.S. Large Cap Growth (2) U.S. Large Cap Value (2) U.S. SMID Cap Growth (2) U.S. SMID Cap Value (2) Developed Non-U.S. (2) Emerging Markets (2)	U.S. All Cap (2) Non-U.S. All Cap (2)	Diversified Growth (2)
Retirement Income	Retirement Income	Retirement Income	Retirement Income

Capital Preservation

Types of options compared

	Money Market Funds	Stable Value Funds
Advantages	• Less complex and less oversight typically required (however, money market reform with new regulations that took effect in October 2016 negates some of this historical advantage) • In normal market environments, no restrictions on participant transfers (however, money market reform negates some of this historical advantage)	• Higher expected returns (net-of-fees) with similar risk as a money market fund
Disadvantages/ Considerations	• Lower expected return than that of a stable value fund • Possibility of floating NAVs, liquidity fees, and redemption gates due to the SEC regulations that took effect in October 2016	• Typically, higher fees (investment management fees and wrap provider costs) • Restrictions on participant transfers when making changes to competing fund options, such as short-term fixed income (equity wash rules) • Requirement to notify stable value manager of plan design changes • Greater complexity and more oversight is typically required (e.g., wrap contracts)

Benefits of Multi-Asset Credit (MAC) Strategies

What is it?

MAC funds invest in a broad set of diversified credit and spread sector securities, either from a simple combination of a few credit classes, or from more complex combinations of global credit beta. Value is added via security selection and sector rotation. Common sectors include:

- High Yield Bonds
- Bank Loans
- Investment Grade Bonds
- Stressed/Distressed Debt
- Emerging Market debt
- Securitized/Structured Credit
- Convertible Bonds

Benefits Include:

Broaden Opportunity Set

MAC strategies include a diverse set of sub-asset classes, many of which may not otherwise be included in a plan's portfolio. This can introduce unique risk and return profiles to a portfolio, and potentially reduce overall correlations within a portfolio.

Optimize Portfolio

A large portion of alpha is expected to come through bottom-up security selection, however the inclusion of a broader set of unique sub-asset classes allows the manager to tactically adjust the weights of these sectors to further add value.

Streamline Manager lineup

Allowing managers to invest in a wide variety of sub-asset classes can allow for the reduction or elimination of narrower dedicated strategies that overlap with these opportunity sets. Thus, manager oversight requirements can be simplified, while still maintaining the ability for outperformance.

Private Equity In Defined Contribution Plans

Aon believes that private equity is an overall attractive asset class

- Higher expected return versus public equity markets
- Skill-based return offers diversification and alpha potential

Investment risks exist; however, from an investment perspective we believe the benefits outweigh the considerations

- Cost, complexity and governance structures must be well understood and appropriate to successfully invest in asset class

Despite the investment case, implementation considerations have prevented DC participants from gaining dedicated private equity exposure

- While this topic has garnered more attention as of late, we have not yet seen a notable uptake of DC plans adding private equity to custom TDFs, white label funds or as standalone options
- We do expect the conversation to continue and the marketplace to evolve

Key Implementation Considerations:

- Vehicle Structure
- Cash Flow Management
- Liquidity
- Rebalancing
- Position Sizing / Diversification
- Fee structure

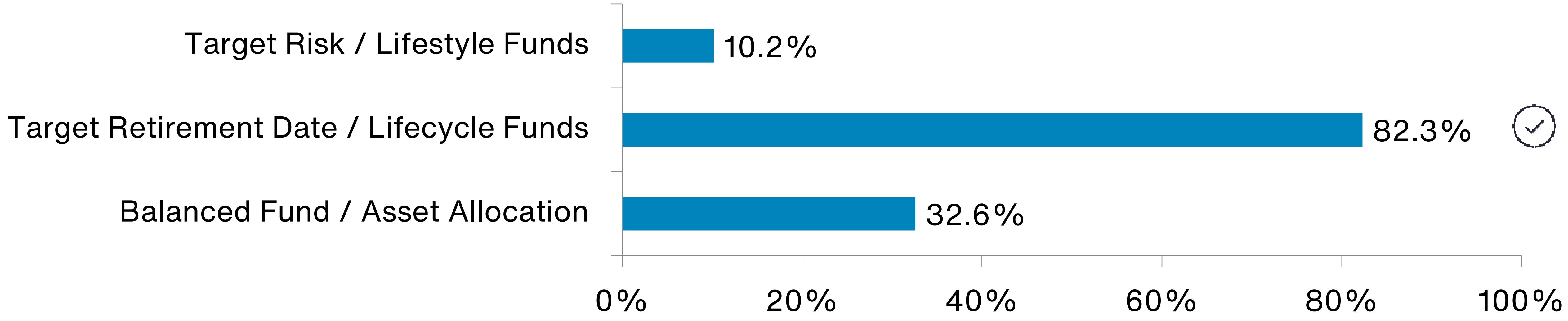
Benefits of White Label Funds

- The FRS fully adopted a White Label Approach in 2017

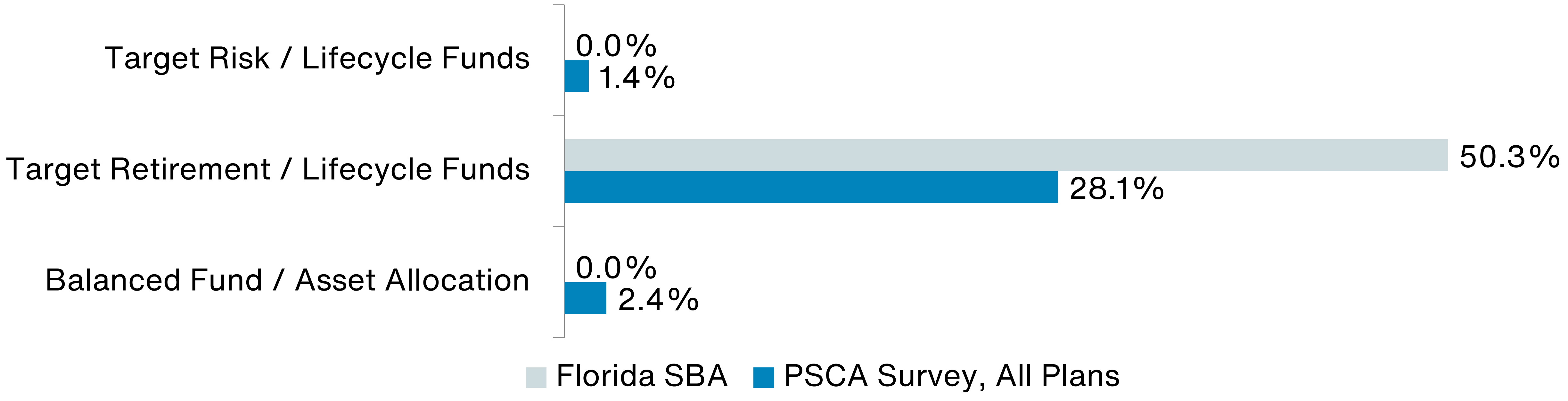
Features	Benefits
Custom Named Funds No reference to a fund company and allows for naming of funds to be consistent with the investment strategy or objective	**Reduces participant confusion and reduces disruption when swapping out managers**
Diversified Portfolio Aon believes the inclusion of diversifying investment strategies reduces correlation with equity markets	**Improve expected return profile with lower volatility**
Open Architecture Manager Selection Select different managers for each part of the portfolio based on their strengths	**Better access to skill from across the investment management world**
Active/passive blend Take active risk in areas where we believe there is the best value, using passive where it is particularly difficult to generate alpha	**Fees are controlled to be attractive on an absolute level as well as relative to the potential returns**
Value for Fees Paid Leverage scale by using managers in multiple portfolios where appropriate for access at preferred rates	**Negotiated discounts from investment managers are passed through to participants**

Asset Allocation Trends[1]

Percentage of Plans Offering



Asset Allocation When Offered

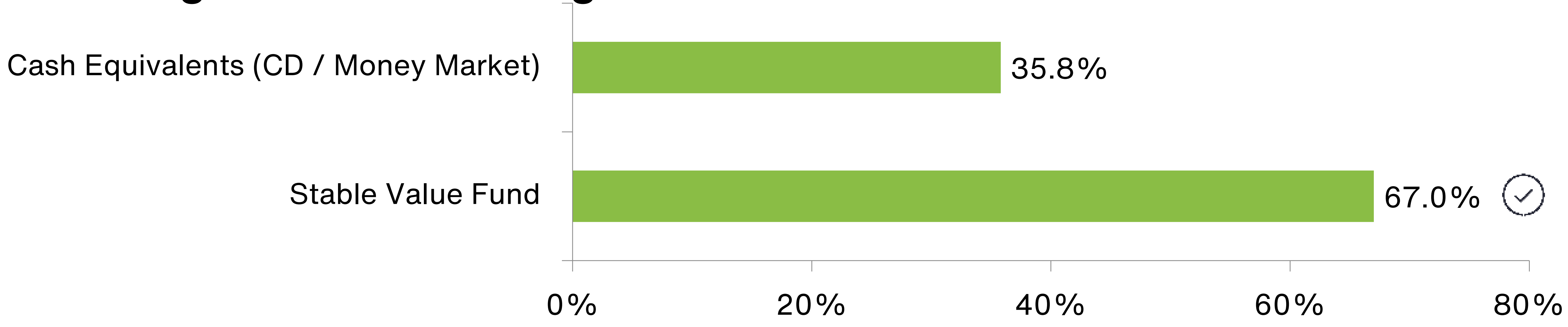


- Target date funds have become a staple in DC plan line ups and the standard as Qualified Default Investment Alternative ("QDIA")
- Allowing participants to "set it and forget it" has also resulted in high utilization, in the 2022 installment of How America Saves, Vanguard found that 61% of contributions are into TDFs[2].
- Static allocation funds like target risk or balanced strategies have become less common in recent years.
- Participants can build their own static allocation portfolio with other funds from the investment menu.

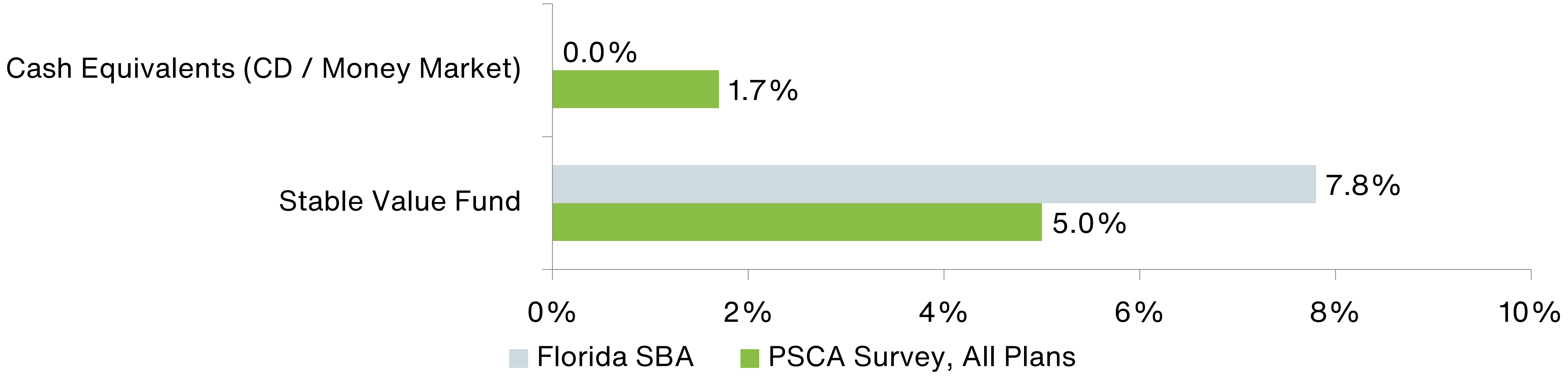
[1] Plan Sponsor Council of America "65th Annual Survey – PSCA's Annual Survey of Profit Sharing and 401(k) Plans." 2022.
[2] Vanguard How America Saves 2022

Capital Preservation Trends[1]

Percentage of Plans Offering



Asset Allocation When Offered

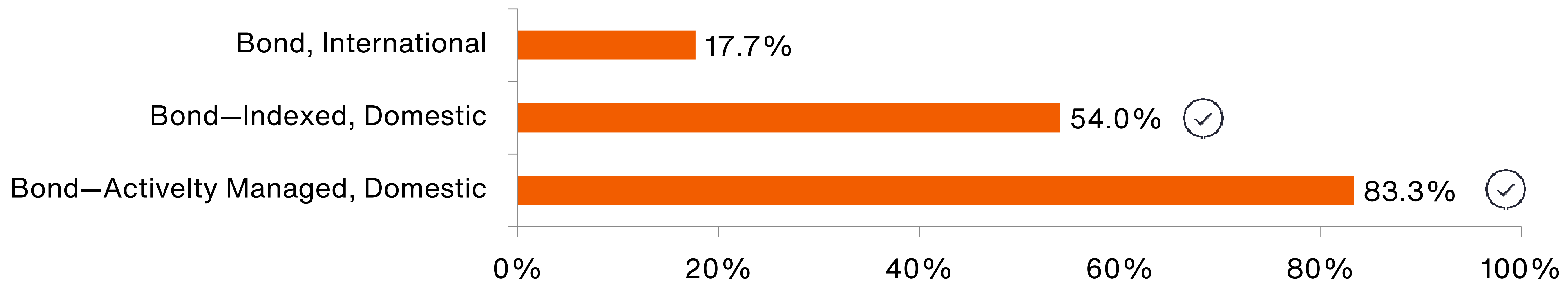


- Approximately two thirds of DC plans offer Stable Value as a capital preservation strategy for participants
- Generally, few plans offer both stable value and money market funds (due to 'competing fund' restrictions and the desire to avoid participant confusion)
- Stable value funds have historically provided stronger returns than money market investments with similar levels of volatility
- Aon prefers the use of stable value as a plan's sole capital preservation option
- Further analysis around capital preservation options is provided in the following section

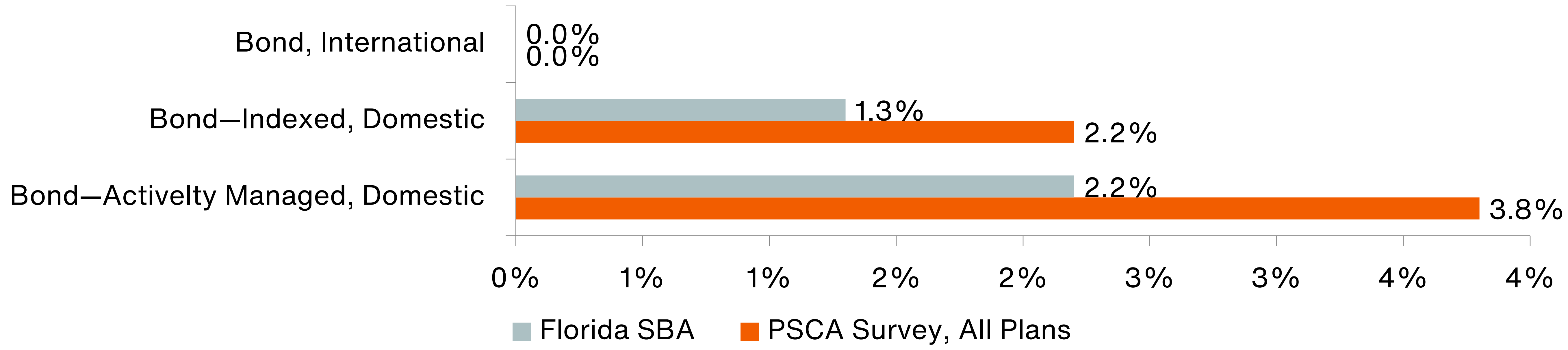
[1] Plan Sponsor Council of America "65th Annual Survey – PSCA's Annual Survey of Profit Sharing and 401(k) Plans." 2022.

Income Trends[1]

Percentage of Plans Offering



Asset Allocation When Offered



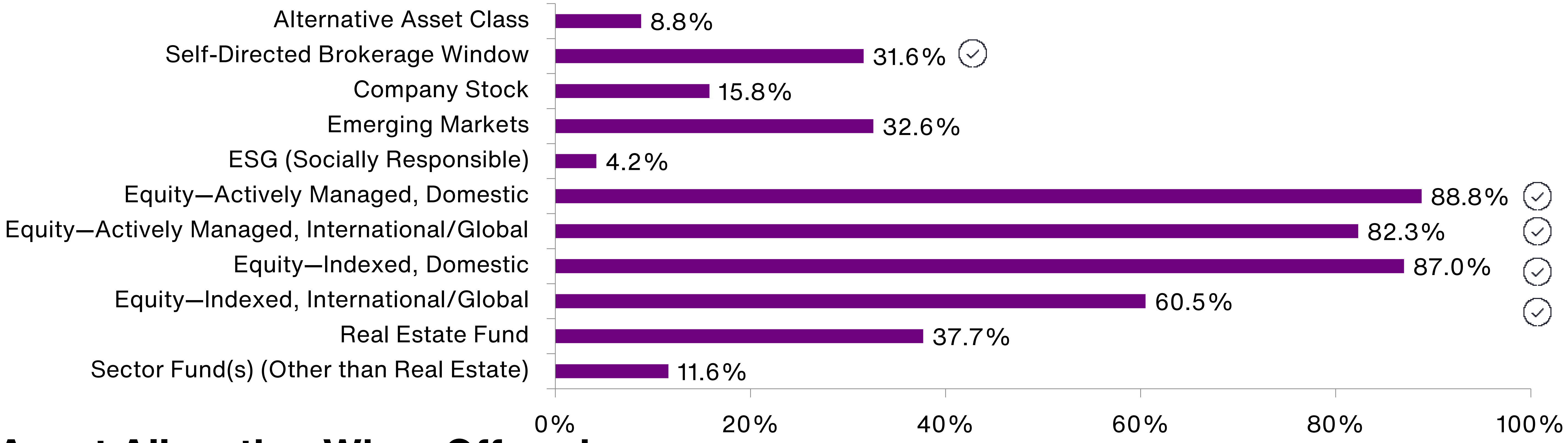
- Most commonly, DC plans offer an active U.S. fixed income option.
- Passive fixed income funds have also become more prevalent as a component of the passive tier.
- International or specialty bond funds (high yield, unconstrained, etc.) can often be misunderstood or misused.
- Aon recommends a diversified fixed income strategy which opportunistically invests in diversifying income-generating asset classes such as multi-asset credit, real estate, etc.

[1] Plan Sponsor Council of America "65th Annual Survey – PSCA's Annual Survey of Profit Sharing and 401(k) Plans." 2022.

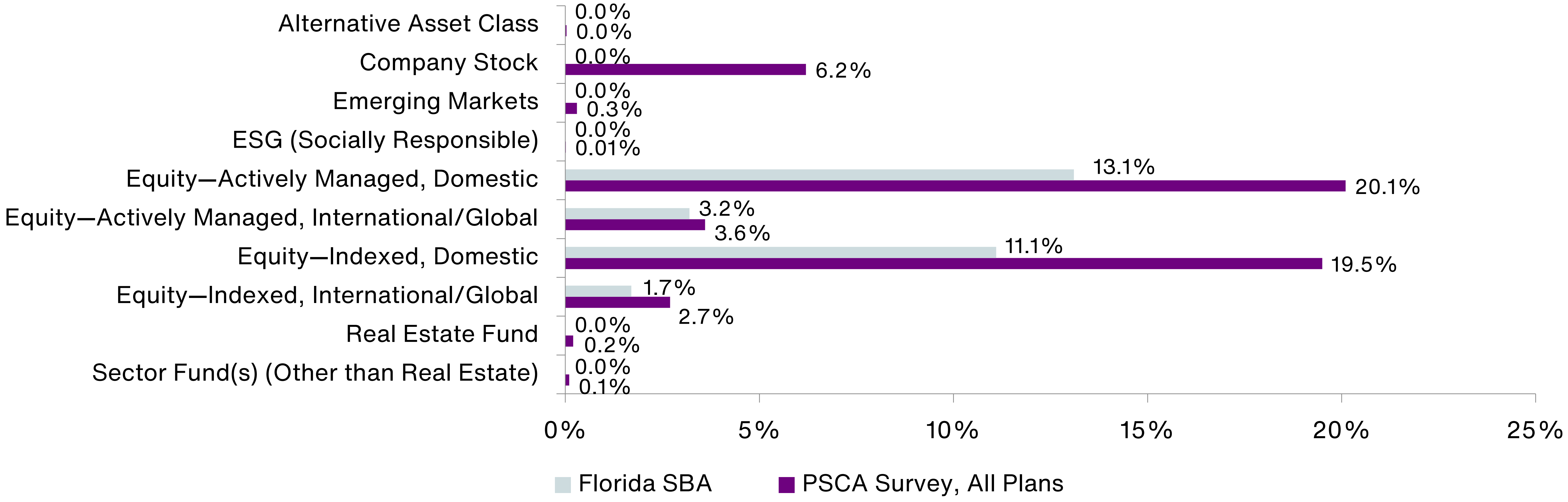
Growth Trends[1]

Growth

Percentage of Plans Offering



Asset Allocation When Offered



- Investment menus tend to be concentrated in equity fund choices, particularly U.S. equity strategies.
- Alternative asset class, socially responsible, and specialty/sector funds are less prevalent in plan line ups.
- Participant allocations are very low to alternative asset class, emerging markets, socially responsible, real estate and sector funds, when offered.
- Historically, plans have offered a full spectrum of “style-box” investment choices. More recently, plans have been streamlining the number of equity funds.

[1] Plan Sponsor Council of America “65th Annual Survey – PSCA’s Annual Survey of Profit Sharing and 401(k) Plans.” 2022.

Retirement Income – Plan Design Considerations

SBA currently offers sufficient and diversified retirement income solutions

In Plan

- Non-traditional approach
- Like adding another fund option
- Participant experience integration is key
- Greater fiduciary responsibility
- Typically, assets remain in the plan

Out of Plan

- Traditional approach
- Simpler to establish
- Many current market solutions
- Approach allows for roll-overs into income product, immediate and deferred (e.g., QLAC)[1]
- Solution at retirement
- Assets leave the plan

Key Drivers: Fiduciary Issues | Speed to Implement | Participant Experience | Cost

In Plan solutions include:

- FRS Retirement Date Funds
- FRS Inflation Sensitive Fund

In or Out of Plan solutions include:

- MetLife Fixed Annuities
- MetLife Deferred Annuities

Participants also have the 2nd election option, which offers retirement income through the pension plan

Additional support for participants around retirement income include:

- EY Financial Planners
- GuidedChoice advisor service
- Tools & workshops supported by FRS

[1] QLAC stands for Qualified Longevity Annuity Contract

Legal Disclosures and Disclaimers

Investment advice and consulting services provided by Aon Investments USA Inc. The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

This document is not intended to provide, and shall not be relied upon for, accounting, legal or tax advice. Any accounting, legal, or taxation position described in this presentation is a general statement and shall only be used as a guide. It does not constitute accounting, legal, and tax advice and is based on Aon Investments' understanding of current laws and interpretation.

Aon Investments disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. Aon Investments reserves all rights to the content of this document. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Aon Investments.

Aon Investments USA Inc. is a federally registered investment advisor with the U.S. Securities and Exchange Commission. Aon Investments is also registered with the Commodity Futures Trading Commission as a commodity pool operator and a commodity trading advisor and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

FLORIDA RETIREMENT SYSTEM

Investment Plan
Investment Policy Statement

I. PURPOSE

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

II. DEFINITIONS

A. **Member** – An employee who enrolls in, or who defaults into, the Florida Retirement System Investment Plan, a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.

B. **Investment Product –** The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.

C. **Investment Manager** – A private sector company or the State Board of Administration that provide one or more investment products.

D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.

E. **Bundled Provider -** A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.

F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.

G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.

I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, Internal Revenue Code ("IRC") limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

J. **Self-Directed Brokerage Account** – An alternative method for Investment Plan members to select various investments options otherwise not available in the Investment Plan.

K. **Self-Direct Brokerage Account Provider** – A private sector company that provides access to a Self-Directed Brokerage Account to members of the FRS Investment Plan.

III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION

A. The Investment Plan is a member-directed 401(a) program for employees who selected to participate, or who defaulted into the plan, in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.

B. The State Board of Administration (Board), Division of Retirement, and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

IV. THE BOARD

A. The Board consists of the Governor, as Chairman, the Chief Financial Officer and the Attorney General. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or investment guidance vendor shall be approved for the Plan.

B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 121.4501(15)(a) and 112.656, Florida Statutes.

C. The Board delegates to the Executive Director ~~& CIO~~ the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

V. THE EXECUTIVE DIRECTOR ~~& CIO~~

A. The Executive Director ~~& CIO~~ is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

B. The Executive Director ~~& CIO~~ is responsible for developing specific investment objectives and policy guidelines for investment options for the Investment Plan. The Executive Director ~~& CIO~~ is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.

C. The Executive Director ~~& CIO~~ is responsible for maintaining an appropriate compliance program that ensures :

- Compliance with contractual and investment guidelines of each investment manager;
- Compliance with contractual provisions agreed to with the Investment Plan administrator and the custodian, and all other service providers to the Plan, to facilitate compliance with all legal requirements pertaining to the administration of the Plan, and compliance with all applicable administrative rules, SBA policies, and procedures; and
- Compliance with reporting and valuation requirements.

In addition, the Executive Director ~~& CIO~~ is also responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of investment options offered in the Investment Plan line up, consistent with appropriate defined contribution plan design. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director ~~& CIO~~ will develop policies and procedures to:

  - Identify and monitor manager performance and key investment and operational risks within the manager's business structure.
  - Maintain an appropriate compliance program that ensures compliance with contractual and investment guidelines of each manager in the plan.
  - Maintain an appropriate and effective oversight function within the Office of Defined Contribution Programs to ensure effective operational and administrative oversight.
  - Approve fund allocations and limits for each fund-of-fund or Retirement Date Fund under the Investment Plan.

The Executive Director ~~& CIO~~ will appoint a Chief of Defined Contribution Programs, to assist in the execution of the responsibilities enumerated in the preceding paragraphs. For day-to-day executive and administrative purposes, the Chief of Defined Contribution Programs will proactively work with the Executive Director ~~& CIO~~ and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief of Defined

Contribution Programs will provide reports to the Investment Advisory Council, and to the Audit Committee and Board as requested.

To ensure compliance with the enumerated functions outlined above, at the request of the Executive Director~~ & CIO~~, the SBA Chief Risk & Compliance Officer will conduct compliance reviews of Office of Defined Contribution Programs to ensure compliance with this Investment Policy Statement and any SBA related policies and procedures in place for the Investment Plan and will provide a report that details any adverse compliance exceptions to the Executive Director~~ & CIO~~.

Pursuant to written SBA policy, the Executive Director ~~& CIO~~ will cause a regular review, documentation and formal escalation of any events that may have a material impact on the FRS Investment Plan Trust Fund. The Executive Director ~~& CIO~~ is delegated the authority and responsibility to prudently address any such events, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

D. The Executive Director ~~& CIO~~ shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.

E. The Executive Director ~~& CIO~~ is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

VI. INVESTMENT OBJECTIVES

A. The Investment Plan shall seek to achieve the following long-term objectives:

1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
    a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
    b) Direct contributions and account balances between approved investment_options with a frequency that is appropriate in light of the market volatility of the investment options;
    c) Direct contributions and account balances between approved investment_options without the limitation of fees or charges; and
    d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the Plan.

VII. MEMBER CONTROL AND PLAN FIDUCIARY LIABILITY

A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for Plan fiduciaries.

B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing Plan participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.

C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of the Plan, no Plan fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.

D. The default investment option for FRS Investment Plan members that default into the plan or fail to make a selection of investment options shall be the FRS Retirement Date Fund (RDF), or Retirement Target Date Fund, that matches the year closest to the year each individual member reaches normal retirement age for the Florida Retirement System as defined in Section 121.021(29) Florida Statutes, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default investment option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Retirement Fund.

VIII. MEMBER EDUCATION AND INVESTMENT GUIDANCE

A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation.

For members of the Investment Plan, the following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions regarding the management of their individual retirement account under the Plan:

- A description of all investment funds offered as an investment option under the Investment Plan including: general investment objectives, risk and return characteristics, and type and diversification of assets, but excluding any investment instruments made available through a self-directed brokerage account.

- An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
- A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
- Investment summary fund profiles as defined at Sections 121.4501(15)(c), excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Descriptions of the annual operating expenses for each investment alternative, such as investment management fees, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.

B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide FRS members with impartial and balanced information about the Plan and investment choices. In addition, any approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

C. The Board shall contract for the provision of low- or no-cost investment guidance to members that is supplemental to educational services and that may be paid for by those receiving the guidance. Investment guidance shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, F.A.C. Investment guidance provided to a member should be individualized and provided on a regular basis. Members have the opportunity to choose from different levels of customized investment guidance services, as well as a variety of delivery methods and media.

D. Investment guidance for Investment Plan members will provide optimized combinations of available Investment Plan investment options and any personally owned non-Investment Plan member directed tax-deferred or taxable accounts.

E. Investment guidance for Pension Plan members will provide optimized combinations of any available Pension Plan benefit and any personally owned specific investment options across member directed tax-deferred or taxable accounts.

F. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution plans of the Florida Retirement System. This education program will only be provided by the neutral education provider hired to do so by the Board.

IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS

A. The Board will select a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the Plan. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of benefits, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.

B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS

A. The authorized categories of Investment Plan investment options are segmented into tiers, with each designed to meet the varying needs of different members as shown in IPS-Table 1. The Investment Plan investment options are contained in IPS-Table 2 The default option for members that fail to make a selection of investment options shall be the Retirement Date Fund (RDF) that matches the year closest to the year each individual member reaches the normal retirement age for the Florida Retirement System as defined in Section 121.021(29) Florida Statutes. The investment options can be constructed under a multiple manager framework of two or more investment managers, however, the number of investment options shall not exceed the “Maximum Number of Options” listed in IPS-Table 2 for each category, except to the extent that:

   1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;

2) An investment option is temporarily closed to new contributions and account balance transfers.

IPS-Table 1: Authorized Investment Categories

Tier	Philosophy
Tier I- Asset Allocation-Target Date Funds	Allow members to choose a diversified investment portfolio that best fits their career time horizon until anticipated retirement date. TDFs seek growth of assets in earlier years of employment and gradually shift to income oriented options at retirement. Designed for members with little investment knowledge who want a professionally managed asset allocation with little input from the member. These options will be comprised of underlying investments in the Investment Plan's Tier II and Tier III Core Options.
Tier II- Passively-Managed Core Options	Allow members who wish some control over major investment category shifts to create their own portfolios based on broad, low-cost index funds that best fit their time horizon, risk tolerance and investment goals.
Tier III- Actively –Managed Core Options	Allow members who wish more control over all key investment allocation decisions to create their own portfolios based on investment options from active managers who seek returns above a performance benchmark and that members believe best fit their time horizon, risk tolerance and investment goals.
Tier IV- Retirement Annuity Options	Allow members leaving FRS employment a means by which they can create an income stream of their accumulated assets that can last over their remaining lifetimes.
Tier V- Self Directed Brokerage Account	Allows members interested in investments outside of Tiers I, II and III the opportunity to invest in a broad array of mutual funds, stocks, US Treasuries and other investment alternatives based on their time horizon, risk tolerance, investment goals and/or preferences.

IPS-Table 2: Authorized Investment Options Representative Performance Benchmarks, Retiree Annuities and Self Directed Brokerage Account

Investment Option Categories	**Maximum Number of Options**	**Representative Performance Benchmarks**
Tier I: Target Date Funds		
A series of asset allocation funds	11	Weighted Average of each Constituent Fund's Benchmarks

structured in 5-year increments along a "glidepath" as demonstrated in IPS Chart 1 below.		
Tier II: Passively Managed Core Options		
Enhanced U.S. Bond Index Fund	1	Bloomberg Barclays Aggregate Bond Index
Stock Market Index Fund	1	Russell 3000 Index
Foreign Stock Index Fund	1	MSCI All Country World Index ex U.S. IMI Index

Tier III: Actively-Managed Core Options		
Stable Value Fund	1	Custom Stable Value Benchmark
Inflation Sensitive Fund	1	Custom Multi-Asset Benchmark
Diversified Income Fund~~Core Plus Bond Fund~~	1	Custom Diversified Income Benchmark~~Bloomberg Barclays Aggregate Bond Index~~
US Stock Fund	1	Russell 3000 Index
Foreign Stock Fund	1	MSCI All Country World Index ex US Index
Global Stock Fund	1	MSCI All Country World Index

Tier IV: Retiree Annuity Options		(Section 121.591(1)(c), Florida Statutes)
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director ~~& CIO~~
Tier V: Self-Directed Brokerage Account	Not Applicable	Not applicable

B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products. Consistent with its fiduciary responsibilities, the Board is permitted by Section 121.4501(8)(h), to develop one or more investment products for the Investment Plan.

C. Investment options may have performance benchmarks other than the "Representative Performance Benchmarks" listed in IPS-Table 2, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.

D. Retirement Date Funds are only available as a weighted average of Tier II and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.

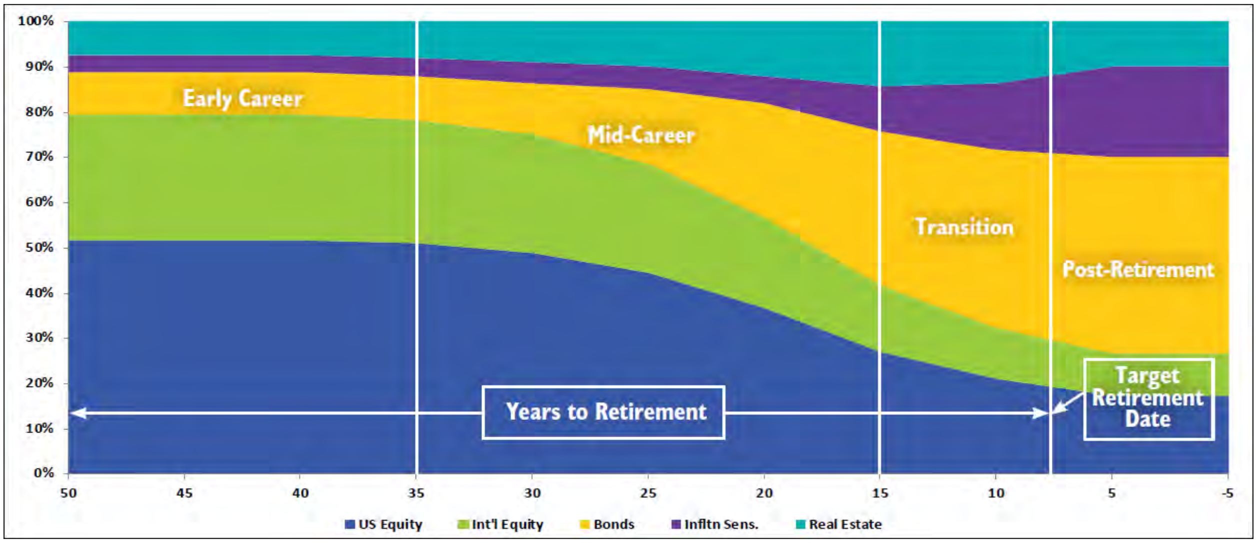
E. With IAC review and input, the Executive Director ~~& CIO~~ shall periodically recommend changes to the authorized investment option categories in IPS-Tables 1 and 2, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

XI. GENERAL INVESTMENT OPTION GUIDELINES

A. The Executive Director ~~& CIO~~ is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:

1) The Retirement Date Funds are diversified portfolios designed to provide members with professionally managed investment vehicles that can grow assets over their career. The funds seek favorable long-term returns through investments in the Tier II and III Options according to the "glide path" allocation levels identified in IPS-Chart 1. Asset allocations will generally be held within a Current Operating Range (COR) of plus or minus 2% of their respective allocation target, but short-term deviations may occur. Optimized asset allocations for the Retirement Date Funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's investment consultant.

IPS-Chart 1: Target Date Investment Funds Glidepath



2) The Stable Value Fund seeks to provide maximum current income while maintaining stability of principal. The fund will be actively managed and will primarily invest in short-term fixed income securities designed to provide principal stability and a competitive yield. The stability of principal is guaranteed through Wrap Contracts with various high quality insurance companies and banks. The competive yield is determined quarterly via a crediting rate derived from the book value yield of the underlying securities net of fees.

3) The U.S. Bond and Diversified Income funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as real estate, non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.

4) The U.S. Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

5) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.

6) The Inflation Sensitive Fund seeks long-term real returns to preserve the future purchasing power of accumulated member benefits. The fund will be actively managed and will primarily invest in a diversified array of assets that may act as a hedge against inflationary pressures including, but not limited to, U.S. Treasury's inflation-indexed securities, commodities, real estate investment trusts, commercial real estate and other securities. The fund's sensitivity to interest rate changes and inflation will closely approximate that of the performance benchmark.

7) The Global Stock fund seeks capital appreciation and current income. The fund may be passively or actively managed and will primarily invest in equities contained in the benchmark, including equities domiciled in the United States, other developed and emerging economies although other securities which fit the funds' objectives may be selectively used to generate excess returns.

8) Each investment option must:

a) Have a prudent degree of diversification relative to its performance benchmark;
b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
d) Have no surrender fees or deferred loads/charges;
e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(8)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(8)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

9) The annuity option offered in Tier IV must be provided by a provider with high independent ratings for financial strength and stability. Tier IV options may include immediate annuities with combinations of some of the following features:

a) Single premium.
b) Life or fixed period payouts.
c) Single or joint life (survivors with an insurable interest).
d) Complete or partial survivor benefits.
e) Cash refund, installment refund or period certain features.
f) Variable or fixed payments, non-participating, or income payable features.
g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES

A. The Executive Director ~~& CIO~~ shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all internal and external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Sections 121.4501(8)(h) and 121.4501(9)(c), Florida Statutes.

When the Executive Director ~~& CIO~~ decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or "mapped" to the investment fund(s) that the Executive Director ~~& CIO~~ deems appropriate. The mapping factors that will be consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in the Investment Plan from the Pension Plan trust to the Investment Plan trust.

C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.

D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:

1) Additional products or services that are not otherwise available to the members within the Plan;
2) The type and quality of investment products offered;
3) The type and quality of non-investment services offered; and
4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.

E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director ~~& CIO~~ will periodically review all costs associated with the management of the Investment Plan's investment options, including:

1) Expense ratios of each investment option against the appropriate peer group; and

2) Costs to administer the Plan, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

XIII. SELF-DIRECTED BROKERAGE ACCOUNT (SDBA) PROVIDER SELECTION AND MONITORING GUIDELINES

A. The Executive Director ~~& CIO~~ shall develop policies and guidelines for the selection, retention and termination of a SDBA Provider and shall manage the contractual relationship in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

B. The SDBA shall be offered as a service to Investment Plan members to enable members to select investments otherwise not offered in the Plan.

C. In selecting the SDBA Provider, the Executive Director ~~& CIO~~ shall consider the following:

1) Financial strength and stability as evidenced by the highest ratings assigned by nationally recognized rating services when comparing proposed providers that are so rated.

2) Reasonableness of fees compared to other providers taking into consideration the quantity and quality of services being offered.

3) Compliance with the Internal Revenue Code and all applicable federal and state securities laws.

4) The methods available to members to interact with the provider; the means by which members may access account information, direct investment of funds, transfer funds, and to receive fund prospectuses and related investment materials as mandated by state and federal regulations.

5) Ability to provide prompt, efficient and accurate responses to participant directions, as well as providing confirmations and quarterly account statements in a timely fashion.

6) Process by which assets are invested, as well as any waiting periods when the monies are transferred.

7) Organizational factors, including, but not limited to, financial solvency, organizational depth, and experience in providing self-directed brokerage account services to public defined contribution plans.

8) The self-directed brokerage account available under the most beneficial terms available to any customer.

9) The provider will agree not to sell or distribute member lists generated through services rendered to the Investment Plan.

10) The provider, as well as any of its related entities, may not offer any proprietary products as investment alternatives in the self-directed brokerage account.

D. The Executive Director ~~& CIO~~ shall regularly monitor the selected provider to ascertain whether there is continued compliance with established selection criteria, board policy and procedures, state and federal regulations, and any contractual provisions.

E. The Executive Director ~~& CIO~~ shall ensure that the SDBA Provider will include access to investment instruments offered through the self-directed brokerage account by providing connectivity with the following:

1) Stocks listed on a Securities Exchange Commission (SEC) regulated national exchange.

2) Exchange Traded Funds (except for leveraged Exchange Traded Funds).

3) Mutual Funds not offered in the Investment Plan.

4) Fixed Income products.

F. The Executive Director ~~& CIO~~ shall ensure that the self-directed brokerage account accessibility does not include the following as investment alternatives:

1) Illiquid investments;

2) Over the Counter Bulletin Board (OTCBB) securities;

3) Pink Sheet® (PS) securities;

4) Leveraged Exchange Traded Funds;

5) Direct Ownership of Foreign Securities;

6) Derivatives, including, but not limited to futures and options contracts on securities, market indexes, and commodities;

7) Buying/Trading on Margin;

8) Limited Partnership Interests;

9) Investment Plan products;

10) Any investment that would jeopardize the Investment Plan's tax qualified status;

11) Master Limited Partnerships (MLPs);

12) Commodity ETFs (subject to UBIT);

13) Private Placements.

G. The Executive Director ~~& CIO~~ shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that an Investment Plan member may participate in the self-directed brokerage account, if the member:

1) Maintains a minimum balance of $5,000 in the products offered under the Investment Plan;

2) Makes a minimum initial transfer of funds into the self-directed brokerage account of $1,000;

3) Makes subsequent transfers of funds into the self-directed brokerage account in amounts of $1,000 or greater;

4) Pays all trading fees, commissions, administrative fees and any other expenses associated with participating in the self-directed brokerage account;

5) Does not violate any trading restrictions established by the provider, the Investment Plan, or state or federal law.

H. The Executive Director ~~& CIO~~ shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that employer contributions and employee contributions shall be initially deposited into member's Investment Plan account and will then be made available for transfer to the member's SDBA.

I. The Executive Director ~~& CIO~~ shall establish procedures with the SDBA Provider and the Investment Plan Administrator that distributions will not be processed directly from member's assets in the SDBA. Assets must first be transferred to Investment Plan products. A member can request a distribution from the Investment Plan once the transfer of the assets from the SDBA to the member's Investment Plan account and all Investment Plan distribution requirements are met.

J. The Executive Director ~~& CIO~~ shall ensure that any member participating in the SDBA will be provided, at minimum, a quarterly statement that meets Financial Industry Regulatory Authority (FINRA) requirements which details member investments in the SDBA. The statement shall include, but is not limited to, member specific accounting of the investment instruments selected by a member, the net gains and losses, and buy/sell transactions. Additionally, a confirmation of trade statement will be sent for each transaction and all fees, charges, penalties and deductions associated with each transaction are netted in the trade and reflected in the transaction confirmation.

K. The Executive Director ~~& CIO~~ shall develop appropriate communications to members participating in the SDBA that will notify members that the Board is not responsible for managing the SDBA beyond administrative requirements as established between the Board and SDBA Provider. As such, investment alternatives available through the SDBA have not been subjected to any selection process, are not monitored by the Board, require investment expertise to prudently buy, manage and/or dispose of, and have a risk of substantial loss. The communication shall also notify members that they are responsible for any and all administrative, investment, and trading fees associated with participating in the SDBA.

L. The Executive Director ~~& CIO~~ shall ensure that the provider will deliver a prospectus or other information for the underlying investments available through the self-directed brokerage account as provided in Section 121.4501(15)(c)1. and 2. and in compliance with Federal laws.

XIV. REPORTING

A. The Board directs the Executive Director ~~& CIO~~ to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.

B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

XV. IMPLEMENTATION SCHEDULE

This IPS shall be effective upon approval by the Trustees.

This Page Intentionally Left Blank

FLORIDA RETIREMENT SYSTEM

Investment Plan
Investment Policy Statement

I. PURPOSE

The Florida Retirement System Investment Plan Investment Policy Statement (IPS) serves as the primary statement of Trustee policy regarding their statutory responsibilities and authority to establish and operate an optional defined contribution retirement program for members of the Florida Retirement System. The IPS shall serve as a guiding document pertaining to investment matters with respect to the Investment Plan. The Trustees will strive to make investment decisions consistent with this IPS. Section 121.4501(14), Florida Statutes, directs the Trustees of the State Board of Administration to approve the IPS. The IPS will be reviewed annually and will be revised or supplemented as policies are changed or developed.

II. DEFINITIONS

A. **Member** – An employee who enrolls in, or who defaults into, the Florida Retirement System Investment Plan, a member-directed 401(a) program, in lieu of participation in the defined benefit program of the Florida Retirement System, a terminated Deferred Retirement Option Program (DROP) member as described in section 121.4501(21), Florida Statutes, or an alternate payee of a member or employee.

B. **Investment Product –** The result of a process that forms portfolios from securities and financial instruments in order to produce investment returns.

C. **Investment Manager** – A private sector company or the State Board of Administration that provide one or more investment products.

D. **Investment Funds** – One of the investment options that may be chosen by participants. A Fund may be an aggregate of one or more investment products.

E. **Bundled Provider -** A private sector company that offers investment products, combined with recordkeeping and trading services, which are designed to meet individualized needs and requirements of plan participants, so as to afford value to participants not available through individual investment product.

F. **Passively Managed Option** – An investment management strategy that intends to produce the same level and pattern of financial returns generated by a market benchmark index.

G. **Actively Managed Option** – An investment management strategy that relies on security return predictions in an effort to out-perform the financial returns generated by a market benchmark index.

H. **Performance Benchmark** – A market benchmark index that serves as the performance measurement criterion for investment options.

I. **Investment Plan Administrator or Recordkeeper** – A private sector company that provides administrative services, including individual and collective recordkeeping and accounting, Internal Revenue Code ("IRC") limit monitoring, enrollment, beneficiary designation and changes, disbursement of monies, and other centralized administrative functions.

J. **Self-Directed Brokerage Account** – An alternative method for Investment Plan members to select various investments options otherwise not available in the Investment Plan.

K. **Self-Direct Brokerage Account Provider** – A private sector company that provides access to a Self-Directed Brokerage Account to members of the FRS Investment Plan.

III. OVERVIEW OF THE INVESTMENT PLAN AND STATE BOARD OF ADMINISTRATION

A. The Investment Plan is a member-directed 401(a) program for employees who selected to participate, or who defaulted into the plan, in lieu of participation in the defined benefit program of the Florida Retirement System. Investment Plan benefits accrue in individual accounts that are member-directed, portable and funded by employee and employer contributions and earnings. In accordance with Section 121.4501(15)(b), Florida Statutes, members and beneficiaries bear the investment risks and reap the rewards that result when they exercise control over investments in their accounts. Fluctuations in investment returns directly affect members' benefits.

B. The State Board of Administration (Board), Division of Retirement, and affected employers administer the Investment Plan. The Board designs educational services to assist employers, eligible employees, members and beneficiaries. The State Legislature has the responsibility for setting contribution levels and providing statutory guidance for the administration of the Investment Plan.

IV. THE BOARD

A. The Board consists of the Governor, as Chairman, the Chief Financial Officer and the Attorney General. The Board shall establish an optional defined contribution retirement program for members of the Florida Retirement System and make a broad range of investment options, covering most major market segments, available to members. The Board makes the final determination as to whether any investment manager or product, third-party administrator, education vendor or investment guidance vendor shall be approved for the Plan.

B. The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 121.4501(15)(a) and 112.656, Florida Statutes.

C. The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the Investment Plan. The Board appoints a nine-member Investment Advisory Council (IAC). The IAC reviews the IPS and any proposed changes prior to its presentation to the Board of Trustees. The Council presents the results of its review to the Board of Trustees prior to the Trustees' final approval of the statement or any changes.

V. THE EXECUTIVE DIRECTOR

A. The Executive Director is responsible for managing and directing administrative, personnel, budgeting and investment-related functions, including the hiring and termination of investment managers, bundled providers and products.

B. The Executive Director is responsible for developing specific investment objectives and policy guidelines for investment options for the Investment Plan. The Executive Director is responsible for developing policies and procedures for selecting, evaluating, and monitoring the performance of investment managers and products to which employees may direct retirement contributions under the Investment Plan, and providing the Board with monthly and quarterly reports of investment activities.

C. The Executive Director is responsible for maintaining an appropriate compliance program that ensures :

- Compliance with contractual and investment guidelines of each investment manager;
- Compliance with contractual provisions agreed to with the Investment Plan administrator and the custodian, and all other service providers to the Plan, to facilitate compliance with all legal requirements pertaining to the administration of the Plan, and compliance with all applicable administrative rules, SBA policies, and procedures; and
- Compliance with reporting and valuation requirements.

In addition, the Executive Director is also responsible for maintaining diversified investment options, and maximizing returns with respect to the performance benchmarks of investment options offered in the Investment Plan line up, consistent with appropriate defined contribution plan design. Each investment option will avoid excessive risk and have a prudent degree of diversification relative to its broad market performance benchmark. The Executive Director will develop policies and procedures to:

- ° Identify and monitor manager performance and key investment and operational risks within the manager’s business structure.
- ° Maintain an appropriate compliance program that ensures compliance with contractual and investment guidelines of each manager in the plan.
- ° Maintain an appropriate and effective oversight function within the Office of Defined Contribution Programs to ensure effective operational and administrative oversight.
- ° Approve fund allocations and limits for each fund-of-fund or Retirement Date Fund under the Investment Plan.

The Executive Director will appoint a Chief of Defined Contribution Programs, to assist in the execution of the responsibilities enumerated in the preceding paragraphs. For day-to-day executive and administrative purposes, the Chief of Defined Contribution Programs will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief of Defined Contribution Programs will provide reports to the Investment Advisory Council, and to the Audit Committee and Board as requested.

To ensure compliance with the enumerated functions outlined above, at the request of the Executive Director, the SBA Chief Risk & Compliance Officer will conduct compliance reviews of Office of Defined Contribution Programs to ensure compliance with this Investment Policy Statement and any SBA related policies and procedures in place for the Investment Plan and will provide a report that details any adverse compliance exceptions to the Executive Director.

Pursuant to written SBA policy, the Executive Director will cause a regular review, documentation and formal escalation of any events that may have a material impact on the FRS Investment Plan Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such events, with input from the Investment Advisory Council as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

D. The Executive Director shall adopt policies and procedures designed to prevent excessive member trading between investment options from negatively impacting other members.

E. The Executive Director is responsible for periodically reviewing this IPS and recommending changes to the Board of Trustees when appropriate.

VI. INVESTMENT OBJECTIVES

A. The Investment Plan shall seek to achieve the following long-term objectives:

1) Offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits.
2) Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees that seek to achieve or exceed the returns on comparable market benchmark indices.
3) Offer members meaningful, independent control over the assets in their account with the opportunity to:
    a) Obtain sufficient information about the plan and investment alternatives to make informed investment decisions;
    b) Direct contributions and account balances between approved investment_options with a frequency that is appropriate in light of the market volatility of the investment options;
    c) Direct contributions and account balances between approved investment_options without the limitation of fees or charges; and
    d) Remove accrued benefits from the plan without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the Plan.

VII. MEMBER CONTROL AND PLAN FIDUCIARY LIABILITY

A. This IPS is structured to be consistent with the Legislature's intent to assign liability for members' investment losses to members and provide a safe harbor for Plan fiduciaries.

B. In Sections 121.4501(8)(b)2. and 121.4501(15)(b), Florida law incorporates the federal law concept of participant control, established by regulations of the U.S. Department of Labor under section 404(c) of the Employee Retirement Income Security Act of 1974. The Investment Plan shall incorporate these concepts by providing Plan participants the opportunity to give investment instructions and obtain sufficient information to make informed investment decisions. The Investment Plan shall, in accordance with the 404(c) regulations and Florida law, provide members an opportunity to choose from a broad range of investment alternatives.

C. If a member or beneficiary of the Investment Plan exercises control over the assets in his or her account, pursuant to section 404(c) regulations and all applicable laws governing the operation of the Plan, no Plan fiduciary shall be liable for any loss to a member's or beneficiary's account which results from such member's or beneficiary's exercise of control.

D. The default investment option for FRS Investment Plan members that default into the plan or fail to make a selection of investment options shall be the FRS Retirement Date Fund (RDF), or Retirement Target Date Fund, that matches the year closest to the year each individual member reaches normal retirement age for the Florida Retirement System as defined in Section 121.021(29) Florida Statutes, which otherwise meets the requirements of a qualified default investment alternative pursuant to regulations issued by the U.S. Department of Labor. The default investment option for FRS Pension Plan DROP participants who rollover funds from their DROP account to the Investment Plan as permitted by section 121.4501(21), Florida Statutes, and fail to make a selection of investment options shall be the FRS Retirement Fund.

VIII. MEMBER EDUCATION AND INVESTMENT GUIDANCE

A. The education component of the Investment Plan shall be designed by the Board to assist employers, eligible employees, members, and beneficiaries in order to maintain compliance with section 404(c) regulations and to assist employees in their choice of defined benefit or defined contribution retirement programs. Educational services include, but are not limited to, disseminating educational materials; providing retirement planning education; explaining the differences between the defined benefit retirement plan and the defined contribution retirement plan; and offering financial planning guidance on matters such as investment diversification, investment risks, investment costs, and asset allocation.

For members of the Investment Plan, the following items must be made available to members in sufficient time to allow them an opportunity to make informed decisions regarding the management of their individual retirement account under the Plan:

- A description of all investment funds offered as an investment option under the Investment Plan including: general investment objectives, risk and return characteristics, and type and diversification of assets, but excluding any investment instruments made available through a self-directed brokerage account.

- An explanation of how to give investment instructions and any limits or restrictions on giving instructions.
- A description of any transaction fees or expenses that are charged to the member's account in connection with purchases or sales of an investment fund.
- Investment summary fund profiles as defined at Sections 121.4501(15)(c), excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Descriptions of the annual operating expenses for each investment alternative, such as investment management fees, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- The value of shares of all investment funds and a quarterly member statement that accounts for contributions, investment earnings, fees, penalties, or other deductions, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.
- Information concerning the past investment performance of each investment fund, net of expenses, and relative to appropriate market indices, excluding the prospectus or other information for the underlying investment instruments available through the self-directed brokerage account provided by the Plan.

B. Consistent with Sections 121.4501(8)(b)1. and 121.4501(10)(b), Florida Statutes, the education component shall provide FRS members with impartial and balanced information about the Plan and investment choices. In addition, any approved education organization shall not be an approved investment provider or be affiliated with an approved investment provider. Educational materials shall be prepared under the assumption that the employee is an unsophisticated investor and all educational materials, including those distributed by bundled providers, shall be approved by the Board prior to dissemination. Members shall have the opportunity to choose from different levels of education services, as well as a variety of delivery methods and media. All educational services offered by investment product providers shall be provided on a fee-for-service basis.

C. The Board shall contract for the provision of low- or no-cost investment guidance to members that is supplemental to educational services and that may be paid for by those receiving the guidance. Investment guidance shall consist of impartial and balanced recommendations about investment choices consistent with Rule 19-13.004, F.A.C. Investment guidance provided to a member should be individualized and provided on a regular basis. Members have the opportunity to choose from different levels of customized investment guidance services, as well as a variety of delivery methods and media.

D. Investment guidance for Investment Plan members will provide optimized combinations of available Investment Plan investment options and any personally owned non-Investment Plan member directed tax-deferred or taxable accounts.

E. Investment guidance for Pension Plan members will provide optimized combinations of any available Pension Plan benefit and any personally owned specific investment options across member directed tax-deferred or taxable accounts.

F. Bundled provider(s) selected to provide investment products for Investment Plan members shall not provide any member education services aimed at influencing the choice between the defined benefit and defined contribution plans of the Florida Retirement System. This education program will only be provided by the neutral education provider hired to do so by the Board.

IX. ROLES OF THE INVESTMENT PLAN ADMINISTRATOR AND BUNDLED PROVIDERS

A. The Board will select a single private party to serve as the administrator for the Investment Plan. The Board makes the final determination as to whether any administrator shall be approved for the Plan. Administrative services such as individual and collective recordkeeping and accounting, IRC limit monitoring, enrollment, beneficiary designation and changes, disbursement of benefits, and other centralized administrative functions shall be provided by the single administrator selected by the Board. The SBA retains the right to delineate through the contract the specific administrative services to be provided by the Bundled Provider. The SBA also retains the right, consistent with Section 121.4501(8)(a)1., Florida Statutes, to enter into a contract with the Division of Retirement for certain administrative services.

B. Bundled provider(s) selected to provide investment products to members will provide administrative services that are uniquely relevant to the bundled provider mandate. The SBA shall specify the administrative services to be provided by the single administrator and the bundled provider in the solicitation documents and contracts for services.

X. INVESTMENT OPTIONS AND PERFORMANCE BENCHMARKS

A. The authorized categories of Investment Plan investment options are segmented into tiers, with each designed to meet the varying needs of different members as shown in IPS-Table 1. The Investment Plan investment options are contained in IPS-Table 2 The default option for members that fail to make a selection of investment options shall be the Retirement Date Fund (RDF) that matches the year closest to the year each individual member reaches the normal retirement age for the Florida Retirement System as defined in Section 121.021(29) Florida Statutes. The investment options can be constructed under a multiple manager framework of two or more investment managers, however, the number of investment options shall not exceed the “Maximum Number of Options” listed in IPS-Table 2 for each category, except to the extent that:

   1) Multiple investment options within the same category are simultaneously offered to facilitate a transitional mapping of contributions and account balances from a terminating option;

2) An investment option is temporarily closed to new contributions and account balance transfers.

IPS-Table 1: Authorized Investment Categories

Tier	Philosophy
Tier I- Asset Allocation-Target Date Funds	Allow members to choose a diversified investment portfolio that best fits their career time horizon until anticipated retirement date. TDFs seek growth of assets in earlier years of employment and gradually shift to income oriented options at retirement. Designed for members with little investment knowledge who want a professionally managed asset allocation with little input from the member. These options will be comprised of underlying investments in the Investment Plan's Tier II and Tier III Core Options.
Tier II- Passively-Managed Core Options	Allow members who wish some control over major investment category shifts to create their own portfolios based on broad, low-cost index funds that best fit their time horizon, risk tolerance and investment goals.
Tier III- Actively –Managed Core Options	Allow members who wish more control over all key investment allocation decisions to create their own portfolios based on investment options from active managers who seek returns above a performance benchmark and that members believe best fit their time horizon, risk tolerance and investment goals.
Tier IV- Retirement Annuity Options	Allow members leaving FRS employment a means by which they can create an income stream of their accumulated assets that can last over their remaining lifetimes.
Tier V- Self Directed Brokerage Account	Allows members interested in investments outside of Tiers I, II and III the opportunity to invest in a broad array of mutual funds, stocks, US Treasuries and other investment alternatives based on their time horizon, risk tolerance, investment goals and/or preferences.

IPS-Table 2: Authorized Investment Options Representative Performance Benchmarks, Retiree Annuities and Self Directed Brokerage Account

Investment Option Categories	Maximum Number of Options	Representative Performance Benchmarks
Tier I: Target Date Funds		
A series of asset allocation funds	11	Weighted Average of each Constituent Fund's Benchmarks

structured in 5-year increments along a "glidepath" as demonstrated in IPS Chart 1 below.		
Tier II: Passively Managed Core Options		
Enhanced U.S. Bond Index Fund	1	Bloomberg Barclays Aggregate Bond Index
Stock Market Index Fund	1	Russell 3000 Index
Foreign Stock Index Fund	1	MSCI All Country World Index ex U.S. IMI Index

Tier III: Actively-Managed Core Options		
Stable Value Fund	1	Custom Stable Value Benchmark
Inflation Sensitive Fund	1	Custom Multi-Asset Benchmark
Diversified Income Fund	1	Custom Diversified Income Benchmark
US Stock Fund	1	Russell 3000 Index
Foreign Stock Fund	1	MSCI All Country World Index ex US Index
Global Stock Fund	1	MSCI All Country World Index

Tier IV: Retiree Annuity Options		(Section 121.591(1)(c), Florida Statutes)
Immediate and Deferred Annuities	Not Applicable	Specified by the Executive Director
Tier V: Self-Directed Brokerage Account	Not Applicable	Not applicable

B. Investment options and investment products (i.e., that support Investment Funds that are composed of an aggregate of one or more investment products) may be provided by investment managers or bundled providers. Pursuant to Section 121.4501(9)(a), Florida Statutes, the Board shall select one or more providers who offer multiple investment products when such an approach is determined by the Board to afford value to members otherwise not available through individual investment products. Consistent with its fiduciary responsibilities, the Board is permitted by Section 121.4501(8)(h), to develop one or more investment products for the Investment Plan.

C. Investment options may have performance benchmarks other than the "Representative Performance Benchmarks" listed in IPS-Table 2, but any alternative performance benchmark must be identified in the investment guidelines required under Section XI of this IPS and provide substantial coverage of the financial market segment defined by the corresponding Representative Performance Benchmark.

D. Retirement Date Funds are only available as a weighted average of Tier II and III options. The Board shall establish procedures for initiating rebalancings per approved investment guidelines.

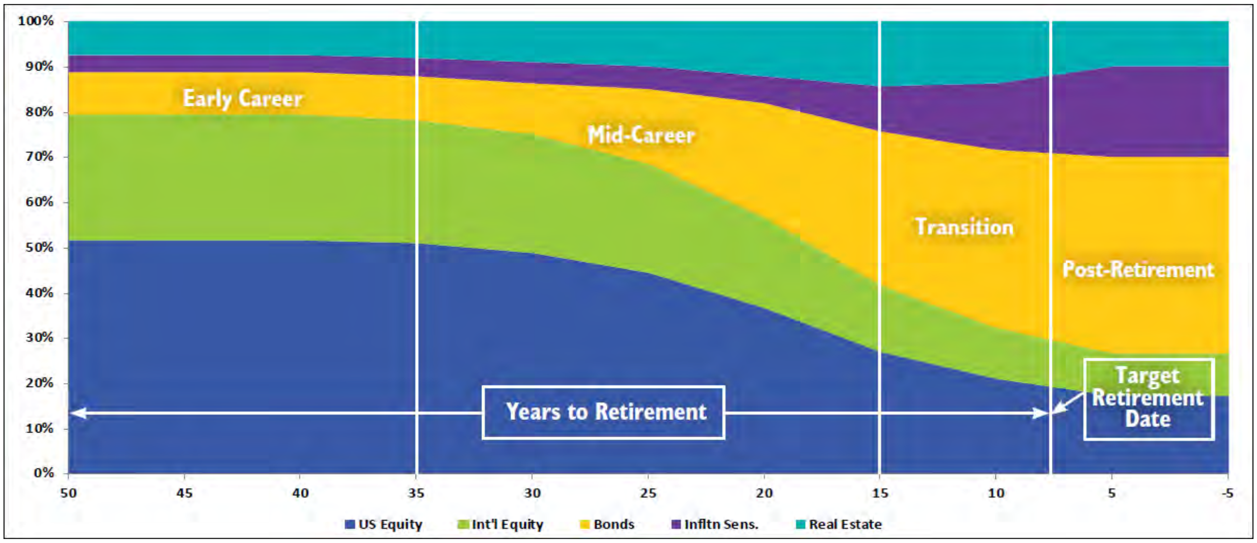
E. With IAC review and input, the Executive Director shall periodically recommend changes to the authorized investment option categories in IPS-Tables 1 and 2, as modifications are appropriate. Any recommended modifications must be justified in terms of the incremental costs and benefits provided to members.

XI. GENERAL INVESTMENT OPTION GUIDELINES

A. The Executive Director is responsible for developing specific investment policies and guidelines for investment options, which reflect the goals and objectives of this IPS. In doing so, he is authorized to exercise and perform all duties set forth in Section 121.4501(9), Florida Statutes, except as limited by this IPS or Board Rules. General guidelines are as follows:

1) The Retirement Date Funds are diversified portfolios designed to provide members with professionally managed investment vehicles that can grow assets over their career. The funds seek favorable long-term returns through investments in the Tier II and III Options according to the "glide path" allocation levels identified in IPS-Chart 1. Asset allocations will generally be held within a Current Operating Range (COR) of plus or minus 2% of their respective allocation target, but short-term deviations may occur. Optimized asset allocations for the Retirement Date Funds shall be established using methodology consistent with the guidance rendered by the Investment Plan's investment consultant.

IPS-Chart 1: Target Date Investment Funds Glidepath



2) The Stable Value Fund seeks to provide maximum current income while maintaining stability of principal. The fund will be actively managed and will primarily invest in short-term fixed income securities designed to provide principal stability and a competitive yield. The stability of principal is guaranteed through Wrap Contracts with various high quality insurance companies and banks. The competive yield is determined quarterly via a crediting rate derived from the book value yield of the underlying securities net of fees.

3) The U.S. Bond and Diversified Income funds seek high current income consistent with capital appreciation. The funds may be passively or actively managed and will primarily invest in securities contained in the benchmark, although other fixed income instruments which fit the funds' objectives may be selectively used to generate excess return, such as real estate, non-investment grade securities or securities issued by foreign entities. The funds' sensitivity to interest rate changes will closely approximate that of the performance benchmark.

4) The U.S. Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark. Other securities which fit the funds' objectives may be selectively used to generate excess return. The funds' investment process will not have a persistent bias toward the selection of securities that are predominantly in the growth or value style categories.

5) The Foreign Stock funds seek capital appreciation and current income. The funds may be passively or actively managed and will primarily invest in equities contained in the benchmark, although other securities which fit the funds' objectives may be selectively used to generate excess return, such as equity securities issued by corporations domiciled in emerging economies.

6) The Inflation Sensitive Fund seeks long-term real returns to preserve the future purchasing power of accumulated member benefits. The fund will be actively managed and will primarily invest in a diversified array of assets that may act as a hedge against inflationary pressures including, but not limited to, U.S. Treasury's inflation-indexed securities, commodities, real estate investment trusts, commercial real estate and other securities. The fund's sensitivity to interest rate changes and inflation will closely approximate that of the performance benchmark.

7) The Global Stock fund seeks capital appreciation and current income. The fund may be passively or actively managed and will primarily invest in equities contained in the benchmark, including equities domiciled in the United States, other developed and emerging economies although other securities which fit the funds' objectives may be selectively used to generate excess returns.

8) Each investment option must:

a) Have a prudent degree of diversification relative to its performance benchmark;
b) Be readily transferable from one Investment Plan account to another Investment Plan investment option or to private-sector or public-sector defined contribution plan accounts and self-directed individual retirement accounts;
c) Allow transfers of members' balances into and out of the option at least daily, subject to the excessive trading policies of the providers and/or the SBA;
d) Have no surrender fees or deferred loads/charges;
e) Have no fees or charges for insurance features (e.g. mortality and expense risk charges);
f) To the extent allowed by law, notwithstanding failure to meet one or more of the IPS Section XI(8)(b),(c)-(f) requirements, an option may be authorized if: (i) it produces significant and demonstrable incremental retirement benefits relative to other comparable products in the market place and comparable Tier I, Tier II, or Tier III options; and (ii) the incremental benefits are sufficient to offset all associated fees, charges and the expected economic cost of the variance(s) with the IPS Section XI(8)(b),(c)-(f) requirements. Comparability shall be based on the option's underlying investments within the broad categories of Money Market, U.S Fixed Income, U.S. Equities and Foreign Equities.

9) The annuity option offered in Tier IV must be provided by a provider with high independent ratings for financial strength and stability. Tier IV options may include immediate annuities with combinations of some of the following features:

a) Single premium.
b) Life or fixed period payouts.
c) Single or joint life (survivors with an insurable interest).
d) Complete or partial survivor benefits.
e) Cash refund, installment refund or period certain features.
f) Variable or fixed payments, non-participating, or income payable features.
g) Deferred payments.

B. The long-term performance of each actively managed investment option is expected to exceed the returns on their performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively managed investment option is expected to closely approximate returns on the performance benchmark, net of all fees and charges. Investment managers are authorized to prudently use options, futures, notional principal contracts or securities lending arrangements, in accordance with the fiduciary standards of care, as contained in Section 121.4501(15)(a), Florida Statutes, investment guidelines and related policies.

XII. INVESTMENT MANAGER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of investment managers, bundled providers and products, and shall manage all internal and external contractual relationships in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Sections 121.4501(8)(h) and 121.4501(9)(c), Florida Statutes.

When the Executive Director decides to terminate an investment fund in the Investment Plan, members will be granted an opportunity to direct their assets to other Investment Plan investment fund options prior to the investment fund termination. Assets that are not directed by members will be transferred or "mapped" to the investment fund(s) that the Executive Director deems appropriate. The mapping factors that will be consider include, but are not limited to, alignment of investment fund type (e.g., asset class, capitalization and style) and investment strategy (e.g., objectives, market focus, and implementation tactics).

B. In the selection of investment managers, investment products or bundled providers, consideration shall be given to their effectiveness in minimizing the direct and indirect costs of transferring the total present value of accumulated benefit obligations for existing employees that choose membership in the Investment Plan from the Pension Plan trust to the Investment Plan trust.

C. In the selection and monitoring of products from bundled providers, each proposed product will be evaluated on a stand-alone basis, pursuant to the requirement in Section 121.4501(9)(c)9., Florida Statutes. The cost-effectiveness of the levels of non-investment services supporting the products will also be evaluated relative to their benefits.

D. In the selection, retention and termination of bundled providers and their proposed products and services, value, as that term is used in Section 121.4501(9)(a), Florida Statutes, shall be evaluated based on the value added to the process of accumulating retirement benefits for members. This evaluation shall consider the following factors in arriving at any staff recommendation:

1) Additional products or services that are not otherwise available to the members within the Plan;
2) The type and quality of investment products offered;
3) The type and quality of non-investment services offered; and
4) Other significant elements that provide value to members, consistent with the mandates of Section 121.4501, Florida Statutes.

E. On at least an annual basis, a review will be conducted of the performance of each approved investment manager and product and related organizational factors to ensure continued compliance with established selection, performance and termination criteria, Board policy and procedures and all contractual provisions. The performance and termination criteria for each provider and investment product will be reflected in each employment contract.

F. In addition to reviewing the performance of the Investment Plan's investment managers/options, the Executive Director will periodically review all costs associated with the management of the Investment Plan's investment options, including:

1) Expense ratios of each investment option against the appropriate peer group; and
2) Costs to administer the Plan, including recordkeeping, account settlement (participant balance with that of investment), allocation of assets and earnings, and (when applicable) the proper use of 12b-1 fees to offset these fees.

XIII. SELF-DIRECTED BROKERAGE ACCOUNT (SDBA) PROVIDER SELECTION AND MONITORING GUIDELINES

A. The Executive Director shall develop policies and guidelines for the selection, retention and termination of a SDBA Provider and shall manage the contractual relationship in accordance with the fiduciary responsibilities of the Board, this IPS and provisions of Section 121.4501(9)(c), Florida Statutes.

B. The SDBA shall be offered as a service to Investment Plan members to enable members to select investments otherwise not offered in the Plan.

C. In selecting the SDBA Provider, the Executive Director shall consider the following:

1) Financial strength and stability as evidenced by the highest ratings assigned by nationally recognized rating services when comparing proposed providers that are so rated.

2) Reasonableness of fees compared to other providers taking into consideration the quantity and quality of services being offered.

3) Compliance with the Internal Revenue Code and all applicable federal and state securities laws.

4) The methods available to members to interact with the provider; the means by which members may access account information, direct investment of funds, transfer funds, and to receive fund prospectuses and related investment materials as mandated by state and federal regulations.

5) Ability to provide prompt, efficient and accurate responses to participant directions, as well as providing confirmations and quarterly account statements in a timely fashion.

6) Process by which assets are invested, as well as any waiting periods when the monies are transferred.

7) Organizational factors, including, but not limited to, financial solvency, organizational depth, and experience in providing self-directed brokerage account services to public defined contribution plans.

8) The self-directed brokerage account available under the most beneficial terms available to any customer.

9) The provider will agree not to sell or distribute member lists generated through services rendered to the Investment Plan.

10) The provider, as well as any of its related entities, may not offer any proprietary products as investment alternatives in the self-directed brokerage account.

D. The Executive Director shall regularly monitor the selected provider to ascertain whether there is continued compliance with established selection criteria, board policy and procedures, state and federal regulations, and any contractual provisions.

E. The Executive Director shall ensure that the SDBA Provider will include access to investment instruments offered through the self-directed brokerage account by providing connectivity with the following:

1) Stocks listed on a Securities Exchange Commission (SEC) regulated national exchange.

2) Exchange Traded Funds (except for leveraged Exchange Traded Funds).

3) Mutual Funds not offered in the Investment Plan.

4) Fixed Income products.

F. The Executive Director shall ensure that the self-directed brokerage account accessibility does not include the following as investment alternatives:

1) Illiquid investments;

2) Over the Counter Bulletin Board (OTCBB) securities;

3) Pink Sheet® (PS) securities;

4) Leveraged Exchange Traded Funds;

5) Direct Ownership of Foreign Securities;

6) Derivatives, including, but not limited to futures and options contracts on securities, market indexes, and commodities;

7) Buying/Trading on Margin;

8) Limited Partnership Interests;

9) Investment Plan products;

10) Any investment that would jeopardize the Investment Plan's tax qualified status;

11) Master Limited Partnerships (MLPs);

12) Commodity ETFs (subject to UBIT);

13) Private Placements.

G. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that an Investment Plan member may participate in the self-directed brokerage account, if the member:

1) Maintains a minimum balance of $5,000 in the products offered under the Investment Plan;

2) Makes a minimum initial transfer of funds into the self-directed brokerage account of $1,000;

3) Makes subsequent transfers of funds into the self-directed brokerage account in amounts of $1,000 or greater;

4) Pays all trading fees, commissions, administrative fees and any other expenses associated with participating in the self-directed brokerage account;

5) Does not violate any trading restrictions established by the provider, the Investment Plan, or state or federal law.

H. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator to ensure that employer contributions and employee contributions shall be initially deposited into member's Investment Plan account and will then be made available for transfer to the member's SDBA.

I. The Executive Director shall establish procedures with the SDBA Provider and the Investment Plan Administrator that distributions will not be processed directly from member's assets in the SDBA. Assets must first be transferred to Investment Plan products. A member can request a distribution from the Investment Plan once the transfer of the assets from the SDBA to the member's Investment Plan account and all Investment Plan distribution requirements are met.

J. The Executive Director shall ensure that any member participating in the SDBA will be provided, at minimum, a quarterly statement that meets Financial Industry Regulatory Authority (FINRA) requirements which details member investments in the SDBA. The statement shall include, but is not limited to, member specific accounting of the investment instruments selected by a member, the net gains and losses, and buy/sell transactions. Additionally, a confirmation of trade statement will be sent for each transaction and all fees, charges, penalties and deductions associated with each transaction are netted in the trade and reflected in the transaction confirmation.

K. The Executive Director shall develop appropriate communications to members participating in the SDBA that will notify members that the Board is not responsible for managing the SDBA beyond administrative requirements as established between the Board and SDBA Provider. As such, investment alternatives available through the SDBA have not been subjected to any selection process, are not monitored by the Board, require investment expertise to prudently buy, manage and/or dispose of, and have a risk of substantial loss. The communication shall also notify members that they are responsible for any and all administrative, investment, and trading fees associated with participating in the SDBA.

L. The Executive Director shall ensure that the provider will deliver a prospectus or other information for the underlying investments available through the self-directed brokerage account as provided in Section 121.4501(15)(c)1. and 2. and in compliance with Federal laws.

XIV. REPORTING

A. The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the Investment Plan by the Board's independent performance evaluation consultant.

B. The following formal periodic reports to the Board shall be the responsibility of the Executive Director: an annual investment report, an annual financial report and a monthly performance report.

XV. IMPLEMENTATION SCHEDULE

This IPS shall be effective upon approval by the Trustees.

This Page Intentionally Left Blank

LLW | LEWIS LONGMAN WALKER

Attorneys at Law
llw-law.com

Reply To: Tallahassee

May 20, 2024

SUMMARY OF 2024 STATUTORY COMPLIANCE REVIEW

This review finds that the Local Government Surplus Funds Trust Fund, Florida PRIME™, (Fund) is in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes.

Scope – The time period reviewed is June 1, 2023 through May 31, 2024.

Methodology – The review included analysis of applicable statutes and administrative rules, interviews with State Board of Administration personnel, review of materials provided by SBA personnel and materials posted to the Florida PRIME™ and State Board of Administration websites.

Additional Specific Findings – Auditor General Report No. Report No. 2024-85, (December 2023) noted no instances of noncompliance or other matters required to be reported under Government Auditing Standards and included as audit objectives determining if the SBA had complied with various provisions of laws, rules, contracts, the IPS, and other guidelines that are material to the financial statements.

The most recent changes to the Investment Policy Statement (IPS) for the Fund were approved by the Trustees on August 22, 2023. The IPS is reviewed and approved by the Trustees annually. Several policy changes were implemented in 2023 and 2024 to ensure that all SBA investment actions are based solely on pecuniary factors and are consistent with fiduciary standards set forth in Florida Statutes

Disclosure: Anne Longman currently serves on the Leon County Research and Development Authority (Authority) Board of Governors, which had some of its funds in a PRIME™ account during the review period. This is an unpaid position, and the Authority's participation in PRIME™ predates her service on its board or as chair. Her analysis, in which the SBA General Counsel concurs, indicates that this relationship does not pose a conflict or compromise the impartiality of this review.

Glenn E. Thomas

Glenn E. Thomas

JACKSONVILLE
245 Riverside Ave.
Suite 510
Jacksonville, FL 32202
T: 904.353.6410
F: 904.353.7619

ST. PETERSBURG
100 Second Ave. South
Suite 501-S
St. Petersburg, FL 33701
T: 727.245.0820
F: 727.290.4057

TALLAHASSEE
106 East College Ave.
Suite 1500
Tallahassee, FL 32301
T: 850.222.5702
F: 850.224.9242

TAMPA
301 West Platt St.
Suite 364
Tampa, FL 33606
T: 813.775.2331

WEST PALM BEACH
360 South Rosemary Ave.
Suite 1100
West Palm Beach, FL 33401
T: 561.640.0820
F: 561.640.8202

This Page Intentionally Left Blank

LLW | LEWIS LONGMAN WALKER

Attorneys at Law
llw-law.com

Reply to: Tallahassee

May 20, 2024

LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND
2024 STATUTORY COMPLIANCE REVIEW

The Local Government Surplus Funds Trust Fund (Trust Fund or Fund) is a pooled investment fund created in 1977 by Section 218.405, Florida Statutes, and administered by the State Board of Administration (SBA). F.S. § 218.403(9). The Fund is governed by Part IV of Chapter 218, Florida Statutes, titled Investment of Local Government Surplus Funds, and is now known as "Florida PRIME."

THE STATUTE

The Board of Trustees of the SBA ("Trustees") constituted per section, consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. *See* F.S. § 215.44(1). Section 218.405(3), Florida Statutes, requires the Trustees to annually certify that Florida PRIME is in compliance with the requirements of Part IV, Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

This is the fifteenth annual statutory review of the Fund under section 218.405(3). There were no substantive amendments to Part IV, Chapter 218, Florida Statutes, during the 2024 Legislative session.

SCOPE OF REVIEW

This review, which addresses the first part of the annual certification by the Trustees, and examines whether the Trust Fund, defined at section 218.403(9) as "the pooled investment fund created by Section 218.405 and known as the Local Government Surplus Funds Trust Fund," is in compliance with the requirements of Part IV of Chapter 218, Florida Statutes, which includes sections 218.40 – 218.415, Florida Statutes.

The scope of this review is the Fund's compliance with sections 218.40 – 218.412, Florida Statutes, during the time period June 1, 2023, through May 31, 2024.

The remainder of Part IV, Chapter 218 – section 218.415 – covers local government investment policies. This section, which is not within the scope of this review, comprises the second part of the certification required by section 218.405(3) – that the Fund is in accord with best investment practices – which is performed separately by Aon Hewitt Investment Consulting, Inc.

PURPOSE

As set out at section 218.401, Florida Statutes, the intent of Part IV of Chapter 218 is:

> **[T]o promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes.**

The definition of surplus funds, found at section 218.403(8), includes:

> **[A]ny funds in any general or special account or fund of a unit of local government, or funds held by an independent trustee on behalf of a unit of local government, which in reasonable contemplation will not be immediately needed for the purposes intended.**

By its terms, participation in the Fund is limited to units of local government, defined at section 218.403(11) as:

> **… any governmental entity within the state not part of state government and shall include, but not be limited to, the following and the officers thereof: any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, authority, board, public corporations, or any other political subdivision of the state.**

This broad definition of “units of local government” includes authorities, boards and public corporations, in addition to the entities specifically enumerated in the above statutory language.

Section 218.407(2), Florida Statutes, requires each prospective Fund participant to determine whether participation in the Fund is in the entity’s interest. The Florida PRIME enrollment materials require each participant to certify that it is authorized to invest in the Fund. The enrollment materials advise participants that the SBA is not responsible for independently verifying whether a local government entity is authorized to participate in the Fund.

CREATION, OBJECTIVES

The Trust Fund is created at section 218.405, Florida Statutes,

> **(1) There is hereby created a Local Government Surplus Funds Trust Fund to be administered by the board and to be composed of local government surplus funds deposited therein by units of local government under the procedures established in this part. The board may contract with a professional money management firm to manage the trust fund.**

The Board has contracted with a professional money management firm, Federated Investment Counseling, Inc. (Federated), to manage the Trust Fund.

> **(2) The primary objectives, in priority order, of investment activities shall be safety, liquidity, and competitive returns with minimization of risks.**
>
> **(3) (Certification requirement, cited above)**
>
> **(4) The board may adopt rules to administer the provisions of this section.**

RULES

Sections 218.405(4) and 218.412 permit the Board to promulgate rules as may be needed to administer the Trust Fund. The Board has adopted such rules at Chapter 19-7, Florida Administrative Code. Most of these rules were adopted in 1982, with substantial revisions adopted by rule in 2002 and 2010. The Investment Policy Statement (IPS) is also incorporated into SBA Rules. The current Investment Policy Statement for the Fund was approved by the SBA Trustees on August 22, 2023. No changes were made to Chapter 19-7, Florida Administrative Code during the review period.

INTERACTION WITH LOCAL GOVERNMENT AUTHORITIES

Section 218.407 sets out the requirements that must be met by a unit of local government before surplus funds may be deposited in the Trust Fund:

> **(1) Prior to any determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, the board or a professional money management firm must provide to the governing body enrollment materials, including a trust fund profile containing impartial educational information describing the administration and investment policy of the trust fund, including, but not limited to:**
>
> **(a) All rights and conditions of participation, including potential restrictions on withdrawals.**

(b) The historical performance, investment holdings, credit quality, and average maturity of the trust fund investments.

(c) The applicable administrative rules.

(d) The rate determination processes for any deposit or withdrawal.

(e) Any fees, charges, penalties, and deductions that apply to the account.

(f) The most recently published financial statements or independent audits, if available, prepared under generally accepted accounting principles.

(g) A disclosure statement for signature by the appropriate local government official.

The Board, with Federated, has created enrollment materials which include a Trust Fund profile and education information which appear to be impartial and to accurately describe the administration and investment policies of the Trust Fund and which meet the specific requirements of the above section.

All materials are provided to participants and potential participants at the Board's web site: www.sbafla.com at the Florida PRIME link, or directly at https://prime.sbafla.com/. The New Participant Enrollment Guide, the current Investment Policy Statement, the Earnings Allocation description and the applicable rules are included under the "Enrollment Materials" tab, as are two form documents that must be executed by a new participant: the Disclosure Statement and the Authorizing Resolution. These materials track the statutory information required by section 218.407(1).

(2) Upon review of the enrollment materials and upon determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, a resolution by the governing body and the signed acceptance of the disclosure statement by the local government official, who may be the chief financial or administrative officer of the local government, shall be filed with the board and, if appropriate, a copy shall be provided to a professional money management firm authorizing investment of its surplus funds in the trust fund established by this part. The resolution shall name:

(a) The local government official, who may be the chief financial or administrative officer of the local government, or

(b) An independent trustee holding funds on behalf of the unit of local government, responsible for deposit and withdrawal of such funds.

The safeguards set forth in paragraphs 218.407(1) and (2) are intended to ensure that participants are fully informed about the nature, purpose, stability and processes of the Fund.

The information included in the Florida PRIME enrollment materials is thorough, and satisfies these requirements. Signed disclosure statements are on file for Fund participants, acknowledging receipt of the information.

> **(3) The board or a professional money management firm shall, upon the filing of the resolution, invest the moneys in the trust fund in the same manner and subject to the same restrictions as are set forth in s.215.47. All units of local government that qualify to be participants in the trust fund shall have surplus funds deposited into a pooled investment account.**

Section 215.47, Florida Statutes, details the types of investments permitted for all Board funds, including Florida PRIME. Pursuant to section 218.409(2)(a), the Fund also must be invested in accordance with the current written investment policy, which must be updated annually. Substantive legislative changes to section 215.47, Florida Statutes, under HB 3, took effect July 1, 2023. HB 3 amended section 215.47(10), Florida Statutes, to require the SBA, when deciding to invest and when investing, to make decisions based solely on pecuniary factors and may not subordinate the interests of the participants of the fund to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. To comply with the 2023 legislative changes, an amendment to the Investment Management Agreement with Federated was executed in September 2023.

The second part to the certification required by section 218.405(3), which is being conducted by Aon Hewitt Investment Consulting, Inc., determines whether the Fund's management is in accord with best investment practices and whether the specific holdings of the Fund are in accord with all statutory requirements including section 215.47 (cross-referenced in 218.405(3)) as implemented in the current PRIME Investment Policy Statement.

ADMINISTRATION OF THE TRUST FUND

> **218.409 Administration of the trust fund.**—
>
> **(1) Upon receipt of the items specified in s. 218.407 from the local governing body, the board or a professional money management firm shall accept all wire transfers of funds into the trust fund. The board or a professional money management firm shall also wire-transfer invested local government funds to the local government upon request of the local government official named in the resolution.**

This requirement is satisfied by a clearing account maintained by Bank of America, which is a qualified public depository. The Bank of America account accepts money transmitted to the Board and transfers to BNY Mellon, as the custodian.

> **(2)(a)The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The investment policy shall be updated annually to conform to best investment practices. The standard of prudence to be used by investment officials shall be the fiduciary standards as set forth in s. 215.47(10), which shall be applied in the context of managing an overall portfolio. Portfolio managers acting in accordance with written procedures and an investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this part.**

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to applicable Florida Law. The Trustees also appoint an Investment Advisory Council, which, at least annually, reviews the Investment Policy and any proposed changes prior to its presentation to the Trustees. The Investment Policy Statement was last updated by the Trustees effective August 22, 2023. The IPS is posted at the Fund website tab "Risk Management and Oversight," and under the "Enrollment Materials" tab as a separate item and is also included in the New Participant Enrollment Guide.

The Board administers the Trust Fund on behalf of the participants and handles accounting, statements, monthly reporting and compiling and maintaining enrollment materials, and has contracted with professional money management firm Federated to act as the Investment Manager and to invest the Trust Fund funds in accordance with the Investment Policy Statement. Federated interacts with participants to answer inquiries and facilitates Standard and Poor's ratings. BNY Mellon acts as custodian of all assets of the Fund, processes all trades made by Federated, and does valuation and pricing for the Fund.

> **(2)(b) Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business on behalf of the trust fund. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the board.**

All Board employees are required to complete training to ensure that Board officers and employees involved in the investment process are able to recognize and avoid personal business activity that could conflict with the Trust Fund program or impair their ability to make impartial decisions. Human Relations notifies the Inspector General of any training non-compliance, and the Inspector General ensures that all required employee training for the cycle is completed.

A course cycle sets out when mandatory employee training courses must be completed. Use of Information Technology Resources, Ethics, Harassment Prevention, Incident Management Framework, Insider Trading, and Personal Investment Activity training are required every year; Public Records and Sunshine Law training are required every two years; and Confidential Information and Fiduciary Duties training is required every four years. New SBA employees are required to take all mandatory courses at the time they start working for the SBA. All required courses for the fiscal year rotation were completed for the review period. During the 2023-24 fiscal year, the SBA implemented a requirement that all employees complete in-person fiduciary training. As of the date of this report, all but three employees have completed the training. Risk Management and Compliance Awareness and Training was implemented in 2023 for newer employees. The program familiarizes those employees with Risk Management and Compliance policies and standards at the SBA and provides an understanding of the roles of Risk Management and Compliance, and how those roles support the mission and vision of the SBA. The course also provides an overview of policies governing personal investment activity, material non-public information and insider trading.

SBA Employees and investment officials are required to disclose material interests in financial institutions with which they also conduct Trust Fund business, and any personal financial or investment positions that could be related to performance of the Trust Fund portfolio. The Inspector General ensures that any trading or investment activity by individual employees complies with applicable SBA policies.

Policy 10-041 establishes a set of internal controls governing the personal investment activity of all SBA employees, including OPS employees and interns. Several Amendments to Policy 10-041 took effect in 2023. Private investment offerings and interests in real estate or other assets made through limited partnerships and private investment pools were added to prohibited investments. Donations of Covered Securities are now classified as Covered Trades under the policy. Private Real Estate Funds are now excluded from the private real estate exemption, which excludes ownership of private real estate from the policy, unless the real estate interest is in or with an entity with whom the SBA holds an investment. If a new employee discloses ownership of a prohibited Covered Security, the Chief Risk and Compliance Officer will determine the appropriate next steps based on the facts and circumstances and will document the determination. The policy now provides that final determinations on policy violations will be shared with the employee's supervisor.

Policy 10-041 was also updated in 2021, in conjunction with the implementation of the StarCompliance Personal Investment Compliance (PIC) system. The PIC system provides automated pre-clearance of personal trades and a standardized method to report and certify Covered Accounts and holdings, including private investments. SBA employees are now required to submit pre-clearance requests in the PIC system, and receive approval prior to trading in any securities, as defined by Section 2(a)1 of the Securities Act of 1933, except certain exempt securities or assets (e.g., FDIC money markets, municipal bonds, insurance products, etc.). (*See* SBA Policy 10-041, *Definitions*, p. 4-6.) Risk Management & Compliance offered two agency-wide training sessions prior to the implementation of the StarCompliance system. A recording of the training was also made available on SBA's "WorkSmart Portal" for employees who could not attend either of the training sessions in person.

Additional revisions to Policy 10-041 in 2021 include a change to the threshold for disclosing material ownership interests in financial institutions or investment organizations with which they conduct business on behalf of the SBA. Prior to the revision, employees were required to disclose a material ownership interest valued at $20,000 or greater. Effective December 1, 2021, the ownership interest amount was changed to 5% or greater and must be reported within 15 calendar days of acquisition.

Policy 10-044 addresses insider trading. This policy was also revised in 2021, to include reporting procedures for material nonpublic information. "Material" information, as it relates to securities transactions, is defined generally as information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a significant effect on the price of a company's securities. Information is "nonpublic" until it has been effectively communicated to the marketplace and it can be demonstrated that the information is generally public. In addition to the Executive Director and the General Counsel & Chief Ethics Officer, the Chief Risk and Compliance Officer is responsible for consulting and coordinating with the Deputy Chief Investment Officer, as appropriate, to resolve policy questions and interpretations. Policy 10-044 was amended, effective June 26, 2023, to add the Deputy Chief Investment Officer to the list of recipients to receive any determinations by the Chief Risk and Compliance Officer that a policy violation has occurred.

SBA employees must report material nonpublic information through the StarCompliance system. The information is then sent immediately to the Chief Risk & Compliance Officer for review. This information is used to maintain a "Restricted List" of securities, which are ineligible for trading by SBA employees on behalf of SBA funds or personal accounts, without prior written approval from the Chief Risk & Compliance Officer.

> **(2)(c) The board or a professional money management firm and all employees have an affirmative duty to immediately disclose any material impact to the trust fund to the participants. To ensure such disclosure, a system of internal**

> **controls shall be established by the board, which shall be documented in writing as part of the investment policy. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls shall also include formal escalation reporting guidelines for all employees. The guidelines shall establish procedures to address material impacts on the trust fund that require reporting and action.**

The Board has developed a process and document to be used by professional money manager Federated to certify that it operates in compliance with applicable ethics requirements. Federated Hermes Inc. Chief Compliance Officer, Stephen Van Meter, and Chief Investment Officer for Global Liquidity Markets, Deborah A. Cunningham, executed certifications of Compliance with Ethics Principles on January 4, 2024, and January 5, 2024, respectively.

Policy 10-040 (Ethics) provides comprehensive ethical requirements for all employees of the SBA, including PRIME, which are more stringent than the statutory requirements under Chapter 112, Part III, Florida Statutes. SBA management and staff have an affirmative duty to immediately escalate and report directly to the Executive Director & CIO, the Inspector General, or the General Counsel any "employee or contractual party fraud or misconduct (whether actual or suspected), employee or contractual party material error that adversely affects SBA or client assets or interests, misrepresentation or omission of material information in internal and external reporting and client communications, and violations of laws, rules or SBA policies." The Inspector General then is required to investigate. Effective June 26, 2023, Policy 10-040 was amended to include the Deputy Chief Investment Officer under Primary Staff.

In compliance with HB 3, the following policies were amended in 2023-24 to ensure that all SBA investment actions are based solely on pecuniary factors and are consistent with fiduciary standards set forth in Florida Statutes: 10-015 Corporate Governance; 10-018 Asset Class Allocation Policies; 10-019 New Investment Vehicles and Programs; and 10-033 Securities Litigation. Several other SBA policies were amended in 2024 to reflect a split in SBA Inspector General duties among the General Counsel & Chief Ethics Officer, the Chief Audit Executive & Inspector General, the Senior Operating Officer-Human Resources, and Risk Management & Compliance.

In order to remain consistent with Policy 10-041, Policy 10-040 was also revised in 2021. The ownership threshold for a material interest in financial institutions and investment organizations was revised from $20,000 to 5%. The definition of Primary Staff under Policy 10-040 was also revised. The policy requires Primary SBA Staff involved in the selection or disposition of an investment manager/investment fund or the direct acquisition or disposition of a private market real estate investment to execute the appropriate Conflict of Interest

Certification. Primary SBA Staff includes all of the following: individuals participating in the search and making the final evaluation and recommendation of the investment partner or manager, their supervisor, if applicable, the related Senior Investment Officer, the Deputy Chief Investment Officer, and the Executive Director & CIO.

The SBA internet and intranet home pages include an employee toll-free fraud hotline number which allows employees to anonymously report any concerns with regard to any aspect of SBA functions, including the Trust Fund. This number is also included in all contracts with external service providers, in order to report any potential problems in these relationships. The hotline is operated by an independent company and is available 24 hours a day, 7 days a week. The Inspector General receives any reports from the hotline and copies these to the Chief Risk and Compliance Officer. There were no fraud reports to the hotline number during the review period.

The Investment Policy Statement at Section IX, Controls and Escalation Procedures, imposes extensive reporting, monitoring and escalation requirements on the executive director, all employees, the Fund custodian, the Investment Manager, an independent investment consultant and any third party used to materially implement the Fund. The IPS requires the Executive Director to develop policies and procedures to maintain an appropriate and effective risk management and compliance program, which identifies, evaluates and manages risks within business units and at the enterprise level. The Executive Director is required to appoint a Chief Risk and Compliance Officer, whose selection, compensation, and termination are to be affirmed by the Board. This position assists the Executive Director in fulfilling the Controls and Escalation Procedures, and has been staffed in accordance with SBA policy.

Also, in accordance with the IPS, the Executive Director has organized an Investment Oversight Group (IOG) to regularly review, document and formally escalate compliance exceptions and events that might have a material impact on the Trust Fund. The minutes of its meetings, with a list of participants, are posted to the Fund website. The IOG meets and reports monthly to the Executive Director.

As discussed below, the Auditor General conducts an annual Financial Audit of PRIME, and the IPS requires the audit to include testing for compliance with the IPS, pursuant to Florida law. The most recent Financial Audit (Report No. 2024-85, December 2023) is available on the Florida PRIME website under the tab, “Audits.”

The IPS also requires the Trustees to review and approve management summaries of material impacts on the Fund and any actions or escalations, along with any required actions thereon. The Monthly Summary Reports, which are provided on the website, constitute these management summaries. (See further discussion on the contents of this Report under section 218.409(6).) As reflected in the quarterly reports to the Joint Legislative Auditing Committee, the Trustees have reviewed and approved the monthly summary reports.

The safeguards summarized above indicate stringent standards of education, review and disclosure designed to prevent the loss of funds from fraud, error, misrepresentation, market changes or imprudent actions by the Board or a money manager, and have ensured the Trust Fund is administered in accordance with what is required by statute.

> **(2)(d) The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.**

The Investment Policy Statement was approved by the Trustees, without change on August 22, 2023.

> **(3) The board or a professional money management firm may purchase such surety or other bonds as may be necessary for its officials in order to protect the trust fund. A reserve fund may be established to fulfill this purpose. However, any reserve must be a portion of the management fee and must be fully disclosed, including its purpose, in the enrollment materials at the time a unit of local government considers participation. Further, any change in the amount to be charged for a reserve must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new reserve charge being imposed.**

No surety or other bonds have been purchased to protect the Trust Fund, and there is no reserve fund.

> **(4) The board or a professional money management firm shall purchase investments for a pooled investment account in which all participants share pro rata in the capital gain, income, or losses, subject to any penalties for early withdrawal. Any provisions for penalties, including their purpose, must be disclosed in the enrollment materials. Any change in the amount to be charged for a penalty must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new penalty charge being imposed. A system shall be developed by the board, and disclosed in the enrollment materials, subject to annual approval by the trustees, to keep account balances current and to apportion pooled investment earnings to individual accounts.**

All participants in the Trust Fund share pro rata in all capital gains, income or losses, as set out in the Description of Investment Pool Earnings Allocation, posted to the website. This system is designed to keep account balances current and to apportion pooled investment earnings to individual accounts.

> **(5) The board shall keep a separate account, designated by name and number of each participating local government. A maximum number of accounts allowed for each participant may be established by the board. Individual transactions and totals of all investments, or the share belonging to each participant, shall be recorded in the accounts.**

Separate accounts are kept for each participant. The Board has not established a limit on the number of accounts a participant may have.

> **(6)(a)The board or a professional money management firm shall provide a report, at a minimum monthly or upon the occurrence of a material event, to every participant having a beneficial interest in the trust fund, the board's executive director, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The report shall include:**
>
> **1. Reports of any material impacts on the trust fund and any actions or escalations taken by staff to address such impacts. The trustees shall provide quarterly a report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports and actions taken, if any, to address any impacts.**
>
> **2. A management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month. This management summary shall be prepared in a manner that will allow anyone to ascertain whether investment activities during the reporting period have conformed to investment policies. Such reporting shall be in conformance with best market practices. The board or a professional money management firm shall furnish upon request the details of an investment transaction to any participant, the trustees, and the Investment Advisory Council.**

A document titled "Monthly Summary Report" is produced monthly and made available at the Florida PRIME website to address the above requirements. The Monthly Summary Reports satisfy the requirements of Paragraph (6)(a).

The quarterly reports of the Trustees to the Joint Legislative Auditing Committee indicate that the Trustees have reviewed and approved the monthly reports and taken responsive action, per the above. These actions are memorialized in the transcripts and minutes of the meetings of the Trustees, which are posted to the SBA website.

> **(6)(b) The market value of the portfolio shall be calculated daily. Withdrawals from the trust fund shall be based on a process that is transparent to participants and will ensure that advantages or disadvantages do not occur to**

> **parties making deposits or withdrawals on any particular day. A statement of the market value and amortized cost of the portfolio shall be issued to participants in conjunction with any deposits or withdrawals. In addition, this information shall be reported monthly with the items in paragraph (a) to participants, the trustees, and the Investment Advisory Council…**

The market value of the Fund portfolio is calculated daily by BNY Mellon and posted on the website the next day. The Information Statement and Operating Procedures, posted to the website as part of the New Participant Enrollment Guide, sets out the operating procedures for the Fund, including hours of operation, holidays and timing of transactions. These procedures are transparent and appear to ensure, to the extent possible, that disadvantages do not occur to parties making deposits or withdrawals on particular days, as each participant has equal access to the transaction system. A statement of the market value and amortized cost of the portfolio is available at all times to participants on the website, and participants receive monthly individual account statements.

> **…The review of the investment portfolio, in terms of value and price volatility, shall be performed with practices consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."**

Compliance with the above part of section 218.409(6)(b) will be determined in part two of the annual certification, conducted by Aon Hewitt Investment Consulting, Inc.

> **…Additional reporting may be made to pool participants through regular and frequent ongoing multimedia educational materials and communications, including, but not limited to, historical performance, investment holdings, amortized cost and market value of the trust fund, credit quality, and average maturity of the trust fund investment.**

Additional materials are available on the Trust Fund website and are provided through the monthly reports. Board staff are available for direct communication with participants for any questions regarding their accounts.

> **(7) Costs incurred in carrying out the provisions of this part shall be deducted from the interest earnings accruing to the trust fund. Such deductions shall be prorated among the participant local governments in the percentage that each participant's deposits bear to the total trust fund. The remaining interest earned shall be distributed monthly to participants according to the amount invested. Except for costs, the board or a professional money management firm may not transfer the interest or use the interest for any other purpose, including, but not limited to, making up investment losses.**

The above statutory requirement was present in the law before substantive revisions in 2008 and has been discussed in previous reviews because it is theoretically problematic: If fund investment values were to decline sufficiently in a given month, there would be no interest from which to pay costs, and the literal requirements of this provision could not be met within a given month. Staff has reviewed this issue and has concluded that based on historical asset levels, which include an average annual balance of $18.4 billion over the last 5 years, there have been more than sufficient assets to generate fees adequate to cover all administrative, operational, compliance and investment management charges.

> **(8)(a)The principal, and any part thereof, of each and every account constituting the trust fund shall be subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action shall be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures prior to the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.**

In the time period covered by this review, the principal of all accounts in the Trust Fund has been paid at any time requested by a participant and there have been no events causing the Executive Director to limit contributions or withdrawals.

> **(8)(b) An order to withdraw funds may not be issued upon any account for a larger amount than the share of the particular account to which it applies; and if such order is issued, the responsible official shall be personally liable under his or her bond for the entire overdraft resulting from the payment if made.**

In the time period covered by this review, there have been no orders to withdraw funds for a larger amount than the share of a particular account.

> **(9) The Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The completed audit shall be provided to the participants, the board, the**

trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee. As soon as practicable, but no later than 30 days after completion of the audit, the trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the audit of the trust fund and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates.

The Auditor General annual financial audit of the Trust Fund, Report No. 2024-85, for the fiscal years ended June 30, 2023 and June 30, 2022 was completed in December 2023. The audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses. The report noted no instances of noncompliance or other matters required to be reported under Government Auditing Standards, and included as audit objectives determining if the SBA had complied with various provisions of laws, rules, contracts, the IPS, and other guidelines that are material to the financial statements.

AUTHORIZATION TO PROVIDE ASSISTANCE

218.411 Authorization for state technical and advisory assistance.

(1) The board is authorized, upon request, to assist local governments in investing funds that are temporarily in excess of operating needs by:

(a) Explaining investment opportunities to such local governments through publication and other appropriate means.

(b) Acquainting such local governments with the state's practice and experience in investing short-term funds.

(c) Providing, in cooperation with the Department of Economic Opportunity, technical assistance to local governments in investment of surplus funds.

(2) The board may establish fees to cover the cost of such services, which shall be paid by the unit of local government requesting such service. Such fees shall be deposited to the credit of the appropriation or appropriations from which the costs of providing the services have been paid or are to be charged.

The education offerings of the Fund have been discontinued, and there have been no instances of the SBA providing technical assistance to a fund participant in this review period.

218.412 Rulemaking authority.—

The board may adopt rules as it deems necessary to carry out the provisions of this part for the administration of the trust fund.

As noted above, the Board has adopted rules for the administration of the Fund at Chapter 19-7, Florida Administrative Code.

OTHER SECTIONS OF PART IV, CHAPTER 218

Part IV of Chapter 218, Florida Statutes, covers other facets of investment of local government funds, such as local government investment policies (Section 218.415). Because this review, as mandated by Section 218.405, is of the pooled investment fund created by section 218.405 only, these sections are not a part of this review.

CONCLUSION

Based on the foregoing, this review finds that the Local Government Surplus Funds Trust Fund, Florida PRIME, is in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes.

Florida PRIME™ Best Practices Review

Florida State Board of Administration (SBA)

June 2024

Empower Results®

(This page left blank intentionally)

Table of Contents

(This page left blank intentionally)

Executive Summary

Aon Investments (Aon) conducts a Best Practices Review of Florida PRIME on an annual basis. In this report, we review the 2024 Participant Survey responses, provide an update on newly approved 2a-7 Reforms, discuss potential risk control and transparency enhancements and review the Investment Policy Statement.

Based on our review, we continue to believe that Florida PRIME is being managed in a manner consistent with best practices and in consideration of participants' best interests. We do not have any recommendations as a result of this review.

2024 Participant Survey Highlights

On a regular basis, the SBA conducts a survey of Florida PRIME participants to gain a better understanding of the participant base, current usage of available services, and overall satisfaction. The survey also seeks to gauge interest across several factors and to ensure awareness of participant needs and preferences. The 2024 survey attracted 64 respondents which is in line with the normal rate of response.

A diversified group of governmental units responded to the survey, primarily representing counties, special districts, municipalities, and school boards, with respondents roughly evenly split between investment decision-makers and personnel in account operations and a few back up account operations. Of the respondents, 50% have one account with Florida PRIME and 16% have 2 accounts. The survey indicated that approximately 63% of respondents have a balance of over $10 million with Florida PRIME, and another 20% indicated having between $1 million and $10 million with the pool. These numbers are generally in line with previous surveys.

The survey includes questions that relate to how and why participants utilize other competing and complementary liquidity vehicles. Of the respondents, about 52% indicated that their organization has a policy that dictates a maximum allowable allocation to a single investment pool or money market fund. Of those with a policy limit, approximately 69% are restricted to allocating 50% or less to any single governmental investment pool or money market fund. Relatedly, when asked what prevents an organization from using Florida PRIME as the primary source of cash management, about 22% indicated that investment policy restrictions are a major reason and another 10% indicated it is a moderate reason. The greatest response was 40% of respondents who indicated that diversification needs of the cash portfolio was a major or moderate reason. The aggregated responses did suggest that an unattractive current yield was not much of a reason, which is similar to last year’s survey. Inadequate participant disclosures, costs, functionality/operational features, and lack of additional investment product offerings were all highly selected as not reasons at all for not using Florida PRIME as a primary source of cash management.

When asked about other investment vehicles used in the past 12 months for cash management, respondents indicated the most used vehicle aside from Florida PRIME is the Florida Cooperative Liquid Assets Securities System at 44%. The next most common vehicles were peer fund, the Florida Public Assets for Liquidity Management, and SEC-Registered money market funds both at 34% of respondents. These results are different from previous years. The survey also asked respondents to rank how competing investment services have added value to the respondent organizations’ investment goals. Slightly different from last year, respondents indicated that risk, defined as perceived risk levels adjusted for the level of return, was the most appealing feature, followed by yield. Ease of use and client service were ranked the lowest in terms of value add from competing investment services, followed closely by cost and available funds.

The survey questions surrounding current services related to Florida PRIME continue to receive strong feedback. Related to the Florida PRIME website, 84% of respondents indicated that they visit the site at least once a month and 97% responded that they find the website functionality as very easy to use. The survey also indicated that the majority of participants continue to utilize the website primarily to access account balances/statements and transactions, and approximately 39% of respondents utilize the website to access the Monthly Summary Reports. When asked about the usefulness of multiple communication pieces, the responses also continue to be favorable. The survey indicated that respondents rated the following communications as very useful: monthly account statements (97%), e-mail notifications of withdrawals (84%) and changes to bank instructions (83%). Further, respondents found the following to be at least somewhat useful: Periodic eNotices (49%), Monthly Summary Reports (32%), and Weekly Market Commentary (53%). Lastly, respondents indicated great satisfaction with the Florida PRIME representatives, with over 88% of respondents indicating the representatives were very courteous, very knowledgeable and very responsive.

Overall, the survey results continue to be positive from both operational and service-related perspectives. Responses related to the use of competing investment vehicles continue to indicate Florida Cooperative Liquid Assets Securities System (FL CLASS) as the primary vehicle, with indications of risk and yield being top of mind, but notably, that a large percentage of respondents' organizations have investment policies limiting available funds to invest in a single entity and/or seek diversification from a single cash management source. Generally, the survey indicates a strong level of satisfaction with the management of the Florida PRIME portfolio. The large majority (92%) of respondents indicated that they are very likely or extremely likely to recommend Florida PRIME to a colleague or other governmental investor. We continue to believe the survey is a great mechanism to obtain feedback from Florida PRIME participants, as well as to express the SBA's awareness and receptiveness to the participant's needs and wants.

Money Market Reforms

Background

As a result of the global financial crisis and the run on money market funds in 2008, there have been much debated reforms to the Securities and Exchange Commission's (SEC) Rule 2a-7, which is the principal rule covering registered U.S. money market funds. The SEC announced reforms that were approved in 2010 and 2014, and most recently newly approved reforms in July of 2023. The goal of these reforms is to provide additional protection and transparency to industry participants and ultimately avoid another 2008 event.

The SBA manages the Florida PRIME portfolio in accordance with guidelines set forth by the Governmental Accounting Standards Board (GASB), which is the source of generally accepted accounting principles used by state and local governments. The money market reforms are relevant to the Florida PRIME portfolio as the pool has historically been managed as a "2a-7 like" pool, defined by GASB as an external pool that satisfies the requirements of SEC Rule 2a-7, without actually being registered with the SEC. The SBA has been diligent with maintaining the guidelines of Florida PRIME aligned with best practices as communicated by GASB. The most recent guidance from GASB was in December 2015, when it released guidance (GASB 79) for local government investment pools (LGIPs) related to the 2014 reforms. Most notably the guidance removed the direct reference to "2a-7-like" pools in an effort to recognize differences between LGIPs and money market funds and the appropriateness of certain reforms on these investment pools.

July 2023 SEC Money Market Reforms

The most recent reforms announced in July 2023[1] have a similar goal of improving resiliency and transparency of money market funds. Below we provide a high-level overview of the notable approved reforms.

- Increase of the minimum daily liquidity requirements to 25%, up from 10%
- Increase of the minimum weekly liquidity requirements to 50%, up from 30%
- Removal of temporary redemption gates and the tie between the weekly liquid asset threshold and liquidity fees
- Liquidity fee requirement when daily net redemptions exceed 5 percent of net assets, unless the fund's liquidity costs are de minimis
- Modification to certain reporting forms to reflect amendments to the regulatory framework for money market funds

Impact on Florida PRIME

As noted above, Florida PRIME as a local government investment pool (LGIP) follows closely the guidance of GASB and is not legally required to follow SEC Rule 2a-7 requirements. Importantly, the SBA, Federated and Aon have monitored and updated Florida PRIME's investment policies and

[1] SEC.gov | SEC Adopts Money Market Fund Reforms and Amendments to Form PF Reporting Requirements for Large Liquidity Fund Advisers

procedures to maintain compliance with the GASB guidance and best practices for external government investment pools over the course of the past 10+ years and through multiple periods of money market fund reforms. At present, there has been no indication that GASB will announce corresponding guidance for LGIPs which would impact Florida PRIME. Additionally, FL PRIME is governed by a comprehensive investment policy statement (IPS) that is reviewed, at a minimum, annually. FL PRIME has rigorous risk management controls in place, including, among other controls, daily monitoring and monthly IPS compliance testing. Lastly, Florida PRIME is rated as a “AAAm” fund by Standard & Poor’s (S&P), which requires weekly portfolio surveillance and several requirements on various portfolio characteristics. Thus, we do not believe any corresponding guideline changes are needed as a result of the most recent SEC money market reforms. We will continue to monitor the implementation of the reforms as well as guidance from GASB and provide material updates as warranted.

Risk Management Enhancements

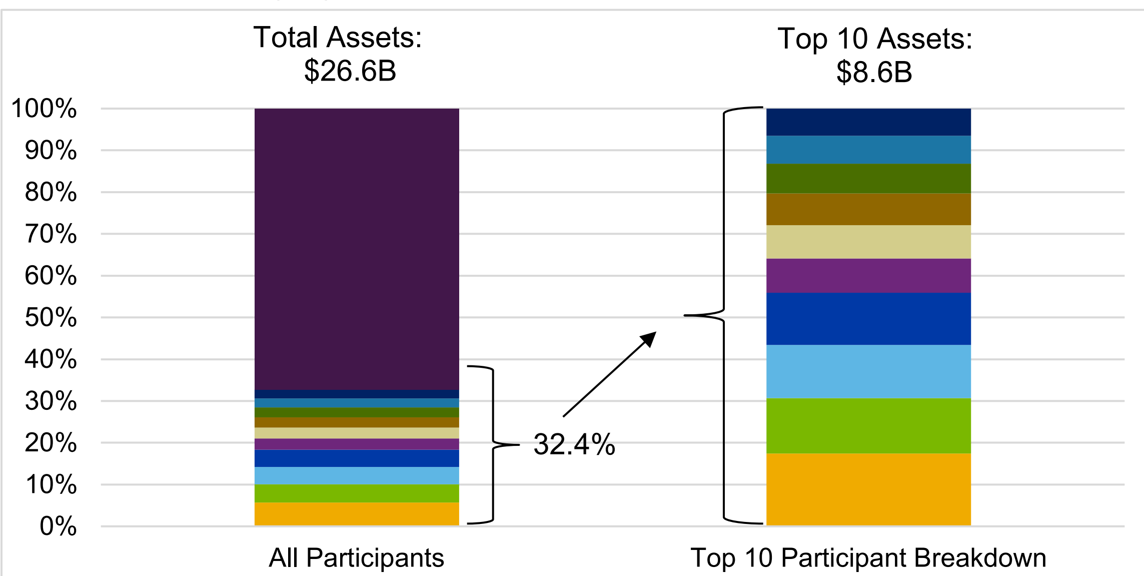
The management of Florida PRIME includes several risk mitigating tools and procedures to ensure the safety of participant assets and prudent investment management of portfolio assets. The compliance policies that govern the Florida PRIME investment pool and corresponding compliance procedures represent a robust, multilayered approach to ensuring the portfolio remains in compliance with the criteria contained in the Investment Policy Statement and applicable industry guidelines and regulations.

The Florida PRIME management and governance processes have been continually updated and improved over time, as the portfolio and industry continue to evolve. The SBA, Federated, Aon and other independent parties have periodically reviewed the entire compliance process to ensure that the procedures and communications remain effective, relevant, and efficient. Most recently, the SBA has begun to evaluate additional risk management considerations as highlighted below.

Participant Concentration

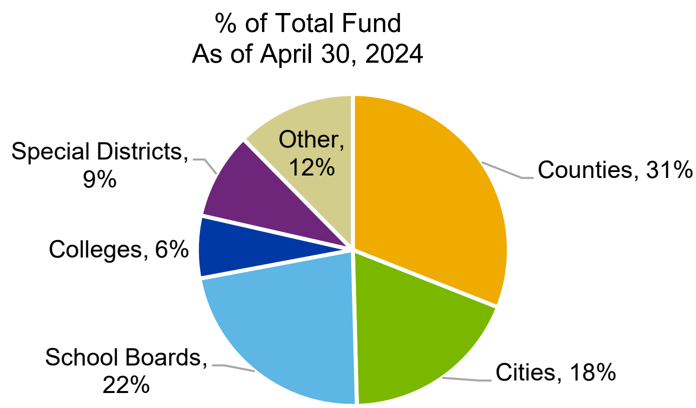
FL PRIME currently has 1,476 accounts across 798 participants. The participant base is diversified across primarily counties, municipalities, school boards, colleges, universities, constitutional officers and special districts. Currently[2], the top 10 participants represent 32.4% of the $26.6B in total participant assets invested in Florida PRIME. As shown below, the largest participant represents 5.7% of the total fund and the 10th largest participant represents 2.1% of the fund. Not only is the pool diversified across participants, it is also diversified across participant type. The concentration of the Top 10 Participants and the diversification of participant type are included in the Monthly Summary Report that is on the Florida PRIME website and is available to the public.

Top 10 Participant Highlight as of April 2024



[2] As of April 30, 2024

Participant Type Diversification



Awareness of participant concentration is important to prevent a single participant (or a similar type of participant) from impacting the pool's ability to manage the portfolio according to its investment guidelines, or negatively impacting the other participants by redeeming from the fund. To this point, FL PRIME has tools to monitor and manage this risk. In addition to the regular monitoring of participant concentration, Federated runs monthly stress tests on the portfolio. One of the stresses evaluated is a 40% redemption from the pool. That scenario is further tested by combining the redemption scenario with other market stress factors, such as interest rate changes, credit events and spread movements. In each of these scenarios and a combined scenario, the tests indicate that the portfolio would be able to absorb the redemptions, maintain a $1 NAV per unit and maintain sufficient liquidity. Additionally, the SBA and Federated are in regular communication with the participant base of FL PRIME. The strong relationships with the participants result in ongoing communication, which is particularly helpful when there are known meaningful deposits or redemptions. This level of communication assists Federated in optimizing the management of these cash flows.

The SBA has always been at the forefront of risk mitigation. Further enhancements to mitigate participant concentration risks could include:

- Disclosing additional detail on concentration of Top 10 largest participants, for example, reporting the weight of the top 3 participants accounts of 5.7%, 4.3% and 4.2% of the pool.
- Additional outreach with top 3 to 5 participants, gaining a better understanding of their investment plans, anticipated cash flow activity and ensuring they are aware of their position within the Florida PRIME pool. This type of engagement is in the spirit of the Know Your Client reporting that seeks to verify customers and their risk and financial profiles.
- Setting maximum allocation percentage or dollar limits on individual participants to mitigate concentration risk without negatively impacting participants cash investment needs.

Overall, the FL PRIME portfolio has a diversified set of participants and appropriate reporting, stress testing and open communication lines to monitor participant concentration. The consideration of reasonable participant concentration limits or additional monitoring towards a specified level could offer an additional layer of risk mitigation that any one participant's decisions could impact the remaining investors. Additionally, enhancing the participant concentration disclosures would offer existing and prospective participants additional transparency into the risks of participant concentration. Aon supports consideration of participant concentration monitoring and reporting, with a goal of enhancing risk controls and transparency without negatively impacting existing or prospective participants ability to invest their surplus funds.

Investment Disclosures

Disclosing relevant risks related to investing is a best practice and a risk control for participant decision making. Currently, FL PRIME has several avenues where investment risk disclosures are made. For example, the Monthly Summary Reports and fact sheets posted on the Florida PRIME website include the necessary disclosures related to not being insured and risk of investment losses. In addition, FL PRIME includes several information documents for participants prior to enrolling, including the Information Statement & Operating Procedures documents which houses a wealth of information on investing in FL PRIME.

Currently, the Information Statement highlights the following three principal investment risks related to investing in Florida PRIME:

1. Risk that Florida PRIME will not maintain a Stable Net Asset Value
2. Interest Rate Risks
3. Credit Risks

While FL PRIME is a conservative strategy investing in high-quality, liquid, short-term securities with a Standard & Poor's rating of AAAm, there are still investment risks that exist that investors should be aware of and there may be value in building out additional risk disclosures for participants to understand. Greater disclosures further the transparency of the pool and Florida PRIME has always sought full transparency as it relates to portfolio management, holdings and compliance testing. The addition of investment risk disclosures would add another layer of transparency and education for existing and potential participants.

Sample Investment Risk Disclosures

- Issuer Risk
- Management Risk
- Yield Curve Risk
- Political Risk
- Liquidity Risk
- Regulatory Risk

Investment Policy Review

As part of Aon's Best Practices Review we conduct a review of the Florida PRIME Investment Policy Statement (IPS). The objective of the IPS is to set forth the objectives, strategy, guidelines, and overall responsibilities for the oversight and prudent investment of Florida PRIME assets. The purpose of the periodic review is to ensure the document reflects the evolving investment portfolio, current legal and regulatory developments, and best practices. A well-written and unambiguous document is critical to the success of any investment program.

Following the 2024 review, Aon continues to find the IPS to be comprehensive and appropriate for the management and oversight of Florida PRIME. The topics covered continue to be relevant and critical to the success of the management of the pool's assets. The investment objective of the pool and the roles and responsibilities are clearly defined. The IPS provides the necessary specifics and supplemental guidelines for a clear understanding of the investment strategy, making direct and clear reference to the appropriate GASB guidelines for appropriate fiduciaries to follow and understand. We believe the IPS thoroughly defines the risks that are associated with investing in Florida PRIME and find the detailed control procedures provide the comfort of prudent safe-keeping and oversight of assets. The SBA has been diligent with staying current with overall best practices in managing the Florida PRIME assets and has consistently ensured the IPS is up to date with the current regulatory, legal, and investment environments.

Overall, we continue to believe the Florida PRIME IPS is robust and in line with the goals and objectives of the investment pool and continue to find the Policy to be an effective guiding document for the management of Florida PRIME.

This Page Intentionally Left Blank

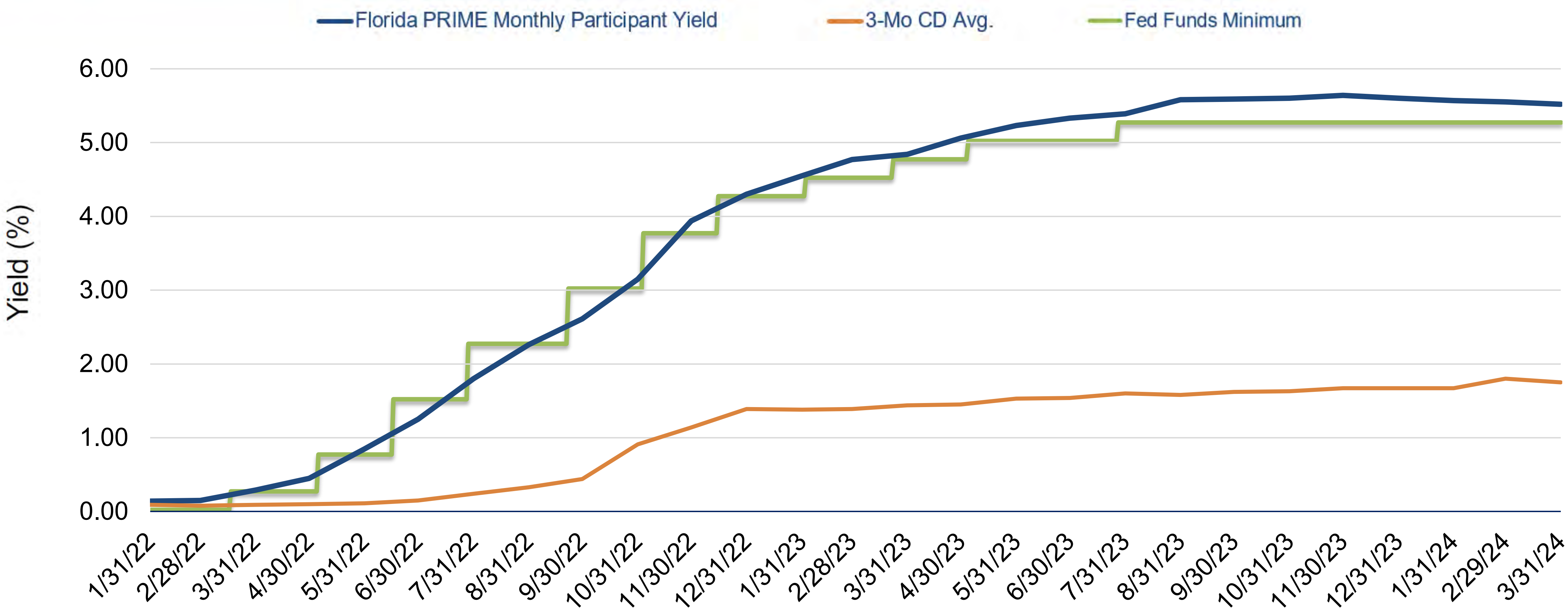
2024 Investment Advisory Council Meeting

June 10, 2024

Federated Hermes Partnership

Pool Summary	Federated Hermes Team	Services
$27.5 Billion 792 Participants 1,468 Accounts *(as of 3/31/24)*	**Paige Wilhelm** Senior Vice President Senior Portfolio Manager **Heather Froehlich** Senior Vice President National Sales Manager State Treasury Pools **Luke Raffa, CFA** Vice President Senior Sales Representative	• Portfolio Management • Participant Outreach • Marketing Support

Rates



Source: Federated Hermes, Federal Reserve
Past performance is no guarantee of future results.

Participant Outreach & Marketing Support

Participant Outreach

- **Direct Conversations**
  - Targeted calling effort engaging participants and prospects
  - Held participant meetings in Tallahassee, Central Florida, South Florida and Jacksonville
  - Fielded participant inquiries on the direction of rates
- **Participant Webcast Held On 4/30/24**
  - Update on liquidity markets and FOMC actions
  - 75 participants attended
  - Made follow-up calls to attendees
  - Participants appreciated the industry insights and communication on behalf of the pool
  - Replay is available on the Florida PRIME website
- **Notable New Participants**
  - Florida State University: $1 billion
  - Florida Atlantic University: $360 million
  - Duval County School Board: $220 million (addition)

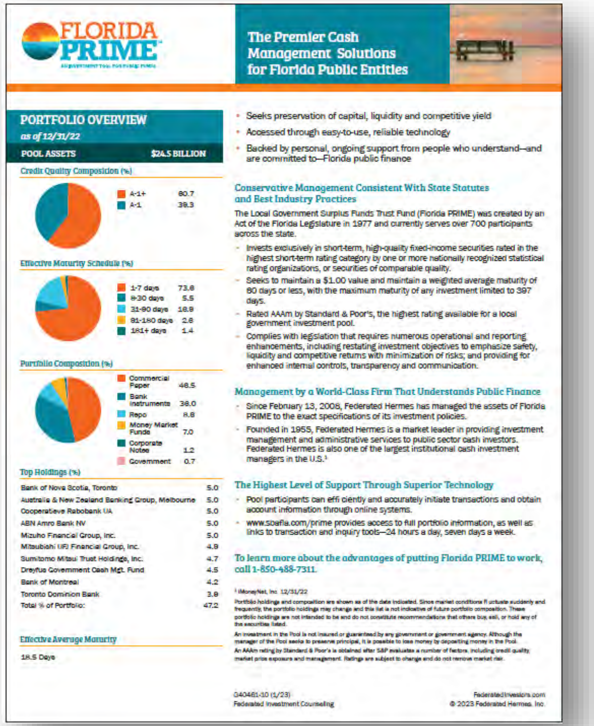
Marketing Support

- **Regular Commentaries**
  - Weekly market commentaries from Paige Wilhelm
  - Biannual webcasts hosted by Federated Hermes
- **Monthly Newsletters**
- **Quarterly Reviews**

Supporting Local Florida Organizations

Throughout the past year, ads for Florida PRIME were featured in the FACC directory, the FCCMA directory and the FASBO publication.

Designing a refreshed logo that seeks to modernize, while maintaining the pool's strong brand.



2024 Events

Dates	Description	City	Participation
3/19/24 – 3/21/24	FCCC Winter Conference	Jacksonville	Sponsor
5/18/24 – 5/20/24	FGFOA Annual Conference	Hollywood	Sponsor
5/29/24 – 6/1/24	FCCMA Conference	Orlando	Exhibitor
6/11/24 – 6/13/24	FASD Annual Conference	Orlando	Exhibitor
6/17/24 – 6/20/24	FSFOA June Conference	St. Petersburg	Sponsor
6/23/24 – 6/26/24	FPPTA 40th Annual Conference	Orlando	Attendee
8/15/24 – 8/17/24	FLC Annual Conference	Hollywood	Exhibitor
11/4/24 – 11/7/24	FSFOA Fall Conference	Jacksonville	Sponsor

Competitor Analysis

Florida PRIME is the gold standard for transparency

	Daily Asset Levels	Monthly Holdings Report	Monthly Fee Disclosure	Stress Test Results
FLORIDA PRIME	✓	✓	✓	✓
FL PALM Public Assets for Liquidity Management	X	✓	✓	X
FLCLASS An Investment Solution for Public Funds	X	X	X	X

Competitor information is based upon public website availability.

Competitor Analysis

	7-Day Net Yield (as of 5/20/24)	Manager	Pool AUM	Fee
FLORIDA PRIME	5.50%	Federated Hermes	$27.5 billion*	3.21 bps**
FL PALM Public Assets for Liquidity Management	5.41%	PFM Asset Management	$5.6 billion*	13 bps**
FLCLASS An Investment Solution for Public Funds	5.37%	Public Trust Advisors	$7.5 billion*	15 bps***

*AUM is based upon most recent disclosures. 03/31/24 for FL PRIME. 02/29/24 for FL PALM. 12/31/23 for FL CLASS.
**Effective fee as of 4/30/24
***Fee is up to 15 basis points. Discretionary fee waivers may be applied.

Florida PRIME Portfolio Review

Year in Review

March 31, 2024

The Federal Reserve continued its campaign to subdue inflation over the course of the reporting period despite disruptions in the banking sector, brinkmanship over the federal debt limit and concern it would push the economy into a recession. However, the economy did not falter, and policymakers stopped hiking rates in July to keep them in a range they felt was sufficiently restrictive and might achieve the desired "soft landing."

The reporting period opened with the Fed and markets still concerned that the failure of Silicon Valley Bank and two other regional banks might signal that the tightening regime was destabilizing the financial system. Policymakers averted a potential broader banking crisis with special facilities, but did not stray from its policy path, raising rates another quarter percentage point in May to take them to a target range of 5-5.25%.

The focus then turned to the simmering crisis of the U.S. federal debt ceiling. In January, Treasury Secretary Janet Yellen had warned that the Treasury Department had reached its $31.4 trillion debt limit, meaning it could no longer issue securities to fund the government. This forced her to use "extraordinary measures" to meet the country's financial obligations, but political infighting delayed Congress from addressing the issue. For the liquidity markets, the reduced issuance of government securities worsened the existing supply/demand strain on the front end of the Treasury yield curve. After tense debate, lawmakers in June finally suspended the debt limit until 2025, averting catastrophe.

The immediate result was that Treasury embarked on a vast issuance of securities to replenish its coffers, which relieved the pressure on the short end of the yield curve. After skipping a hike at the June Federal Open Market Committee (FOMC) meeting that followed, the Fed raised the target range to a 16-year high of 5-5.25% in July. That would prove to be its last rate action of the reporting period, as policymakers opted to monitor the impact of the tightening cycle the economy. But in fall, indicators confounded investors and the Fed, with some pointing to strength and others to recession. In particular, the labor market bucked expectations with continued strength.

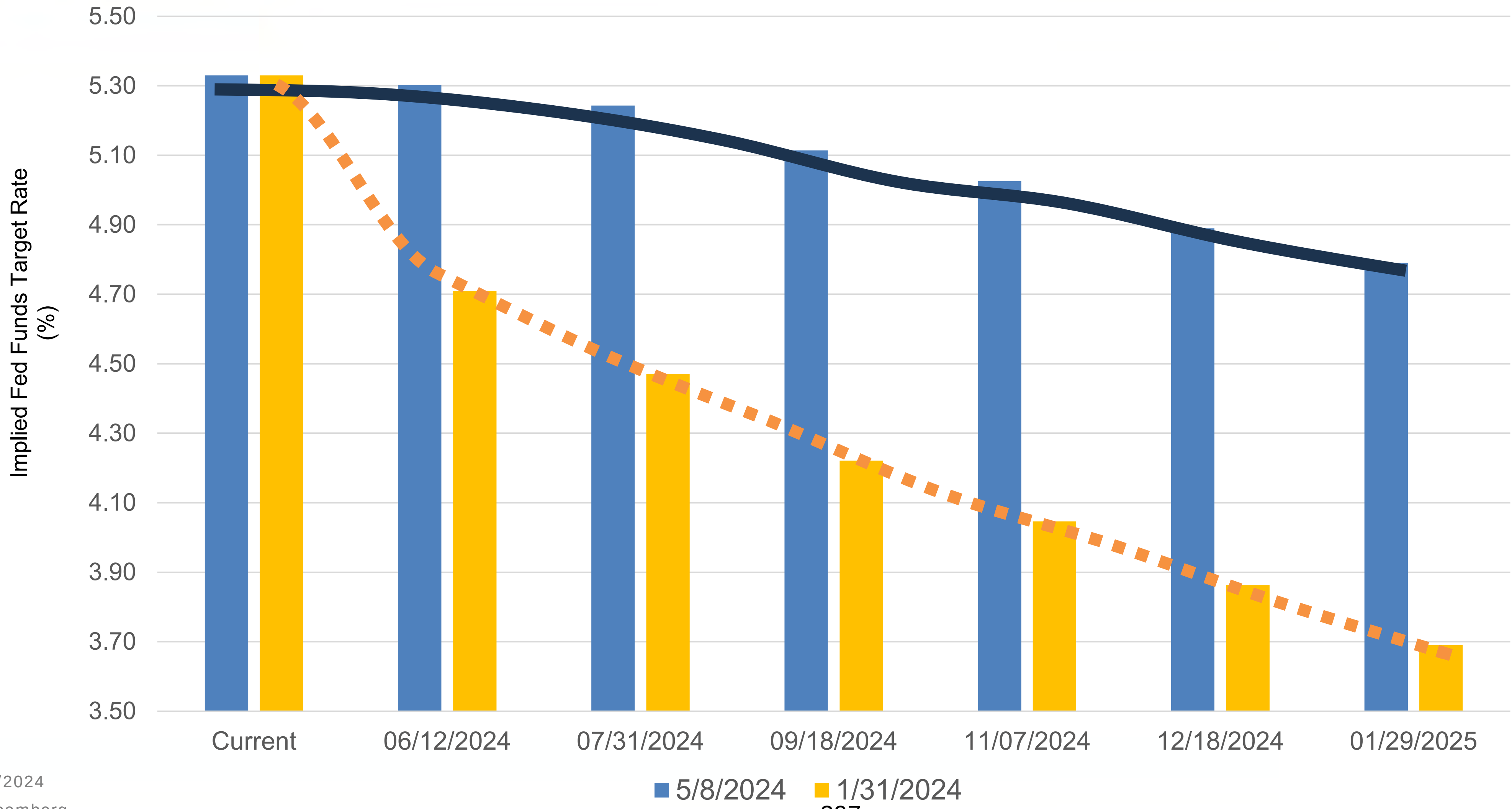
The remainder of 2023 pitted the markets against the Fed over the prudent path for policy. Investors and traders vacillated between disregarding and kowtowing to the Fed communications, including FOMC statements, the Summary of Economic Projections (SEP) and Chair Jerome Powell comments. The September SEP indicated another rate hike could come by year-end. But the markets began to challenge this scenario, anticipating easing to begin earlier. In December, the Fed revealed that moderate easing could commence later in 2024, but the markets anticipated more than twice as many cuts.

It was data, not policymakers, that reined in the markets as the calendar flipped to 2024. Retail sales remained elevated on the back of a stubbornly strong employment, and inflation leveled off around a point above the Fed's 2% target. Investors stopped fighting the Fed, with their policy expectations meeting the 75 basis-points worth of rate cuts in 2024 that the central bank projected in its March meeting.

At the end of the reporting period, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 5.40%, 5.40%, 5.33% and 5.00%, respectively.

Fed: loss of confidence

A string of hotter inflation readings has called into question the path back to 2% inflation

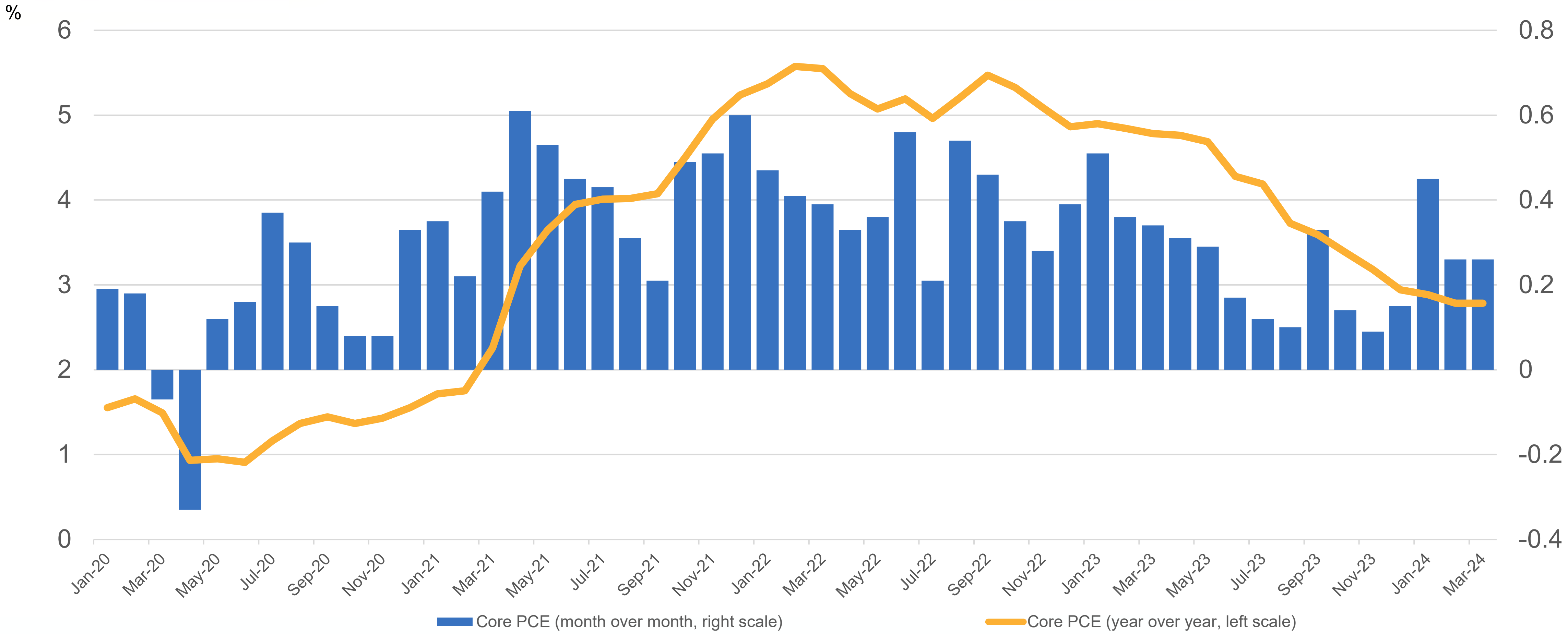


As of 4/15/2024

Source: Bloomberg

Data dependent

Amid signs of price pressures in other measures, will the Fed's preferred measure provide comfort or concern?

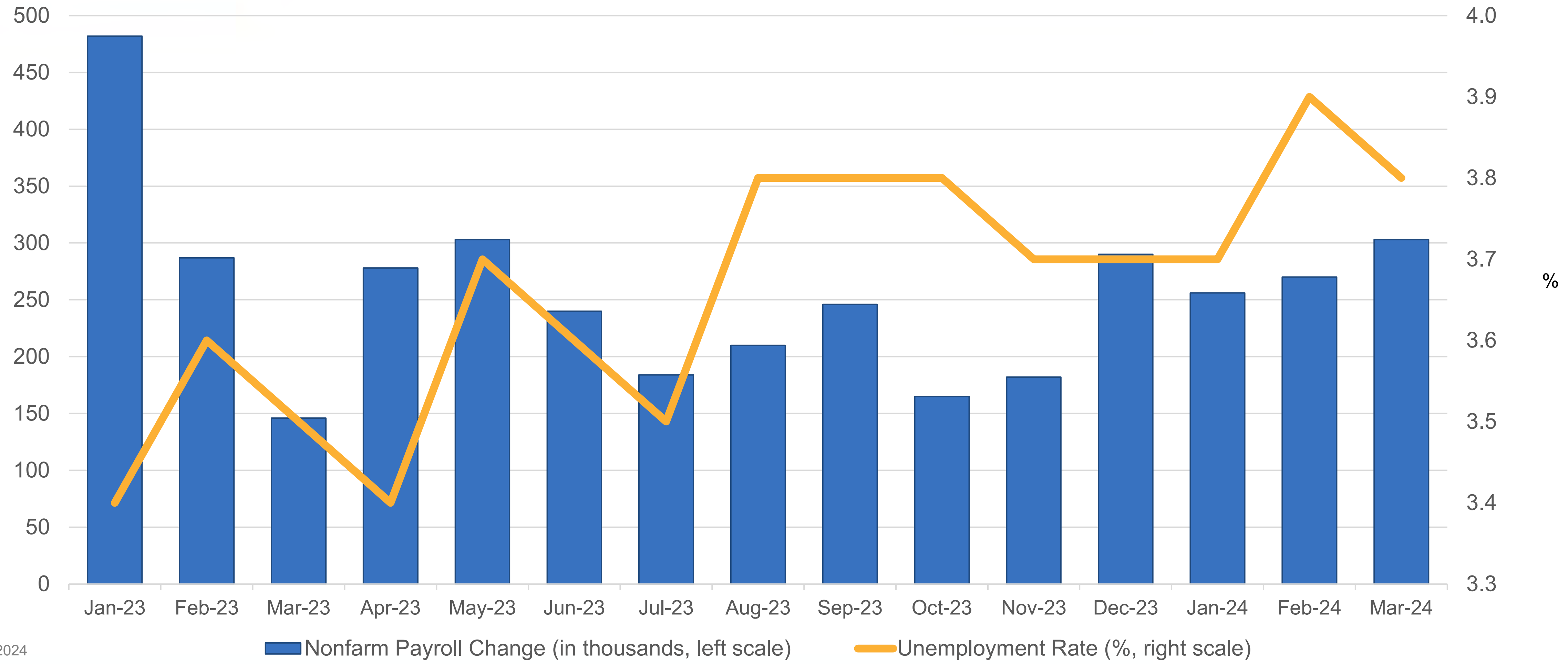


Source: Bureau of Economic Analysis

As of 4/15/2024

Labor market conditions

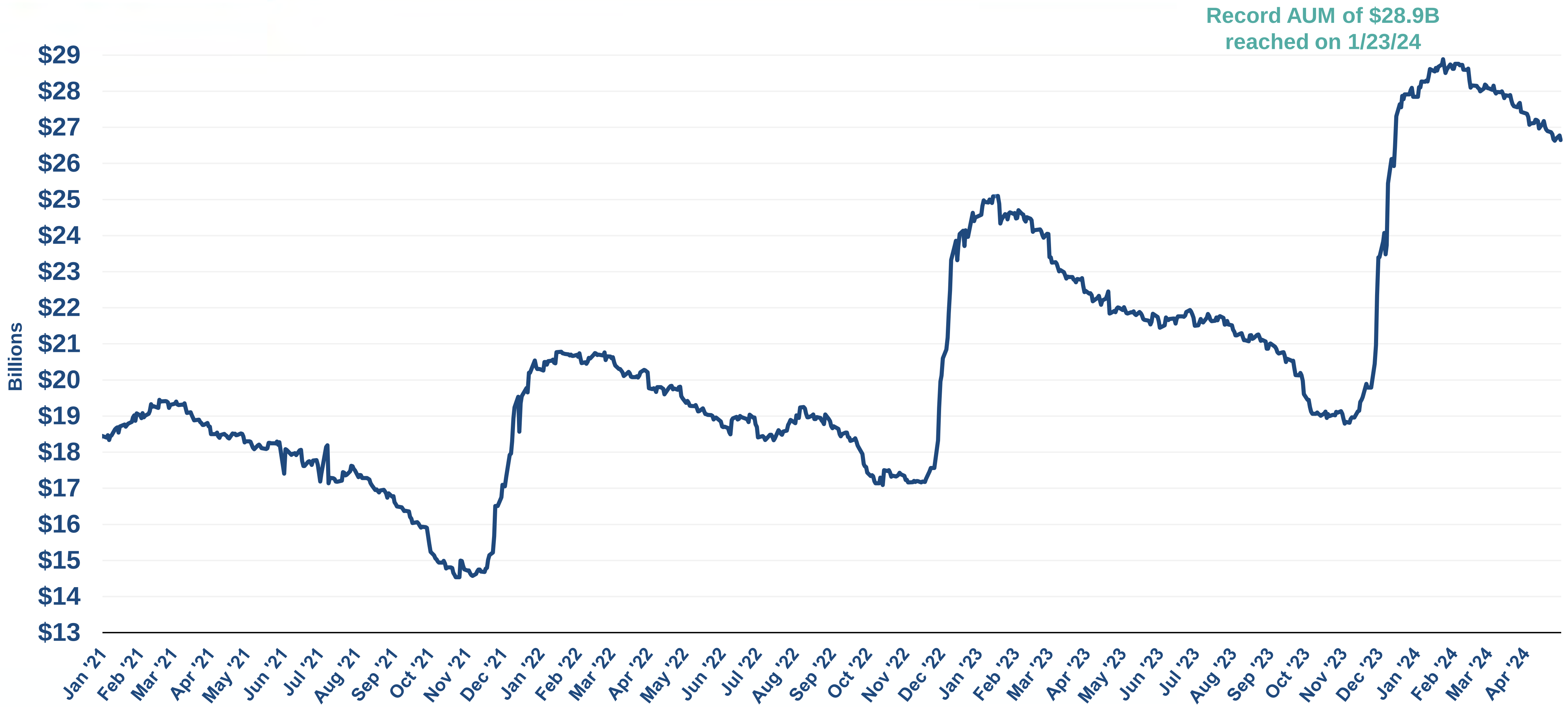
Supply side forces have contributed to the payroll strength



As of 4/15/2024
Source: BLS

Daily Assets

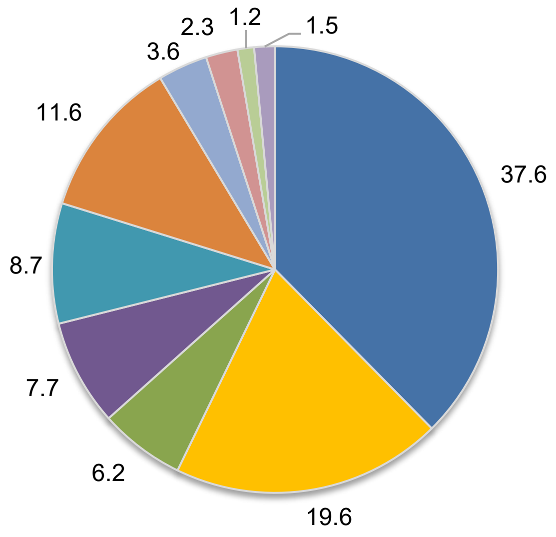
1/1/21 – 4/30/24



Portfolio Characteristics

Period Ending 3/31/24

Portfolio Composition (%)



Top Country Exposure	%
United States	37.3
Canada	21.0
Japan	12.3
Netherlands	10.4
Australia	6.7
France	5.3
Norway	3.4
Finland	1.6
United Kingdom	1.5
Germany	0.4
Sweden	0.04
Total	**100.0**

Top 10 Holdings (ex Repo)	%
Cooperatieve Rabobank UA	5.0
Australia & New Zealand Banking Group, Melbourne	5.0
ABN Amro Bank NV	5.0
Bank of Montreal	5.0
National Bank of Canada, Montreal.	4.8
Mitsubishi UFJ Financial Group, Inc.	4.2
Toronto Dominion Bank	4.1
Bank of America Corp.	3.8
Mizuho Financial Group, Inc..	3.6
Credit Agricole Group	3.6
Total:	**44.0%**

Credit Quality	
A-1+	44.6%
A-1	55.4%

Effective Maturity Schedule				
1-7 days	**8-30 days**	**31-90 days**	**91-180 days**	**181+ days**
61.8%	8.0%	17.3%	5.6%	7.3%

Weighted Average Maturity (WAM)	Weighted Average Life (WAL)
43 days	85 days

FLORIDA PRIME

Performance vs. Index

Period Ending 3/31/24

Performance Data (%) as of 3/31/24								
	1-month	**3-month**	**1-year**	**3-years**	**5-years**	**10-years**	**Since Jan. 1996**	**7-Day SEC Yield**
Annualized Net Participant Yield[1]	5.66%	5.69%	5.62%	2.87%	2.23%	1.62%	2.52%	5.49%
S&P AAA/AA Rated GIP All 30-Day Net Index[2]	5.25%	5.39%	5.25%	2.58%	1.99%	1.38%	2.30%	
Above (Below) Benchmark	*0.41%*	*0.30%*	*0.38%*	*0.29%*	*0.24%*	*0.24%*	*0.22%*	
iMoneyNet MFR First Tier Instl Avg (Net)[3]	5.14	5.15	5.16	2.60	1.96	1.34	N/A	5.22%

[1] Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.
[2] Net of fees.
[3] Net simple annualized return.
Notes: Annualized 1-month and 3-month performance figures

FLORIDA PRIME

Stress Test Results

as of 3/31/24

Stress Testing Board Summary Report for Florida PRIME

	31-Jan	28-Feb	31-Mar
Date of Stress Tests:	31-Jan	28-Feb	31-Mar
Shadow NAV at Time of Tests:	1.00029	1.00018	0.99993

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	1.00029	1.00018	0.99993	42.45%	40.23%	40.35%
10%	1.00033	1.00020	0.99992	36.05%	33.59%	33.78%
20%	1.00037	1.00023	0.99991	30.00%	30.00%	30.00%
30%	1.00042	1.00026	0.99990	30.00%	30.00%	30.00%
40%	1.00049	1.00030	0.99989	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Change in Interest Rates						Credit Event						Floater Spread Widening					
	Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99984	0.99958	0.99934	42.45%	40.23%	40.35%	0.99955	0.99934	0.99906	42.45%	40.23%	40.35%	0.99973	0.99968	0.99936	42.45%	40.23%	40.35%
10%	0.99982	0.99954	0.99927	36.05%	33.59%	33.78%	0.99950	0.99926	0.99896	36.05%	33.59%	33.78%	0.99970	0.99964	0.99929	36.05%	33.59%	33.78%
20%	0.99980	0.99948	0.99918	30.00%	30.00%	30.00%	0.99944	0.99917	0.99883	30.00%	30.00%	30.00%	0.99966	0.99960	0.99920	30.00%	30.00%	30.00%
30%	0.99977	0.99941	0.99906	30.00%	30.00%	30.00%	0.99935	0.99905	0.99866	30.00%	30.00%	30.00%	0.99961	0.99954	0.99908	30.00%	30.00%	30.00%
40%	0.99974	0.99931	0.99890	30.00%	30.00%	30.00%	0.99925	0.99889	0.99844	30.00%	30.00%	30.00%	0.99955	0.99946	0.99893	30.00%	30.00%	30.00%

% of Orig. Portfolio Stressed

Test	Jan	Feb	Mar
Redemptions Only	0.0%	0.0%	0.0%
Change in Int. Rates	94.2%	93.7%	94.9%
Credit Event	64.4%	64.5%	65.4%
Floater Spread Widening	37.7%	34.7%	39.3%
Combination	94.2%	93.7%	94.9%

Pct of Shares Redeemed	Combination					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99853	0.99823	0.99790	42.45%	40.23%	40.35%
10%	0.99837	0.99804	0.99766	36.05%	33.59%	33.78%
20%	0.99817	0.99779	0.99737	30.00%	30.00%	30.00%
30%	0.99790	0.99748	0.99700	30.00%	30.00%	30.00%
40%	0.99755	0.99706	0.99650	30.00%	30.00%	30.00%

Stress Test Footnotes

as of 3/31/24

Escalation Procedures:

Based on Federated's procedures, as of 6/30/2016, Counsel to the Independent Directors or Trustees will receive notification from the Adviser upon the occurrence of the following events in a Rule 2a-7 money market fund: (1) any deviation between the NAV and the market based NAV in excess of $0.0040 per share or (2) Weekly Liquid assets drop below sufficient liquidity levels, as identified in the board approved procedures, and the Adviser is required to communicate a recommendation regarding a Discretionary Liquidity Fee.

Assessment of Pool's Ability to Withstand Events Reasonably Likely to Occur During the Following Year:

Unless highlighted above for further discussion, the Adviser has determined that the pool is structured in such a way that the occurrence of the events, described more fully on the previous slide, which the Adviser believes are reasonably likely to occur during the next 12 months would not result in the pool’s Weekly Liquid Assets falling below 10% or a pool failing to minimize principal volatility.

Test Descriptions:

Unusual Redemption Activity: Resulting NAV & liquidity levels following redemptions equal to 40% in 10% increments
Change in Interest Rates: Resulting NAV & liquidity levels following a change in rates of 0.50%
Credit Event: Banks widen by 0.50%, and Travel and Leisure spreads widen by 0.25%
Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.50%
Combination: Change in Interest Rates, Credit Event, and Floater Spread Widening combined.

Redemption Funding Method:

Redemptions - Sell Daily Liquidity down to 0 percent then Weekly Liquidity down to 30 percent (Current, Target Liquidity Level) then based on Final Maturity Date

**STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**1801 HERMITAGE BOULEVARD, SUITE 100
TALLAHASSEE, FLORIDA 32308
(850) 488-4406**

**POST OFFICE BOX 13300
32317-3300**

To: Chris Spencer

From: Michael McCauley

Cc: Senior Leadership Group

Date: May 22, 2024

Subject: **Annual Review and Approval of Florida PRIME Investment Policy Statement (IPS)**

With respect to Florida PRIME, Section 218.409 Florida Statutes requires:

> *The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The investment policy shall be updated annually to conform to best investment practices.* [s. 218.409(2)(a), Florida Statutes]
>
> *The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.* [s. 218.409(2)(d), Florida Statutes]

There are no recommended changes at this time for the Florida PRIME Investment Policy Statement.

Let me know if you have any questions.

Attachments

This Page Intentionally Left Blank

Investment Policy Statement
Local Government Surplus Funds Trust Fund (Non-Qualified)

I. Purpose and Scope

The purpose of this Investment Policy Statement ("Policy") is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Local Government Surplus Funds Trust Fund ("Florida PRIME"). The Policy also describes the risks associated with an investment in Florida PRIME.

II. Overview of Florida PRIME

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration ("SBA") is charged with the powers and duties to administer and invest Florida PRIME, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(10), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the "Investment Manager") to provide investment advisory services for Florida PRIME.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law").

III. Roles and Responsibilities

The Board of Trustees of the SBA ("Trustees") consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint an Investment Advisory Council. The Council will, at least annually, review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board ("GASB") issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions.

In December 2015, GASB issued Statement 79, "Certain External Investment Pools and Pool Participants," which delinks the accounting treatment of external investment pools from Rule 2a-7, and establishes criteria for the use of amortized cost to value portfolio assets of an external pool. GASB 79 also made clear that rounding unit value up or down to the nearest penny to maintain a stable NAV of $1.00 per share for issuances and redemptions of units is an operational decision for an external investment pool, rather than an accounting matter. GASB 79 also specifies, however, that seeking to maintain a stable price of $1.00 per share is one of the criteria that an external investment pool must meet as a condition to valuing all portfolio assets at amortized cost for financial reporting purposes.

Florida PRIME will seek to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, it is thereby permitted to value portfolio assets at amortized cost method.

V. Investment Objective

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that Florida PRIME will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest Florida PRIME's assets in short-term, high-quality fixed income securities. All Florida PRIME assets (100 percent) will be U.S. dollar-denominated. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for Florida PRIME, like repurchase agreements. Each repurchase agreement counterparty must have an explicit issuer or counterparty credit rating in the highest short-term rating category from Standard & Poor's. Certain of the fixed income securities in which Florida PRIME invests pay interest at a rate that is periodically adjusted ("Adjustable Rate Securities").

The Investment Manager will manage credit risk by purchasing only high quality securities. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager monitors the credit risks of all Florida PRIME's portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain NRSROs. The Investment Manager will utilize a "new products" or similar committee to review and approve new security structures prior to an investment of Florida PRIME's assets in such securities. The Investment Manager will periodically consider and follow best practices in connection with minimal credit risk determinations (e.g., such as those described in Appendix I of the Investment Company Institute's 2009, *Report of the Money Market Working Group)*.

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten Florida PRIME's dollar-weighted average maturity when it expects interest rates to rise and extend Florida PRIME's dollar-weighted average maturity when it expects interest rates to fall. In order to meet the investment grade ratings criteria of Standard & Poor's for a pool, the remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for all other securities; provided, however, that if not required by the ratings criteria of the applicable NRSRO that is providing an investment grade rating to the pool and to the extent consistent with the portfolio criteria of GASB 79, longer term floating rate/variable rate notes that are U.S. government securities may be owned by Florida PRIME.

The Investment Manager will exercise reasonable care to maintain (i) a dollar weighted average maturity ("DWAM") of 60 days or less; and (ii) a maximum weighted average life (WAL) within the range of 90-120 days, depending on the levels of exposure and ratings of certain Adjustable Rate Securities. The maximum WAL will depend upon the percentage exposures to government and non-government Adjustable Rate Securities, with sovereign (government) Adjustable Rate Securities rated AA- and higher allowed a 120-day limit, and non-sovereign (corporate) Adjustable Rate Securities (and sovereign Adjustable Rate Securities rated below AA-) restricted to a 90-day limit. The portfolio's maximum WAL will be based on a weighted average of the percentage exposures to each type of floating-rate instrument.

For purposes of calculating DWAM, the maturity of an Adjustable Rate Security generally will be the period remaining until its next interest rate adjustment. For purposes of calculating WAL, the maturity of an Adjustable Rate Security will be its stated final maturity, without regard to interest rate adjustments; accordingly, the WAL limitation could serve to restrict Florida PRIME's ability to invest in Adjustable Rate Securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of Florida PRIME's assets in a single industry sector, with the exception that the Investment Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to not acquire a security, other than (i) a Daily Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 10% of its total assets in Daily Liquid Assets; (ii) a Weekly Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 30% of its total assets in Weekly Liquid Assets. Daily Liquid Assets include cash, direct obligations of the U.S. government and securities that convert to cash in one business day. Weekly Liquid Assets include cash, direct obligations of the U.S. government, certain government securities with remaining maturities of 60 business days or less and securities that convert to cash in five business days.

Florida PRIME shall seek to hold liquid assets sufficient to meet reasonably foreseeable redemptions, based upon knowledge of the expected cash needs of participants.

The Investment Manager will exercise reasonable care to not acquire securities that cannot be sold or disposed of in the ordinary course of business within five business days at approximately the value ascribed to them by Florida PRIME if, immediately after the acquisition, Florida PRIME would have invested more than 5% of its total assets in such securities.

In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with (i) the diversification, maturity and credit quality criteria in GASB 79, (ii) the requirements imposed by any NRSRO that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent) and (iii) the investment limitations imposed by Section 215.47, Florida Statutes except to the extent, as permitted by Section 215.44(3), the trust instrument of Florida PRIME and this investment policy statement specifically authorize investments in addition to those authorized by Section 215.47.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in GASB 79. First, at least 50% of Florida PRIME assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAm (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager will document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. Second, exposure to any single non-governmental issuer (other than a money market mutual fund) will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of Florida PRIME assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for Florida PRIME, and may engage in special transactions, for any purpose that is consistent with Florida PRIME's investment objective.

Fixed income securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which Florida PRIME may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. Florida PRIME is also permitted to buy such fixed income securities that require Florida PRIME to be a qualified institutional buyer as long as the securities held by Florida PRIME are in excess of $100,000,000.

Special transactions are transactions into which Florida PRIME may enter, including, but not limited to, repurchase agreements and delayed delivery transactions.

For a more detailed description of Florida PRIME's portfolio securities and special transactions, please see "Additional Information Regarding Florida PRIME's Principal Securities" at Appendix A.

VIII. Risks Associated with Florida PRIME

An investment in Florida PRIME is subject to certain risks. Any investor in Florida PRIME should specifically consider, among other things, the following principal risks before making a decision to purchase shares of Florida PRIME.

Risk that Florida PRIME will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage Florida PRIME such that it maintains a stable NAV of $1.00 per share, there is no guarantee that it will be able to do so. Florida PRIME is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which Florida PRIME will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, Florida PRIME will lose money.

Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, Florida PRIME may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on Florida PRIME's performance.

Concentration Risks

A substantial part of Florida PRIME may be comprised of securities issued by companies in the financial services industry, companies with similar characteristics, or securities credit enhanced by banks or companies with similar characteristics. As a result, Florida PRIME may be more susceptible to any economic, business, or political risks or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

Call Risks

If a fixed income security is called, Florida PRIME may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If Florida PRIME receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Risks Associated with Amortized Cost Method of Valuation

Florida PRIME will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on Florida PRIME's portfolio by the NAV, as computed above, may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Changing Distribution Level Risk

There is no guarantee that Florida PRIME will provide a certain level of income or that any such income will exceed the rate of inflation. Further, Florida PRIME's yield will vary. A low interest rate environment may prevent Florida PRIME from providing a positive yield or paying expenses out of current income.

Throughout this section, it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

For additional information regarding Florida PRIME's principal securities and associated risks, please see Appendix A.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on Florida PRIME that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to Florida PRIME. The Custodian will mark to market the portfolio holdings of Florida PRIME on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on at least a monthly basis, under the supervision of the SBA.

The NRSRO that rates Florida PRIME will perform regular independent surveillance of Florida PRIME. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

The SBA and third parties used to materially implement Florida PRIME will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board, and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on Florida PRIME. The Investment Oversight Group will meet as necessary based on the occurrence and resolution of compliance exceptions or upon the occurrence of a material event. Minutes of any meeting held by the Investment Oversight Group and a listing of meeting participants shall be timely posted on the Florida PRIME website.

The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on Florida PRIME to the participants, including, but not limited to:

1. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.25%, according to pricing information provided by the Custodian, the Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.

2. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.50%, according to pricing information provided by the Custodian, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.

4. In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a "Downgrade"), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME; provided however, that the Investment Manager will not be required to make such reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the Downgrade.

5. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event ("Affected Security"), the Investment Manager must dispose of the security as soon as practical, consistent with achieving an orderly disposition of the security, by sale, exercise of a demand feature or otherwise, and the requirements of GASB 79. An Affected Security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

6. The Investment Manager will monthly stress test Florida PRIME and at least quarterly report the results of the stress tests to the Investment Oversight Group. Stress tests must be conducted for at least the following events, or combinations of events (i) a change in short-term interest rates; (ii) an increase in net shareholder redemptions; (iii) downgrades or defaults; and (iv)

changes between a benchmark overnight interest rate and the interest rates on securities held by Florida PRIME.

The Investment Manager will at least annually provide the Investment Oversight Group with: (i) their documented compliance procedures; (ii) an assessment of Florida PRIME's ability to withstand events reasonably likely to occur in the coming year and (iii) their list of NRSROs utilized as a component of the credit risk monitoring process.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on Florida PRIME, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of Florida PRIME, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

Investors should refer to the separate Florida PRIME Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from Florida PRIME, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of Florida PRIME.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A
Additional Information Regarding Florida PRIME's Principal Securities

Throughout this appendix it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

FIXED INCOME SECURITIES

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. Florida PRIME also may purchase interests in bank loans to companies.

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of generally less than 270 days. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. Florida PRIME treats demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

Florida PRIME will not invest in instruments of domestic and foreign banks and savings and loans unless they have capital, surplus, and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Florida PRIME shall further limit its investments in bank instruments consistent with the requirements of GASB 79.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

Government Securities

Government security means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other government sponsored entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. Florida PRIME treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. Florida PRIME treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. Florida PRIME considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or

- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which Florida PRIME invests are zero coupon securities. Zero coupon securities do not pay interest or principal until final maturity, unlike debt securities that provide periodic payments of interest (referred to as a “coupon payment”). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which Florida PRIME invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that Florida PRIME constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), as long as Florida PRIME has total assets in excess of $5,000,000, (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, and (iii) a "qualified institutional buyer" as defined in Rule 144(a)(1) promulgated under the Securities Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis at least $100,000,000 in securities.

Money Market Mutual Funds

Florida PRIME may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of Florida PRIME and incur additional fees and/or expenses that would, therefore, be borne indirectly by Florida PRIME in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest Florida PRIME in money market mutual funds that are “affiliated persons” of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of Florida PRIME may engage in the following special transactions.

Repurchase Agreements

A repurchase agreement is a transaction in which Florida PRIME buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting Florida PRIME's return on the transaction. This return is unrelated to the interest rate on the underlying security. Florida PRIME will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager. The securities that are subject to the repurchase transactions are limited to securities in which Florida PRIME would be permitted to invest, except that such securities may have a maturity longer than would otherwise be permitted for Florida PRIME to own.

Florida PRIME's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Investment Manager or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by Florida PRIME to the issuer and no interest accrues to Florida PRIME. Florida PRIME records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for Florida PRIME. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with special transactions, Florida PRIME will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds Florida PRIME's obligations. Unless Florida PRIME has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause Florida PRIME to miss favorable trading opportunities or to realize losses on special transactions.

INVESTMENT ADVISORY COUNCIL

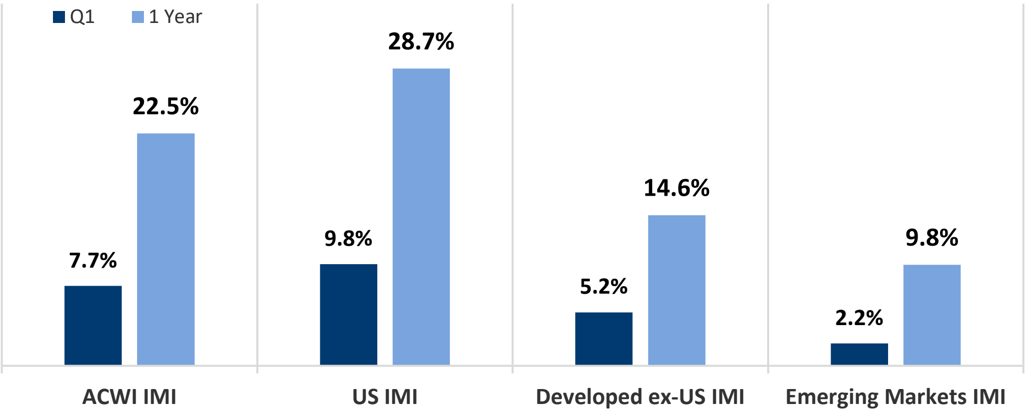
Global Equity Asset Class Update

Tim Taylor, Senior Investment Officer

State Board of Administration
June 10, 2024

Q1 2024 MARKET ENVIRONMENT

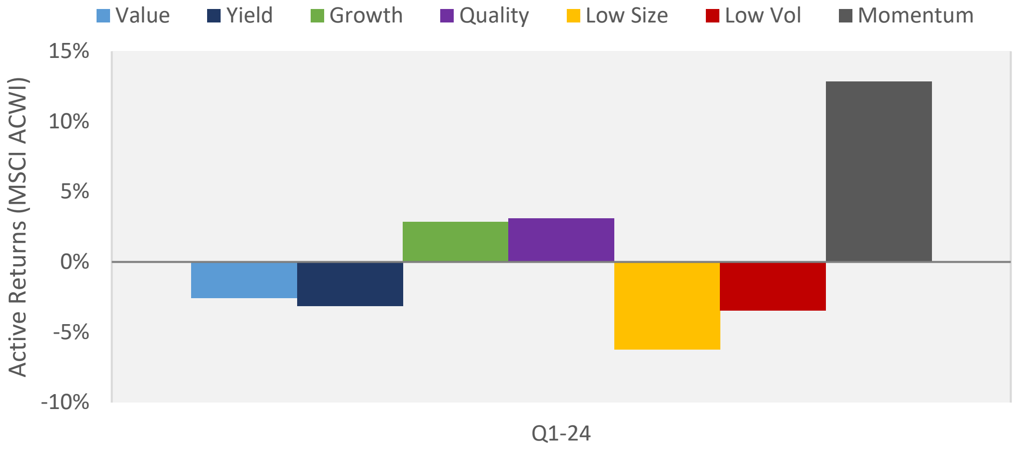
US STOCKS EXTENDED STRONG PERFORMANCE



Q1 RETURNS: CYCLICAL SECTORS LED RALLY

	ACWI IMI	USA IMI	Developed ex US IMI	Emerging Markets IMI
Comm Services	10.7	14.2	3.0	0.5
Cons Discretionary	5.8	5.4	9.6	-0.5
Consumer Staples	2.7	7.3	-2.5	-4.2
Energy	9.4	12.9	5.0	6.6
Financials	8.7	11.3	7.5	2.2
Health Care	6.6	8.2	4.3	-3.9
Industrials	8.9	11.0	7.2	3.6
Info Tech	11.5	11.9	11.2	8.9
Materials	1.7	7.9	-0.3	-4.6
Real Estate	-1.3	-1.3	-0.8	-3.1
Utilities	1.2	4.5	-4.5	3.4
TOTAL RETURN	**7.7**	**9.8**	**5.2**	**2.2**

MOMENTUM FACTOR INDEXES OUTPERFORMED



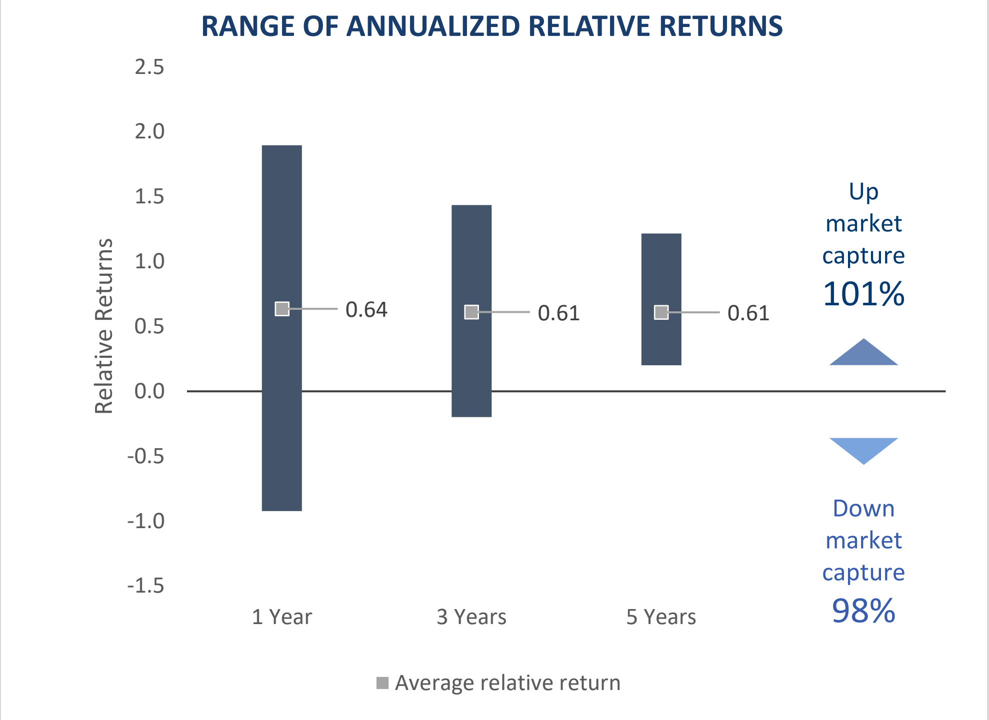
Q1 2024 GLOBAL MARKET DYNAMICS

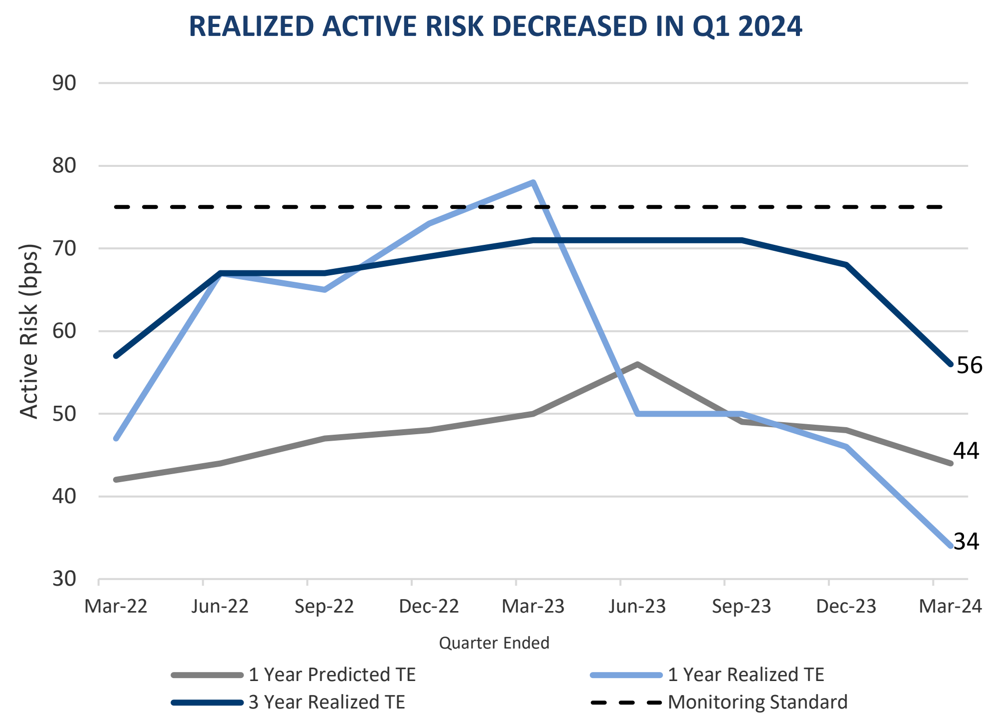
- Equity markets started 2024 with a strong Q1 (up 8%) extending the significant gains of 2023 (up 22%).
- In Q1 US markets (10%) once again bested non-US Developed countries (5%) and emerging markets (2%).
- Investors became more concerned with inflation measures, and the corresponding direction of interest rates, near the end of the quarter.

Note: As of March 31, 2024. All returns are in USD, net of dividend withholding taxes.

ASSET CLASS PERFORMANCE SUMMARY

Total Global Equity	EMV ($M)	Q1 '24	FYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	SI
Asset Class Return	$95,075	8.06%	15.87%	22.62%	6.29%	10.85%	10.26%	8.87%	10.75%
vs Target		7.72%	15.68%	22.51%	6.32%	10.59%	9.92%	8.46%	10.13%
Excess Return		**0.34%**	**0.19%**	**0.12%**	**-0.03%**	**0.25%**	**0.34%**	**0.42%**	**0.62%**
Tracking Error					0.54%	0.59%	0.53%	0.54%	0.53%
Return/Risk (IR)					-0.10%	0.34%	0.54%	0.67%	1.02%





Note: All returns through 3/31/2024. Inception 7/1/10. Benchmark is Custom Iran Sudan Free MSCI ACWI IMI Index. Realized Risk is compared to prior 1 year Predicted Risk.

ACTIVE STRATEGY PERFORMANCE SUMMARY

	Excess Returns by Aggregate					What Happened in Q1 2024
Active Strategy Group	**% of Asset Class**	**Q1 2024**	**1 Year**	**3 Year**	**5 Year**	**Recent Performance Drivers**
Foreign Developed Large Cap	20%	0.37%	-0.56%	-1.19%	0.37%	The aggregate outperformed with both value and growth managers positioned in companies with strong fundamentals across multiple investment themes. This aggregate continues to recover from a disastrous Q1 2022 when valuations were reset by a change to the Fed's interest rate policy.
Dedicated Global	9%	0.07%	-1.83%	-0.83%	-1.79%	Negatives included cash, an underweight to IT and an overweight to the UK. However these were offset by positive stock selection effects in IT and Industrials, and an overweight to Arista Networks.
Emerging Markets (Large & Small Cap)	9%	1.28%	2.73%	0.76%	1.52%	Most of the outperformance came from Taiwan, China and South Korea (including all top 8 performing companies). Top performers included Hon Hai Precision and TSMC in Taiwan, and Tongcheng Travel, Nio and Wuxi Biologics in China. All sectors provided positive performance except Financials (-1 bp).
Foreign Developed Small Cap	4%	1.37%	0.86%	1.14%	0.79%	The quarter demonstrated further outperformance to value, with strong accompanying support from momentum. Q1 was one of the strongest ever for the ISC bucket.
US Small Cap	3%	0.43%	-0.46%	3.35%	1.89%	Modest tilts towards profitability and higher market cap stocks were the strongest style tailwinds. Conversely being underweight to a handful of highly speculative AI and Crypto Currency names notably detracted.
US Large Cap	1%	2.14%	2.33%	1.50%	0.06%	The aggregate's underweight positioning in Apple and an overweight to Medpace Holdings were top name contributors. An underweight to Tesla was a strong contributor for the second consecutive quarter.
Total Active Aggregate	**46%**	**0.53%**	**-0.05%**	**-0.33%**	**0.17%**	

Note: All returns through 3/31/2024. Excess returns are relative to strategy group benchmark. Weights are relative to total equity assets under management. Do not include assets in Non-Traditional strategy.

UPDATE ON INITIATIVES

Initiatives

•Continue implementation of FRS Asset Allocation restructuring.

•Finalize Emerging Markets search.

•Researching solutions that can be deployed by the internal portfolio management team. At the end of Q1 2024, 56% of Global Equity assets were internally managed.

Provide Liquidity

•Global Equity continues to be a significant provider of liquidity, for all reasons.

•Raised another $5.9 Billion in Q1 2024, after $7.5 Billion in calendar year 2023.

•GE has provided $86.25 Billion of liquidity since July 2010 (when Domestic Equity and Foreign Equity asset classes were combined).

This Page Intentionally Left Blank

INVESTMENT ADVISORY COUNCIL

Strategic Investments Update

Trent Webster, Senior Investment Officer – Strategic Investments

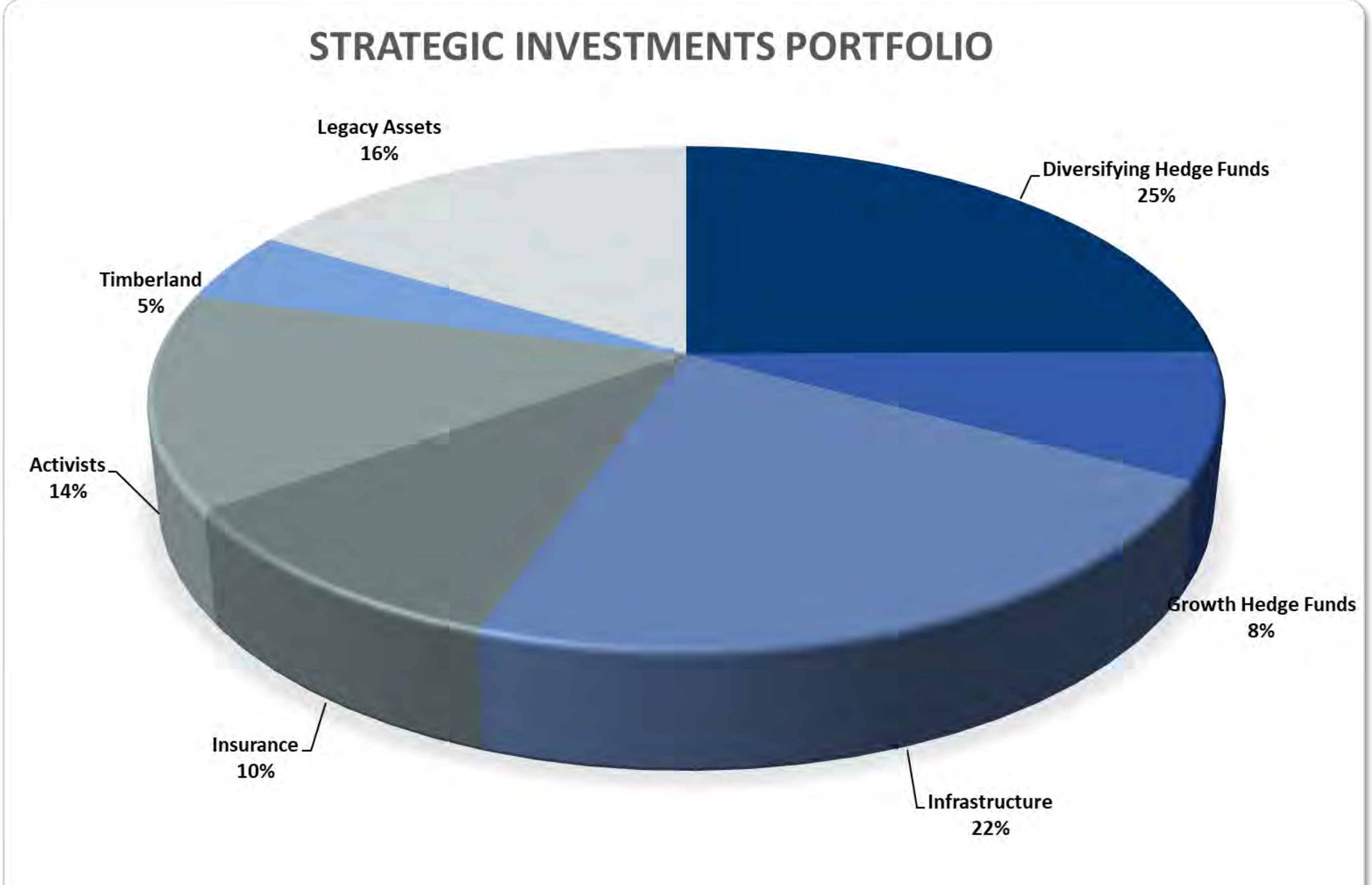
State Board of Administration
June 10, 2024

PERFORMANCE

RECENT ACTIVITY

- Quarterly cash inflow was $771 million
- Cash inflow for the fiscal year has been $625 million
- Three funds totaling $354 million closed in the last quarter
- Two funds totaling $200 million closed in this quarter
- Thirteen funds in the Pipeline

STRATEGIC INVESTMENTS PORTFOLIO



HEDGE FUNDS

- Target up to 2% of the FRS
- Currently 2.1% of the Total Fund
- Allocation – 75% Diversifying / 25% Growth Hedge Funds
- Significant restructuring almost complete
- Looking to add funds that diversify away from equity and credit risk

INFRASTRUCTURE

- Target 1% of the FRS
- Currently 1.4% of the Total Fund
- Focus more on smaller, opportunistic investments
- Includes Transportation assets

INSURANCE

- Target up to 1% of the FRS
- Currently 0.6% of the Total Fund
- Very hard market
- Made additional allocations to the June 1 renewal period
- Researching Lloyd’s of London

OPPORTUNISTIC

- Activists – 0.9% of the FRS
  - Hoping to close at least one Japanese activist this year

- Innovation Portfolio
  - One fund recently closed

- Timberland – 0.3% of the FRS
  - Bullish longer-term

- Legacy Assets – 1.1% of the FRS

PRIVATE CREDIT

- Target 4% of the FRS

- Currently 4.8% of the Total Fund

- Greater focus on income generation
- Expect to significantly increase exposure to Direct Lending

- Opportunities in
  - Energy and metals
  - Rescue financing

PRIVATE CREDIT

Performing Credit / Capital Preservation

- Direct Lending
- Mezzanine
- Capital Solutions

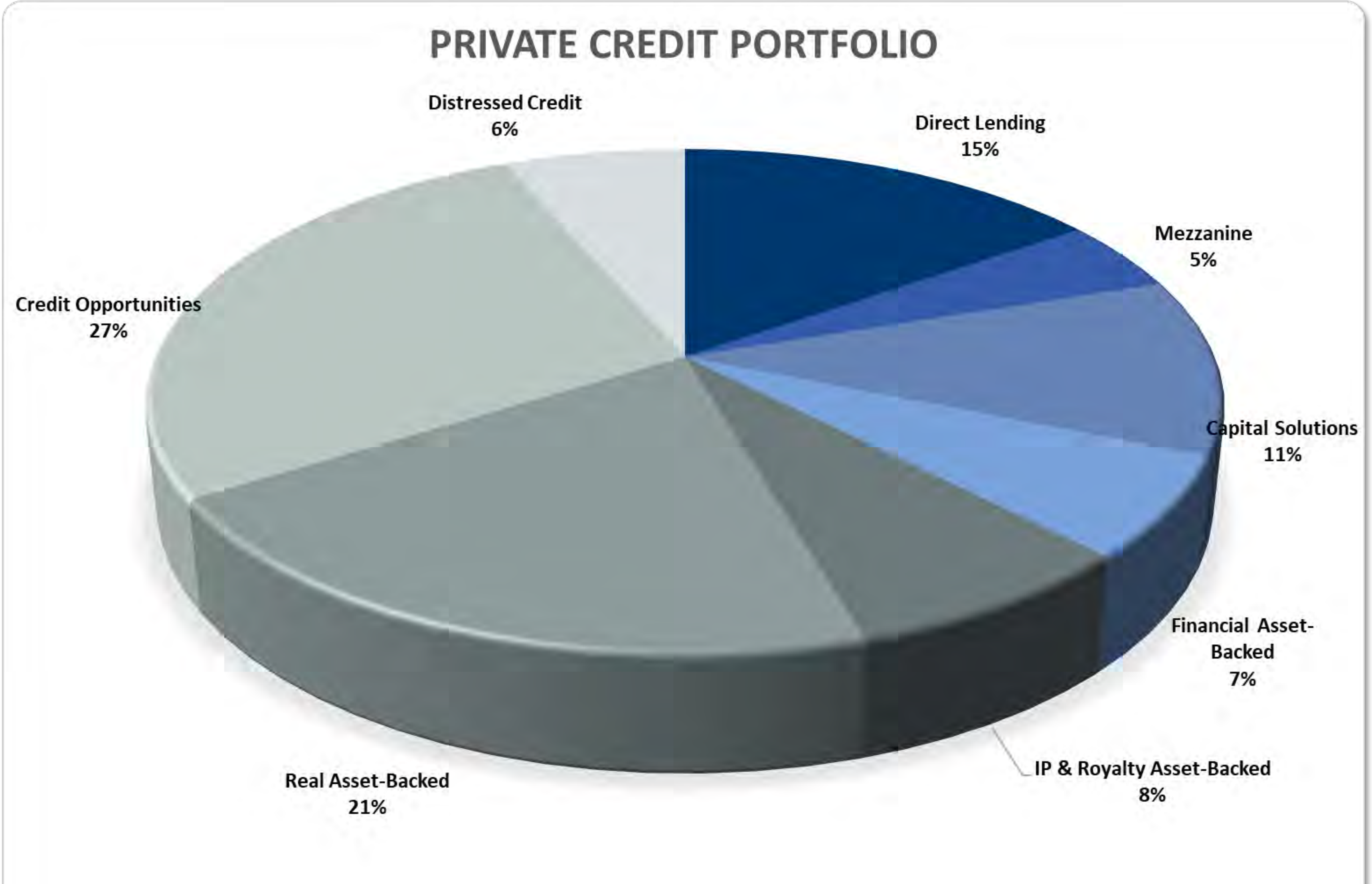
Specialty Finance

- Financial Asset-Backed
- IP & Royalty Asset-Backed
- Real Asset-Backed
    - Infrastructure Lending
    - Natural Resource Asset-Backed
    - Real Estate Financing

Opportunistic / Distressed

- Credit Opportunities
- Distressed

PRIVATE CREDIT PORTFOLIO



MULTI-ASSET CREDIT

- Co-managed with Fixed Income
- High Yield, Bank Loans and Emerging Market Debt
- Targeting first investments in summer 2024
- First investments will be passive
- May invest in active funds later

Q&A

CONTACT: Trent Webster
Email: Trent.Webster@sbafla.com
PH: 850-413-1049

Thank You

CONTACT: Trent Webster
Email: Trent.Webster@sbafla.com
PH: 850-413-1049

INVESTMENT ADVISORY COUNCIL

Fixed Income Asset Class Update

Todd Ludgate, Senior Investment Officer Fixed Income

State Board of Administration
June 10, 2024

Asset Class Portfolio Performance

- Asset class outperformed benchmark fiscal YTD and over 1-year, 3-year, 5-year and 10-year time periods with well-controlled active risk and a strong Information Ratio.

- For FYTD through 3/31/2024, FI outperformed .61%

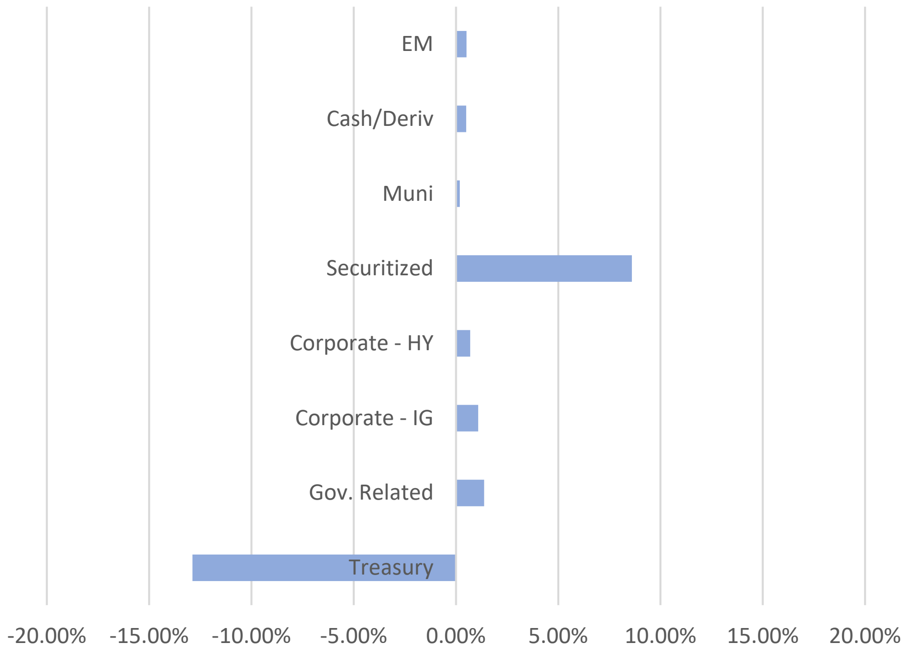
Fixed Income ex Transition	EMV ($M)	1 Yr	3 Yr	5 Yr	10 Yr
Asset Class Return	$33,936	2.98%	-1.37%	0.99%	1.74%
vs Target		2.21%	-1.70%	0.58%	1.44%
Excess Return		**0.77%**	**0.33%**	**0.41%**	**0.30%**
Tracking Error			0.31%	0.53%	0.40%
Return/Risk (IR)			1.09	0.69	0.73

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Total Fixed Income Portfolio Positioning

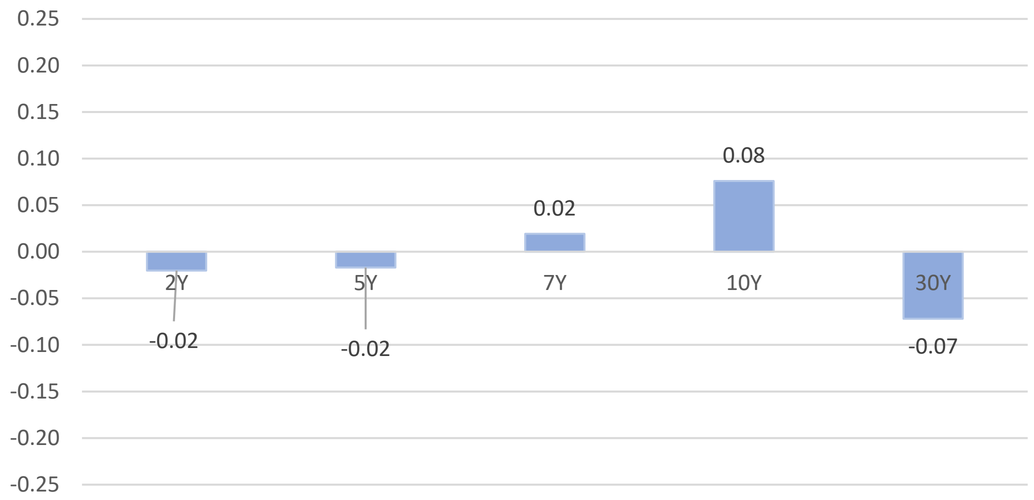
The portfolio is overweight spread product.

FRS Fixed Income Sector Exposures



The portfolio is fairly neutral both overall duration and curve position.

Key Rate Exposures

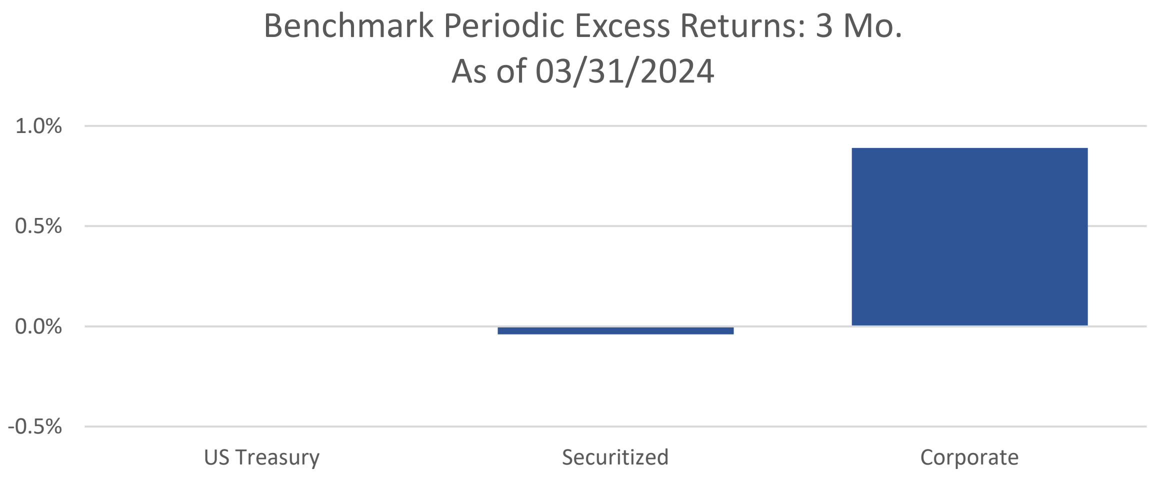


Source: Bloomberg Finance, L.P./Aladdin/BNY Mellon, as of 03/31/2023

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Fixed Income Excess Returns

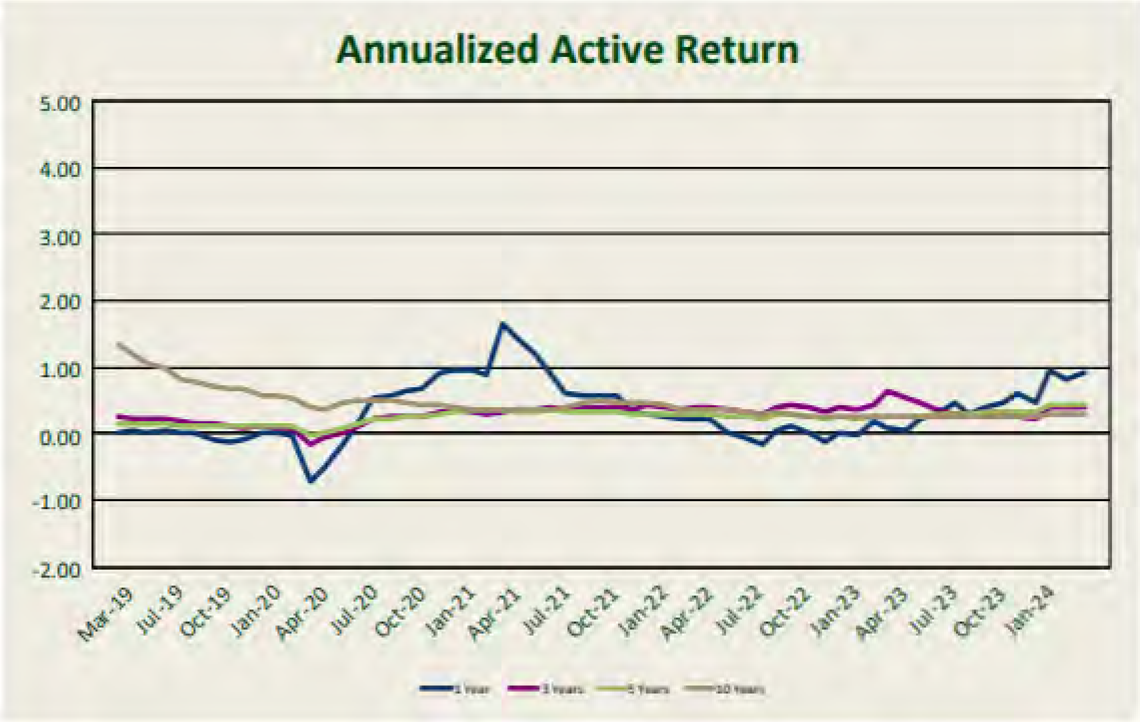
- Fixed Income spread sectors generated positive excess returns for the quarter.
- Corporates and mortgages have produced positive returns over the quarter, 6-month, and 12-month basis



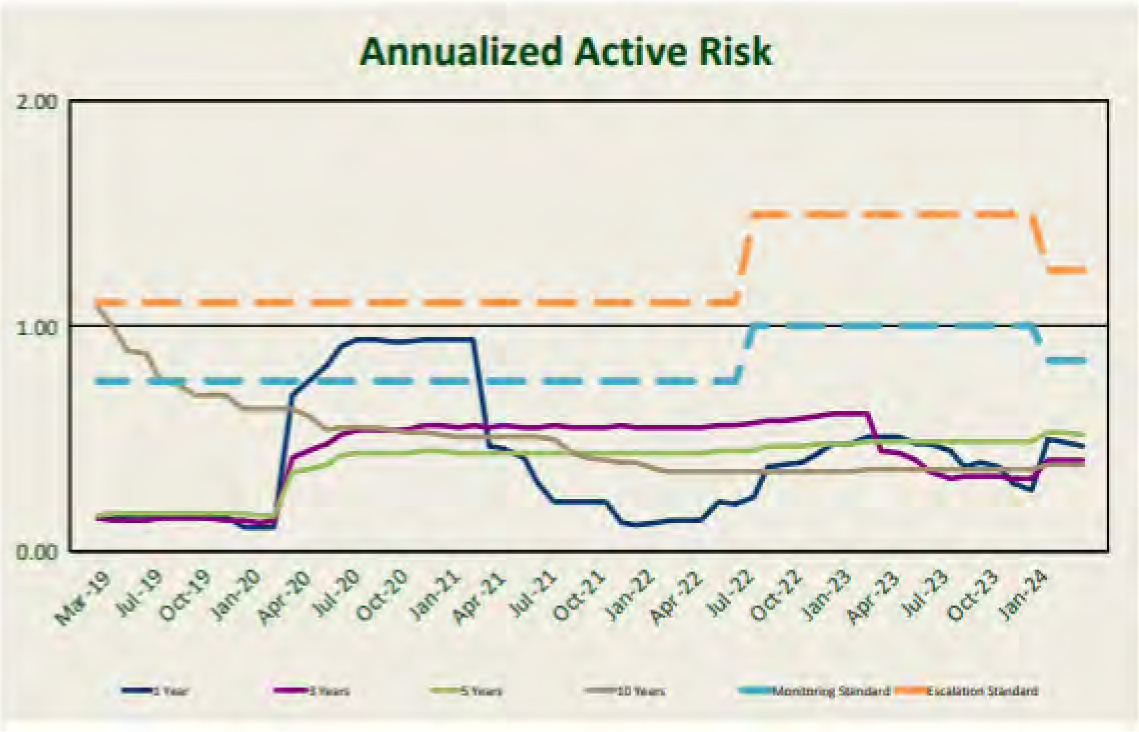
Source: Bloomberg, as of 12/31/2023

Total Fixed Income Portfolio Risk

Volatility remains modest compared to recent peaks.



Active risk stable at levels below what will be seen in a market disruption.



Source: SBA Investment Policy and Asset Allocation Area, as of 3/31/2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Fed 2024 Cut Expectations Have Dwindled

Expectations as of 2/16/2024:

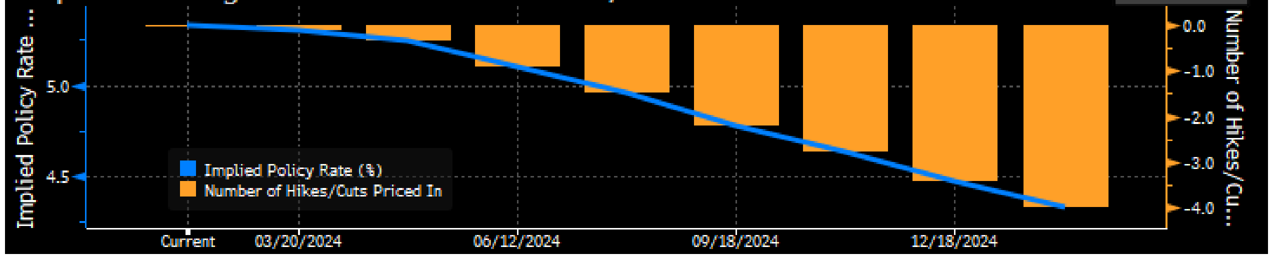
Region: United States »
Instrument: Fed Funds Futures »

Target Rate 5.50
Effective Rate 5.33
Pricing Date 02/16/2024
Cur. Imp. O/N Rate 5.329

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
03/20/2024	-0.106	-10.6%	-0.026	5.302	0.250
05/01/2024	-0.333	-22.7%	-0.083	5.246	0.250
06/12/2024	-0.922	-58.9%	-0.231	5.098	0.250
07/31/2024	-1.495	-57.3%	-0.374	4.955	0.250
09/18/2024	-2.217	-72.3%	-0.554	4.774	0.250
11/07/2024	-2.776	-55.8%	-0.694	4.635	0.250
12/18/2024	-3.440	-66.4%	-0.860	4.469	0.250

Implied Overnight Rate & Number of Hikes/Cuts

Maximize



Expectations as of 5/15/2024:

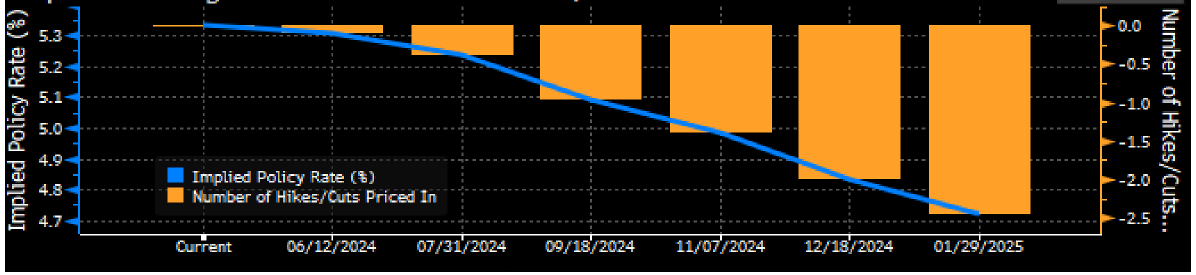
Region: United States »
Instrument: Fed Funds Futures »

Target Rate 5.50
Effective Rate 5.33
Pricing Date 05/15/2024
Cur. Imp. O/N Rate 5.333

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
06/12/2024	-0.100	-10.0%	-0.025	5.307	0.250
07/31/2024	-0.380	-28.0%	-0.095	5.238	0.250
09/18/2024	-0.975	-59.5%	-0.244	5.089	0.250
11/07/2024	-1.387	-41.2%	-0.347	4.986	0.250
12/18/2024	-2.002	-61.5%	-0.500	4.832	0.250
01/29/2025	-2.450	-44.8%	-0.613	4.720	0.250

Implied Overnight Rate & Number of Hikes/Cuts

Maximize



Source: Bloomberg

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Fixed Income Review and Outlook, June 2024

- **Continuing to implement asset allocation changes:**
  - The majority of the increase of the weight to the fixed asset class has been implemented. We expect to finish in calendar 2024.

- **Continuing to refine asset class construction:**
  - Core External Manager search in progress

- **Collaborating with Strategic Investments to develop Multi-Asset Credit portion of the Active Credit asset class**
  - Researching High Yield, Emerging Market Debt, and Leveraged Loans options
  - Starting efforts with passive investments, due diligence ongoing. Expect first funding in calendar 2024. Active investments consideration will begin in 2H2024.

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Thank You

CONTACT: Todd Ludgate
Email: todd.ludgate@sbafla.com

INVESTMENT ADVISORY COUNCIL

Real Estate Asset Class Update

Lynne Gray, Senior Investment Officer

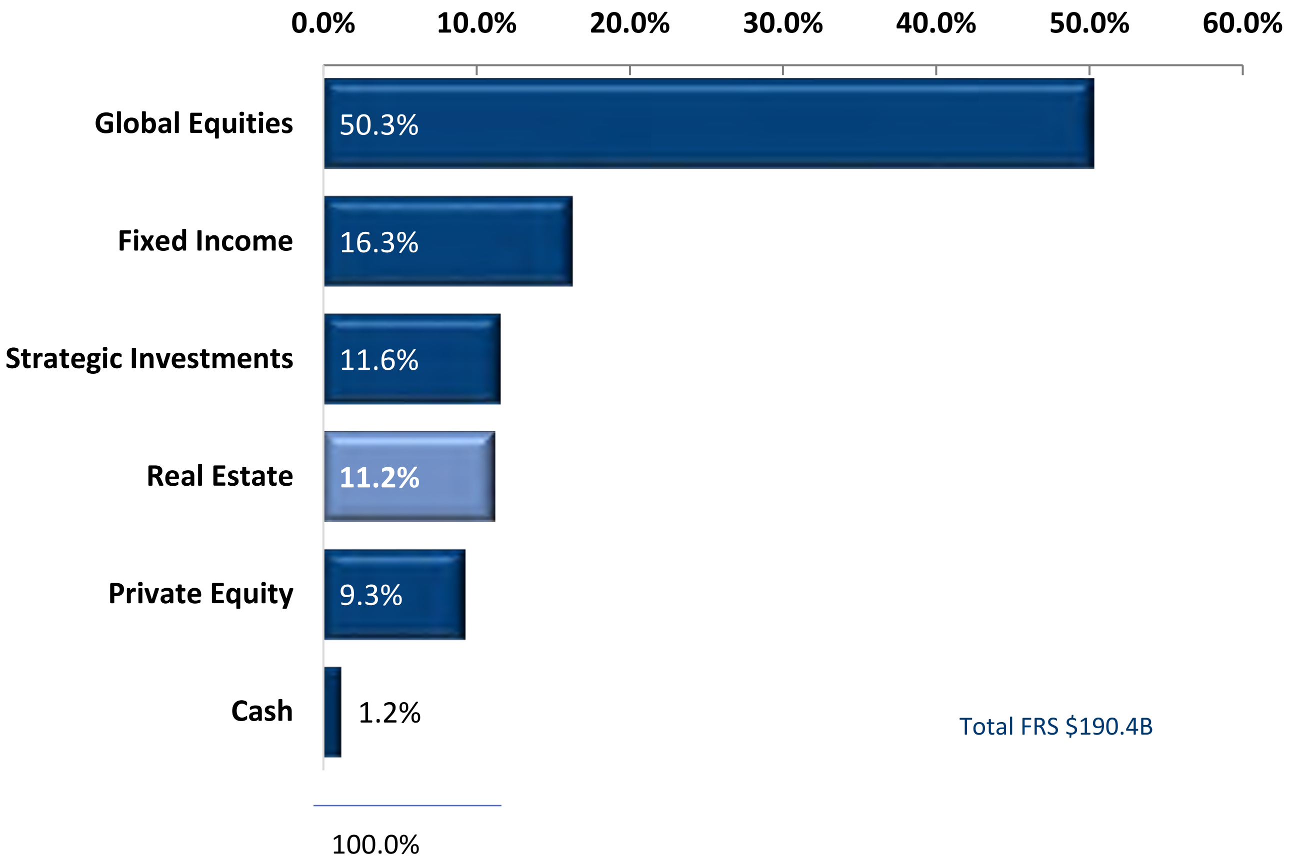
State Board of Administration
June 2024

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

REAL ESTATE PORTFOLIO

as of 12/31/2023

Florida Retirement System Defined Benefit Program Asset Allocation



Real Estate Objectives

The SBA Real Estate Portfolio is a core portfolio that seeks to

- Provide diversification to the total SBA plan assets.
- Provide a potential hedge against inflation.
- Provide a total return over a full market cycle, defined as rolling five-year periods, that is competitive on a risk-adjusted basis with returns provided by other asset classes.

Allocation

- Target: **10%** of Total FRS**.** (**12%** effective Jan 1, 2024)
- Range: **4% - 16%** of Total FRS. (**8% - 20%** effective Jan 1, 2024)

Benchmark

- Comprised of 76.5% NFI-ODCE[1] (net of fees), 13.5% NFI-ODCE (net of fees) +150 bps, and 10% EPRA/NAREIT Global over a rolling five-year period, defined as SBAF Primary Benchmark (gross).
- The portfolio target allocation will change with the new asset allocation effective January 1, 2024, removing Public Investments (REITs).
- The benchmark mix will be modified to 83.3% NFI-ODCE and 16.7% NFI-ODCE +150 bps, net of fees.

[1]The National Council of Real Estate Investment Fiduciaries Fund Index - Open-ended Diversified Core Equity Index (NFI-ODCE)

Real Estate Highlights

Market Overview

- NFI-ODCE values declined for six consecutive quarters, with 2023 marking the first calendar year of negative total returns since 2009.
- Further negative appreciation is likely as appraisal values move closer to transaction values.
- 2023 national transaction volume declined 52% from the prior year and was down 40% from pre-pandemic levels recorded in 2019. Source: Real Capital Analytics
- 2024 started with high hopes for lower interest rates, more attractive cost of capital and returns but those faded as expectations for interest rate cuts by the Federal Reserve were reduced and pushed back.

Performance Summary

	1 YR		3 YR		5 YR		10 YR	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
SBA RE Portfolio	**-7.1%**	**-7.4%**	**6.7%**	**6.0%**	**6.1%**	**5.4%**	**8.4%**	**7.5%**
SBA Primary Benchmark	-10.4%		4.2%		3.8%		6.4%	
NFI ODCE	-12.0%	-12.7%	4.9%	4.0%	4.2%	3.3%	7.3%	6.3%

Source: The Townsend Group
TGRS = total gross return
TNET=total net return

SBA RE outperformed the benchmark in all time periods

Property Markets

- **Industrial** – Slight softening due to supply wave, however still healthy demand and vacancy levels remain low.
- **Apartment** – Slight softening due to supply wave, yet property fundamentals are relatively healthy. National vacancy rate continues to inch upward. Tailwinds for rental: construction starts are down ~43% Y-O-Y; limited for-sale housing inventory.
- **Retail** – Neighborhood and community shopping centers seeing positive absorption, slight rent growth, increased investor interest.
- **Office** – Significant headwinds from diminished tenant demand with remote/flexible work. Bifurcation exists with quality and well-located buildings.
- **Alternatives (Single Family Rental, Manufactured Housing, Self-Storage, Cold Storage, Data Centers, etc.)** – Increased investor demand.

Opportunities & Strategy

- **Dry Powder:** Market dislocation may lead to attractive investment opportunities.
- **Credit Facility**: Construction financing is relatively scarce. SBA's credit facility should provide attractive development opportunities.
- **Sectors**: Continue to seek investments in industrial, residential and alternative property types.
- **Portfolio Construction & Strategy**:

Property Type	Industrial	Residential	Office	Other[1]	Retail
Private Portfolio	30.50%	23.20%	23.00%	12.20%	11.00%
EXPOSURE STRATEGY	↑	↑	↓	↑	↑

[1]Other includes Agriculture, Data Centers, Self-Storage, Hotel, SFR, SRH, & Land

RECENT ACTIVITY

(Since Last IAC Report)

Principal Investments

Acquisitions (Equity)

• Industrial	$233 million
• Residential	$141 million
• Medical Office	$36 million

Dispositions (Equity)

•Agriculture	$19 million

Credit Facility Loans

•Credit Facility	$472 million

Externally Managed

New Commitments

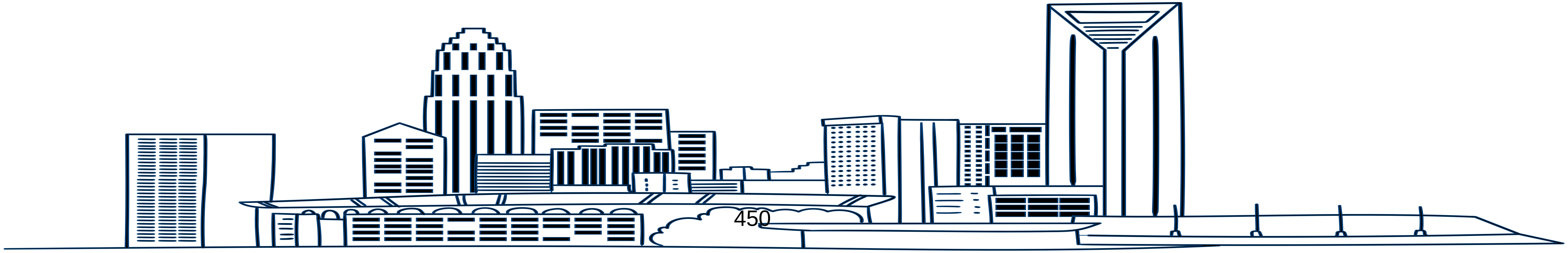
• US Non-Core Value-Add Fund	$100 million

Redemptions

• 2 Open-Ended Funds	$209 million

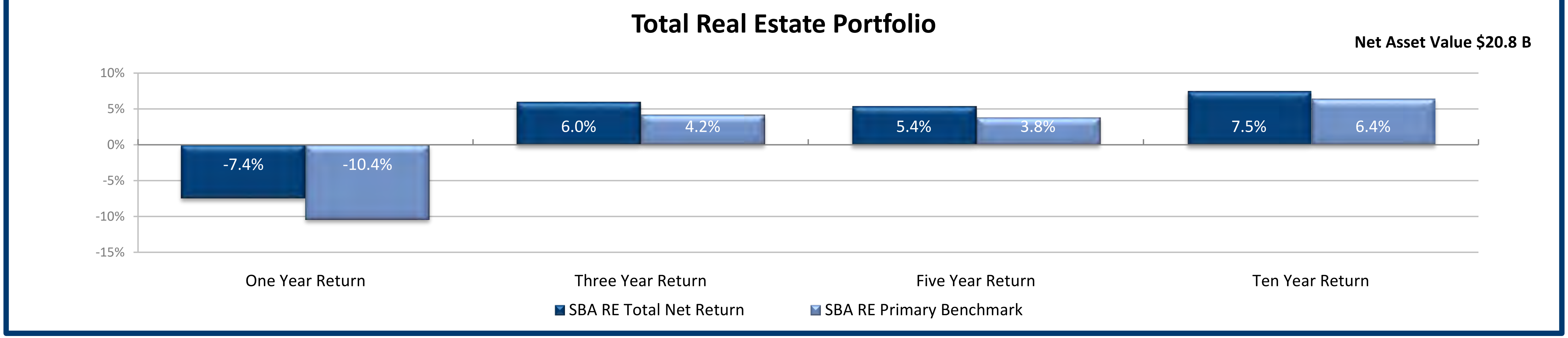
REIT Divestment

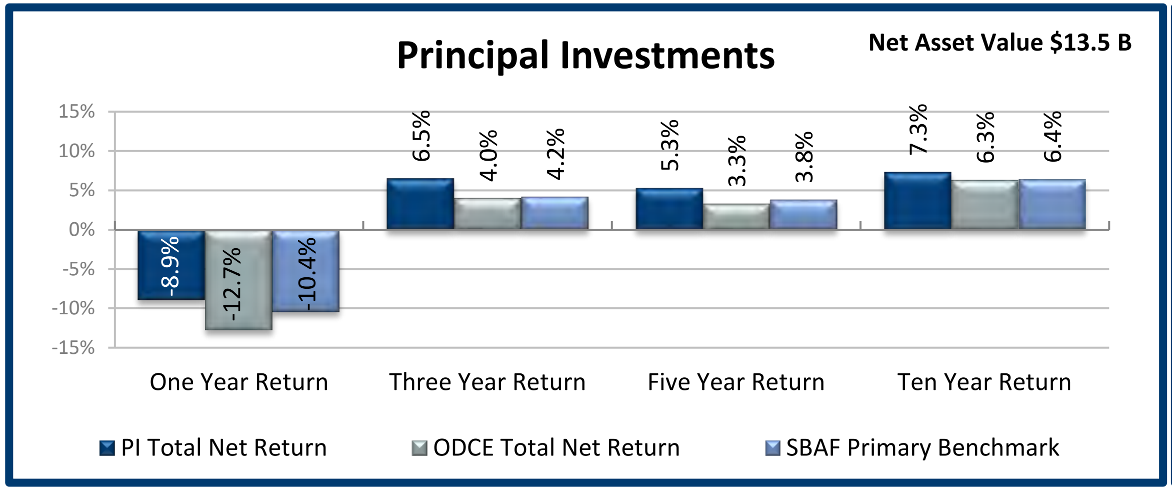
• 3 REIT Funds	$2.1 billion

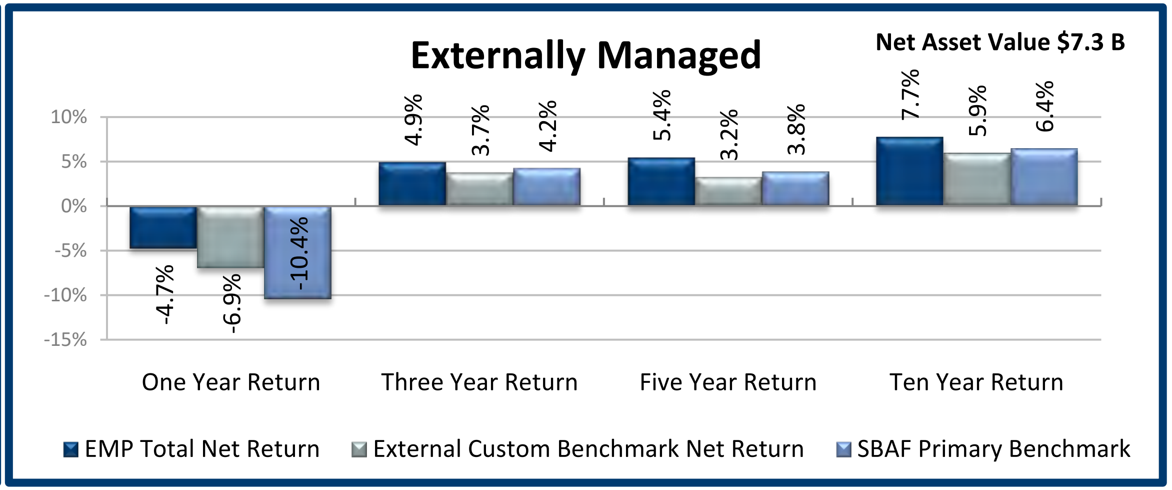


REAL ESTATE PORTFOLIO PERFORMANCE

as of 12/31/2023



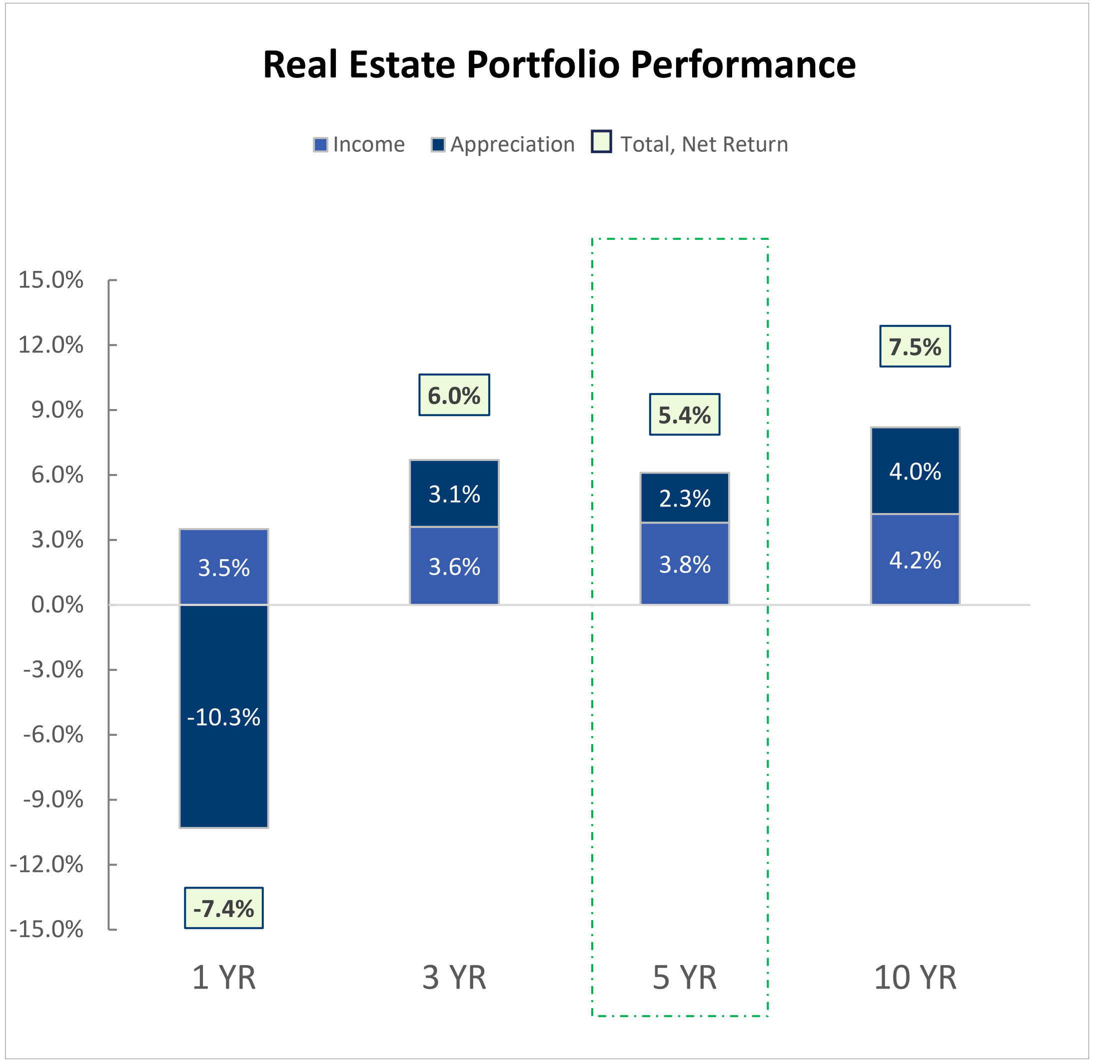




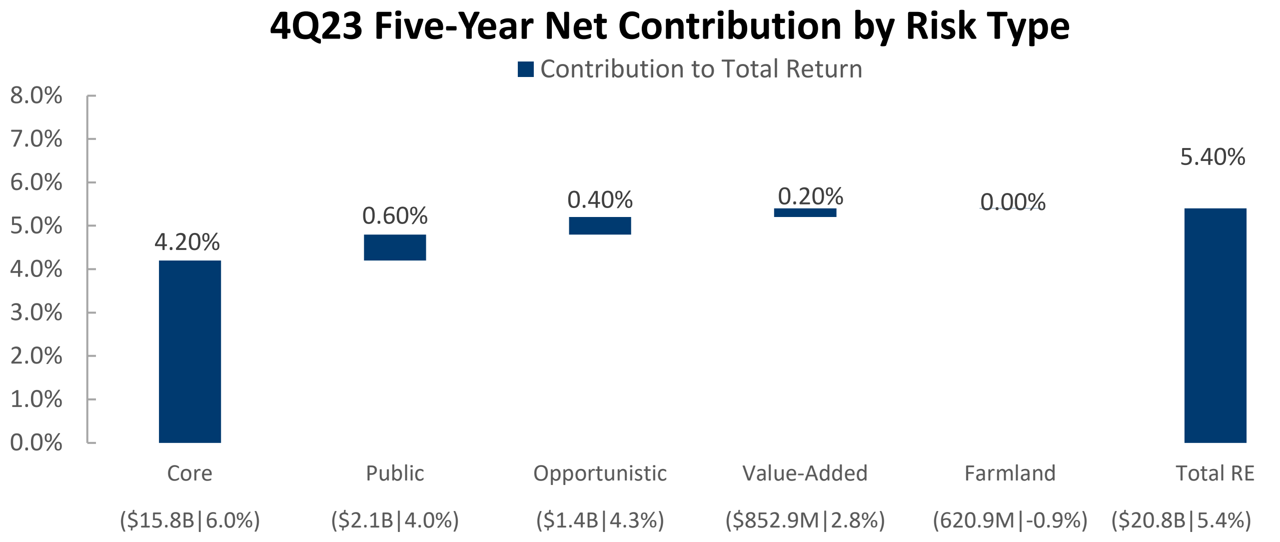
Source: The Townsend Group

REAL ESTATE PORTFOLIO PERFORMANCE

as of 12/31/2023



- Core investments continue to be the driver of performance given size of the portfolio and consistently strong returns.
- Despite historical volatility within the Public Portfolio, strong performance over the past one-year has resulted in it becoming the second largest contributor to the five-year return.
- Increasing size and strong performance within the Opportunistic sub-portfolio has positioned it as the third largest contributor to total return over the five-year period.

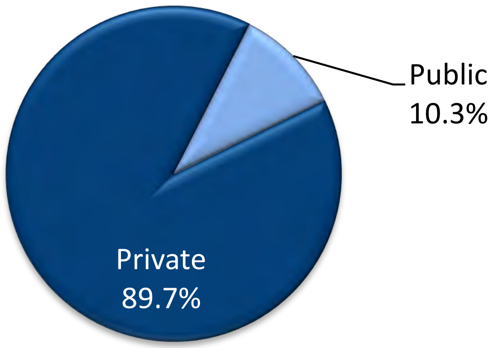


Source: The Townsend Group

REAL ESTATE PORTFOLIO COMPOSITION

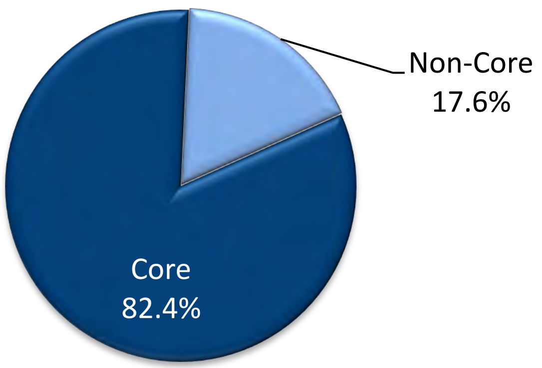
as of 12/31/2023

Total RE Portfolio



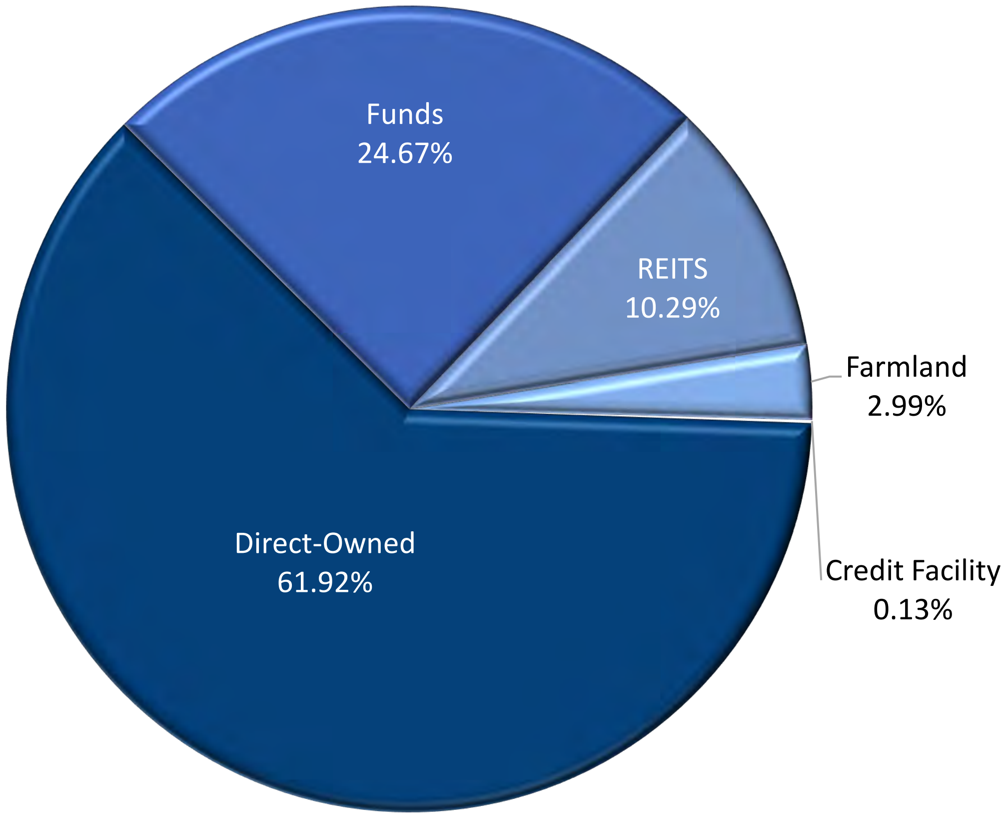
Total RE Portfolio $20.8 B

Private Market



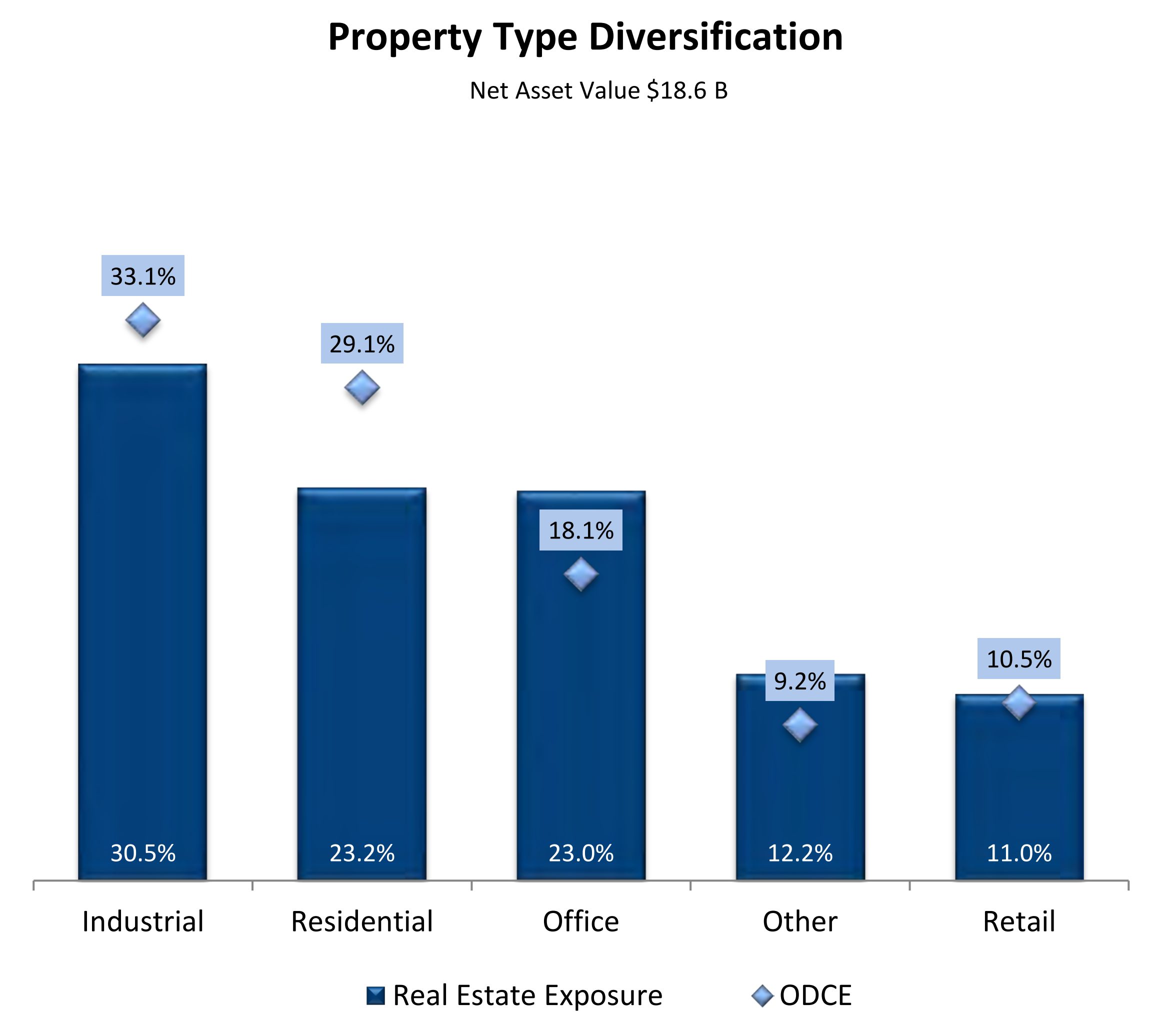
Total Private Portfolio $18.6 B

Total Real Estate Portfolio

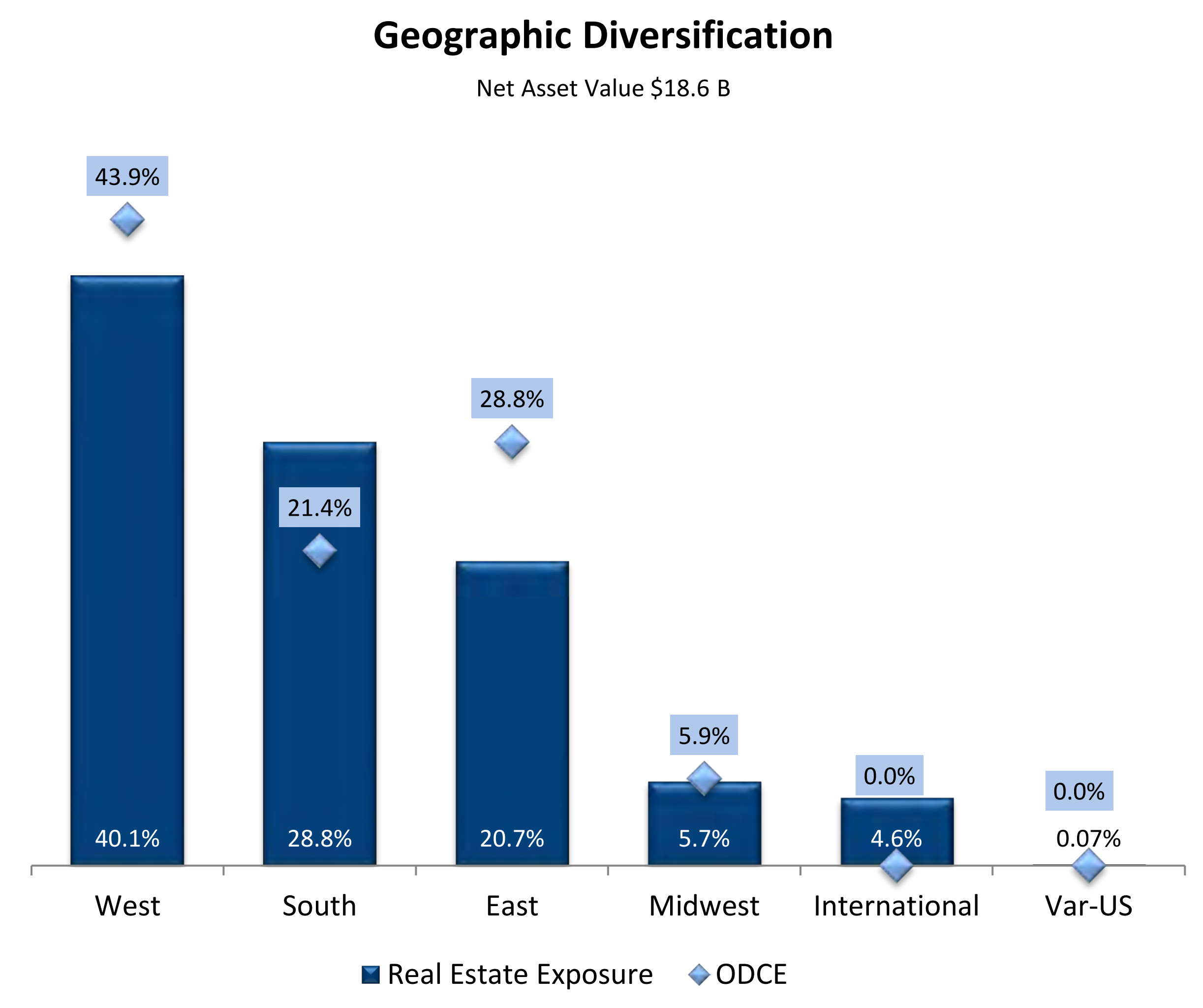


PRIVATE MARKET DIVERSIFICATION

as of 12/31/2023



Other includes Agriculture, Self Storage, Data Centers, Hotel, Land.



Source: The Townsend Group

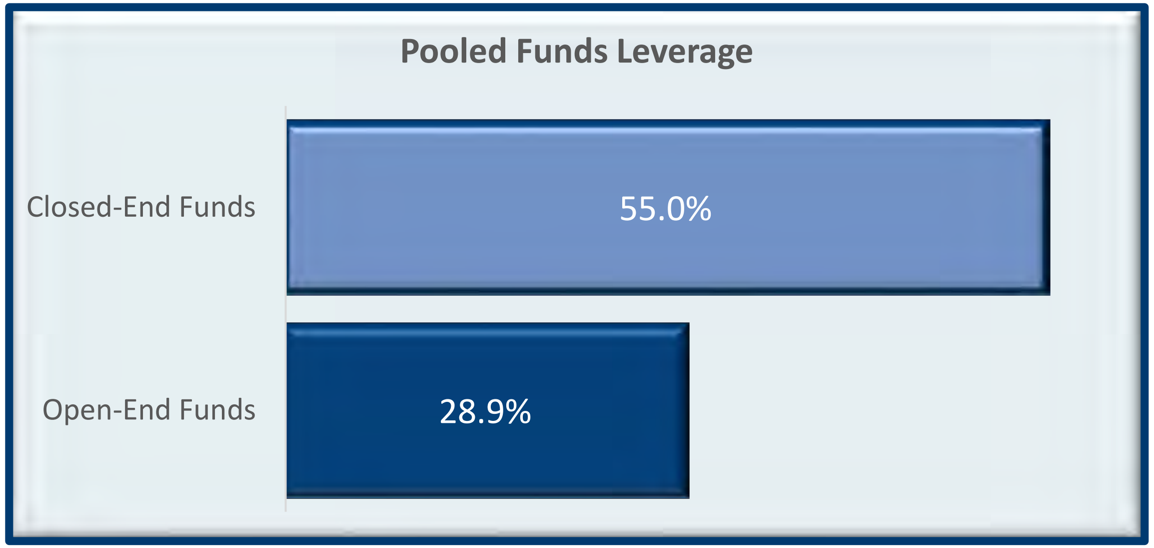
PRIVATE MARKET LEVERAGE

as of 12/31/2023

Private Market Leverage
27.3%

Principal Investments
21.1%

Pooled Funds
39.7%



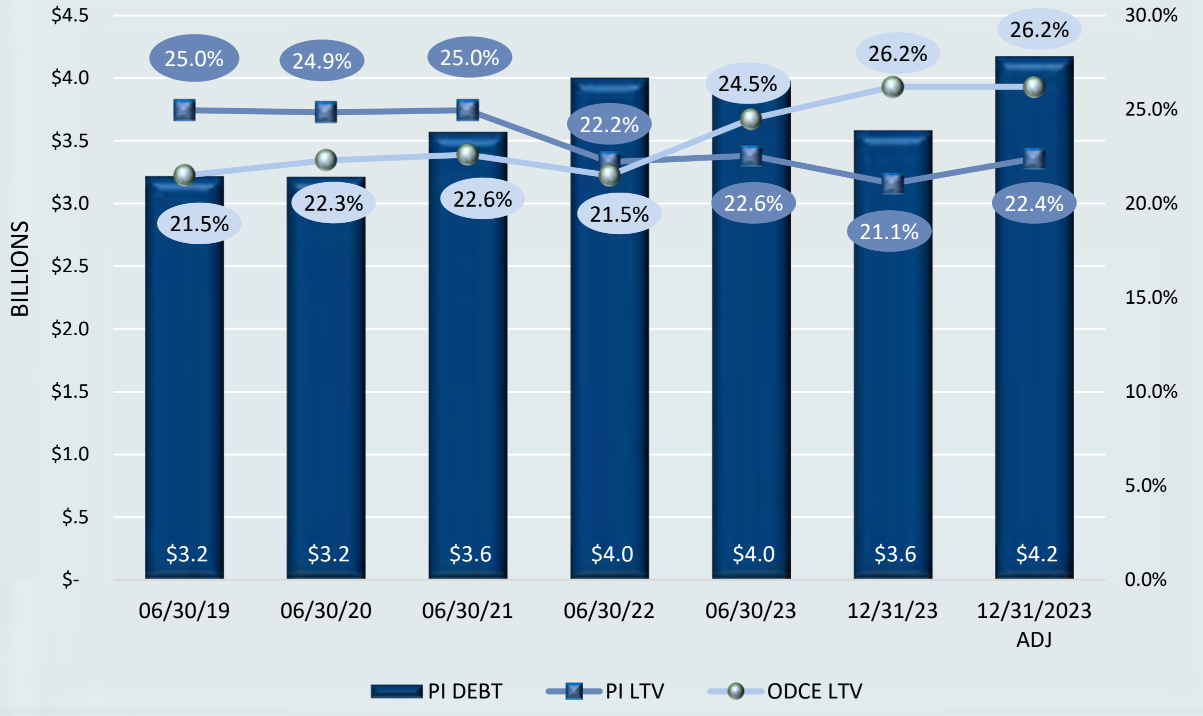
Investment Portfolio Guidelines:

- Private Market Portfolio leverage limited to 40% Loan to Value (LTV).
- Principal Investments Portfolio leverage limited to 35% Loan to Value (LTV).

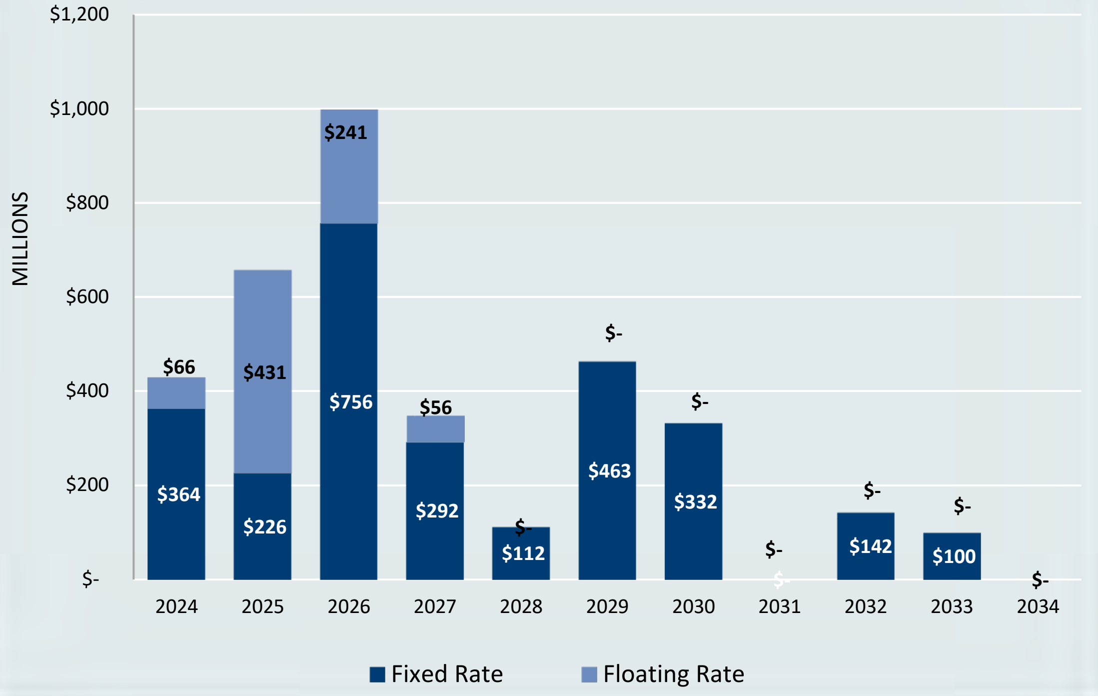
PRINCIPAL INVESTMENTS LEVERAGE

as of 12/31/2023

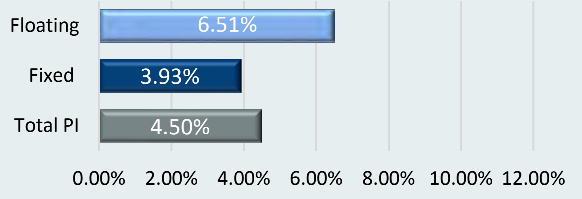
PI 5 Year Leverage



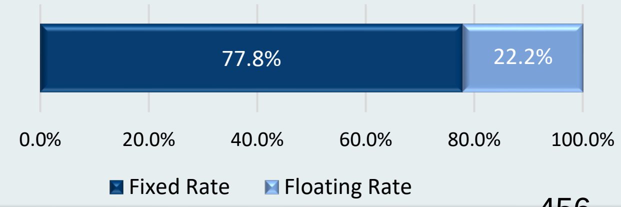
Debt Maturities



Weighted Average Cost of Debt



Debt Diversification



Investment Portfolio Guidelines

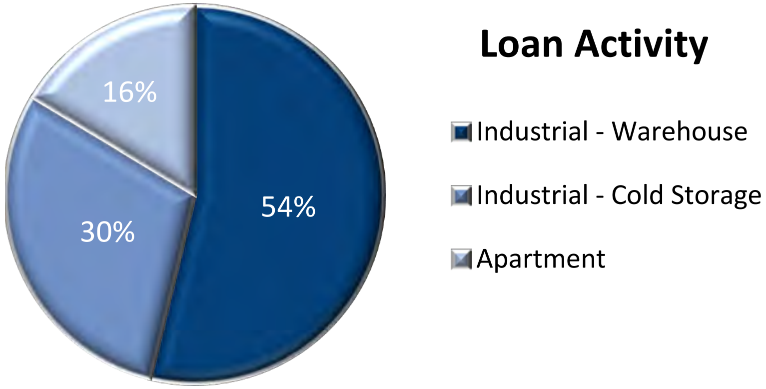
- Portfolio Leverage limited to 35% Loan To Value (LTV)
- Individual Asset Level limited to 50% LTV
- JV Individual Asset limited to 70% LTV
- Nonrecourse to the SBA

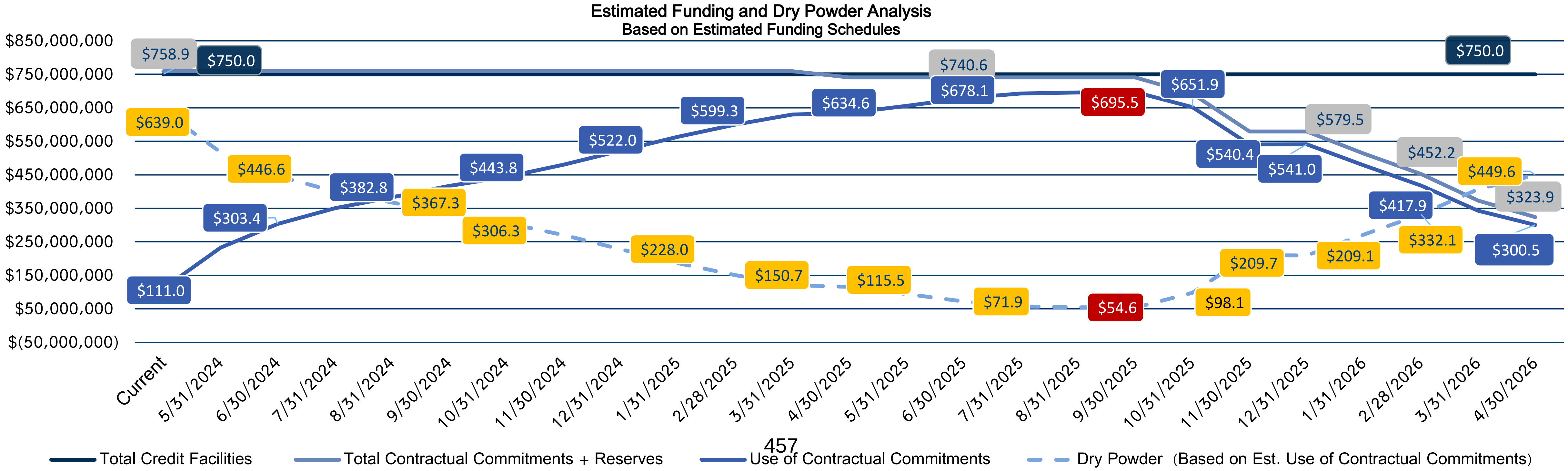
PI NAV at 12/31/23: $13.5 billion

2023 CREDIT FACILITY ACTIVITY

Credit Type:	Revolving credit facility
Term:	3 years, Maturity March 2026
Extensions:	Two 1-year extension options
Rate:	SOFR + Spread
Amount:	$750,000,000
Accordion Feature:	$250,000,000

Activity	Loan Amount	Average Loan-to-cost
Closed	$ 587,400,000	57.40%
In Progress	$ 92,300,000	54.87%
Pipeline	$ 79,150,000	50.00%
Total Activity	$ 758,850,000	56.22%





Thank You

CONTACT: Lynne Gray
Email: lynne.gray@sbafla.com
PH: 850-413-1145

AON

First Quarter 2024 Major Mandates Performance Review

State Board of Administration of Florida

June 10, 2024

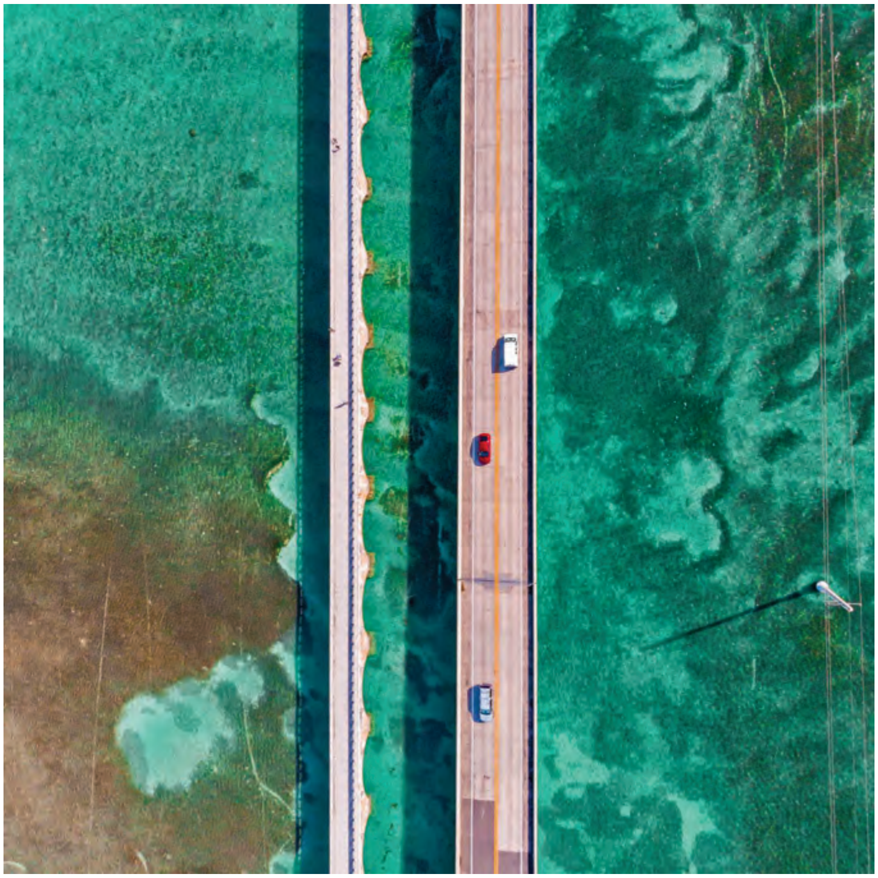


Table of Contents

Executive Summary
Quarter Ending 3/31/2024

- Each of the major mandates produced favorable returns relative to the respective benchmarks over the short- and long-term trailing periods as of March 31, 2024
- The Pension Plan outperformed its Performance Benchmark over the trailing three-, five-, ten-, and fifteen- year periods.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, five-, and ten-year periods.
- The CAT Funds’ performance is strong over long-term periods
- Florida PRIME has continued to outperform its benchmark over both short- and long-term time periods.

(This page is left blank intentionally)

Pension Plan: Executive Summary

As of 3/31/2024

- The Pension Plan assets totaled $196.5 billion as of March 31, 2024, which represents a $6.1 billion increase since last quarter.
- The Pension Plan trailed its benchmark over the one-year, however, has outperformed over the trailing three, five, and ten years.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan outperformed over the trailing quarter, one-year, five-year, ten-year and and underperformed over the trailing three-year period.
- The Pension Plan has exposure across six broad asset classes, and each asset class is well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored daily to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

FRS Pension Plan Change in Market Value

Periods Ending 3/31/2024

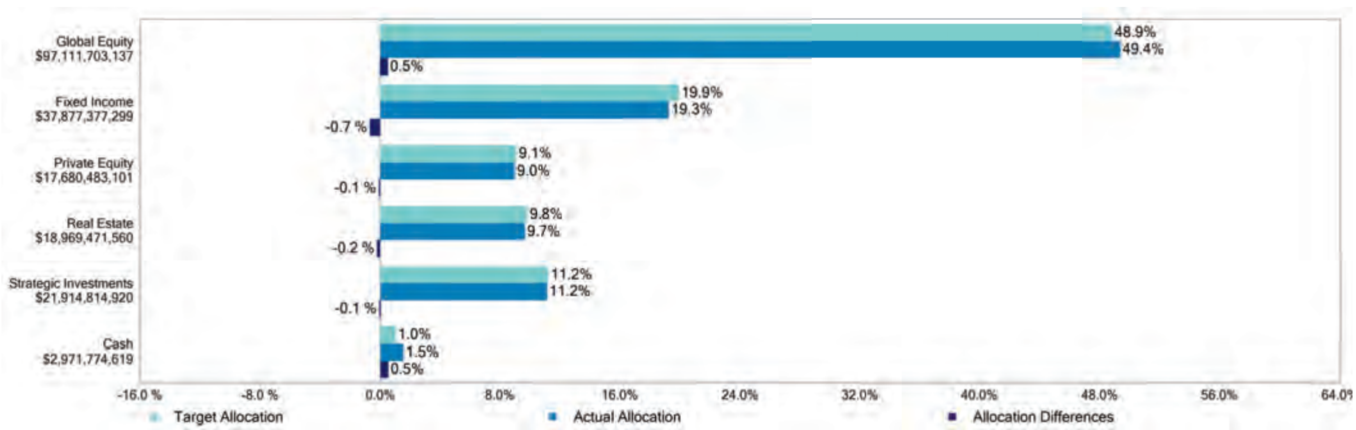
Summary of Cash Flows		
	Fourth Quarter	**Fiscal YTD***
Beginning Market Value	$190,429,563,717	$185,709,266,761
+/- Net Contributions/(Withdrawals)	$(1,522,315,141)	$(5,086,628,022)
Investment Earnings	$7,618,376,060	$15,902,985,897
= Ending Market Value	$196,525,624,636	$196,525,624,636
Net Change	$6,096,060,919	$10,816,357,875

*Period July 2023 – March 2024

Asset Allocation as of 3/31/2024

Total Fund Assets = $196.5 Billion

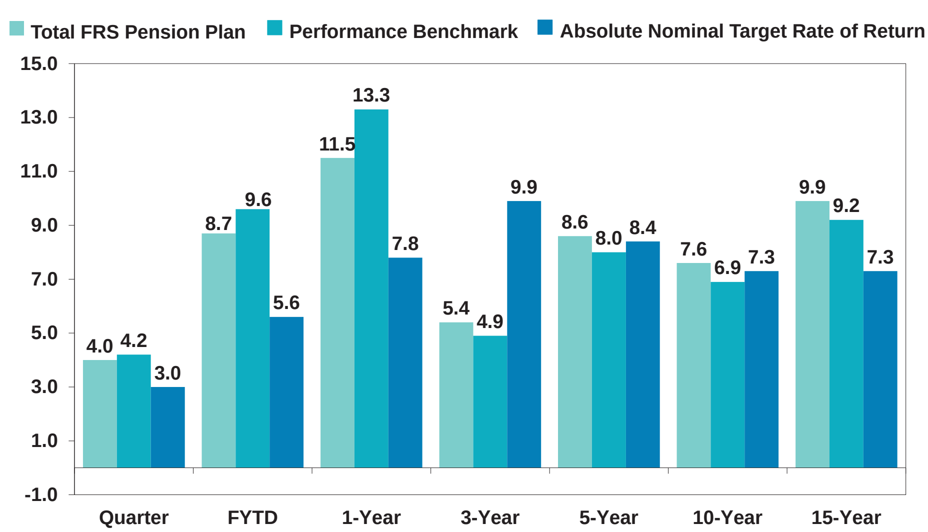
	Market Value $	Current Allocation %	Target Allocation %	Minimum Allocation %	Maximum Allocation %
Total Fund	**196,525,624,636**	**100.0**	**100.0**		
Global Equity	97,111,703,137	49.4	48.9	45.0	70.0
Fixed Income	37,877,377,299	19.3	19.9	10.0	26.0
Private Equity	17,680,483,101	9.0	9.1	2.0	12.0
Real Estate	18,969,471,560	9.7	9.8	4.0	16.0
Strategic Investments	21,914,814,920	11.2	11.2	0.0	16.0
Cash	2,971,774,619	1.5	1.0	0.3	5.0



AON

FRS Pension Plan Investment Results

Periods Ending 3/31/2024

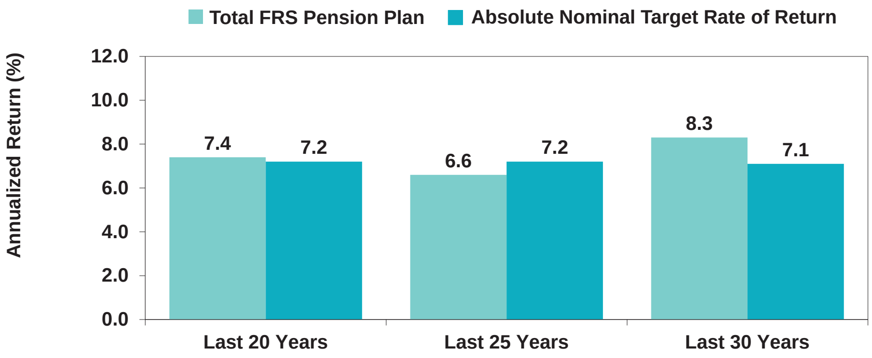


AON

FRS Pension Plan Investment Results

Periods Ending 3/31/2024

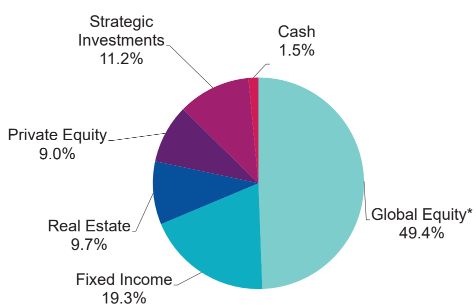
Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective



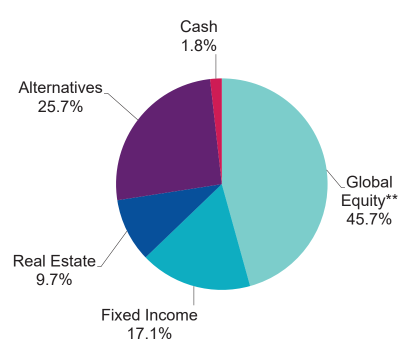
Comparison of Asset Allocation (TUCS Top Ten)

FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND
As of 3/31/2024



TUCS TOP TEN
As of 12/31/2023[1]



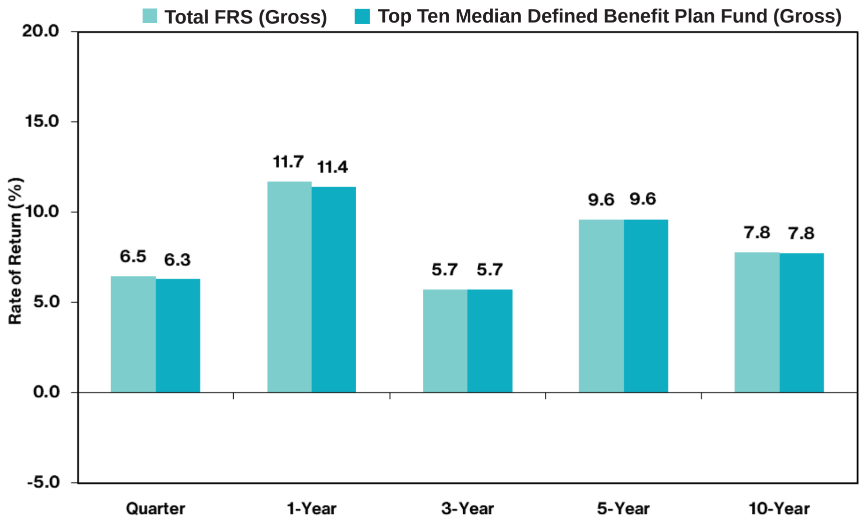
*Global Equity Allocation: 25.4% Domestic Equities; 15.5% Foreign Equities; 6.1% Global Equities; 1.4% Global Equity Cash; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 30.4% Domestic Equities; 15.3% Foreign Equities.

Note: The data set includes $1,932 billion in total assets. The median fund size was $180 billion and the average fund size was $193 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.
[1]TUCS Data as of 3/31/24 not available at time of reporting

FRS Results Relative to TUCS Top Ten Defined Benefit Plans

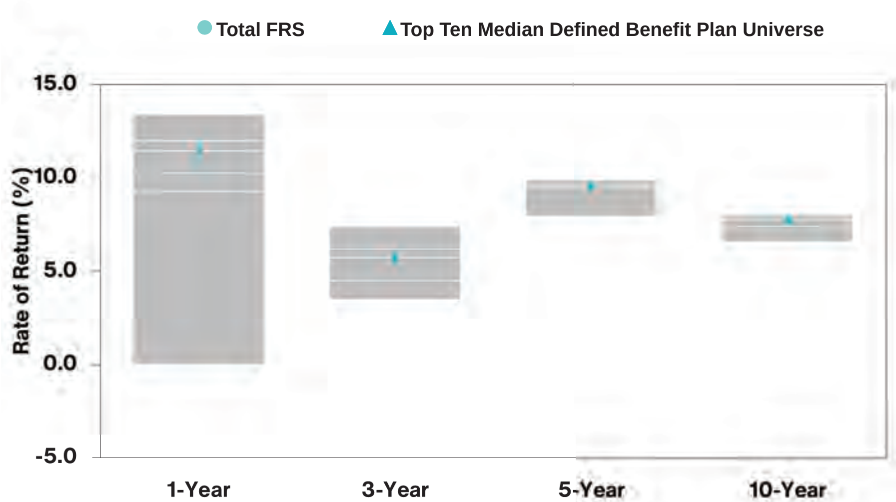
Periods Ending 12/31/2023[1]



Note: The data set includes $1,956 billion in total assets. The median fund size was $161 billion and the average fund size was $195 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.
[1]TUCS Data as of 3/31/24 not available at time of reporting

Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS)

Periods Ending 12/31/23[1]



	1-Year	3-Year	5-Year	10-Year
FRS Percentile Ranking	37	50	50	37

Note: The data set includes $1,956 billion in total assets. The median fund size was $161 billion and the average fund size was $195 billion.
[1]TUCS Data as of 3/31/24 not available at time of reporting

Investment Plan: Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing quarter-, one-, five-, and ten-year periods. This indicated strong relative performance of the underlying fund options in which participants are electing to invest in.

- The FRS Investment Plan's total expense ratio is in line with peer defined contribution plans, based on year-end 2022 data. The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. Communication and education costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group.

- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category with the exception of Inflation Protected Securities.

- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.

- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 3/31/2024*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**16.1%**	**4.7%**	**8.1%**	**7.0%**
*Total Plan Aggregate Benchmark** *	16.0	5.0	8.0	6.8
FRS Investment Plan vs. Total Plan Aggregate Benchmark	0.1	(0.3)	0.1	0.2

Periods Ending 12/31/2022***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**4.4%**	**-0.3%**	**0.27%*******
Peer Group	*4.8*	*0.1*	*0.24*
FRS Investment Plan vs. Peer Group	-0.4	-0.2	0.00

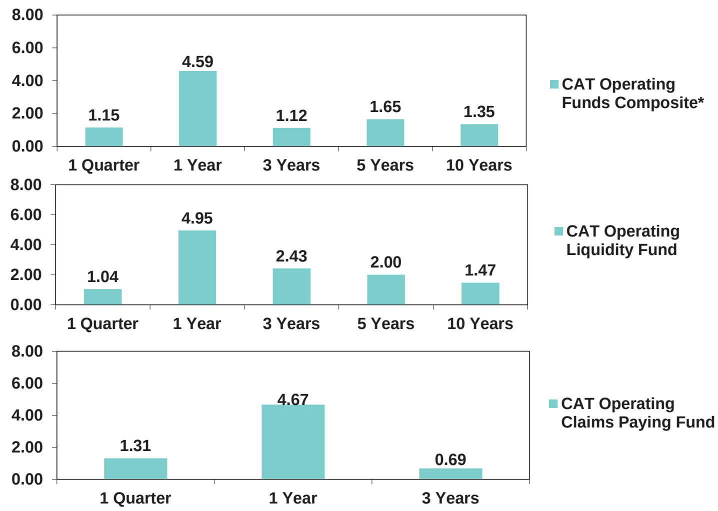
*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2023 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2023 Survey that included 120 U.S. defined contribution plans with assets ranging from $114 million to $63.2 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 18 DC plans including corporate and public plans with assets between $3.4 - $26.9 billion.
****Returns shown are gross of fees.
*****The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

CAT Fund: Executive Summary

- Returns are modest given the current high-rate environment and previously low interest rate environment.
- All CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Portfolio Guidelines appropriately constrain the CAT Funds to invest in short-term and high-quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Portfolio Guidelines are revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.

CAT Operating Funds Investment Results

Periods Ending 3/31/2024



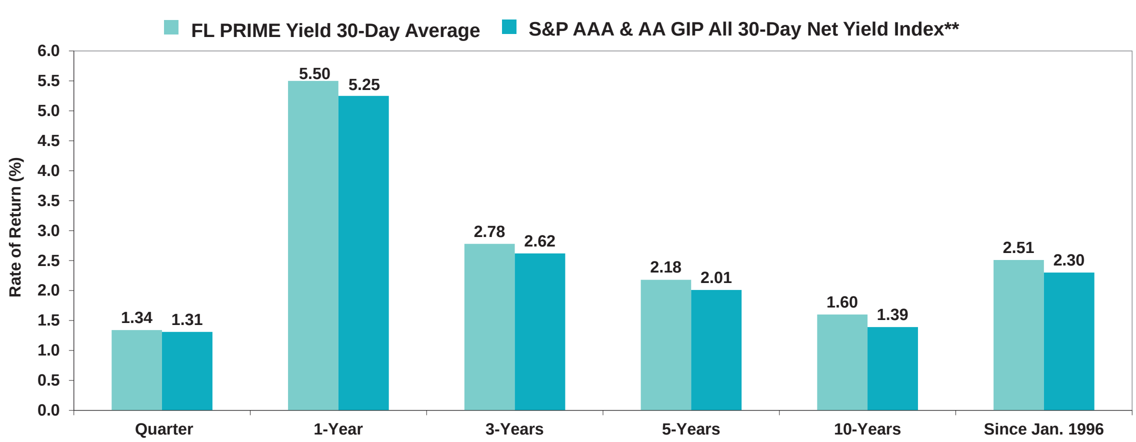
*CAT Operating Funds: Beginning March 2008, the returns for the CAT Operating Funds reflect marked-to-market returns. Prior to that time, cost-based returns are used. Beginning February 2018, the CAT Operating Funds were split into two different sub funds, the CAT Fund Operating Liquidity Fund and the CAT Fund Operating Claims Paying Fund. Performance for each sub fund is shown below.

Florida PRIME: Executive Summary

- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high-quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME has been strong over short- and long-term time periods, outperforming its performance benchmark over the trailing one-, three-, five-, and ten-year time periods.
- As of March 31, 2024, the total market value of Florida PRIME was $27.3 billion.
- Aon Investments USA Inc., in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

Florida PRIME Investment Results

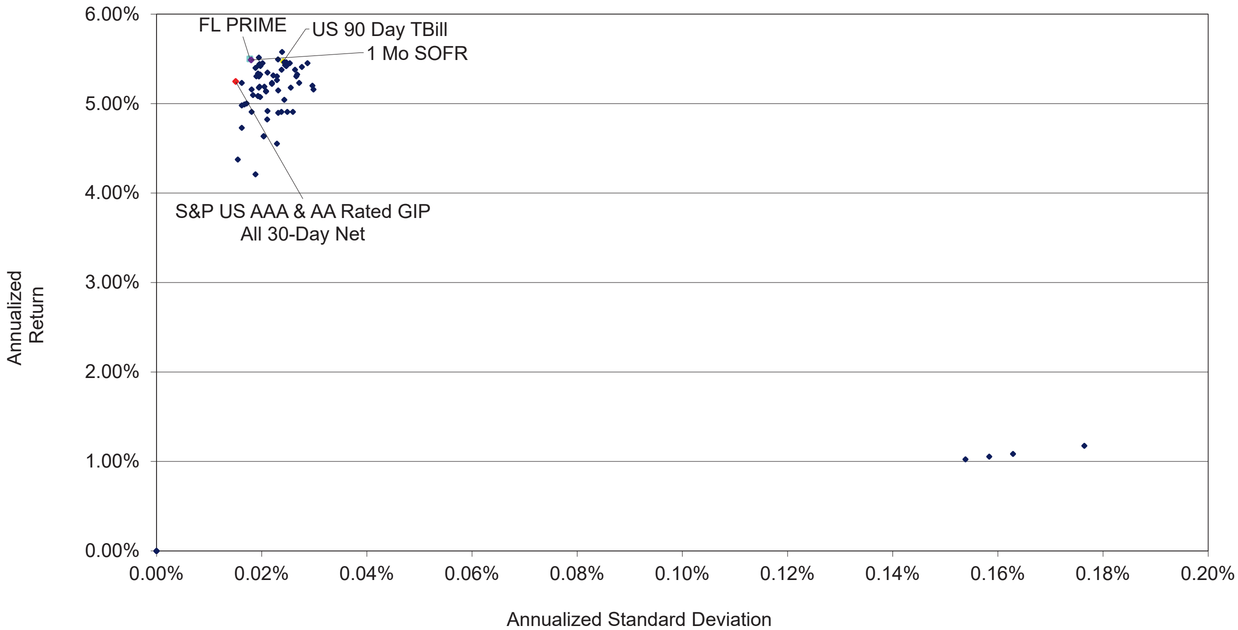
Periods Ending 3/31/2024



*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

Florida PRIME Risk vs. Return

1 Years Ending 3/31/2024

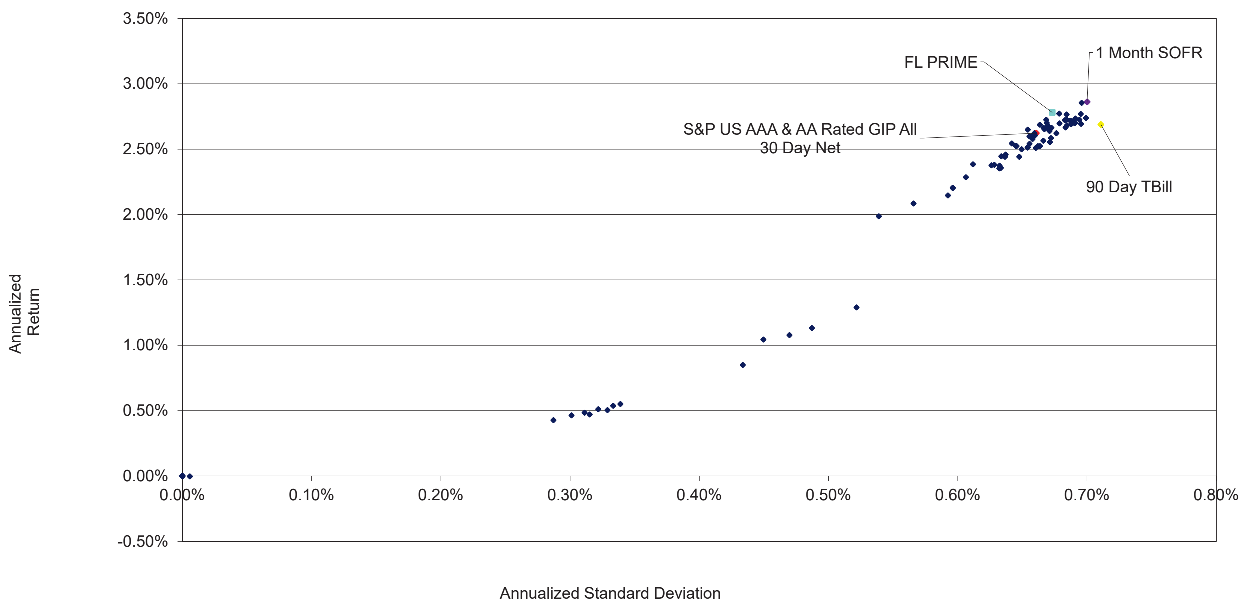


AON

Investment advice and consulting services provided by Aon Investments USA Inc.

Florida PRIME Risk vs. Return

3 Years Ending 3/31/2024

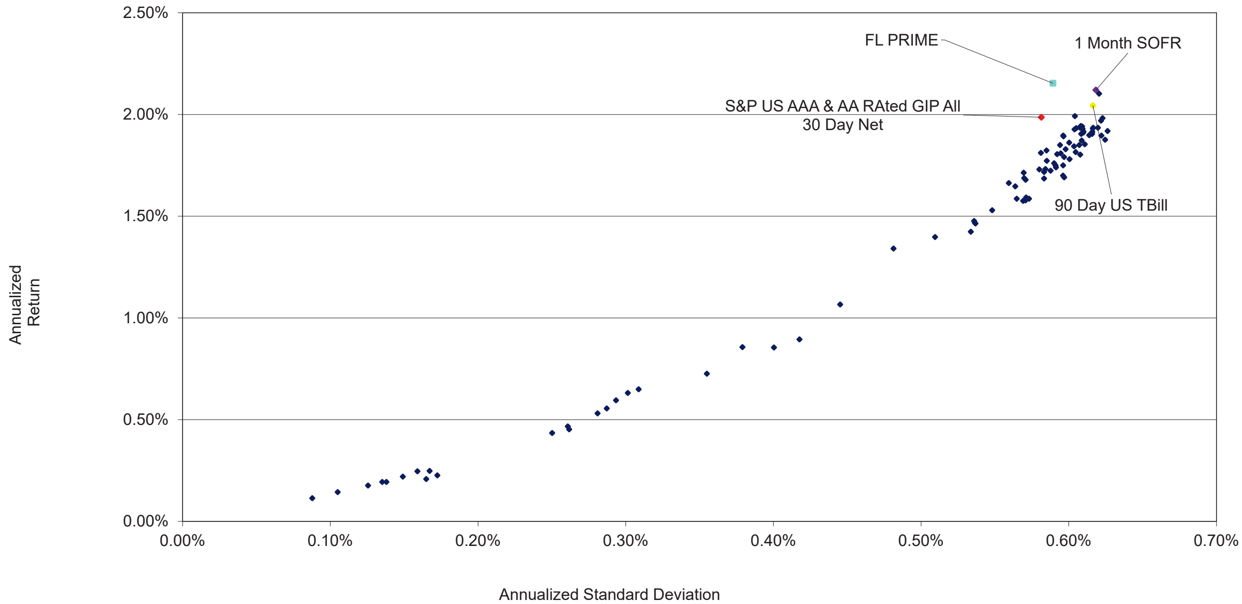


AON

Investment advice and consulting services provided by Aon Investments USA Inc.

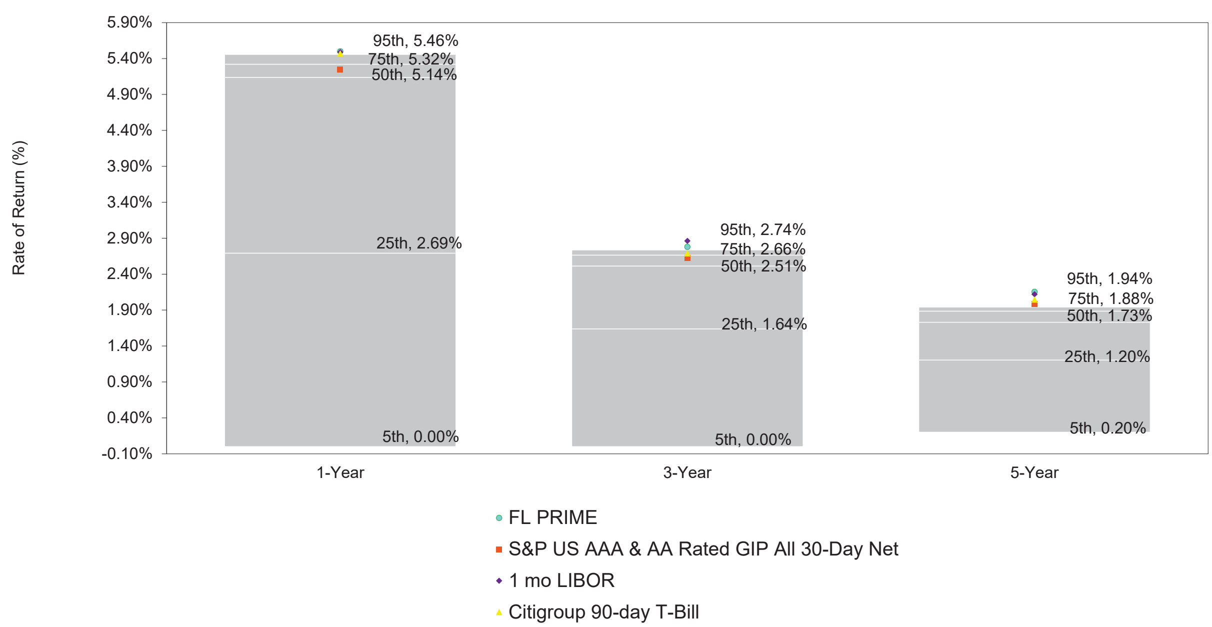
Florida PRIME Risk vs. Return

5 Years Ending 3/31/2024



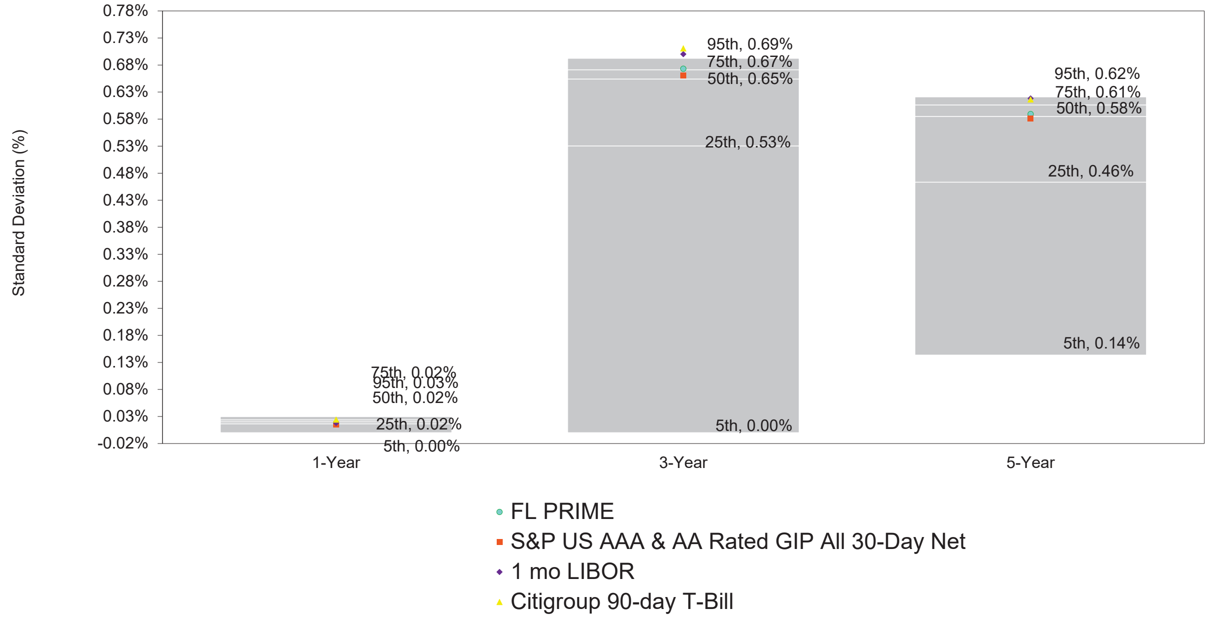
Return Distribution

Periods Ending 3/31/2024



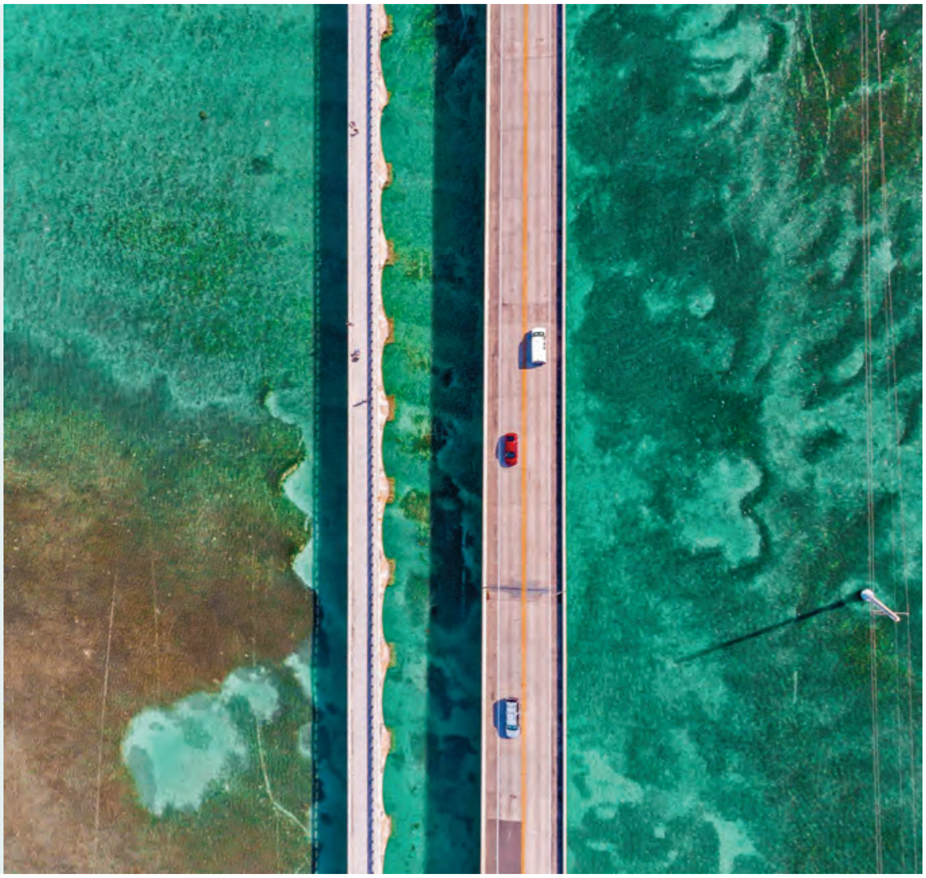
Standard Deviation Distribution

Periods Ending 3/31/2024



(This page is left blank intentionally)

Appendix



FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Median Mutual Fund Fee**
Domestic Equity	0.20%	0.85%
International & Global Equity	0.29%	0.85%
Diversified Bonds	0.14%	0.50%
Target Date	0.17%	0.26%
Stable Value	0.08%	0.47%
Inflation Protected Securities	0.36%	0.39%

*Average fee of multiple products in category as of 3/31/2024.

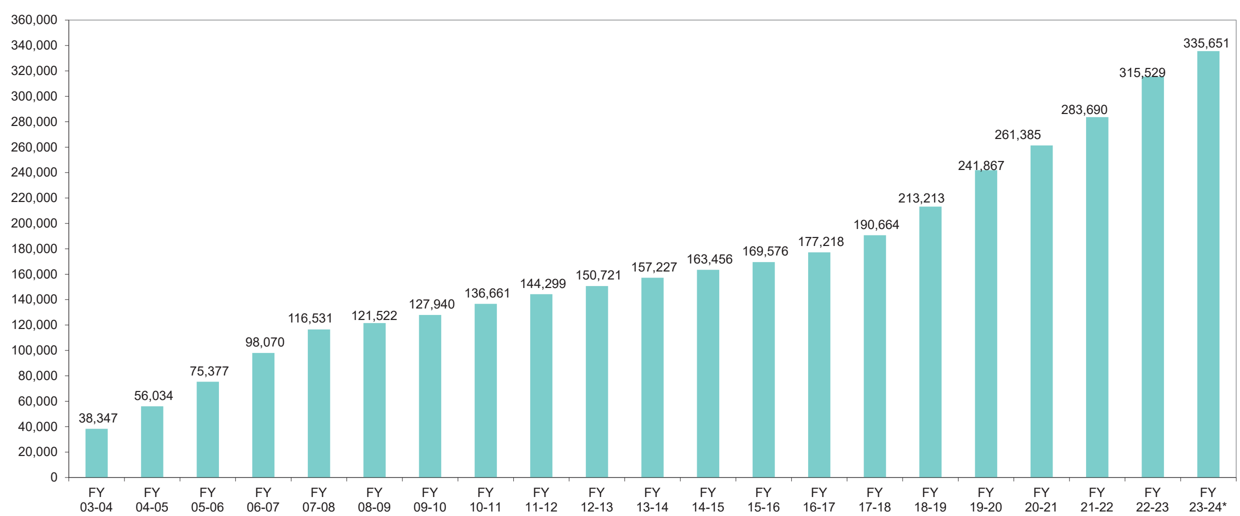
**Source: Aon's mutual fund expense analysis as of 3/31/2024.

Investment Plan Fiscal Year End Assets Under Management

*Period Ending 3/31/2024

Source: Investment Plan Administrator

Investment Plan Membership



*Period Ending 3/31/2024

Source: Investment Plan Administrator

Florida Hurricane Catastrophe Funds Background and Details

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.

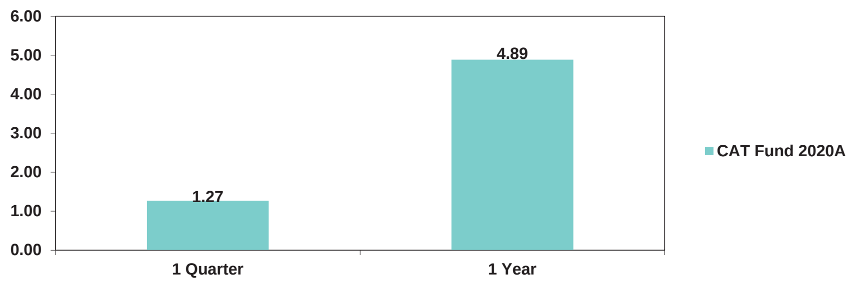
- The CAT Operating Funds, along CAT 2020 A Fund are internally managed portfolios.
  – CAT 2013 A Fund was liquidated during 4Q 2020
  – CAT 2016 A Fund was liquidated during 3Q 2021

- As of March 31, 2024, the total value of:
  – The CAT Operating Funds was $11.3 billion
  – The CAT 2020 A Fund was $2.3 billion

- History of the CAT Funds Benchmarks: *Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index, and the CAT Fund Operating Claims Paying Fund benchmarked to a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index. Beginning January 2021, the CAT Fund Operating Liquidity Fund was benchmarked to Bloomberg U.S. Treasuries Bills 3-6 Months & U.S. Treasury Bills 6-9 Months Custom Blend Index. This benchmark is comprised of 60% off the 3-6 month U.S. Treasury Bills and 40% 6-9 month U.S. Treasury Bills., and the CAT Fund Operating Claims Paying Fund is benchmarked Bloomberg U.S. Treasury 1-3 Years & Corporate AA+ ex 144A Reg S Custom Blend Index. This benchmark is comprised of 65% 1-3 year Treasury and 35% of 1-3 year Corporate AA or better excluding 144A and Reg S Securities.*

CAT 2020 A Funds Investment Results

Period Ending 3/31/2024



CAT Operating Funds Characteristics

Period Ending 3/31/2024

Maturity Analysis	
1 to 30 Days	49.39%
31 to 60 Days	4.83
61 to 90 Days	4.70
91 to 120 Days	3.15
121 to 150 Days	2.06
151 to 180 Days	2.52
181 to 270 Days	11.05
271 to 365 Days	8.55
366 to 455 Days	7.16
>= 456 Days	6.59
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	60.87%
AA	9.64
A	29.49
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

CAT 2020 A Fund Characteristics

Period Ending 3/31/2024

Maturity Analysis	
1 to 30 Days	35.87%
31 to 60 Days	10.37
61 to 90 Days	28.85
91 to 120 Days	16.41
121 to 150 Days	0.68
151 to 180 Days	5.71
181 to 270 Days	0.42
271 to 365 Days	0.00
366 to 455 Days	1.69
>= 456 Days	0.00
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	56.69%
AA	3.69
A	39.62
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

Florida PRIME Characteristics

Quarter Ending 3/31/2024

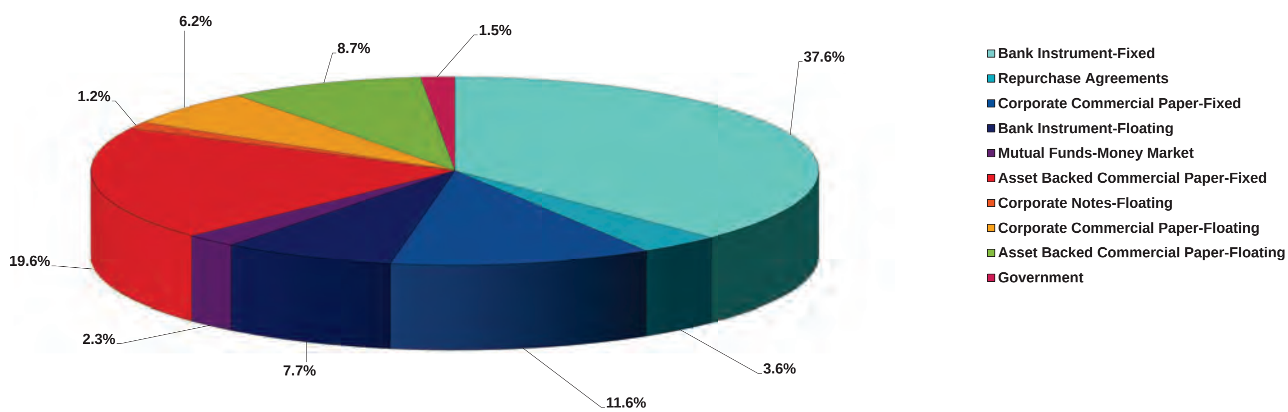
As of 3/31/2024	First Quarter	Fiscal YTD*
Opening Balance	$27,847,195,537	$21,469,384,429
Participant Deposits	$7,735,475,837	$33,300,698,441
Gross Earnings	$391,395,893	$994,251,774
Participant Withdrawals	($8,541,595,380)	(28,328,500,920)
Fees	($2,172,753)	(5,534,589)
Closing Balance	$27,430,299,134	$27,430,299,134
Change	**($416,896,403)**	**$5,960,914,705**

*Period July 2023 – March 2024

AON

Florida PRIME Characteristics

Quarter Ending 3/31/2024



AON

Florida PRIME Characteristics

Period Ending 3/31/2024

Effective Maturity Schedule	
1-7 Days	61.8%
8 - 30 Days	8.0%
31 - 90 Days	17.3%
91 - 180 Days	5.6%
181+ Days	7.3%
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	55.4%
A-1	44.6%
Total % of Portfolio:	**100.0%**

Legal Disclosures and Disclaimers

Investment advice and consulting services provided by Aon Investments USA Inc. The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

This document is not intended to provide, and shall not be relied upon for, accounting, legal or tax advice. Any accounting, legal, or taxation position described in this presentation is a general statement and shall only be used as a guide. It does not constitute accounting, legal, and tax advice and is based on Aon Investments' understanding of current laws and interpretation.

Aon Investments disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. Aon Investments reserves all rights to the content of this document. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Aon Investments.

Aon Investments USA Inc. is a federally registered investment advisor with the U.S. Securities and Exchange Commission. Aon Investments is also registered with the Commodity Futures Trading Commission as a commodity pool operator and a commodity trading advisor and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.
200 E. Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

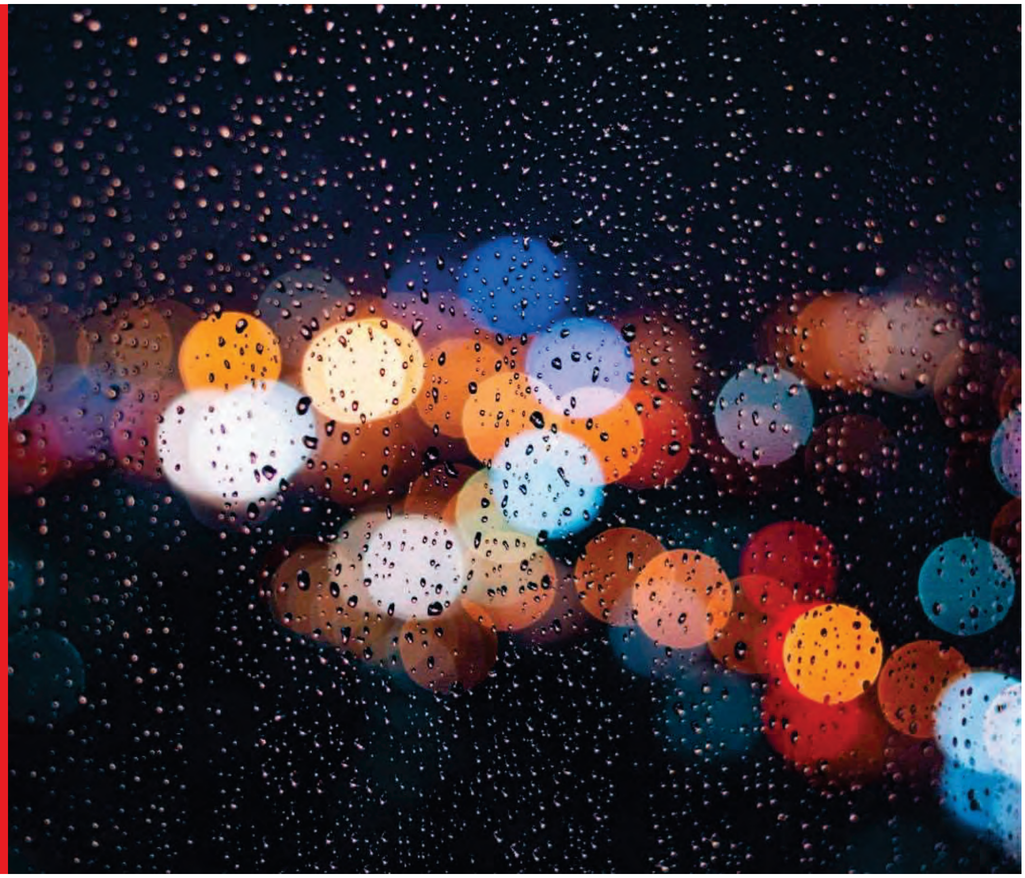
AON

Quarterly Investment Review

FRS Pension Plan

First Quarter 2024

Investment advice and consulting services provided by Aon Investments USA Inc.



(This page is left blank intentionally)

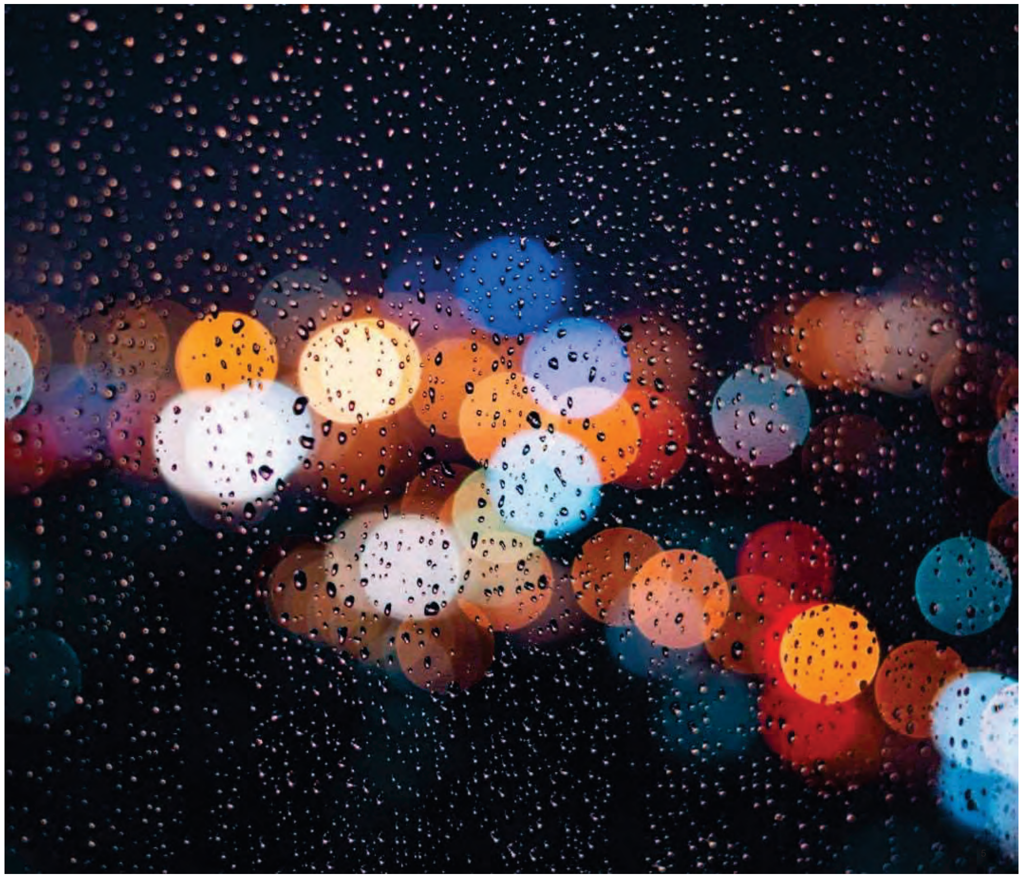
Table Of Contents

AON

(This page is left blank intentionally)

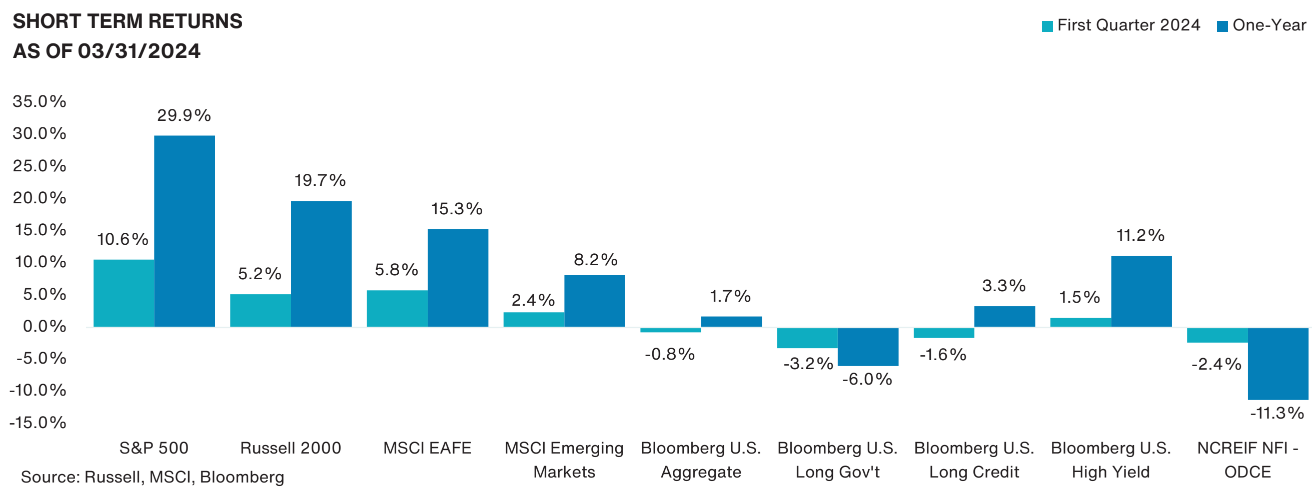
Market Environment

AON



Market Highlights

SHORT TERM RETURNS
AS OF 03/31/2024



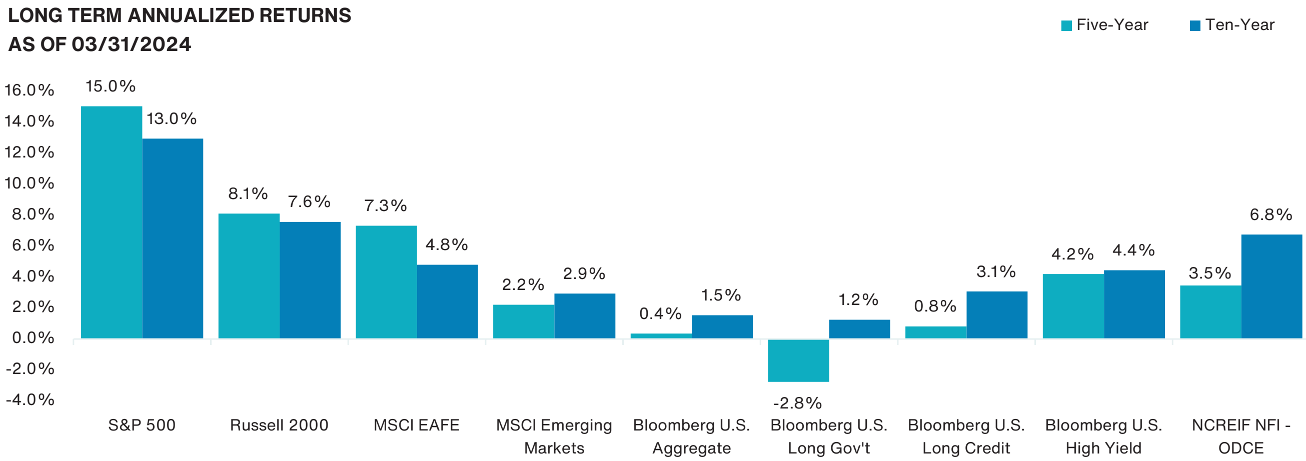
Source: Russell, MSCI, Bloomberg

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

AON

Market Highlights



Source: Russell, MSCI, Bloomberg

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

Market Highlights

Returns of the Major Capital Markets

Period Ending 03/31/2024

	First Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	7.72%	7.72%	22.45%	6.31%	10.57%	8.43%
MSCI All Country World	8.20%	8.20%	23.22%	6.96%	10.92%	8.66%
Dow Jones U.S. Total Stock Market	10.05%	10.05%	29.35%	9.63%	14.23%	12.24%
Russell 3000	10.02%	10.02%	29.29%	9.78%	14.34%	12.33%
S&P 500	10.56%	10.56%	29.88%	11.49%	15.05%	12.96%
Russell 2000	5.18%	5.18%	19.71%	-0.10%	8.10%	7.58%
MSCI All Country World ex-U.S. IMI	4.33%	4.33%	13.20%	1.72%	6.00%	4.32%
MSCI All Country World ex-U.S.	4.69%	4.69%	13.26%	1.94%	5.97%	4.25%
MSCI EAFE	5.78%	5.78%	15.32%	4.78%	7.33%	4.80%
MSCI EAFE (Local Currency)	9.96%	9.96%	18.82%	9.43%	9.36%	7.66%
MSCI Emerging Markets	2.37%	2.37%	8.15%	-5.05%	2.22%	2.95%
Equity Factors						
MSCI World Minimum Volatility (USD)	5.81%	5.81%	11.85%	5.54%	6.61%	8.33%
MSCI World High Dividend Yield	5.79%	5.79%	14.31%	7.11%	8.21%	7.04%
MSCI World Quality	11.70%	11.70%	34.17%	12.41%	16.20%	13.33%
MSCI World Momentum	20.21%	20.21%	36.51%	8.46%	13.31%	12.37%
MSCI World Enhanced Value	7.03%	7.03%	21.67%	7.47%	8.42%	6.48%
MSCI World Index Growth	10.28%	10.28%	31.48%	9.15%	15.36%	12.31%
MSCI USA Minimum Volatility (USD)	7.69%	7.69%	16.72%	8.29%	9.30%	11.00%
MSCI USA High Dividend Yield	8.14%	8.14%	16.36%	7.95%	8.82%	9.99%
MSCI USA Quality	12.92%	12.92%	39.31%	13.51%	17.32%	15.20%
MSCI USA Momentum	20.31%	20.31%	37.54%	7.16%	12.56%	13.72%
MSCI USA Enhanced Value	7.84%	7.84%	20.36%	4.99%	9.48%	8.93%
MSCI USA Equal Weighted	8.23%	8.23%	22.39%	6.90%	11.58%	10.34%
MSCI USA Growth	11.72%	11.72%	39.63%	11.86%	18.96%	16.04%

Returns of the Major Capital Markets

Period Ending 03/31/2024

	First Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Fixed Income						
Bloomberg Global Aggregate	-2.08%	-2.08%	0.49%	-4.73%	-1.17%	-0.07%
Bloomberg U.S. Aggregate	-0.78%	-0.78%	1.70%	-2.46%	0.36%	1.54%
Bloomberg U.S. Long Gov't	-3.24%	-3.24%	-6.03%	-8.01%	-2.77%	1.25%
Bloomberg U.S. Long Credit	-1.65%	-1.65%	3.31%	-4.26%	0.83%	3.08%
Bloomberg U.S. Long Gov't/Credit	-2.41%	-2.41%	-1.15%	-6.04%	-0.62%	2.32%
Bloomberg U.S. TIPS	-0.08%	-0.08%	0.45%	-0.53%	2.49%	2.21%
Bloomberg U.S. High Yield	1.47%	1.47%	11.15%	2.19%	4.21%	4.44%
Bloomberg Global Treasury ex U.S.	-3.81%	-3.81%	-2.75%	-7.65%	-3.41%	-1.68%
JP Morgan EMBI Global (Emerging Market	1.40%	1.40%	9.53%	-1.10%	0.93%	2.85%
Commodities						
Bloomberg Commodity Index	2.19%	2.19%	-0.56%	9.11%	6.38%	-1.56%
Goldman Sachs Commodity Index	10.36%	10.36%	11.14%	18.05%	7.83%	-2.93%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	4.52%	4.52%	11.68%	4.11%	6.92%	4.93%
HFRI Fund of Funds[2]	4.17%	4.17%	9.68%	2.88%	5.00%	3.59%
Real Estate						
NAREIT U.S. Equity REITS	-0.20%	-0.20%	10.54%	4.14%	4.15%	6.61%
NCREIF NFI - ODCE	-2.37%	-2.37%	-11.29%	3.37%	3.46%	6.76%
FTSE Global Core Infrastructure Index	1.80%	1.80%	4.50%	2.88%	4.73%	6.69%
Private Equity						
Burgiss Private iQ Global Private Equity[3]			2.47%	19.41%	15.14%	14.53%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

[1] Periods are annualized.

[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.

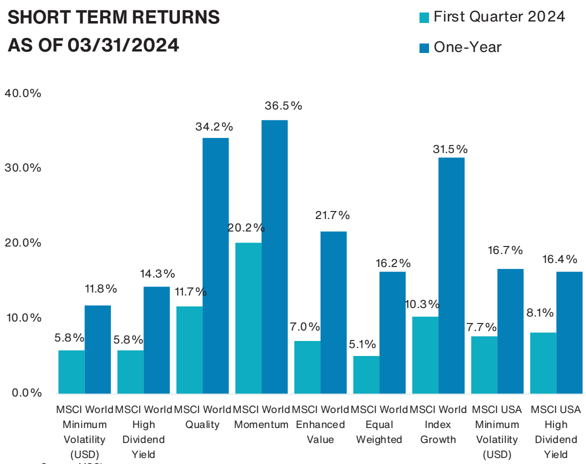
[3] Burgiss Private iQ Global Private Equity data is as at June 30, 2023

Source: Russell, MSCI, Bloomberg

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

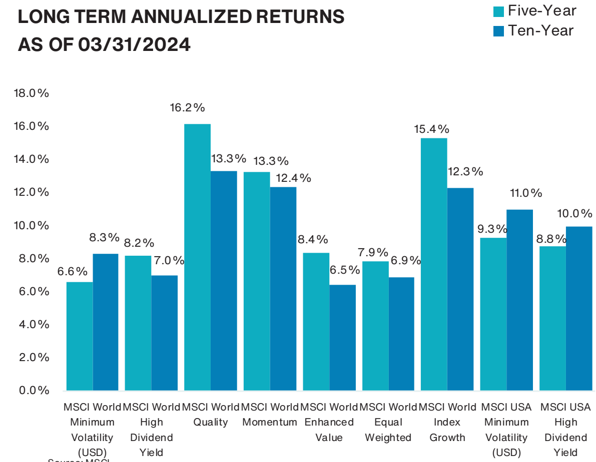
Factor Indices

SHORT TERM RETURNS AS OF 03/31/2024



Source: MSCI
MSCI Indices show net total returns throughout this report.
All other indices show gross total returns..

LONG TERM ANNUALIZED RETURNS AS OF 03/31/2024

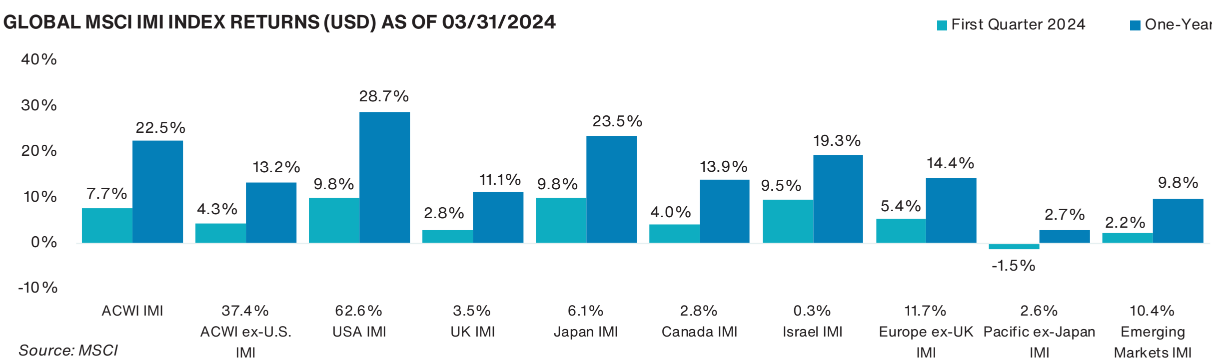


Source: MSCI
MSCI Indices show net total returns throughout this report. All other indices show gross total returns..

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

Global Equity Markets

GLOBAL MSCI IMI INDEX RETURNS (USD) AS OF 03/31/2024



Source: MSCI

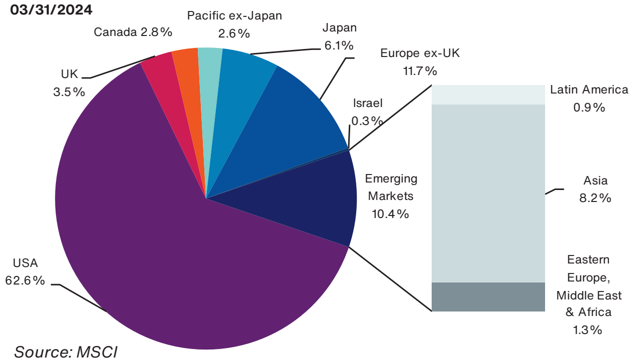
- In Q1 2024, global equity markets appreciated significantly. The S&P 500 Index surpassed the 5000 level for the first time, driven by a positive earnings season expectations, easing inflation data, signs of economic resilience, and rallies from the tech giants. Volatility rose slightly during the quarter as the CBOE Volatility Index (VIX) rose to 13 in Q1 from 12.5 in the previous quarter, below its 20-year average of 19.1.
- Across international markets, all regions (except for Pacific ex-Japan) posted positive returns. U.S. equities posted strong returns over the quarter with major contributions coming from the Communication Services sector (14.3%).
- Pacific ex-Japan IMI was the worst performer with a return of -1.5% over the quarter. Materials (-9.7%) and Real Estate (-2.8%) weighed over Pacific ex-Japan equities.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

Global Equity Markets

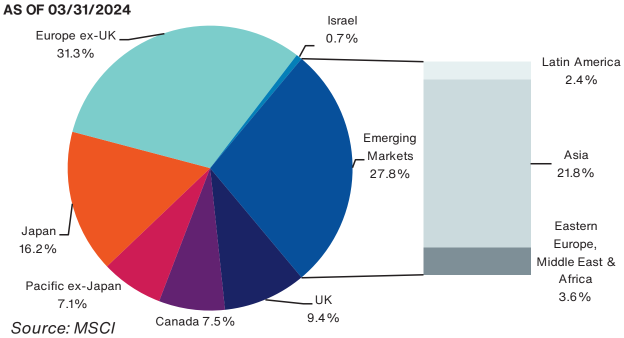
Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

MSCI ALL COUNTRY WORLD IMI INDEX GEOGRAPHIC ALLOCATION AS OF 03/31/2024



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX GEOGRAPHIC ALLOCATION AS OF 03/31/2024



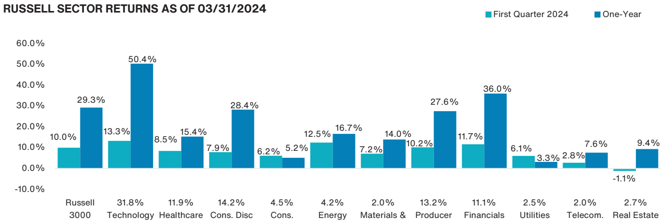
Source: MSCI

AON

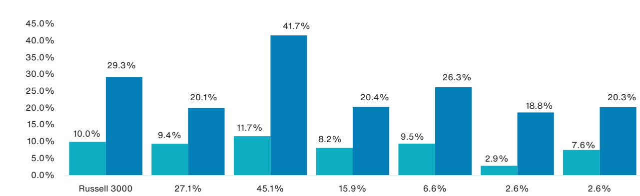
U.S. Equity Markets

- U.S. equities had a positive quarter with the S&P 500 Index rising by 10.6% amidst anticipated interest rate cuts in 2024 and easing inflation.
- U.S. President Joe Biden signed a $1.2 trillion spending bill to avert a partial government shutdown. The bill will keep the U.S. government funded until September 2024. Meanwhile, the U.S. Senate approved a $95 billion national security funding bill, which includes funding for Ukraine, Israel, and Taiwan. The bill's future is uncertain as it needs approval from the Republican-led House of Representatives.
- U.S. economic growth was 3.4% quarter-on-quarter at annualized rates in the fourth quarter, slightly higher than economists' forecasts of 3.3%. Continued growth in consumer spending remains the main driver.
- The Russell 3000 Index rose 10.0% during the first quarter and 29.3% on a one-year basis. Technology (13.3%) and Energy (12.5%) were the best performers while Real Estate (-1.1%) and Telecommunications (2.8%) were the worst performers.
- On a style basis, growth outperformed value across market capitalizations over the quarter. Large-cap stocks outperformed Medium and Small-cap stocks in both growth and value styles over the quarter.

RUSSELL SECTOR RETURNS AS OF 03/31/2024



RUSSELL STYLE RETURNS AS OF 03/31/2024

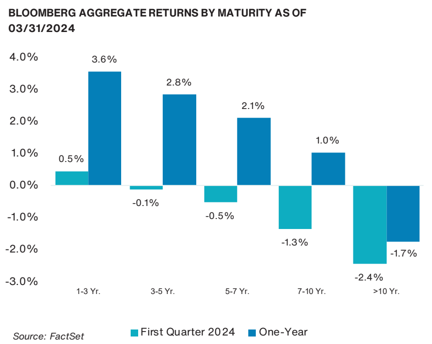


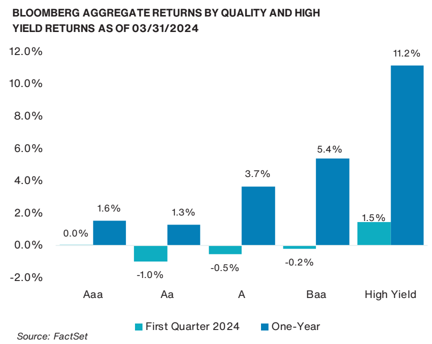
Source: Russell Indexes

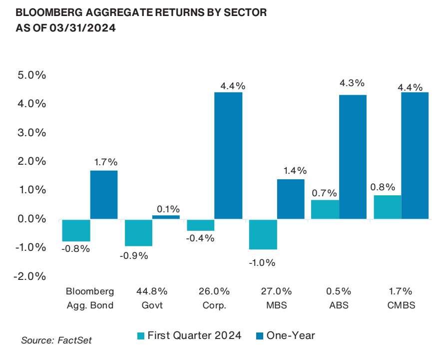
Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

AON

U.S. Fixed Income Markets





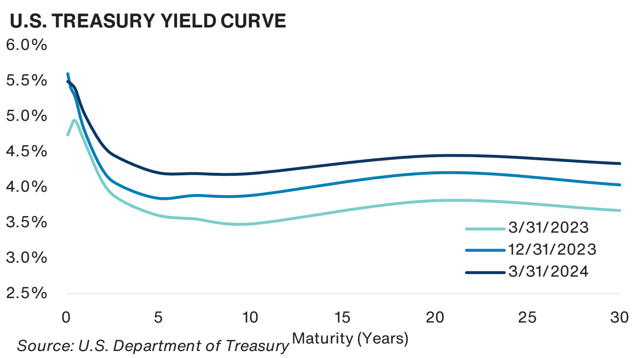


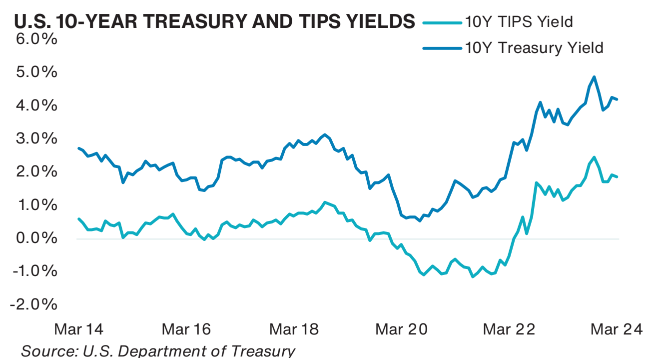
- The U.S. Federal Reserve (Fed) kept its interest rate unchanged at 5.25%-5.5%. The Federal Open Market Committee (FOMC) does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably towards 2%. According to the latest Fed "dot plot", the FOMC members see three, quarter-point cuts this year.
- The Bloomberg U.S. Aggregate Bond Index was down 0.8% over the quarter but was up 1.7% on a one-year basis.
- Across durations, all maturities (except for 1-3 years) finished the quarter in negative territory with longer maturities falling more.
- Within investment-grade bonds, higher-quality issues generally underperformed lower-quality issues, with Aa-rated bonds comparatively falling more. Aaa-rated bonds were flat during the quarter. High yield bonds rose by 1.5%. On a one-year basis, high yield bonds outperformed indicating an increase in risk appetite.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

AON

U.S. Fixed Income Markets



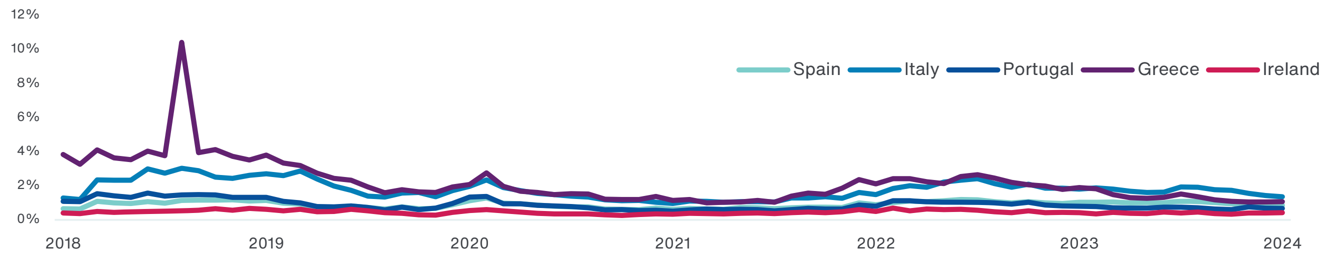


- U.S. Treasury yields generally rose across maturities as the yield curve shifted upwards over the quarter. The 10-year Treasury yield rose by 32bps to 4.2%, and the 30-year Treasury yield rose by 31bps to 4.34% over the quarter.
- U.S. headline consumer price inflation (CPI) increased to 3.2% year-on-year in February. It exceeded economists' expectations and the previous month's reading of 3.1%. Meanwhile, U.S. core inflation, which excludes energy and food prices, reduced to 3.8% year-on-year in February, down from the previous month's 3.9% but higher than economists' expectations of 3.7%.
- The 10-year TIPS yield rose by 16bps over the quarter to 1.88%.

AON

European Fixed Income Markets

EUROZONE PERIPHERAL BOND SPREADS (10-YEAR SPREADS OVER GERMAN BUNDS)



Source: FactSet

- European government bond spreads over 10-year German bunds generally narrowed across the Euro Area (except for Portugal and Ireland). The European Central Bank (ECB) kept its interest rate unchanged at an all-time high of 4.0% as it lowered its annual inflation forecast. The Governing Council (GC) is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Based on its current assessment, the GC considers restricting key ECB interest rates for a sufficiently long duration, will make a substantial contribution to this goal.
- Irish and Portuguese government bond yields rose by 38bps and 37bps to 2.73% and 2.98%, respectively over the quarter while Italian government bond yields fell by 8bps to 3.66%. Greek and Spanish government bond yields rose by 27bps and 20bps to 3.37% and 3.15%, respectively over the quarter.
- German bund yields rose by 30bps to 2.3% over the quarter.
- Eurozone headline inflation slowed as the CPI rose 2.6% year-on-year in February, down from the previous month's rate of 2.8% but higher than market expectations of 2.5%. Core inflation slowed to 3.1% in the year to February, down from January's 3.3% but higher than economists' forecast of 2.9%.

Credit Spreads

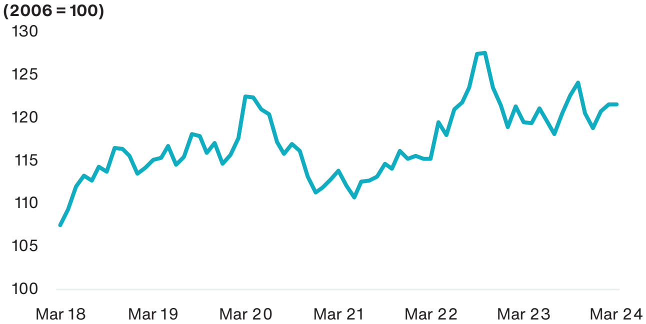
Spread (bps)	3/31/2024	12/31/2023	3/31/2023	Quarterly Change (bps)	One-Year
U.S. Aggregate	39	42	57	-3	-18
Long Gov't	0	2	2	-2	-2
Long Credit	109	117	159	-8	-50
Long Gov't/Credit	57	62	86	-5	-29
MBS	49	47	63	2	-14
CMBS	96	126	142	-30	-46
ABS	55	68	85	-13	-30
Corporate	90	99	138	-9	-48
High Yield	299	323	455	-24	-156
Global Emerging Markets	260	294	352	-34	-92

FactSet, Bloomberg

- Credit markets rose amid increasing risk tolerance sentiment, with spreads generally narrowing.
- Global Emerging Markets and CMBS spreads narrowed by 34bps and 30bps, respectively. Meanwhile, MBS spreads widened by 2bps.

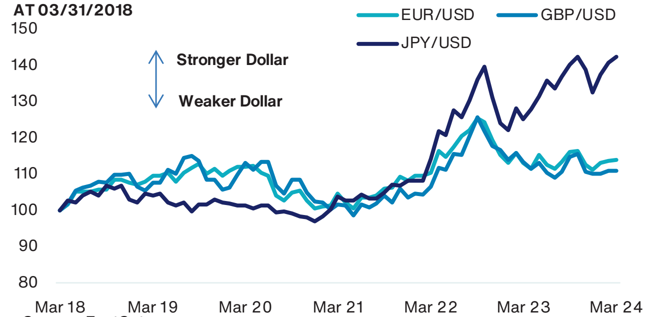
Currency

TRADE WEIGHTED U.S. DOLLAR INDEX
(2006 = 100)



Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY REBASED TO 100
AT 03/31/2018



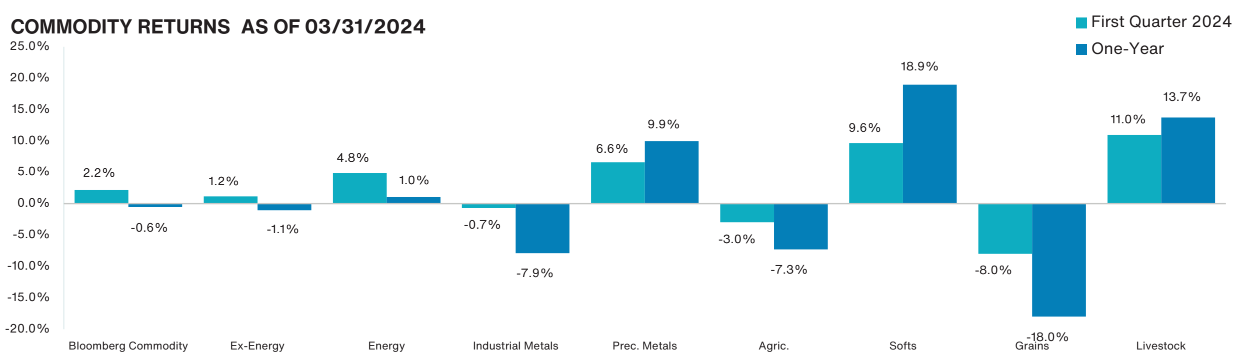
Source: FactSet

- The U.S. Dollar appreciated against all major currencies over the quarter. On a trade-weighted basis, the U.S. dollar appreciated by 2.4%.
- Sterling depreciated by 0.9% against the U.S. dollar. The Bank of England (BoE) kept its interest rate stable at 5.25% for the fifth consecutive meeting. The Monetary Policy Committee (MPC) voted eight to one to maintain the current interest rate. One member was in favor of a 25bps rate cut. The MPC indicated that monetary policy will need to remain restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term.
- The U.S. dollar appreciated by 2.3% against the euro and by 7.4% against the yen.

AON

Commodities

COMMODITY RETURNS AS OF 03/31/2024



Source: Bloomberg Note: Softs and Grains are part of the wider Agriculture sector

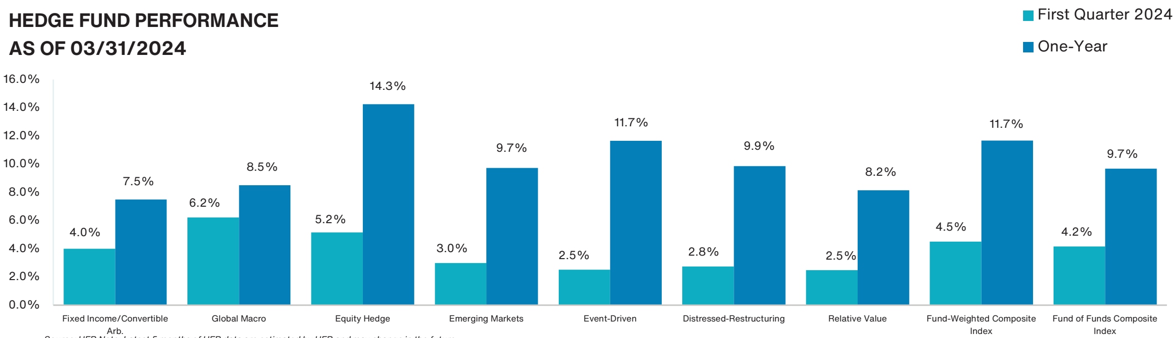
- Commodity prices rose over the quarter with the Bloomberg Commodity Index rising by 2.2% for the quarter.
- The Energy sector was up by 4.8% over the quarter and 1% on a one-year basis. The price of WTI crude oil was significantly up by 16.1% to U.S.$83/BBL.
- Livestock rose the most over the quarter at 11.0%.
- The grain sector was the worst performer with a return of -8.0% over the quarter.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

AON

Hedge Funds Market Overview

HEDGE FUND PERFORMANCE
AS OF 03/31/2024



Source: HFR Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.

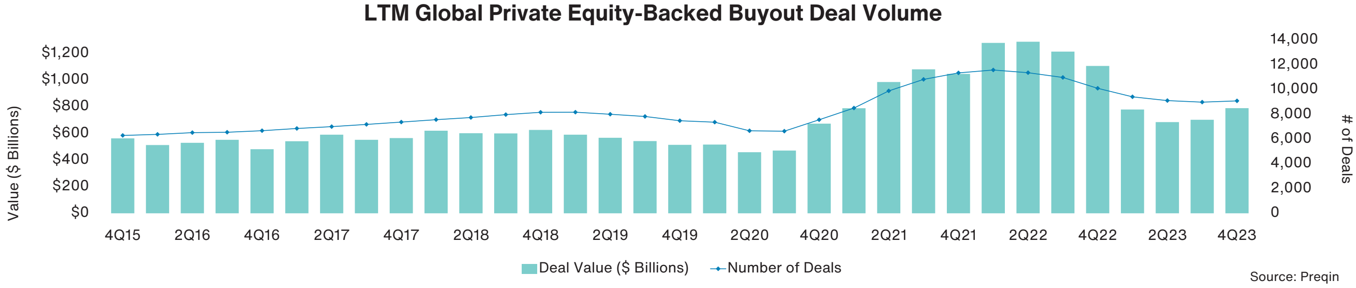
- Hedge fund performance was positive over the quarter.
- The HFRI Fund-Weighted Composite and HFRI Fund of Funds Composite Index produced returns of 4.5% and 4.2% over the quarter, respectively.
- Over the quarter, Global Macro was the best performer with a return of 6.2%.
- Relative Value was the worst performer with a return of 2.5% over the quarter.
- On a one-year basis, Equity Hedge has outperformed all other strategies whilst Fixed Income/Convertible Arbitrage has performed the worst.

Past performance is no guarantee of future results. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect fees and expenses. Please see appendix for index definitions and other general disclosures.

AON

Private Equity Overview — Fourth Quarter 2023

LTM Global Private Equity-Backed Buyout Deal Volume



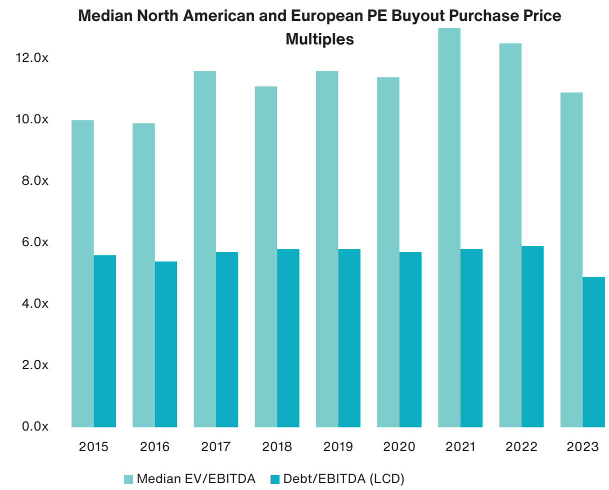
Source: Preqin

- **Fundraising:** In 2023, $1.1 trillion was raised by 2,544 funds, which was a decrease of 14.4% on a capital basis and a decrease of 41.1% by number of funds over the prior year. Dry powder stood at $3.2 trillion at the end of the year, an increase of 15.9% and 39.4% compared to year-end 2022 and the five-year average, respectively.[1]
- **Buyout:** Global private equity-backed buyout deals totaled $788.6 billion in 2023, which was a decrease on a capital basis of 28.6% compared to 2022 but 30.6% higher compared to the five-year average.[1] During the year, the median purchase price multiple for all North American and European private equity buyouts was 10.9x EBITDA, down from 12.5x in 2022 and down from the five-year average (12.0x). The median purchase price multiple for North American PE buyouts ended the year at 11.8x EBITDA, while European LBO transactions ended the year at 10.2x EBITDA.2 Globally, buyout exit value totaled $444.7 billion across 2,077 deals during the year, down from $498.4 billion in value from 2,030 deals during 2022.[1]
- **Venture:** During the year, an estimated 15,766 venture-backed transactions totaling $170.6 billion were completed, which was a decrease on both a capital and deal count basis over the prior year's total of $242.2 billion across 17,592 deals. This was also a decrease of 19.5% compared to the five-year average of $212.0 billion. Total U.S. venture-backed exit value decreased during the year, totaling approximately $61.5 billion across an estimated 1,129 completed transactions, compared to $78.6 billion across 1,401 exits in 2022. This was meaningfully below the $796.8 billion of exit value from 1,990 transactions during 2021.[3]

Sources: 1 Preqin 2 Pitchbook/LCD 3 PitchBook/NVCA Venture Monitor 4 Fitch Ratings 5 Jefferies
Notes: FY=Fiscal year ended 12/31; YTD=Year to date; LTM=Last 12 months (aka trailing 12 months); PPM=Purchase Price Multiples: Total Purchase Price ÷ EBITDA.

AON

Private Equity Overview (cont.)

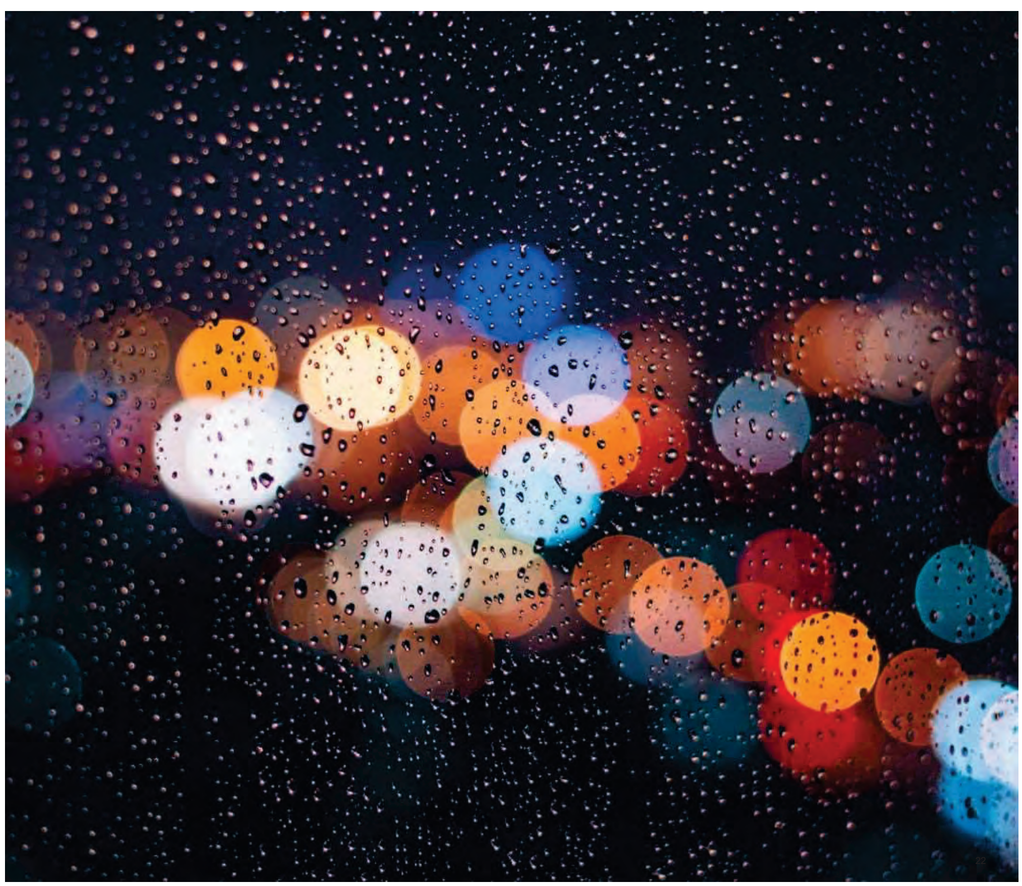


Source: Pitchbook, LCD

- **Mezzanine:** 28 funds closed on $38.6 billion during the year. This was an increase from the prior year's total of $27.1 billion raised by 52 funds and represented an increase of 72.6% from the five-year average of $22.4 billion. Estimated dry powder was $65.5 billion at the end of 2023, up from $57.7 billion at the end of the prior year.[1]
- **Distressed Debt/Special Situations:** The TTM U.S. high-yield default rate was 3.0% as of December 2023, which was up from December 2022's TTM rate of 1.3%. Fitch expects the high-yield default rate to continue trending higher through 2024, with forecasted default rates of 5.0% to 5.5%.[4] During the year, $53.2 billion was raised by 61 funds, down from the $62.8 billion raised by 70 funds during 2022. Dry powder was estimated at $164.0 billion at the end of Q4 2023, which was down 1.4% from Q4 2022. This remained above the five-year average level of $142.1 billion.[1]
- **Secondaries:** 58 funds raised $93.8 billion during 2023, up substantially from the $36.2 billion raised by 70 funds in 2022. This was an increase compared to the five-year average of $42.0 billion.[1] The average discount rate for LP buyout and venture capital portfolios finished the year at 9.0% and 32.0%, respectively.[5]
- **Infrastructure:** $77.6 billion of capital was raised by 84 funds in 2023 compared to $177.0 billion of capital raised by 159 partnerships in 2022. Infrastructure funds are staying in market longer, with 55.2% of closed funds fundraising for two years or more. Infrastructure managers completed 2,067 deals for an aggregate deal value of $308.2 billion in 2023 compared to 2,652 deals totaling $420.4 billion in 2022.[1]
- **Natural Resources:** During 2023, 27 funds closed on $10.5 billion compared to 39 funds totaling $5.7 billion in 2022. 277 energy and utilities deals were completed in 2023 totaling $40.0 billion, an increase compared to 237 completed deals totaling $36.7 billion in 2022.[1]

Sources: 1 Preqin 2 Pitchbook/LCD 3 PitchBook/NVCA Venture Monitor 4 Fitch Ratings 5 Jefferies

Total Fund



Highlights

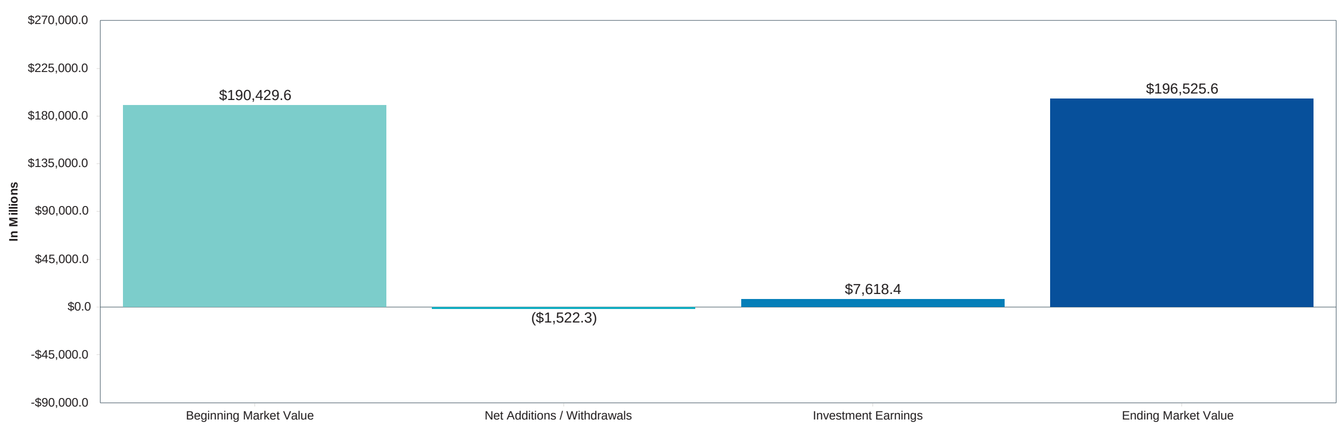
Executive Summary
- The Total Fund outperformed the Performance Benchmark over the trailing three-, five-, and ten-year periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investments and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights
- The Total Fund outperformed the Performance Benchmark over the trailing three-, five-, and ten-year periods.

Asset Allocation
- The Fund assets total $196.5 billion as of March 31, 2024, which represents a $6.1 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges and in line with the current policy at quarter-end.

Total Plan Asset Summary

As of March 31, 2024



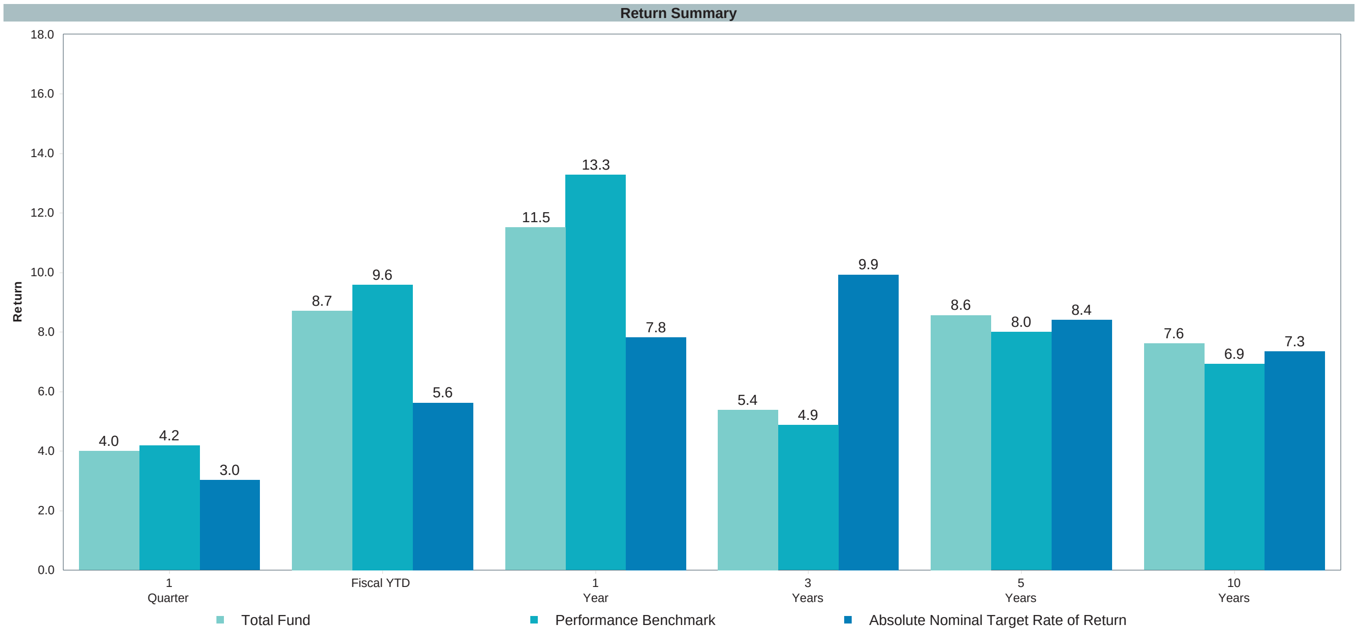
Summary of Cash Flows

	1 Quarter	Fiscal YTD*
Total Fund		
Beginning Market Value	190,429,563,717	185,709,266,761
+ Additions / Withdrawals	-1,522,315,141	-5,086,628,022
+ Investment Earnings	7,618,376,060	15,902,985,897
= Ending Market Value	**196,525,624,636**	**196,525,624,636**

*Period July 2023 - Present

Total Plan Performance Summary

As of March 31, 2024



AON

Asset Allocation & Performance

As of March 31, 2024

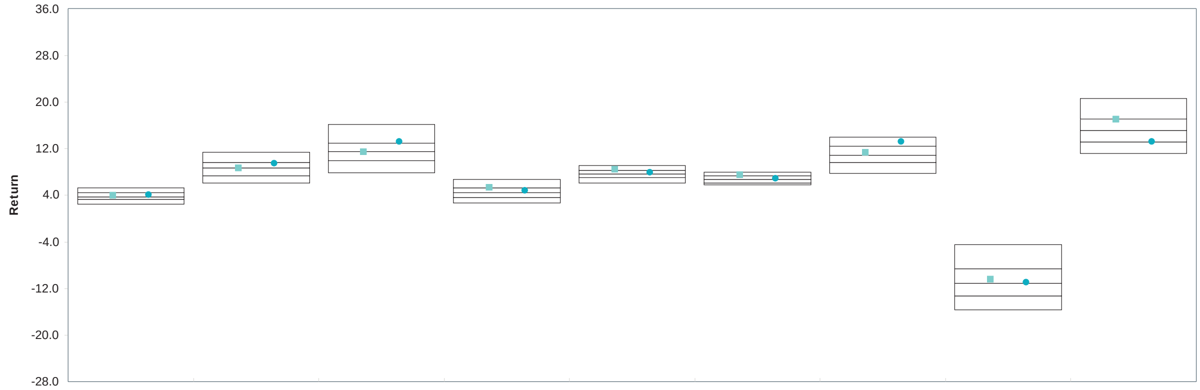
	Allocation			Performance %					
	Market Value $	%	Policy %	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
Total Fund	**196,525,624,636**	**100.0**	**100.0**	**4.0 (45)**	**8.7 (51)**	**11.5 (51)**	**5.4 (23)**	**8.6 (17)**	**7.6 (16)**
Performance Benchmark				*4.2 (34)*	*9.6 (26)*	*13.3 (24)*	*4.9 (40)*	*8.0 (37)*	*6.9 (40)*
Absolute Nominal Target Rate of Return				*3.0 (82)*	*5.6 (99)*	*7.8 (96)*	*9.9 (1)*	*8.4 (21)*	*7.3 (26)*
Global Equity*	**97,111,703,137**	**49.4**	**48.9**	**8.0**	**15.9**	**22.6**	**6.3**	**10.9**	**8.9**
Asset Class Target				*7.7*	*15.7*	*22.5*	*6.3*	*10.6*	*8.5*
Domestic Equities	**49,885,447,629**	**25.4**		**10.1**	**19.4**	**29.2**	**10.0**	**14.3**	**12.2**
Asset Class Target				*10.0*	*19.3*	*29.3*	*9.8*	*14.3*	*12.3*
Foreign Equities	**30,464,592,121**	**15.5**		**5.0**	**10.7**	**13.5**	**1.1**	**6.6**	**5.0**
Asset Class Target				*4.3*	*10.6*	*13.3*	*1.7*	*6.0*	*4.4*
Global Equities	**11,957,638,490**	**6.1**		**8.7**	**16.6**	**23.2**	**7.4**	**10.4**	**8.7**
Benchmark				*8.6*	*16.7*	*24.5*	*8.0*	*11.7*	*9.2*
Fixed Income	**37,877,377,299**	**19.3**	**19.9**	**0.0**	**3.8**	**3.1**	**-1.3**	**1.0**	**1.7**
Asset Class Target				*-0.5*	*3.0*	*2.2*	*-1.7*	*0.6*	*1.4*
Private Equity	**17,680,483,101**	**9.0**	**9.1**	**1.5**	**3.3**	**2.9**	**14.1**	**17.5**	**15.9**
Asset Class Target				*8.3*	*17.1*	*24.8*	*9.1*	*13.5*	*11.4*
Real Estate	**18,969,471,560**	**9.7**	**9.8**	**-2.8**	**-5.0**	**-7.8**	**5.7**	**5.0**	**7.4**
Asset Class Target				*-4.9*	*-8.2*	*-10.9*	*3.8*	*3.3*	*6.3*
Strategic Investments	**21,914,814,920**	**11.2**	**11.2**	**2.7**	**6.7**	**8.3**	**8.1**	**7.5**	**7.0**
Short-Term Target				*3.1*	*7.8*	*10.8*	*7.8*	*8.0*	*6.2*
Cash**	**2,971,774,619**	**1.5**		**1.1**	**4.0**	**4.7**	**1.9**	**1.6**	**1.2**
Bloomberg 1-3 Year Gov/Credit Index				*0.4*	*3.9*	*3.5*	*0.2*	*1.4*	*1.3*

Benchmark and universe descriptions can be found in the Appendix.
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.
**Performance for the Cash & Central Custody and Enhanced Cash Composite is shown.

AON

Plan Sponsor Peer Group Analysis

As of March 31, 2024



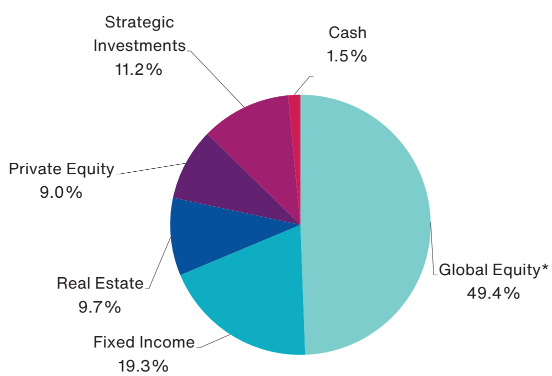
	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2023	2022	2021
Total Fund	**4.0 (45)**	**8.7 (51)**	**11.5 (51)**	**5.4 (23)**	**8.6 (17)**	**7.6 (16)**	**11.4 (43)**	**-10.4 (46)**	**17.2 (24)**
Performance Benchmark	4.2 (34)	9.6 (26)	13.3 (24)	4.9 (40)	8.0 (37)	6.9 (40)	13.3 (12)	-10.9 (50)	13.3 (75)
5th Percentile	5.3	11.4	16.2	6.7	9.1	8.0	14.0	-4.5	20.6
1st Quartile	4.5	9.6	13.0	5.2	8.3	7.3	12.5	-8.6	17.1
Median	3.7	8.8	11.5	4.5	7.7	6.7	10.9	-11.0	15.2
3rd Quartile	3.3	7.4	10.0	3.6	7.0	6.1	9.7	-13.3	13.2
95th Percentile	2.5	6.2	7.9	2.7	6.1	5.8	7.8	-15.7	11.2
Population	91	55	48	42	40	35	76	75	109

Parentheses contain percentile rankings.
Universe: All Public Plans > $1B-Total Fund

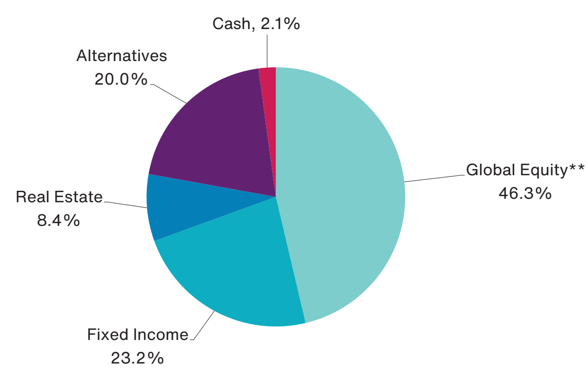
Universe Asset Allocation Comparison[1]

As of March 31, 2024

Total Fund



BNY Mellon Public Funds > $1B Net Universe



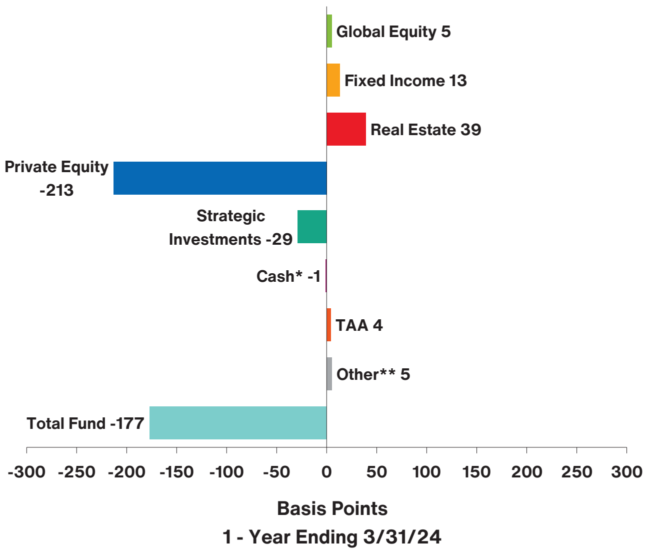
*Global Equity Allocation: 25.4% Domestic Equities; 15.5% Foreign Equities; 6.1% Global Equities; 1.4 Global Equity Cash; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

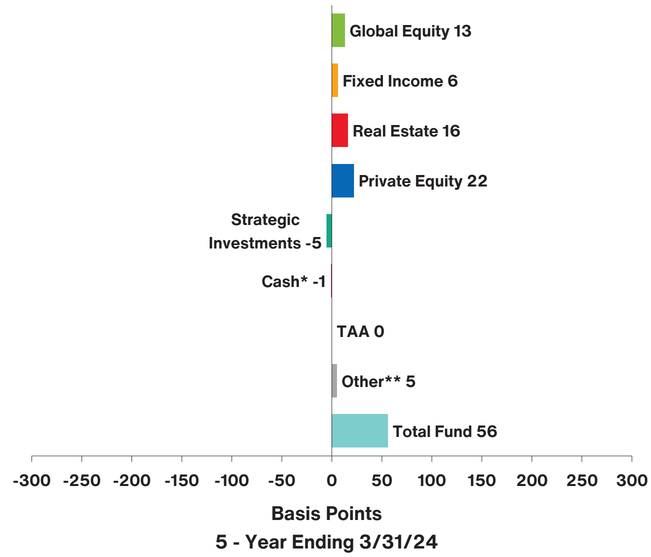
**Global Equity Allocation: 29.3% Domestic Equities; 17.0% Foreign Equities.

[1]Allocations may not sum too 100.0% due to rounding.

Attribution

As of March 31, 2024





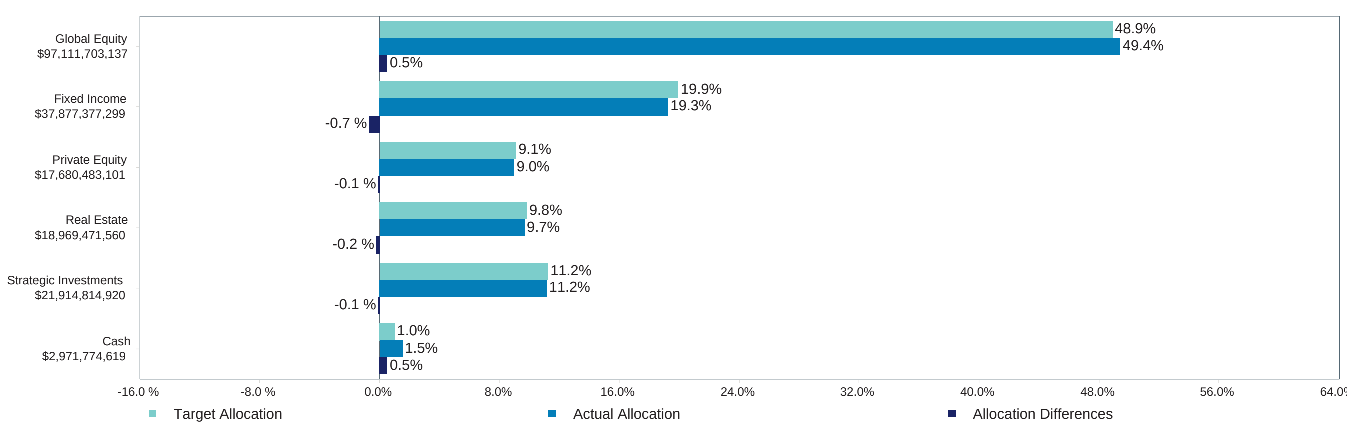
*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.
**Other includes transition accounts, liquidity portfolios, accounts outside of C&CC, and unexplained differences due to methodology.

AON

Asset Allocation Compliance

As of March 31, 2024

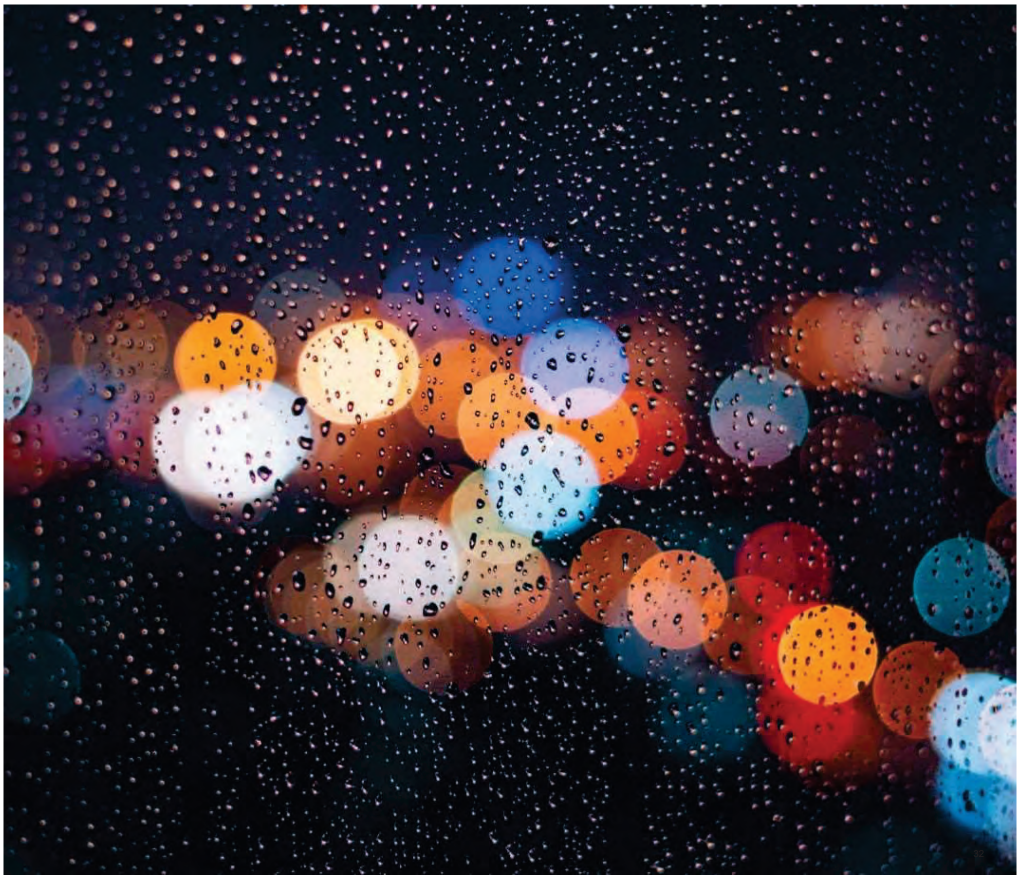
	Market Value $	Current Allocation %	Target Allocation %	Minimum Allocation %	Maximum Allocation %
Total Fund	**196,525,624,636**	**100.0**	**100.0**		
Global Equity	97,111,703,137	49.4	48.9	45.0	70.0
Fixed Income	37,877,377,299	19.3	19.9	10.0	26.0
Private Equity	17,680,483,101	9.0	9.1	2.0	12.0
Real Estate	18,969,471,560	9.7	9.8	4.0	16.0
Strategic Investments	21,914,814,920	11.2	11.2	0.0	16.0
Cash	2,971,774,619	1.5	1.0	0.3	5.0



AON

(This page is left blank intentionally)

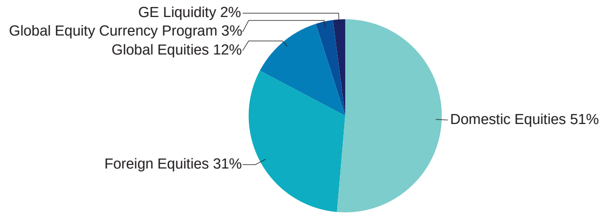
Global Equity



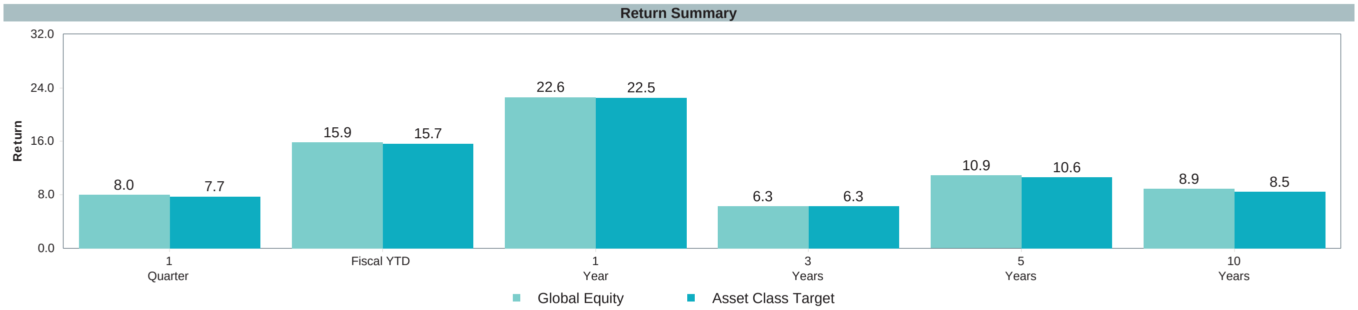
Global Equity* Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $97,112M



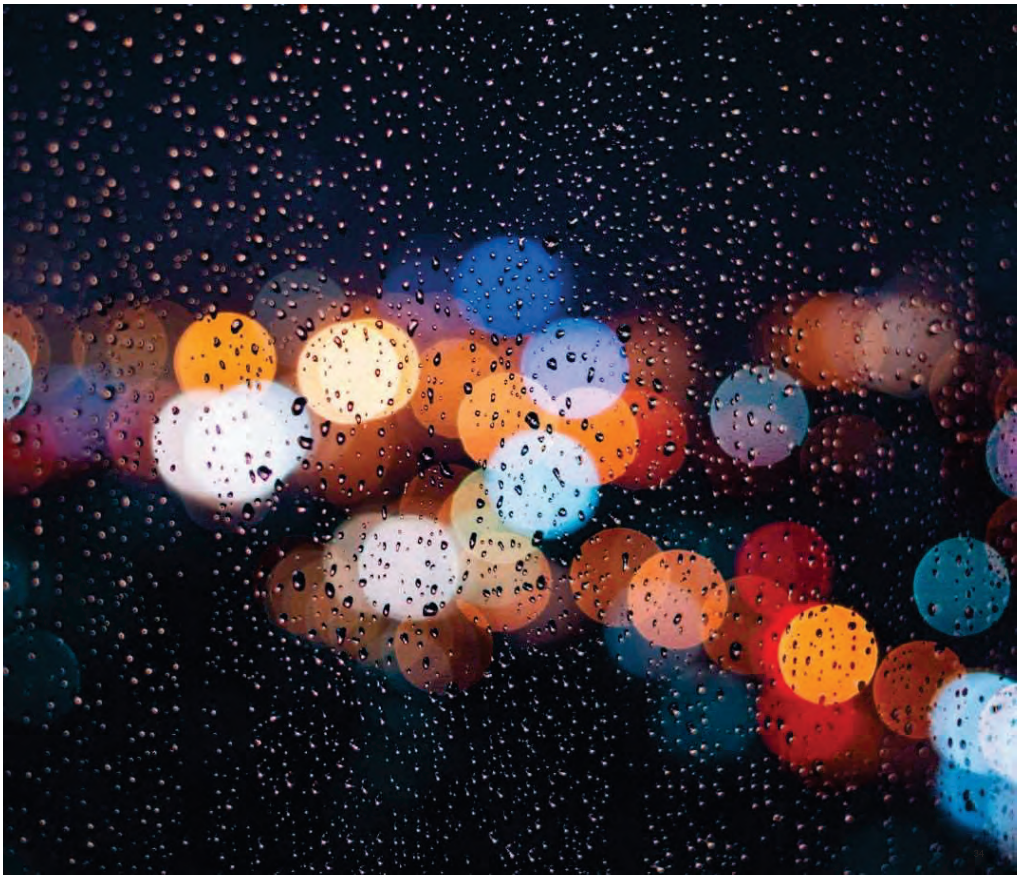
Return Summary



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

AON

Domestic Equities

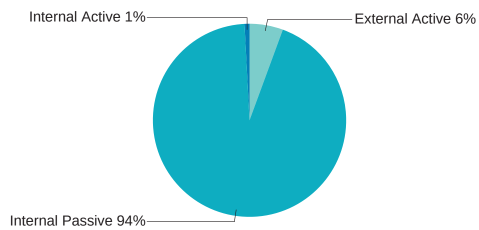


AON

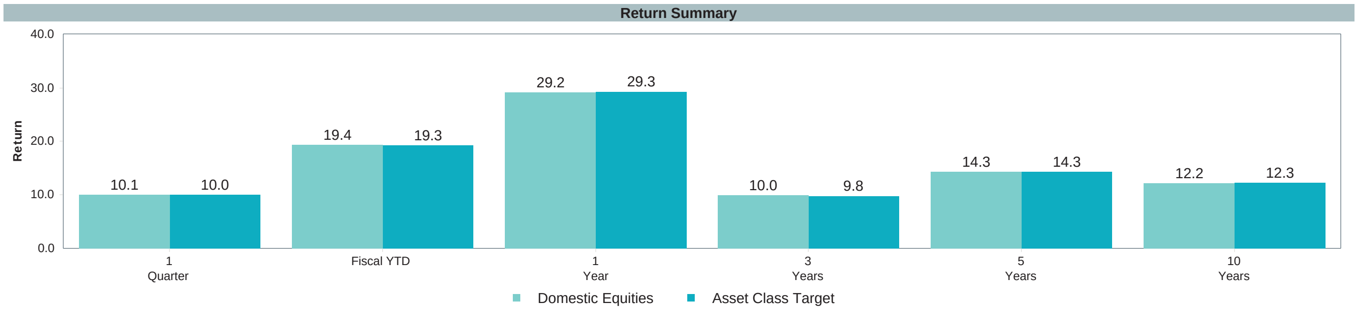
Domestic Equities Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $49,885M

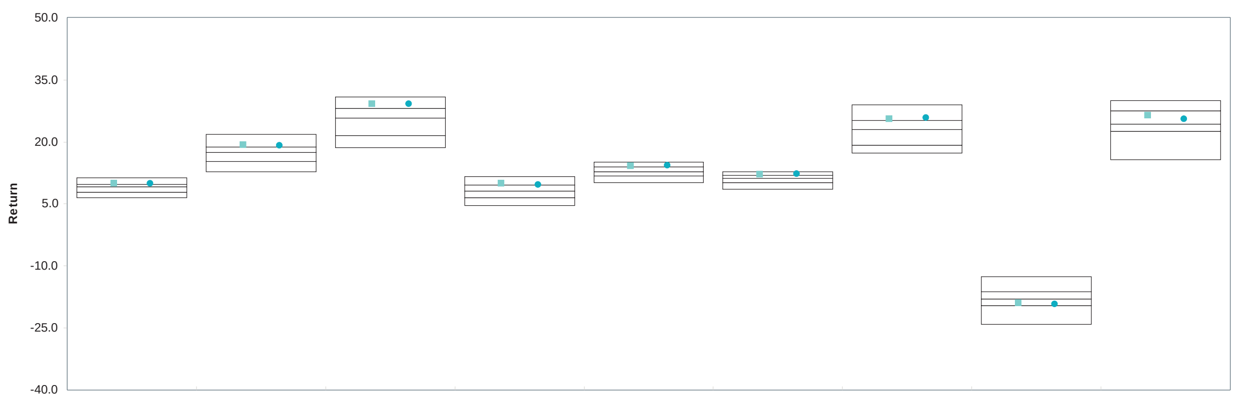


Return Summary



Domestic Equities Peer Group Analysis

As of March 31, 2024

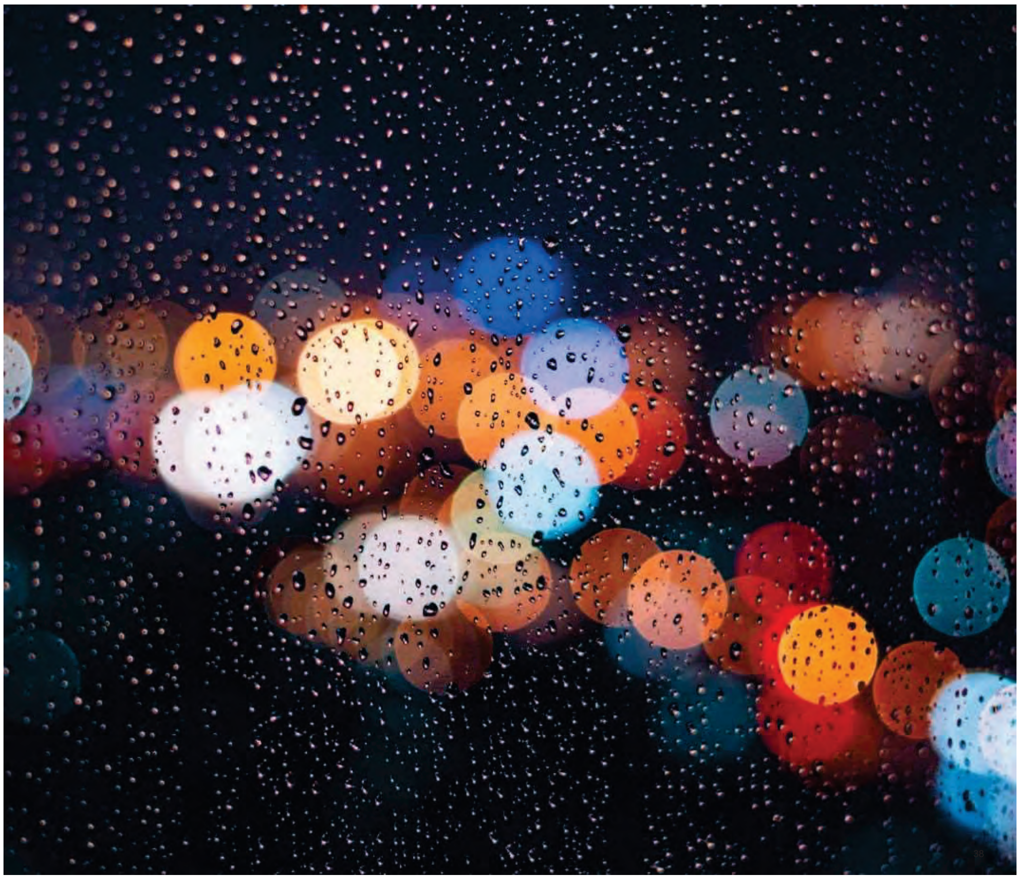


	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2023	2022	2021
Domestic Equities	**10.1 (18)**	**19.4 (18)**	**29.2 (13)**	**10.0 (20)**	**14.3 (19)**	**12.2 (18)**	**25.6 (22)**	**-18.9 (61)**	**26.6 (30)**
Asset Class Target	10.0 (19)	19.3 (18)	29.3 (13)	9.8 (22)	14.3 (18)	12.3 (14)	26.0 (21)	-19.2 (65)	25.7 (39)
5th Percentile	11.4	21.9	30.8	11.6	15.2	12.8	28.9	-12.5	30.0
1st Quartile	9.7	18.8	28.1	9.5	14.0	12.0	25.2	-16.2	27.5
Median	9.2	17.5	25.8	8.2	12.8	11.1	23.0	-17.9	24.3
3rd Quartile	7.8	15.4	21.6	6.5	11.8	10.2	19.3	-19.6	22.6
95th Percentile	6.5	12.8	18.6	4.6	10.1	8.6	17.3	-24.1	15.7
Population	49	49	47	46	40	36	51	52	56

Parentheses contain percentile rankings.

(This page is left blank intentionally)

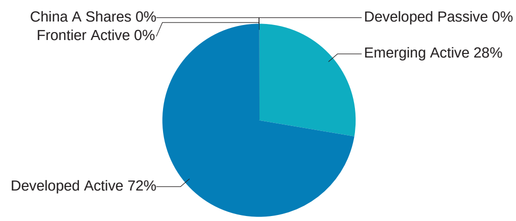
Foreign Equities



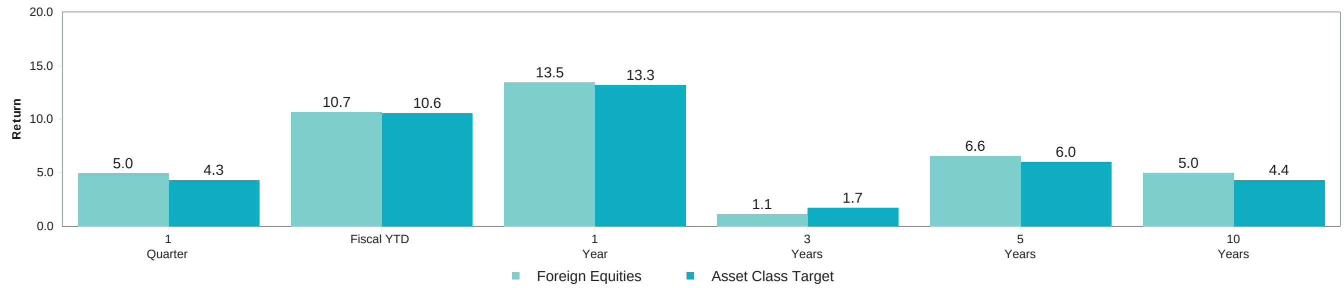
Foreign Equities Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $30,465M

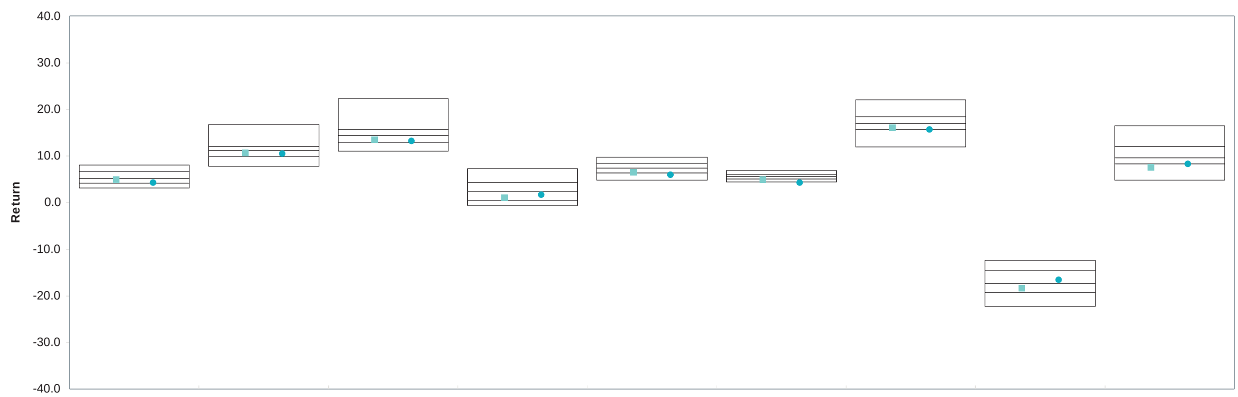


Return Summary



Foreign Equities Peer Group Analysis

As of March 31, 2024

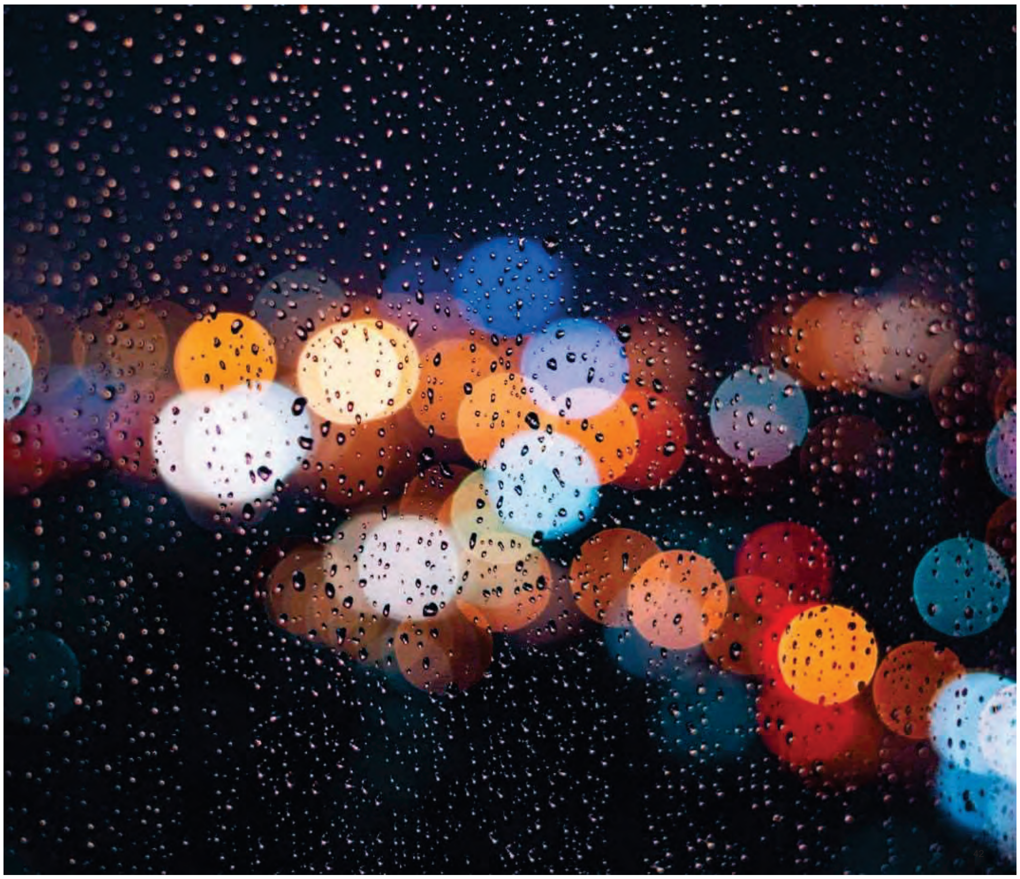


	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2023	2022	2021
Foreign Equities	**5.0 (57)**	**10.7 (58)**	**13.5 (66)**	**1.1 (72)**	**6.6 (74)**	**5.0 (86)**	**16.1 (68)**	**-18.4 (66)**	**7.6 (80)**
Asset Class Target	4.3 (68)	10.6 (59)	13.3 (67)	1.7 (58)	6.0 (82)	4.4 (98)	15.7 (76)	-16.6 (41)	8.4 (71)
5th Percentile	8.1	16.8	22.4	7.4	9.7	6.9	22.1	-12.4	16.5
1st Quartile	6.6	12.1	15.7	4.4	8.5	6.0	18.4	-14.6	12.2
Median	5.3	11.3	14.5	2.4	7.5	5.6	17.0	-17.3	9.6
3rd Quartile	4.2	9.9	12.9	0.5	6.4	5.1	15.7	-19.2	8.3
95th Percentile	3.1	7.8	11.0	-0.6	4.9	4.5	12.0	-22.2	4.9
Population	50	50	49	49	44	41	51	54	56

Parentheses contain percentile rankings.

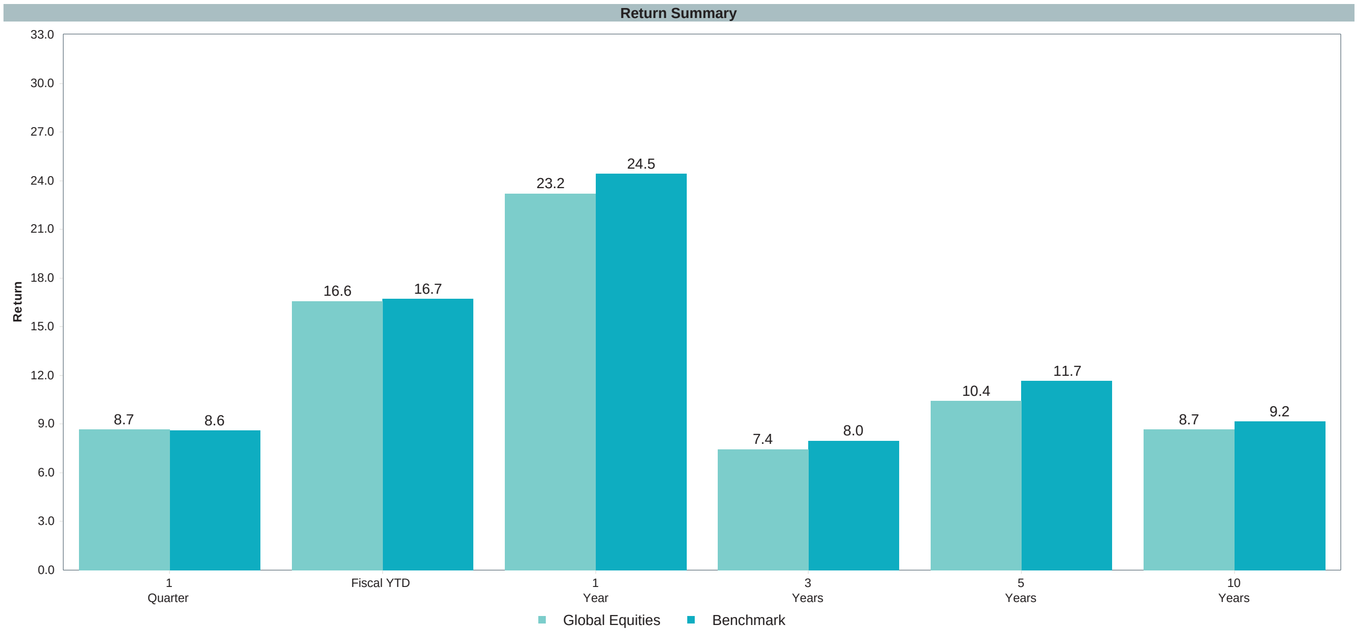
(This page is left blank intentionally)

Global Equities



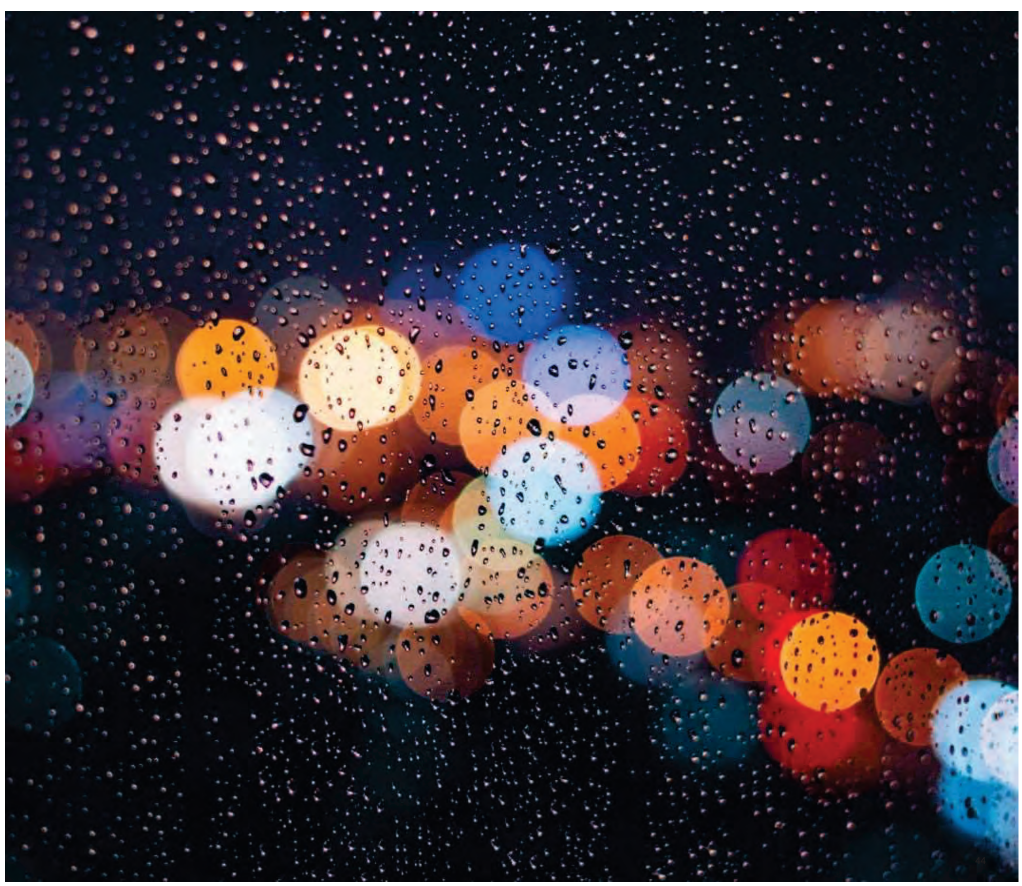
Global Equities Performance Summary

As of March 31, 2024



AON

Fixed Income

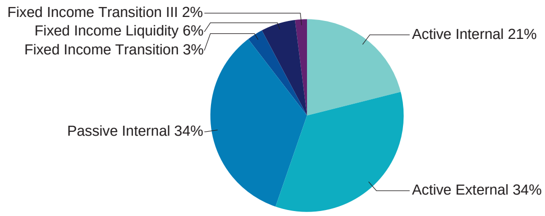


AON

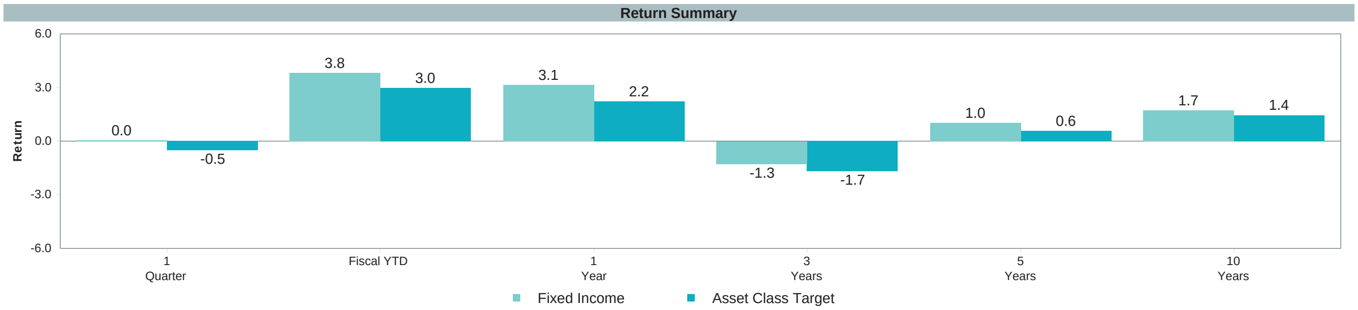
Fixed Income Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $37,877M



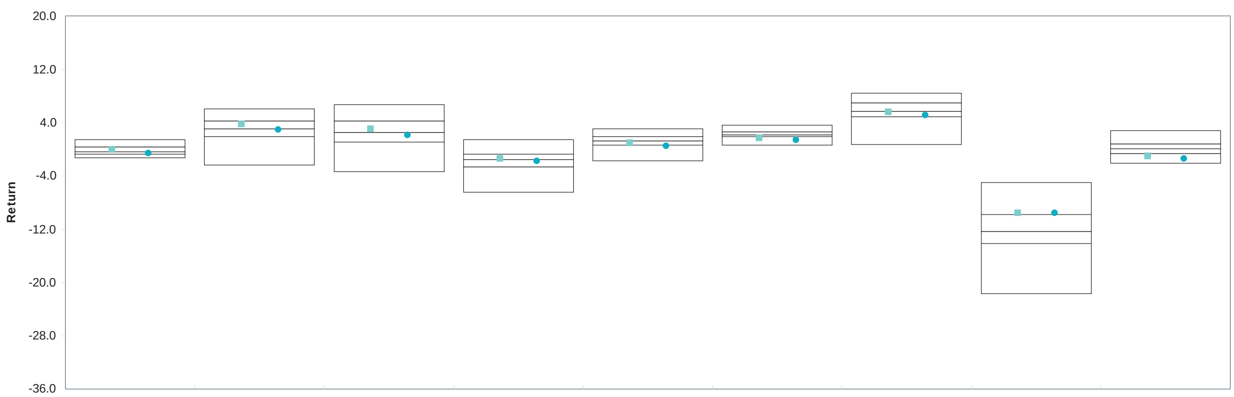
Return Summary



AON

Fixed Income Peer Group Analysis

As of March 31, 2024



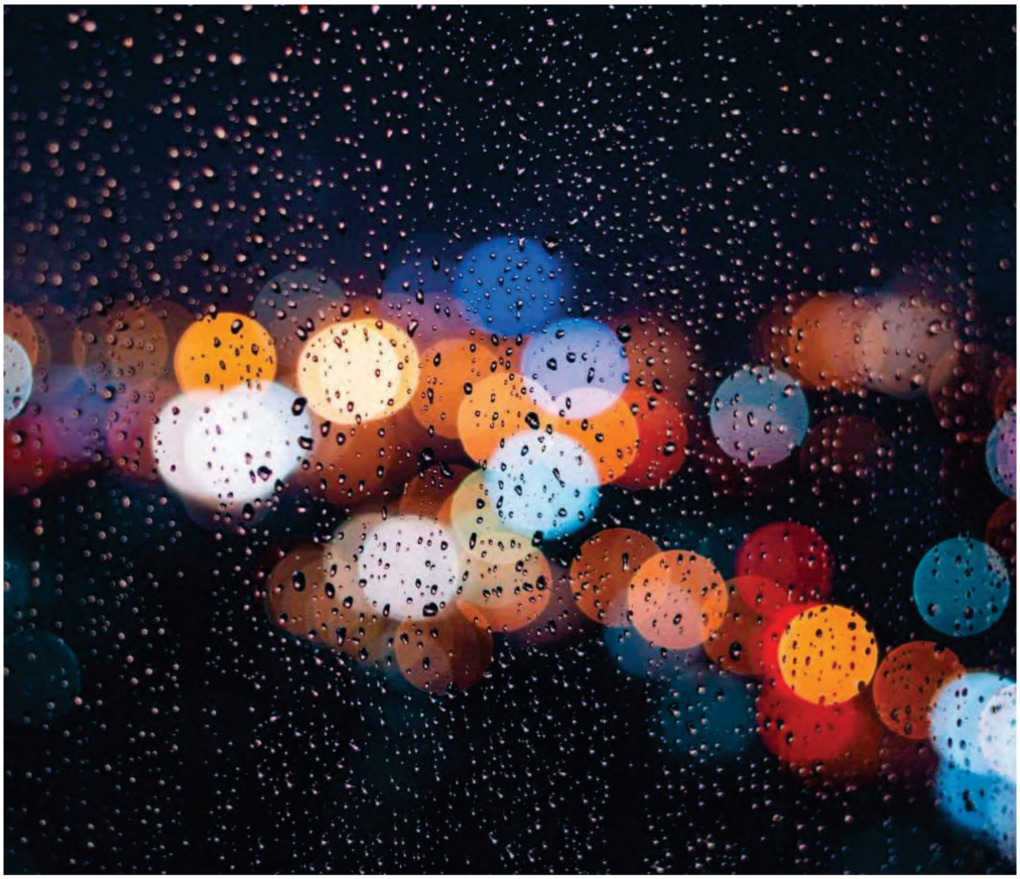
	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2023	2022	2021
Fixed Income	**0.0 (35)**	**3.8 (40)**	**3.1 (42)**	**-1.3 (45)**	**1.0 (63)**	**1.7 (83)**	**5.6 (54)**	**-9.5 (25)**	**-1.0 (86)**
Asset Class Target	-0.5 (62)	3.0 (54)	2.2 (56)	-1.7 (62)	0.6 (77)	1.4 (87)	5.2 (69)	-9.5 (25)	-1.3 (91)
5th Percentile	1.5	6.1	6.7	1.5	3.1	3.7	8.4	-4.9	2.8
1st Quartile	0.4	4.3	4.3	-0.7	1.9	2.7	7.0	-9.8	0.8
Median	-0.4	3.1	2.5	-1.5	1.3	2.2	5.8	-12.3	0.1
3rd Quartile	-0.7	2.0	1.1	-2.6	0.7	1.9	4.9	-14.1	-0.6
95th Percentile	-1.2	-2.3	-3.3	-6.4	-1.7	0.7	0.8	-21.7	-2.0
Population	53	52	51	50	44	40	53	57	58

Parentheses contain percentile rankings.

AON

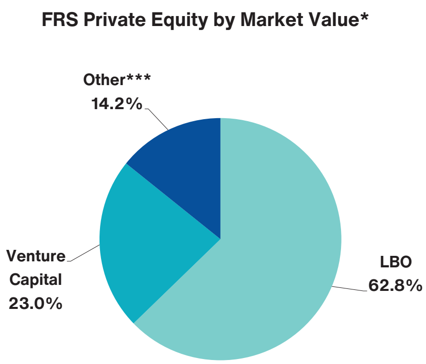
(This page is left blank intentionally)

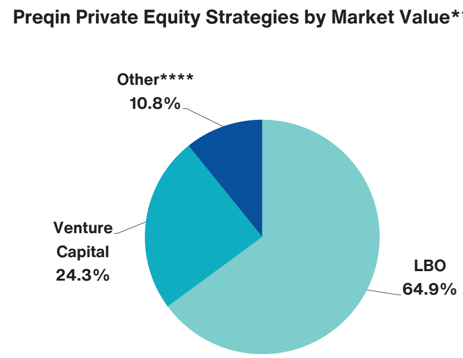
Private Equity



Private Equity Asset Allocation Overview

As of March 31, 2024

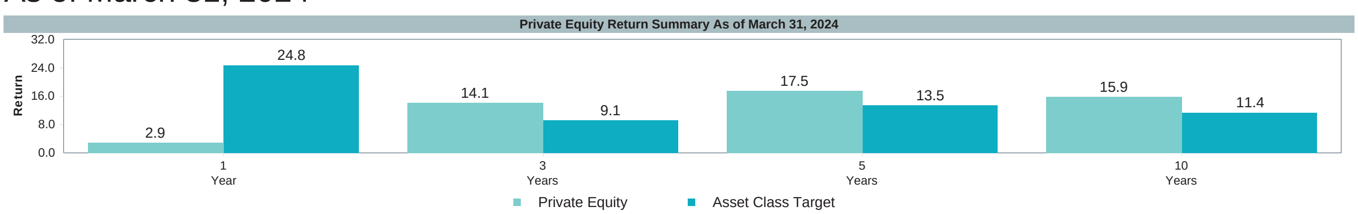


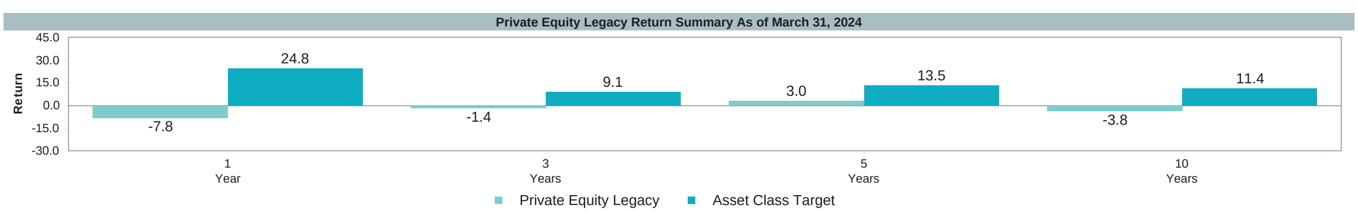


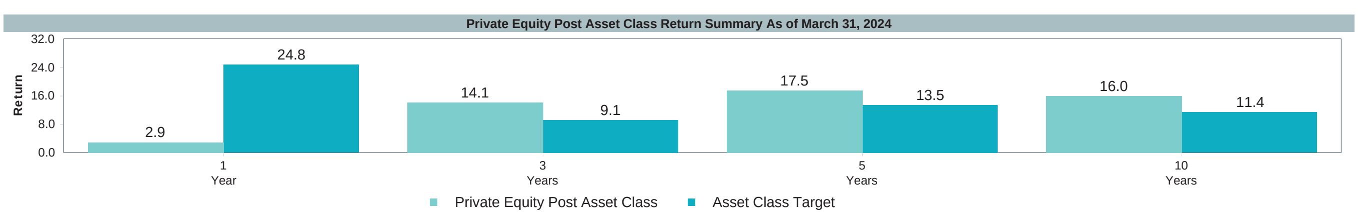
*Allocation data is as of March 31, 2024.
**Allocation data is as of June 30, 2019, from the Preqin database.
***Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.
****Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.
Preqin universe is comprised of 10,000 private equity funds representing $4.8 trillion.

Private Equity Time-Weighted Investment Results

As of March 31, 2024

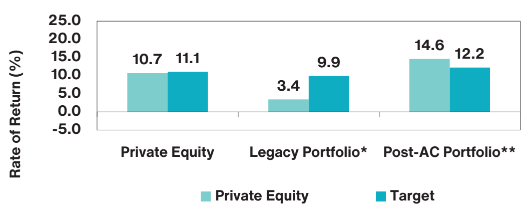




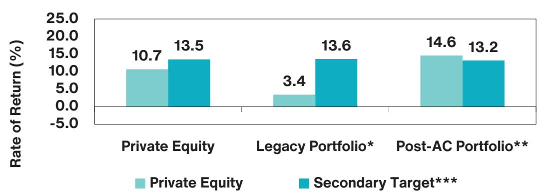


Dollar-Weighted Investment Results

As of December 31, 2023[1]



As of December 31, 2023

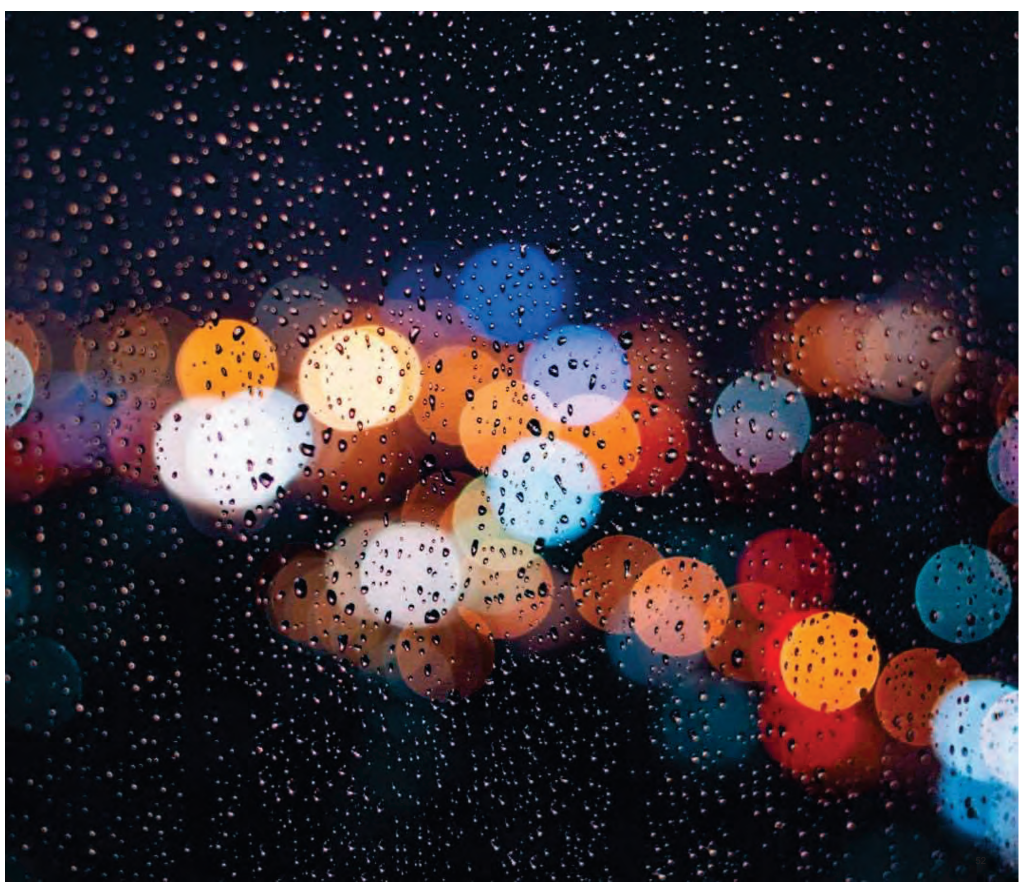


*The Inception Date for the Legacy Portfolio is January 1989.
**The Inception Date for the Post-AC Portfolio is September 2000.
***The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.
[1]Data not available at time or reporting, data as of 12/31/23

AON

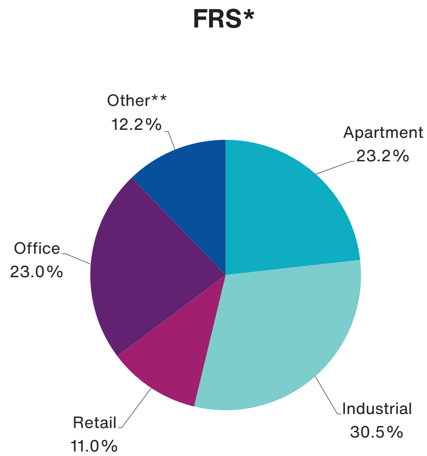
Real Estate

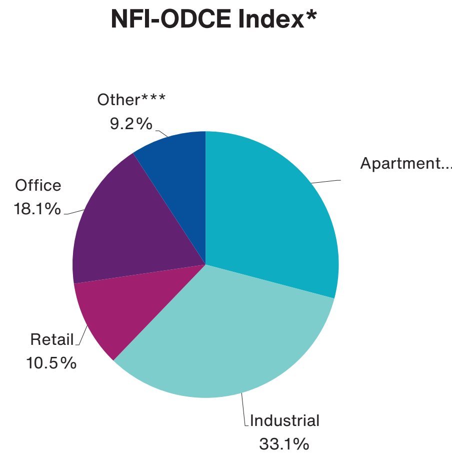
AON



Real Estate Asset Allocation Overview

As of March 31, 2024



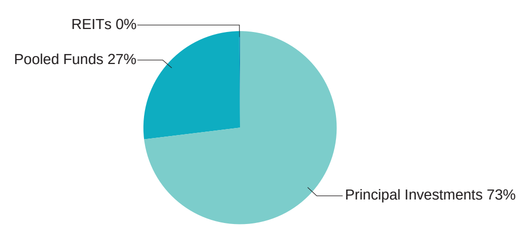


*Property Allocation data is as of December 31, 2023. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.
**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.
***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Healthcare, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

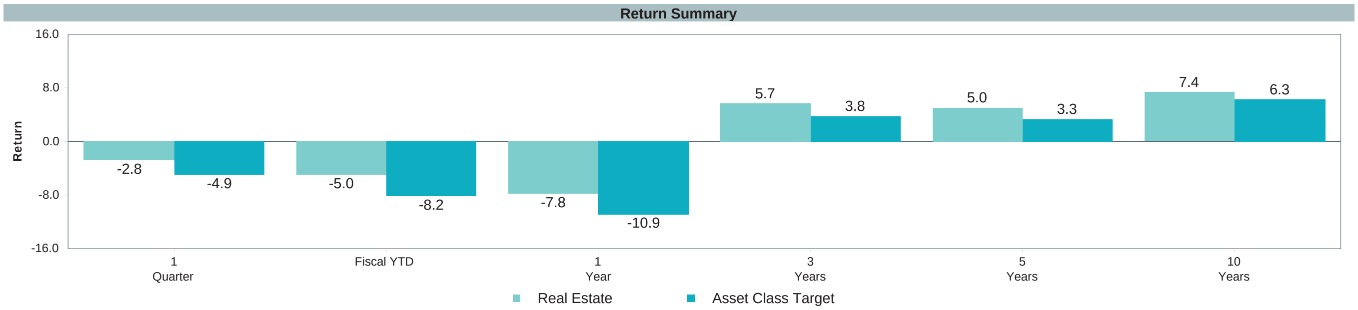
Real Estate Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $18,969M

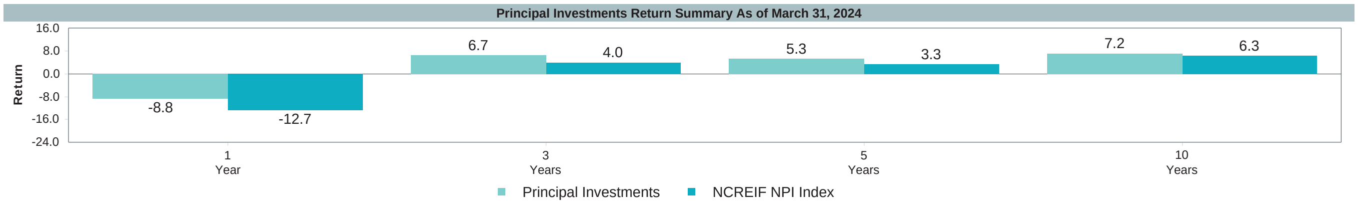


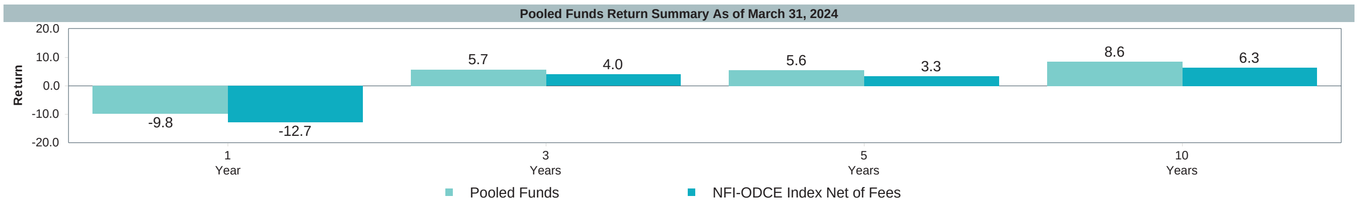
Return Summary

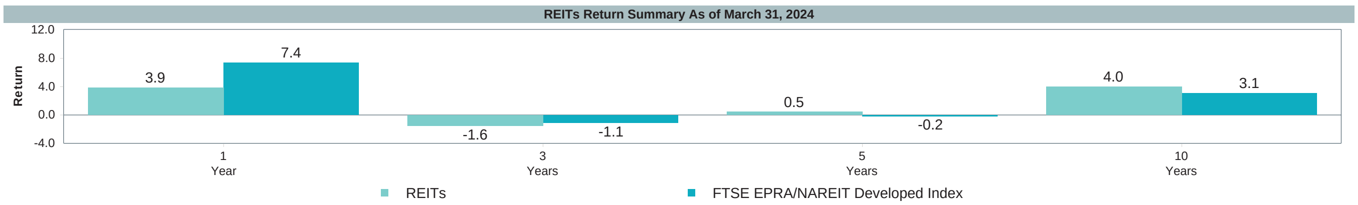


Real Estate Performance Overview

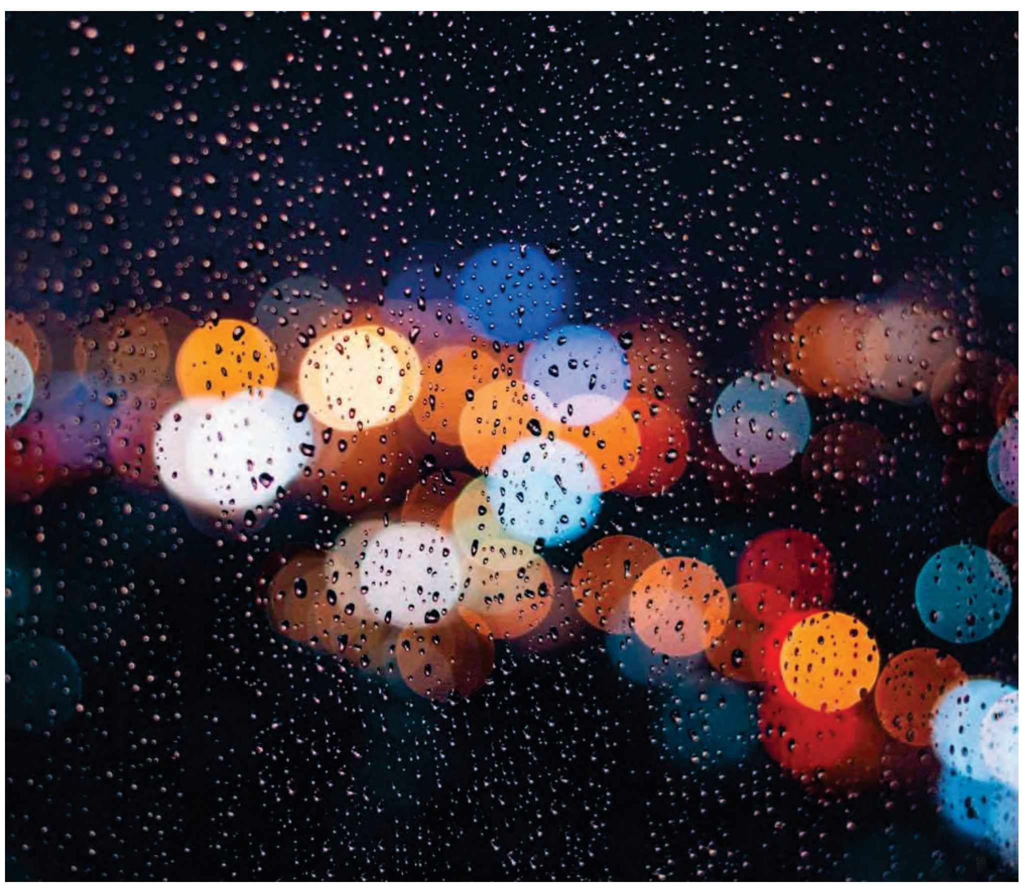
As of March 31, 2024







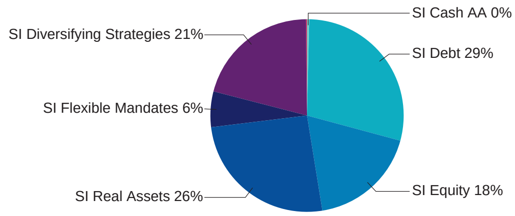
Strategic Investments



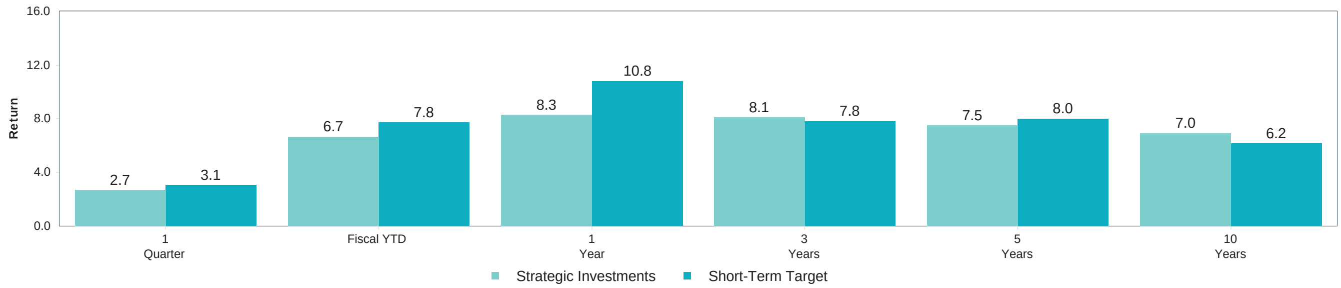
Strategic Investments Portfolio Overview

As of March 31, 2024

Current Allocation
March 31, 2024 : $21,915M

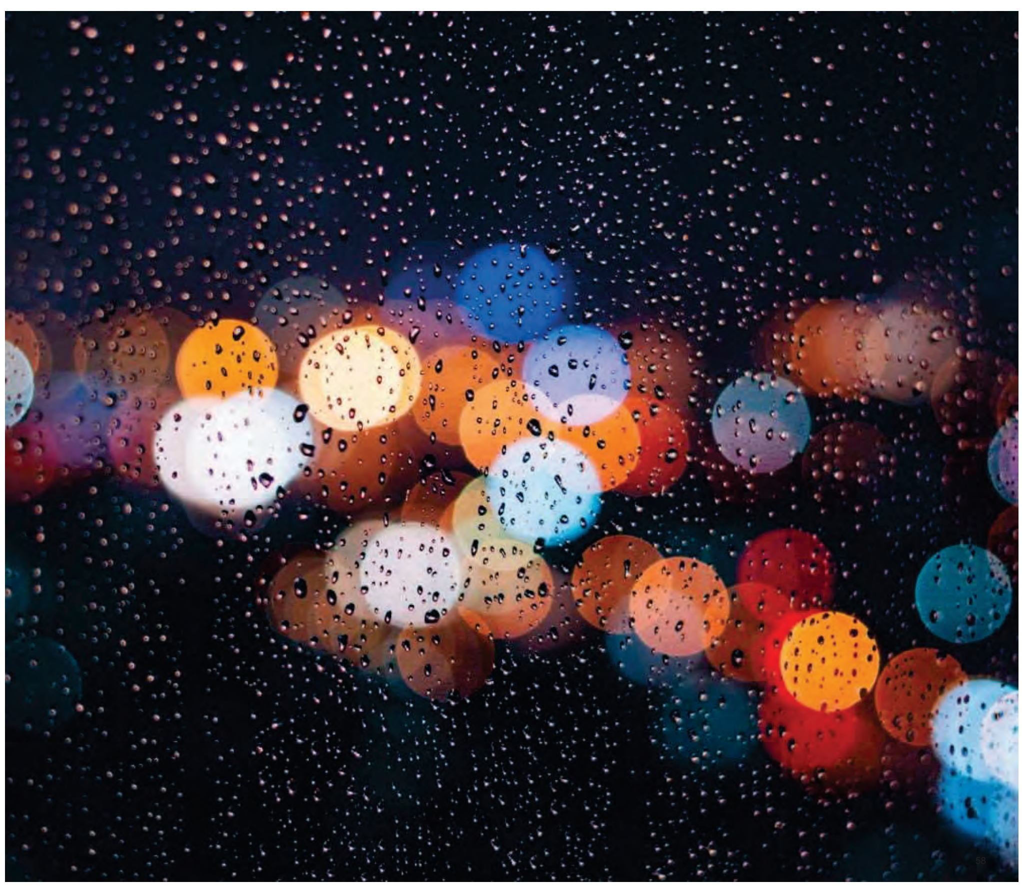


Return Summary



AON

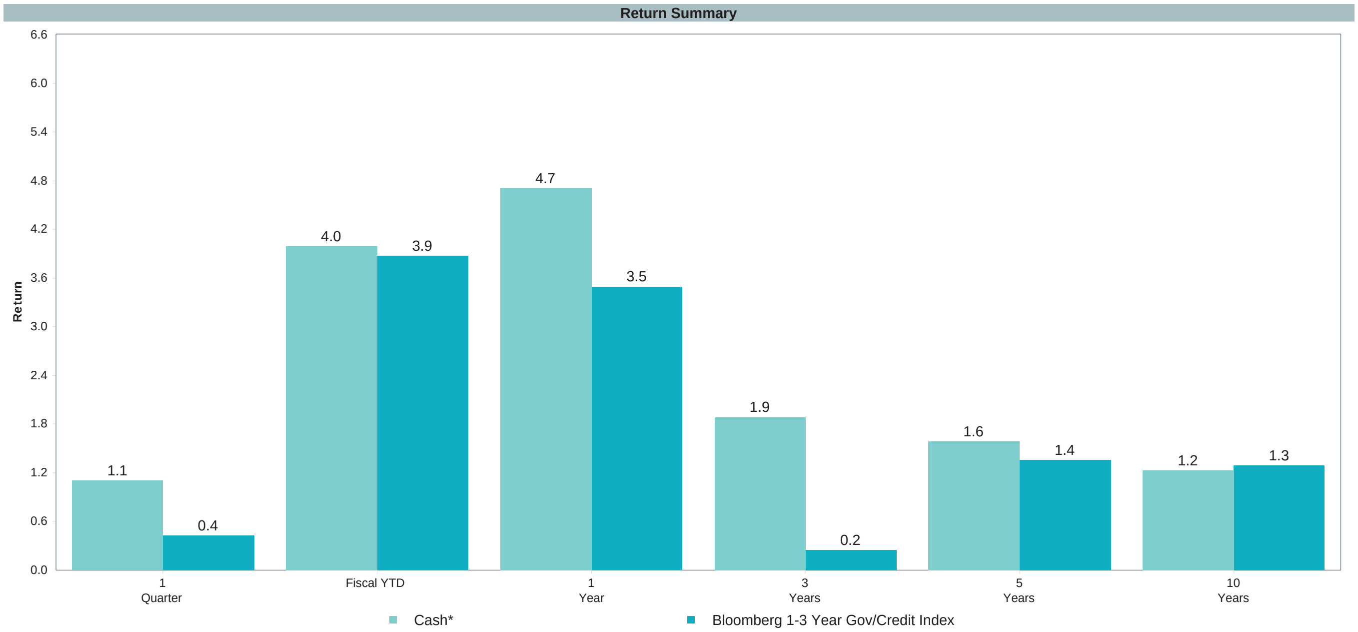
Cash



AON

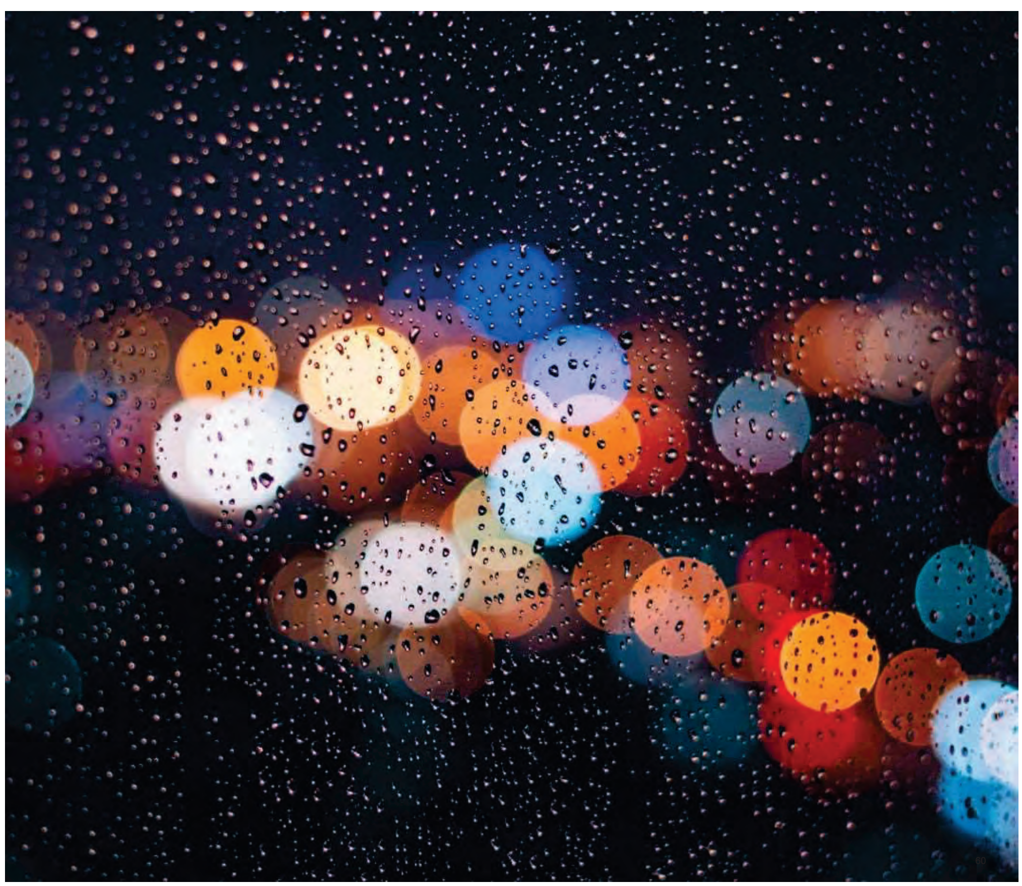
Cash Performance Summary

As of March 31, 2024



*Performance for the Cash & Central Custody and Enhanced Cash Composite is shown.

Appendix



Appendix

Total FRS Assets

Performance Benchmark- A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the Bank of America Merrill Lynch 3-Month US Treasury Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Please refer to section VII. Performance Measurement in the FRS Defined Benefit Plan Investment Policy Statement for more details on the calculation of the Performance Benchmark. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark- A custom version of the MSCI All Country World Investable Market Index (MSCI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law or that would be prohibited by Florida law if acquired as of the date of measurement of such Index notwithstanding that the securities or investments were actually acquired before such date. Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

Total Domestic Equities

Performance Benchmark- The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark- A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark- Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

AON

Appendix

Total Fixed Income

Performance Benchmark- The Barclays Capital U.S. Intermediate Aggregate Index. Prior to October 1, 2013, it was the Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

Total Private Equity

Performance Benchmark- The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark- The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark- Long-term, 4.0% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks. Prior to July 1, 2018, a Performance Benchmark-Long-term, 4.5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmark.

Total Cash

Performance Benchmark- Bloomberg Barclays U.S. Treasury Bill: 1-3 month index. Prior to October 1, 2020, it was the Bank of America Merrill Lynch 3-Month US Treasury Index. Prior to July 1, 2018 it was the iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

AON

Appendix

Description of Benchmarks

Bloomberg Barclays U.S. Treasury Bill: 1-3 month Index- Consists of U.S. Treasury Bills that have a remaining maturity of greater than or equal to 1 month and less than 3 months

Barclays Capital U.S. Intermediate Aggregate Bond Index- A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

Consumer Price Index (CPI)- The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index- An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

MSCI All Country World Investable Market Index- A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

NCREIF ODCE Property Index- The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Russell 3000 Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

AON

Appendix

Description of Universes

Total Fund- A universe comprised of 150 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $2.0 trillion as of quarter-end and the average market value was $13.2 billion.

Domestic Equity- A universe comprised of 52 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Foreign Equity- A universe comprised of 55 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Fixed Income- A universe comprised of 55 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.1 trillion as of quarter-end and the average market value was $19.5 billion.

Real Estate- A universe comprised of 42 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $24.1 billion.

Private Equity- An appropriate universe for private equity is unavailable.

Strategic Investments- An appropriate universe for strategic investments is unavailable.

AON

Appendix

Explanation of Exhibits

Quarterly and Cumulative Excess Performance- The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph- An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis- An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

The information contained herein is confidential and proprietary and provided for informational purposes only. It is not complete and does not contain certain material information about making investments in securities including important disclosures and risk factors. All securities transactions involve substantial risk of loss. Under no circumstances does the information in this report represent a recommendation to buy or sell stocks, limited partnership interests, or other investment instruments.

The data contained in these reports is compiled from statements provided by custodian(s), record-keeper(s), and/or other third-party data provider(s). This document is not intended to provide, and shall not be relied upon for, accounting and legal or tax advice. Aon Investments has not conducted additional audits and cannot warrant its accuracy or completeness. We urge you to carefully review all custodial statements and notify Aon Investments with any issues or questions you may have with respect to investment performance or any other matter set forth herein.

The mutual fund information found in this report is provided by Thomson Reuters Lipper and Aon Investments cannot warrant its accuracy or timeliness. Thomson Reuters Lipper Global Data Feed provides comprehensive coverage of mutual fund information directly to Investment Metrics, Aon Investments' performance reporting vendor, via the PARis performance reporting platform. Thomson Reuters Lipper is the data provider chosen by Investment Metrics, and as such, Aon Investments has no direct relationship with Thomson Reuters Lipper.

Refer to Hedge Fund Research, Inc. www.hedgefundresearch.com for information on HFR indices.

Aon Investments USA Inc. ("Aon Investments") is a federally registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). Aon Investments is also registered with the Commodity Futures Trade Commission as a commodity pool operator and a commodity trading advisor, and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.
200 East Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

AON

AON

Quarterly Investment Review

FRS Investment Plan

First Quarter 2024

Investment advice and consulting services provided by Aon Investments USA Inc.

Nothing in this document should be construed as legal or investment advice. Please consult with your independent professional for any such advice. To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon.

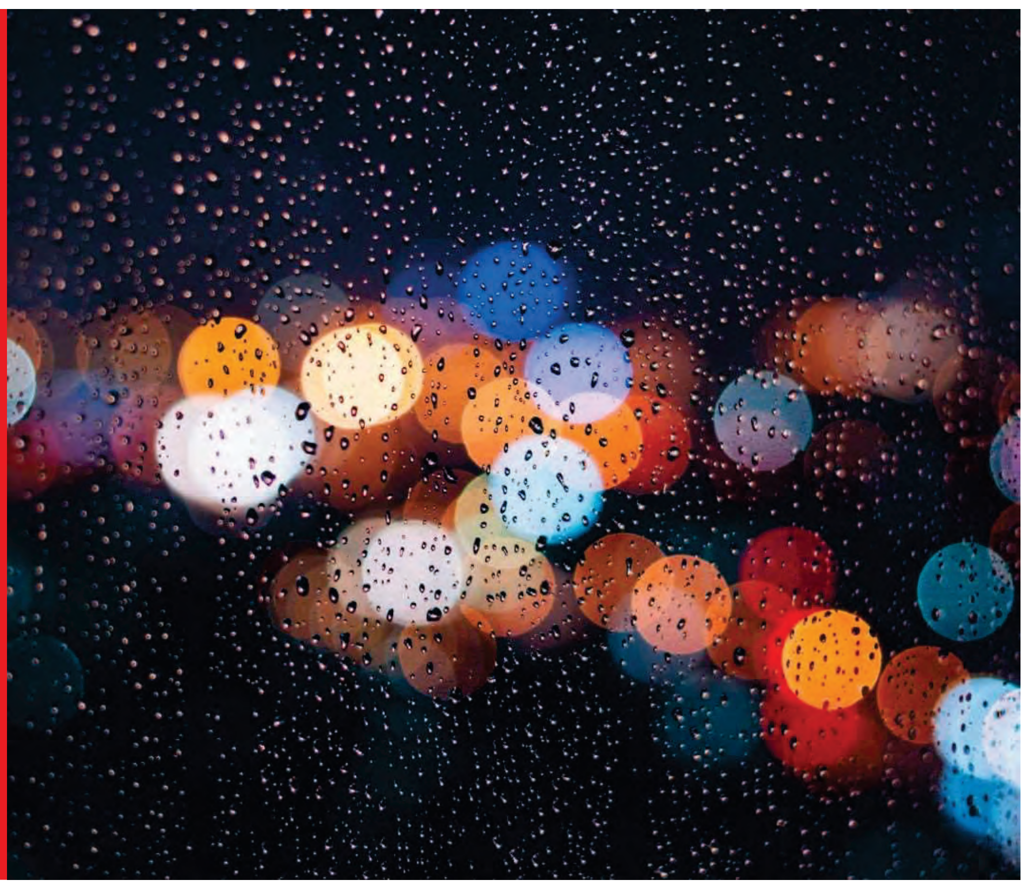
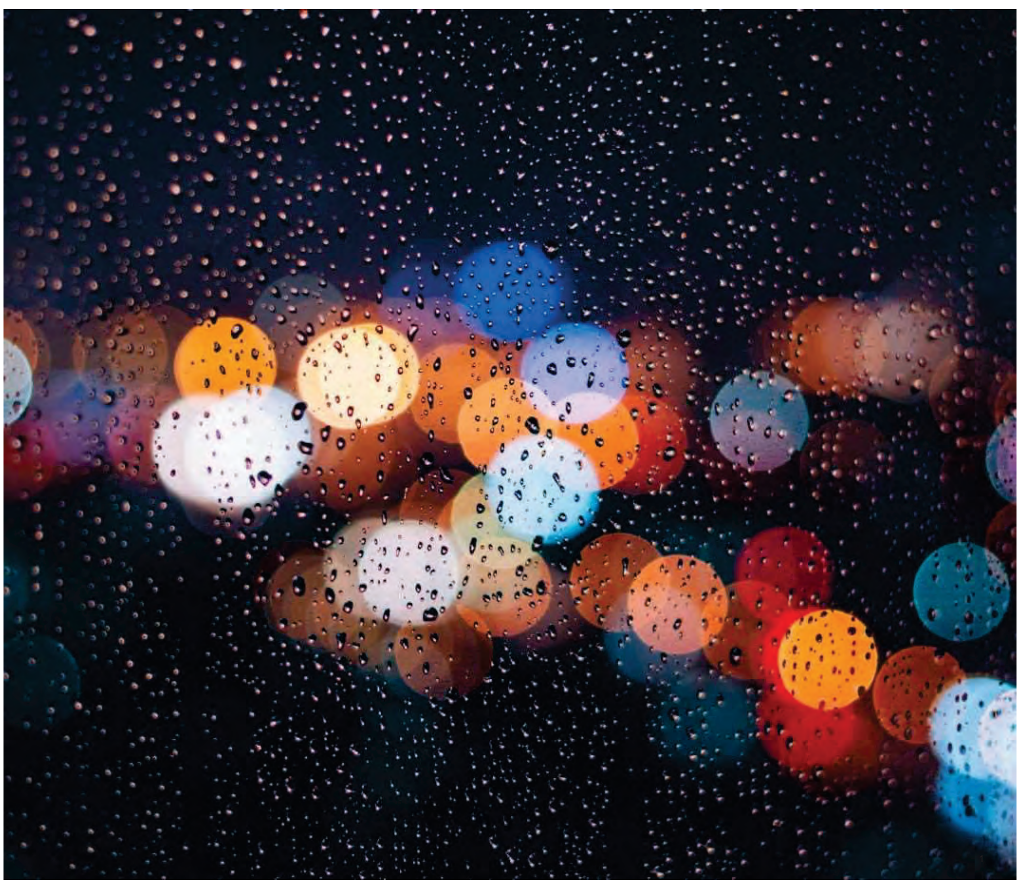


Table Of Contents

FRS Investment Plan



Asset Allocation & Performance

As of March 31, 2024

	Allocation		Performance %				
	Market Value $	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
FRS Investment Plan	**16,718,226,467**	**100.0**	**5.8**	**16.1**	**4.7**	**8.1**	**7.0**
Total Plan Aggregate Benchmark			*5.4*	*16.0*	*5.0*	*8.0*	*6.8*
Retirement Date	**8,415,481,972**	**50.3**					
FRS Retirement Fund	**609,780,020**	**3.6**	**2.0 (83)**	**6.7 (82)**	**1.9 (34)**	**4.9 (29)**	**4.3 (71)**
Retirement Custom Index			*1.4 (91)*	*6.2 (86)*	*1.8 (42)*	*4.7 (36)*	*4.2 (79)*
FRS 2020 Retirement Date Fund	**487,397,979**	**2.9**	**2.4 (98)**	**7.4 (98)**	**2.2 (48)**	**5.3 (78)**	**5.0 (84)**
2020 Retirement Custom Index			*1.7 (100)*	*7.1 (98)*	*2.2 (48)*	*5.3 (79)*	*4.9 (92)*
FRS 2025 Retirement Date Fund	**967,742,864**	**5.8**	**3.1 (85)**	**9.1 (98)**	**2.7 (31)**	**6.1 (63)**	**5.7 (70)**
2025 Retirement Custom Index			*2.4 (98)*	*9.1 (98)*	*2.8 (21)*	*6.1 (59)*	*5.6 (76)*
FRS 2030 Retirement Date Fund	**1,089,648,474**	**6.5**	**4.3 (68)**	**12.0 (88)**	**3.6 (24)**	**7.0 (67)**	**6.5 (71)**
2030 Retirement Custom Index			*3.7 (87)*	*12.0 (88)*	*3.7 (19)*	*7.1 (66)*	*6.3 (76)*
FRS 2035 Retirement Date Fund	**1,108,803,421**	**6.6**	**5.3 (64)**	**14.4 (91)**	**4.3 (31)**	**7.8 (87)**	**7.0 (80)**
2035 Retirement Custom Index			*4.8 (84)*	*14.4 (92)*	*4.4 (25)*	*7.9 (83)*	*6.9 (84)*
FRS 2040 Retirement Date Fund	**1,059,629,391**	**6.3**	**5.9 (77)**	**16.0 (92)**	**4.7 (66)**	**8.4 (92)**	**7.4 (79)**
2040 Retirement Custom Index			*5.4 (93)*	*16.0 (92)*	*4.8 (60)*	*8.4 (92)*	*7.3 (88)*
FRS 2045 Retirement Date Fund	**1,086,191,631**	**6.5**	**6.1 (92)**	**17.1 (95)**	**5.0 (78)**	**8.8 (95)**	**7.7 (95)**
2045 Retirement Custom Index			*5.7 (96)*	*16.9 (95)*	*5.0 (77)*	*8.9 (95)*	*7.6 (97)*
FRS 2050 Retirement Date Fund	**795,526,086**	**4.8**	**6.2 (95)**	**17.6 (96)**	**5.2 (79)**	**9.1 (92)**	**7.8 (93)**
2050 Retirement Custom Index			*5.9 (99)*	*17.4 (96)*	*5.3 (78)*	*9.1 (92)*	*7.7 (95)*

AON

Asset Allocation & Performance

As of March 31, 2024

	Allocation		Performance %				
	Market Value $	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
FRS 2055 Retirement Date Fund	**624,729,516**	**3.7**	**6.2 (98)**	**17.7 (97)**	**5.4 (75)**	**9.3 (94)**	**7.9 (100)**
2055 Retirement Custom Index			*5.9 (100)*	*17.4 (97)*	*5.3 (83)*	*9.2 (95)*	*7.7 (100)*
FRS 2060 Retirement Date Fund	**556,994,238**	**3.3**	**6.2 (100)**	**17.7 (100)**	**5.4 (75)**	**9.4 (-)**	**-**
2060 Retirement Custom Index			*5.9 (100)*	*17.4 (100)*	*5.3 (83)*	*9.2 (-)*	*-*
FRS 2065 Retirement Date Fund	**29,038,352**	**0.2**	**6.2 (100)**	**-**	**-**	**-**	**-**
2065 Retirement Custom Index			*5.9 (100)*	*-*	*-*	*-*	*-*
Stable Value	**1,304,124,217**	**7.8**					
FRS Stable Value Fund	**1,304,124,217**	**7.8**	**0.7 (49)**	**2.8 (75)**	**-**	**-**	**-**
ICE BofA US Treasuries 1-3 Year Index			*0.3 (96)*	*3.0 (33)*	*0.1 (94)*	*-*	*-*
Real Assets	**154,370,833**	**0.9**					
FRS Inflation Sensitive Fund	**154,370,833**	**0.9**	**0.5**	**1.0**	**1.9**	**3.3**	**2.3**
FRS Custom Multi-Assets Index			*-0.1*	*1.1*	*2.1*	*3.1*	*2.3*
Fixed Income	**582,739,553**	**3.5**	**0.2 (11)**	**4.1 (14)**	**-1.3 (12)**	**1.4 (14)**	**2.3 (7)**
Total Bond Index			*-0.2 (29)*	*3.4 (24)*	*-1.5 (15)*	*1.1 (27)*	*2.0 (19)*
FRS U.S. Bond Enhanced Index Fund	**220,415,582**	**1.3**	**-0.6 (59)**	**1.9 (61)**	**-2.4 (45)**	**0.5 (66)**	**1.6 (59)**
Blmbg. U.S. Aggregate Index			*-0.8 (85)*	*1.7 (70)*	*-2.5 (53)*	*0.4 (71)*	*1.5 (71)*
FRS Core Plus Bond Fund	**362,323,971**	**2.2**	**0.3 (14)**	**4.7 (10)**	**-1.2 (18)**	**1.6 (17)**	**2.5 (11)**
FRS Custom Core-Plus Fixed Income Index			*-0.4 (72)*	*3.4 (43)*	*-1.5 (28)*	*1.2 (56)*	*2.1 (34)*

AON

Asset Allocation & Performance

As of March 31, 2024

	Allocation		Performance %				
	Market Value $	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
Domestic Equity	**4,048,408,643**	**24.2**	**10.2 (43)**	**29.9 (28)**	**9.2 (44)**	**13.6 (35)**	**11.8 (25)**
Total U.S. Equities Index			*9.9 (51)*	*28.9 (34)*	*9.6 (39)*	*13.7 (34)*	*11.7 (28)*
FRS U.S. Stock Market Index Fund	**1,859,446,935**	**11.1**	**10.0 (47)**	**29.4 (32)**	**9.8 (35)**	**14.4 (25)**	**12.4 (16)**
Russell 3000 Index			*10.0 (47)*	*29.3 (33)*	*9.8 (36)*	*14.3 (26)*	*12.3 (17)*
FRS U.S. Stock Fund	**2,188,961,708**	**13.1**	**10.8 (33)**	**32.3 (20)**	**8.7 (50)**	**-**	**-**
Russell 3000 Index			*10.0 (47)*	*29.3 (33)*	*9.8 (36)*	*-*	*-*
International/Global Equity	**828,451,311**	**5.0**	**5.2 (35)**	**14.2 (39)**	**2.2 (46)**	**7.1 (34)**	**5.5 (21)**
Total Foreign and Global Equities Index			*4.9 (39)*	*14.4 (38)*	*2.4 (44)*	*6.6 (42)*	*4.9 (30)*
FRS Foreign Stock Index Fund	**291,404,661**	**1.7**	**4.4 (47)**	**13.0 (48)**	**1.9 (49)**	**6.2 (46)**	**4.6 (41)**
MSCI All Country World ex-U.S. IMI Index			*4.3 (49)*	*13.2 (47)*	*1.7 (51)*	*6.0 (49)*	*4.3 (47)*
FRS Foreign Stock Fund	**178,871,145**	**1.1**	**7.4 (14)**	**13.5 (45)**	**-0.2 (62)**	**6.9 (38)**	**5.6 (21)**
MSCI AC World ex USA (Net)			*4.7 (43)*	*13.3 (46)*	*1.9 (48)*	*6.0 (49)*	*4.3 (49)*
FRS Global Stock Fund	**358,175,505**	**2.1**	**8.5 (33)**	**22.9 (34)**	**5.2 (49)**	**12.8 (13)**	**11.0 (5)**
MSCI AC World Index (Net)			*8.2 (37)*	*23.2 (32)*	*7.0 (35)*	*10.9 (30)*	*8.7 (30)*
FRS Self-Dir Brokerage Acct	**1,384,649,938**	**8.3**					

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/2014. No performance calculations will be made for the SDBA.

6

Asset Allocation & Performance

As of March 31, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FRS Investment Plan	**15.7**	**-15.1**	**14.1**	**13.1**	**20.5**	**-5.7**	**16.4**	**8.0**	**-0.9**	**4.9**
Total Plan Aggregate Benchmark	*15.4*	*-13.8*	*14.2*	*11.7*	*20.0*	*-5.8*	*15.5*	*8.5*	*-1.3*	*4.9*
Retirement Date										
FRS Retirement Fund	**8.6 (81)**	**-11.8 (36)**	**9.6 (1)**	**10.2 (38)**	**14.8 (36)**	**-3.7 (69)**	**10.8 (24)**	**6.2 (18)**	**-2.6 (100)**	**4.4 (69)**
Retirement Custom Index	*8.2 (92)*	*-10.7 (12)*	*8.9 (9)*	*9.6 (61)*	*14.5 (40)*	*-3.8 (69)*	*10.4 (41)*	*6.2 (18)*	*-1.8 (87)*	*3.6 (85)*
FRS 2020 Retirement Date Fund	**9.0 (98)**	**-12.1 (7)**	**10.5 (10)**	**10.5 (69)**	**16.3 (67)**	**-4.4 (51)**	**14.0 (29)**	**7.4 (22)**	**-2.1 (100)**	**4.4 (100)**
2020 Retirement Custom Index	*9.1 (98)*	*-11.1 (4)*	*10.0 (22)*	*10.2 (72)*	*16.0 (73)*	*-4.5 (53)*	*13.3 (49)*	*7.1 (25)*	*-1.6 (85)*	*3.9 (100)*
FRS 2025 Retirement Date Fund	**10.3 (94)**	**-13.0 (14)**	**11.7 (14)**	**11.4 (72)**	**18.2 (75)**	**-5.2 (51)**	**16.1 (25)**	**8.0 (22)**	**-1.7 (79)**	**4.5 (100)**
2025 Retirement Custom Index	*10.8 (89)*	*-11.9 (6)*	*11.3 (24)*	*11.2 (74)*	*17.8 (82)*	*-5.3 (56)*	*15.5 (39)*	*7.6 (26)*	*-1.5 (72)*	*4.2 (100)*
FRS 2030 Retirement Date Fund	**12.5 (89)**	**-13.7 (15)**	**12.8 (29)**	**12.0 (76)**	**19.8 (80)**	**-6.0 (46)**	**18.0 (27)**	**8.5 (20)**	**-1.3 (60)**	**4.5 (96)**
2030 Retirement Custom Index	*12.8 (85)*	*-12.7 (7)*	*12.4 (40)*	*12.0 (76)*	*19.4 (82)*	*-6.0 (47)*	*17.3 (46)*	*8.0 (28)*	*-1.5 (63)*	*4.4 (96)*
FRS 2035 Retirement Date Fund	**14.3 (91)**	**-14.5 (8)**	**13.8 (66)**	**12.6 (85)**	**21.1 (81)**	**-6.7 (45)**	**19.8 (21)**	**9.1 (16)**	**-1.4 (54)**	**4.4 (100)**
2035 Retirement Custom Index	*14.4 (91)*	*-13.6 (3)*	*13.4 (72)*	*12.7 (84)*	*20.8 (87)*	*-6.8 (46)*	*18.9 (48)*	*8.3 (37)*	*-1.7 (62)*	*4.3 (100)*
FRS 2040 Retirement Date Fund	**15.7 (92)**	**-15.2 (9)**	**14.6 (80)**	**13.3 (77)**	**22.5 (77)**	**-7.5 (51)**	**20.9 (24)**	**9.2 (14)**	**-1.4 (49)**	**4.4 (96)**
2040 Retirement Custom Index	*15.8 (92)*	*-14.4 (5)*	*14.3 (85)*	*13.4 (75)*	*22.1 (82)*	*-7.5 (51)*	*20.4 (42)*	*8.6 (45)*	*-1.7 (65)*	*4.3 (96)*
FRS 2045 Retirement Date Fund	**16.9 (90)**	**-15.8 (12)**	**15.4 (90)**	**13.8 (77)**	**23.4 (81)**	**-8.0 (57)**	**21.5 (24)**	**9.4 (25)**	**-1.5 (52)**	**4.4 (100)**
2045 Retirement Custom Index	*16.7 (94)*	*-15.0 (9)*	*15.1 (91)*	*13.9 (75)*	*23.0 (87)*	*-8.0 (57)*	*21.2 (41)*	*8.9 (38)*	*-1.7 (64)*	*4.3 (100)*
FRS 2050 Retirement Date Fund	**17.5 (89)**	**-16.0 (11)**	**16.1 (88)**	**14.0 (75)**	**24.0 (82)**	**-8.4 (66)**	**21.6 (26)**	**9.5 (24)**	**-1.5 (61)**	**4.4 (95)**
2050 Retirement Custom Index	*17.2 (93)*	*-15.1 (4)*	*15.8 (94)*	*14.1 (72)*	*23.6 (83)*	*-8.4 (66)*	*21.3 (49)*	*8.9 (42)*	*-1.7 (66)*	*4.3 (96)*
FRS 2055 Retirement Date Fund	**17.8 (89)**	**-16.0 (12)**	**16.4 (86)**	**14.3 (69)**	**24.1 (88)**	**-8.4 (60)**	**21.5 (40)**	**9.3 (35)**	**-1.4 (53)**	**4.4 (100)**
2055 Retirement Custom Index	*17.2 (92)*	*-15.1 (2)*	*16.0 (92)*	*14.1 (79)*	*23.7 (90)*	*-8.4 (60)*	*21.3 (56)*	*8.9 (39)*	*-1.7 (64)*	*4.3 (100)*

7

Asset Allocation & Performance

As of March 31, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
FRS 2060 Retirement Date Fund	**17.8 (93)**	**-16.0 (7)**	**16.4 (80)**	**14.5 (78)**	**24.2 (-)**	**-8.3 (-)**	**-**	**-**	**-**	**-**
2060 Retirement Custom Index	*17.2 (96)*	*-15.1 (1)*	*16.0 (89)*	*14.1 (81)*	*23.7 (-)*	*-8.4 (-)*	-	-	-	-
FRS 2065 Retirement Date Fund	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2065 Retirement Custom Index	-	-	-	-	-	-	-	-	-	-
Stable Value										
FRS Stable Value Fund	**2.7 (77)**	**1.8 (62)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ICE BofA US Treasuries 1-3 Year Index	*4.3 (12)*	*-3.6 (94)*	-	-	-	-	-	-	-	-
Real Assets										
FRS Inflation Sensitive Fund	**2.5**	**-7.7**	**12.8**	**4.0**	**13.0**	**-5.5**	**8.1**	**6.0**	**-7.9**	**3.2**
FRS Custom Multi-Assets Index	*2.9*	*-5.9*	*11.5*	*2.3*	*13.0*	*-5.5*	*8.1*	*6.2*	*-5.0*	*1.8*
Fixed Income	**7.1 (15)**	**-12.4 (16)**	**-0.3 (15)**	**8.0 (55)**	**9.8 (22)**	**-0.1 (36)**	**4.4 (22)**	**4.7 (12)**	**0.3 (59)**	**4.7 (77)**
Total Bond Index	*6.7 (24)*	*-11.9 (13)*	*-0.7 (27)*	*7.2 (84)*	*9.2 (48)*	*-0.1 (30)*	*3.9 (43)*	*4.3 (17)*	*0.1 (71)*	*4.9 (77)*
FRS U.S. Bond Enhanced Index Fund	**5.9 (55)**	**-13.1 (34)**	**-1.7 (68)**	**7.8 (63)**	**8.7 (61)**	**0.0 (23)**	**3.6 (59)**	**2.7 (66)**	**0.7 (26)**	**6.2 (29)**
Blmbg. U.S. Aggregate Index	*5.5 (75)*	*-13.0 (30)*	*-1.5 (62)*	*7.5 (72)*	*8.7 (61)*	*0.0 (24)*	*3.5 (63)*	*2.6 (67)*	*0.5 (36)*	*6.0 (39)*
FRS Core Plus Bond Fund	**7.7 (11)**	**-13.2 (47)**	**-0.1 (21)**	**8.6 (55)**	**11.0 (18)**	**-0.5 (40)**	**5.3 (28)**	**5.7 (15)**	**0.1 (47)**	**4.6 (73)**
FRS Custom Core-Plus Fixed Income Index	*6.9 (45)*	*-12.5 (23)*	*-0.3 (31)*	*7.6 (75)*	*10.0 (41)*	*-0.4 (36)*	*4.2 (69)*	*4.9 (33)*	*0.2 (43)*	*5.1 (50)*
Domestic Equity	**27.1 (23)**	**-20.4 (69)**	**24.6 (58)**	**20.0 (35)**	**30.1 (38)**	**-6.5 (49)**	**20.8 (49)**	**13.7 (30)**	**0.7 (32)**	**11.5 (47)**
Total U.S. Equities Index	*25.7 (29)*	*-19.1 (62)*	*25.9 (44)*	*18.9 (38)*	*30.0 (38)*	*-6.5 (49)*	*19.6 (57)*	*14.9 (23)*	*-0.5 (42)*	*11.1 (51)*
FRS U.S. Stock Market Index Fund	**26.0 (27)**	**-19.2 (62)**	**25.7 (46)**	**21.0 (31)**	**31.1 (28)**	**-5.2 (36)**	**21.2 (43)**	**12.9 (35)**	**0.6 (32)**	**12.6 (31)**
Russell 3000 Index	*26.0 (28)*	*-19.2 (63)*	*25.7 (46)*	*20.9 (31)*	*31.0 (28)*	*-5.2 (36)*	*21.1 (46)*	*12.7 (37)*	*0.5 (33)*	*12.6 (33)*
FRS U.S. Stock Fund	**30.2 (16)**	**-22.4 (76)**	**22.9 (65)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Russell 3000 Index	*26.0 (28)*	*-19.2 (63)*	*25.7 (46)*	-	-	-	-	-	-	-

AON

Asset Allocation & Performance

As of March 31, 2024

	Performance %									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
International/Global Equity	**17.1 (40)**	**-18.2 (54)**	**9.5 (49)**	**15.2 (40)**	**23.7 (38)**	**-13.5 (33)**	**28.6 (49)**	**4.5 (44)**	**-2.6 (47)**	**-3.2 (43)**
Total Foreign and Global Equities Index	*16.4 (45)*	*-16.8 (46)*	*9.8 (47)*	*11.7 (51)*	*22.3 (47)*	*-14.0 (39)*	*27.3 (58)*	*4.9 (41)*	*-4.4 (54)*	*-3.0 (42)*
FRS Foreign Stock Index Fund	**16.0 (48)**	**-16.6 (45)**	**8.6 (53)**	**11.5 (51)**	**22.3 (47)**	**-14.7 (46)**	**28.3 (51)**	**5.3 (38)**	**-4.4 (54)**	**-4.5 (57)**
MSCI All Country World ex-U.S. IMI Index	*15.6 (51)*	*-16.6 (45)*	*8.5 (53)*	*11.1 (53)*	*21.6 (53)*	*-14.8 (47)*	*27.8 (54)*	*4.4 (44)*	*-4.6 (55)*	*-4.2 (53)*
FRS Foreign Stock Fund	**16.1 (47)**	**-22.7 (74)**	**2.8 (71)**	**25.3 (17)**	**27.4 (21)**	**-14.9 (49)**	**31.2 (40)**	**1.0 (68)**	**-0.5 (36)**	**-2.3 (35)**
MSCI AC World ex USA (Net)	*15.6 (51)*	*-16.0 (42)*	*7.8 (56)*	*10.7 (55)*	*21.5 (54)*	*-14.2 (41)*	*27.2 (59)*	*4.5 (43)*	*-5.7 (59)*	*-3.9 (48)*
FRS Global Stock Fund	**25.0 (23)**	**-25.6 (70)**	**18.1 (45)**	**33.8 (23)**	**30.5 (25)**	**-5.6 (21)**	**29.3 (18)**	**2.2 (84)**	**5.6 (12)**	**3.7 (53)**
MSCI AC World Index (Net)	*22.2 (33)*	*-18.4 (49)*	*18.5 (40)*	*16.3 (45)*	*26.6 (47)*	*-9.4 (52)*	*24.0 (41)*	*7.9 (47)*	*-2.4 (57)*	*4.2 (47)*

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

AON

Asset Allocation - FRS Investment Plan

As of March 31, 2024

Asset Allocation as of 3/31/2024

	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Stable Value	Brokerage	Total	% of Total
FRS Retirement Fund	96,345,243	75,612,722	309,158,470	128,663,584			609,780,020	3.6%
FRS 2020 Retirement Date Fund	85,782,044	67,748,319	231,026,642	102,840,974			487,397,979	2.9%
FRS 2025 Retirement Date Fund	222,580,859	175,161,458	384,193,917	185,806,630			967,742,864	5.8%
FRS 2030 Retirement Date Fund	317,087,706	248,439,852	345,418,566	178,702,350			1,089,648,474	6.5%
FRS 2035 Retirement Date Fund	379,210,770	298,268,120	279,418,462	151,906,069			1,108,803,421	6.6%
FRS 2040 Retirement Date Fund	413,255,462	324,246,594	205,568,102	116,559,233			1,059,629,391	6.3%
FRS 2045 Retirement Date Fund	469,234,785	369,305,155	154,239,212	93,412,480			1,086,191,631	6.5%
FRS 2050 Retirement Date Fund	362,759,895	285,593,865	80,348,135	66,824,191			795,526,086	4.8%
FRS 2055 Retirement Date Fund	293,622,872	231,149,921	45,605,255	54,351,468			624,729,516	3.7%
FRS 2060 Retirement Date Fund	261,787,292	206,087,868	40,660,579	48,458,499			556,994,238	3.3%
FRS 2065 Retirement Date Fund	15,012,828	8,072,662	2,700,567	3,252,295			29,038,352	0.2%
Total Retirement Date Funds	**$ 2,916,679,757**	**$ 2,289,686,536**	**$ 2,078,337,907**	**$ 1,130,777,773**	**$ -**	**$ -**	**$ 8,415,481,972**	**50.3%**
FRS Stable Value Fund					1,304,124,217		1,304,124,217	7.8%
Total Stable Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,304,124,217**	**$ -**	**$ 1,304,124,217**	**7.8%**
FRS Inflation Adjusted Multi-Assets Fund				154,370,833	-		154,370,833	0.9%
Total Real Assets	**$ -**	**$ -**	**$ -**	**$ 154,370,833**	**$ -**	**$ -**	**$ 154,370,833**	**0.9%**
FRS U.S. Bond Enhanced Index Fund			220,415,582				220,415,582	1.3%
FRS Core Plus Bond Fund			362,323,971				362,323,971	2.2%
Total Fixed Income	**$ -**	**$ -**	**$ 582,739,553**	**$ -**	**$ -**	**$ -**	**$ 582,739,553**	**3.5%**
FRS U.S. Stock Market Index Fund	1,859,446,935						1,859,446,935	11.1%
FRS U.S. Stock Fund	2,188,961,708						2,188,961,708	13.1%
Total Domestic Equity	**$ 4,048,408,643**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 4,048,408,643**	**24.2%**
FRS Foreign Stock Index Fund		291,404,661					291,404,661	1.7%
FRS Global Stock Fund		358,175,505					358,175,505	2.1%
FRS Foreign Stock Fund		178,871,145					178,871,145	1.1%
Total International/Global Equity	**$ -**	**$ 828,451,311**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 828,451,311**	**5.0%**
FRS Self-Dir Brokerage Acct						1,384,649,938	1,384,649,938	8.3%
Total Self-Dir Brokerage Acct						**$ 1,384,649,938**	**$ 1,384,649,938**	**8.3%**
Total Portfolio	**$ 6,965,088,400**	**$ 3,118,137,847**	**$ 2,661,077,460**	**$ 1,285,148,605**	**$ 1,304,124,217**	**$ 1,384,649,938**	**$ 16,718,226,467**	**100.0%**
Percent of Total	**41.7%**	**18.7%**	**15.9%**	**7.7%**	**7.8%**	**8.3%**	**100.0%**	

The returns for the Retirement Date Funds, Inflation Adjusted Multi-Assets Fund and Core Plus Bond Fund use pre hire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.

Multi Time Period Statistics

As of March 31, 2024

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	**4.69**	**12.52**	**0.23**	**0.71**	**-0.36**	**101.27**	**103.44**
FRS Retirement Fund	1.91	9.52	-0.02	0.67	0.16	101.32	100.70
FRS 2020 Retirement Date Fund	2.22	9.87	0.01	0.72	-0.03	98.87	98.82
FRS 2025 Retirement Date Fund	2.69	10.71	0.06	0.80	-0.22	98.27	99.13
FRS 2030 Retirement Date Fund	3.60	11.82	0.14	0.80	-0.16	99.29	99.92
FRS 2035 Retirement Date Fund	4.29	12.81	0.19	0.81	-0.11	99.94	100.48
FRS 2040 Retirement Date Fund	4.72	13.66	0.22	0.84	-0.05	100.40	100.78
FRS 2045 Retirement Date Fund	5.00	14.37	0.23	0.89	-0.02	101.21	101.72
FRS 2050 Retirement Date Fund	5.24	14.73	0.25	0.92	0.00	101.35	101.83
FRS 2055 Retirement Date Fund	5.37	14.96	0.25	0.98	0.11	102.51	102.77
FRS 2060 Retirement Date Fund	5.38	14.95	0.25	0.97	0.12	102.51	102.72
FRS 2065 Retirement Date Fund	-	-	-	-	-	-	-
FRS Stable Value Fund	-	-	-	-	-	-	-
FRS Inflation Sensitive Fund	1.89	8.93	-0.03	1.10	-0.20	96.37	97.44
FRS U.S. Bond Enhanced Index Fund	-2.37	7.33	-0.65	0.27	0.36	101.69	100.44
FRS Core Plus Bond Fund	-1.16	7.06	-0.50	0.66	0.58	100.28	96.38
FRS U.S. Stock Market Index Fund	9.82	17.84	0.47	0.03	1.41	100.11	99.97
FRS U.S. Stock Fund	8.74	18.93	0.40	2.19	-0.35	102.39	107.32
FRS Foreign Stock Index Fund	1.89	17.15	0.04	2.29	0.12	105.64	105.17
FRS Global Stock Fund	5.20	18.69	0.23	3.95	-0.33	106.35	115.21
FRS Foreign Stock Fund	-0.16	18.10	-0.06	4.60	-0.39	107.42	116.90

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

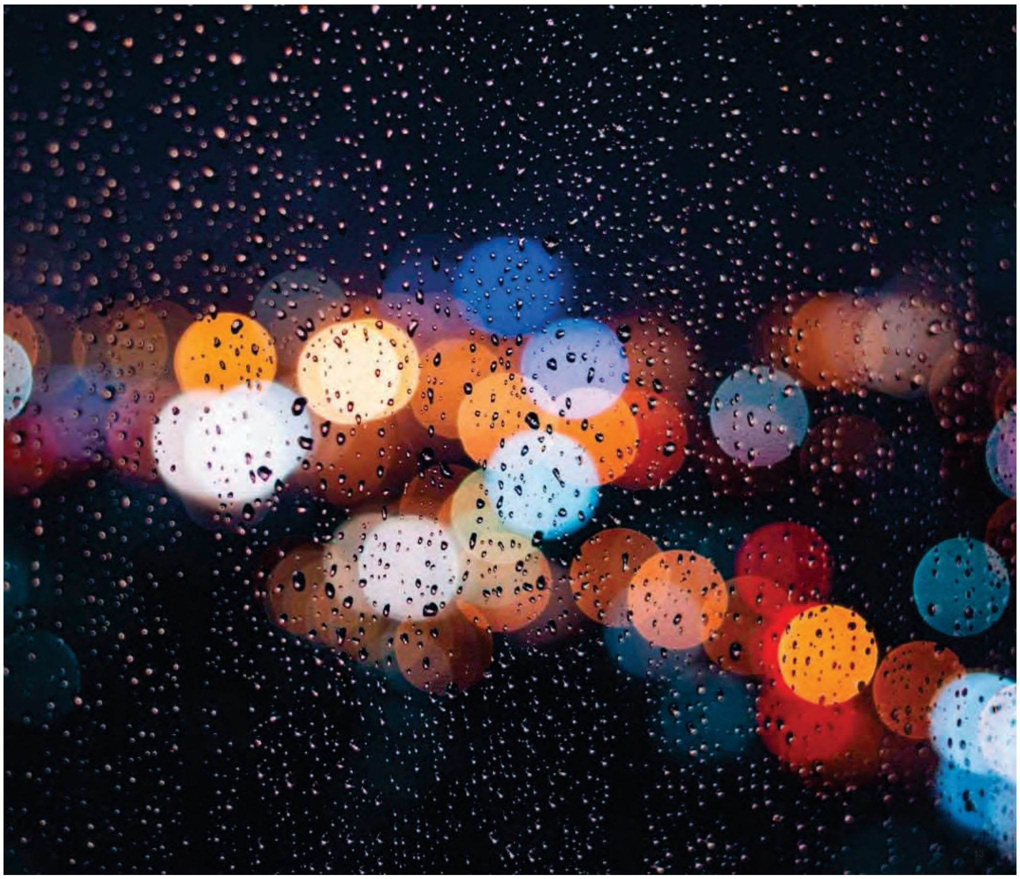
Multi Time Period Statistics

As of March 31, 2024

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio	5 Years Tracking Error	5 Years Information Ratio	5 Years Up Market Capture	5 Years Down Market Capture
FRS Investment Plan	**8.05**	**13.15**	**0.50**	**0.68**	**0.17**	**102.28**	**102.83**
FRS Retirement Fund	4.90	9.21	0.35	0.61	0.38	101.92	100.56
FRS 2020 Retirement Date Fund	5.33	9.93	0.37	0.67	0.09	99.75	99.09
FRS 2025 Retirement Date Fund	6.10	11.10	0.41	0.71	-0.06	99.31	99.30
FRS 2030 Retirement Date Fund	7.04	12.37	0.45	0.70	-0.07	99.71	99.91
FRS 2035 Retirement Date Fund	7.80	13.48	0.48	0.71	-0.08	99.89	100.22
FRS 2040 Retirement Date Fund	8.41	14.50	0.49	0.73	-0.06	100.09	100.41
FRS 2045 Retirement Date Fund	8.84	15.35	0.50	0.76	-0.03	100.55	101.00
FRS 2050 Retirement Date Fund	9.14	15.84	0.51	0.79	-0.01	100.58	100.94
FRS 2055 Retirement Date Fund	9.31	16.04	0.51	0.82	0.16	101.46	101.56
FRS 2060 Retirement Date Fund	9.35	16.04	0.51	0.83	0.20	101.54	101.49
FRS 2065 Retirement Date Fund	-	-	-	-	-	-	-
FRS Stable Value Fund	-	-	-	-	-	-	-
FRS Inflation Sensitive Fund	3.33	9.28	0.18	1.07	0.22	99.90	97.54
FRS U.S. Bond Enhanced Index Fund	0.45	6.22	-0.22	0.24	0.40	102.13	101.01
FRS Core Plus Bond Fund	1.63	6.58	-0.03	1.38	0.36	108.57	103.39
FRS U.S. Stock Market Index Fund	14.39	18.94	0.70	0.04	1.03	100.14	100.01
FRS U.S. Stock Fund	-	-	-	-	-	-	-
FRS Foreign Stock Index Fund	6.22	18.19	0.31	1.90	0.15	103.39	103.28
FRS Global Stock Fund	12.77	19.43	0.61	4.01	0.49	109.56	105.36
FRS Foreign Stock Fund	6.91	19.01	0.34	4.47	0.26	109.04	106.70

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Appendix



Benchmark Descriptions

Retirement Date Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

ICE BofA US Treasuries 1-3 Year Index - An unmanaged index that tracks the performance of the direct sovereign debt of the U.S. Government having a maturity of at least one year and less than three years.

FRS Custom Multi-Assets Index - A monthly weighted composite of underlying indices for each TIPS and Real Assets fund. These indices include Barclays U.S. TIPS Index, MSCI AC World Index and the Bloomberg Commodity Total Return Index, NAREIT Developed Index, S&P Global Infrastructure Index, S&P Global Natural Resources Index.

Total Bond Index - A weighted average composite of the underlying benchmarks for each bond fund.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

FRS Custom Core-Plus Fixed Income Index - A monthly rebalanced blend of 80% Barclays U.S. Aggregate Bond Index and 20% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

Total U.S. Equities Index - A weighted average composite of the underlying benchmarks for each domestic equity fund.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

MSCI All Country World ex-U.S. IMI Index - A capitalization-weighted index of stocks representing 22 developed country stock markets and 24 emerging countries, excluding the U.S. market.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 24 emerging countries, but excluding the U.S.

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 47 developed and emerging countries, including the U.S. and Canadian markets.

Descriptions of Universes

Retirement Date Funds - Target date universes calculated and provided by Lipper.

FRS Stable Value Fund - A stable value universe calculated and provided by Lipper.

FRS U.S. Bond Enhanced Index Fund - A broad market core fixed income universe calculated and provided by Lipper.

FRS Core Plus Bond Fund - A broad market core plus fixed income universe calculated and provided by Lipper.

FRS U.S. Stock Market Index Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS U.S. Stock Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS Foreign Stock Index Fund - A foreign blend universe calculated and provided by Lipper.

FRS Foreign Stock Fund - A foreign blend universe calculated and provided by Lipper.

FRS Global Stock Fund - A global stock universe calculated and provided by Lipper.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

AON

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

The information contained herein is confidential and proprietary and provided for informational purposes only. It is not complete and does not contain certain material information about making investments in securities including important disclosures and risk factors. All securities transactions involve substantial risk of loss. Under no circumstances does the information in this report represent a recommendation to buy or sell stocks, limited partnership interests, or other investment instruments.

The data contained in these reports is compiled from statements provided by custodian(s), record-keeper(s), and/or other third-party data provider(s). This document is not intended to provide, and shall not be relied upon for, accounting and legal or tax advice. Aon Investments has not conducted additional audits and cannot warrant its accuracy or completeness. We urge you to carefully review all custodial statements and notify Aon Investments with any issues or questions you may have with respect to investment performance or any other matter set forth herein.

The mutual fund information found in this report is provided by Thomson Reuters Lipper and Aon Investments cannot warrant its accuracy or timeliness. Thomson Reuters Lipper Global Data Feed provides comprehensive coverage of mutual fund information directly to Investment Metrics, Aon Investments' performance reporting vendor, via the PARis performance reporting platform. Thomson Reuters Lipper is the data provider chosen by Investment Metrics, and as such, Aon Investments has no direct relationship with Thomson Reuters Lipper.

Refer to Hedge Fund Research, Inc. www.hedgefundresearch.com for information on HFR indices.

Aon Investments USA Inc. ("Aon Investments") is a federally registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). Aon Investments is also registered with the Commodity Futures Trade Commission as a commodity pool operator and a commodity trading advisor, and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.
200 East Randolph Street
Suite 700
Chicago, IL 60601
ATTN: Aon Investments Compliance Officer

AON

2024

January

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Blue is Proposed IAC Meeting

Yellow is Cabinet Meeting