

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

Fiscal Years Ended June 30, 2024 and 2023

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  
Tallahassee, 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 and for the years ended June 30, 2024 and 2023, 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, 2024 and 2023, and the 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 audits 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audits. 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, 2024 and 2023, 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 \$59.5 billion and \$58.3 billion as of June 30, 2024 and 2023, 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, and 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 12, 2024 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.

A handwritten signature in black ink that reads "Crowe LLP". The word "Crowe" is written in a cursive style, and "LLP" is in a more blocky, sans-serif style.

Crowe LLP

Dallas, Texas  
November 12, 2024

# 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, 2024 and 2023. 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		
	2024	2023	2022
	<i>(In Millions)</i>		
<b>Assets</b>			
Cash and cash equivalents	\$ 114	\$ 110	\$ 102
Investments	199,710	187,369	182,773
Receivables and prepaid expenses	4,606	2,164	1,942
Total assets	<u>204,430</u>	<u>189,643</u>	<u>184,817</u>
<b>Liabilities</b>			
Total liabilities	5,714	3,243	4,518
<b>Net position held in trust</b>	<u>\$ 198,716</u>	<u>\$ 186,400</u>	<u>\$ 180,299</u>

## 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		
	2024	2023	2022
	<i>(In Millions)</i>		
<b>Additions</b>			
Investment income/(loss)	\$ 19,631	\$ 14,090	\$ (13,511)
Investment expenses	(765)	(741)	(752)
Net security lending income	24	18	20
Total net investment income/(loss)	<u>18,890</u>	<u>13,367</u>	<u>(14,243)</u>
Contributions:			
Employer/employee contributions received from DMS	6,487	5,516	4,946
Member-directed benefits received from the FRS Investment Plan Trust Fund	82	69	112
Total contributions	<u>6,569</u>	<u>5,585</u>	<u>5,058</u>
Total additions	<u>25,459</u>	<u>18,952</u>	<u>(9,185)</u>
<b>Deductions</b>			
Funds sent to DMS for benefit payments	12,451	12,259	11,884
Member-directed benefits sent to the FRS Investment Plan Trust Fund	691	590	768
Borrowing costs	1	2	—
Total deductions	<u>13,143</u>	<u>12,851</u>	<u>12,652</u>
<b>Change in net position</b>	12,316	6,101	(21,837)
<b>Net position held in trust</b>			
Beginning of year	186,400	180,299	202,136
End of year	<u>\$ 198,716</u>	<u>\$ 186,400</u>	<u>\$ 180,299</u>

# Management's Discussion and Analysis

## Analysis

The Trust's net position increased by \$12.3 billion (6.6%) and \$6.1 billion (3.4%) during fiscal years 2024 and 2023, respectively. For fiscal year 2024, the increase in net position was primarily due to overall positive investment performance. As well, an increase in contributions received for investment in the Trust for fiscal year 2024 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 \$19.6 billion for fiscal year 2024 and approximately \$14.1 billion for fiscal year 2023. Positive investment performance contributed to the increase in net income for fiscal year 2024. Although not meeting its benchmark of 11.1% by 0.58% (58 basis points), the overall Trust return remained positive and provided continued growth in Trust income and overall net position. Global equity investment performance contributed significantly to the increase for fiscal year 2024, returning 18.6% in comparison to 16.5% for fiscal year 2023. Fixed income investment performance also increased for fiscal year 2024, returning 4.0%, versus -0.3% for fiscal year 2023. Private equity and strategic investment performance also increased for fiscal year 2024, returning 6.8% and 8.1%, respectively, in comparison to -5.8% and 5.0% for fiscal year 2023, respectively. Active credit, a new asset class established in April 2024, also generated positive investment performance, returning 2.7% for fiscal year 2024. Real estate returns declined for fiscal year 2024, returning -5.7% in comparison to -2.1% for fiscal year 2023. Additional information can be found in the "Investment Returns" section of Management's Discussion and Analysis.

Investment expenses totaled \$764.5 million, or .40% (40 basis points) of total average investments for fiscal year 2024, compared with investment expenses of \$740.9 million, or .41% (41 basis points) of total average investments for fiscal year 2023. Investment expenses increased by \$23.6 million (3.2%) and decreased by \$11.5 million (-1.5%) during fiscal years 2024 and 2023, respectively. Investment expenses are driven in large part by assets under management (AUM). The increase in investment expenses in fiscal year 2024 was due primarily to private market increases and the addition of several new private asset investments, which led to higher AUM.

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		
	2024	2023	2022
	<i>(In Thousands)</i>		
Bank fees	\$ 3,704	\$ 3,775	\$ 4,274
Investment management fees	677,406	660,795	671,216
SBA investment service charges	61,639	58,781	64,231
Other fees and expenses:			
Consulting	4,604	4,499	4,062
Legal	7,588	5,427	4,137
Derivative instruments	5,137	6,734	3,821
Interest on lines of credit	3,702	—	—
Miscellaneous	632	843	629
Total other fees and expenses	21,663	17,503	12,649
<b>Total investment expenses</b>	<b>\$ 764,412</b>	<b>\$ 740,854</b>	<b>\$ 752,370</b>

Net security lending income increased by \$5.3 million (29.4%) and decreased by \$1.4 million (-7.0%) in fiscal years 2024 and 2023, 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 \$983.6 million (17.6%) and \$527.1 million (10.4%) during fiscal years 2024 and 2023, 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 \$191.4 million (1.6%) and \$375.9 million (3.2%) during fiscal years 2024 and 2023, 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 increased by \$100.5 million (17.0%) and decreased by \$178.1 million (-23.2%) during fiscal years 2024 and 2023, respectively.

# Management’s Discussion and Analysis

## Plan Choice<sup>1</sup>

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, 2024, 5.8% of all new hires defaulted to the FRS Pension Plan, a decrease from the prior year, and 22.0% made an active election to enroll in the FRS Pension Plan, also 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 3,564 (5.4%) during fiscal year 2024, due to increased hiring by participating FRS employers. While the number of employees defaulting to the FRS Pension Plan increased during fiscal year 2024, those defaulting as a percentage of total new hires decreased from the prior year. The number of new employees making an active election to enroll in the FRS Pension Plan also decreased during fiscal year 2024. Additionally, the number of employees joining the FRS Pension Plan through a Second Election increased during fiscal year 2024.

	Fiscal Years Ended June 30		
	2024	2023	2022
New employees making initial Plan Choice	69,535	65,971	50,931
New employees joining FRS Pension Plan:	19,332	19,632	15,768
Active election	15,322	15,701	12,973
Plan default	4,010	3,931	2,795
New employees joining FRS Investment Plan:	50,203	46,339	35,163
Active election	11,806	9,899	8,085
Plan default	38,397	36,440	27,078
Employee Second Elections <sup>2</sup> :			
To the FRS Pension Plan	915	840	1,048
To the FRS Investment Plan	2,847	2,573	3,563

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

<sup>2</sup> 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 most class rates have steadily increased over the last three fiscal years.

<b>Membership Class</b>	<b>Employee Rate</b>	<b>Employer Rate <sup>1</sup></b>		
	<b>FYs 2022-24</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>
Regular	3.00 %	11.51 %	10.19 %	9.10 %
Special risk	3.00	30.61	26.11	24.17
Special risk: administrative support	3.00	37.76	36.93	36.04
Legislators	3.00	60.66	66.07	62.01
Governor, Lt. Governor, and cabinet officers	3.00	60.66	66.07	62.01
State Attorney and public defenders	3.00	60.66	66.07	62.01
Justices and judges	3.00	42.83	42.05	39.19
County and local elected officers	3.00	56.62	55.28	49.70
Senior management service	3.00	32.46	29.85	27.29
DROP	0.00	19.13	16.94	16.68

<sup>1</sup> Employer rates presented in this table do not include employer contributions for Health Insurance Subsidy (1.66% for FYs 2022-2023 and 2.00% for FY 2024) or plan administrative/educational expense (.06% for FYs 2022-2024) 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 2024 was 10.52%, which was below the target total benchmark of 11.10% by 58 basis points. As well, the 2023 total fund return was below the target total benchmark by 261 basis points.

For the fiscal years ended June 30, 2024 and 2023, the Trust’s investment returns<sup>1</sup>, by major asset class, were as follows:

Asset Class	Fiscal Years Ended June 30			
	2024		2023	
	Return	Benchmark	Return	Benchmark
Total Fund	10.52%	11.10%	7.50%	10.11%
Global Equity	18.57	18.42	16.47	16.14
Fixed Income	4.03	3.06	-0.30	-0.60
Real Estate	-5.71	-10.49	-2.14	-3.55
Private Equity <sup>2</sup>	6.75	20.85	-5.78	19.20
Strategic	8.10	9.08	4.95	8.36
Active Credit <sup>3</sup>	2.74	2.34	—	—
Cash & Cash Equivalents	5.42	5.50	3.80	3.73

<sup>1</sup> The above investment performance information for June 30, 2024 and 2023, is the investment return data supplied by the SBA’s master custodian and performance measurement service provider, BNY 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 2024 and 2023, Total Fund performance, based on audited information as certified by BNY Performance Reporting and Analytics Services, was 10.37% and 7.61%, respectively.

<sup>2</sup> 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 2024 and 2023, the time-weighted return for Private Equity was 6.77% and -5.65%, respectively.

<sup>3</sup> The Active Credit Asset Class was established in April 2024. As a result, the return presented above is not annualized as it only represents three months of data.

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](http://www.sbafla.com).

# Management's Discussion and Analysis

## Economic Factors

Fiscal year 2024 ended with generally strong investment returns, despite the year beginning with downward pressure on both equities and bonds. Initially, the U.S. Congress barely avoided a government shutdown with a last-minute deal to extend government funding until mid-November. This prompted Fitch to downgrade the U.S. debt rating to AA+ from AAA. Perhaps the most impactful influence on investment returns was the general monetary tightening across the globe. The U.S. Federal Reserve ("Fed"), along with other central banks, continued to raise rates to fight inflation. In July 2023, the Fed increased the Federal Funds Rate rate by 25 basis points (bps) to a range of 5.25%-5.50% making it the highest level in more than 22 years. This initially put pressure on markets and is ultimately where the Fed kept the range throughout the fiscal year as they initiated a wait and see approach to the movement of inflation. With higher rates and increasing pressure on U.S. Federal Government debt affordability, Moody's downgraded the U.S. Federal Government credit outlook to 'negative'. In addition to domestic concerns, geopolitical tensions rose at the beginning of October 2023 as Hamas launched a surprise attack on Israel forcing the Israeli Prime Minister to declare the nation "at war". This led to increased levels of volatility in the market.

Despite an initial quarter of negative returns across both equities and bonds, markets turned around in the fourth quarter of 2023. Inflation continued its slow trend downward into the end of 2023 and together with a sharp rise in consumer and business spending, contributed to the continued strength of the U.S. economy. Markets also reacted favorably to the Fed signaling it was likely at its peak of rate hiking which created expectations of around six rate cuts coming for the 2024 calendar year. The positive momentum continued due to the earnings outlook, continued decreasing inflation and resilient economic data. Additionally, the Artificial Intelligence ("A.I.") hype boosted the U.S. tech giants (Microsoft, Apple, Meta, Alphabet, NVIDIA, Amazon) and drove the S&P 500 Index to exceed the 5000 level for the first time in the beginning of February 2024. These names continued to rally until the end of June 2024. The U.S. government also passed a \$1.2 trillion spending bill to help keep the government funded through September 2024 along with providing support for U.S. defense and infrastructure. The Fed and other central banks proceeded to leave rates unchanged, reiterating that rates are likely at their peak and that their plan was to continue to monitor inflation before making any decisions on rate cuts. Consequently, expectations for rate cuts over 2024 began to diminish as the Fed showed no signs of haste to cut interest rates.

Although there was increased volatility throughout fiscal year 2024, equities continued to be strong. Global equities increased 18.4% for the year, as measured by the MSCI All Country World IMI Index. Growth continued its recovery as it outperformed Value over the year, 25.0% versus 14.8%, as measured by the MSCI All Country World Growth and Value Indices, respectively. Developed markets, both the U.S. and non-U.S., were strong as they generated returns of 20.2% and 11.2%, as measured by the MSCI World and the MSCI World ex USA Indices, respectively. Emerging markets slightly outperformed developed international markets, returning 12.5% in U.S. dollar terms, as measured by the MSCI Emerging Markets Index. With expectations of rate cuts soon, yields began to decline near the end of the fiscal year having a slightly positive impact on investment grade returns. The Bloomberg Aggregate Bond Index returned 2.6% for the fiscal year, while high yield bonds performed well in a mostly risk-on environment and returned 10.4%, as measured by the Bloomberg U.S. High Yield Index. Alternative markets generated mixed results over the year as core real estate generated negative results and private equity started to see greater activity. Other areas, such as infrastructure and private debt, generally produced favorable returns. Overall, it was a strong year for total return investors.

# **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 Financial Officer, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, Florida 32317.

## Statements of Net Position

	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Cash and cash equivalents	\$ 113,584	\$ 109,561
Investments:		
Fixed income	47,287,396	36,200,175
Equity	92,679,415	92,396,045
Alternative	43,893,436	42,147,124
Real estate	15,577,635	16,137,412
Other	21,422	43,325
Security lending collateral	251,218	444,639
Total investments	199,710,522	187,368,720
Receivables:		
Accrued interest and dividends	573,282	493,737
Loans receivable	267,700	—
Spot foreign currency contracts	214,310	215,478
Investments sold, but not settled	2,984,889	814,912
Margin receivable from counterparty	7,393	60,501
Due from DMS	558,373	578,542
Total receivables	4,605,947	2,163,170
Prepaid investment management fees	—	903
Total assets	204,430,053	189,642,354
<b>Liabilities</b>		
Investments:		
Short sales	49,778	147,560
Other	17,024	73,903
Total investments	66,802	221,463
Payables:		
Accounts payable and accrued liabilities	96,237	222,426
Loans payable	267,700	—
Spot foreign currency contracts	214,651	215,525
Investments purchased, but not settled	4,672,184	1,941,131
Margin payable to counterparty	19,675	2,658
Obligations under security lending agreements	251,238	462,576
Due to DMS	125,192	176,990
Total payables	5,646,877	3,021,306
Total liabilities	5,713,679	3,242,769
<b>Net position held in trust</b>	<b>\$ 198,716,374</b>	<b>\$ 186,399,585</b>

*See accompanying notes to the financial statements.*

## Statements of Changes in Net Position

	<b>Fiscal Years Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
<b>Additions</b>		
Investment income:		
Interest income	\$ 1,384,614	\$ 1,068,581
Dividend income	1,764,063	1,919,827
Alternative investment income	2,362,390	2,090,589
Real estate income	650,607	549,694
Fines, forfeits, and securities litigation proceeds	3,723	2,622
Other income	3,183	—
Net increase in fair value of investments	13,462,368	8,458,267
Total investment income	19,630,948	14,089,580
Investment expenses:		
Bank fees	(3,704)	(3,775)
Investment management fees	(677,406)	(660,795)
SBA investment service charges	(61,639)	(58,781)
Other fees and expenses	(21,663)	(17,503)
Total investment expenses	(764,412)	(740,854)
Net income from investments	18,866,536	13,348,726
Security lending income	47,696	42,840
Security lending expenses	(23,999)	(24,394)
Net income from security lending	23,697	18,446
Total net investment income	18,890,233	13,367,172
Contributions:		
Employer/employee contributions received from DMS	6,486,992	5,516,376
Member-directed benefits received from the FRS Investment Plan Trust Fund	81,756	68,746
Total contributions	6,568,748	5,585,122
Total additions	25,458,981	18,952,294
<b>Deductions</b>		
Funds sent to DMS for benefit payments	12,450,773	12,259,408
Member-directed benefits sent to the FRS Investment Plan Trust Fund	690,365	590,051
Borrowing costs	1,054	2,491
Total deductions	13,142,192	12,851,950
<b>Change in net position</b>	12,316,789	6,100,344
<b>Net position held in trust</b>		
Beginning of year	186,399,585	180,299,241
End of year	\$ 198,716,374	\$ 186,399,585

*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), a cost-sharing, multiple-employer defined benefit pension plan qualified under Internal Revenue Code Section 401(a), was established by the Legislature of the State of Florida in accordance with Chapter 121, *Florida Statutes*, to provide 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 Services (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, composed of the Governor, as Chair, the Attorney General, and the Chief Financial Officer of the State of Florida.

The Trust is accounted for separately as an investment trust fund, and holds the assets of the Plan for the exclusive benefit of the Plan's members. 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, 2024 and 2023, 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 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, which uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class or issue. BNY 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 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.

# 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 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 that 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 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 2024 and 2023, 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, 2024, including judgments about the financial market and economic conditions, which may change over time.

### **New Accounting Standards**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 (GASB 100)*. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The statement was implemented without impact to the Trust.

# Notes to the Financial Statements

## **3. Deposits and Investments**

### **Deposits**

As of June 30, 2024, the recorded carrying amount of deposits totaled \$113.6 million and consisted of U.S. dollars and foreign currencies (U.S. value) in the amounts of \$15.7 million and \$97.9 million, respectively.

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. 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.

During fiscal year 2024, the SBA formed the Active Credit Asset Class to provide diversification via credit premia across public and private markets. This new asset class is comprised of private credit and multi-asset credit. The funds comprising the Active Credit Asset Class are classified as Alternative Investments for financial reporting purposes.

- **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, either wholly owned or 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, the 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, 2024 and 2023.

Investment Type	As of June 30	
	2024	2023
	<i>(In Thousands)</i>	
<b>Fixed income</b>		
Certificates of deposit	\$ 100,064	\$ 700,086
Commercial paper	2,745,017	2,345,295
Money market funds	28,090	27,250
Repurchase agreements	1,600,000	1,400,000
U.S. guaranteed obligations	17,932,296	12,409,773
Federal agencies	8,359,530	7,459,319
Domestic bonds and notes	13,200,144	8,986,547
International bonds and notes	3,322,255	2,871,905
<b>Equity</b>		
Domestic	57,446,035	54,961,305
International	32,281,386	33,780,786
Commingled international funds	2,951,994	3,653,954
<b>Alternative</b>		
Activist equity funds	1,562,151	1,414,237
Hedge funds	3,606,289	4,771,298
Insurance funds	1,604,579	955,564
Private debt/credit opportunity funds	6,542,373	5,892,485
Private equity funds	21,847,056	20,965,551
Private real asset funds	8,730,988	8,147,989
<b>Real estate</b>		
Direct investments	13,398,266	13,726,007
Commingled investment funds	2,179,369	2,411,405
<b>Other</b>		
Forwards	6,559	4,497
Futures	12,563	36,573
Swaps	2,300	2,255
<b>Securities lending collateral</b>		
Money market funds	251,218	436,720
Domestic bonds and notes	—	7,919
<b>Total investments</b>	<b>\$ 199,710,522</b>	<b>\$ 187,368,720</b>
<b>Short sales (liabilities)</b>		
U.S. guaranteed obligations	\$ (4,642)	\$ —
Federal agencies	(45,136)	(147,560)
<b>Other (liabilities)</b>		
Forwards	(2,666)	(6,261)
Futures	(11,677)	(59,209)
Swaps	(2,681)	(8,433)
<b>Total investments (liabilities)</b>	<b>\$ (66,802)</b>	<b>\$ (221,463)</b>

## 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, 2024 and June 30, 2023, are presented below:

<b>Investment Type</b>	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
U.S. guaranteed obligations	\$ 125,195	\$ 134,433
<b>Total pledged collateral</b>	<b>\$ 125,195</b>	<b>\$ 134,433</b>

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, 2024 and June 30, 2023, are presented below:

<b>Margin Collateral</b>	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
Margin receivable from counterparty:		
Futures contracts	\$ 3,182	\$ 46,003
Swaps contracts	4,081	10,111
Foreign currency contracts	—	1,370
Commitments to purchase (TBAs)	130	3,017
<b>Total margin receivable from counterparty</b>	<b>\$ 7,393</b>	<b>\$ 60,501</b>
Margin payable to counterparty:		
Futures contracts	\$ 11,265	\$ 1,344
Swaps contracts	2,311	1,314
Foreign currency contracts	4,170	—
Commitments to purchase (TBAs)	1,929	—
<b>Total margin payable to counterparty</b>	<b>\$ 19,675</b>	<b>\$ 2,658</b>

# 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, 2024 and June 30, 2023.

## Notes to the Financial Statements

### 3. Deposits and Investments (continued)

Investments by Fair Value Level	Total	As of June 30, 2024		
		Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
		<i>(In Thousands)</i>		
<b>Fixed income</b>				
Certificates of deposit	\$ 100,064	\$ —	\$ 100,064	\$ —
Commercial paper	2,745,017	—	2,745,017	—
U.S. guaranteed obligations	17,932,296	—	17,932,296	—
Federal agencies	8,359,530	—	8,335,567	23,963
Domestic bonds and notes	13,200,144	—	13,159,877	40,267
International bonds and notes	3,322,255	—	2,834,327	487,928
Total fixed income	45,659,306	—	45,107,148	552,158
<b>Equity</b>				
Domestic	57,446,035	57,438,515	—	7,520
International	32,281,386	32,229,946	—	51,440
Commingled international funds	187,082	—	187,082	—
Total equity	89,914,503	89,668,461	187,082	58,960
<b>Alternative</b>				
Private equity funds	127,500	—	—	127,500
<b>Real estate</b>				
Direct investments	13,398,266	—	—	13,398,266
<b>Other</b>				
Forwards	6,559	—	6,559	—
Futures	12,563	12,563	—	—
Swaps	2,300	—	2,300	—
Total other	21,422	12,563	8,859	—
Total investments by fair value level	149,120,997	89,681,024	45,303,089	14,136,884
<b>Investments at net asset value (NAV)</b>				
Commingled international equity funds	2,764,912			
Commingled real estate investment funds	2,179,369			
Activist equity funds	1,562,151			
Hedge funds	3,606,289			
Insurance funds	1,604,579			
Private debt/credit opportunity funds	6,542,373			
Private equity funds	21,719,556			
Private real asset funds	8,730,988			
Total investments at NAV	48,710,217			
<b>Other investments at amortized cost</b>				
Money market funds	28,090			
Money market funds - security lending collateral	251,218			
Repurchase agreements	1,600,000			
Total investments at amortized cost	1,879,308			
<b>Total investments</b>	<u>\$ 199,710,522</u>			
<b>Short sales (liabilities)</b>				
U.S. guaranteed obligations	\$ (4,642)	\$ —	\$ (4,642)	\$ —
Federal agencies	(45,136)	—	(45,136)	—
Total short sales (liabilities)	(49,778)	—	(49,778)	—
<b>Other (liabilities)</b>				
Forwards	(2,666)	—	(2,666)	—
Futures	(11,677)	(11,677)	—	—
Swaps	(2,681)	—	(2,681)	—
Total other (liabilities)	(17,024)	(11,677)	(5,347)	—
Total investments (liabilities)	<u>\$ (66,802)</u>	<u>\$ (11,677)</u>	<u>\$ (55,125)</u>	<u>\$ —</u>

# 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>		
<b>Fixed income</b>				
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
<b>Equity</b>				
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
<b>Alternative</b>				
Private equity funds	152,000	—	—	152,000
<b>Real estate</b>				
Direct investments	13,726,007	—	—	13,726,007
<b>Other</b>				
Forwards	4,497	—	4,497	—
Futures	36,573	36,573	—	—
Swaps	2,255	—	2,255	—
Total other	43,325	36,573	6,752	—
<b>Securities lending collateral</b>				
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
<b>Investments at net asset value (NAV)</b>				
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			
<b>Other investments at amortized cost</b>				
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			
<b>Total investments</b>	<u>\$ 187,368,720</u>			
<b>Short sales (liabilities)</b>				
Federal agencies	\$ (147,560)	\$ —	\$ (147,560)	\$ —
Total short sales (liabilities)	(147,560)	—	(147,560)	—
<b>Other (liabilities)</b>				
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)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2024 and June 30, 2023 is presented in the footnotes to the tables below.

Investment Type	As of June 30, 2024			
	Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<i>(In Thousands)</i>				
<b>Investments measured at the NAV</b>				
Commingled international equity funds <sup>1</sup>	\$ 2,764,912	—	Daily, Monthly	2 - 3 days
Commingled real estate investment funds <sup>2</sup>	2,179,369	—	Quarterly	15 - 90 days
Activist equity funds <sup>3</sup>	1,562,151	—	Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (managed futures) <sup>4</sup>	1,496,868	—	Daily, Monthly	10 - 35 days
Equity long/short <sup>5</sup>	354,970	—	Monthly, Quarterly	30 - 45 days
Event-driven <sup>6</sup>	49,981	—	See footnote	
Multi-strategy <sup>7</sup>	877,945	—	Quarterly	30 - 65 days
Opportunistic-debt <sup>8</sup>	176,682	—	See footnote	
Relative value <sup>9</sup>	649,843	—	Quarterly	60 - 90 days
Insurance funds <sup>10</sup>	1,604,579	\$ 133,486	Monthly, Biannually, Annually	30 - 120 days
Private debt/credit opportunity funds <sup>11</sup>	6,542,373	\$ 3,099,793		
Private equity funds <sup>12</sup>	21,719,556	\$ 8,652,846		
Private real asset funds <sup>13</sup>	8,730,988	\$ 5,558,833		
<b>Total investments measured at the NAV</b>	<b>\$ 48,710,217</b>			
<b>Investments at Level 3</b>				
Private equity funds <sup>12</sup>	\$ 127,500	—		
Real estate direct investments <sup>14</sup>	\$ 13,398,266	\$ 349,974		

<sup>1</sup> *Commingled International Equity Funds*: The four funds in this group are primarily invested in publicly traded international equity securities, and one of these funds also focuses on emerging markets. Each fund is 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, one fund is redeemable monthly, and the remaining fund is currently in the liquidation process with a residual balance remaining.

<sup>2</sup> *Commingled Real Estate Investment Funds*: The ten 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 fund is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Nine 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.

<sup>3</sup> *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 funds are valued at the NAV per share. One fund (approximately 35% 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 39% of this strategy) are subject to contractual lock-up restrictions and not currently eligible for redemption.

<sup>4</sup> *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 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 one month or less.

<sup>5</sup> *Equity Long/Short Hedge Funds*: Consisting of two 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)**

- <sup>6</sup> *Event-Driven Hedge Funds:* The one fund in this category seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. This fund is valued at the NAV per share, and is currently in the liquidation process.
- <sup>7</sup> *Multi-Strategy Hedge Funds:* The four 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. Three funds are currently eligible for redemption within three months due to quarterly redemption restrictions. The remaining fund (less than 1% of this strategy) is currently in the liquidation process with a residual balance remaining.
- <sup>8</sup> *Opportunistic-Debt Hedge Funds:* Consisting of two 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. Both funds in this strategy are currently in the redemption process.
- <sup>9</sup> *Relative Value Hedge Funds:* Consisting of two funds, 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 funds are valued at the NAV per share. Both funds in this strategy are no longer subject to contractual lock-up restrictions and eligible for redemption within three months.
- <sup>10</sup> *Insurance Funds:* The eight funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These funds are valued at the NAV per share. One fund (approximately 21%) has varying restrictions due to underlying investment funds and is eligible for redemption within one to three months. Two funds (approximately 57%) are eligible for redemption within seven months or less due to biannual redemption restrictions. One fund (approximately 3%) is eligible for redemption within six months due to annual redemption restrictions. Three funds (approximately 11%) are not eligible for redemption due to contractual lock-up restrictions. The remaining fund (approximately 8%) is currently in the liquidation process.
- <sup>11</sup> *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, 2024 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.
- <sup>12</sup> *Private Equity Funds:* There are 284 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds, Growth funds, and Co-Investments with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 283 funds has been determined using the NAV at June 30, 2024 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, 2024 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.
- <sup>13</sup> *Private Real Asset Funds:* There are 116 real asset funds, 78 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 38 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2024 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.
- <sup>14</sup> *Direct Real Estate Investments:* There are 89 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, 2023			
	Total	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<i>(In Thousands)</i>				
<b>Investments measured at the NAV</b>				
Commingled international equity funds <sup>1</sup>	\$ 3,540,368	—	Daily, Monthly	2 - 120 days
Commingled real estate investment funds <sup>2</sup>	2,411,405	—	Quarterly	15 - 90 days
Activist equity funds <sup>3</sup>	1,414,237	—	Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (managed futures) <sup>4</sup>	1,749,680	—	Daily, Monthly	10 - 35 days
Equity long/short <sup>5</sup>	454,845	—	Monthly, Quarterly	30 - 60 days
Event-driven <sup>6</sup>	142,381	\$ 10,000	None currently eligible	
Global macro <sup>7</sup>	402,561	—	Monthly	5 - 30 days
Multi-strategy <sup>8</sup>	1,187,237	—	Quarterly, Biennially	30 - 90 days
Opportunistic-debt <sup>9</sup>	382,909	—	Quarterly	60 - 65 days
Relative value <sup>10</sup>	451,685	—	Quarterly	60 days
Insurance funds <sup>11</sup>	955,564	\$ 204,376	Monthly, Quarterly, Biennially	30 - 90 days
Private debt/credit opportunity funds <sup>12</sup>	5,892,485	\$ 3,600,210		
Private equity funds <sup>13</sup>	20,813,551	\$ 8,194,285		
Private real asset funds <sup>14</sup>	8,147,989	\$ 4,448,210		
<b>Total investments measured at the NAV</b>	<b>\$ 47,946,897</b>			
<b>Investments at Level 3</b>				
Private equity funds <sup>13</sup>	\$ 152,000	—		
Real estate direct investments <sup>15</sup>	\$ 13,726,007	\$ 766,784		

<sup>1</sup> *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 fund is 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.

<sup>2</sup> *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 fund is 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.

<sup>3</sup> *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 funds 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.

<sup>4</sup> *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 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 one month or less.

<sup>5</sup> *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.

<sup>6</sup> *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 funds 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)**

- <sup>7</sup> *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.
- <sup>8</sup> *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.
- <sup>9</sup> *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.
- <sup>10</sup> *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 funds 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.
- <sup>11</sup> *Insurance Funds:* The seven funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These funds are valued at the NAV per share. One fund (approximately 27%) has varying restrictions due to underlying investment funds and is eligible for redemption 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.
- <sup>12</sup> *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.
- <sup>13</sup> *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.
- <sup>14</sup> *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.
- <sup>15</sup> *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)**

### **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 Securitized Index Portfolio, Government/Credit Index Portfolio, and the Core Portfolio, should be rated investment grade by at least one of the NRSROs at the time of purchase, with minimum long-term ratings of Baa/BBB by one of the NRSROs. Securities for a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies).

The Securitized Index Portfolio limits securities generally to those issued by Government Sponsored Enterprises (GSE), securitized products, swaps, swaptions, and futures.

The Government/Credit Index Portfolio and the Core Portfolio allow U.S. Treasuries, U.S. Government Agencies, corporates, foreign sovereign debt, and municipals. The Core Portfolio also allows mortgage and asset-backed securities.

## Notes to the Financial Statements

### **3. Deposits and Investments (continued)**

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 were sold for a loss during fiscal year 2024. See sub-section, Security Lending, for additional information.

# 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, 2024 and 2023.

Credit Quality Ratings <sup>1</sup>		As of June 30, 2024							
		Total <sup>2</sup>	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies <sup>4</sup>	Domestic Bonds and Notes	Int. Bonds and Notes
S&P	Moody's	<i>(In Thousands)</i>							
A-1 / AAAm		\$ 2,899,146	\$ 50,030	\$ 2,569,808	\$ 279,308	\$ —	\$ —	\$ —	\$ —
A-3		287	—	287	—	—	—	—	—
AAA		988,181	—	—	—	—	—	502,569	485,612
AA		854,954	—	—	—	—	341,335	326,432	187,187
A		3,365,347	—	—	—	—	—	2,637,036	728,311
BBB		6,456,537	—	—	—	—	—	5,273,521	1,183,016
BB		270,970	—	—	—	—	—	214,555	56,415
B		71,823	—	—	—	—	—	42,520	29,303
CCC		7,595	—	—	—	—	—	7,595	—
CC		1,118	—	—	—	—	—	—	1,118
	P-1	174,922	—	174,922	—	—	—	—	—
	Aaa	1,187,262	—	—	—	—	—	931,962	255,300
	Aa	154,706	—	—	—	—	—	110,960	43,746
	A	240,834	—	—	—	—	—	209,474	31,360
	Baa	524,544	—	—	—	—	—	354,043	170,501
	Ba	245,628	—	—	—	—	—	230,022	15,606
	B	44,689	—	—	—	—	—	30,945	13,744
	Caa	2,753	—	—	—	—	—	1,060	1,693
	Ca	264	—	—	—	—	—	264	—
NR	NR	11,493,919	50,034	—	—	979,161	8,018,195	2,327,186	119,343
		<u>28,985,479</u>	<u>100,064</u>	<u>2,745,017</u>	<u>279,308</u>	<u>979,161</u>	<u>8,359,530</u>	<u>13,200,144</u>	<u>3,322,255</u>
<b>Ratings not applicable:</b>									
	Repurchase agreements <sup>3</sup>	620,839							
	U.S. guaranteed obligations <sup>3</sup>	17,932,296							
	<b>Total fixed income invs.</b>	<u>\$ 47,538,614</u>							

<sup>1</sup> 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.

<sup>2</sup> All investments are included in this table, including security lending collateral investments.

<sup>3</sup> 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.

<sup>4</sup> 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 <sup>1</sup>		As of June 30, 2023							
		Total <sup>2</sup>	Certificates of Deposit	Commercial Paper	Money Market Funds	Repurchase Agreements	Federal Agencies <sup>4</sup>	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	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>
<b>Ratings not applicable:</b>									
	Repurchase agreements <sup>3</sup>	600,206							
	U.S. guaranteed obligations <sup>3</sup>	12,409,773							
	<b>Total fixed income invs.</b>	<u>\$ 36,644,814</u>							

<sup>1</sup> 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.

<sup>2</sup> All investments are included in this table, including security lending collateral investments.

<sup>3</sup> 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.

<sup>4</sup> 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, 2024 and 2023, 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 \$3.4 million and \$-2.9 million as of June 30, 2024 and 2023, respectively.

Counterparty credit ratings related to credit risk for forward currency contracts held at June 30, 2024 and 2023, are presented below.

Credit Ratings (Long/Short) <sup>1</sup>		As of June 30, 2024			As of June 30, 2023		
		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		\$ 5,128	\$ (2,581)	\$ 2,547	\$ 2,862	\$ (5,884)	\$ (3,022)
	A/P-1	116	—	116	—	(5)	(5)
	NR/P-1	1,315	(85)	1,230	1,635	(372)	1,263
	<b>Total</b>	<b>\$ 6,559</b>	<b>\$ (2,666)</b>	<b>\$ 3,893</b>	<b>\$ 4,497</b>	<b>\$ (6,261)</b>	<b>\$ (1,764)</b>

<sup>1</sup> 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, 2024 and 2023, are presented below.

Credit Ratings (Long/Short) <sup>1</sup>		As of June 30, 2024			As of June 30, 2023		
		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		\$ 21,569	\$ (21,582)	\$ (13)	\$ 4,001	\$ (4,007)	\$ (6)
A/A-1		104,129	(104,369)	(240)	148,846	(148,917)	(71)
	A/P-1	10,429	(10,466)	(37)	16,330	(16,324)	6
	NR/P-1	22,656	(22,673)	(17)	1,478	(1,474)	4
NR	NR	55,527	(55,561)	(34)	44,823	(44,803)	20
	<b>Total</b>	<b>\$ 214,310</b>	<b>\$ (214,651)</b>	<b>\$ (341)</b>	<b>\$ 215,478</b>	<b>\$ (215,525)</b>	<b>\$ (47)</b>

<sup>1</sup> 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, 2024 and 2023. The remaining uninsured and uncollateralized deposits, totaling \$97.9 million and \$103.7 million as of June 30, 2024 and 2023, 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, 2024 and June 30, 2023.

<b>Investment Type</b>	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
Security lending collateral:	<i>(In Thousands)</i>	
Domestic bonds and notes	\$ —	\$ 7,919

### **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, 2024 or 2023.

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 Securitized 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 Bloomberg U.S. Securitized Index duration. Interest rate swaps, swaptions, interest rate futures, and/or Agency debentures may contribute no more than 25% of the portfolio's total duration.

The Government/Credit Index Portfolio duration should remain within plus or minus 0.25 years of the Bloomberg U.S. Government/Credit 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 duration should remain within plus or minus 0.50 years of the Bloomberg U.S. Aggregate 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 were sold for a loss, during fiscal year 2024. See sub-section, Security Lending, for additional information. 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, 2024 and 2023, 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, 2024			
	Total (Duration)	Effective Weighted Duration	Total (WAM)	Weighted Average Maturity
	(In Thousands)	(In Years)	(In Thousands)	(In Days)
Certificates of deposit	\$ —	NA	\$ 100,064	82
Commercial paper	—	NA	2,745,017	17
Money market funds	—	NA	279,308	1
Repurchase agreements	—	NA	1,600,000	4
U.S. guaranteed obligations:				
Treasury bills	2,105,429	0.12	—	NA
Treasury bonds and notes	14,063,212	6.36	—	NA
Treasury strips	17,240	16.89	—	NA
Index linked government bonds	187,576	7.34	—	NA
Bonds and notes	4,867	5.67	—	NA
Asset-backed	2,057	1.27	—	NA
GNMA mortgage-backed	1,023,571	5.21	—	NA
GNMA commitments to purchase (TBAs)	111,867	5.74	—	NA
Mortgage-backed CMOs and CMBS <sup>1</sup>	416,477	5.71	—	NA
Federal agencies:				
Discount notes	27,596	0.02	—	NA
Unsecured bonds and notes	313,739	5.49	—	NA
Agency strips	28,050	7.93	—	NA
Mortgage-backed	5,819,612	4.08	—	NA
FNMA, FHLMC commitments to purchase (TBAs)	1,285,213	5.58	—	NA
Mortgage-backed CMOs and CMBS <sup>1</sup>	885,320	5.37	—	NA
Domestic:				
Corporate bonds and notes	10,795,574	2.37	—	NA
Asset and mortgage-backed	700,676	2.22	—	NA
Mortgage-backed CMOs and CMBS <sup>1</sup>	1,681,098	3.50	—	NA
Municipal/provincial	22,796	8.00	—	NA
International:				
Government and agency obligations	842,929	4.59	—	NA
Corporate bonds and notes	1,988,927	4.12	—	NA
Asset and mortgage-backed	475,995	0.14	—	NA
Mortgage-backed CMOs and CMBS <sup>1</sup>	14,404	0.08	—	NA
Futures-long <sup>2</sup>	10,690	4.70	—	NA
Futures-short <sup>2</sup>	(4,123)	8.27	—	NA
Credit default swaps <sup>2</sup>	(2,029)	—	—	NA
Interest rate swaps <sup>2</sup>	1,648	1.24	—	NA
<b>Total fixed income investments</b>	<b>\$ 42,820,411</b>		<b>\$ 4,724,389</b>	
Short sales (liabilities):				
GNMA commitments to sell (TBAs)	\$ (4,642)	6.21		
FNMA, FHLMC commitments to sell (TBAs)	(45,136)	6.36		
<b>Total fixed income short sales</b>	<b>\$ (49,778)</b>			

<sup>1</sup> Includes investments in IOs, POs and INVs totaling \$62 million.

<sup>2</sup> 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, 2023			
	Total	Effective	Total (WAM)	Weighted
	(Duration)	Weighted		Average
	<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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	43,744	0.05	—	NA
Futures-long <sup>2</sup>	(51,090)	4.07	—	NA
Futures-short <sup>2</sup>	11,138	6.35	—	NA
Credit default swaps <sup>2</sup>	(7,029)	—	—	NA
Interest rate swaps <sup>2</sup>	851	(2.76)	—	NA
<b>Total fixed income investments</b>	<b>\$ 31,681,414</b>		<b>\$ 4,917,270</b>	
Short sales (liabilities):				
FNMA, FHLMC commitments to sell (TBAs)	(147,560)	6.00		
<b>Total fixed income short sales</b>	<b>\$ (147,560)</b>			

<sup>1</sup> Includes investments in IOs, POs and INVs totaling \$50 million.

<sup>2</sup> 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 2024 and 2023, 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. See sub-section, Derivatives, for additional information on derivative instruments.

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, 2024 and 2023.

## Notes to the Financial Statements

### 3. Deposits and Investments (continued)

As of June 30, 2024							
Currency	Cash	Equity	Alternative Investments	Fixed Income	Other	Spots, net	Total
<i>(In Thousands)</i>							
Australian dollar	\$ 1,073	\$ 652,872	\$ —	\$ —	\$ 105,725	\$ (1,234)	\$ 758,436
Brazilian real	2,890	314,828	—	12,386	—	(1,885)	328,219
British pound sterling	8,792	3,007,643	135,402	8,643	(35,557)	19,981	3,144,904
Canadian dollar	4,308	1,161,712	—	913	88,619	(411)	1,255,141
Chilean peso	263	24,176	—	—	—	199	24,638
Chinese yuan renminbi	—	339,193	—	—	(9,984)	1,235	330,444
Chinese yuan Hong Kong	9,432	—	—	—	—	—	9,432
Colombian peso	14	549	—	—	—	—	563
Czech koruna	45	22,071	—	—	—	—	22,116
Danish krone	213	872,440	—	—	(17,292)	(81)	855,280
Egyptian pound	6	84	—	—	—	—	90
Euro	6,953	6,810,087	2,150,406	86,595	(354,465)	56,639	8,756,215
Hong Kong dollar	3,681	1,798,521	—	—	—	4,573	1,806,775
Hungarian forint	285	16,947	—	—	—	—	17,232
Indian rupee	10,623	1,563,055	—	—	—	—	1,573,678
Indonesian rupiah	694	212,709	—	—	—	(267)	213,136
Israeli shekel	600	24,829	—	—	—	(395)	25,034
Japanese yen	10,429	3,732,818	12,789	—	2,243	4,469	3,762,748
Kuwaiti dinar	—	10,470	—	—	—	—	10,470
Malaysian ringgit	298	83,806	—	—	—	113	84,217
Mexican peso	2,958	220,950	—	11,533	—	—	235,441
New Taiwan dollar	5,410	1,582,069	—	—	(15,207)	(2,945)	1,569,327
New Zealand dollar	32	13,095	—	—	—	219	13,346
Norwegian krone	416	188,643	—	—	8,431	(56)	197,434
Pakistani rupee	55	—	—	—	—	—	55
Peruvian sol	4	—	—	—	—	—	4
Philippines peso	89	46,855	—	—	—	78	47,022
Polish zloty	163	90,562	—	—	—	(114)	90,611
Qatari riyal	—	26,981	—	—	—	—	26,981
Saudi Arabian riyal	18,598	163,657	—	—	—	(5)	182,250
Singapore dollar	820	300,391	—	—	7,069	1,527	309,807
South African rand	50	200,819	—	—	—	1,497	202,366
South Korean won	4,982	1,357,195	—	—	(44,243)	(2,135)	1,315,799
Swedish krona	613	572,501	44,909	—	38,593	(3,757)	652,859
Swiss franc	747	1,351,274	—	—	80,311	(2,066)	1,430,266
Thailand baht	11	139,677	—	—	—	833	140,521
Turkish lira	245	69,181	—	—	—	500	69,926
United Arab Emirates dirham	—	117,509	—	—	—	—	117,509
Uruguayan peso	—	—	—	17,492	—	—	17,492
Vietnam dong	2,059	10,366	—	—	—	—	12,425
<b>Total foreign currency risk</b>	<b>97,851</b>	<b>27,100,535</b>	<b>2,343,506</b>	<b>137,562</b>	<b>(145,757)</b>	<b>76,512</b>	<b>29,610,209</b>
Other investments with potential exposure to foreign currency risk:							
Alternative investments	—	—	41,549,930	—	—	—	41,549,930
P-notes and ETFs	—	1,073,917	—	—	—	—	1,073,917
Commingled int. equity funds	—	2,951,994	—	—	—	—	2,951,994
<b>Total investments</b>	<b>\$ 97,851</b>	<b>\$ 31,126,446</b>	<b>\$ 43,893,436</b>	<b>\$ 137,562</b>	<b>\$ (145,757)</b>	<b>\$ 76,512</b>	<b>\$ 75,186,050</b>

## 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
<b>Total foreign currency risk</b>	<b>103,693</b>	<b>29,404,890</b>	<b>2,106,947</b>	<b>108,761</b>	<b>(316,296)</b>	<b>110,215</b>	<b>31,518,210</b>
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
<b>Total investments</b>	<b>\$ 103,693</b>	<b>\$ 33,145,561</b>	<b>\$ 42,147,124</b>	<b>\$ 108,761</b>	<b>\$ (316,296)</b>	<b>\$ 110,215</b>	<b>\$ 75,299,058</b>

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, 2024 and 2023, that were exposed to foreign currency risk are presented below.

		As of June 30, 2024				
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 <sup>1</sup>	U.S. dollar	4,401	516,515	515,621	(894)	\$ (894)
MSCI Emerging Markets <sup>1</sup>	U.S. dollar	181	9,820	9,848	28	28
Bond Futures:						
Euro Bobl	Euro	(65)	(7,487)	(7,568)	(81)	(87)
Euro Bund	Euro	(105)	(13,782)	(13,820)	(38)	(41)
Euro Buxl 30-Year	Euro	(15)	(1,922)	(1,954)	(32)	(34)
Canada 10-Year	Canadian dollar	118	14,055	14,168	113	83
<b>Total futures subject to foreign currency risk</b>		<b>4,515</b>	<b>517,199</b>	<b>516,295</b>	<b>(904)</b>	<b>\$ (945)</b>

<sup>1</sup> 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, 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 <sup>1</sup>	U.S. dollar	4,437	483,074	478,198	(4,876)	\$ (4,876)
MSCI Emerging Markets <sup>1</sup>	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
<b>Total futures subject to foreign currency risk</b>		<b>4,707</b>	<b>489,755</b>	<b>485,099</b>	<b>(4,656)</b>	<b>\$ (4,642)</b>

<sup>1</sup> 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.

The Trust's forward currency contract positions as of June 30, 2024 and 2023, that were exposed to foreign currency risk are presented below, by currency.

Currency	As of June 30, 2024				As of June 30, 2023			
	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	\$ 105,121	\$ —	\$ 105,725	\$ 604	\$ 84,232	\$ 4,386	\$ 78,441	\$ (1,405)
British pound sterling	2,081	38,700	(36,469)	150	24,518	64,248	(40,345)	(615)
Canadian dollar	89,409	1,460	88,536	587	117,454	5,312	113,434	1,291
Chinese yuan renminbi	—	9,872	(9,984)	(112)	5,034	—	4,746	(288)
Danish krone	2,063	19,380	(17,292)	24	33,653	41,332	(7,633)	46
Euro	17,273	373,691	(354,303)	2,115	22,475	505,969	(483,172)	321
Hong Kong dollar	6,932	6,929	—	(3)	40,794	4,248	36,326	(219)
Indian rupee	—	—	—	—	—	29,077	(29,032)	45
Japanese yen	65,397	62,732	2,243	(422)	11,423	4,892	6,412	(118)
New Taiwan dollar	—	15,444	(15,207)	237	—	8,066	(7,926)	141
Norwegian krone	8,156	—	8,431	275	4,543	—	4,468	(75)
Singapore dollar	7,129	—	7,069	(60)	7,205	—	7,074	(131)
South Korean won	—	44,666	(44,243)	424	—	27,635	(27,624)	10
Swedish krona	41,097	2,497	38,593	(7)	40,750	—	39,998	(752)
Swiss franc	80,230	—	80,311	81	55,475	67,089	(11,629)	(15)
U.S. dollar	575,371	424,888	150,483	—	762,253	447,555	314,698	—
<b>Total</b>	<b>\$ 1,000,259</b>	<b>\$ 1,000,259</b>	<b>\$ 3,893</b>	<b>\$ 3,893</b>	<b>\$ 1,209,809</b>	<b>\$ 1,209,809</b>	<b>\$ (1,764)</b>	<b>\$ (1,764)</b>

## Notes to the Financial Statements

### 3. Deposits and Investments (continued)

The Trust's spot currency contract positions as of June 30, 2024 and 2023, that were exposed to foreign currency risk are presented below, by currency.

Currency	As of June 30, 2024				As of June 30, 2023			
	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	\$ —	\$ (1,234)	\$ (1,234)	\$ (6)	\$ 34	\$ (2,895)	\$ (2,861)	\$ (11)
Brazilian real	2,311	(4,196)	(1,885)	(15)	—	(76)	(76)	—
British pound sterling	25,184	(5,203)	19,981	(48)	22,814	(4,745)	18,069	11
Canadian dollar	—	(411)	(411)	—	—	(3,583)	(3,583)	(5)
Chilean peso	199	—	199	—	—	—	—	—
Chinese yuan renminbi	1,268	(33)	1,235	5	—	(370)	(370)	(1)
Danish krone	—	(81)	(81)	—	—	(2,185)	(2,185)	(8)
Euro	89,273	(32,634)	56,639	(246)	122,503	(13,968)	108,535	(34)
Hong Kong dollar	6,555	(1,982)	4,573	—	1,466	(2,832)	(1,366)	—
Indonesian rupiah	226	(493)	(267)	—	—	(253)	(253)	—
Israeli shekel	—	(395)	(395)	—	—	—	—	—
Japanese yen	9,720	(5,251)	4,469	(9)	9,444	(7,324)	2,120	(3)
Malaysian ringgit	386	(273)	113	—	—	(6)	(6)	—
Mexican peso	—	—	—	—	237	(1,485)	(1,248)	2
New Taiwan dollar	—	(2,945)	(2,945)	(7)	—	(1,750)	(1,750)	(1)
New Zealand dollar	219	—	219	—	75	—	75	—
Norwegian krone	56	(112)	(56)	—	—	(494)	(494)	(1)
Philippines peso	78	—	78	—	—	—	—	—
Polish zloty	588	(702)	(114)	(1)	—	(17)	(17)	—
Saudi Arabian riyal	—	(5)	(5)	—	—	—	—	—
Singapore dollar	1,527	—	1,527	1	—	(963)	(963)	(3)
South African rand	1,951	(454)	1,497	2	1,185	(1,206)	(21)	1
South Korean won	2,831	(4,966)	(2,135)	(17)	336	(2)	334	—
Swedish krona	—	(3,757)	(3,757)	(4)	—	(650)	(650)	1
Swiss franc	781	(2,847)	(2,066)	1	3,599	(6,648)	(3,049)	5
Thailand baht	1,079	(246)	833	4	1,222	(1,248)	(26)	—
Turkish lira	1,222	(722)	500	(1)	—	—	—	—
U.S. dollar	68,856	(145,709)	(76,853)	—	52,563	(162,825)	(110,262)	—
<b>Total</b>	<b>\$ 214,310</b>	<b>\$ (214,651)</b>	<b>\$ (341)</b>	<b>\$ (341)</b>	<b>\$ 215,478</b>	<b>\$ (215,525)</b>	<b>\$ (47)</b>	<b>\$ (47)</b>

## Notes to the Financial Statements

### **3. Deposits and Investments (continued)**

#### **Swaps**

The Trust's swap agreement positions as of June 30, 2024 and 2023, that were exposed to foreign currency risk are presented below.

<b>Currency</b>	<b>Notional Amount (Local Currency)</b>	<b>Receive<sup>1</sup></b>	<b>Pay</b>	<b>Maturity Dates</b>	<b>Market Value (Local Currency)</b>	<b>Market Value (U.S. \$)</b>
	(In thousands)				(In thousands)	
<b><u>As of June 30, 2024:</u></b>						
British Pound Sterling	5,565	SONIA-1D	1.0% Fixed	5/8/2026	345	\$ 436
British Pound Sterling	4,400	SONIA-1D	1.05% Fixed	5/8/2027	376	\$ 476
<b><u>As of June 30, 2023:</u></b>						
British Pound Sterling	5,565	SONIA-1D	1.0% Fixed	5/8/2026	669	\$ 851

<sup>1</sup> 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 2024 and 2023, 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 110%, depending on the lending agent, the type of security lent, and the type of collateral received. As of June 30, 2024, the Trust had received and invested approximately \$251.2 million in cash collateral and received \$12.4 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. During fiscal year 2024, the remaining legacy securities, with final maturities of six months or more, were sold for a loss. The amount written off totaled approximately \$18.2 million.

## Notes to the Financial Statements

### **3. Deposits and Investments (continued)**

The Trust's securities on loan as of June 30, 2024 and 2023, are presented below, by security type.

<b>Securities on Loan by Security Type<sup>1</sup></b>	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
<b>Securities on loan for cash collateral:</b>		
U.S. guaranteed obligations	\$ 101,306	\$ 140,659
Federal agencies	4,996	7,293
Domestic corporate bonds and notes	47,568	100,775
International bonds and notes	37,859	80,264
Domestic equities	45,925	89,882
International equities	6,017	32,191
Total securities on loan for cash collateral	243,671	451,064
<b>Securities on loan for non-cash collateral:</b>		
U.S. guaranteed obligations	4,234,237	1,062,637
Federal agencies	1,562,311	9,250
Domestic corporate bonds and notes	534,553	244,399
International bonds and notes	105,700	53,907
Domestic equities	2,298,217	1,972,681
International equities	3,119,436	2,496,710
Total securities on loan for non-cash collateral	11,854,454	5,839,584
<b>Total securities on loan</b>	<b>\$ 12,098,125</b>	<b>\$ 6,290,648</b>

<sup>1</sup> 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, 2024 and 2023, are classified by type in the tables below.

<b>Investment Derivative Instruments</b>	<b>Fiscal Year Ended June 30, 2024</b>				
	<b>Notional (in US \$)</b>	<b>Increase/(Decrease) in Fair Value</b>		<b>Fair Value</b>	
		<b>Classification</b>	<b>Amount (in US \$)</b>	<b>Classification</b>	<b>Amount (in US \$)</b>
	<i>(In Thousands)</i>		<i>(In Thousands)</i>		<i>(In Thousands)</i>
<b>Futures<sup>1</sup></b>					
Fixed income futures	\$ 3,787,728	Investment Income	\$ (23,888)	Investment	\$ 6,567
Equity futures	\$ 2,166,297	Investment Income	253,606	Investment	(5,681)
<b>Total futures</b>			<u>\$ 229,718</u>		<u>\$ 886</u>
<b>Forwards</b>					
Foreign currency forwards	\$ 1,000,259	Investment Income	\$ 5,720	Investment	\$ 3,893
<b>Options</b>					
Foreign currency options sold	\$ —	Investment Income	\$ 45	Investment	\$ —
<b>Swaps</b>					
Credit default swaps	\$ 116,715	Investment Income	\$ (4,300)	Investment	\$ (2,029)
Interest rate swaps	\$ 385,132	Investment Income	(4,119)	Investment	1,648
<b>Total swaps</b>			<u>\$ (8,419)</u>		<u>\$ (381)</u>

<sup>1</sup> The total notional values of long and short fixed income futures positions were \$2.8 billion and \$948.2 million, respectively. The total notional value of long equity futures positions was \$2.2 billion.

## Notes to the Financial Statements

### 3. Deposits and Investments (continued)

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>
<b>Futures<sup>1</sup></b>					
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
<b>Total futures</b>			<u>\$ 183,650</u>		<u>\$ (22,636)</u>
<b>Forwards</b>					
Foreign currency forwards	\$ 1,209,809	Investment Income	\$ (20,687)	Investment	\$ (1,764)
<b>Swaps</b>					
Credit default swaps	\$ 658,311	Investment Income	\$ (7,341)	Investment	\$ (7,029)
Interest rate swaps	\$ 7,075	Investment Income	847	Investment	851
<b>Total swaps</b>			<u>\$ (6,494)</u>		<u>\$ (6,178)</u>

<sup>1</sup> 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.

### 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, strategic, and active credit investments not reported on the Trust's statements of net position totaled \$17.8 billion and \$17.2 billion as of June 30, 2024 and 2023, 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, 2024, the total amount available under existing credit facilities was \$750 million, of which \$636.6 million was committed and \$267.7 million in principal was drawn for the purpose of providing downstream loans to Real Estate Principal Investments. As of June 30, 2023, the total amount available under existing credit facilities was \$750 million, of which no draws were 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 agreement, in the event of certain defined trigger events or events of default, including, without limitation, an uncured failure to make the payments due after all cure periods have expired, the lender is entitled to exercise certain remedies, including the suspension or termination of the commitment to fund the loan and declaring the outstanding loan balance 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 2024 and 2023.

## **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 2024 and 2023, were as follows:

	<b>As of June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
<b>Receivables:</b>		
Due from DMS	\$ 558,373	\$ 578,542
<b>Payables:</b>		
Due to DMS	125,192	176,990
Due to the SBA	10,688	9,959
<b>Total payables</b>	<b>\$ 135,880</b>	<b>\$ 186,949</b>
	<b>Fiscal Years Ended June 30</b>	
	<b>2024</b>	<b>2023</b>
	<i>(In Thousands)</i>	
<b>Additions:</b>		
Employer/employee contributions received from DMS	\$ 6,486,992	\$ 5,516,376
Member-directed benefits received from the FRS Investment Plan Trust Fund	81,756	68,746
<b>Total additions</b>	<b>\$ 6,568,748</b>	<b>\$ 5,585,122</b>
<b>Deductions:</b>		
Funds sent to the DMS for benefit payments	\$ 12,450,773	\$ 12,259,408
Member-directed benefits sent to the FRS Investment Plan Trust Fund	690,365	590,051
Investment service charges to the SBA <sup>1</sup>	61,639	58,781
<b>Total deductions</b>	<b>\$ 13,202,777</b>	<b>\$ 12,908,240</b>

<sup>1</sup> Based on month-end net asset values.

Additionally, the downstream loans provided to Real Estate Principal Investments, as part of the Credit Facility Program, are considered related party transactions since SBA is lending at a rate that may be lower from current market rates. See Note 4, Loans Payable, for additional information.

## Notes to the Financial Statements

### **7. Subsequent Events**

Events or transactions sometimes occur subsequent to the statement of net position date but prior to the issuance of the financial statements and, therefore, require adjustment or disclosure in the financial statements. These subsequent events are classified into two types, one (“type one” recognized events) requiring adjustment to the financial statements and the second (“type two” non-recognized events) requiring only note disclosure.

Subsequent to fiscal year end 2024, an additional \$93.6 million was committed and \$105.1 million in principal was drawn for the purpose of providing downstream loans to Real Estate Principal Investments as part of the Credit Facility Program.

This subsequent event is considered a type two, non-recognized event for reporting purposes, requiring no adjustment to the financial statements. Accordingly, the Trust’s net position was unaffected.

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  
Tallahassee, 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, 2024, 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 12, 2024.

#### 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.

  
Crowe LLP

Dallas, Texas  
November 12, 2024