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

Fiscal Years Ended June 30, 2022 and 2021

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

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Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
State Board of Administration of Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Florida Retirement System ("FRS") Investment Plan Trust Fund (the "Trust") administered by the State Board of Administration ("SBA") of Florida, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust administered by the SBA as of June 30, 2022 and 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the State Board of Administration of Florida or the Florida Retirement System as of June 30, 2022 and 2021, their changes in financial position, or, where applicable, their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4 – 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022 on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Tampa, Florida
November 7, 2022

Management's Discussion and Analysis

Introduction

This section of the financial statements of the Florida Retirement System (FRS) Investment Plan Trust Fund (the Trust) presents management's discussion and analysis of the Trust's financial position for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with the basic financial statements and the accompanying notes, which follow this section.

As further described in Note 1 to the financial statements, the FRS Investment Plan (the Plan) is a defined contribution plan for eligible members of the FRS who have not elected to participate in the FRS Pension Plan, a defined benefit plan, or who are mandated to participate in the Plan as a condition of renewed membership in the FRS.

The Florida Legislature is responsible for establishing Plan structure, benefit levels and contribution rates, and providing statutory authority for the administration of the Plan. The Plan is administered by the State Board of Administration of Florida (the SBA). The SBA has defined the roles and responsibilities of affected employers, the Division of Retirement within the Department of Management Services (DMS), and other service providers pertaining to the Plan.

Contributions to the Plan are collected by DMS and transmitted to the SBA, which deposits them in the Trust. Alight Solutions, the Plan Administrator contracted by the SBA, is responsible for the placement of member-directed trades among investment options offered by the Plan and maintaining records of individual member accounts. Alight Solutions records in each member's account all relevant contributions, withdrawals, fees, and the investment performance of the funds selected by the member. The benefits each member receives from the Plan vary based on the member's individual account balance.

Financial Statements

The financial reporting entity represented in the basic financial statements and accompanying notes is the Trust, which consists of the assets held in trust by the SBA for the payment of retirement benefits and reasonable administrative expenses of the Plan. The assets, liabilities, and net position of the Trust are reported in the annual comprehensive financial reports published by the State of Florida and DMS.

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

Management's Discussion and Analysis

Statements of Net Position

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

	As of June 30		
	2022	**2021**	**2020**
		(In Millions)	
Assets			
Investments	$ 12,852	$ 14,835	$ 11,544
Receivables	68	62	54
Investments sold, but not settled	28	31	54
Total assets	12,948	14,928	11,652
Liabilities			
Payables	3	3	3
Investments purchased, but not settled	68	63	99
Total liabilities	71	66	102
Net position held in trust	$ 12,877	$ 14,862	$ 11,550

Management's Discussion and Analysis

Statements of Changes in Net Position

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

	Fiscal Years Ended June 30		
	2022	2021	2020
		(In Millions)	
Additions			
Net investment (loss)/income	$ (1,903)	$ 3,332	$ 282
Contributions:			
Employer/employee contributions received from DMS	657	605	552
Member-directed benefits received from the FRS Trust Fund	768	668	560
Member-directed rollover deposits	77	70	69
Total contributions	1,502	1,343	1,181
Total additions	(401)	4,675	1,463
Deductions			
Benefit payments to members	1,466	1,217	1,112
Member-directed benefits sent to the FRS Trust Fund	112	140	90
Administrative expenses	6	6	6
Total deductions	1,584	1,363	1,208
Change in net position	(1,985)	3,312	255
Net position held in trust			
Beginning of year	14,862	11,550	11,295
End of year	$ 12,877	$ 14,862	$ 11,550

Management's Discussion and Analysis

Analysis

The Trust's net position decreased by $2.0 billion (-13.4%) and increased by $3.3 billion (28.7%) during fiscal years 2022 and 2021, respectively. For fiscal year 2022, the decrease in net position was primarily due to negative investment performance caused by lingering effects of the Coronavirus-19 pandemic (COVID-19). Global supply chain interruptions and inflationary pressures caused economic uncertainty, and both equity and bond markets posted negative returns.

Trust investments generated a net loss of approximately $1.9 billion for fiscal year 2022 and net income of approximately $3.3 billion for fiscal year 2021. Negative investment performance contributed substantially to the decrease in net income for fiscal year 2022. The overall Trust returned -12.2% in comparison to 28.4% returned for the previous fiscal year. Despite the economic rebound in fiscal year 2021, global tensions and inflationary pressures continued to impact the market during fiscal year 2022. Domestic equities returned -16.3% and international equities returned -20.2% during fiscal year 2022. In contrast, domestic equities returned 45.9% and international equities returned 38.8% during fiscal year 2021. As well, fixed income returned -10.5% and 2.9% for fiscal years 2022 and 2021, respectively. Although overall fixed income generated negative returns for fiscal year 2022, the Stable Value Fund, a new low-risk investment option for the fiscal year, posted a 1.6% return. Stable value funds are similar to money market funds, but focus on the preservation of capital by retaining the value of investments with limited volatility. Additionally, the Retirement Date Funds returned -11.0% and 27.3%, for fiscal years 2022 and 2021, respectively.

Additional analysis of Trust investments can be found in the "Asset Allocation" and "Investment Returns" sections of Management's Discussion and Analysis.

Deductions from the Trust in both fiscal years consist mainly of benefit payments to members. Benefit payments increased by $249.0 million (20.5%) and by $104.6 million (9.4%) during fiscal years 2022 and 2021, respectively. Benefit payments from the Plan vary from year to year based on the number of retirees, their account balances, and the related benefits due during the fiscal year.

Additional Plan highlights and trends follow.

Management's Discussion and Analysis

Plan Participation and Membership

The number of employers participating in the Plan increased slightly over the last three fiscal years. As well, overall Plan membership increased steadily over that same time period due to the Plan default change, which applied January 2018 (see the "Plan Choice" section of Management's Discussion and Analysis).

	As of June 30		
	2022	**2021**	**2020**
Participating employers	988	985	980
Plan membership:			
Active members[1]	187,430	180,836	172,317
Inactive members[2]	96,260	80,549	69,550
Total Plan members	283,690	261,385	241,867

[1] Active members are those employees currently receiving contributions into their retirement account.

[2] Inactive accounts are held on behalf of members who are no longer employed by an eligible employer, so their accounts are not receiving contributions at this time. This includes, but is not limited to, retirees with a remaining balance, plan beneficiaries, and alternate payees as a result of a Qualified Domestic Relations Order.

Active Plan Membership by Class

While membership varies across classes, total active Plan membership has continued to increase over the last three fiscal years.

	As of June 30						
	Regular	**Senior Management**	**Special Risk Admin**	**Elected Officers**	**Special Risk**	**Other**	**Total**
2022	170,387	2,252	23	676	11,019	3,073	187,430
2021	162,296	2,305	25	589	11,654	3,967	180,836
2020	153,382	2,307	22	614	11,877	4,115	172,317

Management's Discussion and Analysis

Plan Choice[1]

Chapter 2017-88, Laws of Florida amended Chapter 121, *Florida Statutes*. The amendment provided that all new hires whose employment in a regularly established position commenced on or after January 1, 2018, or who did not complete an election window before January 1, 2018, will have until the last business day of the 8th month after hire to make a choice between the FRS Pension Plan and FRS Investment Plan. If a new hire does not make an active election by the deadline date, the new hire will default into the FRS Investment Plan, except those who are enrolled in the Special Risk Class (who will continue to default to the FRS Pension Plan). The first group of new hires defaulted into the FRS Investment Plan effective October 1, 2018. For fiscal year ended June 30, 2022, 53.2% of all new hires defaulted to the FRS Investment Plan and 15.9% made an active election to enroll in the FRS Investment Plan. The SBA's Office of Defined Contribution Programs continues to monitor trend information and projections as to the effect the plan choice amendment may have on the Trust.

The number of new employees eligible to make an initial plan choice increased by 4,712 (10.2%) during fiscal year 2022, due to increased hiring by participating FRS employers following the peak of the pandemic. The number of new employees making active elections and defaulting to the FRS Investment Plan also increased during fiscal year 2022. Additionally, the number of employees joining the FRS Investment Plan through a Second Election has increased steadily over the last three fiscal years.

	Fiscal Years Ended June 30		
	2022	**2021**	**2020**
New employees making initial Plan Choice	50,931	46,219	58,203
New employees joining FRS Investment Plan:	35,163	30,642	39,542
Active election	8,085	7,805	9,969
Plan default	27,078	22,837	29,573
Employee Second Elections[2]:			
To the FRS Investment Plan	3,563	3,258	2,638
To the FRS Pension Plan	1,048	1,442	1,171

[1] Plan Choice data is based on unaudited statistics received from Alight Solutions, the Plan Administrator.

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

Management's Discussion and Analysis

Benefit Payments

Benefit payments reflect withdrawals from the Trust in the form of lump sum distributions, partial distributions, rollovers to other qualified retirement plans, and periodic payments to members. The number of members requesting benefit payments during the year decreased by 3,280 (-5.9%) and 4,908 (-8.2%) for fiscal years 2022 and 2021, respectively. The annual amount of benefits disbursed to Plan members varies from year to year due to the number of retirees and the benefit payment amounts due. Benefit payments increased by $249.0 million (20.5%) and $104.6 million (9.4%) for fiscal years 2022 and 2021, respectively. This increase was significantly attributed to market increases in member balances which were rolled over to other qualified retirement plans, and established members requesting lump sum distributions.

	Fiscal Years Ended June 30		
	2022	**2021**	**2020**
Members requesting benefits	51,927	55,207	60,115
Benefit payments *(In Millions)*			
Rollovers	$ 876	$ 745	$ 628
All other	590	472	484
Total benefit payments	$ 1,466	$ 1,217	$ 1,112

Contribution Rates

The Florida Legislature is responsible for establishing employer and employee contribution rates. Employer contribution rates vary by membership class and have remained stable as a percentage of compensation for the last three fiscal years.

Membership Class	Employee Rate FYs 2020-22	Employer Rate[1] FYs 2020-22
Regular	3.00 %	3.30 %
Special risk	3.00	11.00
Special risk: administrative support	3.00	4.95
Legislators	3.00	6.38
Governor, Lt. Governor, and cabinet officers	3.00	6.38
State Attorney and public defenders	3.00	6.38
Justices and judges	3.00	10.23
County and local elected officers	3.00	8.34
Senior management service	3.00	4.67

[1] Employer rates presented in this table do not include employer contributions for the Health Insurance Subsidy (1.66% for FYs 2020-2022), plan administrative/educational expense (.06% for FYs 2020-2022) or the disability and in line-of-duty death programs (varies by membership class) as these amounts are not deposited into the Trust.

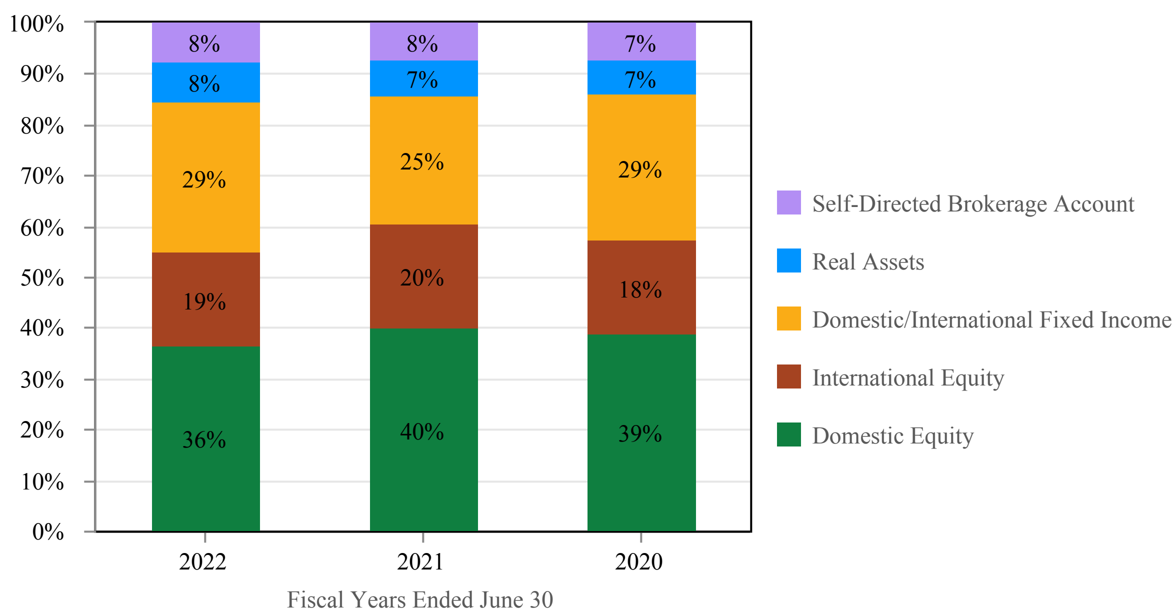
Management's Discussion and Analysis

Asset Allocation

The asset allocation of the Trust is a function of the members' investment decisions across the various investment options offered. The effects of COVID-19 impacted both the member asset allocations and market performance for fiscal year 2022. Equity investments (domestic and international combined) remained the largest allocation, despite the decline in equity market performance during the fiscal year. Allocations to fixed income investments increased due in part to the performance expectations of the new low-risk stable value investment option.

Domestic and international equities generated negative performance for fiscal year 2022, which was driven by the effects of global supply chain interruptions and high inflation. In contrast, equities experienced positive returns for fiscal year 2021, which was driven by U.S. policy intervention and earnings growth in response to COVID-19. Although overall fixed income generated negative returns in fiscal year 2022, members increased allocations to the new FRS Stable Value Fund, which offers a safe-haven during times of market volatility. Lastly, members continued their allocations to the Self-Directed Brokerage Account, which allows for additional investment flexibility. Note 3 to the financial statements describes the Plan's Investment Policy Statement (IPS) and oversight of the Trust's investments.

By Percentage of Invested Assets[1]



[1] International fixed income represents a small fraction (less than 1%) of the overall Trust investments and is combined with domestic fixed income for charting purposes.

Management's Discussion and Analysis

Investment Returns

The Trust's performance is a function of the members' decisions about their asset allocations and the investment options' performance. The SBA does not influence asset mix decisions; however, investment performance affects the Trust's net position.

The Trust's total return for fiscal year 2022 was -12.2%, which was below the target total benchmark of -11.1%. As of June 30, 2022, the Trust posted negative returns for all investment types, except stable value, which posted a 1.6% return. The Trust's overall performance compared with its benchmark reflects the weighted performance for the underlying fund options in which members are investing.

The Trust's investment returns[1] were as follows:

	Fiscal Years Ended June 30		
Investment Type	**2022**	**2021**	**2020**
Retirement Date Funds [2]	-11.0%	27.3%	2.3%
Short-term	—	0.2	1.7
Stable value	1.6	—	—
Real assets	-1.5	18.1	0.1
Fixed income	-10.5	2.9	7.3
Domestic equity	-16.3	45.9	4.0
International equity	-20.2	38.8	-2.0
Total Trust return	-12.2%	28.4%	2.6%
Total Trust aggregate benchmark	-11.1	27.3	2.0
Over (under) benchmark	-1.1%	1.1%	0.6%

[1] The above investment performance information for each fiscal year is the official investment return data supplied by the SBA's master custodian and performance measurement service provider, BNY Mellon Performance Reporting and Analytics Services.

[2] Retirement Date Funds consist of Plan investments in various proportions.

Performance for the Self-Directed Brokerage Account is not included since there is no comparable benchmark. Members assume the full risk and responsibility for the investments they have selected in the Self-Directed Brokerage Account and for monitoring the performance of these investments.

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

Management's Discussion and Analysis

Economic Factors

On the heels of exceptional market growth, the 2022 fiscal year ended with most equity and bond markets in double digit negative territory. The war in Ukraine was the prevailing story, though causes of the economic volatility were present prior to Russia's invasion. Lingering effects of the COVID-19 pandemic continued to strain global supply chains and inflationary pressures began to surface in late 2021, making the prospects of rate hikes inevitable. As the war hit mid-year, it worsened the already strained supply chain and pushed inflation to levels not seen in over 40 years in the United States.

Central banks around the globe began to tighten monetary policy in response to the rise in inflation. The U.S. Federal Reserve (Fed) increased its benchmark interest rate by 25 basis points in March 2022 and formally ended quantitative easing[1]. As inflation persisted, the Fed became more aggressive with a 50 basis point increase in May 2022, followed by a 75 basis point rise in June 2022. Nevertheless, through the end of the 2022 fiscal year, inflation continued to rise, with U.S. CPI hitting 9.1% year-over-year in June, the fastest pace for inflation since 1981.

As central banks worked to combat persistent inflation, most bond markets saw a rise in yields. In the U.S., the 10-year Treasury yield doubled from 1.5% to 3.0% by the end of the year and sent bond prices in the opposite direction. The U.S. bond market declined by 10.3% over the year, as measured by the Bloomberg Barclays Aggregate Bond Index.

With both equity and bond markets declining by double digits, most total return investors felt notable declines from a large portion of their investment portfolios. Global equities declined by 16.5% for the one-year period, as defined by the MSCI All Country World Investable Market Index (ACWI IMI). As well, the Russell 3000 Value Index declined by 7.5%, while the Russell 3000 Growth Index declined by 19.8%. Similar dispersion was seen across value and growth international equities as well.

Despite declining equity and bond markets, commodities trended higher as food and energy prices increased. While the impact on most private market (real asset) returns are yet to be fully known, we expect real assets, especially those with lower correlations to equity markets, to offer some relief from the volatility experienced across publicly traded equities and bonds.

Overall, the 2022 fiscal year was volatile, leaving investors with more uncertainty than clarity. Most total return investors experienced negative results over the year, as traditional diversification via core bonds was generally ineffective to combat the equity market risk. Allocations across alternative asset classes, especially real assets, served investors well during the year, offering a strong reminder as to the benefits of diversification.

[1] Quantitative easing is a form of monetary policy in which a central bank (e.g., U.S. Federal Reserve) purchases securities from the open market to increase the domestic money supply and stimulate economic activity.

Management's Discussion and Analysis

Contacting the Trust's Financial Management

This financial report is designed to provide citizens, taxpayers, Plan members, and other interested parties with an overview of the Trust's finances and the prudent exercise of the SBA's oversight. If you have any questions regarding this report or need additional information, please contact the Chief of Defined Contribution Programs, State Board of Administration of Florida, P.O. Box 13300, Tallahassee, FL 32317.

Statements of Net Position

	As of June 30	
	2022	2021
	(In Thousands)	
Assets		
Cash and cash equivalents	$ 18	$ 31
Investments:		
Fixed income	3,712,055	3,707,862
Equity	7,108,525	8,864,335
Real assets	999,063	1,044,057
Self-Directed Brokerage Account	1,031,641	1,219,127
Total investments	12,851,284	14,835,381
Receivables:		
Accounts receivable	41	70
Interest and dividends	3,496	1,822
Margin receivable from counterparty	30	—
Due from DMS	64,836	60,226
Investments sold, but not settled	27,812	30,834
Total receivables	96,215	92,952
Total assets	12,947,517	14,928,364
Liabilities		
Payables:		
Accounts payable and accrued liabilities	3,340	2,968
Investments purchased, but not settled	67,584	63,267
Total liabilities	70,924	66,235
Net position held in trust	$ 12,876,593	$ 14,862,129

See accompanying notes to the financial statements.

Statements of Changes in Net Position

	Fiscal Years Ended June 30	
	2022	2021
	(In Thousands)	
Additions		
Investment income:		
Dividend income	$ 25,452	$ 14,638
Interest and other investment income	6,843	7,207
Fines, forfeits, and securities litigation proceeds	53	12
Net (decrease)/increase in fair value of investments	(1,928,068)	3,315,661
Total investment (loss)/income	(1,895,720)	3,337,518
Investment expenses:		
Bank fees	(539)	(400)
Other fees	(41)	(3)
Investment management fees	(7,156)	(5,211)
Total investment expenses	(7,736)	(5,614)
Net (loss)/income from investments	(1,903,456)	3,331,904
Contributions:		
Employer/employee contributions received from DMS	657,066	605,023
Member-directed benefits received from the FRS Trust Fund	768,107	668,695
Member-directed rollover deposits	77,137	70,087
Total contributions	1,502,310	1,343,805
Total additions	(401,146)	4,675,709
Deductions		
Benefit payments to members	1,466,033	1,216,495
Member-directed benefits sent to the FRS Trust Fund	111,923	140,432
Administrative expenses	6,434	6,318
Total deductions	1,584,390	1,363,245
Change in net position	(1,985,536)	3,312,464
Net position held in trust		
Beginning of year	14,862,129	11,549,665
End of year	$ 12,876,593	$ 14,862,129

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. Financial Reporting Entity

The Florida Retirement System (FRS) Investment Plan (the Plan), a defined contribution pension plan, qualified under Internal Revenue Code Section 401(a), was established pursuant to Section 121.4501, *Florida Statutes*, to provide for retirement benefits for eligible employees of the State and all participating county, district school board, community college and university employees as an alternative to the FRS Pension Plan or other optional retirement plans. Additionally, certain retirees of the FRS who return to employment with a participating employer are mandatory participants of the Plan. Under the Plan, employers and employees make contributions to an account, set up in the member's name, and the member directs the investments in the account, choosing from a number of diverse investment options selected and monitored by the State Board of Administration of Florida (the SBA). The Plan was first offered to public sector employees in fiscal year 2003, and was modeled after private sector 401(k) plans. The Plan's and the SBA's financial activities are reported in the annual comprehensive financial report of the State of Florida. The SBA is governed by a Board of Trustees, comprised of the Governor, as Chair, the Attorney General, and the Chief Financial Officer of the State of Florida.

The FRS Investment Plan Trust Fund (the Trust) was established pursuant to Section 121.4502, *Florida Statutes*, to hold the assets of the Plan in trust for the exclusive benefit of the Plan's members.

The Trust is a separate legal entity within the State of Florida. These financial statements and notes include only the net position and changes in net position of the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA, or the Plan as of June 30, 2022 and 2021, nor the changes in their financial position for the years then ended, in conformity with accounting principles generally accepted in the United States (GAAP).

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

The Trust reports all cash on hand and deposits in banks as cash and cash equivalents. See Note 3, Deposits and Investments, for additional information.

Investment Valuation

Investments are reported in accordance with GASB reporting standards as follows:

- Money market funds at amortized cost.
- Stable value funds at contract value (sometimes referred to as book value), which is principal plus credited interest, and at the net asset value (NAV) per share of the funds as reported by external investment managers.
- Commingled funds at the NAV of units held at the end of the period based upon the fair value of the underlying investments as reported by the external investment manager.
- Other investments at the most recent market price as of the close of the markets on June 30, or the most recent market close of each fiscal year, if the markets are closed on June 30. If a market price is not readily determinable, alternative pricing methodologies may be used to determine fair value. Alternative pricing may include methodologies such as matrix-pricing, stale pricing, broker bids, or cost/book value.

Income Recognition

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

Administrative Expenses

Pursuant to Section 121.4502, *Florida Statutes*, and in accordance with Internal Revenue Service Revenue Ruling 84-156, reasonable administrative expenses of the Plan may be paid from the Trust. These expenses may include the activities of the Plan administrator, Plan custodian, investment and administrative consulting, and other services rendered for the benefit of Plan members.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

Investment Management Fees

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

Use of Estimates

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

Additionally, the lingering effects of the COVID-19 pandemic have caused global supply chain interruptions and high inflation. The uncertainty regarding continued economic recovery precludes any prediction as to the long-term impact of COVID-19 on financial market and economic conditions. The estimates and assumptions underlying these financial statements are based on the information available as of June 30, 2022, including judgments about the financial market and economic conditions, which may change over time.

New Accounting Standards

In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report (GASB 98)*. The objective of this Statement is to establish the term annual comprehensive financial report and its acronym ACFR. The usage of the new term and acronym are effective for reporting periods ending after December 15, 2021. The requirements of GASB 98 were implemented beginning in fiscal year 2021 and the changes are reflected in the accompanying financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97)*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 97, as the Trust is accounted for separately as an investment trust fund and is administered by the SBA, which is governed by a three-member Board of Trustees.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (GASB 93)*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The replacement of an IBOR upon which variable payments depend in lease contracts is effective for fiscal year periods beginning after June 15, 2021, and reporting periods thereafter. All other requirements of GASB 93 are effective for reporting periods beginning after June 15, 2020. The statements of net position and statements of changes in net position are not affected by the adoption of GASB 93, as the Trust does not hold hedging derivative instruments or leases. However, the SBA continues to review the applicability of this Statement as it pertains to the Trust for the removal of LIBOR as an appropriate benchmark interest rate.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020 (GASB 92)*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

1. The effective date of Statement No. 87, *Leases* and Implementation Guide No. 2019-3, *Leases*, for interim financial reports.
2. Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
3. The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits.
4. The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements.
5. Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
6. Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
7. Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
8. Terminology used to refer to derivative instruments.

The requirements of items 1, 6, and 8 were effective upon issuance of this Statement. The requirements of items 2, 3, 4, 5, and 7 are effective for reporting periods beginning after June 15, 2021. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 92, as the Trust does not hold derivative instruments and is accounted for as an investment trust fund.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89)*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. The Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and as an expenditure on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The statements of net position and the statements of changes in net position are not affected by the adoption of GASB 89, as the Trust does not construct assets and is accounted for as an investment trust fund.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

In June 2017, the GASB issued Statement No. 87, *Leases (GASB 87)*. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Additionally, if the underlying asset in a lease meets the requirements in Statement No. GASB 72, *Fair Value Measurement and Application (GASB 72)*, to be reported as an investment measured at fair value, the requirements of this statement do not apply, unless debt was issued for which principal and interest payments are secured by lease payments. The requirements of GASB 87 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The statements of net position, the statements of changes in net position and related notes are not affected by the adoption of GASB 87, as the Trust holds investments measured at fair value in accordance with GASB 72 and does not issue debt for which principal and interest payments are secured by lease payments.

Notes to the Financial Statements

3. Deposits and Investments

Deposits

The reported carrying amount of deposits totaled $18.1 thousand and $31.0 thousand at June 30, 2022 and 2021, respectively. All deposits were held in U.S. dollars. See Custodial Credit Risk for additional information.

Investments

The Plan has an Investment Policy Statement (IPS) that includes, among other items, the investment objectives of the Plan, manager selection, monitoring guidelines, and performance measurement criteria. The IPS is reviewed no less than annually to ensure the structure and guidelines are appropriate, taking into consideration the Plan's goals and objectives.

The primary investment objectives of the Plan are to: (1) offer a diversified mix of low-cost investment options that span the risk-return spectrum and give members the opportunity to accumulate retirement benefits; (2) offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees, that seek to achieve or exceed the returns on comparable market benchmark indices; and (3) offer members meaningful, independent control over the assets in their account.

The SBA's Executive Director & Chief Investment Officer is responsible for selecting, evaluating, and monitoring performance of the investment options, with a focus on maximizing return within appropriate risk constraints outlined in the Plan's IPS. The Plan offers a number of low-cost institutional investment funds that invest in various short-term, fixed income, and equity securities.

The Plan offers ten customized Retirement Date Funds that consist of mixtures of various asset classes. At the end of fiscal year 2022, 88% of the Plan's members had allocated at least some of their assets to one or more of the available Retirement Date Funds. Approximately 48% of total Trust assets were held in the Retirement Date Funds, which are constructed using the various investment funds offered in the Plan.

The Plan also offers a Stable Value Fund, which consists of two collective trust funds (CTFs) and one separately managed trust. The separate trust consists of three fully benefit-responsive synthetic guaranteed investment contracts (SGICs), often referred to as "wrap contracts". The wrap contracts are issued by insurance companies and banks to stabilize the fund's investment return on various fixed income securities, providing participants with a low-risk investment option that seeks to provide stable returns that exceed other low-risk investments over the long term. The wrap contracts allow participants to withdraw or transfer their balances in the Stable Value Fund at contract value, which is principal plus credited interest. As of June 30, 2022, the fair values of the underlying investments and the wrap contracts held in the separate trust totaled $249.0 million and $15.0 million, respectively.

The crediting interest rate for the stable value funds is determined quarterly and is derived from the book value yield of the underlying securities net of fees. Interest is credited daily.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The SBA follows the Florida Statutes' fiduciary standards of care in managing the Plan's investment options. The SBA Trustees appoint members to serve on the Investment Advisory Council, which makes recommendations on the Trust's investment policy, strategy, and procedures.

Self-Directed Brokerage Account

Beginning in January 2014, a Self-Directed Brokerage Account (SDBA) was added as an option available to Plan members. The SDBA allows Plan members to invest in thousands of different investments in addition to the Plan's primary investment funds. It is offered through Alight Financial Solutions (AFS), a subsidiary of Alight Solutions, the Plan Administrator.

The SDBA is for experienced investors who want the flexibility to invest in a variety of options beyond those available in the Plan's primary investment funds. It is not suitable for all members.

The SDBA provides access to the following investment instruments:

- Stocks listed on a Securities Exchange Commission (SEC) regulated national exchange;
- Exchange Traded Funds (except for leveraged Exchange Traded Funds); and
- Mutual Funds (except for any of the Plan's primary investment funds).

The SDBA accessibility does not include any of the following as investment alternatives:

- Illiquid investments;
- Over the Counter Bulletin Board (OTCBB) securities;
- Pink Sheet® (PS) securities;
- Leveraged Exchange Traded Funds;
- Direct Ownership of Foreign Securities;
- Derivatives, including, but not limited to futures and options contracts on securities, market indexes, and commodities;
- Buying/Trading on Margin;
- Limited Partnership Interests;
- FRS Investment Plan products; or
- Any investment that would jeopardize the FRS Investment Plan's tax qualified status.

A Plan member may participate in the SDBA if the member:

- Maintains a minimum balance of $5,000 in the primary investment options offered under the FRS Investment Plan;
- Makes a minimum initial transfer of funds into the SDBA of $1,000;
- Makes subsequent transfers of funds into the SDBA in amounts of $1,000 or greater;
- Pays all trading fees, commissions, administrative fees and any other expenses associated with participating in the SDBA; and
- Does not violate any trading restrictions established by the provider, the FRS Investment Plan, or state or federal law.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The SBA is not responsible for managing the SDBA beyond administrative requirements as established between the SBA and AFS. As such, investment alternatives available through the SDBA have not been subjected to any selection process, are not monitored by the SBA, require the member's investment expertise to prudently buy, manage and/or dispose of, and have a risk of substantial loss.

Fund Lineup Changes

Effective July 1, 2021, the Plan's investment fund lineup changed whereby the FRS Money Market Fund, available to members, was replaced with the FRS Stable Value Fund. The changes, approved by the SBA's IAC and Board of Trustees, were made with the objective of providing greater returns for members going forward.

While generally offering higher returns and valued at net asset value, stable value funds have similar deposit and investment risks to that of money market funds in that they are lower risk investment options, which focus on the preservation of capital by retaining the value of investments with limited volatility. Stable value funds invest in high quality fixed income securities and utilize wrap contracts offered by banks and insurance companies for principal stability.

Investment Performance

The SBA staff, consultants, and Trustees review the Trust's performance quarterly. The long-term performance of each actively-managed investment option is expected to exceed the returns on its performance benchmark, net of all fees and charges, while avoiding large year-to-year deviations from the returns of the performance benchmark. The long-term performance of each passively-managed investment option is expected to closely approximate returns of the performance benchmark, net of all fees and charges. At the total Trust level, performance is evaluated by asset class and is measured on an absolute basis and relative to appropriate market benchmarks for each investment option. Performance data is aggregated for the total Trust and for each product type or asset class, using member allocations as weighting factors. Performance for the SDBA is not included since there is no comparable benchmark. The member assumes the full risk and responsibility for the investments selected in the SDBA and for monitoring the performance of these investments. More detailed information can be obtained by visiting the Florida Retirement System website at MyFRS.com.

3. Deposits and Investments (continued)

The following schedule discloses the Trust's investments, by type, at June 30, 2022 and 2021.

Investment Type [1]	As of June 30 2022	2021
	(In Thousands)	
Fixed income		
Money market funds	$ 32,624	$ 1,077,854
Stable value funds	1,328,330	—
U.S. guaranteed obligations	106,567	141,344
Federal agencies	81,894	83,883
Domestic bonds and notes	119,859	122,071
International bonds and notes	17,385	19,184
Domestic commingled funds	2,025,396	2,263,526
Total fixed income	3,712,055	3,707,862
Equity		
Domestic	611,046	385,011
International	45,073	16,131
Domestic commingled/mutual funds	4,089,930	5,587,535
International commingled/mutual funds	2,362,476	2,875,658
Total equity	7,108,525	8,864,335
Commingled real asset funds	999,063	1,044,057
Self-Directed Brokerage Account	1,031,641	1,219,127
Total investments	**$ 12,851,284**	**$ 14,835,381**

[1] Retirement Date Funds are comprised of portions of the investments shown in this table.

Margin Collateral

Cash may be pledged as collateral with the investment manager counterparties in order to meet initial margin requirements for commitments to purchase (TBAs), which are contracts to purchase mortgage backed securities (MBS) at a later date. Such initial margin amounts are reflected as "Margin receivable from counterparty" on the statements of net position. The initial margin amount receivable from the broker as of June 30 2022, for TBAs, totaled $30.0 thousand.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Fair Value Hierarchy

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

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

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

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

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

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

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

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

The SDBA is classified as Level 2, since the individual, underlying assets are priced by observable inputs. The SDBA Administrator uses an external pricing source to value the underlying investments and aggregates the overall investment values into a total account fair value for reporting purposes.

Certain investments, such as money market funds, are carried at amortized cost, and not priced at fair value. Mutual funds are valued at the quoted price traded on the exchanges. Commingled investments are measured at the net asset value (NAV) per share (or its equivalent) as provided by the investment manager. The stable value funds are valued daily through a combination of NAV per share (or its equivalent), which approximates fair value, and contract value, which is principal plus accrued interest.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The Trust has the following fair value measurements as of June 30, 2022 and June 30, 2021.

Investments by Fair Value Level	Total	As of June 30, 2022 Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)
		(In Thousands)		
Fixed income				
U.S. guaranteed obligations	$ 106,567	$ —	$ 105,794	$ 773
Federal agencies	81,894	—	81,894	—
Domestic bonds and notes	119,859	—	119,602	257
International bonds and notes	17,385	—	17,385	—
Total fixed income	325,705	—	324,675	1,030
Equity				
Domestic	611,046	611,046	—	—
International	45,073	45,073	—	—
Domestic equity mutual funds	82,814	82,814	—	—
International equity mutual funds	415,164	415,164	—	—
Total equity	1,154,097	1,154,097	—	—
Self-Directed Brokerage Account	1,031,641	—	1,031,641	—
Total investments by fair value level	2,511,443	1,154,097	1,356,316	1,030
Investments at net asset value (NAV)		Redemption Frequency (If Eligible)	Redemption Notice Period	
Stable value funds[1]	1,064,293	Daily	2 Days	
Commingled fixed income funds[2]	2,025,396	Daily	2 - 15 Days	
Commingled domestic equity funds[3]	4,007,116	Daily	2 - 5 Days	
Commingled international equity funds[4]	1,947,312	Daily	2 Days	
Commingled real asset funds[5]	999,063	Daily	1 - 15 Days	
Total investments measured at NAV	10,043,180			
Investments at contract value				
Stable value funds[1]	264,037			
Investments at amortized cost				
Money market funds	32,624			
Total investments	$ 12,851,284			

1 *Stable Value Funds*: Two funds are collective trust funds (CTFs) and considered to be commingled in nature, and are valued daily at the net asset value per share as reported by the investment manager. One fund is a separately managed trust and is valued at contract value, which is principal plus accrued interest. These funds consist of fixed income securities and wrap contracts. Although similar to money market funds, these stable value funds focus on the preservation of capital by retaining the value of investments with limited volatility.

2 *Commingled Fixed Income Funds*: One Treasury Inflation Protected Securities (TIPS) fund and five fixed income funds are considered to be commingled in nature. The TIPS fund seeks long-term real total return and is designed to keep pace with inflation. The commingled fixed income funds utilize various investment strategies such as short/intermediate duration, index/benchmark tracking, high-yield, and corporate/government investment grade debt. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

3 *Commingled Domestic Equity Funds*: Four domestic equity funds are considered to be commingled in nature. These commingled domestic equity funds utilize various investment strategies such as index/benchmark tracking, small/mid cap, and large cap growth/value seeking appreciation and income. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

4 *Commingled International Equity Funds*: One international equity fund is considered to be commingled in nature. This fund invests in a portfolio of international equity securities whose total rates of return will approximate as closely practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

5 *Commingled Real Asset Funds*: These two funds consist of various investments such as real estate, commodities, floating rate loans, energy industry Master Limited Partnerships, global infrastructure, and agriculture. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investments by Fair Value Level	Total	As of June 30, 2021 — Fair Value Measurements Using (Level 1)	(Level 2)	(Level 3)
		(In Thousands)		
Fixed income				
U.S. guaranteed obligations	$ 141,344	$ —	$ 141,344	$ —
Federal agencies	83,883	—	83,883	—
Domestic bonds and notes	122,071	—	121,352	719
International bonds and notes	19,184	—	19,184	—
Total fixed income	366,482	—	365,763	719
Equity				
Domestic	385,011	385,011	—	—
International	16,131	16,131	—	—
Domestic equity mutual funds	119,325	119,325	—	—
International equity mutual funds	623,003	623,003	—	—
Total equity	1,143,470	1,143,470	—	—
Self-Directed Brokerage Account	1,219,127	—	1,219,127	—
Total investments by fair value level	2,729,079	1,143,470	1,584,890	719
Investments at net asset value (NAV)		Redemption Frequency (If Eligible)	Redemption Notice Period	
Commingled fixed income funds[1]	2,263,526	Daily	2 - 15 Days	
Commingled domestic equity funds[2]	5,468,210	Daily	2 - 5 Days	
Commingled international equity funds[3]	2,252,655	Daily	2 Days	
Commingled real asset funds[4]	1,044,057	Daily	1 - 15 Days	
Total investments measured at NAV	11,028,448			
Investments at amortized cost				
Money market funds	1,077,854			
Total investments	$ 14,835,381			

1 *Commingled Fixed Income Funds*: One Treasury Inflation Protected Securities (TIPS) fund and five fixed income funds are considered to be commingled in nature. The TIPS fund seeks long-term real total return and is designed to keep pace with inflation. The five commingled fixed income funds utilize various investment strategies such as short/intermediate duration, index/benchmark tracking, high-yield, and corporate/government investment grade debt. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

2 *Commingled Domestic Equity Funds*: Seven domestic equity funds are considered to be commingled in nature. These commingled domestic equity funds utilize various investment strategies such as index/benchmark tracking, small/mid cap, and large cap growth/value seeking appreciation and income. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

3 *Commingled International Equity Funds*: One international equity fund is considered to be commingled in nature. This fund invests in a portfolio of international equity securities whose total rates of return will approximate as closely practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

4 *Commingled Real Asset Funds*: These two funds consist of various investments such as real estate, commodities, floating rate loans, energy industry Master Limited Partnerships, global infrastructure, and agriculture. Each fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

Notes to the Financial Statements

3. Deposits and Investments (continued)

Deposit and Investment Risk

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

The Plan's IPS provides a statement of objectives for the Plan, general guidelines for each asset class and the Retirement Date Funds, as well as educational services to help members manage the level of risk associated with the choices they make with their individual investment accounts.

Investments available through the Plan's SDBA are not selected or monitored by the SBA. The SDBA investments are subject to Alight Financial Solutions' Self-Directed Brokerage Account guidelines and the risks inherent in the types of investments selected by participating Plan members.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (GASB 40), requires that certain risks be discussed in the financial statements. These risks include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each of these risks is managed by the Trust's investment advisors, subject to guidelines set forth in prospectuses, Statements of Additional Information, and other governing documents.

Credit Risk

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

The stable value funds are permitted to invest in investment grade fixed income instruments, including those of the U.S. Government and Agencies, corporate bonds, and asset-backed securities. The weighted average credit quality of the securities held must be maintained at a minimum rating of AA- or equivalent by at least one of the NRSROs.

The mutual funds and commingled trust funds in the Trust are institutional funds and, as such, are not rated by the NSRSOs.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The following tables disclose credit quality ratings related to credit risk on investments held in the Trust as of June 30, 2022 and 2021.

Credit Quality Ratings [1] S&P	Moody's	Total	Money Market Funds	Stable Value Funds	Federal Agencies [3]	Domestic Bonds and Notes	Commingled Fixed Income	International Bonds and Notes
		As of June 30, 2022 (In Thousands)						
AAA		$ 25,212	$ —	$ —	$ —	$ 25,212	$ —	$ —
AA		5,409	—	—	320	4,929	—	160
A		33,344	—	—	—	26,856	—	6,488
BBB		43,210	—	—	—	35,218	—	7,992
BB		3,655	—	—	—	3,008	—	647
B		790	—	—	—	790	—	—
	Aaa	15,770	—	—	—	15,770	—	—
	Aa	768	—	—	—	—	—	768
	A	2,250	—	—	—	2,250	—	—
	Baa	4,957	—	—	—	3,627	—	1,330
	Ba	1,384	—	—	—	1,384	—	—
NR	NR	3,468,739	32,624	1,328,330	81,574	815	2,025,396	—
		3,605,488	32,624	1,328,330	81,894	119,859	2,025,396	17,385
Ratings not applicable:								
U.S. guaranteed obligations [2]		106,567						
Total fixed income investments		$ 3,712,055						

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

[2] U.S. guaranteed obligations, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.

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

Notes to the Financial Statements

3. Deposits and Investments (continued)

Credit Quality Ratings [1] S&P	Credit Quality Ratings [1] Moody's	Total	Money Market Funds	Federal Agencies [3]	Domestic Bonds and Notes	Commingled Fixed Income	International Bonds and Notes
		As of June 30, 2021 (In Thousands)					
AAA		$ 21,119	$ —	$ —	$ 21,119	$ —	$ —
AA		6,403	—	—	5,739	—	664
A		22,976	—	—	19,926	—	3,050
BBB		55,202	—	—	43,967	—	11,235
BB		6,363	—	—	4,880	—	1,483
B		1,266	—	—	1,266	—	—
	Aaa	11,867	—	—	11,867	—	—
	Aa	1,378	—	—	443	—	935
	A	3,433	—	—	3,113	—	320
	Baa	7,312	—	—	5,815	—	1,497
	Ba	2,699	—	—	2,699	—	—
NR	NR	3,426,500	1,077,854	83,883	1,237	2,263,526	—
		3,566,518	1,077,854	83,883	122,071	2,263,526	19,184
Ratings not applicable:							
U.S. guaranteed obligations [2]		141,344					
Total fixed income investments		$ 3,707,862					

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

[2] U.S. guaranteed obligations, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.

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

Notes to the Financial Statements

3. Deposits and Investments (continued)

Custodial Credit Risk

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

As stated in SBA's custodial credit policy, the SBA seeks to minimize custodial credit risk through the use of trust accounts maintained at top tier third-party custodian banks, whose creditworthiness is monitored by the SBA. To the extent possible, the SBA's negotiated custody contract requires that deposits and investments be held in accounts in the SBA's name, separate and apart from the assets of the custodian bank. In addition, un-invested cash for all portfolios/ funds under SBA management is generally swept nightly into overnight investments, thereby reducing the Trust's exposure to custodial credit risk. On occasion, however, the Trust's cash balances can exceed federally-insured limits.

U.S. dollar deposits held at SBA's custodian bank are covered by the Federal Deposit Insurance Corporation (FDIC) up to the maximum available limits. Cash deposits totaling $18.1 thousand and $31.0 thousand were held as of June 30, 2022 and June 30, 2021, respectively, and were fully insured by the FDIC.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust did not hold any investments with a single issuer representing 5% or more of the Trust's fair value at June 30, 2022 or 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income instruments.

The Plan's IPS provides that money market funds will offer high-quality, liquid, short-term instruments to control interest rate sensitivity. The other fixed income funds may be passively or actively managed. In both cases, the funds' sensitivity to interest rate changes generally will closely approximate that of the performance benchmark.

The stable value funds are generally limited to a maximum weighted average duration of 3.5 to 4 years.

Notes to the Financial Statements

3. Deposits and Investments (continued)

The interest rate risk tables for the Trust as of June 30, 2022 and 2021, are presented below. Investment types, related to fixed come portfolios, are presented using effective weighted duration.

	As of June 30, 2022	
Investment Type	**Total**	**Effective Weighted Duration**
	(In Thousands)	*(In Years)*
Money market funds	$ 32,624	0.09
Stable value funds	1,328,330	2.91
Fixed income commingled funds	2,025,396	6.00
U.S. guaranteed obligations:		
Treasury bonds and notes	88,652	8.53
Bonds and notes	388	3.93
GNMA mortgage-backed	10,039	5.86
GNMA commitments to purchase (TBAs)	3,545	4.30
Mortgage-backed CMOs and CMBS	3,943	6.64
Federal agencies:		
Unsecured bonds & notes	1,225	8.02
Mortgage-backed	51,666	5.65
FNMA, FHLMC commitments to purchase (TBAs)	20,344	3.12
Mortgage-backed CMOs and CMBS	8,659	5.01
Domestic:		
Corporate bonds and notes	73,595	7.09
Asset and mortgage-backed	31,880	2.62
Mortgage-backed CMOs and CMBS	13,446	2.73
Municipal/provincial	938	15.57
International:		
Corporate bonds and notes	14,781	5.72
Government and agency obligations	2,604	10.94
Total fixed income investments	$ 3,712,055	

Notes to the Financial Statements

3. Deposits and Investments (continued)

Investment Type	As of June 30, 2021 Total	Effective Weighted Duration
	(In Thousands)	*(In Years)*
Money market funds	$ 1,077,854	0.08
Fixed income commingled funds	2,263,526	6.24
U.S. guaranteed obligations:		
Treasury bonds and notes	125,839	6.93
Bonds and notes	511	4.40
GNMA mortgage-backed	12,260	4.03
GNMA commitments to purchase (TBAs)	1,035	5.04
Mortgage-backed CMOs and CMBS	1,699	3.97
Federal agencies:		
Mortgage-backed	42,147	3.80
FNMA, FHLMC commitments to purchase (TBAs)	30,351	5.67
Mortgage-backed CMOs and CMBS	11,385	4.40
Domestic:		
Corporate bonds and notes	79,728	8.45
Asset and mortgage-backed	28,028	2.54
Mortgage-backed CMOs and CMBS	13,106	2.12
Municipal/provincial	1,209	17.42
International:		
Corporate bonds and notes	14,059	7.44
Government and agency obligations	5,125	10.64
Total fixed income investments	$ 3,707,862	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Trust's actively managed fixed income and equity portfolios are prohibited from holding any non-U.S. dollar denominated securities.

Although the Trust's commingled funds are denominated in U.S. dollars, the international equity and real asset funds may have underlying investments exposed to foreign currency risk in various currencies. The fair value of the equity international commingled/mutual funds was $2.4 billion and $2.9 billion as of June 30, 2022 and 2021, respectively. The fair value of the commingled real asset funds was $1.0 billion and $1.0 billion as of June 30, 2022 and 2021, respectively.

Notes to the Financial Statements

4. Contingencies and Litigation

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

5. Related-Party Transactions

The Trust considers the State of Florida and its Department of Management Services (DMS), Division of Retirement, and the Florida Retirement System Trust Fund (FRS Trust Fund) to be related parties for the purpose of the financial statements.

The DMS is responsible for the receipt of member demographic data and for collecting employer and employee contributions and remitting those contributions to the SBA for deposit into the Trust for the benefit of the Plan members. In addition, the DMS provides administrative services to the Trust and charges an administrative fee based on membership in the FRS Investment Plan each quarter-end. The FRS Trust Fund is the source of funding for a member's accumulated benefit obligation (ABO) when a member in the FRS Pension Plan elects to join the FRS Investment Plan. The FRS Trust Fund is also a recipient of certain benefits returned to the Trust.

The table below discloses significant transactions between the Trust, the DMS, and the FRS Trust Fund.

	As of June 30	
	2022	**2021**
	(In Thousands)	
Receivables:		
Due from DMS	$ 64,836	$ 60,226

	Fiscal Years Ended June 30	
	2022	**2021**
	(In Thousands)	
Additions:		
Employer/employee contributions received from DMS	$ 657,066	$ 605,023
Member-directed benefits received from the FRS Trust Fund	768,107	668,695
Total additions	$ 1,425,173	$ 1,273,718
Deductions:		
Member-directed benefits sent to the FRS Trust Fund	$ 111,923	$ 140,432
Administrative fees to DMS	229	182
Total deductions	$ 112,152	$ 140,614

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

The Board of Trustees
State Board of Administration of Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida Retirement System Investment Plan Trust Fund (the "Trust") administered by the State Board of Administration ("SBA") of Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2022. As discussed in Note 1, the financial statements present only the Trust and do not purport to, and do not, present fairly the financial position of the State of Florida, the SBA of Florida or the Florida Retirement System, their changes in financial position, or, where applicable, their cash flows, in conformity with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Tampa, Florida
November 7, 2022