FLORIDA HURRICANE CATASTROPHE FUND

Combined Financial Statements

June 30, 2022 and 2021

(With Independent Auditors’ Report Thereon)

FLORIDA HURRICANE CATASTROPHE FUND

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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Trustees of the State Board of Administration of Florida
Florida Hurricane Catastrophe Fund:

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of the Florida Hurricane Catastrophe Fund of the State of Florida (the Fund), a proprietary fund of the State of Florida, as of and for the year ended June 30, 2022 and the related notes to the combined financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2022, and the change in financial position and its cash flows 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,* 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 Combined Financial Statements section of our report. We are required to be independent of the Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The combined financial statements of the Fund for the year ended June 30, 2021 were audited by other auditors, who expressed an unmodified opinion on those statements on November 1, 2021

Emphasis of Matter

As discussed in Note 1, the combined financial statements of the Fund are intended to present the financial position, changes in financial position, and cash flows of the Fund. They do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

(Continued)

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 Fund'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund'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.

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of Fund's proportionate share of the net pension liability and related ratios, the schedule of fund contributions, and the schedule of Fund's proportionate share of the total other postemployment benefits liability on pages 4-8, 58-59, 60 and 61, respectively 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 4, 2022 on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Tampa, Florida
November 4, 2022

Introduction

The information contained in the Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the Florida Hurricane Catastrophe Fund's (the Fund) financial activities and performance for the fiscal years ended June 30, 2022, 2021 and 2020. Please read this information in conjunction with the Fund's combined financial statements and notes to the combined financial statements.

Overview of the Financial Statements

The statements presented are the combined statements of net position, the combined statements of revenues, expenses, and changes in net position, and the combined statements of cash flows. These statements represent the financial position of the Fund, which is a tax-exempt trust fund (further described in Note 1), that provides a stable and ongoing source of timely reimbursement to residential property insurers for a portion of their catastrophic hurricane losses. The State Board of Administration Finance Corporation (the Corporation) was created to provide a mechanism for the cost-effective and efficient issuance of bonds necessary to enable the Fund to carry out its purposes. The Corporation is included as a blended component unit of the Fund because it provides services exclusively for the benefit of the Fund. Separate stand-alone audited financial statements of the blended component unit are not available. Combining statements can be found in the notes to the combined financial statements.

The combined statements of net position present the ending balances of all assets and liabilities of the Fund using the economic resources measurement focus and the accrual basis of accounting. The difference between assets and liabilities is reported as net position of the Fund.

The combined statements of revenues, expenses, and changes in net position present all revenues and expenses of the Fund occurring during the year resulting from operations and the effect of this activity on net position. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The combined statements of cash flows provide information about how the Fund finances and meets the cash flow needs of its activities.

The notes to the combined financial statements provide additional information related to the data provided in the combined financial statements.

Financial Summary

A summary of the combined statements of net position for the Fund and the Corporation is presented below (in thousands):

	Year ended June 30		
	2022	2021	2020
Current assets	$ 5,896,408	4,974,363	6,142,228
Long-term assets	10,058,964	12,228,577	9,219,064
Total assets	15,955,372	17,202,940	15,361,292
Deferred outflows related to pensions and OPEB	668	861	835
Current liabilities	1,543,485	3,505,750	4,357,774
Long-term liabilities	3,501,333	3,502,570	652,347
Total liabilities	5,044,818	7,008,320	5,010,121
Deferred inflows related to pensions and OPEB	1,195	229	194
Net position:			
Net investment in capital assets	37	49	57
Unrestricted	10,909,990	10,195,203	10,351,755
Total net position	$ 10,910,027	10,195,252	10,351,812

Continued

A summary of the combined statements of revenues, expenses, and changes in net position for the Fund and the Corporation is presented below (in thousands):

	Year ended June 30		
	2022	**2021**	**2020**
Net premium revenue (net of reinsurance premium)	$ 1,211,528	1,206,183	1,130,470
Net interest on premium adjustments	(244)	(254)	(406)
Net interest on loss disbursements and adjustments	376	15	46
Other	47	43	44
Total operating revenues	1,211,707	1,205,987	1,130,154
Nonoperating (expense)/revenue, net	(477,123)	(42,258)	453,102
Total revenues	734,584	1,163,729	1,583,256
Hurricane losses	—	1,300,000	1,500,000
Operating expenses	6,293	6,774	6,169
Depreciation	16	15	13
Total expenses	6,309	1,306,789	1,506,182
Net income (loss) before transfers	728,275	(143,060)	77,074
Transfers to other state agencies	(13,500)	(13,500)	(13,500)
Change in net position	714,775	(156,560)	63,574
Net position at beginning of year	10,195,252	10,351,812	10,288,238
Net position at end of year	$ 10,910,027	10,195,252	10,351,812

Financial Analysis

The Fund's mission is to provide a stable and ongoing source of timely reimbursement to residential property insurers for a portion of their catastrophic hurricane losses for the purpose of protecting and advancing the state's interest in maintaining insurance capacity through the efficient and effective administration of the Fund. The Fund's combined financial statements reflect the effect of activities throughout the year than can impact the Fund's ability to continue to fulfill its mission.

The annual premium revenues paid by participating insurers and investment income on those premiums are the funding source used to reimburse insurers for hurricane losses. The Fund is continuing to reimburse insurers for losses from hurricanes in 2017 and 2018.

Over the last year, the Fund experienced a decrease in investment income due to interest rate increases; however, its net position increased when compared to the prior fiscal year. The primary reason for an increase in the Fund's net position was due to stabilization of outstanding losses for events occurring in prior years. The major factors that caused changes to the Fund's composition of assets and liabilities from fiscal year ended 2021 to 2022 was the $650 million maturity of the 2016A bonds, $1 billion in loss reimbursements, and changes in investment duration.

Considering a much broader view of the impact of losses on the Fund's combined financial statements, the lack of any significant growth in the Fund's net position since fiscal year 2020 can primarily be attributed to adverse loss development from Hurricane Irma, which made landfall in 2017. The Fund's loss estimates are based on reported paid and unpaid losses by participating insurers and an actuarial estimate by the Fund's independent actuary. Fiscal year ended 2022 was the first year since Hurricane Irma made landfall that the Fund did not increase its ultimate total incurred loss estimate. The loss development for different hurricanes can vary significantly. The chart below shows the Fund's paid losses

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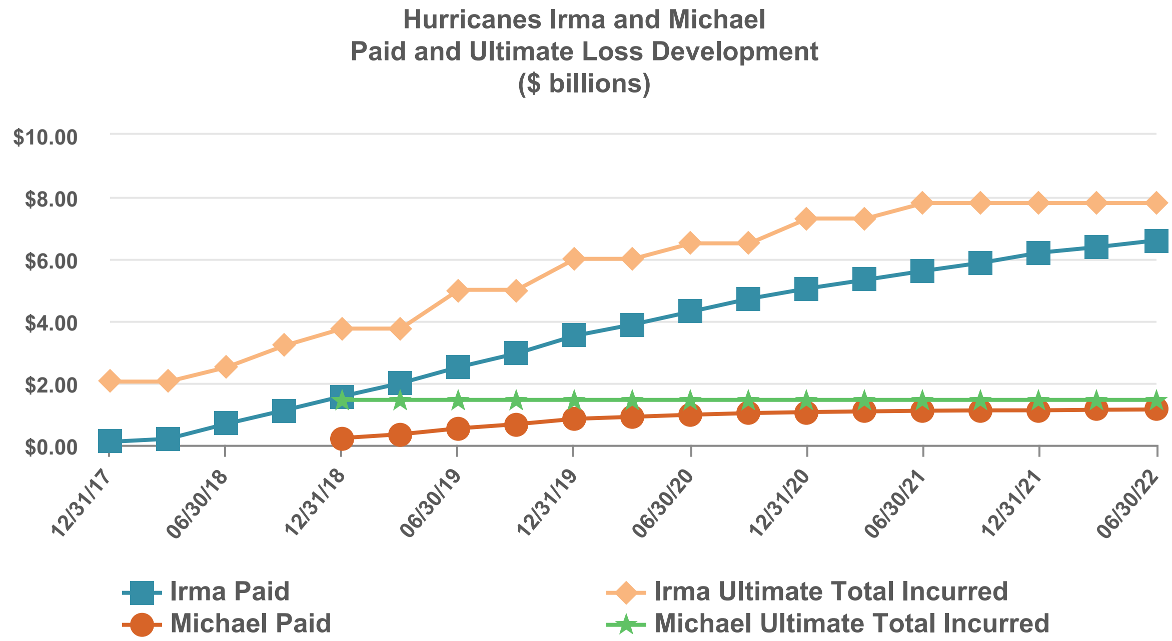
and ultimate total incurred loss estimates on a quarterly basis for Hurricanes Irma and Michael and highlights the difference in the development for the two events:



In September 2020, the Corporation issued Series 2020A pre-event bonds in the amount of $3.5 billion to enhance its liquidity, which is reflected in the long-term liabilities. The issuance of these bonds provides a funding source that allows for additional flexibility if the Fund's cash is exhausted. The Fund could choose to either use these bond proceeds as a source of liquidity in the current year while it plans for a post-event debt issuance, or hold the bond proceeds to provide for future season capacity. The maturity schedule of the 2020A Bonds is in the table below:

2020A Pre-event Taxable Bonds[1]		
Payment Dates	*Payments Required*	*Interest Rate*
July 1, 2025	*$1,250,000,000*	*1.26%*
July 1, 2027	*$1,000,000,000*	*1.71%*
July 1, 2030	*$1,250,000,000*	*2.15%*

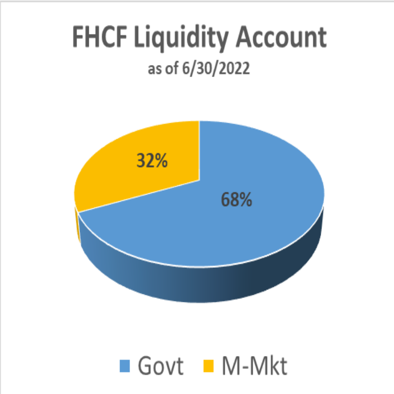
[1] The 2020A Pre-Event Taxable Bonds had the following credit ratings: Moody's, Aa3; Standard and Poor's, AA; and Fitch, AA.

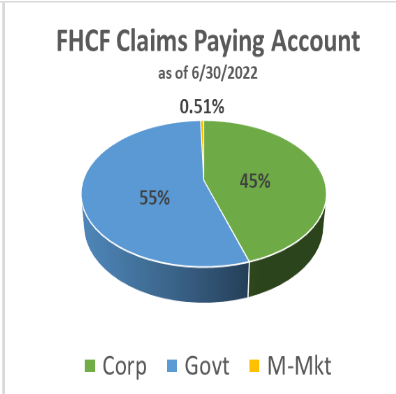
Investments pledged as collateral for the Fund's outstanding debt were exposed to market fluctuations over the last year and the market value of the 2020A pre-event bond proceeds at June 30, 2022 was $3.4 billion. There is no concern about the Fund's ability to repay the bonds or make scheduled debt service payments as the Fund's outstanding debt is secured with pledged collateral that includes 1) annual reimbursement premium and investment earnings thereon after providing for the current expenses of the Fund; 2) investment earnings on bond proceeds; and 3) emergency assessments, if any, and the earnings thereon.

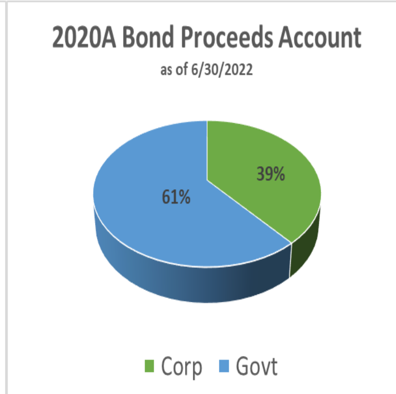
The largest assets on the Fund's combined financial statements are the investments, including accumulated premium revenues and bond proceeds. The Fund's investment portfolio is managed by the State Board of Administration of Florida (SBA) with Investment Policy Guidelines that focus primarily on liquidity, then safety of principal, and finally on competitive returns. This conservative investment policy

Continued

provides for a high level of liquidity to match insurer loss reimbursement needs on a timely basis. The Fund's total $15.8 billion portfolio is comprised of Money Market Funds, U.S. Treasury and Agency securities (59%) and corporate securities (41%) with 78% of the portfolio in "AA" or "AAA" securities.







The Fund's total operating revenues are primarily made up of the premiums received annually from participating insurers, which was approximately $1.2 billion for fiscal year 2022. The net premium revenue for the current fiscal year was relatively flat when compared to the prior fiscal year at less than a 0.5% increase. The Fund experienced no new increase in losses from prior year events, and therefore recognized $728 million in net income, which is an increase over last fiscal year's net loss of $143 million.

Non-operating revenues are predominantly made up of investment income earned on the accumulated reimbursement premiums; therefore, changes in the non-operating revenues are mainly due to changes in investment income, including unrealized gains and losses. The Fund experienced a significant decrease in investment income due to market volatility, inflation and increases to interest rates during fiscal year 2022. The table below compares the components of investment income as of fiscal year-end 2022 and 2021:

*FHCF Investment Income (in thousands)**		
Fiscal Year Ended	*2022*	*2021*
Interest Earned on Investments	*$139,410*	*$174,638*
Realized (Loss)/Gain	*(50,340)*	*105,970*
Unrealized (Loss)	*(501,312)*	*(246,368)*
Total	*$(412,242)*	*$34,240*

* Amounts are based on Market Value as of June 30 of each fiscal year.

On September 28, 2022, Hurricane Ian made landfall near Cayo Costa, in southwestern Florida, as a Category 4 hurricane. Although the amount or extent of the claims that will be filed for reimbursement is unknown at the issuance of these statements, the Fund expects insurers to seek reimbursements for losses which will affect the Fund's net position.

Contacting the Fund's Financial Management

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

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Net Position

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Assets:			
Current assets:			
Short-term investments	$	5,758,583	4,541,016
Investment sales receivable		—	301,974
Premium receivable (net of allowance)		99,654	99,602
Accrued interest		38,160	31,764
Accounts receivable		11	—
Excess loss payments receivable		—	5
Prepaid expenses		—	2
Total current assets		5,896,408	4,974,363
Long-term assets:			
Long-term investments		10,058,927	12,228,528
Capital assets, net of accumulated depreciation of $71 and $74 for June 30, 2022 and 2021, respectively		37	49
Total long-term assets		10,058,964	12,228,577
Total assets		15,955,372	17,202,940
Deferred outflows of resources:			
Deferred outflows related to pensions and OPEB (note 12)		668	861
Liabilities:			
Current liabilities:			
Unpaid hurricane losses		1,512,861	2,536,239
Reimbursed losses payable		—	29,984
Accrued expenses		693	1,076
Bonds payable		—	650,000
Pending investment purchases		—	249,945
Accrued bond interest expense		29,850	38,424
Compensated absences		72	70
Net pension and OPEB liability (note 12)		9	12
Total current liabilities		1,543,485	3,505,750
Long-term liabilities, net of current portion:			
Bonds payable		3,500,000	3,500,000
Compensated absences		208	202
Net pension and OPEB liability (note 12)		1,125	2,368
Total long-term liabilities		3,501,333	3,502,570
Total liabilities		5,044,818	7,008,320
Deferred inflows of resources:			
Deferred inflows related to pensions and OPEB (note 12)		1,195	229
Net position:			
Net investment in capital assets		37	49
Unrestricted		10,909,990	10,195,203
Total net position	$	10,910,027	10,195,252

See accompanying notes to combined financial statements.

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Operating revenues:			
Net premium revenue	$	1,211,528	1,206,183
Net interest on premium adjustments		(244)	(254)
Net interest on loss disbursements and adjustments		376	15
Other		47	43
Total operating revenues		1,211,707	1,205,987
Operating expenses:			
Hurricane losses		—	1,300,000
Administrative and actuarial fees		2,595	3,121
Other professional fees		1,744	1,473
Personnel expenses		1,790	2,046
Depreciation		16	15
Other		164	134
Total operating expenses		6,309	1,306,789
Operating income (loss)		1,205,398	(100,802)
Nonoperating revenue (expense):			
Investment income		(412,242)	34,239
Investment advisor fees		(5,284)	(3,707)
Settlement proceeds		264	150
Bond issuance expense		—	(8,355)
Custodian and bond trustee fees		(161)	(175)
Bond interest expense		(59,700)	(64,410)
Nonoperating expense, net		(477,123)	(42,258)
Net income (loss) before transfers		728,275	(143,060)
Transfers to other state agencies		(13,500)	(13,500)
Change in net position		714,775	(156,560)
Net position at beginning of year		10,195,252	10,351,812
Net position at end of year	$	10,910,027	10,195,252

See accompanying notes to combined financial statements.

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

	2022	2021
Cash flows from operating activities:		
Net premium received	$ 1,211,231	1,211,431
Hurricane losses paid	(1,053,356)	(1,417,274)
Loss reimbursement advances and related interest	376	15
Other cash received from customers	47	43
Administrative and actuarial fees	(3,165)	(3,178)
Other professional fees	(1,694)	(1,447)
Personnel expenses	(1,794)	(1,834)
Other cash paid to vendors	(225)	(133)
Net cash provided (used) by operating activities	151,420	(212,377)
Cash flows from investing activities:		
Purchases of investments	(21,863,875)	(33,366,126)
Sales and maturities of investments	22,316,286	30,961,570
Interest received	133,014	191,972
Settlement proceeds	264	150
Investment advisor fees	(5,161)	(3,659)
Investment custodian fees	(177)	(127)
Net cash provided (used) by investing activities	580,351	(2,216,220)
Cash flows from noncapital financing activities:		
Transfers to other state agencies	(13,500)	(13,500)
Cash received from the issuance of debt	—	3,491,639
Payments for trustee fees	(3)	—
Bond principal paid	(650,000)	(1,000,000)
Bond interest paid	(68,273)	(49,535)
Bank financing - overdraft	8	—
Net cash provided (used) by noncapital financing activities	(731,768)	2,428,604
Cash flows from capital and related financing activities:		
Purchases of capital assets	(3)	(7)
Net increase in cash and cash equivalents	—	—
Cash and cash equivalents at beginning of year	—	—
Cash and cash equivalents at end of year	$ —	—

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FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Operating revenue (loss)	$	1,205,398	(100,802)
Adjustments to reconcile operating revenue (loss) to net cash provided (used) by operating activities:			
Depreciation expense		16	15
(Increase) decrease in premium receivable		(1,299)	5,531
Increase (decrease) in allowance for uncollectibles		1,246	—
(Increase) decrease in accounts receivable		(11)	—
(Increase) decrease in excess loss reimbursements receivable		5	(5)
(Increase) decrease in deposits and prepaid expenses		2	(2)
Increase (decrease) in premium refunds payable		—	(29)
Increase (decrease) in compensated absences		8	(37)
Increase (decrease) in unpaid hurricane losses		(1,053,362)	(141,458)
Increase (decrease) in losses payable		—	24,189
Increase (decrease) in accrued expenses		(496)	(26)
Increase (decrease) in OPEB liability and deferrals		5	19
Increase (decrease) in pension liability and deferrals		(92)	228
Net cash provided (used) by operating activities	$	151,420	(212,377)
Noncash investing activities:			
Change in fair value of investments		(501,312)	(246,368)

See accompanying notes to combined financial statements.

(1) Organization

(a) Business

The Florida Hurricane Catastrophe Fund (the Fund), a tax-exempt trust fund created in November 1993 during a special Florida State legislative session following Hurricane Andrew, provides catastrophic reinsurance coverage to most authorized primary insurers of habitational structures with wind/hurricane coverage in the State of Florida. All authorized insurers in Florida, which write policies covered by the Fund, are required to pay an annual premium to the Fund. The annual contract period for coverage is June 1 through May 31. Insurers are required by law to enter into a reimbursement contract and neither the insurer nor the Fund has the ability to modify or cancel the contract during the contract year. In order to calculate the premium due, each insurer must submit its total covered property exposure by September 1 for insured values under covered policies as of June 30.

Premiums are calculated for each of the insurers using rates developed based on hurricane modeling of the trended data from the prior year. The modeling takes into consideration factors such as historical records of hurricane strength and landfall patterns, geographic location, type of business, construction, coverage selected, deductible, and mitigation features. The Fund is administered by the State Board of Administration of Florida (SBA).

The Fund also includes the accounts of its blended component unit, the State Board of Administration Finance Corporation (the Corporation). The Corporation, a public benefits corporation and an instrumentality of the State of Florida, was created to provide a mechanism for the cost-effective and efficient issuance of bonds necessary to enable the Fund to carry out its purposes. The Corporation is included as a blended component unit because it provides services exclusively for the benefit of the Fund. Separate stand-alone audited financial statements of the component unit are not available.

(b) Basis of Presentation

The Fund is classified as an enterprise fund, which is a type of proprietary fund. The financial statements of proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operations of the Fund are included in the combined statements of net position. The combined statements of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in net total assets. The combined statements of cash flows provide information about how the Fund finances and meets the cash flow needs of its activities.

The combined financial statements presented herein relate solely to the financial position and changes in financial position of the Fund, and are not intended to present the financial position of the SBA or the results of its operations and cash flows. The Fund follows Governmental Accounting Standards Board (GASB) pronouncements.

(c) Adoption of New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases.* The guidance increases the usefulness of 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. The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter, and shall be adopted on a prospective basis. FHCF management has evaluated the impact of this statement and has found no material changes are required as it pertains to the Fund.

(d) Limited Liability of the Fund

The Fund's obligation to participating insurers, in the event of a hurricane(s) that cause(s) reimbursable losses in a single season, is limited to the actual claims-paying capacity of the Fund up to a statutory limit of $17 billion. The actual claims-paying capacity is defined in Section 215.555(2)(m), Florida Statutes, as the sum of the balance of the fund as of December 31 of a contract year, plus any reinsurance purchased by the Fund; and the amount the Fund is able to raise through the issuance of revenue bonds up to the statutory limit.

The Fund has no risk that it will be unable to meet its contractual obligations to participating insurers because its obligation is limited to its actual claims paying capacity. The State of Florida has no legal responsibility to make any contribution to the Fund should its obligations exceed available resources.

(e) Risk Management

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. Cash and investments held in the Fund's unrestricted funds are available to pay for hurricane losses for the current year and subsequent years. However, the use of current reimbursement premiums and the investment earnings thereon to pay for prior year hurricane losses may jeopardize the tax-exempt status of any bonds issued under the private letter rulings issued to the Corporation by the Internal Revenue Service (IRS).

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(2) Significant Accounting Policies

(a) Measurement Focus

As mentioned in Note 1, the Fund uses the economic resources measurement focus and the accrual basis of accounting.

(b) Cash and Cash Equivalents

The Fund generally considers all cash on hand and on deposit in banks, including demand deposits, time deposits, and non-negotiable certificates of deposit to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

(c) Investments

The Fund's cash is invested according to Investment Policy Guidelines (Guidelines), which set forth the objectives, guidelines, and requirements applicable to the investments of the Fund. The Fund's cash is invested in three separate portfolios: (1) liquidity fund, (2) claims-paying fund, and (3) the Corporation's pre-event fund. The liquidity fund is generally the first source of funds to pay claims after a hurricane and can also be used to pay the operating expenses of the Fund. The claims-paying fund is the next source of liquidity to pay claims. The Corporation's pre-event fund holds any pre-event bond proceeds, which can also be used to pay claims and/or to make debt service payments. A number of factors such as the Fund's cash balance, hurricane activity, expected claims, and investment market conditions will determine the funding amount and timing of the use of the funds in each portfolio. The primary goal of the Guidelines is defined by the following priorities: (1) liquidity, (2) safety of principal, and (3) competitive return. Investments are recorded at fair value and the fair values are primarily obtained from independently quoted market prices; certain investments, such as repurchase agreements and money market funds that meet the Security and Exchange Commission's (SEC) requirements to maintain a stable net asset value, are carried at cost, which approximates fair value. The Fund considers all investments with maturity dates of less than one year to be short-term investments. Investments with maturity dates in excess of one year are included in long-term investments. Investment management and advisory services are provided by the SBA. The Guidelines were last amended effective February 3, 2022.

(d) Premium Receivable

At June 30, 2022 and 2021, the Fund's premium receivable totaled $99.7 million and $99.6 million, respectively, which includes amounts from previous billings that have not yet been collected, net of any allowances management has established to anticipate uncollectible billings, as well as the amount of estimated premium revenue for one month of the current contract year, which began on June 1. The one month premium receivable is $97.8 million as of June 30, 2022 and $99.6 million as of June 30, 2021.

(e) Loss Reimbursement Advances Receivable

Certain companies may qualify for advances from the Fund, which are in essence loans based on a company's potential recoveries from the Fund (i.e., based on paid and reported outstanding losses). Loss reimbursement advances receivable represent amounts currently outstanding on these advances, including accrued interest. As of June 30, 2022 and 2021, there are no outstanding loss reimbursement advances.

(f) Capital Assets

Capital assets, primarily electronic data processing equipment or furniture, are stated at cost, less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives, ranging from three to seven years.

Continued

(g) Deferred Outflows of Resources

A consumption of net assets by the Fund that is applicable to a future reporting period is presented as a deferred outflow of resources. See note 12 for the discussion of the Fund's Pension and Other Postemployment Benefits plans and related deferred outflows of resources.

(h) Premium Refunds Payable

Premium refunds payable represent amounts due to participating insurers where provisional or estimated premium payments are in excess of amounts actually owed based upon the current exposure data. Also included are premium amounts received from companies pending exemption. These amounts are returned once an exemption is granted.

(i) Bonds Payable

Under authorization of Section 215.555(6) of the Florida Statutes, the Fund can issue post-event revenue bonds and pre-event revenue bonds, as necessary, in order to meet current and future obligations. The Fund classifies amounts expected to be paid within the next year as current liabilities, with remaining amounts classified as long-term liabilities. Bond issuance costs are recognized as an expense in the period incurred.

(j) Compensated Absences

Compensated absences represent the Fund's obligation to accrue a liability for employees' rights to receive compensation for future absences, such as vacation and sick leave. The Fund allows vested employees to carry forward any unpaid sick leave indefinitely. The short-term portion of this liability, $72 thousand in 2022 and $70 thousand in 2021, is included in the current liabilities reported on the combined statements of net position. The remaining liability estimated to be payable in more than one year is included as compensated absences within long-term liabilities on the combined statements of net position.

(k) Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Fund that is applicable to a future reporting period. See note 12 for the discussion of the Fund's Pension and Other Postemployment Benefits plans and related deferred inflows of resources.

(l) Current Contract Year Premium Revenue

Premium revenue is recognized over the annual contract period for coverage from June 1 through May 31 in proportion to the amount of risk protection provided. The Fund provides coverage to the participating insurers on a contract-year basis, effective in full as of the first day of the contract year. Premiums are billed in three installments, with provisional payments due August 1 and October 1, and a final payment due December 1. Due to the timing of the exposure reporting and final premium calculation, the first two installments are provisional billings, each based on one third of the company's prior contract year premium. The third and final installment in December is the actual actuarially indicated premium based on exposure reported September 1 for insured values under covered policies as of June 30 of the current contract year, less payments received under the first two provisional installments.

(m) Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Fund, these revenues are primarily the premiums charged to all participating insurers. Operating expenses include incurred losses and necessary costs incurred to administer the Fund and to provide loss reimbursements to its participants.

Continued

(n) Reinsurance

When reinsurance is purchased by the Fund, the reinsurance premium and broker commission expenses are reported as operating activities net of the reimbursement premium received. As of June 30, 2022 and 2021, there were no accruals established for the contract years beginning June 1, 2022 and 2021 as the Fund did not purchase reinsurance.

(o) Prior Contract Year Adjustments

Participating insurers remit premium to the Fund based upon current policyholder exposure information. When insurers provide updated or corrected exposure information, the Fund may bill and receive additional premium relating to a prior contract year which is recorded as premium revenue in the year billed; the Fund may also be required to refund amounts to insurers relating to a prior contract year which is recorded as a reduction to premium revenue in the year refunded.

(p) Net Interest on Premium Adjustments

Participating insurers have the option of paying the billed provisional premium or estimating premium for the August and October installments. If the provisional or estimated payments are too high, interest is returned to the insurer on the overpayment after the December installment. Likewise, if estimated premiums are underpaid, interest is charged to the insurer with the December installment. For the contract year ended May 31, 2022, the interest rate was 0.89% for overpayments of premium and 5.89% for underpayments prior to December 2021. Effective December 2021, the Fund no longer charges an additional 5% for underpayments unless balances remain unpaid after the final invoice due date. For the contract year ended May 31, 2021, the interest rate was 3.20% for overpayments of premium and 8.20% for underpayments.

(q) Hurricane Losses

Hurricane losses represent the estimated ultimate cost of all reported and incurred but not reported (IBNR) claims during the year which includes increases to reserves during the fiscal year for hurricanes occurring in prior fiscal years plus any new reserves for hurricanes occurring in the current fiscal year that exceed the participating insurers' individual company retention levels. The reserves for unpaid claims are estimated primarily by the Fund's independent actuary's review of reported loss information obtained from the participating insurers. Although considerable variability is inherent in such estimates, management believes that the reserves for hurricane losses are adequate. The estimates are reviewed quarterly and adjusted as experience develops or new information becomes known, and such adjustments are included in current operating expenses.

(r) Emergency Assessment

Section 215.555(6)(b) of the Florida Statutes provides for an emergency assessment on all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation, federal flood, accident and health insurance, and medical malpractice premiums. A maximum annual assessment of 6% is allowed for losses attributable to any one contract year and a maximum aggregate annual assessment of 10% for all contract years. As of June 30, 2022 and 2021, there were no emergency assessments.

(s) Transfers to Other State Agencies

Pursuant to Section 215.555(7)(c) of the Florida Statutes, the Florida Legislature shall appropriate from the Fund an amount no less than $10,000,000 and no more than 35% of the investment income from the prior fiscal year, providing that the actuarial soundness of the Fund is not jeopardized. Appropriated funds are for the purpose of providing funding for governments, agencies, and educational institutions to support programs intended to improve hurricane preparedness or reduce potential losses in the event of a hurricane. For these purposes, in both fiscal years 2022 and 2021, $13,500,000 was appropriated from the Fund.

Continued

(t) Income Taxes

The Fund and the Corporation are exempt from federal and state income taxes. The Fund's tax-exempt status was affirmed by a private letter ruling obtained from the IRS in November 1994. The Corporation received its initial private letter ruling to issue tax-exempt post-event debt in March 1998, and a permanent ruling was received in June 2008.

(u) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of net position available and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of changes in net position during the reporting period. Actual amounts could differ from those estimates.

(3) Deposits and Investments

(a) Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Fund will not be able to recover deposits that are in the possession of an outside party. The Fund mitigates custodial credit risk by generally requiring, when possible, that public funds be deposited in a bank or savings association that is designated by the State of Florida Chief Financial Officer (CFO) as authorized to receive deposits in the state and meets the collateral requirements as set forth in Chapter 280, Florida Statutes (F.S.).

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Section 280.04, F.S., and Department of Financial Services Rules, Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a QPD's average daily deposit balance or, if needed, an amount as prescribed by the CFO. Section 280.13, F.S., outlines eligible types of collateral including direct obligations of the United States (U.S.) Government, federal agency obligations fully guaranteed by the U.S. Government, certain federal agency obligations, state and local government obligations, corporate bonds, and letters of credit issued by a Federal Home Loan Bank. Also, with the CFO's permission, eligible collateral includes collateralized mortgage obligations, real estate mortgage investment conduits, and securities or other interests in any open-end management investment company registered under the Investment Company Act of 1940. However, the portfolio of the investment company must be limited to direct obligations of the U.S. Government and to repurchase agreements fully collateralized by such direct obligations of the U.S. Government, and the investment company must take delivery of such collateral either directly or through an authorized custodian.

In accordance with Section 280.08, F.S., if a QPD defaults, losses to public depositors are first satisfied with any applicable depository insurance, followed by demands of payment under any letters of credit or sale of the defaulting QPD's collateral. If necessary, any remaining losses are to be satisfied by assessments against the other participating QPDs according to a statutory based ratio.

In cases where deposits are not held in a QPD, the Fund follows the SBA's custodial credit policy, which states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third-party custodian banks of sufficient financial strength to custody securities and collateral, to the extent possible, in order to protect the assets entrusted to the SBA. To the extent possible, negotiated trust and custody contracts will require that all deposits, investments and collateral be held in segregated accounts in the SBA's name, separate and apart from the assets of the custodian banks.

At June 30, 2022 and 2021, all bank deposits were held at QPDs or were FDIC insured.

(b) Investments

Funds are invested in accordance with Section 215.47, F.S., and the Fund's Guidelines, which includes, but is not limited to, corporate debt securities such as variable rate notes, certificates of deposit, bonds, commercial paper, U.S. government agency notes, U.S. government Treasury securities, state and local government series (SLGS) securities, shares of money market funds, international financial institutions and sovereigns, and repurchase agreements.

The fair value of the Fund's investments is as follows (in thousands):

	June 30	
	2022	**2021**
Short-term investments:		
Commercial paper	$ 1,088,975	49,999
Money market funds	70,519	736,152
U.S. Treasury bills	2,170,180	3,043,642
U.S. Treasury notes	661,614	373,883
Federal agencies - discount notes	49,989	—
Domestic corporate bonds and notes	1,241,740	170,883
International corporate bonds and notes	475,566	166,457
Total short-term investments	5,758,583	4,541,016
Long-term investments:		
U.S. Treasury notes	6,321,639	6,922,020
Domestic corporate bonds and notes	2,155,146	3,202,945
International government bonds and notes	46,955	88,797
International corporate bonds and notes	1,535,187	2,014,766
Total long-term investments	10,058,927	12,228,528
Total	$ 15,817,510	16,769,544

Continued

As of June 30, 2022, the weighted average maturity of the Fund's investments is as follows (in thousands):

Investment type		Fair value	Weighted average maturity (days)
Commercial paper	$	1,088,975	51
Money market funds		70,519	1
U.S. Treasury bills		2,170,180	61
U.S. Treasury notes		6,983,253	647
Federal agencies- discount notes		49,989	7
Domestic corporate bonds and notes		3,396,886	559
International government bonds and notes		46,955	586
International corporate bonds and notes		2,010,753	612
Total fair value	$	15,817,510	
Portfolio weighted average maturity			497

As of June 30, 2021, the weighted average maturity of the Fund's investments is as follows (in thousands):

Investment type		Fair value	Weighted average maturity (days)
Commercial paper	$	49,999	7
Money market funds		736,152	1
U.S. Treasury bills		3,043,642	154
U.S. Treasury notes		7,295,903	730
Domestic corporate bonds and notes		3,373,828	681
International government bonds and notes		88,797	966
International corporate bonds and notes		2,181,223	692
Total fair value	$	16,769,544	
Portfolio weighted average maturity			578

(c) Interest Rate Risk

The Fund utilizes the weighted average maturity method to limit exposure to interest rate risk. In accordance with the Guidelines, funds held shall have a maximum dollar weighted average maturity (DWAM) of 910 days, with the exception of those for government securities and agency securities, which shall not exceed 1,278 days. No more than 75% of the total portfolio market value may be invested in fixed rate securities with remaining time to maturity exceeding 730 days. For purposes of the DWAM calculation, the maturity date is assumed to be the next reset date rather than the stated maturity.

(d) Credit Risk

The Guidelines state that all securities must be investment grade at time of purchase. For short-term ratings, this has been defined as being in the highest applicable rating categories by at least two of Moody's, S&P, and/or Fitch and must be a minimum of "P-1" by Moody's," A-1" by S&P, and/or "F1" by Fitch. For long-term ratings, this has been defined as being obtained from at least two of Moody's, S&P, and/or Fitch and must be a minimum of "A2" by Moody's, "A" by S&P, and/or "A" by Fitch.

The schedule below provides the credit quality ratings by Standard and Poor's and Moody's Investor Services at June 30, 2022 (in thousands):

		Credit quality ratings[1]	
Investment type	**Fair value**	**S & P**	**Moody's**
Commercial paper	$ 1,088,975	A-1	P-1
Money market funds	70,519	AAAm	Aaa-mf
U.S. Treasuries	9,153,433	Not Rated	Not Rated
Federal agencies- discount notes	49,989	Not Rated	Not Rated
Domestic corporate bonds and notes	297,141	AAA	Aaa
Domestic corporate bonds and notes	354,230	AA	Aaa
Domestic corporate bonds and notes	1,083,714	AA	Aa
Domestic corporate bonds and notes	668,362	AA	A
Domestic corporate bonds and notes	14,755	A	Aa
Domestic corporate bonds and notes	978,684	A	A
International government bonds and notes	46,955	AA	Aa
International corporate bonds and notes	558,691	AA	Aa
International corporate bonds and notes	35,071	AA	A
International corporate bonds and notes	311,605	A	Aa
International corporate bonds and notes	1,105,386	A	A
	$ 15,817,510		

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

Continued

The schedule below provides the credit quality ratings by Standard and Poor's and Moody's Investor Services at June 30, 2021 (in thousands):

Investment type	Fair value	Credit quality ratings[1] S & P	Credit quality ratings[1] Moody's
Commercial paper	$ 49,999	A-1	P-1
Money market funds	736,152	AAAm	Aaa-mf
U.S. Treasuries	10,339,545	Not Rated	Not Rated
Domestic corporate bonds and notes	204,654	AAA	Aaa
Domestic corporate bonds and notes	1,716,191	AA	Aa
Domestic corporate bonds and notes	338,638	AA	A
Domestic corporate bonds and notes	37,879	A	Aa
Domestic corporate bonds and notes	1,076,466	A	A
International government bonds and notes	88,797	AA	Aa
International corporate bonds and notes	717,336	AA	Aa
International corporate bonds and notes	37,083	AA	A
International corporate bonds and notes	654,868	A	Aa
International corporate bonds and notes	731,888	A	A
International corporate bonds and notes	40,048	BBB	A
	$ 16,769,544		

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

(e) *Concentration of Credit Risk*

Pursuant to the Guidelines, securities of a single issuer (determined by the guarantor and includes both Registered and 144A securities) shall not represent more than 3% of total portfolio market value (excluding government securities, repurchase agreements, money market mutual funds and custodian cash sweep vehicles). Of the maximum 3% single issue constraint, the maximum amount of 144A securities shall not represent more than 1.5% of total portfolio market value. According to the Guidelines, a single issuer is interpreted to be the aggregate of all affiliated issuers. The maximum single issuer limit can be 5% if timing issues related to delayed delivery transactions are the sole cause of the discrepancy, so long as the percentage is reduced back to 3% within five business days. Repurchase agreements, which are collateralized at least 102% with U.S. government, agency, or agency mortgage-backed securities, are excluded by the SBA in determining compliance with the guidelines. No more than 20% of the portfolio's market value may be invested in a single federal agency or other government-sponsored enterprise acting under federal authority. No more than 25% of total portfolio market value may be invested in a single industry sector.

At June 30, 2022 and 2021, there were no securities with any one issuer representing 5% or more of the Fund's total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Fund's investments were in compliance with policy guidelines at June 30, 2022 and 2021.

(f) Foreign Currency Risk

There was no exposure to foreign currency risk during the fiscal years ended June 30, 2022 and 2021.

(g) Fair Value Hierarchy

The Fund categorizes its fair value measurements within the fair value hierarchy established by GAAP.

The Fund'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.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset.

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

Debt securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets from the custodian bank's primary external pricing vendors. The Fund held no securities with Level 1 fair values at June 30, 2022 and 2021.

Debt securities classified in Level 2 are evaluated prices from the custodian bank's primary 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.

Debt securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, and broker bids. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source. The Fund held no securities with Level 3 fair values at June 30, 2022 and 2021.

Continued

The Fund has the following fair value measurements as of June 30, 2022 and 2021 (in thousands):

			Fair value measurements using	
	June 30, 2022	**Quoted prices in active market for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**
Investments by fair value level:				
Debt securities:				
Commercial paper	$ 1,088,975	—	1,088,975	—
U.S. Treasuries	9,153,433	—	9,153,433	—
Federal agencies- discount notes	49,989	—	49,989	—
Domestic corporate bonds and notes	3,396,886	—	3,396,886	—
International government bonds and notes	46,955	—	46,955	—
International corporate bonds and notes	2,010,753	—	2,010,753	—
Total debt securities measured at fair value	$ 15,746,991	—	15,746,991	—
Investment carried at amortized cost:				
Money market funds	$ 70,519			
Total investments	$ 15,817,510			

Continued

		Fair value measurements using		
	June 30, 2021	Quoted prices in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Investments by fair value level:				
Debt securities:				
Commercial paper	$ 49,999	—	49,999	—
U.S. Treasuries	10,339,545	—	10,339,545	—
Domestic corporate bonds and notes	3,373,828	—	3,373,828	—
International government bonds and notes	88,797	—	88,797	—
International corporate bonds and notes	2,181,223	—	2,181,223	—
Total debt securities measured at fair value	$ 16,033,392	—	16,033,392	—
Investment carried at amortized cost:				
Money market funds	$ 736,152			
Total investments	$ 16,769,544			

(4) Capital Assets

A summary of the Fund's capital assets and the related accumulated depreciation for the years ended June 30, 2022 and 2021 is as follows (in thousands):

	Equipment	Accumulated depreciation	Net
Balance as of June 30, 2020	$ 116	(59)	57
Additions and depreciation expense	7	(15)	(8)
Sales or disposals	—	—	—
Balance as of June 30, 2021	123	(74)	49
Additions and depreciation expense	3	(16)	(13)
Sales or disposals	(18)	18	—
Balance as of June 30, 2022	$ 108	(71)	37

(5) Unpaid Hurricane Losses

The Fund is paying loss reimbursements for two hurricanes that occurred during the 2017 and 2018 hurricane seasons as outlined below. The State was also impacted by several hurricanes since the 2018 hurricane season, but no losses are anticipated for the Fund resulting from those hurricanes.

On September 10, 2017, Hurricane Irma made landfall in the Florida Keys as a Category 4 hurricane and made a second Florida landfall as a Category 3 hurricane at Marco Island later that day. As of June 30, 2022 and 2021, the estimated ultimate loss to the Fund for this hurricane was $7.8 billion.

On October 10, 2018, Hurricane Michael made landfall near Mexico Beach, Florida as a Category 5 hurricane. As of June 30, 2022 and 2021, the estimated ultimate loss to the Fund for this hurricane was $1.45 billion.

As of June 30, 2022, the total estimated ultimate loss to the Fund for Hurricanes Irma and Michael is $9.25 billion.

The following table provides a reconciliation of the beginning and ending balances for unpaid hurricane losses for 2022 and 2021 (in thousands):

	Year ended June 30	
	2022	2021
Reserve for unpaid hurricane losses at beginning of year	$ 2,536,239	2,677,697
Reserve change for hurricane losses occurring in:		
Current year	—	—
Prior years	—	1,300,000
Net incurred losses during the current year	—	1,300,000
Payments for hurricane losses occurring in:		
Current year	—	—
Prior years	1,023,378	1,441,458
Net claim payments during the current year	1,023,378	1,441,458
Reserve for unpaid hurricane losses at end of year	$ 1,512,861	2,536,239

The Fund's reserve change for hurricane losses occurring in prior years as of June 30, 2022 and 2021 was $0 and $1.3 billion, respectively, as a result of ongoing adverse loss development from Hurricane Irma. This reserve is periodically adjusted based on actual results and actuarial analyses.

(6) Changes in Long-term Liabilities

The following tables provide the long-term liability activity for the years ended June 30, 2022 and 2021 as follows (in thousands):

Long-term liabilities as of June 30, 2022	Beginning balance[1]	Additions	Reductions	Ending balance[1]	Amount Due within 1 year
Bonds payable	$ 4,150,000	—	(650,000)	3,500,000	—
Net pension liability	1,968	753	(2,001)	720	2
Compensated absences	272	174	(166)	280	72
Other postemployment benefits payable	412	31	(29)	414	7

1 Long-term liabilities include any related current liability balance. Amounts due in one year are classified as current liabilities on the combined statements of net position.

Long-term liabilities as of June 30, 2021	Beginning balance[1]	Additions	Reductions	Ending balance[1]	Amount Due within 1 year
Bonds payable	$ 1,650,000	3,500,000	(1,000,000)	4,150,000	650,000
Net pension liability	1,635	582	(249)	1,968	5
Compensated absences	309	182	(219)	272	70
Other postemployment benefits payable	507	25	(120)	412	7

[1] Long-term liabilities include any related current liability balance. Amounts due in one year are classified as current liabilities on the combined statements of net position.

(7) Bonds Payable and Debt Service Requirements

At June 30, 2022 and 2021, there were no post-event bonds outstanding.

In March 2016, the Corporation issued pre-event Series 2016A Revenue Bonds in the amount of $1.2 billion to maximize the ability of the Fund to meet future obligations. The proceeds from these bonds were available to pay for losses incurred from future covered events. However, the bonds matured on July 1, 2021, when the final principal payment of $650 million was made.

On September 16, 2020, the Corporation issued $3.5 billion of pre-event Series 2020A Revenue Bonds to enhance the liquidity of the Fund and to maximize the ability of the Fund to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these bonds. The Series 2020A Revenue Bonds have maturities of $1.25 billion on July 1, 2025, $1.0 billion on July 1, 2027, and $1.25 billion on July 1, 2030 bearing interest rates of 1.258%, 1.705%, and 2.154%, respectively. Interest payments are due each January 1 and July 1 and interest expense for fiscal years ending June 30, 2022 and 2021, was $59.7 million and $64.4 million, respectively.

These bonds are parity obligations and were secured under the same Master Trust Indenture as previous pre-event bond issues. They are solely obligations of the Corporation and neither the credit, the revenues nor the taxing power of the State of Florida is pledged to the payment of the bonds. As of June 30, 2022 and 2021, assets having a value of $3.4 billion and $3.5 billion, respectively, were pledged as collateral for the Series 2020A Bonds. The market value of the pledged assets is less than the par value at June 30, 2022 due to market volatility; however, this does not create an event of default.

The Corporation's outstanding revenue bonds payable contain a provision that, in an event of default, the Master Trustee may, and upon written request of the holders of a majority of the aggregate principal amount of all outstanding parity obligations shall, declare the principal of all outstanding parity obligations to be due and payable immediately (the Master Trustee shall rescind acceleration once the Corporation cures a payment default).

Continued

The following tables breakout annual debt service requirements for the Corporation's revenue bonds by fiscal year as of June 30, 2022 and 2021 (in thousands):

Corporation Annual Debt Service Requirements as of June 30, 2022[1]

Fiscal year ending June 30:	Principal	Interest
2022	$ —	59,700
2023	—	59,700
2024	—	59,700
2025	1,250,000	59,700
2026	—	43,975
2027	1,000,000	43,975
2028	—	26,925
2029	—	26,925
2030	1,250,000	26,925
Total	$ 3,500,000	407,525

[1] Principal and interest payments due July 1st are shown in the preceding fiscal year.

Corporation Annual Debt Service Requirements

as of June 30, 2021[1]

Fiscal year ending June 30:	Principal	Interest
2021	$ 650,000	64,410
2022	—	59,700
2023	—	59,700
2024	—	59,700
2025	1,250,000	59,700
2026	—	43,975
2027	1,000,000	43,975
2028	—	26,925
2029	—	26,925
2030	1,250,000	26,925
Total	$ 4,150,000	471,935

[1] Principal and interest payments due July 1st are shown in the preceding fiscal year.

Continued

(8) Compensated Absences

Compensated absences were as follows (in thousands):

Balance as of June 30, 2020	$	309
Increases		182
Decreases		(219)
Balance as of June 30, 2021		272 *
Increases		174
Decreases		(166)
Balance as of June 30, 2022	$	280 *

* Includes long-term and current balances, of which $72 thousand and $70 thousand is estimated due within one year of June 30, 2022 and 2021, respectively.

(9) Premium Revenue

Fiscal year premiums, which are net of any allowances management has established to anticipate uncollectible billings, net of prior contract year adjustments as reported in the combined statements of revenues, expenses, and changes in net position, relate to contract years as follows (in thousands):

	Fiscal year end June 30	
	2022	2021
Contract year 2022	$ 97,758 *	—
Contract year 2021	1,117,095	99,602 *
Contract year 2020	(2,688)	1,103,870
Contract year 2019	(497)	2,977
Contract year 2018	(140)	(222)
Contract year 2017	—	(44)
	$ 1,211,528	1,206,183

* As of June 30, 2022 and 2021, which is in contract year 2022 and 2021, respectively, running June 1 through May 31, an accrual was established for one month's pro-rata portion of the reimbursement premium and one month's pro-rata portion of the aggregate reinsurance deposit premium is netted from the premium for each respective contract year, if applicable.

(10) Related Parties

The Fund paid the SBA $4.2 million and $1.1 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2022 and $2.9 million and $0.8 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2021 for investment management and advisory services.

(11) Settlement Proceeds

On December 1, 2021, the Fund received approximately $264 thousand as a share of the State's class action suit involving GSE Bonds Antitrust Litigation.

On April 29, 2021, the Fund received $150 thousand in a settlement related to a shareholder action seeking damages filed against the officers of a company that went insolvent. The Fund was not involved in the legal action.

Continued

(12) Pension and Other Postemployment Benefits

(a) Pension Plans

All permanent Fund employees are eligible to participate in the following cost-sharing multiple-employer defined benefit pension plans (Plans):

- Florida Retirement System Pension Plan
- Retiree Health Insurance Subsidy Program Pension Plan

As an alternative to the Florida Retirement System Pension Plan, employees may elect to participate in the Florida Retirement System Investment Plan (a defined contribution plan).

The Florida Department of Management Services (Department) is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems. For each of the fiscal years ended June 30, 2021 and June 30, 2020, the Department issued a publicly available, audited annual comprehensive financial report (ACFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the ACFRs, which are available online or by contacting the Department.

Copies of these reports, as well as the plans' actuarial valuations, can be obtained from the Department of Management Services, Division of Retirement (Division), Bureau of Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at 877-377-1737 or 850-488-5706; by email at rep@dms.myflorida.com; or at the Division's website (www.frs.myflorida.com).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the Florida Department of Management Services. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

(b) Defined Benefit Plans

The Florida Retirement System Pension Plan

The Florida Retirement System (FRS) is a cost-sharing multiple-employer public-employee retirement system with two primary plans – the FRS Defined Benefit Pension Plan (Pension Plan) and the FRS Investment Plan. The FRS Pension Plan was created in Chapter 121, Florida Statutes (F.S.), effective December 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, F.S.), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.), and the Highway Patrol Pension Trust Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Chapter 123, F.S.) was closed and consolidated into the FRS. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide the Investment Plan as a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. The FRS Investment Plan is an integrated defined contribution plan administered by the State Board of Administration. Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, F.S., was consolidated under the FRS Pension Plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Continued

Chapter 121, F.S., also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class (EOC) membership, and faculty and specified employees in the State University System and Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, F.S.

(c) Membership

FRS membership is compulsory for eligible employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Section 121.053 or Section 121.122, F.S., or allowed to participate in a nonintegrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program (SUSORP). Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS except for defined contribution plan retirees employed in a regularly established position on or after July 1, 2017. FRS Pension Plan retirees remain ineligible for renewed membership.

Retirees of the FRS Investment Plan, the SUSORP, the State Community College System Option Retirement Program (SCCSORP), and the Senior Management Service Optional Annuity Program who are initially reemployed on or after July 1, 2010, and who are employed in a regularly established position on or after July 1, 2017, will be enrolled in the FRS Investment Plan, SUSORP, or SCCSORP based upon the position held as renewed members on or after July 1, 2017.

There are five general classes of membership, as follows. Fund employees are all included in one of the first two classes:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *SMSC* – Members in senior management level positions in state and local governments, as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators and assistant capital collateral representatives. Members of the EOC may elect to withdraw from the FRS or participate in the SMSC in lieu of the EOC.
- *Special Risk Class* – Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001 through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* – Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *EOC* – Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. Members not actively working in a position covered by the FRS Pension Plan on July 1, 2001 must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011 vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

Regular Class, SMSC, and EOC Members:

- For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.
- For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

Special Risk Class and Special Risk Administrative Support Class Members:

- For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

(d) Benefits

The Florida Legislature establishes and amends the benefit terms of the FRS Pension Plan. Benefits under the FRS Pension Plan are computed based on age, average final compensation, creditable years of service, and accrual value per year by membership class. Members are also provided in-line-of-duty or regular disability and survivors' benefits. Pension benefits of eligible retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS Pension Plan before July 1, 2011 and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. This individually calculated annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement

Continued

benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2021 and 2020, the FRS Trust Fund held in trust $2,684,789,035 and $2,673,751,676 in accumulated benefits and interest for 34,338 and 36,181 current and prior participants in DROP, respectively.

(e) Administration

The Department of Management Services, Division of Retirement administers the FRS Pension Plan. The State Board of Administration invests the assets of the Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded from earnings on investments of the FRS Trust Fund. Reporting of the FRS Pension Plan is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

(f) Contributions

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3) (f), F.S., any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2021 and 2020 was $202,082,182,546 and $161,568,265,280, respectively. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The following tables present FRS retirement employer contribution rates for the fiscal years ended June 30, 2022 and 2021. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2021 and the July 1, 2020 statutory employer rates do not include the 3.00% mandatory employee contribution for all membership classes except for members in the DROP.

Membership class	Uniform employer rates recommended by actuarial valuation for fiscal year 2021-2022	July 1, 2021 Statutory rates (Ch. 121, F.S.)
Regular	9.10 %	9.10 %
Senior Management Service	27.29 %	27.29 %
Special Risk	24.17 %	24.17 %
Special Risk Administrative Support	36.04 %	36.04 %
Elected Officers - Judges	39.19 %	39.19 %
Elected Officers - Legislators/Attorneys/Cabinet	62.01 %	62.01 %
Elected Officers - County	49.70 %	49.70 %
DROP - applicable to members from all of the above classes or plans	16.68 %	16.68 %

Membership class	Uniform employer rates recommended by actuarial valuation for fiscal year 2020-2021	July 1, 2020 Statutory rates (Ch. 121, F.S.)
Regular	8.28 %	8.28 %
Senior Management Service	25.57 %	25.57 %
Special Risk	22.73 %	22.73 %
Special Risk Administrative Support	34.12 %	34.12 %
Elected Officers - Judges	38.01 %	38.01 %
Elected Officers - Legislators/Attorneys/Cabinet	57.19 %	57.19 %
Elected Officers - County	47.46 %	47.46 %
DROP - applicable to members from all of the above classes or plans	15.32 %	15.32 %

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services or temporary status are not covered by the FRS.

(g) Retiree Health Insurance Subsidy (HIS) Program

The HIS Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. For the fiscal years ended June 30, 2022 and 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2022 and 2021, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The Fund contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

(h) Pension Amounts for Defined Benefit Pension Plans

Net Pension Liability

At June 30, 2022 and 2021, the Fund reported total liabilities of $719,693 and $1,967,588, respectively, for its proportionate share of the net pension liabilities of the defined benefit, multiple employer cost sharing pension plans. The tables below present the fiduciary net position and net pension liability for each plan as well as the Fund's proportion and proportionate share as of the measurement dates of June 30, 2021 and 2020:

	Measurement Date as of June 30, 2021		
	FRS Pension Plan	**HIS**	**Total**
Plan total pension liability (A)	$ 209,636,046,000	12,719,121,120	
Plan fiduciary net position (B)	202,082,182,546	452,617,639	
Plan net pension liability (A-B)	7,553,863,454	12,266,503,481	
Fund's proportion	0.003770471 %	0.003545237 %	
Fund's proportionate share*	$ 284,816	434,877	719,693

* The amount of the Fund's proportionate share due within one year is $0 for the FRS Pension and $2,318 for the HIS Pension.

	Measurement Date as of June 30, 2020		
	FRS Pension Plan	**HIS**	**Total**
Plan total pension liability (A)	$ 204,909,739,000	12,588,098,255	
Plan fiduciary net position (B)	161,568,265,280	378,261,130	
Plan net pension liability (A-B)	43,341,473,720	12,209,837,125	
Fund's proportion	0.003549182 %	0.003516179 %	
Fund's proportionate share*	$ 1,538,268	429,320	1,967,588

* The amount of the Fund's proportionate share due within one year is $0 for the FRS Pension and $4,738 for the HIS Pension.

The Fund's proportion of the net pension liability was based on contributions paid to the plans by the Fund relative to the contributions paid by all participating employers. The tables below show the change in proportion since the prior measurement date:

	Change in Proportionate Share from Measurement Date of June 30, 2020 to June 30, 2021	
	FRS Pension Plan	**HIS**
Fund's proportion at prior measurement date, June 30, 2020	0.003549182 %	0.003516179 %
Fund's proportion at measurement date, June 30, 2021	0.003770471 %	0.003545237 %
Increase / (decrease) in proportion	0.000221289 %	0.000029058 %

	Change in Proportionate Share from Measurement Date of June 30, 2019 to June 30, 2020	
	FRS Pension Plan	**HIS**
Funds proportion at prior measurement date, June 30, 2019	0.003639034 %	0.003411176 %
Fund's proportion at measurement date, June 30, 2020	0.003549182 %	0.003516179 %
Increase / (decrease) in proportion	(0.000089852)%	0.000105003 %

Based on the projected June 30, 2022 proportion, the Fund's total decrease in pension liability would be approximately $59 thousand or 8% lower than what was reported as of the measurement date of June 30, 2021. There are no other known changes between the measurement date of the collective net pension liability and the Fund's reporting date that are expected to have a significant effect on the Fund's proportionate share of the collective net pension liability of either defined benefit pension plan.

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), F.S. The FRS Pension Plan's GASB Statement No. 67 valuation is performed annually. The HIS program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013 through June 30, 2018; assumption changes adopted by the FRS Assumptions Conference were incorporated into the July 1, 2021 FRS Valuation. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study of the FRS Pension Plan.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of the measurement dates of July 1, 2021 and July 1, 2020, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40% for the measurement dates of July 1, 2021 and July 1, 2020. Payroll growth, including inflation, for both plans is assumed at 3.25% for both measurement dates.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability. The 6.80% rate of return assumption was determined by the consulting actuary, Milliman to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). The 6.80% reported investment return assumption is the same as the investment return assumption chosen by the 2021 FRS Actuarial Assumption Conference for funding policy purposes.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% for the measurement date of June 30, 2021 and 2.21% for the measurement date of June 30, 2020 was used to determine the total pension liability for the program. The source of the municipal bond

Continued

rate is the Bond Buyer General Obligation 20-Bond Municipal Bond Index. Mortality assumptions for both pension plans were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

There were no changes in benefit terms for either the FRS Pension Plan or HIS that affected the total pension liability since the most recent measurement date. There were no changes between the measurement date and the reporting date which significantly impact the Fund's proportionate share of the net pension liability, deferred outflows, deferred inflows and pension expense for either the FRS Pension Plan or HIS.

The following changes in actuarial assumptions occurred in 2021:

- FRS Pension Plan: The long-term expected rate of return remained the same at 6.80%. The maximum amortization period was reduced from 30 years to 20 years for all current and future amortization bases.
- HIS: The municipal rate used to determine total pension liability decreased from 2.21% to 2.16%.

The following changes in actuarial assumptions occurred in 2020:

- FRS Pension Plan: The long-term expected rate of return decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21% and the mortality assumptions changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

The long-term expected rate of return of 6.80% on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

	Measurement Date as of June 30, 2021	
	Target Allocation	**Long-Term expected real rate of return**
Cash	1.0 %	2.1 %
Fixed income	20.0 %	3.8 %
Global equity	54.2 %	8.2 %
Real estate (property)	10.3 %	7.1 %
Private equity	10.8 %	11.7 %
Strategic investments	3.7 %	5.7 %
	100.0 %	

	Measurement Date as of June 30, 2020	
	Target Allocation	**Long-Term expected real rate of return**
Cash	1.0 %	2.2 %
Fixed income	19.0 %	3.0 %
Global equity	54.2 %	8.0 %
Real estate (property)	10.3 %	6.4 %
Private equity	11.1 %	10.8 %
Strategic investments	4.4 %	5.5 %
	100.0 %	

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Fund's proportionate share of each plan's net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at each of the measurement dates of June 30, 2021 and 2020.

Measurement Date as of June 30, 2021

FRS Pension Plan			Health Insurance Subsidy		
1% Decrease 5.80%	**Current discount rate 6.80%**	**1% Increase 7.80%**	**1% Decrease 1.16%**	**Current discount rate 2.16%**	**1% Increase 3.16%**
$ 1,273,717	$ 284,816	$ (541,794)	$ 502,759	$ 434,877	$ 379,262

Measurement Date as of June 30, 2020

FRS Pension Plan			Health Insurance Subsidy		
1% Decrease 5.80%	**Current discount rate 6.80%**	**1% Increase 7.80%**	**1% Decrease 1.21%**	**Current discount rate 2.21%**	**1% Increase 3.21%**
$ 2,456,355	$ 1,538,268	$ 771,477	$ 496,274	$ 429,320	$ 374,517

Pension Expense and Deferred Outflows (Inflows) of Resources

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)

- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining services life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2021 and 2020 were 5.7 years and 5.9 years, respectively, for the FRS Pension Plan and 6.4 and 7.2 years, respectively, for each year for HIS. The Fund's proportionate share of the components of collective pension expense and deferred outflows and inflows of resources reported in the pension allocation schedules for the fiscal years ended June 30, 2022 (measurement date of June 30, 2021) and June 30, 2021 (measurement date of June 30, 2020) are presented in the following tables for each plan.

FRS Pension Plan

	Recognized in expense reporting period ending June 30, 2022	Recognition period	Deferred outflows of resources	Deferred inflows of resources
Service cost	$ 99,860	Current	—	—
Interest cost	517,051	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	26,913	5.7 to 6.4 years	48,818	—
Effect of assumptions changes or inputs	100,954	5.7 to 6.4 years	194,885	—
Member contributions	(28,525)	Current	—	—
Projected investment earnings	(404,865)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	35,341	5.7 to 6.4 years	101,677	(15,131)
Net difference between projected and actual investment earnings	(312,299)	5 years	—	(993,651)
Contributions subsequent to the measurement date	—	1 year	144,866	—
Administrative expenses	820	Current	—	—
Total	$ 35,250		$ 490,246	(1,008,782)

Continued

Health Insurance Subsidy				
	Recognized in expense reporting period ending June 30, 2022	Recognition period	Deferred outflows of resources	Deferred inflows of resources
Service cost	$ 9,950	Current	—	—
Interest cost	9,882	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	3,003	6.4 to 7.2 years	14,552	(182)
Effect of assumptions changes or inputs	8,170	6.4 to 7.2 years	34,172	(17,918)
Member contributions	(2)	Current	—	—
Projected investment earnings	(325)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	6,733	6.4 to 7.2 years	21,651	(3,053)
Net difference between projected and actual investment earnings	181	5 years	453	—
Contributions subsequent to the measurement date	—	1 year	19,949	—
Administrative expenses	7	Current	—	—
Total	$ 37,599		$ 90,777	(21,153)
Total for all defined benefit pension plans	$ 72,849		$ 581,023	(1,029,935)

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

	FRS Pension Plan expense	HIS expense
Reporting period ending June 30:		
2023	$ (101,060)	13,477
2024	(130,866)	5,904
2025	(189,866)	9,613
2026	(251,725)	11,116
2027	10,115	7,936
Thereafter	—	1,629
Total	$ (663,402)	49,675

Continued

FRS Pension Plan

	Recognized in expense reporting period ending June 30, 2021	Recognition period	Deferred outflows of resources	Deferred inflows of resources
Service cost	$ 93,963	Current	—	—
Interest cost	477,682	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	28,789	5.9 to 6.4 years	58,874	—
Effect of assumptions changes or inputs	97,152	5.9 to 6.4 years	278,476	—
Member contributions	(26,564)	Current	—	—
Projected investment earnings	(391,737)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	29,009	5.9 to 6.4 years	71,732	(19,011)
Net difference between projected and actual investment earnings	43,001	5 years	91,590	—
Contributions subsequent to the measurement date	—	1 year	143,639	—
Administrative expenses	765	Current	—	—
Fund's portion of immaterial adjustment to beginning balance posted by plan sponsor[1]	(34)	Current	—	—
Total	$ 352,026		$ 644,311	(19,011)

[1]In fiscal year 2021, the Department of Management Services, Division of Retirement posted a correction reducing the beginning net pension liability of the FRS Pension Plan due to an increase in an inter-fund receivable amount due to the Plan from the SUSORP the prior fiscal year. During the fiscal year, the SUSORP collects contributions related to the FRS Pension Plan unfunded actuarial liability and transfers those contributions to the FRS. Amounts not transferred as of the end of the fiscal year are recorded as a receivable in the FRS Pension and a payable in the SUSORP.

Continued

Because the Fund's share of this correction is only a reduction of $34, the correction is posted as a reduction of pension expense in the current fiscal year.

Health Insurance Subsidy				
	Recognized in expense reporting period ending June 30, 2021	**Recognition period**	**Deferred outflows of resources**	**Deferred inflows of resources**
Service cost	$ 9,337	Current	—	—
Interest cost	14,160	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	2,979	7.2 years	17,562	(331)
Effect of assumptions changes or inputs	9,141	7.2 years	46,164	(24,963)
Member contributions	(13)	Current	—	—
Projected investment earnings	(415)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	5,078	7.2 years	26,832	(4,729)
Net difference between projected and actual investment earnings	140	5 years	343	—
Contributions subsequent to the measurement date	—	1 year	20,839	—
Administrative expenses	6	Current	—	—
Total	$ 40,413		$ 111,740	(30,023)
Total for all defined benefit pension plans	$ 392,439		$ 756,051	(49,034)

Continued

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

	FRS Pension Plan expense	HIS expense
Reporting period ending June 30:		
2022	$ 111,600	16,958
2023	156,558	12,372
2024	128,039	4,850
2025	71,975	8,531
2026	13,489	10,025
Thereafter	—	8,142
Total	$ 481,661	60,878

Payables to the Defined Benefit Pension Plans

The Fund reported payables of $13,273 to the FRS Pension Plan and $1,730 to the HIS Program as of June 30, 2022 for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled $47. The payables are included in accrued expenses as a current liability in the Combined Statements of Net Position.

The Fund reported payables of $11,688 to the FRS Pension Plan and $1,703 to the HIS Program as of June 30, 2021 for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled $37. The payables are included in accrued expenses as a current liability in the Combined Statements of Net Position.

(i) Defined Contribution Programs

FRS Investment Plan

The State Board of Administration administers the defined contribution plan officially titled the FRS Investment Plan. The Florida Legislature establishes and amends contribution requirements and the benefit terms of the plan. Retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the years of service required for vesting under the Pension Plan (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings of the funds.

The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability (non-duty or line of duty); the employer pays an employer contribution to fund the disability benefit which is deposited in the FRS Trust Fund. The member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the FRS Investment Plan and rely upon that account balance for retirement income. Survivor benefit coverage is provided to the surviving spouse or dependent children of members who die in line of duty; the employer pays an employer contribution to fund the survivor benefit which is deposited in the FRS Trust Fund. The member's account balance must be transferred to the FRS Pension Plan when approved for survivor benefits to receive guaranteed lifetime monthly benefits under the FRS Pension Plan for the surviving spouse or on behalf of the dependent children until the youngest unmarried dependent child reaches age 18, or up to age 25 if unmarried and enrolled as a full-time student.

Pension Amounts for the FRS Investment Plan

During the fiscal years ended June 30, 2022 and 2021, the Fund recognized $9,675 and $17,386 in net pension expense related to the FRS Investment Plan, respectively, and employee contributions totaled $7,595 and $13,484, and administrative fees totaled $152 and $270, respectively. As of June 30, 2022 and 2021, the Fund reported current liabilities of $295 and $735, respectively, for June employer contributions to be paid to employee accounts in the following month. Administrative fees owed were $5 and $13, respectively, for FRS Investment Plan participants. These liabilities are included in accrued expenses as a current liability on the Combined Statements of Net Position.

Blended rates paid by the employer for employees participating in the FRS Investment Plan include required contributions paid to the Health Insurance Subsidy (HIS) Program Pension Plan, the unfunded actuarial liability (UAL) contributions to the FRS Pension Plan, disability fees (also paid into the FRS Pension Plan), contributions to defined contribution participant accounts, and administrative fees.

Amounts paid into the two defined benefit pension plans are already included in the net pension liability for those plans. Forfeiture amounts for the Fund are not available, as forfeitures are used only to offset the overall administrative cost of the defined contribution plan and the amount attributable to reducing the Fund's administrative expenses is unknown.

(j) Other Postemployment Benefits (OPEB)

The Fund follows GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits (OPEB) administered by the Division of State Group Insurance (DSGI).

General Information about the OPEB Plan

Plan Description. The Fund participates in the State Employee's Health Insurance Program, a multiple-employer defined benefit postemployment healthcare plan administered by the State of Florida, Department of Management Services, DSGI, which provides healthcare benefits to retired state and university employees in accordance with Section 110.123, Florida Statutes (F.S.). Pursuant to the provisions of Section 112.0801, F.S., all public employers (including the Fund) that offer benefits through a group insurance plan shall allow their retirees and their eligible dependents the option to continue participation in the plan during retirement. As a part of normal retirement, a retiree has 60 days after separation to elect post-retirement health coverage. After 60 days, they are no longer entitled to benefits. A retiree is defined as any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the FRS Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The law also requires the claims experience of the retirees under 65 age group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. As a result, the Fund subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Florida Legislature. The Fund's benefit payments are approved in the Fund's budget each fiscal year as adopted by SBA Trustees.

Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All non-OPS employees of the Fund are eligible to receive postemployment health care benefits. Four types of health plans are offered to eligible participants:

- Standard statewide Preferred Provider Organization (PPO).
- High Deductible PPO Plan
- Standard Health Maintenance Organization (HMO) Plan
- High Deductible HMO Plan

HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Employees Covered by Benefit Terms

At valuation date July 1, 2020, there were 194,496 employees covered by the OPEB Plan, as shown in the following table:

Active Plan Members	137,884
No Coverage Active Members	21,032
Retired and Inactive Members	35,580
Total eligible members	194,496

There are currently zero inactive plan members entitled to but not yet receiving benefits because the OPEB plan does not provide a vested termination benefit.

Contributions

Retirees participating in the group insurance plans offered by the State are required to contribute 100% of the premiums. The State implicitly subsidizes the healthcare premium rates paid by the retirees by allowing them to participate in the same health plan offered to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because Medicare is the primary payer. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Note that the projected post-65 employee contributions for the fully-insured HMO plan are assumed to cover the entire cost of the program.

Continued

Total OPEB Liability

Actuarial valuations for the OPEB Plan are conducted biennially. The July 1, 2020, OPEB valuation is the most recent actuarial valuation. Standard roll forward procedures were used to develop the liabilities for the June 30, 2022, reporting period end.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Florida's OPEB plan and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The Fund is allocated a share of the State's OPEB liability, deferred outflows, deferred inflows and expense based on the number of full-time equivalent positions funded. As of June 30, 2022, the State reported a total OPEB liability of $10,540,636,644 of which the Fund reported $414,655 for its proportionate share of the total OPEB liability measured as of June 30, 2021. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

	Fund
Proportion at prior measurement date, June 30, 2020	0.004003301 %
Proportion at measurement date, June 30, 2021	0.003933871 %
Increase / (decrease) in proportion	(0.000069430)%

As of June 30, 2021, the State reported a total OPEB liability of $10,290,045,182 of which the Fund reported $411,941 for its proportionate share of the total OPEB liability measured as of June 30, 2020. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

	Fund
Proportion at prior measurement date, June 30, 2019	0.004002914 %
Proportion at measurement date, June 30, 2020	0.004003301 %
Increase / (decrease) in proportion	0.000000387 %

Continued

Actuarial Assumptions and Other Inputs – Reporting Period Ended June 30, 2022

The July 1, 2020, OPEB valuation is the most recent actuarial valuation. This valuation, along with standard roll forward procedures, is applicable to the reporting period ended June 30, 2022. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	July 1, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Amortization method	The recognition periods for the changes in assumption, experience and proportionate share are 8 years
Actuarial value of assets	N/A - no plan assets
Inflation	2.60%
Salary increases	Varies by FRS Class
Discount rate	2.18%
Healthcare cost trend rates	7.95% and 6.02% for PPO and HMO plans, respectively for fiscal year 2021-2022. Both Pre-Medicare and Post-Medicare rates for each plan are projected to dip slightly in fiscal year 2022-2023 before increasing in the next fiscal year to 8.19% for the PPO plan and returning to 6.02% for the HMO plan. The rates for each plan then decrease gradually to 4.04% in fiscal year 2075-2076 and thereafter.
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees
Medical aging factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Mortality	Pub-2010 Mortality tables with fully generational improvement using Scale MP-2018
Marital status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	43% participation assumed (47% of those who have elected active coverage, 3.7% of those who have not), with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.
Health care participation (PPO):	43% participation assumed (47% of those who have elected active coverage, 3.7% of those who have not), with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.

Continued

The discount rate of 2.18% was based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index as of the measurement date of June 30, 2021.

The demographic actuarial assumptions for retirement, disability, withdrawal and salary merit scales used in the July 1, 2020 OPEB valuation are consistent with the assumptions used in the July 1, 2019 Actuarial Valuation of the FRS. The demographic assumptions were based on the 2019 Experience Study prepared by Milliman on December 20, 2019. Updated assumptions for the FRS July 1, 2019 Actuarial Valuation were approved by the 2019 FRS Actuarial Assumption Conference in October 2019. An updated retiree medical election percentage was used to align with plan experience from 2016 through 2020. Mortality rates are based on Pub-2010 mortality tables that incorporate fully generational mortality improvement using Scale MP-2018.

The healthcare trend rates for the first five years used in the July 1, 2020 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2020 through June 30, 2025 as presented on August 5, 2020 at the Self-Insurance Estimating Conference. The Getzen Model was used to generate the long-term healthcare trends.

Retirees participating in the group insurance plans offered by the State of Florida (and the Fund) are required to contribute 100% of the premiums.

Changes since the Prior Valuation:

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB 75. The discount rate decreased from 2.66% to 2.18%.

- Retirement – Retirement rates were updated based on those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, with certain adjustments made to reflect the difference in the underlying populations. Rates were previously those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change decreased the total OPEB liability by about 7%.

- Termination, Disability and Salary Scale – Termination, disability and salary scale rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the total OPEB liability by about 3%, 0.5% and 0.2%, respectively.

- Active Medical Plan Elections – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement at a rate of 47%. For those who are not currently covered under the health plan, 3.7% are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43%. Previously, the overall participation rate was 50%. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8% decrease in the total OPEB liability.

Continued

Actuarial Assumptions and Other Inputs – Reporting Period ended June 30, 2021

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	The recognition periods for the changes in assumption, experience and proportionate share are 7 years
Actuarial value of assets	N/A - no plan assets
Inflation	2.60%
Salary increases	Varies by FRS Class
Discount rate	2.66%
Healthcare cost trend rates	7.78% and 5.66% for PPO and HMO plans, respectively for fiscal year 2021-2022. Both Pre-Medicare and Post-Medicare rates are projected to increase through 2024, to 8.19% for the PPO plan and 6.02% for the HMO plan, before decreasing gradually for both plans to 4.04% in fiscal year 2075-2076 and thereafter.
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees
Medical aging factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Mortality	Pub-2010 Mortality tables with fully generational improvement using Scale MP-2018
Marital status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	50% participation assumed, with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.
Health care participation (PPO)	50% participation assumed, with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.

The discount rate of 2.66% for the measurement date June 30, 2020, was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

For the reporting period ended June 30, 2021, the demographic actuarial assumptions used in the July 1, 2020 OPEB valuation were consistent with the assumptions used in the July 1, 2018 Actuarial Valuation of the FRS. The demographic assumptions were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2018 Actuarial Valuation were approved by the 2018 FRS Actuarial Assumption Conference.

Continued

Retirees participating in the group insurance plans offered by the State of Florida (and the Fund) are required to contribute 100% of the premiums.

Changes since the Prior Valuation:

- Census Data – The census data reflects changes in status for the 12-month period since July 1, 2020.

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB 75. The discount rate decreased from 2.79% to 2.66%.

- Excise ("Cadillac") Tax – The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12%. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the total OPEB liability of about 13%.

- Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.

- Trend Rate – The medical trend assumption is updated each year based on the Getzen Model. Medical trend rates used were consistent with the August 2020 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.

- Mortality – Mortality rates were updated to align with those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the total OPEB liability by about 5%.

- Active Medical Plan Elections – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72% are assumed to elect PPO coverage in retirement. The remaining 28% are assumed to elect HMO coverage. This change resulted in a small decrease in the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following tables demonstrate the sensitivity of the Fund's proportionate share of the total OPEB liability to changes in the discount rate for each fiscal year presented. The sensitivity analysis shows the impact to the Fund's proportionate share of the total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate:

Continued

Measurement Date as of June 30, 2021	**1% Decrease (1.18%)**	**Current Discount Rate (2.18%)**	**1% Increase (3.18%)**
Fund's proportionate share of the total OPEB liability	$490,619	$414,655	$354,481

Measurement Date as of June 30, 2020	**1% Decrease (1.66%)**	**Current Discount Rate (2.66%)**	**1% Increase (3.66%)**
Fund's proportionate share of the total OPEB liability	$487,833	$411,941	$351,692

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table demonstrates the sensitivity of the Fund's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates for each fiscal year presented. The sensitivity analysis shows the impact to the Fund's proportionate share of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rates:

Measurement date as of	**1% Decrease**	**Current Healthcare Cost Trend Rates***	**1% Increase**
June 30, 2021	$345,754	$414,655	$502,859
*Please refer to the Healthcare Cost Trend Rates information presented above in the *Actuarial Assumptions and Other Inputs – Reporting Period Ended June 30, 2022.*			

Measurement date as of	**1% Decrease**	**Current Healthcare Cost Trend Rates***	**1% Increase**
June 30, 2020	$344,701	$411,941	$497,865
*Please refer to the Healthcare Cost Trend Rates information presented above in the *Actuarial Assumptions and Other Inputs – Reporting Period Ended June 30, 2021.*			

OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Fund recognized OPEB expense of $13,277, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Reporting Date as of June 30, 2022

Description	**Deferred Outflows**	**Deferred Inflows**
Change of assumptions or other inputs	$ 44,596	(137,328)
Difference between expected and actual experience	—	(19,709)
Changes in proportion and differences between Fund benefit payments and proportionate share of benefit payments	35,170	(8,055)
Transactions subsequent to the measurement date	7,390	—
Total	$ 87,156	(165,092)

Continued

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above will be recognized as a reduction of the total OPEB liability in the reporting period ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30		Amount
2023	$	(18,475)
2024		(18,476)
2025		(18,475)
2026		(13,824)
2027		(9,976)
Thereafter		(6,100)
Total	$	(85,326)

For the fiscal year ended June 30, 2021, the Fund recognized OPEB expense of $25,013, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Reporting Date as of June 30, 2021			
Description		Deferred Outflows	Deferred Inflows
Change of assumptions or other inputs	$	54,460	(155,894)
Difference between expected and actual experience		—	(24,068)
Changes in proportion and differences between Fund benefit payments and proportionate share of benefit payments		43,925	—
Transactions subsequent to the measurement date		6,814	—
Total	$	105,199	(179,962)

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above was recognized as a reduction of the total OPEB liability in the reporting period ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB were recognized in OPEB expense as follows:

Fiscal Year Ending June 30		Amount
2022	$	(15,852)
2023		(15,852)
2024		(15,852)
2025		(15,852)
2026		(11,049)
Thereafter		(7,120)
Total	$	(81,577)

Continued

(13) Subsequent Events

The Fund has reviewed and considered the events subsequent to the date of the combined financial statements through November 4, 2022, which is the date the combined financial statements were available to be issued, and are disclosing the following subsequent event:

- On September 28, 2022, Hurricane Ian made landfall near Cayo Costa, in southwestern Florida, as a Category 4 hurricane. Although the amount or extent of the claims that will be filed for reimbursement is unknown at the issuance of these statements, the Fund expects insurers to seek reimbursements for losses which will affect the Fund’s net position.

(14) Condensed Combining Information

The combined financial statements represent the financial position of the Fund, which includes the Corporation. The Corporation is included as a blended component unit of the Fund because it provides services exclusively for the benefit of the Fund.

The following table provides the condensed combining assets information of the Fund as of June 30, 2022 (in thousands):

Assets	Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Current assets:			
Short-term investments	$ 5,758,583	4,548,177	1,210,406
Premium receivable (net of allowance)	99,654	99,654	—
Accrued interest	38,160	29,057	9,103
Accounts receivable	11	11	—
Total current assets	5,896,408	4,676,899	1,219,509
Long-term assets:			
Long-term investments	10,058,927	7,845,647	2,213,280
Capital assets, net of accumulated depreciation	37	37	—
Total long-term assets	10,058,964	7,845,684	2,213,280
Total assets	15,955,372	12,522,583	3,432,789
Deferred outflows of resources:			
Deferred outflows related to pensions and OPEB (note 12)	$ 668	668	—

The following table provides the condensed combining liabilities and net position information of the Fund as of June 30, 2022 (in thousands):

Liabilities	Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Current liabilities:			
Unpaid hurricane losses	$ 1,512,861	1,512,861	—
Accrued expenses	693	595	98
Accrued bond interest expense	29,850	—	29,850
Compensated absences	72	72	—
Net pension and OPEB liability (note 12)	9	9	—
Total current liabilities	1,543,485	1,513,537	29,948
Long-term liabilities, net of curent portion:			
Bonds payable	3,500,000	—	3,500,000
Compensated absences	208	208	—
Net pension and OPEB liability (note 12)	1,125	1,125	—
Total long-term liabilities	3,501,333	1,333	3,500,000
Total liabilities	5,044,818	1,514,870	3,529,948
Deferred inflows of resources:			
Deferred inflows related to pensions and OPEB (note 12)	1,195	1,195	—
Net position			
Net investment in capital assets	37	37	—
Unrestricted	10,909,990	11,007,149	(97,159)
Total net position	$ 10,910,027	11,007,186	(97,159)

Continued

The following table provides the condensed combining revenues, expenses, and changes in net position information of the Fund for the year ended June 30, 2022 (in thousands):

	Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Operating revenues:			
Net premium revenue	$ 1,211,528	1,211,528	—
Net interest on premium adjustments	(244)	(244)	—
Net interest on loss disbursements and adjustments	376	376	—
Other	47	47	—
Total operating revenues	1,211,707	1,211,707	—
Operating expenses:			
Administrative and actuarial fees	2,595	2,595	—
Other professional fees	1,744	1,737	7
Personnel expenses	1,790	1,790	—
Depreciation	16	16	—
Other	164	164	—
Total operating expenses	6,309	6,302	7
Operating income (loss)	1,205,398	1,205,405	(7)
Nonoperating revenue (expense):			
Investment income	(412,242)	(310,138)	(102,104)
Investment advisor fees	(5,284)	(4,160)	(1,124)
Settlement proceeds	264	264	—
Custodian and bond trustee fees	(161)	(124)	(37)
Bond interest expense	(59,700)	—	(59,700)
Nonoperating expense, net	(477,123)	(314,158)	(162,965)
Net income (loss) before transfers	728,275	891,247	(162,972)
Transfers to (from) component units	—	(20,472)	20,472
Transfers to other state agencies	(13,500)	(13,500)	—
Change in net position	714,775	857,275	(142,500)
Net position at beginning of year	10,195,252	10,149,911	45,341
Net position at end of year	$ 10,910,027	11,007,186	(97,159)

Continued

The following table provides the condensed combining cash flows information of the Fund for the year ended June 30, 2022 (in thousands):

	Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Cash flows from operating activities:			
Net premium received	1,211,231	1,211,231	—
Hurricane losses paid	(1,053,356)	(1,053,356)	—
Loss reimbursement advances and related interest	376	376	—
Other cash received from customers	47	47	—
Administrative and actuarial fees	(3,165)	(3,165)	—
Other professional fees	(1,694)	(1,687)	(7)
Personnel expenses	(1,794)	(1,794)	—
Other cash paid to vendors	(225)	(225)	—
Net cash provided (used) by operating activities	151,420	151,427	(7)
Cash flows from investing activities:			
Purchases of investments	(21,863,875)	(19,322,492)	(2,541,383)
Sales and maturities of investments	22,316,286	19,111,012	3,205,274
Interest received	133,014	97,954	35,060
Settlement proceeds	264	264	—
Investment advisor fees	(5,161)	(4,061)	(1,100)
Investment custodian fees	(177)	(137)	(40)
Net cash provided (used) by investing activities	580,351	(117,460)	697,811
Cash flows from noncapital financing activities:			
Transfers to other state agencies	(13,500)	(33,972)	20,472
Payments for trustee fees	(3)	—	(3)
Bond principal paid	(650,000)	—	(650,000)
Bond interest paid	(68,273)	—	(68,273)
Bank financing - overdraft	8	8	—
Net cash used by noncapital financing activities	(731,768)	(33,964)	(697,804)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(3)	(3)	—
Net increase in cash and cash equivalents	—	—	—
Cash and cash equivalents at beginning of year	—	—	—
Cash and cash equivalents at end of year	$ —	—	—

Schedule of Fund's Proportionate Share of Net Pension Liability and Related Ratios
Cost-Sharing Multiple-Employer Defined Benefit Pension Plans – Last 10 Fiscal Years*

Florida Retirement System Pension Plan[1]

Fiscal year ended[2]	Measurement Date	Fund's proportion of the net pension liability	Fund's proportionate share of the net pension liability	Fund's covered payroll[2]	Fund's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2022	6/30/2021	0.003770471 %	$ 284,816	$ 1,255,101	22.69 %	96.40 %
6/30/2021	6/30/2020	0.003549182 %	1,538,268	1,220,376	126.05 %	78.85 %
6/30/2020	6/30/2019	0.003639034 %	1,253,233	1,140,851	109.85 %	82.61 %
6/30/2019	6/30/2018	0.003553773 %	1,070,415	1,081,584	98.97 %	84.26 %
6/30/2018	6/30/2017	0.003265072 %	965,786	1,038,160	93.03 %	83.89 %
6/30/2017	6/30/2016	0.002834117 %	715,617	1,036,792	69.02 %	84.88 %
6/30/2016	6/30/2015	0.002651678 %	342,500	983,644	34.82 %	92.00 %
6/30/2015	6/30/2014	0.002394824 %	146,119	900,947	16.22 %	96.09 %

[1] Changes in actuarial assumptions: For the fiscal year ended June 30, 2022, the inflation rate assumption remained 2.40%. For the fiscal year ended June 30, 2021, the inflation rate assumption was reduced from 2.60% to 2.40%. For all fiscal years prior to 2021, the inflation rate assumption was 2.60%.

The overall payroll growth rate assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2022.

The long-term expected rate of return assumption, effective for each fiscal year ended June 30, was as follows:

6/30/2022	6.80 %	6/30/2019	7.00 %	6/30/2016	7.65 %
6/30/2021	6.80 %	6/30/2018	7.10 %	6/30/2015	7.65 %
6/30/2020	6.90 %	6/30/2017	7.60 %		

For the fiscal year ended June 30, 2020, the mortality assumptions changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

[2] The Florida Retirement System pension plan information and net pension liability is reported on a one year lag. For example pension plan information reported for the fiscal year ended June 30, 2022, is as of measurement date June 30, 2021. Covered payroll used to calculate the proportionate share of the net pension liability as a percentage of covered payroll for each fiscal year presented above is actually the covered payroll of the prior fiscal year.

* This schedule is intended to show information for 10 fiscal years. However, until a full 10-year trend is compiled, the Fund is presenting information for those years for which information is available.

Continued

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2022 and 2021

Schedule of Fund's Proportionate Share of Net Pension Liability and Related Ratios
Cost-Sharing Multiple-Employer Defined Benefit Pension Plans – Last 10 Fiscal Years*

Retiree Health Insurance Subsidy[1]

Fiscal year ended[2]	Measurement Date	Fund's proportion of the net pension liability	Fund's proportionate share of the net pension liability	Fund's covered payroll[2]	Fund's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2022	6/30/2021	0.003545237 %	$ 434,877	$ 1,255,101	34.65 %	3.56 %
6/30/2021	6/30/2020	0.003516179 %	429,320	1,220,376	35.18 %	3.00 %
6/30/2020	6/30/2019	0.003411176 %	381,676	1,140,851	33.46 %	2.63 %
6/30/2019	6/30/2018	0.003311502 %	350,493	1,081,584	32.41 %	2.15 %
6/30/2018	6/30/2017	0.003257066 %	348,260	1,038,160	33.55 %	1.64 %
6/30/2017	6/30/2016	0.003358544 %	391,424	1,036,792	37.75 %	0.97 %
6/30/2016	6/30/2015	0.003242266 %	330,660	983,644	33.62 %	0.50 %
6/30/2015	6/30/2014	0.003032327 %	283,530	900,947	31.47 %	0.99 %

[1] Changes in actuarial assumptions: For the fiscal year ended June 30, 2022, the inflation rate assumption remained 2.40%. For the fiscal year ended June 30, 2021, the inflation rate assumption was reduced from 2.60% to 2.40%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

The overall payroll growth rate assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2022.

The municipal bond rate used to determine total pension liability for each fiscal year ended June 30, was as follows:

6/30/2022	2.16 %	6/30/2019	3.87 %	6/30/2016	3.80 %
6/30/2021	2.21 %	6/30/2018	3.58 %	6/30/2015	4.29 %
6/30/2020	3.50 %	6/30/2017	2.85 %		

[2] The Retiree Health Insurance Subsidy pension plan information and net pension liability is reported on a one year lag. For example, pension plan information reported for the fiscal year ended June 30, 2022, is as of measurement date June 30, 2021. Covered payroll used to calculate the proportionate share of the net pension liability as a percentage of covered payroll for each fiscal year presented above is actually the covered payroll as of the pension plan measurement date (i.e., the prior fiscal year).

* This schedule is intended to show information for 10 fiscal years. However, until a full 10-year trend is compiled, the Fund is presenting information for those years for which information is available.

Continued

Schedules of Fund Contributions
Cost-Sharing Multiple-Employer Defined Benefit Pension Plans – Last 10 Fiscal Years*

Florida Retirement System Pension Plan

Fiscal Year Ended	Statutorily required contributions (a)	Fund's contributions in relation to the statutorily required contributions (b)	Contribution deficiency (excess) (a-b)	Fund's covered payroll (c)	Contributions as a percentage of covered payroll (b/c)
6/30/2022	$ 144,866	$ 144,866	—	$ 1,201,452	12.06 %
6/30/2021	143,639	143,639	—	1,255,101	11.44 %
6/30/2020	117,924	117,924	—	1,220,376	9.66 %
6/30/2019	112,836	112,836	—	1,140,851	9.89 %
6/30/2018	101,280	101,280	—	1,081,584	9.36 %
6/30/2017	84,998	84,998	—	1,038,160	8.19 %
6/30/2016	69,114	69,114	—	1,036,792	6.67 %
6/30/2015	64,650	64,650	—	983,644	6.57 %
6/30/2014	52,457	52,457	—	900,947	5.82 %

Retiree Health Insurance Subsidy

Fiscal Year Ended	Statutorily required contributions (a)	Fund's contributions in relation to the statutorily required contributions (b)	Contribution deficiency (excess) (a-b)	Fund's covered payroll (c)	Contributions as a percentage of covered payroll (b/c)
6/30/2022	$ 19,949	$ 19,949	—	$ 1,201,452	1.66 %
6/30/2021	20,839	20,839	—	1,255,101	1.66 %
6/30/2020	20,262	20,262	—	1,220,376	1.66 %
6/30/2019	18,942	18,942	—	1,140,851	1.66 %
6/30/2018	17,958	17,958	—	1,081,584	1.66 %
6/30/2017	17,237	17,237	—	1,038,160	1.66 %
6/30/2016	17,215	17,215	—	1,036,792	1.66 %
6/30/2015	12,394	12,394	—	983,644	1.26 %
6/30/2014	10,388	10,388	—	900,947	1.15 %

* These schedules are intended to show information for 10 fiscal years. However, until a full 10-year trend is compiled, the Fund is presenting information for those years for which information is available.

Continued

Schedule of Fund's Proportionate Share of the Total Other Postemployment Benefits Liability Last 10 Fiscal Years*

Fiscal year ended[1]	OPEB Plan Measurement Date	Fund's proportion of the total OPEB liability	Fund's proportionate share of the total OPEB liability[2]	Fund's covered employee payroll	Fund's proportionate share of the total OPEB liability as a percentage of covered employee payroll
6/30/2022	6/30/2021	0.00393387 %	$ 414,655	$ 1,284,242	32.29 %
6/30/2021	6/30/2020	0.00400330 %	411,941	1,222,905	33.69 %
6/30/2020	6/30/2019	0.00400292 %	506,699	1,141,601	44.38 %
6/30/2019	6/30/2018	0.00388884 %	410,333	1,081,584	37.94 %
6/30/2018	6/30/2017	0.00370228 %	400,257	1,038,160	38.55 %

Notes:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. There were no changes to benefit terms during any reporting period.

[1]The total other postemployment benefits liability (OPEB) information is reported on a one year lag. For example, OPEB information reported for the fiscal year ended June 30, 2022, is as of measurement date June 30, 2021.

[2]Changes in actuarial assumptions: Generally, a decrease in the 20-year tax-exempt general obligation municipal bond rate used to determine the total OPEB liability increases the Fund's proportionate share of the total OPEB liability, and an increase in the bond rate decreases the Fund's proportionate share of the total OPEB liability. The municipal bond rates used to determine the total OPEB liability were as follows in each fiscal year:

6/30/2022	2.18%	6/30/2019	3.87%
6/30/2021	2.66%	6/30/2018	3.58%
6/30/2020	2.79%		

Other changes in actuarial assumptions were as follows:

For fiscal year ended June 30, 2022, retirement rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2019, from the previously used rates from July 1, 2015. This decreased the total OPEB liability by about 7%. Active medical plan election participation rate assumptions changed from 50% to 43%, resulting in a decrease in total OPEB liability of about 8%.

For fiscal year ended June 30, 2021, the excise tax that was to go into effect in 2022 was repealed. The impact of this change was a decrease in liabilities of about 13%.

For the fiscal year ended June 30, 2020, the OPEB valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12%. Mortality rates were changed to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. Mortality rates were previously based on FP-2000 mortality tables with fully generational improvement using Scale BB. This change decreased liabilities by about 5%.

* This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Fund is presenting information for those years for which information is available.

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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 Trustees of the State Board of Administration of Florida
Florida Hurricane Catastrophe Fund

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 combined financial statements of the Florida Hurricane Catastrophe Fund (the Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated November 4, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund's combined 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*.

(Continued)

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 4, 2022