

Update on Florida Retirement System

Florida Retired Educators Association

May 25, 2022



Update on Florida Retirement System

- Background and Overview
- Current Trends and Implications
- Update on FRS Investment Plan
- Update on FRS Pension Plan
- Questions

SBA Mandates

More than \$250 billion* in assets under management for:

- Florida Retirement System Pension Plan
- Florida Retirement System Investment Plan
- Florida PRIME
- Florida Hurricane Catastrophe Fund
- Lawton Chiles Endowment Fund
- Plus more than 20 other state mandated funds

*As of March 31, 2022

State Board of Administration (SBA)

SBA Mission

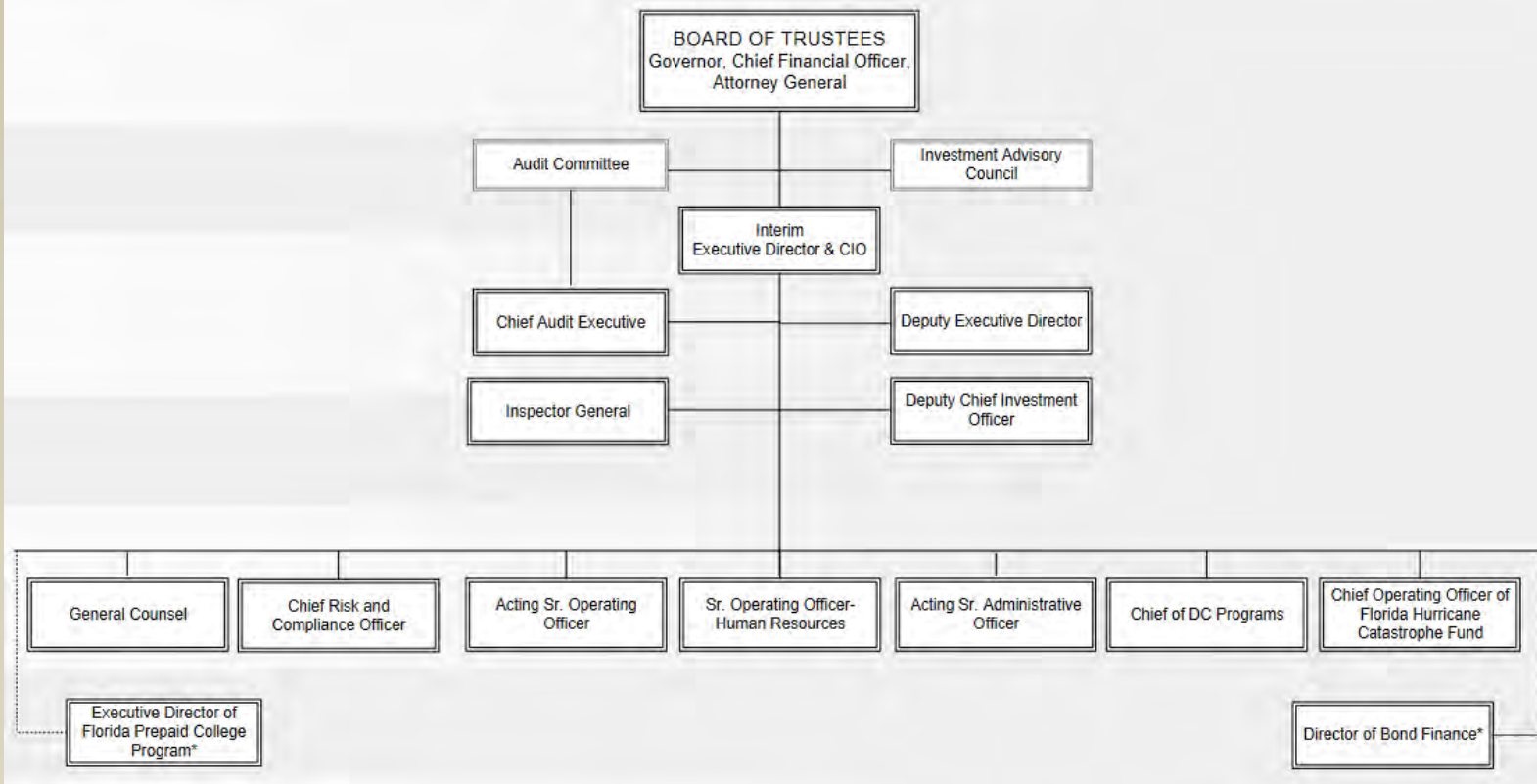
Our mission is to provide superior investment management and trust services by proactively and comprehensively managing risk and adhering to the highest ethical, fiduciary, and professional standards

SBA Vision

Our vision is to be the best public sector investment and administrative service provider, while exemplifying the principles of trust, integrity, and performance

SBA Governance

STATE BOARD OF ADMINISTRATION Functional Organization



* Reports to other boards

SBA Governance

- Investment Advisory Council
- Audit Committee
- Florida Hurricane Catastrophe Fund
Advisory Council
- Florida Commission on Hurricane Loss
Projection Methodology

Florida Retirement System



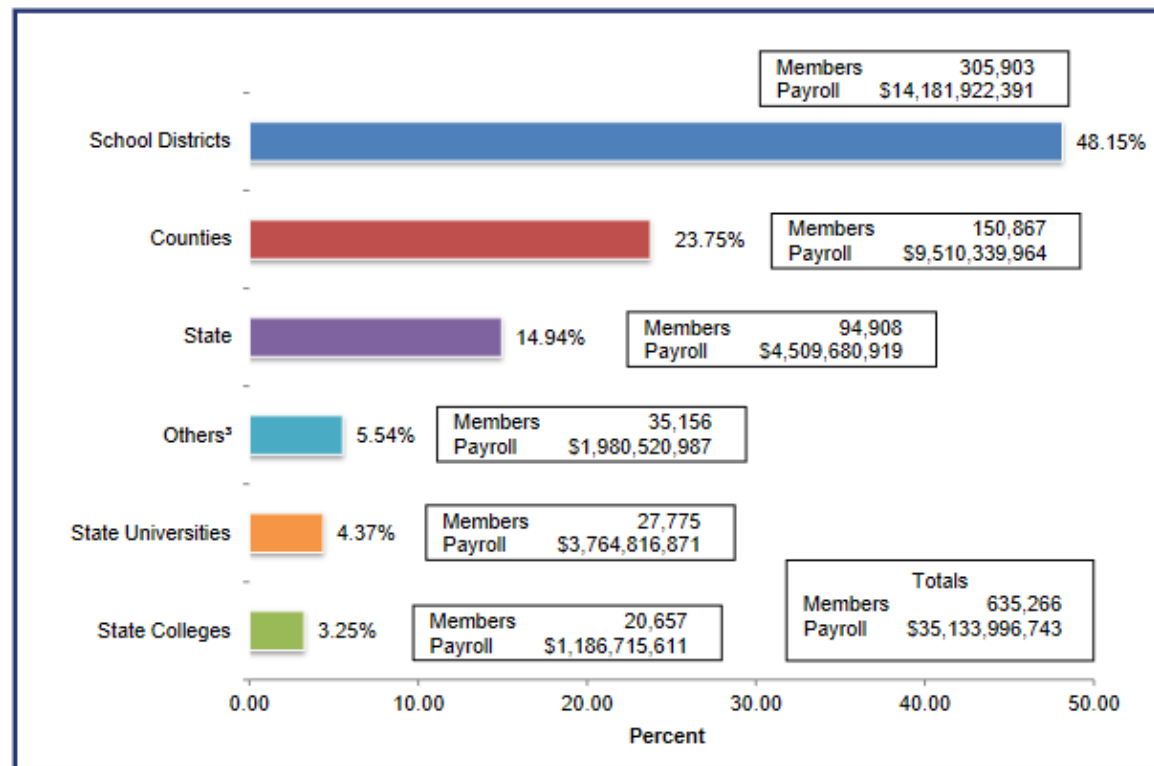
Background and Overview

- Total Membership at June 31, 2021: 1.2 million
- Total number of employers: 1,000
- Total Active Investment Plan Members: 177,000
- Total Active Pension Plan Members: 459,000
- Total Pension Plan Annuitants: 440,000
- Total FRS AUM at March 31, 2022: \$212.3 billion
 - FRS Investment Plan: \$14.5 billion
 - FRS Pension Plan: \$197.7 billion

Membership 2021

SOURCE OF FRS MEMBERSHIP¹ AND COVERED PAYROLL² FOR FISCAL YEAR 2020-21¹

% = Percent of Total Active Members



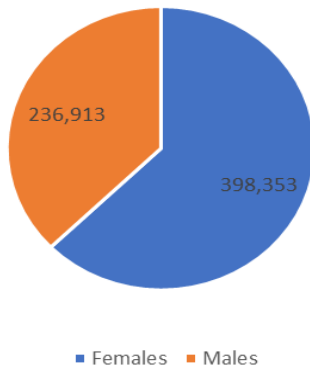
¹ Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

² Includes non-member funding payroll.

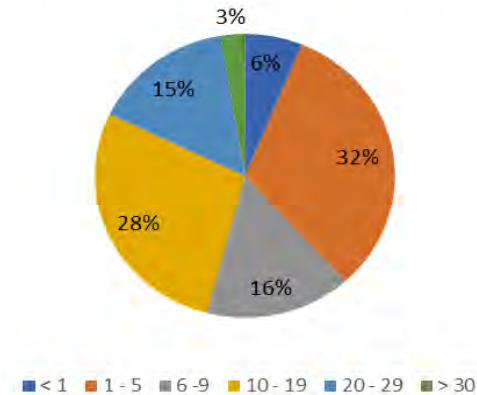
³ Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

Membership 2021

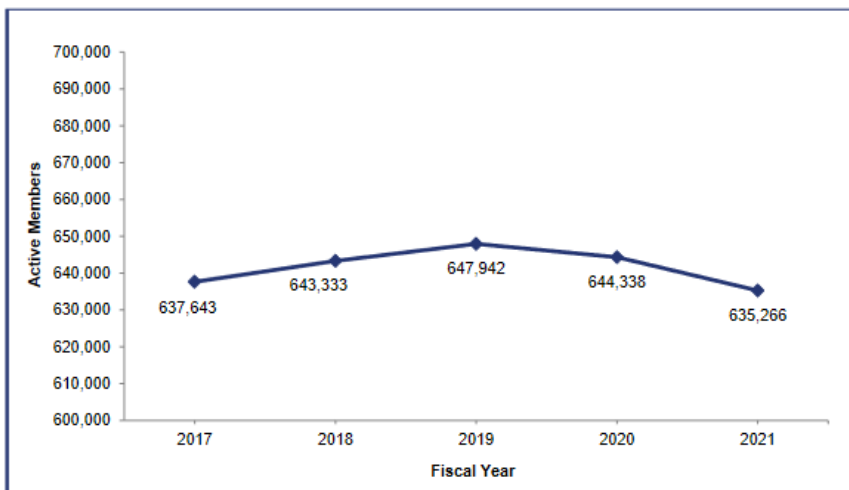
Total FRS Active Membership by Gender



Total FRS Active Membership by Years of Service

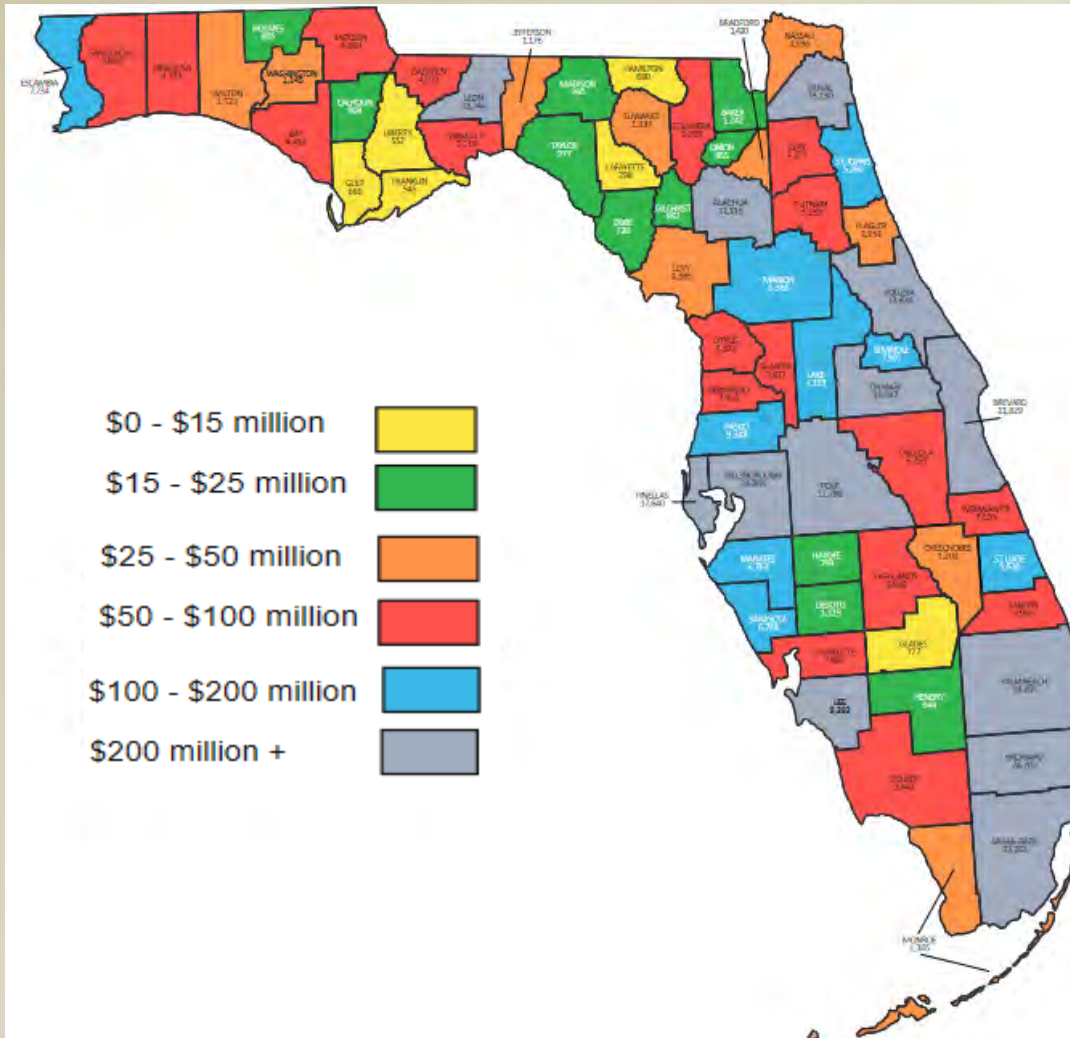


ACTIVE FRS MEMBERS 2017-2021 ¹
as of June 30



Total Pension Plan Annuitants: 440,000
 Average Service: 21.16 years
 Average Benefit: \$24,000
 Average Benefit with 25 or more years of service: \$41,000
 Nearly half (47%) of all Pension Plan Annuitants worked at School Boards

Economic Benefit of FRS



\$9.02 billion of benefit payments throughout 67 counties during Fiscal Year 2020-21



The Florida Retirement System Plans

FRS Pension Plan

FRS Investment Plan

Designed For

A traditional retirement plan designed for longer-service career employees.

A retirement plan designed for shorter-service and more mobile employees.

Vesting

You qualify for a benefit after 8 years of service. You are always fully vested in your own contributions, as long as you remain in the Pension Plan.

You qualify for a benefit after 1 year of service. You are always fully vested in your own contributions, as long as you remain in the Investment Plan.

Benefit

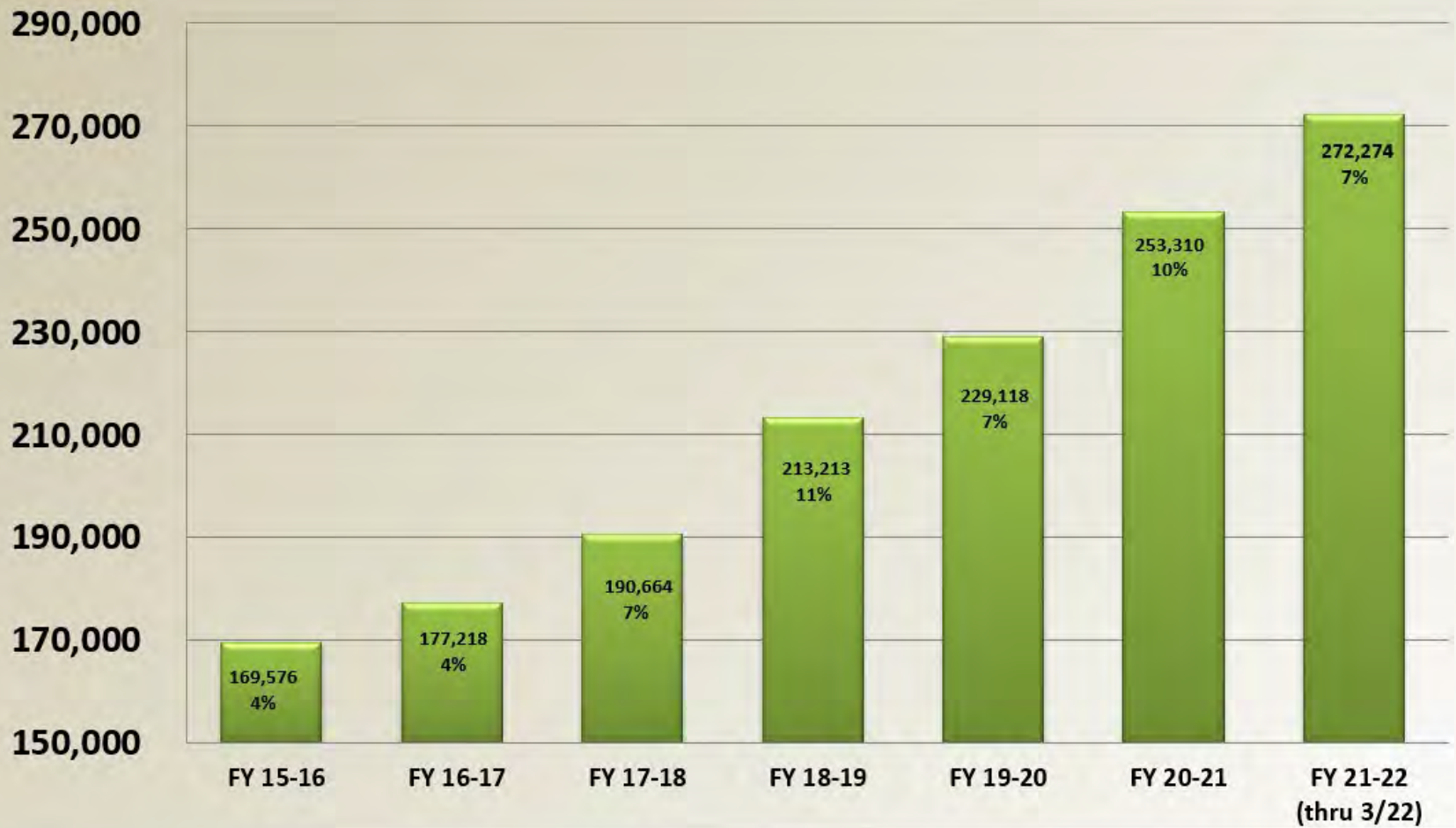
Pays a guaranteed lifetime monthly benefit using a formula based on the service and salary while you are working for an FRS-covered employer. Plan underfunding or future cost increases could make it necessary for the Florida Legislature to reduce benefits.

Your benefit depends on the amount of money contributed to your account and on its growth over time. You decide how to allocate the money in your account among the available investment funds. Future plan cost increases could make it necessary for the Florida Legislature to reduce the amount that employers contribute to the Plan, which may result in a lower benefit.

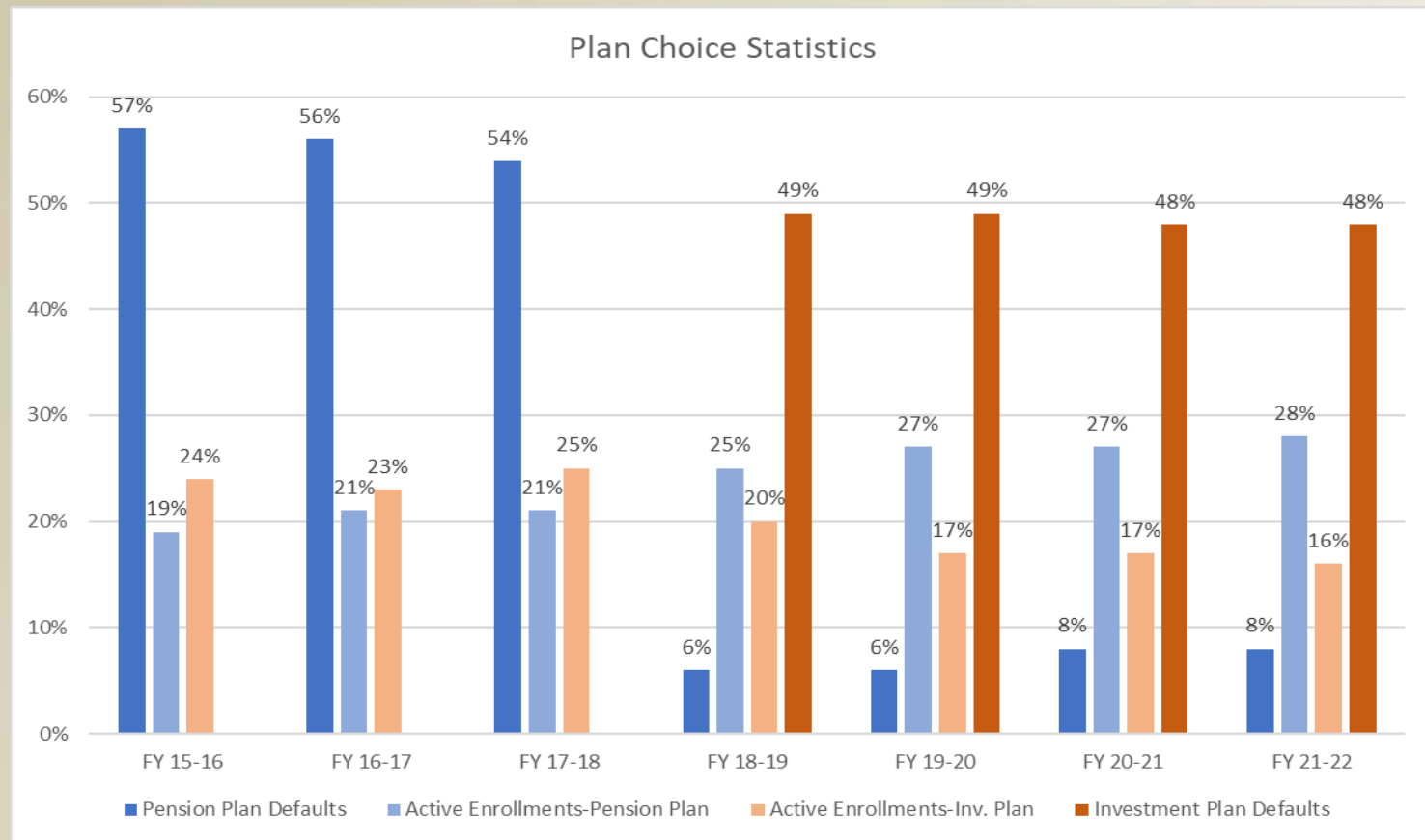
Trends

- Increasing membership in Investment Plan
- Increasing adequacy of Investment Plan
- Increasing contributions through better assumptions
- Increasing negative cash flow due to declining membership in DB

Increasing Growth of Investment Plan



Change in Default Driving Participation



Investment plan grew from 190,000 in FY 17-18 to over 270,000 today

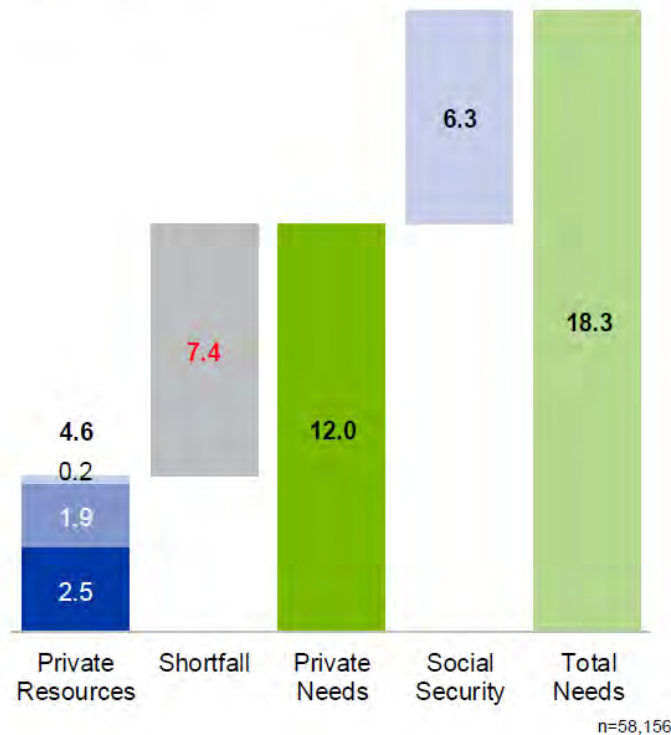
Increasing Adequacy

- SBA conducted retirement adequacy studies in 2018 and in 2020
- Pension Plan provides better adequacy for full career regular class employees, but the gap is closing

Needs vs. Adequacy

Investment Plan – Regular Class (Age 67)

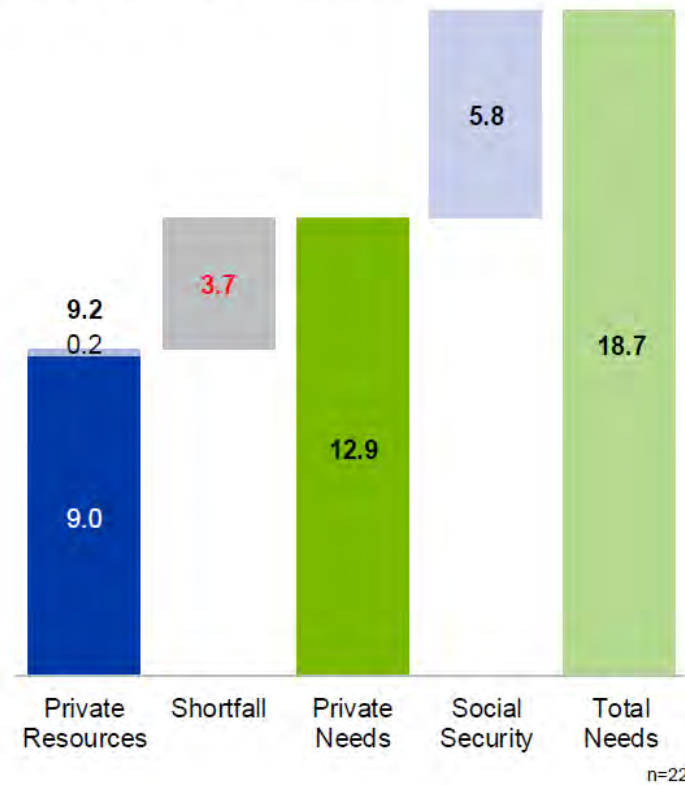
Average Projected Resources Versus Target Needs



Retiree Medical
 Defined Contribution—Employee
 Defined Contribution—Employer

Pension Plan – Regular Class (Age 65)

Average Projected Resources Versus Target Needs



Retiree Medical
 Defined Benefit

Investment Plan Contributions

Contribution Comparison

Rates Used by States with Primary DC Plans



| State | Plan | Employee Contribution | Employer Contribution | Total Contribution |
|-------|---------------|-----------------------|-----------------------|--------------------|
| OH | STRS | 14.00% | 9.53% | 23.53% |
| CO | PERA | 10.50% | 10.50% | 21.00% |
| AZ | PSPRS | 9.00% | 9.00% | 18.00% |
| OH | PERS | 10.00% | 7.50% | 17.50% |
| MT | PERA | 7.90% | 8.63% | 16.53% |
| ND | PERS | 7.00% | 7.12% | 14.12% |
| SC | SCRS | 9.00% | 5.00% | 14.00% |
| AK | PERS | 8.00% | 5.00% | 13.00% |
| PA | PSERS | 7.50% | 3.50% | 11.00% |
| PA | SERS | 7.50% | 3.50% | 11.00% |
| OK | PERS | 4.50% | 6.00% | 10.50% |
| MI | PSERS | 3.00% | 7.00% | 10.00% |
| MI | SERS | 3.00% | 7.00% | 10.00% |
| UT | URS | 0.00% | 10.00% | 10.00% |
| FL | FRS (Regular) | 3.00% | 3.30% | 6.30% |

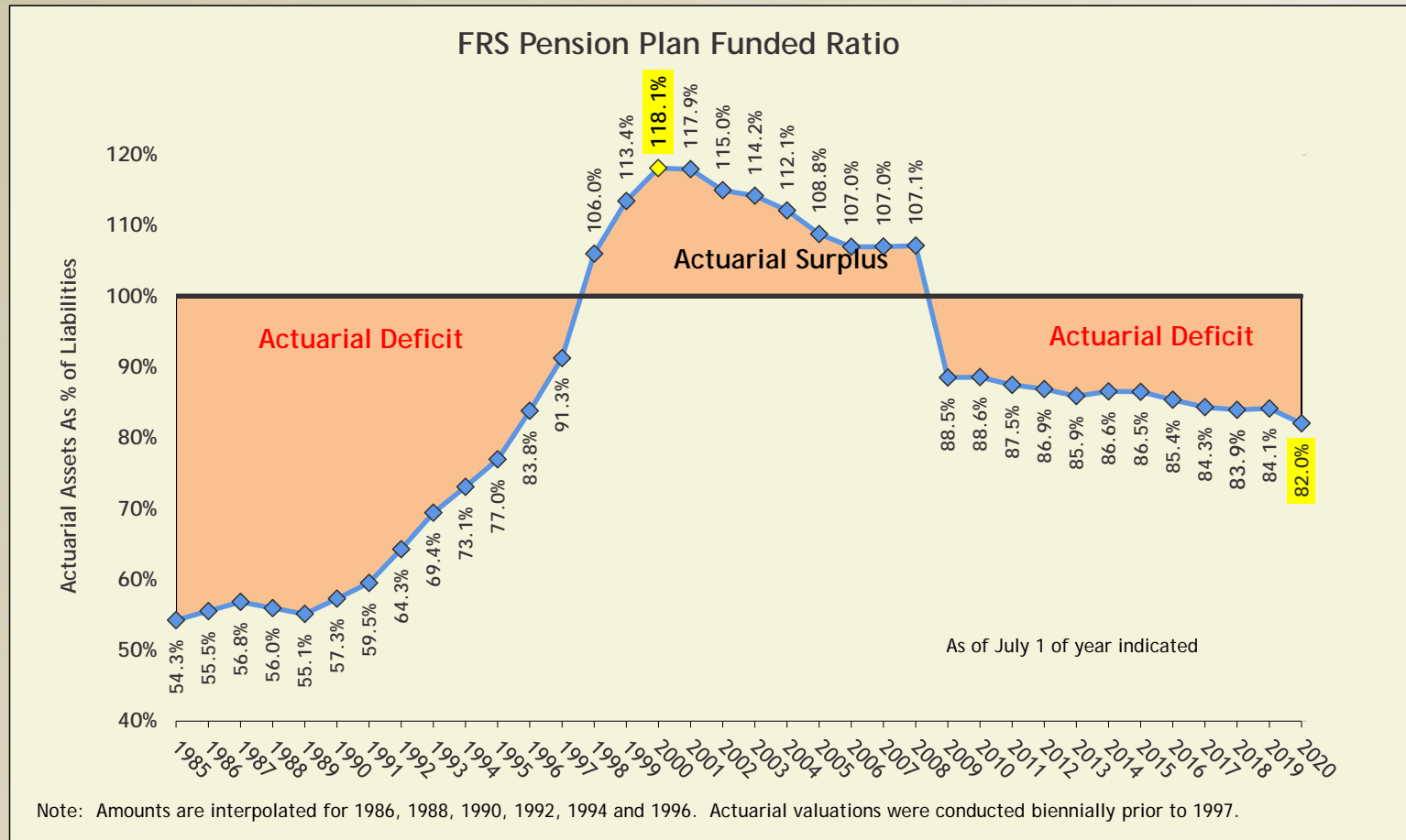
- Florida increased employer contributions by 3% of pay across the board during the 2022 Legislative Session
- Total Regular Class Investment Plan contributions now stand at 9.3% of pay

Source: Reason Foundation, Evaluation of FRS Investment Plan, October 20, 2021

Increasing Contributions

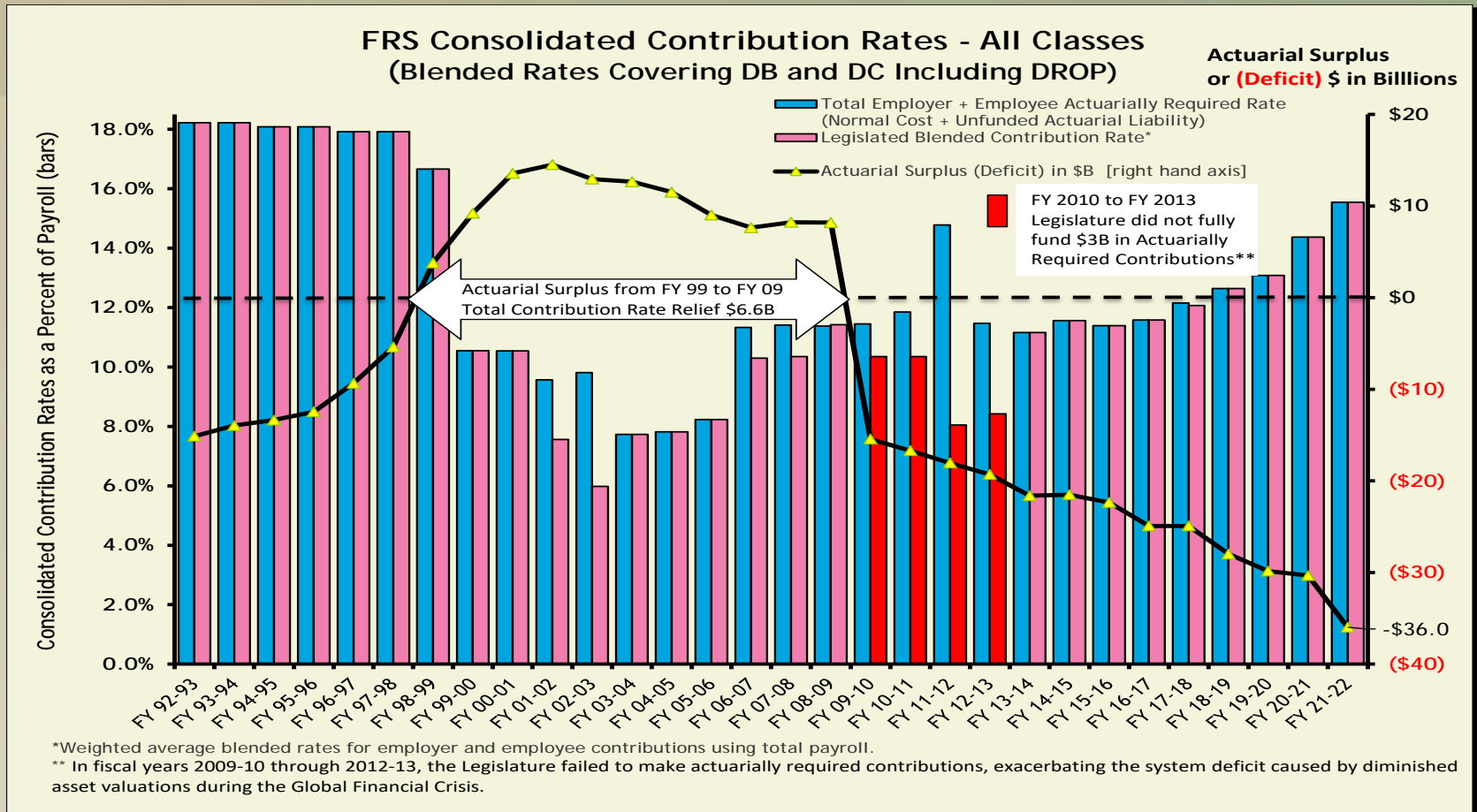
- Drivers
 - UAL
 - More conservative assumptions

FRS Pension Plan's Funded Status



- The “Global Financial Crisis” that began in 2007 led to marked to market asset value declines, creating an unfunded liability.
- The FRS Pension Plan’s funded status continues to be in deficit.

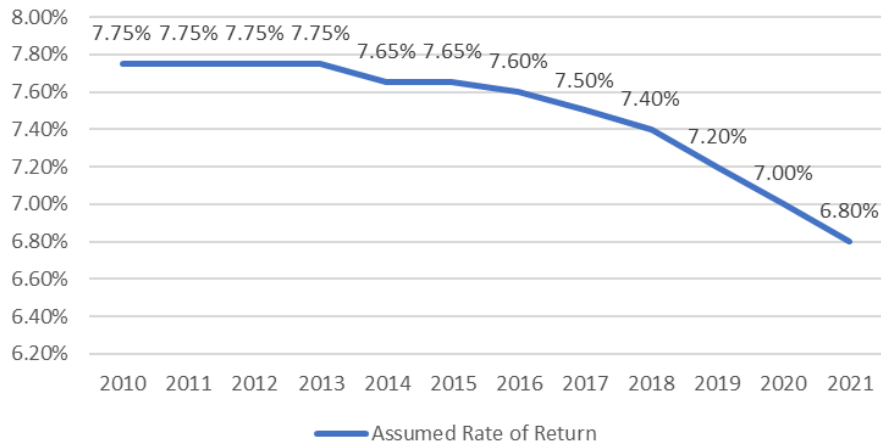
Contributions and Funded Status



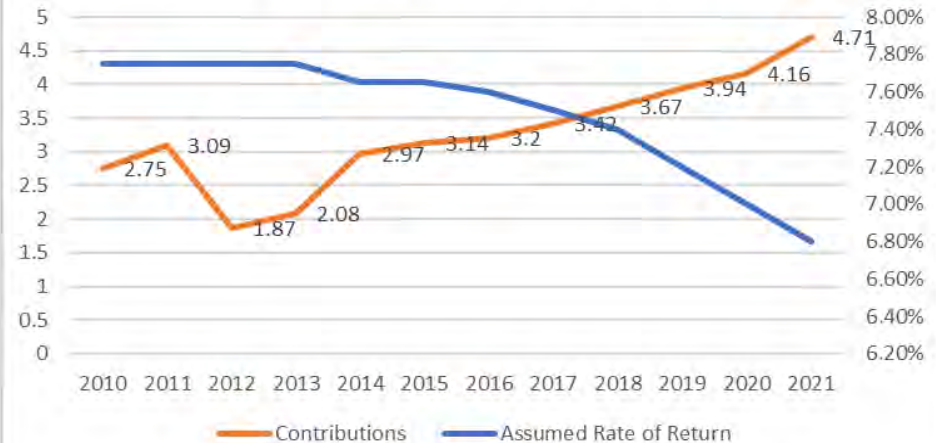
- 11-years of actuarial surpluses from 1998 thru 2008 and employers saving a cumulative \$6.6B through reduced contributions.
- \$3B in actuarially required contribution rates were not funded due to budgetary constraints from 2010 to 2013. Missed an opportunity to gain an estimated \$7.8B in asset value as of June 30, 2021.

Improving Assumptions

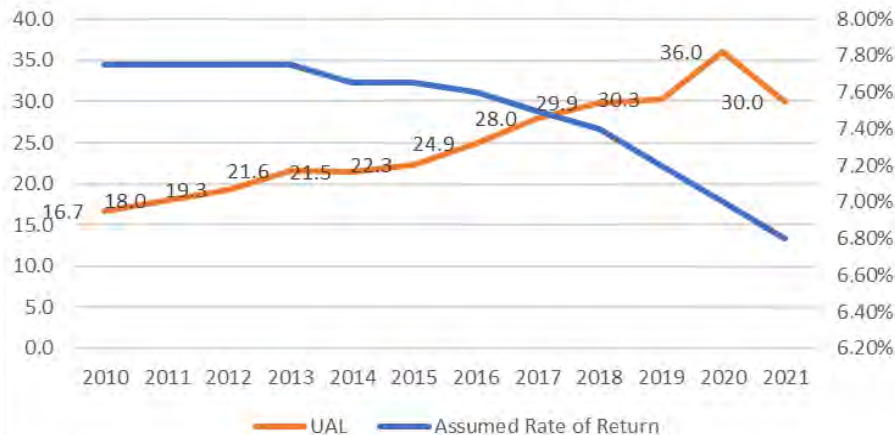
Assumed Rate of Return



Assumed Rate of Return & Contributions

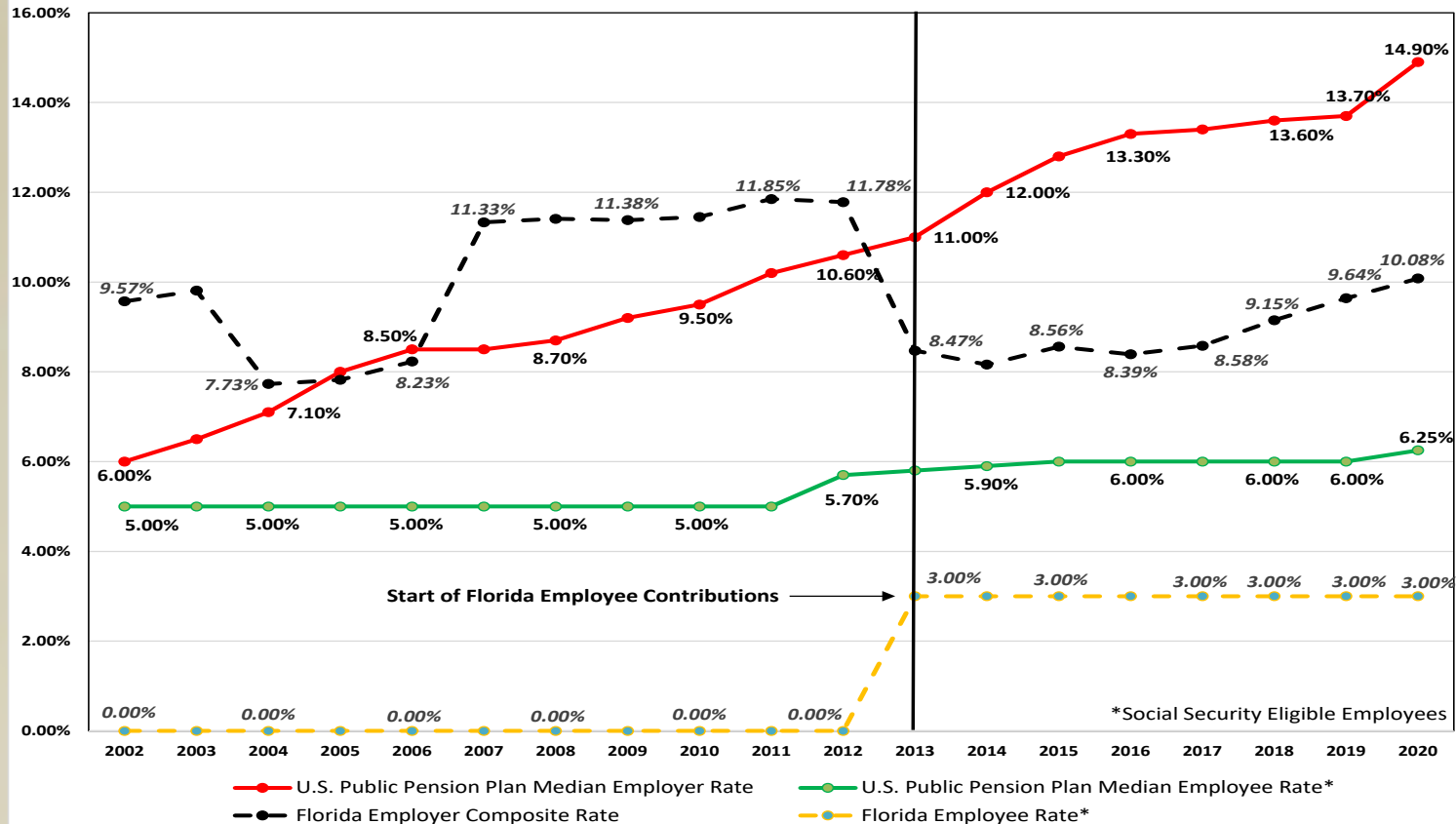


Assumed Rate of Return & UAL



From Fiscal Year 2001 – 2021, peer pension plan median assumed returns dropped from 8.0% to 7.0%. Over that same period, FRS assumed return dropped from 7.75% to 6.80%

Florida's Contribution Rates Continue to Be Significantly Lower Than Other States

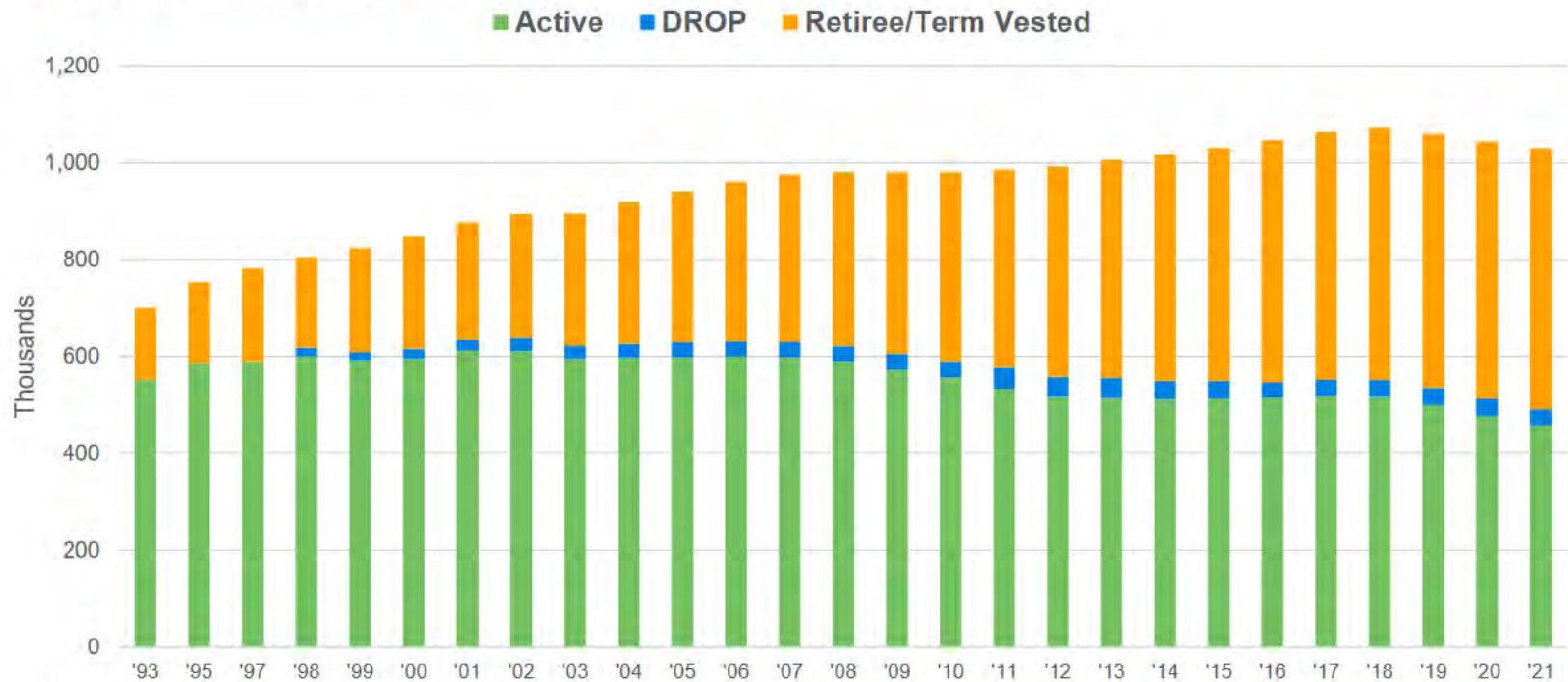


Source: NASRA (National Association of State Retirement Administrators)

- When employees started contributing 3%, employers' composite contribution rate was lowered by more than 3%.
- FRS' composite contribution rate (2020) was 13.08% and the median U.S. public pension plan contribution rate (2020) was 21.15%.

Declining Pension Plan Participation

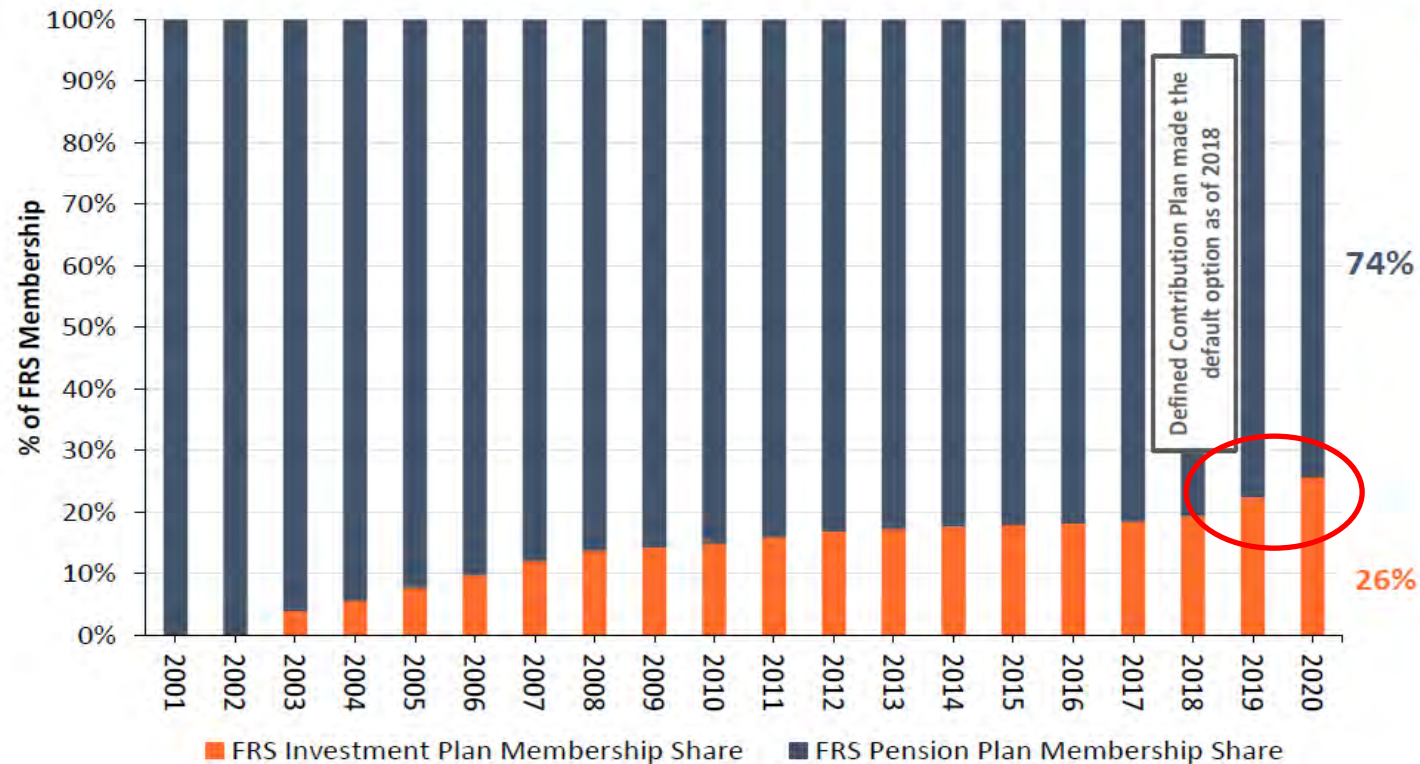
FRS Pension Plan Membership



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Change In Default Plan

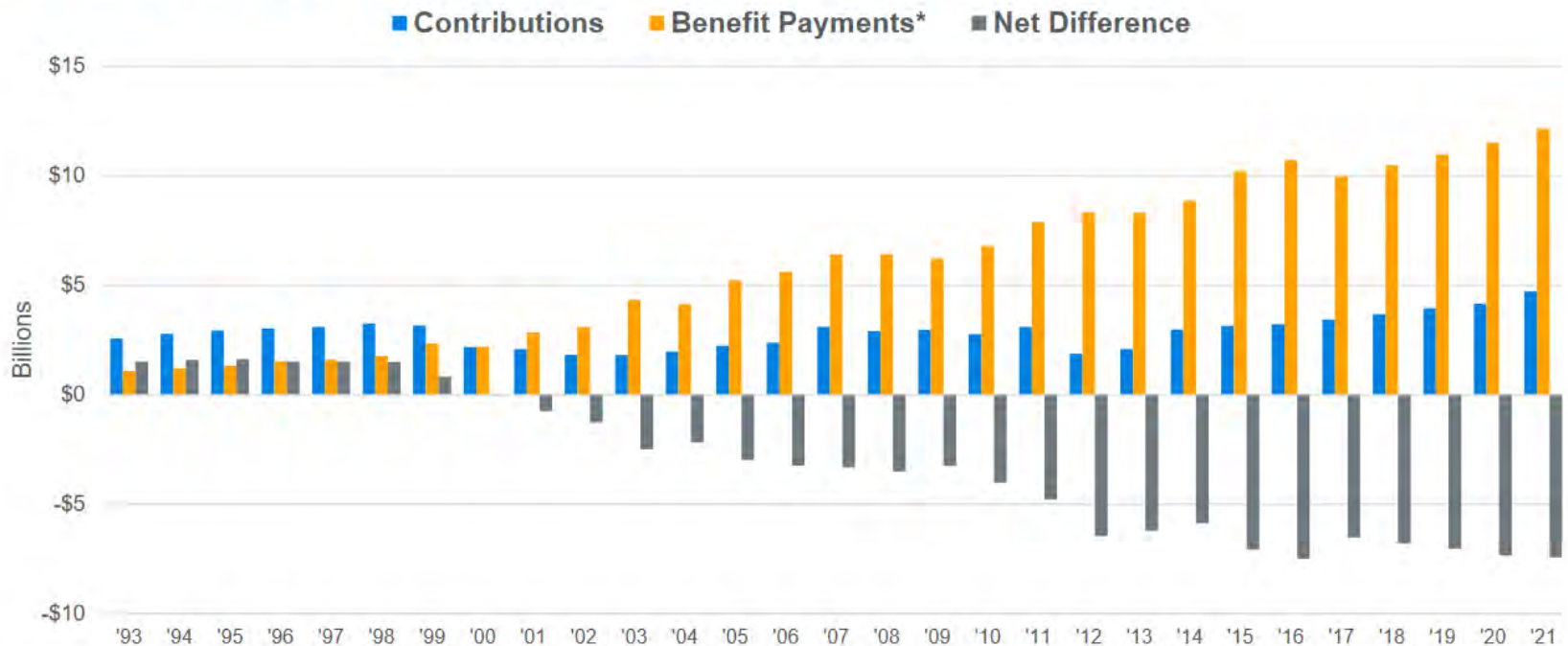
FRS Membership Allocation: DB+DC Plans



Source: Pension Integrity Project analysis of FRS CAFR reports

Increasing Negative Cash Flows

Contributions and Benefit Payments

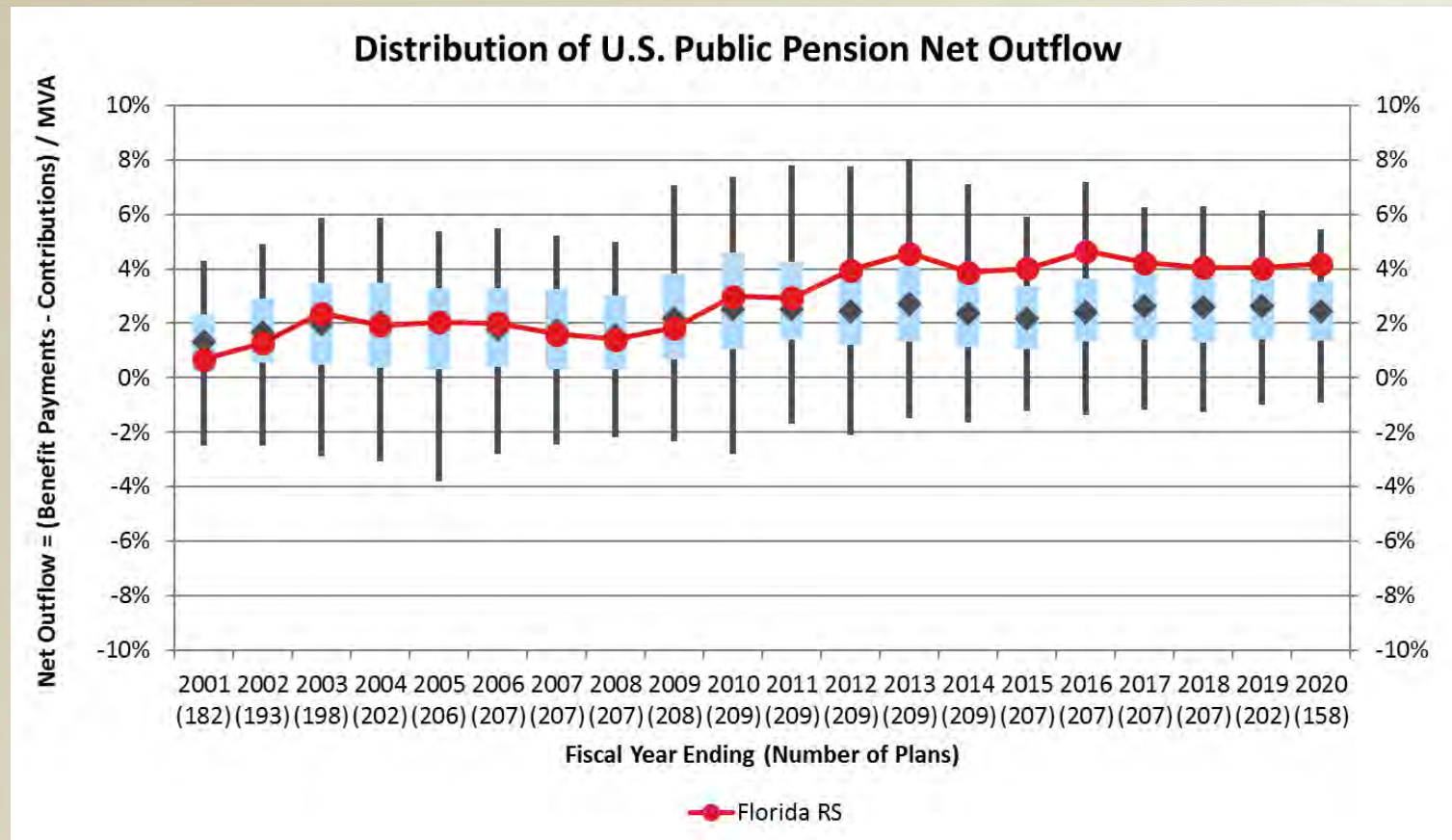


* Includes transfers to Investment Plan in 2013 and subsequent years.

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Florida Retirement System Public Plan Peer Comparison

Net Outflow versus Peers¹

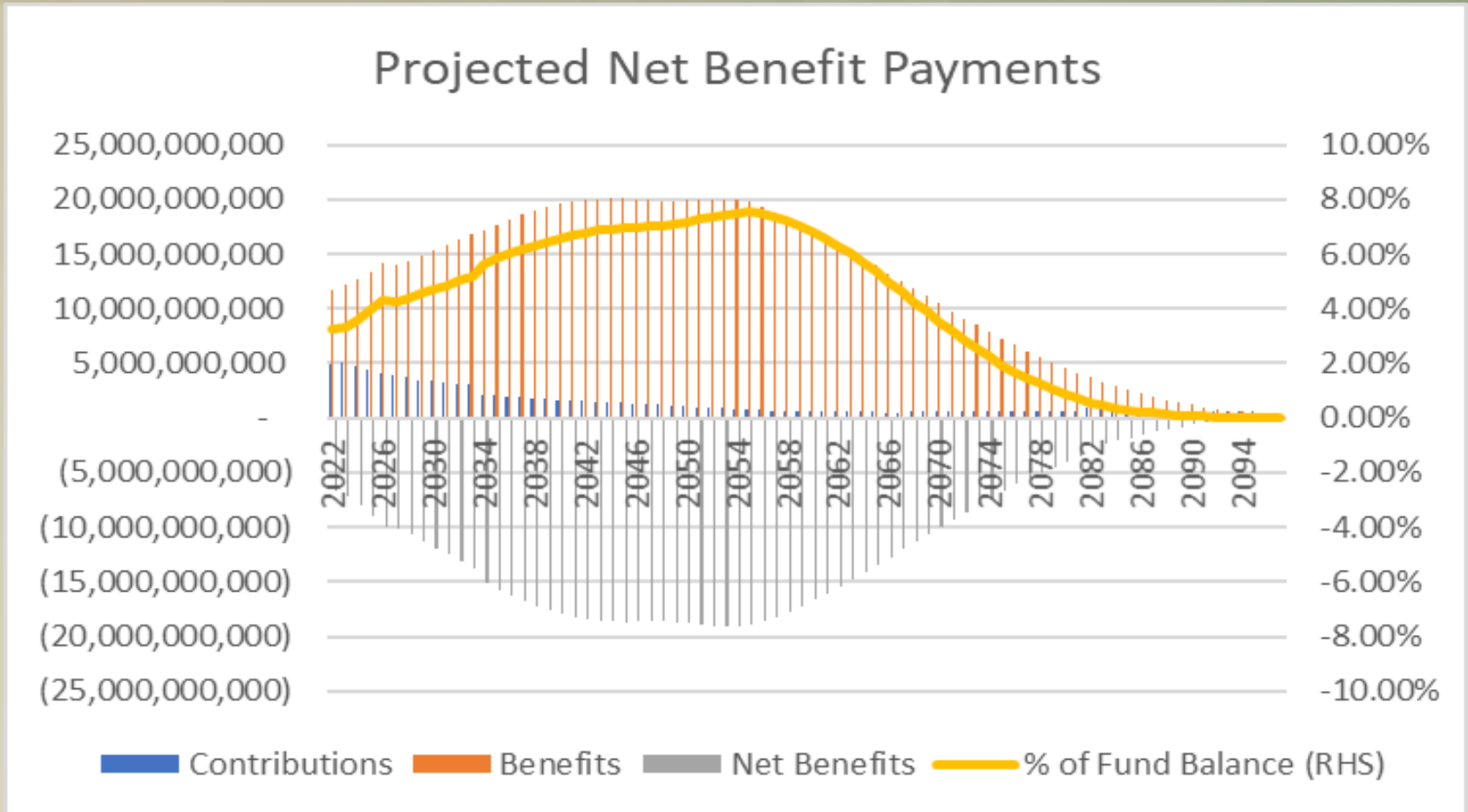


- The median net outflow as of FYE 2020 was 2.4% based on the latest survey data.
- FRS' FYE 2020 net outflow (4.2%) fell between the 75th and 95th percentile relative to its peers.
- Higher net outflows, contribute to higher funding and liquidity risks.

Sources: Public Plans Data (publicplansdata.org) as of August 2021

¹Peers defined as public funds published within publicplansdata.org as of August 2021; Number of plans per year are shown in parentheses

Projected Net Benefits



Net benefits are projected to increase from \$6.8 billion in 2022 to \$19.1 billion in 2054 before trending down to \$0 in 2097.

FRS Investment Plan



The Florida Retirement System (FRS) Investment Plan was established by the legislature to provide Florida's public employees with a flexible alternative to the FRS Pension Plan (the traditional defined benefit plan)

- Diversified mix of low-cost investment options
- Investment options that avoid excessive risk, have diversification and provide a return that meets or exceeds the comparable market benchmark indices
- Offers participants meaningful, independent control over the assets in their account
- Offers sufficient education about the plan and investment alternatives to make informed investment decisions

Investment Plan Snapshot

Assets

\$15.3 B

13% Increase since
12/31/2020

- 4.59% - 4th Quarter 2021 Return
- 14.07% - Calendar Year 2021
- 4.44% - Fiscal Year (July 21 – Dec 21)

Members

269,946

7% increase since
12/31/2020

- 180,398 - Active or currently working members (28% of active FRS membership)
- 89,548 - Inactive (terminated with an account balance)
- \$56,865 - Average account balance (6% increase since 12/31/20)
- 46 - Average age
- 5 - Average Years of Service for active members

Retirees

170,142

9% increase since
12/31/2020

- \$16.2 B – Total distributions
 - \$6.5 B – Lump sum payments (40%)
 - \$9.7 B – Rollovers (60%)

Investment Plan Performance By Asset Class

| | QTD | FYTD | 1 Yr | 3 Yr | 5 Yr | Incept. |
|--|-------|--------|--------|--------|--------|---------|
| Total Fund | 4.59% | 4.44% | 14.07% | 15.85% | 11.28% | 7.78% |
| Stable Value ¹ | 0.41% | 0.83% | N/A | N/A | N/A | 0.83% |
| Inflation Protected Assets & TIPS ² | 4.81% | 5.31% | 12.27% | 9.85% | 6.25% | 3.09% |
| Fixed Income | 2.11% | 0.25% | -0.34% | 5.75% | 4.27% | 4.74% |
| Domestic Equities | 8.25% | 7.88% | 24.59% | 24.83% | 17.06% | 11.58% |
| Global & International Equities | 6.15% | -0.10% | 9.47% | 15.98% | 11.68% | 8.62% |
| Real Estate | 7.42% | 14.48% | 23.04% | 10.39% | N/A | 9.38% |
| Retirement Date Funds | 5.54% | 4.18% | 13.22% | 15.09% | 10.90% | 7.80% |
| TF x RDFs | 6.00% | 4.71% | 14.94% | 16.57% | 11.65% | 8.90% |

¹Stable Value inception July 1, 2021

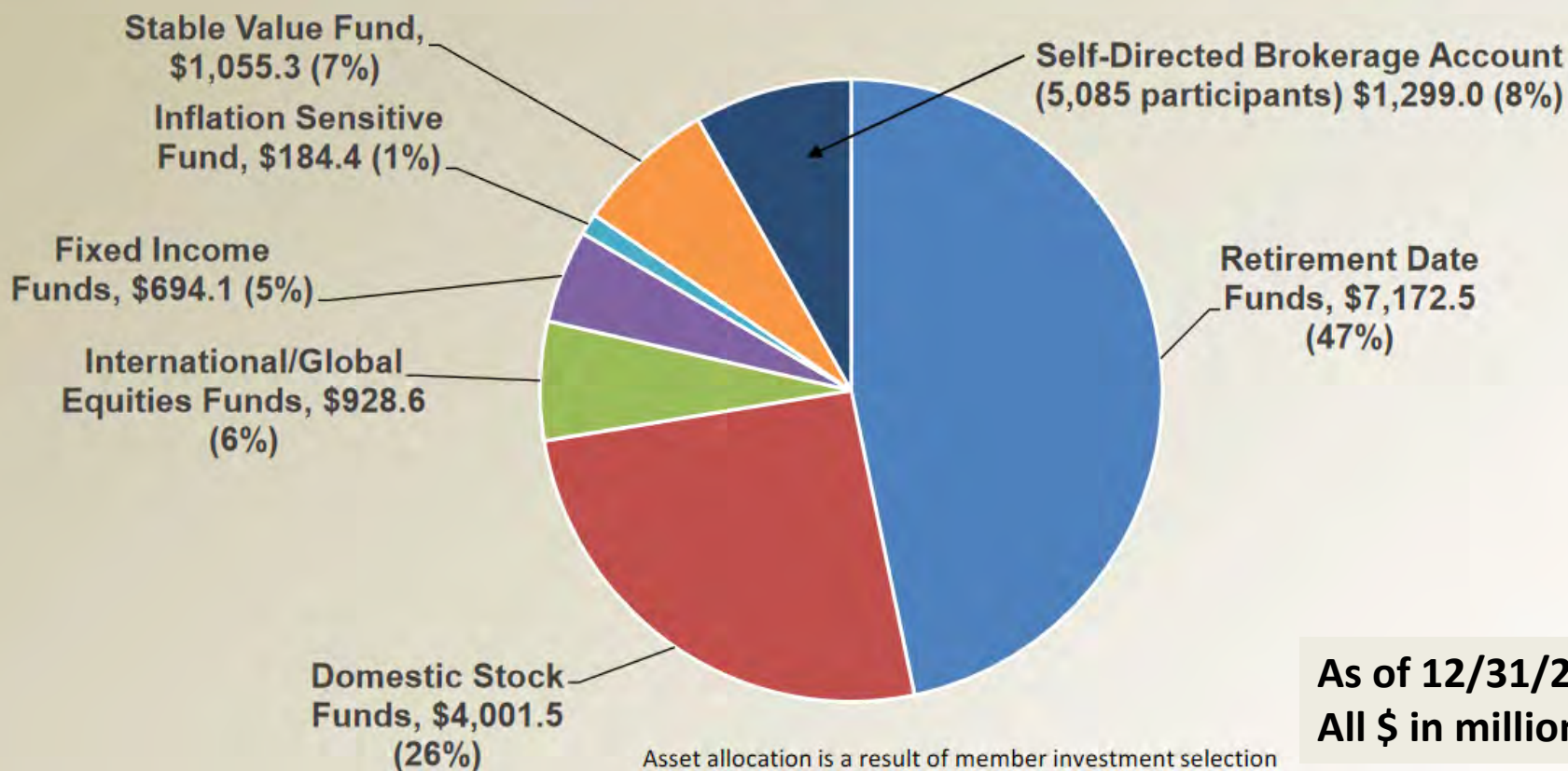
²Prior to 2014, TIPS only

Retirement Date Funds Inception July 1, 2014

TF x RDFs Inception July 1, 2014

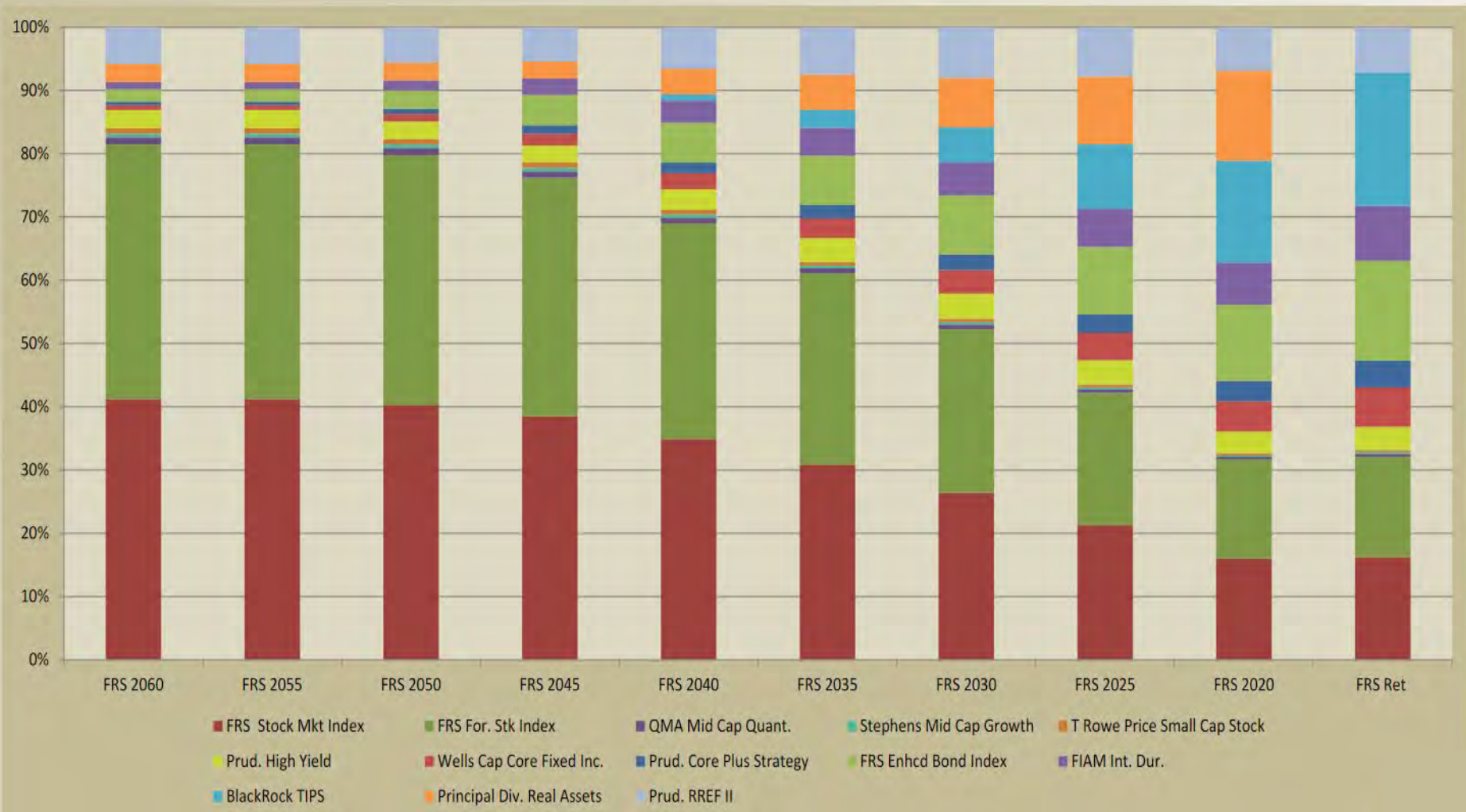
All Returns as of 12/31/2021

Investment Plan AUM by Asset Class



More information available at www.MyFRS.com;
no need to login.

Investment Plan Retirement Date Funds



Effective July 1, 2021

Investment Plan Fund Offering Fees (bps)

9 Core Funds – White Labeled

- FRS Stable Value Fund (.19)
- FRS Inflation Sensitive Fund (.36)
- FRS U.S. Bond Enhanced Index Fund (.05)
- FRS Core Plus Bond Fund (.19)
- FRS U.S. Stock Market Index Fund (.02)
- FRS U.S. Stock Fund (.35)
- FRS Foreign Stock Index Fund (.03)
- FRS Foreign Stock Fund (.46)
- FRS Global Stock Fund (.47)

10 Target Date Funds – White Labeled

- FRS 2060 Retirement Date Fund (2060) (.10)
- FRS 2055 Retirement Date Fund (2055) (.10)
- FRS 2050 Retirement Date Fund (2050) (.10)
- FRS 2045 Retirement Date Fund (2045) (.10)
- FRS 2040 Retirement Date Fund (2040) (.12)
- FRS 2035 Retirement Date Fund (2035) (.14)
- FRS 2030 Retirement Date Fund (2030) (.16)
- FRS 2025 Retirement Date Fund (2025) (.17)
- FRS 2020 Retirement Date Fund (2020) (.19)
- FRS Retirement Fund (2000) (.19)

As of March 31, 2022

Expense Ratio Review

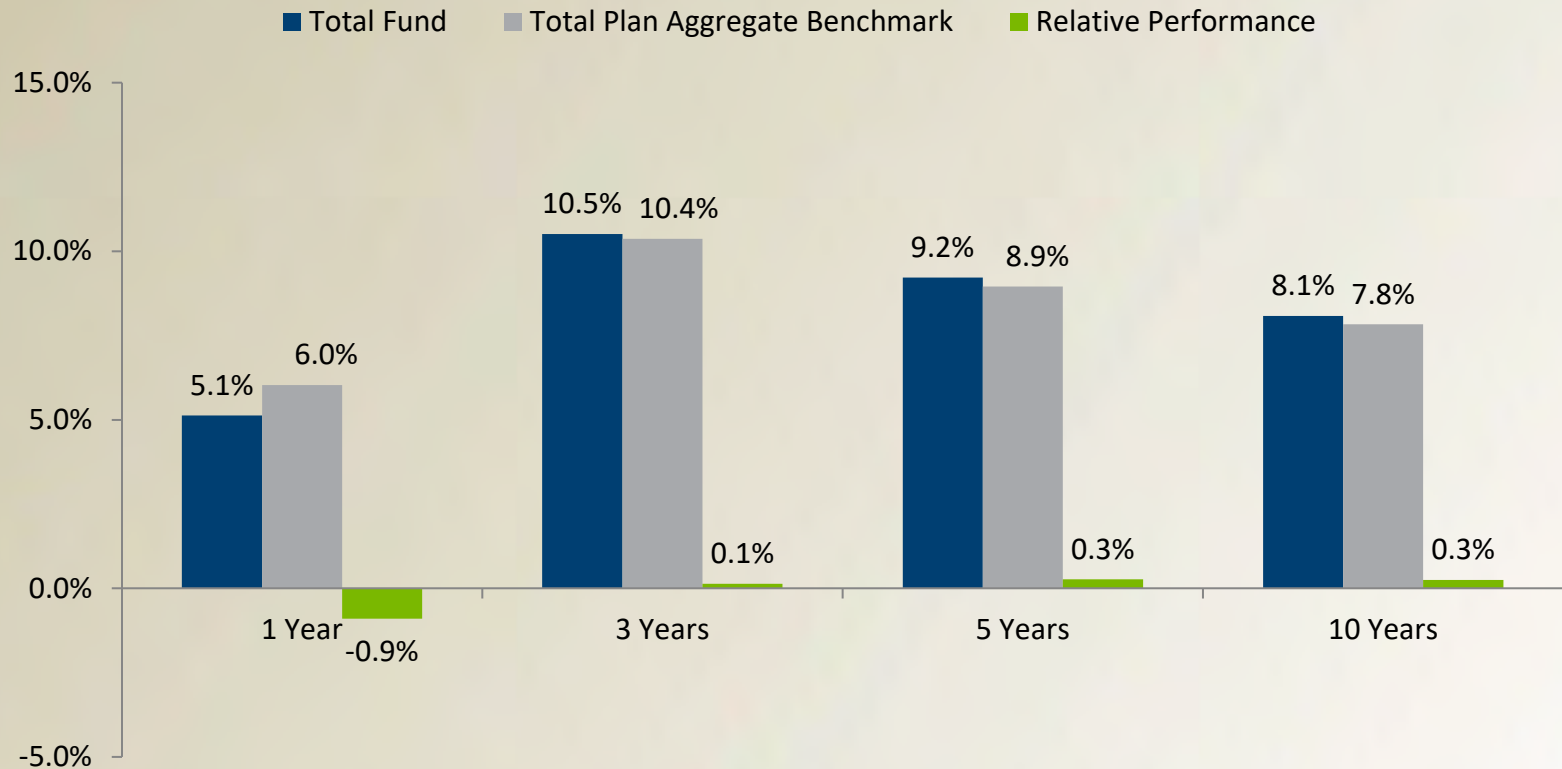
- The below table provides a comparison of the investments in the Plan versus investments of similar size and mandate
- The investment options in the Plan all have reasonable fees compared to similar alternatives
- FRS Investment Plan appropriately uses its size and scale to integrate managers and reduce costs across the core funds and target date funds

| Investment Option | Expense Ratio | Peer Median ¹ |
|-----------------------------------|---------------|--------------------------|
| FRS Retirement Funds | 0.10% - 19% | 0.27% - 0.43% |
| FRS Stable Value Fund | 0.19% | 0.44% |
| FRS Inflation Sensitive Fund | 0.36% | 0.35% |
| FRS U.S. Bond Enhanced Index Fund | 0.05% | 0.05% |
| FRS Core Plus Bond Fund | 0.19% | 0.45% |
| FRS U.S. Stock Market Index Fund | 0.02% | 0.04% |
| FRS U.S. Stock Fund | 0.35% | 0.87% |
| FRS Foreign Stock Index Fund | 0.03% | 0.11% |
| FRS Foreign Stock Fund | 0.46% | 0.85% |
| FRS Global Stock Fund | 0.47% | 0.90% |

¹ Source: Aon's annual mutual fund expense analysis as of 12/31/2020. Dollar weighted median shown for passive mandates.

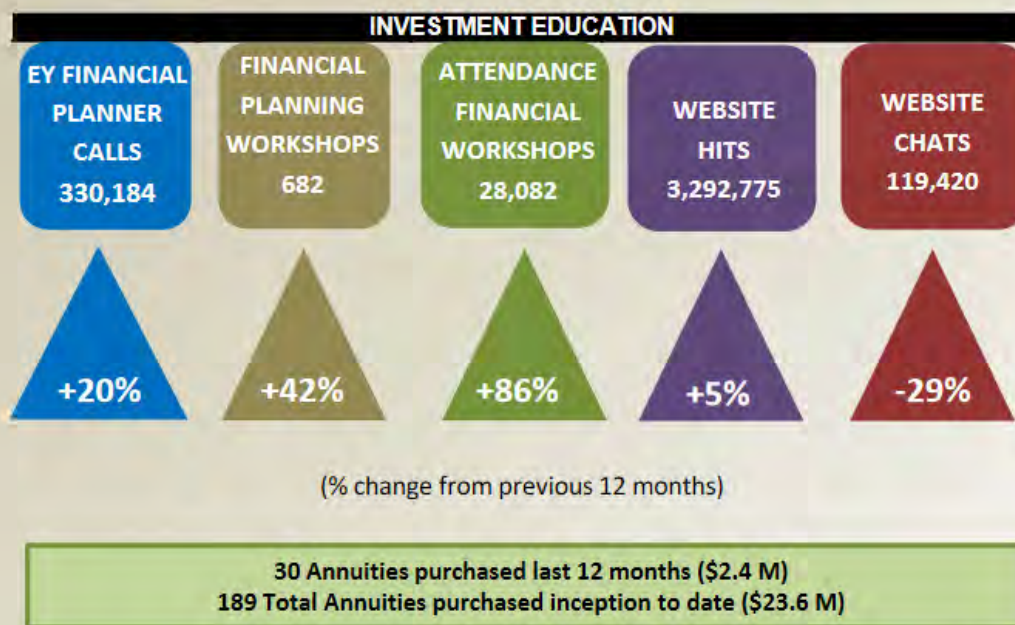
Total Investment Plan Returns

Periods Ending 3/31/2022*



*Returns shown are net of fees. Aggregate benchmark returns are an average of the individual portfolio benchmark returns at their actual weights

My FRS Financial Guidance Program



As of 12/31/2021

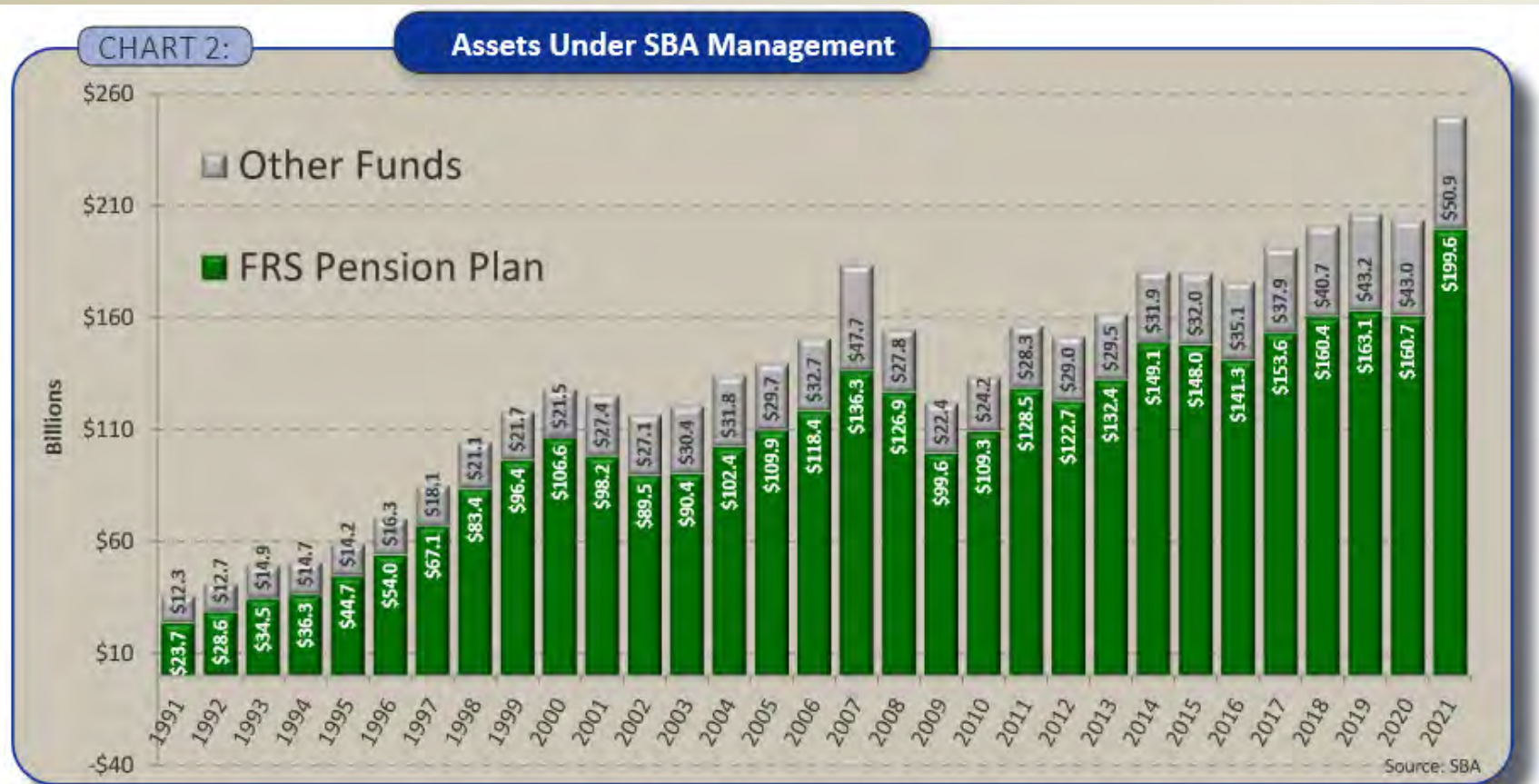
FRS Pension Plan



Outline

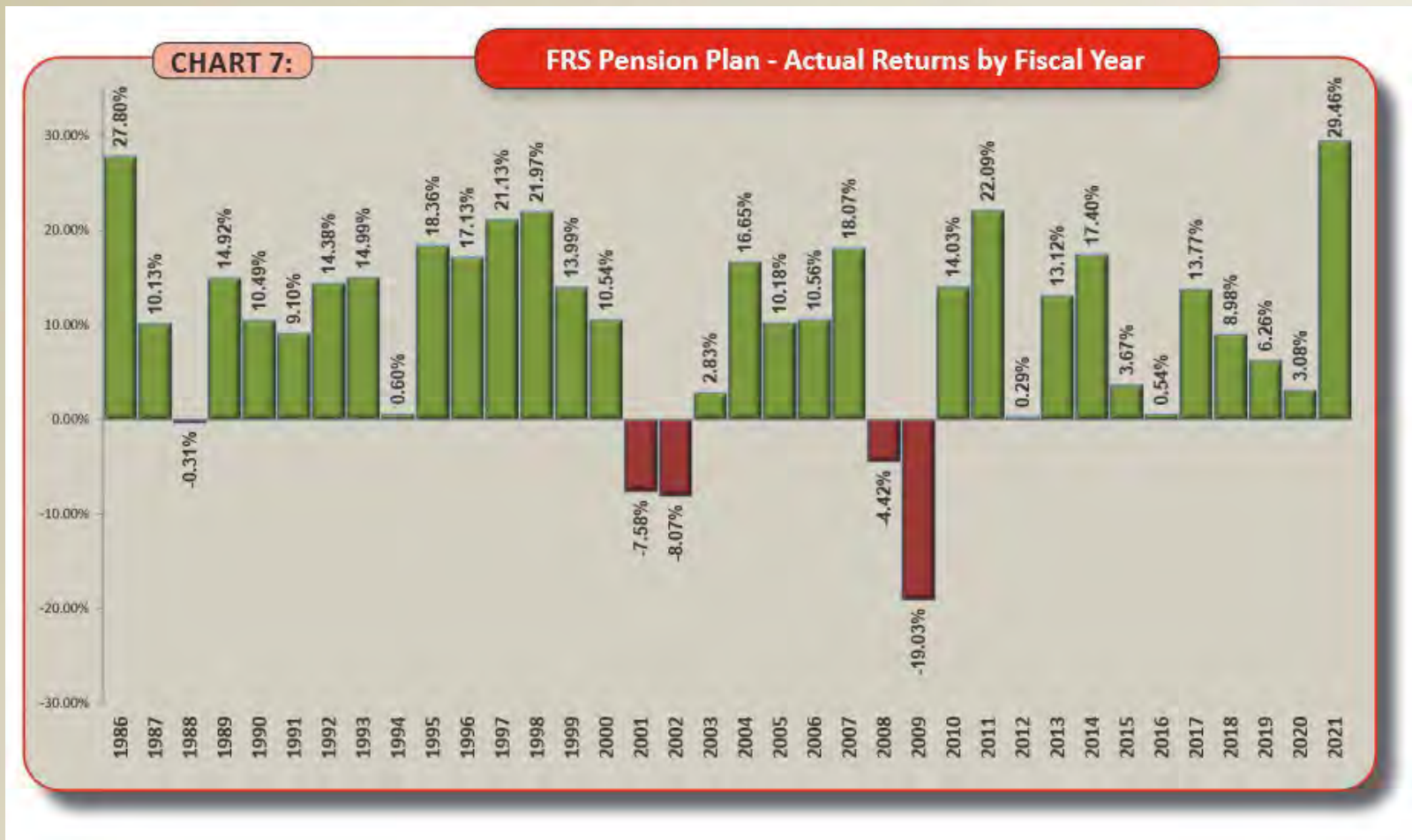
- Where are we
 - Fund Balance
 - Performance
- Where are markets
- How are we positioned to weather current turmoil
- Asset Class Updates
 - GE
 - FI
 - PE
 - SI
 - RE

Fund Balance

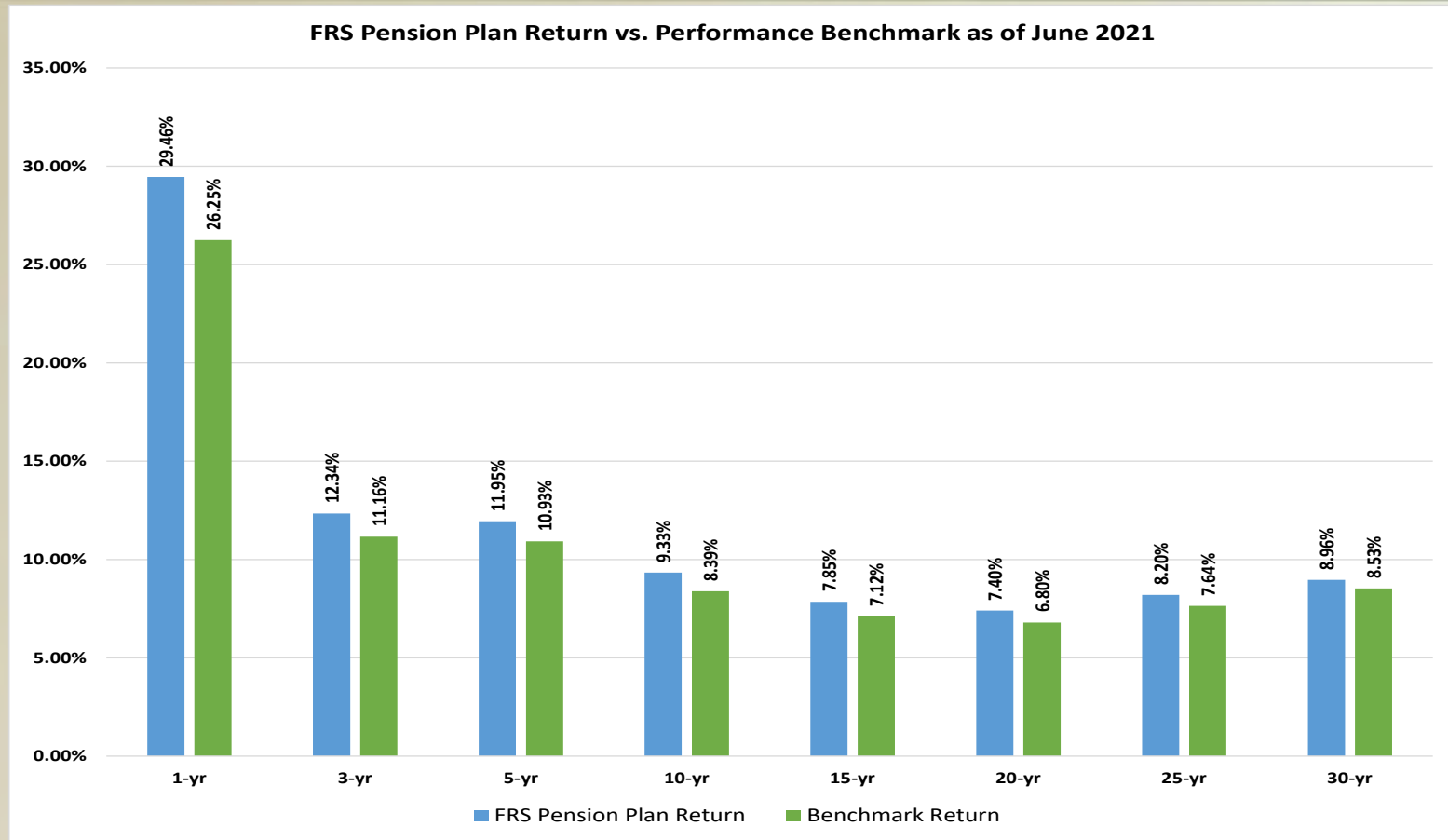


From 1991 to 1992, the total assets under SBA management reported for "Other Funds" were equal to the original cost value of investments, plus accrued interest receivable, plus or minus any pending sales or purchases of investments. Beginning in 1993, investments are reported at fair market value rather than original cost.

Fund Returns

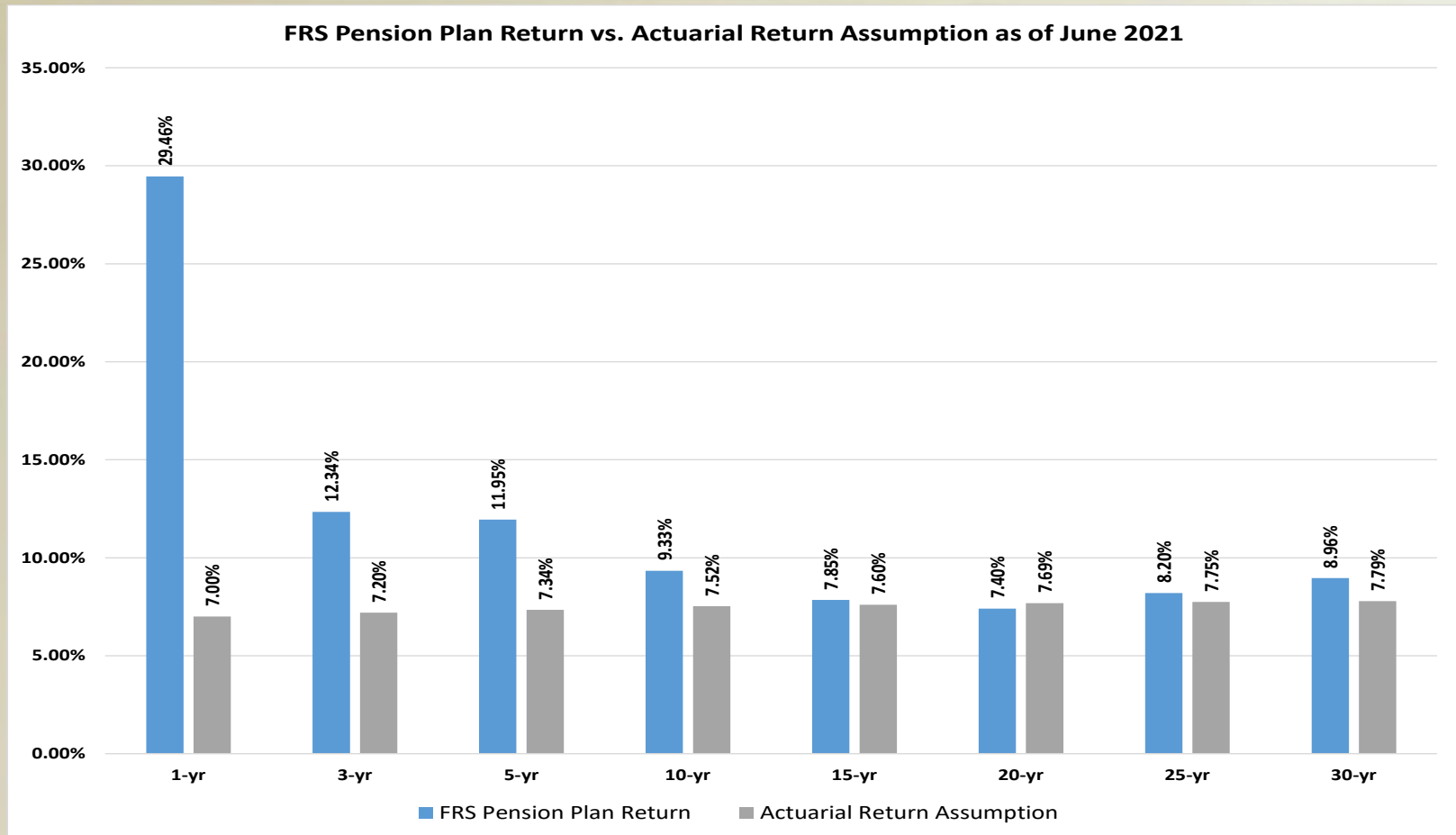


FRS Pension Plan Return vs. Performance Benchmark



- The FRS Pension Plan has outperformed its performance benchmark over all time periods.

FRS Pension Plan Return vs. Actuarial Return Assumptions

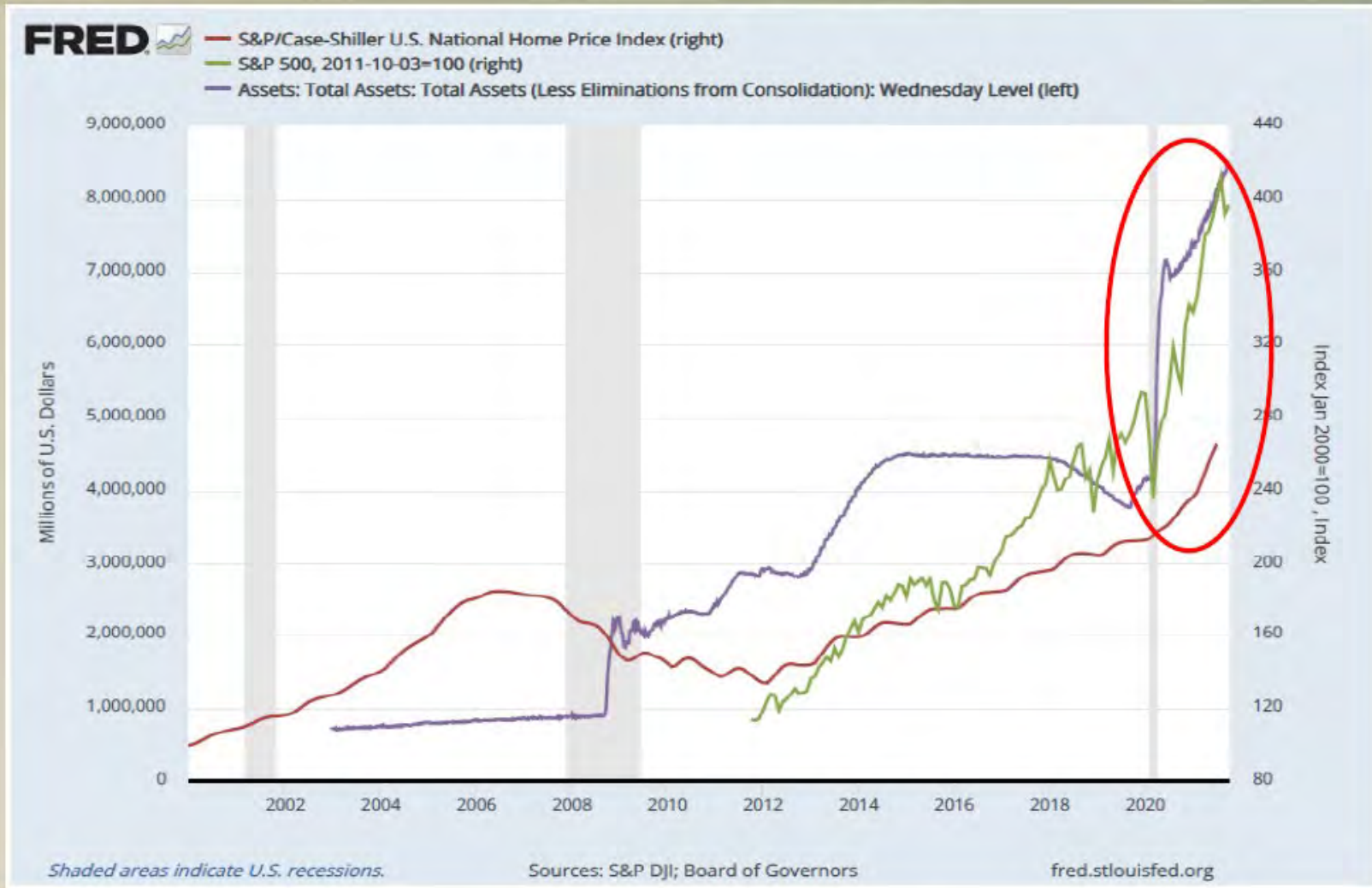


- Except for the 20 year period, the Pension Plan has exceeded the actuarial return assumptions.
- SBA is projecting a long-term nominal return assumption of 6.13%.

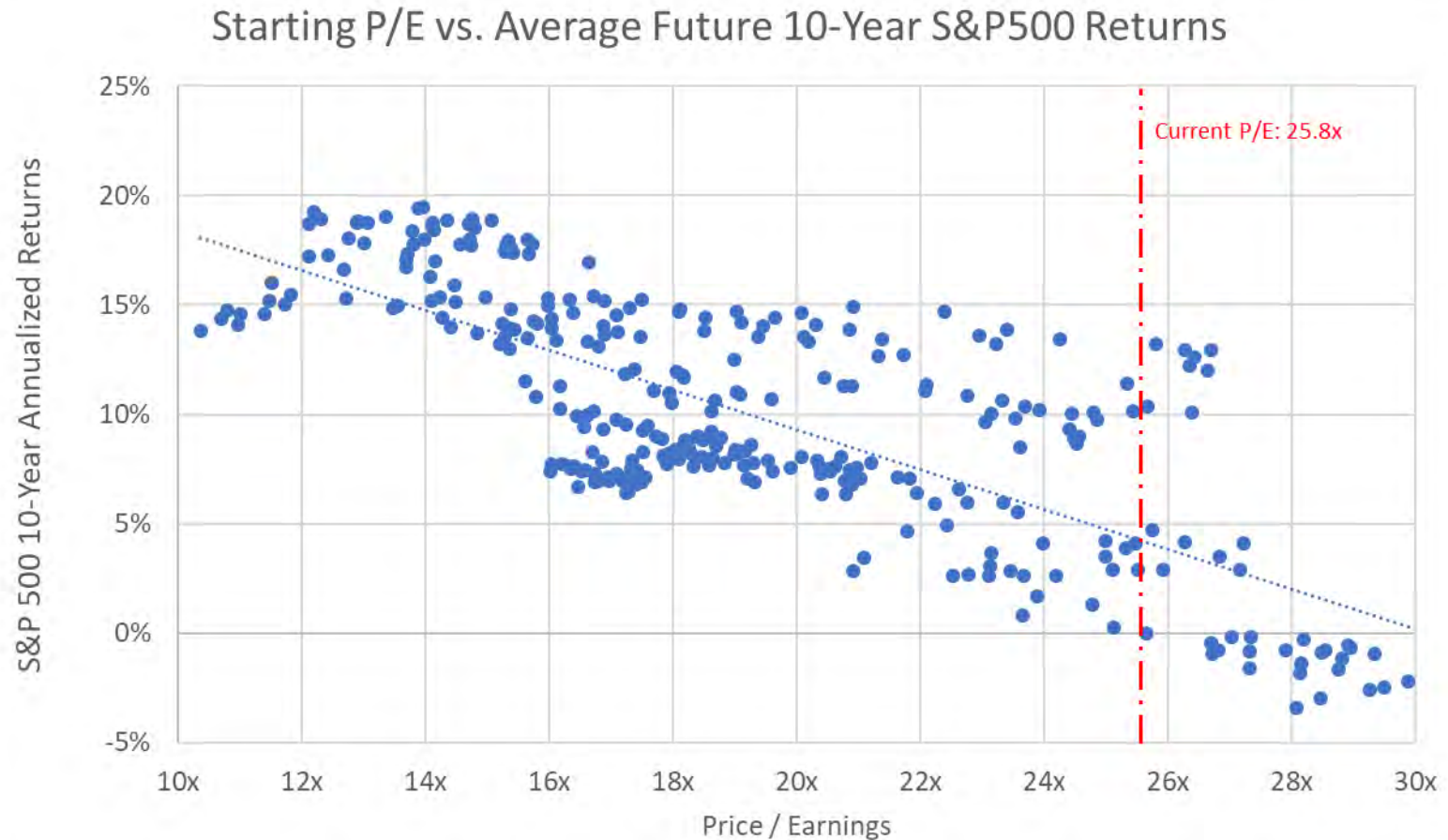
Market Update

- Previous slides tell how well we've done
- Going forward depends on
 - Markets
 - Asset allocation

Unprecedented Monetary Stimulus Fueling Asset Values



High Equity Valuations Are Associated with Lower Future Returns



Over Time Bonds Return Their Yields

Over time, bonds return their yields

US AGGREGATE BOND INDEX

January 1, 1976 - September 30, 2021 • Percent (%)



Sources: Bloomberg Index Services Limited, and Thomson Reuters Datastream.

Notes: Data are monthly. The last full five-year period was October 1, 2016 to September 30, 2021. The September 30, 2021 yield-to-maturity of 1.56% on the Bloomberg Barclays Aggregate Bond Index implies low nominal returns at best.

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September 30, 2021 YTM for Bloomberg Barclays index was 1.56%

Inflation As Measured By CPI

CPI YOY Index (US CPI Urban Consumers YoY NSA)

Bloomberg



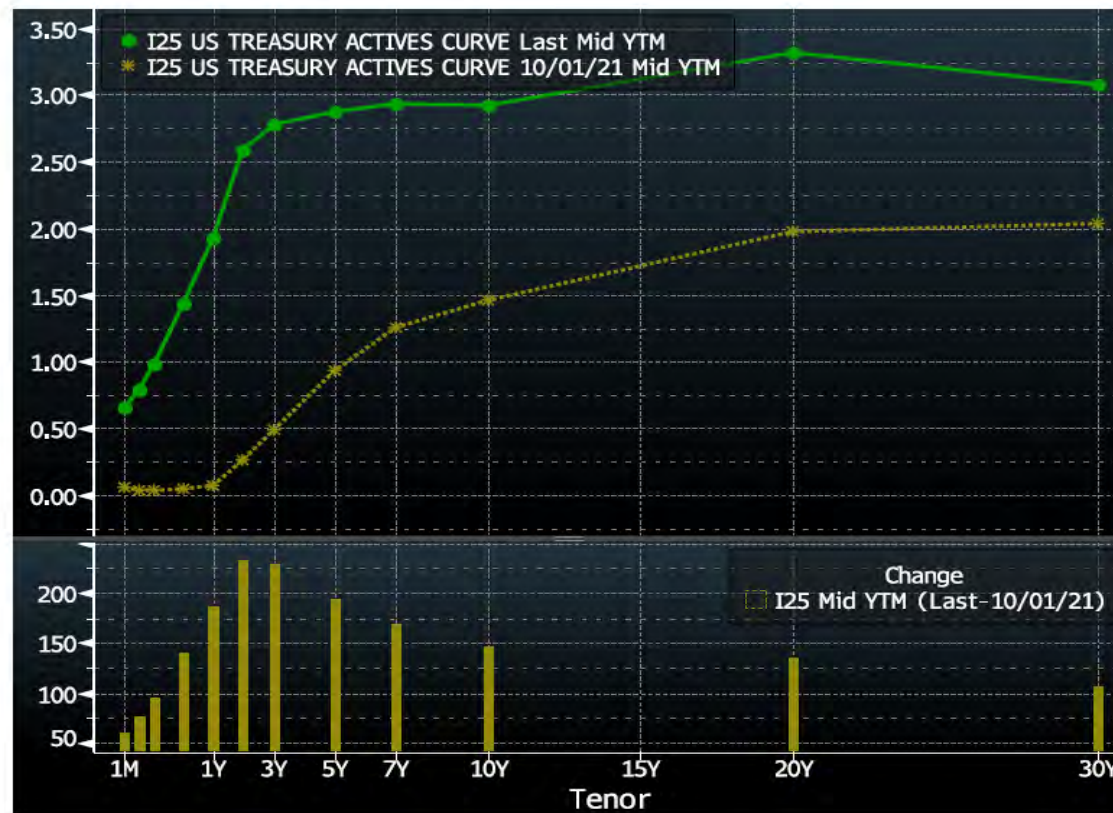
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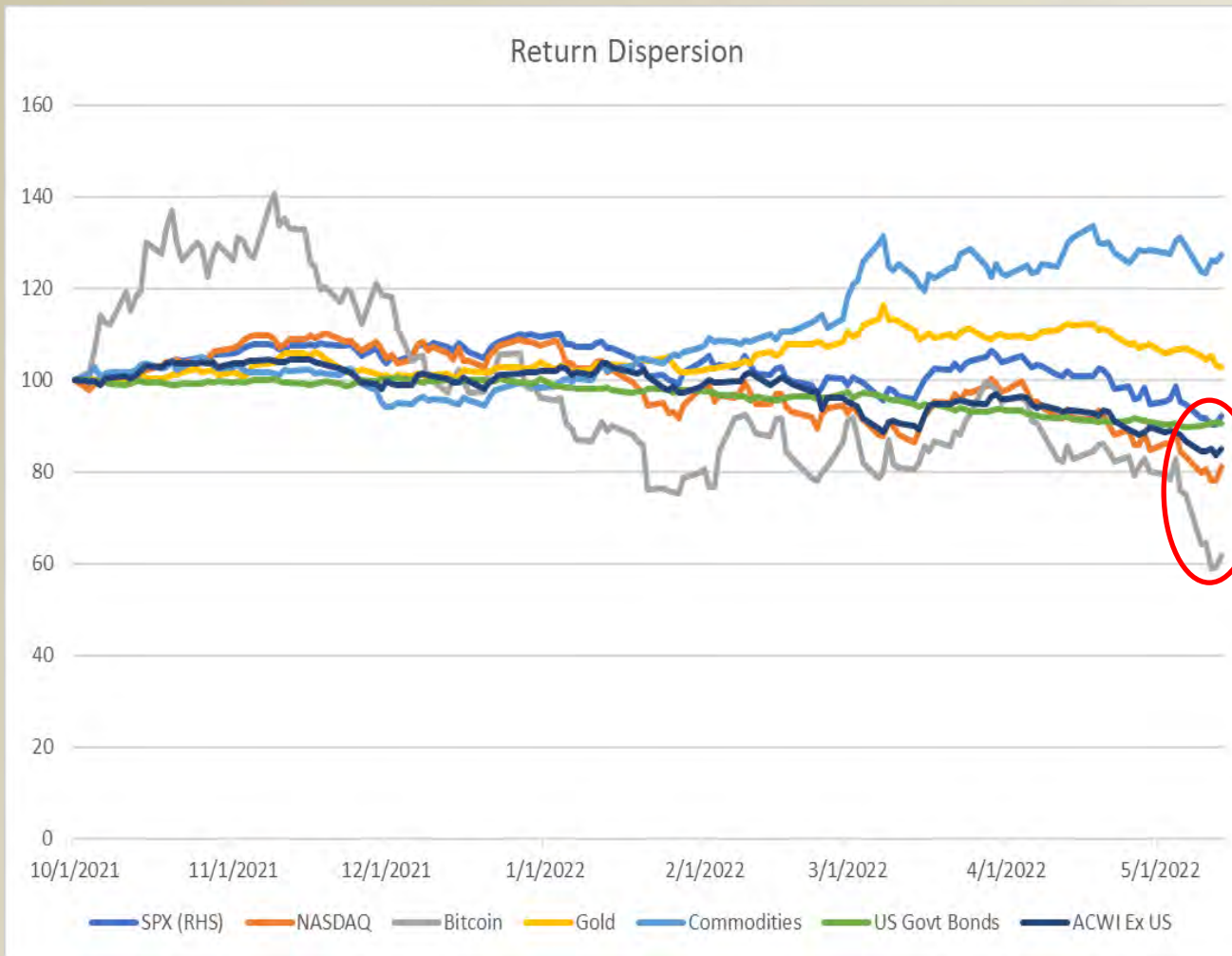
Change In Treasury Yields

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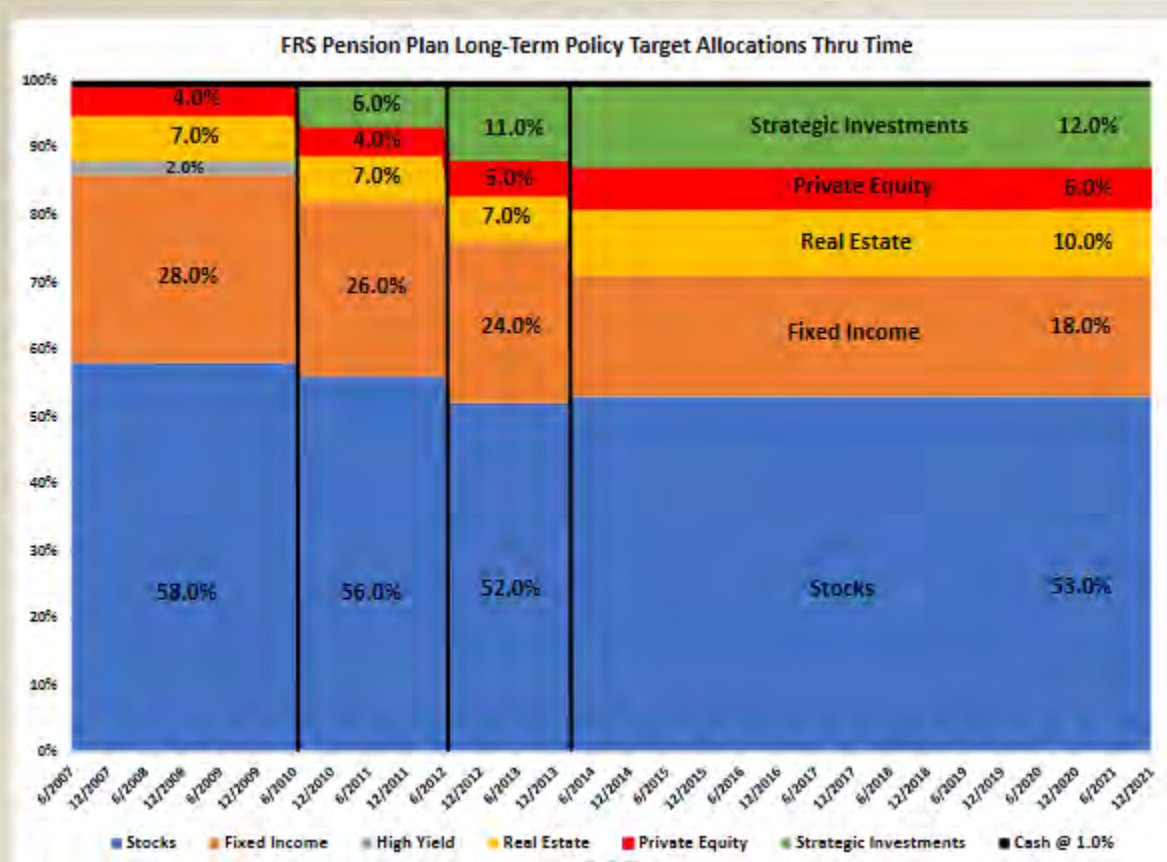
Unusual Correlations



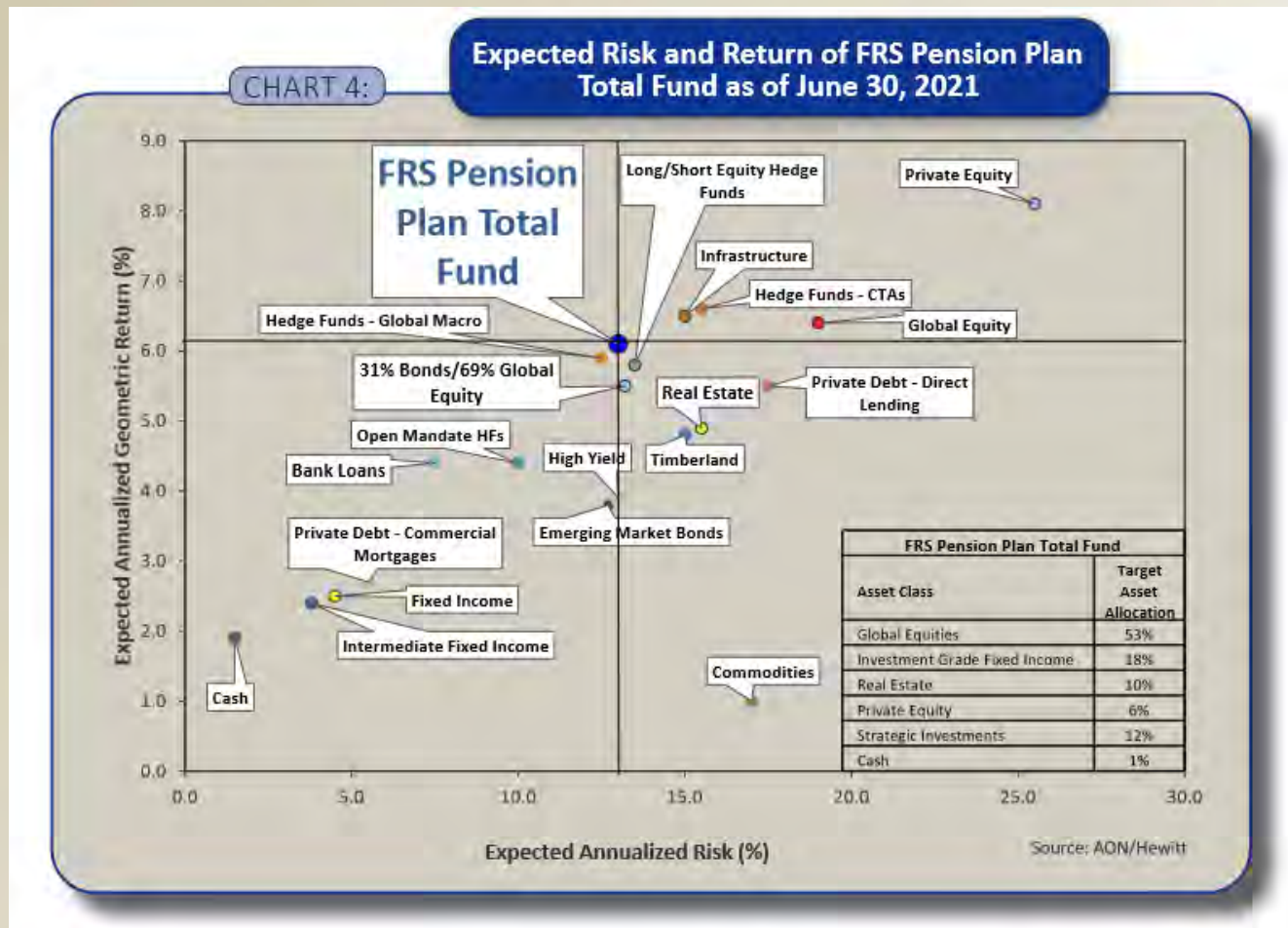
- US Equities, Foreign Equities, and Bonds all down from 8% - 15% since October
- Bitcoin has tracked Tech sector of late
- Only Commodities have performed during this period

How Do We Manage Volatility?

Asset Allocation Diversification



Asset Classes & Diversification



Asset Classes & Diversification

CHART 3:

Related Asset Class Performance of FRS Pension Plan by Fiscal Year

| | FY 07-08 | FY 08-09 | FY 09-10 | FY 10-11 | FY 11-12 | FY 12-13 | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | FY 19-20 | FY 20-21 |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Better Performing ↑ | Real Estate | Fixed Income | Strategic Investments | Global Equity | Real Estate | Global Equity | Global Equity | Private Equity | Real Estate | Global Equity | Private Equity | Private Equity | Fixed Income | Private Equity |
| | Private Equity | Cash | Private Equity | Strategic Investments | Fixed Income | Strategic Investments | Private Equity | Real Estate | Private Equity | Private Equity | Global Equity | Real Estate | Private Equity | Global Equity |
| | Fixed Income | Real Estate | Global Equity | Real Estate | Private Equity | Real Estate | Real Estate | Strategic Investments | Fixed Income | Strategic Investments | Strategic Investments | Fixed Income | Global Equity | Strategic Investments |
| | Cash | Private Equity | Fixed Income | Private Equity | Strategic Investments | Private Equity | Strategic Investments | Fixed Income | Strategic Investments | Real Estate | Real Estate | Strategic Investments | Real Estate | Real Estate |
| | Strategic Investments | Global Equity | Cash | Fixed Income | Cash | Fixed Income | Fixed Income | Global Equity | Cash | Cash | Cash | Global Equity | Cash | Fixed Income |
| | Global Equity | Strategic Investments | Real Estate | Cash | Global Equity | Cash | Cash | Cash | Global Equity | Fixed Income | Fixed Income | Cash | Strategic Investments | Cash |
| Total Fund Return | -4.42% | -19.03% | 14.03% | 22.09% | 0.29% | 13.12% | 17.40% | 3.67% | 0.54% | 13.77% | 8.98% | 6.26% | 3.08% | 29.49% |

Source: SBA

Asset Allocation & AUM

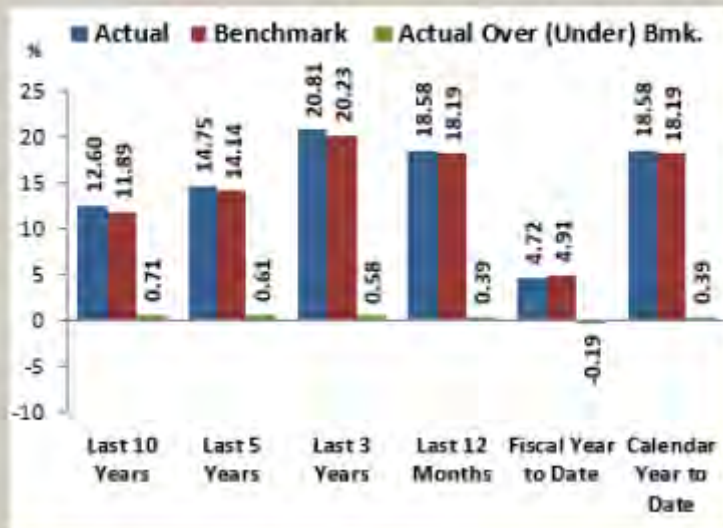
FLORIDA RETIREMENT SYSTEM DEFINED BENEFIT FUND END OF MONTH MARKET VALUES, BY ASSET CLASS

| | 6/30/2021 | 9/30/2021 | 12/31/2021 | 3/31/2022 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TOTAL FUND VALUE | \$199,600,498,385.17 | \$199,040,609,651.11 | \$206,437,287,702.62 | \$197,722,178,266.07 |
| Global Equities | 110,156,581,775.40 | 106,620,677,741.50 | 112,427,557,862.84 | 104,244,982,876.67 |
| Fixed Income | 34,551,320,934.41 | 35,643,462,405.19 | 35,977,309,221.36 | 33,342,133,972.83 |
| Real Estate ¹ | 16,821,692,194.97 | 17,357,478,722.57 | 18,622,018,023.46 | 19,899,676,707.48 |
| Strategic Investments ² | 18,134,136,110.06 | 18,668,979,474.90 | 19,151,888,158.37 | 19,808,032,511.68 |
| Private Equities ² | 17,339,857,002.50 | 17,601,485,017.41 | 17,806,463,025.73 | 18,220,222,364.34 |
| Cash/Short Term | 2,596,910,367.83 | 3,148,526,289.54 | 2,452,051,410.86 | 2,207,129,833.07 |
| ¹ This report reflects the Real Estate directly owned & commingled investments based on the latest available manager statements, adjusted for acquisitions and dispositions, if necessary. ² This report reflects the Private Equities and Strategic Investments asset class values based on the latest available manager statements, adjusted for acquisitions and dispositions, if necessary. | | | | |

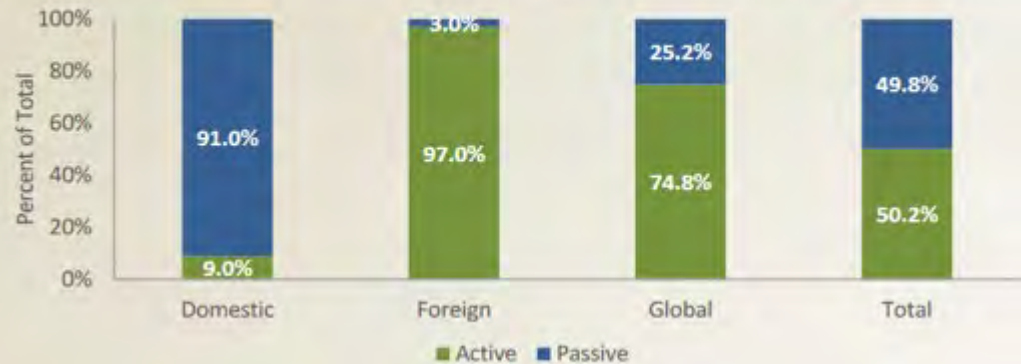
Global Equity

AUM at March 31, 2022: \$104.2 billion

GLOBAL EQUITY PERFORMANCE



Invest to Achieve or Exceed Equity Benchmark



Focus on Return and Low Costs



Performance shown as of December 31, 2021

Global Equity – Largest Holdings

Global Equity Security

Top 10 Holdings – 15.1%

| | | | | | | | | | |
|---|---|--|--|--|--|---|--|--|--|
| Apple Inc  <ul style="list-style-type: none"> • Weight 3.2% • Return (1.6%) | Microsoft  <ul style="list-style-type: none"> • Weight 3.0% • Return (8.2%) | Alphabet  <ul style="list-style-type: none"> • Weight 2.2% • Return (3.7%) | Amazon  <ul style="list-style-type: none"> • Weight 1.8% • Return (2.2%) | Tesla  <ul style="list-style-type: none"> • Weight 1.0% • Return +2.0% | TSMC  <ul style="list-style-type: none"> • Weight 1.0% • Return (5.9%) | Meta  <ul style="list-style-type: none"> • Weight 0.8% • Return (33.9%) | Nvidia  <ul style="list-style-type: none"> • Weight 0.8% • Return (7.2%) | Berkshire Hathaway  <ul style="list-style-type: none"> • Weight 0.7% • Return +18.0% | Samsung  <ul style="list-style-type: none"> • Weight 0.6% • Return (12.5%) |
|---|---|--|--|--|--|---|--|--|--|

Top 5 Overweights

| | Active Weight | Qtr Return | Total Effect |
|--------------------|---------------|------------|--------------|
| Taiwan Semicon Man | 0.23 | -5.90% | -0.03% |
| Aia Group Ltd | 0.20 | 4.43% | 0.02% |
| Microsoft Corp | 0.19 | -8.20% | -0.01% |
| Samsung Electronic | 0.16 | -12.51% | -0.01% |
| Berkshire Hathaway | 0.12 | 18.03% | 0.02% |

Top 5 Underweights

| | Active Weight | Qtr Return | Total Effect |
|-----------------------|---------------|------------|--------------|
| Apple Inc | -0.55 | -1.58% | -0.02% |
| Toyota Motor Corp | -0.18 | 1.18% | -0.01% |
| Toronto Dominion Bank | -0.16 | 4.12% | -0.01% |
| Cmnwlth Bk Of Aust | -0.14 | 10.09% | -0.02% |
| Royal Dutch Shell Plc | -0.14 | 27.55% | -0.03% |

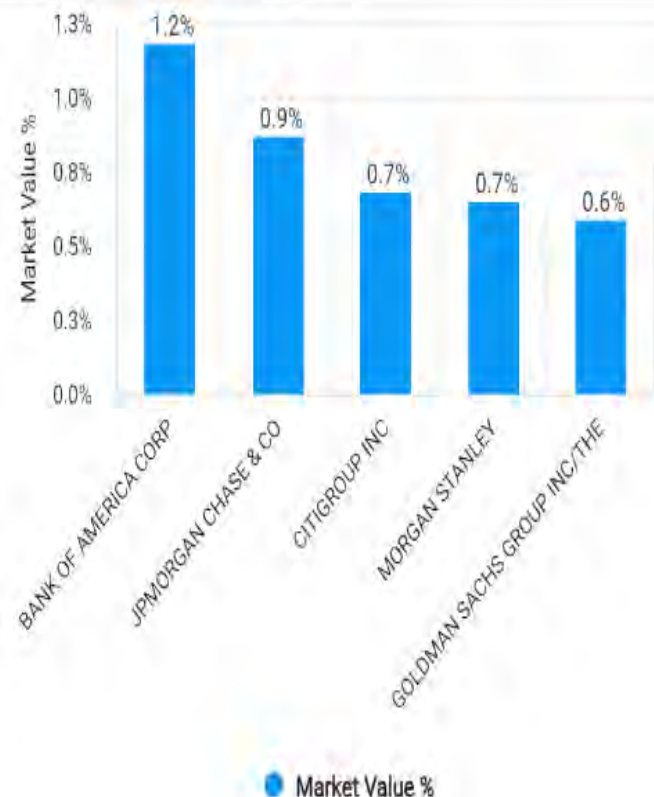
Fixed Income

AUM at March 31, 2022: \$33.3 billion

Key Analytics

| Security Description | Market Value (mm) | Market Value % | | OAS | | DxS Tsy | | Yield to Worst | | Duration | | Barclays Rating Score | |
|-------------------------|-------------------|----------------|--------|-----------|--------|-----------|--------|----------------|--------|-----------|--------|-----------------------|--------|
| | | Portfolio | Active | Portfolio | Active | Portfolio | Active | Portfolio | Active | Portfolio | Active | Portfolio | Active |
| ✓ SBA_FI | 33,312 | 100.0% | 0.0% | 61 | 37 | 2.75 | 1.57 | 3.04 | 0.25 | 4.62 | -0.12 | 26.8 | - |
| > Treasuries | 8,819 | 26.5% | -12.2% | 2 | 2 | 0.00 | 0.00 | 2.39 | 0.01 | 4.41 | 0.47 | 29.0 | - |
| > Government Related | 1,232 | 3.7% | -1.4% | 53 | 34 | 2.99 | 2.05 | 2.77 | 0.18 | 4.20 | 0.59 | 26.7 | - |
| ✓ Corporates | 12,574 | 37.7% | 18.4% | 81 | -7 | 3.98 | -0.56 | 2.44 | -0.86 | 3.13 | -1.29 | 22.2 | - |
| > Industrial | 4,502 | 13.5% | 3.2% | 119 | 37 | 6.30 | 1.98 | 3.52 | 0.26 | 4.87 | 0.35 | 21.3 | - |
| > Utility | 490 | 1.5% | 0.3% | 108 | 11 | 5.71 | 0.38 | 3.41 | -0.01 | 4.82 | -0.05 | 22.0 | - |
| > Financial Institution | 7,565 | 22.7% | 14.8% | 56 | -39 | 2.47 | -2.24 | 1.72 | -1.61 | 1.97 | -2.25 | 23.2 | - |
| > Pooled Investments | 16 | 0.0% | 0.0% | 118 | 118 | 13.43 | 13.43 | 3.66 | 3.66 | 9.30 | 9.30 | 22.0 | 2 |
| ✓ Securitized | 13,765 | 41.3% | 4.4% | 54 | 38 | 2.16 | 1.46 | 3.13 | 0.13 | 4.80 | -1.11 | 28.5 | + |
| > MBS Pass-Through | 8,751 | 26.3% | -7.8% | 18 | 8 | 0.95 | 0.48 | 3.09 | 0.11 | 5.74 | -0.30 | 29.0 | - |
| > ABS | 1,210 | 3.6% | 3.2% | 108 | 71 | 4.32 | 3.33 | 2.54 | -0.09 | 1.48 | -0.86 | 28.1 | - |
| > CMBS | 2,170 | 6.5% | 4.1% | 135 | 49 | 4.82 | 0.93 | 3.25 | 0.00 | 3.00 | -1.69 | 27.1 | - |
| > CMO | 1,634 | 4.9% | 4.9% | 96 | 96 | 3.57 | 3.57 | 3.59 | 3.59 | 4.62 | 4.62 | 27.8 | 2 |
| > Derivatives | 10 | 0.0% | 0.0% | 21,452 | 21,452 | 842.81 | 842.81 | 465.58 | 465.58 | 468.26 | 468.26 | 19.6 | 1 |

Top 5 Issuers(ex cash, try, mbs)



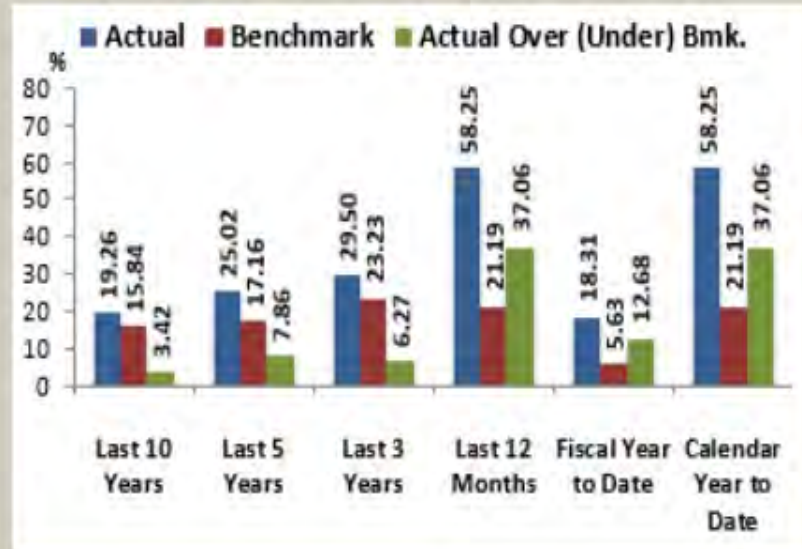
Private Equity

AUM at March 31, 2022: \$18.2 billion

Private Equity Composition



PRIVATE EQUITY PERFORMANCE¹

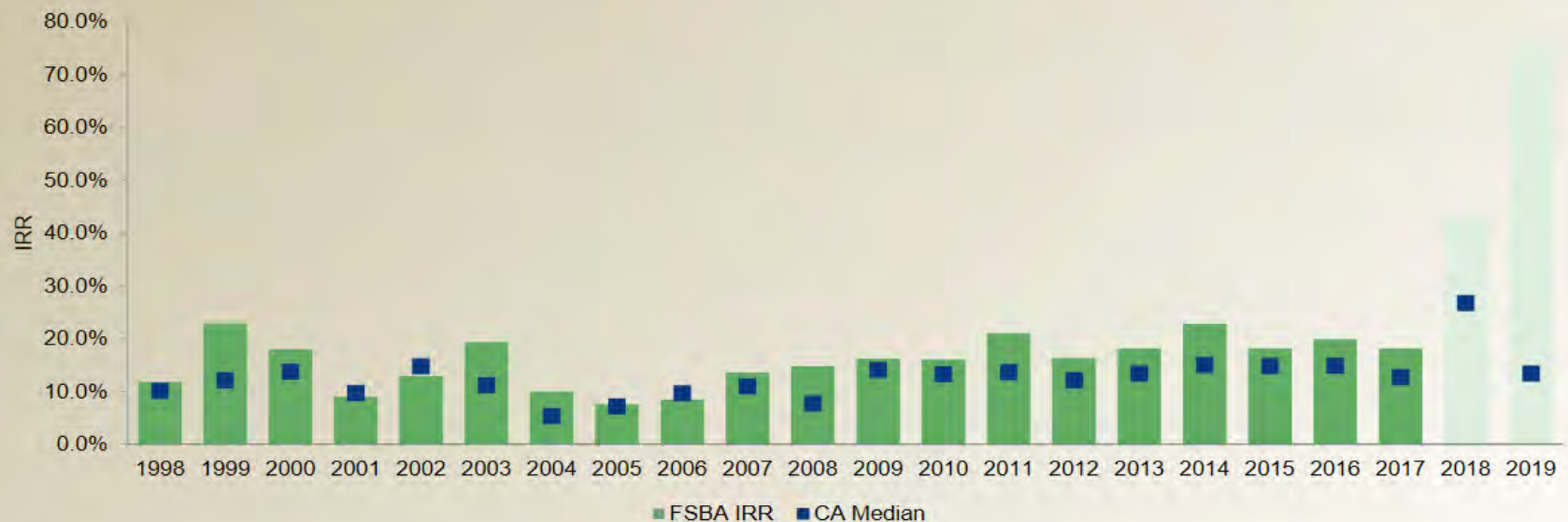


Performance shown as of
December 31, 2021

Private Equity

Vintage Year Performance

As of December 31, 2020











*Light shading (2018,2019) indicates vintages too young to have meaningful performance

Manager selection is key in this space; over 60% of PE Funds are first or second quartile funds

Private Equity-Venture Capital

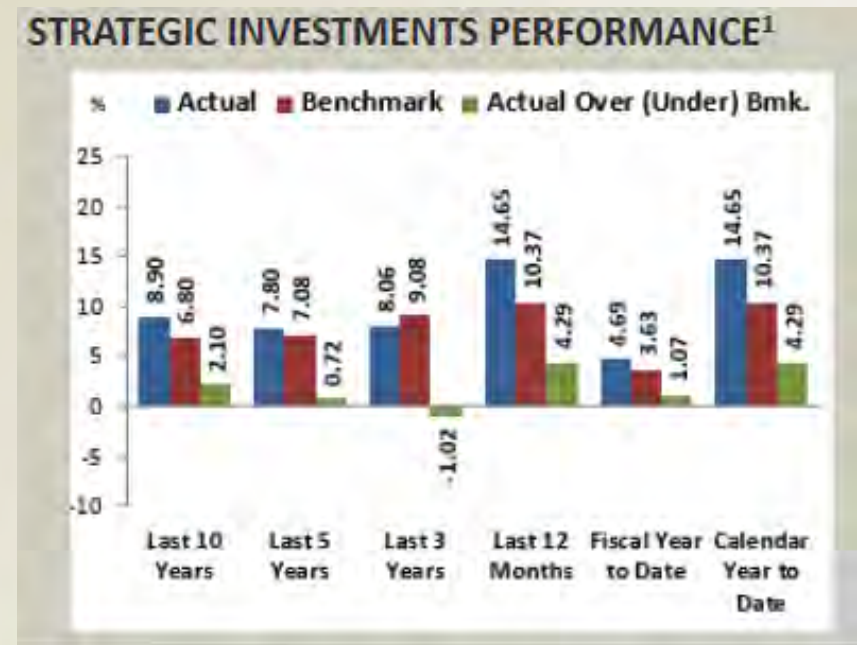
- Notable Exits

-  – IPO exit (26.4x return)
-  – IPO exit (over 50x return)
-  – IPO exit (over 1,000x return)
-  – IPO exit (over 250x return)
-  – IPO exit (over 15x return)
-  – IPO exit (over 15x return)
-  sold to strategic (9x return)
-  (Twinkies) financial buyer (6.5x return)

Strategic Investments

AUM at March 31, 2022: \$19.8 billion

- Generate 4% real rate of return over the long term
- Dampen volatility and improve risk-adjusted return of FRS
- Outperform FRS during market declines
- Increase portfolio flexibility by investing in new strategies



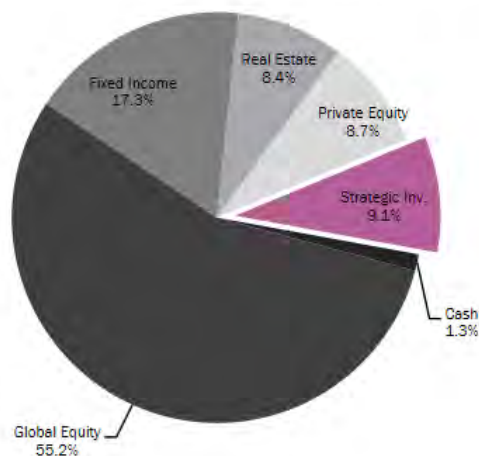
Performance shown as of
December 31, 2021

SI Portfolio Construction

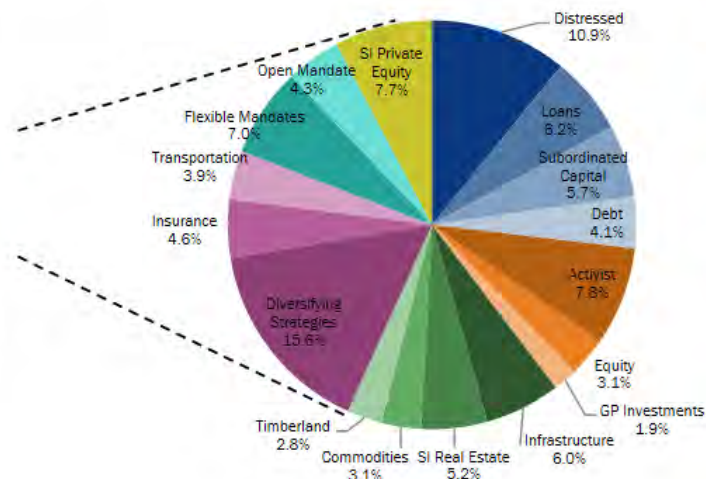
Overview of FSBA's Strategic Investments

As of June 30, 2021 • USD

FLORIDA STATE BOARD OF ADMINISTRATION ALLOCATION
\$199.6 BILLION



Strategic Investments Allocation
\$18.2 billion



| Color | Asset Class | % Of NAV |
|------------|-------------------------|----------|
| Blue | Debt Strategies | 26.9% |
| Orange | Equity Strategies | 12.8% |
| Green | Real Assets | 17.1% |
| Purple | Diversifying Strategies | 24.1% |
| Light Blue | Flexible Mandates | 11.4% |
| Yellow | Special Situations | 7.7% |

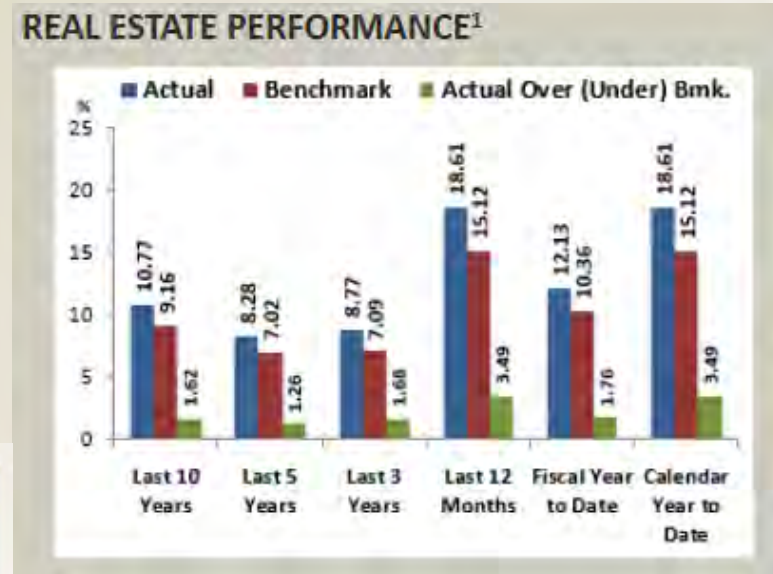


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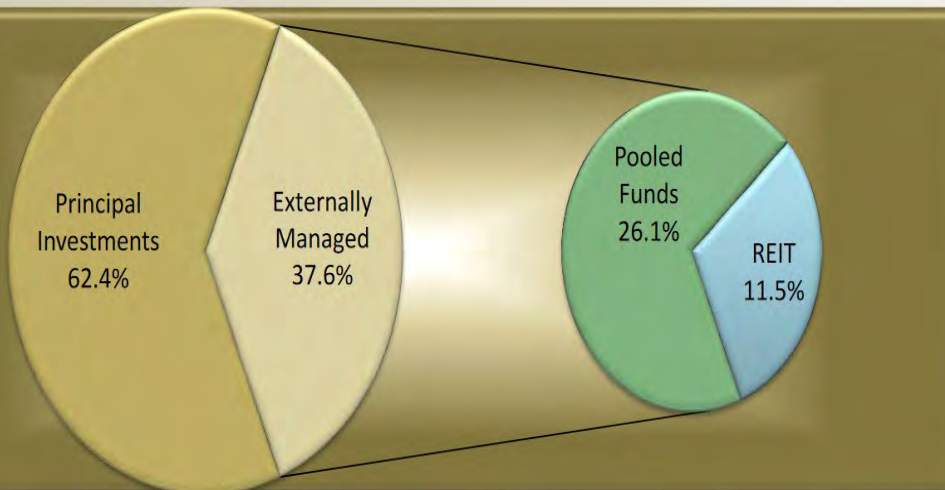
Real Estate

AUM at March 31, 2022: \$19.9 billion

- Provides Income
- Hedge against inflation
- Lower correlation to equity risk



Performance shown as of
December 31, 2021



Real Estate & Inflation

- Real Estate historically has outperformed in previous inflationary periods.
- Leases and revenue streams are directly or indirectly linked to inflation.
- Inflation, accompanied by good economic growth, can lead to increased demand for real estate space.
- Leases with expense pass-throughs are a hedge against inflation.
- Construction cost inflation slows new construction and can result in price appreciation of existing assets.
- Debt hedges against inflation. As NOI grows with inflation, debt gets paid down at the same interest rate.

Current Investment Focus

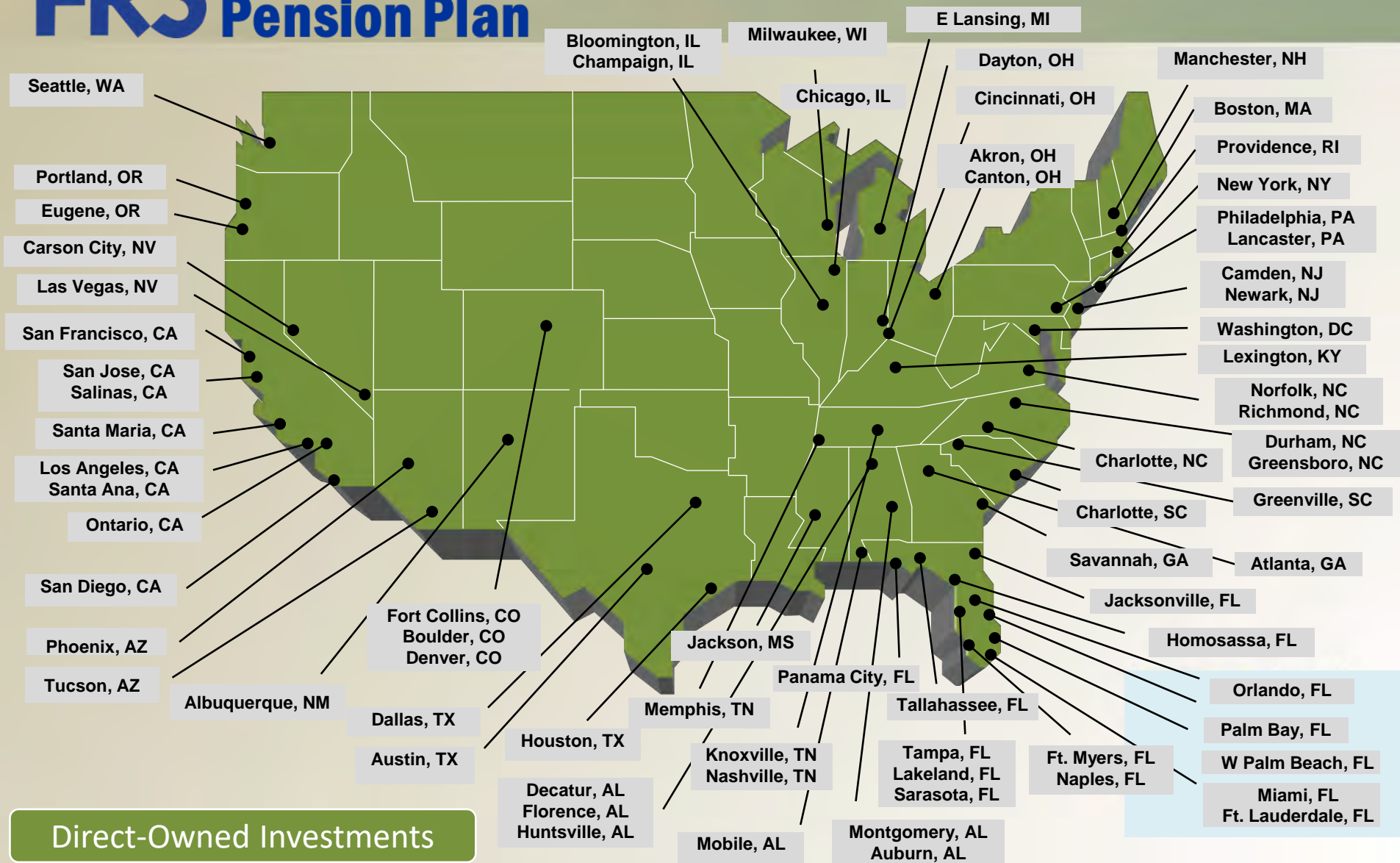
New Investment:

- Industrial/Cold Storage Continues to ride the wave of secular change driven by shifting consumption patterns, demographic change, and the adoption of new technologies. Development spreads are favorable.
- Residential Includes multifamily, student housing, manufactured housing, and Single Family Rental. Driven by a shortage of housing and changes in migration and work patterns. Development spreads are favorable.
- Medical Office Buildings Strong strategic outlook based on aging populations and evolving healthcare models.
- Self Storage Low capex and short lease terms favorable in an inflationary environment. Defensive characteristics.
- Life Science Relatively small sector poised for expansion. Driven by emerging technologies and treatment options that are backed by capital, access to super-computing, and recent successes of specific drugs. Development spreads are favorable.
- Retail/Mixed Use A number of retail properties in the portfolio are being evaluated for mixed use and densification.

Dispositions:

Large identified pipeline of primarily office and retail assets for disposition as part of portfolio construction.





Real Estate Asset Class

Direct-Owned Investments

| Property Type | # of Properties | Net Asset Value | Square Feet | Units | Beds | Sites | Acres |
|----------------------|-----------------|-------------------------|-------------------|---------------|--------------|--------------|---------------|
| Apartment | 19.7 | \$2,781,059,832 | 6,975,881 | 7,619 | | | |
| Student Housing | 14 | \$420,466,209 | | 2,404 | 6,546 | | |
| Industrial | 54 | \$2,232,862,259 | 25,148,280 | | | | |
| Retail | 24.1 | \$1,500,198,995 | 3,242,309 | | | | |
| Commercial Office | 16.2 | \$3,322,457,436 | 5,840,354 | | | | |
| Life Sciences | 1 | \$67,562,160 | 173,757 | | | | |
| Medical Office | 39 | \$635,390,290 | 733,481 | | | | |
| Self Storage | 74 | \$515,844,758 | 5,193,130 | | | | |
| Manufactured Housing | 13 | \$118,331,334 | | | | 1,734 | |
| Agriculture | 25 | \$681,381,015 | | | | | 34,741 |
| Total | 280 | \$12,275,554,288 | 47,307,192 | 10,023 | 6,546 | 1,734 | 34,741 |

Real Estate Asset Class

Apartment



Ft. Lauderdale, FL



Seattle, WA



Arlington, VA

Property Sub-Types

- Garden
- Mid-Rise
- High-Rise

Key Considerations

- Suburban, Urban locations
- Transit Oriented
- Amenities
- High Barriers to entry
- Build-to-Core strategy

Portico Apartments



- Sunrise, FL
- Developed – 2017
- 417 Units
- Market Value
\$181 million

Pierhouse at Channelside



- Tampa, FL
- Acquired – 2014
- 356 Units
- Market Value
\$127 million

The Ventura



- Apartments
- New York, NY
- Acquired - 2000
- 246 Units
- Market Value
\$250 million



Property Sub Types

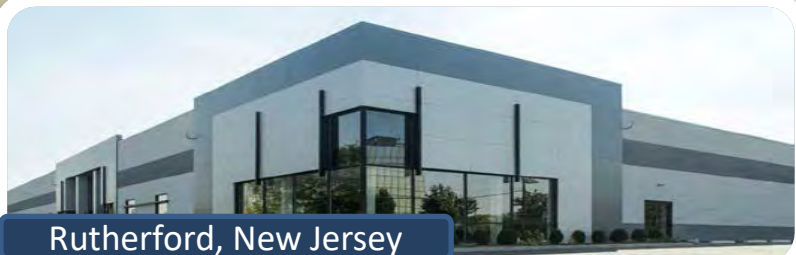
- Purpose Built
- Cottage Style

Key Considerations

- University
- Proximity to Campus
- Vintage
- Amenities

Real Estate Asset Class

Industrial



Rutherford, New Jersey



Miami, FL



Denver, CO

Property Sub-Types

- Warehouse
- Distribution Center

Key Considerations

- Location near major population centers and major distribution hubs
- Areas of strong demand driven by e-commerce

Real Estate Asset Class

Commercial Office



Nashville, TN



New York, NY



Washington, DC

Property Sub Types

- CBD
- Urban
- Suburban

Key Considerations

- Location (live/work/play) environment
- Physical condition (ceiling height, floor plates, floor plans)
- Tenancy

Potomac Center North

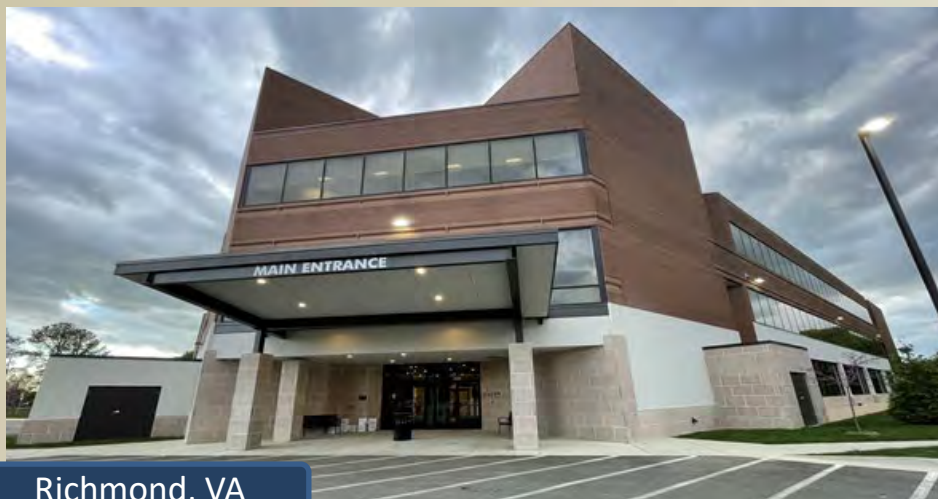


- Office
- Washington, DC
- Acquired – 2009
- 502,997 SF
- Market Value
\$223 million

10100 Santa Monica



- Office
- Los Angeles, CA
- Acquired – 1996
- 605,657 SF
- Market Value
\$737 million



Richmond, VA



Raleigh, NC

Key Considerations

- Dominant healthcare systems & physician groups
- Use Type
 - Multi-specialty Clinics
 - Orthopedics
 - Oncology
 - Ophthalmology & Optometry
 - Urology
 - Radiology & Imaging
 - Primary Care

Real Estate Asset Class

Life Sciences



San Francisco, CA

Life Science office is highly specialized space used by medical and tech companies to conduct research and development (biotech, pharma, medical device, etc.).

Primary markets include Boston, MA; San Francisco, CA; San Diego, CA

Boston, MA



San Francisco, CA



San Francisco, CA

Property Sub Types

- Urban and High Street Retail
- Lifestyle Center
- Power and Community Centers

Key Considerations

- Trade Area Demographics
- Metro Area
- Tenant Sales Performance
- Anchor Quality
- Competitive Position
- Supply Constraints



West Palm Beach, FL



Memphis, TN

Real Estate Asset Class

Self Storage



Auburndale, FL



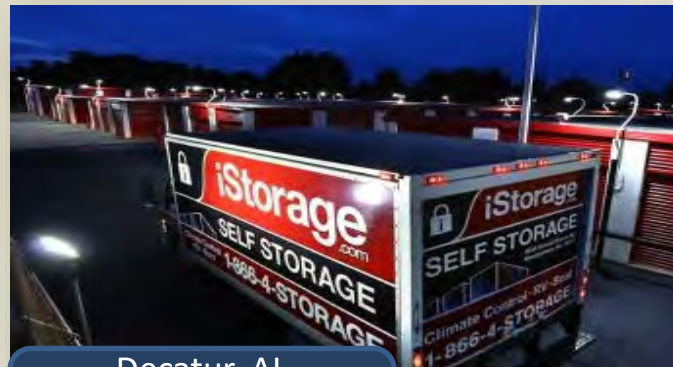
Canton, OH



Smithville, NJ



Sacramento, CA



Decatur, AL

Key Considerations

- JV Partner Experience
- Property Location
- Surrounding HH Income
- Population Density

Real Estate Asset Class

Manufactured Housing

Orlando, FL



Tampa, FL



Key Considerations

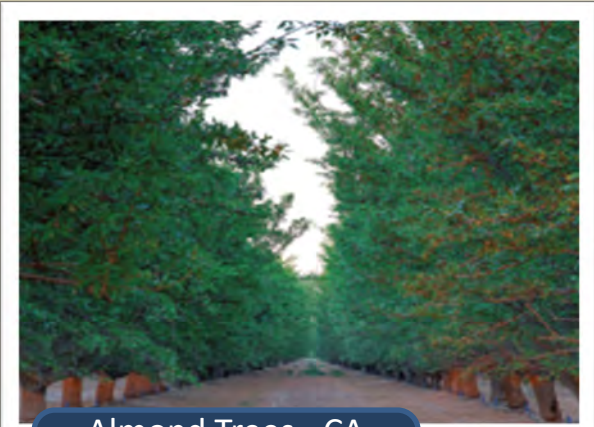
- JV Partner Experience
- Community quality
- Location



Tucson, AZ

Real Estate Asset Class

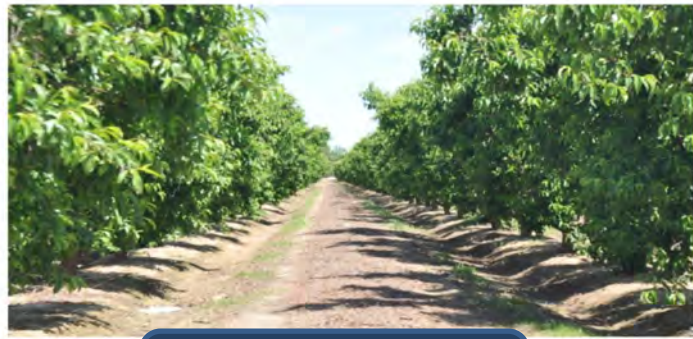
Agriculture



Almond Trees - CA



Table Grapes - CA



Nectarines - CA

Property Sub Types

- Permanent Crops
- Row Crops

Key Considerations

- Commodity Demand
- Location
- Water Supply

Permanent Crops

Citrus



Avocados



Row Crops



corn



soybeans



wheat



cotton



Questions?



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