

2025 FRS Actuarial Assumption Conference

Preliminary July 2025 Funding Valuation Results
to Develop Proposed 2026-27 Contribution Rates

Presented by:

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OCTOBER 21, 2025

Executive Summary

- Funded status is **82.3%** on an AVA basis and **87.3%** on a MVA basis
 - **AVA method is in statute**; AVA systemically recognizes MVA returns different from assumption over 5 years
 - MVA (market value of assets) return was +10.6%, while AVA “return” was +8.3%
- AVA is **\$12.2 billion** below MVA, which is a deferred (i.e., not yet recognized) investment gain
 - Future MVA returns will determine if the gain decreases future rates or cushions against future increases
- Actual actuarial liability (AL) is close to AL projection based on last year’s actuarial valuation
- 2026-27 composite blended rates are **0.38% of pay lower** than 2025-26 statutory rates
 - Calculated under current actuarial methods, including 20-year, level % of pay amortization
- FRS Pension Plan is well-positioned for funded status improvement in the coming years

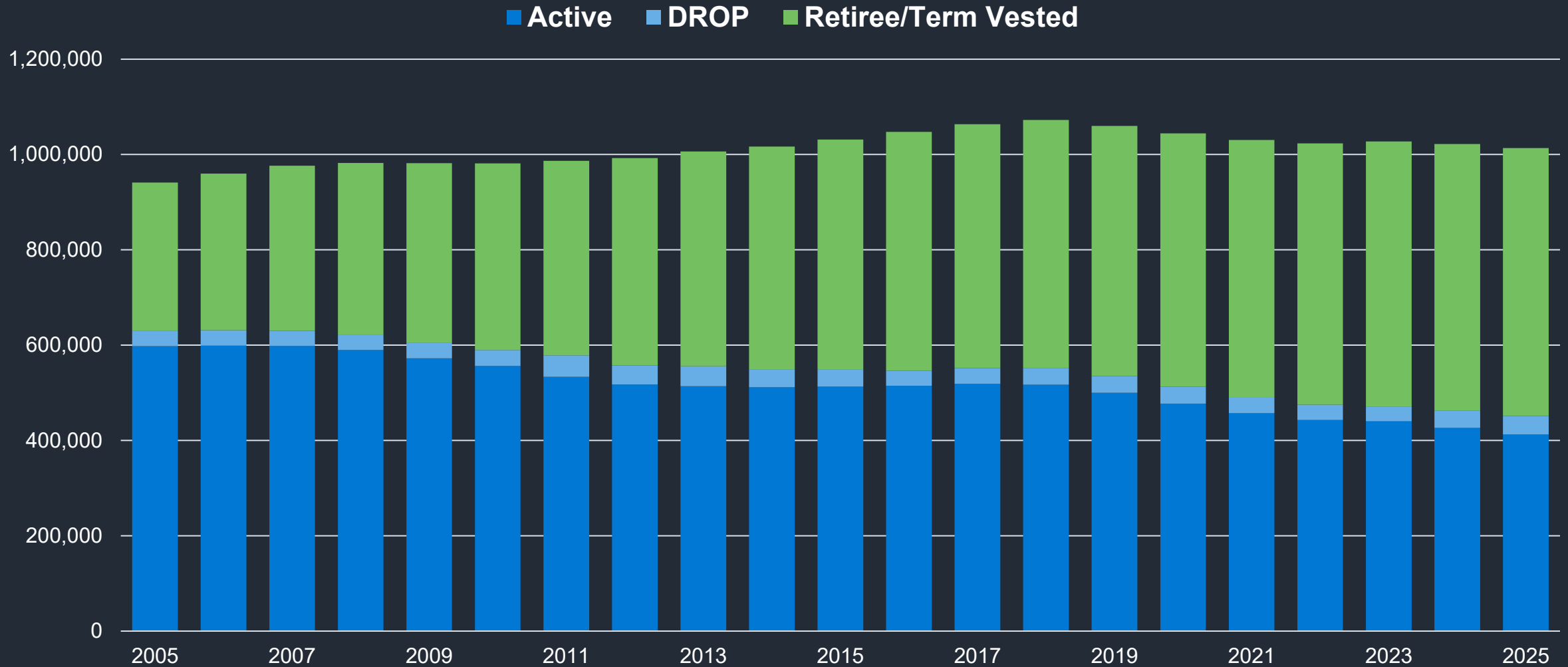
Agenda

- Information on plan assets, demographics, and cash flows
- Baseline 2025 actuarial funding valuation preliminary results
- **Review of funded status, assumptions, and methods since 2013** (new this year)
- Investment return assumption for FRS Pension Plan funding actuarial valuation
- Amortization policy - schedule duration and shape
- Assumptions for Health Insurance Subsidy & Florida National Guard GASB valuations
- Needed guidance from Conference Principals

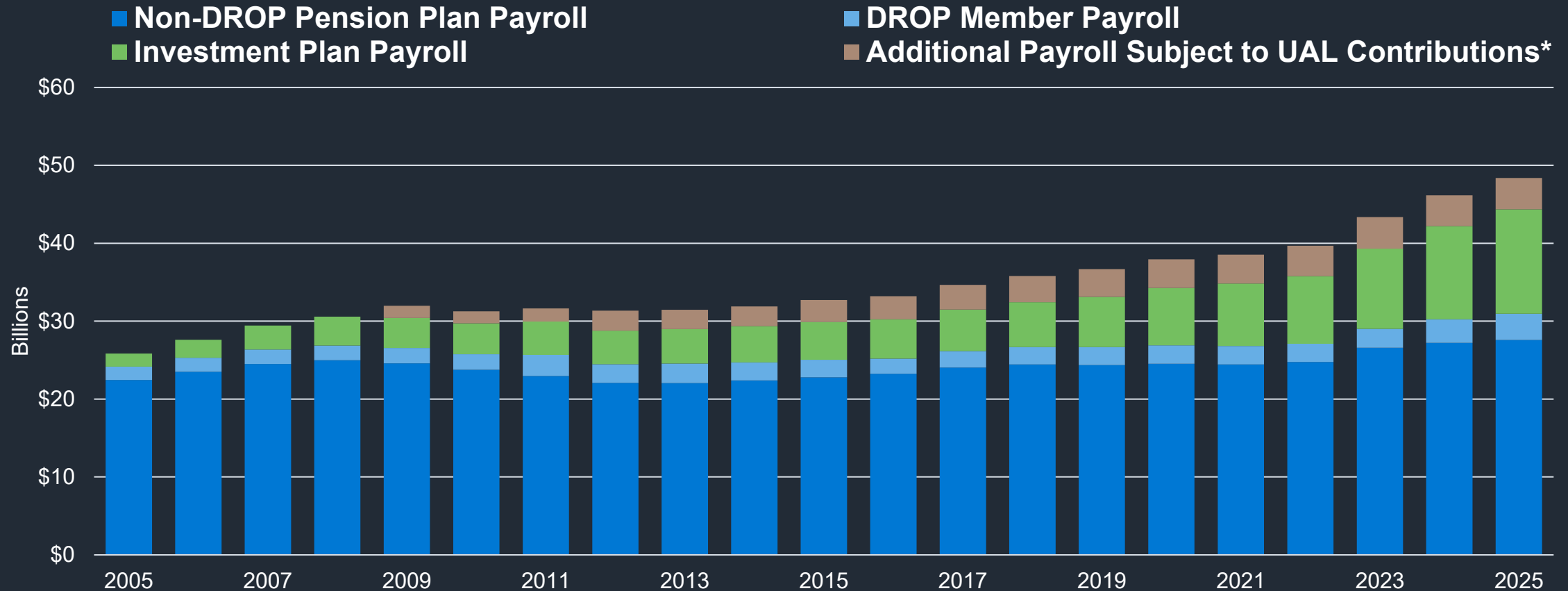


FRS Pension Plan Assets, Member Demographics, & Cash Flows

FRS Pension Plan Membership



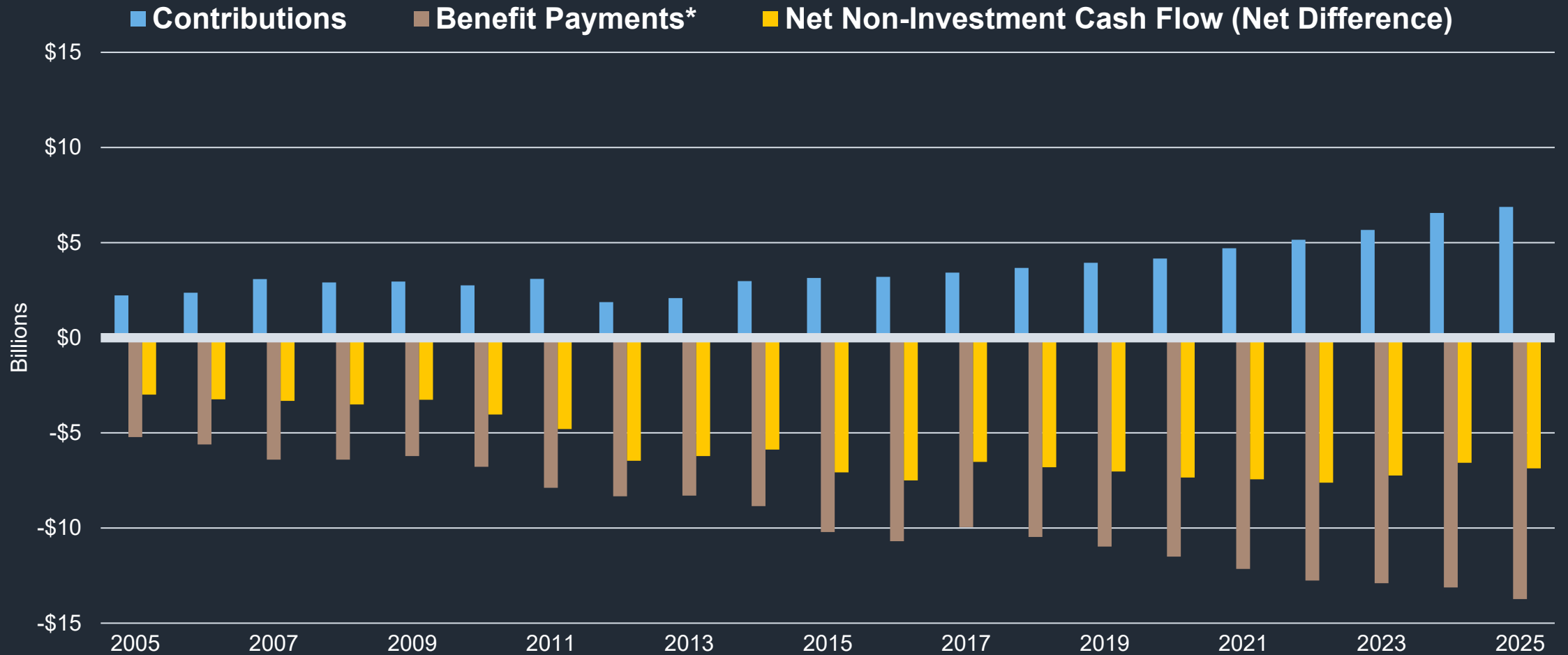
Payroll: FRS + Non-FRS UAL Contributory



- Payroll increased by 4.8% last year, and 10-year annualized payroll growth is 4.0%
- Investment Plan payroll increased by 12.2% from 2024 to 2025

*Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL Rate contributions to the FRS Pension Plan are made. This payroll component is anticipated to be \$4.2B in the 2025-26 plan year.

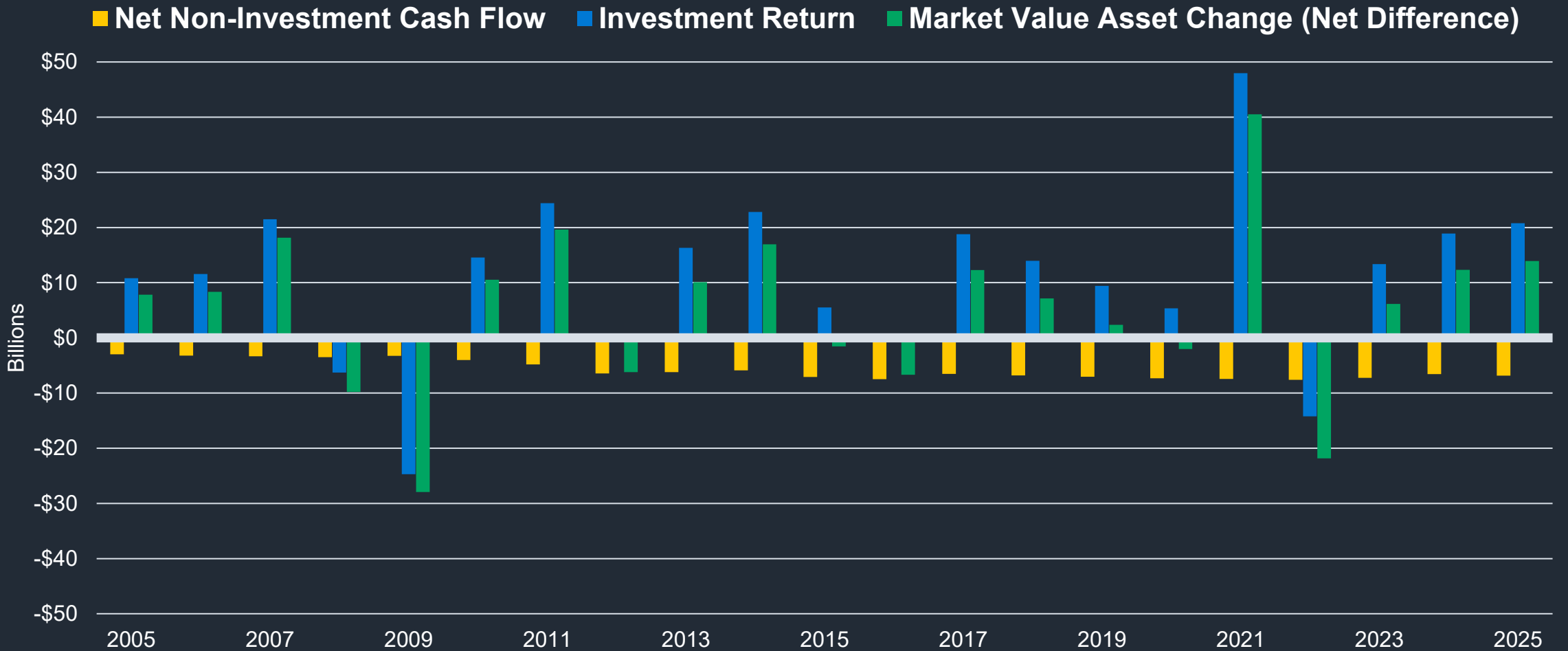
Contributions and Benefit Payments by Fiscal Year End



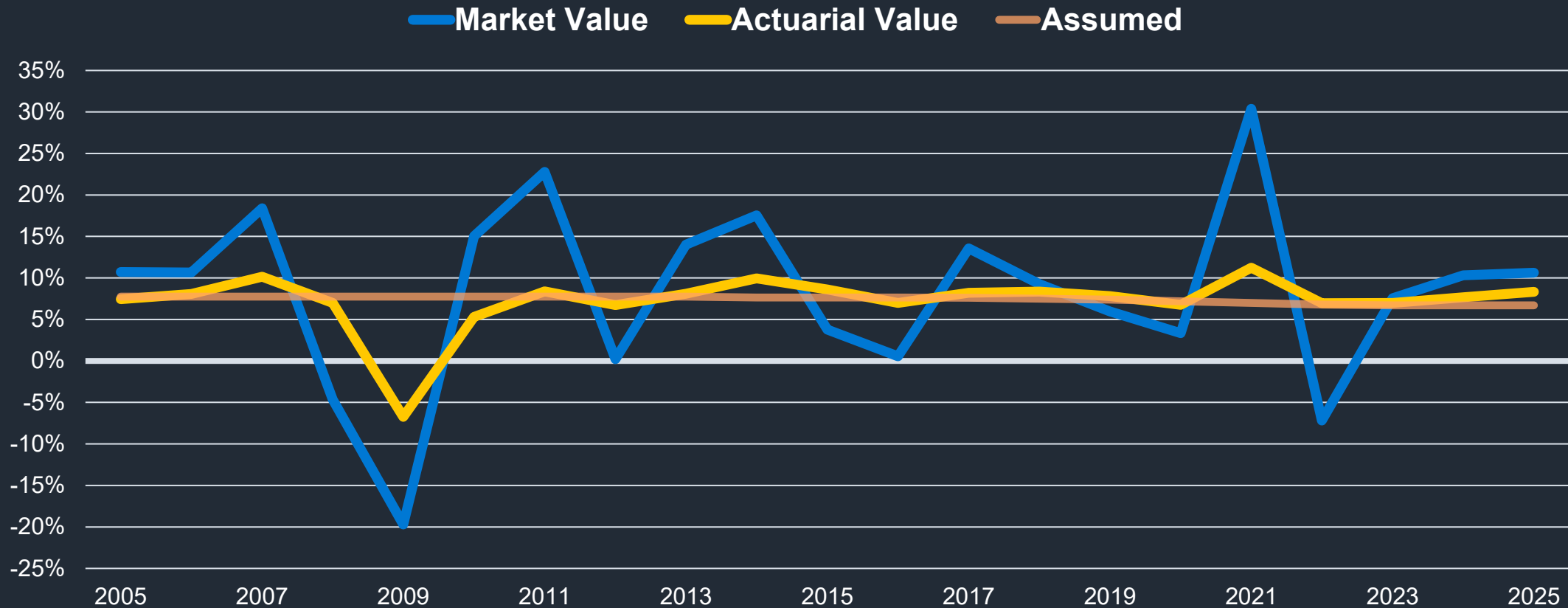
- Net non-investment cash flow for 2024-25 was -3.5% of beginning of year market assets

* Includes transfers to Investment Plan in 2013 and subsequent years

Pension Plan Cash Flows by Fiscal Year End

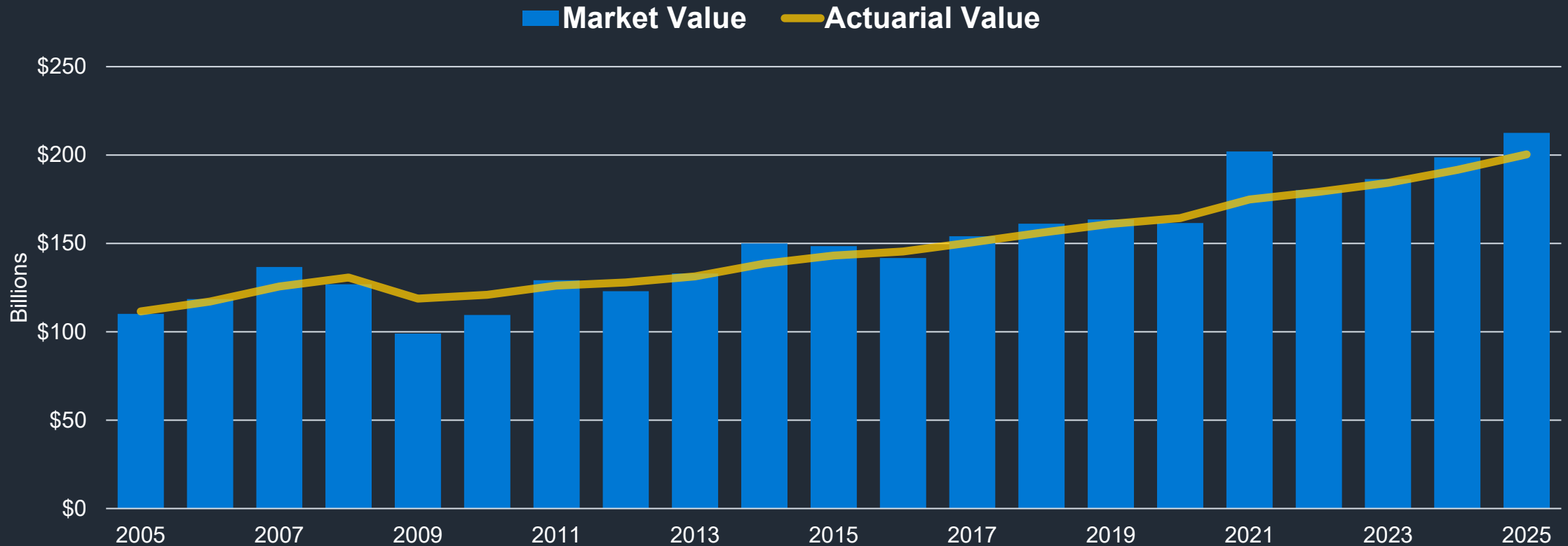


Asset Returns (%) by Fiscal Year End



- The 2024-25 return was **+10.6%** on a market value of assets (MVA) basis and **+8.3%** on a smoothed actuarial value of assets (AVA) basis
 - AVA return is determined by MVA returns over the prior five years

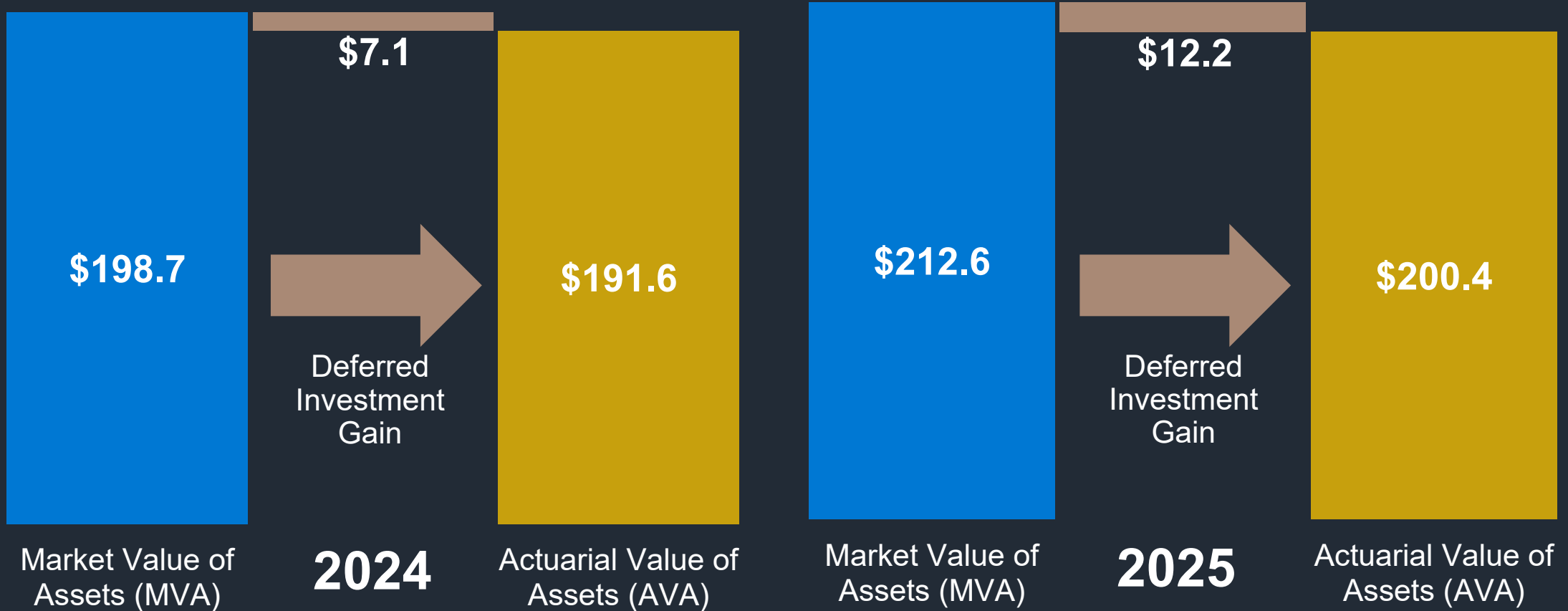
Market & Actuarial Value of Assets



Market value of assets (MVA) is currently **\$12.2 billion above** the smoothed Actuarial Value of Assets (AVA) measure as of July 2025. That **deferred investment gain** will be recognized in higher AVA returns (and associated **contribution rate decreases**) in future valuations if future market investment performance meets current assumption and valuation assumptions are not changed. The **AVA calculation method is specified in statute.**

Fair Market (MVA) and Smoothed (AVA) Asset Measures for 2024 & 2025

(Amounts in billions)



- The smoothed asset value is used to calculate actuarially determined contribution rates

Baseline 2025 Actuarial Funding Valuation Results

Calculation of Valuation Results

- Projected year-by-year benefit payments are converted to a present value projected cost of total benefits using the investment return assumption
 - The present value is allocated between past (Actuarial Liability) and projected future service (Normal Costs) via the cost allocation method
- This establishes 2025 Baseline preliminary funding valuation results using:
 - Actual 2024-25 investment returns
 - Member demographic census data as of July 2025
 - Methods and assumptions as adopted by the 2024 FRS Actuarial Assumption Conference, based in part on the 2024 Experience Study

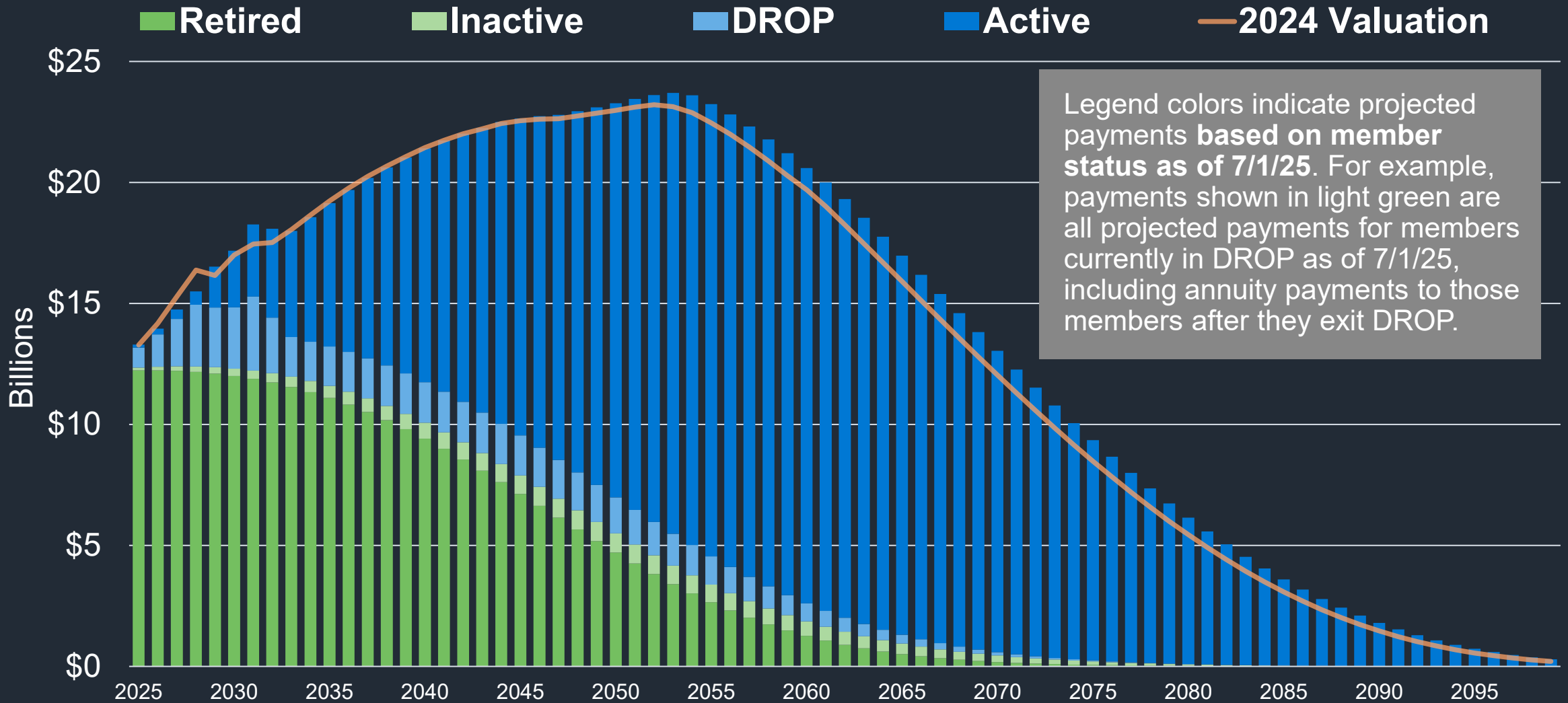
Pension Plan UAL and Funded Status

	2024 Valuation 2024 data 2024 assumptions	2025 Baseline 2025 data 2024 assumptions
Actuarial Liability (AL)	\$ 237.4	\$ 243.6
Actuarial Value of Assets (AVA)	<u>191.6</u>	<u>200.4</u>
Unfunded Actuarial Liability (UAL)	\$ 45.8	\$ 43.2
Funded Status	80.7%	82.3%

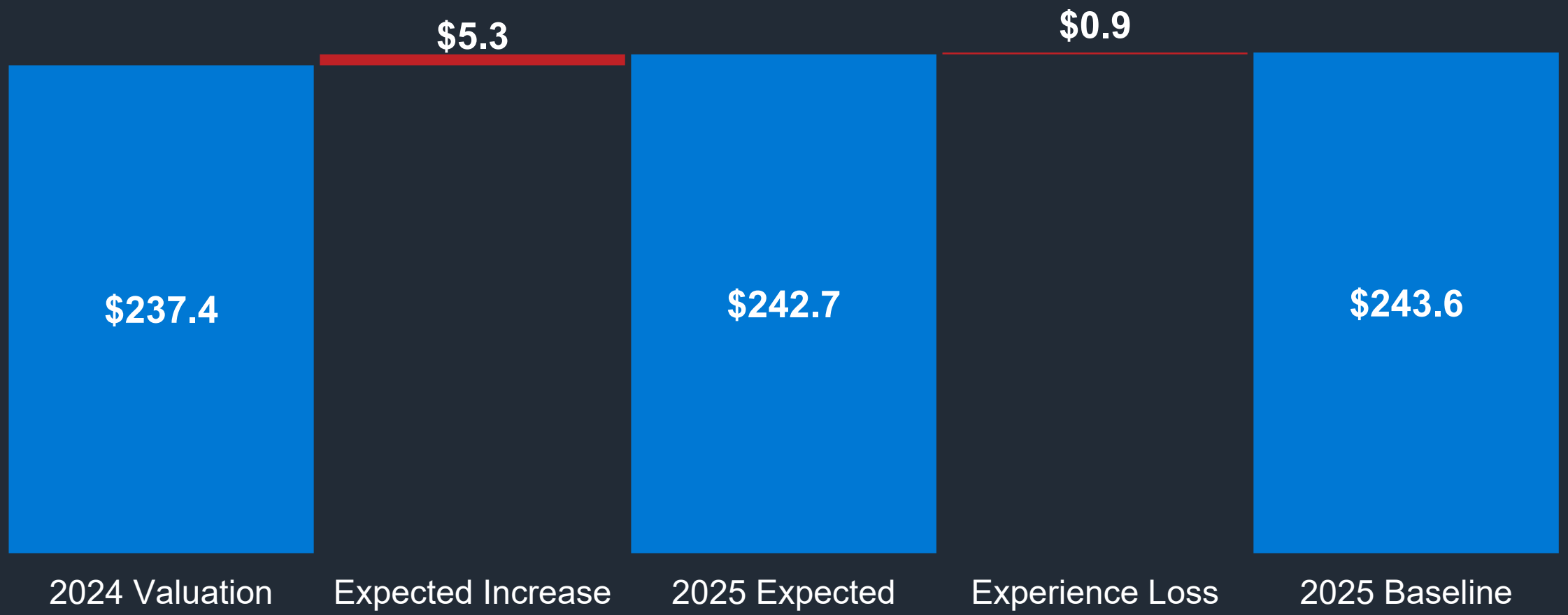
(Amounts in \$ billions)

- **Market value of assets (MVA) is \$12.2 billion above the smoothed Actuarial Value of Assets (AVA) as of July 2025.** That deferred investment gain will be recognized in higher future AVA returns (and associated future UAL contribution rate decreases) if future market value investment performance meets or exceeds 6.70%.
- On a market value of assets basis, the 2025 Baseline unfunded liability is **\$31.0 billion**, and the funded status is **87.3%**
- Results shown use assumptions from the 2024 funding valuation, including a 6.70% investment return assumption

2025 Valuation Projected Benefit Payments



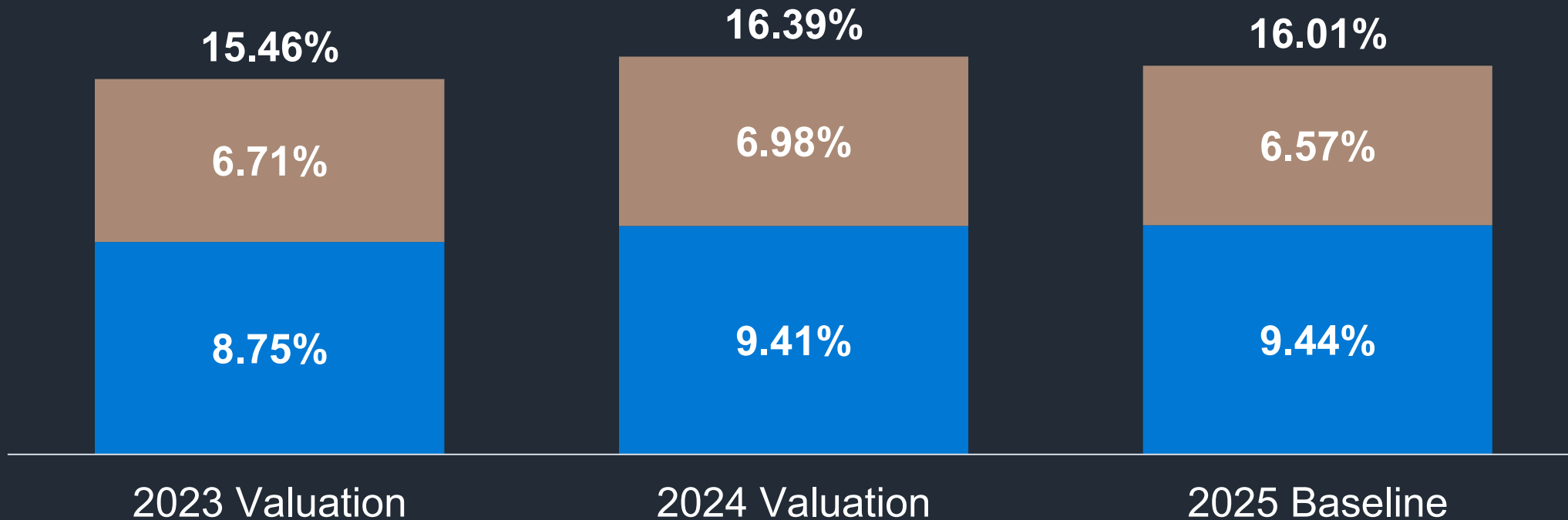
Year-to-Year Changes in Actuarial Liability (AL) – System Composite



- Expected increase is cost of new service performed plus interest on past service less benefits paid
- 0.4% of AL experience loss mostly from 2024-25 individual member salary increases greater than assumed

Year-to-Year Changes in Blended Employer Rates – System Composite

■ Blended Normal Cost Rate ■ Blended UAL Amortization Rate



- 2023 valuation rates were increased 0.14% of pay above those shown when enacted in 2024-25 statute
- UAL amortization rate decreases via investment gain recognized in smoothed Actuarial Value of Assets (AVA)
- Normal cost increase from 2023 to 2024 was driven by the Experience Study assumption updates

Year-to-Year Changes in Unfunded Actuarial Liability – System Composite

	2025 Baseline 2025 data 2024 assumptions
July 1, 2024 Unfunded Actuarial Liability (UAL)	\$ 45.8
Expected UAL (decrease) if all assumptions met	<u>(0.4)</u>
Expected July 1, 2025 UAL	\$ 45.4
Investment (gain) on smoothed AVA asset measure	(3.1)
Demographic liability experience loss (see next slide for details)	<u>0.9</u>
Preliminary July 1, 2025 Unfunded Actuarial Liability	\$ 43.2

(Amounts in \$ billions)

Demographic Liability Experience Loss – System Composite

	2025 Baseline 2025 Data Updates
Active member salary increases greater than expected	\$ 0.8
Retirement and DROP entry behavior	0.0
Retiree/beneficiary mortality experience	0.1
All other demographic sources	<u>0.0</u>
Total demographic liability experience loss	\$ 0.9

(Amounts in \$ billions)



Blended PP/ IP Proposed Statutory Employer Rates at 6.70% Return

Weighted Average of Rates Across All Membership Classes	Enacted 2025-26 Rates			Preliminary 2026-27 Rates		
	NC	UAL	Total	NC	UAL	Total
PP composite employer rate	9.37%	9.42%	18.79%	9.43%	9.09%	18.52%
IP composite employer rate	9.51%	0.00%	9.51%	9.46%	0.00%	9.46%
Blended PP / IP employer rate	9.41%	6.98%	16.39%	9.44%	6.57%	16.01%
Employee contribution rate			3.00%			3.00%
Composite blended employer plus employee rate			19.39%			19.01%

- Pension Plan (PP) contribution rates are blended with Investment Plan (IP) contribution rates to create blended PP/IP proposed statutory employer rates.
- Statutory IP rates by membership class are unchanged from final 2025-26 rates.

Projected PP+ IP Employer Contributions in Dollars at 6.70% Return

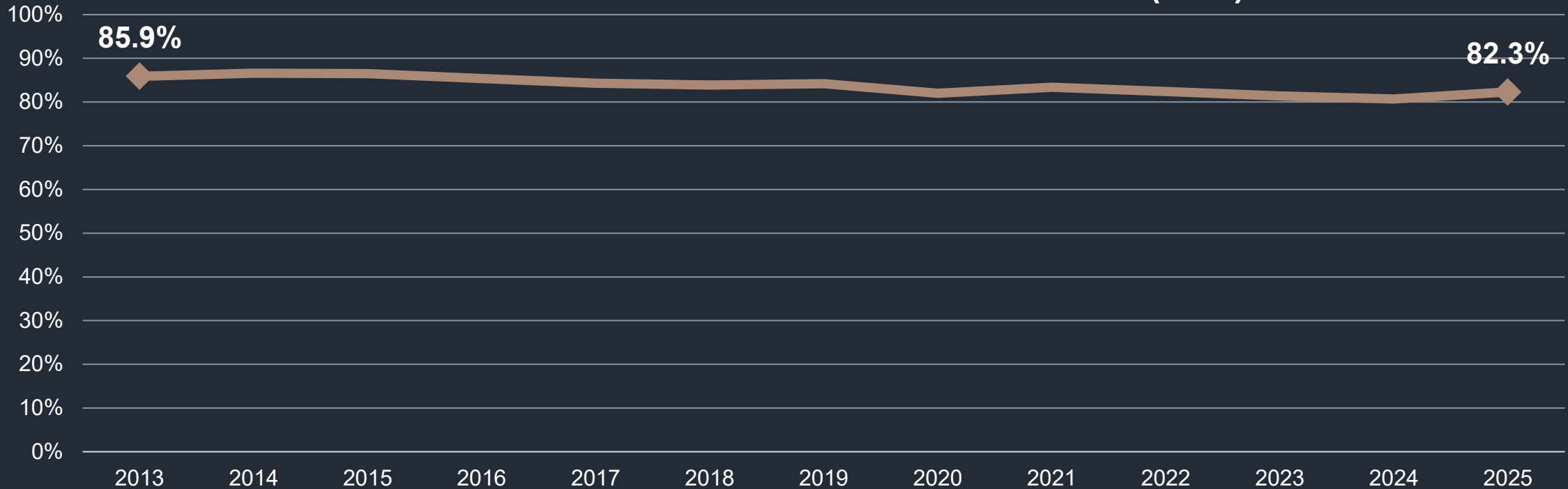
Total For All Membership Classes	Employer Normal Cost Rate	Applicable Normal Cost Payroll	UAL Rate	Applicable UAL Payroll	Blended PP/IP Rate	Employer Contribution
Statutory 2025-26	9.41%	\$43.7 billion	6.98%	\$47.8 billion	16.39%	\$7.44 billion
Preliminary 2026-27	9.44%	\$45.9 billion	6.57%	\$50.1 billion	16.01%	\$7.62 billion
Change	+0.03%		-0.41%		-0.38%	+\$0.18 billion

- $(\text{Employer normal cost rate} \times \text{normal cost payroll}) + (\text{UAL rate} \times \text{UAL payroll}) = \text{Employer contribution}$
- Pension Plan (PP) contribution rates calculated in the actuarial valuation are blended with Investment Plan (IP) contribution rates to create blended PP/IP proposed statutory employer rates
- Preliminary 2026-27 rates reflect actual 2024-25 investment performance and July 1, 2025 FRS member census, along with all actuarial methods, plan benefit provisions, and actuarial assumptions as detailed in the July 1, 2024 valuation

Review of Funded Status, Assumptions, and Methods Since 2013

What Are the Reasons for Lack of Funded Status Improvement Since 2013?

Historical Funded Status – Actuarial Value of Assets (AVA) Basis



On the smoothed AVA basis used to calculate employer contribution rates, funded status has **decreased** modestly since 2013.

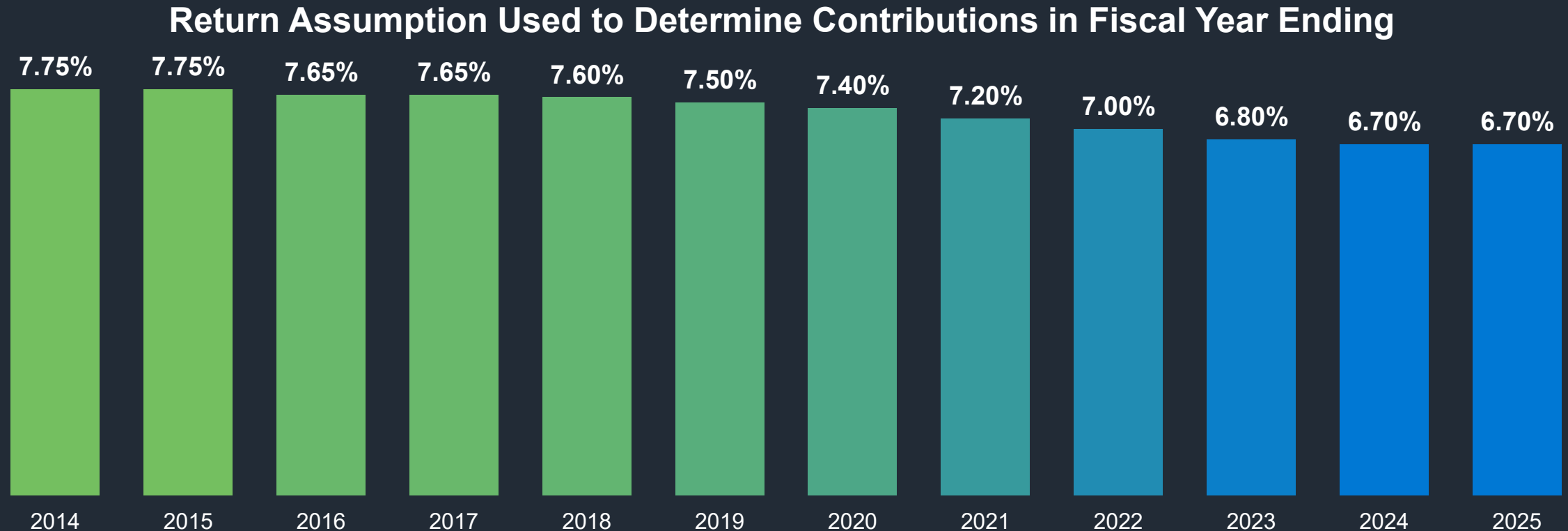
Why in my opinion is the plan now well positioned for future funded status improvement?

Assumed vs Actual Effective Annual Return from July 2013 to July 2025

Measurement Basis	Effective Annualized Return
Actual (Market Value Return Each Year)	8.5%
Assumptions Adopted by Conference Each Year	7.2%

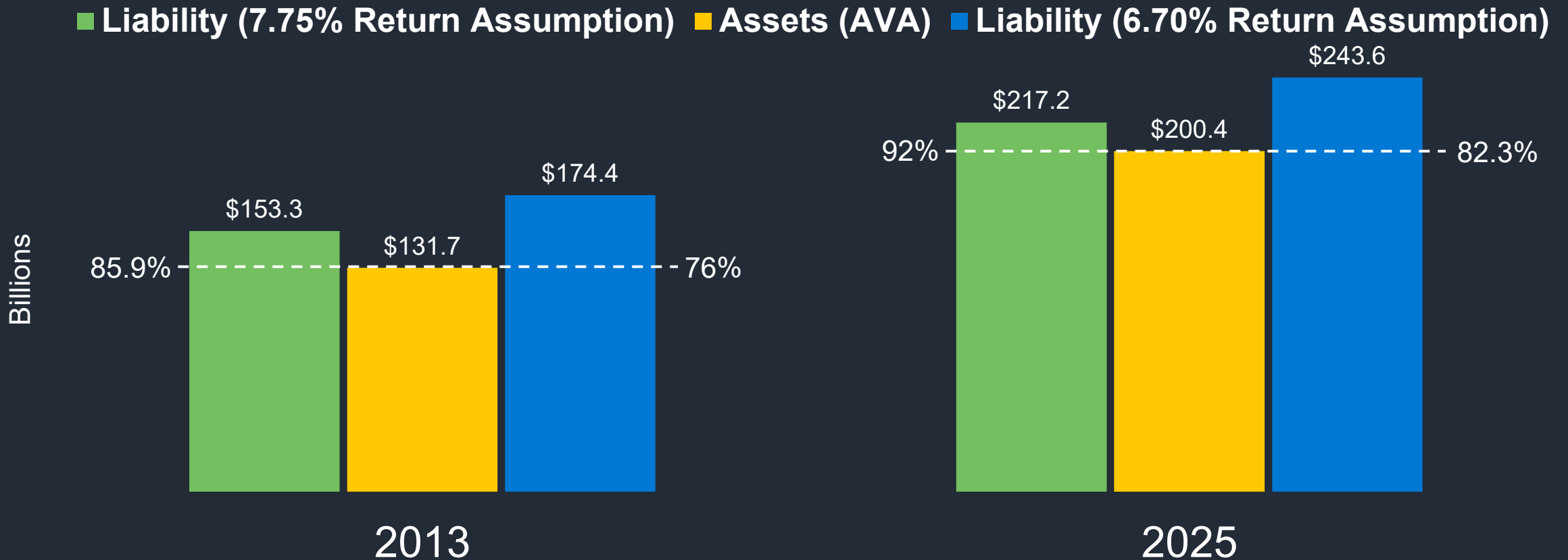
- Actual investment results since 2013 are **not** a reason for the lack of funded status improvement
 - The nearly +30% return in fiscal year end 2021 accounts for all net overperformance versus adopted assumptions
- 7.2% is the geometric average of adopted assumptions for the July 1, 2013 through July 1, 2024 valuations
 - Adopted return assumption for July 1, 2013 valuation was 7.75% (used to calculate FYE 15 contribution rates)
 - Adopted return assumption for July 1, 2024 valuation was 6.70% (used to calculate FYE 26 contribution rates)

Changes to Assumed Return



- Eight return assumption changes were adopted over a nine-year period
- Assumption has been steady for the past two fiscal years
 - I.e., ever since the July 1, 2022 actuarial valuation that calculated FYE 24 contribution rates

Funded Status in 2013 vs. 2025 – Effect of Return Assumption



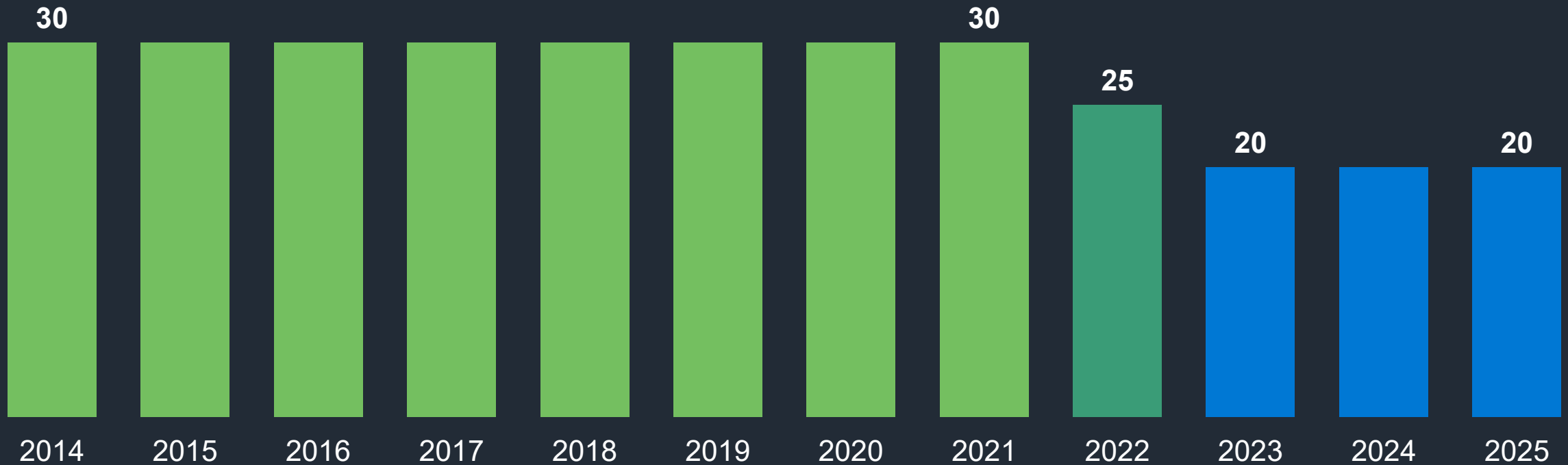
- Return assumption changes are the primary reason for lack of funded status improvement since 2013
 - If 2013 liability was re-calculated using the current 6.70% assumption, 2013 funded status would have been **76%**
 - If 2025 liability was re-calculated using the 2013 assumption of 7.75%, 2025 funded status would be **92%**

Return Assumption Changes – Primary Reason, but Not the Only Reason

- Other assumption updates and provision changes also affected funded status, including:
- Assumption updates from 2024 experience study – initial liability increase of **\$4.6 billion**
 - Increased life expectancy for Special Risk male retirees
 - Higher projected annual future pay increases for many members
 - More frequent utilization of DROP by K-12 instructional personnel
- 2023 Tier 2 Special Risk benefit improvements – initial liability increase of **\$1.3 billion**
 - Lowered eligibility for DROP entry or unreduced retirement
 - From: earlier of 30 years of service or age 60
 - To: earlier of 25 years of service or age 55

Another Factor – Changes to Amortization Method

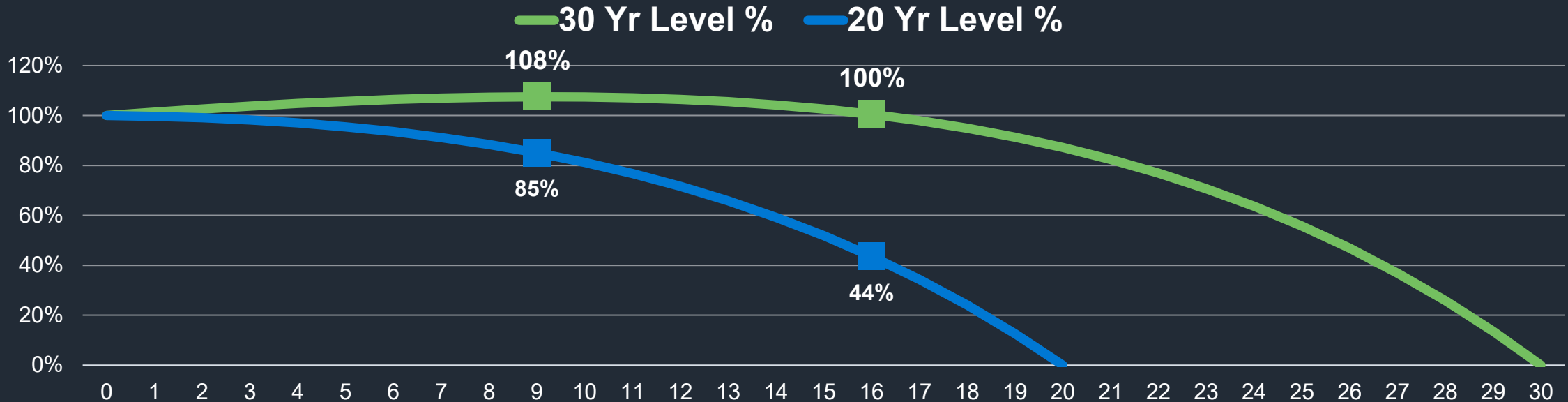
Amortization Period of Newly Established Bases for Contributions in Fiscal Year End



- Change to 25-year amortization was only applied to newly established bases for FYE 2022 contributions
- Change to 20-year amortization applied to all existing bases (bases with 20+ years left were shortened)
- **All amortizations have used a level percent of projected pay schedule**
- Method has been steady for the past three years (since the 2021 valuation which calculated FYE 23 rates)

Why Is an Amortization Period of 20 Years or Less Important?

Remaining Unamortized Balance Each Year as a % of Original Principal



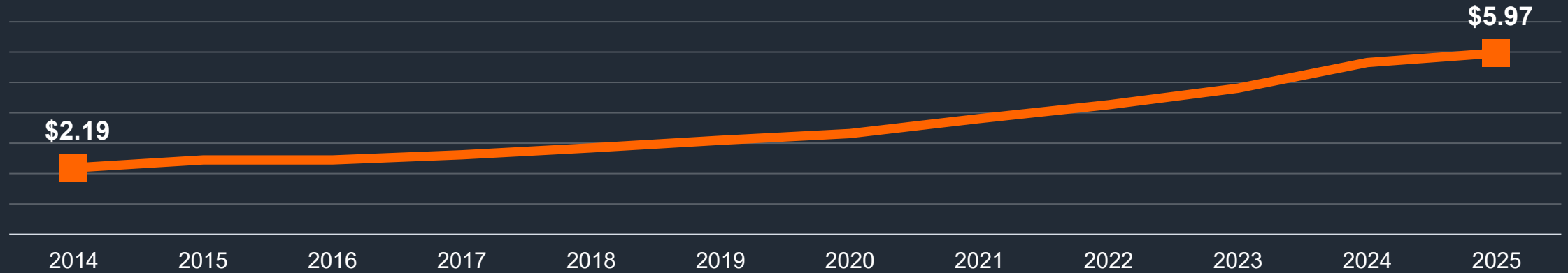
- By design, a 30-year level % of projected pay amortization has **negative amortization** in the first 15 years
 - The remaining unamortized balance peaks nine years after amortization commences
 - The first dollar of original principal is not paid off until the 17th year of the amortization payment schedule
- 20-year level % of projected pay amortization avoids negative amortization
 - Approach is rated as best practice by the Conference of Consulting Actuaries (CCA) 2024 plan funding white paper

What Positions a Plan for Expected Annual Funded Status Improvement?

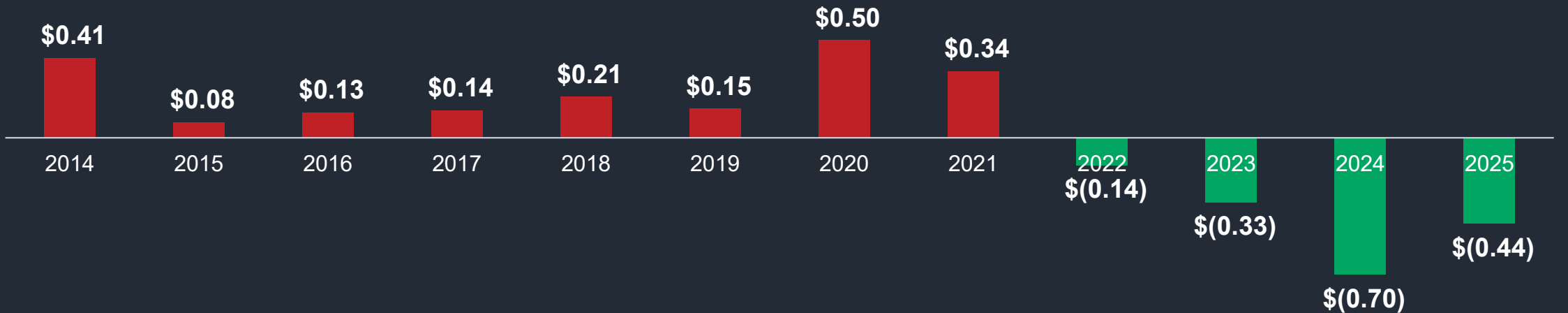
- A plan can ensure **expected** annual funded status improvement if:
 - Amortization period is 20 years or less to avoid negative amortization, AND
 - The investment return assumption is both prudent and stable from year to year
- We've had both conditions for contributions calculated in the past two fiscal years (FYE 24 & 25)
 - We had 20-year amortization for FYE 23 contributions and neither condition in most years prior to that
- In the executive summary of each year's valuation, we calculate the **expected UAL change**
 - UAL is the unfunded actuarial liability, which is the shortfall of assets compared to liabilities
 - The expected UAL change can be an increase or decrease, depending on conditions
- The following slide shows employer contributions by year and the expected UAL change by year

Contributions and Expected UAL Change by Fiscal Year

Employer FRS Pension Plan Contributions by Fiscal Year (\$ Billions)



Expected UAL Increase/(Decrease) by Fiscal Year



Investment Return Assumption for System Funding

Note: Today's Milliman speaker is not
a credentialed investment advisor

Components of 2024 Conference's Return Assumption

- The Conference identifies investment return and inflation assumptions
- From that, the Conference's implied real return assumption can be mathematically inferred

Investment Return 6.70%

Inflation 2.40%

Real Return 4.20%

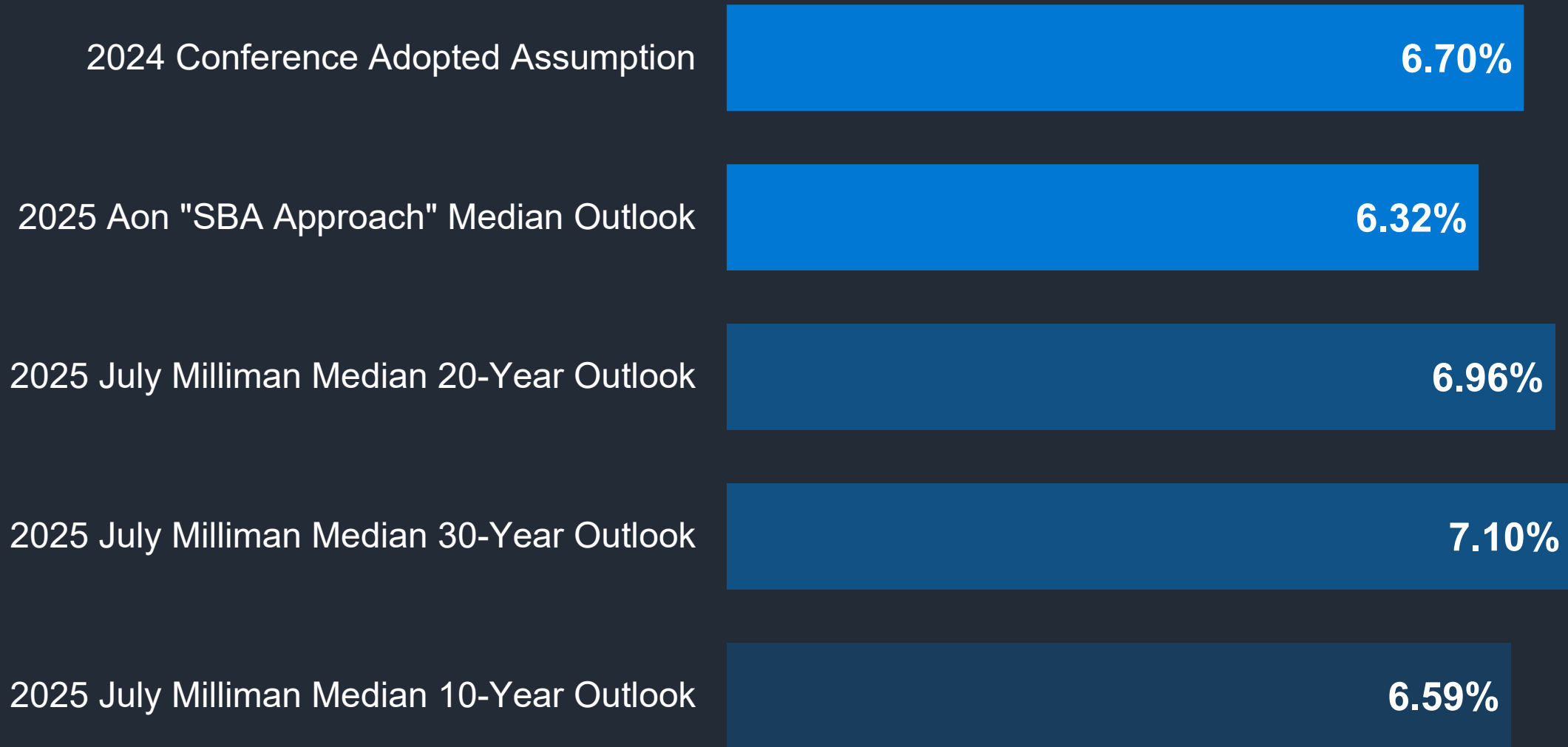
- The governing mathematical formula is:
$$(1 + \text{Investment Return}) = (1 + \text{Inflation}) \times (1 + \text{Real Return})$$

2025 Valuation - Updated Return Models for This Year

- Aon’s “SBA Approach” model from its September 2025 asset-liability study that blends the global equity risk premiums of three large investment consultancies: **6.32%** median return (was also 6.32% a year ago)
 - Reflects Aon’s current outlook for inflation of 2.3%
 - Inferred: Aon median real (in excess of inflation) return outlook of 3.95%
- Milliman 30-year outlook model: **7.10%** median return
 - Milliman median real (in excess of inflation) return outlook of **4.70%**
 - The current default inflation assumption in Milliman’s 30-year outlook model is 2.28%



Guidance on Nominal Return Assumption



Guidance on Real Return Assumption



Amortization Policy

- **Schedule Duration**
- **Schedule Shape**

Amortization of UAL – Introduction

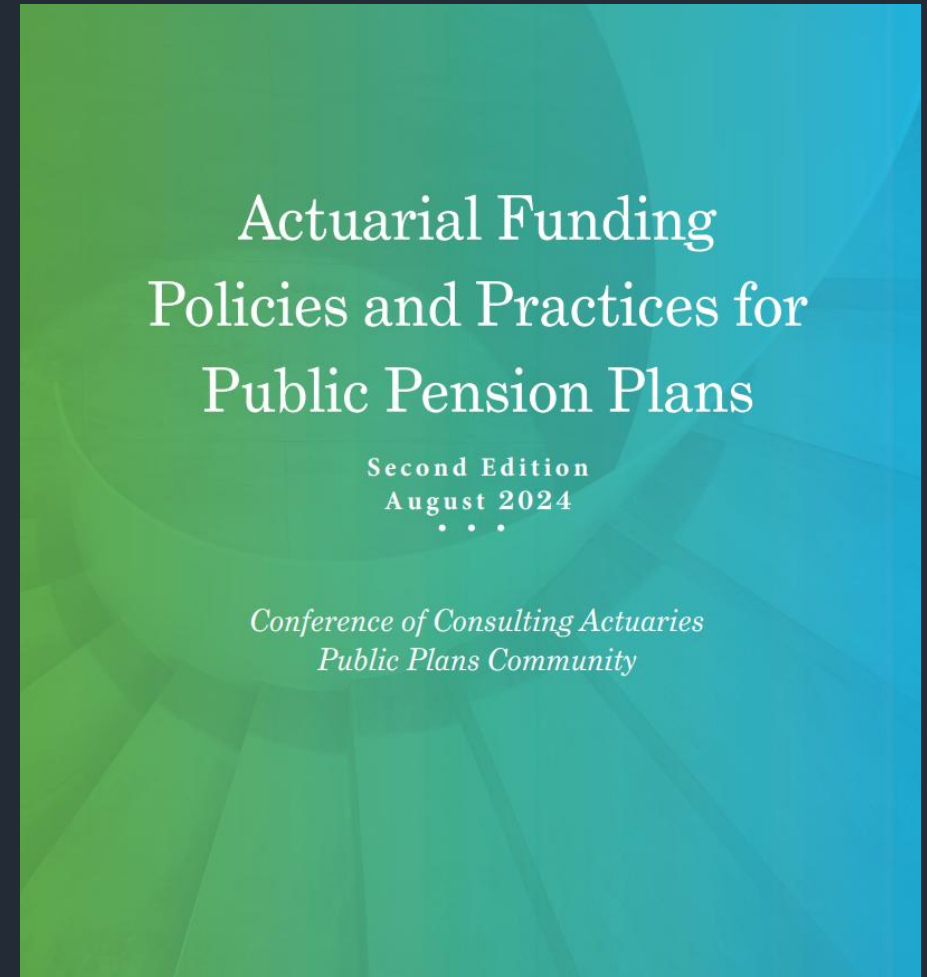
- Unfunded Actuarial Liability (UAL) is the current difference between:
 - Actuarial Liability (AL), and
 - Actuarial Value of Assets (AVA) measure used to calculate contributions
- Contribution rates should target reaching a 100% or greater funded ratio
 - When the funded ratio is 100% there is no UAL (>100% is “actuarial surplus”)
- To progress to the target, a UAL amortization schedule is updated annually
- The UAL amortization method components that determine the schedule are:
 - **Duration** of the UAL amortization period
 - **Shape** of the UAL amortization payment schedule

Amortization of Previously Unanticipated UAL Changes

- Previously unanticipated UAL changes will happen every year
- Sources of previously unanticipated UAL changes include:
 - Actual experience differing from the prior valuation's assumptions
 - Changes to the prior valuation's assumptions
 - Legislated changes to system benefit levels and/or benefit eligibility provisions
- Previously unanticipated UAL changes can either increase or decrease UAL
 - Increase - new amortization charge in the amortization schedule
 - Decrease - new amortization credit in the amortization schedule
- Amortization schedule sets the statutory UAL Cost

Amortization Methodology Alternatives Being Illustrated Today

- Duration
 - 20 years
 - 15 years
- Shape
 - Level percent of projected pay (level %)
 - Level annual dollar amount (level \$)
- All combinations are “LCAM model” policies
 - “LCAM model” is the Conference of Consulting Actuaries public plan funding white paper’s highest category (equivalent to best practice)

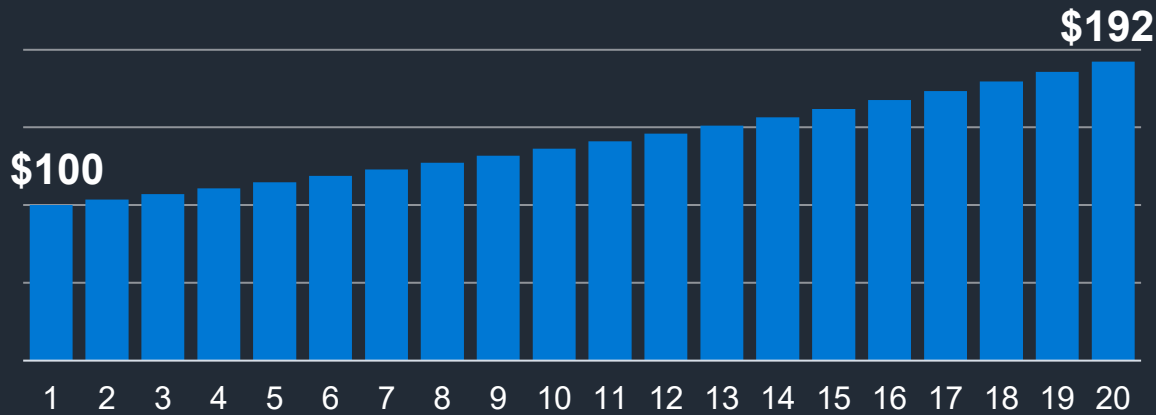


Amortization of UAL – Duration and Shape

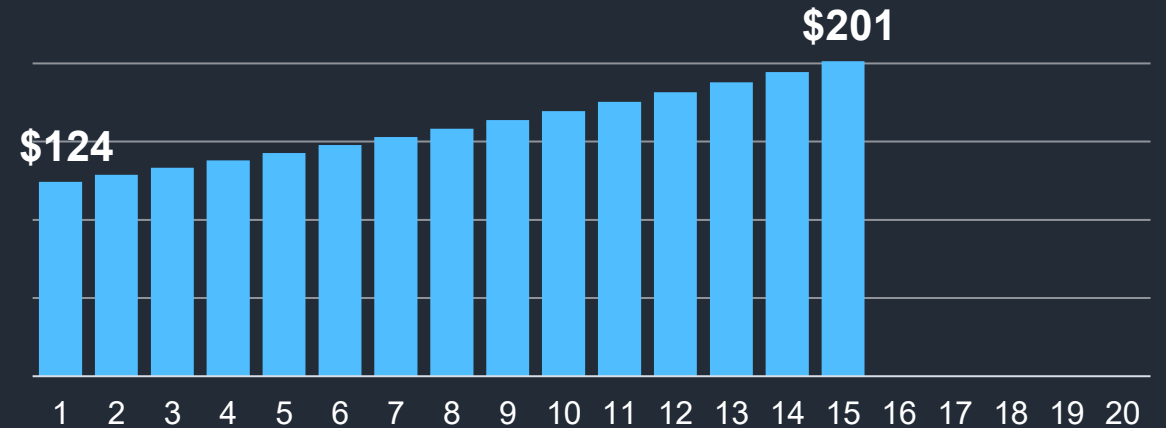
- The current FRS amortization method for newly arising UAL is:
 - Duration – **20 years**
 - Shape – amortization schedule level as a projected **percent of pay**
- Both components of the FRS amortization method are in a model range
 - Model range for duration – 15 to 20 years
 - Model range for shape – either level percent of pay or level dollar amount
- Shorter duration and/or level dollar shape will create larger “year one” volatility
 - Level dollar shape will create smaller “final year” volatility than level percent of pay

Amortization Method in Theory – Four Duration / Shape Combinations

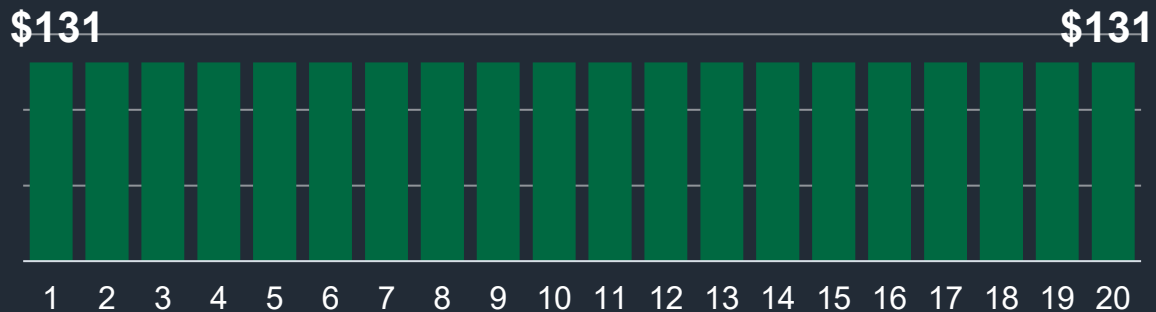
■ 20 Year / Level %



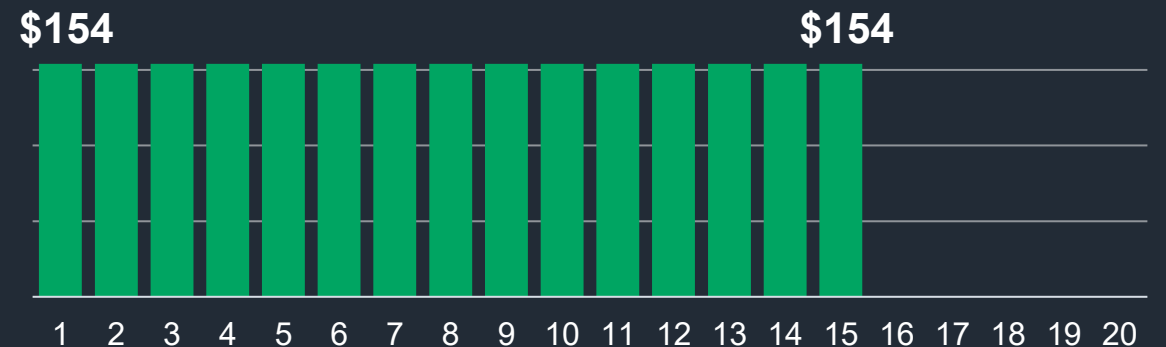
■ 15 Year / Level %



■ 20 Year / Level \$

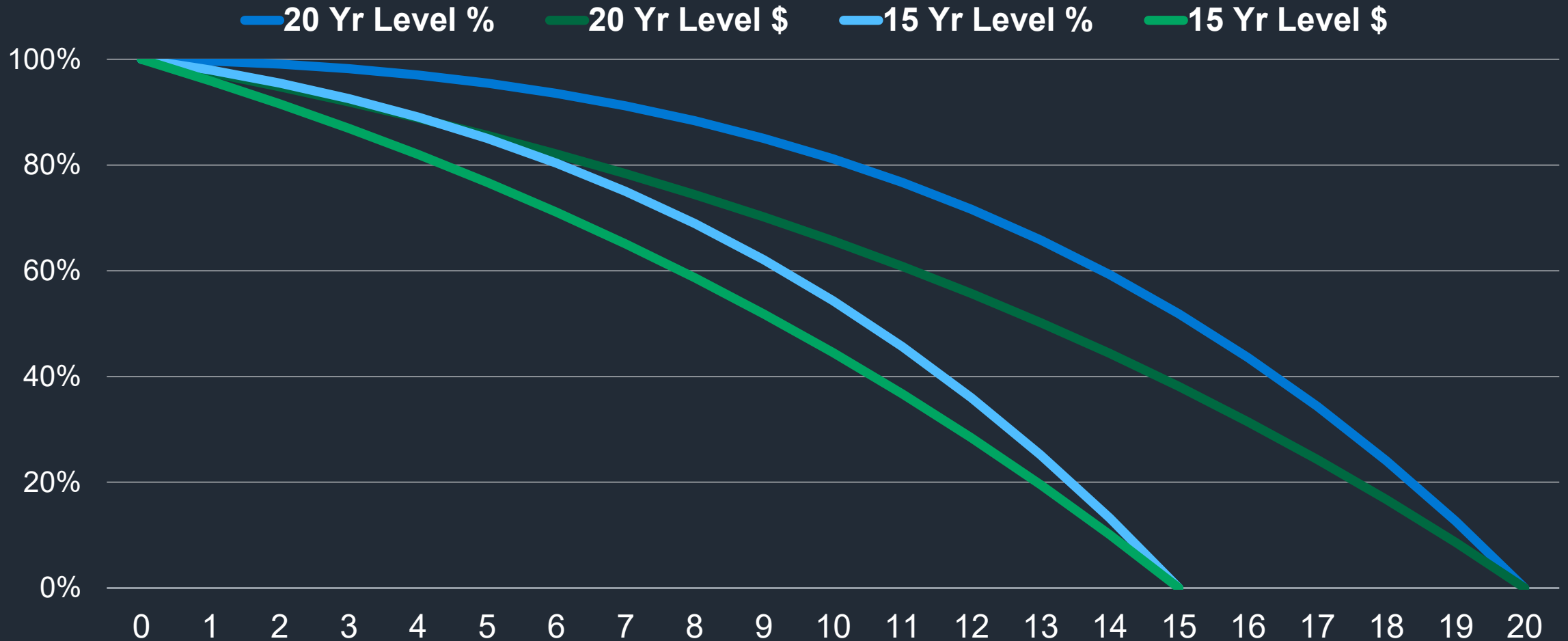


■ 15 Year / Level \$



Amortization Payoff Patterns for Four Best Practice Amortization Policies

Remaining Unamortized Balance Each Year as a % of Original Principal



Hypothetical Illustration – Payments to Amortize \$43.2 Billion in UAL

■ Principal ■ Interest



FRS-Specific Illustration – Four “Duration and Shape” Amortization Policies

Preliminary Blended IP/PP Employer 26-27 UAL Rate [26-27 Contribution \$]

	Current Duration All Bases <= 20 Years	Alternate Duration All Bases <= 15 Years
Current Shape Level %	6.57% of pay [\$7.62 billion in 26-27]	6.90% of pay [\$7.79 billion in 26-27]
Alternate Shape Level \$	8.39% of pay [\$8.53 billion in 26-27]	8.69% of pay [\$8.68 billion in 26-27]

- Blended UAL Rates above in addition to **9.44% of pay** Blended IP/PP Employer Normal Cost Rate
 - Normal Cost Rate and UAL Rate vary by membership class – system composite averages shown above
 - Normal Cost Rate contribution is included in 26-27 contribution dollar amounts shown above
- Two largest net amortization bases have 16 and 14 years remaining at the start of 26-27
 - Each has around \$20 billion remaining balance and is amortized as level % under current policy

FRS-Specific Illustration – Four “Duration and Shape” Amortization Policies

- A change to either policy component will increase the year one “first dollar” effect of any event
- Previously unexpected events can either increase or decrease UAL
 - Example: strong investment returns will lead to lower UAL and UAL rate amortization credit
 - Example: investment losses will lead to higher UAL and UAL rate amortization charge
- The plan has a **\$12.2 billion** deferred investment gain as of July 1, 2025
- To illustrate first dollar sensitivity, if the gain was fully recognized at July 1, 2025 we would see:
 - A deferred Blended UAL rate decrease of **1.77% of pay** under the current 20-year / level % policy combo
 - A deferred Blended UAL rate decrease of **2.32% of pay** under the alternate 20-year / level \$ policy combo
 - A deferred Blended UAL rate decrease of **2.20% of pay** under the alternate 15-year / level % policy combo

Assumptions for HIS and National Guard Accounting Valuations

GASB Discount Rate Assumption

- Currently, the Florida Health Insurance Subsidy (HIS) and Florida National Guard benefits are effectively funded on a pay-as-you-go basis
- Accounting standards first effective several years ago (GASB 67 & 68) give direction on the discount rate assumption to be used for financial reporting of programs funded on a pay-as-you-go basis
 - The assumption should reflect an **index of 20-year, tax exempt, high quality (AA/Aa or higher) general obligation municipal bonds**
 - The assumption selected should be based on **market conditions as of the measurement date** of the financial reporting in question
- After consideration of these requirements at the time of initial implementation of the accounting standards, the Conference adopted the **Bond Buyer General Obligation 20-Bond Municipal Bond Index** for use in HIS and National Guard GASB calculations
 - That index has been used for pay-as-you-go GASB financial reporting valuations by all public systems with which I am familiar

Historical Values of the Bond Index

- The table below shows the value of the Bond Buyer General Obligation 20-Bond Municipal Bond Index as of the last five fiscal year-end measurement dates

June 30	Index
2025	5.20%
2024	3.93%
2023	3.65%
2022	3.54%
2021	2.16%

- The **higher** the index, the **lower** the calculated present value liability
- An index **increase** from 3.93% to 5.20% could be expected to **decrease** the June 30, 2025 HIS liability and National Guard liability by approximately \$2.2 billion and \$120 million, respectively

Other Assumptions Used for the HIS and National Guard GASB Valuations

- The Florida Health Insurance Subsidy (HIS) valuation uses the same demographic assumptions as the Florida Retirement System; the Florida National Guard valuation uses the FRS mortality assumption specific to non-Special Risk members who are not K-12 Instructional
- The HIS valuation also uses an additional assumption relating to the proportion of eligible retirees anticipated to elect to participate in HIS at time of retirement
 - That HIS participation assumption was updated last year as part of the 2024 experience study:
 - 90% of Pension Plan members eligible for retirement at separation are assumed to elect HIS participation
 - 50% of Pension Plan members who separate prior to retirement eligibility are assumed to elect HIS participation
 - 60% of Investment Plan members who are HIS-eligible at time of separation are assumed to elect HIS participation
 - 40% of Investment Plan members who are not yet HIS-eligible at time of IP distribution are assumed to elect HIS participation when they meet minimum age requirements

Needed Guidance

Needed Guidance for FRS Pension Plan

- From Conference Principals for system funding calculations, identification of **methods** and **assumptions** to use in the 2025 FRS Pension Plan valuation calculations for system funding purposes to calculate blended proposed 2026-27 statutory contribution rates, including:
 - Investment return assumption (currently 6.70%)
 - Inflation assumption (currently 2.40%)
 - Amortization policy - currently 20-year level percent of pay
 - UAL bases set up before July 1, 2021 with 20+ years remaining at the time were shortened to 20 years

Needed Guidance for the HIS and National Guard Programs

- From Conference Principals for GASB accounting valuations of the Health Insurance Subsidy (HIS) and Florida National Guard programs:
 - Re-confirmation of the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the discount rate for the two programs' GASB valuations

Appendix

Milliman 30-Year Capital Market Outlook Assumptions

	Policy Allocation	Annual Arithmetic Mean	Annualized Geometric Mean	Annual Standard Deviation
US Cash	1.00%	3.11%	3.10%	1.14%
US Core Fixed Income (Aggregate)	21.00%	4.63%	4.53%	4.57%
US Government Bonds	1.00%	4.07%	3.94%	5.27%
US High Yield Bonds	1.00%	6.31%	5.84%	10.04%
US Bank/Leveraged Loans	1.00%	5.85%	5.57%	7.73%
Private Credit	4.00%	8.99%	8.33%	12.00%
Emerging Markets Bonds	1.00%	6.19%	5.42%	12.76%
Global Equity	45.00%	8.33%	6.77%	18.34%
Private Real Estate Property - Core	12.00%	8.27%	6.95%	16.82%
Private Equity	10.00%	12.71%	8.64%	30.00%
Infrastructure - Public	1.00%	7.96%	6.56%	17.35%
Hedge Funds - MultiStrategy	2.00%	6.33%	5.96%	8.70%
US Inflation (CPI-U)		2.28%	2.28%	1.47%
Total Fund	100.00%	7.81%	7.12%	12.41%

For assessing the expected portfolio return under Milliman's capital market assumptions, we considered FRS investments to be allocated among the model's asset classes as shown. This allocation is based on our understanding of the current target allocation policy, as provided to us by Aon Investments USA, Inc. via email on October 6, 2025.

Real return assumptions in the Milliman model are set semi-annually by a committee of credentialed investment professionals.

Milliman 30-Year Investment Return Model

Percentile	30-Year Average
65 th	7.97%
60 th	7.67%
55 th	7.38%
50th	7.10%
45 th	6.82%
40 th	6.53%
35 th	6.24%

- Based on the current target asset allocation, model results are geometric annual average net returns based on:
 - A series of average annual real returns by asset class, plus asset class correlations
 - The Milliman model's inflation assumption (average of 2.28% over 30 years)
 - The 40th percentile means that in the Milliman model 40% of possible 30-year average annualized returns are at or below 6.53%
 - Details on the model inputs on the previous slide



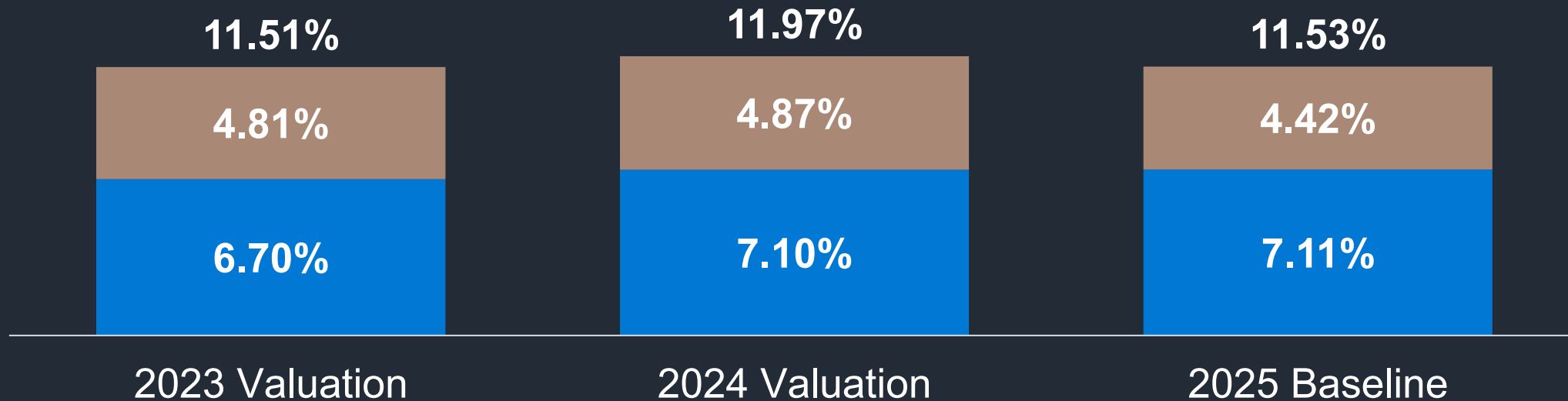
Sensitivity of Results to Return Assumption

System Average Valuation Results	Blended PP/IP Employer Rate	UAL (AVA)	Funded Status
Final 2025-26 at 6.70% assumption	16.39%	\$45.8 B	80.7%
Preliminary 2026-27:			
- At 6.70% assumption ¹	16.01%	\$43.2 B	82.3%
- At 6.80% assumption ²	15.45%	\$40.5 B	83.2%
- At 6.60% assumption ³	16.58%	\$46.0 B	81.3%

- Based on projected 2026-27 PP/IP payroll of \$50.1 billion (including payroll subject to only UAL contributions), estimated combined 2026-27 PP/IP contribution of:
 - ¹ **\$7.62 billion** at 6.70% return assumption
 - ² **\$7.35 billion** at 6.80% return assumption [**\$270 million** decrease from 6.70% assumption]
 - ³ **\$7.90 billion** at 6.60% return assumption [**\$280 million** increase from 6.70% assumption]

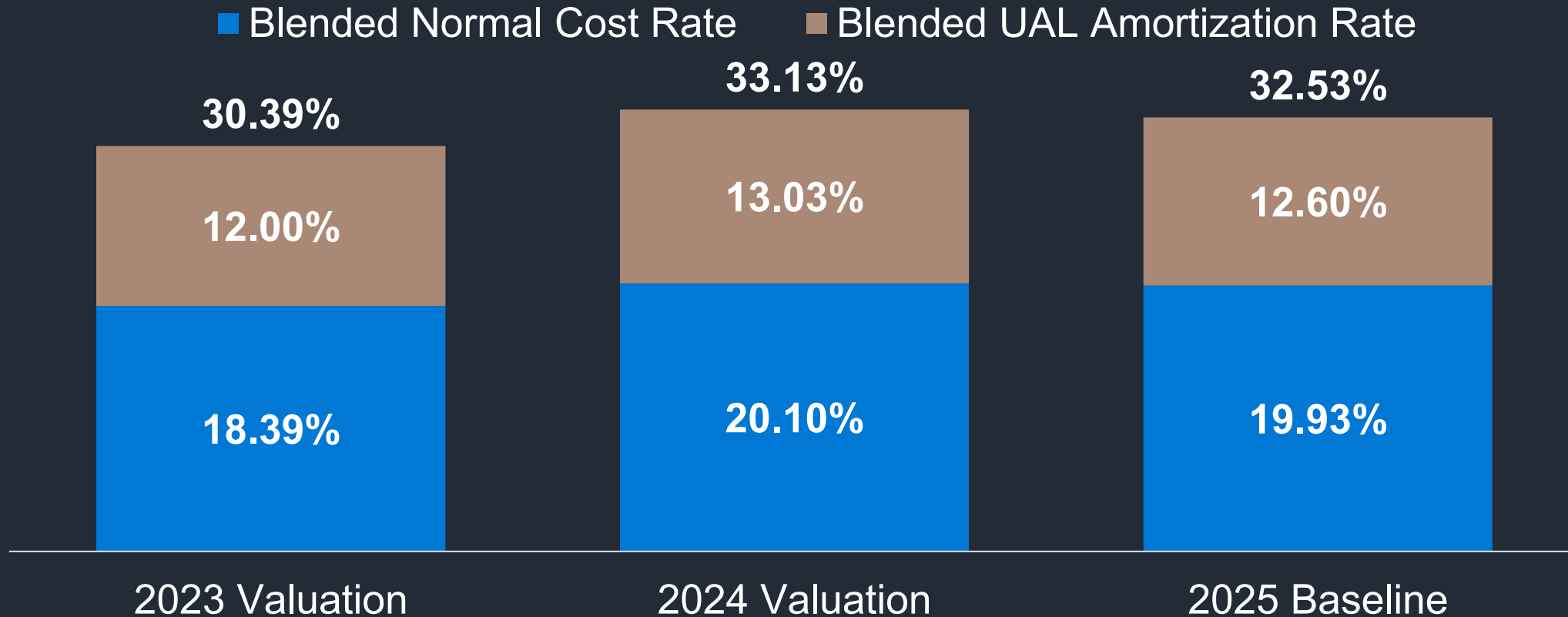
Year-to-Year Changes in Blended Employer Rates – Regular Class

■ Blended Normal Cost Rate ■ Blended UAL Amortization Rate



- 2023 valuation rates were increased 0.06% of pay above those shown when enacted in 2024-25 statute
- UAL amortization rate decreases via investment gain recognized in smoothed Actuarial Value of Assets (AVA)
- Normal cost increase from 2023 to 2024 was driven by the Experience Study assumption updates

Year-to-Year Changes in Blended Employer Rates – Special Risk Class



- 2023 valuation rates were increased 0.34% of pay above those shown when enacted in 2024-25 statute
- UAL amortization rate decreases via investment gain recognized in smoothed Actuarial Value of Assets (AVA)
- Normal cost increase from 2023 to 2024 was driven by the Experience Study assumption updates

Disclaimer

At your request, we have provided these draft results prior to completion of the July 1, 2025 Actuarial Valuation Report. Because these are draft results, Milliman does not make any representation or warranty regarding the contents of the presentation. Milliman advises any reader not to take any action in reliance on anything contained in this presentation. All draft results from this presentation are subject to revision or correction prior to the release of the finalized July 1, 2025 Actuarial Valuation Report, and such changes or corrections may be material.

Certification

This presentation summarizes key preliminary results of an actuarial valuation of the Florida Retirement System (“FRS” or “the System”) as of July 1, 2025. The valuation, when finalized, will develop actuarially calculated contribution rates for the Plan Year ending June 30, 2027. The results in this presentation are preliminary in nature and may not be relied upon to, for example, prepare the System’s Annual Consolidated Financial Report. The reliance document will be the formal July 1, 2025 Actuarial Valuation Report.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by Division of Retirement (“Division”) staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

Preliminary results have been determined on the basis of actuarial assumptions and methods as most recently adopted by the October 14, 2024 and October 17, 2024 FRS Actuarial Assumption Conferences, as detailed in the 2024 Experience Study report and the July 1, 2024 Actuarial Valuation Report for funding purposes. In our professional opinion those assumptions remain individually reasonable (taking into account System experience and reasonable expectations); and offer a reasonable estimate of anticipated future experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The FRS Actuarial Assumption Conference has the final decision regarding the selection of assumptions for System funding calculations.

Certification

Computations presented in this presentation are for purposes of preliminarily estimating the actuarially calculated contribution rates for funding the System. Computations prepared for other purposes may differ. The calculations in the presentation have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this presentation have been made on a basis consistent with our understanding of the plan provisions described in the appendix of our formal actuarial valuation report as of July 1, 2024. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this presentation. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the Florida Department of Management Services ("DMS"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third-party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The presenting actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of Milliman's work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this presentation has been prepared in accordance with generally recognized and accepted actuarial principles and practices. The presenting actuary is a member of the American Academy of Actuaries and meets the Qualification Standards to render the actuarial opinion contained herein.

Actuarial Basis

Data

We have based our calculations on demographic member census data as of July 1, 2025 as supplied by the Division of Retirement (“Division”). That data will be summarized in our formal actuarial valuation report for funding purposes as of July 1, 2025, which will be published in the 4th quarter of this year. Assets as of June 30, 2025, were based on values provided by the Division.

Methods / Policies

Actuarial Cost Method: Individual Entry Age Normal, as initially adopted by the 2019 FRS Actuarial Assumption Conference and most recently adopted by the 2024 FRS Actuarial Assumption Conference.

UAL Amortization: Newly arising UAL each plan year is amortized as a level percentage of projected payroll over a closed 20-year period, except where explicitly modeled as a policy alternative in the body of the presentation.

Actuarial Value of Assets: A smoothed asset value specified by Florida Statutes that annually recognizes 20% of deviations in investment performance from the long-term assumption systematically over time. The statutory calculation approach includes a “corridor” to ensure smoothed assets vary no more than 20% from fair market value.

Assumptions

Assumptions for preliminary 2025 valuation calculations use assumptions as detailed in the July 1, 2024 Actuarial Valuation Report for funding purposes.

Provisions

Provisions valued are as summarized in the July 1, 2024 Actuarial Valuation Report for funding purposes.