

Health Insurance Subsidy & Florida National Guard Benefits Actuarial Assumption Estimating Conference Executive Summary

The Florida Retirement System Actuarial Assumption Conference met on October 8, 2020, to adopt assumptions to be used in the valuations of the Retiree Health Insurance Subsidy (HIS) and National Guard Benefits programs. These programs are intended to be funded on a “pay-as-you-go” basis and are subject to legislative authorization.

The HIS valuation relies primarily on the related FRS assumptions since all the retired members and beneficiaries in pay status are part of the FRS valuation. The principals of this conference previously adopted the use of the Bond-Buyer General Obligation 20-bond Municipal Bond Index for both the HIS and National Guard GASB calculations. This index includes 20 general obligation bonds with 20-year maturities with an average rating of AA. According to the state’s actuary (Milliman), this index has been used by all public systems as the discount rate assumption for pay-as-you-go programs subject to GASB financial reporting. The Conference affirmed that this practice was appropriate to continue.

In addition, Milliman suggested and the principals agreed to conform all other assumptions to the last available experience study (conducted in 2019), as well as any changes adopted as part of the 2020 FRS pension plan valuation. Specific to HIS, the assumption regarding the percentage of members electing coverage at retirement was changed from 95% to 90%. Further, the percentage of eligible members who elect a spousal protection form of benefit was further bifurcated based on observed experience and marital status (30% for Pension Plan members and 80% for Investment Plan members).

For the National Guard program, the Conference agreed to update the mortality / life expectancy assumptions to mirror those developed as part of the FRS Experience Study conducted in 2019. All other previously used assumptions were affirmed for continued use.