

State Board of Administration of Florida
Florida Retirement System (FRS) Trust Fund

Fiscal Years Ended June 30, 2023 and 2022

FINANCIAL STATEMENTS, NOTES TO THE FINANCIAL STATEMENTS,
AND MANAGEMENT'S DISCUSSION AND ANALYSIS

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
State Board of Administration of Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Florida Retirement System Trust Fund (the "Trust") administered by the State Board of Administration ("SBA") of Florida, as of June 30, 2023 and 2022, and for the years then ended and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Trust administered by the SBA, as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the State Board of Administration of Florida or the Florida Retirement System as of June 30, 2023 and 2022, their changes in financial position, or, where applicable, their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Notes 2 and 3, the financial statements include investments valued at approximately \$50.0 billion and \$50.9 billion as of June 30, 2023 and 2022, respectively, for which fair value has been estimated by general partners and investment advisors, and reviewed and approved by the Trust's management, in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimate of values may differ from the values that would have been used had a ready market existed for the investment statement securities, and the differences could be material. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *the management's discussion and analysis* on pages 4 - 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or

provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



Crowe LLP

Tampa, Florida
November 6, 2023

Management's Discussion and Analysis

Introduction

This section of the financial statements of the Florida Retirement System (FRS) Trust Fund (the Trust) presents management's discussion and analysis of the Trust's financial position for the fiscal years ended June 30, 2023 and 2022. Please read it in conjunction with the basic financial statements and the accompanying notes, which follow this section.

As further described in Note 1 to the financial statements, the FRS Pension Plan (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan for eligible members of the FRS who have elected to participate in the Plan.

The Florida Legislature is responsible for establishing Plan structure, benefit levels and contribution rates, and providing statutory authority for administering the Plan. The Plan is administered by the Division of Retirement within the Department of Management Services (DMS). DMS's responsibilities include directing actuarial studies, collecting contributions to the Plan, transmitting contributions to the State Board of Administration of Florida (the SBA) for deposit in the Trust, and making benefit payments. The SBA is responsible for investing Trust assets consistent with statutory authority.

Financial Statements

The financial reporting entity represented in the basic financial statements and accompanying notes is the Trust, which consists of the assets held in trust by the SBA for the payment of retirement benefits and reasonable administrative expenses of the Plan. The financial statements of the Trust do not include the pension liabilities of the participating employers. The assets, liabilities, and net position of the Trust are reported in the annual comprehensive financial reports published by the State of Florida and DMS.

The Trust's basic financial statements include two-year comparative statements of net position and statements of changes in net position. The statements of net position provide a measurement of the financial position of the Trust as of the end of the fiscal year. The statements of changes in net position present the results of Trust activities during the fiscal years presented in this report. The accompanying notes to the financial statements offer additional discussion that is essential for a full understanding of the data presented in the financial statements, and provide additional information regarding the Trust, such as accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

Management's Discussion and Analysis

Statements of Net Position

The statements of net position present the assets, liabilities, and net position (total assets in excess of total liabilities) of the Trust as of the end of the fiscal year and are point-in-time financial statements. The following table represents condensed financial information.

	As of June 30		
	2023	2022	2021
	<i>(In Millions)</i>		
Assets			
Cash and cash equivalents	\$ 110	\$ 102	\$ 84
Investments	187,369	182,773	207,627
Receivables and prepaid expenses	2,164	1,942	2,288
Total assets	189,643	184,817	209,999
Liabilities			
Total liabilities	3,243	4,518	7,863
Net position held in trust	\$ 186,400	\$ 180,299	\$ 202,136

Statements of Changes in Net Position

The statements of changes in net position show the net investment income earned by the Trust, the contributions from employers and employees, and the deductions for members and beneficiaries that occurred during the fiscal year. The following table represents condensed financial information.

	Fiscal Years Ended June 30		
	2023	2022	2021
	<i>(In Millions)</i>		
Additions			
Investment income/(loss)	\$ 14,090	\$ (13,511)	\$ 48,621
Investment expenses	(741)	(752)	(691)
Net security lending income	18	20	22
Total net investment income/(loss)	13,367	(14,243)	47,952
Contributions:			
Employer/employee contributions received from DMS	5,516	4,946	4,485
Member-directed benefits received from the FRS Investment Plan Trust Fund	69	112	140
Total contributions	5,585	5,058	4,625
Total additions	18,952	(9,185)	52,577
Deductions			
Funds sent to DMS for benefit payments	12,259	11,884	11,441
Member-directed benefits sent to the FRS Investment Plan Trust Fund	590	768	669
Borrowing costs	2	—	—
Total deductions	12,851	12,652	12,110
Change in net position	6,101	(21,837)	40,467
Net position held in trust			
Beginning of year	180,299	202,136	161,669
End of year	\$ 186,400	\$ 180,299	\$ 202,136

Management's Discussion and Analysis

Analysis

The Trust's net position increased by \$6.1 billion (3.4%) and decreased by \$21.8 billion (-10.8%) during fiscal years 2023 and 2022, respectively. For fiscal year 2023, the increase in net position was primarily due to overall positive investment performance. Despite beginning the fiscal year with global supply chain interruptions and high inflationary pressures, equity markets significantly rebounded generating positive returns. As well, an increase in contributions received for investment in the Trust for fiscal year 2023 provided additional resources. Deductions from the Trust for benefit payments continued to rise, but the effect on the Trust's net position was offset by the growth in investments and additional contributions.

Trust investments generated income of approximately \$14.1 billion for fiscal year 2023 and a loss of approximately \$13.5 billion for fiscal year 2022. Positive investment performance contributed to the increase in income for fiscal year 2023. The Trust posted an overall investment return of 7.5% for the year. Global equity investment performance contributed significantly to the increase for fiscal year 2023, returning 16.5% in comparison to -17.2% for the previous fiscal year 2022. Fixed income investment performance also increased for fiscal year 2023, returning -0.3%, versus -8.0% for fiscal year 2022. Private equity, strategic, and real estate investment performance declined for fiscal year 2023, as demands shifted and public markets recovered from the economic downturn. Private equity returned -5.8% and 25.1%, strategic returned 5.0% and 7.8%, and real estate returned -2.1% and 22.4% for fiscal years 2023 and 2022, respectively. Additional information can be found in the "Investment Returns" section of Management's Discussion and Analysis.

Investment expenses totaled \$740.9 million, or .41% (41 basis points) of total average investments for fiscal year 2023, compared with investment expenses of \$752.4 million, or .38% (38 basis points) of total average investments for fiscal year 2022. Investment expenses decreased by \$11.5 million (-1.5%) and increased by \$61.0 million (8.8%) during fiscal years 2023 and 2022, respectively. Investment expenses are driven in large part by assets under management (AUM). The decrease in investment expenses in fiscal year 2023 was due primarily to market volatility, which led to lower AUM throughout most of the fiscal year.

Investment expenses are primarily comprised of fees and expenses deducted directly from earnings in the Trust. These expenses include such items as bank fees and investment management fees paid or accrued to third party investment managers who are responsible for managing the portion of the Trust not managed internally by the SBA. Additional items in this category include the SBA investment service charge and other investment fees and expenses. The SBA investment service charge (currently .0325% of AUM) is statutorily charged to all SBA investment mandates for general investment services and is used to fund the SBA's operating costs.

Management's Discussion and Analysis

Analysis (continued)

Other investment fees and expenses are summarized below and generally represent expenditures not covered by the SBA investment service charge.

Investment Expenses	Fiscal Years Ended June 30		
	2023	2022	2021
	<i>(In Thousands)</i>		
Bank fees	\$ 3,775	\$ 4,274	\$ 4,431
Investment management fees	660,795	671,216	631,621
SBA investment service charges	58,781	64,231	40,815
Other fees and expenses:			
Consulting	4,499	4,062	4,314
Legal	5,427	4,137	6,041
Derivative instruments	6,734	3,821	3,634
Miscellaneous	843	629	486
Total other fees and expenses	17,503	12,649	14,475
Total investment expenses	\$ 740,854	\$ 752,370	\$ 691,342

Net security lending income decreased by \$1.4 million (-7.0%) and \$2.4 million (-10.9%) in fiscal years 2023 and 2022, respectively. The fluctuations are due to changes in demand and pricing of loaned securities. The lending program continues to focus on maximizing earnings while managing reinvestment risk. Additional information on the security lending programs is provided in Note 3 to the financial statements.

Contributions to the Trust consist primarily of amounts received from DMS for employer and employee retirement plan contributions during the fiscal year. Total contributions to the Trust increased by \$527.1 million (10.4%) and \$432.1 million (9.3%) during fiscal years 2023 and 2022, respectively. These amounts vary from year to year based upon a number of factors such as statutory contribution rates and the number of participating employers and employees.

Deductions from the Trust include amounts needed to fund benefit payments and member-directed transfers to the FRS Investment Plan Trust Fund throughout the year. Funds sent from the Trust to DMS for benefit payments increased by \$375.9 million (3.2%) and \$442.3 million (3.9%) during fiscal years 2023 and 2022, respectively. Member-directed benefits sent to the FRS Investment Plan Trust Fund reflect elections by the FRS members to transfer their membership from the FRS Pension Plan to the FRS Investment Plan. Member-directed benefits sent to the FRS Investment Plan Trust Fund decreased by \$178.1 million (-23.2%) and increased by \$99.4 million (14.9%) during fiscal years 2023 and 2022, respectively.

Management’s Discussion and Analysis

Plan Choice¹

Chapter 2017-88, Laws of Florida amended Chapter 121, *Florida Statutes*. The amendment provided that all new hires whose employment in a regularly established position commenced on or after January 1, 2018, or who did not complete an election window before January 1, 2018, will have until the last business day of the 8th month after hire to make a choice between the FRS Pension Plan and FRS Investment Plan. If a new hire does not make an active election by the deadline date, the new hire will default into the FRS Investment Plan, except those who are enrolled in the Special Risk Class (who will continue to default to the FRS Pension Plan). The first group of new hires defaulted into the FRS Investment Plan effective October 1, 2018. For fiscal year ended June 30, 2023, 6.0% of all new hires defaulted to the FRS Pension Plan, an increase from the prior year, and 23.8% made an active election to enroll in the FRS Pension Plan, a decrease from the prior year. The SBA continues to monitor trend information and projections as to the effect the plan choice amendment may have on the Trust.

The number of new employees eligible to make an initial plan choice increased by 15,040 (29.5%) during fiscal year 2023, due to increased hiring by participating FRS employers. The number of employees defaulting to the FRS Pension Plan also increased during fiscal year 2023. While the number of new employees making an active election to enroll in the FRS Pension Plan also increased, the rate of those making the active election to total new hires decreased. The number of employees joining the FRS Pension Plan through a Second Election also decreased during fiscal year 2023.

	Fiscal Years Ended June 30		
	2023	2022	2021
New employees making initial Plan Choice	65,971	50,931	46,219
New employees joining FRS Pension Plan:	19,632	15,768	15,577
Active election	15,701	12,973	12,057
Plan default	3,931	2,795	3,520
Employee Second Elections ² :			
To the FRS Pension Plan	840	1,048	1,442
To the FRS Investment Plan	2,573	3,563	3,258

¹ Plan Choice data is based on unaudited statistics received from Alight Solutions, the Plan Administrator for the FRS Investment Plan.

² FRS members are granted a one-time option to transfer from one retirement plan (Pension or Investment) to the other during their FRS-covered employment. This is considered a Second Election.

Management’s Discussion and Analysis

Contribution Rates

The Legislature is responsible for establishing employer and employee contribution rates. Employer rates vary by membership class and have steadily increased across all classes over the last three fiscal years.

Membership Class	Employee Rate	Employer Rate ¹		
	FYs 2021-23	FY 2023	FY 2022	FY 2021
Regular	3.00 %	10.19 %	9.10 %	8.28 %
Special risk	3.00	26.11	24.17	22.73
Special risk: administrative support	3.00	36.93	36.04	34.12
Legislators	3.00	66.07	62.01	57.19
Governor, Lt. Governor, and cabinet officers	3.00	66.07	62.01	57.19
State Attorney and public defenders	3.00	66.07	62.01	57.19
Justices and judges	3.00	42.05	39.19	38.01
County and local elected officers	3.00	55.28	49.70	47.46
Senior management service	3.00	29.85	27.29	25.57
DROP	0.00	16.94	16.68	15.32

¹ Employer rates presented in this table do not include employer contributions for Health Insurance Subsidy (1.66% for FYs 2021-2023) or plan administrative/educational expense (.06% for FYs 2021-2023) as these amounts are not deposited into the Trust.

Management’s Discussion and Analysis

Investment Returns

The Trust's total fund return for fiscal year 2023 was 7.50%, which was below the target total benchmark of 10.11% by 261 basis points. The 2022 total fund return exceeded the benchmark by 278 basis points.

For the fiscal years ended June 30, 2023 and 2022, the Trust’s investment returns¹, by major asset class, were as follows:

Asset Class	Fiscal Years Ended June 30			
	2023		2022	
	Return	Benchmark	Return	Benchmark
Total Fund	7.50%	10.11%	-6.27%	-9.05%
Global Equity	16.47	16.14	-17.15	-16.51
Fixed Income	-0.30	-0.60	-7.97	-7.91
Real Estate	-2.14	-3.55	22.43	22.88
Private Equity ²	-5.78	19.20	25.07	-12.62
Strategic Investments	4.95	8.36	7.78	3.97
Cash & Cash Equivalents	3.80	3.73	0.22	0.18

¹ The above investment performance information for June 30, 2023 and 2022, is the investment return data supplied by the SBA’s master custodian and performance measurement service provider, BNY Mellon Performance Reporting and Analytics Services. These rates of returns do not necessarily reflect the same information and accounting treatments as included in the Trust’s Statements of Changes in Net Position, due to the latter’s inclusion of subsequent updates to private market investment valuations, timing differences in the recognition of receivables, payables and other items, and differences in GASB accounting rules and SBA performance measurement policies. For fiscal years 2023 and 2022, Total Fund performance, based on audited information as certified by BNY Mellon Performance Reporting and Analytics Services, was 7.61% and -7.32%, respectively.

² Per industry convention, Private Equity returns are presented on a dollar-weighted basis. All other returns (including Total Fund) are on a time-weighted basis. Time-weighted returns show the value of one dollar invested in a portfolio for the entire period while dollar-weighted returns show an average return of all dollars in the portfolio for the period. For fiscal years 2023 and 2022, the time-weighted return for Private Equity was -5.65% and 24.17%, respectively.

More detailed information and analysis of the Trust’s performance can be obtained from the SBA’s Annual Investment Report, which can be found at www.sbafla.com.

Management's Discussion and Analysis

Economic Factors

On the heels of the highest inflation increase seen in 40 years, the 2023 fiscal year began amid a very challenging market environment. In June 2022, the U.S. Consumer Price Index (CPI) peaked at 9.1% year over year. In response, the U.S. Federal Reserve (Fed), amongst other central banks, continued to combat inflation with interest rate hikes. The Fed raised its rate by 75 basis points in July, September, and October 2022, 50 basis points in December 2022, and 25 basis points in February, March, and May 2023. This represents the fastest interest rate hiking cycle since the 1980s. However, by mid-fiscal year, there was confidence in a declining inflationary environment that shifted economic outlooks.

U.S. inflation showed a steady decline from its peak to end the 2023 fiscal year at 3.0% year-over-year. The declining trend in inflation was followed by a slowing pace of interest rate hikes by the Fed and offered a source of relief to investors. As a result, risk appetite picked up and was supported by a generally resilient economy and expectations of fewer interest rate increases. However, the yield curve remained inverted throughout the year, which has historically signaled a looming recession, and prospects for any interest rate cuts in the near term have since proven to be premature.

Markets were also put to the test in the second half of the year through a regional banking crisis and the U.S. debt ceiling debate. In March 2023, Silicon Valley Bank (SVB) entered receivership with the Federal Deposit Insurance Corporation (FDIC), due to inadequate liquidity and solvency protection, and was the largest bank failure since the Global Financial Crisis (GFC). Shortly after SVB's failure, investor concerns regarding Credit Suisse Group AG accelerated. Regulators swiftly stepped in with the FDIC fully protecting all depositors of SVB, and launching the new Bank Term Funding Program to provide liquidity should banks require it. Swiss regulators also stepped in quickly to broker a deal with UBS Group AG buying Credit Suisse Group AG at a significant discount. Despite the failures, a broader banking crisis was avoided and markets emerged intact. The standoff during the debt ceiling negotiations also threatened to destabilize markets, yet investor confidence remained relatively stable throughout the ordeal until a resolution was passed.

Despite a rough start, the 2023 fiscal year ended on a more positive note as year-over-year inflation fell throughout the year, and economic outlooks were stronger than expected. Global equities, as defined by the MSCI All Country World IMI Index, rose 16.1% for the year. Emerging markets struggled in the high inflation and rising rate environment, returning 1.8% in USD terms. Due to the pace of rising interest rates, bond markets saw a rise in yields in the first few months, then traded with minimal yield fluctuations for the remaining part of the year. The impact on investment grade returns was relatively passive, as the Bloomberg U.S. Intermediate Aggregate Bond Index declined by 0.6%. On the other hand, as risk-appetite returned, high yield bonds performed well returning 9.1% over the year, as measured by the Bloomberg U.S. Corporate High Yield Index. Overall, more risk-oriented portfolios generally delivered positive mid-to-high single digit total returns for the 2023 fiscal year.

Management’s Discussion and Analysis

Contacting the Trust’s Financial Management

This financial report is designed to provide citizens, taxpayers, Plan members, and other interested parties with an overview of the Trust’s finances and the prudent exercise of the SBA’s oversight. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Operating/Financial Officer, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, Florida 32317.

Statements of Net Position

	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Assets		
Cash and cash equivalents	\$ 109,561	\$ 102,139
Investments:		
Fixed income	36,200,175	38,987,684
Equity	92,396,045	85,397,590
Alternative	42,147,124	40,680,622
Real estate	16,137,412	16,722,306
Other	43,325	41,727
Security lending collateral	444,639	943,509
Total investments	187,368,720	182,773,438
Receivables:		
Accrued interest and dividends	493,737	427,512
Spot foreign currency contracts	215,478	146,451
Investments sold, but not settled	814,912	859,607
Margin receivable from counterparty	60,501	41,764
Due from DMS	578,542	456,581
Total receivables	2,163,170	1,931,915
Prepaid investment management fees	903	9,856
Total assets	189,642,354	184,817,348
Liabilities		
Investments:		
Short sales	147,560	36,041
Other	73,903	34,861
Total investments	221,463	70,902
Payables:		
Accounts payable and accrued liabilities	222,426	153,398
Spot foreign currency contracts	215,525	146,378
Investments purchased, but not settled	1,941,131	2,934,849
Margin payable to counterparty	2,658	38,963
Obligations under security lending agreements	462,576	960,930
Due to DMS	176,990	212,687
Total payables	3,021,306	4,447,205
Total liabilities	3,242,769	4,518,107
Net position held in trust	\$ 186,399,585	\$ 180,299,241

See accompanying notes to the financial statements.

Statements of Changes in Net Position

	Fiscal Years Ended June 30	
	2023	2022
	<i>(In Thousands)</i>	
Additions		
Investment income:		
Interest income	\$ 1,068,581	\$ 767,117
Dividend income	1,919,827	1,982,410
Alternative investment income	2,090,589	4,227,784
Real estate income	549,694	608,772
Fines, forfeits, and securities litigation proceeds	2,622	7,733
Net increase/(decrease) in fair value of investments	8,458,267	(21,104,533)
Total investment income/(loss)	14,089,580	(13,510,717)
Investment expenses:		
Bank fees	(3,775)	(4,274)
Investment management fees	(660,795)	(671,216)
SBA investment service charges	(58,781)	(64,231)
Other fees and expenses	(17,503)	(12,649)
Total investment expenses	(740,854)	(752,370)
Net income/(loss) from investments	13,348,726	(14,263,087)
Security lending income	42,840	24,032
Security lending expenses	(24,394)	(4,221)
Net income from security lending	18,446	19,811
Total net investment income/(loss)	13,367,172	(14,243,276)
Contributions:		
Employer/employee contributions received from DMS	5,516,376	4,946,063
Member-directed benefits received from the FRS Investment Plan Trust Fund	68,746	111,924
Total contributions	5,585,122	5,057,987
Total additions	18,952,294	(9,185,289)
Deductions		
Funds sent to DMS for benefit payments	12,259,408	11,883,537
Member-directed benefits sent to the FRS Investment Plan Trust Fund	590,051	768,107
Borrowing costs	2,491	—
Total deductions	12,851,950	12,651,644
Change in net position	6,100,344	(21,836,933)
Net position held in trust		
Beginning of year	180,299,241	202,136,174
End of year	\$ 186,399,585	\$ 180,299,241

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. Financial Reporting Entity

The Florida Retirement System (FRS) Pension Plan (the Plan) is a cost-sharing, multiple-employer defined benefit pension plan qualified under Internal Revenue Code Section 401(a) and established by the Legislature of the State of Florida in accordance with Chapter 121, *Florida Statutes*, to provide for retirement benefits for eligible employees of the State and all participating county, municipal, district school board, community college and university employees. Under the FRS, employers and, as of July 1, 2011, employees make contributions to the Department of Management Service (DMS), Division of Retirement, the Plan administrator, which are initially deposited into the Florida Retirement System Contributions Clearing Fund, which holds all contributions for all plans of the FRS. The DMS, as the administrative agency of the Plan, provides full accounting and administration of benefit payments and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the Plan.

Chapter 121, *Florida Statutes*, established the Florida Retirement System Trust Fund (the Trust) and empowers and mandates the State Board of Administration (SBA) to receive, invest and hold the assets of the Plan in the Trust for the exclusive benefit of the Plan members and for the payment of reasonable costs of the Plan. The DMS sends employer and employee contributions to the Trust for investment by the SBA. The SBA is governed by a Board of Trustees, comprised of the Governor, as Chair, the Attorney General, and the Chief Financial Officer of the State of Florida.

The Trust is a separate legal entity within the State of Florida. These financial statements and notes include only the net position and change in net position of the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA, or the Plan as of June 30, 2023 and 2022, nor the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in the United States (GAAP).

The Trust also includes special-purpose entities, wholly owned by the SBA, as part of the Credit Facility Program (CFP). These special-purpose entities are considered blended component units of the Trust, and separate stand-alone audited financial statements of the component units are not available. See Note 4, Loans Payable, for additional information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements were prepared in conformity with GAAP as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Trust is accounted for as an investment trust fund pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 31), GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). As such, the Trust's financial statements include statements of net position and statements of changes in net position.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash flow takes place.

Cash and Cash Equivalents

The Trust reports all cash on hand and deposits in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit as cash and cash equivalents. See Note 3, Deposits and Investments, for additional information.

Investment Valuation

Section 215.47, *Florida Statutes*, gives the SBA the authority to invest in a range of instruments, including security lending agreements. The Trust's investments are reported in accordance with GASB reporting standards. Realized and unrealized gains and losses are reflected in the statements of changes in net position as "net increase/(decrease) in fair value of investments."

The fair values of the Trust's assets are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian bank, BNY Mellon, which uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon monitors pricing information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs:

- The price of a security is not received from the primary pricing source.
- The primary pricing source no longer provides prices for a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

When a portfolio includes securities or instruments for which the custodian bank does not receive fair value information from its vendor pricing source, the custodian bank uses a “non-vendor pricing source”. Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of prices in instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In cases where the SBA directed the purchase of securities or instruments, BNY Mellon may obtain the non-vendor prices by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price information from the broker of record, as identified by the SBA.

For private market investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, direct-owned real estate, and real estate pooled funds), fair values for the individual investments are based on the net asset value (NAV), which equates to the capital account balance, at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions. The valuation techniques vary based upon investment type and involve a certain degree of judgment. The most significant input into the NAV of an entity is the value of its investment holdings. The NAV is provided by the general partner and/or investment manager and reviewed by SBA management.

Annually, the financial statements of all private market investments are audited by independent auditors. Private market investments, in which the SBA has a controlling interest and are reported at cost per the investment manager, are also required to be valued, generally annually, by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

Money market funds and repurchase agreements are reported at amortized cost. Commingled funds are generally reported at the NAV of units held at the end of the period based upon the value of the underlying investments as reported by the external investment manager. Certain commingled funds may be valued under different pricing methods depending on the nature of the fund.

All investment derivative instruments are reported at fair value in the statements of net position. The instruments are adjusted to fair value at least monthly, with valuation changes recognized during the period as gains or losses in the statements of changes in net position and included in the “Net increase/(decrease) in fair value of investments”. The nature and use of derivative instruments is discussed in Note 3 to the financial statements.

Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted market prices, the estimated fair values may differ from the values that would have been used had an active market existed.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Plan Member-Directed Benefits to/from DMS and the FRS Investment Plan Trust Fund

The DMS sends employer and employee contributions to the Trust for investment purposes, and may also request return of funds from the Trust to meet benefit obligations of the FRS. The members of the FRS Investment Plan Trust Fund may direct their Plan account balance within the FRS Investment Plan Trust Fund be sent to the Trust to effectuate their second election. DMS will also fulfill member-directed second election requests for Trust account balances to be sent from the Trust to the FRS Investment Plan Trust Fund. To ensure timely payment, the Trust estimates such obligations at the first of each month and allocates them to the Trust's public market asset classes (excluding the Cash asset class). These allocations constitute liquidity assessments, which the asset classes are required to provide in a prudent, but reasonable timeframe.

At fiscal year-end, the Trust accrues a receivable from DMS for employer and employee contributions due for the month of June, but the amount is received by the Trust the following fiscal year. The Trust accrues a payable at fiscal year-end for the expected amounts to be requested by DMS in order to fund the Deferred Retirement Option Program (DROP) payouts and benefit obligations as of June 30. DMS maintains records for all employer and employee contributions to the Plan.

Income Recognition

Investment transactions are accounted for on a trade (investment) date basis. Interest, dividend, and other investment income are recorded on the accrual basis, with dividends accruing on the ex-dividend date.

Investment Management Fees and Service Expenses

The SBA hires external investment managers to invest a significant portion of the Trust's investment assets. The Trust typically pays investment management fees based on individually negotiated investment management agreements. The fees, usually paid quarterly, may be based on a sliding scale of the portfolio's net asset value at quarter-end, calculated by multiplying each level of net position by a specified basis point charge, or may be performance-related, typically associated with exceeding a market benchmark or hurdle rate. Fees are paid from the appropriate manager's portfolio and are recognized as an expense over the time period for which the fees are applicable. Certain investment management fees, usually in private equity portfolios, are paid at the beginning of the period. These fees are recorded as prepaid manager fee assets on the statements of net position and are expensed over their applicable time period.

Pursuant to Section 215.515, *Florida Statutes*, the SBA charges the Trust a monthly investment service charge based on the month-end net asset value of the total Trust. The service charge is calculated and deducted from the Trust after each month's total net asset value of the Trust is determined. These charges are reported on the statements of changes in net position as part of the Trust's investment expenses. During fiscal years 2023 and 2022, the SBA investment service charge was .0325% (annualized).

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues (additions) and expenses (deductions) during the reporting period. Actual results could differ from those estimates.

The estimates and assumptions underlying these financial statements are based on the information available as of June 30, 2023, including judgments about the financial market and economic conditions, which may change over time.

New Accounting Standards

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022 (GASB 99)*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement was implemented without impact to the Trust.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96)*. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. For purposes of applying this Statement, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The statement was implemented without impact to the Trust.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The statement was implemented without impact to the Trust.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (GASB 93)*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The replacement of an IBOR upon which variable payments depend in lease contracts is effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter. All other requirements of GASB 93 are effective for reporting periods beginning after June 15, 2020. The statement was implemented without impact to the Trust.

Notes to the Financial Statements

3. Deposits and Investments

Deposits

As of June 30, 2023, the recorded carrying amount of deposits totaled \$109.6 million and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of \$5.9 million and \$103.7 million, respectively.

As of June 30, 2022, the recorded carrying amount of deposits totaled \$102.1 million and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of \$9.6 million and \$92.5 million, respectively. See Custodial Credit Risk for additional information.

Investment Classifications

The SBA has the authority and responsibility for the investment of the Trust assets pursuant to Section 215.47, *Florida Statutes*, in a range of instruments including, but not limited to: federally guaranteed obligations, certain state bonds, corporate bonds, commercial paper, banker's acceptances, short-term obligations purchased individually or in pooled accounts, interests in certain open-end and closed-end management type investment companies or investment trusts, common and preferred stock, repurchase and reverse repurchase agreements, real estate and alternative investments. The SBA may also buy and sell futures contracts, option contracts, and domestic or foreign notional principal contracts. The following are the major asset types, invested in by the Trust, as reported on the statements of net position. The classifications below do not necessarily represent the asset class portfolios for which investment performance is measured.

- **Fixed Income**

Fixed income securities consist of short-term and long-term obligations. Short-term obligations consist primarily of U.S. Treasury and government-sponsored securities, money market funds, commercial paper, certificates of deposit, repurchase agreements (Repos), and other similar instruments. These investments are available to meet cash needs as they arise. Long-term obligations are comprised of both domestic and international securities and consist primarily of negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, corporate bonds, and securitized offerings such as mortgage-backed securities (MBS), collateralized mortgage obligations (CMO), asset-backed securities (ABS), and commercial mortgage-backed securities (CMBS).

- **Equity**

Equity investments represent both domestic and international stocks traded on major stock exchanges. Also included as equities are commingled funds, exchange-traded funds (ETFs), real estate investment trusts (REITs), equity-linked notes, participatory notes (P-Notes) and other securities. A REIT is a type of security that invests in real estate through property or mortgages and trades like a stock on the major exchanges. An equity-linked note is an instrument whose return is determined by the performance of a single equity security, a basket of equity securities, or an equity index.

Notes to the Financial Statements

3. Deposits and Investments (continued)

- **Alternative**

The Trust invests in various funds and investment vehicles, which employ specific strategies and co-investments often outside the traditional asset classes. The most common investment categories for these funds include domestic and international private equity, activist equity, private debt/credit opportunities, real assets, insurance funds and hedge funds. The structure of these investments is generally a limited partnership or limited liability company and tends to be long term and illiquid in nature. Due to this type of structure, private debt/credit opportunities typically do not have established ratings or durations associated with these investments.

- **Real Estate**

Real estate investments include ownership primarily in office, multifamily, retail, industrial and agricultural properties, and secondarily in several alternative property types including self-storage and student housing. The program is focused on core risk strategies, but also includes value-add and opportunistic risk strategies. These assets are held directly, as part of a joint venture, and in open-ended and closed-ended commingled funds. Real assets and real estate partnership investments are classified as Alternative Investments for financial reporting purposes.

During fiscal year 2023, SBA implemented the Credit Facility Program (CFP) to facilitate construction lending and/or other lending and financing needs for investments within the Real Estate Principal Investments Portfolio. See Note 4, Loans Payable, for additional information.

- **Other**

Included in this type are investments such as foreign currency contracts, futures, options, and swaps.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The following schedule discloses the Trust's investments, by type, at June 30, 2023 and 2022.

Investment Type	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Fixed income		
Certificates of deposit	\$ 700,086	\$ 403,384
Commercial paper	2,345,295	5,305,755
Money market funds	27,250	28,558
Repurchase agreements	1,400,000	1,200,000
U.S. guaranteed obligations	12,409,773	11,684,983
Federal agencies	7,459,319	7,741,992
Domestic bonds and notes	8,986,547	9,550,418
International bonds and notes	2,871,905	3,072,594
Equity		
Domestic	54,961,305	50,373,390
International	33,780,786	29,498,209
Commingled international funds	3,653,954	5,525,991
Alternative		
Activist equity funds	1,414,237	1,348,471
Hedge funds	4,771,298	4,901,024
Insurance funds	955,564	964,715
Private debt/credit opportunity funds	5,892,485	5,180,035
Private equity funds	20,965,551	21,005,534
Private real asset funds	8,147,989	7,280,843
Real estate		
Direct investments	13,726,007	14,011,500
Commingled investment funds	2,411,405	2,710,806
Other		
Forwards	4,497	16,351
Futures	36,573	24,782
Swaps	2,255	594
Securities lending collateral		
Money market funds	436,720	909,486
Domestic bonds and notes	7,919	34,023
Total investments	\$ 187,368,720	\$ 182,773,438
Short sales (liabilities)		
U.S. guaranteed obligations	\$ —	\$ (5,261)
Federal agencies	(147,560)	(30,780)
Other (liabilities)		
Forwards	(6,261)	(16,218)
Futures	(59,209)	(17,871)
Swaps	(8,433)	(772)
Total investments (liabilities)	\$ (221,463)	\$ (70,902)

Notes to the Financial Statements

3. Deposits and Investments (continued)

Pledged Collateral

Certain investments included in the above schedule were pledged as collateral with the SBA’s futures and swaps clearing counterparties to meet initial margin requirements. Investments pledged as collateral as of June 30, 2023 and June 30, 2022, are presented below:

Investment Type	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
U.S. guaranteed obligations	\$ 134,433	\$ 143,838
Total pledged collateral	\$ 134,433	\$ 143,838

In addition, cash required to open futures and swap contracts (initial margins) may be pledged as collateral with the SBA’s futures and swap counterparties. Such initial margin amounts are reflected as “Margin receivable from counterparty” on the statements of net position. Pursuant to these types of contracts, and also pending foreign currency contracts and commitments to purchase (TBAs), the Trust agrees to receive or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin, which are reflected as “Margin receivable from counterparty” or “Margin payable to counterparty” on the statements of net position. All initial and variation margin amounts receivable from or payable to the broker as of June 30, 2023 and June 30, 2022, are presented below:

Margin Collateral	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Margin receivable from counterparty:		
Futures contracts	\$ 46,003	\$ 19,834
Swaps contracts	10,111	8,015
Foreign currency contracts	1,370	1,075
Commitments to purchase (TBAs)	3,017	12,840
Total margin receivable from counterparty	\$ 60,501	\$ 41,764
Margin payable to counterparty:		
Futures contracts	\$ 1,344	\$ 35,842
Swaps contracts	1,314	471
Foreign currency contracts	—	2,650
Total margin payable to counterparty	\$ 2,658	\$ 38,963

Notes to the Financial Statements

3. Deposits and Investments (continued)

Fair Value Hierarchy

The Trust's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 - Investments reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Investments reflect prices based on significant observable inputs (including, but not limited to, quoted prices for similar investments, interest rates, foreign exchange rates, volatility and credit spreads), either directly or indirectly. These inputs may be derived principally from, or corroborated by, observable market data through correlation or by other means.

Level 3 - Investments reflect prices based upon unobservable inputs, including situations where there is little market activity, if any, for assets or liabilities.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Equity securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's external pricing vendors, which utilize primary exchanges.

Fixed income securities classified as Level 2 are valued using evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings, and other observable market information.

Equity securities classified as Level 2 are valued using evaluated prices from the custodial bank's external pricing vendors, or an alternative pricing source, such as investment managers, if information is not available from the custodial bank's external pricing vendors.

Fixed income and equity securities classified as Level 3 are valued using prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, or broker bids.

Derivative instruments classified as Level 1 of the fair value hierarchy are valued using exchange-traded prices as provided by the custodian bank's external pricing vendors. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivative instruments.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Private equity funds and real estate direct investments classified as Level 3 were valued using external appraisals, as described in the footnotes for the additional GASB 72 disclosures (tables). See footnotes 13 and 15, respectively. Other private equity funds are measured at net asset value (NAV).

Certain investments, such as money market funds and repurchase agreements, are carried at amortized cost, and not priced at fair value. Commingled investments are generally measured at the net asset value (NAV) per share (or its equivalent) as provided by the investment manager. Commingled funds classified as Level 2 are valued using observable inputs that are market corroborated.

The Trust has the following fair value measurements as of June 30, 2023 and June 30, 2022.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investments by Fair Value Level	Total	As of June 30, 2023		
		Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
		<i>(In Thousands)</i>		
Fixed income				
Certificates of deposit	\$ 700,086	\$ —	\$ 700,086	\$ —
Commercial paper	2,345,295	—	2,345,295	—
U.S. guaranteed obligations	12,409,773	—	12,409,773	—
Federal agencies	7,459,319	—	7,432,575	26,744
Domestic bonds and notes	8,986,547	—	8,942,562	43,985
International bonds and notes	2,871,905	—	2,245,873	626,032
Total fixed income	34,772,925	—	34,076,164	696,761
Equity				
Domestic	54,961,305	54,961,181	—	124
International	33,780,786	33,705,078	—	75,708
Commingled international funds	113,586	—	113,586	—
Total equity	88,855,677	88,666,259	113,586	75,832
Alternative				
Private equity funds	152,000	—	—	152,000
Real estate				
Direct investments	13,726,007	—	—	13,726,007
Other				
Forwards	4,497	—	4,497	—
Futures	36,573	36,573	—	—
Swaps	2,255	—	2,255	—
Total other	43,325	36,573	6,752	—
Securities lending collateral				
Domestic bonds and notes	7,919	—	7,919	—
Total investments by fair value level	137,557,853	88,702,832	34,204,421	14,650,600
Investments at net asset value (NAV)				
Commingled international equity funds	3,540,368			
Commingled real estate investment funds	2,411,405			
Activist equity funds	1,414,237			
Hedge funds	4,771,298			
Insurance funds	955,564			
Private debt/credit opportunity funds	5,892,485			
Private equity funds	20,813,551			
Private real asset funds	8,147,989			
Total investments at NAV	47,946,897			
Other investments at amortized cost				
Money market funds	27,250			
Money market funds - security lending collateral	436,720			
Repurchase agreements	1,400,000			
Total investments at amortized cost	1,863,970			
Total investments	<u>\$ 187,368,720</u>			
Short sales (liabilities)				
U.S. guaranteed obligations	\$ —	\$ —	\$ —	\$ —
Federal agencies	(147,560)	—	(147,560)	—
Total short sales (liabilities)	(147,560)	—	(147,560)	—
Other (liabilities)				
Forwards	(6,261)	—	(6,261)	—
Futures	(59,209)	(59,209)	—	—
Swaps	(8,433)	—	(8,433)	—
Total other (liabilities)	(73,903)	(59,209)	(14,694)	—
Total investments (liabilities)	<u>\$ (221,463)</u>	<u>\$ (59,209)</u>	<u>\$ (162,254)</u>	<u>\$ —</u>

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investments by Fair Value Level	Total	As of June 30, 2022		
		Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
		<i>(In Thousands)</i>		
Fixed income				
Certificates of deposit	\$ 403,384	\$ —	\$ 403,384	\$ —
Commercial paper	5,305,755	—	5,305,755	—
U.S. guaranteed obligations	11,684,983	—	11,684,983	—
Federal agencies	7,741,992	—	7,741,992	—
Domestic bonds and notes	9,550,418	—	9,475,168	75,250
International bonds and notes	3,072,594	—	2,376,709	695,885
Total fixed income	37,759,126	—	36,987,991	771,135
Equity				
Domestic	50,373,390	50,373,390	—	—
International	29,498,209	29,409,421	—	88,788
Commingled international funds	238,625	—	238,625	—
Total equity	80,110,224	79,782,811	238,625	88,788
Alternative				
Private equity funds	161,000	—	—	161,000
Real estate				
Direct investments	14,011,500	—	—	14,011,500
Other				
Forwards	16,351	—	16,351	—
Futures	24,782	24,782	—	—
Swaps	594	—	594	—
Total other	41,727	24,782	16,945	—
Securities lending collateral				
Domestic bonds and notes	34,023	—	34,023	—
Total investments by fair value level	132,117,600	79,807,593	37,277,584	15,032,423
Investments at net asset value (NAV)				
Commingled international equity funds	5,287,366			
Commingled real estate investment funds	2,710,806			
Activist equity funds	1,348,471			
Hedge funds	4,901,024			
Insurance funds	964,715			
Private debt/credit opportunity funds	5,180,035			
Private equity funds	20,844,534			
Private real asset funds	7,280,843			
Total investments at NAV	48,517,794			
Other investments at amortized cost				
Money market funds	28,558			
Money market funds - security lending collateral	909,486			
Repurchase agreements	1,200,000			
Total investments at amortized cost	2,138,044			
Total investments	<u>\$ 182,773,438</u>			
Short sales (liabilities)				
U.S. guaranteed obligations	\$ (5,261)	\$ —	\$ (5,261)	\$ —
Federal agencies	(30,780)	—	(30,780)	—
Total short sales (liabilities)	(36,041)	—	(36,041)	—
Other (liabilities)				
Forwards	(16,218)	—	(16,218)	—
Futures	(17,871)	(17,871)	—	—
Swaps	(772)	—	(772)	—
Total other (liabilities)	(34,861)	(17,871)	(16,990)	—
Total investments (liabilities)	<u>\$ (70,902)</u>	<u>\$ (17,871)</u>	<u>\$ (53,031)</u>	<u>\$ —</u>

Notes to the Financial Statements

3. Deposits and Investments (continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2023 and June 30, 2022 is presented in the footnotes to the tables below.

Investment Type	As of June 30, 2023			
	Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<i>(In Thousands)</i>				
Investments measured at the NAV				
Commingled international equity funds ¹	\$ 3,540,368	—	Daily, Monthly	2 - 120 days
Commingled real estate investment funds ²	2,411,405	—	Quarterly	15 - 90 days
Activist equity funds ³	1,414,237	—	Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (managed futures) ⁴	1,749,680	—	Daily, Monthly	10 - 35 days
Equity long/short ⁵	454,845	—	Monthly, Quarterly	30 - 60 days
Event-driven ⁶	142,381	\$ 10,000	None currently eligible	
Global macro ⁷	402,561	—	Monthly	5 - 30 days
Multi-strategy ⁸	1,187,237	—	Quarterly, Biennially	30 - 90 days
Opportunistic-debt ⁹	382,909	—	Quarterly	60 - 65 days
Relative value ¹⁰	451,685	—	Quarterly	60 days
Insurance funds ¹¹	955,564	\$ 204,376	Monthly, Quarterly, Biennially	30 - 90 days
Private debt/credit opportunity funds ¹²	5,892,485	\$ 3,600,210		
Private equity funds ¹³	20,813,551	\$ 8,194,285		
Private real asset funds ¹⁴	8,147,989	\$ 4,448,210		
Total investments measured at the NAV	\$ 47,946,897			
Investments at Level 3				
Private equity funds ¹³	\$ 152,000	\$ —		
Real estate direct investments ¹⁵	\$ 13,726,007	\$ 766,784		

¹ *Commingled International Equity Funds:* The five funds in this group are primarily invested in publicly traded international equity securities, and two of these funds also focus on emerging markets. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Two funds within this strategy are redeemable daily, two funds are redeemable monthly, and the remaining fund is currently in the liquidation process with a residual balance remaining.

² *Commingled Real Estate Investment Funds:* The nine funds in this group consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Eight funds within this strategy are eligible for redemption quarterly, and the remaining fund is subject to contractual lock-up restrictions and not currently eligible for redemption.

³ *Activist Equity Funds:* The four funds in this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 34% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 29% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining two funds (approximately 37% of this strategy) are subject to contractual lock-up restrictions and not currently eligible for redemption.

⁴ *Diversifying Strategies (Managed Futures) Hedge Funds:* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies across global markets. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. The funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within one month or less.

⁵ *Equity Long/Short Hedge Funds:* Consisting of three funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. The funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within three months or less.

Notes to the Financial Statements

3. Deposits and Investments (continued)

- ⁶ *Event-Driven Hedge Funds:* The two funds in this group seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. Both funds within this strategy are subject to contractual lock-up restrictions and not currently eligible for redemption.
- ⁷ *Global Macro Hedge Funds:* Consisting of two funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political views of various countries. These funds are valued at the NAV per share. Both funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within one month.
- ⁸ *Multi-Strategy Hedge Funds:* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are typically a mix of Equity Long/Short, Event-Driven, Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. Four funds (approximately 78% of this strategy) are currently eligible for redemption within three months due to quarterly redemption restrictions. One fund (approximately 22% of this strategy) is eligible for redemption biennially (for each commitment) with the next redemption in five months.
- ⁹ *Opportunistic-Debt Hedge Funds:* Consisting of three funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. Two funds in this strategy are eligible for redemption within three months due to quarterly redemption restrictions, and the remaining fund is currently in the redemption process.
- ¹⁰ *Relative Value Hedge Funds:* Consisting of one fund, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. The one fund in this strategy is no longer subject to contractual lock-up restrictions and eligible for redemption within three months.
- ¹¹ *Insurance Funds:* The seven funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These investments are valued at the NAV per share. One fund (approximately 27%) has varying restrictions due to underlying investment funds and redeemable within one to three months. Three funds (approximately 56%) are eligible for redemption within seven months or less due to biannual redemption restrictions. The remaining three funds (approximately 17%) are not eligible for redemption due to contractual lock-up restrictions.
- ¹² *Private Debt/Credit Opportunity Funds:* There are 75 private debt/credit funds investing primarily in Distressed, Mezzanine and Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2023 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹³ *Private Equity Funds:* There are 257 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 256 funds has been determined using the NAV at June 30, 2023 or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining 1 fund (approximately 1% of the value of these investments) is based on external appraisals at June 30, 2023 and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹⁴ *Private Real Asset Funds:* There are 107 real asset funds, 72 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 35 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2023 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹⁵ *Direct Real Estate Investments:* There are 86 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment Type	As of June 30, 2022			
	Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<i>(In Thousands)</i>				
Investments measured at the NAV				
Commingled international equity funds ¹	\$ 5,287,366	—	Daily, Monthly	2 - 120 days
Commingled real estate investment funds ²	2,710,806	—	Quarterly	15 - 90 days
Activist equity funds ³	1,348,471	—	Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (managed futures) ⁴	1,689,211	—	Daily, Monthly	10 - 35 days
Equity long/short ⁵	449,443	—	Monthly, Quarterly	30 - 60 days
Event-driven ⁶	200,002	\$ 15,000	None currently eligible	
Global macro ⁷	412,945	—	Monthly	5 - 30 days
Multi-strategy ⁸	1,284,364	—	Quarterly, Biennially	30 - 90 days
Opportunistic-debt ⁹	466,508	—	Quarterly, Annually	60 - 90 days
Relative value ¹⁰	398,551	—	Quarterly	60 days
Insurance funds ¹¹	964,715	\$ 223,216	Monthly, Quarterly, Biennially	30 - 90 days
Private debt/credit opportunity funds ¹²	5,180,035	\$ 4,155,747		
Private equity funds ¹³	20,844,534	\$ 7,952,972		
Private real asset funds ¹⁴	7,280,843	\$ 4,621,591		
Total investments measured at the NAV	\$ 48,517,794			
Investments at Level 3				
Private equity funds ¹³	\$ 161,000	\$ —		
Real estate direct investments ¹⁵	\$ 14,011,500	\$ 214,170		

¹ *Commingled International Equity Funds:* The six funds in this group are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Three funds within this strategy are redeemable daily, two funds are redeemable monthly, and the remaining fund is currently in the liquidation process with a residual balance remaining.

² *Commingled Real Estate Investment Funds:* The nine funds in this group consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Eight funds within this strategy are eligible for redemption quarterly, and the remaining fund is subject to contractual lock-up restrictions and not currently eligible for redemption.

³ *Activist Equity Funds:* The four funds in this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 42% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 26% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining two funds (approximately 32% of this strategy) are subject to contractual lock-up restrictions and not currently eligible for redemption.

⁴ *Diversifying Strategies (Managed Futures) Hedge Funds:* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies across global markets. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within one month or less.

⁵ *Equity Long/Short Hedge Funds:* Consisting of three funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. All funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within three months or less.

⁶ *Event-Driven Hedge Funds:* The two funds in this group seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. Both funds within this strategy are subject to contractual lock-up restrictions and not currently eligible for redemption.

Notes to the Financial Statements

3. Deposits and Investments (continued)

- ⁷ *Global Macro Hedge Funds:* Consisting of two funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political views of various countries. These funds are valued at the NAV per share. Both funds within this strategy are no longer subject to contractual lock-up restrictions and are eligible for redemption within one month.
- ⁸ *Multi-Strategy Hedge Funds:* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are typically a mix of Equity Long/Short, Event-Driven, Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. Four funds (approximately 74% of this strategy) are currently eligible for redemption within three months due to quarterly redemption restrictions. One fund (approximately 26% of this strategy) is eligible for redemption biennially (for each commitment) with the next redemption in six months.
- ⁹ *Opportunistic-Debt Hedge Funds:* Consisting of four funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. The funds in this strategy are currently eligible for redemption in three to six months due to quarterly and annual redemption restrictions.
- ¹⁰ *Relative Value Hedge Funds:* Consisting of one fund, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. The one fund in this strategy is no longer subject to contractual lock-up restrictions and eligible for redemption within three months.
- ¹¹ *Insurance Funds:* The seven funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These investments are valued at NAV per share. One fund (approximately 27%) has varying restrictions due to underlying investment funds and redeemable within one to three months. Two funds (approximately 31%) are eligible for redemption within seven months or less due to biannual redemption restrictions. The remaining four funds (approximately 42%) are not eligible for redemption due to contractual lock-up restrictions.
- ¹² *Private Debt/Credit Opportunity Funds:* There are 77 private debt/credit funds investing primarily in Distressed, Mezzanine and Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2022 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹³ *Private Equity Funds:* There are 249 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 248 funds has been determined using the NAV at June 30, 2022 or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining 1 fund (approximately 1% of the value of these investments) is based on external appraisals at June 30, 2022 and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹⁴ *Private Real Asset Funds:* There are 100 real asset funds, 66 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 34 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2022 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- ¹⁵ *Direct Real Estate Investments:* There are 80 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Deposit and Investment Risk

The Trust has deposits and a broad range of financial investments exposed to various risks, including overall market volatility. Due to the level of risk associated with certain financial investments, it is reasonably possible that changes in the values of financial investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), requires that certain risks be discussed in the financial statements. These risks include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are used as an assessment of creditworthiness and are assigned by Nationally Recognized Statistical Rating Organizations (NRSROs). These ratings are disclosed in aggregate by investment type for the securities held as of the financial statement date.

The SBA, in compliance with Section 215.47, *Florida Statutes*, has adopted certain investment policies with regard to credit risk of fixed income securities, which generally are managed through individual portfolios within various asset classes. Some of the individual portfolios have slightly different restrictions on credit quality.

For the Short-Term Portfolio, securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the NRSROs. For long-term investment ratings, this is defined as being a minimum rating of A from one of the NRSROs. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies).

Generally, securities in other major portfolios, such as the Mortgage Index Portfolio, Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio, should be rated investment grade by at least one of the NRSROs at the time of purchase allowing a very small allocation to below investment grade (down to BB-/Ba3) for the Core Portfolio. Securities for a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies).

The Mortgage Index Portfolio limits securities generally to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). No specific credit rating criteria are listed.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio allow U.S. Treasuries, U.S. Government Agencies, corporates, mortgage and asset backed securities, foreign sovereign debt, and municipals.

For security lending portfolios, eligible cash collateral investments are the following:

- Tri-party qualified repurchase obligations are collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. Equity securities. U.S. Treasury and Government Agencies must maintain a market value of at least 102% of the market value of the securities subject to being repurchased and U.S. equities must maintain a market value of at least 107% of the market value of the securities subject to being repurchased.
- Money market mutual funds regulated by SEC Rule 2a-7 and rated the highest applicable rating by at least one of the NRSROs.
- U.S. Treasury bills, notes, and bonds.

Security lending investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The following tables disclose credit quality ratings related to credit risk on investments held in the Trust as of June 30, 2023 and 2022.

Credit Quality Ratings ¹		As of June 30, 2023							
		Total ²	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies ⁴	Domestic Bonds and Notes	Int. Bonds and Notes
S&P	Moody's	<i>(In Thousands)</i>							
A-1 / AAAm		\$ 3,097,247	\$ 474,301	\$ 2,158,976	\$ 463,970	\$ —	\$ —	\$ —	\$ —
A-2		10,408	—	10,408	—	—	—	—	—
A-3		1,157	—	1,157	—	—	—	—	—
AAA		1,122,160	—	—	—	—	—	626,365	495,795
AA		891,632	—	—	—	7,180	492,377	246,410	145,665
A		2,669,446	—	—	—	—	—	1,968,510	700,936
BBB		4,457,968	—	—	—	—	—	3,657,718	800,250
BB		213,924	—	—	—	—	—	174,800	39,124
B		73,465	—	—	—	—	—	45,529	27,936
CCC		7,673	—	—	—	—	—	3,700	3,973
CC		6,408	—	—	—	—	—	6,408	—
D		844	—	—	—	—	—	844	—
	P-1	399,340	224,586	174,754	—	—	—	—	—
	P-2	1,199	1,199	—	—	—	—	—	—
	Aaa	1,383,909	—	—	—	—	—	992,601	391,308
	Aa	97,449	—	—	—	—	—	74,416	23,033
	A	212,541	—	—	—	—	—	190,450	22,091
	Baa	381,184	—	—	—	—	—	269,765	111,419
	Ba	136,839	—	—	—	—	—	119,311	17,528
	B	62,110	—	—	—	—	—	39,485	22,625
	Caa	5,429	—	—	—	—	—	694	4,735
	Ca	1,708	—	—	—	—	—	—	1,708
NR	NR	8,400,795	—	—	—	792,614	6,966,942	577,460	63,779
		<u>23,634,835</u>	<u>700,086</u>	<u>2,345,295</u>	<u>463,970</u>	<u>799,794</u>	<u>7,459,319</u>	<u>8,994,466</u>	<u>2,871,905</u>
Ratings not applicable:									
	Repurchase agreements ³	600,206							
	U.S. guaranteed obligations ³	12,409,773							
	Total fixed income invs.	<u>\$36,644,814</u>							

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "NR" (not rated). Long-term ratings are presented except for commercial paper and money market funds.

² All investments are included in this table, including security lending collateral investments.

³ U.S. guaranteed obligations and collateral for repurchase agreements, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.

⁴ Federal Agency TBAs and mortgage-backed securities are classified as "NR" because they do not have explicit credit ratings on individual securities.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Credit Quality Ratings ¹		As of June 30, 2022							
		Total ²	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies ⁴	Domestic Bonds and Notes	Int. Bonds and Notes
S&P	Moody's	<i>(In Thousands)</i>							
A-1 / AAAM		\$ 6,084,108	\$ 374,033	\$ 5,021,058	\$ 689,017	\$ —	\$ —	\$ —	\$ —
AAA		1,168,358	—	—	—	—	—	645,309	523,049
AA		859,887	—	—	—	—	400,354	321,864	137,669
A		2,534,664	—	—	—	—	—	1,917,799	616,865
BBB		4,471,421	—	—	—	—	—	3,615,395	856,026
BB		303,334	—	—	—	—	—	228,097	75,237
B		111,446	—	—	—	—	—	84,284	27,162
CCC		16,877	—	—	—	—	—	8,365	8,512
CC		8,019	—	—	—	—	—	8,019	—
D		973	—	—	—	—	—	973	—
	P-1	29,351	29,351	—	—	—	—	—	—
	P-2	284,697	—	284,697	—	—	—	—	—
	Aaa	1,701,176	—	—	—	—	—	1,260,705	440,471
	Aa	148,824	—	—	—	—	—	109,520	39,304
	A	213,337	—	—	—	—	—	185,321	28,016
	Baa	489,122	—	—	—	—	—	313,743	175,379
	Ba	194,049	—	—	—	—	—	156,931	37,118
	B	49,038	—	—	—	—	—	40,101	8,937
	Caa	7,471	—	—	—	—	—	3,823	3,648
NR	NR	9,015,162	—	—	249,027	645,104	7,341,638	684,192	95,201
		<u>27,691,314</u>	<u>403,384</u>	<u>5,305,755</u>	<u>938,044</u>	<u>645,104</u>	<u>7,741,992</u>	<u>9,584,441</u>	<u>3,072,594</u>

Ratings not applicable:

Repurchase agreements ³	554,896
U.S. guaranteed obligations ³	<u>11,684,983</u>
Total fixed income invs.	<u>\$ 39,931,193</u>

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "NR" (not rated). Long-term ratings are presented except for commercial paper and money market funds.

² All investments are included in this table, including security lending collateral investments.

³ U.S. guaranteed obligations and collateral for repurchase agreements, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.

⁴ Federal Agency TBAs and mortgage-backed securities are classified as "NR" because they do not have explicit credit ratings on individual securities.

Notes to the Financial Statements

3. Deposits and Investments (continued)

All futures, options and swaps contracts held by the Trust at June 30, 2023 and 2022, were exchange-traded, therefore minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses.

The Trust may enter into contracts that allow for close-out netting with certain counterparties. In the event of default or early termination, the contract permits the non-defaulting party the right to close-out all transactions in a single net settlement to one net amount payable by one counterparty to the other. The aggregate fair value of non-exchange traded derivative instruments subject to close-out netting totaled \$-2.9 million and \$5.4 million as of June 30, 2023 and 2022, respectively.

Counterparty credit ratings related to credit risk for forward currency contracts held at June 30, 2023 and 2022, are presented below.

Credit Ratings (Long/Short) ¹		As of June 30, 2023			As of June 30, 2022		
		Asset	Liability	Net Unrealized Gain/(Loss)	Asset	Liability	Net Unrealized Gain/(Loss)
S&P	Moody's	<i>(In Thousands)</i>			<i>(In Thousands)</i>		
A/A-1		\$ 2,862	\$ (5,884)	\$ (3,022)	\$ 14,177	\$ (9,601)	\$ 4,576
	A/P-1	—	(5)	(5)	876	(1,044)	(168)
	NR/P-1	1,635	(372)	1,263	1,298	(5,573)	(4,275)
Total		\$ 4,497	\$ (6,261)	\$ (1,764)	\$ 16,351	\$ (16,218)	\$ 133

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "NR" (not rated).

Counterparty credit ratings related to credit risk for spot currency contracts held at June 30, 2023 and 2022, are presented below.

Credit Ratings (Long/Short) ¹		As of June 30, 2023			As of June 30, 2022		
		Receivables	Payables	Net Unrealized Gain/(Loss)	Receivables	Payables	Net Unrealized Gain/(Loss)
S&P	Moody's	<i>(In Thousands)</i>			<i>(In Thousands)</i>		
AA/A-1		\$ 4,001	\$ (4,007)	\$ (6)	\$ 1,132	\$ (1,133)	\$ (1)
A/A-1		148,846	(148,917)	(71)	95,188	(95,106)	82
	A/P-1	16,330	(16,324)	6	7,544	(7,525)	19
	NR/P-1	1,478	(1,474)	4	816	(815)	1
NR	NR	44,823	(44,803)	20	41,771	(41,799)	(28)
Total		\$ 215,478	\$ (215,525)	\$ (47)	\$ 146,451	\$ (146,378)	\$ 73

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "NR" (not rated).

Notes to the Financial Statements

3. Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that if a depository financial institution or counterparty fails, the Trust will not be able to recover the value of its deposits, investments or collateral securities in the possession of an outside party.

As stated in SBA's custodial credit policy, the SBA seeks to minimize custodial credit risk through the use of trust accounts maintained at top tier third-party custodian banks, whose creditworthiness is monitored by the SBA. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, but does not apply to investments evidenced by contractual agreements such as alternatives, real estate, cleared derivative instruments (futures, options and swaps), external investment pools or open-ended mutual funds. These types of investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. In addition, un-invested cash for all portfolios/funds under SBA management is generally swept nightly into overnight investments, thereby reducing the Trust's exposure to custodial credit risk. On occasion, however, the Trust's cash balances can exceed federally-insured limits.

All U.S. dollar deposits at the SBA's custodian bank were covered by federal depository insurance (FDIC) as of June 30, 2023 and 2022. The remaining uninsured and uncollateralized deposits, totaling \$103.7 million and \$92.5 million as of June 30, 2023 and 2022, respectively, were held in foreign currencies in the SBA's custodian nominee name.

Presented below are investments that were uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department but not in the SBA's name, as of June 30, 2023 and June 30, 2022.

Investment Type	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Security lending collateral:		
Domestic bonds and notes	\$ 7,919	\$ 34,023

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. GASB 40 requires disclosure of investments in any one issuer that represent 5% or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government and excluding investments in mutual funds, external investment pools, and other pooled investments. The Trust did not hold any investments with a single issuer representing 5% or more of the Trust's fair value at June 30, 2023 or 2022.

Investment policy guidelines allow the security lending programs to hold up to 30% of the cash collateral reinvestment portfolio in U.S. Treasury bills, notes, and bonds.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income instruments. The SBA, in compliance with Section 215.47, *Florida Statutes*, has adopted certain investment policies with regard to interest rate risk exposure for fixed income securities, which generally are managed through individual portfolios with various asset classes. The individual portfolios may have different policies regarding interest rate risk.

For the Short-Term Portfolio, the weighted-average maturity to final maturity date (WAL) is limited to 120 days and weighted-average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation.

The Mortgage Index Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of the Barclays Capital U.S. MBS Index duration. Swaps and/or Agency debentures may contribute no more than 25% of the portfolio's total duration.

The Intermediate Aggregate Less MBS Index Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration less the MBS Index component. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25% of the portfolio's total duration.

The Core Portfolio duration should remain within plus or minus 0.50 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25% of the portfolio's total duration.

The Core Portfolio contains certain investments known as collateralized mortgage obligations (CMOs). CMOs are often more sensitive to interest rate changes than other fixed income instruments. Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IOs), principal-only (POs), and inverse floaters (INVs). IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO and decrease the value of an IO. Inverse floaters (INV) have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

Notes to the Financial Statements

3. Deposits and Investments (continued)

For security lending portfolios, policy guidelines allow investment in the following:

- Tri-party qualified repurchase obligations, with a term to repurchase not to exceed 45 calendar days, that are fully collateralized by U.S. Treasury bills, notes, bonds and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities and U.S. Equity securities.
- Money market mutual funds regulated by SEC Rule 2a-7.
- U.S. Treasury bills, notes and bonds maturing within 92 days or less.

Security lending investments that were purchased prior to the investment policy guidelines established in December 2008 are still held in the lending programs, and are slowly paying down. For investments that had floating interest rates, interest rate reset dates were used to calculate WAM.

The interest rate risk tables for the Trust as of June 30, 2023 and 2022, are presented below. Investment types, related to fixed income portfolios, are presented using effective weighted duration. Investment types related to short-term, and security lending collateral portfolios are presented using weighted-average maturity.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment Type	As of June 30, 2023			
	Total (Duration)	Effective Weighted Duration	Total (WAM)	Weighted Average Maturity
	<i>(In Thousands)</i>	<i>(In Years)</i>	<i>(In Thousands)</i>	<i>(In Days)</i>
Certificates of deposit	\$ —	NA	\$ 700,086	51
Commercial paper	—	NA	2,345,295	13
Money market funds	—	NA	463,970	3
Repurchase agreements	—	NA	1,400,000	3
U.S. guaranteed obligations:				
Treasury bills	1,337,752	0.18	—	NA
Treasury bonds and notes	9,326,343	3.75	—	NA
Treasury strips	14,597	17.61	—	NA
Index linked government bonds	227,904	5.54	—	NA
Bonds and notes	1,792	1.47	—	NA
Asset-backed	2,779	1.94	—	NA
GNMA mortgage-backed	1,010,181	5.39	—	NA
GNMA commitments to purchase (TBAs)	127,193	4.72	—	NA
Mortgage-backed CMOs and CMBS ¹	361,232	5.49	—	NA
Federal agencies:				
Discount notes	11,437	0.01	—	NA
Unsecured bonds and notes	480,940	4.69	—	NA
Agency strips	22,589	7.97	—	NA
Mortgage-backed	5,213,956	4.50	—	NA
FNMA, FHLMC commitments to purchase (TBAs)	773,212	5.83	—	NA
Mortgage-backed CMOs and CMBS ¹	957,185	5.32	—	NA
Domestic:				
Corporate bonds and notes	6,450,442	0.86	—	NA
Asset and mortgage-backed	705,557	1.79	7,201	25
Mortgage-backed CMOs and CMBS ¹	1,809,078	3.63	718	25
Municipal/provincial	21,470	7.07	—	NA
International:				
Government and agency obligations	583,310	2.99	—	NA
Corporate bonds and notes	1,617,406	2.36	—	NA
Asset and mortgage-backed	627,445	0.04	—	NA
Mortgage-backed CMOs and CMBS ¹	43,744	0.05	—	NA
Futures-long ²	(51,090)	4.07	—	NA
Futures-short ²	11,138	6.35	—	NA
Credit default swaps ²	(7,029)	—	—	NA
Interest rate swaps ²	851	(2.76)	—	NA
Total fixed income investments	\$ 31,681,414		\$ 4,917,270	
Short sales (liabilities):				
FNMA, FHLMC commitments to sell (TBAs)	\$ (147,560)	6.00		
Total fixed income short sales	\$ (147,560)			

¹ Includes investments in IOs, POs and INVs totaling \$50 million.

² The futures and swaps contracts' effective weighted durations were calculated using notional values (in U.S. dollars) rather than fair values.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment Type	As of June 30, 2022			
	Total (Duration)	Effective Weighted Duration	Total (WAM)	Weighted Average Maturity
	(In Thousands)	(In Years)	(In Thousands)	(In Days)
Certificates of deposit	\$ —	NA	\$ 403,384	105
Commercial paper	—	NA	5,305,755	17
Money market funds	—	NA	938,044	1
Repurchase agreements	—	NA	1,200,000	2
U.S. guaranteed obligations:				
Treasury bills	796,065	0.23	—	NA
Treasury bonds and notes	9,330,586	4.18	—	NA
Treasury strips	12,050	18.80	—	NA
Index linked government bonds	120,151	6.68	—	NA
Bonds and notes	6,155	1.52	—	NA
Asset-backed	4,998	2.44	—	NA
GNMA mortgage-backed	1,066,319	5.48	—	NA
GNMA commitments to purchase (TBAs)	214,399	6.04	—	NA
Mortgage-backed CMOs and CMBS ¹	134,260	5.46	—	NA
Federal agencies:				
Discount notes	3,923	0.23	—	NA
Unsecured bonds and notes	396,431	4.71	—	NA
Agency strips	24,741	7.67	—	NA
Mortgage-backed	5,086,176	6.17	—	NA
FNMA, FHLMC commitments to purchase (TBAs)	1,464,639	6.09	—	NA
Mortgage-backed CMOs and CMBS ¹	766,082	5.53	—	NA
Domestic:				
Corporate bonds and notes	6,473,052	4.34	—	NA
Asset and mortgage-backed	694,737	2.13	33,214	25
Mortgage-backed CMOs and CMBS ¹	2,353,633	4.11	809	25
Municipal/provincial	28,996	7.16	—	NA
International:				
Government and agency obligations	667,424	3.44	—	NA
Corporate bonds and notes	1,634,860	3.89	—	NA
Asset and mortgage-backed	689,438	0.13	—	NA
Mortgage-backed CMOs and CMBS ¹	80,872	0.11	—	NA
Futures-long ²	(13,868)	3.91	—	NA
Futures-short ²	8,123	10.15	—	NA
Credit default swaps ²	(500)	—	—	NA
Interest rate swaps ²	322	2.75	—	NA
Total fixed income investments	\$ 32,044,064		\$ 7,881,206	
Short sales (liabilities):				
GNMA commitments to sell (TBAs)	\$ (5,261)	7.46		
FNMA, FHLMC commitments to sell (TBAs)	(30,780)	6.10		
Total fixed income short sales	\$ (36,041)			

¹ Includes investments in IOs, POs and INVs totaling \$69 million.

² The futures and swaps contracts' effective weighted durations were calculated using notional values (in U.S. dollars) rather than fair values.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. Under Section 215.47, *Florida Statutes*, and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investment by the Trust may be invested in various types of securities denominated in foreign currency. The SBA has developed for the Trust an Investment Policy Statement (IPS) that sets ranges on investments by asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. For fiscal years 2023 and 2022, Florida law limits the exposure to foreign securities held outside of foreign group trusts and certain other foreign entities to 50% of the total Trust. There is no requirement that this exposure to foreign currency risk be hedged through forward currency contracts, although some managers are authorized to use forward currency contracts.

Commingled international equity funds are collective investments where the Trust owns a portion of the total units in commingled funds with other investors. Exchange-traded funds (ETFs) are investment funds, traded on the exchanges, that hold assets such as stocks or bonds, and the Trust owns a portion of the total shares in the ETFs. Participatory notes (P-Notes) allow the Trust to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or for other reasons. The overall investments or notes themselves are denominated in U.S. dollars, but a portion of the underlying assets may be exposed to foreign currency risk in various currencies.

Alternative investments are commingled investment funds (primarily limited partnerships) where the Trust owns a portion of the overall investment in the funds. For those funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies.

The Trust is permitted to hold positions in futures, options, swaps, and foreign currency contracts that may be exposed to foreign currency risk. Additional information on derivative instruments is provided in Note 3 to the financial statements.

Following are the Trust's deposits and investments, by currency at fair value (in U.S. dollars) and by investment type, exposed to foreign currency risk as of June 30, 2023 and 2022.

Notes to the Financial Statements

3. Deposits and Investments (continued)

As of June 30, 2023							
Currency	Cash	Equity	Alternative Investments	Fixed Income	Other	Spots, net	Total
	<i>(In Thousands)</i>						
Australian dollar	\$ 1,490	\$ 824,031	\$ —	\$ —	\$ 78,441	\$ (2,861)	\$ 901,101
Brazilian real	4,103	557,797	—	—	—	(76)	561,824
British pound sterling	7,367	2,986,618	137,598	12,930	(40,344)	18,069	3,122,238
Canadian dollar	6,431	1,353,677	—	3,568	113,434	(3,583)	1,473,527
Chilean peso	509	44,489	—	—	—	—	44,998
Chinese yuan renminbi	—	708,421	—	—	4,746	(370)	712,797
Chinese yuan Hong Kong	9,465	—	—	—	—	—	9,465
Colombian peso	9	325	—	—	—	—	334
Czech koruna	1	22,455	—	—	—	—	22,456
Danish krone	662	742,624	—	—	(7,633)	(2,185)	733,468
Egyptian pound	64	59	—	—	—	—	123
Euro	18,658	7,816,652	1,921,914	92,263	(483,007)	108,535	9,475,015
Hong Kong dollar	4,997	2,427,307	—	—	36,326	(1,366)	2,467,264
Hungarian forint	553	8,670	—	—	—	—	9,223
Indian rupee	4,272	1,224,502	—	—	(29,032)	—	1,199,742
Indonesian rupiah	477	223,603	—	—	—	(253)	223,827
Israeli shekel	1,772	38,752	—	—	—	—	40,524
Japanese yen	10,705	3,688,587	9,645	—	6,412	2,120	3,717,469
Kuwaiti dinar	293	11,050	—	—	—	—	11,343
Malaysian ringgit	262	46,866	—	—	—	(6)	47,122
Mexican peso	1,302	269,009	—	—	—	(1,248)	269,063
New Taiwan dollar	3,750	1,292,497	—	—	(7,926)	(1,750)	1,286,571
New Zealand dollar	13	20,669	—	—	—	75	20,757
New Zimbabwe dollar	388	—	—	—	—	—	388
Norwegian krone	774	180,450	—	—	4,468	(494)	185,198
Pakistani rupee	54	—	—	—	—	—	54
Peruvian sol	5	—	—	—	—	—	5
Philippines peso	130	41,162	—	—	—	—	41,292
Polish zloty	261	74,469	—	—	—	(17)	74,713
Qatari riyal	246	16,239	—	—	—	—	16,485
Russian ruble	—	3	—	—	—	—	3
Saudi Arabian riyal	1,572	264,196	—	—	—	—	265,768
Singapore dollar	1,353	439,457	—	—	7,074	(963)	446,921
South African rand	1,499	196,854	—	—	—	(21)	198,332
South Korean won	8,822	1,286,834	—	—	(27,624)	334	1,268,366
Swedish krona	865	569,052	37,790	—	39,998	(650)	647,055
Swiss franc	6,366	1,703,007	—	—	(11,629)	(3,049)	1,694,695
Thailand baht	—	191,240	—	—	—	(26)	191,214
Turkish lira	381	23,422	—	—	—	—	23,803
United Arab Emirates dirham	132	93,595	—	—	—	—	93,727
Vietnam dong	3,690	16,250	—	—	—	—	19,940
Total foreign currency risk	103,693	29,404,890	2,106,947	108,761	(316,296)	110,215	31,518,210
Other investments with potential exposure to foreign currency risk:							
Alternative investments	—	—	40,040,177	—	—	—	40,040,177
P-notes and ETFs	—	86,718	—	—	—	—	86,718
Commingled int. equity funds	—	3,653,953	—	—	—	—	3,653,953
Total investments	\$ 103,693	\$ 33,145,561	\$ 42,147,124	\$ 108,761	\$ (316,296)	\$ 110,215	\$ 75,299,058

Notes to the Financial Statements

3. Deposits and Investments (continued)

Currency	As of June 30, 2022						
	Cash	Equity	Alternative Investments	Fixed Income	Other	Spots, net	Total
	<i>(In Thousands)</i>						
Australian dollar	\$ 848	\$ 710,386	\$ —	\$ —	\$ 68,883	\$ (287)	\$ 779,830
Brazilian real	2,618	414,038	—	—	—	289	416,945
British pound sterling	3,887	2,781,503	124,576	12,151	(22,202)	6,273	2,906,188
Canadian dollar	2,774	1,317,953	—	3,609	116,359	129	1,440,824
Chilean peso	621	33,587	—	—	—	—	34,208
Chinese yuan renminbi	6,852	898,633	—	—	5,135	(1,767)	908,853
Colombian peso	2	913	—	—	—	—	915
Czech koruna	—	4,087	—	—	—	—	4,087
Danish krone	260	536,956	—	—	(7,860)	1,065	530,421
Egyptian pound	23	17	—	—	—	—	40
Euro	13,243	6,228,509	1,666,724	91,933	(282,018)	8,419	7,726,810
Hong Kong dollar	14,617	2,793,069	—	—	27,440	(3,874)	2,831,252
Hungarian forint	336	7,172	—	—	—	—	7,508
Indian rupee	3,281	974,821	—	—	(31,332)	—	946,770
Indonesian rupiah	219	176,591	—	—	—	(74)	176,736
Israeli shekel	936	128,677	—	—	(4,003)	307	125,917
Japanese yen	14,550	3,203,154	5,973	—	(25,473)	1,091	3,199,295
Kenyan shilling	49	737	—	—	—	—	786
Kuwaiti dinar	17	10,262	—	—	—	—	10,279
Malaysian ringgit	293	55,889	—	—	—	(15)	56,167
Mexican peso	1,022	174,365	—	—	—	690	176,077
Moroccan dirham	8	—	—	—	—	—	8
New Taiwan dollar	5,323	1,128,764	—	—	(7,693)	(12,527)	1,113,867
New Zealand dollar	142	12,045	—	—	—	—	12,187
New Zimbabwe dollar	177	7,416	—	—	—	—	7,593
Norwegian krone	353	236,731	—	—	—	909	237,993
Pakistani rupee	75	—	—	—	—	—	75
Peruvian sol	5	80	—	—	—	—	85
Philippines peso	111	48,397	—	—	—	49	48,557
Polish zloty	196	59,267	—	—	—	227	59,690
Qatari riyal	413	41,942	—	—	—	—	42,355
Romanian new leu	—	2,565	—	—	—	—	2,565
Russian ruble	57	7,665	—	—	—	—	7,722
Saudi Arabian riyal	2,180	222,112	—	—	—	—	224,292
Singapore dollar	414	380,514	—	—	6,876	416	388,220
South African rand	1,493	274,891	—	—	—	(6,629)	269,755
South Korean won	10,826	1,018,875	—	—	(25,225)	3,934	1,008,410
Swedish krona	389	416,424	35,660	—	17,830	1,047	471,350
Swiss franc	998	1,454,310	—	—	5,540	(1,325)	1,459,523
Thailand baht	—	162,639	—	—	—	40	162,679
Turkish lira	758	34,417	—	—	—	—	35,175
United Arab Emirates dirham	41	57,662	—	—	—	—	57,703
Vietnam dong	2,096	10,892	—	—	—	—	12,988
Total foreign currency risk	92,503	26,028,927	1,832,933	107,693	(157,743)	(1,613)	27,902,700
Other investments with potential exposure to foreign currency risk:							
Alternative investments	—	—	38,847,689	—	—	—	38,847,689
P-notes and ETFs	—	42,318	—	—	—	—	42,318
Commingled int. equity funds	—	5,525,991	—	—	—	—	5,525,991
Total investments	\$ 92,503	\$ 31,597,236	\$ 40,680,622	\$ 107,693	\$ (157,743)	\$ (1,613)	\$ 72,318,698

The tables below provide additional details on the futures contracts, foreign currency contracts, and swap agreements that were subject to foreign currency risk. The margin payments included in “Margin receivable from counterparty” and “Margin payable to counterparty” on the statements of net position, may also be exposed to foreign currency risk.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Futures

The Trust's futures contract positions as of June 30, 2023 and 2022, that were exposed to foreign currency risk are presented below.

		As of June 30, 2023				
Futures Contract Type	Currency	Number of Contracts	In Local Currency			In U.S. \$
			Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss)
			<i>(In Thousands)</i>			<i>(In Thousands)</i>
Stock Index Futures:						
MSCI EAFE ¹	U.S. dollar	4,437	483,074	478,198	(4,876)	\$ (4,876)
MSCI Emerging Markets ¹	U.S. dollar	366	18,192	18,261	69	69
Bond Futures:						
Euro Bobl	Euro	(82)	(9,618)	(9,488)	130	142
Euro Bund	Euro	(14)	(1,893)	(1,872)	21	23
Total futures subject to foreign currency risk		4,707	489,755	485,099	(4,656)	\$ (4,642)

¹ Futures denominated in U.S. dollars are based on an index that converts the foreign issues to dollar equivalents at currency market exchange rates.

		As of June 30, 2022				
Futures Contract Type	Currency	Number of Contracts	In Local Currency			In U.S. \$
			Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss)
			<i>(In Thousands)</i>			<i>(In Thousands)</i>
Stock Index Futures:						
MSCI EAFE ¹	U.S. dollar	4,991	463,069	463,314	245	\$ 245
MSCI Emerging Markets ¹	U.S. dollar	216	10,819	10,829	10	10
Bond Futures:						
Euro Bobl	Euro	(22)	(2,406)	(2,401)	5	5
Euro Bund	Euro	(36)	(5,470)	(5,356)	114	119
Euro Schatz	Euro	(122)	(15,290)	(15,151)	139	146
Total futures subject to foreign currency risk		5,027	450,722	451,235	513	\$ 525

¹ Futures denominated in U.S. dollars are based on an index that converts the foreign issues to dollar equivalents at currency market exchange rates.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Forward and Spot Foreign Currency Contracts

Foreign currency contracts are agreements to exchange one currency for another currency at an agreed-upon price and settlement date. Currently, there are two types of foreign currency contracts being utilized by the Trust. Spot currency contracts are valued at spot (traded) currency rates and are used primarily for trade settlement and currency repatriation. Forward currency contracts are valued at interpolated forward rates and may be used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. Forward currency contracts are recorded as investment assets and liabilities on the statements of net position and spot currency contracts are recorded as receivables and payables on the statements of net position. In addition, during a portion of fiscal year 2022, a currency overlay program was used to seek additional value and ran independently of the underlying equity assets.

The Trust's forward currency contract positions as of June 30, 2023 and 2022, that were exposed to foreign currency risk are presented below, by currency.

Currency	As of June 30, 2023				As of June 30, 2022			
	In U.S. \$				In U.S. \$			
	Receivable Notional	Payable Notional	Total Market Value	Unrealized Gain/(Loss)	Receivable Notional	Payable Notional	Total Market Value	Unrealized Gain/(Loss)
	<i>(In Thousands)</i>				<i>(In Thousands)</i>			
Australian dollar	\$ 84,232	\$ 4,386	\$ 78,441	\$ (1,405)	\$ 91,431	\$ 19,792	\$ 68,883	\$ (2,757)
British pound sterling	24,518	64,248	(40,345)	(615)	50,262	72,654	(22,202)	189
Canadian dollar	117,454	5,312	113,434	1,291	192,534	72,236	116,359	(3,938)
Chinese yuan renminbi	5,034	—	4,746	(288)	5,045	—	5,135	90
Danish krone	33,653	41,332	(7,633)	46	6,182	14,081	(7,860)	39
Euro	22,475	505,969	(483,172)	321	175,719	462,490	(282,288)	4,483
Hong Kong dollar	40,794	4,248	36,326	(219)	27,440	—	27,440	(1)
Indian rupee	—	29,077	(29,032)	45	3,309	35,404	(31,332)	763
Israeli shekel	—	—	—	—	1,661	5,856	(4,003)	192
Japanese yen	11,423	4,892	6,412	(118)	68,059	95,919	(25,473)	2,388
New Taiwan dollar	—	8,066	(7,926)	141	1,513	9,417	(7,693)	211
Norwegian krone	4,543	—	4,468	(75)	—	—	—	—
Singapore dollar	7,205	—	7,074	(131)	6,998	—	6,876	(122)
South Korean won	—	27,635	(27,624)	10	4,556	30,931	(25,225)	1,150
Swedish krona	40,750	—	39,998	(752)	22,146	4,191	17,830	(124)
Swiss franc	55,475	67,089	(11,629)	(15)	65,848	57,878	5,540	(2,430)
U.S. dollar	762,253	447,555	314,698	—	880,849	722,703	158,146	—
Total	\$ 1,209,809	\$ 1,209,809	\$ (1,764)	\$ (1,764)	\$ 1,603,552	\$ 1,603,552	\$ 133	\$ 133

Notes to the Financial Statements

3. Deposits and Investments (continued)

The Trust's spot currency contract positions as of June 30, 2023 and 2022, that were exposed to foreign currency risk are presented below, by currency.

Currency	As of June 30, 2023				As of June 30, 2022			
	In U.S. \$				In U.S. \$			
	Receivables	Payables	Net Receivables / Payables	Unrealized Gain/(Loss)	Receivables	Payables	Net Receivables / Payables	Unrealized Gain/ (Loss)
	<i>(In Thousands)</i>				<i>(In Thousands)</i>			
Australian dollar	\$ 34	\$ (2,895)	\$ (2,861)	\$ (11)	\$ 557	\$ (844)	\$ (287)	\$ 1
Brazilian real	—	(76)	(76)	—	1,030	(741)	289	(2)
British pound sterling	22,814	(4,745)	18,069	11	13,943	(7,670)	6,273	(7)
Canadian dollar	—	(3,583)	(3,583)	(5)	519	(390)	129	—
Chinese yuan renminbi	—	(370)	(370)	(1)	—	(1,767)	(1,767)	(1)
Danish krone	—	(2,185)	(2,185)	(8)	1,065	—	1,065	1
Euro	122,503	(13,968)	108,535	(34)	30,685	(22,266)	8,419	34
Hong Kong dollar	1,466	(2,832)	(1,366)	—	4,227	(8,101)	(3,874)	(2)
Indonesian rupiah	—	(253)	(253)	—	—	(74)	(74)	—
Israeli shekel	—	—	—	—	308	(1)	307	(2)
Japanese yen	9,444	(7,324)	2,120	(3)	8,988	(7,897)	1,091	(7)
Malaysian ringgit	—	(6)	(6)	—	—	(15)	(15)	—
Mexican peso	237	(1,485)	(1,248)	2	1,886	(1,196)	690	(1)
New Taiwan dollar	—	(1,750)	(1,750)	(1)	—	(12,527)	(12,527)	(3)
New Zealand dollar	75	—	75	—	—	—	—	—
Norwegian krone	—	(494)	(494)	(1)	947	(38)	909	(1)
Philippines peso	—	—	—	—	65	(16)	49	—
Polish zloty	—	(17)	(17)	—	240	(13)	227	1
Singapore dollar	—	(963)	(963)	(3)	419	(3)	416	—
South African rand	1,185	(1,206)	(21)	1	706	(7,335)	(6,629)	64
South Korean won	336	(2)	334	—	4,170	(236)	3,934	—
Swedish krona	—	(650)	(650)	1	2,632	(1,585)	1,047	(6)
Swiss franc	3,599	(6,648)	(3,049)	5	—	(1,325)	(1,325)	4
Thailand baht	1,222	(1,248)	(26)	—	40	—	40	—
U.S. dollar	52,563	(162,825)	(110,262)	—	74,024	(72,338)	1,686	—
Total	\$ 215,478	\$ (215,525)	\$ (47)	\$ (47)	\$ 146,451	\$ (146,378)	\$ 73	\$ 73

Notes to the Financial Statements

3. Deposits and Investments (continued)

Swaps

The Trust's swap agreement positions as of June 30, 2023 and 2022, that were exposed to foreign currency risk are presented below.

<u>Currency</u>	<u>Notional Amount (Local Currency)</u>	<u>Receive¹</u>	<u>Pay</u>	<u>Maturity Dates</u>	<u>Market Value (Local Currency)</u>	<u>Market Value (U.S. \$)</u>
	(In thousands)				(In thousands)	
<u>As of June 30, 2023:</u>						
British Pound Sterling	5,565	SONIA-1D	1% Fixed	5/8/2026	669	\$ 851
<u>As of June 30, 2022:</u>						
British Pound Sterling	5,565	SONIA-1D	1% Fixed	5/8/2026	317	\$ 385
British Pound Sterling	704	SONIA-1D	.95% Fixed	5/8/2023	9	\$ 10

¹ The SONIA (Sterling Overnight Index Average) is an interest rate published by the British central bank (Bank of England). SONIA can be seen as the average interest rate at which a selection of financial institutions lend to one another in British pound sterling (GBP) with a maturity of 1 day (overnight).

Notes to the Financial Statements

3. Deposits and Investments (continued)

Security Lending

During fiscal years 2023 and 2022, the Trust participated in security lending programs with two lending agents, including the Trust's custodian and one third-party agent. These security lending programs have clauses requiring the lending agent to assume the borrower's risk from default. There are no restrictions on the amount of securities that can be loaned at one time to one borrower.

In addition to the two agent lending programs, the Trust participated in security lending through investments in three commingled funds that do not offer borrower indemnification. The Trust receives a proportionate share of the security lending income generated from these activities.

Collateral requirements for securities on loan range from 100% to 105%, depending on the lending agent, the type of security lent, and the type of collateral received. As of June 30, 2023, the Trust had received and invested approximately \$462.6 million in cash collateral and received \$6.0 billion in securities as collateral for the lending programs. The collateral held for the security lending programs exceeded the fair value of the securities on loan (including accrued interest). As a result, none of the lending programs were under-collateralized at the end of the fiscal year. The Trust does not have the ability to pledge or sell the non-cash collateral securities unless the borrower defaults, so the non-cash portion is not reported on the statements of net position.

Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security lending agreements generally are open-ended with no fixed expiration date. As such, investments made with cash collateral are limited to those with a final maturity of up to 92 days. However, investments in one of the security lending programs included investments with final maturities of six months or more, which represented approximately 2% of that lender's total collateral invested at June 30, 2023. This is due to the portfolio containing some legacy securities that will remain until they are sold or mature.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The Trust's securities on loan as of June 30, 2023 and 2022, are presented below, by security type.

Securities on Loan by Security Type¹	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Securities on loan for cash collateral:		
U.S. guaranteed obligations	\$ 140,659	\$ 354,573
Federal agencies	7,293	26,427
Domestic corporate bonds and notes	100,775	83,037
International bonds and notes	80,264	78,119
Domestic equities	89,882	109,690
International equities	32,191	249,227
Total securities on loan for cash collateral	451,064	901,073
Securities on loan for non-cash collateral:		
U.S. guaranteed obligations	1,062,637	1,020,027
Federal agencies	9,250	2,702
Domestic corporate bonds and notes	244,399	194,582
International bonds and notes	53,907	42,626
Domestic equities	1,972,681	2,843,866
International equities	2,496,710	782,131
Total securities on loan for non-cash collateral	5,839,584	4,885,934
Total securities on loan	\$ 6,290,648	\$ 5,787,007

¹ Fair value includes accrued interest on fixed income securities.

Derivatives

The Trust accounts for derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This statement defines a derivative instrument as a financial instrument or other contract that has all of the following characteristics:

- a. Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and in some cases, whether or not a settlement is required.
- b. Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Net settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

The Trust is permitted to hold the following derivative instruments: futures, options, forward currency contracts, and swaps.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The SBA has established investment guidelines for each investment portfolio. Pursuant to these guidelines, investment derivative instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets, and may only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgage-backed security prepayment risk, and to effectively manage exposure to domestic and international equities, bonds, and real estate markets.

A futures contract is an agreement between a buyer and a seller to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and third-party counterparties. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the statements of net position. Losses may arise from future changes in the value of the underlying instrument.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward contract, while the seller of the forward, or "short," agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments utilizing a central clearing house whereby, each party in the transaction enters into a contract with the central counterparty. These agreements may be over-the-counter or exchange-traded. Upon entering into a swap contract through a clearing house, collateral is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Swaps are available in and between all active financial markets. Examples include:

Interest rate swap – An agreement between two parties, where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Credit default swap – An agreement that allows one party to “buy” protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The “buyer” of protection pays a premium for the protection, and the “seller” of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

The fair value, changes in fair value, and notional amounts of the investment derivative instruments held by the Trust as of June 30, 2023 and 2022, are classified by type in the tables below.

Investment Derivative Instruments	Fiscal Year Ended June 30, 2023				
	Notional (in US \$)	Increase/(Decrease) in Fair Value		Fair Value	
		Classification	Amount (in US \$)	Classification	Amount (in US \$)
	<i>(In Thousands)</i>		<i>(In Thousands)</i>		<i>(In Thousands)</i>
Futures¹					
Fixed income futures	\$ 5,247,030	Investment Income	\$ (104,910)	Investment	\$ (39,951)
Equity futures	\$ 2,094,996	Investment Income	288,560	Investment	17,315
Total futures			<u>\$ 183,650</u>		<u>\$ (22,636)</u>
Forwards					
Foreign currency forwards	\$ 1,209,809	Investment Income	\$ (20,687)	Investment	\$ (1,764)
Swaps					
Credit default swaps	\$ 658,311	Investment Income	\$ (7,341)	Investment	\$ (7,029)
Interest rate swaps	\$ 7,075	Investment Income	847	Investment	851
Total swaps			<u>\$ (6,494)</u>		<u>\$ (6,178)</u>

¹ The total notional values of long and short fixed income futures positions were \$4.0 billion and \$1.3 billion, respectively. The total notional value of long equity futures positions was \$2.1 billion.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment Derivative Instruments	Fiscal Year Ended June 30, 2022				
	Notional (in US \$)	Increase/(Decrease) in Fair Value		Fair Value	
		Classification	Amount (in US \$)	Classification	Amount (in US \$)
	<i>(In Thousands)</i>		<i>(In Thousands)</i>		<i>(In Thousands)</i>
Futures¹					
Fixed income futures	\$ 3,800,581	Investment Income	\$ (123,732)	Investment	\$ (5,745)
Equity futures	\$ 2,167,412	Investment Income	(289,745)	Investment	12,656
Total futures			<u>\$ (413,477)</u>		<u>\$ 6,911</u>
Forwards					
Foreign currency forwards	\$ 1,603,552	Investment Income	\$ 61,150	Investment	\$ 133
Swaps					
Credit default swaps	\$ 434,600	Investment Income	\$ 1,117	Investment	\$ (500)
Interest rate swaps	\$ 132,373	Investment Income	(244)	Investment	322
Total swaps			<u>\$ 873</u>		<u>\$ (178)</u>

¹ The total notional values of long and short fixed income futures positions were \$3.0 billion and \$786.4 million, respectively. The total notional value of long equity futures positions was \$2.2 billion.

Commitments

Each year the Trust enters into a number of agreements that commit the Trust, upon request, to make additional investment purchases (i.e. capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments for private equity, real estate and strategic investments not reported on the Trust's statements of net position totaled \$17.2 billion and \$17.2 billion as of June 30, 2023 and 2022, respectively.

Notes to the Financial Statements

4. Loans Payable

Credit Facility Program

During fiscal year 2023, SBA implemented the Credit Facility Program (CFP), which consists of one or more special-purpose entities that are wholly owned by the SBA. These special-purpose entities receive funds through secured revolving lines of credit with the purpose of providing downstream loans to Real Estate Principal Investments. Principal Investments may utilize the CFP to facilitate lending and financing needs for investments within the Principal Investments Portfolio. These special-purpose entities are considered blended component units of the Trust.

As of June 30, 2023, the total amount available under existing credit facilities was \$750 million, of which no draws have been made. The available credit facilities will mature in March 2026, with the option to extend through March 2028. As well, capital commitments, from the FRS to the special-purpose entities, used to secure loans were \$788 million.

Pursuant to the terms and conditions of the existing loan agreements, in the event of default, all amounts shall become immediately due, and any commitments of the lenders shall immediately terminate. As well, an acceleration clause allows the lender to accelerate payment of the principal amount to become immediately due.

5. Contingencies and Litigation

In the ordinary course of operations, the SBA, on behalf of the Trust, may be party to various claims, legal actions, and class action lawsuits. The SBA General Counsel's Office handles these matters either directly or with assistance of outside legal counsel. In the opinion of the SBA's management and legal counsel, these matters are not anticipated to have a material financial impact on the Trust for fiscal years 2023 and 2022.

6. Related Parties

The Department of Management Services (DMS), the FRS Investment Plan Trust Fund and the SBA are considered related parties for the purpose of the Trust's financial statements. The Trust has a variety of transactions with the DMS, the FRS Investment Plan Trust Fund and the SBA. The DMS administers the Plan, including collecting employer and employee contributions, remitting those contributions to SBA for investment in the Trust, requesting withdrawals from the Trust for benefit payments, and then paying those benefit payments to members. The SBA administers the FRS Investment Plan Trust Fund, including working with DMS to collect employer and employee contributions and processing member-directed benefit amounts between the Trust and the FRS Investment Plan Trust Fund. The SBA provides investment services to the Trust and charges an investment service fee on the Trust's net asset value each month-end.

Notes to the Financial Statements

6. Related Parties (continued)

Significant transactions between the Trust, DMS, FRS Investment Plan Trust Fund and the SBA for fiscal years 2023 and 2022, were as follows:

	As of June 30	
	2023	2022
	<i>(In Thousands)</i>	
Receivables:		
Due from DMS	\$ 578,542	\$ 456,581
Payables:		
Due to DMS	176,990	212,687
Due to the SBA	9,959	10,043
Total payables	\$ 186,949	\$ 222,730
	Fiscal Years Ended June 30	
	2023	2022
	<i>(In Thousands)</i>	
Additions:		
Employer/employee contributions received from DMS	\$ 5,516,376	\$ 4,946,063
Member-directed benefits received from the FRS Investment Plan Trust Fund	68,746	111,924
Total additions	\$ 5,585,122	\$ 5,057,987
Deductions:		
Funds sent to the DMS for benefit payments	\$ 12,259,408	\$ 11,883,537
Member-directed benefits sent to the FRS Investment Plan Trust Fund	590,051	768,107
Investment service charges to the SBA ¹	58,781	64,231
Total deductions	\$ 12,908,240	\$ 12,715,875

¹ Based on month-end net asset values.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
State Board of Administration of Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Retirement System Trust Fund (the "Trust") administered by the State Board of Administration ("SBA") of Florida as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated November 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Tampa, Florida
November 6, 2023