# State Board of Administration of Florida
# **Florida Hurricane Catastrophe Fund**

Combined Financial Statements
Fiscal Years Ended June 30, 2024 and 2023

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# 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

### *Opinions*

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 years ended June 30, 2024 and 2023, 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, 2024 and 2023, and the change in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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.

### *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, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years 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, schedule of Fund's proportionate share of the net pension liability and related ratios, schedule of fund contributions, and schedule of Fund's proportionate share of the total other postemployment benefits liability on pages 4-13, 65-66, 67 and 68-69, 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 October 31, 2024 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
October 31, 2024

# Management's Discussion and Analysis

## 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, 2024, 2023 and 2022. 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 Florida's 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 the 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.

# Management's Discussion and Analysis

## Financial Summary

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

| | Fiscal Years Ended June 30 | | |
|---|---|---|---|
| | **2024** | **2023** | **2022** |
| | | *(In Thousands)* | |
| **Assets** | | | |
| Cash and cash equivalents | $ 1,074 | $ — | $ — |
| Current assets | 15,355,045 | 9,995,006 | 5,896,408 |
| Long-term assets | 743,812 | 5,256,341 | 10,058,964 |
| Total assets | 16,099,931 | 15,251,347 | 15,955,372 |
| Deferred outflows related to pensions and OPEB | 789 | 795 | 668 |
| **Liabilities** | | | |
| Current liabilities | 5,780,447 | 9,000,149 | 1,543,485 |
| Long-term liabilities | 4,502,659 | 3,502,245 | 3,501,333 |
| Total liabilities | 10,283,106 | 12,502,394 | 5,044,818 |
| Deferred inflows related to pensions and OPEB | 376 | 477 | 1,195 |
| **Net position** | | | |
| Net investment in capital assets | 25 | 35 | 37 |
| Unrestricted | 5,817,213 | 2,749,236 | 10,909,990 |
| **Total net position** | $ 5,817,238 | $ 2,749,271 | $ 10,910,027 |

# Management's Discussion and Analysis

## Financial Summary (continued)

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

| | Fiscal Years Ended June 30 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | | *(In Thousands)* | |
| **Operating revenues** | | | |
| Net premium revenue | $ 1,520,095 | $ 1,406,694 | $ 1,211,528 |
| Net interest on premium adjustments | (334) | 59 | (244) |
| Net interest on loss disbursements and adjustments | 423 | 100 | 376 |
| Other | 46 | 46 | 47 |
| Total operating revenues | 1,520,230 | 1,406,899 | 1,211,707 |
| Nonoperating (expenses)/revenues, net | 726,069 | 244,816 | (477,123) |
| Total revenues | 2,246,299 | 1,651,715 | 734,584 |
| **Operating expenses** | | | |
| Hurricane losses (reduction in losses) | (840,864) | 9,795,617 | — |
| Operating expenses | 9,180 | 6,837 | 6,293 |
| Depreciation | 16 | 17 | 16 |
| Total operating expenses | (831,668) | 9,802,471 | 6,309 |
| Net income/(loss) before transfers | 3,077,967 | (8,150,756) | 728,275 |
| Transfers to other state agencies | (10,000) | (10,000) | (13,500) |
| **Change in net position** | 3,067,967 | (8,160,756) | 714,775 |
| Net position at beginning of year | 2,749,271 | 10,910,027 | 10,195,252 |
| Net position at end of year | $ 5,817,238 | $ 2,749,271 | $ 10,910,027 |

# Management's Discussion and Analysis

**Financial Summary (continued)**

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 that can impact the Fund's ability to continue to fulfill its mission.

**Financial Highlights:**

- The net position increased by $3.1 billion or 112%, which is primarily a result of minimal losses for 2023, a reduction in loss reserves for Hurricanes Irma, Michael and Ian, and an increase in investment income.

- Liquidity of assets, by investing in short-term instruments, continues to be the focus of the Fund's investment portfolio strategy, resulting in a 54% increase in current assets and an 86% decrease in long-term assets.

- Current liabilities decreased $3.2 billion or 36%, which represents a reduction in loss reserves for Hurricanes Irma, Michael, and Ian.

- Long-term liabilities increased $1.0 billion or 29%,to include the obligation from a new 2024A pre-event bond issuance in May 2024.

- Non-operating revenues grew as a result of an increase in investment income of $484.6 million or 156%.

- Operating expenses decreased by $10.6 billion from 2023 to 2024 as Hurricane Idalia, occurring in 2023, is projected to have minimal losses to the Fund. Additionally, there is an $851 million reduction in prior year loss reserves for Hurricanes Irma, Michael and Ian.

# Management's Discussion and Analysis

## Financial Analysis

Net Position

The Fund's net position increased by $3.1 billion or 112%, during fiscal year 2024 as compared to the prior year when the Fund's net position decreased by $8.2 billion or 75%. The annual premium revenue of $1.5 billion is slightly higher than the prior fiscal year, which contributes to this increase. However, the more impactful changes were an $841 million reduction in reserves, as the Fund completed commutations for Hurricane Irma, companies filed the final request for reimbursements for Hurricane Michael by June 1, 2024, and there was a $500 million reduction in the loss reserves for Hurricane Ian. A $10 million reserve for Hurricane Idalia, that made landfall in 2023, was the only increase to loss reserves. Investment income was $484.6 million higher than prior year's due to increased interest rates.

Invested Assets

The largest assets on the Fund's combined financial statements are the investments, which include accumulated annual premium revenues, 2020A Pre-event bond proceeds and 2024A Pre-event bond proceeds. The Fund's investment portfolio is managed by the State Board of Administration of Florida (SBA) with Investment Policy Guidelines (Guidelines) that focus primarily on liquidity, then safety of principal, and finally on competitive returns. This conservative investment policy provides for a high level of liquidity to match insurer loss reimbursement needs on a timely basis. The Fund's total $15.9 billion portfolio is comprised of commercial paper (27%), corporate bonds and notes (8%), international corporate bonds and notes (6%), U.S. treasury bills (39%) and U.S. treasury bonds (20%). International government bonds and notes and money market funds accounted for less than 1% of the portfolio at fiscal year-end 2024.

Assets of the Fund and the Corporation are held in separate portfolios based on the following strategies. The liquidity account holds funds used to reimburse participating insurers' losses for events that occurred in prior years. The claims-paying account is the first source of liquidity to pay for any reimbursements for hurricanes occurring in 2024 and beyond. In addition, expenses of the Fund and any statutorily required appropriations are paid from this fund. The Corporation has the 2020A and 2024A bond proceeds accounts that include proceeds from the issuance of revenue bonds in 2020 and 2024, respectively, which can be used to pay claims if additional liquidity is needed. If the bond proceeds are used, the Fund can refinance the debt with issuance of post-event revenue bonds, which are paid back with emergency assessments. The Corporation also has a transition account that holds funds for the first principal payment of the 2020A pre-event bonds in the amount of $1.25 billion due July 1, 2025.

# Management's Discussion and Analysis

**Financial Analysis (continued)**

<u>Hurricane Losses</u>

On June 1, 2023, participating insurers receiving reimbursements for Hurricane Irma were required to submit their final proof of loss report. The Fund reimburses insurers based on paid losses; however, once the final proof of loss report is filed, the Fund negotiates a final reimbursement with the insurer for any remaining outstanding losses. The Fund successfully negotiated final settlement amounts with each company and at June 30, 2024, there were no outstanding obligations for Hurricane Irma. The total amount paid to insurers from 2017 was $7.5 billion.

On June 1, 2024, participating insurers receiving reimbursements for Hurricane Michael were required to submit their final proof of loss report. At June 30, 2024, the Fund had paid insurers $1.2 billion in reimbursements for Hurricane Michael losses since 2018. The Fund estimates up to an additional $15.1 million to be negotiated through commutation for the final payout to insurers with outstanding losses.

Hurricane Ian occurred in September of 2022, and at June 30, 2024, $4.3 billion in reimbursements had been paid to insurers. The Fund estimates, based on current reporting by insurers, an additional $5.2 billion in reimbursements will be paid through 2028.

Hurricane Idalia made landfall near Keaton Beach, Florida, as a Category 3 hurricane on August 30, 2023. At June 30, 2024, the Fund estimates, based on current reporting by insurers, that a total of $10.0 million in reimbursements will be paid through 2029.

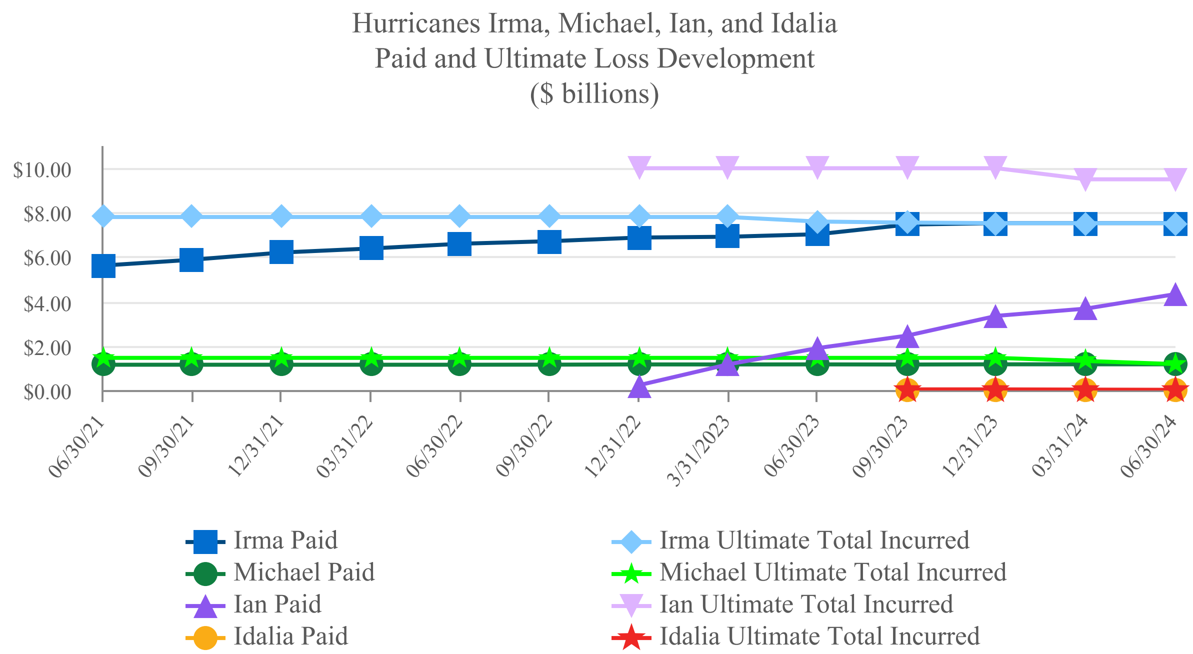
Hurricane Debby made landfall near Steinhatchee, Florida, as a Category 1 hurricane on August 5, 2024. Actual losses, if any, are not expected to materially impact the Fund.

Hurricane Helene made landfall near Perry, Florida, as a Category 4 hurricane on September 26, 2024. Actual losses, if any, are unknown at this time and not expected to be material to the Fund.

Hurricane Milton made landfall near Siesta Key, Florida, as a Category 3 hurricane on October 9, 2024. 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 reimbursement for losses which will affect the Fund's net position.

**Financial Analysis (continued)**

The chart below shows the Fund's paid losses and ultimate total incurred loss estimates on a quarterly basis for Hurricanes Michael, Ian, and Idalia. Also included in the chart below are the final total incurred and paid for Hurricane Irma, which highlights the difference in the development for the four events:



# Management's Discussion and Analysis

**Financial Analysis (continued)**

Long-term Liabilities

In September of 2020 and May of 2024, the Corporation issued Series 2020A and 2024A pre-event bonds in the amount of $3.5 billion and $1 billion, respectively, to provide an additional source of liquidity, if needed, to reimburse participating insurers. The 2024A bonds were issued at a 5.526% yield on May 1, 2024, with a single 10-year maturity on July 1, 2034. If a hurricane occurs, the Fund could choose to either use these bond proceeds in the current year, while it plans for a post-event debt issuance, or continue to hold the bond proceeds to provide for future season capacity. The first tranche of the 2020A pre-event bonds is set to mature on July 1, 2025. The maturity schedule of the 2020A and 2024A Bonds is in the table below:

| **2020A and 2024A 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%* |
| *July 1, 2034* | *$1,000,000,000* | *5.53%* |

[1] The 2020A and 2024A Pre-Event Taxable Bonds had the following credit ratings: Moody's Aa3; Standard and Poor's AA; and Fitch AA. (Kroll rating of AA on the 2024A bonds only)

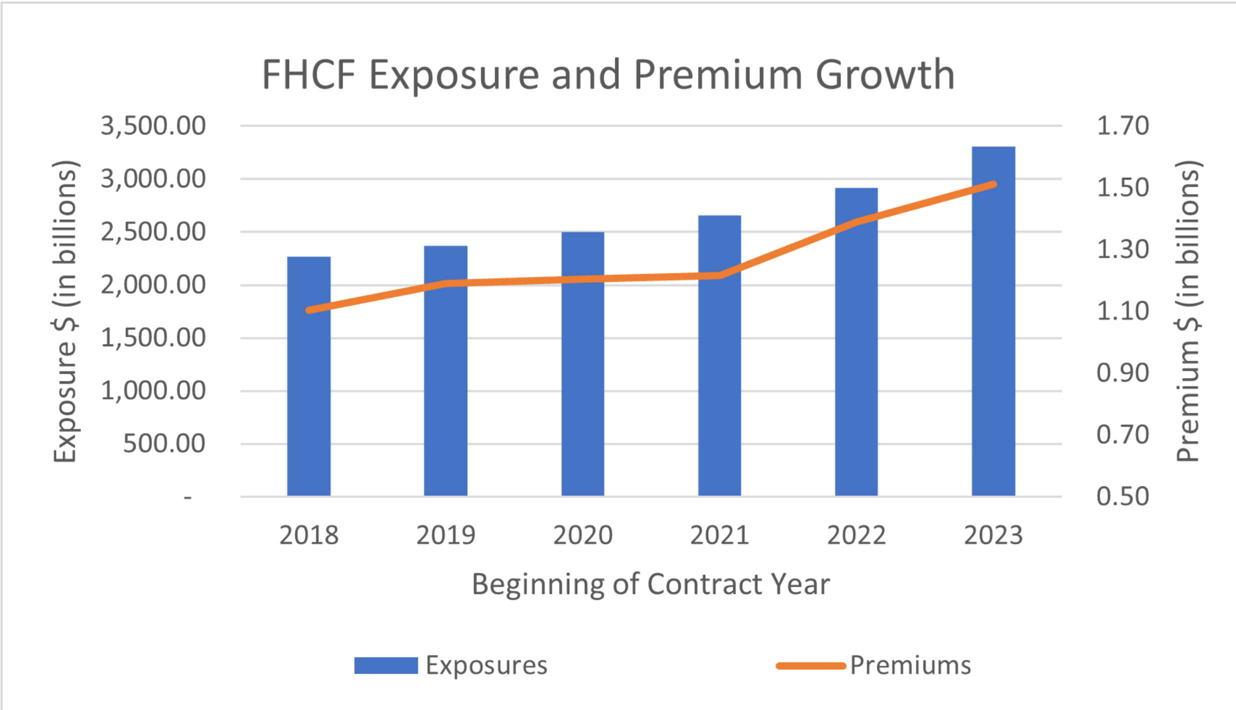
Investments pledged as collateral for the Fund's outstanding debt at June 30, 2024 were $4.5 billion. There is no concern about the Fund's ability to repay the bonds or make scheduled debt service payments as the Fund's outstanding debt is secured with pledged collateral that includes 1) annual reimbursement 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.

Operating Revenues

The Fund's total operating revenues primarily consist of premiums received annually from participating insurers, which totaled approximately $1.5 billion for fiscal year 2024. The net premium revenue for the current fiscal year increased when compared to the prior fiscal year by approximately 8%. While the Fund's premium is derived based on many metrics, the net premium revenue has increased annually for the Fund over the last two years due primarily to exposure growth. The Fund's exposure has increased at least 4% year-over-year since contract year 2018-2019.

The change in actual exposure for contract year 2018-2019 to contract year 2023-2024 is 45.6%. Exposure growth is due to various macro economic factors in Florida which could include population growth, home value increases, and new home builds, but the most significant factor during fiscal year 2023 and 2024 continues to be inflation.

**Financial Analysis (continued)**




<u>Nonoperating Revenues</u>

Nonoperating revenues predominantly consist of investment income earned on the accumulated annual reimbursement premiums paid by participating insurers. Changes in the nonoperating revenues are mainly driven by changes in investment income, including unrealized gains and losses. Since March of 2022, the Federal Open Market Committee raised its benchmark borrowing rate 11 times to the current range at fiscal year end of 5.25% to 5.5%. These increases had a significant impact on the market values of the Fund's holdings in fiscal years 2024 and 2023. During the period, the Fund changed its Guidelines to shorten its portfolio duration and hold its investments to maturity, which allowed temporary unrealized losses to evaporate when investments matured at par. Therefore, fiscal years 2024 and 2023 had investment gains of $795 million and $310 million, respectively, primarily due to the interest rate increases and portfolio changes to enhance the Fund's liquidity. The table below summarizes the investment income of the Fund in fiscal years 2024, 2023, and 2022:

# Management's Discussion and Analysis

## Financial Analysis (continued)

| Fund Investment Income (in thousands)* | | | |
|---|---|---|---|
| Fiscal Year Ended | 2024 | 2023 | 2022 |
| Interest Earned on Investments | $132,944 | $196,989 | $139,410 |
| Realized/Unrealized (Loss)/Gain, Net | $661,580 | $112,918 | $(551,652) |
| **Total** | $794,524 | $309,907 | $(412,242) |

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

## 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 or send an email to FHCF@sbafla.com.

# Combined Statements of Net Position

| | Fiscal Years Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| | *(In Thousands)* | |
| **Assets** | | |
| Cash and cash equivalents | $ 1,074 | $ — |
| Current assets: | | |
| Short-term investments | 15,166,259 | 9,815,621 |
| Investments sold, but not settled | 34,846 | — |
| Premium receivable (net of allowance) | 124,993 | 123,350 |
| Accrued interest | 28,786 | 55,989 |
| Accounts receivable | — | 46 |
| Excess loss payments receivable | 160 | — |
| Prepaid expenses | 1 | — |
| Total current assets | 15,355,045 | 9,995,006 |
| Long-term assets: | | |
| Long-term investments | 743,787 | 5,256,306 |
| Capital assets, net of accumulated depreciation of $93 and $86 for June 30, 2024 and 2023, respectively | 25 | 35 |
| Total long-term assets | 743,812 | 5,256,341 |
| Total assets | 16,099,931 | 15,251,347 |
| Deferred outflows of resources: | | |
| Deferred outflows related to pensions and OPEB (note 12) | 789 | 795 |
| **Liabilities** | | |
| Current liabilities: | | |
| Unpaid hurricane losses | 5,200,360 | 8,969,600 |
| Accrued expenses | 2,369 | 598 |
| Investments purchased, but not settled | 547,746 | — |
| Accrued bond interest expense | 29,850 | 29,850 |
| Compensated absences | 111 | 91 |
| Net pension and OPEB liability (note 12) | 11 | 10 |
| Total current liabilities | 5,780,447 | 9,000,149 |
| Long-term liabilities, net of current portion: | | |
| Bonds payable | 4,500,000 | 3,500,000 |
| Compensated absences | 322 | 259 |
| Net pension and OPEB liability (note 12) | 2,337 | 1,986 |
| Total long-term liabilities | 4,502,659 | 3,502,245 |
| Total liabilities | 10,283,106 | 12,502,394 |
| Deferred inflows of resources: | | |
| Deferred inflows related to pensions and OPEB (note 12) | 376 | 477 |
| **Net position** | | |
| Net investment in capital assets | 25 | 35 |
| Unrestricted | 5,817,213 | 2,749,236 |
| **Total net position** | $ 5,817,238 | $ 2,749,271 |

*See accompanying notes to the combined financial statements.*

# Combined Statements of Revenues, Expenses, and Changes in Net Position

| | Fiscal Years Ended June 30 | |
|---|---|---|
| | 2024 | 2023 |
| | *(In Thousands)* | |
| **Operating revenues** | | |
| Net premium revenue | $ 1,520,095 | $ 1,406,694 |
| Net interest on premium adjustments | (334) | 59 |
| Net interest on loss disbursements and adjustments | 423 | 100 |
| Other | 46 | 46 |
| Total operating revenues | 1,520,230 | 1,406,899 |
| **Operating expenses** | | |
| Hurricane losses (reduction in losses) | (840,864) | 9,795,617 |
| Administrative and actuarial fees | 4,934 | 3,139 |
| Other professional fees | 1,522 | 1,456 |
| Personnel expenses | 2,495 | 1,956 |
| Depreciation | 16 | 17 |
| Other | 229 | 286 |
| Total operating expenses | (831,668) | 9,802,471 |
| Operating income/(loss) | 2,351,898 | (8,395,572) |
| **Nonoperating (expenses)/revenues** | | |
| Investment income | 794,523 | 309,907 |
| Investment advisor fees | (4,871) | (5,183) |
| Settlement proceeds | 39 | — |
| Bond issuance expense | (3,758) | — |
| Custodian and bond trustee fees | (164) | (208) |
| Bond interest expense | (59,700) | (59,700) |
| Nonoperating (expenses)/revenues, net | 726,069 | 244,816 |
| Net income/(loss) before transfers | 3,077,967 | (8,150,756) |
| Transfers to other state agencies | (10,000) | (10,000) |
| **Change in net position** | 3,067,967 | (8,160,756) |
| Net position at beginning of year | 2,749,271 | 10,910,027 |
| Net position at end of year | $ 5,817,238 | $ 2,749,271 |

*See accompanying notes to the combined financial statements.*

# Combined Statements of Cash Flows

| | Fiscal Years Ended June 30 | |
|---|---|---|
| | **2024** | **2023** |
| | *(In Thousands)* | |
| **Cash flows from operating activities** | | |
| Net premium received | $ 1,518,117 | $ 1,383,058 |
| Hurricane losses paid | (2,928,537) | (2,338,878) |
| Loss reimbursement advances and related interest | 423 | 100 |
| Other cash received from customers | 92 | — |
| Administrative and actuarial fees | (3,557) | (3,131) |
| Other professional fees | (1,173) | (1,451) |
| Personnel expenses | (2,155) | (1,890) |
| Other cash paid to vendors | (254) | (335) |
| Net cash used by operating activities | (1,417,044) | (962,527) |
| **Cash flows from investing activities** | | |
| Purchases of investments | (177,055,271) | (104,100,095) |
| Sales and maturities of investments | 177,391,633 | 104,958,596 |
| Interest received | 160,146 | 179,160 |
| Settlement proceeds | 39 | — |
| Investment advisor fees | (4,864) | (5,202) |
| Investment custodian fees | (97) | (206) |
| Net cash provided by investing activities | 491,586 | 1,032,253 |
| **Cash flows from noncapital financing activities** | | |
| Transfers to other state agencies | (10,000) | (10,000) |
| Cash received from the issuance of debt | 1,000,000 | — |
| Cash paid for cost of issuance of debt | (3,756) | — |
| Payments for trustee fees | (6) | (3) |
| Bond interest paid | (59,700) | (59,700) |
| Bank financing - overdraft | — | (8) |
| Net cash provided (used) by noncapital financing activities | 926,538 | (69,711) |
| **Cash flows from capital and related financing activities** | | |
| Purchases of capital assets | (6) | (15) |
| Net increase in cash and cash equivalents | 1,074 | — |
| Cash and cash equivalents at beginning of year | — | — |
| Cash and cash equivalents at end of year | $ 1,074 | $ — |

# Combined Statements of Cash Flows

| | Fiscal Years Ended June 30 | |
|---|---|---|
| | 2024 | 2023 |
| | (In Thousands) | |
| **Operating revenue (loss)** | $ 2,351,898 | $ (8,395,572) |
| Adjustments to reconcile operating revenue (loss) to net cash provided (used) by operating activities: | | |
| Depreciation expense | 16 | 17 |
| (Increase) decrease in premium receivable | (1,163) | (23,592) |
| Increase (decrease) in allowance for uncollectibles | (480) | (104) |
| (Increase) decrease in accounts receivable | 46 | (35) |
| (Increase) decrease in excess loss reimbursements receivable | (160) | — |
| (Increase) decrease in deposits and prepaid expenses | (1) | — |
| Increase (decrease) in compensated absences | 83 | 70 |
| Increase (decrease) in unpaid hurricane losses | (3,769,240) | 7,456,739 |
| Increase (decrease) in accrued expenses | 1,700 | (67) |
| Increase (decrease) in OPEB liability and deferrals | (8) | (1) |
| Increase (decrease) in pension liability and deferrals | 265 | 18 |
| **Net cash provided (used) by operating activities** | $ (1,417,044) | $ (962,527) |
| Noncash investing activities: | | |
| Change in fair value of investments | 315,980 | 368,919 |

*See accompanying notes to the combined financial statements.*

# Notes to the Combined Financial Statements

## 1. Organization

### 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.

### 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.

# Notes to the Combined Financial Statements

**1. Organization (continued)**

### Adoption of New Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections- an amendment of GASB Statement No. 62 (GASB 100). The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Fund's management has evaluated the impact of this statement and has found no material changes are required as it pertains to the Fund.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022. The primary objective of this Statement is to enhance comparability in accounting and financial reporting to improve the consistency of authoritative language by addressing (1) practice issues that have been identified during the implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Fund's management has evaluated the impact of this statement and has found no material changes are required as it pertains to the Fund.

In June of 2020, the GASB issued Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). The guidance addresses the accounting for costs related to cloud computing arrangements. The accounting and disclosure guidance provided by this standard closely mirrors the lease guidance provided in Statement No. 87 – Leases; however focuses more on technology arrangements rather than the conveyance of the right to use physical assets. The statement effective date is for reporting periods beginning after June 15, 2022, and is to be adopted retroactively to the earliest period presented. The Fund's management has evaluated the impact of this statement and has found no material changes are required as it pertains to the Fund.

### 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.

### 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 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).

# Notes to the Combined Financial Statements

## 2. Significant Accounting Policies

### Measurement Focus

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

### 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.

### Investments

The Fund's cash is invested in three separate portfolio strategies: (1) liquidity fund, (2) claims-paying fund, and (3) the Corporation's pre-event funds. The liquidity fund portfolio holds funds used to reimburse insurers for losses for hurricanes occurring before 2024. The claims-paying fund is the first source of liquidity to pay any reimbursements for hurricanes occurring in 2024 and beyond as well as expenses of the Fund and any statutorily required appropriations. The 2020A and 2024A pre-event bond proceeds funds are from the issuance of revenue bonds in 2020 and 2024, respectively, which can be used to pay claims if cash is exhausted and additional liquidity is needed. If the bond proceeds are used, the Fund can refinance the debt with issuance of post-event revenue bonds which are paid back with emergency assessments. 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 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 one year or less 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 existing Guidelines were last amended effective February 27, 2024, while the new 2024A pre-event bond guidelines were established on March 18, 2024.

# Notes to the Combined Financial Statements

## 2. Significant Accounting Policies (continued)

### Premium Receivable

At June 30, 2024 and 2023, the Fund's premium receivable totaled $125.0 million and $123.4 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 $125.0 million as of June 30, 2024 and $114.2 million as of June 30, 2023.

### 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, 2024 and 2023, there are no outstanding loss reimbursement advances.

### 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.

### 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.

### 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.

### 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.

**2. Significant Accounting Policies (continued)**

### 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, $111 thousand in 2024 and $91 thousand in 2023, 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.

### 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.

### 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.

### 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.

### 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.

# Notes to the Combined Financial Statements

## 2. Significant Accounting Policies (continued)

### Net Interest on Premium Adjustments

Participating insurers have the option of paying the billed provisional premium or the insurer's estimated 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. If the insurer's estimated premiums are too low causing an underpayment, interest is charged to the insurer with the December installment. For the contract year ended May 31, 2024, the interest rate was 2.51% for underpayments and overpayments of premium and 7.51% for underpayments on balances that remain unpaid after the final invoice due date. For the contract year ended May 31, 2023, the interest rate was 0.12% for underpayments and overpayments of premium and 5.12% for underpayments on balances that remain unpaid after the final invoice due date.

### 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 and decreases 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.

### 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, 2024 and 2023, there were no emergency assessments.

### 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 million 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 fiscal years 2024 and 2023, $10.0 and $10.0 million, respectively, were appropriated from the Fund.

## 2. Significant Accounting Policies (continued)

### 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.

### 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

### 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.

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

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, 2024, the fund had $1,074,067, in bank deposits. Of this, $824,064 was exposed to custodial credit risk. The remaining bank deposits were held at QPDs or were FDIC insured.

At June 30, 2023, all bank deposits were held at QPDs or were FDIC insured.

**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, certificates of deposit, bonds, commercial paper, U.S. government agency notes, U.S. government Treasury 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:

| | As of June 30 | |
|---|---|---|
| **Investment Type** | **2024** | **2023** |
| | *(In Thousands)* | |
| Short-term investments: | | |
| Certificates of deposit | $ — | $ 389,590 |
| Commercial paper | 4,290,398 | 1,246,997 |
| Money market funds | 40,843 | 36,966 |
| U.S. Treasury bills | 6,204,335 | 2,838,514 |
| U.S. Treasury notes | 2,730,183 | 3,056,352 |
| Federal agency discount notes | — | 307,816 |
| Domestic corporate bonds and notes | 1,084,741 | 1,138,378 |
| International corporate bonds and notes | 815,759 | 753,480 |
| International government bonds and notes | — | 47,528 |
| Total short-term investments | 15,166,259 | 9,815,621 |
| Long-term investments: | | |
| U.S. Treasury notes | 489,473 | 3,103,122 |
| Domestic corporate bonds and notes | 152,208 | 1,260,678 |
| International corporate bonds and notes | 77,467 | 868,225 |
| International government bonds and notes | 24,639 | 24,281 |
| Total long-term investments | 743,787 | 5,256,306 |
| **Total investments** | $ 15,910,046 | $ 15,071,927 |

## 3. Deposits and Investments (continued)

### Interest Rate Risk

The Fund utilizes the weighted average maturity method to limit exposure to interest rate risk in three of its portfolios while the other two portfolios have an asset to liability matching mechanism that ensures liquidity is available as needed. In accordance with each of the specified Guidelines, funds held shall have a maximum dollar weighted average maturity (DWAM) of 30 days, 90 days, and 180 days with the exception of those for government and agency securities. Government and agency securities shall not exceed 60 days, 185 days and 540 days for the claims-paying fund, 2020A and 2024A bond proceeds pre-event fund portfolios, respectively. For purposes of the DWAM calculation, the maturity date is assumed to be the next reset date rather than the stated maturity.

The weighted average maturity of the Fund's investments as of June 30, 2024 and 2023, is as follows:

| | As of June 30, 2024 | | As of June 30, 2023 | |
|---|---|---|---|---|
| Investment Type | Total | Weighted Average Maturity[1] | Total | Weighted Average Maturity |
| | (In Thousands) | (In Days) | (In Thousands) | (In Days) |
| Certificates of deposit | $ — | — | $ 389,590 | 30 |
| Commercial paper | 4,290,398 | 35 | 1,246,997 | 9 |
| Money market funds | 40,843 | 1 | 36,966 | 1 |
| U.S. Treasury bills | 6,204,335 | 42 | 2,838,514 | 15 |
| U.S. Treasury notes | 3,219,656 | 184 | 6,159,474 | 375 |
| Federal agency discount notes | — | — | 307,816 | 7 |
| Domestic corporate bonds and notes | 1,236,949 | 219 | 2,399,056 | 403 |
| International corporate bonds and notes | 893,226 | 210 | 1,621,705 | 398 |
| International government bonds and notes | 24,639 | 435 | 71,809 | 417 |
| Total portfolio | $ 15,910,046 | | $ 15,071,927 | |
| Portfolio weighted average maturity | | 93 | | 267 |

[1] The aforementioned DWAM generally applies to the specified Portfolios as the Fund transitions to changes made to the Fund's Guidelines in February and March of 2024.

### 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 Standard and Poor's (S&P), Moody's, and/or Fitch and must be a minimum of "A-1" by S&P, "P-1" by Moody's, and/or "F1" by Fitch. For long-term ratings, this has been defined as being obtained from at least two of S&P, Moody's, and/or Fitch and must be a minimum of "A" by S&P, "A2" by Moody's, and/or "A" by Fitch.

## 3. Deposits and Investments (continued)

The schedule below provides the credit quality ratings by S&P and Moody's Investor Services at June 30, 2024:

| | | Credit quality ratings | |
|---|---|---|---|
| **Investment type** | **Fair value** | **S & P** | **Moody's** |
| | *(In Thousands)* | | |
| Commercial paper | $ 3,923,858 | A-1 | P-1 |
| Commercial paper | 366,540 | Not Rated | P-1 |
| Money market funds | 35,025 | AAAm | Aaa-mf |
| Money market funds | 5,818 | AAAm | Not Rated |
| U.S. Treasuries[1] | 9,423,991 | Not Rated | Not Rated |
| Domestic corporate bonds and notes | 93,492 | AAA | Aaa |
| Domestic corporate bonds and notes | 123,261 | AA | Aaa |
| Domestic corporate bonds and notes | 176,360 | AA | Aa |
| Domestic corporate bonds and notes | 188,913 | AA | A |
| Domestic corporate bonds and notes | 14,706 | A | Aa |
| Domestic corporate bonds and notes | 640,217 | A | A |
| International corporate bonds and notes | 167,354 | AA | Aa |
| International corporate bonds and notes | 242,300 | A | Aa |
| International corporate bonds and notes | 483,572 | A | A |
| International government bonds and notes | 24,639 | AA | Aa |
| **Total investments** | $ 15,910,046 | | |

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

## 3. Deposits and Investments (continued)

The schedule below provides the credit quality ratings by S&P and Moody's Investor Services at June 30, 2023:

| Investment type | Fair value | Credit quality ratings S & P | Credit quality ratings Moody's |
|---|---|---|---|
| | *(In Thousands)* | | |
| Certificates of deposit[2] | $ 389,590 | Not Rated | Not Rated |
| Commercial paper | 1,177,236 | A-1 | P-1 |
| Commercial paper[3] | 69,761 | A-2 | P-1 |
| Money market funds | 36,966 | AAAm | Aaa-mf |
| U.S. Treasuries[1] | 8,997,988 | Not Rated | Not Rated |
| Federal agencies discount notes[4] | 307,816 | Not Rated | Not Rated |
| Domestic corporate bonds and notes | 244,167 | AAA | Aaa |
| Domestic corporate bonds and notes | 228,122 | AA | Aaa |
| Domestic corporate bonds and notes | 319,045 | AA | Aa |
| Domestic corporate bonds and notes | 399,495 | AA | A |
| Domestic corporate bonds and notes | 14,423 | A | Aa |
| Domestic corporate bonds and notes | 1,193,804 | A | A |
| International corporate bonds and notes | 403,035 | AA | Aa |
| International corporate bonds and notes | 415,133 | A | Aa |
| International corporate bonds and notes | 803,537 | A | A |
| International government bonds and notes | 71,809 | AA | Aa |
| **Total investments** | $ 15,071,927 | | |

1. U.S. guaranteed obligations, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.
2. All certificates of deposit, including the $389,590 "Not Rated" certificates of deposit, had short-term issuer ratings of A-1 for S&P and P-1 for Moody's.
3. Per Guidelines, the securities presented with an A-2 rating have two additional credit ratings in the highest category of ratings with other NRSROs.
4. Federal Agency securities are classified as "Not Rated" because they do not have explicit credit ratings on individual securities.

### Concentration of Credit Risk

Pursuant to the Guidelines, securities of a single issuer (as determined by the guarantor and including 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 single issuer 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.

# Notes to the Combined Financial Statements

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

At June 30, 2024 and 2023, the Fund's investments with regards to the maximum single issuer constraints were in compliance with Guidelines and 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.

**Foreign Currency Risk**

There was no exposure to foreign currency risk during the fiscal years ended June 30, 2024 and 2023.

**Fair Value Hierarchy**

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

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

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

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

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

Debt securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's external pricing vendors, which utilize primary exchanges. The Fund held no securities with Level 1 fair values at June 30, 2024 and 2023.

Debt securities classified as Level 2 are valued using 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 valued using prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, or broker bids. 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, 2024 and 2023.

# Notes to the Combined Financial Statements

## 3. Deposits and Investments (continued)

The Fund has the following fair value measurements as of June 30, 2024 and June 30, 2023.

| | | As of June 30, 2024 | | |
|---|---|---|---|---|
| | | Fair Value Measurements Using | | |
| **Investments by Fair Value Level** | **Total** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| | | *(In Thousands)* | | |
| **Debt securities** | | | | |
| Commercial paper | $ 4,290,398 | $ — | $ 4,290,398 | $ — |
| U.S. treasuries | 9,423,991 | — | 9,423,991 | — |
| Domestic corporate bonds and notes | 1,236,949 | — | 1,236,949 | — |
| International corporate bonds and notes | 893,226 | — | 893,226 | — |
| International government bonds and notes | 24,639 | — | 24,639 | — |
| Total debt securities measured at fair value | 15,869,203 | — | 15,869,203 | — |
| **Investments carried at amortized cost** | | | | |
| Money market funds | 40,843 | | | |
| **Total investments** | $ 15,910,046 | | | |

| | | As of June 30, 2023 | | |
|---|---|---|---|---|
| | | Fair Value Measurements Using | | |
| **Investments by Fair Value Level** | **Total** | **(Level 1)** | **(Level 2)** | **(Level 3)** |
| | | *(In Thousands)* | | |
| **Debt securities** | | | | |
| Certificates of deposit | $ 389,590 | $ — | $ 389,590 | $ — |
| Commercial paper | 1,246,997 | — | 1,246,997 | — |
| U.S. treasuries | 8,997,988 | — | 8,997,988 | — |
| Federal agency discount notes | 307,816 | — | 307,816 | — |
| Domestic corporate bonds and notes | 2,399,056 | — | 2,399,056 | — |
| International corporate bonds and notes | 1,621,705 | — | 1,621,705 | — |
| International government bonds and notes | 71,809 | — | 71,809 | — |
| Total debt securities measured at fair value | 15,034,961 | — | 15,034,961 | — |
| **Investments carried at amortized cost** | | | | |
| Money market funds | 36,966 | | | |
| **Total investments** | $ 15,071,927 | | | |

# Notes to the Combined Financial Statements

## 4. Capital Assets

A summary of the Fund's capital assets and the related accumulated depreciation for the years ended June 30, 2024 and 2023 is as follows:

| | Equipment | Accumulated Depreciation | Net |
|---|---|---|---|
| | | *(In Thousands)* | |
| **Balance as of June 30, 2022** | $ 108 | $ (71) | $ 37 |
| Additions and depreciation expense | 15 | (17) | (2) |
| Sales or disposals | (2) | 2 | — |
| **Balance as of June 30, 2023** | 121 | (86) | 35 |
| Additions and depreciation expense | 6 | (16) | (10) |
| Sales or disposals | (9) | 9 | — |
| **Balance as of June 30, 2024** | $ 118 | $ (93) | $ 25 |

## 5. Unpaid Hurricane Losses

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, 2023, the estimated ultimate loss to the Fund for this hurricane was $7.6 billion. Participating insurers in Contract Year 2017 that were receiving reimbursements from the Fund were required to submit their final proof of loss report to begin a commutation process to negotiate and agree to a final payout to insurers with outstanding reimbursements. During fiscal year-end 2024, the Fund entered into final commutation agreements for Contract Year 2017 losses after making payments totaling $7.5 billion that released all remaining loss reimbursement obligations of the Fund, as required by the annual reimbursement contract, with participating insurers.

On October 10, 2018, Hurricane Michael made landfall near Mexico Beach, Florida as a Category 5 hurricane. As of June 30, 2024 and 2023, the estimated ultimate loss to the Fund for this hurricane was $1.2 billion and $1.45 billion, respectively. Participating insurers in Contract Year 2018 that were receiving reimbursements from the Fund were required to submit their final proof of loss report by June 1, 2024. Contract Year 2018 commutations are expected to be completed during fiscal year 2025.

On September 28, 2022, Hurricane Ian made landfall in southwest Florida as Category 4 hurricane. As of June 30, 2024 and 2023, the estimated ultimate loss to the Fund for this hurricane was $9.5 billion and $10.0 billion, respectively.

On August 30, 2023, Hurricane Idalia made landfall near Keaton Beach, Florida, as a Category 3 hurricane. As of June 30, 2024, the estimated ultimate loss to the Fund for this hurricane was $10.0 million.

# Notes to the Combined Financial Statements

## 5. Unpaid Hurricane Losses (continued)

The following table provides a reconciliation of the beginning and ending balances for unpaid hurricane losses for fiscal years 2024 and 2023:

| | Fiscal Years Ended June 30 | |
|---|---|---|
| | 2024 | 2023 |
| | *(In Thousands)* | |
| Reserve for unpaid hurricane losses at beginning of year | $ 8,969,600 | $ 1,512,861 |
| Reserve change for hurricane losses occurring in: | | |
| Current year | 10,000 | 10,000,000 |
| Current year receivable | * (146) | — |
| Prior years | (850,718) | (204,383) |
| Net incurred losses during the current year | (840,864) | 9,795,617 |
| Reduction for payments on hurricane losses occurring in: | | |
| Current year | — | 1,893,563 |
| Prior years | 2,928,376 | 445,315 |
| Net claim payments during the current year | 2,928,376 | 2,338,878 |
| Reserve for unpaid hurricane losses at end of year | $ 5,200,360 | $ 8,969,600 |

*Current year receivables include amounts due back to the Fund for losses from Hurricane Idalia that are not covered.

The Fund's net reserve change for hurricane losses was a decrease of $841 million which includes a small increase due to setting the reserve for Hurricane Idalia and a larger decrease for reductions in the reserves for Hurricanes Irma, Michael, and Ian at June 30, 2024. The Fund's net reserve change for hurricane losses was an increase of $9.8 billion as a result of the final proof of loss reporting for Hurricane Irma and the initial recording of a $10 billion reserve for Hurricane Ian as of June 30, 2023. Reserves are periodically adjusted based on insurers' loss reporting and actuarial analyses.

## 6. Changes in Long-term Liabilities

The following tables provide the long-term liability activity for the years ended June 30, 2024 and 2023 as follows (in thousands):

| Long-term liabilities as of June 30, 2024 | Beginning balance[1] | Additions | Reductions | Ending balance[1] | Amount Due within 1 year |
|---|---|---|---|---|---|
| Bonds payable | $ 3,500,000 | $ 1,000,000 | $ — | $ 4,500,000 | $ — |
| Net pension liability | 1,612 | 1,021 | (696) | 1,937 | — |
| Compensated absences | 350 | 243 | (160) | 433 | 111 |
| Other postemployment benefits payable | 384 | 36 | (9) | 411 | 11 |

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

## 6. Changes in Long-term Liabilities (continued)

| Long-term liabilities as of June 30, 2023 | Beginning balance[1] | Additions | Reductions | Ending balance[1] | Amount Due within 1 year |
|---|---|---|---|---|---|
| Bonds payable | $ 3,500,000 | $ — | $ — | $ 3,500,000 | $ — |
| Net pension liability | 720 | 1,196 | (304) | 1,612 | — |
| Compensated absences | 280 | 183 | (113) | 350 | 91 |
| Other postemployment benefits payable | 414 | 138 | (168) | 384 | 10 |

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

## 7. Bonds Payable and Debt Service Requirements

As of June 30, 2024 and 2023, there were no post-event bonds outstanding.

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, 2024 and 2023, was $59.7 million and $59.7 million, respectively.

On May 1, 2024, the Corporation issued $1.0 billion of pre-event Series 2024A 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 2024A Revenue Bonds have a single 10-year maturity of $1.0 billion on July 1, 2034, bearing interest at a rate of 5.526%. Interest payments are due each January 1 and July 1 beginning January 1, 2025.

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, 2024, assets having a value of $1.0 billion were pledged as collateral for the Series 2024A Bonds. As of June 30, 2024 and 2023, assets having a value of $3.5 billion and $3.48 billion, respectively, were pledged as collateral for the Series 2020A Bonds. The market value of the pledged assets for the Series 2020A Bonds was less than the par value at June 30, 2023, due to market volatility; however, this does not create an event of default under the bond documents.

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).

## 7. Bonds Payable and Debt Service Requirements (continued)

The following table breaks out annual debt service requirements for the Corporation's revenue bonds by fiscal year as of June 30, 2024 and 2023:

**Corporation Annual Debt Service Requirements**[1]

| | As of June 30, 2024 | | As of June 30, 2023 | |
|---|---|---|---|---|
| **Fiscal year ended June 30** | **Principal** | **Interest** | **Principal** | **Interest** |
| | *(In Thousands)* | | *(In Thousands)* | |
| 2023 | $ — | $ 59,700 | $ — | $ 59,700 |
| 2024 | — | 59,700 | — | 59,700 |
| 2025 | 1,250,000 | 124,170 | 1,250,000 | 59,700 |
| 2026 | — | 99,235 | — | 43,975 |
| 2027 | 1,000,000 | 99,235 | 1,000,000 | 43,975 |
| 2028 | — | 82,185 | — | 26,925 |
| 2029 | — | 82,185 | — | 26,925 |
| 2030 | 1,250,000 | 82,185 | 1,250,000 | 26,925 |
| 2031 | — | 55,260 | — | — |
| 2032 | — | 55,260 | — | — |
| 2033 | — | 55,260 | — | — |
| 2034 | 1,000,000 | 55,260 | — | — |
| Total | $ 4,500,000 | $ 909,635 | $ 3,500,000 | $ 347,825 |

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

## 8. Compensated Absences

The following table presents compensated absences as of June 30, 2024 and 2023 (in thousands):

| | |
|---|---|
| **Balance as of June 30, 2022** | $ 280 |
| Increases | 183 |
| Decreases | (113) |
| **Balance as of June 30, 2023** | 350 * |
| Increases | 243 |
| Decreases | (160) |
| **Balance as of June 30, 2024** | $ 433 * |

* Includes long-term and current balances, of which $111 thousand and $91 thousand is estimated due within one year of June 30, 2024 and 2023, 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:

# Notes to the Combined Financial Statements

## 9. Premium Revenue (continued)

| Contract Year | Fiscal Years Ended June 30 2024 | 2023 |
|---|---|---|
| | *(In Thousands)* | |
| 2024 | $ 124,993 * | $ — |
| 2023 | 1,394,558 | 114,249 * |
| 2022 | (203) | 1,292,777 |
| 2021 | 747 | (699) |
| 2020 | — | 330 |
| 2019 | — | 26 |
| 2018 | — | 10 |
| 2017 | — | 1 |
| | $ 1,520,095 | $ 1,406,694 |

* As of June 30, 2024 and 2023, which were in contract years 2024 and 2023, respectively, each contract year running June 1 through May 31, an accrual was established for one month's pro-rata portion of the reimbursement premium for each respective contract year.

## 10. Related Parties

The Fund paid the SBA $3.7 million and $1.2 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2024, and $4.1 million and $1.1 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2023 for investment management and advisory services.

## 11. Settlement Proceeds

On February 7, 2024, the Fund received approximately $39 thousand as a share of the State's class action suit involving securities litigation.

## 12. Pension and Other Postemployment Benefits

### 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).

**12. Pension and Other Postemployment Benefits (continued)**

The 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, 2023 and June 30, 2022, 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 Outreach and Audit, 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.fl.gov; 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.

**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 the following 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.

**12. Pension and Other Postemployment Benefits (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.

### 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, F.S. 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 who fill compulsory and designated positions. Members of the Elected Officers Class (EOC) may elect to 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.

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

- 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.

Retirement Eligibility for 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.

Retirement Eligibility for 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.

**12. Pension and Other Postemployment Benefits (continued)**

### 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. Members must terminate employment and apply for retirement 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. The DROP allows FRS Pension Plan members who reach eligibility for normal retirement to retire while continuing employment with an FRS employer while deferring receipt of monthly benefit payments. As of June 5, 2023, when Senate Bill 7024 was signed into law, all eligible members may elect to participate in the DROP for a maximum of 96 calendar months (up from 60 calendar months) and authorized instructional personnel may participate in the DROP for up to 24 additional months beyond their initial 96-month participation period. Also, in Senate Bill 7024, the annual interest credited to DROP participant balances increased from 1.3% to 4.0% annually. During DROP participation, monthly retirement benefits remain in the FRS Trust Fund and accrue interest until the member terminates FRS employment to finalize retirement. As of June 30, 2023 and 2022, the FRS Trust Fund held in trust $2,745,616,982 and $2,668,218,157 in accumulated benefits for 30,093 and 31,023 DROP participants, respectively.

### Administration

The Division administers the FRS Pension Plan. The SBA 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.

## 12. Pension and Other Postemployment Benefits (continued)

### 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; however, all UAL bases are being amortized within 20 years. Pursuant to Section 121.031(3)(f), F.S., any surplus actuarial 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, 2023 and 2022 was $186,357,365,968 and $180,226,404,807, respectively. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The following table presents FRS retirement employer contribution rates for fiscal years ended June 30, 2024 and 2023. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates for June 30, 2024 and June 30, 2023, do not include a 2.00% or 1.66% contribution rate, respectively, 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 for 2023 and 2024. In addition, the July 1, 2023 and the July 1, 2022 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 FY 2023-2024 | July 1, 2023 Statutory rates (Ch. 121, F.S.) | Uniform employer rates recommended by actuarial valuation for FY 2022-2023 | July 1, 2022 Statutory rates (Ch. 121, F.S.) |
|---|---|---|---|---|
| Regular | 11.51 % | 11.51 % | 10.19 % | 10.19 % |
| Senior Management Service | 32.46 % | 32.46 % | 29.85 % | 29.85 % |
| Special Risk | 30.61 % | 30.61 % | 26.11 % | 26.11 % |
| Special Risk Administrative Support | 37.76 % | 37.76 % | 36.93 % | 36.93 % |
| Elected Officers - Judges | 42.83 % | 42.83 % | 42.05 % | 42.05 % |
| Elected Officers - Legislators/Attorneys/Cabinet | 60.66 % | 60.66 % | 66.07 % | 66.07 % |
| Elected Officers - County | 56.62 % | 56.62 % | 55.28 % | 55.28 % |
| DROP - applicable to members from all of the above classes or plans | 19.13 % | 19.13 % | 16.94 % | 16.94 % |

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.

**12. Pension and Other Postemployment Benefits (continued)**

### 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 premium costs and is administered by the Division. For the fiscal year ended June 30, 2024, with the signing into law of Senate Bill 7024, the level of monthly HIS benefits eligible retirees and beneficiaries receive increased, from $5.00 to $7.50, multiplied by the number of years of creditable service completed at the time of retirement. The payments now are at least $45, but not more than $225 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 fiscal years ended June 30, 2024 and 2023, the contribution rates were 2.00% and 1.66%, respectively, of gross compensation each pay period, 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.

### Pension Amounts for Defined Benefit Pension Plans

*Net Pension Liability*

As of June 30, 2024 and 2023, the Fund reported total liabilities of $1,936,889 and $1,612,362, 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,  2023 and 2022:

| | Measurement Date as of June 30, 2023 | | |
|---|---|---|---|
| | FRS Pension Plan | HIS | Total |
| Plan total pension liability (A) | $ 226,204,201,000 | $ 16,563,148,691 | |
| Plan fiduciary net position (B) | 186,357,365,968 | 681,814,936 | |
| Plan net pension liability (A-B) | 39,846,835,032 | 15,881,333,755 | |
| Fund's proportion | 0.003510902 % | 0.003387025 % | |
| Fund's proportionate share★ | $ 1,398,984 | $ 537,905 | $ 1,936,889 |

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

**12. Pension and Other Postemployment Benefits (continued)**

| | Measurement Date as of June 30, 2022 | | |
|---|---|---|---|
| | FRS Pension Plan | HIS | Total |
| Plan total pension liability (A) | $ 217,434,441,000 | $ 11,126,965,688 | |
| Plan fiduciary net position (B) | 180,226,404,807 | 535,368,479 | |
| Plan net pension liability (A-B) | 37,208,036,193 | 10,591,597,209 | |
| Fund's proportion | 0.003394894 % | 0.003296840 % | |
| Fund's proportionate share* | $ 1,263,174 | $ 349,188 | $ 1,612,362 |

*The amount of the Fund's proportionate share due within one year is $0 for the FRS Pension and $351 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, 2022 to June 30, 2023 | |
|---|---|---|
| | FRS Pension Plan | HIS |
| Fund's proportion at prior measurement date, June 30, 2022 | 0.003394894 % | 0.003296840 % |
| Fund's proportion at measurement date, June 30, 2023 | 0.003510902 % | 0.003387025 % |
| Increase / (decrease) in proportion | 0.000116008 % | 0.000090185 % |

| | Change in Proportionate Share from Measurement Date of June 30, 2021 to June 30, 2022 | |
|---|---|---|
| | FRS Pension Plan | HIS |
| Fund's proportion at prior measurement date, June 30, 2021 | 0.003770471 % | 0.003545237 % |
| Fund's proportion at measurement date, June 30, 2022 | 0.003394894 % | 0.003296840 % |
| Increase / (decrease) in proportion | (0.000375577)% | (0.000248397)% |

Based on the projected proportion as of June 30, 2024, measurement date, the Fund's total increase in pension liability would be approximately $85 thousand or 4% higher than what was reported as of the measurement date of June 30, 2023. 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.

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

### *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. 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 the FRS Pension Plan was determined by an actuarial valuation as of the measurement dates of July 1, 2023 and July 1, 2022, using the individual entry age normal actuarial cost method. Full valuations of the HIS Program are conducted biennially. The most recently completed full actuarial valuation report for HIS used an actuarial valuation date of July 1, 2022, then rolled forward to June 30, 2023, using a standard actuarial valuation roll-forward technique. Inflation increases for both plans is assumed at 2.40% for the measurement dates of July 1, 2023 and July 1, 2022. 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 6.70%, for measurement dates June 30, 2022, and June 30, 2023. 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 6.70% 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 6.70% reported investment return assumption is the same as the investment return assumption chosen by the 2023 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 3.65% and 3.54% for the measurement dates of June 30, 2023 and 2022, respectively, was used to determine the total pension liability for the program. The source of the municipal bond 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.

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

There were several changes of benefits terms for both the FRS Pension Plan and HIS that affected the total pension liability since the prior measurement date. Demographic assumptions for all membership classes were updated to reflect plan changes due to the enactment of Senate Bill 7024, which was passed during the 2023 legislative Session and signed into law by the governor on June 5, 2023. This resulted in changes to Section 121.091, F.S., effective July 1, 2023, allowing all eligible members to elect to participate in the DROP for a maximum of 96 calendar months. Authorized instructional personnel may participate in the DROP for up to 24 additional calendar months beyond their initial 96-month participation period, but their authorized extended DROP participation must conclude at the end of the school year. Also effective July 1, 2023, Section 112.363, F.S., was amended so that eligible retirees and beneficiaries will receive a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $7.50, up from the previous amount of $5.00. The payments will be at least $45 but not more than $225 per month. Employer contribution rates were increased to 2.00% of payroll in the fiscal year ended June 30, 2024, per the amendment, to fund the benefit changes to HIS. There were no other 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 2023:

- FRS Pension Plan: The long-term expected rate of return remained at 6.70%.
- HIS: The municipal rate used to determine total pension liability increased from 3.54% to 3.65%.

The following changes in actuarial assumptions occurred in 2022:

- FRS Pension Plan: The long-term expected rate of return decreased from 6.80% to 6.70%.
- HIS: The municipal rate used to determine total pension liability increased from 2.16% to 3.54%.

The long-term expected rate of return of 6.70% for measurement dates June 30, 2023 and June 30, 2022, 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 table:

**12. Pension and Other Postemployment Benefits (continued)**

| | Measurement Date As of June 30, 2023 | | Measurement Date As of June 30, 2022 | |
|---|---|---|---|---|
| | Target Allocation | Long-term expected real rate of return | Target Allocation | Long-term expected real rate of return |
| Cash | 1.0 % | 2.9 % | 1.0 % | 2.6 % |
| Fixed income | 19.8 % | 4.5 % | 19.8 % | 4.4 % |
| Global equity | 54.0 % | 8.7 % | 54.0 % | 8.8 % |
| Real estate (property) | 10.3 % | 7.6 % | 10.3 % | 7.4 % |
| Private equity | 11.1 % | 11.9 % | 11.1 % | 12.0 % |
| Strategic | 3.8 % | 6.3 % | 3.8 % | 6.2 % |
| Total | 100.0 % | | 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, 2023 and 2022.

**Measurement Date as of June 30, 2023**

| FRS Pension Plan | | | HIS | | |
|---|---|---|---|---|---|
| 1% Decrease 5.70% | Current discount rate 6.70% | 1% Increase 7.70% | 1% Decrease 2.65% | Current discount rate 3.65% | 1% Increase 4.65% |
| $2,389,749 | $1,398,984 | $570,090 | $613,665 | $537,905 | $475,104 |

**Measurement Date as of June 30, 2022**

| FRS Pension Plan | | | HIS | | |
|---|---|---|---|---|---|
| 1% Decrease 5.70% | Current discount rate 6.70% | 1% Increase 7.70% | 1% Decrease 2.54% | Current discount rate 3.54% | 1% Increase 4.54% |
| $2,184,572 | $1,263,174 | $492,775 | $399,500 | $349,188 | $307,556 |

***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:

**12. Pension and Other Postemployment Benefits (continued)**

- 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, 2023 and 2022 were 5.3 years and 5.5 years, respectively, for the FRS Pension Plan and 6.3 years and 6.4 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, 2024 (measurement date of June 30, 2023) and June 30, 2023 (measurement date of June 30, 2022) are presented in the following tables for each plan.

**FRS Pension Plan**

| | Recognized in expense reporting period ending 6/30/2024 | Recognition period | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|---|
| Service cost | $ 97,256 | Current | $ — | $ — |
| Interest cost | 503,167 | Current | — | — |
| Effect of plan changes | 46,797 | Current | — | — |
| Effect of economic/demographic gains or losses (difference between expected and actual experience) | 41,091 | 5.3 to 6.4 years | 131,352 | — |
| Effect of assumptions changes or inputs | 69,683 | 5.3 to 6.4 years | 91,197 | — |
| Member contributions | (27,696) | Current | — | — |
| Projected investment earnings | (415,573) | Current | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 10,633 | 5.3 to 6.4 years | 66,469 | (72,964) |
| Net difference between projected and actual investment earnings | (25,924) | 5 years | 58,425 | — |
| Contributions subsequent to the measurement date | | 1 year | 207,700 | |
| Administrative expenses | 950 | Current | — | — |
| Total | $ 300,384 | | $ 555,143 | $ (72,964) |

## 12. Pension and Other Postemployment Benefits (continued)

**Health Insurance Subsidy**

| | Recognized in expense reporting period ending 6/30/2024 | Recognition period | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|---|
| Service cost | $ 7,055 | Current | $ — | $ — |
| Interest cost | 13,273 | Current | — | — |
| Effect of plan changes | 189,548 | Current | — | — |
| Effect of economic/demographic gains or losses (difference between expected and actual experience) | 2,698 | 6.3 to 7.2 years | 7,875 | (1,263) |
| Effect of assumptions changes or inputs | (10,110) | 6.3 to 7.2 years | 14,141 | (46,611) |
| Member contributions | (8) | Current | — | — |
| Projected investment earnings | (715) | Current | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 381 | 6.3 to 7.2 years | 19,377 | (19,729) |
| Net difference between projected and actual investment earnings | 172 | 5 years | 278 | — |
| Contributions subsequent to the measurement date | — | 1 year | 29,880 | |
| Administrative expenses | 8 | Current | — | — |
| Total | $ 202,302 | | $ 71,551 | $ (67,603) |
| Total for all defined benefit pension plans | $ 502,686 | | $ 626,694 | $ (140,567) |

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, 2025. As of June 30, 2024 reporting period, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

## 12. Pension and Other Postemployment Benefits (continued)

| Reporting period ending June 30 | FRS Pension Plan Expense | HIS Expense |
|---|---|---|
| 2025 | $ 39,927 | $ (3,283) |
| 2026 | (17,982) | (1,858) |
| 2027 | 225,749 | (4,958) |
| 2028 | 18,673 | (11,129) |
| 2029 | 8,112 | (4,829) |
| Thereafter | — | 125 |
| Total | $ 274,479 | $ (25,932) |

**FRS Pension Plan**

| | Recognized in expense reporting period ending 6/30/2023 | Recognition period | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|---|
| Service cost | $ 89,479 | Current | $ — | $ — |
| Interest cost | 475,697 | Current | — | — |
| Effect of plan changes | 3,371 | Current | — | — |
| Effect of economic/demographic gains or losses (difference between expected and actual experience) | 26,167 | 5.5 to 6.4 years | 59,993 | — |
| Effect of assumptions changes or inputs | 102,662 | 5.5 to 6.4 years | 155,565 | — |
| Member contributions | (26,114) | Current | — | — |
| Projected investment earnings | (457,867) | Current | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 12,283 | 5.5 to 6.4 years | 66,774 | (95,584) |
| Net difference between projected and actual investment earnings | (36,776) | 5 years | 83,408 | — |
| Contributions subsequent to the measurement date | — | 1 year | 168,897 | — |
| Administrative expenses | 764 | Current | — | — |
| Total | $ 189,666 | | $ 534,637 | $ (95,584) |

## 12. Pension and Other Postemployment Benefits (continued)

| Health Insurance Subsidy | Recognized in expense reporting period ending 6/30/2023 | Recognition period | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|---|---|
| Service cost | $ 9,588 | Current | $ — | $ — |
| Interest cost | 9,078 | Current | — | — |
| Effect of plan changes | 172 | Current | — | — |
| Effect of economic/demographic gains or losses (difference between expected and actual experience) | 2,514 | 6.4 to 7.2 years | 10,599 | (1,536) |
| Effect of assumptions changes or inputs | (3,148) | 6.4 to 7.2 years | 20,016 | (54,019) |
| Member contributions | (2) | Current | — | — |
| Projected investment earnings | (351) | Current | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 498 | 6.4 to 7.2 years | 15,345 | (25,538) |
| Net difference between projected and actual investment earnings | 207 | 5 years | 506 | — |
| Contributions subsequent to the measurement date | — | 1 year | 22,280 | — |
| Administrative expenses | 6 | Current | — | — |
| Total | $ 18,562 | | $ 68,746 | $ (81,093) |
| Total for all defined benefit pension plans | $ 208,228 | | $ 603,383 | $ (176,677) |

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, 2024. As of June 30, 2023 reporting period, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

| Reporting period ending June 30 | FRS Pension Plan Expense | HIS Expense |
|---|---|---|
| 2024 | $ 76,713 | $ (7,095) |
| 2025 | 22,698 | (3,593) |
| 2026 | (33,442) | (2,214) |
| 2027 | 202,196 | (5,264) |
| 2028 | 1,991 | (11,316) |
| Thereafter | — | (5,145) |
| Total | $ 270,156 | $ (34,627) |

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

### *Payables to the Defined Benefit Pension Plans*

The Fund reported payables of $16,554 to the FRS Pension Plan and $2,318 to the HIS Program as of June 30, 2024 for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled $66. The payables are included in accrued expenses as a current liability in the Combined Statements of Net Position.

The Fund reported payables of $19,431 to the FRS Pension Plan and $2,563 to the HIS Program as of June 30, 2023 for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled $84. The payables are included in accrued expenses as a current liability in the Combined Statements of Net Position.

### 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.

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

***Pension Amounts for the FRS Investment Plan***

During the fiscal years ended June 30, 2024 and 2023, the Fund recognized $11,821 and $8,791 in net pension expense related to the FRS Investment Plan, respectively, and employee contributions totaled $4,273 and $4,186, and administrative fees totaled $85 and $84, respectively. As of June 30, 2024 and 2023, the Fund reported current liabilities of $555 and $960, respectively, for June employer contributions to be paid to employee accounts in the following month. Administrative fees owed were $4 and $9, 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.

**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***

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

**12. Pension and Other Postemployment Benefits (continued)**

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 are 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, 2022, there were 183,991 employees covered by the OPEB Plan, as shown in the following table:

| | |
|---|---|
| Active Plan Members | 127,265 |
| No Coverage Active Members | 22,773 |
| Retired and Inactive Members | 33,953 |
| Total eligible members | 183,991 |

There are currently zero inactive plan members entitled to but not yet receiving benefits because the OPEB plan did not provide a vested termination benefit prior to July 1, 2022. However, in subsequent years, there may be plan members included in this category due to the passage of House Bill 5009 .

**12. Pension and Other Postemployment Benefits (continued)**

House Bill 5009 was passed in 2022 and establishes the right of any current state employee who terminates employment after July 1, 2022 with at least six years of credited service to participate in the State Group Insurance plan indefinitely after termination. This change went into effect after the June 30, 2022 measurement date. Participants must elect to participate within two years of termination. There is limited data regarding how many may elect this option after the termination. This change in benefits will be accounted for in future valuations of the Plan as experience is accumulated.

Senate Bill 7042 was passed in 2023 legislative session and lowers retirement eligibility age and service requirements for Special Risk Class participants hired on and after July 1, 2011 to age 55 with 6 years of service or 25 years of service regardless of age (previously, age 60 with 8 years of service or 30 years of service regardless of age). Further, the bill extends the maximum participation period of Deferred Retirement Option Program (DROP) from 5 years to 8 years for all eligible for DROP. This bill was effective July 1, 2023 and will be reflected in the July 1, 2023 valuation of the Plan.

***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.

***Total OPEB Liability***

Actuarial valuations for the OPEB Plan are conducted biennially. The July 1, 2022, OPEB valuation is the most recent actuarial valuation. Standard roll forward procedures were used to develop the total OPEB liability for the reporting period ended June 30, 2024.

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.

# Notes to the Combined Financial Statements

**12. Pension and Other Postemployment Benefits (continued)**

The Fund is allocated a share of the State's OPEB liability, deferred outflows, deferred inflows and expenses based on the number of full-time equivalent positions funded. As of June 30, 2024, the State reported a total OPEB liability of $8,369,246,629 of which the Fund reported $410,724 for its proportionate share of the total OPEB liability measured as of June 30, 2023. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

| | Fund Proportion |
|---|---|
| Proportion at prior measurement date, June 30, 2022 | 0.004896483 % |
| Proportion at measurement date, June 30, 2023 | 0.004907537 % |
| Increase / (decrease) in proportion | 0.000011054 % |

As of June 30, 2023, the State reported a total OPEB liability of $7,843,255,855 of which the Fund reported $384,044 for its proportionate share of the total OPEB liability measured as of June 30, 2022. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

| | Fund Proportion |
|---|---|
| Proportion at prior measurement date, June 30, 2021 | 0.003933871 % |
| Proportion at measurement date, June 30, 2022 | 0.004896483 % |
| Increase / (decrease) in proportion | 0.000962612 % |

**12. Pension and Other Postemployment Benefits (continued)**

***Actuarial Assumptions and Other Inputs - Reporting Period Ended June 30, 2024***

The July 1, 2022, OPEB valuation is the most recent actuarial valuation. This valuation is applicable to the reporting period ended June 30, 2024. 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 | 7/1/2022. |
| Measurement date | 6/30/2023. |
| 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 | 2.4%. |
| Salary increases | Varies by FRS Class. |
| Discount rate | 4.13%. |
| Healthcare cost trend rates | For fiscal year 2023-2024, both Pre-Medicare and Post-Medicare rates are 8.10% and 6.44% for PPO and HMO plans, respectively. Rates for each plan are projected to increase slightly to 8.28% and 6.50% in fiscal year 2025-2026. Then the rates for both PPO and HMO plans 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;<br>3% per year between ages 65 and 75;<br>2% per year between ages 75 and 85;<br>0% per year thereafter. |
| Mortality | Pub-2010 Mortality tables with fully generational mortality 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. |

**12. Pension and Other Postemployment Benefits (continued)**

The discount rate of 4.13% was based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index as of the measurement date of June 30, 2023.

All the demographic actuarial assumptions used in the July 1, 2023 OPEB valuation remain consistent with the assumptions used in the July 1, 2022 FRS Actuarial Valuation with adjustments for demographic differences. The demographic assumptions were based on the 2019 Experience Study prepared by Milliman. Individual member salary increase assumptions are based on a 2.6% inflation assumption. Mortality rates are based on Pub-2010 mortality tables that incorporate fully generational mortality improvement using Scale MP-2018.

The healthcare trend rates are a key assumption used in determining the costs of the plan. The trend rates for the first four years used in the July 1, 2022 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2022 through June 30, 2027 as presented on August 10, 2022 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 – As required under GASB 75, 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. The discount rate increased from 4.09% to 4.13%.
- Disability Rates - For those in the Special Risk Class, disability rates were updated to the rates used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2022.
- DROP Election Percentage and DROP Participation Period - For Law Enforcement Officers, the percentage of members assumed to elect to participate in DROP was updated to align with the rates used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2022. Further, Law Enforcement Officers' maximum DROP participation period was extended from 60 months (5 years) to 96 months (8 years).
- Inflation rate- The inflation rate was lowered from 2.6% to 2.4% to match the rate used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2022.

**12. Pension and Other Postemployment Benefits (continued)**

***Actuarial Assumptions and Other Inputs - Reporting Period Ended June 30, 2023***

Actuarial valuations for the OPEB Plan are conducted biennially. The July 1, 2022, OPEB valuation is the most recent actuarial valuation. This valuation is applicable to the reporting period ended June 30, 2023.

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 | 7/1/2022. |
| Measurement date | 6/30/2022. |
| 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 | 2.6%. |
| Salary increases | Varies by FRS Class. |
| Discount rate | 4.09%. |
| Healthcare cost trend rates | For fiscal year 2022-2023, both Pre-Medicare and Post-Medicare rates are 10.31% and 7.53% for PPO and HMO plans, respectively. Rates for each plan are projected to decrease sharply to 8.10% and 6.44% in fiscal year 2023-2024, before increasing slightly the next two fiscal years, reaching 8.28% and 6.50%, respectively, for fiscal year 2025-2026. The rates for both plans then decrease gradually to 4.04% in fiscal |
| Retirees' share of benefit-related costs | 100% of projected health insurance premiums for retirees. |
| Medical aging factors | 4% per year prior to age 65;<br>3% per year between ages 65 and 75;<br>2% per year between ages 75 and 85;<br>0% per year thereafter. |
| Mortality | Pub-2010 Mortality tables with fully generational mortality 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. |

# Notes to the Combined Financial Statements

## 12. Pension and Other Postemployment Benefits (continued)

The discount rate of 4.09% was based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index as of the measurement date of June 30, 2022.

All the demographic actuarial assumptions used in the July 1, 2022 OPEB valuation remain consistent with the assumptions used in the July 1, 2021 FRS Actuarial Valuation with adjustments for demographic differences. The demographic assumptions were based on the 2019 Experience Study prepared by Milliman. Updated assumptions for the July 1, 2021 FRS Actuarial Valuation were approved by the 2021 FRS Actuarial Assumption Conference in October 2021. Individual member salary increase assumptions are based on a 2.6% inflation assumption. Mortality rates are based on Pub-2010 mortality tables that incorporate fully generational mortality improvement using Scale MP-2018.

The healthcare trend rates are a key assumption used in determining the costs of the plan. The trend rates for the first four years used in the July 1, 2022 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2022 through June 30, 2027 as presented on August 10, 2022 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 – As required under GASB 75, 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. The discount rate increased from 2.18% to 4.09%.

- Census Data – The census data reflects changes in status for the twenty-four (24) month period since July 1, 2020.

- Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information that were provided by DSGI as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in lower claims costs and lower premium rates than expected. The net result as of June 30, 2022, was a slight increase in the liability.

- Trend Rate – Medical trend rates were updated to be consistent with the August 2022 Report on Financial Outlook of the Plan, along with information from the Getzen Model and the use of actuarial judgement. The impact of the trend rate changes is a small increase in the liability, due primarily to higher trend rates in the first several years.

**12. Pension and Other Postemployment Benefits (continued)**

***Sensitivity of the Fund's Proportionate Share 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:

| Measurement Date as of June 30, 2023 | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|---|---|---|
| Fund's proportionate share of the total OPEB liability | $469,283 | $410,724 | $355,717 |

| Measurement Date as of June 30, 2022 | 1% Decrease (3.09%) | Current Discount Rate (4.09%) | 1% Increase (5.09%) |
|---|---|---|---|
| Fund's proportionate share of the total OPEB liability | $444,242 | $384,044 | $335,229 |

***Sensitivity of the Fund's Proportionate Share 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:

| | 1% Decrease | Healthcare Cost Trend Rates* | 1% Increase |
|---|---|---|---|
| **Measurement Date as of June 30, 2023** | $346,706 | $410,724 | $481,573 |
| *Please refer to the Healthcare Cost Trend Rates information presented above in the Actuarial Assumptions and Other Inputs – Reporting Period Ended June 30, 2024. | | | |

| | 1% Decrease | Healthcare Cost Trend Rates* | 1% Increase |
|---|---|---|---|
| **Measurement Date as of June 30, 2022** | $330,048 | $384,044 | $451,351 |
| *Please refer to the Healthcare Cost Trend Rates information presented above in the Actuarial Assumptions and Other Inputs – Reporting Period Ended June 30, 2023. | | | |

**12. Pension and Other Postemployment Benefits (continued)**

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

For the fiscal year ended June 30, 2024, the Fund recognized OPEB expense of $2,889, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Reporting Date as of June 30, 2024**

| Description | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Change of assumptions or other inputs | $ 37,178 | $ (195,760) |
| Difference between expected and actual experience | — | (33,975) |
| Changes in proportion and differences between Fund benefit payments and proportionate share of benefit payments | 114,294 | (5,753) |
| Transactions subsequent to the measurement date | 10,956 | — |
| Total | $ 162,428 | $ (235,488) |

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, 2025. 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 |
|---|---|
| 2025 | $ (28,503) |
| 2026 | (21,727) |
| 2027 | (16,745) |
| 2028 | (7,093) |
| 2029 | (7,093) |
| Thereafter | (2,855) |
| Total | $ (84,016) |

For the fiscal year ended June 30, 2023, the Fund recognized OPEB expense of $9,157, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Reporting Date as of June 30, 2023**

| Description | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Change of assumptions or other inputs | $ 44,407 | $ (250,925) |
| Difference between expected and actual experience | — | (42,002) |
| Changes in proportion and differences between Fund benefit payments and proportionate share of benefit payments | 137,719 | (6,904) |
| Transactions subsequent to the measurement date | 9,898 | — |
| Total | $ 192,024 | $ (299,831) |

**12. Pension and Other Postemployment Benefits (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 was recognized as a reduction of the total OPEB liability in the reporting period ended June 30, 2024. 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 |
|---|---|
| 2024 | $ (29,103) |
| 2025 | (29,103) |
| 2026 | (22,350) |
| 2027 | (17,381) |
| 2028 | (7,761) |
| Thereafter | (12,007) |
| Total | $ (117,705) |

**13. Subsequent Events**

The Fund has reviewed and considered the events subsequent to the date of the combined financial statements through October 31, 2024, which is the date the combined financial statements were available to be issued, and are disclosing the following subsequent event. The state of Florida was hit by three landfalling hurricanes during August through October 2024. These hurricanes were: Category 1 Hurricane Debby, which made landfall near Steinhatchee, Florida on August 5, 2024, Category 4 Hurricane Helene, which made landfall near Perry, Florida, on September 26, 2024, and Category 3 Hurricane Milton, which made landfall near Siesta Key, Florida, on October 9, 2024. The participating insurers are required to submit a proof of loss report for each storm by December 31, 2024. The Fund's liability for losses will not be known until that time. Preliminary modeling results indicate that the Fund should have sufficient net assets to cover this liability.

**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, liabilities, and net position information of the Fund as of June 30, 2024:

# Notes to the Combined Financial Statements

## 14. Condensed Combining Information (continued)

| | Combined | Florida Hurricane Catastrophe Fund | State Board of Administration Finance Corp |
|---|---|---|---|
| **Assets** | | *(In Thousands)* | |
| Cash and cash equivalents | 1,074 | 1,007 | 67 |
| Current assets: | | | |
| Short-term investments | $ 15,166,259 | $ 10,540,936 | $ 4,625,323 |
| Investments sold, but not settled | 34,846 | 19,846 | 15,000 |
| Premium receivable (net of allowance) | 124,993 | 124,993 | — |
| Accrued interest | 28,786 | 26,693 | 2,093 |
| Excess loss reimbursement receivable | 160 | 160 | — |
| Prepaid expenses | 1 | 1 | — |
| Total current assets | 15,355,045 | 10,712,629 | 4,642,416 |
| Long-term assets: | | | |
| Long-term investments | 743,787 | 743,787 | — |
| Capital assets, net of accumulated depreciation | 25 | 25 | — |
| Total long-term assets | 743,812 | 743,812 | — |
| Total assets | 16,099,931 | 11,457,448 | 4,642,483 |
| Deferred outflows of resources: | | | |
| Deferred outflows related to pensions and OPEB (note 12) | 789 | 789 | — |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Unpaid hurricane losses | 5,200,360 | 5,200,360 | — |
| Accrued expenses | 2,369 | 2,225 | 144 |
| Investments purchased, but not settled | 547,746 | 547,746 | — |
| Accrued bond interest expense | 29,850 | — | 29,850 |
| Compensated absences | 111 | 111 | — |
| Net pension and OPEB liability (note 12) | 11 | 11 | — |
| Total current liabilities | 5,780,447 | 5,750,453 | 29,994 |
| Long-term liabilities, net of current portion: | | | |
| Bonds payable | 4,500,000 | — | 4,500,000 |
| Compensated absences | 322 | 322 | — |
| Net pension and OPEB liability (note 12) | 2,337 | 2,337 | — |
| Total long-term liabilities | 4,502,659 | 2,659 | 4,500,000 |
| Total liabilities | 10,283,106 | 5,753,112 | 4,529,994 |
| Deferred inflows of resources: | | | |
| Deferred inflows related to pensions and OPEB (note 12) | 376 | 376 | — |
| **Net position** | | | |
| Net investment in capital assets | 25 | 25 | — |
| Unrestricted | 5,817,213 | 5,704,724 | 112,489 |
| **Total net position** | $ 5,817,238 | $ 5,704,749 | $ 112,489 |

## 14. Condensed Combining Information (continued)

The following table provides the condensed combining revenues, expenses, and changes in net position information of the Fund for the fiscal year ended June 30, 2024:

| | Combined | Florida Hurricane Catastrophe Fund | State Board of Administration Finance Corp |
|---|---|---|---|
| | | *(In Thousands)* | |
| **Operating revenues** | | | |
| Net premium revenue | $ 1,520,095 | $ 1,520,095 | $ — |
| Net interest on premium adjustments | (334) | (334) | — |
| Net interest on loss disbursements and adjustments | 423 | 423 | — |
| Other | 46 | 46 | — |
| Total operating revenues | 1,520,230 | 1,520,230 | — |
| **Operating expenses** | | | |
| Hurricane losses (reduction in losses) | (840,864) | (840,864) | — |
| Administrative and actuarial fees | 4,934 | 4,934 | — |
| Other professional fees | 1,522 | 1,515 | 7 |
| Personnel expenses | 2,495 | 2,495 | — |
| Depreciation | 16 | 16 | — |
| Other | 229 | 229 | — |
| Total operating expenses | (831,668) | (831,675) | 7 |
| Operating income/(loss) | 2,351,898 | 2,351,905 | (7) |
| **Nonoperating (expenses)/revenue** | | | |
| Investment income | 794,523 | 596,321 | 198,202 |
| Investment advisor fees | (4,871) | (3,673) | (1,198) |
| Settlement proceeds | 39 | 39 | — |
| Bond issuance expense | (3,758) | — | (3,758) |
| Custodian and bond trustee fees | (164) | (118) | (46) |
| Bond interest expense | (59,700) | — | (59,700) |
| Nonoperating (expenses)/revenue, net | 726,069 | 592,569 | 133,500 |
| Net income/(loss) before transfers | 3,077,967 | 2,944,474 | 133,493 |
| Transfers to (from) component units | — | (33,779) | 33,779 |
| Transfers to other state agencies | (10,000) | (10,000) | — |
| **Change in net position** | 3,067,967 | 2,900,695 | 167,272 |
| Net position at beginning of year | 2,749,271 | 2,804,054 | (54,783) |
| Net position at end of year | $ 5,817,238 | $ 5,704,749 | $ 112,489 |

**14. Condensed Combining Information (continued)**

The following table provides the condensed combining cash flows information of the Fund for the fiscal year ended June 30, 2024:

| | Combined | Florida Hurricane Catastrophe Fund | State Board of Administration Finance Corp |
|---|---|---|---|
| | | *(In Thousands)* | |
| **Cash flows from operating activities** | | | |
| Net premium received | $ 1,518,117 | $ 1,518,117 | $ — |
| Hurricane losses paid | (2,928,537) | (2,928,537) | — |
| Loss reimbursement advances and related interest | 423 | 423 | — |
| Other cash received from customers | 92 | 92 | — |
| Administrative and actuarial fees | (3,557) | (3,557) | — |
| Other professional fees | (1,173) | (1,166) | (7) |
| Personnel expenses | (2,155) | (2,155) | — |
| Other cash paid to vendors | (254) | (254) | — |
| Net cash provided (used) by operating activities | (1,417,044) | (1,417,037) | (7) |
| **Cash flows from investing activities** | | | |
| Purchases of investments | (177,055,271) | (134,616,042) | (42,439,229) |
| Sales and maturities of investments | 177,391,633 | 135,939,731 | 41,451,902 |
| Interest received | 160,146 | 141,866 | 18,280 |
| Settlement proceeds | 39 | 39 | — |
| Investment advisor fees | (4,864) | (3,697) | (1,167) |
| Investment custodian fees | (97) | (69) | (28) |
| Net cash provided by investing activities | 491,586 | 1,461,828 | (970,242) |
| **Cash flows from noncapital financing** | | | |
| Transfers to/from component units and other state agencies | (10,000) | (43,779) | 33,779 |
| Cash received from the issuance of debt | 1,000,000 | — | 1,000,000 |
| Cash paid for cost of issuance of debt | (3,756) | — | (3,756) |
| Payments for trustee fees | (6) | — | (6) |
| Bond interest paid | (59,700) | — | (59,700) |
| Net cash used by noncapital financing activities | 926,538 | (43,779) | 970,317 |
| **Cash flows from capital and related financing activities** | | | |
| Purchases of capital assets | (6) | (6) | — |
| Net increase in cash and cash equivalents | 1,074 | 1,006 | 68 |
| Cash and cash equivalents at beginning of year | — | — | — |
| Cash and cash equivalents at end of year | $ 1,074 | $ 1,006 | $ 68 |

# Required Supplementary Information

## 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 |
|---|---|---|---|---|---|---|
| 6/30/2024 | 6/30/2023 | 0.003510902 % | $ 1,398,984 | $ 1,343,759 | 104.11 % | 82.38 % |
| 6/30/2023 | 6/30/2022 | 0.003394894 % | 1,263,174 | 1,201,452 | 105.14 % | 82.89 % |
| 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, 2024, the inflation rate assumption remained at 2.40%, after being reduced from 2.60% to 2.40% in the fiscal year ended June 30, 2021. For all fiscal years prior to 2021, the inflation rate assumption was 2.60%. The overall payroll growth assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2024. The long-term expected rate of return assumption, effective for each fiscal year ended June 30, was as follows:

| | | | | | |
|---|---|---|---|---|---|
| 6/30/2024 | 6.70 % | 6/30/2020 | 6.90 % | 6/30/2017 | 7.60 % |
| 6/30/2023 | 6.70 % | 6/30/2019 | 7.00 % | 6/30/2016 | 7.65 % |
| 6/30/2022 | 6.80 % | 6/30/2018 | 7.10 % | 6/30/2015 | 7.65 % |
| 6/30/2021 | 6.80 % | | | | |

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, 2024, is as of measurement date June 30, 2023. 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.

# Required Supplementary Information

## 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 |
|---|---|---|---|---|---|---|
| 6/30/2024 | 6/30/2023 | 0.003387025 % | $ 537,905 | $ 1,343,759 | 40.03 % | 4.12 % |
| 6/30/2023 | 6/30/2022 | 0.003296840 % | 349,188 | 1,201,452 | 29.06 % | 4.81 % |
| 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, 2024, the inflation rate assumption remained at 2.40%, after being reduced from 2.60% to 2.40% in the fiscal year ended June 30, 2021. Also, in the fiscal year ended June 30, 2021, 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 assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2024. The municipal bond rate used to determine total pension liability effective for each fiscal year ended June 30, was as follows:

| | | | | | |
|---|---|---|---|---|---|
| 6/30/2024 | 3.65 % | 6/30/2020 | 3.50 % | 6/30/2017 | 2.85 % |
| 6/30/2023 | 3.54 % | 6/30/2019 | 3.87 % | 6/30/2016 | 3.80 % |
| 6/30/2022 | 2.16 % | 6/30/2018 | 3.58 % | 6/30/2015 | 4.29 % |
| 6/30/2021 | 2.21 % | | | | |

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, 2024, is as of measurement date June 30, 2023. 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).

# Required Supplementary Information

## 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) |
|---|---|---|---|---|---|
| 6/30/2024 | $ 207,700 | $ 207,700 | $ — | $ 1,493,608 | 13.91 % |
| 6/30/2023 | 168,897 | 168,897 | — | 1,343,759 | 12.57 % |
| 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 % |

**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) |
|---|---|---|---|---|---|
| 6/30/2024 | $ 29,880 | $ 29,880 | $ — | $ 1,493,608 | 2.00 % |
| 6/30/2023 | 22,280 | 22,280 | — | 1,343,759 | 1.66 % |
| 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 % |

# Required Supplementary Information

## 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 |
|---|---|---|---|---|---|
| 6/30/2024 | 6/30/2023 | 0.00490754 % | $ 410,724 | $ 1,353,509 | 30.35 % |
| 6/30/2023 | 6/30/2022 | 0.00489648 % | 384,044 | 1,227,746 | 31.28 % |
| 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, 2024, is as of measurement date June 30, 2023.

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:

| | | | | | |
|---|---|---|---|---|---|
| 6/30/2024 | 4.13% | 6/30/2021 | 2.66% | 6/30/2018 | 3.58% |
| 6/30/2023 | 4.09% | 6/30/2020 | 2.79% | | |
| 6/30/2022 | 2.18% | 6/30/2019 | 3.87% | | |

Other changes in actuarial assumptions were as follows:

For the fiscal year ended June 30, 2024, disability rates for those in the Special Risk Class; and for Law Enforcement Officers, the percentage of members assumed to elect to participate in the Deferred Retirement Option Program (DROP), were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2022. Law Enforcement Officers' maximum DROP participation period was extended from 60 months to 96 months. Inflation was lowered from 2.6% to 2.4%. The impact of these changes is a slight increase in the total OPEB liability.

For fiscal year ended June 30, 2023, claims costs and premium rates were updated with information provided by the Division of State Group Insurance as well as the premiums that are actually being charged to participants. The net result was a slight increase in the liability. The medical trend assumption was based on the Getzen Model, along with information from the August 2022 Report on Financial Outlook of the Plan. The impact of the trend rate changes is a small increase in the liability, due primarily to higher trend rates in the first several years.

For fiscal year ended June 30, 2022, retirement rates were updated to those used in the FRS Actuarial Valuation 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%.

## Schedule of Fund's Proportionate Share of the Total Other Postemployment Benefits Liability - Last 10 Fiscal Years* (continued)

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.

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, 2024, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 31, 2024.

**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
October 31, 2024