Historical Review of Florida State Board of Administration (SBA) Expected Return on Pension Assets

Florida Retirement System (FRS) Assumption Conference

October 20, 2022

Table of Contents

1

Executive Summary

Executive Summary

Purpose

Review SBA's approach to capital market expectations and its implications on the 2022 asset-liability study

Assumptions

SBA uses the equity risk premiums from three consulting firms (Aon, Mercer, and Wilshire) to remove any biases from any one firm

Using the SBA approach, the assumed equity risk premium decreased from 3.92% in 2021 to 3.30% in 2022 resulting in an expected return assumption of 6.87% for the 2022 asset-liability study

- The equity risk premium applies to 81% of the target asset allocation (i.e., the "return-seeking assets")

Aon benchmarks its assumptions annually against the Horizon Survey; our assumptions tend to be middle of the pack relative to other investment advisors, with a few minor exceptions

Portfolio Construction

The current portfolio is well-diversified; return-seeking assets are broadly diversified while safety / risk-reducing assets should withstand stressed markets

Compared to the public pension universe, FRS' assumed rate of return for FYE 2021 (6.80%) was below the median (7.00%) relative to U.S. public pension plans; using NASRA's assumptions as of July 2022, the median return assumption remains 7.00%

If FRS exceeds (or falls short of) the actuarial return assumption, lower (or higher) funding will be needed in future years

2

Assumptions

- Development
- Benchmarking via Horizon Survey

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Assumptions | Development

Overview

The SBA approach averages the global equity risk premiums[1] from three investment advisors (Aon Investments, Mercer, and Wilshire)

Building block approach is used

- Price inflation and fixed income returns reflect market conditions and yields
- For all other asset classes (“risk assets”), a risk premium is added to fixed income returns

Average risk premium is used to scale Aon Investments’ expected returns for the “risk assets”

The difference between Aon Investments’ equity risk premium and the average equity risk premium is added to all of the “risk asset” capital market assumptions from Aon Investments to normalize the expected returns

[1] Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk; all returns are 15-year geometric average (compounded) expected returns

Assumptions | Development
Equity Risk Premium

The SBA averages the global equity risk premiums[1] from three consulting firms[2] and then uses that average risk premium to scale Aon Investments' expected returns for the "risk assets"

2022 Average Global Equity Risk Premium = Average (Global Equity Return – U.S. Bond Return) = 3.30%

	Aon Investments	**Mercer**	**Wilshire**	**Callan[2]**	**Average**
2022 Assumptions (15-year geometric average expected returns)					
- As of Date	June 2022	July 2022	June 2022		
- Global Equity	7.75%	6.97%	6.60%	N/A	7.11%
- Core U.S. Bonds	3.80%	3.57%	4.05%	N/A	3.81%
- Global Equity Risk Premium	3.95%	3.40%	2.55%	N/A	**3.30%**
2021 Global Equity Risk Premium	4.55%	3.67%	3.55%	N/A	3.92%
Change 2022 vs. 2021	-0.60%	-0.27%	-1.00%	N/A	-0.62%
Prior Years:					
- 2020	5.50%	4.77%	5.20%	N/A	5.15%
- 2019	4.55%	3.70%	3.40%	N/A	3.88%
- 2018	4.10%	3.53%	2.90%	3.93%	3.62%

[1] Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk.

[2] Callan was previously included in the averaging but removed starting in 2019 because its capital market assumption date did not coincide with the same timeframe as the other consultants and the asset-liability study; Callan only updates their capital market assumptions once a year while the other consultants update quarterly

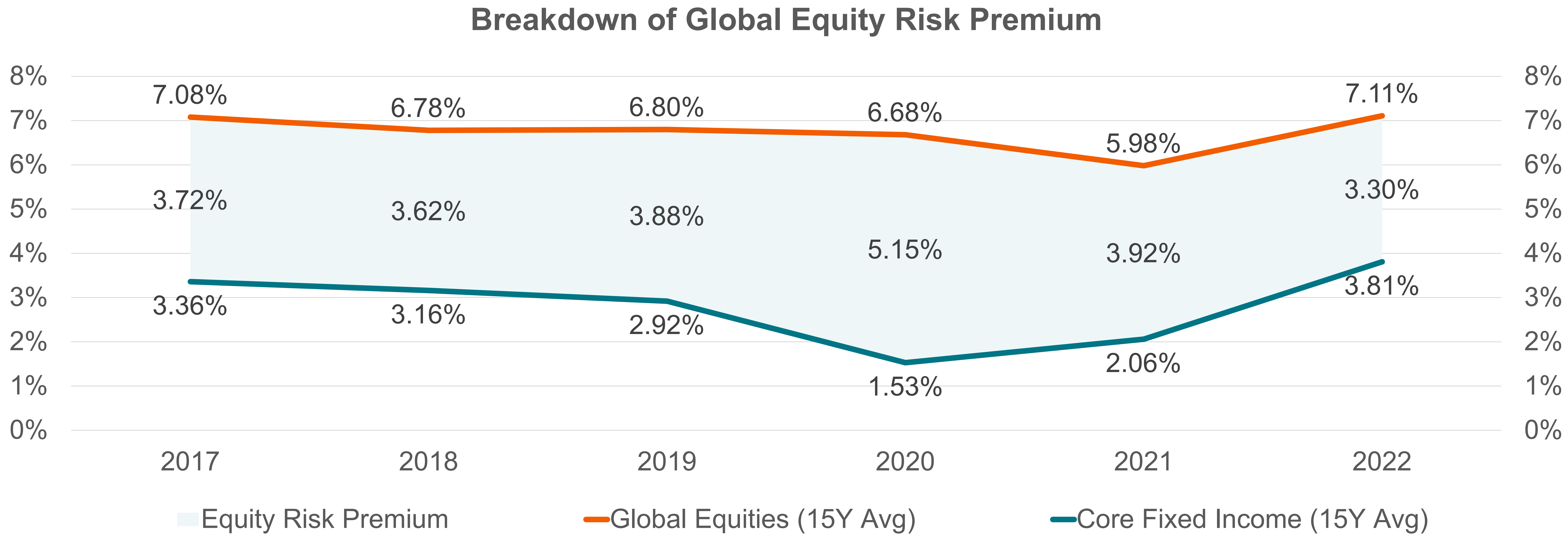
Calculations may not sum to total due to rounding

Assumptions | Development

Breakdown of Equity Risk Premium Assumption

The decrease in the 2022 equity risk premium[1] was driven by the increase in projected fixed income returns outpacing the increase in projected equity returns

- Below is a 6-year historical look at the breakdown of the global equity risk premium

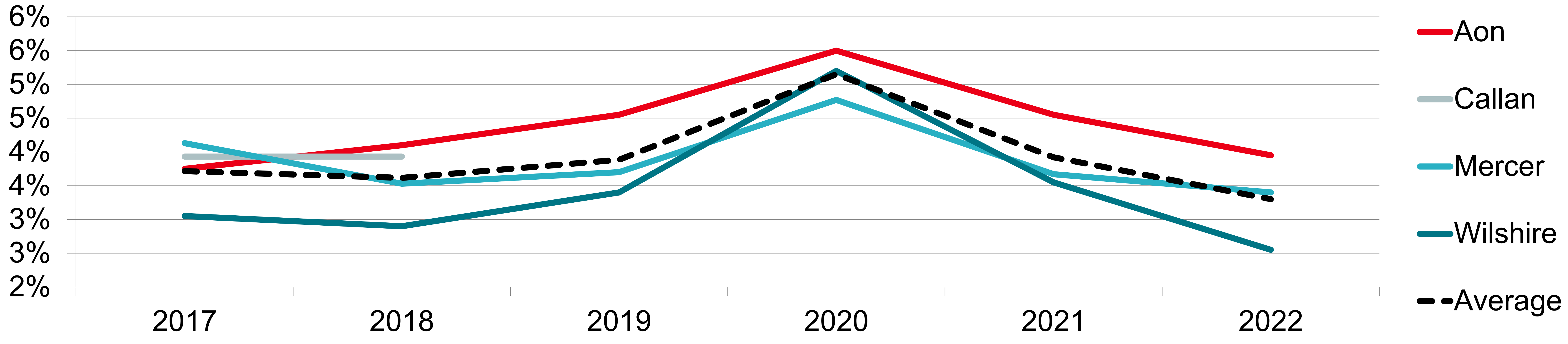


[1] Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk; all returns are 15-year geometric average (compounded) expected returns

Assumptions | Development

Historical Equity Risk Premium Assumption

Average Global Equity Risk Premium = Average (Global Equity Return – U.S. Bond Return)



Equity Risk Premium[1]	Asset-Liability Study					
	2017	**2018**	**2019**	**2020**	**2021**	**2022**
Aon	3.75%	4.10%	4.55%	5.50%	4.55%	3.95%
Callan	3.93%	3.93%	N/A	N/A	N/A	N/A
Mercer	4.13%	3.53%	3.70%	4.77%	3.67%	3.40%
Wilshire	3.05%	2.90%	3.40%	5.20%	3.55%	2.55%
Average	3.72%	3.62%	3.88%	5.15%	3.92%	3.30%

Aon Investments' capital market assumptions for risk assets were scaled by **-65bps** in the 2022 asset-liability study

[1] Equity Risk Premium is defined as the excess return earned over bonds that compensates investors for taking on higher risk; all returns are 15-year geometric average (compounded) expected returns

Benchmarking Our Assumptions vs. Peers

2022 Horizon Survey Results

What is the Horizon Survey?

Since 2010, Horizon Actuarial Services, LLC has conducted a capital market assumption survey of investment firms to aid in determining reasonable assumptions for a pension plan's expected return on assets

- While Aon does not seek to change our approach based on how we stack up to peers, it is a helpful double-check to make sure we are not too far off from others in the industry

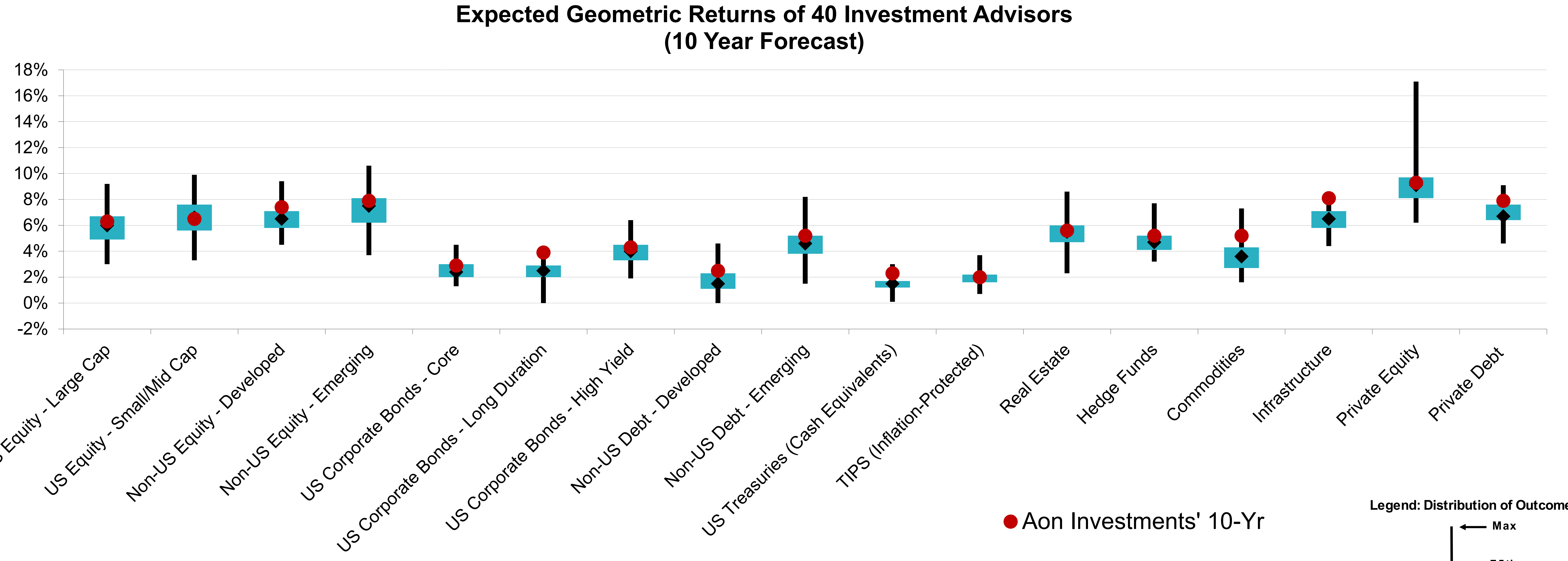
How does Aon compare to the 2022 survey results?

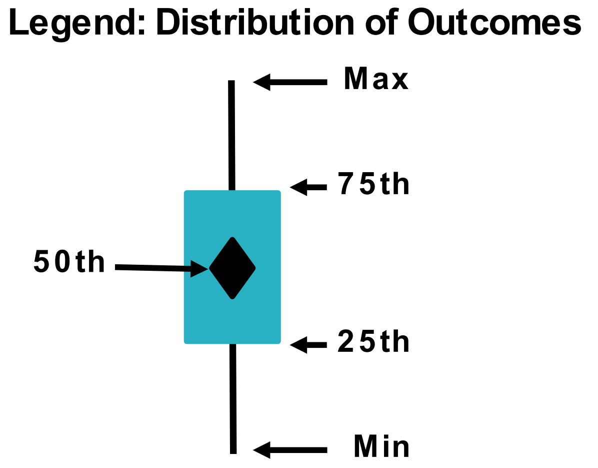
Aon Investments' 2022 10-year forecast assumptions (as of March 31, 2022)

- ***Equities:*** approximately middle of the pack for U.S. and Non-U.S. equities; higher for Non-US Developed
- ***Fixed Income:*** approximately middle of the pack relative to the survey's median level; higher for Long Duration Credit, U.S. Treasuries, and Non-US Debt
- ***Alternatives:*** approximately middle of the pack relative to the survey's median level; higher for Commodities, Infrastructure, and Private Debt

Aon Investments’ Capital Market Assumptions vs. Horizon Survey

10-Year Forecast





Source: Horizon Actuarial Solutions, LLC survey of 2022 capital market assumptions from 40 independent investment advisors
Expected returns of the survey are annualized over 10-years (geometric).
Aon Investments’ expected returns are annualized over 10-years as of 2Q 2022 (3/31/2022)

3

Portfolio Construction

- SBA Portfolio Analysis
- Peer Comparison
- Asset-Liability Projection Analysis

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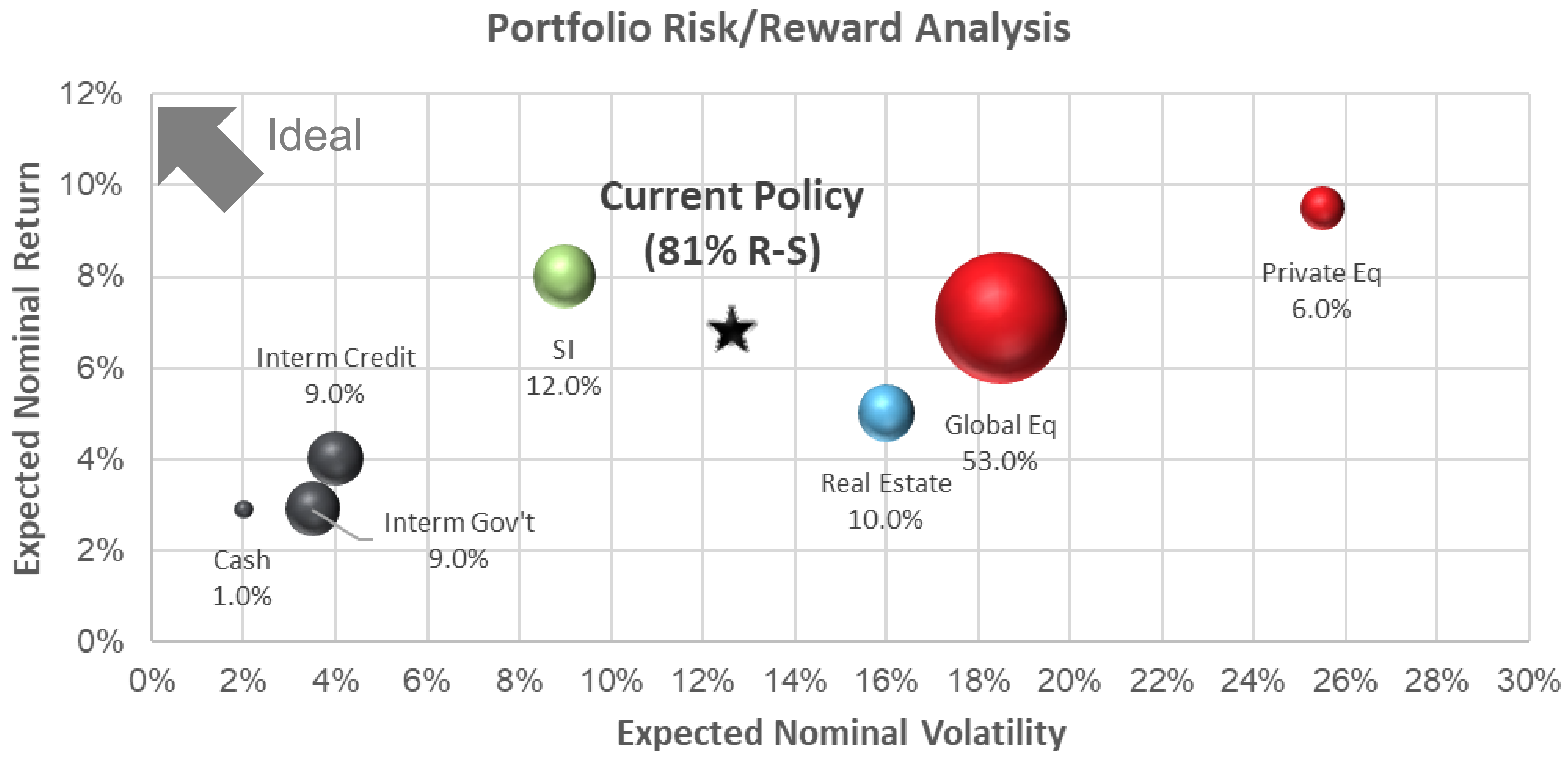
SBA Portfolio Analysis | Current Portfolio

Current Diversification Results in an Expected Return of 6.87%[1]



Legend:

Bubble size proportional to current asset allocation (i.e., larger bubbles = larger allocations); Asset classes are color coded:

- Equities (red), Strategic Investments (green), Real Assets (blue), Safety (black)

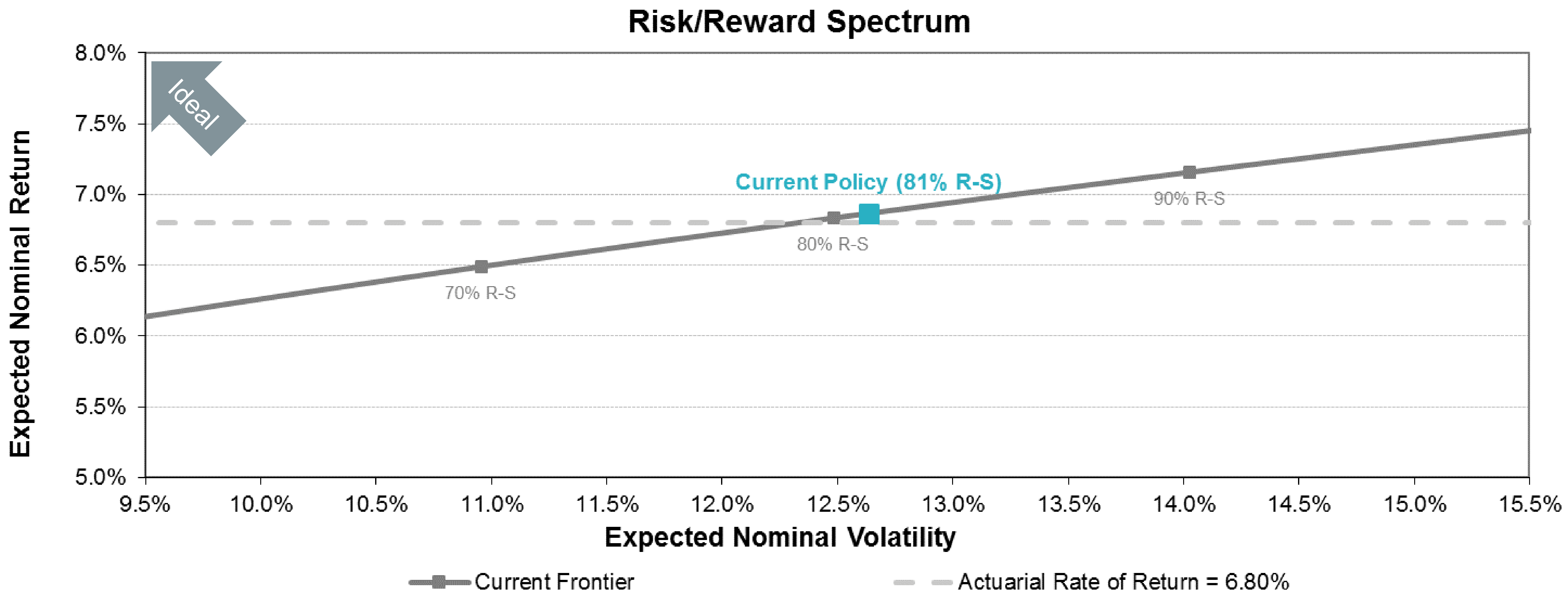
Asset Class – Target %	Expected Real Return[1]	Expected Nominal Return[1]	Expected Nominal Volatility
Equity			
Global Equity – 53%	4.6%	7.1%	18.5%
Fixed Income			
Cash – 1%	0.5%	2.9%	2.0%
Intermediate Gov't Bonds – 9%	0.5%	2.9%	3.5%
Intermediate Corporate Bonds – 9%	1.6%	4.0%	4.0%
Alternatives			
Strategic Investments – 12%	5.5%	8.0%	9.0%
Real Estate – 10%	2.5%	5.0%	16.0%
Private Equity – 6%	6.9%	9.5%	25.5%
Portfolio Metrics (30-Year Assumptions)			
Total Fund[2]	**4.38%**	**6.87%**	**12.64%**

[1] Expected returns are using AIUSA Q3 2022 30-Year Capital Market Assumptions (CMAs) as of June 30, 2022 adjusted for the delta in Global Equity Risk Premium (ERP) among three investment advisors: Mercer, Wilshire, and Aon Investments (-65bps adjustment), which are projections about the future returns of asset classes. For asset classes that can be implemented passively, which includes most public assets, alpha and active management fees are not included in the return expectations. For asset classes that can only be implemented actively, such as hedge funds and private assets, we assume alpha and higher active manager fees. Expected returns are geometric (long-term compounded). Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. AIUSA's advisory fees are described in Part 2A of AIUSA's Form ADV. Not a guarantee of future results. See appendix for capital market assumptions disclosure pages.

[2] The portfolio's expected return of 6.87% is based upon current policy target weights for each asset class and the asset classes' expected returns and correlations. The portfolio's expected return is subject to change should the current policy targets change and/or the investment objective of an asset class change. Currently, the State Board of Administration (SBA) is performing a structural review of the Strategic Investments asset class and its role in the portfolio. Results of the structural review may lead to a different investment objective for the asset class and/or changes in policy target weights.

SBA Portfolio Analysis

Risk/Reward Spectrum (From 2022 Asset-Liability Study)



Key Takeaways:

- Current portfolio has an expected return of **6.87%**
- The current portfolio is well-diversified
  - Return-seeking assets are broadly diversified
  - Safety asset allocation should withstand stressed markets

Strategy	Expected Nominal Return[1,2]	Expected Nominal Volatility	Sharpe Ratio	Return-Seeking Assets: Public Equity	Private Equity	Strategic Allocation	Real Estate	Risk-Reducing / Safety Assets: Cash	Interm. Duration Gov't Bonds	Interm. Duration Credit Bonds
Current Policy (81% R-S)	6.87%	12.64%	0.314	53%	6%	12%	10%	1%	9%	9%
Current Efficient Frontier										
60% Return-Seeking	6.13%	9.45%	0.341	39%	4%	9%	7%	1%	20%	20%
70% Return-Seeking	6.49%	10.95%	0.328	46%	5%	10%	9%	1%	15%	15%
80% Return-Seeking	6.84%	12.48%	0.315	52%	6%	12%	10%	1%	10%	10%
90% Return-Seeking	7.16%	14.03%	0.304	59%	7%	13%	11%	1%	5%	5%
100% Return-Seeking	7.47%	15.58%	0.293	65%	7%	15%	12%	0%	0%	0%

[1] Expected returns are using AIUSA Q3 2022 30-Year Capital Market Assumptions (CMAs) as of June 30, 2022 adjusted for the delta in Global Equity Risk Premium (ERP) among three investment advisors: Mercer, Wilshire, and Aon Investments (-65bps adjustment), which are projections about the future returns of asset classes. For asset classes that can be implemented passively, which includes most public assets, alpha and active management fees are not included in the return expectations. For asset classes that can only be implemented actively, such as hedge funds and private assets, we assume alpha and higher active manager fees. Expected returns are geometric (long-term compounded). Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. AIUSA's advisory fees are described in Part 2A of AIUSA's Form ADV. Not a guarantee of future results. See appendix for capital market assumptions disclosure pages.

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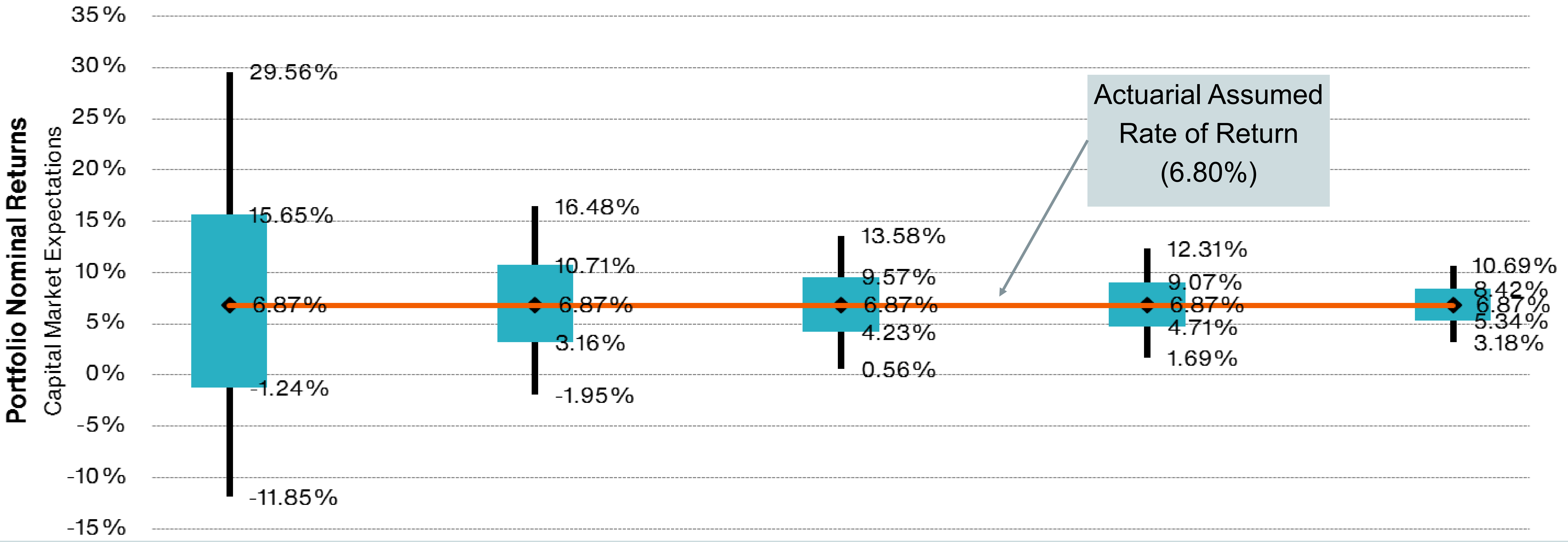
Percentages may not sum to 100% due to rounding.

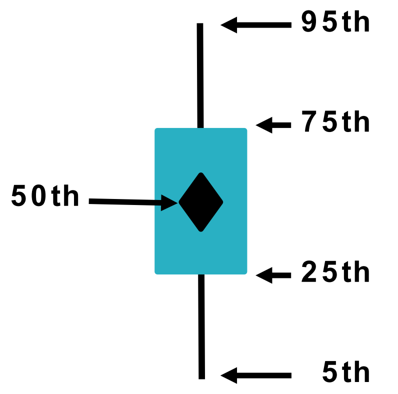
SBA Portfolio Analysis

Range of Nominal Returns[1] (From 2022 Asset-Liability Study)



Percentile	Current Policy – 1 Year	Current Policy – 5 Year	Current Policy – 10 Year	Current Policy – 15 Year	Current Policy – 30 Year
5th	-11.85%	-1.95%	0.56%	1.69%	3.18%
25th	-1.24%	3.26%	4.23%	4.71%	5.34%
50th	6.87%	6.87%	6.87%	6.87%	6.87%
75th	15.65%	10.71%	9.57%	9.07%	8.42%
95th	29.56%	16.48%	13.58%	12.31%	10.69%

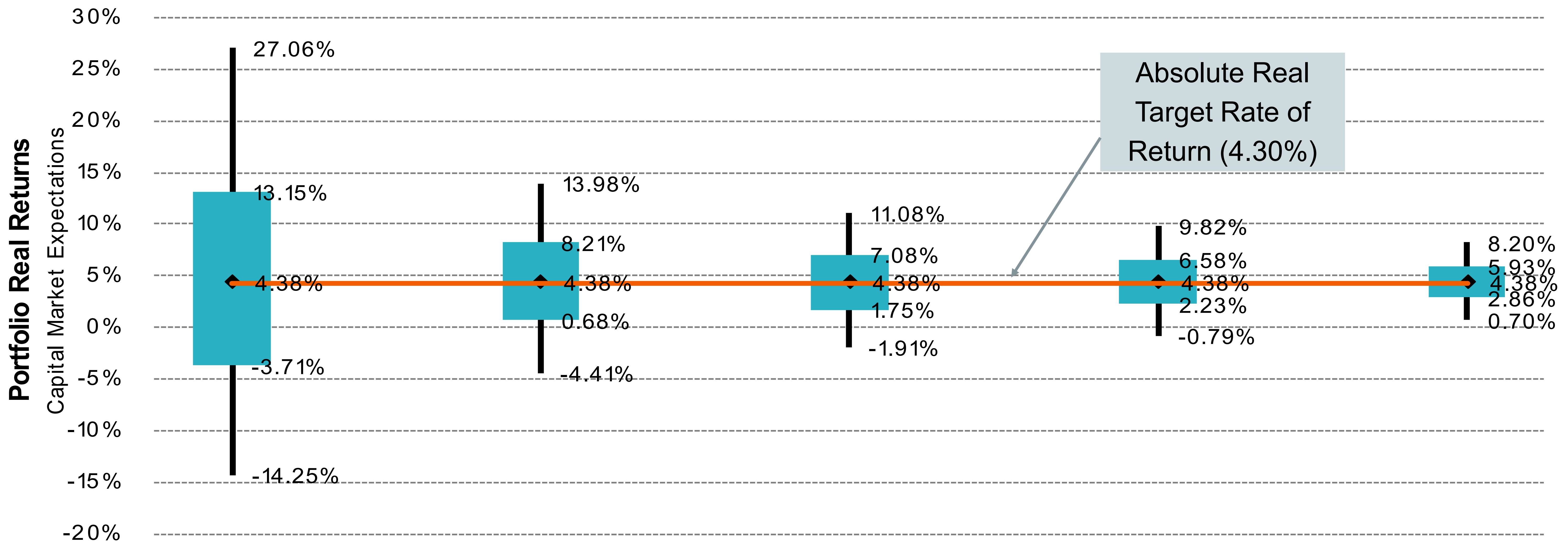
Legend: Distribution of Outcomes



[1] Expected returns are using AIUSA Q3 2022 30-Year Capital Market Assumptions (CMAs) as of June 30, 2022 adjusted for the delta in Global Equity Risk Premium (ERP) among three investment advisors: Mercer, Wilshire, and Aon Investments (-65bps adjustment), which are projections about the future returns of asset classes. For asset classes that can be implemented passively, which includes most public assets, alpha and active management fees are not included in the return expectations. For asset classes that can only be implemented actively, such as hedge funds and private assets, we assume alpha and higher active manager fees. Expected returns are geometric (long-term compounded). Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. AIUSA's advisory fees are described in Part 2A of AIUSA's Form ADV. Not a guarantee of future results. See appendix for capital market assumptions disclosure pages.

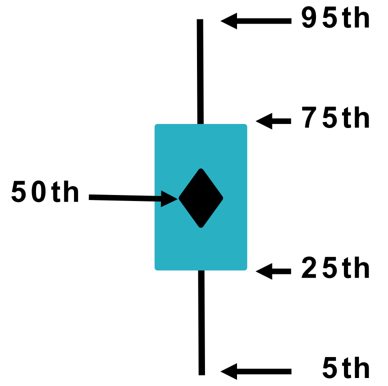
SBA Portfolio Analysis

Range of Real Returns[1] (From 2022 Asset-Liability Study)



Percentile	Current Policy – 1 Year	Current Policy – 5 Year	Current Policy – 10 Year	Current Policy – 15 Year	Current Policy – 30 Year
5th	-14.25%	-4.41%	-1.91%	-0.79%	0.70%
25th	-3.71%	0.68%	1.75%	2.23%	2.86%
50th	4.38%	4.38%	4.38%	4.38%	4.38%
75th	13.15%	8.21%	7.08%	6.58%	5.93%
95th	27.06%	13.98%	11.08%	9.82%	8.20%

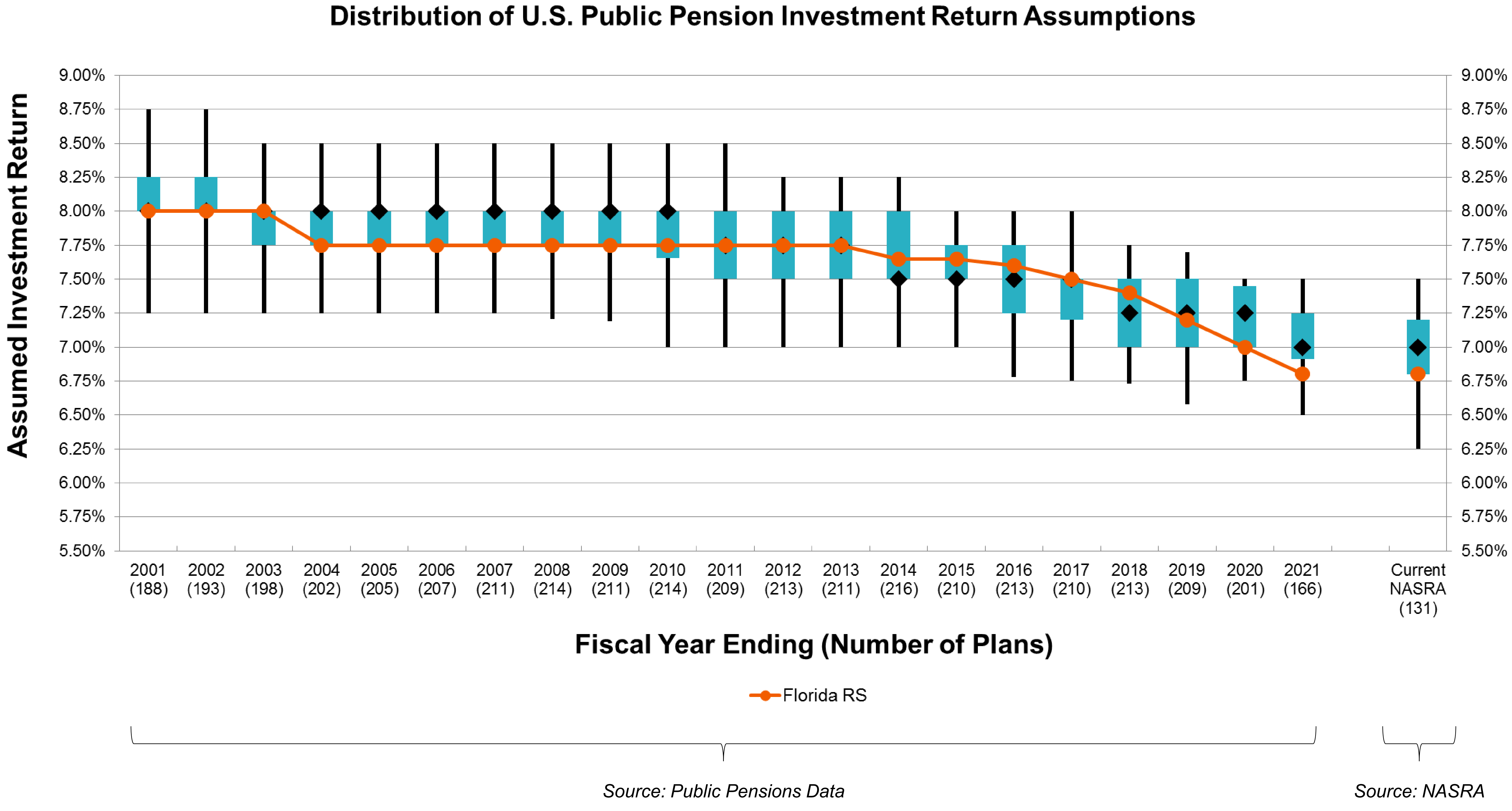
Legend: Distribution of Outcomes



[1] Expected returns are using AIUSA Q3 2022 30-Year Capital Market Assumptions (CMAs) as of June 30, 2022 adjusted for the delta in Global Equity Risk Premium (ERP) among three investment advisors: Mercer, Wilshire, and Aon Investments (-65bps adjustment), which are projections about the future returns of asset classes. For asset classes that can be implemented passively, which includes most public assets, alpha and active management fees are not included in the return expectations. For asset classes that can only be implemented actively, such as hedge funds and private assets, we assume alpha and higher active manager fees. Expected returns are geometric (long-term compounded). Expected returns presented are models and do not represent the returns of an actual client account. Your actual returns will be reduced by your advisory fees and other expenses you may incur as a client. AIUSA's advisory fees are described in Part 2A of AIUSA's Form ADV. Not a guarantee of future results. See appendix for capital market assumptions disclosure pages.

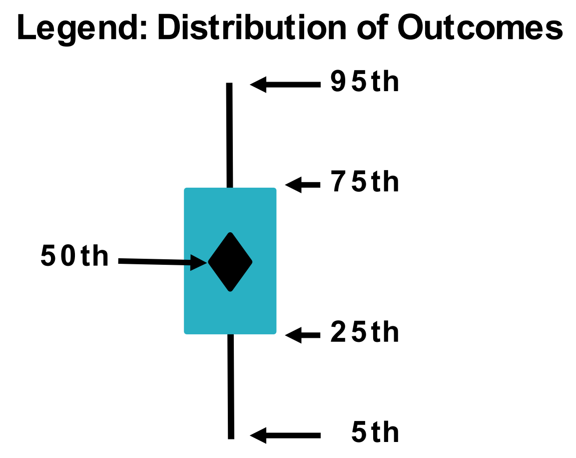
Peer Comparison

Expected Return Assumption versus Peers[1]



Key Takeaways:

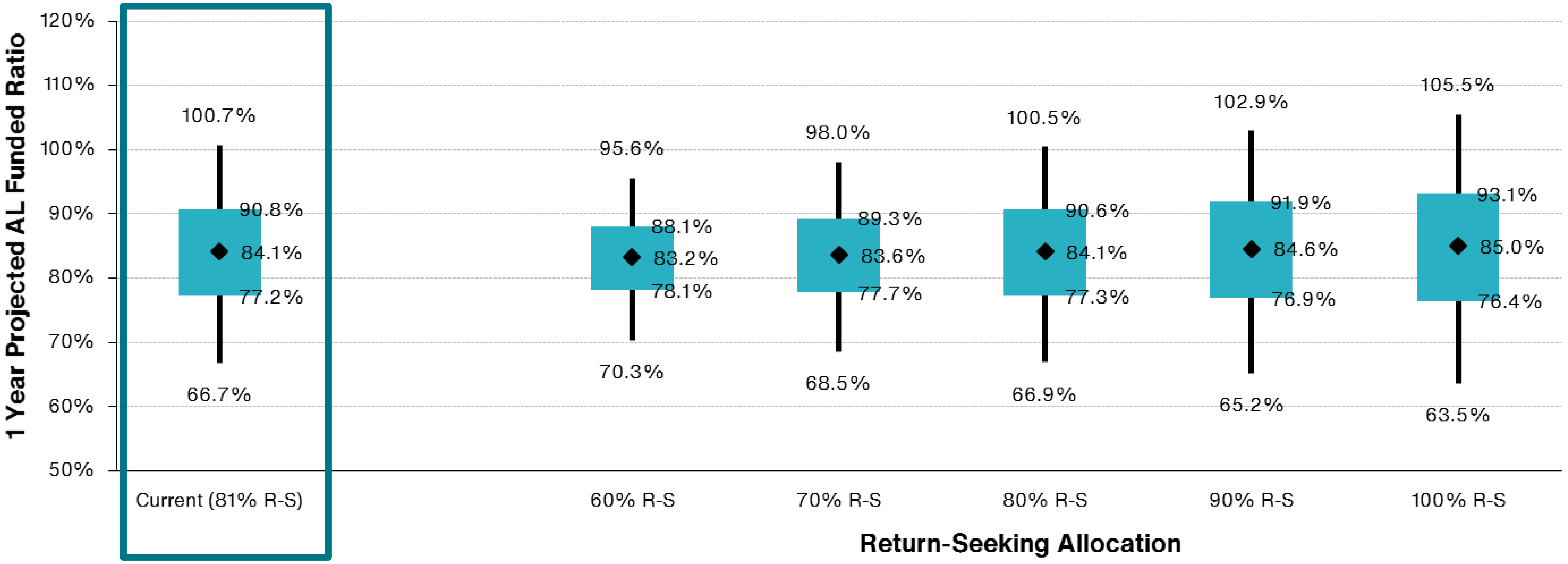
- The historical actuarial assumption trend for investment returns has declined from an 8.00% median in FYE 2001-2010 to 7.00% as of FYE 2021, per Public Plans Data[1]
- Current actuarial assumptions, as tracked by NASRA as of July 2022, have a median actuarial assumption of 7.00%



Sources: Public Plans Data (publicplansdata.org) as of July 2022; NASRA downloadable investment return assumptions as of July 2022
[1] Peers defined as public funds published within publicplansdata.org as of July 2022; Number of plans per year are shown in parentheses

Asset-Liability Projection Analysis

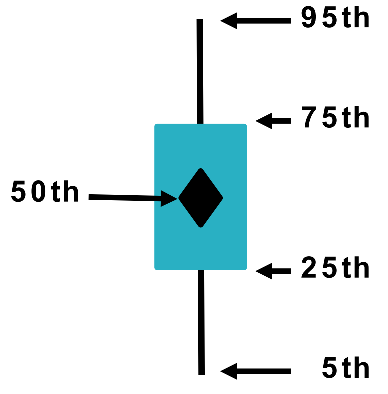
Short-Term (1 Year) | Market Value of Assets / Actuarial Liability Funded Ratio



Key Takeaways:

- Higher risk portfolios are projected to have both more upside and downside potential over a short time horizon (1 year in this exhibit)
- Similarly, lower risk portfolios will have a narrower range of potential outcomes

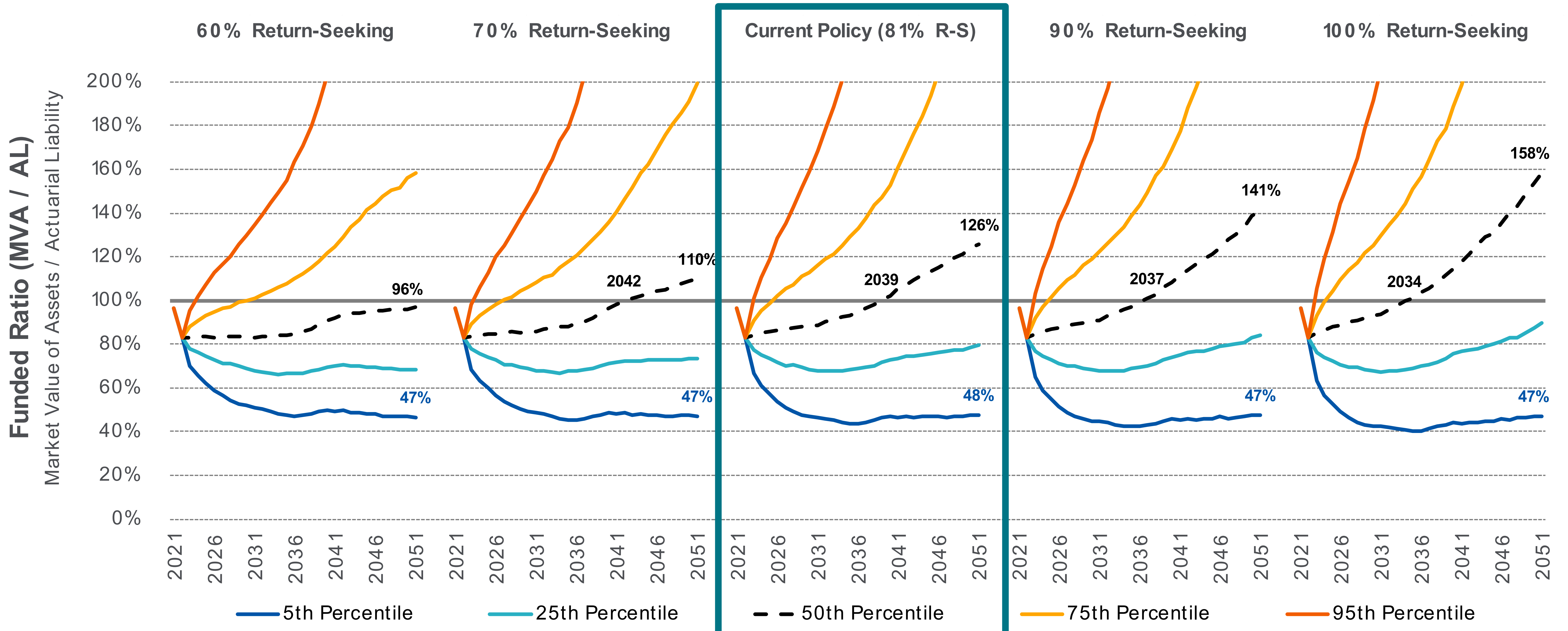
Legend: Distribution of Outcomes



* Projections assume constant 6.80% discount rate for pension liabilities for all investment policies studied

Asset-Liability Projection Analysis

Long-Term | Market Value of Assets / Actuarial Liability Funded Ratio



Strategy	60% Return-Seeking			70% Return-Seeking			Current Policy (81% R-S)			90% Return-Seeking			100% Return-Seeking		
Year	2031	2041	2051	2031	2041	2051	2031	2041	2051	2031	2041	2051	2031	2041	2051
5th Percentile	51%	49%	47%	49%	48%	47%	47%	47%	48%	45%	45%	47%	43%	44%	47%
25th Percentile	68%	70%	68%	68%	72%	74%	68%	74%	79%	68%	75%	84%	67%	77%	89%
50th Percentile	83%	92%	97%	86%	98%	110%	89%	105%	126%	91%	111%	141%	94%	118%	158%
75th Percentile	101%	125%	159%	108%	140%	199%	116%	160%	>200%	122%	178%	>200%	130%	199%	>200%
95th Percentile	135%	>200%	>200%	150%	>200%	>200%	169%	>200%	>200%	186%	>200%	>200%	>200%	>200%	>200%

* Projections assume constant 6.80% discount rate for pension liabilities for all investment policies studied

Key Takeaways:

- Under the Current Policy (81% R-S), the funded ratio is expected to decrease with FYE 2022 performance, then increase over the projection period in the central expectation (50th percentile outcome)
- Higher return-seeking allocations will increase the central trendline of funded ratio faster, albeit with more volatility
- Downside risk (5th percentile outcomes) illustrates a small likelihood of significant funded ratio deterioration over the projection period

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Conclusions

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Conclusions

Assumptions

SBA uses an averaging approach to reduce the bias of any one firm's capital market assumptions

Using the SBA approach, averaging the equity risk premiums from three consulting firms, the expected return on pension assets from the 2022 asset-liability study was 6.87%

Aon's assumptions tend to be middle of the pack relative to other investment advisors in the Horizon Survey, with a few minor exceptions

Portfolio Construction

The current portfolio is well-diversified; return-seeking assets are broadly diversified while safety/risk-reducing assets should withstand stressed markets

FRS' assumption for FYE 2021 (6.80%) was below the median (7.00%) relative to its peers; using NASRA's assumptions as of July 2022, the median return assumption remains 7.00%

5
Appendix

Asset-Liability Management Overview

What is an Asset-Liability Study?

What?

A comprehensive toolkit for making decisions on a fund's asset allocation and investment risk that align with the liabilities those funds support

Why?

Aon believes optimal decisions regarding pension plan management are made when they are based on a clear understanding of the assets and liabilities and how they interact

When?

Aon suggests conducting asset-liability studies every 3 to 5 years depending on client specifics, or more frequently should circumstances dictate

How?

Identify future trends in the financial health of the fund based on economic uncertainties that may not be evident from an actuarial valuation

Portfolio Construction | SBA Portfolio Analysis

Rationale for Diversification | Variability in Top Performing Asset Classes

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
SI Investments 28.9	Global Equity 31.0	Real Estate 12.8	Global Equity 18.6	Global Equity 23.5	Private Equity 14.6	Real Estate 12.7	Global Equity 19.7	Private Equity 17.3	Private Equity 16.0	Fixed Income 6.8	Private Equity 68.5	Private Equity 24.2
Private Equity 21.5	Total Fund 22.1	Fixed Income 7.8	SI Investments 16.2	Private Equity 19.9	Real Estate 11.9	Private Equity 6.2	Private Equity 18.3	Global Equity 11.6	Real Estate 7.1	Private Equity 3.4	Global Equity 41.8	Real Estate 22.4
Global Equity 15.2	SI Investments 19.2	Private Equity 6.8	Real Estate 14.9	Total Fund 17.4	SI Investments 6.8	Fixed Income 4.3	Total Fund 13.8	Total Fund 9.0	Fixed Income 6.8	Total Fund 3.1	Total Fund 29.5	SI Investments 7.8
Fixed Income 14.9	Real Estate 18.4	SI Investments 3.7	Total Fund 13.1	Real Estate 14.9	Total Fund 3.7	SI Investments 1.8	SI Investments 9.9	SI Investments 7.8	Total Fund 6.3	Global Equity 2.1	SI Investments 17.2	Cash 0.2
Total Fund 14.0	Private Equity 18.0	Total Fund 0.3	Private Equity 10.7	SI Investments 13.2	Fixed Income 2.0	Total Fund 0.5	Real Estate 8.7	Real Estate 7.2	SI Investments 5.2	Real Estate 1.6	Real Estate 8.6	Total Fund -6.3
Cash 2.0	Fixed Income 6.1	Cash 0.3	Fixed Income 0.4	Fixed Income 3.8	Global Equity 1.9	Cash 0.3	Cash 0.6	Cash 1.4	Global Equity 5.0	Cash 1.5	Fixed Income 0.9	Fixed Income -8.0
Real Estate -10.2	Cash 0.4	Global Equity -5.1	Cash 0.3	Cash 0.2	Cash 0.2	Global Equity -3.1	Fixed Income 0.3	Fixed Income -0.2	Cash 2.3	SI Investments 0.0	Cash 0.1	Global Equity -17.1

Ultimate Retirement Benefit Cost Equation

The cost ultimately borne by the Plan will be represented by the financing equation shown below:

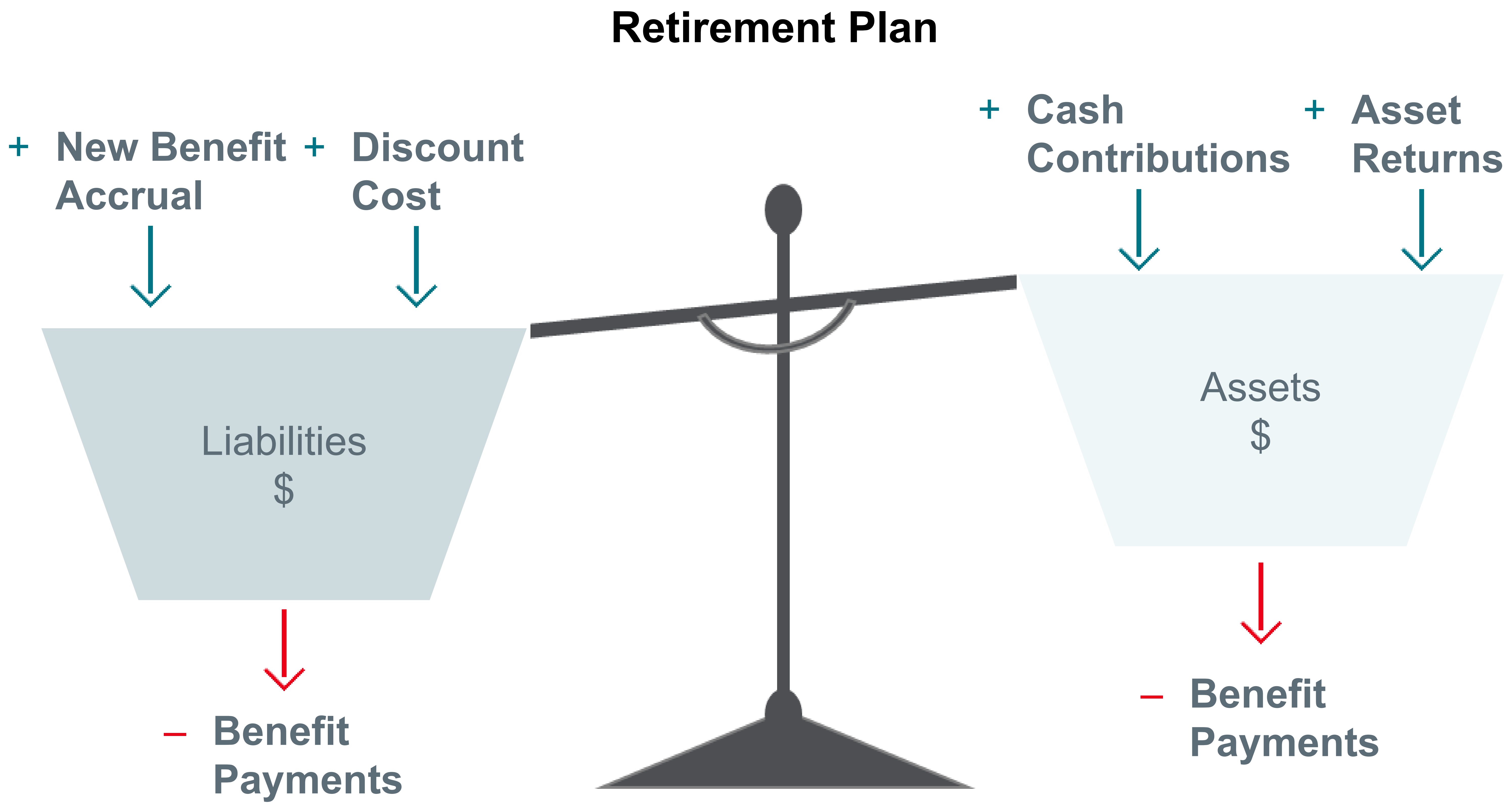
(Ultimate Plan Cost) = (Benefits Paid *plus* Administrative Expenses *less* Investment Returns *less* Employee Contributions)

The asset-liability study will analyze the variability of future investment returns on the Plan financials

Higher than expected returns will result in lower future Plan costs

Lower than expected returns will result in higher future Plan costs

Balance of Liabilities and Assets



Key Takeaways:

Plan Liabilities will grow in two ways:

- New benefit accruals (or Normal Cost)
- One less year of interest discounting (or Discount Cost)

Assets will grow in two ways:

- Cash Contributions to the Plan
- Asset Returns

Both liabilities and assets will be reduced by benefits paid to participants

Aon's Capital Market Assumptions
Background

Long-term (10- and 30-year forecasts) forward-looking assumptions (asset class geometric return, volatility, and correlations)

Building Block approach, primarily based on consensus expectations and market-based inputs

Best estimates of annualized returns (50/50 better or worse)

Market returns: no active management value added (except for certain assets classes, such as hedge funds)

Net of investment fees

Updated quarterly

We show Aon's long-term (i.e., 30-year) capital market assumptions throughout this material

Custom FRS Capital Market Assumptions

As of June 30, 2022 (30 Years)

		Expected Real Return[1]	Expected Nominal Return[1]	Expected Nominal Volatility
	Equity			
1	Global Equity IMI	4.6%	7.1%	18.5%
	Fixed Income			
2	Cash (Gov't)	0.5%	2.9%	2.0%
3	Intermediate Gov't Bonds (4-Year Duration)	0.5%	2.9%	3.5%
4	Intermediate Corporate Bonds (4-Year Duration)	1.6%	4.0%	4.0%
	Alternatives			
5	Strategic (Custom)[2]	5.5%	8.0%	9.0%
6	Real Estate (Custom)[3]	2.5%	5.0%	16.0%
7	Private Equity	6.9%	9.5%	25.5%
	Inflation			
8	Inflation	0.0%	2.4%	2.0%

[1] Expected returns are using Aon Investments Q3 2022 30-Year Capital Market Assumptions adjusted for the delta in Global Equity Risk Premium (ERP) among three investment advisors: Mercer, Wilshire, and Aon Investments (-65bps adjustment). Assumptions do not include fees/expenses. All expected returns are geometric (long-term compounded; rounded to the nearest decimal) and net of investment fees. Expected returns presented are models and do not represent the returns of an actual client account. Not a guarantee of future results.

[2] Strategic assumption breakdown is found on the next page

[3] Real Estate assumption was modeled as follows:

- 76.5% Core Real Estate
- 13.5% Non-Core Real Estate
- 10.0% REITs

FRS Capital Market Assumptions – Strategic Investment Allocation

As of June 30, 2022

The Strategic Investment allocation was modeled as follows, per Staff input:

Strategic Investment Allocation	% of Total Asset Allocation	% of Strategic Investment
Commodities	0.38%	3.21%
Global Public Equities	1.05%	8.77%
Hedge Funds - Buy List (Diversified Portfolio of Direct HFs)	1.67%	13.94%
Hedge Funds - CTAs (Buy List)	0.99%	8.27%
Hedge Funds - Distressed Debt (Buy List)	0.45%	3.78%
Hedge Funds - Equity Long/Short (Buy List)	0.27%	2.23%
Hedge Funds - Event Driven (Buy List)	0.14%	1.15%
Hedge Funds - Global Macro (Buy List)	0.24%	2.02%
Infrastructure	1.29%	10.75%
Insurance-Linked Securities (Catastrophe Bonds)	0.57%	4.76%
Non-Core Real Estate	0.33%	2.77%
Private Debt - Commercial Mortgages	0.33%	2.77%
Private Debt - Direct Lending	0.86%	7.20%
Private Equity	0.88%	7.32%
Private Equity - Distressed Debt	1.41%	11.74%
Private Equity - Mezzanine	0.78%	6.52%
Timberland	0.34%	2.81%
Total	12.00%	100.00%

Aon's Capital Market Assumptions

As of June 30, 2022

	Nominal Correlations	1	2	3	4	5	6	7	8
1	Global Equity IMI	**1.00**	0.06	-0.08	0.05	0.87	0.44	0.63	0.08
2	Cash (Gov't)	0.06	**1.00**	0.55	0.43	0.08	0.13	0.07	0.29
3	Intermediate Gov't Bonds (4-Year Duration)	-0.08	0.55	**1.00**	0.80	-0.10	0.01	-0.06	0.01
4	Intermediate Corporate Bonds (4-Year Duration)	0.05	0.43	0.80	**1.00**	0.15	0.06	0.05	0.00
5	Strategic (Custom)	0.87	0.08	-0.10	0.15	**1.00**	0.47	0.71	0.11
6	Real Estate (Custom)	0.44	0.13	0.01	0.06	0.47	**1.00**	0.36	0.07
7	Private Equity	0.63	0.07	-0.06	0.05	0.71	0.36	**1.00**	0.06
8	Inflation	0.08	0.29	0.01	0.00	0.11	0.07	0.06	**1.00**

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