Agenda
Investment Advisory Council (IAC)

Tuesday, June 28, 2022, 1:00 P.M.*

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

1:00 – 1:05 P.M.	**1.**	**Welcome/Call to Order/ Approval of Minutes** *(See Attachments 1A – 1B)* ***(Action Required)***	*Tere Canida, Chair*
1:05 – 1:15 P.M.	**2.**	**Opening Remarks/Legislative Update/Reports/Other Updates & Reports** *(See Attachments 2A – 2E)*	*Lamar Taylor,* *Interim Executive Director & CIO*
1:15 – 2:05 P.M.	**3.**	**Private Equity Review** *(See Attachments 3A – 3B)*	*John Bradley, SIO* *Private Equity Asset Class* *Wes Bradle,* *Senior Portfolio Manager* *Sheila Ryan,* *Cambridge Associates*
2:05 – 2:50 P.M.	**4.**	**Florida Growth Fund Review** *(See Attachment 4)*	*Sheila Ryan,* *Cambridge Associates*
2:50 – 3:35 P.M.	**5.**	**Florida Retirement System Investment Plan Review** *(See Attachments 5A – 5B)*	*Dan Beard,* *Chief of Defined Contribution Programs* *Mini Watson,* *Director of Administration* *Walter Kelleher,* *Director of Educational Services* *Katie Comstock,* *Aon*

3:35 – 4:30 P.M.	**6.**	**Florida PRIME™ Review** *(See Attachments 6A – 6C)* *A. Florida PRIME Legal Compliance Review – Chapter 218, Pt. IV, F.S.* *B. Florida PRIME Best Practices Review* *C. Florida PRIME Portfolio Review*	*Mike McCauley, Senior Officer* *Investment Programs & Governance* *Glenn Thomas,* *Lewis, Longman, Walker* *Katie Comstock,* *Aon* *Amy Michaliszyn,* *Paige Wilhelm,* *Luke Raffa,* *Federated Hermes*
4:30 – 4:35 P.M.	**7.**	**Review of Florida PRIME Investment Policy Statement** *(See Attachments 7A-7B)* ***(Action Required)***	*Lamar Taylor,* *Interim Executive Director & CIO*
4:35 – 4:40 P.M.	**8.**	**Review Changes to Florida Retirement System Pension Plan Investment Policy Statement** *(See Attachments 8A – 8B)* ***(Action Required)***	*Lamar Taylor,* *Interim Executive Director & CIO*
4:40 – 5:10 P.M.	**9.**	**Asset Class SIO Updates** *(See Attachments 9A – 9D)*	*Tim Taylor, SIO* *Global Equity* *Katy Wojciechowski, SIO* *Fixed Income* *Steve Spook, SIO* *Real Estate* *Trent Webster, SIO* *Strategic Investments*
5:10 – 5:25 P.M.	**10.**	**Major Mandate Performance Review** *(See Attachment 10)*	*Katie Comstock,* *Aon*
5:25 – 5:30 P.M.	**11.**	**Audience Comments/2022 Meeting Dates/ Closing Remarks/Adjourn** *(See Attachment 11)*	*Tere Canida, Chair*

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

MINUTES
INVESTMENT ADVISORY COUNCIL
March 29, 2022

A hybrid meeting of the Investment Advisory Council (IAC) was held on Tuesday, March 29, 2022, via Microsoft Teams. The attached transcript of the March 29, 2022, meeting is hereby incorporated into these minutes by this reference.

Members Present:	Peter Jones Tere Canida Gary Wendt Vinny Olmstead Bobby Jones Pat Neal Robb Turner John Goetz
SBA Employees:	Lamar Taylor, Interim Executive Director & CIO Alison Romano Kent Perez John Benton Tim Taylor Steve Spook Dan Beard John Bradley Katy Wojciechowski Mike McCauley Trent Webster Lynne Gray Michael Fogliano
Consultants:	Katie Comstock (Aon) Kristen Doyle (Aon) Seth Marcus (Townsend) Richard Brown (Townsend)

WELCOME/CALL TO ORDER/APPROVAL OF MINUTES

Peter Jones called the meeting to order at 1:00 p.m. He gave a reminder to those joining remotely to announce their name when speaking so that the court reporter and audience can follow along; and gave a reminder about background noise and requested that those joining remotely mute their microphones when they are not speaking.

Peter Jones requested a motion to approve the minutes from the December 21, 2021, IAC meeting. Senator Neal moved to approve the minutes. Bobby Jones seconded the motion. All in favor. The minutes were approved.

Peter Jones nominated Tere Canida to be next Chair. Senator Neal seconded the motion. The vote was unanimous, and Tere Canida was elected Chair.

Peter Jones asked for a motion to nominate the next Vice-Chair. Tere Canida made a motion to nominate John Goetz as Vice-Chair. Senator Neal seconded the motion. The vote was unanimous, and John Goetz was elected Vice-Chair.

Tere Canida thanked all for the nomination as Chair, and thanked Peter Jones for his service on the Investment Advisory Council.

OPENING REMARKS/REPORTS

Lamar Taylor, Interim Executive Director & CIO, opened with a performance update. He stated that fiscal year to date as of close on March 28, 2022, the Pension Plan was up 1.51 percent which was 59 bps ahead of target, and the Fund balance stood at $197.8 billion, which was down $1.8 billion from the beginning of the fiscal year, net of $600 million per month in benefit payments.

Lamar discussed that during the March 29th Cabinet meeting, the Trustees were updated on three items that were tasked to the SBA during the December Cabinet meeting. The first was for the SBA to increase the internal voting of proxy rights, and the number of proxies being voted in-house increased from 93 percent in December 2021 to 99 percent in March 2022. Secondly, the SBA conducted a review of the Proxy Voting Guidelines to ensure that the SBA is voting the best economic interest of its beneficiaries, and Lamar commented that Mike would speak to that later in the IAC meeting. The third and final task was to undertake a survey of the SBA's investments in China. That review was completed, and a summary of the results was provided to the Trustees' staff. Lamar then briefly discussed issues surrounding investments in China and Russia.

Lamar provided an update on the Legislative Session and discussed that the final legislative budget included an additional 3 percent in employer contributions to the Investment Plan. Lamar also discussed that the SBA sought to increase its alternatives investment limit from a 20 percent cap to a 30 percent cap through a legislative amendment, and although good progress was made during the session and it made it through the House, it did not make it through the Senate due to competing priorities. The SBA will plan to solicit feedback and support from the Investment Advisory Council next year to help underscore the importance going forward. Lamar answered a question from John Goetz.

DCIO UPDATE

Alison Romano, Deputy Chief Investment Officer, discussed uncertainty in the markets; inflation; Russia; and the expectation that the Fed will raise rates at least five times and the implications around that generally and for the SBA. Alison provided a history of the SBA's three-year performance using unofficial numbers through February and highlighted that the Fund delivered 11.98 percent returns and exceeded the benchmark by 1.53 percent, and every asset class delivered positive returns despite the challenges during this period. Alison also briefly discussed volatility; private market numbers; and performance and strategy for Fixed Income, Global Equity, Private Equity, Real Estate, and Strategic Investments.

LONG-TERM AND TACTICAL OPPORTUNITIES IN A LOWER RATE ENVIRONMENT

Alison Romano, Deputy Chief Investment Officer, thanked everyone in the asset classes and John Benton for their assistance in putting the information together for this discussion. Alison discussed the current low-rate environment and the expectation that rates could remain low, and potentially negative for real rates given inflation. Alison emphasized that the SBA is a long-term investor in a high-rate environment, and that it has the equities to generate the long-term return in lower returning environment and Fixed Income is a ballast to that; and in the current environment, with a lower returning market, the question was whether Fixed Income is an expensive hedge or an expensive way to protect on the downside.

Alison provided an overview of how the SBA sets its asset allocation and the role of Fixed Income historically; the lessons learned by having Fixed Income; what Fixed Income expects to be able to do going forward; and actions taken to ensure there is a diversified set of diversifiers which serve to compliment what is already in Fixed Income. Alison explained that Fixed Income has been the liquid diversifier to riskier assets such as equities and private equities and plays a role in times of rebalance and making beneficiary payments and paying capital calls, but it isn't the only diversifier. Alison discussed the other things that could complement Fixed Income and what has been done over the past ten years to do so, as well as things that could be done looking forward, such as raising the alternative cap, potentially raising the risk budget somewhat within Fixed Income to increase yield or consider increasing exposure to Real Estate. Alison answered questions from IAC members.

Katie Comstock, Aon, emphasized that there continues to be a role for core Fixed Income, and there will be short-term pain. Over the long term, it is expected that core Fixed Income with help to dampen the volatility of the portfolio, provide equity when it's needed, and offer the liquidity necessary for the FRS. Katie briefly touched on historical periods of stress and highlighted that during periods of market stress, Fixed Income has held up when it has been needed. Katie also discussed the benefit of having core bonds and stated that although it had been less effective recently, it has still been effective and positive. Katie discussed the scenario analyses that were run for this discussion and the results of the analyses; and highlighted that it is important to be mindful of any changes to the asset allocation from a risk-return perspective and asset liability perspective. Katie answered a question from John Goetz.

REAL ESTATE ASSET CLASS REVIEW

Steve Spook, Senior Investment Officer, Real Estate, provided an overview of the asset class and discussed how Real Estate is an effective hedge against inflation. Steve also discussed core and non-core portions of the portfolio; volatility; property type diversification; leverage; performance; and acquisitions. Steve stated that there was very good performance and very strong returns across all property types, but especially in Industrial. Going forward, the asset class would continue to reshape the portfolio the better reflect the changes in the marketplace. Steve answered questions from IAC members.

Michael Fogliano, Senior Portfolio Manager, Real Estate, discussed the purpose of the externally managed portfolio and the complex strategies that the externally managed group has been exploring over the past several years. Michael stated that the portfolio has grown from roughly $5.9 billion during the third quarter of 2022 to $6.7 billion in the third quarter of 2021 and discussed the factors that contributed to this growth. Michael stated that the pooled fund's portfolio beat its benchmark over all time periods listed in his slides. He also discussed the three account managers and the five strategies they have provided; domestic and industrial property exposures; co-investments; domestic and international property exposures; and inflation. Michael and Steve answered questions from IAC members.

Lynne Gray, Senior Portfolio Manager of Principal Investments, discussed that principal investments holds direct-owned assets and is actively managed by the SBA Real Estate team. Lynne stated that one-year performance was strong as discussed by Michael, and industrial was the strongest performer with a 41.7 percent return. Lynne also discussed the core strategy of Principal Investments; geographic diversification; and leverage and exposure. Lynne and Steve answered questions from IAC members.

Seth Marcus, Townsend, briefly discussed outperformance in the Real Estate portfolio, and stated that the aim is to achieve a 10 percent allocation over a long-term time horizon and maintain it. He stated that the strong performance was primarily driven by recent appreciation. Seth also briefly touched on income and stated that over the one-year time period, over $850 million in cash flow distributions were received and an additional $500 million of capital return, which resulted in about $1.4 billion of cash being generated from the portfolio. Seth also discussed outperformance of the benchmark; relative performance; and manager fees.

CORPORATE GOVERNANCE REVIEW/PROXY VOTING GUIDELINES

Mike McCauley, Senior Officer, Investment Programs & Governance, provided an overview of Investment Programs & Governance and its functions; introduced his staff; and discussed the SBA's corporate governance activities and major components of the corporate governance program. He stated that the primary focus of the program is on enhancing shareowner value, and it advocates for implementation of guidelines and procedures which are aimed at protecting shareowner value. He discussed proxy voting and stated that the SBA has historically voted between 10,000 and 11,000 annual meetings per year on a global basis.

Mike also discussed that over the past several months, there have been efforts to take back the voting authority for the SBA's externally managed portfolios where the asset manager was formerly voting those shares, and up to 99 percent of votable assets are now voted on by the SBA. He covered the two outside proxy advisers and related ESG research firms that are used by IP&G. He emphasized that all of the voting guidelines are framed in the best economic interest of beneficiaries, and the policy document is organized around those principles and guidelines.

Mike proposed one amendment to the proxy voting guideline documents that would capture any corporate changes to a Public Benefit Corporation (PBC), which would allow for the analysis of the board's rationale for making a change on a case-by-case basis and would allow IP&G to look deeper into any impact on shareowner rights. Senator Neal moved to amend the proxy voting guidelines. John Goetz seconded the motion. All in favor. The motion carried.

ASSET CLASS SIO UPDATES

Tim Taylor, Senior Investment Officer, Global Equity, gave an update on the market environment and stated that the U.S. returned 9.25 percent just in the fourth quarter, and the U.S. was up 26 percent for the calendar year. Tim stated that Global Equity lagged in the fourth quarter and the managed return was 12 bps below the benchmark, but over the full calendar year despite the very high benchmark of 6.12 percent, the asset class exceeded the benchmark by almost 40 bps. He stated that Global Equity continues to provide liquidity to support beneficiary payments and raised $1.1 billion in the fourth quarter, and $8.3 billion during calendar year 2021. Tim highlighted the strength of returns over the decade; discussed active strategy performance summary; and gave an update on initiatives.

John Bradley, Senior Investment Officer, Private Equity, provided an update on the market and the Private Equity portfolio. He also discussed sector and geographic exposure; commitments; and performance. He stated that the Private Equity program generated $3.25 billion of net cash flow in 2021 and received $4.6 billion in distributions from GP's during the year; and the asset class had positive outperformance over all measurement periods.

Trent Webster, Senior Investment Officer, Strategic Investments, discussed the Strategic Investments portfolio as of the end of the calendar year by sub-strategy; performance; recent activity; funds in the pipeline; investment themes; and inflation. Trent stated that performance in the one-year was good and was lagging in the three-year, but the five and ten-year performance remains relatively strong. The three-year underperformance was isolated to about four months around the time of the pandemic and that is when the funds underperformed by about 1.5 percent; for the remainder of the three-year time frame the asset class outperformed. Performance over the calendar year was slower compared to prior years, mainly due to the timing of when funds are coming back to the market.

Katy Wojciechowski, Senior Investment Officer, Fixed Income, discussed performance as of February 28, 2022; review and outlook; and upcoming projects. The asset class struggled at the beginning of the fiscal year, but spreads had tightened significantly which is one positive thing for the Fixed Income portfolio. Katy stated that in the long run, it is believed that corporations and investments are in good shape. Answered question from IAC members.

Daniel Beard, Chief Officer, Defined Contributions, provided a snapshot of the Investment Plan as of December 31, 2021, and discussed FRS choice statistics; membership growth; investment plan performance by asset class; assets under management by asset class; and the myFRS financial guidance program. He stated that the planners received roughly 330,000 calls through December, which was a 20 percent increase from December 2020; there was a 42 percent increase in those attending financial planning workshops; and website chats went down. Dan answered question from IAC members.

MAJOR MANDATE REVIEW

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

AUDIENCE COMMENTS/PROPOSED 2022 IAC MEETING DATES/CLOSING REMARKS

There being no questions or further items for discussion, Tere Canida adjourned the meeting at 4:42pm.

Tere Canida, IAC Chair

Dated: June 20, 2022

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IAC Meeting

Investment Advisory Council Meeting

March 29, 2022

PHIPPS REPORTING

Raising the Bar!

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

TUESDAY, MARCH 29, 2022
1:00 P.M. - 4:42 P.M.

LOCATION:

HERMITAGE ROOM, FIRST FLOOR
1801 HERMITAGE BOULEVARD
TALLAHASSEE, FL 32308

Stenographically Reported By:

JO LANGSTON, RPR

Job No.: 226482

APPEARANCES

IAC MEMBERS:

PETER JONES
TERE CANIDA
VINNY OLMSTEAD (Appearing remotely)
BOBBY JONES (Appearing remotely)
JOHN GOETZ
ROBB TURNER
PAT NEAL
GARY WENDT (Appearing remotely)

SBA EMPLOYEES:

LAMAR TAYLOR
KENT PEREZ
JOHN BENTON
ALISON ROMANO
STEVE SPOOK
LYNNE GRAY
MICHAEL FOGLIANO
TRENT WEBSTER
TIM TAYLOR
JOHN BRADLEY
KATY WOJCIECHOWSKI
DANIEL BEARD
MICHAEL McCAULEY

CONSULTANTS:

KRISTEN DOYLE - (Aon) (Appearing remotely)
KATIE COMSTOCK - (Aon)
SETH MARCUS - (Townsend)
RICHARD BROWN - (Townsend)

INVESTMENT ADVISORY COUNCIL MEETING

* * *

MR. PETER JONES: Okay. Good afternoon, everybody. We'll call this meeting to order. Do we have anybody on Zoom? I don't know. We do. Okay. If we do, then when you speak, please identify yourself, and when you're not speaking, if you could keep your phone on mute or your computer on mute, that would be helpful, so thank you for that.

First order of business is to approve the minutes, and if there are no comments on the minutes that you've seen, I would entertain a motion.

MR. NEAL: Move adoption.

MR. BOBBY JONES: Second. Bobby Jones.

MR. PETER JONES: All in favor?

(Ayes)

MR. PETER JONES: Okay. Motion carried. Next order of business is to elect new officers. My term is ending in about a minute or two, so I'd like to recommend the next chairman, and I'd like to nominate Tere Canida to be our next chairman. If I could --

MR. NEAL: Second.

MR. PETER JONES: Okay. All in favor.

(Ayes).

MR. PETER JONES: Very good. Congratulations, Tere.

MS. CANIDA: Thank you, Peter. Thank you very much.

MR. PETER JONES: And if I could have a motion from vice-chairman.

MS. CANIDA: I move John Goetz as vice-chairman.

MR. NEAL: Second to that.

MR. BOBBY JONES: Second.

MR. PETER JONES: All in favor.

(Ayes)

MR. PETER JONES: Very good. Congratulations, John. All right. Well, my work is over here. I'll turn it over to Tere.

MS. CANIDA: Thank you. Thank you for your vote of confidence, and also thank you, Peter Jones, for your service to the Council. With that, I'll turn it over to Lamar Taylor to give us some opening remarks.

MR. LAMAR TAYLOR: Thank you. Thank you, Tere, and good morning, everyone. And if people are having trouble hearing me, please let me

know, particularly if you're on the phone. I'll do my best to speak up.

So we'll start things off with a little bit of a performance update. Fiscal year to date as of close of yesterday, the performance for the defined benefit pension plan was up 1.51 percent, which is 59 basis points ahead of target. The fund balance stands at 197.8 billion, which is down 1.8 billion from where we started the fiscal year, which is of course net of $600 million a month in benefit payments.

I'll update the Council on a number of things. First, I'll give a little bit of an update in terms of the Cabinet, the trustees meeting that we had this morning. This is going back to the time where we had both the trustees meetings and the IAC meetings on the same day. And then I'll give a little bit of an update in terms of how things ended up for us this past legislative session.

So at Cabinet this morning, it was a good conversation, spent a good bit of time updating the trustees on some of the conversations we had back in December. And the trustees had sent us off to undertake three separate tasks. One of those tasks was to increase the internal voting of our proxy rights. In December, when we went to the trustees, we informed them that we voted 93 percent of our votable proxies in house here with SBA staff. They were interested in us increasing that. And so we have done that over the last quarter.

And I'm happy to say that with the effort of Mike and others, we are now at 99 percent, voting 99 percent of our votable proxies in house with SBA staff and continue to work on the remaining 1 percent, which I think is great progress.

The second item the trustees had asked us to do back in December was take a look at and review our proxy voting guidelines to just ensure that it's clear that when we vote those proxies, we are voting the best economic interest of our beneficiaries.

We have undertaken that review, and the product of that is in your materials today in terms of some of the changes, and there will be one addition, I think, that Mike will speak to when we get there this afternoon. Once those are reviewed and approved here at the IAC, they will be on the trustees' agenda in June for their

review and approval.

The third item that we were tasked with was undertaking a survey of our investments in China. And we did. We undertook that survey, provided a summary to the trustees' staffs. And of course, we let them know that, interestingly, China is an aspect, an element of our emerging markets strategies we had in place really going back to the mid-1990s, and noted that it's very difficult today to kind of speak in terms of the increasing risks and uncertainty that we're seeing in emerging markets generally, in China in particular, without mentioning the events that have transpired in Ukraine since the last meeting.

So in retaliation for a significant degree of globally coordinated sanctions against Russia, its central bank, its oil and gas industry, transportation industries, et cetera, Russia has imposed significant capital controls in their economy. And they have, as of February 25th, closed their equity markets to initially everyone and then, as of late, foreign transaction investors like the SBA. And so that has had an impact on us and our exposure in Russia.

Prior to the crisis, the FRS held about $300 million of Russian securities. And the value of those securities have -- are questionable at this point, given sort of the events that have taken place and the closure of the Russian markets.

We let the trustees know that we remain in constant contact with our managers to make sure that they continue to assess the situation daily. And we would expect that they would continue to act as a fiduciary with respect to our investments and ensure that they continue to manage those investments with the best economic benefit for our beneficiaries in mind.

That may mean that as liquidity comes back into the market, they may -- some of those managers may choose to exit some of those positions, and it may mean that some of those managers may hold those positions for some period of time until maybe better pricing or better information, et cetera. So that was the report we had given to the trustees with respect to Russia. We, of course, let them know that we would keep them informed as things developed.

Turning back to our survey of our holdings in China, as we indicated back in December, our

China holdings are a relatively small part of our portfolio, amounting to about 2.8 percent, and they -- again, in light of some of the increasing risks that we're seeing in the emerging market space and some of which we had seen already in December in terms of the government's crackdown in certain areas, high tech, for-profit education, some of the dislocation in the Chinese property markets, et cetera, there was already risk building in that space. And then to see the effects of, again, globally coordinated sanctions against a major economy, you know, we believe that the downside risks of emerging markets generally and China in particular are continuing to increase.

As a result, in light of those increasing risks, we have decided to take a pause in certain areas with respect to investments in China. We have stopped funding new investment strategies in China and in emerging markets involving China as we continue to assess these risks and stay in contact with our managers to see if we will do anything further. And, of course, we let the trustees know that we will continue to keep them updated and informed as things develop throughout this cycle.

So that was the Cabinet update. I'm happy to take any questions on that or not, move on to legislative.

MS. CANIDA: Any questions?

MR. GOETZ: Just one. In China, that's no new mandates but holding all existing mandates, just to be clear.

MR. LAMAR TAYLOR: That's correct. We are not -- we stopped funding any new investment strategies. It does not affect what we currently have.

In terms of legislative activity, it was also a very active session. Some good news, I think, and certainly one of the things that we had acknowledged with the governor and his staff this morning, the final legislative budget this year includes an additional 3 percent employer contribution to the investment plan, the defined contribution plan. That was something that was in the governor's budget recommendations earlier this year. It made it all the way through the process.

That is a meaningful increase in contributions to the investment plan. I think

for a regular-class employee, that moves those contributions from 6.3 percent of pay to 9.3 percent of pay. That's almost a 50 percent increase for regular-class folks, and it's a very meaningful event for them.

And certainty we are -- as we mentioned here, we're starting to see more and more folks in the investment plan, as about 75 percent of all non-special-risk new hires either elect into or default into the investment plan. So that was a very favorable and notable outcome this session that has a favorable impact on the FRS.

We had, as we had mentioned to folks I think previously, we had sought an increase to our alternatives investment limit. We have -- as many of you know, we have a statutory legal list in terms of what we are permitted to invest in here at the FRS.

Currently, that legal list indicates that our alternatives investments limit is at 20 percent of the fund. So that's our cap currently. We sought to have that increased to 30 percent through a legislative amendment. We were able to find two very helpful and energetic sponsors, one in the House, one in the Senate.

And we made quite a bit of progress this session, a lot of good conversations with legislative staff, a lot of good conversations in committee hearings, a lot of good questions. And I think it was a very good opportunity to educate members in terms of not only what we do but what alternative investments are.

I think at the end of the day, we made it all the way through the House. We did not make it all the way through the Senate. I think the fact of the matter is there were a lot of competing priorities in terms of what was going to happen this session. And I think, in the very waning hours, I think, just in determining what bills would move and what bills weren't going to move, ours didn't make the list.

But it was a good opportunity. We'll come back next year. I think our plan would be to solicit, again, views and feedback and support from the IAC, as we do that, just to kind of underscore the importance of it going forward.

So that is the legislative update. I think there's a lot going on, certainly, in the markets. I could talk a little bit more about performance, but to be honest with you, I think

Alison is going to have a lot of good comments, not only about performance generally and the markets generally but ultimately when we get into item 4, which is something I know that the IAC last time we talked a lot about, in terms of how fixed income plays into our asset allocation.

So, Madam Chair, that was all of my comments.

MS. CANIDA: Thank you very much. Any questions for Lamar? Thank you. Okay, Alison, we'll move into your section.

MS. ROMANO: Thank you. And I'll keep my comments here brief because I know we have a very full agenda, but really sort of want to set the table for the conversation here today.

You all know, given what's gone on in the last month, the uncertainty in the markets have increased, and I would say that the probability of downside risk has also increased. We have inflation exceeding many expectations, the situation in Russia putting pressure on the economy, on commodity risk, and the expectation that the Fed will raise rates at least five times, the implications around that.

So really what does it mean for us? You

know -- and we've said it in every meeting -- we're long-term investors. We have to allocate capital and focus on the long term and be diversified to make that happen.

But I want to sort of broaden out the history a little. Lamar talked about our recent performance, but let's talk about our three year performance. And this will be unofficial numbers through February. So think about the last three years. We've had COVID. We've had expectations around rate hikes. We've had inflation and the beginning of the challenges in the Russia-Ukraine situation.

Over that period, the fund has delivered 11.98 percent returns and exceeded the benchmark by 1.53 percent. Every asset class delivered positive returns, led by private equity, then equity, then real estate and strategic. And from an active return perspective, again, private equity led the way, followed by real estate and fixed income.

Over that period, again, a lot of tumult in the market. We've added in fixed income to core plus. We've continued to add capital in strategic to diversifying strategies. We've

steadily been pacing investments in private equity and real estate. And GE, as always, has remained focused on making sure they have a balanced set of exposures and factors. Investments that we made in the private space today are going to set us up for future returns.

A couple of other things to think about during this period. So on the fixed income side -- and this number is through January, but the three year benchmark return of fixed income was 2.8 percent, and that was actually greater than the five year period and greater than the ten year period. And obviously the activity in the Fed and COVID had an impact on that.

On the equity side, the three year return, 13.15 percent, that's fueled by multiple expansion, margin expansion, liquidity in the markets, technology and secular tailwinds. Private equity, we've seen record deal volume, exits, fundraisings, distributions and just a thirst for return from investors.

And even on the real estate side, we're seeing appreciation in areas like multifamily, industrials and alternatives. And in strategic, a big tailwind behind private credit as investors look for diversified sources of yield. So there have been a lot of tailwinds. Despite some of these geopolitical and health issues, there have been a lot of tailwinds on the investing side.

But as I started, there's also now an increased probability of some downside. And so we need to think about that and also not be overly tactical. And to give an example, I think for the last couple of years, many had looked at Europe and said, there's good value there. The multiples aren't as high. The U.S. has run up. Making a big tactical call on Europe going into the Russia-Ukraine situation would have -- could have been difficult.

Likewise, investors, in some cases for economic and in some cases for non-economic reasons, have moved away from commodities. We all know what's happened in the past few months. So there is volatility, which may create short-term opportunity, but we have to manage to the long term.

We are seeing, with the short-term volatility, opportunity through that dispersion, but sometimes, when there's volatility, that can impact performance. So on the shorter term, we

are seeing some pressure, for instance, on equity market performance, but those are shorter term numbers.

Private markets have held up well during this period. In fairness, some of that is just the way that those assets are marked. But we have also, as I said, been investing in a diversified manner, particularly in strategic, that intentionally are designed to withstand some of this market volatility.

So going forward, what you'll hear from our team today, fixed income is seeking to, within their guidelines as they exist, be opportunistic and try and take risk where they can get some additional yield. GE is going to continue to look at their factor exposure and make sure they have exposure where it's rewarded. PE is continuing to put money to work not only through funds but co-investing and opportunistically think about secondaries.

Real estate continues to focus on industrials, multifamily living, alternatives. And strategic's positioning and ongoing positioning in diversified and potentially lower correlated strategies should yield results as we continue to have pressure on markets.

Again, that's sort of the very quick and high-level view that will set up what our SIOs will discuss and provide some backdrop to the fixed income discussion.

MS. CANIDA: Thank you very much, Alison. Any questions for Alison? Thank you, and thank you for your team for the work that you do every day. When we met last time, the members had questions about fixed income and the risk budgets and the environment that we were going into with inflation, et cetera. And I know Alison and her team have spent a lot of time, and they will deliver their studies. So, Alison.

MS. ROMANO: Thank you. And thank you for the opportunity to talk on this topic. It is a very relevant and timely topic and one that I know many of our pension peers are being asked and certainly I've discussed with them as well. And I'd also like to thank everybody in the asset classes and John Benton in particular for their help in preparing for this discussion.

So we put together these materials. There's a lot on these pages. That was intentional. I promise not to read everything on the pages. I

really want it to be a stand-alone document that you could refer to as necessary.

So let's start with the question that was asked. We've been in a low rate environment. There's expectation that the rates could remain low, and certainly with inflation, real rates could be low or potentially negative. We know that we have equities to generate the long-term return, but fixed income is a ballast to that. And in this market, with a lower returning environment, is fixed income an expensive hedge or an expensive way to protect on the downside?

So how are we going to answer that question today? First, we want to just quickly go through how we set asset allocation and what the role is there. And then we'll talk about the role of fixed income historically and what lessons we've learned by having fixed income as part of the mix.

You can say that's all fine and good, but the future might be different than the past, so we'll talk about what fixed income we expect can do for us going forward and then talk about what we've done and will continue to do to make sure we have a diversified set of diversifiers to complement what we have already in fixed income.

So moving to the next slide, I like cliffhanger movies, but I don't like cliffhanger investment presentations, so I'm going to tell you our conclusions, and then we will go through and tell you why we got to those conclusions and certainly welcome questions along the way.

So long term is our focus. And we set asset allocation based on return, risk and liquidity. As I said, we need equities to generate that return, equities in private equities and return-seeking assets. Fixed income has been and will continue to be the liquid diversifier to those risky assets.

Now, its ability and the depth of that diversification benefit may ebb and flow a little bit depending on the market, but it is the liquid diversifier. And having liquidity in times of rebalance and making beneficiary payments and paying capital calls is critical. But fixed income isn't the only diversifier, and we really do see an opportunity to complement that with other things. And we've done that over the last ten years, as we'll go through.

We have real estate, provides yield and

diversification. We've built out strategic with uncorrelated or lower correlated assets that generate good returns. And we've made significant progress sort of broadening that set of diversification.

So the message is we haven't sort of sat idly by and just sat on fixed income. It has a role. They've done a lot within fixed income. We've also done something through asset allocation.

Now, on a go-forward basis, what can we do? And, again, we'll get through the details. We can be opportunistic within each of the asset classes. And we're doing that. In particular, I think we see some opportunities in fixed income. Lamar mentioned we're working to get the alternatives cap raised. That would create a lot of flexibility. Not that we would necessarily overnight -- definitely would not overnight go to 30 percent in alternatives, but getting access to things like -- or greater access and allocation to direct lending, to private credit, to other diversifiers that can generate some of that yield would give us the flexibility, again, to diversify those diversifiers.

Absent that, we can increase the risk budget somewhat within fixed income to generate yield. We could, upon an asset-liability study, consider increasing exposure to real estate. And we can even, as we are, increase some leverage within real estate. So those are the main conclusions, and I can walk through how we got there.

So very quick, I promise, refresher on our approach to asset allocation. Long-term focus. We have an absolute real rate of return target, and we set our asset allocation to achieve that target, taking in account the probability of a shortfall to achieving that over the long term, taking into account the risk and the return of each asset class and, very importantly, taking into account the cash demand and the liquidity needs at any given time within the portfolio.

So that sets the targets, and then we here at the board can make decisions and be tactical around those targets. When we take those tactical actions, though, that's taking risk. So you can either take all the risk with a tactical allocation, or you'd have to increase your risk budget to make a big change off of those targets.

So let's look a little bit at the history on

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the next slide, on page -- I think it's 134. So as you'll see, over the last 15 years, we have decreased the exposure to fixed income. It was at 29 percent in 2007, and we're down at 19 percent, including cash, so 18 with fixed income, 1 percent with cash. That's a pretty big shift over the years.

Where did that money go? That's what we see on the next slide. The money from fixed income went to the diversifiers. It went to strategic. It went to real estate. And I'd also note that we took a little bit away from equities, too, and reallocated some of that within private equity and then strategic.

Now, why we did we do this? The data supports that having a diversification between alternatives, fixed income and equities leads to a more efficient asset allocation and return to risk. The slide that we have here is a generalized asset allocation. It's not ours in particular. But what it shows is, if you look over the past, over 30 years, having a combination of 50 percent equities, 20 percent bonds and 30 percent alternatives, which in this case, by the definition that we're using,

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includes real estate, that gets the greatest return relative to the risk. Coincidentally, that's not too far off from how we are allocated.

So I think evidence suggests certainly historically and we would expect going forward, again, that a diversified set of diversifiers is a nice complement for equities. It not only diversifies but generates a long-term return.

So the next question is, what is our positioning in fixed income relative to our peers, and I think that question was specifically asked in the last IAC meeting. So when we look at us versus the top ten defined benefit plans, our exposure to fixed income is 1.5 percent less than peers and 2.3 percent less when you add in cash to that number.

Ten peers is the narrow universe. You can broaden that universe out to all public plans over a billion dollars on the next slide. There the gap widens even more. So we are positioned with 4.5 percent less cash in that broader universe, 4.8 if you take into account cash. So in some respects, one could argue, on a fixed income perspective, we are already sort of reallocating and reducing our exposure there.

That comes at a trade-off with risk. So on the next slide, what we did is looked at -- this is just a three year period, but our returns and volatility relative to peers. And what you can see is, yes, we fall somewhere within the graph between an all-debt portfolio and an all-equity portfolio, and we generated higher returns than a lot of our peers, but it certainly has come with greater volatility of returns. That's not a surprise. We know that, but we wanted to illustrate that as a backdrop for the conversation.

And then finally, relative to our peers, another way to look at risk, we have -- CEM provides analysis of our fund every year and looks both at the cost to run the fund and sort of our asset allocation relative to peers. And what you see there, based on our asset allocation and the correlations of the different asset classes, that we essentially are in the top decile of risk, risk here again defined as volatility, for our peers.

We've been rewarded for that. But, again, I point that out because that would suggest piling on, for instance, to equity today would certainly put us in the top 1 percent of that risk relative to peers. Peer analysis is useful. It's not the end-all and be-all because everybody has different liquidity and return profiles.

So bringing that all together, asset allocation takes into account return, shortfall risk, liquidity. We've already reduced fixed income over time, and we continue to be at the high end of the risk spectrum.

So why do we have fixed income? Let's go into a little bit of what it's done and what we've learned by having it. On slide 152, Katy has talked to this slide many, many times. The role of fixed income, simply put, stable returns, liquidity on demand, anchor to windward. That is the mantra that was put into place post-GFC and what has worked well for us.

For the purposes of this conversation, I'd like to broaden that, how we think about risk, though. It's not just volatility of returns. It's downside deviation. It's tracking error. It's liquidity. It's correlations between asset classes. So fixed income certainly plays its role in this, in risk, on a lot of those measures of risk.

And we've seen it. We've seen correlations between fixed income and equities. They vary over time. But it is generally negatively correlated to the equity market. And we'll see later, certainly that's less of a case as rates are increasing.

What I wanted to do also is provide a very simple example of how in the very short-term fixed income has benefited the portfolio. So on page 155, we do two things. We just highlight this year to date -- and this is through early March, so I don't have it updated through the end of March. You can see the orange line, the Barclays Intermediate Agg, versus the blue line, which is ACWI.

Yes, fixed income was down, but it certainly was down a lot less than equity markets over the same period. And why does that matter? On the right, what we're showing is what is the benefit of having the liquidity to rebalance. And this is, again, a very simplistic view, but what happens if the market drops 20 percent and we can't rebalance into equity, or what happens if we've tactically put money into equity and the market drops, how much money do we lose?

And what you can see -- and I'm just doing this over a five year period. It doesn't take into account correlations in its straight line. But what you can see is, if we couldn't rebalance and we get the anticipated long-term return, we've given up 1.8 billion in capital gains. And the number widens significantly if we had tried to be tactical and got the timing wrong.

Again, that's an illustrative example. We can take some real-life examples and talk through those. COVID recession being a very quick down and up, and we can see the impact there. We've talked about this quite a bit. So we stuck to our discipline by rebalancing from fixed income into equity. So we rebalanced 1.34 billion into equity. We also used fixed income for beneficiary payments, 634 million.

And you can see on this graph, again, fixed income did not experience the precipitous fall. Because our fixed income team maintained the liquidity and we had the liquidity portfolios, we rebalanced into equity. And within a couple of months then, equity was using the gains that they had from that reallocation to make beneficiary payments. So being able to do that is critical.

Lesson two, which the story was more challenging, again, is having the adequate liquidity with fixed income, by having fixed income and within fixed income. So let's go back to the global financial crisis on page 157. So obviously a very challenging time. A time when fixed income liquidity was challenged.

Going into the GFC, fixed income, the mandate was a little bit different. There was a much higher risk budget, much more active exposure and at the end of the day, in challenged markets, somewhat less liquidity, so it made it much more difficult to rebalance. We were able to do it, but the lesson was learned. And at that time, post-GFC, we brought in the risk budget. We brought in the active exposure.

As we'll go forward, I think there's probably a middle ground between where it was and where we are today. But that's why sort of doing a complete reversal, we shouldn't do that without looking at the history.

On the next page, the third lesson really is that managing the downside has real impact on funding status and certainty of contributions. So also in the global financial crisis, we went from above 100 percent funding status to well below 100 percent funding status. Some of that was -- well, the drop was the result of markets, but a holiday of contributions did not allow us to make up the funding status in the interim.

So having some greater certainty around the volatility and contributions is important. If you went to 100 percent risky assets, you could have -- lose a lot in a given time and have a quick rise in contributions.

We put all this together just really more for your reference in the next two slides, in terms of the history of fixed income. Long story short, over the years, we've decreased exposure, we've derisked, and we've moved to the intermediate agg at various times over the last ten years.

I think it's probably easiest to see more recently on the graph on 160 the additions over time of adding, more recently, core enhanced and core plus, again, with the idea of increasing some yield and finding opportunities.

So as I said before, we take that all together, and I think we've established there's a reason that having fixed income, having the

liquidity has been a good thing for the trust fund in the past, but what about going forward?

So let's look at forward expectations. And on page 162, we're looking at the correlations between our different asset classes based on Aon's forward-looking assumptions. And what you can see on a correlation basis is that fixed income and fixed income securities continue to be a greater -- less correlated to global equities than our other asset classes.

In case you were asking yourself the question, well, while we see strategic, and that looks very high and we thought strategic was the diversifying asset class, please keep in mind these are correlations. It's not beta. So it doesn't take into account the magnitude of changes. And so the beta of strategic is more like .4, .42. But, again, the point here being that we expect, going forward, low correlations with fixed income.

What does that mean then maybe in regime changes, in macro shifts? As you know, we use a total fund risk model, and so we modeled out various macroeconomic regimes. I'm not saying that these are the exact regimes that will play out, but just to give you a sense of the range. And we plot on this graph the gain or loss -- and it's sort of a shock, it's not over a long term, it's just at the time -- of the different asset classes.

Not surprisingly, over any one of these scenarios, rising inflation, equity volatility, growth uncertainty, the biggest shift is going to be in global equity at any one time. But I would note, if you look at fixed income, that mitigates some of that downside. And in one case, in global growth uncertainty, actually it would outperform, according to the model, when equities pull back.

As I said before, thinking about liquidity is important, so sort of using our risk models on a go-forward basis, what I would say is that we modeled out the predicted risk of global equity and fixed income, our two liquid asset classes, and the predicted VAR around those. So if you look at the bottom right-hand graph, what we're showing here is the expected risk, the dollar potential loss that you could get relative to our annual liquidity needs.

So global equity, based on the model, based

on forward-looking expectations, could lose more than our annual liquidity needs. That number is significantly lower and barely shows up on the graph with fixed income. So fixed income gives us the flexibility in that crisis to meet liquidity needs. It did historically, and forward-looking projections would suggest the same.

MR. GOETZ: Alison, just a question on that. By that you mean the mark to market loss is bigger than the liquidity need, because there is liquidity in the global equity market.

MS. ROMANO: Correct. We would still absolutely be able to meet our payments, yeah.

So fixed income has added diversification, has added liquidity, but, yes, we need to be focused on broadening out our yield and generating return. And where we can generate both return and diversification, that's a win.

So let's talk about what we can do going forward. And on 166, this is a sort of forward-looking model of what happens when there's an equity decline and U.S. rates rise. And I think this is at the heart of the matter of what we're discussing today. And this is a forward-looking model, but it would very much say what we've all been talking about, that when -- in one quarter when the equity markets are down, that fixed income will protect, but when rates rise 100 BPs, it will protect a lot less.

So what should we do about that? Well, the markets evolved, evolved in a big way over the last 25 years. And on the next slide, really this is a very simple page, but say, 25, 30 years ago, everybody -- it was a 60/40 portfolio, but there's a lot of other opportunities to diversify.

These are just some of the examples here today available. The list is actually much longer. But insurance-linked securities are uncorrelated to markets. Managed futures, alternative risk premium, these are other ways to diversify and add yield.

So then putting those opportunities sort of in context in terms of what is the expected return, what is the expected correlation to equities to be a diversifier, we've used Aon's forward-looking expectations to sort of graph that out on this bubble chart. And what you can see all the way to the bottom left is fixed

income in green has low correlation, expected low correlation to equities, and, yes, lower returns. And on the other side of the graph, equity has higher volatility and -- well, it's correlated to itself. It also has higher volatility and higher returns.

But there's a sweet spot there in the middle, a lot of what I would say we're categorizing as alternatives in addition to real estate that offer on some diversification properties and are expected to generate returns. So, again, that's infrastructure, real assets, real estate hedge funds.

So let's break down then sort of opportunities to think about diversifying yield, diversifying inflation and diversifying diversification, if you will. On 169, again, very simplistic, but these are yield-seeking assets. You go all the way from Treasuries to private credit. And there's a trade-off between liquidity and return.

We have the liquidity with fixed income. We might have some flexibility there. And we can move and we have moved into the private credit space, which may trade off some of that liquidity for greater yield.

Inflation diversifiers on the next slide. What we've shown on this slide is historically how different asset classes have performed when inflation is over 3 percent. So these are not long-term return expectations. These are simply related to shorter periods of inflation. And as we've talked before, fixed income is not a hedge to inflation. Commodities will do well in inflation. But over the long term, the return profile may be more volatile and challenging.

Things like private infrastructure certainly are in the mix and can provide that inflation protection. And on this page, we see real estate closer to equities. I would expect it actually, going forward, might be able to provide some more inflation protection as the whole institutional real estate market has evolved.

MR. TURNER: Alison?

MS. ROMANO: Yes.

MR. TURNER: On this page, I was surprised that private credit was actually a higher inflation protection than real estate. Can you explain that?

MS. ROMANO: These are based on indices.

This is over a short -- the private credit data that's just available is over a shorter period of time, and I think that's a good point here, too. I would expect sort of what's in the middle of this page to shift a little bit. So, yes, I absolutely agree with that.

And then finally, diversifiers to diversifiers. A lot of words on this page. What I really want to convey, to your point, long Treasuries, great in a fund drawdown, not so great in a rising rate environment. But you can add to that mix insurance-linked securities, managed futures, alternative risk premiums.

And they'll kick in in different types of markets. They all have their positives and their challenges, but you put them together and you've helped mitigate some of that downside risk across the different markets. And you'll note that we have exposure to all these. We'll hit on tail risk a little bit later, tail risk hedging.

So that's opportunity set. Let's take that to what we have today. What is our current positioning? What we've done on slide 172 is sort of highlight our allocation based on contribution to absolute risk. Again, in this

case, sort of forward-looking, total volatility.
And what you'll see is consistent with what we've communicated, that we have a lot of equity risk. The way this model works is it buckets a lot into alternatives. So those are sort of generalized factors relative to the alternative space. We actually do not have a lot of volatility expected to come from inflation spreads or currency. So that's what the sort of risk models say. Let's take it to our actual asset allocation on the next slide.
I think how you --
MR. GOETZ: Alison, can I just make a point here? When we say contribution absolute risk, what is the metric? It's a volatility metric and relatively short term, I presume. So we talk about --
MS. ROMANO: It's a 12-month forward volatility.
MR. GOETZ: Meaning we're talking about the change in the price, not the long-term return. I mean, ultimately Aon looks at the scenarios of the long-term outcomes.
MS. ROMANO: Correct. This is -- think of this as the -- in any given year, what's driving

the risk that we have a --
MR. GOETZ: Which I'm just making a point, everyone. We're measuring the price that the market is applying to that equity, you know, at that moment. That's how we're measuring the volatility, not that you lost the money. You know what I mean? You'd have to liquidate it to lose that.
MS. ROMANO: Correct, correct.
MR. GOETZ: Just making a point, because that's why the scenarios longer term, you know, change that picture a bit, you know, by looking at it longer term, I think. But we'll get there later.
MS. ROMANO: So on page 173, what I do here is talk about asset allocation in the traditional way, which is by asset class. It's how we're structured. It's how most plans allocate capital. But I'd also like to reframe it and talk about asset allocation by return and risk objective. And when you sort of reframe it in that perspective, it opens up opportunities and flexibility to think about what we want to achieve with our asset allocation.
So what I'm doing here on the right is,

rather than asset classes, talk about what do we have that's truly focused on yield seeking? What is equity return, higher return seeking. And for lack of a better way of framing it, what sort of sits in the middle? What can be either diversifying or diversifying and yield seeking?

And using that framework then on the next slide, what I tried to do is outline how we are positioned. So on the left, again, all the way from yield seeking with everything from core and passive fixed income and on the right all the way to equity, private equity and some of our equity investments within strategic.

What you'll see, based on asset allocation as of the end of December, so we have 17 percent in traditional fixed income. If I look at sort of the yield seeking and the higher yield and mid-risk, we have 17 percent in that group as well. So we're sort of pairing the 17 percent exposure in fixed income with this middle diversifying yield-seeking opportunity set.

And I'm sure we could debate any one of these items, maybe that it fits in a different category. But this is sort of the general framework. And we still have 65 percent

dedicated to the equity, private equity in growth.

So, again, just really want to emphasize here that we do already have a lot of exposure, when you frame our allocation under these measures, to both yield-seeking and diversifying asset types.

On the next slide, I'll talk a little bit about precisely what we've done with each of the asset classes to address some of these issues, because we have done quite a bit. And to think about not only inflation, think about a rising rate environment, think about geopolitical and other risks that might be in the marketplace.

On the global equity side, we continue to have exposure to value and dividend yield and quality. Those have a role. Some of them have been out of favor for quite some time, but we did not move away from that and try and be tactical. We have exposure there, and they will perform -- for instance, dividend yield has performed particularly well more recently.

We also continue to trim our winners in that space. And that sounds simplistic. But remember, if you're taking money from your winners, you're taking money for instance from growth, it's effectively rebalancing into areas like value that can benefit in these types of -- potentially benefit in these types of markets. And I'd also remind you that we're global. We moved away from the home country bias, so that adds diversification to that asset class.

Fixed income, which Katy can talk to in more detail and we'll talk about where we're going, but they've already moved shorter duration, sort of a barbell approach, and we put money into the liquidity portfolio, so we maintain that liquidity while still trying to generate higher yield.

On the private market side, Trent has talked in the past, we've committed a significant amount of capital over the last year to the private debt space. More than half of that went to distressed, followed by subordinate and evergreen.

In real estate, we were opportunistic coming out of COVID, adding to some REITs, seeing the dislocation and mismatch between the private and public markets. And we added capital in areas that are probably better positioned to withstand

inflation, so things like self storage that have shorter term leases. We also have and will continue to increase leverage, which could, again, be beneficial. And we are very cognizant of construction costs and think about that, for instance, in an inflationary environment and how we structure those deals.

And in PE and also in strategic, we're being opportunistic on the margin in energy and in infrastructure and real estate opportunities, particularly as other players in the space may move away for non-economic reasons.

And then finally, we did have the total -- it sat within equities, but it's sort of a total fund thought process, if you will, a currency program, which was an active currency overlay. And that did generate uncorrelated returns to equity. We moved away from it for operational reasons. As we work through those issues, there may be an opportunity to have currency exposure going forward.

MR. GOETZ: Question. You do the currency trading in-house, or you did?

MS. ROMANO: Our active currency program was with external managers. We would trade currencies as we trade equities and need to do the corresponding fixed income, or sorry, currency.

So that's what we've done. Let's talk about what we'll do going forward in response to some of your questions. So looking at page 176 and looking very specifically at fixed income. Fixed income has 64 percent exposure to active management, and that compared to -- is much lower compared to our peers, which are at 80 percent.

So I think we have an opportunity here, as I said before, to maybe not go exactly the way we were pre-global financial crisis, but we certainly could take on a little bit more risk, maintain the barbell with the short duration in the full agg, expand core plus and potentially start to add exposure to some benchmark names. Now, all this needs to be done, again, maintaining liquidity and flexibility, but this could generate some incremental yield.

MS. CANIDA: Alison, sorry. Tere Canida. When you look at the increased risk budget, the things that you talk about, how much on the margin could you do that would make -- would have an effect on the overall portfolio? You're

talking about 19 percent in fixed income, right? So even if you made some of these changes, how significant would that be to the overall fixed income pool?

MS. ROMANO: I think by doing that we get a better return-to-risk profile. So it's not going to generate -- it's not going to be the return-seeking yield, but it will add on the margin. And what we found over the years, that when you can pick up pennies -- and these aren't pennies, obviously, but it can make a difference over the long term.

MS. CANIDA: Okay. Thank you.

MS. ROMANO: So that's fixed income. There are things that we can do outside of fixed income as well. And that's what I've outlined on 177. And what I'll go through is sort of the spectrum of options one could consider. Some of them make sense. I think some of them come with challenges, and we've done some analysis to say where some of those challenges are.

On the global equity side, again, you could increase value exposure. You could increase non-U.S. exposure. As I said in my opening comments, if we had done that in Europe, at least over the short term, that might not have been the best approach. We could increase dividend yield strategies. We'll see later on the impact of doing things like that.

On the private market and diversifier side, we could increase REIT exposure because that's yield generating, but that is a lot of equity risk that's embedded into those REITs, so I don't think that just doing that in and of itself will actually get the diversification properties that we're seeking to get.

Subject to an increase in alts, there was a lot that we can do that will be done over time to the extent that we get flexibility. So what we can do in the short-term is increase real estate allocation, based on analysis which is coming up in September for the asset-liability study, and we can increase leverage.

As I said, on the total fund, maybe currency reimagined based on operational constraints, and I'll hit on later tail risk hedging and why that may not make as much sense, given our approach to implement at the total fund level.

So let's hit on a few of those in a little bit more detail. So just a tactical

reallocation. So what if we were to say today let's take money out of fixed income and put it into another liquid set of investments, because we can make that happen quickly.

So where would you put it? You could put it into REITs. You could put it into just general equity. You could put it into dividend yield equity. You could put it into value equity. In any of those cases, if we take, say, 5 percent of the fixed income and we move it into equities, that increases our risk 50 percent. And risk here, again, is a forward look of risk, of volatility.

If we moved 8 percent, that more than doubles it. So we would be taking all of our risk budget to buy that protection or to get that extra return. That means we wouldn't be able to -- we would have to limit active management, for instance, under the current risk constraints. So these are the things that we have to take into account when we're making sort of a big tactical allocation bet.

We also are looking at opportunities to balance exposure to inflation. And, again, we already have some of that exposure. What we show on page 179 is sort of based on forward-looking return assumptions, how various asset classes are expected to return, how they're correlated to inflation and how they're correlated to global equities.

Very simply put, in that context, on inflation, on this page, all blue is good. All blue means it's expected -- that asset class is expected to have somewhat higher returns, somewhat higher correlation to inflation, meaning it's a beneficiary inflation, and somewhat lower correlation to global equities.

Again, this is based on forward-looking capital market assumptions. One could debate those assumptions. But what you can see here is areas -- you can see the challenge on the top line of a U.S. aggregate bond exposure. And you could see the potential benefit under this framework for things like direct lending, core infrastructure, real estate and value add real estate. And, again, this is part of the reason that we're talking about real estate as a potential opportunity to add and private markets as well when we get that flexibility.

We also use our total fund risk model to

look at various scenarios, again, if we were to quickly enact something today and move money into value or dividend yield or REITs. And to make a really long story short and a lot of analysis -- summarize a lot of analysis, it doesn't make a big difference at a point-in-time macro event.

So we would be taking a lot of volatility risk and tracking error and not necessarily over the short term getting the protection that we wanted using -- at least under the assumptions built into the total fund risk model.

The last opportunity that we have, which we haven't done, and I would not expect us to necessarily do tomorrow, is to look at -- to implement, I should say, tail risk hedging. Tail risk hedging will and should, if it's properly constructed, protect in those shock events on the downside.

But there's a number of things to take into account. One, we're a very big fund. We have 200 billion in assets. Putting on a meaningful tail risk hedge can be a challenge in and of itself. Equally important, it can be, in a traditional sense, very expensive. So we have to be willing to pay a cost year after year for that hedge, and we have to have the patience to keep the hedge on, because if you take it off at the wrong time, you'll incur the cost but none of the benefit.

So that's why, from a very high level, we think continuing to have, again, this diversified set of diversifiers, which will perform in different times but collectively will generate yield and return, is a good approach for the long term.

That was a lot of talking, but just to really sort of put it all together and so it's clear to the council where we are and what are next steps. Asset allocation long term, we are in a rising rate environment. There is inflation. The benefits of fixed income remain. They might be somewhat muted over this period, but that's why we've added to the diversifiers and that's why going forward we definitely want to explore adding some risk in the fixed income asset class, potentially adding to real estate, adding potentially to real estate leverage and, when we can, adding the private market side.

MR. WENDT: Alison, it's Gary Wendt. I would like to ask a question.

MS. CANIDA: Gary, please go ahead.

MR. WENDT: You can hear me. Good.

MS. CANIDA: Yes. Go ahead, please.

MR. WENDT: I'm with you via telephone today, and I certainly have to compliment you guys on the thoroughness of how you've gone after this issue, which we just suggested at the end of last meeting. I expected you to overwhelm us with information, because you usually do, and you did it well. And I would also like to compliment you on all the different little items you said you can do to try to offset this.

I will say, though, that this issue, in my opinion, in my opinion, this issue needs to be looked at as a short-term issue, not a long-term issue. As I heard the things you talked about you could do, they all sound like good things anyway, long or short. But, you know, the issue of rising rates is something that's with us now. We know it's going to happen. It's going to have an effect. And it sounds like you're doing all you can without changing the overall mix of the portfolio long term. In my opinion, that's good.

On a long-term basis, I at this time don't see any reason -- this is my opinion -- that we need to make any changes in the overall mix of the portfolio. But in the short term, there are things that we should do, and you can do all of those. It looks like you've got a long list of them.

So anyway, those are just my thoughts. My compliments to you on doing a very -- I can't say thorough because you guys overwhelm us with data all the time, so I guess it's thorough. But there's more you could have thrown at it, but thank you for not doing that.

MS. CANIDA: Thank you, Gary. Any other questions, comments, before we turn it over to Aon? Thank you again, Alison.

MS. COMSTOCK: Good afternoon, everyone. This is Katie Comstock with Aon, and my colleague Kristen Doyle is on the phone as well. And so I'll start off by just saying that our -- we have a deck here, and I don't plan to go through every page. And really the themes and the message that we have in here are largely consistent with what Alison just went through, so I'm not going to be redundant here. There are just a few points that we wanted to emphasize, and then we're happy to take any questions.

The first is that, I want to make it clear, we do think that there continues to be a role for core fixed income. We acknowledge that there may be some short-term pain, and we've actually experienced that year to date. I think through yesterday, global equity is down 6 percent. Core bonds, I think, are equally down, about 6 percent as well.

But over the long term, what we are expecting is core fixed income to help dampen the volatility of the portfolio, provide equity diversification when it's needed and also offer the liquidity that's needed for the FRS.

So we want to keep that all in mind and remember, you-all have the benefit of being a long-term investor. Again, all things that you just heard from Alison's presentation, but we did want to reemphasize those points.

A few things just to highlight the short term, I'm going to flip ahead to page 188 of the deck. I wanted to just highlight -- again, Alison touched on this, both looking back at a few historical periods as well as forward looking, this is looking back at some various periods of stressful equity markets, which are represented by the blue bar, and then how core fixed income did, which is represented on the right bar. And so we wanted to highlight that when in periods of market stress, core fixed income has held up when it's been needed.

Again, this is looking back, and one thing I want to point out here is you can see the magnitude of those bars moving from left to right has declined. This is not exactly in chronological order, but it for the most part is. And the smaller red bars are reflecting the lower yielding environment that we've been in.

And so though the benefit of having core bonds and hedging equity risk has -- you can see has been a little bit less effective, it still has been effective. It still is in positive territory. Further, as we do see rates rise, there will be more room for equities to provide that hedge over the long term.

And they've done this by also providing the important component of liquidity, which is needed, again, to rebalance and to provide cash flow, whether that be benefit payments and/or source capital calls for some of your private markets.

The other component I wanted to touch on is more focused on the long term. And we have a section here where we did some scenario analysis similar to the work that we do through the asset-liability study. And I'm going to jump ahead to page 194. And it kind of serves to answer the question, are there alternatives to having core fixed income in the portfolio, what is the long term role, does it continue to make sense to have this.

And so I would remind everyone that the asset allocation was put together through the asset-liability study that is revisited on an annual basis. And any changes from an asset allocation perspective we think will be best served through this study.

What we did, though, is we ran two scenarios, and these are purely illustrative. This is -- one scenario, what I'm showing here is by taking your current policy, which is shown on the left, and the scenario on the right, is reallocating the 18 percent to core bonds pro rata to your return-seeking portfolio. Another scenario we did was reduce core fixed income by half and allocate that to private debt or yield -- illiquid yield-seeking asset class.

But what I want to point out here is that if we look at the top charts, what this is doing is projecting for the market value of assets. And we think that looking at market value, you can see it, is -- is an effective way to balance the trade-offs of a better outcome, which you can see through the base case, of a greater market value at the end of the next ten years. But what's important is that any reduction in core bonds is going to increase the risk of the portfolio from a volatility perspective and potentially from an illiquidity perspective, depending on where those assets go.

And so when making those changes, we need to be mindful of the impact, not only from a risk-return perspective but from an asset-liability perspective. And so you can see where that is impactful is on the downside in the recessionary scenario and the dark skies scenario where the portfolio is worse off.

And that also impacts expected contributions, which we show in the bottom. You can see in those downside scenarios, the recessionary and the dark skies, it would be

expected that contributions would be greater by about 1 to $2 billion year over year with the level of higher risk.

And so that's not to say there's not a case to look at this or to potentially change the mix, but we want to make sure that we're doing it with having the full picture in the context of the asset-liability study.

One other thing that I would add here, and Alison touched on the peer analysis. More recent conversations that we've been having with peer plans are looking to find other yield-seeking investments. Private credit, I'm sure you've all seen it, has been a very hot area.

It's not consistent where those assets have been sourced from. It's not -- a lot of it has been from the diversification of the return-seeking bucket rather than a fixed income replacement, but we have seen some assets flown from fixed income to more -- liquid fixed income to more illiquid fixed income.

But generally what we're seeing are plans staying the course, looking at their asset-liability study, looking at the long-term impact on expected funded ratio, expected impact on contributions, and sticking to their long-term asset allocation, is what we've generally been seeing lately.

The last thing that I wanted to just, again, reemphasize, is the importance of understanding the FRS's circumstances. You-all do have a net cash outflow position of roughly 3 to 4 percent. You pay about $11 billion in benefit payments annually. And so net of expected contributions, that's about 6 to $8 billion outflow.

And so having that liquidity piece, especially in times of equity market stress, when you need to be able to rebalance and you need to be able to source cash flows, is important to consider. And so I think you-all are asking the exactly right questions. You want to keep the long term in mind and then be aware of what tools you have.

Obviously, having a restriction on the amount of alternatives can limit what you can do, but there are some further diversification within your return-seeking portfolio that we can evaluate. And additionally Alison touched on some of the things you can do within your existing asset classes that can hedge some of the

short-term pain that we are expecting in a rising rate environment.

So all that said, I hope I didn't speak too quickly, but we do think there's a role. Changes from an asset allocation perspective should be done through the asset-liability study, and we think evaluating some of these tools that you have to hedge some of the short-term pain continues to be appropriate.

I'll pause and see if there are questions or anything else you'd like me to hit on.

MR. GOETZ: This is John Goetz. Katie, just to make sure I understand the numbers on page 194, what we're showing there is that in a bad scenario, right, we're just trying to understand a range of outcomes.

MS. COMSTOCK: Right.

MR. GOETZ: In a bad scenario, we're $7 billion down, right, in the dark scenario. In the expected case, if we went 100 percent -- I mean, obviously we're not going to do 100 percent, but just to get the math, we'd be giving up, in the worst scenario, about $7 billion for an expected 15 and an upside of, what, 70 billion, right?

MS. COMSTOCK: Right.

MR. GOETZ: And the reason the math comes out this way is because the return in those risk-seeking assets embedded is I think in here 6 to 7 percent, roughly, versus the bond portfolio, if you inflation adjust it, is very -- it starts out negative and then has to cross over to a positive number.

So that's why the outcome is skewed in favor of return-seeking. Because I think if you said, would you give up $7 billion of risk today to double your money in ten years, everyone would say yes. And then if you said, oh, and I'm not just talking about doubling. That was the expected case. You actually have a tremendous upside to that. I think all of us, if we were just making that trade-off investment, would say, yeah, that's a good investment.

The problem is we're obsessing about the downside, you know, and the risk. And I understand that, because what you're saying is you need to replace that with funding. So that's why we're obsessing with the downside.

But I think it is a matter of degree, you know, of what that retention buffer is, and it's

just trying to figure out what that is. And I know you said you do that in the asset-liability study, and you've done that repeatedly over the years.

I just want to point out that we're at a unique time where that buffer is costing money after inflation, and it's just never happened before, right, where your buffer actually costs you insurance money.

It's the same thing you don't insure tail risk, is because to insure tail risk, you have to pay money out to reduce the risk. We're doing that in the bond portfolio today. The alternatives to that make total sense, right, because if we can enhance that return, then we're good.

But I just wanted to point out, that's why you mentioned, Alison, you've made these changes over time. But the last time we made the changes, 2014, to pursue more risk, and the interest has gone more negative on a real basis since 2014. So it seemed logical that if you were trading off risk and return, that there would be another move to more risk because the insurance is costing you more than it ever has in history. That was my intuition on the subject.

MS. ROMANO: Yeah. I think that's a fair assessment. I think it is -- we do need to take into account the uncertainty of contributions or the volatility of potential contributions into that equation, because that has to be managed as well as the liquidity.

MS. CANIDA: But, Alison, you did take that into account in the study you did prior to that. I mean, it was illustrated differently, but . . .

MR. TURNER: Yeah, this is Robb Turner. I had a question for you, I think. What generated this study was a question in December that we thought we were going into a period of inflation with low -- maybe increasing interest rates, which may change the paradigm of how a long-term fund should be investing.

And if you look where we're at today, given geopolitical risks that you talked about -- and geopolitical risk we now understand is much broader, where peace in the world may be a different equation going forward, which may dramatically change -- we may go back to the 1970s before we know it.

The biggest challenge we have is trying to

understand are we in a fundamental change period, which we started to talk about in December and it's only worse today than it was in December, given world events.

What are all the other pension plans saying about this? Is anybody sitting there saying, wait, we might be in a whole different paradigm today than what all this empirical data that's been gathered over the last 20, 30 years -- it may not be as accurate to predict the future and predict portfolio management functions as it used to be. Because you're talking to a lot of pension -- what's the broader market saying about this?

MS. COMSTOCK: So it's definitely a conversation that's coming up. I haven't heard many thinking that this is a whole paradigm change. Most of the plans are taking the benefit of having that long-term time horizon and being able to withstand some short-term volatility, understanding what that might mean with that short-term pain, but that long term is really a benefit that you-all have.

So I haven't heard many discussions across -- from trustees and committees about having a whole regime change. But to your point, it's extremely important to be forward looking and understanding what is different than the past year that you've been investing, and that's, I think, today from a core fixed income perspective but also looking at the opportunities in emerging markets and understanding what risks are and understanding also the opportunities.

So I hate to lean back on this, but it is all about the trade-offs and if you're willing to be able to handle the risk and the perceived risk and do a due diligence and understand what the opportunities are there, you have the ability to withstand some of the short-term risks to benefit over the long term from those opportunities.

But to the short question, we haven't heard much about -- we haven't heard many plans up and changing their investment strategy long term based on the recent events, but it is an ongoing conversation.

MS. CANIDA: Thank you. Any other questions? Okay. So next item on the agenda, we have a deep dive into the real estate asset class. We'll turn it over to Steve and his group.

MR. SPOOK: Thank you. I'd ask Lynne and Mike to join me up here.

Well, good afternoon, everybody. Thank you for joining us today. My name is Steve Spook. I'm the senior investment officer for real estate. And joining me today are Michael Fogliano, the senior portfolio manager for the externally managed portfolio, and Lynne Gray, senior portfolio manager for the principal investments portfolio.

I'm going to start today with giving a brief overview of the asset class as a whole. Then I'll turn it over to Michael and to Lynne to do a little deeper dive into their respective portfolios.

On the left side of the chart is our principal investment section. It has four portfolio managers and an analyst reporting up to Lynne Gray. As a reminder, principal investments is our portfolio of direct-owned and joint venture assets. The right side of the chart is the externally managed portfolio, which is our commingled fund and REITs portfolio. Three portfolio managers and an analyst report up to Michael Fogliano. Both of them report up to me, along with a portfolio-wide analyst and admin assistant.

I do have to apologize for the org chart. It's inaccurate, and it should reflect that I report directly to Alison Romano, deputy CIO. I'll fix that next time.

Our real estate consultant is the Townsend group, and joining us today over to my right are Seth Marcus and Dick Brown. Hopefully there will be enough time at the end of our presentation for them to give a short presentation as well which they've prepared.

So real estate is designed to provide four roles, of which inflation is obviously the most prominent today, but it also provides attractive risk-adjusted returns, diversification for the total fund, and it does have an income focus. A couple of those attributes are helpful towards solving the fixed income problem, I would point out.

But to focus on inflation, given that it's reared its head on us recently, here are some reasons we think real estate is an effective hedge against inflation. It's historically outperformed in inflationary periods. Leases and

revenue streams are directly or indirectly linked to inflation, particularly the shorter duration leases, such as multifamily, self storage and hotel.

And when it's accompanied by good economic growth, which is, you know, the situation that we have now, it can lead to increased demand for real estate space and correspondingly increases in real estate rents. So leases with expense pass-throughs, in other words where the tenant pays the expenses or above the base year, are also a hedge against inflation.

Construction cost inflation, which we are very definitely seeing, costs of all commodities and materials and labor are going up. It can slow new construction, results in price appreciation which should have a positive effect on our existing assets, on their replacement -- as their replacement cost escalates.

Debt is also an effective hedge against inflation. As NOI grows, which we're in an environment in which we're seeing that, debt gets paid down at the same interest rate.

We have two broad strategies in real estate, core and non-core. We're currently operating within our ranges. We have a target of 85 percent core, 15 percent non-core. We've been operating informally, with management's approval, on more of an 80/20 split, given the environment that we're in.

Core is characterized by being more income focused, stabilized, so 80 to 85-percent-plus occupancy and generally has low leverage. Non-core strategies, which we access primarily through Michael's portfolio through closed-end funds, but we also utilize strategies within principal investments, development strategies which we call build to core. So we're utilizing development instead of buying completed stabilized assets in certain property types to get access to the property type at a lower cost basis.

Our asset class allocation is 10 percent. As of 9/30, September 30, 2021, which was the latest official numbers we had for this presentation, we were at 8.7 percent. Just to illustrate the volatility that we've been seeing in that allocation, I put up March 10th numbers, which was the latest date that these slides were due, but you can see a dramatic shift. At 3/10,

we were at 10.2 percent allocation. Since that time, global equities have had a pretty good run. We're back down to today exactly 9.99 percent. And that's also a result of strong real estate returns, but global equities make up the majority of our denominator, so that has a big effect on our allocation.

Sixty-three percent of the real estate portfolio is in principal investments. I explained what that was. Thirty-seven percent is in the externally managed portfolio. Externally managed is further broken down to -- between pooled funds and REITs. REITs, as a percent of the total real estate portfolio, has a target of 10 percent. We're slightly above 11 percent today.

Here's our property type diversification. I wanted to demonstrate on this slide rather dramatic shifts in allocations in response to secular trends and shifting consumer preferences. I put up 2015 numbers and I put up 9/30/2021 numbers. The largest changes were over 10 percent increase in allocation to industrial since 2015 and a 6 percent decrease in retail since 2015.

Just the last one year, the benchmark's industrial exposure increased about 6 percent, with a corresponding decrease in the office share by roughly an equivalent amount. So these allocations are moving fast. Investor preferences, consumer preferences, it's all moving fast, and it's all been accelerated by COVID.

And here we have our geographic exposure. The main thing I wanted to highlight here is a large decrease in the exposure to the east region, which is heavily weighted towards the gateway markets. Gateway markets have been especially hit during COVID, given their density and reliance upon mass transit.

With the kind of new emphasis on the ability to work from home or away from the workplace, the South has been the -- the South and Southeast has been a beneficiary of that. We've kind of followed that demographic trend and increased our exposure by 610 basis points.

That's also the result of lower cost of living in the South and the Southeast and a much friendlier business environment, with many businesses or people relocating from higher cost

and highly regulated states, California, New York, New Jersey.

MS. CANIDA: Steve, this is Tere. I have a quick question. Going back to page 9, on the industrial sector, where you've had a tremendous increase in the allocation, are you continuing to find value in that space or is that --

MR. SPOOK: We are continuing to find value. I've got a slide with some of the returns in different property types. Industrial returned over 40 percent one year as of December. That's unsustainable, but those demand-supply dynamics continue to be favorable for new investment.

Capital flows -- I know it's scary when you kind of seem to be part of the herd. Capital flows are going into industrial heavily. But the supply-demand dynamics are still there. All predictions for NOI growth and rental growth, if you look at all the different property types, industrial is right at the top, together with multifamily and some of the alternatives.

So, yes, we do continue to seek out opportunities there, and there is a need for modern industrial product.

MS. CANIDA: Okay. Thank you.

MR. SPOOK: You're welcome. I wanted to skip this page but don't think y'all would let me. So here's our leverage position. Total private market leverage is 30.4 percent. Principal investments leverage, where we have the most control, is 24.4 percent. Lynne will have a little more detail on the principal investments leverage, but if you bake in basically all the transactions that are in our pipeline, dispositions, some new financings and acquisitions, that 24.4 percent goes up to in excess of 27 percent. More detail on that later, though, from Lynne.

We're currently in discussions with a service provider to put in place financing vehicles, which would enhance our flexibility and liquidity without the constraints inherent in asset-by-asset financing, taking into account the anticipated pipeline which I just mentioned activity, and we may have a need to request an increase in our leverage limits by necessity there but also in response to some of the points that Alison brought up in the fixed income discussion.

Returns, very strong returns across all

property types. The more recent returns are highly bifurcated between the haves and the have-nots. Industrial, the benchmark returned 43 percent for the one year. Multifamily returned 20 percent. Compare that to the asset class as a whole, 18.2 percent, dragged down by still good performance relative to historical but very low to those previously mentioned ones, office at 6 percent and retail at 4 percent. A lot of that is just rebound from the severe drawdown in the first year of COVID.

MR. PETER JONES: Steve, do you have any comment on the hotel sector?

MR. SPOOK: I don't have too much to comment on hotel, other than the leisure sector is rebounding a lot faster than the business sector. We don't invest in hotel directly. To the extent that there is hotel in our portfolio, it's mostly just a small part of our commingled funds. It's not the primary objective, and generally -- it's generally a small part of the portfolio.

MR. PETER JONES: Thank you.

MR. SPOOK: We -- especially on the direct-owned side, we try to avoid property types with heavy operating components.

MR. MARCUS: And just to comment, our hotel exposure is less than 2 percent of the real estate portfolio, so it's -- to put some numbers behind that.

MR. SPOOK: And it's all held within the commingled funds. Thanks, Seth.

So what contributed to the good performance? Here I focused on the three year return to capture most of the pandemic period. Outperformance was broad based. It does reflect some of today's investment themes, namely, rise in industrial and alternative types. These property types are benefiting not only from secular changes but shifting consumer preferences but also a rotation of capital out of office and retail. That capital has got to go somewhere. There's a lot of money on the sidelines, and it will find its way into different property types.

I also want to emphasize we do not use too broad a brush when characterizing property types. And you hear a lot of negative talk about office. You're hearing it from us. You'll hear it in the marketplace and everything. But despite office being out of favor, one of our largest assets -- it's our largest asset, period, it's our largest

office asset, period -- has been a very strong contributor to performance across all time periods, especially recently, due to its strong position in the market, good leasing momentum even through the pandemic.

So I think that kind of fits the theme that not all office is going to suffer. High quality, highly amenitized office is going to be the winner here. Commodity B and C office is definitely going to be the loser. We're still trying to figure out what percentage less office we're going to need going forward. Nobody has that answer yet because the whole work from home and return to work is still playing out.

Also contributing to our performance is property selection. So even within property types, like retail -- we'd rather not own retail today. It didn't perform well, but our retail performed better than the benchmark's retail. And same thing, our industrial selection, our individual properties performed better than the individual properties in the benchmark, and the same with most of the property types, except for multifamily. We're slightly below the benchmark in selection.

This is just a summary of all the activity we did in calendar 2021. I just wanted to kind of highlight. You're hearing alternatives. You're hearing industrial a lot. It's real. It adds up to 77 percent of everything we did last year in acquisitions and new fund commitments. We plan to continue a lot of the same this year, with more of an emphasis on multifamily and not really multifamily but residential sectors as a whole.

This is detail from the previous page, just kind of showing various transactions that we did last year. Total acquisitions close to 600 million, offset by dispositions of 175 million. And this is our activity. A record year for us in commingled funds, heavy again on the alternatives, industrial, in particular, overseas industrial, where -- the stock overseas in Europe and in Asia is very old, very obsolete compared to U.S. stock. And a lot of the U.S. industrial stock is obsolete, but over there it's the majority of it.

So there's a great opportunity. And we've accessed that through co-investments which have been pre-identified, which we can underwrite,

which don't have a J-curve and fees uncommitted. So we like those, and they're generally half fees of funds also. But, as you can see, well over $1 billion in commitments, offset by close to 400 million in redemptions.

And what are we going to do going forward? More of the same, focus on many of the same themes as recent years. We'll continue to reshape the portfolio to better reflect the changes we see in the marketplace. And they're changing fast, as I showed you.

That means a continued emphasis on industrial, alternatives and residential sectors. And just for context, what used to be called multifamily, the industry reporting organization, NCREIF, which produces our benchmark, is going to shortly rename multifamily to residential, kind of more accurately reflects today's reality. So that's going to include manufactured housing. It already includes student housing. And it's also going to include a brand-new asset class growing fast, single family rental.

And also in the -- now, retail, again, a bad word, but we own very high quality retail, and we're blessed with the fact that a lot of our retail properties have opportunities for densification and conversion to mixed use. So just, for example, we have a Publix-anchored center in South Florida. Publix wants a new store. We're knocking down the store, building them a new store. But on top of it, we're going to put six stories of multifamily.

It's in a very dense location, infill. It's South Florida, so that goes without saying. And so that's an opportunity to create a mixed use environment, which we think is kind of the future of retail, and utilize entitlements that are worth a lot of money.

Doing the same thing with retail properties we own on the West Coast, which have large parking fields. Parking fields become less necessary going forward, we believe, and we're looking into getting entitlements to put multifamily and life sciences on those parking fields of our retail centers, create a mixed use environment there, too, and just happen to be in the right submarket for those kinds of uses.

That's pretty much all I have for now, unless you have any questions now, or you can save them for afterwards, and I can turn it over

to Michael.

MS. CANIDA: Thank you, Steve. Any questions? Okay. Go ahead.

MR. FOGLIANO: Hello, everyone. Michael Fogliano. I oversee the externally managed portfolio. I'll go through my discussion here, and if you have any questions, feel free to interrupt. The purpose of the externally managed portfolio is to provide diversification through core open-ended fund vehicles and diversification and excess returns through non-core strategies. It also contains a global REIT portfolio.

These strategies allow us to gain exposure to properties and markets that we would not otherwise be able to access or at least not be able to access as a first-mover advantage. We've done that by going into funds way back when we were able to get access to self storage, medical office, manufactured housing, active adult, multifamily, which is still kind of new, and data centers, just to name a few.

Over the last few years, the externally managed group has started exploring other complex strategies, such as co-investments, club deals and GP sponsor equity arrangements. While these opportunities are a little more complex to execute, the reward for those opportunities include lower fees and gaining access to seed portfolios with embedded value. Very attractive today.

The externally managed portfolio value has grown from about 5.9 billion in 3Q 2020 to 6.7 billion in 3Q 2021. We have been able to lower our asset management fees slightly, about 19 basis points over the last year, by continuing to achieve first close discounts and early close discounts by investing in core-plus open-ended fund strategies where fees are charged on deployed equity only, not on committed, and then by adding to existing programs where fees are based on a sliding scale. And valuation increases has also benefited us.

Also, we've been working on co-investments, which is something we've been doing over the last year and a half, and where fees are moderately lower than closed-end funds, so about half, and only charged on deployed capital. And then lastly, by sometimes benefiting from Townsend client aggregation discounts, that also helps the bottom line.

You can see the pros and cons of open-ended funds and closed-end funds. Open-ended funds tend to represent core and core-like strategies, and closed-end funds tend to represent higher risk, non-core strategies.

When investing in closed-end funds, we try to mitigate some of the cons associated with closed-end funds. We do that by trying to minimize our allocation to allocator type funds where there's double fees and double promotes. We partially eliminate the lack of control issue by searching for funds that have many assets already in it, called prespecified assets, and then we underwrite those assets on an individual basis. We look at the investment memos. We question the acquisition staff by our managers, and we sometimes go and see the assets, not over the last couple of years, but we will be doing that going forward.

And lastly, we've been investing in co-investments, which Steve discussed. Co-investments have little to no J-curve. The fees are lower, and the assets can be underwritten.

MR. SPOOK: Just in response to Michael's comment about we haven't seen a lot of these over the last couple of years. We have used a lot of technology, like drone technology and everything to take the place of some personal visits.

MR. FOGLIANO: Good point. There are a lot of closed-end funds in the market. You can see them on this page. Our global REIT program gives us access to public market real estate, and it provides us with property type and geographic diversification and also provides us with liquidity if needed.

We currently have three separate account managers that provide us with five strategies. Three are global diversified, and two are global, but they're more focused. The goal of the global diversified strategy is to beat the FTSE EPRA/NAREIT index or benchmark on an after-fee basis. And we've done that consistently.

MR. PETER JONES: Michael, question back on the co-investments. You mentioned the fees are lower, about half.

MR. FOGLIANO: Right.

MR. PETER JONES: Are there any -- what are the downsides to the co-investments?

MR. FOGLIANO: Well, we really are very

selective on those. And we -- you know, we do not go for trophy properties. We like portfolio type arrangements, where we feel we have an advantage and they have to meet all our other criteria. Like supply and demand are very much in favor.

There's a big -- there's a lot of upside in the underwriting, and we can actually underwrite it, understand it, talk to our partners around the world, and ask them what they feel -- how they feel about those locations, that manager executing that strategy. And we have a pretty good opinion about that usually.

But also the downside is -- I would say there's very little downside relative to other investments, because there's clarity in those investments and we can underwrite them. We're not going to underwrite them unless they seem extremely attractive.

MR. PETER JONES: So would you expect to do more co-investments and maybe less pooled, pooled investments potentially?

MR. FOGLIANO: Well, one of the reasons why co-investments are attractive is, one, to lower fees. Two is to reduce the committed capital, the uncalled committed capital, so you can get your money to work quickly, and then also by being charged only once that money is deployed. You're not charged on the committed capital, so you're reducing your overall fees by more than half, because we're paying half the normal fees within a fund. And usually fund fees include fees on committed capital.

So overall, yes, the plan is to continue doing that and to maybe explore ways we can do them more efficiently as well, because it does take a lot of staff's time to work on it.

MR. PETER JONES: And one final question. Are they less liquid than the pooled?

MR. FOGLIANO: Usually, so far they've been done in concert with closed-end funds, and so they have the same duration as those closed-end funds. And so we cannot exit them unless we sell them on the secondary market, just like a closed-end fund.

MR. SPOOK: And that's generally at a discount.

MR. PETER JONES: Right. Thank you.

MR. SPOOK: But one of the other downsides for some investors would be, if you're only a

fund investor, investing in funds gives you diversification. If you're investing in only co-investments, then you have far less diversification of properties, because by definition, they're pre-identified properties and generally smaller portfolios.

But for us, we don't view that as a huge disadvantage because we already have a large principal investments book, which is exposed to individual properties. So we kind of look at it the same way there. It fits into the commingled fund bucket at lower fees, but they are individual assets that we can underwrite.

MR. FOGLIANO: And they do give us a little more diversification in some regard. So we did two co-investments last year. One was in Europe. One was in Asia. So we're not investing directly in Europe and Asia. And then we're working on another one that is in the U.S. now, but it's not a property strategy that we would do on the direct side. So we're trying to maintain diversification all the way around.

MR. PETER JONES: Thank you.

MR. FOGLIANO: This is one of my favorite pages. So it shows a little bit of how we've been thinking over the last several years in the private real estate sector. Beginning around 2016, '17, we took the view, at least in the externally managed portfolio, that it wasn't worthwhile pursuing office and retail within pooled fund strategies, in part because it was later in the real estate and economic cycle.

And the other was that probably about five, six years ago, I couldn't figure out what was the ideal office space. Was it a WeWork environment? Was it open floor plan? Was it, you know, floor-to-ceiling windows? How much ESG was enough? So we started scaling back on those investments because of those reasons.

Most of the bets in the U.S. involved logistics-only investments or investments in funds that focused on logistics, multifamily and alternative property sectors. And as you can see on this slide, since 2018, 86 percent of our investments are classified as demographically driven sectors that are experiencing secular change and those sectors driven by technology.

So here we've got sort of generally how we've been thinking about things. I just mentioned diversified. We've gone into

data-center-only strategy about a year and a half, two years ago. We've been going into industrial-only strategies a lot and have been going into demographic and alternative strategies quite a bit.

I'll give you a couple of examples of what we did last year. So we went into a global diversified fund. It was core-plus, concentrated on demographic and alternative sectors. And those property types were multifamily, self storage, medical office and industrial, just to name a few. When we went in, it was blind. There were early discounts to go in. And since then, they have been executing their strategy very well.

We also went into two open-ended core-plus industrial funds. One was a new fund strategy that had a bunch of seed assets that we spent a lot of time underwriting, and the other was adding to an existing strategy that was also core-plus industrial. The new fund we allocated 200 million to. The other one we allocated 100 million to. And I -- we like those bets.

And as I mentioned earlier, we did two co-investments to closed-end fund structures.

One was focused on Japanese industrial, and the other was focused on European industrial. The Japanese industrial was pure play development, and the European industrial was a preferred equity facility to an industrial developer that one of our managers had a lot of embedded value in, and we got the benefit of an existing program there and were able to reap some benefits on day one. And going forward, that looks like it's going to be a really good deal.

And so we did 100 million to the Japanese industrial deal, and we did 40 million on the European industrial. I wish we were able to do more. As you can see, we are continuing to focus on sectors that we feel perform best in the current environment.

You can see the two pie graphs here. The NAV of 6.7 billion. On the right it's the NAV plus the 2.1 billion in uncalled capital to some of the strategies that I just mentioned that will take a little time to be called.

MR. SPOOK: We can do those returns every year.

MR. FOGLIANO: Yeah. Well, he knows exactly what I was going to say. So these returns are --

the one year was crazy. So do not expect these returns going forward. If we can repeat the three, the five, and the ten year returns with that kind of outperformance, we'll take that any day of the week. So we'll see what 2022 brings, but the returns in the one year were not repeatable, as Steve said.

So the prior slide was all of the externally managed portfolio. This is just the pooled funds portfolio. And you can see that we've also beat the benchmark over all periods. This shows our core and non-core returns, which not to be boring or to repeat myself, we've beat the benchmark over all periods. And, again, we realize that these performance levels cannot be repeated. I can't repeat that enough, I guess. But it just feels that, going forward, let's expect more normalization of returns.

This page includes our domestic and international property exposures. When I compare them to ODCE, our benchmark, I really like our industrial and our other exposures. We have -- for instance, our industrial is 33.1 percent exposure versus the benchmark of 25.3 percent. In the other categories, which are all the alternative property types that we like, we're at 13.7 versus ODCE at 5.7.

Also, we are underweight to both office and retail, and we're really happy about that. The only thing that we wish we had more of was residential and, you know, everything in residential, so multifamily rental, manufactured housing. We get an exposure to single family rental through some of our funds, and we're seeing really good returns in those sectors.

And by the way, you know, looking out at the next year or two, looking at what inflation has in store for us, we need to be in sectors where the rental growth is going to be high. So we need -- and we've seen that. On multifamily, the rental growth was about 16 percent last year. Industrial was almost 9 percent, although industrial had better returns, 43 percent versus 20 percent, industrial to residential. There was more cap rate compression on the industrial side.

But both have good fundamentals. Supply and demand are well in balance. And going forward, it looks like that's going to hold true. Just some areas, like Phoenix and Dallas seem to be a little high on the supply side, but I think

overall we'll be fine. And then our managers are definitely looking out for those overexposures in supply.

MR. WENDT: This is Gary Wendt. I've got a house for sale in Greenwich, Connecticut, if you're looking for something up there.

MR. FOGLIANO: I couldn't hear the whole --

MS. GRAY: He has a house for sale in Greenwich, Connecticut.

MR. WENDT: I've got a house for sale in Greenwich, Connecticut, if you're looking for something.

MR. FOGLIANO: I'll ask one of our managers if they're interested. Thank you, Gary.

You can see our domestic exposure, which excludes REITs, here. Some of the numbers are a little bit different than what I just mentioned on the prior page, where we have a little bit extra exposure to industrial and a little extra exposure to apartments.

You can see our international exposure here. And one of things that kind of pops out is office in -- basically most of that is Europe and some of it is in Asia. Up until a few years ago, when you wanted to invest in Europe and Asia, the primary property type was office. And over the last three, four, five years maybe, they've -- some of the other alternative property types have come into their own, self storage, student housing, especially UK student housing and stuff like that.

But in Europe and Asia, office is thought of a little bit differently. People live in smaller infill homes. Working from home is not a long-term goal over there. And it feels like most of the strategies that we are in are trying to take assets and convert them into the type of assets that the Europeans and the Asians would like. So we feel good about that.

Plus also, on the European investments, on the office side, they have built-in CPI rent escalators. So if CPI goes through the roof, the rents will increase accordingly and will match that. So that's a good thing on that side. But overall, our office exposure at a portfolio level is below ODCE on the externally managed side.

MR. GOETZ: Michael, this is John Goetz. Could I ask a question on your expected returns? You mentioned Japan earlier. Are your expected returns in Japan lower than elsewhere, or not?

MR. FOGLIANO: Not on the strategies that we're executing. So we -- the co-investments that I talked about, there's five development deals, all done -- underwritten over a year ago. The returns for development have come down. So we're actually sitting really nicely there. We have a big spread between the yield on cost to develop and the current cap rates.

So when we underwrote it, there was, I would say, on average, about a 30 percent profit margin, and some more some less, but that's still pretty attractive. So we feel good about Japan and the investments that we have in Japan. We don't have a lot. We have some other industrial exposure there, and we have some minimal office there.

MR. SPOOK: And in Japan, residential plays are pretty big with some of our managers, aggregating large multifamily portfolios. It's one of the few countries in the world where multifamily has institutionalized, just like in the U.S. Very few other countries is that the case. In Germany, Netherlands that's the case, Sweden maybe. Very few others. Most of the rest of the world is mom and pop rentals.

MR. GOETZ: Thank you.

MR. FOGLIANO: And we're following that, because even Australia now is starting -- you're starting to see some multifamily rental in Australia, which is unusual, and some other property types there as well. So we're following those trends. We don't want to be the very first one in those markets, but we'll see how it goes.

MR. SPOOK: I think after the big earthquake in Japan, the need for modern logistics was just highlighted. Over 90 percent of the stock in Japan is not institutional industrial, and it's not up to seismic standards or anything like that, so industrial development is highly lucrative over there, still is.

MR. FOGLIANO: Looking at this chart, you can see that our one year performance was slightly below benchmark. And that had to do with some of our managers who had reduced their exposure to things like malls and hotels. And 2021 was a big recovery for retail and malls and hotels. So some of them lost out. The other ones benefited. Overall, we ended up a little bit down. Overall the absolute return, though, is not disappointing. And over the three, five

and ten year periods, we outperformed the benchmark. You can see the geographic and property type exposure on this slide for the REITs.

When selecting funds and other similar investment vehicles for the externally managed portfolio, there is a good amount of research and analysis that takes place in-house, including macro-level market calls. We do that in-house. We also chat a lot with Townsend, who provides good insight, and we try to make the best decision at the time.

I would give an example of our intentional overweighting was our overweighting to industrial and alternatives, as I spoke about earlier, and our underweighting to office and retail over the last four to five years. Additionally, we have been successful investing in funds that are partially or moderately seeded with existing assets. This requires substantial work by staff by reviewing each asset, with the support of our active management approach.

That concludes my discussion, if anyone has any questions.

MS. CANIDA: Any questions for Michael?

MR. FOGLIANO: I'd like to hand it over to Lynne Gray.

MS. CANIDA: Go ahead, Lynne, please.

MS. GRAY: Thanks, Mike. I'm Lynne Gray, senior portfolio manager for the direct-owned investments. As you heard earlier from Steve --

MR. LAMAR TAYLOR: Lynne, you might want to move the mike.

MS. GRAY: Thank you. As you heard earlier from Steve, principal investments holds direct-owned assets. The portfolio is actively managed by the SBA real estate team. We retain discretion over investment decisions, and we approve the acquisitions, dispositions, financings, and the annual business plans.

In the upper left of the screen, you'll see the key metrics for the portfolio. As of September 30, '21, the portfolio had an 11.4 billion net asset value. That's roughly 1.6 billion or 16 percent increase over the same period of time last year.

Performance is shown in the lower left. I can just hit rewind and play for what you guys have heard. One year has been strong. The strongest performer in the one year has been

industrial, with a 41.7 percent return, followed by self storage at 25.3 and medical office at 24.3. To the right of the lower portion of the slide, you'll see that we're providing an income and appreciation breakdown for the total return relative to the benchmark.

Principal investments has a core strategy with primary focus on investing in high quality, well-leased assets with stable occupancy and a steady income stream. The majority of the portfolio is held in the four main property types, but specialty property types are becoming more mainstream. This year we added to our alternative property types by investing in life sciences and manufactured housing.

Geographic diversification is shown on the right. Our view of the geographic diversification echoes some of the comments you heard from Steve, where our exposure to the South increased year over year. And with what we have built into the pipeline, we expect to see that exposure to the South grow over the next year.

And so quickly, we're on to our favorite slide, leverage. I want to start by just giving everyone a brief overview of our guidelines. And if we look at the lower portion of the screen, you'll see that our portfolio leverage for total principal investments is limited to 30 percent; for each individual asset, wholly owned, 50 percent; and for our joint ventures, we lever up to 70 percent.

So let's start at the upper left of the screen. This shows our historical leverage balance, along with the LTV compared to the benchmark. If you focus on the September 30, '21, you'll see that our LTV actually dipped slightly to 24.4 percent. But the leverage balance increased to 3.7 billion, which is roughly 400 million over the prior year.

So what happened? Well, that's in part due to the denominator effect, with the value of the assets increasing over the year period. On the far right, with the 9/30/21 ADJ, that's just showing where we forecast our leverage balance moving in the future, assuming that we close on all activity in the pipeline and we draw down all construction loans that we have outstanding. So with that activity, the leverage balance would increase to 4.4 billion for 27.1 percent LTV.

Debt maturities are shown on the right.

You'll see a peak in 2023, which are construction loans for some of the developments that we have. And then in 2026, those are primarily two portfolios, a large industrial portfolio that's maturing in that year and our self storage portfolio that's maturing.

And then along the bottom, you see our weighted average cost of debt, along with our diversification. Fixed versus floating. I will note that, while our floating rate is at 22 percent, a good portion of that is for our medical office portfolio. And while it's classified as floating, it's actually floating with a cap. So our risk is capped for leverage rate increases.

And then this slide shows our metro exposure. We have investment portfolio guidelines that are shown in the bottom right of the screen. We also show our diversification. While we may have exposure of 11.5 percent in DC, it's not all in one property type. There's office, apartment, and a sliver of self storage.

On the upper right, you'll see the largest assets that we hold in the portfolio. And not surprising, those are the large office assets

that we have. I'll pause for questions.
MR. GOETZ: Lynne, this is John Goetz. What's the history of the big Washington, DC, exposure relative to the other big cities?
MS. GRAY: So Washington, DC, actually has four office investments. And then we recently -- I say recently. A few years ago we broke ground on a multi-mixed-use development there. Now, what I will add is that we have a few things in the pipeline that may change this exposure regarding dispositions or acquisitions. But the office assets in particular are long-term holds or have been held long term in the portfolio.
MR. SPOOK: And a big chunk of that valuation is in two buildings that are 100 percent occupied by the GSA on long-term leases.
MS. GRAY: Correct.
MR. GOETZ: So you originally saw it as opportunistic relative to other geographies?
MR. SPOOK: We did. Some of those properties we bought coming out of the GFC at extremely good cost basis.
MS. GRAY: Well, and then the other large asset that we have, we acquired two buildings and developed a third.

MS. CANIDA: Hold on. Sorry.
MR. WENDT: Gary Wendt has a question or observation, I should say. I don't believe you've had a default in your portfolio in ten years, from what I remember, at least. And if you have had any defaults, I know you haven't had any write-offs. So you've been relatively conservative in the way you've invested in an economy where real estate values kept going up.
Now, going forward, it would appear that we're going to have a lot of inflation, which should be good for real estate. And so my question to you is, since we would like to find more risk assets and we're a little concerned about the stock market apparently, should you lower or, let's say, decrease your standards for underwriting and be a little more aggressive in taking real estate assets into the portfolio?
MS. GRAY: That's a great question. But I would tell you that I think that one of the things that's true to our business practice is remaining focused and disciplined with our approach to looking at deals. And we may be a little bit more aggressive with our underwriting, maybe with rent growth, but ultimately we're

going to stick to our standard approach of being disciplined and thoughtful with our acquisitions in our portfolio.

MR. WENDT: Well, I hope so. But the question is, can't you move up just a little bit on the risk profile and take advantage of the inflation that will be taking place? That's an observation, not a request, observation.

MR. SPOOK: If I could answer that, Gary. I think we already have moved fairly up the risk profile, at least for us. A lot of our new acquisitions in the principal investment side are multifamily and industrial, and we've chosen to access those sectors almost exclusively through development. So that is a higher risk profile.

And the reason we're doing that is because core pricing for multifamily and industrial is in the threes now and, you know, getting into the twos for some industrial in California. So that's just a little too pricey for us to buy something to put in the portfolio long term.

So we prefer to develop a multifamily project at, say, a five, four and a half and sell it for three and a half or keep it in the portfolio, which is really what we're doing, at a

three and a half and take advantage of that wide development spread.

So I think we are -- and just over the last several years, we've been increasing our exposure to the alternatives, which we feel very good about, have served us very well, but they are smaller asset classes. And just given that, that they were at the forefront of becoming institutionalized, I think that was going up the risk scale a little bit also, but it served us well.

MS. GRAY: And I would add to that, that those specialty or niche sectors are not that easy to acquire. They don't trade that often. So like we added manufactured housing this past year, but 2 percent of the stock is owned by institutional investors, and I think that that was a great opportunity for us to acquire what we did. We just don't see those types of deals that often.

MS. CANIDA: Lynne, I have a question. When you look at your exposure in different metro areas, has that shifted dramatically in the last three years, and do you see it shifting dramatically three years forward?

MS. GRAY: Actually, it's been fairly consistent in the past three years, but with what we have, activity in the pipeline, I do see some shifts with the metros that you're looking at, and we'll report on that if we transact on what we have in the pipeline.

MS. CANIDA: Okay. Thanks.

MR. NEAL: Are you pursuing the smaller metro areas where the cap rates might be a little bit more attractive, or not?

MS. GRAY: Regarding metro areas, the activity that we had this past year were development activities, and we're developing in Savannah, which is a market that we've typically looked at to go into, and also Charleston, South Carolina.

Okay. The clicker is broken. Okay. So the next series of slides provides an overview of each property type that's held within principal investments. I won't go through every slide, but I do want to take some time to just orient you to the information that we have. There's a lot of information on each slide, but it's consistent format.

So if you start in the upper left, you'll

see the key metrics for the multifamily portfolio. Shifting down, we provide the major metros where we're invested. In the center, you'll see performance for that property type relative to ODCE.

So while you may see that a property -- the property performance is not compared straight to the subindex. I just want to make clear that that's overall ODCE, which includes the great industrial performance in that number.

On the lower right -- on the right side, you see our investment strategy, where that just shares some insight on what we're thinking for the coming year. And the chart on the bottom provides a historical view of where we've been with the asset class and also what we're planning for the upcoming year, with hopefully increasing, decreasing or remaining neutral with that exposure.

And then finally I'll point out that the photos that you see are actual photos in the portfolio. If you have any questions on a particular property type, I'll be happy to address those. But otherwise I'll just flip quickly through and then turn my time to Aon.

Student housing, I would just comment, since the clicker is broken, that our strategy is to remain neutral. I might have to phone a friend for help with the clicker. It's not doing what I want it to do.

MR. BENTON: Lynne, which slide do you want it on?

MS. GRAY: I want to go to the student housing slide, please. Thank you. Okay. So strategy for student housing, we have some properties in the portfolio that we're looking to bring to market possibly. But we're also continuing to look for opportunities in this sector. We have refined our original investment thesis, where we're focused on tier one or flagship universities.

We do a deeper dive and look at the enrollment growth and what's driving that enrollment growth, whether the students are in-state versus out of state, and certainly focusing on any international students' exposure to those investments.

Industrial, the darling of the sector for now, continuing to look for opportunities within the industrial sector. We have quite a robust

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pipeline of opportunity. If we're successful, we will have roughly 8 million square feet in our pipeline in development. Commercial office --

MR. WENDT: Mr. Chairman, Gary Wendt has a question.

MS. CANIDA: Yes, Gary, please go ahead.

MR. WENDT: I'm just a little bit late, because I couldn't find my mute. On student housing, I happen to be a trustee of a board of a state university system that is badly in need of student housing and will be looking for financing very soon. Do you have any restriction against financing anything that is part of the State of Florida system?

MS. GRAY: I'm going to defer to Lamar on legal aspects of what we can do regarding financing. That's not in the real estate --

MR. LAMAR TAYLOR: Gary, that's a great question. Typically, the way that those housing deals are done on state university campuses here in Florida is they have their own housing authorities. So each university has their own sort of housing authority, and they have sort of a stream of revenues that they'll pledge towards those housing projects.

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And it's sort of a pooled pledge against sort of a stream of student revenues around housing. And so they'll issue bonds through the Division of Bond Finance on a tax-exempt basis to build the infrastructure.

Now, there are certain other offshoots from there. That's basically the core, but then some universities sort of get outside the Division of Bond Finance and go through certificates of participation structures with private developers. So it can get a little bit out there.

I think typically we have not participated or provided the financing there. That's been sort of a market-driven function. I think in large part because I think those universities -- at least what I'm familiar with -- have tended to approach the tax-exempt market for that financing.

MR. WENDT: That's right, of course. Sorry.

MS. CANIDA: Lynne, go ahead.

MS. GRAY: John, thank you, to commercial office. Steve had mentioned that commercial office is one of the least favored sectors today. I will tell you that we surveyed -- recently surveyed our property managers at our office

buildings, and they're seeing anywhere from 30 to 40 percent physical occupancy within the portfolio.

The recent announcement with companies saying return to work, still a lot of uncertainty with what's going on with commercial office. And it's just a matter of time to see how the remote work or hybrid work impacts the commercial office space. But we do see that there will be a bifurcation with the quality office properties with amenities that are well-located versus the class B or C office buildings.

Next slide, please. Medical office, we have a joint venture we formed back in 2015 with a partner and have a very active pipeline, over -- during 2021, we closed on 15 medical office buildings, and we have runway left in our existing venture and will continue to be active this year with medical office.

MR. SPOOK: These tend to be very small assets, and the value proposition is in aggregating them. We get a portfolio premium.

MS. GRAY: As I mentioned, life science is a new add to the portfolio. We are underway with development with the life science portfolio in the San Francisco market. And then retail, my view of retail is that retail is not dead. I read an interesting statistic for 2021. Brick and mortar store sale -- stores grew faster than E-commerce for the first time ever. People are still craving that physical experience, being in the brick and mortar store.

One thing to point out, as Steve noted, is that we have really quality properties in our portfolio. The one on the slide is in Greenville, South Carolina, and it was one that we were concerned about during the COVID period, with the big boxes and some apparel. But it's actually turning the corner, and we see that one being a longer term hold than we had originally expected.

Next slide, please. I mentioned manufactured housing. We'll continue to look for opportunities, but these are not seen that often. Next slide. Self storage, another joint venture that we have, with existing equity committed to the venture, and we'll continue to acquire properties in this portfolio.

And then agriculture. Agriculture has been a strong performer for us historically. We have

recently taken -- the majority of the properties are in permanent plantings, and we are working to redevelop those permanent plantings. So when you take out the trees and take that offline for redevelopment, there's an impact on returns. So over the next few years, when the trees start growing and we see maturity with those, we expect to see the returns turn around.

Next slide. And then senior housing, senior housing is a sector that we will or have now, since this slide was prepared, exited the space. And any future investments will be through a fund vehicle and not through a direct-owned platform.

And that concludes my presentation. Thank you.

MS. CANIDA: Thank you.

MS. GRAY: I'll turn it over to -- unless there are questions.

MS. CANIDA: Are there any questions? Thank you for the excellent presentation and the work that you're doing in the real estate group. With that, we'll turn it over to Richard Brown and Seth Marcus of Townsend.

MR. MARCUS: Thank you, everyone. And we'll keep this pretty brief. You've heard a lot about real estate from your direct team. Dick and I represent Townsend, an extension of your staff, an extension of the SBA, and headquartered in Cleveland but a global organization that supports the SBA.

We want to jump to -- I'll just talk about a couple of slides. The third one, maybe one more. So today you've heard a lot about the outperformance and the consistent basically outsized outperformance. I think it's important to hammer or to reiterate this a little bit.

So the real estate portfolio, per the policy, is measured on a five year rolling return basis. For 20 consecutive years, year in and year out, the real estate performance has outperformed that benchmark. So the last 12 months have been exceedingly high. Go back 20 years, we've consistently outperformed that index. And that's to the strength of the portfolio that you just heard a lot about.

The $18 billion portfolio, as Steve mentioned earlier, represented about a 9 percent allocation of total plan assets, versus a target of 10. That number fluctuates, obviously, as our equities are marked to market. But we look to

achieve that 10 percent allocation over a long-term time horizon and then get to that 10 percent and maintain that.

In order to do that, you saw and heard about the significant investment activity over the last 12 months, and we're still not there. So we're looking to get there in a prudent manner, maintain vintage year diversification. That's one of the lessons learned over the course of being a long-term investor. And then maintaining that allocation through right-sizing the portfolio.

The strong performance that you heard about is primarily driven by the recent appreciation that has been experienced by the market. However, what we think about at Townsend, the way we operate and the way we focus on returns is really focused on the income generation from the asset class.

So one of the key attributes to real estate is income generation, owning hard assets, collecting rents from each of the different property types and across those tenants. So long-term leases exist in office, industrial in some cases, and then the other stream being short-term leases, apartments, multifamily, being sort of a one year lease. Hotels, to the question earlier, you know, is a daily rate. But across all of those asset classes is income coming into the portfolio.

We want to move to the next slide, and here we dedicate some time to the income. Over the one year period, we received over 850 million in cash flow distributions, income from gains, from refinancings, from sales. An additional 500 million of capital return. So that's return on capital that we've ultimately invested. So the math there is about $1.4 billion of cash being generated from the real estate portfolio.

So as mentioned earlier, or I maybe glossed over this, but the real estate portfolio grew by $2.4 billion in the calendar year 2021. That's net of about a billion four of distributions. So we're still growing at an exceedingly high amount by generating that income.

And then the overall performance and possibly the best ever, as you've seen in some of these other slides, the 18 percent return over the one year period was outsized, again, by that appreciation number.

And here what we wanted to show is, on the left-hand side, regardless of the market volatility -- you'll see in 2008, 2009 significant negative appreciation, depreciation in the portfolio -- income remained constant. Income has always been a consistent return profile in the portfolio.

And regardless of time periods, but over this 20 years, what we show on the right-hand side is an aggregate of those 20 years, what the return was of both the index, our benchmark, the ODCE index, and then our portfolio.

And you can see here that the income outperformed the index as well as the appreciation. Now, we would anticipate the appreciation to outperform. The index, the ODCE index that we utilize is a core benchmark. Our portfolio includes both core and non-core strategies. So appreciation should outperform, and that's not surprising.

But when we focus on the 30 basis points of outperformance on the income side, that is telling on the strength of the portfolio, the underlying cash flows that we're able to generate from the rents that we're collecting.

On the next slide we sort of highlight the 15 year time span, just picking sort of a rough estimate of how long we've worked with the SBA and sort of the growth of the portfolio. I'm not going to go through this step by step.

The one point I'll just reiterate is something that Michael mentioned earlier about fee savings. These have been a constant focus of both your staff and Townsend. And Michael outlined a number of the ways we've created savings to the portfolio.

It all goes back to performance. We're not going to sacrifice fees for underperformance. We've outperformed and saved fees. And I think that's a point that we should all think about as we think about the constituents of the SBA.

Much of the rest of our materials have really been covered by your team, but I would jump ahead, and I don't have the exact page number, but I think it's page 11. Keep going, one more. This one. So here we highlight relative performance. And I've shown this in the past a couple of different ways, and I think that it's always -- it's always something that people are curious about.

And what I'd say about this slide is two things, or a couple of things. First is nowhere in our policy statements do we seek to outperform our peers. And that's not something that we strive to do, but it's something that we do compare ourselves against.

Second, each one of our peers will have varying investment strategies, risk appetite, investment types, cost of capital, inception dates. I can go on and on in the differences. However, when we look at the 70 institutional real estate investors that we've compared on a peer basis, the SBA performance has been better or at median across all these different time frames, one, three, five, ten and fifteen. A natural question is why in the top quartile and why isn't it better.

And the short answer is we could do that. We could take on additional risk and take on additional non-core exposure, development exposure, additional leverage, different levers we could pull to create outsized returns. But that would also create additional volatility in the portfolio. So our volatility of the returns, again, are just above median or in that sort of second quartile.

During times of distress, we would see our performance, if we access sort of that additional risk, we'd see our performance in the bottom quartile, and in the growing economic environment, we'd see it in the top quartile. So what we seek is to minimize the volatility of the portfolio while maintaining outperformance.

So I'll stop here. I said I'd be brief, and I think I tried to do so. But there's a lot of information, there's a lot of slides here. So happy to address any questions.

MS. CANIDA: Any questions? Thank you, Seth and Townsend. And, again, thank you to the real estate team and the excellent work and results.

Next we'll go to corporate governance. Michael.

MR. McCAULEY: Good afternoon. Sorry. Bear with me while I get my notes set up here. So today we have the deeper dive into SBA's corporate governance activities. I'll review the major components of our governance program, including our policies and operations, proxy voting and related policies, the framework for voting as well as our approach on corporate

engagement. So as I go through, just feel free if you have questions or comments.

So investment programs and governance, IP&G, is responsible for several SBA investment activities, with the primary focus on corporate governance for publicly held companies, primarily within the global equity asset class, also proxy voting engagement and general investor stewardship issues.

IP&G also oversees the Florida PRIME mandate for short-term cash within the local government investment pool, LGIP, as well as some client service functions with a handful of non-pension client accounts. That's not a very big part of what we do, but we have some legacy accounts over time that we've not been able to move to PRIME, but most of them have been moved to PRIME.

So just a quick -- this one is not working again. So this is the org chart. I report to Kent, deputy executive director. We've got two folks that report in to me, two manager level positions, Jacob Williams and Denise Purvis. They are both in the audience. I don't know if you want to raise your hands.

Jacob focuses -- they both do the vast

majority of the day-to-day voting, execution. Jacob focuses a little bit more on the operations and kind of the record-keeping aspect in addition to some of the divestment-related company research, so the Protecting Florida's Investments Act. Denise is a little bit newer. She joined us last July. She's focused on research and major policy issues.

The SBA's kind of governance activities are really squarely focused on enhancing shareowner value. I think that's probably our key theme and takeaway for any discussion of voting and stewardship that we have. We really try to ensure that public companies are accountable to their shareowners. Shareowner rights are advanced and advocated for. That focuses obviously on the board of directors. That's the primary element, kind of the principal agent theory in economics.

We also support and advocate for very transparent corporate disclosures, both on an absolute and relative basis, accurate financial reporting, healthy audit, quality financial statements, et cetera, and then just really kind of a variety of other policies that kind of fall

in the governance spectrum that can be embedded in a company's charter or bylaw.

The vast majority of our activities revolve around the investments in public securities, almost entirely on the public equity front, but there's some REITs and some kind of ancillary areas where we get involved, but most of the focus is on public equities.

The primary theme is to gear the companies that we invest in towards policies and practices that lead to improved financial performance. There's also kind of a risk mitigation element to that, or dimension. But we really do over time believe and try to advocate for practices that we believe will enhance shareowner value on a longer term basis.

We are considered by most folks an active owner. We're active in the space. We advocate for implementation of a lot of guidelines and procedures that are really aimed at protecting shareowner value. All of our actions are done with fiduciary responsibility in mind. You've heard Lamar say that and Ash prior to him historically.

That's really the core thesis that we have when we approach this, is really from a fiduciary perspective. And you've heard me say this probably ad nauseam, like the link to value, like what is -- how does that governance practice or ESG issue link back to portfolio value and economic value and the company performance. And that's our general approach.

MR. PETER JONES: Mike, just a question on policies. I know it's related to value, shareholder value. Do you have a committee that determines what the policies should be, and what if you have a disagreement, how do you remedy that?

MR. McCAULEY: We do. We do have a proxy committee. It's one of the internal oversight groups that the SBA uses. It's not so much that we vet all voting decisions through that committee. It's more of a group that gets together to, like we talked about -- I'll get into it later, towards the end of the presentation, for one of our proposed guidelines. But those sorts of things are discussed, a variety of research items, policy topics. We generally review the divestment-related company research related to PFIA and other -- you know,

BDS and some other areas.

Regulatory proposals are another big part of -- you know, we kind of work within that environment. The SEC has been very active over the last 12, 18 months, really the last three to six months especially.

A lot of those matters are kind of discussed internally, if they bubble up and they're really focused on voting or a DOL regulation related to fiduciary duty on ESG matters, voting, record-keeping, that sort of thing. So we do have that structure, but it's not as if the committee meets to make every voting decision. We have the policy framework, and then that's applied on a day-to-day basis.

So a little bit on our proxy voting. We manage a fairly high volume of proxy voting. We've historically voted between 10- and 11,000 annual meetings per year, and that's on a global basis. Lamar mentioned at the outset of the meeting, we've had -- over the last several months, we've had some efforts to kind of claw back or take back the voting authority for some of our externally managed portfolios, where the asset manager was formerly voting those shares.

This is kind of -- in the governance community, it's called pass-through voting. BlackRock, you may have seen some news late last year, they offered what they call voting choice to their clients. They worked pretty closely with Broadridge Financial to enable themselves to do that.

We had actually voted some of the BlackRock portfolios prior to that, but just not everything. So we've enhanced that and added that, so we will -- pretty close to about 99 percent of the votable assets.

And that remaining 1 percent is -- it's almost impossible to vote due to structural issues, commingled funds, collective trust funds that those asset managers, at least at the current time, they're unable to kind of offer us that capability. But we've reached out of to them, so dialogue continues. And wherever we can, we will -- we'll claw that back or revoke that authority.

Proxy votes, you've seen me do the vote summary, where we had charts and things. I tried to make it a little less statistical this time. But the bulk of the U.S. meetings, even though

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proxy votes occur throughout the year, the bulk of the U.S. meetings take place from pretty much now, early April through late June. That's kind of also known as the proxy season.

And then the Japanese market has a spike in late June, a narrow window in late June. So Q2 voting represents about 60 percent of the annual volume. So we're just about to go into our -- kind of our crazy season. And as we mentioned at the last meeting, we have completed those efforts to claw back, so we're up to 99, up from 92 of votable assets.

Just to touch a little bit on kind of the regulatory framework. The Department of Labor, DOL, has regulations that govern fiduciary duty and what are required by fiduciaries, in that they're required to prudently manage their proxy voting rights and cast votes on ballot items that can have an impact on the company's value or performance.

There's been a little bit of change on that front in the last couple of years. It's still somewhat up in the air. They haven't finalized the final regulations, but we don't expect there to be any major or material changes to that. DOL

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continues to espouse that proxy voting rights should be managed as an asset, take a fiduciary approach.

And some of the major categories that we vote on include just kind of plain vanilla shareowner rights, so what rights the shareowner, the equity holders have that are embedded in the articles and the charter of the company. Think about board elections, various written consent capabilities, voting procedure, that sort of thing, one share, one vote.

Also deals with executive compensation plans and what's called pay design, so the incentives that are embedded in a lot of the long-term incentive plans. That's a fairly major portion of what we do on a day-to-day basis. It's on almost all U.S. ballots, so it's a very common voting item we spend a fair amount of time on.

Other things like mergers and acquisitions or recapitalizations, they're much less frequent, although material. Things like external auditors and shareowner resolutions can be a little less material at times but not always. And then, of course, you have a -- probably perhaps the most material type of vote is a contested election,

where you have a proxy contest for the either control or minority slate on the board of directors. And I'll touch on our voting policies as well as the proposed guideline at the very end.

So corporate engagement is another area that we increasingly spend more time on. This was something that was really started -- was really triggered by the Dodd-Frank legislation, specifically -- not so much the audit components but specifically some of the say on pay and executive compensation advisory votes.

So companies -- that triggered a lot of companies to reach out and become much more proactive than they were up to that point. Corporate engagement existed prior to Dodd-Frank, but it really kind of exploded after that.

So each year staff, really on a routine basis, will discuss corporate governance matters with primarily executives but some board members. It depends on the topic and the timing of the engagement and the dialogue. These are most likely to occur just ahead of the annual meeting. Sometimes they occur, let's say, in the fall if a company has a meeting in the spring, and vice versa. Some companies are very proactive and they want to talk to us, seems like, ad nauseam every other quarter or something.

And we've begun to, just over the last few years, begun to kind of turn away some of the requests, because there's just nothing that's material, significant enough for us to spend time. We have a limited amount of time, small staff, so we try to focus on the most significant items that will matter. So we have turned away some companies. But it's a very good process overall.

And it's pretty routine at this point for -- at least within the U.S. corporate community, for especially the large caps, they'll reach out to the top 50 and in some cases 75 or 100 investors. We're typically somewhere around 50 or a little above that. So we're not necessarily in the top five or ten always, but now it's pretty routine that companies will reach out to us. They want to hear our views. They might be deliberating on something that they're about to change. They may have just made a change. They might, again, have an upcoming shareowner vote.

We also interact -- not to minimize, but we

also interact with some other investors in these instances. It's not in a group capacity, per se, but it's usually as part of information sharing or within other investor groups. So that's a very valuable input that we have.

We've increasingly reached out and have the external managers reached in to us, so to speak, within Tim's group. So that's been very helpful, to just get a view that we may not always get and get some information and perspectives that might be outside the scope of what we're doing in analyzing the governance issues, outside the scope of proxy advisers or even some of the more vocal shareowners in a specific company.

Our global governance and data providers, this slide just highlights some of our major partners. I won't go into each one of these. But we're active in several of the global investor associations, most notably the Council of Institutional Investors, or CII.

CII is a nonprofit, nonpartisan association of U.S. asset owners and asset managers. And it's predominantly made up of public pension funds, but it has kind of a global clientele, some corporate members as well as union members, combined assets of close to 40 trillion. So it's a very significant group. When they come out and opine on regulatory proposals or specific corporate scenarios, it carries some weight. And we've been very active in it. I serve on the board right now. Staff has served on the board in the past as well.

And this slide also identifies the two, on the right side, the two outside proxy advisers and related ESG research firms that we use. I'll go into some more detail on the proxy advisers on the next slide. But MSCI, Sustainalytics and ISS, we utilize for more specialized research, governance research, most of which is, again, tied to kind of the divestment-related statewide statutory requirements for divestment.

So proxy voting and our voting agent, those are two different things. Proxy advisers give us research, recommendations. The voting agent is actually the entity that casts our vote or executes the vote when we make a decision.

The SBA uses Glass Lewis for both proxy research and voting agent services. We also use Institutional Shareholder Services, or ISS, for proxy research. We also use ISS for a couple of

other data services, research services, but they're not our voting agent. Even though we have used them as a voting agent in the past, we've been on the Glass Lewis platform since 2016.

And we've always kind of -- you've probably heard me say this. We always like to have more than one opinion, so we've always used at least two proxy advisers as inputs for the analysis. They have different data, different methodology, strengths and weaknesses. They really do bring a different perspective to a variety of ballot items and voting scenarios. So we've always kind of valued that.

At times we've even used a third or a fourth, not a major proxy adviser, but more boutique or consulting arrangements. We don't really do that now, but we have done that in the past.

MS. CANIDA: Michael, this is Tere. Do you see -- do you run into a lot of significant differences that then you have to --

MR. McCAULEY: I wouldn't say significant differences. They're fairly well aligned, but there are differences. And it really depends on the ballot item. ISS -- and I'm kind of oversimplifying a little bit here, but ISS is very rules based, very transparent in how they approach things. Compensation modeling is -- you see the whole quantitative model. Glass Lewis is a little bit more of a black box, a little bit more conservative or deferential to management than ISS is. So they all -- each one of them has their own kind of unique characteristics.

But if you looked at alignment -- you've probably seen these stories in the Journal or P&I, where they look at the alignment between the two -- there's a fairly high correlation between the two. You know, in instances where they're going to be more likely to vote against management or be critical of management or more supportive of a shareowner resolution, that same scenario I think is going to be true regardless of which adviser you use, but the degree to which they do that and the instances, the nuances, there are differences.

Compensation modeling is different. The analysis for, for example, proxy contests and M and A, nothing against Glass Lewis, but ISS is probably a little stronger in that regard. They

have kind of a special situations research group and they're a little more in tune with that, particular aspects. But it does vary.

MS. CANIDA: Thank you.

MR. McCAULEY: So in terms of the voting guidelines, the SBA's governance perspective can be found in that primary document. So it's not only the proxy voting guidelines, but it's the principles. So you have kind of an introductory section and then you have more granular policies, and I believe a track changes version was included in the meeting materials.

All of our guidelines are framed, like I mentioned earlier, framed in the best economic interest of our beneficiaries, taking that fiduciary duty. The policy document is organized around the principles and guidelines.

And I won't go through some of the major core issues. I kind of touched on those a little bit earlier. But just kind of equitable voting rights, shareowner rights, protecting those, independent boards and subcommittees, just good governance, you know, very high control environments, high ethical practices, transparent disclosure, et cetera. And compensation is a fairly high -- highly important issue that we do look at, so executives owning stock, well-structured pay design, et cetera.

So we're proposing this year -- you may recall -- just back up a little bit. You may recall we haven't had any voting guideline changes in the last several years, because back in 2018 we kind of overhauled the document, revamped it, synthesized a lot of things. And the document has aged very well. In my view, we haven't needed to go back and make a lot of amendments, despite there being a very active proxy environment and governance environment in the markets.

But this year, we have seen in the last couple of years, most notably last year, we saw a fair number of them. So we're proposing one amendment to our proxy voting guideline documents that deal with public benefit corporations or PBCs. Last year we saw about 17 proposals on that topic, and we've voted on the issue already a few times this year, in this quarter. And we've historically up to this point voted against about 90 percent of those ballot items.

While our existing guidelines do capture --

and if you look at the slide, the existing guidelines at the top, proposed amendment is in the bottom, so we just propose that we would just add that new bolded language, bolt that onto the existing guideline.

We do have the existing guideline that captures corporate changes as a generic topic, but there isn't any policy language, as you can see, that specifically covers the PBC structure. And, again, that's kind of a DOL reg, where if you're -- as an investor, you have an expectation to see something, you should have some kind of written policy language on it.

And while it doesn't necessarily say you have to have a policy that's a hundred words long or doesn't dictate exactly how that should look, you should have some policy coverage. So this is our attempt to have that policy coverage on something that not only we've seen in the past but that we likely -- we expect to see in the future.

Just to take a step back to kind of what are PBCs, I think at the last meeting or the meeting before that, we had some questions on it. We kind of got into it a little bit. But public benefit corporations are for-profit corporations that are intended to produce one or more public benefits. And that's a change to the Delaware general corporation law.

It initially passed in 2013, but it was very onerous to convert a company. Delaware legislature made changes in 2020, made it much easier. So that's kind of what explains this interest over the last couple of years. But they're intended to produce one or more public benefits and operate in a responsible and sustainable manner.

And they define -- part of the Delaware code is that they define what that public benefit purpose is. It can actually be more than one benefit, purpose aside just from the shareholder interest, which would be your traditional Delaware corporate form.

So it goes beyond just the shareowner interest. It also must report every other year. The expectations they may report annually. But by Delaware law, they are required to report every other year on the efforts and the progress that it's used to attain that public benefit.

And some examples of a few PBCs are Warby

Parker, the eyeglass company, Lemonade, which is -- kind of an online insurance entity. App Harvest. Both AppHarvest and Lemonade went public last year. Most of the stuff is fairly recent. AppHarvest does ag tech. And Veeva Systems, which is in health care tech, that was the first publicly traded company that converted to become a public benefit corporation. Most of that happened just since last year.

So some of the, you know, the efforts or at least the market view is that conversion to a PBC structure can be beneficial. It doesn't mean it always will or it's a guarantee, but it can be positive. The structure does provide a favorable fiduciary duty framework for directors. So it changes that calculus away from just being solely focused on the shareholder interest and expands that to include more of a stakeholder view. And doing so, it can reduce litigation risk.

It can also send an important signal to various stakeholders that the company is committed to a sustainable business model and could even or at least in theory could expand the customer base, lead to higher business margins, et cetera, in terms of that key demographic.

And like I mentioned, the key distinction between a PBC and a conventional corporation is that a board must manage a PBC in a manner that balances not only the shareholders' pecuniary interests but the best interest of those materially affected by the corporation's conduct, most notably the employees, customers, suppliers, even the broader local community that it operates in, and then lastly, the public benefit that's identified in the PBC's certificate of incorporation.

So to capture the ballot item, we're proposing that new language be added to the existing guideline, keeping that case-by-case approach and allowing for the analysis of the board's rationale for making a change. Any impact on shareowner rights, which so far there haven't been many, but if there are, that would be something we would look at, as well as any information that may impact the company's value and performance. Ultimately, we would look at this in that context from a financial perspective.

One thing to note, too, as part of the conversion process, so before a company converts,

if a board and management is thinking about converting to a PBC, under Delaware law, they still have to look at it from a shareholder-first perspective, so they have to make that determination before they even make the proposal to have it voted on by shareowners. So it's kind of a key caveat.

What we've seen so far, there's been a fair number of shareowner resolutions on it. Most of those have gotten very low support, 2, 3 percent. When it's proposed by management, on the heels of due diligence and external adviser, most likely unanimous board support and management buy-in, those proposals have passed with the 90-plus percent voting support by investors.

So that's it in kind of a nutshell. I'm happy to answer any questions.

MS. CANIDA: Thank you very much. Any questions before we move forward?

MR. GOETZ: John Goetz. I do have one quick question on that. Given the change in U.S. business round table, which moved on from shareholder only to these other constituencies, and the pressures around this, are you expecting this to continue to snowball in terms of conversions, or what are you seeing there?

MR. McCAULEY: It's really early to tell. I wouldn't use the word "snowball" necessarily. I would -- I think there's going to be continued interest in this corporate form, with maybe an asterisk on it, how they perform. Ultimately, that will govern what the shareowner appetite is for converting and, i.e., the board of directors in terms of analyzing these types of things.

There are thousands of companies that are private that are PBCs. So this has been around, like I said, since 2013. A lot of that activity has already happened. It's now starting to bleed over in the public equity market. There's only about 15 to 20 companies that have either -- most of them have gone public as a PBC.

So from our perspective, we haven't even gotten to weigh in on it. And as a governance matter, whether it's dual-class shares, some other maybe more of the onerous governance features that companies may go public with, most of the investment community now is saying, you should put a sunset provision on that and allow it to be voted on, up or down, by investors at some point, not necessarily right when you go

public or 12 months later, but five years, seven years, nine years, at some point, particularly on dual-class shares, because that's gotten the bulk of the attention.

MR. WENDT: Question from Wendt. Question from Wendt.

MS. CANIDA: Go ahead, Gary.

MR. WENDT: What relevance does this have to our investment activities?

MR. McCAULEY: Well, we're presented with these voting items on securities that we do own. So if it's a shareowner resolution we're voting on, if it's a management resolution that's asking to convert to a PBC, then we're exercising our fiduciary duty, as an owner of that security, to weigh in on that. That impacts our investment --

MR. WENDT: Does that have any relevance -- does it have any relevance on our investment decision and value?

MR. McCAULEY: This would be done, the voting would be done after the purchase decision, so this is after we bought the security.

MR. WENDT: Okay. I just -- for a long time, I have been concerned about government doing things that were totally irrelevant. I think this is one of them.

MR. PETER JONES: Question?

MS. CANIDA: Yes, go ahead.

MR. PETER JONES: Thank you, Mike. Will your ultimate decision on how you vote depend on whether this company that wants to convert will still maximize shareholder value? In other words, the other activities don't dilute that.

MR. McCAULEY: Yes, yes. The financial performance and the economic interest of the company, you know, for the beneficiaries ultimately, will drive -- will drive that calculus.

MR. PETER JONES: Okay.

MR. McCAULEY: What we've seen so far is companies that want to convert from a management perspective have done so with, you know, a fair amount of due diligence and vetting. It's not something that they may have gotten a shareowner resolution and then the next quarter they put it up for a vote or anything. This has been analyzed deeply, and it's something that often coincides or is commensurate with their overall business model.

So they may have -- like some of the

companies I mentioned, they may have a certain market segment, customer clientele, branding, you know, reputational risk, that sort of thing, that they're trying to use that -- it's part of the branding, if you will, for that company. And they believe it's important for their model, so they want to identify the public benefit and then --

The jury is out, maybe with regard to your question earlier, is how well they'll perform, but also how well and effective some of the public benefits that have been outlined, have they achieved -- have they made any impact at all, at what cost, is there a capex trade-off, is there a lower profit margin. That will be borne out over time, so we'll just have to kind of wait and see.

MS. CANIDA: Okay. Any other questions before we entertain a motion to amend the guidelines? Can I ask for a motion?

MR. NEAL: So moved. I move we amend the guidelines in accordance with the recommendation.

MR. GOETZ: Second.

MS. CANIDA: Okay. All in favor?

(Ayes)

MR. McCAULEY: All right. Thank you. That's all I had.

MS. CANIDA: All right. Item 7, we're going to move to an update on all the asset classes, and we'll start with Tim Taylor.

MR. WENDT: One voted no. One voted no. There was no call for no votes, but one voted no.

MS. CANIDA: Okay. Asset class updates, we'll start with Tim Taylor in global equity.

MR. TIM TAYLOR: Thank you, Madam Chair. If we could get everybody to page 376. Equity markets concluded 2021 on a very high note. In Q4, the U.S. returned 9.25 percent, just in that quarter. For the calendar year, the U.S. was up 26 percent. You're going to see that emerging markets lagged for the whole year. Most of that can be attributed to China and the challenges of some of those companies, those stocks there.

For the entire year of 2021, energy was far and away the clear leader. It was up 38 percent. And that strength has actually continued this year, as many of you know. IT, financials and real estate also posted very high returns. During the year, the consumer sectors, consumer staples, consumer discretionary and health care

were the laggers. And I put this in quotations, only up 10 percent for the year. Normally 10 percent in one year seems like a decent return, but relative to some other sectors, they were the less performing sectors.

And we began 2022, just a few months -- couple of months ago, investors continued to debate inflation, interest rates, central bank strategies, equity valuations. And still two years after COVID, when the pandemic was declared, we're still talking about COVID, even up to today, and many of the closings in the major Chinese cities that we've seen this week.

Can we go to the next page, please? I won't spend a lot of time on this page. We did lag end of Q4. Our managed return was 12 basis points below the benchmark. And I said the benchmark was pretty strong, 6.12 percent. Over the full calendar year, despite the very high benchmark return of 18.19 percent, we did exceed that by almost 40 basis points.

Over the longer periods, you can see we're 50 to 60 basis points above the benchmark return. But maybe before we leave this page, just to look at the strength of the returns over that -- those many, many years, over the decade.

Next page, please. This provides some added detail about the performance of our active aggregates. And during Q4, we struggled in all areas, except for, ironically, in the U.S. Some people say, well, you shouldn't bother in the U.S. trying to be active. We actually did pretty well in Q4 and for the year as well.

Both the U.S. large and small cap aggregates provided solid active returns for the quarter and for the one year periods ending December. However, during Q4, this was offset by negative performance in our larger developed standard and emerging market aggregates.

In developed standard, many stocks that surged during the pandemic -- and you can think disrupters, high octane growth stocks -- those sold off sharply. They have continued to some this year as well. And in addition in Q4, value-focused managers had a difficult time. This year value has started to perform much better.

Within emerging markets, our exposure to higher growth securities detracted. And there you can think, in China and in other emerging

markets in particular, some internet, IT-based names struggled during Q4.

The currency program, the return was relatively neutral, but I'd like to note the program and the returns because next quarter, when I present this page, you won't see these returns. Citigroup notified us in late 2021 of their decision to remove our currency program from their prime brokerage platform.

And we worked with our managers -- we have three, had three -- to liquidate our positions and the program itself beginning at the end of the year and throughout January. And I think Alison alluded to it earlier. We are considering alternative ways to work with each of our currency managers going forward.

So I've been able to call managers late the day, about this time, and tell them, I'm sorry, we've made a decision to step away and terminate the contract with you. I've made several of those calls. But this was the first time that I was terminated, and so it doesn't feel good. So perhaps I have a little more sympathy now with those managers who get my call.

Next page, please. This is the last page

I'll share with you today, an update on our initiatives. During the fourth quarter, we funded three new dedicated global strategies. Maybe you've seen that theme that we funded some new global strategies over the last several quarters.

Well, this completes an extensive two year process whereby we redesigned our dedicated global aggregate from having a strong capital preservation bias to a more diversified structure. It still has a capital preservation bias, I would argue, but it's just not as strong. We think it's more diversified and structured more appropriately going forward to perhaps outperform in more environments.

Recently we enhanced the process to identify and research nontraditional, what we've been calling opportunistic strategies. These can add alpha and/or diversification to the asset class. These opportunistic strategies, it could be a sector strategy, a regional focus, a thematic type of mandate or other things that are a departure from a traditional strategy that you might see in our aggregate. So we've enhanced that process, and one of our objectives is to

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really start to dig into some of these potential opportunities over the next several months. We've already done that somewhat.

And over the next several months, we are planning to have a consultant complete an asset class structure review, as it says there. We have this independent review completed every few years. The last time this was done was by Mercer. It was done in 2016.

Our expectation is that the consultant we select is going to present this review alongside global equity, myself, perhaps a couple others, my colleagues, during September's IAC meeting. We normally give you an expanded presentation of global equity every September. We'll plan to do that, and then we'll plan to also have that consultant provide their results, conclusions from the asset class structure review.

Finally, global equity continues to provide liquidity, support beneficiary payments. We raised in Q4 1.1 billion; calendar 2021, 8.3 billion; and over the last three calendars years, that's including 2021 of course, we provided about 21.3 billion of liquidity.

Madam Chair, that's all of my comments, but

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I'm happy to answer any questions if there are some.

MS. CANIDA: Any questions? Thank you very much, Tim.

MR. TIM TAYLOR: Thank you.

MS. CANIDA: John Bradley, private equity review.

MR. BRADLEY: Thank you, Madam Chairman. As we've heard, 2021 was a record year across most metrics, and not just for private equity. But as it relates to our asset class, last year saw records for volume, for IPOs, for M&A activity.

Is it not working? I apologize. Is that better?

MS. CANIDA: Yes.

MR. BRADLEY: So M&A activity, fundraisings and distributions all saw record highs last year. Purchase price multiples ended the year averaging 12 times, while debt levels have consistently remained just below 6 times.

Our private equity program continued to show strong performance through our latest marks at 9/30, producing a one year return of 56.6 percent and strong longer term performance. And venture capital continues to be our best performing

strategy and a driver of outperformance relative to our benchmarks.

And then lastly, our PE program generated positive $3.25 billion of net cash flow in 2021, which was our best year ever. During the year, we received 4.6 billion in distributions from our GPs. Internally, we generated 1.5 billion from a secondary sale that completed on September 30. That sale helped realize some performance. We reduced some tech exposure and reduced some public company exposure. So I think our timing on that was fortunate. And then our GPs called 2.8 billion during the year for new investments.

Next slide, please, John. So if you look at our sector and geographic exposures, we remain fairly neutral to our secondary Cambridge benchmarks, with slight overweights to tech and to North America.

Next slide, please. Our performance remained strong as of September 30, and the asset class has had positive outperformance over all measurement periods. Next slide. Looking at sub-strategies, as I mentioned on my first slide, venture continues to lead the way. Our venture program's one year performance has remained above

100 percent for the second straight quarter, which is pretty amazing, and all other strategies are performing well and meeting our expectations.

And then my final slide is a look at our commitments. I can tell you we've been very busy, and there's no shortage of opportunities to review in this market, but we have been disciplined in our pacing, committing 420 million to five funds during the first quarter of 2022. That's 350 million went to three buyout funds and 70 million went to two venture funds.

And that's the end of my presentation. Happy to answer any questions.

MS. CANIDA: Any questions?

MR. OLMSTEAD: Vinny Olmstead here. Hey, John, any insights on Q1? So we're looking back towards 2021, and there have been some views on tigers and others of the world that valuations are pulling way back. Are you getting any indications of that?

MR. BRADLEY: We've definitely seen public market tech values pull back. And so we expect some softness in that area in the portfolio. You know, there have been some venture rounds. We haven't yet seen down rounds in the venture

market, so we expect kind of the private piece of the portfolio to hold up. Vinny, I would just say it appears to be a mixed bag at this point. But we would expect that performance to start to pull back, just given what we see in the public markets.

MR. OLMSTEAD: And will that change at all the way that you're approaching new investments or new managers, or are you sort of waiting to see?

MR. BRADLEY: I think we will maintain our focus on early stage as it relates to venture. And so, you know, we've been lighter in that late stage, kind of the tigers that you referred to. So that should be -- that should probably help us a bit versus our benchmark, but I don't see our early-stage focus changing.

MR. OLMSTEAD: Okay.

MS. CANIDA: Any other questions? Okay. We'll move on to strategic investments. Trent, please.

MR. WEBSTER: Thank you, Madam Chairman. This was the strategic investments portfolio as of the end of the calendar year by sub-strategy. Debt was 28 percent. Equity was 17 percent.

Real assets was 22 percent. Diversifying strategies was 19 percent, and flexible mandates was 11 percent.

Now, this doesn't change a whole lot from quarter to quarter, but what you'll notice is that our diversifying strategies has actually shrunk a little bit over the last year, where it was in the low twenties and now it's in the high teens. That's because, in part, we have made some redemptions from a few of our hedge funds, particularly in global macro, that we thought had been underperforming and also because we do have some growth elements in the portfolio that have performed fairly well over the last year or two.

In this graph, the blue part of the graph represents our more defensive part of the portfolio. And that accounts for 38 percent of the total asset class. And then the red is the growth, and that's 62 percent. And, again, that's been changing slightly. So when I first put this graph up four or five quarters ago, it was more like 58 to 42. And it's because of the same dynamics that I had just mentioned.

Performance in the one year is pretty good. We've been lagging in the three year. Five and

ten year still remains relatively strong. The three year underperformance actually can be isolated to around the time of the pandemic in February, March, April and May, where our funds underperformed by about 1.5 percent. And during this time period, over three years we've underperformed by 1 percent.

So on the other 36 -- or 32 months of the 36 month time frame, we've outperformed. But during that time period, we saw some relative weakness, and we've been addressing that over the last few years.

So in the calendar year, it was a relatively slow year compared to prior years. We did 5.6 billion in calendar year 2020 and 3.5 billion in 2019. Last year was a little bit more normal, where we had, you know, communicated to the IAC that we would expect our activity to slow, and it did. So typically we close around 20 funds a year, around 2.75 billion. In calendar year 2021, that was 13 funds at just under 2.2 billion. Part of that is just the -- it's not necessarily making this grand call, but rather it's when our funds are coming back to the market. We would expect that number to pick up over the next few years.

And in our pipeline, we currently have nine funds. Four of them are debt. Four of them are real estates, and four of them are new relationships. We don't have any new hedge funds in the portfolio, haven't put any new funds in for a while. We're currently undertaking a structural review in strategic investments. And so depending on what arises from that, we would expect to be more active in hedge funds over the next 18 months.

So we are not macroeconomists and we certainly aren't geopolitical strategists, and so we're not entirely sure what this world is going to look like after what's going on in Europe. But we do think that inflation is likely to remain elevated compared to what it was or what we all expected a couple of months ago. How high it goes, how long it goes, we're not sure, but we do expect it to remain elevated for a while.

We do think our real estates portfolio provides some protection. Now, real estates is a broad category, everything from infrastructure to timber to natural resources. We think some could do quite well during that time period, and there

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could be some that underperform. But we also have protection in -- we have some opportunities in private debt.

So we'll go to the next slide. Thank you. We did a lot of capital commitments in 2020 coming out of the pandemic. And fortunately we still have a fair amount of dry powder. So we would expect a slowdown in the economy. How much it's going to slow, again, we don't know, but it's been pretty high and interest rates are rising. But we've got roughly three-quarters of our net asset value in credit still in dry powder.

So our credit funds have been fairly -- been fairly disciplined putting money to work. And so, if we do see a slowdown in the economy and we see spreads widen -- and they've widened out. They've come back somewhat in the last couple of weeks. But if they start getting stressed, we do have the firepower to take advantage of that.

And we've talked a lot about energy in the past. We do have renewable investments. We think that will accelerate, both on renewables and hydrocarbons, based on what's happening in Europe. And we have a fair amount of dry powder

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in infrastructure as well to take advantage of any opportunities that may arise.

Any questions? Thank you.

MS. CANIDA: Thank you very much, Trent. And we move to a review of fixed income and Katy, please.

MS. WOJCIECHOWSKI: Good afternoon. We've had a lot of words on fixed income today, so I will be very brief, as the redheaded stepchild. And that's not a knock on redheads or stepchildren.

Asset class performance, at the beginning of the fiscal year, I said we'll be struggling to break even. And that's been a bit of an understatement. The numbers that I put up here were as of 2/28. Spoiler alert, March is not good either. So it's -- it's significantly worse.

On the plus side, spreads have actually tightened significantly over the past couple of weeks, I guess. So that's the one positive thing. All of our portfolios are overweight spread product, including internally. And it's been a little bit painful. It hasn't really hurt our performance because in the long run, we

believe that yield -- that carry will win the day. But it's been painful over the past couple of months. But we do fundamentally believe that corporations are in good shape and our investments are in good shape.

If you could flip forward. I can perform simple math. I had a typo here. We are actually outperforming by 2 basis points, but flip the -- yeah, that's correct, 2.66 versus 2.68. That's through February, and March does not look better. So 10 year yields today touch -- got close to 2.50, down to 2.40 today. We had an actual inversion, two to tens, which the CNBC guys will tell you that means we're in recession, but now we're back positive again. But we are currently inverted, so you can earn more in a three year yield than a seven or a ten year yield currently.

On the plus side, that does put us at an almost 3 percent yield on the intermediate agg and the agg. The intermediate agg, again, is our benchmark. If you could flip forward, just one note on that. Risk adjusted on longer returns, that has been a benefit. It's cost us in absolute return space since we instituted it, but on a risk adjusted, and as long as we spent those dollars, as Alison pointed out, places that we've redeployed that capital have benefited from that.

If you could just flip forward. So when I put these slides together, we were sitting out around 1.20 on spreads, on credit spreads. We are inside of a hundred as of today. So that's been a positive on that front. But as you can see, they're very negative returns across all sectors of the benchmark. It's not been a fun year, to say the least.

If you could flip forward. I mentioned this already. We are overweight spread product, underweight Treasuries. And Alison mentioned the last slide that I have -- and as you can see, risk has come down.

But on the last slide that I have, these are not new slides. Alison mentioned a lot of things. Those are projects that we're working on. We are always trying to figure out better ways to spell fixed income. It was recommended that we look at a private credit sleeve or a credit sleeve.

We looked at that, and at the time, we were overweight enough that it really wouldn't have changed. It would have just segregated that

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sleeve. We are looking at that. We continue to look at that, things that are perhaps a little bit less interest sensitive, things that would diversify.

We will have some managers in to talk about that. We're looking at can we spend more in risk that doesn't really increase our interest rate risk but it perhaps diversifies us more, while giving up a bit of liquidity, because we do have a significant liquidity portfolio. And that has been a huge help to us. We did provide liquidity in January and February. So Tim doesn't get to say that every month anymore for the past year.

And I think that's all the comments that I had. Any questions? Because I know we've had a lot on the topic.

MS. CANIDA: Katy, do you see any stresses from a trading perspective in the fixed income market?

MS. WOJCIECHOWSKI: In T-bills actually, strangely enough, a wide bid-ask spread in T-bills, yeah. Dealers get full, and it's been interesting. So an 8 basis point spread bid-ask on T-bills.

MR. WENDT: Question from Wendt.

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MS. WOJCIECHOWSKI: Yes, sir.
MR. WENDT: Question from Wendt. What is a credit sleeve?
MS. WOJCIECHOWSKI: I'm sorry?
MS. CANIDA: Gary, can you repeat that? We didn't hear it.
MR. WENDT: What is a credit sleeve? If I heard that --
MS. WOJCIECHOWSKI: It would be a dedicated credit portfolio. So all of our -- we deliver the intermediate aggregate, and all of our portfolios have the broad capability currently to invest in any part of fixed income.
If we were to hire a dedicated credit manager or create an internal portfolio that was complete credit, that would be a credit sleeve. And it could be credit that's corporate credit or securitized credit. It's not necessarily dedicated to corporate credit. Okay.
MS. CANIDA: Any other questions for Katy? Thank you.
Dan, the defined contribution program, the last asset class.
MR. BEARD: Thank you. Good afternoon, everyone. This first slide you see here is just

a snapshot as of December 31, 2021, for assets for members in the plan and for retirees. And you will note, for all those, there's an increase from December 31 of 2020. I will tell you that assets as of February 28th was 14.4 billion.
Next slide. So this slide is our choice statistics. So as you know, all new hires, when they're hired in the Florida Retirement System, they have to make a choice between the pension plan or defined benefit plan or the investment plan. So this is through December 31. And approximately 66 percent of our new hires are going into the investment plan, and then the other 34, 35 percent are going into the pension plan.
Now just, if you remember earlier, Lamar gave a figure of 75 percent are going into the investment plan. These particular stats include the special risk, whereas Lamar's was just everyone except for special risk.
Next slide, please. So through December, we had 269,946 members, about 3.2 percent from the beginning of the fiscal year. As of February 28th, we had 271,575 members. Through the rest of this fiscal year, we have about 22,000 new

hires that still have to make a choice. Most of these or the majority of these are school board employees. I would say of these 22,000 members, probably a large majority of them are going to default into the investment plan. When you look at the different employee groups, school boards have the highest number of defaulters.

Next slide, please. So this is just our performance, again, through December 31 by asset class. The next slide is our assets under management broken down by asset class. Again, retirement date funds have close to 50 percent of the assets, and that's because that's the default fund for new hires, I'm sorry, for people who do not actively select a fund. So for all those who default, which is, again, about 50 percent, they go into a retirement date fund.

And then the last slide. So we also operate the MyFRS Financial Guidance Program. So all FRS members, whether they be in the pension plan or investment plan, have access to EY financial planners. They can call them or they can also go online and run different choice scenarios and retirement calculations.

So the planners received about 330,000 calls

through December. That was a 20 percent increase from the previous December. And then we had about a 42 percent increase in those that attend our financial planning workshops. We offer financial planning workshops virtually. And anyone throughout the state can attend. And they're on a host of topics, from debt planning to estate planning to just financial planning on either one of the two plans available.

And then we had -- you'll see everything increase in everything else, except for website. Website chats went down. We think we've plateaued on chats. For a while there, they were really increasing, but we think we've plateaued on that.

It is a very popular feature, so popular that we're looking to go to a new chat provider, which we'll be doing probably by May 1st, just to be more robust in the AI, artificial intelligence responses that they can give the members, which will hopefully cut down on the calls that are going to the EY financial planners.

So happy to answer any questions you may have.

MR. PETER JONES: Dan, a question back on page 407. I must have missed something here because I'm confused. On the bar chart that -- if we just look at fiscal '17 and '18, the pension plan defaults, 54 percent.

MR. BEARD: Go back one more, John. Go forward one. Right there. Okay. I'm sorry.

MR. PETER JONES: Yeah. Explain the defaults. I mean, I see it's -- what that means.

MR. BEARD: So I'll look at fiscal year '21-'22, and I'll go from my left to right. So the 7 percent, what that represents is those are pension plan defaults. That's strictly special risk members. That's like your firefighters, your policemen. They're the only ones who, if they don't make a choice, they will default to the pension plan.

MR. PETER JONES: Oh, okay.

MR. BEARD: The second number, 27 percent, so that is total new hires who are actively electing the pension plan. So that's a combination of your high risk and everyone else, school board employees, state employees. That's who that is. The 16 percent, that's the defaulters to the investment -- I'm sorry. That is active elections to the investment plan.

Those are members who are actively electing the investment plan.

And then the 50 percent are those who are defaulting to the investment plan. So those are people who are taking no action whatsoever, either -- I would say a small percentage may have made that decision to take no action because they want to go into the investment plan, but I'd say the majority of those are people who, throughout our contact with them -- and we may reach out to them a total of eight times from the time they're hired to the time they actually default and they just didn't take any action.

MR. PETER JONES: Okay. I think I follow this. So in fiscal '18-'19, we changed the default to go to the investment plan instead of --

MR. BEARD: That's correct. That's why you see 54 percent defaulted to the pension plan. And that's across all classes.

MR. PETER JONES: Okay. Great. Thank you, Dan.

MR. BEARD: You're welcome.

MS. CANIDA: Dan, I have a question. On the chat, I know you said you're changing to a provider that has better AI. But how deep are those chats today? I mean, whoever is doing it today, how deep are those conversations going?

MR. BEARD: With the chat, so when a person goes on the chat, they put in their question. They actually have the opportunity, if the -- and currently it will not answer the question, if it doesn't answer their question, they can actually chat with a live EY planner.

So in order to do that, they have to put in their name, their last four and all that. An EY planner can pull up their account, and they can actually discuss anything with them through that chat. It didn't used to be like that, but we changed a few years ago and started giving more information.

MS. CANIDA: Okay. Great. Thank you.

MR. BEARD: You're welcome.

MS. CANIDA: Any other questions for Dan? With that, we'll move back to Kristen and an overview, performance review from Aon.

MS. COMSTOCK: Thank you. If we could move to page 418, we are covering now the four major mandates. And just a reminder, this is all through the end of 2021. So I know that the

world has changed and the investment markets have changed much, but we'll -- this is all, again, through the end of the year.

You see the portfolio -- I'm sorry, the pension plan, excuse me, ended the year with about $206.4 billion in assets under management. That's growth of about 6.8 for the fiscal year to date period. Most of that was concentrated in the fourth quarter.

You heard Lamar say earlier today, though, that through, I believe it was yesterday, yesterday the portfolio was down actually about 1.8 from the beginning of the fiscal year. So the portfolio is around $197.8 billion, if we factor in the performance and cash flows year to date here in 2022.

On the next page, just again a quick snapshot of the total fund's asset allocation. We spoke a lot about this at the onset of the meeting. Consistent with practice, the portfolio is managed very closely in line with the target, which is the orange bar. The actual allocation are the green.

I would note that your long-term targets -- these reflect here your interim targets. The long-term targets to strategic investments is 12 percent. You heard from the real estate team. Long-term target is 10 percent. So there is still room to diversify here. And I know that the team, as you heard, is continuing to look for investments that will be attractive over the coming years.

Flipping ahead to page 420, touching on performance, again, a strong quarter to close out 2021. The total plan returned 4.6 percent. Over the one year, the total fund returned 17.2 percent. You can see how the strong performance has impacted longer term results. I want to just point out, over the ten year period, the total plan earned an annualized 10.6 percent.

And so I just comment here that this is well above expectations when we looked ahead ten years ago. And so as we look forward, we're expecting some more challenging times from traditional markets, and so I just want to remind ourselves what the portfolio has earned looking back.

Relative to the performance benchmarks here, we show your policy benchmark in blue and then the absolute nominal target rate of return, which is inflation plus 4 percent. And through the end

of 2021, the portfolio has exceeded both of these benchmarks over all these trailing time periods. Value add has come from across your asset classes. And you just heard from the investment team.

421, even looking longer term, over the past 20 and 25 years, a similar story, very strong return, annualized 7.8 percent and an annualized 8.1 percent, and above both benchmarks as well.

The last comparison that we do on performance is look at it relative to peers. On the following page, on page 422, this is the same data that was shown earlier today, but just a few points. Consistent with past reviews, the FRS portfolio does have a greater exposure to global equity than the median in this universe, which is the TUCS top ten pension plans in the U.S.

And this is mostly concentrated within foreign securities. And so this will -- and asset allocation drives most performance differences when we look at your plan's performance relative to peers. I want to note that.

When we look at your alternatives, for private equity and strategic, you're at 17.9

percent. And you know your limit there. This compares to peers of about 22.6 in alternatives. We don't have insight into the breakout of that either, I would note.

On page 423, you can see performance. This is gross of fee returns, so we can have an apples-to-apples comparison relative to the benchmark. You can see the portfolio is mostly in line and slightly ahead when we look longer term.

So granted, you've had greater exposure to public equity. It's been concentrated in international. The U.S. has significantly outperformed international equities over most of these time periods, and so that likely neutralized that beneficial allocation impact of the peer comparison.

We translate that into ranks on the following page, on page 424. There at the bottom you can see the FRS has ranked in the median over the one year and then the top quartile over the three and ten and the top fifth percentile over the five year. So strong comparison relative to peers, though these are very tight distributions, as you can see.

Flipping ahead two slides, I'm going to the investment plan. Just a few things I'd note here. In the top chart, the bottom row, we show the value add of the aggregated assets, where the participants have allocated relative to the benchmark weighted at those same weights. And so you can see the three, five and ten year, strong outperformance.

Equities did very well. And really it was value add across the asset classes as well, over across all of these time periods. So consistent with past presentations, strong active management performance of the FRS investment options, the investment plan's investment options.

And then I will point out at the bottom, we did have updated peer data. This is information from the CEM benchmarking report. And so just a few things I'll point out. We touch on the five year average return relative to peers. The five year net value add relative to peers and the expense ratio.

And so what I want to highlight is the expense ratio, which has come down notably since the last time we reported. It was at 32 basis points. This has been reduced to 27 basis points, which is great for the participants. There is a typo in here. The peer group is actually at 24.4. So the FRS's investment costs all in are slightly above those of peers.

Now, these include both investment management fees as well as administrative and record-keeping. And so your overall reduction in fees, the 32 to 27, came from a reduction in those record-keeping and admin fees.

The primary driver or the difference relative to peers are where your participants are allocating their dollars. Peers have a greater allocation to indexed assets relative to your plan, which are going to be lower cost. And then I also note that your participants, that the SBA subsidizes some of the advice, the advice that is provided to the participants. And that may or may not be true for this universe, so we factor that in as well. But the overall message is it's very competitive costs for the -- for your participants in the FRS investment plan.

Flipping ahead -- are there any questions? I'll pause quickly. Flipping ahead to page 428, reporting on the hurricane catastrophe funds, as a reminder, this is a pool of assets to provide

reimbursement to insurers, to be a portion of hurricane losses. At the end of the year, the operating funds were about $13.2 billion.

You can see, as rates have been low and as rates have moved, we've seen some negative returns for the shorter time periods and very modest growth over the longer time periods, though you can see benchmark and above-benchmark performance for the operating fund's composite. As yields do increase, we would expect that to ultimately benefit these plans that invest in short-term securities, so we look forward that.

If you flip ahead two pages, the last major mandate that I will cover is the Florida PRIME investment pool. This fund at the end of the year had $20.3 billion in assets under management. That was a growth of $4 billion, driven by inflow of -- it was tax collection season, which is normal seasonal inflow for this pool.

So growth in participant flows. You can see the earnings are very low, for similar reasons that we saw with the CAT Fund, though performance relative to the benchmark, which is a peer group of other money market type investments, is very strong, as the portfolio has outperformed over the three, five, ten and since 1996, the inception of the plan.

Any questions or comments?

MS. CANIDA: Any questions? Thank you very much. Okay. As we move towards our last agenda item, I'd like to ask if there's any questions from the public or the audience.

MR. LAMAR TAYLOR: Or if anyone is here to speak from the public? Okay.

MS. CANIDA: Thank you. Okay. As we move to adjourn the meeting, I'd like to thank the SBA and all the staff for the time and effort that's put into the presentations and putting the meeting together. I would also like to thank my colleagues for their time and commitment to the SBA. And with that, I move to adjourn the meeting. And thank you to Vinny and Gary for being on the phone.

(The meeting concluded at 4:42 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 proceedings, and that the transcript is a true and complete record of my stenographic notes.

Dated this 24th day of April 2021.

Jo Langston

JO LANGSTON, RPR

M

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Date:	May 23, 2022
To:	Board of Trustees
From:	Todd Neville, Audit Committee Chair
Subject:	Quarterly Audit Committee Report

The State Board of Administration's Audit Committee met on May 23, 2022. Please see the attached agenda for the items discussed. Also please see the attached Office of Internal Audit Quarterly Report presented to the Audit Committee at the meeting.

STATE BOARD OF ADMINISTRATION
Audit Committee Open Meeting
Agenda
May 23, 2022
9:30 A.M. – Conclusion of Business

1. Call to Order

2. Approve minutes of closed and open meetings held on February 21, 2022

3. SBA Interim Executive Director & CIO status report
   - SBA Update: Investment performance, risks, opportunities and challenges

4. Presentation of Crowe's audit plan for the financial statement audits of Florida Hurricane Catastrophe Fund

5. Presentation on 2022 Governance, Risk and Compliance (GRC) Assessment
   a. Draft ITN
   b. Selection process outline
   c. Timeline – approval of provider at August 2022 AC meeting
   d. Universe of providers
   e.
   f. Members of the evaluation team

6. Chief Risk & Compliance Officer Quarterly Report
   a. Public Market Compliance
   b. Personal Investment Activity Presentation

7. Office of Internal Audit Quarterly Report

8. Proposed Annual Audit Plan FY 2022-23

9. Proposed Internal Audit Budget FY 2022-23
   a. Contingent on the Trustees approval of SBA's budget at the June 2022 meeting

10. Office of Interim Inspector General Quarterly Report

11. Other items of interest

12. Closing remarks of the Audit Committee Chair and Members

13. Adjournment

Office of Internal Audit (OIA) Quarterly Report to the Audit Committee

May 23, 2022

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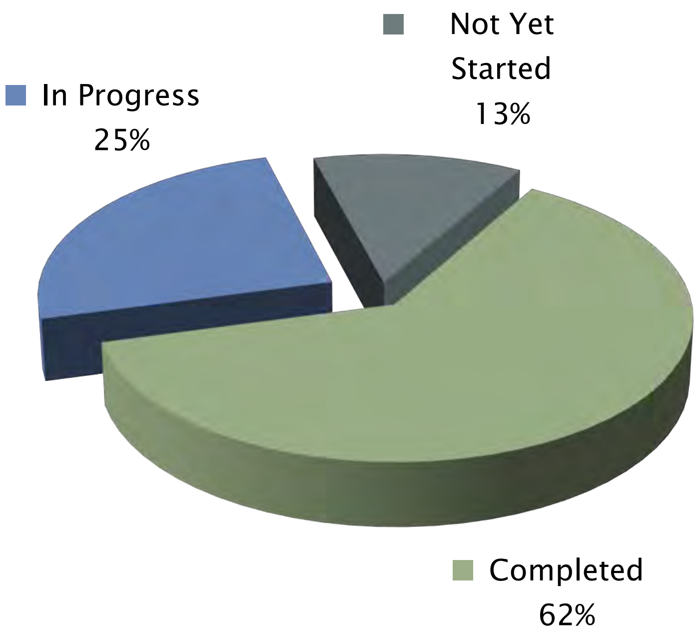
Status of the FY 2021-22 Annual Audit Plan

Status of the FY 2021-22 Annual Audit Plan
Internal Audit and Advisory Engagements

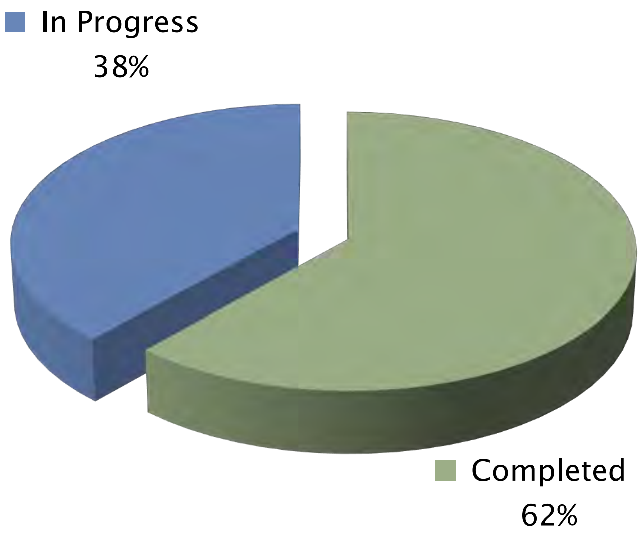


Projects Status	Type	Planned Timing
Completed		
Private Equity	OIA Operational Audit	Q1
Security Configuration and Vulnerability (Carryover)	OIA Advisory	Q1
Follow-up on BDO's Low Risk Findings	OIA Operational Audit	Q2
Contract Management	Continuous Monitoring	Q2
Derivatives Collateral and Cash Management	OIA Operational Audit	Q2-Q3
In Progress		
Performance Reports for Alternative Investments	OIA Operational Audit	Q2-Q3
Identity and ~~Priviliged~~ Access Management Advisory	OIA Advisory	Q3
Not Started		
Periodic Follow-up Audit	OIA Follow-up Audit	Q1-Q4
~~Security Lending & Repurchases~~	OIA Operational Audit	Q4
~~Audit logging for SBA servers & network devices~~	OIA Advisory	Q3

Highlighted: Completed since prior quarterly report.

Status of the FY 2021-22 Annual Audit Plan

External Engagement Oversight

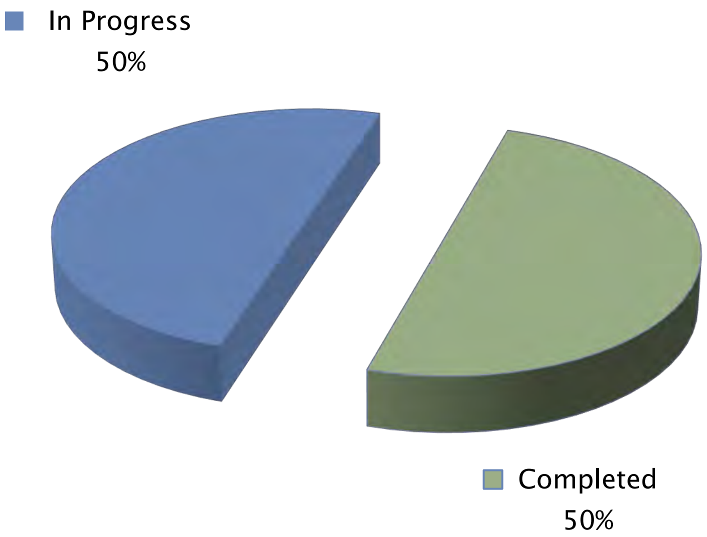


Project Status	Service Provider	Type	Planned Timing
Completed			
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY20-21	Q1/Q2
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY20-21	Q1/Q2
Florida PRIME	Auditor General	External Financial Statement Audit for FY20-21	Q1/Q2
Florida Hurricane Catastrophe Fund	KPMG	External Financial Statement Audit for FY20-21	Q1/Q2
AG PRIME Financial Statement Audit	Auditor General	External Financial Statement Audit for FY20-21	Q1/Q2
Part of the Statewide CAFR	Auditor General	External Financial Statement Audit for FY20-21	Q2/Q3
Network Security, outsourced	BDO	External IT Assessment	Q1/Q3
Florida Growth Fund Initiative	OPPAGA	External Review	Q1/Q2
In Progress			
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY21-22	Q1/Q2
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY21-22	Q1/Q2
Florida PRIME	Auditor General	External Financial Statement Audit for FY21-22	Q1/Q2
Florida Hurricane Catastrophe Fund	Crowe	External Financial Statement Audit for FY21-22	Q1/Q2
AG PRIME Financial Statement Audit	Auditor General	External Financial Statement Audit for FY21-22	Q1/Q2
Not Started			
None			

Highlighted: Completed since prior quarterly report.

Status of the FY 2021-22 Annual Audit Plan

Special Projects, Risk Assessments, Annual Audit Plan and QAR



Highlighted: Completed since prior quarterly report.

Project Status	Type	Planned Timing
Completed		
RFQ for Real Estate Pool of Auditors	Part of Evaluation Team	Q1
ITN for FHCF Financial Statement Audit	OIA Special Projects	Q2
ITN for Network Security Assessment	OIA Special Projects	Q2/Q3
Annual Risk Assessment	OIA Risk Assessment	Q4
Annual Audit Plan	OIA Risk Assessment	Q4
In Progress		
Implementation of Internal Audit Solution - AuditBoard	OIA Special Projects	Q2/Q3
ITN for GRC Assessment	OIA Special Projects	Q2/Q4
Complimentary User Entity Control Testing Validation	OIA Special Projects	Q1-Q4
Continuous Risk Assessment	OIA Risk Assessment	Q1-Q4
Annual Quality Assessment Review - Self-Assessment	OIA Quality Assurance	Q4
Not Yet Started		
None		

Completed Projects & Status of Management Action Plans/Recommendations

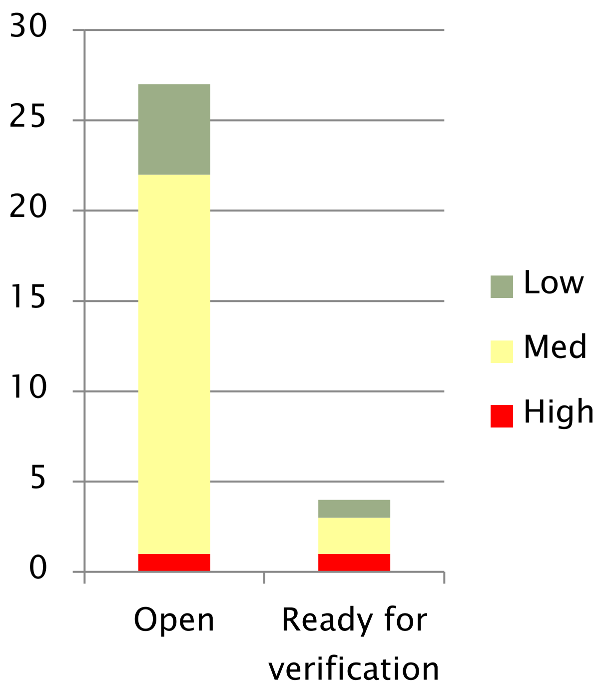
Derivatives Collateral and Cash Management Operational Audit

We completed the Derivatives Collateral and Cash Management Operational Audit. Our risk-based audit assessed the existence, adequacy and effectiveness of key internal controls, the efficiency of operations, and compliance with relevant policies and procedures for the processes for the period July 1, 2020 – September 30, 2021. Due to changes in the underlying documentation process, the scope for tests specific to margin transactions was April 1, 2021 – September 30, 2021. We performed data analytics on select data for the same period. In certain cases, we reviewed information after our cut-off date to provide updated information. *For detailed flowcharts of these processes, see the appendix included in the report.*

Legend for Control Effectiveness Rating	# of Key Controls
Effective	27
Improvement Needed	1
Not Effective	0
Not Tested (tested in other audits, etc.)	11
Total Key Controls	**39**

Observations:		Status of Action Plan:
1	Medium	Closed per management
1	Low	In progress (general comment; not related to a specific key control)
2	**Total Observations**	

Status of Management Action Plans–Audits



		Risk Rating for Open Recs			Status		
Report Title	Report Date	High	Med	Low	Open	Ready for verification	*Verified during Qtr*
AG - Operational Audit 2017	11/13/2017			1		1	
Strategic Investments Operational Audit	8/19/2019	1			1		*1*
Procure to Pay Operational Audit	6/30/2020		5	2	7		
Real Estate Direct Owned Operational Audit	10/6/2020		1		1		
AG – ITGC and PRIME 2020	10/16/2020		2		2		
AG – ITGC and PRIME 2020 Confidential	10/16/2020		5		5		
AG – FRS Investment Plan Operational Audit 2021	2/22/21		3		3		
Business Continuity and Disaster Recovery Operational Audit	3/19/2021		3		3		
Private Equity Operational Audit 2021	9/9/2021	1	3	2	4	2	
Derivatives Collateral and Cash Management Operational Audit	3/31/2022		1	1	1	1	
		2	23	6	27	4	*1*
		6%	74%	19%	87%	13%	

For details, see Appendix A.

Changes highlighted in yellow

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

Status of Recommendations – Advisory Projects

Report Title	Report Date	Status: Open	Status: Closed per Mgmt	Status: Total	Closed by OIA during Qtr
Governance, Risk Management, and Compliance Assessment (Funston)[1]	1/15/2018	6		**6**	19
Network Security Assessment 2018 (BDO)[2]	11/15/2018	1		**1**	
Network Security Assessment 2019 (BDO)[2]	11/21/2019	4	2	**6**	
CIS CSC Framework Gap Assessment Advisory[1]	3/19/2020	12		**12**	5
Network Security Assessment 2020 (BDO)[2]	1/5/2021	12	2	**14**	
Security Configuration and Vulnerability Management Advisory[1]	8/3/2021	24		**24**	
Network Security Assessment 2021 (BDO)[2]	2/2/2022	30		**30**	
		89	4	**93**	**24**

Changes highlighted in yellow

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

[1]At the advice of the Audit Committee, the OIA closes Advisory Recommendations that management represented as “complete” once the OIA has considered those in the annual risk assessment.

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

Other OIA Activities

Other Items for Discussion

- Changes to OIA organization chart
  - New employee – welcome Leslie Dierlam
  - New vacancy – advertising for this position
- Audit Committee meeting dates in 2022
  - August 15, 2022
  - November 21, 2022

Questions/Comments

OFFICE OF INTERNAL AUDIT

OIA

SBA FLORIDA

STATE BOARD OF ADMINISTRATION

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STATE BOARD OF ADMINISTRATION
OF FLORIDA

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

POST OFFICE BOX 13300
32317-3300

MEMORANDUM

To: Lamar Taylor
From: Michael McCauley
Date: June 9, 2022
Subject: Quarterly Standing Report - Investment Programs & Governance

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GLOBAL PROXY VOTING & OPERATIONS

During the first quarter of 2022, SBA staff cast votes at 1,357 meetings worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes involved 11,166 distinct voting items—voting 79.7% "For'' and 17.3% "Against/Withheld," with the remaining 1.8% involving abstentions. Of all votes cast, 17.5% percent were "Against" the management-recommended vote. SBA proxy voting occurred in 46 countries, with the top five by meeting volume comprised of South Korea (322), China (224), United States (207), Japan (119), and India (91). The table below provides the SBA's major proxy voting statistics across all markets during Q12022.

Individual Meetings	1,357
Individual Ballots	2,849
Individual Proposals	11,166
Percent Votes "For"	79.7%
Percent Votes "Against"/"Withhold"	17.3%
Percent Votes Not Voted	1.0%
Percent Ballots Not Voted	0.8%
Proxy Paper ID	1,323
Issue Descriptions	188
Companies	1,256
Portfolios	77
Country of Origin	46
Percent Votes Against Management Recommendat..	17.5%
Percent Votes in Favor of Directors	79.1%
Percent Votes in Favor of Auditors	98.8%
Percent Votes in Favor of Merger/Acquisition Items	92.5%
Percent Votes in Favor of Compensation Items	74.9%
Percent Votes in Favor of SHP Governance Issues	27.5%
Percent Votes in Favor of SHP Environmental Issues	28.6%
Percent Votes in Favor of SHP Social Issues	50.0%
Percent Votes in Favor of All SHP Issues	31.5%

CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The most recent meeting of the Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) occurred on February 28, 2022, and the next meeting will be held June 30, 2022. The Proxy

Committee continues to review ongoing governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida's Investments Act (PFIA), and other statutory investment requirements related to Israel and Venezuela.

LEADERSHIP & SPEAKING EVENTS

Staff periodically participates in investor and corporate governance conferences. Typically, these events include significant involvement by corporate directors, senior members of management, and other key investor or regulatory stakeholders. The following items detail involvement at events that occurred recently:

- In March, SBA staff participated in the 4th Annual Corporate Issuer and Institutional Investor Forum Hosted by Broadridge Financial Solutions and the Herbert Business School at the University of Miami, discussing voting delegation, and other corporate governance topics.
- In May, SBA staff participated in a meeting of the Board of Directors of the Council of Institutional Investors (CII), discussing a range of topics affecting the organization.
- In May, SBA staff participated in a 2nd quarter meeting of the Investor Oversight Committee of Best Practice Principles Group (BPPG), discussing several issues affecting the proxy advisory industry.

ACTIVE OWNERSHIP & CORPORATE ENGAGEMENT

The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns and seeking opportunities to improve alignment with the interests of our beneficiaries. From late March 2022 through early June 2022, SBA staff conducted engagement meetings with several companies owned within Florida Retirement System (FRS) portfolios, including Honeywell International, General Motors, ExxonMobil, Johnson & Johnson, Assicurazioni Generali, Cigna, Bank of New York Mellon, and Philips 66.

PRELIMINARY REVIEW OF U.S. PROXY SEASON

Peak volumes for the domestic proxy season typically occur in late May every year, with the highest daily meeting counts between May 19th and 26th. Nearly 40% of all companies in the Russell 3000 stock index hold their annual meetings in May, including 237 constituents of the large-company S&P 500 index. Although such proposals are dwarfed by other ballot items including director elections, auditor ratification, executive compensation, and other management proposals, sustainability issues have again garnered the most attention during the 2022 proxy season. Shareowners have filed more than 500 proposals on environmental and social (E&S) issues this year, approximately a 20% increase year over year from 2021. The marginal rise in total proposal volume is at least partially attributable to procedural changes made at the SEC last year. The result is fewer resolutions being restricted from voting action through the SEC's "no-action" process. Revised SEC guidance issued in the fall 2021 (Staff Legal Bulletin (SLB) 14L) is making ordinary business and economic relevance exclusions less likely if a proposal raises a significant social policy issue. As of early March, the number of no-action requests received by the SEC's Division of Corporation Finance (Corp Fin) had declined by 9% over the same time last year. Approximately 20% of the requests were withdrawn, which Corp Fin largely attributes to constructive engagements between proponents and issuers. For example, the number of ballot items voted (or pending a vote) through early May has risen considerably.

According to Semler Brossy's most recent "2022 Say on Pay & Proxy Results" report, of 80 social proposals and 25 environmental proposals voted on this proxy season at Russell 3000 companies as of May 26, six social proposals and three environmental proposals received majority shareowner support, reflecting a decline of 11% and 20% in majority support of social proposals and environmental proposals, respectively, year-over-year. The median vote support so far this season is 25% for social proposals and 26% for environmental proposals, reflecting a significant drop in support year-over-year, particularly for environmental proposals. The number of investor proposals on green-house-gas (GHG) emissions that have been voted on grew from just six in 2021 to 41 this year, while filings of such resolutions quadrupled in 2022 jumping from just 20 to 80 last year. And the number of such proposals filed but withdrawn has almost tripled year over year, implying that engagement activities between investors and management has led to negotiated compromise. Likewise, the number of resolutions covering political contribution disclosure filed this year is the highest it has been since 2014, and those covering political lobbying disclosure set a new high-water mark this year with 42 resolutions on ballots year to date.

However, through early May, the 19 environmental shareowner proposals subject to a vote at S&P 500-listed companies have won only 26.5% support on average, well below the 36.7% and 44.1% average support they received in 2020 and 2021, respectively. Some market pundits attribute the declining level of investor support to more narrowly crafted and prescriptive shareowner resolutions, such as the group of proposals asking various U.S. banks to adopt fossil fuel lending policies aligned with the International Energy Agency’s (IEA) net-zero by 2050 scenario. The SBA has voted against all such proposals year to date. Proxy advisers have also reduced their client voting recommendations year over year in 2022 for environmental proposals. Glass Lewis & Co. (GLC), a proxy advisor used by the SBA, has endorsed 37.5% of environmental shareholder proposals subject to a vote at S&P 500 companies so far through early May, compared to 58.3% and 51.5% in 2020 and 2021. Institutional Shareholder Services (ISS) has recommended investors vote in favor of 100% of environmental proposals at U.S.-listed companies through early May, compared to 77.3% and 76.7% in 2020 and 2021, according to reverse-engineered modeling by Insightia.

Heightened scrutiny of executive compensation items has also continued from last year. Investors have carefully reviewed executive compensation plans, particularly at underperforming companies and those with the largest disconnects between pay levels and financial performance. Many companies experienced higher levels of investor dissent last year due to special grant activity and the exercise of positive discretion related to the COVID-19 pandemic, both of which may have boosted overall incentive payouts without a corresponding increase in stock price or financial gain. Investors rejected compensation proposals in record numbers during the 2021 proxy season, with an all-time high of 20 companies in the S&P 500 failing to secure majority support for their say-on-pay proposals, partly because companies rewrote bonus plans to lower targets for payouts. Say-on-pay (“SOP”) compensation proposal support continues to decline at firms in the S&P 500 stock index, with median support for SOP at S&P 500 companies on track to decline for an eighth consecutive year.

The attached mid-season report from Georgeson, titled "An Early Look at the 2022 Proxy Season," includes a more detailed breakdown across all voted ballot items for companies in the Russell 3000 stock index for annual meetings occurring between July 1, 2021, and May 16, 2022. The report's data is supplied by Institutional Shareholder Services (ISS) Corporate Solutions.

HIGHLIGHTED PROXY VOTES

Twitter, Inc.—for its May 25, 2022, annual meeting, SBA staff voted for and against several ballot items in line with proxy voting guidelines. On April 25, 2022, the company entered into a definitive agreement to be acquired by Elon Musk for $54.20 in cash per share, valuing the company at approximately $44 billion at the time of announcement. Although the buyout transaction is subject to shareowner approval at a special meeting that has yet to be scheduled for later in 2022, there appears to be significant risk to deal completion. Management ballot items included two board members up for re-election, auditor ratification, and a proposal to de-stagger the terms of the board of directors. SBA staff voted against one of the two directors up for election, pursuant to our voting guideline that limits simultaneous directorships to no more than three boards. Nominee Durban sits on a total of six boards at the same time.

Twitter adopted bylaws in April 2017, whereby the company began using majority voting in its director elections, but it also adopted a resignation policy in its governance guidelines requiring that any director not receiving 50% or more shareowner support is required to submit a letter of resignation for review by the Board's Nominating Committee. Mr. Durban, co-chief executive of private-equity firm Silver Lake, resigned shortly after the annual meeting. However, Twitter announced shortly afterwards that its board had reached a deal with Mr. Durban to keep him on the board of directors and that he has agreed to serve on no more than five public company boards by May 25, 2023. Mr. Durban currently serves on the boards of six other publicly traded companies, in addition to Twitter's. Mr. Durban was initially appointed to Twitter's board because of a 2020 agreement with Silver Lake that entitled the firm to one seat on the board.

The management proposal to remove the classified board failed to receive at least 80% support from the total number of outstanding shares for a second year in a row. SBA staff voted in favor of the item which should improve board accountability through annual director elections. Companies that maintain supermajority voting thresholds can find it difficult to make governance reforms, even those supported by management. SBA staff voted against the SOP ballot item as the company's pay design exhibits several flaws including short term performance periods utilized within the long-term incentive plan (LTIP), the lack of stock ownership requirements, and poorly designed compensation, which is largely disconnected from corporate performance. SBA staff voted for ratification of the auditor, with which there were no material concerns. A resolution asking the company to report on the risks associated with using concealment clauses in the context of harassment, discrimination, and other unlawful acts was approved by investors. The SBA voted in support of the resolution, as implementation of the proposal could result in improved recruitment, development and retention, and the additional disclosure will aid investors in gauging the risks involving the use of concealment and non-disclosure agreements. A resolution asking the company to provide a semi-annually updated report regarding its political contributions and expenditures was approved by investors. The SBA voted in support of the resolution, as the additional reporting would aid investors in gauging the risks involving such activities, particularly oversight by the board of directors. A variety of other shareowner resolutions covering director nominations requiring human and/or civil rights expertise, corporate audit analyzing the impacts on civil rights/non-discrimination and reporting on the congruence of corporate lobbying activity and expenditures with corporate values all failed to garner majority support. The SBA voted against each of the failed resolutions.

Shopify—For its June 7, 2022, annual meeting, SBA staff voted for and against several ballot items in line with proxy voting guidelines including the withholding of support for one director due to poor governance practices. The company has continued to maintain a multi-class share structure with unequal voting rights. Commensurate to the director vote, SBA staff voted against a management proposal to amend the articles of incorporation to create a new class of share, designated the "Founder" share, and the issuance of such Founder share to the CEO. The proposal removes the existing “dilution sunset” feature and is viewed as overly concessionary, with the potential to lead to higher compensation costs. Since going public in 2015, Shopify has had two classes of voting shares, Class A subordinate voting shares carrying one vote per share, and Class B multiple voting shares carrying 10 votes per share. GLC estimated that the difference between Class A and Class B shares’ economic versus voting power to be 90.5% and 49% and 9.5% and 85%, respectively, highlighting the large asymmetry between some shareowners’ financial investments and outsized voting power. As well, the SBA voted against the company’s SOP compensation item—due primarily to a lack of short-term incentive structures and the use of time-based vesting within the long-term incentive plan. The SBA voted in favor of a management proposal to approve a 10-for-1 stock split.

Canadian National—Prior to its annual general meeting on May 20, 2022, Canadian National (CN) released a proxy circular covering its new board policy on simultaneous directorships. The company revised its “over-boarding” policy, allowing for a maximum of three public boards on which directors other than full-time chief executive officers or senior officers of the firm may serve. The rule is subject to a one-year transition period where necessary. Of the director nominees being presented for election at their annual meeting, only one director currently serves on more than two public boards, other than CN’s Board, and has committed to reducing the number of directorships within the next year. The SBA withheld support for the single, over-boarded director in line with our proxy voting guidelines.

The company stated in the circular that, “CN believes in the importance of consistent engagement and meaningful dialogue with all stakeholders, including shareholders, and the aforementioned initiatives were all informed by such interactions. The Board is confident that its enhanced governance rules help position CN as a leader in corporate governance and diversity with best-in-class practices, while maintaining the high level of expertise, institutional knowledge and strong board dynamics that have served the company so well over the last 25 years.” According to data from Insightia, 23 of the 68 directors (34%) who failed to receive majority support in 2021 held an excessive number of board seats, including seven who were public company board chairs and/or CEOs.

McDonald’s Corporation (McDonald’s)—For its May 26, 2022, contested annual meeting, McDonald’s was the subject of a proxy contest lodged by dissident Barberry Corporation, an investment firm affiliated with Carl Icahn. The dissident nominated two directors in opposition to management. SBA staff voted using the management card, which supported the existing company nominees. All 12 of the company's nominees won re-election to the board. The investor's two nominees received about 1% of the vote.

The dissident also attempted to overhaul the chain's animal welfare practices. Icahn claimed that McDonald's board of directors was "failing shareholders" by presiding over animal welfare violations and cruelty in its supply chains, citing the company's use of pork suppliers that confine pigs in gestation crates, or individual stalls. The advisory shareholder proposal requesting disclosure regarding gestation stall use in the company's U.S. pork supply chain was withdrawn by the shareholder proponent and was not voted on at the annual meeting. The SBA supported and investors approved a measure requesting a civil rights audit. The civil rights audit was the only shareholder proposal to gain the backing of a majority of votes cast at McDonald's annual meeting.

REGULATORY AND MARKET DEVELOPMENTS

Securities & Exchange Commission (SEC) Proposal on Climate-Related Disclosures

On March 21, 2022, the SEC voted to require U.S. public companies provide certain climate-related information in their registration statements and periodic reports--including Form 10-K disclosures on climate risks facing their businesses and plans to address those risks, along with various metrics detailing the companies' climate footprint including Scope 1, 2, and in some cases, Scope 3 greenhouse gas (GHG) emissions. The SEC proposes that these first disclosures would be made by larger companies in 2024, based on fiscal year 2023. The aim of the SEC's proposal is to enhance and standardize climate-related disclosure, which some entities have already begun making voluntarily. Key items of disclosure include a description of the role of the board and management in the oversight and governance of climate-related risks and any material impact of any climate-related risks identified (where the materiality determination aligns with that made in disclosure in the MD&A section of a registration statement or annual report).

SEC Focuses on Investment Adviser ESG Practices

On May 25, 2022, the SEC proposed amendments to rules and disclosure forms to promote consistent, comparable, and reliable information for investors concerning funds and advisers' incorporation of environmental, social, and governance ("ESG") factors. The proposed changes would apply to registered investment companies, business development companies, registered investment advisers, and certain unregistered advisers. The proposed amendments seek to categorize certain types of ESG strategies broadly and require funds and advisers to provide more specific disclosures in fund prospectuses, annual reports, and adviser brochures based on the ESG strategies they pursue.

The rules and form amendments would enhance disclosure by: 1) requiring additional specific disclosure requirements regarding ESG strategies in fund prospectuses, annual reports, and adviser brochures; 2) implementing a layered, tabular disclosure approach for ESG funds to allow investors to compare ESG funds at a glance (changes to the SEC's existing "names rule," which requires at least 80% of a funds' assets to be invested in the investment characteristics suggested in a fund's name); and 3) requiring certain environmentally focused funds to disclose the greenhouse gas (GHG) emissions associated with their portfolio investments. Under the proposed regulation, if an investment style, such as ESG, is taken into consideration by the investment adviser but it is not central to the investment strategy of the fund, it cannot be used in the fund's name. The disclosure would mandate a description of how funds and advisers integrate ESG, whether they consider greenhouse gas emissions, and the quantitative and qualitative information ESG-focused funds use to assess these factors. ESG-focused funds would also have to disclose how they voted on related issues. Impact funds, which the SEC characterizes as a subset of the ESG-focused universe, would have to outline progress on their stated objectives. The goal of the additional disclosures is to address exaggerated claims about ESG strategies, so called “green-washing,” and related shortcomings in disclosure.

Addendum
SBA Corporate Governance Statistics

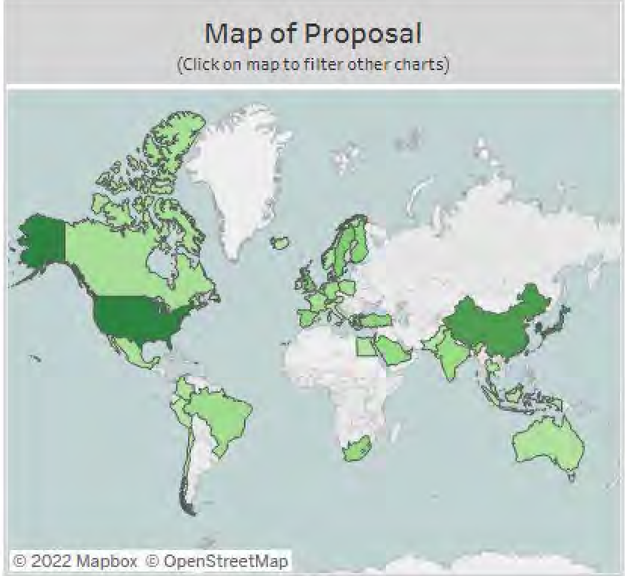
Trustees & Investment Advisory Council (IAC) Meetings – June 28, 2022

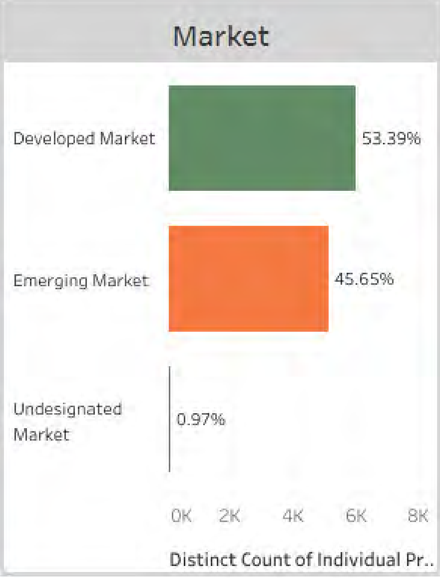
Proxy Voting Aimed at Portfolio Value and Risk Mitigation (1Q2022)

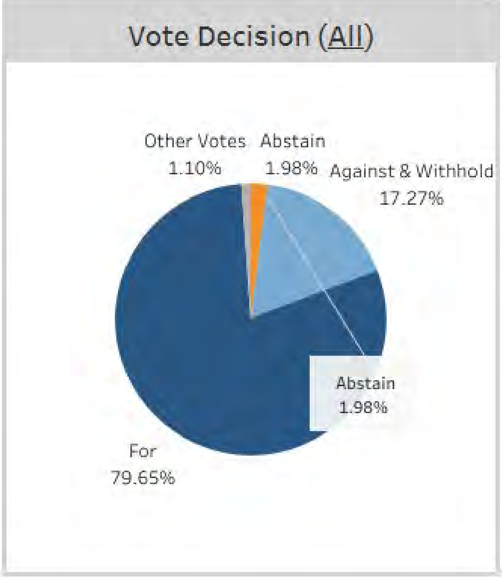
Proxy Voting Summary

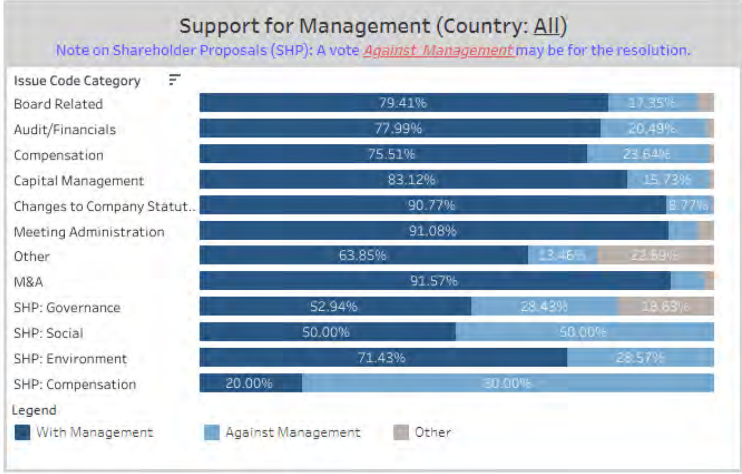
Issue Code Category	For		Against & Withhold		Abstain		Other Votes	
	Individual Proposals	% of Total Distinct count of Individual ..	Individual Proposals	% of Total Distinct count of Individual ..	Individual Proposals	% of Total Distinct count of Individual ..	Individual Proposals	% of Total Distinct count of Individual ..
Audit/Financials	1,239	78.1%	297	18.7%	26	1.6%	24	1.5%
Board Related	4,513	80.0%	967	17.1%	132	2.3%	31	0.5%
Capital Management	650	83.1%	114	14.6%	9	1.2%	9	1.2%
Changes to Company Statutes	602	91.1%	50	7.6%	6	0.9%	3	0.5%
Compensation	1,141	74.9%	347	22.8%	9	0.6%	26	1.7%
M&A	152	91.6%	8	4.8%	3	1.8%	3	1.8%
Meeting Administration	378	91.1%	29	7.0%	1	0.2%	7	1.7%
Other	178	68.5%	39	15.0%	25	9.6%	18	6.9%
SHP: Compensation	3	60.0%	1	20.0%	1	20.0%		
SHP: Environment	2	28.6%	5	71.4%				
SHP: Governance	28	27.5%	63	61.8%	9	8.8%	2	2.0%
SHP: Social	8	50.0%	8	50.0%				
Grand Total	8,894	79.7%	1,928	17.3%	221	2.0%	123	1.1%

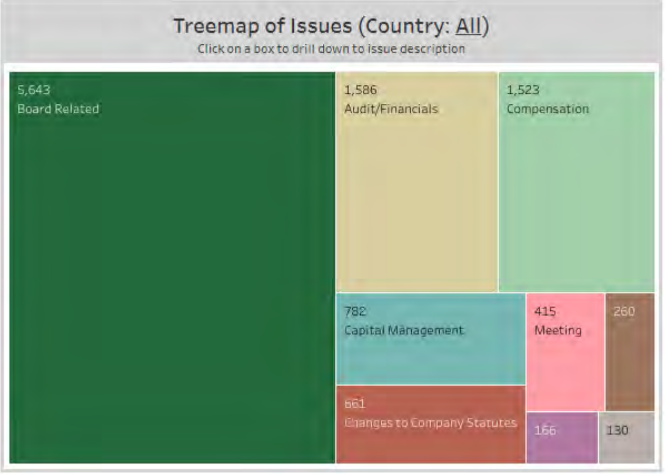
Proxy Votes Drive Value and Lower Risk (1Q2022)











AN EARLY LOOK AT THE 2022 PROXY SEASON

CERTAINTY | INGENUITY | ADVANTAGE

Georgeson

METHODOLOGY

Period Presented & Data Sources

For the 2022 proxy season, this report is based upon available annual meeting results proxy year-to-date (YTD) from July 1, 2021 through May 16, 2022, for companies within the Russell 3000 Index as of May 16, 2022. All data provided herein is preliminary and subject to change as additional information regarding the 2022 proxy season becomes available. Prior season data is for companies within the Russell 3000 as of May 16, 2022, for the full proxy season, running from July 1 – June 30 for each period presented, unless otherwise noted. For example, 2021 proxy season data is for the period from July 1, 2020 – June 30, 2021. As data for all years is based on Russell 3000 Index constituents as of May 16, 2022, such information may include minor inconsistencies compared to previous reports relating to the 2021 and 2020 proxy seasons, due to changes to index membership over time.

Shareholder proposal submission data and annual meeting results discussed herein have been sourced from ISS Corporate Solutions and supplemented by our own research through additional sources, including various proponents' shareholder proposal submission data. Accordingly, our data set includes proposals that were not initially part of ICS' data, excludes proposals that we believe to be duplicative, modifies proposal data for accuracy, and recategorizes certain proposals based on our read of the proposal in question as discussed below. Our data represents our best effort initial attempt at classifying, confirming, and consolidating multiple sources of data into one aggregated dataset; as a result, this data is preliminary and subject to change.

Vote Outcomes Reported

For results reported, we use each company's vote standard applicable to each proposal analyzed to determine proposal passage, failure or level of support. For purposes of aggregated passage rate trends (such as average support), we have examined votes cast for and against proposals, not considering abstentions (For/For + Against).

An interactive version of the data presented in this report is available at: **https://esg.georgeson.com/proxyseason2022** and will be updated following the availability of full 2022 proxy season annual meeting results post-June 30, 2022.

Shareholder Proposal Categorization

There is inherently some subjectivity in categorizing the focus and subject matter of shareholder proposals. Such categorizations have become increasingly challenging over time as environmental, social and corporate governance topics increasingly overlap and influence one another. Where proposals address multiple topics, we have aimed to categorize them based on what we believe to be the primary focus of the proponent in submitting the proposal. For purposes of this report, governance proposals include proposals addressing topics such as: shareholder special meeting and written consent rights; voting standards; dual class structures; independent board chairs; proxy access; board declassification; director term limits; executive compensation matters, including proposals concerning compensation linked to ESG topics; and shareholder approval of bylaw amendments. Social proposals address a broad set of topics, including board and employee diversity matters; discrimination and sexual harassment; mandatory arbitration policies; pay disparity; public health and welfare; human rights; employee welfare and workplace matters; product safety; animal welfare; disclosure of board qualification matrices, including director nominees' ideological perspectives; political contributions disclosure; and disclosure of lobbying policies and practices. Environmental proposals address topics including climate change risks and reporting; greenhouse gas (GHG) emissions goals; recycling, single-use plastics and sustainable packaging; renewable energy and environmental impact reports.

A Note on Emissions Reduction Targets

The overall themes across environmental proposals are relatively unchanged year-over-year, though we note that our methodology for classifying such proposals has shifted. While many environmental proposals are categorized as Say on Climate or Climate Transition Reporting, we have instead categorized proposals with a particular focus on what, if any, emissions reduction targets or strategies are being requested. We see a clear delineation in proposals that focus on Scope 1 and 2 emissions, compared to those that include Scope 3 emissions. We expect a proposal's inclusion or exclusion of Scope 3 emissions will be a key driver of its voting outcome. This expectation was further strengthened following BlackRock's recent bulletin on climate-related shareholder proposals, as discussed in Shareholder Proposals: Environmental. As such, any proposal that requests for emissions reduction targets or strategies (regardless of whether such request is made in the form of a proposal categorized as Say on Climate, Climate Transition Reporting, or otherwise), is classified as Greenhouse Gas Emissions (GHG) Related, with a sub-classification to indicate whether Scope 3 emissions are specifically requested.

INTRODUCTION

An early examination of 2022 proxy season voting statistics yields a number of notable observations:

At the time of this writing, we have observed **a total of 924** shareholder proposal submissions, significantly surpassing what was a record-breaking number of submissions in the 2021 season.

It is possible that up to **621 proposals** will go to a vote this season.

Of the 286 proposals voted to date:

- **30** relate to environmental matters
- **107** involve social issues
- **149** relate to governance issues

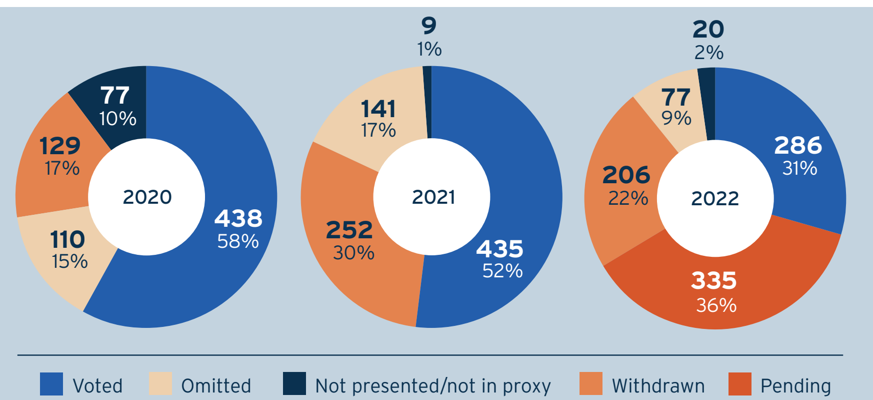
We have seen several types of proposals that attracted majority support for the first-time this season, including shareholder proposals addressing racial equity and civil rights audits, sexual harassment concerns and gender pay equity.

6	
10	
28	

Across E, S and G, **6, 10 and 28** proposals have passed in each respective category.

This translates into passage rates of approximately **20%, 9% and 19%,** respectively.

On the heels of a record-breaking 2021 proxy season, it appears that many proponents were emboldened to submit a greater number ESG proposals this season, with many making more significant demands on companies. For example, while shareholder proposals related to greenhouse gas (GHG) emissions reduction targets of a more general nature were filed in the 2021 season, the majority filed in 2022 are explicitly seeking targets across Scopes 1, 2 and 3 emissions. At the same time, as the season unfolds, we are seeing that some institutional investors may be less willing to support these proposals, based on the passage rates YTD



Average support for director elections is roughly in line with 2021 support levels, although appears to be trending downwards when results are limited to the 2022 calendar year (which more accurately assesses the impacts of policy changes that went into effect during the 2022 calendar year)

While overall passage rates YTD may be indicative of somewhat muted support compared to 2021, we note there was significant withdrawal activity in certain proposal categories – discussed in more detail within the Environmental and Social sections below – and several weeks of peak proxy season meetings remain. In our view, we see this potentially muted support less as a matter of decreasing shareholder attention on ESG matters and more a reflection of proponents' heightened ambitions in the proposals voted upon in 2022.

Thematically, we have seen several new trends across both environmental and social proposals. On the environmental side, proposals requesting Scope 3 emissions reductions targets, policy alignment with the International Energy Agency's, or IEA's, Net Zero scenario, and cessation of financing to fossil fuel projects are gaining prominence. On the social side, we have noticed an increased focus on companies' impacts to broader systems, with proposals focused for example on the public health costs of protecting vaccine technology at healthcare companies and external costs of misinformation at technology companies.

Average support for Say on Pay proposals to date is roughly in line with support experienced in the 2021 proxy season.

90.2% in 2022 as compared to **91%** in 2021.

We have also seen the trend continue this season of companies recommending that shareholders vote in support of, or not make a recommendation with respect to, shareholder proposals.

As a result, we have seen **four** shareholder proposals so far this season receive support above **80%** **in instances where management recommended in favor of or provided no recommendation on a proposal.**

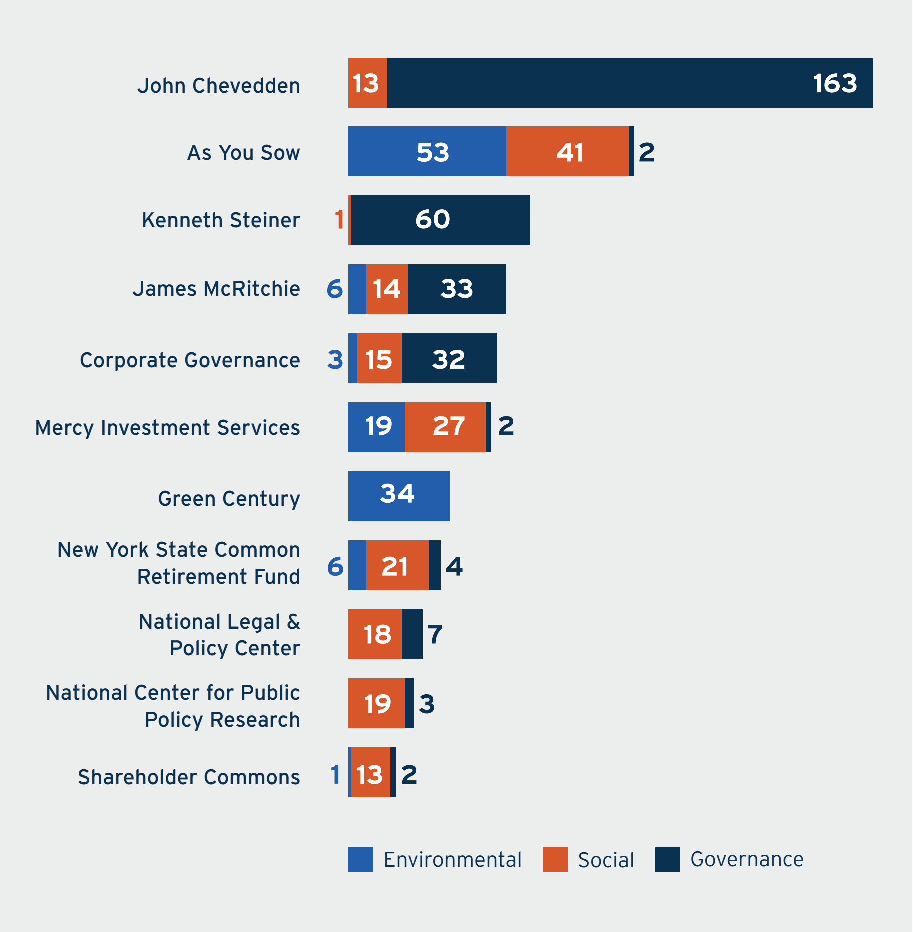
2022 YTD PROPOSALS VOTED AND PASSED

Number Voted	30	107	149
Number Passed	6	10	28
Passage Rate	20%	9.3%	18.8%

Environmental Social Governance

As for proponents, familiar names continue to account for most proposals filed this season. However, we believe coordination among proponents may be increasing, perhaps – at least in part – in response to changes to Rule 14a-8 finalized last year that prohibit proponents from filing more than one shareholder proposal at a given company. In particular, we have observed increasing coordination among Chevedden group members, who historically focused on governance matters, with proponents and advocacy groups across the ESG spectrum, including The Shareholder Commons, As You Sow and various Interfaith Center for Corporate Responsibility members.

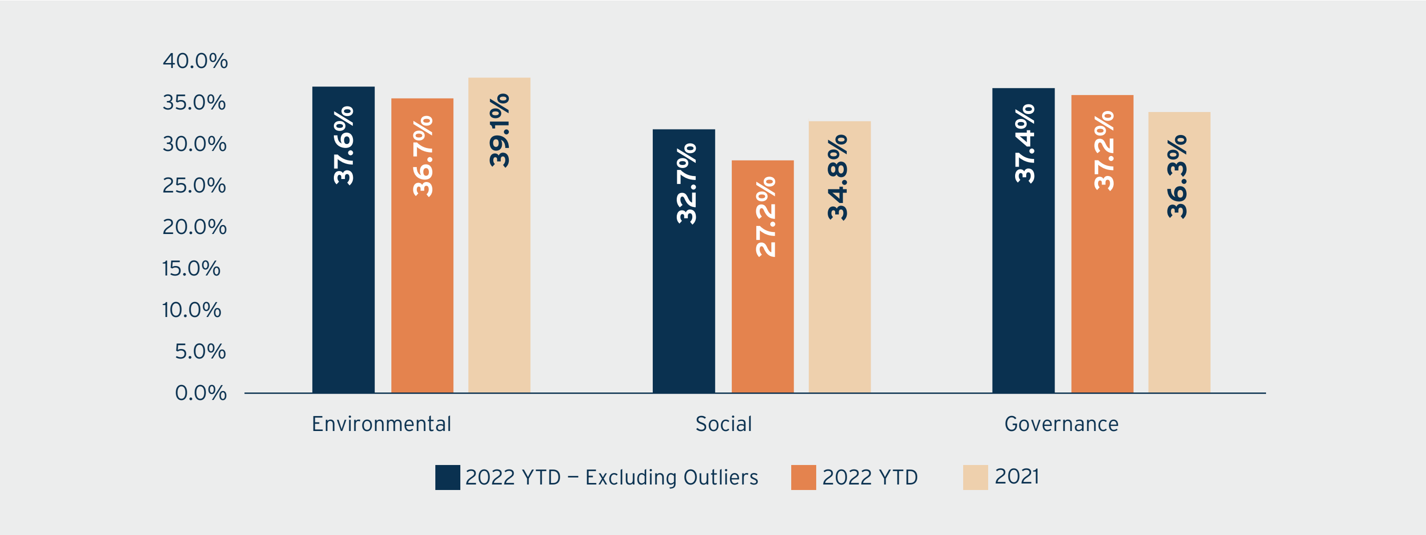
TOP SHAREHOLDER PROPONENTS [1]



[1] Amounts represent number of proposals where the proponent is listed as the lead filer or co-filer. Proposals may be double counted given coordination among these proponents.

There also appears to be a notable increase in so-called "conservative" proposal submissions this season that are often critical of the evolving ESG landscape. Based on our examination of three primary proponents of these proposals – Steven Milloy, The National Legal and Policy Center and the National Center for Public Policy Research, the number of such proposals increased from 26 in 2021 to 52 in 2022.

2021 – 2022 YTD AVERAGE SUPPORT BY PROPOSAL CATEGORY; AVERAGE SUPPORT EXCLUDING OUTLIER PROPONENTS[2]



[2] Outliers for purposes of this chart refers to systems-related proposals and proposals filed by "conservative" proponents.

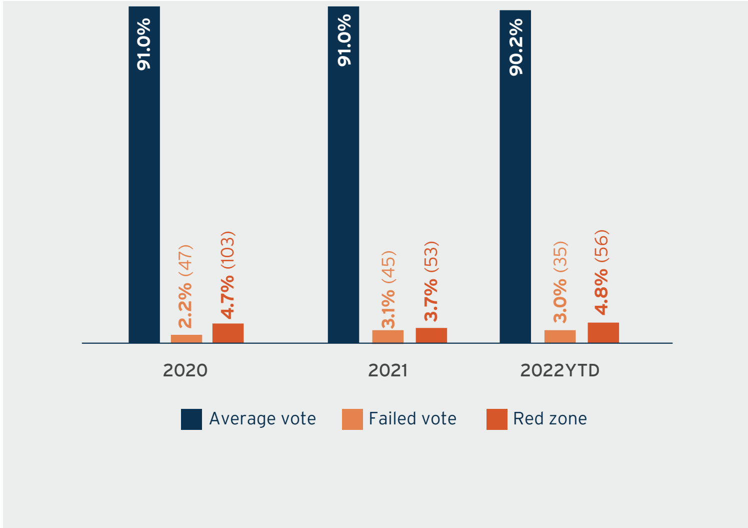
SAY ON PAY

Say-on-pay vote results for 2022 season YTD are witnessing a marginal decline in the average support for Russell 3000 companies, with approximately 90.2% of votes cast in favor (excluding abstentions), compared to 91% support in 2021. As we have been seeing in recent years, S&P 500 companies have garnered slightly lower support, with approximately 87.8% of votes cast in favor YTD, also down slightly from 2021 when they received 88.5% favorable support.

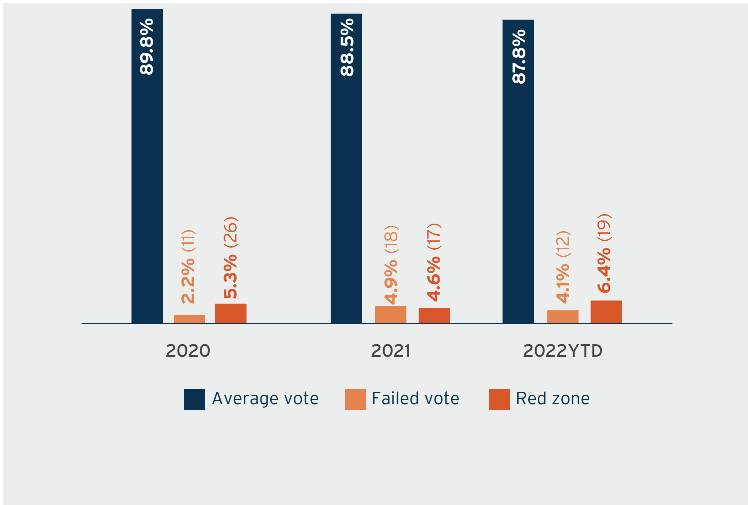
VOTING RESULTS	2021	2022 YTD
RUSSELL 3000 COMPANIES	91%	90.2%
S&P 500 COMPANIES	88%	87.8%

35 Russell 3000 companies have failed to receive majority support for their say-on-pay proposals so far in the 2022 season, with 27 failed votes occurring since January 1, 2022. Nearly one-third of these companies are in the S&P 500 index, with 12 failed votes in 2022 YTD and 9 since January 1, 2022. These nine S&P 500 companies that failed to receive majority support are D.R. Horton, CenterPoint Energy, Centene Corporation, Ventas, Global Payments, Paycom Software, CME Group, Wynn Resorts and Intel Corporation. CenterPoint Energy received the lowest support, with only 22.2% support. The sizable retention grant to the CEO, which is entirely time-based and also vests after a relatively short period of time, seems to have contributed to significant shareholder opposition. Additionally, 4.8% of Russell 3000 companies 2022 YTD have had say-on-pay "red zone" voting results – i.e. vote support falling between 50% and 70%. By comparison, 6.4% of S&P 500 companies so far have results falling within the "red zone."

2020 – 2022 YTD SAY-ON-PAY SUPPORT – RUSSELL 3000



2020 – 2022 YTD SAY-ON-PAY SUPPORT – S&P 500



ISS's negative recommendations at Russell 3000 companies during the first 4 months of the year in 2022 were comparable to the same period in 2021, at approximately 9.3%. Negative ISS vote recommendations may have reduced shareholder support by as much as 36.1% of votes cast at such companies during this period in 2022, compared to 38.0% in 2021. ISS has recommended "Against" a slightly lower percentage of S&P 500 companies for the period from January 1 through April 30, 2022, with 11.5% of say-on-pay proposals garnering a negative recommendation, compared to 13.7% for the same period in 2021. The impact of ISS's negative versus favorable recommendation during these 4 months has been 36.4% in 2022 compared to 39.2% in 2021.

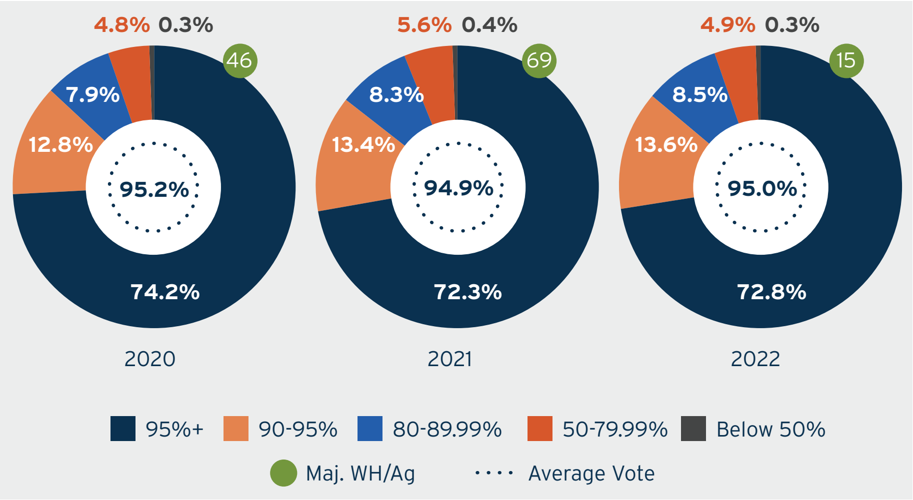
In assessing pay for performance alignment in 2022, a common concern for both shareholders and ISS seems to relate to goal rigor of incentive programs, as some companies have lowered targets following challenging business conditions due to the ongoing pandemic. ISS has particularly scrutinized maximum or above target payouts where targets were lowered compared to last year, or where there has been inadequate disclosure of how companies determined award payouts. As ESG metrics are increasingly used in incentive compensation, proxy advisory firms and investors are asking for enhanced disclosure relating to use of such metrics and achievement against the related goals. Among poor pay practices, retention grants without performance conditions or additional compensation without adequate justification are seen as being especially problematic.

DIRECTOR ELECTIONS

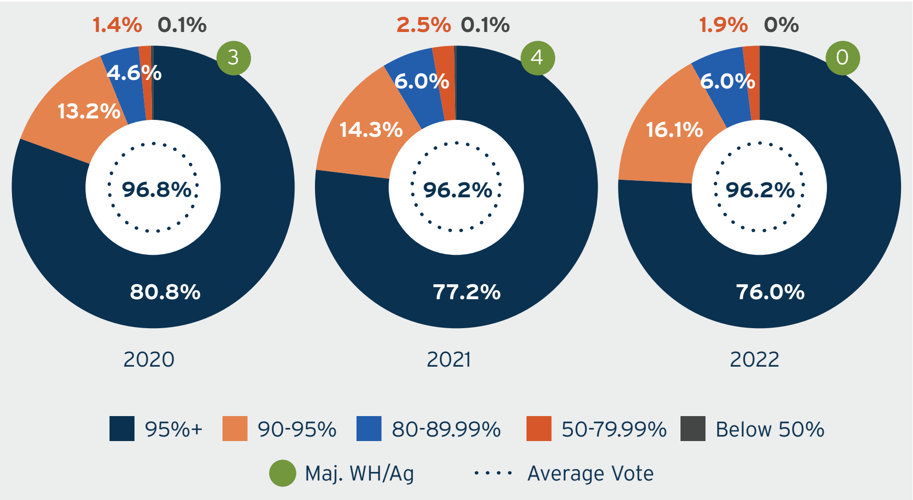
Support for director elections at Russell 3000 companies continues to be strong in 2022 YTD, averaging 95.0%, in line with the average support of 94.9% for the full 2021 proxy season. When looking at a sub-set of director election results for the 2022 calendar year through the end of April and comparing it to the same period from last year, the average support is 95.5% in 2022 versus 95.8% in 2021. This slight average downtick in support has corresponded with the increase in the number of directors receiving less than 90% support for their (re)election. In the first 4 months of the calendar year, 10.8% of directors of 2022 received less than 90% vote support compared to 10.6% in 2020. Directors at S&P 500 companies, who tend to fare better, have been averaging 96.2% support for the proxy year 2022 so far, the same as last year.

So far this season, 15 director nominees have failed to receive at least 50% shareholder support, all at non-S&P 500 companies. However, only 7 of these 15 directors failed to get elected due to the existence of a majority vote requirement at their respective companies. The remaining 8 directors were nonetheless (re) elected, as they served on boards with plurality vote standards in place. Arrowhead Pharmaceuticals, Inc. accounts for three of these failures. Poor responsiveness to last year's failed say-on-pay vote seems to have resulted in investors' opposition to these directors, and the company's say-on-pay proposal again failed this year, garnering only 20.4% support.

AVERAGE DIRECTOR SUPPORT 2020 – 2022 YTD – RUSSELL 3000



2022 YTD DIRECTOR SUPPORT LEVELS – S&P 500



As for areas of focus driving investors' director election decisions, board composition and oversight appear to continue to be at the top of the list in the 2022 proxy season. Racial and ethnic diversity expectations are likely contributing to the slight increase in opposition observed. Significantly, as ISS's and many investors' policies to hold nominating committee chairs/members accountable where their boards lack of racially and ethnically diverse members went into effect this year. Glass Lewis and many investors have also increased their board gender diversity expectations, from one to at least two women on the board. Relating to oversight, both proxy advisory firms and some investors have also increased expectations as to how boards should oversee material environmental and social matters and companies' sustainability disclosures, especially those relating to climate change. Lastly, overboarding continues to result in director opposition, as investors increasingly tighten their policies relating to directors' time commitments.

Vote No campaigns – Majority Action

Vote No campaigns continue to gain momentum in 2022, with Majority Action filing what appears to be the **largest number of exempt solicitations in its history**. At the time of writing, **14 companies** targeted by Majority Action had held their annual meetings. Director elections support across those 14 companies suggest that directors targeted by Majority Action received an average of approximately **245** basis points lower support compared to company peers. Of the 14 companies that have held annual meetings in 2022 thus far, 10 are repeat Majority Action campaigns from 2021. In 2021, Majority Action -flagged directors at these 10 companies had lower average support of approximately 425 basis points.

425
basis points
2021

245
basis points
2022

Climate remains a key focus in the 2022 proxy season, and the various environmental shareholder proposals showcase heightened proponent ambitions. Year-over-year, submissions of environmental proposals increased 39%, with 172 proposals submitted during the 2022 season compared to 124 during the 2021 season. Despite the increased volume of submissions, early voting results suggest dampened support. At the time of writing, we have observed six environmentally focused shareholder proposals pass, representing a passage rate of approximately 20%. While this initial passage rate suggests somewhat weaker support relative to 2021, we view this less as a matter of decreasing shareholder support and more the result of heightened ambitions in this year's proposals, as discussed further below.

Emissions reduction targets

Like 2021, shareholder proposals calling for companies to adopt or enhance greenhouse gas (GHG) emissions reduction targets represent the most common environmental sub-category this season. However, this year's proposals often request for targets or strategies that specifically include or account for Scope 3 emissions. Of the 71 submitted proposals related to GHG reduction strategies or targets, at least 56 specifically request inclusion of Scope 3 emissions.[3]

56/71 SUBMITTED PROPOSALS RELATED TO GHG REDUCTION STRATEGIES OR TARGETS SPECIFICALLY REQUEST INCLUSION OF SCOPE 3 EMISSIONS.

To date, we note that 31 of the 56 Scope 3 proposals have been withdrawn, and 12 have been voted upon. Of the 31 proposals that were withdrawn, 23 specifically reference withdrawal due to an agreement being reached, a commitment being made, or general constructive dialogue. Notably, As You Sow was listed as a filer in 17 of the 31 withdrawn proposals. Turning to proposals that were brought to a vote, of the 12 proposals voted upon, eight failed and four passed. Further, of the four that passed, in one instance management recommended that shareholders vote in favor of the proposal, and in another management did not make a recommendation with respect to how shareholders should vote on the proposal.

TABLE OF SCOPE 3 PROPOSALS

COMPANY	MEETING DATE	RESULT
Berkshire Hathaway	4/30/2022	Failed
Phillips 66	5/11/2022	Failed
Occidental Petroleum	5/6/2022	Failed
Dominion Energy, Inc.	5/11/2022	Failed
ConocoPhillips	5/10/2022	Failed
United Parcel Service, Inc.	5/5/2022	Failed
DTE Energy Company	5/5/2022	Failed
Valero Energy Corporation	4/28/2022	Failed
The Boeing Company	4/29/2022	Passed
Costco Wholesale Corporation	1/20/2022	Passed
AutoZone, Inc.	12/15/2021	Passed
Sysco Corporation	11/19/2021	Passed

[3] This includes the Net Zero Indicator proposal filed at Boeing, which provides: "Shareholders request the Board issue a report, at reasonable expense and excluding confidential information, evaluating and disclosing if and how the company has met the criteria of the Net Zero Indicator, including scope 3 use of product emissions, or whether it intends to revise its policies to be fully responsive to such Indicator."

No New Fossil Fuel Financing

Several environmental proposals within financial services have focused on financing policies, requesting companies to cease financing fossil fuel projects. At the time of writing, we have observed 14 of such proposals filed across 12 companies.[4]

Most proposals within this category (13 out of 14) reference the International Energy Agency's (IEA) Net Zero by 2050 scenario. In this context, these proposals request that the subject company refrain from financing or underwriting activities that would be inconsistent with said scenario. In practical terms, these proposals effectively call for an end to the financing or underwriting of new fossil fuel projects. **At the time of writing, we have observed results for seven such proposals, with all seven failing to pass and none receiving support above 12.8%, as shown below.**

COMPANY	MEETING DATE	STATUS	RESULT [5]
Royal Bank of Canada	4/7/2022	Failed	**9.0%**
Bank of Montreal	4/13/2022	Failed	**7.6%**
Toronto-Dominion Bank	4/14/2022	Failed	**6.5%**
Bank of America Corporation	4/26/2022	Failed	**11.0%**
Citigroup Inc.	4/26/2022	Failed	**12.8%**
Wells Fargo & Company	4/26/2022	Failed	**10.8%**
The Goldman Sachs Group, Inc.	4/28/2022	Failed	**11.2%**

13/14 PROPOSALS IN THIS CATEGORY REFERENCE THE IEA NET ZERO BY 2050 SCENARIO

Audited Report on Impact of IEA's Net Zero by 2050 Scenario

In addition to the aforementioned proposals regarding financing policies, we have also seen IEA's Net Zero by 2050 scenario referenced across companies within the energy and utility sectors. In these proposals, proponents request companies to issue audited reports on the impacts of the IEA's Net Zero by 2050 scenario, including how applying the scenario's assumptions regarding fossil fuel demand would impact each company's underlying assumptions and financial positions. At the time of writing, we have observed six proposals within this category, four of which have been withdrawn. The remaining two proposals are on the proxy statements at Chevron and ExxonMobil, both of which have meetings scheduled for May 25th. We note that preliminary results from ExxonMobil's annual meeting suggest that this proposal has passed, though final results were not available at the time of writing.

[4] Three of the 13 companies referenced are not part of the Russell 3000 (Bank of Montreal, Royal Bank of Canada and Toronto-Dominion Bank). These proposals and results are included within this narrative for reference purposes, but are not part of the aggregated data set of R3000 proposals.

[5] The results displayed utilize the relevant method of calculating votes for determining whether the proposal has been approved.

BlackRock's Bulletin on 2022 Climate-related Proposals

We expect many of the early voting trends on climate proposals to persist throughout the remainder of the season, a sentiment that was bolstered following BlackRock's recently published commentary regarding 2022 climate-related proposals. In the bulletin, BlackRock characterizes this year's climate proposals as more prescriptive than 2021's proposals and notes that "[t]he nature of certain shareholder proposals coming to a vote in 2022 means we are likely to support proportionately fewer this proxy season than in 2021, as we do not consider them to be consistent with our clients' long-term financial interests."[6]

BlackRock flags specific categories of proposals that they believe warrant special attention. These themes include:

- Ceasing providing finance to traditional energy companies
- Decommissioning the assets of traditional energy companies
- Requiring alignment of bank and energy company business models solely to a specific 1.5°C scenario
- Changing articles of association or corporate charters to mandate climate risk reporting or voting
- Setting absolute scope 3 GHG emissions reduction targets
- Directing climate lobbying activities, policy positions or political spending

Consistent with its commentary on climate-related proposals, and promptly thereafter, BlackRock published a vote bulleting summarizing the rationale for its vote against a shareholder proposal requesting the Bank of Montreal to adopt a policy to ensure financing consistent with the IEA's Net Zero by 2050 scenario.

In the bulletin, BlackRock notes the proposal is "overly prescriptive, unduly constraining on management and board decision-making, and would limit the company's ability to support an orderly energy transition." Throughout the bulletin, BlackRock emphasizes its role as an asset manager, noting: "It is not BIS' position to tell companies what their strategies should entail, as this proposal prescribes. Rather, we assess, based on their disclosures, their climate action plan, board oversight and business model alignment with a transition to net zero by 2050."

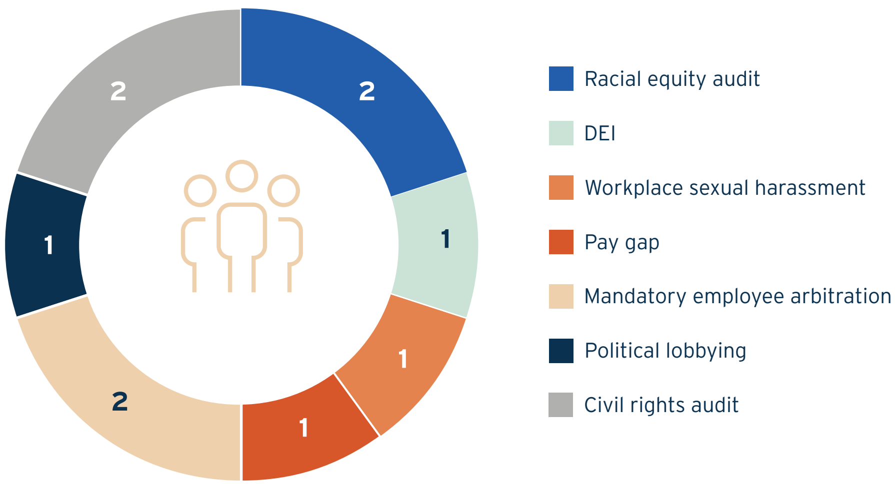
Pre-disclosing Voting Decisions

We've seen the trend of investors pre-disclosing voting decisions continue in 2022, with more investors providing voting rationales in advance of N-PX filings. While BlackRock and Neuberger Berman have historically led this effort, we have seen an uptick from investors such as Engine No. 1 and AllianceBernstein. Given the voluntary nature of such disclosure, there are differences in the consistency and timing of these publications. For example, Neuberger Berman often provides voting rationale in advance of an AGM, whereas BlackRock generally publishes its rationale shortly after the AGM but well in advance of N-PX filings.

[6] BlackRock's 2022 Climate-Related Shareholder Proposals More Prescriptive Than 2021 is available at https://www.blackrock.com/corporate/literature/publication/commentary-bis-approach-shareholder-proposals.pdf

SHAREHOLDER PROPOSALS: SOCIAL

PASSING SOCIAL PROPOSALS 2022 YTD

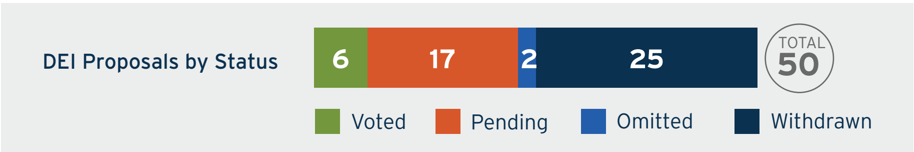


Diversity, Equity & Inclusion

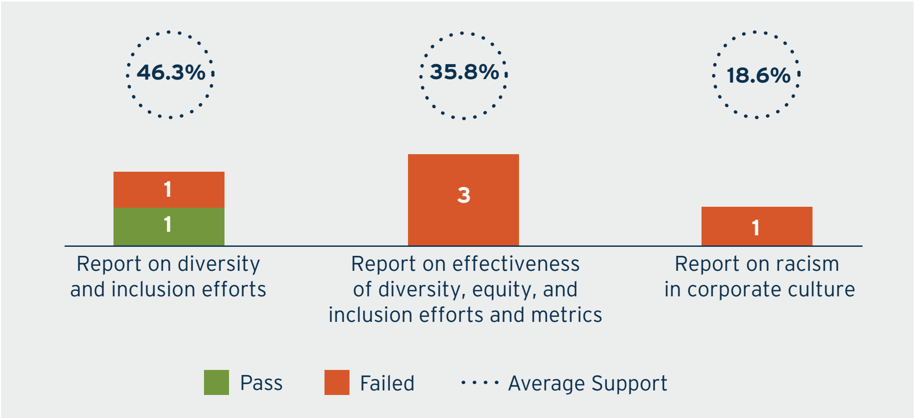
Consistent with the 2021 shareholder season, diversity equity and inclusion remains a major theme for shareholders in 2022, with 50 proposals identified. The variety within proposal resolutions relating to DE&I matters is illustrative of the variety of ways that investors believe DE&I matters can be material to companies. One notable trend is the growth in shareholder proposals seeking reporting on workforce data beyond disclosure of EEO-1 survey workforce diversity data. Data requests this year included disclosure of recruitment, retention, and promotion information specifically addressing diverse employee populations, or reporting on steps by the company to implement their stated diversity and inclusion initiatives. So far this season 25 proposals have been withdrawn and 6 have gone to a vote. 1 such proposal has passed. Average support has been 36% for these proposals. 17 proposals remain pending as of the writing of this report.

As for EEO-1 reporting, proposals seeking such disclosure decreased dramatically in 2022 compared to 2021 (7 vs 47), and all but two such proposals have been withdrawn. The one pending proposal is critical of such diversity reporting and may attract modest support. We believe the decline in the number of such proposals does not represent a decreased demand for workforce diversity data, but rather is an indication of the rapid increased prevalence of this disclosure, particularly across S&P 500 companies.

DIVERSITY, EQUITY AND INCLUSION PROPOSALS 2022 YTD



2022 YTD AVERAGE SUPPORT FOR DIVERSITY, EQUITY AND INCLUSION PROPOSALS



Board Diversity

An additional 18 proposals filed this year addressed board diversity matters, a slight decline as compared to the 2021 season. As with EEO-1-related proposals, we believe this decline in proposal volume is not indicative of waning importance of this topic, but rather an indication of progress. Many companies have made meaningful strides in diversifying their boards — and providing disclosure thereon, whether as a result to Nasdaq's recently revised listing standards or otherwise — and institutional investors have increasingly revised proxy voting guidelines to provide for votes against directors where companies fall short of their diversity expectations.

Civil Rights and Racial Equity Audits

Another subject of shareholder proposals that was new in 2021 were those relating to racial equity audits, which were largely (although not exclusively) focused within the financial services sector. This year, these proposals have been expanded upon to include civil rights audits and proponents have submitted them across several industries. Such proposals typically focus on both internal and external procedures at the company that may negatively impact minority or protected groups. While no proposals on this topic passed in 2021, so far in 2022 two racial equity and two civil rights audit proposals have passed. Average support across both types of proposals is 31%; however, when adjusted to exclude the results of four "conservative" outlier proposals (none of which received more than 3% support), average support increases to 42%. One proposal seeking an environmental justice audit is outstanding as well. Like the racial equity and civil rights audits, this proposal considers the company's impact on communities of color.

Workforce Harassment/Mandatory Employee Arbitration

Concern around risks posed by workplace harassment also seems to have increased among shareholder proponents, with both proposal submissions on this topic and the number going to a vote increasing year-over-year. So far this year one proposal on sexual harassment has passed and two proposals on the use of binding arbitration provisions within employment contracts have passed. Critics contend that binding arbitration within employee contracts may pose a barrier to an employee's ability to make known harassment or discriminatory practices occurring within a company's workplace. In the case of both proposal types, we believe these represent the first such proposals to have passed. Further, average support for proposals related to workplace harassment and mandatory arbitration voted upon to date was 54%, a meaningful increase compared to average support of 45% for such proposals in the 2021 season.

Pay-Gap

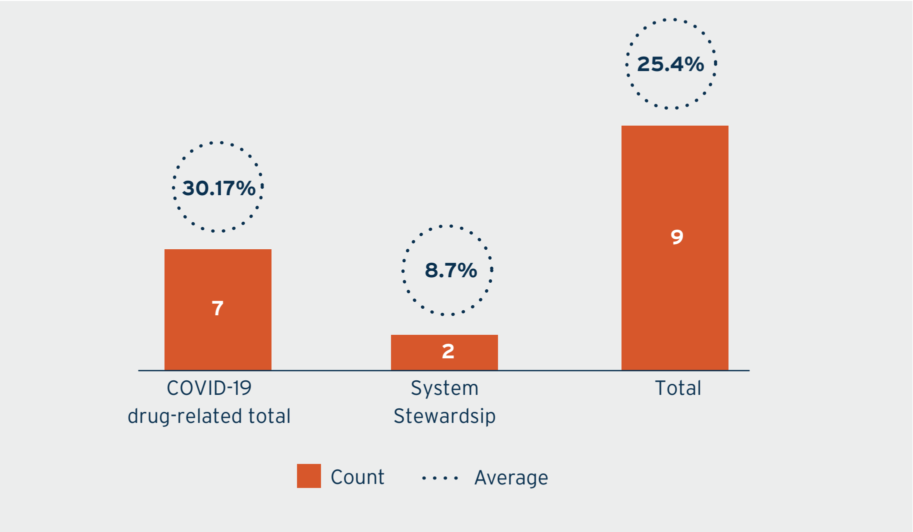
While pay gap proposals have appeared on proxy ballots for several seasons, 2022 marks the first time that such a proposal passed to our knowledge. Typically, these proposals seek reporting on any pay discrepancy that exists between minority groups or women and the average pay within a company. In 2021 no pay gap reporting proposals passed, and average support was below 30%. So far this season one such proposal has passed and average support across the 5 voted upon has increased to 37%. A number of proposals asking companies to conduct a pay gap analysis remain to be voted upon as of the date hereof, as do a series of proposals that relate to paid leave.

All paid leave-related proposals were either omitted or were withdrawn in 2021 and YTD only one such proposal has gone to a vote.

Covid-19/Drug-Related

With the pandemic now entering its third-year, vaccine access remains a focus for shareholder proponents in 2022. 12 proposals were filed with healthcare companies relating to intellectual property and vaccine access. Across the 9 proposals voted on thus far in 2022, none have passed, consistent with 2021 results. Average support for these proposals has been relatively unchanged year over year.

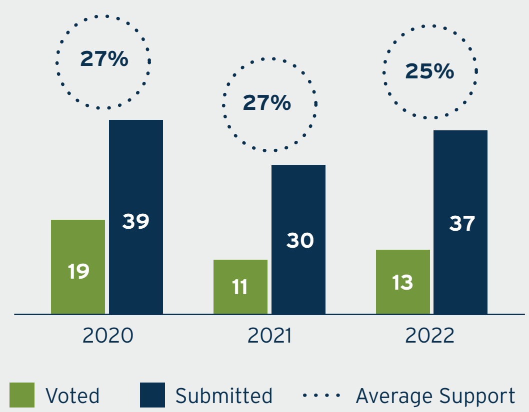
NUMBER OF PROPOSALS AND LEVEL OF SUPPORT RELATED TO COVID-19/DRUG RELATED



Human & Labor Rights-Related

Thus far 13 human rights related proposals have been voted on in 2022. These 13 proposals relate to how companies manage or address human rights or labor rights issues within their direct operations or value chains. Average support across the proposals has been 25%, in line with average support in 2021 (excluding the one passing proposal on this topic in 2021, which was supported by management). We note that three "conservative" proposals in this category voted upon to date are negatively impacting average support for 2022; adjusting for these outlying proposals, average support increases to 27%. This could indicate that shareholders' willingness to support human rights-related proposals is increasing. However, approximately 24 such measures remain outstanding, and accordingly the average support for these proposals could shift meaningfully before season end.

HUMAN RIGHTS — YEAR OVER YEAR CHANGE IN SUPPORT LEVELS FOR HUMAN RIGHTS PROPOSALS



Shareholder proponents have stayed fairly consistent in their requests year-over-year, with the majority of proposals focusing on human rights due diligence or risk assessment processes of companies. However, some proposals this year do identify company-specific risks. Notably, of the proposals that remain outstanding, at least 2 relate in some way to human rights matters within conflict-affected areas. The topic has received renewed media attention following Russia's invasion of Ukraine. State Street Global Asset Management (SSGA) took the unique step of issuing mid-season guidance on this topic, providing more context on what they expect of companies operating in areas where geopolitical risks may create material risk for a company. In their note SSGA stated they expect detail on:

- Management and mitigation of risks related to operating in impacted markets, which may include financial, sanctions, regulatory, and/or reputational risks, among others
- Strengthened board oversight of these efforts; and
- Detail on these efforts in public disclosures[7]

While not explicitly mentioning Russia, it is fair to assume that this statement was in response to the geopolitical risk created by Russia's invasion in Ukraine. The guidance follows other actions in response to the conflict — by SSGA and other asset managers — which have included withdrawal of business operations from Russia. It remains unknown how investors will respond to the conflict-related human rights risk proposals. However it is clear that the Russian invasion has increased investors' collective awareness and focus on how geopolitical conflicts may pose myriad risks to companies.

[7] State Street's Framework for Stewardship in the Context of Geopolitical Risk Arising from Unexpected Conflict Between or Among Nations is available at https://www.ssga.com/library-content/pdfs/global/framework-for-stewardship-in-context-of-geopolitical-risk.pdf

Further, at least 6 proposals cite alleged exploitation of the Uyghur minority population in China as a human rights issue relevant to the companies in question. There are also a series of new proposals this year filed within the technology sector that relate to how technologies, such as Meta's (formerly Facebook's) virtual reality platform ("the Metaverse") or Google's algorithms may inadvertently cause or enable human rights impacts.

Worker Classification

Another new shareholder proposal type this year addresses the risk posed to retailers by third-party logistics providers who may have misclassified their truck drivers as independent contractors rather than employees. The proposals hinge on a new California law that extends liability to logistic providers for the treatment of drivers they employ. All three of such proposals expected to be voted upon in 2022 remain pending as of the date of this report.

Political Lobbying and Contributions

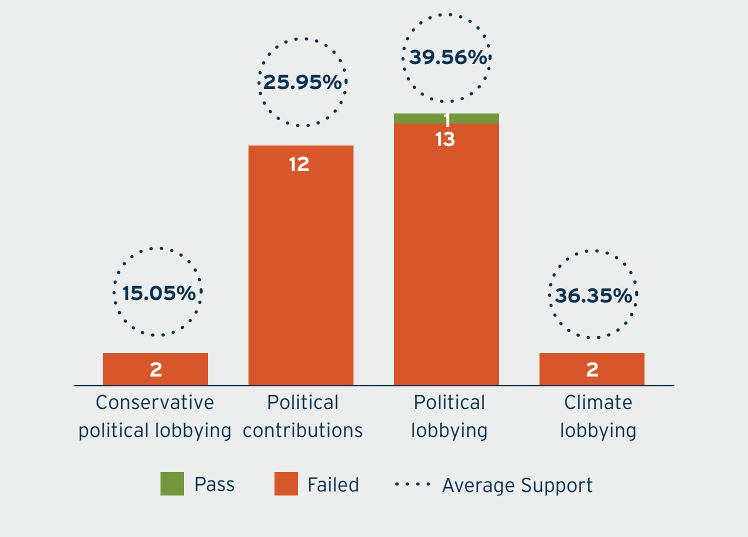
As in previous years, political spending continues to be a major theme of shareholder proposals. In 2022 political spending accounted for 26% of all the estimated 399 social shareholder proposals filed. This represents an increase compared to 2021, where political spending proposals accounted for roughly 23% of social proposals filed.

On the other hand, average support for political contribution proposals has dropped from 40% average support in 2021 to 26% average support in 2022. So far this year no political contribution proposals have passed, compared to 6 passing in 2021. However as many as 13 political contribution proposals remain outstanding. How they perform could meaningfully influence the average support level and passage rate for 2022.

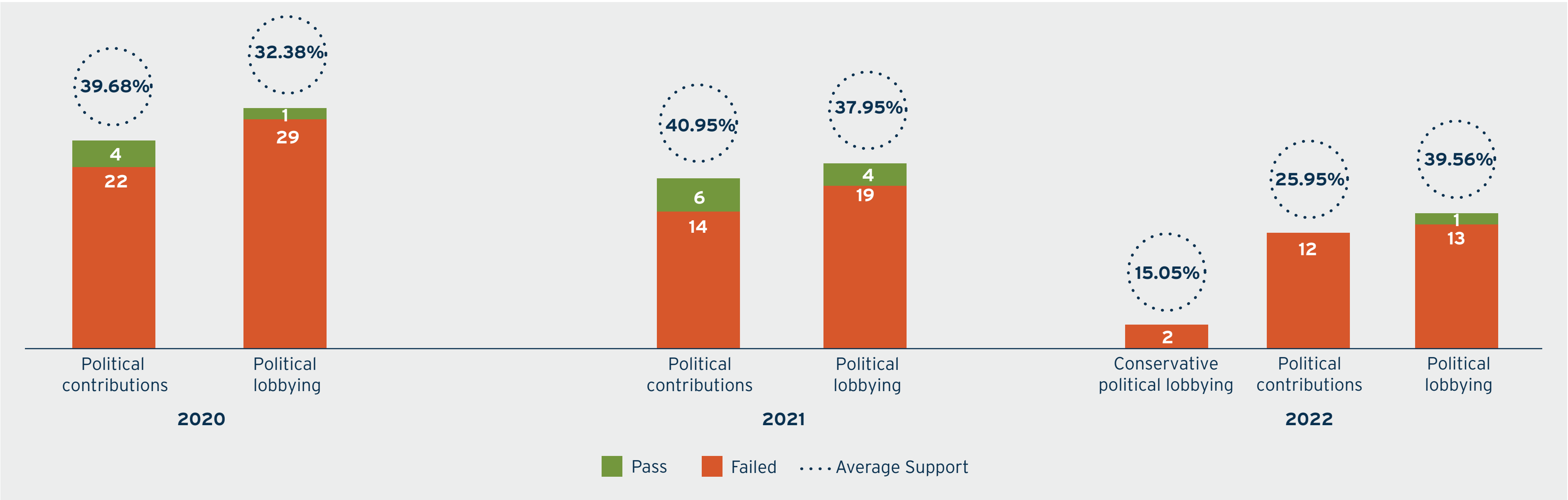
Political spending has also proven to be another area where proponents are exploring additional racial justice-related themes in 2022, namely environmental justice. At least 3 shareholder proposals were filed questioning how companies' political contributions align or conflict with stated racial justice commitments.

Climate-focused lobbying proposals also continues as an area of focus in 2022. Submission volumes for climate lobbying proposals were up year-over-year, with 16 proposals filed in 2022, compared to 12 in 2021. Note that we have categorized these proposals as environmental, and therefore included them within the number of environmental proposal submissions discussed above.

2022 YTD LOBBYING & POLITICAL CONTRIBUTIONS



AVERAGE SUPPORT FOR LOBBYING AND POLITICAL CONTRIBUTIONS PROPOSALS 2020 – 2022 YTD



System Stewardship

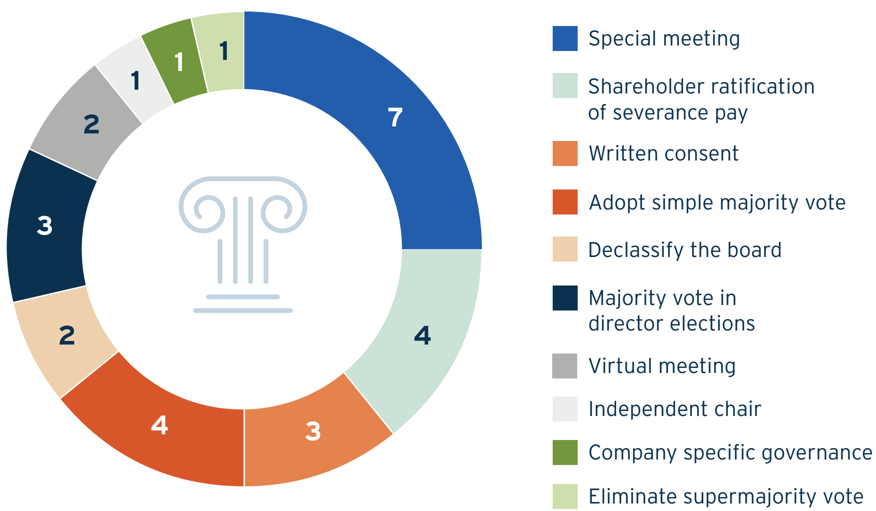
Proposals related to system stewardship, spearheaded by The Shareholder Commons, represent another new proposal type for the 2022 proxy season. There are 21 such proposals across a wide range of environmental, social and governance topics (and bucketed across all categories), such as environmental racism and wage inequality. These measures share a common theme in requesting that subject companies address what the proponents contend are externalities of a company's practices pose systemic risks to broadly diversified shareholders. Rather than focus a company specific risk, these proposals focus on the risk that companies' practices pose to the broader market, an approach that highlights perceived risks due to the proponents' diversified portfolios. Support for those voted upon to date has been relatively low, although three have crossed the 10% threshold necessary to be eligible for resubmission in the 2023 proxy season.

SHAREHOLDER PROPOSALS: GOVERNANCE

The volume of governance-focused proposals appears to have decreased in 2022, with 353 proposals filed as compared to 392 in the 2021 season. Of the 149 proposals voted upon to date, 28 have passed. Many of the topics addressed by these proposals are perennial and not particularly remarkable.

While submission volume is down across the governance category, the number of special meeting-related proposals submitted more than doubled year over year, with 110 such proposals filed in 2022, compared to 41 in 2021. Accordingly, the number of special-meeting related proposals that have passed YTD in 2022 (7) has already exceeded the number passing in the 2021 proxy season (4), with as many as 51 still awaiting a vote as of the date hereof.

2022 YTD PASSING GOVERNANCE PROPOSALS BY CATEGORY



Within the sub-category of ESG-linked compensation proposals, one notable development this season is a number of new proposals leveraging companies' CEO pay ratio information. These proposals request that companies take broader workforce compensation into consideration when setting target CEO compensation. This strikes us as an interesting development – while CEO pay ratio disclosure has been a requirement since 2017, it has received relatively little attention from proponents (or otherwise) since enactment. To date, it appears that 13 such proposals were filed; of the three voted upon so far this season, support ranged from just under 8% to nearly 11%. Considering this relatively low support YTD, it remains to be seen if this will be a continued area of focus in subsequent seasons. Anecdotally, we note that Carl Icahn emphasized CEO pay ratio as an area of concern in his campaign against Kroeger, which focuses on animal welfare and fair wage practices.

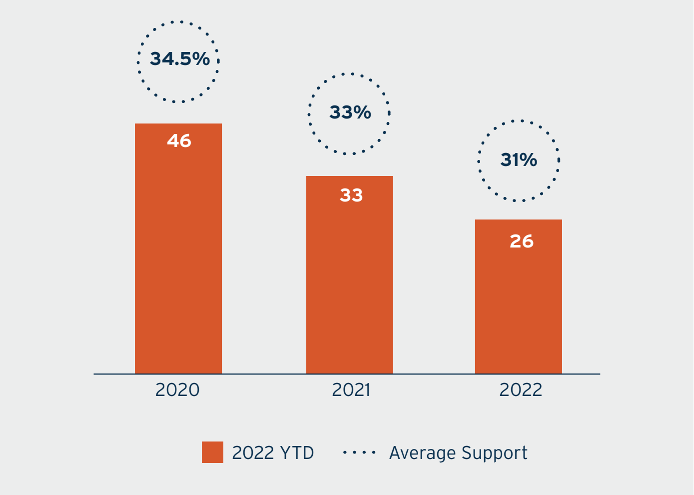
392 → **353** VOLUME OF GOVERNANCE-FOCUSED PROPOSALS HAS DECREASED IN 2022 COMPARED TO IN 2021

28/149 PROPOSALS VOTED ON THAT HAVE PASSED TO DATE

During the 2021 season, we saw 18 proposals filed, 14 of which were voted upon, seeking amendments to companies' articles of incorporation to become public benefit corporations, which in all but one case – where support approached 12% – failed to receive support in excess of 4%. Given the extremely low rate of support, we see these proposals have dramatically tapered off in the 2022 season, with only 4 such proposals filed, 2 of which appear to be "conservative" proposals filed at companies that signed the Business Roundtable Statement of the Purpose of a Corporation, where the proponent argues that such companies' incorporation as conventional Delaware corporations contradicts the commitments of the Business Roundtable statement. Of the three voted upon to date, support continues to be extremely low, ranging from 1.1% to just over 3% respectively. We note that the main proponent of these proposals in the 2021 season was The Shareholder Commons, which is focusing its efforts this season on the system stewardship proposals discussed within the Social section of this report.

The topic of separation of the roles of board chair and CEO also continues to be a focus in 2022, with 51 such proposals submitted, a slight increase from the 43 submitted in the 2021 season. To date this season, one such proposal has passed, compared to none in the prior season. Interestingly, this topic appears to be one area where mainstream and ESG critics align, as the National Legal and Policy Center is the proponent of 7 of these proposals this season, which appear to advance the same arguments in favor of separation of the two roles as do other proponents.

AVERAGE SUPPORT FOR INDEPENDENT CHAIR PROPOSALS



CONCLUSION

Unlike prior proxy seasons, the 2022 proxy season so far is characterized by increased scrutiny towards ESG matters. While this scrutiny has been evident in recent seasons through anti-ESG shareholder proposals, it may be expanding. Much of this newfound attention — from state pension funds and politicians alike — focuses on ESG's impact on voting and investing decisions. States like Texas, Utah, and West Virginia have made public statements suggesting that ESG's influence on fossil fuel companies is inappropriate. Further, on May 18th, legislation was introduced in the Senate calling for asset managers to make client voting choice available to individual investors in passive funds when the asset manager owns more than 1% of a company's voting securities.[8]

This increased attention has created tension between asset managers and asset owners, some of whom believe that managers are not doing enough to advance ESG goals, while others believe that ESG expectations for public companies are becoming overly prescriptive. This tension may be a driver behind some of the recent pullback in support of proposals from asset managers like BlackRock, who characterized many of this year's climate-related proposals as overly prescriptive and questioned whether certain proposals would promote long-term shareholder value.

With several weeks remaining in the 2022 proxy season, including the "peak" weeks of May 16 and May 23, ultimate voting outcomes remain unknown. As of the date hereof, 286 proposals have been voted upon, and 335 remain pending. Accordingly, it remains to be seen whether the number of shareholder proposals passing in 2022 will surpass the record-breaking levels experienced in the 2021 season. Regardless, a dramatic increase appears unlikely. Once the 2022 season is complete, we expect shareholder proponents and advocacy groups will heavily scrutinize individual investors' voting decisions.

An interactive version of data presented in this report is available at https://esg.georgeson.com/proxyseason2022 and will be updated following the availability of full 2022 proxy season annual meeting results post-June 30, 2022.

[8] In October 2021, BlackRock announced client choice voting for certain institutional accounts as the first in a planned series of steps to expand its clients' abilities to make proxy voting decisions. Based on our experience so far, we have not observed a significant change in BlackRock's voting activity as a result of this change.

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About Georgeson — a Computershare company

Established in 1935, Georgeson is the world's foremost provider of strategic shareholder services to corporations and shareholder groups working to influence corporate strategy. We offer unsurpassed advice and representation for annual meetings, mergers and acquisitions, proxy contests and other extraordinary transactions. Our core proxy expertise is enhanced with and complemented by our strategic consulting services, including solicitation strategy, shareholder identification, corporate governance analysis, vote projections and insight into investor ownership and voting profiles. Our local presence and global footprint allow us to analyze and mitigate operational risk associated with various corporate actions worldwide.

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MEMORANDUM

To: Lamar Taylor, Interim Executive Director & CIO

From: Maureen M. Hazen, General Counsel Maureen M. Hazen

Date: June 1, 2022

Subject: Office of General Counsel: Standing Report
For Period March 1, 2022 – May 29, 2022

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 26 new agreements – including 2 Private Equity transactions; 7 Strategic Investment; and 4 new funds for Real Estate; (ii) 286 contract amendments, addenda or renewals; and (iii) 3 contract terminations.

SBA Litigation.

(a) Passive. As of May 24, 2022, the SBA was monitoring (as an actual or putative passive member of the class) 626 securities class actions. During the period of March 1 – April 30, 2022 the SBA collected recoveries in the amount of $688,207.99 as a passive member in 31 securities class actions.[1]

(b) FRS Investment Plan. During the period covered by this report, the General Counsel's Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the "Investment Plan"). The SBA issued 2 Final Orders, received notice of filing of 3 new cases, and continued to litigate 6 cases that were pending during the periods covered by previous reports.

Other Matters.

[1] Recoveries for May, 2022 were not available as of the date of this report.

(a) Public Records. During the period covered by this report, the General Counsel's Office received 42 new public records requests and provided responses to 48 requests. As of May 29, 2022, the General Counsel's Office continues to work on 1 open request.

(b) SBA Rule Activities. During the period covered by this report, the SBA engaged in the following.

On April 21, 2022, the SBA filed for adoption the amendments to Rule 19-9.001, F.A.C., various rules in Rule Chapter 19-11, F.A.C., and Rules 19-13.002 and 19-13.004, F.A.C. (as set forth below). The Bureau of Administrative Code approved all changes, and the rules officially were adopted on May 11, 2022. The amendments made to the various rules are as follows:

A. Rule Chapter 19-9, F.A.C: Rule 19-9.001, F.A.C.:

Rule 19-9.001, F.A.C., (Investment Policy Statement) has been amended to adopt the most recent revised Investment Policy Statement approved by the Trustees on May 4, 2021 for the FRS Investment Plan.

B. Rule Chapter 19-11, F.A.C: Revisions have been drafted for the following rules:

19-11.001	Definitions
19-11.002	Beneficiary Designations and Distributions for FRS Investment Plan
19-11.003	Distributions from FRS Investment Plan Accounts
19-11.004	Excessive Trading in the FRS Investment Plan
19-11.005	Florida Retirement System (FRS) State Board of Administration Complaint Procedures
19-11.006	Enrollment Procedures for New Hires
19-11.007	Second Election Enrollment Procedures for the Florida Retirement System Retirement Programs
19-11.008	Forfeitures
19-11.009	Reemployment with an FRS-Participating Employer after Retirement
19-11.011	Employer and Employee Contributions and ABO or Present Value Transfer Procedures
19-11.012	Rollovers or Plan to Plan Transfers to or from the FRS Investment Plan
19-11.013	FRS Investment Plan Self-Directed Brokerage Account

- Rule 19-11.001, F.A.C. was amended to correct some typographical errors and to add definitions that are used for federal SECURE Act purposes as applied to after-death distributions of members' FRS Investment Plan accounts.
- Rule 19-11.002, F.A.C. was amended to incorporate the latest version of the on-line beneficiary designation form; to specify when a beneficiary designation form is considered

"incomplete;" and to indicate how distributions of account assets will be made to beneficiaries of members dying after January 1, 2022, the effective date of the federal SECURE Act for governmental retirement plans.

- Rule 19-11.003, F.A.C. was amended to clarify when a member has terminated all employment for purposes of distributions of benefits; and to adopt the latest version of the Employment Termination form.
- Rule 19-11.004, F.A.C. was amended to adopt the latest version of the transfer request form that must be filed by excessive fund trading violators.
- Rule 19-11.005, F.A.C., was amended to clarify how a member can obtain a blank petition for hearing form.
- Rule 19-11.006 is was amended to adopt the latest versions of the applicable enrollment forms and to make some editorial revisions.
- Rule 19-11.007, F.A.C. was amended to adopt the latest versions of the Second Election enrollment forms.
- Rule 19-11.008, F.A.C. was amended to indicate that funds placed in a suspense account will be invested in the FRS Core Plus Bond Fund.
- Rule 19-11.009, F.A.C., was amended to adopt the latest version of the Certification Form.
- Rule 19-11.011, F.A.C., was amended to clarify that FRS participating employers are required to file monthly retirement reports instead of monthly payroll files with the Division of Retirement.
- Rule 19-11.012, F.A.C., was amended to adopt the latest versions of the rollover forms.
- Rule 19-11.013, F.A.C. was amended to eliminate the annual administrative fee for FRS members participating in the Self-Directed Brokerage Account.

The changes set forth updates to various forms and applicable provisions of the Federal SECURE Act that were effective for governmental plans on and after January 1, 2022. Before the enactment of the SECURE Act, beneficiaries of defined contribution plans (such as the FRS Investment Plan) fell into two broad categories: designated beneficiaries and non-designated beneficiaries (non-person entities such as estates and charities). The SECURE Act has now split designated beneficiaries into two subcategories: eligible designated beneficiaries (such as a member's spouse) nd non-eligible designated beneficiaries. The distinction between the three categories of beneficiaries matters because only one group, non-eligible designated beneficiaries must comply with the new 10-year Required Minimum Distribution rule. For the other two categories of beneficiaries (non-designated beneficiaries and eligible designated beneficiaries) little has changed. The main impact of the SECURE Act is that adult children and grandchildren of deceased Investment Plan members (who are non-eligible designated beneficiaries) now will have to receive the inherited Investment Plan account balance over a 10-year period, instead of over their lifetimes. Hence, they will experience a greater Federal income tax burden than if they could just take minimum distributions over their lifetimes.

C. Rule Chapter 19-13, F.A.C.:

Rule 19-13.002 Roles and Responsibilities of Division of Retirement within the Department of Management Services
Rule 19-13.004 Role and Responsibilities of Third Party Vendors

These rules have been amended to make editorial revisions for clarification; to update the services provided by the Division of Management Services and Third Party Vendors. Specifically, the changes indicate that the Division of Retirement will handle the collection and processing of employee retirement contributions and data, instead of payroll contributions and data; indicate third party vendors will re-balance retirement date funds and multi-manager funds; indicate that third party vendors also will provide a read-only website so that Investment Plan members can access check advices and print copies of their IRS Forms 1099-R; and state that third party vendors will provide data breach response services.

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MEMORANDUM

DATE: June 1, 2022

TO: Board of Trustees

FROM: Maureen M. Hazen, General Counsel and Acting Inspector General

Maureen M Hazen

SUBJECT: Quarterly Report on SBA Inspector General Activities

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The SBA's Inspector General, Ken Chambers, retired on March 31, 2022, and I have been serving as Acting Inspector General since his departure. The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting certain internal investigations; and handling special projects as directed by the Executive Director & CIO.

Ethics and Training

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The on-line training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc. In addition to ethics training, mandatory training is required annually for all employees in the areas of harassment prevention, personal investment activity, insider trading, incident management framework, and use of information technology resources. Employees are also required to complete training courses for public records, confidential information and the Sunshine Law every other year (these were required in 2020). The deadline for completing the courses is June 30, 2022. New employees are required to take all of the mandatory training courses (which also includes a fiduciary responsibility course) within 30 days of their start date. In addition to the annual mandatory training classes, employees are also required to complete quarterly on-line training courses concerning cyber security awareness.

- During the period from March 1, 2022 to June 1, 2022, no instances were reported to the Inspector General concerning non-compliance with the SBA gift policy.

SBA Fraud Hotline

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

During the quarter, one complaint was received by the Hotline. The complaint was identical to only other complaint received during this fiscal year (i.e. in October 2021) and concerned an issue that was not applicable to the SBA.

Financial Disclosure Forms

The Commission on Ethics requires certain state employees and officials who meet the reporting requirement to file an annual Financial Disclosure Form. All SBA employees who met this requirement have filed a Financial Disclosure Form with the Commission on Ethics for the year ending December 31, 2020, as well as all new employees hired during 2021. Disclosure Forms for 2021 were recently submitted to all affected employees and are due to the Commission by July 1, 2022.

cc: Lamar Taylor, Interim Executive Director & CIO

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MEMORANDUM

DATE: May 11, 2022

TO: Lamar Taylor, Interim Executive Director & CIO

FROM: Sooni Raymaker, Chief Risk & Compliance Officer SR

SUBJECT: Trustee and Audit Committee Report – May 2022

The following is a summary report of Risk Management and Compliance (RMC) activities and initiatives completed or in progress since the last dated report of February 2022 to the current period. All RMC activities, reviews, controls, and processes are continuing to operate effectively and as expected during this reporting period.

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

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

Compliance Exception:
Section 215.47(15), Florida Statutes, states: "With no more, in the aggregate, than 20 percent of any fund in alternative investments through participation in an alternative investment vehicle as those terms are defined in s. 215.4401(3)(a), or in securities or investments that are not publicly traded and not otherwise authorized by this section". As of market close on 4/29/22, the total value of both Private Equity and Strategic Investments as a percentage of Total Fund was: 20.10% (Performance Daily Estimates) and 20.178% (BNYM Compliance Monitor) and has continued to exceed the limit as of this date. The 20 percent allocation limit has been exceeded due to current negative market conditions and lagged market values of alternative investment vehicles. Several Strategic Investments alternative vehicles have been identified and can be as authorized under Section 215.47(2)(e), F.S. which will reduce the overall value of the numerator and possibly cause the exposure to be below the 20% limit. Additionally, as market values of the alternative market vehicles become more current, this may also reduce the exposure.

Enterprise Risk Management (ERM) The Risk & Compliance Committee (RCC) will hold its quarterly meeting May 12, 2022, after the date of this report. The RCC will review results from the Gartner Q122 Top Emerging Risk Report, including postpandemic talent, which scored as the highest emerging risk in the United States. The RCC will consider what more can be done to maintain the current positive culture of compliance at the SBA, given the number of new colleagues in new roles and the loss of institutional knowledge with multiple retirements. The RCC will also review the latest updates to Enterprise Risk Management Plans. In collaboration with risk owners, ERM will continue to advance and refine KRI metrics.

Trading and Investment Oversight

The Trading and Investment Oversight Group (TOG) met on April 21, 2022. The group reviewed quarterly internal trading activity, compliance reports and trading counterparty oversight updates. The Designated Futures, Options and Swaps Exchanges/Markets List annual review is in progress. Once complete, the list will be shared for TOG concurrence prior to submitting to Interim ED & CIO for approval as of July 1, 2022.

External Manager Operational Due Diligence (ODD)

During the period, the ODD team reviewed and commented on twenty-one consultant operational due diligence reports on investment managers as part of the investment approval process, which represents approximately $2.9 billion in potential investments.

The ODD team conducted a hybrid quarterly collaboration meeting with all asset classes and provided an update on the ODD risk assessment. Discussions were held regarding considerations follow-up, regulatory matters, watch list changes, Fixed Income Core Plus Manager Search, recent ODD reviews, and collaboration with Accounting and Asset Allocation regarding common manager issues. The team will present to the RCC on May 12th, highlighting results from the collaboration meetings. Mercer was engaged to conduct eight ODD reviews and the SBA ODD Team participated in all eight virtual onsite meetings. Thirty-three new consultant ODD reports were added to the Manager Operational Risk Oversight page for use by the asset classes since the last meeting. The SBA ODD Team will be conducting an in person ODD onsite meeting in June 2022. They will also visit another existing manager with staff from Global Equity during the trip.

Public Market Compliance (PMC)

In February 2022, new sanctions were imposed in response to Russia's actions in Ukraine. To conservatively monitor the extensive sanctions, PMC is monitoring all exposure to Russian securities. In March 2022, the SBA directed its investment managers that no new or additional Russian securities be purchased. Additionally, investment managers have been directed to liquidate any holdings in Russian securities as soon as practical, subject to market liquidity and in strict compliance with federal and other applicable laws.

Performance Reporting & Analytics (PRA)
The PRA team is currently engaged in a project to leverage the existing Eagle PACE (a performance management system) to build portfolio composites based on General Investment Performance Standard (GIPS) best practices. The PACE system can aggregate all composites and produce reports with performance returns in a more efficient manner. This will allow the PRA team to reduce reliance on excel spreadsheets or other business intelligence tools to reconcile the official monthly performance data and reporting, relieving the need for ongoing maintenance between the systems.

With efficiency gains being a primary focus, PRA continues the work to automate vendor reports in order to reconcile private market performance reports with the SBA custodian. Additionally, the PRA team has also begun working to maximize other functionalities of the Eagle system for performance reconciliation and reporting purposes.

Policy Activity and Regulatory Monitoring
Since the last report, revisions were implemented to four internal policies. Modifications were made to the Payroll policy to reflect changes in processes as well as to update roles and responsibilities. Two Human Resources policies, Harassment Prevention and Complaints, were updated primarily to clarify reporting requirements. Appendix A of the Risk Budget policy was also revised to add Temporary Risk Standards for Monitoring and Escalation for the Private Equity Secondary Benchmark, while Appendix B was modified to update the Private Equity Intra-Asset Class Ranges and to switch the measurement basis for Private Equity Intra-Asset Class Allocations from an annual to a three-year rolling average. No investment guidelines were revised during the reporting period.

As part of the Workflow Governance Group, Policy Administration reviewed five workflow change requests and provided evaluations with respect to policy compliance.

On the regulatory front, there were no Global Equity counterparty changes which necessitated the filing of an amended SEC Form 13H for Q1 2022. In compliance with the Japanese Foreign Exchange and Foreign Trade Act, two securities were reported that exceeded the established 1% reporting threshold for SBA share ownership or voting rights in listed companies conducting business in designated Japanese business sectors.

Personal Investment Activity (PIA)
During the period (February 1, 2022, through April 30, 2022, there were 193 requests for pre-clearance by SBA employees, with 146 being approved, 44 being denied (due to blackout restrictions), and 3 being retracted (not traded). There were four violations which were reviewed by the CRCO, Inspector General, SOO-Human Resources, and the ED & CIO.

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State Board of Administration

Private Equity Asset Class Review

John Bradley, SIO Private Equity

Investment Advisory Council

June 28, 2022

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Agenda

PE Policy, Benchmarking and Structure

- Goals/Objectives
- Benchmarks
- Staffing

Asset Class Investment Process

- Annual Investment Plan
- Sourcing
- Due Diligence
- Monitoring

Asset Class Portfolio

- Performance/Cash Flows
- Allocations/Targets
- Portfolio Composition/Exposures

Asset Class Sub-Strategies

- Buyouts/Growth Equity
- Venture Capital
- Distressed/Turnaround
- Secondary

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Private Equity Policy

- **Policy target allocation:** 6% of total fund
- **Allocation range:** 2% - 10% of total fund
- **5/31/21 allocation:** ~9.8% of total fund

Per Policy:

Private Equity shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:

- Financial, operational and investment experience and resources
- Alignment of interests
- Transparency and repeatability of investment process, and
- Controls on leverage

Asset Class Goals and Objectives

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

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Benchmarks

- **Primary: MSCI ACWI IMI + 300bps premium**
  - Current benchmark of the Global Equity asset class plus an illiquidity premium
  - Opportunity cost benchmark

- **Secondary: Cambridge Associates Benchmark**
  - Cambridge Associates Global Private Equity and Venture Capital Index
  - Peer benchmark
  - Measures effectiveness of staff in selecting managers

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Staffing

Staff of eight investment professionals

- Senior Investment Officer
- Three Senior Portfolio Managers
- One Portfolio Manager
- Three Analysts
- Administrative Assistant

Cambridge Associates

- Dedicated global team of five Investment Directors and seven Associates/Analysts
- Market research
- Fund due diligence
- Operational due diligence
- Quarterly performance review
- Semi-Annual strategy review

Private Equity Investment Process

Annual Investment Plan

- Pacing model
- Portfolio priorities
- GP focus list
- Forward calendar

Sourcing

- Proactive
- Reactive

Due Diligence

- Initial screening
- Full diligence
- Legal negotiation
- Closing

Monitoring

- Annual meetings
- Advisory Boards
- Cambridge review
- SBA compliance

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Private Equity Process- Annual Investment Plan

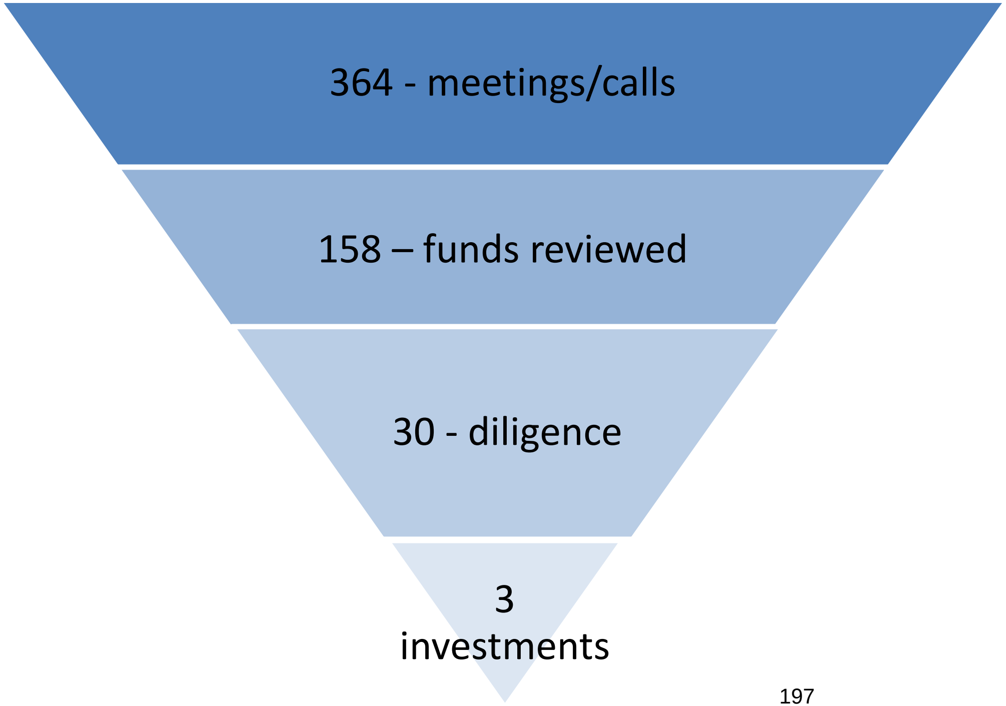
Serves as the roadmap for the future

- Inputs Include:
  - Portfolio Const. Model
  - Priority Rankings
  - Focus List
  - Forward Calendar

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

Private Equity Process- Sourcing

- Majority of investments sourced proactively
- Invested in three funds in 2021 managed by general partners that were new to the PE program
- Sourcing activity increased in 2021



Private Equity Process- Due Diligence

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

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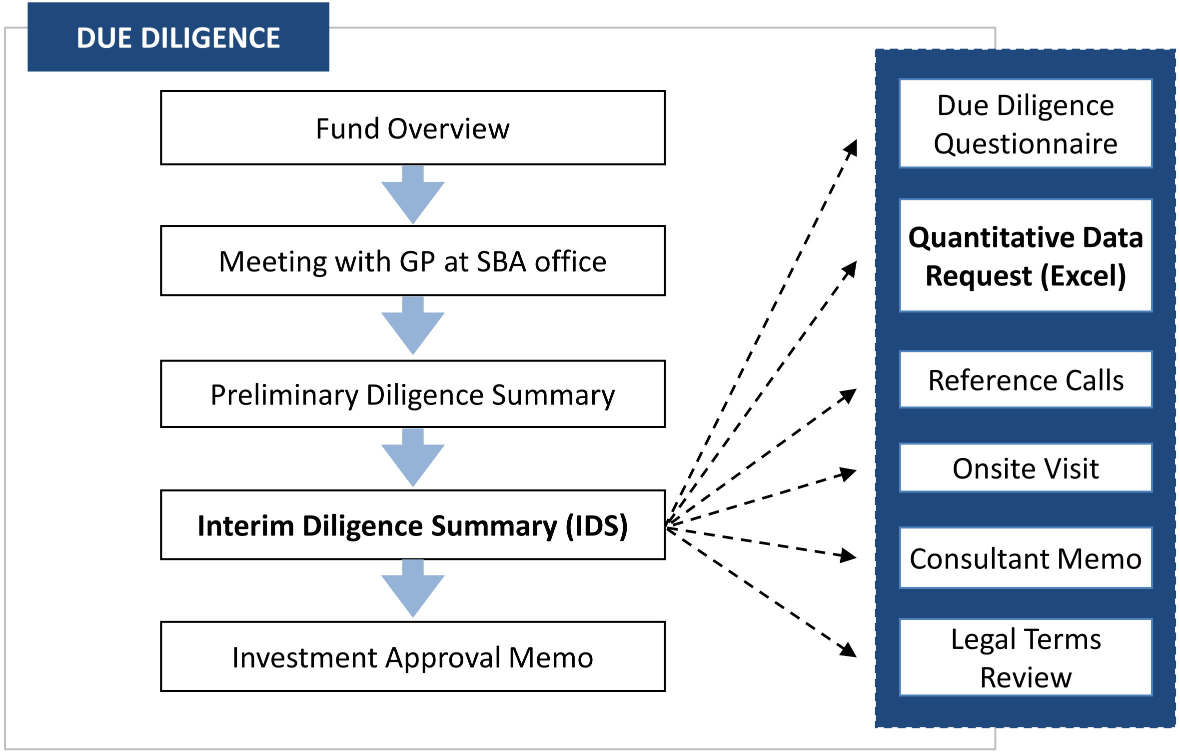
Private Equity Process- Due Diligence (Continued)



Private Equity Process- Monitoring

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

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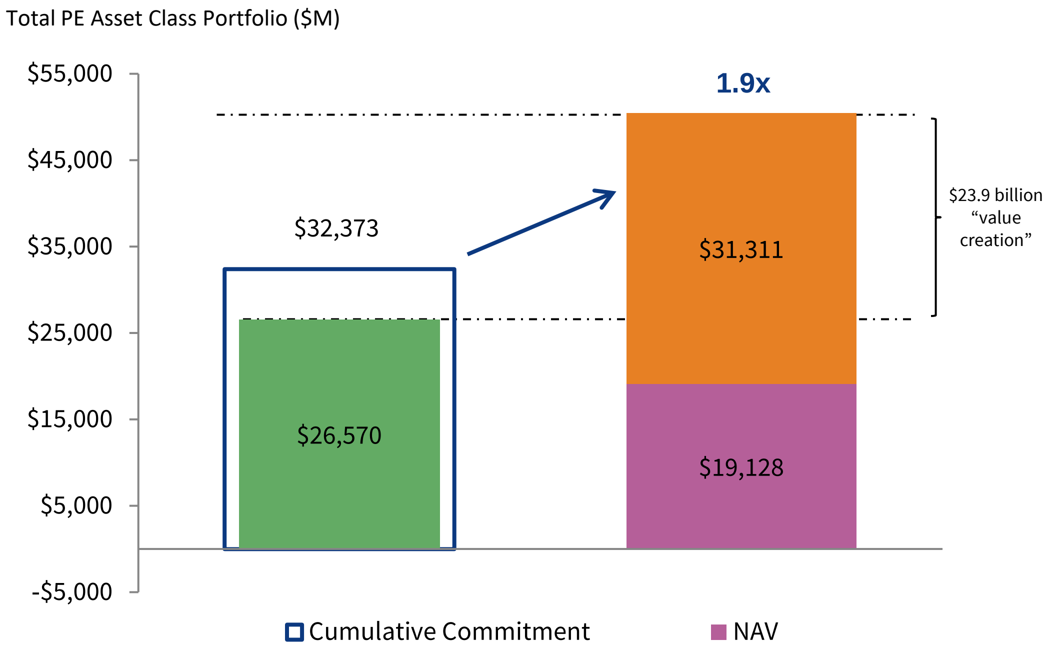
Private Equity Performance

As of December 31, 2021



- Since inception, PE class has committed over $32b to 309 funds
- $26.6b called to date
- $31.3b distributed; 1.2x DPI
- $19b in remaining value; 1.9x TVPI
- Value creation to date of $23.9b

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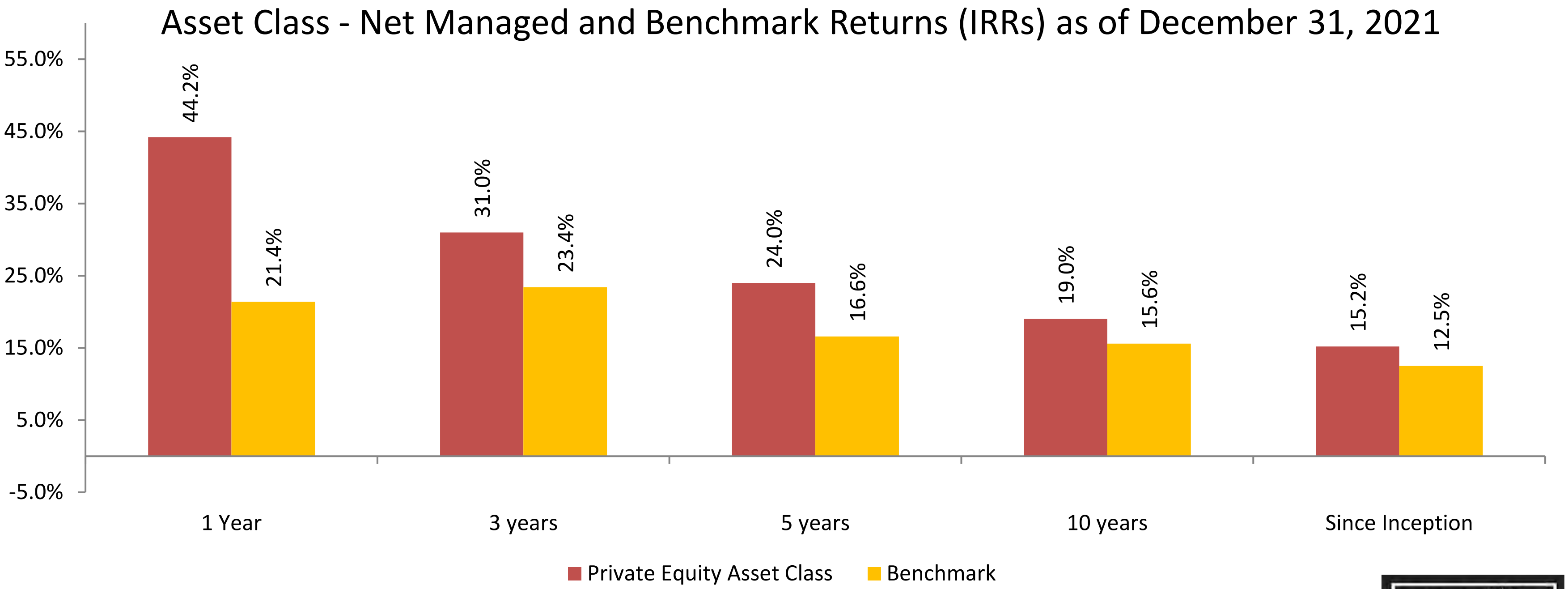
Private Equity Performance



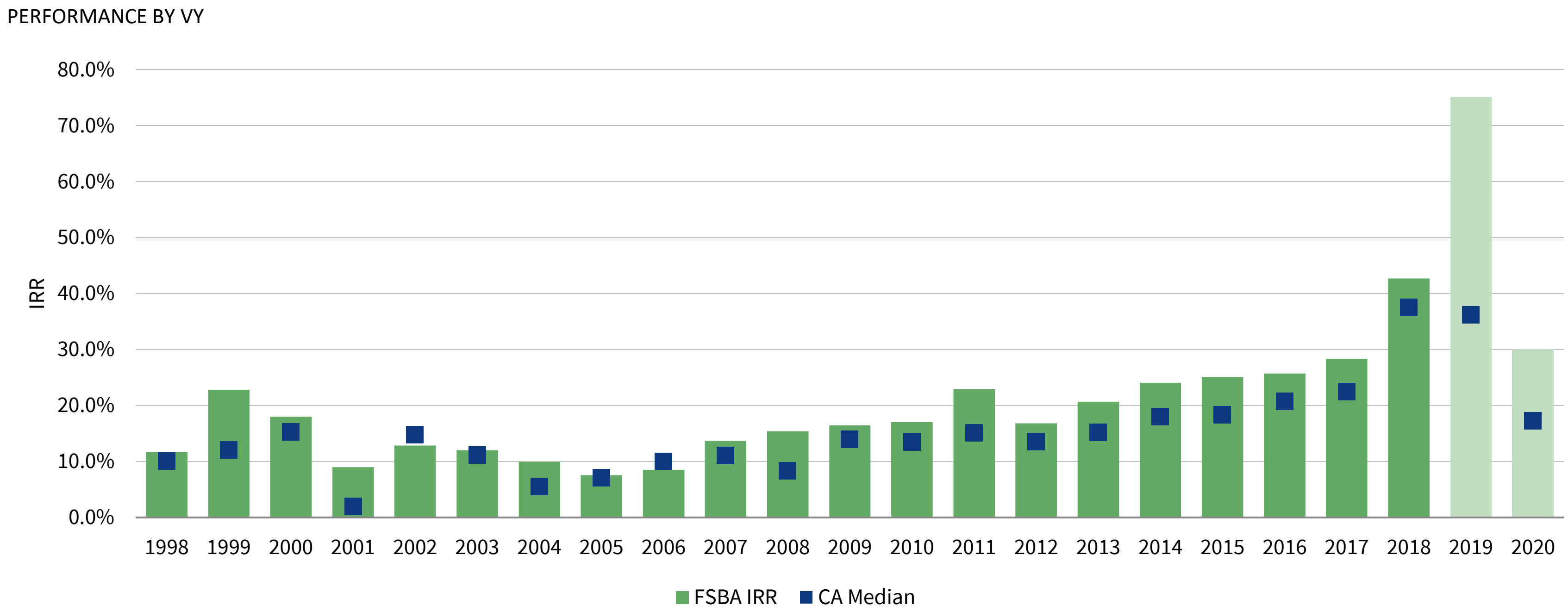
Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 300bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010 , the benchmark was the Russell 3000 + 450 bps.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

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

Vintage Year Performance

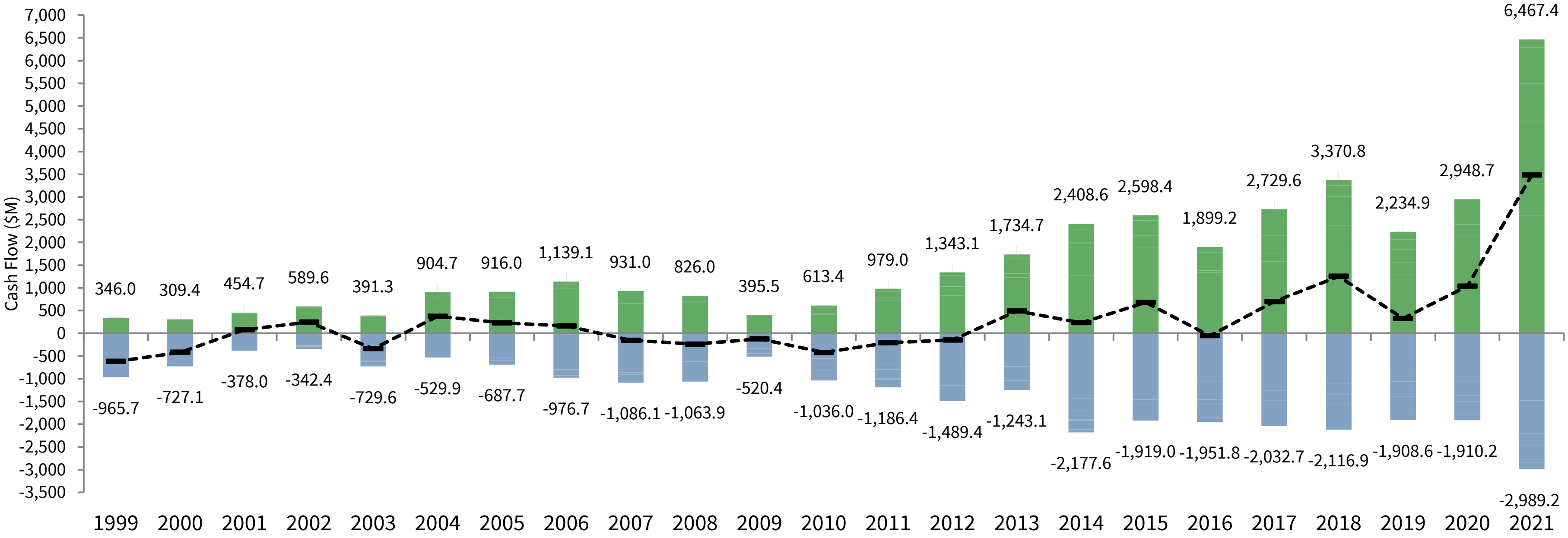
As of December 31, 2021

Since inception of the asset class, the SBA has outperformed vintage year benchmarks in 21 out of 23 years (91%)



*Light shading (2019,2020) indicates vintages too young to have meaningful performance

Cash Flow History



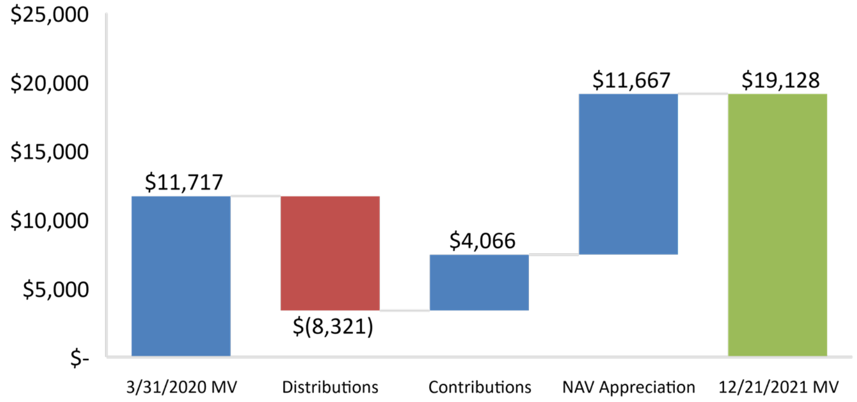
Cash Flows ($M)

Year:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net:	-417.7	76.7	247.2	-338.3	374.8	228.4	162.4	-155.1	-237.9	-124.9	-422.6	-207.4	-146.3	491.7	230.9	679.5	-52.6	696.9	1,254.0	326.3	1,038.5	3,478.2
Cum:	-2,184.7	-2,108.0	-1,860.8	-2,199.1	-1,824.3	-1,596.0	-1,433.5	-1,588.6	-1,826.5	-1,951.4	-2,374.0	-2,581.4	-2,727.7	-2,236.1	-2,005.1	-1,325.7	-1,378.3	-681.4	572.6	898.9	1,937.4	5,415.6

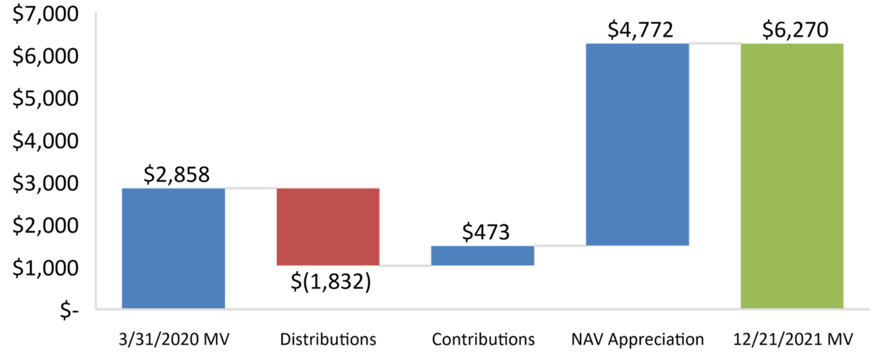
PE Program Through the COIVD-19 Pandemic
(April 2020 – Dec 2021)

- PE portfolio has experienced unprecedented performance
  - Operational improvements, IPOs/public market comps, multiple expansion
- GPs selling into market strength

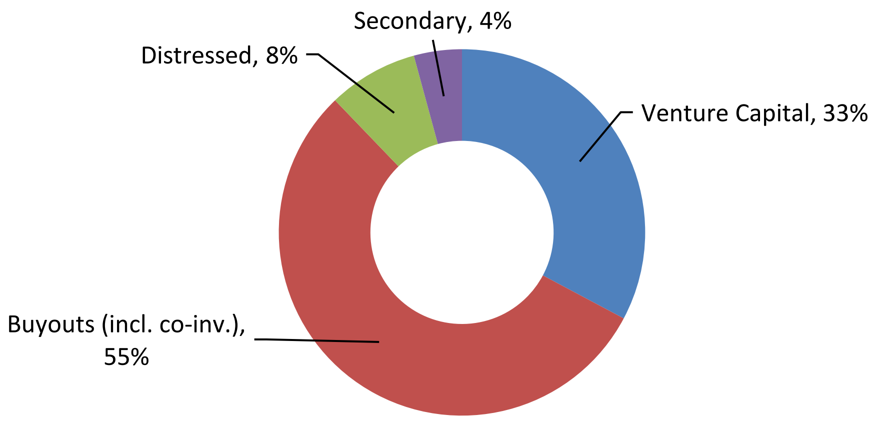
PE Portfolio Apr 2020 - Dec 2021 ($$ in millions)



Venture Capital Portfolio April 2020 - December 2021 ($$ in millions)



Current Allocations and Targets



($ millions)	12/31/21 NAV	%	Total Exposure⁺	%	Target Allocation
Buyouts*	$ 10,528	55%	$ 15,163	59%	65%
Venture Capital	$ 6,270	33%	$ 6,782	26%	10%
Distressed	$ 1,520	8%	$ 2,596	10%	15%
Secondary	$ 810	4%	$ 1,297	5%	10%
Total	$ 19,128		$ 25,839		

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

Portfolio Composition

PE Portfolio

- $19.1b NAV (12/31/21)
- $6.7b Unfunded
- 224 funds
- 68 GPs (48 core)

Geographic Focus*

- 6 - Global
- 26 - U.S.
- 10 - Europe
- 6 - Asia

Sector Focus*

- 30 - Generalist
- 9 - Technology
- 4 - Energy
- 1 – Financials
- 3 – Consumer/Retail
- 1 – Health Care

*Geographic and sector focus of our 48 core managers

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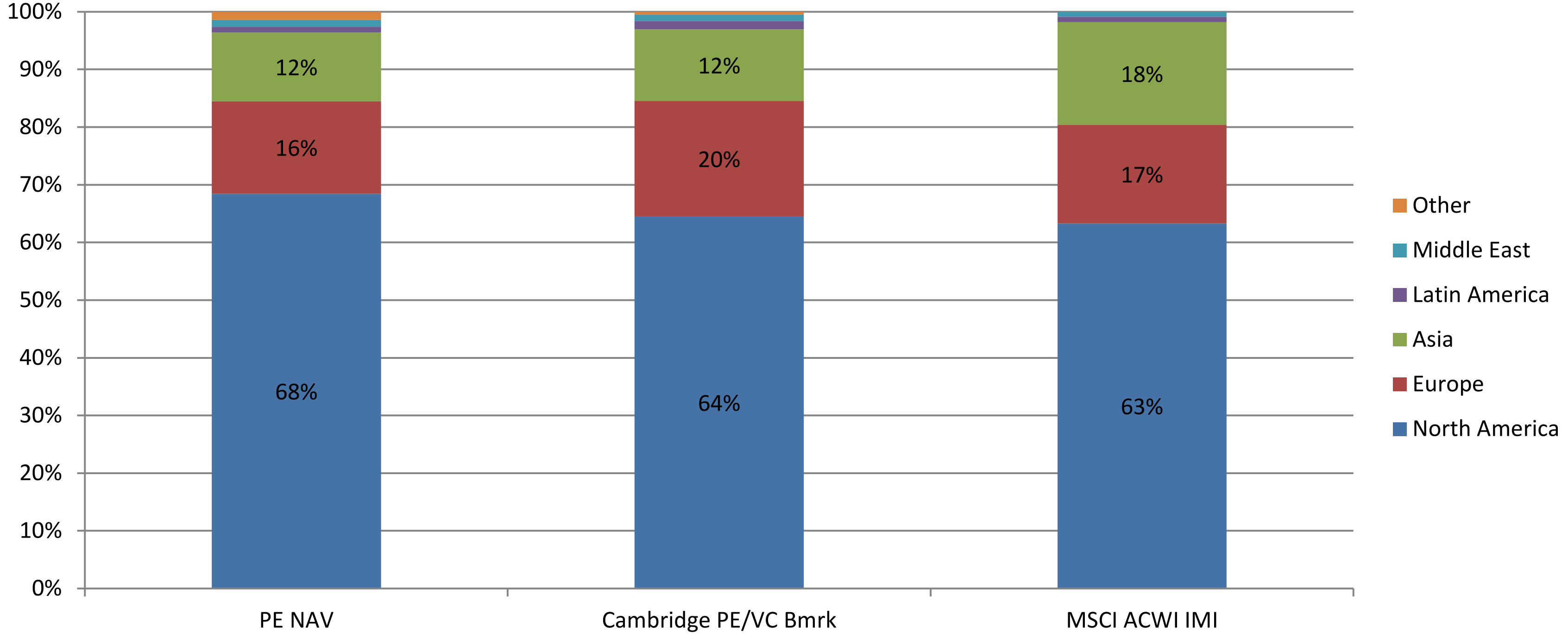
GP Concentration

General Partner	12/31/21 NAV	% of PE Portfolio
TrueBridge Capital	2,055,584,924	11%
Lexington Partners	1,995,900,564	10%
SVB Capital	1,908,106,501	10%
Thoma Bravo	1,154,863,296	6%
Fairview Capital	922,680,258	5%
Grove Street Advisors	908,385,601	5%
Hellman & Friedman	725,829,653	4%
Tiger Iron Capital	646,171,827	3%
Asia Alternatives	622,342,626	3%
Silver Lake Partners	496,729,866	3%
Total	**$ 11,436,595,116**	**60%**

- Total portfolio is diversified by GP
- Venture and tech managers make up majority of top 10 GP exposures
- The largest 10 exposures represent 60% of portfolio NAV
- Top 10 represent 32% of committed capital

Total Geographic Exposure

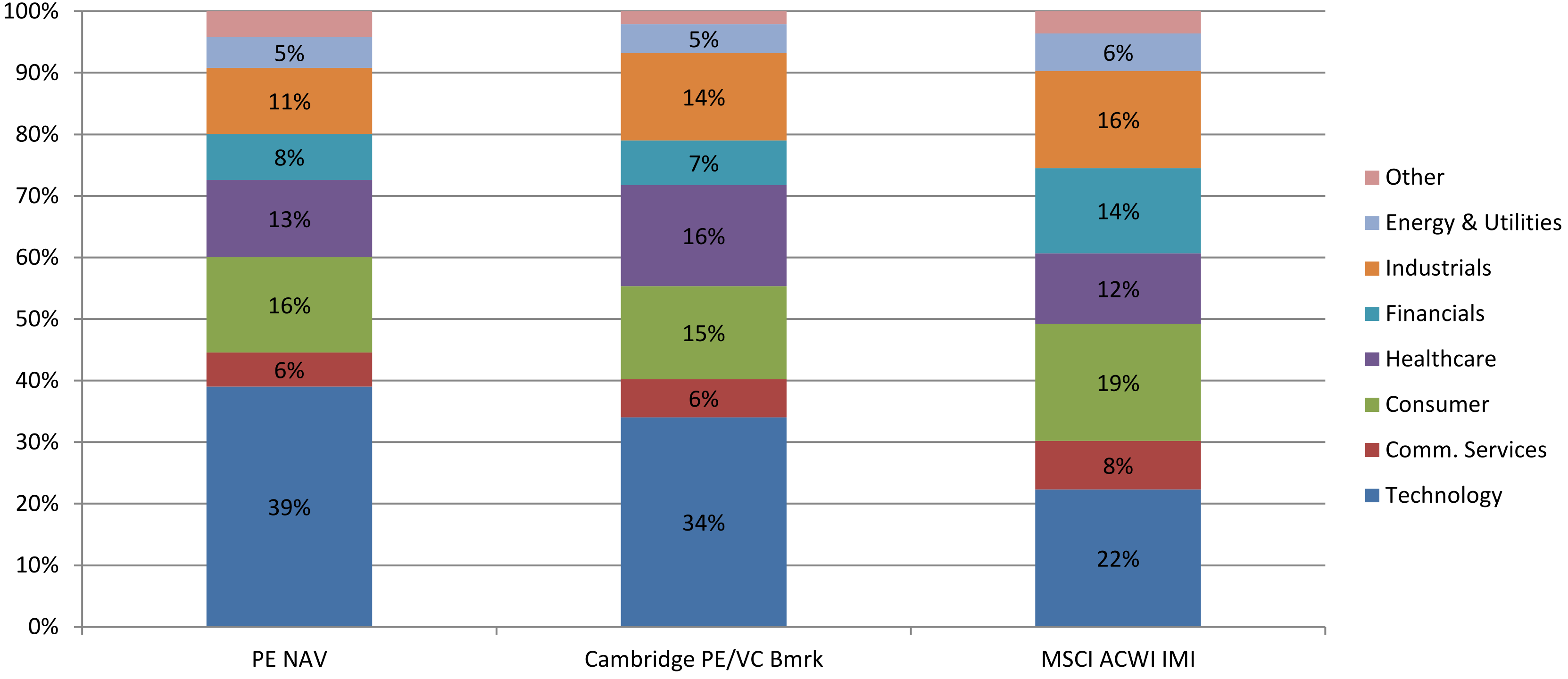
As of December 31, 2021



Source: Cambridge Associates

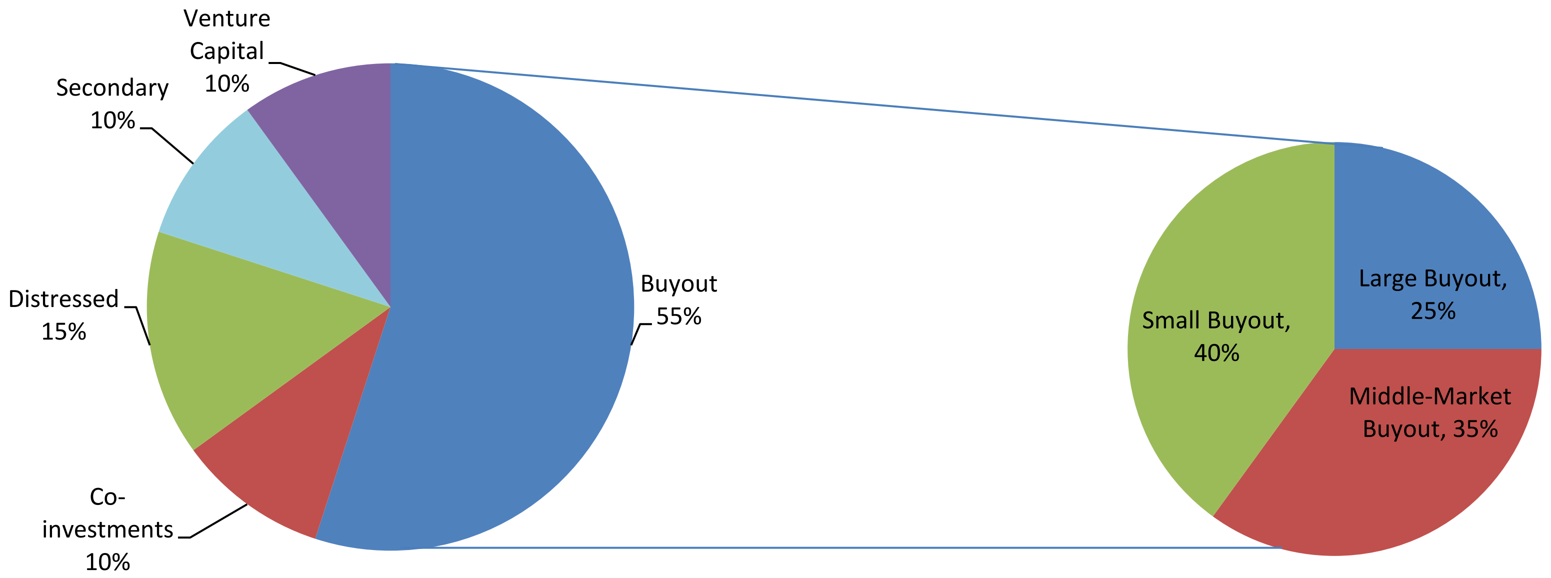
Total Sector Exposure

As of December 31, 2021



Source: Cambridge Associates

Buyout/Growth Equity Portfolio Targets



Buyout/Growth Equity Portfolio

Firm	Geographic Focus	Sector Focus
Advent International	Europe	Generalist
CVC	Europe	Generalist
Hellman & Friedman	U.S.	Generalist
Silver Lake	U.S.	Technology
Thoma Bravo	U.S.	Technology

Large

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

Firm	Geographic Focus	Sector Focus
DCP	China	Genealist
Denham	U.S.	Energy
EnCap	U.S.	Energy
FS Equity	U.S.	Consumer
Francisco Partners	U.S.	Technology
Hahn & Co.	Korea	Generalist
InvestIndustrial	Europe	Generalist
MBK	Asia	Generalist
Montagu	Europe	Generalist
Stone Point	U.S.	Financials
Thoma Bravo	U.S.	Technology

Middle-Market

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

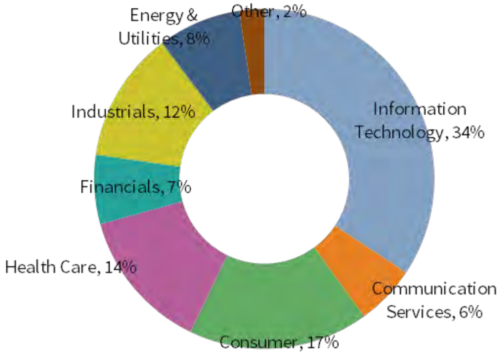
Firm	Geographic Focus	Sector Focus
Accel KKR	U.S.	Technology
Arbor	U.S.	Consumer
Asia Alternatives	Asia	Generalist
Carnelian	U.S.	Energy
Deutsche Beteiligungs	Europe	Generalist
Equistone	Europe	Generalist
Falfurrias	U.S.	Generalist
Livingbridge	Europe	Generalist
NIC	Japan	Generalist
Post Oak	U.S.	Energy
Rubicon	U.S.	Technology
Summa	Europe	Generalist
TPG	Global	Generalist
Warburg Pincus	Asia	Generalist
Waterland	Europe	Generalist
WindRose	U.S.	Health Care

Small

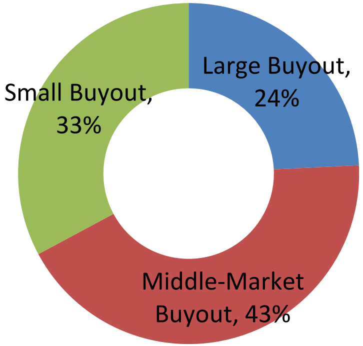
- 16 GPs – Target of 18
- Fund sizes range from $400m - $4.0b
- Avg. EV less than $250m
- $25m - $100m target commitment

Buyout/Growth Equity Portfolio

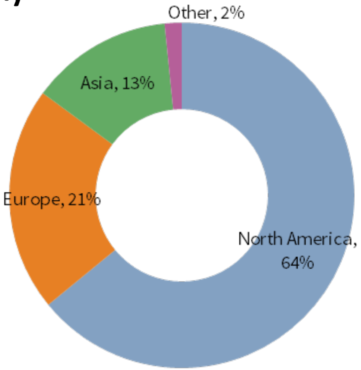
Exposure by Sector



Exposure by Size



Exposure by Geography



Portfolio Commentary

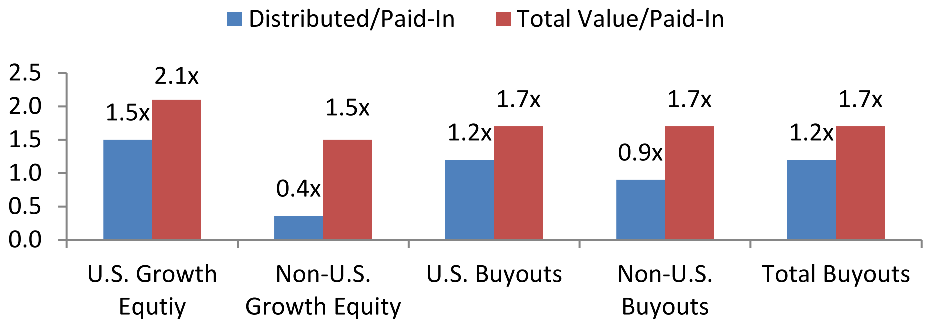
- Buyout portfolio remains tech heavy at 34%
- Manufacturing/industrial, health care, and consumer/retail represent another 43% of the portfolio
- Buyout exposure continues to shift smaller and away from large buyout
- Portfolio weighted heavily towards North America

*Exposure weightings by NAV as of 12/31/21

Buyout/Growth Equity Portfolio Performance

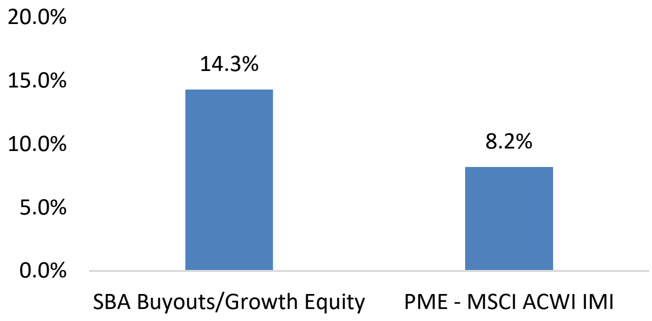
As of December 31, 2021

	1yr	3yr	5yr	10yr	S.I.
U.S Buyouts	32.4%	24.3%	20.4%	17.5%	13.5%
Non-U.S. Buyouts	33.5%	26.5%	23.0%	19.1%	14.7%
U.S. Growth Equity	35.5%	29.2%	23.6%	19.7%	16.5%
Non-U.S. Growth Equity	20.9%	18.2%	16.3%	14.0%	12.2%
Total Buyouts	33.4%	24.4%	20.2%	17.4%	14.3%
CA Benchmark (mean)	28.5%	18.0%	17.0%	16.6%	18.3%
CA Benchmark (median)	17.6%	13.0%	14.6%	14.5%	14.2%



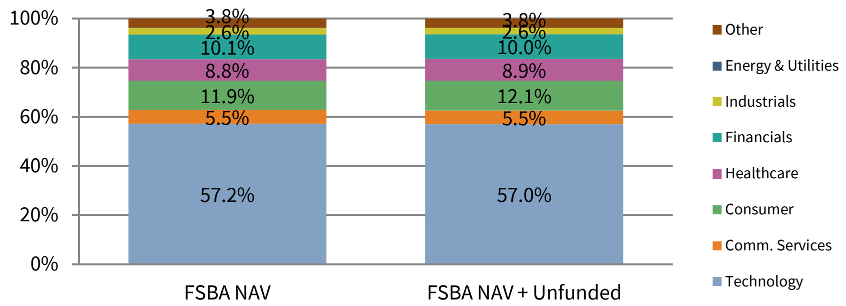
- Strong absolute performance
- Greater convergence between U.S. Buyouts, Non-U.S. Buyouts, and U.S. Growth Equity
- Alpha over public markets (PME) of 6.1%
- DPI of 1.2x and TVPI of 1.7x

Since Inception Performance



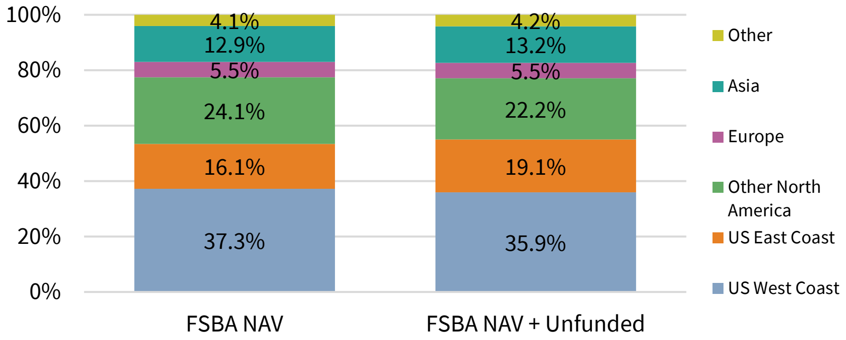
Venture Capital Portfolio

Exposure by Sector

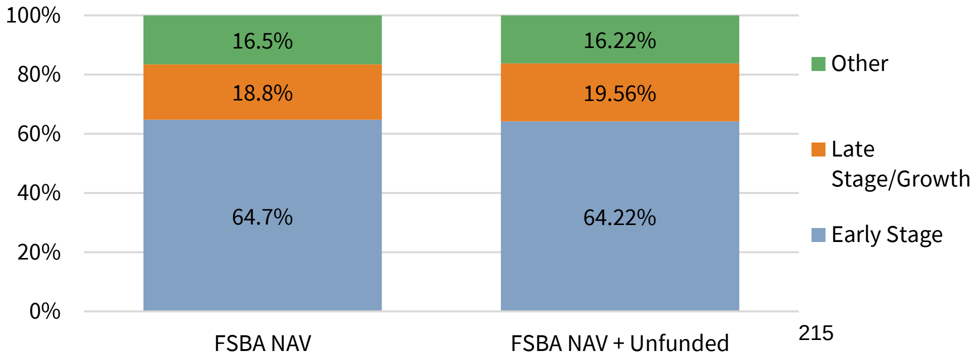


- Three active separate account/fund-of-fund relationships: TrueBridge, Silicon Valley Bank and Tiger Iron
- Majority of the venture portfolio is focused on IT
- Over half the portfolio is located in centers of innovation (Silicon Valley, Boston and NYC)
- 65% of the VC portfolio is invested in early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

Exposure by Geography



Exposure by Stage



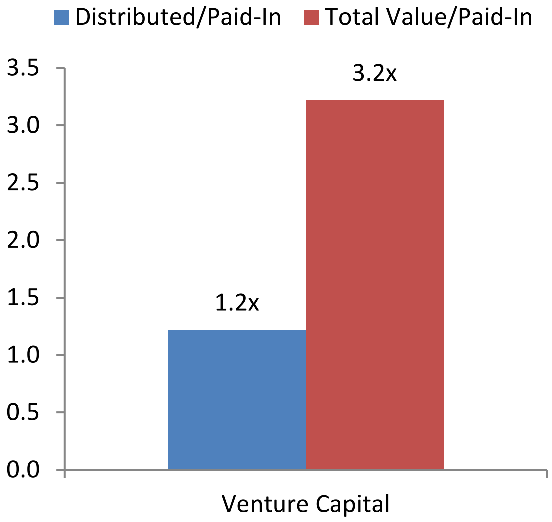
*Exposure weightings by NAV as of 12/31/21

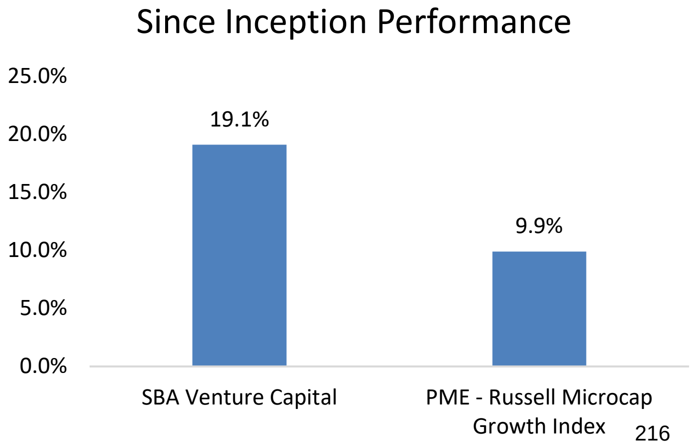
Venture Capital Portfolio Performance

As of December 31, 2021

	1yr	3yr	5yr	10yr	S.I.
Venture Capital	75.7%	50.7%	34.5%	24.2%	19.1%
CA Benchmark (mean)	41.6%	25.9%	22.3%	19.5%	15.7%
CA Benchmark (median)	23.1%	19.2%	18.9%	16.2%	9.9%

- Overall outperformance vs. the benchmarks
- Outperformance vs. the PME by 9.2%
- Distributions (1.2x DPI) have caught up with other strategies
- 3.2x TVPI leads other strategies



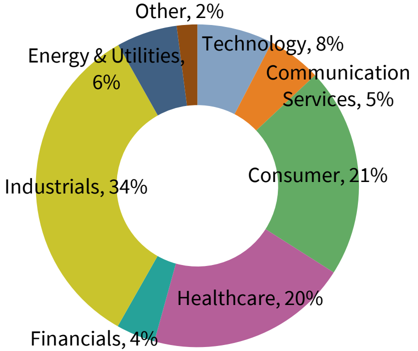


Distressed/Turnaround Portfolio

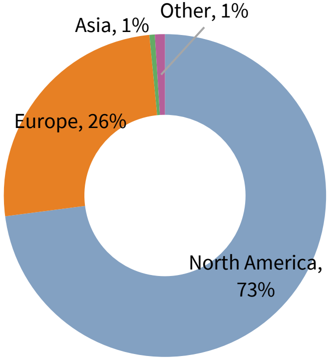
Firm	Geographic Focus
American Industrial Partners	U.S.
Atlas Holdings	U.S.
KPS Capital Partners	U.S.
LightBay	U.S.
OpCapita	Europe
Peak Rock	U.S.
Searchlight Capital Partners	U.S./Europe
Towerbrook Capital Partners	U.S./Europe
Trive Capital	U.S.

- Manufacturing/industrials, consumer/retail, and health care account for roughly 68% of the portfolio
- Focus on control and driving value through operations - not a trading strategy
- Variety of strategies represented: debt-for-control, purchasing assets out of a bankruptcy process (363 sale), out-of-court restructurings, negative EBITDA companies, carve-outs of underperforming businesses, and complex situations

Exposure by Sector



Exposure by Geography



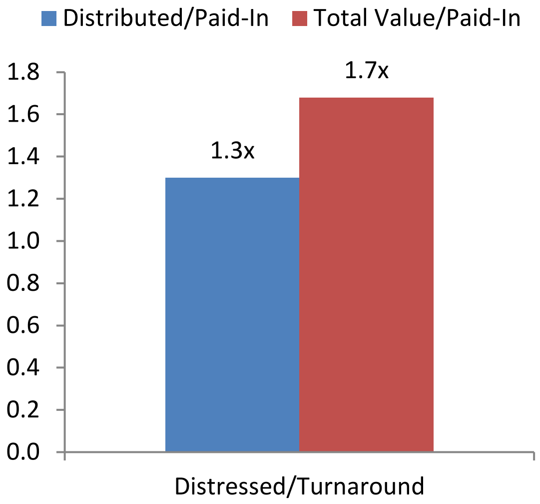
*Sector and Geographic weightings by NAV as of 12/31/21

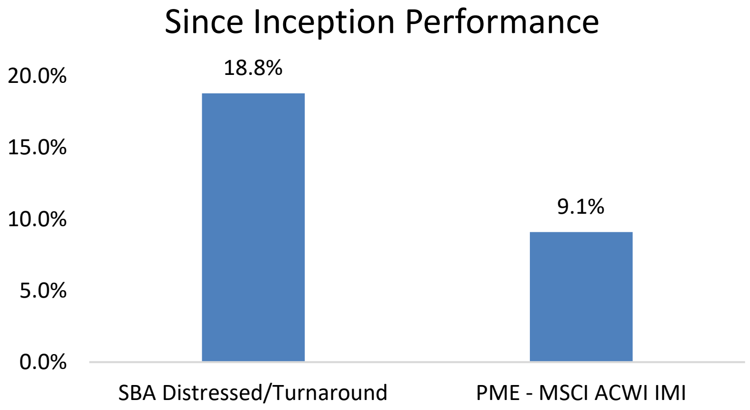
Distressed/Turnaround Portfolio Performance

As of December 31, 2021

	1yr	3yr	5yr	10yr	S.I.
Distressed/Turnaround	37.2%	24.0%	17.7%	16.5%	18.8%
CA Benchmark (mean)	18.3%	9.5%	8.2%	14.9%	13.8%
CA Benchmark (median)	12.8%	8.4%	8.6%	10.1%	9.7%

- Performance rebound in 2021
- Alpha over the public markets (PME) of 9.7%
- 1.3x DPI similar to other strategies



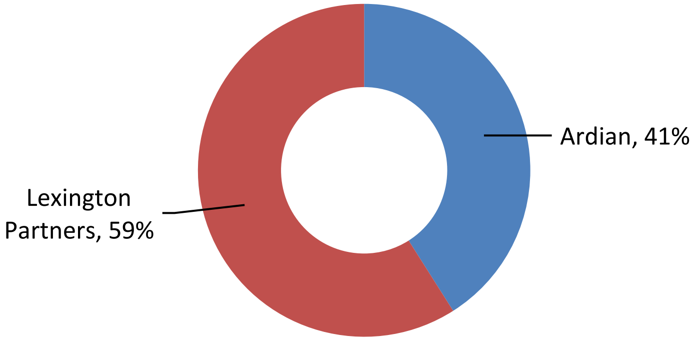


Secondary Portfolio

As of December 31, 2021

Firm	Strategy/Market	Geographic Focus
Ardian	Large	Global
Lexington Partners	Large	Global
Aegon Asset Management	Small	US/Europe

% of Secondary Portfolio (by NAV)



- Highly diversified portfolio with positions in more than 1,000 underlying private equity funds
- A lot of capital has been raised by secondary GPs and it was a seller's market until recently
- Leveraging secondary relationships to operate more tactically

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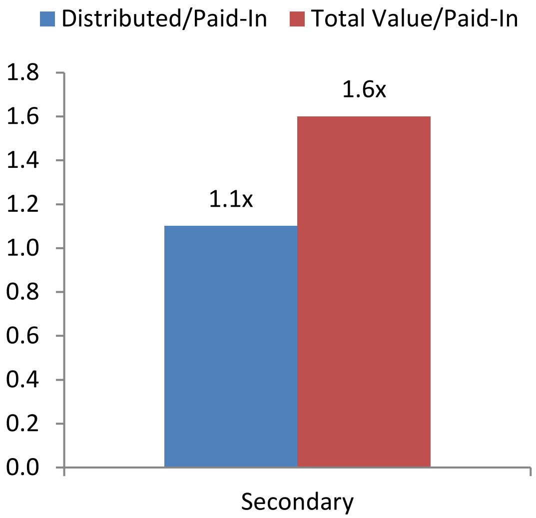
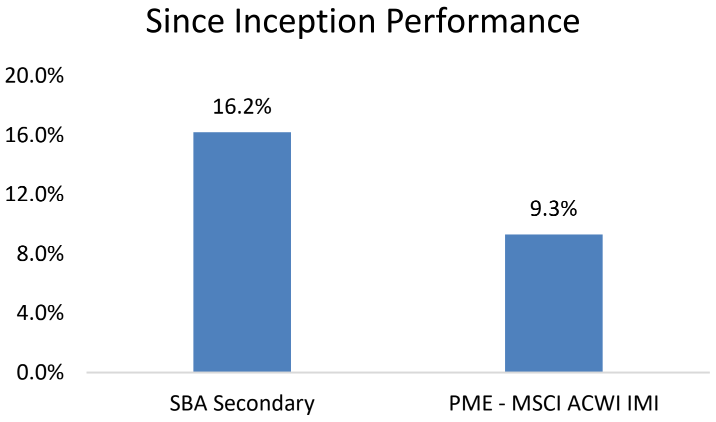
Secondary Portfolio Performance

As of December 31, 2021

	1yr	3yr	5yr	10yr	S.I.
Secondary	34.3%	21.0%	17.7%	14.6%	16.2%
CA Benchmark (mean)	24.8%	20.3%	18.8%	18.4%	22.0%
CA Benchmark (median)	16.7%	11.7%	12.3%	11.9%	15.2%

- Performance rebounded in 2021
- Alpha over public markets (PME) of 6.9%
- DPI of 1.1x and TVPI of 1.6x





Appendix

Private Equity Aggregates

Dollar-Weighted Performance (IRRs) as of December 31, 2021

	Inception Date	Market Value (in Millions)	1yr	3yr	5yr	10yr	Since Inception
Total Private Equity	1/27/1989	$19,131	44.1%	31.0%	23.9%	18.4%	11.5%
Custom Iran- and Sudan-free ACWI IMI +300bps			21.4%	23.4%	16.6%	15.7%	11.3%
Private Equity Legacy Portfolio	1/27/1989	$3	0.0%	-4.3%	-5.9%	-19.4%	3.7%
Custom Iran- and Sudan-free ACWI IMI +300bps			21.1%	28.0%	16.4%	16.8%	10.2%
Private Equity Asset Class Portfolio	8/31/2000	$19,128	44.2%	31.0%	24.0%	19.0%	15.2%
Custom Iran- and Sudan-free ACWI IMI +300bps			21.4%	23.4%	16.6%	15.6%	12.5%

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

Private Equity Partnership Performance
As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
3i Europartners Vb, L.P.	77,440,017	0	0.97	-0.6%
3i Growth Capital Fund, L.P.	54,440,286	0	0.93	-2.0%
ABRY Partners VII, L.P.	75,000,000	0	1.78	14.8%
ABRY Partners VIII, L.P.	75,000,000	0	1.26	10.8%
Accel-KKR Capital Partners V	50,000,000	58,014,977	1.89	35.5%
Accel-KKR Capital Partners VI, LP	45,000,000	10,915,578	0.97	NA
Accel-KKR Structured Capital Partners II, LP	25,000,000	20,602,357	2.36	32.8%
Advent International Global Private Equity VIII-D	150,000,000	200,479,794	2.18	24.5%
Advent International GPE IX Limited Partnership	150,000,000	232,465,479	2.90	109.8%
Advent International GPE VI-D, L.P.	58,000,000	0	2.09	16.6%
Advent International GPE VII-D, L.P.	102,335,815	0	1.87	13.7%
American Industrial Partners Capital Fund VI, L.P.	50,000,000	73,898,273	1.89	20.8%
American Industrial Partners Capital Fund VII, L.P.	75,000,000	54,538,415	1.03	4.7%
Apax VIII-B, L.P.	157,584,000	0	1.50	13.7%
Apollo Investment Fund IX, L.P.	200,000,000	0	1.10	10.2%
Apollo Investment Fund V, L.P.	150,000,000	0	2.66	38.8%
Apollo Investment Fund VI L.P.	200,000,000	0	1.70	9.5%
Apollo Investment Fund VII, L.P.	200,000,000	0	1.94	23.0%
Apollo Investment Fund VIII, L.P.	200,000,000	0	1.37	9.1%
Arbor Debt Opportunities Fund II, L.P.	15,000,000	8,524,269	1.00	NA
Arbor Investments V, L.P.	75,000,000	45,328,339	0.98	NA
Ardian LBO Fund VI, L.P.	98,905,446	87,683,480	1.34	10.0%
Ardian Secondary Fund VI, L.P.	150,000,000	25,292,240	1.48	12.8%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Ares Corporate Opportunities Fund III, L.P.	100,000,000	4,515,702	2.61	21.6%
Ares Corporate Opportunities Fund IV, L.P.	200,000,000	107,067,726	2.00	16.2%
Ares Corporate Opportunities Fund V	200,000,000	200,139,611	1.34	12.3%
ASF VII, L.P.	150,000,000	100,529,670	1.62	19.6%
ASF VIII B L.P.	200,000,000	134,398,057	1.59	62.3%
Asia Alternatives FL Investor II, LP	270,000,000	281,108,089	1.35	18.5%
Asia Alternatives FL Investor III, LP	300,000,000	48,384,405	1.07	10.4%
Asia Alternatives FL Investor, LP	200,000,000	292,850,132	1.85	17.1%
Atlas Capital Resources II	20,000,000	22,423,410	1.62	18.8%
Atlas Capital Resources III, L.P.	40,000,000	35,516,844	1.62	46.4%
Atlas Capital Resources IV LP	75,000,000	0	NA	NA
AXA LBO Fund V, L.P.	76,858,858	8,979,025	1.57	11.2%
AXA Secondary Fund V, L.P.	100,000,000	795,236	1.60	16.3%
BC European Capital IX, L.P.	101,118,077	0	1.09	5.8%
Berkshire Fund IX, L.P.	110,000,000	0	1.24	22.3%
Berkshire Fund VIII, L.P.	60,000,000	0	1.70	16.1%
Blackstone Capital Partners V, L.P.	150,000,000	0	1.60	7.1%
Blackstone Capital Partners VI, L.P.	200,000,000	0	1.85	13.1%
Blackstone Capital Partners VII, L.P.	180,000,000	0	1.53	18.9%
Blackstone Capital Partners VIII L.P.	100,000,000	0	1.05	10.9%
Blue Water Energy Fund I-A, L.P.	12,500,000	11,670,354	1.03	NA
Capital Partners V, L.P.	30,000,000	23,564,686	1.35	NA
Carlyle Asia Growth Partners IV, L.P.	75,000,000	9,343,570	1.09	1.9%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Carlyle Europe Partners III, L.P.	66,000,377	0	1.61	12.9%
Carlyle Partners III, L.P.	200,000,000	0	2.30	22.8%
Carlyle Partners IV, L.P.	75,000,000	0	2.03	13.1%
Carlyle Partners V, L.P.	200,000,000	0	1.81	13.5%
Carlyle Partners VI, L.P.	133,400,000	133,486,072	1.89	17.8%
Carlyle Partners VII	100,000,000	110,285,348	1.17	13.1%
Carnelian Energy Capital II	40,000,000	37,433,595	1.32	14.4%
Carnelian Energy Capital III, L.P.	75,000,000	58,481,250	1.34	52.9%
Carnelian Energy Capital IV, L.P.	75,000,000	0	NA	NA
Charlesbank Equity Fund IX, L.P.	105,000,000	102,511,200	1.34	20.9%
Charlesbank Equity Fund VII, L.P.	75,000,000	15,378,394	2.47	24.5%
Charlesbank Equity Fund VIII, L.P.	85,000,000	44,443,267	1.57	15.4%
Charlesbank Equity Fund X, Limited Partnership	115,000,000	26,971,219	1.02	NA
Charlesbank Equity Overage Fund X, Limited Partnership	10,000,000	3,322,870	1.06	NA
Charlesbank Fund IX Overage Allocation Program	20,000,000	19,023,744	1.39	19.4%
Charterhouse Capital Partners IX, L.P.	90,366,890	0	1.35	13.7%
Cortec Group Fund V, L.P.	50,000,000	0	4.23	30.8%
Cortec Group Fund VI, L.P.	75,000,000	0	1.24	7.9%
Cressey & Company Fund IV, L.P.	50,000,000	2,043,866	2.24	22.2%
Cressey & Company Fund V LP	75,000,000	97,795,281	2.37	24.5%
Cressey & Company Fund VI LP	100,000,000	101,361,169	1.78	44.7%
Cressey & Company Overage Fund VI LP	10,000,000	11,935,607	3.33	70.8%
CVC Capital Partners VI, L.P.	102,645,517	109,177,111	2.00	20.0%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
CVC Capital Partners VII	102,163,598	162,721,006	1.66	35.7%
CVC Capital Partners VIII (A) L.P.	225,468,975	45,096,014	1.02	NA
CVC European Equity Partners V, L.P.	102,826,253	4,288,286	2.10	16.7%
CVE-Kauffman Fellows Endowment Fund II, L.P.	100,000,000	250,636,663	5.72	24.0%
Datadog, Inc.	70,564,685	0	1.60	371.7%
DCP Capital Partners II, L.P.	100,000,000	0	NA	NA
DCPF VI Oil and Gas Coinvestment Fund LP	50,000,000	180,487	1.60	15.9%
Denham Commodity Partners Fund VI, L.P.	100,000,000	51,458,747	1.04	1.0%
Denham Oil & Gas Fund II LP	100,000,000	0	NA	NA
Denham Oil & Gas Fund LP	100,000,000	62,417,989	1.14	6.1%
EnCap Energy Capital Fund IX, L.P.	75,000,000	36,312,437	1.31	8.3%
EnCap Energy Capital Fund VIII, L.P.	75,000,000	29,818,582	0.94	-1.5%
EnCap Energy Capital Fund X, L.P.	100,000,000	99,319,244	1.48	11.6%
EnCap Energy Capital Fund XI, L.P.	100,000,000	61,480,484	1.12	6.3%
EnCap Flatrock Midstream Fund III	50,000,000	34,662,801	1.21	8.1%
EnCap Flatrock Midstream Fund IV	65,000,000	17,130,980	1.15	6.4%
Energy Capital Partners II, L.P.	100,000,000	5,417,029	1.46	8.5%
Energy Capital Partners III, L.P.	150,000,000	89,938,777	1.38	10.2%
EnerVest Energy Institutional Fund XII, Ltd	60,000,000	110,047	0.64	-19.7%
EnerVest Energy Institutional Fund XIII, Ltd.	100,000,000	0	0.09	-93.3%
EnerVest Energy Institutional Fund XIV	100,000,000	74,640,267	1.37	8.7%
Equistone European Fund V	74,366,455	62,980,611	1.53	10.0%
Equistone Partners Europe Fund VI	88,195,865	83,402,513	1.62	30.1%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
European Private Equity Opportunities I, L.P.	49,181,385	47,586,797	1.20	9.5%
European Private Equity Opportunities II LP	75,523,436	10,497,756	0.74	-42.5%
Fairview Special Opportunities Fund II	87,000,000	296,154,013	3.68	34.3%
Fairview Special Opportunities Fund, L.P.	220,000,000	626,526,245	4.76	28.3%
Fairview Ventures Fund II, L.P.	50,000,000	0	1.34	3.9%
Fairview Ventures III, L.P.	75,000,000	0	1.83	11.8%
Falfurrias Capital Partners IV, LP	60,000,000	94,033,969	1.89	73.4%
Falfurrias Capital Partners V, LP	100,000,000	12,258,080	0.95	NA
First Reserve Fund XI, L.P.	100,000,000	107,317	0.64	-9.4%
First Reserve Fund XII, L.P.	200,000,000	7,680,903	0.52	-15.2%
Francisco Partners III, L.P.	75,000,000	0	3.44	23.8%
Francisco Partners IV, LP	75,000,000	152,374,862	3.59	34.5%
Francisco Partners V, L.P.	75,000,000	109,536,718	1.71	25.6%
Francisco Partners VI, L.P.	100,000,000	46,485,821	1.13	NA
Francisco Partners VII, L.P.	100,000,000	0	NA	NA
FS Equity Partners V, L.P.	50,000,000	0	2.10	16.1%
FS Equity Partners VI, L.P.	75,000,000	0	3.08	23.1%
FS Equity Partners VII, L.P.	100,000,000	107,629,742	1.51	11.1%
FS Equity Partners VIII, L.P.	100,000,000	67,406,345	1.35	22.5%
FSBA AAM Strategic Fund I, LP	23,000,000	10,000	1.00	NA
Gores Capital Partners II, L.P.	50,000,000	0	1.14	3.8%
Gores Capital Partners III, L.P.	125,000,000	0	1.00	-0.1%
Gores Capital Partners, L.P.	50,000,000	0	1.30	8.4%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Green Equity Investors IV, L.P.	100,000,000	0	1.78	10.7%
Green Equity Investors V, L.P.	100,000,000	0	1.94	17.4%
Green Equity Investors VI, L.P.	190,000,000	0	1.25	12.3%
Grove Street Partners Buyout II, L.P.	230,000,000	150,962,082	1.92	16.1%
Grove Street Partners Buyout, L.P.	150,000,000	22,312,719	1.72	10.9%
Grove Street Partners Ventures II, L.P.	200,000,000	392,205,730	4.25	24.1%
Grove Street Partners Ventures III, L.P.	150,000,000	342,905,070	3.30	24.9%
Grove Street Partners Ventures, L.P.	200,000,000	0	1.56	7.2%
Hahn & Company III L.P.,	50,000,000	31,884,325	1.23	16.8%
Hellman & Friedman Capital Partners IX, L.P.	250,000,000	306,531,489	1.34	31.8%
Hellman & Friedman Capital Partners V, L.P.	75,000,000	0	2.74	29.4%
Hellman & Friedman Capital Partners VI, L.P.	100,000,000	0	1.79	12.6%
Hellman & Friedman Capital Partners VII, L.P.	200,000,000	41,135,460	3.34	25.0%
Hellman & Friedman Capital Partners VIII, L.P.	200,000,000	350,436,601	2.22	26.4%
Hellman & Friedman Capital Partners X, L.P.	250,000,000	27,726,103	0.93	NA
Hicks, Muse, Tate & Furst Equity Fund V, L.P.	25,000,000	0	1.77	21.0%
Inflexion Buyout Fund IV, L.P.	52,587,527	55,368,762	1.73	17.2%
Inflexion Enterprise Fund IV	19,982,149	23,836,708	1.71	22.8%
Inflexion Partnership Capital Fund I, L.P.	26,372,724	18,274,780	1.86	22.9%
Insight Venture Partners Growth-Buyout Coinvestment Fund, L.P.	50,000,000	0	3.75	36.6%
Insight Venture Partners IX, L.P.	75,000,000	0	3.65	32.4%
Insight Venture Partners VIII, L.P.	75,000,000	0	3.01	22.0%
Investindustrial VI, L.P.	55,802,326	69,706,997	1.62	15.9%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Investindustrial VII L.P.	76,982,294	31,035,227	1.11	17.2%
J.H. Whitney VII, L.P.	75,000,000	0	1.92	13.0%
Kelso Investment Associates VII, L.P.	50,000,000	0	1.73	12.2%
Kelso Investment Associates VIII, L.P.	100,000,000	0	1.58	13.8%
KKR Asian Fund II, L.P.	100,000,000	62,187,514	1.33	7.3%
KKR Asian Fund III, L.P.	150,000,000	203,898,495	2.01	39.7%
KKR European Fund III, L.P.	58,757,859	0	1.05	1.8%
Kohlberg Investors V, L.P.	45,000,000	0	1.06	1.2%
Kohlberg Investors VI, L.P.	50,000,000	0	1.67	15.8%
KPS Special Situations Fund IV, L.P.	150,000,000	109,028,482	1.87	25.0%
KPS Special Situations Fund V (A), LP	200,000,000	100,519,988	1.44	48.8%
KPS Special Situations Mid-Cap Fund, LP	50,000,000	24,230,732	1.33	27.0%
KPS Special Situations Supplemental Fund III, L.P.	50,000,000	284,426	2.67	22.6%
LCP FSBA Co-Invest Account	200,000,000	165,994,337	1.85	28.7%
Lexington Capital Partners IV, L.P.	200,000,000	0	1.78	20.2%
Lexington Capital Partners IX, L.P.	250,000,000	222,988,004	1.62	86.2%
Lexington Capital Partners V, L.P.	100,000,000	398,492	1.68	18.9%
Lexington Capital Partners VI, L.P.	100,000,000	4,002,804	1.37	6.4%
Lexington Capital Partners VII, L.P.	200,000,000	37,085,254	1.68	14.2%
Lexington Capital Partners VIII, L.P.	250,000,000	187,809,795	1.70	19.9%
Lexington CIP V-F-O	200,000,000	54,783,352	1.43	80.9%
Lexington Co-Investment Partners (Pools I & II), L.P.	500,000,000	0	1.35	6.3%
Lexington Co-Investment Partners 2005 (Pool III), L.P.	500,000,000	274,223,710	2.05	17.8%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Lexington Co-Investment Partners 2005 (Pools I & II), L.P.	500,000,000	42,817,666	1.46	5.4%
Lexington Co-Investment Partners 2005 Pool IV	500,000,000	710,367,803	1.84	25.3%
Lexington Co-Investment Partners II (Pools III & IV), L.P.	500,000,000	7,681,412	2.18	23.4%
Lexington Co-Investment Partners V, L.P.	600,000,000	231,927,133	1.28	NA
Lexington Middle Market Investors III, L.P.	100,000,000	55,820,802	1.83	18.8%
LightBay Investment Partners II LP	75,000,000	0	NA	NA
Lightbay Investment Partners LP	50,000,000	45,123,357	1.47	30.8%
Lindsay, Goldberg & Bessemer II, L.P.	100,000,000	0	1.48	8.0%
Lindsay, Goldberg & Bessemer III, L.P.	100,000,000	0	1.18	6.8%
Livingbridge 7 LP	82,665,124	25,537,908	0.91	NA
Livingbridge Enterprise 3 LP	32,305,168	14,226,917	1.00	-0.2%
MBK Partners Fund V, L.P.	100,000,000	31,898,488	1.26	NA
Montagu Private Equity IV, L.P.	56,819,796	12,719,873	1.65	13.8%
Montagu V	111,109,877	104,259,397	1.60	21.5%
Montagu VI L.P.	88,204,163	29,559,151	1.03	NA
New Mountain Partners II, L.P.	50,000,000	282,267	2.04	13.5%
New Mountain Partners III, L.P.	100,000,000	1,838,868	2.60	14.6%
New Mountain Partners IV, L.P.	100,000,000	0	1.59	22.1%
OpCapita Consumer Opportunities Fund II	38,251,366	42,733,534	1.51	13.1%
OpCapita Consumer Opportunities Fund III, L.P.	38,682,154	1	0.00	-100.0%
OpenView Venture Partners IV, L.P.	25,000,000	50,635,052	3.07	26.0%
OpenView Venture Partners V, L.P.	25,000,000	88,036,036	3.94	66.5%
OpenView Venture Partners VI, L.P.	30,000,000	18,467,687	1.08	14.2%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
OpenView Venture Partners VII, L.P.	20,000,000	0	NA	NA
PAI Europe V, L.P.	42,563,071	0	1.30	7.0%
Pantheon Global Secondary Fund IV, L.P.	100,000,000	9,563,961	1.61	13.2%
Pantheon Venture Partners II, L.P.	100,000,000	0	1.52	6.8%
Paul Capital Top Tier Investments II, L.P.	120,000,000	0	1.34	4.3%
Paul Capital Top Tier Investments III, L.P.	75,000,000	0	1.40	5.3%
Paul Capital Top Tier Investments IV, L.P.	100,000,000	0	2.00	13.9%
Paul Capital Top Tier Special Opportunities Fund, L.P.	12,450,000	2,445,943	0.88	-1.6%
Peak Rock Capital Credit Fund II	20,000,000	6,822,200	1.14	21.1%
Peak Rock Capital Fund II, L.P.	80,000,000	38,694,785	1.52	35.4%
Peak Rock Capital Fund III LP	125,000,000	26,488,630	1.02	NA
Permira European Fund IV, L.P.	64,037,705	0	1.56	8.3%
Permira V, LP	136,860,690	0	2.84	24.2%
Platinum Equity Capital Partners II, L.P.	75,000,000	8,969,895	1.70	12.7%
Platinum Equity Capital Partners III, L.P.	200,000,000	61,771,689	2.14	30.0%
Platinum Equity Capital Partners, L.P.	50,000,000	0	2.91	60.2%
Pomona Capital VI (Combined), L.P.	50,000,000	1,602,442	1.31	4.6%
Pomona Capital VII (Combined), L.P.	50,000,000	0	1.31	7.9%
Post Oak Energy Partners II, LP	25,000,000	27,289,337	1.50	12.6%
Post Oak Energy Partners III, LP	60,000,000	27,019,043	1.30	10.8%
Post Oak Energy Partners IV, LP	60,000,000	27,159,528	0.96	-2.0%
Providence Equity Partners VI, L.P.	50,000,000	0	1.46	7.3%
Providence Equity Partners VII, L.P.	200,000,000	0	1.61	21.2%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
RCP Advisors Fund IV, L.P.	50,000,000	77,535	1.88	13.1%
RCP Advisors Fund IX, L.P.	50,000,000	54,680,167	1.89	19.6%
RCP Advisors Fund V, L.P.	50,000,000	1,264,876	1.80	14.2%
RCP Advisors Fund VI, L.P.	50,000,000	17,029,673	2.18	16.6%
RCP Advisors Fund VII, L.P.	50,000,000	33,916,126	2.26	18.7%
RCP Advisors Fund VIII, L.P.	50,000,000	50,217,303	2.19	21.2%
RCP Advisors Fund X	50,000,000	61,634,415	1.69	19.1%
Ripplewood Partners II, L.P.	100,000,000	0	1.19	6.2%
Riverside Capital Appreciation Fund 2008, L.P.	75,000,000	0	1.32	8.2%
Riverside Capital Appreciation Fund VI, L.P.	75,000,000	0	1.43	14.4%
Riverside Europe Fund IV, L.P.	49,699,937	0	1.04	1.5%
Rubicon Technology Partners II	76,000,000	108,232,082	2.29	40.9%
Rubicon Technology Partners III L.P.	100,000,000	80,463,177	1.11	16.0%
Rubicon Technology Partners L.P.	50,000,000	21,892,014	1.64	15.9%
Searchlight Capital III, L.P.	150,000,000	122,287,009	1.54	55.8%
Searchlight Partners II, L.P.	100,000,000	52,965,535	1.93	24.9%
SIF-Ascension I, L.P.	25,000,000	1,448,640	1.00	NA
Silicon Valley Bank Capital Partners III, L.P.	22,500,000	36,403,307	2.92	23.3%
Silicon Valley Bank Capital Partners IV	25,000,000	32,451,387	1.40	15.9%
Silicon Valley Bank Overage Fund	100,575,334	58,431,397	2.56	20.2%
Silicon Valley Bank SIF V, L.P.	125,000,000	305,360,773	6.15	29.0%
Silicon Valley Bank SIF V-A Opportunity, L.P.	55,000,000	228,929,930	7.56	33.1%
Silicon Valley Bank SIF VI-A	125,000,000	413,408,737	4.61	28.5%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Silicon Valley Bank SIF VII, L.P.	125,000,000	394,227,322	4.08	33.8%
Silicon Valley Bank SIF VIII	100,000,000	260,255,598	3.35	45.6%
Silver Lake Partners IV, L.P.	100,000,000	211,597,480	2.91	28.8%
Silver Lake Partners V, L.P.	140,000,000	196,756,855	1.73	28.8%
Silver Lake Partners VI, L.P.	175,000,000	88,375,531	1.25	NA
Siris Partners III	75,000,000	0	1.22	8.6%
Siris Partners IV, L.P.	75,000,000	0	1.07	4.3%
Snow Phipps II, L.P.	50,000,000	0	1.37	14.6%
Strategic Investors Fund X, L.P.	75,000,000	39,641,842	1.22	40.0%
Stride Consumer Fund I, L.P.	50,000,000	3,187,730	0.75	NA
Summa Equity Fund II	29,887,712	44,418,501	1.65	85.7%
Summa Equity Fund III (No. 1) AB	48,942,236	0	NA	NA
Summit Partners Growth Equity Fund VIII-A, L.P.	125,000,000	0	1.52	32.0%
SVB Strategic Investors Fund IX, L.P.	75,000,000	113,982,882	2.05	52.6%
TA Associates XI, L.P.	100,000,000	0	1.55	19.7%
The Energy & Minerals Group Fund III, L.P.	85,000,000	45,793,812	0.64	-7.2%
The Rise Fund I, L.P.	25,000,000	29,869,167	1.65	21.9%
The Rise Fund II, L.P.	50,000,000	26,546,430	1.32	NA
Thoma Bravo Discover Fund II L.P.	75,000,000	113,364,667	1.94	41.7%
Thoma Bravo Discover Fund III, L.P.	100,000,000	78,482,511	1.05	NA
Thoma Bravo Discover Fund, L.P.	50,000,000	34,373,417	3.18	38.5%
Thoma Bravo Fund IX, L.P.	50,000,000	0	4.08	48.1%
Thoma Bravo Fund X, L.P.	100,000,000	0	4.05	39.2%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Thoma Bravo Fund XI, L.P.	100,000,000	175,074,768	3.05	28.6%
Thoma Bravo Fund XIII, L.P.	150,000,000	217,593,290	1.78	47.6%
Thoma Bravo Fund XIV, L.P.	200,000,000	171,759,195	1.01	NA
Thoma Bravo Fund XV, L.P.	150,000,000	0	NA	NA
Thoma Bravo Overage Fund, L.P.	45,000,000	37,592,666	4.19	35.5%
Thoma Bravo Special Opportunities Fund II, L.P.	50,000,000	63,035,419	2.20	18.6%
Thoma Bravo XII	150,000,000	263,587,363	1.88	18.3%
Thoma Cressey Fund VIII, L.P.	50,000,000	0	2.93	18.3%
Thomas H. Lee Equity Fund V, L.P.	50,000,000	0	1.63	13.4%
Thomas H. Lee Equity Fund VI L.P.	75,000,000	0	1.89	12.3%
Tiger Iron Special Opportunities Fund II, L.P.	195,700,531	211,351,618	1.64	61.3%
Tiger Iron Special Opportunities Fund, L.P.	191,877,777	434,820,209	2.62	43.9%
TowerBrook Investors II, L.P.	75,000,000	0	1.88	9.8%
TowerBrook Investors III, L.P.	150,000,000	838,112	1.41	8.7%
TowerBrook Investors IV, L.P.	190,000,000	265,403,451	2.17	26.6%
TowerBrook Investors V, L.P.	200,000,000	108,655,210	1.12	16.0%
TPG Growth Fund II, L.P.	100,000,000	0	2.14	16.4%
TPG Growth Fund III, L.P.	100,000,000	78,242,634	1.79	22.4%
TPG Growth IV, L.P.	100,000,000	109,933,727	1.54	23.0%
TPG Growth V, L.P.	150,000,000	71,411,149	1.28	NA
TPG Partners IV, L.P.	50,000,000	0	1.89	14.3%
TPG Partners V, L.P.	100,000,000	0	1.18	2.6%
TPG Partners VI, L.P.	200,000,000	0	1.42	11.3%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Trident IX, L.P.	100,000,000	0	NA	NA
Trident V, L.P.	75,000,000	0	1.82	11.4%
Trident VI Fund, L.P.	75,000,000	84,949,903	2.28	23.7%
Trident VII, L.P.	75,000,000	122,081,537	1.77	24.8%
Trident VIII, L.P.	100,000,000	120,768,236	1.33	43.1%
Trive Capital Fund IV LP	75,000,000	7,543,959	0.92	NA
TrueBridge Capital FSA II, LLC	64,789,895	75,337,469	1.92	112.9%
TrueBridge Capital FSA, LLC	79,600,000	419,937,970	6.11	73.5%
TrueBridge Capital Partners Fund V, L.P.	100,000,000	248,086,297	2.88	69.0%
TrueBridge Capital Partners Fund VI, L.P.	100,000,000	103,224,519	1.61	95.6%
TrueBridge Capital Partners Fund VII, L.P.	75,000,000	3,415,219	0.91	NA
TrueBridge FLSBA Special Purpose, LLC	47,972,078	127,454,739	5.59	26.5%
TrueBridge Special Purpose II (F)	22,500,000	65,470,947	4.89	31.0%
Truebridge-Kauffman Fellows Endowment Fund IV	125,000,000	424,391,099	4.26	45.7%
TrueBridge-Kauffman Fellows Fund III, L.P.	125,000,000	337,630,002	3.97	24.7%
W Capital Partners III, L.P.	75,000,000	29,921,749	1.43	8.8%
Warburg Pincus China	68,000,000	95,966,182	1.70	18.5%
Warburg Pincus China-Southeast Asia II, L.P.	68,000,000	24,502,398	1.33	31.8%
Warburg Pincus Private Equity Fund XI, L.P.	200,000,000	109,573,174	1.77	12.7%
Warburg Pincus Private Equity Fund XII, L.P.	87,000,000	136,496,969	2.08	22.5%
Warburg Pincus Private Equity IX, L.P.	75,000,000	844,320	1.72	9.7%
Warburg Pincus Private Equity X, L.P.	150,000,000	3,688,491	1.80	9.5%
Waterland Private Equity Fund VII C.V.	113,659,612	105,290,271	1.53	34.5%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Waterland Private Equity Fund VIII C.V.	150,461,222	29,135,157	1.27	NA
Waterland Private Equity VI Overflow Feeder Fund L.P.	28,974,931	0	0.00	-100.0%
Waterland Private Equity VI, L.P.	61,110,432	57,288,907	2.23	27.5%
Wellspring Capital Partners III, L.P.	50,000,000	0	2.19	27.1%
Wellspring Capital Partners IV, L.P.	75,000,000	0	1.40	6.6%
Wellspring Capital Partners V, L.P.	150,000,000	0	1.57	16.3%
Willis Stein & Partners III, L.P.	100,000,000	0	1.01	0.1%
WindRose Health Investors V, L.P.	50,000,000	36,253,429	1.07	6.8%
WindRose Health Investors VI, L.P.	75,000,000	0	NA	NA
Wisteria Fund II Cayman, LP	36,709,035	1,468,083	0.68	NA

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2021

Private Investments Partnerships (Legacy Portfolio)	Commitment ($)	Current NAV ($)	TVPI	Net IRR
Corporate Partners, L.P.	149,192,410	0	2.13	12.4%
Liberty Partners Pool I	205,686,600	0	2.35	20.7%
Liberty Partners Pool II	359,789,821	0	1.61	10.7%
Carlyle Partners II, L.P.	200,000,000	0	2.30	20.1%
Centre Capital Investors II, L.P.	200,000,000	0	0.81	-4.1%
Ripplewood Partners, L.P.	100,000,000	0	1.74	13.6%
Hicks, Muse, Tate & Furst Equity Fund III, L.P.	200,000,000	0	0.89	-1.8%
Liberty Partners Pool III	506,208,481	0	1.02	0.4%
Cypress Equity Group Trust	15,000,000	0	2.15	16.1%
Thomas H. Lee Equity Fund IV, L.P.	100,000,000	0	0.87	-2.6%
Apollo Investment Fund IV, L.P.	250,000,000	0	1.52	6.8%
Hicks, Muse, Tate & Furst Equity Fund IV, L.P.	400,000,000	0	0.63	-8.8%
Willis Stein & Partners II, L.P,	40,000,000	0	0.58	-9.7%
TSG Capital Fund III, L.P.	100,000,000	0	0.54	-13.7%
Green Equity Investors III, L.P.	60,000,000	0	2.31	21.9%
Chartwell Capital Investors II, L.P.	50,000,000	0	1.34	4.7%
Liberty Partners Pool IV	195,075,745	0	0.67	-19.2%
Liberty Partners Pool V	329,664,359	0	1.14	2.7%
Liberty Partners Pool VI	595,484,687	13,000	0.86	-6.6%
Liberty Partners Pool VII	290,808,542	2,559,626	0.85	-7.1%
Liberty Partners Group II, L.P.	9,766,830	0	0.00	-100.0%

Note: Manager IRR performance data is provided by Cambridge Associates.

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STATE BOARD ADMINISTRATION OF FLORIDA

PRIVATE EQUITY UPDATE

CAMBRIDGE ASSOCIATES

JUNE 2022

STATE BOARD ADMINISTRATION OF FLORIDA

PRIVATE EQUITY UPDATE

JUNE 2022

PORTFOLIO PERFORMANCE

CAMBRIDGE
ASSOCIATES

CA Client Private Investment Returns

FSBA consistently ranks above the median versus CA clients

	1 Year	3 Years	5 Years	10 Years
FSBA Total PE Asset Class Portfolio	56.6%	27.3%	23.4%	18.8%
Quartile Ranking	2nd	2nd	2nd	1st
FSBA PE Total Portfolio	56.6%	27.3%	23.3%	18.1%
Quartile Ranking	2nd	2nd	2nd	1st
S&P 500 AACR	29.4%	15.4%	16.2%	15.9%
MSCI ACWI AACR	27.4%	12.6%	13.2%	11.9%
Sample Size	654	625	563	470

Prior Quarter Quartile Rankings

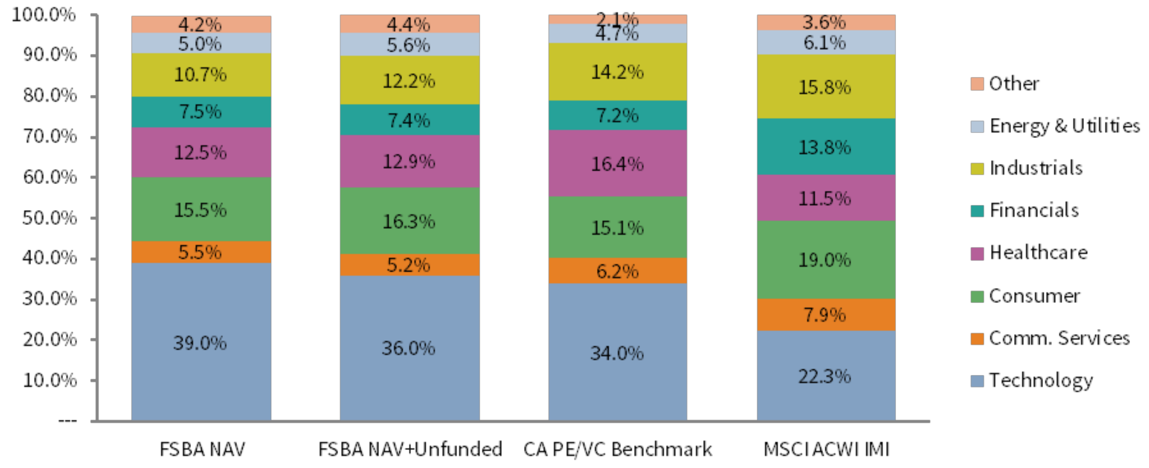
	1 Year	3 Years	5 Years	10 Years
FSBA Total PE Asset Class Portfolio – 2Q21	2nd	2nd	2nd	1st
FSBA Total PE Asset Class Portfolio – 1Q21	1st	2nd	1st	1st
FSBA Total PE Asset Class Portfolio – 4Q20	1st	2nd	1st	1st

Sources: Cambridge Associates, LLC, S&P, MSCI
Notes: Data as of September 30, 2021. FSBA returns are compared to CA client returns. Client returns are End-to-End IRRs and the public index AACRs are calculated for the period ending 09/30/2021. Includes PI fund programs with a least 10 PI funds per portfolio who receive performance reports as of 09/30/2021. Terminated client returns are not included due to unavailability of data. The performance of CA's clients may be attributable to factors other than CA's advice. Similarly, client returns shown may include investments made prior to client's relationship with CA. Performance data is net of fees but has not been adjusted to reflect CA's advisory fees and other expenses that a client may incur.

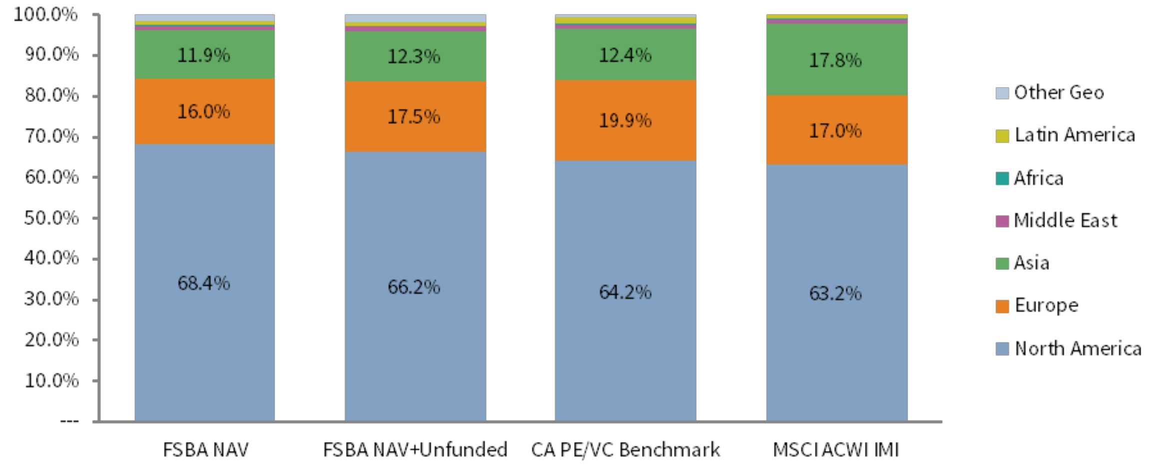
Total Portfolio Snapshot

FSBA's portfolio is generally in line with the benchmark across sector, geography, stage and age of NAV. The program is slightly overweight to Technology and North America, while slightly underweight Health Care and Growth Equity.

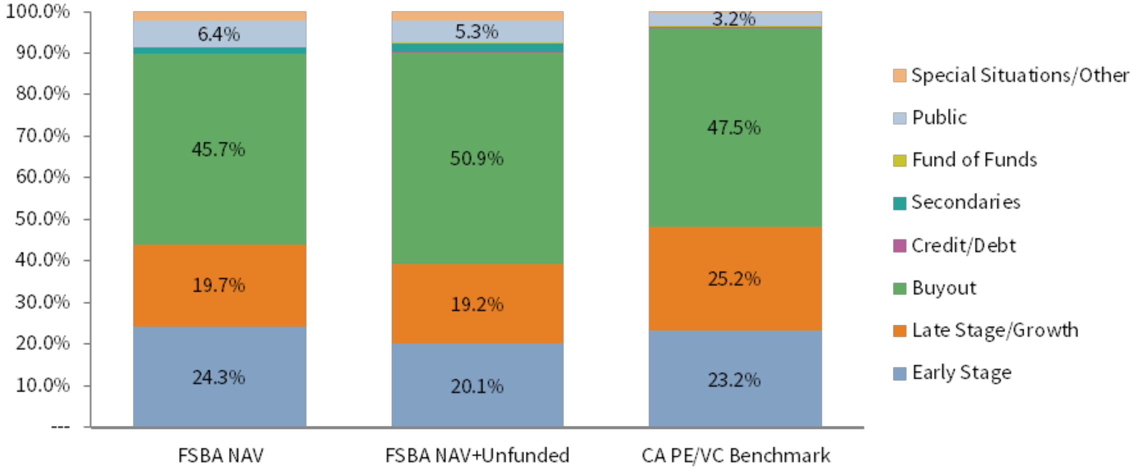
PORTFOLIO EXPOSURES BY SECTOR



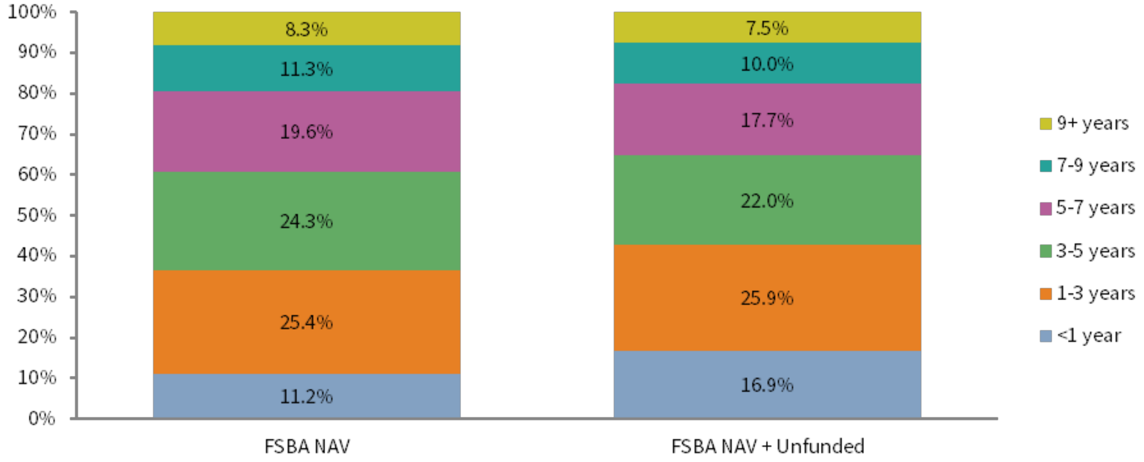
PORTFOLIO EXPOSURES BY GEOGRAPHY



PORTFOLIO EXPOSURE BY STAGE



PORTFOLIO EXPOSURE BY AGE OF NAV



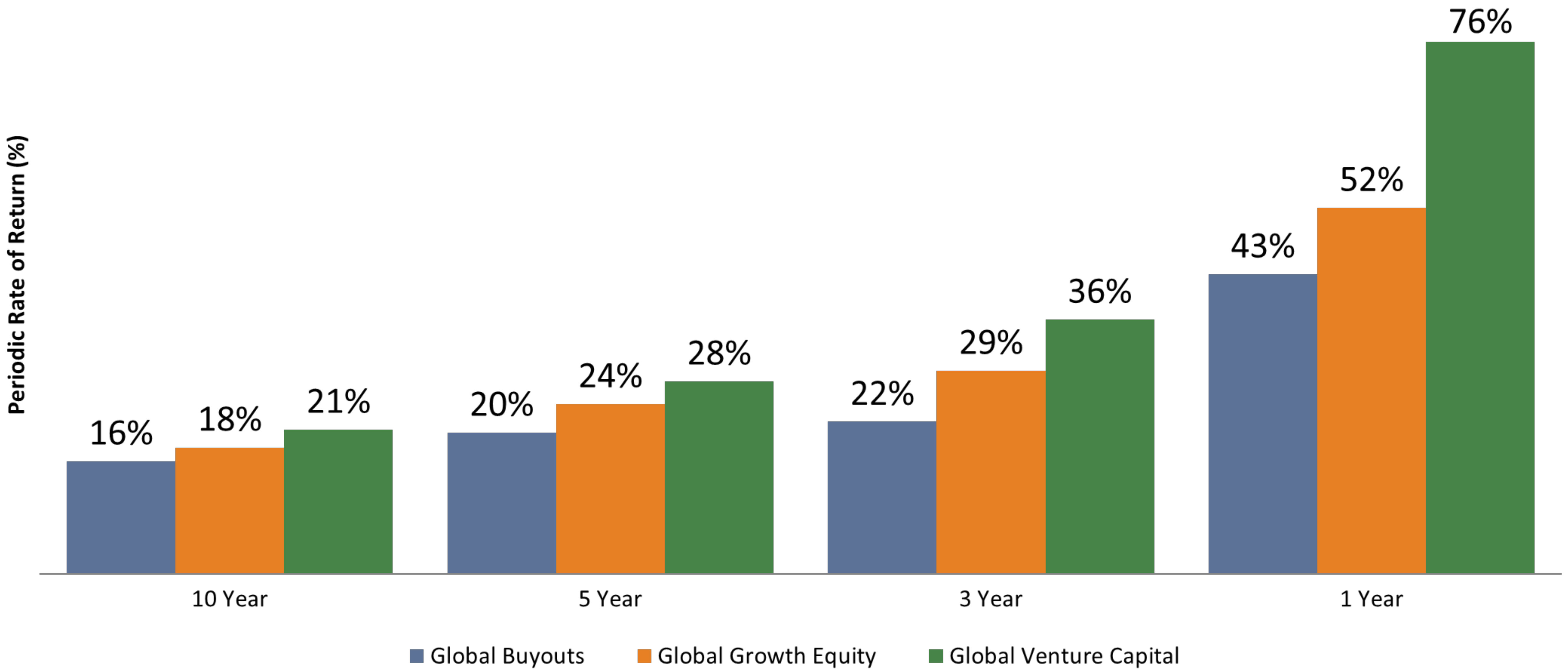
Sources: Cambridge Associates LLC, Asia Alternatives Management, Fairview Capital Partners, SVB Capital, TrueBridge Capital Partners, Grove Street Advisors, Lexington Capital Partners, Tiger Iron Capital, and RCP Advisors.
Notes: Data as of December 31, 2021 and does not include subsequent commitments. Exposures are based on a combination of CA and I-Level reported investment-level data, and manager reported data. Exposure data for fund of funds and co-investments are reported at the fund level. Funds with uncalled capital and subsequent commitments have exposure assumptions based off the most recent CA fund underwriting. These exposures are reflected in the 'FSBA NAV + Unfunded' column. CA Benchmark represents Global Private Equity and Venture Capital and includes legacy asset classes Subordinated Capital and Private Equity Energy.

CURRENT MARKET ENVIRONMENT

Returns have been soaring

GLOBAL BUYOUTS, GROWTH EQUITY, AND VENTURE CAPITAL: PERIODIC RATES OF RETURN

As of September 30, 2021



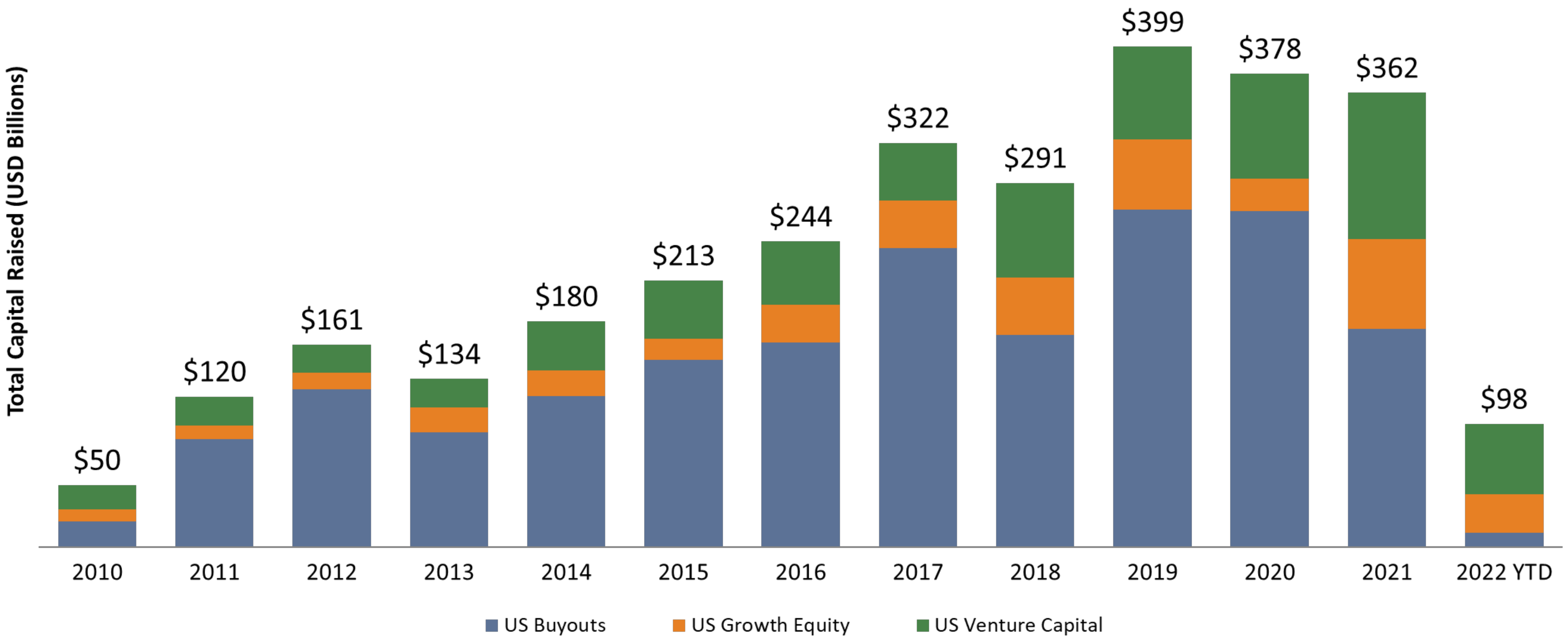
Source: Cambridge Associates LLC.

Notes: Pooled private investment periodic returns are net of fees, expenses and carried interest. Multi-year annualized returns are generated for time periods ending on the as of date for this analysis.

Fundraising in US at record Highs

US BUYOUTS, GROWTH EQUITY, AND VENTURE CAPITAL: ANNUAL FUNDRAISING

2010–2022 • USD

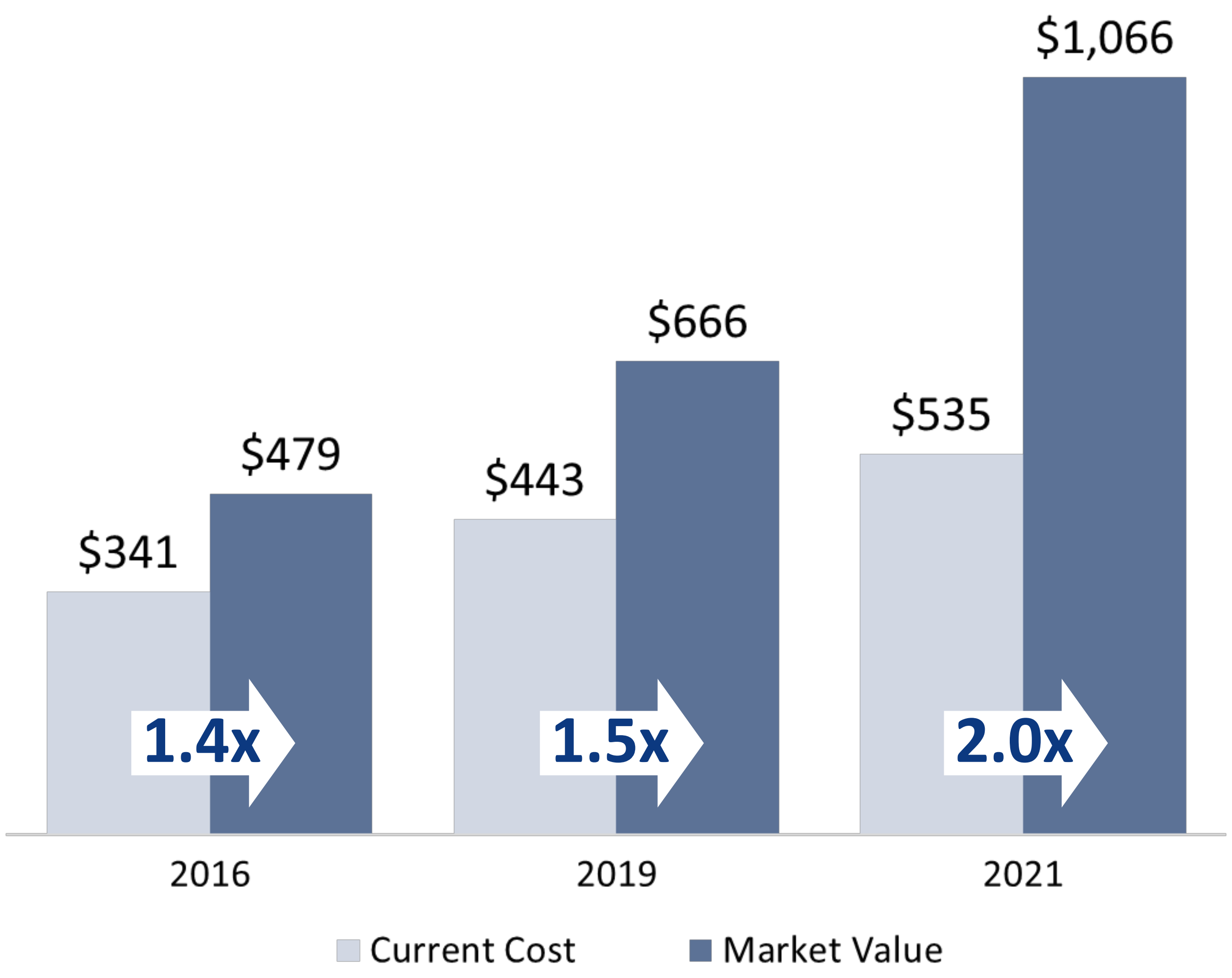


Sources: Cambridge Associates LLC and PitchBook Data, Inc.

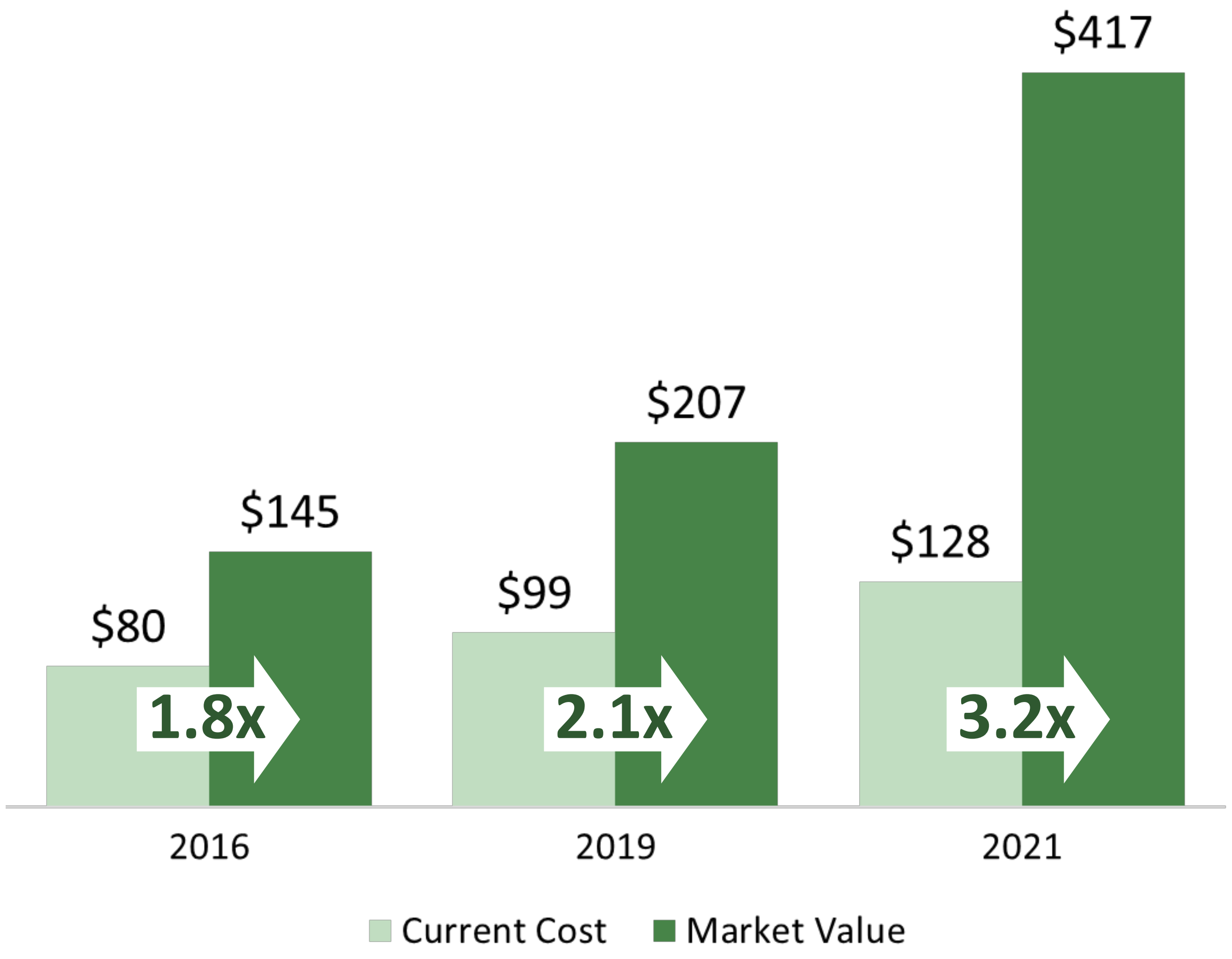
Notes: As of March 17, 2022. Figures represent capital raised by funds based in the US. Full-year sample counts range from 297 in 2010 to 1,262 in 2020.

Unrealized valuations are raising return expectations

US PRIVATE EQUITY: IMPLIED RETURNS
As of September 30, 2021 • USD Billions



US VENTURE CAPITAL: IMPLIED RETURNS
As of September 30, 2021 • USD Billions

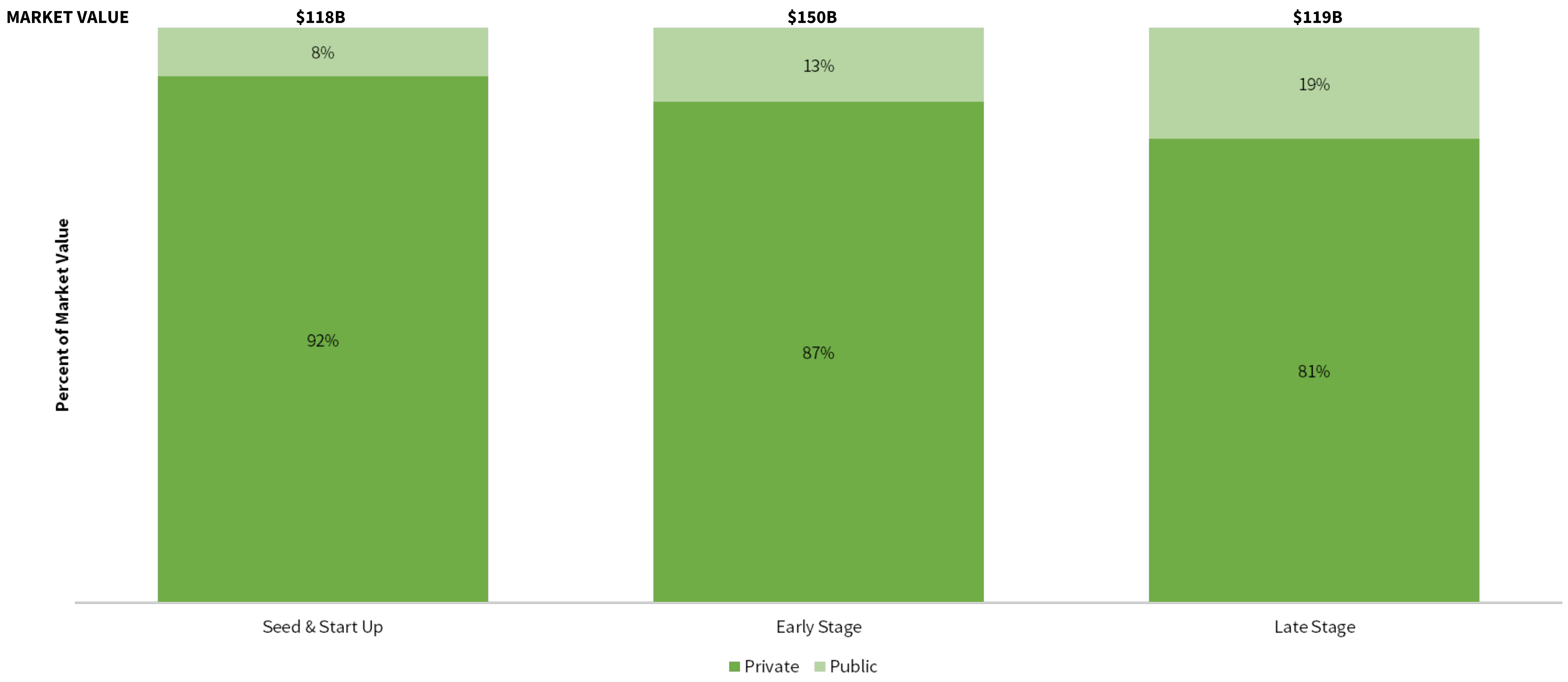


C|A

Source: Cambridge Associates LLC.
Notes: Based on the total current cost and market value of unrealized investments made by US venture capital and US private equity funds as of each time period. Private equity includes buyout and growth equity funds. 2016 and 2019 current cost and market value are as of December 31 for each respective year. 2021 figures are as of September 31, 2021.

In USVC, the later the stage, the greater the public exposure

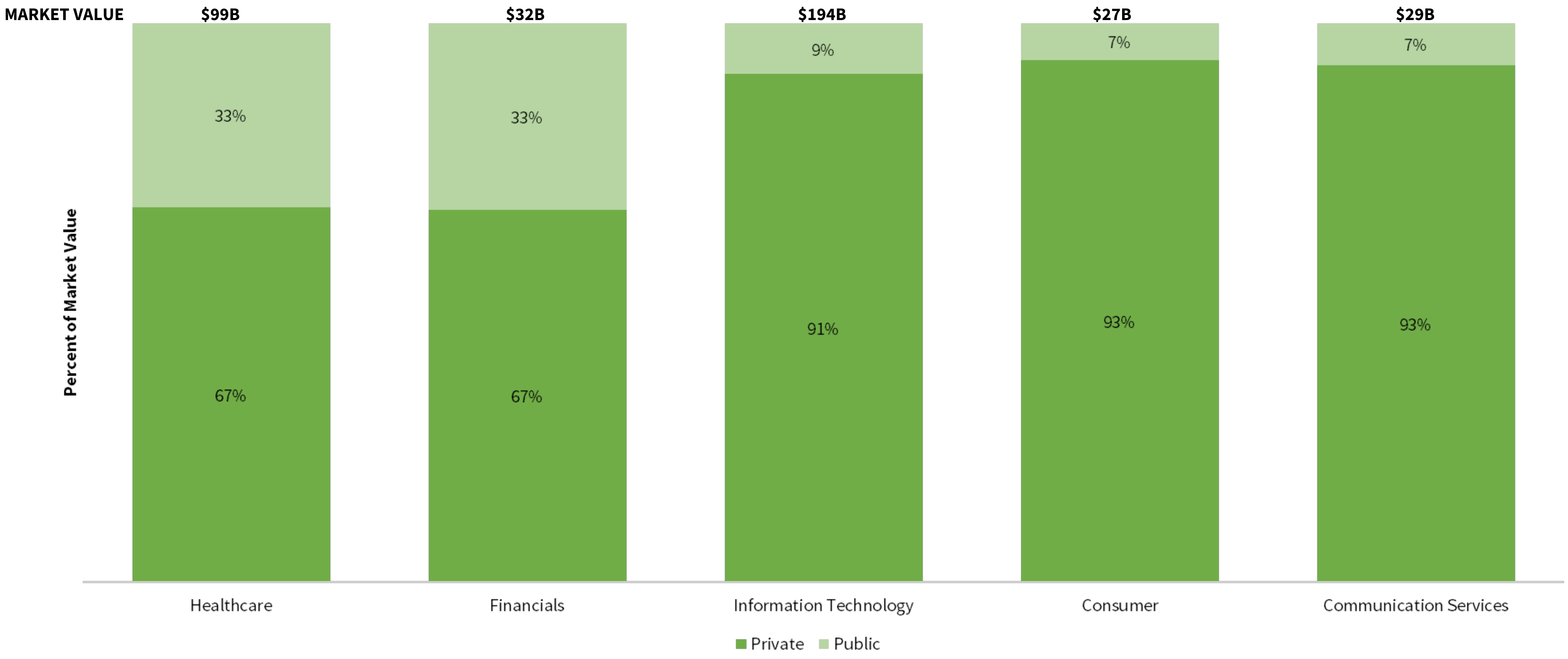
USVC: PUBLIC AND PRIVATE MARKET VALUE EXPOSURE BY INITIAL STAGE OF INVESTMENT
As of September 30, 2021



Source: Cambridge Associates LLC.
Notes: Data represent the current market value for active companies in the US Venture Capital index; the “public market value” includes companies that were public as of September 30, 2021. The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC.

By sector, healthcare has the highest exposure to public companies….

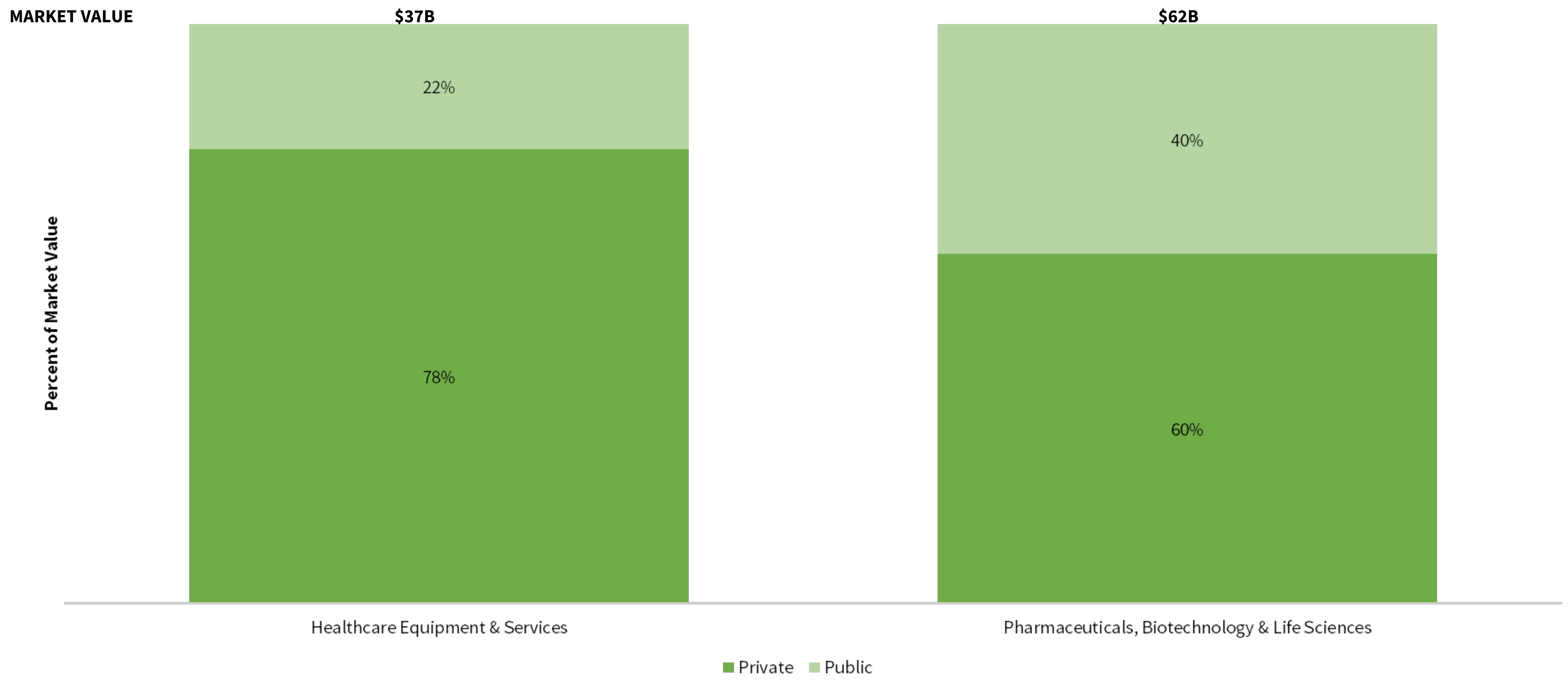
USVC: PUBLIC AND PRIVATE MARKET VALUE EXPOSURE BY SECTOR
As of September 30, 2021



Source: Cambridge Associates LLC.
Notes: Data represent the current market value for active companies in the US Venture Capital index; the "public market value" includes companies that were public as of September 30, 2021. The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC. "Consumer" includes Consumer Staples and Consumer Discretionary.

….And that exposure is mostly to biotech

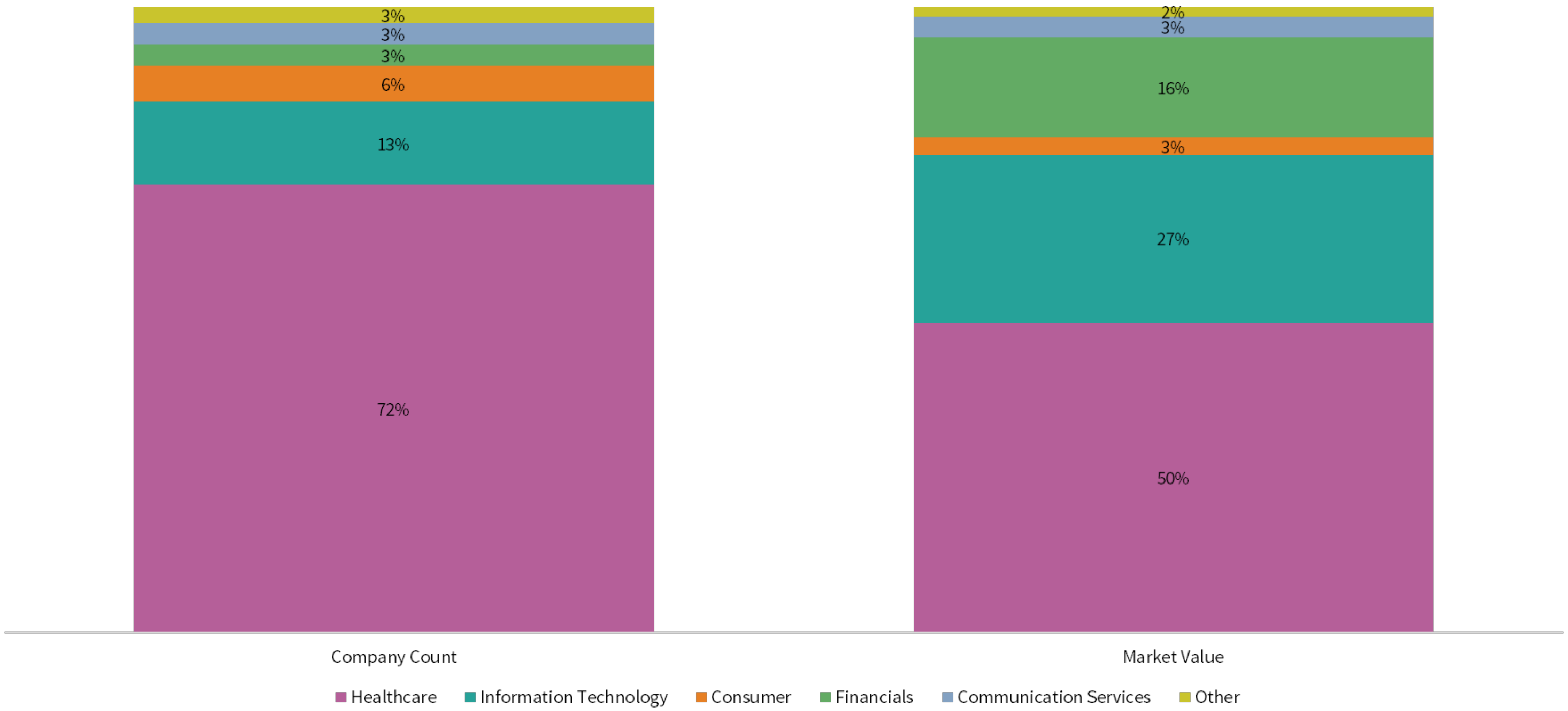
USVC HEALTHCARE: PUBLIC AND PRIVATE MARKET VALUE EXPOSURE BY INDUSTRY GROUP
As of September 30, 2021



Source: Cambridge Associates LLC.
Notes: Data represent the current market value for active companies in the US Venture Capital index; the "public market value" includes companies that were public as of September 30, 2021. The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC.

Within USVC, public companies are mostly healthcare

USVC: PUBLIC COMPANY EXPOSURE BY SECTOR
As of September 30, 2021



Source: Cambridge Associates LLC.
Notes: Data represent the current market value for active companies in the US Venture Capital index; includes companies that were public as of September 30, 2021. The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC. "Consumer" includes Consumer Staples and Consumer Discretionary.

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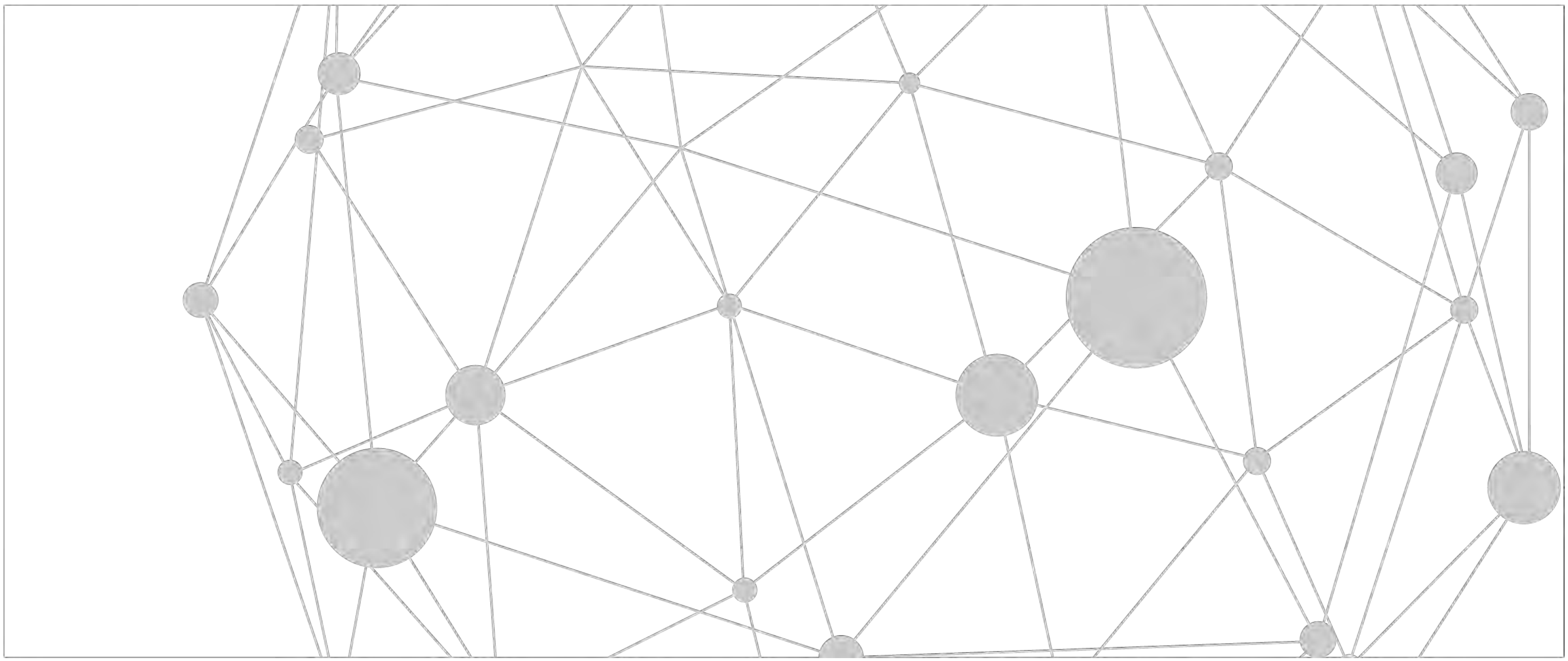
FLORIDA GROWTH FUND PROGRAM REVIEW

FSBA IAC MEETING



CAMBRIDGE ASSOCIATES

JUNE 2022

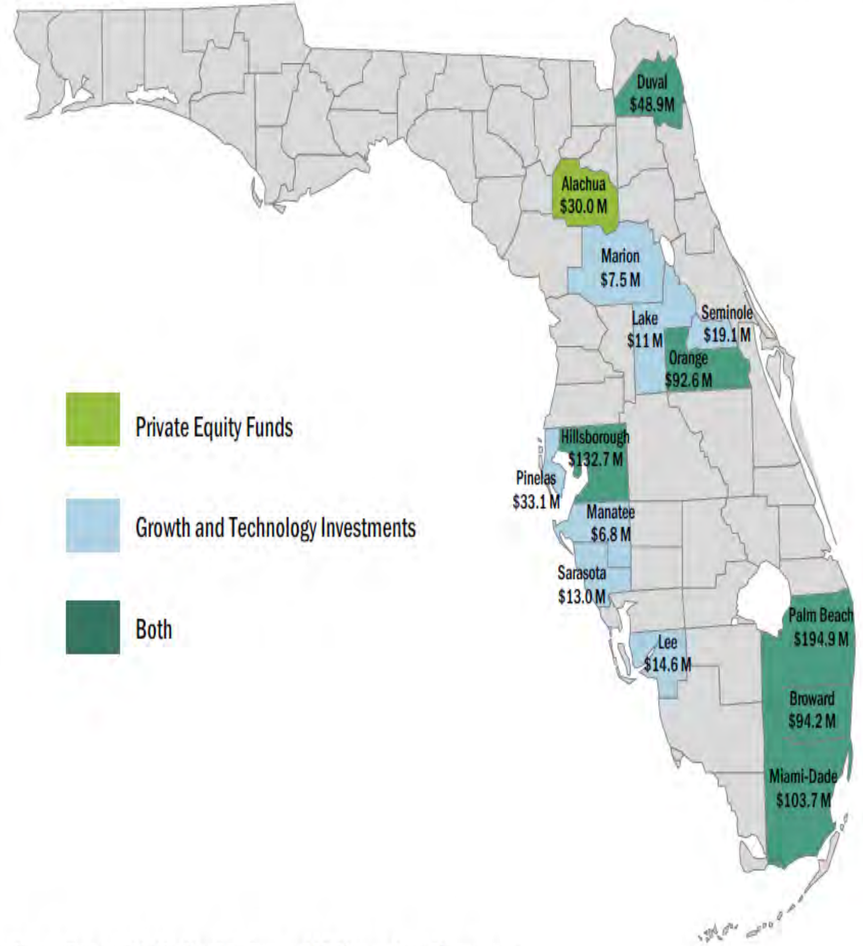
- SBA authorized to invest up to 1.5% of net trust fund assets in technology and growth businesses either domiciled in Florida or having a principal address in Florida
- Investments can be in the form of private equity funds and/or direct co-investments
  - Fund investments require either the GP to be based in FL or investing significantly in FL
  - For co-investments, companies must be either based in or have a significant portion of their business in FL
- To date, the program is comprised of 3 funds across 6 tranches managed by 2 managers:

	Year Established	Fund Size at Inception (in millions)	Fund Manager
Florida Growth Fund I			
Tranche I	2009	$250.0	Hamilton Lane
Tranche II	2012	$150.0	Hamilton Lane
Credit Tranche	2014	$100.0	Hamilton Lane
Total		$500.0	
Florida Growth Fund II			
Tranche I	2015	$250.0	Hamilton Lane
Tranche II	2019	$125.0	Hamilton Lane
Total		$375.0	
Florida Sunshine State Fund			
Tranche A	2019	$125.0	J.P Morgan Asset Management
Tranche B	2022	$250.0	J.P Morgan Asset Management
Total		$375.0	

Positive impact of the FGF program to date

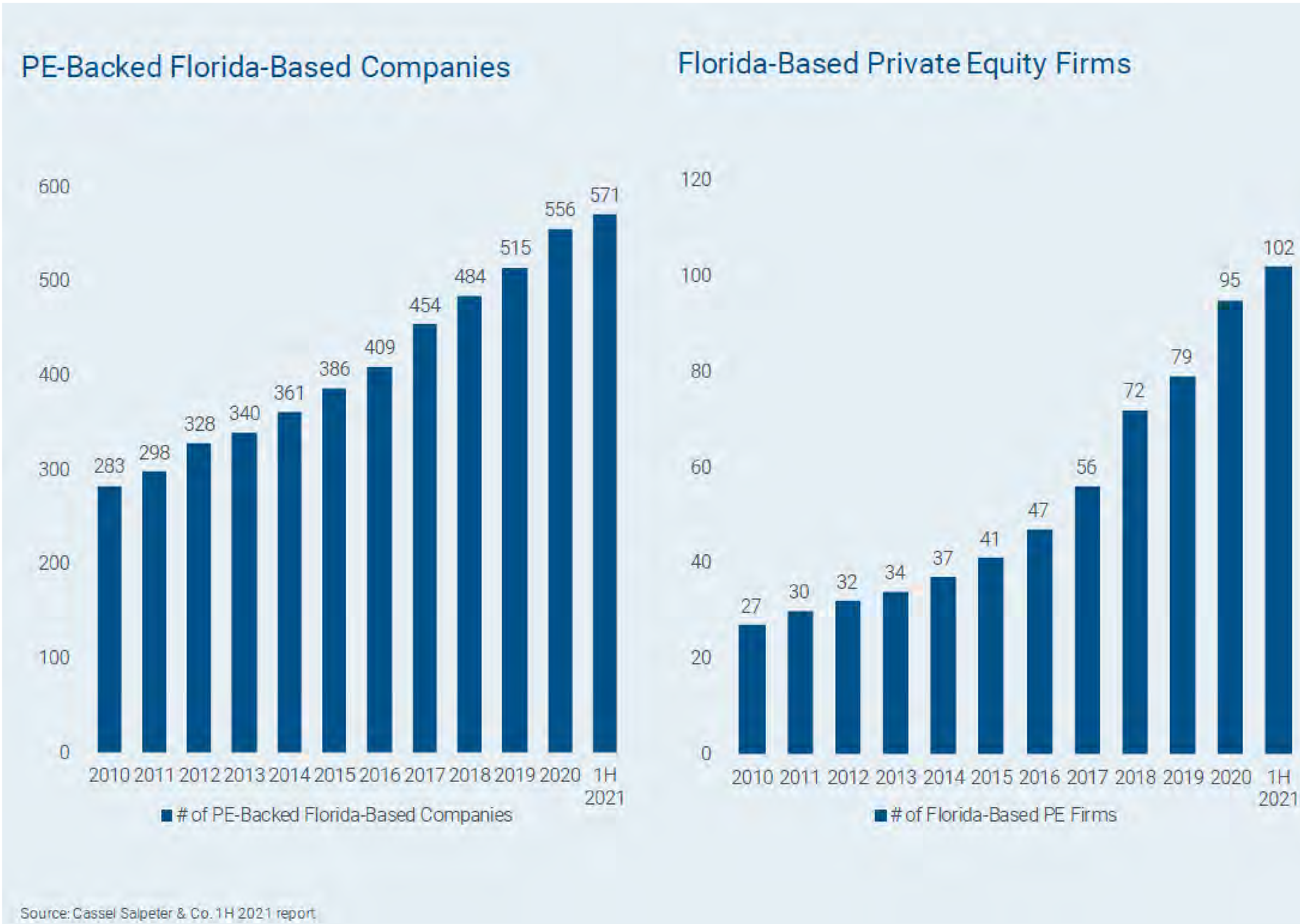
- Results as outlined in the Jan 2022 OPPAGA report (reflective of data as of 6/30/21):
  - Program has made $809.5M investments in 69 technology and growth companies and 46 private equity funds
  - 14 Florida counties included
    - Wide range from $6.8M in Manatee County to $194.9M in Palm Beach County
  - 23,658 Florida jobs created by companies who received funds
    - Wages paid ranged from $21K to $118K, compares favorably to state's average wage of $50K
  - $1.6Bn in cap ex since inception with $88M in the last fiscal year ending 6/30/21
  - $674M+ in distributions from fund inception thru 6/30/21

The Majority of $802.1 Million in Florida Growth Fund Program In-State Investments Are Located in Central and South Florida



Source: Data provided by Hamilton Lane and J.P. Morgan Asset Management.

Opportunity set in FL continues to grow



Source: Hamilton Lane

- Hamilton Lane was the sole manager of the program until 12/2018 when JP Morgan Asset Management was added
  - Adding a second manager allows the SBA to diversify the manager exposure, broaden the pipeline of opportunities and has resulted in more competitive fees
- Hamilton Lane has invested $756 M to date, distributed $658 M, resulting in current net exposure of $98M, as of June 30, 2021.
  - HL has committed client capital alongside 42.5% of deals in FGF II
- JPMAM has committed its first tranche of $125M (2019 vintage) and recently closed on a second tranche, Tranche B, for $250M.
  - JPMAM has committed client capital alongside 85% of deals in the FSSF

Performance

- Performance to date has been solid, however FGF I (Tranche I & II) and FGF II (Tranche I) have underperformed relative to the benchmark of Russell 2000 + 300 bps.
  - Net dollar exposure, after distributions, to FGF is ~$98 million
- Performance for FGF II, Tranche II and FSSF remains young, given the 2019 inception date

AS OF 6/30/2021

	COMMITTED	INVESTED	REALIZED	NET MOIC	DPI	NET IRR	PME[1]	OUT/UNDER PERFORMANCE
FGF I - TRANCHE I (2009)	$ 238.6	$ 234.3	$ 305.6	1.70	1.30	11.8%	11.8%	0.0%
FGF I - TRANCHE II (2012)	$ 146.0	$ 150.0	$ 145.7	1.76	0.97	12.6%	11.4%	1.2%
CREDIT TRANCHE (2014)	$ 106.0	$ 103.8	$ 98.1	1.22	0.95	8.0%	3.9%	4.1%
COMBINED RESULTS - FGF I	**$ 490.6**	**$ 488.1**	**$ 549.4**	**1.61**	**1.13**	**11.7%**		
FGF II - TRANCHE I (2015)	$ 236.5	$ 208.3	$ 107.4	1.47	0.52	12.9%	15.6%	-2.7%
FGF II - TRANCHE II (2019)	$ 86.8	$ 59.6	$ 1.1	1.35	0.02	35.7%	33.0%	2.7%
COMBINED RESULTS - FGF II	**$ 323.3**	**$ 267.9**	**$ 108.5**	**1.44**	**0.41**	**14.2%**		
COMBINED EXPOSURE	$ 813.9	$ 756.0	$ 657.9					
FLORIDA SUNSHINE STATE FUND								
TRANCHE I (2019)	$ 96.1	$ 56.7	$ 4.2	1.50	NM	35.1%	32.3%	2.8%

[1]Public Market Equivalent provided by Hamilton Lane and JP Morgan. FGF tranches I, II & FSSF tranche I vs. Russell 2000 and Credit Tranche vs. CS Lev Loan Index

Conclusion

- Program has been successful at achieving strategic objectives
- Current allocation represents 0.33%* of trust assets vs. target of 1.5%, as of June 30, 2021
- The market opportunity set continues to grow as more PE firms relocate to FL
- Performance has been solid, however underperforming the PME + 300bps objective for the more seasoned FGF tranches (excluding the FGF credit tranche)
- Diversifying exposure across 2 managers has been beneficial in terms of widening exposures, differentiated deal flow, increasing GP/LP alignment, and improving fee structure

Source: Cambridge Associates and the State Board Administration of Florida
Notes:* Data is based on FSBA's reported Total Portfolio Market Value as of June 30, 2021, and The Florida Growth Fund's total NAV as of June 30, 2021, as reported by Cambridge Associates.

FLORIDA RETIREMENT SYSTEM (FRS) INVESTMENT PLAN

and

MyFRS FINANCIAL GUIDANCE PROGRAM

FRS INVESTMENT PLAN REVIEW

Office of Defined Contribution Programs

Daniel Beard, Chief of Defined Contribution Programs
Mini Watson, Director of Administration
Walter Kelleher, Director of Educational Services

Investment Advisory Council Meeting
June 2022

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

FRS PENSION PLAN AND INVESTMENT PLAN

The State of Florida offers public employees the option to participate in one of two retirement plans.

Traditional Defined Benefit Plan- Pension

- Funded by mandatory employer and employee contributions
- Has been in existence since 1970
- Assets: $197.7 B (as of 3/31/22)

401(a) Defined Contribution Plan- Investment

- Funded by mandatory employer and employee contributions
- Has been in existence since July 2002
- Assets: $14.6 B (as of 3/31/22)

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

PENSION PLAN AND INVESTMENT PLAN

- New employees, at the time of hire, choose to enroll in one of the two FRS Plans – the Pension Plan or Investment Plan.

- The Division of Retirement within the Department of Management Services is responsible for the day-to-day administration of the Pension Plan.

- The State Board of Administration (SBA) is responsible for the day-to-day administration of the Investment Plan.
  - All major components – recordkeeping, custodian services, benefit payments are outsourced as mandated by Florida Statutes.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

GOVERNANCE

- Section 121.4501 – Florida Legislature passed legislation in 2000 mandating the establishment of a defined contribution plan under the FRS. It also included provisions for an educational component for ALL FRS employees.
  - Directed that the State Board of Administration Trustees (Trustees) would be the responsible governing entity.

- Executive Director & Chief Investment Officer (ED & CIO)
  - Delegated authority by Trustees to oversee the implementation and ongoing oversight of the Investment Plan.

- Deputy Executive Director
  - Provide guidance and input on Investment Plan administration and investment funds.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

GOVERNANCE (continued)

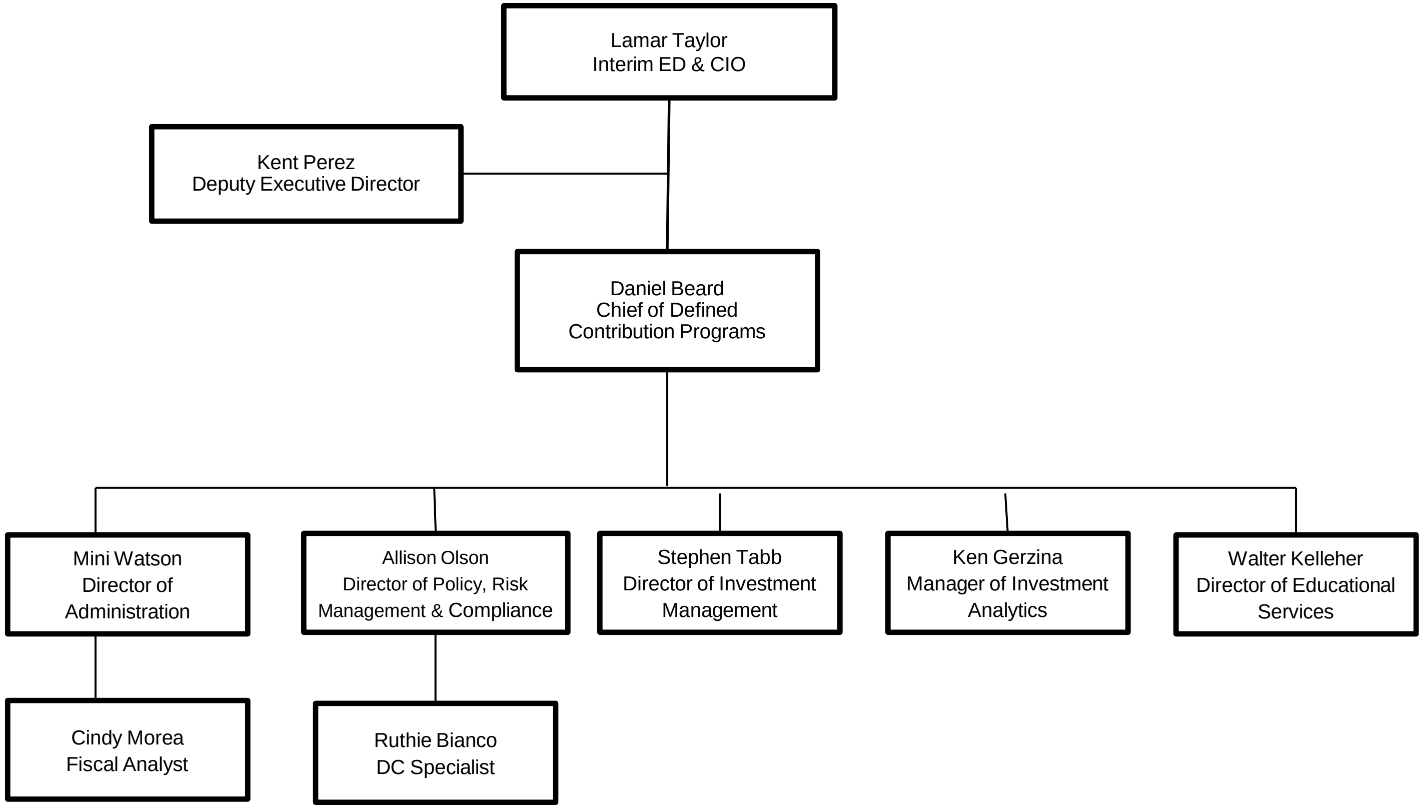
- Chief of Defined Contribution Programs
  - Delegated authority by ED & CIO to oversee the administrative duties and responsibilities for the contract management of all service providers for the Investment Plan and the Financial Guidance Program.

- Investment Advisory Council (IAC)
  - Sections 121.4501(12) and (14) – states role of the IAC to the Investment Plan:
    - Assist the SBA with administering the Investment Plan.
    - May provide comments on recommendations on providers and investment products.
    - Will review any proposed changes to the Investment Policy Statement and present the result of the review to the Trustees.

SBA FLORIDA STATE BOARD OF ADMINISTRATION

OFFICE OF DEFINED CONTRIBUTION PROGRAMS

Organizational Chart



FLORIDA RETIREMENT SYSTEM

(as of March 31, 2022)

Participating Employers	
• State Agencies – 45 • State Universities - 12 • County Agencies – 396 • School Boards – 67 • State Colleges – 28 • Cities – 180 • Independent Hospitals – 2 • Special Districts – 153 • Charter Schools – 93 • Other – 12	**988** **Total Employers**

Plan	Members	Retirees
Investment Plan – 1 year vesting (Defined Contribution)	**272,274**	**174,119**
Pension Plan – 8 year vesting (Defined Benefit)	**452,721**	**473,851**

SBA FLORIDA STATE BOARD OF ADMINISTRATION

OVERVIEW OF THE INVESTMENT PLAN ADMINISTRATION

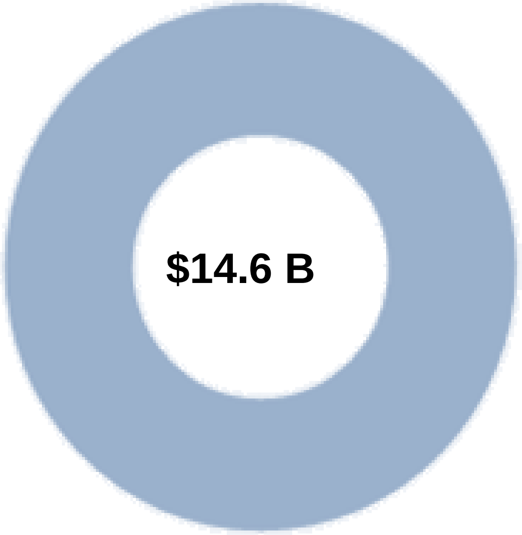
Mini Watson

Director of Administration

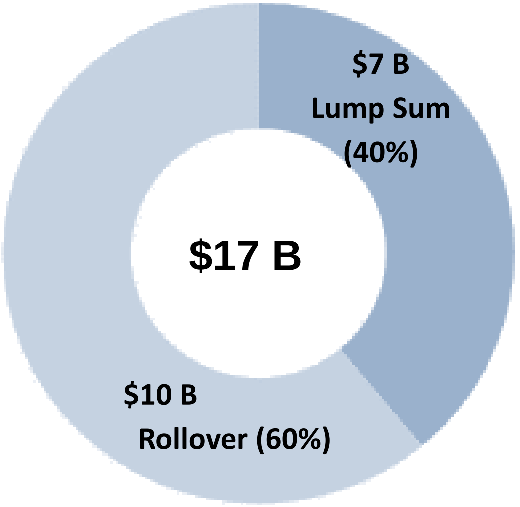
FRS INVESTMENT PLAN SNAPSHOT

(Inception to March 31, 2022)

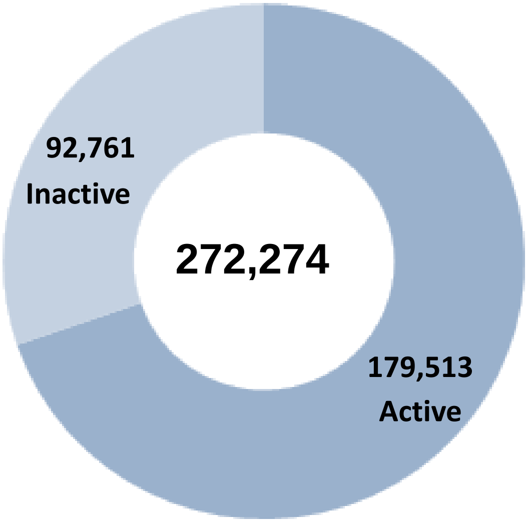
Assets



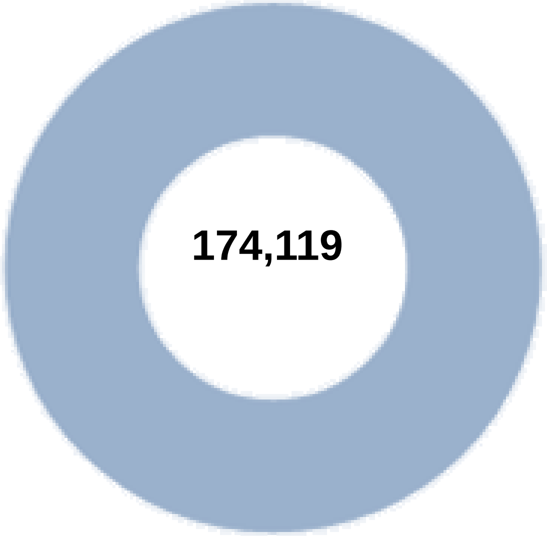
Distributions



Members



Retirees



Average Statistics

Female 64%   Male 36%

Age 46

$53,577 balance

5 years of service

SBA FLORIDA STATE BOARD OF ADMINISTRATION

INVESTMENT PLAN SERVICE PROVIDERS

Alight Solutions

- FRS Plan Choice Administrator/Choice Service Provider
- Investment Plan Administrator (record keeper)
- Self Directed Brokerage Account (SDBA) provider

BNY Mellon

- Investment Plan Custodian Bank
- Benefit Disbursements
- Custody Separate Accounts

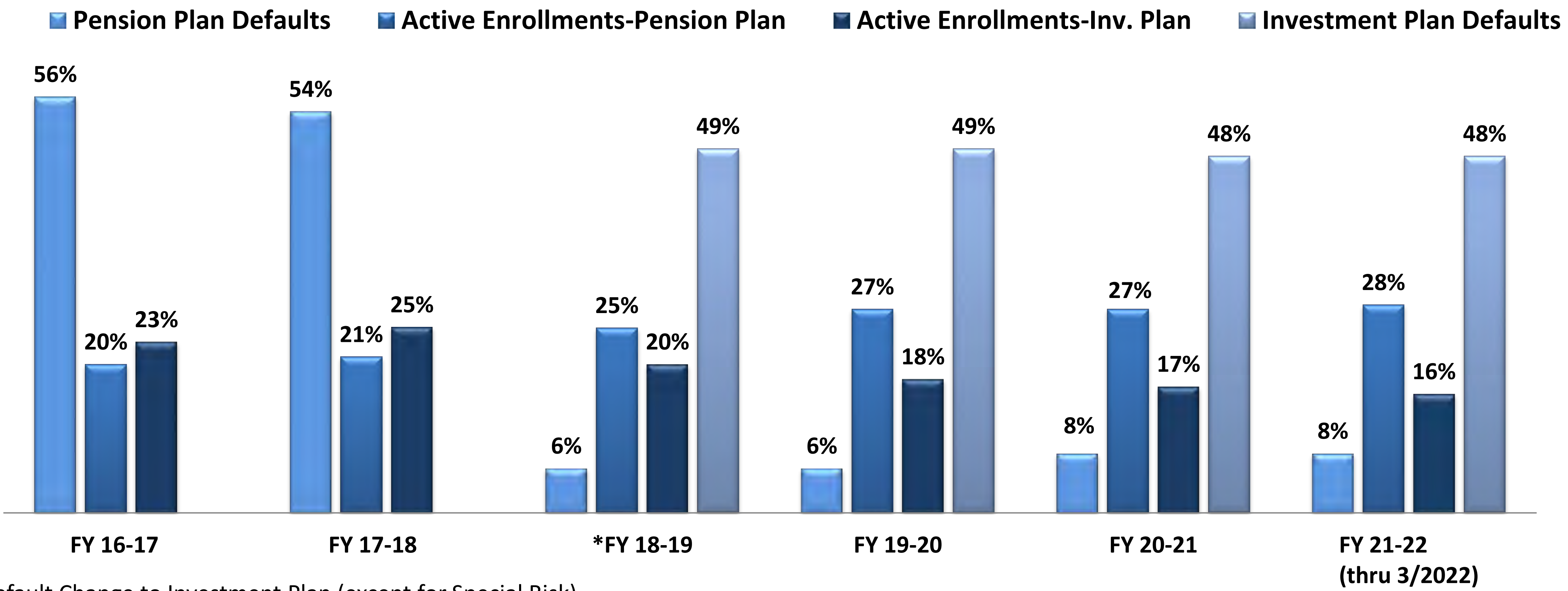
Division of Retirement

- Pension Plan Administrator
- Retirement payroll reporting
- Health Insurance Subsidy (HIS) Program
- Disability and In-Line of Duty death benefits for the Investment Plan

SBA FLORIDA STATE BOARD OF ADMINISTRATION

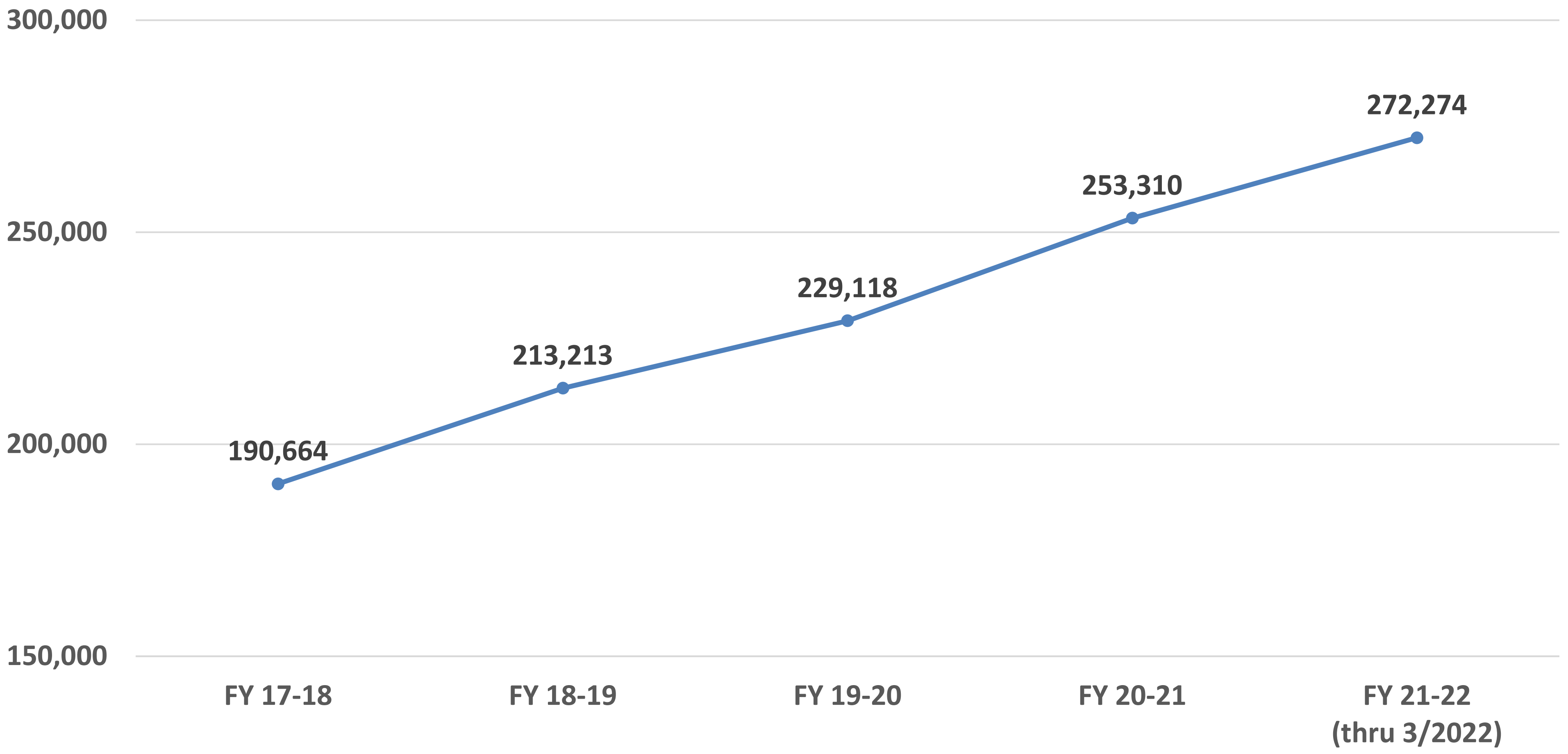
PLAN CHOICE STATISTICS

(as of March 31, 2022)



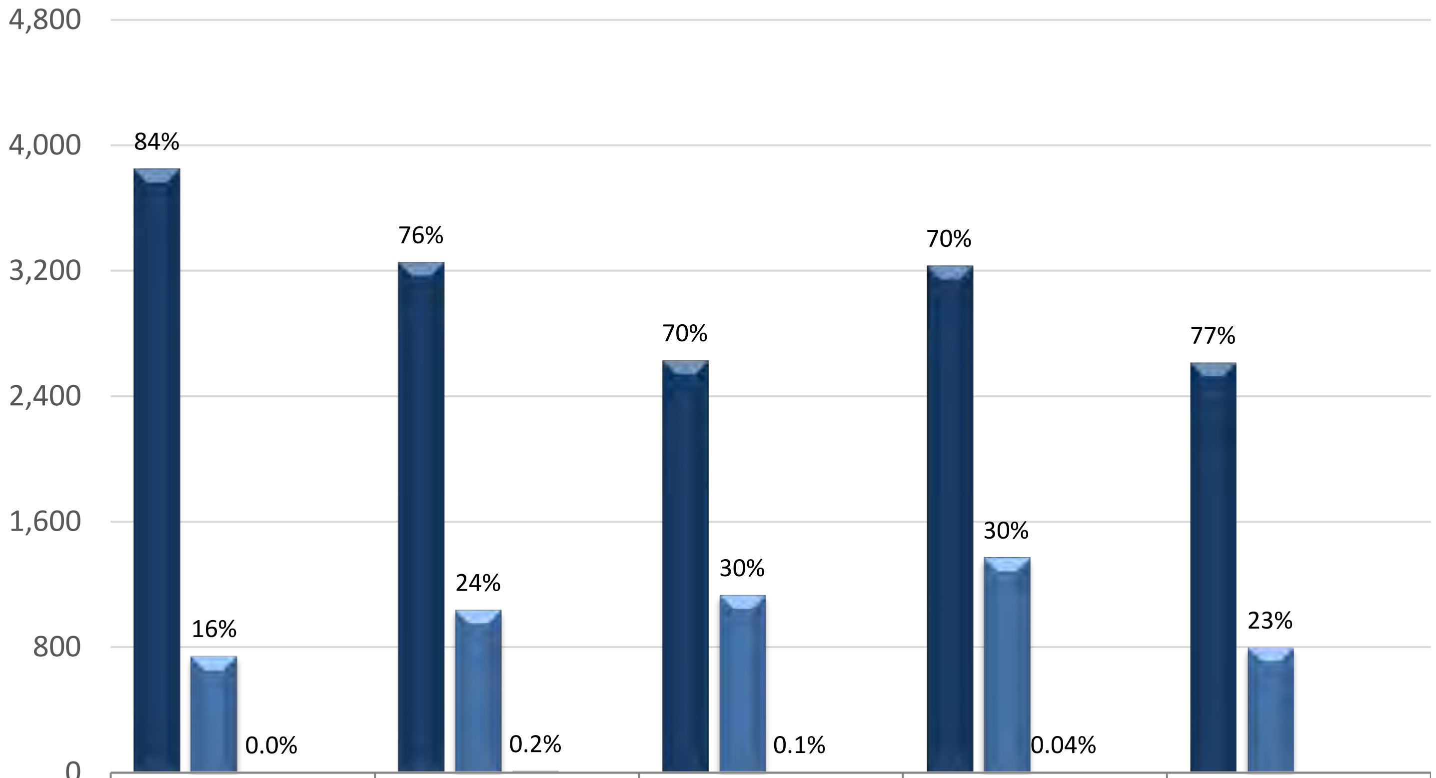
*Default Change to Investment Plan (except for Special Risk)

INVESTMENT PLAN MEMBERSHIP GROWTH

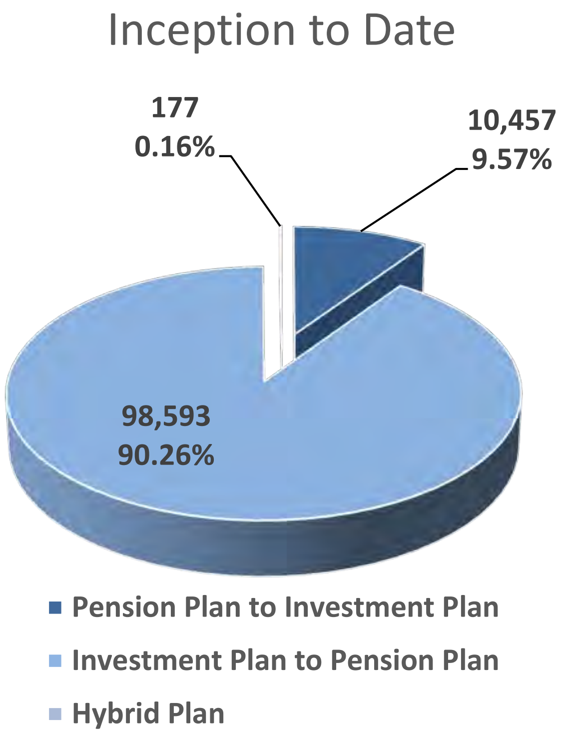


2nd ELECTION STATISTICS

(as of March 31, 2022)



	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22 (thru 3/2022)
Pension Plan to Investment Plan	3850	3253	2628	3231	2613
Investment Plan to Pension Plan	742	1036	1130	1370	796
Hybrid Plan	0	8	2	2	0
Total	4,592	4,297	3,760	4,603	3,409



ADMINISTRATION STATISTICS

(July 2021 through March 2022)

Alight Solutions

- Processed **1,760,747** member contributions postings totaling **$483 M**
- Sent an average of **268,407** quarterly statements
- Generated **1,743,559** personalized communications
- Received **72,519** telephone calls

BNY Mellon

- Mailed **12,093** distribution checks
- Direct deposited **41,093** distribution payments
- Assets under custody **$14.6 B**

REQUESTS FOR INTERVENTION

- **Total Complaints Fiscal Year to March 31, 2022: 376**

- **Total Complaints Inception (July 2002) to Date: 6,363**

- **Top 5 Reasons for Filing Complaint:**
  - **Terminated Employment Prior to Election Receipt**
  - **Requesting 3rd Election**
  - **Distribution (Hardship/Emergency)**
  - **Dispute of First Election**
  - **Did Not Earn Salary/Service Credit the Month Election was Received**

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OVERVIEW OF THE FINANCIAL GUIDANCE PROGRAM

Walter Kelleher

Director of Educational Services

FINANCIAL GUIDANCE PROGRAM SERVICE PROVIDERS

EY

- Financial planners
- Provide unbiased financial planning guidance via telephone\chats
- Conduct retirement/financial planning workshops

GuidedChoice

- Online personal ADVISOR SERVICE

Alight

- Design, printing, focus groups
- Online 1st & 2nd Election Choice Services

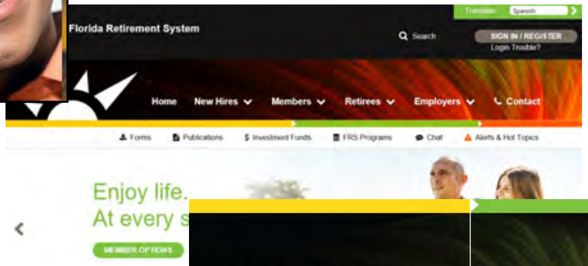
MetLife

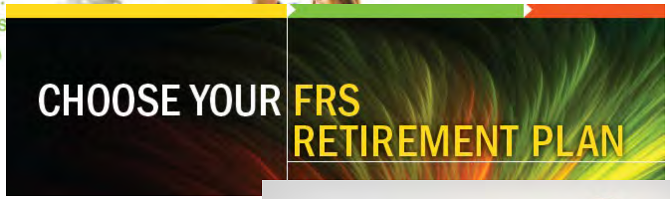
- Fixed lifetime annuities
- Deferred lifetime annuities (QLAC)

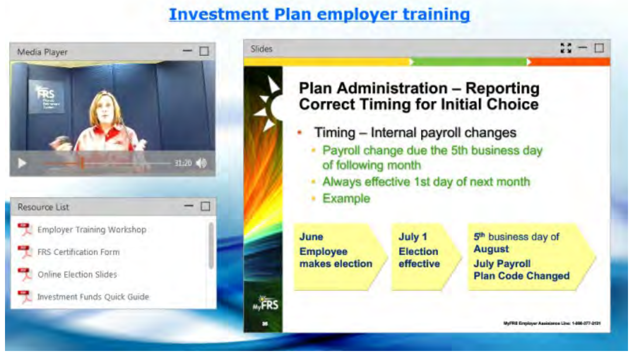
The MyFRS Financial Guidance Program is for ALL FRS Pension and Investment Plan Members.

MyFRS FINANCIAL GUIDANCE PROGRAM

- **Telephone**
- **MyFRS.com**
- **Print**
- **Videos**
- **Workshops/Webcasts**







MyFRS FINANCIAL GUIDANCE PROGRAM

(April 1, 2021-March 31, 2022)

INVESTMENT EDUCATION

EY FINANCIAL PLANNER CALLS	FINANCIAL PLANNING WORKSHOPS	ATTENDANCE FINANCIAL WORKSHOPS	WEBSITE HITS	WEBSITE CHATS
354,891	664	26,896	3,123,595	145,361
+28%	+23%	+53%	-4%	-17%

(% change from previous 12 months)

25 Annuities purchased last 12 months - $2.3 million
193 Total Annuities purchased inception to date - $23.8 million

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EDUCATION HIGHLIGHTS

- **Three additional enrollment forms are now available electronically**
- **Resumption of in-person workshops**
- **MyFRS.com redesigned (April 2022)**
- **New Online Chat Provider that utilizes Artificial Intelligence (June 2022)**

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OVERVIEW OF THE INVESTMENT PLAN
INVESTMENT FUND OPTIONS

Daniel Beard
Chief of Defined Contribution Programs

ASSET CLASS PERFORMANCE

(as of March 31, 2022)

	QTD	FYTD	1 Yr	3 Yr	5 Yr	Incept.
Total Fund	-4.83%	-0.60%	5.13%	10.51%	9.22%	7.41%
Stable Value	0.39%	1.22%	1.71%	2.05%	2.05%	2.02%
Inflation Protected Assets & TIPS*	1.72%	7.96%	13.15%	8.01%	6.04%	3.21%
Fixed Income	-5.64%	-5.41%	-3.41%	2.49%	2.81%	4.37%
Domestic Equities	-6.22%	1.18%	9.52%	16.82%	14.35%	11.06%
Global & International Equities	-7.23%	-7.33%	-1.63%	9.16%	8.24%	8.10%
Retirement Date Funds	-4.06%	-0.05%	5.49%	10.28%	8.94%	6.97%
Real Estate	5.03%	20.23%	26.52%	11.04%	N/A	10.07%
TF x RDFs	-5.64%	-1.20%	4.74%	10.69%	9.47%	7.79%

*Prior to 2014, TIPS only.
Retirement Date Funds Inception July 1, 2014
TF x RDFs Inception July 1, 2014
Stable Value Fund Inception July 1, 2021

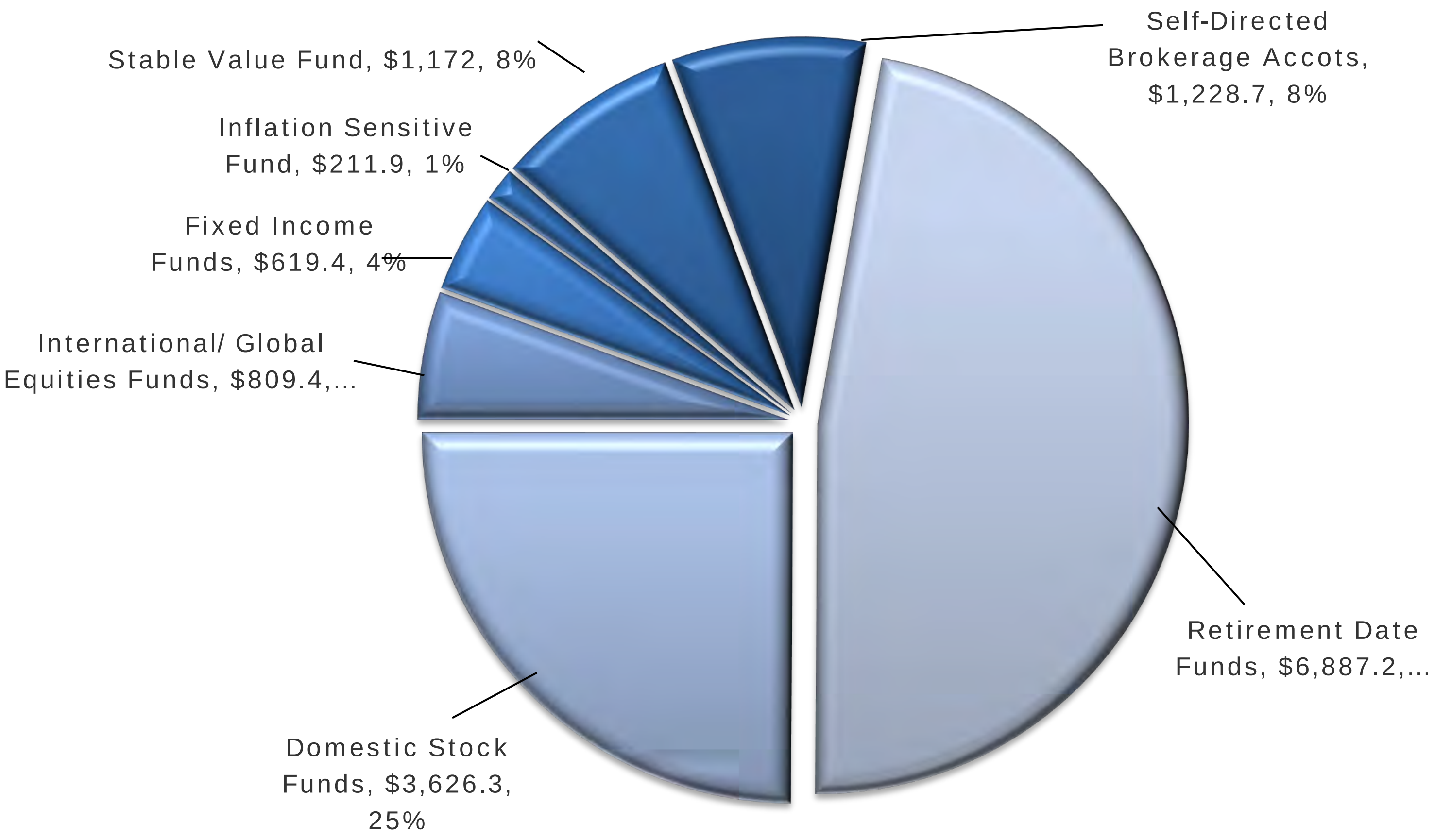
INVESTMENT PLAN AVAILABLE FUND OPTIONS

as of March 31, 2022 (fees bps)

9 Core Funds – White Labeled	10 Target Date Funds – White Labeled
➢ FRS Stable Value Fund (.19)	➢ FRS 2060 Retirement Date Fund (2060) (.10)
➢ FRS Inflation Sensitive Fund (.36)	➢ FRS 2055 Retirement Date Fund (2055) (.10)
➢ FRS U.S. Bond Enhanced Index Fund (.05)	➢ FRS 2050 Retirement Date Fund (2050) (.10)
➢ FRS Core Plus Bond Fund (.19)	➢ FRS 2045 Retirement Date Fund (2045) (.10)
➢ FRS U.S. Stock Market Index Fund (.02)	➢ FRS 2040 Retirement Date Fund (2040) (.12)
➢ FRS U.S. Stock Fund (.35)	➢ FRS 2035 Retirement Date Fund (2035) (.14)
➢ FRS Foreign Stock Index Fund (.03)	➢ FRS 2030 Retirement Date Fund (2030) (.16)
➢ FRS Foreign Stock Fund (.46)	➢ FRS 2025 Retirement Date Fund (2025) (.17)
➢ FRS Global Stock Fund (.47)	➢ FRS 2020 Retirement Date Fund (2020) (.19)
	➢ FRS Retirement Fund (2000) (.19)

FRS INVESTMENT PLAN AUM

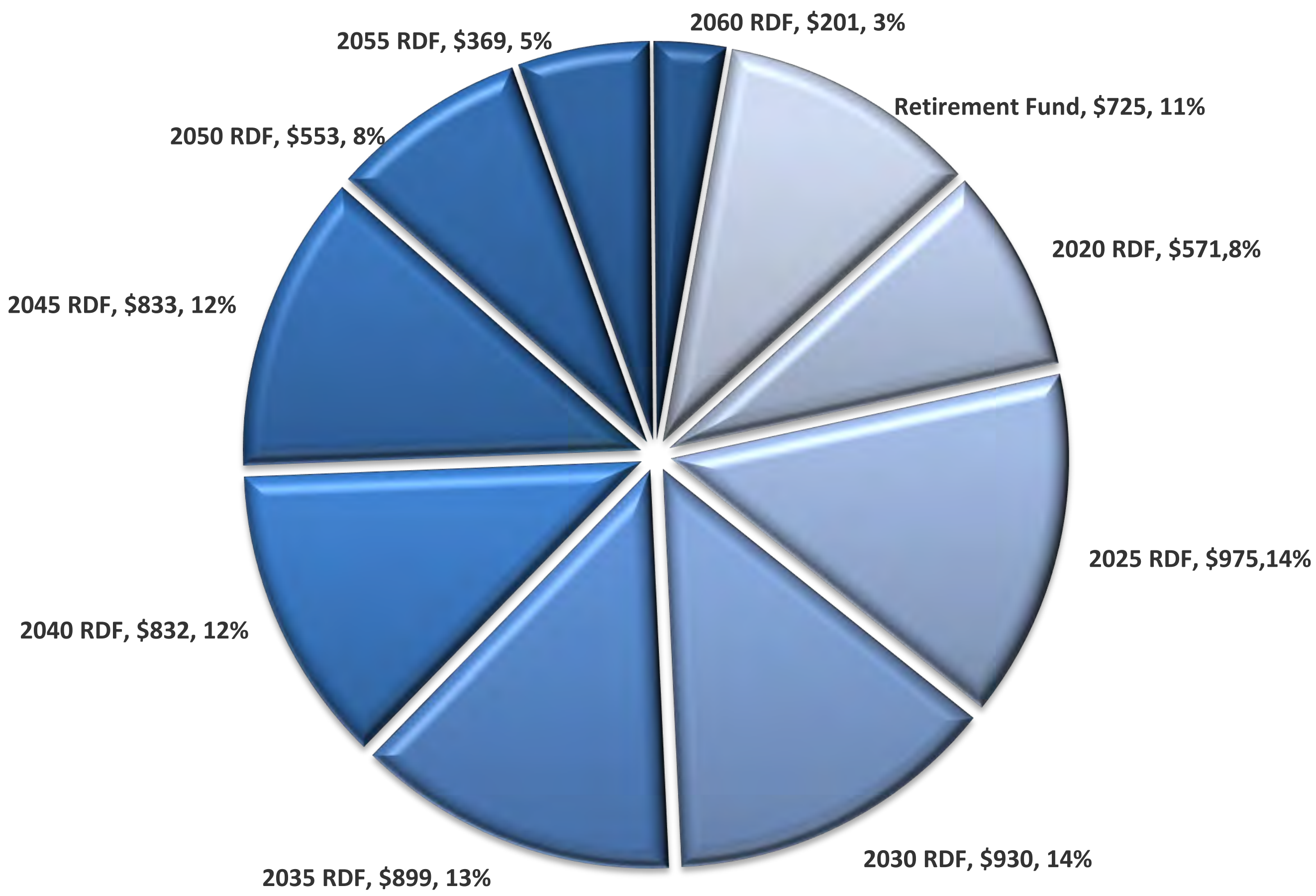
(by Asset Class—in $millions, as of March 31, 2022)



Asset alocation is a result of member investment selection

CURRENT RETIREMENT DATE FUNDS

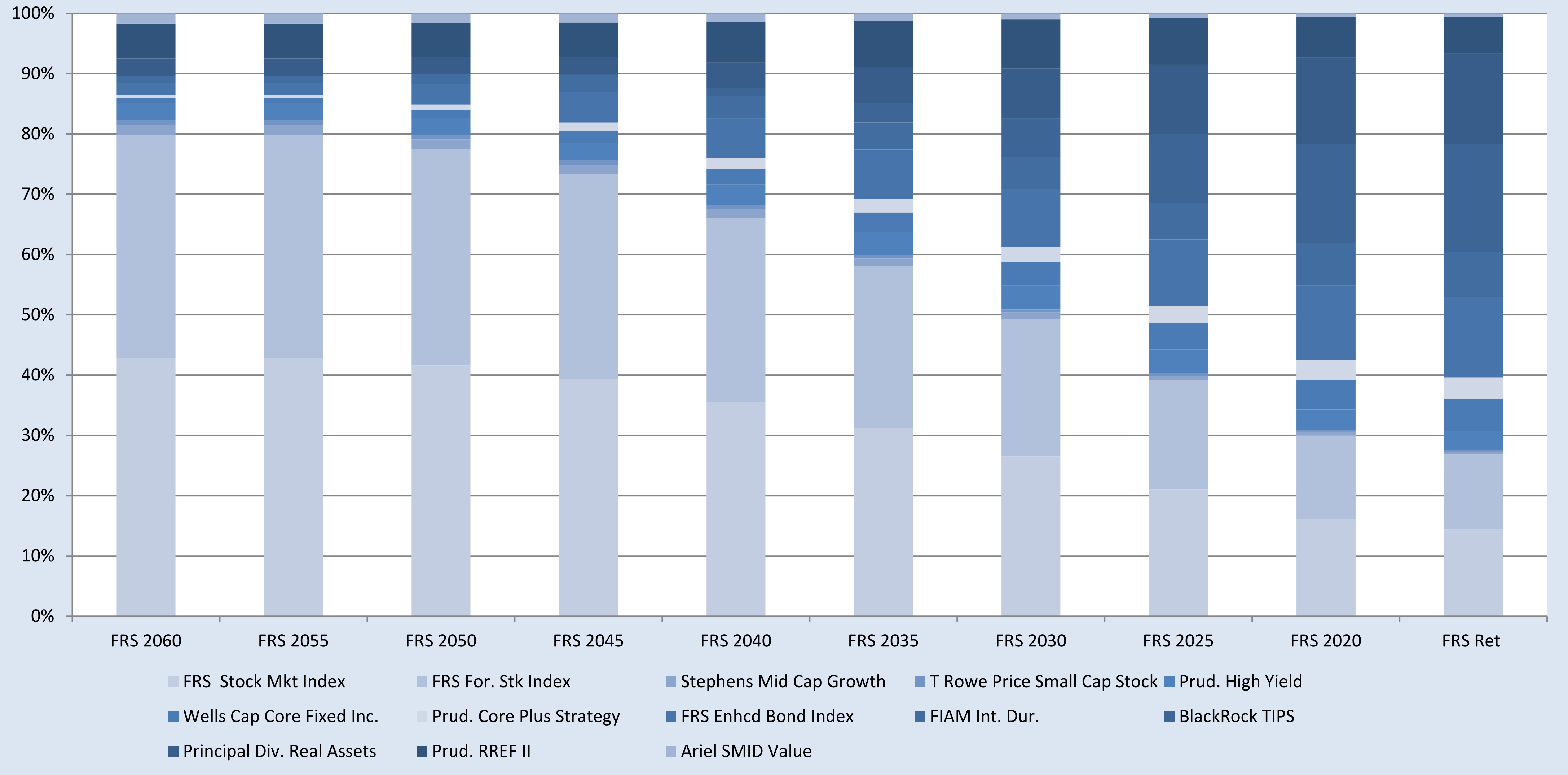
($ RDF Assets, % Members, as of March 31, 2022)



Asset alocation is a result of member investment selection

FRS RETIREMENT DATE FUNDS

Investment Manager Allocations- Effective July 1, 2022



2022-23 INITIATIVES

Investment Option Updates

- ➢ Rolldown in RDF Glidepath allocations effective July 1, 2022
- ➢ Add RDF 2065 effective July 1, 2023
- ➢ Aon Investment Consulting Investment Plan structure review 3Q22

Plan Administration Initiatives

- ➢ Update Choice Service, Benefit Comparison Statement and quarterly statements to reflect increased Investment Plan contributions
- ➢ Electronic PIN reminder
- ➢ Add fund specific payment option for members at time of distribution

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QUESTIONS

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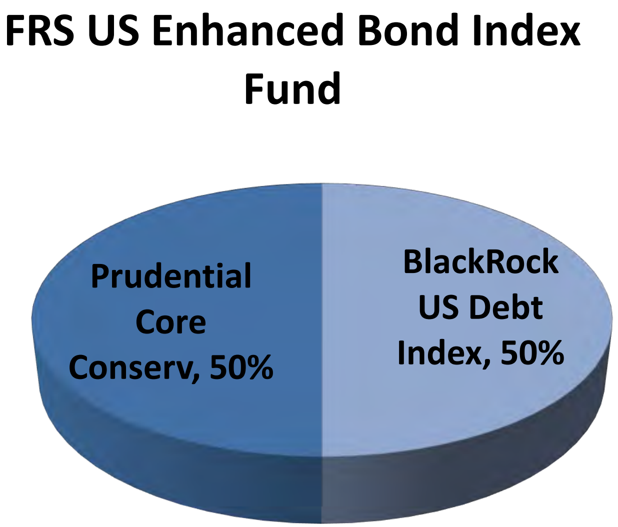
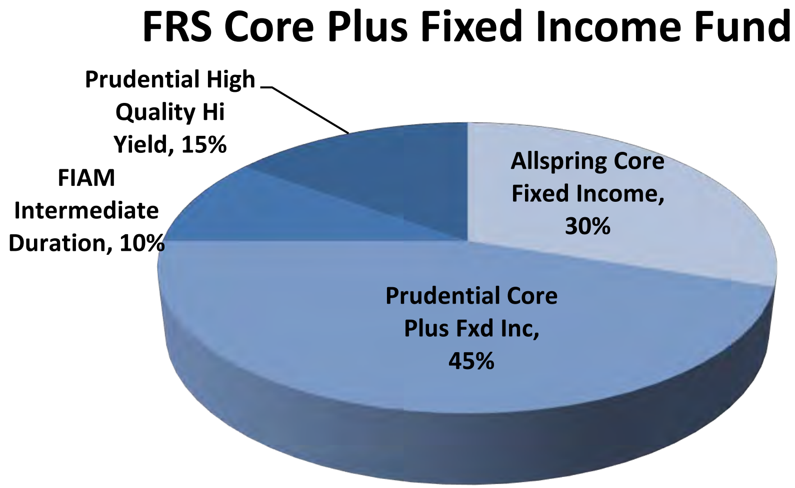
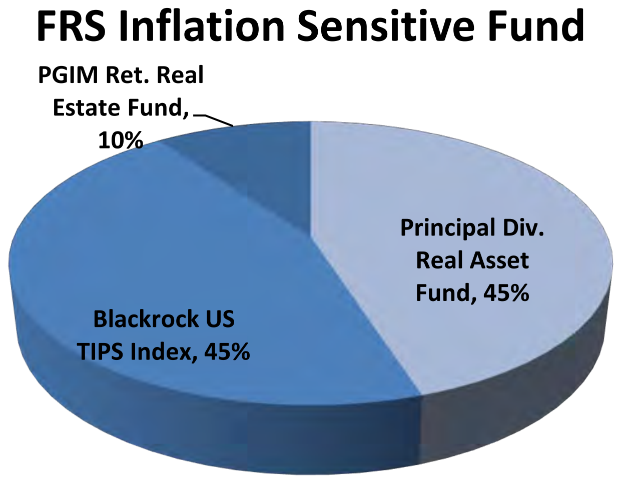
FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(% Allocations by Investment Manager)







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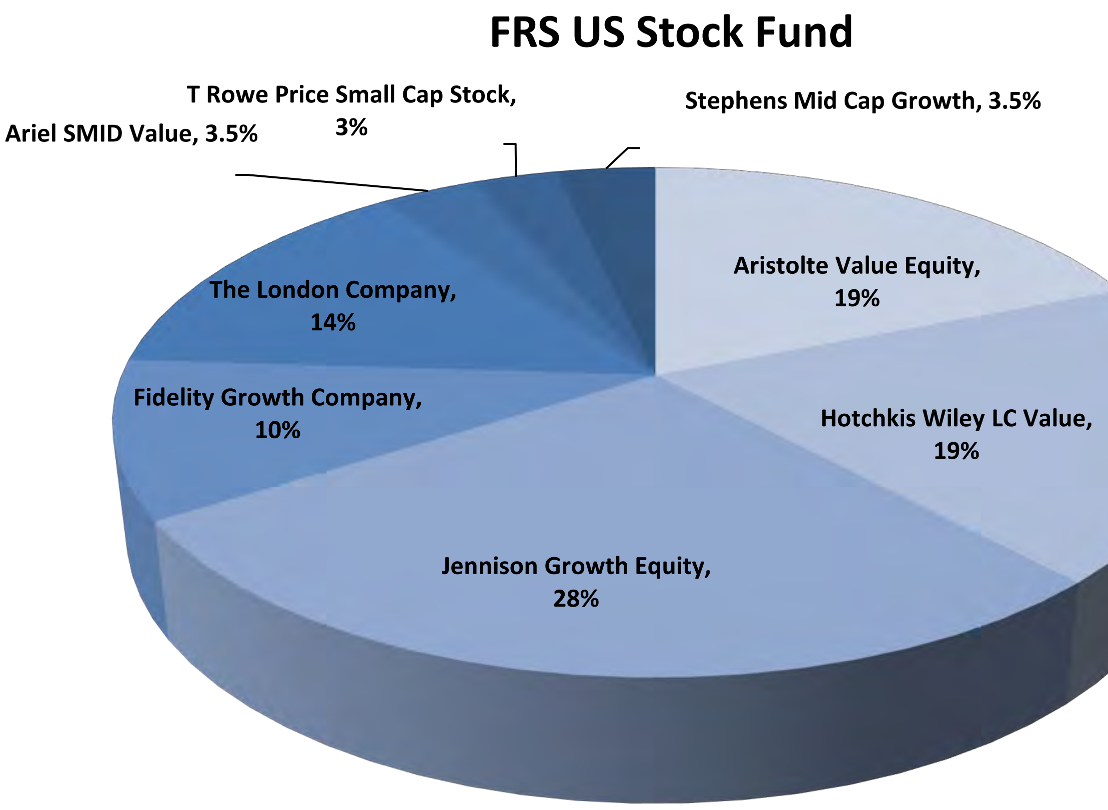
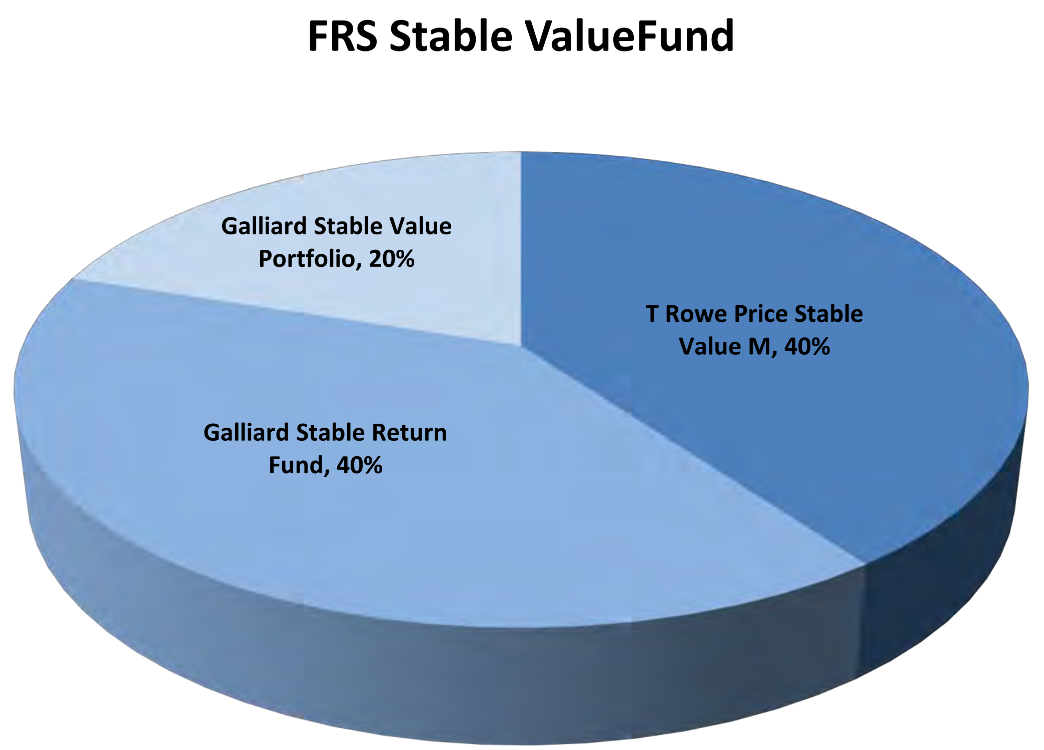
FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(% Allocations by Investment Manager)



FRS INVESTMENT PLAN STABLE VALUE FUND

(Effective 7-1-2021- % Allocations by Investment Manager)



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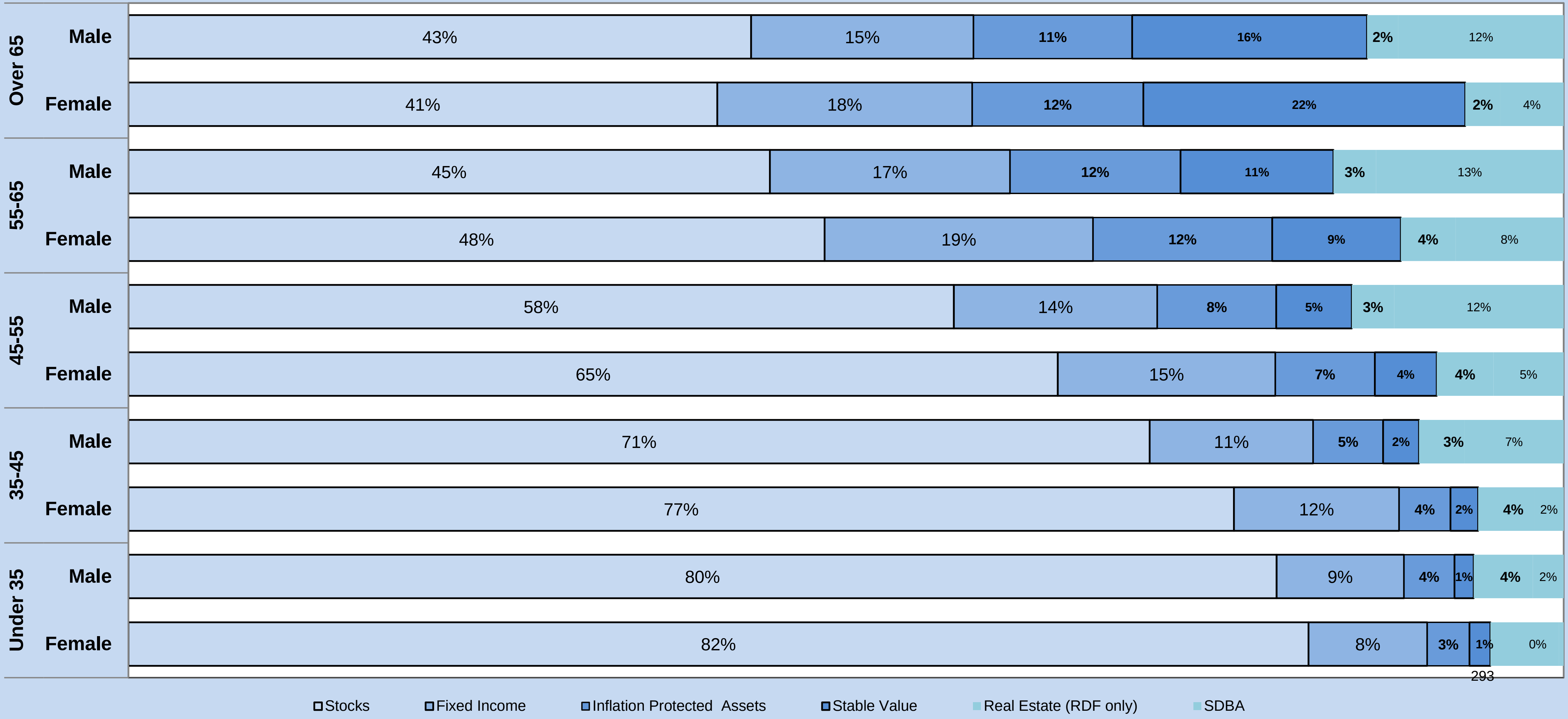
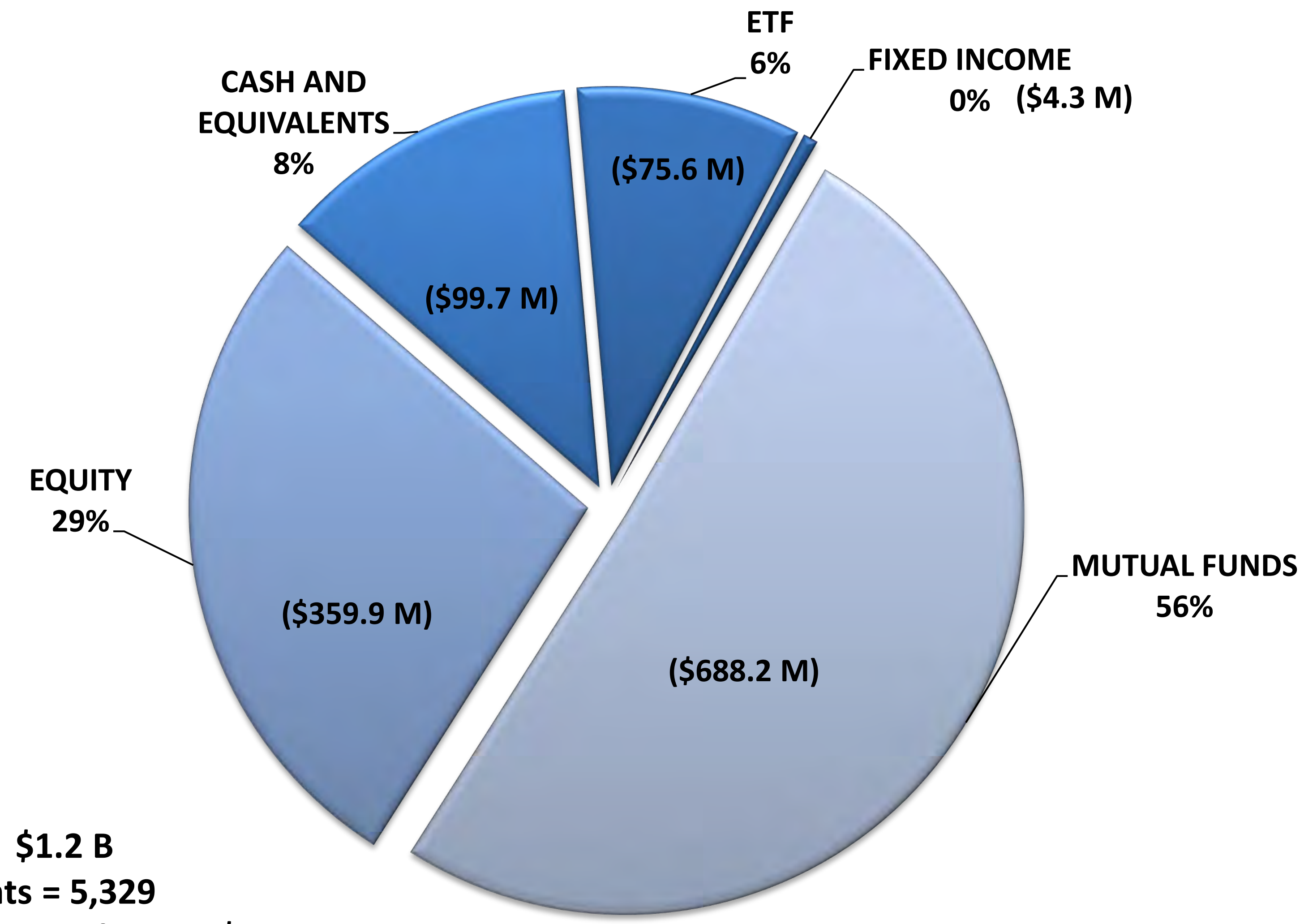
TOTAL FUND ASSET ALLOCATION BY AGE AND GENDER

(as of March 31, 2022)



FRS Investment Plan Self-Directed Brokerage Account

(as of March 31, 2022)



Total Assets = $1.2 B
Active Accounts = 5,329
Average Account Balance = $230,401

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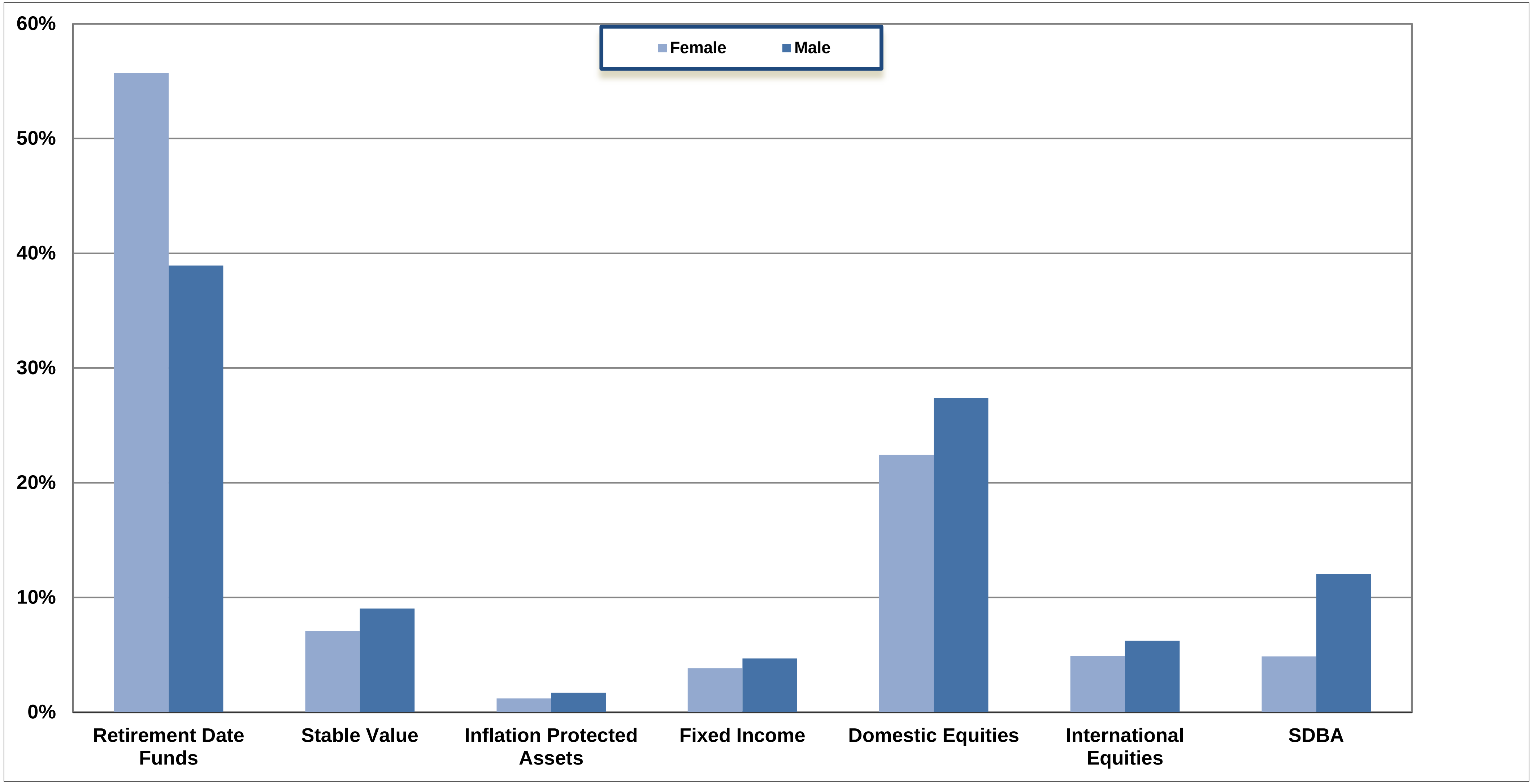
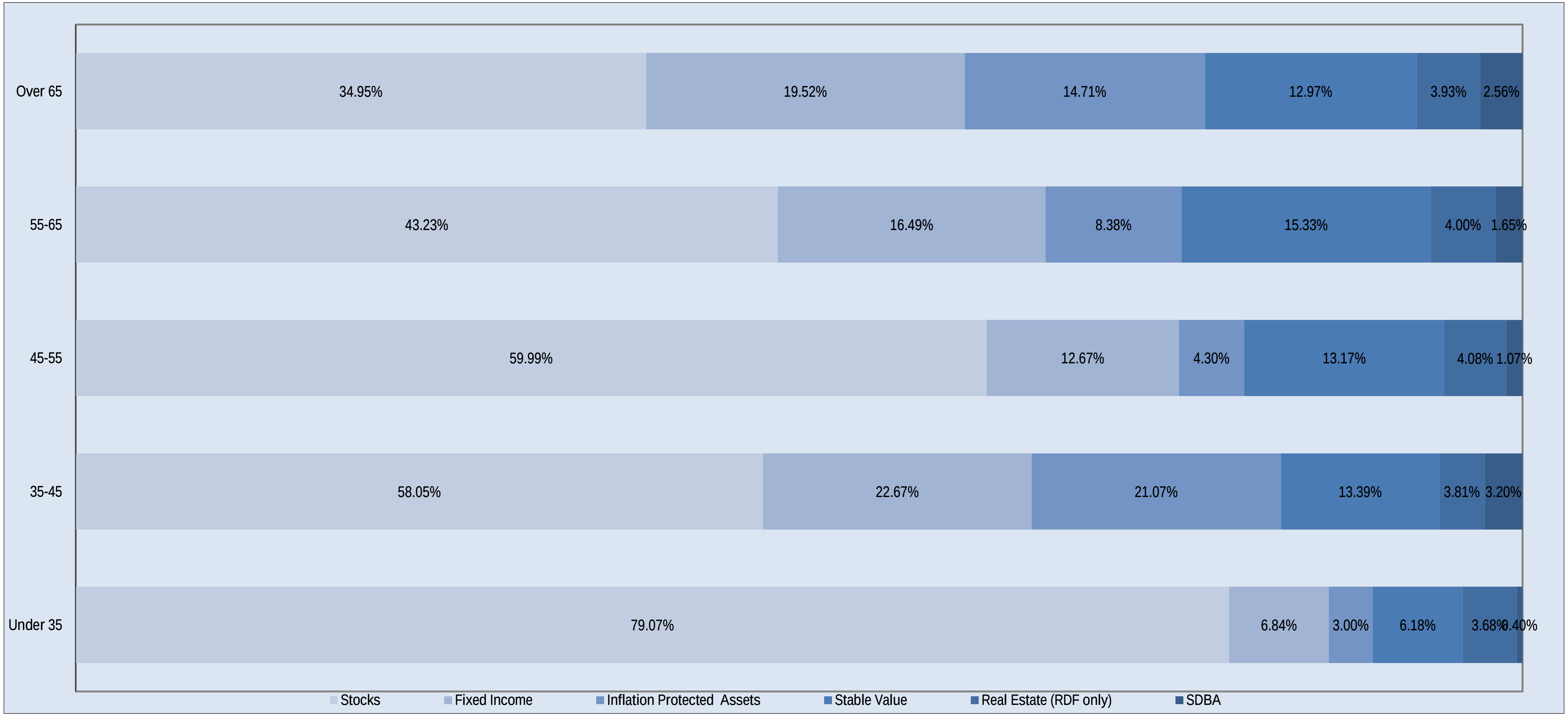
ASSET ALLOCATION BY GENDER

(as of March 31, 2022)



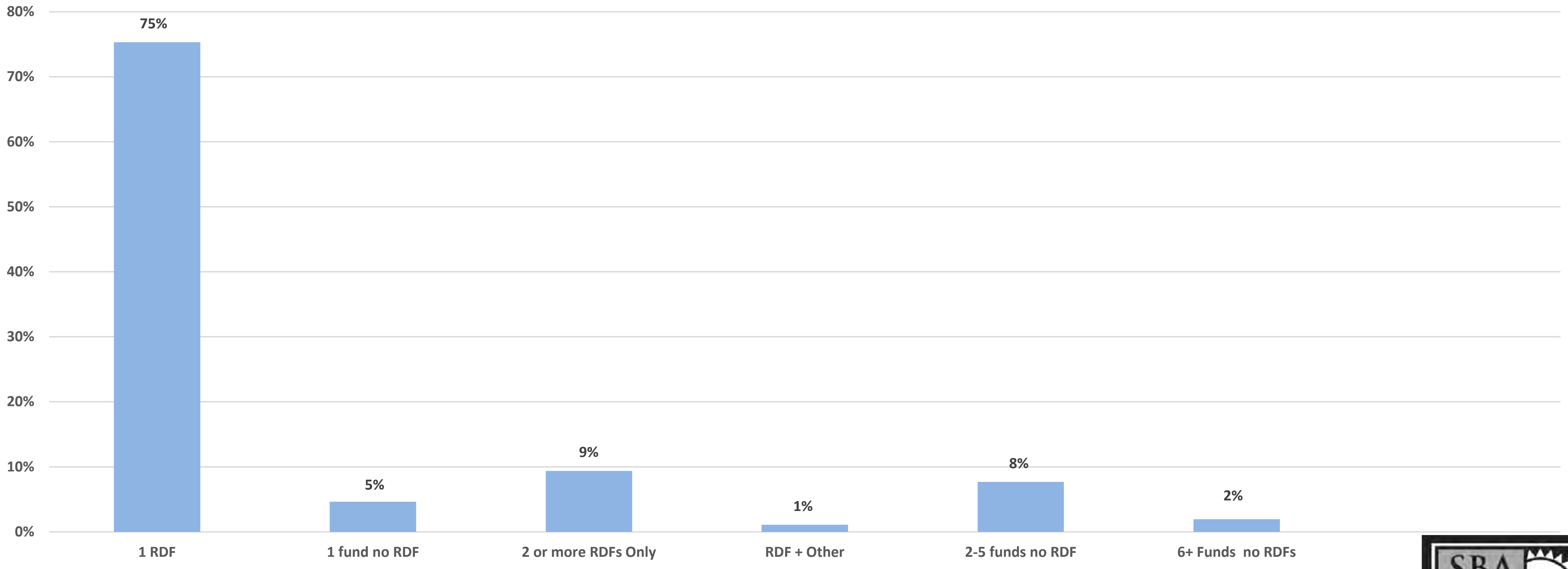
TOTAL FUND ASSET ALLOCATION BY AGE

(as of March 31, 2022)



Member Fund Selection

% of Members
(March 31, 2022)



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Florida State Board of Administration Investment Plan Structure Review

June 28, 2022

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

Empower Results®

Table of Contents

Section 1: Executive Summary

Introduction

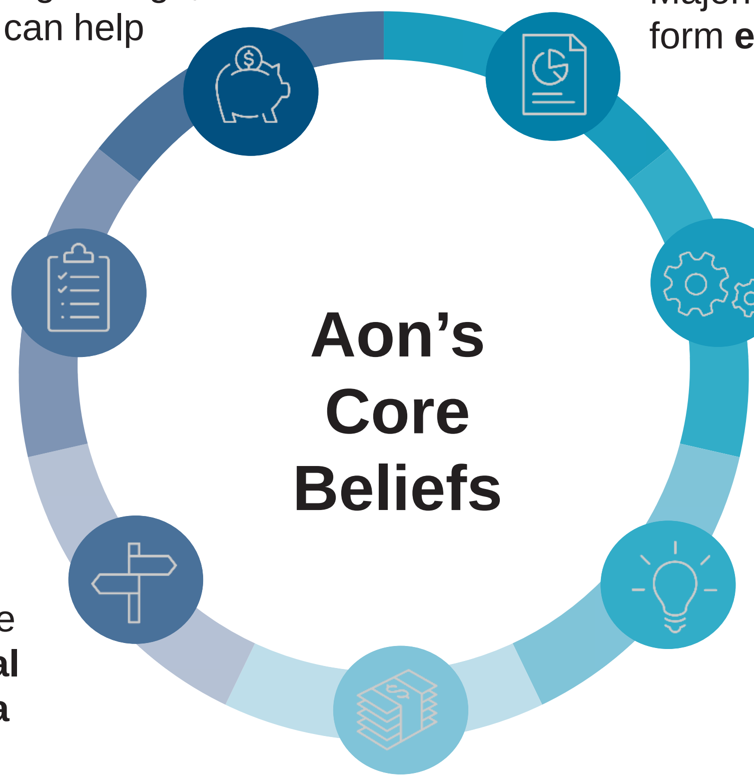
- Aon conducts an annual investment structure review of the FRS Investment Plan
- The 2022 review examines:
  - Investment plan structure
  - Investment manager fees
  - Investment performance
- Over the past few years, the FRS has made several enhancements to the Plan, including:
  - Consolidating the active bond offering into one
  - Consolidating the active U.S. Large Cap and Small/Mid Cap funds into a single active U.S. Stock Fund
  - Renaming the FRS Inflation Sensitive Fund and modifying its allocation
  - Replacing the Money Market Fund with a stable value offering
- Overall, we believe the FRS Investment Plan continues to be well-designed and in-line with industry best practices
  - No recommended changes at this time
- In the coming quarters, Aon will be conducting a deeper dive into the Investment Plan structure with a focus on additional retirement income options and white-label fund manager structuring

Aon's Defined Contribution (DC) Philosophy

Participants aren't saving enough; **Automation** services can help

Majority of participants do *not* form **efficient** portfolios

Governance is critical; including a **focus on Fees**



Investment option structure impacts participant behavior

Investment decisions should be based on **accepted theoretical principles and empirical data**

Simplicity enhances the likelihood of success

Focus on both the **Savings** (accumulation) and **Spending** (retirement) phase of life

Aon's DC Point of View: Streamlined Menu Facilitates Smart Decisions

Smart Design

Understand how employees make decisions should influence plan design and implementation models

Contribution | Automation | **Streamlined choices**

Smart Engagement

Recognize broader financial circumstances and make it easy to make good decisions

Financial wellbeing | **Help Tools** | Responsible Investing

Smart Governance

Follow a process that demonstrates comprehensive plan management

Compliance | **Plan fees** | Fiduciary oversight

2022 Annual Investment Structure Review
Key Observations and Take-Aways

Consideration	Observations	Take-Aways
Investment Structure	• Streamlined structure • Offers custom TDFs • Offers diversified set of options across: - asset type - risk/return - investment styles - investment cost • Appropriate use of white label funds • Offers a number of features to assist in retirement preparation	✓ Investment structure is sophisticated and aligned with best practices ✓ Custom TDFs highly utilized, offering SBA-unique glidepath and custom portfolios that are highly efficient, cost effective and diversified across skilled managers ✓ White-label funds provide flexibility, efficiency and significant benefit to participants ✓ Access to investment advice and brokerage window are favorable features
Plan Costs	• Plan's investment option fees are well-below peer group medians	✓ FRS uses size and reach to offer competitive Plan services to participants ✓ FRS Investment Plan offers participants very competitively priced investment options
Performance	• Performance has generally been strong across asset classes and both short and long-term time periods	✓ Actively managed options have added value over both short and long-term time periods

Section 2: FRS Investment Plan Structure Review

Defined Contribution Industry Investment Design Evolution

- Table below illustrates the general evolution of the DC industry's investment lineup over time
- The FRS Investment Plan has progressed over time and currently falls under a modern lineup

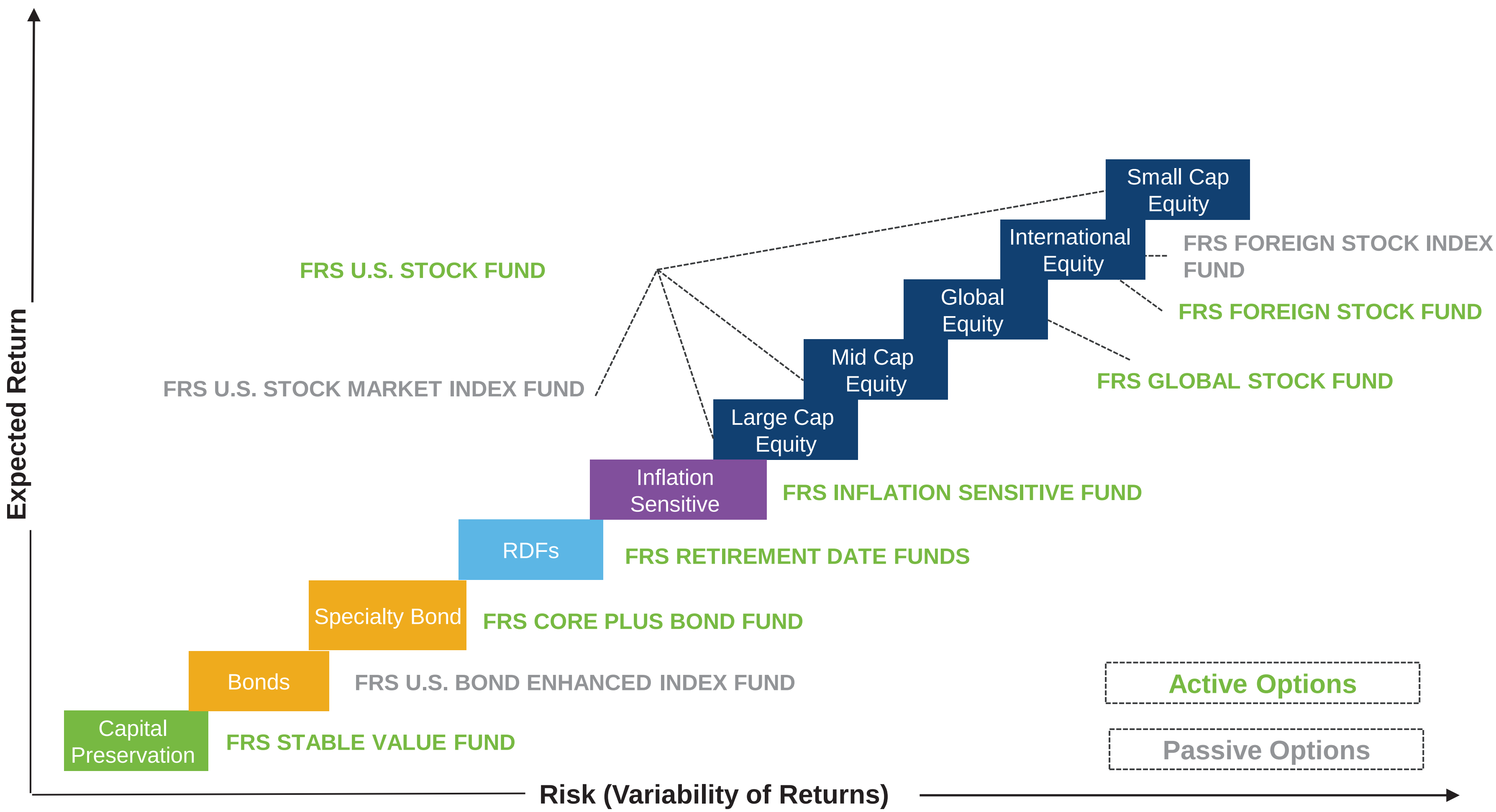
Objectives	Historic Lineup	Modern Lineup	Emerging Lineup
Asset Allocation	Target Date Fund (1) Balanced Funds (3)	Target Date Fund (1)	Target Date Fund (1)
Capital Preservation	Stable Value (1) Money Market (1)	Stable Value (1)	Capital Preservation (1)
Income	Core Bond /Core Plus (3)	Core Bond / Core Plus Bond (2)	Diversified Income (2)
Growth	U.S. Large Cap Growth (2) U.S. Large Cap Value (2) U.S. SMID Cap Growth (2) U.S. SMID Cap Value (2)	U.S. All Cap (2)	Diversified Growth (2)
	Developed Non-U.S. (2) Emerging Markets (2)	Non-U.S. All Cap (2)	
Retirement Income	Retirement Income (1)	Retirement Income (1)	Retirement Income (1)

FRS: Investment Lineup

Tier 1 Professionally Managed/Novice	Tier 2 Cost Aware	Tier 3 Engaged
Target Date Funds FRS Retirement Date Funds	**Fixed Income Index** FRS U.S. Bond Enhanced Index Fund	**Capital Preservation** FRS Stable Value Fund
	U.S. Stock Market Index FRS U.S. Stock Market Index Fund	**Core Plus Fixed Income** FRS Core Plus Bond Fund
	International Index FRS Foreign Stock Index Fund	**U.S. Equity** FRS U.S. Stock Fund
		Non-U.S. Equity FRS Foreign Stock Fund
		Global Equity FRS Global Stock Fund
		Inflation Protection FRS Inflation Sensitive Fund

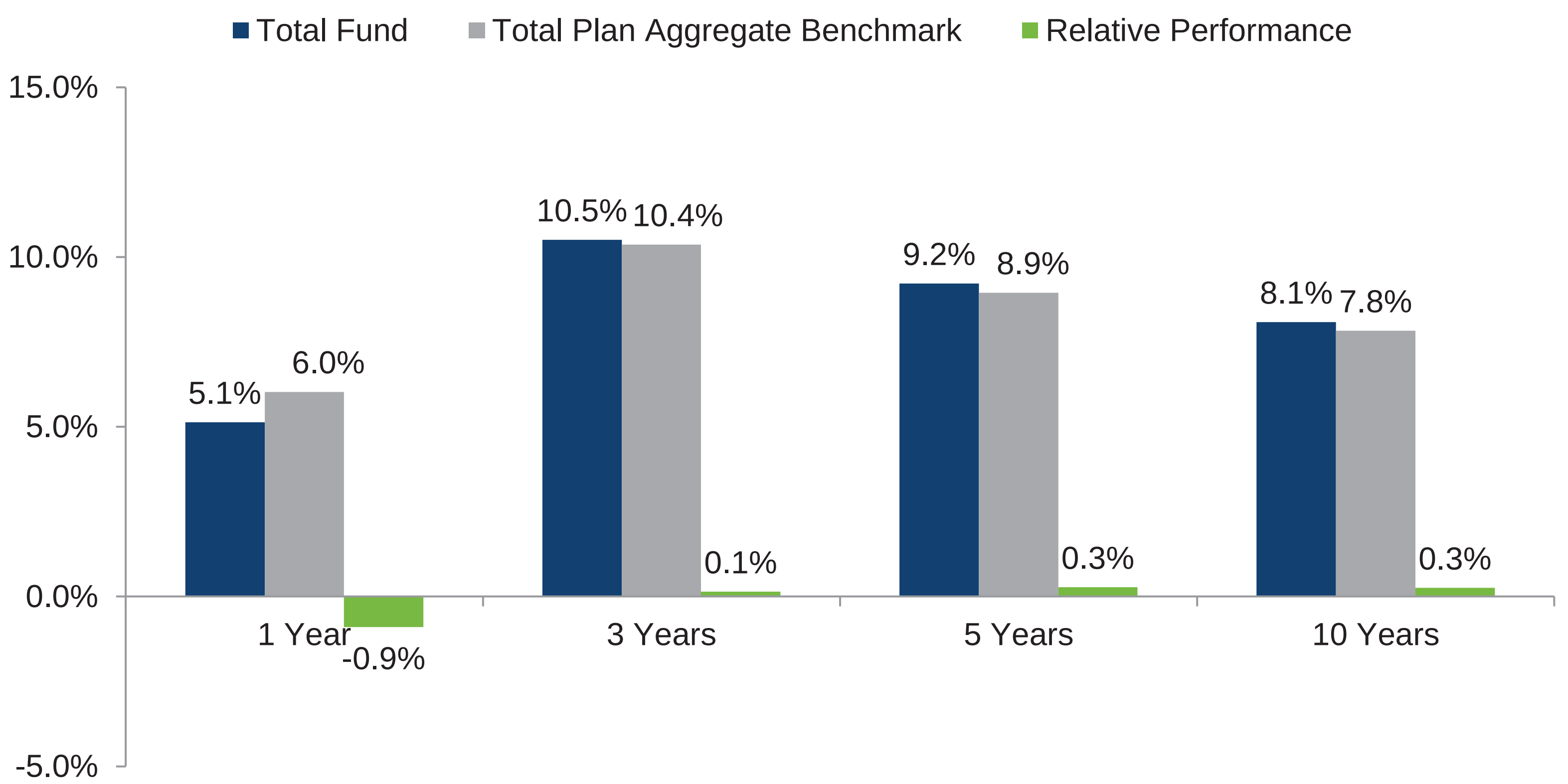
Objective	Observations
Asset Allocation	Customized TDFs a favorable approach
Capital Preservation	Stable value expected to offer higher returns at a similar level of risk compared to money market funds
Income	Streamlined approach facilitating better decision making and consistent across tiers
Growth	Streamlined approach that provides access to global markets and is consistent across tiers
Retirement Income	Protects purchasing power of accumulated savings Explore market trends and viability of additional options

Risk/Return Choice Spectrum



Total Investment Plan Returns

Periods Ending 3/31/2022*



*Returns shown are net of fees. Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights

Investment Option Relative Returns and Ranks

		1 Year		3 Years		5 Years		10 Years	
Asset Class	Fund Option	Relative Performance	Rank	Relative Performance	Rank	Relative Performance	Rank	Relative Performance	Rank
Retirement Date Funds	FRS Retirement Fund	0.1	(1)	0.3	(1)	0.2	(3)	0.3	(30)
	FRS 2020 Retirement Date Fund	0.2	(1)	0.2	(5)	0.2	(12)	0.3	(84)
	FRS 2025 Retirement Date Fund	0.2	(1)	0.2	(19)	0.2	(19)	0.3	(62)
	FRS 2030 Retirement Date Fund	0.2	(1)	0.1	(34)	0.2	(42)	0.2	(53)
	FRS 2035 Retirement Date Fund	0.1	(4)	0.0	(59)	0.2	(61)	0.3	(51)
	FRS 2040 Retirement Date Fund	0.0	(11)	(0.0)	(75)	0.1	(72)	0.2	(70)
	FRS 2045 Retirement Date Fund	(0.2)	(23)	(0.1)	(79)	0.0	(78)	0.1	(78)
	FRS 2050 Retirement Date Fund	(0.2)	(21)	(0.1)	(75)	0.0	(69)	0.2	(88)
	FRS 2055 Retirement Date Fund	(0.1)	(18)	0.1	(73)	0.1	(74)	0.2	(82)
	FRS 2060 Retirement Date Fund	(0.1)	(13)	0.2	(88)	--	--	--	--
Stable Value	FRS Stable Value Fund	--	--	--	--	--	--	--	--
Real Assets	FRS Inflation Sensitive Fund	0.0	--	0.7	--	0.2	--	0.2	--
Fixed Income	FRS U.S. Bond Enhanced Index Fund	(0.0)	(40)	0.1	(66)	0.1	(62)	0.1	(59)
	FRS Core Plus Bond Fund	0.4	(18)	0.5	(32)	0.5	(18)	0.5	(18)
Domestic Equity	FRS U.S. Stock Market Index Fund	0.0	(33)	0.1	(24)	0.1	(26)	0.1	(17)
	FRS U.S. Stock Fund	(5.9)	(72)	--	--	--	--	--	--
Int'l / Global Equity	FRS Foreign Stock Index Fund	(0.7)	(44)	0.0	(41)	0.1	(35)	0.2	(35)
	FRS Foreign Stock Fund	(7.9)	(72)	0.8	(36)	1.2	(24)	1.8	(21)
	FRS Global Stock Fund	(3.3)	(58)	3.9	(14)	4.0	(10)	3.1	(11)

Note: Relative returns shown above are net of fees. The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Fixed Income Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter. The U.S. Stock Fund and the Stable Value Fund were incepted into the Plan in 2020 and 2021, respectively.

Expense Ratio Review

- The below table provides a comparison of the investments in the Plan versus investments of similar size and mandate
- The investment options in the Plan all have reasonable fees compared to similar alternatives
- FRS Investment Plan appropriately uses its size and scale to integrate managers and reduce costs across the core funds and target date funds

Investment Option	Expense Ratio	Peer Median[1]
FRS Retirement Funds	0.10% - 19%	0.27% - 0.43%
FRS Stable Value Fund	0.19%	0.44%
FRS Inflation Sensitive Fund	0.36%	0.35%
FRS U.S. Bond Enhanced Index Fund	0.05%	0.05%
FRS Core Plus Bond Fund	0.19%	0.45%
FRS U.S. Stock Market Index Fund	0.02%	0.04%
FRS U.S. Stock Fund	0.35%	0.87%
FRS Foreign Stock Index Fund	0.03%	0.11%
FRS Foreign Stock Fund	0.46%	0.85%
FRS Global Stock Fund	0.47%	0.90%

[1] Source: Aon's annual mutual fund expense analysis as of 12/31/2020. Dollar weighted median shown for passive mandates.

Investment Plan Summary

Smart Design

- Streamlined menu in line with best practices
- Tiered structure helps guide participant decisions

Smart Engagement

- Custom target date funds heavily utilized
- Strong levels and multiple access points of advice offered

Smart Governance

- Regular review of structure and Plan options
- Competitive costs

Section 3: Trends and Looking Ahead

Private Equity in Defined Contribution Plans

- We believe private equity can improve participant outcomes if structured appropriately
- Most appropriate implementation would be within custom target date or custom white-label funds
- Prefer to see product and administrative/operational development and guidance on governance
- We continue to monitor the landscape and consider viability of PE within the FRS Investment Plan

Benefits	
	• **Enhanced return** above public equity • **Skill-based return** offers diversified sources of return and alpha • **Long-term time horizon** aligns with most participants' objectives

Challenges	
	• **Fee sensitivity** – higher and performance-based fees are often unfamiliar to participants • **Liquidity and vehicle structure** are not conducive to the typical daily liquid options offered in DC plans • PE **cash flow management** can be difficult given the nature of PE investing • **Inability to rebalance** multi-asset portfolios due to illiquid vehicles • **Size and access** may reduce potential benefits of private equity investing • **Performance reporting** is lagged and IRRs are preferred

Retirement Income – Turning DC Assets into Income

Retirement programs need to go beyond accumulating wealth by creating income to last a lifetime

Income Needs are Increasing

Increasing pressure on individuals to fund retirement income because:

- Fewer employers paying for retirement programs coupled with increasing out-of-pocket retiree medical costs
- Changes in Social Security likely, since current benefits are projected to be unsustainable after ~2033 (based on current laws)

Longevity Risk Being Recognized

Need for lifetime income in retirement becoming more visible due to:

- Increasing life expectancies
- Reduced income level and increased lump sum availability from private pensions
- Growing savings in defined contribution plans and product availability

The Business Case is Real

Organizations see a growing need to:

- Address participant needs as a plan fiduciary
- Facilitate retirement to address workforce management concerns
- Support broader employee messages about financial wellness

Smart Design: Tiered Investment Menu Across Spending Phase

Objective
- Asset Allocation
- Capital Preservation
- Income
- Growth
- Retirement Income

	1 Seeking Professional Management	2 Wanting Low Cost Access	3 Looking to Outperform
Savings Phase	Retirement Date Funds	US Bond Enhanced Index	Stable Value
	Advice	US Stock Market Index	Core Plus Bond
	QDIA options can straddle savings and payout phases by including retirement income solutions or managed payout capabilities	Foreign Stock Index	US Stock
			Foreign Stock
			Global Stock
			FRS Inflation Sensitive
Spending Phase	Target Date Funds Built-In Retirement Income	Income Fund (Multi-Asset Class Solution)	Longevity Insurance
	Advice / Managed Accounts Managed Payout—Existing Funds		Deferred Income Annuity
	Annuity		Annuity Purchase Window (Out of Plan Distribution)
	Systematic Withdrawal	Systematic Withdrawal	Systematic Withdrawal

Section 3: Appendix

FRS Asset Allocation as of 3/31/2022

	Market Value ($)	Percent of Total (%)	Participant Count
Tier I: Target Date Funds	**$6,887**	**47.3%**	**238,491**
FRS U.S. Bond Enhanced Index Fund	$238	1.6%	14,707
FRS U.S. Stock Market Index Fund	$1,594	10.9%	39,611
FRS Foreign Stock Index Fund	$286	2.0%	19,955
Tier II: Index Funds	**$2,118**	**14.6%**	**74,273**
FRS Stable Value Fund	$1,172	8.1%	17,980
FRS Inflation Sensitive Fund	$212	1.5%	11,641
FRS Core Plus Bond Fund	$382	2.6%	16,916
FRS U.S. Stock Fund	$2,033	14.0%	38,007
FRS Foreign Stock Fund	$170	1.2%	14,080
FRS Global Stock Fund	$353	2.4%	16,335
Tire III: Actively Managed Options	**$4,321**	**29.7%**	**114,959**
Tier IV: Self-Directed Brokerage Account	**$1,229**	**8.4%**	**5,331**
Total Plan	**$14,555**	**100.0%**	**433,054**

Investment Category Returns and Ranks

Periods Ending 3/31/2022*	1-Year		3-Years		5-Years		10-Years	
Stable Value** *FTSE 3 Month T-Bill*	--	--	--	--	--	--	--	--
Real Assets*** *FRS Custom Real Assets Index*	**13.1** *13.1*	--	**8.0** *7.4*	--	**6.0** *5.8*	--	**3.0** *2.7*	--
Fixed Income *Total Bond Index*	**-3.4** *-3.7*	**(16)** *(27)*	**2.5** *2.0*	**(21)** *(47)*	**2.8** *2.4*	**(15)** *(40)*	**2.9** *2.5*	**(21)** *(45)*
Domestic Equity *Total U.S. Equities Index*	**9.5** *11.6*	**(54)** *(38)*	**16.8** *17.3*	**(40)** *(35)*	**14.4** *14.5*	**(38)** *(36)*	**13.8** *(13.7)*	**(25)** *(26)*
International/Global Equity *Total Int'l / Global Equities Index*	**-1.6** *-0.1*	**(42)** *(33)*	**9.2** *8.6*	**(26)** *(33)*	**8.2** *7.5*	**(21)** *(29)*	**7.5** *6.7*	**(19)** *(30)*

*Returns shown are net of fees

**The Stable Value Fund was incepted into the Plan in 2021.

***The returns for the Real Assets composite uses prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: Composite returns for the Retirement Date Funds and the SDBA are unavailable.

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Reply To: Tallahassee

June 9, 2022

SUMMARY OF STATUTORY COMPLIANCE REVIEW, 2022

This review finds that the Local Government Surplus Funds Trust Fund, Florida PRIME™, (Fund) is in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes.

Scope – The time period reviewed is May 17, 2021 through May 16, 2022.

Methodology – The review included analysis of the applicable statute, interviews with State Board of Administration personnel, review of materials provided by SBA personnel and materials posted to the Florida PRIME™ and State Board of Administration websites.

Additional Specific Findings – Auditor General Report No. Report No. 2022-082 noted no deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses, and no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

The current Investment Policy Statement for the fund was approved by the Trustees on May 4, 2021.

Disclosure: Anne Longman currently serves on the Leon County Research and Development Authority (Authority) Board of Governors, which had some of its funds in a PRIME™ account during the review period. This is an unpaid position, and the Authority's participation in PRIME™ predates her service on its board or as chair. Her analysis, in which the SBA General Counsel concurs, indicates that this relationship does not pose a conflict or compromise the impartiality of this review.

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June 17, 2022

LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND
2022 STATUTORY COMPLIANCE REVIEW

The Local Government Surplus Funds Trust Fund (Trust Fund or Fund) administered by the State Board of Administration (Board) was created in 1977, is governed by Part IV of Chapter 218, Florida Statutes, titled Investment of Local Government Surplus Funds, and is now known as Florida PRIME™.

THE STATUTE

Section 218.405(3), Florida Statutes requires the Trustees of the State Board of Administration, constituted per section 215.44(1) ("Trustees"), to make a two-part annual certification, as follows:

> **The trustees shall annually certify to the Joint Legislative Auditing Committee <u>that the trust fund is in compliance with the requirements of this part</u> and that the trustees have conducted a review of the trust fund and determined that the management of the trust fund is in accord with best investment practices.** (Emphasis added.)

This is the fourteenth annual statutory review of the Fund under section 218.405(3). There were no substantive amendments to Part IV, Chapter 218, Florida Statutes, during the 2022 Legislative session.

SCOPE OF REVIEW

This review addresses the first part of the annual certification and examines whether the Trust Fund, defined at section 218.403(9) as "the pooled investment fund created by Section 218.405 and known as the Local Government Surplus Funds Trust Fund," is "in compliance with the requirements of this part." "This part" refers to Part IV of Chapter 218, Florida Statutes, which includes sections 218.40 – 218.415, Florida Statutes.

The scope of this review is compliance with sections 218.40 – 218.412, Florida Statutes, during the time period May 17, 2021, through May 16, 2022. The remainder of Part IV, Chapter 218 – section 218.415 - covers local government investment policies, which are not within the scope of this review.

The second part of the certification required by section 218.405(3) – the determination that the Fund is in accord with best investment practices – is being performed separately by Aon Hewitt Investment Consulting, Inc.

PURPOSE

As set out at section 218.401, Florida Statutes, the intent of Part IV of Chapter 218 is:

> **[T]o promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes.**

The definition of surplus funds, found at section 218.403(8), includes:

> **[A]ny funds in any general or special account or fund of a unit of local government, or funds held by an independent trustee on behalf of a unit of local government, which in reasonable contemplation will not be immediately needed for the purposes intended.**

By its terms, participation in the Fund is limited to units of local government, defined at section 218.403(11) as:

> **… any governmental entity within the state not part of state government and shall include, but not be limited to, the following and the officers thereof: any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, authority, board, public corporations, or any other political subdivision of the state.**

This broad definition covers not just "any governmental entity…not a part of state government," but also includes authorities, boards and public corporations, and is specifically not limited to the enumerated bodies.

Fund participants are charged by statute with determining whether it is in their interest to participate in the Fund. F.S. § 218.407(2). The Florida PRIME enrollment materials require each participant to certify that it is authorized to invest in the Fund. The enrollment materials advise participants that the SBA is not responsible for independently verifying whether any participant is so authorized.

CREATION, OBJECTIVES

The Trust Fund is created at section 218.405, Florida Statutes,

> **(1) There is hereby created a Local Government Surplus Funds Trust Fund to be administered by the board and to be composed of local government surplus funds deposited therein by units of local government under the procedures established in this part. The board may contract with a professional money management firm to manage the trust fund.**

The Board has contracted with a professional money management firm, Federated Investment Counseling, Inc. (Federated), to manage the Trust Fund.

> **(2) The primary objectives, in priority order, of investment activities shall be safety, liquidity, and competitive returns with minimization of risks.**
>
> **(3) (Certification requirement, cited above)**
>
> **(4) The board may adopt rules to administer the provisions of this section.**

RULES

Both sections 218.405(4) and 218.412 make rulemaking to administer the Trust Fund permissive rather than mandatory. The Board has adopted rules for the Fund at Chapter 19-7, Florida Administrative Code. The majority of these rules were enacted in 1982, with substantial revisions in 2002 and 2010. The Investment Policy Statement (IPS) is also incorporated into SBA Rules. Though not yet incorporated into Chapter 19-7, an amended Investment Policy Statement for the Fund was approved by the SBA Trustees on May 4, 2021. No other changes were made to Chapter 19-7

INTERACTION WITH LOCAL GOVERNMENT AUTHORITIES

Section 218.407 sets out the requirements that must be met before a unit of local government may deposit surplus funds in the Trust Fund:

> **(1) Prior to any determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, the board or a professional money management firm must provide to the governing**

body enrollment materials, including a trust fund profile containing impartial educational information describing the administration and investment policy of the trust fund, including, but not limited to:

(a) All rights and conditions of participation, including potential restrictions on withdrawals.

(b) The historical performance, investment holdings, credit quality, and average maturity of the trust fund investments.

(c) The applicable administrative rules.

(d) The rate determination processes for any deposit or withdrawal.

(e) Any fees, charges, penalties, and deductions that apply to the account.

(f) The most recently published financial statements or independent audits, if available, prepared under generally accepted accounting principles.

(g) A disclosure statement for signature by the appropriate local government official.

The Board, with Federated, has created enrollment materials which include a Trust Fund profile and education information which appear to be impartial and to accurately describe the administration and investment policies of the Trust Fund and which meet the specific requirements of the above section.

All materials are provided to participants and potential participants at the Board's web site: www.sbafla.com at the Florida PRIME link, or directly at www.sbafla.com/prime. The New Participant Enrollment Guide, the current Investment Policy Statement, the Earnings Allocation description and the applicable rules are included under the "Enrollment Materials" tab, as are two form documents that must be executed by a new participant: the Disclosure Statement and the Authorizing Resolution. These materials track the statutory information required by section 218.407(1) cited above, and were last updated on April 7, 2018, to reflect the most recent statutory changes.

(2) Upon review of the enrollment materials and upon determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, a resolution by the governing body and the signed acceptance of the disclosure statement by the local government official, who may be the chief financial or administrative officer of the local government, shall be filed with the board and, if appropriate, a copy shall be provided to a professional money management firm authorizing investment of its surplus funds in the trust fund established by this part. The resolution shall name:

> **(a) The local government official, who may be the chief financial or administrative officer of the local government, or**
>
> **(b) An independent trustee holding funds on behalf of the unit of local government, responsible for deposit and withdrawal of such funds.**

Section 218.407 was substantially amended in 2008 to include the safeguards set forth in paragraphs (1) and (2) above. Most of these requirements are intended to assure that the participant is fully informed about the nature, purpose, stability and processes of the Fund. Signed disclosure statements are on file for all participants in the Fund who have enrolled since the 2008 amendment; and all Fund participants have putative and actual knowledge of the information included in the disclosure statement, through the Monthly Summary Reports and materials posted to the website.

> **(3) The board or a professional money management firm shall, upon the filing of the resolution, invest the moneys in the trust fund in the same manner and subject to the same restrictions as are set forth in s.215.47. All units of local government that qualify to be participants in the trust fund shall have surplus funds deposited into a pooled investment account**

Section 215.47, Florida Statutes details the types of investments permitted for all Board funds, including Florida PRIME. Pursuant to section 218.409(2)(a), the Fund also must be invested in accordance with the current written investment policy, which must be updated annually. Part two of the certification required by section 218.405(3), being conducted by Aon Hewitt Investment Consulting, Inc., determines whether the Fund's management is in accord with best investment practices and whether the specific holdings of the Fund are in accord with all statutory requirements including section 215.47 (cross-referenced in 218.405(3)) as implemented in the current PRIME Investment Policy Statement.

ADMINISTRATION OF THE TRUST FUND

> **218.409 Administration of the trust fund.**—
>
> **(1) Upon receipt of the items specified in s. 218.407 from the local governing body, the board or a professional money management firm shall accept all wire transfers of funds into the trust fund. The board or a professional money management firm shall also wire-transfer invested local government funds to the local government upon request of the local government official named in the resolution.**

A clearing account maintained by Bank of America, which is a qualified public depository, accepts money transmitted to the Board and transfers to BNY Mellon, as the custodian. On April 12, 2022, SBA issued an Invitation to Negotiate for Treasury/Banking and/or Custody Services. The evaluation of responses to the ITN is ongoing and will be completed outside the review period of this report.

> **(2)(a)The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The investment policy shall be updated annually to conform to best investment practices. The standard of prudence to be used by investment officials shall be the fiduciary standards as set forth in s. 215.47(10), which shall be applied in the context of managing an overall portfolio. Portfolio managers acting in accordance with written procedures and an investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this part.**

The Board administers the Trust Fund on behalf of the participants and handles accounting, statements, monthly reporting and compiling and maintaining enrollment materials, and has contracted with professional money management firm Federated to act as the Investment Manager and to invest the Trust Fund funds in accordance with the Investment Policy Statement. Federated also interacts with participants to answer inquiries and facilitates Standard and Poor's ratings. BNY Mellon acts as custodian of all assets of the Fund, processes all trades made by Federated, and does valuation and pricing for the Fund. The Investment Policy Statement has been updated and approved by the Trustees effective May 4, 2021. It is posted at the Fund website tab "Risk Management and Oversight," and at the "Enrollment Materials" tab as a separate item and as part of the New Participant Enrollment Guide.

> **(2)(b) Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business on behalf of the trust fund. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the board.**

All Board employees are required to complete training to ensure that Board officers and employees involved in the investment process are able to recognize and avoid personal business activity that could conflict with the Trust Fund program or impair their ability to make impartial decisions. Human Relations notifies the Inspector General of any training non-compliance, and the Inspector General ensures that all required employee training for the cycle is completed.

A course cycle, which was updated in 2021 for cybercrime awareness and for the implementation of new technology (discussed below), sets out when mandatory employee training courses must be completed. Cybercrime and Cybersecurity Awareness, Ethics, Harassment Prevention, Incident Management Framework, Insider Trading, and Personal Investment Activity training are required every year; Public Records and Sunshine Law training are required every two years; and Fiduciary Duties training is required every four years. New SBA employees are required to take all mandatory courses at the time they start working for the SBA. All required courses for the fiscal year rotation were completed for the review period, notwithstanding any changes in regular operations attributable to COVID-19.

SBA_Employees and investment officials are required to disclose material interests in financial institutions with which they also conduct Trust Fund business, and any personal financial or investment positions that could be related to performance of the Trust Fund portfolio. The Inspector General assures that any trading or investment activity by individual employees complies with applicable policies.

Policy 10-041 establishes a set of internal controls governing personal investment activity, and applies to all SBA employees, including OPS employees and interns. Policy 10-041 was substantially updated effective December 1, 2021, in conjunction with SBA's recent implementation of the StarCompliance Personal Investment Compliance (PIC) system. The PIC system provides automated pre-clearance of personal trades and a standardized method to report and certify Covered Accounts and holdings, including private investments. SBA employees are now required to submit pre-clearance requests in the PIC system, and receive approval prior to trading in any securities, as defined by Section 2(a)1 of the Securities Act of 1933, except certain exempt securities or assets (e.g., FDIC money markets, municipal bonds, insurance products, etc.). (*See* SBA Policy 10-041, *Definitions*, p. 4-6.) Risk Management & Compliance offered two agency-wide training sessions prior to the implementation of the StarCompliance system. A recording of the training was also made available on SBA's "WorkSmart Portal" for employees who could not attend either of the training sessions in person.

Additional substantive revisions to Policy 10-041 took effect December 1, 2021, including a change to the threshold for disclosing material ownership interests in financial institutions or investment organizations with which they conduct business on behalf of the SBA. Prior to the December 2021 revisions, employees were required to disclose a material ownership interest valued at $20,000 or greater. Effective December 1, 2021, the ownership interest amount was changed to 5% or greater and must be reported within 15 calendar days of acquisition.

Policy 10-044 addresses insider trading. The policy was revised in December 2021 to include a policy on material nonpublic information. "Material" information, as it relates to securities transactions, is defined generally as information for which there is a substantial likelihood that a reasonable investor would consider it important in making his or her investment decisions, or information that is reasonably certain to have a significant effect on the price of a company's securities. Information is "nonpublic" until it has been effectively communicated to the marketplace and it can be demonstrated that the information is generally public.

Effective December 1, 2021, Policy 10-044 requires SBA employees to report material nonpublic information through the StarCompliance system. The information is then sent immediately to the Chief Risk & Compliance Officer for review. This information is used to maintain a "Restricted List" of securities, which are ineligible for trading by SBA employees on behalf of SBA funds or personal accounts, without prior written approval from the Chief Risk & Compliance Officer.

The Board has developed a process and document to be used by professional money manager Federated to certify that it operates in compliance with applicable ethics requirements. Federated Hermes Inc. Chief Compliance Officer, Stephen Van Meter and Chief Investment Officer for Federated Investment Counseling, Global Liquidity Markets, Deborah A. Cunningham, executed certifications of Compliance with Ethics Principles on January 11, 2022 and January 5, 2022, respectively.

> **(2)(c) The board or a professional money management firm and all employees have an affirmative duty to immediately disclose any material impact to the trust fund to the participants. To ensure such disclosure, a system of internal controls shall be established by the board, which shall be documented in writing as part of the investment policy. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls shall also include formal escalation reporting guidelines for all employees. The guidelines shall establish procedures to address material impacts on the trust fund that require reporting and action.**

Policy 10-040 (Ethics) provides comprehensive ethical requirements for all employees of the SBA, including PRIME, which are more stringent than the statutory requirements under Chapter 112, Part III, Florida Statutes. SBA management and staff have an affirmative duty to immediately escalate and report directly to the Executive Director & CIO, the Inspector General, or the General Counsel any "employee or contractual party fraud or misconduct (whether actual or suspected), employee or contractual party material error that adversely affects SBA or client assets or interests, misrepresentation or omission of material information in internal and external reporting and client communications, and violations of laws, rules or SBA policies." The Inspector General then is required to investigate.

Policy 10-040 was revised effective December 1, 2021. In order to remain consistent with Policy 10-041, the ownership threshold for a material interest in financial institutions and investment organizations was changed from $20,000 to 5%. The definition of Primary Staff under Policy 10-040 was also revised. The policy requires Primary SBA Staff involved in the selection or disposition of an investment manager/investment fund or the direct acquisition or disposition of a private market real estate investment to execute the appropriate Conflict of Interest Certification. Effective December 1, 2021, Primary SBA Staff includes all of the following: individuals participating in the search and making the final evaluation and recommendation of the investment partner or manager, their supervisor, if applicable, the related Senior Investment Officer, the Deputy Chief Investment Officer, and the Executive Director & CIO.

The SBA internet and intranet home pages include an employee toll-free fraud hotline number which allows employees to anonymously report any concerns with regard to any aspect of SBA functions, including the Trust Fund. This number is also included in all contracts with external service providers, in order to report any potential problems in these relationships. The hotline is operated by an independent company and is available 24 hours a day, 7 days a week. The Inspector General receives any reports from the hotline and copies these to the Chief Risk and Compliance Officer. There were no fraud reports to the hotline number during the review period.

The Investment Policy Statement at Section IX, Controls and Escalation Procedures, imposes extensive reporting, monitoring and escalation requirements on the executive director, all employees, the Fund custodian, the Investment Manager, an independent investment consultant and any third party used to materially implement the Fund. The IPS requires the Executive Director to develop policies and procedures to maintain an appropriate and effective risk management and compliance program, which identifies, evaluates and manages risks within business units and at the enterprise level. The Executive Director is required to appoint a Chief Risk and Compliance Officer, whose selection, compensation, and termination are to be affirmed by the Board. This position assists the Executive Director in fulfilling the Controls and Escalation Procedures, and has been staffed in accordance with SBA policy.

Also in accordance with the IPS, the Executive Director has organized an Investment Oversight Group (IOG) to regularly review, document and formally escalate compliance exceptions and events that might have a material impact on the Trust Fund. The minutes of its meetings, with a list of participants, are posted to the Fund website. The IOG meets and reports monthly to the Executive Director.

As discussed below, the Auditor General conducts an annual Financial Audit of PRIME, and the IPS requires the audit to include testing for compliance with the IPS, pursuant to Florida law. The most recent Financial Audit (Report No. 2022-082, January 2022) is available on the Florida PRIME website under the tab, "Audits."

The IPS also requires the Trustees to review and approve management summaries of material impacts on the Fund and any actions or escalations, along with any required actions thereon. The Monthly Summary Reports, which are provided on the website, constitute these management summaries. (See further discussion on the contents of this Report under section 218.409(6).) As reflected in the quarterly reports to the Joint Legislative Auditing Committee, the Trustees have reviewed and approved the monthly summary reports.

The safeguards summarized above indicate stringent standards of education, review and disclosure designed to prevent the loss of funds from fraud, error, misrepresentation, market changes or imprudent actions by the Board or a money manager, and have ensured the Trust Fund is administered in accordance with what is required by statute.

> **(2)(d) The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.**

Amendments to the Investment Policy Statement were adopted and endorsed by the Investment Advisory Council and approved by the Trustees, effective May 4, 2021. Some substantive changes to the IPS were included in the amendment, which were included in the 2021-22 legal review period. The IPS is currently under review and no changes have been made since the 2021 PRIME legal review.

> **(3) The board or a professional money management firm may purchase such surety or other bonds as may be necessary for its officials in order to protect the trust fund. A reserve fund may be established to fulfill this purpose. However, any reserve must be a portion of the management fee and must be fully disclosed, including its purpose, in the enrollment materials at the time a unit of local government considers participation. Further, any change in the amount to be charged for a reserve must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new reserve charge being imposed.**

No surety or other bonds have been purchased to protect the Trust Fund, and there is no reserve fund.

(4) The board or a professional money management firm shall purchase investments for a pooled investment account in which all participants share pro rata in the capital gain, income, or losses, subject to any penalties for early withdrawal. Any provisions for penalties, including their purpose, must be disclosed in the enrollment materials. Any change in the amount to be charged for a penalty must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new penalty charge being imposed. A system shall be developed by the board, and disclosed in the enrollment materials, subject to annual approval by the trustees, to keep account balances current and to apportion pooled investment earnings to individual accounts.

All participants in the Trust Fund share pro rata in all capital gains, income or losses, as set out in the Description of Investment Pool Earnings Allocation, posted to the website. This system is designed to keep account balances current and to apportion pooled investment earnings to individual accounts.

(5) The board shall keep a separate account, designated by name and number of each participating local government. A maximum number of accounts allowed for each participant may be established by the board. Individual transactions and totals of all investments, or the share belonging to each participant, shall be recorded in the accounts.

Separate accounts are kept for each participant. The Board has not established a limit on the number of accounts a participant may have.

(6)(a)The board or a professional money management firm shall provide a report, at a minimum monthly or upon the occurrence of a material event, to every participant having a beneficial interest in the trust fund, the board's executive director, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The report shall include:

1. Reports of any material impacts on the trust fund and any actions or escalations taken by staff to address such impacts. The trustees shall provide quarterly a report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports and actions taken, if any, to address any impacts.

2. A management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month. This management summary shall be prepared in a manner that will allow anyone to ascertain whether investment activities during the reporting period have conformed to investment policies. Such reporting shall be in

> **conformance with best market practices. The board or a professional money management firm shall furnish upon request the details of an investment transaction to any participant, the trustees, and the Investment Advisory Council.**

A document titled "Monthly Summary Report" is produced monthly and made available at the Florida PRIME website to address the above requirements. The most recent Monthly Summary Report was posted for April 30, 2022.

The quarterly reports of the Trustees to the Joint Legislative Auditing Committee showing that the Trustees have reviewed and approved the monthly reports and taken responsive action, per the above, are memorialized in the agendas of the meetings of the Trustees of the State Board of Administration, posted to the SBA website.

> **(6)(b) The market value of the portfolio shall be calculated daily. Withdrawals from the trust fund shall be based on a process that is transparent to participants and will ensure that advantages or disadvantages do not occur to parties making deposits or withdrawals on any particular day. A statement of the market value and amortized cost of the portfolio shall be issued to participants in conjunction with any deposits or withdrawals. In addition, this information shall be reported monthly with the items in paragraph (a) to participants, the trustees, and the Investment Advisory Council…**

The market value of the Fund portfolio is calculated daily by BNY Mellon and posted on the website the next day. The Information Statement and Operating Procedures, posted to the website as part of the New Participant Enrollment Guide, sets out the operating procedures for the Fund, including hours of operation, holidays and timing of transactions. These procedures are transparent and appear to ensure, to the extent possible, that disadvantages do not occur to parties making deposits or withdrawals on particular days, as each participant has equal access to the transaction system. A statement of the market value and amortized cost of the portfolio is available at all times to participants on the website, and participants receive monthly individual account statements.

> **…The review of the investment portfolio, in terms of value and price volatility, shall be performed with practices consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."**

Compliance with the above part of section 218.409(6)(b) will be determined in part two of the annual certification, conducted by Aon Hewitt Investment Consulting, Inc.

> **…Additional reporting may be made to pool participants through regular and frequent ongoing multimedia educational materials and communications, including, but not limited to, historical performance, investment holdings, amortized cost and market value of the trust fund, credit quality, and average maturity of the trust fund investment.**

Additional materials are available on the Trust Fund website and are provided through the monthly reports. Board staff are available for direct communication with participants for any questions regarding their accounts.

> **(7) Costs incurred in carrying out the provisions of this part shall be deducted from the interest earnings accruing to the trust fund. Such deductions shall be prorated among the participant local governments in the percentage that each participant's deposits bear to the total trust fund. The remaining interest earned shall be distributed monthly to participants according to the amount invested. Except for costs, the board or a professional money management firm may not transfer the interest or use the interest for any other purpose, including, but not limited to, making up investment losses.**

The above statutory requirement was present in the law before the 2008 revisions and has been discussed in previous reviews because it is theoretically problematic: If fund investment values were to decline sufficiently in a given month, there would be no interest from which to pay costs, and the literal requirements of this provision could not be met within a given month. Staff has reviewed this issue and updated last year's analysis in the following statement:

> The Florida PRIME total expense ratio is approximately 3.16 basis points (or 0.0316%), with the SBA's portion of the total fees equal to 1.0 basis point (or 0.01%). Historical asset levels with an average annual balance of $15.1 billion over the last 5 years have been more than sufficient to generate adequate fees to cover all administrative, operational, compliance and investment management charges. All pool charges have continued to be reported within the Monthly Summary Report, including the actual monthly line-item fees.

> **(8)(a)The principal, and any part thereof, of each and every account constituting the trust fund shall be subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action shall be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the**

Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures prior to the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.

In the time period covered by this review, the principal of all accounts in the Trust Fund has been paid at any time requested by a participant and there have been no events causing the Executive Director to limit contributions or withdrawals.

(8)(b) An order to withdraw funds may not be issued upon any account for a larger amount than the share of the particular account to which it applies; and if such order is issued, the responsible official shall be personally liable under his or her bond for the entire overdraft resulting from the payment if made.

In the time period covered by this review, there have been no orders to withdraw funds for a larger amount than the share of a particular account.

(9) The Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The completed audit shall be provided to the participants, the board, the trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee. As soon as practicable, but no later than 30 days after completion of the audit, the trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the audit of the trust fund and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates.

The Auditor General annual financial audit of the Trust Fund, Report No. 2022-082, for the fiscal years ended June 30, 2021 and June 30, 2020 was completed in January 2022. The audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses. The report noted no instances of noncompliance or other matters required to be reported under Government Auditing Standards, and included as audit objectives determining if the SBA had complied with various provisions of laws, rules, contracts, the IPS, and other guidelines that are material to the financial statements.

AUTHORIZATION TO PROVIDE ASSISTANCE

218.411 Authorization for state technical and advisory assistance.

(1) The board is authorized, upon request, to assist local governments in investing funds that are temporarily in excess of operating needs by:

(a) Explaining investment opportunities to such local governments through publication and other appropriate means.

(b) Acquainting such local governments with the state's practice and experience in investing short-term funds.

(c) Providing, in cooperation with the Department of Economic Opportunity, technical assistance to local governments in investment of surplus funds.

(2) The board may establish fees to cover the cost of such services, which shall be paid by the unit of local government requesting such service. Such fees shall be deposited to the credit of the appropriation or appropriations from which the costs of providing the services have been paid or are to be charged.

The education offerings of the Fund have been discontinued, and there have been no instances of the SBA providing technical assistance to a fund participant in this review period.

218.412 Rulemaking authority.—

The board may adopt rules as it deems necessary to carry out the provisions of this part for the administration of the trust fund.

As noted above, the Board has adopted rules for the administration of the Fund at Chapter 19-7, Florida Administrative Code.

OTHER SECTIONS OF PART IV, CHAPTER 218

Part IV of Chapter 218, Florida Statutes covers other facets of investment of local government funds, such as local government investment policies (Section 218.415.) Because this review, as mandated by Section 218.405, is of the pooled investment fund created by 218.405 only, these sections are not a part of this review.

CONCLUSION

Based on the foregoing, this review finds that the Local Government Surplus Funds Trust Fund, Florida PRIME is in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes.

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Florida PRIME™ Best Practices Review

Florida State Board of Administration (SBA)

June 2022

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Table of Contents

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Executive Summary

Aon Investments (Aon) conducts a Best Practices Review of Florida PRIME on an annual basis. In this report, we review the 2022 Participant Survey responses, provide an update on the Business Case Review, highlight proposed money market reforms and recap the annual Investment Policy Statement Review.

Based on our review, we continue to believe that Florida PRIME is being managed in a manner consistent with best practices and in consideration of participants' best interests. We do not have any recommendations at this time.

2022 Participant Survey Highlights

On a regular basis, the SBA conducts a survey of Florida PRIME participants to gain a better understanding of the participant base, current usage of available services, and overall satisfaction. The survey also seeks to gauge interest in various enhancements and to ensure awareness of participant needs and preferences.

During the release of the 2022 survey, the building the SBA resides in went through a server migration which disabled the automatic listserv that automatically sent reminder emails to participants to take the survey. As a result of the reminder emails not being sent, the 2022 survey received only 11 responses which is significantly lower than the typical response rate (for reference, 70 participants responded to the 2021 survey).

Aon reviewed the 11 responses from the 2022 survey and while they are generally in line with historical responses, we do not feel it is appropriate to summarize the responses from the low sample size as representative responses of the broader FL PRIME participant group. The SBA plans to re-launch the survey in the Fall of 2022 to seek a greater response rate.

The FL PRIME survey results have historically been positive from both operational and service-related perspectives. Generally, the past surveys have indicated a strong level of satisfaction with the management of the Florida PRIME portfolio with the majority of respondents over time having indicated that they are very or extremely likely to recommend Florida PRIME to a colleague or other governmental investor. We continue to believe the survey is a great mechanism to obtain feedback from Florida PRIME participants, as well as to express the SBA’s awareness and receptiveness to the participant’s needs and wants. An update to the survey responses will be provided in the next annual review.

Florida PRIME Business Case Review Update

The SBA initiated a business case review of FL PRIME as described in the Florida PRIME Strategic Plan in 2019. The business case review is intended to evaluate the case for insourcing and/or outsourcing all or a portion of the pool's administration, management and investment services. The ultimate goal of the Business Case Review is to ensure that the FL PRIME program is being administered in the most efficient way possible while providing the greatest security and value to current and potential participants.

Business Case Review Status Update

As a reminder, the pandemic that hit in 2020 put the FL PRIME Business Case Review on pause for a period of time as the SBA prioritized other critical functions and needs. The FL SBA re-engaged with the Review in the Fall of 2021. During the October 2021 meeting, it was identified that the commercial banking relationship that the SBA has with Bank of America, which provides banking and custody services for FL PRIME, among other asset pools, needed to be re-bid. Given that the banking relationship is central to the FL PRIME operations, it was determined that the intent to negotiate (ITN) for these services should be prioritized in fiscal year 2022, and before additional servicing reviews are evaluated. Following completion of the commercial banking selection, the SBA plans to re-visit potential outsourcing opportunities as part of the Business Case Review.

Intent to Negotiate (ITN) for Treasury/Banking Services and/or Custody/Safekeeping Update

The ITN was drafted and issued in mid-March 2022. The SBA's timeline indicated finalists would be selected before the end of April. At the time of this report, the SBA had plans to meet with respondents during the second week of June with plans for the Evaluation Team to announce their recommendation as a result of the ITN later in the week.

Background

Florida PRIME currently outsources the investment management to Federated Investment Counseling ("Federated") to manage the pool's assets in accordance with the Investment Policy Statement. Federated also conducts investment related risk management procedures and reporting to ensure compliance and the safety of pool assets.

The Florida SBA handles all other services in house for administering the FL PRIME program. These responsibilities and services are broadly defined below:

- *Administration*: recordkeeping, trade execution, position monitoring and reporting
- *Client Service*: call center, website/user interface, participant communication and experience
- *Risk Management and Compliance*: policies and guidelines, monitoring, reporting, escalation procedures, participant communication, business continuity

Business Case Review Progress

The SBA began the Business Case Review (the Review) in the fall of 2019. The initial work was largely an information gathering exercise. The SBA gained insight into full service outsourcing models, connecting with various providers to better understand the mechanics and the pros/cons of that path, as well as identify potential challenges and areas of concern for the SBA. The group also connected with peer local government investment pools to gain an understanding of what models have worked and what aspects have proven more challenging. This information allowed the SBA to identify areas that needed additional research and vetting.

The SBA also initiated an internal risk assessment with the objective of clearly understanding and defining the risks that the FL PRIME program presents to the SBA. The risk assessment evaluates the administration, client service and risk management functional areas on whether the risk of outsourcing is neutral, lower or higher than the current state.

Through the information gathering phase, the SBA identified some challenges that outsourcing certain functions could present. Therefore, the SBA is also investigating potential approaches to improve existing internal operations. The next phase of the business case review, should the SBA determine to outsource one or more functions, is drafting and sending either a Request for Information (RFI), an Invitation to Negotiate (ITN) or a similar competitive solicitation document. It was during these discussions that the SBA identified the need to re-bid the existing commercial banking relationship prior to drafting potential solicitation documents for additional outsourcing services.

Money Market Reforms

Background

As a result of the global financial crisis and the run on money market funds in 2008, there have since been two significant and much-debated reforms to the Securities and Exchange Commission's (SEC) Rule 2a-7, which is the principal rule covering registered U.S. money market funds. The two rounds of reforms were approved by the SEC in 2010 and 2014. The goal of the reforms was to provide additional protection and transparency to industry participants and ultimately avoid another 2008 event. In December 2021, the SEC announced a third round of proposed amendments to Rule 2a-7 in light of market events in March of 2020 due to the onset of the COVID-19 pandemic.

The SBA manages the Florida PRIME portfolio in accordance with guidelines set forth by the Governmental Accounting Standards Board (GASB), which is the source of generally accepted accounting principles used by state and local governments. The money market reforms are relevant to the Florida PRIME portfolio as the pool has historically been managed as a "2a-7 like" pool, defined by GASB as an external pool that satisfies the requirements of SEC Rule 2a-7, without actually being registered with the SEC. The most recent guidance from GASB was in December 2015, when it released guidance (GASB 79) for local government investment pools related to the 2014 reforms. Most notably the guidance removed the direct reference to "2a-7-like" pools in an effort to recognize differences between LGIPs and money market funds and the appropriateness of certain reforms on these investment pools.

2021-2022 Proposed Money Market Reforms[1]

In December 2021, the SEC released additional 2a-7 proposed reforms with the goal of further improving the resilience and transparency of money market funds in light of market behavior following the events in March of 2020 due to the onset of the COVID-19 pandemic.

[1] SEC.gov | SEC Proposes Amendments to Money Market Fund Rules

The table below provides a high-level summary of the proposed reforms.

Summary of Proposed Reforms[2]	Details
Increase Liquidity Requirements	• Increase daily liquid assets from 10% to 25% of total assets • Increase weekly liquid assets from 30% to 50% of total assets
Remove Liquidity Fee and Redemption Gate Provisions	• Proposed amendment would remove the fee and gate provisions from rule 2a-7 • Current rules allow MMFs to impose a liquidity fee of up to 2% or temporarily suspend redemptions (i.e., impose a “gate”), if the fund’s weekly liquid assets fall below 30% of its total assets and the board of directors determines it is in the fund’s best interests. • Current rule also includes a default liquidity fee if a non-government fund’s weekly liquid assets fall below 10%, unless the board determines that is not in the best interests of the fund
Adopt Swing Pricing Requirements	• Swing pricing would adjust a MMF’s current NAV such that the transaction price effectively passes on costs stemming from shareholder redemptions to redeeming shareholders. • Proposal would require institutional prime and institutional tax-exempt MMFs to adopt swing pricing policies and procedures to adjust a fund’s current NAV per share by a swing factor when the fund has net redemptions. • Currently, redemption and trading costs are borne by the remaining investors in the MMF
Other Proposals	• Stable NAV funds must convert to a floating share price if future market conditions result in negative fund yields • Require amendments to certain reporting requirements on Forms N-MFP, N-CR and Form N-1A to improve the availability of information about MMFs

The proposed rules were released on the SEC website in December 2021 and officially posted on the Federal Register in early February of 2022. Following publication by the Federal Register was a 60-day comment period that closed on April 11, 2022. Several industry participants have submitted comment letters, including Federated Hermes, the investment manager for the FL PRIME portfolio. We expect the

[2] ic-34441-fact-sheet.pdf (sec.gov)

SEC to take time to digest the market reactions before issuing further guidance or decisions. Further, we expect once the final rules are released that GASB will offer guidance on applicability to LGIPs. We also note that Fitch Ratings, one of the big three credit agencies in the U.S., issued an article indicating their opinion that LGIPs are unlikely to be impacted by these 2021-2022 proposed reforms[3]. The basis for their opinion centers on LGIP's having differing cash flow and liquidity characteristics than most prime institutional money market funds. Specifically, the article calls out that LGIPs generally have more stable cash flows and had adequate liquidity during the 2020 market turmoil, compared to some prime MMFs' which had notable outflows and liquidity concerns during this period.

Importantly, the SBA, Federated and Aon have monitored and updated Florida PRIME's investment policies and procedures to maintain compliance with the GASB guidance and best practices for external government investment pools over the course of the past 10+ years and through multiple periods of MMF reforms. Given the pool's practice of staying up to date with best practices, we are confident any additional reforms impacting the FL PRIME will be incorporated seamlessly. Aon, the SBA and Federated continue to stay apprised of the 2021-2022 proposed rules and will update the IAC and FL PRIME participants as needed.

[3] U.S. LGIPs Unlikely to be Affected by Money Market Fund Reform (fitchratings.com)

Investment Policy Review

As part of Aon's Best Practices review of Florida PRIME we conduct a review of the Florida PRIME Investment Policy Statement (IPS). The objective of the IPS is to set forth the objectives, strategy, guidelines, and overall responsibilities for the oversight and prudent investment of Florida PRIME assets. The purpose of the periodic review is to ensure the document reflects the evolving investment portfolio, current legal and regulatory developments, and best practices. A well-written and unambiguous document is critical to the success of any investment program.

The SBA has been diligent with staying current with overall best practices in managing the Florida PRIME assets and has consistently ensured the IPS is up-to-date with the current regulatory, legal, and investment environments. Modest changes have been made over time, the most notable ones being after money market reforms are passed and GASB has offered guidance for LGIPs. As noted in the previous section, Aon, the SBA and Federated continue to monitor the progress of the recently proposed 2a-7 rule reforms and will provide an update on any potential implications on the investment policy statement of the FL PRIME as necessary.

Following the 2022 review, Aon continues to find the IPS to be comprehensive and appropriate for the management and oversight of Florida PRIME. The topics covered continue to be relevant and critical to the success of the management of Florida PRIME assets. The investment objective of the pool and the roles and responsibilities are clearly defined. The IPS provides the necessary specifics and supplemental guidelines for a clear understanding of the investment strategy, making direct and clear reference to the appropriate GASB guidelines for appropriate fiduciaries to follow and understand. We believe the IPS thoroughly defines the risks that are associated with investing in Florida PRIME and find the detailed control procedures provide the comfort of prudent safe-keeping and oversight of assets.

Overall, we continue to believe the Florida PRIME IPS is robust and in line with the goals and objectives of the investment pool and continue to find the Policy to be an effective guiding document for the management of Florida PRIME.

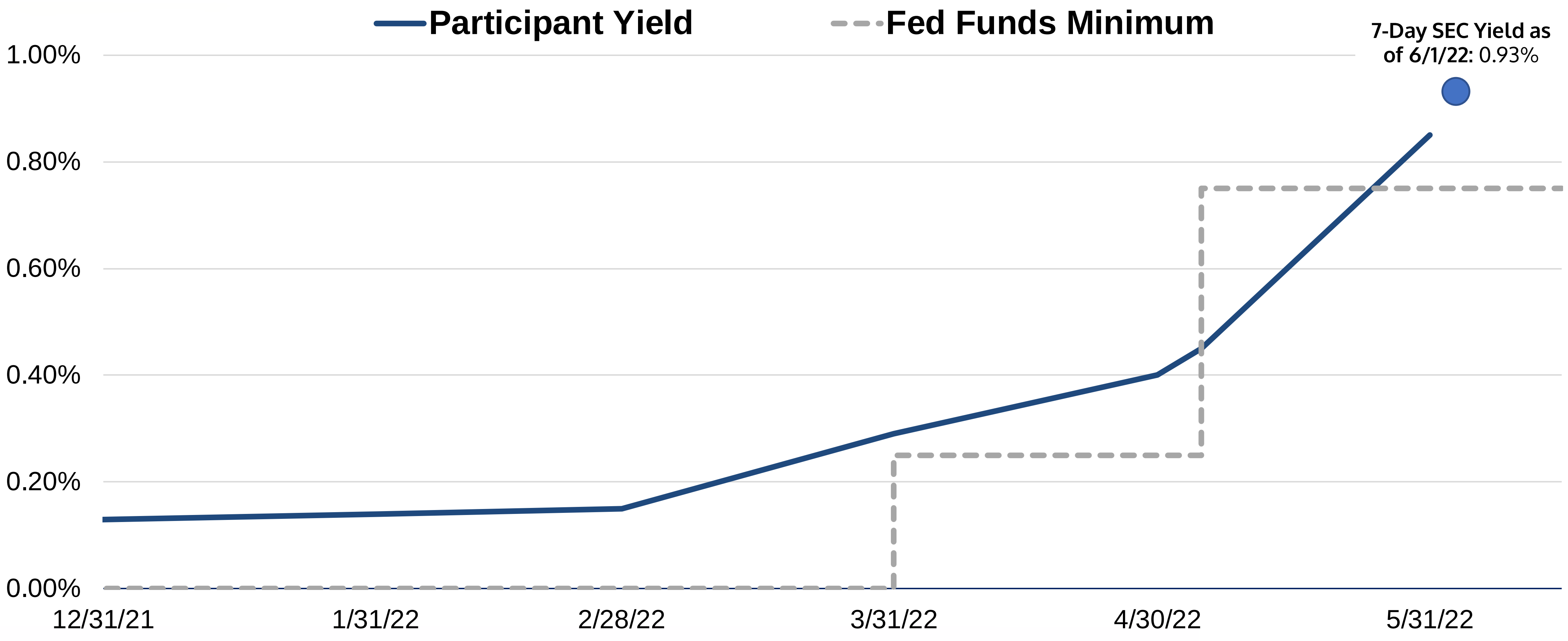
2022 Investment Advisory Council Meeting

June 28, 2022

Federated Hermes Partnership

Pool Summary	Federated Hermes Team	Services
$20.2 billion 743 Participants 1,383 Accounts *(as of 3/31/22)*	**Paige Wilhelm** Senior Vice President Senior Portfolio Manager **Amy Michaliszyn** Executive Vice President **Luke Raffa, CFA** Senior Sales Representative	• Portfolio Management • Participant Outreach • Marketing Support

Rates



Source: Federated Hermes, Federal Reserve
Past performance is no guarantee of future results.

Participant Outreach/Marketing Support

Participant Outreach

- **Direct Conversations:**
  - Targeted calling effort engaging participants and prospects
  - Education on rising rates and their effect on the pool
- **Expanding our footprint with new opportunities around the state:**
  - City of Jacksonville
  - Miami-Dade County
  - North Broward Hospital District
  - University of South Florida
  - Sante Fe College
- **Conference Attendance with sponsorships and exhibits throughout the year**

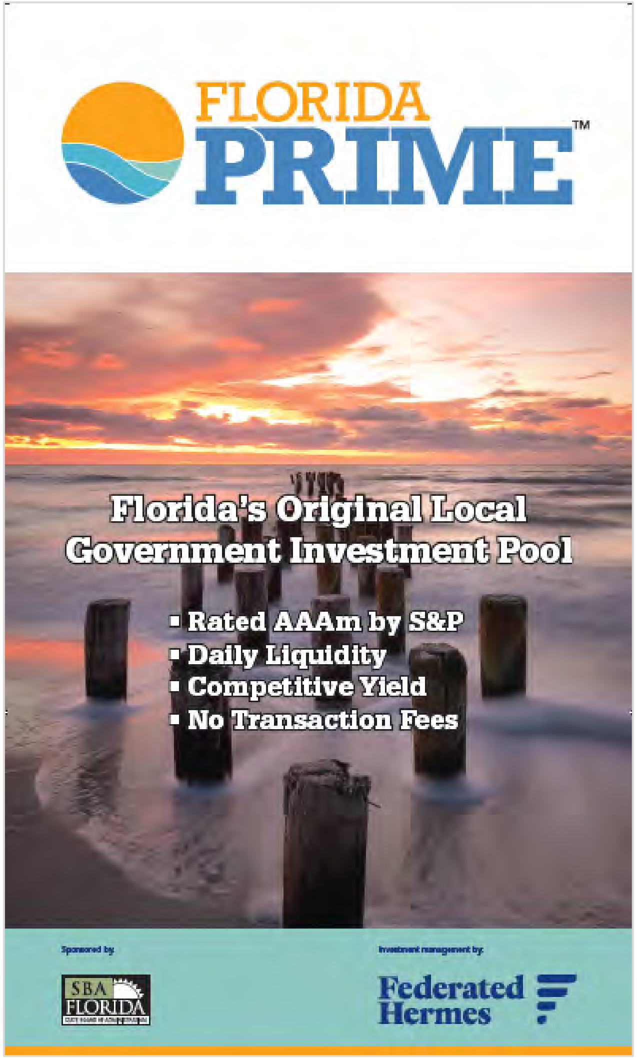
Marketing Support

- **Regular Commentaries:**
  - Weekly market commentaries from Paige Wilhelm
  - Timely updates on topics including:
    - Fed hikes
    - Pool positioning
    - Inflation
- **Monthly Newsletters**
- **Quarterly Reviews**

Supporting Local Florida Organizations

Throughout the past year, ads for Florida PRIME were featured in the FACC directory, FCCMA directory and the FASBO publication.

The conference signage showcasing Florida PRIME was also enhanced:



2022 Conference Sponsorships

Dates	Description	City	Participation
1/26/22-1/28/22	Winter COBA Conference	Orlando	Sponsor
3/9/22-3/11/22	FCCC Winter Conference ***NEW***	Panama City Beach	Exhibitor
5/25/22-5/27/22	COBA Conference ***NEW***	Lake Mary	Sponsor
6/1/22-6/4/22	FCCMA Annual Conference	Orlando	Sponsor
6/6/22-6/10/22	FSFOA Summer Conference	St. Augustine	Sponsor
6/13/22-6/16/22	FASD Annual Conference	Orlando	Exhibitor
6/25/22-6/29/22	Annual FGFOA Conference	Orlando	Sponsor
8/11/22-8/13/22	FLC Annual Conference	Hollywood	Exhibitor
11/14/22-11/17/22	FSFOA Fall Conference	Orlando	Sponsor

Competitor Analysis

	7-Day Net Yield as of 6/1/22	Full Fee	Manager	Pool AUM
FLORIDA PRIME™	0.93%	3.15 bps	Federated Hermes	$20.6 billion as of 2/28/22
FL PALM Public Assets for Liquidity Management	0.90%	17 bps	PFM Asset Management	$1.7 billion as of 2/28/22
FLCLASS® An Investment Solution for Public Funds	0.85%	15 bps	Public Trust Advisors	$5.0 billion as of 12/31/21*

*AUM for FL Class is based on its most recent annual report disclosure

Florida PRIME Portfolio Review

Year in Review

March 31, 2022

The reporting period saw an extraordinary shift in the Federal Reserve's approach to inflation.

In spring of 2021, the majority of the U.S. adult population had received at least one dose of a Covid-19 vaccination. This, and declining new cases of infection, resulted in many state and local governments lifting most mandated restrictions implemented to stem the pandemic, employers began to rehire workers and consumer activity returned. As the pace of consumer spending grew due to pent-up demand and elevated savings, some economists and analysts became concerned that inflation might accelerate. Yet Fed policymakers said any increase would be "transitory" and kept the fed funds target range at 0-0.25% and its asset-buying program intact.

Fall brought new issues that complicated Fed policy. After the suspension of the federal debt ceiling expired in August, political wrangling over raising the spending limit intensified in Congress. The emergence of a highly transmissible strain of Covid-19 named delta disrupted supply-chains and slowed the economic recovery. The former pushed prices further upward, arguing for removal of accommodation, while the latter argued for the opposite. A compromise of sorts came with the Fed's announcement it likely would taper the amount of its asset-purchases within the year.

After extended brinkmanship by lawmakers over the debt ceiling forced the Treasury to rely on its cash balance and other measures, Democrats passed a bill in December that authorized $2.5 trillion in new borrowing. This action righted a modest dislocation in the front end of the Treasury yield curve. Citing the improved economy and robust labor market, in November Fed officials started the prolonged process of removing accommodation by trimming the amount of monthly asset purchases.

As the calendar flipped to 2022, the Fed signaled it was ready to normalize monetary policy to rein in inflation that had begun to rise significantly. An even more contagious Covid-19 variant, omicron, swept across the U.S. in January and February before receding in March. The wave weighed on already stressed supply chains, helping to drive annualized inflation to multi-decade highs. This was stoked by rising wages due to a general labor shortage and the Russian invasion of Ukraine that caused the price of crude oil and other commodities to surge. Realizing that they had misjudged inflation, the Fed announced a 25 basis-point hike of the fed funds target range in March, shifting it to 0.25-0.50%, and projected as many as six more quarter-percentage-point hikes through the course of the year, though the futures market anticipated larger increases. While a flight-to-quality due to the Ukrainian war depressed yields at the front end of the Treasury curve, yields on longer-dated securities sharply steepened. The reporting period concluded with widespread concern inflation would continue to soar and that aggressive Fed action could push the economy into recession.

At the end of the reporting period, yields on 1-, 3-, 6- and 12-month U.S. Treasuries were 0.12%, 0.51%, 1% and 1.57%, respectively; the 1-, 3-, 6- and 12-month Bloomberg Short-Term Bank Yield Index rates (BSBY) were 0.39%, 0.89%, 1.37% and 1.97%, respectively; and the 1-, 3-, 6- and 12-month London interbank offered rates were 0.44%, 0.96%, 1.49% and 2.17%, respectively.

Liquidity Market Commentary

June 1, 2022

The cautious and shrewd way Federal Reserve policymakers communicate can put diplomats to shame. But the success of their decisions in the coming months will depend upon how well they listen.

Managing monetary policy in the midst of a global pandemic has been, and remains extraordinarily difficult. No one can deny that. But the Fed's response to mounting inflation in the last several quarters showed it wanted to stick to its new paradigm in the face of facts. If you recall, in August of 2020, it recast its policy framework to allow inflation to exceed 2% as long as the labor market is strong. Officials not only viewed rising prices in 2021 as "transient," but also a positive after years of undershooting 2%.

While telegraphing 50 basis-point hikes in the next two FOMC meetings, minutes from the last meeting and recent official speeches suggest the committee might pause to assess their impact. In other words, they will—and should—return to making decisions based on data in the fight against inflation without inducing a recession. Policymakers have to listen to what the economy is telling them on a scale much smaller and a timeframe much shorter than they prefer. This is no time for long-view academic studies.

Reports already indicate that this economy might be more responsive to shifts in monetary policy than traditionally expected. The housing market, consumer outlook and industrial production are cooling off. It is not unreasonable to think that supply-chain bottlenecks and energy prices exacerbated by China's shutdown and the war in Ukraine could improve by the fall. Data dependency is a cliché that completely applies here.

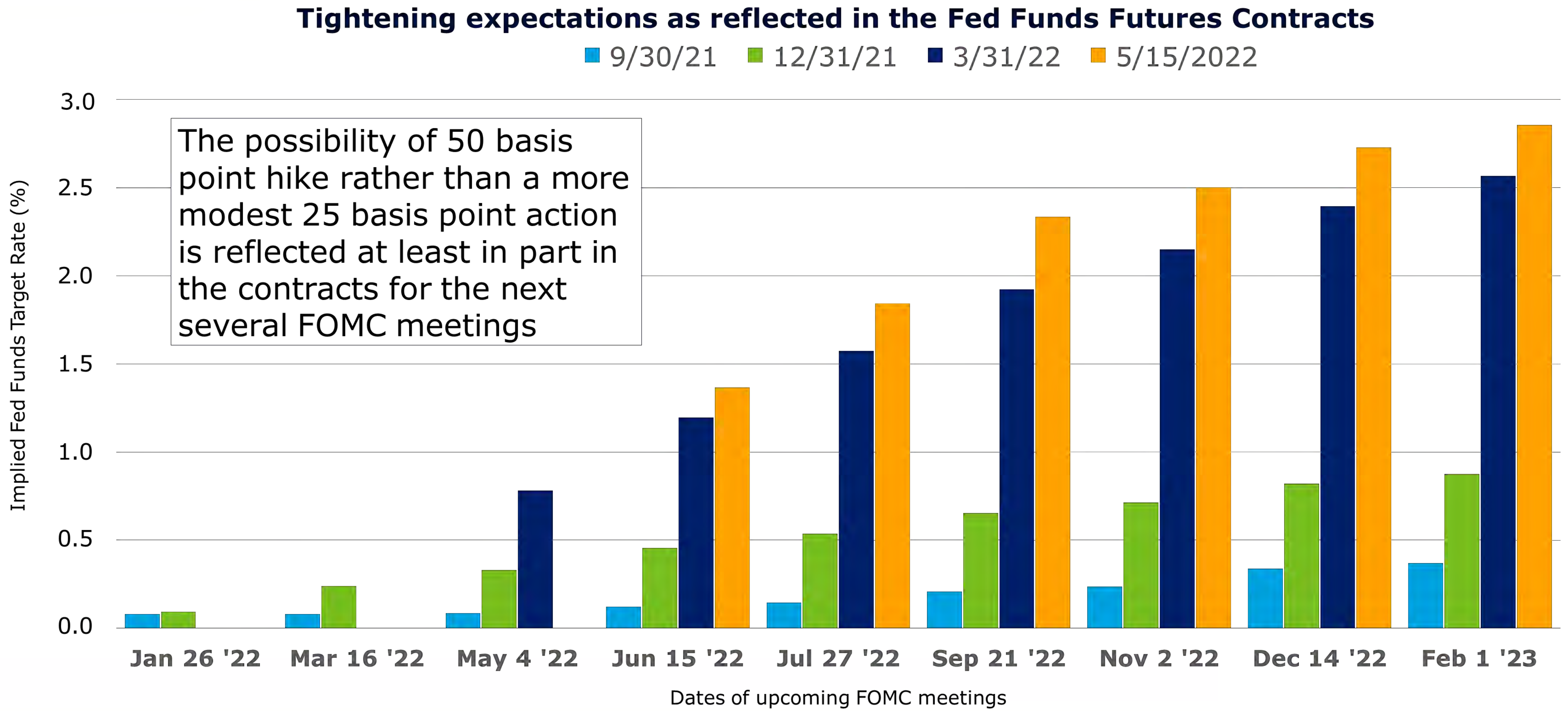
What of investors? The bond market seems to be declaring victory over inflation and the stock market is betting on the worst-case scenario. Investors in the short end of the Treasury yield curve are acting more rationally, although the supply/demand imbalance, especially in the front end, has caused it to trade much lower in yield.

In addition to the supply/demand imbalance, the flight-to-safety trade has depressed Treasury yields further. Yields on prime instruments are a different story, offering attractive spreads over Treasuries. Contrast this with deposit products. Administered rates have not budged much because banks still are flush with cash and don't want deposits—especially now that the cost of lending is increasing. The money markets are in a good place, and a good place for investment. Cash is an asset class again.

In light of the anticipated rate hikes, we kept the weighted average maturity (WAM) of the pool in a target range of 25-35 days in May.

Aggressive monetary policy action now anticipated

Amid intensified price pressures and a tight labor market the Fed could reach– and move beyond- a neutral stance by late 2022



Source: Bloomberg

Quantitative tightening plans

Little initial material impact to the front end

From March FOMC meeting minutes we learned:

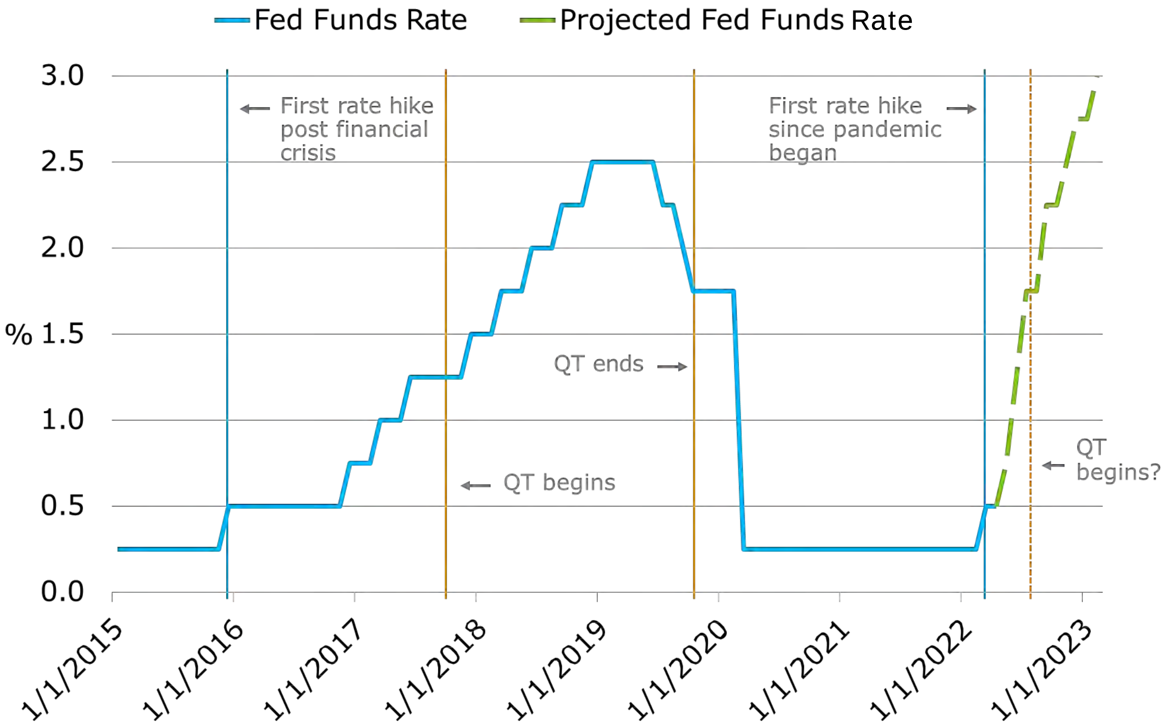
- Fed plans to start QT sooner
- Balance sheet roll offs will be subject to caps phased in over a 3-month period
- The Fed will not let the entire $326 billion of Treasury Bills roll off and will use bills to ensure the cap for Treasuries is met every month, a disappointing announcement for money market investors

From May's meeting:

- The Fed delivered on the anticipated 50 bps rate increase bringing the federal funds range to 0.75%-1.00%
- The Fed will passively reduce its balance sheet starting June 1st with a cap of $30 billion Treasuries and $17.5 billion mortgage-backed securities per month
- In September, caps will ramp up to $60 billion and $35 billion respectively

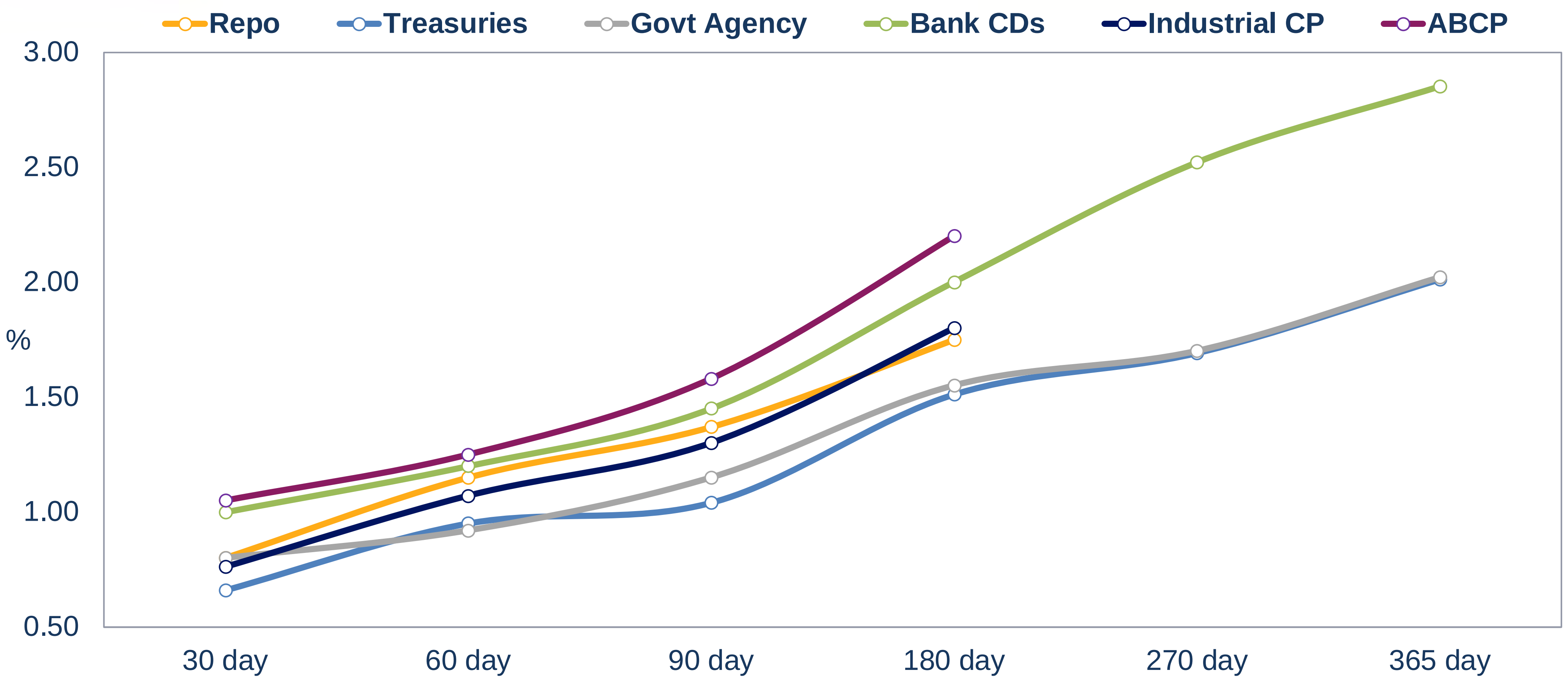
Quantitative tightening (QT) and rate hikes

The Fed has signaled that it intends to start QT more quickly following the first rate hike than it did in the 2010s.



Current Yields

As of 5/31/22

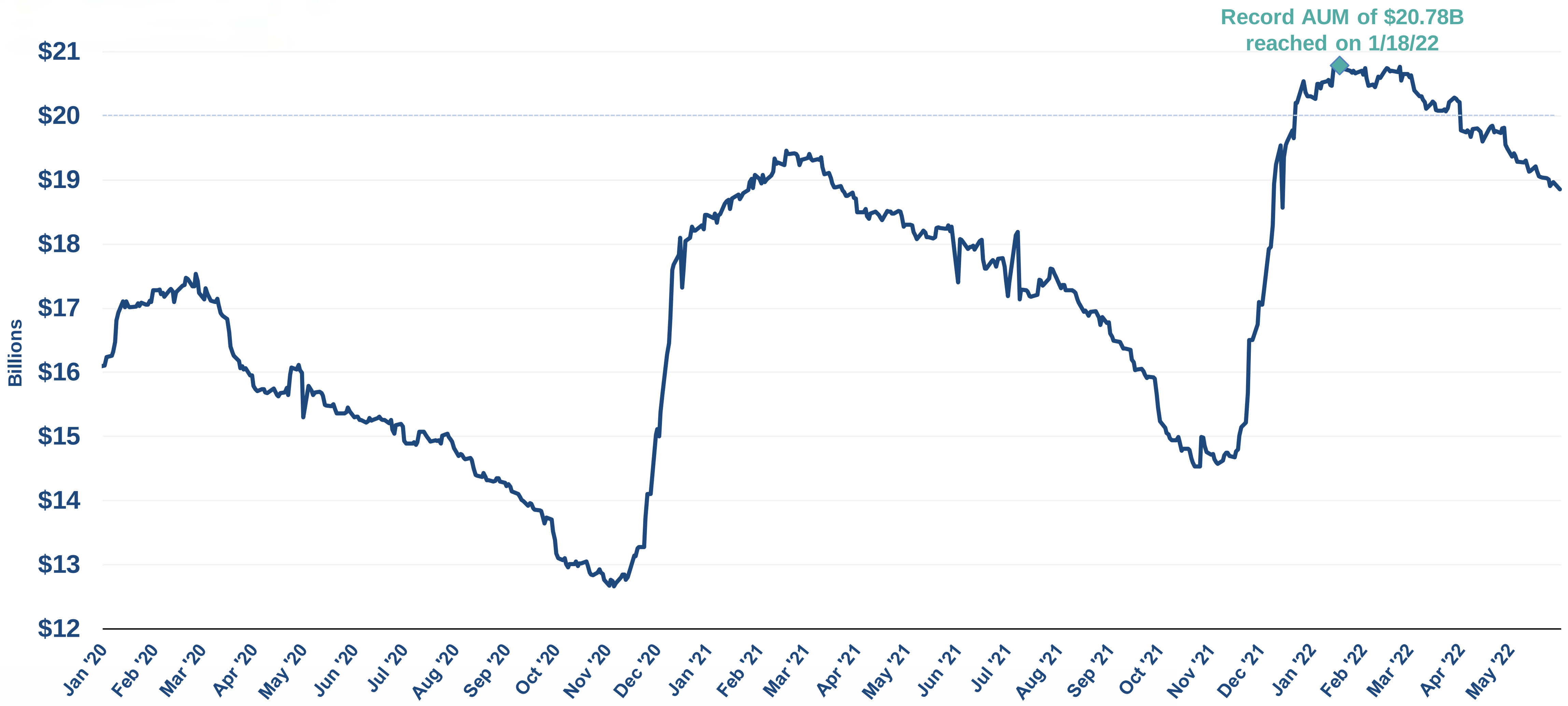


Source: Bloomberg

Past performance is no guarantee of future results. This chart is for illustrative purposes only.

Daily Assets

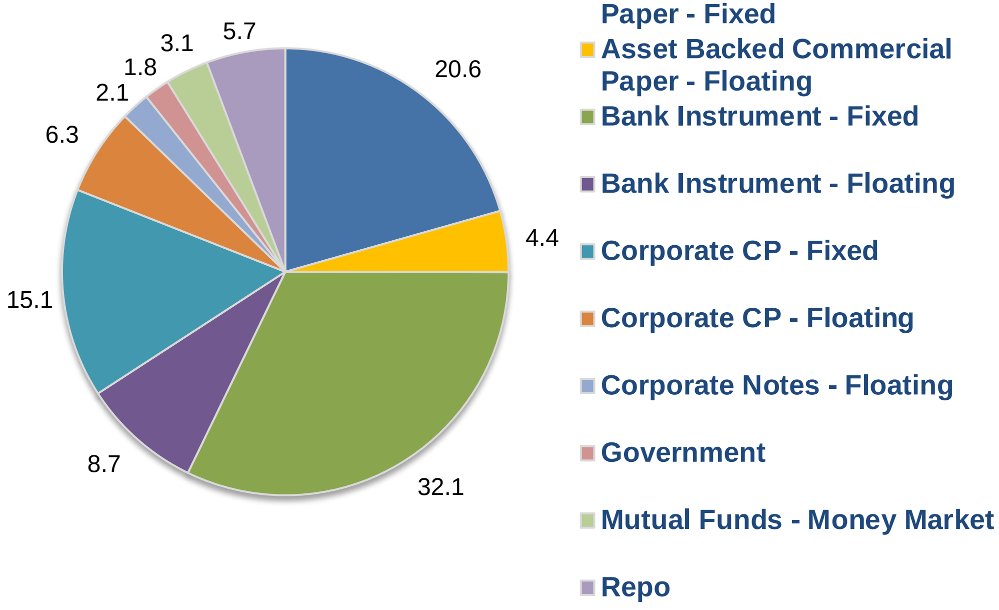
1/1/20 – 5/31/22



Portfolio Characteristics

Period Ending 3/31/22

Portfolio Composition (%)



Top Country Exposure	%
United States	27.6
Canada	23.1
Japan	13.0
Netherlands	9.9
Australia	9.2
France	8.1
Germany	4.9
United Kingdom	1.0
Luxembourg	0.8
Switzerland	0.7
Sweden	0.6
Norway	0.5
Finland	0.4
Total	**100.0**

Top 10 Holdings (ex Repo)	%
Australia & New Zealand Banking Group, Melbourne	4.9
ABN Amro Bank NV	4.9
DZ Bank AG Deutsche Zentral-Genossenschaftsbank	4.9
Cooperatieve Rabobank UA	4.9
Canadian Imperial Bank of Commerce	4.8
Bank of Montreal	4.7
Toronto Dominion Bank	4.7
Bank of Nova Scotia, Toronto	4.6
Mizuho Financial Group, Inc.	4.5
Societe Generale, Paris	4.5
Total:	**47.4%**

Credit Quality	
A-1+	64.4%
A-1	35.6%

Effective Maturity Schedule				
1-7 days	8-30 days	31-90 days	91-180 days	181+ days
65.5%	8.1%	18.9%	3.7%	3.7%

Weighted Average Maturity (WAM)	Weighted Average Life (WAL)
26 days	71 days

Performance vs. Index

Period Ending 3/31/22

Performance Data (%) as of 3/31/22								
	1-month	**3-month**	**1-year**	**3-years**	**5-years**	**10-years**	**Since Jan. 1996**	**7-Day SEC Yield (as of 6/1/22)**
Annualized Net Participant Yield[1]	0.29%	0.19%	0.13%	0.89%	1.30%	0.82%	2.39%	0.93%
S&P AAA/AA Rated GIP All 30-Day Net Index[2]	0.10%	0.06%	0.04%	0.75%	1.09%	0.62%	2.18%	
Above (Below) Benchmark	*0.19%*	*0.13%*	*0.09%*	*0.14%*	*0.21%*	*0.20%*	*0.21%*	
iMoneyNet MFR First Tier Instl Avg (Net)	0.00	(0.01)	0.00	0.67	1.02	0.57	N/A	0.66%

[1] Net of fees. Participant yield is calculated on a 365-day basis and includes adjustments for expenses and other accounting items to reflect realized earnings by participants.
[2] Net of fees.
Notes: Annualized 1-month and 3-month performance figures

Stress Test Results

as of 3/31/22

Stress Testing Board Summary Report for Florida Local Government Investment Pool A

	31-Jan	28-Feb	31-Mar
Date of Stress Tests:	31-Jan	28-Feb	31-Mar
Shadow NAV at Time of Tests:	0.99991	0.99978	0.99958

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99991	0.99978	0.99958	41.97%	43.93%	47.31%
10%	0.99990	0.99975	0.99953	35.53%	37.70%	41.46%
20%	0.99988	0.99972	0.99947	30.00%	30.00%	34.15%
30%	0.99987	0.99968	0.99940	30.00%	30.00%	30.00%
40%	0.99985	0.99963	0.99930	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Change in Interest Rates					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99862	0.99879	0.99869	41.97%	43.93%	47.31%
10%	0.99847	0.99866	0.99855	35.53%	37.70%	41.46%
20%	0.99827	0.99849	0.99837	30.00%	30.00%	34.15%
30%	0.99803	0.99827	0.99813	30.00%	30.00%	30.00%
40%	0.99770	0.99798	0.99782	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Credit Event					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99930	0.99921	0.99882	41.97%	43.93%	47.31%
10%	0.99922	0.99912	0.99869	35.53%	37.70%	41.46%
20%	0.99912	0.99901	0.99853	30.00%	30.00%	34.15%
30%	0.99900	0.99887	0.99832	30.00%	30.00%	30.00%
40%	0.99883	0.99868	0.99804	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Floater Spread Widening					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99957	0.99938	0.99895	41.97%	43.93%	47.31%
10%	0.99953	0.99931	0.99883	35.53%	37.70%	41.46%
20%	0.99947	0.99923	0.99869	30.00%	30.00%	34.15%
30%	0.99939	0.99912	0.99850	30.00%	30.00%	30.00%
40%	0.99929	0.99897	0.99826	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Combination					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99768	0.99783	0.99732	41.97%	43.93%	47.31%
10%	0.99743	0.99759	0.99702	35.53%	37.70%	41.46%
20%	0.99710	0.99729	0.99665	30.00%	30.00%	34.15%
30%	0.99669	0.99690	0.99617	30.00%	30.00%	30.00%
40%	0.99613	0.99638	0.99554	30.00%	30.00%	30.00%

% of Orig. Portfolio Stressed

Test	Jan	Feb	Mar
Redemptions Only	0.0%	0.0%	0.0%
Change in Int. Rates	95.5%	93.2%	92.2%
Credit Event	70.1%	63.8%	65.4%
Floater Spread Widening	12.7%	15.2%	23.3%
Combination	95.5%	93.2%	92.2%

Stress Test Footnotes

as of 3/31/22

Escalation Procedures:

Based on Federated's procedures, as of 6/30/2016, Counsel to the Independent Directors or Trustees will receive notification from the Adviser upon the occurrence of the following events in a Rule 2a-7 money market fund: (1) any deviation between the NAV and the market based NAV in excess of $0.0040 per share or (2) Weekly Liquid assets drop below 30%.

Assessment of Pool's Ability to Withstand Events Reasonably Likely to Occur During the Following Year:

Unless highlighted above for further discussion, the Adviser has determined that the pool is structured in such a way that the occurrence of the events, described more fully above, which the Adviser believes are reasonably likely to occur during the next 12 months would not result in the pool's Weekly Liquid Assets falling below 10% or a pool failing to minimize principal volatility.

Test Descriptions:

Unusual Redemption Activity: Resulting NAV & liquidity levels following redemptions equal to 40% in 10% increments
Change in Interest Rates: Resulting NAV & liquidity levels following a change in rates of 1.25%.
Credit Event: Banks widen by 0.50%, and Travel and Leisure spreads widen by 0.25%
Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.50%
Combination: Change in Interest Rates, Credit Event, and Floater Spread Widening combined.

Redemption Funding Method:

Redemptions - Sell Daily Liquidity down to 0 percent then Weekly Liquidity down to 30 percent then based on Final Maturity Date

STATE BOARD OF ADMINISTRATION
OF FLORIDA

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

POST OFFICE BOX 13300
32317-3300

To: Lamar Taylor

From: Michael McCauley

Cc: Senior Leadership Group

Date: June 3, 2022

Subject: **Annual Review and Approval of Florida PRIME Investment Policy Statement (IPS)**

With respect to Florida PRIME, Section 218.409 Florida Statutes requires:

> *The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The investment policy shall be updated annually to conform to best investment practices.* [s. 218.409(2)(a), Florida Statutes]
>
> *The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.* [s. 218.409(2)(d), Florida Statutes]

There are no recommended changes at this time for the Florida PRIME Investment Policy Statement.

Let me know if you have any questions.

Attachments

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Investment Policy Statement
Local Government Surplus Funds Trust Fund (Non-Qualified)

I. Purpose and Scope

The purpose of this Investment Policy Statement ("Policy") is to set forth the investment objective, investment strategies, and authorized portfolio securities for the Local Government Surplus Funds Trust Fund ("Florida PRIME"). The Policy also describes the risks associated with an investment in Florida PRIME.

II. Overview of Florida PRIME

The Local Government Surplus Funds Trust Fund was created by an Act of the Florida Legislature effective October 1, 1977 (Chapter 218, Part IV, Florida Statutes). The State Board of Administration ("SBA") is charged with the powers and duties to administer and invest Florida PRIME, in accordance with the statutory fiduciary standards of care as contained in Section 215.47(10), Florida Statutes. The SBA has contracted with Federated Investment Counseling (the "Investment Manager") to provide investment advisory services for Florida PRIME.

Florida PRIME is governed by Chapters 215 and 218, Florida Statutes, and Chapter 19-7 of the Florida Administrative Code (collectively, "Applicable Florida Law").

III. Roles and Responsibilities

The Board of Trustees of the SBA ("Trustees") consists of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary. The Trustees will annually certify that Florida PRIME is in compliance with the requirements of Chapter 218, Florida Statutes, and that the management of Florida PRIME is in accord with best investment practices.

The Trustees delegate the administrative and investment authority to manage Florida PRIME to the Executive Director of the SBA, subject to Applicable Florida Law. The Trustees appoint an Investment Advisory Council. The Council will, at least annually, review this Policy and any proposed changes prior to its presentation to the Trustees and will undertake other duties set forth in Applicable Florida Law.

IV. Amortized Cost Accounting

In March 1997, the Governmental Accounting Standards Board ("GASB") issued Statement 31, titled "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." GASB 31 applies to Florida PRIME.

GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value ("NAV"). GASB 31 describes a "2a-7 like" pool as an "external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the "1940 Act")." Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of $1.00 per share, provided that such funds meet certain conditions.

In December 2015, GASB issued Statement 79, "Certain External Investment Pools and Pool Participants," which delinks the accounting treatment of external investment pools from Rule 2a-7, and establishes criteria for the use of amortized cost to value portfolio assets of an external pool. GASB 79 also made clear that rounding unit value up or down to the nearest penny to maintain a stable NAV of $1.00 per share for issuances and redemptions of units is an operational decision for an external investment pool, rather than an accounting matter. GASB 79 also specifies, however, that seeking to maintain a stable price of $1.00 per share is one of the criteria that an external investment pool must meet as a condition to valuing all portfolio assets at amortized cost for financial reporting purposes.

Florida PRIME will seek to operate in a manner consistent with the criteria and requirements in GASB 79, including diversification, credit quality and maturity conditions. Accordingly, it is thereby permitted to value portfolio assets at amortized cost method.

V. Investment Objective

The primary investment objectives for Florida PRIME, in priority order, are safety, liquidity, and competitive returns with minimization of risks. Investment performance of Florida PRIME will be evaluated on a monthly basis against the Standard & Poor's U.S. AAA & AA Rated GIP All 30 Day Net Yield Index. While there is no assurance that Florida PRIME will achieve its investment objectives, it endeavors to do so by following the investment strategies described in this Policy.

VI. Investment Strategies & Specific Limitations

The Investment Manager will invest Florida PRIME's assets in short-term, high-quality fixed income securities. All Florida PRIME assets (100 percent) will be U.S. dollar-denominated. To be considered high-quality, a security must be rated in the highest short-term rating category by one or more nationally recognized statistical rating organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Investment Manager, subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager also may enter into special transactions for Florida PRIME, like repurchase agreements. Each repurchase agreement counterparty must have an explicit issuer or counterparty credit rating in the highest short-term rating category from Standard & Poor's. Certain of the fixed income securities in which Florida PRIME invests pay interest at a rate that is periodically adjusted ("Adjustable Rate Securities").

The Investment Manager will manage credit risk by purchasing only high quality securities. The Investment Manager will perform a credit analysis to develop a database of issuers and securities that meet the Investment Manager's standard for minimal credit risk. The Investment Manager monitors the credit risks of all Florida PRIME's portfolio securities on an ongoing basis by reviewing periodic financial data, issuer news and developments, and ratings of certain NRSROs. The Investment Manager will utilize a "new products" or similar committee to review and approve new security structures prior to an investment of Florida PRIME's assets in such securities. The Investment Manager will periodically consider and follow best practices in connection with minimal credit risk determinations (e.g., such as those described in Appendix I of the Investment Company Institute's 2009, *Report of the Money Market Working Group)*.

The Investment Manager will manage interest rate risk by purchasing only short-term fixed income securities. The Investment Manager will target a dollar-weighted average maturity range for Florida PRIME based on its interest rate outlook. The Investment Manager will formulate its interest rate outlook by analyzing a variety of factors, such as current and expected U.S. economic growth; current and expected interest rates and inflation; and the Federal Reserve Board's monetary policy. The Investment Manager will generally shorten Florida PRIME's dollar-weighted average maturity when it expects interest rates to rise and extend Florida PRIME's dollar-weighted average maturity when it expects interest rates to fall. In order to meet the investment grade ratings criteria of Standard & Poor's for a pool, the remaining maturity of securities purchased by the Investment Manager shall not exceed 762 days for government floating rate notes/variable rate notes and will not exceed 397 days for all other securities; provided, however, that if not required by the ratings criteria of the applicable NRSRO that is providing an investment grade rating to the pool and to the extent consistent with the portfolio criteria of GASB 79, longer term floating rate/variable rate notes that are U.S. government securities may be owned by Florida PRIME.

The Investment Manager will exercise reasonable care to maintain (i) a dollar weighted average maturity ("DWAM") of 60 days or less; and (ii) a maximum weighted average life (WAL) within the range of 90-120 days, depending on the levels of exposure and ratings of certain Adjustable Rate Securities. The maximum WAL will depend upon the percentage exposures to government and non-government Adjustable Rate Securities, with sovereign (government) Adjustable Rate Securities rated AA- and higher allowed a 120-day limit, and non-sovereign (corporate) Adjustable Rate Securities (and sovereign Adjustable Rate Securities rated below AA-) restricted to a 90-day limit. The portfolio's maximum WAL will be based on a weighted average of the percentage exposures to each type of floating-rate instrument.

For purposes of calculating DWAM, the maturity of an Adjustable Rate Security generally will be the period remaining until its next interest rate adjustment. For purposes of calculating WAL, the maturity of an Adjustable Rate Security will be its stated final maturity, without regard to interest rate adjustments; accordingly, the WAL limitation could serve to restrict Florida PRIME's ability to invest in Adjustable Rate Securities.

The Investment Manager will exercise reasonable care to limit exposure to not more than 25% of Florida PRIME's assets in a single industry sector, with the exception that the Investment Manager may invest more than 25% in the financial services industry sector, which includes banks, broker-dealers, and finance companies. This higher limit is in recognition of the large outstanding value of money fund instruments issued by financial services firms. Government securities are not considered to be an industry.

The Investment Manager will exercise reasonable care to not acquire a security, other than (i) a Daily Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 10% of its total assets in Daily Liquid Assets; (ii) a Weekly Liquid Asset, if immediately after the acquisition Florida PRIME would have invested less than 30% of its total assets in Weekly Liquid Assets. Daily Liquid Assets include cash, direct obligations of the U.S. government and securities that convert to cash in one business day. Weekly Liquid Assets include cash, direct obligations of the U.S. government, certain government securities with remaining maturities of 60 business days or less and securities that convert to cash in five business days.

Florida PRIME shall seek to hold liquid assets sufficient to meet reasonably foreseeable redemptions, based upon knowledge of the expected cash needs of participants.

The Investment Manager will exercise reasonable care to not acquire securities that cannot be sold or disposed of in the ordinary course of business within five business days at approximately the value ascribed to them by Florida PRIME if, immediately after the acquisition, Florida PRIME would have invested more than 5% of its total assets in such securities.

In buying and selling portfolio securities for Florida PRIME, the Investment Manager will comply with (i) the diversification, maturity and credit quality criteria in GASB 79, (ii) the requirements imposed by any NRSRO that rates Florida PRIME to ensure that it maintains a AAAm rating (or the equivalent) and (iii) the investment limitations imposed by Section 215.47, Florida Statutes except to the extent, as permitted by Section 215.44(3), the trust instrument of Florida PRIME and this investment policy statement specifically authorize investments in addition to those authorized by Section 215.47.

The Investment Manager generally will comply with the following diversification limitations that are additional to those set forth in GASB 79. First, at least 50% of Florida PRIME assets will be invested in securities rated "A-1+" or those deemed to be of comparable credit quality thereto by the Investment Manager (i.e., so long as such deeming is consistent with the requirements of the NRSRO's AAAm (or equivalent) rating criteria), subject to Section 215.47(1)(j), Florida Statutes. The Investment Manager will document each instance in which a security is deemed to be of comparable credit quality and its basis for such a determination. Second, exposure to any single non-governmental issuer (other than a money market mutual fund) will not exceed 5% and exposure to any single money market mutual fund will not exceed 10% of Florida PRIME assets.

VII. Portfolio Securities and Special Transactions

The Investment Manager will purchase only fixed income securities for Florida PRIME, and may engage in special transactions, for any purpose that is consistent with Florida PRIME's investment objective.

Fixed income securities are securities that pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or adjusted periodically. In addition, the issuer of a short-term fixed income security must repay the principal amount of the security, normally within a specified time. The fixed income securities in which Florida PRIME may invest include corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. Florida PRIME is also permitted to buy such fixed income securities that require Florida PRIME to be a qualified institutional buyer as long as the securities held by Florida PRIME are in excess of $100,000,000.

Special transactions are transactions into which Florida PRIME may enter, including, but not limited to, repurchase agreements and delayed delivery transactions.

For a more detailed description of Florida PRIME's portfolio securities and special transactions, please see "Additional Information Regarding Florida PRIME's Principal Securities" at Appendix A.

VIII. Risks Associated with Florida PRIME

An investment in Florida PRIME is subject to certain risks. Any investor in Florida PRIME should specifically consider, among other things, the following principal risks before making a decision to purchase shares of Florida PRIME.

Risk that Florida PRIME will not Maintain a Stable Net Asset Value

Although the Investment Manager attempts to manage Florida PRIME such that it maintains a stable NAV of $1.00 per share, there is no guarantee that it will be able to do so. Florida PRIME is not registered under the 1940 Act or regulated by the SEC.

Interest Rate Risks

The prices of the fixed income securities in which Florida PRIME will invest rise and fall in response to changes in the interest rates paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. However, market factors, such as demand for particular fixed income securities, may cause the price of certain fixed income securities to fall while the price of other securities rise or remain unchanged. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks

Credit risk is the possibility that an issuer of a fixed income security held by Florida PRIME will default on the security by failing to pay interest or principal when due. If an issuer defaults, Florida PRIME will lose money.

Liquidity Risks

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, Florida PRIME may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on Florida PRIME's performance.

Concentration Risks

A substantial part of Florida PRIME may be comprised of securities issued by companies in the financial services industry, companies with similar characteristics, or securities credit enhanced by banks or companies with similar characteristics. As a result, Florida PRIME may be more susceptible to any economic, business, or political risks or other developments that generally affect finance companies. Developments affecting companies in the financial services industry or companies with similar characteristics might include changes in interest rates, changes in the economic cycle affecting credit losses and regulatory changes.

Risks of Foreign Investing

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets also may be subject to taxation policies that reduce returns for U.S. investors.

Call Risks

If a fixed income security is called, Florida PRIME may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Prepayment Risks

Unlike traditional fixed income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on asset-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from voluntary prepayment, refinancing, or foreclosure of the underlying loans. If Florida PRIME receives unscheduled prepayments, it may have to reinvest the proceeds in other fixed income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Risks Associated with Amortized Cost Method of Valuation

Florida PRIME will use the amortized cost method to determine the value of its portfolio securities. Under this method, portfolio securities are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value. Accordingly, neither the amount of daily income nor the NAV is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares computed by dividing the annualized daily income on Florida PRIME's portfolio by the NAV, as computed above, may tend to be higher than a similar computation made by using a method of valuation based on market prices and estimates. In periods of rising interest rates, the opposite may be true.

Changing Distribution Level Risk

There is no guarantee that Florida PRIME will provide a certain level of income or that any such income will exceed the rate of inflation. Further, Florida PRIME's yield will vary. A low interest rate environment may prevent Florida PRIME from providing a positive yield or paying expenses out of current income.

Throughout this section, it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

For additional information regarding Florida PRIME's principal securities and associated risks, please see Appendix A.

IX. Controls and Escalation Procedures

Section 218.409(2), Florida Statutes requires this Policy to document a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls include formal escalation reporting guidelines for all employees to address material impacts on Florida PRIME that require reporting and action.

The SBA has engaged BNY Mellon ("Custodian") to provide asset safekeeping, custody, fund accounting and performance measurement services to Florida PRIME. The Custodian will mark to market the portfolio holdings of Florida PRIME on a daily basis and will daily communicate both amortized cost price and mark to market price, so that the SBA and the Investment Manager can monitor the deviations between the amortized cost price and market price. By contractual agreement, the Investment Manager will reconcile accounting and performance measurement reports with the Custodian on at least a monthly basis, under the supervision of the SBA.

The NRSRO that rates Florida PRIME will perform regular independent surveillance of Florida PRIME. The SBA and an independent investment consultant will regularly monitor the Investment Manager with respect to performance and organizational factors according to SBA manager monitoring policies.

The SBA and third parties used to materially implement Florida PRIME will maintain internal control, fraud and ethics policies and procedures designed to prevent the loss of public funds.

The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board, and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group to regularly review, document and formally escalate compliance exceptions and events that may have a material impact on Florida PRIME. The Investment Oversight Group will meet as necessary based on the occurrence and resolution of compliance exceptions or upon the occurrence of a material event. Minutes of any meeting held by the Investment Oversight Group and a listing of meeting participants shall be timely posted on the Florida PRIME website.

The SBA and the Investment Manager have an affirmative duty to immediately disclose any material impact on Florida PRIME to the participants, including, but not limited to:

1. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.25%, according to pricing information provided by the Custodian, the Investment Manager will establish a formal action plan. The Investment Oversight Group will review the formal action plan and prepare a recommendation for the Executive Director's consideration.

2. When the deviation between the market value and amortized cost of Florida PRIME exceeds 0.50%, according to pricing information provided by the Custodian, the Executive Director will promptly consider what action, if any, will be initiated. Where the Executive Director believes the extent of any deviation from Florida PRIME's amortized cost price per share may result in material dilution or other unfair results to investors or existing shareholders, he will cause Florida PRIME to take such action as he deems appropriate to eliminate or reduce to the extent reasonably practicable such dilution or unfair results.

3. The Investment Manager will perform daily compliance monitoring to ensure that investment practices comply with the requirements of this Policy, according to documented compliance procedures. The Investment Manager will provide regular compliance reports and will communicate compliance exceptions within 24 hours of identification to the Investment Oversight Group. Additionally, the Investment Oversight Group will periodically conduct independent compliance reviews.

4. In the event that a security receives a credit rating downgrade and ceases to be in the highest rating category, or the Investment Manager determines that the security is no longer of comparable quality to the highest short-term rating category (in either case, a "Downgrade"), the Investment Manager will reassess whether the security continues to present minimal credit risk and will cause Florida PRIME to take any actions determined by the Investment Manager to be in the best interest of Florida PRIME; provided however, that the Investment Manager will not be required to make such reassessments if Florida PRIME disposes of the security (or the security matures) within five business days of the Downgrade.

5. In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a determination that the security no longer presents minimal credit risks, or other material event ("Affected Security"), the Investment Manager must dispose of the security as soon as practical, consistent with achieving an orderly disposition of the security, by sale, exercise of a demand feature or otherwise, and the requirements of GASB 79. An Affected Security may be held only if the Executive Director has determined, based upon a recommendation from the Investment Manager and the Investment Oversight Group, that it would not be in the best interest of Florida PRIME to dispose of the security taking into account market conditions that may affect an orderly disposition.

6. The Investment Manager will monthly stress test Florida PRIME and at least quarterly report the results of the stress tests to the Investment Oversight Group. Stress tests must be conducted for at least the following events, or combinations of events (i) a change in short-term interest rates; (ii) an increase in net shareholder redemptions; (iii) downgrades or defaults; and (iv)

changes between a benchmark overnight interest rate and the interest rates on securities held by Florida PRIME.

The Investment Manager will at least annually provide the Investment Oversight Group with: (i) their documented compliance procedures; (ii) an assessment of Florida PRIME's ability to withstand events reasonably likely to occur in the coming year and (iii) their list of NRSROs utilized as a component of the credit risk monitoring process.

The Executive Director's delegated authority as described in this section is intended to provide him with sufficient authority and operating flexibility to make professional investment decisions in response to changing market and economic conditions. Nonetheless, the Trustees will at least monthly review and approve management summaries of material impacts on Florida PRIME, any actions or escalations taken thereon, and carry out such duties and make such determinations as are otherwise necessary under applicable law, regulation or rule.

Pursuant to Florida law, the Auditor General will conduct an annual financial audit of Florida PRIME, which will include testing for compliance with this Policy.

X. Deposits and Withdrawals

Investors should refer to the separate Florida PRIME Operating Procedures for detailed descriptions regarding how to make deposits in and withdrawals from Florida PRIME, including (1) any fees and limitations that may be imposed with respect thereto; and (2) reports provided to participants.

XI. Management Reporting

The Executive Director will be responsible for providing the formal periodic reports to the Trustees, legislative committees and other entities:

1. An annual report on the SBA and its investment portfolios, including that of Florida PRIME.
2. A monthly report on performance and investment actions taken.
3. Special reports pursuant to Chapter 218, Florida Statutes.

Appendix A
Additional Information Regarding Florida PRIME's Principal Securities

Throughout this appendix it shall be understood that actions described as being taken by Florida PRIME refer to actions taken by the Investment Manager on behalf of Florida PRIME.

FIXED INCOME SECURITIES

Corporate Debt Securities

Corporate debt securities are fixed income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. Florida PRIME also may purchase interests in bank loans to companies.

COMMERCIAL PAPER

Commercial paper is an issuer's obligation with a maturity of generally less than 270 days. Companies typically issue commercial paper to pay for current expenditures. Most issuers constantly reissue their commercial paper and use the proceeds (or bank loans) to repay maturing paper. If the issuer cannot continue to obtain liquidity in this fashion, its commercial paper may default.

DEMAND INSTRUMENTS

Demand instruments are corporate debt securities that the issuer must repay upon demand. Other demand instruments require a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. Florida PRIME treats demand instruments as short-term securities, even though their stated maturity may extend beyond one year.

Bank Instruments

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

Florida PRIME will not invest in instruments of domestic and foreign banks and savings and loans unless they have capital, surplus, and undivided profits of over $100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund or the Savings Association Insurance Fund which are administered by the Federal Deposit Insurance Corporation. These instruments may include Eurodollar Certificates of Deposit, Yankee Certificates of Deposit, and Euro-dollar Time Deposits.

Florida PRIME shall further limit its investments in bank instruments consistent with the requirements of GASB 79.

Asset Backed Securities

Asset backed securities are payable from pools of obligations, most of which involve consumer or commercial debts. However, almost any type of fixed income assets (including other fixed income securities) may be used to create an asset backed security. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

Government Securities

Government security means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States; or any certificate of deposit for any of the foregoing.

U.S. Treasury Securities

U.S. Treasury securities are direct obligations of the federal government of the United States. U.S. Treasury securities are generally regarded as having the lowest credit risks.

Agency Securities

Agency securities are issued or guaranteed by a federal agency or other government sponsored entity (GSE) acting under federal authority. Some GSE securities are supported by the full faith and credit of the United States. These include securities issued by the Government National Mortgage Association, Small Business Administration, Farm Credit System Financial Assistance Corporation, Farmer's Home Administration, Federal Financing Bank, General Services Administration, Department of Housing and Urban Development, Export-Import Bank, Overseas Private Investment Corporation, and Washington Metropolitan Area Transit Authority.

Other GSE securities receive support through federal subsidies, loans or other benefits. For example, the U.S. Treasury is authorized to purchase specified amounts of securities issued by (or otherwise make funds available to) the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority in support of such obligations.

A few GSE securities have no explicit financial support, but are regarded as having implied support because the federal government sponsors their activities. These include securities issued by the Farm Credit System, Financing Corporation, and Resolution Funding Corporation.

Investors regard agency securities as having low credit risks, but not as low as Treasury securities. Florida PRIME treats mortgage-backed securities guaranteed by a GSE as if issued or guaranteed by a federal agency. Although such a guarantee protects against credit risks, it does not reduce market risks.

Insurance Contracts

Insurance contracts include guaranteed investment contracts, funding agreements and annuities. Florida PRIME treats these contracts as fixed income securities.

Municipal Securities

Municipal securities are issued by states, counties, cities and other political subdivisions and authorities.

Foreign Securities

Foreign securities are U.S. dollar-denominated securities of issuers based outside the United States. Florida PRIME considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or

- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.

Mortgage Backed Securities

Mortgage backed securities represent interests in pools of mortgages. The mortgages that comprise a pool normally have similar interest rates, maturities and other terms. Mortgages may have fixed or adjustable interest rates. Interests in pools of adjustable rate mortgages are known as ARMs.

Zero Coupon Securities

Certain of the fixed income securities in which Florida PRIME invests are zero coupon securities. Zero coupon securities do not pay interest or principal until final maturity, unlike debt securities that provide periodic payments of interest (referred to as a "coupon payment"). Investors buy zero coupon securities at a price below the amount payable at maturity. The difference between the purchase price and the amount paid at maturity represents interest on the zero coupon security. Investors must wait until maturity to receive interest and principal, which increases the interest rate and credit risks of a zero coupon security.

Callable Securities

Certain of the fixed income securities in which Florida PRIME invests are callable at the option of the issuer. Callable securities are subject to reinvestment risks.

144A Securities

The SBA has determined that Florida PRIME constitutes (i) an "accredited investor" as defined in Rule 501(a)(7) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), as long as Florida PRIME has total assets in excess of $5,000,000, (ii) a "qualified purchaser" as defined in Section 2(a)(51)(A)(iv) of the 1940 Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis not less than $25,000,000 in investments, and (iii) a "qualified institutional buyer" as defined in Rule 144(a)(1) promulgated under the Securities Act, as long as Florida PRIME in the aggregate owns and invests on a discretionary basis at least $100,000,000 in securities.

Money Market Mutual Funds

Florida PRIME may invest in shares of registered investment companies that are money market mutual funds, including those that are affiliated with the Investment Manager, as an efficient means of implementing its investment strategies and/or managing its uninvested cash. These other money market mutual funds are managed independently of Florida PRIME and incur additional fees and/or expenses that would, therefore, be borne indirectly by Florida PRIME in connection with such investment. However, the Investment Manager believes that the benefits and efficiencies of this approach should outweigh the potential additional fees and/or expenses. The Investment Manager must obtain prior written consent of the SBA to invest Florida PRIME in money market mutual funds that are "affiliated persons" of the Investment Manager.

SPECIAL TRANSACTIONS

The Investment Manager on behalf of Florida PRIME may engage in the following special transactions.

Repurchase Agreements

A repurchase agreement is a transaction in which Florida PRIME buys a security from a dealer or bank and agrees to sell the security back at a mutually agreed-upon time and price. The repurchase price exceeds the sale price, reflecting Florida PRIME's return on the transaction. This return is unrelated to the interest rate on the underlying security. Florida PRIME will enter into repurchase agreements only with banks and other recognized financial institutions, such as securities dealers, deemed creditworthy by the Investment Manager. The securities that are subject to the repurchase transactions are limited to securities in which Florida PRIME would be permitted to invest, except that such securities may have a maturity longer than would otherwise be permitted for Florida PRIME to own.

Florida PRIME's custodian or subcustodian will take possession of the securities subject to repurchase agreements. The Investment Manager or subcustodian will monitor the value of the underlying security each day to ensure that the value of the security always equals or exceeds the repurchase price.

Repurchase agreements are subject to credit risks.

Delayed Delivery Transactions

Delayed delivery transactions, including when-issued transactions, are arrangements in which Florida PRIME buys securities for a set price, with payment and delivery of the securities scheduled for a future time. During the period between purchase and settlement, no payment is made by Florida PRIME to the issuer and no interest accrues to Florida PRIME. Florida PRIME records the transaction when it agrees to buy the securities and reflects their value in determining the price of its units. Settlement dates may not be more than seven business days after entering into these transactions; nonetheless, the market values of the securities bought may vary from the purchase prices. Therefore, delayed delivery transactions create interest rate risks for Florida PRIME. Delayed delivery transactions also involve credit risks in the event of a counterparty default.

Asset Coverage

In order to secure its obligations in connection with special transactions, Florida PRIME will either own the underlying assets, enter into an offsetting transaction or set aside readily marketable securities with a value that equals or exceeds Florida PRIME's obligations. Unless Florida PRIME has other readily marketable assets to set aside, it cannot trade assets used to secure such obligations without terminating a special transaction. This may cause Florida PRIME to miss favorable trading opportunities or to realize losses on special transactions.

Blacklined Draft for Review by Trustees on August 23, 2022
Adopted by Trustees on ~~December~~ August 23~~0~~, 2022~~1~~
Effective ~~December~~ September 1, 2022~~1~~

FLORIDA RETIREMENT SYSTEM
DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.[1] For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(10), Florida Statutes.

[1] The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.0% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.47% and 8.73% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -0.65% and 9.96%.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	5th Percentile Real Return	10th Percentile Real Return	90th Percentile Real Return	95th Percentile Real Return
10 Years	-1.78%	-0.42%	9.71%	11.22%
15 Years	-0.65%	0.47%	8.73%	9.96%
20 Years	0.03%	1.00%	8.16%	9.22%
25 Years	0.49%	1.37%	7.77%	8.71%
30 Years	0.84%	1.64%	7.48%	8.34%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	53%	45%	70%
Fixed Income	18%	10%	26%
Real Estate	10%	4%	16%
Private Equity	6%	2%	12~~0~~%
Strategic Investments	12%	0%	16%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.[2] An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

[2] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow ($ millions/ % Fund)

	In 5 Years		In 10 Years	
10th Percentile	$ 4,851	3.67%	$ 3,497	3.14%
25th Percentile	$ 6,776	4.15%	$ 6,329	4.03%
Median	$ 7,466	4.54%	$ 8,523	4.60%
75th Percentile	$ 8,079	5.04%	$ 11,561	5.22%
90th Percentile	$ 10,690	5.96%	$ 12,895	6.27%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law or that would be prohibited by Florida law if acquired as of the date of the measurement of such Index notwithstanding that the securities or investments were actually acquired before such date
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%[3]

3 $\overbrace{(76.5\% * \text{NFI-ODCE})}^{\text{Core RE}} + \overbrace{[13.5\% * (\text{NFI-ODCE} + 150\text{ bps})]}^{\text{Non-Core RE}} + \overbrace{(10\% * \text{REIT Index})}^{\text{Public RE}}$

Private Equity	The MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations. The policy allocations for the private market asset classes would all "float" against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity, Fixed Income and Cash) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes		
		Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	50%	100%	75%
Fixed Income	N/A	50%	0%	25%

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class's actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 4.0%.

- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment expertise and resources;
  - Alignment of interests;
  - Transparency and repeatability of investment process; and
  - Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Generate long-term incremental returns in excess of a 4.0% annualized real rate of return, commensurate with risk.
- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's risk-adjusted return over multiple market cycles.

- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

Other Guidelines

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the "Protecting Florida's Investments Act." Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2016-36, Laws of Florida, an act relating to companies that boycott Israel. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4725(5), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: "The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela."

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective September ~~December~~ 1, 2022~~1~~.

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FLORIDA RETIREMENT SYSTEM
DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.[1] For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(10), Florida Statutes.

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[1] The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.0% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund’s net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio’s potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.47% and 8.73% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -0.65% and 9.96%.

Table 1: Expected Risk in Target Portfolio’s Real Returns

Time Horizon	5th Percentile Real Return	10th Percentile Real Return	90th Percentile Real Return	95th Percentile Real Return
10 Years	-1.78%	-0.42%	9.71%	11.22%
15 Years	-0.65%	0.47%	8.73%	9.96%
20 Years	0.03%	1.00%	8.16%	9.22%
25 Years	0.49%	1.37%	7.77%	8.71%
30 Years	0.84%	1.64%	7.48%	8.34%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	53%	45%	70%
Fixed Income	18%	10%	26%
Real Estate	10%	4%	16%
Private Equity	6%	2%	12%
Strategic Investments	12%	0%	16%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.[2] An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty

[2] The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

(30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow ($ millions/ % Fund)

	In 5 Years		In 10 Years	
10th Percentile	$ 4,851	3.67%	$ 3,497	3.14%
25th Percentile	$ 6,776	4.15%	$ 6,329	4.03%
Median	$ 7,466	4.54%	$ 8,523	4.60%
75th Percentile	$ 8,079	5.04%	$ 11,561	5.22%
90th Percentile	$ 10,690	5.96%	$ 12,895	6.27%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law or that would be prohibited by Florida law if acquired as of the date of the measurement of such Index notwithstanding that the securities or investments were actually acquired before such date
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%[3]
Private Equity	The MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

3 $\overbrace{(76.5\% * \text{NFI-ODCE})}^{\text{Core RE}} + \overbrace{[13.5\% * (\text{NFI-ODCE} + 150 \text{ bps})]}^{\text{Non-Core RE}} + \overbrace{(10\% * \text{REIT Index})}^{\text{Public RE}}$

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations. The policy allocations for the private market asset classes would all "float" against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity, Fixed Income and Cash) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes		
		Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	50%	100%	75%
Fixed Income	N/A	50%	0%	25%

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class's actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 4.0%.
- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes, except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
  - Financial, operational and investment expertise and resources;
  - Alignment of interests;
  - Transparency and repeatability of investment process; and
  - Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Generate long-term incremental returns in excess of a 4.0% annualized real rate of return, commensurate with risk.
- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's risk-adjusted return over multiple market cycles.
- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

Other Guidelines

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the "Protecting Florida's Investments Act." Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2016-36, Laws of Florida, an act relating to companies that boycott Israel. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4725(5), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: "The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela."

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective September 1, 2022.

Investment Advisory Council

Global Equity Update

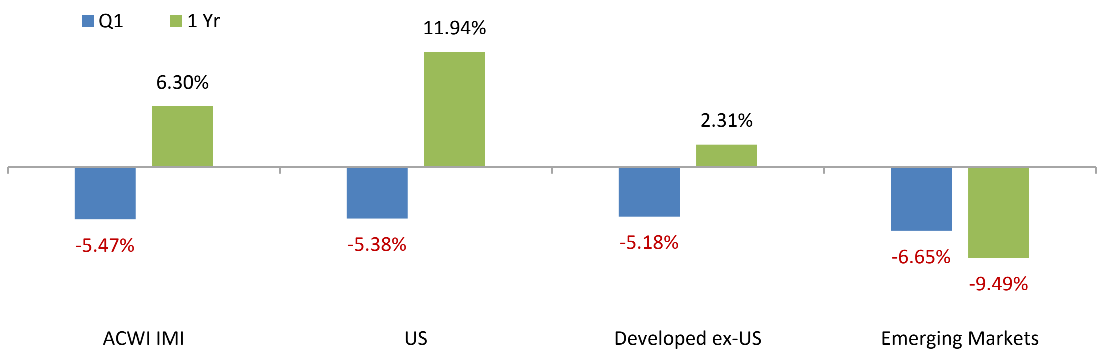
Tim Taylor, Senior Investment Officer

June 28, 2022

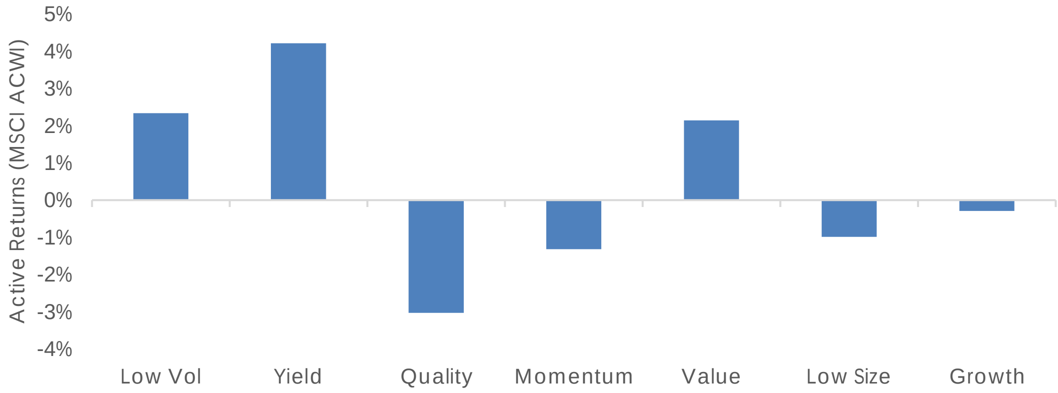
SBA FLORIDA STATE BOARD OF ADMINISTRATION

Q1 2022 Equity Market Environment

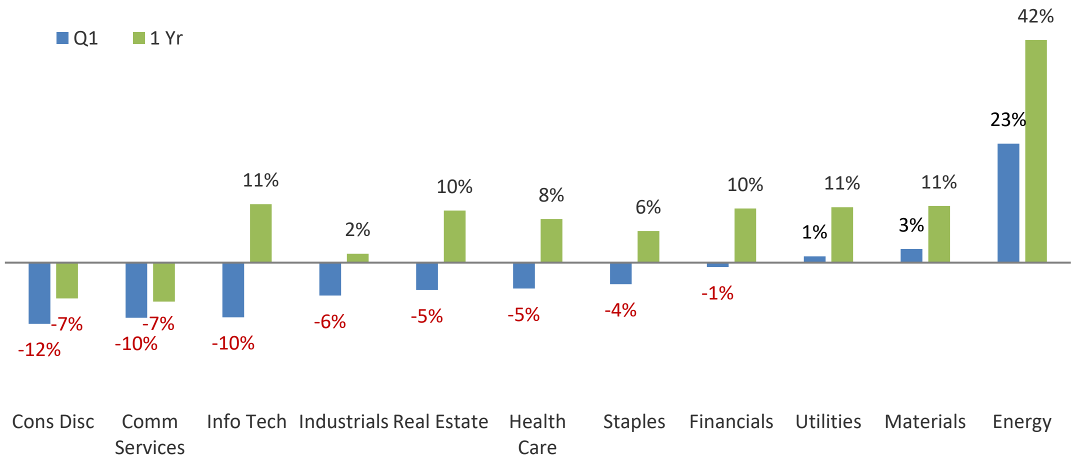
Global Markets Decline in Q1



Low Vol, Yield, and Value Factors Outperformed



Energy Sector the Clear Leader



Q1 2022 Global Market Dynamics

- Equity markets began 2022 on a negative note, with markets down across-the-board.
- Investors were focused on inflation, rising interest rates and Central Bank tightening, even before Russia's unexpected invasion of Ukraine.
- In Q1 2022 Energy soared as everything else slumped. Consumer Discretionary, Communication Services and Information Technology all declined considerably.
- Company earnings generally met expectations, yet the highest multiple stocks were rerated.
- Russia closed its local stock exchange to foreigners in late February, and MSCI and other index providers removed Russia from its global benchmarks shortly thereafter.

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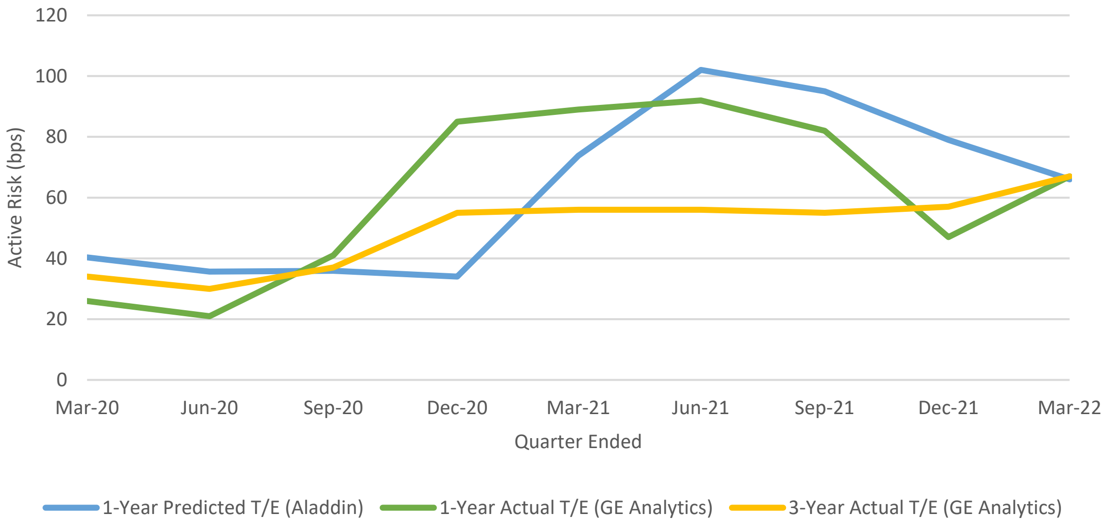
Note: As of March 31, 2022. Based on MSCI ACWI IMI for regional and sector returns. Factor returns are compared to the MSCI ACWI benchmark.

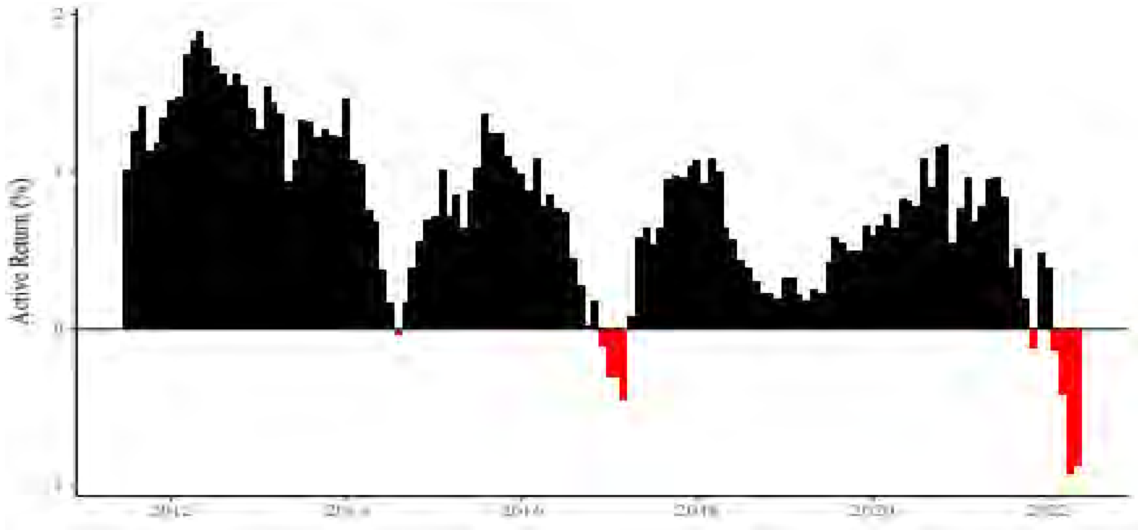
Aggregate Performance Summary

Total Global Equity	EMV ($M)	Q1 '22	FYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	SI
Asset Class Return	$102,550	-6.34%	-1.93%	5.43%	13.68%	11.71%	9.91%	10.55%	11.45%
vs Target		-5.40%	-0.76%	6.35%	13.55%	11.40%	9.55%	10.00%	10.79%
Excess Return		**-0.95%**	**-1.17%**	**-0.92%**	**0.14%**	**0.31%**	**0.36%**	**0.55%**	**0.66%**
Tracking Error					0.67%	0.57%	0.57%	0.55%	0.55%
Return/Risk (IR)					0.15%	0.46%	0.54%	0.87%	1.05%

Realized active risk increased in Q1 2022



Global Equity has outperformed the benchmark, net of fees, in 121 of 131 rolling one-year periods



Note: All returns through 3/31/2022. Inception 7/1/10. Benchmark is Custom Iran Sudan Free MSCI ACWI IMI Index. Realized Risk is compared to prior 1 year Predicted Risk.

Active Strategy Performance Summary

Active Strategy Group	% of Asset Class	Q1 2022	1 Year	3 Year	5 Year	Recent Performance Drivers
	Excess Returns by Aggregate					**Q1 2022 Commentary**
Foreign Developed Large Cap	20%	-2.85%	-3.94%	0.70%	1.23%	Underweights to deeper value stocks, Energy and Banks detracted. A sharp rerating of holdings that soared during the pandemic also negatively impacted performance. A consistent focus on quality and stability did not prove beneficial.
Emerging Markets	11%	-0.05%	-0.24%	1.67%	0.54%	Exposure to value stocks and an underweight to Chinese technology holdings were positive. However the repricing of Russian holdings to essentially zero weighed heavy on performance.
Dedicated Global	10%	-1.48%	-3.56%	-3.41%	-1.83%	Growth- and quality-oriented managers struggled during the quarter as expensive growth/quality sold off more than shorter duration stocks. Managers focused on value and dividend-yielding stocks outperformed.
Foreign Developed Small Cap	4%	-2.14%	-1.25%	-0.36%	-0.54%	Underperformance was driven by exposure to quality- and growth-focused securities, with some relief provided by managers with value elements in their portfolios.
US Small Cap	2%	-0.19%	7.18%	2.31%	1.67%	Quality factors were a headwind, as was an Energy underweight. Value factor exposures and an underweight to Pharma/Biotech were beneficial.
US Large Cap	2%	-0.19%	2.28%	-0.71%	-0.69%	Lower quality and commodity stocks fared best, areas where this aggregate is typically underweight. Being below benchmark to Energy was a significant detractor. Positive contributors included an IT underweight.
Total Active Aggregate	**50%**	**-1.91%**	**-1.88%**	**-0.05%**	**0.19%**	

Note: All returns through 3/31/2022. Excess returns are relative to strategy group benchmark. Weights are relative to total equity assets under management.

Update on Initiatives

Provide Alpha

•Funded a new US Small Cap Strategy in Q1 2022.

•Continuing to identify and research non-traditional opportunistic strategies that add alpha and/or diversification to the Global Equity asset class (e.g. thematic, currency, regional).

•Asset class structure review to be completed by a consultant, with the summary to be included in Global Equity's presentation at the September IAC meeting.

Provide Liquidity

•Global Equity continues to be a significant provider of liquidity to support beneficiary payments.

•Raised $1 billion in Q1 2022 and $8.3 billion for calendar year 2021. Global Equity provided $21.3 billion of liquidity from 2019 to 2021.

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State Board of Administration

Fixed Income Update

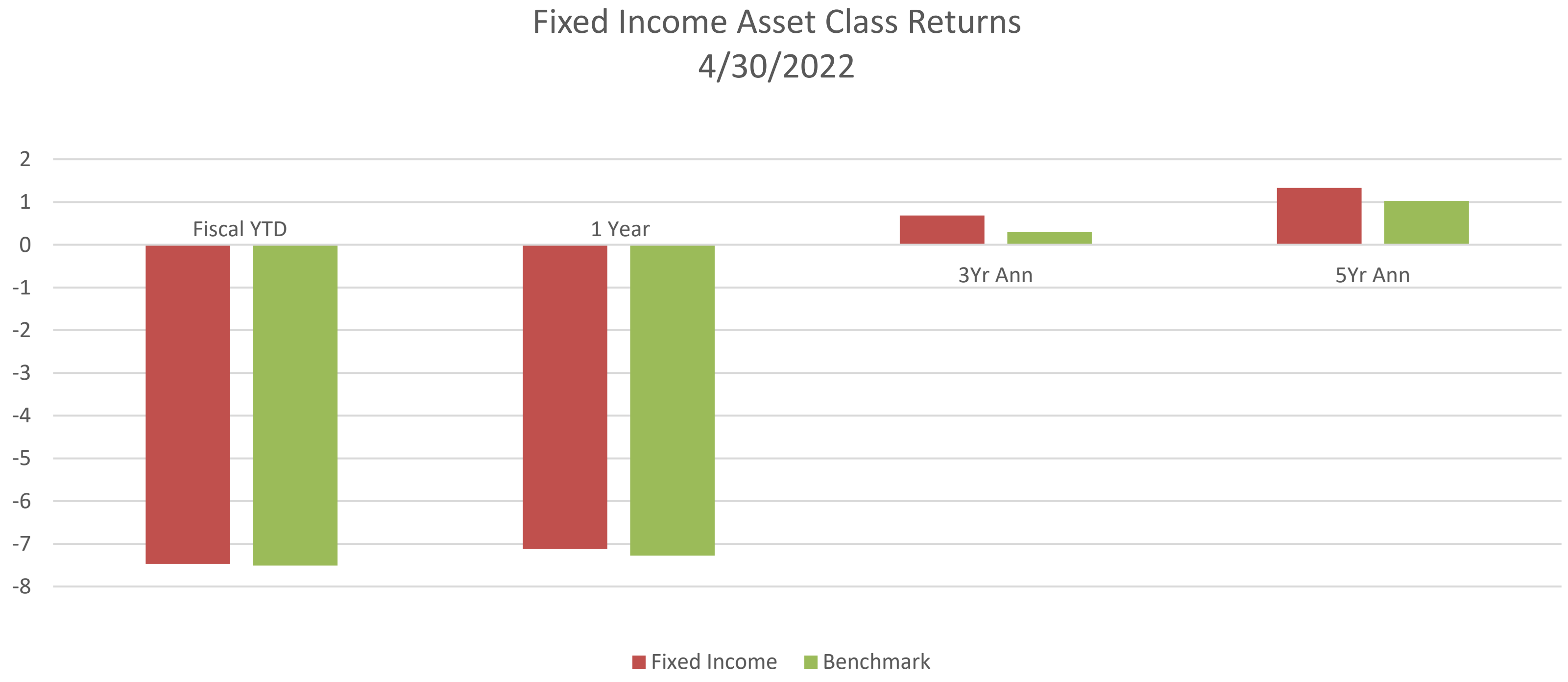
Katy Wojciechowski
Senior Investment Officer Fixed Income

Investment Advisory Council

June 28, 2022

Asset Class Portfolio Performance

Asset class outperformed Benchmark over ALL time periods with low risk and high Information Ratio. For FYTD ended 4/30/22, FI produced returns of (7.41%), for an outperformance of 0.10%



Fixed Income Review and Outlook
June 2022

12 Month Returns for the Fixed Income benchmark – Bloomberg Intermediate Aggregate through 4/30/2022 were (7.2743%). **Benchmark returns fiscal YTD are (7.51%), while asset class returns are (7.47%), for an outperformance of 0.04%.**

Annual Absolute and Excess Returns were negative for all spread sectors, as spreads widened on inflation fears

Ten year Treasury yields rose from 1.51% to 2.94% YTD through 4/30/2022. Yield on the entire Benchmark is now 3.16% with a 4.63yr duration.

Yield on the broader Barclay's Aggregate is 3.30% with a duration of 6.53yrs.

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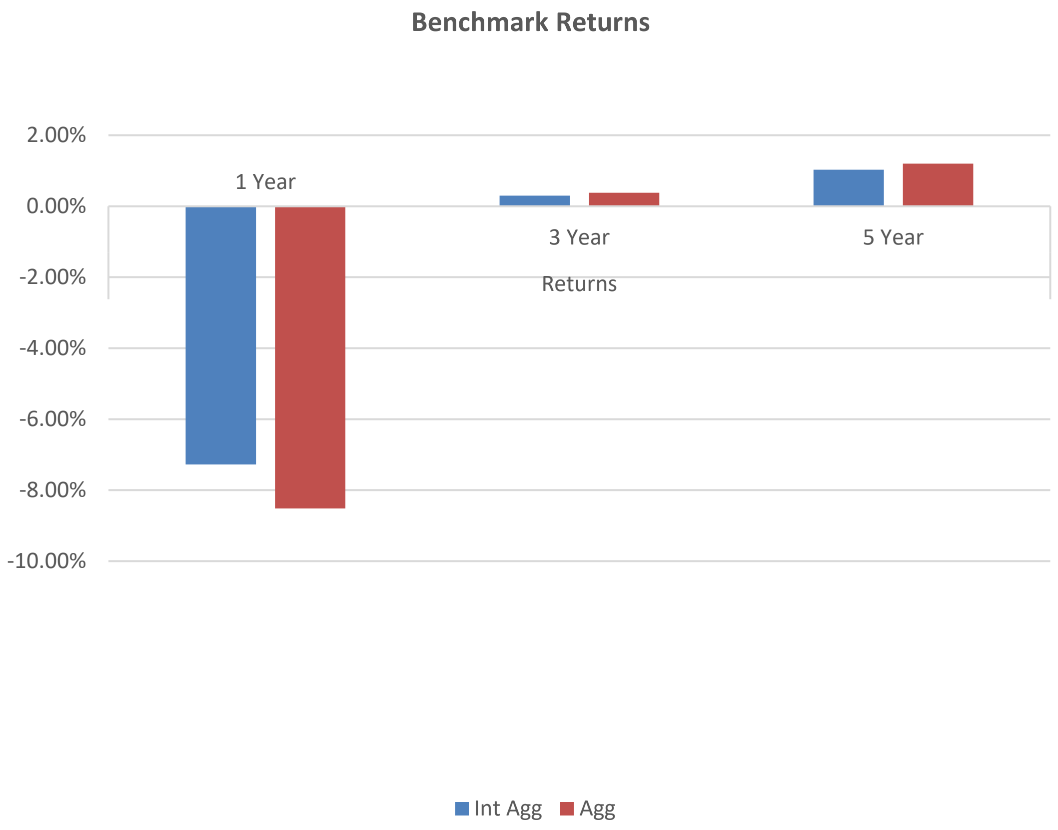
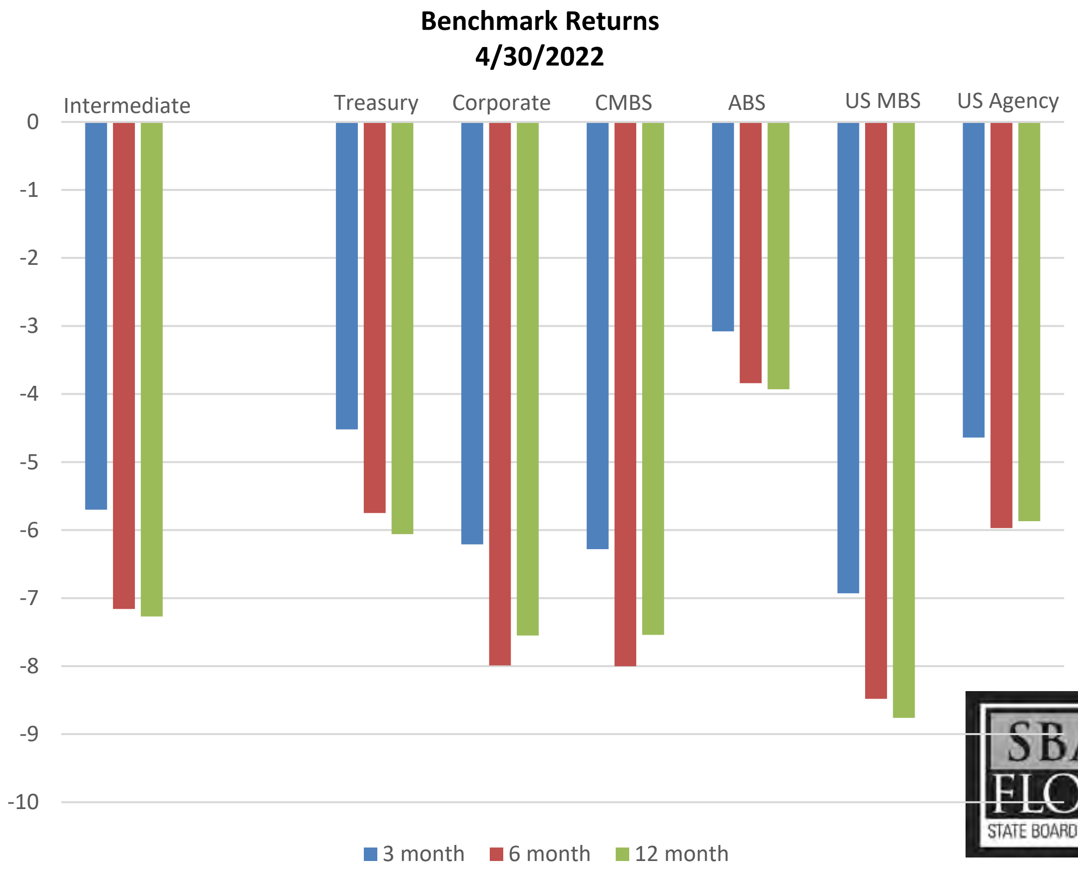
Benchmark Comparison as of 4/30/2022



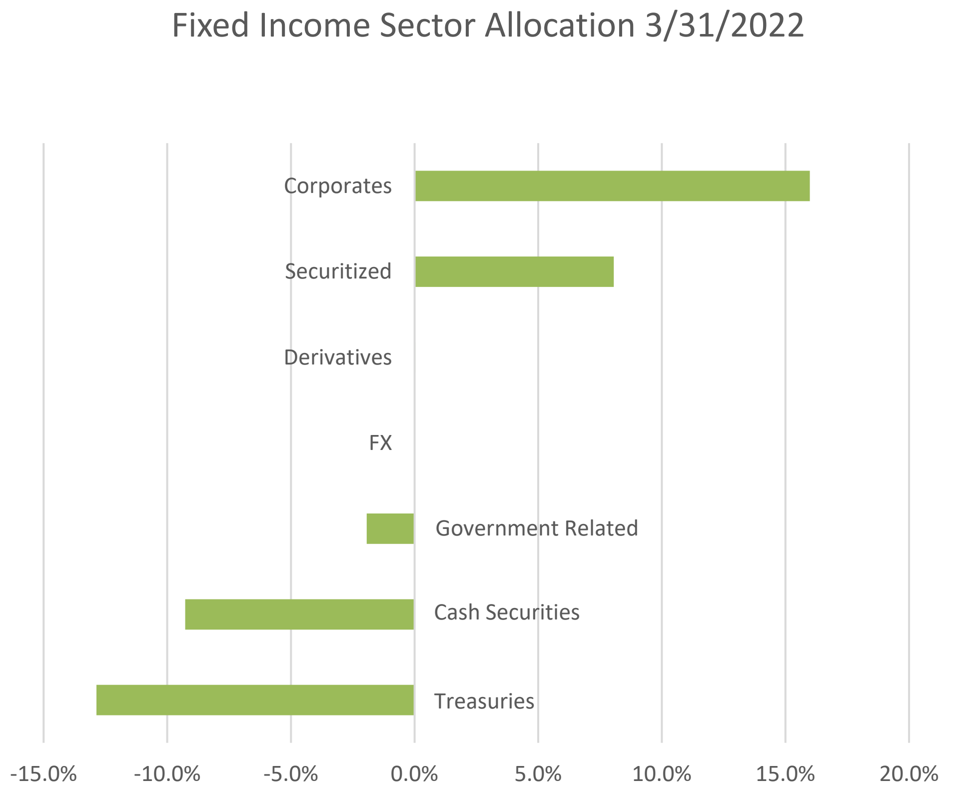
Fixed Income Review June 2022

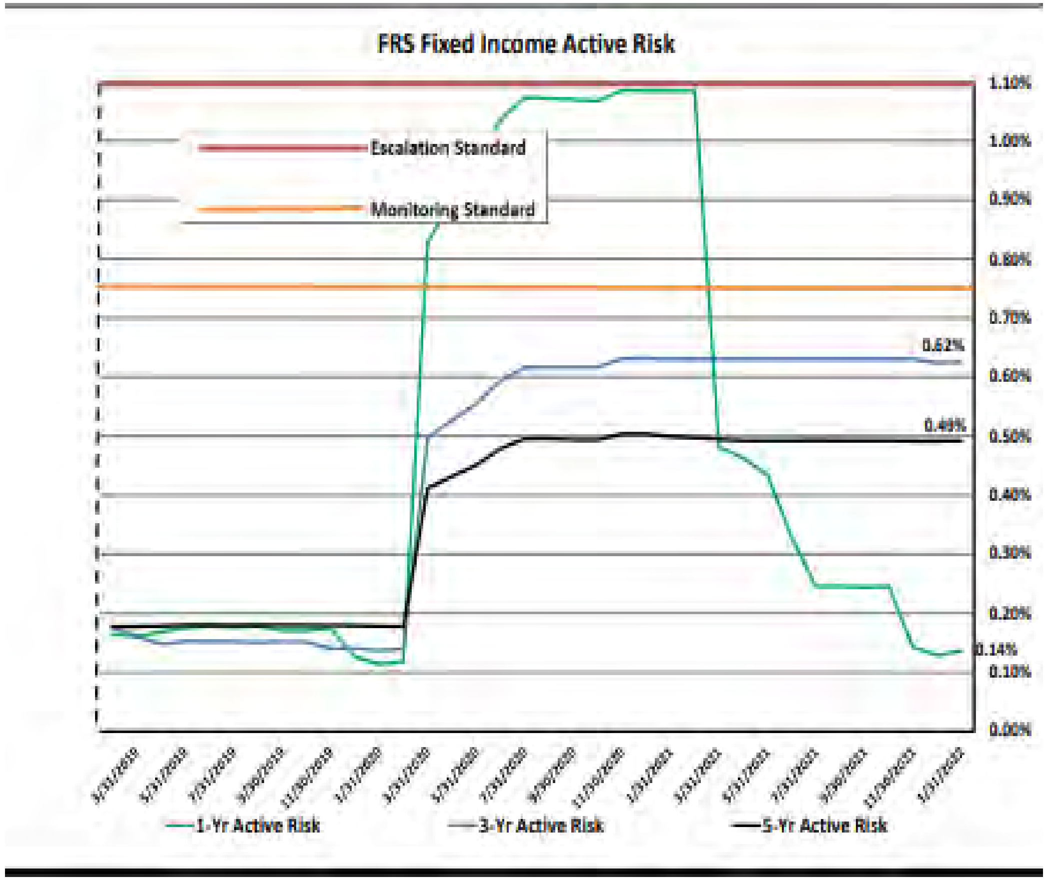
Fixed Income offers slightly more “income” at wider spreads



Fixed Income Review June 2022

Portfolio continues to overweight Spread Product





SBA FLORIDA STATE BOARD OF ADMINISTRATION

Fixed Income Review June 2022

- Expanded Risk Budget and increased Active Allocation
- Add exposure to out of benchmark structured products or other in a dedicated strategy

  Continuing to research opportunities outside of our benchmark, barbelling liquidity with yield

- Consider opportunity to reduce risk to a rising rate environment, inflation, within overall allocation

  Increase allocation to Short Duration Credit manager?

- Execute on tactical opportunities in out of Benchmark sectors – Core Plus opportunities

  Continuing to discuss opportunities ex-US, off benchmark, given limited opportunities in US Fixed Income. Considering derivative opportunities to increase ability to be nimble

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Real Estate Update

Steve Spook
Senior Investment Officer

Investment Advisory Council Meeting
June 28, 2022

Quarterly Highlights: Real Estate

Market Overview

- Indices continue record setting performance. ODCE 1-year 28.5% as of 3/31/2022.
- Appreciation is strongly bifurcated with industrial, residential and alternatives the leading performers. Retail and office continue to be out of favor.
- Surging interest rates are leading to a repricing of asset values. Best estimates are 0-10% decline.
- Negative leverage in high growth sectors for first time since GFC.
- Supply/demand fundamentals still imply strong rent growth for most sectors.

Performance Summary

- Total Asset Class
  - 1 year: 23.3% (Benchmark 21.8%)
  - 3 year: 10.5% (Benchmark 9.1%)
- Contributors – 1 year
  - Principal Investments selection: Office/Retail/Industrial
  - Principal Investments allocation: Retail Underweight/Alternatives Overweight
  - Externally Managed drivers: Core Industrial/Core Diversified/REITs
- Detractors – 1 year
  - Principal Investments selection: Multifamily
  - Principal Investments: Office Overweight/Industrial Underweight
  - Externally Managed detractors: Europe retail

Risks and Issues to Consider

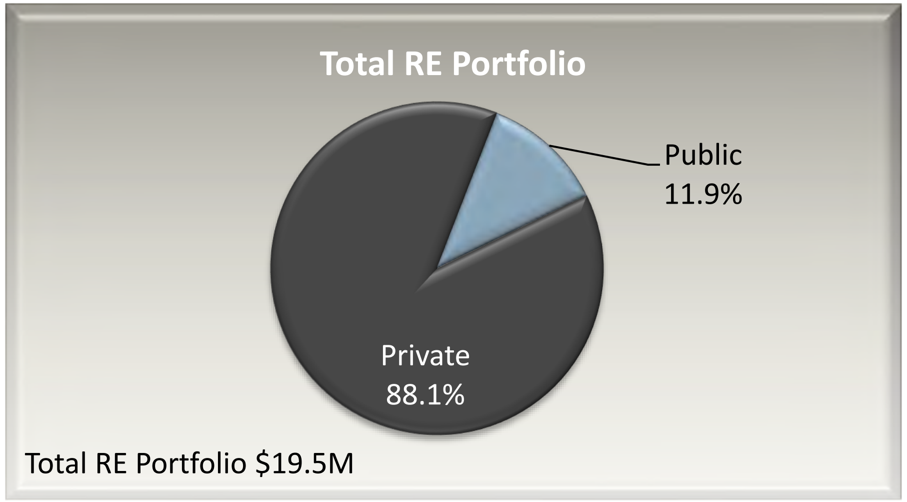
- Interest rates
- Inflation – Consumer buying power and construction costs
- Remote work
- Regulatory risk
- Growth of ecommerce

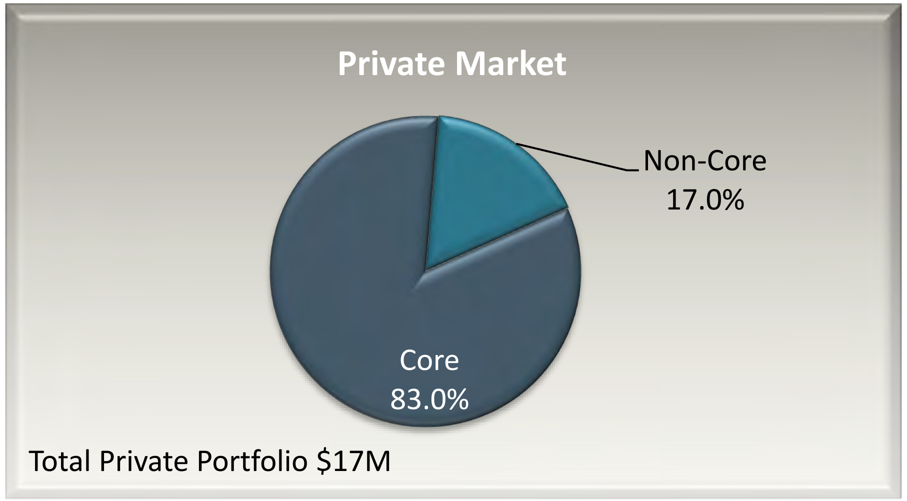
Opportunities and Priorities

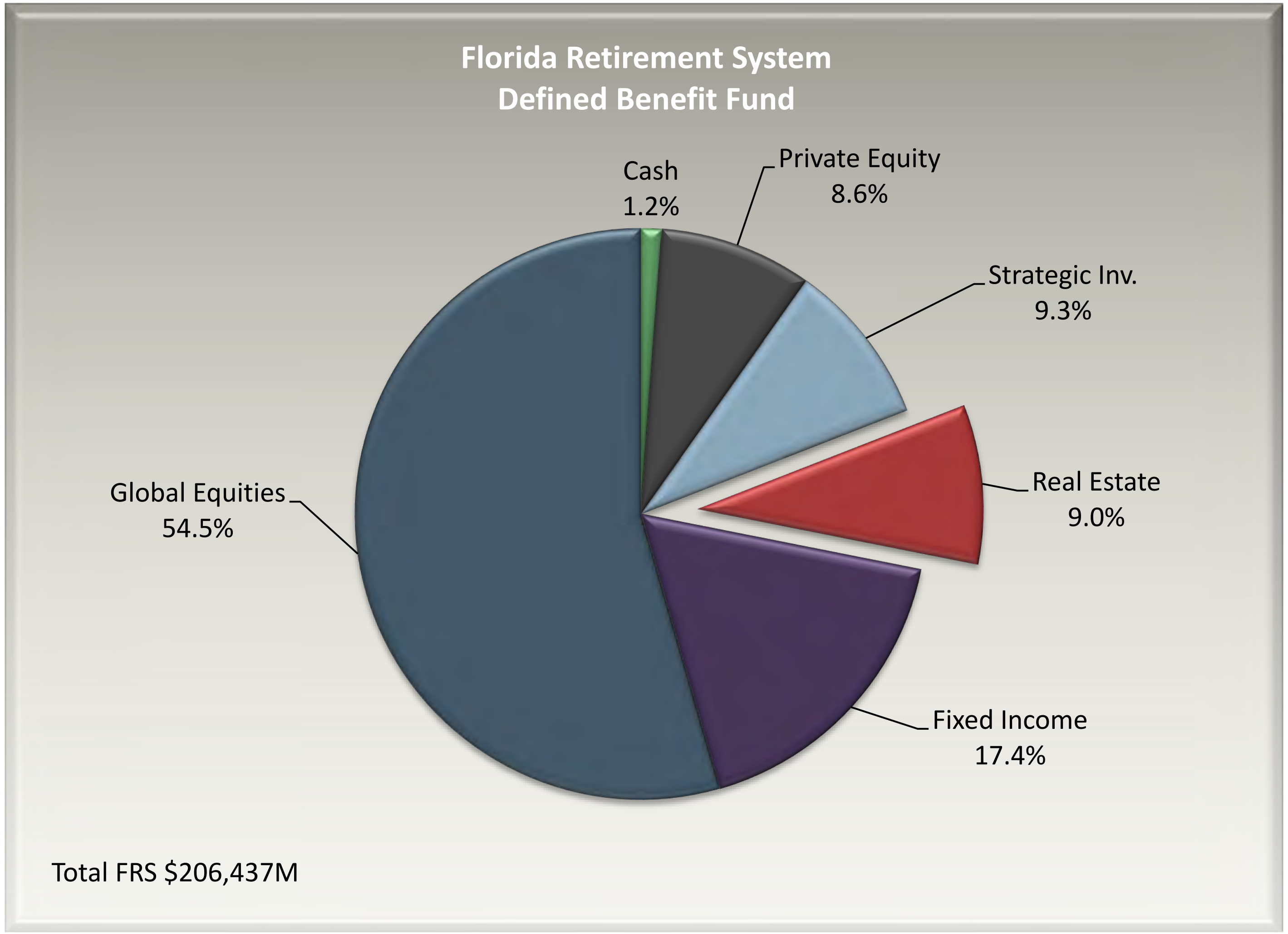
- Increase industrial/living/alternatives allocation
- Decrease office/retail exposure
- Master Credit Facility
- Co-investments

Real Estate Portfolio Sector Allocation

as of 12/31/2021







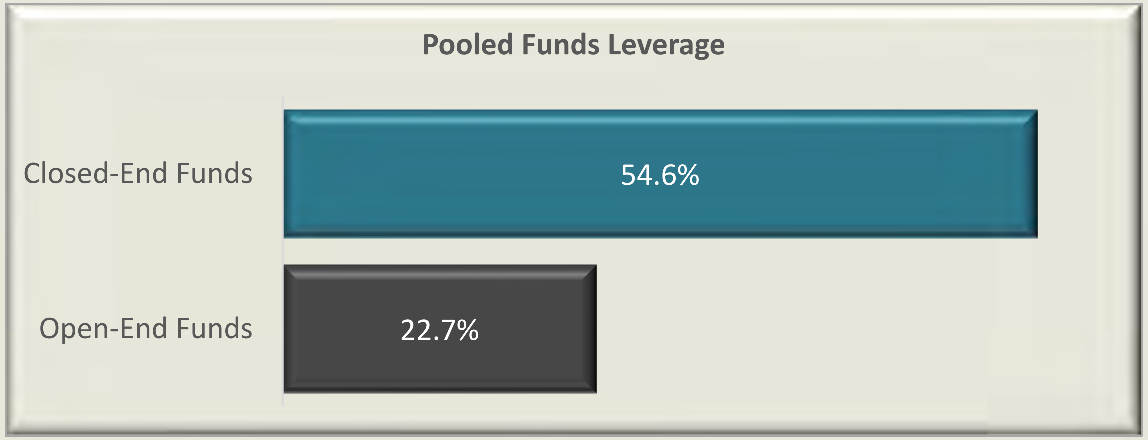
Private Market Leverage

as of 12/31/2021

Private Market Leverage
27.7%

Principal Investments
23.4%

Pooled Funds
37.2%

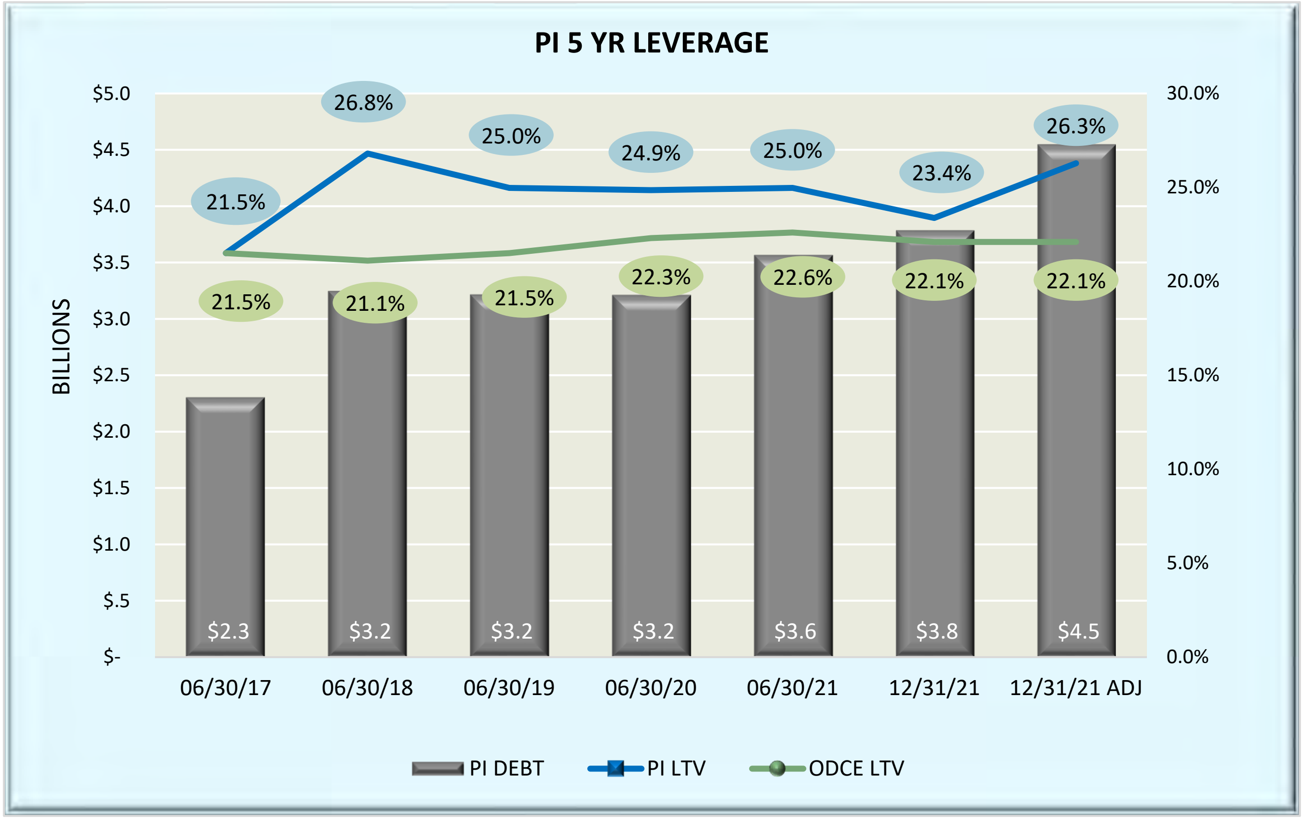


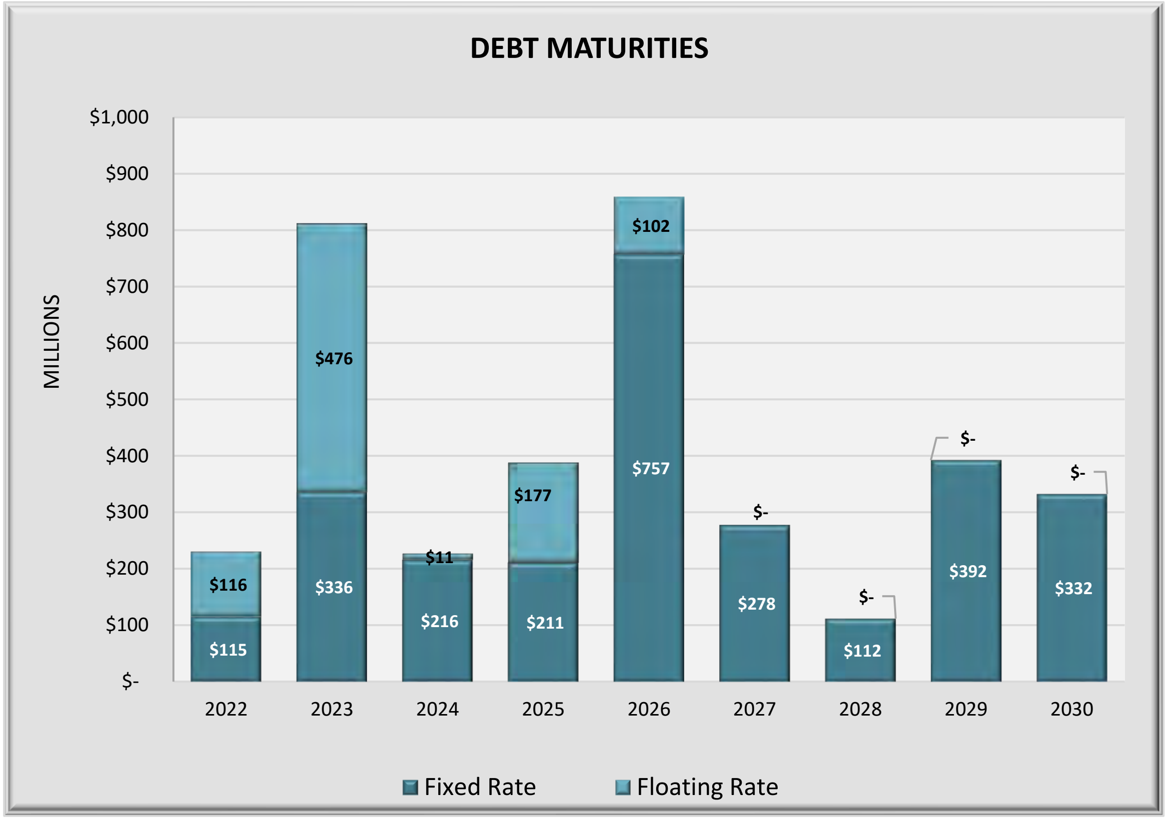
Investment Portfolio Guidelines:

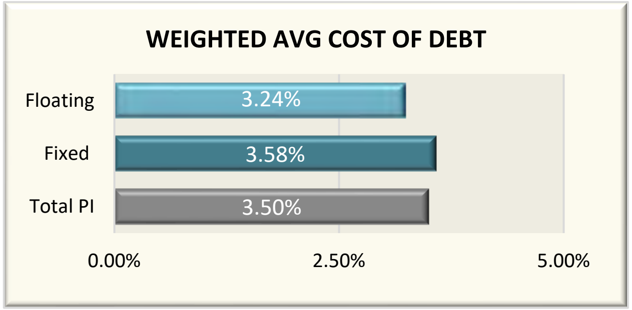
- Private Market Portfolio leverage limited to 40% Loan to Value (LTV).
- Principal Investments Portfolio leverage limited to 30% Loan to Value (LTV).

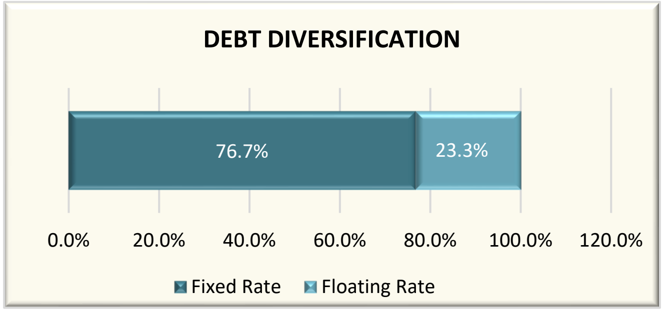
Principal Investments Leverage

as of 12/31/2021







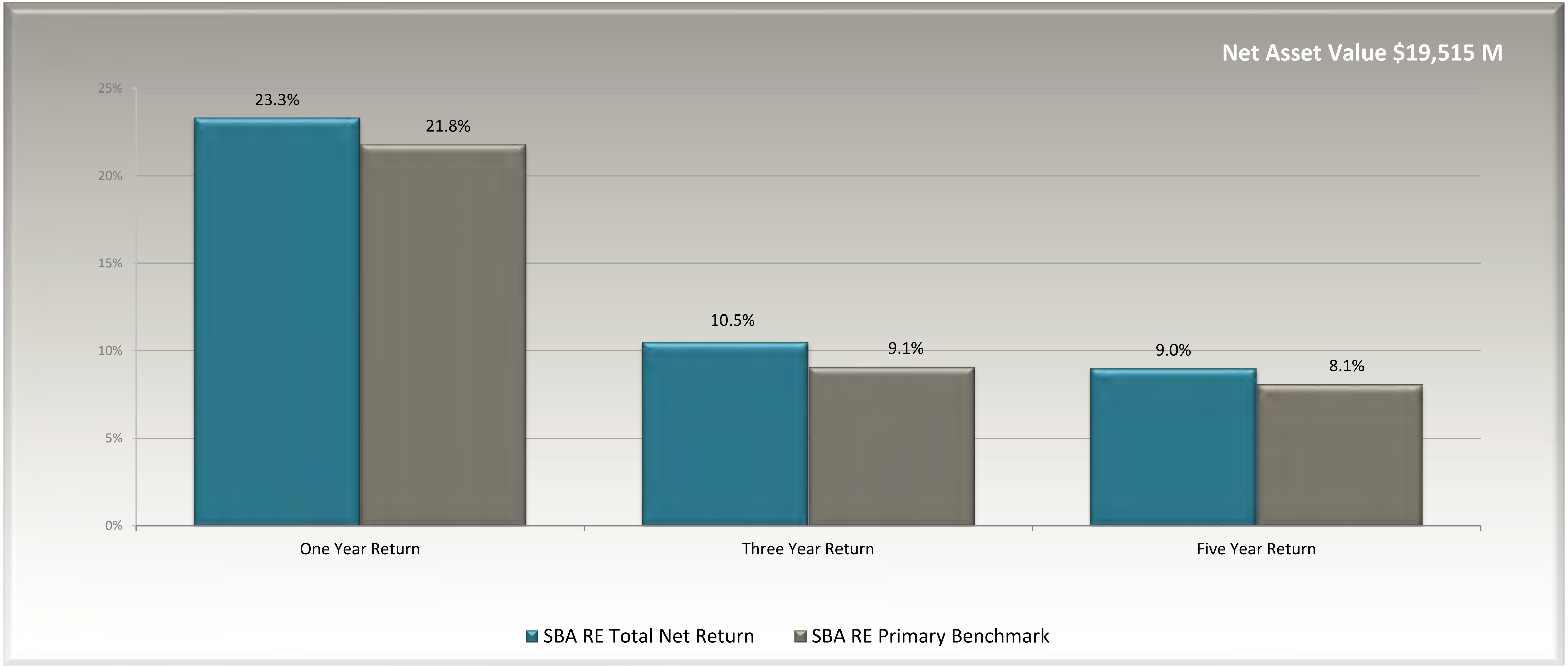


Investment Portfolio Guidelines
- Portfolio Leverage limited to 30% Loan To Value (LTV)
- Individual Asset Level limited to 50% LTV
- JV Individual Asset limited to 70% LTV
- Nonrecourse to the SBA

PI NAV at 12/31/21: $12.3 billion

Total Real Estate Portfolio Performance

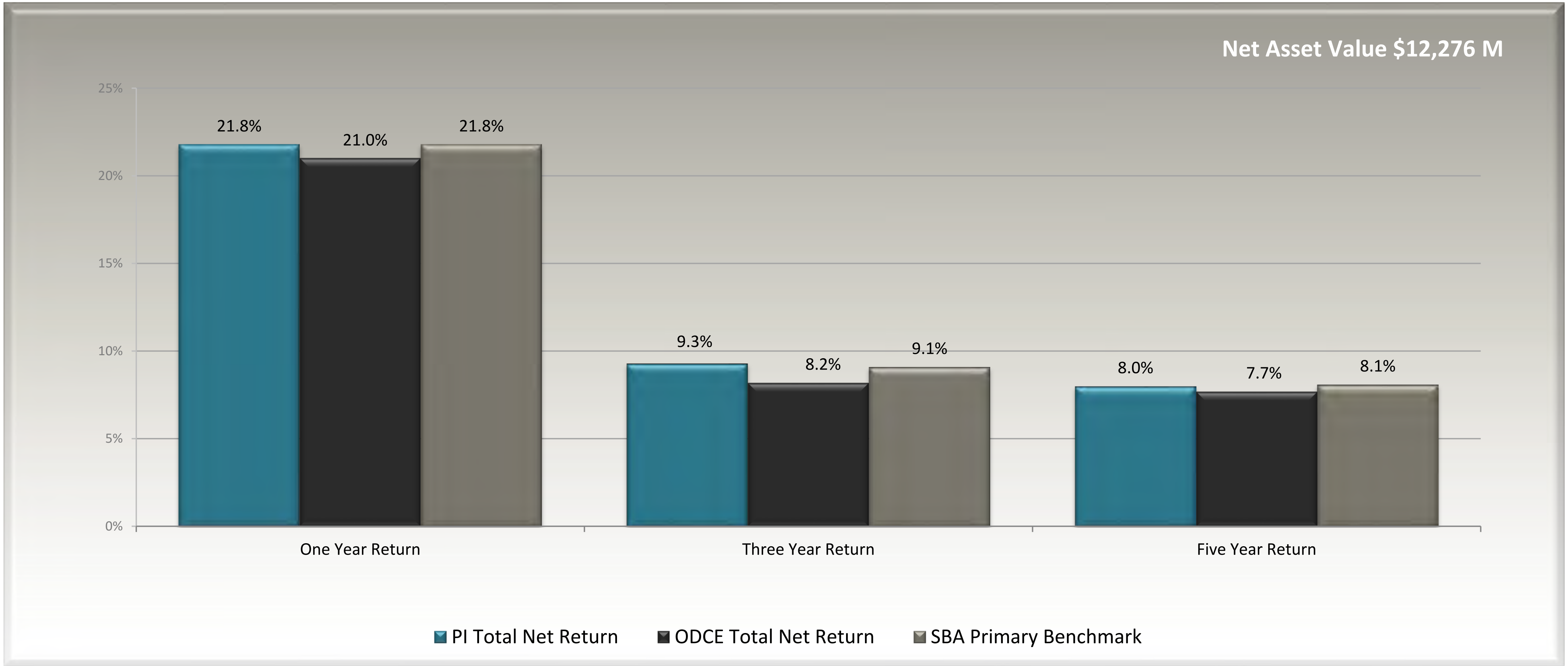
as of 12/31/2021



Source: The Townsend Group

Principal Investments Performance

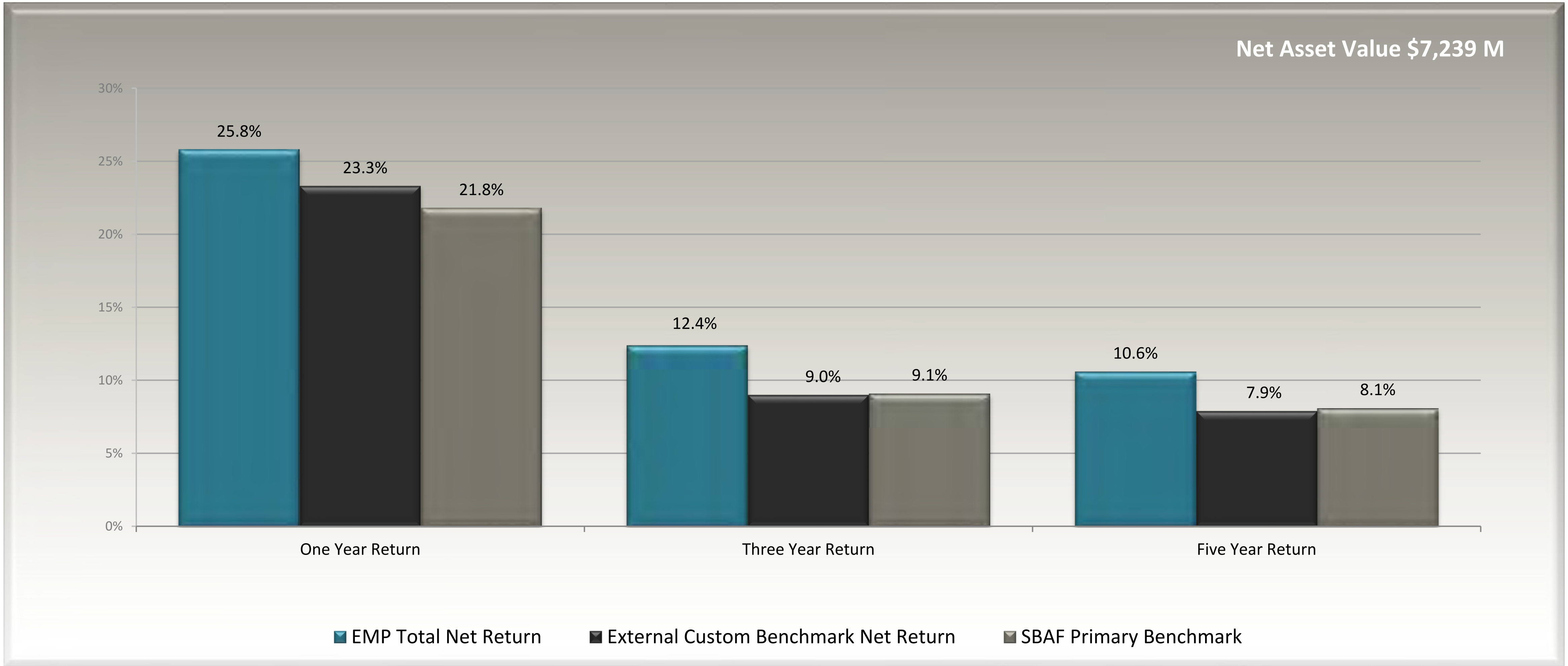
as of 12/31/2021



Source: The Townsend Group

Externally Managed Portfolio Performance

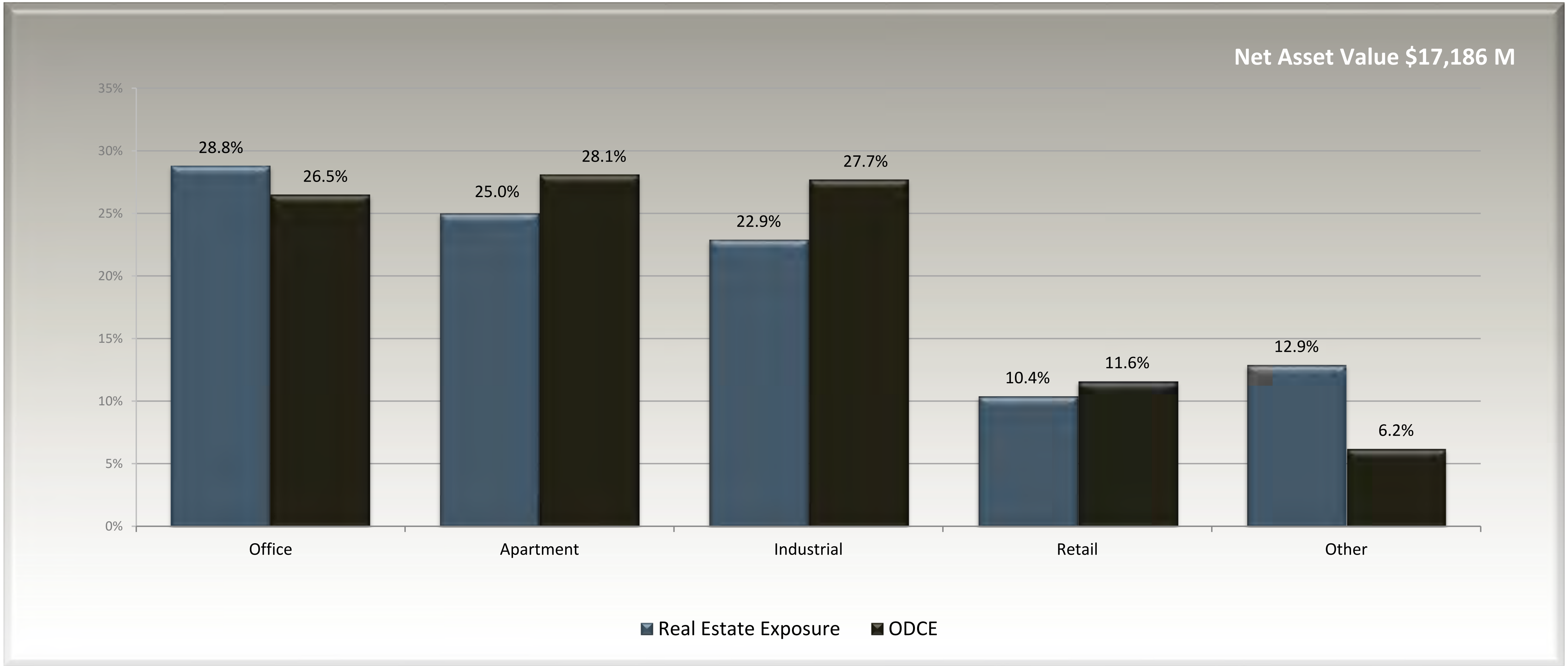
as of 12/31/2021



Source: The Townsend Group

Private Market Property Type Diversification

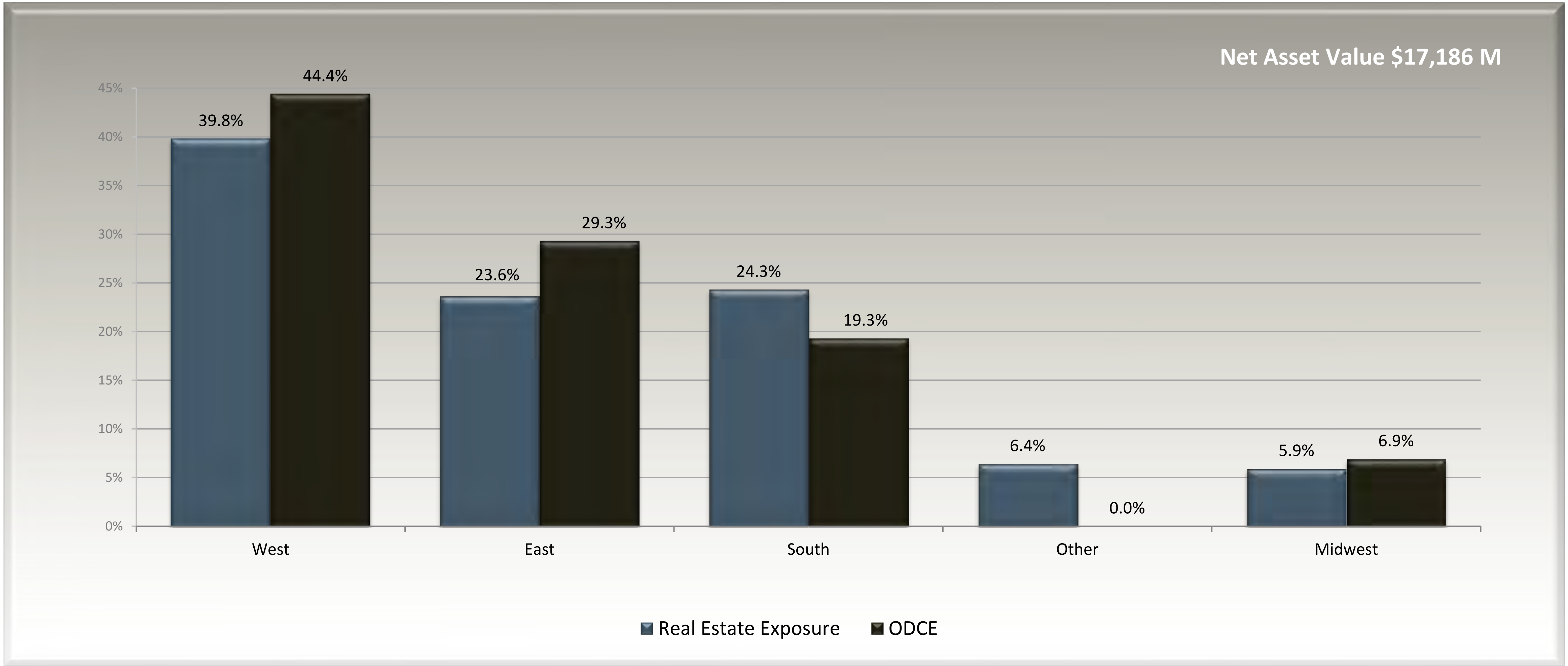
as of 12/31/2021



Source: The Townsend Group

Private Market Geographic Diversification

as of 12/31/2021



Source: The Townsend Group

Recent Activity

(Since Last IAC Report)

Principal Investments	
Acquisitions (Price/Equity)	
• Industrial	$488 million/$276 million
• Cold Storage	$156 million/$57 million
• Self Storage	$158 million/$80 million
• Multifamily	$171 million/$69 million
Dispositions (Price/Equity)	
• Retail	$104 million/$104 million
• Student Housing	$34 million/$19 million

Externally Managed	
New Commitments	
• Europe Residential Co-investment	$40 million
Redemptions	
• REIT Recovery Separate Account	$255 million

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State Board of Administration

Strategic Investments Asset Class Review

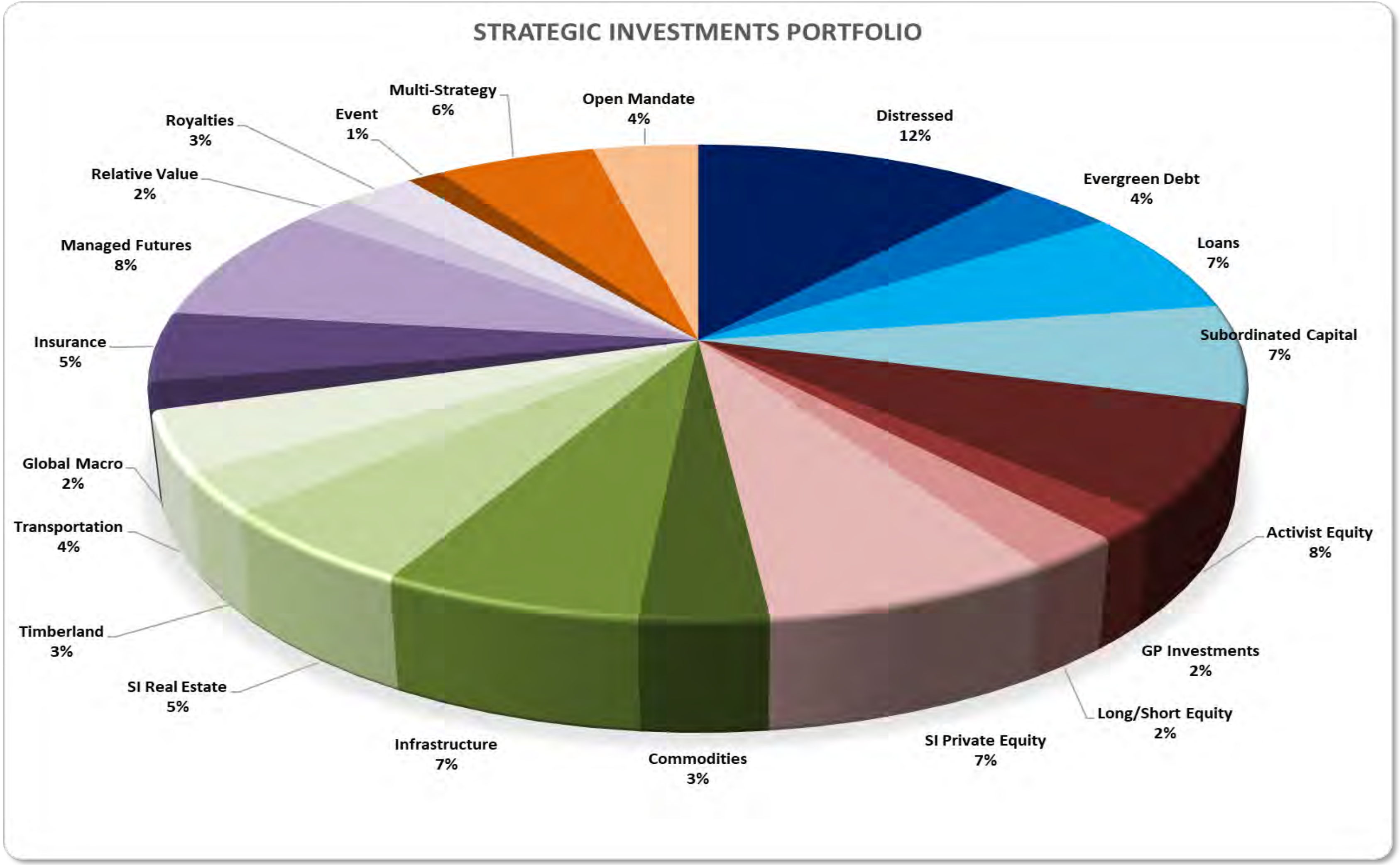
Trent Webster

Senior Investment Officer – Strategic Investments

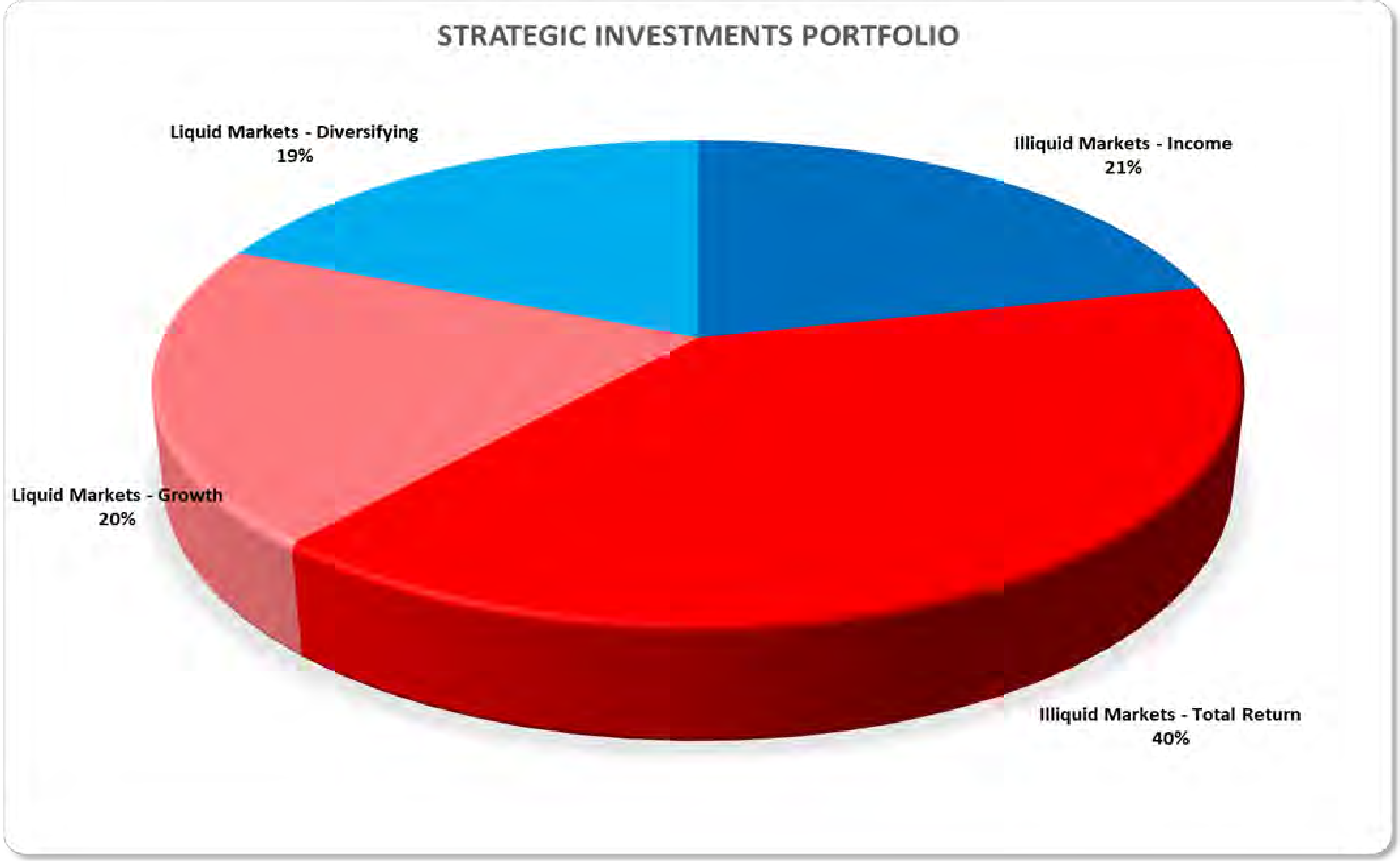
Investment Advisory Council Meeting

June 28, 2022

Portfolio

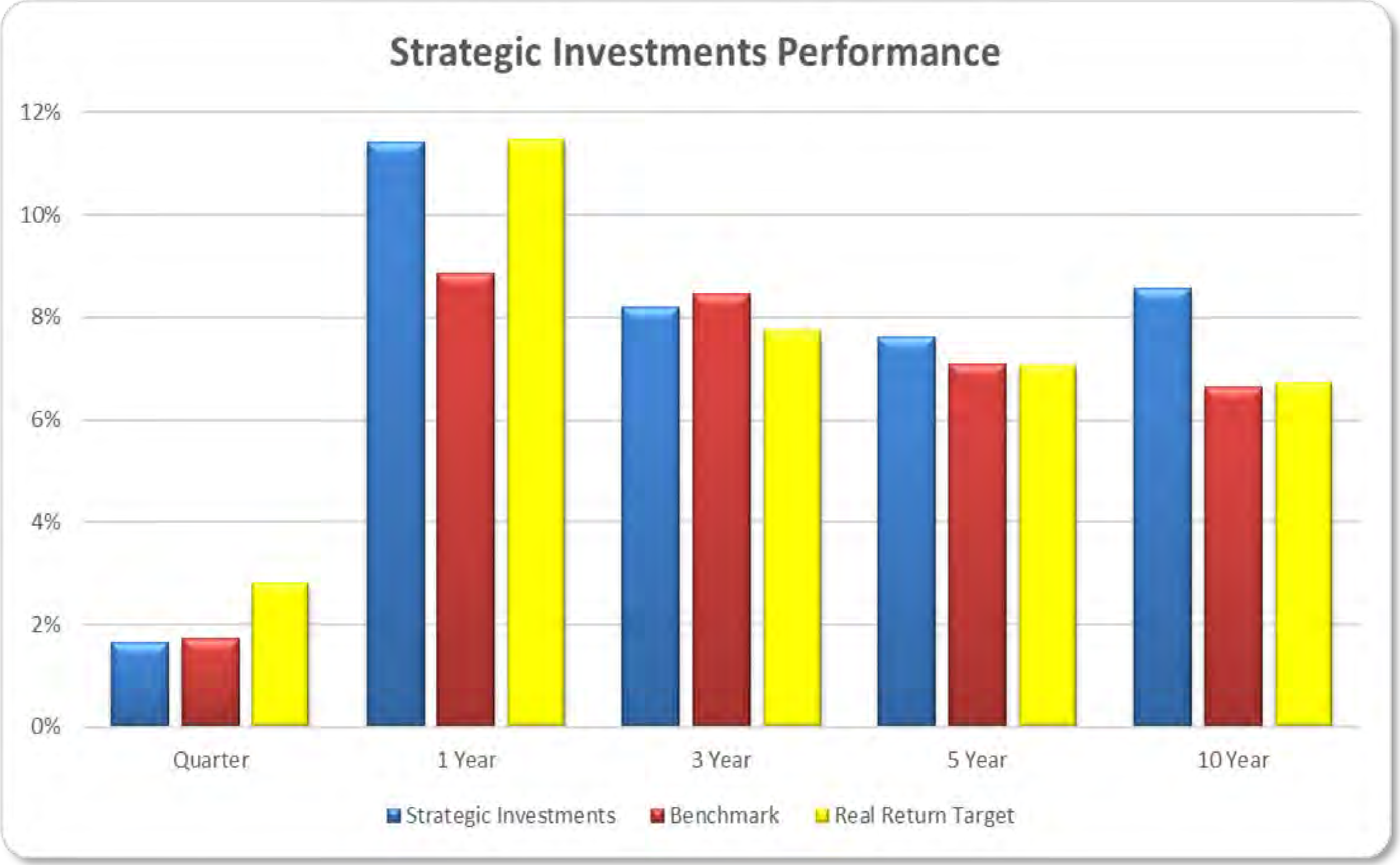

STRATEGIC INVESTMENTS PORTFOLIO
Multi-Strategy 6%
Open Mandate 4%
Distressed 12%
Evergreen Debt 4%
Loans 7%
Subordinated Capital 7%
Activist Equity 8%
GP Investments 2%
Long/Short Equity 2%
SI Private Equity 7%
Commodities 3%
Infrastructure 7%
SI Real Estate 5%
Timberland 3%
Transportation 4%
Global Macro 2%
Insurance 5%
Managed Futures 8%
Relative Value 2%
Royalties 3%
Event 1%

Portfolio



SBA FLORIDA STATE BOARD OF ADMINISTRATION

Performance



Recent Activity

- Quarterly cash outflow of $374 million
- Fiscal year cash outflow of $497 million
- Three funds totaling $230 million closed during the last quarter
- Eight funds totaling $1.48 billion closed quarter-to-date
- Fifteen funds totaling $2.385 billion closed this fiscal year
- Five funds totaling $700 million in the pipeline

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Pipeline

- Three Debt funds – Two Loan, one Distressed
- One Real Asset funds – One Commodities
- One Diversifying Strategies fund – Open Insurance

- One new relationship
- Five private markets strategies
- No hedge funds

SBA FLORIDA STATE BOARD OF ADMINISTRATION

Current Investment Themes

- Credit portfolio should do well absent a severe recession
  - $3 billion in unfunded commitments
  - Floating rate performing loans hedges interest rate risk
  - High coupons insulate interest rate risk somewhat
- Real Assets should continue to perform
  - Commodities markets booming
  - Timberland prices rising
- Hedge funds have generated positive returns year-to-date
- Insurance markets dislocated

SBA FLORIDA
STATE BOARD OF ADMINISTRATION

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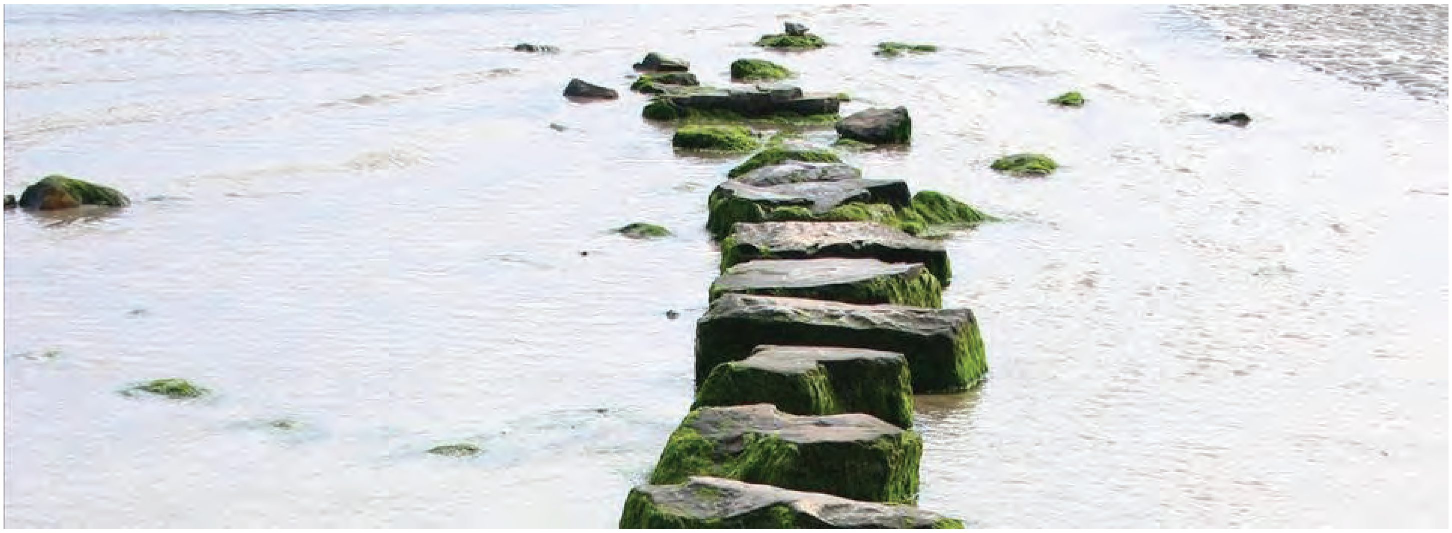

State Board of Administration of Florida

Major Mandate Review

First Quarter 2022

Table of Contents

Executive Summary

- The major mandates each produced generally strong returns relative to their respective benchmarks over both short- and long-term time periods ending March 31, 2022.
- The Pension Plan outperformed its Performance Benchmark over the trailing one-, three-, five-, ten-, and fifteen-year periods.
  - Over the trailing five-year period, Global Equity and Private Equity were the leading contributors to relative returns, though all major asset classes outperformed their benchmarks
  - Over the trailing three, five and ten-year periods, the Pension Plan's return ranked in line with or above the median plan in the TUCS Top Ten Defined Benefit Plan universe.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing three-, five-, and ten-year periods.
- The CAT Funds' performance is strong over long-term periods, outperforming the benchmark over the trailing five- and ten-year periods.
- Florida PRIME has continued to outperform its benchmark over both short- and long-term time periods.

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Pension Plan: Executive Summary

- The Pension Plan assets totaled $197.7 billion as of March 31, 2022, which represents a $8.7 billion decrease since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing one-, three-, five-, ten-, and fifteen- year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan outperformed over the trailing three, five and ten-year time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
  - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
  - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
  - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

FRS Pension Plan Change in Market Value
Periods Ending 3/31/2022

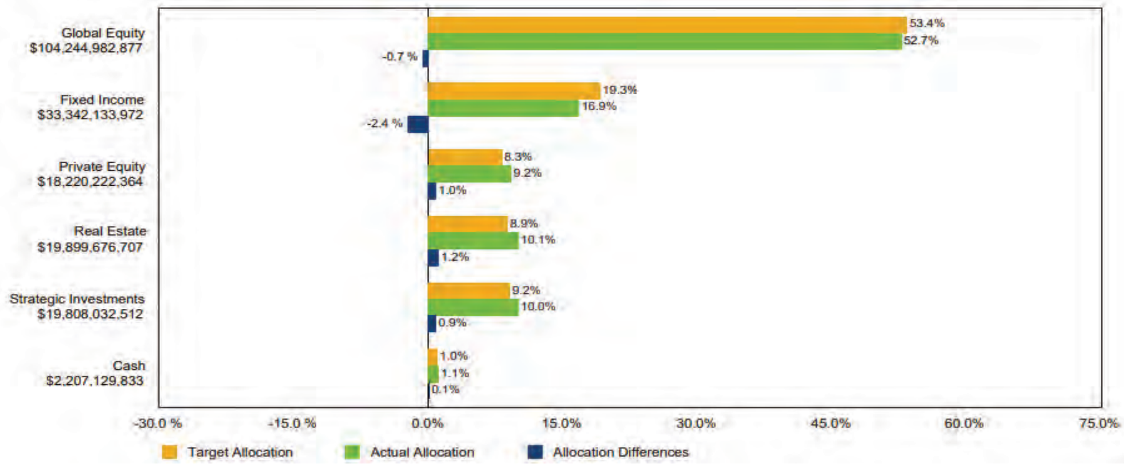
Summary of Cash Flows

	First Quarter	Fiscal YTD*
Beginning Market Value	$206,437,287,703	$199,600,498,385
+/- Net Contributions/(Withdrawals)	$(1,817,149,131)	$(5,810,614,082)
Investment Earnings	$6,897,960,308	$3,932,293,962
= Ending Market Value	$197,722,178,265	$197,722,178,265
Net Change	$(8,715,109,438)	$(1,878,320,120)

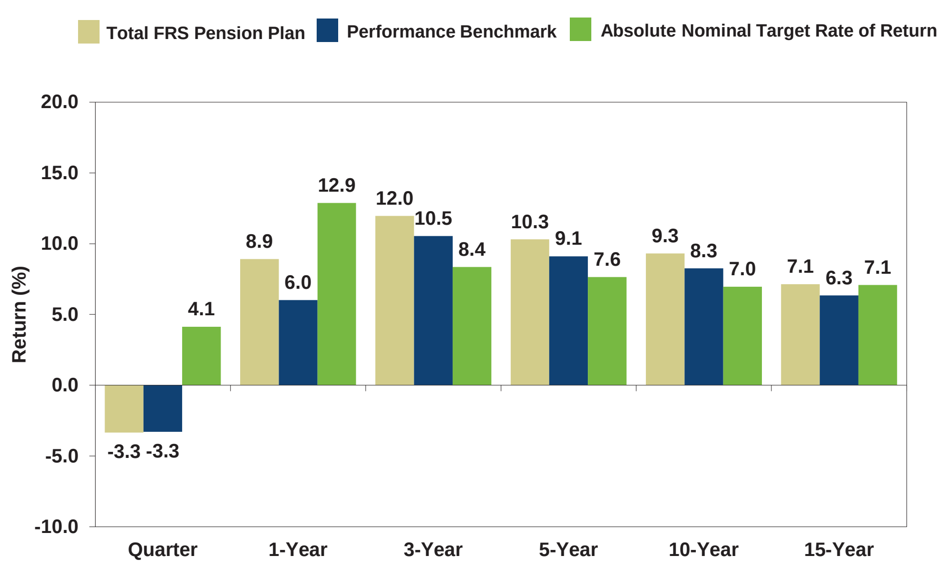
*Period July 2021 – March 2022

Asset Allocation as of 3/31/2022
Total Fund Assets = $197.7 Billion

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	197,722,178,265	100.0	100.0		
Global Equity	104,244,982,877	52.7	53.4	45.0	70.0
Fixed Income	33,342,133,972	16.9	19.3	10.0	26.0
Private Equity	18,220,222,364	9.2	8.3	2.0	10.0
Real Estate	19,899,676,707	10.1	8.9	4.0	16.0
Strategic Investments	19,808,032,512	10.0	9.2	0.0	16.0
Cash	2,207,129,833	1.1	1.0	0.3	5.0

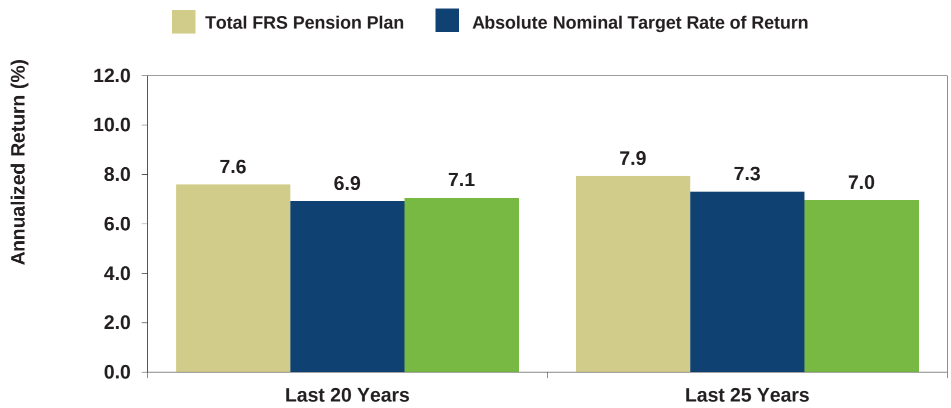


FRS Pension Plan Investment Results
Periods Ending 3/31/2022



FRS Pension Plan Investment Results
Periods Ending 3/31/2022

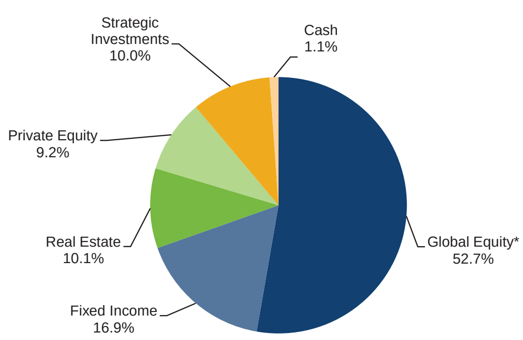
Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective



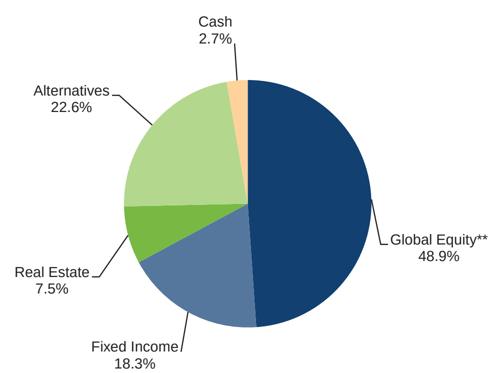
Comparison of Asset Allocation (TUCS Top Ten)
As of 3/31/2022

FRS Pension Plan vs. Top Ten Defined Benefit Plans

FRS TOTAL FUND



TUCS TOP TEN

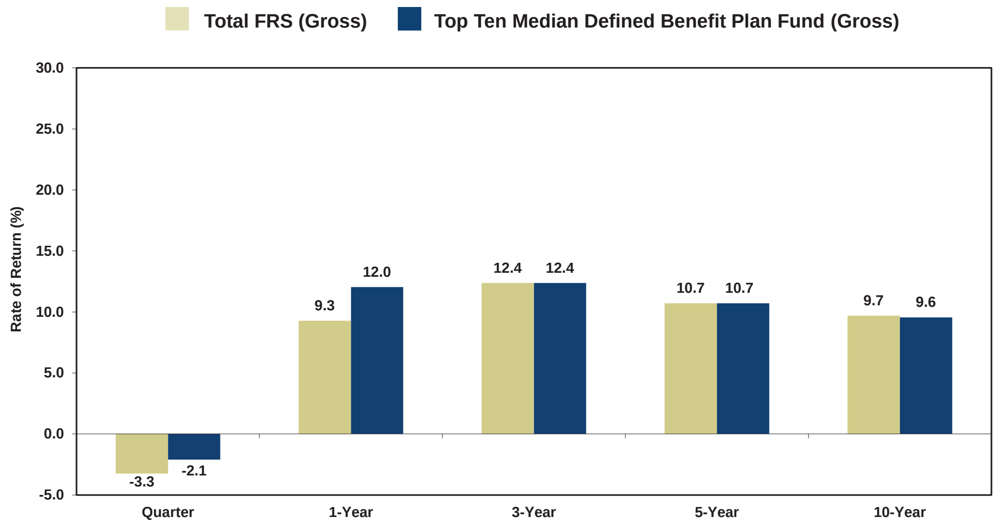


*Global Equity Allocation: 27.0% Domestic Equities; 18.2% Foreign Equities; 6.5% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

**Global Equity Allocation: 32.1% Domestic Equities; 16.8% Foreign Equities.

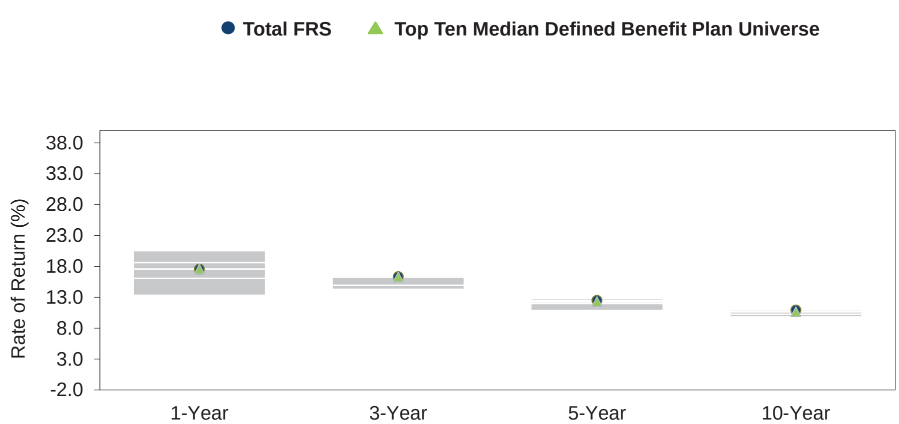
Note: The TUCS Top Ten Universe AA data is as of 4Q'21 as final 1Q'22 data was not finalized at the time of this report. The data set includes $2,042.4 billion in total assets. The median fund size was $196.7 billion and the average fund size was $204.2 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

FRS Results Relative to TUCS Top Ten Defined Benefit Plans
Periods Ending 3/31/2022



Note: The TUCS Top Ten Universe includes $2,063.3 billion in total assets. The median fund size was $197.7 billion and the average fund size was $206.3 billion.

Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS)
Periods Ending 3/31/2022



FRS Percentile Ranking	75	50	50	37

Note: The TUCS Top Ten Universe includes $2,063.3 billion in total assets. The median fund size was $197.7 billion and the average fund size was $206.3 billion.

Investment Plan: Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing three-, five-, and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The FRS Investment Plan's total expense ratio is in line with peer defined contribution plans, based on year-end 2021 data. The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. Communication and education costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

Total Investment Plan Returns & Cost

Periods Ending 3/31/2022*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	**5.1%**	**10.5%**	**9.2%**	**8.1%**
*Total Plan Aggregate Benchmark***	*6.0%*	*10.4%*	*8.9%*	*7.8%*
FRS Investment Plan vs. Total Plan Aggregate Benchmark	(0.9)	0.1	0.3	0.3

Periods Ending 12/31/2020***

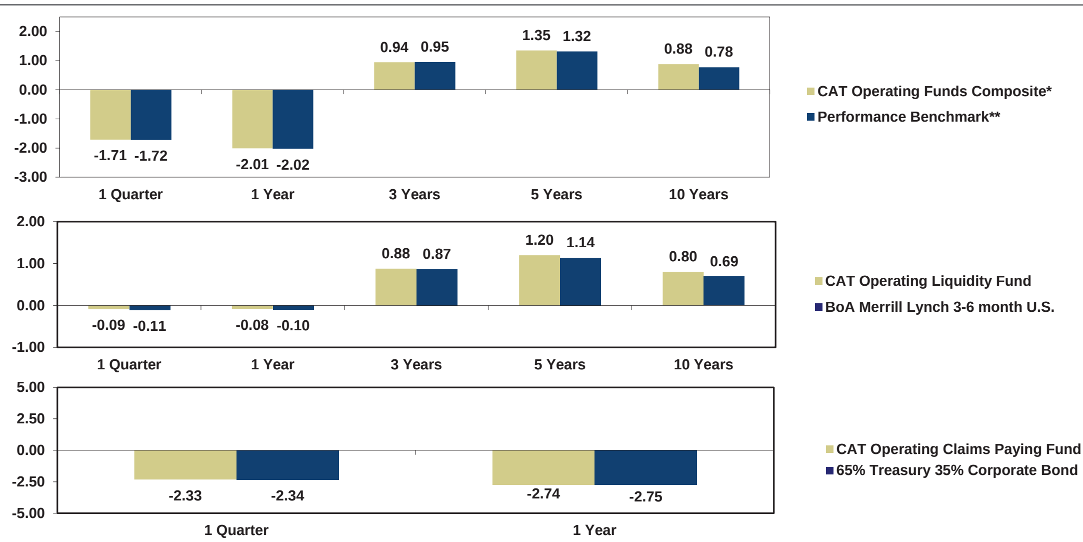
	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	**10.1%**	**0.2%**	**0.27%*****
Peer Group	*10.0*	*0.2*	*0.27*
FRS Investment Plan vs. Peer Group	0.1	0.0	0.00

*Returns shown are net of fees.
**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.
***Source: 2021 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2021 Survey that included 136 U.S. defined contribution plans with assets ranging from $72 million to $68.7 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 18 DC plans including corporate and public plans with assets between $3.4 - $28.4 billion.
****Returns shown are gross of fees.
*****The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

CAT Fund: Executive Summary

- Returns on an absolute basis continue to be modest given the current low interest rate environment.
- All CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Portfolio Guidelines appropriately constrain the CAT Funds to invest in short-term and high-quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Portfolio Guidelines are revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.
- Over long-term periods, the relative performance of the CAT Operating Funds has been favorable as they have outperformed the Performance Benchmark over the trailing five- and ten-year time periods.

CAT Operating Funds Investment Results
Periods Ending 3/31/2022

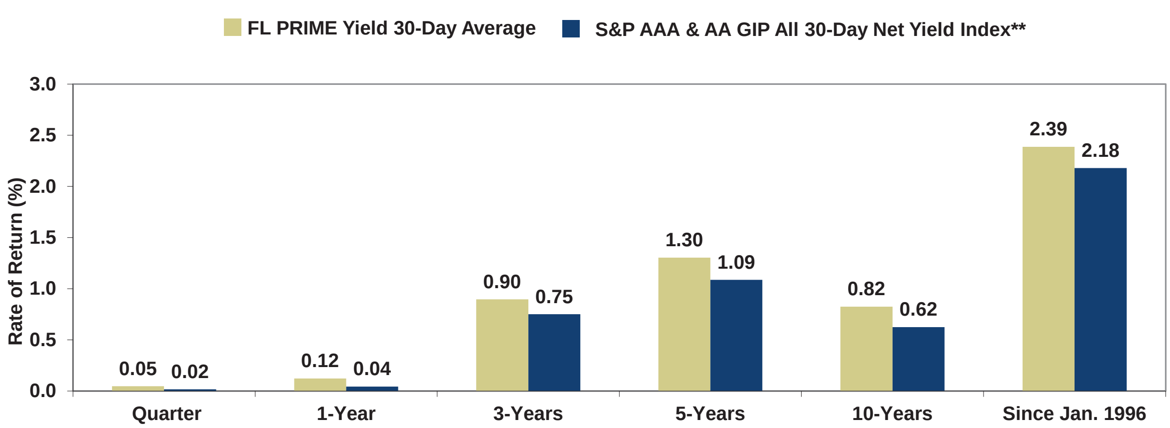


*CAT Operating Funds: Beginning March 2008, the returns for the CAT Operating Funds reflect marked-to-market returns. Prior to that time, cost-based returns are used. Beginning February 2018, the CAT Operating Funds were split into two different sub funds, the CAT Fund Operating Liquidity Fund and the CAT Fund Operating Claims Paying Fund. Performance for each sub fund is shown below.
**Performance Benchmark: Effective January 1, 2021, the CAT Fund Operating Liquidity Fund is benchmarked to the Bloomberg U.S. Treasury Bills 3-6 Months & U.S. Treasury Bills 6-9 Months Custom Blend Index. This benchmark is comprised of 60% of 3-6 month U.S. Treasury Bills and 40% 6-9 month U.S. Treasury Bills Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index. Effective January 1, 2021, the CAT Operating Claims Paying Fund is benchmarked to the Bloomberg U.S. Treasury 1-3 Years & Corporate AA+ ex 144A with Reg S Custom Blend Index. This benchmark is comprised of 65% 1-3 year U.S. Treasury and 35% of 1-3 year Corporate AA or better excluding 144A and Reg S securities. Beginning February 2018, the CAT Fund Operating Claims Paying Fund benchmark is a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index. Additional benchmark history can be found in the appendix.

Florida PRIME: Executive Summary

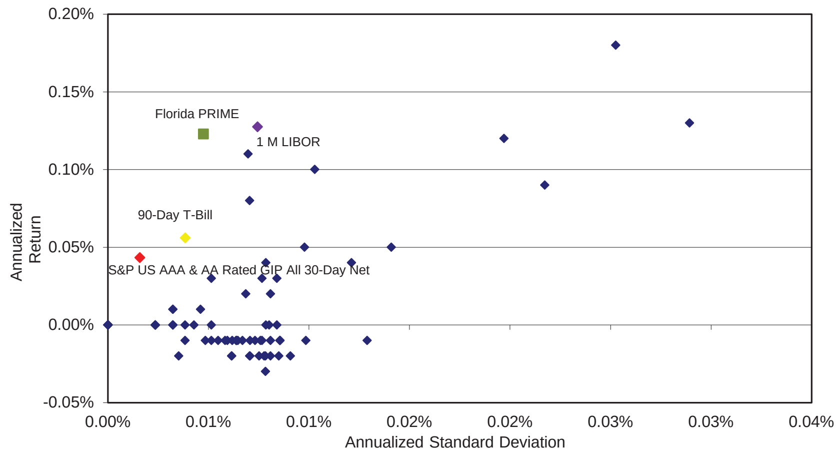
- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME has been strong over short- and long-term time periods, outperforming its performance benchmark during the quarter and over the trailing one-, three-, five-, and ten-year time periods.
- As of March 31, 2022, the total market value of Florida PRIME was $20.2 billion.
- Aon Investments USA Inc., in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

Florida PRIME Investment Results
Periods Ending 3/31/2022

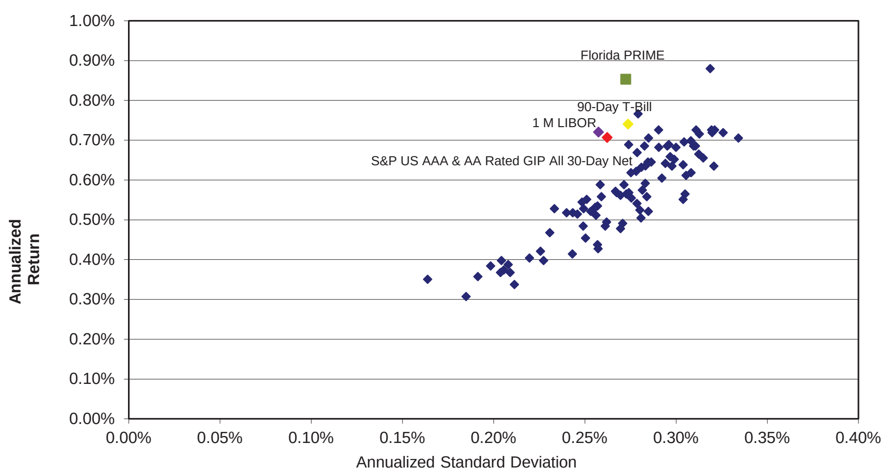


*Returns less than one year are not annualized.
**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

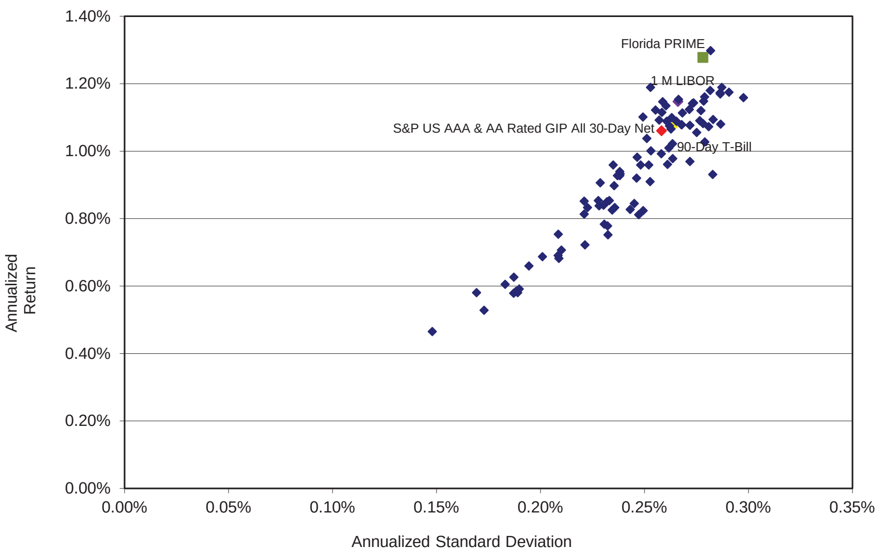
Florida PRIME Risk vs. Return
1 Years Ending 3/31/2022



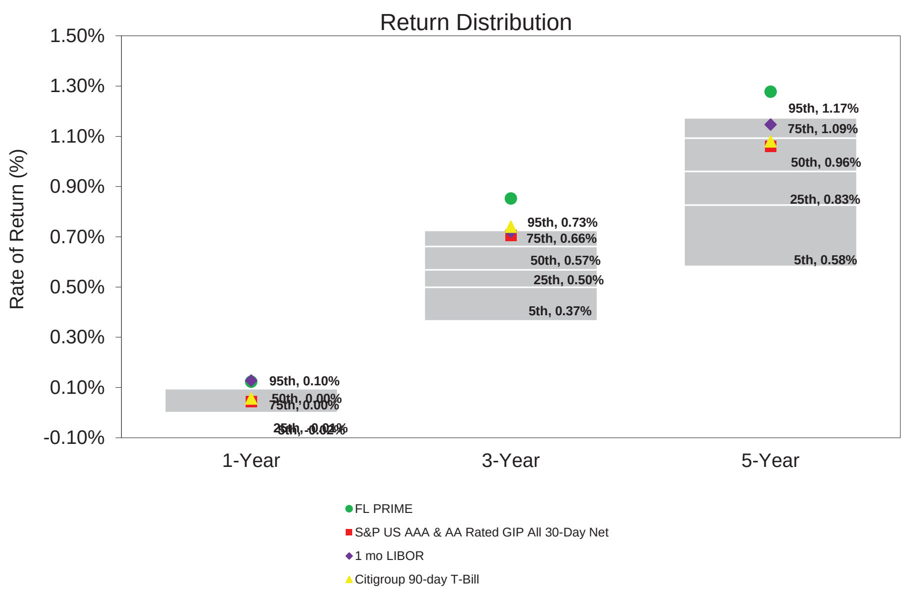
Florida PRIME Risk vs. Return
3 Years Ending 3/31/2022



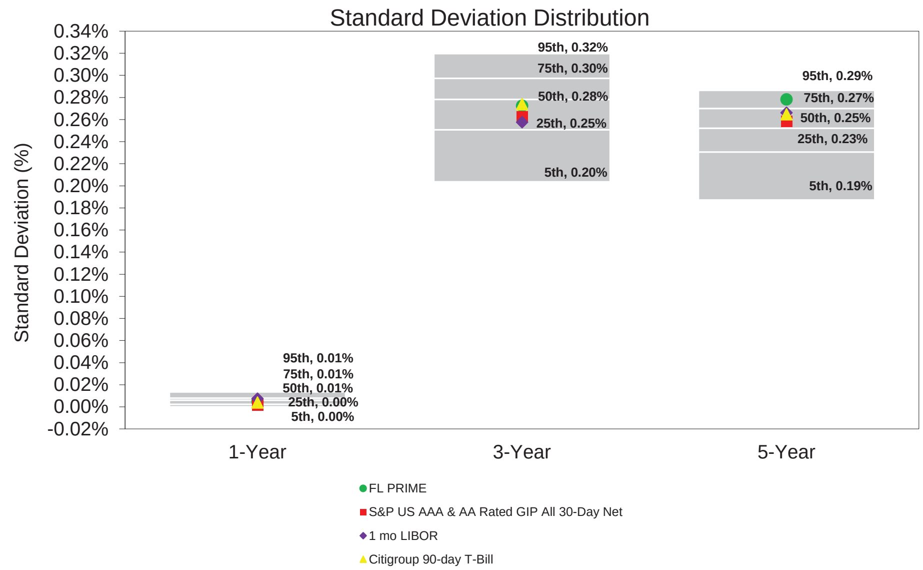
Florida PRIME Risk vs. Return
5 Years Ending 3/31/2022



Return Distribution
Periods Ending 3/31/2022



Standard Deviation Distribution
Periods Ending 3/31/2022



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Appendix

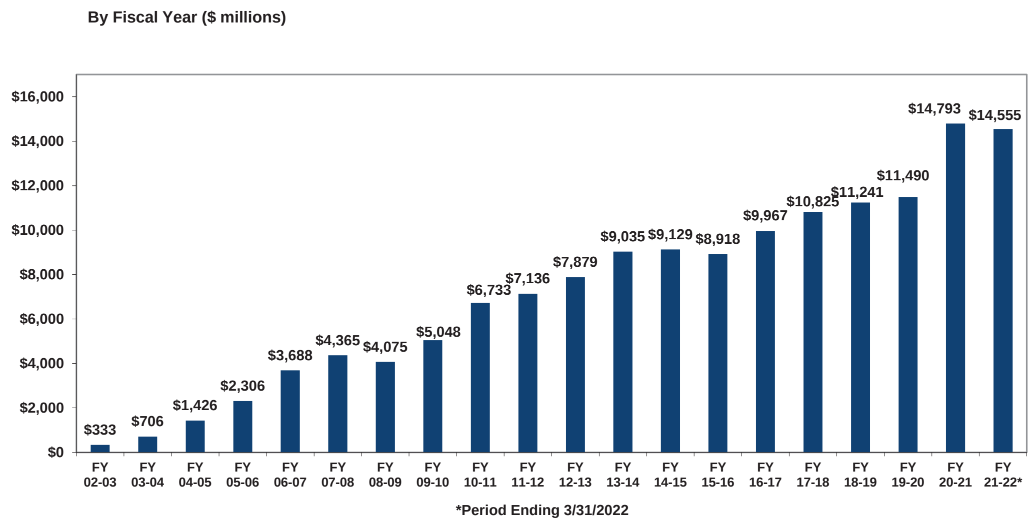
FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Domestic Equity	0.20%	0.87%
International Equity	0.31%	0.95%
Diversified Bonds	0.14%	0.45%
Target Date	0.14%	0.45%
Stable Value	0.19%	0.24%
Inflation Protected Securities	0.36%	0.35%

*Average fee of multiple products in category as of 3/31/2022.

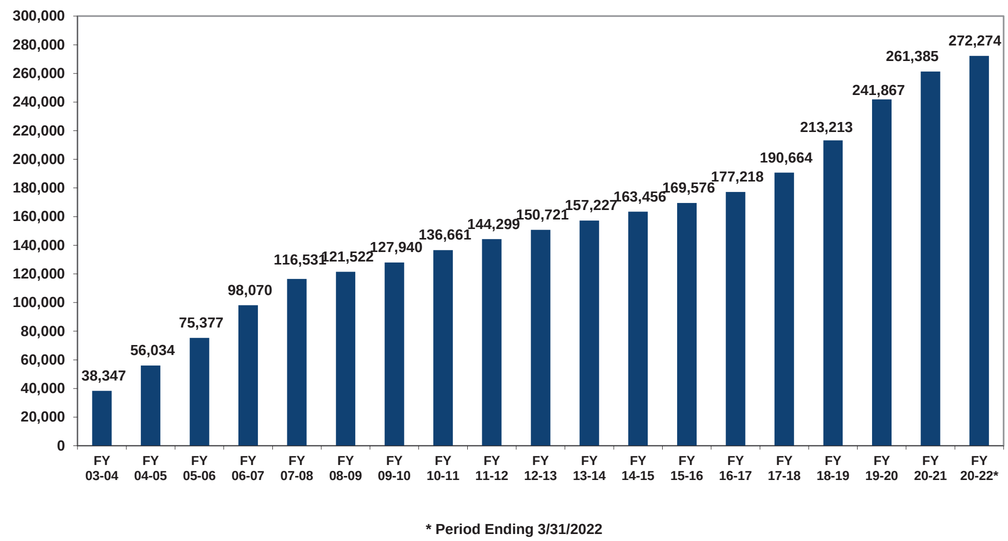
**Source: Aon's annual mutual fund expense analysis as of 12/31/2020.

Investment Plan Fiscal Year End Assets Under Management



Source: Investment Plan Administrator

Investment Plan Membership



Source: Investment Plan Administrator

Florida Hurricane Catastrophe Funds Background and Details

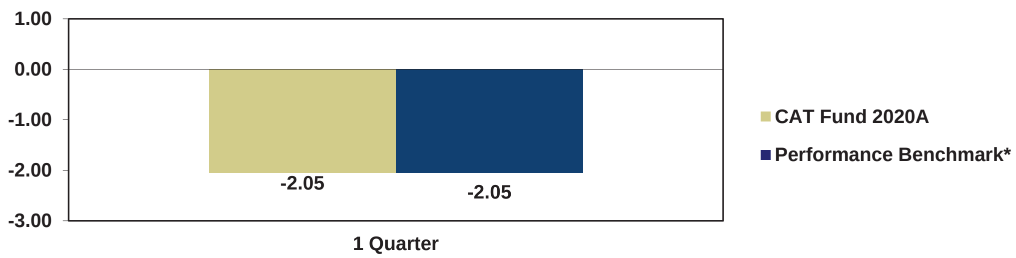
- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.

- The CAT Operating Funds, along CAT 2020 A Fund are internally managed portfolios.
  - CAT 2013 A Fund was liquidated during 4Q 2020
  - CAT 2016 A Fund was liquidated during 3Q 2021

- As of March 31, 2022, the total value of:
  - The CAT Operating Funds was $13.0 billion
  - The CAT 2020 A Fund was $3.4 billion

- History of the CAT Funds Benchmarks: *Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index, and the CAT Fund Operating Claims Paying Fund benchmarked to a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index. Beginning January 2021, the CAT Fund Operating Liquidity Fund was benchmarked to Bloomberg U.S. Treasuries Bills 3-6 Months & U.S. Treasury Bills 6-9 Months Custom Blend Index. This benchmark is comprised of 60% off the 3-6 month U.S. Treasury Bills and 40% 6-9 month U.S. Treasury Bills., and the CAT Fund Operating Claims Paying Fund is benchmarked Bloomberg U.S. Treasury 1-3 Years & Corporate AA+ ex 144A Reg S Custom Blend Index. This benchmark is comprised of 65% 1-3 year Treasury and 35% of 1-3 year Corporate AA or better excluding 144A and Reg S Securities.*

CAT 2020 A Funds Investment Results
Periods Ending 3/31/2022



*Performance Benchmark: The CAT 2020A Fund is benchmarked to itself.

CAT Operating Funds Characteristics
Period Ending 3/31/2022

Maturity Analysis	
1 to 30 Days	3.67%
31 to 60 Days	4.44
61 to 90 Days	5.88
91 to 120 Days	4.79
121 to 150 Days	0.00
151 to 180 Days	10.22
181 to 270 Days	2.84
271 to 365 Days	2.31
366 to 455 Days	9.51
>= 456 Days	56.34
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	72.40%
AA	15.72
A	11.88
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

CAT 2020 A Fund Characteristics
Period Ending 3/31/2022

Maturity Analysis	
1 to 30 Days	0.08%
31 to 60 Days	0.00
61 to 90 Days	0.00
91 to 120 Days	0.00
121 to 150 Days	1.75
151 to 180 Days	1.75
181 to 270 Days	4.51
271 to 365 Days	13.41
366 to 455 Days	13.23
>= 456 Days	65.27
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	64.33%
AA	18.87
A	16.80
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

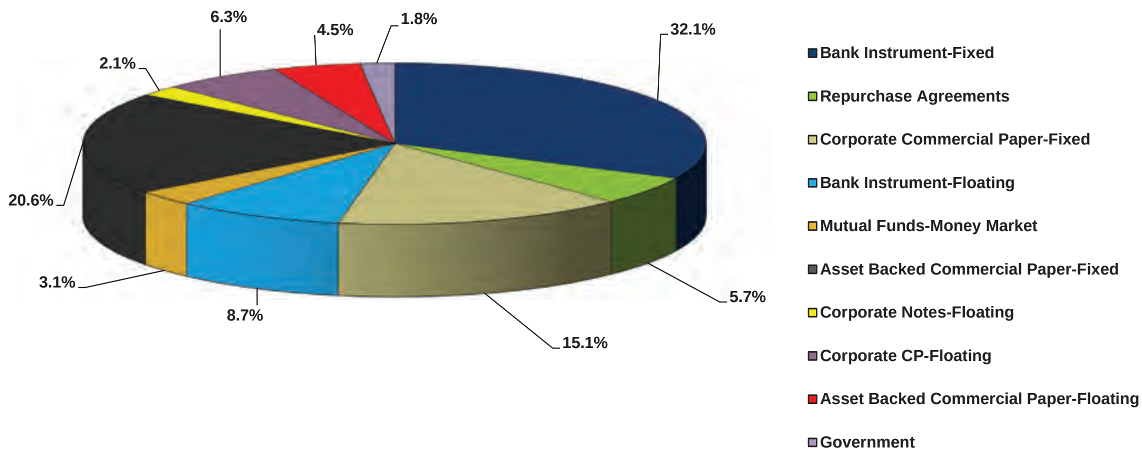
Florida PRIME Characteristics
Quarter Ending 3/31/2022

Cash Flows as of 3/31/2022	First Quarter	Fiscal YTD*
Opening Balance	$20,304,787,448	17,441,698,421.00
Participant Deposits	$5,784,861,452	24,713,720,027.00
Gross Earnings	$11,590,423	24,350,272.00
Participant Withdrawals	($5,887,241,898)	($21,963,113,123)
Fees	($1,607,226)	($4,265,398)
Closing Balance (3/31/2022)	$20,212,390,210	$20,212,390,210
Change	**($92,397,238)**	**$2,770,691,789**

*Period July 2021 – March 2022

Florida PRIME Characteristics
Quarter Ending 3/31/2022

Portfolio Composition



Florida PRIME Characteristics
Period Ending 3/31/2022

Effective Maturity Schedule	
1-7 Days	65.5%
8 - 30 Days	8.1%
31 - 90 Days	18.9%
91 - 180 Days	3.7%
181+ Days	3.8%
Total % of Portfolio:	**100.0%**

S & P Credit Quality Composition	
A-1+	64.4%
A-1	35.6%
Total % of Portfolio:	**100.0%**

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FRS Pension Plan | First Quarter 2022

Quarterly Investment Review

*Visit the **Investments Thought Leadership Site** (https://insights-north-america.aon.com/investment); sharing our best thinking.*

Visit our new video library with our views on key investment topics for this quarter using access code "aon!"
(https://site-494121.bcvp0rtal.com/category/videos/key-topics-by-investor-type)

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Empower Results®

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Empower Results®

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Market Environment

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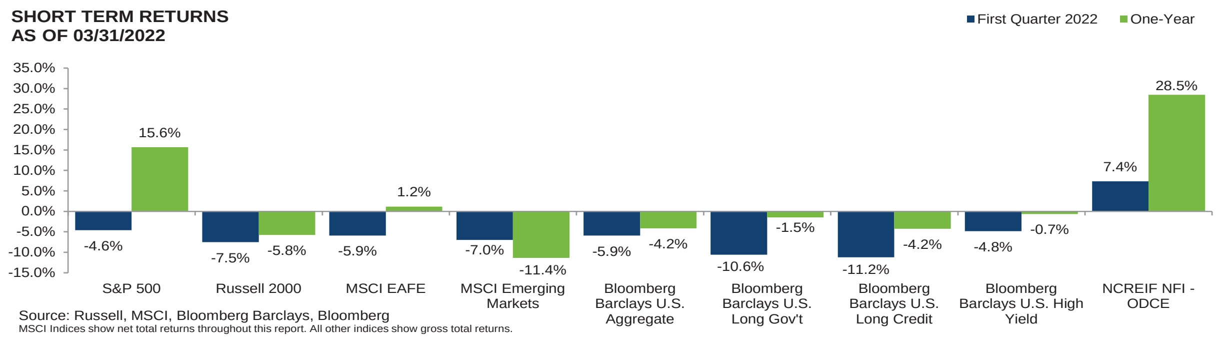
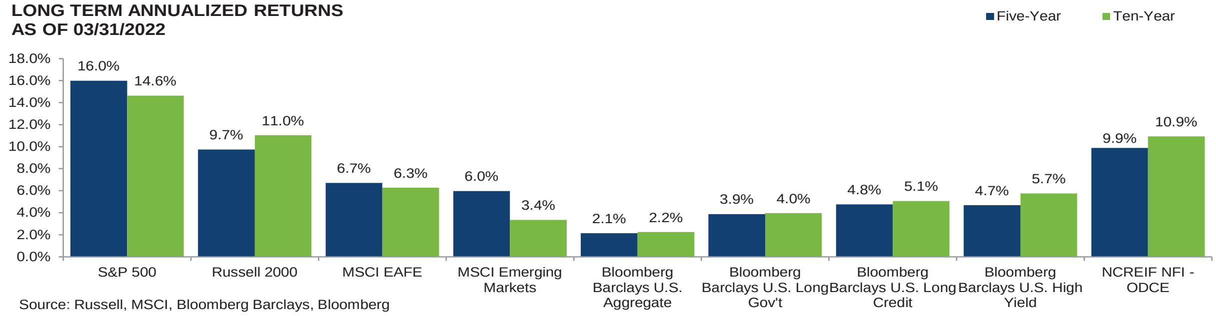
Market Highlights

SHORT TERM RETURNS
AS OF 03/31/2022



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg
MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

LONG TERM ANNUALIZED RETURNS
AS OF 03/31/2022



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

Note: MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

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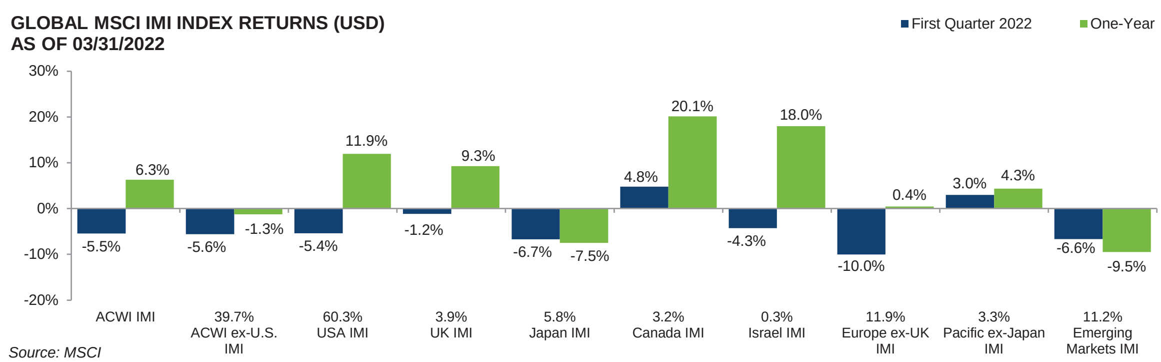
Market Highlights

Returns of the Major Capital Markets						
Period Ending 03/31/2022	First Quarter	YTD	1-Year	3-Year[1]	5-Year[1]	10-Year[1]
Equity						
MSCI All Country World IMI	-5.47%	-5.47%	6.30%	13.49%	11.37%	9.95%
MSCI All Country World	-5.36%	-5.36%	7.28%	13.75%	11.64%	10.00%
Dow Jones U.S. Total Stock Market	-5.40%	-5.40%	11.67%	18.12%	15.31%	14.21%
Russell 3000	-5.28%	-5.28%	11.92%	18.24%	15.40%	14.28%
S&P 500	-4.60%	-4.60%	15.65%	18.92%	15.99%	14.64%
Russell 2000	-7.53%	-7.53%	-5.79%	11.74%	9.74%	11.04%
MSCI All Country World ex-U.S. IMI	-5.60%	-5.60%	-1.27%	7.87%	6.92%	5.78%
MSCI All Country World ex-U.S.	-5.44%	-5.44%	-1.48%	7.51%	6.76%	5.55%
MSCI EAFE	-5.91%	-5.91%	1.16%	7.78%	6.72%	6.27%
MSCI EAFE (Local Currency)	-3.73%	-3.73%	6.21%	8.23%	6.55%	8.61%
MSCI Emerging Markets	-6.97%	-6.97%	-11.37%	4.94%	5.98%	3.36%
Equity Factors						
MSCI World Minimum Volatility (USD)	-2.81%	-2.81%	10.09%	8.85%	9.47%	10.17%
MSCI World High Dividend Yield	0.46%	0.46%	10.30%	10.02%	9.06%	9.18%
MSCI World Quality	-8.41%	-8.41%	12.14%	18.70%	16.60%	13.72%
MSCI World Momentum	-5.63%	-5.63%	7.97%	16.49%	16.41%	14.01%
MSCI World Enhanced Value	-1.07%	-1.07%	5.09%	8.24%	7.02%	8.28%
MSCI World Equal Weighted	-5.11%	-5.11%	3.06%	10.35%	9.00%	9.18%
MSCI World Index Growth	-9.60%	-9.60%	9.43%	19.79%	16.91%	13.47%
Fixed Income						
Bloomberg Barclays Global Aggregate	-6.16%	-6.16%	-6.40%	0.69%	1.70%	1.04%
Bloomberg Barclays U.S. Aggregate	-5.93%	-5.93%	-4.15%	1.69%	2.14%	2.24%
Bloomberg Barclays U.S. Long Gov't	-10.57%	-10.57%	-1.46%	3.23%	3.88%	3.96%
Bloomberg Barclays U.S. Long Credit	-11.23%	-11.23%	-4.24%	4.37%	4.77%	5.07%
Bloomberg Barclays U.S. Long Gov't/Credit	-10.95%	-10.95%	-3.11%	4.23%	4.60%	4.72%
Bloomberg Barclays U.S. TIPS	-3.02%	-3.02%	4.29%	6.22%	4.43%	2.69%
Bloomberg Barclays U.S. High Yield	-4.84%	-4.84%	-0.66%	4.58%	4.69%	5.75%
Bloomberg Barclays Global Treasury ex U.S.	-6.49%	-6.49%	-8.72%	-0.85%	0.84%	-0.22%
JP Morgan EMBI Global (Emerging Markets)	-9.26%	-9.26%	-6.18%	0.52%	1.68%	3.45%
Commodities						
Bloomberg Commodity Index	25.55%	25.55%	49.25%	16.12%	9.00%	-0.70%
Goldman Sachs Commodity Index	33.13%	33.13%	64.55%	13.40%	9.98%	-3.31%
Hedge Funds						
HFRI Fund-Weighted Composite[2]	-0.30%	-0.30%	3.87%	8.76%	6.48%	5.26%
HFRI Fund of Funds[2]	-2.70%	-2.70%	1.25%	5.88%	4.64%	3.93%
Real Estate						
NAREIT U.S. Equity REITS	-3.86%	-3.86%	26.49%	11.12%	9.63%	9.81%
NCREIF NFI - ODCE	7.36%	7.36%	28.46%	11.29%	9.88%	10.93%
FTSE Global Core Infrastructure Index	3.58%	3.58%	15.77%	10.23%	10.65%	10.32%
Private Equity						
Burgiss Private iQ Global Private Equity[3]			48.46%	23.39%	20.59%	16.50%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.
[1] Periods are annualized.
[2] Latest 5 months of HFR data are estimated by HFR and may change in the future.
[3] Burgiss Private iQ Global Private Equity data is as at September 30, 2021

Global Equity Markets



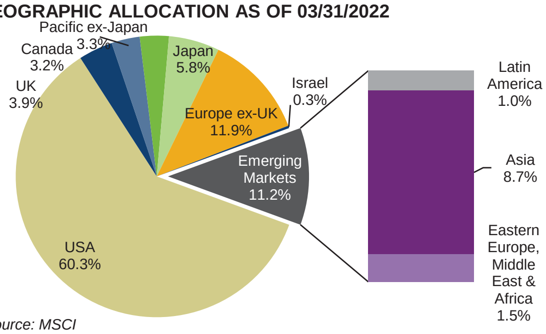
Source: MSCI

- Equities were challenged during the first quarter and volatility remained elevated. Global equity markets fell over the quarter, with the U.S. weighing on the index in January, while Europe and Emerging Markets were weaker during the latter part of the quarter. The MSCI All Country World Investable Market Index (ACWI IMI) returned -5.5% for the quarter but was up 6.3% over the past year.
- Across international markets, except for Canada and Pacific ex-Japan, all the regions were weak over the quarter. Canadian equities were the best performer led by Energy and Materials sectors.
- Europe ex-UK equities were the worst regional performer with a return of -10.0%. This was due to a combination of the highly infectious sub-variant of Omicron, BA.2, spreading across Europe, and Europe's proximity and exposure to the fall out from the Russia-Ukraine conflict.
- Emerging Markets returned -6.6% for the first quarter with Chinese and Korean equities weighing on the region. China re-imposed strict lockdowns in major cities like Shanghai and Shenzhen as the country now faces its most significant surge in Covid-19 cases since the pandemic began.

Global Equity Markets

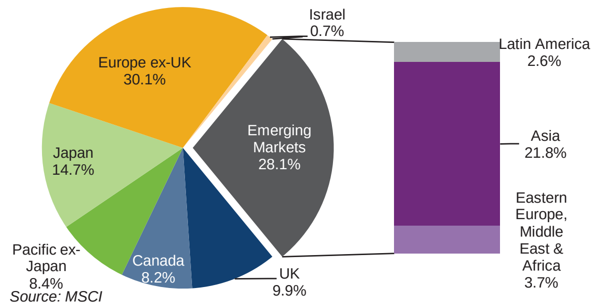
Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2022



Source: MSCI

MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2022

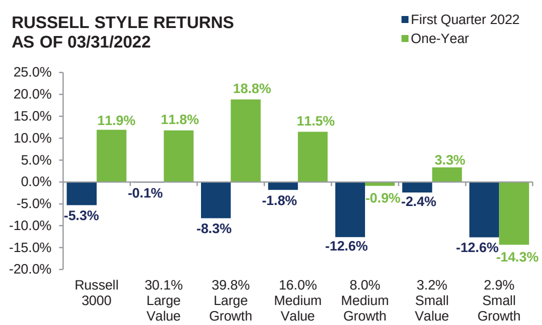


Source: MSCI

U.S. Equity Markets

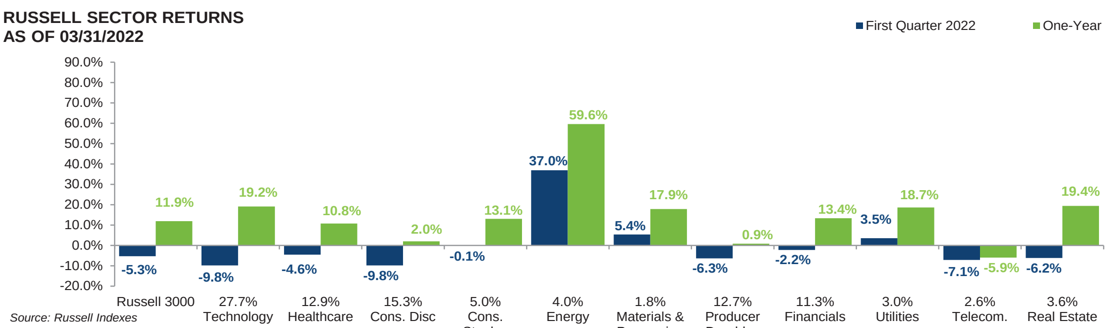
- U.S. equities had a weak quarter with the S&P 500 index falling by 4.6%.
- The Russell 3000 Index fell 5.3% during the first quarter but was up 11.9% over the trailing one-year period. Performance among sectors was generally negative. Energy and Materials & Processing were the best performers while the Technology and Consumer Discretionary sectors were the worst performers at -9.8%.
- Large and medium cap stocks outperformed small caps over the quarter. On a style basis, value outperformed growth across market capitalizations over the quarter. Over a trailing one-year period, except for large-cap stocks, value has outperformed growth.

RUSSELL STYLE RETURNS
AS OF 03/31/2022



Source: Russell Indexes

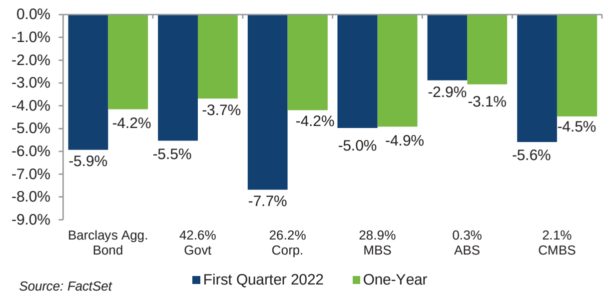
RUSSELL SECTOR RETURNS
AS OF 03/31/2022



Source: Russell Indexes

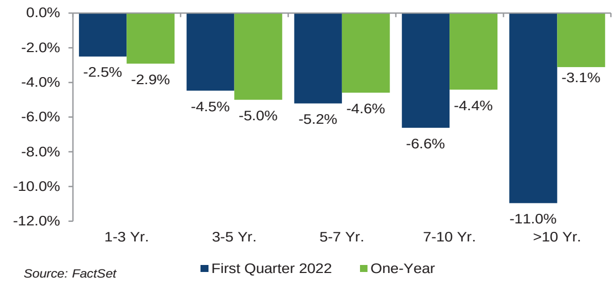
U.S. Fixed Income Markets

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR AS OF 03/31/2022



Source: FactSet

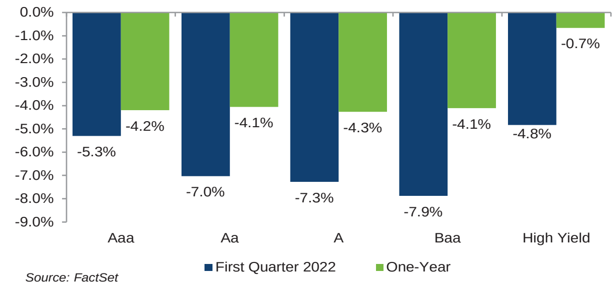
BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY AS OF 03/31/2022



Source: FactSet

- The Bloomberg Barclays U.S. Aggregate Bond Index was down -5.9% over the quarter and -4.2% over the past year.
- Across durations, all maturities finished the quarter in negative territory.
- Within investment-grade bonds, lower-credit quality underperformed higher-quality issues, with Baa bonds falling by 7.9%. High-yield bonds fell by 4.8%.

BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY AND HIGH YIELD RETURNS AS OF 03/31/2022

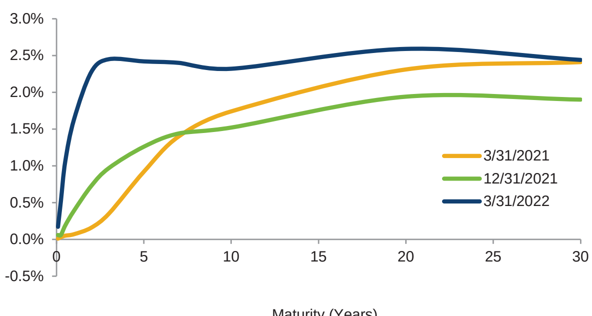


Source: FactSet

Aon Empower Results®

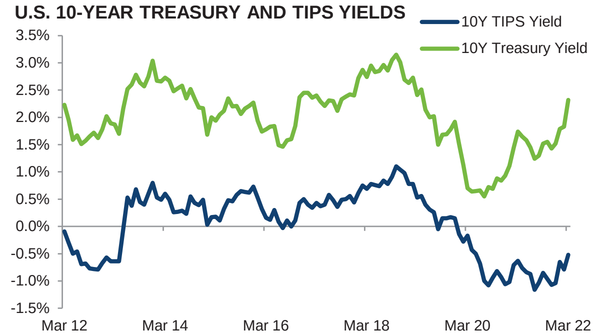
U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



Source: U.S. Department of Treasury

U.S. 10-YEAR TREASURY AND TIPS YIELDS

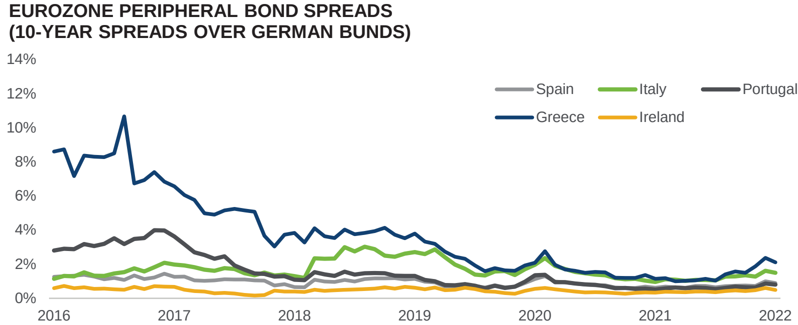


Source: U.S. Department of Treasury

- U.S. treasury yields saw notable increases, particularly in the front end, with the 2-year yield briefly trading above the 10-year yield, “inverting” the curve in the final days of the quarter. The 2-year yield had the largest move over the quarter, rising 155 bps, followed by the 5-year yield up 116 bps. The longer end of the curve also rose, but at a slower pace, with the 10-year Treasury yield up 80bps to 2.32%, and the 30-year Treasury yield up 54bps to 2.44% over the quarter.
- As expected, the Federal Reserve (Fed) increased its benchmark interest rate by 25bps in March and formally ended quantitative easing. Chair Powell indicated that the FOMC will look to reduce the size of the balance sheet, potential starting in May. Regarding rate hikes, the FOMC consensus forecast shows the federal funds rate at approximately 1.9% by year-end, 2.8% by the end of 2023, and 2.4% through 2024.
- Inflation remained elevated, with U.S. CPI up 7.9% year-over-year in February and core CPI, which excludes food and energy prices, up by 6.4%.
- Despite inflationary pressures, the 10-year TIPS yield rose by 52bps over the quarter to -0.52%.

Aon Empower Results®

European Fixed Income Markets



Source: FactSet

- European government bond spreads over 10-year German bunds widened across the Euro Area. The European Central Bank (ECB) ended its emergency quantitative easing program in March and announced that it would accelerate the winddown of its legacy QE program and potentially stop net purchases in the third quarter if economic data supported the move.
- German government bund yields rose sharply, up 73bps to 0.55% over the quarter.
- The Eurozone posted quarter-on-quarter growth of 0.3% in Q4, lower than 2.3% growth in Q3.

Credit Spreads

Spread (bps)	03/31/2022	12/31/2021	03/31/2021	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	41	36	31	5	10
Long Gov't	3	0	1	3	2
Long Credit	155	130	126	25	29
Long Gov't/Credit	88	74	76	14	12
MBS	24	31	12	-7	12
CMBS	85	68	71	17	14
ABS	57	38	35	19	22
Corporate	116	92	91	24	25
High Yield	325	283	310	42	15
Global Emerging Markets	313	285	267	28	46

Source: FactSet, Bloomberg Barclays

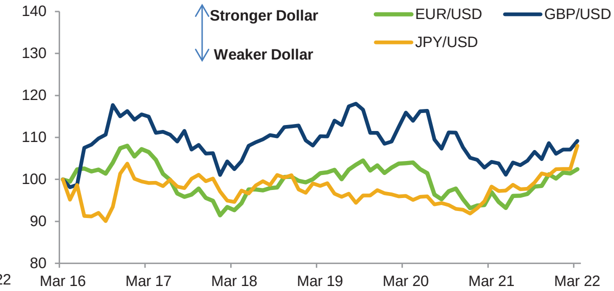
- Credit markets declined from risk-averse sentiment during the quarter, with spreads widening.
- While spreads are still narrow relative to historical averages, High Yield and Global Emerging Markets spreads increased by 42bps and 28bps, respectively.

Currency

TRADE WEIGHTED U.S. DOLLAR INDEX
(2006 = 100)

Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY
REBASED TO 100 AT 03/31/2016

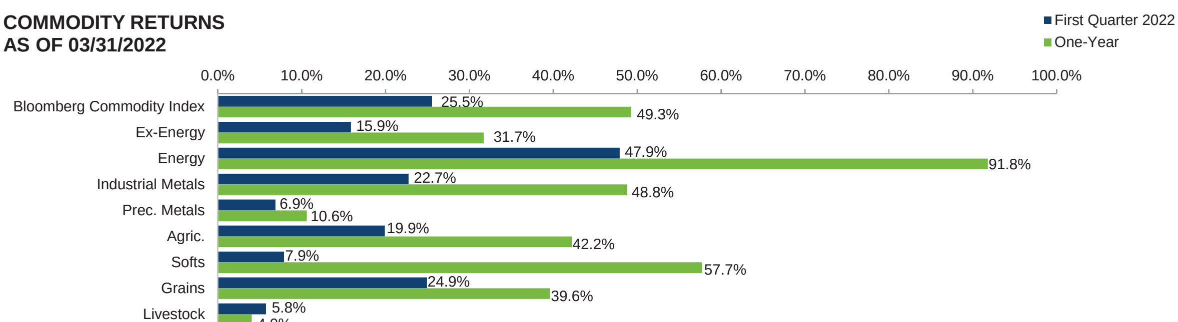


Source: FactSet

- The U.S. Dollar strengthened against most safe-haven currencies but depreciated against commodity-sensitive currencies such as the Canadian dollar. On a trade-weighted basis, the U.S. dollar was relatively flat.
- The Sterling depreciated by 2.9% against the U.S. dollar. The Bank of England increased its benchmark interest rate for the third time since December 2021, with the policy rate sitting at 0.75%.
- The U.S. dollar appreciated by 2.2% against the Euro and by 5.4% against the Yen.

Commodities

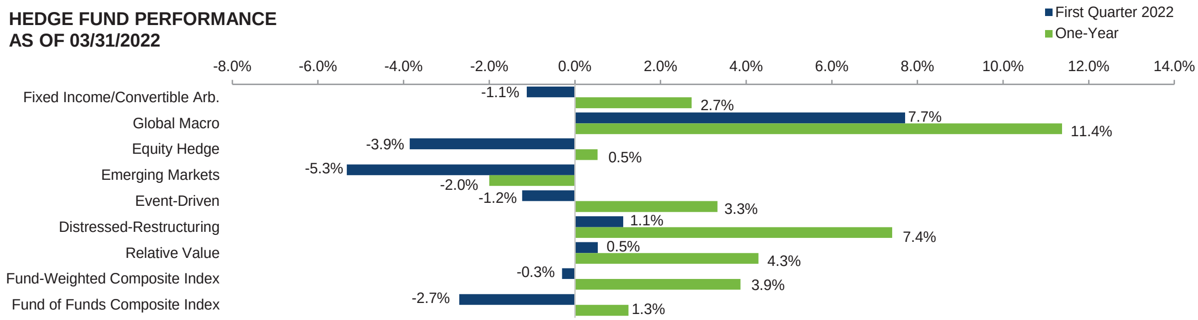
COMMODITY RETURNS
AS OF 03/31/2022



Source: Bloomberg
Note: Softs and Grains are part of the wider Agriculture sector

- Commodity prices soared on concerns over geopolitical tensions further exacerbating supply-chain issues, with the Bloomberg Commodity Index returning 25.5% for the quarter.
- Energy continued to have outsized gains, with the sector up 47.9% over the quarter and 91.8% over the trailing one-year period. The price of Brent crude oil rose by 38.7% to \$108/bbl while WTI crude oil spot prices rose by 33.3% to \$100/bbl over the quarter.
- Rising yields slowed the momentum in Precious Metals gains over the quarter, with the subcomponent returning 6.9% and underperforming Industrial Metals, which were up 22.7% for the quarter.

Hedge Fund Markets Overview

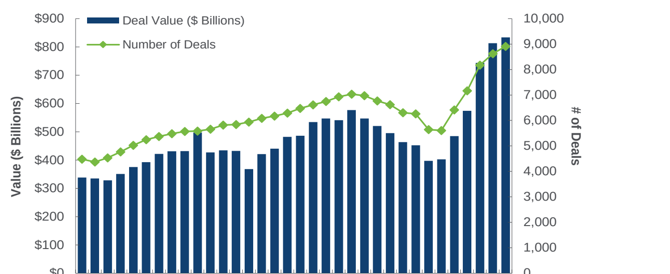


Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.
Source: HFR

- Hedge fund performance was mixed over the quarter, with equity-sensitive strategies struggling.
- The HFRI Fund-Weighted Composite and HFRI Fund of Funds Composite Index produced returns of -0.3% and -2.7% over the quarter, respectively.
- Over the quarter, Global Macro and Distressed-Restructuring strategies were the best performers with returns of 7.7% and 1.1% respectively.
- Emerging Markets and Equity Hedge strategies were the worst performers with returns of -5.3% and -3.9% respectively.
- Over the trailing one-year period, all strategies, except for Emerging Markets, were positive, led by Global Macro and Distressed-Restructuring funds.

Private Equity Market Overview—Fourth Quarter 2021

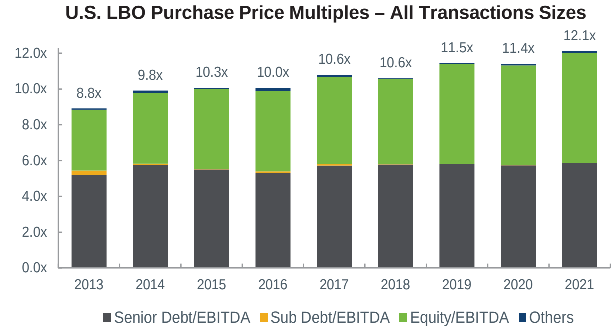
LTM Global Private Equity-Backed Buyout Deal Volume



Source: Preqin

- **Fundraising:** In 2021, $1.1 trillion was raised by 2,990 funds, which was an increase of 13.9% on a capital basis and 15.8% by number of funds from the prior year. Dry powder stood at $2.8 trillion at the end of the year, an increase of 10.4% and 28.0% compared to year-end 2020 and the five-year average, respectively.[1]
- **Buyout:** Global private equity-backed buyout deals totaled $833.2 billion in 2021, which was an increase on a capital basis of 71.9% and 46.5% from 2020 and the five-year average, respectively.[1] At the end of 2021, the average purchase price multiple for all U.S. LBOs was 12.1x EBITDA, up from year-end 2020's average of 11.4x and up from the five-year average (11.2x). Large cap purchase price multiples stood at 11.8x, up compared to the full-year 2020 level of 11.3x. The average purchase price multiple across European transactions greater than €1B averaged 11.6x EBITDA for year-end 2021, down significantly from the 13.1x multiple seen at year-end 2020. Purchase prices for transactions of €500M million or more decreased from 12.6x in 2020 to 11.5x in 2021.[2] Globally, exit value totaled $894.7 billion on 3,186 deals during the year, higher than the $482.7 billion in exits from 2,095 deals during 2020.[1]
- **Venture:** During the year, 15,500 venture-backed transactions totaling $329.6 billion were completed, which was an increase on a capital basis over the prior year's total of $166.6 billion across 12,173 deals. This was an increase of 88.7% compared to the five-year average of $174.7 billion and marked a new annual record. Total U.S. venture-backed exit value totaled approximately $774.1 billion across an estimated 1,875 completed transactions in 2021, up substantially from $288.9 billion across 1,123 exits in 2020.[3]
- **Mezzanine:** 29 funds closed on $12.6 billion during the year. This was a significant decrease from the prior year's total of $29.8 billion raised by 44 funds and represented a decrease of 32.3% from the five-year average of $18.6 billion. Estimated dry powder was $48.3 billion at the end of 2021, down from $52.0 billion during the prior year.[1]

Private Equity Market Overview—Fourth Quarter 2021



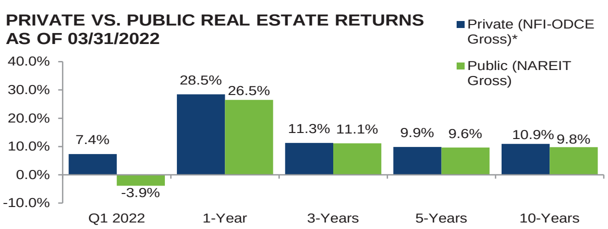
Source: S&P

- **Distressed Debt:** The LTM U.S. high-yield default rate was 0.5% as of December 2021, which was down substantially from December 2020's LTM rate of 5.2%.[4] The high-yield default rate is projected to trend lower through early Q1 2022. During the year, $72.4 billion was raised by 77 funds, down from the $74.6 billion raised by 90 funds during 2020. Dry powder was estimated at $158.4 billion at the end of 2021, which was down 3.9% from year-end 2020. This remained above the five-year annual average level of $130.5 billion.[1]
- **Secondaries:** 64 funds raised $44.4 billion during the year, down significantly from the $84.9 billion raised by 63 funds in 2020. This was 4.5% lower than the five-year average of $46.5 billion.[1] The average discount rate for all private equity sectors finished the year at 6.7%, an improvement from the 11.8% discount at the end of 2020.[5]
- **Infrastructure:** $124.3 billion of capital was raised by 130 funds in 2021 compared to $111.5 billion of capital raised by 145 partnerships in 2020. At the end of the year, dry powder stood at $313.0 billion, up from last year's record of $290.1 billion. Infrastructure managers completed 2,432 deals for an aggregate deal value of $561.6 billion in 2021 compared to 2,432 deals totaling $296.0 billion in 2020.[1]
- **Natural Resources:** During 2021, 28 funds closed on $14.4 billion compared to 30 funds totaling $10.5 billion in 2020. Energy and utilities industry managers completed 223 deals totaling $34.7 billion in 2021, compared to $16.3 billion across 157 deals in 2020.[1]

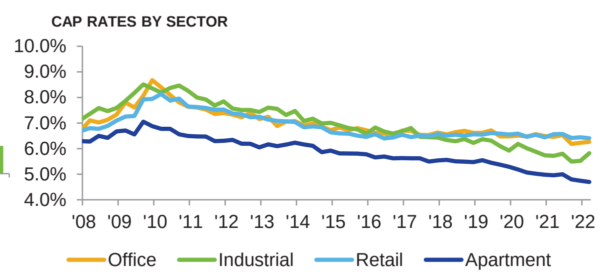
Sources: [1] Preqin [2] Standard & Poor's [3] PwC/CB Insights MoneyTree Report [4] PitchBook/NVCA Venture Monitor [5] Fitch Ratings [6] Thomson Reuters [7] UBS

Notes: FY=Fiscal year ended 12/31; YTD=Year to date; LTM=Last 12 months (aka trailing 12 months); PPM=Purchase Price Multiples: Total Purchase Price ÷ EBITDA.

U.S. Commercial Real Estate Markets



*First quarter returns are preliminary
Sources: NCREIF, FactSet



Sources: RCA, AON 3/31/2022

- U.S. Core Real Estate returned 7.4%* in first quarter 2022, equating to a 28.5% total gross return year-over-year. Townsend witnessed a robust recovery across the US economy and US real estate markets in 2021, with a continuation through the first quarter of 2022. Real estate capital markets are highly liquid and competitive for in vogue sectors but have also been surprisingly strong for less favored sectors. Capital raising has exceeded pre-pandemic levels and even exceeded historical highs, resulting in a continued build up of dry powder in the market.
- Global property markets, as measured by the FTSE EPRA/NAREIT Developed Real Estate Index, returned -3.8% (USD) in aggregate during the first quarter and experienced a cumulative increase of 15.4% over the trailing 1-year period. REIT market performance was driven by Asia Pacific (-0.8% USD), North America (-3.9% USD), and Europe (-7.1% USD). The U.S. REIT markets (FTSE NAREIT Equity REITs Index) returned -3.9% in the first quarter. The U.S. 10-year treasury bond yields steepened to 2.3% during the quarter, an increase of 80 basis points over year-end 2021.
- In first quarter 2022, deal volumes across all sectors moderated from a historic high in fourth quarter 2021. The demand for modern logistics networks has outpaced development and now low-single-digit vacancy rates are common across major markets in the US. A mismatch of supply and demand is driving strong rent growth in the industrial sector, as e-commerce still only accounts for approximately 15% of retail sales and is forecasted to grow at close to 10% per annum between 2022-2025. Significant demand combined with an undersupply of modern assets continues to support the development modern logistics properties and refurbishment of well-located older product.
- The strong global economic rebound has stoked inflation beyond economists' expectations and persistent supply chain disruption has been slow to resolve. Commercial real estate construction has been particularly impacted by supply chain disruption and witnessed material prices increases well beyond CPI. Key materials inputs for commercial and residential construction have seen substantial price increases, including Lumber, Copper, and Steel. Real estate provides an inflationary hedge, and the trend is already prevalent in industrial, apartment, and life sciences in terms of rising rent growth. However, not all sectors will benefit from hedge. Office fundamentals likely to remain weak in the near-term
- Townsend has identified high conviction investment themes that are predicated on secular growth trends and strong underlying real estate market fundamentals. These investment themes have commonalities such as anticipated tenant demand growth, natural barriers to supply, and operating complexity that are anticipated to persist medium to long-term.

*Indicates preliminary NFI-ODCE data gross of fees

Total Fund

As of March 31, 2022

Highlights

Executive Summary

- The Total Fund outperformed the Performance Benchmark over the trailing one-, three-, five-, and ten-year periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investments and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights

- The Total Fund outperformed the Performance Benchmark over the trailing one-, three-, five-, and ten-year periods.

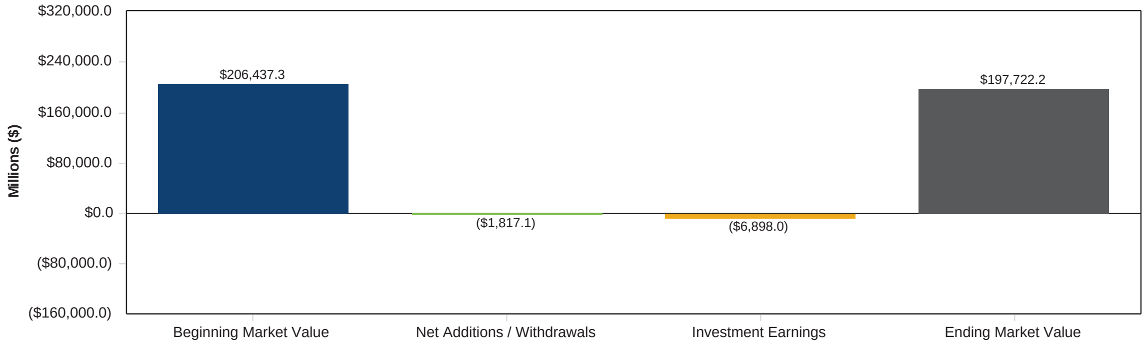
Asset Allocation

- The Fund assets total $197.7 billion as of March 31, 2022, which represents a $8.7 billion decrease since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges and in line with the current policy at quarter-end.

Total Fund As of March 31, 2022

Total Plan Asset Summary

Change in Market Value
From January 1, 2022 to March 31, 2022



Summary of Cash Flow

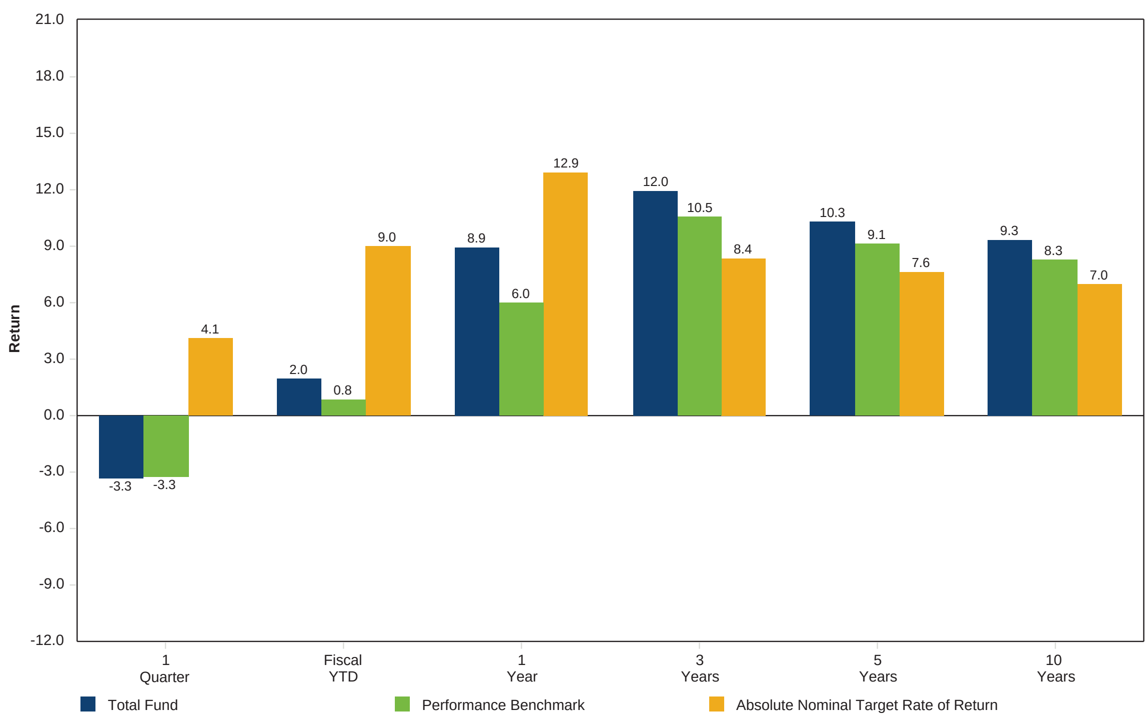
	1 Quarter	Fiscal YTD*
Beginning Market Value	206,437,287,703	199,600,498,385
+ Additions / Withdrawals	-1,817,149,131	-5,810,614,082
+ Investment Earnings	-6,897,960,308	3,932,293,962
= Ending Market Value	**197,722,178,265**	**197,722,178,265**

*Period July 2021 - December 2021

Total Fund As of March 31, 2022

Total Plan Performance Summary

Return Summary



As of March 31, 2022

Asset Allocation & Performance

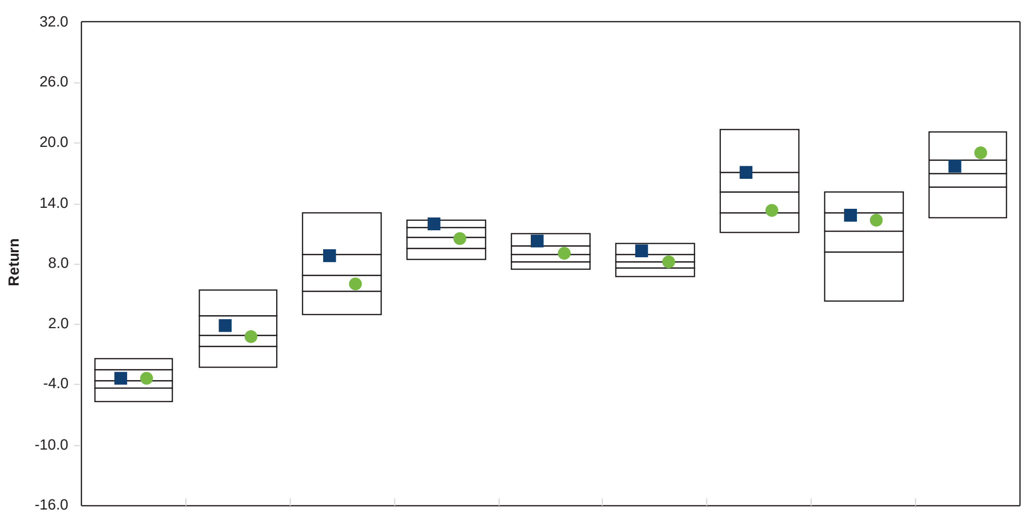
	Allocation			Performance(%)					
	Market Value ($)	%	Policy(%)	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
Total Fund	197,722,178,265	100.0	100.0	-3.3 (43)	2.0 (37)	8.9 (26)	12.0 (21)	10.3 (12)	9.3 (9)
Performance Benchmark				*-3.3 (42)*	*0.8 (57)*	*6.0 (59)*	*10.5 (53)*	*9.1 (46)*	*8.3 (52)*
Absolute Nominal Target Rate of Return				*4.1 (1)*	*9.0 (1)*	*12.9 (7)*	*8.4 (96)*	*7.6 (95)*	*7.0 (91)*
Global Equity*	104,244,982,877	52.7	51.5	-6.3	-1.9	5.5	13.7	11.8	10.6
Asset Class Target				*-5.4*	*-0.8*	*6.4*	*13.5*	*11.4*	*10.0*
Domestic Equities	53,401,224,326	27.0		-5.3	3.8	12.4	18.1	15.3	14.2
Asset Class Target				*-5.3*	*3.4*	*11.9*	*18.2*	*15.4*	*14.3*
Foreign Equities	36,021,435,294	18.2		-7.5	-9.7	-3.8	8.5	7.6	6.7
Asset Class Target				*-5.4*	*-6.4*	*-1.2*	*8.0*	*7.0*	*5.9*
Global Equities	12,759,475,627	6.5		-6.3	-1.0	6.2	12.1	10.9	10.2
Benchmark				*-5.2*	*1.3*	*9.0*	*14.5*	*12.2*	*10.6*
Fixed Income	33,342,133,972	16.9	18.5	-4.7	-5.1	-4.2	1.6	2.0	2.2
Asset Class Target				*-4.7*	*-5.1*	*-4.4*	*1.2*	*1.7*	*1.8*
Private Equity	18,220,222,364	9.2	9.1	3.3	22.2	50.2	31.3	24.9	19.3
Asset Class Target				*-3.9*	*1.5*	*9.4*	*16.6*	*14.5*	*13.9*
Real Estate	19,899,676,707	10.1	10.0	5.5	18.3	22.5	9.9	9.0	10.8
Asset Class Target				*6.5*	*17.6*	*20.7*	*8.4*	*8.0*	*9.5*
Strategic Investments	19,808,032,512	10.0	9.9	1.6	6.4	11.4	8.2	7.6	8.6
Short-Term Target				*1.7*	*5.4*	*8.9*	*8.5*	*7.1*	*6.6*
Cash	2,207,129,833	1.1	1.0	0.0	0.0	0.1	0.7	1.1	0.7
Bank of America Merrill Lynch 3-Month US Treasury Index				*0.0*	*0.1*	*0.1*	*0.8*	*1.1*	*0.6*

Benchmark and universe descriptions can be found in the Appendix.
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

As of March 31, 2022

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-Total Fund



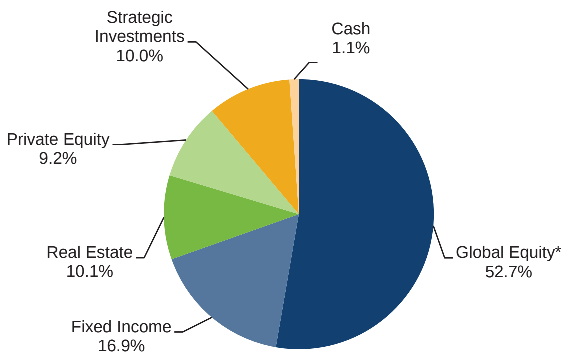
	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2021	2020	2019
■ Total Fund	-3.3 (43)	2.0 (37)	8.9 (26)	12.0 (21)	10.3 (12)	9.3 (9)	17.2 (24)	12.9 (27)	17.8 (31)
● Performance Benchmark	-3.3 (42)	0.8 (57)	6.0 (59)	10.5 (53)	9.1 (46)	8.3 (52)	13.3 (71)	12.4 (35)	19.1 (19)
5th Percentile	-1.4	5.4	13.1	12.3	11.1	10.1	21.4	15.2	21.2
1st Quartile	-2.5	2.9	8.9	11.6	9.9	8.9	17.1	13.1	18.3
Median	-3.6	1.0	6.9	10.7	9.0	8.3	15.2	11.3	17.1
3rd Quartile	-4.3	-0.2	5.3	9.6	8.3	7.7	13.1	9.2	15.6
95th Percentile	-5.6	-2.3	3.0	8.5	7.5	6.7	11.2	4.4	12.6
Population	67	65	65	64	64	59	122	149	152

Parentheses contain percentile rankings.

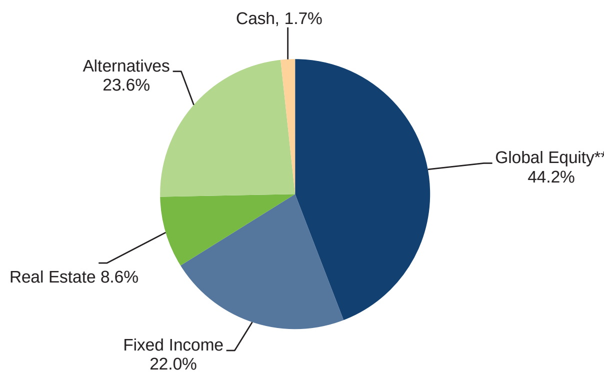
Total Fund As of March 31, 2022

Universe Asset Allocation Comparison

Total Fund



BNY Mellon Public Funds > $1B Net Universe

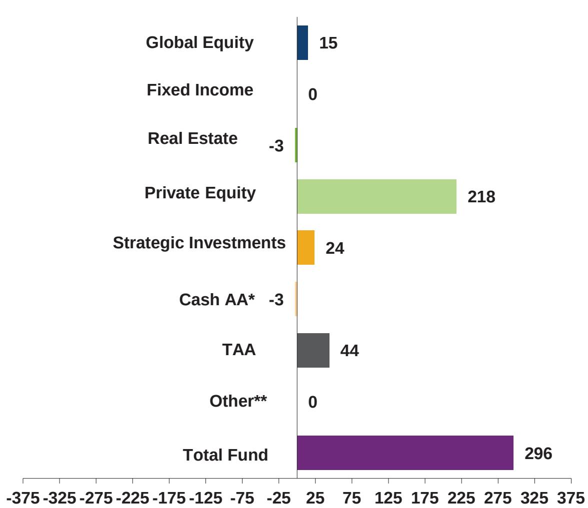


*Global Equity Allocation: 27.0% Domestic Equities; 18.2% Foreign Equities; 6.5% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

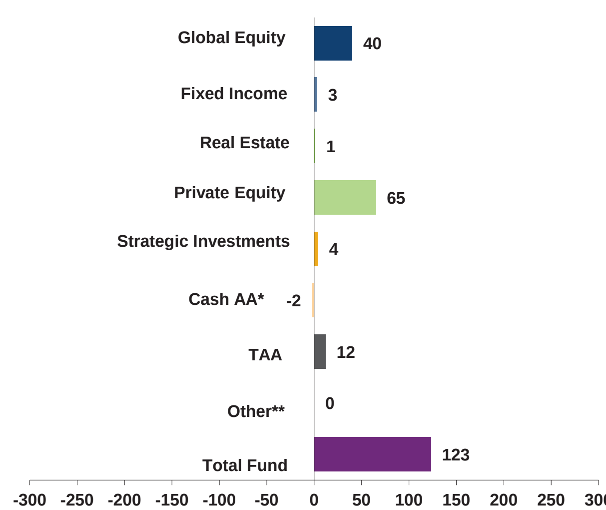
**Global Equity Allocation: 28.0% Domestic Equities; 16.2% Foreign Equities.

Total Fund As of March 31, 2022

Attribution



1-Year Ending 3/31/2022



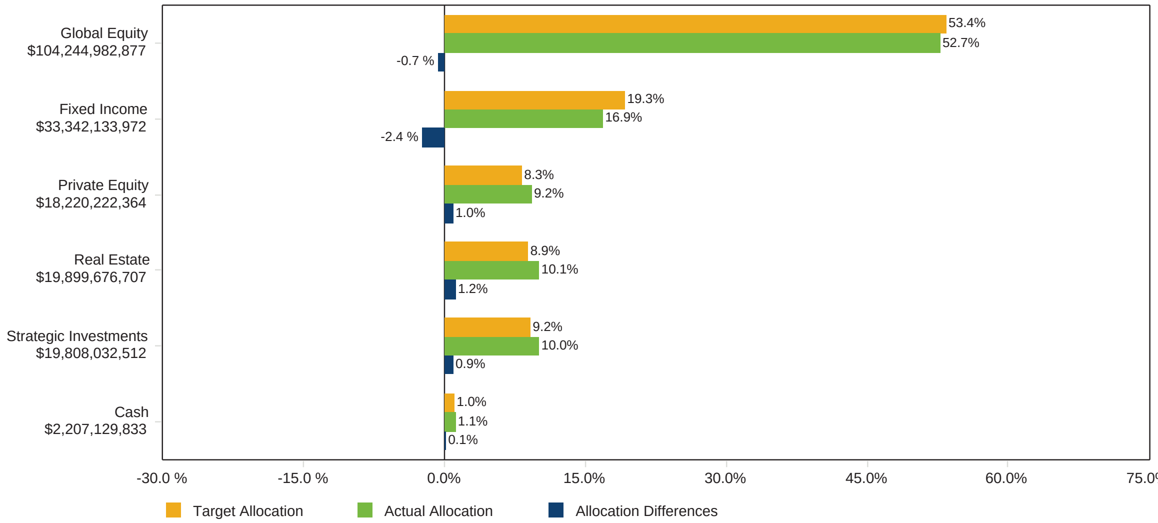
5-Year Ending 3/31/2022

*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.

**Other includes legacy accounts and unexplained differences due to methodology.

Asset Allocation Compliance

	Market Value ($)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	197,722,178,265	100.0	100.0		
Global Equity	104,244,982,877	52.7	53.4	45.0	70.0
Fixed Income	33,342,133,972	16.9	19.3	10.0	26.0
Private Equity	18,220,222,364	9.2	8.3	2.0	10.0
Real Estate	19,899,676,707	10.1	8.9	4.0	16.0
Strategic Investments	19,808,032,512	10.0	9.2	0.0	16.0
Cash	2,207,129,833	1.1	1.0	0.3	5.0



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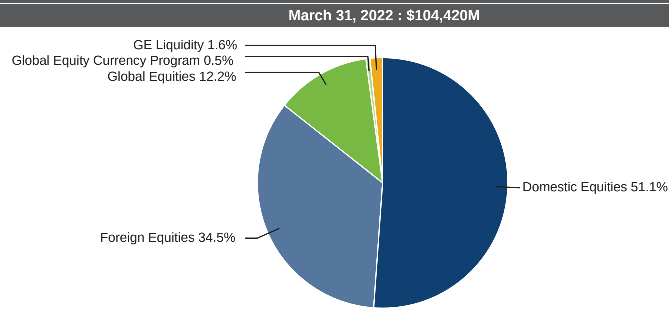
Global Equity

Global Equity* As of March 31, 2022

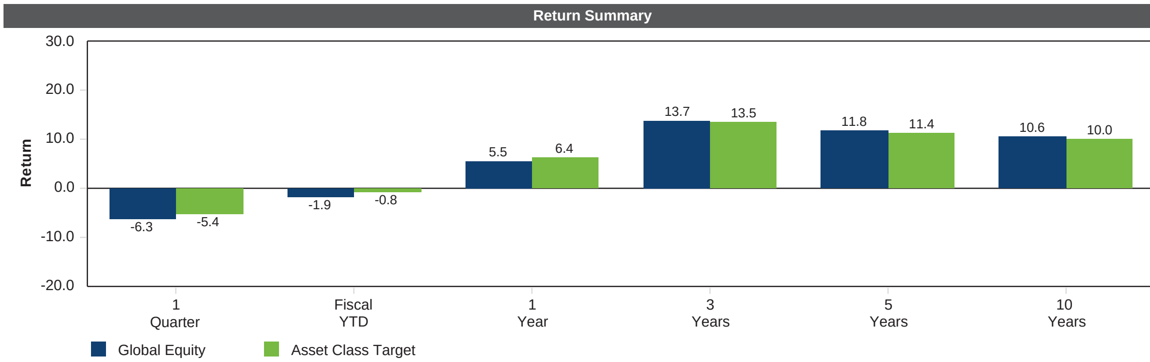
Global Equity* Portfolio Overview

Current Allocation

March 31, 2022 : $104,420M



Return Summary



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

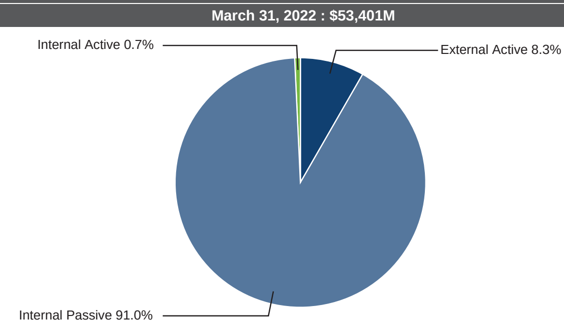
Domestic Equities

Domestic Equities **As of March 31, 2022**

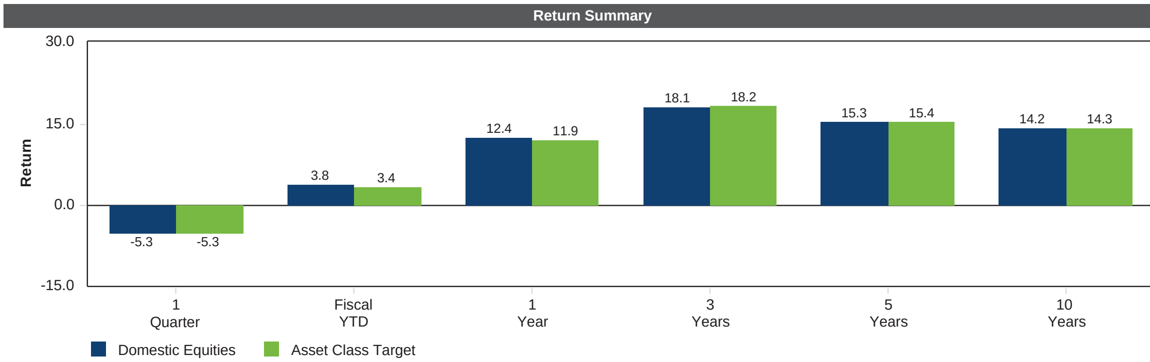
Domestic Equities Portfolio Overview

Current Allocation

March 31, 2022 : $53,401M



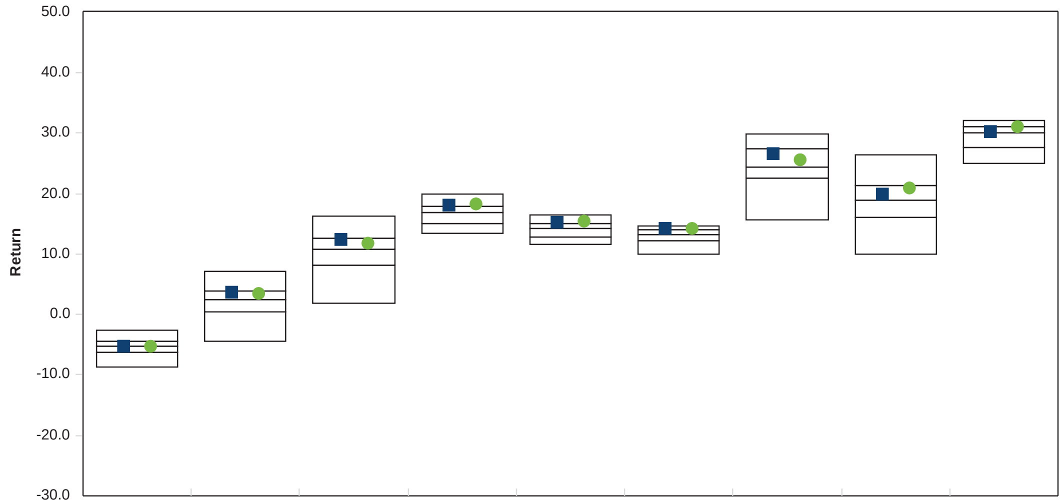
Return Summary



As of March 31, 2022

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-US Equity Segment



	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2021	2020	2019
Domestic Equities	-5.3 (49)	3.8 (26)	12.4 (27)	18.1 (20)	15.3 (19)	14.2 (17)	26.6 (30)	19.9 (40)	30.4 (38)
Asset Class Target	-5.3 (52)	3.4 (32)	11.9 (28)	18.2 (19)	15.4 (19)	14.3 (16)	25.7 (38)	20.9 (29)	31.0 (28)
5th Percentile	-2.6	7.1	16.4	20.0	16.5	14.8	30.0	26.4	32.2
1st Quartile	-4.4	4.0	12.7	18.0	15.0	14.0	27.5	21.5	31.2
Median	-5.3	2.5	10.7	16.8	14.2	13.3	24.3	18.9	30.1
3rd Quartile	-6.2	0.4	8.1	15.2	12.9	12.3	22.6	16.1	27.7
95th Percentile	-8.7	-4.5	1.9	13.4	11.7	9.9	15.7	10.0	25.0
Population	54	53	52	45	43	31	56	55	52

Parentheses contain percentile rankings.

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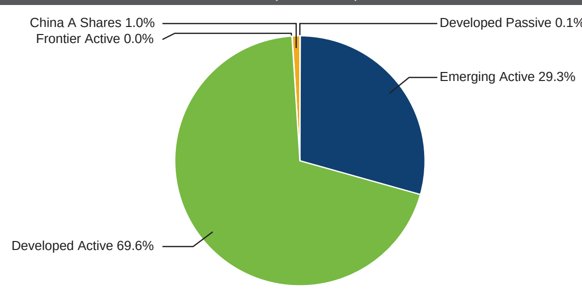
Foreign Equities

Foreign Equities As of March 31, 2022

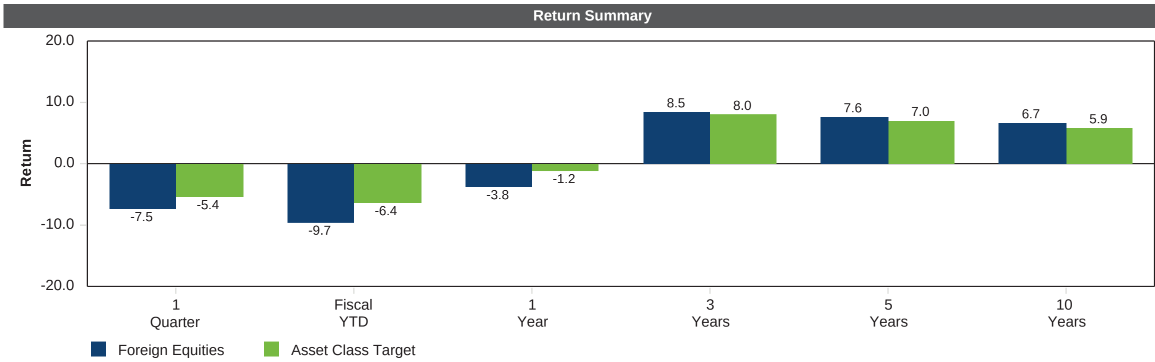
Foreign Equities Portfolio Overview

Current Allocation

March 31, 2022 : $36,021M



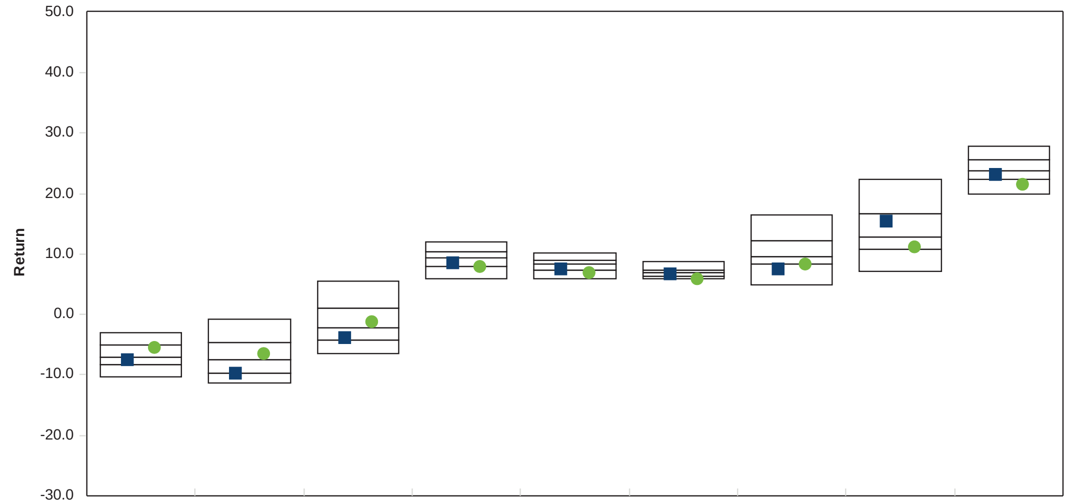
Return Summary



As of March 31, 2022

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-Intl. Equity Segment



	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2021	2020	2019
■ Foreign Equities	-7.5 (62)	-9.7 (74)	-3.8 (69)	8.5 (64)	7.6 (67)	6.7 (67)	7.6 (80)	15.4 (34)	23.1 (63)
● Asset Class Target	-5.4 (34)	-6.4 (45)	-1.2 (47)	8.0 (75)	7.0 (82)	5.9 (98)	8.4 (71)	11.3 (64)	21.7 (84)
5th Percentile	-3.0	-0.8	5.5	12.1	10.2	8.8	16.5	22.4	27.9
1st Quartile	-5.1	-4.7	1.1	10.4	8.9	7.4	12.2	16.8	25.5
Median	-7.0	-7.5	-2.2	9.3	8.3	6.9	9.6	12.8	23.7
3rd Quartile	-8.3	-9.7	-4.2	8.0	7.3	6.4	8.3	10.7	22.4
95th Percentile	-10.3	-11.4	-6.4	6.0	6.0	5.9	4.9	7.1	20.0
Population	54	54	54	48	48	34	56	58	53

Parentheses contain percentile rankings.

AON Empower Results®

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AON Empower Results®

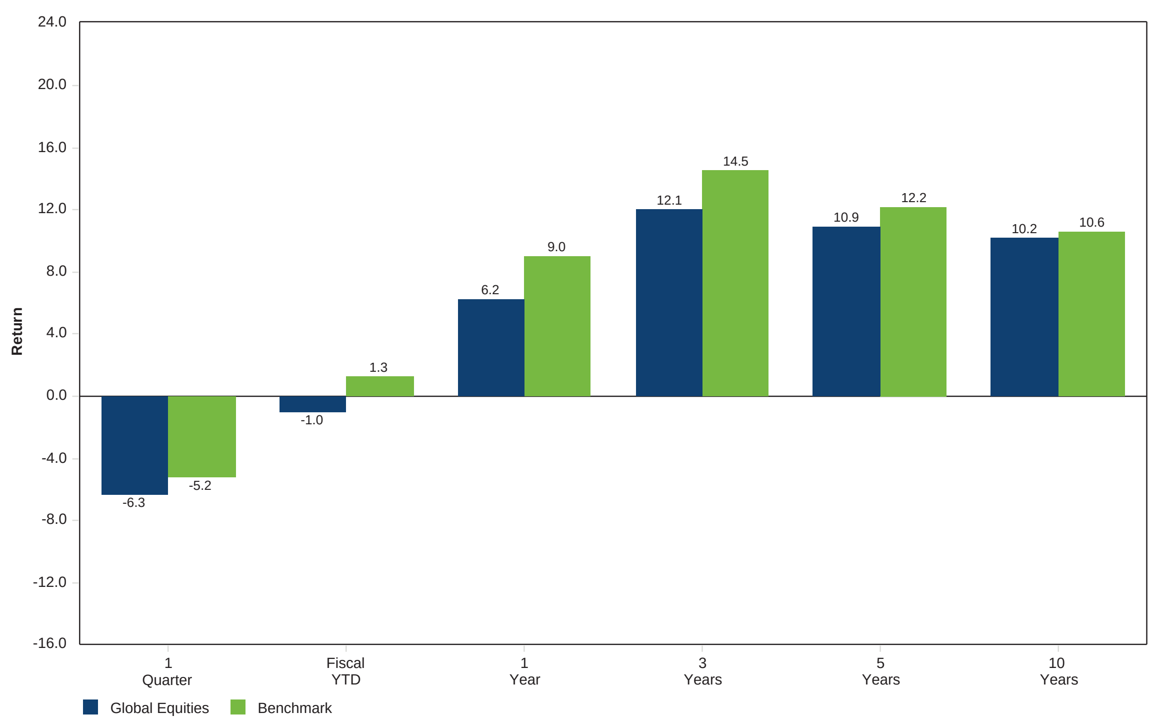
Global Equities

Aon Empower Results

Global Equities As of March 31, 2022

Global Equities Performance Summary

Return Summary



Aon Empower Results

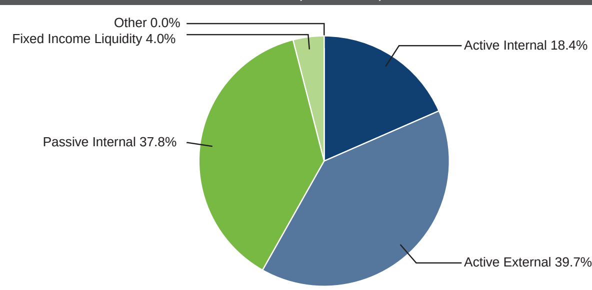
Fixed Income

Fixed Income As of March 31, 2022

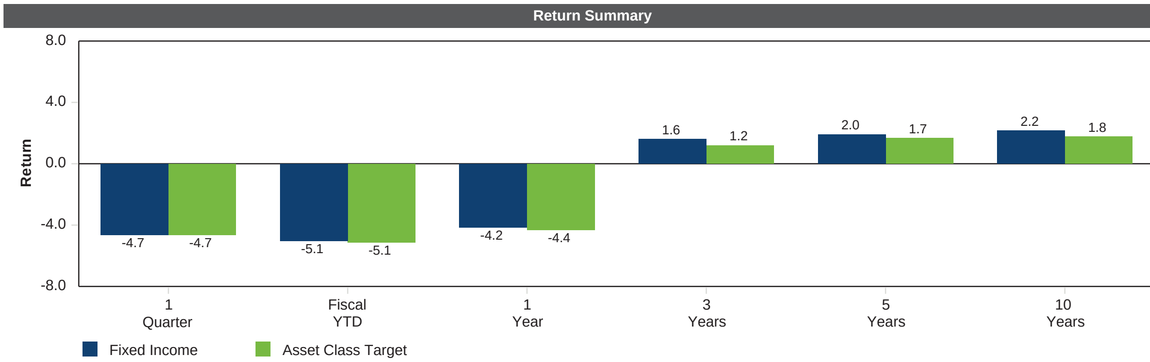
Fixed Income Portfolio Overview

Current Allocation

March 31, 2022 : $33,342M



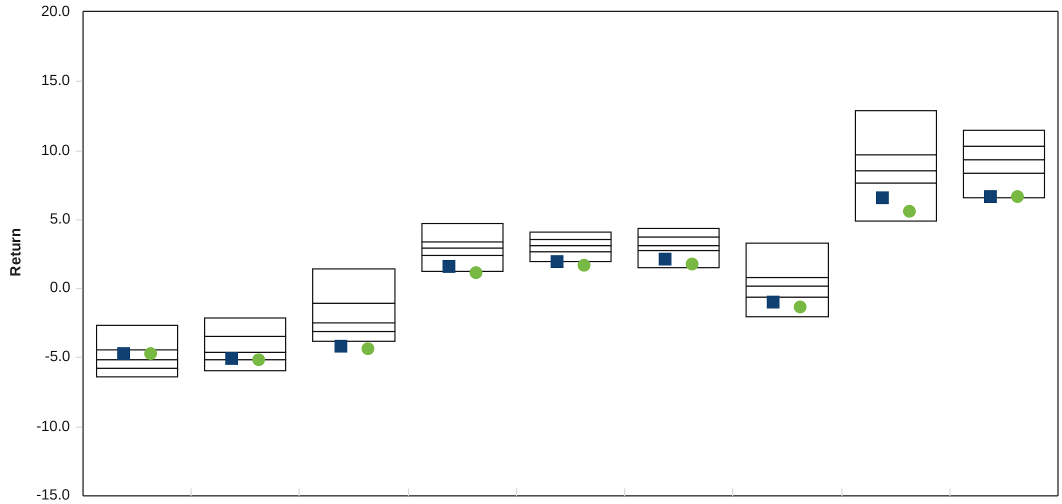
Return Summary



As of March 31, 2022

Plan Sponsor Peer Group Analysis

All Public Plans > $1B-US Fixed Income Segment



	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	2021	2020	2019
■ Fixed Income	-4.7 (34)	-5.1 (74)	-4.2 (100)	1.6 (95)	2.0 (95)	2.2 (92)	-1.0 (86)	6.6 (87)	6.7 (95)
● Asset Class Target	-4.7 (33)	-5.1 (75)	-4.4 (100)	1.2 (96)	1.7 (96)	1.8 (95)	-1.3 (91)	5.6 (90)	6.7 (95)
5th Percentile	-2.6	-2.1	1.4	4.7	4.1	4.4	3.3	12.9	11.4
1st Quartile	-4.4	-3.5	-1.1	3.4	3.6	3.8	0.8	9.7	10.3
Median	-5.2	-4.6	-2.4	2.9	3.1	3.1	0.1	8.6	9.3
3rd Quartile	-5.8	-5.1	-3.1	2.4	2.7	2.8	-0.6	7.7	8.4
95th Percentile	-6.4	-5.9	-3.8	1.3	1.9	1.5	-2.0	4.9	6.5
Population	56	55	55	48	46	36	58	59	53

Parentheses contain percentile rankings.

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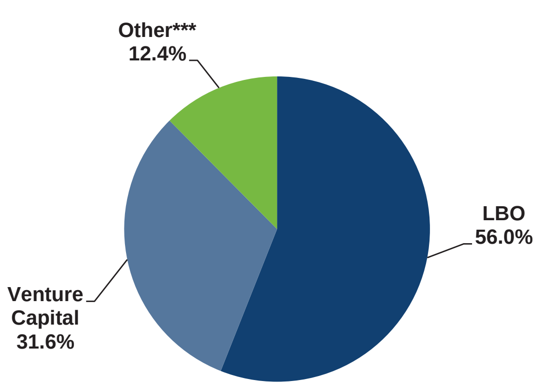
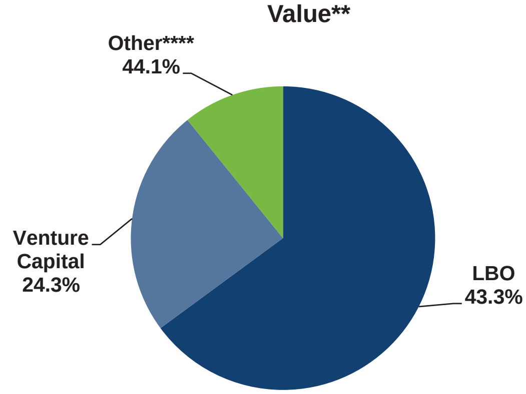
Private Equity

Overview

FRS Private Equity by Market Value*



Preqin Private Equity Strategies by Market Value**

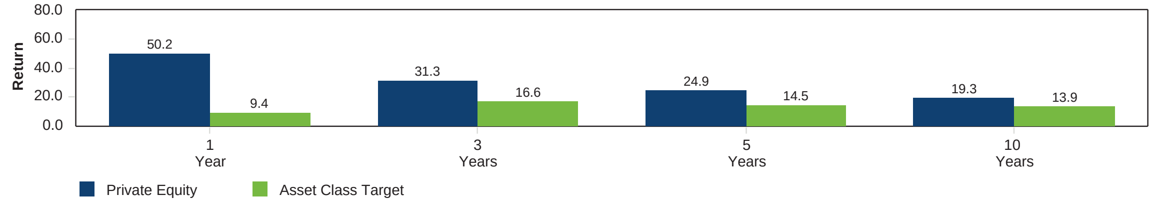


*Allocation data is as of March 31, 2022.
**Allocation data is as of June 30, 2019, from the Preqin database.
***Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.
****Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.
Preqin universe is comprised of 10,000 private equity funds representing $4.8 trillion.

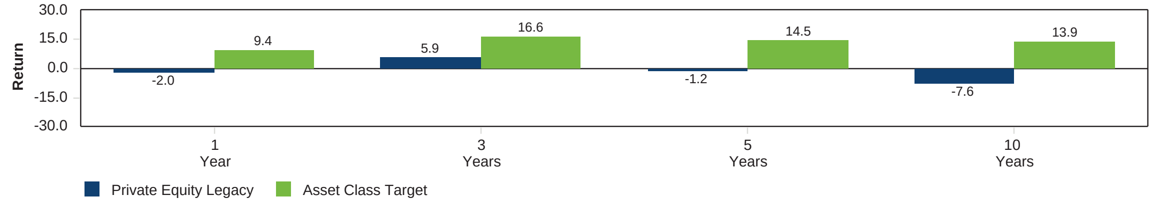
Private Equity

Time-Weighted Investment Results

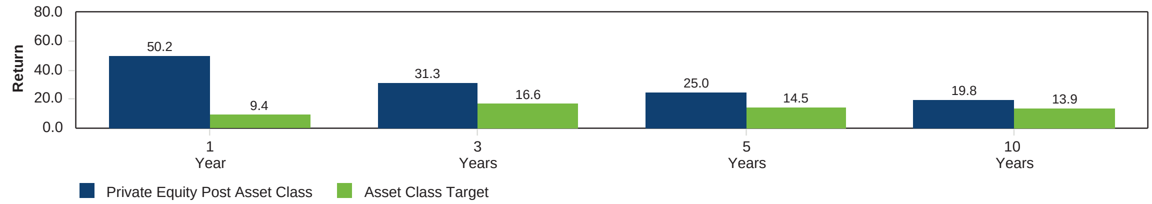
Private Equity Return Summary as of March 31, 2022



Private Equity Legacy Return Summary as of March 31, 2022



Private Equity Post Asset Class Return Summary as of March 31, 2022

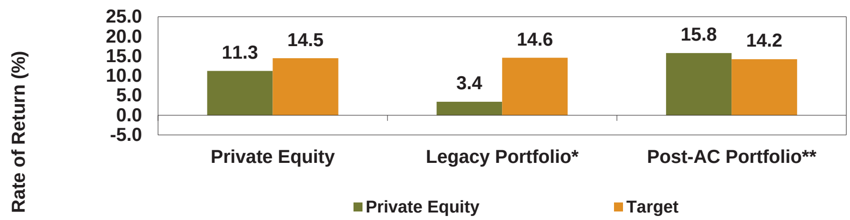


Private Equity

Dollar-Weighted Investment Results

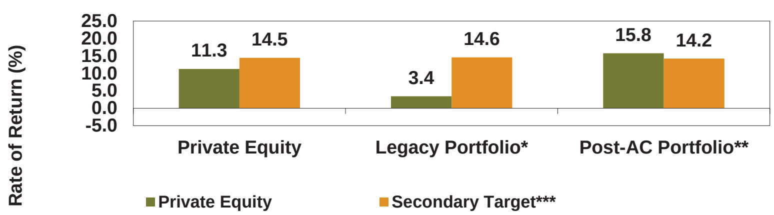
As of March 31, 2022

Since Inception



As of March 31, 2022

Since Inception

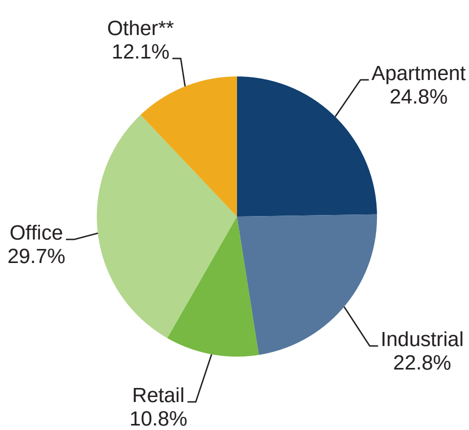


*The Inception Date for the Legacy Portfolio is January 1989.
**The Inception Date for the Post-AC Portfolio is September 2000.
***The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.

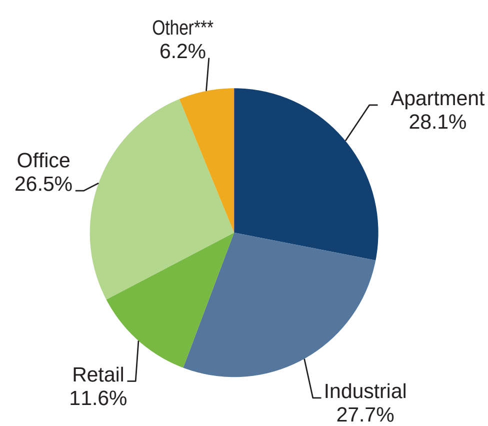
Real Estate

Overview

FRS*



NFI-ODCE Index*



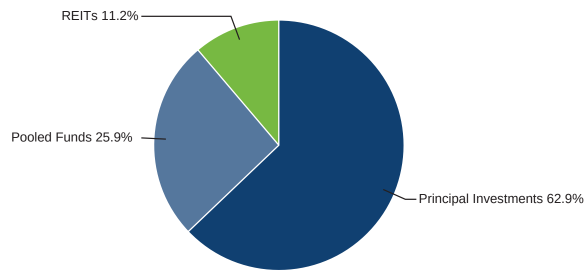
*Property Allocation data is as of December 31, 2021. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not in
**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.
***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Healthcare, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.

Real Estate As of March 31, 2022

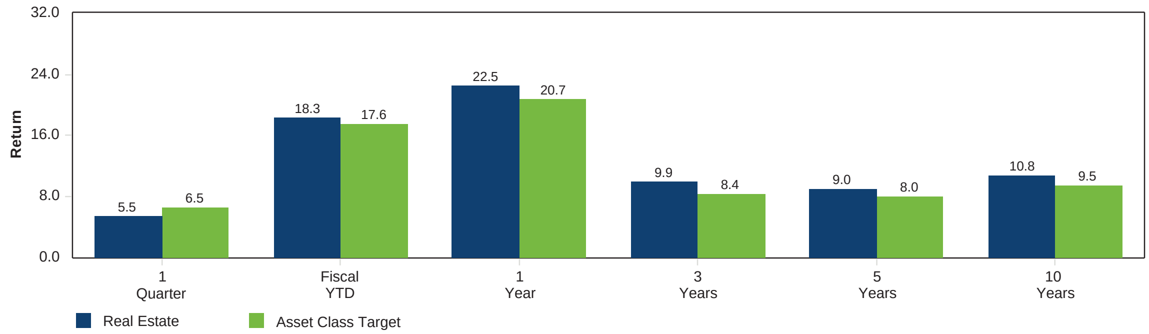
Real Estate Portfolio Overview

Current Allocation

March 31, 2022 : $19,900M

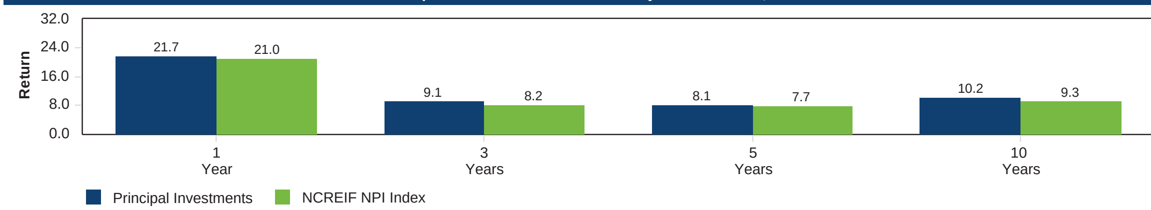


Return Summary

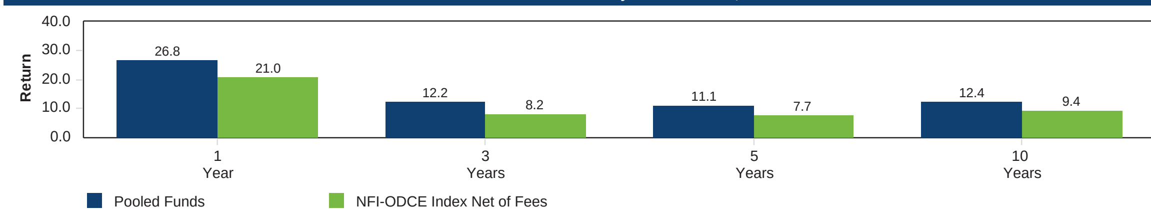


Real Estate

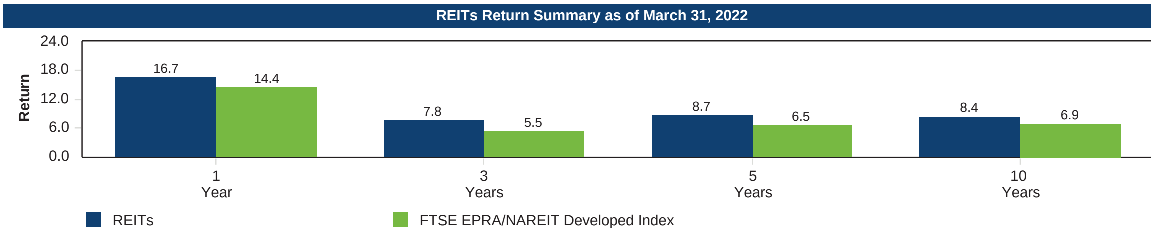
Principal Investments Return Summary as of March 31, 2022



Pooled Funds Return Summary as of March 31, 2022



REITs Return Summary as of March 31, 2022



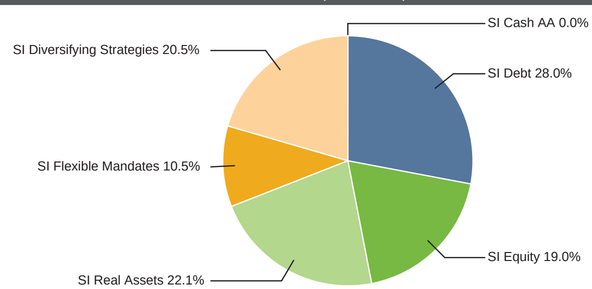
Strategic Investments

Strategic Investments **As of March 31, 2022**

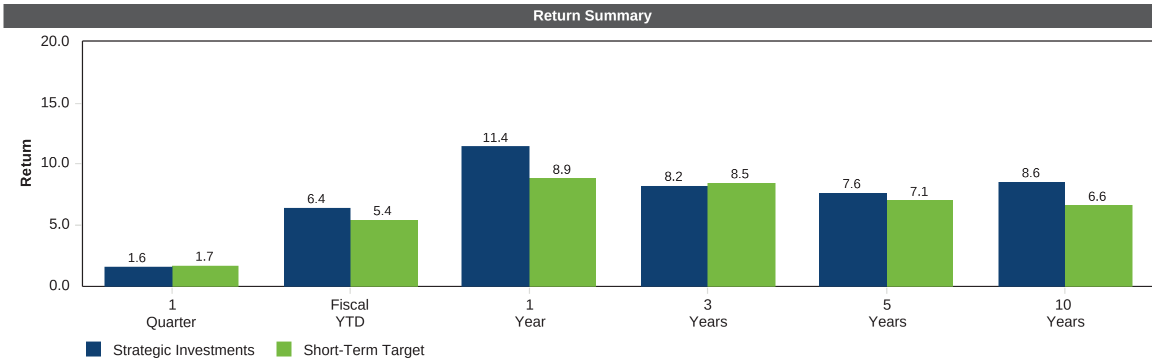
Strategic Investments Portfolio Overview

Current Allocation

March 31, 2022 : $19,808M



Return Summary

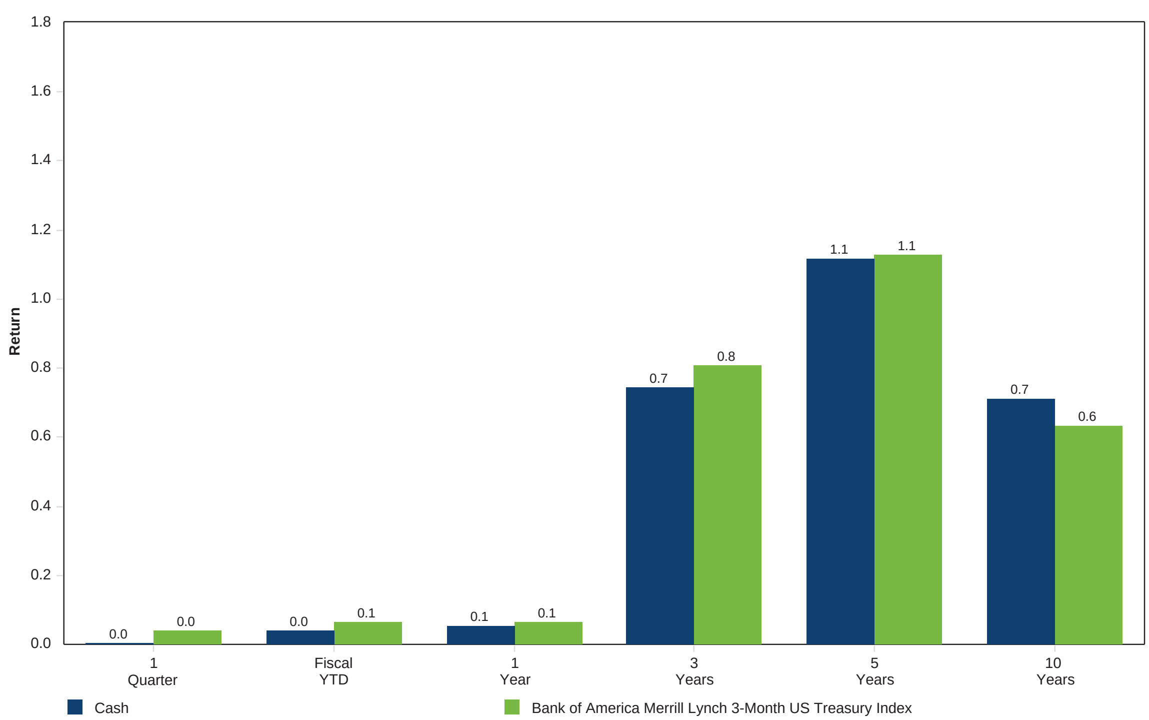


Cash

Cash As of March 31, 2022

Cash Performance Summary

Return Summary



Appendix

As of March 31, 2022

Appendix

Total FRS Assets

Performance Benchmark- A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the Bank of America Merrill Lynch 3-Month US Treasury Index. The short -term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Please refer to section VII. Performance Measurement in the FRS Defined Benefit Plan Investment Policy Statement for more details on the calculation of the Performance Benchmark. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark- A custom version of the MSCI All Country World Investable Market Index (MSCI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect securities and other investments prohibited by Florida law or that would be prohibited by Florida law if acquired as of the date of measurement of such Index notwithstanding that the securities or investments were actually acquired before such date. Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

Total Domestic Equities

Performance Benchmark- The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark- A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark- Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).

Total Fixed Income

Performance Benchmark- The Barclays Capital U.S. Intermediate Aggregate Index. Prior to October 1, 2013, it was the Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

Total Private Equity

Performance Benchmark- The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark- The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark- Long-term, 4.0% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks. Prior to July 1, 2018, a Performance Benchmark-Long-term, 4.5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmark.

Total Cash

Performance Benchmark- Bloomberg Barclays U.S. Treasury Bill: 1-3 month index. Prior to October 1, 2020, it was the Bank of America Merrill Lynch 3-Month US Treasury Index. Prior to July 1, 2018 it was the iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.

Description of Benchmarks

Bloomberg Barclays U.S. Treasury Bill: 1-3 month Index- Consists of U.S. Treasury Bills that have a remaining maturity of greater than or equal to 1 month and less than 3 months

Barclays Capital U.S. Intermediate Aggregate Bond Index- A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of $250 million or greater.

Consumer Price Index (CPI)- The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index- An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposure and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

MSCI All Country World Investable Market Index- A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

NCREIF ODCE Property Index- The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Russell 3000 Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.

Description of Universes

Total Fund- A universe comprised of 150 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised $2.0 trillion as of quarter-end and the average market value was $13.2 billion.

Domestic Equity- A universe comprised of 52 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Foreign Equity- A universe comprised of 55 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $18.5 billion.

Fixed Income- A universe comprised of 55 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.1 trillion as of quarter-end and the average market value was $19.5 billion.

Real Estate- A universe comprised of 42 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised $1.0 trillion as of quarter-end and the average market value was $24.1 billion.

Private Equity- An appropriate universe for private equity is unavailable.

Strategic Investments- An appropriate universe for strategic investments is unavailable.

Explanation of Exhibits

Quarterly and Cumulative Excess Performance- The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph- An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis- An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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Quarterly Investment Review

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FRS Investment Plan

Empower Results®

As of March 31, 2022

Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value ($)	**%**	**1 Quarter**	**1 Year**	**3 Years**	**5 Years**	**10 Years**
FRS Investment Plan	**14,554,921,812**	**100.0**	**-4.8**	**5.1**	**10.5**	**9.2**	**8.1**
Total Plan Aggregate Benchmark			*-4.0*	*6.0*	*10.4*	*8.9*	*7.8*
Retirement Date	**6,887,184,183**	**47.3**					
FRS Retirement Fund	724,702,698	5.0	-2.8 (3)	5.3 (1)	8.1 (1)	6.9 (3)	5.4 (30)
Retirement Custom Index			*-2.3 (2)*	*5.2 (1)*	*7.8 (1)*	*6.6 (8)*	*5.1 (35)*
FRS 2020 Retirement Date Fund	570,771,791	3.9	-2.9 (1)	5.7 (1)	8.7 (5)	7.6 (12)	6.7 (84)
2020 Retirement Custom Index			*-2.5 (1)*	*5.5 (1)*	*8.5 (16)*	*7.4 (39)*	*6.4 (87)*
FRS 2025 Retirement Date Fund	975,051,849	6.7	-3.5 (4)	5.6 (1)	9.4 (19)	8.4 (19)	7.6 (62)
2025 Retirement Custom Index			*-3.1 (3)*	*5.4 (1)*	*9.3 (27)*	*8.2 (37)*	*7.3 (73)*
FRS 2030 Retirement Date Fund	930,180,291	6.4	-3.9 (5)	5.5 (1)	10.1 (34)	8.9 (42)	8.4 (53)
2030 Retirement Custom Index			*-3.5 (3)*	*5.4 (1)*	*10.0 (35)*	*8.8 (53)*	*8.2 (72)*
FRS 2035 Retirement Date Fund	898,873,464	6.2	-4.3 (2)	5.4 (4)	10.6 (59)	9.5 (61)	9.1 (51)
2035 Retirement Custom Index			*-3.9 (2)*	*5.3 (5)*	*10.6 (62)*	*9.3 (65)*	*8.9 (71)*
FRS 2040 Retirement Date Fund	832,449,342	5.7	-4.7 (3)	5.3 (11)	11.2 (75)	9.9 (72)	9.4 (70)
2040 Retirement Custom Index			*-4.3 (2)*	*5.3 (11)*	*11.2 (75)*	*9.8 (77)*	*9.2 (84)*
FRS 2045 Retirement Date Fund	832,632,444	5.7	-4.9 (2)	5.3 (23)	11.6 (79)	10.2 (78)	9.6 (78)
2045 Retirement Custom Index			*-4.4 (1)*	*5.5 (18)*	*11.7 (77)*	*10.2 (78)*	*9.4 (82)*
FRS 2050 Retirement Date Fund	552,796,641	3.8	-4.9 (4)	5.8 (21)	12.0 (75)	10.4 (69)	9.7 (88)
2050 Retirement Custom Index			*-4.4 (1)*	*5.9 (19)*	*12.1 (75)*	*10.4 (71)*	*9.5 (90)*
FRS 2055 Retirement Date Fund	369,160,283	2.5	-4.9 (1)	5.9 (18)	12.2 (73)	10.5 (74)	9.7 (82)
2055 Retirement Custom Index			*-4.4 (1)*	*6.0 (16)*	*12.1 (75)*	*10.4 (76)*	*9.6 (84)*
FRS 2060 Retirement Date Fund	200,565,379	1.4	-4.8 (1)	5.9 (13)	12.3 (88)	-	-
2060 Retirement Custom Index			*-4.4 (1)*	*6.0 (8)*	*12.1 (90)*	-	-
Stable Value	**1,171,979,558**	**8.1**					
FRS Stable Value Fund	1,171,979,558	8.1	0.4 (51)	-	-	-	-
FTSE 3 Month T-Bill			*0.0 (85)*	*0.1 (87)*	-	-	-

Empower Results®

As of March 31, 2022

Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value ($)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
Real Assets	**211,907,256**	**1.5**					
FRS Inflation Sensitive Fund	211,907,256	1.5	1.7	13.1	8.0	6.0	3.0
FRS Custom Multi-Assets Index			*2.8*	*13.1*	*7.4*	*5.8*	*2.7*
Fixed Income	**619,396,031**	**4.3**	**-5.6 (27)**	**-3.4 (16)**	**2.5 (21)**	**2.8 (15)**	**2.9 (21)**
Total Bond Index			*-5.6 (22)*	*-3.7 (27)*	*2.0 (47)*	*2.4 (40)*	*2.5 (45)*
FRS U.S. Bond Enhanced Index Fund	237,879,837	1.6	-5.9 (38)	-4.2 (40)	1.7 (66)	2.2 (62)	2.3 (59)
Blmbg. U.S. Aggregate			*-5.9 (48)*	*-4.2 (39)*	*1.7 (69)*	*2.1 (64)*	*2.2 (68)*
FRS Core Plus Bond Fund	381,516,195	2.6	-5.9 (47)	-3.1 (18)	2.9 (32)	3.2 (18)	3.6 (18)
FRS Custom Core-Plus Fixed Income Index			*-5.7 (37)*	*-3.5 (39)*	*2.3 (60)*	*2.7 (55)*	*3.1 (45)*
Domestic Equity	**3,626,329,734**	**24.9**	**-6.2 (57)**	**9.5 (54)**	**16.8 (40)**	**14.4 (38)**	**13.8 (25)**
Total U.S. Equities Index			*-5.3 (46)*	*11.6 (38)*	*17.3 (35)*	*14.5 (36)*	*13.7 (26)*
FRS U.S. Stock Market Index Fund	1,593,708,657	10.9	-5.3 (46)	11.9 (33)	18.3 (24)	15.5 (26)	14.4 (17)
Russell 3000 Index			*-5.3 (46)*	*11.9 (33)*	*18.2 (25)*	*15.4 (26)*	*14.3 (18)*
FRS U.S. Stock Fund	2,032,621,077	14.0	-7.6 (68)	6.1 (72)	-	-	-
Russell 3000 Index			*-5.3 (46)*	*11.9 (33)*	-	-	-
International/Global Equity	**809,351,882**	**5.6**	**-7.2 (45)**	**-1.6 (42)**	**9.2 (26)**	**8.2 (21)**	**7.5 (19)**
Total Foreign and Global Equities Index			*-5.6 (32)*	*-0.1 (33)*	*8.6 (33)*	*7.5 (29)*	*6.7 (30)*
FRS Foreign Stock Index Fund	286,438,242	2.0	-6.3 (37)	-2.0 (44)	7.8 (41)	7.0 (35)	6.5 (35)
MSCI All Country World ex-U.S. IMI Index			*-5.6 (32)*	*-1.3 (40)*	*7.9 (40)*	*6.9 (37)*	*6.3 (39)*
FRS Foreign Stock Fund	170,071,115	1.2	-12.2 (74)	-9.4 (72)	8.4 (36)	8.0 (24)	7.3 (21)
MSCI AC World ex USA Index (Net)			*-5.4 (31)*	*-1.5 (41)*	*7.5 (44)*	*6.8 (41)*	*5.6 (56)*
FRS Global Stock Fund	352,842,526	2.4	-10.0 (78)	3.9 (58)	17.6 (14)	15.6 (10)	13.1 (11)
MSCI AC World Index (Net)			*-5.4 (50)*	*7.3 (40)*	*13.8 (33)*	*11.6 (38)*	*10.0 (43)*
FRS Self-Dir Brokerage Acct	**1,228,773,167**	**8.4**					

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.
Note: The SDBA opened for members on 1/2/2014. No performance calculations will be made for the SDBA.

As of March 31, 2022

Asset Allocation & Performance

	Performance(%)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
FRS Investment Plan	**14.1**	**13.1**	**20.5**	**-5.7**	**16.4**	**8.0**	**-0.9**	**4.9**	**15.2**	**10.5**
Total Plan Aggregate Benchmark	*14.2*	*11.7*	*20.0*	*-5.8*	*15.5*	*8.5*	*-1.3*	*4.9*	*14.6*	*9.7*
Retirement Date										
FRS Retirement Fund	9.6 (1)	10.2 (37)	14.8 (30)	-3.7 (64)	10.8 (19)	6.2 (17)	-2.6 (92)	4.4 (47)	3.5 (72)	10.7 (10)
Retirement Custom Index	*8.9 (2)*	*9.6 (61)*	*14.5 (34)*	*-3.8 (67)*	*10.4 (31)*	*6.2 (18)*	*-1.8 (86)*	*3.6 (85)*	*3.4 (72)*	*8.5 (58)*
FRS 2020 Retirement Date Fund	10.5 (1)	10.5 (76)	16.3 (56)	-4.4 (53)	14.0 (24)	7.4 (22)	-2.1 (91)	4.4 (79)	9.6 (75)	12.4 (38)
2020 Retirement Custom Index	*10.0 (5)*	*10.2 (81)*	*16.0 (60)*	*-4.5 (55)*	*13.3 (47)*	*7.1 (32)*	*-1.6 (80)*	*3.9 (88)*	*9.7 (75)*	*11.0 (74)*
FRS 2025 Retirement Date Fund	11.7 (6)	11.4 (75)	18.2 (58)	-5.2 (46)	16.1 (26)	8.0 (14)	-1.7 (80)	4.5 (86)	13.7 (74)	13.5 (43)
2025 Retirement Custom Index	*11.3 (17)*	*11.2 (77)*	*17.8 (67)*	*-5.3 (51)*	*15.5 (39)*	*7.6 (20)*	*-1.5 (77)*	*4.2 (91)*	*13.8 (74)*	*12.4 (73)*
FRS 2030 Retirement Date Fund	12.8 (21)	12.0 (74)	19.8 (68)	-6.0 (44)	18.0 (30)	8.5 (18)	-1.3 (63)	4.5 (83)	18.1 (54)	14.6 (34)
2030 Retirement Custom Index	*12.4 (30)*	*12.0 (74)*	*19.4 (72)*	*-6.0 (45)*	*17.3 (48)*	*8.0 (33)*	*-1.5 (67)*	*4.4 (83)*	*18.2 (52)*	*13.8 (53)*
FRS 2035 Retirement Date Fund	13.8 (56)	12.6 (92)	21.1 (77)	-6.7 (37)	19.8 (27)	9.1 (17)	-1.4 (51)	4.4 (84)	22.0 (38)	15.8 (23)
2035 Retirement Custom Index	*13.4 (65)*	*12.7 (90)*	*20.8 (82)*	*-6.8 (38)*	*18.9 (54)*	*8.3 (43)*	*-1.7 (67)*	*4.3 (85)*	*22.0 (38)*	*15.2 (46)*
FRS 2040 Retirement Date Fund	14.6 (76)	13.3 (81)	22.5 (70)	-7.5 (39)	20.9 (28)	9.2 (17)	-1.4 (55)	4.4 (83)	22.3 (48)	15.8 (36)
2040 Retirement Custom Index	*14.3 (81)*	*13.4 (79)*	*22.1 (82)*	*-7.5 (39)*	*20.4 (45)*	*8.6 (43)*	*-1.7 (69)*	*4.3 (84)*	*22.4 (48)*	*15.2 (50)*
FRS 2045 Retirement Date Fund	15.4 (83)	13.8 (81)	23.4 (72)	-8.0 (49)	21.5 (26)	9.4 (18)	-1.5 (53)	4.4 (82)	22.3 (60)	15.8 (38)
2045 Retirement Custom Index	*15.1 (87)*	*13.9 (77)*	*23.0 (84)*	*-8.0 (49)*	*21.2 (39)*	*8.9 (36)*	*-1.7 (64)*	*4.3 (83)*	*22.4 (60)*	*15.2 (68)*
FRS 2050 Retirement Date Fund	16.1 (79)	14.0 (76)	24.0 (75)	-8.4 (55)	21.6 (32)	9.5 (20)	-1.5 (60)	4.4 (82)	22.3 (53)	15.8 (36)
2050 Retirement Custom Index	*15.8 (88)*	*14.1 (75)*	*23.6 (78)*	*-8.4 (55)*	*21.3 (52)*	*8.9 (37)*	*-1.7 (65)*	*4.3 (82)*	*22.4 (53)*	*15.2 (58)*
FRS 2055 Retirement Date Fund	16.4 (73)	14.3 (73)	24.1 (80)	-8.4 (53)	21.5 (47)	9.3 (27)	-1.4 (54)	4.4 (81)	22.3 (72)	15.8 (46)
2055 Retirement Custom Index	*16.0 (76)*	*14.1 (75)*	*23.7 (83)*	*-8.4 (53)*	*21.3 (55)*	*8.9 (33)*	*-1.7 (63)*	*4.3 (81)*	*22.4 (71)*	*15.2 (75)*
FRS 2060 Retirement Date Fund	16.4 (72)	14.5 (93)	24.2 (90)	-8.3 (55)	-	-	-	-	-	-
2060 Retirement Custom Index	*16.0 (77)*	*14.1 (94)*	*23.7 (93)*	*-8.4 (55)*	-	-	-	-	-	-
Stable Value										
FRS Stable Value Fund	-	-	-	-	-	-	-	-	-	-
FTSE 3 Month T-Bill	-	-	-	-	-	-	-	-	-	-

As of March 31, 2022

Asset Allocation & Performance

	Performance(%) 2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Real Assets										
FRS Inflation Sensitive Fund	12.8	4.0	13.0	-5.5	8.1	6.0	-7.9	3.2	-9.1	9.1
FRS Custom Multi-Assets Index	*11.5*	*2.3*	*13.0*	*-5.5*	*8.1*	*6.2*	*-5.0*	*1.8*	*-8.9*	*6.6*
Fixed Income	**-0.3 (13)**	**8.0 (52)**	**9.8 (17)**	**-0.1 (27)**	**4.4 (17)**	**4.7 (8)**	**0.3 (52)**	**4.7 (78)**	**-1.1 (26)**	**6.0 (53)**
Total Bond Index	*-0.7 (26)*	*7.2 (82)*	*9.2 (44)*	*-0.1 (25)*	*3.9 (40)*	*4.3 (12)*	*0.1 (66)*	*4.9 (77)*	*-1.2 (30)*	*4.8 (73)*
FRS U.S. Bond Enhanced Index Fund	-1.7 (72)	7.8 (62)	8.7 (61)	0.0 (19)	3.6 (56)	2.7 (64)	0.7 (22)	6.2 (23)	-2.0 (62)	4.4 (74)
Blmbg. U.S. Aggregate	*-1.5 (65)*	*7.5 (70)*	*8.7 (61)*	*0.0 (19)*	*3.5 (62)*	*2.6 (64)*	*0.5 (30)*	*6.0 (32)*	*-2.0 (64)*	*4.2 (77)*
FRS Core Plus Bond Fund	-0.1 (27)	8.6 (53)	11.0 (14)	-0.5 (40)	5.3 (27)	5.7 (18)	0.1 (51)	4.6 (70)	0.8 (15)	11.1 (12)
FRS Custom Core-Plus Fixed Income Index	*-0.3 (36)*	*7.6 (79)*	*10.0 (34)*	*-0.4 (33)*	*4.2 (73)*	*4.9 (34)*	*0.2 (42)*	*5.1 (56)*	*0.8 (14)*	*7.8 (70)*
Domestic Equity	**24.6 (54)**	**20.0 (40)**	**30.1 (41)**	**-6.5 (45)**	**20.8 (48)**	**13.7 (29)**	**0.7 (35)**	**11.5 (42)**	**35.2 (43)**	**16.9 (33)**
Total U.S. Equities Index	*25.9 (42)*	*18.9 (43)*	*30.0 (41)*	*-6.5 (45)*	*19.6 (55)*	*14.9 (23)*	*-0.5 (45)*	*11.1 (47)*	*34.0 (54)*	*16.5 (37)*
FRS U.S. Stock Market Index Fund	25.7 (44)	21.0 (36)	31.1 (31)	-5.2 (33)	21.2 (43)	12.9 (34)	0.6 (35)	12.6 (29)	33.6 (58)	16.5 (38)
Russell 3000 Index	*25.7 (44)*	*20.9 (36)*	*31.0 (31)*	*-5.2 (34)*	*21.1 (45)*	*12.7 (36)*	*0.5 (36)*	*12.6 (30)*	*33.6 (58)*	*16.4 (40)*
FRS U.S. Stock Fund	22.9 (63)	-	-	-	-	-	-	-	-	-
Russell 3000 Index	*25.7 (44)*	-	-	-	-	-	-	-	-	-
International/Global Equity	**9.5 (48)**	**15.2 (41)**	**23.7 (37)**	**-13.5 (28)**	**28.6 (50)**	**4.5 (42)**	**-2.6 (49)**	**-3.2 (42)**	**21.6 (33)**	**18.6 (53)**
Total Foreign and Global Equities Index	*9.8 (46)*	*11.7 (52)*	*22.3 (46)*	*-14.0 (33)*	*27.3 (60)*	*4.9 (38)*	*-4.4 (56)*	*-3.0 (41)*	*20.6 (39)*	*16.6 (72)*
FRS Foreign Stock Index Fund	8.6 (52)	11.5 (52)	22.3 (46)	-14.7 (40)	28.3 (53)	5.3 (37)	-4.4 (56)	-4.5 (55)	20.5 (39)	17.6 (63)
MSCI All Country World ex-U.S. IMI Index	*8.5 (53)*	*11.1 (54)*	*21.6 (52)*	*-14.8 (41)*	*27.8 (56)*	*4.4 (42)*	*-4.6 (56)*	*-4.2 (51)*	*21.0 (36)*	*16.4 (72)*
FRS Foreign Stock Fund	2.8 (71)	25.3 (17)	27.4 (20)	-14.9 (43)	31.2 (41)	1.0 (64)	-0.5 (37)	-2.3 (36)	20.6 (39)	19.6 (42)
MSCI AC World ex USA Index (Net)	*7.8 (56)*	*10.7 (56)*	*21.5 (53)*	*-14.2 (35)*	*27.2 (60)*	*4.5 (41)*	*-5.7 (60)*	*-3.9 (46)*	*15.3 (55)*	*16.8 (70)*
FRS Global Stock Fund	18.1 (46)	33.8 (16)	30.5 (20)	-5.6 (20)	29.3 (18)	2.2 (81)	5.6 (13)	3.7 (44)	27.1 (41)	21.0 (15)
MSCI AC World Index (Net)	*18.5 (43)*	*16.3 (34)*	*26.6 (45)*	*-9.4 (46)*	*24.0 (40)*	*7.9 (46)*	*-2.4 (56)*	*4.2 (39)*	*22.8 (60)*	*16.1 (39)*

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

FRS Investment Plan

As of March 31, 2022

Asset Allocation

Asset Allocation as of 3/31/2022	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Stable Value	Brokerage	Total	% of Total
FRS Retirement Fund	106,531,297	97,834,864	237,702,485	282,634,052			724,702,698	5.0%
FRS 2020 Retirement Date Fund	107,305,097	99,314,292	166,665,363	197,487,040			570,771,791	3.9%
FRS 2025 Retirement Date Fund	242,787,910	224,261,925	259,363,792	248,638,221			975,051,849	6.7%
FRS 2030 Retirement Date Fund	279,984,268	257,659,941	215,801,828	176,734,255			930,180,291	6.4%
FRS 2035 Retirement Date Fund	310,111,345	285,841,761	177,078,072	125,842,285			898,873,464	6.2%
FRS 2040 Retirement Date Fund	321,325,446	296,351,966	131,526,996	83,244,934			832,449,342	5.7%
FRS 2045 Retirement Date Fund	346,375,097	319,730,859	97,417,996	69,108,493			832,632,444	5.7%
FRS 2050 Retirement Date Fund	239,913,742	221,118,656	44,223,731	47,540,511			552,796,641	3.8%
FRS 2055 Retirement Date Fund	161,323,044	148,771,594	26,948,701	32,116,945			369,160,283	2.5%
FRS 2060 Retirement Date Fund	87,647,071	80,827,848	14,641,273	17,449,188			200,565,379	1.4%
Total Retirement Date Funds	**$ 2,203,304,316**	**$ 2,031,713,706**	**$ 1,371,370,236**	**$ 1,280,795,925**	**$ -**	**$ -**	**$ 6,887,184,183**	**47.3%**
FRS Stable Value Fund					1,171,979,558		1,171,979,558	8.1%
Total Stable Value	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,171,979,558**	**$ -**	**$ 1,171,979,558**	**8.1%**
FRS Inflation Sensitive Fund				211,907,256	-		211,907,256	1.5%
Total Real Assets	**$ -**	**$ -**	**$ -**	**$ 211,907,256**	**$ -**	**$ -**	**$ 211,907,256**	**1.5%**
FRS U.S. Bond Enhanced Index Fund			237,879,837				237,879,837	1.6%
FRS Core Plus Bond Fund			381,516,195				381,516,195	2.6%
Total Fixed Income	**$ -**	**$ -**	**$ 619,396,031**	**$ -**	**$ -**	**$ -**	**$ 619,396,031**	**4.3%**
FRS U.S. Stock Market Index Fund	1,593,708,657						1,593,708,657	10.9%
FRS U.S. Stock Fund	2,032,621,077						2,032,621,077	14.0%
Total Domestic Equity	**$ 3,626,329,734**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,626,329,734**	**24.9%**
FRS Foreign Stock Index Fund		286,438,242					286,438,242	2.0%
FRS Global Stock Fund		352,842,526					352,842,526	2.4%
FRS Foreign Stock Fund		170,071,115					170,071,115	1.2%
Total International/Global Equity	**$ -**	**$ 809,351,882**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 809,351,882**	**5.6%**
FRS Self-Dir Brokerage Acct						1,228,773,167	1,228,773,167	8.4%
Total Self-Dir Brokerage Acct						**$ 1,228,773,167**	**$ 1,228,773,167**	**8.4%**
Total Portfolio	**$ 5,829,634,050**	**$ 2,841,065,589**	**$ 1,990,766,268**	**$ 1,492,703,181**	**$ 1,171,979,558**	**$ 1,228,773,167**	**$ 14,554,921,812**	**100.0%**
Percent of Total	**40.1%**	**19.5%**	**13.7%**	**10.3%**	**8.1%**	**8.4%**	**100.0%**	

As of March 31, 2022

Multi Time Period Statistics

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	**10.51**	**12.53**	**0.79**	**0.68**	**0.25**	**102.27**	**102.87**
FRS Retirement Fund	8.11	7.71	0.93	0.51	0.60	102.65	100.99
FRS 2020 Retirement Date Fund	8.66	8.77	0.89	0.57	0.31	100.57	98.86
FRS 2025 Retirement Date Fund	9.45	10.22	0.85	0.55	0.28	100.29	98.88
FRS 2030 Retirement Date Fund	10.08	11.56	0.81	0.57	0.15	100.01	99.21
FRS 2035 Retirement Date Fund	10.62	12.71	0.79	0.58	0.03	99.75	99.38
FRS 2040 Retirement Date Fund	11.15	13.82	0.77	0.58	-0.05	99.62	99.52
FRS 2045 Retirement Date Fund	11.59	14.75	0.76	0.59	-0.13	99.69	99.96
FRS 2050 Retirement Date Fund	12.00	15.32	0.76	0.60	-0.10	99.62	99.72
FRS 2055 Retirement Date Fund	12.22	15.48	0.77	0.58	0.13	100.25	99.96
FRS 2060 Retirement Date Fund	12.28	15.48	0.77	0.59	0.22	100.41	99.86
FRS Stable Value Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Inflation Sensitive Fund	8.01	8.46	0.85	1.00	0.62	103.47	97.79
FRS U.S. Bond Enhanced Index Fund	1.75	4.07	0.25	0.20	0.31	102.55	102.19
FRS Core Plus Bond Fund	2.85	5.33	0.40	1.69	0.34	121.41	119.78
FRS U.S. Stock Market Index Fund	18.29	18.48	0.96	0.05	0.77	100.13	100.04
FRS U.S. Stock Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Foreign Stock Index Fund	7.83	17.25	0.47	1.23	-0.04	99.99	100.23
FRS Global Stock Fund	17.65	18.93	0.91	N/A	N/A	N/A	N/A
FRS Foreign Stock Fund	8.36	18.40	0.48	N/A	N/A	N/A	N/A

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

As of March 31, 2022

Multi Time Period Statistics

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio	5 Years Tracking Error	5 Years Information Ratio	5 Years Up Market Capture	5 Years Down Market Capture
FRS Investment Plan	**9.22**	**11.06**	**0.75**	**0.60**	**0.48**	**102.63**	**102.19**
FRS Retirement Fund	6.85	6.73	0.84	0.45	0.52	102.39	100.93
FRS 2020 Retirement Date Fund	7.62	7.74	0.84	0.49	0.43	101.23	99.40
FRS 2025 Retirement Date Fund	8.37	9.02	0.81	0.48	0.42	100.86	99.18
FRS 2030 Retirement Date Fund	8.95	10.19	0.78	0.50	0.32	100.51	99.29
FRS 2035 Retirement Date Fund	9.46	11.22	0.76	0.52	0.28	100.45	99.47
FRS 2040 Retirement Date Fund	9.86	12.20	0.74	0.51	0.12	100.09	99.61
FRS 2045 Retirement Date Fund	10.17	12.98	0.72	0.52	0.00	99.93	99.87
FRS 2050 Retirement Date Fund	10.41	13.48	0.72	0.54	0.04	99.92	99.69
FRS 2055 Retirement Date Fund	10.53	13.58	0.72	0.52	0.19	100.33	99.84
FRS 2060 Retirement Date Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Stable Value Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Inflation Sensitive Fund	6.04	7.51	0.66	1.09	0.21	102.06	100.15
FRS U.S. Bond Enhanced Index Fund	2.20	3.59	0.32	0.15	0.36	101.69	101.18
FRS Core Plus Bond Fund	3.19	4.41	0.48	1.32	0.40	115.67	112.78
FRS U.S. Stock Market Index Fund	15.46	16.37	0.89	0.05	1.10	100.19	100.01
FRS U.S. Stock Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Foreign Stock Index Fund	7.02	15.23	0.45	1.13	0.09	100.11	99.54
FRS Global Stock Fund	15.63	16.52	0.89	N/A	N/A	N/A	N/A
FRS Foreign Stock Fund	8.01	16.22	0.49	N/A	N/A	N/A	N/A

The returns for the Retirement Date Funds, Inflation Sensitive Fund, and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Appendix

As of March 31, 2022

Benchmark Descriptions

Retirement Date Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

FTSE 3 Month T-Bill Index - An index that measures the average return of the last three-month U.S. Treasury Bill issues.

FRS Custom Multi-Assets Index - A monthly weighted composite of underlying indices for each TIPS and Real Assets fund. These indices include Barclays U.S. TIPS Index, MSCI AC World Index and the Bloomberg Commodity Total Return Index, NAREIT Developed Index, S&P Global Infrastructure Index, S&P Global Natural Resources Index.

Total Bond Index - A weighted average composite of the underlying benchmarks for each bond fund.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of $250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

FRS Custom Core-Plus Fixed Income Index - A monthly rebalanced blend of 80% Barclays U.S. Aggregate Bond Index and 20% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

Total U.S. Equities Index - A weighted average composite of the underlying benchmarks for each domestic equity fund.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

MSCI All Country World ex-U.S. IMI Index - A capitalization-weighted index of stocks representing 22 developed country stock markets and 24 emerging countries, excluding the U.S. market.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 24 emerging countries, but excluding the U.S.

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 47 developed and emerging countries, including the U.S. and Canadian markets.

Descriptions of Universes

Retirement Date Funds - Target date universes calculated and provided by Lipper.

FRS Stable Value Fund - A stable value universe calculated and provided by Lipper.

FRS U.S. Bond Enhanced Index Fund - A broad market core fixed income universe calculated and provided by Lipper.

FRS Core Plus Bond Fund - A broad market core plus fixed income universe calculated and provided by Lipper.

FRS U.S. Stock Market Index Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS U.S. Stock Fund - A multi-cap U.S. equity universe calculated and provided by Lipper.

FRS Foreign Stock Index Fund - A foreign blend universe calculated and provided by Lipper.

FRS Foreign Stock Fund - A foreign blend universe calculated and provided by Lipper.

FRS Global Stock Fund - A global stock universe calculated and provided by Lipper.

Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.

Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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2022

January

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

April

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

July

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

October

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

May

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

August

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

March

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

September

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Blue is Proposed IAC Meeting
Yellow is Proposed Cabinet Meeting