



Agenda
Investment Advisory Council (IAC)

Tuesday, June 29, 2021, 1:00 P.M.*

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

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1:00 – 1:05 P.M.	1.	Welcome/Call to Order/Election of Officers/Approval of Minutes <i>(See Attachments 1A – 1B)</i>	<i>Peter Jones, Chair</i>
		<i>(Action Required)</i>	
1:05 – 1:25 P.M.	2.	Opening Remarks/Legislative Update/Reports/Other Updates & Reports <i>(See Attachments 2A – 2E)</i>	<i>Ash Williams,</i> <i>Executive Director & CIO</i> <i>Executive Staff</i>
1:25 – 2:10 P.M.	3.	Private Equity Review <i>(See Attachments 3A – 3B)</i>	<i>John Bradley, SIO</i> <i>Private Equity Asset Class</i> <i>Sheila Ryan,</i> <i>Cambridge Associates</i>
2:10 – 3:10 P.M.	4.	Florida Retirement System Investment Plan Program Review <i>(See Attachments 4A – 4B)</i>	<i>Dan Beard,</i> <i>Chief Defined Contribution Programs</i> <i>Mini Watson,</i> <i>Director of Administration</i> <i>Walter Kelleher,</i> <i>Director of Educational Services</i> <i>Kristen Doyle,</i> <i>Katie Comstock,</i> <i>Aon</i>

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3:10 – 3:40 P.M.	5. Florida PRIME™ Review <i>(See Attachments 5A – 5C)</i>	<i>Mike McCauley, Senior Officer Investment Programs & Governance</i>
	<i>A. Florida PRIME Legal Compliance Review – Chapter 218, Pt. IV, F.S.</i>	<i>Glenn Thomas, Lewis, Longman, Walker</i>
	<i>B. Florida PRIME Best Practices Review</i>	<i>Kristen Doyle, Katie Comstock, Aon</i>
	<i>C. Florida PRIME Portfolio Review</i>	<i>Amy Michaliszyn, Paige Wilhelm, Luke Raffa, Federated Hermes</i>
 3:40 – 3:45 P.M.	 6. Review Changes to Florida Retirement System Pension Plan Investment Policy Statement <i>(See Attachments 6A – 6B)</i>	 <i>Ash Williams, Executive Director & CIO</i>
	 <i>(Action Required)</i>	
 3:45 – 4:40 P.M.	 7. Asset Class SIO Updates <i>(See Attachments 7A – 7D)</i>	 <i>Tim Taylor, SIO Global Equity</i>
		<i>Katy Wojciechowski, SIO Fixed Income</i>
		<i>Steve Spook, SIO Real Estate</i>
		<i>Trent Webster, SIO Strategic Investments</i>
 4:40 – 4:50 P.M.	 8. Major Mandate Performance Review <i>(See Attachment 8A)</i>	 <i>Kristen Doyle, Katie Comstock, Aon</i>
 4:50 – 5:00 P.M.	 9. Audience Comments/2021 Meeting Dates/ Closing Remarks/Adjourn <i>(See Attachment 9A)</i>	 <i>Peter Jones, Chair</i>

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

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**MINUTES
INVESTMENT ADVISORY COUNCIL
MARCH 30, 2021**

A virtual meeting of the Investment Advisory Council (IAC) was held on Tuesday, March 30, 2021, via GoToMeeting. The attached transcript of the March 30, 2021 meeting is hereby incorporated into these minutes by this reference.

Members Present: Vinny Olmstead
Peter Jones
Bobby Jones
Gary Wendt
John Goetz
Pat Neal
Peter Collins
Tere Canida
Robb Turner

SBA Employees: Ash Williams, Executive Director/CIO
Alison Romano
Steve Spook
Lynne Gray
Michael Fogliano
Mike McCauley
Tim Taylor
Katy Wojciechowski
John Bradley
Trent Webster
Daniel Beard
John Benton

Consultants: Nayef Perry (Hamilton Lane)
Ankur Dadhania (Hamilton Lane)
Katie Moore (Hamilton Lane)
Rob Cousin (J.P. Morgan)
Tyler Jayroe (J.P. Morgan)
Patrick Miller (J.P. Morgan)
Richard Brown (Townsend)
Seth Marcus (Townsend)
Katie Comstock (Aon)
Kristen Doyle (Aon)

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

Vinny Olmstead, Chair, called the meeting to order at 1:02 p.m. He thanked all for their attendance, and complimented Ash, Alison, and team on doing a great job to ensure the virtual meetings run smoothly. He also gave a reminder about background noise and use of microphones during the meeting; and a reminder to say your name as you speak so the court reporter and audience can follow along with who is speaking.

Mr. Olmstead asked for a motion to approve the minutes from the December 15, 2020 IAC meeting. Senator Neal moved that the minutes be approved. Ms. Canida seconded the motion. All in favor. The minutes were approved.

Mr. Olmstead asked for a motion to elect the next Chair. Peter Collins made a motion to nominate Peter Jones as Chair. Ms. Canida seconded the motion. The vote was unanimous, and Mr. Jones was elected Chair.

Mr. Olmstead asked for a motion to nominate the next Vice-Chair. Peter Collins made a motion to nominate Tere Canida as Vice-Chair. John Goetz seconded the motion. The vote was unanimous, and Ms. Canida was elected Vice-Chair.

Opening Remarks/Reports

Ash Williams, Executive Director/Chief Investment Officer, thanked Mr. Olmstead for his extraordinary service during the pandemic, and expressed his appreciation for Mr. Jones and Ms. Canida in their new roles.

Mr. Williams provided a summary on the performance of the Florida Retirement System Trust Fund, stating that the total portfolio return estimated gross is 20.3% and 30 basis points behind target. Mr. Williams explained that the lag to benchmark was due to a lag in the private market asset classes. The balance in the Trust Fund is \$188.1 billion, which is \$27.3 billion ahead of where it started this fiscal year, net of distributions to cover benefit costs of roughly \$600 million per month.

Mr. Williams briefly discussed the status of various IAC appointments, and provided an update on the ongoing Legislative session. He discussed the Appropriations Act, potential structural reform in the FRS, and two actuarial studies that were ordered by the legislature to evaluate the creation of a cash balance plan and the effects of an increase in employer contributions to the investment plan. Mr. Williams also briefly discussed several items related to the CAT Fund and a brief history of the Florida Growth Fund.

Alison Romano, Deputy Chief Investment Officer, followed Mr. Williams and gave an overview of the market and indexes from the start of the pandemic to the present. Ms. Romano stated that through fall and rebound the FRS has been well positioned, and that the FRS's returns over three to five years is 9.27% for the three year and 11.28% for the five year, which exceeds the benchmark and the long-term real return target. Ms. Romano also touched on the themes that the SBA is focusing on: global growth, inflation, and market expectation on secular-style rotation; and what each asset class has been doing to align with these themes.

Mr. Williams mentioned the breaking story about the family office Archegos and how it raises questions about leverage and the safety of leverage, and asked the SIO's to comment on

their views of leverage generally in the current environment, any observations they would offer on the Archegos situation, and leverage in their portfolios.

Florida Growth Fund Investment Review

Nayef Perry, Hamilton Lane, opened by stating that the Florida Growth Fund is performing well, generating liquidity, and having a strong impact on Florida.

Katie Moore, Hamilton Lane, gave an overview of the firm, the Florida Growth Fund Program performance in Fund I and Fund II since their establishment, and the construction of the portfolio.

Nayef Perry, Hamilton Lane, discussed organic/inorganic drivers of growth, the Florida Growth Fund program's impact on the state, and capital expenditure. Mr. Perry stated that every tranche is outperforming its benchmark; liquidity as of September 30, 2020, was over \$550 million. Mr. Perry continued with an overview of the performance of Fund I, Fund II, and the credit fund. Mr. Perry answered questions from Peter Collins.

Ankur Dadhania, Hamilton Lane, gave an overview of Florida Growth Fund I and Florida Growth Fund II, and stated that both funds are performing well and have outperformed their benchmarks. Mr. Dadhania explained that Hamilton Lane has continued to prioritize investments Florida, and 100% of co-investments across FGF I and II have had a strong nexus to Florida by way of footprint. Moving forward, the focus will continue to be on returns, liquidity, and Florida impact. Mr. Dadhania answered questions from IAC members.

Rob Cousin, J.P. Morgan, gave an overview of investment types in the Florida Growth Fund mandate, an overview of portfolio construction and progress of the Florida Sunshine State Fund Mandate since its establishment in 2018, opportunities and growth in the Florida economy, and J.P. Morgan's continued focus on Florida-based investments.

Patrick Miller, J.P. Morgan, discussed primary and venture capital growth activity in Florida, and stated that deal activity continued to grow in private equity and venture capital throughout the 2020 pandemic. Mr. Miller also touched on Florida based deal activities in PE and venture capital since 2010, and gave an overview of PEG's pipeline of Florida-based opportunities since the inception of the mandate.

Tyler Jayroe, J.P. Morgan, gave overview of the Florida Growth Fund, and the current portfolio and near-term pipelines. In roughly two and a half years, J.P. Morgan has committed \$72 million on behalf of the Florida Growth Fund across 14 investments. Mr. Jayroe stated that there are indications that there will be additional increases in carrying values for the majority of the investments as of 12/31. Mr. Jayroe finished with an overview of funds in the pipeline and the positive economic impacts the fund has had across the state of Florida. Mr. Cousin and Mr. Jayroe answered questions from IAC members.

Peter Collins addressed a question to the Chairman regarding the Russell 2000 that was referenced in the Hamilton Lane presentation, which was answered by Trent Webster and John Mogg.

Real Estate Review

Steve Spook, Senior Investment Officer, Real Estate – provided an overview of the total Real Estate asset class and the RE benchmark, the role of the asset class and its investment strategies, construction of the portfolio, and the effect of the COVID pandemic on major property

types. Mr. Spook stated that over all time periods, Real Estate has outperformed the benchmark since its inception. Mr. Spook also discussed investment activity and current investment focus. Mr. Spook answered questions from IAC members.

Lynne Gray, Senior Portfolio Manager for Principle Investments, discussed increased efforts in asset management during the early stages of the COVID pandemic, and stated that Principle Investments continued to outperform the benchmark over all time periods that were shown in her slides. Ms. Gray also reviewed investment guidelines for managing the portfolio and monitoring risk, Principle Investment's core strategy, diversification of the portfolio, leverage, property types and locations, manager concentration, and investment management. Ms. Gray answered questions from IAC members.

Robb Turner suggested that Ms. Gray show the current yield on income-generating assets. Ms. Gray responded by offering to send that information, and stated that she will include it in future presentation slides.

Michael Fogliano, Senior Portfolio Manager for Externally Managed Real Estate Funds, gave an overview of the Real Estate externally managed portfolio, global funds and the global REIT program, acquisition adjustments during COVID, the new REIT strategy that was adopted in May 2020 and the REIT portfolio, the externally managed portfolio, investment activity over the last nine months, and performance. Mr. Fogliano answered questions from IAC members.

Seth Marcus, Townsend, discussed the market and the COVID environment, and how these factors impacted real estate opportunities and risks. Mr. Marcus also commented on Real Estate's gross annual return, and performance.

Corporate Governance Review

Mike McCauley, Senior Officer, Investment Programs and Governance, gave an overview of the Corporate Governance program and discussed proxy voting and engagement activities, key regulatory areas, voting guidelines, the framework for proxy voting and proxy advisers, and automated voting. Mr. McCauley answered questions from John Goetz.

At the request of Mr. Gary Wendt and in the interest of time, the committee voted on agenda items 7 & 8. The SIO updates and other agenda items followed.

Review Changes to Florida Retirement System Investment Plan Investment Policy Statement

Mr. Williams explained that the change to the Florida Retirement System Investment Plan policy statement is a new provision to include a stable value option. Mr. Jones requested a motion. Ms. Canida moved to approve. Mr. Collins seconded the motion. All in favor. Motion carried.

Review Changes to Florida PRIME Investment Policy Statement

Mr. Williams explained that the SEC standards relating to qualified institutional buyers have evolved as it relates to private placement, so the language in the IPS for Florida PRIME is being updated. Senator Neal moved to approve. Mr. Olmstead seconded. All in favor. Motion carried.

SIO Updates/DC Programs Update/Investment Programs & Governance Office Update

Mr. Tim Taylor, Senior Investment Officer - Global Equity, states that there has been a very minimal impact to the asset class from the Archegos situation. Mr. Taylor gave an update on the performance of his asset class over the last quarter and provided a brief update on the class' initiatives. Mr. Taylor answered questions from IAC members.

Ms. Katy Wojciechowski, Senior Investment Officer – briefly discussed performance and expanding guidelines with managers. Ms. Wojciechowski stated that the asset class did have some exposure to Archegos through some counterparties, but it seemed to be limited and should not be a problem.

Gary Wendt shared an observation regarding lower interest rates, and suggested possibly looking into shifting to less fixed income and more equities at a subsequent IAC meeting. Mr. Williams responded that the issue would be something to address in a subsequent meeting, and mentioned the annual allocation review with Aon, where the SBA reviews the suitability of asset allocation to return objectives and risk tolerance.

Mr. John Bradley, Senior Investment Officer – Private Equity, discussed the private equity market at the close of 2020 and commented on leverage. Mr. Bradley also gave an overview of performance of his asset class. Mr. Bradley answered questions from IAC members.

Trent Webster, Senior Investment Officer – Strategic Investment, stated that the asset class is underperforming over the shorter term but stressed that this is not of major concern due to the makeup of the portfolio and reporting. Mr. Webster also discussed recent activity and activities in the pipeline, and investment themes.

Mr. Daniel Beard, Chief Officer – Defined Contribution Programs, provided updates on the Florida Retirement System Investment Plan performance and changes to the investment policy statement. Mr. Beard also covered the myFRS Financial Guidance Program and noted usage of the chat feature has increased significantly.

Major Mandate Performance Review

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

Mr. Williams commented that a bill has been filed which would take the entire proceeds from the Lawton Chiles Endowment and put them in the State's reserve fund, and eliminate the Lawton Chiles Endowment.

Audience Comments/December Meeting Date/Proposed 2021 Meeting Dates/Closing Remarks

Mr. Jones reminded all that the proposed dates have been given for the upcoming 2021 IAC meetings, with the next meeting being on June 29th, 2021. Mr. Jones thanked all of the presenters for a job well done, SBA staff for coordinating the meeting, and IAC colleagues for their engagement and time. There being no further questions or comments, Mr. Jones adjourned the meeting.

The meeting adjourned at 5:03pm.

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STATE BOARD OF ADMINISTRATION OF FLORIDA

March 30, 2021

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March 30, 2021

STATE BOARD OF ADMINISTRATION OF FLORIDA

INVESTMENT ADVISORY COUNCIL MEETING

TUESDAY, MARCH 30, 2021
1:03 P.M. - 5:03 P.M.

LOCATION: VIA WEB CONFERENCE

Stenographically Reported By:

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APPEARANCES
(Participants appearing via GoToMeeting)

IAC MEMBERS:

VINNY OLMSTEAD
PETER JONES
BOBBY JONES
GARY WENDT
JOHN GOETZ
PAT NEAL
PETER COLLINS
TERE CANIDA
ROBB TURNER

SBA EMPLOYEES:

ASH WILLIAMS, EXECUTIVE DIRECTOR/CIO
ALISON ROMANO
TRENT WEBSTER
KATY WOJCIECHOWSKI
TIM TAYLOR
STEVE SPOOK
LYNNE GRAY
MICHAEL FOGLIANO
JOHN BRADLEY
DANIEL BEARD
MIKE MCCAULEY
JOHN BENTON
KENT PEREZ
JOHN MOGG
JOHN KUCZWANSKI
AMY WALKER

CONSULTANTS:

KRISTEN DOYLE - (Aon)
KATIE COMSTOCK - (Aon)
SETH MARCUS - (Townsend)
RICHARD BROWN - (Townsend)
NAYEF PERRY - (Hamilton Lane)
ANKUR DADHANIA - (Hamilton Lane)
KATIE MOORE - (Hamilton Lane)
BENJAMIN ECKROTH - (Hamilton Lane)
ROBERT COUSIN - (J.P. Morgan)
TYLER JAYROE - (J.P. Morgan)
PATRICK MILLER - (J.P. Morgan)

INVESTMENT ADVISORY COUNCIL MEETING

* * *

MR. OLMSTEAD: Ash, are we ready to kick off? The two-minute grace period seems to be up.

MR. WILLIAMS: I believe we are, Mr. Chair. Fire at will.

MR. OLMSTEAD: Sounds great. Well, good afternoon, everyone. Welcome to the March 30, 2021, Investment Advisory Council meeting for the State Board of Administration. My name is Vinny Olmstead. I'm the current chair. I just wanted to thank each of you for your virtual attendance. These virtual meetings are fun, but certainly look forward to some in-person meetings hopefully in the near future.

On the positive on side, Ash, Alison and team have done a spectacular job at making these proficient and meetings run smoothly, including prepping us beforehand and just making logistics in a good spot. A lot of detail, a lot of hard work, and thanks to all of them for making it pretty easy for a lot of us to attend and participate.

Before we kick off, a few housekeeping items. You've heard it before. If possible,

1 please keep your phones and computers on mute
2 unless you're asking questions or presenting.
3 Also, to my colleagues on the board, please do me
4 a favor, and to all the presenters, do us a favor
5 and announce your name prior to speaking, easier
6 for the audience and also easier for the court
7 reporter to get all of the information down. So
8 names before you speak would be great.

9 Okay. With that, I'd like to request that
10 we approve the December 15, 2020, IAC minutes.
11 So if I could have a motion, that would be great.

12 MR. NEAL: So move. Pat Neal.

13 MS. CANIDA: Second. Tere Canida.

14 MR. OLMSTEAD: All right. Tere, second.
15 All in favor?

16 (Ayes)

17 MR. OLMSTEAD: Great. Next up on the
18 agenda, a robust agenda today, is the election of
19 officers. And as a quick reminder, we elect both
20 a chair and a vice-chair on an annualized basis.
21 I am the current chair, and Peter Jones is the
22 current vice-chair.

23 So not dissimilar to the previous chair,
24 Bobby Jones, I will continue as a member of the
25 board, which helps with the continuity, and will

1 hand the reins over to a few new folks that have
2 some good experience, been on the board for a
3 while, and will put you-all hopefully in good
4 hands if we can identify two good folks.

5 So with that, I'd love to see if there's a
6 motion to elect our next chair.

7 MR. COLLINS: Do you need a name, or do you
8 just need a motion to approve going --

9 MR. OLMSTEAD: I think we need a name and a
10 motion.

11 MR. COLLINS: This is Peter Collins. I
12 would like to nominate Peter Jones, our current
13 vice-chair, for chair.

14 MS. CANIDA: I second it. This is Tere
15 Canida.

16 MR. OLMSTEAD: Excellent. All in favor?

17 (Ayes)

18 MR. OLMSTEAD: Great. And just not atypical
19 that the vice-chair follows the chair in
20 succession. What we need to find out next is who
21 the vice-chair is and would love to see if
22 there's someone who can provide a motion for our
23 next vice-chair.

24 MR. COLLINS: Peter Collins again. I would
25 put Tere Canida's name in a motion for

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1 vice-chair.

2 MR. OLMSTEAD: Excellent choice. Is there a
3 second?

4 MR. GOETZ: John Goetz. Second.

5 MR. OLMSTEAD: Who was that?

6 MR. GOETZ: John Goetz.

7 MR. OLMSTEAD: John, thank you. All right.
8 All in favor?

9 (Ayes)

10 MR. OLMSTEAD: Excellent. Well, congrats to
11 both Peter and Tere. I can assure you that the
12 IAC is in great hands, great leaders who
13 participate and are passionate about the mission
14 here. So thanks in advance. It's a lot of fun.
15 I can promise you that.

16 It's not as much work as you think, and it's
17 just an absolute delight working with Ash,
18 Alison, Lamar, Kent and the SOIs. I had a
19 wonderful time over the last year, although I
20 wished I was in person for a few of these
21 meetings. They're a great team and they're
22 serving our state well, and I promise you will
23 thoroughly enjoy the experience.

24 MS. CANIDA: This is Tere. Thank you for
25 the confidence. I look forward to it.

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1 PETER JONES: This is Peter Jones. Vinny, I
2 want to thank you for serving as chairman in a
3 very effective and efficient manner, and your
4 service is much, much appreciated, so thank you
5 for taking that on. And, Tere, welcome aboard as
6 the vice-chair.

7 MS. CANIDA: Thank you, Peter. Like I said,
8 I look forward to it.

9 PETER JONES: I as well, as the chairman, so
10 thank you all for the vote.

11 MR. OLMSTEAD: And thank you for the
12 comments.

13 PETER JONES: Okay. We will continue with
14 the agenda, I assume?

15 MR. OLMSTEAD: Yes.

16 PETER JONES: Okay. The next agenda item is
17 opening remarks. Actually, my agenda looks a
18 little different than what I'm seeing on the
19 screen there. Okay. No, it doesn't. I'm sorry.
20 Yeah, the opening remarks and reports from Ash
21 Williams, our executive director and CIO. So,
22 Ash, I'll turn it to you, please.

23 MR. WILLIAMS: Thank you, Mr. Chair, and
24 congratulations. And thank you, Former Chair
25 Olmstead, for your extraordinary service. The

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1 time during which you served as chair of the IAC
2 was one of the most challenging in SBA history,
3 if you think about the pandemic, the fact, as you
4 pointed out, we've been operating remotely for a
5 year while you've led the IAC. We've made any
6 number of decisions, both anticipatory and
7 reactive, to the hand that we were dealt by the
8 financial markets and by the health environment
9 we were all in.

10 And first of all I should say, we don't
11 attribute any causation or relationship
12 whatsoever between your chairmanship of the IAC
13 and the descent of a pandemic upon the planet.
14 We're not making any links there. But I would
15 say, in absolute seriousness, the frequency of
16 the calls we were doing back in the spring around
17 the pandemic and other things were extraordinary.
18 You were always gracious in sharing your time and
19 talent and leadership with us, as were all of the
20 members of the IAC, and we're grateful and thank
21 you.

22 We also appreciate, Peter Jones, you
23 stepping up and, Tere Canida, you coming into the
24 pipeline. We've got a long tradition here to
25 honor, and I have no doubt that those standards

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1 will be held high.

2 So with that, let me just give you a couple
3 of little updates. First of all, as always,
4 we'll open with high level performance. Fiscal
5 year to date, as of last night's close, estimated
6 gross return for the total fund for the Florida
7 Retirement System Trust Fund is 20.3 percent.
8 That's 30 basis points behind target.

9 As we've often said in the past, there's a
10 lag in the private market asset classes, and
11 that's what explains the lag to benchmark,
12 because private equity and strategic both have
13 benchmarks that are beyond the marks of those
14 asset classes. And those marks are stale by
15 definition anyway because these are not assets
16 marked to market daily.

17 To put that 20.3 percent in dollar terms,
18 the balance in the Florida Retirement System
19 Trust Fund is currently \$188.1 billion. That's
20 \$27.3 billion ahead of where it started the
21 fiscal year, net of distributions to cover
22 benefit costs of roughly \$600 million per month.
23 Risk has stayed within bounds. Controls are
24 sound. No issues around any of those elements of
25 our performance.

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1 Alison will give you a bit more detail on
2 the performance in a minute. I'm going to go
3 ahead and cover legislative and a couple of other
4 things, and then if I may hand off to Alison for
5 additional detail and follow-up on investment
6 performance in terms of themes that we're seeing
7 in the marketplace and how those themes are
8 attached to (indiscernible) the portfolio.

9 So the next thing is sort of an IAC internal
10 housekeeping item. And that is, IAC appointments
11 made by the trustees of the State Board of
12 Administration are subject to Senate
13 confirmation. The Senate is in session right
14 now. And we have three confirmations that are in
15 process and expected to be completed this year
16 without issue. Those are Senator Pat Neal, Peter
17 Jones and Robb Turner.

18 We have two other ratifications that were
19 put forward to next session by the Senate. This
20 has nothing to do with the merit of the
21 confirmations or it doesn't raise any question
22 about their standing, but Peter Collins and Gary
23 Wendt's confirmations of their reappointments,
24 given the timing of when they took place, is
25 going to get dealt with next session. No issue,

1 has nothing to do with your ability to serve on
2 the council, et cetera. I just wanted to give
3 you that update. On the subject of the
4 legislature --

5 MR. COLLINS: Do we still have to attend the
6 meetings, Ash?

7 MR. WILLIAMS: Yes, you do. And you're
8 subject to, I think, a substantial fine at the
9 discretion of the chair and vice-chair if you
10 don't show up or you're late or -- I think there
11 may be some provision about excessive discussion
12 of leverage, but I'm not sure about that.

13 MR. GOETZ: Motion seconded. This is John
14 Goetz.

15 MR. WILLIAMS: So other legislative items of
16 interest. We are now at the midpoint of the
17 session, or slightly past such time, and we are
18 starting to get indications of what the
19 appropriations act is going to look like. Our
20 understanding is, presently, the governor's
21 recommendation in his budget of full indicated
22 actuarial funding for both the normal cost and a
23 contribution to actuarial unfunded liability is
24 in the budgets of both the house and the Senate.
25 That's a good thing and a strong reflection on

1 our legislature, so we thank them for that and
2 hope that that remains the case. We'll be
3 watching it closely.

4 There are several other pieces of
5 legislation out there that relate to the SBA. On
6 the pension side, most notably there has been
7 some discussion of structural reform in the FRS.
8 Most notably, there has been a proposal that was
9 voted out of Senate committee I think three weeks
10 ago that would close the pension plan, which is
11 the defined benefit plan, to new members
12 effective, I think it's July 1 of '22.

13 That legislation is coming up again
14 tomorrow, and I believe there's an amendment
15 pending that would modify the legislation to say
16 it would be that the defined benefit pension plan
17 would remain open to members of the special risk
18 class of public employees in Florida.

19 It's too early to say where this goes at
20 this point. We obviously have been a resource to
21 the legislature on this and will continue to do
22 so, and we've worked closely with our three
23 trustees to keep their offices informed of
24 developments as we become aware of them.

25 There's other legislation relating to

1 pensions out there. There was an actuarial study
2 done. And the way those work is the legislature
3 has to order an actuarial study if they're going
4 to make any change in benefits or any other
5 material changes to the pension system, Florida
6 Retirement System.

7 And one of the things that a study was
8 ordered on was the possible creation of a new
9 defined benefit plan known as a cash balance
10 plan. That actuarial study was ordered. We have
11 not seen legislation to implement it. So not
12 sure whether that's going anywhere or not.

13 Another thing that came up involves the
14 investment plan, the defined contribution side of
15 the pension system, retirement system. And a
16 study was ordered there to evaluate the effects
17 of an increase in the employer contributions to
18 the investment plan. And the most immediate
19 effect of that, other than obviously it's going
20 to cost employers some money if that's done, is,
21 depending on the level of increase you did, it
22 could materially change and improve the income
23 replacement functionality of our investment plan.
24 Again, where that stands or where it's likely to
25 go, I don't know. I'm not privy to that. But I

1 wanted to make you aware of it.

2 Let me pause there and ask Kent Perez, who
3 has taken a lead on a lot of our legislative
4 work, along with John Kuczwanski, whether I left
5 anything out on retirement system related
6 legislation. Kent, did I miss anything there?

7 MR. PEREZ: No, sir. I think you captured
8 the bulk of everything we're watching as the
9 session continues.

10 MR. WILLIAMS: Okay. So then that takes us
11 to a couple of other areas that are of interest.
12 There has been legislation filed that would take
13 us out of the approval chain of debt issues for
14 the Florida Housing Finance Corporation. That's
15 purely a matter of governance. It's up to the
16 legislature whichever way they choose to go. I
17 think it's up to them, and we don't really have a
18 position on that one way or the other.

19 There are also several items relating to the
20 CAT Fund that have been discussed. Early on,
21 there were discussions of potentially increasing
22 the size of the CAT Fund, making other changes.
23 At this point, I don't see a whole lot of
24 activity advancing with relation to the CAT Fund.

25 I had a very good conversation with the

1 chairman of the Senate committee who covers this
2 area who was an ally of ours and is very
3 knowledgeable, is in the insurance business
4 himself, back when he was in the House, and we
5 spoke again recently in his current role. And I
6 think he's well-informed on the issues and
7 well-grounded on good policy relating to the CAT
8 Fund. So I think we're in reasonably good shape
9 there.

10 The nature of the insurance industry in
11 Florida is that because it's state regulated, it
12 has a tremendous number of lobbyists because,
13 unlike banks, where there's both federal
14 regulation and state regulation, the entire game
15 is state level regulation and state level
16 statutes in the insurance industry.

17 So there's commonly a fair amount of log
18 rolling in that industry's legislative agenda and
19 a lot of things pop up at the last minute. So I
20 wouldn't assume anything yet, but I think we're
21 in pretty good shape in terms of where we are, in
22 terms of information on the CAT Fund
23 legislatively, and I feel pretty good about where
24 we are.

25 One other detail I would share is, I think

1 we've mentioned in years past we've made a
2 decision on an annual basis of whether or not we
3 wanted to do any additional debt issuance or
4 whether we wanted to use commercial reinsurance
5 for risk transfer.

6 We did \$3.5 billion worth of pre-event debt
7 issuance for the hurricane catastrophe fund back
8 in August of this year and got the entire issue
9 done at an interest rate that was, in retrospect,
10 very advantageous and well-timed and was cheap on
11 an absolute basis and cheaper on a relative
12 basis, looking back at it.

13 We made a decision not to do any commercial
14 risk transfer through reinsurance this year. We
15 did that because, given the tightened capacity in
16 the reinsurance industry and continuing rising
17 prices in the wake of recent global losses in the
18 industry, we did not want to crowd out the access
19 of Florida primary insurers to commercial
20 reinsurance, and we didn't want to drive up their
21 prices.

22 And given where we are in terms of current
23 funding for the CAT Fund, especially with the
24 pre-event issuance we did last August, we're
25 comfortable with where we are, and we saw no

1 reason to spend substantial dollars on premium
2 and potentially disadvantage Florida primary
3 insurance companies in so doing, so we stayed out
4 of that.

5 There are a couple of other legislative
6 matters. Kent, is it worth talking about
7 proprietary information or any other things that
8 you're aware of?

9 MR. PEREZ: I think we're okay. For the
10 good of the order, we're watching some public
11 records, trade secret, proprietary information as
12 it would relate to the SBA in the relationships
13 we have with investment managers, vendors, et
14 cetera. So hopefully we'll -- we've been working
15 hard to have a good outcome on that. I think
16 that was mainly the other one. That's probably
17 the only other one, Ash, that we're still
18 following closely.

19 MR. WILLIAMS: Great. Thank you. So one
20 last thing before I hand off to Alison. We're
21 going to have a report in a minute on the Florida
22 Growth Fund. And for those of you who are newer
23 to the IAC and may not know about the Florida
24 Growth Fund, you're going to like this story.
25 It's an extraordinary story of success.

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1 The legislature created the Florida Growth
2 Fund in 2008. And the idea was to stimulate
3 venture capital, growth capital, business
4 retention, capital formation and business
5 development here in Florida and to compete with
6 some of the well-known leaders in venture capital
7 availability and economic benefit, notably
8 Silicon Valley and Route 128.

9 And it was an ambitious bit of legislation,
10 and the SBA thought about it for a good while
11 before implementing it to make sure we got it
12 right. And it's hard to believe it was, gosh, 12
13 years ago. In June of 2009, we had a little
14 event here to kick off the launch of the Florida
15 Growth Fund. Mario Giannini, who was then and is
16 now chief executive at Hamilton Lane, came down
17 for the occasion and talked about what we could
18 do together on this.

19 And he made an interesting point. He said,
20 Florida may be underserved in the venture area,
21 and capital can deal with that issue. But there
22 are going to be plenty of businesses who are at a
23 stage of their creation and/or growth where even
24 venture capital is not going to be appropriate
25 and they're at an earlier stage.

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1 So what we can create that will be of equal
2 or greater value than our capital is a network in
3 which companies can come to the growth fund,
4 describe what their situation is. And to the
5 extent they're not appropriately investable for
6 the growth fund, we can steer them to someone
7 else in the ecosystem of Florida capital sources
8 that will be appropriate and establish a
9 relationship and monitor it from there.

10 Well, these many years later, we've invested
11 a substantial amount of money, and I won't spoil
12 the coming show by talking about how much, but
13 we've put a lot of money to work. We have had, I
14 think, well-advised policy changes over time in
15 terms of the focus of the portfolio and the
16 content of the strategies in it.

17 We deliberately started with growth capital,
18 both because of the opportunity set at the time
19 and because we wanted to build some early
20 performance progress and have some capital gains
21 before we started embracing strategies like
22 venture that have a very difficult J curve and
23 high loss ratios, because we knew that in the
24 public environment neither of those things would
25 be understood and probably wouldn't be tolerated

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1 either. And if we wanted to have long-term
2 success for the growth fund, we needed to put
3 points on the board early and effectively have
4 some house winnings with which to invest going
5 forward, all of which has worked.

6 We've subsequently added another
7 institution, J.P. Morgan, to the professional
8 resource side of the Florida Growth Fund.
9 They've been a great complement to Hamilton Lane,
10 and the whole thing is working well. And I think
11 the highest compliment I can offer is the law
12 that created the growth fund requires that
13 annually the Florida legislative office of
14 program, planning and analysis, similar to the
15 auditor general but a little different, do a
16 review of the growth fund and answer the
17 questions, is this thing fulfilling its purpose,
18 is it earning returns that on a risk-adjusted
19 basis are appropriate, and is everything else in
20 order relating to it.

21 We recently completed OPPAGA's review for
22 the current year, and it was, as it has been
23 every year, extremely positive. And, again, I'm
24 not going to spoil the coming presentation, but
25 suffice it to say, the number of jobs that have

1 been created, which is not our job, but it's a
2 nice side benefit to us doing our job, which is
3 simply to compound capital for the fund, has
4 worked really well.

5 So I think this is an extraordinary story of
6 success that others around the country follow and
7 have tried to emulate on a number of occasions.
8 So with that, let met hand off to Deputy CIO
9 Alison. And, Madam Romano, tell us about the
10 investment side.

11 MS. ROMANO: Thanks, Ash. Can everybody
12 hear me okay? As we mentioned at the beginning
13 of this call, this is our fourth IAC meeting done
14 virtually. And that period started, as you all
15 very well know, with a precipitous fall in the
16 equity markets, challenged liquidity, drop in
17 employment, pressure on corporate earnings.
18 Well, here we are four IAC meetings later, and
19 what a difference a year has made.

20 So what I want to do with my comments is
21 provide a little context in terms of how far
22 we've come, some of the themes that we're seeing
23 today and how we're positioning ourselves for
24 this. A little bit is a preview for what's to
25 come in the investment discussions going forward.

1 To start with, where we've come from, to
2 provide a few statistics. From the bottom of the
3 equity markets, the Russell 3000 up 88 percent,
4 developed ex-U.S. markets up 70, EM up
5 76 percent, the developed REIT index up
6 69 percent. On the fixed income side, 10 year
7 treasuries moved from .789 to now 1.678. Maybe
8 not high but certainly higher. The VIX came down
9 69 percent.

10 So what's driven this run? One, you could
11 say it's the fear of uncertainty when this
12 started to unfold drove the markets precipitously
13 down. But on the rebound, we had first monetary
14 policy, now fiscal policy that's certainly
15 supporting markets. And now there's a theme
16 emerging of pent-up demand, that as the vaccine
17 gets rolled out and the COVID numbers go down,
18 people will begin to spend again.

19 So through this precipitous fall and the
20 rebound, as we've discussed in these meetings,
21 FRS has been well-positioned. We went back into
22 equities, with the market drop, has garnered
23 those returns. Private equity has benefited from
24 the run in the equity markets.

25 So broadening out, maybe beyond this one

1 year, it's worth pointing out, three and five
2 year performance, the FRS's returns, 9.27 percent
3 for the three year, 11.28 percent for the five
4 year. That exceeds our benchmark, both our
5 benchmark and our long-term real return target.

6 So what next? What are the themes that
7 we're paying attention to today among many? One,
8 global growth. Two, inflation. And, three,
9 sector and style rotation. So first on the
10 global growth side. What we're seeing is growth
11 across the globe. So whereas there may have been
12 differentiation before, right now, for instance,
13 GDP growth in the U.S. is expected to be
14 5.7 percent, in Asia, ex-Japan, 5.8, in Europe
15 4.2.

16 So there's opportunity for economic growth
17 in many of these regions. Maybe a little bit
18 different. The U.S. might be coming off of a
19 lower base. Economically, Europe is going to
20 face some struggles as the rollout of the vaccine
21 is more challenged.

22 But the decline wasn't driven by a
23 manufacturing decline. It was driven by a
24 decline in services. And we expect that with,
25 again, pent-up demand, that will support some of

1 these global growth trends. Certainly in the
2 U.S., 60 percent of consumer spending is for
3 services, and that is likely to come back.

4 But we all know that the market isn't the
5 economy, the economy isn't the market. So is
6 this baked in? And there's a lot of arguments to
7 say certainly some of that is baked in but not
8 all of that. Maybe on a price to earnings
9 metrics, for instance, things are at the higher
10 end. But on a price to cash flow basis, not so
11 much, which means that companies can continue to
12 invest in growth and generate that growth.
13 Earnings growth for the S&P is expected to be
14 over 20 percent. There's money in the retail
15 market on the sidelines that could be invested.

16 So what does that mean for us? Well, in
17 particular, we're seeing opportunities across our
18 asset classes in the U.S. and in Asia. It
19 doesn't mean we're making a huge strategic
20 underweight to Europe, but it does mean,
21 particularly in private asset classes, where
22 we're investing in Europe, we're doing that in a
23 manner that aligns with secular trend or certain
24 market or structural dislocation.

25 The second theme, inflation, this honestly

1 seems to be the topic de jour of all the calls
2 that I have been on recently, with peers, with
3 investment managers, with strategists. How much
4 will inflation be? Will it be transitory? Will
5 it be extreme? Will it be managed?

6 And I say that we've gone through an
7 unprecedented pandemic and we have tremendous
8 stimulus. So I don't think anybody can predict
9 precisely when the turning point will happen and
10 when inflation will run. I think there are
11 factors that are supporting the notion that
12 inflation can be moderate, but we expect it to
13 happen over the coming year.

14 As stimulus dollars roll out, some will need
15 to repay what they owe on their rent. Small
16 businesses will have to dig out of the hole, and
17 we might not get back to where we were pre-COVID
18 in this next year. It may take time.

19 The Fed does have tools to fight inflation.
20 History would say that that has been a challenge,
21 to fight inflation when it starts to run without
22 moving into a recession. But they have
23 definitely indicated they're going to target back
24 to full employment and be slow to move. So,
25 again, inflation is a topic that has been of

1 significant discussion, and I'll touch on in a
2 minute how we're thinking about that.

3 The third theme is market expectation on
4 secular style rotation. So you've heard in these
5 meetings over the past three quarters that it has
6 been a market dominated by growth, dominated by
7 large cap. Well, we're starting to see that
8 shift this year.

9 And it's not just a shift into value. What
10 we have been seeing and may play out more is from
11 large to small, into cyclicals, into companies
12 that maybe have near term cash flow, sort of the
13 duration play versus future growth. This is all
14 in line with market recoveries. When earnings
15 and growth are scarce, long-term growth benefits.
16 When we see more earnings growth in the market,
17 wide payouts, value, cyclicals, other areas come
18 into favor.

19 So those are the three key themes that we're
20 seeing from a macro perspective. Now, that ties
21 to what I would call our investment themes. What
22 does this mean? One, we should be active. And,
23 two, we need to continue to be focused on asset
24 allocation.

25 So what do I mean by being active? Active

1 in the sense that we've discussed in fixed income
2 and in equities, partnering with the best active
3 managers, giving them the levers to pull as
4 markets are transitioning so that they can
5 generate returns. It means in our private asset
6 classes, being opportunistic, being -- finding
7 where there are market dislocations, being active
8 in finding those secular trends.

9 Also diversification. So, again, it's hard
10 to time inflection points. That's why we have an
11 asset allocation model. So when we talk about
12 things like inflation, having exposure to real
13 estate, having within our strategic investment
14 group some exposure to structured commodities,
15 similarly in private equity. These, for
16 instance, are things that will help us as
17 potentially inflation increases.

18 So now turning to what that means more
19 specifically on an asset class basis in terms of
20 what we're thinking about, and I'll provide a
21 very high level overview because my colleagues
22 will go through this in much more detail.

23 For instance, in global equity, as Tim has
24 discussed in the past, we're very focused on
25 having a diversified set of managers. And we've

1 seen the rotation and their outperformance as the
2 style and sectors have rotated, whereas growth
3 managers were dominating, maybe our quality or
4 our value managers have improved performance.
5 Our global equity team has been active in
6 restructuring some aggregates to make the most of
7 the opportunity in this market.

8 On the fixed income side, we always have an
9 eye towards risk, but Katy and her team have been
10 focused on being tactical with the core plus
11 managers and thinking about what to do in a
12 rising rate environment.

13 On the private equity side, great tailwinds
14 there, great returns, great distributions. The
15 team continues to put money to work with a
16 long-term outlook, because laying the groundwork
17 today generates those future returns.

18 Our strategic group, as we've talked about,
19 put a lot of money to work in the private credit
20 side. And as we look forward in their pipeline,
21 it's very diversified in the opportunities that
22 they're seeking. And finally, real estate, which
23 we'll hear a lot about today, even though it's a
24 long-term asset, they are aligning the portfolio
25 with long-term demographic themes, with long-term

1 secular themes in areas like logistics and other
2 places.

3 So as you can see, while we, again, are
4 long-term investors focused on long-term returns,
5 not trying to identify exactly when inflection
6 points will happen, we are thinking about the
7 opportunities that changes in markets create and
8 making sure to position each of our asset classes
9 and think about asset allocation to successfully
10 navigate all of those markets.

11 Those are my comments, but I'd be happy to
12 open it up to any questions.

13 PETER JONES: Any questions from the IAC?
14 All right. Well, thank you, Ash, and thank you,
15 Alison, for your comments. It's always
16 comforting to hear that all continues to function
17 well.

18 MR. WENDT: I finally got my mute off, so
19 I'm able to ask a question. It was only -- I'm
20 trying to follow the agenda -- this is Gary Wendt
21 speaking, by the way -- and I didn't see Alison
22 on the agenda. Should I be looking at a
23 different agenda?

24 MR. WILLIAMS: No. You're in the right
25 place. This is Ash. I handed Alison part of my

1 time.

2 MR. WENDT: Okay. All right. Fine. And
3 there weren't any slides up to be looking at?

4 MR. WILLIAMS: Correct.

5 MR. WENDT: Okay. Great. I'm with you.
6 Thanks very much. Sorry to interrupt.

7 MR. WILLIAMS: Thank you. Mr. Chairman,
8 could I mention one other thing?

9 PETER JONES: Please.

10 MR. WILLIAMS: Thank you. So those of you
11 who followed the FT over the weekend or any
12 number of other papers saw a breaking story about
13 a family office called Archegos that got in
14 trouble because of leverage, started liquidating
15 positions. And over the course of the weekend,
16 prices in a couple of stocks got hit pretty hard,
17 and questions were raised about the propriety of
18 controls at a couple of firms that provided prime
19 brokerage services to that family office.

20 That raises questions about leverage, the
21 safety of leverage, what exposure we might have
22 had to this event, et cetera. And suffice it to
23 say, we don't have any meaningful exposure either
24 to the stocks that were hit by this event -- I
25 think the loss is probably mark to market,

1 supply-demand and balance sort of activity that
2 will go away over time -- or the counterparties
3 that were involved. We don't have any meaningful
4 exposure to any of them.

5 But later today, when we go through the
6 individual asset classes, I would ask the
7 individual senior investment officers to comment
8 on their views of leverage generally in the
9 current environment, any observations they would
10 offer on the Archegos situation, and leverage in
11 their particular portfolios. Thank you and
12 apologies for not bringing that up earlier,
13 Mr. Chairman.

14 PETER JONES: Thank you for sharing that.
15 And, again, thank you both, Ash and Alison, for
16 your comments. It all sounds like it's going
17 quite well, performance, controls and otherwise.
18 And legislative updates, a lot happening there,
19 which we'll stay tuned in on, and the CAT Fund,
20 and also the history of the Florida Growth Fund.
21 Things don't always -- you map them out, and it
22 doesn't always work the way you map it out, but
23 this one sounds like it's done quite well. So
24 we'll look forward to this next section.

25 So I'm not hearing any other questions, so

1 we'll move to our next agenda item, which is a
2 more in-depth review of the Florida Growth Fund.
3 And I think first up are our partners Hamilton
4 Lane. And I'm not sure who's going to start the
5 presentation, but I'll turn it over to Hamilton
6 Lane at this point.

7 MR. PERRY: Thank you, Mr. Chairman. Good
8 afternoon. This is Nayef Perry from Hamilton
9 Lane. Just to kick off, let me just say thank
10 you to Ash and the Florida SBA team, as well as
11 the IAC, for the opportunity to come and present
12 to you today. This remains a continued honor for
13 on us to manage the program and partnership. It
14 has been a fantastic partnership with the Florida
15 SBA team for us. And so on behalf of all of us,
16 again, just want to say thank you for that.

17 As Ash alluded to and as you will hear from
18 our team, the Florida Growth Fund is performing
19 really well, and it's generating liquidity, and
20 more importantly or equally important, it's
21 having a strong impact on the state of Florida.
22 So without further ado, I'll turn it over to my
23 partner Katie Moore, who will take us through
24 just an update on the firm. Then we'll dive into
25 just a quick snapshot of the ecosystem in Florida

1 and then talk about performance.

2 MS. MOORE: Great. Thanks, Nayef. Hello.
3 Good afternoon, everyone. I'm Katie Moore. And
4 I echo what Ash and Nayef said. The Florida
5 Growth Fund program is really the gold standard
6 in the industry. We talk about it pretty much
7 every day in passing and with other clients in
8 the market. So kudos to you and all the success.
9 So we're going to talk a little bit about our
10 firm, a little bit about the performance and a
11 little bit about portfolio construction today.

12 So I start out on page 2. This is a quick
13 firm snapshot on Hamilton Lane. As a remainder,
14 we are one of the largest allocators and
15 investors in the private markets today. And
16 that's across a large and diversified client base
17 and it's global.

18 So similar to what many of you experienced
19 this year, it was definitely a year full of
20 challenges, but it was actually a year of growth
21 for us, and measured growth, good growth. Right?
22 And so we continue to believe that scale,
23 especially in our asset class, is so important to
24 not only attract good people and good investments
25 but to also sort of attract new and keep our

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1 existing clients happy. So ultimately we think
2 that scale is here to benefit your program, the
3 Florida Growth Fund program.

4 From an AUM level basis, we're up about
5 30 percent year over year, which is fantastic. A
6 lot more people are moving into the private
7 markets, as you know. And our employee base grew
8 about 10 percent. So, again, measured growth and
9 we continue to expand some of our existing
10 business lines, particularly around sort of
11 mid-market institutions and the high network, the
12 wealth adviser space, who really want more access
13 to the private markets.

14 And we also have some really new tech
15 initiatives, technology initiatives that we're
16 going to talk to you about that I think are
17 really interesting. And, again, just bringing
18 those synergies and all this data, it drives
19 better deal flow and better terms and access and
20 all of those things that we think will benefit
21 your program and have benefited your program.

22 So if you look at the bottom of the page
23 here, these are some of the names that we throw
24 out there. We have made balance sheet
25 investments in all of these companies. And

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1 they're everything from back office to our deal
2 process. We actually demoed for Ash and the team
3 last week, when we did our deep dive, a little
4 bit on our Cobalt system. This is our front
5 office tool to really help us drive strategy and
6 decision-making.

7 So we're able to load up your portfolio into
8 our system, and you can instantaneously run PMEs
9 and value drivers and benchmarks. And it's
10 really just -- it's getting out of the Excel file
11 and getting it into the hands of folks who can
12 make the decision on where we want to lean in and
13 what happens in this scenario, the inflation
14 scenarios you were talking about. So all of that
15 is really important. And we think that we have
16 the best tool to be able to do that.

17 I'll also mention here quickly down on the
18 bottom, because I think it's fascinating. Many
19 of you are in the financial world. We just
20 invested in a company called Canoe. We put a
21 balance sheet capital into it. It is a game
22 changer. It's basically like a first of its kind
23 artificial intelligence technology. It's cloud
24 based, and it's really allowing us to get away
25 from manual data entry.

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1 If you think about the number of statements
2 and capital calls and audited things that we get
3 every year from thousands of GPs, it all looks
4 different. Every spreadsheet is different.
5 Every data point is different. What this does is
6 it really takes all of that information. It
7 digests it from like portals and emails and
8 documents, and it stores it and uses machine
9 learning to really help us get the data in there,
10 avoid that manual data entry challenge. So,
11 anyway, on the Cobalt system, again, this is just
12 to point back to you that we are trying to drive
13 these synergies down to the Florida Growth Fund
14 program.

15 If we turn to page 3, this is a little bit
16 of a snapshot on our firm. Again, the Florida
17 Growth Fund program is an important client to us,
18 and we have a dedicated team here that really
19 thinks about the program all day long. So many
20 of you know Dave Helgersen. He's really been the
21 long-term senior member of our co-investment
22 team. He's been with the program since the
23 beginning, since 2009. And he's a big part of
24 what we do day to day.

25 And then Nayef and Ankur are really sort of

1 our day to day, on the ground. We added a new
2 professional, Rob DuVal, down in our Miami
3 office. And then you've got myself and my
4 colleague Ben Eckroth. We're really the
5 relationship managers on this account. And it's
6 our job to bring everything that Hamilton Lane
7 has to work for you. So that's sort of a big
8 snapshot on the firm and the team.

9 If we move to the next page, this is really
10 where we start to get into the program itself.
11 As Ash mentioned, Fund I was really launched
12 about 12 years ago. It was a \$250 million
13 tranche. You can see here down on the left. And
14 the strategy back then was to invest in both fund
15 managers and co-investments with Florida track
16 records, deals in and around the Florida
17 ecosystem. And it was definitely more heavy
18 early stage and growth at that time.

19 But as you can see, as we move to later
20 tranches, the second tranche of Fund I was
21 another 150 million pool of capital. And then we
22 added a credit tranche to focus on credit
23 co-investments. That program is fully committed,
24 and we're sort of in the managing stage of that
25 now.

1 And then we shifted to Florida Growth Fund
2 II. That was launched in 2015. It was another
3 \$250 million tranche. And then our second part
4 of Fund II was launched in late 2019. And that's
5 sort of where we're spending the bulk of our time
6 today, the team, Nayef and Ankur and now Rob.

7 So I'm going to turn it to Nayef and talk a
8 little bit about some of the recent activity and
9 some of the performance in portfolio
10 construction. Nayef.

11 MR. PERRY: Thank you, Katie. So just
12 moving to page 5, the Florida Growth Fund has
13 done well, but it needs a really strong backdrop.
14 And I think, as you think about the thesis for
15 the Florida Growth Fund and for Florida SBA, it
16 couldn't be more ripe than it is today from our
17 perspective. There are more PE-backed companies
18 and more general partners than ever in the state.

19 And so what that's creating is it's creating
20 the power of choice for all of us. And as we
21 look at what some of the drivers of that growth
22 are, it comes down to two simple things. On the
23 one hand, you've got organic growth. And so
24 think about spin-outs from existing GPs where an
25 individual spins out, starts their own firm, or

1 you have strategy expansion, where that manager
2 is expanding the number of products, creating
3 greater investment capability.

4 The other piece is the inorganic. And I
5 think a lot of folks on this call can appreciate
6 what we term the Florida migration. But in
7 particular, we've seen it a lot over this last
8 year, where general partners are basically either
9 relocating into the state of Florida from out of
10 state or they're collocating here. And so that's
11 been a big driver of opportunity.

12 If we move to page 6, this kind of touches
13 on the Florida impact and the OPPAGA report that
14 Ash alluded to earlier. But from our
15 perspective, as we look at Florida impact, this
16 program is having a really great impact on the
17 state. Going from left to right, as we look at
18 job creations, for example, 19,555 jobs having
19 been created since the inception of the program.
20 Now, that number is down slightly from last year.
21 And a lot of that is driven by what I would call
22 short-term cost takeouts within the portfolio
23 investments through the pandemic.

24 As we shift over and look at average annual
25 salary, average Florida Growth Fund investment

1 salaries were about 66,000 over the last year.
 2 That's almost two times the state's average. And
 3 so not only is the program contributing to job
 4 growth, but it's contributing job growth at
 5 elevated annual salaries, which we think is
 6 important.

7 And then, lastly, as we look at capital
 8 expenditure, for every dollar of Florida Growth
 9 Fund investment, the Florida Growth Fund
 10 portfolio investments are spending \$1.50 on
 11 capital expenditure in the state. So the program
 12 is having a tremendous multiplier effect with the
 13 dollars invested.

14 If we move to the next slide on page 7, now
 15 we'll dive into the program performance. So this
 16 is really the entirety of the Florida Growth Fund
 17 performance as of September 30 of 2020. As I
 18 just take a step back from the numbers here, you
 19 know, our focus or our area of purpose we think
 20 of as being three goals.

21 So one is our goal is to return or generate
 22 the best possible returns for Florida SBA in the
 23 context of investing exclusively in Florida.
 24 Secondly, it's driving liquidity. And third,
 25 it's having Florida impact. And as we look at

1 performance against all of these objectives, from
 2 our perspective, this program is performing well
 3 against all those.

4 As we look at performance just as a starting
 5 point, every single tranche is outperforming its
 6 since inception benchmark. As we look at
 7 liquidity, over 550 million of liquidity as of
 8 9/30, closer to 600 million of distributions as
 9 we get to Q1 of this year. And as you saw on the
 10 prior page, this program is having a continued
 11 year-over-year impact on the state.

12 I won't go through every single number on
 13 the page. Let me just quickly move through each
 14 of the individual funds so you get a flavor of
 15 the performance. But starting with Fund I, I'll
 16 aggregate the performance, just given the level
 17 of consistency across both tranches. Fund I is
 18 performing right around a 13.3 percent gross and
 19 an 11.3 percent net.

20 As we look at realized performance of all
 21 the direct investments or co-investments that
 22 we've made, which are about 25 in this vehicle,
 23 17 of those 25 have been fully realized,
 24 generating a 22 percent IRR and a 2.3x cash on
 25 cash.

1 And then as we look at liquidity, this
 2 program has distributed more than its cost base,
 3 so about 420 million of liquidity as of 9/30.
 4 And then, lastly, on the benchmark piece, between
 5 90 and over 380 basis points of outperformance
 6 against its benchmark across each of the
 7 tranches. So we're pleased with the continued
 8 progress of that fund.

9 As we shift over to the Florida credit
 10 tranche in the middle column, just as a reminder,
 11 this is an unlevered vehicle, so we haven't
 12 introduced any unnecessary risk to the portfolio.

13 MR. COLLINS: This is Peter. Can I ask a
 14 question? Hey, Nayef. Peter Collins. So what
 15 is the lifetime of tranche one? Since the
 16 vintage is 2009, it's 2021. Is that done, or how
 17 are these set up? And if it's an extension
 18 period, tell us that it's in an extension period
 19 and what that -- you know, do you-all make the
 20 decision on the extension? Do you have to go
 21 back to the SBA to make that decision? I'm just
 22 curious about that.

23 MR. PERRY: Great question, Peter, and thank
 24 you for that. As you look at Fund I, it really
 25 has two vintages. Tranche one is a 2009 vintage.

1 Tranche two, I believe, is a 2012 vintage. Each
 2 of those tranches, what is within -- I would say
 3 more within our control, I think about the world
 4 as being divided between co-investments and fund
 5 investments.

6 Within the co-investments, we've by and
 7 large realized the majority of the portfolio
 8 already. So we've got eight out of the 25
 9 investments remaining. Two out of those eight
 10 are already on an exit path. We have a third
 11 that may transact in the near term, which leaves
 12 five unrealized investments, as we think about it
 13 through the course of this year.

14 The fund investments are a little bit harder
 15 to predict, because in the last year of the
 16 investment period, we may make a fund commitment,
 17 which then has a five year deployment period. So
 18 because of the fund investments, these tranches
 19 can have a longer tail to them.

20 MR. COLLINS: And so how many investments
 21 total are left in tranche one? Do you know?

22 MR. PERRY: On the direct side we've got --
 23 and Ankur will run through that momentarily. So
 24 we've got eight across both tranches. I think
 25 we've got about four direct investments in

1 tranche one remaining.

2 MR. COLLINS: And so then you've got four
3 fund investments as well?

4 MR. PERRY: No. There are a lot more fund
5 investments underpinning that.

6 MR. COLLINS: Okay. So you have 12 total.
7 So would you say it's still 10 or 12, or is it
8 some decent amount less than that?

9 MR. PERRY: When you say 12, you're talking
10 about 12 total investments or --

11 MR. COLLINS: Well, if I look at your slide,
12 page 4, it says in tranche one, you had 12 fund
13 investments in tranche one, and you had 17
14 direct. And if you're saying you have four
15 remaining direct, that means you've exited 13.
16 I'm just curious if you're still invested in all
17 12 funds.

18 MR. PERRY: Yeah. So all 12 funds are
19 currently invested. Some of them are at
20 different points. So we have -- some of the
21 funds, for example, some of the earlier credit
22 funds may be fully distributed or they may have
23 an investment or two remaining in them. So
24 that's why I was making the distinction between
25 across Fund I, four unrealized direct investments

1 in tranche one, four unrealized direct
2 investments in tranche two, and then all the fund
3 commitments by and large are still outstanding.

4 MR. COLLINS: I see. So is there any hard
5 stop on term of the fund? You know, I get what
6 you're saying. You invest the last year of your
7 commitment period in the fund. It's got a ten
8 year life, and maybe it's got a couple of years
9 of extension. So Fund I could go on for -- let's
10 say you had three years, so that would be 2012.
11 Then you sign up for a ten year, so that would be
12 2022. And then you have maybe two one-year
13 options that that GP has, could be 2024. Is
14 there a hard stop or what's the mechanism to get
15 to the end?

16 MR. PERRY: Yeah. I mean, the mechanism is
17 when the investments get realized. I think the
18 more important question might be, you know, are
19 you paying fees indefinitely as those assets
20 remain outstanding. I think the short answer is
21 no. Once the investment period and the term
22 expires, the fee meter turns off. So as those
23 investments continue, we just focus on harvesting
24 that cash flow.

25 MR. COLLINS: Even though you're not getting

1 technically paid for that investment anymore.

2 MR. PERRY: Correct.

3 MR. COLLINS: Okay. Great. Thank you.

4 MR. PERRY: Sure. Just to jump back to the
5 credit fund, so we've had -- so seven of the 14
6 investments have been fully realized in the
7 credit tranche, generating a 19.3 percent gross
8 IRR and a 1.4x cash on cash. The credit tranche
9 has distributed about 87 million. And as we look
10 at benchmark performance, about 577 basis points
11 of outperformance for the credit tranche.

12 And so just for perspective, we typically
13 think about that or we typically guide investors
14 to about 150 to 200 basis points of
15 outperformance. For us to be at three times that
16 level of outperformance, we feel that the fund --
17 an unlevered fund is on a great footing,
18 especially for an in-state program.

19 And then lastly, as we look at Fund II, this
20 is the youngest of the three vintages or funds.
21 Tranche one is fully committed, and then tranche
22 two is still actively being deployed. But as we
23 look at performance, 8.4 and 28.7 across both
24 vehicles on a gross basis, 6.2 and 20.6 on a net
25 basis.

1 Tranche one has distributed about
2 41 million, which is about 20 cents on the
3 dollar. We did have our first two realizations
4 in the fund post 9/30, so after this reporting
5 period. Both of those investments generated
6 extremely great returns. So one generated over a
7 51 percent IRR, and the other one close to a
8 21 percent IRR. So we would expect that the
9 distribution profile as we roll forward is
10 somewhere between 40 and 50 cents distributed on
11 the dollar as of Q1 of this year.

12 And then lastly, just from a benchmark
13 perspective, both of these tranches doing nicely
14 from a benchmark since inception performance
15 standpoint, 185 basis points of outperformance
16 for the first tranche and then over 2,600 basis
17 points of outperformance for tranche two. So off
18 to a strong start.

19 Lastly, I'll just comment that tranche two,
20 while it is a younger vintage or the youngest
21 vintage in the series, it does have nine
22 investments underpinning that performance. So
23 it's not necessarily a small number of
24 investments.

25 Let me turn it over to Ankur, who will now

1 go through the individual funds.

2 MR. DADHANIA: Thanks, Nayef. So if
3 everyone wants to turn the page, I will look at
4 Florida Growth Fund I, excluding the credit
5 tranche. As Nayef mentioned, these are kind of
6 the headline statistics.

7 I think one area that we want to harp on is
8 that, while the headline number of whole
9 investment capital into the Florida Growth Fund
10 continues to increase, you'll notice that in
11 lockstep, the total distributions of the total
12 program also continue to increase.

13 Look at the distribution number for FGF I,
14 about 420 million has been distributed back,
15 otherwise known as, for every dollar that the
16 Florida SBA has invested in Florida Growth fund
17 I, we have returned \$1.10. And we expect this to
18 continue to trend positively as we continue to
19 realize some of the co-investments that we have
20 underpinning our portfolio but also has our fund
21 investments, both (indiscernible) and later do
22 become more realized.

23 If you look at the top corner of the page, a
24 13 percent gross IRR, 1.7x gross MOIC. We think
25 that given the timeline this program is invested

1 in, we feel happy about these numbers. And as we
2 compare that to the benchmark, where it's
3 exceeding its benchmark by about 200 basis
4 points, both on an absolute and relative basis,
5 we're also pleased with continued performance of
6 this fund. We can go to the next page.

7 MR. COLLINS: What is the benchmark?

8 MR. DADHANIA: So the benchmark here is the
9 Russell 2000.

10 MR. COLLINS: Okay. Thanks.

11 MR. OLMSTEAD: And just from a quick
12 perspective, I know this is focused on Florida,
13 but there are some funds that invest both in
14 Florida and out of Florida. Any insight on what
15 percentage of -- I don't know -- investment has
16 actually gone into Florida-based companies?

17 MR. DADHANIA: Sure. So out of our total
18 investment program, 100 percent of our total
19 investments have been based in Florida. Now, if
20 we repeal the existing NAV of the underlying fund
21 managers and evaluate it on that lens, it's much
22 more in the 65 to 70 percent camp. But that
23 obviously trends in a number of directions,
24 depending on exit activity and investment
25 activity.

1 MR. PERRY: Vinny, if I can just expand on
2 that. This Nayef Perry from Hamilton Lane
3 speaking. Historically, what we have looked at,
4 as Ankur mentioned, 100 percent of the
5 investments have to be Florida, so that
6 co-investments, you get 100 percent exposure. On
7 the fund investments, our thresholds for managers
8 has historically been in and around the
9 20 percent plus range for Florida investments.

10 Now, we have some managers in the portfolio
11 that are doing closer to 75 percent Florida
12 concentration because of their geographic region,
13 their sourcing. Other managers are at the lower
14 end and then some in between.

15 MR. OLMSTEAD: Is that part of how you
16 evaluate those funds that you invest in then?
17 Like is it more appealing to have somebody who
18 invests 80 percent in Florida versus a fund that
19 invests 20 percent, and how do you balance that
20 with returns?

21 MR. PERRY: That's a great question. I
22 think the way we simplistically look at it is we
23 look at whether the manager, as a starting point,
24 has enough, quote, unquote, Florida for us to
25 even start the conversation. I think at that

1 point, once we've engaged and come to the
2 consensus that it is, quote, unquote, appropriate
3 for the Florida Growth Fund, at that point, we'll
4 start to look at performance of the manager.
5 We'll start to dissect attribution and
6 performance and go through all the analysis to
7 ensure that the people, the process and all those
8 things are -- they have a good recipe for
9 continued success.

10 MR. OLMSTEAD: And then when you look at
11 things like jobs, so when you're doing direct,
12 it's pretty easy. When you're doing it with
13 funds, are they just providing you with that data
14 to blend with your direct investments?

15 MR. PERRY: They are, correct. So we're
16 collecting information down to both levels.

17 MR. OLMSTEAD: It's great and impressive
18 data. I was just curious. Thank you.

19 MR. PERRY: Vinny, if I can just make one
20 more point on the fund investments, too. We have
21 also been very proactive in what I would call
22 covenanting managers to ensure that we're getting
23 the appropriate level of Florida exposure.

24 So, for example, we've had some managers
25 that were out of state but historically had a

1 significant Florida presence. We put covenants
2 in place to require that a certain number of
3 travel days, when they do sourcing, for example,
4 happen within the state of Florida, and we have
5 the ability to contractually audit that. In
6 other instance, we require them to open a Florida
7 office.

8 PETER JONES: Do you have to make an
9 exception from the pandemic? Were they still
10 traveling?

11 MR. PERRY: I think we would have to make a
12 waiver for 2020.

13 PETER JONES: I would think. Okay. And one
14 just side note. I want to make sure we -- keep
15 the questions coming and the dialogue is very
16 helpful, but I just need to ensure that we
17 maintain our schedule. We have a four hour and
18 20 minute schedule on Zoom, so I want to be sure
19 we don't go beyond that. So just to the extent
20 we can hit the high points and still cover it
21 would be helpful.

22 MR. DADHANIA: Peter, noted. These next
23 couple of slides real quickly. As Nayef
24 mentioned, this is an unlevered vehicle, so that
25 13.7 percent gross that we have illustrated is in

1 the purest form, the 87 percent DPI. And I would
2 also mention it continues to trend up as we
3 evaluate the distribution activity over the past
4 two quarters. So as we sit today, we're north of
5 1x DPI, so fully de-risked from a credit tranche
6 perspective.

7 Lastly, I'll mention on this slide that the
8 outperformance on the benchmark is about 600,
9 almost 600 points. Again on an unlevered basis,
10 we feel really good about the relative and
11 absolute performance.

12 Let me go to the next slide. So as we look
13 at FGF II, we've profiled this with two tranches,
14 a 2015 and '19. This is a smaller fund relative
15 to FGF I, where tranche one had a \$250 million
16 commitment and tranche two only had \$125 million
17 commitment. We've made 35 investments in total,
18 with distributions of 41 mill back to the SBA.
19 But that continues to increase with exit activity
20 over the last two quarters.

21 If you look at the overall return on the
22 right-hand side, the fund is performing well at a
23 1.2x MOIC and a 9.1 percent IRR. It's important
24 to note that our most recent tranche of capital,
25 which was subject to the pandemic, that fund,

1 tranche two is at about a 29 percent gross IRR.
2 We feel good about where that tranche sits, and
3 (indiscernible) relative to performance, on the
4 benchmark, still outperforming that tranche of
5 capital.

6 The last thing I'll touch on this slide is
7 that what makes us even more proud is that both
8 FGF II tranche one and FGF II tranche two had
9 broken the J curve within two to three quarters,
10 resulting in positive IRR performance sooner as
11 opposed to kind of the typical private equity
12 funds who break their J curves in 14, 18
13 quarters.

14 Lastly, I just want to point out here, on
15 portfolio construction, we have purposely
16 oriented FGF II to be slightly more weighted to
17 more sort of co-investments than FGF I, as the
18 performance and distribution accretions in the
19 program is greater from our co-investment
20 portfolio than our fund portfolio.

21 And just one last point on co-investments,
22 just wanted to make note to the council that both
23 across Fund I, Fund II, 100 percent of our
24 co-investments have had a strong nexus to
25 Florida, specifically by way of footprint.

1 Additionally, just given our scale, brand and
2 reputation, we will (indiscernible) to co-invest
3 alongside of general partners. So our gross
4 returns on our co-investments are the true gross
5 returns that are realized by the SBA.

6 I'll turn it back over to Nayef just to
7 cover the last slide.

8 MR. PERRY: We'll wrap up here. Thank you,
9 Ankur. But, look, I think what we've been able
10 to achieve collectively in partnership with
11 Florida SBA is a consistency over the last 12
12 years. I think that that is really the result of
13 three core things.

14 So, one, it's having that strong partnership
15 with the team. We have a very active dialogue
16 with the Florida SBA on portfolio construction.
17 Two is having a dedicated team on the ground that
18 can execute on the strategy. And, three, it's
19 our ability to leverage scale, which is through
20 the Hamilton Lane platform.

21 And so our continued focus is going to be
22 consistent with what you heard. It's returns,
23 liquidity and Florida impact. And so with that,
24 I just want to say a big warm thank you on behalf
25 of Hamilton Lane and the team here today to the

1 IAC and Florida SBA.

2 PETER JONES: Thank you very much.
3 Certainly compelling results. That's very
4 impressive. So questions, any further questions
5 from the IAC? Okay. Well, thank you, folks from
6 Hamilton Lane. We'll move to J.P. Morgan, and
7 I'll turn it over to the folks at J.P. Morgan.

8 MR. COUSIN: Good afternoon, everyone. I'm
9 Rob Cousin. Hopefully everyone can hear me okay.
10 With me today are my partners Tyler Jayroe and
11 Patrick Miller, and very excited to be here again
12 to share with you a bit about our progress and
13 the portfolio we're building for the Florida
14 Growth Fund.

15 On this first slide here, just to level set
16 and remind everyone of the platform that we're
17 part of, we're with J.P. Morgan's asset
18 management division. We oversee about 25 billion
19 in assets. Importantly, that's solely on behalf
20 of external clients. It's mostly institutional
21 investors, including some very large funds, not
22 too dissimilar to the Florida SBA, where we have
23 customized separate accounts, and we're very
24 experienced and capable of working in that
25 environment.

1 We're over 50 investment professionals
2 located globally. I'm based in South Florida, as
3 I'm the primary day-to-day contact for the SBA
4 staff and spend the majority of my time on this
5 mandate. But what's important to understand as
6 we lay out this platform is that while you'll
7 hear from three of us today who primarily day to
8 day interact with the staff, the entire resources
9 of our private equity group at J.P. Morgan is
10 brought to bear on this mandate.

11 So we'll take you through some details on
12 the portfolio in a few moments, but of the 14
13 deals or so that we've done so far, several of
14 them were either sourced by people located in
15 other offices or they assisted on due diligence,
16 because it's a relationship business. Deal flow
17 in private equity is based on relationships. And
18 we have a large team throughout the world who
19 have relationships with talented sponsors,
20 talented investors who might happen to be
21 investing in Florida, just given the size of the
22 economy here, and we want to bring all those
23 resources to bear.

24 Similarly and perhaps more encouragingly to
25 us is that all but one of the deals we've done so

1 far, we've not only put the Florida Growth Fund
2 in, we've brought other clients in as well, in
3 some cases at very large amounts of capital. And
4 so it's a good alignment of interests.

5 It's a good barometer of the quality of deal
6 flow that we're finding because these are not
7 just good deals in Florida. These are good deals
8 on any score. And clients who don't have any
9 specific affinity to Florida are looking to put
10 capital alongside you in those deals, which we
11 think is a great alignment of interests.

12 Turning to the next slide, just to give you
13 a snapshot of the mandate here, and we'll go into
14 a little bit more detail in a moment here. But
15 we started the mandate, which \$125 million, in
16 December 2018, so just a little over two years
17 into it. Thus far, if we look at what we've
18 invested in in terms of strategy, about
19 90 percent of the capital has been in small
20 growth buyouts.

21 And then in terms of investment type, it's
22 been more weighted towards direct investments,
23 60 percent direct, 40 percent funds. Wouldn't be
24 surprised over the next couple of quarters if
25 that balances out a bit, because we have a couple

1 of funds in late stages of due diligence right
2 now.

3 But what I think is most interesting is the
4 breadth and the profile of the investments that
5 we've found thus far. So if you take the funds,
6 for example, we've done everything from
7 established funds that we've been with for many
8 years, even before we were working with the SBA,
9 that are based in Florida and invest in Florida.
10 And then we have several emerging managers,
11 first-time funds that we've committed to or are
12 looking at, including some relocations or
13 migrations, as I think Nayef referred to it.

14 It seems to be a regular occurrence that an
15 established firm that maybe was in the Northeast
16 is opening up an office in Florida, progressively
17 moving staff to Florida and doing deals in
18 Florida. We think that's just great, an example
19 of the growth of the opportunity set down here.
20 And we've taken advantage of some of those
21 opportunities.

22 And then on the direct company side, we've
23 done everything from a very large transaction
24 with one of the largest sponsors for private
25 equity in the world, and then we've done some

1 smaller growth deals with fundless sponsors. So
2 it's really a good breadth of opportunity set
3 there as well.

4 The next slide, please. In terms of our
5 presence in Florida, when we were first talking
6 to the staff about joining the Florida Growth
7 Fund effort, we were very encouraged by the fact
8 that we've always had a big presence in Florida.
9 And it's probably not surprising, just given the
10 size of our program and how big the Florida
11 economy is.

12 So even before we were part of this mandate,
13 if you looked across our portfolio, we invested
14 over a billion dollars in companies headquartered
15 in Florida. That doesn't include a much larger
16 opportunity set of companies that may not be
17 headquartered here but might have a significant
18 presence here.

19 And so clearly it's a growing opportunity
20 set. My partner Pat will talk about that growth
21 here in a moment. And we really just think we
22 can take advantage of that opportunity set. We
23 think the Florida Growth Fund mandate is very
24 well-positioned to take advantage of all the
25 great things going on in the Florida economy.

1 MR. MILLER: Great. Thanks, Rob. So on the
2 next slide here, slide 5 shows the primary and
3 venture capital growth activity in the state of
4 Florida by calendar year. You can see that deal
5 activity has continued to grow in both private
6 equity and venture capital through the 2020
7 pandemic, you know, and really saw a pretty
8 similar number of transactions as we had in 2019.

9 In Florida you can see that the buyout
10 market is a little bit larger than the venture
11 market today. But the chart below highlights the
12 tremendous growth in venture capital, investment
13 activity since 2010. And as Rob just mentioned,
14 given the favorable economic conditions here in
15 the state, we would anticipate to see more and
16 more opportunities in the next few years as firms
17 relocate or spin out and launch their own firm.

18 So the next slide, slide 6, this is just a
19 quick overview of PEG's pipeline of Florida-based
20 opportunities since inception of the mandate.
21 It's been quite busy. We're averaging seeing
22 over one deal per week at this rate since
23 inception of the mandate.

24 In 2020 compared to 2019, we saw a few more
25 directs. These directs came from existing PEG

1 relationships, new Florida GPs that we were
2 introduced to since inception of the mandate, as
3 well as a number of fundless sponsors who we've
4 gotten to know over the past couple of years,
5 including a number of new firms that you're not
6 going to find on PitchBook or other private
7 equity sponsored website. We find a lot of these
8 small nichey managers who do a lot of small deals
9 in the small mid market, and we're seeing a lot
10 of those opportunities.

11 So I'll now hand it over to Tyler to give an
12 update on the fund.

13 MR. JAYROE: Great. Thank you, Patrick.
14 Moving to the next slide, my name is Tyler
15 Jayroe. I'm going to walk you through a summary
16 of the current portfolio and the near-term
17 pipeline, starting with the snapshot here on page
18 7.

19 In a little over two years since activating
20 the fund, we've committed \$72 million on behalf
21 of the Florida Growth Fund across 14 investments,
22 nine of which have been direct investments and
23 the remaining five have been commitments to
24 partnerships.

25 Around one-third of the mandate's

1 \$125 million has been invested to date. And the
2 average age of the underlying investments is less
3 than one year. So it's very early to provide any
4 firm assessment of performance. However, we are
5 pleased with how the portfolio is shaping up so
6 far. As of September 30th of last year, the fund
7 was marked at a gross IRR of 27 percent. On a
8 net basis, this translates into an 18.5 percent
9 IRR and a 1.2x multiple.

10 As previously mentioned, we've been very
11 active in making direct investments, which have
12 performed well to date and allowed the fund to
13 avoid the typical J curve that often accompanies
14 the early years of a new portfolio.

15 Positive market conditions have certainly
16 provided a constructive backdrop for the initial
17 value appreciation that we've seen, but we're
18 actually more encouraged by the creativity and
19 resiliency demonstrated by the private equity
20 firms and management teams with whom we've
21 invested. They've generated strong results in a
22 very challenging operating environment over the
23 past year in particular.

24 It's also been interesting to see such a
25 wide range of industries represented in the

1 portfolio so far, everything from industrial
2 services to mobile communications to E-commerce
3 and health care services, both for people and for
4 pets, which has certainly been a fast-growing
5 sector, as pet adoption rates and related
6 spending have accelerated meaningfully during the
7 pandemic.

8 While we're still waiting for year-end
9 audited financial reports, preliminary
10 indications are that we will see additional
11 increases in carrying values for the majority of
12 these investments as of 12/31. Again, it's too
13 early to draw any conclusions, but we are
14 encouraged by the initial performance and the
15 portfolio composition. Turning to page 8, we
16 provided --

17 MR. OLMSTEAD: Hey, Tyler?

18 MR. JAYROE: Yeah, sure.

19 MR. OLMSTEAD: Just real quick, Vinny
20 Olmstead here with some questions on that last
21 slide.

22 MR. JAYROE: Of course.

23 MR. OLMSTEAD: Same question that I asked
24 Nayef. When you look at these, what percentage
25 of these companies and/or funds are the state of

1 Florida?

2 MR. JAYROE: Yeah. So similar in the sense
3 that all of the direct investments have a
4 significant presence in the state, if not at
5 least headquartered there as well. And in the
6 fund commitments, it certainly is a range. We've
7 seen -- the other thing I'd suggest is the fund
8 commitments, given that we only activated the
9 investments and have made five to date,
10 significantly, the amount of capital is
11 undeployed so far. So we've got five
12 commitments, including a recent one is closing
13 this week.

14 So we'd expect it to kind of increase over
15 time. I don't know if that directly answered
16 your question or if Rob or Patrick have --

17 MR. COUSIN: I would just chime in one
18 thing, Vinny, if I might.

19 MR. OLMSTEAD: Yeah.

20 MR. COUSIN: Similar to what Nayef said, we
21 also try to get creative when we can. Not every
22 fund you can do this with, but we recently have
23 been working with a firm that's based in Florida
24 who invests in Florida but also invests around
25 the country. And we're setting up kind of like a

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1 sidecar, where we can get more exposure to the
2 deals that they do in Florida just to get to that
3 point.

4 MR. OLMSTEAD: That makes sense. That's
5 creative and that does make a lot sense. Okay,
6 good. And where you have these direct
7 investments, is that typically side by side with
8 other funds, or how are you sort of sourcing that
9 type stuff?

10 MR. COUSIN: Yeah. They're co-investments.
11 They're with a sponsor. Most of them are with
12 funds. We do have a couple with what you would
13 call fundless sponsors, but these are very
14 experienced investors that might be just raising
15 capital on a deal-by-deal basis, but in every
16 case they're co-investments.

17 MR. JAYROE: Any other questions on the
18 performance slide? We can move to page 8. This
19 is just a brief summary of three of the
20 investments that are in the near-term pipeline.

21 The first is actually a direct investment
22 based in Jacksonville. This is a provider of
23 water sport products. The company markets its
24 best-in-class branded products directly to
25 consumers and has quickly emerged as a leader in

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1 a fast-growing niche market that is capitalizing
2 on the increased interest in water sport
3 activities. Despite that company's strong
4 momentum, the sponsor was able to negotiate a
5 very reasonable entry price and structure that
6 offers downside protection and an attractive
7 risk-return profile.

8 We're also closing this week on a
9 partnership investment that we're making in a
10 firm based in West Palm Beach. This is a group
11 that we know very well and have backed for over a
12 decade across our platform. They focus on
13 investments in lower mid market businesses, which
14 they've been able to source proactively and
15 acquire for attractive multiples. Our fund has
16 already made its first platform investment, which
17 is performing very well and could actually
18 provide some near-term liquidity to investors.

19 The last pipeline opportunity is a firm
20 we've been tracking for the past two years and
21 focuses on companies that provide value-added
22 distribution and logistics services. We're
23 currently completing diligence on this
24 opportunity and will likely make a decision in
25 the next quarter.

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1 Turning to the following page, we provide
 2 some key preliminary indicators of the positive
 3 economic impact these investments are making
 4 across the state. In aggregate, these companies
 5 created over 200 new jobs and employed over a
 6 thousand Floridians, whose wages increased by
 7 4 percent over the prior year.

8 Over 10 million in capital expenditures have
 9 been made by these companies in the state to fuel
 10 future growth, and we would obviously expect
 11 these metrics to continue to increase as the
 12 portfolio matures. As mentioned, only a third of
 13 the capital has actually been invested in
 14 underlying companies to date. With that, I'll
 15 turn it back over to Rob.

16 MR. COUSIN: Thanks, Tyler. On the last
 17 slide here, just to wrap up, hopefully, you got a
 18 flavor for our excitement with the portfolio. We
 19 feel very good about the portfolio we've built,
 20 the lack of a J curve so far, some of the early
 21 performance progress, especially in the COVID
 22 environment.

23 But the most important thing to us, we want
 24 to be more of a resource than just providing that
 25 as far as the Florida Growth Fund. What we said

1 to the staff when we first started discussing
 2 part of this is that we're very large in the
 3 private equity market, so is the SBA, you know,
 4 and we should be an extension of the resources
 5 and provide any guidance or information that we
 6 might have on the markets to their disposal.

7 And so just this past year, we referred
 8 deals to one another. They know anytime we're
 9 looking at something that they might be
 10 interested in, we'll share our diligence. We try
 11 to be very transparent with them. It's been a
 12 great partnership, if you will, and we just hope
 13 to continue to foster and strengthen that going
 14 forward. We thank everybody for the opportunity
 15 and happy to answer any other questions.

16 PETER JONES: Well, thank you to colleagues
 17 at J.P. Morgan. Again, early stages, but still
 18 looks very promising and off to a good start. So
 19 thank you for that. Any further questions from
 20 the council?

21 MR. COLLINS: Yeah, I --

22 MR. WENDT: Gary Wendt has a question.

23 MR. COLLINS: Go ahead, Gary.

24 MR. WENDT: I assume you use leverage on
 25 most of your investments. And if so, do you have

1 a limitation on how much leverage you put?

2 MR. COUSIN: So we do not use any leverage,
3 so everything you see here is an unlevered basis
4 now. Underlying funds or underlying deals will
5 have leverage at market terms and market rates.
6 Some of the deals have no leverage because they
7 may be in a high growth mode without a lot of
8 cash flow right now. But we do not use any
9 leverage in the fund.

10 MR. WENDT: Thank you.

11 MR. COLLINS: I just have one question, Mr.
12 Chairman, and it really has to do with measuring
13 performance. I get that we're tying maybe a hand
14 or an arm behind their backs by focusing solely
15 on Florida, and you can only put so much capital
16 to work and do so many good deals in Florida.

17 But if we're measuring against the Russell
18 2000, solely the Russell 2000 and not any
19 premium, it would be the only private equity fund
20 investment that I know of where you didn't add
21 something for illiquidity, term of investment,
22 you know, the whole structure.

23 And so I'm just -- did we come up with the
24 Russell 2000 without the premium because of the
25 exposure only to Florida, or do we need to relook

1 at that?

2 MR. WEBSTER: Hey, Peter, it's Trent
3 Webster. This sits in our asset class. And we
4 did a benchmarking methodology study a couple of
5 years ago, three or four years ago, on how do you
6 benchmark alternative investments. And as of
7 2018, all Florida Growth Funds are benchmarked
8 with the 300 basis point premiums internally.

9 So when you see the performance of strategic
10 investments, which includes Florida Growth Fund,
11 that 300 basis point premium is what's
12 benchmarked to all private equity funds from the
13 Florida Growth Fund.

14 MR. COLLINS: So when we see their
15 performance relative to the benchmark in these
16 reports, it's taking into account the extra 300
17 basis points? So if they're outperforming it,
18 it's the Russell 2000 plus the 300, or are you
19 capturing that in your numbers?

20 MR. WEBSTER: Yeah. This gets a little
21 confusing. Back when strategic investments
22 started, most of the private market funds were
23 originally benchmarked to the real return
24 benchmark. And about the middle of the last
25 decade, we started to reassess that and decided

1 that where we could put market benchmarks on our
2 private market funds, we could.

3 So at the original inception of the Florida
4 Growth Fund, we have to remember, it wasn't
5 just -- the mandate wasn't solely to be always
6 private equity. You might have some credit, you
7 might have some real estate, as we conceptualized
8 it. But it went forward primarily as private
9 equity, with the option of doing some private
10 credit. So prior to the change in benchmarking
11 methodology, we were using a real return
12 benchmark for the Florida Growth Fund.

13 Starting about three years ago, though, we
14 changed that. And going forward from that point
15 in time, they are benchmarked to the Russell
16 2000, plus a 300 basis point premium. Sorry
17 that's a little technical and confusing, but
18 that's how we benchmark them internally.

19 MR. COLLINS: Okay. So in tranche one --
20 and I'm sorry to pick on Hamilton Lane, because
21 it looks like they've got the most data, right?
22 So in tranche one for the Florida Growth Fund I,
23 when it says 93 basis points above the benchmark
24 since '09, that is the Russell 2000 plus 300
25 basis points for the full period?

1 MR. MOGG: Peter, this is John Mogg from
2 strategic investments. That's Hamilton Lane's
3 benchmark. That's the PME, which is just the
4 Russell 2000. It does not include the 300 basis
5 point premium, which is how we evaluate Hamilton
6 Lane and J.P. Morgan internally.

7 MR. COLLINS: Okay. So does Hamilton Lane
8 know what their benchmark is, or is that our
9 benchmark?

10 MR. MOGG: Yes. They benchmark their
11 performance a number of different ways. They
12 slice and dice it by strategy, by vintage year,
13 et cetera. This is the way that they choose to
14 present it. But, yeah, they are aware that we
15 evaluate everything internally on a different
16 benchmark.

17 MR. COLLINS: Okay.

18 PETER JONES: Okay. Other questions from
19 the council? Okay. Well, I'd like to thank
20 again colleagues with Hamilton Lane and J.P.
21 Morgan. Thank you for your time and your
22 presentation and all the good work.

23 So we will move on to our next agenda item.
24 It is in section 4 of your notebook, the real
25 estate review. And I'll turn it over to Steve

1 Spook.

2 MR. SPOOK: Good afternoon. I'm the senior
3 investment officer for real estate, and I'm
4 joined today by Lynne Gray, senior portfolio
5 manager for principal investments, and Michael
6 Fogliano, senior portfolio manager for the
7 externally managed portfolio. I'll present an
8 overview on the total asset class, and Lynne and
9 Michael will then provide more detail on their
10 respective portfolios.

11 Next slide, please, John. So here you see
12 how we're organized. There are 11 of us,
13 including myself, organized into two sections.
14 On the bottom left you can see principal
15 investments headed up by Lynne Gray. Principal
16 investments is our portfolio of direct-owned
17 properties, so our wholly owned and JV
18 properties, where we do not delegate discretion
19 to our managers. Lynne has four portfolio
20 managers and an analyst reporting up to her.

21 On the bottom right, you'll see our
22 externally managed group headed up by Michael
23 Fogliano. Externally managed is our portfolio of
24 pooled funds, both open-end and closed-end,
25 co-investments and REIT separate accounts where

1 we delegate discretion to our managers.

2 At the top of the chart you'll see Ash
3 Williams, Kent Perez and Alison Romano, and at
4 the top of the chart, because they're important
5 but also because they're in our chain of
6 approval. Certain major decisions require
7 recommendation from the asset class, which goes
8 to Kent Perez and Alison Roman for their
9 concurrence and input, and then on to Ash
10 Williams for his input and approval.

11 Next slide, please, John. Our real estate
12 consultant is The Townsend Group. And joining us
13 today are Seth Marcus and Dick Brown, who have a
14 short presentation of their own following this
15 one. Townsend performs the duties you see on
16 this slide, and they're a great resource to us.
17 They have the largest fund database in the
18 industry, and they're able to leverage their
19 large client base in some cases to secure fee
20 discounts and other concessions over and above
21 what we already get due to our own size. So it's
22 a good relationship.

23 Next slide, please, John. Our benchmark
24 looks complicated, but it's really just two main
25 components, a private and a public benchmark

1 weighted by the policy targets. The portion of
2 the private benchmark is a 150 basis point risk
3 premium to account for higher risk non-core
4 strategies. Both our public and private
5 benchmarks are investable.

6 Next page, please. So this slide shows why
7 real estate exists. It's designed to provide
8 attractive risk-adjusted returns, which it does.
9 It's designed to be a diversifier for the total
10 fund, with a low correlation to equities, which
11 it is. It's designed to provide good income
12 returns, which it does. And it is supposed to be
13 an inflation hedge, which it is prepared to do if
14 necessary.

15 Next page please, John. So we have two
16 broad risk-based strategies in private real
17 estate, core and non-core, which also includes
18 value add and opportunistic. We define core as
19 institutional quality, well-leased real estate,
20 with most of its return derived from income.
21 Non-core would include development,
22 redevelopment, lease-up and other higher risk
23 strategies, where most of the return is derived
24 from appreciation. Our policy target is 85/15
25 core/non-core. And that's where our current

1 allocation is.

2 Next page, please, John. As of 9/30/2020,
3 which is the most recent official numbers that we
4 have, real estate was at 9.4 percent of the total
5 fund, and our target allocation is 10 percent.
6 Today we're at 8.7 percent, primarily due to the
7 denominator effect because equities have
8 continued into record territory.

9 Next page, please, John. I've already
10 described principal investments and externally
11 managed, but here I'm showing their makeup in our
12 total portfolio, with principal investments
13 making up 62 percent and externally managed
14 38 percent.

15 Next page, please, John. Here you can see
16 our property type diversification. And I wanted
17 to show both our 2020 and 2015 portfolio and
18 benchmark exposures, to highlight how private
19 market allocations are shifting in response to
20 secular trends. The most dramatic shift has been
21 the increase of industrial share of the
22 benchmark, 13.7 percent to 20.4 percent, most of
23 which was at the expense of retail, which lost
24 almost 5 percent. We expect these trends to
25 continue.

1 Next page. Here we've got our private
2 market geographic diversification. No real
3 comments there. Pretty close to benchmark
4 exposures, with the exception of international,
5 where it's 6.5. The benchmark is at zero. Next
6 page.

7 MR. COLLINS: Hey, Steve, that
8 international, is that all Blackstone, or do you
9 have a couple of other funds in there?

10 MR. SPOOK: No. We've got several funds.
11 Blackstone, Starwood, Capman, CBRE, AEW, Tristan.
12 We've got a number of them.

13 MR. COLLINS: Okay.

14 MR. SPOOK: This slide shows our leverage in
15 both our pooled funds and our direct-owned
16 portfolio. The pooled funds have significantly
17 higher leverage due to a higher proportion of
18 non-core strategies. We'll be presenting
19 additional leverage detail later in this
20 presentation.

21 Next page, please. Real estate returns, I'm
22 happy to say, over all time periods, we've
23 outperformed the benchmark, including since
24 inception, which is not shown on this slide.
25 It's not often I'm happy with the zero percent

1 return for the one year, but if it's in relation
2 to the benchmark's negative .8, we'll take it.

3 Next page, please, John. So the main
4 contributors from principal investments to the
5 one year return were two office buildings, which
6 is counterintuitive, given the past year and
7 COVID, but we had some very positive leasing
8 momentum in those buildings. Other top
9 performers were more along the lines of what you
10 would expect, medical office, self storage and
11 industrial.

12 Main detractors, again, were what you would
13 expect, retail, New York City office, San
14 Francisco multifamily development and senior
15 housing. Commingled funds over all were net
16 positive contributors to total real estate
17 return, due largely to an overweight position to
18 industrial and underweight positions in office
19 and retail.

20 Next page. So here I've just put down some
21 observations on the effect of COVID on major
22 property types. Office is a property type that,
23 to me, has the most uncertainty surrounding it
24 due to the whole issue of work from home. At
25 this point, I'm expecting we'll see hybrid

1 models, with many employers allowing work from
2 home one or two days a week. However, even a
3 very small drop-off in incremental space demand
4 could have some pretty large valuation
5 consequences. Office demand in Asia and Europe
6 should be less affected due to cultural
7 differences and smaller living quarters.

8 Retail was already suffering headwinds prior
9 to COVID, and the pandemic has accelerated
10 consumers' adoption of E-commerce. We expect
11 retail rents to reset lower and occupancy rates
12 to broadly decline.

13 Next page, please, John. Industrial is
14 benefiting for all the E-commerce reasons that
15 are hurting retail. Multifamily has seen some
16 bifurcated results from the pandemic, with urban
17 high-rise property being negatively affected,
18 suburban properties benefiting (indiscernible).
19 And that same trend is benefiting the single
20 family for rent space as well.

21 Longer term, we think the financial impacts
22 of the pandemic on consumers' credit will lead to
23 a continued propensity to rent. Next page,
24 please.

25 MR. COLLINS: Is it just me or did I lose

1 his presentation on the screen?

2 MS. GRAY: I lost it also.

3 MR. COLLINS: We lost it, Ash.

4 MR. SPOOK: John Kuczwanski.

5 MR. WILLIAMS: Go find John, and he'll find
6 it.

7 UNIDENTIFIED SPEAKER: John is getting it
8 back up. Give him just one minute.

9 MR. GOETZ: Steve, this is John Goetz. Just
10 a question while we're waiting for that. You've
11 shown both the type and you've mentioned some of
12 the types you're a little bit more afraid of,
13 certainly retail and office and the regional.
14 But you're not wedded to any trying to look like
15 the ODCE, are you? You're not wedded to trying
16 to stay within a range of ODCE mix?

17 MR. SPOOK: Well, we're not wedded to it,
18 and we do take bets against it. A case in point
19 would be our alternative property types, where
20 we're significantly higher than that, and we had
21 a 6.5 percent exposure to international, which is
22 not in the index. You know, Midwest, we are not
23 very convicted in the Midwest in the U.S. for
24 investments. We're significantly below that.

25 So, no, we're not wedded to it, but we don't

1 want to -- also, we don't want to go, for
2 instance, to zero in multifamily when the index
3 is, say, 30 percent. That would create a little
4 bit of volatility and tracking error in our
5 index.

6 MR. GOETZ: Thank you.

7 MR. SPOOK: I see we have the screen up.

8 Mr. Goetz, did that answer your question?

9 MR. GOETZ: Yes. That's fine. Thank you.

10 MR. SPOOK: Okay. Thanks. So despite
11 COVID, we stayed busy investing in 2020 through
12 today. Early in the pandemic private markets
13 were pretty frozen. But we felt the public REIT
14 markets had overcorrected, so we committed
15 400 million to the sector. And that's in
16 addition to the in excess of a billion dollars
17 that we have invested in the REIT sector as part
18 of our normal allocation. That investment has
19 worked out very well.

20 Eventually some measure of liquidity
21 returned for property types with secular
22 tailwinds and favorable near-term cash flows. So
23 those are the property types we've been investing
24 in pre-pandemic anyway. So in principal
25 investments, activity was centered on

1 multifamily, industrial, medical office, self
2 storage, agriculture, and last week we closed on
3 a life sciences development project. It didn't
4 make it onto this list because these slides were
5 due before that. So we had a fair amount of
6 disposition activity. Fortunately, almost all
7 those dispositions were done or committed to
8 pre-COVID.

9 Next slide, please, John. On the pooled
10 fund side, we're very active as well, close to a
11 billion dollars committed to open-end funds,
12 closed-end funds and co-investments. A sizable
13 amount of our commitments to the open-end funds
14 were due to rebalancing out of other open-end
15 funds. So our commitments focused on industrial,
16 alternatives, distressed opportunities, with a
17 Nordic fund thrown in there as well.

18 Next slide, please. So what are we looking
19 to invest in today? Pretty much the same as we
20 have been. We focus on demographically driven
21 sectors, such as medical office, life science,
22 multifamily, defensive sectors such as self
23 storage, student housing, manufactured housing,
24 sectors benefiting from secular change, such as
25 industrial, and we will continue putting money

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1 into build-to-core industrial and multifamily, as
2 long as we see favorable development spreads to
3 current market cap rates.

4 So with that, unless you have any questions,
5 I'll turn it over to Lynne Gray.

6 MS. CANIDA: Steve, this is Tere Canida. I
7 have an old new question. (Indiscernible) in
8 interest rates affect your outlook for cap rates
9 in the overall sector?

10 MR. SPOOK: We do think we've seen cap rates
11 already compressing as a result of interest
12 rates. You know, lower for longer interest rates
13 we think will be very beneficial for real estate
14 valuations. So it's a good thing for us.

15 MR. COLLINS: Steve, Peter Collins. How are
16 you, man? I know it's been a rough time. So
17 with a reset going on in certain areas, it's hard
18 to figure out how to price risk in some of these
19 areas, like hotel or office, especially on the
20 acquisition side. Whenever the market is down,
21 obviously it's tough to step in because of the
22 uncertainty. I'm just wondering how much you're
23 looking at, if at all -- that's not me making
24 those weird noises, either. Somebody is not
25 muted.

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1 PETER JONES: Let me ask, with the council,
2 if you're not on mute, if you would, put it on
3 mute, please. Thank you.

4 MR. COLLINS: So just curious. As you look
5 at opportunities and you see maybe an opportunity
6 while interest rates are still low to step in,
7 how much you're doing that. It's sort of a
8 two-part question. The second part -- the first
9 part is, are you looking at any of the stuff that
10 nobody wants to touch? The second part is, how
11 difficult is it to get into the stuff that
12 everybody wants to touch, and specifically
13 multifamily or, let's say, industrial at this
14 point or storage, et cetera? You know, it's so
15 hard to get into that.

16 Like you said, the cap rates are
17 compressing. So what do you do? If you can't
18 get into that and you don't want to go into the
19 stuff where it's difficult to price risk, what
20 are you -- what does the next year look like for
21 you?

22 MR. SPOOK: So I'll hit the first question
23 first, are we looking at beat-down sectors such
24 as hotels, office and retail. Yes, we are. The
25 problem is there's nothing to see. We're

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1 looking, but we don't see it. There are no
2 transactions in those property types, for the
3 most part. Most sellers, being that we're in a
4 lower leverage environment than we were in 2009,
5 there's less immediate pressure on people to do
6 distressed sales.

7 So we're prepared to act on distressed
8 opportunities, even in retail and office.
9 However, when those markets start to see some
10 liquidity, which we have not seen yet, it will
11 still take a while, we think, for the true
12 valuations to sort themselves out.

13 Like I said for office, I think there's a
14 great amount of uncertainty there. And as
15 primarily core investors, I don't think we would
16 take a big risk on, say, office and retail until
17 there was a little bit more price discovery. On
18 certain obvious severely discounted situations,
19 because of severe distress, we would certainly
20 take a look at that.

21 The property types that are popular, yes,
22 they're getting tough to get into. Everybody
23 wants to get into industrial, storage, medical
24 office. Fortunately, many of those property
25 types we got into early. However, we're still

1 trying to add to those positions. And in the
2 case of multifamily and industrial, most of our
3 additions to our portfolio we're doing through
4 build to core. So typically we're seeing a 150
5 basis point spread between development, return on
6 cost for those two sectors versus what market cap
7 rates are.

8 So we could go into a market like Atlanta
9 and buy an existing multifamily deal at a 4.25
10 cap rate, or we can develop it for, say, 6.5, 6
11 return on cost. That's what we've chosen to do
12 for the most part.

13 In other areas, we're having to meet -- you
14 know, completed core properties, if it fills a
15 hole in our portfolio, we're meeting the market.
16 And that's -- you know, we're accepting the fact
17 that we probably will not see a whole bunch more
18 cap rate compression in certain of these sectors,
19 and we'll just have to accept the core returns
20 going forward.

21 MR. FOGLIANO: Steve, this is Michael.
22 Peter, Michael Fogliano. I just want to mention
23 that, say, like the hotel sector, that would be a
24 sector that we just wouldn't do ourselves
25 directly or in a co-investment. But you may have

1 seen in the press recently that Blackstone and
2 Starwood are teaming up to buy a \$6 billion
3 portfolio in the extended stay hotel area.

4 Now, there are some shareholders that don't
5 like the pricing, so we're not sure if that's
6 going to happen. But it's something that's been
7 in the news, so I thought I'd just point it out.
8 And we are invested in both of them.

9 MR. COLLINS: I saw that. Sort of a related
10 question on the multifamily, Steve. As we've
11 discussed before, some of your properties, some
12 of the multifamily properties you've held for a
13 while and you bought at cap rates, you know, 200
14 basis points plus above where they are now.
15 Would you sell that or would you just hold it
16 because you just really don't have anywhere to
17 put the money now?

18 MR. SPOOK: The second part of your
19 question, we do have places to put the money, but
20 it is not very easy to put it out, and we would
21 like to grow our multifamily portfolio. So I
22 think you saw on our activity list, we did do a
23 disposition of a multifamily deal that we
24 developed.

25 So we kind of went into that one thinking

1 this was going to be more a merchant build
2 situation. We took some good profits on that.
3 But for the most part, if we build it and buy it
4 in today's environment, we're looking to keep it,
5 unless something changes in the submarket or the
6 broader market where we think we have better
7 opportunities.

8 MR. COLLINS: Thanks. Sorry to interrupt
9 you, Lynne.

10 MS. GRAY: No worries. Thanks, Steve, and
11 thanks, everyone. It's a pleasure to be here
12 today. As Steve mentioned, I'm Lynne Gray,
13 senior portfolio manager for principal
14 investments, and it's great to be here today to
15 talk a little bit about real estate's principal
16 investment portfolio.

17 So a year ago, September 30, real estate's
18 principal investment portfolio held direct-owned
19 investments with a 13.1 billion gross asset and a
20 9.8 billion net asset value. And as Steve
21 mentioned, in the first quarter of last year,
22 when the transaction markets came to a standstill
23 and everything seemed to be shutting down, our
24 internal management team and our external
25 managers shifted into what I'm going to call

1 asset management overdrive.

2 With building operations, our teams
3 disinfected and sanitized every high-touch
4 surface imaginable multiple times over. We added
5 all of those directional arrows and distancing
6 signs we're all familiar with. We evaluated our
7 building systems and we made improvements where
8 necessary or possible, adding MERV 13 filters to
9 improve filtration. We increased fan speeds to
10 improve airflow. And in one instance, we even
11 added UV lighting in the air handler to kill mold
12 and fungi.

13 We increased communications with our tenants
14 and residents, notifying them of the changes to
15 our building policies and protocols, and we
16 negotiated rent payment plans, rent deferments
17 and even in some cases rent abatements. And with
18 financial operations, we monitored collection
19 rates and helped the tenants that had never
20 before been an issue.

21 And even importantly, we stayed on top of
22 our loan documents and the covenants within those
23 documents to ensure that we didn't trip any debt
24 covenants. I have to say, from an asset
25 management perspective, it's been one of the most

1 busiest years that I can ever remember.

2 Next slide, John. But even with all the
3 disruption that COVID has created, principal
4 investments continues to outperform the benchmark
5 over all the periods shown. And while it's not
6 on the chart, our since inception return, which
7 dates back to the first quarter of 1987, is
8 8.4 percent, compared to our benchmark's
9 6.3 percent return.

10 As Steve mentioned, our strongest performers
11 had been our industrial portfolio and our medical
12 office portfolio. And our shorter term
13 performance continues to be impacted by the J
14 curve effect with our development investments and
15 the underperformance specifically in our retail
16 portfolio and our senior housing portfolio.

17 Next slide. So we do have investment
18 guidelines that provide a structure for managing
19 the portfolio and monitoring risks. We manage
20 both asset level and portfolio level risks, with
21 structure and diversification of our investments,
22 prudent due diligence and engagement of
23 third-party professionals. And with the next
24 series of slides, I'm going to touch on a number
25 of these guidelines.

1 Next, John. So principal investments has a
2 core strategy, and Steve mentioned some of the
3 components of a core strategy, which are
4 investing in high quality, well-leased assets,
5 with credit tenants, a stabilized occupancy and
6 steady income stream. And most of the return is
7 derived from income rather than appreciation.

8 But we are allowed to invest up to
9 15 percent in non-core strategies. And while you
10 see we're at 7.1 percent today, a year ago that
11 number was 4.4 percent. So we continue to invest
12 in development projects. And right now we have
13 development projects underway with apartment,
14 office, mixed use and industrial developments.
15 And each of those are in various stages of
16 development.

17 Next slide. This slide just shows our
18 diversification of the portfolio in the various
19 sectors where we're invested. On the left side
20 you'll see that just under 90 percent is invested
21 in the four main property types. And on the
22 right you'll see the specialty sectors, with
23 agriculture, self storage and senior housing.

24 Next slide. And as we promised, we're going
25 to talk about leverage.

1 MR. COLLINS: We call this the Collins
2 ratio.

3 MS. GRAY: Absolutely. So we have a lot of
4 great information on this slide, but I want to
5 start in the lower right corner and direct you to
6 our investment portfolio guidelines. So first of
7 all, on a total portfolio basis we're limited to
8 30 percent loan to value, for an individual
9 wholly owned asset 50 percent, and our joint
10 ventures we can lever up to 70 percent. And even
11 more importantly, all leverage is non-recourse to
12 the SBA.

13 So if you move up to the upper right corner,
14 you'll see our five year trend for leverage. And
15 right now we're at 25.2 percent, compared to our
16 benchmark's 22.7. Shifting to the left, you'll
17 see information on fixed and floating rate, our
18 weighted average cost of debt, and then below
19 that our debt maturities.

20 A couple of things I want to note that
21 aren't shown on this slide is that the majority
22 of the lenders we have are life companies. And
23 roughly 70 percent of our leverage is in our
24 apartment and office portfolios.

25 Next slide. Property locations. So per

1 policy, principal investments invests in the U.S.
 2 only. We're invested in 29 states and 74 metros.
 3 Now, in a typical year our team would have been
 4 on an airplane flying to these locations and
 5 meeting with the on-site teams and touring the
 6 markets. But this past year, where possible, we
 7 didn't travel to the properties but we conducted
 8 virtual tours. In a couple of cases, we actually
 9 had drone videos where we toured the surrounding
 10 market of a property.

11 Next slide. Agriculture. You'll see our
 12 locations listed on the map. And I'll start on
 13 the West Coast. And most of those dots that you
 14 see represent permanent plantings, and those are
 15 where we actually own the trees and we manage the
 16 properties. We also have permanent plantings in
 17 Washington. Those are apples. And shifting over
 18 to the right, in Georgia we, over the past two
 19 years, acquired a pecan orchard. And then we
 20 also have citrus in Florida. The remaining dots
 21 on the map represent our row investments. And
 22 those are land holdings that we lease to
 23 operators who actually farm the land.

24 Next slide. This slide brings it all
 25 together and shows our diversification by

1 property type and geography compared to our
 2 benchmark. And while we're not wedded to the
 3 benchmark, we do have a guideline that provides a
 4 range within ODCE of plus or minus 15 percent.

5 Next slide. Manager concentration is
 6 another investment portfolio guideline. And per
 7 policy, manager exposure cannot exceed 35 percent
 8 of the total real estate portfolio net asset
 9 value. And so if you look at the bar chart on
 10 the right, this represents the percentage of
 11 assets under management for our eight
 12 direct-owned separate account managers.

13 The top three that have the higher
 14 percentages are the longer-standing relationships
 15 that we have with our advisers. And the lower
 16 percentages clustered at the bottom represent our
 17 specialty investors and our two newest separate
 18 account managers.

19 Next slide. And so with metro exposure,
 20 this is another portfolio guideline. I will
 21 direct you again to the right side of the slide,
 22 and it shows that our metropolitan exposure has
 23 to be less than 15 percent of NAV, and single
 24 investment exposure is less than 7 percent of
 25 NAV.

1 I will note that we run a sensitivity
2 analysis at the time we prepare an investment to
3 ensure that we're not exceeding these guidelines.
4 But if an asset appreciates and we are out of
5 range or out of bounds with these guidelines,
6 we're not required to rebalance.

7 And another thing I want to note is that,
8 when you see our metro exposure on the left, for
9 example with Washington, D.C., we have
10 12.6 percent exposure, we have multiple
11 investments and investment types within that
12 market. So with Washington in particular, we
13 have apartment, office and retail within that
14 market. Next slide, please. And so --

15 MR. COLLINS: Can I stop you here for a
16 second, Lynne, and ask a question?

17 MS. GRAY: Sure, absolutely.

18 MR. COLLINS: So talking about headline risk
19 in these markets and your weighting out West and
20 some of your holdings in these major metros, you
21 know, core markets haven't really changed, but
22 the status within those core markets has
23 certainly changed. Right?

24 I think people would view Seattle
25 differently today. I think people would view

1 certainly parts of San Francisco very differently
2 today, parts of New York very differently today.

3 As you look at this for the, say, ten years
4 from now, are there some cities that aren't on
5 here and are there some new cities that are on
6 here? And do y'all -- how much are you talking a
7 little bit about what's going on in those
8 markets, not relative to what you hold today but
9 whether you would invest there in the next ten
10 years or so?

11 MS. GRAY: Yeah. You know, that's a great
12 question. So one of the things that we do -- and
13 we don't touch on it greatly in this, but we're
14 not focused solely on those primary and gateway
15 markets. And when you look at the diversity of
16 our portfolio, we have a number of properties
17 that are held in secondary and even tertiary,
18 with our medical office and self storage
19 properties, in tertiary markets.

20 But to get back to, let's say, San
21 Francisco, and I don't really want to pick on San
22 Francisco because I think there are a lot of
23 great things, but there are things that we've
24 discussed over time that would give someone
25 concern. So I think that it's something that

1 we're aware of, and I think that we look at it in
2 relation to everything in the portfolio. And
3 while we would never redline a city or a state,
4 for that matter, I think we're aware and try to
5 be aware of headline risks and the issues that
6 the city or state may have.

7 MR. COLLINS: Yeah. I know as a property
8 owner -- and I think we talked about this last
9 time. We own properties all over the Southeast,
10 and it's amazing to me how local governments
11 are -- I don't know the right way to say this --
12 are exercising selective adherence to codes and
13 laws based on political winds. So private
14 property rights, you know, not so much. It's not
15 such a right anymore in certain markets. Right?

16 And that's a risk for us, because if we then
17 have to have security or if we then can't count
18 on some certain city service or if we have a new
19 tax that's levied on anybody that owns a
20 commercial property because we've got to help out
21 this other group of people, right, those are real
22 risks. I mean, those are dollars that come right
23 off of NOI.

24 So we spend a lot of time on it, and it's --
25 it doesn't seem to be getting better. Right? It

1 doesn't seem to -- it seems to be getting worse.
2 It's almost as if it's being treated as there's a
3 bottomless pit of money from these land -- from
4 these building owners or property owners to fund
5 this kind of stuff.

6 MS. GRAY: Yeah. I think one of the --
7 along the lines of what you just mentioned, one
8 of the things that I found most interesting
9 recently was I read that there is discussion and
10 interest raised in taxing landlords who own
11 industrial properties for all the trucks that
12 turn at their property. So a special assessment
13 tax for tractor-trailer traffic imposed on the
14 landlord.

15 MR. COLLINS: Yeah, right.

16 MS. GRAY: So I think that bodes to what
17 you're mentioning.

18 MR. COLLINS: Well, that's one of them. I
19 think that in some of these markets, the list
20 could get really long. And you scratch your head
21 and go, how did that ever happen, but it's
22 happening.

23 MS. GRAY: Right.

24 MR. SPOOK: And, Peter, I think most of what
25 you're talking about is happening in the coastal

1 blue states. I would expect going forward that
2 you're going to see a higher proportion of our
3 investments in the (indiscernible) belt and the
4 South, where I think you're going to see a little
5 bit less of that.

6 MR. COLLINS: Yeah. And it's not a general
7 political thing. It's a very localized, very
8 progressive thing. Right? It's not an R issue
9 or a D issue. It's a social movement. Right?
10 And it's hard to put it under any political
11 category, but it's definitely a social movement
12 that -- it's a socialist movement. Right?

13 It's like, well, you have money, so you can
14 pay for this, and your taxes are supposed to go
15 to law enforcement, but, you know, you don't need
16 that law enforcement or we're just not going to
17 have that law enforcement protect that law or
18 protect you with the law. So that's the
19 troubling part, is there's no -- it doesn't seem
20 to be there's any controlled ideology. It's like
21 an out of control ideology.

22 MS. GRAY: Okay. Well, that's actually kind
23 of a great segue into our next slide, where we
24 talk about our multifamily portfolio. So if
25 there aren't any more questions, I'll continue

1 on. And so with our multifamily portfolio, we
2 have garden, mid-rise and high-rise properties.
3 And our recent activity has been closing on a
4 development opportunity with a partner in the
5 Lake Nona area of Orlando, where we're going to
6 develop 300 units of garden style apartments.
7 And groundbreaking occurred this past November.
8 Our first units should deliver the end of this
9 year, and completion should occur in 2022. Next
10 slide, please. We began investing --

11 MR. TURNER: Lynne, while we're getting the
12 next slide up, this is Robb Turner. On these
13 slides, is the gross value your mark to market on
14 these assets?

15 MS. GRAY: That's correct.

16 MR. TURNER: Is that how you do this?

17 MS. GRAY: Yeah. The gross value is mark to
18 market and net includes assets, liabilities,
19 mostly debt would be the major difference between
20 those, if there is debt on the property.

21 MR. TURNER: You know, what might be helpful
22 is, you mention in the core that these are
23 income-generating assets. It may be helpful
24 to -- if there's a way to show what the current
25 yield is on these assets, so we can see just how

1 much income is being thrown off these portfolios.

2 Is that how you look at it or not?

3 MS. GRAY: Well, we don't have it on the
4 slide. I do have a report that shows the
5 breakdown of the income and appreciation return
6 for each investment. So that's something that we
7 can provide to you and also incorporate in the
8 slides going forward.

9 MR. TURNER: Because it might be helpful,
10 because it's going back to the conversation, I
11 think, Steve had about compression of rates. And
12 if we've got really good current income on these
13 properties, you know, it's that debate you have
14 to go through on sell versus just keep harvesting
15 your income. It might be interesting to see what
16 that -- what some of the income coming off these
17 portfolios is now on a relative basis.

18 MS. GRAY: Yeah, certainly. We can include
19 that in the slides going forward.

20 MR. TURNER: Thank you.

21 MS. GRAY: Certainly. Okay. Well, on to
22 student housing. So we began investing in
23 student housing back in 2013. And today it's
24 just roughly 5 percent of the portfolio. The
25 majority of these properties are held in a joint

1 venture. We do have two wholly owned student
2 housing investments. And actually during COVID,
3 student housing has been more resilient than we
4 even anticipated. Rent collections exceeded
5 expectations when the universities moved to a
6 virtual learning environment.

7 We have had some occupancy and leasing
8 challenges, but those have been in properties
9 where we had a higher concentration of
10 international students or we were in a market
11 where there was new supply delivered into that
12 market.

13 Nine of the 15 universities where we're
14 invested have announced that they will have
15 in-person learning in the fall of 2021, so that's
16 a positive move for our investments. And while
17 student housing has some near-term challenges
18 still to overcome, we like the long-term
19 fundamentals and will continue to look for
20 investments in this sector.

21 MR. COLLINS: Will you build to hold there,
22 too?

23 MS. GRAY: So there are a number of things
24 involved with that question, Peter. And build to
25 hold means, one, identifying a partner that has a

1 great track record and you're comfortable with,
2 because one of the things that we found is that
3 with new construction, there may be issues that
4 don't surface until a year or two later. And so
5 we've always had an expanded scope when we go
6 into a property that has been newly constructed.
7 And so I wouldn't say we won't do it, but we
8 would be extremely selective with that
9 transaction.

10 MR. SPOOK: If I could add to that,
11 developing student housing has the unique
12 challenge of, if you don't deliver at the exact
13 right time and you have delays, you're dead in
14 the water for a year and your returns are gone.
15 It's a pretty -- it's way more risky to develop
16 in this sector than it is in most other sectors.

17 MS. GRAY: Good point.

18 MR. COLLINS: I agree with that.

19 MS. GRAY: Next slide. Thank you. So
20 industrial is probably the darling of most
21 groups' portfolios, and as Steve mentioned, it's
22 been a strong performer in our portfolio as well.
23 And just to share with you some of the
24 performance, over the three and five year period
25 our industrial portfolio has had a 12.5 and a

1 14.5 net return over those time periods.

2 And earlier this year, we were able to close
3 on a transaction that's in Savannah. It's a
4 1 million square foot, 100 percent leased
5 building. And we like that opportunity because
6 of its close proximity to the port. In addition
7 to this transaction, we recently closed on a
8 venture where we will develop just over 2 million
9 square feet in another location in Savannah and
10 also close proximity to the port.

11 Next slide. Retail. So with our retail
12 portfolio, we have High Street retail. We have
13 lifestyle centers. We have power and community
14 centers, and we have grocery retail. And, yeah,
15 it's been a challenging past few years for most
16 retailers.

17 At the beginning and onset of COVID, our
18 rent collection rates hovered around 50 percent.
19 I'm glad to say now that we're back up to closer
20 to 90 with rent collections in our retail
21 portfolio. But over the past year, we have
22 negotiated rent deferrals and some rent
23 abatements.

24 In the case of a rent deferral, those rents
25 are to be paid back over a short-term period.

1 And with a rent abatement, there was a lease
2 modification involved with the rent abatement so
3 that there was some term, landlord favorable,
4 with that modification, such as an extension of
5 the lease term.

6 Next slide, please. Our commercial office
7 portfolio, this information is for commercial
8 office only and doesn't include medical office.
9 So one of the things that I want to note and
10 showcase with our commercial office portfolio is
11 that you may note a change in our Atlanta office
12 exposure. It increased from 10.5 percent last
13 year to 13.5 percent, 13.7 percent this year
14 actually.

15 And how that occurred was in late 2019 we
16 entered a venture agreement to develop a 31-story
17 office tower in midtown Atlanta. And at the time
18 that we entered into that development agreement,
19 we had significant leasing activity for that
20 property. It wasn't 100 percent leased, but we
21 had a strong lead tenant for that development.

22 And some of you may have read last week that
23 Google now has confirmed that they're going to
24 occupy 500,000 square feet in midtown Atlanta.
25 Their space is in our joint venture development.

1 So now we're at practically 100 percent leased
2 with this development. It should deliver mid
3 this year to the tenants.

4 Next slide. With our medical office
5 portfolio, these are properties also in a joint
6 venture that we formed back in 2015, with the
7 goal of assembling a portfolio of high quality
8 medical office buildings and with the intent of
9 holding long-term. We focus on the dominant
10 health centers and providers within an area.

11 And medical office, again, has been a solid
12 performer. Our three and five year returns net
13 of fee are 15.3 percent. We recently acquired a
14 medical office building last December, and that
15 building was in Albuquerque, New Mexico. And we
16 underwrote for that property a 10.7 levered IRR
17 over the hold.

18 Next slide. Agriculture. Agriculture is a
19 specialty property type for us, but the board has
20 been a long-term investor in ag, with our direct
21 investments dating back to the mid-nineties.
22 You'll note the permanent crops on the slide on
23 the lower left portion in the chart.

24 A couple of things to note on that, just in
25 terms of pandemic impact. Lemons are included in

1 citrus, and while not shown, we also have
2 exposure to avocados. Those were two crop types
3 where demand was hard hit with restaurant
4 closings during COVID. But as things open up, we
5 hope to see that improve and demand again to ramp
6 up for lemons and avocados.

7 Another thing that I want to point out --
8 and you'll note this in the investment
9 strategy -- is that we continue to focus on
10 California water issues and sustainability within
11 California. I want to share with you just a
12 little bit of background on California and what
13 they're doing with their water management and
14 sustainability. First of all, it's complicated,
15 but I'll give it a shot at just giving you a
16 high-level view of it.

17 So in 2014 California adopted a program
18 called the Sustainability Groundwater Management
19 Act, which is known as SGMA for short. And SGMA
20 provides a framework for sustainable groundwater
21 management. And SGMA established groundwater
22 sustainability agencies that are housed at the
23 local level. So these agencies are in charge of
24 developing and implementing a plan to achieve
25 groundwater sustainability or balanced water use

1 for over a 20 year period.

2 Now, these agencies developed a plan, but it
3 has to be approved at the state level. And once
4 approved, again, they're in charge of
5 implementing the plan. So what does that mean
6 for us? Well, our managers have experts who are
7 engaged in talking to these local agencies so we
8 can be proactive with managing our risks and
9 identify any challenges that we may see.

10 And I want to say that not all of our
11 properties are going to be impacted equally,
12 because there are a number of factors that impact
13 the risks at the property level, and it could be
14 the water sources at the property, the actual
15 basin that the property is in. California's
16 climate and rainfall changes year to year, so
17 that will impact risks.

18 But what are we going to do to mitigate
19 these risks? There are a number of tools, and we
20 haven't identified everything that has to occur,
21 but some things that may occur within our
22 portfolio would be limiting groundwater pumping
23 or adding groundwater recharge areas and in some
24 cases following land as needed.

25 So I think again, overall, I think the main

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1 point to take away is that California is working
2 for a plan for sustainability. They have 20
3 years to reach that. And our managers are
4 actively involved in identifying risks and being
5 proactive to manage those risks for our
6 portfolio.

7 PETER JONES: Lynne, this is Peter Jones.
8 Could you just make it simpler for me? What are
9 we actually owning in California, to address this
10 water issue, and how do we make a return?

11 MS. GRAY: So what we own are what we refer
12 to as permanent plantings. And if I can focus
13 you on the chart that shows crop exposure, those
14 permanent plantings are trees that produce
15 pistachios, almonds, citrus, which are lemons,
16 avocados, mandarins, and then we also have
17 walnuts, wine grapes and table grapes in
18 California.

19 And so as we manage those properties, they
20 need water to grow. And at the onset, when we
21 identified properties, we tried to identify
22 properties that had multiple sources of water.
23 It could be that they have groundwater or they
24 have water rights where they can purchase surface
25 water.

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1 So prior to 2014 in California there was no
2 regulation on water usage, but now water, they're
3 realizing how valuable of a resource it is. And
4 so California is putting in place measures to
5 manage water so that there's not over-usage of
6 water, so that there is water -- there's a
7 balance of what is used and what is actually
8 going back into the ground. Is that helpful?

9 PETER JONES: Yes. Thank you.

10 MS. GRAY: Okay. Next slide. Moving on to
11 self storage, another specialty sector held in a
12 joint venture. We started investing in 2016 in
13 self storage when we formed a venture and
14 acquired a portfolio of 66 properties. Today we
15 own 74 properties in our venture. And as Steve
16 mentioned in his activity slide, we've committed
17 75 million additional equity to this venture and
18 will continue to invest in this space.

19 Next slide. Senior housing. Senior housing
20 has been mentioned a couple of times. It's been
21 an underperformer in our portfolio, and we took
22 measures to begin liquidating the portfolio a few
23 years ago. This slide shows that we own seven
24 investments in the portfolio, but as of today,
25 there are only two properties remaining in the

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1 portfolio, and we anticipate selling those
2 properties and closing on those transactions this
3 year.

4 One thing to note with our senior housing is
5 that even though we own the investments, we did
6 not operate. They were leased to an operator,
7 and we did not assume any liability associated
8 with the operations at the property level.

9 Next slide. And finally, I'm going to wind
10 up with our investment management. And this
11 slide is just meant to highlight internal active
12 management for principal investments. And what I
13 want to share with you today is that this past
14 year, SBA's internal audit group, along with
15 assistance with a third-party consultant,
16 conducted a risk-assessment-based audit for the
17 controls over principal investments.

18 And so our auditors included in their scope
19 the acquisition process, the disposition process,
20 asset management, cash management, valuations,
21 appraisals, recording and accounting for
22 transactions. So they pretty much audited
23 everything within principal investments.

24 And so what I want to share with you is that
25 out of 80 key controls, they tested 69 of those

1 controls, and they only found one, that's right,
2 just one medium risk finding, and everything else
3 was a green light on their report. So their
4 finding was that they recommended real estate
5 move from an Excel-based management platform to a
6 database management platform to house our
7 investments. And that was something that we had
8 already identified and we're making strides to
9 implement that type of database management
10 system.

11 So to quote a number of people who were
12 involved with this audit, principal investments'
13 internal audit over risk and controls was as
14 close to perfect of an audit that our group has
15 ever seen. So on that positive note, that
16 concludes my presentation.

17 MR. COLLINS: On that positive note, can we
18 go back?

19 MS. GRAY: We can go back, absolutely.

20 MR. COLLINS: Go back to the Collins slide.
21 I couldn't get to my unmute button quick enough.

22 MS. GRAY: Okay. That's the leverage slide,
23 John.

24 MR. COLLINS: It's the principal investments
25 leverage slide. It's number 25 in our deck. So

1 a couple of comments about this. I'm trying to
 2 figure out how we -- what we're buying and what
 3 we're not leveraging that we're not getting above
 4 25 percent. I know that the cap is 30, but
 5 interest rates are historically low. And I'm
 6 trying to figure out what we're buying that's
 7 keeping this flat and what kind of leverage we're
 8 putting on it.

9 So we're down a little bit from 2018. And
 10 I'm just curious about what have we bought that
 11 is -- or maybe sold something that had a little
 12 bit higher leverage. You can get there a couple
 13 of ways. That's my first question. And then
 14 second of all -- and related to that first
 15 question, you may say, well, we're pretty close.
 16 I think it's 500 basis points. And if you
 17 equated that to dollars, that's a lot of dollars,
 18 so I don't think you are that close.

19 And then second of all, I'm looking at your
 20 maturities coming up in 2023 and 2026 and just
 21 thinking about interest rates in the next couple
 22 of years and just wondering if you're looking at
 23 that and if that's CMBS debt or -- I know you
 24 said most of it was life company. But this debt
 25 maturity is in our principal investments, so we

1 have a little bit more control than just
 2 investing through some fund, correct?

3 MS. GRAY: Yeah, that's true. And all great
 4 questions, Peter. So let me start by trying to
 5 address --

6 MR. COLLINS: You don't have to tell me
 7 that.

8 MS. GRAY: No. They are good, because I
 9 think that -- let me just start with the first
 10 question, though. So to answer your question on
 11 why are we still hovering around 25 percent,
 12 there are a couple of things. One, when we enter
 13 into a joint venture, those investments are
 14 higher levered, typically 60, 65 percent
 15 leverage. But that leverage ramps up as we draw
 16 down on the portfolio and construction continues.

17 And so those numbers that you see today on
 18 the chart don't bake in that full LTV at the
 19 time. It's just that one snapshot in time of
 20 where we are and our position relative to that
 21 investment. So that's one response.

22 The other thing is that we have identified
 23 investments that are not levered that we believe
 24 are good candidates for leverage, and we want to
 25 approach leveraging these in one of two ways. And

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1 so the first way would be that we go out and we
2 have, if we have ten properties, that we have ten
3 loans on all the properties. And that's
4 historically how we've levered the portfolio.

5 But what we've been trying to do and we're
6 near to being able to pull the trigger on
7 starting the process is a portfolio leverage
8 program. And so, with that, we would assemble a
9 pool of assets, which are those unlevered assets,
10 ten unlevered assets let's use as an example,
11 which would give us, one, the ability to manage
12 the portfolio and not have an asset encumbered if
13 we determine that we want to exit the investment.
14 So that's another approach. And that would
15 address your question about why are we buying
16 properties that aren't levered today.

17 And so then the third part of your question,
18 where you look at the maturities that are coming
19 up in 2023, and those span across five property
20 types, and so those are apartment. We have
21 industrial, office, student housing and even
22 retail. Right now, if we look at prepayment
23 penalties, sometimes that handcuffs us with what
24 we can do with those maturities, because the
25 prepayment penalties can be pretty high, and it

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1 doesn't make sense to pay off and re-lever. So
2 we're managing those maturities and aware of the
3 upcoming maturities. But right now, there are
4 things that prohibit us from refinancing and
5 extending that maturity date.

6 MR. COLLINS: Yeah. And just for the
7 benefit of everybody else -- first of all, thanks
8 for that answer, and I appreciate the fact that
9 you guys are looking at that. Just for the
10 benefit of everybody else, somebody asked the
11 question earlier, which I loved, you know, we're
12 not wedded to the ODCE. Right? We're not wedded
13 to the ODCE loan to value either.

14 My whole point on this -- and we've just
15 gone through it. We just got a nuclear stress
16 test on leverage. Right? We've increased our
17 leverage from 2016 by 500 basis points. And I
18 guarantee you there wasn't one property in our
19 principal investment portfolio where we were
20 either unable to make a debt payment or the debt
21 payment swamped cash flow. And that's my whole
22 point on this.

23 I like reasonable leverage, and I think
24 25 percent is low. I think 30 percent is low.
25 We've been working on this for nine years

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1 without -- you know, where is that equilibrium or
2 where's that line? Again, we just went through a
3 big stress test, and I don't think that 500 basis
4 points cost us anything, and it made us returns.
5 So that's my whole point on all this.

6 But I appreciate the detail, Lynne. You get
7 more and more detail every time, and I appreciate
8 that you guys are looking at that on a portfolio
9 basis. As long as you don't have to encumber the
10 whole thing and you can sell out particular
11 assets, great.

12 MS. GRAY: Yeah. Thank you.

13 MR. SPOOK: So, Peter, to add to that, there
14 are certain properties in the portfolio that we
15 have chosen not to lever. So those would be, for
16 instance, retail properties. We think that
17 there's just too much volatility in that section
18 to put leverage on that. So that combined with,
19 as Lynne said, holding back several properties
20 that we are looking to do under this portfolio
21 level leverage program, it's holding us back a
22 little bit, but I think you're going to see it
23 increase going forward because of this portfolio
24 leverage.

25 MR. GOETZ: This is John Goetz. Lynne, I'm

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1 not trying to support Peter's drive to drive the
2 leverage up, per se, but I was actually a little
3 surprised intuitively that the ODCE number isn't
4 higher. Is there something weird with that ODCE
5 number on leverage, or is there something that
6 pulls it down from what my intuition would be in
7 terms of deals I see getting done and how much
8 leverage there is?

9 MS. GRAY: ODCE, if you look back a number
10 of years, groups within ODCE actually made a
11 conscious decision to de-lever, and so ODCE does
12 have a cap within its structure of what funds can
13 report and what the leverage is. But that's the
14 best explanation I can provide, is that the funds
15 within ODCE did make a conscious effort to
16 de-lever a number of years back, and that number
17 is what it is.

18 MR. SPOOK: They have a 30 percent leverage
19 limit. If they go above 30 percent, they're not
20 in the ODCE index.

21 MR. GOETZ: Oh, thank you, Steve. That
22 actually answers my question. Yeah, I get it.

23 PETER JONES: All right. Lynne, this is
24 Peter Jones. Does that conclude your portion of
25 the presentation?

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1 MS. GRAY: Absolutely.

2 PETER JONES: Thank you. That was well
3 done, and congratulations on the audit results.
4 We don't take that lightly. That's excellent to
5 hear, so well done. From a housekeeping
6 standpoint, through no one fault of anybody's,
7 it's just that we are 20 minutes beyond this
8 session, when it was supposed to end, and we
9 still have two more sessions of speakers.

10 So I would just ask if there's any way that
11 our speakers from here on through can somehow
12 streamline it a tad more. We've had good
13 discussions, so there's no criticism here. I
14 just want to be conscious of the schedule and the
15 amount of time that we have left to complete
16 hopefully on time. So I'll turn it back over to,
17 I guess, Michael Fogliano.

18 MR. FOGLIANO: Yes. Thank you, Peter. I'll
19 try to go as fast as I can without mumbling over
20 my words. So, again, Michael Fogliano. I
21 oversee the real estate externally managed
22 portfolio. The purpose of the portfolio is to
23 provide diversification through core open-ended
24 funds and diversification and excess returns
25 through non-core funds. It also contains a

1 global REIT portfolio.

2 Both of these vehicles help us gain exposure
3 to assets that we would not otherwise be able to
4 gain exposure to. One example would be cell
5 towers. We don't generally invest in cell towers
6 in our real estate portfolio.

7 Next slide, John. Thank you. I just lost
8 my deck. Just bear with me for a second. Can
9 everybody still hear me?

10 MR. COLLINS: Yes.

11 MR. FOGLIANO: Okay. Sorry about that.
12 Work from home isn't everything it's cracked up
13 to be, I guess, sometimes. I'll be there in a
14 second. Okay. So the externally managed
15 portfolio has a value of 5.9 billion. Since 2017
16 we have redeemed 800 million in capital from some
17 of our core open-ended funds and invested
18 900 million core and core-plus strategies that we
19 believe will benefit over the next three to five
20 years or more, because of secular change,
21 demographic tailwinds, things like that.

22 The general theme was to continue to reduce
23 office and retail exposure and increase our
24 exposure to logistics and alternative property
25 sectors that are benefiting from those

1 demographic tailwinds and secular change. This
2 effort has accelerated in recent years.

3 Next slide, John. Thank you. You can see
4 the pros and cons of open-ended funds and
5 closed-end funds. Open-ended funds tend to
6 represent core and core-like strategies, and
7 closed-end funds tend to represent higher risk,
8 non-core strategies. When investing in
9 closed-end funds, we try to mitigate some of the
10 cons that you see there on this page. And that
11 relies on us to make good fund selections and to
12 also underwrite the opportunity thoroughly.

13 Next slide, John. There are many global
14 fund choices. As you would imagine, the first
15 half of 2020 was a challenging fundraising
16 environment. But the second half of the year was
17 good for established fund managers with solid
18 track records.

19 Next slide, John. Our global REIT program
20 gives us access to the investable real estate
21 universe and provides us with substantial
22 portfolio type and geographic diversification and
23 also provides real estate with liquidity for the
24 real estate program.

25 Next slide, John. Thank you. In late 2016

1 we took the view that it was not worthwhile
2 pursuing office and retail within the United
3 States, in part due to it being later in the real
4 estate and economic cycle. Most of the bets in
5 U.S. involve logistics, multifamily and
6 alternative property sectors.

7 We did pursue an office strategy in Europe
8 and Asia in 2018, and so far those are working
9 out. But since then, we've been holding off on
10 making office and retail-focused strategy bets.
11 Next slide, John.

12 PETER JONES: Michael, this is Peter Jones.
13 Quick question back on the closed-end funds. You
14 don't need to go back to the slide, but are these
15 funds traded on a public exchange?

16 MR. FOGLIANO: They're not.

17 PETER JONES: They're not. Okay.

18 MR. FOGLIANO: They're private. If you want
19 to sell it, you have to enter the secondaries
20 market and sell it. And it's generally sold at a
21 little bit of a discount, at least a little bit
22 of a discount, in order to recognize that the
23 holder needs a liquidity option.

24 PETER JONES: Okay. Then my follow-up was,
25 do we shop in the secondary market at all?

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1 MR. FOGLIANO: Good question. So we do have
2 a secondary market player that we use. I get
3 calls all the time regarding whether we want to
4 sell or whether we want to buy secondaries. We
5 have not done it directly. We could do it. I
6 have some experience in that from a prior
7 position. We just aren't doing that right now.

8 PETER JONES: Okay. All right. Thank you.
9 I was curious. Thanks.

10 MR. FOGLIANO: So this next slide shows, in
11 the first half of 2020, basically we participated
12 in dozens of virtual meetings -- I think Lynne
13 brought this up earlier -- with existing
14 partners, potential partners, our consultant and
15 financial institutions. And we were searching to
16 figure out what was happening or what could
17 happen with our existing portfolio and if there
18 were any opportunities opening up around the
19 globe.

20 As you can see here, we made no
21 office-focused investments in 2020 and 2021.
22 Besides a new REIT strategy that we executed
23 early in the pandemic, we did not begin
24 underwriting new investments until the second
25 half of 2020.

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1 Next slide. Thank you, John. So this slide
2 deals with our new REIT strategy. The stock
3 market and REIT stocks dropped to its lowest
4 levels at the end of March 2020. And at that
5 time, we felt the REIT market was over-sold and
6 there was an opportunity to exploit the public
7 market overreaction to the pandemic.

8 Within weeks we had interviewed our existing
9 REIT managers to see if they had any response to
10 this pandemic. And in consultation with our REIT
11 consultant, we selected two of our four existing
12 REIT separate account managers to exploit the
13 opportunity.

14 We prepared a comprehensive in-house
15 analysis and investment memorandum making the
16 case for the strategy and received approval for
17 the strategy by the end of April. The new
18 strategy was closed in May and we began investing
19 in the third week of May. We committed
20 400 million to the strategy, and today
21 350 million of that is deployed and going to
22 work.

23 We knew that acquiring REITs at an
24 attractive discount to NAV would be prevalent but
25 only for a short period in the market. So we

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1 moved quickly on this, and I was glad to see that
2 senior management supported us in executing this
3 strategy.

4 Next slide, John. The third bar represents
5 the new REIT strategy. The target return of this
6 new strategy is a mid-teens IRR, and it is not
7 tied to our global REIT benchmark. Targeted
8 securities were to be high quality companies,
9 with strong balance sheets that contain low
10 levels of debt, ample cash on hand and preferably
11 at a discount and a large discount to NAV.

12 Some examples of this strategy included data
13 centers and cell towers, self storage, industrial
14 and health care. Areas to avoid was retail,
15 office, hotels, resorts and things like gaming
16 and stuff like that. Over time, though, the
17 strategy could start delving into those areas, as
18 long as there's some light at the end of the
19 tunnel with those strategies.

20 Next slide, John. So this slide shows what
21 we've been up to over the last nine months or so.
22 We've made some distressed debt, some data center
23 bets, industrial, demographic and alternative
24 sectors. Some examples include a global
25 opportunistic strategy focused on distressed

1 opportunities arising out of the pandemic. A
2 manager that utilizes several data center
3 operating partners to execute its data center
4 fund strategy.

5 Another one that we completed recently was a
6 co-invest strategy to develop logistics
7 properties in Tokyo and outside of Tokyo. And
8 another one is a co-investment on a preferred
9 equity facility to a European logistics
10 developer. Global core plus funds focused on
11 alternative property types as well, was done at
12 the end of last year.

13 Next slide, John. You can see the property
14 and geographic exposures in these pie graphs.
15 Next slide, John. We have outperformed our
16 custom weighted index over all periods. Next
17 slide. You can see the performance for both the
18 core and non-core returns have been strong
19 relative to the benchmark over all periods,
20 except for the one year return for the non-core
21 funds.

22 This is due to the decline in property
23 values since the pandemic and the leverage impact
24 difference between the non-core portfolio at
25 58 percent leverage and our benchmark of

1 23 percent within ODCE. Also, some of the
2 non-core strategies, some of them involve hotels,
3 very small exposure to hotels, less than
4 3 percent, and some other strategies that have
5 buy, fix and sell strategies.

6 We really like the property weightings that
7 are in our overall portfolio. Office, we have
8 28 percent exposure to office, and there's
9 33.5 percent in our benchmark. Retail, we have
10 9.3 percent exposure relative to 14.8 percent in
11 the benchmark. Industrial, we're at 27 percent.
12 And that's going to go moderately higher in the
13 next year or so because of our recent
14 commitments. But ODCE is only at 20.4 percent.
15 And then other is 11.6 percent exposure compared
16 to 4.4 percent in ODCE.

17 John, next page, please. Our international
18 exposure is 18 percent of the externally managed
19 portfolio. A lot of that, 46 percent is in
20 Europe. Seventeen percent is in the Nordic
21 region. Thirty-five percent is in the
22 Asia-Pacific. We like these exposures right now,
23 but we are starting to back off Europe until we
24 see how the pandemic affects the economy there.

25 Next slide, John. The externally managed

1 REIT returns has outperformed its benchmark over
2 all periods. The portfolio was impacted by the
3 pandemic but partially recovered as of 9/30/2020
4 and has almost fully recovered as of today.

5 Next slide, please. You can see the
6 geographic and property type mix here for the
7 REIT portfolio. Next slide, please, John. When
8 selecting funds and other similar investment
9 vehicles for the externally managed portfolio,
10 there is a good amount of research that we
11 conduct in-house, including making macro level
12 market calls.

13 An example of this was our intentional
14 weighting, overweighting to industrial and
15 alternative property sectors and underweighting
16 to office and retail beginning four years ago.
17 This concludes my remarks, thank you.

18 PETER JONES: Okay. Thank you. Thank you
19 very much, Michael. Any questions from the
20 council for Michael? Okay. I appreciate your
21 expediting that process, Michael. And I'll ask
22 either Dick Brown or Seth Marcus to briefly go
23 through their comments if they are able to do
24 that for us.

25 MR. MARCUS: Sure. This is Seth Marcus, if

1 everyone can hear me. Chairman and to the IAC
 2 members, thanks again for the opportunity to
 3 present. I will keep my presentation short. I
 4 won't even flip through many slides here
 5 actually. A lot of what I would include in my
 6 presentation has already been discussed, so I
 7 will seek not to repeat myself.

8 But anyway, just as a way of introduction, I
 9 am Seth Marcus, a partner with The Townsend
 10 Group, joined on the call, in the video, with
 11 Dick Brown, also a partner. We've had the
 12 privilege of working with the SBA and the real
 13 estate portfolio staff for over 15 years,
 14 obviously with the last 12 months being probably
 15 maybe the most unique out there.

16 When we were together just last year via the
 17 phone, we were at a point of -- and I'm sorry.
 18 Just to frame my presentation, I'll talk a little
 19 bit about the markets and then answer one of the
 20 questions that was asked earlier about income
 21 versus appreciation.

22 So speaking to the markets directly, last
 23 year we were really at a point of discovery and
 24 really at a point of unknown and uncertainty in
 25 the markets about a year ago. And we still are

1 certain in some degree still at that point.
 2 However, as Steve and his team described, it
 3 turned out to be a busy year, a very active year,
 4 as we anticipated.

5 These commitments that we made, these
 6 investments that we made during this unknown and
 7 difficult time are to produce outside returns
 8 based on both the investment strategies but also
 9 the portfolio position as others have mentioned
 10 today in the presentation.

11 So a couple of points on the market and the
 12 COVID environment specifically. So really what
 13 we believe occurred over the last 12 months is
 14 really an acceleration of a number of
 15 pre-pandemic trends, so primarily the adoption
 16 and implementation of existing technology that
 17 existed and was being utilized but just not to
 18 the same level and degree that we are using it
 19 today.

20 So whether it's meetings like this, remote
 21 and work-from-home arrangements, online
 22 consumption, online schools, online demand of all
 23 of the above, as well as for housing. So all of
 24 these existed previously but really accelerated
 25 and became more common practice over the last 12

1 months.

2 So we highlighted how this impacts real
3 estate a bit on this slide here, as well as on
4 the following slide. And just to maybe talk
5 briefly about -- maybe to summarize the following
6 slide. In office, the demand, which
7 definitely is more limited today, we believe,
8 from the Townsend research that we've done, is
9 that the decreased demand is estimated to be
10 about 9 to 12 percent in the U.S.

11 And this is a combination of work from home,
12 less time in the office, less days in the office,
13 and then offset a bit by maybe more square
14 footage necessary per person and also the
15 adoption of more satellite office space, so maybe
16 not directly downtown, maybe not directly in the
17 CBD, but in the suburbs.

18 So a combination of those two does get you
19 to that sort of decrease in demand of about 9 to
20 12 percent. And that will obviously have an
21 impact on valuations and activity in the office
22 space.

23 Housing demand has changed as millennials
24 are aging and seeking homes. Another year has
25 passed. So previously we spoke a bit about that

1 millennial generation seeking to rent for longer,
2 live in apartments for longer. As another year
3 has passed and a year that we've all experienced,
4 space is sort of at a premium. So looking for
5 more, you know, larger houses, larger apartments,
6 in-unit demand, so in-unit washer/dryer unit,
7 space for a desk or an office has increased. So
8 changing of the demand for housing. But at the
9 same time, as you see on this page, strained
10 financial conditions for those seeking to sort of
11 move up in the residential arena.

12 So owning a home today may be out of the
13 possibility for some millennials, given the
14 limited wage growth and unemployment activity
15 over the last 12 months. So we're seeing
16 additional opportunities in the single family
17 rental space, which again existed previously but
18 was just at a lower demand and lower investment
19 (indiscernible).

20 And then in retail, not surprisingly, bricks
21 and mortar retail continues to be more stressed
22 and a move to online delivery, convenience,
23 strong fundamentals for industrial opportunities.
24 The last one I'd mention is -- and we talk about
25 senior living specifically on this slide, but

1 really a shift and increased focus for
2 institutional investors like the SBA and a
3 comfort really in those alternative property
4 types.

5 We talked a bit about them already today,
6 but self storage, medical office, life science,
7 data centers. When we talk about having limited
8 opportunities to invest in retail and office --
9 and those are risk-off sectors today -- where do
10 you put the risk on? Where do you put your
11 capital if you're not going to invest in those
12 two sort of more widely available opportunities?

13 And it is the alternative property types.
14 And you can see from your portfolio that this was
15 a trend that your staff and team identified long
16 before COVID hit and was already gaining exposure
17 to a lot of those property types.

18 So how does this impact the SBA? You heard
19 about the diversification of our portfolio,
20 moving away from retail, away from office and
21 into industrial. Steve highlighted the five year
22 difference in property type exposure. I'd say
23 even over the ten years it's even more
24 significant.

25 And in that realm, when we look at the other

1 property types, the alternative group, our
2 alternative exposure has actually remained
3 relatively consistent. It's about 9, 10 percent
4 of alternatives in our portfolio. But what type
5 of alternatives we're looking at has changed. So
6 as Lynne mentioned, we've been selling senior
7 living, acquiring student housing, also acquiring
8 the self storage portfolio. We made a data
9 center specific commitment in the last 12 months,
10 and also looking at life science and medical
11 office in a more greater degree.

12 From a performance perspective, this shift,
13 along with seeking allocations to the right
14 individual assets within principal investments,
15 the strategies in externally managed that Michael
16 described, has really resulted in that
17 outperformance over all time periods.

18 The one spot I would like to touch on first
19 for a minute is the following one, or it's two
20 from here. Jump ahead. The title is Real Estate
21 Gross Annual Return. There. Thank you. So
22 here, I touched on this last year. And this is a
23 slide that we included in our presentation last
24 year. But here we show the SBA's real estate
25 annual performance year in, year out over the

1 past 20 years broken up by both income and
2 appreciation on the left-hand side, year in, year
3 out of the ODCE and our portfolio.

4 And you can see, regardless of the
5 appreciation return, whether it was strongly
6 positive, you know, post the GFC in 2010, '11,
7 '12, or negative during the GFC, we always
8 produced positive income. And you can see on the
9 right-hand side that what that has generated over
10 the 20 year time frame is approximately a
11 6 percent income return from our portfolio.

12 We've also seen modest appreciation, despite
13 some of those negative returns over 2008, 2009,
14 and we will see those in 2020. We have year to
15 date numbers in here today. Like all asset
16 classes, we'll see the valuation adjustment.
17 This is not a surprise. But as a reminder, we
18 invest in real estate for the income that it
19 generates, collecting rents associated with
20 owning tangible assets.

21 And here we highlight that both our income
22 has been strong and also outperforms the
23 benchmark by about 30 basis points. And with
24 that said, our appreciation continues to
25 outperform as well. But the question was asked

1 earlier about yield. The 6 percent income is not
2 a yield number, just to clarify. This is total
3 income, so it's not necessarily distributable
4 income. Some of this income is held back,
5 reinvested in the property. So I don't have a
6 yield number on here, per se, but it gives a
7 little bit of a breakdown of the income and
8 appreciation of the portfolio.

9 I mentioned I'd keep it brief. I'm happy to
10 stop here. A lot of the rest of my slides do
11 cover topics that were already discussed today.
12 So just to help us maybe get back on the time
13 schedule, I'll wrap it up here unless there are
14 any questions.

15 PETER JONES: Thank you, Seth. Questions
16 from council? Okay. Well, very good. That was
17 a good recap and a good summary, so thank you to
18 Seth Marcus from The Townsend Group. And, Steve
19 Spook, thanks to you and your team, a lot of good
20 information and a lot of good results, so very
21 good.

22 We will move to section 5, corporate
23 governance review, and I'll turn it over to
24 Michael McCauley, the senior officer of
25 investment programs and governance. So, Michael.

1 MR. McCAULEY: Thank you, Mr. Chairman.
2 This is Mike McCauley. So this is the deeper
3 dive into the SBA's corporate governance
4 activities, so I'll truncate my remarks and try
5 to clip through the slides pretty quickly to get
6 back on track.

7 But I'll review some of the major components
8 of our governance program, including our policies
9 and operations, the approach on corporate
10 engagement, our framework for proxy voting, which
11 is a big part of what we do day to day, as well
12 as some key regulatory areas. As I go through
13 the slides, feel free to interject with questions
14 or comments.

15 So this first slide just is a quick
16 overview, gives just a snapshot of what
17 investment programs governance is responsible
18 for. We kind of oversee or manage several SBA
19 investment activities, with a primary focus on
20 corporate governance. For publicly held
21 companies, these are primarily within our global
22 equities portfolio. We also, like I said,
23 oversee and manage proxy voting and corporate
24 engagement. In general, investor stewardship
25 issues, so kind of responsible investments,

1 regulatory feedback and the like.

2 We also oversee Florida PRIME, that mandate
3 We've got -- the IPS is an item on the agenda
4 later. So we help oversee that, as well as some
5 of the ancillary client service functions, with a
6 handful of non-pension client accounts. It's a
7 very small part of what we do.

8 So we go to the next slide. I'm going touch
9 on this, and again I will be brief. So just to
10 kind of talk at a 60,000-foot level, give you a
11 nice overview, we really try to act as a strong
12 advocate on behalf of beneficiaries, FRS
13 beneficiaries, to do a couple of things, to
14 really strengthen shareowner rights and also kind
15 of promote leading corporate governance
16 practices, again, at global companies in which we
17 invest.

18 The corporate governance activities that we
19 spend most of our time on are really squarely
20 focused on enhancing share value and really
21 ensuring that public companies are accountable to
22 their shareowners, so things like effective
23 boards of directors, highly performing boards,
24 transparent company disclosures, accurate
25 financial reporting, and just general policies

1 that serve to protect and enhance the value of
2 the SBA investments.

3 You've probably read a lot of ESG articles
4 over the last few years, especially the last year
5 plus with the pandemic, but I'll try to give you
6 a nice snapshot and bring it all together. But
7 today corporate governance really has become an
8 increasingly important function of portfolio
9 management. It's always been there, but over the
10 last few years especially, the topic has really
11 transformed to some degree into a larger ESG, ESG
12 admin, environmental, social and governance. And
13 it encompasses numerous kind of environmental and
14 social topics that now are really situated
15 alongside some more traditional governance
16 factors.

17 A recent poll by the CFA Institute found
18 that about 85 percent of its members take ESG
19 into account for making investment decisions.
20 It's kind of got a lot of momentum in the
21 marketplace, a lot of demand. This shift really
22 has occurred as many investors have taken really
23 a broader view of the role of companies in
24 society, and they've shifted more towards a --
25 what's called a stakeholder model, with the older

1 legacy shareholder model or shareholder primacy
2 model being viewed as somewhat incomplete. And
3 there's a -- the debate rages on. There's no
4 clear answer, but those are two of the competing
5 perspectives in the marketplace, with the
6 stakeholder model becoming more ascendent, but it
7 hasn't be finalized yet, so we'll see.

8 But regardless of which model wins out, as
9 more and more of asset owners and especially
10 asset managers move to integrate ESG into their
11 investment process, many of the issues that fall
12 on this ESG spectrum are receiving greater
13 emphasis.

14 Maybe one caveat of note, an offset, is
15 that, however, there's really no neat, neatly
16 defined definition of what ESG is. It's hard to
17 kind of characterize it. It's defined
18 differently by a lot of different investors, so
19 there's just a lot of mixed approaches in the
20 marketplace. An additional hurdle is the fact
21 that there's really no standardized framework for
22 many of these corporate disclosures along the ESG
23 spectrum for individual metrics. It's starting
24 to change, but it's still kind of an evolutionary
25 development in the marketplace.

1 But having said all that, kind of issues
2 such as cyber security, data protection, both
3 workplace as well as board diversity, climate,
4 carbon use, just generally better stakeholder
5 alignment are all now fairly widely accepted as
6 inputs to the investment allocation question and
7 are being increasingly used by asset managers and
8 investors. And that's led to a much greater
9 demand for ESG data, related research and
10 specifically research that demonstrate
11 correlation to ESG factors and financial
12 performance, which has ballooned considerably.

13 So you can switch to the next slide. Just a
14 little bit on our proxy voting and engagement
15 activities. So SBA staff manage a fairly high
16 volume of proxy voting. We vote approximately
17 11,000 annual and special meetings each year.
18 These proxy votes occur throughout the year, and
19 they also occur obviously in multiple markets.
20 But the bulk of the U.S. meetings take place from
21 early April to late June. And when combined with
22 some of the Japanese proxies that take place in a
23 fairly narrow window in late June, most of the
24 volume occurs in Q2. So it's about 60 percent of
25 our total annual proxy volume.

1 And just to touch on some of the issues that
2 we vote on, without getting too granular, and
3 it's in conformance with Department of Labor
4 regulations, it's kind of a fiduciary approach,
5 which requires investors to essentially prudently
6 manage the proxy voting rights. So just like any
7 other asset, you manage the proxy rights and cast
8 votes on ballot items that can have an impact on
9 a company's value or performance.

10 And some of the major categories, you've
11 seen us report on this in the past, some of the
12 voting rights that the DOL regulation covers are,
13 one, just shareowner rights, such as the right to
14 call a special meeting, vote by written consent,
15 vote tabulation rules and the like.

16 And most of those rules or many of them can
17 become material when investors attempt to kind of
18 influence corporate performance and some of the
19 board dynamics, especially in scenarios that you
20 have a highly underperforming company or some
21 kind of crisis scenario with an individual firm.

22 Another area is executive compensation plans
23 and largely, more broadly speaking, pay design.
24 So these are things such as long-term incentive
25 plans, or LTIPs. There's also annual incentive

1 plans. Those are a little less material from our
2 perspective. Say on pay votes, which was a
3 Dodd-Frank development a few years back, things
4 like employee stock options, those sorts of
5 things, so anything that kind of falls under the
6 executive compensation umbrella.

7 And these issues can impact corporate
8 performance and really influence how efficient a
9 firm's compensation structure is. And how well
10 those incentives are structured can ultimately
11 lead to not only the amount of earnings and cash
12 that the company is burning to pay executive
13 management but also lead to longer-term
14 performance issues that are embedded within those
15 incentive structures. So that's something that
16 we look pretty closely at.

17 Another area is mergers and acquisitions, so
18 proposals to buy or combine with other companies
19 or divest individual units of a firm, those are
20 fairly infrequent, but they happen on a regular
21 basis. Another area is capitalization
22 structures, such as dual-class share structure,
23 share buy-backs and the like. That's another
24 relatively infrequent area, but we do see it.

25 Another area is external auditors. This is

1 something that's on most ballots, at least in the
2 U.S. and many non-U.S. markets. So we ratify the
3 auditor and some of the -- in some instances the
4 related financial statements, especially for
5 non-U.S. companies.

6 And then last but not least, kind of the
7 board of directors, so covering the elections of
8 individual board members, board policies, related
9 structures, such as independent chair roles and
10 subcommittee structure.

11 And really over the last several years we've
12 also received information and analysis from many
13 of our external asset managers and portfolio
14 managers about individual company governance
15 concerns. Could be a dialogue about upcoming
16 voting items or other policy-related research.
17 We found that to be very helpful and informative.
18 And it's kind of a two-way street. We like to
19 talk to the external managers. They look to us,
20 and we kind of share information, so it's worked
21 pretty well.

22 And on kind of the other side, corporate
23 engagement, which is really kind of another
24 dimension of our proxy voting activities, it's
25 become a larger part of the dialogue between

1 shareowners and boards. Each year we, staff
2 routinely discusses corporate governance matters
3 with typically executives but increasingly
4 individual board members, individual directors of
5 invested companies.

6 Sometimes that's on a proactive basis, where
7 we'll reach out to the company. More often than
8 not, it's companies on an inbound basis. They
9 want to hear about our views or ask policy
10 questions, that sort of thing. And the
11 discussions are most likely to occur just ahead
12 of an upcoming annual meeting, but they can also
13 result from events such as like a proxy contest
14 or divestment-related outreach. We have a fair
15 amount of engagement tied to the Protecting
16 Florida's Investments Act, or PFIA. And it can
17 be just other governance changes throughout the
18 year, where a company would want to reach out to
19 us.

20 So it is now fairly routine for the largest
21 companies in the U.S. to reach out to their
22 largest, you know, typically 25 to 50
23 shareowners. Sometimes it can be up to the top
24 100, depending on the company, how large it is.
25 We typically engage with about 100 companies each

1 year, including like divestment-related
2 communications.

3 And just lastly, the SBA staff, we kind of
4 routinely interact with other shareowners and
5 groups, not just those that we may have a direct
6 portfolio relationship with or use as an external
7 manager, but other market (indiscernible) other
8 institutional investors, and just to stay abreast
9 of kind of issues that are involving either
10 specific companies. There can be collaborative
11 governance initiatives. We try to keep a pulse
12 on that.

13 So the next slide, please. So just to touch
14 on briefly our voting guidelines, the SBA's core
15 governance perspectives are really found in our
16 main documents, Corporate Governance Principles
17 and Proxy Voting Guidelines. And these are
18 reviewed annually and updated as needed. The
19 policy document, like is shown on the slide, is
20 organized around principles and guidelines.

21 SBA policies in most cases are designed to
22 be company-specific, which we feel allows a
23 greater degree of flexibility in judgment when
24 we're making proxy voting decisions and allows
25 just more of a unique application for that

1 individual voting scenario at that one point in
2 time.

3 And similar to last year, we're not
4 proposing any new or amended proxy voting
5 guidelines for the '21 season. Last time we
6 proposed amendments for this was '19. So we
7 don't anything before you in this.

8 We'll look at the next slide, just to kind
9 of touch real quick on some of our partners that
10 we work with. This slide highlights those that
11 we use. I'm sure you're probably familiar with
12 some of these organizations, but we're very
13 active in several of these groups. For example,
14 the Counsel of Institutional Investors, CII, is a
15 nonprofit, non-partisan association of U.S. asset
16 owners, and it's primarily public pension funds,
17 but other types of asset owners, state and local
18 entities charged with investing public assets.

19 And what they really do, CII really
20 advocates for two things. First and foremost are
21 strong corporate governance practices, with I
22 would say a bias towards the U.S. market, but
23 they also maintain a global focus in certain
24 instances.

25 And they also kind of support and weigh in

1 on kind of a variety of other regulatory matters
2 that can deal with just the efficiency of capital
3 markets. So it doesn't necessarily have to be
4 kind of a black and white on just corporate
5 governance issues. They're a little bit broader
6 in their application.

7 And another body we've been also very active
8 in is the Investor Stewardship Group, or ISG,
9 which is a group of about 70 U.S. and
10 international institutional investors with
11 combined assets of about 32 trillion in U.S.
12 equity markets. And the ISG was formed to really
13 establish a first-of-its-kind framework for basic
14 investment stewardship and corporate governance
15 standards, with I would say an emphasis on the
16 corporate governance standards.

17 And this was really for board room conduct.
18 They got together. We were one of the founding
19 members. And some of the ISG members include
20 really the largest global asset owners, such as
21 like BlackRock and SSGA, Vanguard, CalSTRS,
22 CalPERS, Triam Partners and several other very,
23 very large global owners or asset managers.

24 And it created a first-of-its-kind U.S. code
25 for U.S. companies. It's a set of six

1 principles, standards, that are really designed
2 to establish kind of foundational set of investor
3 expectations. So it's not necessarily a best
4 practices framework. It's more of a completely
5 agreed-upon set of foundational principles for
6 corporate governance practices in U.S. publicly
7 listed companies.

8 And it's been around for a few years, but
9 it's still gaining traction, although it's more
10 common to see some U.S. companies that have even
11 started to make proxy disclosures, their own
12 proxy filings that are in compliance with the ISG
13 principles or they go out of their way to kind of
14 communicate how they move toward or don't meet in
15 some cases the ISG set of principles.

16 This slide also identifies two outside proxy
17 advisers and related ESG research firms that we
18 use. I go into that a little bit more on the
19 next slide. But finally we utilize -- on the
20 right side, we utilize MSCI, Sustainalytics and
21 Vigeo Eiris for more specialized governance
22 research. It's research ratings and some
23 individual data services, and even to some extent
24 research that's tied to specific companies
25 covered by the PFIA divestment statute.

1 So this next slide covers proxy advisers,
2 and it goes into a bit more detail on our
3 operations. So as we've communicated in the
4 past, the SBA uses two proxy advisers, Glass
5 Lewis for both proxy research, which includes
6 specific voting recommendations, and also we use
7 Glass Lewis as our voting agent, so whereby they
8 execute the SBA proxy voting decision on their
9 own system. The vote gets tabulated and sent on
10 to Broadridge for compilation for corporate
11 meetings.

12 We also use Institutional Shareholder
13 Services, ISS, for -- primarily for proxy
14 research, but we also utilize several of their
15 other governance research and data services.
16 They have a fairly extensive database of
17 governance metrics for global companies, not just
18 the U.S.

19 And we really use, you know, not just on the
20 proxy adviser side but really for everything we
21 try to approach and we use kind of dual advisers
22 for proxy analysis and other areas, which we
23 really believe -- I think it provides a more
24 thorough approach to making voting decisions. We
25 each have different models and methodologies and

1 different policy constructs that we feel adds to
2 the analysis and review that we do on voting
3 decisions.

4 MR. GOETZ: Michael, this John Goetz. These
5 are real issues to us as an investment firm. I
6 just wanted to make sure I was picking up on what
7 the vectors of change are from your perspective.
8 Obviously ISS, MSCI, whatever, they have business
9 models where there might be some self-interest.

10 The ISG group was supposedly advocating, you
11 know, from a collective purity, right, of not
12 having any interest in selling their models or
13 whatever. Am I right to infer you are moving
14 more towards ISG influencing the outcomes for the
15 SBA in terms of how you're thinking about this,
16 or not? I'm just not sure what you were trying
17 to tell us.

18 MR. McCAULEY: Yeah. No. I wouldn't
19 really -- I wouldn't characterize it that way. I
20 would think the ISG is going to continue to
21 develop their policy framework, but they're not a
22 proxy adviser. They don't give individual
23 recommendations at individual companies or
24 anything like that. I don't think that would --
25 I mean, if that were to ever happen, it would be

1 years down the road, and I don't think that's the
2 intent at all.

3 It's really a group, again, of the very
4 largest asset owners and asset managers that felt
5 the U.S. market was deficient. And I would argue
6 it was. We really didn't have, up until that --
7 I think they went online in early 2018. There
8 was no standard framework or U.S. code for
9 corporate governance practices.

10 Yes, you did have groups like CII and the
11 CFA Institute and others that would espouse
12 individual policy positions and that sort of
13 thing, but it wasn't necessarily agreed upon by
14 the vast majority of the market. It was
15 relatively narrow or a minority view. That's the
16 best way to kind of characterize it.

17 So the intent was to, well, let's get a
18 broader tent, so to speak, and have more of an
19 input, especially from the asset manager side,
20 which some of the other investor membership
21 organizations, it was limited. Their involvement
22 tended to be limited, or it wasn't as broad an
23 investor spectrum. So that was the intent. It
24 was because the U.S. didn't have a code, it
25 was -- it didn't seem like anybody else was

1 developing a code. So that group kind of -- you
2 know, the market kind of gathered together to
3 form its own, kind of a self-regulatory approach,
4 if you will.

5 MR. GOETZ: That helps.

6 MR. MCCAULEY: I'll keep going. So, yeah, I
7 was just going to cover real quickly, it's pretty
8 self-evident with the chart, the pie chart, but
9 it gives us a breakdown on something that we
10 started back in 2017. We substantially increased
11 our use of automated voting rules. And these are
12 rules based on the SBA's own proxy voting
13 guidelines.

14 And the auto voting meetings now represent
15 about a little under 40 percent of all of our
16 voting meetings. And the automated voting occurs
17 really within markets that are characterized by,
18 first, non-North American companies, so kind of
19 non-U.S. markets, typically smaller dollar
20 investments, more routine ballot items, things
21 that are more mundane and don't require a lot of
22 analysis, and also kind of lower meeting volume.
23 So think smaller markets, smaller
24 (indiscernible), smaller market cap sizes and
25 relatively insignificant ballot items or voting

1 items.

2 So for the auto-voted markets, we also
3 use -- and this is the caveat, the trade-off, we
4 also use a materiality trigger that will remove
5 meetings from being auto-voted. So even if it's
6 a market that has a heavy level of automated
7 voting, we've got this kind of trigger that will
8 pull those meetings out if they contain
9 significant matters for investor review.

10 So, again, like mergers, proxy contests,
11 some of the more meatier ballot items, those will
12 be shunted and we'll vote those, staff will vote
13 those, and the vote won't be executed on an
14 automated basis.

15 So most countries have a mix of both kind of
16 staff and automated voting execution. There's
17 not really a pure play, with maybe one exception
18 for all U.S. North American corporate meetings
19 are voted by staff. Those are our -- the U.S. is
20 our largest market and we have the most intensive
21 policy framework, et cetera. So those are all
22 done with a set of eyeballs essentially looking
23 at and analyzing the proxy vote.

24 And I always like to point out, just to
25 clarify, there's a fair amount of confusion in

1 the marketplace with terminology. You may have
2 heard the term "robo voting" in the context of
3 some investors' voting structure. And this is
4 when proxy voting takes place using, you know,
5 typically an external proxy adviser or a
6 consultant, but usually it's a proxy adviser.
7 And votes are determined solely by the external
8 adviser.

9 So it's akin to really outsourcing an
10 organization's voting meetings, which is
11 different than automated voting, and that's
12 where, to kind of describe it, the investor's
13 policies determine the voting decisions and not
14 the proxy adviser's policies.

15 So while we may benefit from analysis, we
16 may do research and advise policy framework and
17 analysis, ultimately our guidelines or SBA
18 guidelines, the policy, essentially the system
19 logic that's embedded on the -- ViewPoint is the
20 Glass Lewis proxy system. So ViewPoint has
21 policy logic built into it that matches the SBA's
22 voting policies, not necessarily a Glass Lewis or
23 an ISS or some other third party. So those --
24 the votes that are being auto-voted are being
25 done in accordance with SBA policy. So just kind

1 of a distinction.

2 I'll just go through the next three slides.
3 I don't know if you want to cycle through those
4 as I'm talking, but these are just kind of
5 snapshots of some data and some statistics. I
6 won't spend a lot of time, in the interest of
7 time being brief.

8 Most of this is also detailed in the
9 quarterly and fiscal year -- excuse me. The
10 quarterly and fiscal year activities are detailed
11 in each of the quarterly standing reports that go
12 to the trustees and the IAC. So we've got that
13 included in the meeting materials. That gives
14 you a breakdown of the types of (indiscernible),
15 meeting volumes, et cetera.

16 And then last but not least -- and this is
17 just kind of an informational item. It's not on
18 the slide deck that's in the meeting materials.
19 It included our own investor profile from Proxy
20 Insight, which is one of our external governance
21 vendors that we use for vote benchmarking and
22 other voting information, voting data. And their
23 profile gives you -- it gives you quite a bit of
24 granularity in some of our voting policies, like
25 longer term voting statistics. You can

1 essentially find that on our own website, but
2 it's kind of a neat document. It's all included.
3 But that's just informational.

4 So that is all I have, and I'm happy to
5 answer any questions or address comments.

6 PETER JONES: Thank you, Mike. Any
7 questions from the council? Any additional
8 questions?

9 MR. WENDT: Mr. Chairman, I do have a
10 suggestion. Noticing how far behind we are, some
11 may have to leave at 5:00. I'm one of them. Do
12 you think we should go to the Florida -- to the
13 changes that need to be voted on and then get
14 back to the asset classes after that?

15 PETER JONES: I think we can do that,
16 certainly. Ash, do you have any comments on
17 that, going to the voting matters that are
18 following the senior investment officer updates?

19 MR. WILLIAMS: We can handle them both very,
20 very quickly, and I think that's a good
21 recommendation. So if that's your pleasure,
22 Mr. Chair, why don't we go to item 7. We'll get
23 that handled, then get item 8 out of the way.
24 That will get those two things done and we'll be
25 clear, and we can do them both in no time flat,

1 because they're just dead simple.

2 MR. KUCZWANSKI: There's no slides that go
3 with those.

4 PETER JONES: Yeah, I think that's a good
5 plan. Let's go to section 7 and then followed by
6 section 8.

7 MR. WILLIAMS: Okay. So let's go to tab 7,
8 if we could, please. That's review of changes to
9 the Florida Retirement System investment plan
10 investment policy statement. This is simply a
11 provision to include among the options a stable
12 value option, which given where market values
13 are, seems like a timely thing. That's what it
14 is. Dan Beard is here if you have any questions
15 or discussion. I'll recommend moving forward.

16 PETER JONES: Okay. I believe we need to
17 have a vote on that. So if there's any questions
18 or discussions. If not, I'll entertain a motion.

19 MS. CANIDA: I move. Tere Canida.

20 MR. COLLINS: I'll second. Peter.

21 PETER JONES: All in favor?

22 (Ayes)

23 PETER JONES: Opposed? Okay. Motion
24 carried. Thank you, Ash. Let's move to section
25 8.

1 MR. WILLIAMS: Thank you, Mr. Chairman.
 2 Item 8, tab 8, review of changes to Florida
 3 PRIME's investment policy statement. Again,
 4 very, very simple, but we need to approve it
 5 because it's got to go to the trustees, and the
 6 IAC needs to approve any changes in investment
 7 policy statements before they go to the trustees.

8 The item here is that the SEC standards
 9 relating to qualified institutional buyers have
 10 evolved a little bit as that relates to private
 11 placement. So we've updated our language in the
 12 IPS for Florida PRIME. Request approval.

13 PETER JONES: Any questions or discussions?

14 MR. NEAL: So move. Pat Neal.

15 PETER JONES: Okay. Second?

16 MR. OLMSTEAD: Second. Vinny Olmstead.

17 PETER JONES: Okay. All in favor, say aye.
 18 (Ayes)

19 PETER JONES: Opposed? Okay. Motion
 20 carried. Thank you, Ash. That was --

21 MR. WILLIAMS: That should serve as a role
 22 model for the pace for the remainder of the
 23 agenda to get Mr. Wendt where he needs to be in
 24 time.

25 PETER JONES: Yeah. Gary Wendt, thank you

1 for the good suggestion. We're moving along. So
 2 thank you for that. We will go back to section
 3 6. This is the asset class, where the senior
 4 investment officers provide an update, as well as
 5 the DC program's chief update. I would just
 6 remind you that Alison Romano gave a very good
 7 overview earlier in our meeting, so perhaps we
 8 can efficiently fill in the blanks where you
 9 think appropriate for each of the SIOs. So I'll
 10 turn it over to -- I think Tim Taylor will be
 11 first up, section 6.

12 MR. TAYLOR: Thank you, Mr. Chairman, and
 13 good afternoon, everybody. Ash had asked if we
 14 would briefly comment on the impact of the
 15 Archegos situation on global equity in the asset
 16 classes. It appears to be relatively small. We
 17 do have some exposure to some securities that
 18 have been included in block liquidations. For
 19 example, ViacomCBS. The exposure, however, is
 20 very, very limited, and prices may very well
 21 revert to pre-situation levels once that pressure
 22 subsides, so a very, very minimal impact.

23 And, yes, Mr. Chairman, I'll move quickly
 24 through my comments, but I'm always open for
 25 questions if you or any of the members have any.

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1 In the fourth quarter, equity markets rallied.
2 Great news in November on the vaccine. Also we
3 had another U.S. government stimulus package.
4 Cyclical sectors, which have really been lagging
5 for 2020, they led the way. Financials and
6 energy both increased more than 25 percent. The
7 overall market itself was up 16 percent in the
8 quarter. People were expecting a strong economic
9 recovery in 2021.

10 Small cap stocks, if you measure them by the
11 Russell 2000 index, had their best quarter ever.
12 They were up 31 percent. Emerging market stocks
13 were also up 20 percent. That was their best
14 quarter in over a decade. Market leadership --
15 and Alison did mention -- has shifted from growth
16 and large cap to value and small cap. If you
17 look at the difference in the sector returns for
18 the year, it was staggering. Look at energy,
19 down 28 percent, IT up 45 percent, a 73 percent
20 difference.

21 John, next page, please. We underperformed
22 in the fourth quarter. And I don't have the
23 slide. There it is. Thank you, John. We
24 underperformed in the fourth quarter. The
25 benchmark was up 15.7 percent. We were down by

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1 34 basis points. All of it was concentrated in
2 November. The rotation from growth to value, the
3 recovery trade was powerful. It arrived in very
4 short order.

5 But you can see that despite lagging during
6 the quarter, for the full year, we exceeded the
7 16.4 percent benchmark return by 76 basis points.
8 We had a very, very good year, both absolute and
9 relative in global equity in 2020. And as you
10 see, we're above the benchmark in all periods.

11 I will note slightly, look at the bottom
12 right. The change in market leadership, that
13 increased volatility levels in the market. That
14 prompted an increase in our active risk level.
15 If you look at it just over a one year period,
16 you can see that active risk level spike, in the
17 lower right-hand part of the page. Volatility
18 has started to come down more, however, but it
19 certainly could rise at any time.

20 Next page, please. Here we have an update
21 on the performance of our active aggregates.
22 This represents roughly 50 percent of the asset
23 class. You can see that during the quarter,
24 dedicated global, that group underperformed.
25 There's an emphasis on dividend yield and low

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1 volatility. That's a defensively structured
2 aggregate, and it's going to lag in a quarter
3 like we had.

4 U.S. small cap program, it failed to keep
5 pace with that big benchmark return in the
6 Russell 2 I mentioned. Investors bid up the
7 stocks most expected to benefit from an economic
8 recovery, at the expense of profitable and higher
9 quality companies.

10 Finally, on the last page, please. And if
11 you could, please make sure you are on mute. I'm
12 hearing some feedback and some talking. Thank
13 you all. Finally, a short update on our
14 initiatives. We did fund a new emerging market
15 manager in Q4. We also completed a search for
16 international small cap managers.

17 We've actually already implemented these
18 changes this year, in 2021. We're continuing to
19 look for opportunistic and evaluate opportunistic
20 unique strategies that were not traditionally
21 perhaps considered in global equity. They could
22 add return. They could diversify us. They could
23 do both.

24 And then finally, just a reminder, the
25 liquidity payments that our fund is making. As

1 our chief financial officer said in one of our
2 meetings, bottom line, we're here to pay people
3 the income that they need in their retirement.
4 In Q4 we raised about another 3 billion. And for
5 the 2020 calendar year, global equity provided
6 7.3 billion of liquidity for beneficiaries.
7 Mr. Chairman, those are my prepared remarks.
8 I'm happy to answer any questions if there are
9 any.

10 PETER JONES: All right, Tim Taylor. Good
11 summary there. The numbers continue to be quite
12 impressive. Any questions from the council?

13 MR. GOETZ: Just a quick one. John Goetz.
14 Tim, I thought we were also -- you know, I think
15 the value phenomenon you mentioned, November,
16 right, has continued obviously into 2021. Were
17 you also looking at an increment to value as
18 well?

19 MR. TAYLOR: Yeah, yeah. I would say that,
20 as we went into the pandemic, we lowered our
21 exposure to what I would call lower quality
22 value, but as things started to open up and in
23 anticipation of perhaps some positive news, we
24 didn't want to -- we wanted to make sure we
25 weren't too underexposed to value. And so we

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1 have added back to value incrementally, but I
2 would say we've added back more to quality value.
3 What happened in November was mostly lower
4 quality rally. That's really what burned us in
5 that month.

6 Since that time, value has continued to do
7 well, but we have seen higher quality value lead
8 the way in terms of categorizing value. So we've
9 leaned into adding some quality value. At the
10 same time, we've taken some profits in some
11 growth managers who have done very, very well,
12 and we have a lot of confidence in them. But we
13 certainly wanted to take some profits off of --
14 they've been doing so well and the momentum
15 behind those stocks, we thought it was advisable
16 to maybe tap down on that a little bit. So, Mr.
17 Goetz, that's what we've done. And I think that
18 served us pretty well.

19 MR. GOETZ: Yeah. Thanks. I just realized.
20 So what you're saying is that's all with existing
21 managers, whereas the appointment of new managers
22 was limited to what you have listed here, but
23 that was allocation to existing managers that you
24 just talked about. Thank you.

25 MR. TAYLOR: You're welcome.

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1 PETER JONES: Okay. Thank you for that.
2 Other questions? Very good. Thanks again, Tim
3 Taylor. I'll turn it over to Katy for the fixed
4 income update.

5 MS. WOJCIECHOWSKI: Okay. Can you hear me?

6 PETER JONES: Yes, fine.

7 MS. WOJCIECHOWSKI: Perfect, just wanted to
8 make sure. Katy Wojciechowski. Good afternoon.
9 I think I have a reputation for being brief.
10 I'll try to not depart from that. John, you're
11 driving, right? Can you go down a couple of
12 pages, please? There you go.

13 I just want to mention, because returns,
14 excess returns are so good. It's not often that
15 we get this nice tailwind, and we have had it.
16 Unfortunately, absolute returns not so great. As
17 I said, it's going to be tough to come up with
18 positive total returns on the year. And we're
19 right now -- while we exceed excess returns,
20 we're barely flat on the year.

21 So if you could just go forward a page,
22 John, for me. Thank you. And you'll see why.
23 Yields have risen. As yields rise, prices go
24 down. So we are barely keeping even, and we've
25 wiped out all the carry on the year so far.

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1 A couple of pages forward, if you wouldn't
2 mind, John. I just want to make one point.
3 Yeah, there you go. So this is kind of how
4 little income we have. So market value of the
5 agg has grown, but available income has just
6 completely shook, coupons at very low levels.
7 If you wouldn't mind just going a page
8 forward, and I'll give you the why real quickly.
9 Negative yielding debt. Stock has decreased, but
10 because the Fed is buying so much and will
11 continue to do so and they have committed to no
12 change to purchases, they will own a huge portion
13 of the benchmark. And they are not discriminate
14 buyers. They're not buying on relative value.
15 They're just buying on dollars. So that will
16 continue to keep yields low or a lid on yields at
17 least.
18 And if you could just page forward one more
19 real quickly. I just want to show you how we are
20 making -- we are continuing to make money.
21 Alison touched on this. We continue to
22 overweight spread products. We have tried to go
23 far afield as far as we can to diversify as much
24 as we can where it makes sense. We will continue
25 to do that. We have overweighted spread products

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1 in the shorter end of the yield curve to focus on
2 income as much as possible and as little on
3 duration as much as possible, getting to a place
4 where I hate fixed income less, but I believe
5 I've been pretty vocal that I really didn't like
6 the opportunities in fixed income.
7 And last page, if you wouldn't mind. We've
8 continued to expand some guidelines with our
9 managers. We actually significantly increased
10 our allocation to one of our managers, a short
11 credit strategy, and have been very happy with
12 that. And as Alison mentioned and I have
13 mentioned, we continue to look at Asia as an
14 opportunity, other areas in expanding in credits,
15 just to move away a bit from duration.
16 And I think that's all I had that I needed
17 to mention. I do want to mention just one thing
18 on the Archegos thing. We obviously woke up
19 to -- or we started seeing it on Thursday and
20 Friday and over the weekend. We did have some
21 exposure with some of our counterparties. It
22 seems to be very limited. We have seen CDX widen
23 a bit in there, but contained, and they're very
24 well-capitalized. So we don't see it to be a
25 problem. So I think that was it.

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1 PETER JONES: Okay. Thank you, Katy.

2 Questions from the council?

3 MR. WENDT: Gary Wendt has an observation.

4 I was going to bring this up last time, but it
5 appears that interest rates are going to be low
6 for quite some time now, and so that, I think,
7 requires that we look at or at least Ash look at
8 maybe changing our mix, less fixed income, more
9 equities. Not today. But is that worth looking
10 at at one of the subsequent meetings?

11 MR. WILLIAMS: Mr. Chairman, may I?

12 PETER JONES: Please, Ash, yes.

13 MR. WILLIAMS: Yes. I think it is, Mr.
14 Wendt. And as you know, we do an annual
15 allocation review in which we do a quick top-line
16 review of where we are through Aon and look at
17 the suitability of our asset allocation to our
18 return objectives and risk tolerance. But, yeah,
19 I think that's an elephant in the room kind of
20 question for all institutions everywhere.

21 MR. WENDT: You know, but we have a target
22 someplace. I don't remember what it is. But we
23 have to raise a certain amount of money to pay
24 the pensions. And given that as a requirement,
25 maybe we're going to have to change over and take

1 some higher risks. My thoughts. Thank you.

2 PETER JONES: Other comments, questions?

3 Well, Katy Wojciechowski, congrats on your
4 outperformance and your other very, very
5 favorable metrics. Well done there. We'll move
6 to private equity. So I'll ask John Bradley to
7 sum up his comments, please.

8 MR. BRADLEY: Thank you. Thank you, Mr.
9 Chairman. The PE market closed out 2020 with a
10 bang. Across almost all measures of activity,
11 whether it be deal value, deal volume, IPO value,
12 IPO volume, we saw close to record quarterly and
13 annual activity. The third and fourth quarter
14 global M and A deal value came in at over
15 \$350 billion, which was an amount that we haven't
16 seen in almost 15 years.

17 But despite this flurry of activity we saw
18 in the market, pricing held steady. It ticked
19 down a notch from 2019 to 11.4x EBITDA. And then
20 touching on Ash's comment on leverage, as we
21 might expect or as we might hope, given the
22 volatility and uncertainty of 2020, in our
23 portfolio and across the market, we saw deal
24 structures get more conservative. So debt
25 multiples fell. Equity contributions increased.

1 And if you look at the cash interest coverage
2 ratio or if you look at EBITDA to debt service,
3 that ratio increased to 3.4x in 2020, up from 2.7
4 in 2019.

5 Our PE portfolio was up 12.4 percent in Q3.
6 And tech and venture continued for us to drive
7 performance. I would note that performance was
8 not just unrealized. Our GPs are very active in
9 returning capital. Our net cash flow for 2020
10 was a bit shy of \$1 billion, which makes 2020 the
11 best year in our history for GP-generated
12 positive cash flow.

13 And what I find even more remarkable is that
14 almost half of that net cash flow came in the
15 month of December. So in the month of December
16 alone, we received over \$600 million in
17 distributions from our GPs. And I think this
18 just really highlights how our program has
19 matured and that only a short time ago, that
20 number would have been a good year's worth of
21 cash flow for us.

22 MR. OLMSTEAD: This is Vinny. Was that from
23 a lot of different sales, or was that any
24 specific few that ended up with a
25 disproportionate amount of returns?

1 MR. BRADLEY: It was fairly broad across the
2 portfolio. There was one sale I can think of
3 that was a pretty large dollar amount that might
4 have accounted for probably 5, 10 percent of
5 that. But the cash flow activity was
6 portfolio-wide.

7 PETER JONES: John, this is Peter Jones.
8 You expect the cash flows to continue to trend
9 upwards like you've been seeing, I take it.

10 MR. BRADLEY: I think a large part of that
11 was just some buildup of some activity that was
12 paused during the peak of the COVID crisis. We
13 can go into this, too, next quarter when we do
14 the private equity deep dive.

15 But we have accumulated a fairly large size
16 exposure in public market positions due to IPO
17 activity. And a lot of those stocks will begin
18 to roll off of their lockups. And so I think
19 near-term we think that activity will continue,
20 but I don't think we can maintain -- hopefully we
21 can, but I don't think we can maintain the
22 \$600 million a month pacing.

23 PETER JONES: I understand. Okay.

24 MR. BRADLEY: John, we can move to the next
25 slide, which just quickly shows our exposures.

1 And these charts don't change much quarter over
2 quarter. I'd just say, what's notable is we
3 continue to have a large overweight in technology
4 and also in North America.

5 Next slide, please. So this slide we can
6 see asset class performance. Our private equity
7 program has produced strong performance on both
8 an absolute and relative basis over all
9 measurement periods, and it's been particularly
10 strong over the shorter one and three year
11 measurement periods. We were very fortunate to
12 be well-positioned heading into the pandemic, and
13 we can see that reflected in our performance.

14 Next slide, please. So at the sub-strategy
15 level, looking at it here, venture and growth
16 continue to lead the pack. Our venture program
17 has really stood out, with a one year and three
18 year return of 35 percent and 25 percent
19 respectively.

20 And next slide. I'll end here on this slide
21 just with some commentary on our commitment
22 activity. We committed just shy of \$2 billion to
23 19 funds during 2020. That broke out as
24 1.75 billion to 15 buyout funds and 200 million
25 to four venture funds. And that is all I have,

1 Mr. Chairman.

2 PETER JONES: Okay. Very good. Thank you.
3 Thank you, John. Again, the results are very
4 impressive.

5 MS. CANIDA: I have a quick question for
6 John, if that's okay.

7 PETER JONES: Please.

8 MS. CANIDA: Okay. This is Tere Canida.
9 John, were you -- going back to your comment on
10 the IPOs, when the lockup period expires, do you
11 automatically sell those, or can you kind of go
12 through what the process is?

13 MR. BRADLEY: Yeah. So the majority of
14 those shares will be sold at the level of the GP.
15 In cases where we are distributed shares,
16 probably 90 percent of the time we will sell them
17 when we get them, and we'll do that sale through
18 our trading desk in Tim's asset class.

19 There are occasions where we will look at a
20 stock, get feedback from the GP that's
21 distributing it and hold that. That's rare. It
22 does happen, but that's not the usual case.

23 MS. CANIDA: Okay. Thank you.

24 PETER JONES: Okay. Other questions? All
25 right. Well, very good. Thank you again, John

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1 Bradley. We'll move to Trent Webster on
2 strategic investments. Trent, are you -- Trent
3 Webster, we're not hearing you. Just checking.
4 All right. This could be a very brief
5 presentation.

6 All right. Tell you what. Could we move to
7 the defined contribution and come back to Trent?
8 He sent a note, going to call back in. Let's
9 move to defined contribution. And, Trent, the
10 answer is, yes, you can. So Daniel Beard.

11 MR. COLLINS: Can't hear you, Daniel.

12 MR. WILLIAMS: They seem to be dropping like
13 flies, Mr. Chairman.

14 PETER JONES: Gary Wendt is going to make
15 sure he makes his 5:00 appointment so -- okay.
16 Well, until we hear from either one of them, we
17 could perhaps move to the major mandate
18 performance review with Aon. Kristen Doyle and
19 Katie Comstock, if you're able to join us and
20 give us your review.

21 MS. COMSTOCK: Great. Can you hear me?
22 This is Katie Comstock from Aon. I see someone
23 nodding their head.

24 PETER JONES: Yes, we hear you.

25 MS. COMSTOCK: So good afternoon. My name

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1 is Katie Comstock, as I mentioned, from Aon. I'm
2 on with my colleague Kristen Doyle as well. And
3 we will be covering the five major mandates.
4 You-all did hear very in depth from the asset
5 class heads, and so we'll just keep this high
6 level.

7 If you want to flip ahead to slide seven of
8 our slide deck, we'll try to memorialize this on
9 paper for you-all. Slide 7 hits on the asset
10 allocation and where the portfolio stands, and
11 all of this data is through the end of the year,
12 December 2020. I cannot see the slide moving,
13 but I'll continue and then just please interrupt
14 if you'd like me to slow down or pause.

15 MR. KUCZWANSKI: I apologize. I did not
16 have the PowerPoint slide deck for this, so I
17 cannot -- I did not include it in the slides. If
18 you could follow in your booklets, that would be
19 great.

20 PETER JONES: Just let us know what page
21 you're on, Katie, in the book.

22 MS. COMSTOCK: In the large PDF book, I can
23 do that. So I think ours are -- the pages are
24 split, and so I'm on page 354. But I can keep
25 these mostly verbal, as I mentioned. So the

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1 portfolio is managed, as you all know, very close
2 to its long-term targets. I'm looking at the
3 asset allocation. At the end of the year, there
4 was \$183 billion. And related to Ash's comments
5 at the outset of this meeting, that's higher than
6 the portfolio was at the end of 2019 and about
7 \$22 billion for the fiscal year to date period
8 through the end of December. And the portfolio
9 continued to grow through the 2021. I think
10 Ash's comments, it's about \$27 billion greater.

11 So we continue to see extremely strong
12 growth, and I think that's why -- I think it's on
13 the same page of the broader of PDF. We show the
14 performance of the FRS pension plan, and we show
15 it relative to two benchmarks, the performance
16 benchmark and the longer-term absolute nominal
17 target rate of return, which reflects now CPI
18 plus 4 percent.

19 It was a very strong quarter, 10.1 percent
20 just for the fourth quarter, is what the total
21 fund returned. And longer term, if you have it
22 in front of you, again, it's really strong
23 returns, 12.9 percent over the one year and
24 longer term, over the ten year period,
25 8.8 percent return.

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1 Relative performance has also been very
2 favorable as well. The portfolio has
3 outperformed each of these trailing time periods,
4 with modest underperformance for the quarter, but
5 each of the rest of the trailing time periods
6 have outperformed.

7 And I think it's notable to point out that
8 the outperformance and the value add has come
9 across asset classes. When we look over the
10 long-term, the five, ten year and longer, that
11 really is coming across asset classes and hasn't
12 been centralized to one category.

13 The portfolio has also outperformed the
14 longer rate of return as well as the assumed rate
15 of return, which has been dropped to 7.2 percent,
16 if you look at this performance relative to that
17 nominal target rate of return across longer
18 periods as well, and the portfolio has notably
19 outperformed over the trailing 25 and 30 year
20 periods as well.

21 So the last thing I'll comment on is
22 performance relative to peers. And we use the
23 TUCS top ten, as a reminder, as a peer group.
24 And we show the asset allocation of that median
25 plan on page 355. And similar with past trends,

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1 the FRS's asset allocation is fairly similar to
2 the median plan, with some differences, notable
3 differences being modestly greater in global
4 equity, specifically to the international equity
5 asset class, with of course funding less
6 allocation to alternatives, which we categorize
7 that as strategic investments and private equity.

8 And if we look how the FRS compared to the
9 peer group, we show performance on the following
10 page and then the ranks on page 356, on the
11 bottom half. And the portfolio across these time
12 periods has outperformed the median plan and has
13 ranked favorably across all these time periods.

14 I will jump ahead to the investment plan.
15 And, again, please chime in if there are
16 questions. On page 357 we show the performance
17 of the FRS investment plan at the top relative to
18 the aggregated investment benchmark. At the end
19 of the year there was about \$13.6 billion on
20 account of participant contributions as well as
21 strong investment growth for the portfolio,
22 13.1 percent over the one year. But the line
23 that I'd like to draw your attention to is the
24 last row in the top chart, which shows the
25 performance and reflects how the actively managed

1 options have performed relative to their
2 benchmarks. And, again, this has been pretty
3 consistent across the asset classes and asset
4 categories, that each have added value across
5 these time periods as well. So strong active
6 management.

7 Then the other thing, we did get some
8 updated peer information. We update this on an
9 annual basis. The CEM benchmarking report was
10 released, and so this data through the end of
11 2019. And just a few highlights. We point out a
12 few of the statistics. One, we show the absolute
13 return relative to a peer group. And when we
14 look at return, this is compared to about 100,
15 119 other defined contribution plans in the U.S.

16 And this will be driven primarily by where
17 participants had invested their assets. And you
18 can see the 7.1 five year average return is right
19 in line with the peer group, modestly below, and
20 that likely is attributed to a greater allocation
21 to cash relative to other -- the peer plans that
22 had more invested in equities.

23 The second column shows the net value added,
24 so how did the FRS perform relative to its
25 specific benchmark compared to other peer plans'

1 performance relative to their specific
2 benchmarks. And you can see there has been value
3 add, and more so than how peers' plans have
4 outperformed. So, again, a strong showing. And
5 this is pretty consistent with what we see year
6 over year from this peer report.

7 And then the expense ratio, we look at the
8 total cost of the plan relative to peers, and we
9 narrow down the peer group to about 17 other DC
10 plans, defined contribution plans. And this is
11 split roughly equally between public and private
12 plans. And you can see there the total cost of
13 the plan is 32 basis points. And one thing that
14 I would note is that this has come down over the
15 past four years, from 36 basis points, and
16 largely from the SBA's ability to lower
17 record-keeping and administrative fees.

18 So (indiscernible) has come down. It's
19 modestly higher than the peer group. And this
20 can be attributed to the -- what we spoke about
21 in the past, the advice that the SBA provides to
22 its participants, which is a value add to them,
23 but also to where participants, again, are
24 investing their assets, which is out of your
25 hands, and the FRS had a little bit less exposed

1 to indexed assets, which are less costly than
2 more active options.

3 And then I'll cover the last three major
4 mandates. The hurricane catastrophe fund,
5 \$17 billion in total at the end of the year.
6 With interest rates and yields so low,
7 performance in absolute terms is very modest, but
8 relative to the benchmark, the portfolio has been
9 in line or ahead of its benchmark over all
10 trailing time periods.

11 The next major mandate we cover is the
12 Lawton Chiles Endowment Fund Foundation, which
13 starts on page 359. At the end of the year,
14 there was \$958 million in assets. As a reminder,
15 this portfolio is primarily invested in global
16 equities, which is about 70 percent of the
17 portfolio.

18 So, as you can imagine, a very strong
19 quarter, about 11.2 percent return, modestly
20 below its benchmark, but longer term, over the
21 trailing five and ten year, very strong returns
22 on an absolute basis and outperformance of its
23 benchmark over that five and ten year period as
24 well.

25 And then the last major mandate that we will

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1 cover is the Florida PRIME, which is on page 361.
2 There were about \$18.5 billion at the end of the
3 year. That has seen tremendous growth over the
4 past year or so, \$5 billion over the past
5 quarter. Some of that is typical cash flow
6 activity that is seen on a cyclical basis, and I
7 think that number at the end of February was up
8 to about \$19.3 billion in assets.

9 Similar to the catastrophe funds, the
10 portfolio is invested in very high-quality
11 short-term bonds, with the goal of providing
12 liquidity, preserving capital and then earning a
13 competitive return. And so in absolute terms,
14 during the quarter, very low absolute returns,
15 and really for much of the past decade, but
16 absolute performance has been very strong. We
17 use a benchmark of other peer plans, and the
18 Florida PRIME has outperformed over all trailing
19 time periods.

20 So another very strong report in terms of
21 absolute and relative performance across the five
22 major mandates. And I apologize for not having
23 the slides up. We'll make sure to get the
24 PowerPoint over to you-all next time. I'm happy
25 to take any questions or return to anything if we

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1 didn't cover it in as much detail as you'd like.

2 PETER JONES: All right. Thank you, Katie
3 Comstock. That was well done, and the results
4 are obviously quite good, so nice to hear. Any
5 questions for Katie?

6 MR. WILLIAMS: Mr. Chair, not a question of
7 Katie. Thank you. Well done. But a comment. I
8 failed to mention, when I was talking about
9 legislative summary earlier, there is a bill
10 filed that would take the entire proceeds of the
11 Lawton Chiles Endowment and put them in the
12 State's reserve fund and eliminate the Lawton
13 Chiles Endowment. So treasure this review of the
14 endowment, because it may be a short-lived
15 experience.

16 PETER JONES: Okay. Well, thank you for
17 that update. All right. Hearing no other
18 comments or questions, we'll go back to Trent
19 Webster and hear about strategic investments'
20 asset review.

21 MR. WEBSTER: Can you hear me this time?

22 PETER JONES: Yes, we can.

23 MR. WEBSTER: Good, good. So we'll do this
24 quickly. We'll go through the portfolio. The
25 one thing I would say about this is that this is

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1 the portfolio by sub-strategy. We would expect
 2 our beta in our portfolio, our long economic risk
 3 to get larger and our diversifying strategies to
 4 get smaller. And you'll see why in a minute.

5 John, could you go to the next slide,
 6 please. Thanks. So we are underperforming here
 7 over the shorter term. We caution people,
 8 whether we're underperforming or outperforming in
 9 the shorter term, not to read too, too much into
 10 it. Part of that is because of reporting. We're
 11 an eclectic asset class. We have all sorts of
 12 eclectic reporting as well, so there's often a
 13 lag in performance relatively to the benchmarks.

14 Also, all of the near-term underperformance
 15 can be explained by the fact that we've got a
 16 good chunk, over 40 percent of the portfolio,
 17 benchmarked to a real return benchmark. Now,
 18 over intermediate to longer-term periods of time,
 19 that's a reasonable benchmark. In the near term,
 20 it doesn't really tell you a whole lot. And
 21 that's true on both the up side and the down
 22 side. We actually are seeing some tailwinds, and
 23 we would expect near-term performance to start
 24 improving here going into the year.

25 John, next slide, please. And this is one

1 of the reasons why you're going to see the what
 2 we call economic beta risk expand in our
 3 portfolio. We had our busiest year ever. We had
 4 \$1.543 billion go out the door in 2020 to take
 5 advantage of some of the stuff that was going on
 6 in the pandemic. And we were very, very busy
 7 during the calendar year, with over \$5.5 billion
 8 committed and invested. So you'll see that
 9 expand.

10 John, next slide, please. This is our
 11 pipeline. So we've been very, very busy, but we
 12 will see and we are seeing activity slow. We
 13 typically do somewhere between 2 and \$2.5 billion
 14 of activity. We've been way above that the last
 15 few years, and you will see that number decline
 16 this year and next year.

17 John, next slide, please. And just briefly,
 18 we've seen a rapid recovery in credit markets, as
 19 Katy mentioned earlier, but there is a lot of
 20 debt in the system. A lot of cash in the system,
 21 too, so that should help. But the question we
 22 wonder about is what will happen when there's a
 23 hiccup in the economy and what will the Fed do.
 24 We happen to be quite bullish on the economy
 25 here, so we think over the next year or two there

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1 could be some interesting stuff to happen, but to
2 get a continued backup in rates, things could get
3 very interesting.

4 Insurance markets will continue to harden.
5 This time we won't blame or solely blame Florida
6 for that. The Texas snowstorm is causing loss
7 estimates of somewhere between 18 and
8 \$20 billion. That will continue to harden rates.
9 We've seen some very interesting opportunities in
10 aircraft leasing, and we still are very bullish
11 on commodities over the intermediate term.
12 That's all I had.

13 PETER JONES: Okay. Very good, Trent. Any
14 questions, comments from the council? All right.
15 Good summary. Thank you. And one final
16 presentation, Daniel Beard, chief of the defined
17 contribution program.

18 MR. BEARD: Yes. Can you hear me now?

19 PETER JONES: Yes, we can. Thank you.

20 MR. BEARD: Okay. I apologize for the
21 technical difficulties. Real quickly on this
22 page, just a quick update on where we're at.
23 Assets under management, currently 13.8 billion
24 as much February 28. John, can we skip to the
25 second slide? Okay. And the next slide, please.

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1 So quickly, just to update where we're at as far
2 as performance, fiscal year to date -- and this
3 is through February 28, 19.46 percent, which is
4 87 basis points above benchmark.

5 One thing I would point out, you just
6 approved the changes to our investment policy
7 statement. We will be replacing the money market
8 fund with a stable value fund effective July 1 of
9 2021.

10 John, skip over two slides, please. This
11 last slide I'll cover is just showing our MyFRS
12 Financial Guidance Program. Phone calls have
13 dropped, but as we saw in the past, members are
14 really liking to use the chat service. So, as
15 you see, that's up 109 percent over the last 12
16 months. And I'll be happy to answer any
17 questions you may have.

18 PETER JONES: Well, that's interesting, the
19 website chats is up significantly. That's
20 terrific to see that. Well, thank you. Those
21 are good comments there. Any questions from the
22 council? Okay. Well very good. So we are down
23 to section 10. John, are there any audience
24 comments?

25 MR. KUCZWANSKI: We do not have any audience

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1 comments today.

2 PETER JONES: Thank you, John. In your
3 notebook, you do have the 2021 meeting dates.
4 I'll just mention the next meeting is June 29th,
5 so make sure these are on your calendar. I just
6 want to first say thank you to all the
7 presenters. I know a lot of work goes into that.
8 You clearly did your homework and were prepared.
9 So all the presenters, from the SBA and the
10 consultants and so forth, well done.

11 I want to thank our SBA staff for
12 coordinating a productive meeting -- it went
13 quite smoothly, so that's always helpful -- and
14 then my fellow IAC colleagues for your engagement
15 and your time today. So that's all we have from
16 my standpoint. Anything from any other members
17 of the council or the SBA?

18 MR. OLMSTEAD: Peter, you're pretty good at
19 this. We should have had you come on a lot
20 earlier.

21 PETER JONES: Well, I learned from you,
22 Vinny. Whatever went well was a tip from you.
23 So, anyway, this was quite a recovery. We were
24 tracking about 45 minutes to an hour late. Now
25 we're going to end a few minute early. So Gary

1 Wendt will hopefully be at his appointment, and
2 all is well for everyone here. So thank you all.
3 I will adjourn this meeting. Thank you.

4 (The meeting concluded at 5:03 p.m.)
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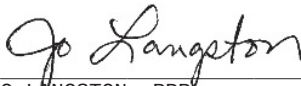
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I, JO LANGSTON, RPR, certify that I was
authorized to and did stenographically report the
foregoing web conference meeting, and that the
transcript is a true and complete record of my
stenographic notes.

Dated this 11th day of April 2021.


JO LANGSTON, RPR

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CHIEF INVESTMENT OFFICER

Date: May 24, 2021
To: Board of Trustees
From: Todd Neville, Audit Committee Co-Chair
Subject: Quarterly Audit Committee Report

A handwritten signature in blue ink, appearing to be "Todd Neville", written over the "From:" line of the header.

The State Board of Administration's Audit Committee met on May 24, 2021. Please see the attached agenda for the items discussed. Also please see the attached Office of Internal Audit Quarterly Report presented to the Audit Committee at the meeting.

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STATE BOARD OF ADMINISTRATION
Audit Committee Open Meeting
Agenda
May 24, 2021
9:30 A.M. – Conclusion of Business

1. Call to Order
2. Approve minutes of closed and open meetings held on February 22, 2021
3. SBA Executive Director & CIO status report
 - SBA Update: investment performance, risks, opportunities and challenges
4. Proposed Revisions to Protocols for Engaging and Overseeing External Audits
5. Selection of Audit Committee member to serve on evaluation team for RFQ for Florida Hurricane Catastrophe Fund (FHCF) Financial Statement Auditor
6. Presentation on Real Estate Pool of Auditors
 - a. Draft RFQ
 - b. Proposed universe of providers
 - c. Proposed members of the selection committee
7. Chief Risk & Compliance Officer Quarterly Report
 - Policy and Regulatory Compliance Review
8. Office of Internal Audit Quarterly Report
9. Proposed FY 2021-2022 Annual Audit Plan
10. Proposed FY 2021-2022 Internal Audit Budget
11. Office of Inspector General Quarterly Report
12. Other items of interest
13. Closing remarks of the Audit Committee Chair and Members
14. Adjournment

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

May 24, 2021



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	• External Engagement Oversight	5
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	• BCDR Operational Audit	9
	• New and Closed Action Plans and Recommendations	10
	• Details of open items – Audit Projects	11
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	• Remaining 2021 Audit Committee Dates and Other Items for Discussion	15

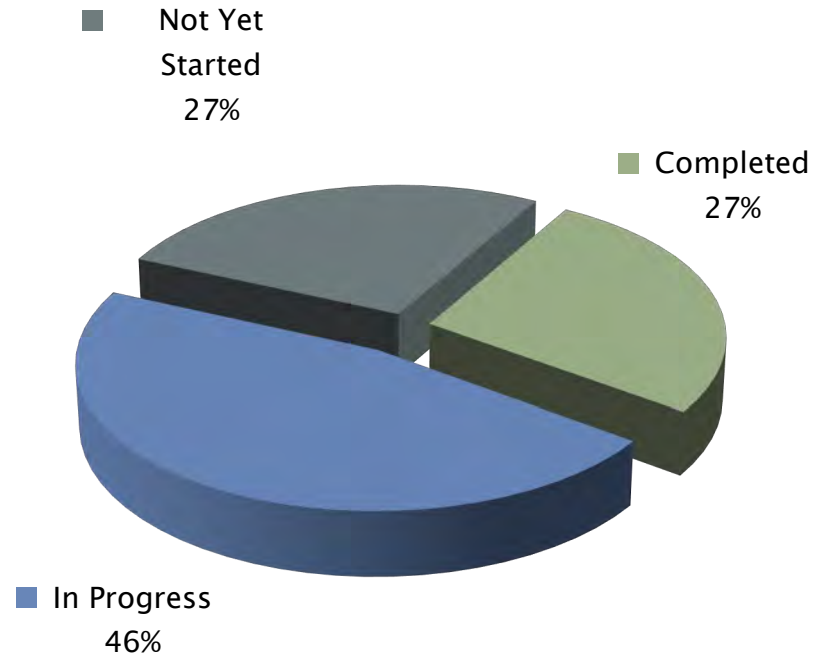
Appendices	Open Audit Recommendations and Action Plans	Appendix A
	IP&AA Liquidity Management Operational Audit Report	Appendix B
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Status of the FY 2020–21 Annual Audit Plan

Status of the FY 2020–21 Annual Audit Plan

Internal Audit and Advisory Engagements



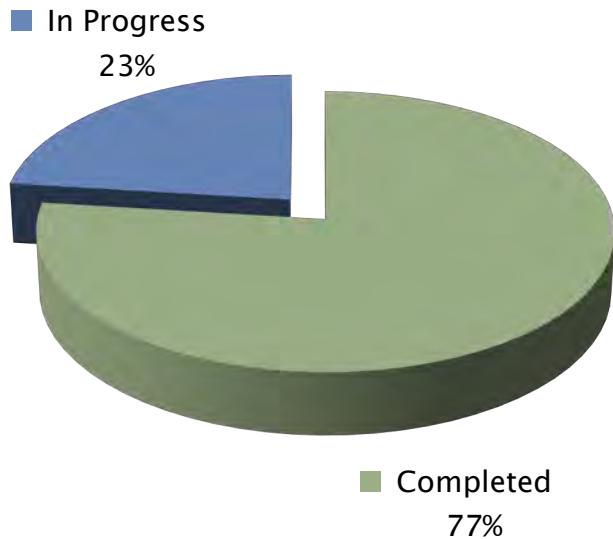
Highlighted: Completed since prior quarterly report.

Completed		
Real Estate - Direct Owned	OIA Operational Audit	Q1
Periodic Follow-up Audit	OIA Follow-up Audit	Q1-Q2
Business Continuity/Disaster Recovery Audit	OIA Operational Audit	Q1-Q2
Investment Policy & Asset Allocation – Liquidity Mgmt	OIA Operational Audit	Q1-Q2
In Progress		
Continuous Monitoring - General	Continuous Monitoring	Ongoing
Data Analytics - Strategy	Data Analytics	
Action Plan Monitoring	Project Management	
Security Configuration & Vulnerability Patch Management	OIA Advisory	Q2-Q3
Private Equity	OIA Operational Audit	Q3-Q4
Contract Management	Continuous Monitoring	Q4
Continuous Risk Assessment	Data Analytics	Ongoing
Not Started		
Proxy Voting Phase 3	OIA Advisory	Q1-Q2
FHCF Examination Process	OIA Advisory	Q2-Q3
Identity and Privileged Access Management Advisory	OIA Advisory	Q3-Q4
Periodic Follow-up Audit	OIA Follow-up Audit	Q3-Q4



Status of the FY 2020–21 Annual Audit Plan

External Engagement Oversight

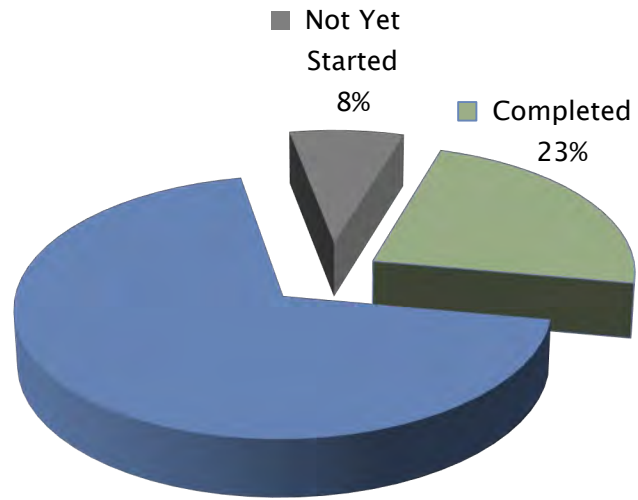


Highlighted: Completed since prior quarterly report.

<u>Project Status</u>	<u>Service Provider</u>	<u>Type</u>	<u>Planned Timing</u>
Completed			
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY19-20	Q1/Q2
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY19-20	Q1/Q2
Florida PRIME	Auditor General	External Financial Statement Audit for FY19-20	Q1/Q2
AG PRIME and ITGC Operational Audit	Auditor General	External Operational Audit	Q1/Q2
Florida Hurricane Catastrophe Fund	KPMG	External Financial Statement Audit for FY19-20	Q1/Q2
Network Security, outsourced	BDO	External IT Assessment	Q1/Q3
Part of the Statewide CAFR	Auditor General	External Financial Statement Audit for FY19-20	Q2/Q3
Florida Growth Fund Initiative	OPPAGA	External Review	Q1/Q2
Biennial Review	OPPAGA	External Review	Q1/Q2
FMR and DC Investment Plan	Auditor General	External Operational Audit	Q1/Q3
In Progress			
Florida Retirement System (FRS) Trust Fund	Crowe	External Financial Statement Audit for FY20-21	Q3/Q4
FRS Investment Plan Trust Fund	Crowe	External Financial Statement Audit for FY20-21	Q3/Q4
Florida Hurricane Catastrophe Fund	KPMG	External Financial Statement Audit for FY20-21	Q3/Q4
Not Started			
None			

Status of the FY 2020–21 Annual Audit Plan

Special Projects, Risk Assessments, and Other Activities



Ongoing / In Progress
69%

Highlighted: Completed since prior quarterly report.

<u>Project Status</u>	<u>Type</u>	<u>Planned Timing</u>
Completed		
RFQ for Financial Close Solution	Part of Evaluation Team	Q1
Annual Risk Assessment	OIA Risk Assessment	Q4
Annual Audit Plan	OIA Risk Assessment	Q4
Ongoing/In Progress		
Integrated Risk Management Solution Enhancements	OIA Special Projects	Q1-Q4
Robotics Process Automation	OIA Special Projects	Q1-Q4
RFQ for Real Estate Pool of Auditors	OIA Special Projects	Q4
Data Analytics Tools Enhancements - Tableau	OIA Special Projects	Ongoing
Complimentary User Entity Control Testing Validation	OIA Special Projects	
Special requests from SBA management and/or Audit Committee	OIA Special Projects	
WorkSmart Portal Enhancements	OIA Special Projects	
Audit Committee Related Activities	OIA Audit Committee	
OIA process improvement initiatives, including QAR identified initiatives	OIA Quality Assurance	
Not Yet Started		
Annual Quality Assessment Review - Self-Assessment	OIA Quality Assurance	Q4

OIA Projects Completed and Status of Management Action Plans/Recommendations >>



Investment Policy and Asset Allocation Liquidity Management Operational Audit

This risk-based audit assessed the existence, adequacy, and effectiveness of internal controls and efficiency of operations over SBA's Investment Policy and Asset Allocation (IP&AA) liquidity management processes, and its compliance to relevant policies and procedures for the period of July 1, 2019—October 31, 2020. When possible, we performed data analytics on select data for this specified audit period. *For the full report, please see Appendix B. For detailed flowcharts of these processes, see the appendix included in the report.*

Legend for Control Effectiveness Rating	# of Key Controls
Effective	38
Improvement Needed	2
Not Effective	0
Not Tested (tested in other audits, etc.)	3
Total Key Controls	43



Observations:		Status of Action Plan:
1	Medium	In progress
1	Low	In progress
2	Total Observations	



Business Continuity and Disaster Recovery Operational Audit

This risk-based audit assessed the existence, adequacy, and effectiveness of key internal controls and the efficiency of operations over SBA’s Business Continuity and Disaster Recovery (BCDR) processes, and its compliance to relevant policies and procedures for the period of July 1, 2019—October 31, 2020. When possible, we performed data analytics on select data for this specified audit period. *For the full report, please see Appendix C.*

Legend for Control Effectiveness Rating	# of Key Controls
Effective	110
Improvement Needed	18
Not Effective	3
Not Tested (tested in other audits, etc.)	9
Total Key Controls	140



Observations:		Status of Action Plan:
6	Medium	Completed
14	Medium	In progress
1	Low	In progress
21	Total Observations	



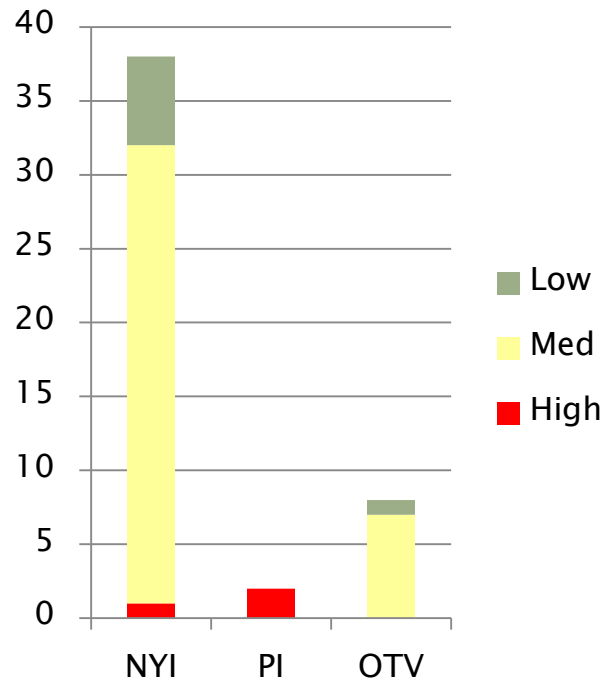
New/Closed Action Plans & Recommendations

Audit and Advisory Engagements

# of Recs	Source	
<u>New action plans and recommendations:</u>		
3	Auditor General FRS Investment Plan Operational Audit 2021	
2	IP&AA Liquidity Management Operational Audit	
21	Business Continuity and Disaster Recovery Operational Audit	
26	Total action plans/recommendations added to the database	
<u>Closed action plans and recommendations:</u>		
6	Business Continuity and Disaster Recovery Operational Audit	Verified and closed prior to issuance of the report
1	Auditor General Operational Audit 2017	Closed/Replaced during AG’s Operational Audit
1	Funston GRC Assessment	Closed after consideration during the Annual Risk Assessment for FY 2021-22
3	Review Critical Financial Reporting Spreadsheets	
11	Total action plans/recommendations closed in the database	
15	Total change for both audit and advisory action plans/recommendations	



Status of Management Action Plans–Audits



For details, see [Appendix A](#).

Report Title	Report Date
Global Equity Internal Trading Operational Audit	1/18/2017
AG - Operational Audit 2017	11/13/2017
Incentive Compensation Program Operational Audit	4/10/2018
Strategic Investments Operational Audit	8/19/2019
Procure to Pay Operational Audit	6/30/2020
Real Estate Direct Owned Operational Audit	10/6/2020
AG – ITGC and PRIME 2020	10/16/2020
AG – ITGC and PRIME 2020 Confidential	10/16/2020
AG – FRS Investment Plan Operational Audit 2021	2/22/21
IPAA Liquidity Management Operational Audit	3/15/2021
Business Continuity and Disaster Recovery Operational Audit	3/19/2021

Legend:

NYI - Not Yet Implemented

PIRP - Partially Implemented and the Remainder is in Progress

OTV - OIA to Verify

Risk Rating				Status			
High	Med	Low	Total	NYI	PIRP	OTV	Total
1			1		1		1
		1	1			1	1
	1	1	2	1		1	2
2			2	1	1		2
	11	3	14	10		4	14
	1		1	1			1
	2		2	2			2
	5		5	5			5
	3		3	3			3
	1	1	2	2			2
	14	1	15	13		2	15
3	38	7	48	38	2	8	48
6%	79%	15%		79%	4%	17%	

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



Status of Recommendations – Advisory Projects

		<u>Status</u>			
Report Title	Report Date	NYI	PI	IMP	Total
Governance, Risk Management, and Compliance Assessment (Funston) ¹	1/15/2018	3	22		25
Network Security Assessment 2018 (BDO) ²	11/15/2018	5			5
Network Security Assessment 2019 (BDO) ²	11/21/2019	48			48
CIS CSC Framework Gap Assessment Advisory ¹	3/19/2020	14	3		17
Network Security Assessment 2020 (BDO) ²	1/5/2021	26		2	28
		96	25	2	123

Legend:

- NYI - Not yet implemented
- PI - Partially Implemented, as represented by SBA management
- IMP - Implemented, as represented by SBA management
- PIRN - Partially Implemented, as represented by SBA management, and the remainder will not be implemented
- NA - Not accepted by SBA management

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

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

²Recommendations will be reviewed for remediation and closure by BDO as part of the 2019 Network Security Assessment.



Other OIA Activities >>

Status of OIA Department Goals FY 20–21

TOPIC	ACTIVITIES
INTERNAL AUDIT PROCESSES	Data Analytics: Use for continuous risk assessment, engagement planning, continuous monitoring and auditing, and evaluate the potential use of robotics process automation for audit projects. (Process improvement from QA Self-Assessment)
	OIA Procedures Manual: Perform annual review of the manual and add the following items identified during the QA Self-Assessment: Add remote auditing procedures due to COVID-19, update the risk assessment methodology with the use of Logic Manager, update the monitoring of audit recommendations using Logic Manager.
	Engage consultants (co-source or outsource) to assist with high risk areas relating to investments and IT audits.
	Update Internal Controls Risk Assessment template to include the alignment of engagement risks for each objective with the SBA's ERM risks.
	Update the audit program template to add results of control testing in Logic Manager and to send the client engagement survey after report issuance. (Process Improvement from QA Self-Assessment).
	Take the initiative to develop a formalized SBA data analytics workgroup.
	Update the pipeline of projects within the Annual Audit Plan on at least a quarterly basis.
USE OF TECHNOLOGY	Continue to increase automation of continuous data analytics where possible and support the SBA's use of Tableau Server and data governance.
	Request IT manpower resources (Approximately 4 weeks of assistance from applications staff) for the activities related to IIAMS and Tableau.
PEOPLE	Develop a training plan based on knowledge gaps for each member of the OIA to close those gaps.
	Have at least one team building event during the fiscal year to enhance the team.
	Continue to participate in the internship program.
	Develop a more formal competency framework using The IIA's Global Competency Framework for knowledge, skills, and other competencies required of internal auditors to effectively carry out their professional responsibilities. (Process Improvement from QA Self-Assessment)



Other Items for Discussion

- ▶ Audit Committee meeting dates in 2021
 - August 30
 - November 29 (Thanksgiving is November 25)

- ▶ Selecting and implementing a new Internal Audit Automated Workpaper Solution

Questions/Comments



MEMORANDUM

To: Ash Williams
From: Michael McCauley
Date: June 15, 2021
Subject: Quarterly Standing Report - Investment Programs & Governance

GLOBAL PROXY VOTING & OPERATIONS

During the first quarter of 2021 SBA staff cast votes at 1,407 companies worldwide, voting on ballot items including director elections, audit firm ratification, executive compensation plans, mergers & acquisitions, and a variety of other management and shareowner proposals. These votes involved 11,724 distinct voting items—voting 79.9% “For” and 17.3% “Against/Withheld,” with the remaining 2.8% involving abstentions. Of all votes cast, 18.5% percent were “Against” the management-recommended vote. SBA proxy voting occurred in 52 countries, with the top five countries comprised of South Korea (261), China (258), United States (207), Japan (158), and India (49). The table below provides the SBA’s global voting breakdown across all major proposal categories during the first quarter of 2021.

Proxy Voting Summary								
Issue Code Category	For		Against & Withhold		Abstain		Other Votes	
	Individual Proposals	% of Total Distinct count of Individual Proposals along Table (Across)	Individual Proposals	% of Total Distinct count of Individual Proposals along Table (Across)	Individual Proposals	% of Total Distinct count of Individual Proposals along Table (Across)	Individual Proposals	% of Total Distinct count of Individual Proposals along Table (Across)
Audit/Financials	1,232	80.5%	251	16.4%	27	1.8%	20	1.3%
Board Related	4,722	81.5%	990	17.1%	66	1.1%	19	0.3%
Capital Management	698	77.3%	192	21.3%	8	0.9%	5	0.6%
Changes to Company Statutes	658	80.8%	70	8.6%	84	10.3%	2	0.2%
Compensation	1,061	72.5%	384	26.2%	3	0.2%	16	1.1%
M&A	236	95.2%	11	4.4%			1	0.4%
Meeting Administration	448	90.3%	38	7.7%	5	1.0%	5	1.0%
Other	273	74.6%	63	17.2%	27	7.4%	3	0.8%
SHP: Compensation	1	33.3%	2	66.7%				
SHP: Environment	1	12.5%	7	87.5%				
SHP: Governance	32	38.1%	23	27.4%	21	25.0%	8	9.5%
SHP: Misc							1	100.0%
SHP: Social	8	80.0%	2	20.0%				
Grand Total	9,370	79.9%	2,033	17.3%	241	2.1%	80	0.7%

CORPORATE GOVERNANCE & PROXY VOTING OVERSIGHT GROUP

The most recent meeting of the Corporate Governance & Proxy Voting Oversight Group (Proxy Committee) occurred on March 23, 2021, and the Committee will meet next on June 28, 2021. The Proxy Committee continues to review ongoing governance issues including the volume and trends for recent SBA proxy votes, company-specific voting scenarios, corporate governance policies, governance-related investment factors, major regulatory developments and individual company research related to the Protecting Florida’s Investments Act (PFIA) and other statutory investment requirements related to Israel and Venezuela.

LEADERSHIP & SPEAKING EVENTS

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

- In April, SBA staff participated in a quarterly meeting of the Independent Steering Committee of Broadridge Financial with the New York Stock Exchange (NYSE) staff, reviewing virtual shareholder meetings, voting tabulation, and U.S. and global proxy mechanics.
- In April, SBA staff participated as a speaker on a Fitch Group/CFA Institute panel covering water, waste and biodiversity issues.
- In May, SBA staff participated in a meeting of the BPPG Oversight Committee, finalizing the review of compliance reports from major global proxy advisors.
- In May, SBA staff participated in Pensions & Investment's ESG Virtual Roundtable, speaking on the engagement practices of institutional investors.

ACTIVE OWNERSHIP & CORPORATE ENGAGEMENT

The SBA actively engages portfolio companies throughout the year, addressing corporate governance concerns and seeking opportunities to improve alignment with the interests of our beneficiaries. From March 2021 through June 2021, SBA staff conducted engagement meetings with several companies owned within Florida Retirement System (FRS) portfolios, including PepsiCo., TECO Electrical & Machinery (large investor), AT&T, Textron, Exxon Mobil, AMG, HSBC, Mizuno Financial Group, Sumitomo Mitsui Trust, and Telefonica.

HIGHLIGHTED PROXY VOTES

Moderna—for its April 28, 2021 annual general meeting, SBA staff voted against two director nominees (due to over-boarding) and also voted against the firm's compensation plan, which did not provide adequate disclosure of performance metrics and was overly reliant on non-performance based equity structures. The company's financial performance has been extremely good, with the stock price rising almost six-fold over the last year. The company has also improved several governance procedures since its initial public offering in 2018, including the disclosure of a board skills matrix, formal oversight of environmental and social issues (by the nominating and governance committee), and adoption of an over-boarding policy.

Exxon Mobil Corporation—for its May 26, 2021 contested annual shareowner meeting, Exxon was the subject of a proxy fight lodged by activist hedge fund Engine No.1. The meeting included 3,014,422 vote-able shares over the record date, with 2,849,400 shares on loan and not vote-able. The activist was critical of the company's lack of clear plans for energy transition, inadequate board qualifications among directors with experience in evolving energy technologies, undisciplined capital spending, and its ability to oversee related risks and opportunities. SBA staff held meetings with representatives from both Exxon Mobil and Engine No. 1. Because of business under-performance over many years, sub-optimal capital allocation decisions, a lack of a well-rounded carbon management plan and a dearth of energy experience on the current board, staff voted to support all management and dissident nominees on the dissident proxy card. Such directors included nominees Goff, Hietala, Karsner, and Runevad. Each proposed member had significant additive energy and/or transformational industry experience. Staff believes the dissident members will help Exxon Mobil adopt a strategy that is more likely to succeed in the rapidly evolving energy industry and improve its financial performance on a longer-term basis. Three of the four dissident nominees gained the support of a plurality of shareowners.

External research and client voting recommendations from Institutional Shareholder Services (ISS) and Glass, Lewis & Co. (GLC) aligned on many of the individual ballot items. An excerpt from the proxy research by GLC stated, "Exxon has expanded the size of its board and nominated a full slate of 12 director candidates for

election at the annual meeting, including three new nominees who were recently appointed to the board in 2021. In contrast, Engine 1 has nominated a short slate of four alternative candidates (Gregory Goff, Kaisa Hietala, Alexander Karsner and Anders Runevad) in opposition to four "excluded" Exxon nominees (Steven Kandarian, Douglas Oberhelman, Samuel Palmisano and Wan Zulkiflee). Three of the targeted Exxon nominees excluded from Engine 1's 'rounded out' slate are incumbent directors who have served on the Exxon board for between 3 and 15 years."

GLC also stated, "Perhaps the central point of Engine 1's campaign is that Exxon's strategy and performance has until now been formulated and overseen by a board of directors that is generally lacking in energy sector and business transformation experience. Exxon's board is predominantly comprised of independent directors who are retired CEOs of large publicly-traded companies outside of the energy sector, such as IBM, Caterpillar, Xerox, MetLife, Anthem and Merck. While these directors have impressive backgrounds and collectively possess a wealth of general business and executive leadership experience, given the range and significance of the challenges and opportunities facing Exxon as the energy sector evolves, we believe the board must ensure it has the appropriate mix of perspectives, experience and skillsets which are needed today to help the Company with the key decisions that will define Exxon's role in both the industry and the energy transition. Yet, the current board draws on the experience of individuals who come more from the healthcare, financials and IT sectors than industrials and energy, and remains lacking in climate and business transformation experience, in our view."

Over the last 1, 3, 5 and 10 years, the company has underperformed its industry peer group and the broader large-capitalization S&P 500 stock index. Financial and stock performance was particularly poor over the last three to five years, as the firm underperformed most global integrated oil firms and experienced a deteriorating balance sheet. In August 2020, Exxon was removed from the Dow Jones Industrial Average (DJIA) stock index after a tenure stretching back to 1928. In early 2021, S&P Global put the debt of a number of oil and gas producers on CreditWatch, partly due to concerns about competition from renewable energy, reflecting its credit analysts' view that hydrocarbon prices would be under pressure for many years. One of the company's largest investors supporting the dissident slate said, "Industry analysts have raised questions about Exxon's overall strategy, including its approach to capital allocation amid increasing levels of debt, which has not preserved value nor driven operational efficiencies within the enterprise." Although some market participants have portrayed the board contest as an environmental campaign, another significant driver of voting appears to be the desire to restore capital-spending discipline and improve the company's financial position. One industry analyst stated, "From our discussions with investors, dividend surety and balance sheet integrity perceived to have been put under unnecessary stress in 2020 seemingly was the catalyst for the adverse shareholder vote." By emphasizing spending discipline, Exxon is likely to be able to send more money back to shareowners.

SBA staff voted in favor of several other ballot items, including ratification of the external auditor and several resolutions calling for an independent board chair, easing requirements to call special meetings, improved lobbying disclosures, as well as audited reporting on environmental related business activities. Staff voted against the advisory vote on executive compensation (due to highly discretionary payments and a lack of performance objectives within long-term incentive plans), and resolutions covering reporting on climate-related activities as well as political expenditures.

Extended Stay America—as part of the June 11, 2021 special and contested shareowner meeting, SBA staff voted in favor of the proposed take-private transaction. Extended Stay, together with its controlled subsidiary, ESH Hospitality, Inc., has agreed to be acquired by Eagle Parent Holdings L.P., a joint venture of affiliates of The Blackstone Group Inc. and Starwood Capital Group, in an all-cash transaction valuing the outstanding share capital of Extended Stay at approximately \$3.5 billion. Pursuant to the proposed transaction agreement, shareowners of Extended Stay will receive \$20.50 in cash in exchange for each paired share of Extended Stay and Hospitality they hold. The merger agreement, as amended, was unanimously approved by the board of

directors of both Extended Stay America, Inc. (ESA) and ESH Hospitality, Inc. (ESH). The proposed purchase price represents an approximate 15.9% premium to the unaffected closing price of Extended Stay paired shares on March 12, 2021, the last trading day prior to announcement of the transaction agreement. Following completion, Extended Stay will be wholly-owned by Blackstone and Starwood and existing Extended Stay shareowners other than Starwood would cease to hold any equity interest in the Company. Starwood currently holds 9.4% of the outstanding shares of Extended Stay.

The transaction received opposition from several shareowners, most notably Tarsadia Capital LLC, owner of just under 4% of the company, which argued the sale price was ill-timed and insufficient. In late March, Tarsadia disclosed that it had privately nominated three directors to the Extended Stay America board just prior to when the transaction was announced. Subsequently, Tarsadia filed a definitive proxy statement soliciting votes against the transaction. Client voting recommendations were split between Glass, Lewis & Co. (GLC) and Institutional Shareholder Services (ISS), with GLC maintaining an 'against' recommendation and ISS reversing an initial 'against' vote to 'for' and supporting the enriched final offer. In the days leading up to the vote, the company noted that many of the large shareholders who previously expressed dissent regarding the initial proposal were now supporting the transaction. On June 14, 2021, the company announced that shareowners had approved the transaction.

REGULATORY AND MARKET DEVELOPMENTS

Goldman Sachs to Oppose All-Male Boards

In late March 2021, Goldman Sachs Asset Management (GSAM) announced it had changed its proxy voting guidelines with a renewed focus on board diversity and independence characteristics. As part of these amendments, GSAM will vote against or withhold votes from a full board of directors that does not have at least one female director. In these scenarios, GSAM stated it would vote against nominating (governance) committee members if the board does not have at least one woman director and at least one other diverse board member. The new policy applies in non-U.S. markets as well—for example in Japan it will vote against top executives if boards fail to feature any female representation. GSAM stated it will cast against votes when, "fewer than two outside directors or less than one-third of the board consists of outside directors."

GSAM also made several other changes to its policy framework, including the treatment of analysis and proxy voting on environmental shareholder proposals where it will consider resolutions relevant and material if they call for the reduction of greenhouse gas (GHG) emissions. GSAM announced it will also request an action plan including science-based targets and a commitment to net-zero emissions by 2050 or earlier, as well as seek information on the financial, physical, or regulatory risks a company faces relating to climate change on its operations and investment. GSAM is one of the latest asset managers to make such changes to its voting policies, joining many other investment managers treating environmental and social topics as material for their investments' financial performance.

MEMORANDUM

To: Ashbel C. Williams, Executive Director & CIO

From: Maureen M. Hazen, General Counsel

Maureen M. Hazen

Date: June 14, 2021

Subject: Office of General Counsel: Standing Report
For Period March 1, 2021 – May 31, 2021

SBA Agreements.

During the period covered by this report, the General Counsel's Office drafted, reviewed and negotiated: (i) 23 new agreements – including 1 new Investment Management Agreement for the Global Equity; 2 Private Equity transactions, 5 Strategic Investments; and 4 new fund investments or manager relationships for Real Estate; (ii) 195 contract amendments, addenda or renewals; and (iii) 3 contract terminations.

SBA Litigation.

(a) Passive. As of May 31, 2021, the SBA was monitoring (as an actual or putative passive member of the class) 624 securities class actions. During the period covered by this report, the SBA collected recoveries in the amount of \$462,681.16 as a passive member in 29 securities class actions.

(b) Active.

In re Tribune Litigation. On January 24, 2012, the SBA was served a complaint (along with other defendants) now pending in the U.S. Bankruptcy Court, Southern District of New York by the Official Committee of Unsecured Creditors of the Tribune Company alleging damages for fraudulent conveyance and requesting the return of proceeds received by all defendant investors in a leveraged buy-out of the Tribune Company (which subsequently declared bankruptcy). Pursuant to a plan approved in the bankruptcy proceeding, the claim was transferred to the U.S. District Court, Southern District of New York (the "Court") and consolidated with additional

parallel cases for multi-district litigation. The SBA received approximately \$11 million in connection with this leveraged buy-out. Several amended complaints have been filed in the action in which the SBA was originally served in January, 2012 (the “FitzSimons Action”). In early 2017, the Court dismissed the intentional fraudulent transfer count (the only claim applicable to the SBA), and the SBA (and other defendants) are monitoring for a ruling on the appeal.

(c) FRS Investment Plan. During the period covered by this report, the General Counsel’s Office monitored and/or managed the following cases for the Florida Retirement System Investment Plan (the “Investment Plan”). The SBA issued 3 Final Orders, received notice of filing of 2 new cases, and continued to litigate 9 cases (including 1 appellate and 4 DOAH cases) that were pending during the periods covered by previous reports.

Other Matters.

(a) Public Records. During the period covered by this report, the General Counsel’s Office received 34 new public records requests and provided responses to 28 requests. As of May 31, 2021, the General Counsel’s Office continues to work on 11 open requests.

(b) SBA Rule Activities. During the period covered by this report, the SBA engaged in the following. The SBA continued its review of rules applicable to the FRS Investment Plan for any changes necessary due to the SECURE Act. For the 2021 calendar year, the only required changes for the current time are those that need to be made to Rule 19-11.003, concerning required minimum distributions (RMDs). The SECURE Act increases the age at which required minimum distributions must begin from 70 ½ to 72. This is effective for individuals turning 70 ½ after December 31, 2019. SBA staff determined that the other changes mandated by the SECURE Act for DC plans, namely, the new 10 Year Deadline for Beneficiary Distributions (unless a specified exception applies such as in the case of a surviving spouse, or a disabled beneficiary), which changes become effective for governmental plans for plan years beginning after December 31, 2021. SBA staff is currently preparing drafts of the current required changes for submission to OFARR.

MEMORANDUM

DATE: June 14, 2021

TO: Board of Trustees

FROM: Ken Chambers, Inspector General

SUBJECT: Quarterly Report on SBA Inspector General Activities

The SBA Inspector General (IG) is responsible for serving as the organization's ethics officer; conducting internal investigations; overseeing Investment Protection Principles (IPPs) compliance; and handling special projects as directed by the Executive Director & CIO.

Ethics and Training

- Mandatory ethics training and certification of compliance are required for all SBA employees on an annual basis. The on-line training covers gifts, conflicts of interest, financial disclosure, outside employment, lobbyist/principal restrictions, honorarium related events, etc. In addition to ethics training, mandatory training is required annually for all employees in the areas of harassment prevention, personal investment activity, insider trading, incident management framework, and use of information technology resources. Employees are also required to complete training courses for public records, confidential information and the Sunshine Law every other year (these were required in 2020). The deadline for completing the courses is June 30, 2021. New employees are required to take all of the mandatory training courses (which also includes a fiduciary responsibility course) within 30 days of their start date. In addition to the annual mandatory training classes, employees are also required to complete quarterly on-line training courses concerning cyber security awareness.
- During the period from March 17, 2021 to June 14, 2021, no instances were reported to the Inspector General concerning non-compliance with the SBA gift policy.

Investment Protection Principles Compliance

In September 2002, the Trustees of the SBA adopted IPPs for broker-dealers and investment managers in the wake of Wall Street scandals involving tainted equity research and conflicts of interest. The IPPs are geared toward promoting independence, transparency and regulatory

compliance, and adherence to the highest standards of ethics and professionalism. On an annual basis, written certification is required from equity, fixed income and real estate investment managers, and broker-dealers. Additionally, annual certifications have been developed for the investment services related consulting firms engaged by the SBA. These consulting firms are required to certify their compliance with certain independence and disclosure principles.

The compliance results for the consultants were reported in the previous quarterly report.

The IPP certifications for the equity, fixed income and real estate investment managers were disseminated in February. All of the investment managers completed and returned their IPP certification forms for the 2020 reporting period. An analysis of the 2020 certifications indicated full compliance with the IPPs by most of the investment managers. For the others, explanations were provided supporting that the managers are in compliance with the spirit of the IPPs.

Certification forms for broker-dealers were disseminated to the applicable firms in April 2021. All but a few of the certifications have been completed and returned, and the compliance results for all of the broker-dealers will be included in the next Trustees' report.

SBA Fraud Hotline

Since July 2006, Navex Global has been the independent provider of SBA Fraud Hotline services. Through an 800 number, SBA employees, service providers, and others may anonymously report tips or information related to fraud, theft, or financial misconduct. The telephone number and information is prominently displayed on the SBA intranet home page. Additionally, the hotline information is available on the SBA internet site as part of the SBA contact page. Last year, Navex Global upgraded the hotline service to their new Ethicspoint system, which also provides online reporting.

During the quarter, two complaints were received by the Hotline. Both of the complaints concerned an issue that was not applicable to the SBA.

Financial Disclosure Forms

The Commission on Ethics requires certain state employees and officials who meet the reporting requirement to file an annual Financial Disclosure Form. All SBA employees who met this requirement have filed a Financial Disclosure Form with the Commission on Ethics for the year ending December 31, 2019, as well as all new employees hired during 2020. Disclosure Forms for 2020 were recently submitted to all affected employees and are due to the Commission by July 1, 2021.

cc: Ash Williams

MEMORANDUM

DATE: June 14, 2021

TO: Ash Williams, Executive Director & CIO

FROM: Sooni Raymaker, Chief Risk & Compliance Officer *SR*

SUBJECT: Trustee Report – June 2021

The following is a summary report of Risk Management and Compliance (RMC) activities and initiatives completed or in progress since the last dated report of March 2021 to the current period. The RMC team has been working remotely due to COVID 19 since mid-March 2020 and will be preparing to return to the offices 100% in July 2021. All RMC activities, reviews, controls and processes are continuing to operate effectively and as expected during this reporting period.

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

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

Compliance Exceptions

No material compliance exceptions were reported during the period.

Enterprise Risk Management (ERM)

The Risk & Compliance Committee (RCC) held its virtual quarterly meetings in January 2021 and May 2021 and reviewed results of the 2020 Enterprise Risk Assessment, Work from Home Survey and Work from Home Survey Risk Assessment. The RCC determined appetite levels, reviewed management plans in development and risk ownership assignments, as well as potential key risk metrics identified by risk owners.

Work will continue with ERM staff and Risk Owners to continue to identify risk mitigation efforts and activities as well as identifying metrics and the best method to capture, report, and act on them as necessary.

External Manager Operational Due Diligence (ODD)

During the period, the ODD team reviewed and commented on 20 consultant operational due diligence reports on investment managers, as part of the investment approval process, which represents approximately \$3.3 billion in potential investments. The ODD team also participated in two Global Equity manager searches (Value and Quality) in March 2021.

The ODD team provided updates to the asset classes and the Risk and Compliance Committee on the ODD risk assessment and annual certification analysis, through a demonstration of potential dashboards built in Tableau. The demonstration consisted of reporting risk assessment areas such as cybersecurity, third party service providers, violations, and assets under management.

Eighteen new consultant ODD reports were added to the Manager Operational Risk Oversight internal web page since the last meeting. The team also participated in two virtual Mercer operational due diligence meetings with SBA external investment managers.

The meeting materials also included an SEC risk alert: *Compliance Issues Related to Suspicious Activity Monitoring and Reporting at Broker Dealers* issued in March 2021.

In May, the ODD team welcomed Savannah Townshend as a new Operational Due Diligence Analyst.

Public Market Compliance (PMC)

During the reporting period, Public Market Compliance reviewed portfolio guidelines, the guidelines for the addition of new managers, and amendments to manager guidelines. Compliance systems were updated and confirmed for the permitted securities list and restricted securities.

In March 2021, Charles River Development system, the global equity internal trade platform, incurred patch fixes. Public Market Compliance performed testing to ensure important compliance functionality remained intact. In April, after the patches were put into production, additional testing was conducted to confirm there were no issues with access or functionality related to compliance processes.

Performance Reporting & Analytics (PRA)

The PRA team continues the process of converting files and reports in order to correctly pull data from a revised schema from DataMart, the performance data base system. The new schema was developed in order to increase efficiency and speed of the system as well as automate data entry points to reduce human error.

The Senior Performance Analysts worked diligently through the Private Equity asset class restructure. The Private Equity asset class restructured its performance composites to more closely align with their investments. In order to facilitate the restructure, some composites were closed and new ones opened, as well as revising accounts and the composites they are assigned.

Additionally, performance benchmarks were assigned to composites that previously did not have one.

The PRA team continues to work with SBA Center of Excellence to implement a robotic process automation of daily reconciliation files as well as daily performance reports. The Daily Estimates and change in Net Asset Value files will be put into production in June time period.

Policy Activity and Regulatory Monitoring

During the reporting period, four new Information Security policies were implemented and revisions were implemented to seven other policies.

One new investment portfolio guideline was implemented and three guidelines for the liquidity and cash equitization portfolios were revised. The Investment Policy Statements for the FRS Investment Plan and Florida PRIME were also revised with effective dates of 7/1/2021 and 5/4/2021, respectively.

The SBA Regulatory and Collateral Management Working Group continued to review developments regarding the planned transition of the financial markets away from the London Interbank Offered Rate (LIBOR) and other IBOR reference rates; monitor the phased-in implementation of regulatory margin requirements for non-centrally cleared derivatives transactions; as well as develop an internal centralized governance process to handle the variety of regulatory requests received from counterparties.

The SEC filings for 13F Equity Holdings (Q4 2020) and the 13H Large Trader (Annual 2020) were completed in February 2021.

Personal Investment Activity

During the period, there were 148 requests for pre-clearance by SBA employees, with no requests requiring additional analysis due to the \$20,000k/5% ownership threshold reporting requirement. All requests were approved. There was one new employee with accounts to report during the period.

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State Board of Administration

Private Equity Asset Class Review

John Bradley, SIO Private Equity

Investment Advisory Council

June 29, 2021



Agenda

- PE Policy, Benchmarking and Structure
 - Goals/Objectives
 - Benchmarks
 - Staffing
- Asset Class Investment Process
 - Annual Investment Plan
 - Sourcing
 - Due Diligence
 - Monitoring
 - Fees
- Asset Class Portfolio
 - Performance/Cash Flows
 - Allocations/Targets
 - Portfolio Composition/Exposures
- Asset Class Sub-Strategies
 - Buyouts/Growth Equity
 - Venture Capital
 - Distressed/Turnaround
 - Secondary

Private Equity Policy

- Policy target allocation: 6% of total fund
- Allocation range: 2% - 9% of total fund
- 6/15/20 allocation: ~8.0% of total fund

Per Policy:

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

Goals/Objectives

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

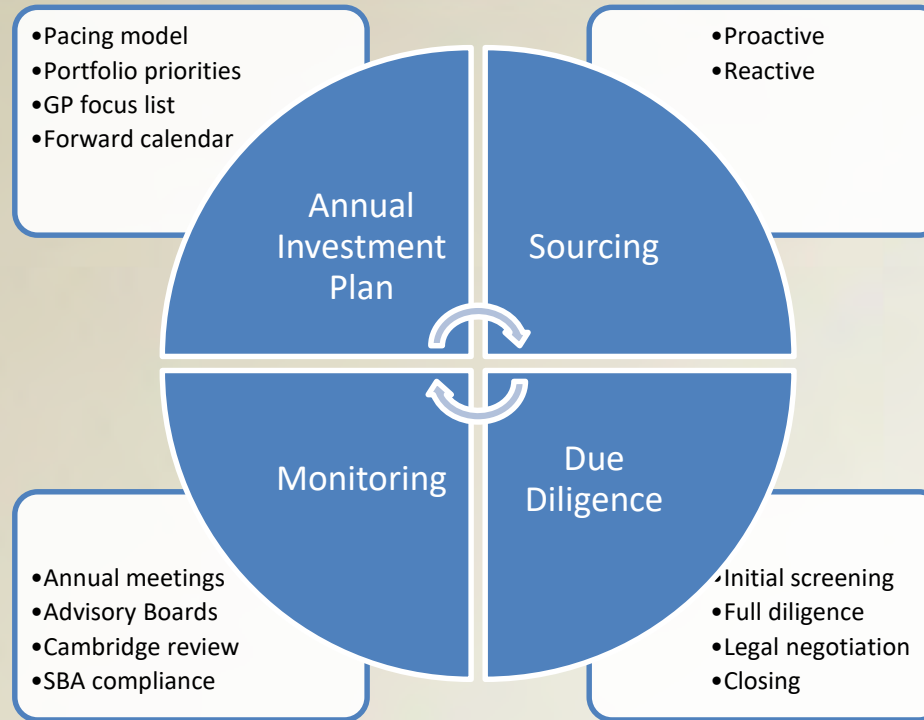
Benchmarks

- Benchmark
 - Primary: MSCI ACWI IMI + 300bps premium
 - Current benchmark of the Global Equity asset class plus an illiquidity premium
 - Opportunity cost benchmark
 - Secondary: Cambridge Associates Benchmark
 - Cambridge Associates Global Private Equity and Venture Capital Index
 - Peer benchmark
 - Measures effectiveness of staff in selecting managers

Staffing

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

Private Equity Investment Process



Private Equity Process



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

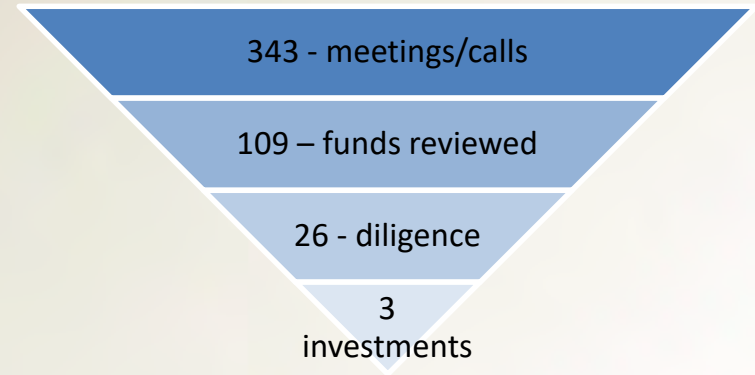
Geography	Large Buyout	Mid-Mkt Buyout	Small Buyout	Growth Equity	Venture Capital	Distressed / Turnaround
North America	Low Priority	Medium Priority	Medium Priority	Medium Priority	Medium Priority	Medium Priority
Europe	Low Priority	Medium Priority	Medium Priority	Medium Priority	Medium Priority	Medium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

Private Equity Process

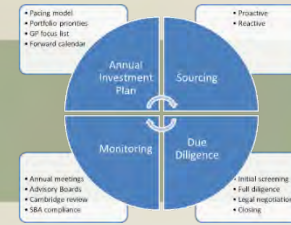


- Sourcing

- Vast majority of investments sourced proactively
- Invested in three funds in 2020 managed by general partners that were new to the PE program
- Sourcing activity increased in 2020



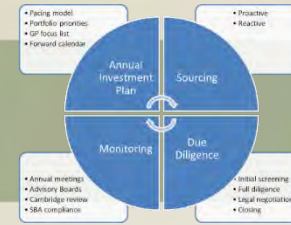
Private Equity Process



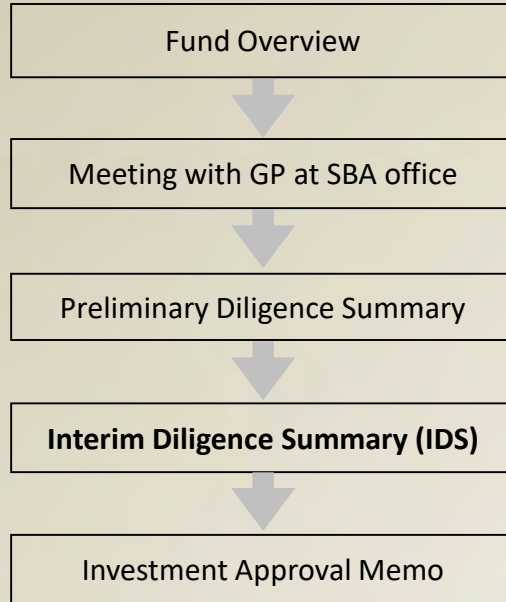
- Due Diligence

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

Private Equity Process



DUE DILIGENCE



Due Diligence
Questionnaire

Quantitative Data
Request (Excel)

Reference Calls

Onsite Visit

Consultant Memo

Legal Terms
Review

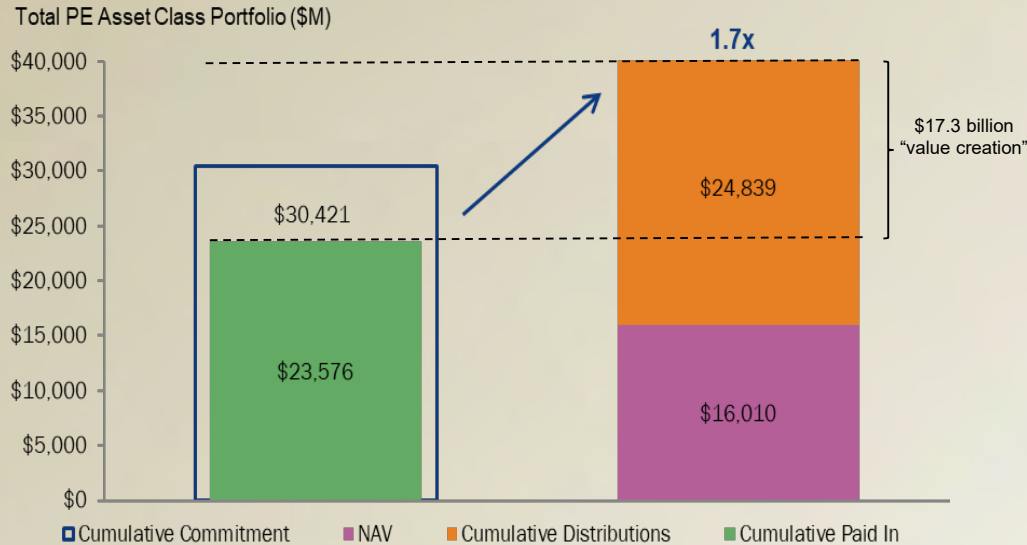
Private Equity Process

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



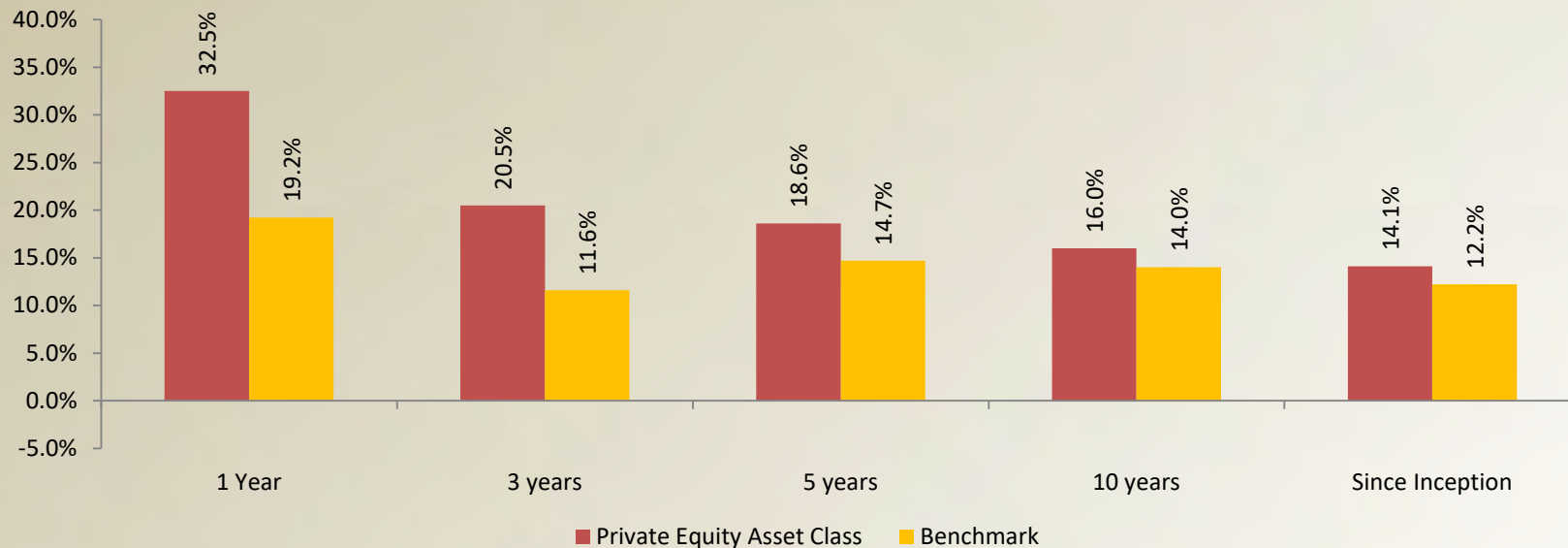
Private Equity Program Performance

As of December 31, 2020



Private Equity Performance

Asset Class - Net Managed and Benchmark Returns (IRRs) as of December 31, 2020

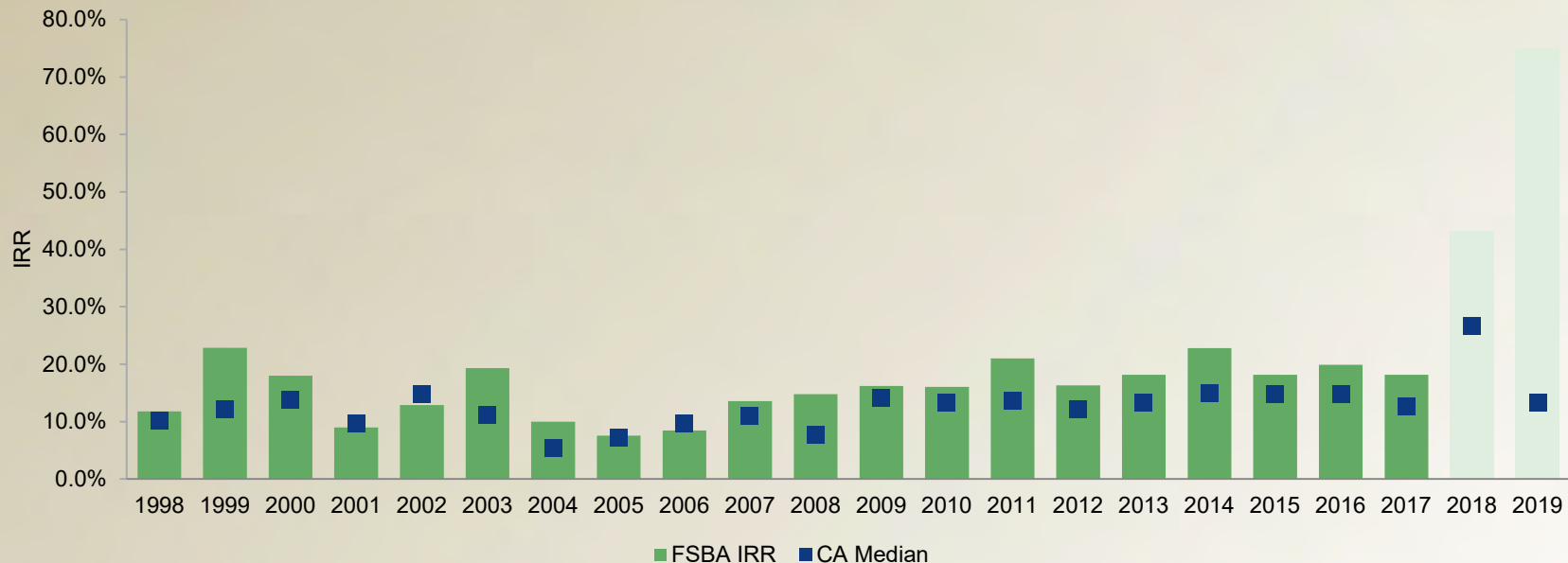


Note: Asset class IRR performance data is provided by Cambridge Associates. The PE benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 300bps. From July 2010 through June 2014 the benchmark was the Russell 3000 + 300 bps. Prior to July 2010, the benchmark was the Russell 3000 + 450 bps.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

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

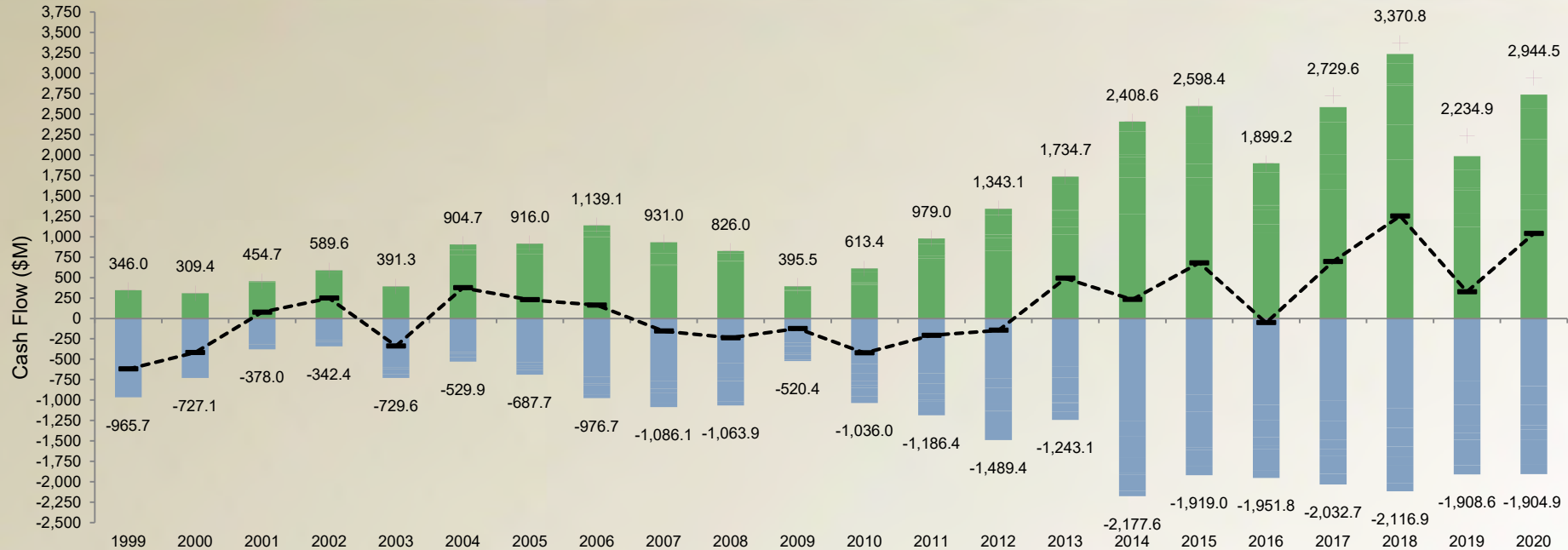
Vintage Year Performance

As of December 31, 2020



*Light shading (2018,2019) indicates vintages too young to have meaningful performance

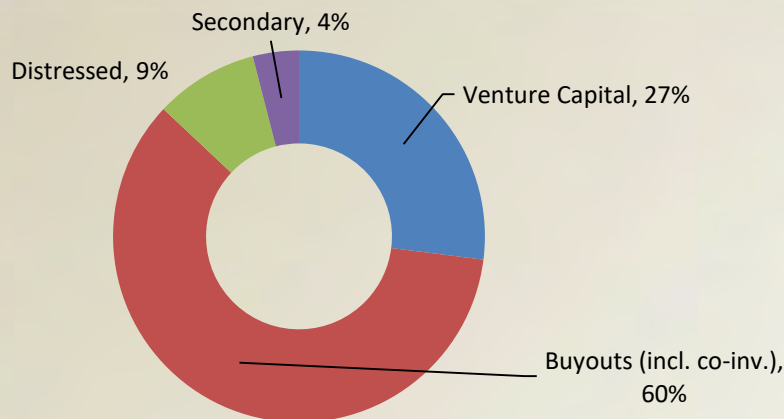
Cash Flow History



Cash Flows (\$M)

Year:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net:	-417.7	76.7	247.2	-338.3	374.8	228.4	162.4	-155.1	-237.9	-124.9	-422.6	-207.4	-146.3	491.7	230.9	679.5	-52.6	696.9	1,254.0	326.3	1,039.6
Cum:	-2,184.7	-2,108.0	-1,860.8	-2,199.1	-1,824.3	-1,596.0	-1,433.5	-1,588.6	-1,826.5	-1,951.4	-2,374.0	-2,581.4	-2,727.7	-2,236.1	-2,005.1	-1,325.7	-1,378.3	-681.4	572.6	898.9	1,938.5

Current Allocations and Targets



(\$ millions)

	12/31/20 NAV	%	Total Exposure ⁺	%	Target Allocation
Buyouts*	\$ 9,602	60%	\$ 14,837	62%	65%
Venture Capital	\$ 4,372	27%	\$ 4,967	21%	10%
Distressed	\$ 1,393	9%	\$ 2,733	12%	15%
Secondary	\$ 643	4%	\$ 1,253	5%	10%
Total	\$ 16,010		\$ 23,791		

Portfolio Composition

PE Portfolio

- \$16.0b NAV (12/31/20)
- \$6.9b Unfunded
- 201 funds
- 70 GPs (50 core)



Sector Focus*

- 30 - Generalist
- 10 - Technology
- 4 - Energy
- 1 - Financials
- 3 - Consumer/Retail
- 2 - Health Care

*Geographic and sector focus of our 50 core managers

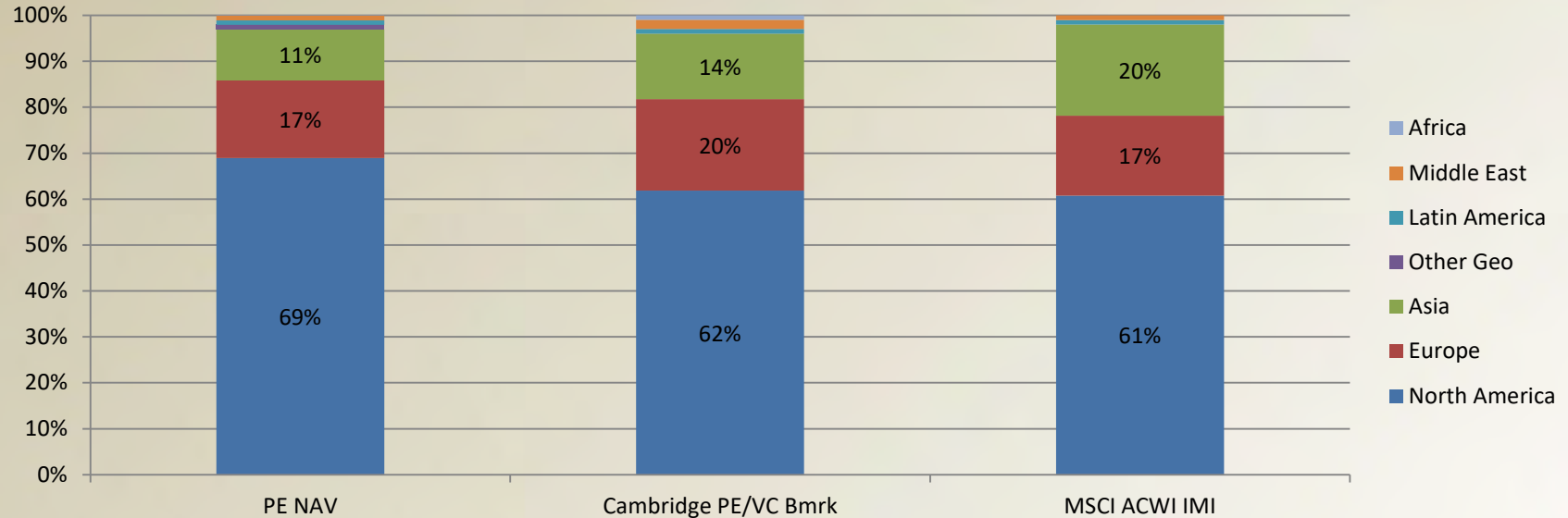
GP Concentration

<u>General Partner</u>	<u>12/31/20 NAV</u>	<u>% of PE Portfolio</u>
Lexington Partners	1,574,330,653	10%
SVB Capital	1,447,478,246	9%
TrueBridge Capital	1,280,856,593	8%
Grove Street Advisors	925,887,843	6%
Thoma Bravo	883,107,596	6%
Fairview Capital Partners	690,290,528	4%
Hellman & Friedman	533,720,338	3%
Asia Alternatives	445,330,707	3%
Advent International	433,064,562	3%
Insight Venture Partners	421,870,251	3%
Warburg Pincus	366,585,220	2%
Silver Lake Partners	348,955,299	2%
The Blackstone Group	344,882,776	2%
Francisco Partners	316,403,552	2%
Ardian	301,302,206	2%
Total	10,314,066,370	64%

- Total portfolio is diversified by GP
- The largest 15 exposures represent 64% of portfolio NAV
- Lexington Partners is the largest GP relationship in the portfolio (10%)
 - 74% co-investments
 - 26% secondary

Total Geographic Exposure

As of December 31, 2020

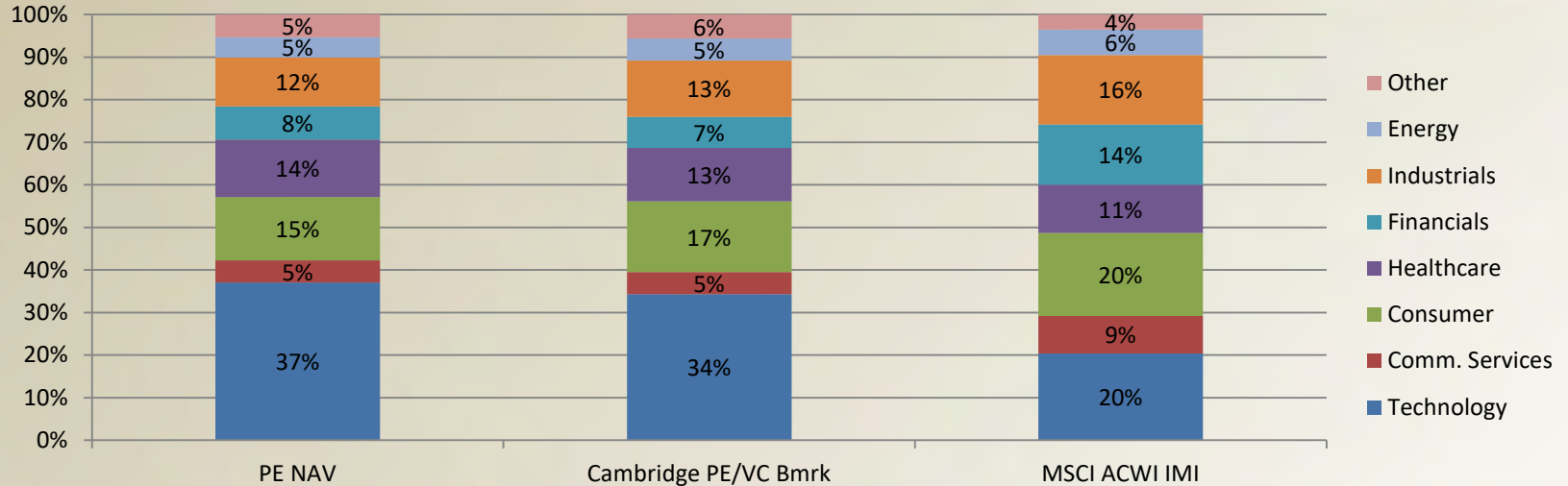


- The portfolio remains overweight North America. We continue to search for opportunities in Europe and Asia and expect exposures in those geographies to grow over time.

Source: Cambridge Associates

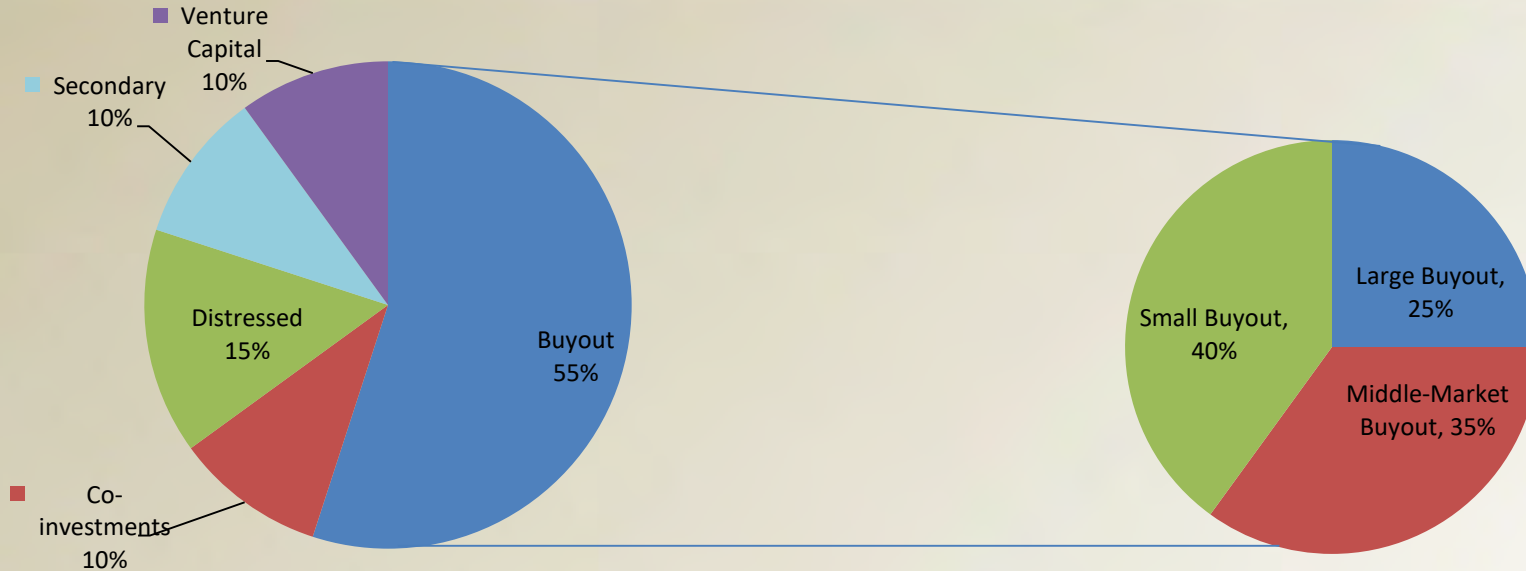
Total Sector Exposure

As of December 31, 2020



- Portfolio sector exposure is similar to that of the Cambridge PE/VC benchmark
- Relative to the asset class primary benchmark, the PE portfolio has a large overweight to technology (+17%) and underweights to the financials (-6%) and consumer (-5%) sectors.

Buyout Portfolio Targets



Buyout Portfolio

Firm	Geographic Focus	Sector Focus
Advent International	Europe	Generalist
Blackstone Group	Global	Generalist
The Carlyle Group	U.S.	Generalist
CVC	Europe	Generalist
Hellman & Friedman	U.S.	Generalist
Silver Lake	U.S.	Technology
Thoma Bravo	U.S.	Technology

Firm	Geographic Focus	Sector Focus
Charlesbank	U.S.	Generalist
Denham	U.S.	Energy
EnCap	U.S.	Energy
FS Equity	U.S.	Consumer
Francisco Partners	U.S.	Technology
Hahn & Co.	Korea	Generalist
InvestIndustrial	Europe	Generalist
MBK	Asia	Generalist
Montagu	Europe	Generalist
Siris	U.S.	Technology
Stone Point	U.S.	Financials
Thoma Bravo	U.S.	Technology

Firm	Geographic Focus	Sector Focus
Accel KKR	U.S.	Technology
Arbor	U.S.	Consumer
Asia Alternatives	Asia	Generalist
Carnelian	U.S.	Energy
Cressey & Co.	U.S.	Health Care
Deutsche Beteiligungs	Europe	Generalist
Equistone	Europe	Generalist
Falfurrias	U.S.	Generalist
Livingbridge	Europe	Generalist
NIC	Japan	Generalist
Post Oak	U.S.	Energy
Rubicon	U.S.	Technology
Summa	Europe	Generalist
TPG	Global	Generalist
Warburg Pincus	Asia	Generalist
Waterland	Europe	Generalist
WindRose	U.S.	Health Care

Large

Middle-Market

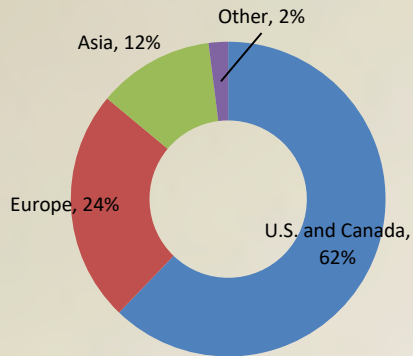
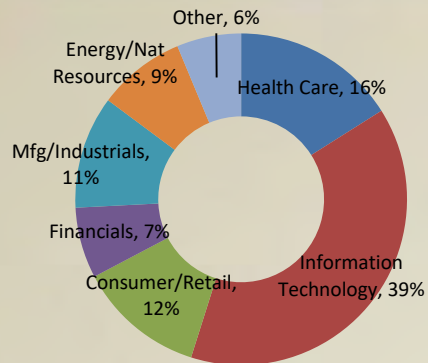
Small

- 12 GPs – Target of 12
- Fund sizes range from \$1.0b-\$6.5b
- Avg. EV between \$250m-\$750m
- \$75m - \$200 target commitment

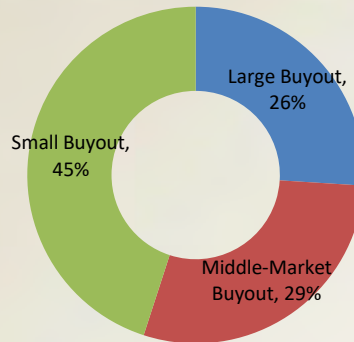
- 17 GPs – Target of 18
- Fund sizes range from \$400m - \$4.0b
- Avg. EV less than \$250m
- \$25m - \$100m target commitment

Buyout Portfolio

Exposure by Sector



Exposure by Size



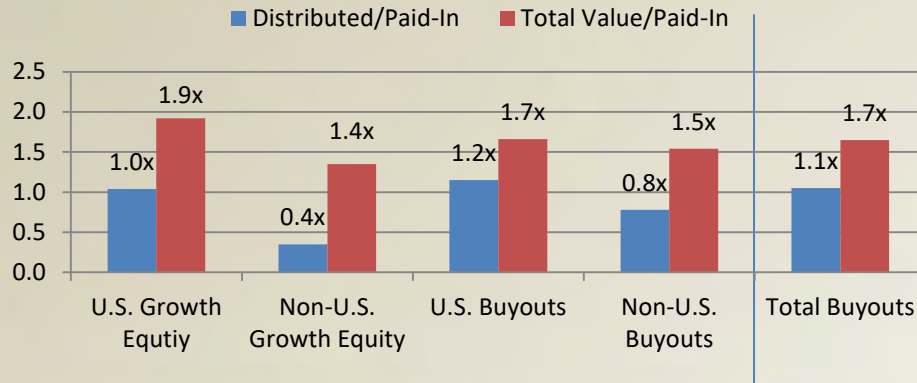
Portfolio Commentary

- Buyout portfolio remains tech heavy at almost 40%
- Manufacturing/industrial, health care, and consumer/retail represent another 39% of the portfolio
- Buyout exposure continues to shift smaller and away from large buyout
- Portfolio weighted heavily towards North America, but exposure to Europe and Asia continue to grow

Buyout Portfolio Performance

	1yr	3yr	5yr	10yr	S.I.
U.S. Buyouts	22.0%	17.2%	18.4%	15.4%	12.9%
Non-U.S. Buyouts	28.5%	18.6%	19.1%	16.2%	13.2%
U.S. Growth Equity	37.7%	24.3%	19.4%	17.8%	15.5%
Non-U.S. Growth Equity	22.0%	14.2%	13.4%	9.8%	10.5%
Total Buyouts	24.9%	18.1%	18.4%	15.6%	13.1%
CA Benchmark (mean)	27.2%	17.5%	17.1%	14.0%	13.1%
CA Benchmark (median)	8.5%	7.2%	10.4%	11.8%	12.6%

- Strong absolute performance
- Greater convergence between U.S. Buyouts, Non-U.S. Buyouts, and U.S. Growth Equity
- Alpha over public markets (PME) of 5.3%
- DPI of 1.1x and TVPI of 1.7x

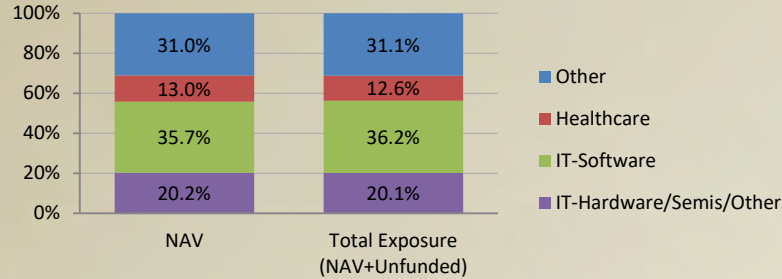


Quartile Dispersion		
	# of Funds	\$\$ Committed
1st	21%	22%
2nd	37%	37%
3rd	26%	29%
4th	16%	13%

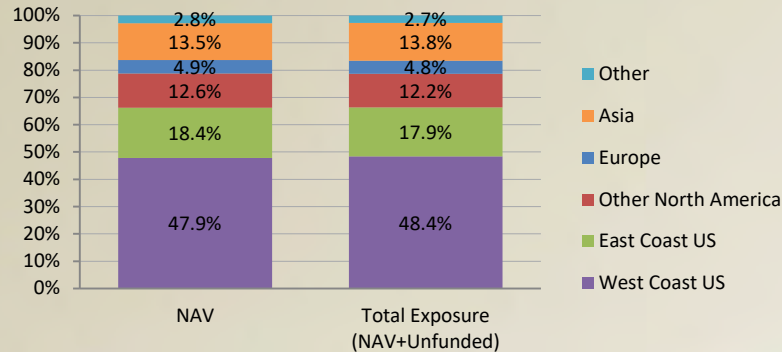
Venture Capital Portfolio

Portfolio Commentary

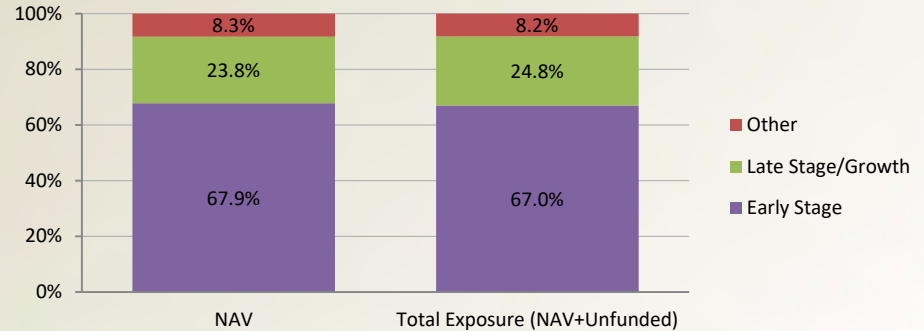
- Three active separate account/fund-of-fund relationships: TrueBridge, Silicon Valley Bank and Tiger Iron
- Majority of the venture portfolio is focused on IT with software as the largest segment within IT
- Over half the portfolio is located in centers of innovation (Silicon Valley, Boston and NYC)
- 68% of the VC portfolio is invested in early stage companies



Exposure by Geography



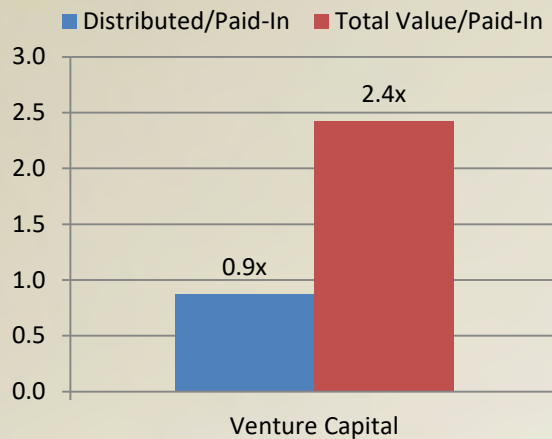
Exposure by Stage



Venture Capital Portfolio Performance

As of December 31, 2020

	1yr	3yr	5yr	10yr	S.I.
Venture Capital	62.3%	33.1%	21.8%	19.6%	16.0%
CA Benchmark (mean)	49.8%	28.0%	19.0%	17.8%	13.0%
CA Benchmark (median)	12.5%	12.8%	10.5%	11.7%	9.9%

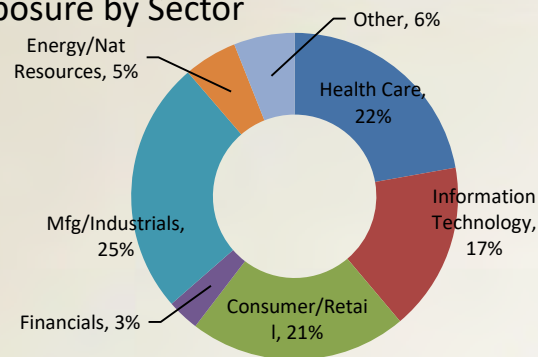


	Quartile Dispersion	
	# of Funds	\$\$ Committed
1 st	28%	32%
2 nd	59%	58%
3 rd	3%	6%
4 th	9%	4%

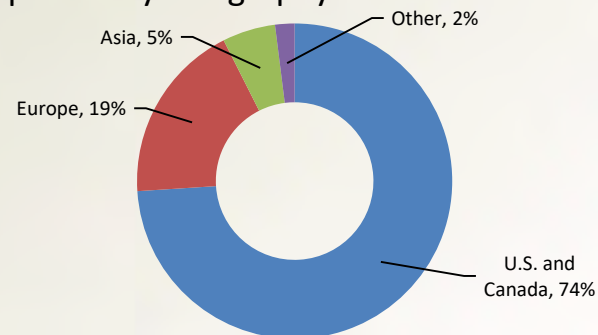
Distressed/Turnaround Portfolio

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

Exposure by Sector



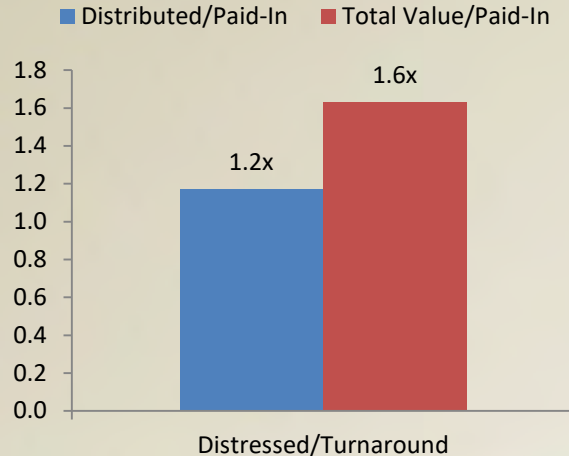
Exposure by Geography



Distressed/Turnaround Portfolio Performance

As of December 31, 2020

	1yr	3yr	5yr	10yr	S.I.
Distressed/Turnaround	20.3%	11.2%	14.8%	13.4%	19.4%
CA Benchmark (mean)	8.8%	5.9%	8.9%	9.2%	10.2%
CA Benchmark (median)	1.7%	2.9%	6.3%	8.6%	9.1%

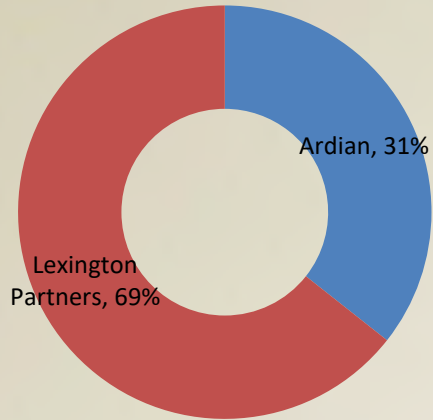


Quartile Dispersion		
	# of Funds	\$\$ Committed
1st	52%	63%
2nd	21%	12%
3rd	9%	12%
4th	18%	14%

Secondary Portfolio

Firm	Strategy/Market	Geographic Focus
Ardian	Large	Global
Lexington Partners	Large	Global

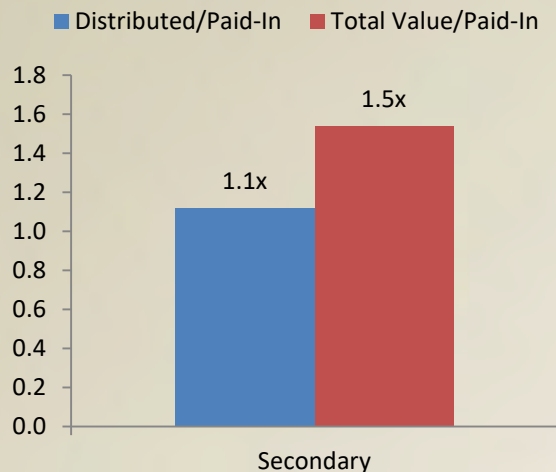
% of Secondary Portfolio (by NAV)



Secondary Portfolio Performance

As of December 31, 2020

	1yr	3yr	5yr	10yr	S.I.
Secondary	21.4%	11.7%	13.1%	12.5%	15.7%
CA Benchmark (mean)	14.1%	12.0%	12.0%	11.9%	12.1%
CA Benchmark (median)	5.3%	4.7%	7.9%	10.4%	13.5%



	Quartile Dispersion	
	# of Funds	\$\$ Committed
1 st	27%	34%
2 nd	9%	8%
3 rd	45%	43%
4 th	18%	15%

Appendix

Private Equity Aggregates

Dollar-Weighted Performance (IRRs) as of December 31, 2020

	<u>Inception Date</u>	<u>Market Value (in Millions)</u>	<u>1yr</u>	<u>3yr</u>	<u>5yr</u>	<u>10yr</u>	<u>Since Inception</u>
Total Private Equity	1/27/1989	\$16,013	32.5%	20.5%	18.6%	15.2%	10.6%
Custom Iran- and Sudan-free ACWI IMI +300bps			19.2%	11.6%	14.7%	14.0%	11.1%
Private Equity Legacy Portfolio	1/27/1989	\$3	0.0%	-4.2%	-8.4%	-16.4%	3.7%
Custom Iran- and Sudan-free ACWI IMI +300bps			19.6%	9.9%	14.7%	14.2%	10.1%
Private Equity Asset Class Portfolio	8/31/2000	\$16,010	32.5%	20.5%	18.6%	16.0%	14.1%
Custom Iran- and Sudan-free ACWI IMI +300bps			19.2%	11.6%	14.7%	14.0%	12.2%

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

Private Equity Partnership Performance

As of December 31, 2020

<u>Private Investment Partnerships</u>	<u>Commitment (\$)</u>	<u>Current NAV (\$)</u>	<u>TVPI</u>	<u>Net IRR</u>
3i Europartners Vb, L.P.	77,440,017	0	0.97	-0.6%
3i Growth Capital Fund, L.P.	54,440,286	0	0.93	-2.0%
ABRY Partners VII, L.P.	75,000,000	0	1.78	14.8%
ABRY Partners VIII, L.P.	75,000,000	0	1.26	10.8%
Accel-KKR Capital Partners V	50,000,000	37,784,577	1.32	19.7%
Accel-KKR Capital Partners VI, LP	45,000,000	0	NA	NA
Accel-KKR Structured Capital Partners II, LP	25,000,000	17,537,391	1.42	17.0%
Advent International Global Private Equity VIII-D	150,000,000	277,256,822	1.95	27.1%
Advent International GPE IX Limited Partnership	150,000,000	79,154,551	1.44	57.0%
Advent International GPE VI-D, L.P.	58,000,000	7,411,444	2.12	16.8%
Advent International GPE VII-D, L.P.	102,335,815	69,241,745	1.77	13.5%
American Industrial Partners Capital Fund VI, L.P.	50,000,000	65,295,049	1.40	13.5%
American Industrial Partners Capital Fund VII, L.P.	75,000,000	4,195,524	1.04	6.6%
Apax VIII-B, L.P.	157,584,000	0	1.50	13.7%
Apollo Investment Fund IX, L.P.	200,000,000	55,758,717	1.09	8.5%
Apollo Investment Fund V, L.P.	150,000,000	0	2.66	38.8%
Apollo Investment Fund VI L.P.	200,000,000	0	1.70	9.5%
Apollo Investment Fund VII, L.P.	200,000,000	0	1.94	23.0%
Apollo Investment Fund VIII, L.P.	200,000,000	156,575,179	1.38	10.2%
Arbor Debt Opportunities Fund II, L.P.	15,000,000	0	NA	NA
Arbor Investments V, L.P.	75,000,000	0	NA	NA
Ardian LBO Fund VI, L.P.	98,905,446	99,467,039	1.34	12.6%
Ardian Secondary Fund VI, L.P.	150,000,000	24,023,163	1.41	11.8%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Ares Corporate Opportunities Fund III, L.P.	100,000,000	5,863,895	2.62	21.7%
Ares Corporate Opportunities Fund IV, L.P.	200,000,000	126,529,914	1.82	15.1%
Ares Corporate Opportunities Fund V	200,000,000	161,602,643	0.99	-0.8%
ASF VII, L.P.	150,000,000	96,302,559	1.32	13.9%
ASF VIII B L.P.	200,000,000	58,938,568	1.33	53.7%
Asia Alternatives FL Investor II, LP	270,000,000	187,889,895	1.25	19.1%
Asia Alternatives FL Investor III, LP	300,000,000	18,051,845	1.11	NA
Asia Alternatives FL Investor, LP	200,000,000	239,388,967	1.56	15.0%
Atlas Capital Resources II	20,000,000	17,342,558	1.52	18.2%
Atlas Capital Resources III, L.P.	40,000,000	26,698,707	1.17	28.7%
AXA LBO Fund V, L.P.	76,858,858	21,923,809	1.55	11.3%
AXA Secondary Fund V, L.P.	100,000,000	647,068	1.60	16.3%
BC European Capital IX, L.P.	101,118,077	0	1.09	5.8%
Berkshire Fund IX, L.P.	110,000,000	0	1.24	22.3%
Berkshire Fund VIII, L.P.	60,000,000	0	1.70	16.1%
Blackstone Capital Partners V, L.P.	150,000,000	0	1.60	7.1%
Blackstone Capital Partners VI, L.P.	200,000,000	127,551,929	1.72	12.3%
Blackstone Capital Partners VII, L.P.	180,000,000	217,330,847	1.28	14.6%
Blackstone Capital Partners VIII L.P.	100,000,000	0	NA	NA
Capital Partners V, L.P.	30,000,000	0	NA	NA
Carlyle Asia Growth Partners IV, L.P.	75,000,000	9,937,013	1.09	1.9%
Carlyle Europe Partners III, L.P.	66,000,377	0	1.61	12.9%
Carlyle Partners III, L.P.	200,000,000	0	2.30	22.8%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Carlyle Partners IV, L.P.	75,000,000	0	2.03	13.1%
Carlyle Partners V, L.P.	200,000,000	0	1.81	13.5%
Carlyle Partners VI, L.P.	133,400,000	157,357,583	1.62	15.4%
Carlyle Partners VII	100,000,000	46,973,871	1.01	0.5%
Carnelian Energy Capital II	40,000,000	17,963,849	0.91	-5.9%
Carnelian Energy Capital III, L.P.	75,000,000	7,486,700	0.77	-77.5%
Charlesbank Equity Fund IX, L.P.	105,000,000	57,072,182	1.14	13.6%
Charlesbank Equity Fund VII, L.P.	75,000,000	19,653,839	2.37	24.2%
Charlesbank Equity Fund VIII, L.P.	85,000,000	70,086,811	1.43	14.1%
Charlesbank Equity Fund X, Limited Partnership	115,000,000	0	NA	NA
Charlesbank Equity Overage Fund X, Limited Partnership	10,000,000	0	NA	NA
Charlesbank Fund IX Overage Allocation Program	20,000,000	15,844,330	1.43	25.6%
Charterhouse Capital Partners IX, L.P.	90,366,890	0	1.35	13.7%
Cortec Group Fund V, L.P.	50,000,000	24,652,348	4.24	31.1%
Cortec Group Fund VI, L.P.	75,000,000	77,031,411	1.12	5.4%
Cressey & Company Fund IV, L.P.	50,000,000	1,657,090	2.22	22.2%
Cressey & Company Fund V LP	75,000,000	119,228,603	2.20	26.1%
Cressey & Company Fund VI LP	100,000,000	42,523,997	1.37	24.7%
Cressey & Company Overage Fund VI LP	10,000,000	8,146,696	1.38	30.1%
CVC Capital Partners VI, L.P.	102,645,517	106,939,577	1.66	17.2%
CVC Capital Partners VII	102,163,598	93,055,320	1.30	25.6%
CVC Capital Partners VIII (A) L.P.	222,518,914	0	NA	NA
CVC European Equity Partners V, L.P.	102,826,253	4,318,603	2.08	16.7%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
CVE-Kauffman Fellows Endowment Fund II, L.P.	100,000,000	289,361,629	4.41	22.1%
Datadog, Inc.	70,564,685	0	1.60	371.7%
DCPF VI Oil and Gas Coinvestment Fund LP	50,000,000	2,722,706	1.58	15.7%
Denham Commodity Partners Fund VI, L.P.	100,000,000	49,253,715	1.01	0.4%
Denham Oil & Gas Fund II LP	75,000,000	0	NA	NA
Denham Oil & Gas Fund LP	100,000,000	29,915,371	0.92	-4.7%
EnCap Energy Capital Fund IX, L.P.	75,000,000	25,544,473	1.07	2.6%
EnCap Energy Capital Fund VIII, L.P.	75,000,000	16,608,001	0.75	-8.4%
EnCap Energy Capital Fund X, L.P.	100,000,000	76,044,365	1.03	1.1%
EnCap Energy Capital Fund XI, L.P.	100,000,000	21,815,455	0.63	-26.3%
EnCap Flatrock Midstream Fund III	50,000,000	40,565,060	1.12	6.4%
EnCap Flatrock Midstream Fund IV	65,000,000	28,095,018	1.11	6.6%
Energy Capital Partners II, L.P.	100,000,000	5,987,278	1.47	8.6%
Energy Capital Partners III, L.P.	150,000,000	118,875,602	1.28	9.0%
EnerVest Energy Institutional Fund XII, Ltd	60,000,000	272,225	0.64	-19.1%
EnerVest Energy Institutional Fund XIII, Ltd.	100,000,000	1	0.09	-94.6%
EnerVest Energy Institutional Fund XIV	100,000,000	46,954,635	0.91	-3.2%
Equistone European Fund V	74,366,455	88,481,445	1.39	9.2%
Equistone Partners Europe Fund VI	88,195,865	51,118,942	1.25	21.1%
European Private Equity Opportunities I, L.P.	49,181,385	27,384,976	0.77	-17.6%
European Private Equity Opportunities II LP	75,523,436	114,142	0.19	NA
Fairview Special Opportunities Fund II	87,000,000	205,236,118	2.53	30.9%
Fairview Special Opportunities Fund, L.P.	220,000,000	485,054,410	3.37	25.0%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Fairview Ventures Fund II, L.P.	50,000,000	0	1.34	3.9%
Fairview Ventures III, L.P.	75,000,000	0	1.83	11.8%
Falfurrias Capital Partners IV, LP	60,000,000	44,782,964	1.70	101.4%
First Reserve Fund XI, L.P.	100,000,000	1,157,968	0.64	-9.5%
First Reserve Fund XII, L.P.	200,000,000	10,798,449	0.53	-14.6%
Francisco Partners III, L.P.	75,000,000	74,349,273	3.04	22.8%
Francisco Partners IV, LP	75,000,000	165,456,934	3.26	37.2%
Francisco Partners V, L.P.	75,000,000	76,597,345	1.28	17.7%
Francisco Partners VI, L.P.	100,000,000	0	NA	NA
FS Equity Partners V, L.P.	50,000,000	0	2.10	16.1%
FS Equity Partners VI, L.P.	75,000,000	25,544,695	3.05	23.2%
FS Equity Partners VII, L.P.	100,000,000	110,266,544	1.29	8.0%
FS Equity Partners VIII, L.P.	100,000,000	27,648,806	0.89	-11.1%
Gores Capital Partners II, L.P.	50,000,000	0	1.14	3.8%
Gores Capital Partners III, L.P.	125,000,000	0	1.00	-0.1%
Gores Capital Partners, L.P.	50,000,000	0	1.30	8.4%
Green Equity Investors IV, L.P.	100,000,000	0	1.78	10.7%
Green Equity Investors V, L.P.	100,000,000	0	1.94	17.4%
Green Equity Investors VI, L.P.	190,000,000	0	1.25	12.3%
Grove Street Partners Buyout II, L.P.	230,000,000	198,938,118	1.61	13.6%
Grove Street Partners Buyout, L.P.	150,000,000	22,697,357	1.64	10.4%
Grove Street Partners Ventures II, L.P.	200,000,000	350,961,266	3.46	22.6%
Grove Street Partners Ventures III, L.P.	150,000,000	353,291,102	2.66	23.4%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Grove Street Partners Ventures, L.P.	200,000,000	0	1.56	7.2%
Hahn & Company III L.P.,	50,000,000	14,633,743	0.98	-1.7%
Hellman & Friedman Capital Partners IX, L.P.	250,000,000	125,825,730	1.10	NA
Hellman & Friedman Capital Partners V, L.P.	75,000,000	0	2.74	29.4%
Hellman & Friedman Capital Partners VI, L.P.	100,000,000	0	1.79	12.6%
Hellman & Friedman Capital Partners VII, L.P.	200,000,000	129,786,926	3.18	24.8%
Hellman & Friedman Capital Partners VIII, L.P.	200,000,000	278,107,682	1.56	19.2%
Hicks, Muse, Tate & Furst Equity Fund V, L.P.	25,000,000	0	1.77	21.0%
Inflexion Buyout Fund IV, L.P.	52,587,527	52,492,960	1.31	10.3%
Inflexion Enterprise Fund IV	19,982,149	24,682,571	1.37	17.7%
Inflexion Partnership Capital Fund I, L.P.	26,372,724	24,118,744	1.43	15.8%
Insight Venture Partners Growth-Buyout Coinvestment Fund, L.P.	50,000,000	131,561,314	3.50	38.0%
Insight Venture Partners IX, L.P.	75,000,000	206,232,247	3.11	32.1%
Insight Venture Partners VIII, L.P.	75,000,000	84,076,690	2.94	22.4%
Investindustrial VI, L.P.	55,802,326	66,484,485	1.29	11.4%
Investindustrial VII L.P.	76,982,294	5,043,168	0.88	-14.4%
J.H. Whitney VII, L.P.	75,000,000	89,699,544	2.14	15.6%
Kelso Investment Associates VII, L.P.	50,000,000	0	1.73	12.2%
Kelso Investment Associates VIII, L.P.	100,000,000	0	1.58	13.8%
KKR Asian Fund II, L.P.	100,000,000	87,651,736	1.39	9.5%
KKR Asian Fund III, L.P.	150,000,000	135,607,176	1.43	29.5%
KKR European Fund III, L.P.	58,757,859	0	1.05	1.8%
Kohlberg Investors V, L.P.	45,000,000	0	1.06	1.2%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Kohlberg Investors VI, L.P.	50,000,000	0	1.67	15.8%
KPS Special Situations Fund IV, L.P.	150,000,000	143,439,157	1.35	16.7%
KPS Special Situations Fund V (A), LP	200,000,000	37,644,055	0.99	NA
KPS Special Situations Mid-Cap Fund, LP	50,000,000	9,425,453	1.02	2.6%
KPS Special Situations Supplemental Fund III, L.P.	50,000,000	236,178	2.67	22.6%
LCP FSBA Co-Invest Account	200,000,000	114,337,517	1.46	23.5%
Lexington Capital Partners IV, L.P.	200,000,000	0	1.78	20.2%
Lexington Capital Partners IX, L.P.	250,000,000	91,531,191	1.67	198.5%
Lexington Capital Partners V, L.P.	100,000,000	387,296	1.68	18.9%
Lexington Capital Partners VI, L.P.	100,000,000	5,635,241	1.36	6.4%
Lexington Capital Partners VII, L.P.	200,000,000	46,291,732	1.64	14.1%
Lexington Capital Partners VIII, L.P.	250,000,000	200,573,249	1.55	20.0%
Lexington CIP V-F-O	200,000,000	13,378,368	0.98	NA
Lexington Co-Investment Partners (Pools I & II), L.P.	500,000,000	0	1.35	6.3%
Lexington Co-Investment Partners 2005 (Pool III), L.P.	500,000,000	365,066,868	2.04	18.6%
Lexington Co-Investment Partners 2005 (Pools I & II), L.P.	500,000,000	56,928,814	1.44	5.3%
Lexington Co-Investment Partners 2005 Pool IV	500,000,000	615,829,060	1.50	22.9%
Lexington Co-Investment Partners II (Pools III & IV), L.P.	500,000,000	6,789,057	2.18	23.4%
Lexington Co-Investment Partners V, L.P.	150,000,000	0	NA	NA
Lexington Middle Market Investors III, L.P.	100,000,000	57,582,260	1.61	17.4%
Lightbay Investment Partners LP	50,000,000	37,604,497	1.09	13.1%
Lindsay, Goldberg & Bessemer II, L.P.	100,000,000	0	1.48	8.0%
Lindsay, Goldberg & Bessemer III, L.P.	100,000,000	0	1.18	6.8%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

<u>Private Investment Partnerships</u>	<u>Commitment (\$)</u>	<u>Current NAV (\$)</u>	<u>TVPI</u>	<u>Net IRR</u>
Livingbridge 7 LP	79,484,938	0	NA	NA
Livingbridge Enterprise 3 LP	32,305,168	4,083,588	0.77	NA
MBK Partners Fund V, L.P.	100,000,000	0	NA	NA
Montagu Private Equity IV, L.P.	56,819,796	12,262,208	1.64	14.1%
Montagu V	111,109,877	112,239,630	1.47	20.8%
Montagu VI L.P.	85,323,261	0	NA	NA
New Mountain Partners II, L.P.	50,000,000	588,290	2.04	13.6%
New Mountain Partners III, L.P.	100,000,000	54,170,886	2.36	13.8%
New Mountain Partners IV, L.P.	100,000,000	0	1.59	22.1%
NIC Fund II Cayman, LP	38,742,796	0	NA	NA
OpCapita Consumer Opportunities Fund II	38,251,366	27,763,012	0.89	-4.7%
OpCapita Consumer Opportunities Fund III, L.P.	38,682,154	1	0.00	-100.0%
OpenView Venture Partners IV, L.P.	25,000,000	43,284,064	1.76	15.6%
OpenView Venture Partners V, L.P.	25,000,000	54,079,401	2.32	58.0%
OpenView Venture Partners VI, L.P.	30,000,000	2,397,601	0.78	NA
PAI Europe V, L.P.	42,563,071	0	1.30	7.0%
Pantheon Global Secondary Fund IV, L.P.	100,000,000	13,667,369	1.58	13.0%
Pantheon Venture Partners II, L.P.	100,000,000	0	1.52	6.8%
Paul Capital Top Tier Investments II, L.P.	120,000,000	0	1.34	4.3%
Paul Capital Top Tier Investments III, L.P.	75,000,000	10,852,122	1.40	5.3%
Paul Capital Top Tier Investments IV, L.P.	100,000,000	0	2.00	13.9%
Paul Capital Top Tier Special Opportunities Fund, L.P.	12,450,000	2,861,885	0.86	-2.0%
Peak Rock Capital Credit Fund II	20,000,000	2,186,688	1.00	0.6%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Peak Rock Capital Fund II, L.P.	80,000,000	47,423,149	1.42	43.1%
Permira European Fund IV, L.P.	64,037,705	0	1.56	8.3%
Permira V, LP	136,860,690	142,386,527	2.82	25.6%
Platinum Equity Capital Partners II, L.P.	75,000,000	6,178,129	1.65	12.5%
Platinum Equity Capital Partners III, L.P.	200,000,000	62,616,316	2.04	29.9%
Platinum Equity Capital Partners, L.P.	50,000,000	0	2.91	60.2%
Pomona Capital VI (Combined), L.P.	50,000,000	2,015,219	1.31	4.6%
Pomona Capital VII (Combined), L.P.	50,000,000	0	1.31	7.9%
Post Oak Energy Partners II, LP	25,000,000	20,953,366	1.23	8.2%
Post Oak Energy Partners III, LP	60,000,000	27,352,382	1.13	6.3%
Post Oak Energy Partners IV, LP	60,000,000	16,066,089	0.67	-23.4%
Providence Equity Partners VI, L.P.	50,000,000	0	1.46	7.3%
Providence Equity Partners VII, L.P.	200,000,000	0	1.61	21.2%
RCP Advisors Fund IV, L.P.	50,000,000	462,375	1.88	13.1%
RCP Advisors Fund IX, L.P.	50,000,000	50,649,950	1.50	14.2%
RCP Advisors Fund V, L.P.	50,000,000	4,987,439	1.80	14.2%
RCP Advisors Fund VI, L.P.	50,000,000	18,807,204	2.02	15.9%
RCP Advisors Fund VII, L.P.	50,000,000	39,439,061	2.08	18.2%
RCP Advisors Fund VIII, L.P.	50,000,000	53,407,384	1.83	18.6%
RCP Advisors Fund X	50,000,000	52,424,846	1.33	12.3%
Ripplewood Partners II, L.P.	100,000,000	0	1.19	6.2%
Riverside Capital Appreciation Fund 2008, L.P.	75,000,000	0	1.32	8.2%
Riverside Capital Appreciation Fund VI, L.P.	75,000,000	0	1.43	14.4%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

<u>Private Investment Partnerships</u>	<u>Commitment (\$)</u>	<u>Current NAV (\$)</u>	<u>TVPI</u>	<u>Net IRR</u>
Riverside Europe Fund IV, L.P.	49,699,937	0	1.04	1.5%
Rubicon Technology Partners II	76,000,000	81,809,130	1.36	20.0%
Rubicon Technology Partners III L.P.	100,000,000	16,778,961	0.91	NA
Rubicon Technology Partners L.P.	50,000,000	21,765,243	1.54	15.0%
Searchlight Capital III, L.P.	150,000,000	62,791,928	1.14	NA
Searchlight Partners II, L.P.	100,000,000	91,229,342	1.70	23.1%
Silicon Valley Bank Capital Partners III, L.P.	22,500,000	36,457,670	2.59	23.6%
Silicon Valley Bank Capital Partners IV	25,000,000	19,718,263	1.03	2.0%
Silicon Valley Bank Overage Fund	100,575,334	123,960,523	1.49	8.7%
Silicon Valley Bank SIF V, L.P.	125,000,000	297,262,863	4.19	24.9%
Silicon Valley Bank SIF V-A Opportunity, L.P.	50,000,000	109,211,386	4.28	25.1%
Silicon Valley Bank SIF VI-A	125,000,000	305,467,476	3.13	24.5%
Silicon Valley Bank SIF VII, L.P.	125,000,000	311,774,715	2.94	31.9%
Silicon Valley Bank SIF VIII	100,000,000	186,536,918	2.34	45.2%
Silver Lake Partners IV, L.P.	100,000,000	172,781,810	2.43	28.1%
Silver Lake Partners V, L.P.	140,000,000	176,173,489	1.55	33.5%
Silver Lake Partners VI, L.P.	175,000,000	0	NA	NA
Siris Partners III	75,000,000	75,416,914	1.37	15.1%
Siris Partners IV, L.P.	75,000,000	46,336,401	1.12	9.3%
Snow Phipps II, L.P.	50,000,000	0	1.37	14.6%
Strategic Investors Fund X, L.P.	75,000,000	7,596,590	0.97	NA
Summa Equity Fund II	29,887,712	23,367,969	3.46	NA
Summit Partners Growth Equity Fund VIII-A, L.P.	125,000,000	0	1.52	32.0%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
SVB Strategic Investors Fund IX, L.P.	75,000,000	49,491,842	1.33	31.0%
TA Associates XI, L.P.	100,000,000	0	1.55	19.7%
The Energy & Minerals Group Fund III, L.P.	85,000,000	40,145,794	0.58	-10.5%
The Rise Fund I, L.P.	25,000,000	27,184,097	1.42	20.4%
The Rise Fund II, L.P.	50,000,000	0	NA	NA
Thoma Bravo Discover Fund II L.P.	75,000,000	89,914,125	1.52	41.3%
Thoma Bravo Discover Fund III, L.P.	100,000,000	0	NA	NA
Thoma Bravo Discover Fund, L.P.	50,000,000	97,099,104	2.52	37.7%
Thoma Bravo Fund IX, L.P.	50,000,000	560,074	4.08	48.1%
Thoma Bravo Fund X, L.P.	100,000,000	56,573,413	3.85	39.1%
Thoma Bravo Fund XI, L.P.	100,000,000	166,363,331	2.91	29.4%
Thoma Bravo Fund XIII, L.P.	150,000,000	145,399,845	1.82	68.8%
Thoma Bravo Fund XIV, L.P.	200,000,000	0	NA	NA
Thoma Bravo Overage Fund, L.P.	45,000,000	35,404,579	3.74	34.9%
Thoma Bravo Special Opportunities Fund II, L.P.	50,000,000	68,368,750	2.22	21.0%
Thoma Bravo XII	150,000,000	223,424,376	1.69	18.8%
Thoma Cressey Fund VIII, L.P.	50,000,000	0	2.93	18.3%
Thomas H. Lee Equity Fund V, L.P.	50,000,000	0	1.63	13.4%
Thomas H. Lee Equity Fund VI L.P.	75,000,000	0	1.89	12.3%
Tiger Iron Special Opportunities Fund II, L.P.	135,683,333	55,148,164	1.28	39.7%
Tiger Iron Special Opportunities Fund, L.P.	191,877,777	180,531,520	1.29	15.0%
TowerBrook Investors II, L.P.	75,000,000	3,067,127	1.89	9.9%
TowerBrook Investors III, L.P.	150,000,000	328,036	1.41	8.6%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
TowerBrook Investors IV, L.P.	190,000,000	222,693,745	1.84	26.5%
TowerBrook Investors V, L.P.	200,000,000	18,249,260	0.85	NA
TPG Growth Fund II, L.P.	100,000,000	65,353,702	2.01	15.8%
TPG Growth Fund III, L.P.	100,000,000	111,429,361	1.74	25.1%
TPG Growth IV, L.P.	100,000,000	85,852,987	1.15	9.9%
TPG Growth V, L.P.	150,000,000	0	NA	NA
TPG Partners IV, L.P.	50,000,000	0	1.89	14.3%
TPG Partners V, L.P.	100,000,000	0	1.18	2.6%
TPG Partners VI, L.P.	200,000,000	0	1.42	11.3%
Trident V, L.P.	75,000,000	47,090,293	1.85	12.0%
Trident VI Fund, L.P.	75,000,000	84,332,929	2.09	23.9%
Trident VII, L.P.	75,000,000	89,682,299	1.34	17.3%
Trident VIII, L.P.	100,000,000	35,172,238	1.08	NA
TrueBridge Capital FSA II, LLC	18,407,500	15,675,678	1.23	NA
TrueBridge Capital FSA, LLC	79,600,000	136,486,951	2.12	39.2%
TrueBridge Capital Partners Fund V, L.P.	100,000,000	103,857,810	1.46	37.3%
TrueBridge Capital Partners Fund VI, L.P.	100,000,000	11,366,256	1.14	33.1%
TrueBridge FLSBA Special Purpose, LLC	47,972,078	121,425,915	4.17	24.2%
TrueBridge Special Purpose II (F)	22,500,000	48,108,073	2.95	24.4%
Truebridge-Kauffman Fellows Endowment Fund IV	125,000,000	280,575,105	2.44	36.3%
TrueBridge-Kauffman Fellows Fund III, L.P.	125,000,000	273,999,176	2.80	21.0%
W Capital Partners III, L.P.	75,000,000	45,057,213	1.42	9.5%
Warburg Pincus China	68,000,000	94,001,752	1.61	22.1%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

Private Investment Partnerships	Commitment (\$)	Current NAV (\$)	TVPI	Net IRR
Warburg Pincus China-Southeast Asia II, L.P.	68,000,000	11,638,593	1.09	17.8%
Warburg Pincus Private Equity Fund XI, L.P.	200,000,000	126,946,521	1.71	12.7%
Warburg Pincus Private Equity Fund XII, L.P.	87,000,000	114,359,768	1.49	15.8%
Warburg Pincus Private Equity IX, L.P.	75,000,000	2,475,259	1.72	9.7%
Warburg Pincus Private Equity X, L.P.	150,000,000	17,163,327	1.78	9.4%
Waterland Private Equity Fund VII C.V.	113,659,612	48,206,879	1.20	18.0%
Waterland Private Equity Fund VIII C.V.	145,924,770	0	NA	NA
Waterland Private Equity VI Overflow Feeder Fund L.P.	28,974,931	0	0.00	-100.0%
Waterland Private Equity VI, L.P.	61,110,432	82,253,545	2.07	28.1%
Wellspring Capital Partners III, L.P.	50,000,000	0	2.19	27.1%
Wellspring Capital Partners IV, L.P.	75,000,000	0	1.40	6.6%
Wellspring Capital Partners V, L.P.	150,000,000	0	1.57	16.3%
Willis Stein & Partners III, L.P.	100,000,000	0	1.01	0.1%
WindRose Health Investors V, L.P.	50,000,000	14,804,619	1.26	31.0%

Note: Manager IRR performance data is provided by Cambridge Associates.

Private Equity Partnership Performance

As of December 31, 2020

<u>Private Investment Partnerships (Legacy Portfolio)</u>	<u>Commitment (\$)</u>	<u>Current NAV (\$)</u>	<u>TVPI</u>	<u>Net IRR</u>
Apollo Investment Fund IV, L.P.	250,000,000	0	1.52	6.8%
Carlyle Partners II, L.P.	200,000,000	0	2.30	20.1%
Centre Capital Investors II, L.P.	200,000,000	0	0.81	-4.1%
Chartwell Capital Investors II, L.P.	50,000,000	0	1.34	4.7%
Corporate Partners, L.P.	149,192,410	0	2.13	12.4%
Cypress Equity Group Trust	15,000,000	0	2.15	16.1%
Green Equity Investors III, L.P.	60,000,000	0	2.31	21.9%
Hicks, Muse, Tate & Furst Equity Fund III, L.P.	200,000,000	0	0.89	-1.8%
Hicks, Muse, Tate & Furst Equity Fund IV, L.P.	400,000,000	0	0.63	-8.8%
Liberty Partners Group II, L.P.	9,766,830	0	0.00	-100.0%
Liberty Partners Pool I	205,686,600	0	2.35	20.7%
Liberty Partners Pool II	359,789,821	0	1.61	10.7%
Liberty Partners Pool III	506,208,481	0	1.02	0.4%
Liberty Partners Pool IV	195,075,745	0	0.67	-19.2%
Liberty Partners Pool V	329,664,359	0	1.14	2.7%
Liberty Partners Pool VI	595,484,687	13,000	0.86	-6.6%
Liberty Partners Pool VII	290,808,542	2,559,626	0.85	-7.2%
Ripplewood Partners, L.P.	100,000,000	0	1.74	13.6%
Thomas H. Lee Equity Fund IV, L.P.	100,000,000	0	0.87	-2.6%
TSG Capital Fund III, L.P.	100,000,000	0	0.54	-13.7%
Willis Stein & Partners II, L.P.	40,000,000	0	0.58	-9.7%

Note: Manager IRR performance data is provided by Cambridge Associates.

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STATE BOARD ADMINISTRATION OF FLORIDA

PRIVATE EQUITY UPDATE



CAMBRIDGE
ASSOCIATES

JUNE 2021

STATE BOARD ADMINISTRATION OF FLORIDA

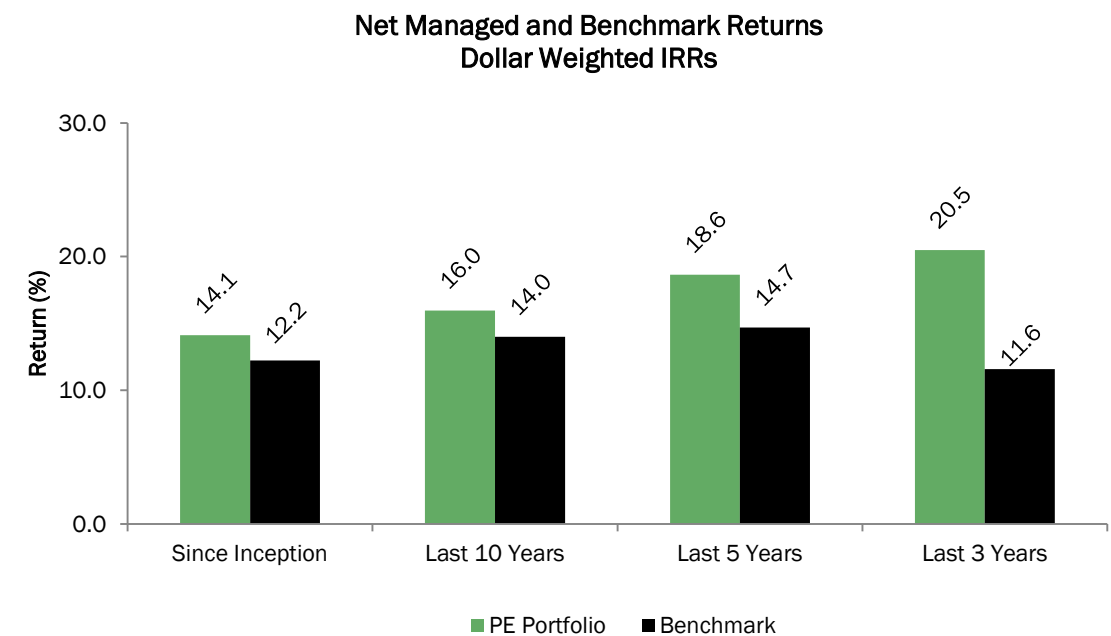
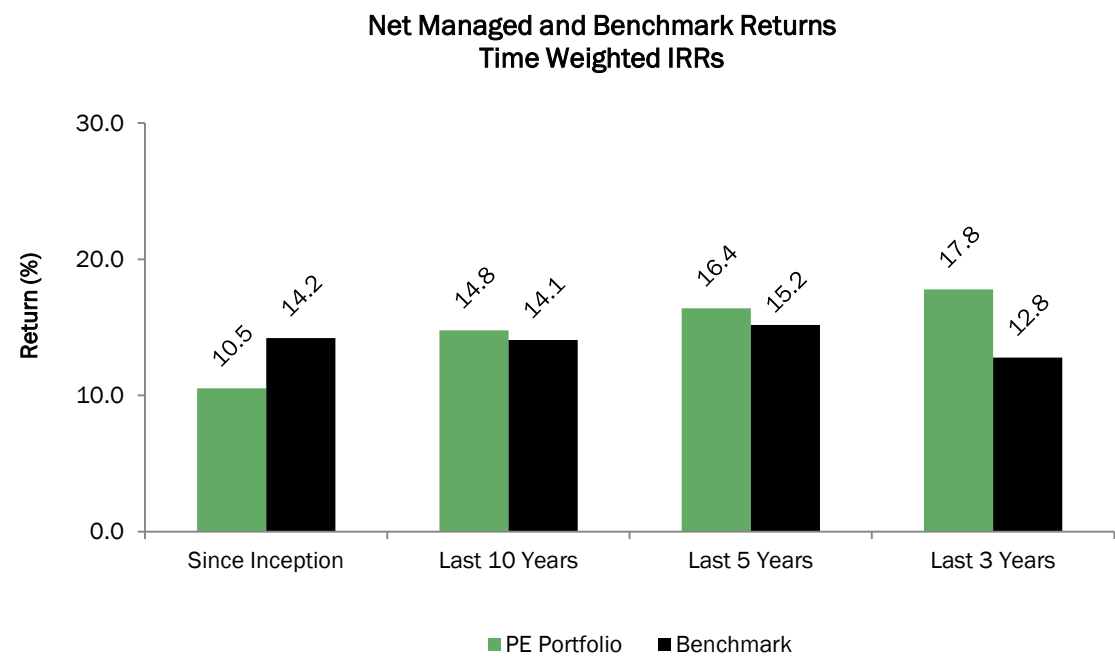
PRIVATE EQUITY UPDATE

JUNE 2021

PORTFOLIO PERFORMANCE



- The FSBA PE Portfolio has strongly outperformed the benchmark across 3, 5 and 10 year time periods on both a time-weighted and dollar-weighted basis.

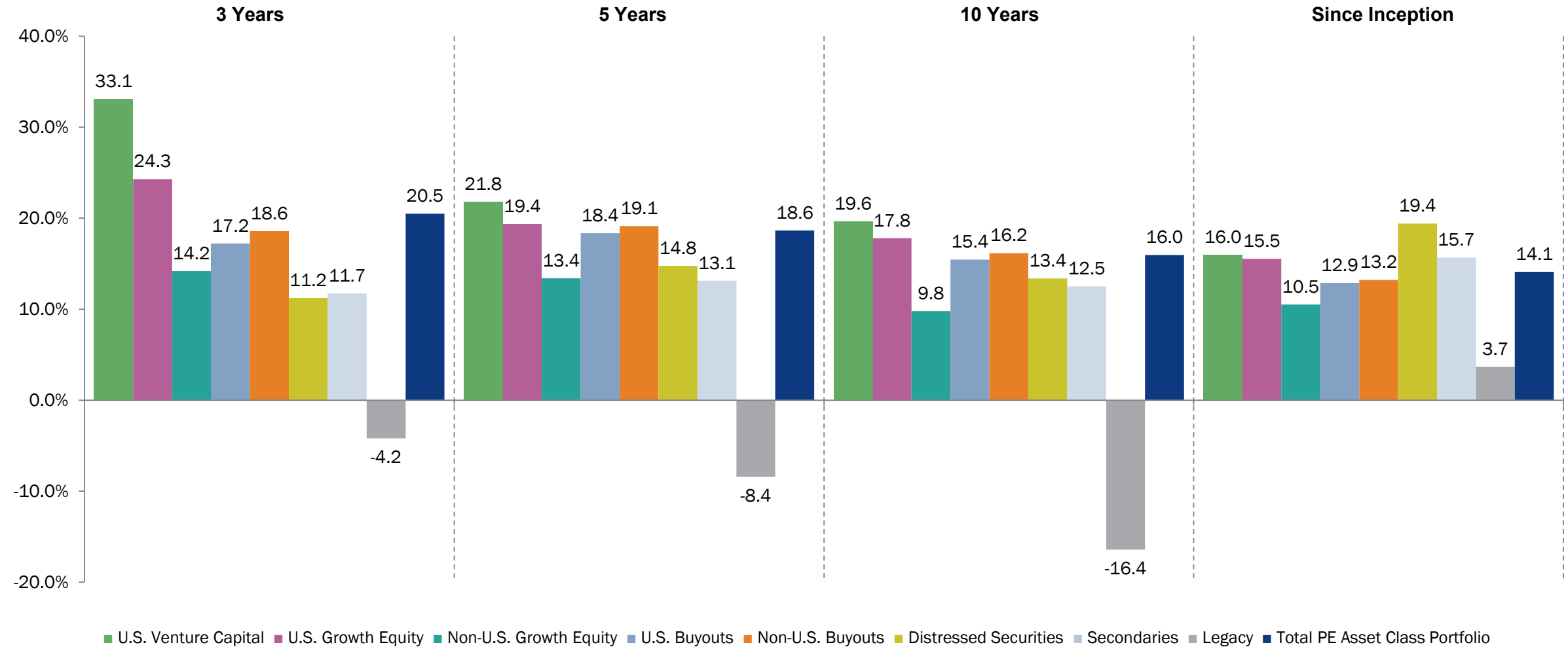


Notes: Time weighted performance data (above left graph) and the dollar weighted performance data (above right graph) is provided by the Florida State Board of Administration, BNY Mellon and CA. The Private Equity benchmark is currently the Custom Iran- and Sudan-free ACWI IMI + 300 basis points. From July 2010 through June 2014, the benchmark was the Russell 3000 + 300 basis points. Prior to July 2010, the benchmark was the Russell 3000 + 450 basis points. Prior to November 1999, Private Equity was part of the Domestic Equities asset class and its benchmark was the Domestic Equities target index + 750 basis points.
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Performance By Sub Asset Class - IRRs

As of December 31, 2020

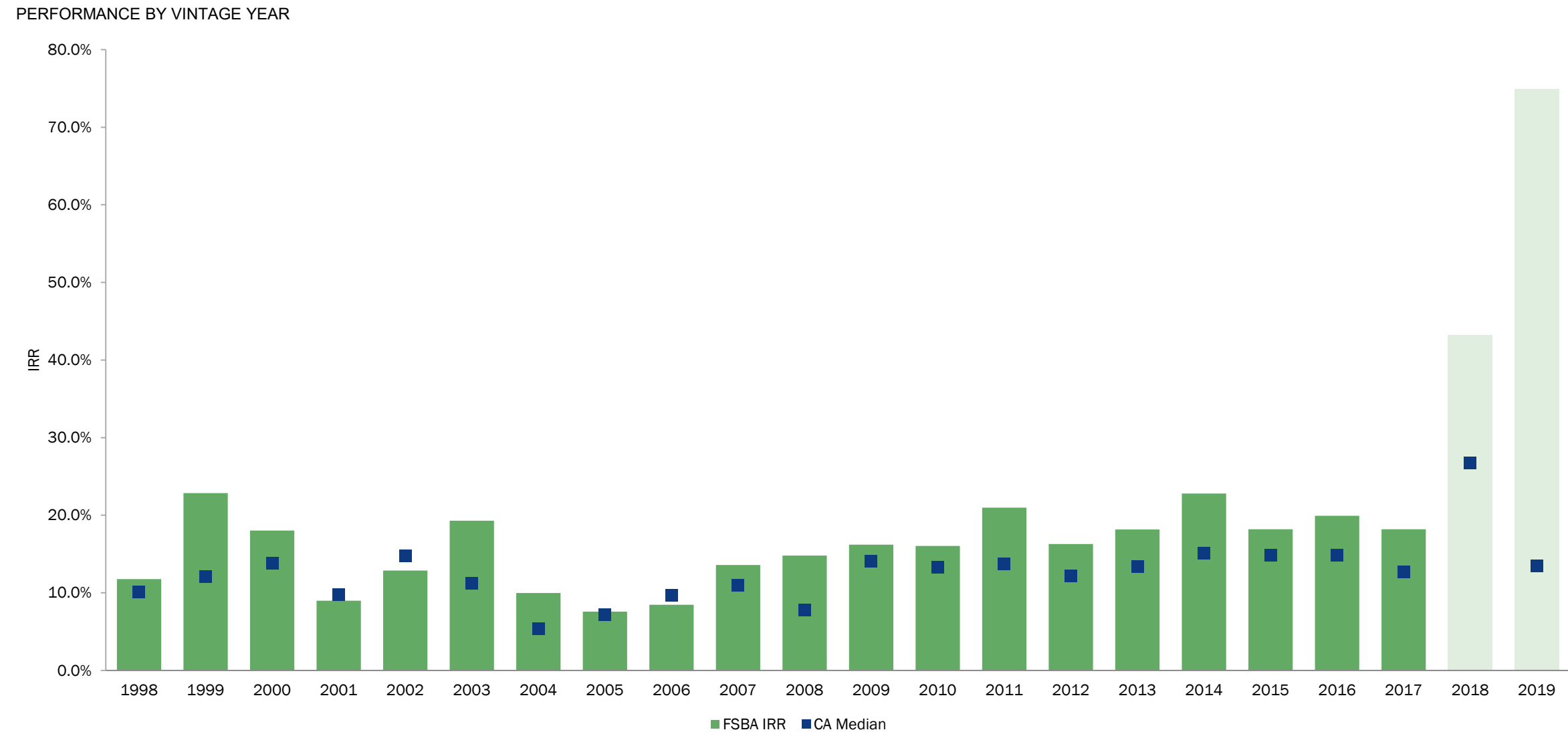
- Strong performance across strategies; non-U.S. growth equity, continues to emerge from the j-curve.



Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. Asset class IRR performance data is provided net of fees. Since inception performance is representative of the total Private Equity portfolio including Legacy investments. Copyright © 2021 by Cambridge Associates LLC. All rights reserved. Confidential.

Performance by Vintage Year - IRRs

Recent vintage years exhibiting very strong performance, driven by tech investments

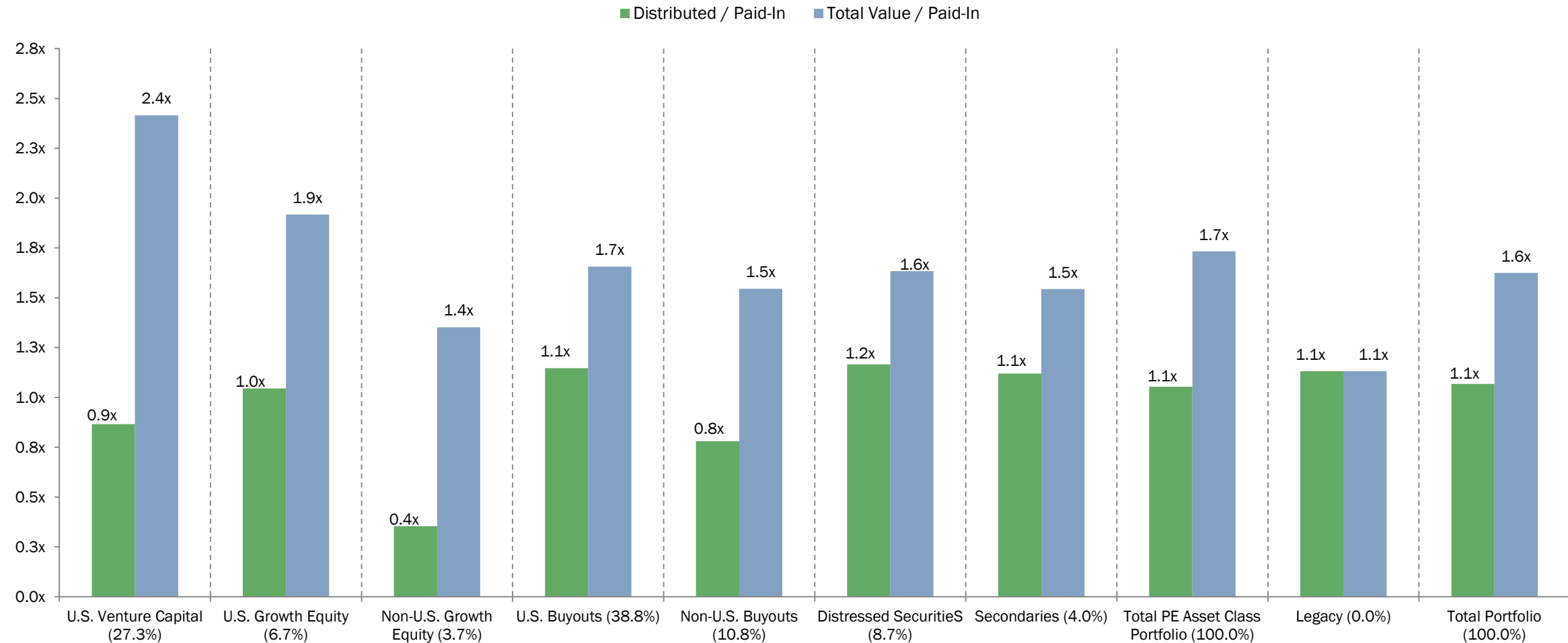


Note: IRR performance data is provided by Cambridge Associates LLC as of December 31, 2020. IRRs are dollar weighted, and net of fees. Light shading indicates vintage years too young to have meaningful performance. CA Median represents a weighted average of fund medians based on paid in capital per vintage year. Vintage years determined by legal inception date for underlying funds. Copyright © 2021 by Cambridge Associates LLC. All rights reserved. Confidential.

Performance By Sub Asset Class - Multiples

Consistently strong TVPIs across mature asset classes

- Strong TVPI multiples in venture and US growth equity reflect high valuations for mid to late stage financing rounds



Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. Performance net of fees. Total PE Asset Class Portfolio excludes Legacy investments. Total Portfolio includes Legacy investments. Percentages show current NAV versus the Total Portfolio.
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C|A Client Private Investment Returns

The FSBA portfolio consistently ranks in the top quartile versus CA clients' PI portfolios

	1 Year	3 Years	5 Years	10 Years
FSBA Total PE Asset Class Portfolio	20.3%	17.3%	15.9%	15.4%
Quartile Ranking	1st	1st	1st	1st
FSBA PE Total Portfolio	20.3%	17.3%	15.9%	14.6%
Quartile Ranking	1st	1st	1st	1st
S&P 500 AACR	15.1%	12.3%	14.1%	13.7%
MSCI ACWI AACR	10.4%	7.1%	10.3%	8.5%
Sample Size	556	536	490	426



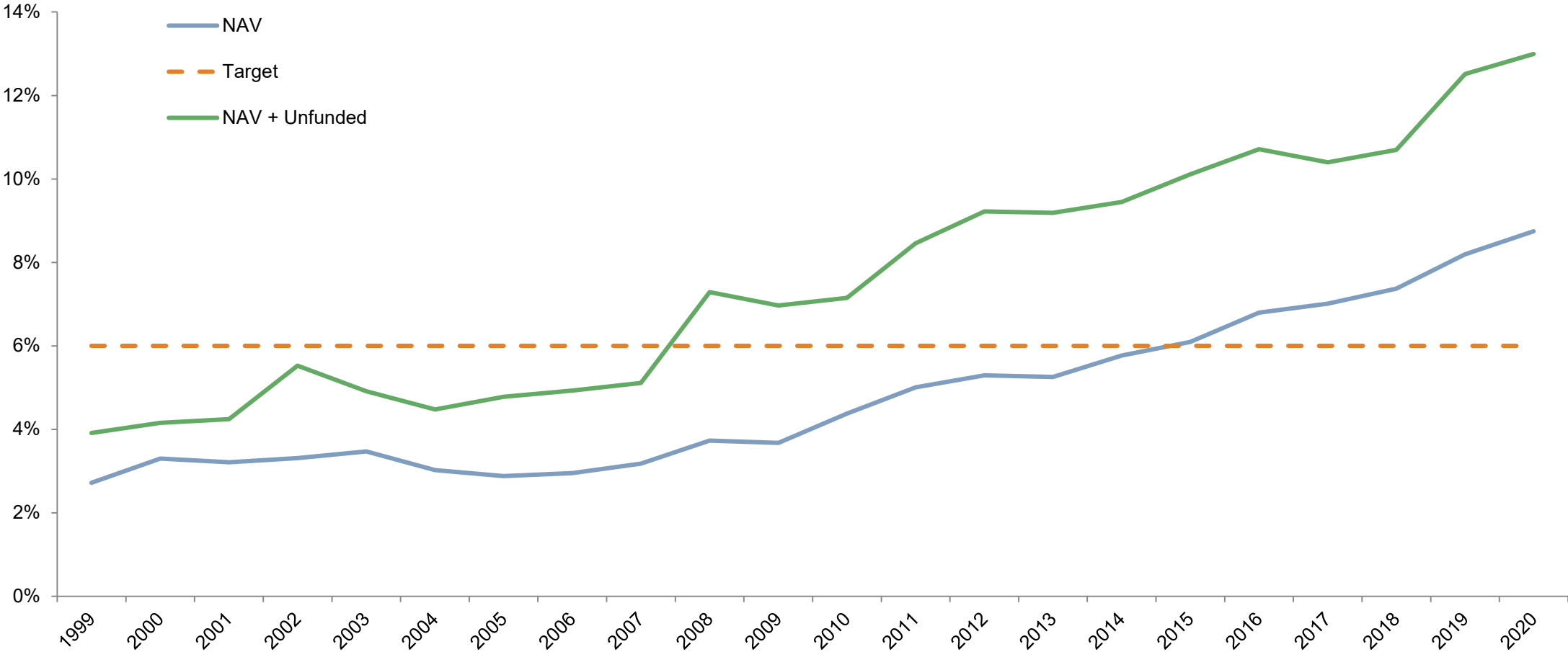
Notes: Data provided by Cambridge Associates, LLC, S&P, and MSCI as of September 30, 2020. For quartile rankings, FSBA returns are compared to CA client returns. All returns are End-to-End IRRs. CA client private investment returns include private investment fund programs with a least 10 private investment funds per portfolio that received 9/30/2020 performance reports. Terminated client returns are not included. CA client performance may be attributable to factors other than CA's advice. Similarly, client performance may include investments made prior to clients' relationship with CA. Past performance is not necessarily a guide to future performance. Performance data is net of fees but has not been adjusted to reflect CA's advisory fees and other expenses that a client may incur.

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EXPOSURES AND PACING

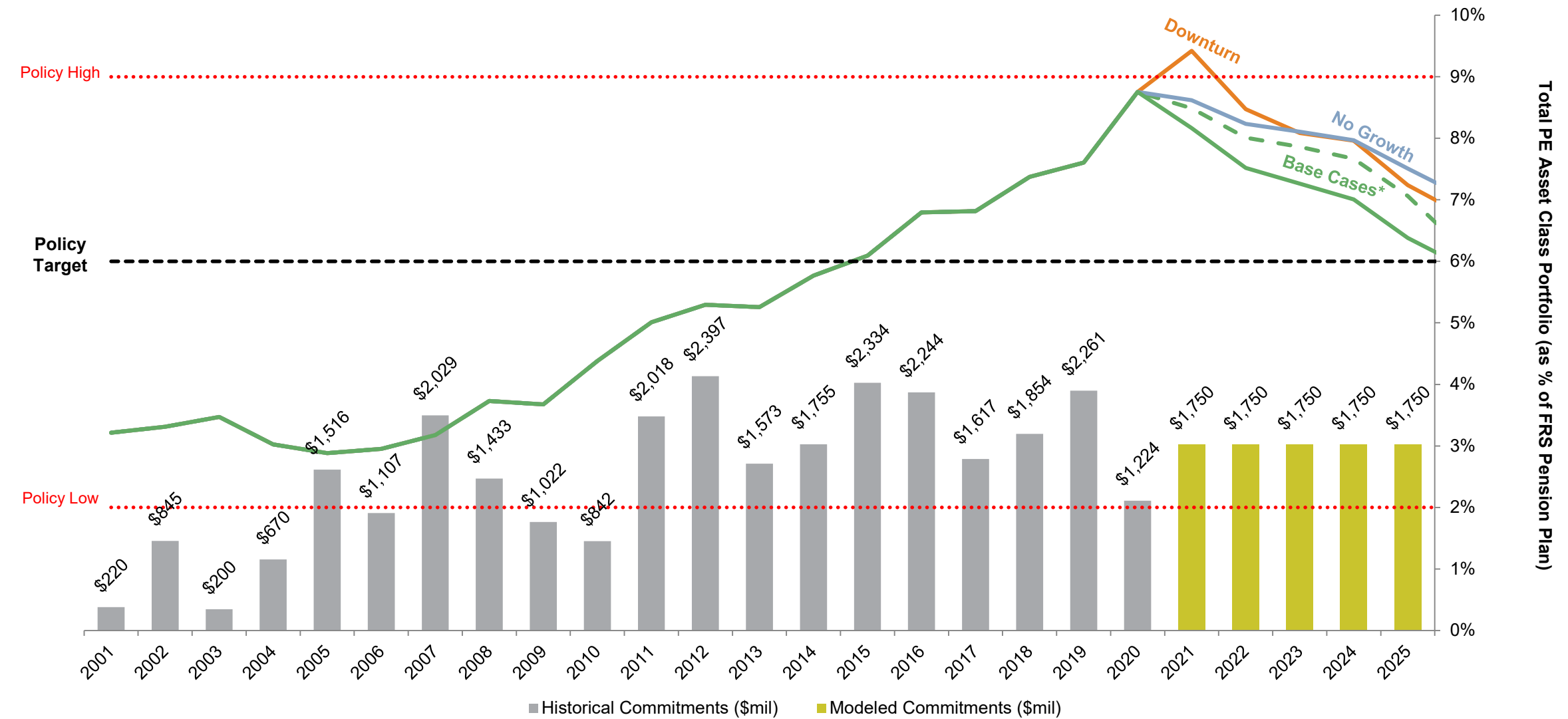


- The PE Portfolio’s NAV exposure stood at ~8.7% of FRS total assets, above the 6% target allocation, due to strong NAV growth.



Total PE Asset Class Portfolio:
Exposure Modeling

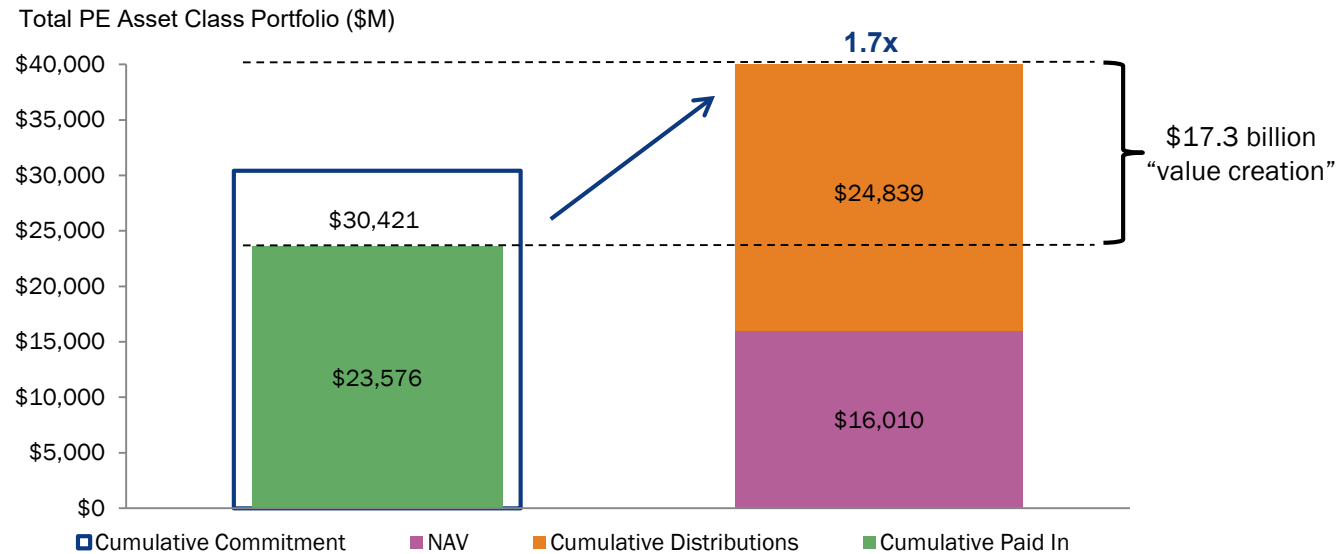
\$1.75 billion Pacing



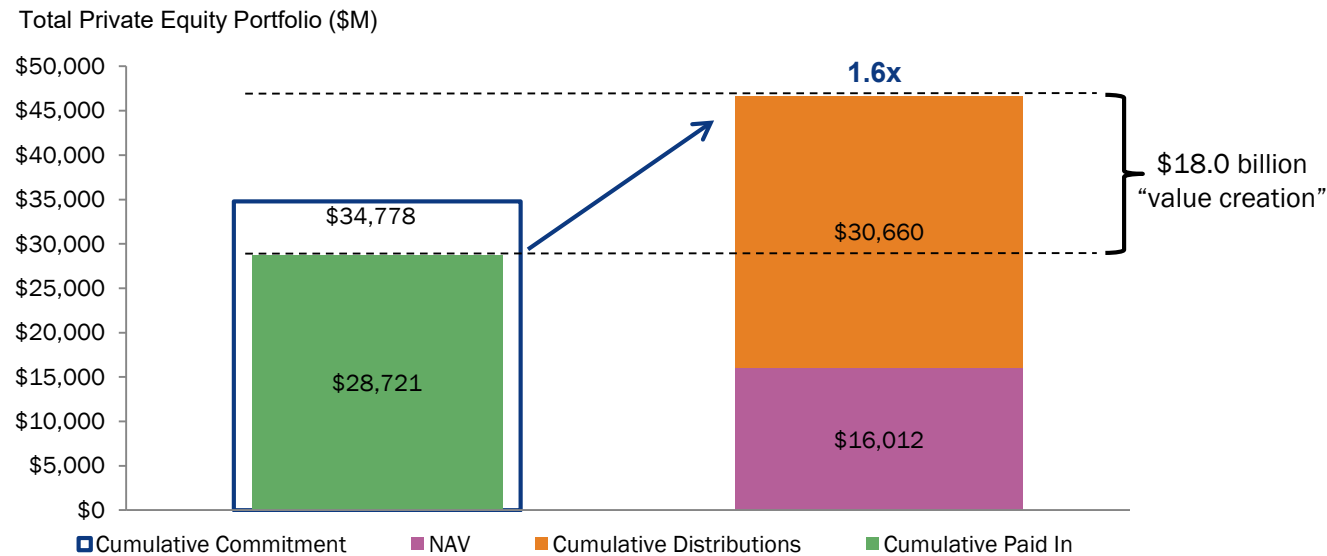
Notes:
*Base Cases represent two similar scenarios: (i) CA equilibrium assumptions (solid green line) and (ii) CA equilibrium assumptions with a modestly decreased annual distribution rate for a slightly more conservative outlook (dotted green line).
Assumptions used in C|A's private equity exposure modeling are proprietary. Estimates provided by the modeling are illustrative only (not predictive) and intended to help guide (not strictly determine) commitment pacing decisions. Historical data as of December 31, 2020. Historical commitments represent commitments made as of legal inception date. Subsequent commitments made in Q1 2021 are not included in the analysis.
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FSBA Private Equity Program Status

As of December 31, 2020



- Since the PE Asset Class Portfolio's inception, \$30.4 billion has been committed to 292 funds.
- Managers have called ~77% of commitments (\$23.6 billion) and distributed \$24.8 billion, representing a D/PI (Distributions to Paid In) ratio of 1.05x.
- The portfolio has seen strong "value creation" in the form of distributions and NAV in excess of paid in capital. Since inception, the PE Asset Class Portfolio has generated \$17.3 billion of value.



- Since inception, the Total PE Portfolio has committed \$34.8 billion to 324 funds.
- Managers have called ~83% of total commitments, or \$28.7 billion, and distributed \$30.7 billion, for a DPI of 1.07x.
- Since inception, the total program has created \$18.0 billion of "value".



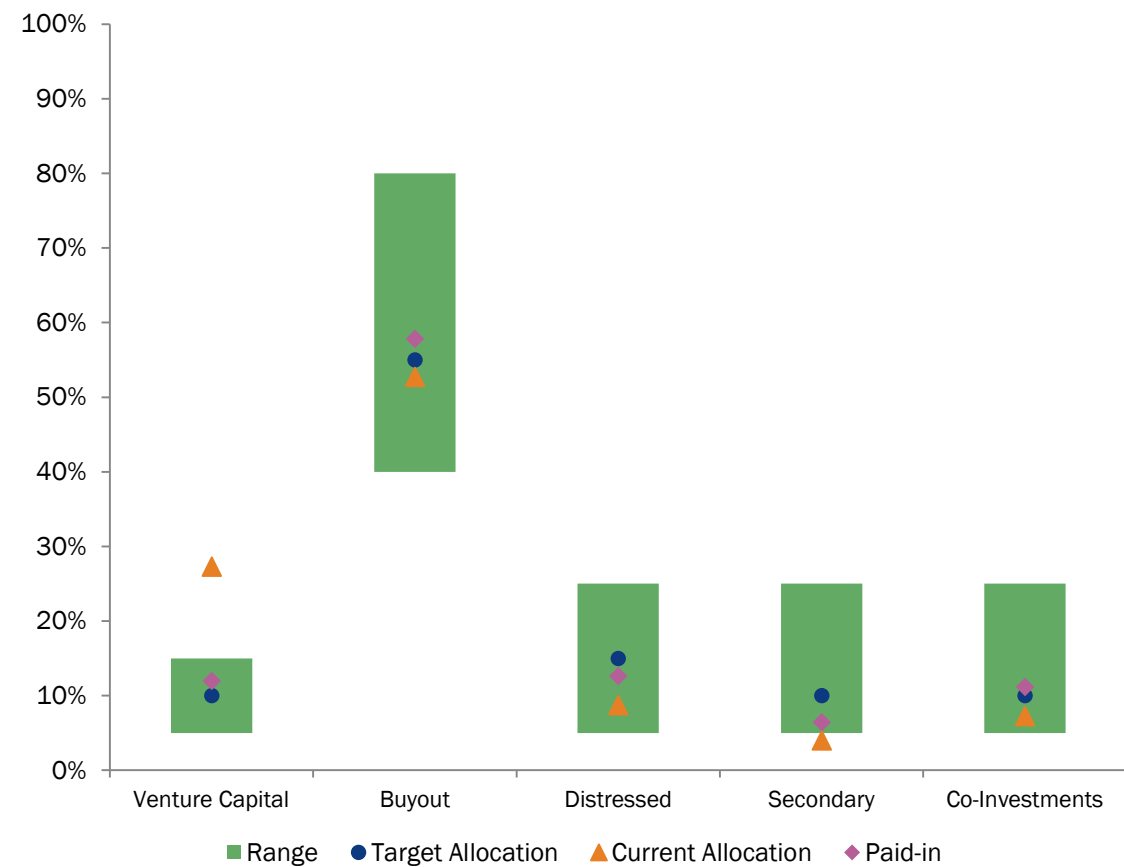
Note: Data provided by Cambridge Associates LLC as of December 31, 2020. Data includes subsequent commitments through 3/31/2021. NAV and Unfunded Commitments exclude funds sold on the secondary market. Current allocations are on a NAV basis.
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Total PE Asset Class Portfolio Exposure
by Sub Asset Class vs. Targets

As of December 31, 2020

- Venture Capital allocation is currently above the upper boundary of the FSBA’s policy range driven by strong NAV growth; however, on a paid in capital basis, the allocation is well within targets
- Distressed, Secondaries and Co-Investments are all at the lower end of the policy ranges

STRATEGY ALLOCATIONS VS. TARGETS



TOTAL FRS TARGET AND RANGE

	Current Allocation	Target Allocation	Policy Low	Policy High
Total PE Asset Class Portfolio	8.7%	6.0%	2.0%	9.0%

SUB-STRATEGY ALLOCATIONS VS. TARGETS

	Current Allocation	Target Allocation	Policy Low	Policy High
Venture Capital	27.3%	10.0%	5.0%	15.0%
Buyout	52.7%	55.0%	40.0%	80.0%
Distressed	8.7%	15.0%	5.0%	25.0%
Secondary	4.0%	10.0%	5.0%	25.0%
Co-investments	7.2%	10.0%	5.0%	25.0%
Total	100.0%	100.0%	---	---

SUB-STRATEGY TOTAL PAID-IN

	Total Paid-In Allocation
Venture Capital	12.0%
Buyout	57.8%
Distressed	12.6%
Secondary	6.4%
Co-Investments	11.2%
Total	100.0%



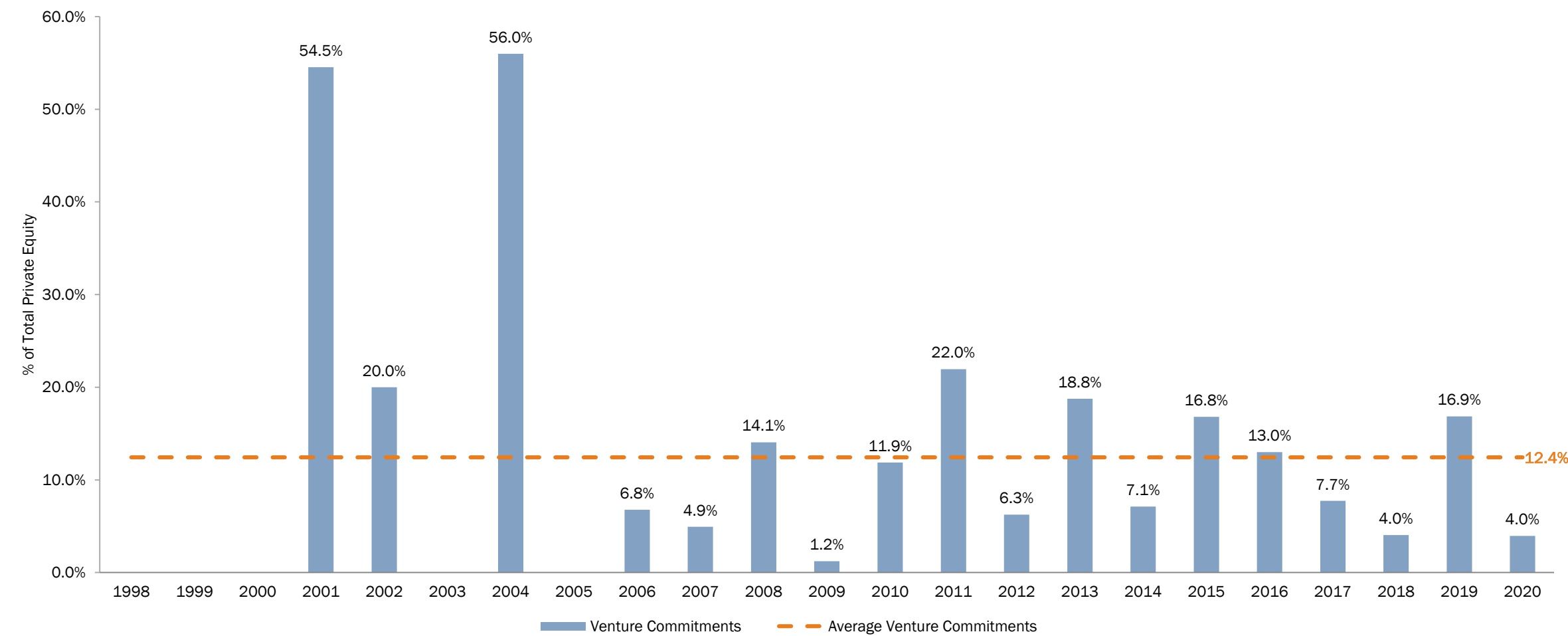
Note: Data provided by Cambridge Associates LLC as of December 31, 2020. Data includes subsequent commitments through 3/31/2021. NAV and Unfunded Commitments exclude funds sold on the secondary market. Current allocations are on a NAV basis.
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Consistent Venture Capital Deployment Over Time

As of December 31, 2020

- Commitments to venture have been relatively stable over the past 10 years averaging 12.4% of total PE commitments since 1998.

ANNUAL VENTURE COMMITMENTS (AS % OF THE TOTAL PE PORTFOLIO)



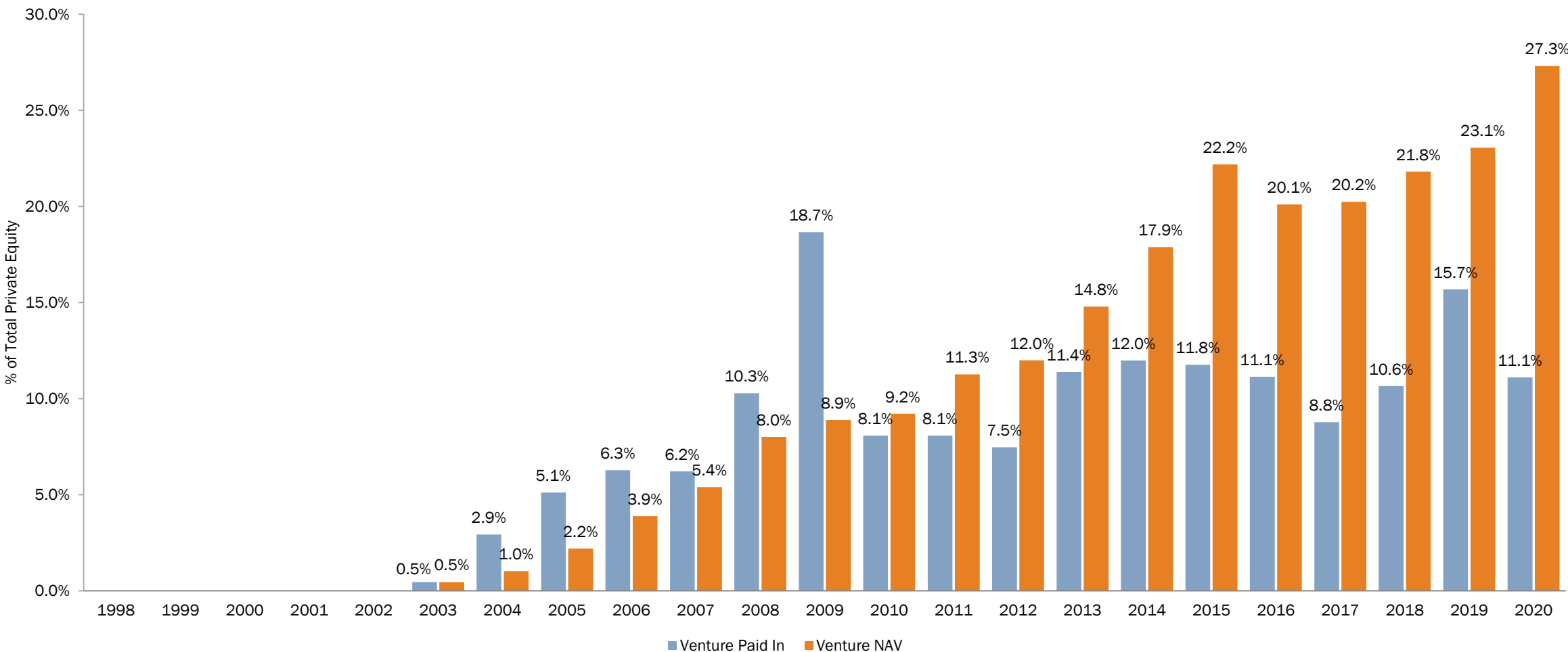
Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. Annual commitments based on legal inception date of underlying funds. Venture Commitments reflect annual commitments to venture capital funds as a percent of the total commitments to FSBA's private equity portfolio. Average Venture Commitments reflects the simple average of FSBA's annual commitments to venture capital funds as a percent of the total private equity portfolio since 1998. Data set excludes subsequent commitments made in 2021.
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VC Investments Since GFC Consistently Strong

As of December 31, 2020

- Since the GFC, FSBA’s venture portfolio has done exceptionally well as shown by the outpacing of NAV compared to paid in commitments as a percent of the total PE portfolio.
- Average annual difference between paid-in capital and NAV for the period of 2015-2020 is 10.9%

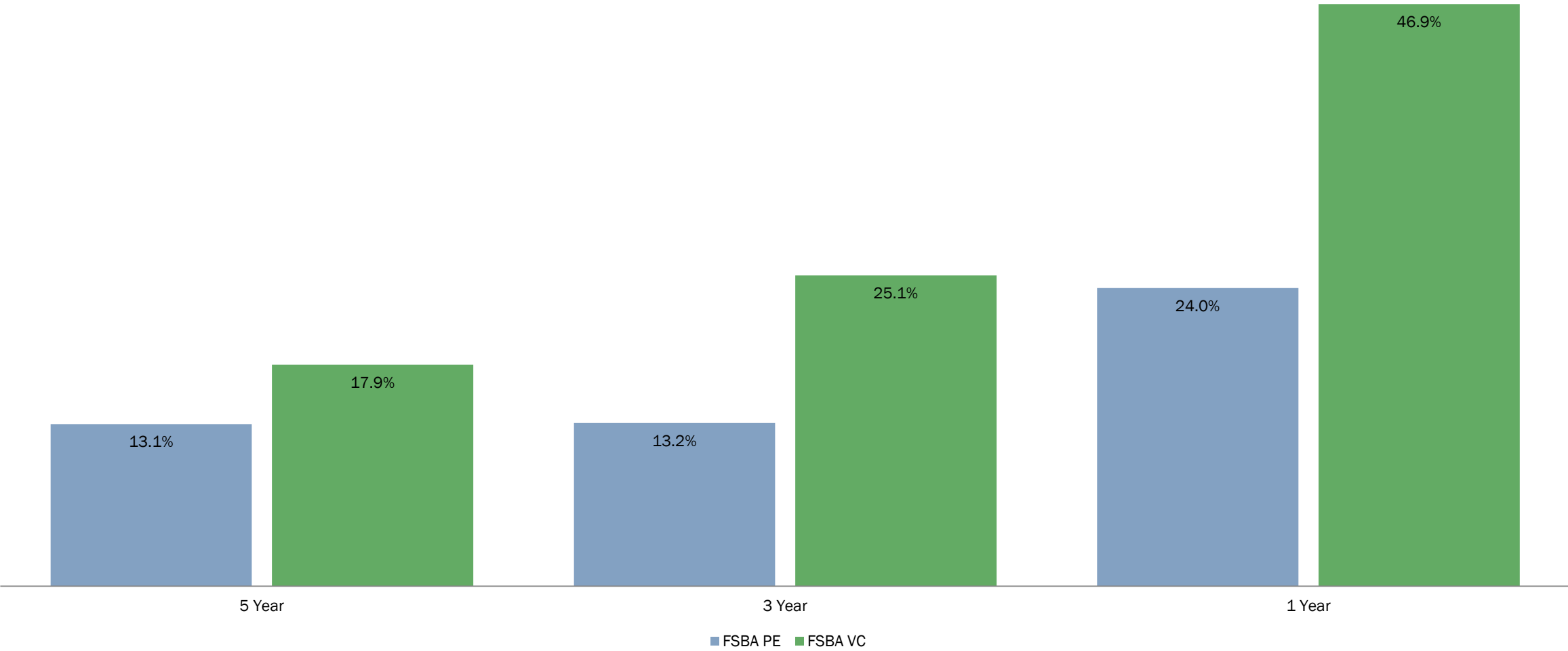
ANNUAL VENTURE PAID IN COMMITMENTS AND NAV (AS % OF THE TOTAL PE PORTFOLIO)



VC NAV Growth Rate Has Outpaced the Overall Portfolio

As of December 31, 2020

COMPOUND ANNUAL NAV GROWTH RATES FOR FSBA'S TOTAL PRIVATE EQUITY PORTFOLIO AND FSBA'S VENTURE PORTFOLIO

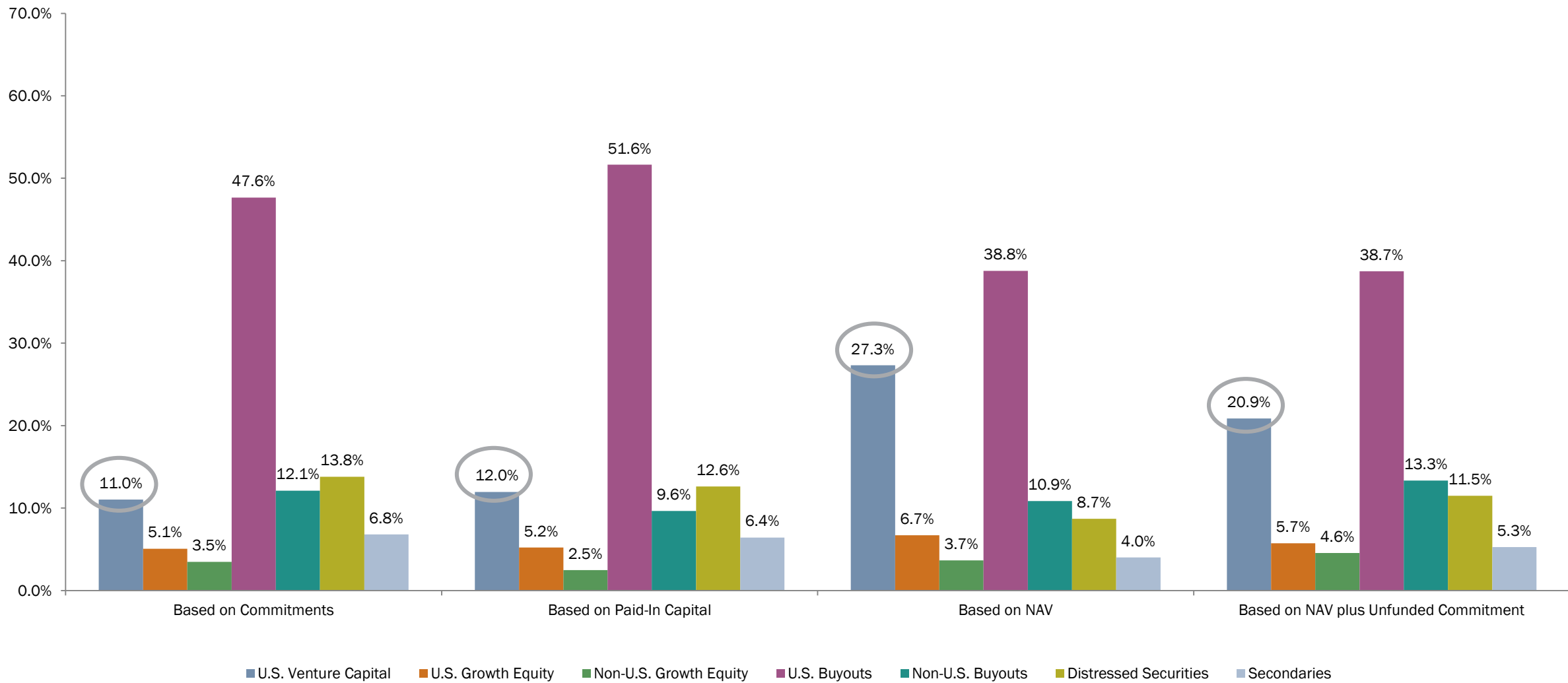


Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. Data reflects secondary sales of assets over time. Data excludes legacy funds. NAV growth rates are calculated on a compounded annual basis. Copyright © 2021 by Cambridge Associates LLC. All rights reserved. Confidential.

Venture Exposure Compared to the Broader PE Portfolio

As of December 31, 2020

■ Based on paid-in capital, venture capital represents ~12% of the portfolio.



Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. Data reflects secondary sales of assets over time. Data excludes legacy funds. Data includes subsequent commitments made in the first quarter of 2021. Copyright © 2021 by Cambridge Associates LLC. All rights reserved. Confidential.

Venture has outperformed in the last 1-3 years

Private Equity and Venture Capital Horizon Pooled Returns
Net to Limited Partners as of December 31, 2020

INDEX	1-YEAR	3-YEAR	5-YEAR	10-YEAR
PRIVATE EQUITY & VENTURE CAPITAL INDEX ¹	32.19	19.88	17.53	14.76
PRIVATE EQUITY INDEX ¹	27.16	17.54	17.07	14.05
BUYOUT INDEX ¹	23.22	15.84	16.52	13.80
GROWTH EQUITY INDEX ¹	39.40	22.71	18.76	15.06
VENTURE CAPITAL INDEX ¹	49.83	28.00	18.98	17.76
MSCI World Index (net)	15.90	10.54	12.19	9.87
Nasdaq Composite Index*	43.64	23.13	20.81	17.12
Russell 1000® Index	20.96	14.82	15.60	14.01
Russell 2000® Index	19.96	10.25	13.26	11.20
S&P 500 Index	18.40	14.18	15.22	13.88



Notes: Data as of December 31, 2020. The index is a horizon calculation based on data compiled from 4,885 private equity & venture capital funds, including fully liquidated partnerships, formed between 1981 and 2020. ¹ Private indexes are pooled horizon internal rate of return (IRR) calculations, net of fees, expenses, and carried interest. The timing and magnitude of fund cash flows are integral to the IRR performance calculation. Public indexes are average annual compounded return (AACR) calculations which are time weighted measures over the specified time horizon, and are shown for reference and directional purposes only. Due to the fundamental differences between the two calculations, direct comparison of IRRs to AACRs is not recommended.
Sources: Cambridge Associates LLC, Bloomberg Barclays, Dow Jones Indices, Frank Russell Company, MSCI Inc., Standard & Poor's and Thomson Reuters Datastream.
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Venture has been a top 3 performing asset class in 7 of the last 10 years and a top performing asset class in 4 of the last 10 years

ANNUAL RETURN RANKING OF 10 MAJOR ASSET CLASSES, AN EQUAL-WEIGHTED PORTFOLIO, AND THE C&U MEAN RETURN

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD 2020	Asset Class
BEST	C	AR	C	EM	PE	EM	PE	EM	FI	EM	PE	FI	EM	US	VC	VC	US	EM	VC	US	VC	Venture Capital
	VC	RE	FI	GE	EM	PE	EM	C	RE	GE	EM	RE	GE	VC	US	RE	C	GE	PE	GE	FI	Fixed Income
	FI	FI	RE	US	GE	C	GE	PE	AR	US	US	VC	US	GE	FI	PE	PE	PE	RE	VC	PE	Private Equity
	RE	HF	AR	PE	C	RE	VC	EW	VC	HF	VC	PE	PE	PE	RE	AR	EM	US	FI	EM	US	US Equity
	AR	EM	EW	CU	EW	EW	RE	RE	CU	PE	RE	US	CU	CU	PE	US	RE	EW	AR	C	CU	C&U Mean Return
	HF	CU	PE	EW	VC	GE	US	VC	EW	EW	CU	EW	RE	HF	CU	CU	CU	CU	CU	PE	EW	Equal-Weighted Portfolio
	EW	EW	HF	C	RE	CU	CU	CU	HF	CU	EW	CU	EW	EW	EW	FI	EW	VC	EW	CU	AR	Absolute Return
	CU	PE	EM	HF	CU	HF	EW	GE	PE	C	HF	C	HF	RE	HF	GE	HF	HF	US	EW	RE	Real Estate
	PE	US	CU	AR	US	VC	HF	HF	US	VC	C	AR	VC	AR	AR	EW	FI	RE	HF	HF	EM	Emerging Market Equity
	US	GE	GE	RE	HF	US	AR	FI	GE	AR	GE	HF	FI	C	EM	HF	GE	C	GE	FI	HF	L/S Equity Hedge Funds
	GE	C	US	FI	FI	FI	FI	AR	C	FI	FI	GE	AR	EM	GE	EM	VC	FI	C	RE	GE	Global ex US Equity
WORST	EM	VC	VC	VC	AR	AR	C	US	EM	RE	AR	EM	C	FI	C	C	AR	AR	EM	AR	C	Commodities

Sources: Cambridge Associates LLC, Hedge Fund Research, Inc., Intercontinental Exchange Inc., MSCI Inc., National Council of Real Estate Investment Fiduciaries, and Standard & Poor's. MSCI data provided "as is" without any express or implied warranties.

Notes: Private indexes are one-year pooled horizon internal rate of return (IRR) calculations, net of fees, expenses, and carried interest. The timing and magnitude of fund cash flows are integral to the IRR performance calculation. Public indexes are average annual compounded return (AACR) calculations which are time weighted measures over the specified time horizon, and are shown for reference and directional purposes only. Due to the fundamental differences between the two calculations, direct comparison of IRRs to AACRs is not recommended. Total return data for all MSCI indexes are net of dividend taxes. Hedge Fund Research data revise prior five month's data. 2020 data are through September 30.

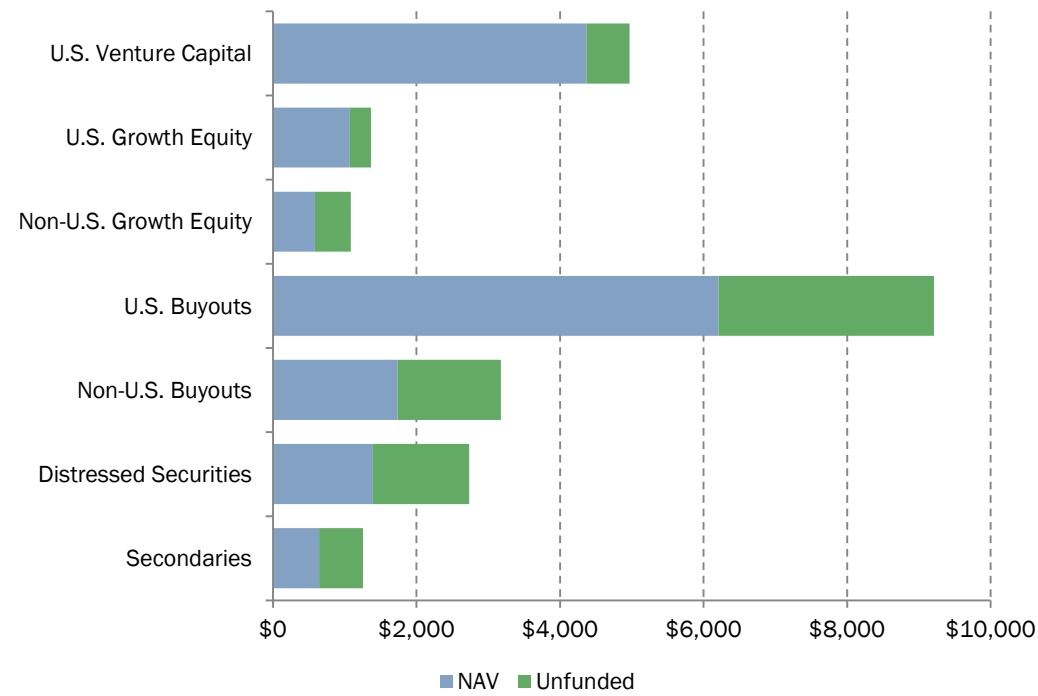
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Total PE Asset Class Portfolio Exposure by Sub Asset Class

As of December 31, 2020

- U.S. (predominantly) and Non-US Buyouts account for more than half of overall unfunded exposure
 - Distressed Securities has meaningful unfunded capital levels as well
- Over the last few years, emphasis has been placed on increasing exposure to Small Buyouts, and Non-U.S. strategies as highlighted by unfunded percent figures below
 - U.S. Growth Equity exposure is expected to decline over time with less 'dry powder' available compared to other private equity asset classes

ASSET CLASS EXPOSURE (\$M)



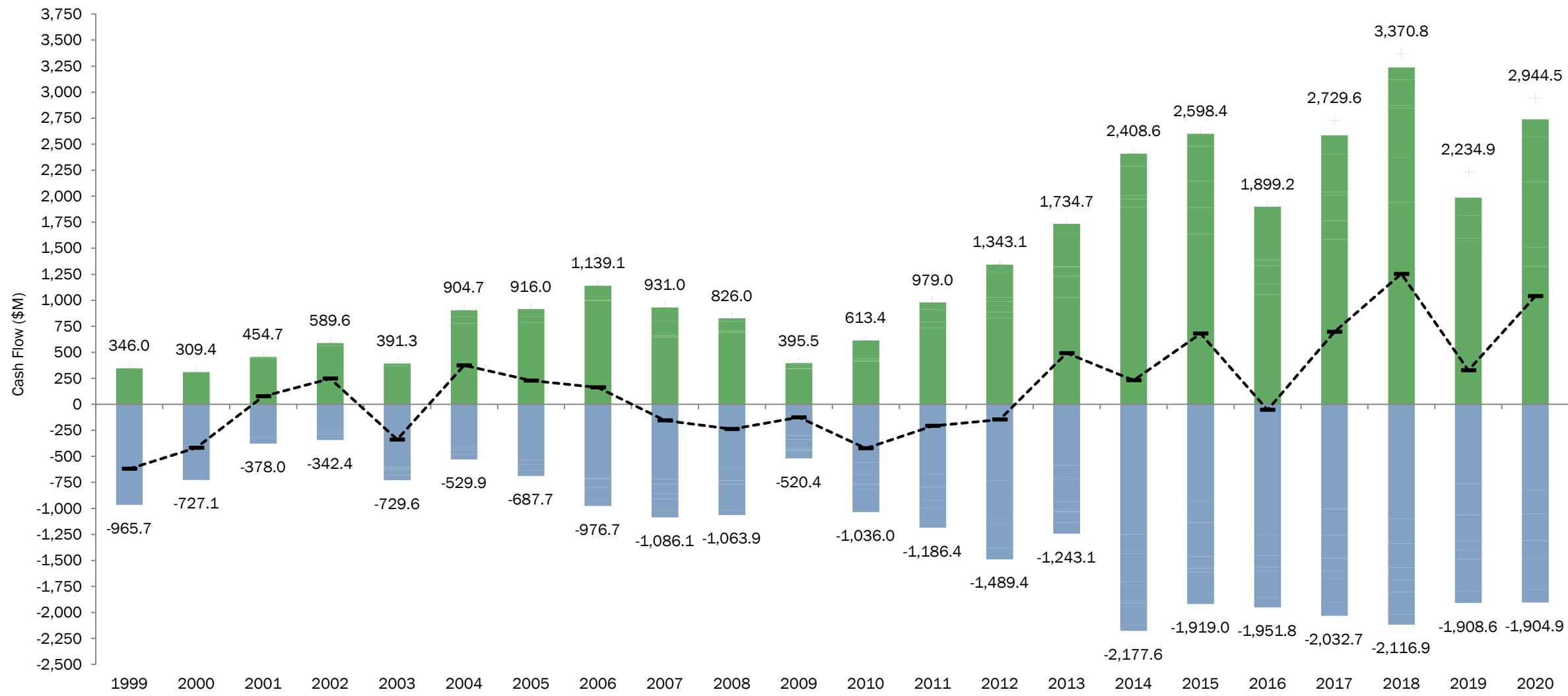
	NAV		Unfunded		Total Exposure	
		%		%		%
U.S. Venture Capital	4,372.3	27.3%	594.7	7.6%	4,966.9	20.9%
U.S. Growth Equity	1,072.4	6.7%	293.2	3.8%	1,365.6	5.7%
Non-U.S. Growth Equity	585.0	3.7%	499.8	6.4%	1,084.8	4.6%
U.S. Buyouts	6,207.2	38.8%	3,003.2	38.6%	9,210.4	38.7%
Non-U.S. Buyouts	1,737.3	10.9%	1,438.7	18.5%	3,175.9	13.3%
Distressed Securities	1,392.7	8.7%	1,340.8	17.2%	2,733.6	11.5%
Secondaries	642.7	4.0%	610.6	7.8%	1,253.3	5.3%
Total PE Asset Class Portfolio	16,009.6	100.0%	7,781.0	100.0%	23,790.6	100.0%



Note: Data provided by Cambridge Associates LLC as of December 31, 2020. Data includes subsequent commitments through 3/31/2021. NAV and Unfunded Commitments exclude funds sold on the secondary market. Current allocations are on a NAV basis.
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Private Equity Cash Flows

As of December 31, 2020



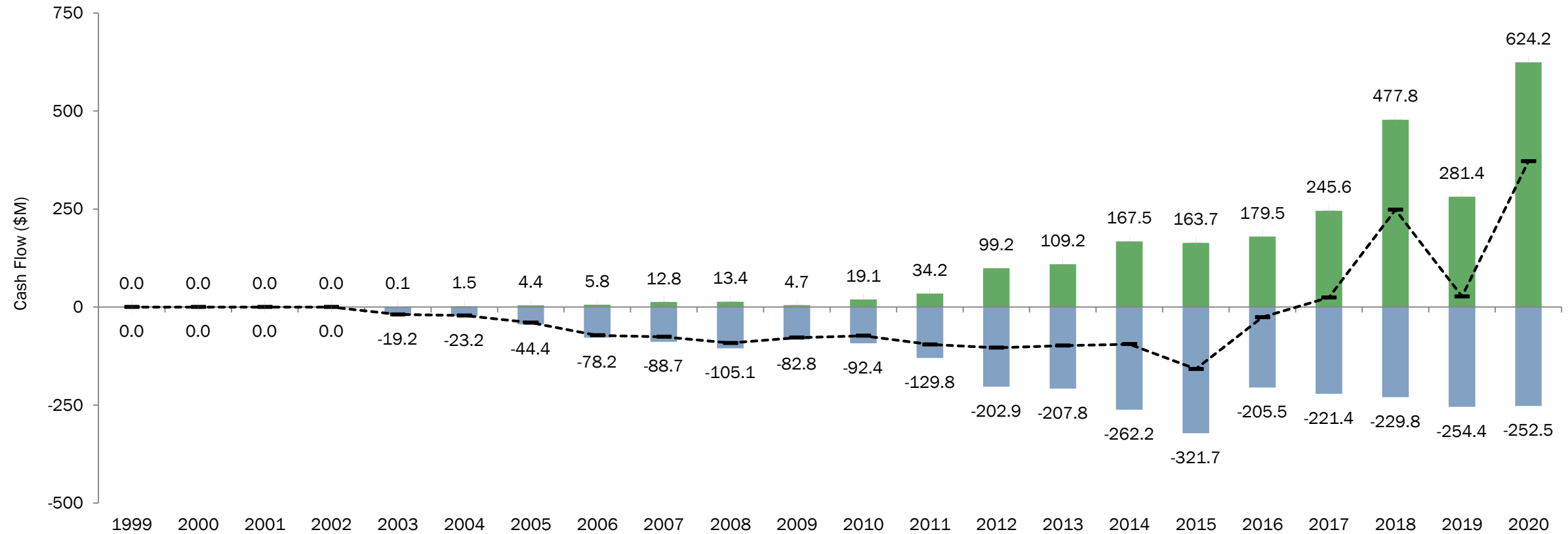
CASH FLOWS (\$M)

YEAR:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NET:	-417.7	76.7	247.2	-338.3	374.8	228.4	162.4	-155.1	-237.9	-124.9	-422.6	-207.4	-146.3	491.7	230.9	679.5	-52.6	696.9	1,254.0	326.3	1,039.6
CUM:	-2,184.7	-2,108.0	-1,860.8	-2,199.1	-1,824.3	-1,596.0	-1,433.5	-1,588.6	-1,826.5	-1,951.4	-2,374.0	-2,581.4	-2,727.7	-2,236.1	-2,005.1	-1,325.7	-1,378.3	-681.4	572.6	898.9	1,938.5

Venture Capital Cash Flows

As of December 31, 2020

- Venture distributions have increased over the last three years, however significant NAV remains to be repaid over time
- Paid in contributions remain fairly steady



CASH FLOWS (\$M)

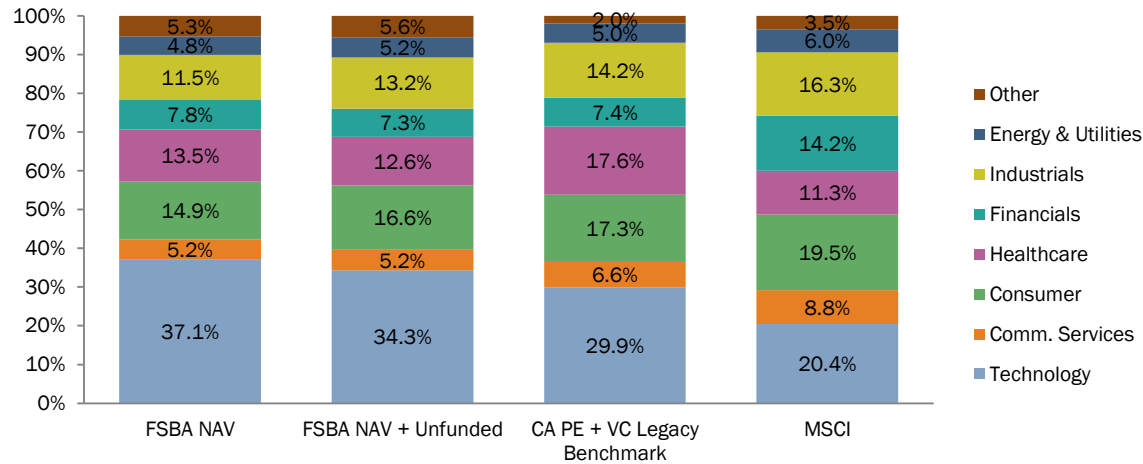
YEAR:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
NET:	-417.7	76.7	247.2	-338.3	374.8	228.4	162.4	-155.1	-237.9	-124.9	-422.6	-207.4	-146.3	491.7	230.9	679.5	-52.6	696.9	1,254.0	326.3	1,039.6
CUM:	0.0	0.0	0.0	-19.1	-40.8	-80.8	-153.1	-229.0	-320.6	-398.7	-472.0	-567.6	-671.4	-770.0	-864.6	-1,022.7	-1,048.7	-1,024.5	-776.5	-749.5	-377.7

Note: Data provided by Cambridge Associates LLC as of December 31, 2020. Data includes subsequent commitments through 3/31/2021. This data is based on aggregating cash flows for paid-in capital and distributions as tracked by C|A. Unfunded capital amounts may not match C|A performance reports due to fees, recallable distributions, and secondary sale transactions.
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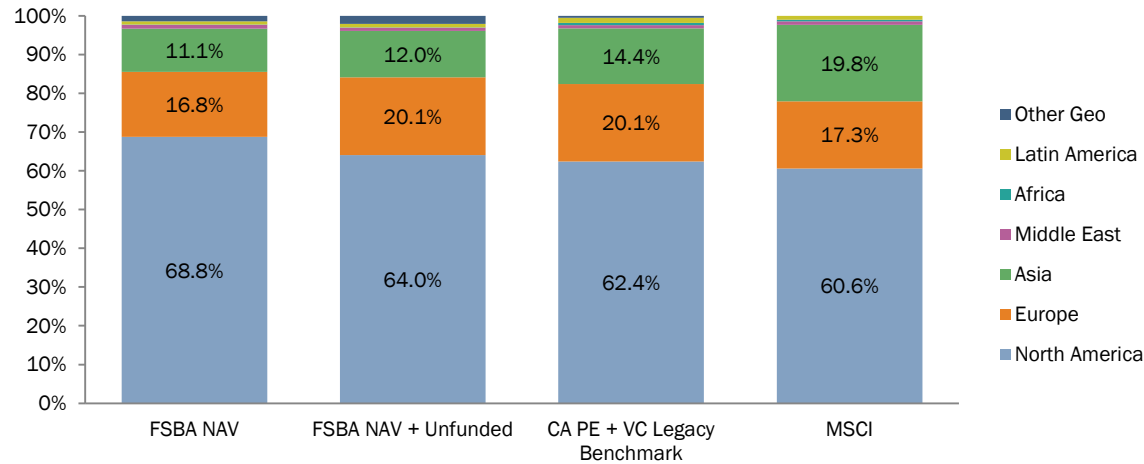
Total Portfolio Snapshot

FSBA's portfolio shows notable overweight allocations to technology and buyout investments, and underweight allocation to healthcare investments, Asia exposure, and late stage/growth investments.

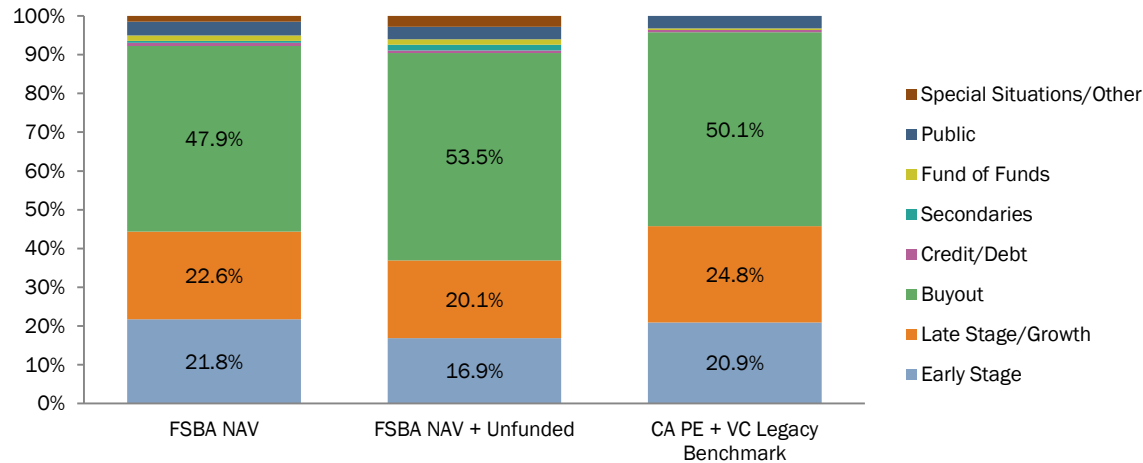
PORTFOLIO EXPOSURES BY SECTOR



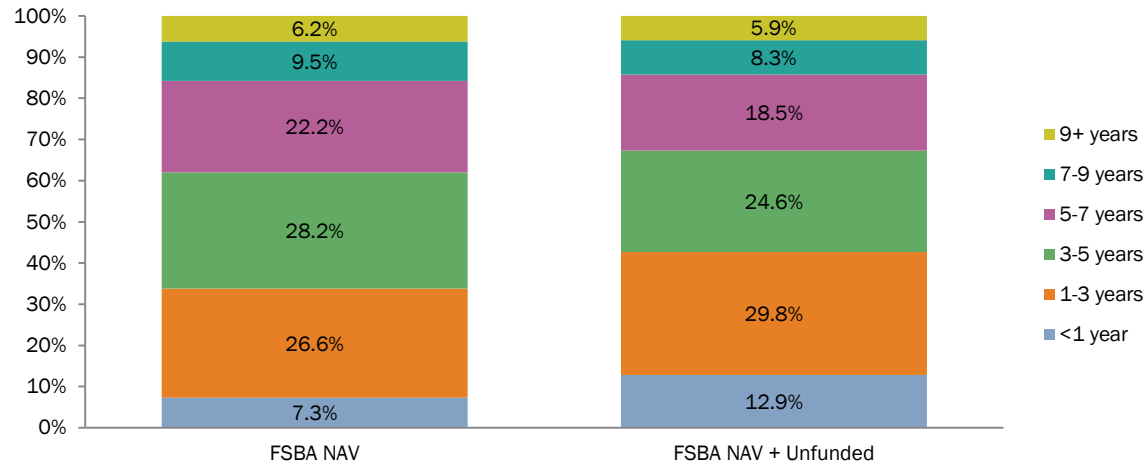
PORTFOLIO EXPOSURES BY GEOGRAPHY



PORTFOLIO EXPOSURES BY STAGE



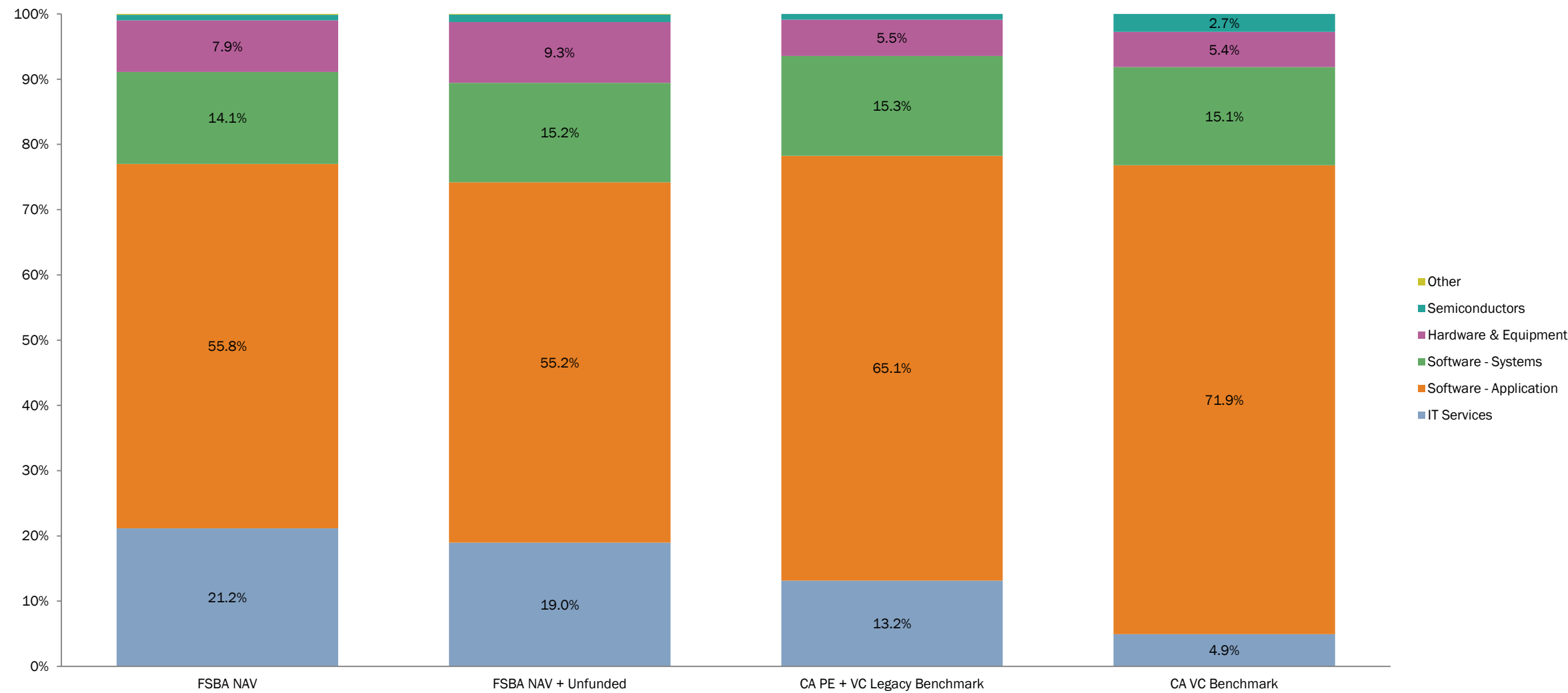
PORTFOLIO EXPOSURES BY AGE



Sources: Cambridge Associates LLC, Asia Alternatives Management, Fairview Capital Partners, SVB Capital, TrueBridge Capital Partners, Grove Street Advisors, Lexington Capital Partners, Tiger Iron Capital, and RCP Advisors.
Notes: Data as of December 31, 2020 and includes subsequent commitments through March 31, 2021. Exposures are based on a combination of CA and I-Level reported investment-level data, and manager reported data. Exposure data for fund of funds and co-investments are reported at the fund level. Funds with uncalled capital and subsequent commitments have exposure assumptions based off the most recent CA fund underwriting. These exposures are reflected in the 'FSBA NAV + Unfunded' column. CA Benchmark represents Global Private Equity and Venture Capital and includes legacy asset classes Subordinated Capital and Private Equity Energy.
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Technology exposure primarily focused in software

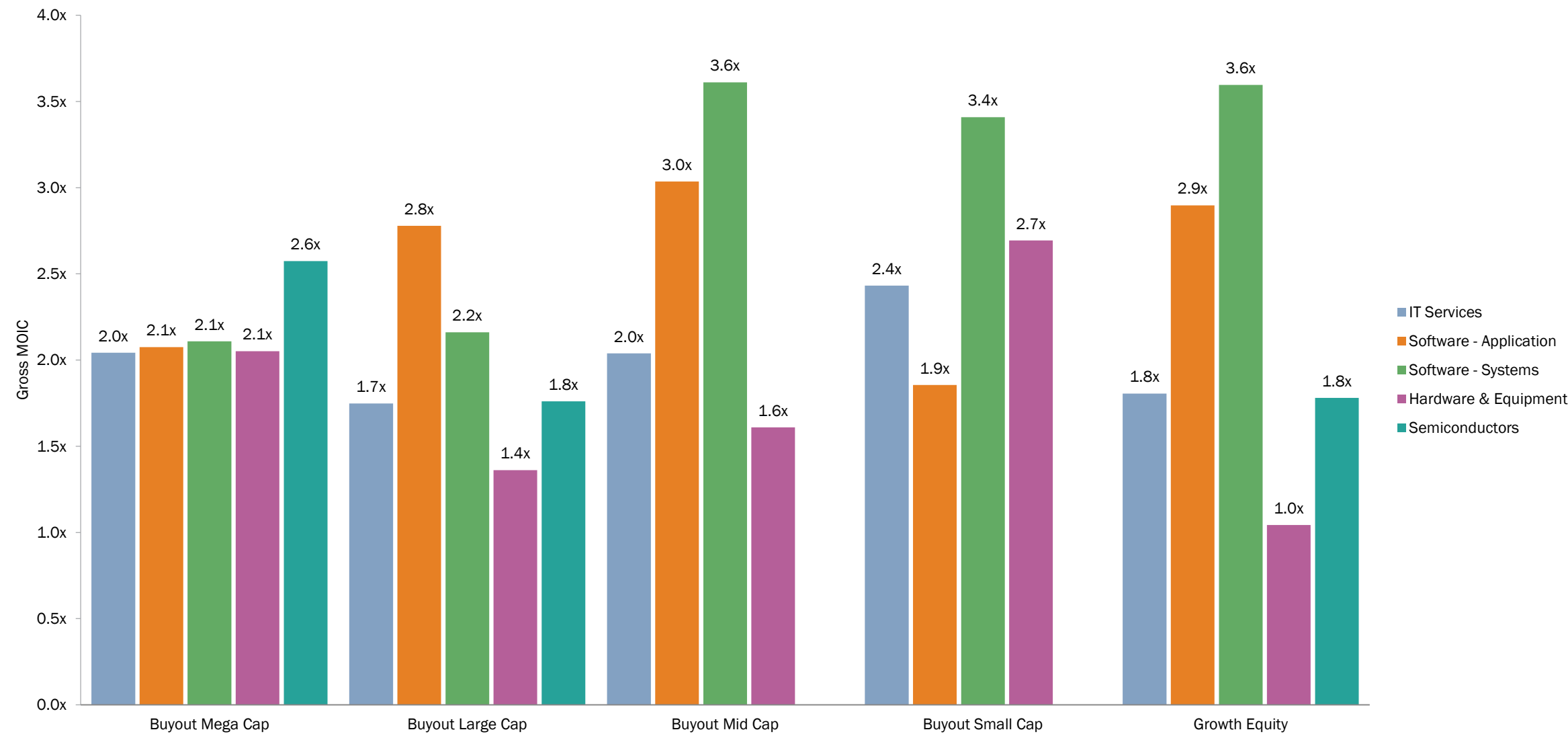
TOTAL PORTFOLIO



Sources: Cambridge Associates LLC, Asia Alternatives Management, Fairview Capital Partners, SVB Capital, TrueBridge Capital Partners, Grove Street Advisors, Lexington Capital Partners, Tiger Iron Capital, and RCP Advisors.
Notes: Data as of September 30, 2020 and includes subsequent commitments through March 31, 2021. Exposures are based on a combination of CA and I-Level reported investment-level data, and manager reported data. Exposure data for fund of funds and co-investments are reported at the fund level. Funds with uncalled capital and subsequent commitments have exposure assumptions based off the most recent CA fund underwriting. These exposures are reflected in the 'FSBA NAV + Unfunded' column. CA Benchmark represents Global Private Equity and Venture Capital and includes legacy asset classes Subordinated Capital and Private Equity Energy.
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Technology Performance by Size

Software investments in growth equity and small/mid cap have performed very well

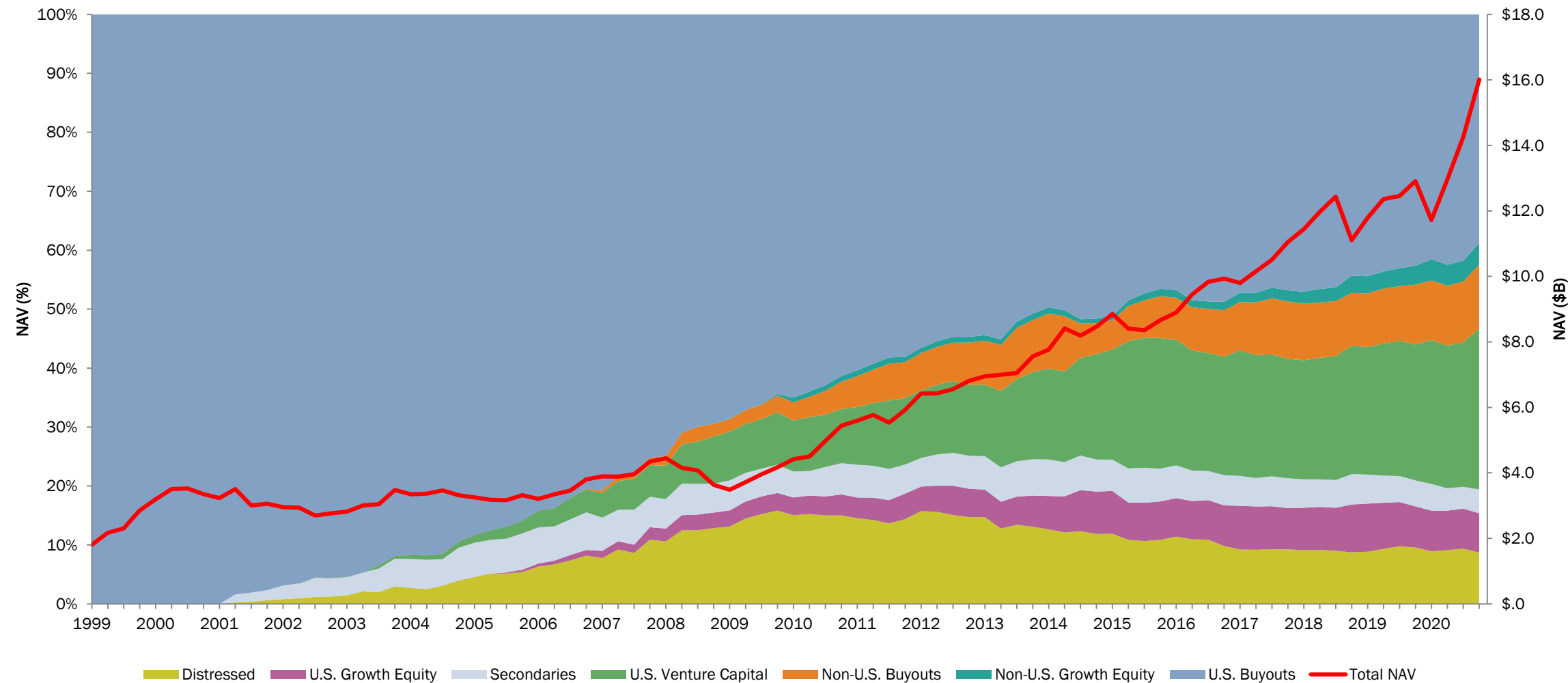


Sources: Cambridge Associates LLC
Notes: Data as of September 30, 2020. Exposures are based on I-Level reported investment-level data. Exposures based on available investment-level data. Data represents 56.7% of total NAV reported at the investment-level. Data excludes funds sold on the secondary market or are deemed legacy investments. Data excludes FoF, co-investment, and secondary fund exposures. Data labels show gross investment multiples of investments since inception. Size classifications are determined at the fund level. Performance is gross at the investment level since inception.
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Increasingly Diversified Across Sub-Asset Classes

As NAV has grown over the past five years, portfolio has become increasingly diversified by geography and asset class.

FSBA's PI Asset Allocation by NAV Over Time
As at December 31, 2020. Calculated in USD.



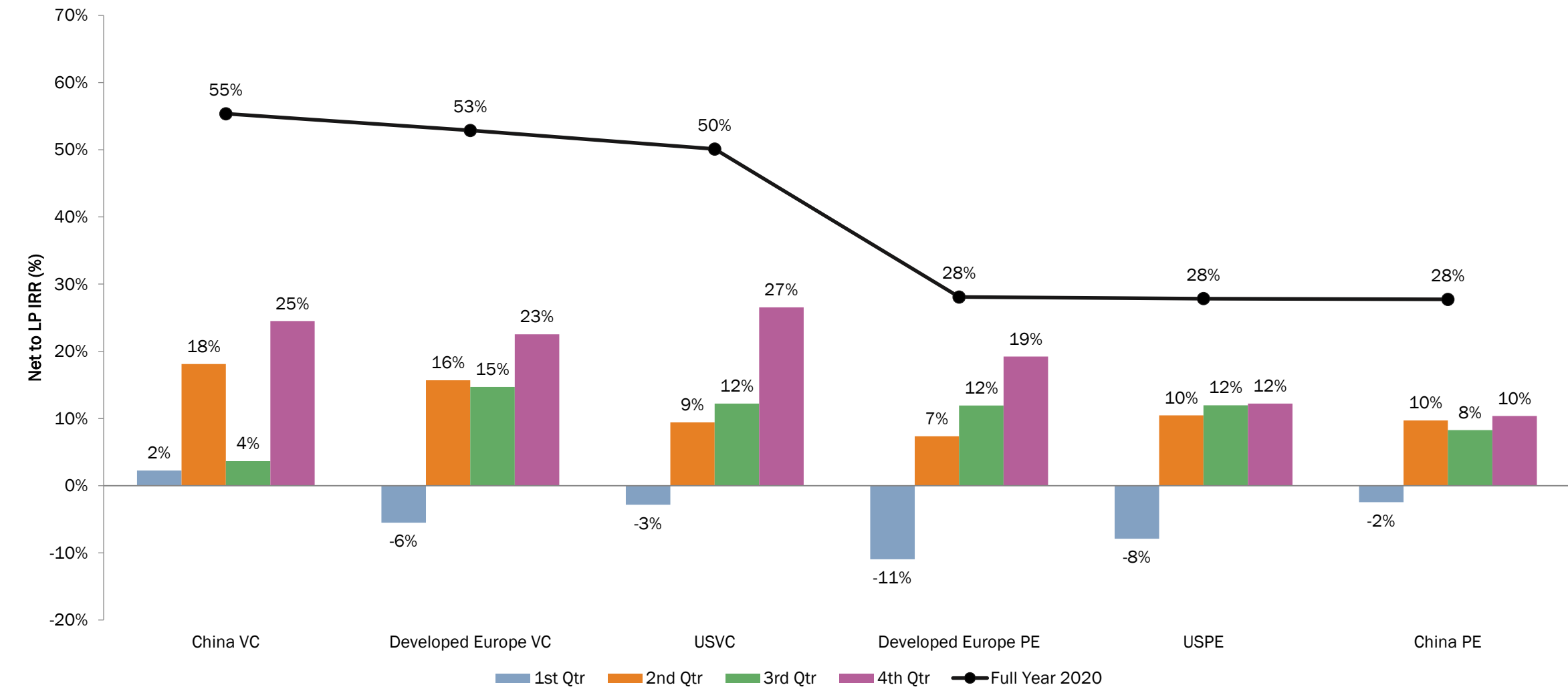
Notes: Data provided by Cambridge Associates LLC as of December 31, 2020. The drop in 2018 was due to a secondary sale of assets. Data excludes funds sold on the secondary market. Current NAV is at \$16.0 billion.
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CURRENT MARKET ENVIRONMENT



Globally, it was a very good year for venture

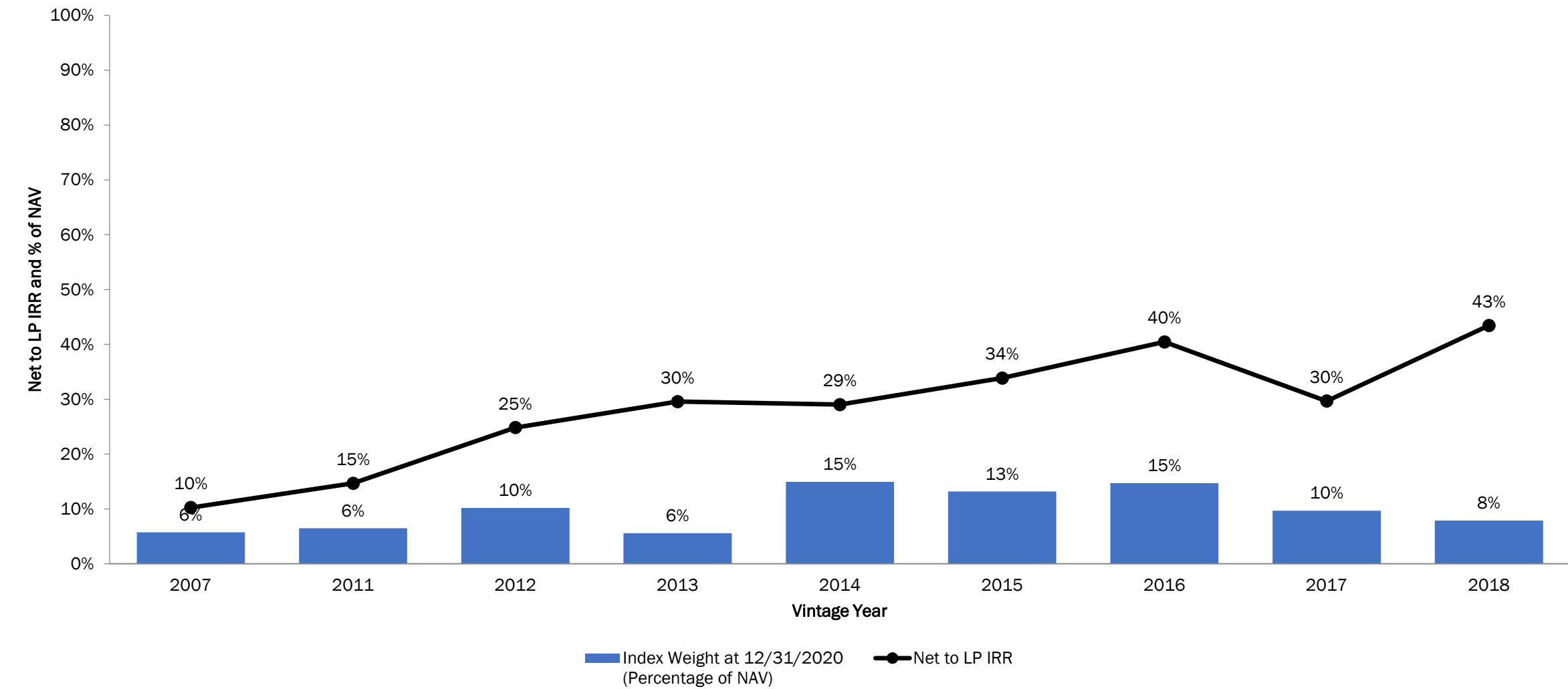
PRIVATE EQUITY AND VENTURE CAPITAL: NET PERIODIC RATES OF RETURN BY REGION
January 1, 2020 - December 31, 2020 • USD terms



Source: Cambridge Associates LLC.
Notes: Pooled private investment periodic returns are net of fees, expenses and carried interest. Private equity includes buyout and growth equity funds.
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In USPE, more recent vintages were stronger performers in 2020

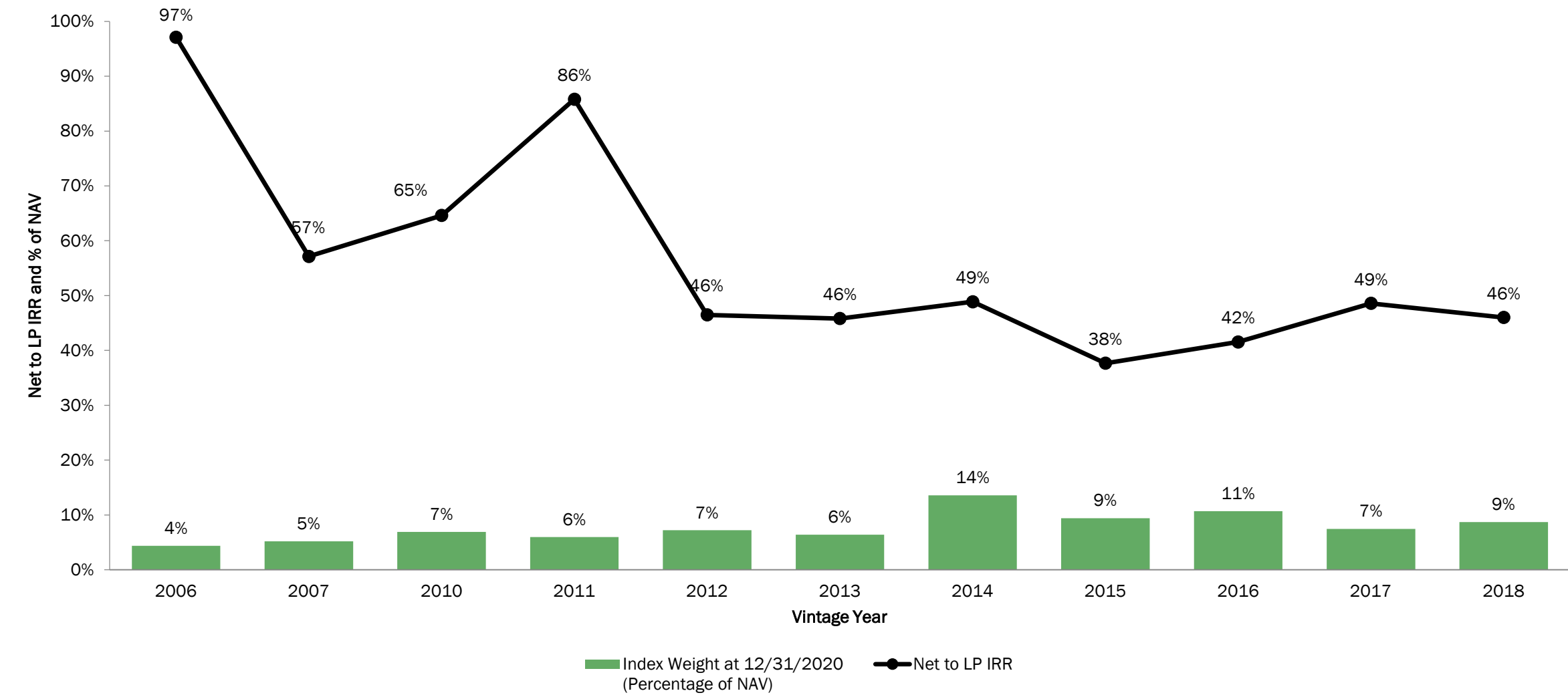
US PRIVATE EQUITY: 2020 RETURNS BY VINTAGE YEAR
As of December 31, 2020



Source: Cambridge Associates LLC.
Notes: Pooled private investment periodic returns are net of fees, expenses, and carried interest. Vintage years that accounted for less than four percent of Cambridge Associates' US private equity index based on net asset value at December 31, 2020 have been excluded from this analysis.
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In USVC, mature vintages were significant drivers of performance in 2020

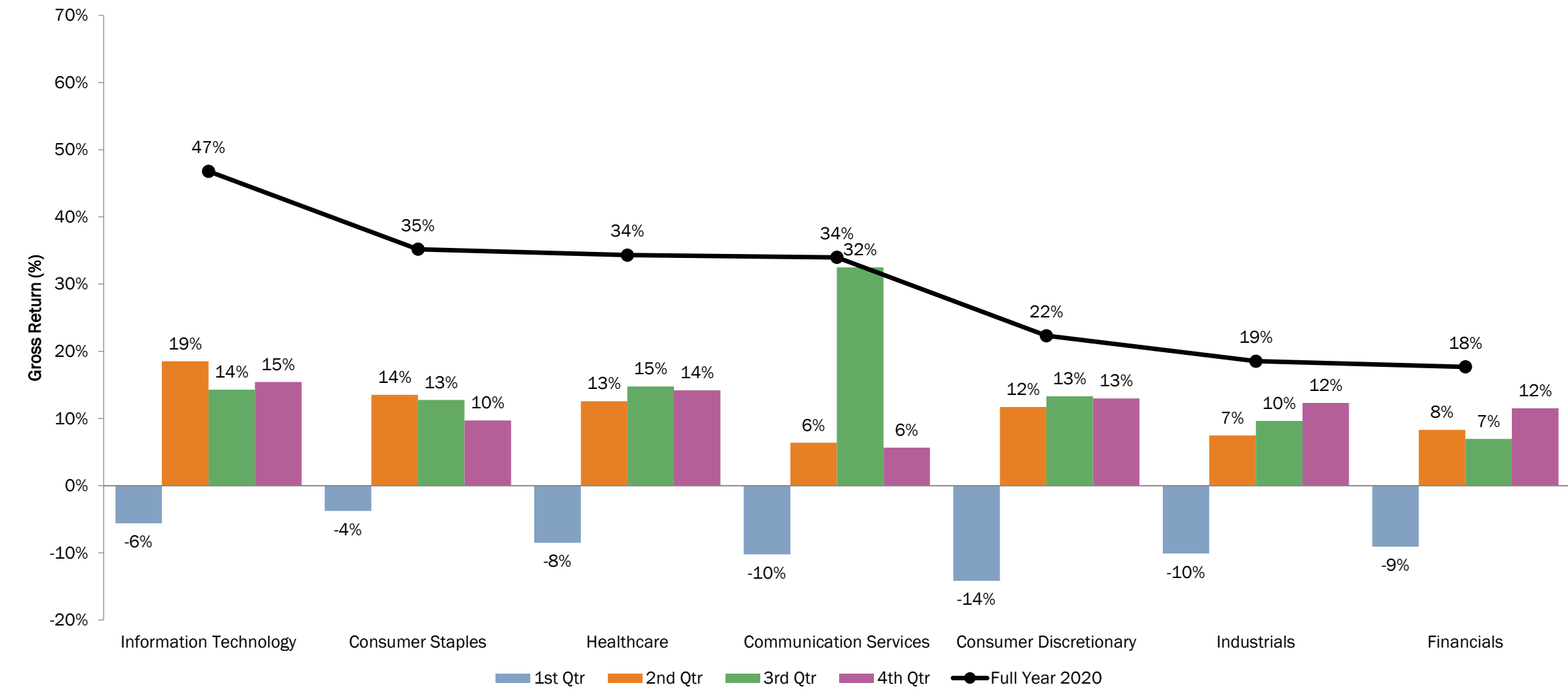
US VENTURE CAPITAL: 2020 RETURNS BY VINTAGE YEAR
As of December 31, 2020



Source: Cambridge Associates LLC.
Notes: Pooled private investment periodic returns are net of fees, expenses, and carried interest. Vintage years that accounted for less than four percent of Cambridge Associates' US venture capital index based on net asset value at December 31, 2020 have been excluded from this analysis.
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In USPE, the results are in. It's IT by a mile...

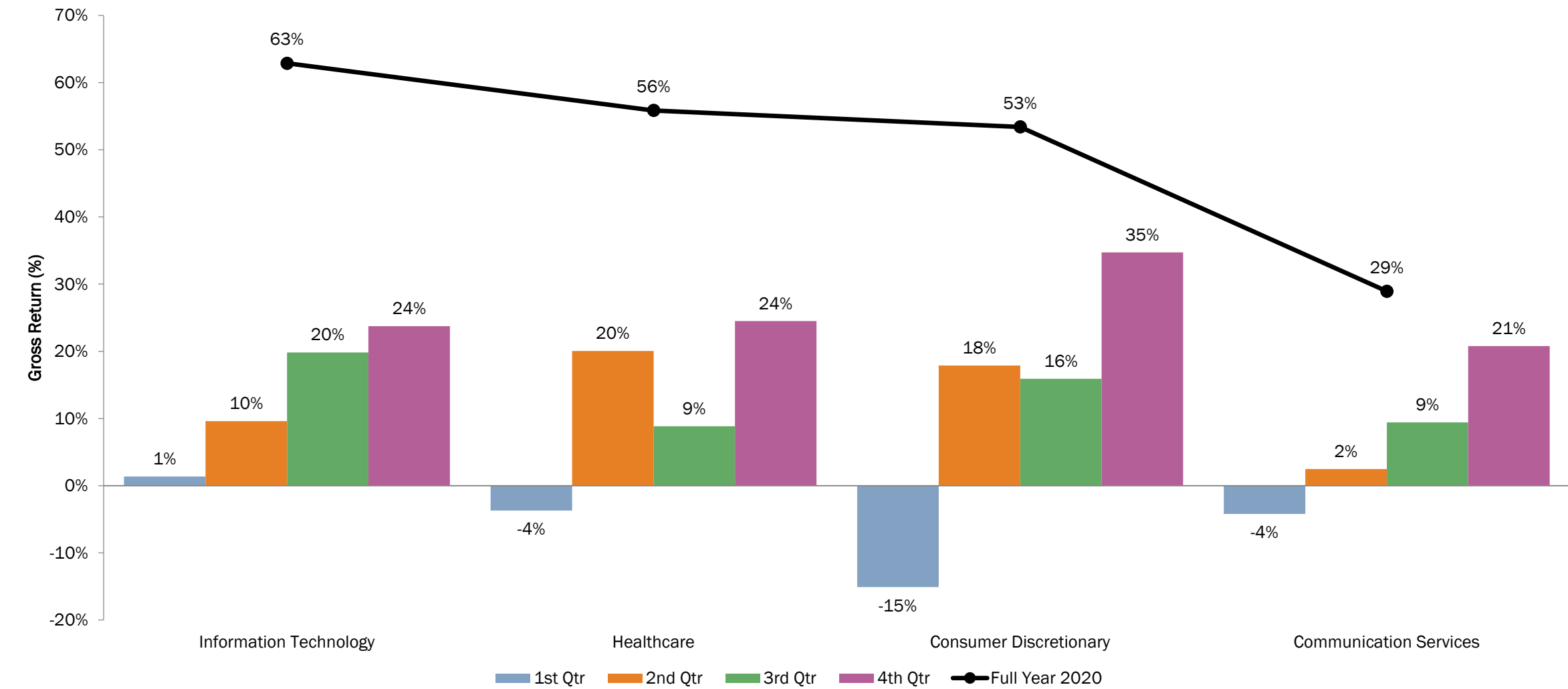
US PRIVATE EQUITY: GROSS PERIODIC RATES OF RETURN BY GICS SECTOR
January 1, 2020 – December 31, 2020



Source: Cambridge Associates LLC Private Investments Database.
Notes: Pooled private investment periodic returns are gross of fees, expenses and carried interest. Private equity includes investments made by buyout and growth equity funds.
The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC.
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In USVC, three sectors posted returns higher than 50% for the year

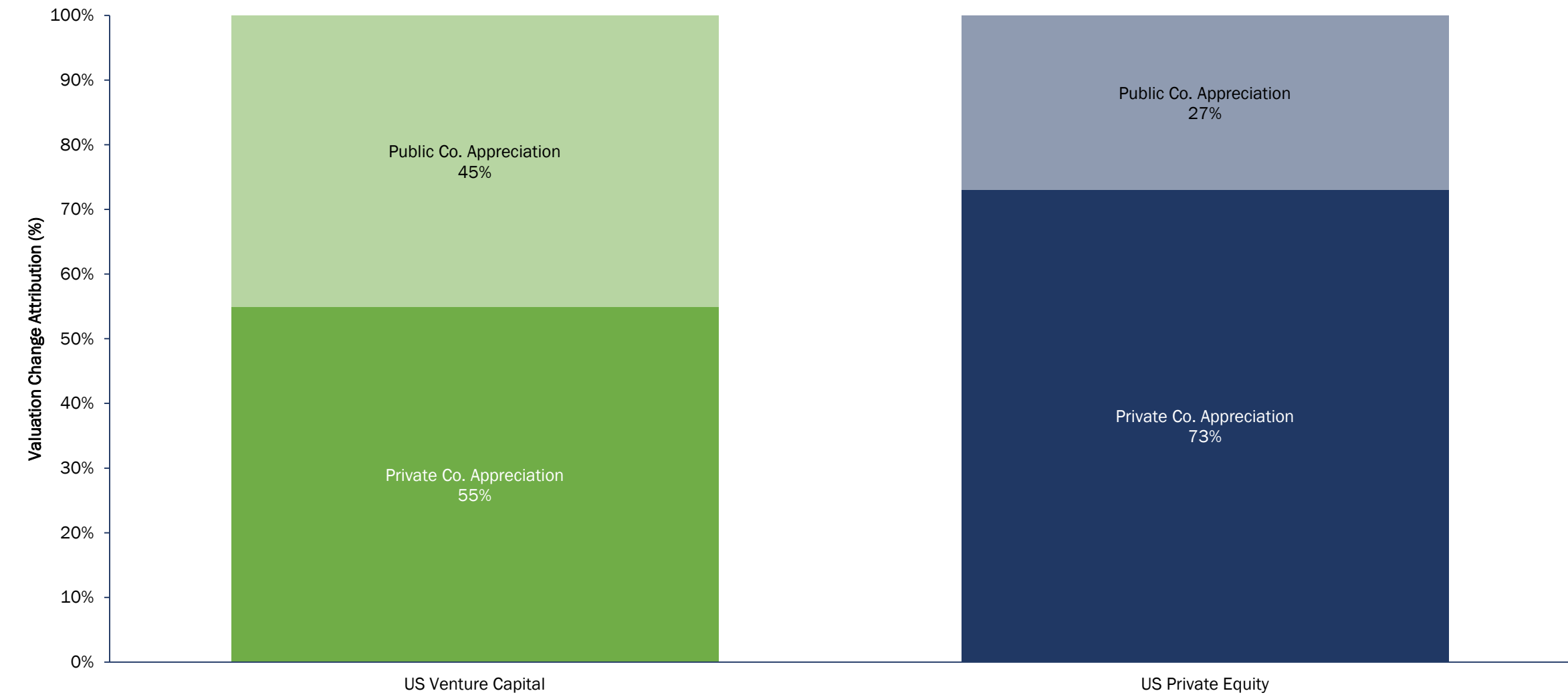
US VENTURE CAPITAL: GROSS PERIODIC RATES OF RETURN BY GICS SECTOR
January 1, 2020 – December 31, 2020



Source: Cambridge Associates LLC.
Notes: Pooled private investment periodic returns are gross of fees, expenses and carried interest. The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a service mark of MSCI Inc. and S&P Global Market Intelligence LLC and is licensed for use by Cambridge Associates LLC.
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Companies that were public as of year-end played a key role in 2020 performance

US PRIVATE EQUITY AND VENTURE CAPITAL: COMPANY-LEVEL NET VALUATION CHANGE
As of December 31, 2020 • Calendar Year 2020



Source: Cambridge Associates LLC.
Notes: Data represent the net appreciation change in 2020 for companies in the US private equity and US venture capital indices. The “public appreciation” includes companies that were public as of December 31, 2020. The private equity sample includes investments made by buyout and growth equity funds.
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FRS INVESTMENT PLAN and MyFRS FINANCIAL GUIDANCE PROGRAM



FRS INVESTMENT PLAN REVIEW

Office of Defined Contribution Programs

Daniel Beard, Chief of Defined Contribution Programs

Mini Watson, Director of Administration

Walter Kelleher, Director of Educational Services

Investment Advisory Council Meeting

June 2021

FLORIDA RETIREMENT SYSTEM (FRS) PENSION PLAN AND INVESTMENT PLAN

- The State of Florida offers its public employees the option of participating in one of two retirement plans.

Traditional Defined Benefit Plan

- Funded by mandatory employer and employee contributions
- Has been in existence since 1970
- Assets: \$189 B (as of 3/31/21)

401(a) Defined Contribution Plan

- Funded by mandatory employer and employee contributions
- Has been in existence since July 2002
- Assets: \$14 B (as of 3/31/21)

PENSION PLAN AND INVESTMENT PLAN

- New employees, at the time of hire, make an initial choice to enroll in one of the two Plans – the Pension Plan or Investment Plan.
- The Division of Retirement within the Department of Management Services is responsible for the day-to-day administration of the Pension Plan.
- The State Board of Administration (SBA) is responsible for the day-to-day administration of the Investment Plan.
 - All major components – recordkeeping, custodian services, benefit payments are outsourced as mandated by Florida Statutes.

GOVERNANCE

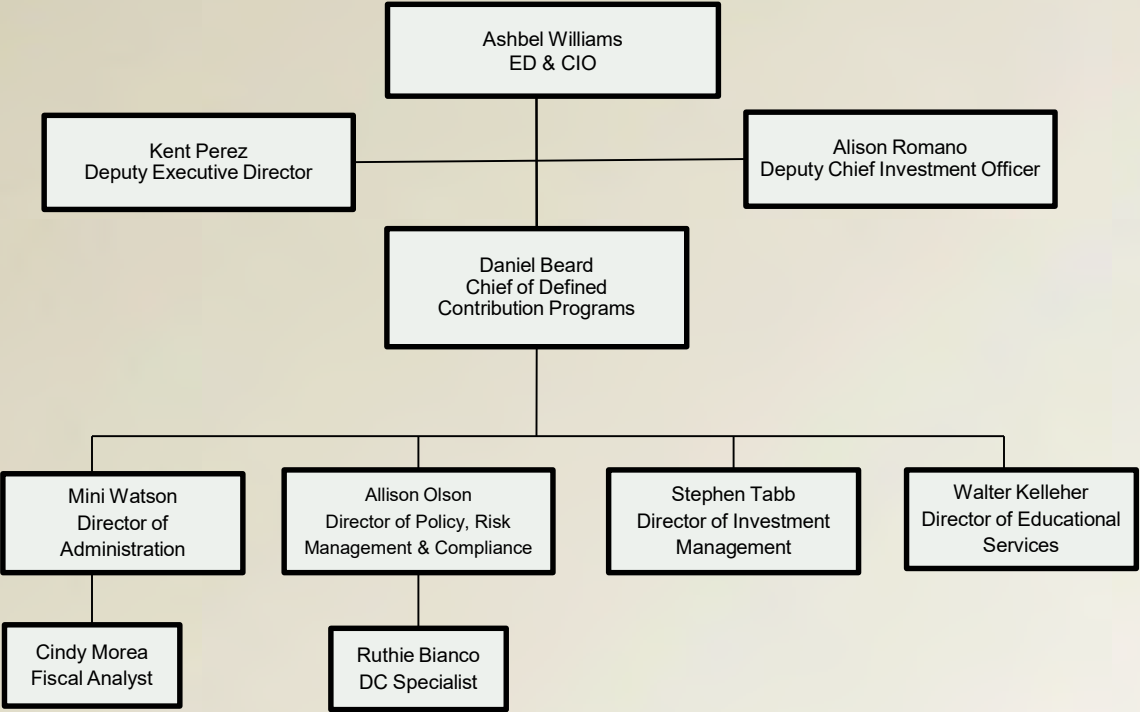
- Section 121.4501 – Florida Legislature passed legislation in 2000 mandating the establishment of a defined contribution plan under the FRS. It also included provisions for an educational component for ALL FRS employees.
 - Directed that the State Board of Administration Trustees (Trustees) would be the responsible governing entity.
- Executive Director & Chief Investment Officer (ED & CIO)
 - Delegated authority by Trustees to oversee the implementation and ongoing oversight of the Investment Plan.
- Deputy Executive Director and Deputy Chief Investment Officer
 - Provide guidance and input on Investment Plan administration and investment funds.

GOVERNANCE

- Chief of Defined Contribution Programs
 - Delegated authority by ED & CIO to oversee the administrative duties and responsibilities for the contract management of all service providers for the Investment Plan and the Financial Guidance Program.
- Investment Advisory Council (IAC)
 - Sections 121.4501(12) and (14) – states role of the IAC to the Investment Plan:
 - Assist the SBA with administering the Investment Plan.
 - May provide comments on recommendations on providers and investment products.
 - Will review any proposed changes to the Investment Policy Statement and present the result of the review to the Trustees.

OFFICE OF DEFINED CONTRIBUTION PROGRAMS

Organizational Chart



FLORIDA RETIREMENT SYSTEM

(as of March 31, 2021)

Participating Employers

- State – 57
- County Agencies – 396
- School Boards – 67
- State Colleges – 28
- Cities – 179
- Independent Hospitals – 2
- Special Districts – 151
- Charter Schools – 93
- Other – 12

985

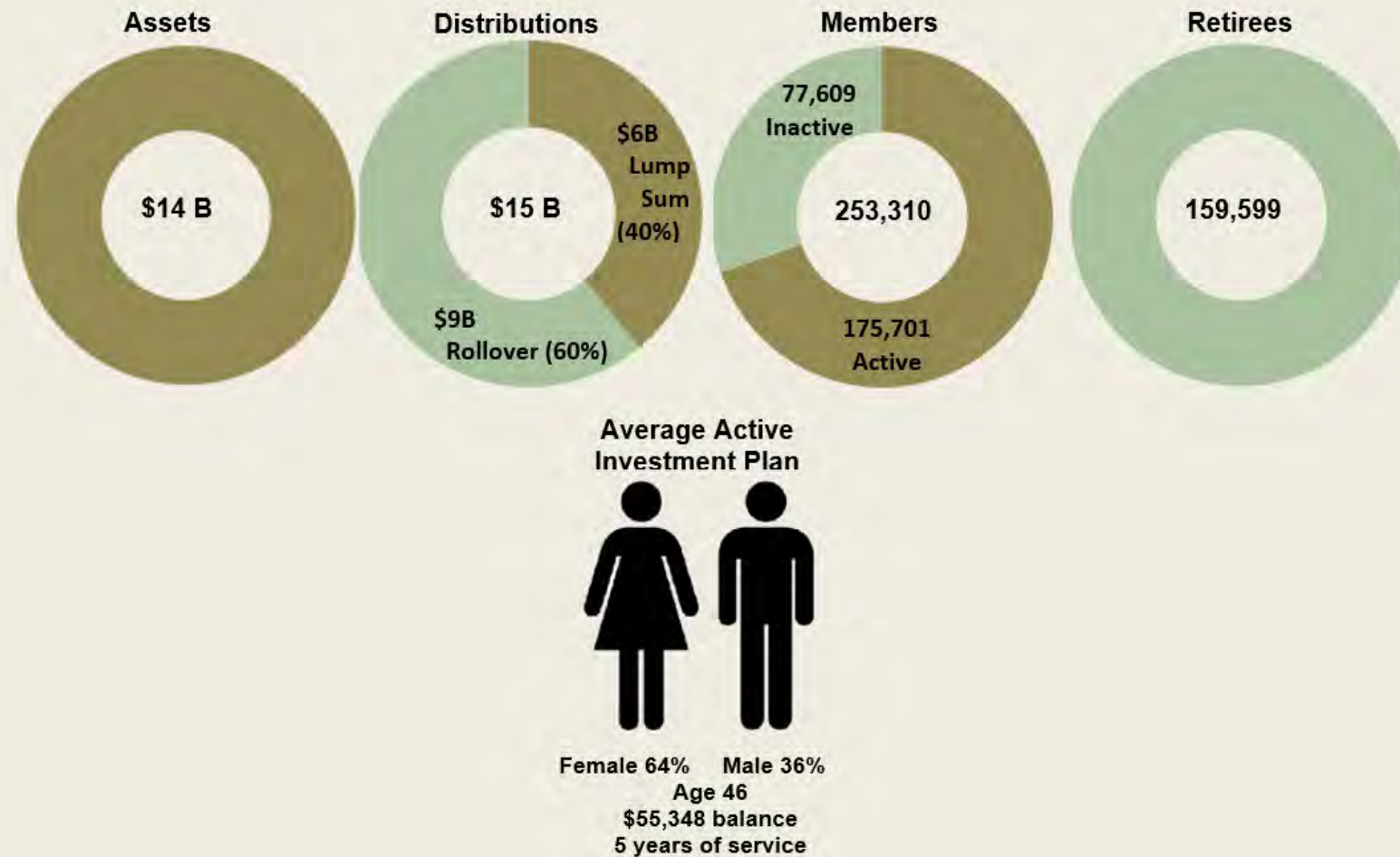
Plan	Members	Retirees
Investment Plan – 1 year vesting (Defined Contribution)	253,310	159,599
Pension Plan – 8 year vesting (Defined Benefit)	464,310	437,560

OVERVIEW OF THE INVESTMENT PLAN ADMINISTRATION

Mini Watson
Director of Administration

FRS INVESTMENT PLAN SNAPSHOT

(Inception to March 31, 2021)



INVESTMENT PLAN ADMINISTRATION SERVICE PROVIDERS

Alight Solutions

- **FRS Plan Choice Administrator/Choice Service Provider**
- **Investment Plan Administrator (record keeper)**
- **Self Directed Brokerage Account (SDBA) provider**

BNY Mellon

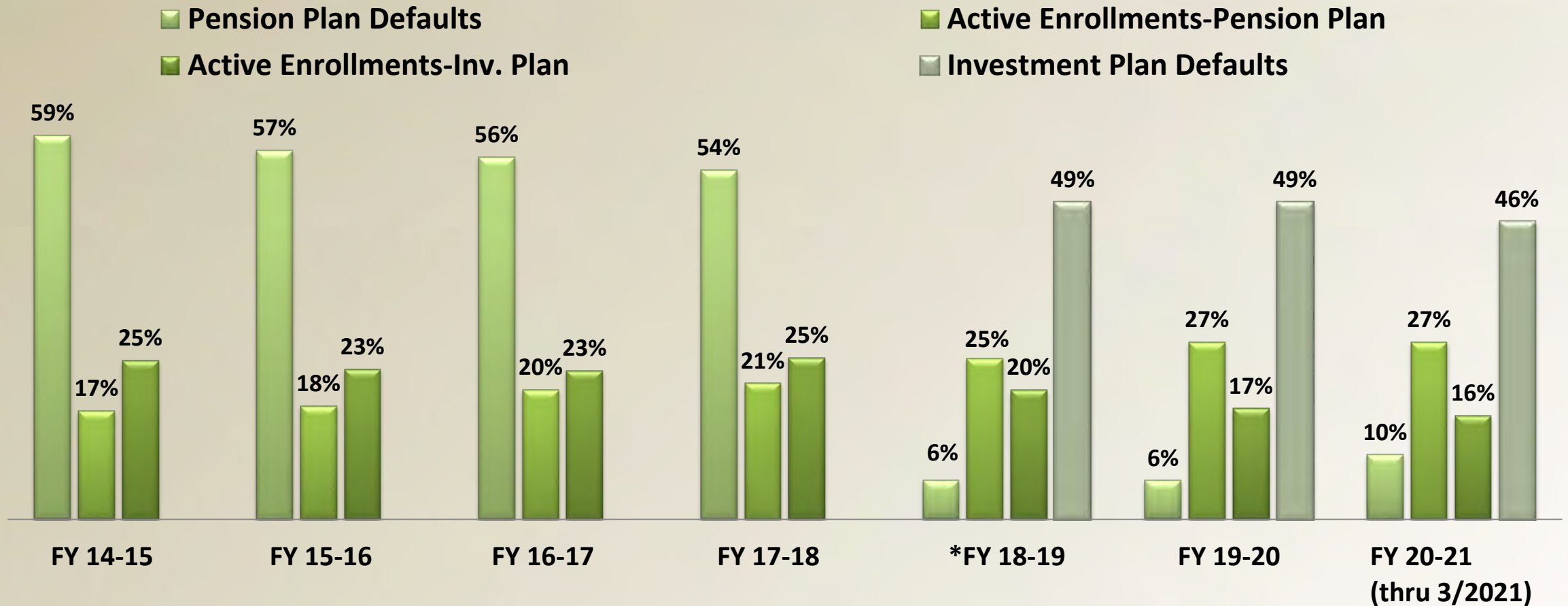
- **Investment Plan Custodian Bank**
- **Benefit Disbursements**
- **Custody Separate Accounts**

Division of Retirement

- **Pension Plan Administrator**
- **Retirement payroll reporting**
- **Health Insurance Subsidy (HIS) Program**
- **Disability and In-Line of Duty death benefits for the Investment Plan**

CHOICE STATISTICS

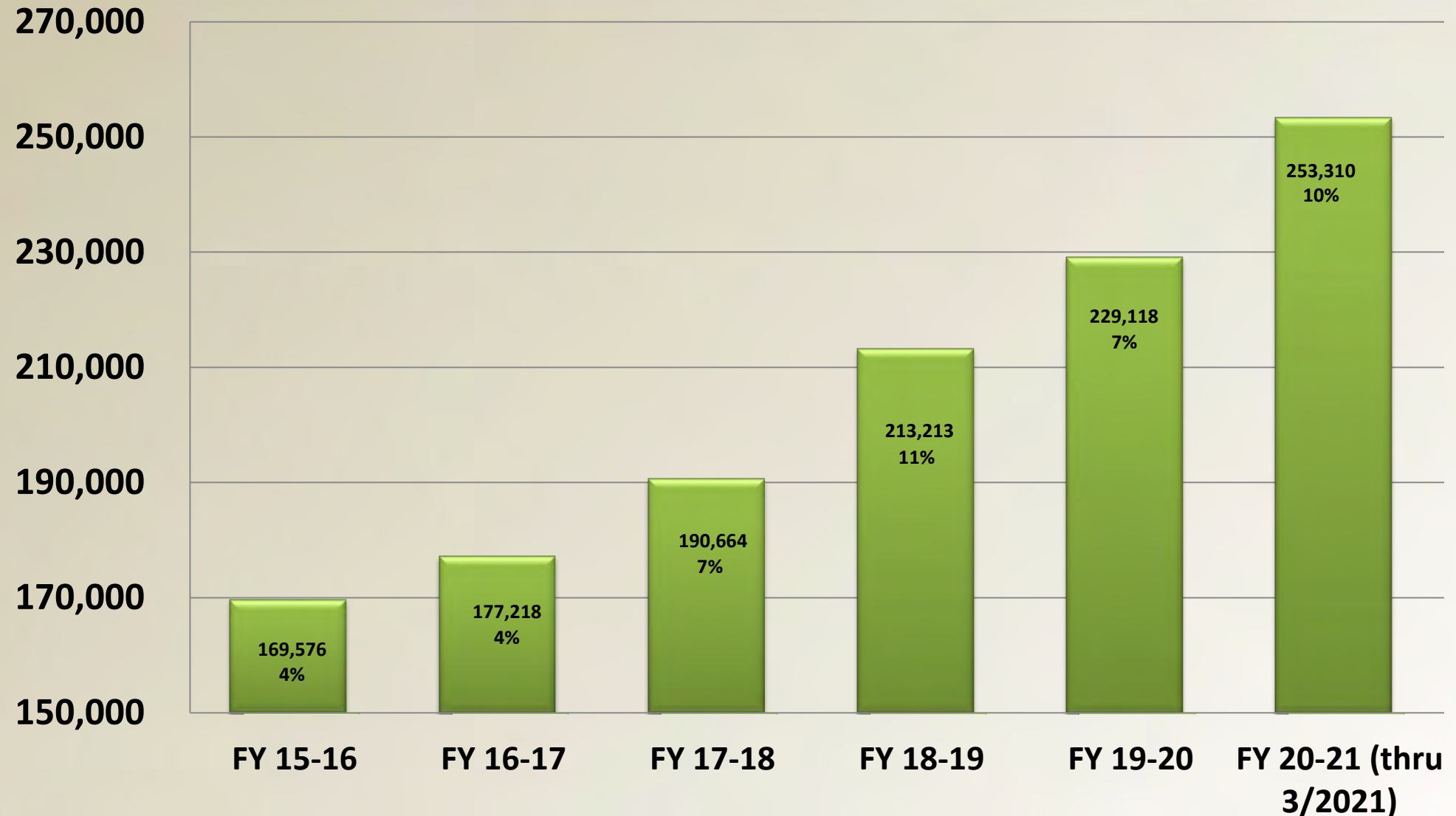
(as of March 31, 2021)



*Default Change to Investment Plan (except for Special Risk)

INVESTMENT PLAN MEMBERSHIP GROWTH

(% Membership Growth Year to Year)
(as of March 31, 2021)



ADMINISTRATION STATISTICS

(July 2020 through March 2021)

Alight Solutions

- Processed **1,700,135** member contributions postings totaling **\$446 M**
- Sent an average of **259,260** quarterly statements
- Generated **1,245,455** personalized communications
- Received **69,077** telephone calls

BNY Mellon

- Mailed **8,612** distribution checks
- Direct deposited **34,243** distribution payments
- Assets under custody **\$14 B**

Requests for Intervention

- **Total Complaints Fiscal Year to March 31, 2021: 383**
- **Total Complaints Inception to Date: 5,822**
- **Top 6 Reasons for Filing Complaint:**
 - Election Rescinds
 - Distributions (Invalid/In-Service)
 - Criminal Forfeitures
 - Terminated Employment Prior to Election Receipt
 - Election Not Received
 - Requesting 3rd Election

OVERVIEW OF THE FINANCIAL GUIDANCE PROGRAM

Walter Kelleher
Director of Educational Services

FINANCIAL GUIDANCE PROGRAM SERVICE PROVIDERS

EY

- Financial planners
- Provide unbiased financial planning guidance via telephone
- Conduct retirement/financial planning workshops

GuidedChoice

- Online personal ADVISOR SERVICE

Alight

- Design, printing, focus groups
- Online 1st & 2nd Election Choice Services

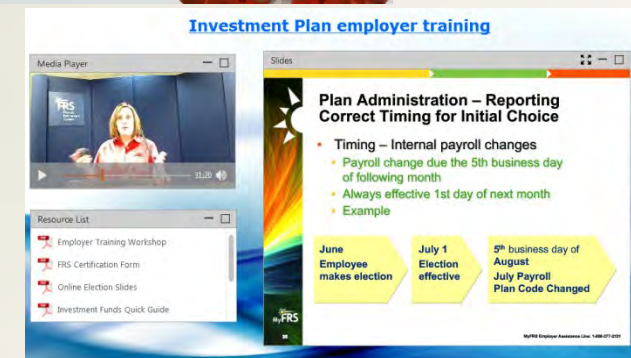
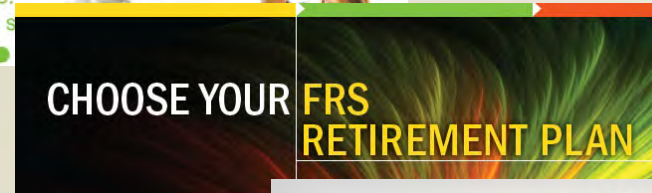
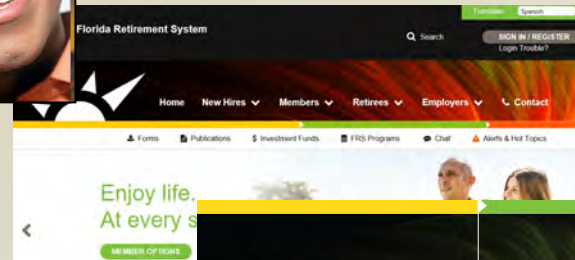
MetLife

- Fixed lifetime annuities
- Deferred lifetime annuities

**MyFRS
Financial
Guidance
Program
For ALL FRS
Pension and
Investment Plan
Members**

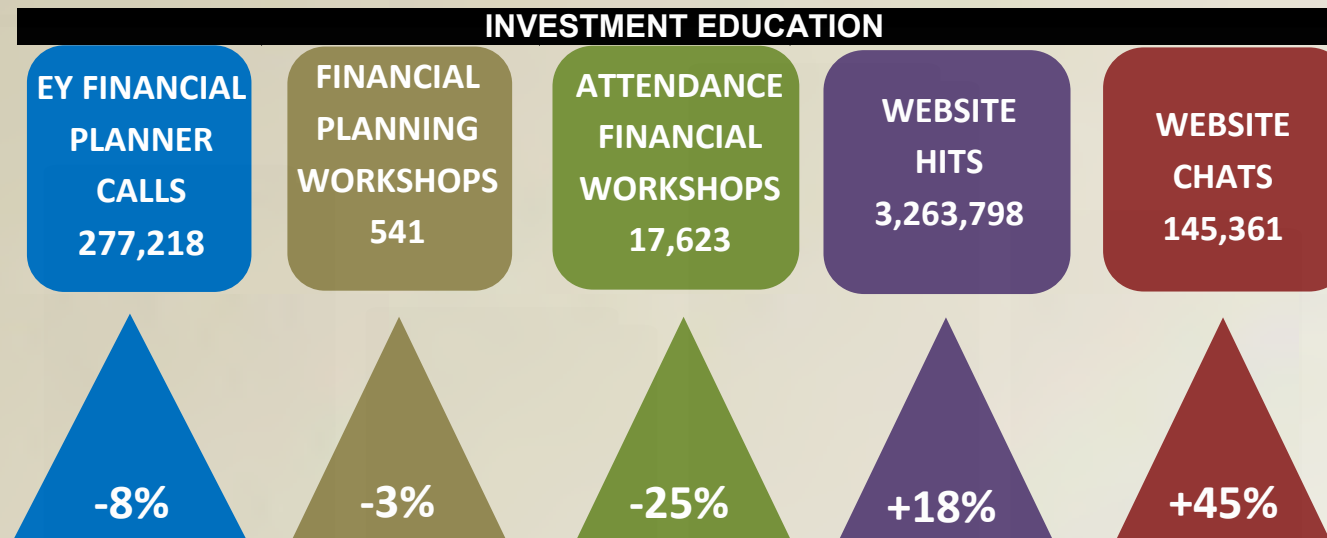
MyFRS FINANCIAL GUIDANCE PROGRAM

- Telephone
- MyFRS.com
- Print
- Videos
- Workshops/Webcasts



MyFRS FINANCIAL GUIDANCE PROGRAM

(April 1, 2020-March 31, 2021)



(% change from previous 12 months)

25 Annuities purchased last 12 months - \$2.4 million
168 Total Annuities purchased inception to date - \$21.6 million

Education Highlights

- **Experian breach response services have been activated**
- **Multi-factor Authentication initiated on MyFRS.com**
- **GuidedChoice Retirement Income Solution**
 - **Will assist Investment Plan and Pension Plan members in drawing down retirement income during retirement**

OVERVIEW OF THE INVESTMENT PLAN INVESTMENT FUND OPTIONS

Daniel Beard
Chief of Defined Contribution Programs

Asset Class Performance

(as of March 31, 2021)

	QTD	FYTD	1 Year	3 Years	5 Years	Inception
Total Fund	3.26%	21.39%	38.77%	9.99%	10.61%	7.53%
Money Market	0.05%	0.16%	0.34%	1.61%	1.40%	1.53%
Inflation Protected Assets & TIPS*	1.63%	12.54%	21.54%	5.54%	5.19%	4.53%
Fixed Income	-2.64%	0.75%	5.91%	5.33%	4.13%	4.81%
Domestic Equities	6.69%	34.81%	66.54%	15.93%	16.37%	11.14%
Global & International Equities	3.24%	30.71%	54.75%	8.41%	11.40%	8.64%
Real Estate	2.14%	6.11%	5.76%	5.52%	n/a	5.46%
Retirement Date Funds	2.97%	20.57%	36.52%	9.44%	10.19%	7.19%
TF x RDFs	3.55%	22.18%	40.93%	10.5	10.98	8.25%

*Prior to 2014, TIPS only.

Retirement Date Funds Inception July 1, 2014

TF x RDFs Inception July 1, 2014

INVESTMENT PLAN AVAILABLE FUND OPTIONS

as of March 31, 2021
(fees bps)

9 Core Funds – White Labeled	10 Target Date Funds – White Labeled
➤ FRS Money Market Fund (.06)	➤ FRS 2060 Retirement Date Fund (2060) (.10)
➤ FRS Inflation Sensitive Fund (.36)	➤ FRS 2055 Retirement Date Fund (2055) (.10)
➤ FRS U.S. Bond Enhanced Index Fund (.05)	➤ FRS 2050 Retirement Date Fund (2050) (.10)
➤ FRS Core Plus Bond Fund (.19)	➤ FRS 2045 Retirement Date Fund (2045) (.10)
➤ FRS U.S. Stock Market Index Fund (.02)	➤ FRS 2040 Retirement Date Fund (2040) (.12)
➤ FRS U.S. Stock Fund (.38)	➤ FRS 2035 Retirement Date Fund (2035) (.13)
➤ FRS Foreign Stock Index Fund (.03)	➤ FRS 2030 Retirement Date Fund (2030) (.15)
➤ FRS Foreign Stock Fund (.46)	➤ FRS 2025 Retirement Date Fund (2025) (.17)
➤ FRS Global Stock Fund (.47)	➤ FRS 2020 Retirement Date Fund (2020) (.19)
	➤ FRS Retirement Fund (2000) (.19)

INVESTMENT PLAN AVAILABLE FUND OPTIONS

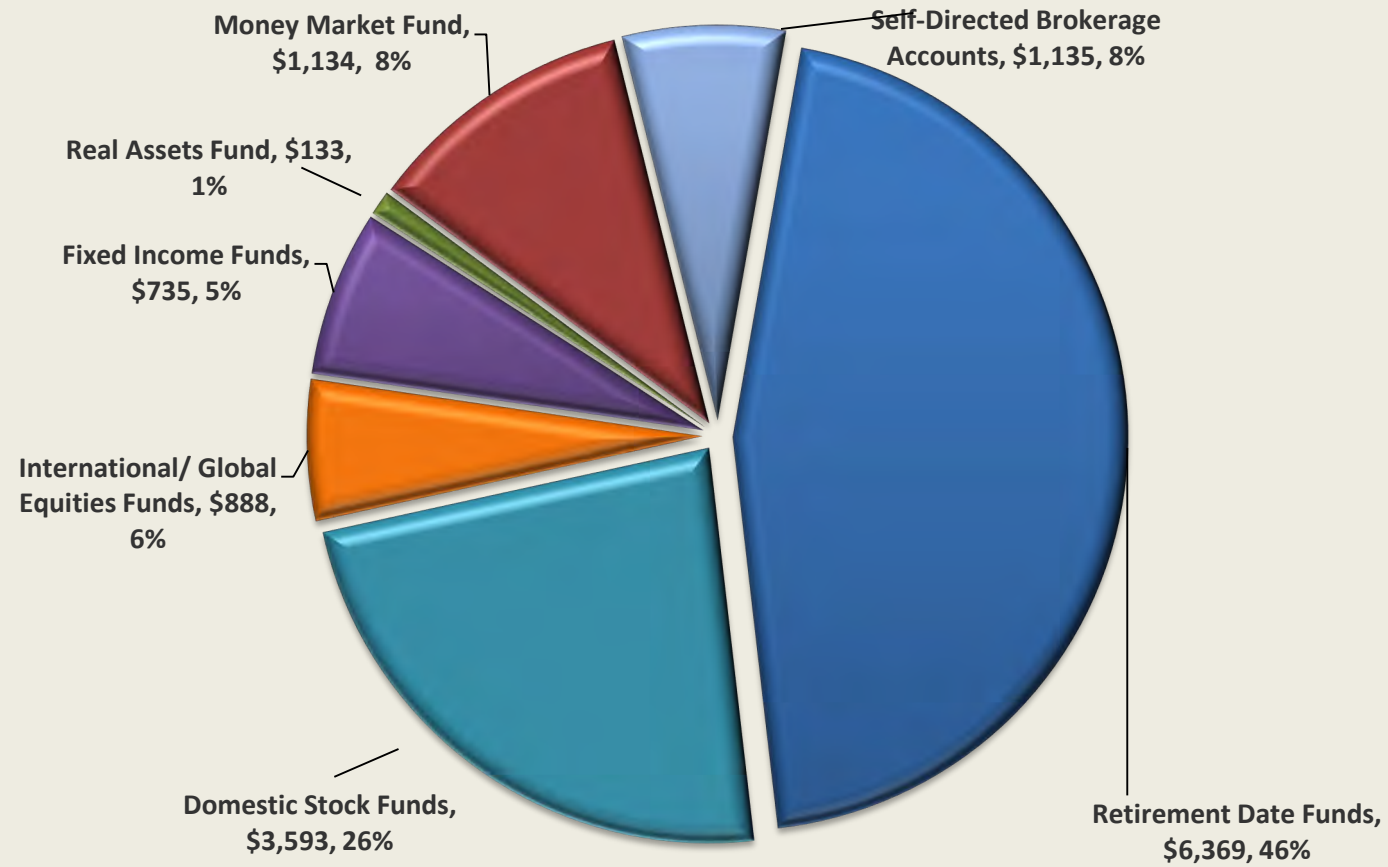
as of July 1, 2021
(fees bps)

9 Core Funds – White Labeled	10 Target Date Funds – White Labeled
➤ FRS Stable Value Fund (.19) ➤ FRS Inflation Sensitive Fund (.36) ➤ FRS U.S. Bond Enhanced Index Fund (.05) ➤ FRS Core Plus Bond Fund (.19) ➤ FRS U.S. Stock Market Index Fund (.02) ➤ FRS U.S. Stock Fund (.38) ➤ FRS Foreign Stock Index Fund (.03) ➤ FRS Foreign Stock Fund (.46) ➤ FRS Global Stock Fund (.47)	➤ FRS 2060 Retirement Date Fund (2060) (.10) ➤ FRS 2055 Retirement Date Fund (2055) (.10) ➤ FRS 2050 Retirement Date Fund (2050) (.10) ➤ FRS 2045 Retirement Date Fund (2045) (.10) ➤ FRS 2040 Retirement Date Fund (2040) (.12) ➤ FRS 2035 Retirement Date Fund (2035) (.13) ➤ FRS 2030 Retirement Date Fund (2030) (.15) ➤ FRS 2025 Retirement Date Fund (2025) (.17) ➤ FRS 2020 Retirement Date Fund (2020) (.19) ➤ FRS Retirement Fund (2000) (.19)

FRS INVESTMENT PLAN AUM

(by Asset Class—in \$millions)

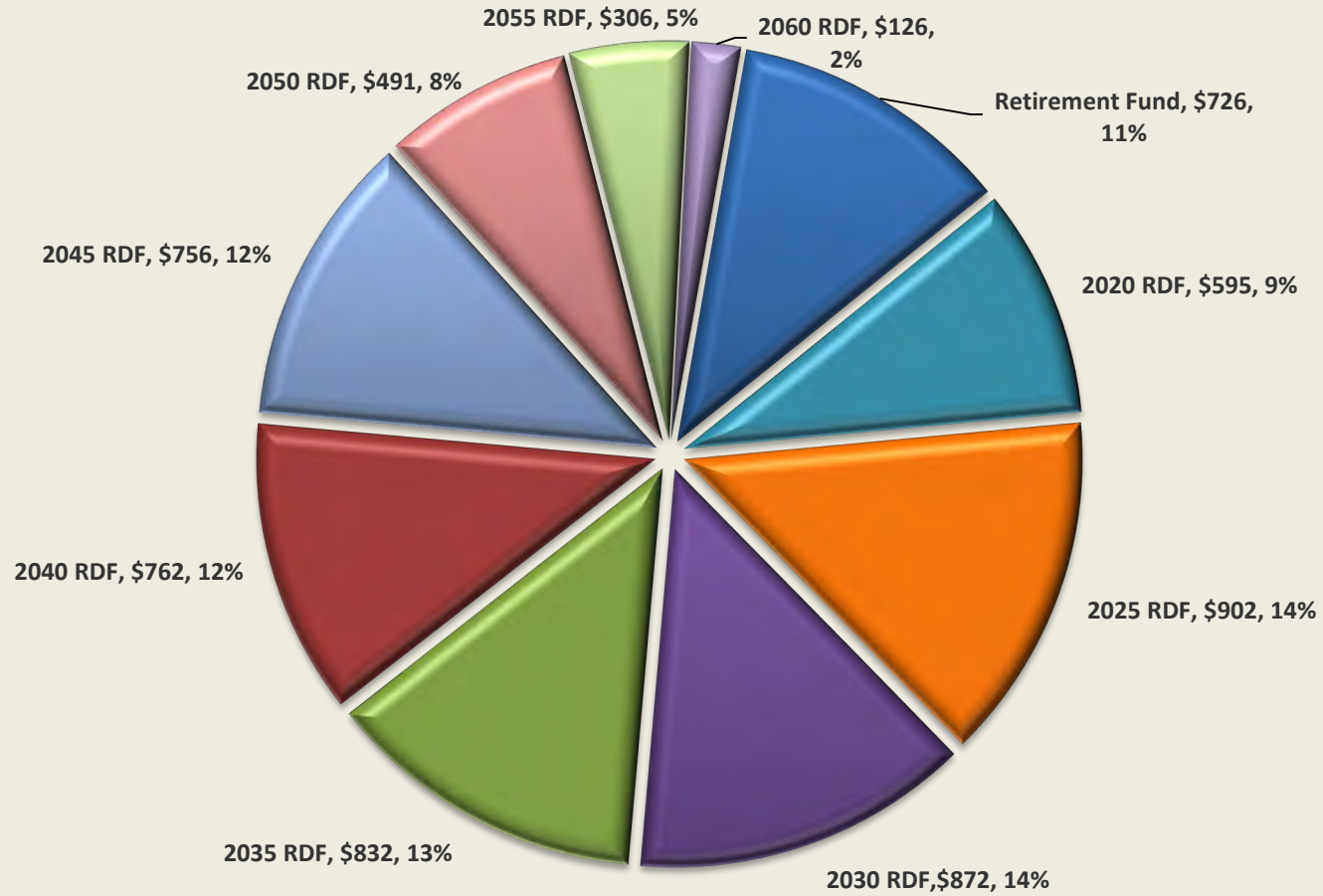
(as of March 31, 2021)



Asset allocation is a result of member investment selection

CURRENT RETIREMENT DATE FUNDS

(\$ RDF Assets, % Members)
(as of March 31, 2021)

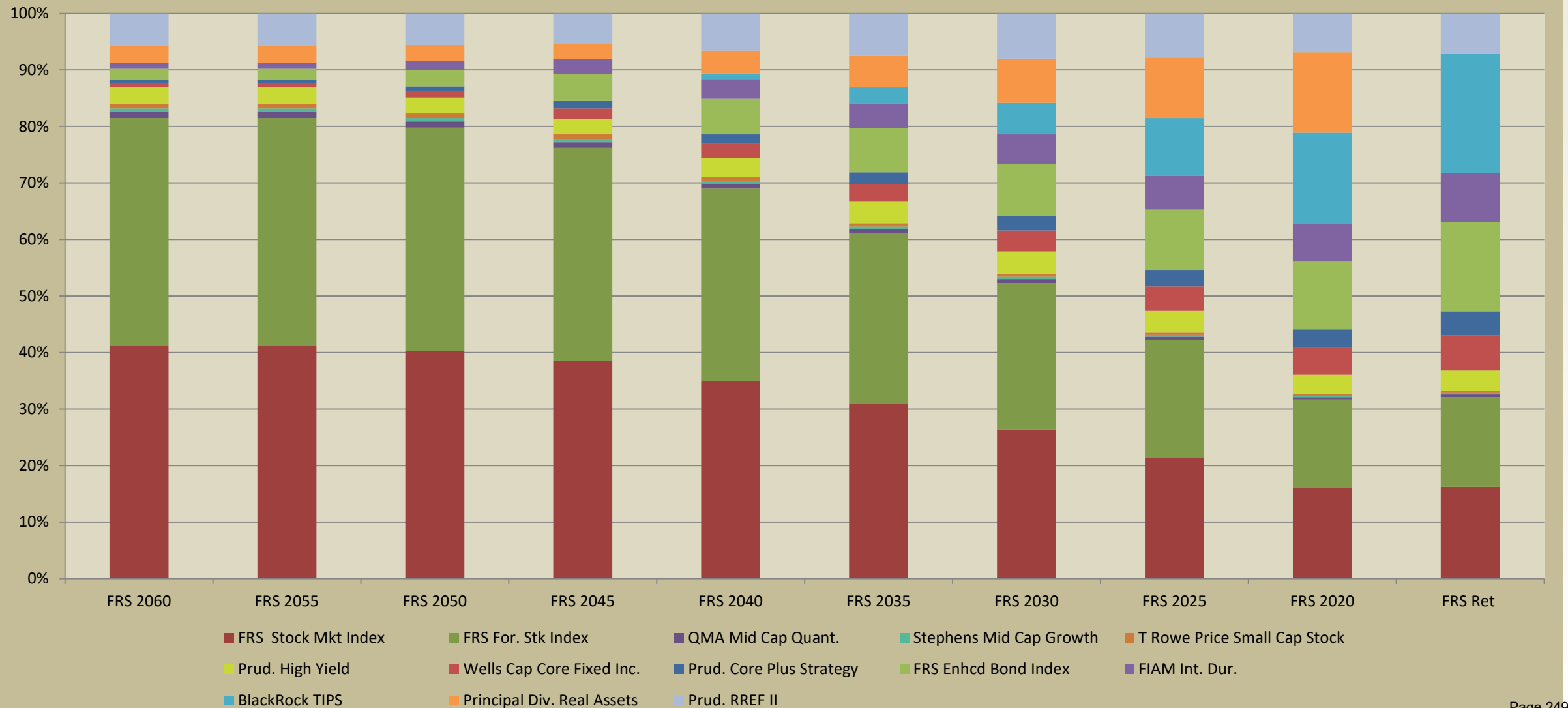


Asset allocation is a result of member investment selection

FRS RETIREMENT DATE FUNDS

Investment Manager Allocations

Effective July 1, 2021



2021-22 INITIATIVES

Investment Option Updates

- Rolldown in RDF Glidepath allocations effective July 1, 2021.
- Implement of Stable Value Funds based on Aon Investment's Investment Plan structure review 3Q20.
- Replacing 2 Large Cap Value Managers and 1 Mid Cap Core manager in 3Q21.
 - AJO closed firm in December 2020. Assets temporarily housed in a Russell 1000 Value Index Fund.
 - QMA Value Equity and QMA Mid Cap Core Funds being terminated due to poor performance.

Plan Administration Initiatives

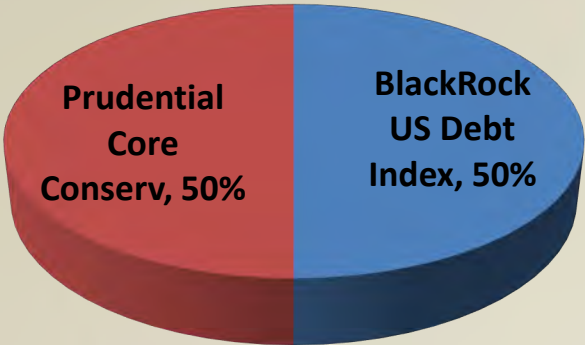
- Refresh MyFRS.com website with an enhanced appearance and improved ease of use.
- Develop and implement additional online election forms.
- Hire one additional staff member – “Manager of Investment Analytics – Defined Contributions”, to assist the Director of Investment Management with oversight of the investment funds and performance.

QUESTIONS

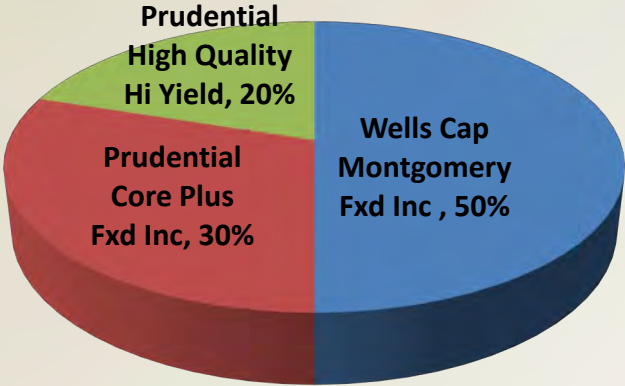
FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(by % Allocations by Investment Manager)

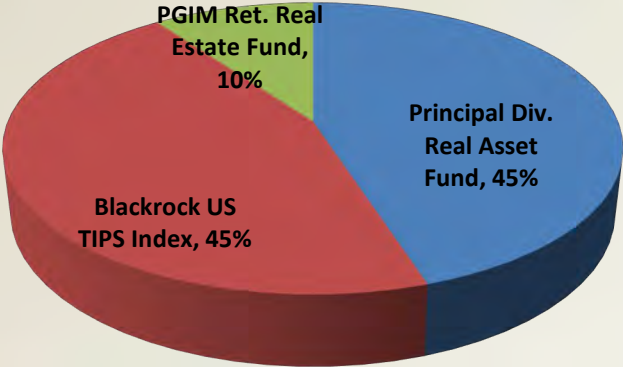
FRS US Enhanced Bond Index Fund



FRS Core Plus Fixed Income Fund

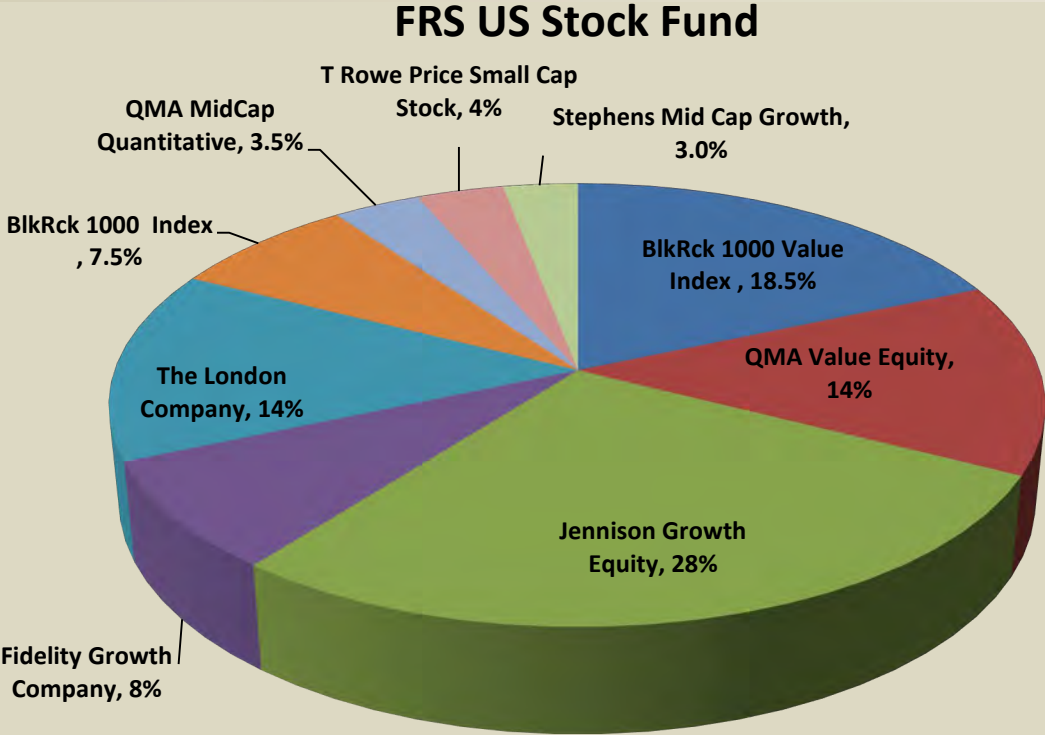


FRS Inflation Sensitive Fund



FRS INVESTMENT PLAN MULTI-MANAGER FUNDS

(by % Allocations by Investment Manager)

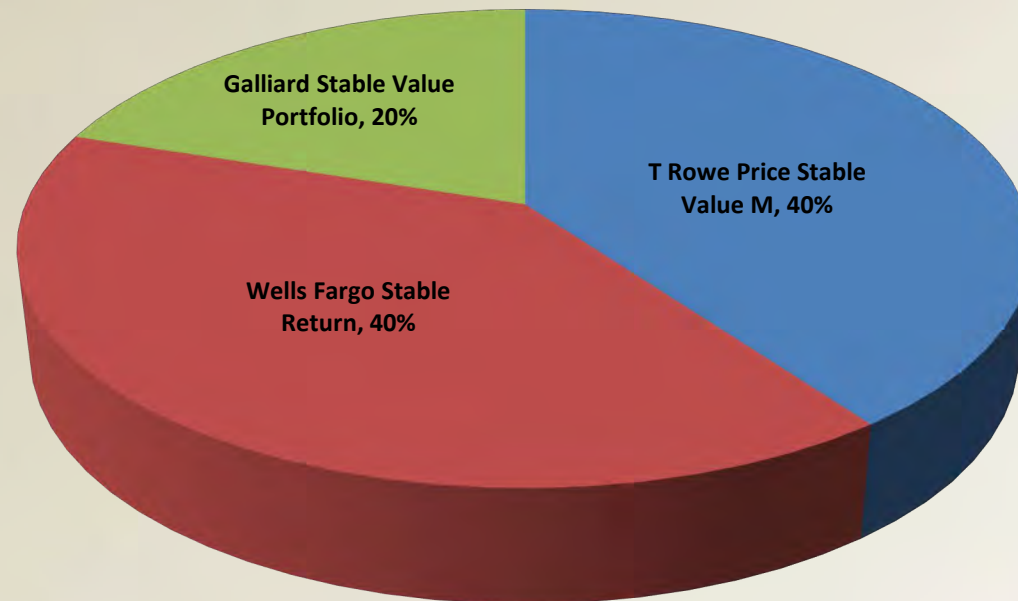


FRS INVESTMENT PLAN STABLE VALUE FUND

Effective 7-1-2021

(by % Allocations by Investment Manager)

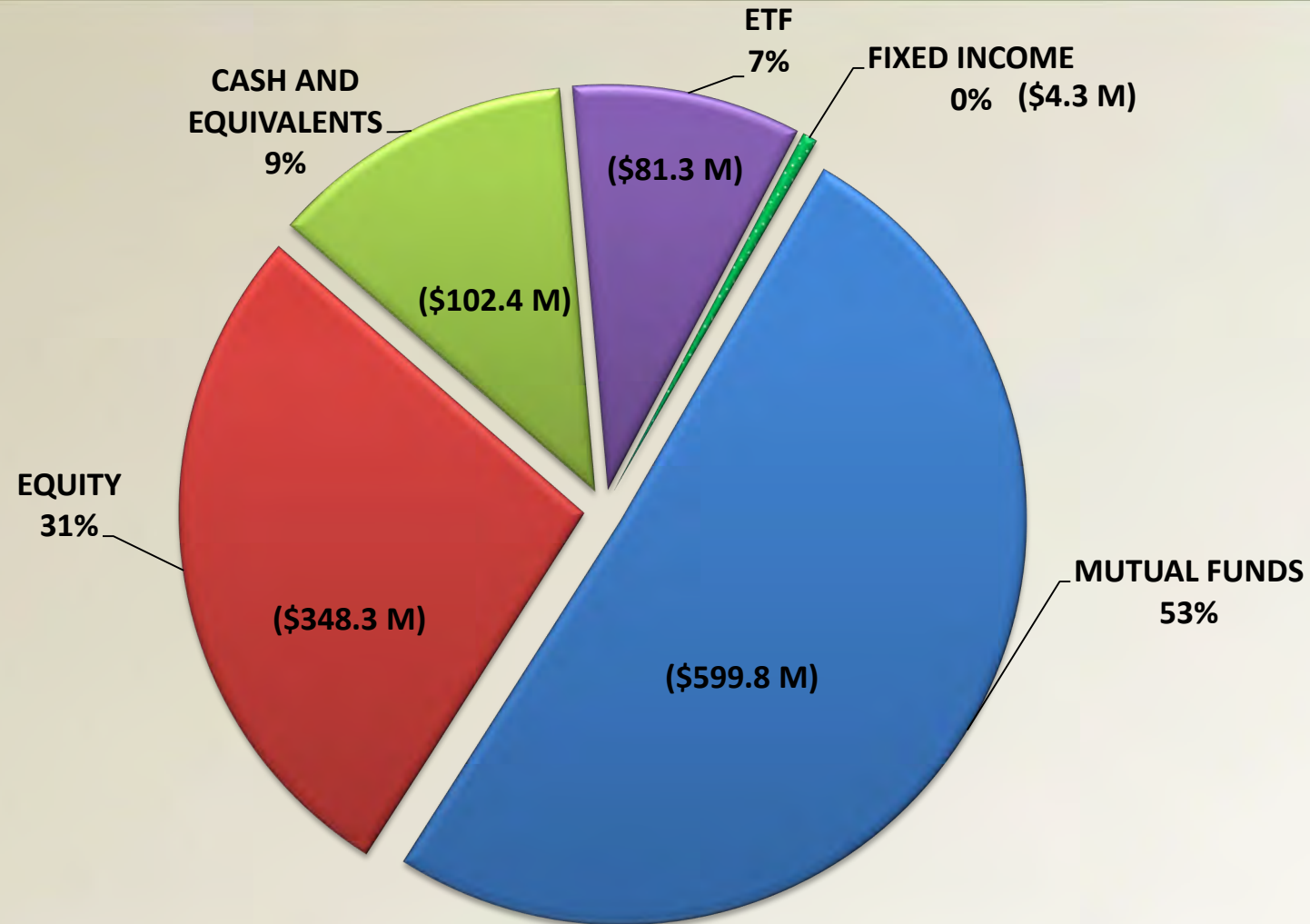
FRS Stable ValueFund



FRS Investment Plan

Self-Directed Brokerage Account

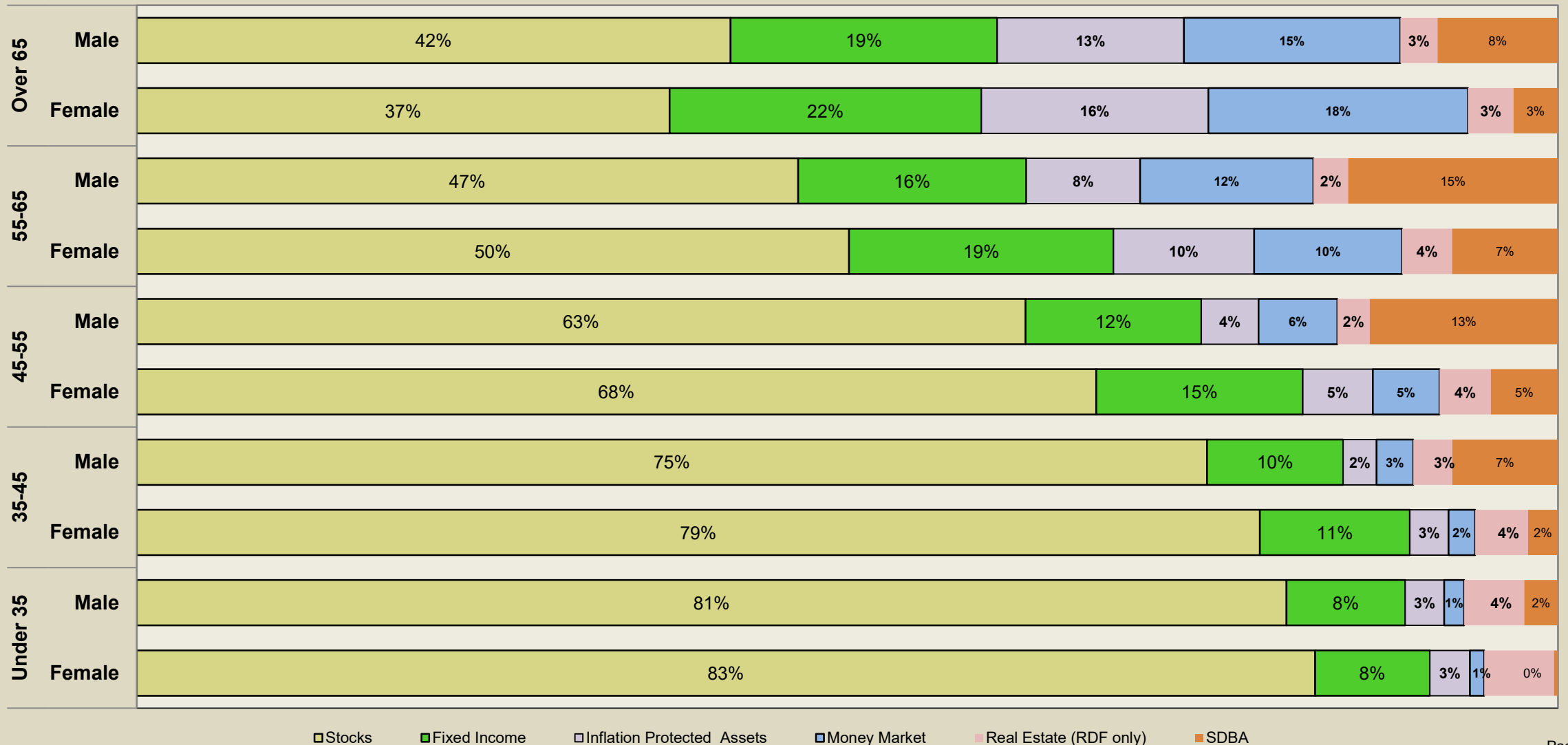
(as of March 31, 2021)



Total Assets = \$1.1 B
Active Accounts = 4,867

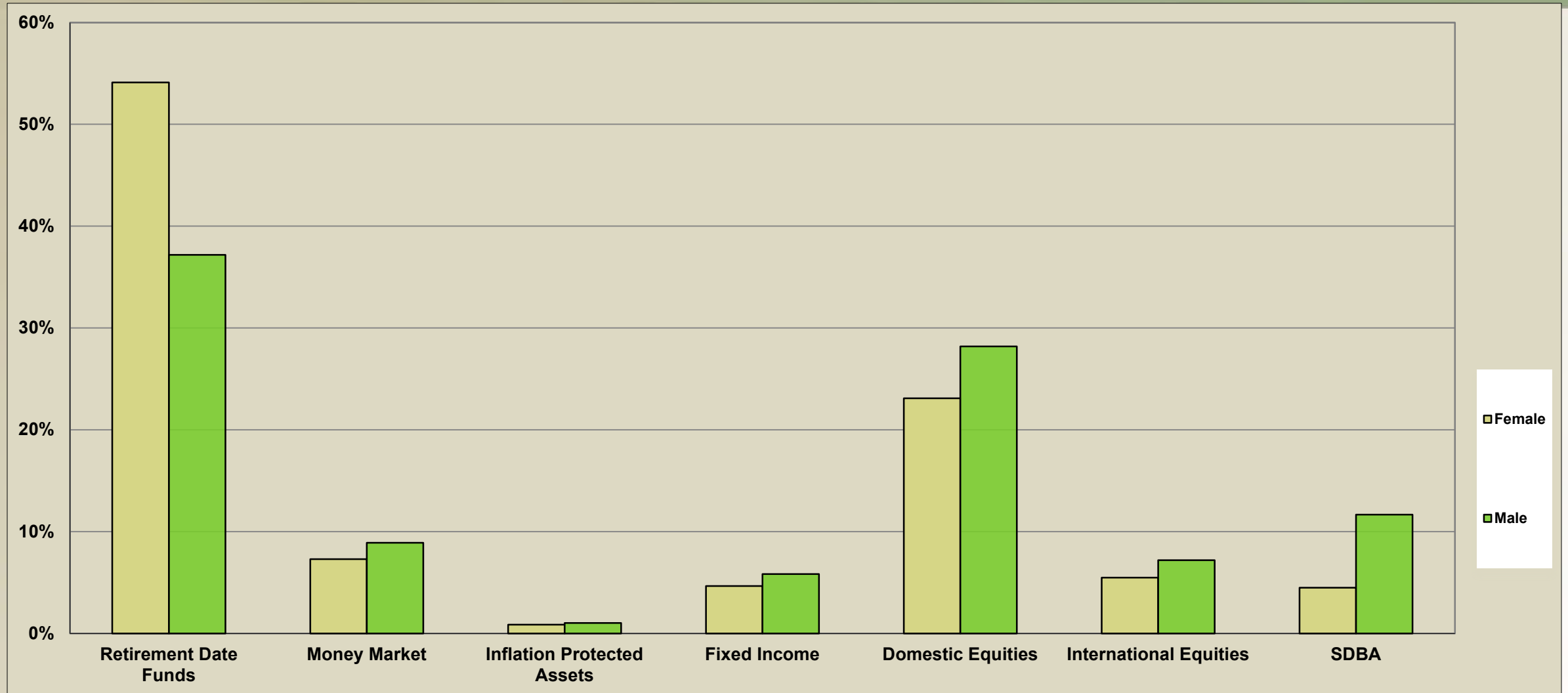
TOTAL FUND ASSET ALLOCATION BY AGE AND GENDER

(as of March 31, 2021)



ASSET ALLOCATION BY GENDER

(as of March 31, 2021)



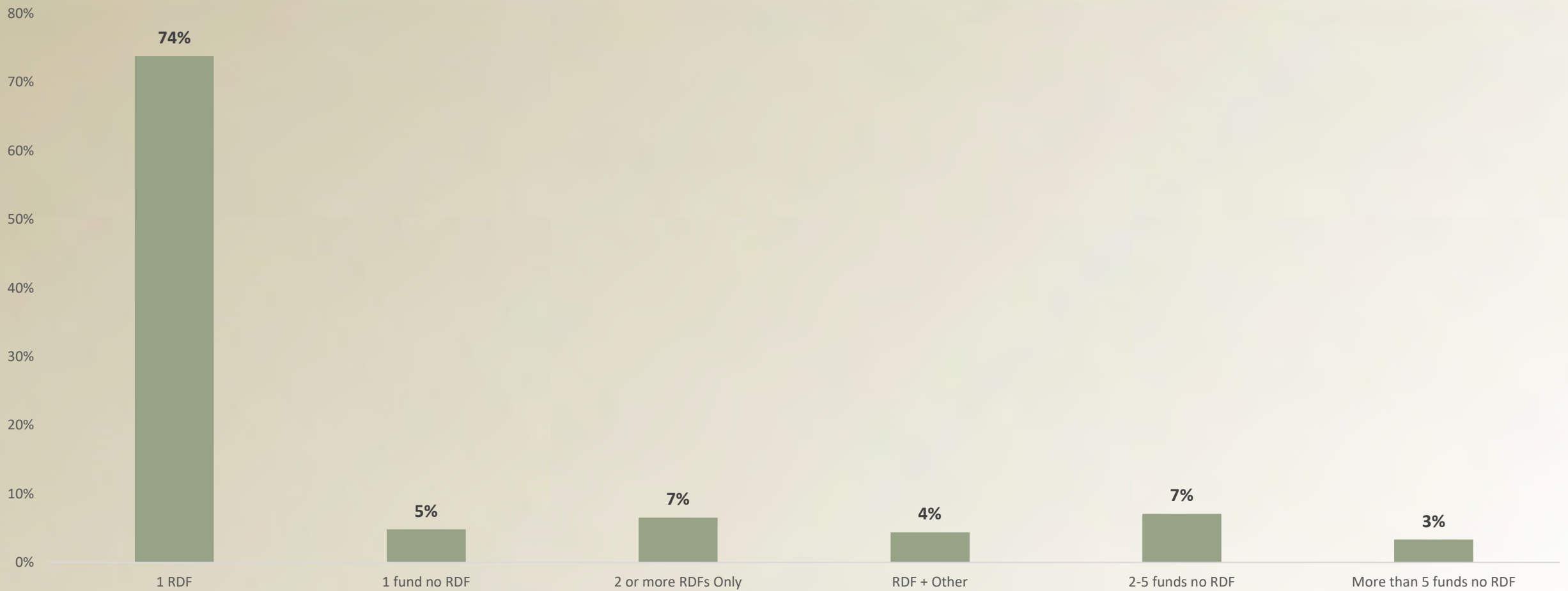
TOTAL FUND ASSET ALLOCATION BY AGE

(as of March 31, 2021)



Member Fund Selection

% of Members
(March 31, 2021)



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Florida State Board of Administration Investment Plan Structure Review

June 29, 2021

Table of Contents

- **Section 1: Executive Summary**
- **Section 2: FRS Investment Plan Structure Review**
- **Section 3: Appendix**



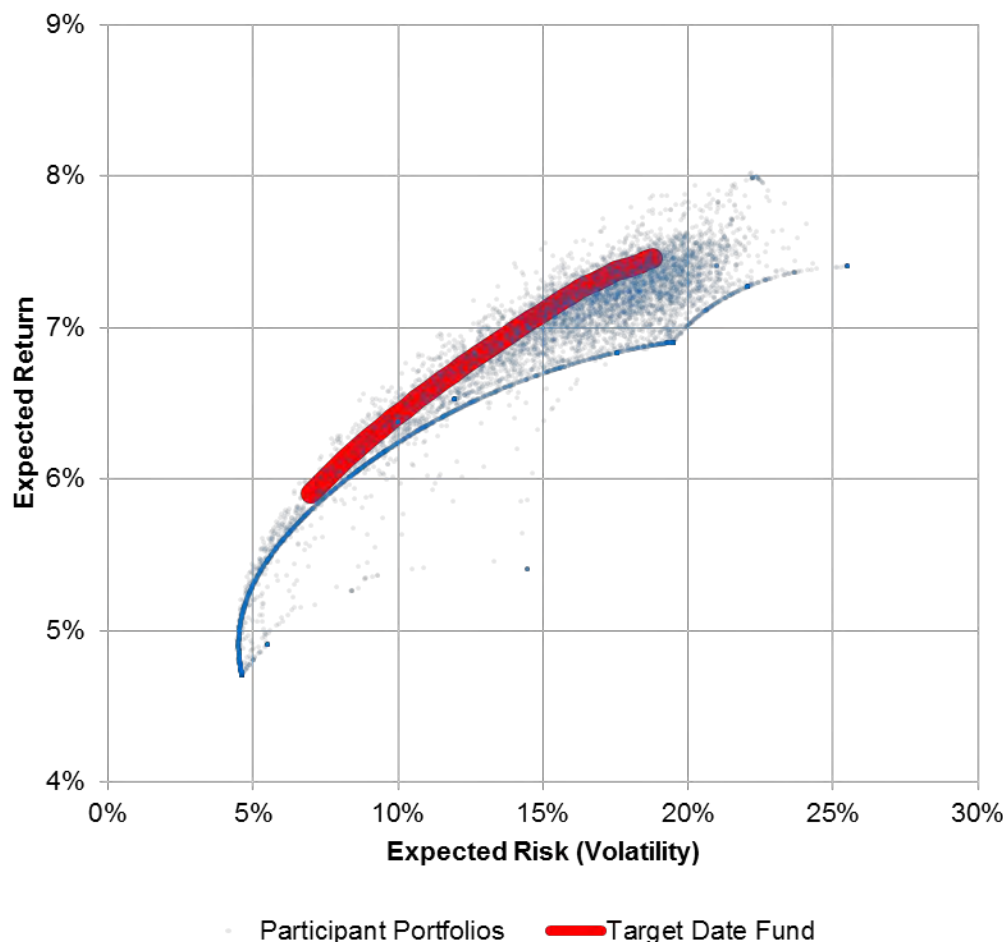
Section 1: Executive Summary

Introduction

- Aon conducts an annual investment structure review of the FRS Investment Plan
- The 2021 review examined:
 - Investment plan structure
 - Investment manager fees
 - Investment performance
- Over the past few years, the FRS has made several enhancements to the Plan, including:
 - Consolidating the active bond offering into one
 - Consolidating the active U.S. Large Cap and Small/Mid Cap funds into a single U.S. Stock Fund
 - Renaming the FRS Inflation Sensitive Fund and modifying its allocation
 - Replace the Money Market Fund with a stable value offering (to be effective 7/1/2021)
- Overall, we believe the FRS Investment Plan continues to be well-designed and in-line with industry best practices

Aon's DC Investment Philosophy

- The vast majority of DC plan **participants do not form efficient portfolios** and are thereby sacrificing optimal financial outcomes
- Investment option **structure significantly impacts behavior**
- **Simplicity** enhances the likelihood of an investment program's success
- **Automate the participant experience** to help employees achieve their retirement goals
- DC plans are **Retirement plans, not simply Savings plans**,
- Investment decisions should be based on **theoretical principles and sound empirical data**—not opinions, fads, or popular trends
- **Fees are important**
- Robust **governance processes** is key



Source: Aon White Paper: Customize for DC Participant Success, July 2015
Screenshot for illustrative purposes only

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

Investment Structure – Why Structure Matters

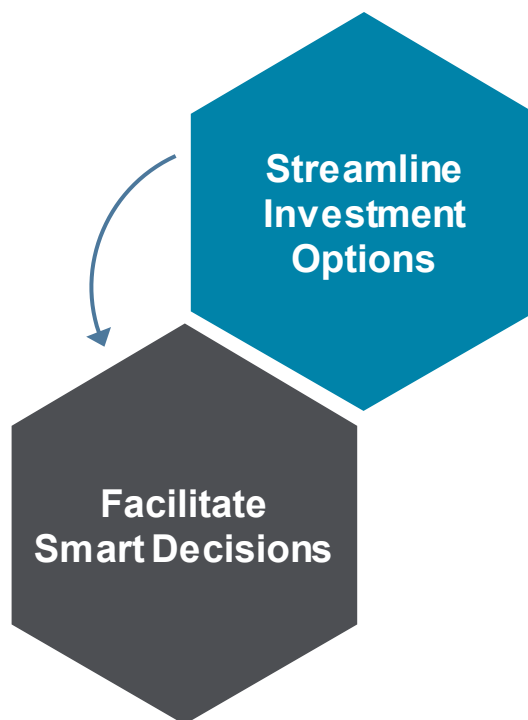
Defined contribution participants are responsible for key actions that influence their own outcomes



The structure of a DC investment menu can have a significant **impact** on the choices people make, and ultimately their **success**. For these reasons, Aon believes in 2 key principles relating to investment menu structure:

Facilitate smart decisions

- *Participants seek forms of help for making decisions*
- *Systems can nudge participants to act in their best long-term interest*
- *Structure can help the move into distribution stage*
- *Good governance leads to a strong investment menu*



Streamline investment options as much as possible

- *Target date funds as default where participants can choose one fund and “forget it”*
- *A core-lineup of passive and/or active strategies for participants that want to build customized investment portfolios*

2021 Annual Investment Structure Review

Key Observations and Take-Aways

Consideration	Observations	Take-Aways
Investment Structure	- Offers diversified set of options across: - asset type - risk/return - investment styles - investment cost - Streamlined structure - Offers custom TDFs - Appropriate use of white label funds - Offers a number of features to assist in retirement preparation	✓ Investment structure is sophisticated and aligned with best practices ✓ Custom TDFs highly utilized, offering SBA-unique glidepath and custom portfolios that are highly efficient, cost effective and diversified across skilled managers ✓ White-label funds provide flexibility, efficiency and significant benefit to participants ✓ Access to investment advice and brokerage window are favorable features
Plan Costs	Plan's investment option fees are well-below peer group medians	✓ FRS uses size and reach to offer competitive Plan services to participants ✓ FRS Investment Plan offers participants very competitively priced investment options
Performance	Each asset class has outperformed its benchmark over the trailing one-, three-, five- and ten-year time periods	✓ Actively managed options have added value over both short and long-term time periods



Section 2: FRS Investment Plan Structure Review

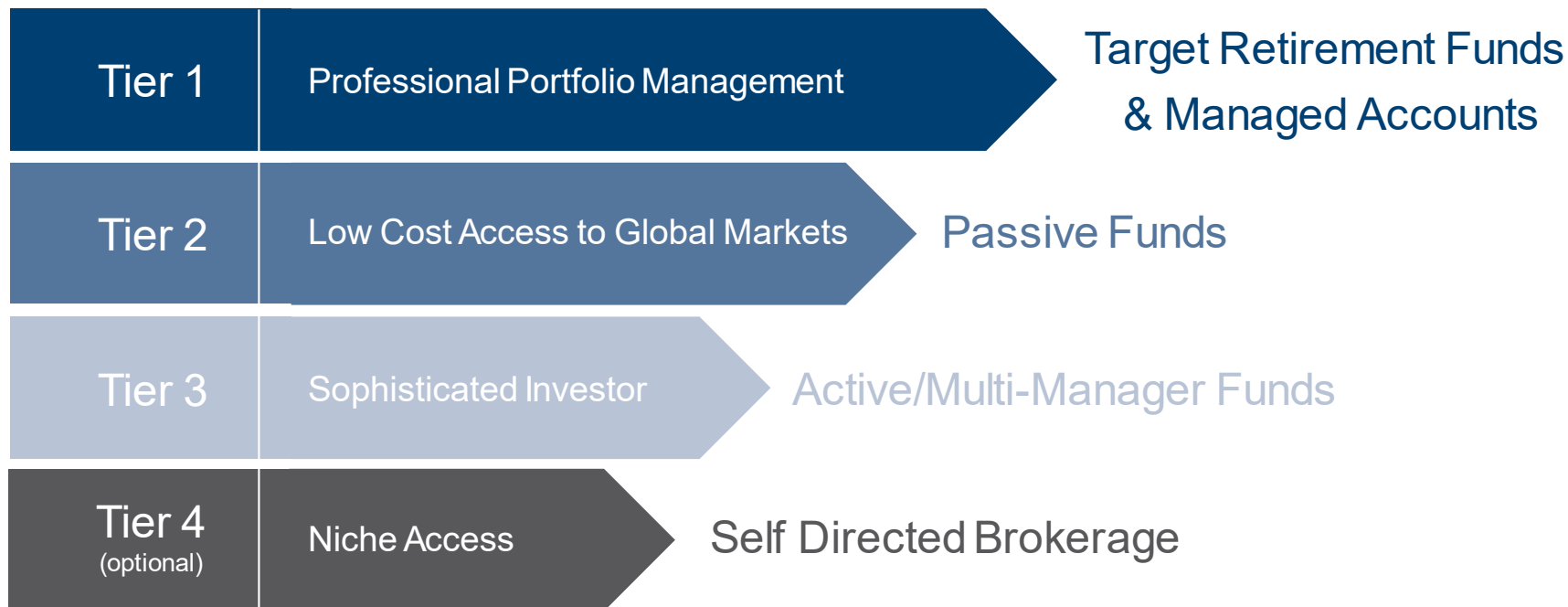
Defined Contribution Industry Investment Design Evolution

- Table below illustrates the general evolution of the DC industry's investment lineup over time
- The FRS Investment Plan has progressed over time and currently falls under a modern lineup

Objectives	Historic Lineup	Modern Lineup	Emerging Lineup
Asset Allocation	Target Date Fund (1)	Target Date Fund (1)	Target Date Fund (1)
Capital Preservation	Stable Value (1)	Stable Value (1)	Capital Preservation (1)
	Money Market (1)		
Income	Core Bond /Core Plus (3)	Core Bond / Core Plus Bond (2)	Diversified Income (2)
Growth	U.S. Large Cap Growth (2)	U.S. All Cap (2)	Diversified Growth (2)
	U.S. Large Cap Value (2)		
	U.S. SMID Cap Growth (2)		
	U.S. SMID Cap Value (2)		
	Developed Non-U.S. (2)	Non-U.S. All Cap (2)	
	Emerging Markets (2)		
Retirement Income	Retirement Income (1)	Retirement Income (1)	Retirement Income (1)

Tiered Investment Structure

- The FRS offers four tiers within the investment plan



- Aon is an advocate of a tiered investment structure for DC plans
- A tiered investment structure categorizes funds and may help guide both the plan sponsor and participants through their investment policy and option selections

FRS: Investment Lineup

Tier 1 Professionally Managed/Novice	Tier 2 Cost Aware	Tier 3 Engaged

Target Date Funds
FRS Retirement Date Funds

Fixed Income Index
FRS U.S. Bond Enhanced Index Fund

Capital Preservation
FRS Money Market Fund

U.S. Stock Market Index
FRS U.S. Stock Market Index Fund

Core Plus Fixed Income
FRS Core Plus Bond Fund

International Index
FRS Foreign Stock Index Fund

U.S. Equity
FRS U.S. Stock Fund

Non-U.S. Equity
FRS Foreign Stock Fund

Global Equity
FRS Global Stock Fund

Inflation Protection
FRS Inflation Sensitive Fund

Objective

Observations

Asset Allocation

Customized TDFs a favorable approach

Capital Preservation

Scheduled mapping to stable value fund expected to offer higher returns at a similar level of risk

Income

Consolidation to single active bond fund reduced redundancies and streamlined lineup

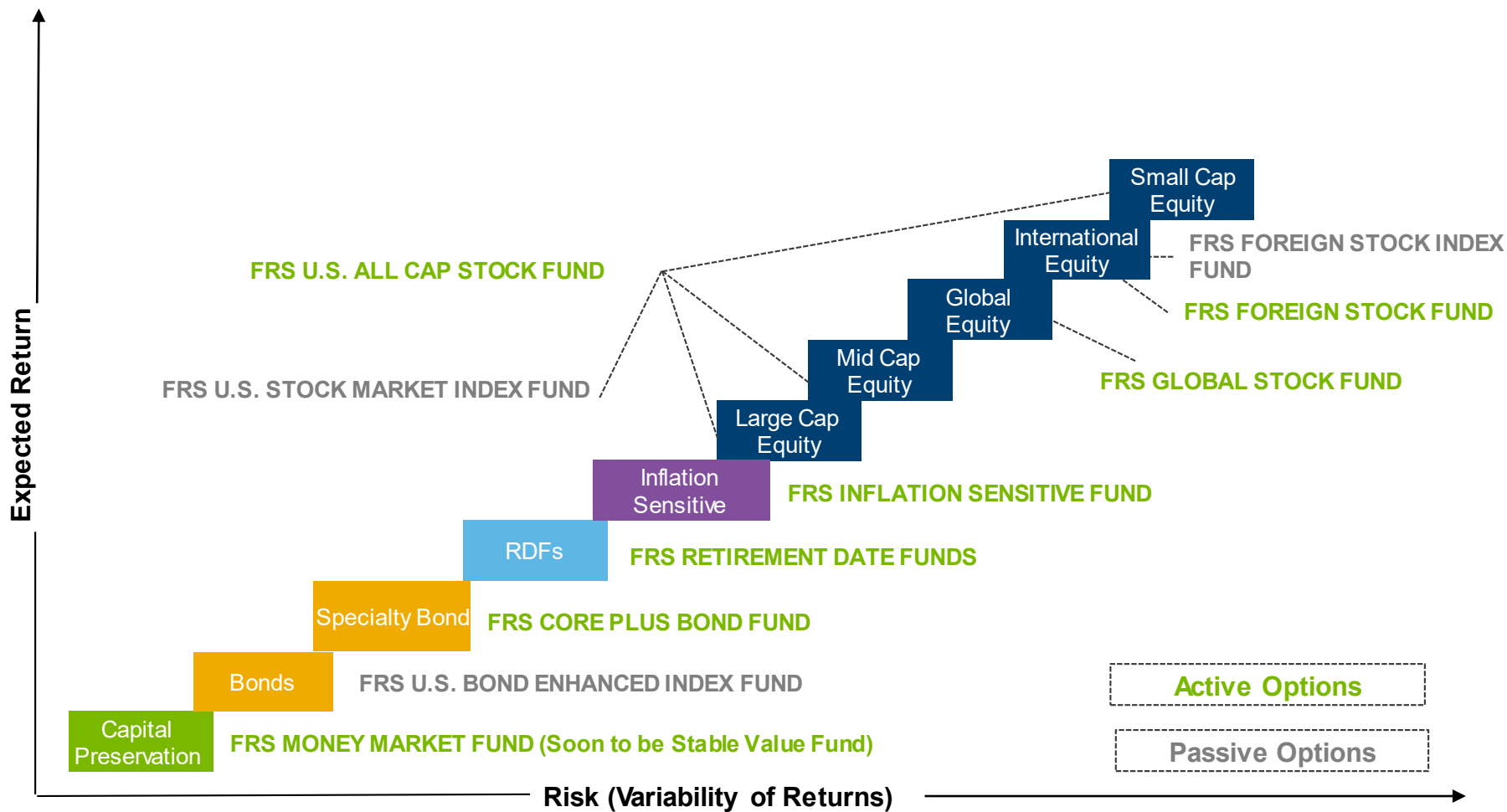
Growth

Streamlined approach that provides access to global markets and is consistent across tiers

Retirement Income

Protects purchasing power of accumulated savings

Risk/Return Choice Spectrum



Benefits of White Label Funds

- FRS Investment Plan uses a fully White Label Approach with several multi-manager portfolios

Features	Benefits
Custom Named Funds No reference to a fund company and allows for naming of funds to be consistent with the investment strategy or objective	Reduces participant confusion and reduces disruption when swapping out managers
Diversified Portfolio Aon believes in the inclusion of diversifying investment strategies reduces correlation with equity markets	Improve expected return profile with lower volatility
Open Architecture Manager Selection Select different managers for each part of the portfolio based on their strengths	Better access to skill from across the investment management world
Active/passive blend Take active risk in areas where we believe there is the best value, using passive in where it is particularly difficult to generate alpha	Fees are controlled to be attractive on an absolute level as well as relative to the potential returns
Value for Fees Paid Leverage scale by using managers in multiple portfolios where appropriate for access at preferred rates	Negotiated discounts from investment managers are passed through to participants

Hot Topic: Private Equity in Defined Contribution Plans

- Recent DOL letter sparked more conversations around private equity within defined contribution plans
- Aon's perspective: Interesting, but not ready for primetime
 - We believe private equity can improve participant outcomes *if structured appropriately*
 - Most appropriate implementation would be within custom target date or custom white-label funds
 - Prefer to see product and administrative/operational development and guidance on governance

Benefits

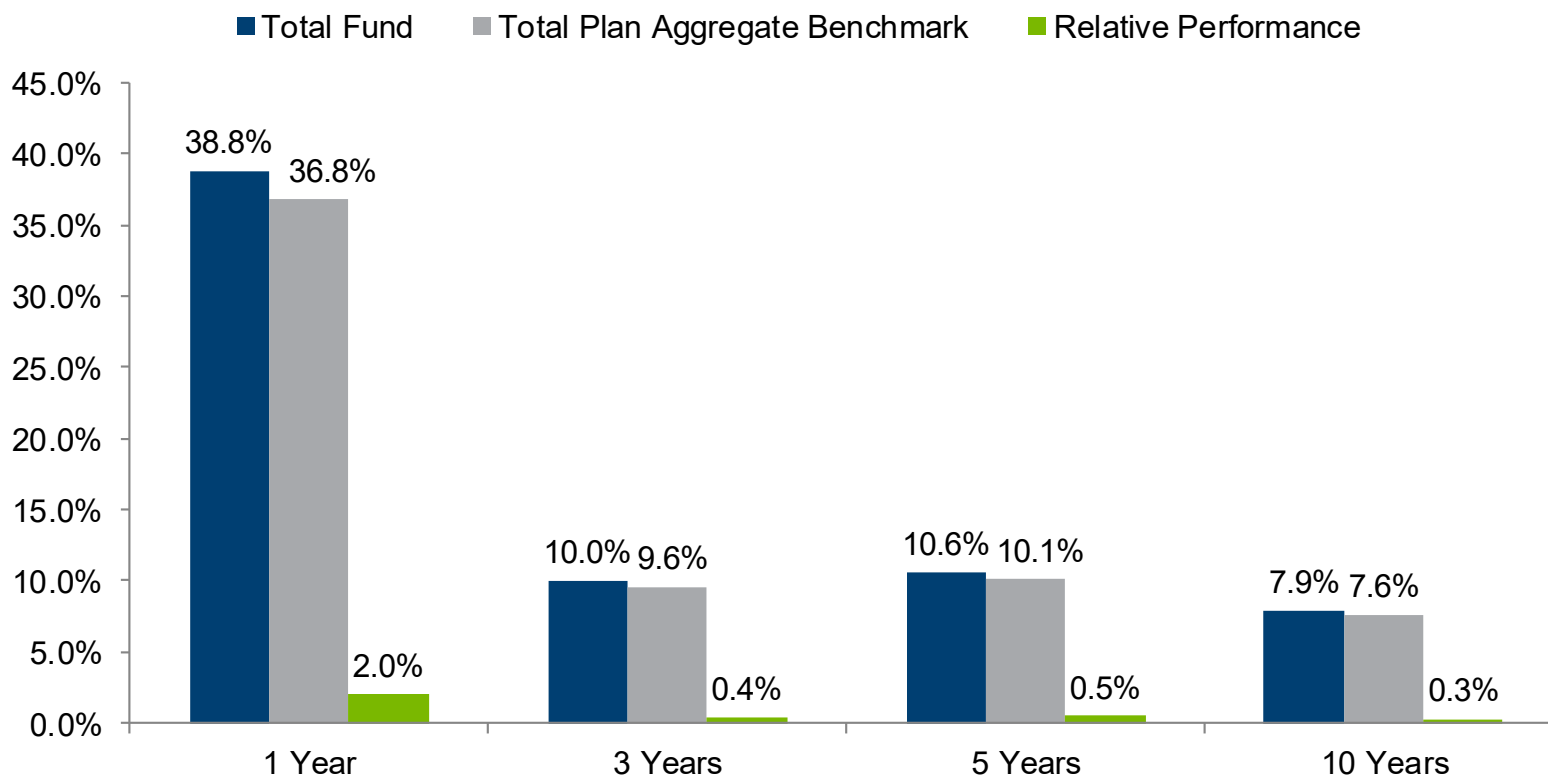
- **Enhanced return** above public equity
- **Skill-based return** offers diversified sources of return and alpha
- **Long-term time horizon** aligns with most participants' objectives

Challenges

- **Fee sensitivity** – higher and performance-based fees are often unfamiliar to participants
- **Liquidity and vehicle structure** are not conducive to the typical daily liquid options offered in DC plans
- **PE cash flow management** can be difficult given the nature of PE investing
- **Inability to rebalance** multi-asset portfolios due to illiquid vehicles
- **Size and access** may reduce potential benefits of private equity investing
- **Performance reporting** is lagged and IRRs are preferred

Total Investment Plan Returns

Periods Ending 3/31/2021*



*Returns shown are net of fees. Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights

Investment Option Relative Returns and Ranks

		1 Year		3 Years		5 Years		10 Years	
Asset Class	Fund Option	Relative Performance	Rank	Relative Performance	Rank	Relative Performance	Rank	Relative Performance	Rank
Retirement Date Funds	FRS Retirement Fund	0.9	45	0.2	25	0.3	43	0.2	63
	FRS 2020 Retirement Date Fund	0.5	59	0.1	70	0.3	66	0.2	83
	FRS 2025 Retirement Date Fund	0.2	57	0.1	64	0.3	47	0.2	78
	FRS 2030 Retirement Date Fund	0.1	62	0.0	73	0.2	57	0.2	73
	FRS 2035 Retirement Date Fund	(0.2)	84	0.0	92	0.3	68	0.3	71
	FRS 2040 Retirement Date Fund	(0.3)	87	(0.1)	90	0.2	73	0.2	77
	FRS 2045 Retirement Date Fund	(0.3)	87	(0.1)	90	0.0	79	0.2	73
	FRS 2050 Retirement Date Fund	(0.4)	87	(0.1)	87	0.1	74	0.2	84
	FRS 2055 Retirement Date Fund	0.1	87	0.1	84	0.2	82	--	--
	FRS 2060 Retirement Date Fund	0.3	86	0.1	83	--	--	--	--
Cash	FRS Money Market Fund	0.1	1	0.2	1	0.3	1	0.2	1
Real Assets	FRS Real Assets Fund	2.1	--	0.3	--	0.5	--	0.5	--
Fixed Income	FRS U.S. Bond Enhanced Index Fund	0.4	1	0.0	38	0.1	9	0.1	33
	FRS Core Plus Fixed Income Fund	3.3	39	0.5	34	0.7	29	0.3	30
Domestic Equity	FRS U.S. Stock Market Index Fund	0.1	27	0.1	46	0.1	43	0.1	42
	FRS U.S. Stock Fund	--	--	--	--	--	--	--	--
Int'l/Global Equity	FRS Foreign Stock Index Fund	0.4	59	0.2	44	0.4	45	0.3	41
	FRS Global Stock Fund	12.6	26	6.1	14	4.7	14	3.5	13
	FRS Foreign Stock Fund	(8.1)	16	(0.8)	1	0.3	1	1.2	1

Note: Relative returns shown above are net of fees. The returns for the Retirement Date Funds, Real Assets Fund, and Core Plus Fixed Income Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter. The U.S. Stock Fund was inceptioned into the Plan in July 2020.

Expense Ratio Review

- The below table provides a comparison of the investments in the Plan versus investments of similar size and mandate
- The investment options in the Plan all have reasonable fees compared to similar alternatives
- FRS Investment Plan appropriately uses its size and scale to integrate managers and reduce costs across the core funds and target date funds

Investment Option	Expense Ratio	Peer Median ¹
FRS Retirement Funds	0.14%	0.37% - 0.50%
FRS Money Market Fund	0.06%	0.20%
FRS Real Assets Fund	0.36%	0.36%
FRS U.S. Bond Enhanced Index Fund	0.05%	0.08%
FRS Core Plus Bond Fund	0.19%	0.46%
FRS U.S. Stock Market Index Fund	0.02%	0.19%
FRS U.S. Stock Fund	0.25%	0.86%
FRS Foreign Stock Index Fund	0.03%	0.20%
FRS Foreign Stock Fund	0.46%	0.89%
FRS Global Stock Fund	0.40%	0.95%

¹ Source: Aon's annual mutual fund expense analysis as of 12/31/2019. Dollar weighted median shown for passive mandates.



Section 3: Appendix

FRS Asset Allocation as of 3/31/2021

	Market Value (\$M)	Percent of Total	Participant Count
Tier I: Target Date Funds	\$6,368	45.53%	218,995
FRS U.S. Bond Enhanced Index Fund	\$291	2.08%	15,648
FRS U.S. Stock Market Index Fund	1,468	10.50	38,646
FRS Foreign Stock Index Fund	298	2.13	20,488
Tier II: Index Funds	\$2,057	14.71%	74,782
FRS Money Market Fund	\$1,134	8.11%	17,337
FRS Inflation Adjusted Multi-Assets Fund	133	1.0	10,256
FRS Core Plus Fixed Income Fund	444	3.2	17,847
FRS U.S. Stock Fund	2,125	15.2	38,720
FRS Foreign Stock Fund	202	1.4	14,651
FRS Global Stock Fund	388	2.8	16,556
Tier III: Actively Managed Options	\$4,426	31.65%	115,367
Tier IV: Self-Directed Brokerage Account	\$1,135	8.12%	4,871
Total Plan	\$13,986	100%	414,015

Investment Category Returns and Ranks

Periods Ending 3/31/2021*	1-Year		3-Years		5-Years		10-Years	
Cash <i>iMoneyNet 1st Tier Inst'l Net Index</i>	0.3 0.2	(3) (13)	1.6 1.4	(1) (18)	1.4 1.1	(1) (18)	0.8 0.6	(1) (19)
Real Assets** <i>FRS Custom Real Assets Index</i>	21.2 19.1	--	4.4 4.1	--	4.8 4.3	--	2.4 1.9	--
Fixed Income <i>Total Bond Index</i>	5.9 3.5	(37) (80)	5.3 4.9	(1) (5)	4.1 3.7	(4) (5)	3.9 3.7	(1) (1)
Domestic Equity <i>Total U.S. Equities Index</i>	66.5 64.6	(37) (40)	15.9 15.9	(40) (41)	16.4 16.0	(32) (36)	13.5 13.1	(27) (34)
International/Global Equity <i>Total Int'l / Global Equities Index</i>	54.8 52.1	(52) (60)	8.4 7.2	(29) (39)	11.4 10.3	(33) (44)	7.1 6.1	(25) (39)

*Returns shown are net of fees

**The returns for the Real Assets composite uses prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: Composite returns for the Retirement Date Funds and the SDBA are unavailable.

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

Reply To: Tallahassee

June 15, 2021

SUMMARY OF STATUTORY COMPLIANCE REVIEW, 2021

This review finds that the Local Government Surplus Funds Trust Fund, Florida PRIME™, (Fund) is in compliance with the requirements of Sections 218.40 – 218.412, Florida Statutes.

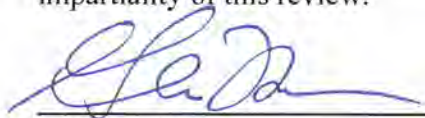
Scope – The time period reviewed is May 16, 2020 through May 15, 2021.

Methodology – The review included analysis of the applicable statute, interviews with State Board of Administration personnel, review of materials provided by SBA personnel and materials posted to the Florida PRIME™ and State Board of Administration websites.

Additional Specific Findings – Auditor General Report No. Report No. 2021-054 noted no deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses, and no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

The current Investment Policy Statement for the fund was approved by the Trustees on May 4, 2021 and adopted by amendment to Rule 19-7.002, Florida Administrative Code on April 8, 2020.

Disclosure: Anne Longman currently serves on the Leon County Research and Development Authority (Authority) Board of Governors, which had some of its funds in a PRIME™ account during the review period. This is an unpaid position, and the Authority's participation in PRIME™ predates her service on its board or as chair. Her analysis, in which the SBA General Counsel concurs, indicates that this relationship does not pose a conflict or compromise the impartiality of this review.


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June 14, 2021

LOCAL GOVERNMENT SURPLUS FUNDS TRUST FUND STATUTORY COMPLIANCE REVIEW

The Local Government Surplus Funds Trust Fund (Trust Fund or Fund) administered by the State Board of Administration (Board) was created in 1977, is governed by Part IV of Chapter 218, Florida Statutes, titled Investment of Local Government Surplus Funds, and is now known as Florida PRIME™.

THE STATUTE

Pursuant to section 218.405(3), the trustees (meaning the trustees of the State Board of Administration, section 218.403(10), constituted per section 215.44(1)) must make a two-part annual certification:

The trustees shall annually certify to the Joint Legislative Auditing Committee that the trust fund is in compliance with the requirements of this part and that the trustees have conducted a review of the trust fund and determined that the management of the trust fund is in accord with best investment practices.
(Emphasis added.)

This is the twelfth annual statutory review of the Fund under section 218.405(3). There were no substantive amendments to Part IV, Chapter 218, Florida Statutes, during the 2020 Legislative session or the 2021 Legislative Session.

SCOPE OF REVIEW

This review addresses the first part of the annual certification and examines whether the Trust Fund, defined at section 218.403(9) as “the pooled investment fund created by Section 218.405 and known as the Local Government Surplus Funds Trust Fund,” is “in compliance with the requirements of this part.” “This part” refers to Part IV of Chapter 218, Florida Statutes, which includes sections 218.40 – 218.415, Florida Statutes.

The scope of this review is compliance with sections 218.40 – 218.412, Florida Statutes during the time period May 16, 2020 through May 15, 2021. The remainder of Part IV, Chapter 218 covers local government investment policies, which are not within the scope of this review.

The second part of the certification required by section 218.405(3), the determination that the Fund is in accord with best investment practices, is being performed separately by Aon Hewitt Investment Consulting, Inc.

PURPOSE

As set out at section 218.401, Florida Statutes, the intent of Part IV of Chapter 218 is:

[T]o promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of government, based on the principles of investor protection, mandated transparency, and proper governance, with the goal of reducing the need for imposing additional taxes.

The definition of surplus funds, found at section 218.403(8), includes:

[A]ny funds in any general or special account or fund of a unit of local government, or funds held by an independent trustee on behalf of a unit of local government, which in reasonable contemplation will not be immediately needed for the purposes intended.

By its terms, the Fund is limited to units of local government, defined at section 218.403(11) as:

... any governmental entity within the state not part of state government and shall include, but not be limited to, the following and the officers thereof: any county, municipality, school district, special district, clerk of the circuit court, sheriff, property appraiser, tax collector, supervisor of elections, authority, board, public corporations, or any other political subdivision of the state.

This broad definition covers not just “any governmental entity...not a part of state government,” but includes also authorities, boards and public corporations, and is specifically not limited to the enumerated bodies.

Fund participants are charged by statute with determining whether it is in their interest to participate in the Fund. §218.407(2). The enrollment materials require the participant to certify that it has determined it is authorized to invest in the Fund. They also state that the SBA is not responsible for independently verifying that the participant is so authorized.

CREATION, OBJECTIVES

The Trust Fund is created at section 218.405, Florida Statutes,

(1) There is hereby created a Local Government Surplus Funds Trust Fund to be administered by the board and to be composed of local government surplus funds deposited therein by units of local government under the procedures established in this part. The board may contract with a professional money management firm to manage the trust fund.

The Board has contracted with a professional money management firm, Federated Investment Counseling, Inc. (Federated), to manage the Trust Fund.

(2) The primary objectives, in priority order, of investment activities shall be safety, liquidity, and competitive returns with minimization of risks.

(3) (Certification requirement, cited above)

(4) The board may adopt rules to administer the provisions of this section.

RULES

Both sections 218.405(4) and 218.412 make rulemaking to administer the Trust Fund permissive rather than mandatory. The Board has adopted rules for the Fund at Chapter 19-7, Florida Administrative Code. The majority of these rules were enacted in 1982, with substantial revisions in 2002 and 2010. The Investment Policy Statement (IPS) is also incorporated into SBA Rules. An amended Investment Policy Statement for the Fund was approved by the SBA Trustees on May 4, 2021. No other changes were made to Chapter 19-7

INTERACTION WITH LOCAL GOVERNMENT AUTHORITIES

Section 218.407 sets out the requirements that must be met before a unit of local government may deposit surplus funds in the Trust Fund:

(1) Prior to any determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, the board or a professional money management firm must provide to the governing body enrollment materials, including a trust fund profile containing impartial educational information describing the administration and investment policy of the trust fund, including, but not limited to:

(a) All rights and conditions of participation, including potential restrictions on withdrawals.

- (b) The historical performance, investment holdings, credit quality, and average maturity of the trust fund investments.**
- (c) The applicable administrative rules.**
- (d) The rate determination processes for any deposit or withdrawal.**
- (e) Any fees, charges, penalties, and deductions that apply to the account.**
- (f) The most recently published financial statements or independent audits, if available, prepared under generally accepted accounting principles.**
- (g) A disclosure statement for signature by the appropriate local government official.**

The Board, with Federated, has created enrollment materials which include a Trust Fund profile and education information which appear to be impartial and to accurately describe the administration and investment policies of the Trust Fund and which meet the specific requirements of the above section.

All materials are provided to participants and potential participants at the Board's web site: www.sbafla.com at the Florida PRIME link, or directly at www.sbafla.com/prime. The New Participant Enrollment Guide, the current Investment Policy Statement, the Earnings Allocation description and the applicable rules are included under the "Enrollment Materials" tab, as are two form documents that must be executed by a new participant: the Disclosure Statement and the Authorizing Resolution. These materials track the statutory information required by section 218.407(1) cited above, and were last updated on April 7, 2018 to reflect the most recent statutory changes.

(2) Upon review of the enrollment materials and upon determination by the governing body that it is in the interest of the unit of local government to deposit surplus funds in the trust fund, a resolution by the governing body and the signed acceptance of the disclosure statement by the local government official, who may be the chief financial or administrative officer of the local government, shall be filed with the board and, if appropriate, a copy shall be provided to a professional money management firm authorizing investment of its surplus funds in the trust fund established by this part. The resolution shall name:

- (a) The local government official, who may be the chief financial or administrative officer of the local government, or**
- (b) An independent trustee holding funds on behalf of the unit of local government, responsible for deposit and withdrawal of such funds.**

Section 218.407 was substantially amended in 2008 to include the safeguards set forth in paragraphs (1) and (2) above. Most of these requirements are intended to assure that the participant is fully informed about the nature, purpose, stability and processes of the Fund. Signed disclosure statements are on file for all participants in the Fund who have enrolled since the 2008 amendment; and all Fund participants have putative and actual knowledge of the information included in the disclosure statement, through the Monthly Summary Reports and materials posted to the website.

(3) The board or a professional money management firm shall, upon the filing of the resolution, invest the moneys in the trust fund in the same manner and subject to the same restrictions as are set forth in s.215.47. All units of local government that qualify to be participants in the trust fund shall have surplus funds deposited into a pooled investment account

Section 215.47, Florida Statutes details the types of investments permitted for all Board funds, including Florida PRIME. Pursuant to section 218.409(2)(a), the Fund also must be invested in accordance with the current written investment policy, which must be updated annually. Part two of the certification required by section 218.405(3), being conducted by Aon Hewitt Investment Consulting, Inc., determines whether the Fund's management is in accord with best investment practices and whether the specific holdings of the Fund are in accord with all statutory requirements including section 215.47 (cross-referenced in 218.405(3)) as implemented in the current PRIME Investment Policy Statement.

ADMINISTRATION OF THE TRUST FUND, ADVISORY COUNCIL

218.409 Administration of the trust fund; creation of advisory council.—

(1) Upon receipt of the items specified in s. 218.407 from the local governing body, the board or a professional money management firm shall accept all wire transfers of funds into the trust fund. The board or a professional money management firm shall also wire-transfer invested local government funds to the local government upon request of the local government official named in the resolution.

A clearing account maintained by Bank of America, which is a qualified public depository, accepts money transmitted to the Board and transfers to BNY Mellon, as the custodian, as discussed further below.

(2)(a)The trustees shall ensure that the board or a professional money management firm administers the trust fund on behalf of the participants. The board or a professional money management firm shall have the power to invest such funds in accordance with a written investment policy. The

investment policy shall be updated annually to conform to best investment practices. The standard of prudence to be used by investment officials shall be the fiduciary standards as set forth in s. 215.47(10), which shall be applied in the context of managing an overall portfolio. Portfolio managers acting in accordance with written procedures and an investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this part.

The Board administers the Trust Fund on behalf of the participants and handles accounting, statements, monthly reporting and compiling and maintaining enrollment materials, and has contracted with professional money management firm Federated to act as the Investment Manager and to invest the Trust Fund funds in accordance with the Investment Policy Statement. Federated also interacts with participants to answer inquiries and facilitates Standard and Poor's ratings. BNY Mellon acts as custodian of all assets of the Fund, processes all trades made by Federated, and does valuation and pricing for the Fund. The Investment Policy Statement has been updated and approved by the Trustees effective May 4, 2021. It is posted at the Fund website tab "Risk Management and Oversight," and at the "Enrollment Materials" tab as a separate item and as part of the New Participant Enrollment Guide.

(2)(b) Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business on behalf of the trust fund. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the board.

All Board employees are required to complete training sessions to assure that Board officers and employees involved in the investment process are not engaged in personal business activity that could conflict with the Trust Fund program or impair their ability to make impartial decisions. The SBA Inspector General monitors completion of all mandatory policy courses and confirms that all courses required in the applicable fiscal year rotation have been completed.

A course cycle, which was updated in October 2018, sets out when the mandatory courses must be completed. For 2021, the following mandatory course cycle applies: Cybersecurity Awareness, Ethics, Harassment Prevention, Incident Management Framework, Insider Trading,

and Personal Investment Activity are required every year; Public Records and Sunshine Law are required every two years; and Fiduciary Duties is required every four years. All new employees are required to take all 9 mandatory courses at the time they start working for the SBA. Human Relations notifies the Inspector General of any training non-compliance and he then follows up to assure that training is complete. As training is completed online, all courses for the fiscal year rotation were completed, notwithstanding any changes in regular operations caused by COVID-19.

Employees and investment officials are required to disclose material interests in financial institutions with which they also conduct Trust Fund business, and any personal financial or investment positions that could be related to performance of the Trust Fund portfolio. Policy 10-041 on Personal Investment Activity, as updated February 26, 2020, guides the Board on these issues. The Inspector General assures that any trading or investment activity by individual employees is in compliance with applicable policies.

The Board has developed a process and document to be used by professional money manager Federated to certify that it is in compliance with statutory ethics requirements. Federated Hermes Inc. Chief Compliance Officer, Stephen Van Meter and Chief Investment Officer for Federated Investment Counseling, Global Liquidity Markets, Deborah A. Cunningham, executed Certifications of Ethics Principles on January 28, 2021, and Federated Chief Compliance Officer, Stephen Van Meter executed an Annual Compliance Certification for the period January 1, 2020 through December 31, 2020.

(2)(c)The board or a professional money management firm and all employees have an affirmative duty to immediately disclose any material impact to the trust fund to the participants. To ensure such disclosure, a system of internal controls shall be established by the board, which shall be documented in writing as part of the investment policy. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the board or a professional money management firm. The controls shall also include formal escalation reporting guidelines for all employees. The guidelines shall establish procedures to address material impacts on the trust fund that require reporting and action.

Policy 10-040, Ethics, as revised February 26, 2020, sets out comprehensive ethical requirements for all employees of the SBA, including PRIME, which are more stringent than the statutory requirements under Chapter 112, Part III, Florida Statutes. SBA management and staff have an affirmative duty to immediately escalate and report directly to the Executive Director & CIO, the Inspector General, or the General Counsel any “employee or contractual

party fraud or misconduct (whether actual or suspected), employee or contractual party material error that adversely affects SBA or client assets or interests, misrepresentation or omission of material information in internal and external reporting and client communications, and violations of laws, rules or SBA policies.” The Inspector General then is required to investigate.

The Board internet and intranet home pages include an employee toll-free fraud hotline number which allows all employees to anonymously report any concerns with regard to any aspect of Board functions, including the Trust Fund. This number also is provided in all contracts with external service providers, in order to reach any potential problems in these relationships. The hotline is operated by an independent company and is available 24 hours a day, 7 days a week. The Inspector General receives any reports from the hotline and copies these to the Chief Risk and Compliance Officer. There were no fraud reports to the hotline number during the review period.

The Investment Policy Statement at Section IX, Controls and Escalation Procedures, imposes extensive reporting, monitoring and escalation requirements on the executive director, all employees, the Fund custodian, the Investment Manager, an independent investment consultant and any third party used to materially implement the Fund.

The IPS requires the Executive Director to develop policies and procedures to maintain an appropriate and effective risk management and compliance program, which identifies, evaluates and manages risks within business units and at the enterprise level. The Executive Director is required to appoint a Chief Risk and Compliance Officer, whose selection, compensation, and termination are to be affirmed by the Board. This position assists the Executive Director in fulfilling the Controls and Escalation Procedures, and has been staffed.

Also in accordance with the IPS, the executive director of the Board has organized an Investment Oversight Group (IOG) to regularly review and formally escalate exceptions or events that might have a material impact on the Trust Fund. The minutes of its meetings, with a list of participants, are posted to the Fund website. The IOG meets quarterly and reports to the Executive Director.

As discussed below, the Auditor General conducts an annual financial audit of PRIME, and the IPS states that this audit “will include testing for compliance with this Policy.”

The IPS also requires the Trustees to review and approve management summaries of material impacts on the Fund and any actions or escalations, along with any required actions thereon. The Monthly Summary Reports, which are provided on the website, constitute these management summaries. (See further discussion on the contents of this Report under section 218.409(6).)

The above safeguards assure that the administration of the Trust Fund is in accordance with stringent standards of disclosure designed to prevent the loss of funds from fraud, error, misrepresentation, market changes or imprudent actions by the Board or a money manager, and in some aspects exceed what is required by statute.

(2)(d) The investment policy shall be reviewed and approved annually by the trustees or when market changes dictate, and in each event the investment policy shall be reviewed by the Investment Advisory Council.

Amendments to the Investment Policy Statement were adopted and endorsed by the Investment Advisory Council and approved by the Trustees, effective May 4, 2021. Substantive changes to the IPS were included in the amendment. The IPS permits Florida PRIME to invest in the following fixed income securities: corporate debt securities, bank instruments, asset backed securities, U.S. Treasury securities, U.S. government agency securities, insurance contracts, municipal securities, foreign securities, mortgage backed securities, and shares of money market mutual funds. Because Florida PRIME was previously determined not to constitute a “qualified institutional buyer” as defined in Rule 144(a)(1) under the Securities Act of 1933, the Trust Fund was only permitted to buy such fixed income securities if they did not require Florida PRIME to be a “qualified institutional buyer.”

The IPS, as amended effective May 4, 2021, now states that Florida PRIME constitutes a “qualified institutional buyer”, as long as it owns and invests (in the aggregate) at least \$100,000,000 in securities on a discretionary basis. Based on this determination, the IPS was further amended to provide that Florida PRIME may buy such fixed income securities that require Florida PRIME to be a qualified institutional buyer as long as the securities held by Florida PRIME are in excess of \$100,000,000.

(3) The board or a professional money management firm may purchase such surety or other bonds as may be necessary for its officials in order to protect the trust fund. A reserve fund may be established to fulfill this purpose. However, any reserve must be a portion of the management fee and must be fully disclosed, including its purpose, in the enrollment materials at the time a unit of local government considers participation. Further, any change in the amount to be charged for a reserve must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new reserve charge being imposed.

No surety or other bonds have been purchased to protect the Trust Fund, and there is no reserve fund.

(4) The board or a professional money management firm shall purchase investments for a pooled investment account in which all participants share pro rata in the capital gain, income, or losses, subject to any penalties for early withdrawal. Any provisions for penalties, including their purpose, must be disclosed in the enrollment materials. Any change in the amount to be charged for a penalty must have a reasonable notice period to allow any participant to withdraw from the trust fund prior to the new penalty charge being imposed. A system shall be developed by the board, and disclosed in the enrollment materials, subject to annual approval by the trustees, to keep account balances current and to apportion pooled investment earnings to individual accounts.

All participants in the Trust Fund share pro rata in all capital gains, income or losses, as set out in the Description of Investment Pool Earnings Allocation, posted to the website. This system is designed to keep account balances current and to apportion pooled investment earnings to individual accounts.

(5) The board shall keep a separate account, designated by name and number of each participating local government. A maximum number of accounts allowed for each participant may be established by the board. Individual transactions and totals of all investments, or the share belonging to each participant, shall be recorded in the accounts.

Separate accounts are kept for each participant. The Board has not established a limit on the number of accounts a participant may have

(6)(a)The board or a professional money management firm shall provide a report, at a minimum monthly or upon the occurrence of a material event, to every participant having a beneficial interest in the trust fund, the board's executive director, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The report shall include:

1. Reports of any material impacts on the trust fund and any actions or escalations taken by staff to address such impacts. The trustees shall provide quarterly a report to the Joint Legislative Auditing Committee that the trustees have reviewed and approved the monthly reports and actions taken, if any, to address any impacts.

2. A management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month. This management summary shall be prepared in a manner that will allow anyone to ascertain whether investment activities during the reporting period have conformed to investment policies. Such reporting shall be in

conformance with best market practices. The board or a professional money management firm shall furnish upon request the details of an investment transaction to any participant, the trustees, and the Investment Advisory Council.

A document titled Monthly Summary Report is produced monthly to address the above requirements and made available at the Florida PRIME website. The most recent Monthly Summary Report was posted for April 30, 2021.

(6)(b) The market value of the portfolio shall be calculated daily. Withdrawals from the trust fund shall be based on a process that is transparent to participants and will ensure that advantages or disadvantages do not occur to parties making deposits or withdrawals on any particular day. A statement of the market value and amortized cost of the portfolio shall be issued to participants in conjunction with any deposits or withdrawals. In addition, this information shall be reported monthly with the items in paragraph (a) to participants, the trustees, and the Investment Advisory Council...

The market value of the Fund portfolio is calculated daily by BNY Mellon and posted on the website the next day. The Information Statement and Operating Procedures, posted to the website as part of the New Participant Enrollment Guide, sets out the operating procedures for the Fund, including hours of operation, holidays and timing of transactions. These procedures are transparent and appear to ensure, to the extent possible, that disadvantages do not occur to parties making deposits or withdrawals on particular days, as each participant has equal access to the transaction system. A statement of the market value and amortized cost of the portfolio is available at all times to participants on the website, and participants receive monthly individual account statements.

...The review of the investment portfolio, in terms of value and price volatility, shall be performed with practices consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools."

Compliance with the above part of section 218.409(6)(b) will be determined in part two of the annual certification, conducted by Aon Hewitt Investment Consulting, Inc.

...Additional reporting may be made to pool participants through regular and frequent ongoing multimedia educational materials and communications, including, but not limited to, historical performance, investment holdings, amortized cost and market value of the trust fund, credit quality, and average maturity of the trust fund investment.

Additional materials are available on the Trust Fund website and are provided through the monthly reports. Board staff are available for direct communication with participants for any questions regarding their accounts.

(7) Costs incurred in carrying out the provisions of this part shall be deducted from the interest earnings accruing to the trust fund. Such deductions shall be prorated among the participant local governments in the percentage that each participant's deposits bear to the total trust fund. The remaining interest earned shall be distributed monthly to participants according to the amount invested. Except for costs, the board or a professional money management firm may not transfer the interest or use the interest for any other purpose, including, but not limited to, making up investment losses.

The above statutory requirement was present in the law before the 2008 revisions and has been discussed in previous reviews because it is theoretically problematic: If fund investment values were to decline sufficiently in a given month, there would be no interest from which to pay costs, and the literal requirements of this provision could not be met within a given month. Staff have reviewed this issue and updated last year's analysis in the following statement:

The Florida PRIME total expense ratio is approximately 3.12 basis points (or 0.0312%), with the SBA's portion of the total fees equal to 1.0 basis point (or 0.01%). Historical asset levels with an average annual balance of \$12.2 billion over the last 5 years have been more than sufficient to generate adequate fees to cover all administrative, operational, compliance and investment management charges. All pool charges have continued to be reported within the Monthly Summary Report, including the actual monthly line-item fees.

(8)(a)The principal, and any part thereof, of each and every account constituting the trust fund shall be subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action shall be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures prior to the expiration of the

time limit set, but in no case may the time limit set by the trustees exceed 15 days.

In the time period covered by this review, the principal of all accounts in the Trust Fund has been paid at any time requested by a participant and there have been no events causing the Executive Director to limit contributions or withdrawals.

(8)(b) An order to withdraw funds may not be issued upon any account for a larger amount than the share of the particular account to which it applies; and if such order is issued, the responsible official shall be personally liable under his or her bond for the entire overdraft resulting from the payment if made.

In the time period covered by this review, there have been no orders to withdraw funds for a larger amount than the share of a particular account.

(9) The Auditor General shall conduct an annual financial audit of the trust fund, which shall include testing for compliance with the investment policy. The completed audit shall be provided to the participants, the board, the trustees, the Investment Advisory Council, and the Joint Legislative Auditing Committee. As soon as practicable, but no later than 30 days after completion of the audit, the trustees shall report to the Joint Legislative Auditing Committee that the trustees have reviewed the audit of the trust fund and shall certify that any necessary items are being addressed by a corrective action plan that includes target completion dates.

The Auditor General Annual Financial Audit of the Trust Fund, Report No. 2021-054, for the fiscal years ended June 30, 2020 and June 30, 2019, was completed in November 2020. The audit did not disclose any deficiencies in internal control over Florida PRIME's financial reporting that were considered to be material weaknesses. The report noted no instances of noncompliance or other matters required to be reported under Government Auditing Standards, and included as audit objectives determining if the SBA had complied with various provisions of laws, rules, contracts, the IPS, and other guidelines that are material to the financial statements. In the opinion of the Independent Auditor's Report, Florida PRIME's financial statements present fairly, in all material respects, the respective financial position of Florida PRIME as of June 30, 2020, and June 30, 2019, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AUTHORIZATION TO PROVIDE ASSISTANCE

218.411 Authorization for state technical and advisory assistance.

(1) The board is authorized, upon request, to assist local governments in investing funds that are temporarily in excess of operating needs by:

(a) Explaining investment opportunities to such local governments through publication and other appropriate means.

(b) Acquainting such local governments with the state's practice and experience in investing short-term funds.

(c) Providing, in cooperation with the Department of Economic Opportunity, technical assistance to local governments in investment of surplus funds.

(2) The board may establish fees to cover the cost of such services, which shall be paid by the unit of local government requesting such service. Such fees shall be deposited to the credit of the appropriation or appropriations from which the costs of providing the services have been paid or are to be charged.

The education offerings of the Fund have been discontinued, and there have been no instances of the SBA providing technical assistance to a fund participant in this review period.

218.412 Rulemaking authority.—

The board may adopt rules as it deems necessary to carry out the provisions of this part for the administration of the trust fund.

As noted above, the Board has adopted rules for the administration of the Fund at Chapter 19-7, Florida Administrative Code, which are up to date.

OTHER SECTIONS OF PART IV, CHAPTER 218

Part IV of Chapter 218, Florida Statutes covers other facets of investment of local government funds, such as local government investment policies (Section 218.415.) Because this review, as mandated by Section 218.405, is of the pooled investment fund created by 218.405 only, these sections are not a part of this review.

Florida PRIME™ Best Practices Review

Florida State Board of Administration (SBA)

June 2021

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Executive Summary

Aon Investments (Aon) conducts a Best Practices Review of Florida PRIME on an annual basis. In this report, we review the 2021 Participant Survey responses, provide a data security update, discuss environmental, social and governance investment integration, provide an update on the Business Case Review and recap the annual Investment Policy Statement Review.

Based on our review, we continue to believe that Florida PRIME is being managed in a manner consistent with best practices and in consideration of participants' best interests and do not have any recommendations at this time.

2021 Participant Survey Results

On a regular basis, the SBA conducts a survey of Florida PRIME participants to gain a better understanding of the participant base, current usage of available services, and overall satisfaction. The survey also seeks to gauge interest in various enhancements and to ensure awareness of participant needs and preferences. The 2021 survey attracted 70 respondents which is in line with the previous rate of response.

A diversified group of governmental units responded to the survey, primarily representing counties, special districts, municipalities, and school boards, with respondents roughly evenly split between investment decision-makers and personnel in account operations. Of the respondents, 56% have one account with Florida PRIME and 19% have 2 accounts. The survey indicated that approximately 50% of respondents indicated having a balance of over \$10 million with Florida PRIME, and another 31% indicated having between \$1 million and \$10 million with the pool. The survey revealed that 17% of respondents maintained greater than 75% of their cash surplus in Florida PRIME over the past year and 22% maintained between 50% and 75% in FL PRIME. On the other end of the spectrum, 32% indicated they have maintained less than 25% with Florida PRIME. These numbers are generally in line with previous surveys.

The survey includes questions that relate to how and why participants utilize other competing and complementary liquidity vehicles. Of the respondents, over half (55%) indicated that their organization has a policy that dictates a maximum allowable allocation to a single investment pool or money market fund. Of those with a policy limit, 64% are restricted to allocating 50% or less to any single governmental investment pool or money market fund. Relatedly, when asked what prevents an organization from using Florida PRIME as the primary source of cash management, 34% indicated that investment policy restrictions are a major reason and another 14% indicated it is a moderate reason. The next greatest response was 47% of respondents indicating that diversification needs of the cash portfolio was a major or moderate reason. We did see a modest uptick in respondents indicating that an unattractive yield as a major reason (20%) and a minor reason (22%) for preventing use of FL PRIME as the primary source for cash management services. Inadequate participant disclosures, costs, functionality/operational features and lack of additional investment product offerings were all highly selected as not reasons at all for not using Florida PRIME as a primary source of cash management.

When asked about other investment vehicles used in the past 12 months for cash management, respondents indicated the most commonly used vehicles aside from Florida PRIME are SEC registered money market funds at 40%. This number has increased over the past few years and reverted back to previous levels, we suspect from the growing familiarity and comfort with the reforms that went into effect. The next most common vehicles were peer funds, and specifically the Florida Education Investment Trust Fund at 26%, followed by Bank Certificates of Deposits at 21% of respondents. The survey also asked respondents to rank how competing investment services have added value to the respondent organizations' investment goals from the following list: yield, cost, risk, client service, available funds, and ease of use. Consistent with last year, respondents indicated that yield was the most appealing feature,

followed by risk, defined as perceived risk levels adjusted for the level of return. Client service and ease of use were ranked the lowest in terms of value add from competing investment services.

The survey questions surrounding current services related to Florida PRIME continue to receive strong feedback. Related to the Florida PRIME website, 76% of respondents indicated that they visit the site at least once a month and 99% responded that they find the website functionality as very easy to use. The survey also indicated that the clear majority of participants continue to utilize the website primarily to access account balances and statements, and approximately 74% and 31% of respondents utilize the website to make transactions and to access the Monthly Summary Reports, respectively. When asked about the usefulness of multiple communication pieces, the responses also continue to be favorable. The survey indicated that respondents rated the following communications as very useful: monthly account statements (93%), e-mail notifications of withdrawals (91%) and changes to bank instructions (83%). Further, respondents found the following to be at least somewhat useful: Periodic eNotices (94%), Monthly Summary Reports (88%), and Weekly Market Commentary (80%). Lastly, respondents indicated great satisfaction with the Florida PRIME representatives, with over 96% indicating the representatives were very courteous, very knowledgeable and very responsive.

Overall, the survey results continue to be positive from both operational and service-related perspectives. Responses related to the use of competing investment vehicles continue to be mixed, with indications of yield and risk being top of mind, but notably, that a large percentage of respondents' organizations have investment policies limiting available funds to invest in a single entity and/or seek diversification from a single cash management source. Generally, the survey indicates a strong level of satisfaction with the management of the Florida PRIME portfolio. The large majority (80%) of respondents indicated that they are very likely or extremely likely to recommend Florida PRIME to a colleague or other governmental investor. We continue to believe the survey is a great mechanism to obtain feedback from Florida PRIME participants, as well as to express the SBA's awareness and receptiveness to the participant's needs and wants.

Data Security Enhancements

The growth in frequency, cost and consequences of data breaches or cybersecurity incidents is undeniable over the past several years. The indiscernible reach of cyber threats has caused institutions across functions and sectors around the globe to prioritize cyber security. While not directly applicable to FL PRIME, it is worth noting that the U.S. Government Accountability Office (GAO) recently issued a report regarding the fiduciary issues involving cybersecurity and defined contribution plans (GAO Report). Additionally, the Department of Labor (DOL) followed with guidance relating to how plan sponsors (of private plans) should address their risks relating to cyber security threats, noting that responsible plan fiduciaries have an obligation to ensure proper mitigation of cybersecurity threats. Again, while the GAO Report and DOL guidance is not directly applicable to FL PRIME, they do reinforce the growing responsibility and focus on ensuring proper data security.

Florida PRIME Data Security Enhancement

The SBA has been proactive in furthering the data security of FL PRIME participants by implementing additional authentication requirements when accessing FL PRIME information online.

Effective May 5, 2021, the SBA requires all Florida PRIME account users to use the DUO multi-factor authentication (MFA) for online access. This process creates a multi-layered approach by requiring two forms of verification when logging into the FL PRIME website, making it more difficult for unauthorized persons to gain access to the FL PRIME system. The DUO MFA application is being provided at no cost to FL PRIME participants and communication was sent to participants well-ahead of the effective date, providing instructions for participants to set up the DUO MFA. Thus far, the set up and MFA login process for account users has gone smoothly and without incident.

Environmental, Social, and Governance (ESG) Integration

Accelerating environmental, social, and governance (ESG) trends, such as climate change, transforming technology and changing socio-demographics, have institutional asset allocators, investment managers, corporate boards and executives, and investors all increasingly aware of ESG issues. As the global economy and society transform, these trends will pose increasing challenges and opportunities for investors over coming decades.

ESG risks are commonly defined to include those related to climate change, environmental management practices and duty of care, working and safety conditions, respect for human rights, anti-bribery and corruption practices, and compliance with relevant laws and regulations. Also important, we believe, are the impacts from these ESG trends, emerging regulations and guidelines, and the disclosure and transparency requirements placed on wider stakeholders. This is leading to growing pressures on investors and companies to consider ESG issues in their decision-making, to safeguard long-term investment objectives and the long-term value of portfolios and companies.

ESG Integration within investing, formally defined as “the explicit and systematic inclusion of Environmental, Social and Governance (ESG) issues in investment analysis and investment decisions¹,” is becoming increasingly important, and if implemented appropriately, may ultimately benefit investors and companies. Given the importance of these topics, Aon and SBA Staff met with Federated to understand their views and processes for incorporating ESG factors into their investment management practices and we highlight them below.

Federated and ESG Integration²

Federated has long incorporated ESG factors into their liquidity investment process when determining internal credit ratings. They believe that relevant and material environmental, social and governance (ESG) factors can help identify business opportunities and operational risks and add a contextual dimension to the overall evaluation of a security. Additionally, Federated acquired a majority interest in Hermes Investment Management in 2018. Hermes is a London-based asset manager that is considered a pioneer in the ESG and Responsible Investment space. This acquisition provided Federated with additional resources to bolster its ESG integration efforts.

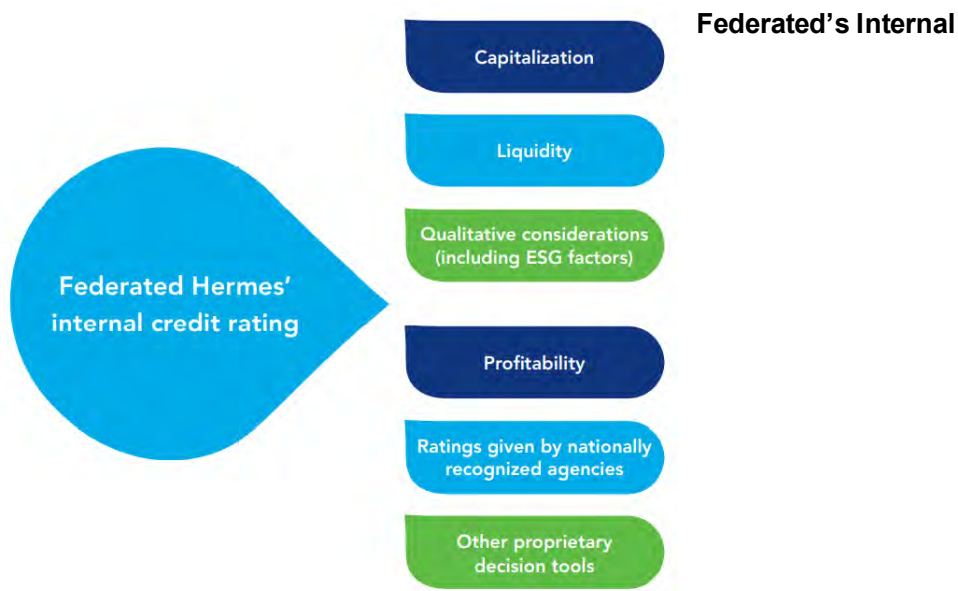
Federated Internal Credit Rating Factors

Every issuer considered for Federated’s approved list is assigned an internal credit rating that is determined by a collection of various factors. Inclusion of ESG factors, among all qualitative considerations, may affect Federated’s internal credit rating positively, negatively, or not at all, and does not automatically result in excluding or screening out sectors or specific issuers.

¹ Principles for Responsible Investment (PRI)

² Information provided by Federated

Summary of Credit Factors³



The acquisition of Hermes offered additional resources to Federated to incorporate into their credit analysis, particularly as it relates to ESG factors. This acquisition also initiated a cross check of Federated's ESG rankings with Hermes' ESG rankings across Federated's approved security list. The results of this exercise confirmed Federated's existing ESG rankings, offering additional validation to Federated's existing ESG evaluation and integration into its investment process.

We note that given the nature of the FL PRIME portfolio, being of the highest quality and very short-term in nature, the commonly discussed ESG factors may be less impactful to the evaluation of securities held in the FL PRIME portfolio compared to other fixed income and equity securities that are held for longer time horizons with varying investment objectives. That said, these factors can have material and pecuniary impacts on investment performance and therefore it is prudent for ESG integration to be part of any investment strategy.

We believe the incorporation of ESG factors into Federated's credit analysis to be prudent and believe the acquisition of Hermes and the resources they bring to be additive to this initiative. Importantly, Federated is dedicated to incorporating ESG with the objective of improving portfolio risk/reward characteristics and the sole prospects for long-term out-performance.

³ Provided by Federated

Florida PRIME Business Case Review Update

The SBA initiated a business case review of FL PRIME as described in the Florida PRIME Strategic Plan. The business case review is intended to evaluate the case for insourcing and/or outsourcing all or a portion of the pool's administration, management and investment services. The ultimate goal of the Business Case Review is to ensure that the FL PRIME program is being administered in the most efficient way possible while providing the greatest security and value to current and potential participants.

Status Update

The 2020 update on the Business Case Review was provided last year at the start of the pandemic. At that time, the SBA was meeting monthly to evaluate the merits for outsourcing different functions of FL PRIME and was beginning to draft an RFI. Given that the next several quarters were through the depths of the pandemic and there were other priorities the SBA Review Team was pulled towards, it was decided to put a pause on the FL PRIME Business Case Review during the first half of 2021. The intention is to pick this project back up in the Fall of 2021. In the meantime, FL PRIME continues to be managed seamlessly and aligned with best practices.

Background

Florida PRIME currently outsources the investment management to Federated Investment Counseling ("Federated") to manage the pool's assets in accordance with the Investment Policy Statement. Federated also conducts investment related risk management procedures and reporting to ensure compliance and the safety of pool assets.

The Florida SBA handles all other services in house for administering the FL PRIME program. These responsibilities and services are broadly defined below:

- *Administration*: recordkeeping, trade execution, position monitoring and reporting
- *Client Service*: call center, website/user interface, participant communication and experience
- *Risk Management and Compliance*: policies and guidelines, monitoring, reporting, escalation procedures, participant communication, business continuity

Business Case Review Progress

The SBA began the Business Case Review (the Review) in the fall of 2019. The initial work was largely an information gathering exercise. The SBA gained insight into full service outsourcing models, connecting with various providers to better understand the mechanics and the pros/cons of that path, as well as identify potential challenges and areas of concern for the SBA. The group also connected with peer local government investment pools to gain an understanding of what models have worked and what aspects have proven more challenging. This information allowed the SBA to identify areas that needed additional research and vetting.

The SBA also initiated an internal risk assessment with the objective of clearly understanding and defining the risks that the FL PRIME program presents to the SBA. The risk assessment evaluates the administration, client service and risk management functional areas on whether the risk of outsourcing is neutral, lower or higher than the current state.

Through the information gathering phase, the SBA identified some challenges that outsourcing certain functions could present. Therefore, the SBA is also investigating potential approaches to improve existing internal operations. The next phase of the business case review, should the SBA determine to outsource one or more functions, is drafting and sending either a Request for Information (RFI), an Invitation to Negotiate (ITN) or a similar competitive solicitation document. Given the desire to evaluate a full outsourcing model, as well as various hybrid models and potential enhancements to internal operations, the competitive solicitation document needs to be carefully drafted. The SBA Review Team had been meeting monthly as they sifted through the information and evaluated each functional area of FL PRIME management. The goal is to have a clear understanding of the best outsourcing options available to the SBA, potential internal improvements and draft a competitive solicitation document that allows for clear evaluation of the respondents.

Investment Policy Review

As part of Aon's Best Practices review of Florida PRIME we conduct a review of the Florida PRIME Investment Policy Statement (IPS). The objective of the IPS is to set forth the objectives, strategy, guidelines, and overall responsibilities for the oversight and prudent investment of Florida PRIME assets. The purpose of the periodic review is to ensure the document reflects the evolving investment portfolio, current legal and regulatory developments, and best practices. A well-written and unambiguous document is critical to the success of any investment program.

The SBA has been diligent with staying current with overall best practices in managing the Florida PRIME assets and has consistently ensured the IPS is up-to-date with the current regulatory, legal, and investment environments. Most recently, the FL PRIME IPS was reviewed and approved at the March 30, 2021 Investment Advisory Council meeting. The 2021 review identified a modest update to the definition of allowable fixed income securities. This edit was a result of regulatory changes by the Securities and Exchange Commission (SEC) to expand the definition of "accredited investor" in Rule 215 and Rule 501(a) as well as the definition of "qualified institutional buyer" (QIB) in Rule 144A.

Aon continues to find the IPS to be comprehensive and appropriate for the management and oversight of Florida PRIME. The topics covered continue to be relevant and critical to the success of the management of Florida PRIME assets. The investment objective of the pool and the roles and responsibilities are clearly defined. The IPS provides the necessary specifics and supplemental guidelines for a clear understanding of the investment strategy, making direct and clear reference to the appropriate GASB guidelines for appropriate fiduciaries to follow and understand. We believe the IPS thoroughly defines the risks that are associated with investing in Florida PRIME and find the detailed control procedures provide the comfort of prudent safe-keeping and oversight of assets.

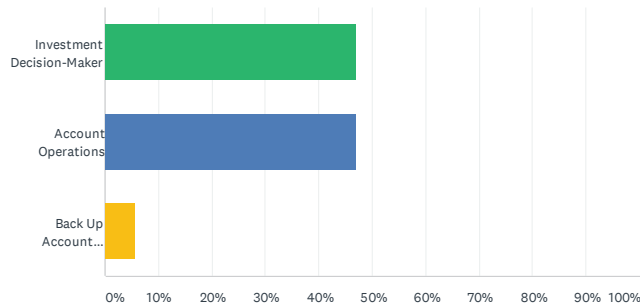
Overall, we continue to believe the Florida PRIME IPS is robust and in line with the goals and objectives of the investment pool and continue to find the Policy to be an effective guiding document for the management of Florida PRIME.

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2021 Florida PRIME Participant Satisfaction Survey

Q1 What is your role in managing your Florida PRIME account(s)?

Answered: 70 Skipped: 3



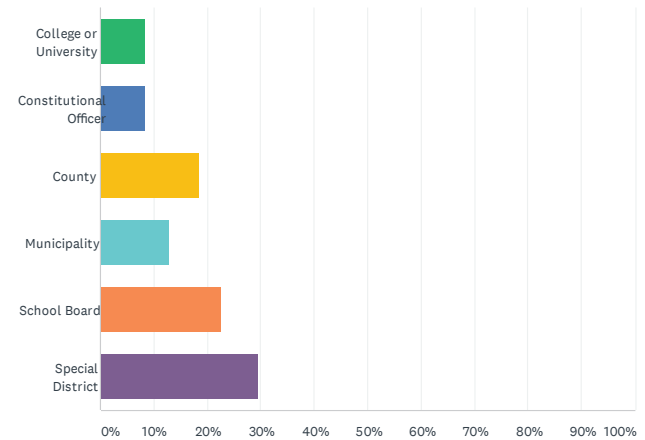
ANSWER CHOICES		RESPONSES
Investment Decision-Maker		47.14% 33
Account Operations		47.14% 33
Back Up Account Operations		5.71% 4
TOTAL		70

#	OTHER (PLEASE SPECIFY)	DATE
1	Superintendent - currently acting as CFO although I have not worked with Prime accounts.	6/2/2021 4:06 PM
2	Reconciliation Accountant	6/2/2021 10:00 AM
3	Bookkeeper	6/2/2021 9:56 AM
4	Account withdrawals, investment advisory committee, financial reporting, etc.	4/19/2021 10:17 AM

2021 Florida PRIME Participant Satisfaction Survey

Q2 How would you classify your governmental organization?

Answered: 71 Skipped: 2

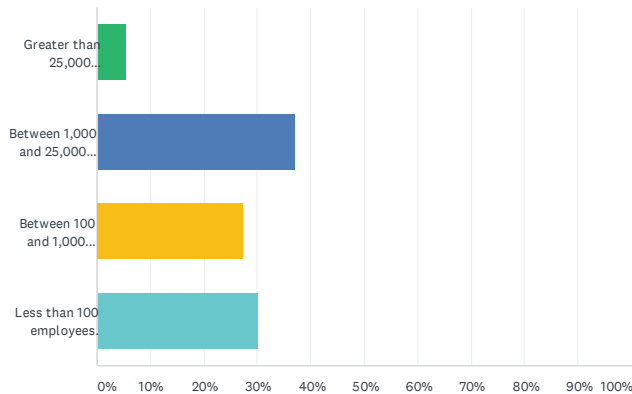


ANSWER CHOICES		RESPONSES
College or University		8.45% 6
Constitutional Officer		8.45% 6
County		18.31% 13
Municipality		12.68% 9
School Board		22.54% 16
Special District		29.58% 21
TOTAL		71

#	OTHER (PLEASE SPECIFY)	DATE
1	Bank acting for client	6/2/2021 9:31 AM
2	Clerk of Courts and Comptroller, FBO of County Commission	5/17/2021 10:13 AM
3	Clerk is comptroller for Hillsborough County	4/19/2021 10:17 AM
4	Body Politic (Utility Company)	4/14/2021 3:54 PM

Q3 Please indicate the size of your organization.

Answered: 73 Skipped: 0

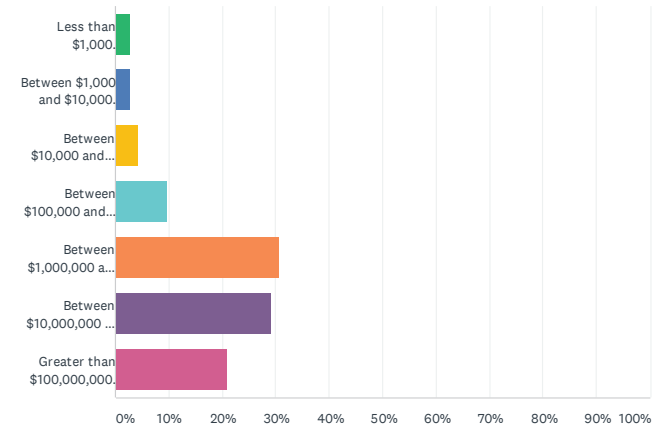


ANSWER CHOICES		RESPONSES	
Greater than 25,000 employees.		5.48%	4
Between 1,000 and 25,000 employees.		36.99%	27
Between 100 and 1,000 employees.		27.40%	20
Less than 100 employees.		30.14%	22
TOTAL			73

#	OTHER (PLEASE SPECIFY)	DATE
1	only have 3 paid employees	4/27/2021 2:58 PM

Q4 What is your approximate account balance in Florida PRIME? If you maintain more than one account, please include the aggregate dollar value across all of your pool accounts.

Answered: 72 Skipped: 1

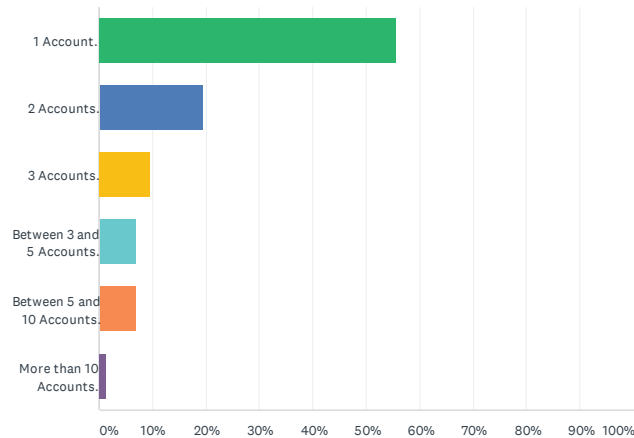


ANSWER CHOICES		RESPONSES	
Less than \$1,000.		2.78%	2
Between \$1,000 and \$10,000.		2.78%	2
Between \$10,000 and \$100,000.		4.17%	3
Between \$100,000 and \$1,000,000.		9.72%	7
Between \$1,000,000 and \$10,000,000.		30.56%	22
Between \$10,000,000 and \$100,000,000.		29.17%	21
Greater than \$100,000,000.		20.83%	15
TOTAL			72

#	OTHER (PLEASE SPECIFY)	DATE
	There are no responses.	

Q5 Florida PRIME participants are allowed to maintain numerous accounts. How many accounts does your organization currently maintain within Florida PRIME?

Answered: 72 Skipped: 1

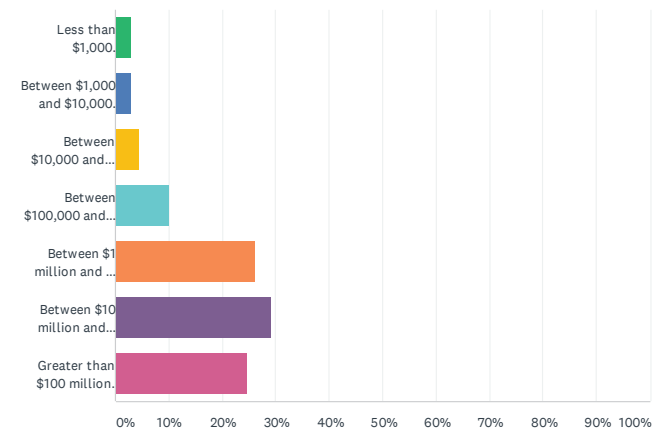


ANSWER CHOICES	RESPONSES
1 Account.	55.56% 40
2 Accounts.	19.44% 14
3 Accounts.	9.72% 7
Between 3 and 5 Accounts.	6.94% 5
Between 5 and 10 Accounts.	6.94% 5
More than 10 Accounts.	1.39% 1
TOTAL	72

#	OTHER (PLEASE SPECIFY)	DATE
1	zero accounts	6/2/2021 4:06 PM
2	One for Board of County Commissioners and one for the Clerk.	4/19/2021 10:17 AM
3	5 additional Prime accounts with trustee, BNY Mellon.	4/15/2021 8:08 AM

Q6 What is the level of your total cash assets available for short-term investment?

Answered: 69 Skipped: 4



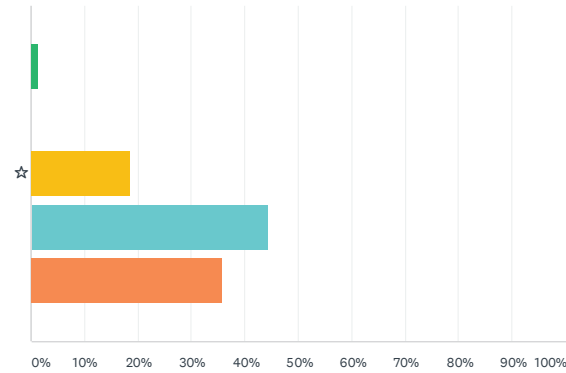
ANSWER CHOICES	RESPONSES
Less than \$1,000.	2.90% 2
Between \$1,000 and \$10,000.	2.90% 2
Between \$10,000 and \$100,000.	4.35% 3
Between \$100,000 and \$1,000,000.	10.14% 7
Between \$1 million and \$10 million.	26.09% 18
Between \$10 million and \$100 million.	28.99% 20
Greater than \$100 million.	24.64% 17
TOTAL	69

#	OTHER (PLEASE SPECIFY)	DATE
1	I don't have this information	6/2/2021 10:00 AM

2021 Florida PRIME Participant Satisfaction Survey

Q7 How likely would you be to recommend Florida PRIME to a colleague or other governmental investor?

Answered: 70 Skipped: 3



■ Not at all likely to recommend.
 ■ Not very likely to recommend.
 ■ Neutral recommendation.
 ■ Very likely to recommend.
 ■ Extremely likely to recommend.

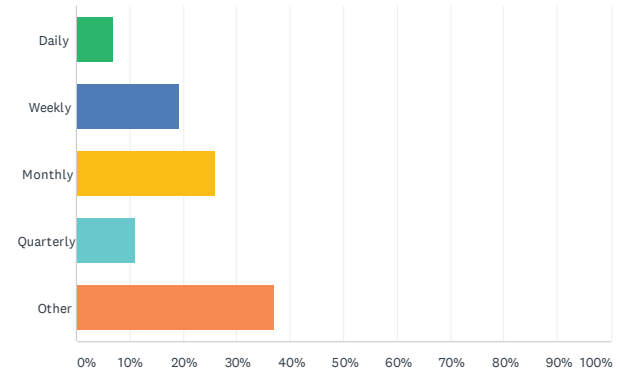
	NOT AT ALL LIKELY TO RECOMMEND.	NOT VERY LIKELY TO RECOMMEND.	NEUTRAL RECOMMENDATION.	VERY LIKELY TO RECOMMEND.	EXTREMELY LIKELY TO RECOMMEND.	TOTAL	WEIGHTED AVERAGE
☆	1.43%	0.00%	18.57%	44.29%	35.71%	70	4.13
	1	0	13	31	25		

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2021 Florida PRIME Participant Satisfaction Survey

Q8 How often does your organization initiate financial transactions in your Florida PRIME account(s)?

Answered: 73 Skipped: 0



ANSWER CHOICES	RESPONSES
Daily	6.85% 5
Weekly	19.18% 14
Monthly	26.03% 19
Quarterly	10.96% 8
Other	36.99% 27
TOTAL	73

#	COMMENTS	DATE
1	Semi-annually	6/2/2021 1:32 PM
2	As needed to fund expenditure account throughout the year	6/2/2021 10:44 AM
3	As needed which is less than quarterly.	6/2/2021 9:56 AM
4	Varies closer to daily	6/2/2021 9:31 AM
5	Withdrawals are made as needed.	6/2/2021 9:25 AM
6	as needed	5/17/2021 10:18 AM
7	Rarely	5/17/2021 10:04 AM
8	AS NEEDED	4/28/2021 12:38 PM
9	As needed	4/28/2021 7:51 AM
10	As needed	4/27/2021 4:59 PM
11	We only use this account to hold large grants funds	4/19/2021 10:18 AM

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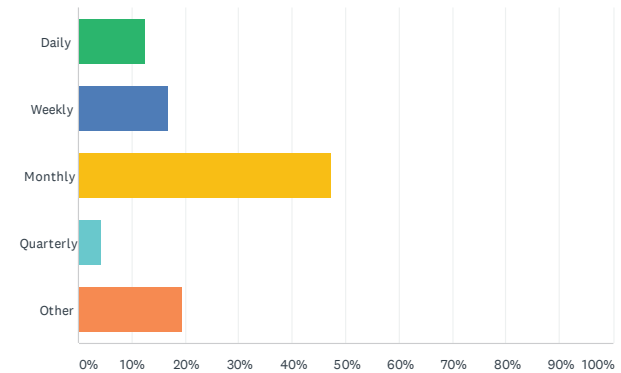
2021 Florida PRIME Participant Satisfaction Survey

12	As needed. It could be multiple times a week if necessary.	4/19/2021 10:17 AM
13	Only when needed.	4/15/2021 3:51 PM
14	Yearly.	4/14/2021 5:23 PM

2021 Florida PRIME Participant Satisfaction Survey

Q9 How often do you utilize the Florida PRIME Website?

Answered: 72 Skipped: 1

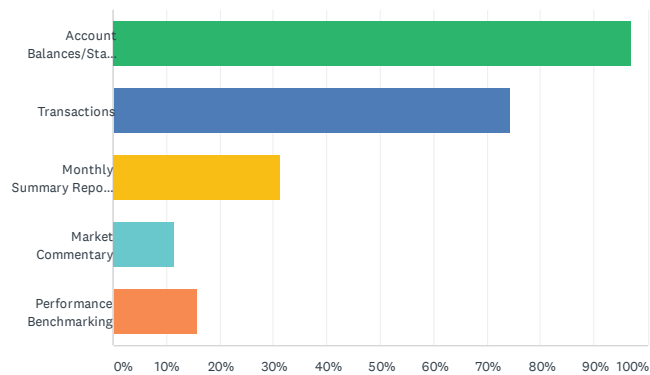


ANSWER CHOICES	RESPONSES
Daily	12.50% 9
Weekly	16.67% 12
Monthly	47.22% 34
Quarterly	4.17% 3
Other	19.44% 14
TOTAL	72

#	COMMENTS	DATE
1	rarely	6/2/2021 10:44 AM
2	I check the balance daily.	6/2/2021 9:25 AM
3	as needed	5/17/2021 10:18 AM
4	Rarely, rely on mailed statements instead	5/17/2021 10:04 AM
5	AS NEEDED	4/28/2021 12:38 PM
6	As needed	4/28/2021 7:51 AM
7	As needed. It is accessed each time the Prime Acct is accessed.	4/19/2021 10:17 AM
8	I usually call and use the personal touch	4/15/2021 3:03 PM
9	Infrequent.	4/14/2021 5:23 PM

Q10 Please mark all items that you routinely access on the Florida PRIME website:

Answered: 70 Skipped: 3

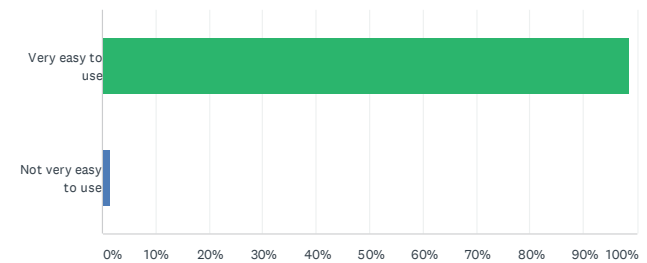


ANSWER CHOICES	RESPONSES	
Account Balances/Statements	97.14%	68
Transactions	74.29%	52
Monthly Summary Report (MSR)	31.43%	22
Market Commentary	11.43%	8
Performance Benchmarking	15.71%	11
Total Respondents: 70		

#	OTHER (PLEASE SPECIFY)	DATE
1	N/A	6/2/2021 4:06 PM
2	Rely on mailed statements for account balance and interest	5/17/2021 10:04 AM

Q11 When using the Florida PRIME website, would you describe the functionality as:

Answered: 69 Skipped: 4



ANSWER CHOICES	RESPONSES	
Very easy to use	98.55%	68
Not very easy to use	1.45%	1
TOTAL		
		69

#	COMMENTS	DATE
1	N/A	6/2/2021 4:06 PM
2	Since we use it infrequently, it can be difficult to find what we want on occasion.	6/2/2021 9:56 AM
3	N/A	5/17/2021 10:04 AM

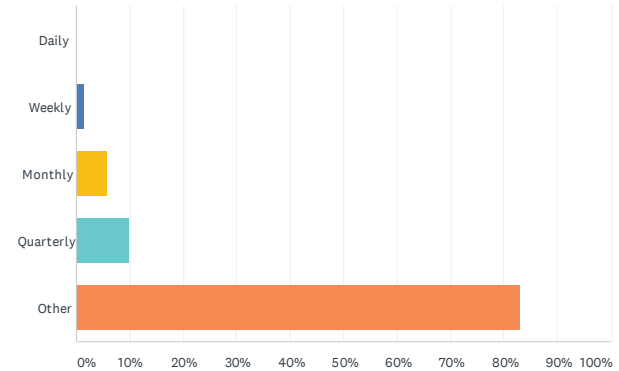
Q12 What other items, topics or changes would improve the usefulness of the Florida PRIME website?

Answered: 13 Skipped: 60

#	RESPONSES	DATE
1	An email advising that the monthly statement is available.	6/2/2021 1:32 PM
2	n/a	6/2/2021 10:00 AM
3	none	6/2/2021 9:50 AM
4	N/A	5/19/2021 8:51 AM
5	N/A	4/27/2021 3:11 PM
6	clarity with May 5 begin date for dual authentication	4/27/2021 2:58 PM
7	N/A	4/27/2021 2:47 PM
8	none	4/27/2021 2:26 PM
9	I would prefer a print screen for the account balance/transaction page rather than an excel spreadsheet	4/27/2021 2:22 PM
10	transfers	4/27/2021 2:21 PM
11	Not at this time.	4/19/2021 11:18 AM
12	Safety of principal is the most important thing for us. Do you stress test the portfolio?	4/19/2021 10:17 AM
13	None	4/14/2021 4:31 PM

Q13 How often do you call or email your SBA Florida PRIME service representative?

Answered: 71 Skipped: 2



ANSWER CHOICES	RESPONSES
Daily	0.00% 0
Weekly	1.41% 1
Monthly	5.63% 4
Quarterly	9.86% 7
Other	83.10% 59
TOTAL	71

#	COMMENTS	DATE
1	N/A	6/2/2021 4:06 PM
2	Next to never	6/2/2021 1:32 PM
3	As needed	6/2/2021 10:44 AM
4	as needed	6/2/2021 10:41 AM
5	I have never but others in our organization might.	6/2/2021 10:00 AM
6	Only if making a change and we are unsure of exact procedure.	6/2/2021 9:56 AM
7	Hardly ever	6/2/2021 9:50 AM
8	not hardly	6/2/2021 9:25 AM
9	Very rarely, if ever...	5/24/2021 5:52 PM
10	Don't know who our SBA Florida PRIME representative is	5/17/2021 12:23 PM
11	only when we have a question	5/17/2021 10:31 AM

2021 Florida PRIME Participant Satisfaction Survey

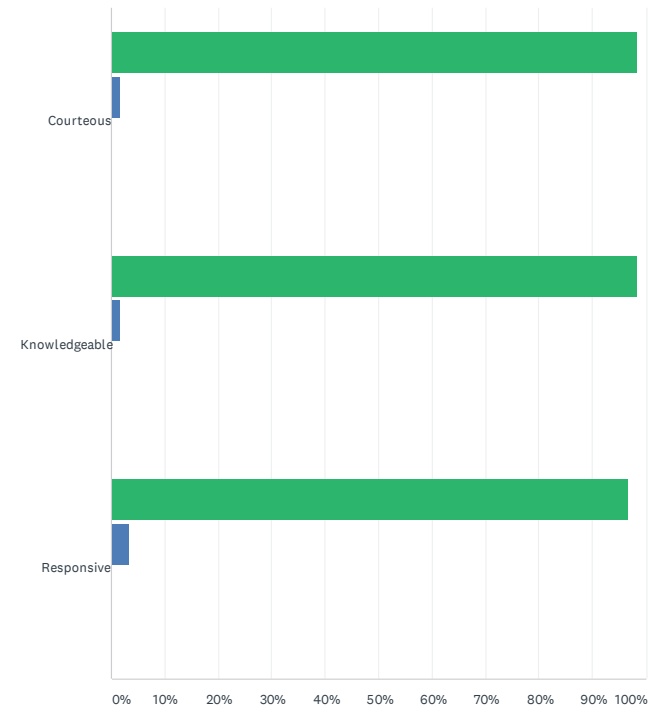
12	as needed but usually not very often	5/17/2021 10:18 AM
13	Maybe once a year	5/17/2021 10:04 AM
14	Almost never	4/29/2021 3:23 PM
15	As needed	4/28/2021 7:51 AM
16	as needed	4/27/2021 4:59 PM
17	As needed.	4/27/2021 3:11 PM
18	as needed	4/27/2021 2:37 PM
19	as needed	4/20/2021 9:20 AM
20	as needed	4/19/2021 10:18 AM
21	Only as needed. I might call once in a year or not at all.	4/19/2021 10:17 AM
22	only on need	4/16/2021 2:25 PM
23	Only when needed.	4/15/2021 3:51 PM
24	N/A	4/14/2021 5:23 PM
25	As needed, a few times a year.	4/14/2021 4:46 PM
26	Rarely	4/14/2021 4:31 PM
27	As needed	4/14/2021 4:06 PM
28	Only to void a transaction entered in error.	4/14/2021 3:54 PM

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2021 Florida PRIME Participant Satisfaction Survey

Q14 Please rate your SBA Florida PRIME representative in each of the following areas.

Answered: 60 Skipped: 13



Very Somewhat Not very Not at all

	VERY	SOMEWHAT	NOT VERY	NOT AT ALL	TOTAL
Courteous	98.33% 59	1.67% 1	0.00% 0	0.00% 0	60
Knowledgeable	98.33% 59	1.67% 1	0.00% 0	0.00% 0	60
Responsive	96.67% 58	3.33% 2	0.00% 0	0.00% 0	60

#	COMMENTS	DATE

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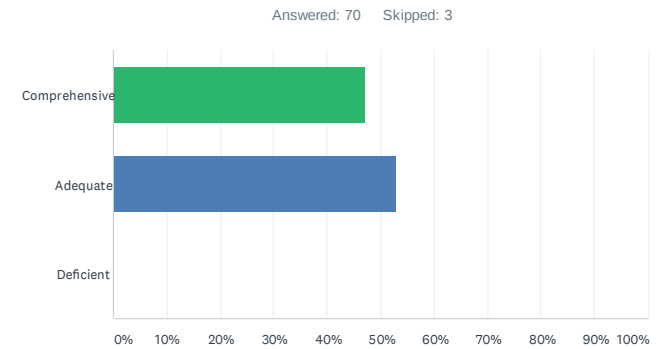
2021 Florida PRIME Participant Satisfaction Survey

1	N/A	6/2/2021 4:06 PM
2	Not applicable	6/2/2021 1:32 PM
3	n/a	6/2/2021 9:50 AM
4	N/A	5/24/2021 5:52 PM
5	Don't know who our SBA Florida PRIME representative is	5/17/2021 12:23 PM
6	N/A Not sure who my representative is	5/17/2021 10:04 AM
7	Have not interacted with anyone recently.	4/28/2021 2:47 PM
8	Donna Owens is the absolute best representative the SBA could possibly have! She is always so nice and friendly. It is always a pleasure to talk with her.	4/27/2021 4:37 PM
9	AMAZING!! Donna is always so helpful and professional!!!	4/15/2021 3:03 PM
10	N/A	4/14/2021 5:23 PM

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2021 Florida PRIME Participant Satisfaction Survey

Q15 How would you characterize your monthly Florida PRIME account statement?



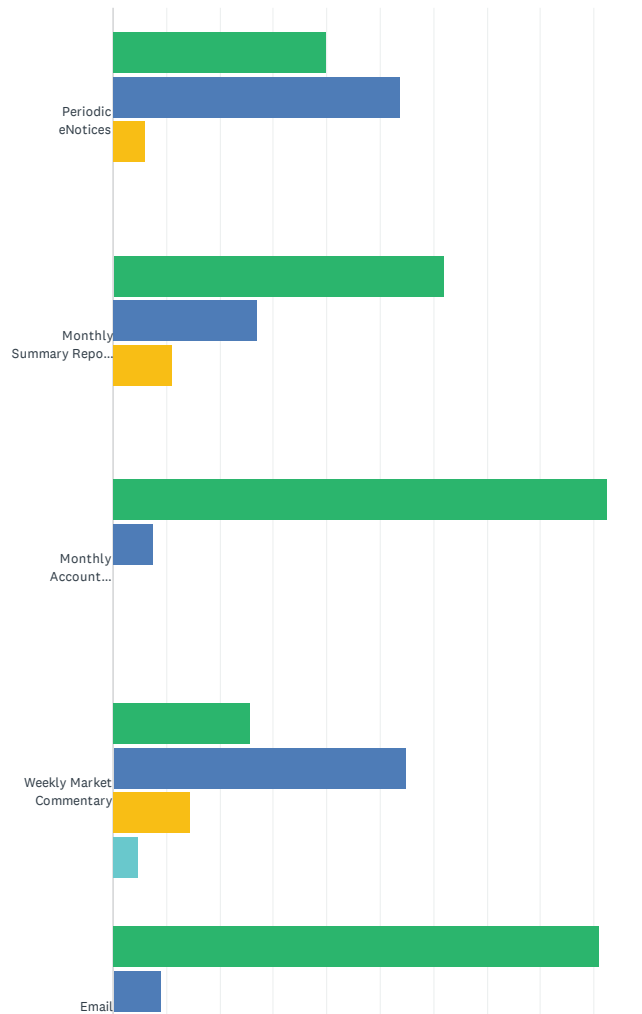
ANSWER CHOICES	RESPONSES	
Comprehensive	47.14%	33
Adequate	52.86%	37
Deficient	0.00%	0
TOTAL		70

#	COMMENTS	DATE
1	N/A	6/2/2021 4:06 PM
2	Sometimes we need more information than is provided on the statement for deposits	4/28/2021 7:51 AM
3	I don't really use the monthly statement. I use the website.	4/19/2021 10:17 AM

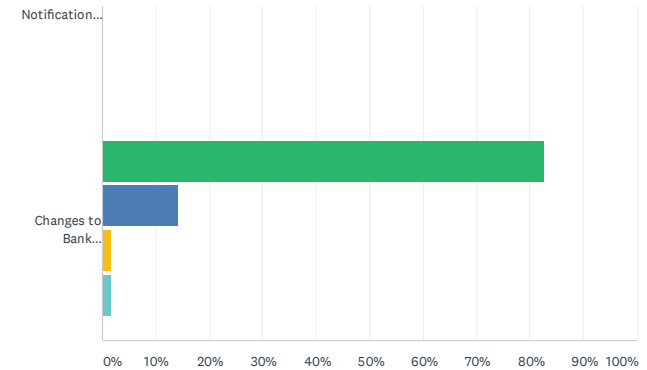
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Q16 How useful do you find the following types of participant communications?

Answered: 68 Skipped: 5



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Very useful Somewhat useful Not very useful Not at all useful

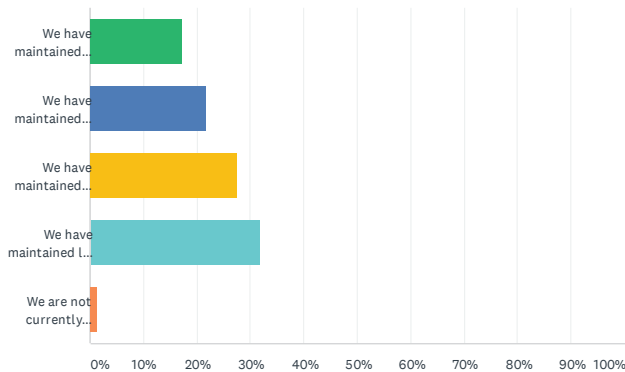
	VERY USEFUL	SOMEWHAT USEFUL	NOT VERY USEFUL	NOT AT ALL USEFUL	TOTAL
Periodic eNotices	40.00% 26	53.85% 35	6.15% 4	0.00% 0	65
Monthly Summary Report (MSR)	61.90% 39	26.98% 17	11.11% 7	0.00% 0	63
Monthly Account Statement	92.54% 62	7.46% 5	0.00% 0	0.00% 0	67
Weekly Market Commentary	25.81% 16	54.84% 34	14.52% 9	4.84% 3	62
Email Notification of Withdrawals	91.04% 61	8.96% 6	0.00% 0	0.00% 0	67
Changes to Bank Instructions	82.54% 52	14.29% 9	1.59% 1	1.59% 1	63

#	COMMENTS	DATE
1	N/A	6/2/2021 4:06 PM
2	Don't recall receiving a Monthly Summary Report or a Weekly Market Commentary	5/17/2021 12:23 PM
3	N/A	5/17/2021 10:04 AM

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Q17 Please check the box which best describes your organization's use of Florida PRIME.

Answered: 69 Skipped: 4

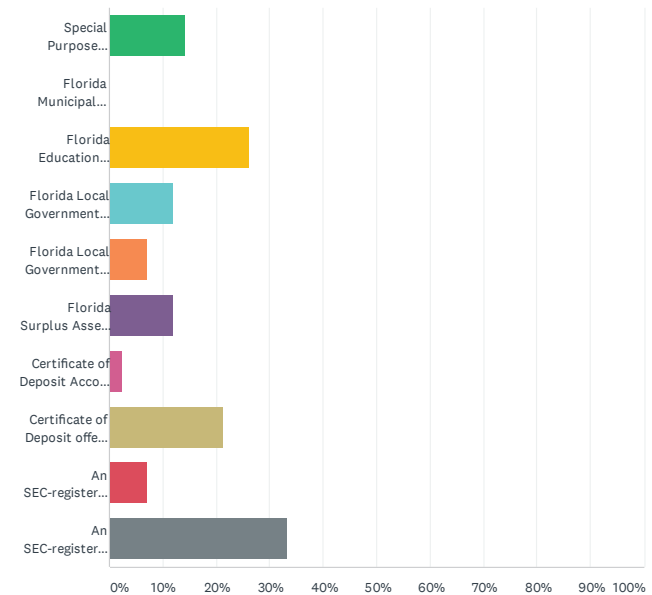


ANSWER CHOICES		RESPONSES	
We have maintained greater than 75% of our surplus funds in Florida PRIME during the last year.		17.39%	12
We have maintained between 50% and 75% of our surplus funds in Florida PRIME during the last year.		21.74%	15
We have maintained between 25% and 50% of our surplus funds in Florida PRIME during the last year.		27.54%	19
We have maintained less than 25% of our surplus funds in Florida PRIME during the last year.		31.88%	22
We are not currently invested in Florida PRIME.		1.45%	1
TOTAL			69

#	COMMENTS	DATE
1	N/A	6/2/2021 4:06 PM
2	N/A	6/2/2021 10:00 AM
3	Interest rates are lower than we get at our commercial bank. we have therefore opted to leave most of our funds where the rate is higher and at the present time not leave as much in prime.	4/27/2021 2:21 PM
4	it was 24% for FY 20.	4/19/2021 10:17 AM

Q18 Please select any other investment vehicles your organization used over the past 12 months (check any that apply)

Answered: 42 Skipped: 31



0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

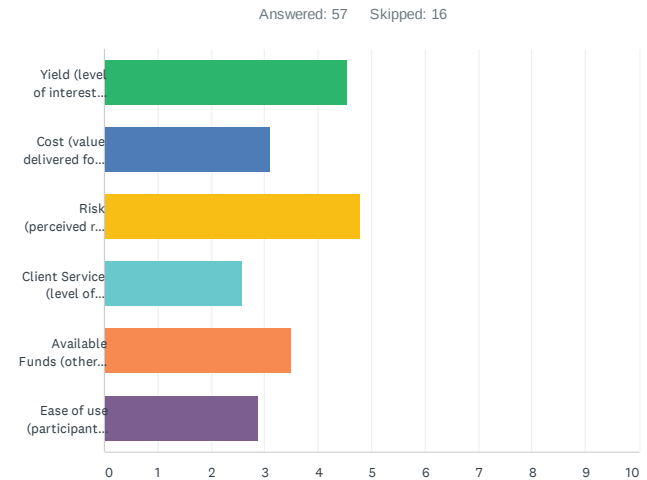
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ANSWER CHOICES	RESPONSES	
Special Purpose Investment Accounts ("SPIA") offered by the State of Florida, Division of Treasury.	14.29%	6
Florida Municipal Investment Trust ("FMIVT - 0-2 Year High Quality Bond Fund") offered by the Florida League of Cities.	0.00%	0
Florida Education Investment Trust Fund ("FEITF") offered by the Florida School Boards Association and the Florida Association of District Superintendents.	26.19%	11
Florida Local Government Investment Trust ("Day to Day Fund") offered the Florida Association of Court Clerks & Comptrollers (FACC).	11.90%	5
Florida Local Government Investment Trust ("Investment Trust") offered the Florida Association of Court Clerks & Comptrollers (FACC).	7.14%	3
Florida Surplus Asset Fund Trust ("FLSAFE") offered by Florida Management and Administrative Services.	11.90%	5
Certificate of Deposit Account Registry Service ("CDARS") offered by Promontory Interfinancial Network.	2.38%	1
Certificate of Deposit offered by a Bank (any term or maturity)	21.43%	9
An SEC-registered money market fund offered by Federated Investors.	7.14%	3
An SEC-registered money market fund offered by any other financial services provider.	33.33%	14
Total Respondents: 42		

#	OTHER (PLEASE SPECIFY)	DATE
1	N/A	6/2/2021 4:06 PM
2	None	6/2/2021 1:32 PM
3	N/A	6/2/2021 10:00 AM
4	FL FIT	5/18/2021 8:17 AM
5	FL FIT	5/17/2021 10:18 AM
6	N/A	4/27/2021 3:11 PM
7	none	4/27/2021 2:58 PM
8	N/A	4/27/2021 2:47 PM
9	Public Trust Advisors	4/27/2021 2:37 PM
10	none	4/23/2021 10:01 AM
11	FLCLASS, FL FIT, Bank Accounts	4/20/2021 9:20 AM
12	direct investment in bonds and notes.	4/19/2021 10:17 AM
13	Money Market Account from a bank.	4/15/2021 3:51 PM
14	Florida Palm	4/15/2021 8:08 AM

2021 Florida PRIME Participant Satisfaction Survey

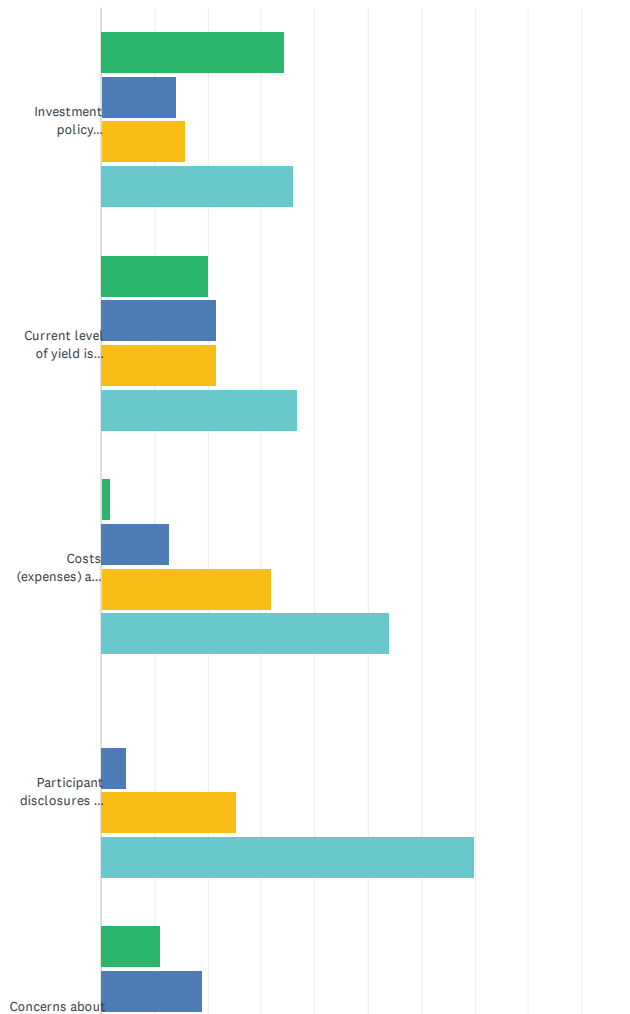
Q19 How have competing investment services added value to your organization's investment goals? (rank each feature from 1 to 6, with 1 being the most appealing characteristic)



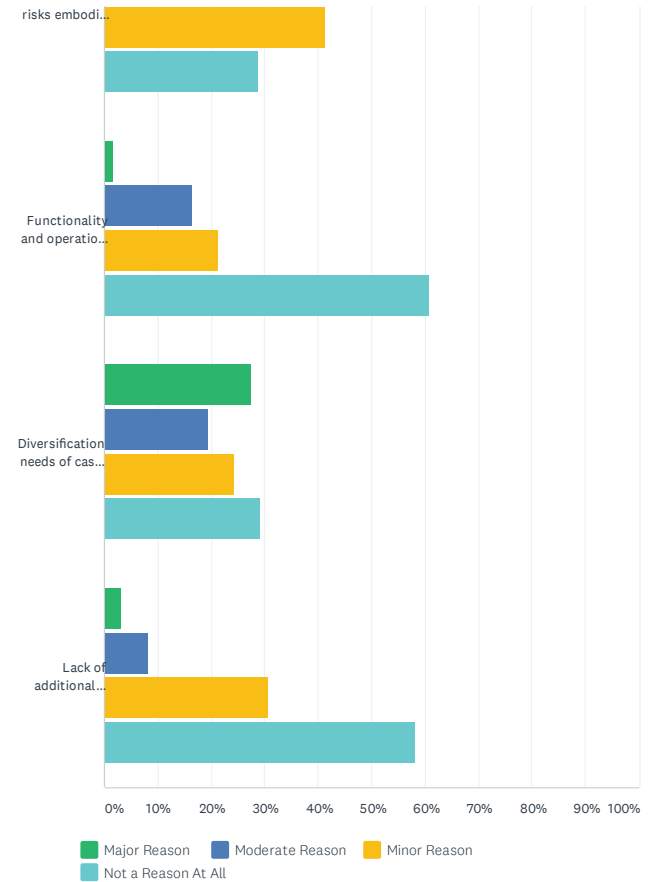
	1	2	3	4	5	6	TOTAL	SCORE
Yield (level of interest income, return potential)?	42.86% 21	16.33% 8	18.37% 9	8.16% 4	4.08% 2	10.20% 5	49	4.55
Cost (value delivered for given service)?	2.27% 1	18.18% 8	13.64% 6	29.55% 13	25.00% 11	11.36% 5	44	3.09
Risk (perceived risk levels adjusted for level of return)?	40.43% 19	25.53% 12	17.02% 8	8.51% 4	6.38% 3	2.13% 1	47	4.79
Client Service (level of services provided, unique services)?	2.22% 1	11.11% 5	11.11% 5	22.22% 10	24.44% 11	28.89% 13	45	2.58
Available Funds (other complementary investment vehicles to choose from)?	13.04% 6	15.22% 7	28.26% 13	8.70% 4	21.74% 10	13.04% 6	46	3.50
Ease of use (participant interface, convenience, system functionality)?	8.00% 4	12.00% 6	14.00% 7	20.00% 10	16.00% 8	30.00% 15	50	2.86

Q20 When working with your investable funds, what prevents you from using Florida PRIME as a primary source of cash management services?

Answered: 67 Skipped: 6



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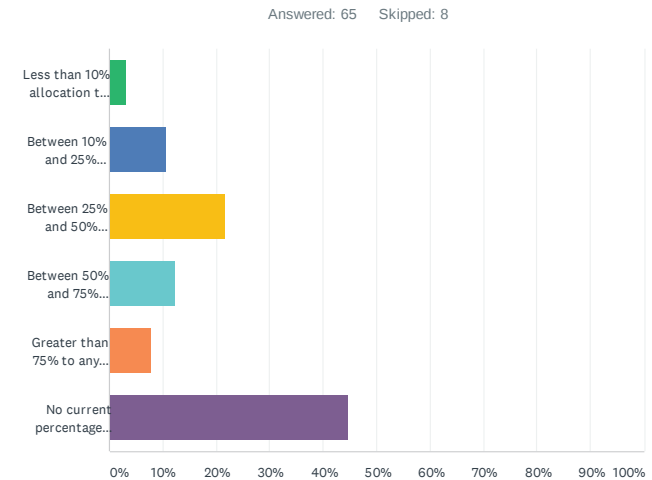
2021 Florida PRIME Participant Satisfaction Survey

	MAJOR REASON	MODERATE REASON	MINOR REASON	NOT A REASON AT ALL	TOTAL	WEIGHTED AVERAGE
Investment policy restricts (caps) allocation to Florida PRIME?	34.38% 22	14.06% 9	15.63% 10	35.94% 23	64	2.53
Current level of yield is unattractive?	20.00% 13	21.54% 14	21.54% 14	36.92% 24	65	2.75
Costs (expenses) are too high?	1.59% 1	12.70% 8	31.75% 20	53.97% 34	63	3.38
Participant disclosures are not adequate?	0.00% 0	4.76% 3	25.40% 16	69.84% 44	63	3.65
Concerns about risks embodied by portfolio holdings?	11.11% 7	19.05% 12	41.27% 26	28.57% 18	63	2.87
Functionality and operational features?	1.64% 1	16.39% 10	21.31% 13	60.66% 37	61	3.41
Diversification needs of cash portfolio?	27.42% 17	19.35% 12	24.19% 15	29.03% 18	62	2.55
Lack of additional investment products offered by SBA?	3.23% 2	8.06% 5	30.65% 19	58.06% 36	62	3.44

#	OTHER (PLEASE SPECIFY)	DATE
1	N/A	6/2/2021 4:06 PM
2	Term Funds, or Short Duration Bond Funds would be nice alternatives.	4/14/2021 4:46 PM

2021 Florida PRIME Participant Satisfaction Survey

Q21 Many organizations maintain investment policies governing the asset allocation of their cash management programs. If your organization has a relevant investment policy covering your cash management program, please select the maximum amount your organization can allocate to Florida PRIME to comply with your investment policies?



ANSWER CHOICES	RESPONSES
Less than 10% allocation to any single governmental investment pool (or money market fund).	3.08% 2
Between 10% and 25% allocation to any single governmental investment pool (or money market fund).	10.77% 7
Between 25% and 50% allocation to any single governmental investment pool (or money market fund).	21.54% 14
Between 50% and 75% allocation to any single governmental investment pool (or money market fund).	12.31% 8
Greater than 75% to any single governmental investment pool (or money market fund).	7.69% 5
No current percentage restriction.	44.62% 29
TOTAL	65

#	OTHER (PLEASE SPECIFY)	DATE
1	N/A	6/2/2021 4:06 PM
2	N/A	6/2/2021 10:00 AM
3	We have a target of 50% but no limiter	4/20/2021 9:20 AM
4	Investment policy limits FL PRIME to 50% of total portfolio.	4/19/2021 10:17 AM

2021 Florida PRIME Participant Satisfaction Survey

Q22 Please offer any additional suggestions to improve Florida PRIME's value to your organization.

Answered: 8 Skipped: 65

#	RESPONSES	DATE
1	N/A	6/3/2021 10:13 AM
2	N/A	6/2/2021 4:06 PM
3	N/A	5/19/2021 8:51 AM
4	N/A	4/27/2021 2:47 PM
5	none	4/27/2021 2:26 PM
6	Increase your interest rates - if a national bank is higher than you there should be room for an increas	4/27/2021 2:21 PM
7	None at this time.	4/19/2021 11:18 AM
8	Anything you can do to ensure the safety of FL PRIME would be very helpful. Can FL PRIME withstand a variety of "black swan" types of events?	4/19/2021 10:17 AM

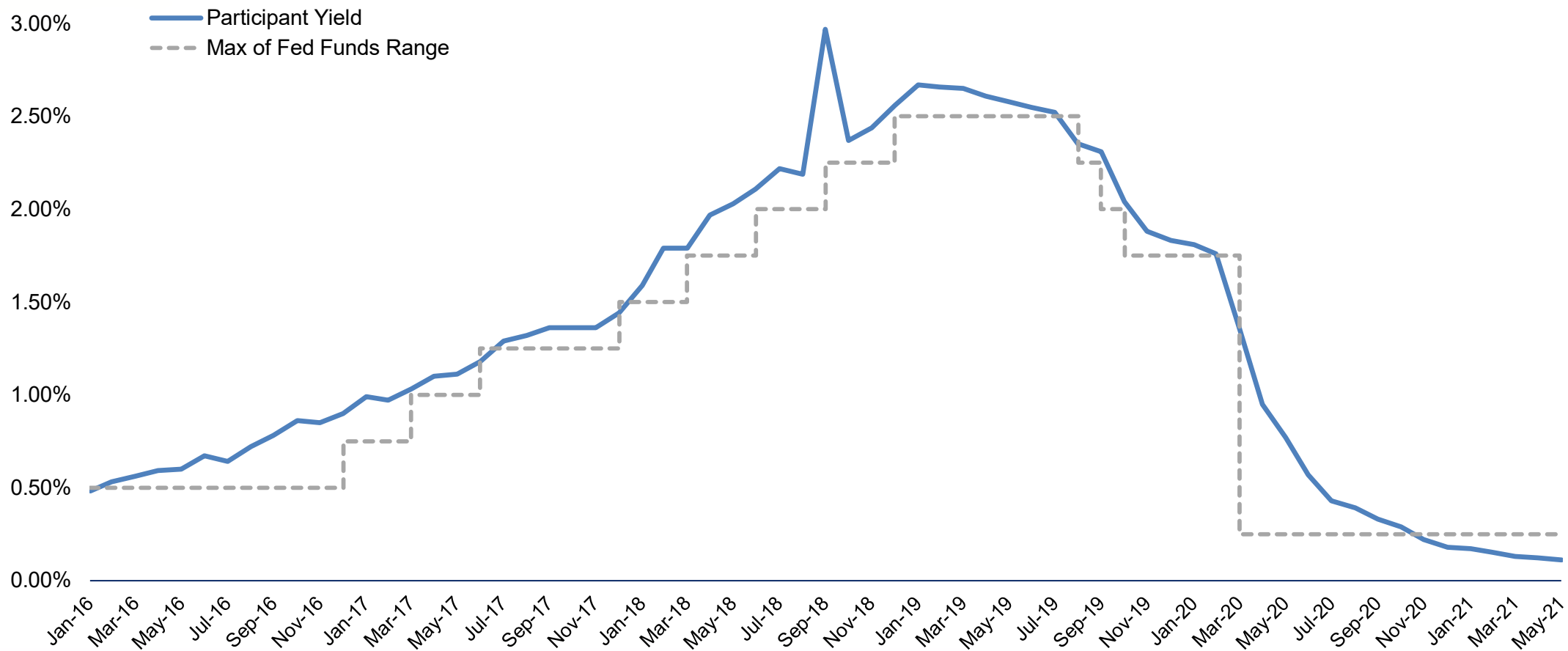
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2021 Update

Relationship Overview

Pool Summary	Federated Hermes Team	Investment Management Services
\$18.7 billion 739 Participants 1,360 Accounts <i>(as of 3/31/21)</i>	Paige Wilhelm Senior Vice President Senior Portfolio Manager Amy Michaliszyn Executive Vice President Heather Froehlich Vice President, Business Manager Luke Raffa, CFA Florida PRIME Sales Representative	• Portfolio Management • Weekly Market Commentary • Monthly Newsletter • Quarterly Review • Marketing Support

Rates

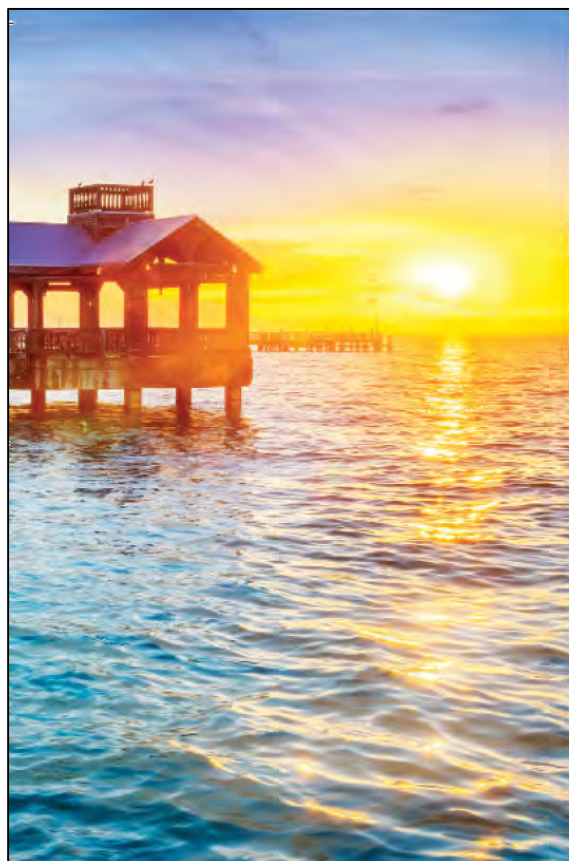


Participant Outreach

Supporting participants during the Covid-19 pandemic

- March 17, 2020 | 3:00 p.m. | Result: 100+ participants listened in
 - April 28, 2020 | 3:00 p.m. | Result: 75+ participants listened in
 - Following each participant call, 20-30 calls were made to individual participants
-
- Florida School Boards Association (FSBA) and Florida Association of District School Superintendents (FADSS) Joint Conference in December 2020
 - Florida Court Clerks and Comptrollers (FCCC) in February 2021 – hosted a Florida PRIME session in the “solutions lounge”

Supporting Local Florida Organizations

A photograph of a sunset over a body of water. A wooden pier with a small building on top is visible on the left side of the frame. The sun is low on the horizon, creating a bright orange glow that reflects on the water's surface.The Florida PRIME logo, consisting of a stylized orange and blue circular graphic to the left of the text "FLORIDA PRIME" in blue, with "FLORIDA" in a smaller font above "PRIME". Below the text is the tagline "AN INVESTMENT SERVICE FOR PUBLIC FUNDS" in a smaller, all-caps font.

The Premier Cash Management Solution for Florida Public Entities

Florida PRIME, a high-quality government investment pool managed by Federated Hermes, utilizes conservative investment policies, extensive governance, full transparency and enhanced financial reporting, while seeking to provide consistent competitive yields.

Take advantage of the many benefits of Florida PRIME and invest today!

Visit www.sbafla.com/prime or call (850) 488-7311

The logo for Federated Hermes, featuring the company name in a serif font next to a stylized blue graphic of three horizontal bars.

Federated Investment Counseling

The logo for SBA Florida, featuring the text "SBA" above "FLORIDA" in a bold, sans-serif font, with a stylized sun icon to the right.

G40461-25 (2/21)

2021 Conference Plan

Start Date	Conference Name	Location
2/16/21	FCCC Virtual Winter Conference NEW	<i>Virtual</i>
5/24/21	Annual FGFOA Conference	<i>Virtual</i>
6/2/21	FCCMA Annual Conference	Orlando
6/9/21	FSBA/FADSS Annual Summer Conference	Tampa
6/16/21	FASD 2021 Annual Conference	Orlando
6/29/21	2021 FAC Annual Conference (FL Assoc of Counties)	Orlando
8/12/21	2021 FL League of Cities Annual Conference.	Orlando
10/12/21	FASBO/FMRA Annual Conference	Orlando
11/30/21	2021 FSBA/FADSS Annual Joint Conference	Tampa

Florida PRIME Portfolio Review

Year in Review

March 31, 2021

The shutdown of the U.S. in an effort to slow the spread of Covid-19 began in March, but the parade of abysmal economic reports began in the second quarter. The labor market led the way in shocking fashion in April as nonfarm payrolls plunged by 20.5 million jobs and the unemployment rate soared to 14.7%. Data for manufacturing, the housing market, retail sales and many more fell off a cliff. The Federal Reserve repeatedly said it would keep the federal funds rate in a range of 0-0.25% and continue purchasing securities, citing the pandemic as driving the agenda.

In the summer, many states and cities began to reopen, companies brought back employees and new Covid-19 infections dropped, creating optimism that the U.S. would recover quickly. But that thesis was challenged due to a resurgence in cases in the fall. Authorities did not react to the surge as severely as in the depths of the crisis in spring, finding ways to keep businesses open by mitigating exposure. Still, the pace of improvements in economic activity and employment slowed. Politics played a role as lawmakers could not agree on the terms of another stimulus package.

Without additional fiscal support, the Fed again was the guiding light. It extended its emergency facilities, continued to purchase government securities and unveiled a new policy framework. In the latter, policymakers stated they will tolerate a temporary rise in inflation above their stated goal of 2% if that

overshoot is caused by robust employment and that they will refrain from raising rates until economic conditions are not just good, but robust.

The presidential election proved as contentious as expected, with the Trump campaign filing numerous lawsuits challenging Joseph Biden's victory—having their efforts rebuffed by the courts. In December, the FDA approved the use of two Covid-19 vaccines and Congress passed a \$900 billion relief bill.

2021 began with the hope that the new year might be an inflection point in the pandemic. This was not to be the case immediately as the vaccine distribution was slow. Data showed that the mandated restrictions and delay over new stimulus over the winter stalled the economic recovery, even reversing gains in the labor market. February shifted to a positive direction. The vaccination rollout improved, and new cases slowly fell. Both pent-up consumer demand and the prospect that the end of pandemic was in sight created sentiment that a rebound in gross domestic product would follow. But this shift in mood increased expectations a robust recovery amid highly accommodative monetary policy might spur inflation. The Fed acknowledged the apprehension but stated that policymakers believed an uptick in prices would be transitory. In March, the \$1.9 trillion American Rescue Plan sent stimulus checks to those who qualified and provided direct aid to state and local governments and other entities.



Liquidity Market Commentary

June 1, 2021

Thoughts on the Fed

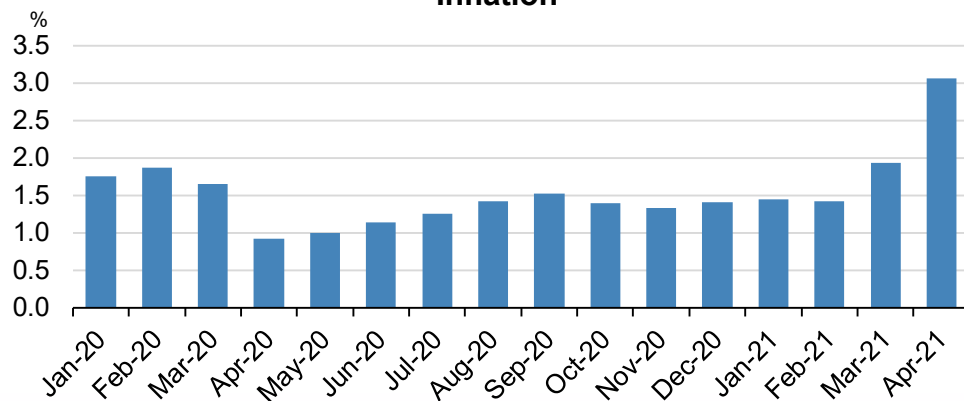
More of the same

- At the April FOMC meeting, while acknowledging a stronger than expected rebound and crediting the faster vaccination pace for the faster pace of reopening, Chairman Powell reiterated that the economy is a long way from the Fed's employment and inflation goals.
- Powell also reinforced that it is still not time to begin "thinking about thinking about" tapering the Fed's asset purchases. Price pressures, while anticipated from base effects or supply chain disruptions, are expected to be transitory.
- It is likely that the Fed will leave short-term interest rates unchanged for some time. The robust recovery may lead to the Fed achieving its goals sooner than originally forecast, however, opening the door to a potential taper before the end of the year.

The Fed's dual mandate

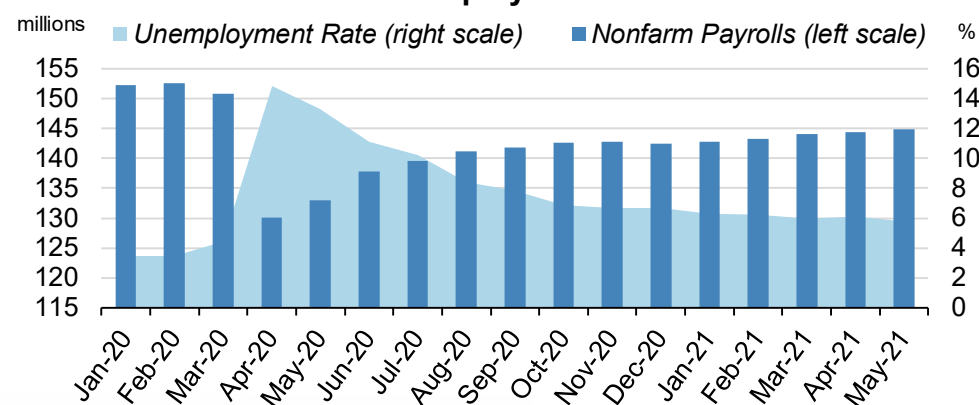
"The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. With inflation running persistently below this longer-run goal, the Committee will aim to achieve inflation moderately above 2 percent for some time so that inflation averages 2 percent over time and longer-term inflation expectations remain well anchored at 2 percent. The Committee expects to maintain an accommodative stance of monetary policy until these outcomes are achieved."

Inflation



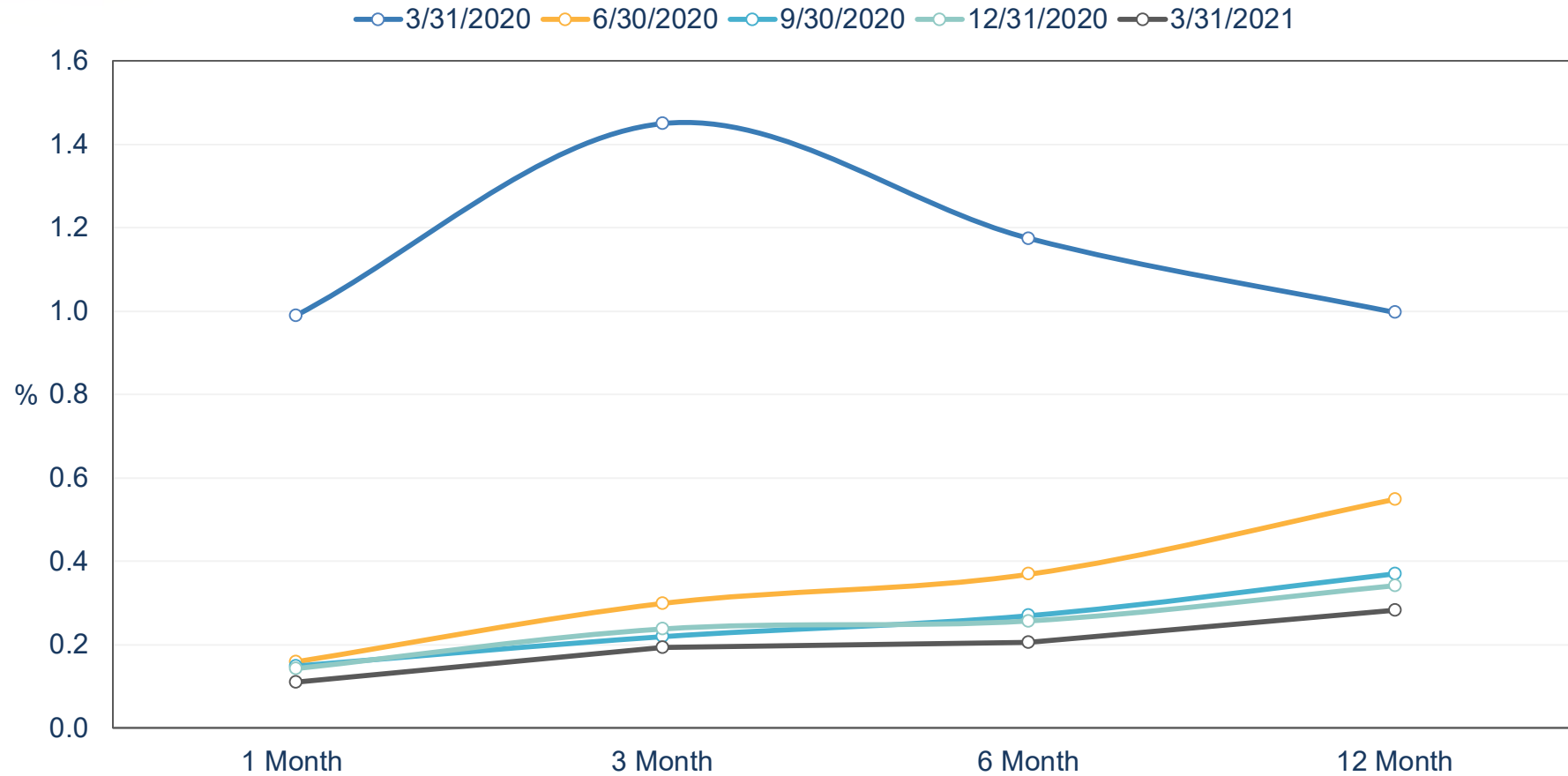
Source: Core PCE year-over-year, Bloomberg

Employment



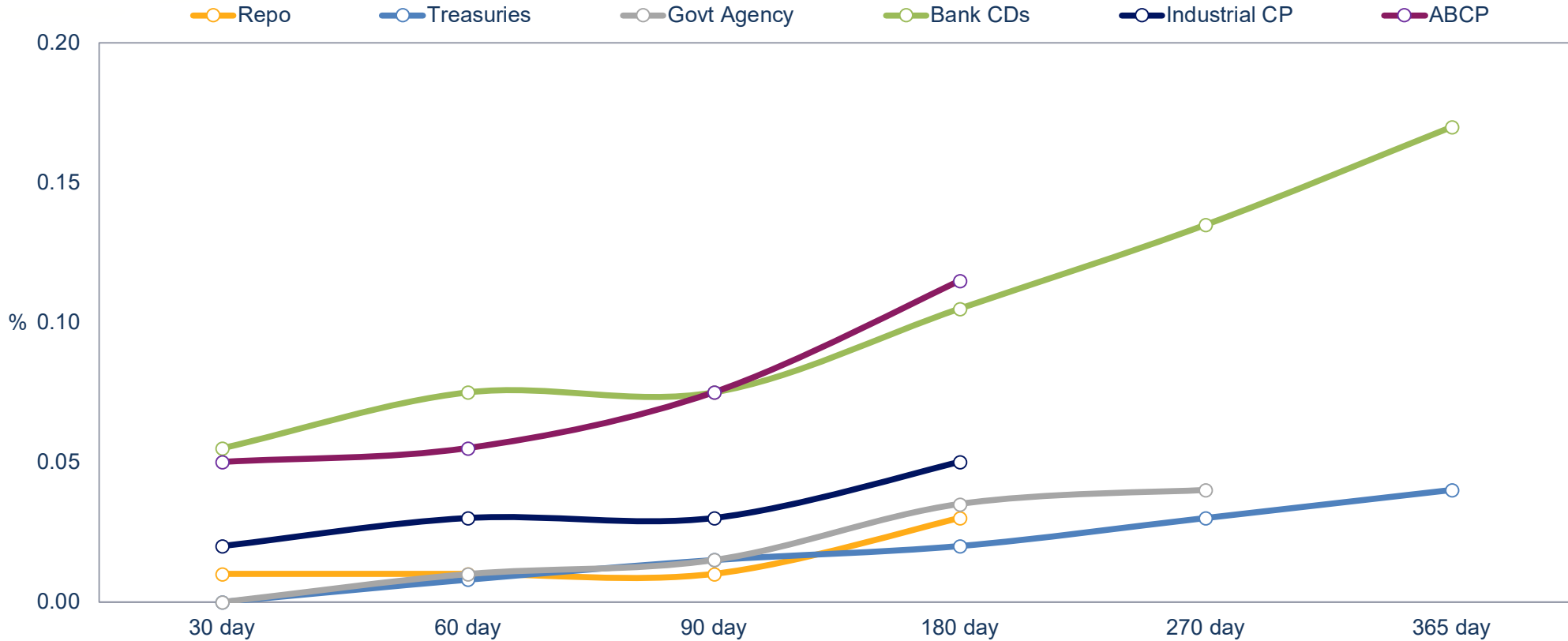
Source: Bloomberg

Libor Curve



Current Yields

As of 6/7/21



LIBOR Reform

Recent Developments

- The UK Financial Conduct Authority (FCA) officially announced the cessation of LIBOR in early March 2021, an important development in the transition as it formally confirms the next steps in the transition path.

December 31, 2021:

Banks encouraged to cease entering into new contracts that use USD Libor

January 2022 – June 2023:

Libor publication continues for legacy contracts, no longer permitted to be used for new contracts

June 30, 2023:

Final publication date of USD Libor

- This statement also locked in the credit spread adjustment that will be applied to derivative products and cash products that mature beyond the relevant cessation dates.
- Alternative indices include the Bloomberg Short-Term Bank Yield Index (BSBY) and AMERIBOR . The official cessation announcement may encourage the further development of these alternatives.

As of 6/10/21.



The Bloomberg Short-Term Bank Yield Index

(BSBY)

Daily Assets

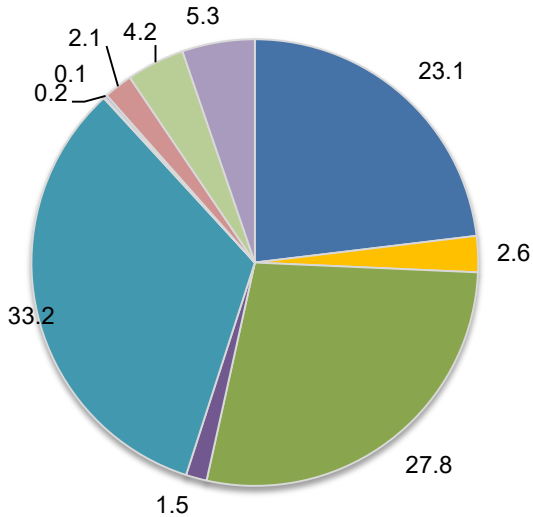
3/31/19 – 6/7/21



Portfolio Characteristics

Period Ending 3/31/21

Portfolio Composition



- Asset Backed Commercial Paper - Fixed
- Asset Backed Commercial Paper - Floating
- Bank Instrument - Fixed
- Bank Instrument - Floating
- Corporate CP - Fixed
- Corporate CP - Floating
- Corporate Notes - Floating
- Government
- Mutual Funds - Money Market
- Repo

Top Country Exposure

	%
Australia	6.1
Canada	12.3
Finland	2.6
France	10.5
Germany	9.6
Japan	14.4
Luxembourg	1.7
Netherlands	12.1
Sweden	1.6
United Kingdom	0.8
United States	28.1
Total:	100%

Top 10 Holdings (ex Repos)

	%
JPMorgan Chase & Co.	5.0
Cooperatieve Rabobank UA	5.0
Australia & New Zealand Banking Group, Melbourne	5.0
ABN Amro Bank NV	5.0
Mizuho Financial Group, Inc.	4.9
North Rhine-Westphalia, State of	4.6
Groupe BPCE	4.6
Federated Hermes Institutional Prime Value Obligations Fund	4.2
Royal Bank of Canada	3.7
Societe Generale, Paris	3.2
Total:	45.2%

Credit Quality

A-1+	69.8%
A-1	30.2%

Effective Maturity Schedule

1-7 days	8-30 days	31-90 days	91-180 days	181+ days
38.3%	12.7%	31.6%	12.1%	5.2%

Weighted Average Maturity (WAM)

52 days

Weighted Average Life (WAL)

56 days

Performance vs. Index

Period Ending 3/31/21

Net Returns (%) as of 3/31/21							
	1-month	3-month	1-year	3-years	5-years	10-years	Since Jan. 1996
Annualized Net Participant Yield ¹	0.13%	0.15%	0.38%	1.65%	1.43%	0.83%	2.48%
S&P AAA/AA Rated GIP All 30-Day Net Index ²	0.05%	0.06%	0.23%	1.44%	1.18%	0.63%	2.26%
<i>Above (Below) Benchmark</i>	<i>0.08%</i>	<i>0.09%</i>	<i>0.15%</i>	<i>0.22%</i>	<i>0.25%</i>	<i>0.21%</i>	<i>0.22%</i>



Performance vs. Index

Period Ending 4/30/21

Net Returns (%) as of 4/30/21							
	1-month	3-month	1-year	3-years	5-years	10-years	Since Jan. 1996
Annualized Net Participant Yield ¹	0.12%	0.13%	0.31%	1.60%	1.42%	0.83%	2.47%
S&P AAA/AA Rated GIP All 30-Day Net Index ²	0.05%	0.05%	0.16%	1.39%	1.17%	0.63%	2.26%
<i>Above (Below) Benchmark</i>	<i>0.07%</i>	<i>0.08%</i>	<i>0.15%</i>	<i>0.21%</i>	<i>0.25%</i>	<i>0.20%</i>	<i>0.22%</i>



Stress Test Results

as of 3/31/21

Stress Testing Board Summary Report for Florida Local Government Investment Pool A

Date of Stress Tests:	29-Jan	26-Feb	31-Mar
Shadow NAV at Time of Tests:	1.00010	1.00008	1.00007

Pct of Shares Redeemed	Redemptions Only					
	Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar
0%	1.00010	1.00008	1.00007	40.89%	39.30%	39.27%
10%	1.00011	1.00009	1.00007	34.32%	32.55%	32.54%
20%	1.00012	1.00010	1.00008	30.00%	30.00%	30.00%
30%	1.00014	1.00012	1.00009	30.00%	30.00%	30.00%
40%	1.00016	1.00014	1.00011	30.00%	30.00%	30.00%

Pct of Shares Redeemed	Change in Interest Rates						Credit Event						Floater Spread Widening					
	Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity			Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar	Jan	Feb	Mar
0%	0.99943	0.99940	0.99936	40.89%	39.30%	39.27%	0.99968	0.99961	0.99957	40.89%	39.30%	39.27%	1.00001	1.00000	1.00000	40.89%	39.30%	39.27%
10%	0.99937	0.99933	0.99929	34.32%	32.55%	32.54%	0.99965	0.99957	0.99952	34.32%	32.55%	32.54%	1.00001	1.00000	1.00000	34.32%	32.55%	32.54%
20%	0.99929	0.99925	0.99920	30.00%	30.00%	30.00%	0.99960	0.99952	0.99946	30.00%	30.00%	30.00%	1.00001	1.00000	1.00000	30.00%	30.00%	30.00%
30%	0.99919	0.99914	0.99908	30.00%	30.00%	30.00%	0.99955	0.99945	0.99938	30.00%	30.00%	30.00%	1.00001	1.00000	0.99999	30.00%	30.00%	30.00%
40%	0.99905	0.99900	0.99893	30.00%	30.00%	30.00%	0.99947	0.99936	0.99928	30.00%	30.00%	30.00%	1.00001	1.00000	0.99999	30.00%	30.00%	30.00%

Test	% of Orig. Portfolio Stressed			Pct of Shares Redeemed	Combination					
	Jan	Feb	Mar		Stress NAV			Weekly Liquidity		
	Jan	Feb	Mar		Jan	Feb	Mar	Jan	Feb	Mar
Redemptions Only	0.0%	0.0%	0.0%	0%	0.99892	0.99885	0.99879	40.89%	39.30%	39.27%
Change in Int. Rates	90.1%	91.0%	94.5%	10%	0.99880	0.99872	0.99866	34.32%	32.55%	32.54%
Credit Event	57.2%	61.4%	61.6%	20%	0.99865	0.99856	0.99849	30.00%	30.00%	30.00%
Floater Spread Widening		10.9%	10.5%	30%	0.99846	0.99835	0.99827	30.00%	30.00%	30.00%
Combination	90.1%	91.0%	94.5%	40%	0.99821	0.99808	0.99799	30.00%	30.00%	30.00%

Stress Test Footnotes

as of 3/31/21

Escalation Procedures:

Based on Federated's procedures, as of 6/30/2016, Counsel to the Independent Directors or Trustees will receive notification from the Adviser upon the occurrence of the following events in a Rule 2a-7 money market fund: (1) any deviation between the NAV and the market based NAV in excess of \$0.0040 per share or (2) Weekly Liquid assets drop below 30%.

Assessment of Pool's Ability to Withstand Events Reasonably Likely to Occur During the Following Year:

Unless highlighted above for further discussion, the Adviser has determined that the pool is structured in such a way that the occurrence of the events, described more fully above, which the Adviser believes are reasonably likely to occur during the next 12 months would not result in the pool's Weekly Liquid Assets falling below 10% or a pool failing to minimize principal volatility.

Test Descriptions:

Unusual Redemption Activity: Resulting NAV & liquidity levels following redemptions equal to 40% in 10% increments

Change in Interest Rates: Resulting NAV & liquidity levels following a change in rates of 0.50%.

Credit Event: Banks, Oil companies, Travel and Leisure spreads all widen by 0.50%

Floater Spread Widening: Resulting NAV & liquidity levels following a widening of floater spreads off of the applicable index of 0.50%

Combination: Change in Interest Rates, Credit Event, and Floater Spread Widening combined.

Redemption Funding Method:

Redemptions - Sell Daily Liquidity down to 0 percent then Weekly Liquidity down to 30 percent then based on Final Maturity Date

FLORIDA RETIREMENT SYSTEM

DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.¹ For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(10), Florida Statutes.

¹ The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at

any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.0% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.47% and 8.73% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -0.65% and 9.96%.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	5 th Percentile Real Return	10 th Percentile Real Return	90 th Percentile Real Return	95 th Percentile Real Return
10 Years	-1.78%	-0.42%	9.71%	11.22%
15 Years	-0.65%	0.47%	8.73%	9.96%
20 Years	0.03%	1.00%	8.16%	9.22%
25 Years	0.49%	1.37%	7.77%	8.71%
30 Years	0.84%	1.64%	7.48%	8.34%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida

Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range Low	Policy Range High
Global Equity	53%	45%	70%
Fixed Income	18%	10%	26%
Real Estate	10%	4%	16%
Private Equity	6%	2%	910%
Strategic Investments	12%	0%	16%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.² An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an

² The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty (30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow (\$ millions/ % Fund)

	In 5 Years		In 10 Years	
10 th Percentile	\$ 4,851	3.67%	\$ 3,497	3.14%
25 th Percentile	\$ 6,776	4.15%	\$ 6,329	4.03%
Median	\$ 7,466	4.54%	\$ 8,523	4.60%
75 th Percentile	\$ 8,079	5.04%	\$ 11,561	5.22%
90 th Percentile	\$ 10,690	5.96%	\$ 12,895	6.27%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10% ³
Private Equity	The MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

$$\begin{array}{c}
 \begin{array}{ccc}
 3 & \text{Core RE} & \text{Non-Core RE} & \text{Public RE} \\
 \underbrace{\hspace{1.5cm}} & \underbrace{\hspace{2.5cm}} & \underbrace{\hspace{2.5cm}} \\
 (76.5\% * \text{NFI-ODCE}) + & [13.5\% * (\text{NFI-ODCE} + 150 \text{ bps})] + & (10\% * \text{REIT Index})
 \end{array}
 \end{array}$$

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating allocations. The policy allocations for the private market asset classes would all “float” against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity, Fixed Income and Cash) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes		
		Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	50%	100%	75%
Fixed Income	N/A	50%	0%	25%

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class’s actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 4.0%.
- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

The Executive Director is responsible for developing asset class and individual portfolio policies and guidelines which reflect the goals and objectives of this Investment Policy Statement. In doing so, he is authorized to use all investment authority spelled out in Section 215.47, Florida Statutes,

except as limited by this Plan or SBA Rules. The Executive Director shall develop guidelines for the selection and retention of portfolios, and shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
 - o Financial, operational and investment expertise and resources;
 - o Alignment of interests;
 - o Transparency and repeatability of investment process; and
 - o Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Generate long-term incremental returns in excess of a 4.0% annualized real rate of return, commensurate with risk.
- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's risk-adjusted return over multiple market cycles.
- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable

and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

Other Guidelines

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2007-88, Laws of Florida, the “Protecting Florida’s Investments Act.” Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.473(6), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2016-36, Laws of Florida, an act relating to companies that boycott Israel. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.4725(5), Florida Statutes.

The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: “The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela.”

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

The following formal periodic reports to the Board shall be the responsibility of the Executive Director:

- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective ~~October~~ September 1, 20201.

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FLORIDA RETIREMENT SYSTEM

DEFINED BENEFIT PLAN INVESTMENT POLICY STATEMENT

I. DEFINITIONS

Absolute Real Target Rate of Return - The total rate of return by which the FRS Portfolio must grow, in excess of inflation as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), in order to achieve the long-run investment objective.

Asset Class - An asset class is an aggregation of one or more portfolios with the same principal asset type.¹ For example, all of the portfolios whose principal asset type was stocks would be aggregated together as the Global Equity asset class. As such, it would contain primarily—but not exclusively—the principal asset type.

Asset Type - An asset type is a category of investment instrument such as common stock or bond.

Portfolio - A portfolio is the basic organization unit of the FRS Fund. Funds are managed within portfolios. A portfolio will typically contain one principal asset type (common stocks, for example), but may contain other asset types as well. The discretion for this mix of asset types is set out in guidelines for each portfolio.

II. OVERVIEW OF THE FRS AND SBA

The State Board of Administration (Board) provides investment management of assets contributed and held on behalf of the Florida Retirement System (FRS). The investment of retirement assets is one aspect of the activity involved in the overall administration of the Florida Retirement System. The Division of Retirement (DOR), the administrative agency for the FRS, provides full accounting and administration of benefits and contributions, commissions actuarial studies, and proposes rules and regulations for the administration of the FRS. The State Legislature has the responsibility of setting contribution and benefit levels, and providing the statutory guidance for the administration of the FRS.

III. THE BOARD

The State Board of Administration has the authority and responsibility for the investment of FRS assets. The Board consists of the Governor, as Chairman, the Chief Financial Officer, and the Attorney General. The Board has statutory responsibility for the investment of FRS assets, subject to limitations on investments as outlined in Section 215.47, Florida Statutes.

The Board shall discharge its fiduciary duties in accordance with the Florida statutory fiduciary standards of care as contained in Sections 215.44(2)(a) and 215.47(10), Florida Statutes.

¹ The Strategic Investments asset class is an exception, purposefully established to contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

The Board delegates to the Executive Director the administrative and investment authority, within the statutory limitations and rules, to manage the investment of FRS assets. An Investment Advisory Council (IAC) is appointed by the Board. The IAC meets quarterly, and is charged with the review and study of general portfolio objectives, policies and strategies, including a review of investment performance.

The mission of the State Board of Administration is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary and professional standards.

IV. THE EXECUTIVE DIRECTOR

The Executive Director is charged with the responsibility for managing and directing administrative, personnel, budgeting, and investment functions, including the strategic and tactical allocation of investment assets.

The Executive Director is charged with developing specific individual investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities.

The Executive Director has investment responsibility for maintaining diversified portfolios, and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Executive Director will develop policies and procedures to:

- Identify, monitor and control/mitigate key investment and operational risks.
- Maintain an appropriate and effective risk management and compliance program that identifies, evaluates and manages risks within business units and at the enterprise level.
- Maintain an appropriate and effective control environment for SBA investment and operational responsibilities.
- Approve risk allocations and limits, including total fund and asset class risk budgets.

The Executive Director will appoint a Chief Risk and Compliance Officer, whose selection, compensation and termination will be affirmed by the Board, to assist in the execution of the responsibilities enumerated in the preceding list. For day-to-day executive and administrative purposes, the Chief Risk and Compliance Officer will proactively work with the Executive Director and designees to ensure that issues are promptly and thoroughly addressed by management. On at least a quarterly basis, the Chief Risk and Compliance Officer will provide reports to the Investment Advisory Council, Audit Committee and Board and is authorized to directly access these bodies at

any time as appropriate to ensure the integrity and effectiveness of risk management and compliance functions.

Pursuant to written SBA policy, the Executive Director will organize an Investment Oversight Group(s) to regularly review, document and formally escalate guideline compliance exceptions and events that may have a material impact on the Trust Fund. The Executive Director is delegated the authority and responsibility to prudently address any such compliance exceptions, with input from the Investment Advisory Council and Audit Committee as necessary and appropriate, unless otherwise required in this Investment Policy Statement.

The Executive Director is responsible for evaluating the appropriateness of the goals and objectives in this Plan in light of actuarial studies and recommending changes to the Board when appropriate.

V. INVESTMENT OBJECTIVES

The investment objective of the Board is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and keeps the plan cost at a reasonable level. To achieve this, a long-term real return approximating 4.0% per annum (compounded and net of investment expenses) should be attained. As additional considerations, the Board seeks to avoid excessive risk in long-term cost trends. To manage these risks, the volatility of annual returns should be reasonably controlled.

The Board's principal means for achieving this goal is through investment directives to the Executive Director. The main object of these investment directives is the asset class. The Board directs the Executive Director to manage the asset classes in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objective within an appropriate risk management framework. The Board establishes asset classes, sets target allocations and reasonable ranges around them for each and establishes performance benchmarks for them. In addition, it establishes a performance benchmark for the total portfolio.

VI. TARGET PORTFOLIO AND ASSET ALLOCATION RANGES

The Board's investment objective is an absolute one: achieve a specific rate of return, the absolute real target rate of return. In order to achieve it, the Board sets a relative objective for the Executive Director: achieve or exceed the return on a performance benchmark known as the Target Portfolio over time. The Target Portfolio is a portfolio composed of a specific mix of the authorized asset classes. The return on this portfolio is a weighted-average of the returns to passive benchmarks for each of the asset classes. The expectation is that this return will equal or exceed the absolute real target rate of return long-term and will thus assure achievement of the Board's investment objective.

This relative return objective is developed in a risk management framework. Risk from the perspective of the Board is any shortfall of actual investment returns relative to the absolute real target rate of return over long periods of time, and the asset mix is developed to manage this risk. In selecting the Target Portfolio, the Board considers information from actuarial valuation reviews and asset/liability studies of the FRS, as well as asset class risk and return characteristics. In addition, the timing of cash demands on the portfolio to honor benefit payments and other liabilities are an important consideration. Potential asset mixes are thus evaluated with respect to their expected return, volatility, liquidity, and other risk and return measures as appropriate.

The Target Portfolio defined in Table 2 has a long-term expected compound annual real return that approximates the absolute real target rate of return. To achieve the absolute real target rate of return or actuarial return, material market risk must be borne (i.e., year to year volatility of returns). For example, in 2008 the Trust Fund's net managed real return was -26.81% compared to gains of 17.56% in 2009 and 21.48% in 2003. While downside risk is considerably greater over shorter horizons, the natural investment horizon for the Trust Fund is the long-term. Table 1 illustrates a modeled estimate of the Target Portfolio's potential range of real returns that could result over longer-term investment horizons. Over a 15-year investment horizon there is an 80 percent probability that the Target Portfolio will experience a compound annual real return between 0.47% and 8.73% and a 90 percent probability that the Target Portfolio will experience a compound annual real return between -0.65% and 9.96%.

Table 1: Expected Risk in Target Portfolio's Real Returns

Time Horizon	5 th Percentile Real Return	10 th Percentile Real Return	90 th Percentile Real Return	95 th Percentile Real Return
10 Years	-1.78%	-0.42%	9.71%	11.22%
15 Years	-0.65%	0.47%	8.73%	9.96%
20 Years	0.03%	1.00%	8.16%	9.22%
25 Years	0.49%	1.37%	7.77%	8.71%
30 Years	0.84%	1.64%	7.48%	8.34%

Although the Target Portfolio has an expected return and risk associated with it, it is important to note that this expected return is neither an explicit nor an implicit goal for the managers of the Florida Retirement System Trust Fund (FRSTF). These figures are used solely in developing directives for

fund management that will raise the probability of success in achieving the absolute real target rate of return. The Executive Director is held responsible not for specifically achieving the absolute real target rate of return in each period, but rather for doing at least as well as the market using the Target Portfolio's mix of assets.

In pursuit of incremental investment returns, the Executive Director may vary the asset mix from the target allocation based on market conditions and the investment environment for the individual asset classes. The Executive Director shall adopt an asset allocation policy guideline which specifies the process for making these tactical decisions. The guideline shall concentrate on the analysis of economic conditions, the absolute values of asset class investments and the relative values between asset classes. The Board establishes ranges for tactical allocations, as shown in Table 2.

Table 2: Authorized Asset Classes, Target Allocations and Policy Ranges

Asset Class	Target Allocation	Policy Range	
		Policy Range Low	High
Global Equity	53%	45%	70%
Fixed Income	18%	10%	26%
Real Estate	10%	4%	16%
Private Equity	6%	2%	10%
Strategic Investments	12%	0%	16%
Cash Equivalents	1%	0.25%	5%
Total Fund	100%	--	--

For purposes of determining compliance with these policy ranges, an asset class is considered to be an aggregation of one or more portfolios with substantially the same principal asset type.² An asset type is a category of investment instrument such as common stock or bond. For example, all of the portfolios whose principal asset type is bonds would be aggregated together as the Fixed Income asset class. As such, it would contain primarily—but not exclusively—the principal asset type. As a standard management practice, portfolio managers are expected to meet their goals for all assets allocated to their portfolio.

It is expected that the FRS Portfolio will be managed in such a way that the actual allocation mix will remain within these ranges. Investment strategies or market conditions which result in an allocation position for any asset class outside of the enumerated ranges for a period exceeding thirty

² The Strategic Investments asset class is an exception, purposefully established to potentially contain a variety of portfolios which may represent asset types and strategies not suitable for inclusion in other asset classes.

(30) consecutive business days shall be reported to the Board, together with a review of conditions causing the persistent deviation and a recommendation for subsequent investment action.

The asset allocation is established in concert with the investment objective, capital market expectations, projected actuarial liabilities, and resulting cash flows. Table 3 indicates estimated net cash flows (benefit payments less employer and employee contributions) and associated probabilities that are implicit in this policy statement, assuming the Legislature adheres to system funding provisions in current law. Additionally, the annualized income yield of the fund is projected to approximate 2% to 3%.

Table 3: Estimated Net Cash Outflow (\$ millions/ % Fund)

	In 5 Years		In 10 Years	
10 th Percentile	\$ 4,851	3.67%	\$ 3,497	3.14%
25 th Percentile	\$ 6,776	4.15%	\$ 6,329	4.03%
Median	\$ 7,466	4.54%	\$ 8,523	4.60%
75 th Percentile	\$ 8,079	5.04%	\$ 11,561	5.22%
90 th Percentile	\$ 10,690	5.96%	\$ 12,895	6.27%

VII. PERFORMANCE MEASUREMENT

Asset class performance is measured in accordance with a broad market index appropriate to the asset class. The indices identified in Table 4 are used as the primary benchmarks for the authorized asset classes.

Table 4: Authorized Target Indices

Asset Class	Index
Global Equity	A custom version of the MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act
Fixed Income	The Barclays Capital U.S. Intermediate Aggregate Index
Real Estate	The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index – Open-ended Diversified Core Equity, NET of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10% ³
Private Equity	The MSCI All Country World Investable Market Index (ACWI IMI), in dollar terms, net of withholding taxes on non-resident institutional investors, adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum
Strategic Investments	A weighted-average of individual portfolio level benchmark returns
Cash Equivalents	Bloomberg Barclays U.S. Treasury Bill: 1-3 Months Index

The return on the Target Portfolio shall be calculated as an average of the returns to the target indices indicated in Table 4 weighted by the target allocations indicated by Table 2, but adjusted for floating

$$\begin{array}{c}
 \begin{array}{ccc}
 3 & \text{Core RE} & \text{Non-Core RE} & \text{Public RE} \\
 \hline
 (76.5\% * \text{NFI-ODCE}) + & [13.5\% * (\text{NFI-ODCE} + 150 \text{ bps})] & + (10\% * \text{REIT Index})
 \end{array}
 \end{array}$$

allocations. The policy allocations for the private market asset classes would all “float” against the public market asset classes (i.e., limited short-term liquidity available for rebalancing and benefit payments means that their policy allocations would equal their actual allocations) as identified in Table 5.

Table 5: Allocations of Private Market (Real Estate, Private Equity and Strategic Investments) Under and Overweights to Public Market (Global Equity, Fixed Income and Cash) Table 2 Target Allocations

Public Market Asset Classes	Float Allocation Limit	Private Market Asset Classes		
		Real Estate	Private Equity	Strategic Investments
Global Equity	N/A	50%	100%	75%
Fixed Income	N/A	50%	0%	25%

Measurement of asset allocation performance shall be made by comparing the actual asset allocation times the return for the appropriate indices to the target allocation times the index returns. For asset classes with floating allocations the basis of tactical measurement shall be the asset class’s actual share.

Performance measurement of the effectiveness of the implementation of the Private Equity asset class shall be based on an internal rate of return (IRR) methodology, applied over significant periods of time. Performance measurement of the effectiveness of the implementation of the Private Equity, Strategic Investments, and Cash Equivalents asset classes shall be assessed relative to both the applicable index in Table 4 and:

- For Private Equity, the joint Cambridge Associates Global Private Equity and Venture Capital Index pooled return at peer group weights.
- For Strategic Investments, the CPI, as reported by the U.S. Department of Labor, Bureau of Labor Statistics (Consumer Price Index – All Urban Consumers), plus 4.0%.
- For Cash Equivalents, the iMoneyNet First Tier Institutional Money Market Funds Net Index

VIII. ASSET CLASS PORTFOLIO MANAGEMENT

General Asset Class and Portfolio Guidelines

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All asset classes shall be invested to achieve or exceed the return on their respective benchmarks over a long period of time. To obtain appropriate compensation for associated performance risks:

- Public market asset classes shall be well diversified with respect to their benchmarks and have a reliance on low cost passive strategies scaled according to the degree of efficiency in underlying securities markets, capacity in effective active strategies, and ongoing total fund liquidity requirements.
- Private Equity, Real Estate and Strategic Investments asset classes shall utilize a prudent process to maximize long-term access to attractive risk-adjusted investment opportunities through use of business partners with appropriate:
 - o Financial, operational and investment expertise and resources;
 - o Alignment of interests;
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 - o Controls on leverage.

Strategic Investments Guidelines

The objective of the asset class is to proactively identify and utilize non-traditional and multi-asset class investments, on an opportunistic and strategic basis, in order to accomplish one or more of the following:

- Generate long-term incremental returns in excess of a 4.0% annualized real rate of return, commensurate with risk.
- Reduce the volatility of FRS Pension Plan assets and improve the FRS Pension Plan's risk-adjusted return over multiple market cycles.
- Outperform the FRS Pension Plan during periods of significant market declines.
- Increase investment flexibility across market environments in order to access evolving or opportunistic investments outside of traditional asset classes and effective risk-adjusted portfolio management strategies.

Strategic Investments may include, but not be limited to, direct investments authorized by s. 215.47, Florida Statutes or investments in capital commitment partnerships, hedge funds or other vehicles that make or involve non-traditional, opportunistic and/or long or short investments in marketable and nonmarketable debt, equity, and/or real assets (e.g., real estate, infrastructure, or commodities). Leverage may be utilized subject to appropriate controls.

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The Executive Director shall develop and implement policies as appropriate for the orderly and effective implementation of the provisions of Chapter 2018-125, Laws of Florida, an act relating to state investments in or with the government of Venezuela. Actions taken and determinations made pursuant to said policies are hereby incorporated by reference into this Investment Policy Statement, as required by subsection 215.475(3)(a), Florida Statutes.

Subsection 215.475(3)(a) Florida Statutes is consistent with the Resolution adopted by the Trustees of the Board on August 16, 2017. At that meeting, the Board also included in the Resolution the specific direction that the SBA include in this Investment Policy Statement upon review of the IAC in accordance with Section 215.475(2) Florida Statutes, the following: “The SBA will not vote in favor of any proxy resolution advocating the support of the Maduro Regime in Venezuela.”

IX. REPORTING

The Board directs the Executive Director to coordinate the preparation of quarterly reports of the investment performance of the FRS by the Board's independent performance evaluation consultant.

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- An annual report on the SBA and its investment portfolios, including that of the FRS.
- A monthly report on performance and investment actions taken.
- Special investment reports pursuant to Section 215.44-215.53, Florida Statutes.

X. IMPLEMENTATION SCHEDULE

This policy statement shall be effective September 1, 2021.

Global Equity Update

Tim Taylor, Senior Investment Officer

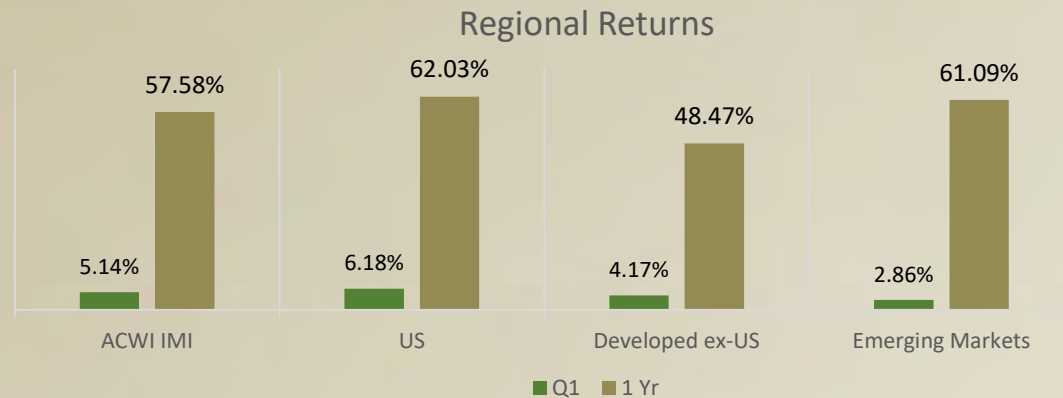
Investment Advisory Council

June 29, 2021

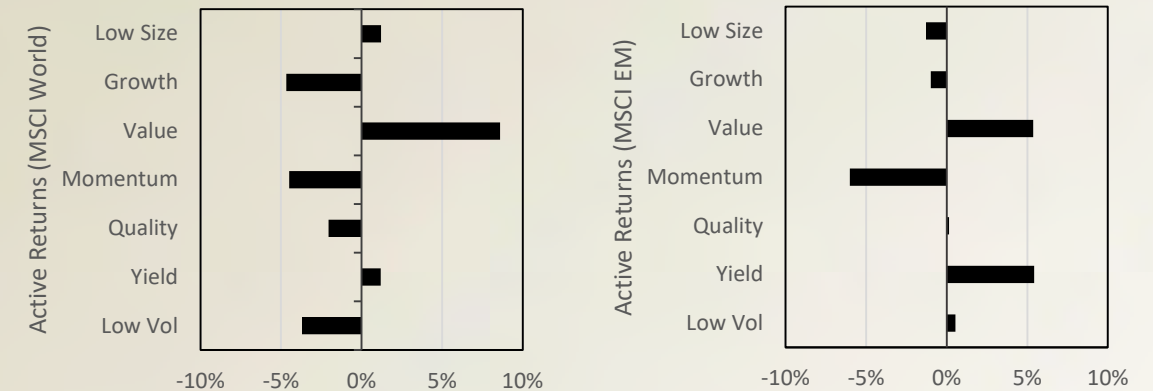


Vaccines and Optimism Drive Recovery

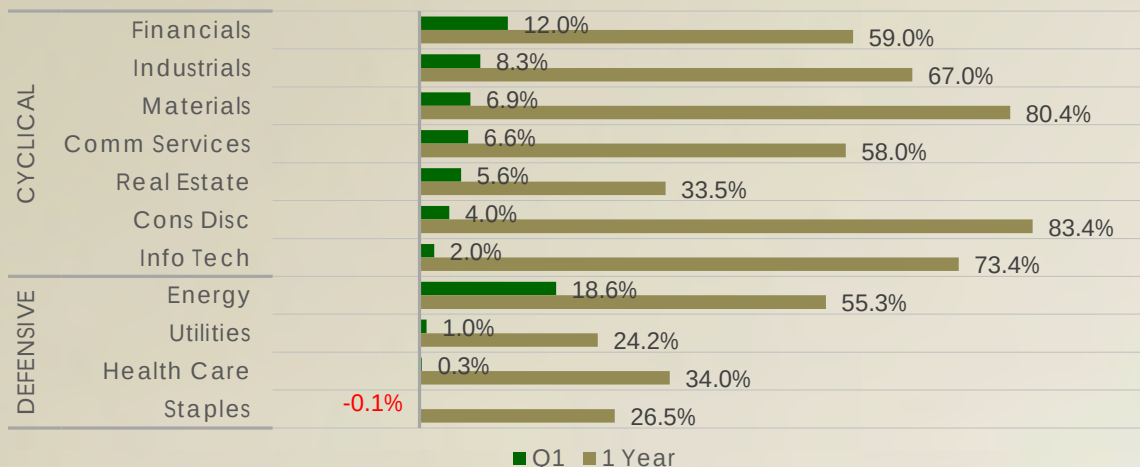
Global Markets Continue Recovery



Q1 2021: Value and Yield Lead Developed and Emerging



Cyclical and Value Sectors Outperformed



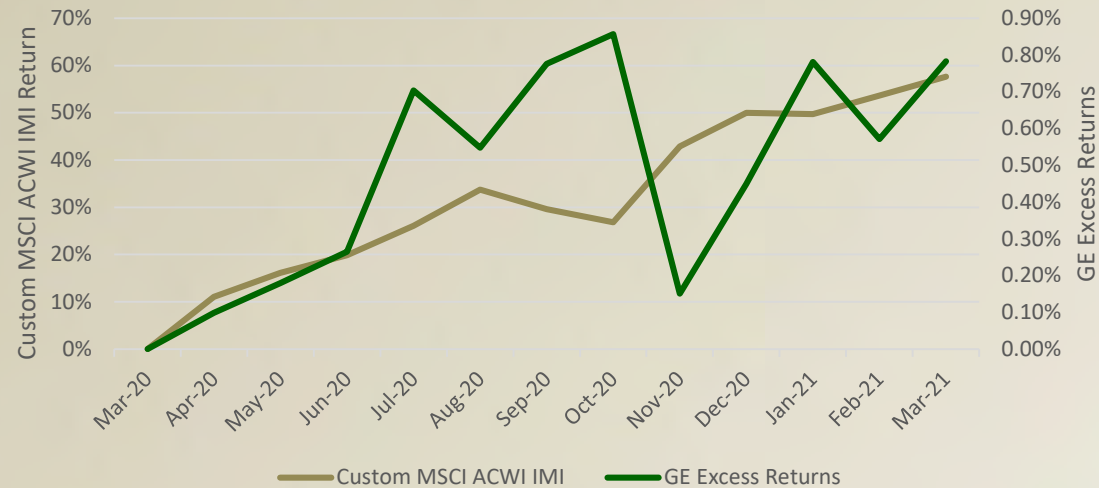
Q1 2021 Global Market Dynamics

- Equity markets extended a rally prompted by November's vaccine announcements, a US government stimulus package and plans for a US Infrastructure Program. Cyclical sectors such as Financials (up 12%) and Industrials (8%) generally led the way.
- Market leadership continued to shift from growth, momentum and large caps towards value, yield and small caps.
- For the one-year period Consumer Discretionary rose 83% while Utilities rose "only" 24%.

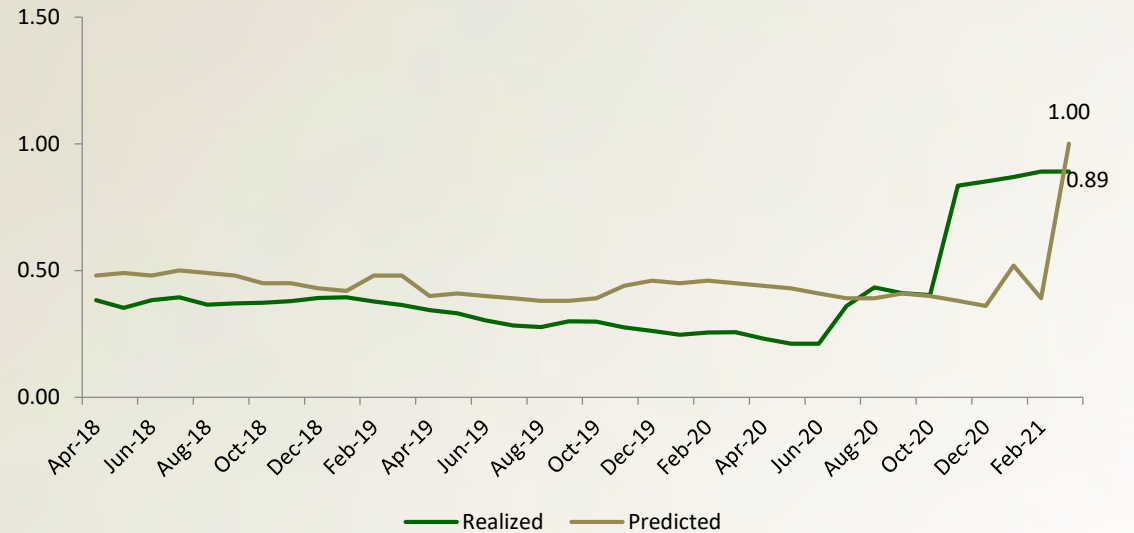
Aggregate Performance Summary

	Q1 21	FYTD	1 Yr	3 Yr	5 Yr	Incept
Total Asset Class Return	5.34%	31.89%	58.43%	12.45%	13.76%	12.03%
Benchmark	5.13%	31.53%	57.64%	11.93%	13.23%	11.21%
Excess Return	0.21%	0.36%	0.78%	0.52%	0.53%	0.82%
Tracking Error			0.89	0.56	0.51	0.52
Return / Risk (IR)				0.77	0.87	1.36

Cumulative Monthly Benchmark vs Total Asset Class Excess Returns



Realized vs Predicted 1 Year Risk



Note: All returns through 3/31/2021. Inception 7/1/10. Benchmark is Custom Iran Sudan Free MSCI ACWI IMI Index. Realized Risk is compared to prior 1 year Predicted Risk.

Active Strategy Performance Summary

Excess Returns by Aggregate						What Happened
Active Strategy Group	Weight (% of Asset Class)	Q1 2021	1 Year	3 Year	5 Year	Q1 Performance Drivers
Foreign Developed Large Cap	21%	-0.66%	4.99%	2.02%	2.39%	An underweight to the surging Financials sector detracted as did exposure to quality growth-oriented holdings. These negatives were partially offset by the rebounding performance of managers with value-focused strategies.
Emerging Markets	12%	0.71%	4.15%	1.89%	0.76%	Stock selection in China and South Korea was positive, with an overweight to Brazil detracting.
Dedicated Global	8%	0.27%	-7.52%	-1.82%	-1.71%	The aggregate benefited from positive value exposures such as dividend and earnings yield. Low-beta, defensive characteristics in some strategies detracted from returns.
Foreign Developed Small Cap	5%	0.39%	-0.40%	-0.49%	-0.62%	Outperformance driven by managers with elements of value in their portfolios, as quality (in particular high quality growth) was punished.
Currency	3%	0.47%	0.18%	0.12%	-0.08%	The strengthening of the USD on higher interest rates and economic growth benefited, as did outperforming EM currencies.
US Small Cap	3%	1.44%	-1.79%	0.14%	-0.35%	A shift towards quality and away from more speculative parts of the US small cap market was a tailwind for positive alpha. Investors began to deemphasize the popular re-opening trade
US Large Cap	2%	4.51%	6.12%	-2.49%	-1.66%	This consistently underperforming aggregate benefited from the sharp rotation to value, with notable overweights to Financials and Energy and strong IT stock selection powering returns.
Total Active Aggregate	51%	0.36%	1.88%	0.60%	0.54%	

Note: All returns through 3/31/2021. Excess returns are relative to strategy group benchmark. Currency weight reflects passively managed equity notional. Weights are relative to total equity assets under management.

Update on Initiatives

Provide Alpha

- Continue to implement structural enhancements
 - Funded three new Foreign Developed Small Cap managers in Q1 2021
 - Repositioned US Large Cap Active / Funded Differentiated Strategy
- Ongoing analysis of active aggregates

Provide Liquidity

- GE continues to be a significant provider of liquidity to support beneficiary payments
 - Raised \$4.1 billion in Q1 2021 (including asset allocation rebalance) and \$7.3 billion during 2020.

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State Board of Administration

Fixed Income Update

Katy Wojciechowski

Senior Investment Officer Fixed Income

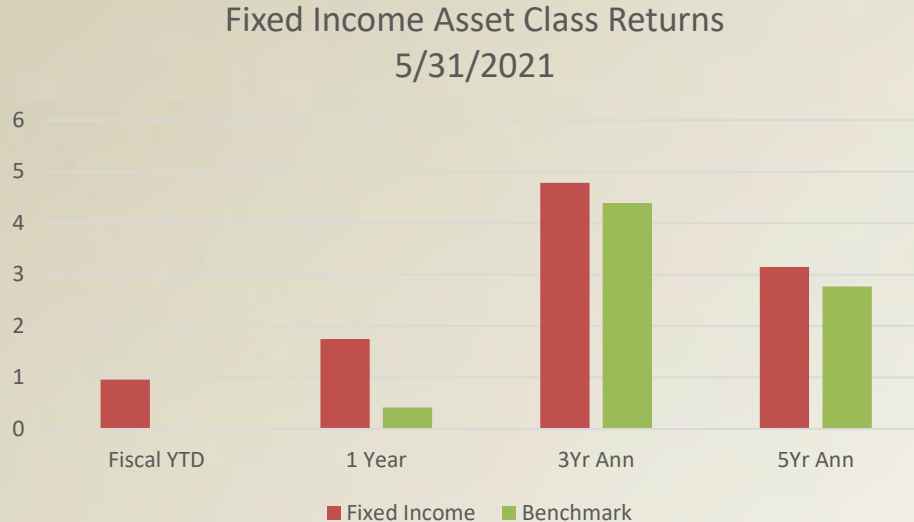
Investment Advisory Council

June 29, 2021



Asset Class Portfolio Performance

- Asset class outperformed Benchmark over ALL time periods with low risk and high Information Ratio



Fixed Income Review and Outlook

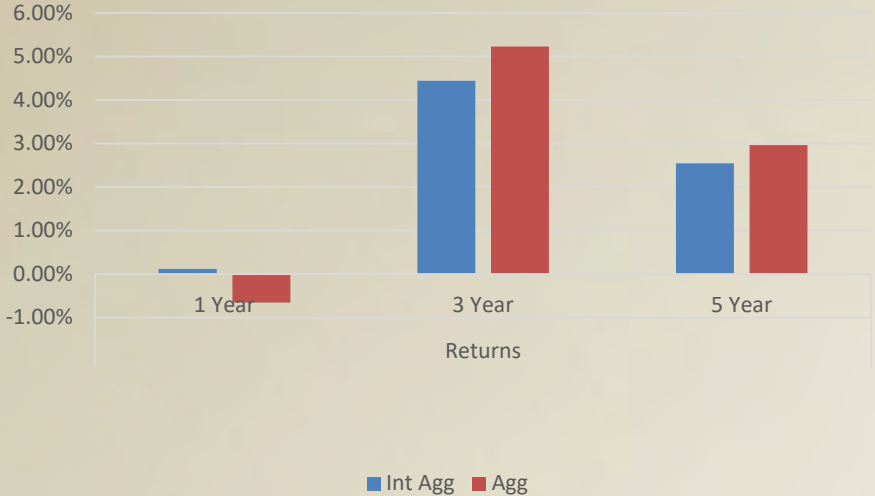
June 2021

- 12 Month Returns for the Fixed Income benchmark – Bloomberg Intermediate Aggregate through 5/31/2021 were 0.42%.
Benchmark returns fiscal YTD are 0.01%, while asset class returns are +0.96% for an outperformance of 0.95%.
- Annual Absolute and Excess Returns were positive for spread sectors except MBS, as demand for yield continued
 - **Ten year Treasury yields rose from 1.41% to 1.58% in the quarter. Yield on the entire Benchmark is now 1.26% with a 4.29yr duration.**
 - Yield on the broader Barclay's Aggregate is 1.55% with a duration of 6.64yrs.

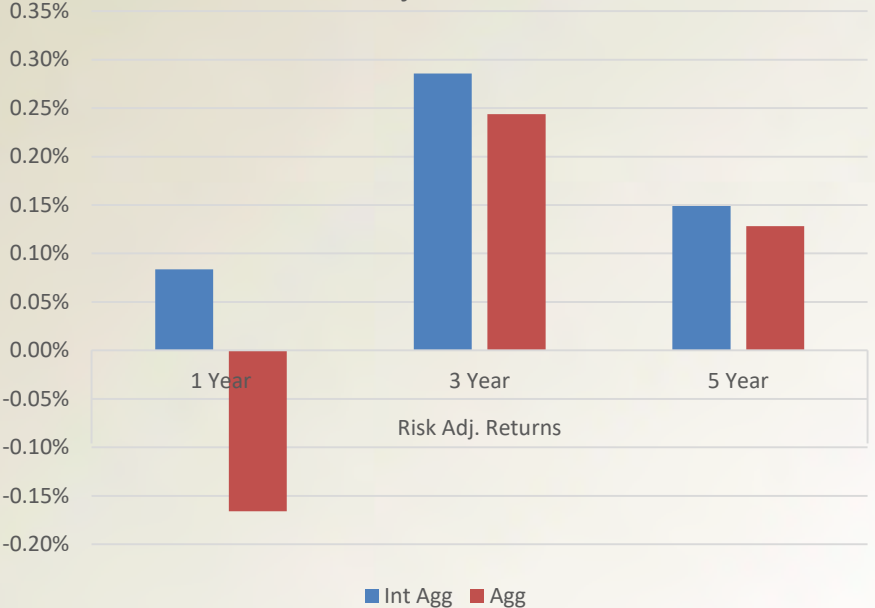
Benchmark Comparison

as of 5/31/2021

Benchmark Returns



Risk Adjusted Returns

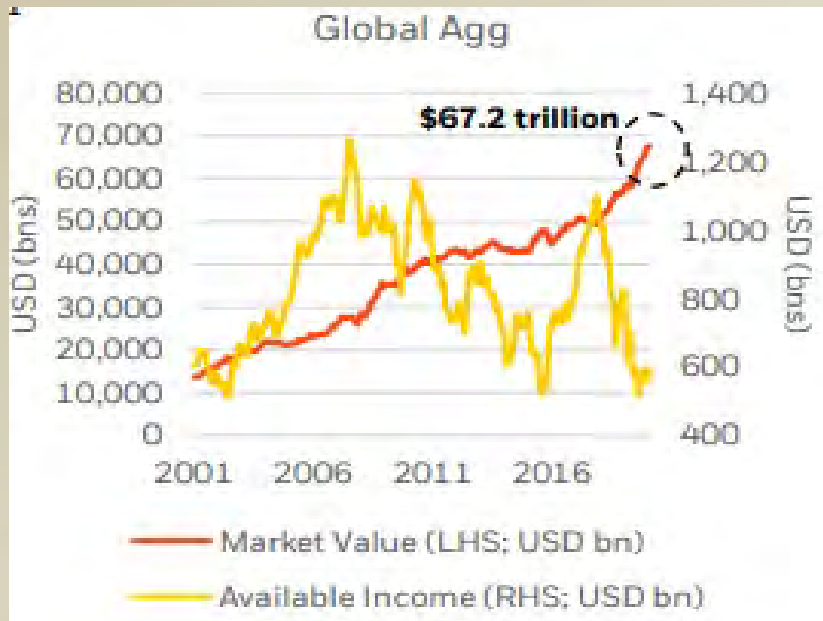


Fixed Income Review

June 2021

Fixed Income offers little “Income”

With that, a small move up in rates wipes out all of the carry for the year

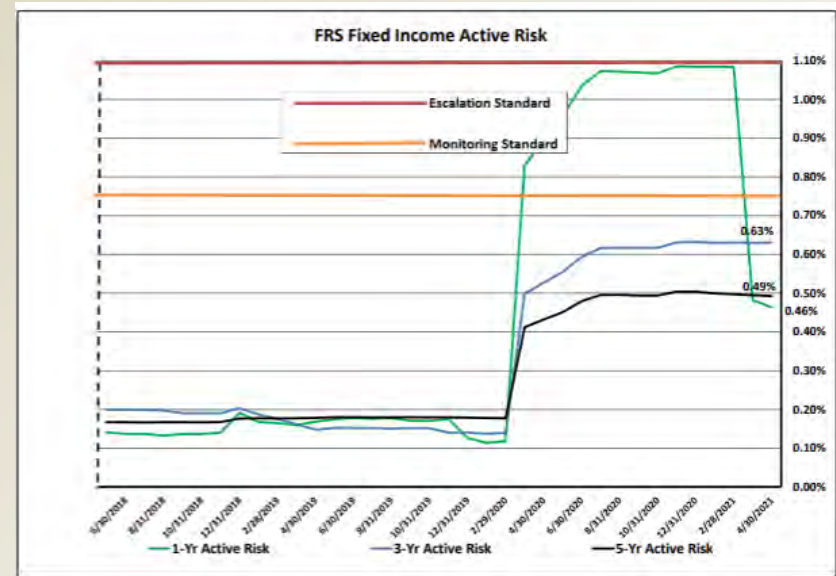
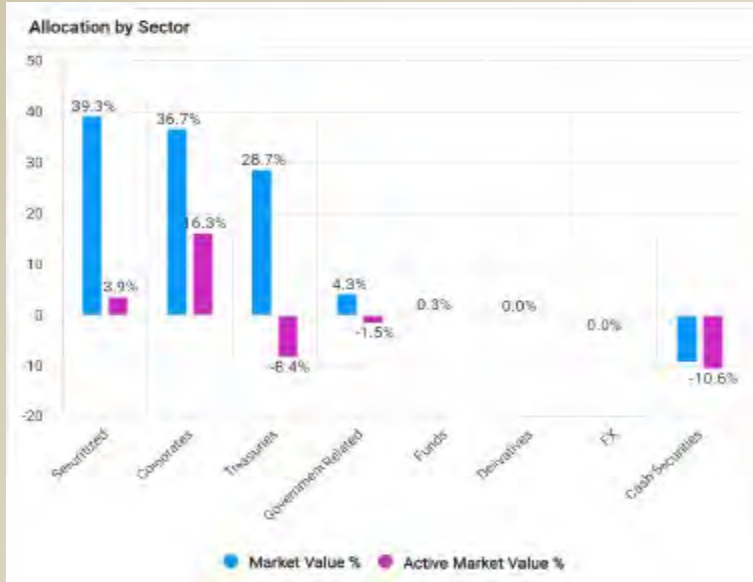


Fixed Income Review

June 2021

- Portfolio continues to overweight Spread Product

- But overall Active Risk continues contained at total allocation level



Fixed Income Review

June 2021

Looking Forward: Pockets of Value

- Continue to maintain active allocation
- Add exposure to out of benchmark structured products or other in a dedicated strategy
 - *Expanded guidelines with several managers, seeking out idiosyncratic opportunities*
 - Consider opportunity to reduce risk to a rising rate environment within overall allocation
 - *Increased allocation to Short Duration Credit manager*
 - Execute on tactical opportunities in out of Benchmark sectors – Core Plus opportunities
 - *Continuing to discuss opportunities ex-US, off benchmark, given limited opportunities in US Fixed Income.*

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State Board of Administration

Real Estate Update

Steve Spook
Senior Investment Officer

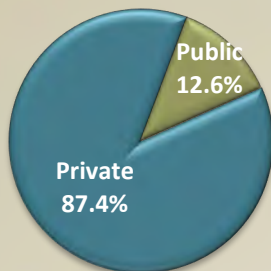
Investment Advisory Council Meeting
June 29, 2021



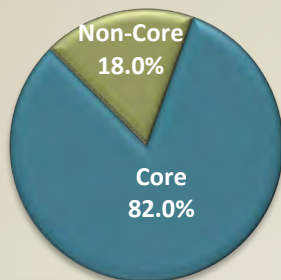
Real Estate Portfolio Sector Allocation

as of 12/31/2020

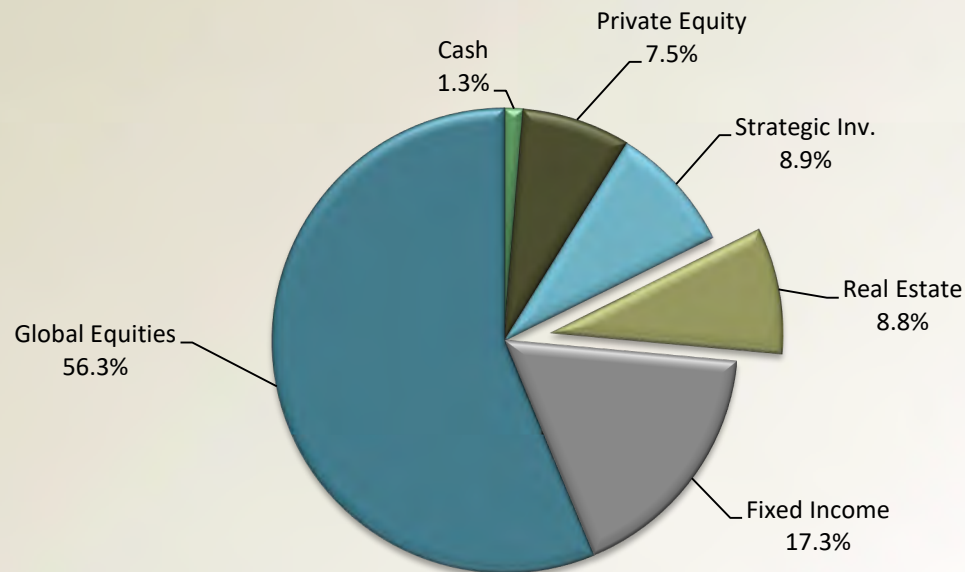
Total RE Portfolio



Private Market



Florida Retirement System Defined Benefit Fund



Private Market Leverage as of 12/31/2020

Private Portfolio
Market Value \$20,576 M

Private Market Leverage
29.6%

Principal
Investments
25.8%

Pooled Funds
41.2%

Pooled Funds Leverage

Closed-End Funds

57.9%

Open-End Funds

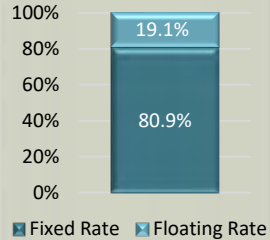
27.0%

Investment Portfolio Guidelines:

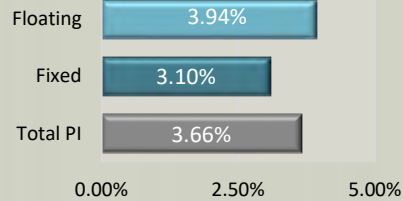
- Private Market Portfolio leverage limited to 40% Loan to Value (LTV).
- Principal Investments Portfolio leverage limited to 30% Loan to Value (LTV).

Principal Investments Leverage

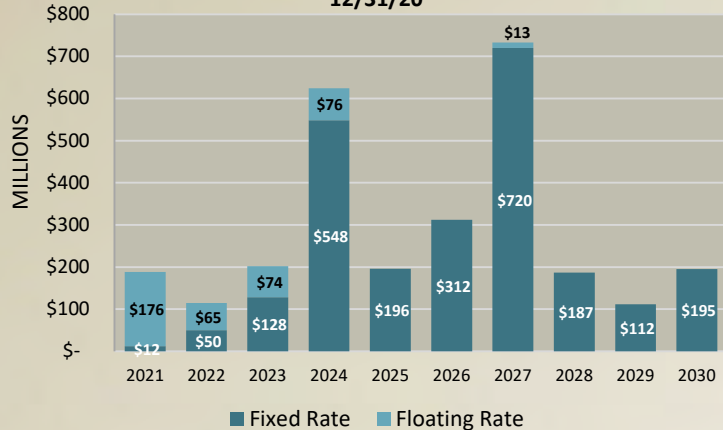
**DEBT TYPE
12/31/20**



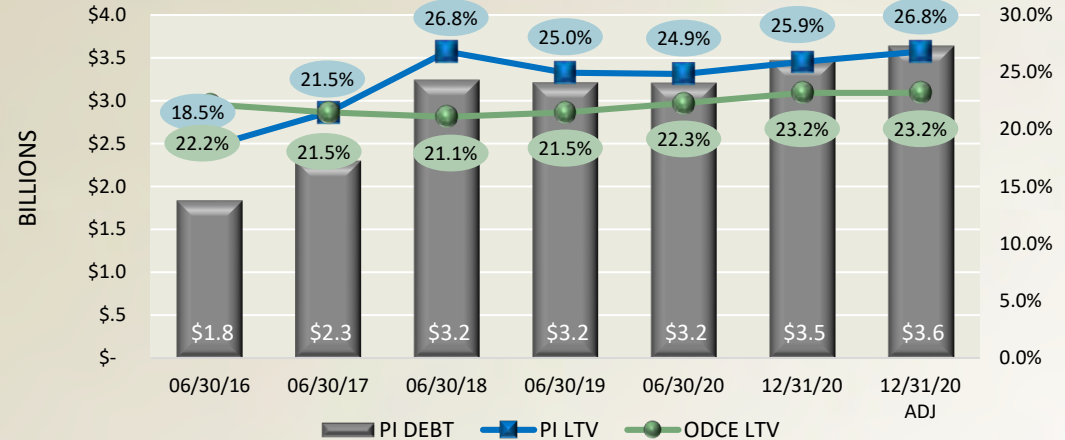
**WEIGHTED AVG COST OF DEBT
12/31/20**



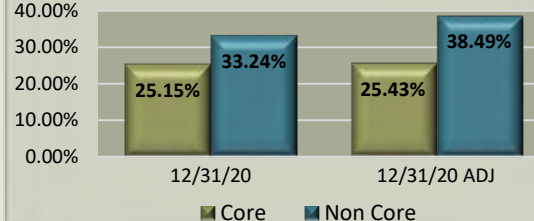
**DEBT MATURITIES
12/31/20**



PI 5 YR LEVERAGE



PI CORE AND NON CORE LEVERAGE



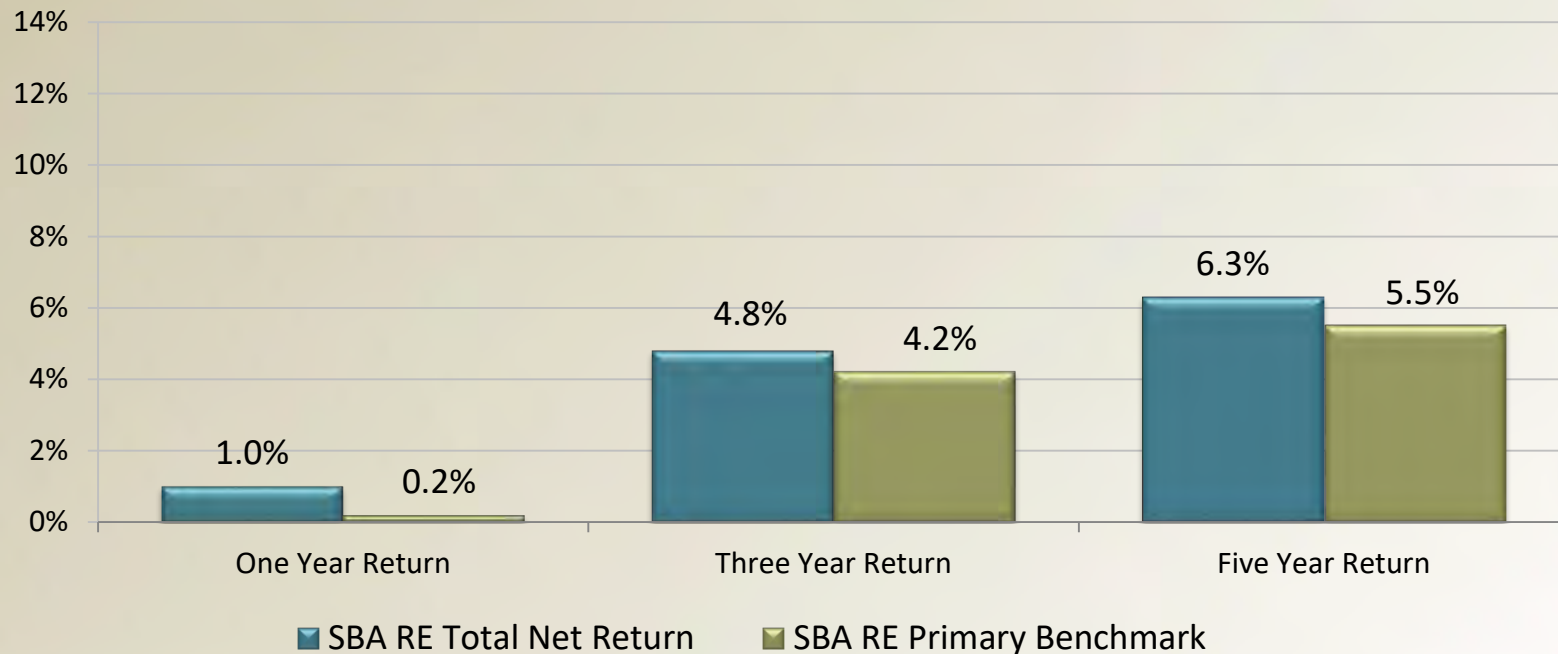
Investment Portfolio Guidelines

- Portfolio Leverage limited to 30% Loan To Value (LTV)
- Individual Asset Level limited to 50% LTV
- JV Individual Asset limited to 70% LTV
- Nonrecourse to the SBA

Total Real Estate Portfolio Performance

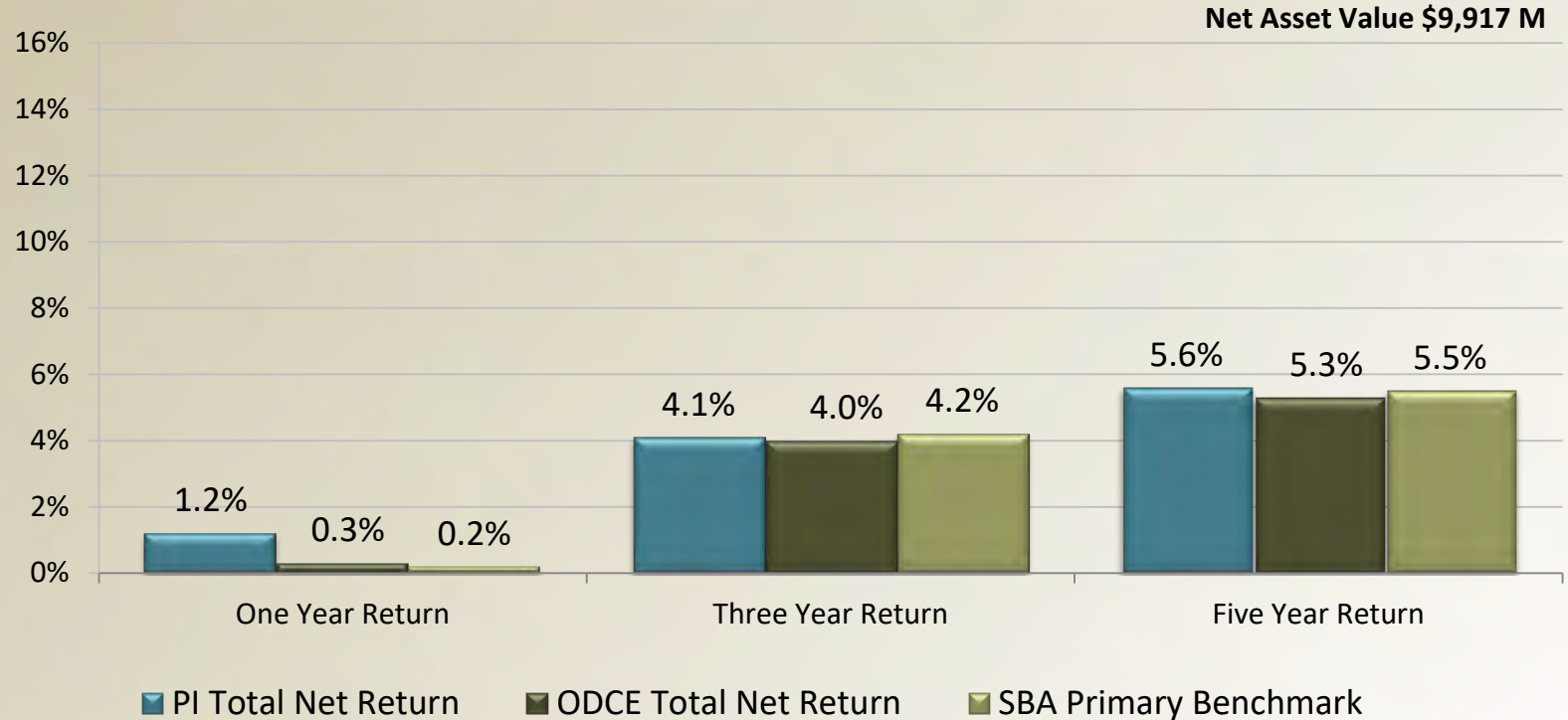
Data Through 12/31/2020

Net Asset Value \$16,139 M



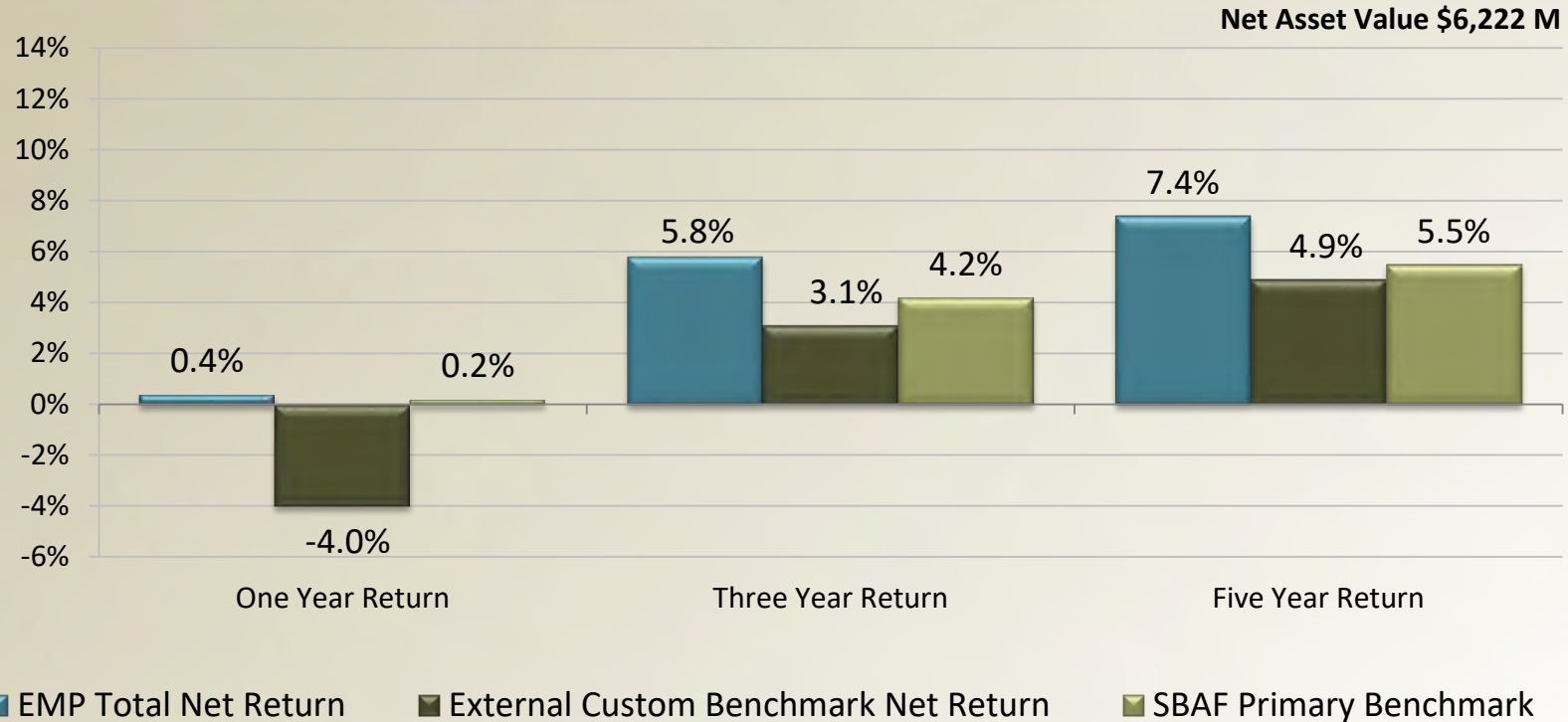
Principal Investments Performance

Data Through 12/31/2020



Externally Managed Portfolio Performance

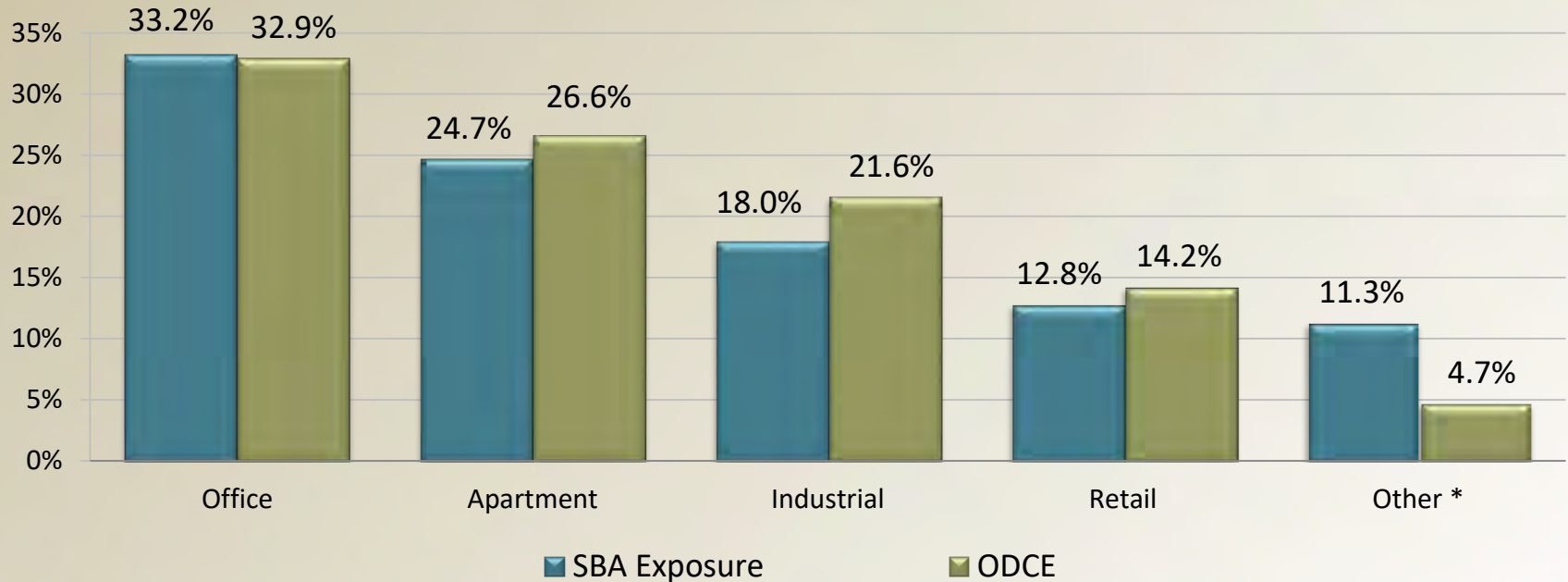
Data Through 12/31/2020



Private Market Property Type Diversification

as of 12/31/2020

Target NFI-ODCE +/- 15%

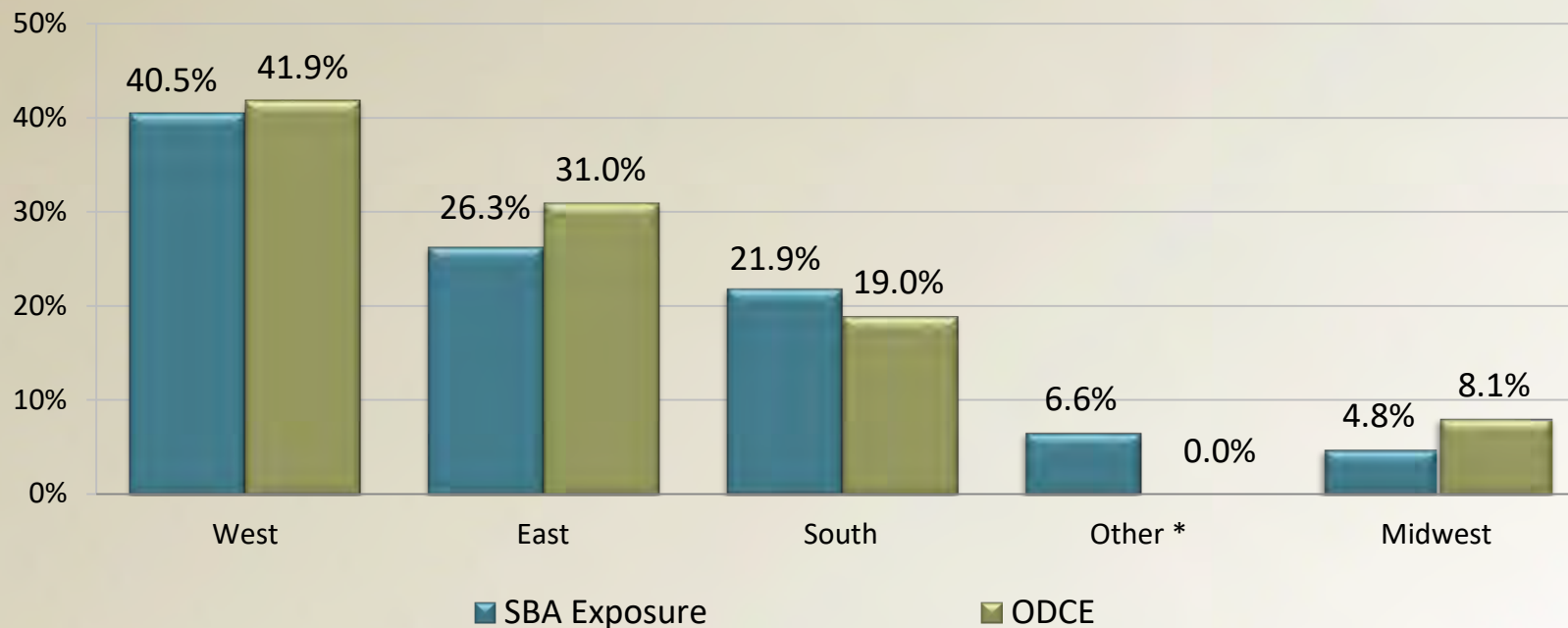


* Other includes Agriculture, Senior Housing, Self-Storage, Hotel, Land

Private Market Geographic Diversification

as of 12/31/2020

Target NFI-ODCE +/- 15%



* Other includes International Investments

Recent Activity

(Since Last IAC Report)

Principal Investments

Acquisitions (Price/Equity)

- Life Science	\$177 million/\$80 million
- Medical Office	\$31 million/\$16 million

Dispositions (Price/Equity)

- Student Housing (4)	\$197 million/\$110 million
- Industrial	\$14 million/\$12 million

Externally Managed:

N/A

State Board of Administration

Strategic Investments Asset Class Review

Trent Webster

Senior Investment Officer – Strategic Investments

Investment Advisory Council Meeting

June 29, 2021



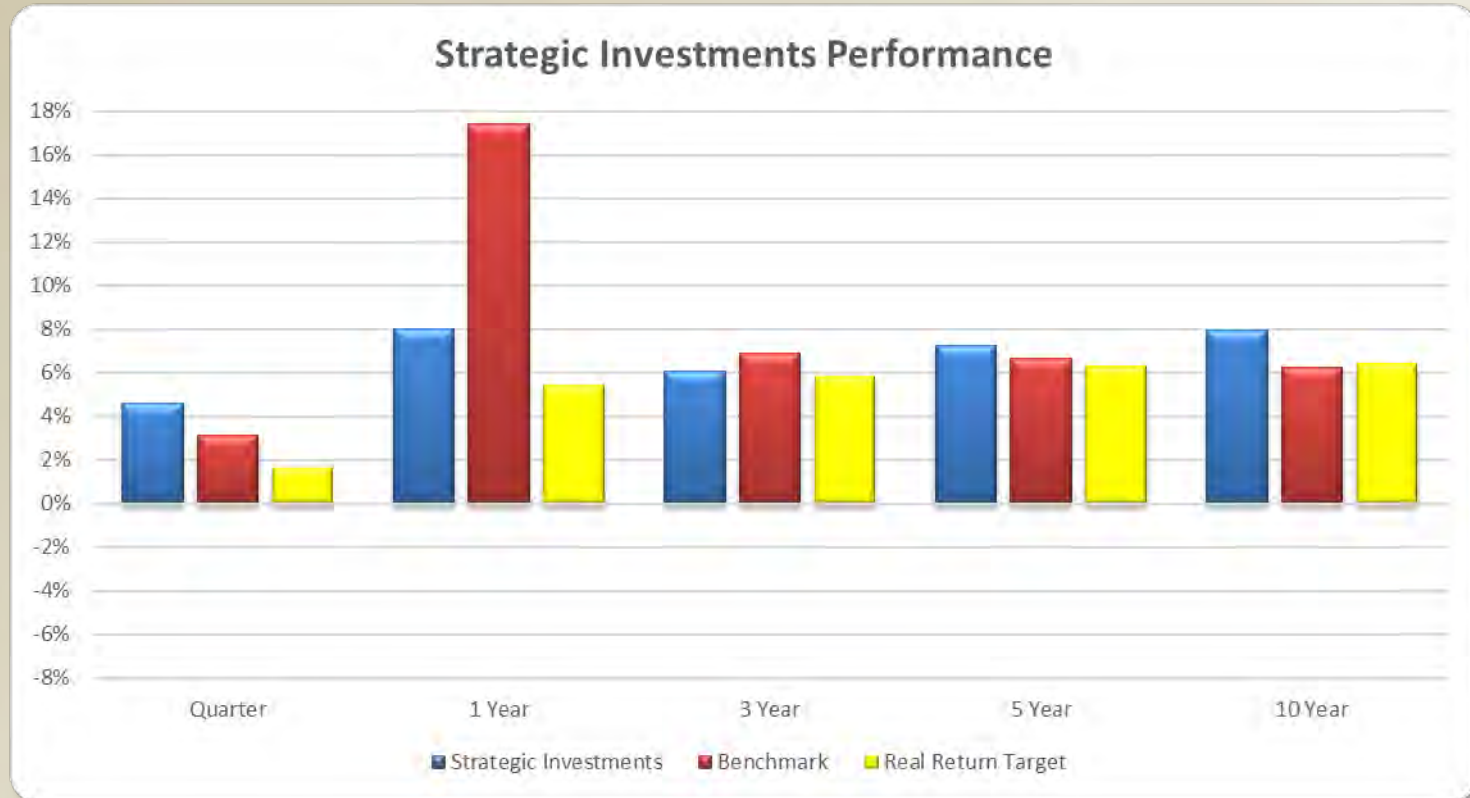
Portfolio



Portfolio



Performance



Recent Activity

- Quarterly cash outflow of \$374 million
- Fiscal year cash outflow of \$1.28 billion
- Four funds totaling \$600 million were closed in the most recent quarter
- Five funds totaling \$950 million have closed this quarter
- Four funds totaling \$850 million are in the pipeline

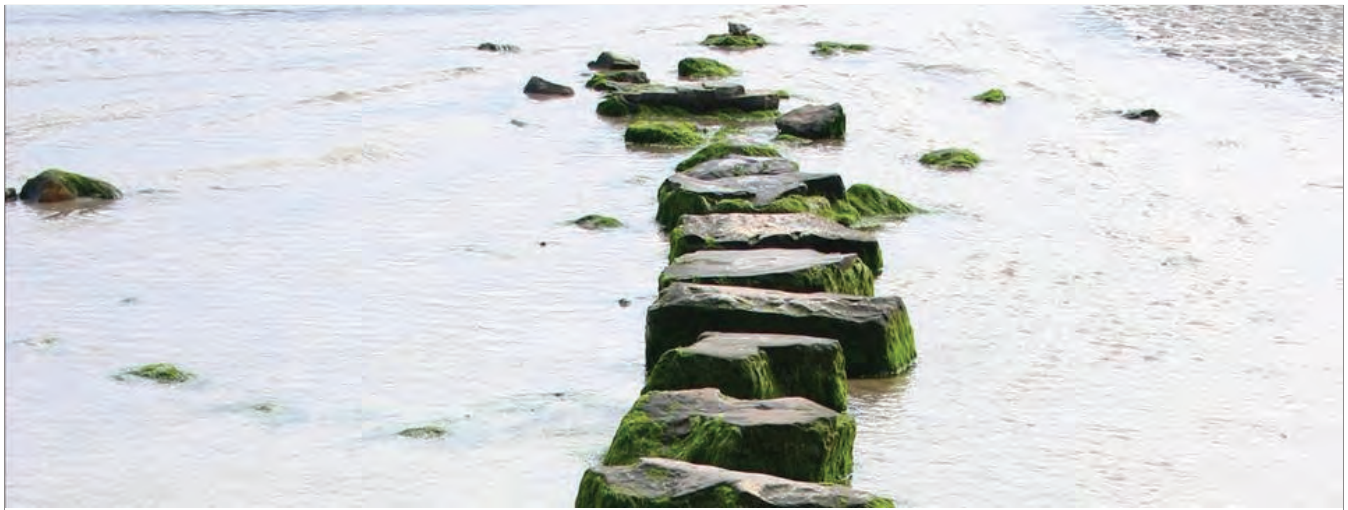
Pipeline

- Two Debt funds – One Distressed, one Loan
- Two Real Asset funds – One Real Estate, one Transportation
- One new relationship
- Four private markets strategies
- No hedge funds

Investment Themes

- Credit Markets
 - Rapid recovery, but
 - *A lot* of debt in the system
 - Will the Fed come to the rescue if there is a blip in the markets?
- Insurance markets hardening
- Opportunities in aircraft as leisure travel set to accelerate
- Activists in Japan
- Commodities boom

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State Board of Administration of Florida

Major Mandate Review First Quarter 2021

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3. Investment Plan Review
4. CAT Fund Review
5. Lawton Chiles Endowment Fund Review
6. Florida PRIME Review
7. Appendix

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Executive Summary

- The major mandates each produced generally strong returns relative to their respective benchmarks over both short- and long-term time periods ending March 31, 2021.
- The Pension Plan outperformed its Performance Benchmark over the trailing quarter, three-, five-, ten-, and fifteen-year periods.
 - Over the trailing five-year period, Global Equity is the leading source of value added, followed by Private Equity.
 - Over the trailing one, three, five and ten-year periods, the Pension Plan's return ranked above the median plan in the TUCS Top Ten Defined Benefit Plan universe.
- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five-, and ten-year periods.
- The Lawton Chiles Endowment Fund outperformed its benchmark over the trailing quarter, one-, three- five- and ten-year periods.
- The CAT Funds' performance is strong long-term periods, outperforming the benchmark over the trailing five- and ten-year periods.
- Florida PRIME has continued to outperform its benchmark over both short- and long-term time periods.

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Pension Plan: Executive Summary

- The Pension Plan assets totaled \$188.6 billion as of March 31, 2021, which represents a \$5.5 billion increase since last quarter.
- The Pension Plan, when measured against the Performance Benchmark, outperformed over the trailing quarter, three-, five-, ten-, and fifteen- year periods.
- Relative to the Absolute Nominal Target Rate of Return, the Pension Plan outperformed over all trailing time periods shown.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
 - Public market asset class investments do not significantly deviate from their broad market-based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
 - Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, and investment strategy.
 - Asset allocation is monitored on a daily basis to ensure that the actual asset allocation of the Pension Plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investment Consulting and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

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FRS Pension Plan Change in Market Value Periods Ending 3/31/2021

Summary of Cash Flows		
	First Quarter	Fiscal YTD*
Beginning Market Value	\$183,068,937,034	\$160,714,203,703
+/- Net Contributions/(Withdrawals)	\$(1,752,829,457)	\$(5,707,608,750)
Investment Earnings	\$7,264,528,901	\$33,574,041,526
= Ending Market Value	\$188,580,636,479	\$188,580,636,479
Net Change	\$5,511,699,445	\$27,866,432,776

*Period July 2020 –March 2021

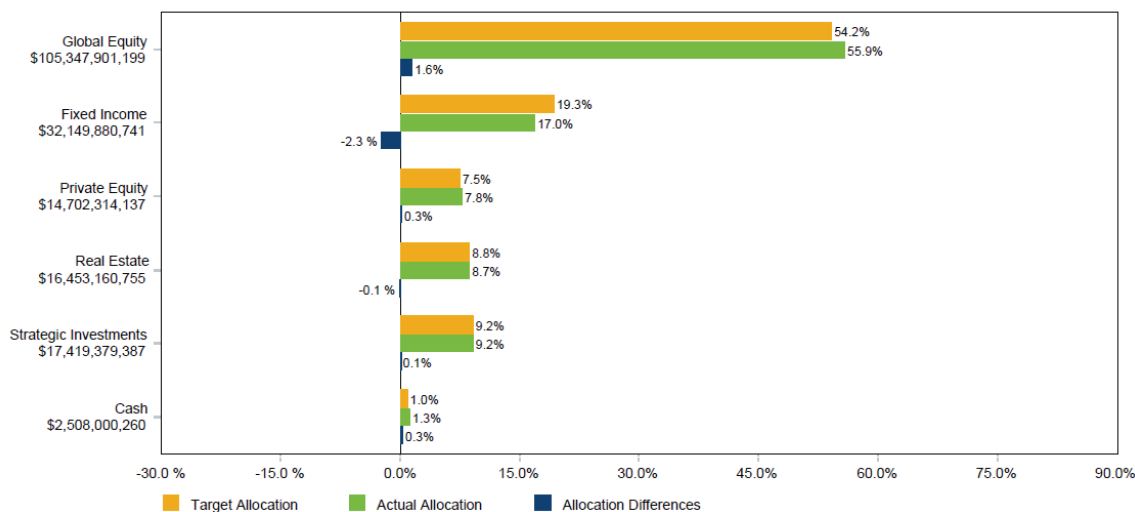
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Asset Allocation as of 3/31/2021

Total Fund Assets = \$188.6 Billion

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	188,580,636,479	100.0	100.0		
Global Equity	105,347,901,199	55.9	54.2	45.0	70.0
Fixed Income	32,149,880,741	17.0	19.3	10.0	26.0
Private Equity	14,702,314,137	7.8	7.5	2.0	9.0
Real Estate	16,453,160,755	8.7	8.8	4.0	16.0
Strategic Investments	17,419,379,387	9.2	9.2	0.0	16.0
Cash	2,508,000,260	1.3	1.0	0.3	5.0



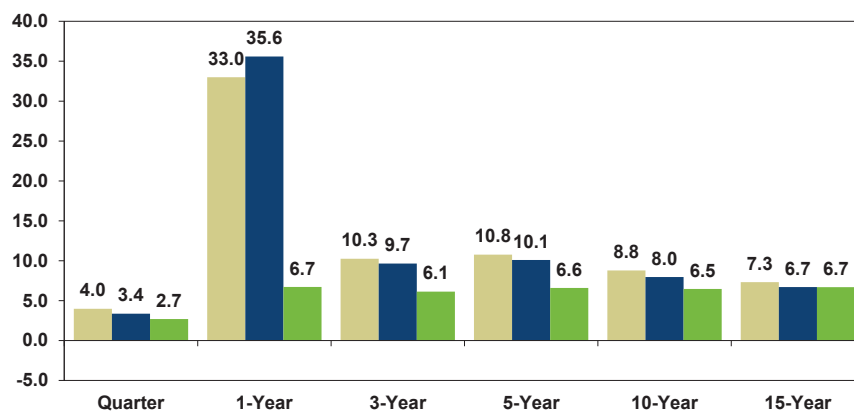
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FRS Pension Plan Investment Results

Periods Ending 3/31/2021

■ Total FRS Pension Plan ■ Performance Benchmark ■ Absolute Nominal Target Rate of Return



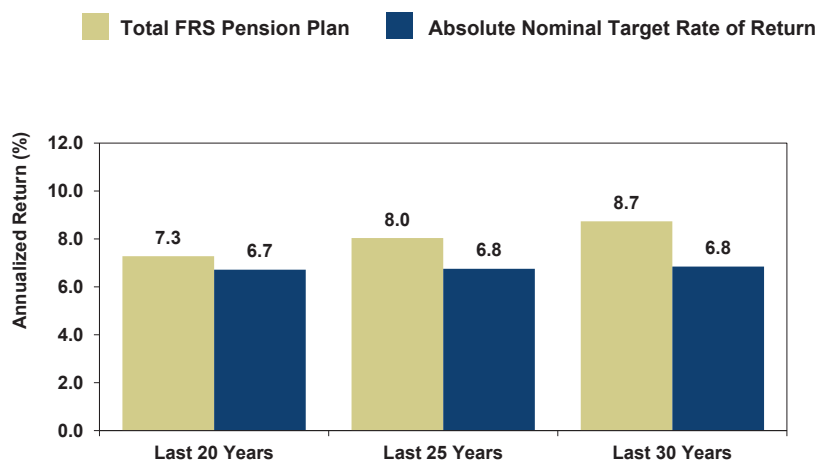
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FRS Pension Plan Investment Results

Periods Ending 3/31/2021

Long-Term FRS Pension Plan Performance Results vs. SBA's Long-Term Investment Objective

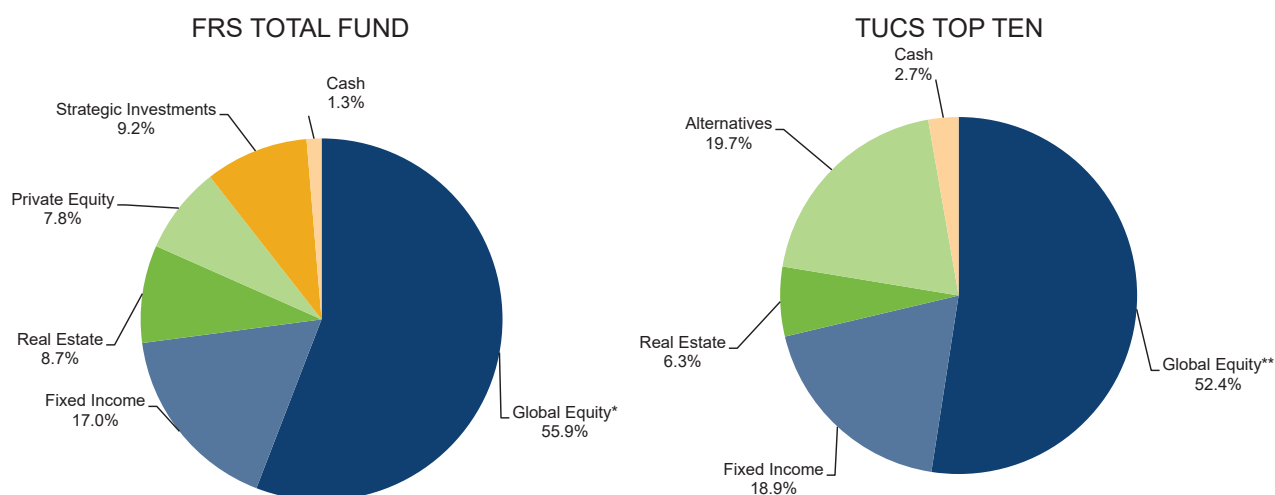


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Comparison of Asset Allocation (TUCS Top Ten) As of 3/31/2021

FRS Pension Plan vs. Top Ten Defined Benefit Plans



*Global Equity Allocation: 27.5% Domestic Equities; 21.3% Foreign Equities; 6.1% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

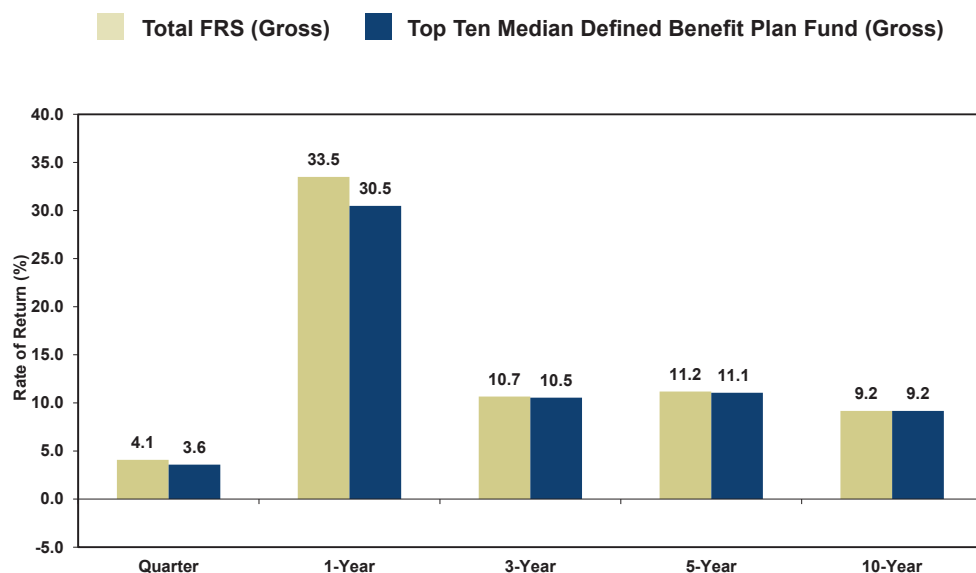
**Global Equity Allocation: 31.3% Domestic Equities; 21.1% Foreign Equities.

Note: The TUCS Top Ten Universe includes \$1,915.5 billion in total assets. The median fund size was \$180.5 billion and the average fund size was \$191.6 billion.
Note: Due to rounding, percentage totals displayed may not sum perfectly.

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FRS Results Relative to TUCS Top Ten Defined Benefit Plans Periods Ending 3/31/2021

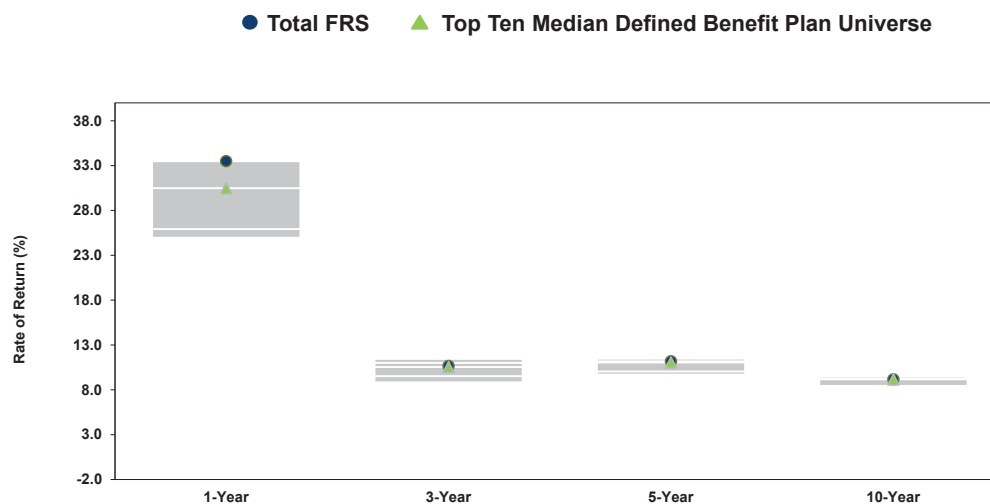


Note: The TUCS Top Ten Universe includes \$1,915.5 billion in total assets. The median fund size was \$180.5 billion and the average fund size was \$191.6 billion.

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Top Ten Defined Benefit Plans FRS Universe Comparison (TUCS) Periods Ending 3/31/2021



FRS Percentile Ranking	15	41	41	41

Note: The TUCS Top Ten Universe includes \$1,915.5 billion in total assets. The median fund size was \$180.5 billion and the average fund size was \$191.6 billion.

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Investment Plan: Executive Summary

- The FRS Investment Plan outperformed the Total Plan Aggregate Benchmark over the trailing one-, three-, five-, and ten-year periods. This suggests strong relative performance of the underlying fund options in which participants are investing.
- The FRS Investment Plan's total expense ratio is slightly higher, on average, when compared to a defined contribution peer group and is lower than the average corporate and public defined benefit plan, based on year-end 2019 data. The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. Communication and education costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group.
- Management fees are lower than the median as represented by Morningstar's mutual fund universe for every investment category.
- The FRS Investment Plan offers an appropriate number of fund options that span the risk and return spectrum.
- The Investment Policy Statement is revisited periodically to ensure that the structure and guidelines of the FRS Investment Plan are appropriate, taking into consideration the FRS Investment Plan's goals and objectives.

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Total Investment Plan Returns & Cost

Periods Ending 3/31/2021*

	One-Year	Three-Year	Five-Year	Ten-Year
FRS Investment Plan	38.8%	10.0%	10.6%	7.9%
<i>Total Plan Aggregate Benchmark**</i>	36.8%	9.6%	10.1%	7.6%
FRS Investment Plan vs. Total Plan Aggregate Benchmark	2.0	0.4	0.5	0.3

Periods Ending 12/31/2019***

	Five-Year Average Return****	Five-Year Net Value Added	Expense Ratio
FRS Investment Plan	7.1%	0.2%	0.32%*****
<i>Peer Group</i>	7.2	0.1	0.26
FRS Investment Plan vs. Peer Group	-0.1	0.1	0.06

*Returns shown are net of fees.

**Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights.

***Source: 2020 CEM Benchmarking Report. Peer group for the Five-Year Average Return and Value Added represents the U.S. Median plan return based on the CEM 2020 Survey that included 119 U.S. defined contribution plans with assets ranging from \$112 million to \$67.2 billion. Peer group for the Expense Ratio represents a custom peer group for FSBA of 17 DC plans including corporate and public plans with assets between \$3.1 - \$25.3 billion.

****Returns shown are gross of fees.

*****The total FRS Investment Plan expense ratio includes investment management fees, as well as administration, communication and education costs. These latter costs are not charged to FRS Investment Plan members; however, these and similar costs may be charged to members of plans within the peer group utilized above.

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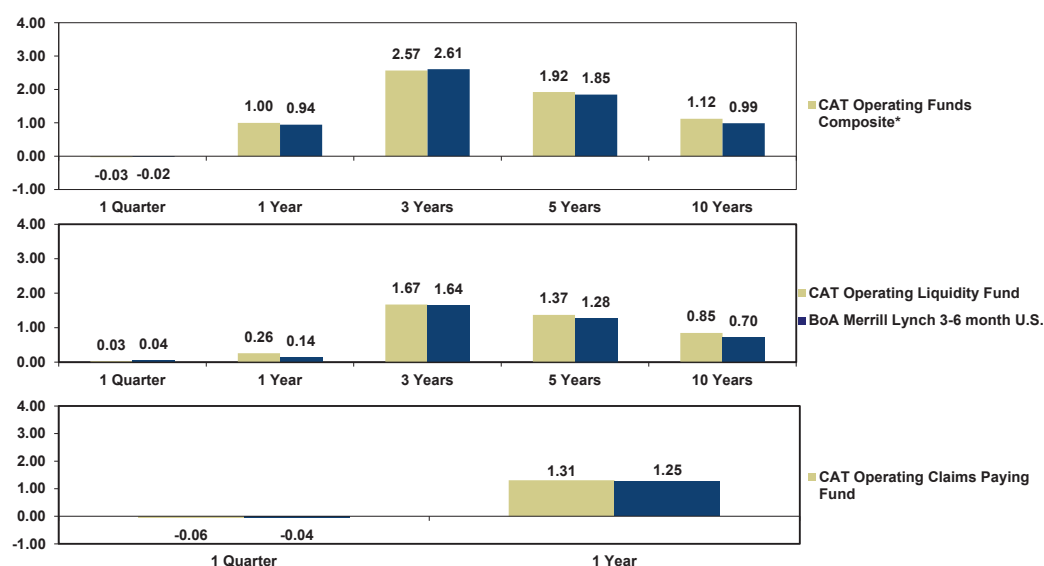
CAT Fund: Executive Summary

- Returns on an absolute basis continue to be modest given the current low interest rate environment.
- All CAT Funds are adequately diversified across issuers within the short-term bond market.
- The Investment Portfolio Guidelines appropriately constrain the CAT Funds to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Adequate liquidity exists to address the cash flow obligations of the CAT Funds.
- The Investment Portfolio Guidelines are revisited periodically to ensure that the structure and guidelines of the CAT Funds are appropriate, taking into consideration the CAT Funds' goals and objectives.
- Over long-term periods, the relative performance of the CAT Operating Funds has been favorable as they have outperformed the Performance Benchmark over the trailing five- and ten-year time periods.

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CAT Operating Funds Investment Results Periods Ending 3/31/2021



*CAT Operating Funds: Beginning March 2008, the returns for the CAT Operating Funds reflect marked-to-market returns. Prior to that time, cost-based returns are used. Beginning February 2018, the CAT Operating Funds were split into two different sub funds, the CAT Fund Operating Liquidity Fund and the CAT Fund Operating Claims Paying Fund. Performance for each sub fund is shown below.

**Performance Benchmark: Effective January 1, 2021, the CAT Fund Operating Liquidity Fund is benchmarked to the Bloomberg U.S. Treasury Bills 3-6 Months & U.S. Treasury Bills 6-9 Months Custom Blend Index. This benchmark is comprised of 60% of 3-6 month U.S. Treasury Bills and 40% 6-9 month U.S. Treasury Bills. Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index. Effective January 1, 2021, the CAT Operating Claims Paying Fund is benchmarked to the Bloomberg U.S. Treasury 1-3 Years & Corporate AA+ ex 144A with Reg S Custom Blend Index. This benchmark is comprised of 65% 1-3 year U.S. Treasury and 35% of 1-3 year Corporate AA or better excluding 144A and Reg S securities. Beginning February 2018, the CAT Fund Operating Claims Paying Fund benchmark is a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index. Additional benchmark history can be found in the appendix.

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Lawton Chiles Endowment Fund: Executive Summary

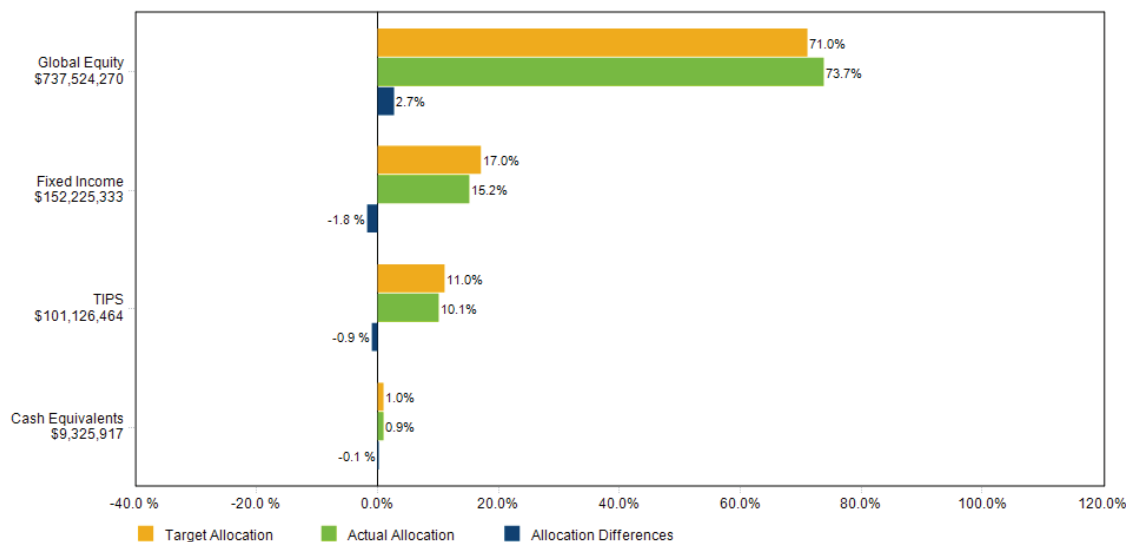
- Established in July 1999, the Lawton Chiles Endowment Fund (LCEF) was created to provide a source of funding for child health and welfare programs, elder programs and research related to tobacco use.
 - The investment objective is to preserve the real value of the net contributed principal and provide annual cash flows for appropriation.
 - The Endowment's investments are diversified across various asset classes including global equity, fixed income, inflation-indexed bonds (TIPS) and cash.
- The Endowment assets totaled \$1.0 billion as of March 31, 2021.
- The Endowment's return outperformed its Target over the trailing quarter, one-, three-, five-, and ten-year time periods.

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Asset Allocation as of 3/31/2021 Total LCEF Assets = \$1.0 Billion

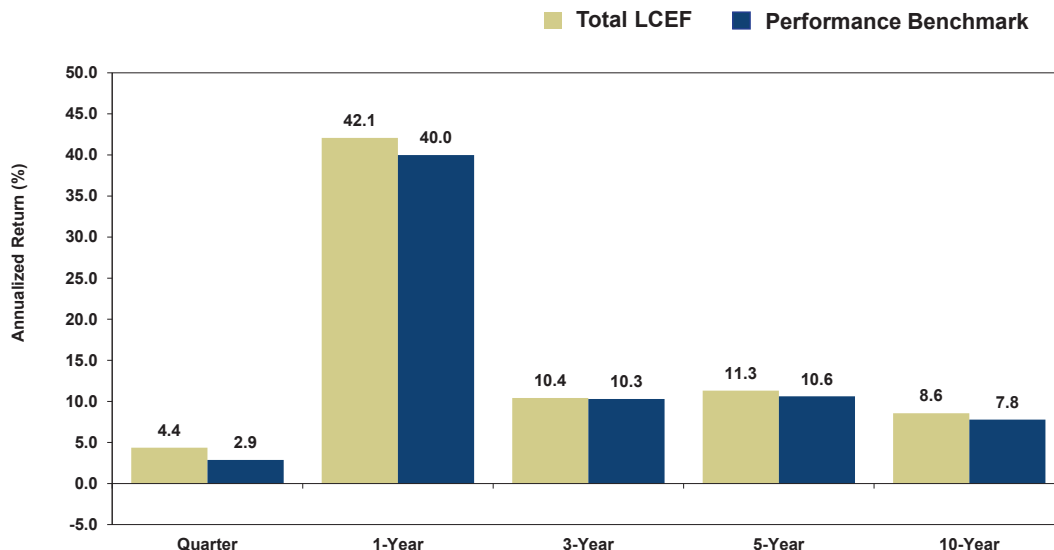
	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
LCEF Total Fund	1,000,201,984	100.0	100.0		
Global Equity	737,524,270	73.7	71.0	61.0	81.0
Fixed Income	152,225,333	15.2	17.0	12.0	22.0
TIPS	101,126,464	10.1	11.0	6.0	16.0
Cash Equivalents	9,325,917	0.9	1.0	0.0	10.0



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LCEF Investment Results Periods Ending 3/31/2021



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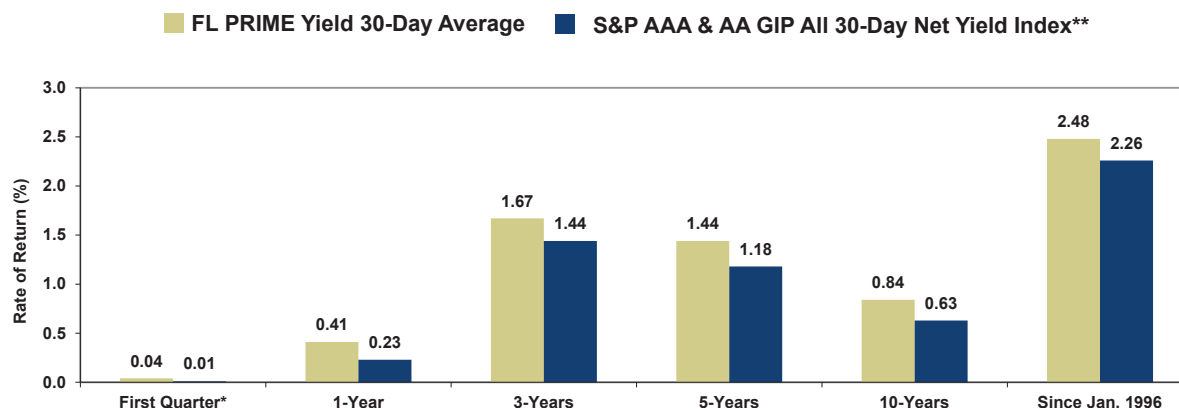
Florida PRIME: Executive Summary

- The purpose of Florida PRIME is safety, liquidity, and competitive returns with minimal risk for participants.
- The Investment Policy Statement appropriately constrains Florida PRIME to invest in short-term and high quality bonds to minimize both interest rate and credit risk.
- Florida PRIME is adequately diversified across issuers within the short-term bond market, and adequate liquidity exists to address the cash flow obligations of Florida PRIME.
- Performance of Florida PRIME has been strong over short- and long-term time periods, outperforming its performance benchmark during the quarter and over the trailing one-, three-, five-, and ten-year time periods.
- As of March 31, 2021, the total market value of Florida PRIME was \$18.7 billion.
- Aon Investments USA Inc., in conjunction with SBA staff, compiles an annual best practices report that includes a full review of the Investment Policy Statement, operational items, and investment structure for Florida PRIME.

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Florida PRIME Investment Results Periods Ending 3/31/2021



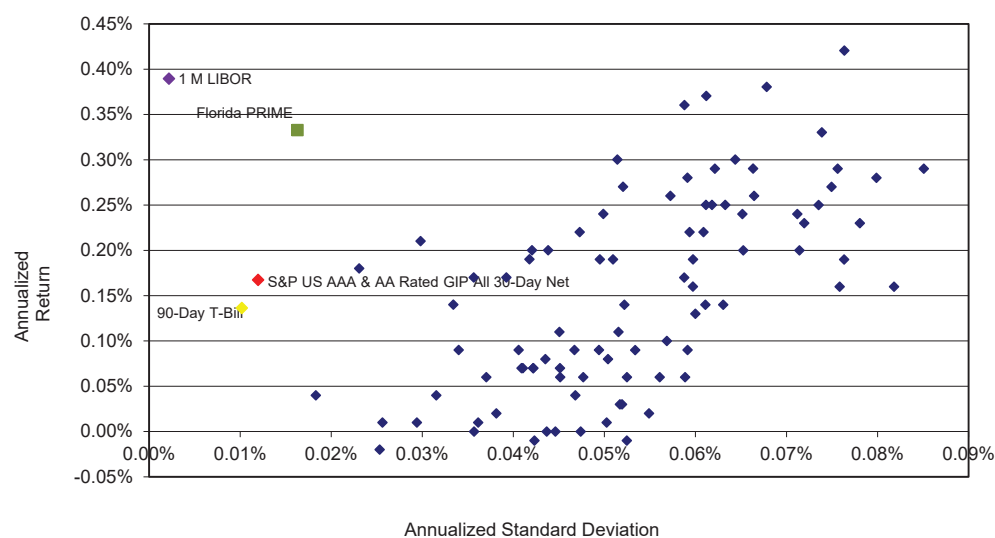
*Returns less than one year are not annualized.

**S&P AAA & AA GIP All 30-Day Net Yield Index for all time periods shown.

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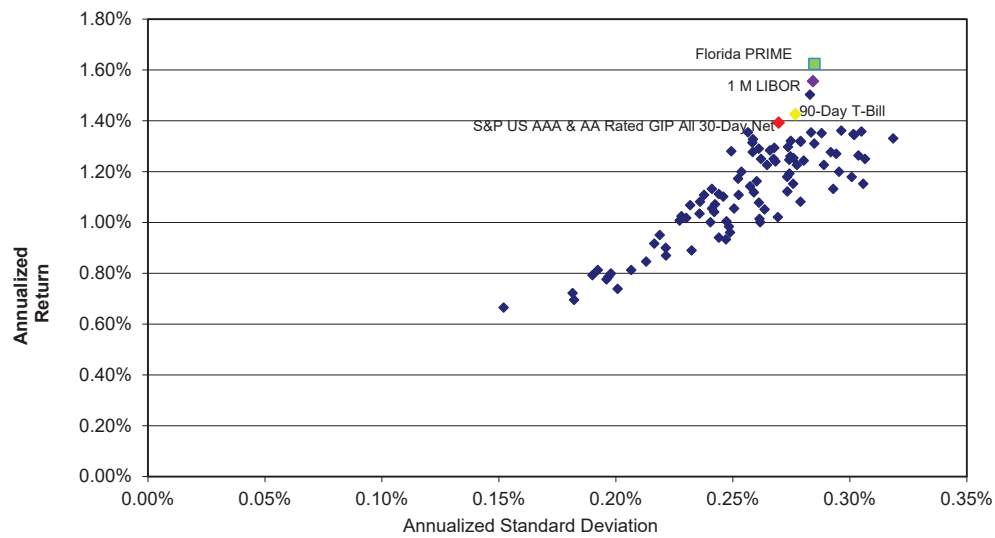
Florida PRIME Risk vs. Return 1 Years Ending 3/31/2021



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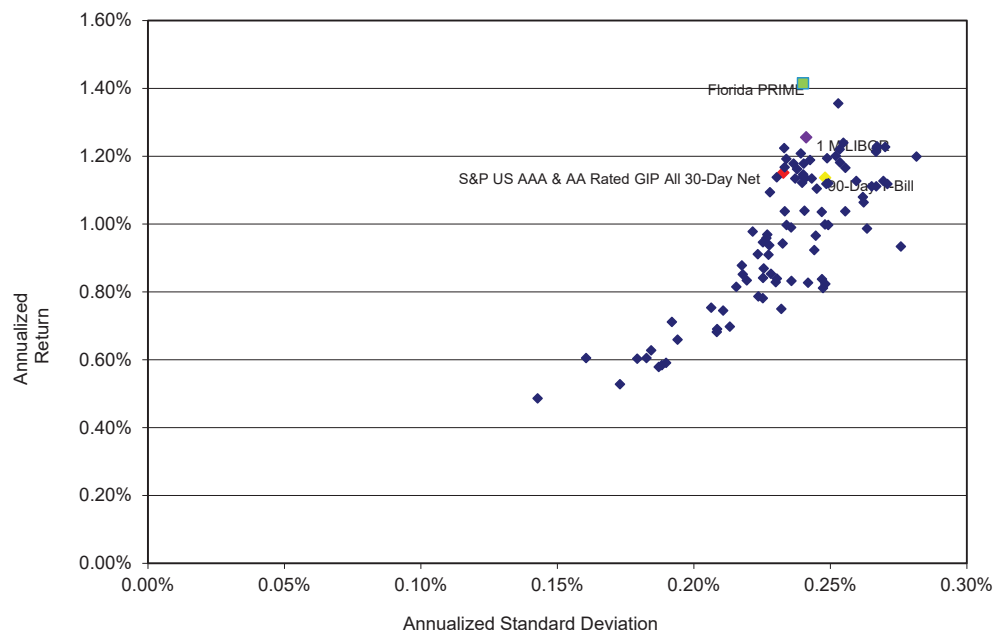
Florida PRIME Risk vs. Return 3 Years Ending 3/31/2021



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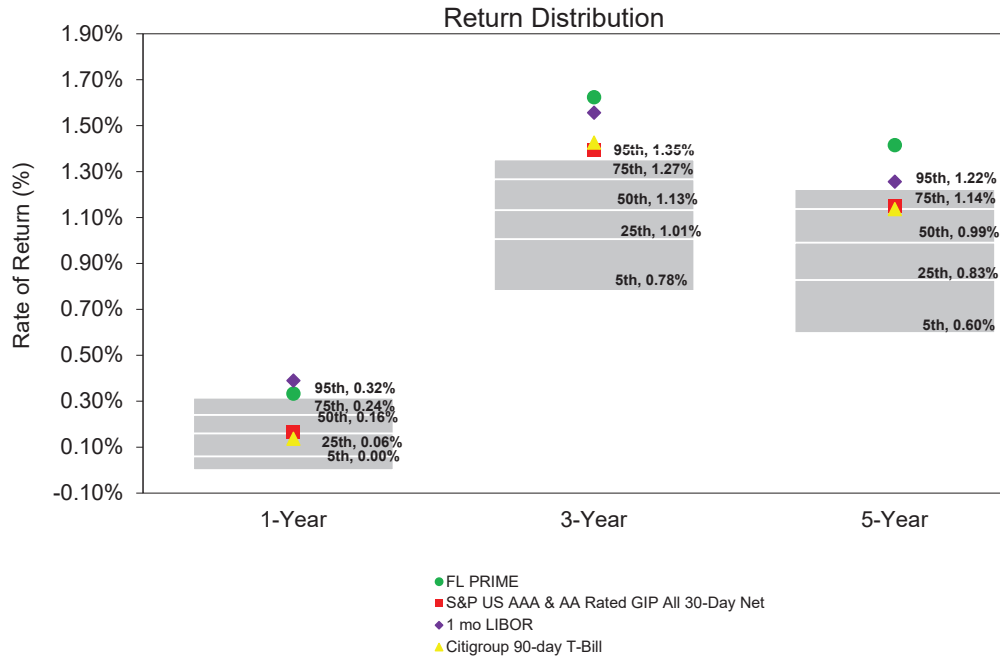
Florida PRIME Risk vs. Return 5 Years Ending 3/31/2021



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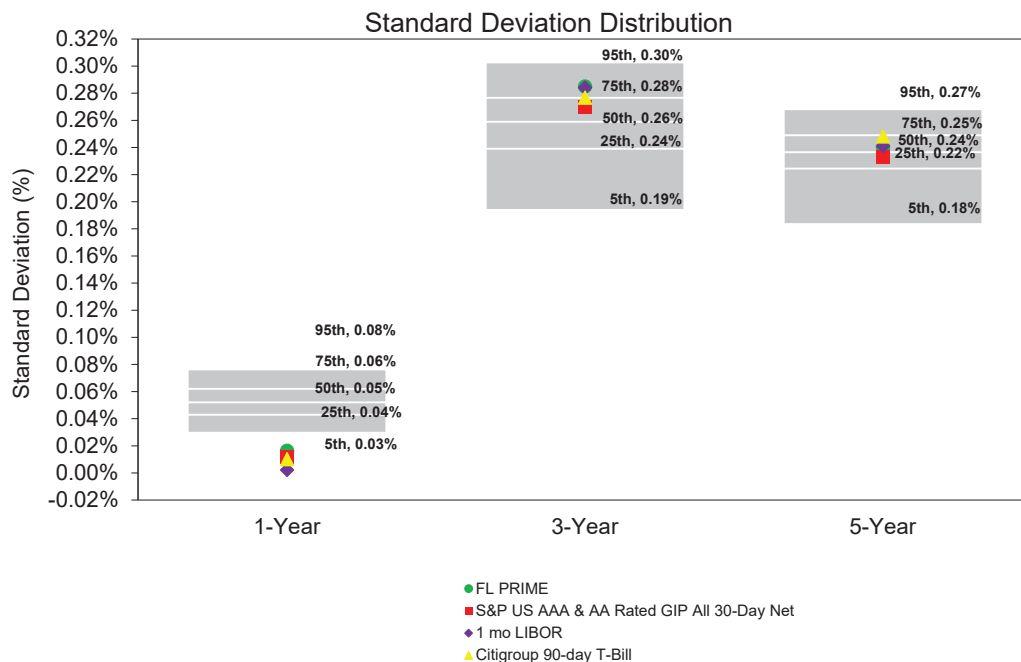
Return Distribution Periods Ending 3/31/2021



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Standard Deviation Distribution Periods Ending 3/31/2021



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Appendix

FRS Investment Plan Costs

Investment Category	Investment Plan Fee*	Average Mutual Fund Fee**
Domestic Equity	0.16%	0.79%
International Equity	0.32%	0.89%
Diversified Bonds	0.13%	0.50%
Target Date	0.14%	0.57%
Money Market	0.06%	0.20%
Inflation Protected Securities	0.36%	0.36%

*Average fee of multiple products in category as of 3/31/2021.

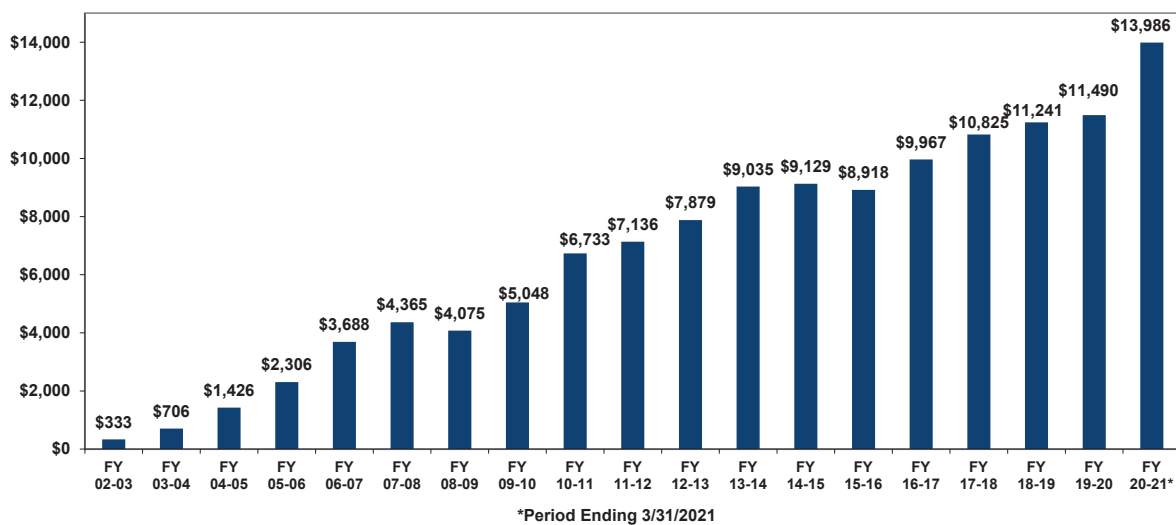
**Source: Aon's annual mutual fund expense analysis as of 12/31/2019.

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Investment Plan Fiscal Year End Assets Under Management

By Fiscal Year (\$ millions)

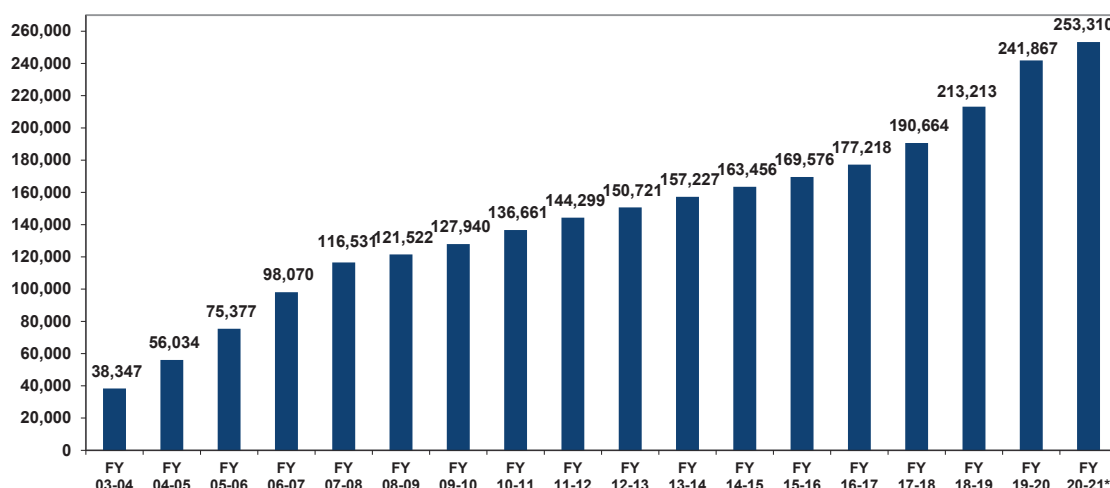


Source: Investment Plan Administrator

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Investment Plan Membership



* Period Ending 3/31/2021

Source: Investment Plan Administrator

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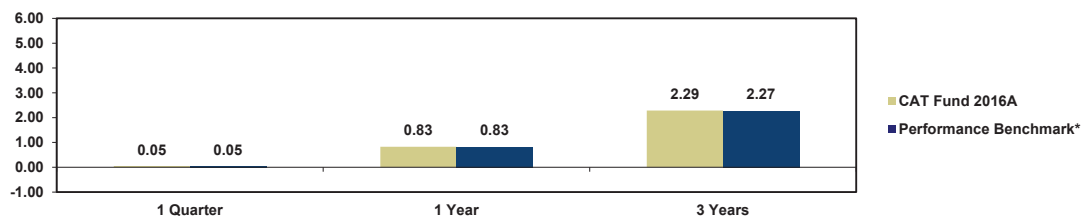
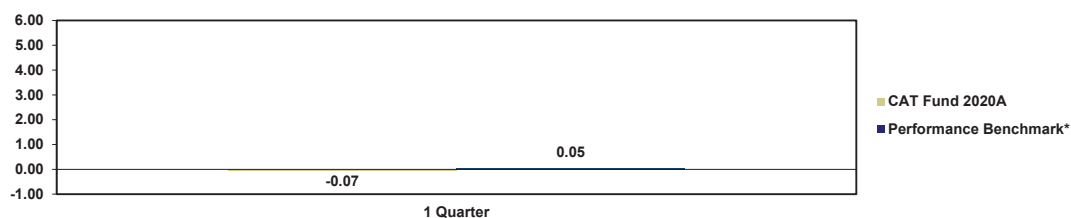
Florida Hurricane Catastrophe Funds Background and Details

- The purpose of the Florida Hurricane Catastrophe Fund (FHCF) is to provide a stable, ongoing and timely source of reimbursement to insurers for a portion of their hurricane losses.
- The CAT Operating Funds, along with CAT 2016 A Fund and CAT 2020 A Fund are internally managed portfolios.
 - CAT 2013 A Fund was liquidated during 4Q 2020
- As of March 31, 2020, the total value of:
 - The CAT Operating Funds was \$12.9 billion
 - The CAT 2016 A Fund was \$0.7 billion
 - The CAT 2020 A Fund was \$3.5 billion
- History of the CAT Funds Benchmarks: *The CAT Operating Funds were benchmarked to the IBC First Tier through February 2008. From March 2008 to December 2009, it was the Merrill Lynch 1-Month LIBOR. From January 2010 to June 2010, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. From July 2010 to September 2014, it was a blend of the average of the 3-Month Treasury Bill rate and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Effective October 2014, it is a blend of the average of the Merrill Lynch 1-Yr U.S. Treasury Bill Index and the iMoneyNet First Tier Institutional Money Market Funds Net Index. Beginning February 2018, the CAT Operating Funds were split into two different sub funds, the CAT Fund Operating Liquidity Fund and the CAT Fund Operating Claims Paying Fund. Beginning February 2018, the CAT Fund Operating Liquidity Fund was benchmarked to the B of A Merrill Lynch 3-6 Month U.S. Treasury Bill Index, and the CAT Fund Operating Claims Paying Fund benchmark is a blend of 35% of the Bank of America Merrill Lynch 1-3 Year AA U.S. Corporate Bond Index and 65% of Bank of America Merrill Lynch 1-3 Year U.S. Treasury Index.*

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CAT 2020 A and 2016 A Funds Investment Results Periods Ending 12/31/2020



*Performance Benchmark: Beginning February 2018, the CAT 2016 A Funds was benchmarked to itself.

**Performance Benchmark: Blend of 35% of the ICE 1-3 Year AA U.S. Corporate Bond Index and 65% of ICE 1-3 Year U.S. Treasury Index excluding 144A securities through December 31, 2020

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CAT Operating Funds Characteristics Period Ending 3/31/2021

Maturity Analysis	
1 to 30 Days	0.03%
31 to 60 Days	0.00
61 to 90 Days	0.00
91 to 120 Days	6.35
121 to 150 Days	8.13
151 to 180 Days	3.11
181 to 270 Days	6.69
271 to 365 Days	3.44
366 to 455 Days	5.77
>= 456 Days	66.48
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	72.04%
AA	19.82
A	8.14
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

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CAT 2020 A Fund Characteristics

Period Ending 3/31/2021

Maturity Analysis	
1 to 30 Days	0.07%
31 to 60 Days	0.00
61 to 90 Days	0.00
91 to 120 Days	0.00
121 to 150 Days	0.00
151 to 180 Days	0.00
181 to 270 Days	0.00
271 to 365 Days	1.49
366 to 455 Days	3.20
>= 456 Days	95.24
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	62.80%
AA	24.08
A	13.12
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

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CAT 2016 A Fund Characteristics

Period Ending 3/31/2021

Maturity Analysis	
1 to 30 Days	6.51%
31 to 60 Days	10.53
61 to 90 Days	20.49
91 to 120 Days	62.47
121 to 150 Days	0.00
151 to 180 Days	0.00
181 to 270 Days	0.00
271 to 365 Days	0.00
366 to 455 Days	0.00
>= 456 Days	0.00
Total % of Portfolio:	100.00%

Bond Rating Analysis	
AAA	90.80%
AA	7.81
A	1.39
Baa	0.00
Other	0.00
Total % of Portfolio	100.00%

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Florida PRIME Characteristics Quarter Ending 3/31/2021

Cash Flows as of 3/31/2021	Fourth Quarter	Fiscal YTD*
Opening Balance	\$18,452,833,151	\$15,158,791,358
Participant Deposits	\$5,629,890,196	\$22,878,329,850
Gross Earnings	\$8,566,659	\$33,217,175
Participant Withdrawals	(\$5,383,986,664)	(\$19,360,723,625)
Fees	(\$1,478,056)	(\$7,408,845)
Closing Balance (3/31/2021)	\$18,705,825,286	\$18,705,825,286
Change	\$252,992,135	\$3,547,033,928

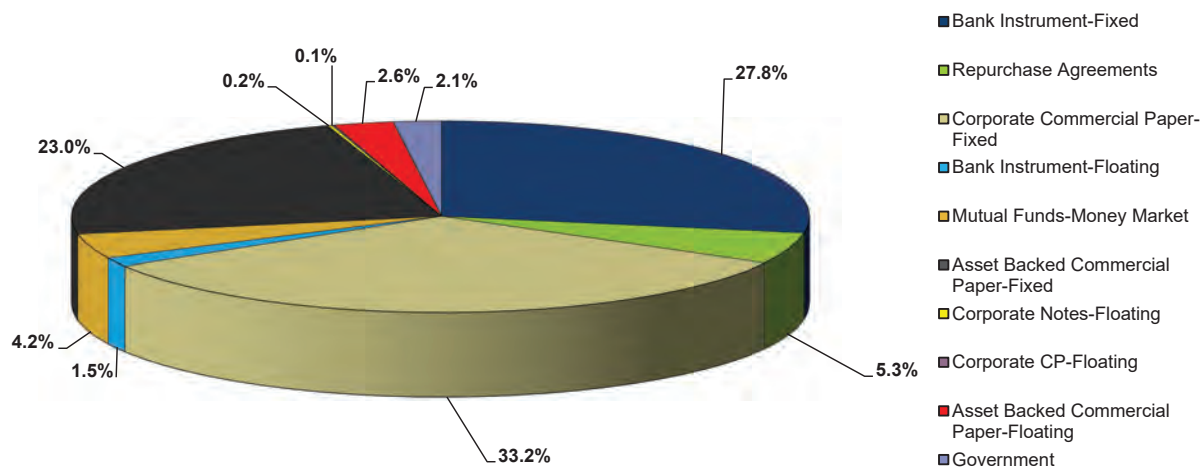
*Period July 2020 –March 2021

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Florida PRIME Characteristics Quarter Ending 3/31/2021

Portfolio Composition



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Florida PRIME Characteristics Period Ending 3/31/2021

Effective Maturity Schedule	
1-7 Days	38.3%
8 - 30 Days	12.8%
31 - 90 Days	31.6%
91 - 180 Days	12.1%
181+ Days	5.2%
Total % of Portfolio:	100.0%

S & P Credit Quality Composition	
A-1+	69.8%
A-1	30.2%
Total % of Portfolio:	100.0%

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FRS Pension Plan | First Quarter 2021

Quarterly Investment Review

Visit the Investments Thought Leadership Site (<https://insights-north-america.aon.com/investment>); sharing our best thinking.

Visit our new video library with our views on key investment topics for this quarter using access code "aon!"
(<https://site-494121.bcvportal.com/category/videos/key-topics-by-investor-type>)



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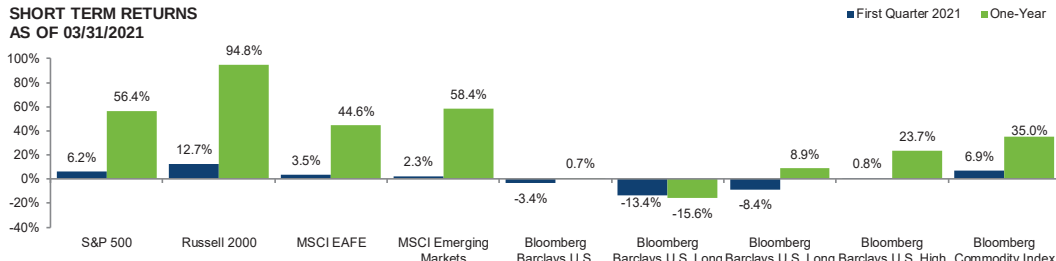
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Market Environment

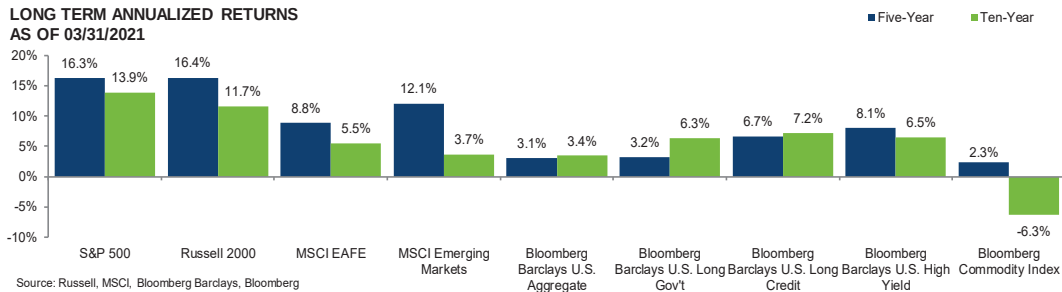
Market Highlights

SHORT TERM RETURNS AS OF 03/31/2021



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg
(MSCI Indices show net total returns throughout this report. All other indices show gross total returns.).

LONG TERM ANNUALIZED RETURNS AS OF 03/31/2021



Source: Russell, MSCI, Bloomberg Barclays, Bloomberg

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Market Highlights

Capital Markets Returns

	Period Ending 03/31/2021				
	First Quarter	1-Year	3-Year ¹	5-Year ¹	10-Year ¹
Equity					
MSCI All Country World IMI	5.14%	57.58%	11.90%	13.21%	9.15%
MSCI All Country World	4.57%	54.60%	12.07%	13.21%	9.14%
Dow Jones U.S. Total Stock Market	6.45%	62.68%	17.05%	16.60%	13.75%
Russell 3000	6.35%	62.53%	17.12%	16.64%	13.79%
S&P 500	6.17%	56.35%	16.78%	16.29%	13.91%
Russell 2000	12.70%	94.85%	14.76%	16.35%	11.68%
MSCI All Country World ex-U.S. IMI	3.77%	51.94%	6.51%	9.84%	5.11%
MSCI All Country World ex-U.S.	3.49%	49.41%	6.51%	9.76%	4.93%
MSCI EAFE	3.48%	44.57%	6.02%	8.85%	5.52%
MSCI EAFE (Local Currency)	7.59%	36.56%	7.07%	8.82%	7.50%
MSCI Emerging Markets	2.29%	58.39%	6.48%	12.07%	3.65%
Fixed Income					
Bloomberg Barclays Global Aggregate	-4.46%	4.67%	2.80%	2.66%	2.23%
Bloomberg Barclays U.S. Aggregate	-3.37%	0.71%	4.65%	3.10%	3.44%
Bloomberg Barclays U.S. Long Gov't	-13.39%	-15.60%	5.84%	3.17%	6.30%
Bloomberg Barclays U.S. Long Credit	-8.39%	8.87%	7.48%	6.69%	7.23%
Bloomberg Barclays U.S. Long Gov't/Credit	-10.41%	-2.05%	7.14%	5.47%	6.98%
Bloomberg Barclays U.S. TIPS	-1.47%	7.54%	5.68%	3.86%	3.44%
Bloomberg Barclays U.S. High Yield	0.85%	23.72%	6.84%	8.06%	6.48%
Bloomberg Barclays Global Treasury ex U.S.	-5.93%	4.65%	0.89%	1.87%	1.10%
JP Morgan EMBI Global (Emerging Markets)	-4.74%	14.29%	3.87%	4.74%	5.35%
Commodities					
Bloomberg Commodity Index	6.92%	35.04%	-0.20%	2.31%	-6.28%
Goldman Sachs Commodity Index	13.55%	50.22%	-4.93%	1.18%	-8.60%
Hedge Funds					
HFRI Fund-Weighted Composite ²	6.08%	34.11%	7.68%	7.53%	4.64%
HFRI Fund of Funds ²	2.47%	24.56%	5.64%	5.74%	3.48%
Real Estate					
NAREIT U.S. Equity REITS	8.87%	37.78%	9.45%	5.33%	8.56%
FTSE Global Core Infrastructure Index	5.43%	27.55%	10.85%	9.81%	9.63%
Private Equity					
Burgiss Private IQ Global Private Equity ³		6.20%	11.83%	10.92%	12.93%

MSCI Indices show net total returns throughout this report. All other indices show gross total returns.

¹ Periods are annualized.

² Latest 5 months of HFR data are estimated by HFR and may change in the future.

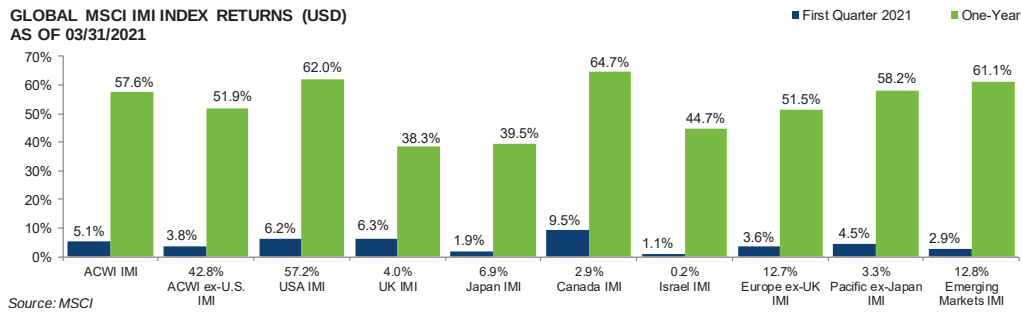
³ Burgiss Private IQ Global Private Equity data is as at June 30, 2020

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Global Equity Markets

**GLOBAL MSCI IMI INDEX RETURNS (USD)
AS OF 03/31/2021**



- Global equities ended the quarter higher, backed by further stimulus and positive vaccine developments. The MSCI All Country World Investable Market Index (ACWI IMI) returned 5.1% for the quarter.
- Non-U.S. equities generated positive returns over the quarter but trailed the U.S., with the ACWI ex-U.S. IMI up 3.8% compared to a 6.2% return in the U.S.
- Canadian equities were the strongest region for the quarter, as the Canada IMI returned 9.5%. The index was led higher by its two largest sectors, Financials and Energy, which benefited from rising rates and oil prices.
- The UK also fared well despite facing a rise in COVID-19 cases that prompted stricter lockdowns. Higher global inflation expectations buoyed the index given its large allocation to cyclical sectors such as Financials and Industrials.

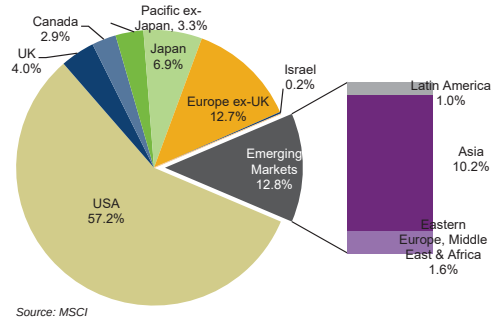
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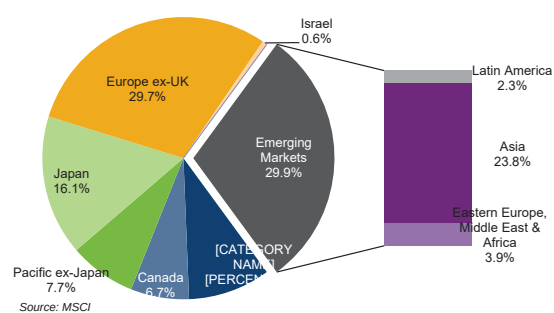
Global Equity Markets

Below is the country/region breakdown of the global and international equity markets as measured by the MSCI All Country World IMI Index and the MSCI All Country World ex-U.S. IMI Index, respectively.

**MSCI ALL COUNTRY WORLD IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2021**



**MSCI ALL COUNTRY WORLD EX-U.S. IMI INDEX
GEOGRAPHIC ALLOCATION AS OF 03/31/2021**

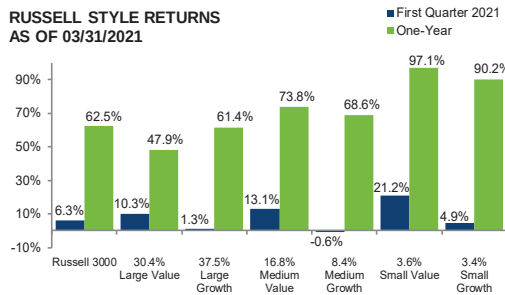


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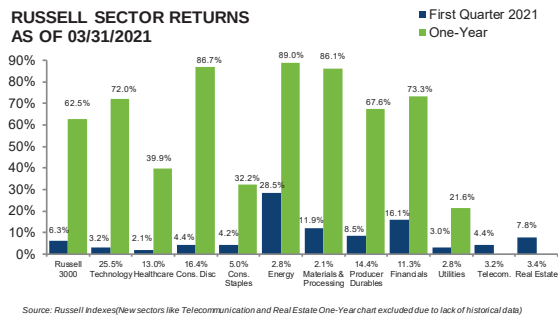


U.S. Equity Markets

**RUSSELL STYLE RETURNS
AS OF 03/31/2021**



**RUSSELL SECTOR RETURNS
AS OF 03/31/2021**



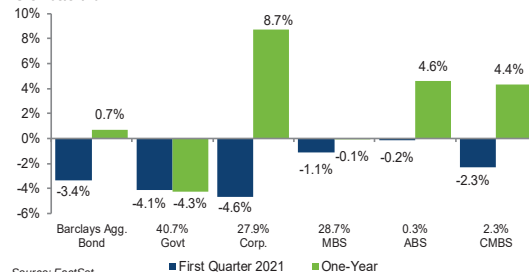
- U.S. equities were generally positive for the quarter, boosted by additional fiscal stimulus and strong vaccination rollouts. President Joe Biden signed a \$1.9tn stimulus package providing more direct payments to Americans and extending the federal emergency unemployment benefits program shortly after being sworn into office. At the end of the quarter, his administration also announced plans for over \$2tn in infrastructure spending. Meanwhile, U.S. GDP rose 4.0% in Q4 (annualized quarter-over-quarter) as lockdowns eased but remained down 2.5% year-over-year.
- The Russell 3000 Index returned 6.3% during the first quarter and 62.5% over the one-year period. All sectors generated positive returns over the quarter. Performance was bolstered by strong quarterly returns from the Energy and Financials sectors, which returned 28.5% and 16.1% respectively. Healthcare was the largest laggard with a return of 2.1%. Over the one-year period, the Energy sector lead with a return 89.0%. While facing the near-term pressure due to higher interest rates, the Technology sector, the index's largest weight, was still up 72.0%.
- Small cap stocks outperformed both large and medium cap stocks over the quarter, almost doubling over the year. Value stocks outperformed growth across all market capitalizations for the first quarter of 2021; mid and small cap value have outpaced their growth counterparts over the trailing one-year period as well.

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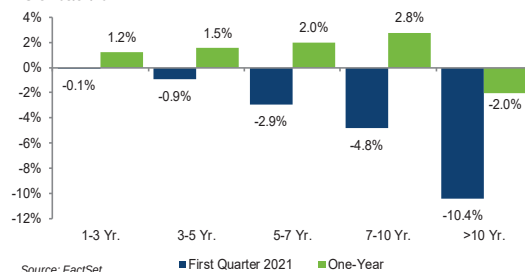


U.S. Fixed Income Markets

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY SECTOR
AS OF 03/31/2021**

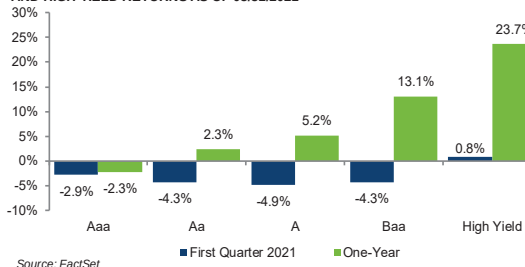


**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY MATURITY
AS OF 03/31/2021**



- The Bloomberg Barclays U.S. Aggregate Bond Index fell by 3.4% over the quarter.
- Corporate bonds fared the worst, down 4.6% by quarter-end, followed by Government bonds which fell by 4.1%.
- Longer duration bonds (10+ year maturities) fell the most at -10.4%.
- High yield bonds rose by 0.8%, outperforming investment grade credit. Within investment grade bonds, A bonds were the worst performer with a return of -4.9%.

**BLOOMBERG BARCLAYS AGGREGATE RETURNS BY QUALITY
AND HIGH YIELD RETURNS AS OF 03/31/2021**

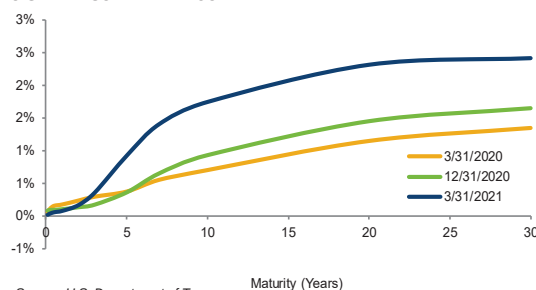


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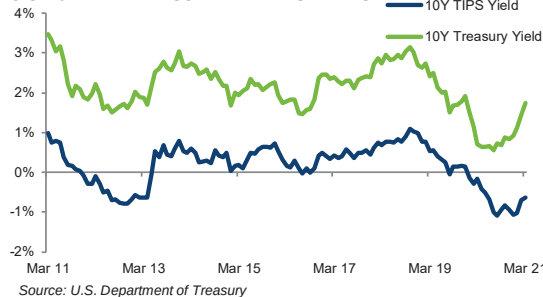


U.S. Fixed Income Markets

U.S. TREASURY YIELD CURVE



U.S. 10-YEAR TREASURY AND TIPS YIELDS



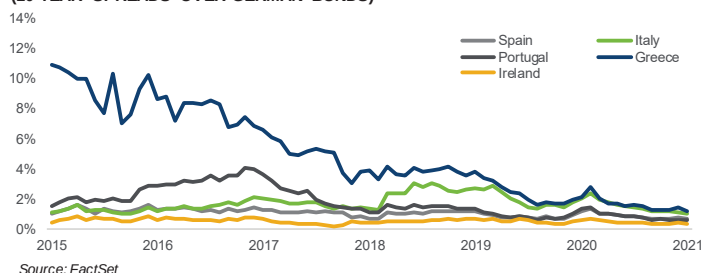
- The U.S. nominal yield curve steepened over the quarter with yields rising sharply across medium to longer maturities. Long-dated yields saw the largest quarterly increase due to higher inflation expectations. Short-term maturities were largely unchanged as the US Federal Reserve (Fed) signalled that it would keep its policy rate near zero until at least 2024.
- The 10-year U.S. treasury yield ended the quarter 81bps higher at 1.74% and the 30-year yield increased by 76bps to 2.41%.
- The 10-year TIPS yield rose by 43bps over the quarter to -0.63%.

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European Fixed Income Markets

EUROZONE PERIPHERAL BOND SPREADS
(10-YEAR SPREADS OVER GERMAN BUNDS)



- European government bond spreads over 10-year German bunds generally narrowed across the Euro Area. The European Central Bank (ECB) pledged to speed up its bond-buying program under its €1.9tn pandemic emergency purchase program (PEPP) citing rising concerns over the surge in eurozone bond yields. Elsewhere, the ECB raised the eurozone growth forecast for 2021 to 4.0% from 3.9%.
- German government bund yields rose by 28bps to -0.30% over the quarter. Economic growth in the Eurozone moderated as GDP contracted by 0.7% in Q4 2020 and fell by 6.8% over the year. Germany's economy grew by 0.1% in Q4 2020 while France contracted by 1.3% over the same period.
- Italian government bond yields rose by 12bps to 0.66%. Following the failure of negotiations to rebuild a coalition government led by Giuseppe Conte, the former president of the European Central Bank, Mario Draghi, was sworn in as the 30th prime minister after forming a national unity government in Italy supported by most major political parties in Italy's parliament.

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Credit Spreads

Spread (bps)	03/31/2021	12/31/2020	03/31/2020	Quarterly Change (bps)	One-Year Change (bps)
U.S. Aggregate	31	42	95	-11	-64
Long Gov't	1	1	4	0	-3
Long Credit	126	141	279	-15	-153
Long Gov't/Credit	76	85	151	-9	-75
MBS	12	39	60	-27	-48
CMBS	71	81	188	-10	-117
ABS	35	33	213	2	-178
Corporate	91	96	272	-5	-181
High Yield	310	360	880	-50	-570
Global Emerging Markets	267	268	619	-1	-352

Source: FactSet, Bloomberg Barclays

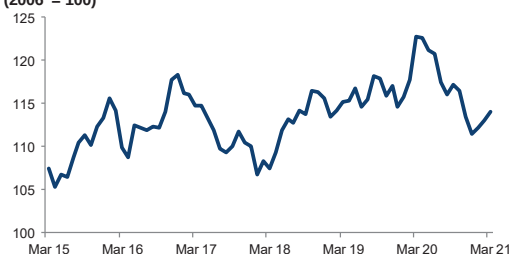
- Credit spreads continued to tighten but more moderately than previous quarter. Credit spreads over U.S. treasuries generally narrowed over the quarter.
- High Yield credit spreads and MBS spreads narrowed the most in Q1 2021, decreasing by 50bps and 27bps over the quarter.

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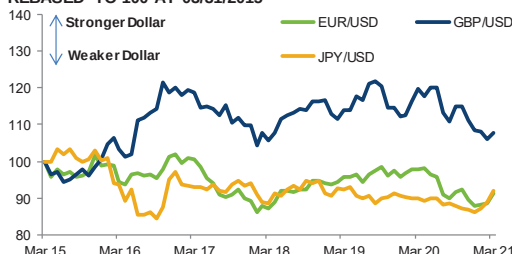
Currency

TRADE WEIGHTED U.S. DOLLAR INDEX
(2006 = 100)



Source: Federal Reserve

U.S. DOLLAR RELATIVE TO EUR, GBP AND JPY
REBASED TO 100 AT 03/31/2015



Source: FactSet

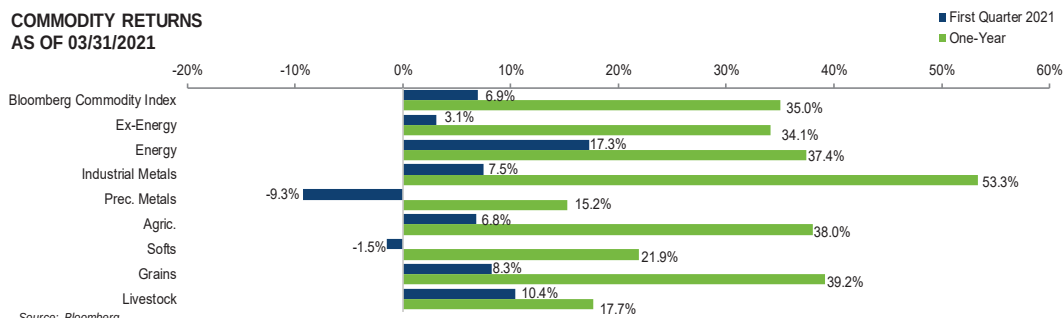
- The U.S. Dollar appreciated against the Euro and Yen but depreciated against the Sterling. The U.S. dollar rose 2.3% on a trade-weighted basis.
- The Sterling rose by 4.1% on a trade-weighted basis over the quarter. The Bank of England kept the interest rate unchanged at a historic low of 0.1% and downgraded its growth forecasts for 2021 to 5.00% from 7.25%. The Monetary Policy Committee also expects the economy to contract by 4.0% in Q1 2021 and recover rapidly in the second half of the year on the back of vaccination progress, failing which, it may impose negative interest rates. The Sterling appreciated by 0.9% against the U.S. dollar.
- The Bank of Japan (BOJ) continues to target a zero percent 10-year bond yield but widened its tolerance band to plus/minus 0.25% from 0.20%. The BOJ also removed its pledge to buy Exchange-traded funds (ETFs) linked to Topix and Nikkei at an annual pace of approximately ¥6tn.
- The U.S. dollar appreciated by 4.1% and 7.0% against the Euro and Yen, respectively.

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Commodities

COMMODITY RETURNS AS OF 03/31/2021



Source: Bloomberg

Note: Softs and Grains are part of the wider Agriculture sector

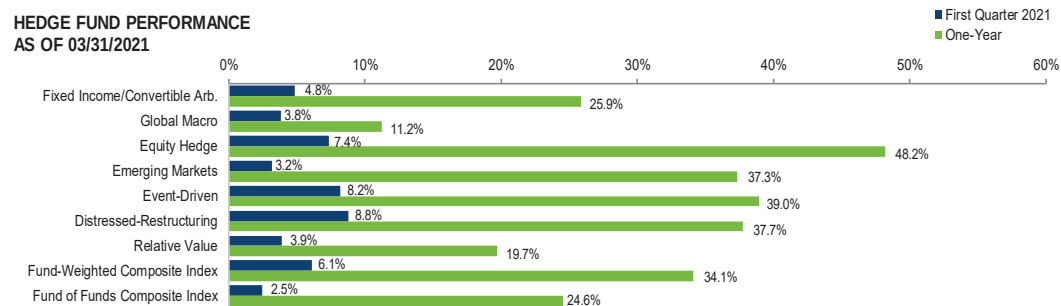
- Commodities had a strong quarter as the Bloomberg Commodity Index returned 6.9%. Energy and Industrial Metals were the main beneficiaries of the reflation trade.
- The Energy sector was the best performing sector as it rose by 17.3% over the quarter and 37.4% over the trailing one-year period. Crude oil prices rose sharply on positive vaccine developments and easing lockdowns. OPEC+ decided to maintain a production rate at 7mb/d, slightly down from the previous quarter's 7.2 mb/d.
- The price of Brent crude oil rose by 22.7% to \$64/bbl. while WTI crude oil spot prices rose by 21.9% to \$59/bbl.

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Hedge Fund Markets Overview

HEDGE FUND PERFORMANCE AS OF 03/31/2021



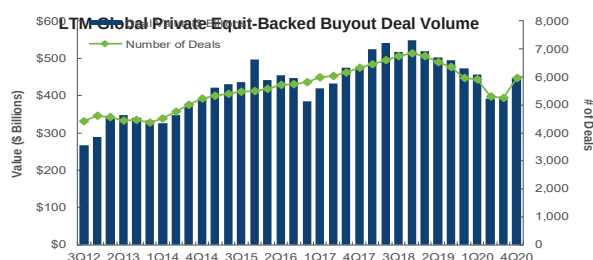
Note: Latest 5 months of HFR data are estimated by HFR and may change in the future.
Source: HFR

- Hedge fund performance was positive across all strategies in the first quarter.
- HFR Fund-Weighted Composite Index and the HFR Fund of Funds Composite Index produced returns of 6.1% and 2.5% respectively.
- Over the quarter, Distressed-Restructuring and Event-Driven strategies were the best performers, returning 8.8% and 8.2% respectively.

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Private Equity Market Overview – Q4 2020

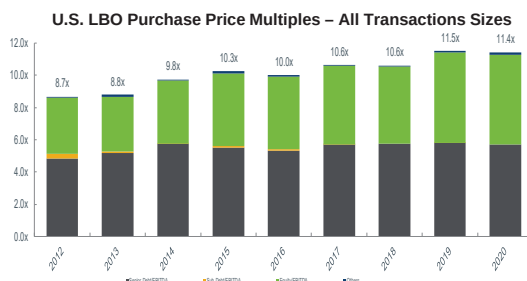


- Fundraising:** In 2020, \$839.8 billion was raised by 1,954 funds, which was a decrease of 8.4% on a capital basis and a decrease of 15.7% by number of funds from the prior year. Dry powder stood at \$2.0 trillion at the end of the year, an increase of 9.4% and 23.4% compared to year-end 2019 and the five-year average, respectively.¹
- Buyout:** Global private equity-backed buyout deals totaled \$447.9 billion in 2020, which was down 5.4% and 3.9% from 2019 and the five-year average, respectively.¹ At the end of 2020, the average purchase price multiple for all U.S. LBOs was 11.4x EBITDA, down slightly from year-end 2019's average of 11.5x and up from the five-year average (10.8x).² Large cap purchase price multiples stood at 11.3x, down compared to the full-year 2019 level of 11.4x.² The average purchase price multiple across European transactions greater than €1B averaged 13.1x EBITDA for year-end 2020, up significantly from the 11.2x multiple seen at year-end 2019. Purchase prices for transactions of €500M million or more increased from 11.1x in 2019 to 11.6x in 2020. Globally, exit value totaled \$497.5 billion on 1,900 deals during the year, higher than the \$465.9 billion in exits from 2,161 deals during 2019.
- Venture:** During the year, 6,022 venture-backed transactions totaling \$129.7 billion were completed, which was an increase on a capital basis over the prior year's total of \$113.4 billion across 6,599 deals. This was 26.2% higher than the five-year average of \$102.7 billion and marked a new annual record.³ Total U.S. venture-backed exit activity totaled approximately \$290.1 billion across 928 completed transactions in 2020, up from \$257.4 billion across 1,121 exits in 2019.⁴
- Mezzanine:** 41 funds closed on \$27.6 billion during the year. This was a significant increase from the prior year's total of \$9.0 billion raised by 37 funds and represented an increase of 25.2% from the five-year average of \$22.0 billion. Estimated dry powder was \$51.8 billion at the end of 2020, down by \$52.9 billion from the prior year.

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Private Equity Market Overview – Q4 2020



- Distressed Debt:** The LTM U.S. high-yield default rate was 5.2% as of December 2020, which was up from December 2019's LTM rate of 3.3%.⁵ The high-yield default rate is projected to trend lower through 2021. During the year, \$58.4 billion was raised by 70 funds, higher than the \$50.8 billion raised by 89 funds during 2019.¹ Dry powder was estimated at \$135.1 billion at the end of 2020, which was up 12.5% from year-end 2019. This remained above the five-year annual average level of \$115.0 billion.¹
- Secondaries:** 57 funds raised \$87.8 billion during the year, up significantly from the \$25.6 billion raised by 34 funds in 2019. This was the most raised during a one-year period by secondaries funds in history.¹ The average discount rate for all private equity sectors finished the year at 11.8%, greater than the 8.1% discount at the end of 2019.⁶
- Infrastructure:** \$97.9 billion of capital was raised by 122 funds in 2020 compared to \$112.0 billion of capital raised by 136 partnerships in 2019. At the end of the year, dry powder stood at \$233.8 billion, up from last year's record of \$224.9 billion. Infrastructure managers completed 2,226 deals for an aggregate deal value of \$282.3 billion in 2020 compared to 2,710 deals totaling \$508.6 billion in 2019.¹
- Natural Resources:** During 2020, 21 funds closed on \$8.6 billion compared to 37 funds totaling \$13.7 billion in 2019. Energy and utilities industry managers completed 157 deals totaling \$16.3 billion in 2020, compared to \$17.0 billion across 156 deals in 2019.¹

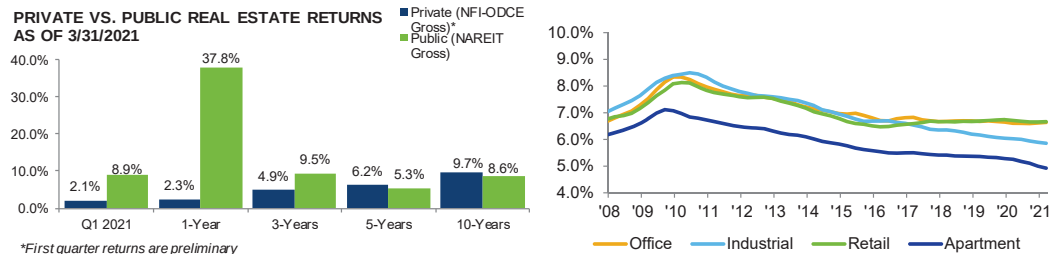
Sources: ¹ Preqin ² Standard & Poor's ³ PwC/ICB Insights MoneyTree Report ⁴ PitchBook/NVCA Venture Monitor ⁵ Fitch Ratings ⁶ Thomson Reuters ⁷ UBS
Notes: FY=Fiscal year ended 12/31; YTD=Year to date; LTM=Last 12 months (aka trailing 12 months); PPM=Purchase Price Multiples: Total Purchase Price ÷ EBITDA.

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U.S. Commercial Real Estate Markets

PRIVATE VS. PUBLIC REAL ESTATE RETURNS AS OF 3/31/2021



*First quarter returns are preliminary
Sources: NCREIF, FactSet

- U.S. Core Real Estate returned 2.1%* in the first quarter, equating to a 2.3% total gross return year-over-year, including a 3.8% income return. Shelter in place orders and social distancing practices have most severely impacted operating cash flows in the retail and hotel property sectors. Property valuations have begun to price in the loss of cash flow as a result of COVID-19, but price discovery continues to be impaired. Through February 2021, transaction volume contracted -40% YoY, with the hotel, retail, and office property sectors experiencing the largest decline in transactions.
- Global property markets, as measured by the FTSE EPRA/NAREIT Developed Real Estate Index, returned 6.1% (USD) in aggregate during the first quarter and experienced a cumulative increase of 35.9% over the trailing 1-year period. REIT market performance was driven by Asia Pacific (6.3% USD), North America (9.7% USD), and Europe (1.5% USD). The U.S. REIT markets (FTSE NAREIT Equity REITs Index) returned 8.9% in the first quarter. The U.S. 10-year treasury bond yields increased 81 bps to 1.74% during the quarter.
- The coronavirus fueled market volatility in the stock and bond markets has created a situation of uncertainty for private real estate pricing. Amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022, reflecting expectations of a strong rebound fueled by an accelerated vaccine roll out and fiscal and monetary stimulus. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis.
- We are proactively evolving our investment strategy. COVID-19 forced everyone to adapt due to acute circumstances, and measures to moderate the spread of the disease were fairly consistent on a global basis. Looking forward, investors need to assess what changes to our routines/habits will stick, what regions will be most impacted, and how those impact property sector specific demand drivers.
- Blind pool funds offer a potential to have capital readily available when the new opportunity set presents itself. Those strategies need careful review in light of the changing market dynamics. Strategies that worked previously in a growth-oriented market may not be appropriate for more opportunistic style investing. Regions, countries, and property types all need to be re-evaluated.

*Indicates preliminary NFI-ODCE data gross of fees

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Total Fund



As of March 31, 2021

Highlights

Executive Summary

- The Total Fund outperformed the Performance Benchmark over the trailing quarter-, three-, five-, and ten-year periods.
- Performance relative to peers is also competitive over short- and long-term time periods.
- The Pension Plan is well-diversified across six broad asset classes, and each asset class is also well-diversified.
- Public market asset class investments do not significantly deviate from their broad market based benchmarks, e.g., sectors, market capitalizations, global regions, credit quality, duration, and security types.
- Private market asset classes are well-diversified by vintage year, geography, property type, sectors, investment vehicle/asset type, or investment strategy.
- Asset allocation is monitored on a daily basis to ensure the actual asset allocation of the plan remains close to the long-term policy targets set forth in the Investment Policy Statement.
- Aon Investments and SBA staff revisit the plan design annually through informal and formal asset allocation and asset liability reviews.
- Adequate liquidity exists within the asset allocation to pay the monthly obligations of the Pension Plan consistently and on a timely basis.

Performance Highlights

- The Total Fund outperformed the Performance Benchmark over the trailing quarter-, three-, five-, and ten-year periods.

Asset Allocation

- The Fund assets total \$188.6 billion as of March 31, 2021, which represents a \$5.5 billion increase since last quarter.
- Actual allocations for all asset classes were within their respective policy ranges and in line with the current policy at quarter-end.

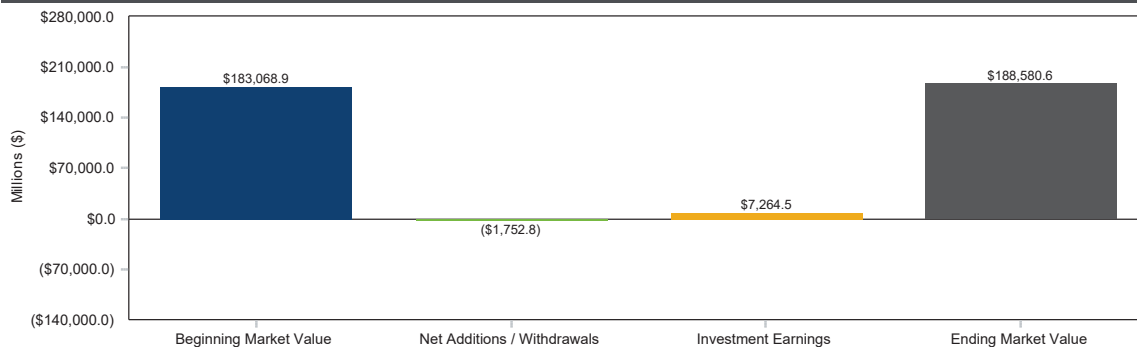


Total Fund

As of March 31, 2021

Total Plan Asset Summary

Change in Market Value From January 1, 2021 to March 31, 2021



Summary of Cash Flow

	1 Quarter	Fiscal YTD*
Beginning Market Value	183,068,937,034	160,714,203,703
+ Additions / Withdrawals	-1,752,829,457	-5,707,608,750
+ Investment Earnings	7,264,528,901	33,574,041,526
= Ending Market Value	188,580,636,479	188,580,636,479

*Period July 2020 - March 2021

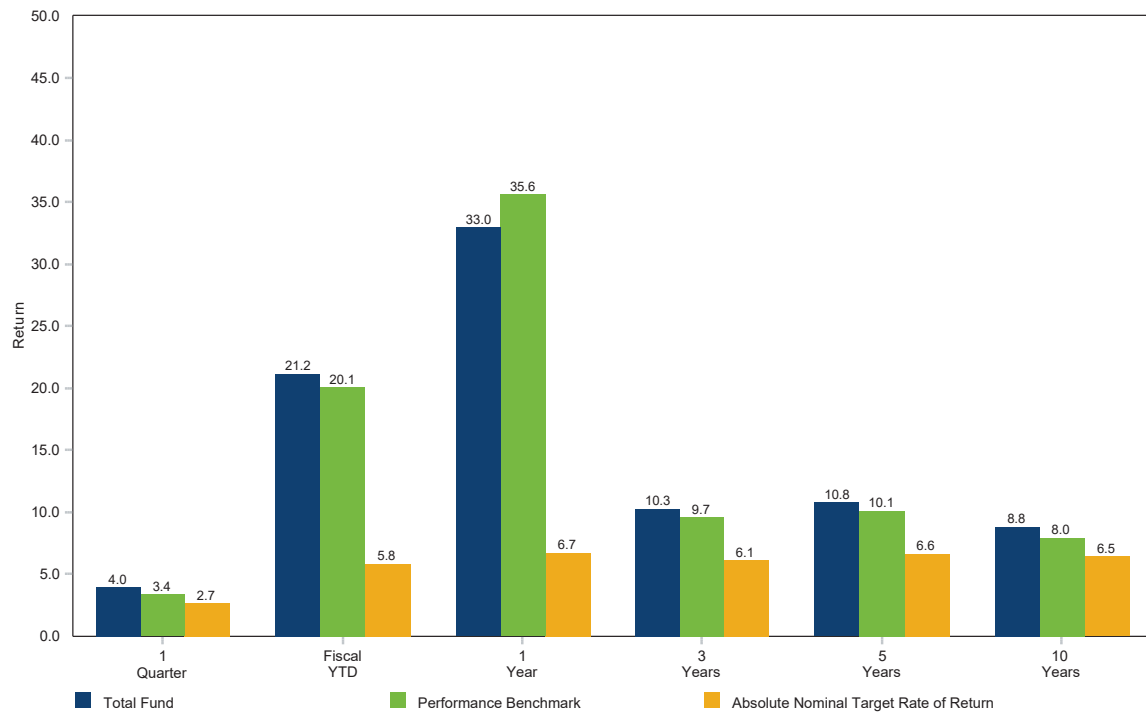


Total Fund

As of March 31, 2021

Total Plan Performance Summary

Return Summary



As of March 31, 2021

Asset Allocation & Performance

	Allocation			Performance(%)					
	Market Value (\$)	%	Policy(%)	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	10 Years
Total Fund	188,580,636,479	100.0	100.0	4.0 (25)	21.2 (25)	33.0 (42)	10.3 (14)	10.8 (15)	8.8 (7)
Performance Benchmark				3.4 (49)	20.1 (38)	35.6 (24)	9.7 (23)	10.1 (27)	8.0 (34)
Absolute Nominal Target Rate of Return				2.7 (71)	5.8 (94)	6.7 (95)	6.1 (91)	6.6 (94)	6.5 (85)
Global Equity*	105,347,901,199	55.9	53.9	5.3	31.9	58.4	12.5	13.8	10.1
Asset Class Target				5.1	31.5	57.6	11.9	13.2	9.2
Domestic Equities	51,881,288,452	27.5		6.7	33.4	62.7	16.7	16.4	13.7
Asset Class Target				6.3	33.2	62.5	17.1	16.6	13.8
Foreign Equities	40,070,634,142	21.2		3.5	31.5	56.0	7.9	11.2	6.6
Asset Class Target				3.8	30.0	52.1	6.6	9.9	5.2
Global Equities Benchmark	11,488,729,921	6.1		5.0	26.4	48.5	11.4	12.2	9.4
Benchmark				4.8	29.1	54.0	12.7	13.4	9.7
Fixed Income	32,149,880,741	17.0	18.8	-1.6	0.0	3.0	4.5	3.0	3.4
Asset Class Target				-1.6	-0.7	1.4	4.2	2.7	3.0
Private Equity	14,702,314,137	7.8	7.4	8.9	37.1	28.0	19.7	18.2	15.4
Asset Class Target				6.5	33.6	60.7	15.0	16.3	14.0
Real Estate	16,453,160,755	8.7	9.8	2.1	4.8	4.8	5.1	6.3	9.9
Asset Class Target				1.6	1.9	3.7	4.5	5.5	8.8
Strategic Investments	17,419,379,387	9.2	9.0	4.6	11.9	8.0	6.1	7.3	7.9
Short-Term Target				3.1	12.3	17.4	6.9	6.6	6.3
Cash	2,508,000,260	1.3	1.0	0.0	0.1	0.2	1.4	1.2	0.7
Bank of America Merrill Lynch 3-Month US Treasury Index				0.0	0.1	0.1	1.5	1.2	0.6

Benchmark and universe descriptions can be found in the Appendix.

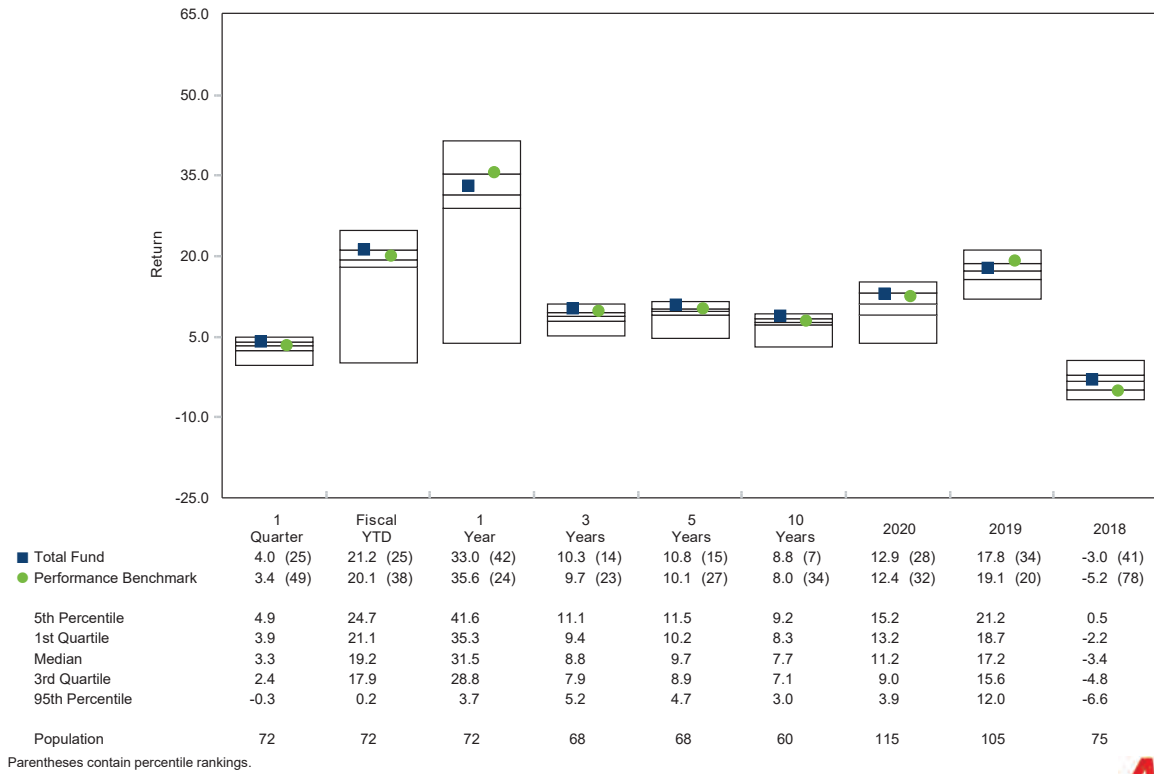
* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.



As of March 31, 2021

Plan Sponsor Peer Group Analysis

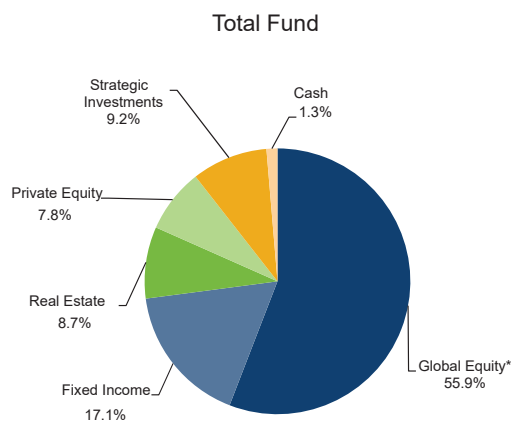
All Public Plans > \$1B-Total Fund



Total Fund

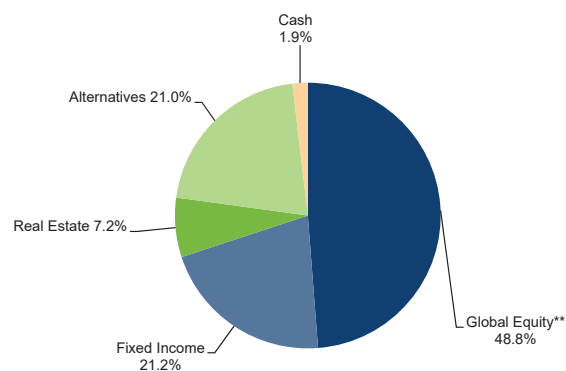
As of March 31, 2021

Universe Asset Allocation Comparison



*Global Equity Allocation: 27.5% Domestic Equities; 21.3% Foreign Equities; 6.1% Global Equities; 1.0% Global Equity Liquidity Account. Percentages are of the Total FRS Fund.

BNY Mellon Public Funds > \$1B Net Universe



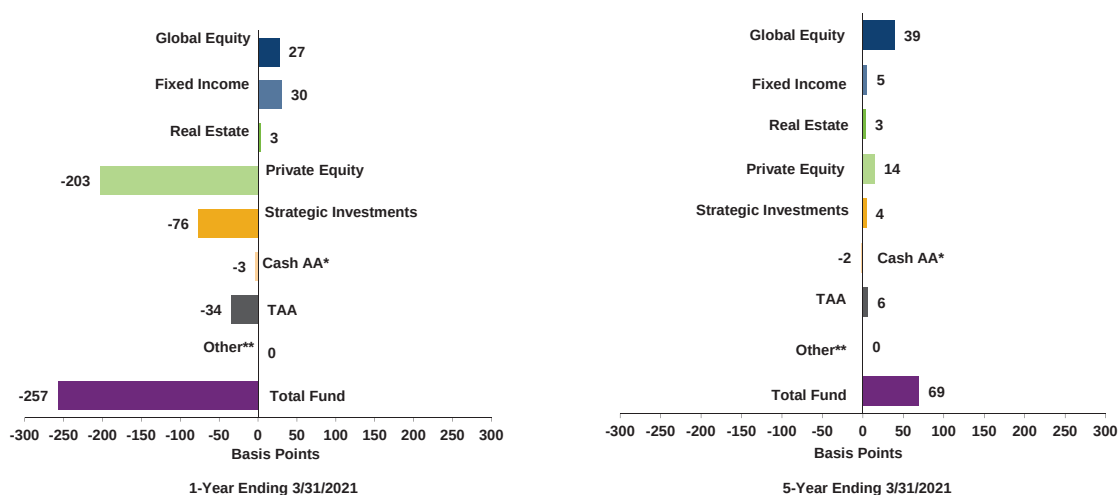
**Global Equity Allocation: 29.9% Domestic Equities; 18.9% Foreign Equities.



Total Fund

As of March 31, 2021

Attribution



*Cash AA includes Cash and Central Custody, Securities Lending Account income from 12/2009 to 3/2013 and unrealized gains and losses on securities lending collateral beginning June 2013, TF STIPFRS NAV Adjustment Account, and the Cash Expense Account.

**Other includes legacy accounts and unexplained differences due to methodology.

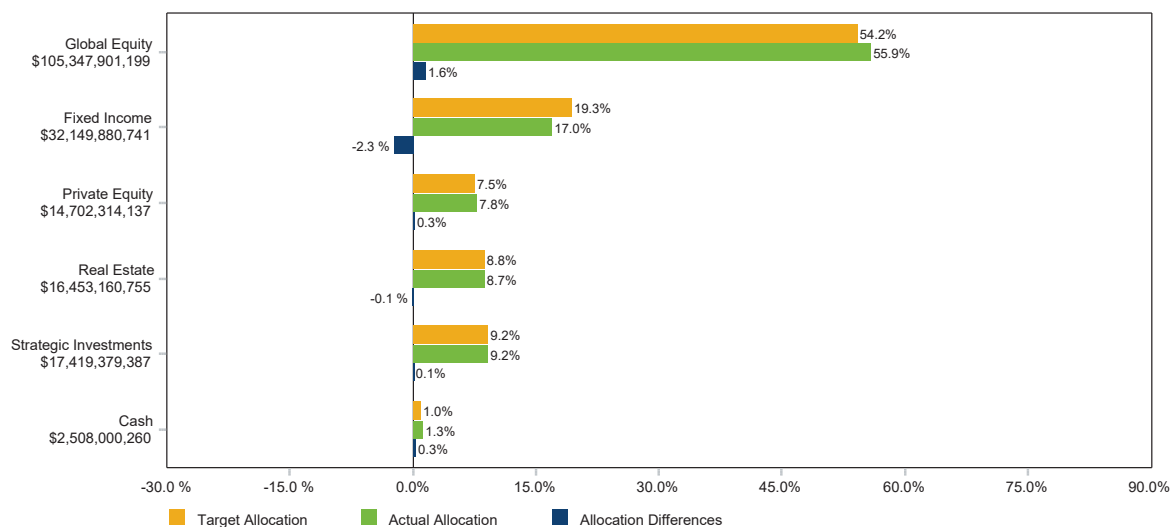


Total Fund

As of March 31, 2021

Asset Allocation Compliance

	Market Value (\$)	Current Allocation (%)	Target Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund	188,580,636,479	100.0	100.0		
Global Equity	105,347,901,199	55.9	54.2	45.0	70.0
Fixed Income	32,149,880,741	17.0	19.3	10.0	26.0
Private Equity	14,702,314,137	7.8	7.5	2.0	9.0
Real Estate	16,453,160,755	8.7	8.8	4.0	16.0
Strategic Investments	17,419,379,387	9.2	9.2	0.0	16.0
Cash	2,508,000,260	1.3	1.0	0.3	5.0



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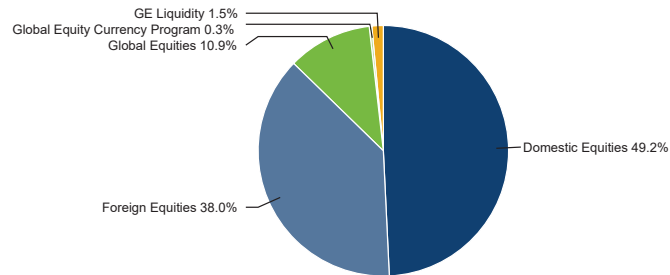
Global Equity



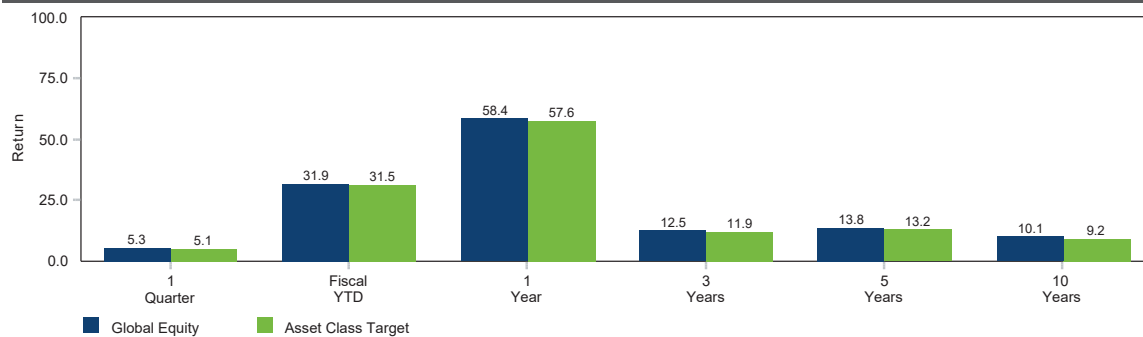
Global Equity* Portfolio Overview

Current Allocation

March 31, 2021 : \$105,348M



Return Summary



* Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived from the underlying Domestic Equities, Foreign Equities, and Global Equities components.

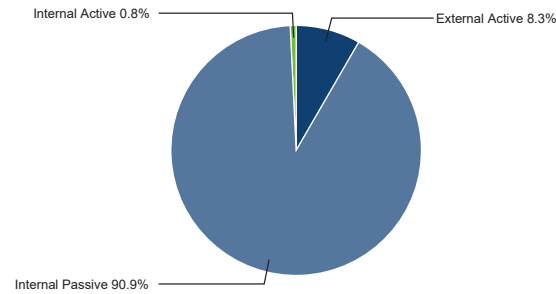


Domestic Equities

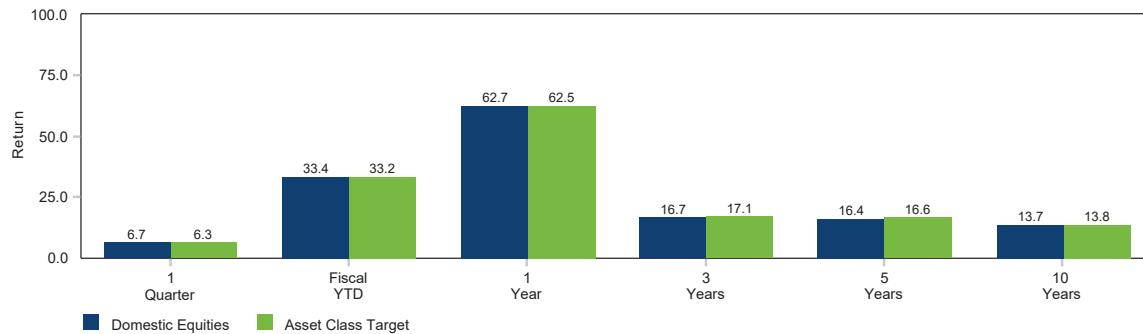


Domestic Equities Portfolio Overview

Current Allocation
March 31, 2021 : \$51,881M

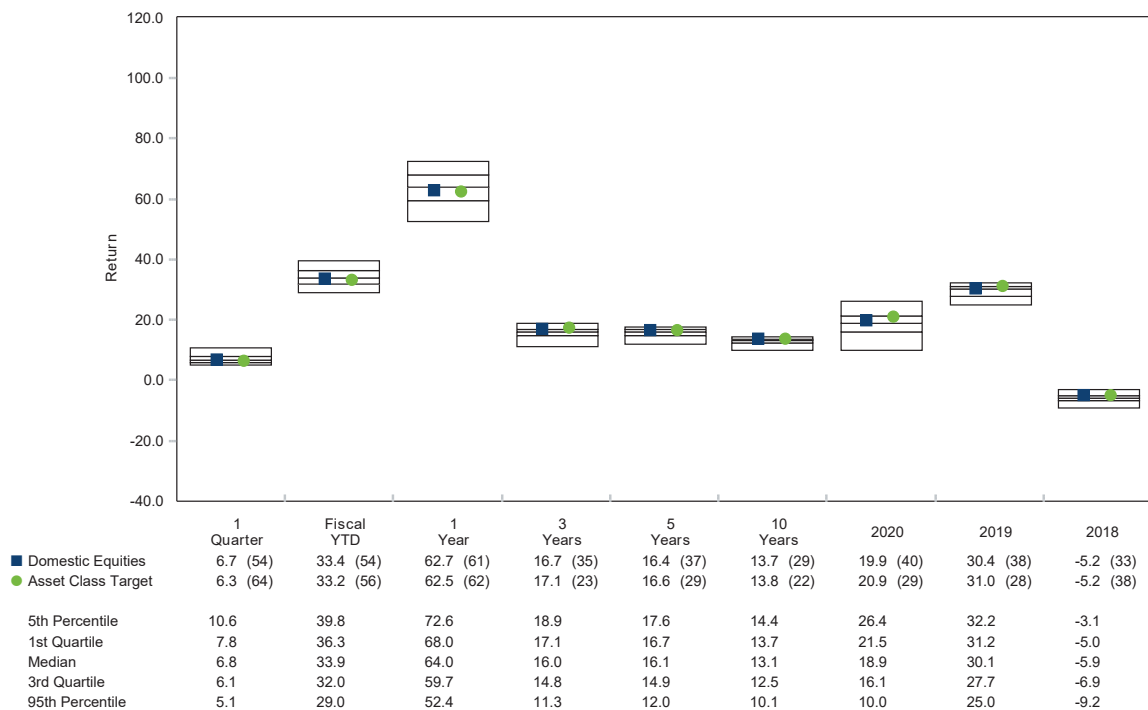


Return Summary



Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-US Equity Segment



Population 60 55 53 50 47 31 55 52 53
Parentheses contain percentile rankings.



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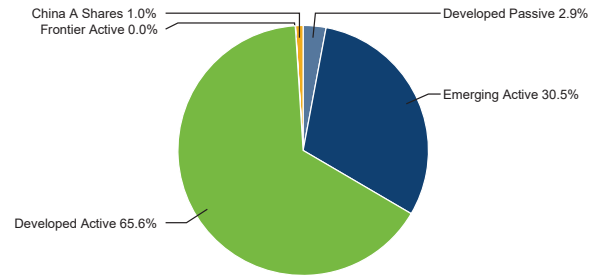


Foreign Equities

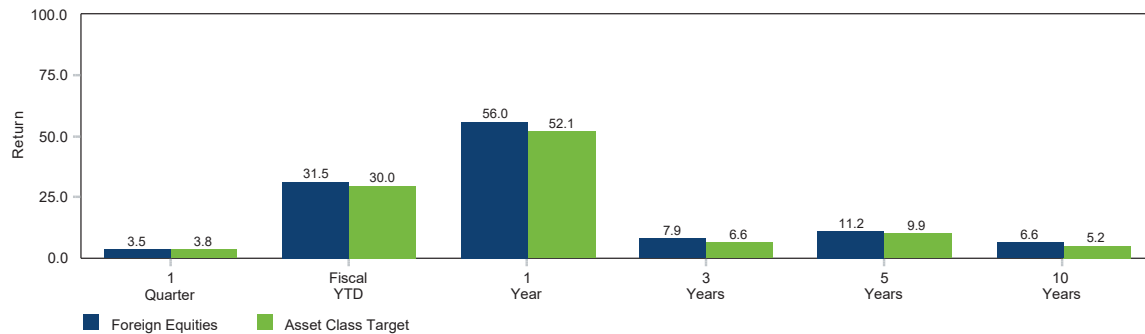


Foreign Equities Portfolio Overview

Current Allocation
March 31, 2021 : \$40,071M

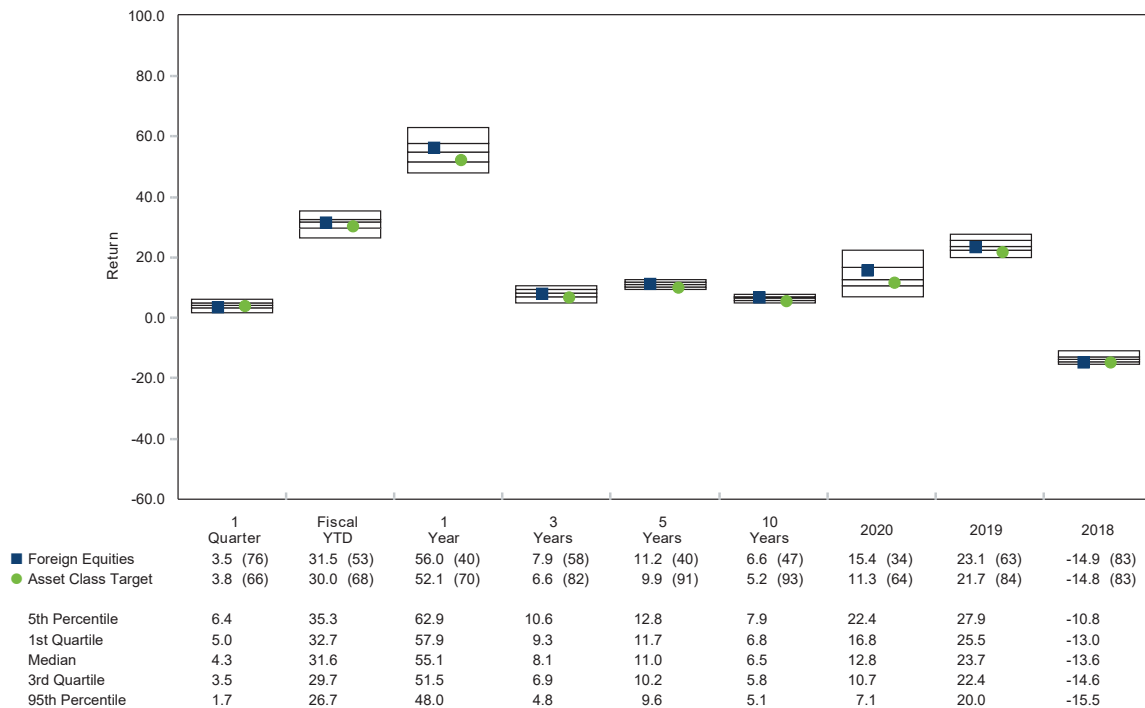


Return Summary



Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-Intl. Equity Segment



Parentheses contain percentile rankings.



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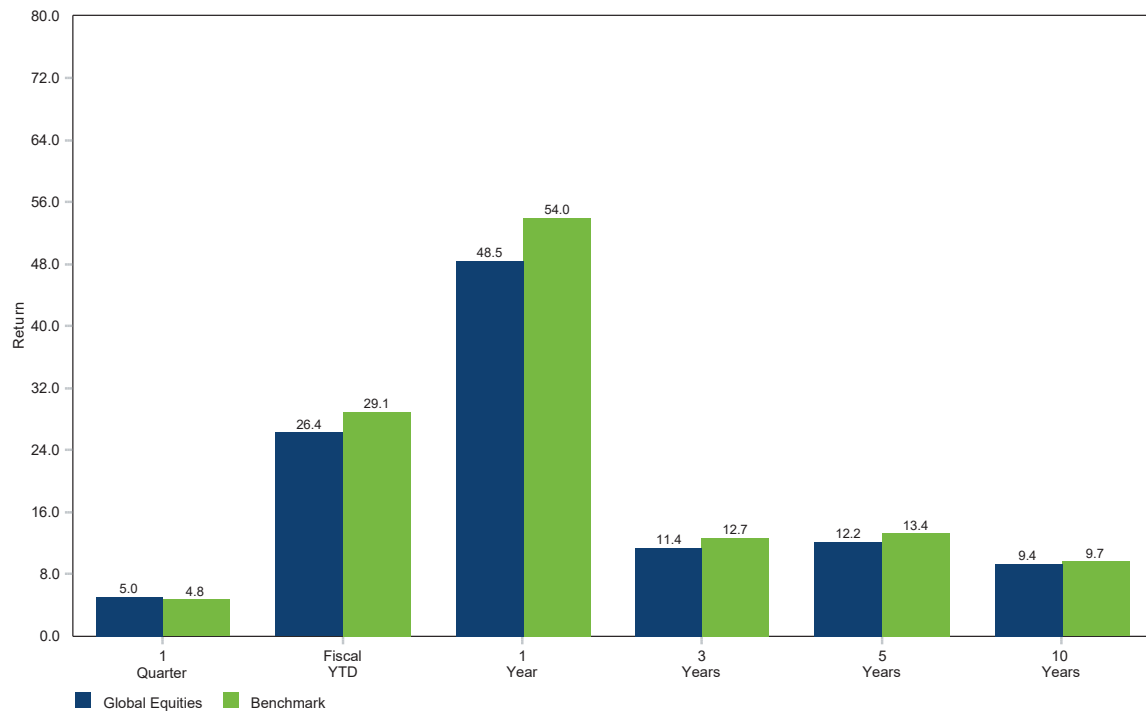


Global Equities



Global Equities Performance Summary

Return Summary

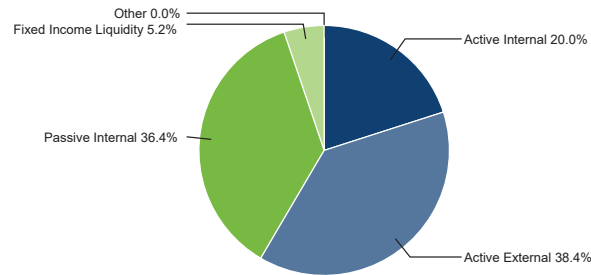
**Aon**
Empower Results®

Fixed Income

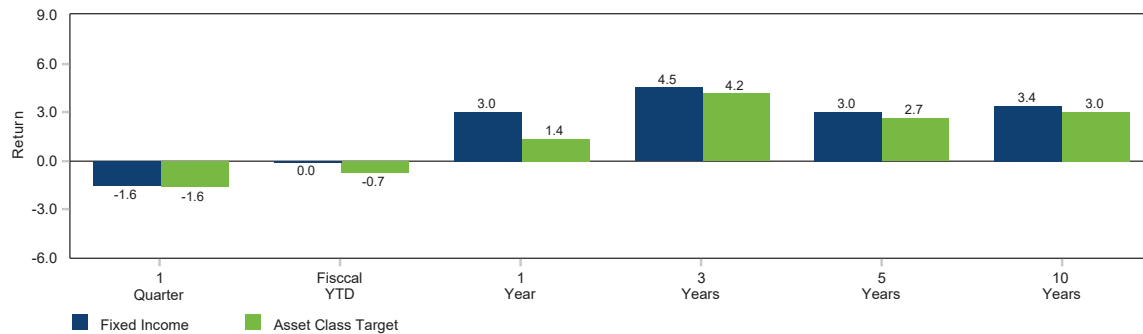
Aon
Empower Results®

Fixed Income Portfolio Overview

Current Allocation
March 31, 2021 : \$32,150M

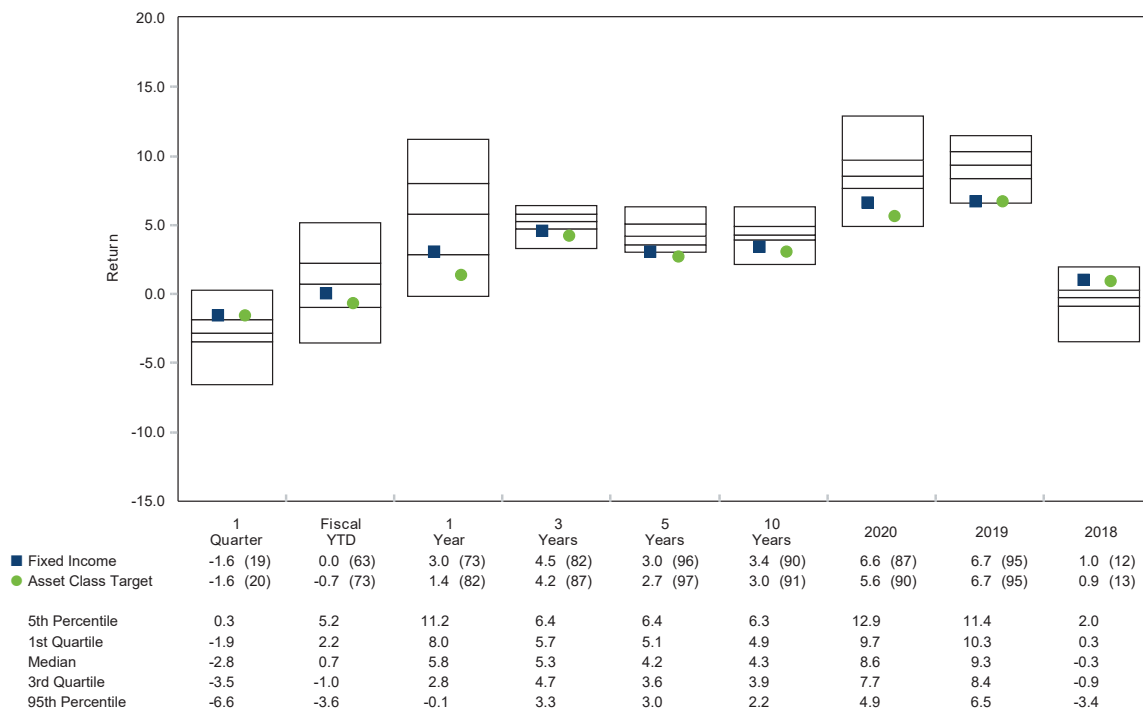


Return Summary



Plan Sponsor Peer Group Analysis

All Public Plans > \$1B-US Fixed Income Segment



Parentheses contain percentile rankings.



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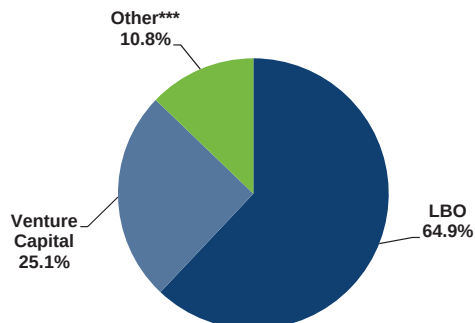


Private Equity

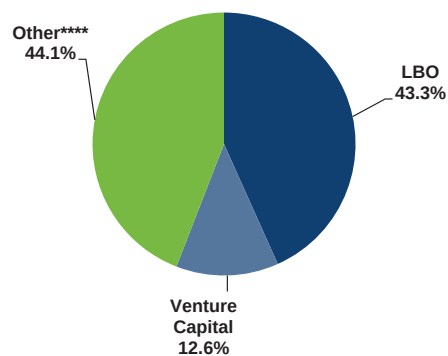


Overview

FRS Private Equity by Market Value*



Preqin Private Equity Strategies by Market Value**



*Allocation data is as of March 31, 2021.

**Allocation data is as of June 30, 2019, from the Preqin database.

***Other for the FRS Private Equity consists of Growth Capital, Secondary, PE Cash, and PE Transition.

****Other for the Preqin data consists of Distressed PE, Growth, Mezzanine, and other Private Equity/Special Situations.

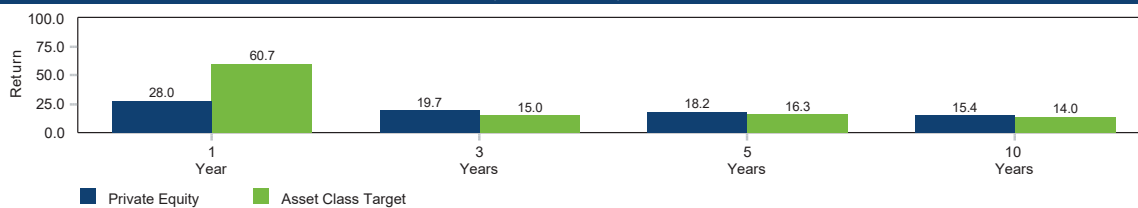
Preqin universe is comprised of 10,000 private equity funds representing \$4.8 trillion.



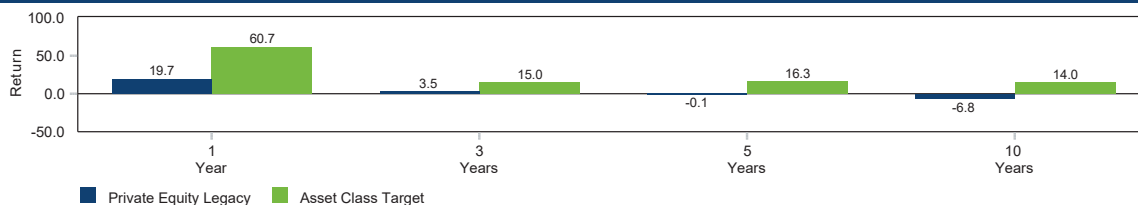
Private Equity

Time-Weighted Investment Results

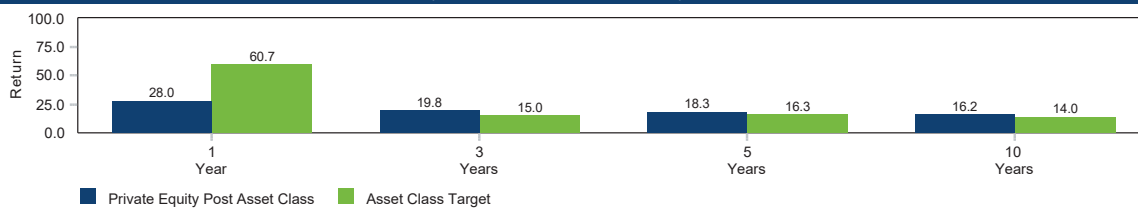
Private Equity Return Summary as of March 31, 2021



Private Equity Legacy Return Summary as of March 31, 2021

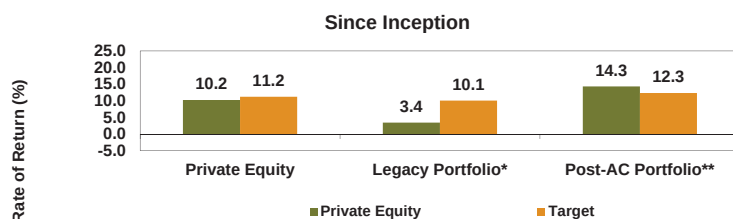


Private Equity Post Asset Class Return Summary as of March 31, 2021

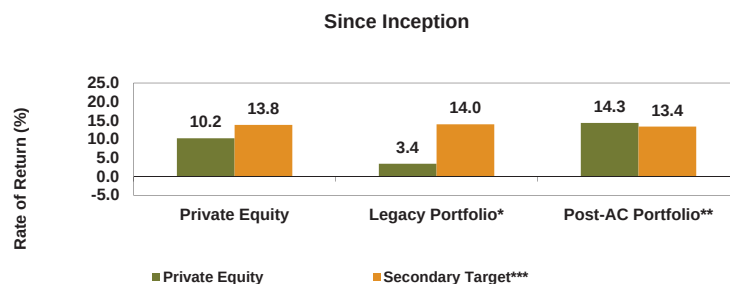


Dollar-Weighted Investment Results

As of March 31, 2021



As of March 31, 2021



*The Inception Date for the Legacy Portfolio is January 1989.

**The Inception Date for the Post-AC Portfolio is September 2000.

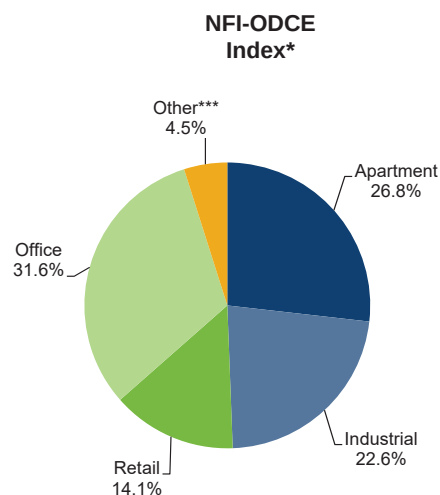
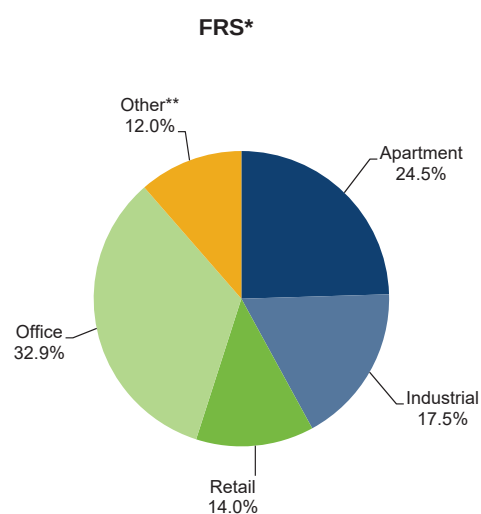
***The Secondary Target is a blend of the Cambridge Associates Private Equity Index and the Cambridge Associates Venture Capital Index based on actual ABAL weights. Secondary Target data is on a quarterly lag.



Real Estate



Overview



*Property Allocation data is as of March 31, 2021. The FRS chart includes only the FRS private real estate assets. Property type information for the REIT portfolios is not included.

**Other for the FRS consists of Hotel, Land, Preferred Equity, Agriculture, Self-Storage and Senior Housing.

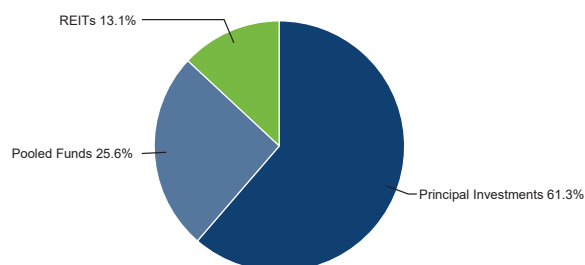
***Other for the NFI-ODCE Index consists of Hotel, Senior Living, Healthcare, Mixed Use, Single Family Residential, Parking, Timber/Agriculture, Land and Infrastructure.



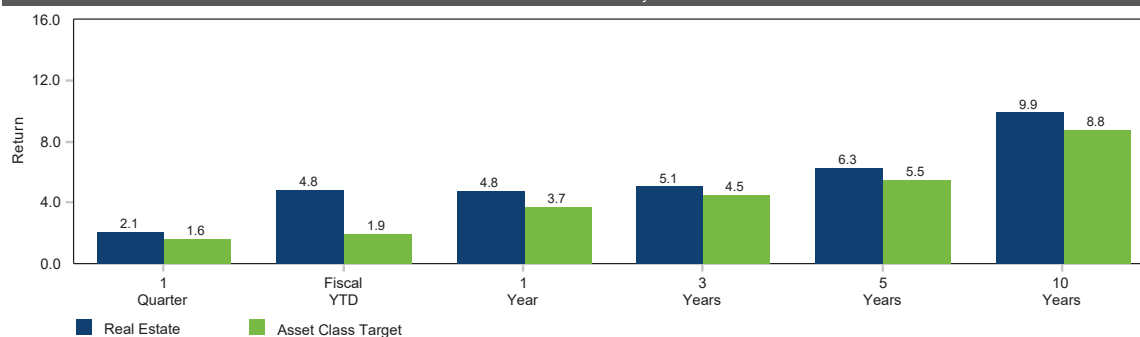
Real Estate Portfolio Overview

Current Allocation

March 31, 2021 : \$16,453M

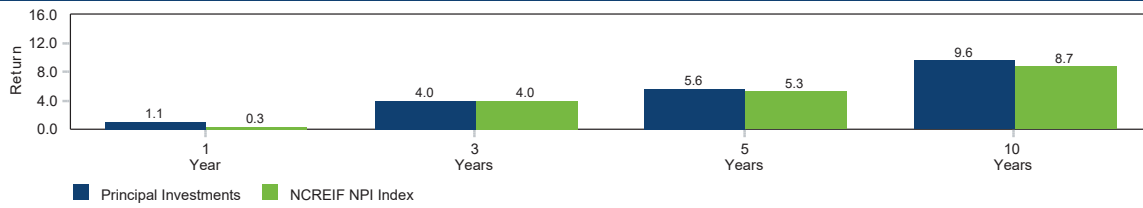


Return Summary

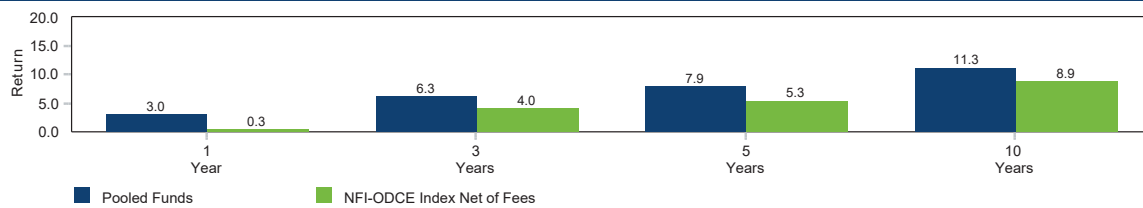


Real Estate

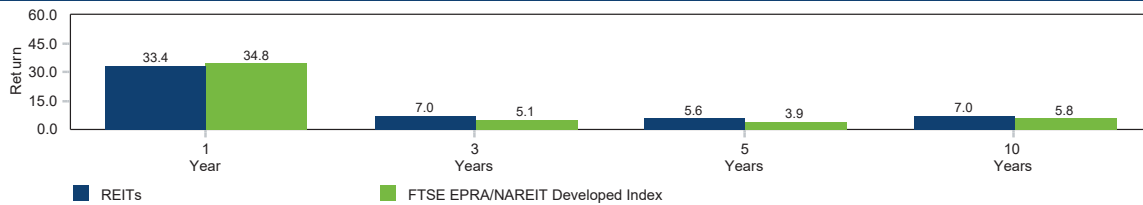
Principal Investments Return Summary as of March 31, 2021



Pooled Funds Return Summary as of March 31, 2021



REITs Return Summary as of March 31, 2021



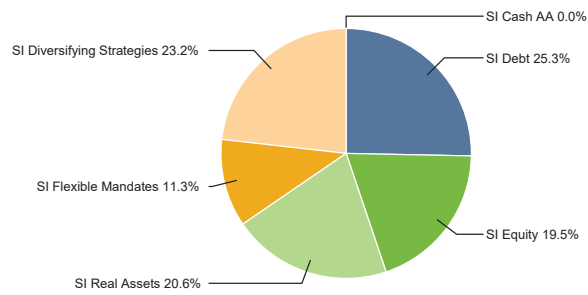
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Strategic Investments

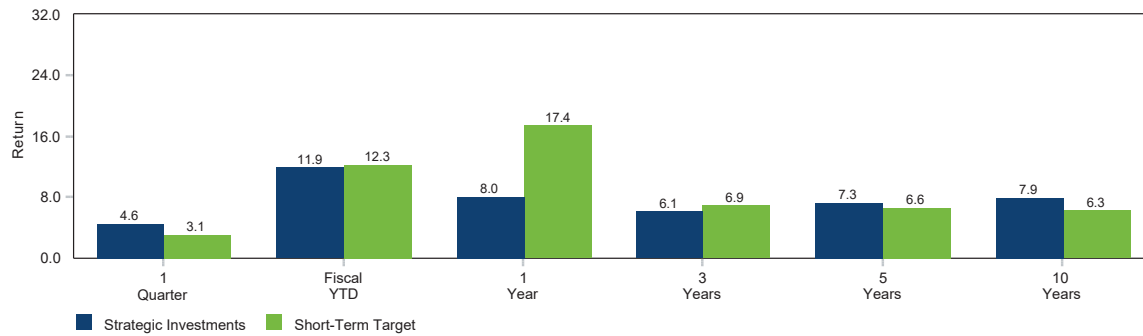
Aon
Empower Results®

Strategic Investments Portfolio Overview

Current Allocation
March 31, 2021 : \$17,419M



Return Summary

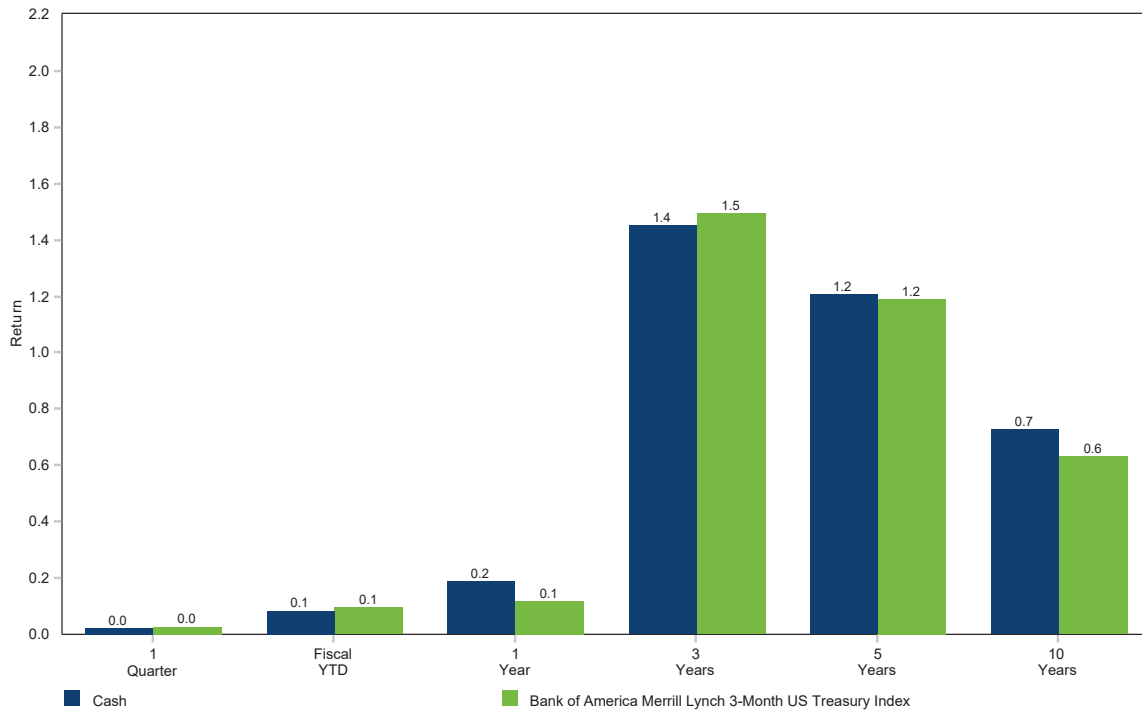


Cash



Cash Performance Summary

Return Summary



Appendix



As of March 31, 2021

Appendix

Total FRS Assets

Performance Benchmark- A combination of the Global Equity Target, the Barclays Capital U.S. Intermediate Aggregate Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the Bank of America Merrill Lynch 3-Month US Treasury Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Please refer to section VII. Performance Measurement in the FRS Defined Benefit Plan Investment Policy Statement for more details on the calculation of the Performance Benchmark. Prior to October 1, 2013, the Performance benchmark was a combination of the Global Equity Target, the Barclays Aggregate Bond Index, the Private Equity Target Index, the Real Estate Investments Target Index, the Strategic Investments Target Benchmark, and the iMoneyNet First Tier Institutional Money Market Funds Net Index. The short-term target policy allocations to the Strategic Investments, Real Estate and Private Equity asset classes are floating and based on the actual average monthly balance of the Global Equity asset class. Prior to July 2010, the Performance Benchmark was a combination of the Russell 3000 Index, the Foreign Equity Target Index, the Strategic Investments Target Benchmark, the Barclays Aggregate Bond Index, the Real Estate Investments Target Index, the Private Equity Target Index, the Barclays U.S. High Yield Ba/B 2% Issuer Capped Index, and the iMoneyNet First Tier Institutional Money Market Funds Gross Index. During this time, the short-term target policy allocations to Strategic Investments, Real Estate and Private Equity asset classes were floating and based on the actual average monthly balance of the Strategic Investments, Real Estate and Private Equity asset classes. The target weights shown for Real Estate and Private Equity were the allocations that the asset classes were centered around. The actual target weight floated around this target month to month based on changes in asset values.

Total Global Equity

Performance Benchmark- A custom version of the MSCI All Country World Investable Market Index, adjusted to exclude companies divested under the provisions of the Protecting Florida's Investments Act (PFIA). Prior to July 2010, the asset class benchmark is a weighted average of the underlying Domestic Equities, Foreign Equities and Global Equities historical benchmarks.

Total Domestic Equities

Performance Benchmark- The Russell 3000 Index. Prior to July 1, 2002, the benchmark was the Wilshire 2500 Stock Index. Prior to January 1, 2001, the benchmark was the Wilshire 2500 Stock Index ex-Tobacco. Prior to May 1, 1997, the benchmark was the Wilshire 2500 Stock Index. Prior to September 1, 1994, the benchmark was the S&P 500 Stock Index.

Total Foreign Equities

Performance Benchmark- A custom version of the MSCI ACWI ex-U.S. Investable Market Index adjusted to exclude companies divested under the PFIA. Prior to April 1, 2008, it was the MSCI All Country World Index ex-U.S. Investable Market Index. Prior to September 24, 2007, the target was the MSCI All Country World ex-U.S. Free Index. Prior to November 1, 1999, the benchmark was 85% MSCI Europe, Australasia and Far East (EAFE) Foreign Stock Index and 15% IFCI Emerging Markets Index with a half weight in Malaysia. Prior to March 31, 1995, the benchmark was the EAFE Index.

Total Global Equities

Performance Benchmark- Aggregated based on each underlying manager's individual benchmark. The calculation accounts for the actual weight and the benchmark return. The benchmarks used for the underlying managers include both the MSCI FSB All Country World ex-Sudan ex-Iran Net Index and MSCI FSB All Country World ex-Sudan ex-Iran Net Investable Market Index (IMI).



As of March 31, 2021

Appendix

Total Fixed Income

Performance Benchmark- The Barclays Capital U.S. Intermediate Aggregate Index. Prior to October 1, 2013, it was the Barclays U.S. Aggregate Bond Index. Prior to June 1, 2007, it was the Fixed Income Management Aggregate (FIMA). Prior to July 1, 1999, the benchmark was the Florida High Yield Extended Duration Index. Prior to July 31, 1997, the benchmark was the Florida Extended Duration Index. Prior to July 1, 1989, the Salomon Brothers Broad Investment-Grade Bond Index was the benchmark. For calendar year 1985, the performance benchmark was 70% Shearson Lehman Extended Duration and 30% Salomon Brothers Mortgage Index.

Total Private Equity

Performance Benchmark- The MSCI All Country World Investable Market Index (ACWI IMI), adjusted to reflect the provisions of the Protecting Florida's Investments Act, plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2014, the benchmark was the domestic equities target index return (Russell 3000 Index) plus a fixed premium return of 300 basis points per annum. Prior to July 1, 2010, it was the domestic equities target index return plus a fixed premium return of 450 basis points per annum. Prior to November 1, 1999, Private Equities was part of the Domestic Equities asset class and its benchmark was the domestic equities target index return plus 750 basis points.

Total Real Estate

Performance Benchmark- The core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 76.5%, and the non-core portion of the asset class is benchmarked to an average of the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index- Open-ended Diversified Core Equity, net of fees, weighted at 13.5%, plus a fixed return premium of 150 basis points per annum, and the FTSE EPRA/NAREIT Developed Index, in dollar terms, net of withholding taxes on non-resident institutional investors, weighted at 10%. Prior to July 1, 2014, the benchmark was a combination of 90% NCREIF ODCE Index, net of fees, and 10% FTSE EPRA/NAREIT Developed Index, net of fees. Prior to July 1, 2010, it was a combination of 90% NCREIF ODCE Index, gross of fees, and 10% Dow Jones U.S. Select RESI. Prior to June 1, 2007, it was the Consumer Price Index plus 450 basis points annually. Prior to July 1, 2003, the benchmark was the Dow Jones U.S. Select Real Estate Securities Index Un-Levered. Prior to November 1, 1999, the benchmark was the Russell-NCREIF Property Index.

Total Strategic Investments

Performance Benchmark- Long-term, 4.0% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmarks. Prior to July 1, 2018, a Performance Benchmark-Long-term, 4.5% plus the contemporaneous rate of inflation or CPI. Short-term, a weighted aggregation of individual portfolio level benchmark.

Total Cash

Performance Benchmark- Bloomberg Barclays U.S. Treasury Bill: 1-3 month index. Prior to October 1, 2020, it was the Bank of America Merrill Lynch 3-Month US Treasury Index. Prior to July 1, 2018 it was the iMoneyNet First Tier Institutional Money Market Funds Net Index. Prior to July 1, 2010, it was the iMoneyNet First Tier Institutional Money Market Funds Gross Index. Prior to June 1, 2007, it was the return of the Merrill Lynch 90-Day (Auction Average) Treasury Bill Yield Index.



As of March 31, 2021

Appendix

Description of Benchmarks

Bloomberg Barclays U.S. Treasury Bill: 1-3 month Index- Consists of U.S. Treasury Bills that have a remaining maturity of greater than or equal to 1 month and less than 3 months

Barclays Capital U.S. Intermediate Aggregate Bond Index- A market value-weighted index consisting of U.S. Treasury securities, corporate bonds and mortgage-related and asset-backed securities with one to ten years to maturity and an outstanding par value of \$250 million or greater.

Consumer Price Index (CPI)- The CPI, an index consisting of a fixed basket of goods bought by the typical consumer and used to measure consumer inflation.

FTSE EPRA/NAREIT Developed Index- An index designed to represent general trends in eligible real estate equities worldwide. Relevant real estate activities are defined as the ownership, disposal and development of income-producing real estate. This index covers the four primary core asset classes (Industrial, Retail, Office, and Apartment).

MSCI All Country World Investable Market Index- A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This investable market index contains constituents from the large, mid, and small cap size segments and targets a coverage range around 99% of free-float adjusted market capitalization.

NCREIF ODCE Property Index- The NCREIF ODCE is a capitalization-weighted, gross of fee, time-weighted return index. The index is a summation of open-end funds, which NCREIF defines as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests.

Russell 3000 Index- A capitalization-weighted stock index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This represents most publicly traded, liquid U.S. stocks.



As of March 31, 2021

Appendix

Description of Universes

Total Fund- A universe comprised of 150 total fund portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$2.0 trillion as of quarter-end and the average market value was \$13.2 billion.

Domestic Equity- A universe comprised of 52 total domestic equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$1.0 trillion as of quarter-end and the average market value was \$18.5 billion.

Foreign Equity- A universe comprised of 55 total international equity portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$1.0 trillion as of quarter-end and the average market value was \$18.5 billion.

Fixed Income- A universe comprised of 55 total fixed income portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$1.1 trillion as of quarter-end and the average market value was \$19.5 billion.

Real Estate- A universe comprised of 42 total real estate portfolio returns, net of fees, of public defined benefit plans calculated and provided by BNY Mellon Performance & Risk Analytics. Aggregate assets in the universe comprised \$1.0 trillion as of quarter-end and the average market value was \$24.1 billion.

Private Equity- An appropriate universe for private equity is unavailable.

Strategic Investments- An appropriate universe for strategic investments is unavailable.



Appendix

Explanation of Exhibits

Quarterly and Cumulative Excess Performance- The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph- An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis- An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.



Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.



Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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FRS Investment Plan | First Quarter 2021

Quarterly Investment Review

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FRS Investment Plan

As of March 31, 2021

Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
FRS Investment Plan	13,986,241,163	100.0	3.3	38.8	10.0	10.6	7.9
Total Plan Aggregate Benchmark			3.4	36.8	9.6	10.1	7.6
Retirement Date	6,368,664,606	45.5					
FRS Retirement Fund	726,244,079	5.2	1.1 (44)	22.8 (45)	7.5 (25)	7.2 (43)	5.4 (63)
Retirement Custom Index			1.1 (44)	21.9 (49)	7.3 (27)	6.9 (47)	5.2 (68)
FRS 2020 Retirement Date Fund	594,870,865	4.3	1.5 (45)	26.1 (59)	7.9 (70)	8.4 (66)	6.5 (83)
2020 Retirement Custom Index			1.6 (42)	25.6 (60)	7.8 (70)	8.1 (69)	6.3 (85)
FRS 2025 Retirement Date Fund	901,840,992	6.4	2.2 (31)	31.0 (57)	8.7 (64)	9.5 (47)	7.3 (78)
2025 Retirement Custom Index			2.3 (29)	30.8 (59)	8.6 (66)	9.2 (59)	7.1 (82)
FRS 2030 Retirement Date Fund	872,240,712	6.2	2.8 (38)	35.5 (62)	9.3 (73)	10.3 (57)	8.1 (73)
2030 Retirement Custom Index			2.9 (28)	35.4 (63)	9.3 (73)	10.1 (69)	7.9 (77)
FRS 2035 Retirement Date Fund	832,324,944	6.0	3.3 (72)	39.4 (84)	9.8 (92)	11.1 (68)	8.8 (71)
2035 Retirement Custom Index			3.4 (66)	39.6 (83)	9.8 (87)	10.8 (82)	8.5 (77)
FRS 2040 Retirement Date Fund	762,410,646	5.5	3.8 (82)	43.4 (87)	10.2 (90)	11.7 (73)	9.0 (77)
2040 Retirement Custom Index			3.9 (77)	43.7 (86)	10.3 (89)	11.5 (80)	8.8 (79)
FRS 2045 Retirement Date Fund	755,758,713	5.4	4.1 (80)	46.7 (87)	10.6 (90)	12.0 (79)	9.2 (73)
2045 Retirement Custom Index			4.3 (77)	47.0 (87)	10.7 (89)	12.0 (81)	9.0 (83)
FRS 2050 Retirement Date Fund	491,000,907	3.5	4.5 (77)	48.9 (87)	10.8 (87)	12.2 (74)	9.3 (84)
2050 Retirement Custom Index			4.6 (72)	49.3 (86)	10.9 (87)	12.1 (81)	9.1 (88)
FRS 2055 Retirement Date Fund	306,442,251	2.2	4.5 (82)	49.8 (87)	11.0 (84)	12.3 (82)	-
2055 Retirement Custom Index			4.6 (77)	49.7 (88)	10.9 (85)	12.1 (84)	-
FRS 2060 Retirement Date Fund	125,530,496	0.9	4.5 (82)	50.0 (86)	11.1 (83)	-	-
2060 Retirement Custom Index			4.6 (77)	49.7 (88)	10.9 (85)	-	-



As of March 31, 2021

Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
Cash	1,133,667,833	8.1	0.0 (1)	0.3 (3)	1.6 (1)	1.4 (1)	0.8 (1)
FRS Money Market Fund	1,133,667,833	8.1	0.0 (1)	0.3 (3)	1.6 (1)	1.4 (1)	0.8 (1)
iMoneyNet 1st Tier Institutional Net Index			0.0 (8)	0.2 (13)	1.4 (18)	1.1 (18)	0.6 (19)
Real Assets	132,810,426	0.9					
FRS Inflation Sensitive Fund	132,810,426	0.9	1.4	21.2	4.4	4.8	2.4
FRS Custom Multi-Assets Index			1.3	19.1	4.1	4.3	1.9
Fixed Income	735,388,537	5.3	-2.6 (100)	5.9 (37)	5.3 (1)	4.1 (4)	3.9 (1)
Total Bond Index			-2.6 (100)	3.5 (80)	4.9 (5)	3.7 (5)	3.7 (1)
FRS U.S. Bond Enhanced Index Fund	290,592,793	2.1	-3.4 (50)	1.1 (1)	4.7 (38)	3.2 (9)	3.5 (33)
Bimbg. Barc. U.S. Aggregate			-3.4 (49)	0.7 (3)	4.7 (38)	3.1 (12)	3.4 (34)
FRS Core Plus Bond Fund	444,795,744	3.2	-3.0 (62)	8.0 (39)	5.6 (34)	4.7 (29)	4.6 (30)
FRS Custom Core-Plus Fixed Income Index			-2.6 (40)	4.7 (75)	5.2 (61)	4.0 (60)	4.3 (39)
Domestic Equity	3,593,153,337	25.7	6.7 (51)	66.5 (37)	15.9 (40)	16.4 (32)	13.5 (27)
Total U.S. Equities Index			6.8 (50)	64.6 (40)	15.9 (41)	16.0 (36)	13.1 (34)
FRS U.S. Stock Market Index Fund	1,468,100,407	10.5	6.3 (46)	62.6 (27)	17.2 (46)	16.7 (43)	13.9 (42)
Russell 3000 Index			6.3 (46)	62.5 (27)	17.1 (46)	16.6 (44)	13.8 (43)
FRS U.S. Stock Fund	2,125,052,930	15.2	7.0 (45)	-	-	-	-
Russell 3000 Index			6.3 (50)	-	-	-	-



As of March 31, 2021

Asset Allocation & Performance

	Allocation		Performance(%)				
	Market Value (\$)	%	1 Quarter	1 Year	3 Years	5 Years	10 Years
International/Global Equity	887,727,860	6.3	3.2 (53)	54.8 (52)	8.4 (29)	11.4 (33)	7.1 (25)
Total Foreign and Global Equities Index			3.9 (44)	52.1 (60)	7.2 (39)	10.3 (44)	6.1 (39)
FRS Foreign Stock Index Fund	297,997,770	2.1	3.8 (44)	52.3 (59)	6.7 (44)	10.2 (45)	6.0 (41)
MSCI All Country World ex-U.S. IMI Index			3.8 (45)	51.9 (60)	6.5 (46)	9.8 (52)	5.7 (47)
FRS Global Stock Fund	388,039,799	2.8	2.3 (76)	67.2 (26)	18.2 (14)	17.9 (14)	12.8 (13)
MSCI All Country World Index Net			4.6 (54)	54.6 (52)	12.1 (41)	13.2 (39)	9.3 (48)
FRS Foreign Stock Fund	201,690,291	1.4	-0.4 (100)	60.8 (16)	10.2 (1)	12.9 (1)	7.7 (1)
MSCI All Country World ex-U.S. Index			17.0 (1)	68.9 (1)	11.0 (1)	12.6 (1)	6.5 (1)
FRS Self-Dir Brokerage Acct	1,134,828,564	8.1					

The returns for the Retirement Date Funds, Inflation Sensitive Fund and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



As of March 31, 2021

Asset Allocation & Performance

	Performance(%)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
FRS Investment Plan	13.1	20.5	-5.7	16.4	8.0	-0.9	4.9	15.2	10.5	0.7
Total Plan Aggregate Benchmark	11.7	20.0	-5.8	15.5	8.5	-1.3	4.9	14.6	9.7	0.9
Retirement Date										
FRS Retirement Fund	10.2 (35)	14.8 (39)	-3.7 (53)	10.8 (52)	6.2 (59)	-2.6 (100)	4.4 (82)	3.5 (96)	10.7 (59)	3.4 (10)
Retirement Custom Index	9.6 (45)	14.5 (42)	-3.8 (55)	10.4 (58)	6.2 (59)	-1.8 (98)	3.6 (89)	3.4 (96)	8.5 (78)	5.0 (1)
FRS 2020 Retirement Date Fund	10.5 (76)	16.3 (56)	-4.4 (53)	14.0 (24)	7.4 (22)	-2.1 (91)	4.4 (79)	9.6 (75)	12.4 (38)	0.6 (38)
2020 Retirement Custom Index	10.2 (81)	16.0 (60)	-4.5 (55)	13.3 (47)	7.1 (32)	-1.6 (80)	3.9 (88)	9.7 (75)	11.0 (74)	1.5 (21)
FRS 2025 Retirement Date Fund	11.4 (75)	18.2 (58)	-5.2 (46)	16.1 (26)	8.0 (14)	-1.7 (80)	4.5 (86)	13.7 (74)	13.5 (43)	-0.7 (35)
2025 Retirement Custom Index	11.2 (77)	17.8 (67)	-5.3 (51)	15.5 (39)	7.6 (20)	-1.5 (77)	4.2 (91)	13.8 (74)	12.4 (73)	-0.3 (26)
FRS 2030 Retirement Date Fund	12.0 (74)	19.8 (68)	-6.0 (44)	18.0 (30)	8.5 (18)	-1.3 (63)	4.5 (83)	18.1 (54)	14.6 (34)	-2.1 (50)
2030 Retirement Custom Index	12.0 (74)	19.4 (72)	-6.0 (45)	17.3 (48)	8.0 (33)	-1.5 (67)	4.4 (83)	18.2 (52)	13.8 (53)	-2.0 (49)
FRS 2035 Retirement Date Fund	12.6 (92)	21.1 (77)	-6.7 (37)	19.8 (27)	9.1 (17)	-1.4 (51)	4.4 (84)	22.0 (38)	15.8 (23)	-3.0 (46)
2035 Retirement Custom Index	12.7 (90)	20.8 (82)	-6.8 (38)	18.9 (54)	8.3 (43)	-1.7 (67)	4.3 (85)	22.0 (38)	15.2 (46)	-3.1 (47)
FRS 2040 Retirement Date Fund	13.3 (81)	22.5 (70)	-7.5 (39)	20.9 (28)	9.2 (17)	-1.4 (55)	4.4 (83)	22.3 (48)	15.8 (36)	-3.0 (38)
2040 Retirement Custom Index	13.4 (79)	22.1 (82)	-7.5 (39)	20.4 (45)	8.6 (43)	-1.7 (69)	4.3 (84)	22.4 (48)	15.2 (50)	-3.1 (38)
FRS 2045 Retirement Date Fund	13.8 (81)	23.4 (72)	-8.0 (49)	21.5 (26)	9.4 (18)	-1.5 (53)	4.4 (82)	22.3 (60)	15.8 (38)	-3.0 (26)
2045 Retirement Custom Index	13.9 (77)	23.0 (84)	-8.0 (49)	21.2 (39)	8.9 (36)	-1.7 (64)	4.3 (83)	22.4 (60)	15.2 (68)	-3.1 (26)
FRS 2050 Retirement Date Fund	14.0 (76)	24.0 (75)	-8.4 (55)	21.6 (32)	9.5 (20)	-1.5 (60)	4.4 (82)	22.3 (53)	15.8 (36)	-3.0 (20)
2050 Retirement Custom Index	14.1 (75)	23.6 (78)	-8.4 (55)	21.3 (52)	8.9 (37)	-1.7 (65)	4.3 (82)	22.4 (53)	15.2 (58)	-3.1 (20)
FRS 2055 Retirement Date Fund	14.3 (73)	24.1 (80)	-8.4 (53)	21.5 (47)	9.3 (27)	-1.4 (54)	4.4 (81)	22.3 (72)	15.8 (46)	-
2055 Retirement Custom Index	14.1 (75)	23.7 (83)	-8.4 (53)	21.3 (55)	8.9 (33)	-1.7 (63)	4.3 (81)	22.4 (71)	15.2 (75)	-
FRS 2060 Retirement Date Fund	14.5 (73)	24.2 (79)	-8.3 (52)	-	-	-	-	-	-	-
2060 Retirement Custom Index	14.1 (75)	23.7 (83)	-8.4 (53)	-	-	-	-	-	-	-



As of March 31, 2021

Asset Allocation & Performance

	Performance(%)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash	0.7 (1)	2.4 (1)	2.2 (1)	1.2 (1)	0.6 (1)	0.2 (1)	0.1 (1)	0.2 (1)	0.3 (1)	0.2 (1)
FRS Money Market Fund	0.7 (1)	2.4 (1)	2.2 (1)	1.2 (1)	0.6 (1)	0.2 (1)	0.1 (1)	0.2 (1)	0.3 (1)	0.2 (1)
iMoneyNet 1st Tier Institutional Net Index	0.5 (17)	2.1 (22)	1.8 (17)	0.9 (17)	0.3 (19)	0.0 (20)	0.0 (23)	0.0 (23)	0.1 (23)	0.1 (23)
Real Assets										
FRS Inflation Sensitive Fund	4.0	13.0	-5.5	8.1	6.0	-7.9	3.2	-9.1	9.1	7.4
FRS Custom Multi-Assets Index	2.3	13.0	-5.5	8.1	6.2	-5.0	1.8	-8.9	6.6	4.6
Fixed Income	8.0 (3)	9.8 (1)	-0.1 (94)	4.4 (2)	4.7 (8)	0.3 (81)	4.7 (1)	-1.1 (84)	6.0 (36)	6.7 (1)
Total Bond Index	7.2 (13)	9.2 (1)	-0.1 (94)	3.9 (3)	4.3 (9)	0.1 (89)	4.9 (1)	-1.2 (87)	4.8 (62)	7.4 (1)
FRS U.S. Bond Enhanced Index Fund	7.8 (49)	8.7 (33)	0.0 (66)	3.6 (32)	2.7 (1)	0.7 (38)	6.2 (36)	-2.0 (17)	4.4 (13)	7.9 (67)
Blmbg. Barc. U.S. Aggregate	7.5 (59)	8.7 (33)	0.0 (66)	3.5 (32)	2.6 (1)	0.5 (46)	6.0 (37)	-2.0 (18)	4.2 (14)	7.8 (68)
FRS Core Plus Bond Fund	8.6 (51)	11.0 (14)	-0.5 (42)	5.3 (23)	5.7 (23)	0.1 (43)	4.6 (82)	0.8 (18)	11.1 (17)	4.6 (86)
FRS Custom Core-Plus Fixed Income Index	7.6 (78)	10.0 (35)	-0.4 (35)	4.2 (62)	4.9 (36)	0.2 (37)	5.1 (75)	0.8 (18)	7.8 (53)	7.6 (30)
Domestic Equity	20.0 (40)	30.1 (41)	-6.5 (45)	20.8 (48)	13.7 (29)	0.7 (35)	11.5 (42)	35.2 (43)	16.9 (33)	0.3 (38)
Total U.S. Equities Index	18.9 (43)	30.0 (41)	-6.5 (45)	19.6 (55)	14.9 (23)	-0.5 (45)	11.1 (47)	34.0 (54)	16.5 (37)	-0.1 (41)
FRS U.S. Stock Market Index Fund	21.0 (43)	31.1 (48)	-5.2 (57)	21.2 (56)	12.9 (26)	0.6 (54)	12.6 (34)	33.6 (40)	16.5 (39)	1.0 (39)
Russell 3000 Index	20.9 (44)	31.0 (48)	-5.2 (58)	21.1 (56)	12.7 (27)	0.5 (55)	12.6 (35)	33.6 (40)	16.4 (40)	1.0 (39)
FRS U.S. Stock Fund	-	-	-	-	-	-	-	-	-	-
Russell 3000 Index	-	-	-	-	-	-	-	-	-	-
International/Global Equity	15.2 (41)	23.7 (37)	-13.5 (28)	28.6 (50)	4.5 (42)	-2.6 (49)	-3.2 (42)	21.6 (33)	18.6 (53)	-11.3 (23)
Total Foreign and Global Equities Index	11.7 (52)	22.3 (46)	-14.0 (33)	27.3 (60)	4.9 (38)	-4.4 (56)	-3.0 (41)	20.6 (39)	16.6 (72)	-11.3 (23)
FRS Foreign Stock Index Fund	11.5 (52)	22.3 (46)	-14.7 (40)	28.3 (53)	5.3 (37)	-4.4 (56)	-4.5 (55)	20.5 (39)	17.6 (63)	-11.8 (27)
MSCI All Country World ex-U.S. IMI Index	11.1 (54)	21.6 (52)	-14.8 (41)	27.8 (56)	4.4 (42)	-4.6 (56)	-4.2 (51)	21.0 (36)	16.4 (72)	-12.2 (30)
FRS Global Stock Fund	33.8 (16)	30.5 (20)	-5.6 (20)	29.3 (18)	2.2 (81)	5.6 (13)	3.7 (44)	27.1 (41)	21.0 (15)	-7.4 (46)
MSCI All Country World Index Net	16.3 (35)	26.6 (45)	-9.4 (46)	24.0 (40)	7.9 (46)	-2.4 (56)	4.2 (39)	22.8 (60)	16.3 (38)	-5.5 (35)
FRS Foreign Stock Fund	25.3 (1)	27.4 (5)	-14.9 (48)	31.2 (5)	1.0 (60)	-0.5 (20)	-2.3 (16)	20.6 (60)	19.6 (37)	-13.3 (59)
MSCI All Country World ex-U.S. Index	10.7 (8)	21.5 (55)	-14.2 (30)	27.2 (23)	5.0 (10)	-5.3 (73)	-3.4 (18)	15.8 (80)	17.4 (67)	-13.3 (60)

FRS Self-Dir Brokerage Acct

The returns for the Retirement Date Funds, Inflation Sensitive Fund, Core Plus Bond Fund, U.S. Large Cap Stock Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



FRS Investment Plan

As of March 31, 2021

Asset Allocation

Asset Allocation as of 3/31/2021								
	U.S. Equity	Non-U.S. Equity	U.S. Fixed Income	Real Assets	Cash	Brokerage	Total	% of Total
FRS Retirement Fund	106,757,880	98,042,951	238,208,058	283,235,191			726,244,079	5.2%
FRS 2020 Retirement Date Fund	111,835,723	103,507,531	173,702,293	205,825,319			594,870,865	4.3%
FRS 2025 Retirement Date Fund	224,558,407	207,423,428	239,889,704	229,969,453			901,840,992	6.4%
FRS 2030 Retirement Date Fund	262,544,454	241,610,677	202,359,845	165,725,735			872,240,712	6.2%
FRS 2035 Retirement Date Fund	287,152,106	264,679,332	163,968,014	116,525,492			832,324,944	6.0%
FRS 2040 Retirement Date Fund	294,290,510	271,418,190	120,460,882	76,241,065			762,410,646	5.5%
FRS 2045 Retirement Date Fund	314,395,625	290,211,346	88,423,769	62,727,973			755,758,713	5.4%
FRS 2050 Retirement Date Fund	213,094,394	196,400,363	39,280,073	42,226,078			491,000,907	3.5%
FRS 2055 Retirement Date Fund	133,915,264	123,496,227	22,370,284	26,660,476			306,442,251	2.2%
FRS 2060 Retirement Date Fund	54,856,827	50,588,790	9,163,726	10,921,153			125,530,496	0.9%
Total Retirement Date Funds	\$ 2,003,401,188	\$ 1,847,378,835	\$ 1,297,826,648	\$ 1,220,057,935	\$ -	\$ -	\$ 6,368,664,606	45.5%
FRS Money Market Fund					1,133,667,833		1,133,667,833	8.1%
Total Cash	\$ -	\$ -	\$ -	\$ -	\$ 1,133,667,833	\$ -	\$ 1,133,667,833	8.1%
FRS Inflation Adjusted Multi-Assets Fund				132,810,426			132,810,426	0.9%
Total Real Assets	\$ -	\$ -	\$ -	\$ 132,810,426	\$ -	\$ -	\$ 132,810,426	0.9%
FRS U.S. Bond Enhanced Index Fund			290,592,793				290,592,793	2.1%
FRS Core Plus Bond Fund			444,795,744				444,795,744	3.2%
Total Fixed Income	\$ -	\$ -	\$ 735,388,537	\$ -	\$ -	\$ -	\$ 735,388,537	5.3%
FRS U.S. Stock Market Index Fund	1,468,100,407						1,468,100,407	10.5%
FRS U.S. Stock Fund	2,125,052,930						2,125,052,930	16.2%
Total Domestic Equity	\$ 3,593,153,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,593,153,337	25.7%
FRS Foreign Stock Index Fund		297,997,770					297,997,770	2.1%
FRS Global Stock Fund		388,039,799					388,039,799	2.8%
FRS Foreign Stock Fund		201,690,291					201,690,291	1.4%
Total International/Global Equity	\$ -	\$ 887,727,860	\$ -	\$ -	\$ -	\$ -	\$ 887,727,860	6.3%
FRS Self-Dir Brokerage Acct						1,134,828,564	1,134,828,564	8.1%
Total Self-Dir Brokerage Acct	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,134,828,564	\$ 1,134,828,564	8.1%
Total Portfolio	\$ 5,596,554,525	\$ 2,735,106,695	\$ 2,033,215,185	\$ 1,352,868,361	\$ 1,133,667,833	\$ 1,134,828,564	\$ 13,986,241,163	100.0%
Percent of Total	40.0%	19.6%	14.5%	9.7%	8.1%	8.1%	100.0%	

The returns for the Retirement Date Funds, Inflation Adjusted Multi-Assets Fund and Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.

Note: The SDBA opened for members on 1/2/14. No performance calculations will be made for the SDBA.



As of March 31, 2021

Multi Timeperiod Statistics

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio	3 Years Tracking Error	3 Years Information Ratio	3 Years Up Market Capture	3 Years Down Market Capture
FRS Investment Plan	9.99	13.16	0.67	0.57	0.74	103.11	102.19
FRS Retirement Fund	7.50	8.00	0.75	0.46	0.47	102.36	101.66
FRS 2020 Retirement Date Fund	7.92	9.24	0.70	0.50	0.17	100.86	100.67
FRS 2025 Retirement Date Fund	8.69	10.77	0.68	0.47	0.15	100.54	100.31
FRS 2030 Retirement Date Fund	9.26	12.17	0.66	0.47	0.00	100.13	100.24
FRS 2035 Retirement Date Fund	9.76	13.38	0.65	0.47	-0.11	99.88	100.20
FRS 2040 Retirement Date Fund	10.22	14.56	0.64	0.46	-0.18	99.81	100.25
FRS 2045 Retirement Date Fund	10.60	15.50	0.63	0.47	-0.16	99.83	100.21
FRS 2050 Retirement Date Fund	10.82	16.11	0.62	0.48	-0.14	99.75	99.97
FRS 2055 Retirement Date Fund	10.98	16.24	0.63	0.46	0.11	100.21	100.05
FRS 2060 Retirement Date Fund	11.05	16.24	0.63	0.48	0.24	100.40	99.95
FRS Money Market Fund	1.62	0.28	0.93	0.07	3.52	117.44	-1,044.00
FRS Inflation Sensitive Fund	4.40	9.06	0.35	1.07	0.32	104.04	101.89
FRS U.S. Bond Enhanced Index Fund	4.73	3.61	0.91	0.17	0.45	101.93	102.43
FRS Core Plus Bond Fund	5.64	4.92	0.83	1.68	0.29	115.46	126.14
FRS U.S. Stock Market Index Fund	17.18	19.33	0.84	0.05	1.12	100.19	100.04
FRS U.S. Stock Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Foreign Stock Index Fund	6.69	18.08	0.36	0.98	0.18	100.74	100.13
FRS Global Stock Fund	18.16	18.81	0.90	3.50	1.57	113.05	91.20
FRS Foreign Stock Fund	10.20	18.74	0.53	8.40	-0.09	93.73	93.87

The returns for the Retirement Date Funds, Inflation Adjusted Multi-Assets Fund, Core Plus Bond Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.



As of March 31, 2021

Multi Timeperiod Statistics

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio	5 Years Tracking Error	5 Years Information Ratio	5 Years Up Market Capture	5 Years Down Market Capture
FRS Investment Plan	10.61	10.54	0.89	0.52	1.01	103.40	101.19
FRS Retirement Fund	7.23	6.49	0.92	0.42	0.69	102.28	99.40
FRS 2020 Retirement Date Fund	8.44	7.52	0.95	0.46	0.62	102.16	100.12
FRS 2025 Retirement Date Fund	9.49	8.74	0.94	0.45	0.61	101.74	100.02
FRS 2030 Retirement Date Fund	10.32	9.86	0.92	0.46	0.47	101.23	100.00
FRS 2035 Retirement Date Fund	11.15	10.85	0.91	0.50	0.58	101.50	100.00
FRS 2040 Retirement Date Fund	11.67	11.78	0.89	0.48	0.33	100.70	99.91
FRS 2045 Retirement Date Fund	12.04	12.51	0.87	0.48	0.15	100.22	99.77
FRS 2050 Retirement Date Fund	12.21	12.98	0.86	0.49	0.21	100.27	99.62
FRS 2055 Retirement Date Fund	12.29	13.07	0.86	0.48	0.32	100.49	99.62
FRS 2060 Retirement Date Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Money Market Fund	1.40	0.24	1.87	0.06	4.87	125.44	-1,044.00
FRS Inflation Sensitive Fund	4.82	7.43	0.51	1.09	0.44	103.57	98.21
FRS U.S. Bond Enhanced Index Fund	3.18	3.34	0.61	0.13	0.53	101.75	101.18
FRS Core Plus Bond Fund	4.65	4.23	0.81	1.37	0.48	117.62	119.20
FRS U.S. Stock Market Index Fund	16.72	15.56	0.99	0.05	1.38	100.24	100.00
FRS U.S. Stock Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FRS Foreign Stock Index Fund	10.18	14.91	0.64	1.05	0.30	100.19	98.19
FRS Global Stock Fund	17.94	15.37	1.07	3.47	1.23	112.42	91.23
FRS Foreign Stock Fund	12.90	15.47	0.78	6.79	0.04	96.65	92.04

The returns for the Retirement Date Funds, Inflation Adjusted Multi-Assets Fund, Core Plus Bond Fund, U.S. Large Cap Stock Fund use prehire data for all months prior to 7/1/2014, actual live data is used thereafter.



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Appendix



As of March 31, 2021

Benchmark Descriptions

Retirement Date Benchmarks - A weighted average composite of the underlying components' benchmarks for each fund.

iMoneyNet 1st Tier Institutional Net Index - An index made up of the entire universe of money market mutual funds. The index currently represents over 1,300 funds, or approximately 99 percent of all money fund assets.

FRS Custom Multi-Assets Index - A monthly weighted composite of underlying indices for each TIPS and Real Assets fund. These indices include Barclays U.S. TIPS Index, MSCI AC World Index and the Bloomberg Commodity Total Return Index, NAREIT Developed Index, S&P Global Infrastructure Index, S&P Global Natural Resources Index.

Total Bond Index - A weighted average composite of the underlying benchmarks for each bond fund.

Barclays Aggregate Bond Index - A market value-weighted index consisting of government bonds, SEC-registered corporate bonds and mortgage-related and asset-backed securities with at least one year to maturity and an outstanding par value of \$250 million or greater. This index is a broad measure of the performance of the investment grade U.S. fixed income market.

FRS Custom Core-Plus Fixed Income Index - A monthly rebalanced blend of 80% Barclays U.S. Aggregate Bond Index and 20% Barclays U.S. High Yield Ba/B 1% Issuer Constrained Index.

Total U.S. Equities Index - A weighted average composite of the underlying benchmarks for each domestic equity fund.

Russell 3000 Index - A capitalization-weighted index consisting of the 3,000 largest publicly traded U.S. stocks by capitalization. This index is a broad measure of the performance of the aggregate domestic equity market.

Russell 1000 Index - An index that measures the performance of the largest 1,000 stocks contained in the Russell 3000 Index.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

Total Foreign and Global Equities Index - A weighted average composite of the underlying benchmarks for each foreign and global equity fund.

MSCI All Country World ex-U.S. IMI Index - A capitalization-weighted index of stocks representing 22 developed country stock markets and 24 emerging countries, excluding the U.S. market.

MSCI All Country World Index - A capitalization-weighted index of stocks representing approximately 47 developed and emerging countries, including the U.S. and Canadian markets.

MSCI All Country World ex-U.S. Index - A capitalization-weighted index consisting of 23 developed and 24 emerging countries, but excluding the U.S.



As of March 31, 2021

Descriptions of Universes

Retirement Date Funds - Target date universes calculated and provided by Lipper.

FRS Money Market Fund - A money market universe calculated and provided by Lipper.

FRS U.S. Bond Enhanced Index Fund - A long-term bond fixed income universe calculated and provided by Lipper.

FRS Core Plus Bond Fund - A core plus bond fixed income universe calculated and provided by Lipper.

FRS U.S. Stock Market Index Fund - A large cap blend universe calculated and provided by Lipper.

FRS U.S. Stock Fund - An all U.S. equity market universe calculated and provided by Lipper.

FRS Foreign Stock Index Fund - A foreign blend universe calculated and provided by Lipper.

FRS Global Stock Fund - A global stock universe calculated and provided by Lipper.

FRS Foreign Stock Fund - A foreign large blend universe calculated and provided by Lipper.



Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.



Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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Quarterly Investment Review

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LCEF Total Fund

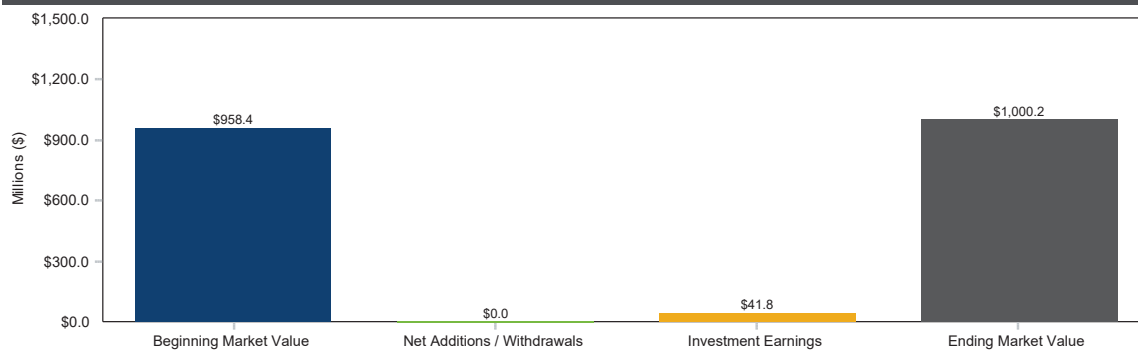


LCEF Total Fund

As of March 31, 2021

Total Plan Asset Summary

Change in Market Value From January 1, 2021 to March 31, 2021



Summary of Cash Flow

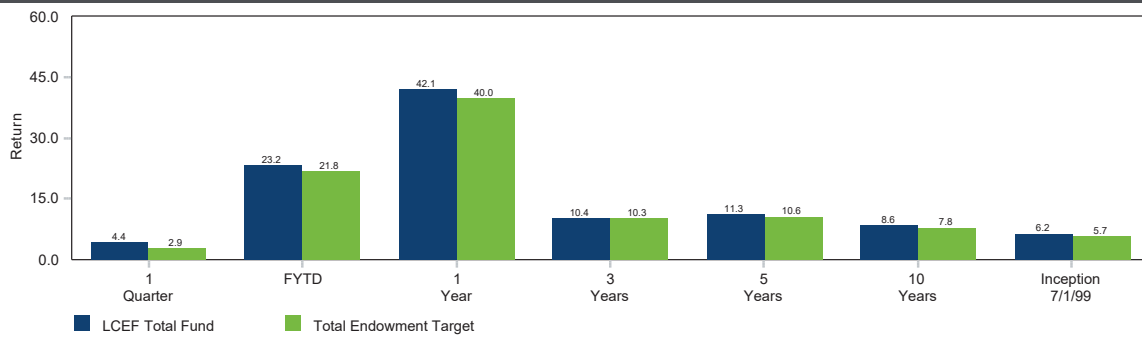
	1 Quarter	FYTD*	1 Year
Beginning Market Value	958,360,557	811,698,985	710,815,030
+ Additions / Withdrawals	-	-	-8,002,000
+ Investment Earnings	41,841,426	188,502,998	297,388,953
= Ending Market Value	1,000,201,984	1,000,201,984	1,000,201,984

*Period July 2020 - March 2021

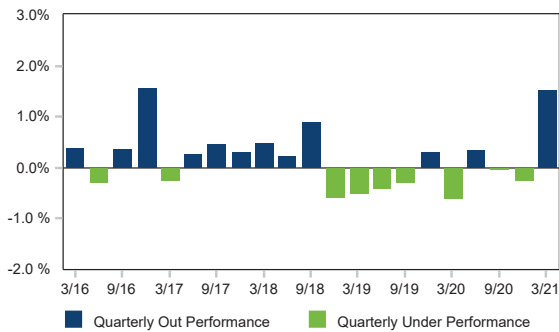


Total Plan Performance Summary

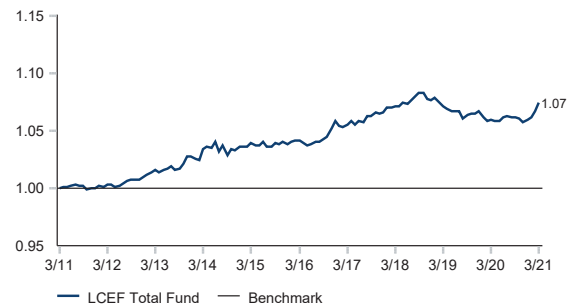
Return Summary



Quarterly Excess Performance



Ratio of Cumulative Wealth - 10 Years



Asset Allocation & Performance

	Allocation			Performance(%)					
	Market Value (\$)	%	Policy(%)	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years
LCEF Total Fund	1,000,201,984	100.0	100.0	4.4 (11)	23.2 (18)	42.1 (15)	10.4 (21)	11.3 (10)	8.6 (12)
Total Endowment Target				2.9 (53)	21.8 (34)	40.0 (28)	10.3 (23)	10.6 (19)	7.8 (32)
Global Equity*	737,524,270	73.7	71.0	7.0	33.0	60.4	12.2	14.2	11.2
Global Equity Target				5.1	31.6	57.8	12.0	13.4	10.1
Fixed Income	152,225,333	15.2	17.0	-3.4	-2.1	0.9	4.7	3.2	3.5
Bimbg. Barc. U.S. Aggregate				-3.4	-2.1	0.7	4.7	3.1	3.4
TIPS	101,126,464	10.1	11.0	-1.5	3.3	7.9	5.8	4.0	3.5
Barclays U.S. TIPS				-1.5	3.2	7.5	5.7	3.9	3.4
Cash Equivalents	9,325,917	0.9	1.0	0.1	0.3	0.5	1.8	1.5	1.0
S&P US AAA & AA Rated GIP 30D Net Yield Index				0.0	0.1	0.2	1.4	1.2	0.6

Benchmark and universe descriptions are provided in the Appendix.

*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.



As of March 31, 2021

Calendar Year Performance

	Performance(%)									
	Year To Date	2020	2019	2018	2017	2016	2015	2014	2013	2012
LCEF Total Fund	4.4 (11)	14.0 (36)	20.1 (27)	-6.1 (64)	18.5 (6)	9.2 (10)	-1.4 (42)	5.2 (32)	14.7 (42)	13.2 (28)
Total Endowment Target	2.9 (53)	14.8 (26)	21.2 (17)	-7.0 (83)	17.7 (11)	7.0 (38)	-1.6 (45)	4.3 (56)	12.8 (67)	12.2 (61)
Global Equity*	7.0	15.2	25.0	-8.5	24.5	11.4	-1.9	5.3	27.1	20.4
Global Equity Target	5.1	16.4	26.4	-9.8	24.1	8.4	-2.4	3.9	24.1	19.4
Fixed Income	-3.4	7.8	8.7	0.1	3.7	2.7	0.6	6.0	-1.8	4.6
Bimbg. Barc. U.S. Aggregate	-3.4	7.5	8.7	0.0	3.5	2.6	0.5	6.0	-2.0	4.2
TIPS	-1.5	11.1	8.5	-1.1	3.2	4.8	-1.2	3.5	-8.7	7.2
Barclays U.S. TIPS	-1.5	11.0	8.4	-1.3	3.0	4.7	-1.4	3.6	-8.6	7.0
Cash Equivalents	0.1	0.9	2.6	2.3	1.2	0.7	0.5	0.2	0.2	1.3
S&P US AAA & AA Rated GIP 30D Net Yield Index	0.0	0.6	2.2	1.8	0.9	0.4	0.1	0.0	0.1	0.1

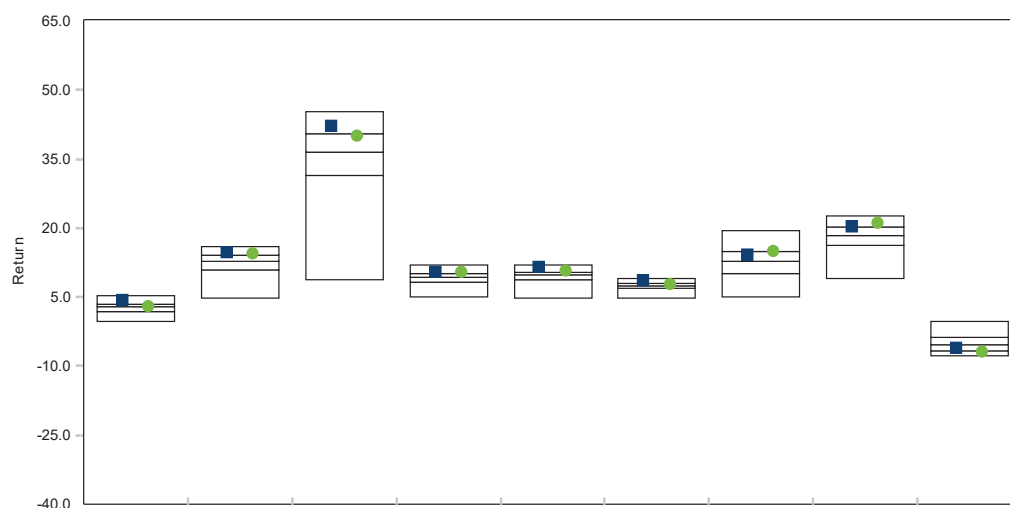
*Global Equity became an asset class in September 2012 by merging the Domestic Equities and Foreign Equities asset classes. The return series prior to September 2012 is a weighted average of Domestic Equities' and Foreign Equities' historical performance.



As of March 31, 2021

Plan Sponsor Peer Group Analysis

All Endowments-Total Fund



	1 Quarter	FYTD	1 Year	3 Years	5 Years	10 Years	2020	2019	2018
■ LCEF Total Fund	4.4 (11)	14.8 (12)	42.1 (15)	10.4 (21)	11.3 (10)	8.6 (12)	14.0 (36)	20.1 (27)	-6.1 (64)
● Total Endowment Target	2.9 (53)	14.3 (21)	40.0 (28)	10.3 (23)	10.6 (19)	7.8 (32)	14.8 (26)	21.2 (17)	-7.0 (83)
5th Percentile	5.2	15.9	45.3	12.1	11.8	9.2	19.4	22.6	-0.3
1st Quartile	3.6	14.0	40.5	10.2	10.4	8.0	14.8	20.2	-3.7
Median	3.0	12.7	36.5	9.2	9.7	7.4	12.7	18.4	-5.4
3rd Quartile	1.9	10.9	31.3	8.2	8.9	6.8	10.1	16.2	-6.6
95th Percentile	-0.4	4.7	8.9	5.0	4.8	4.6	5.0	9.0	-7.8
Population	247	235	238	226	211	150	364	358	290

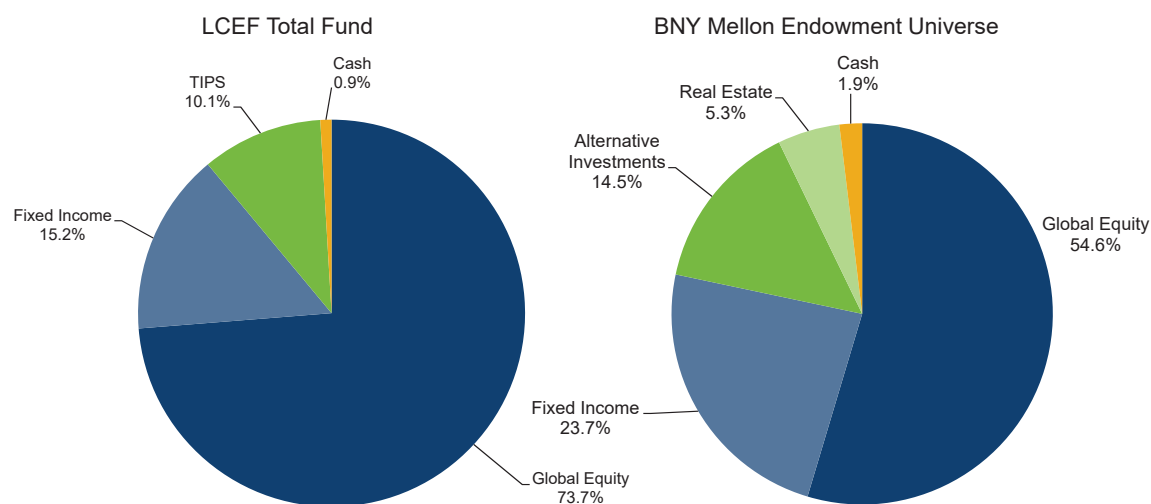
Parentheses contain percentile rankings.



LCEF Total Fund

As of March 31, 2021

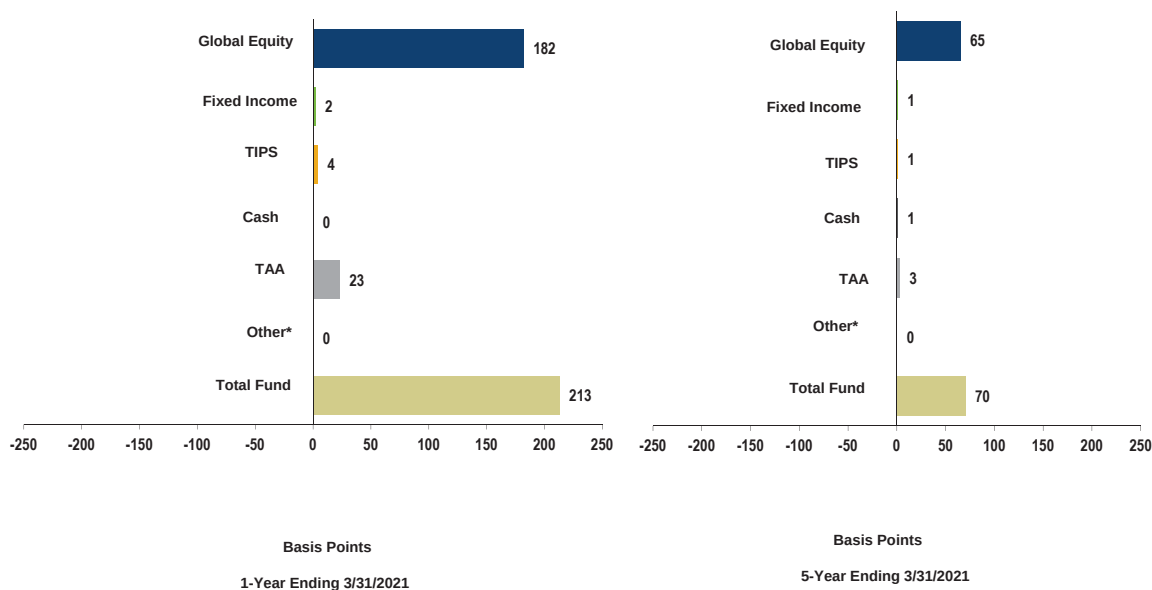
Universe Asset Allocation Comparison



LCEF Total Fund

As of March 31, 2021

Attribution



*Other includes differences between official performance value added due to methodology and extraordinary payouts.





Appendix



As of March 31, 2021

Benchmark Descriptions

LCEF Total Fund

Total Endowment Target - A weighted blend of the individual asset class target benchmarks.

Total Global Equity

MSCI ACWI IMI ex-Tobacco - From 7/1/2014 forward, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. From 10/1/2013 to 6/30/2014, a custom version of the MSCI ACWI IMI adjusted to reflect a 55% fixed weight in the MSCI USA IMI and a 45% fixed weight in the MSCI ACWI ex-USA IMI, and excluding certain equities of tobacco-related companies. From 9/1/2012 to 9/30/2013, a custom version of the MSCI ACWI IMI excluding tobacco-related companies. Prior to 9/1/2012, the benchmark is a weighted average of both the Domestic Equities and Foreign Equities historical benchmarks.

Total Domestic Equities

Russell 3000 Index ex-Tobacco - Prior to 9/1/2012, an index that measures the performance of the 3,000 stocks that make up the Russell 1000 and Russell 2000 Indices, while excluding tobacco companies.

Total Foreign Equities

MSCI ACWI ex-US IMI ex-Tobacco - Prior to 9/1/2012, a capitalization-weighted index representing 46 countries, but excluding the United States. The index includes 23 developed and 24 emerging market countries, and excludes tobacco companies.

Total Fixed Income

Barclays Aggregate Bond Index - A market value-weighted index consisting of the Barclays Credit, Government, and Mortgage-Backed Securities Indices. The index also includes credit card, auto, and home equity loan-backed securities. This index is the broadest available measure of the aggregate investment grade U.S. fixed income market.

Total TIPS

Barclays U.S. TIPS - A market value-weighted index consisting of U.S. Treasury Inflation-Protected Securities with one or more years remaining until maturity with total outstanding issue size of \$500 million or more.

Total Cash Equivalents

S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index - An unmanaged, net-of-fees, market index representative of the Local Government Investment Pool. On 10/1/2011, the S&P U.S. AAA & AA Rated GIP 30-Day Net Yield Index replaced the S&P U.S. AAA & AA Rated GIP 30-Day Gross Yield Index, which was previously used from 4/30/08 - 9/30/11. Prior to 4/30/08, it was the average 3-month T-bill rate.



As of March 31, 2021

Universe Descriptions

LCEF Total Fund

A universe comprised of 463 total endowment portfolio returns, net of fees, calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$463.1 billion as of quarter-end and the average market value was \$1.0 billion.

Total Fixed Income

A universe comprised of 44 total fixed income portfolio returns, net of fees, of endowment plans calculated and provided by BNY Mellon Performance & Risk Analytics and Investment Metrics. Aggregate assets in the universe comprised \$295.8 billion as of quarter-end and the average market value was \$6.7 billion.



As of March 31, 2021

Explanation of Exhibits

Quarterly and Cumulative Excess Performance - The vertical axis, excess return, is a measure of fund performance less the return of the primary benchmark. The horizontal axis represents the time series. The quarterly bars represent the underlying funds' relative performance for the quarter.

Ratio of Cumulative Wealth Graph - An illustration of a portfolio's cumulative, un-annualized performance relative to that of its benchmark. An upward-sloping line indicates superior fund performance versus its benchmark. Conversely, a downward-sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

Performance Comparison - Plan Sponsor Peer Group Analysis - An illustration of the distribution of returns for a particular asset class. The component's return is indicated by the circle and its performance benchmark by the triangle. The top and bottom borders represent the 5th and 95th percentiles, respectively. The solid line indicates the median while the dotted lines represent the 25th and 75th percentiles.



Notes

- The rates of return contained in this report are shown on an after-fees basis unless otherwise noted. They are geometric and time-weighted. Returns for periods longer than one year are annualized.
- Universe percentiles are based upon an ordering system in which 1 is the best ranking and 100 is the worst ranking.
- Due to rounding throughout the report, percentage totals displayed may not sum to 100%. Additionally, individual fund totals in dollar terms may not sum to the plan total.



Disclaimer

Past performance is not necessarily indicative of future results.

Unless otherwise noted, performance returns presented reflect the respective fund's performance as indicated. Returns may be presented on a before-fees basis (gross) or after-fees basis (net). After-fee performance is net of each respective sub-advisors' investment management fees and include the reinvestment of dividends and interest as indicated on the notes page within this report or on the asset allocation and performance summary pages. Actual returns may be reduced by Aon Investments' investment advisory fees or other trust payable expenses you may incur as a client. Aon Investments' advisory fees are described in Form ADV Part 2A. Portfolio performance, characteristics and volatility also may differ from the benchmark(s) shown.

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2021

January						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

February						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

March						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

May						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

June						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

July						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

August						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

September						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

October						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

November						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

Blue is Proposed IAC Meeting

Yellow is Proposed Cabinet Meeting

Note: the IAC and Cabinet are scheduled to meet on the same day in December (12/14/2021).