FLORIDA HURRICANE CATASTROPHE FUND

Combined Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

FLORIDA HURRICANE CATASTROPHE FUND

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KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Florida Hurricane Catastrophe Fund of the State of Florida (the Fund), a proprietary fund of the State of Florida, which comprise the combined statements of net position as of June 30, 2021 and 2020, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the combined financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2021 and 2020, and the changes in their financial position and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

Emphasis of Matter Regarding Fund Financial Statements

As discussed in Note 1, the combined financial statements present only the Fund and do not purport to, and do not, present the financial position of the State Board of Administration of Florida as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-7, the Schedule of Fund's Proportionate Share of Net Pension Liability and Related Ratios on pages 62-63, the Schedules of Fund Contributions on page 64, the Schedule of Fund's Proportionate Share of the Total Other Postemployment Benefits Liability on page 65, and the Schedule of Changes in the Fund's Total OPEB Liability and Related Ratios on page 66 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 inquires, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 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.

KPMG LLP

Minneapolis, Minnesota
November 1, 2021

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, 2021, 2020 and 2019. Please read this information in conjunction with the Fund's combined financial statements and notes to the combined financial statements.

Overview of the Financial Statements

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

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

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

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

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

Financial Summary

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

	June 30		
	2021	2020	2019
Current assets	$ 4,974,363	6,142,228	7,271,074
Long-term assets	12,228,577	9,219,064	9,535,621
Total assets	17,202,940	15,361,292	16,806,695
Deferred outflows related to pensions and OPEB	861	835	811
Current liabilities	3,505,750	4,357,774	4,867,061
Long-term liabilities	3,502,570	652,347	1,651,990
Total liabilities	7,008,320	5,010,121	6,519,051
Deferred inflows related to pensions and OPEB	229	194	217
Net position:			
Net investment in capital assets	49	57	58
Unrestricted	10,195,203	10,351,755	10,288,180
Total net position	$ 10,195,252	10,351,812	10,288,238

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

		Year ended June 30		
		2021	2020	2019
Net premium revenue (net of reinsurance premium)	$	1,206,183	1,130,470	1,052,053
Net interest on premium adjustments		(254)	(406)	(53)
Net interest on loss disbursements and adjustments		15	46	27
Other		43	44	43
Total operating revenues		1,205,987	1,130,154	1,052,070
Nonoperating revenue net of nonoperating expenses		(42,258)	453,102	505,445
Total revenues		1,163,729	1,583,256	1,557,515
Hurricane losses		1,300,000	1,500,000	3,950,000
Operating expenses		6,774	6,169	6,266
Depreciation		15	13	14
Total expenses		1,306,789	1,506,182	3,956,280
Net income (loss) before transfers		(143,060)	77,074	(2,398,765)
Transfers to other state agencies		(13,500)	(13,500)	(13,500)
Change in net position		(156,560)	63,574	(2,412,265)
Net position at beginning of year		10,351,812	10,288,238	12,700,503
Net position at end of year	$	10,195,252	10,351,812	10,288,238

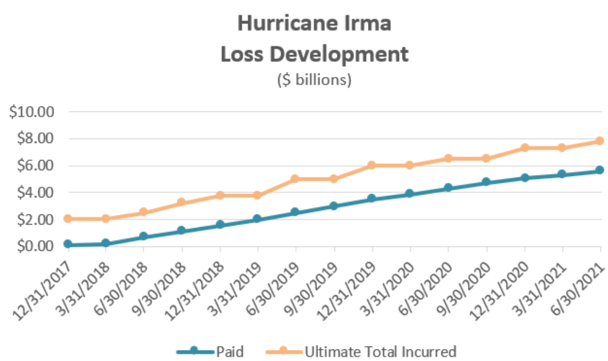
Financial Analysis

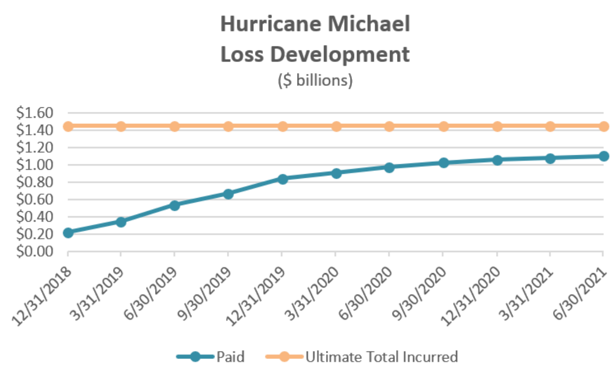
As the Fund's mission is to provide a stable and ongoing source of timely reimbursement to Florida residential property insurers for a portion of their catastrophic hurricane losses, changes in the financial statements reflect the impact of the Fund's continuing obligation to fulfill this mission. The Fund's net position continues to be impacted by the ongoing reimbursements to participating insurers for losses from hurricanes in 2017 and 2018. The Fund's net position decreased by $156.6 million (-1.5%) during fiscal year 2021.

The Corporation made the final principal payment of $1 billion on the Series 2013A pre-event bonds on July 1, 2020, and will make the final principal payment of $650 million on the Series 2016A pre-event bonds on July 1, 2021. The maturity of pre-event bonds and the continued loss reimbursement payments for prior period hurricanes were major contributors to the decrease in current assets. In September 2020, the Corporation issued Series 2020A pre-event bonds in the amount of $3.5 billion to enhance its liquidity, particularly with the maturity of Series 2013A and Series 2016A pre-event debt. The proceeds from the Series 2020A 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 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. The issuance of these bonds was the predominant reason for the increase in long-term assets and long-term liabilities.

At June 30, 2021, the Corporation had the following credit ratings: Moody's, Aa3; Standard and Poor's, AA; and Fitch, AA.

The lack of any significant growth in the Fund's net position since fiscal year 2019 can primarily be attributed to continued loss development of $2.8 billion from Hurricane Irma, which made landfall in 2017. This is a 56% increase in the ultimate total incurred loss from June 30, 2019 to June 30, 2021 and over a 100% increase in paid losses over the same time period. The Fund continues to reimburse participating insurers for losses from Hurricane Michael that occurred in 2018; however, the loss development is not as significant. The charts below show the Fund's paid losses and ultimate total incurred loss estimates on a quarterly basis for Hurricanes Irma and Michael:





The Fund's loss estimates are based on reported paid and unpaid losses by participating insurers and an actuarial estimate by the Fund's independent actuary.

The Fund's total operating revenues are primarily made up of the premiums received annually from participating insurers, which is currently just over $1 billion. In the current fiscal year, the net premium revenue increased from the prior year by 6.7%, which is primarily the result of an increase in the average coverage selection chosen by participating insurers. Insurers participating in the Fund can select one of three coverage levels, 90%, 75% or 45%. Prior to 2019, the private risk transfer market offered significant capacity at historically low prices which resulted in a decrease in the average coverage selection. This trend reversed in 2019 after the pricing in the global risk transfer market increased. Consequently, the weighted average coverage selection has increased from a low of 73% in Contract Year 2018 to 82% in Contract Year 2019 to 86% in Contract Year 2020.

Non-operating revenues are predominantly made up of investment income earned on the accumulated reimbursement premiums; therefore, changes in the non-operating revenues are predominantly due to changes in investment income, including unrealized gains and losses. The Fund experienced a decrease in investment income due to market volatility, absolute low yield and an increase in unrealized losses due to rising treasury interest rates during fiscal year 2021. For example, the 2-year treasury rate increased from 0.16% to 0.25% and the 5-year treasury rate increased from 0.29% to 0.87%. The table below compares the components of investment income as of fiscal year-end 2021 and 2020:

*FHCF Investment Income (in thousands)**		
Fiscal Year Ended	*2021*	*2020*
Interest earned on investments	*$174,638*	*$255,853*
Realized Gain/(Loss)	*105,970*	*165,821*
Unrealized Gain/(Loss)	*(246,368)*	*79,835*
Total	*$34,239*	*$501,508*

* Amounts are based on Market Value as of June 30 of each fiscal year and may not add due to rounding.

The Fund's investment portfolio is managed by the State Board of Administration of Florida (SBA) with Investment Policy Guidelines that focus primarily on liquidity, and then safety of principal and finally, on competitive returns. The Fund's total $16.8 billion portfolio is comprised of Money Market Funds, U.S. Treasury and Agency securities (66%) and corporate securities (34%) with 89% of the portfolio in "AA" or "AAA" securities.

The ongoing COVID-19 pandemic has not adversely impacted the Fund or the Corporation or its financial statements; however, any future impacts are currently unknown. Given the Corporation is separate and distinct from the State of Florida and the FHCF's revenues and budget are not dependent on the state's appropriations process, any direct impact to the state may not have the same impact on the Fund.

Contacting the Fund's Financial Management

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

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Net Position

June 30, 2021 and 2020

(In thousands)

		2021	2020
Assets:			
Current assets:			
Short-term investments	$	4,541,016	5,338,170
Investment sales receivable		301,974	649,828
Premium receivable		99,602	105,133
Accrued interest		31,764	49,097
Excess loss payments receivable		5	—
Prepaid expenses		2	—
Total current assets		4,974,363	6,142,228
Long-term assets:			
Long-term investments		12,228,528	9,219,007
Capital assets, net of accumulated depreciation of $74 and $59 for June 30, 2021 and 2020, respectively		49	57
Total long-term assets		12,228,577	9,219,064
Total assets		17,202,940	15,361,292
Deferred outflows of resources:			
Deferred outflows related to pensions and OPEB (note 13)		861	835
Liabilities:			
Current liabilities:			
Unpaid hurricane losses		2,536,239	2,677,697
Reimbursed losses payable		29,984	5,795
Premium refunds payable		—	29
Accrued expenses		1,076	1,011
Bonds payable		650,000	1,000,000
Pending investment purchases		249,945	649,589
Accrued bond interest expense		38,424	23,549
Compensated absences		70	90
Net pension and OPEB liability (note 13)		12	14
Total current liabilities		3,505,750	4,357,774
Long-term liabilities, net of current portion:			
Bonds payable		3,500,000	650,000
Compensated absences		202	219
Net pension and OPEB liability (note 13)		2,368	2,128
Total long-term liabilities		3,502,570	652,347
Total liabilities		7,008,320	5,010,121
Deferred inflows of resources:			
Deferred inflows related to pensions and OPEB (note 13)		229	194
Net position:			
Net investment in capital assets		49	57
Unrestricted		10,195,203	10,351,755
Total net position	$	10,195,252	10,351,812

See accompanying notes to combined financial statements.

FLORIDA HURRICANE CATASTROPHE FUND

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

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Operating revenues:			
Net premium revenue (net of reinsurance premium)	$	1,206,183	1,130,470
Net interest on premium adjustments		(254)	(406)
Net interest on loss disbursements and adjustments		15	46
Other		43	44
Total operating revenues		1,205,987	1,130,154
Operating expenses:			
Hurricane losses		1,300,000	1,500,000
Administrative and actuarial fees		3,121	2,605
Other professional fees		1,473	1,335
Personnel expenses		2,046	2,046
Depreciation		15	13
Other		134	183
Total operating expenses		1,306,789	1,506,182
Operating loss		(100,802)	(376,028)
Nonoperating revenue (expense):			
Investment income		34,239	501,508
Investment advisor fees		(3,707)	(3,365)
Settlement proceeds		150	2,130
Bond issuance expense		(8,355)	—
Custodian and bond trustee fees		(175)	(74)
Bond interest expense		(64,410)	(47,097)
Nonoperating revenue (expense), net		(42,258)	453,102
Net income (loss) before transfers		(143,060)	77,074
Transfers to other state agencies		(13,500)	(13,500)
Change in net position		(156,560)	63,574
Net position at beginning of year		10,351,812	10,288,238
Net position at end of year	$	10,195,252	10,351,812

See accompanying notes to combined financial statements.

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Cash flows from operating activities:			
Net premium received	$	1,211,431	1,122,238
Hurricane losses paid		(1,417,274)	(2,266,641)
Loss reimbursement advances and related interest		15	46
Other cash received from customers		43	44
Administrative and actuarial fees		(3,178)	(2,515)
Other professional fees		(1,447)	(1,487)
Personnel expenses		(1,834)	(1,730)
Other cash paid to vendors		(133)	(204)
Net cash used by operating activities		(212,377)	(1,150,249)
Cash flows from investing activities:			
Purchases of investments		(33,366,126)	(42,691,722)
Sales and maturities of investments		30,961,570	44,190,659
Interest received		191,972	269,254
Settlement proceeds		150	2,130
Investment advisor fees		(3,659)	(3,397)
Investment custodian fees		(127)	(94)
Net cash provided (used) by investing activities		(2,216,220)	1,766,830
Cash flows from noncapital financing activities:			
Transfers to other state agencies		(13,500)	(13,500)
Cash received from the issuance of debt		3,491,639	—
Bond principal paid		(1,000,000)	(550,000)
Bond interest paid		(49,535)	(53,045)
Bank financing - overdraft		—	(24)
Net cash provided (used) by noncapital financing activities		2,428,604	(616,569)
Cash flows from capital and related financing activities:			
Purchases of capital assets		(7)	(12)
Net increase in cash and cash equivalents		—	—
Cash and cash equivalents at beginning of year		—	—
Cash and cash equivalents at end of year	$	—	—

(Continued)

FLORIDA HURRICANE CATASTROPHE FUND

Combined Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

		2021	2020
Operating loss	$	(100,802)	(376,028)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation expense		15	13
(Increase) decrease in premium receivable		5,531	(2,003)
Increase (decrease) in allowance for uncollectibles		—	(562)
(Increase) decrease in excess loss reimbursements receivable		(5)	—
(Increase) decrease in deposits and prepaid expenses		(2)	6
Increase (decrease) in premium refunds payable		(29)	29
Increase (decrease) in compensated absences		(37)	51
Increase (decrease) in unpaid hurricane losses		(141,458)	(730,014)
Increase (decrease) in losses payable		24,189	(36,628)
Increase (decrease) in accrued expenses		(26)	(5,377)
Increase (decrease) in OPEB liability and deferrals		19	27
Increase (decrease) in pension liability and deferrals		228	237
Net cash used by operating activities	$	(212,377)	(1,150,249)
Noncash investing activities:			
Change in fair value of investments		(246,368)	79,835

See accompanying notes to combined financial statements.

(1) Organization

(a) Business

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

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

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

(b) Basis of Presentation

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

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

(c) Adoption of New Accounting Pronouncements

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement became effective in fiscal year 2020 and resulted in the postponement of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The primary objective of the statement was to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. Adoption of this statement had no impact on the Fund's combined financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address accounting and financial reporting implications that result from replacement of an interbank offered rate (IBOR). Some governments have entered into agreements in which variable payments made or received depend on an IBOR; most notably, London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The replacement of an IBOR upon which variable payments depend in lease contracts are effective for fiscal year periods beginning after June 15, 2021, and all reporting periods thereafter. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. FHCF management continues to review the applicability of this statement as it pertains to the Fund.

(d) Limited Liability of the Fund

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

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

(e) Risk Management

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

(2) Significant Accounting Policies

(a) Measurement Focus

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

(b) Cash and Cash Equivalents

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

(c) Investments

The Fund's cash is invested according to Investment Policy Guidelines (Guidelines), which set forth the objectives, guidelines, and requirements applicable to the investments of the Fund. The Fund's cash is invested in three separate portfolios: (1) liquidity fund, (2) claims-paying fund, and (3) the Corporation's pre-event fund. The liquidity fund is generally the first source of funds to pay claims after a hurricane and can also be used to pay the operating expenses of the Fund. The claims-paying fund is the next source of liquidity to pay claims. The Corporation's pre-event fund holds any pre-event bond proceeds, which can also be used to pay claims and/or to make debt service payments. A number of factors such as the Fund's cash balance, hurricane activity, expected claims, and investment market conditions will determine the funding amount and timing of the use of the funds in each portfolio. The primary goal of the Guidelines is defined by the following priorities: (1) liquidity, (2) safety of principal, and (3) competitive return. Investments are recorded at fair value and the fair values are primarily obtained from independently quoted market prices; certain investments, such as repurchase agreements and money market funds that meet the Security and Exchange Commission's (SEC) requirements to maintain a stable net asset value, are carried at cost, which approximates fair value. The Fund considers all investments with maturity dates of less than one year to be short-term investments. Investments with maturity dates in excess of one year are included in long-term investments. Investment management and advisory services are provided by the SBA. The Guidelines were last amended effective December 23, 2020.

(d) Premium Receivable

At June 30, 2021 and 2020, the Fund's premium receivable totaled $99.6 million and $105.1 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 contract year, which began on June 1. The one month premium receivable is $99.6 million as of June 30, 2021 and $103.9 million as of June 30, 2020.

(e) Loss Reimbursement Advances Receivable

Certain companies may qualify for advances from the Fund, which are in essence loans based on a company's potential recoveries from the Fund (i.e., based on paid and reported outstanding losses). Loss reimbursement advances receivable represent amounts currently outstanding on these advances, including accrued interest. As of June 30, 2021 and 2020, there are no outstanding loss reimbursement advances.

(f) Capital Assets

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

(g) Deferred Outflows of Resources

A consumption of net assets by the Fund that is applicable to a future reporting period is presented as a deferred outflow of resources.

(h) Premium Refunds Payable

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

(i) Bonds Payable

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

(j) Compensated Absences

Compensated absences represent the Fund's obligation to accrue a liability for employees' rights to receive compensation for future absences, such as vacation and sick leave. The Fund allows vested employees to carry forward any unpaid sick leave indefinitely. The short-term portion of this liability, $70 thousand in 2021 and $90 thousand in 2020, is included in the current liabilities reported on the combined statements of net position. The remaining liability estimated to be payable in more than one year is included as compensated absences within long-term liabilities on the combined statements of net position.

(k) Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the Fund that is applicable to a future reporting period.

(l) Current Contract Year Premium Revenue

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

(m) Operating Revenues and Expenses

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

(n) Reinsurance

When reinsurance is purchased by the Fund, the reinsurance premium and broker commission expenses are reported as operating activities net of the reimbursement premium received. As of June 30, 2021 and 2020, there were no accruals established for the contract years beginning June 1, 2021 and 2020 as the Fund did not purchase reinsurance.

(o) Prior Contract Year Adjustments

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

(p) Net Interest on Premium Adjustments

Participating insurers have the option of paying the billed provisional premium or estimating premium for the August and October installments. If the provisional or estimated payments are too high, interest is returned to the insurer on the overpayment after the December installment. Likewise, if estimated premiums are underpaid, interest is charged to the insurer with the December installment. For the contract year ended May 31, 2021, the interest rate was 3.20% for overpayments of premium and 8.20% for underpayments. For the contract year ended May 31, 2020, the interest rate was 2.94% for overpayments of premium and 7.94% for underpayments.

(q) Hurricane Losses

Hurricane losses represent the estimated ultimate cost of all reported and incurred but not reported (IBNR) claims during the year which includes increases to reserves during the fiscal year for hurricanes occurring in prior fiscal years plus any new reserves for hurricanes occurring in the current fiscal year that exceed the participating insurers' individual company retention levels. The reserves for unpaid claims are estimated primarily by management'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 continually reviewed and adjusted as experience develops or new information becomes known, and such adjustments are included in current operations.

(r) Emergency Assessment

Section 215.555(6)(b) of the Florida Statutes provides for an emergency assessment on all property and casualty lines of business in the state, including surplus lines, but excluding workers' compensation, federal flood, accident and health insurance, and medical malpractice premiums. A maximum annual assessment of 6% is allowed for losses attributable to any one contract year and a maximum aggregate annual assessment of 10% for all contract years.

(s) Transfers to Other State Agencies

Pursuant to Section 215.555(7)(c) of the Florida Statutes, the Florida Legislature will appropriate from the Fund an amount no less than $10,000,000 and no more than 35% of the investment income from the prior fiscal year, providing that the actuarial soundness of the Fund is not jeopardized, for the purpose of providing funding for governments, agencies, and educational institutions to support programs intended to improve hurricane preparedness or reduce potential losses in the event of a hurricane. For these purposes, in both fiscal years 2021 and 2020, $13,500,000 was appropriated from the Fund.

(t) Income Taxes

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

(u) Use of Estimates

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

(3) Deposits and Investments

(a) Custodial Credit Risk

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

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

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

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

At June 30, 2021 and 2020, all bank deposits were held at QPDs or were FDIC insured.

(b) Investments

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

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

	June 30	
	2021	**2020**
Short-term investments:		
Commercial paper	$ 49,999	19,992
Money market funds	736,152	1,068,608
U.S. Treasury bills	3,043,642	3,253,182
U.S. Treasury notes	373,883	479,837
Federal agencies – discount notes	—	27,984
Federal agencies – unsecured	—	50,417
Domestic corporate bonds and notes	170,883	192,588
International corporate bonds and notes	166,457	245,562
Total short-term investments	4,541,016	5,338,170
Long-term investments:		
U.S. Treasury notes	6,922,020	6,008,076
Domestic corporate bonds and notes	3,202,945	2,052,581
International government bonds and notes	88,797	20,751
International corporate bonds and notes	2,014,766	1,137,599
Total long-term investments	12,228,528	9,219,007
Total	$ 16,769,544	14,557,177

(Continued)

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

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

As of June 30, 2020, the weighted average maturity of the Fund's investments is as follows (in thousands):

Investment type		Fair value	Weighted average maturity (days)
Commercial paper	$	19,992	70
Money market funds		1,068,608	1
U.S. Treasury bills		3,253,182	129
U.S. Treasury notes		6,487,913	645
Federal agencies – discount notes		27,984	124
Federal agencies – unsecured		50,417	140
Domestic corporate bonds and notes		2,245,169	742
International government bonds and notes		20,751	515
International corporate bonds and notes		1,383,161	652
Total fair value	$	14,557,177	
Portfolio weighted average maturity			494

(c) Interest Rate Risk

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

(d) Credit Risk

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

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

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

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

The schedule below provides the credit quality ratings by Standard and Poor's and Moody's Investor Services at June 30, 2020 (in thousands):

		Credit quality ratings[1]	
Investment type	**Fair value**	**S & P**	**Moody's**
Commercial paper	19,992	A-1	P-1
Money market funds	1,068,608	AAAm	Aaa-mf
U.S. Treasuries	9,741,095	Not Rated	Not Rated
Federal agencies – discount notes	27,984	Not Rated	Not Rated
Federal agencies	45,418	AA	Aaa
Federal agencies	4,999	Not Rated	Aaa
Domestic corporate bonds and notes	18,935	AAA	Aaa
Domestic corporate bonds and notes	1,334,628	AA	Aa
Domestic corporate bonds and notes	359,326	AA	A
Domestic corporate bonds and notes	109,094	A	Aa
Domestic corporate bonds and notes	423,186	A	A
International government bonds and notes	20,751	AA	Aa
International corporate bonds and notes	856,035	AA	Aa
International corporate bonds and notes	17,821	AA	A
International corporate bonds and notes	356,323	A	Aa
International corporate bonds and notes	152,982	A	A
	$ 14,557,177		

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

(e) Concentration of Credit Risk

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

At June 30, 2021 and 2020, there were no securities with any one issuer representing 5% or more of the Fund's total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Fund's investments were in compliance with policy guidelines at June 30, 2021 and 2020.

(f) Foreign Currency Risk

There was no exposure to foreign currency risk during the fiscal years ended June 30, 2021 and 2020.

(g) Fair Value Hierarchy

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

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

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

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

Debt securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets from the custodian bank's primary external pricing vendors.

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

Debt securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, and broker bids. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Certain investments such as money market funds are not included in the tables below because they are carried at amortized cost, and not measured at fair value.

(Continued)

The Fund has the following fair value measurements as of June 30, 2021 and 2020 (in thousands):

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

	June 30, 2020	Fair value measurements using Quoted prices in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Investments by fair value level:				
Debt securities:				
Commercial paper	$ 19,992	—	19,992	—
U.S. Treasuries	9,741,095	—	9,741,095	—
Federal agencies – discount notes	27,984	—	27,984	—
Federal agencies – unsecured	50,417	—	50,417	—
Domestic corporate bonds and notes	2,245,169	—	2,245,169	—
International government bonds and notes	20,751	—	20,751	—
International corporate bonds and notes	1,383,161	—	1,383,161	—
Total debt securities measured at fair value	$ 13,488,569	—	13,488,569	—

(Continued)

(4) Capital Assets

A summary of the Fund's capital assets and the related accumulated depreciation for the years ended June 30, 2021 and 2020 is as follows (in thousands):

		Equipment	Accumulated depreciation	Net
Balance as of June 30, 2019	$	106	(48)	58
Additions and depreciation expense		12	(13)	(1)
Sales or disposals		(2)	2	—
Balance as of June 30, 2020		116	(59)	57
Additions and depreciation expense		7	(15)	(8)
Sales or disposals		—	—	—
Balance as of June 30, 2021	$	123	(74)	49

(5) Unpaid Hurricane Losses

The Fund is paying loss reimbursements for two hurricanes that occurred during the 2017 and 2018 hurricane seasons as outlined below. The state was also impacted by two hurricanes during the 2020 hurricane season, but no losses are anticipated for the Fund resulting from those hurricanes.

On September 10, 2017, Hurricane Irma made landfall in the Florida Keys as a Category 4 hurricane and made a second Florida landfall as a Category 3 hurricane at Marco Island later that day. As of June 30, 2020, the estimated ultimate loss to the Fund for this hurricane was $6.5 billion. Due to increased loss development, the Fund has increased its estimated ultimate loss for this hurricane an additional $1.3 billion as of June 30, 2021 for a total estimated ultimate loss of $7.8 billion.

On October 10, 2018, Hurricane Michael made landfall near Mexico Beach, Florida as a Category 5 hurricane. As of June 30, 2020, the estimated ultimate loss to the Fund for this hurricane was $1.45 billion. This amount remains the same as of June 30, 2021.

As of June 30, 2021, the total estimated ultimate loss to the Fund for Hurricanes Irma and Michael is $9.25 billion.

The following table provides a reconciliation of the beginning and ending balances for unpaid hurricane losses for 2021 and 2020 (in thousands):

		Year ended June 30	
		2021	**2020**
Reserve for unpaid hurricane losses at beginning of year	$	2,677,697	3,407,710
Reserve change for hurricane losses occurring in:			
Current year		—	—
Prior years		1,300,000	1,500,000
Net incurred losses during the current year		1,300,000	1,500,000
Payments for claims occurring in:			
Current year		—	—
Prior years		1,441,458	2,230,013
Net claim payments during the current year		1,441,458	2,230,013
Reserve for unpaid hurricane losses at end of year	$	2,536,239	2,677,697

The Fund's reserve change for hurricane losses occurring in prior years as of June 30, 2021 and 2020 was increased $1.3 and $1.5 billion, respectively, as a result of ongoing loss development from Hurricane Irma. This reserve is periodically adjusted based on actual results and actuarial analyses.

(6) Changes in Long-term Liabilities

The following tables provides the long-term liability activity for the years ended June 30, 2021 and 2020 as follows (in thousands):

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

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

Long-term liabilities as of June 30, 2020		Beginning balance[1]	Additions	Reductions	Ending balance[1]	Amount Due within 1 year
Bonds payable	$	2,200,000	—	(550,000)	1,650,000	1,000,000
Net pension liability		1,421	410	(196)	1,635	7
Compensated absences		258	179	(128)	309	90
Other postemployment benefits payable		410	118	(21)	507	7

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

(7) Bonds Payable and Debt Service Requirements

Post-event Bonds – At June 30, 2021 and 2020, there were no post-event bonds outstanding.

Pre-event Notes and Bonds – In April 2013, the Corporation issued pre-event Series 2013A Revenue Bonds in the amount of $2.0 billion 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. On July 1, 2016 and again on July 1, 2018, $500 million of principal, respectively, matured. The final maturity of $1.0 billion was paid on July 1, 2020.

In March 2016, the Corporation issued pre-event Series 2016A Revenue Bonds in the amount of $1.2 billion to maximize the ability of the Fund to meet future obligations. The proceeds from these bonds 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. On July 1, 2019, $550 million of principal matured. The remaining $650 million matures on July 1, 2021.

On September 16, 2020, the Corporation issued $3.5 billion of pre-event Series 2020A Revenue Bonds 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.

These bonds are parity obligations and are secured under the same Master Trust Indenture. 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, 2021, assets having a value of $3.5 billion were pledged as collateral for the Series 2020A Bonds. As of June 30, 2020, assets having a value of $650 million were pledged as collateral for the Series 2016A Bonds.

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).

The following tables breakout annual debt service requirements for the Corporation's revenue bonds by fiscal year as of June 30, 2021 and 2020 (in thousands):

Corporation Annual Debt Service Requirements as of June 30, 2021[1]

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

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

Corporation Annual Debt Service Requirements as of June 30, 2020[1 2]

Fiscal year ending June 30:		Principal	Interest
2020	$	1,000,000	47,097
2021		650,000	17,147
Total	$	1,650,000	64,244

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

[2] The 2020A bonds were not outstanding as of June 30, 2020, and therefore interest due on those bonds is not included in the requirements for Fiscal Year 2021 in this table

(8) Compensated Absences

Compensated absences were as follows (in thousands):

Balance as of June 30, 2019	$	258
Increases		179
Decreases		(128)
Balance as of June 30, 2020		309*
Increases		182
Decreases		(219)
Balance as of June 30, 2021	$	272*

* Includes long-term and current balances, of which $70 thousand and $90 thousand is estimated due within one year of June 30, 2021 and 2020, respectively.

(9) Premium Revenue

Fiscal year premiums, net of prior contract year adjustments, as reported in the combined statements of revenues, expenses, and changes in net position, relate to contract years as follows (in thousands):

	Fiscal year ended June 30	
	2021	2020
Contract year 2021	$ 99,602 *	—
Contract year 2020	1,103,870	103,877 *
Contract year 2019	2,977	1,028,299
Contract year 2018	(222)	(1,345)
Contract year 2017	(44)	(361)
	$ 1,206,183	$ 1,130,470

* As of June 30, 2021 and 2020, which is in contract year 2021 and 2020, respectively, running June 1 through May 31, an accrual was established for one month's pro-rata portion of the reimbursement premium and one month's pro-rata portion of the aggregate reinsurance deposit premium is netted from the premium for each respective contract year, if applicable.

(10) Related Parties

The Fund paid the SBA $2.9 million and $0.8 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2021 and $3.0 million and $0.4 million for the Fund and the Corporation, respectively, in the fiscal year ended June 30, 2020 for investment management and advisory services.

(11) LIBOR and Other Settlements

On April 29, 2021 and June 22, 2020, the Fund received $150 thousand and approximately $42 thousand, respectively, in a settlement related to a shareholder action seeking damages filed against the officers of a company that went insolvent. The Fund was not involved in the legal action.

On June 3, 2020, the Fund received $2.01 million as a share of the State's settlement involving UBS related to the U.S. Dollar LIBOR benchmark interest rate index.

On December 30, 2019, the Fund received approximately $71 thousand as a share of the State's settlement involving Citibank related to the U.S. Dollar LIBOR benchmark interest rate index.

(12) Reinsurance

Aggregate excess catastrophe reinsurance was not purchased for contract years 2021 and 2020 effective for the periods of June 1, 2021 through May 31, 2022 and June 1, 2020 through May 31, 2021, but was in place providing coverage for 92% of $1.0 billion in excess of $10.5 billion for contract year 2019 effective June 1, 2019 through May 31, 2020. The deposit premium including commission was $63.5 million for contract year 2019 and $0 for the contract years 2020 and 2021, prior to adjustments. When the Fund purchases reinsurance, the deposit premium and commission are due to be paid in three equal installments on August 1, October 1 and December 1. The installments are based on an estimated maximum premium due. Subsequent adjustments to the premium are made based on the actual reimbursement premium received from insurers as of December 31, and therefore may be adjusted down, but not adjusted up. Since the effective date of the contract year begins June 1, there is a one month overlap with the fiscal year and an accrual is established for one month's pro-rata portion of the deposit premium and broker commission. The remaining amount is reflected in the financial statements for the following fiscal year and netted against premium revenue. The effect of reinsurance purchases on fiscal year premiums for the years ended June 30 was as follows (in thousands):

		Year ended June 30	
		2021	**2020**
Direct premiums	$	1,206,183	1,187,905
2019 Reinsurance		—	(57,435)
Net premiums	$	1,206,183	1,130,470

(13) Pension and Other Postemployment Benefits

(a) Pension Plans

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

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

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

The Florida Department of Management Services (Department) is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems. For each of the fiscal years ended June 30, 2020 and June 30, 2019, the Department issued a publicly available, audited annual comprehensive financial report (ACFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the ACFRs, which are available online or by contacting the Department.

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

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

(b) Defined Benefit Plans

The Florida Retirement System Pension Plan

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

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

(c) Membership

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

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

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

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

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

Regular Class, SMSC, and EOC Members:

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

Special Risk Class and Special Risk Administrative Support Class Members:

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

(d) Benefits

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

The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2020 and 2019, the FRS Trust Fund held in trust $2,673,751,676 and $2,542,917,693 in accumulated benefits and interest for 36,181 and 33,490 current and prior participants in DROP, respectively.

(e) Administration

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

(f) Contributions

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3) (f), F.S., any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2020 and 2019 was $161,568,265,280 and $163,573,726,217, respectively. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The following tables present FRS retirement employer contribution rates for the fiscal years ended June 30, 2021 and 2020. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2020 and the July 1, 2019 statutory employer rates do not include the 3.00% mandatory employee contribution for all membership classes except for members in the DROP.

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

Membership class	Uniform employer rates recommended by actuarial valuation for fiscal year 2019-2020	July 1, 2019 Statutory rates (Ch. 121, F.S.)
Regular	6.75%	6.75%
Senior Management Service	23.69%	23.69%
Special Risk	23.76%	23.76%
Special Risk Administrative Support	36.87%	36.87%
Elected Officers – Judges	40.28%	40.28%
Elected Officers – Legislators/Attorneys/Cabinet	54.31%	54.31%
Elected Officers – County	47.10%	47.10%
DROP – applicable to members from all of the above classes or plans	12.94%	12.94%

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.

(g) Retiree Health Insurance Subsidy (HIS) Program

The HIS Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. For the fiscal years ended June 30, 2021 and 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal years ended June 30, 2021 and 2020, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The Fund contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

(h) Pension Amounts for Defined Benefit Pension Plans

Net Pension Liability

At June 30, 2021 and 2020, the Fund reported total liabilities of $1,967,588 and $1,634,909, 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, 2020 and 2019:

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

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

	Measurement Date as of June 30, 2019		
	FRS Pension Plan	HIS	Total
Plan total pension liability (A)	$ 198,012,334,000	11,491,043,673	
Plan fiduciary net position (B)	163,573,726,217	302,044,388	
Plan net pension liability (A-B)	34,438,607,783	11,188,999,285	
Fund's proportion	0.003639034%	0.003411176%	
Fund's proportionate share*	$ 1,253,233	381,676	1,634,909

* The amount of the Fund's proportionate share due within one year is $0 for the FRS Pension and $7,298 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, 2019 to June 30, 2020	
	FRS Pension Plan	HIS
Fund's proportion at prior measurement date, June 30, 2019	0.003639034%	0.003411176%
Fund's proportion at measurement date, June 30, 2020	0.003549182%	0.003516179%
Increase / (decrease) in proportion	(0.000089852%)	0.000105003%

	Change in Proportionate Share from Measurement Date of June 30, 2018 to June 30, 2019	
	FRS Pension Plan	HIS
Fund's proportion at prior measurement date, June 30, 2018	0.003553773%	0.003311502%
Fund's proportion at measurement date, June 30, 2019	0.003639034%	0.003411176%
Increase / (decrease) in proportion	0.000085261%	0.000099674%

Based on the projected June 30, 2021 proportion, the Fund's total increase in pension liability would be approximately $99 thousand or 5% higher than what was reported as of the measurement date of June 30, 2020. There are no other known changes between the measurement date of the collective net pension liability and the Fund's reporting date that are expected to have a significant effect on the Fund's proportionate share of the collective net pension liability of either defined benefit pension plan.

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), F.S. The FRS Pension Plan's GASB Statement No. 67 valuation is performed annually. The HIS program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013 through June 30, 2018; assumption changes adopted by the FRS Assumptions Conference were incorporated into the July 1, 2020 FRS Valuation. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study of the FRS Pension Plan.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of the measurement dates of July 1, 2020 and July 1, 2019, for the measurement dates of June 30, 2020 and June 30, 2019, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40% for measurement date July 1, 2020, and was assumed at 2.60% for measurement date July 1, 2019. Payroll growth, including inflation, for both plans is assumed at 3.25% for both measurement dates.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80% (6.90% for the June 30, 2019 measurement date). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability. The 6.80% rate of return assumption used in the June 30, 2020 calculations was determined by the consulting actuary, Milliman to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). The 6.80% reported investment return assumption differs from the 7.00% investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% for the measurement date of June 30, 2020 and 3.50% for the measurement date of June 30, 2019 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.

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

The following changes in actuarial assumptions occurred in 2020:

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

The following changes in actuarial assumptions occurred in 2019:

- FRS Pension Plan: The long-term expected rate of return decreased from 7.00% to 6.90%, and the mortality assumptions changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.

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

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

	Measurement Date as of June 30, 2019	
	Target Allocation	Long-Term expected real rate of return
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equity	54.0%	8.0%
Real estate (property)	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
	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, 2020 and 2019.

Measurement Date as of June 30, 2020

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

Measurement Date as of June 30, 2019

FRS Pension Plan			Health Insurance Subsidy		
1% Decrease 5.90%	Current discount rate 6.90%	1% Increase 7.90%	1% Decrease 2.50%	Current discount rate 3.50%	1% Increase 4.50%
$ 2,166,422	$ 1,253,233	$ 490,565	$ 435,703	$ 381,676	$ 336,678

Pension Expense and Deferred Outflows (Inflows) of Resources

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

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

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2020 and 2019 were 5.9 years and 6.4 years, respectively, for the FRS Pension Plan and 7.2 years for both years 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, 2021 (measurement date of June 30, 2020) and June 30, 2020 (measurement date of June 30, 2019) are presented in the following tables for each plan.

FRS Pension Plan

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

[1]In fiscal year 2021, the Department of Management Services, Division of Retirement posted a correction reducing the beginning net pension liability of the FRS Pension Plan due to an increase in an inter-fund receivable amount due to the Plan from the SUSORP the prior fiscal year. During the fiscal year, the SUSORP collects contributions related to the FRS Pension Plan unfunded actuarial liability and transfers those contributions to the FRS. Amounts not transferred as of the end of the fiscal year are recorded as a receivable in the FRS Pension and a payable in the SUSORP. Because the Fund's share of this correction is only a reduction of $34, the correction is posted as a reduction of pension expense in the current fiscal year.

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

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

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

FRS Pension Plan				
	Recognized in expense Reporting period ending June 30, 2020	**Recognition period**	**Deferred outflows of resources**	**Deferred inflows of resources**
Service cost	$ 91,815	Current	—	—
Interest cost	480,168	Current	—	—
Effect of plan changes	415	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	24,937	6.3 to 6.4 years	74,333	(778)
Effect of assumptions changes or inputs	93,968	6.3 to 6.4 years	321,885	—
Member contributions	(27,395)	Current	—	—
Projected investment earnings	(401,813)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	36,041	6.3 to 6.4 years	104,622	—
Net difference between projected and actual investment earnings	44,012	5 years	—	(69,334)
Contributions subsequent to the measurement date	—	1 year	117,924	—
Administrative expenses	713	Current	—	—
Total	$ 342,861		$ 618,764	(70,112)

Health Insurance Subsidy						
		Recognized in expense Reporting period ending June 30, 2020	**Recognition period**		**Deferred outflows of resources**	**Deferred inflows of resources**
Service cost	$	7,918	Current		—	—
Interest cost		14,264	Current		—	—
Effect of plan changes		—	Current		—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)		746	7.2 years		4,637	(467)
Effect of assumptions changes or inputs		6,585	7.2 years		44,195	(31,195)
Member contributions		(7)	Current		—	—
Projected investment earnings		(348)	Current		—	—
Changes in proportion and differences between contributions and proportionate share of contributions		3,520	7.2 years		23,524	(7,555)
Net difference between projected and actual investment earnings		108	5 years		246	—
Contributions subsequent to the measurement date		—	1 year		20,262	—
Administrative expenses		7	Current		—	—
Total	$	32,793		$	92,864	(39,217)
Total for all defined benefit pension plans	$	375,654		$	711,628	(109,329)

(Continued)

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

		FRS Pension Plan expense	HIS expense
Reporting period ending June 30:			
2021		151,153	10,943
2022		62,764	10,612
2023		108,973	6,109
2024		79,926	(1,243)
2025		22,670	2,354
Thereafter		5,242	4,610
Total	$	430,728	33,385

Payables to the Defined Benefit Pension Plans

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

The Fund reported payables of $9,562 to the FRS Pension Plan and $1,715 to the HIS Program as of June 30, 2020 for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled $28. The payables are included in accrued expenses as a current liability in the Combined Statements of Net Position.

(i) Defined Contribution Programs

FRS Investment Plan

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

The employer pays a contribution as a percentage of salary that is deposited into the individual member’s account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability (non-duty or line of duty); the employer pays an employer contribution to the 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 depended 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 fulltime student.

Pension Amounts for the FRS Investment Plan

During the fiscal years ended June 30, 2021 and 2020, the Fund recognized $17,386 and $16,989 in net pension expense related to the FRS Investment Plan, respectively, and employee contributions totaled $13,484 and $12,692, and administrative fees totaled $270 and $254, respectively. As of June 30, 2021 and 2020, the Fund reported current liabilities of $735 and $1,583, respectively, for June employer contributions to be paid to employee accounts in the following month. Administrative fees owed were $13 and $24, respectively, for FRS Investment Plan participants. These liabilities are included in accrued expenses as a current liability on the Combined Statements of Net Position.

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

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

(j) Other Postemployment Benefits (OPEB)

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

General Information about the OPEB Plan

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

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

Benefits Provided

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

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

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

Employees Covered by Benefit Terms

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

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

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

Contributions

Retirees participating in the group insurance plans offered by the Fund are required to contribute 100% of the premiums. The Fund 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

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

	Fund
Proportion at prior measurement date, June 30, 2019	0.0040029%
Proportion at measurement date, June 30, 2020	0.0040033%
Increase / (decrease) in proportion	0.0000004%

As of June 30, 2020, the State reported a total OPEB liability of $12,658,249,434 of which the Fund reported $506,699 for its proportionate share of the total OPEB liability measured as of June 30, 2019. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

	Fund
Proportion at prior measurement date, June 30, 2018	0.0038889%
Proportion at measurement date, June 30, 2019	0.0040029%
Increase / (decrease) in proportion	0.0001140%

Actuarial Assumptions and Other Inputs

The total OPEB liability for each valuation date presented below was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. Unless separate actuarial assumptions and other inputs are presented for each valuation date, they were consistent for both valuation dates:

Valuation date	July 1, 2020 for current fiscal year reporting July 1, 2019 for prior fiscal year reporting
Measurement date	June 30, 2020 for reporting period ended June 30, 2021 June 30, 2019 for reporting period ended June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	The recognition periods for the changes in assumption, experience and proportionate share are 7 years for measurement date June 30, 2020 and 8 years for measurement date June 30, 2019
Actuarial value of assets	N/A
Inflation	2.60%
Salary increases	Varies by FRS Class
Discount rate	2.66% for measurement date June 30, 2020 2.79% for measurement date June 30, 2019
Healthcare cost trend rates	
July 1, 2020 Valuation:	7.78% and 5.66% for PPO and HMO plans, respectively for fiscal year 2020-2021. Both Pre-Medicare and Post-Medicare rates are projected to increase through 2024, to 8.19% for the PPO plan and 6.02% for the HMO plan, before decreasing gradually for both plans to 4.04% in fiscal year 2075-2076 and thereafter.
July 1, 2019 Valuation:	6.7% and 5.2% for PPO and HMO plans, respectively for fiscal year 2019-2020. Pre-Medicare rates are projected to increase through 2023, to 8.6% for the PPO plan and 6.6% for the HMO plan, before decreasing gradually for both plans to 5.4% in 2072 and thereafter. Post-Medicare rates are projected to increase through 2023, to 8.2% for the PPO plan and 6.3% for the HMO plan, before decreasing gradually for both plans to 5.2% for the PPO plan and 5.3% for the HMO plan in 2072 and thereafter.
Retirees’ share of benefit-related costs	100% of projected health insurance premiums for retirees

Medical aging factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Marital status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	50% participation assumed, with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.
Health care participation (PPO)	50% participation assumed, with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.

Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The discount rates of 2.66% in 2020 and 2.79% in 2019 were both based on the S&P Municipal Bond High Grade Rate Index. The discount rate decreased to 2.66% as of measurement date June 30, 2020, from 2.79% as of measurement date June 30, 2019. Additionally, the discount rate decreased to 2.79% as of measurement date June 30, 2019, from 3.87% as of measurement date June 30, 2018.

The demographic actuarial assumptions for retirement, disability, withdrawal and salary merit scales used in the July 1, 2020 OPEB valuation are consistent with the assumptions used in the July 1, 2018 Actuarial Valuation of the FRS. The demographic assumptions were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2018 Actuarial Valuation were approved by the 2018 FRS Actuarial Assumption Conference. Mortality rates were updated to align with those used in the actuarial valuation of the FRS Pension Plan as of July 1, 2019. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. In previous years, mortality rates were based on the Generational RP-2000 with Projected Scale BB. The impact of this change is a decrease in the total OPEB liability of about 5%.

For the reporting period ended June 30, 2020, the demographic actuarial assumptions used in the July 1, 2019 OPEB valuation were consistent with the assumptions used in the July 1, 2018 Actuarial Valuation of the FRS. The demographic assumptions were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2018 Actuarial Valuation were approved by the 2018 FRS Actuarial Assumption Conference. Comparing with the previous valuation as of July 1, 2015, all the demographic assumptions remained unchanged except active mortality which was based on the Generational RP-2000 with Projected Improvement Scale BB and updated using the rates mandated by Chapter 2015-157, Laws of Florida, which amended Chapter 112.63, Florida Statutes for pension plans. The overall effect of the mortality change was very small and did not materially impact the results in the reporting period ended June 30, 2019.

(Continued)

The healthcare trend rates for the first five years used in the July 1, 2020 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2020 through June 30, 2025 as presented on August 5, 2020 at the Self-Insurance Estimating Conference. The Getzen Model was used to generate the long-term healthcare trends. The impact of the trend rate changes in the July 1, 2020 OPEB valuation is a small decrease in the actuarial liability, due primarily to lower trend rates in the first several years. In addition, the excise tax that was to come into effect in 2022 has been repealed. The impact of this change was a decrease in the actuarial liability of about 13%.

For the reporting period ended June 30, 2020, healthcare trend rates for the first five years used in the July 1, 2019 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2019 through June 30, 2024 as presented on August 6, 2019 at the Self-Insurance Estimating Conference.. The long-term healthcare trends were generated by the Getzen Model and included the potential impact of the excise tax that was to come into effect in 2022. The impact of the trend rate changes in the July 1, 2019 OPEB valuation was a decrease in the actuarial liability, due primarily to lower trend rates in the first several years. The impact of the potential excise tax was an increase in the actuarial liability of about 12%.

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 in Total OPEB Liability

The Fund’s changes in total OPEB liability for each fiscal year are presented below:

		2021	2020
Reporting period ending June 30,			
Reporting period beginning balance	$	506,699	410,333
Changes for the year:			
Service cost		26,322	18,054
Interest		14,364	16,295
Differences between expected and actual experience		(15,035)	(14,909)
Changes of assumptions or other inputs		(113,907)	70,166
Employer benefit payments		(7,028)	(6,933)
Changes of proportionate shares to the total OPEB liability and differences between the actual benefit payments and expected benefit payments		526	13,693
Net changes		(94,758)	96,366
Reporting period ending balance	$	411,941	506,699

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

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

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

Measurement Date as of June 30, 2019	**1% Decrease (1.79%)**	**Current Discount Rate (2.79%)**	**1% Increase (3.79%)**
Fund's proportionate share of the total OPEB liability	$612,712	$506,699	$424,236

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

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

Measurement date as of	**1% Decrease**	**Current Healthcare Cost Trend Rates***	**1% Increase**
June 30, 2020	$344,701	$411,941	$497,865

*Please refer to the Healthcare Cost Trend Rates information presented above in the *Actuarial and Other Input Assumptions*, for the July 1, 2020 OPEB valuation date.

Measurement date as of	**1% Decrease**	**Current Healthcare Cost Trend Rates***	**1% Increase**
June 30, 2019	$418,073	$506,699	$622,980

*Please refer to the Healthcare Cost Trend Rates information presented above in the *Actuarial and Other Input Assumptions*, for the July 1, 2019 OPEB valuation date.

(Continued)

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

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

Reporting Date as of June 30, 2021

Description		Deferred Outflows	Deferred Inflows
Change of assumptions or other inputs	$	54,460	(155,894)
Difference between expected and actual experience		—	(24,068)
Changes of proportionate share to the total OPEB liability and difference between the actual benefit payments and expected benefit payments		43,925	—
Transactions subsequent to the measurement date		6,814	—
Total	$	105,199	(179,962)

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above will be recognized as a reduction of the total OPEB liability in the reporting period ending June 30, 2022. 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
2022		(15,852)
2023		(15,852)
2024		(15,852)
2025		(15,852)
2026		(11,049)
Thereafter		(7,120)
Total	$	(81,577)

For the fiscal year ended June 30, 2020, the Fund recognized OPEB expense of $33,694, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Reporting Date as of June 30, 2020

Description		Deferred Outflows	Deferred Inflows
Change of assumptions or other inputs	$	63,531	(71,653)
Difference between expected and actual experience		—	(13,045)
Changes of proportionate share to the total OPEB liability and difference between the actual benefit payments and expected benefit payments		52,153	—
Transactions subsequent to the measurement date		7,207	—
Total	$	122,891	(84,698)

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, 2021. 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
2021		2,493
2022		2,494
2023		2,493
2024		2,493
2025		2,494
Thereafter		18,519
Total	$	30,986

(14) Subsequent Events

The Fund has reviewed and considered the events subsequent to the date of the combined financial statements through November 1, 2021, which is the date the combined financial statements were available to be issued, and are disclosing the following subsequent events:

On July 1, 2021, the remaining $650 million of Series 2016A Revenue Bonds matured and was paid using the bond proceeds.

(15) 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.

(Continued)

The following table provides the condensed combining assets information of the Fund as of June 30, 2021 (in thousands):

Assets		Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Current assets:				
Short-term investments		4,541,016	3,752,500	788,516
Investment sales receivable		301,974	301,974	—
Premium receivable		99,602	99,602	—
Accrued interest		31,764	22,633	9,131
Excess loss reimbursement receivable		5	5	—
Prepaid expenses		2	2	—
Total current assets		4,974,363	4,176,716	797,647
Long-term assets:				
Long-term investments		12,228,528	8,792,332	3,436,196
Capital assets, net of Accumulated depreciation		49	49	—
Total long-term assets		12,228,577	8,792,381	3,436,196
Total assets	$	17,202,940	12,969,097	4,233,843
Deferred outflows of resources:				
Deferred outflows related to pensions and OPEB (note 13)	$	861	861	—

The following table provides the condensed combining liabilities and net position information of the Fund as of June 30, 2021 (in thousands):

Liabilities		Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Current liabilities:				
Unpaid hurricane losses	$	2,536,239	2,536,239	—
Reimbursed losses payable		29,984	29,984	—
Accrued expenses		1,076	998	78
Bonds payable		650,000	—	650,000
Pending investment purchases		249,945	249,945	—
Accrued bond interest expense		38,424	—	38,424
Compensated absences		70	70	—
Net pension and OPEB liability (note 13)		12	12	—
Total current liabilities		3,505,750	2,817,248	688,502
Long-term liabilities, net of current portion:				
Bonds payable		3,500,000	—	3,500,000
Compensated absences		202	202	—
Net pension and OPEB liability (note 13)		2,368	2,368	—
Total long-term liabilities		3,502,570	2,570	3,500,000
Total liabilities	$	7,008,320	2,819,818	4,188,502
Deferred inflows of resources:				
Deferred inflows related to pensions and OPEB (note 13)	$	229	229	—
Net position:				
Net investment in capital assets		49	49	—
Unrestricted		10,195,203	10,149,862	45,341
Total net position	$	10,195,252	10,149,911	45,341

(Continued)

The following table provides the condensed combining revenues, expenses, and changes in net position information of the Fund for the year ended June 30, 2021 (in thousands):

		Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Operating revenues:				
Net premium revenue (net of reinsurance premium)	$	1,206,183	1,206,183	—
Net interest on premium adjustments		(254)	(254)	—
Net interest on loss disbursements and adjustments		15	15	—
Other		43	43	—
Total operating revenues		1,205,987	1,205,987	—
Operating expenses:				
Hurricane losses		1,300,000	1,300,000	—
Administrative and actuarial fees		3,121	3,121	—
Other professional fees		1,473	1,466	7
Personnel expenses		2,046	2,046	—
Depreciation		15	15	—
Other		134	134	—
Total operating expenses		1,306,789	1,306,782	7
Operating loss		(100,802)	(100,795)	(7)
Nonoperating revenue (expense):				
Investment income		34,239	30,553	3,686
Investment advisor fees		(3,707)	(2,910)	(797)
Settlement proceeds		150	150	—
Bond issuance expense		(8,355)	—	(8,355)
Custodian and bond trustee fees		(175)	(126)	(49)
Bond interest expense		(64,410)	—	(64,410)
Nonoperating revenue, net		(42,258)	27,667	(69,925)
Net income (loss) before transfers		(143,060)	(73,128)	(69,932)
Transfers to (from) component units		—	(26,467)	26,467
Transfers to other state agencies		(13,500)	(13,500)	—
Change in net position		(156,560)	(113,095)	(43,465)
Net position at beginning of year		10,351,812	10,263,006	88,806
Net position at end of year	$	10,195,252	10,149,911	45,341

FLORIDA HURRICANE CATASTROPHE FUND

Notes to Combined Financial Statements

June 30, 2021 and 2020

The following table provides the condensed combining cash flows information of the Fund for the year ended June 30, 2021 (in thousands):

		Combined	Florida Hurricane Catastrophe Fund	State Board of Administration Finance Corporation
Cash flows from operating activities:				
Net premium received	$	1,211,431	1,211,431	—
Hurricane losses paid		(1,417,274)	(1,417,274)	—
Loss reimbursement advances and interest		15	15	—
Other cash received from customers		43	43	—
Administrative and actuarial fees		(3,178)	(3,178)	—
Other professional fees		(1,447)	(1,440)	(7)
Personnel expenses		(1,834)	(1,834)	—
Other cash paid to vendors		(133)	(133)	—
Net cash used by operating activities		(212,377)	(212,370)	(7)
Cash flows from investing activities:				
Purchases of investments		(33,366,126)	(23,842,071)	(9,524,055)
Sales and maturities of investments		30,961,570	23,940,442	7,021,128
Interest received		191,972	156,831	35,141
Settlement proceeds		150	150	—
Investment advisor fees		(3,659)	(2,914)	(745)
Investment custodian fees		(127)	(94)	(33)
Net cash provided (used) by investing activities		(2,216,220)	252,344	(2,468,564)
Cash flows from noncapital financing activities:				
Transfers to other state agencies		(13,500)	(39,967)	26,467
Cash received from the issuance of debt		3,491,639	—	3,491,639
Bond principal paid		(1,000,000)	—	(1,000,000)
Bond interest paid		(49,535)	—	(49,535)
Net cash provided (used) by noncapital financing activities		2,428,604	(39,967)	2,468,571
Cash flows from capital and related financing activities:				
Purchases of capital assets		(7)	(7)	—
Net increase in cash and cash equivalents		—	—	—
Cash and cash equivalents at beginning of year		—	—	—
Cash and cash equivalents at end of year	$	—	—	—

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

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
6/30/2021	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: The inflation rate assumption was reduced from 2.60% to 2.40%. For all fiscal years prior to 2021, the inflation rate assumption was 2.60%. The overall payroll growth rate assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2021.

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

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

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, 2021, is as of measurement date June 30, 2020. 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.

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

(Continued)

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

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
6/30/2021	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 30,2021, the inflation rate assumption was reduced from 2.60% to 2.40%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
The overall payroll growth assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2021.
The municipal bond rate used to determine total pension liability for each fiscal year ended June 30, was as follows:

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

[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, 2021, is as of measurement date June 30, 2020. 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).

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

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

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)
6/30/2021	$ 143,639	$ 143,639	-	$ 1,255,101	11.44%
6/30/2020	117,924	117,924	-	1,220,376	9.66%
6/30/2019	112,836	112,836	-	1,140,851	9.89%
6/30/2018	101,280	101,280	-	1,081,584	9.36%
6/30/2017	84,998	84,998	-	1,038,160	8.19%
6/30/2016	69,114	69,114	-	1,036,792	6.67%
6/30/2015	64,650	64,650	-	983,644	6.57%
6/30/2014	52,457	52,457	-	900,947	5.82%

Retiree Health Insurance Subsidy

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

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

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

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

Fiscal Year End	2021	2020	2019	2018
Total OPEB Liability	$ 10,290,045,182	$ 12,658,249,434	$ 10,551,552,000	$ 10,811,085,000
Fund's proportion of the total OPEB liability	0.00400%	0.00400%	0.00389%	0.00370%
Fund's proportionate share of the total OPEB liability	$ 411,941	$ 506,699	$ 410,333	$ 400,257
Fund's covered-employee payroll	$ 1,222,905	$ 1,141,601	$ 1,081,584	$ 1,038,160
Fund's proportionate share of the total OPEB liability as a percentage of covered-employee payroll	33.69%	44.38%	37.94%	38.55%

* 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.

FLORIDA HURRICANE CATASTROPHE FUND

Required Supplementary Information (Unaudited)

June 30, 2021 and 2020

Schedule of Changes in the Fund's Total OPEB Liability and Related Ratios

Last 10 Fiscal Years*

Reporting Period Ending June 30,	2021	2020	2019	2018
Changes for the year:				
Service cost	$ 26,322	$ 18,054	$ 17,499	$ 21,447
Interest	14,364	16,295	15,556	13,439
Changes of benefit terms	-	-	-	-
Differences between expected and actual experienc	(15,035)	(14,909)	-	-
Changes of assumptions or other inputs	(113,907)	70,166	(36,974)	(67,030)
Benefit payments	(7,028)	(6,933)	(9,111)	(10,203)
Change of proportionate shares to the total OPEB liability and differences between the actual benefit payments and expected benefit payments	526	13,693	23,106	31,489
Net change in total OPEB liability	(94,758)	96,366	10,076	(10,858)
Fund's total OPEB liability-beginning	506,699	410,333	400,257	411,115
Fund's total OPEB liability-ending	$ 411,941	$ 506,699	$ 410,333	$ 400,257
Fund's covered-employee payroll	$ 1,222,905	1,141,601	$ 1,081,584	$ 1,038,160
Fund's total OPEB liability as a percentage of	33.69%	44.38%	37.94%	38.55%

Notes to Schedule:

The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB) does not have assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Potential factors that may significantly decrease/increase the Fund's total OPEB liability reported as of June 30, 2021 include discount rate, inflation rate, salary increases, payroll grow th, healthcare inflation, retiree contribution increase rate, medical aging factors, healthcare participation, healthcare cost trends, mortality rates, and other demographic assumptions.

Changes of benefit terms : There have been no changes in benefit terms.

Change in mortality rates: Mortality rates w ere updated to align w ith those used in the actuarial valuation of the FRS Pension Plan. Rates w ere previously based on RP-2000 mortality tables w ith fully generational improvement using Scale BB. Underlying tables w ere updated to use Pub-2010 mortality tables w ith fully generational improvement using Scale MP-2018. This change decreased the total OPEB liability in fiscal year 2021 by about 5%.

Excise ("Cadillac") Tax: The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that w as to go into effect in 2022. The impact of this change w as an increase in liabilities of about 12% in the total. Since the previous valuation, this tax w as repealed. The current valuation as of July 2020 reflects this. The impact of this change is a decrease in the total OPEB liability reported in fiscal year 2021 of about 13%.

Changes in discount rate by reporting period ended June 30:

- Reporting period ended June 30, 2021: The discount rate decreased from 2.79% to 2.66%
- Reporting period ended June 30, 2020: The discount rate decreased from 3.87% to 2.79%
- Reporting period ended June 30, 2019: The discount rate increased from 3.58% to 3.87%
- Reporting period ended June 30, 2018: The discount rate increased from 2.85% to 3.58%

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

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' 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), which comprise the combined statement of net position as of June 30, 2021, and the related combined statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated November 1, 2021.

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 combined 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 may exist that have not been identified.

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*.

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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Minneapolis, Minnesota
November 1, 2021