



Florida PRIME™ Best Practices Review

Florida State Board of Administration (SBA)

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Executive Summary

Aon Investments (Aon) conducts a Best Practices Review of Florida PRIME on an annual basis. In this report, we review the regular 2026 Participant Survey responses, provide an update on the consideration of a new fund offering, review Federated Hermes portfolio manager update, and review the Florida PRIME Investment Policy Statement.

Based on our review, we continue to believe that Florida PRIME is being managed in a manner consistent with best practices and in consideration of participants' best interests.

2026 Best Practices Review Key Takeaways

- ***Additional Fund Offering***: Supported by strong survey results and further analysis, the SBA, Federated and Aon continue to vet a potential *PRIME+* fund offering to complement Florida PRIME, which would offer a higher yielding fund profile while maintaining safety and liquidity for current and potential participant needs.
- ***Florida PRIME Portfolio Management Update***: Effective July 2026 Mark Weiss will assume Head of Prime Liquidity Group at Federated Hermes, following Paige Wilhelm's retirement. The depth and experience of the Federated team is strong, and Aon has no concerns with the transition.
- ***Investment Policy Statement*** is comprehensive and covers the appropriate topics.

2026 Participant Survey Highlights: Florida PRIME

On a regular basis, the SBA conducts a survey of Florida PRIME participants to gain a better understanding of the participant base, current usage of available services, and overall satisfaction. The survey also seeks to gauge interest across several components, including the addition of more fund options, and to ensure awareness of participant needs and preferences. As of April 27, 2026, the survey attracted 58 respondents which is a slightly lower response rate than previous years but is reasonable given back-to-back surveys were sent out for PRIME and the Additional Funds Survey.

A diversified group of governmental units responded to the survey, primarily representing special districts, but also municipalities, counties, and school boards, with about 54% respondents as investment decision-makers and 40% as personnel in account operations. Of the respondents, 55% have one account with Florida PRIME and 18% have 2 accounts. The survey indicated that approximately 61% of respondents have a balance of over \$10 million with Florida PRIME, and another 14% indicated having between \$1 million and \$10 million with the pool.

The survey includes questions that relate to how and why participants utilize other competing and complementary liquidity vehicles. Of the respondents, about 44% indicated that their organization has a policy that dictates a maximum allowable allocation to a single investment pool or money market fund. Of those with a policy limit, approximately 24% are restricted to allocating 50% or less to any single governmental investment pool or money market fund. Relatedly, when asked what prevents an organization from using Florida PRIME as the primary source of cash management, about 11% indicated that investment policy restrictions are a major reason and another 21% indicated it is a moderate reason. The greatest response was 36% of respondents who indicated that diversification needs of the cash portfolio was a major or moderate reason. The aggregated responses did suggest that an unattractive current yield was not much of a reason or a minor reason, which is similar to last year's survey. Inadequate participant disclosures, functionality/operational features, costs, and lack of additional investment product offerings were all highly selected as not reasons at all for not using Florida PRIME as a primary source of cash management.

When asked about other investment vehicles used in the past 12 months for cash management, respondents indicated the most used vehicles aside from Florida PRIME are the Florida Cooperative Liquid Assets Securities System at 22%, Florida Trust ("Day to Day Fund") at 20%, and the Florida Public Assets for Liquidity Management at 17% of respondents. The survey also asked respondents to rank how competing investment services have added value to the respondent organizations' investment goals. Respondents indicated that risk, defined as perceived risk levels adjusted for the level of return, was the most appealing feature. Yield (the level of interest income, return potential) and Available Funds (other complementary investment vehicles to choose from) were the next features being selected as being the

most appealing features at 30% and 21%, respectively. Client service and cost were ranked the lowest in terms of most appealing value add from competing investment services.

The survey questions surrounding current services related to Florida PRIME continue to receive strong feedback. Related to the Florida PRIME website, 77% of respondents indicated that they visit the site at least once a month and about 97% responded that they find the website functionality as very easy to use. The survey also indicated that the majority of participants continue to utilize the website primarily to access account balances/statements and transactions, and approximately 45% of respondents utilize the website to access the Monthly Summary Reports. When asked about the usefulness of multiple communication pieces, the responses also continue to be favorable. The survey indicated that respondents rated the following communications as very useful: monthly account statements (88%), e-mail notifications of withdrawals (83%) and changes to bank instructions (82%). Further, respondents found the following to be at least somewhat useful/very useful: Periodic eNotices (88%), Monthly Summary Reports (88%), and Weekly Market Commentary (80%). Lastly, respondents indicated great satisfaction with the Florida PRIME representatives, with about 93% of respondents indicating the representatives were very courteous, very knowledgeable and very responsive.

Overall, the survey results continue to be positive from both operational and service-related perspectives. Responses related to the use of competing investment vehicles indicated that the highest response (48%) was no use of the vehicles listed in the survey. At around 20% each were the Florida Cooperative Liquid Assets Securities System (FL CLASS), the Florida Trust ("Day to Day Fund") offered by the Florida Association of Court Clerks and Comptrollers (FACC), and the Florida Public Assets for Liquidity Management ("FL PALM"). The survey also indicated that risk and yield continue to be top of mind, but notably, about 44% of respondents' organizations have investment policies limiting available funds to invest in a single entity and/or seek diversification from a single cash management source.

Generally, the survey indicates a strong level of satisfaction with the management of the Florida PRIME portfolio. The majority (85%) of respondents indicated that they are very likely or extremely likely to recommend Florida PRIME to a colleague or other governmental investor. We continue to believe the survey is a great mechanism to obtain feedback from Florida PRIME participants, as well as to express the SBA's awareness and receptiveness to the participant's needs and wants. Note, the results cited above are as of April 27, 2026, and may modestly change once the survey is officially closed.

Additional Fund Offering: Update

Over the past several years, the SBA has regularly considered the efficacy of expanding the pool offerings available to participants. The current Florida PRIME investment pool is the sole cash management solution offered by the SBA for Florida public entities. Florida PRIME offers a safe and moderately conservative cash management solution. Additional pool offerings would allow participants to tailor their cash management needs across different risk and return spectrums as appropriate for their specific circumstances.

Most recently, the evolving needs of participants and the current market environment present a strong case for the SBA to offer an additional fund to participants. Over the past year, alongside Federated, Aon and the SBA administrative and operational teams, the SBA has studied the merits and viability of offering a complementary fund to Florida PRIME and has concluded that there is strong support from the participant base to do so. A significant component of the support is the survey the SBA conducted of Florida PRIME participants to capture interest in a new fund to be offered alongside PRIME. The survey also sought to gauge interest across several components, including the characteristics of the new fund, to ensure awareness of participant needs and preferences. The following section provides a summary of the survey results as well as next steps towards an official fund offering.

Florida PRIME Additional Funds Survey Results

As of February 27, 2026, the survey attracted 78 respondents, a strong turnout to aid in the decision-making process for a new fund. Respondents represented a diverse mix of public-sector entities with a majority (77%) of the responses coming from municipalities, special districts, and school boards.

High-level Takeaways

- *Clear demand for a complementary fund:* ~80% see access to an additional pool as important.
- *Strong appetite for higher yield:* ~90% find a higher-yield, prudently managed fund appealing.
- *Top priorities:* Competitive yields, daily liquidity, and AAA (or equivalent) credit quality.
- *Comfortable with modest duration/yield trade-off:* ~79% comfortable with slightly longer weighted average maturity (WAM) and ~45% found a spread above PRIME of 35bps-65bps as attractive, with 17% indicating a spread 65bps or greater as attractive
- *Anticipate some reallocations from PRIME:* Many would move 10–25% from Florida PRIME and other portfolios, depending on structure and returns.

Overall, the survey results indicate strong interest in an additional fund option alongside Florida PRIME, and specifically one that offers a higher yield, provided it is thoughtfully structured and maintains prudent risk controls. Participants continue to emphasize safety, liquidity, and yield as core priorities, and indicate interest in re-allocating a modest level of existing PRIME exposure and other pool exposure to a new SBA fund option. Following digestion of the survey results, the SBA has begun to consider a “PRIME+”

fund offering that would satisfy the participant interest and offer a complementary Fund with a higher yield to the existing PRIME pool offering.

Detailed Survey Discussion

The survey results indicate a clear interest in having access to an additional local government investment pool that offers different risk and return characteristics than Florida PRIME. Approximately 80% of respondents indicated that the availability of such a fund is either very important (27%) or somewhat important (53%). When considering the risk profile of a new fund offering, interest was strong in the potential fund designed to target higher yields than Florida PRIME while maintaining prudent risk management, with nearly 90% of respondents finding this concept either very appealing (58%) or somewhat appealing (30%).

Respondents were also asked what features would be most critical when evaluating a new fund offering. Competitive yields ranked as the most important feature overall, followed closely by daily liquidity and an AAA or equivalent credit rating. These rankings suggest that participants want to see yield enhancement in the new fund without sacrificing too much on liquidity or credit quality. Interest also expanded to modest extensions of portfolio duration. Nearly 79% of respondents found a fund offering higher yields through a modest increase in weighted average maturity (e.g., 90 to 180 days) to be either very appealing (34%) or somewhat appealing (45%) and 16% had neutral feelings. In terms of yield expectations, most respondents (45%) indicated that a spread of 35 to 65 basis points (bps) above Florida PRIME would be most attractive. Results also showed 17% of responses being comfortable with 65 bps or more and another 19% interested in a more conservative spread of 20 to 35 bps target above the current PRIME fund, further showing the demand for higher yield is a key driver of interest in the additional fund option.

Similar to leading objectives of Florida PRIME today, when asked to rank key factors considered when evaluating investment pools, respondents overwhelmingly identified safety of principal as the most important consideration, ranking it well ahead of other factors. Liquidity and yield followed as the next most important attributes, reinforcing the importance of daily access to funds alongside competitive returns.

To further understand participant priorities, the survey also examined preferences related to specific fund characteristics and structural considerations. Responses related to fund characteristics reinforced the importance of returns, liquidity, and volatility management, all of which were rated as very important by a majority of respondents. Specifically, 70% of respondents rated fund returns as very important, 66% for liquidity, and 55% for volatility. Typical securities, credit exposure, and weighted average maturity were mainly viewed as somewhat important. When asked about accounting treatment, just over half of respondents expressed no strong preference between amortized cost and floating NAV structures, while about 31% indicated a preference either for or would consider fair value (floating NAV) accounting.

When asked whether their organizations would consider reallocating a portion of existing Florida PRIME balances to a complementary fund, a majority of respondents expressed conditional interest. About 22% responded affirmatively, while 67% indicated they might reallocate depending on structure and returns. Among those open to reallocating from PRIME, most respondents were split on what percentage they would move over. About 15% of participants said they would move less than ten percent of PRIME funds into the new fund, 30% would move between ten and twenty-five percent and 21% would move twenty-five percent or more, while about 34% remained unsure as they await more details. It was a similar story in terms of percentages for plans allocating money from the rest of their investment portfolios excluding the PRIME fund.

Next Steps for Additional Fund Offering: PRIME+

After reviewing survey results, the SBA team, alongside Federated and Aon are continuing next steps and due diligence in the process of vetting and materializing a potential PRIME+ fund offering. Key considerations include:

- **Refine investment strategy and guidelines:** Analysis underway to vet the appropriate balance between allowable security exposure, yield and risk management, while still targeting the appropriate credit rating, liquidity, duration and concentration limits to ensure the fund remains suitable for short-term governmental cash management needs and is complementary to Florida PRIME.
- **Assess operational readiness and systems requirements** - including system support for a floating NAV (fair value) framework and functionality, interfund accounting mechanics, custody arrangements and required trading procedures distinct from Florida PRIME.
- **Develop a tailored Investment Policy Statement (IPS)** - modeled after Florida PRIME, with adjustments to formalize the defined duration, liquidity profile, permitted securities, and rating considerations appropriate for the higher yielding strategy.
- **Affirm appropriate investment management:** Conduct regular due diligence to ensure appropriate investment approach, risk management, and operational capabilities.
- **Develop participant education and funding transition planning** - including potential phased implementation or allocation pacing to manage potential liquidity impacts on Florida PRIME.
- **Refine timeline expectations** - with a potential launch window between Fall 2026 and Spring 2027, subject to completion of operational build-out, ratings clarity, and participant readiness.

Federated Hermes Portfolio Management Update

Following a 40-plus year successful career at Federated, including leading Florida PRIME portfolio management, Paige Wilhelm will be retiring on July 1, 2026. Mark Weiss, a senior portfolio manager within the Global Prime Liquidity team, will succeed Ms. Wilhelm as Head of the Prime Liquidity Group at Federated Hermes. Mark has served as co-portfolio manager of the Florida PRIME portfolio for over a decade, partnering closely with Ms. Wilhelm. Mr. Weiss has been with Federated Hermes for over 30 years, with most of that time as a member of the liquidity team. Further, Deborah Cunningham continues to serve as the Chief Investment Officer for the broader Global Liquidity Markets platform.

This announcement was provided to Florida PRIME participants in early March 2026, and Ms. Wilhelm and Mr. Weiss continue to manage Florida PRIME seamlessly through this transition process.

Federated Hermes has managed the Florida PRIME fund since 2008 and has been managing money market style funds for over 50 years. As of December 31, 2025, Federated had just over \$900 billion in assets under management with about \$680 billion of it in money market assets. Due to the depth and experience of the team, and the succession planning at Federated Hermes, we expect no change to the process or portfolio management of Florida PRIME. The SBA and Aon plan to conduct its normally scheduled onsite due diligence visit over the course of the next year and will provide a summary of the review following the in-depth visit.

Investment Policy Review

On an annual basis, Aon reviews the Florida PRIME Investment Policy Statement (IPS). The objective of the IPS is to set forth the objectives, strategy, guidelines, and overall responsibilities for the oversight and prudent investment of Florida PRIME assets. While the IPS is reviewed on a regular basis, we do not anticipate frequent changes to the document. The purpose of the review is to ensure the document reflects the evolving investment portfolio, current legal and regulatory developments, and best practices. A well-written and unambiguous document is critical to the success of any investment program.

The Florida PRIME IPS addresses the major areas listed below:

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| I. Purpose and Scope | VII. Portfolio Securities and Special Transactions |
| II. Overview of Florida PRIME | VIII. Risks Associated with Florida PRIME |
| III. Roles and Responsibilities | IX. Controls and Escalation Procedures |
| IV. Amortized Cost Accounting | X. Deposits and Withdrawals |
| V. Investment Objective | XI. Management Reporting |
| VI. Investment Strategies & Specific Limitations | |

Aon finds the IPS to be comprehensive and appropriate for the management and oversight of Florida PRIME. We believe the items above are relevant and critical to the success of the management of the pool's assets. The investment objective of the pool and the roles and responsibilities are clearly defined. The IPS provides the necessary specifics and supplemental guidelines for a clear understanding of the investment strategy, making direct and clear reference to the appropriate GASB guidelines for appropriate fiduciaries to follow and understand. We believe the IPS thoroughly defines the risks that are associated with investing in Florida PRIME and find the detailed control procedures provide the comfort of prudent safe-keeping and oversight of assets. The SBA has been diligent with staying current with overall best practices in managing the Florida PRIME assets and has consistently ensured the IPS is up to date with the current regulatory, legal, and investment environments.

Overall, we continue to believe the Florida PRIME IPS is robust and in line with the goals and objectives of the investment pool and continue to find the Policy to be an effective guiding document for the management of Florida PRIME.