SBA FLORIDA
STATE BOARD OF ADMINISTRATION

Investment Advisory Council Compensation Subcommittee Conference Call

September 6, 2022

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STATE BOARD OF ADMINISTRATION

Agenda
Investment Advisory Council (IAC) Compensation Subcommittee Conference Call

Tuesday, September 6, 2022

1.	**Welcome/Call to Order/Approval of Minutes of September 14, 2021 Meeting** **(Attachments 1A and 1B)**	Vinny Olmstead, Chair
2.	**Opening Remarks**	Vinny Olmstead, Chair
	Opening Remarks	Lamar Taylor, Interim Executive Director & CIO
3.	**Discussion of Evaluation of Performance of Interim ED/CIO** **(Attachment 2)**	Vinny Olmstead, Chair
4.	**SBA Compensation Update** **(Attachment 3)**	Lamar Taylor, Interim Executive Director & CIO
5.	**Other Business/Audience Comments/Closing Remarks/Adjournment**	

Attachment 1A

MINUTES
INVESTMENT ADVISORY COUNCIL
COMPENSATION SUBCOMMITTEE CONFERENCE CALL
September 14, 2021

A special meeting of the Investment Advisory Council (IAC) Compensation Subcommittee was held on Tuesday, September 14, 2021, in the Hermitage Room of the State Board of Administration of Florida (SBA), Tallahassee, Florida. The attached transcript of the September 24, 2020 meeting is hereby incorporated into these minutes.

IAC Members:	Vinny Olmstead, Chair (Via Teams) Peter Collins (Via Teams) Peter Jones (Via Teams) Robb Turner (Via Teams) Bobby Jones (Via Teams)
SBA Employees:	Ash Williams, Executive Director/CIO Alison Romano Kent Perez Lamar Taylor Amy Walker
Consultants:	Josh Wilson – Mercer (Via Teams)

WELCOME/CALL TO ORDER/APPROVAL OF MINUTES OF SEPT. 24, 2020 MEETING

The meeting was called to order at 1:00 PM. Mr. Vinny Olmstead, Chair, IAC Compensation Subcommittee, welcomed everyone. Mr. Olmstead introduced Peter Collins and Gary Wendt as the other members of the Compensation Subcommittee and welcomed Peter Jones to the call as well.

Mr. Olmstead made a motion to approve the minutes from the September 24, 2020 IAC Compensation Subcommittee conference call; Mr. Peter Collins seconded the motion. The minutes were unanimously approved.

OPENING REMARKS

Mr. Olmstead made opening remarks stating that although there are several hours set aside for the meeting, it shouldn't take that long and gave a brief overview of the meeting agenda and briefly discussed the purpose of the meeting. Mr. Olmstead also pointed out that this year's meeting is slightly different in that Ash will be retiring on September 30, 2021; and went over a few of Ash's accomplishments since his return to the SBA in 2008. Mr. Collins also added to Mr. Olmstead's comments. A brief discussion regarding a recommendation to the Trustees to reward Ash even though the Plan doesn't necessarily allow for that since he is retiring this month and Plan awards happen in December. Thereafter, Lamar Taylor added context for the Subcommittee Members for their consideration in making any recommendation. A full report of the discussion can be found in the official meeting transcript.

Mr. Ash Williams, ED/CIO, thanked the committee for their kind remarks and highlighted a few of the things that members had said (i.e., the success that the SBA has had reflecting a significant team of professionals, the existence of the subcommittee and its rational, fact-based support and the support of Mercer). Ash also discussed the compensation plan and how it differs in government vs. private companies, and the importance of Mercer in this process.

RECAP OF ED/CIO'S FY2020-21 INCENTIVE PLAN DESIGN

Mr. Josh Wilson discussed in more detail the construct of the incentive compensation plan and the ED/CIO's evaluation. Numerous questions were raised regarding the incentive compensation plan. Those questions by committee members were answered by Mr. Wilson and Mr. Williams.

PRESENTATION OF RESULTS OF ED/CIO'S EVALUATION AND MERCER'S SALARY RECOMMENDATION

Mr. Wilson discussed the results of the ED/CIO evaluation and explaining that there were high performance scores for Mr. Williams and positive comments for the job that Mr. Williams is doing. He provided details on the evaluation process. Mr. Wilson discussed what the recommendation would have been this year, a merit increase not a market adjustment, based on the fact that the market has moved only slightly, not dramatically. This is a point of information only since Mr. Williams is not eligible for the merit increase due to his retirement on 9/30/21. A lengthy discussion by subcommittee members yielded questions that were answered by Mr. Wilson. Details of this discussion are included in the official meeting transcript.

FORMULATION OF RECOMMENDATION TO IAC AND TRUSTEES and ACTION REQUESTED: APPROVAL OF RECOMMENDATION

Mr. Olmstead made a motion for the maximum merit increase with Mr. Collins providing a second.

DISCUSSION REGARDING OVERALL SBA INCENTIVE COMPENSATION PLAN

Mr. Lamar Taylor and Ms. Alison Romano discussed the overall compensation plan. Before delving into the plan, however, Mr. Taylor recapped "charges" to SBA staff that came out of the subcommittee meeting (determine latitude for amendments to the plan with respect to modifications that would allow the maximum payout, despite Ash's retirement). Mr. Taylor then recapped the work of the subcommittee in 2020 and the resulting work from Mercer on the incentive compensation plan. Mercer's work produced a finding that the SBA's plan is doing what the IAC wanted it to have in terms of being able to attract and maintain talent. Mr. Taylor fielded questions from subcommittee members, as did Mr. Williams. Ms. Romano discussed risk governors aspect of the plan and challenges faced with tracking error. A lengthy discussion was held and questions by subcommittee members were answered by Ms. Romano.

OTHER BUSINESS/AUDIENCE COMMENTS/CLOSING REMARKS/ADJOURNMENT

Mr. Taylor asked if there were in attendees in the Hermitage Room that wanted to ask questions or make comments. As there were none, the meeting was concluded at 2:50 p.m.

Vinny Olmstead, Chair
IAC Compensation Subcommittee

Dated: ______________________________

Attachment 1B

IAC Meeting

September 14, 2021

PHIPPS REPORTING

Raising the Bar!

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL

COMPENSATION SUBCOMMITTEE

WEB CONFERENCE CALL

TUESDAY, SEPTEMBER 14, 2021
1:04 P.M. - 2:50 P.M.

LOCATION:

VIA WEB CONFERENCE

Stenographically Reported By:

JO LANGSTON, RPR

Job No.: 170674

APPEARANCES

IAC MEMBERS:

VINNY OLMSTEAD

PETER COLLINS

PETER JONES

ROBB TURNER

BOBBY JONES

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR/CIO

ALISON ROMANO

LAMAR TAYLOR

KENT PEREZ

AMY WALKER

CONSULTANTS:

JOSH WILSON - (Mercer)

INVESTMENT ADVISORY COUNCIL
COMPENSATION SUBCOMMITTEE
WEB CONFERENCE CALL
* * *

MR. OLMSTEAD: Let's go ahead and start, if that's okay. So welcome to everybody on the call. Obviously, the IAC Compensation Committee. My name is Vinny Olmstead. I think this is my third or fourth year in a row as chair. I'd like to also introduce Mr. Peter Collins, who is one of the members, subcommittee members also. And Peter has been on for, I think, three or four years also.

And the third one of us, which would have provided great consistency, is Gary Wendt. And if he doesn't jump on, we'll certainly get him up to speed at the appropriate time. And I think, at least from the IAC team, we also have Peter Jones on the call.

I will let Ash and Mercer at a later point introduce those folks on their respective teams who are appropriately to be introduced. So that's the quick hello and welcome.

First thing to take care of is the September 24, 2020, subcommittee minutes. So I reviewed them in detail. I'm sure my colleagues

have. And I'd like to put forth a motion to approve those minutes. And, Peter, if you could second it.

MR. COLLINS: Sorry. I'm on mute. Second.

MR. OLMSTEAD: Great. So those are approved. At least I assume, because there's two out of three of us, we should be good on that front, even though Gary is not here.

So the agenda today, I think we have a good number of hours lined up. I doubt it will take that long because we have this process down pat. Our agenda today will include some remarks by myself, remarks by the CIO and Director Ash Williams, a recap and presentation by Josh and the folks from Mercer, who have been along for this ride for a very long time, since 2012, I think.

And then it will culminate with a recommendation by the subcommittee, which ultimately will be drafted in a memo and provided to the trustees, who need to review and endorse what we're doing here.

Just as a quick reminder, this committee is charged with a few things, and it explicitly revolves around the CIO and director, in this

case Ash Williams, compensation. And although there are a few components to his compensation, what this committee is charged with is, A, opining, after we do a survey and get Mercer's feedback, on the variable component of his incentive pay, and then historically also on any merit increases to the director's salary.

Just as a side note, there's also an organizational component to his compensation. So the director has a base and a variable pay. The variable pay is broken down into two pieces, one which is personal, one which is organizational. The organizational component is 100 percent formulaic, dictated by achieving certain goals, which will be done once the audit is complete.

I think they seem to be going in the right direction. It has been a great year. But that will be done -- that typically gets done sometimes toward the end of November, I believe, with payouts that happen in December. That's the typical process.

One additional reminder is the variable comp is usually paid over a two-year period. That's the typical protocol. So our job in this call is to, A, come up with a recommendation on the personal or subjective piece, and then typically -- we'll talk about this in a minute -- make a recommendation on merit pay. As everybody knows, this year is a little bit different. So I think everyone should know that Ash has opted to retire and will be done on September 30th, 2021, so just a few more weeks away.

So a few words on that front is this is -- we all know this is a great loss for the State of Florida. The folks on the IAC have been with Ash for a few years but not all the way back to 2008 when he came. But he's created a great legacy for himself and has done a wonderful job for the State of Florida, and we're going to really miss him.

I did want to point out just a few accomplishments of Ash since he returned in 2008. These are, again, worthwhile repeating. But the fund value increased from $99 billion to $199 billion as of June 30, 2021, investment gain of $167 billion and benefit payments of $67 billion, big numbers. The return on the fund, the plan, is 10.28 percent, beating out the benchmark of 9.41, which sounds like just a skinny one point, but that skinny one point added

$14 billion in value.

And so not only are the numbers great, but Ash also did a great job of putting a fantastic team together, keeping a team together, and can't thank him enough for the job that he's done.

I don't know. Peter, Gary is not here. You're welcome to throw out any comments real quick on that front, but I did think it was important just to acknowledge all of the performance at a lot of levels from Ash.

MR. COLLINS: Yeah. And I think one of the biggest legacies Ash will leave is this committee and the work that this committee does in recognizing the employees at the board.

When Ash first started -- forget about the first time he was here, but even the second time, comp was way behind. We were losing people. We were losing really good people, and it became a training ground for people that wanted to go somewhere else. And that's never easy to maintain stability and maintain long-term focus, if you have those people changing all the time.

So I think the biggest -- one of the biggest legacies he will leave is totally restructuring the comp system, which is not easy in a state

government entity, especially when we get into the numbers that we're talking about here relative to some of the other agencies.

But it was because of Ash and his determined -- his determination to do it, and it was the right thing to do, that we're sitting here today. So I just thank you, Ash, on behalf of the State of Florida and all the employees but certainly the pension beneficiaries, for doing that.

MR. OLMSTEAD: Yeah. Peter, that's a great point. Thank you. That was not a quick process. I think 2012 this process started. So it's a long process that we've been through. And I think to complement what you're saying there, Peter, is this plan, for the most part, has achieved what it was set out to do. Right? It's reward success, attract and keep talent. And it has done a good job of that, even though it wasn't quick to put in place.

Another point of it, I think, one of the interesting -- you know, a drawback on the plan, which sort of has surfaced a little bit, is the fact that the -- some may not know this on this call, and I think it's important to know also, is

that because Ash is retiring on September 30th, the plan calls for any payout on incentive only to occur if you're a current employee.

So we're sitting here having a call about incentive pay that can't be paid out because Ash has spent many, many years and at his ripe young age is retiring. And so it's a little -- I'm not saying there's anything wrong with the plan, but there is -- something does seem a little bit remiss on that front.

And I'll remind everybody of one other thing, is that last year, due to the absurd volatility from COVID, the whole team forgo their variable compensation last year also. And so you look at the job that, bluntly, Ash has done over all of these years, earning this variable pay, bluntly, and then not being eligible for any of this pay moving forward. So this doesn't seem at all equitable.

I wasn't aware of this, not that I probably could have done anything about it. But in the world of being fair and unfair, this obviously does not seem fair. You know, this was for last year's -- this is for last year's comp and the year before's comp.

And so I think it's worth a discussion. I'm going to make a sort of quasi recommendation here, that I think we should go through the process one way or another here, sit down with Mercer, make the recommendation that we would make on the sort of subjective piece of Ash's compensation.

And I also think we should -- look, a governmental world is a little bit different, and this plan is set up in a certain way. There may be tax, fiduciary, IRS implications that we don't understand. But I'm going to recommend that we take a look at those.

And if there's any way that we as a committee can make a recommendation to the trustees that they somehow or another find a way to reward Ash for what he has done, I think we need to do it.

And so I'll let Peter comment and Lamar or someone, maybe correct me if that interpretation is wrong. I don't think it hurts to ask, assuming there's not some sort of broader implications to the plan that could happen. But I think Ash is in full deservance, especially of the formulaic pay that he hasn't received.

So I'll pause there for a second. That's probably new to a few folks, Peter Jones, and I know Peter Collins has a little bit of familiarity with it, but I'll pause there and see if there's any comments.

MR. COLLINS: The thing I would say on that, Mr. Chairman, is this is an oversight and a technicality that wasn't really thought of when we designed this plan. It certainly would not have been the intention of the group to have this happen when we designed the plan.

So I think it's just a matter of us getting with Mercer, making the recommendation for the amendment. I don't know that it would take -- if it takes something more than amending that plan to remove this particular provision that you have to be there, still be employed to get it, if we can amend that, then I'm not sure that we have to go to the trustees for special approval for Ash's particular situation.

I think it's also -- it's also a problem for interim. And, again, it's not something that -- it was just an oversight. If somebody is interim and they've earned something, then just because their title is interim doesn't mean they

shouldn't get it. I think that we have to clean up both of those.

I'd be interested to see what the response is from staff on what we would have to do to correct this and how we would go about that process. But I think that we definitely shouldn't have a problem going to the trustees and saying, Look, we need to fix this.

MR. TAYLOR: Vinny, if it's okay with you, I can try to add a little bit of context.

MR. OLMSTEAD: Yes, please.

MR. TAYLOR: I think clearly a lot of great points. It's hard to conceive of every potential fact pattern as you're kind of going into designing the documents. It's hard to kind of think about where you're going to be five, six years or so from where you start. And that's just the nature of transaction drafting. So all good points.

The issue -- the particular issue that I think we're running up against is this concept called substantial risk of forfeiture, which is a tax provision, and it is what keeps plans, what you call, I guess, the unqualified space, from generating income to individuals that are in the

plan before they actually get paid.

And because we've got accruals and such that are actually happening here in this particular plan, that substantial risk of forfeiture helps keep people outside of some particularly potentially pernicious tax issues. But that's generally why that's there. It's more of a tax issue for the participants themselves to have it there.

In terms of whether or not that can be changed, to be perfectly honest with you, I'm not familiar enough. I don't believe there's anything specifically in the plan that would contemplate that, but it's certainly something that we could discuss with the general counsel's office and possibly with outside counsel, Groom, who helped us draft the plan to begin with, and see what latitude may exist from a tax standpoint there.

In terms of the logistics, my familiarity with the plan right now is this was a plan that was actually executed by the trustees themselves, and so changes to the plan would -- and that is actually addressed in the plan, is the amendments to the plan have to be made by the trustees. So to the extent there is an amendment called for, I think it would be something that would have to be raised to the trustees and --

MR. COLLINS: Can I interrupt you here for a second and ask a question?

MR. TAYLOR: Sure.

MR. COLLINS: So in this particular case -- and I know this isn't just about Ash, but in this particular -- whoever it was in Ash's position, would an amendment to the comp plan carving out an allowance for retirement, being an allowed absence, if you will, or an allowed departure, would an amendment as simple as that take care of this issue, or do we have to get more specific?

MR. TAYLOR: Yeah. It's an interesting question. Kind of an answer there, the plan actually does have a retirement provision in it. And that was -- and it's a provision that says that in the year in which you become retirement eligible, which basically means the year in which you turn 65, the payout for you in that year is 100 percent of the payout. It's not the 50 percent and 50 percent. You get 100 percent of the payout in that year.

And that actually occurred in this case back

in 2019. So that was when that retirement -- and you can, under the tax rule, have sort of a one-time retirement-based provision that permits some sort of special circumstances for retirement. It doesn't necessarily jeopardize the taxed asset plan. And so that was actually embedded in the plan and in this case was triggered in 2019.

MR. COLLINS: Sorry. I'm on mute. So I'm a little confused. So if it's got an allowance, then what is our issue in this particular case?

MR. TAYLOR: Well, because the allowance was triggered in 2019, and so there was a 100 percent payout in that year of 100 percent of what was earned. And so -- but sort of the catch there is that if an individual who becomes retirement eligible continues to stay in employment and continues to stay in the plan, then you're kind of at the mercy of, well, you're leaving money on the table essentially the year that you retire, if you leave before --

MR. COLLINS: Right, okay. Okay. But just because you're eligible doesn't mean you do retire. I mean, if you don't retire, then it shouldn't somehow have triggered you shouldn't

get your bonus.

MR. OLMSTEAD: He's still being penalized because he's leaving in December versus September. I mean, he earned it for the previous -- like the way I look at it, he earned it for the previous year, right, July 1, 2020, to June 30, 2021.

And now we're all the way in September, it hasn't been paid out yet. He retires. If it's paid out in December, it just seems inequitable either way, whether you take that provision into account or not into account. If he waited until this year to use that provision, guess what. He still wouldn't have gotten paid.

So the inequity is he's still not getting paid for compensation that he fully deserves, especially based on performance. I get if he was leaving to go to CalPERS or something and I wouldn't want to pay him. But he's -- it's been a long time and he's retiring.

Again, hopefully we can try to come up with some clever solution around something that probably is not going to happen a lot and sort of reward him for what he's done.

MR. COLLINS: I'll go back to my comment

before. I think we just need an amendment to the plan that we need to put in front of the trustees and have them approve that amendment. And if we approve that amendment, we don't have to get into them directly approving some amount for some person. Right? Is that a correct statement?

MR. TAYLOR: To be perfectly honest with you, I don't know, Peter. Honestly, I have to go back to the lawyers there, those that are still practicing lawyers, and ask the question in terms of what really is the latitude in terms of the amendments you could offer in this case.

I think the -- because, again, what you want to avoid is embedding something that does not continue to permit the substantial risk of forfeiture provision in the plan, because then you may, in going forward, sort of set a tax trap for whoever is actually in that plan.

And so the amendment may be some sort of one-off override, some sort of ability for the board to exercise some discretion to, in certain circumstances, take some action. So I think it's hard to say exactly what the parameters of that amendment may be. But certainly we can go to general counsel and Groom, ask the question to see what latitude is available.

MR. COLLINS: That's what I think we should do, Mr. Chairman. We just need to see from external counsel what we need to do to amend the plan, and then we just need to recommend it and talk to the trustees about it, I think.

MR. OLMSTEAD: Yeah. It sounds like we need a follow process that staff will go to general counsel, internal and potentially external, see if there's -- see how this can happen. And what we as a compensation committee would do is make a recommendation that we make it happen. And if we -- let's push on this front, and we'll see what happens.

I think if you take that step back, I don't think anybody in their right mind would say this is what the intent was or that this is the right thing to do or this is equitable, and in fact would say, wow, look at the $14 billion, which I know it's more than Ash, it's a team, but when you're at the helm, you deserve to get rewarded as though you're at the helm. And so let's make it happen.

MR. COLLINS: Yeah. And I would just say, whatever we can do to that end is better, I

think, than us coming out -- I'm just worried about a little headline risk or people not wanting to take a little headline risk of somebody getting paid on the way out the door, you know, some large amount of money.

Even though it was earned, even though it's part of the comp plan, I'd just like to see if we could avoid that headline risk by just amending the plan to make up for a provision that might seem innocuous.

MR. PETER JONES: Mr. Chairman, can I ask a quick question, please?

MR. OLMSTEAD: Of course. Peter Jones.

MR. PETER JONES: You made a reference to the fact that incentive comp wasn't paid a year ago because of the extra volatility that triggered a provision that prevented that being paid. So it makes me wonder. Is there another -- I know these comp plans are complicated.

Is that another flaw in our comp plan? Should we look at that provision and reconsider it as a performance -- we had a lot of volatility. That can happen again. But if the team does a good job, those deserving of

incentive comp should still receive it.

MR. OLMSTEAD: I think that is being addressed. Lamar, why don't you comment on that. Peter, good observation. Lamar, why don't you comment on that.

MR. TAYLOR: Yeah. And that's actually later on in, I think, item 8. We've kind of got this coming up, and Alison and I were going to kind of go through that. We can do it now, if you want, or we can wait until item 8 and we can sort of go through it in detail.

But that was absolutely one of the issues that was raised last year. Alison and team have done a lot of work on thinking through that. And so we can talk about that then, or we can talk about it now if you want to.

MR. OLMSTEAD: Let's stick with the agenda, and we'll hit that later. I don't think it's going to help or hurt to do it now versus later, and I know that the Mercer folks are on. So I think we know our marching orders on this one, so let's keep moving the agenda along.

The next piece is Ash, who is going to provide some opening remarks, and then Ash will hand it over to Josh Wilson at Mercer. We will

have a discussion on Ash, and then we'll hand it back to Lamar and Alison to go through the current plan recommendations there. So, Ash, all yours.

MR. WILLIAMS: Thank you, Mr. Chairman, and thank you all for your kind remarks. I really appreciate it. A couple of things were said earlier that were absolutely true and are worthy of magnifying. Number one is the success that the SBA has had reflect those of a significant team of professionals who have accepted their responsibilities and run with them with vigor and competence and integrity and accomplished really great things over a long, long period of time.

So as much as I'd like to go out and wave my own flag, maybe I had a role in getting those people where they are and keeping them there and fueling them in a way that they were motivated and rewarded to do the right things, but at the end of the day, I'm just another cog in this whole thing.

The other thing I would say is something, back to something Peter Collins touched on, which is the very existence of this committee and the rational, fact-based, objective, merit-based conversation we're having, with the good support from Mercer, this is something that for a new member like Robb Turner, this is probably something that seems rational.

Every private company you've ever been involved with has a comp committee. There's always a rational linkage between reward and expected result, and there's a consequence for failure, usually termination, and there's a consequence for success, which is usually some kind of reward.

And that's what keeps the wheels of free markets turning smoothly and gets rid of bad ideas and reinforces good ideas and magnifies them. That's part of the reason this country has dominated the world for the past hundred or so years.

But in public pension land, this was anything but the norm. And just to magnify a couple of points that were made earlier. When I got back to the SBA in the fourth quarter of 2008, compensation at the Florida State Board of Administration was in the 25th percentile of public funds in the United States. That's all public funds.

And you consider that we're one of the largest and always have been and have always managed substantial assets in house, have always had a complex portfolio, that just made no sense. And when I came back -- here are some numbers for you.

In the 12 years I had been in New York on the private side, the assets of the SBA had increased, I think, four- or fivefold before declining in the great financial crisis. And the number of mandates managed had gone up by a factor of about five.

So the client base and the complexity of handling different mandates, all of them with customized benchmarks, different risk and liquidity preferences, et cetera, all that had changed. Yet over that time, the budget of the SBA had essentially remained flat for 12 years, 12 years we're talking about here, and the head count had gone down.

And I remember reading those metrics when I was looking at coming back and thinking, wow, we used to put a lot of time and effort into staying current and getting people on the road and training and being opinion leaders and making

sure the systems were tight and current and best practices were followed. What has gone on here? I mean, the mantra that's been followed has basically been one of, let's take the general mantra government is bad and let's shrink it and it will be better.

The problem is you're treating an asset management institution like it's government. And if there's one value that I hope I can leave on the SBA is we do not want to think of ourselves as running the way the government runs. We want to think about ourselves as running like a decent asset management -- not a decent, an excellent asset management institution runs.

And so one of the early things we had to wrestle with was getting this comp thing fixed. And with the help of the IAC, the very active involvement of the IAC, the support of several generations of trustees -- and I think where this thing really, really took root was when Rick Scott was governor.

Obviously, Governor Scott had strong private sector roots, and by virtue of his corporate history and his family office experience, he knows a little bit about the power of proper

asset management skills and good fiduciary talent, and he was fully supportive of this initiative.

And Mercer's role can't be underestimated. Bringing in a third-party expert that was independent, et cetera, contractual fiduciary to the board, all that good stuff, was absolutely critical.

And the proposition we made of a fact-driven, data-driven, merit-based mechanism to link -- to first of all set up what expectations for performance and reward should be.

Secondly, to execute those in ways that meet the appropriate standards of transparency, public records, public meetings, et cetera, for operating in a government environment as we have in Florida, with incredibly powerful public meeting and public record laws, was no small thing.

And it took six years of busting the pick on hard rock to get this thing done, six years. I mean, I don't know how long it took Nelson Mandela to get squared away in South Africa, but it felt sort of like that, not to minimize his travails compared to this. Not comparable at all, I know.

But at any rate, that's what's been involved here. And the fact that we got this done, the fact that we have implemented it now through multiple sets of trustees successfully, flawlessly, and interestingly, the only press we've ever had, the only press we've ever had on this has been press that has said, Wow, these people are getting paid some bonus money. You know what? We read through the materials, and if you look at what the performance is they've turned in, this is a great deal for the taxpayers. We're glad they're getting the money. Who would have thought? That just doesn't happen in press land.

So I can also tell you this program has been emulated or attempted to be emulated by a number of our peers in public pension land because it does work, and it is a source of pride for me and for all. Are there aspects of it that we could tune up? Sure there are. And we're going to get to that in item 8. And Lamar and Alison will give you a thorough report on the work we've done there.

And we're, what, six years into the program, I guess, and full implementation, and the normal path is to review everything for best practice about every five years. So we're right on cycle for that. And we're looking at a number of variables here.

So I think you're following the right path. I'm not going to conflict myself by egging you on on something that I've got a conflict the size of a boxcar on. And I will say, for the record, I wasn't part of teeing this up. But we'll come back to that.

But I think the importance of this, the value of the work you're doing here cannot be overstated. And if more of government could set up the kind of accountability that this process provides, we'd be better off.

And, of course, the other half of that accountability is the negative side. And that is, if somebody doesn't perform or, worse, they do something wrong or bad, especially if it's knowing, it's our responsibility to deal with it at the executive management level. And I think we have done that religiously.

And if you look at the turnover that's taken

place in our investment officers and our management team throughout the SBA, if there's one pattern that's been unambiguously clear over the past decade-plus that we've been on deck managing this ship, it is that if somebody breaks the rules, ignores the policy, disregards direction, causes bad outcomes, they will be escorted off the ship, period, full stop, and it won't take long.

And that culture, that investment meritocracy is what produced the results that, Vinny, you opened with. And that's what we need to protect and preserve here. And I want to thank every one of you, plus all of our colleagues at the SBA who made this happen. Thanks.

MR. COLLINS: Vinny, I think you're on mute.

MR. OLMSTEAD: I am. Ash, thanks. I agree with those comments. Josh, are you -- and, Mercer, you're up. I'm not sure if you're going to put your presentation up, but if you could, that would be great.

MR. WILSON: Amy, can you put up the appropriate slides, or what's the best thing to do here?

MS. WALKER: I can get them in just a minute. If you have them handy, I can turn over presenting to you.

MR. WILSON: Why don't we wait for you to do it, otherwise, I'm sure I'll -- my technology skills are second behind Ash, so we'll wait. But let me go ahead and just talk. I think the first thing I'm going to talk about is just the construct of the plan, which I believe Chairman Olmstead kind of gave an overview of, which is the incentive plan for the ED/CIO is based on two components. One is organizational and one is individual.

Together, for the ED/CIO, the target incentive is 35 percent of their base salary. At the current time, the ED/CIO's salary is 592,250 and the target is 35 percent. That's target of 207,288. It's broken down, 85 percent based on organizational and 15 percent based on individual. Roughly broken down, that's about 30 percent of the total amount is -- or 30 percent of the 35 percent is based on organizational, and 5 percent of the 35 percent is based on individual.

The organizational obviously is purely

financial, and we can talk about the results of that. What we talk about generally here in the compensation subcommittee is the individual component. And the way that's calculated every year is based on feedback from the IAC members. This year we had three. In the past we've had four. Ambassador Chuck Cobb was on last year but is no longer on the subcommittee.

So we base it on the feedback we gather, and it's based on four components. And we'll go over those in a second. And then looking at the overall results, just historically they've been very strong for Ash, and I think this year might be a new high for Ash, so he's going out like Michael Jordan, if you will.

So any questions on the plan overall? You can see here the targets and the maximums. The maximum is, just for reference, 150 percent of target. We might want to talk about this a little bit later, but that's a little bit below where we see the market in terms of maximums. Typically the maximum is two times target. In our case, when we designed this plan in, I think it was 2014, was the last time we touched it, we decided to be more conservative and go with one

and a half times target to get to maximum.

From a dollar perspective, that goes from 207,288 to 310,931 in terms of maximum opportunity. And you can see how it breaks down between organizational and individual.

One note, and we'll get to this later, the plan was designed conservatively. We were introducing something that had not been done effectively before the IAC pushed it, along with Mr. Williams. So we introduced a very conservative plan, most conservative at the top of the house, because that's what gets the most attention.

And the plan has been working, from my perspective, very well. Turnover has been down. Performance has been great. And I think -- and I look at the different states that I work with, different organizations. One of the things that you can predict success with is lack of turnover and consistency in senior leadership.

When you have that, you generally end up with good results. And certainly I have seen that with the SBA since the day we started working with you in 2012. Ash has built an incredible team around him. Even if people have

turned over due to normal turnover, like retirement or people moving away, the people that have been backflow have been fantastic and have not missed a beat.

So it's been an absolute pleasure to have worked with the SBA for the last nine years, and we hope to continue that going forward. Any questions on the incentive plan design?

Okay. Then perhaps we can move to the actual evaluation. So here, if I could just stop for one second, this is sort of the process -- go back a little bit there. Go up a little bit. Stop right there.

So if I can draw your attention to the second sort of main paragraph, which are the criteria for performance evaluation. And there's four of them. The first one is overall mission. The second one is people. Third is efficiencies, infrastructure and operations. And the fourth area is interaction with the IAC and the audit committee. And those are the four areas that Ash was -- the ED/CIO was evaluated on and has been consistently.

As we look at this over the years, there's nothing we would change here. Obviously we

commend the fact that "people" is in there. It's not necessarily in every plan that we see. It should be obvious, but it's not.

So now if we can go down to the actual the evaluation. Terrific. So you can see here the three members that completed the survey were Mr. Wendt, Mr. Collins and Mr. Olmstead. As mentioned before, last year we also had Ambassador Chuck Cobb, but he has since retired. So some of the numbers might look a little different. That's because we have a denominator of three versus four. We can go to the next page.

MR. OLMSTEAD: Hey, can I ask a quick question there?

MR. WILSON: Of course.

MR. OLMSTEAD: And I think I brought it up last year. Is there anything that would -- I like obviously a subcommittee. We don't want the entire IAC. Is there anything that precludes us from actually getting surveys out to each of the IAC members and then reviewed and aggregated by the subcommittee?

MR. WILSON: I don't think so, no.

MR. OLMSTEAD: I think it's fine that it's three. I just think in the long run, it may not be a bad idea. I mean, it doesn't take that long to complete it. It validates representation by each of the trustees and their appointees. And then -- you know, three is great, but one number sort of skews things.

So if you had nine people filling it out, it seems like the math would work a little bit better. So I took that into consideration as I went through it this year. I think, even if I weren't on the comp committee, I certainly wouldn't mind spending the half hour to 45 minutes it takes me to complete this.

MR. WILSON: Sure, makes perfect sense. Any other questions on this page, then we'll move on? Okay. So we can go to the next page, please. What you have here is the summary of the ratings, the amalgamation of the four last year and three this year ratings on the different categories.

You can see '21 is in the middle column and 2020 is in the right-hand column. Across the board, actually, the scores were higher this year than last year. And it's out of four, so you can see top marks in everything except for interaction with the committees. And as we go to

the individual pages, you'll see the commentaries that were made. So we can go to the next page.

MR. OLMSTEAD: When I looked at this last page, not this page, the page before it, I was trying to figure out whether, Ash, you're doing a much better job or if Ambassador Cobb was just a really hard grader.

MR. COLLINS: Yeah.

MR. WILSON: You can see the overall mission criteria listed here. I won't read it to you. But Ash received a 4 out of 4 here, and you can see some of the commentaries provided by the committee below.

MR. COLLINS: By the way, these comments, I'm not a big one for commenting on those things, so if there's three people on the committee, the two comments are probably not from me.

MR. WILSON: On the people side, I think all of us would agree that Ash is a fantastic people manager, and as evidenced by the staff and the consistency, et cetera, et cetera, so not surprising here.

And I think a lot of reflection on the pandemic and how SBA operated during that, no small task, what was done. And, again, the

highest possible rating was achieved.

Here was the one area where a top score was not achieved, and you can see the commentary there. And finally, the overall rating given by each of the members was a 4 out of 4, with no commentary. I think the 4 out of 4 speaks for itself.

MR. TURNER: I'm sorry. Can you go back to that slide about interaction with the committees? Right here. I was just curious. How much of this is on Ash and how much of this is on some of the members? Because, honestly, you'd have to make an effort as an IAC member to have more interaction as well.

That was one of the things that stood out in this to me, is it did come out as a lower rating. Sorry, Ash. But I wondered how much of that was on us as IAC members versus, you know, Ash. For you more seasoned IAC members, what do you guys think?

MR. COLLINS: Here's how I view this. We're a board and we shouldn't -- we're not operating the board. We're just an advisory board. So, you know, Ash is the CEO. He does his board meetings. I'm not sure what people want, right,

that are scoring him lower than that. I'm not sure what they want. Do they want him to call periodically? Do they want to have more interaction at the meetings? I'm not really sure.

So it's a great question that you asked, and I think it might be an educational thing. We didn't come up with this category. I think Mercer came up with this category, in conjunction with the staff and maybe the original people that put the comp plan together. I came in just as we were approving the comp plan, so I wasn't involved in the design.

So I'm not really sure how you even really measure this. I could have five conversations with Ash a month and come away unsatisfied. So is that bad communication? I don't think so. I'm just not happy about the communication. So I'm not sure exactly what we're measuring.

MR. OLMSTEAD: Peter, just from my perspective, I'm not sure if the subset should be interaction or should it be do I, as an IAC member, fully understand my job and what I'm supposed to know. So you sort of get thrown into this position. You go through a full day of

training. And then you show up once a quarter.
So you're sort of a little bit wondering, you know, what you can say to whom, when you can talk with a group or not a group. It's sort of -- it's an interesting process, different than public boards and private -- other private boards.
And so the category I think would be important is, you know -- and this is probably a subset -- is are we educating the IAC members well enough so they know exactly what they are doing. My understanding of the job of the IAC of all of the above took a few years to get there, and then it exponentially increased when I became vice-chair and chair, just because I had more exposure.
And so my advice back to whomever follows up with this -- and if I had an in-retrospect comment on this, which I didn't, it would be, you know, continuously keep folks up to date on what they should and shouldn't be doing and how they should be looking at some of this type of stuff.
Again, I still gave, in this particular case, the highest grade, but I think there is an opportunity to -- whether it be interaction or

education, to continuously keep up with the IAC members, especially as they're coming up the learning curve.
MR. WILLIAMS: Mr. Chairman, can I offer a comment on this?
MR. OLMSTEAD: Please do.
MR. WILLIAMS: Thank you. So let me just give one perspective that may be helpful on this. First of all, I think -- I know my experience has been, especially during 2020, because of the pandemic, because of escalated China issues, escalating other issues we had that involved the pension fund that had roots elsewhere in society -- can you say politics -- we had a number of situations where we needed to keep the IAC informed, get your guidance, have you inside the circle of decision-making and be able to truthfully reflect to the trustees that your guidance had been sought and captured, and with the benefit of it, we were reasoning together and came up with whatever solution we were recommending.
The amount of contact that we had with the IAC during 2020 is probably among the highest there's ever been, going back to the late 1980s.

And the reason was all these weird things that kept coming up. And because we were meeting by video, it was much easier to do. So that's point one.
Point two is, the IAC for many, many years was six individuals, which made for much, much easier communications, because it was six calls to talk to every single person individually. Now it's nine.
And I remember how that happened. That initiative came forward. Just to be blunt with everybody, one of the greatest resources we have is the quality of our governance. And several generations of trustees ago we had a trustee who wanted to change the governance of the Florida State Board to match that of CalPERS.
Now, I will withhold judgment on the wisdom of that move or explaining it, but at the time it came up, I did get actively involved in coming up with some alternatives. And one of the alternatives was to expand the IAC from six to nine.
Now, what has been the result of that? It's just a whole lot harder to manage all the communications. And as we've seen, you know,

some IAC members are going to be actively engaged and are going to participate, whether they're involved in a particular subcommittee or not. Others, less so.
The other thing to remember is we're in a state with a really strong public meetings law. I can't be an intermediary for more than one trustee for any discussion -- I mean more than one IAC member or trustee for any discussion that may come ahead of that entire group, which means the only way I can communicate with everybody is just do one-offs as needed or call a meeting and notice it and make it accessible to the public, or make nine consecutive phone calls if I want to talk to everybody.
And I don't need to tell you, we're all busy and moving around and everything else, and getting nine consecutive calls scheduled is no small thing. You've got to really want to do it. So it could be we need a little clarification on this, but I can tell you without qualification, I'm available seven days a week for everybody. And a number of you know, because we've done calls over weekends or at night or whatever on various things, when something needs doing, we do

it, period, make it happen, no questions, no business hours, holidays, anything else, just make it happen. So --

MR. OLMSTEAD: And, Ash, that's a good point. You are always -- you respond to, whether it be my text or email, faster than I respond to yours. And whether it be you or trying to understand something from John Bradley, I do think the reaction time is exceptional.

MR. WILLIAMS: Thank you. Well, where I was going with that comment, if we really want to change the degree of interaction, one thing that we might think about is, over time, evolving the IAC to a smaller institution and size. We could do that without disadvantaging any of the current members, just use the natural roll-off of seniority, as terms expire, to go back to the six, if we want to do that, and we could change the law at the appropriate time.

MR. OLMSTEAD: But the reality is, you got one point off from one person here and still a high grade. I don't think this is a -- I honestly -- although that's a fair point to discuss, I wouldn't interpret this as an overly negative thing, especially given the fact that

when it came to overall, 4 out of 4, so great job.

MR. COLLINS: Ash, is it a law or is it a trustee policy that it went to nine?

MR. WILLIAMS: Florida Statutes.

MR. COLLINS: Okay. I agree with you. I mean, nine is a lot. And we can get into some governance conversation later. I'm just going to -- I'll let that pass.

MR. OLMSTEAD: Yeah, let's save that for another day.

MR. WILSON: I think, from my perspective, when you ask for subjective opinions, you might get them. Right? So you catch someone on a bad day. That's sort of the good and bad of the subjective portion, which is partly why it's not 95 percent. It's 15 percent. And I think the overall rating, to me, is what really matters.

I just think it's -- I wouldn't make too much of one person deciding this was something they wanted to pick. But, again, overall, 4 out of 4, I think -- and this has been consistent. I think Ash -- since we started this process, Ash's individual ratings have been fantastic.

Any questions on the evaluation process or

outcomes? I think I'm going to turn it over to Ash to talk about himself.

MR. COLLINS: See, all of us are being good, Ash. None of us even took the bait and swung at that.

MR. WILLIAMS: Yeah, no issue. I already made my comments, and I'm good with all of this. Thank you.

MR. OLMSTEAD: I think the next -- correct me if I'm wrong here, but I think the next piece of business is for the subcommittee, which is Peter and I -- happy to have other folks discuss it, but I think the intent now is twofold. I don't know, Mercer, if you have more comments before we get to the discussion or if you're done with your prepared remarks.

MR. WILSON: Well, if I can, I just wanted to talk about, as we talk about actual salary, you know, what we've done historically is recap it. So as mentioned, when we started working with the SBA in 2012, the total compensation for the ED/CIO was $325,000. That was salary. There was no bonus. And that was well below median.

And we've spent the last eight years-plus trying to get the ED/CIO -- along with the rest

of the staff, right? We're talking about the ED/CIO, but we didn't put an incentive plan in place just for that. We put an incentive plan in place for all of the investment positions, to make sure that they are competitive with the market. We just talk about the ED/CIO here.

And over time, we have increased it. It's been a journey. That's absolutely for sure. What we've done is we've looked at the market in a variety of ways and we've made recommendations, and the IAC has taken those under consideration and awarded increases, both merit and market, along the way.

So if you scroll down, last year we recommended -- I think we'd actually gotten to a level of salary last year where we said Mr. Williams is caught up to the market. And that was when he was at 575. And you can look at this data right here. There's four points that we looked at last year. This is last year's data.

MR. OLMSTEAD: Are you all seeing the slides?

MR. COLLINS: Yeah.

MR. TURNER: Yeah, I can see them.

MR. OLMSTEAD: My are frozen, must be.

Okay.

MR. WILSON: So there were four data points we looked at last year, about a year ago. We looked at the median of the top five public funds. And those are CalPERS, CalSTRS and two from New York and Teachers Retirement System of Texas. The median salary is 450. And for those of you who know the details, you have sort of haves and have-nots. The New York retirement funds are the ones that have not, and the CalSTRS, CalPERS and Texas are the haves.

If you look at a slightly larger group, it was about 14 public pension funds. The 75th percentile was 566,000. When you look at even a broader set with 20, the 75th percentile was 515. And when you looked at Mercer's pension fund, which is a little bit different than the other groups you've been looking at, the median -- or sorry -- the 75th percentile was 586.

So at that point, what the recommendation was from Mercer to the IAC was, you don't need a market adjustment point. We recommend a merit increase. And I believe the IAC then recommended a movement from 575 to 592,250, which is where we are today.

If we were making recommendations this year, if Mr. Williams was not retiring, we would recommend the same. Based on the performance that you just saw, with an overall rating of 4 out of 4, we would recommend a merit increase based on that. Mr. Williams' salary is consistent with the 75th percentile of the market. The market has moved a little bit this year, but it has not moved dramatically. So we would recommended a merit increase, not a market adjustment.

MR. OLMSTEAD: Hey, Josh, one of the things I struggled with last year, which I struggled with this year, too, is total comp is different than base salary. And so you made a comment earlier that, you know, X percent of the CIO's comp is variable, and some others have 2X.

And so it's hard for us, I think, to even begin to weigh in on whether it makes sense or not unless we understand the total package. And so I know -- I'm not sure. I know there were some challenges last year to getting that. I still think, in perpetuity here, understanding total comp is much better than understanding just fixed salary.

MR. WILSON: Absolutely. And we appreciate that. We came back last year after the meeting with a memo to the group. And let me just recap some of that and then give you some data that we have from some of our other clients.

We looked at the top 14. Right? So we looked at this number two bullet, the larger public pension fund peer group that had a median of 566 -- I'm sorry -- a 75th percentile of 566 for just salary. When we looked at those, the maximum amount of total compensation, which means the salary plus the max bonus they could achieve, was a million one, rounded off. It was 1,079,000, but rounded off to a million one. That was the maximum they could achieve if they maxed out their incentive plan.

That same number for Ash now, including the increase you gave him on salary to 592,250, would be 903. So you're comparing a million one for the other 13 public pensions to 900,000 for the SBA.

If you want some individual data points, let me give you those. For CalPERS, for example, the maximum is 1.7 -- sorry, a target, because that's how we did this -- 1.8 million for CalPERS. And

that includes a salary of about 560,00. Now, the job is open right now, to be fair, but the salary, the last salary was 560,000. They have a target incentive.

Now, remember, your target incentive is 35 percent. Their target incentive is 100 percent with a two times upside, so up to 200 percent. And -- and this is unusual, so it's worth hearing for the IAC.

They're putting in a long-term incentive plan, LTI, to boost the competitiveness of that job. The total package at median is 1.7 million, 1.8 actually, 1.77, and at maximum, it would be about 2.3 million. That's a data point. CalSTRS --

MR. COLLINS: -- a long-term incentive in there, and I think the last four people have lasted, what, three years max individually?

MR. WILSON: On one hand, they don't have to pay it out. On the other hand, I think their intention is to stop that turnover. Right? As I mentioned before, one of the biggest indicators we see of long-term strong performance is a stable leadership management team. And, clearly, you've not seen that in CalPERS.

CalSTRS' numbers, about a $575,000 salary. Again, a 100 percent incentive target, so a total cash target of 1.1 million. We mentioned Texas Teachers. They just had turnover about two years ago when Britt Harris left to go to University of Texas. So he went from a $160 billion fund to a $40 billion endowment, made a lot more money to do that. But the new replacement for him, Jase Auby, has a salary of 450, a target incentive of 63 percent, and total cash of 733.

Wisconsin, which is slightly smaller than Florida, at this point probably significantly smaller than Florida, they had a CIO who came from you, David Villa, who passed away earlier this year, but his last salary reported was about 670,000 at base, a 50 percent incentive, for a total package of about a million. And there are some other ones like that.

So you can see from -- you know, you look at large and leading. The salary, I think, is perfectly competitive. As I mentioned before, when we put the incentive plan together, we created it to be conservative. It has achieved the goals, but it is still conservative. Others have moved up and others have added pieces, like

the long-term incentive.

So when we look at the total compensation, you're probably closer to the median, maybe even slightly below when you look at large and leading pension funds, mostly because the short-term incentive target and sort of upside is a little bit lower, more conservative, than some peers.

MR. OLMSTEAD: Josh, that's very helpful. I would recommend next year adding that into the presentation, because I think it gives us some wonderful context.

MR. WILSON: Sure.

MR. OLMSTEAD: And is helpful. And if there's any way -- I think the other piece that may be helpful is tenure. Tenure is a component to me, which, again, someone one year versus somebody like Ash, who has been doing this 13 years with a consistent track record, is another variable that may be interesting to understand, not for today, but I appreciate the comments there and would incorporate that, because what I think we can see here is that we're at least getting to competitive, although we still may be a little bit behind, maybe a little bit behind market, especially on the performance side, where

we're at 50 percent and some of the others are somewhere between 60 and 100 percent.

MR. TURNER: Josh, I think on top of that, when you -- that was helpful. If you could put the -- next year, when you lay that out, put the actual results of those various pension plans, too, so we can compare and contrast.

MR. WILSON: Yeah. I mean, one of the things in our line of work is, you know, results are going to vary year to year. So we tend to look at targets, because someone is going to have a good year, someone is going to have a bad year. You don't want to penalize your person one way or another. So we do look at targets.

But I think looking at overall performance, if you look at a longitudinal study, helps you understand, should you be where you are. Is there a disconnect between pay and performance and those types of things. I think everyone would agree. If you look at Florida's performance over the long term, it's been very strong. No issues with paying -- you know, plus tenure. No issues with paying a salary at the 75th percentile.

I bet if you had to do it over, you'd all

wish, hey, maybe I wish we had more of an upside so that if you knocked it out of the park like Florida has done, you could reward the people who did it. But hindsight is always 20/20.

MR. OLMSTEAD: Okay. Josh, any more info?

MR. WILSON: No, sir. Happy to take any questions.

MR. OLMSTEAD: I'm good. Peter?

MR. COLLINS: I'm good.

MR. OLMSTEAD: Peter Jones, any other questions for Josh or Mercer?

MR. PETER JONES: Not from me. This is Peter Jones. Thank you.

MR. TURNER: Not from Robb either. Very helpful. Thanks.

MR. OLMSTEAD: So I think now it's time to discuss the individual component. I don't know if you can bring the page up that Mercer showed where it was the summary of salary and individual component at the threshold, target and maximum. I have it in front of me.

This individual component ranges from 15,547 at threshold, target 31,094 and maximum 46,640. And I think, Peter Collins, you and I probably need to have a discussion, and I'm happy to have other people's input, on what we hope to be is an individual component that's paid out that very well may -- equally could not be paid out, but I think we should go on the record on that front.

So, Peter Collins, if you have some comments there, I obviously have some opinions on this but would love to hear you, too.

MR. COLLINS: So are you on -- so I'm looking at the -- okay. So they put it on the screen. So I'm looking at the same thing in the materials that were sent to me.

So explain this table to me again. I know we do this every year, Josh, and I'm sorry, but explain this table to me, the total incentive opportunity. And I know we're only talking about the individual component here, right?

MR. WILSON: Correct.

MR. COLLINS: So explain the threshold, the target and the maximum.

MR. WILSON: So forget the total line for now, the 35 percent line. Ignore that, because that's just the sum of the two lines below it. The organizational component is determined entirely by objective performance. Right? So how the fund does is where this breaks down.

There's a target outperformance level for threshold, a target outperformance level for target and a target outperformance level for maximum.

MR. COLLINS: And we don't have any input on those metrics, right? Those are just --

MR. WILSON: Those are formulaic, right. So as the SBA performs, the incentive plan gets funded accordingly. So if you blow the doors off it -- you know, if it's somewhere between target and maximum, you interpolate on a straight-line basis.

So what you're talking about here is the individual component, which ranges from -- let's forget the -- a percentage basis, the target is 5.25 percent, which is 15 percent of 35. The minimum, if you said he's doing an acceptable job but it's really not great, we're going to give him the least amount possible that's not zero, it would be 2.62 percent. If you say he's actually killing it and we're going to give him the highest possible, it's 7.875 percent of the total.

From a dollar perspective -- so this is the same table twice, one with dollars, one with

percentages. If you look at the bottom table with dollars, your decision as an IAC is either zero or, if you're going to pay something, you're going to pay something between 15,547 and 46,640.

If you said he's doing just an average job or meets expectations, you might say we're going to be in the middle at 31,094. Based on where you rated him, presumably you'd be somewhere between -- somewhere towards the top of the scale, maybe at the top at 46,640. If he'd had mediocre performance but you wanted to give him something, you might angle more towards 15,547. Does that help?

MR. COLLINS: Yes. Vinny, I don't have any other comment, other than to say, based on performance, I'm certainly comfortable recommending the maximum, the 46,640. We all know the challenges last year. We all know the incredible volatility. And we know the performance, the end of the -- the ultimate performance of the fund.

And I don't think there's -- I couldn't imagine splitting hairs between $31,000 and $46,000. And it's hard to say that they're not -- he's not on target. And so we're picking

some range between that target and maximum. So I would certainly be comfortable recommending the maximum.

MR. OLMSTEAD: Yeah. And given the fact that it was overall 4 for 4, I think it's hard to argue --

MR. COLLINS: Yeah.

MR. OLMSTEAD: -- the maximum. Out of curiosity, on the individual component or the organizational component that is formulaically driven, does the formula drive threshold versus target versus maximum?

MR. WILSON: There's a level of outperformance. I believe it's 5, 25 and 50. Does that sound right? So it's 5 basis points of outperformance at the threshold, 25 basis points of outperformance over the benchmark at target and 50 at maximum. And that drives it entirely. So it's just a formulaic calculation.

MR. OLMSTEAD: Got it. And so us deciding maximum here doesn't mean on the organizational side it's maximum. That's purely formulaic, just to be clear.

MR. WILSON: Correct.

MR. OLMSTEAD: So, Peter, I think you and I are on the same page. I don't think there's any dispute here that the maximum has been earned on the subjective side. And I would -- I don't know if we need to make a motion, but I would make -- I assume we need a motion and a second, but I'll make a motion for the maximum.

MR. COLLINS: I'll second it.

MR. OLMSTEAD: We can both say aye.

MR. COLLINS: Aye.

MR. OLMSTEAD: And even if Gary voted against it, we have a two for one vote, so we're in good shape, which I am 100 percent positive Gary would be supportive.

MR. COLLINS: Yeah.

MR. OLMSTEAD: All right. Well, okay, so I think we're good. So we're up to approval on that piece of it.

And I think the last, before we have any other business or audience comments or all the other fun stuff, which I doubt we will have, is Lamar and Alison are going to talk to us about the very question that Peter Jones asked about earlier, which is the overall SBA incentive compensation plan. So I hand it over to you all.

MR. TAYLOR: Absolutely. So we'll go there.

I guess just to kind of -- just a little bit of a recap in terms of kind of where we got, in terms of charges. The committee would like the staff to go back to general counsel's office and counsel to determine the latitude for amendments with respect to modifying the plan to permit an award notwithstanding Ash's retirement this year, and that as an element of whatever that is, to the extent there's a payout, you would recommend maximum incentive -- the qualitative component be maximum as a payout. Those are the two takeaways so far from the --

MR. COLLINS: I think that's right as far as I'm concerned, Mr. Chairman. I don't know if you wanted something additional.

MR. OLMSTEAD: No.

MR. TAYLOR: All right. Very good. Bear with me just a second. I'll get the slides.

MR. COLLINS: We're finally going to get to hear from Alison?

MR. TAYLOR: And I know this is going to be a little bit harder to see, but it's item 8 in the materials that we sent around. It's Attachment 4, item 8 on the agenda.

So if you recall last year, when the

compensation subcommittee met, there were a couple of things we discussed. One, we discussed the fact that the compensation plan did not trigger because of the risk inception that was an element of the plan. We discussed that at length.

We also discussed the fact that a few years ago, the SBA undergoes a periodic governance risk and compliance review, and as part of that review, the firm that completed that review recommended that we take a look at the incentive compensation plan for purposes of just evaluating its function and how well it was performing as well as potentially the composition of that plan, thinking about expanding its membership to include other members besides the investment class to the plan.

So with that in mind, the committee tasked us with sort of engaging Mercer to do that review, take a look at it, see where we stack relative to the market, and see what we could come back with with respect to a handful of categories; eligibility, plan targets, performance measurement, performance standards, payout and risk governors. So those are the

items that are in this two- or three-page document that is provided in the materials.

I will say Mercer actually did a lot more work than that. There is a substantial document that has a tremendous amount of data in it that's largely survey-based that really sort of got into some additional granularity on those points. But this is a summary of the feedback that Mercer compiled for us.

So I'm going to talk a little bit about basically everything except the risk governor piece of it, which Alison is going to talk about in terms of the work that they have done there.

But the high-level takeaway is, by and large, it seems that the plan -- and you've heard this already from Josh, that the plan is doing pretty much what you wanted it to do. It's having the effect you wanted it to have in terms of being able to attract and maintain talent.

To the extent there could be some improvement, it would be in the target level of organizational performance and payout. And as Josh mentioned, I think some of the things that he talked about that apply specifically to the executive director and CIO really apply at large

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to the participants in general, so that what you're seeing here is that our target payouts in our plan are typically lower, from a percentage of salary, than our peers. And the maximum of that, the leverage, so to speak, the times you can earn that over is also slightly lower than target.

So all in, the incentive component relative to our peers is slightly lower. Again, maybe slightly different results on total cash comp, although the data that we get when we looked at salaries and incentives, we also trail a little bit the market on a total cash comp basis, although our salaries are competitive. At least on the data that we're given, our base salaries are now competitive with market. And that's due to the support of the compensation subcommittee as well as the trustees in the budget process.

With respect to eligibility and composition, we are at market. To the extent we would look at expanding that, that would not be market, at least not now. There are outliers. There are some plans that have included every one of their employees, but that is not the standard.

I think pretty much across the other

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categories, by and large, I think it looks like we are at market. And so I think basically the takeaway here is we seem to be doing well. If there's areas for improvement, it would be on the payouts.

I would say that what we are not -- you know, what we're seeing from an actual recruitment and retention standpoint here at the board is actually pretty good. We're not at the point where we're actually seeing staff leave over this issue.

We have not had issues recruiting staff to the SBA at this point. Our time to fill is slightly up, but where it was relative to 2016, it's substantially lower than when we were starting out with the incentive compensation plan. So we're not seeing any sort of actual adverse effects of where we stand out in the market with respect to the incentive compensation plan.

And so I think at this point, in light of where things are, maybe the takeaway with respect to these items is just sort of keep monitoring it, watching it, seeing where the market moves, and basically the extent to which we start to

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have issues with its primary purpose, which is recruitment and retention, you come back and revisit this in a more comprehensive way.

And so at least that's sort of my takeaway there. And I can pause now, at least on those points. I know Alison has got a lot to deal with with respect to this, governors. But that's an element of the plan that -- the plan has a risk component to it, but it actually relates to -- refers to our risk budget policy. So the risk governors are not necessarily embedded in the plan. They're things that we can go outside the plan document.

That was a lot of information thrown at you. I can pause now and take any questions. And I don't know if Josh wants to weigh in, too, in terms of just making sure I sort of summarized their points accurately.

MR. WILSON: I thought it was great. I think the big debate you have is on eligibility. Right? As everyone can imagine, the plan is currently open to investment professionals. And you can look at the definition of what's an investment professional and that no one works on an island and investment professionals couldn't

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do their job unless they had other professionals helping them do their job. These are the kind of discussions that we have with all of our clients.

Some plans include everyone down to the administrative assistants. Some plans are exclusively the CIO and one or two others. And so there's no right answer there. It's more of an organizational and political decision. But that's the only commentary I think I might want to add.

MR. COLLINS: Mr. Chairman, just one question. Lamar, as you all look down the road in the next couple of years, what do we need to be keeping our eye focused on? What are the areas that we need to watch out for in comp and being -- so that we don't have a -- we're not getting out of balance? In your review of everything, what might be changing quicker than you think?

MR. TAYLOR: Yeah. That's a great question. I think right now, the next few years will be really interesting. What we're starting to see or at least the concern that I have, with HR reporting to us, is it will be interesting to see the salary data coming back this year.

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There's a lot of competition for talent, and we're seeing that in the financial markets. I think it will be real interesting to see where base salaries -- in terms of, to the extent we're recruiting people, whether base salaries play a part in that.

I think work style is going to be an interesting aspect as well. We've already kind of gotten a lot of feedback from people in the interview process. One of the first questions they want to find out is, Well, do you permit any sort of remote work? What's your attitude about the flexibility around remote work? How many days do you need to be in the office?

Right now we are remote on a voluntary basis, but overall, our objective, our plan is to have everybody back in the building. We're a small shop. I think we perform better when everybody is here in the office. We have the ability to communicate much more effectively.

So I think right now our stance is we prefer having people here. That has been a gating item from some of the people that have wanted to participate in the interview. They've heard that and said, Thank you, but I'll withdraw from

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consideration. We still have gotten good candidates and we are still --

MR. COLLINS: And is that a health thing, or is that an "I don't want to move" thing?

MR. TAYLOR: It's a little bit of both. The interesting thing is -- we've kind of gotten a little bit of both, and people just would like to just stay in a different city and try to remote in.

From a market perspective, even those firms that have gone with some sort of flexibility around remote work, it's almost -- it's generally like so many days out of the office. It's not like they're saying, You can work in New York City and remote in to Florida. They want you in the city. You just don't have to commute to work three out of the five days.

My perspective, Tallahassee is not a major commuting nightmare like Atlanta or Miami or New York or anything like that, so you don't really have a problem commuting into the office. We're still going to have the issue of getting people to Tallahassee largely. If they don't have a tie here, a connection here, it can be a little bit of an adjustment.

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Having a competitive salary and a competitive incentive compensation plan will help with that. We have seen people, when we get them, they'll come for a while and they'll leave. And that's fine. If we can get people three or four or five years, that's still very helpful.

But in terms of what I think we need to watch out for, I think this issue of work style and the persistence of that and that becoming a competitive advantage or disadvantage in terms of remote work is something that I think we -- it's to be seen how material that is to our ability to recruit and retain folks.

Having a competitive compensation structure, which with a base salary and incentive compensation -- but, honestly, I think the most important thing is ensuring that we've got a good culture, because we might be able to get people with salary and incentive compensation, but you keep them because you've got a good place to work.

And that really has been what Ash has built over the last 13 years, is a place where people want to be and they want to work, and it's a culture of achievement and accountability.

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And I think that's more of an intangible that's really kind of a little bit more difficult for the compensation subcommittee to necessarily affect directly, although from a -- just keeping tabs on turnover, et cetera, would obviously be relevant for the comp subcommittee just to sort of stay abreast of.

So I think on balance we're doing well. The trustees are supporting the initiatives to increase compensation and maintain a competitive base salary. So that's helpful. And if that were to start to wane, we would certainly hope the IAC would help us out with those issues.

MR. WILLIAMS: Let me pipe in on that, Lamar. I think those are all great points. And there's another variable on this remote business, remote working business that's going to give this issue legs. And that is, as we look at what's going on in the asset management industry broadly, we're seeing a migration of asset management firms out of high-cost, high-tax locations, most notably California and to some degree a couple of other markets, New York, et cetera, into the Southeast and into Florida.

And I know the CEOs of a number of firms who are in the process of doing this. And some, even though they may be keeping their headquarters in one of the traditional money center locations, they're moving huge resources into Florida. Whether it's Miami, Tampa, Jacksonville, et cetera, they're coming.

And as part of what you're going to see relating to those moves is they are going to be letting people phase moves. They're going to have links to other parts of their organization that are elsewhere in the world that will be functioning remotely. There will be a transitional period where they're doing recruiting, et cetera.

And all of this business of what is the work relationship, what is the locus, how much of it is physical, how much of it is virtual, those are all inputs to the recruitment and retention game. So I don't think this issue is going away, and it's certainly not specific to us. It's just one that we're going to have to manage going forward.

One other comment on this, and that is, one aspect of remote work that seldom gets mentioned is that when I look back over the history of major financial frauds, a number of them share a

characteristic. And the characteristic is somebody, some office or some team was operating remotely. Think Amaranth, if you remember the failure of the Amaranth hedge fund some years ago. The supervisory systems weren't what they were believed to be. I think our systems are pretty darn good, but I don't want to find out the hard way they're not.

My point is simply, the more people you have operating remotely, the more risk you have that somebody is not just off the property, they're off the reservation, in terms of what they're doing. And you don't want to find that out the hard way with a blowup.

MR. COLLINS: I agree with all that.

MR. TAYLOR: So that's all I had to say on sort of the -- all of the factors other than the risk governors on the plan. I'll kind of leave it to Alison, if she wants to weigh in on the risk governors piece of it.

MS. ROMANO: Sure. Thanks, Lamar, and thanks, Peter and Vinny, for teeing up the topic at the very beginning of this meeting. It's clearly saving the most interesting topic for last here.

So as you mentioned in the beginning of the call, the risk budget and the trigger that ensued coming out of the volatility of last year resulted in the ICP payment not being made. So what I want to do today is provide a brief update on how we're thinking about that, describe what happened going into 2020 and the way we were measuring risk, what temporary changes we've made and what we think we're going to do longer term, as it relates predominantly to the risk budget because it's the right way to manage risk, but with the benefit that that ties to incenting the right behavior as it relates to the ICP.

So looking back, in terms of how we manage risk, as you all know very well, we manage risk in a multifaceted way, diversification of assets, diversification of factors, currencies, geographies, et cetera. We have diligence managers to manage risk, and we also have a number of complex analytical systems to look at historical risk or projections of risk.

So that is a holistic approach, but as it relates to our risk budget, which then has ties to the ICP, we use a metric, a three-year annual tracking error. And that is a benchmark-relative

term. It's looking at the volatility of excess returns over the benchmark.

It's a perfectly reasonable metric, one of many. But there are shortcomings of that, and we saw those shortcomings in 2020 as volatility in the market picked up.

So first let me describe, the way our risk budget works is we have that tracking error -- we had the tracking error target of 2 percent of the total fund level. That's the escalation standard. So anything above that escalation standard not only would necessitate discussion to figure out potentially how to bring that down, how to adjust, how to think about it, but it also means that the ICP trigger is hit and a payment isn't made.

Why did we exceed that 2 percent in 2020 and what are the shortcomings of that tracking error? Well, first, tracking error, as I said, is a benchmark-relative metric. So that means, for instance, for a public market asset class, like fixed income or global equity, when the market becomes more volatile, even if we're still managing risk, the tracking error often goes up. So regardless of our efforts, tracking error could move.

For private markets, it's even trickier because, as you know, there's valuation lag. So if there's a public market benchmark that's moving around a lot and valuation lags with the private market return, again, the tracking error numbers are going to spike. So that's just the nature of the way those numbers are calculated but something to keep in mind.

The second challenge with tracking error is, when we think about managing our risk, we look long term. We think about correlations long term across asset classes. We think about risk of those asset classes and asset types over the long term.

Tracking error with a three year number will go out of whack when correlations between asset classes and correlations between the active returns among those asset classes go to one, as we saw in the March 2020 time frame. So, again, without us doing anything, those numbers will go up.

The third issue is actionability of tracking error. So for the public markets, they manage tracking error. They look at it every single

day. They think about what tracking error was and what it's projected to be, and they can adjust holdings with that in mind. That's not the way private markets do operate or should operate, because we don't want to be forced to make trades in illiquid assets at suboptimal prices because we are temporarily above a tracking error target.

Likewise, we don't want to pull back on making certain investments for current tracking error issues because we all know that the investments we make today are going to impact the returns five and, in private equity's case, maybe ten years from now. So while tracking error is a good measure, it's an imperfect measure.

What do we do temporarily because we trigger that measure? Well, the senior leaders' group recommended, and then Ash approved, an increase in that escalation standard. So whereas it had been at 2, we raised it to four and a half. So that's the standard that we've been operating under for the last fiscal year ending now June 2021.

The reason that we raised it is because, again, we're still focused on managing risk, but

it's a three year tracking error number. So the spike in volatility that we saw in the first half of March will be with us in that statistic for several years to come.

And to maybe give you a sense of where the numbers are at, in December of 2019, our tracking error was at 1.22 percent. June of 2020, so just after the volatility crept in, it was 2.03. That was above the 2 limit, barely but yet triggered the ICP to not be paid. Currently, we're at 2.23 percent. So, again, it's crept up a little bit, not because we did anything differently but because it encompasses a larger portion of that volatile period.

So for this ICP period, the 2.23 is elevated from what it had been historically, but it's still within what we have set as our escalation standard so should not be triggered from an ICP payment perspective.

MR. COLLINS: So let me -- so can I interrupt you for a second?

MS. ROMANO: Sure.

MR. COLLINS: So going to four and a half, what was it at its highest volatility? What was the tracking error at its highest through the

downturn?

MS. ROMANO: On a three year basis, where we're at now, it's close to the high. It's continued to creep up. So it's about -- we're currently at 2.23. The reason that we set it what probably seems high relative to what we've experienced is, you know, we set it -- we raised it mid-2020, and we knew if we had a creep back in market volatility in general, that we could continue -- rather than it be 2.23 percent, maybe we would be at 3 percent.

So we were trying to plan, during an uncertain period of market volatility, for that eventuality, that there could continue to be some dislocation in the market.

MR. COLLINS: Yeah. So that's not my question. My question is, when it got triggered, what was the high? So if your rolling average is 2.23, what was it in the high in the last year?

MS. ROMANO: So a one year tracking error? Sure. Our one year tracking error right now for the total fund is at 1.69. Let me get you the -- the high for one year was about three and a quarter.

MR. COLLINS: Three and a quarter. So what you're saying is, in order -- if you're going to make this change, you're making it for a reason other than hopefully just gaming the system, right? But you want to make sure that if you raise it to, say, 3, that because of those periods of really high tracking error, you would still have triggered that threshold that would have said you couldn't pay the ICP.

So going to four and a half, you're saying that over that three year period, you're still going -- it's going to be higher than 2.23 but you're picking a value that it will be below.

MS. ROMANO: Yes. But it's not -- there was no -- we're not trying to game the system.

MR. COLLINS: No, I'm not saying you are, but I'm just -- I guess my biggest question is, why go all the way to four and a half? If the high was three and a quarter, why do we need to go all the way to four and a half?

MS. ROMANO: Sure. Again, it was because as less -- it's a three year number. So as less volatile months rolled off and more volatile months were rolling on and we didn't have a window into exactly how volatile the market would be, we thought four and a half percent -- and

this was a discussion among us in conjunction, in talking to our consultant as well, to make sure we were picking a reasonable number. We thought four and a half was reasonable.

And there are differences in looking at one and three year periods. They're not quite comparable, just the way that the math works. So what we were focusing on was the right number for that three year period, which matches the three year performance period under which ICP is set.

Maybe it might be helpful to tell you where we're going, because this isn't the right metric, I think, on a long-term basis to be using.

MR. COLLINS: Okay.

MS. ROMANO: For all the reasons I outlined, tracking error isn't a good metric. We spoke with consultants about what our peers are doing. We spoke with our peers about what they are doing. Focus on the discussion on what they're doing for their risk budget obviously has implications for ICP.

What is standard practice is not to use tracking error for private markets. So the direction that we're going is focusing on managing risk in a way that's actionable. So

that is what we'll call actionable tracking error for our public market asset classes, because they do manage risk in that manner relative to a benchmark, and they can adjust as need be.

For private markets, we're going to take a different approach and use guardrails. Again, this is very consistent with what our peers do. To give you an example, for real estate, we'll put guardrails around exposure to property type and sector. In fact, we already have those guardrails in some of our asset allocation policies. They're just not tied directly to the risk budget.

But they're the way that, for instance, real estate manages risk, because it's where their exposures are and how they're changing those exposures. So we will put into place those types of guardrails on a go-forward basis. And if certain of those metrics are exceeded, that's when the trigger would be hit in terms of payment for the ICP. Much more consistent with peers but, most importantly, much more aligned with how we can effectively manage risk in multiple market types and over the long term.

MR. COLLINS: So are you going to compare

something for us to look at on that?

MS. ROMANO: Yeah. So the way this works is Ash has delegated authority or executive director delegated authority on the risk budget, and that is something that we set. And like I said, that's always done in conjunction with input from the asset class consultant. The ICP makes reference to the risk budget. So technically, those changes could be made within our organization on the risk budget.

MR. COLLINS: I'm not asking for us --

MS. ROMANO: We will obviously share the information with you as we finalize the numbers.

MR. COLLINS: Yeah. That would be great. I'm not asking for us -- something for us to approve, just something to -- I'm a little dense when it comes to this topic, so I need to read it probably.

MS. ROMANO: More than happy at any point, if you have questions, in more detail to go through it. That's all I had, unless there were any other questions.

MR. OLMSTEAD: I guess the question is, what's the follow-up on this?

MR. TAYLOR: So at least in terms of the

overall idea of a review of the incentive compensation plan, I think that has been done. Mercer did that, provided it to us, provided the feedback to the committee.

And I think that the takeaway is it's working well. It is a bit conservative, but it was designed to be a bit conservative. And so it's really something that just needs to be sort of reviewed periodically to make sure we're staying consistent with the objective. And to the extent we start seeing any sort of issues in recruitment and retention, we would certainly bring that to the committee's attention and see if there's a need to make adjustments.

As far as the risk item goes, as Alison pointed out, the incentive compensation plan just simply refers to the SBA's risk budget policy and the asset classes, and Alison is in the process of modifying that to move to a more actionable framework, and we'll share that information with you as it's developed. Is that fair, Alison?

MS. ROMANO: Yeah, correct.

MR. TAYLOR: So I think that's really it. I think there's nothing -- no action item for the committee at this time, unless you just wanted to

weigh in or comment on it.

MR. OLMSTEAD: Okay.

MR. TAYLOR: I think that's all for us on item 8. The other item, item 9 is Attachment 5 in the materials. It's information only. Happy to go through any of that in detail if you'd like. It's just sort of an update on where we stand both on the incentive payout over time as well as where we stand on our salaries on a competitiveness or compa-ratio basis.

MR. OLMSTEAD: I appreciate you putting it in there. I don't have any questions on it. If anybody else does, that's fine. Otherwise, I think we're good. I did appreciate that being in there, though, so not that it wasn't reviewed, but just no need to go through it.

Okay. So I assume there's no audience comments or other business at this juncture?

MR. TAYLOR: Amy, is anybody in the Hermitage Room that has indicated they want to make a comment?

MS. WALKER: No. Nobody is here. Thank you.

MR. TAYLOR: I think that's it.

MR. COLLINS: I guess we should have asked

that at the beginning.

MR. OLMSTEAD: No. If you wait long enough, they don't ask questions.

MR. COLLINS: No. I meant if there was anybody there.

MR. OLMSTEAD: Oh, anybody there. All right. I assume we can, at this juncture, thank everybody who attended, did a lot of preparation, Mercer, Lamar and Alison, a lot of hard work here, and we truly appreciate it. Great year to Ash and team. And we know our follow-up items on the -- on our ask regarding the CIO. But, Peter, unless you have anything else, or others, I think we are good to go.

MR. COLLINS: Yeah. I don't. The only thing I would say is just to reiterate that not only are we looking at possibly an amendment to take care of a retirement but also an interim title.

MR. TAYLOR: All right. We'll add that to the list, Peter.

MR. WILLIAMS: Thank you, Mr. Chairman, thank you all.

MR. OLMSTEAD: Bye all.

(The meeting concluded at 2:50 p.m.)

CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF LEON

I, JO LANGSTON, RPR, certify that I was authorized to and did stenographically report the foregoing web conference meeting, and that the transcript is a true and complete record of my stenographic notes.

Dated this 20th day of September 2021.

Jo Langston

JO LANGSTON, RPR

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Attachment 2

STATE BOARD OF ADMINISTRATION OF FLORIDA

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August 26, 2022

Mr. Vinny Olmstead
Chair, IAC Compensation Subcommittee
2770 Indian River Boulevard, Suite 501
Vero Beach, FL 32960

Dear Vinny:

In preparation for the September 6, 2022, IAC Compensation Subcommittee meeting, I have prepared for the Committee's consideration the following self-assessment. Fifteen percent of the compensation awarded under the incentive compensation plan applicable to a <u>permanently appointed</u> Executive Director & CIO is based on a qualitative assessment of the incumbent's performance around four areas: (1) Overall Mission, (2) People, (3) Efficiencies/Infrastructure/Operations, and (4) Interaction with the Investment Advisory Council and the Audit Committee. As <u>Interim</u> Executive Director and CIO, I am not permitted to participate in any of the SBA incentive compensation plans; therefore, the formal evaluation process, intended to provide documentary support for the IAC's recommendation to the Trustees regarding the qualitative component of the ED/CIO's Incentive Compensation Plan, is not applicable this year.

Nevertheless, I would greatly value the thoughts and feedback from the Subcommittee on my performance since my appointment. Please see the following self-assessment relating to the four areas referenced above. I have also included herein the standard reporting on SBA salary and incentive compensation for review and discussion at the September 6, 2022, SBA IAC Compensation Subcommittee meeting.

<u>Author's Note:</u> The self-assessment that follows is written largely in the first person. This is because in most cases, I am the one responsible for representing the SBA in leading the issues, and I am rightfully held accountable for the results, good or bad. However, the successes of the SBA are a team effort and are always a function of the many talented, intelligent, and first-rate individuals here at the board, which I have had the honor and privilege of working alongside over the past 20 years. I remain keenly aware of that fact.

1. Overall Mission

The evaluation of this category should reflect the degree to which the incumbent has:

- Assured appropriate alignment with the investment policy of the SBA's mandates (e.g., the FRS Defined Benefit Pension Plan, the Florida Retirement System (FRS) Investment Plan, Florida PRIME, Florida Hurricane Catastrophe Fund (FHCF), etc.), considering the long-term needs of the relevant fund, the risk tolerance of the SBA Trustees and the perceived market environment;

- Provided leadership for effective functioning of the SBA, FHCF and the Investment Plan; and,
- Maintained/strengthened (a) the reputation/brand and performance of the SBA in relation to its large public pension plan peers, (b) external communications, and (c) issue management.

Below are a list of activities and accomplishments I believe are relevant to this category:

- **Continued advocacy for more conservative assumptions for pension plan funding**

As required by Section 121.0312, Florida Statutes, at the October 7, 2021, Actuarial Assumptions Estimating Conference, I provided comments on behalf of the SBA with respect to the assumptions used in determining the employer contribution rates for the Florida Retirement System. In line with a letter submitted by the SBA to the legislature in August of 2021, I advocated for lowering the assumed rate of return used to discount the pension liability to 6.80% from 7.00% as well as for reducing the amortization period on the unfunded liability to 20 years from 25 years. I am happy to report that these recommendations, with the support of the IAC and the Trustees, were adopted by the Assumptions Conference. Together, these changes in assumptions were responsible for an estimated additional $610 million in contributions to the Pension Plan.[1]

In addition to the above recommendations, the SBA also proposed legislation to:

- Mandate adopting an actuarial rate of return assumption that corresponds to a rate deemed reasonable by the pension plan's actuary as reported (per GASB 67) in the State of Florida's Annual Consolidated Financial Report;
- Switch to amortizing unfunded liabilities based on a level dollar amortization method and away from a level percent of pay method; and
- Increase employer and employee contribution rates, given the relatively low employer and employee contribution rates in Florida as compared to peer plans.

Although these ideas were not adopted, with the support of the IAC and the Trustees, the SBA will continue to advocate for appropriate, conservative assumptions in the actuarial funding process to help ensure sufficient funding of pension liabilities into the future.

- **Continued to support Florida's insurance market through involvement in the Reinsurance to Assist Policyholders Program**

In May of this year, Governor DeSantis called a special session to address various issues adversely affecting the Florida residential property insurance market. One of these items was the affordability and availability of reinsurance coverage in the private market. Considering the SBA administers the Florida Hurricane Catastrophe Fund (FHCF), there were legislative proposals that could directly or indirectly impact the FHCF. The staff of the FHCF and I worked with the Florida legislature and Trustees' staff to evaluate proposed statutory language that would provide coverage to companies below the FHCF industry retention. The Florida Legislature created the Reinsurance to Assist Policyholders (RAP) program that was signed into law by Governor DeSantis on May 26, 2022. The RAP program, administered by the SBA, provides a $2 billion layer of coverage to qualifying companies over a two-year period. The RAP coverage sits below the FHCF projected industry retention of $8.5 billion and is funded from the state's General Revenue at no cost to the companies.

[1] Numbers derived from Milliman's Blended Proposed Statutory Normal Cost Plus UAL for 2022-2023 Plan Year report, dated December 1, 2021, Table 1 and Milliman's 2021 FRS Actuarial Assumptions Conference Presentation, both available at Florida Retirement System Actuarial Assumption Conference Florida Retirement System (state.fl.us).

Throughout the development of this legislation, the FHCF team and I worked closely with consulting actuaries to ensure that the language in the statute was administrable by the SBA and would not result in duplicative coverage with the FHCF mandatory layer. For the 2022-2023 contract year, 69 of 148 insurance companies will be participating in RAP, and the FHCF has executed contracts in place for those insurers. The remaining insurers will defer their participation in RAP until the 2023-2024 contract year.

- **<u>Sought a legislative increase in the alternative investment statutory cap</u>**

During the regular 2022 legislative session, SBA staff and I worked closely with legislators and their staff to increase the SBA's legal limitation on alternative investments to 30%. Currently, Section 215.47(15), Florida Statutes, limits the SBA's investments of any fund in alternative investments to 20%. Alternative investments are defined to include private equity funds, venture funds, distressed funds, hedge funds, direct investments in portfolio companies and other similar non-public investments. Essentially, this includes the investments we make in the Private Equity and Strategic Investments asset classes.

As we indicated to the legislature, an increase is necessary due to the expected improved risk-adjusted return benefits from additional allocation to these investments, particularly in areas such as private credit and investments with lower correlation to public equities. Further, due to the unexpected significant run-up in valuations of these investments, particularly our venture funds, the SBA was already approaching its 20% cap.

Under my direction, the SBA presented to several House and Senate committees during the legislative process. Ultimately, the bill did not pass. Since the session, as I have reported, the SBA has slightly exceeded its 20% cap on alternative investments. We are managing this by foregoing new alternative investment commitments while the SBA is above the cap. Given the importance of having the authority to continue allocating funds to alternative investments, the SBA plans to go back to the Florida legislature next session to seek an increase in the alternatives cap.

- **<u>Responded to increasing risks posed by China and Emerging Markets in the wake of Russia's invasion of Ukraine</u>**

On December 21, 2021, the Board of Trustees tasked me with conducting a survey of the FRS's investments in Chinese companies and report back to them at the March Trustees' meeting. The concern expressed by the Trustees was to ensure the SBA was monitoring and mitigating the financial risk associated with investments tied to the Chinese Communist Party.

As reported to the Trustees in March 2022, the SBA's investments in Chinese companies are a function of the SBA's exposure to Emerging Markets, which is (a) in line with other public plans our size; and (b) consistent with a globally diversified equity strategy. Further, the degree of exposure to these companies remains relatively small at less than 3% of the FRS. The SBA maintains risk assessment and mitigation procedures to address the financial, legal and compliance risks associated with these investments. Importantly, however, prior to providing that report at the March 2022 Trustees' meeting, Russia invaded Ukraine, which resulted in unprecedented global financial sanctions against Russian individuals and Russian companies. China has remained aligned with Russia throughout the crisis, although it has complied with the sanctions.

At the March 2022 Trustees' meeting, I announced that until further notice the SBA would suspend any new investment strategies involving China or in Emerging Markets that included China. This announcement followed China's refusal to condemn Russia after their invasion of Ukraine and their continued alliance, which could cause potential impact on the valuations of the SBA's investment in Chinese companies. This suspension remains in place as we continue to monitor the risks inherent in these investments. To the extent any investment limitations involving China are proposed in this upcoming legislative session, we will endeavor to work with the sponsors of any such legislation to educate them on any potential impact on the funds we manage.

- **Underscored SBA's proxy voting activities are focused exclusively on the economic best interest of FRS beneficiaries and increased percentage of proxies voted in house**

On December 21, 2021, during the Trustees' meeting, the Trustees tasked me with (a) reviewing the SBA's Proxy Voting Guidelines and underscoring that when the SBA votes proxies, it is doing so with the objective of maximizing the economic best interests of FRS beneficiaries; and (b) increasing the percentage of proxies related to the Pension Plan that are voted directly by the SBA team.

Every year for the Pension Plan, SBA staff vote over 100,000 ballot items for more than 10,000 security positions. Historically, and prior to December 2021, SBA staff voted approximately 92% of all votable proxies held by the Pension Plan. Subsequent to the Trustees' directive, the SBA worked to transfer voting power from the remaining investment managers to SBA staff. At the March 2022 Trustees' meeting, I was happy to report that SBA staff now votes 99% of all votable proxies for the Pension Plan, and we are continuing to work on transferring the remaining 1% of votable proxies to the SBA team.

In addition to voting proxies within our organization, SBA staff compiled a set of voting guidelines to which they adhere when recording proxy votes. If any changes are made to these guidelines, they are reviewed and approved by the IAC and ultimately adopted by the Trustees. After the December 2021 meeting, the SBA staff and I conducted a thorough review of these guidelines, as directed by the Trustees. As reported in the June 2022 meeting, these guidelines were presented for Trustee approval. The updated guidelines state the overriding purpose of the corporation is to maximize shareholder value over time, and this principle drives our proxy votes.

- **Commenced structural review of Strategic Investments asset class**

In the spring of 2022, the SBA engaged a vendor to conduct a structural review of the Strategic Investments asset class. I, and the Deputy CIO at the time, initiated this review in light of (a) the maturation of the asset class; (b) the multiple objectives of the asset class; (c) the changing landscape of investment opportunities in private markets; and (d) the recommendation by the SBA's asset allocation consultant that the SBA increase the allocation to alternative investments, particularly those in the Strategic Investments asset class.

The overall purpose of the review is to determine how well the Strategic Investments asset class has accomplished its objectives to date and whether, in light of changing market conditions, any aspect of the asset class objectives or portfolio construction practices need to be revisited. The SBA has received preliminary feedback and is in the process of evaluating. Once this process has been completed, we will report the final conclusions and recommendations to the IAC as near as possible to the asset/liability discussion by Aon.

- **Continued to grow participation in the Investment Plan while enhancing user experience**

For the fiscal year ending June 30, 2022, participation in the Investment Plan increased 8.5% or 22,305 from the previous fiscal year-end. As of March 31, 2022, there is a total of 272,274 current participants in the plan, which include 179,513 active participants, i.e., employees who are still drawing a salary and who, along with their employer, are continuing to contribute to the plan. Nearly 50% of all non-special risk new hires default into the plan, a trend that began with the change of default retirement plans in 2018 and has not since abated.

Additionally, there were many enhancements made to the user experience for new and existing members. This past year, the FRS website was redesigned to make it more user-friendly and to add additional educational resources. Also, electronic election forms were provided for members to select the plan they prefer, and a new online chat provider was introduced for employees to have access to a virtual representative. Lastly, this past year, the Investment Plan replaced the money market fund with a stable value fund, which has served members well in light of rising interest rates.

- **<u>Continued to see significant further growth in Florida Prime</u>**

As of June 30, 2022, the total market value of Florida PRIME™ was approximately $18.7 billion and has increased approximately $500 million, largely due to the attractive investment yield on the heels of a rise in the Fed funds rate. Additionally, Florida PRIME™ hit a decade-high of $20.7 billion in January 2022, and the pool has increased by $1.25 billion, representing a growth rate of 7.2% through FY21 to FY22.

The performance of Florida PRIME™ has been consistently strong over short-term and long-term periods. For the period ending June 30, 2022, Florida PRIME™ generated *excess* returns (performance above the pool's benchmark) of approximately 15 basis points (0.15 percent) over the last 12 months, 14 basis points (0.14 percent) over the last three years, and 21 basis points (0.21 percent) over the last five years. Additionally, Florida PRIME™ has outperformed all other government investment pools statewide. Through the five-year period ending **March 31, 2022**, Florida PRIME™ ranked in the top 1% among all registered money market funds within iMoneyNet's First Tier Institutional Fund Universe.

- **<u>Successfully completed another budget funding cycle</u>**

The Trustees approved the SBA's 2022-2023 operating budget at the June 22, 2022, Trustees' meeting. Overall, the increase for the SBA amounted to 8.8%, with an increase of 5.7% of salaries for recruitment and retention funds, which will be used to continue to mitigate human capital risk in line with the compensation program guidelines developed with IAC and Trustee support in 2013. In addition to funding to mitigate human capital risk, the 2022-2023 budget includes significant funding for infrastructure and IT enhancements, including funds for critical software and hardware upgrades, further implementation of cloud-based enterprise software solutions, and the replacement of end-of-life servers and network storage devices.

2. People

The evaluation for this category should reflect the degree to which the incumbent has:

- Developed subordinate staff
- Recruited and retained key talent

The SBA has not been immune to a challenging recruitment and retention environment. Over the past year, the SBA lost nine employees to retirement, had its Deputy CIO was recruited away in April, and is anticipating the loss of at least one key senior leader in the first quarter of 2023. Additionally, almost 12% of the SBA workforce is in DROP (the State's early retirement incentive program) or are eligible to retire by the end of calendar year 2023.

Although we have seen the number of applications for open positions decrease over the past year, the SBA is still attracting high quality candidates for open positions. During the Fiscal Year ending June 30, 2022, the SBA filled 46 positions, including five asset class analysts, three asset class portfolio managers, and a key investment staff professional in the Investment Plan. Additionally, the SBA has promoted 11 colleagues internally, five colleagues moved laterally to different departments, and 30 new colleagues have joined the SBA team. We are in the process of continuing to fill several key management positions, and given the continued support from the IAC and the Trustees in funding our recruitment and retention budget requests, I am optimistic that we will continue to attract the necessary high caliber talent.

3. Efficiencies/Infrastructure/Operations

The evaluation for this category should reflect the degree to which the incumbent has:

- Assured the development of organizational structures, systems and processes that enable effective functioning of the SBA, the FHCF, and the Investment Plan;

- This includes areas such as communication of knowledge; development and institutionalization of systems and structures to enhance performance and control risk; efficient acquisition and use of data and other resources; business continuity planning, etc.

The SBA has made many strides in improving efficiencies, expanding upon current infrastructure, and streamlining our operations. Below you will find a list of new and in-progress initiatives to improve the internal and external monitoring functions of the SBA.

- **Aladdin eFront Alternative Investments Portfolio Management**
  In July 2022, The SBA introduced Aladdin's eFront investment portfolio management to enhance the management of alternative investments. With eFront, the SBA team has the ability to manage private assets in our portfolio and understand risk and performance attribution while gaining more transparency into every level of our investments.

- **StarCompliance Personal Trading Compliance**
  Compliance with personal investments is a top priority of the SBA and strictly enforced. Any conflict of interest between personal investments and professional responsibilities are prohibited, and SBA colleagues are to exercise caution and always place the interests of the SBA before their own. In December 2021, the SBA implemented StarCompliance to assist the SBA's compliance officers with efficiently detecting personal trading conflicts. The StarCompliance Personal Trading product assesses personal trade requests made by employees against a rules engine that has been configured to enforce SBA-specific policies. Unlike traditional and manual affirmations and declinations, employees are given an immediate automatic decision, or their request is prompted for a multi-level review.

- **Cloud Disaster Recovery Solution**
  The SBA is in the process of fully implementing a Cloud Disaster Recovery solution for enhanced business continuity and resiliency. The SBA's disaster recovery data center is currently located in Jacksonville. Under typical circumstances, we would fail-over operations to the data center in Jacksonville in the event of a threat in Tallahassee; however, that has since become a risk, since Jacksonville and Tallahassee have both been threatened by the same storm in recent years. As a result, we are seeking to implement a cloud-based disaster recovery solution that will eliminate the risk that a physical location will be in harm's way. This solution is slated to be completed by the end of this fiscal year.

- **BitSight ThirdPartyTrust Risk Management**
  Reducing cybersecurity risk and remediating gaps and vulnerabilities is a critical process that allows the SBA's security team to effectively control and monitor the SBA's exposure to outside management. Implemented this year, BitSight ThirdPartyTrust is an effective tool that assists our team in the validation of security controls and allows for continuous risk monitoring of the SBA's contracted vendors, providing additional protection to the SBA and our systems.

- **Workiva for Florida Hurricane Catastrophe Fund**
  Workiva, implemented July 2022, has provided a cloud-based platform that streamlines the annual financial statement preparation process for the FHCF. Additionally, this program has automated many work process examinations by providing a central repository for all parties.

- **PeopleSoft Time & Labor and Absence Management –**
  This solution replaced an older version of the PeopleSoft time and labor system. Prior to this new solution, our IT team was very limited in making modifications to accommodate enhancement requests. The new modules were implemented to eliminate manual processes and provide a more streamlined payroll process. The project also included a move from monthly to biweekly payroll to leverage payroll processing efficiencies.

- **Investment Adviser Examination**
  The SBA retained Renaissance Regulatory Services, Inc. (RRS) to conduct an Investment Adviser Examination. Although the SBA is not subject to direct regulation by the Securities and Exchange Commission (SEC), at the request of the SBA's management team, RRS planned this review based on the scope of a SEC regulatory examination. The SBA requested a comprehensive review to ensure its policies and procedures are reasonably designed and adequate to address its unique compliance and operational risks and take into consideration relevant SEC expectations and industry best practices (Compliance Program Analysis). The scope of the review included process design, workflow, systems, and key controls for the SBA's internally managed public market asset classes (fixed income and global equities, including review of foreign exchange and derivatives practices). The review also included an examination the SBA's policies and procedures to ensure consistency across documentation, obedience to regulatory requirements, and adherence to industry best practices. The review consisted of document inspection and analysis, observations of practices and operations, interviews with the SBA's staff, and an on-site examination beginning on June 1, 2022, and ending on June 3, 2022, that covered the period from July 1, 2020, through December 31, 2021. RRS' review of the in-scope areas did not reveal material weaknesses in compliance or operational controls. However, RRS identified areas for enhancement that would further strengthen the SBA's compliance program and bring its operations more in line with SEC-regulated entities and industry best practices. Management will review and prioritize recommendations for implementation.

4. Interaction with the Investment Advisory Council and the Audit Committee

The evaluation for this category should reflect the degree to which the incumbent has:

- Provided requested information and transparency.
- Maintained effective working relationships with individual IAC members and the Council as a whole, and with members of the Audit Committee on matters within the concern of each body.

The IAC and Audit Committee members have an integral role in the success of the SBA. I fully believe that regular communication and interaction with both parties should be and remain a top priority. With a portfolio exceeding $228 billion, the importance of policy oversight and feedback on new investment strategies lead the SBA in achieving long-term objectives. All of this could not be done without an open line of communication between the SBA and each IAC member. I remain committed to expanding transparency and building a strong foundation with each of our members, so that in turn, appropriate guidance can be provided to not only me, but also the SBA team. I trust that I have built a relationship with each of you where you feel you are able to have a meaningful conversation about any business conducted at the SBA and on behalf of our shareholders. I remain focused on ensuring that we continue to coordinate and maximize returns for the economic best interest of our beneficiaries.

In closing, I would like to thank each of the Compensation Subcommittee members for their time and effort in providing critical feedback and counsel to me as Interim Executive Director & CIO and to the entire SBA team through your participation on the IAC at large. I am happy to answer questions of members individually should anyone have any additional questions or requests ahead of the September 6th Compensation Subcommittee Meeting. I look forward to seeing you soon.

Best regards,

Lamar Taylor
Interim Executive Director & CIO

Attachment 3

2021-2022 SBA Compensation Update

SBA Incentive Compensation Update

	FY2016-2017	FY2017-2018	FY2018-2019	FY2019-2020†	FY2020-2021	FY2021-2022
Total Eligible Positions	63	63	63	64	66‡	71[1]
Total Participants Receiving an Award	59	54	58	0	58	67
Maximum Possible Quantitative Award	$1,783,384	$1,831,456	$1,962,033	$2,182,470	$2,123,588	$2,398,277
Actual Quantitative Award (Paid over 2 years)	$1,610,799	$1,648,299	$1,783,358	$0	$1,742,585	N/A
Maximum Possible Individual Award	$343,442	$350,144	$369,655	$417,468	$403,005	$453,666
Actual Individual Award (Paid over 2 years)	$296,867	$311,107	$335,657	$0	$335,029	N/A
Maximum Possible Award	$2,126,827	$2,181,600	$2,331,688	$2,599,938	$2,526,594	$2,851,943
Actual Total Award Earned (Paid over 2 years)	$1,907,665	$1,959,406	$2,119,014	$0	$2,077,615	N/A
Total Earned Quantitative ÷ Max Possible	90%	90%	91%	0%	82%	N/A
Total Earned Individual ÷ Max Possible	86%	89%	91%	0%	83%	N/A
Total Earned ÷ Max Possible	90%	90%	91%	0%	82%	N/A
% Participants Earning Max Possible	63%	69%	37%	0%	83%	N/A
Total Awards Paid in December following FY	$1,728,304	$1,886,568	$2,063,465*	$0	$1,041,234*	N/A
Total Awards Deferred to December after next FY	$953,833	$979,703	$922,488	$0	$1,009,224	N/A

† Incentive payouts were not triggered because the SBA had active risk compliance exceptions in FY2019-2020 due to extraordinary volatility in the market due to the Covid-19 pandemic. Maximum figures were reduced from last year's report due to the resignation of an eligible participant.

‡ In 2020-2021, two new Quantitative Analyst positions were added in Private Equity.

* More than 50% of earned awards were paid out due to individuals reaching age 65 in the calendar year and triggering 100% payout pursuant to the Plan Document.

1 In 2021-2022 5 positions added to eligibility; 1 Sr Investment Analyst in FI, 1 Sr Investment Analyst in IPAA, 1 Manager of Investment Analytics in ODCP, 1 Investment Analyst in RE, and 1 Portfolio Manager 1 in RE

SBA Base Compensation Comparison for 2020 & 2021 Salary Adjustments

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
	December 2020 Adjustments	December 2021 Adjustments	December 2020 Adjustments	December 2021 Adjustments	December 2020 Adjustments	December 2021 Adjustments
Total Employees	170	172	113	120	57	52
Employees as % of Total Employees	-	-	66%	70%	34%	30%
SBA Compa-Ratio (Total Salaries ÷ Total Midpoints)	97%	101%	101%	103%	93%	99%

The table above reflects adjustments to SBA employees only and excludes ineligible employees, position reclassifications, and the ED/CIO adjustment.

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
	December 2020 Adjustments	December 2021 Adjustments	December 2020 Adjustments	December 2021 Adjustments	December 2020 Adjustments	December 2021 Adjustments
Aggregate Rate Increase	$868,523	$1,067,558	$366,276	563,583.62	$502,248	503,974.81
Median Base Pay Increase	$3,800	$4,700	$3,000	$4,000	$8,779	$10,395
Average Base Pay Increase	$5,109	$6,207	$3,241	$4,156	$8,811	$10,166
Median % of Base Pay Increase	4.0%	5.0%	4.0%	5.0%	6.1%	6.0%
Average % of Base Pay Increase	4.9%	6.0%	4.0%	5.0%	6.8%	8.5%

The table above reflects adjustments to SBA employees only and excludes ineligible employees, position reclassifications and the ED/CIO adjustment.

SBA Base Compensation Adjustments December 2021 – Latest Cycle

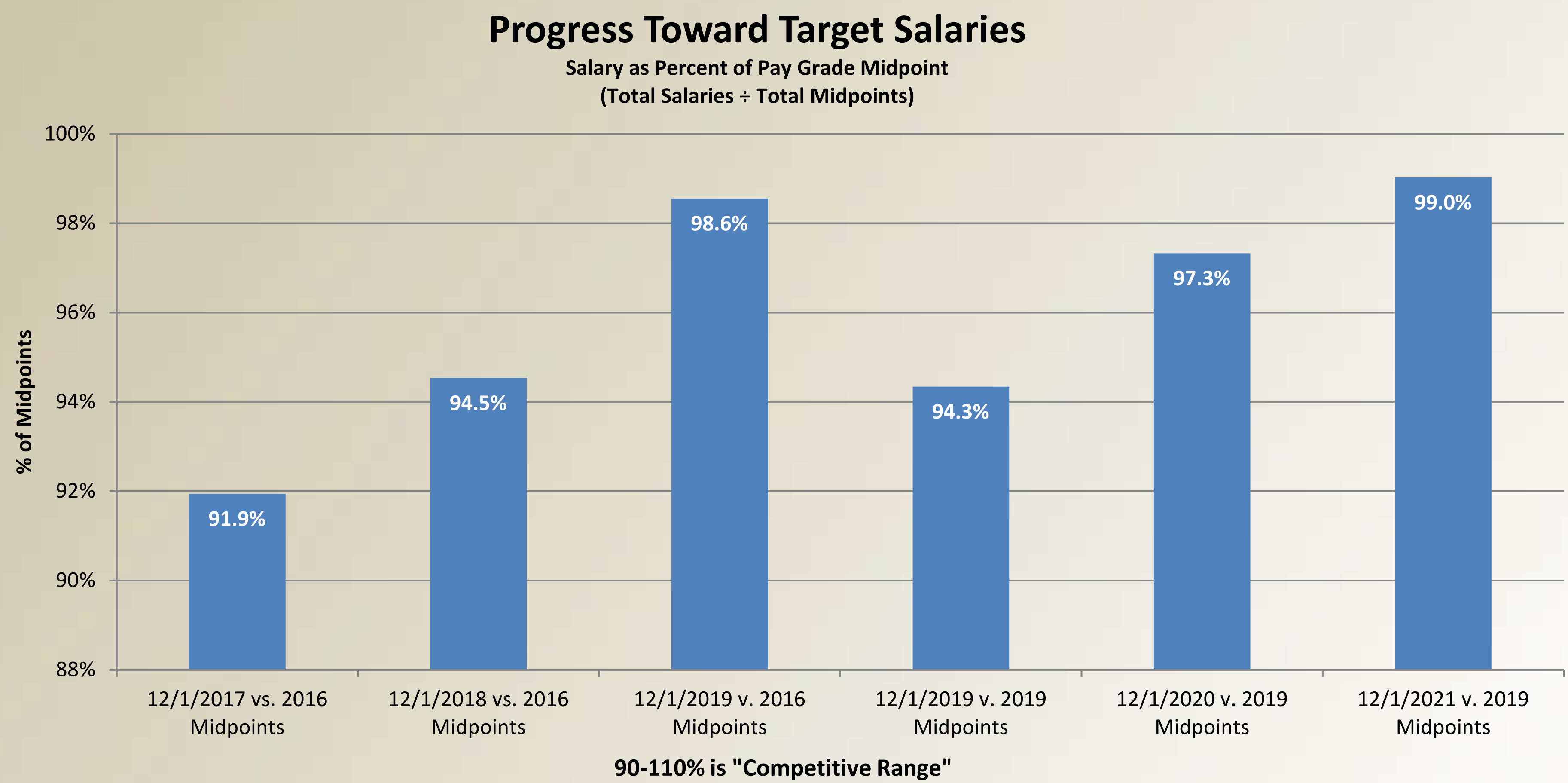
Distribution Update

	All SBA Employees		Non-Incentive Eligible		Incentive Eligible	
% of Increase	**# of Employees**	**% of Employees**	**# of Employees**	**% of Employees**	**# of Employees**	**% of Employees**
0% - 3%	14	8%	9	8%	5	10%
3.1% - 6%	120	70%	91	76%	29	56%
6.1% - 10%	21	12%	12	10%	9	17%
Greater than 10%	17	10%	8	7%	9	37%

The table above reflects adjustments to SBA employees only and excludes ineligible employees, position reclassifications and the ED/CIO adjustment.

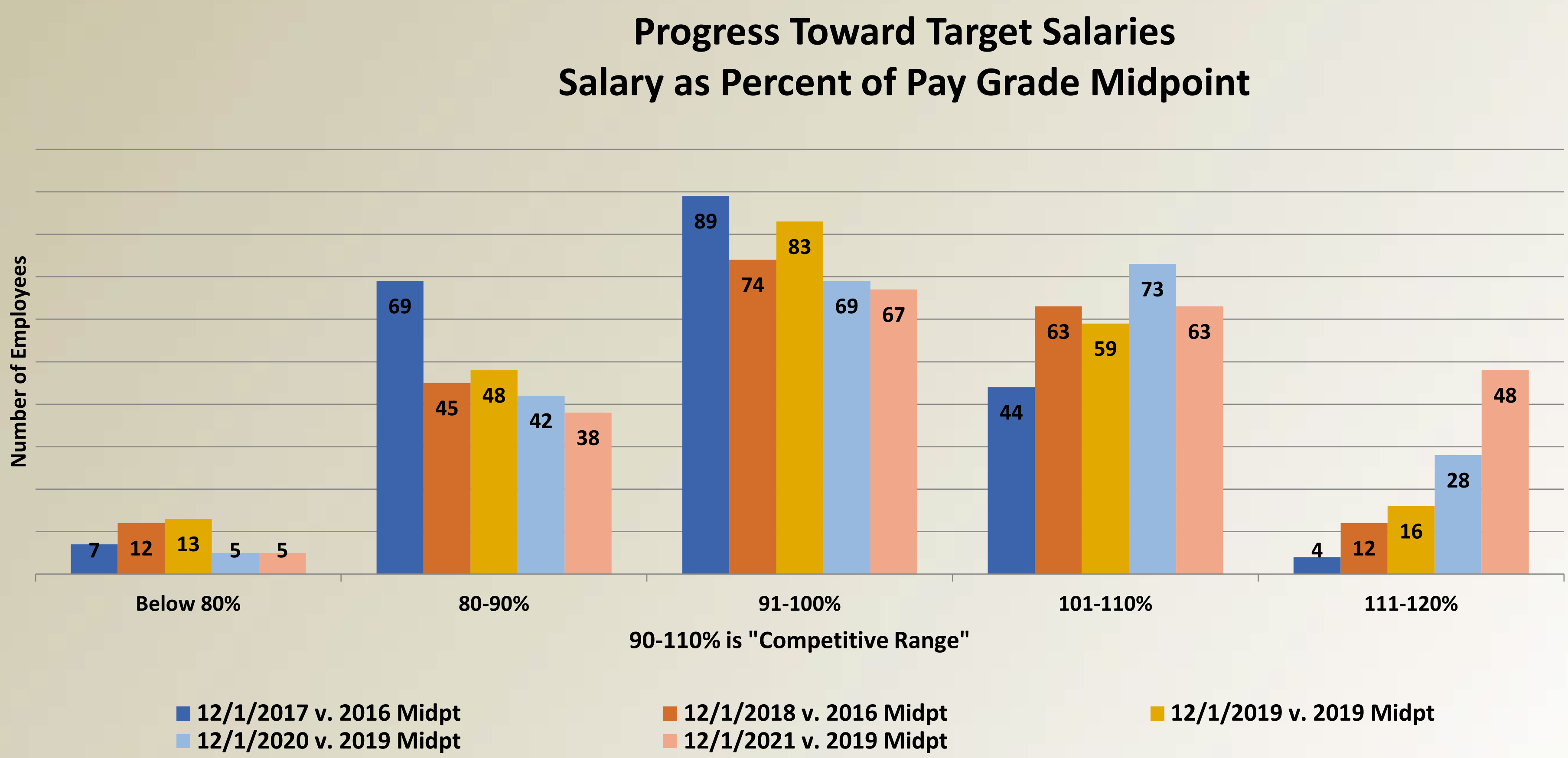
Progress Toward Target Salaries

(Organization-wide Compa-Ratio)



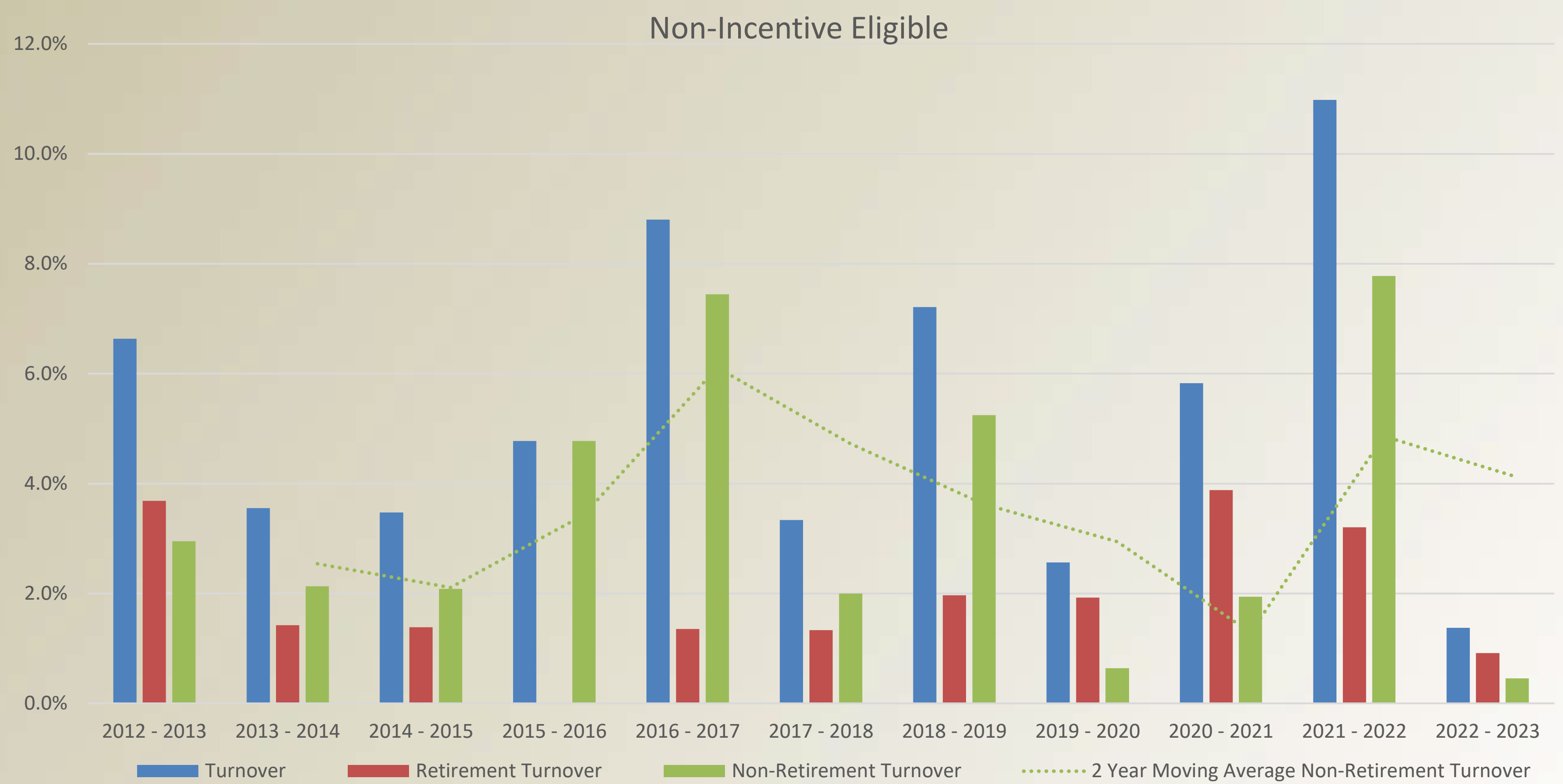
Progress Toward Target Salaries

(Distribution of Employees by Compa-Ratio)

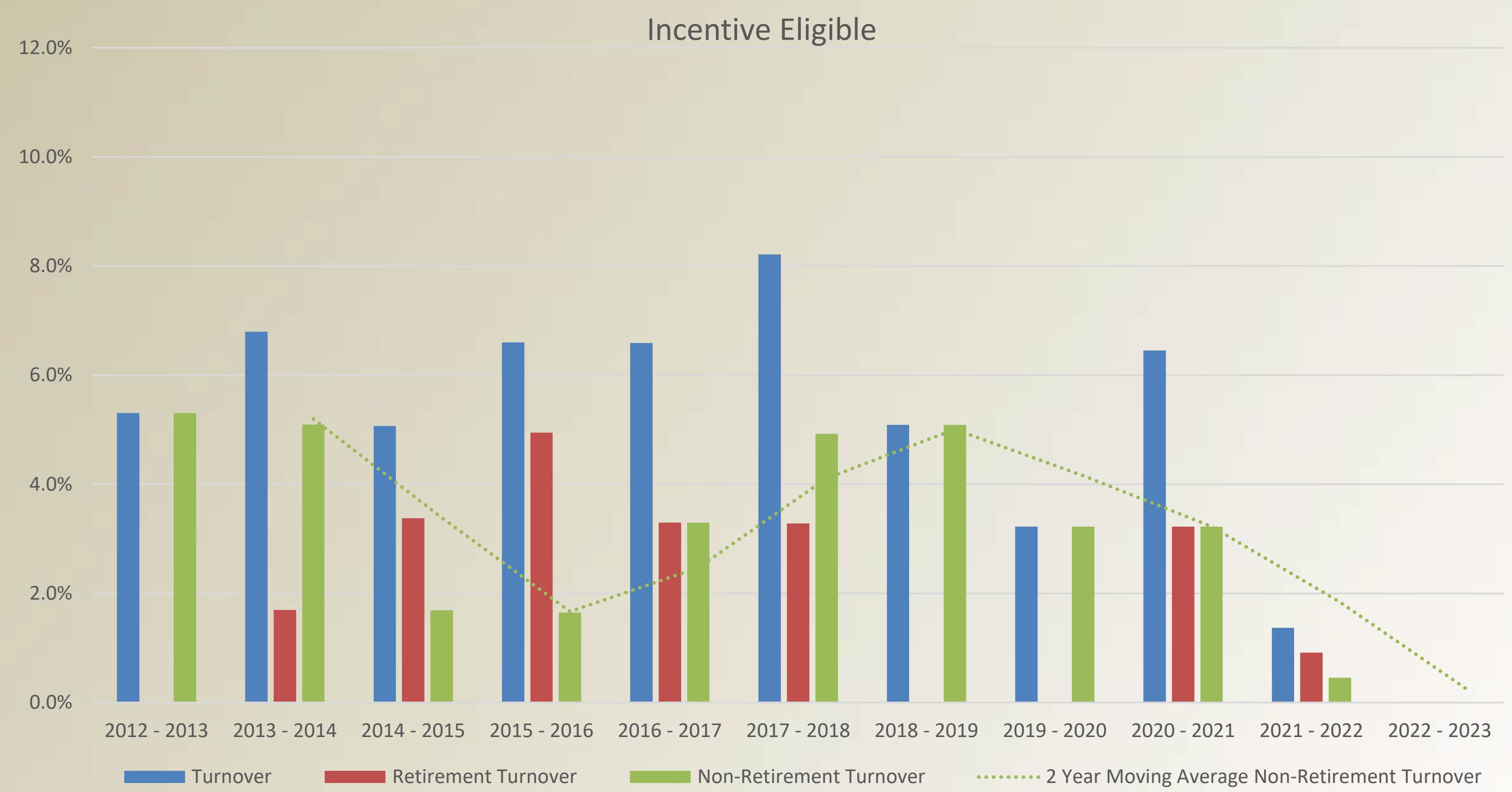


Turnover for all SBA, ODCP, and FHCF Staff

Turnover for all SBA, ODCP, and FHCF Non-Incentive Eligible Staff



Turnover for all SBA, ODCP, and FHCF Incentive Eligible Staff



Projected Retirements by December 2028 for all SBA, ODCP, and FHCF Staff

- 75 (34.4%) of 218 employees are eligible to retire by the end of 2028.
- 43 (57.3%) of the 75 employees eligible to retire are manager/supervisor-level and above.
- There are 43 (51.8%) manager/supervisor-level and above employees eligible to retire of the 83 total manager/supervisor-level and above employees. This means that 51.8% of the SBA's manager/supervisor-level and above positions could be replaced by the end of 2028.
- Of the 75 employees eligible to retire, 17 (22.7%) are already in DROP. Of the 17 in DROP, 9 (52.9%) are manager/supervisor-level and above.
- Of the 75 employees eligible to retire, 17 (22.7%) are in an asset class and 58 (77.3%) are in operations.
- There are 67 filled incentive eligible employees with 22 (32.8%) eligible to retire by the end of 2028.