

Florida Retirement System Pension Plan And
Other State Administered Systems
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014



Florida Retirement System Pension Plan And Other State Administered Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014



JAXPORT - Photograph courtesy of JAXPORT

Division of Retirement
1317 Winewood Boulevard
Building 8
Tallahassee, FL 32399-1560

Toll Free: 844-377-1888
Local: 850-907-6500
TTY: 800-955-8771

www.frs.myflorida.com

[Rick Scott, Governor](#)
[Chad Poppell, Secretary](#)
[Dan Drake, State Retirement Director](#)

The photographs used throughout this report highlight the various port cities which line Florida's Atlantic and Gulf Coasts. Florida ranked seventh among the nation's top exporting states in 2013. Waterborne international trade moving through these seaports was valued at \$85.9 billion in 2013, increasing for the fifth year in a row. This \$85.9 billion represented 53.3 percent of Florida's \$160.5 billion total international trade. A recent Florida Ports Council Economic Analysis has shown that maritime cargo and cruise activities at Florida ports generated more than 680,000 direct and indirect jobs, and \$96 billion in total economic value. These activities contribute \$2.4 billion in state and local tax revenues. This report has been prepared by the Department of Management Services Division of Retirement.

TABLE OF CONTENTS

INTRODUCTORY SECTION	5
Transmittal Letter	6
Management Staff	8
Administrative Organization Chart and List of Consulting Services	9
Public Pension Standards Award for Funding and Administration	10
FINANCIAL SECTION	11
INDEPENDENT AUDITOR'S REPORT	12
Management's Discussion and Analysis	15
Financial Statements	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	24
Governmental Fund Balance Sheet/Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund/Statement of Activities	27
Notes to the Financial Statements	
Notes to the Financial Statements Table of Contents	28
Note 1 – Plan Description	29
Note 2 – Summary of Significant Accounting Policies	40
Note 3 – Plan Investments	44
Note 4 – Net Pension Liability	62
Note 5 – Interfund Balances and Transfers	67
Note 6 – Changes in Long-Term Liabilities	68
Note 7 – Related Parties	69
Required Supplementary Information	
Florida Retirement System Pension Plan	70
Retiree Health Insurance Subsidy Program	73
Budgetary Comparison Schedules	76
Budget to GAAP Reconciliation	76
Budgetary Reporting	77
Other Supplementary Information	79
Schedule of Administrative Expenses	80
INVESTMENTS SECTION	81
Statement from the State Board of Administration Executive Director	82
FRS Trust Fund Performance	83
FRS Trust Fund Distribution of Investments	84
ACTUARIAL SECTION	85
FRS Pension Plan Overview of GASB 67 and GASB 68	86
Actuary's Statement Regarding FRS 2014 Actuarial Valuation and Certification	87
History of the FRS Pension Plan Unfunded Actuarial Liability/Surplus with Total Liabilities and Total Assets	94
FRS Pension Plan Membership	95
FRS Pension Plan Payroll	96
FRS Pension Plan Cash Flows	96
Projected FRS Pension Plan Benefit Payments	97
FRS Pension Plan Trust Fund Assets	98
Statement of Fund Balance/Fiduciary Net Position	98
FRS Pension Plan Total Actuarial Assets Compared to Total Actuarial Liabilities	99
Total Composite Blended Rate	100
FRS Pension Plan Retirement Contributions	101
HIS Program Overview of GASB 67 and GASB 68	102
Actuary's Statement Regarding HIS 2014 Valuation and Certification	104

TABLE OF CONTENTS (continued)

STATISTICAL SECTION	111
Membership and Payroll.....	112
Annuity and Benefit Payments for the FRS Pension Plan	112
Source of FRS Membership and Covered Payroll for Fiscal Year 2013-14.....	113
Ratio of FRS Active Members to Retirees.....	114
Active FRS Members by System/Class	115
Annual FRS Payroll by System/Class	115
Members' Required Contributions by System/Class	115
Profile of Active FRS Members	116
Profile of Active FRS Investment Plan Members.....	117
Profile of Active FRS Pension Plan Members	118
Active FRS Members 2010-2014	119
Growth of FRS Annuity – All Systems 2010-2014.....	119
FRS Pension Plan Refund Payments by Type.....	120
Total FRS Pension Plan Refund Payments by Type	120
Active FRS Pension Plan DROP Participants by System/Class.....	121
Profile of Active FRS Pension Plan DROP Participants	121
FRS Pension Plan DROP Accrued Benefits and Interest by System/Class	123
Terminated FRS Pension Plan DROP Participants by System/Class	124
Profile of Terminated FRS Pension Plan DROP Participants.....	124
Total Annuity by System/Class.....	126
Average Benefits by System/Class	126
Total Annual Benefits by System/Class.....	127
Total Disability Benefits by System/Class	127
Profile of Total Annuity by System/Class.....	128
Profile of FRS Annuity	128
FRS Retirees and Beneficiaries by Age at Retirement.....	131
FRS Retirees and Beneficiaries by Years of Service at Retirement.....	131
Total FRS Annuity by Type of Retirement	132
Total FRS Annual Benefits by Type of Retirement.....	132
Total FRS Annuity Added During Fiscal Year by Type of Retirement	132
Total Annual Benefits of FRS Annuity Added During Fiscal Year by Type of Retirement	132
Schedule of Average FRS Benefits.....	133
2014 FRS Pension Benefits by Florida County	134
FRS Retirees by State.....	135
FRS Retirees Outside the United States	135
Reemployed Retirees Not Eligible for Renewed Membership by Class.....	136
Profile of Reemployed Retirees Not Eligible for Renewed Membership.....	136
SYSTEM SUMMARY SECTION	137
Chronological Highlights of State-Administered Retirement and Pension Systems Since 2000	138
FRS Participating Employers	140
Police and Firefighters' Premium Tax Trust Fund	147
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	148

This page is intentionally left blank

INTRODUCTORY SECTION



Port Canaveral - Photograph courtesy of the Florida Ports Council



Director's Office

P.O. Box 9000

Tallahassee, Florida 32315-9000

Tel: 850-907-6500 | Fax: 850-410-2010 | Toll-Free: 844-377-1888

Rick Scott, Governor

Chad Poppell, Secretary

Dan Drake
State Retirement Director

Letter of Transmittal

Dear Members:

We are pleased to present the first Comprehensive Annual Financial Report (CAFR) of the state retirement systems administered by the Department of Management Services' Division of Retirement (division). This annual report covers the period from July 1, 2013, through June 30, 2014. It includes the operations and financial status of the state retirement systems administered by the division, investment objectives and policy, actuarial reports, historical and statistical information on active members, annuitants and benefit payments, and a summary description of the retirement plans. The reporting requirements of Statement No. 67, of the Governmental Accounting Standards Board, *Financial Reporting for Pension Plans*, have been implemented in this CAFR. This transmittal letter is designed to complement the Management Discussion and Analysis (MD&A) in the Financial Section of this report and should be read in conjunction with it.

State-Administered Retirement Systems Profile

The state-administered retirement systems include two separate defined benefit pension plans: the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy Program; two separate defined contribution retirement plans: one for state senior managers and one for specified staff of the State University System; general revenue funded pensions; and funding to certain local government plans. The FRS is the fifth largest state retirement system that provides retirement, disability, or death benefits to 362,216 retirees or their designated beneficiaries and 38,058 Deferred Retirement Option Program (DROP) participants and offers a wide range of information services to 622,089 non-retired members. The FRS offers members a choice between the Pension Plan (a defined benefit plan) and the Investment Plan (a defined contribution plan). FRS participation is required by all state, county, district school board, state college, and state university employers with optional participation offered to cities, charter schools, metropolitan planning districts, and special districts. As of June 30, 2014, the FRS had 1,014 participating employers.

Participation in non-integrated defined contribution plan alternatives to the FRS are provided to specified State University System employees through the State University System Optional Retirement Program and state senior managers through the Senior Management Service Optional Annuity Program. General revenue funded pensions include a retirement benefit to retirees of the Florida National Guard. Beginning in 2015, the Florida National Guard Supplemental Retirement Benefit Program will have its own valuation and be accounted for separately. Oversight is provided to local government pension plans with premium tax collections distributed to eligible municipal police and firefighters plans.

Economic Condition

All FRS assets are invested under the authority and direction of the State Board of Administration (SBA). The primary investment objectives for the FRS Pension Plan are to provide investment returns sufficient to ensure timely payment of promised benefits and keep plan costs at a reasonable level. The portfolio consists of a highly diversified asset mix of investments, which includes government and corporate bonds, common stocks, income-producing real estate, alternative investments, and short-term money market instruments.

As of June 30, 2014, the market value of assets for the FRS Pension Plan was approximately \$149.1 billion. This reflects a 17.4 percent annualized investment return. The fiduciary net position as of June 30, 2014, was \$150.0 billion, a 12.7 percent increase over the previous year. The FRS Pension Plan is 86.6 percent funded on a plan funding basis as of June 30, 2014, and 96.1 percent funded on a Governmental Accounting Standards Board Statement No. 67, reporting basis.

Since the benefit payments are not all immediately payable, the SBA can maintain a long-term investment strategy. This approach, along with a well-diversified investment portfolio, helps weather periods of volatility in the investment markets.

Legislation

The Florida Legislature enacted the following substantive changes during the 2014 Legislative Session:

- Established uniform employer contribution rates for the FRS membership classes and the contribution rate for the Deferred Retirement Option Program (DROP) effective July 1, 2014. New uniform employer contribution rates include fully funding the recommended unfunded actuarial liability. The required employee contribution rate remains at 3 percent.
- Increased the employer contribution rate for the Health Insurance Subsidy (HIS) from 1.20 percent to 1.26 percent effective July 1, 2014.
- Clarified the amount for the employer assessment of administering the Investment Plan increases from 0.03 percent to 0.04 percent effective July 1, 2014.
- Removed any member who is employed as a youth custody officer by the Department of Juvenile Justice from the Special Risk Class of the FRS effective July 1, 2014.

Awards and Recognition

The FRS was awarded the Public Pension Coordinating Council's Public Pensions Standards Award for Funding and Administration in 2014. This award recognizes plans that meet professional standards for plan funding and administration in categories such as benefits, actuarial valuations, financial reporting and communications to members.

The Department of Management Services' Division of Retirement and Division of Finance and Administration prepared this report. To the best of our knowledge, the enclosed data is accurate in all material respects and reported in a manner designed to fairly present the financial position and operations of the state-administered retirement systems. We created this report to provide complete and reliable information to members of these systems, the Governor, the Florida Legislature and the citizens of Florida. We continue to work to make the state-administered retirement systems cost effective and managed for the benefit of active and retired members.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Dan Drake', with a stylized, flowing script.

Dan Drake
State Retirement Director

MANAGEMENT STAFF

The Division of Retirement manages Florida's state-administered retirement systems. The Governor appoints the Secretary of the Department of Management Services who appoints the State Retirement Director. The following individuals are involved in managing the state-administered retirement systems:



Chad Poppell*
Secretary



Dan Drake
Director



Elizabeth Stevens
Assistant Director



Jerry Haynes, Manager
Administrative Services



Garry Green, Chief
Bureau of Research and
Member Communications



Shirley Beauford, Chief
Bureau of Benefit Payments



Cindy Randolph, Chief
Bureau of Retirement
Calculations



Keith Brinkman, Chief
Bureau of Local Retirement
Systems



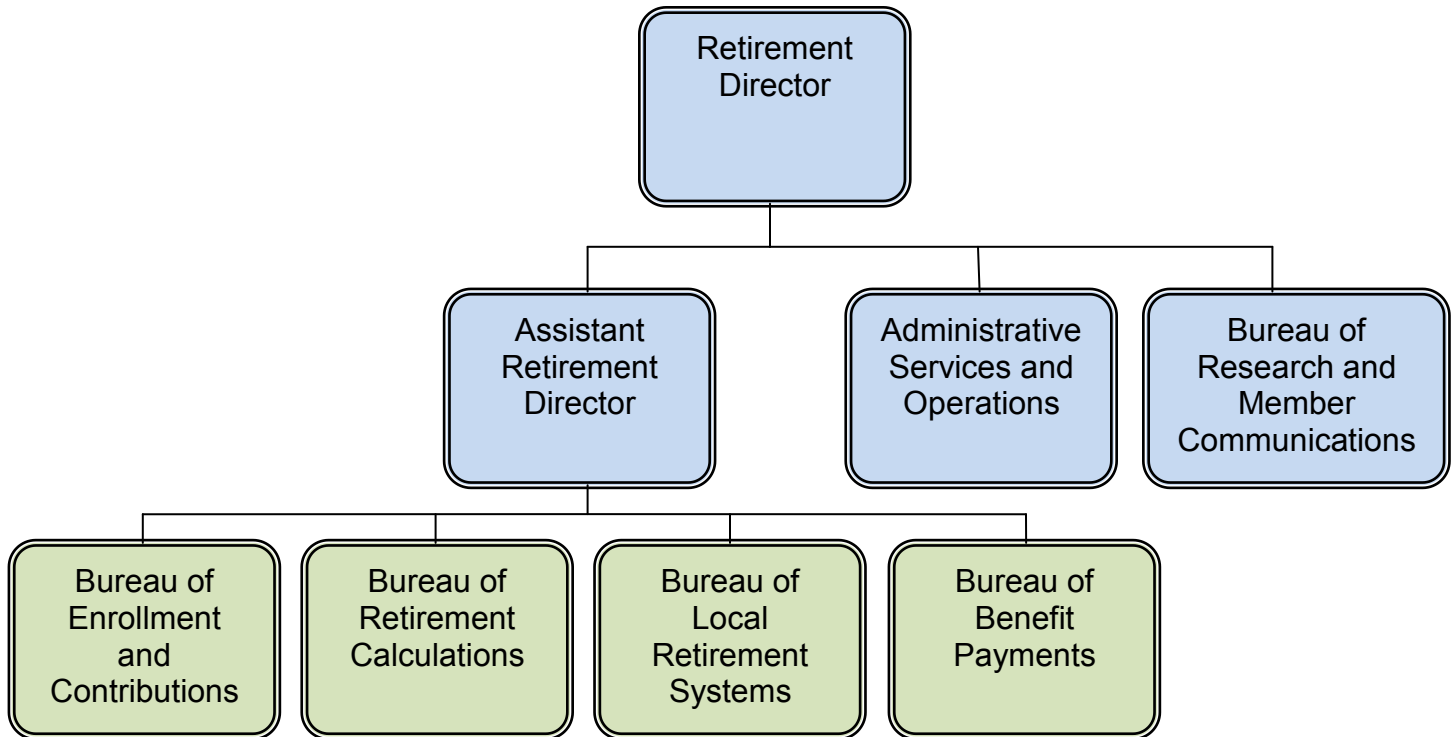
Joyce Morgan, Chief
Bureau of Enrollment and
Contributions

* Craig Nichols was the Secretary during the audit period of July 1, 2013, through June 30, 2014.

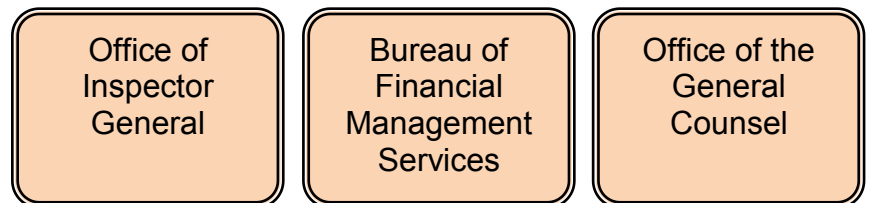
MAILING ADDRESS

Division of Retirement
P.O. Box 9000
Tallahassee, Florida 32315-9000

ADMINISTRATIVE ORGANIZATION
as of June 30, 2014



The following sections are managed at the department level:



CONSULTING SERVICES

ACTUARY

Milliman, Inc., Consultants and Actuaries
Seattle, Washington

INFORMATION TECHNOLOGY

Deloitte
Tallahassee, Florida

INVESTMENT

State Board of Administration
Tallahassee, Florida



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2014***

Presented to

Florida Retirement System Pension Plan

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

FINANCIAL SECTION



Port Everglades - Photograph courtesy of the Florida Ports Council



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary funds and governmental activities of the Florida Retirement System Pension Plan and Other State-Administered Systems (System) administered by the Florida Department of Management Services, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the assets and investment income of the Florida Retirement System Defined Benefits Plan which represent 99 percent of the assets and 88 percent of the additions of the Florida Retirement System Defined Benefit Plan as reported on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, respectively. Those assets and additions were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Florida Retirement System Defined Benefits Plan, is based solely on the report of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds and governmental activities of the System, as of June 30, 2014, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Florida Retirement System Pension Plan and Other State-Administered Systems and do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2014, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

In its fiscal year 2014 financial statements, the System implemented a new accounting standard issued by the Governmental Accounting Standards Board (GASB). This new standard, Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB No. 25*, requires the System to determine a net pension liability, for each of its defined benefit plans, using assumptions that conform to actuarial standards of practice issued by the Actuarial Standards Board. The net pension liability is the difference between the present value of pension benefits earned by members through the end of the fiscal year and the fiduciary net position at the end of the fiscal year. See Note 4, in the Notes to the Financial Statements for further information about the net pension liability for each defined benefit plan.

As discussed in the Management Discussion and Analysis section of the report, the ability of the current statutory contribution rate to pay full Retiree Health Insurance Subsidy (HIS) Program benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements on the amount of payroll on which the statutory rate is charged. This matter had no effect on our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis, on pages 15 through 20, and the Required Supplementary Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Employer Contributions, Schedule of Money-Weighted Rate of Return, and related Notes to Required Supplementary Information, on pages 70 through 75, and required budgetary information on pages 76 through 78, be presented to supplement the basic financial statements. Such information, although not a required 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 inquiries, the basic financial statements, and other knowledge we obtained during our audit 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Introductory Section, on pages 5 through 10, the Investments, Actuarial, Statistical, and System Summary Sections, on pages 81 through 147, and the Schedule of Administrative Expenses, on page 80, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The Schedule of Administrative Expenses has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, based on our audit and the procedures performed as described above, the Schedule of Administrative Expenses is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The Introductory, Investments, Actuarial, Statistical, and System Summary Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and other matters included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

February 27, 2015

Audit Report No. 2015-110

Management's Discussion and Analysis

Management's Discussion and Analysis provides an overview of the financial activities of the state-administered retirement systems and the fund for local government pension plans administered by the Florida Department of Management Services' Division of Retirement (division) for the fiscal year ended June 30, 2014. This section should be read in conjunction with the financial statements and other information provided in this Comprehensive Annual Financial Report (CAFR).

Fiscal year 2014 is the first year the division has produced an audited, stand-alone CAFR; therefore, financial statements on a comparative basis are not provided. Prior year unaudited comparative financial data is included in this analysis and in various sections throughout the CAFR for comparison purposes only.

The Florida Retirement System (FRS) Pension Plan is the primary retirement plan administered by the division. It is a section 401(a), Internal Revenue Code, qualified cost-sharing, multiple-employer defined benefit plan for participating public employees. In addition to the FRS Pension Plan, the division administers several smaller plans and other retirement activities, including the:

- Retiree Health Insurance Subsidy (HIS) Program, a supplemental benefit provided to eligible FRS retirees that is treated as defined benefit plan for accounting purposes;
- State University System Optional Retirement Program (SUSORP), a section 403(b), Internal Revenue Code, qualified defined contribution plan for faculty, members of the State University System Executive Service, and administrative and professional staff positions that are exempt from career service;
- Senior Management Service Optional Annuity Program (SMSOAP), a section 401(a), Internal Revenue Code, qualified defined contribution plan for state senior managers;
- Police and Firefighters' Premium Tax Trust Fund, a supplemental funding of defined benefit plans for municipal police officers and firefighters who are not in the FRS; and
- Various General Revenue funded pension programs, including the Florida National Guard Supplemental Retirement Program that will have its own actuarial valuation beginning in 2015.

The division's responsibilities include making benefit payments to retirees, collecting contributions to the plans and transmitting contributions to the State Board of Administration (SBA) and other third party providers for investment and directing actuarial studies. The SBA is responsible for, among other duties, investing defined benefit retirement fund assets consistent with statutory authority. The Florida Legislature is responsible for establishing plan structure, benefit levels and contribution rates, and providing statutory authority for the administration of the state-administered retirement funds.

Financial and Actuarial Highlights

The FRS Pension Plan represents over 99.9 percent of the financial activity of the state-administered retirement funds. The following financial highlights relate specifically to the FRS Pension Plan:

- The overall financial position of the FRS Pension Plan improved during the year ended June 30, 2014; the fiduciary net position of the FRS Pension Plan increased to \$150.0 billion, an increase of \$16.9 billion, or 12.7 percent over fiscal year 2013. The increase in value was due primarily to positive investment returns across all asset classes. As shown in the Investments Section, the market value of assets for the FRS Trust Fund was \$149.1 billion. The FRS earned an overall investment return of 17.4 percent for fiscal year 2014, compared with a return of 13.1 percent for fiscal year 2013.
- The FRS relies upon contributions from employees and employers, along with investment income, to meet the funding requirements of an actuarially-determined accrued liability. As of July 1, 2014, the date of the latest actuarial valuation, the FRS' funded ratio was 86.6 percent on the valuation funding basis and 96.1 percent - on a Governmental Accounting Standards Board Statement No. 67 basis.

- On a comparative basis, administrative expense of the plan for fiscal year 2014 totaled \$18.3 million as compared to \$16.9 million for fiscal year 2013. Administrative expenses reported on the Statement of Changes in Fiduciary Net Position for fiscal year 2014 include items such as personnel and professional service cost, communication cost, and other operating costs which include administrative overhead assessments charges and facilities rental expenses. For additional information on administrative expenses refer to the Schedule of Administrative Expenses located immediately following the Required Supplementary Information Section.
- Contribution revenue recognized from employees and employers during fiscal year 2014 totaled \$2.9 billion, an increase of 42.5 percent over the prior year. The increase in contributions was due primarily to the requirement for all employers to pay the full unfunded actuarial liability (UAL) rates recommended by the FRS's consulting actuary beginning July 1, 2013.
- Pension benefits paid to retirees and beneficiaries during fiscal year 2014 increased 3.3 percent or \$258.4 million over fiscal year 2013 benefit payments, for a total of \$8.0 billion. These benefits include payouts to terminating participants of the Deferred Retirement Option Program before being added to the monthly payroll for benefit payments.
- Refunds of employee and employer contributions increased by \$2 million in fiscal year 2014 to a total of \$6.9 million.

FRS and HIS Valuations - July 1, 2014

- This is the first year reporting under new pension standards required by the Governmental Accounting Standards Board's Statement No. 67, *Financial Reporting for Pension Plans*. These standards enhance note disclosures and required supplementary information presented by defined benefit plans. Note 4, the Required Supplementary Information and Actuarial sections of this report provide information on the net pension liability, key methods and assumptions used, and other required disclosures. A comparison between fiscal years of the net pension liability and other related disclosures cannot be made in this initial year of transition but will follow in subsequent years.

Retiree Health Insurance Subsidy (HIS) Program

- The HIS Program provides a nominal health insurance subsidy payment to most retired employees and beneficiaries. The Florida Legislature sets the contribution rate for this program, which operates using a pay-as-you-go funding structure. As discussed in the actuary's report, the most recent valuation, dated July 1, 2014, accumulated HIS assets constituted approximately three months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements on the amount of payroll on which the statutory rate is charged. The division has discussed the program's condition with the Legislature and the Office of the Governor. For further discussion of this, refer to Part B of the Required Supplementary Information section.

Overview of the Financial Statements

As required by accounting principles generally accepted in the United States, the systems' financial statements consist of the following components: basic financial statements, notes to the financial statements and required supplementary information.

Basic Financial Statements

The systems' basic financial statements include the following elements as of and for fiscal year ended June 30, 2014:

- Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position - The pension plans report operations and fiduciary net position on a full accrual basis of accounting and a focus on economic resources. The Statement of Fiduciary Net Position reports the assets, liabilities and resulting fiduciary net position, providing a measurement of the financial status of the funds as of the end of the fiscal year. The Statement of Changes in Fiduciary Net Position presents the results of operating activities in the fiduciary funds during the fiscal year and reflects the changes in resources available to provide future retirement benefits.
- Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance - The Police and Firefighters' Premium Tax Trust Fund is a special revenue fund, reported as a governmental fund type using a modified accrual basis of accounting with a focus on current financial resources. The Balance Sheet reports the assets, liabilities and resulting fund balance as of the end of the fiscal year. The Statement of Revenues, Expenditures and Changes in Fund Balance presents the results of operating activities during the fiscal year and reflects the changes in resources available to provide the services administered by the division.
- Statement of Net Position and Statement of Activities – The Police and Firefighters' Premium Tax Trust Fund is converted to a governmental perspective which reports on a full accrual basis of accounting and a focus on economic resources. The Statement of Net Position presents the assets, liabilities and resulting net position as of the end of the fiscal year. The Statement of Activities presents the results of operating activities during the fiscal year.
- Notes to the financial statements are an integral part of the financial statements. They are important to the reader's understanding of the statements and provide additional information regarding the state-administered retirement funds such as significant accounting policies, material account balances and activities, obligations, contingencies and subsequent events, if any.

Required Supplementary Information

The following schedules and reconciliation are included to assist the reader by adding operational, economic, and historical context to the financial statements and notes to the financial statements.

- Schedules of Changes in Net Pension Liability and Related Ratios
- Schedules of Employer Contributions
- Schedules of Money-Weighted Rate of Return
- Budgetary Comparison Schedule
- Budget to GAAP Reconciliation

Other Supplementary Information

The Schedule of Administrative Expenses provides additional information not included in the basic financial statements, notes, or required supplementary information.

Condensed Financial Statements and Overall Financial Analysis

Statements of Fiduciary Net Position / Net Position

These statements present the assets, liabilities and net position (total assets in excess of total liabilities) of the state-administered retirement funds as of the end of the fiscal year and are point-in-time financial statements. Table 1, below, presents the condensed Statements of Fiduciary Net Position / Net Position for the fiscal year ended June 30, 2014, summarizing the activities of the various retirement funds. The net position at the close of the fiscal year for all funds combined was \$150.2 billion, with the defined benefit plans comprising over 99.9 percent of the total. Net position increased 12.7 percent from the previous year's total net position of \$133.3 billion, restated as of July 1, 2013 (Note 2).

Table 1: Condensed Statements of Fiduciary Net Position / Net Position

As of June 30, 2014 ¹

(in thousands)

	Defined Benefit Plans	Defined Contribution Plans	Governmental Activities	TOTAL
Cash and investments	\$ 157,905,336	\$ 4,122	\$ 228,666	\$ 158,138,124
Other assets	5,563,639	20	14,131	5,577,790
Total assets	163,468,975	4,142	242,797	163,715,914
Total liabilities	13,361,298	187	170,101	13,531,586
Fiduciary net position / net position	\$ 150,107,677	\$ 3,955	\$ 72,696	\$ 150,184,328

Note 1 - Fiscal year 2014 represents the first year a separately-issued, audited CAFR was produced for the state-administered retirement funds; therefore, comparative data is not presented.

Statements of Changes in Fiduciary Net Position / Activities

These statements detail the changes in fiduciary net position/net position that occurred during the fiscal year. All changes are reported on an accrual basis and show net investment income earned, contributions from employers and employees, and withdrawals for members and beneficiaries that occurred during the fiscal year. Table 2 presents the Condensed Statements of Changes in Fiduciary Net Position / Activities for the fiscal year ended June 30, 2014. Over time, increases and decreases in the fiduciary net position/net position measure whether the financial position of the state-administered retirement funds is improving or deteriorating. The total net position for all funds increased by \$16.9 billion dollars during the fiscal year. The FRS Pension Plan accounts for 99.9 percent of the increase.

Table 2: Condensed Statements of Changes in Fiduciary Net Position / ActivitiesFor the fiscal year ended June 30, 2014 ¹

(in thousands)

	Defined Benefit Plans	Defined Contribution Plans	Governmental Activities	TOTAL
Additions / Revenues				
Employer contributions	\$ 2,532,990	\$ 112,313	\$ -	\$ 2,645,303
Employee contributions	699,579	81,978	-	781,557
Premium taxes	-	-	173,085	173,085
Transfers and other additions	114,190	358	-	114,548
Net investment income/(loss)	22,812,506	81	260	22,812,847
Total additions / revenues	26,159,265	194,730	173,345	26,527,340
Deductions / Expenses				
Benefit payments	8,421,910	-	-	8,421,910
Refunds of contributions	6,994	-	-	6,994
Payments to annuity companies	-	160,998	-	160,998
Distributions to cities	-	-	139,417	139,417
Administrative expenses	18,406	264	784	19,454
Transfers and other deductions	823,884	33,613	32,863	890,360
Total deductions / expenses	9,271,194	194,875	173,064	9,639,133
Change in net position	16,888,071	(145)	281	16,888,207
Fiduciary net position / net position - beginning, as restated (Note 2)	133,219,606	4,100	72,415	133,296,121
Fiduciary net position / net position - ending	\$ 150,107,677	\$ 3,955	\$ 72,696	\$ 150,184,328

Note 1 - Fiscal year 2014 represents the first year a separately-issued, audited CAFR was produced for the state-administered retirement funds; therefore, comparative data is not presented.

Summary

The long-term financial health of all retirement plans is dependent upon two key items: future investment returns and contributions. In the defined contribution plans, the members bear the investment risk. For the FRS Pension Plan, the long-term financial health depends on contributions and meeting the plan's assumptions including the assumed investment return. The division's funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer and member contributions as well as earning an adequate long-term rate of return on its investments are essential components of the division's plan for accumulating the funds needed to finance future retirement benefits.

The investment performance for the FRS Pension Plan for the fiscal year ended June 30, 2014, was 17.4 percent, resulting in a significant increase in the fiduciary net position held in trust for pension benefits. The amount of assets required to meet future obligations is based, in part, on estimated or expected long-term investment returns. While management cannot predict future market returns, the changes in assets reflect the volatility of the market.

The division is required by state law to provide an actuarial valuation of the defined benefit pension plans to assist decision makers in assessing the funding strength and position of the defined benefit pension plans. The results of these actuarial valuation reports are included in Note 4, Net Pension Liability; the Required Supplementary Information and the Actuarial Sections.

The FRS Pension Plan was 86.6 percent funded on a plan funding basis and 96.1 percent funded on a GASB Statement No. 67 reporting basis as of June 30, 2014. Assumptions changes adopted for the 2014 FRS Pension Plan Valuation included:

- Reducing the assumed investment rate of return from 7.75 percent to 7.65 percent,
- Reducing the inflation assumption from 3 percent to 2.60 percent, and
- Reducing the real wage growth assumption from 1.0 percent to 0.65 percent.

The reporting requirements of GASB Statement No. 67, *Financial Reporting for Pension Plans*, supersede GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, and are incorporated in this CAFR.

Contacting the Division of Retirement

This report is designed to provide an overview of the division's activities to citizens, taxpayers, retirement plan members, and other interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-907-6500.

This page is intentionally left blank

STATEMENT OF FIDUCIARY NET POSITION
as of June 30, 2014

	Defined Benefit	
	Florida Retirement System	Retiree Health Insurance Subsidy
ASSETS		
Cash and cash equivalents	\$ 309,563,638	\$ 120,576
State treasury investment pool	1,665,880	-
Total cash and cash equivalents	311,229,518	120,576
<u>Investments</u>		
Certificates of deposit	1,417,425,894	-
U.S. government and federally guaranteed obligations	9,274,839,080	-
Federal agencies	8,819,935,227	-
Commercial paper	6,161,120,821	-
Options	2,388,871	-
Repurchase agreements	1,150,000,000	-
International bonds and notes	2,593,570,824	-
Bonds and notes	7,171,943,413	276,141
Real estate contracts	9,910,419,718	-
Mutual funds equity	7,501,662,131	29,193
Short term investment funds	9,733,821	60,179,955
Domestic equity/domestic equity commingled	44,070,462,430	-
Alternative investment	16,501,387,250	-
International equity/international equity commingled	38,330,351,178	-
Total investments	152,915,240,658	60,485,289
<u>Receivables</u>		
Accounts receivable	83,557	-
Contributions receivable - state	42,812,464	5,266,947
Contributions receivable - non state	158,199,674	26,377,478
Interest receivable	157,144,069	16
Dividends receivable	170,618,262	-
Pending investment sales	1,764,143,791	-
Pending spot fx trades receivable	149,443,586	-
Forward contracts receivable	2,967,243,022	-
Futures trade equity	15,190,429	-
Due from other funds	45,945,138	1,138,673
Due from other departments	49,386,509	-
Total receivables	5,520,210,501	32,783,114
Security lending collateral	4,618,259,793	-
Prepaid items	10,172,089	-
Furniture and equipment	976,224	-
Accumulated depreciation	(503,034)	-
Total assets	163,375,585,749	93,388,979
LIABILITIES		
Accounts payable	85,893,241	3,529
Benefits payable	1,287,024	-
Due to other funds	41,308	-
Due to other funds within division	46,014	-
Due to other departments	5,601,751	-
Accrued interest payable	285,193	-
Obligations under security lending agreements	4,674,292,312	-
Pending investment purchases	5,287,740,705	-
Pending spot fx trades payable	149,397,066	-
Forward contracts payable	2,974,062,780	-
Broker rebate fees	145,586	-
Short sell obligations - fixed income	179,820,758	-
Compensated absences liability	851,306	-
Other liabilities	1,828,333	-
Total liabilities	13,361,293,377	3,529
FIDUCIARY NET POSITION		
Held in trust for pension benefits	<u>\$ 150,014,292,372</u>	<u>\$ 93,385,450</u>

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
as of June 30, 2014

Defined Contribution		Total June 30, 2014
State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	
\$ 991,965	\$ 2,767	\$ 310,678,946
3,081,013	45,937	4,792,830
4,072,978	48,704	315,471,776
-	-	1,417,425,894
-	-	9,274,839,080
-	-	8,819,935,227
-	-	6,161,120,821
-	-	2,388,871
-	-	1,150,000,000
-	-	2,593,570,824
-	-	7,172,219,554
-	-	9,910,419,718
-	-	7,501,691,324
-	-	69,913,776
-	-	44,070,462,430
-	-	16,501,387,250
-	-	38,330,351,178
-	-	152,975,725,947
-	-	83,557
2	1,819	48,081,232
11,945	294	184,589,391
4,814	37	157,148,936
-	-	170,618,262
-	-	1,764,143,791
-	-	149,443,586
-	-	2,967,243,022
-	-	15,190,429
1,613	-	47,085,424
-	-	49,386,509
18,374	2,150	5,553,014,139
-	-	4,618,259,793
-	-	10,172,089
-	-	976,224
-	-	(503,034)
4,091,352	50,854	163,473,116,934
135,285	-	86,032,055
-	-	1,287,024
9	-	41,317
-	-	46,014
471	3	5,602,225
-	-	285,193
-	-	4,674,292,312
-	-	5,287,740,705
-	-	149,397,066
-	-	2,974,062,780
-	-	145,586
-	-	179,820,758
33,251	-	884,557
17,970	-	1,846,303
186,986	3	13,361,483,895
\$ 3,904,366	\$ 50,851	\$ 150,111,633,039

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
for the fiscal year ended June 30, 2014

	Defined Benefit	
	Florida Retirement System	Retiree Health Insurance Subsidy
ADDITIONS		
<u>Contributions and other deposits</u>		
Pension contributions - state	\$ 474,151,779	\$ 70,549,534
Pension contributions - non state	1,716,272,565	272,016,826
Pension contributions - employee	682,507,323	-
Purchase of time by employees	17,071,186	-
General revenue	16,117,888	-
Forfeiture of employee benefit	-	-
Total contributions and other deposits	2,906,120,741	342,566,360
<u>Transfers</u>		
Other funds within division - optional retirement program	33,198,167	-
Other funds within division - optional annuity program	415,277	-
Other funds - FRS investment plan	50,097,733	-
Other departments	14,360,396	-
Total transfers	98,071,573	-
Total contributions and transfers	3,004,192,314	342,566,360
<u>Investment income</u>		
Net appreciation in fair value	19,454,778,191	30,109
Interest income	985,691,174	-
Dividends	2,201,178,475	-
Real estate operating income, net	461,342,370	-
Other investment income	175,270,340	190,297
Total investment income (loss)	23,278,260,550	220,406
Investment activity expense	(511,032,856)	(825)
Net income (loss) from investing activity	22,767,227,694	219,581
<u>Security lending activity</u>		
Security lending income	50,690,359	-
Security lending expense	(5,631,561)	-
Net income from security lending	45,058,798	-
Total net investment income (loss)	22,812,286,492	219,581
Total additions	25,816,478,806	342,785,941
DEDUCTIONS		
Benefit payments	8,014,634,019	407,275,857
Benefit payments - general revenue funded	15,518,554	-
Refunds of contributions	6,993,783	-
Transfers to other funds	-	211
Transfers to other funds within division	645,347	-
Transfers to FRS investment plan	807,719,753	-
Payments to annuity companies	-	-
Administrative expenses	18,351,882	53,708
Total deductions	8,863,863,338	407,329,776
Change in fiduciary net position	16,952,615,468	(64,543,835)
Fiduciary net position - beginning, as restated (Note 2)	133,061,676,904	157,929,285
Fiduciary net position - ending	\$ 150,014,292,372	\$ 93,385,450

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
for the fiscal year ended June 30, 2014

Defined Contribution		Total June 30, 2014
State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	
\$ 111,550,344	\$ 630,981	\$ 656,882,638
131,948	-	1,988,421,339
81,837,071	140,775	764,485,169
-	-	17,071,186
-	-	16,117,888
358,151	-	358,151
<u>193,877,514</u>	<u>771,756</u>	<u>3,443,336,371</u>
-	-	33,198,167
-	-	415,277
-	-	50,097,733
-	-	14,360,396
<u>-</u>	<u>-</u>	<u>98,071,573</u>
<u>193,877,514</u>	<u>771,756</u>	<u>3,541,407,944</u>
-	-	19,454,808,300
-	-	985,691,174
-	-	2,201,178,475
-	-	461,342,370
86,358	735	175,547,730
<u>86,358</u>	<u>735</u>	<u>23,278,568,049</u>
(5,965)	(43)	(511,039,689)
<u>80,393</u>	<u>692</u>	<u>22,767,528,360</u>
-	-	50,690,359
-	-	(5,631,561)
<u>-</u>	<u>-</u>	<u>45,058,798</u>
80,393	692	22,812,587,158
<u>193,957,907</u>	<u>772,448</u>	<u>26,353,995,102</u>
-	-	8,421,909,876
-	-	15,518,554
-	-	6,993,783
-	-	211
33,198,167	415,277	34,258,791
-	-	807,719,753
160,668,868	328,504	160,997,372
264,239	-	18,669,829
<u>194,131,274</u>	<u>743,781</u>	<u>9,466,068,169</u>
(173,367)	28,667	16,887,926,933
<u>4,077,733</u>	<u>22,184</u>	<u>133,223,706,106</u>
<u>\$ 3,904,366</u>	<u>\$ 50,851</u>	<u>\$ 150,111,633,039</u>

The notes to the financial statements are an integral part of this statement.

**GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION**
as of June 30, 2014

Police and Firefighters' Premium Tax Trust Fund			
	Special Revenue Fund	Reconciliation Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash	\$ 138,886	\$ -	\$ 138,886
Investments	228,527,230	-	228,527,230
Interest receivable	19	-	19
Due from other funds within division	46,014	-	46,014
Due from other departments	14,084,542	-	14,084,542
Total assets	242,796,691	-	242,796,691
LIABILITIES AND FUND BALANCE			
<u>Current liabilities</u>			
Accounts payable	149,535	-	149,535
Due to other funds	262	-	262
Due to other departments	19,557,891	-	19,557,891
Due to other governmental units	139,573,593	-	139,573,593
Due to general revenue	10,646,763	-	10,646,763
Compensated absences liability	14,184	70,843	85,027
Total current liabilities	169,942,228	70,843	170,013,071
<u>Noncurrent liabilities</u>			
Other long-term liabilities	-	87,655	87,655
Total liabilities	169,942,228	158,498	170,100,726
Fund balance - committed	72,854,463	(72,854,463)	-
Total liabilities and fund balance	<u>\$ 242,796,691</u>		
Net position - restricted		<u>\$ 72,695,965</u>	<u>\$ 72,695,965</u>

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND/STATEMENT OF ACTIVITIES**
for the fiscal year ended June 30, 2014

	Police and Firefighters' Premium Tax Trust Fund		
	Special Revenue Fund	Reconciliation Adjustments (Note 2)	Statement of Activities
REVENUES			
Premium taxes	\$ 173,084,542	\$ -	\$ 173,084,542
Investment earnings	259,855	-	259,855
Total revenues	<u>173,344,397</u>	<u>-</u>	<u>173,344,397</u>
EXPENDITURES/EXPENSES			
Distribution to cities	139,415,782	-	139,415,782
Administrative expense	755,697	28,109	783,806
Interest and fiscal charges	661	-	661
Total expenditures/expenses	<u>140,172,140</u>	<u>28,109</u>	<u>140,200,249</u>
Revenues over (under) expenditures	33,172,257		33,144,148
OTHER FINANCING SOURCES (USES)			
Operating transfers in from other funds within division	645,347	-	645,347
Operating transfers out to other funds	<u>(33,508,023)</u>	<u>-</u>	<u>(33,508,023)</u>
Revenues and transfers in over expenditures and transfers out	309,581	(309,581)	-
Change in net position	-	281,472	<u>281,472</u>
Fund balance/net position - beginning	72,544,882	(130,389)	72,414,493
Fund balance/net position - ending	<u>\$ 72,854,463</u>	<u>\$ (158,498)</u>	<u>\$ 72,695,965</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

NOTE	PAGE
1 PLAN DESCRIPTION	29
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	40
3 PENSION PLAN INVESTMENTS	44
4 NET PENSION LIABILITY	62
5 INTERFUND BALANCES AND TRANSFERS	67
6 CHANGES IN LONG TERM LIABILITIES	68
7 RELATED PARTIES	69

NOTE 1 – PLAN DESCRIPTION

A. Reporting Entity

The Florida Retirement System Pension Plan and Other State-Administered Systems (System) is administered by the Florida Department of Management Services' Division of Retirement and is part of the primary government of the State of Florida. The division administers two defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. These state-administered retirement systems are included in the department's Comprehensive Annual Financial Report (CAFR). With the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans, the division is publishing this separately-issued CAFR to report the financial activities of the state-administered retirement systems. The financial statements of the Florida Retirement System do not include the pension liabilities of the participating employers.

B. Defined Benefit Plans

1. The Florida Retirement System

Organization:

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes, effective Dec. 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, Florida Statutes), the State and County Officers and Employees' Retirement System (Chapter 122, Florida Statutes), and the Highway Patrol Pension Trust Fund (Chapter 321, Florida Statutes). In 1972, the Judicial Retirement System (section 121.046, Florida Statutes) 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 under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan. Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under section 121.40, Florida Statutes, was consolidated under the Florida Retirement System defined benefit plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, Florida Statutes, 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 membership, and faculty and specified employees in the state university system and state community colleges. Provisions relating to the FRS are also contained in Chapter 112, Florida Statutes.

Covered Members and Classes:

FRS membership is compulsory for all employees filling a regularly-established position in a state agency, county agency, state university, state community college, or district school board. 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 optional 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.

There are five general classes of membership, as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (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 Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.
- *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.
- *Elected Officers' Class (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.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS 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, 2001, through June 30, 2011, vest after six years of service. 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 percent benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS 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 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 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 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.

Significant Plan Provisions:

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

Florida Retirement System

	% Value (per year of service)
<u>Regular Class members initially enrolled before July 1, 2011</u>	
Retirement up to age 62 or up to 30 years of service.....	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
<u>Regular Class members initially enrolled on or after July 1, 2011</u>	
Retirement up to age 65 or up to 33 years of service.....	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
<u>Special Risk Class</u>	
Service from Dec. 1, 1970 through Sept. 30, 1974	2.00%
Service on and after Oct. 1, 1974.....	3.00%
<u>Special Risk Administrative Support Class members initially enrolled before July 1, 2011</u>	
(With six or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)	
Retirement up to age 55; or up to 25 total years special risk service; or at age 52 with 25 years (if total service includes wartime military service)	1.60%
Retirement at age 56; or with 26 total years special risk service; or at age 53 with 26 years (if total service includes wartime military service)	1.63%
Retirement at age 57; or with 27 total years special risk service; or at age 54 with 27 years (if total service includes wartime military service)	1.65%
Retirement at age 58; or with 28 total years special risk service; or at age 55 with 28 years (if total service includes wartime military service)	1.68%
<u>Special Risk Administrative Support Class members initially enrolled on or after July 1, 2011</u>	
(With eight or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)	
Retirement up to age 60; or up to 30 total years special risk service	1.60%
Retirement at age 61; or with 31 total years special risk service	1.63%
Retirement at age 62; or with 32 total years special risk service	1.65%
Retirement at age 63; or with 33 total years special risk service	1.68%
<u>Elected Officers' Class</u>	
Service as Supreme Court Justice, district court of appeal judge, circuit court judge, or county court judge	3.33%
Service as Governor, Lt. Governor, Cabinet Officer, Legislator, state attorney, public defender, elected county officer, or elected official of a city or special district that chose EOC membership for its elected officials.....	3.00%
<u>Senior Management Service Class</u>	2.00%

There are three steps in computing an annual retirement benefit:

- Step 1. Determine the member's retirement plan(s) and class(es) of membership, years of creditable service in each, and the total percentage value earned.
- Step 2. Calculate the average final compensation.
- Step 3. Multiply the figures obtained in Steps 1 and 2 to determine the annual normal retirement benefit. (If you elect to retire early, your benefit will be reduced by 5 percent for each year remaining before you would reach your normal retirement age. Your benefit may also be reduced if you elect to provide a continuing benefit to a beneficiary.)

Members must select one of the four benefit options at retirement:

- Option 1 — Member receives a benefit for life with no continuing survivor benefit at death.
- Option 2 — Member receives a reduced benefit for life. If member dies anytime within ten years after retiring, the beneficiary will receive the benefit for the remainder of the ten-year period from the member's retirement date or DROP begin date. No survivor benefits are paid if the member dies ten or more years after the effective retirement date.
- Option 3 — Member receives a reduced benefit for life. Upon the member's death, the joint annuitant, if living, will receive the same benefit for life. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.
- Option 4 — Member receives a reduced benefit for life. Upon the death of either the member or the joint annuitant, the survivor will receive a lifetime benefit equal to two-thirds of the benefit the member was receiving when both were living. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

Members must end all employment relationships with all FRS employers for the first six calendar months after their DROP termination date or their non- DROP effective retirement dates to complete their retirement process, in addition to meeting all other requirements to receive monthly benefits payable under the FRS Pension Plan. Florida Retirement System members employed by an agency that withdrew from the FRS effective Jan. 1, 1996, for new employees must remain unemployed by that agency and all other FRS-covered employers for the first six calendar months.

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July and earn monthly interest equivalent to an annual rate of 1.30 percent. (Deferred Retirement Option Program participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent.) As of June 30, 2014 the FRS Trust Fund held \$3,389,125,451 in accumulated benefits for 38,058 participants in the DROP.

The election to participate in the DROP must be made within 12 months of the member's normal retirement date, unless the member is eligible to defer the election. To participate for the maximum DROP period, the member must enter the DROP upon first reaching eligibility for normal retirement, or upon reaching an eligible deferral date as described below:

- A Special Risk Class member initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months.
- A Special Risk Class member initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date before reaching age 57 may defer DROP entry until age 57 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date before reaching age 60 may defer DROP entry until age 60 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.

- A member who reaches the normal retirement date during a term of office may defer the DROP election until the next succeeding term in that office and still participate for up to 60 months or until the end of that succeeding term, whichever is less.
- A member who is employed as K-12 instructional personnel as defined in section 1012.01(2), Florida Statutes, may elect to participate in the DROP at any time after reaching the normal retirement date and still participate for 60 months.

Upon termination, the DROP account is paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover, and monthly benefits are paid to the member in the amount as calculated upon entry into the DROP, plus cost-of-living adjustments for intervening years.

In most cases, the DROP participant must cease employment after a maximum of 60 months in the DROP, must satisfy the termination requirements for retirement and must comply with applicable reemployment restrictions thereafter. However, certain exceptions apply:

- Effective July 1, 2002, a DROP participant who holds an elective office may end DROP participation and postpone compliance with termination requirements and reemployment limitations until no longer holding the elective office (including consecutive terms in the same office). For the period between the end of DROP participation and termination, no retirement credit is earned and the member's DROP accumulation accrues no additional monthly benefits. If DROP participation began before July 1, 2010, the member's DROP accumulation continues to earn interest after participation ends and before termination. If DROP participation begins on or after July 1, 2010, the DROP accumulation does not earn interest during the period after DROP participation ends and termination.
- K-12 instructional personnel employed with a district school board, the Florida School for the Deaf and the Blind or a developmental research school of a state university may be allowed to extend their DROP participation for up to an additional 36 months beyond their initial 60-month DROP participation period. To qualify for the extension, the DROP participant must receive authorization from the employer and be approved by the division. If authorized to extend DROP participation, a participant must remain employed in an eligible position during the period of DROP extension.

There are two types of disability retirement available under the FRS: In-line-of-duty disability retirement and regular disability retirement. To qualify for either type of disability retirement, members must be totally and permanently disabled to the extent that they are unable to work in any job for any employer. In-line-of-duty disability benefits are available to members from their first day of employment. The minimum Option 1 benefit for in-line-of-duty disability retirement is 42 percent of their average final compensation for all members except those in the Special Risk Class, who receive a minimum Option 1 in-line-of-duty disability benefit of 65 percent of their average final compensation. To be eligible for regular disability retirement, members must complete eight years of creditable service. The minimum Option 1 benefit under regular disability retirement is 25 percent of their average final compensation. If a disabled member's service benefit would be higher than the minimum disability benefit, the member may elect to receive the higher benefit.

If an active member dies in the line of duty, the spouse will receive a lifetime monthly benefit equal to one-half of the member's monthly salary at death. If the spouse dies, the benefit will continue to be paid on behalf of the member's dependent children until the youngest child reaches age 18 or is married, if earlier.

If an active member dies before becoming vested and the death was not suffered in the line of duty, the designated beneficiary will receive a refund of any member-paid retirement contributions. However, if the active member dies within one year of vesting, the member's joint annuitant may use the deceased member's accumulated leave on an hour-by-hour basis, or the member's eligible in-state or out-of-state service, to purchase enough service credit to vest the deceased member and receive monthly benefits.

If the member was vested at death, the beneficiary may receive a refund of any contributions that may have been paid by the member or, if the beneficiary qualifies as a joint annuitant, a lifetime monthly benefit calculated as though the member had retired on the month following the date of death and had chosen Option 3. If the joint annuitant is the member's child or other dependent for whom the member has guardianship who is under age 25, the joint annuitant will receive the member's maximum benefit until age 25, or, if disabled, until no longer disabled. A deceased member's joint annuitant may buy any service credit that could have been claimed by the member at the time of death if the member's termination of employment was due to death.

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor

benefits). The COLA for retirements or DROP participation effective before Aug. 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after Aug. 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of Aug. 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

After retirement or the DROP termination date, retired FRS members may be employed by any private employer or any public employer not participating in the FRS without affecting their FRS benefits. However, restrictions apply to reemployment with an FRS employer regardless of whether the employment is covered for retirement. Any retired FRS member who is reemployed by an FRS employer before meeting the definition of termination is not considered to have retired. Active membership will be reinstated and all benefits received must be repaid. If a member retires from an FRS employer that withdrew for new employees effective Jan. 1, 1996, the member must remain unemployed by the withdrawn employer to meet the definition of termination in order to finalize the retirement.

Upon meeting termination requirements, FRS retirees who are reemployed by FRS employers may not receive both salary and retirement benefits for the rest of the first 12-calendar months after retirement or the DROP termination date. The retirement benefit must be suspended in any month employed in any capacity by an FRS employer. There are no reemployment exceptions for the seventh through the twelfth calendar months after meeting the definition of termination (the first six calendar months).

Retirees of the FRS who are initially reemployed in regularly established positions no later than June 30, 2010, will have renewed membership in the Regular Class, the SMSC, or the EOC and earn credit toward a second-career benefit based on requirements for their class of membership. Having a break in service or not being employed on July 1, 2010, does not change a renewed member's status. Once retirees have established renewed membership in the system, they will have the same opportunities to elect to participate in alternative defined contribution retirement programs instead of the FRS as do similarly situated newly hired members of that membership class until they retire. Renewed members are subject to the same vesting requirements and other limitations as apply to other active members. However, renewed members are not eligible to participate in the Special Risk Class, retire and participate in DROP, or to retire under disability retirement provisions.

FRS retirees who are initially reemployed on or after July 1, 2010, are not eligible for renewed membership. In addition to FRS Pension and Investment Plan retirees, the renewed membership restriction also includes retirees of the State University System Optional Retirement Program, the State Community College System Optional Retirement Program, the Senior Management Service Optional Retirement Programs, and local government senior managers who chose to withdraw from the FRS.

Whenever the division makes a decision that will reduce, suspend or terminate a member's retirement benefits, the member may petition the division for a hearing. Section 28-106.201, Florida Administrative Code, outlines the requirements for filing a petition. After the division reviews the petition, the state retirement director may ask a hearing officer from the Division of Administrative Hearings to conduct the hearing, or in some cases the Department of Management Services may conduct the hearing. If the outcome of the hearing is not in the member's favor, the member will be informed of the time period during which the member can appeal the decision to the District Court of Appeal.

If, before retirement, a member commits a felony specified by law and is found guilty of or enters a plea of no contest to such crime, or their employment was terminated due to admission of committing, aiding, or abetting a specified crime, the member's retirement rights and benefits are forfeited (except for a refund of personal retirement contributions, if any). The forfeiture of benefits provision applies in the case of any job-related felony offense as outlined below:

- Committing, aiding or abetting an embezzlement of public funds or any grand theft from the employer;
- Committing bribery in connection with employment;
- Committing any other felony specified in Chapter 838, Florida Statutes, (bribery and misuse of public office), except sections 838.15 and 838.16, Florida Statutes, (commercial bribes);
- Committing any felony with intent to defraud the public or the employer of the right to receive the faithful performance of duty, or receiving or attempting to receive profit or advantage for the member or another person through the use of the member's position; or
- Committing an impeachable offense (applies to elected officials only); or
- Committing of certain felony offenses against a minor through the use or attempted use of rights, privileges, duties, or position of public employment or office.

In addition to the crimes stated above, if a court of competent jurisdiction finds the member guilty of violating any state law against strikes by public employees, the member's benefits are forfeited.

If the member's designated beneficiary is found guilty of intentionally killing or procuring the death of the member, the beneficiary forfeits all rights to retirement benefits. Any benefits payable would then be paid as if the beneficiary died before the member.

The Clerk of the Court, the Secretary of the Senate or the employer, as appropriate, must notify the Commission on Ethics if the member is found guilty, impeached, or terminated prior to retirement due to any of the above offenses. The Commission on Ethics will notify the division. The member's benefits will be suspended subject to a hearing held by a hearing officer of the Division of Administrative Hearings. The hearing officer's decision may be appealed to the District Court of Appeal. (See section 112.3173, Florida Statutes, and Article II, section 8, of the Florida Constitution for more information.)

Retirement benefits and accumulated contributions accrued under the FRS Pension Plan are not subject to assignment, execution, attachment or any other legal process with the exception of qualified domestic relations orders, certain income deduction orders; (see section 61.1301, Florida Statutes), and federal income tax levies.

Plan Administration:

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans and approximately 1,000 participating employers. 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 through earnings on investments of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The State Board of Administration administers the defined contribution plan officially titled the FRS Investment Plan. The FRS Investment Plan is reported in a State Board of Administration's annual financial statement and in the State of Florida Comprehensive Annual Financial Report. Since the FRS Investment Plan is not administered by the division, it is not reflected in this report. Service 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 for Investment Plan contributions 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 member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. The 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 contribution of 0.03 percent 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 Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; 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.

The Division of Retirement is responsible for administering the Social Security coverage for public employers in Florida. Public employees are provided Social Security coverage through a federal-state agreement with various modifications applicable to specific employers in political subdivisions. As of June 30, 2013, there were 658 modifications to the initial 1951 agreement. Existing modifications provide Social Security coverage for most state, county, and district school board employees and employees of a number of cities and special districts. Social Security coverage is required for employees who participate in state-administered retirement systems, except for members of the Teachers' Retirement System.

For the 2014 calendar year, the combined Social Security contribution rate for employees and employers totaled 15.30 percent (12.40 percent for Old Age, Survivors, and Disability Insurance and 2.90 percent for Medicare). The maximum taxable wage base on which Old Age, Survivors, and Disability Insurance contributions were paid increased from \$113,700 to \$117,000. There is no limitation on Medicare wages.

Section 121.031(3), Florida Statutes, 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, Florida Statutes. All participating employers must comply with statutory contribution requirements. 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), Florida Statutes, 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 all defined benefit pension plans

at June 30, 2014, was \$150,107,677,822. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

FRS Retirement Contribution Rates:

Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. The uniform rates for Fiscal Year 2013-14 are as follows:

Class	Employee Contribution Rate	Employer Contribution Rate*	Total Contribution Rate
Regular	3.00%	6.95%	9.95%
Special Risk	3.00%	19.06%	22.06%
Special Risk Administrative Support	3.00%	35.96%	38.96%
Elected Officers'			
Judges	3.00%	28.28%	31.28%
Governor, Lt. Governor, Cabinet, Legislators, State Attorneys, and Public Defenders	3.00%	32.60%	35.60%
Elected County, City, and Special District Officials	3.00%	33.03%	36.03%
Senior Management Service	3.00%	18.31%	21.31%
Deferred Retirement Option Program	N/A	12.84%	12.84%
* These rates include the 1.20 percent contribution for the Retiree Health Insurance Subsidy, the fee of 0.03 percent for administration of the FRS Investment Plan and provision of educational tools for both plans, and unfunded actuarial liability rates.			

Any member who terminates employment with an FRS employer may receive a refund of any retirement contributions personally made to the system (and lose the associated retirement credit for both their FRS and Health Insurance Subsidy benefits), or may leave these personal contributions in the system and keep all creditable service earned through the date of termination.

FRS Membership:

<u>Member Types</u>	<u>Regular Class</u>	<u>SMSC</u>	<u>Special Risk</u>	<u>Special Risk Admin Supp.</u>	<u>EOC</u>	<u>Total</u>
Active:						
Non-vested	131,220	1,471	16,930	3	349	149,973
Vested	412,214	6,320	51,663	81	1,838	472,116
DROP Participants	32,878	669	4,240	6	265	38,058
Current Retirees						
And Beneficiaries	324,853	3,531	31,348	171	2,313	362,216
Vested Terminated	103,387	1,352	6,290	17	389	111,435
Total Members	1,004,552	13,343	110,471	278	5,154	1,133,798

The above counts for "Current Retirees and Beneficiaries" do not reflect the FRS Investment Plan members who retired.

The table below provides additional information for the FRS Pension Plan as of June 30 (in thousands where amounts are dollars):

	Fiscal Year Ended June 30		
	2014	2013	2012
Recipients	363,034	347,962	334,682
Contributions	\$2,890,003	\$2,027,998	\$2,309,052
Benefits paid	\$8,014,634	\$7,756,178	\$6,233,606
Fiduciary net position	\$150,014,292	\$129,852,528 ¹	\$119,981,465

¹ Fiduciary net position as of July 1, 2013, was restated. Refer to Note 2. I.

2. Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. 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 Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2014, 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, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of 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 year ended June 30, 2014, the contribution rate was 1.20 percent of payroll pursuant to section 112.363, Florida Statutes. The state contributed 100 percent 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, benefits may be reduced or canceled.

The Actuarial section of this report includes actuarial and other information regarding the HIS Program. The table below provides additional information for the HIS as of June 30 (in thousands where amounts are dollars):

	Fiscal Year Ended June 30		
	2014	2013	2012
Recipients	323,098	310,139	297,303
Contributions	\$342,566	\$327,574	\$322,610
Benefits paid	\$407,276	\$390,973	\$374,444
Fiduciary net position	\$93,385	\$157,929	\$220,346

3. Funded Status for Defined Benefit Pension Plans

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

Pension Plan	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Annualized Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
FRS	July 1, 2014	\$138,621,201	\$160,130,502	\$21,509,301	86.57%	\$24,723,565 ¹	87.00%
HIS	July 1, 2014	\$93,385	\$9,443,629	\$9,350,244	0.99%	\$29,676,340 ²	31.51%

Additional information as of the latest actuarial valuation follows:

	<u>FRS</u>	<u>HIS</u>
Valuation date	July 1, 2014	July 1, 2014
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage of Pay, Open	Level Percentage of Pay, Open
Equivalent single amortization period	30 years ³	30 years ³
Asset valuation method	5-year smoothed method	Market Value
Actuarial assumptions:		
Investment rate of return	7.65% ⁴	4.29% ⁴
Cost-of-living adjustments	3.00%	0.00%

¹ Includes Deferred Retirement Option Program (DROP) payroll.

² Includes Deferred Retirement Option Program (DROP) and Investment Plan payroll.

³ Used for GASB Statement No. 27 reporting purposes.

⁴ Includes inflation at 2.60%.

The FRS schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to actuarial accrued liability for benefits. The Retiree HIS schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits as of July 1, 2014, the most recent actuarial valuation available.

C. Defined Contribution Programs (Optional Retirement Programs)

State University System Optional Retirement Program (SUSORP)

Section 121.35, Florida Statutes, created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. This program is designed to aid universities in recruiting employees who may not remain in the FRS long enough to vest. The SUSORP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed by the participant to provide retirement and death benefits. Employees in eligible positions are compulsory participants in the SUSORP unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP participants and cannot elect FRS membership.

The employing universities were statutorily required to contribute 5.15 percent of the participants' gross monthly compensation from July 2013 through June 2014. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize any unfunded actuarial liability (UAL). There was also a UAL payment required of 2.19 percent for fiscal year 2013-14. In accordance with Chapter 60U-2, Florida Administrative Code, 0.01 percent of the employer contribution rate was used for the administration of the SUSORP program and 5.14 percent was distributed to the provider companies designated by the participant. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. Additional information pertaining to the SUSORP is as follows:

Members	18,228	
Payroll	\$1,522,076,738	
Contributions:		
Employee	\$81,837,071	5.38% of payroll
Employer	\$111,682,292	7.34% of payroll

Senior Management Service Optional Annuity Program (SMSOAP)

Section 121.055, Florida Statutes, created the SMSOAP as an optional retirement program for state members of the Senior Management Service Class. The SMSOAP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed to provide retirement and death benefits. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class. Employers were required to contribute 6.27 percent of covered payroll from July 2013 through June 2014. When applicable, a portion of the total contribution is transferred to the FRS Trust Fund to help amortize the unfunded actuarial liability (UAL). There was a UAL payment of 12.27 percent required for fiscal year 2013-14. The employers' contributions were paid to the provider companies designated by the participant. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the employer. Additional information pertaining to the SMSOAP is as follows:

Members	30	
Payroll	\$3,258,908	
Contributions:		
Employee	\$140,775	4.32% of payroll
Employer	\$630,981	19.36% of payroll

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The fiduciary financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Member contributions are recognized in the period of time for which the contributions are assessed. Employer contributions are recognized when due in the period in which employee services are performed and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues collected within 60 days of the end of the current fiscal year are considered available. Liabilities due within 60 days of the end of the current fiscal year are expected to be liquidated with expendable financial resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

B. Basis of Presentation

Defined Benefit and Defined Contribution Trust Funds – fiduciary funds used to report resources that are required to be held in trust for the members and beneficiaries of the state's pension plan, retiree health insurance subsidy plan and optional retirement plans.

Police and Firefighters' Premium Tax Trust Fund - a governmental special revenue fund that accounts for excise taxes assessed on insurance premiums. The premiums are used to supplement the funding of municipal police and firefighter pension and relief funds.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with an original maturity date within ninety days of the acquisition date. State treasury cash management pools are included as cash. Details of deposits are included in Note 3. A.

Investments

Florida Statutes authorize the state to invest in various instruments. The state reports investments in accordance with GASB Codification Section 150, *Investments*.

Investments with the State Treasury are reported at fair value which is obtained from independent pricing service providers. Independent pricing service providers use quoted market prices when available and employ various, sometimes proprietary, multifactor models for determining a security's fair value if it is not available from quoted market prices. Some securities, including U.S. government, municipal bonds, and mortgage-backed and asset-backed securities, are priced using evaluated bid prices. Evaluated bid prices are determined by taking bid prices and adjusting them by an evaluated adjustment factor derived from the independent pricing service's multifactor model. If values are not available using the above methods, secondary methods such as non-evaluated mid-price and bid price are used. If no source of values is available, cost or last available price from any source is used or other pricing methodology as directed by the State Treasury.

The State Board of Administration (SBA) has statutory responsibility for custody and investment of pension plan assets. Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the investments are reported at fair value in accordance with GASB 31.

Realized and unrealized gains and losses are reflected in the statements of changes in net position as “Net appreciation in fair value.”

The fair values of the plans’ assets are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA’s custodian bank, BNY Mellon. BNY Mellon uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon monitors pricing information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs:

- The price of a security is not received from the primary pricing source.
- The primary pricing source no longer provides prices for a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds BNY Mellon’s price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

When a portfolio includes securities or instruments for which the custodian bank does not receive fair value information from its vendor pricing source, the custodian bank uses a “non-vendor pricing source.” Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of prices in instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In cases where the SBA directed the purchase of securities or instruments, BNY Mellon may obtain the non-vendor prices by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price information from the broker of record, as identified by the SBA.

For private market investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, direct-owned real estate, and real estate pooled funds), fair values for the individual investments are based on the net asset value (capital account balance) at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions. The valuation techniques vary based upon investment type and involve a certain degree of judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by SBA management. Annually, the financial statements of all private market investments are audited by independent auditors.

Private market investments in which the SBA has a controlling interest are also required to be valued annually by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

All derivative financial instruments are reported at fair value in the statements of net position. The instruments are adjusted to fair value at least monthly, with valuation changes recognized during the period as gains or losses in the statements of changes in net position and included in the “net appreciation in fair value”. The nature and use of derivative instruments is discussed in Note 3. Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted market prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Investment detail is included in Note 3.

Capital Assets

Tangible capital assets are recorded at cost at the time of acquisition. All property, furniture and equipment with an original acquisition cost of \$1,000 or more is capitalized, as well as other selected items regardless of cost, such as computer equipment. Depreciation is computed on the straight-line basis over the estimated useful life of the asset.

Deferred Outflows of Resources

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

Compensated Absences Liability

Employees earn the right to be compensated during absences for vacation and illness as well as for unused special compensatory leave earned for hours worked on legal holidays and other specifically authorized overtime. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees upon separation from state service. The amounts reported for compensated absences are based on current year-end salary rates and include employer Social Security and Medicare tax and pension contributions at current rates. Refer to Note 6 for details of the compensated absences liability.

Long-term Liabilities

The division shares the cost of Other Postemployment Benefits (OPEB) with other funds within the state. The state-administered retirement funds recognize their proportionate share of the state's OPEB liability, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section. Refer to Note 6 for changes in long-term liabilities.

Deferred Inflows of Resources

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

Components of Net Position

Net position is classified as (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

Restricted net position is reported when constraints are placed on net position that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The net position of all the fiduciary funds reported are classified as restricted and held in trust for pension members.

Components of Fund Balance

Fund balance is classified as nonspendable, restricted, committed or unassigned. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority, the Legislature and the Governor, i.e., through legislation passed into law. Commitments may only be modified or rescinded by equivalent formal, highest-level action. The fund balance of the Police and Firefighters' Premium Tax Trust Fund reported in this CAFR is classified as committed.

D. Adjustments Between Governmental Fund and Governmental Activities Financial Statement Amounts

The adjustments necessary to convert the Governmental Fund financial statements to the governmental activities financial statement presentation are: (1) Recognition of long-term liabilities which are not due and payable in the current period and therefore are not reported in the Governmental Fund; (2) Recognition of expenses not recognized under governmental accounting; and (3) Reclassification of Fund Balance reported in the Governmental Fund into the Net Position categories reported for governmental activities in the Statement of Net Position.

E. Interfund Activity and Balances

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. Transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers between funds are made to accomplish various provisions of law. Refer to Note 5.

F. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues (additions) and expenses (deductions) during the reporting period. Actual results could differ from those estimates.

G. New Accounting Standards

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. This statement establishes standards of financial reporting for separately-issued financial reports of pension plans and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan (the net pension liability), about which information is required to be presented. Statement No. 67 is effective for reporting periods beginning after June 15, 2013. This report has been prepared in conformity with this newly-adopted statement.

H. Investment and Administrative Expenses

For investments in the State Treasury cash management pool, an administrative fee is charged on the average daily balance in the account. These fees are recorded as 'Investment activity expense' on the Statement of Changes in Fiduciary Net Position.

For investments managed by the SBA, external investment managers are hired to invest a significant portion of the retirement systems' assets. Investment management fees are typically paid based on individually-negotiated investment management agreements. The fees, usually paid quarterly, may be based on a sliding scale of the portfolio's net asset value at quarter-end, calculated by multiplying each level of net position by a specified basis point charge, or may be performance related, typically associated with exceeding a market benchmark or hurdle rate. Fees are paid from the appropriate manager's portfolio and are recognized as an expense over the time period for which the fees are applicable. These fees are recorded as 'Investment activity expense' on the Statement of Changes in Fiduciary Net Position. Certain investment management fees, usually in private equity portfolios, are paid at the beginning of the period. These fees are recorded as 'Prepaid items' on the Statement of Fiduciary Net Position and are expensed over their applicable time period.

Administrative expenses represent the cost of administering the various state-administered retirement systems, including such costs as salaries, rent, telephone, printing and the like. For fiscal year ended June 30, 2014, administrative expenses also include transfers for administrative assessments, depreciation, and the allocated share of compensated absences and Other Postemployment Benefit (OPEB) liability costs. A detailed Schedule of Administrative Expenses is located in the Other Supplementary Schedules section.

I. Restatement

Fiduciary net position at July 1, 2013, for the Florida Retirement System has been adjusted \$3,209,149,119 for the removal of the DROP liability, pursuant to implementation requirements of GASB Statement No. 67.

NOTE 3 – Plan Investments

A. Deposits

As of June 30, 2014, the state-administered retirement fund deposits in financial institutions totaled \$138,886 for governmental activities and \$310,678,946 for fiduciary activities.

1. 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 state will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The state mitigates custodial credit risk by generally requiring public funds to be deposited in a bank or savings association that is designated by the 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.

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in section 280.04, Florida Statutes, 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, Florida Statutes, 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, Florida Statutes, 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.

At June 30, 2014, the Florida Retirement System (FRS) Pension Trust Fund held deposits in foreign currencies, totaling \$289,308,142 in the SBA's custodian nominee name that were uninsured and uncollateralized.

2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under section 215.47, Florida Statutes, and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed total fund investment policies for the investment of assets in the FRS Pension Trust Fund that set ranges on investments by asset class in each fund. Under the investment policy statements approved by SBA Trustees on Aug. 20, 2013, foreign and domestic equity securities are included in the global equity asset class. The FRS Pension Trust Fund has target allocations to global equities of 52 percent, with policy ranges from 44-65 percent, but within these ranges there are no limits on the amount of foreign equity securities that are not denominated in U.S. dollars. Florida law limits the exposure to foreign securities to 35 percent of the total fund. The investment plans may be modified in the future if the SBA adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2014, as illustrated in the following schedule (in thousands):

**Foreign Currency Deposits Held
As of June 30, 2014**

		Bank Statement Balance (in U.S. \$)
Currency	FRS Pension Trust Fund	
Australian dollar	\$	24,905
Brazilian real		4,200
British pound sterling		30,249
Canadian dollar		60,334
Chilean peso		147
Columbian peso		17
Danish krone		261
Egyptian pound		261
Euro currency unit		70,375
Hong Kong dollar		18,116
Hungarian forint		158
Indian rupee		3,467
Indonesian rupiah		612
Israeli shekel		739
Japanese yen		39,835
Malaysian ringgit		548
Mauritius rupee		204
Mexican peso		1,892
New Zealand dollar		186
Nigerian naira		207
Norwegian krone		2,402
Omani rial		442
Pakistan rupee		8
Philippines peso		139
Polish zloty		10
Qatari riyal		576
Russian ruble		163
Singapore dollar		4,479
South African rand		1,859
South Korean won		824
Swedish krona		4,929
Swiss franc		1,389
Taiwan new dollar		11,797
Thailand baht		76
Turkish lira		652
UAE dirham		2,723
Other		127
Total deposits subject to foreign currency risk	\$	289,308

B. Investments

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The FRS Pension Trust Fund, State University System Optional Retirement Program (SUSORP), and Senior Management Service Optional Annuity Program's (SMSOAP) share of the investment pool was \$1,665,880, \$3,081,013, and \$45,937 at June 30, 2014, respectively. No allocation will be made as to the FRS Pension Trust Fund's, the SUSORP's, or the SMSOAP's share of the types of investments or their risk categories. The FRS Pension Trust Fund's, the SUSORP's, or the SMSOAP's share of the assets and liabilities arising from the securities lending agreements administered by the State Treasury will likewise not be carried on the Statements of Net Position since the State Treasury operates on a pooled basis and to do so may give the misleading impression that the funds themselves have entered into such agreements. For further information, refer to the State of Florida's Comprehensive Annual Financial Report or publications of the State of Florida Department of Financial Services, Office of the Chief Financial Officer.

Pursuant to section 215.44, Florida Statutes, the SBA has the authority and responsibility to manage and invest various funds of the state, including, but not limited to, the FRS Pension Trust Fund (Defined Benefit Pension Fund), the Retiree Health Insurance Subsidy Trust Fund, and the Police and Firefighters Premium Tax Trust Fund. Section 215.47, Florida Statutes, allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses investments at fair value and their total carrying value at June 30, 2014, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Investments
As of June 30, 2014

Investment type	Fair value			Total
	FRS Pension Trust Fund	Retiree Health Insurance Subsidy	Police and Firefighters' Premium Tax Trust Fund	
Certificates of deposit	\$ 1,417,426	\$ -	\$ -	\$ 1,417,426
Commercial paper	6,161,121	-	-	6,161,121
Money market funds	9,734	60,209	228,209	298,152
Repurchase agreements	1,150,000	-	-	1,150,000
U.S. guaranteed obligations	9,274,839	-	-	9,274,839
Federal agencies	8,819,935	-	-	8,819,935
Domestic bonds and notes	7,170,452	276	318	7,171,046
Domestic bonds and notes commingled funds	-	-	-	-
International bonds and notes	2,593,571	-	-	2,593,571
Domestic stocks	44,070,462	-	-	44,070,462
Domestic equity commingled funds	-	-	-	-
International stocks	38,330,351	-	-	38,330,351
International equity commingled funds	7,501,662	-	-	7,501,662
Alternative investments	16,501,387	-	-	16,501,387
Real estate investments	9,910,420	-	-	9,910,420
Self-Directed brokerage accounts	-	-	-	-
Option contracts purchased	2,389	-	-	2,389
Swap contracts (debt related)	1,492	-	-	1,492
Mutual funds	-	-	-	-
Deferred compensation annuities	-	-	-	-
Investment agreements	-	-	-	-
Total investments excluding lending collateral	152,915,241	60,485	228,527	153,204,253
Lending collateral investments:				-
Certificates of deposit	-	-	-	-
Commercial paper	-	-	-	-
Repurchase agreements	4,471,397	-	-	4,471,397
Domestic bonds and notes	115,537	-	-	115,537
Security lending collateral pool	-	-	-	-
International bonds and notes	31,326	-	-	31,326
Total lending collateral investments	4,618,260	-	-	4,618,260
Total investments for all types - fair value	\$ 157,533,501	60,485	228,527	\$ 157,822,513
Total investments for all types - carrying value	\$ 157,533,501	60,484	228,527	\$ 157,822,512

Reconciliation of carrying value to the basic financial statements (in thousands):

	Governmental activities	Fiduciary funds	Total
Investments	\$ 228,527	\$ 152,975,726	\$ 153,204,253
Security lending collateral	-	4,618,260	4,618,260
Total Investments	\$ 228,527	\$ 157,593,986	\$ 157,822,513

Certain investments included in the above schedule were pledged as collateral with the SBA's futures and swaps clearing brokers. These investments are presented below (in thousands):

FRS Pension Trust Fund
Securities Pledged as Collateral for Futures and Swaps Contracts
As of June 30, 2014

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 25,169
Domestic stocks	23,156
Total	\$ 48,325

The FRS Pension Trust Fund also held short positions in investments at June 30, 2014. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Position. The schedule below presents the short investment positions at fair value at June 30, 2014 (in thousands). These amounts are included in "Short Sell Obligations – Fixed Income" and "Accounts Payable" on the Statement of Fiduciary Net Position.

FRS Pension Trust Fund
Short Investment Positions
As of June 30, 2014

Investment Type	Fair Value
U.S. guaranteed obligations	\$ (84,698)
Federal Agencies	(95,122)
Option contracts	(123)
Total	\$ (179,943)

1. Credit Risk and Concentration of Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the state's investment in a single issuer.

The State Treasury Investment Pool's current rating by Standard and Poor's is A+f as of June 30, 2014.

The SBA, in compliance with section 215.47, Florida Statutes, has adopted certain investment policies with regard to credit risk of debt securities. Investment policies vary by fund or portfolio. Below are the investment policies and credit risk disclosures for the FRS Pension Trust Fund.

Investments are generally managed through individual portfolios within various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

Short-term Portfolio – Securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the three NRSROs – S&P A-1, Moody's P-1, Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A2, Fitch A.

Mortgage Index Portfolio – Securities are generally limited to those issued by the Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). No specific credit rating criteria are listed.

Intermediate Aggregate Less MBS Portfolio – Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. This portfolio primarily contains U.S. Treasuries, government agencies, and corporates.

Core portfolios – Securities should generally be rated investment grade by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5 percent of the market value of the portfolio (excluding U.S. Treasuries and Agencies). These portfolios can contain: U.S. Treasuries; government agencies; investment grade residential mortgage backed, commercial mortgage backed and asset backed securities; investment grade foreign sovereign debt; municipals; and corporates.

Lending portfolios – Under investment policy guidelines in effect for the FRS Pension Trust Fund for the fiscal year ended June 30, 2014, cash collateral must be invested in tri-party qualified repurchase agreement transactions in which the subject securities thereunder will be repurchased by the seller thereof no later than one business day from the purchase date, and such repurchase obligations are collateralized by U.S. Government Securities having a market value of at least 100 percent of the market value of securities subject to being repurchased. "U.S. Government Securities" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing, including without limitation notes, bonds and other debt securities issued by the FNMA and the FHLMC. In addition to tri-party repurchase agreements, investments purchased under previous investment policy guidelines are being held to maturity in existing lending portfolios. The previous investment policy guidelines contained short-term rating requirements that were similar to the current short-term portfolio rating requirements. Repurchase agreements were required to be fully collateralized.

The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5 percent or more of the fund's fair market value at June 30, 2014. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2014 (in thousands):

**FRS Pension Trust Fund
Credit Quality Ratings
As of June 30, 2014**

Credit Rating ¹		Total ²	Certificates of deposit	Commercial paper	Money market funds	Federal agencies	Domestic bonds and notes	International bonds and notes
S&P	Moody							
A-1/AAAm		\$ 6,205,549	\$ -	\$ 6,086,121	\$ 9,734	\$ -	\$ 99,994	\$ 9,700
AAA		1,210,780	-	-	-	-	741,520	469,260
AA		2,124,682	200,001	-	-	862,020	722,731	339,930
A		3,266,171	-	-	-	-	2,495,226	770,945
BBB		2,866,826	-	-	-	-	2,181,082	685,744
BB		132,475	-	-	-	-	79,962	52,513
B		14,884	-	-	-	-	14,884	-
CCC		37,033	-	-	-	-	37,033	-
D		8,270	-	-	-	-	8,270	-
Not rated	Aaa	662,420	-	-	-	17,471	526,844	118,105
Not rated	Aa	62,554	-	-	-	-	50,145	12,409
Not rated	A	78,733	-	-	-	-	58,414	20,319
Not rated	Baa	140,454	-	-	-	-	72,306	68,148
Not rated	Ba	1,083	-	-	-	-	1,083	-
Not rated	B	836	-	-	-	-	836	-
Not rated	Caa	10,268	-	-	-	-	10,268	-
Not rated	Not rated	9,496,084	1,217,425	75,000	-	7,940,444	185,391	77,824
		26,319,102	\$ 1,417,426	\$ 6,161,121	\$ 9,734	\$ 8,819,935	\$ 7,285,989	\$ 2,624,897
Not rated	Not rated	5,621,397	Repurchase agreements					
Not rated	Not rated	9,274,839	U.S. guaranteed obligations					
Not rated	Not rated	44,070,462	Domestic stocks					
Not rated	Not rated	38,330,351	International stocks					
Not rated	Not rated	7,501,662	International equity commingled funds					
Not rated	Not rated	16,501,387	Alternative investments					
Not rated	Not rated	9,910,420	Real estate investments					
Not rated	Not rated	2,389	Options purchased					
Not rated	Not rated	1,492	Swaps					
		<u>\$ 157,533,501</u>	Total investments					

¹ S&P ratings were primarily used. If S&P did not rate a security, then Moody ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for "A-1", which is a top tier short-term rating for S&P, and "AAAm", the top money market fund rating for S&P.

² All FRS investments are included in this schedule, including security lending collateral investments.

All futures, options and swaps contracts held by the FRS Pension Trust Fund at June 30, 2014, were exchange traded, therefore minimizing counterparty credit risk through the use of a futures and swap clearing merchant and a clearing house.

Counterparty credit ratings for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2014, are listed below (in thousands):

FRS Pension Trust Fund
Foreign Currency Exchange Contract Counterparty Credit Ratings
As of June 30, 2014

Counterparty Credit Rating (Long Term) ¹			Receivable	Payable	Net Unrealized
S&P	Moody	Fitch	Fair Value	Fair Value	Gain (Loss)
AA/A-1	Aaa/P-1	AA/F1	\$ 306,633	\$ (309,891)	\$ (3,258)
AA/A-1	Aa/P-1	AA/F1	2,489	(2,482)	7
AA/A-1	NR/P-1	AA/F1	46,893	(46,926)	(33)
A/A-1	Aa/P-1	A/F1	34,051	(34,017)	34
A/A-1	Aa/P-1	A/F1	877,604	(879,384)	(1,780)
A/A-1	A/P-1	AA/F1	3,483	(3,483)	-
A/A-1	A/P-1	A/F1	769,752	(770,448)	(696)
A/A-1	NR/P-1	AA/F1	26	(26)	-
A/A-1	NR/P-1	A/F1	24,701	(24,681)	20
A/A-1	NR/P-1	NR/NR	379,387	(379,607)	(220)
A/A-1	NR/NR	NR/NR	790	(794)	(4)
NR/NR	NR/P-1	NR/NR	249,017	(249,618)	(601)
NR/NR	NR/NR	A/F1	8,685	(8,669)	16
NR/NR	NR/NR	NR/NR	413,176	(413,434)	(258)
Total:			<u>\$ 3,116,687</u>	<u>\$ (3,123,460)</u>	<u>\$ (6,773)</u>

¹ If no rating exists, "NR" is reported.

The Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund had investments in money market funds, totaling \$228,209,000 and \$60,209,000, respectively, which held an S&P rating of AAAM at June 30, 2014. The remaining investments within the Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund were domestic bonds and notes, totaling \$318,000 and \$276,000, respectively. The domestic bonds and notes were not rated by S&P, Moody's, or Fitch at June 30, 2014, (in thousands).

2. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the state will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name (or, in the case of certain foreign investments, in an omnibus client account) by the SBA's custodial financial institutions at June 30, 2014. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, included the following (in thousands):

**Other Investments
Custodial Credit Risk
As of June 30, 2014**

	FRS Pension Trust Fund
Invested security lending collateral:	
Repurchase agreements	\$ 2,864,861
Domestic bonds and notes	115,537
International bonds and notes	13,268
Total	<u>\$ 2,993,666</u>

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt investments.

The SBA manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for debt investments within the FRS Pension Trust Fund are presented below.

Investments authorized by section 215.47, Florida Statutes, are managed through individual portfolios within various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of debt portfolios are listed below.

Short-term Portfolio – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than one year except for U.S. Treasury and Agency securities, which shall not exceed five years.

Mortgage Index Portfolio – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of index duration. The index is the Barclays Capital U.S. MBS Index component of the Barclays Capital U.S. Intermediate Aggregate Bond Index. Swaps and/or Agency debentures may contribute no more than 25 percent to duration.

Intermediate Aggregate Less MBS Index portfolio – Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index less the MBS Index component.

Core portfolios – Portfolio duration should remain within plus or minus 0.50–1.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration.

Security Lending portfolios – The investment policy guidelines in effect for the FRS Pension Trust Fund for the fiscal year ended June 30, 2014, allow investment only in overnight repurchase agreements that are fully collateralized by U.S. government and/or agency securities. Investments that were purchased under the previous investment policy guidelines are still held in the lending programs, but are slowly paying down. Previous guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM.

Presented in the following schedule is the interest rate risk table for the FRS Pension Trust Fund (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to short-term and the security lending collateral portfolios are presented using weighted average maturity.

**FRS Pension Trust Fund
Debt Investments
As of June 30, 2014**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ -	N/A	\$ 1,417,426	36
Commercial paper	-	N/A	6,161,121	44
Money market funds	-	N/A	9,734	1
Repurchase agreements	-	N/A	5,621,397	1
U.S. guaranteed obligations:				
U.S. Treasury bills	1,210	0.30	-	N/A
U.S. Treasury bonds and notes	7,017,469	3.43	-	N/A
Index linked government bonds	310,208	6.58	-	N/A
U.S. government guaranteed	50,998	5.71	-	N/A
GNMA mortgage backed	835,698	3.65	-	N/A
GNMA commitments to purchase (TBAs)	955,045	3.79	-	N/A
GNMA CMO's and CMBS	96,139	3.42	-	N/A
GNMA interest-only CMO's	2,768	(9.01)	-	N/A
GNMA interest-only inverse floating CMO's	5,304	13.36	-	N/A
Federal agencies:				
Unsecured bonds and notes	920,222	3.35	-	N/A
Agency strips	13,502	3.22	-	N/A
Mortgage backed (FNMA, FHLMC)	4,146,137	3.76	-	N/A
FNMA, FHLMC commitments to purchase (TBAs)	2,457,672	3.76	-	N/A
Mortgage-backed CMO's and CMBS	1,256,540	3.80	-	N/A
Interest-only CMO's	7,492	(0.69)	-	N/A
Interest-only inverse floating CMO's	14,795	7.82	-	N/A
Inverse floating CMO's	1,097	3.97	-	N/A
Principal-only CMO's	2,479	6.04	-	N/A
Domestic bonds and notes:				
Corporate	5,145,435	4.23	-	N/A
Non-government asset and mortgage backed	605,561	1.27	74,924	27
Non-government backed CMO's and CMBS	1,383,541	3.24	18,453	25
Municipal/provincial	50,761	3.11	-	N/A
Real estate mortgage loans	7,313	6.17	-	N/A
International bonds and notes:				
Government and regional	616,017	3.11	-	N/A
Government agency	304,510	3.32	-	N/A
Corporate	1,626,507	4.06	-	N/A
Non-government asset and mortgage backed	25,523	3.38	-	N/A
Non-government backed CMO's and CMBS	21,013	0.04	31,326	27
Futures contracts - long ¹	-	2.59	-	N/A
Futures contracts - short ¹	-	9.40	-	N/A
Options purchased ²	318	See Note ²	-	N/A
Swap contracts ¹	1,492	0.44	-	N/A
Total debt investments	<u>\$ 27,882,766</u>		<u>\$ 13,334,381</u>	

¹ The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. \$ value based on foreign exchange rates at June 30, 2014.

² An option's effective weighted duration measures the rate of change of price with respect to yield. The effective weighted duration was (890.58) at June 30, 2014.

The effective duration of the State Treasury Investment Pool at June 30, 2014, was approximately 2.55 years.

Interest rate risk information for debt investments sold short is presented below (in thousands):

**FRS Pension Trust Fund
Sold Short Debt Investment Positions
As of June 30, 2014**

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (84,698)	3.84
FNMA, FHLMC commitments to sell (TBAs)	(95,122)	3.99
Options sold ¹	(123)	See Note ¹
Total debt investments sold short ²	<u>\$ (179,943)</u>	

¹ An option's effective weighted duration measures the rate of change of price with respect to yield. Effective weighted duration was (1,608.36) at June 30, 2014.

² Investments sold short are reported as liabilities on the Statement of Fiduciary Net Position.

Presented below are interest rate risk schedules for all debt-related investments within the Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund, as of June 30, 2014 (in thousands):

**Police and Firefighters' Premium Tax Trust Fund
Debt Investments
As of June 30, 2014**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Money market funds	\$ -	N/A	\$ 228,209	1
Domestic bonds and notes:				
Non-government asset and mortgage backed	318	3.92	-	
Total debt investments	<u>\$ 318</u>		<u>\$ 228,209</u>	

**Retiree Health Insurance Subsidy Trust Fund
Debt Investments
As of June 30, 2014**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Money market funds	\$ -	N/A	\$ 60,209	1
Domestic bonds and notes:				
Non-government asset and mortgage backed	276	3.92	-	
Total debt investments	<u>\$ 276</u>		<u>\$ 60,209</u>	

4. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

The FRS Pension Trust Fund had exposure to foreign currency risk at June 30, 2014. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved on Aug. 20, 2013, by the Trustees, limits the global equity asset class (including domestic and foreign equities) to a policy range of 44-65 percent and a target allocation of 52 percent. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Within the global equity asset class, the FRS Pension Trust Fund holds units in international equity commingled funds. The FRS Pension Trust Fund owns only a portion of the overall investment in the funds, which are also owned by other investors. Equity linked notes are participatory notes that allow the FRS Pension Trust Fund to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The FRS Pension Trust Fund's unit holdings in the overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies. Within the alternative investment asset class, the FRS Pension Trust owns an interest in several alternative investment commingled funds (primarily limited partnerships) with other investors and, therefore, owns only a portion of the overall investment in the funds. For the alternative investment funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. The alternative investment funds denominated in Euro currency units are included in the foreign currency risk table below. Other alternative investments with potential exposure to foreign currency risk totaled \$15.4 billion as of June 30, 2014.

Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2014, listed for each major asset type, by currency (in thousands):

FRS Pension Trust Fund
Investments Exposed to Foreign Currency Risk (fair values in U.S.\$, in thousands)
As of June 30, 2014

Currency	FRS Pension Trust Fund Investment Type		
	Equity	Alternative Investments	Fixed Income
Australian dollar	\$ 1,500,677	\$ -	\$ -
Brazilian real	554,045	-	-
British pound sterling	6,031,443	-	-
Canadian dollar	1,950,334	-	-
Chilean peso	26,378	-	-
Danish krone	434,702	-	-
Egyptian pound	16,188	-	-
Euro currency unit ¹	8,644,626	688,890	-
Hong Kong dollar	2,003,462	-	-
Hungarian forint	23,983	-	-
Indian rupee	583,259	-	-
Indonesian rupiah	195,700	-	-
Israeli shekel	79,259	-	-
Japanese yen	5,270,606	-	-
Kenyan shilling	23,835	-	-
Malaysian ringgit	149,889	-	-
Mexican peso	228,515	-	-
New Zealand dollar	51,608	-	-
Nigerian naira	274,465	-	-
Norwegian krone	16,663	-	-
Omani rial	74,487	-	195
Philippines peso	87,073	-	-
Polish zloty	57,543	-	-
Qatari riyal	21,915	-	-
Singapore dollar	517,973	-	-
South African rand	460,743	-	-
South Korean won	893,168	-	-
Swedish krona	833,529	-	-
Swiss franc	2,615,882	-	-
Taiwan new dollar	650,522	-	-
Thailand baht	228,880	-	-
Turkish lira	201,323	-	-
Other	104,972	-	-
Equity linked notes (various currencies)	49,751	-	-
International equity commingled funds	7,501,662	-	-
Total investments subject to foreign currency risk	\$ 42,359,060	\$ 688,890	\$ 195

¹ FRS Pension Trust Fund's equity exposure to Euro currency units includes one stock call option with a fair value at June 30, 2014, of \$2,070,702.

In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in the SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party broker. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2014, that have exposure to foreign currency risk are presented below (values in thousands):

FRS Pension Trust Fund
Futures Positions Exposed to Foreign Currency Risk
As of June 30, 2014

			In Local Currency			
		Number of	Notional Traded	Notional Market	Unrealized	Unrealized Gain/(Loss)
	Currency	Contracts ¹	Exposure	Exposure	Gain/(Loss) ²	(in U.S. \$)
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	434	29,149	29,126	(23)	\$ (39)
Canada S&P/TSE 60 Index	Canadian dollar	154	26,299	26,602	303	\$ 284
DAX Index	Euro currency unit	12	2,979	2,958	(21)	\$ (28)
DJ Euro STOXX 50	Euro currency unit	1,094	35,722	35,358	(364)	\$ (499)
YEN Denom NIKKEI 225	Japanese yen	22	166,760	166,815	55	\$ 1
TOPIX Index Future	Japanese yen	221	2,742,702	2,790,125	47,423	\$ 468

¹ Long positions are positive and short positions are negative.

² Margin receipts or payments are settled periodically in the respective local currency and are subject to foreign currency risk.

The FRS Pension Trust Fund also enters into foreign currency exchange contracts, which are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. In the FRS Pension Trust Fund a currency overlay program is used to seek additional value and is run independently of the underlying equity assets. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are used primarily for trade settlement and currency repatriation and are valued at spot (traded) currency rates. Forward currency contracts are valued at interpolated forward rates and are generally used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. These contracts are recorded as receivables and payables on the Statement of Fiduciary Net Position. All of the contracts are subject to foreign currency risk. A schedule of the FRS Pension Trust Fund's foreign currency exchange contracts outstanding at June 30, 2014, is presented below, by currency (in thousands):

FRS Pension Trust Fund
Forward Foreign Currency Exchange Contracts
As of June 30, 2014

Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (in U.S. \$)	Payable Fair Value (in U.S. \$)	Net Unrealized Gain/(Loss) (in U.S. \$)
Australian dollar	2,513	U.S. dollar	(2,362)	\$ 2,371	\$ (2,362)	\$ 9
Brazilian real	135,339	U.S. dollar	(59,650)	60,617	(59,650)	967
British pound sterling	25,367	U.S. dollar	(43,127)	43,370	(43,127)	243
British pound sterling	212	Euro currency unit	(265)	363	(363)	-
Canadian dollar	40,099	U.S. dollar	(37,350)	37,622	(37,350)	272
Chilean peso	14,654,356	U.S. dollar	(26,398)	26,360	(26,398)	(38)
Columbian peso	8,938,708	U.S. dollar	(4,700)	4,729	(4,700)	29
Czech koruna	1,868,328	U.S. dollar	(92,750)	93,251	(92,750)	501
Euro currency unit	257	Swiss franc	(313)	352	(353)	(1)
Euro currency unit	64,611	U.S. dollar	(88,113)	88,469	(88,113)	356
Hong Kong dollar	432,591	U.S. dollar	(55,814)	55,796	(55,814)	(18)
Hungarian forint	11,328,205	U.S. dollar	(49,950)	49,987	(49,950)	37
Indian rupee	2,845,671	U.S. dollar	(47,342)	47,016	(47,342)	(326)
Indonesian rupiah	404,777,782	U.S. dollar	(33,764)	33,764	(33,764)	-
Israeli shekel	121,411	U.S. dollar	(35,150)	35,395	(35,150)	245
Japanese yen	2,728,567	Hong Kong dollar	(208,794)	26,949	(26,929)	20
Japanese yen	4,112,725	U.S. dollar	(40,478)	40,603	(40,478)	125
Malaysian ringgit	213,475	U.S. dollar	(66,037)	66,295	(66,037)	258
Mexican peso	50,795	New Zealand dollar	(4,500)	3,895	(3,912)	(17)
Mexican peso	1,158,300	U.S. dollar	(88,556)	88,909	(88,556)	353
New Zealand dollar	47,199	U.S. dollar	(41,009)	41,230	(41,009)	221
Nigerian naira	10,106	U.S. dollar	(62)	62	(62)	-
Norwegian krone	36,306	U.S. dollar	(6,057)	5,913	(6,057)	(144)
Philippines peso	1,901,483	U.S. dollar	(43,400)	43,542	(43,400)	142
Polish zloty	183,261	U.S. dollar	(60,094)	60,143	(60,094)	49
Qatari riyal	620	U.S. dollar	(170)	170	(170)	-
Romanian leu	92,270	U.S. dollar	(28,522)	28,727	(28,522)	205
Russian ruble	1,579,628	U.S. dollar	(44,820)	45,577	(44,820)	757
Singapore dollar	101,957	U.S. dollar	(81,562)	81,787	(81,562)	225
South African rand	269,068	U.S. dollar	(25,178)	25,112	(25,178)	(66)
South Korean won	76,711,230	U.S. dollar	(74,967)	75,716	(74,967)	749
Swedish krona	6,420	U.S. dollar	(960)	960	(960)	-
Swiss franc	1,138	U.S. dollar	(1,274)	1,283	(1,274)	9
Taiwan new dollar	1,132,893	U.S. dollar	(37,850)	38,017	(37,850)	167
Thailand baht	1,244,592	U.S. dollar	(38,247)	38,215	(38,247)	(32)
Turkish lira	136,892	U.S. dollar	(63,192)	63,896	(63,192)	704
U.S. dollar	99,259	Australian dollar	(106,690)	99,259	(100,305)	(1,046)
U.S. dollar	28,870	Brazilian real	(65,927)	28,870	(29,320)	(450)
U.S. dollar	30,286	British pound sterling	(17,940)	30,286	(30,665)	(379)
U.S. dollar	79,175	Canadian dollar	(86,507)	79,175	(81,072)	(1,897)
U.S. dollar	7,900	Chilean peso	(4,438,594)	7,900	(7,963)	(63)
U.S. dollar	1,100	Colombian peso	(2,094,400)	1,100	(1,108)	(8)
U.S. dollar	69,726	Czech koruna	(1,409,538)	69,726	(70,361)	(635)
U.S. dollar	192	Danish krone	(1,048)	192	(193)	(1)
U.S. dollar	396,809	Euro currency unit	(291,025)	396,809	(398,510)	(1,701)
U.S. dollar	13	Ghanaian cedi	(45)	13	(13)	-
U.S. dollar	359	Hong Kong dollar	(2,783)	359	(359)	-
U.S. dollar	49,650	Hungarian forint	(11,197,362)	49,650	(49,439)	211
U.S. dollar	14,822	Indian rupee	(897,658)	14,822	(14,791)	31
U.S. dollar	18,927	Indonesian rupiah	(226,845,220)	18,927	(18,917)	10
U.S. dollar	40,168	Israeli shekel	(138,571)	40,168	(40,399)	(231)
U.S. dollar	246,747	Japanese yen	(25,217,757)	246,747	(248,987)	(2,240)
U.S. dollar	439	Kenyan shilling	(38,483)	439	(439)	-
U.S. dollar	27,929	Malasian ringgit	(90,549)	27,929	(28,118)	(189)
U.S. dollar	100,010	Mexican peso	(1,304,763)	100,010	(100,328)	(318)
U.S. dollar	19,834	New Zealand dollar	(23,324)	19,834	(20,390)	(556)
U.S. dollar	10,189	Norwegian krone	(61,984)	10,189	(10,088)	101
U.S. dollar	133	Omani rial	(51)	133	(133)	-
U.S. dollar	8	Pakistan rupee	(824)	8	(8)	-
U.S. dollar	35,950	Philippines peso	(1,577,626)	35,950	(36,126)	(176)
U.S. dollar	53,070	Polish zloty	(162,446)	53,070	(53,325)	(255)
U.S. dollar	1,057	Qatari riyal	(3,848)	1,057	(1,058)	(1)
U.S. dollar	28,685	Romanian leu	(93,416)	28,685	(29,084)	(399)
U.S. dollar	33,200	Russian ruble	(1,167,330)	33,200	(33,681)	(481)
U.S. dollar	90,751	Singapore dollar	(113,509)	90,751	(91,054)	(303)
U.S. dollar	33,945	South African rand	(369,576)	33,945	(34,307)	(362)
U.S. dollar	24,343	South Korean won	(24,823,930)	24,343	(24,483)	(140)
U.S. dollar	27,519	Swedish krona	(185,113)	27,519	(27,681)	(162)
U.S. dollar	64,481	Swiss franc	(57,731)	64,481	(65,119)	(638)
U.S. dollar	38,000	Taiwan new dollar	(1,138,064)	38,000	(38,190)	(190)
U.S. dollar	46,600	Thailand baht	(1,514,815)	46,600	(46,511)	89
U.S. dollar	37,036	Turkish lira	(80,489)	37,036	(37,429)	(393)
U.S. dollar	2,978	UAE dirham	(10,945)	2,978	(2,980)	(2)
UAE dirham	236	U.S. dollar	(64)	64	(64)	-
Total				\$ 3,116,687	\$ (3,123,460)	\$ (6,773)

5. Security Lending

Through the SBA, the FRS Pension Trust Fund participates in security lending programs. Initial collateral requirements for securities on loan range from 100 percent to 105 percent, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested \$4,674,292,312 in cash and \$2,393,501,278 in U.S. government securities as collateral for the lending programs as of June 30, 2014. At June 30, 2014, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). All security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the Statement of Fiduciary Net Position. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security loan agreements are generally open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 4 percent or less of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

At June 30, 2014, the collateral re-investment portfolios for the FRS Pension Trust Fund were primarily reinvested in overnight repurchase agreements (repos) in order to maximize earnings and reduce risk. The portfolios contain some legacy non-repo securities that will remain until they are either sold or mature. All new lending in the FRS Pension Trust Fund is done using one-day repos of U.S. Government guaranteed securities as re-investment. At June 30, 2014, there were three lending agents, including the master custodian and two third-party agents.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2014 (in thousands):

Schedule of Investments on Loan Under Security Lending Agreements As of June 30, 2014

	Fair value of Securities on Loan ¹
Securities on Loan for Cash Collateral, by Security type	FRS Pension Trust Fund
Certificates of deposit	\$ 2,001
U.S. guaranteed obligations	120,702
Federal agencies	176,026
Domestic bonds and notes	240,573
International bonds and notes	192,621
Domestic stocks	2,540,426
International stocks	1,231,741
Total securities on loan for cash collateral	<u>\$ 4,504,090</u>
Securities on Loan for Non-Cash Collateral, by Security type	
U.S. guaranteed obligations	\$ -
Domestic bonds and notes	-
International bonds and notes	-
Domestic stocks	2,240,654
International stocks	107,161
Total securities on loan for non-cash collateral	<u>2,347,815</u>
Total securities on loan	<u>\$ 6,851,905</u>

¹The fair value equals the carrying value of investments on loan. Fair value includes accrued interest on debt securities.

6. Derivatives

A derivative instrument is defined as a financial instrument or other contract that has all of the following characteristics:

- a. Settlement factors. It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. These terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- b. Leverage. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Net Settlement. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments consisted of futures, options, forward currency contracts, and swaps.

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets. Derivative instruments shall only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgaged-backed security prepayment risk, as well as to cost effectively manage exposure to domestic and international equities and bond and real estate markets.

A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the broker, in SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and third-party clearing broker. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying instrument.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward currency contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward contract, while the seller of the forward, or "short", agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments utilizing a central clearing house (new regulation requirements that went into effect in fiscal year 2014), whereby, each party in the transaction enters into a contract with the central counterparty. These agreements may be over-the-counter or exchange-traded. Upon entering into a swap contract through a clearing house, collateral is deposited with the broker, in SBA's name, in accordance with the initial margin requirements of the broker. Swaps are available in and between all active financial markets. Examples include:

Interest rate swap - An agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate.

Credit default swap - An agreement that allows one party to “buy” protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The “buyer” of protection pays a premium for the protection, and the “seller” of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2014, all of the SBA investment derivatives were reported at fair value.

Increase/(Decrease) in Fair Value			Fair Value at June 30, 2014		
Classification	Amount (in US \$)		Classification	Amount (in US \$)	Notional (in US \$)
FRS Pension Trust Fund					
Investment derivative instruments:					
Futures ¹	Investment income	\$ 93,583	Receivable/(Payable)	\$ 1,018	\$ 4,846,806
Options	Investment income	1,635	Investment/(Liability) ²	195	1,641,000
Forward currency contracts	Investment income	(432)	Receivable/(Payable) ³	(6,820)	(6,820)
Interest rate swaps	Investment income	158	Investment	5	13,250
Credit default swaps	Investment income	1,458	Investment	1,487	75,000

¹ The total unrealized gain for open futures contracts at June 30, 2014, was a net \$1,017,702 in the FRS Pension Trust Fund. Cash payments in the amount of \$13,601,802 had already been settled with the broker on or before June 30, 2014. Outstanding remaining net futures margin at June 30, 2014, totaled \$14,619,504 for the FRS Pension Trust Fund, which is reported gross on the Statement of Fiduciary Net Position as "Futures trade equity" and "Pending investment purchases".

² Purchased options are reported as investments and short sales of options are reported as liabilities on the Statement of Fiduciary Net Position. This schedule includes both long and short positions.

³ The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts in the FRS Pension Trust Fund were \$2,967,243,022 and \$(2,974,062,780) as of June 30, 2014. These amounts are included in "Forward contracts receivable" and "Forward contracts payable" on the Statement of Fiduciary Net Position.

7. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$9.9 billion as of June 30, 2014.

Note 4 - Net Pension Liability

The components of the net pension liability of the state-administered pension plans are presented below:

A. Florida Retirement System (FRS) Pension Plan

Net Pension Liability	June 30, 2013	June 30, 2014
Total pension liability	\$150,276,127,590	\$156,115,762,947
Fiduciary net position	133,061,676,904	150,014,292,372
Net pension liability	17,214,450,686	6,101,470,575
Fiduciary net position as a % of total pension liability	88.54%	96.09%
Covered payroll	24,568,641,999	24,723,564,758
Net pension liability as a % of covered payroll	70.07%	24.68%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below. The total pension liability is calculated using the Individual Entry Age Normal cost allocation method, which differs from the Ultimate Entry Age Normal cost allocation method used in the funding valuation for the System. Additionally, the net pension liability above adjusted upward to reflect any balance in the Contribution Clearing Trust Fund as of the measurement date.

Discount Rate

Discount rate	7.75%	7.65%
Long-term expected rate of return, net of investment expense	7.75%	7.65%
Municipal bond rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit 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.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2013	July 1, 2014
Measurement date	June 30, 2013	June 30, 2014
Inflation	3.00%	2.60%
Salary increases including inflation	4.00%	3.25%
Mortality	Generational RP-2000 with Projection Scale AA	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Changes in Net Pension Liability			
Balances as of June 30, 2013	\$150,276,127,590	\$133,061,676,904	\$17,214,450,686
Changes for the year:			
Service cost	2,256,738,453		2,256,738,453
Interest on total pension liability	11,489,920,524		11,489,920,524
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(448,818,280)		(448,818,280)
Effect of assumptions changes or inputs	1,256,045,470		1,256,045,470
Benefit payments ¹	(8,714,250,810)	(8,714,250,810)	0
Employer contributions		2,190,424,344	(2,190,424,344)
Member contributions		682,507,323	(682,507,323)
Net investment income		22,812,286,493	(22,812,286,493)
Administrative expenses		(18,351,882)	18,351,882
Balances as of June 30, 2014	\$156,115,762,947	\$150,014,292,372	\$6,101,470,575

¹ Benefit payments shown above include transfers to the Investment Plan and returns of contributions, net of \$131,260,646 in transfers from other funds.

Sensitivity Analysis

The following presents the net pension liability of the FRS Pension Plan, calculated using the discount rate of 7.65 percent, as well as what the FRS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65 percent) or one percentage point higher (8.65 percent) than the current rate.

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Total pension liability	\$176,111,092,436	\$156,115,762,947	\$139,483,464,095
Fiduciary net position	150,014,292,372	150,014,292,372	150,014,292,372
Net pension liability	\$26,096,800,064	\$6,101,470,575	\$(10,530,828,277)

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in September 2014 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Hewitt EnnisKnupp, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation ¹	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Assumed Inflation – Mean		2.60%		2.00%

¹ As outlined in the Plan's investment policy

B. Retiree Health Insurance Subsidy (HIS) Trust Fund

The following pages display the calculation of the Net Pension Liability and the Changes to the Net Pension Liability over the past year. Note that both the June 30, 2013 and June 30, 2014 calculations are based on census data and demographic assumptions from this July 1, 2014 actuarial valuation. The discount rates used at the two dates differ due to changes in the applicable municipal bond rate.

Net Pension Liability	June 30, 2013	June 30, 2014
Total pension liability	\$8,864,244,099	\$9,443,629,461
Fiduciary net position	157,929,285	93,385,450
Net pension liability	8,706,314,814	9,350,244,011
Fiduciary net position as a % of total pension liability	1.78%	0.99%
Covered payroll	29,005,731,543	29,676,340,167
Net pension liability as a % of covered payroll	30.02%	31.51%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67.

Discount Rate

Discount rate	4.63%	4.29%
Long-term expected rate of return, net of investment expense	N/A	N/A
Municipal bond rate	4.63%	4.29%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2014	July 1, 2014
Measurement date	June 30, 2013	June 30, 2014
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB; details in valuation report	Generational RP-2000 with Projection Scale BB; details in valuation report
Actuarial cost method	Entry Age Normal	Entry Age Normal

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2013	\$8,864,244,099	\$157,929,285	\$8,706,314,814
Changes for the year:			
Service cost	190,371,170		190,371,170
Interest on total pension liability	409,906,929		409,906,929
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(0)		(0)
Effect of assumptions changes or inputs	386,383,120		386,383,120
Benefit payments	(407,275,857)	(407,275,857)	0
Employer contributions		342,566,361	(342,566,361)
Member contributions		0	0
Net investment income		219,369	(219,369)
Administrative expenses		(53,708)	53,708
Balances as of June 30, 2014	\$9,443,629,461	\$93,385,450	\$9,350,244,011

Sensitivity Analysis

The following presents the net pension liability of the HIS, calculated using the discount rate of 4.29 percent, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29 percent) or one percentage point higher (5.29 percent) than the current rate.

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
Total pension liability	\$10,728,530,854	\$9,443,629,461	\$8,371,104,508
Fiduciary net position	93,385,450	93,385,450	93,385,450
Net pension liability	\$10,635,145,404	\$9,350,244,011	\$8,277,719,058

NOTE 5 – INTERFUND BALANCES AND TRANSFERS

At June 30, 2014, amounts to be received or paid with current available resources are reported as due from or due to other funds, whereas the noncurrent portion is reported as advances from other funds. Interfund balances at June 30, 2014, consist of the following:

	Due from Other Funds within Division
	<u>Governmental Activities</u>
	<u>Police and Firefighters'</u>
	<u>Premium Tax Trust Fund</u>
<u>Due to Other Funds within Division</u>	
Fiduciary Funds	
Florida Retirement System	\$ 46,014
Total	<u>\$ 46,014</u>

	<u>Transfers from Other Funds within Division</u>	
	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
	<u>Police and Firefighters'</u>	
	<u>Premium Tax Trust Fund</u>	<u>Florida Retirement System</u>
<u>Transfers to Other Funds within Division</u>		
Fiduciary Funds		
Florida Retirement System	\$ 645,347	\$ -
State University System Optional Retirement Program	-	33,198,167
Senior Management Service Optional Annuity Program	-	415,277
Total	<u>\$ 645,347</u>	<u>\$ 33,613,444</u>

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2014, are as follows:

	Balance			Balance			Due Within
	July 1, 2013	Additions	Deletions	June 30, 2014			One Year
							(Current)
Governmental Activities							
Compensated absences	\$ 80,226	\$ 4,801	\$ -	\$ 85,027	\$ 14,184		
Other Postemployment Benefits	64,347	23,308	-	87,655	-		
Total Governmental Activities	\$ 144,573	\$ 28,109	\$ -	\$ 172,682	\$ 14,184		

Long-term liabilities for governmental activities are generally liquidated by the applicable governmental fund. The Police and Firefighters' Premium Tax Trust Fund, a special revenue fund, will liquidate the compensated absences liabilities. The fund's allocated share of the state's Other Postemployment Benefits (OPEB) liability is also reported above. The state does not currently fund the OPEB liability, so it is non-liquidating.

NOTE 7 – RELATED PARTIES

The State Board of Administration (SBA), the FRS Investment Plan Trust Fund, and the Department of Management Services (DMS) state-administered defined benefit pension plans are considered to be related parties for the purposes of the System's financial statements.

The defined benefit state-administered pension funds have a variety of transactions with the SBA and the FRS Investment Plan. The DMS administers the state-administered defined benefit pension plans, including collecting employer and employee contributions, remitting those contributions to SBA for investment, requesting withdrawals from SBA for benefit payments, and paying those benefit payments to members. The SBA administers the FRS Investment Plan Trust Fund, including working with DMS to collect employer and employee contributions and processing member-directed benefit amounts between the FRS Pension Plan Trust Fund and the FRS Investment Plan Trust Fund. The SBA provides investment services to the FRS Pension Plan and the Retiree Health Insurance Subsidy Trust Fund and charges an investment service charge on the net asset value at the end of each month.

Significant transactions between the SBA, the FRS Investment Plan Trust Fund and the DMS state-administered defined benefit pension plans for fiscal year 2014 are as follows:

	Florida Retirement System Pension Plan	Retiree Health Insurance Subsidy Trust Fund
	<i>(in thousands)</i>	
<u>Payables:</u>		
Due to SBA for investment service charges	\$ 5,576	\$ -
<u>Additions:</u>		
Funds received from SBA for benefit payments	\$ 8,028,598	\$ 407,255
Transfers from FRS Investment Plan Trust Fund	50,098	-
Total Additions	<u>\$ 8,078,696</u>	<u>\$ 407,255</u>
<u>Deductions:</u>		
Employer/employee contributions sent to SBA	\$ 2,935,280	\$ 346,114
Member-directed benefits sent to FRS Investment Plan Trust Fund	807,720	-
Investment service charges to the SBA	35,883	-
Total Deductions	<u>\$ 3,778,883</u>	<u>\$ 346,114</u>

REQUIRED SUPPLEMENTARY INFORMATION

A. Florida Retirement System (FRS) Pension Plan

Required supplementary information for the FRS Pension Plan is presented below:

Schedule of Changes in Net Pension Liability and Related Ratios¹ (in 1,000s)

Total Pension Liability	June 30, 2014
Service cost	\$2,256,738
Interest on total pension liability	11,489,921
Effect of plan changes	0
Effect of economic/demographic gains or (losses)	(448,818)
Effect of assumption changes or inputs	1,256,045
Benefit payments	(8,714,251)
Net change in total pension liability	5,839,635
Total pension liability, beginning	150,276,128
Total pension liability, ending (a)	156,115,763
Fiduciary Net Position	
Employer contributions	\$2,190,424
Member contributions	682,507
Investment income net of investment expenses	22,812,286
Benefit payments	(8,714,251)
Administrative expenses	(18,352)
Net change in plan fiduciary net position	16,952,615
Fiduciary net position, beginning	133,061,677
Fiduciary net position, ending (b)	150,014,292
Net pension liability, ending = (a) - (b)	\$6,101,471
Fiduciary net position as a % of total pension liability	96.09%
Covered payroll	\$24,723,565
Net pension liability as a % of covered payroll	24.68%

¹ This schedule will fill in to a ten-year schedule as results for new fiscal years are calculated.

Schedule of Employer Contributions

Fiscal Year Ending June 30	Actuarially Determined Contribution ¹	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ²	Contribution as a % of Covered Payroll
2005	\$2,141,862,000	\$2,177,492,000	(\$35,630,000)	\$24,172,193,000	9.01%
2006	2,193,928,000	2,096,884,000	97,044,000	25,314,566,000	8.28%
2007	2,455,255,000	2,736,861,000	(281,606,000)	26,366,086,000	10.38%
2008	2,612,672,000	2,796,651,000	(183,979,000)	26,872,418,000	10.41%
2009	2,535,854,000	2,808,418,000	(272,564,000)	26,554,114,000	10.58%
2010	2,447,374,000	2,721,618,000	(274,244,000)	25,747,369,000	10.57%
2011	3,680,042,000	3,050,684,000	629,358,000	25,668,958,000	11.88%
2012	1,962,816,000	1,185,310,000	777,506,000	24,476,272,000	4.84%
2013	2,091,343,000	1,388,656,000	702,687,000	24,553,693,402	5.66%
2014	2,190,424,344	2,190,424,344	0	24,723,564,758	8.86%

¹ For fiscal years prior to 2013-14 the Annual Required Contribution under GASB Statement No. 27 is shown.

² Covered Payroll includes defined benefit plan actives and members in DROP. It excludes the payroll for Investment Plan members, and payroll on which only UAL rates are changed.

The notes to required supplementary information are an integral part of these schedules.

The following schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Money-Weighted Rate of Return	
Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2014	17.88%

Calculation of Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the beginning of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows With Interest
Beginning Value - July 1, 2013	\$133,061,676,904	12	1.00	\$156,443,484,233
Monthly net external cash flows:				
July	(686,814,762)	12	1.00	(807,502,933)
August	(573,350,820)	11	0.92	(665,427,227)
September	(524,543,869)	10	0.83	(599,976,914)
October	(470,668,981)	9	0.75	(531,427,401)
November	(425,996,569)	8	0.67	(474,799,341)
December	(437,234,699)	7	0.58	(480,276,374)
January	(484,929,252)	6	0.50	(525,812,161)
February	(498,135,336)	5	0.42	(533,181,700)
March	(461,767,896)	4	0.33	(487,106,827)
April	(454,900,222)	3	0.25	(473,687,878)
May	(474,692,319)	2	0.17	(487,937,242)
June	(357,397,267)	1	0.08	(362,055,864)
Ending Value - June 30, 2014	\$150,014,292,372			\$150,014,292,371
Money-Weighted Rate of Return	17.57%			

The notes to required supplementary information are an integral part of these schedules.

Notes to the Required Supplementary Information

Notes to Schedule of Changes in Net Pension Liability and Related Ratios:

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below:

Discount rate	7.65%
Long-term expected rate of return, net of investment expense	7.65%
Municipal bond rate	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit 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.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2014
Measurement Date	June 30, 2014
Asset Valuation Method	Fair Market Value
Inflation	2.60%
Salary increases including inflation	3.25% ¹
Mortality	Generational RP-2000 with Projection Scale BB ¹
Actuarial cost method	Individual Entry Age Normal

¹ See July 1, 2014 Actuarial Valuation Report for details.

Notes to Schedule of Employer Contributions:

The following actuarial methods and assumptions were used in the July 1, 2014, funding valuation. Please see the valuation report dated Nov. 26, 2014, for further details.

Valuation Timing	Actuarially determined contribution rates for a given plan year are calculated in the valuation conducted as of the beginning of the preceding plan year (e.g., rates for the 2015-2016 plan year are calculated in the 7/1/2014 actuarial valuation).
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Closed, layered
Amortization period at 07/01/2014	30 years
Payroll growth rate	3.25%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Asymptotic
Corridor	80% - 120% of fair market value
Inflation	2.60%
Salary Increases	Varies by tier, membership class; details in valuation report
Investment Rate of Return	7.65%
Cost of Living Adjustments	3% for pre-July benefit 2011 service; 0% thereafter
Retirement Age	Varies by tier, membership class; details in valuation report
Turnover	Varies by tier, membership class; details in valuation report
Mortality	Generational RP-2000 with Projection Scale BB

The notes to required supplementary information are an integral part of these schedules.

B. Retiree Health Insurance Subsidy (HIS) Program

Required supplementary information for the HIS Program is presented below:

Schedule of Changes in Net Pension Liability and Related Ratios¹ (in 1,000s)

	<u>June 30, 2014</u>
Total Pension Liability	
Service cost	\$190,371
Interest on total pension liability	409,907
Effect of plan changes	0
Effect of economic/demographic gains or (losses)	0
Effect of assumption changes or inputs	386,383
Benefit payments	(407,276)
Net change in total pension liability	579,385
Total pension liability, beginning	8,864,244
Total pension liability, ending (a)	9,443,629
Fiduciary Net Position	
Employer contributions	\$342,566
Member contributions	0
Investment income net of investment expenses	219
Benefit payments	(407,276)
Administrative expenses	(54)
Net change in plan fiduciary net position	(64,545)
Fiduciary net position, beginning	157,929
Fiduciary net position, ending (b)	93,385
Net pension liability, ending = (a) - (b)	\$9,350,244
Fiduciary net position as a % of total pension liability	0.99%
Covered payroll	\$29,676,340
Net pension liability as a % of covered payroll	31.51%

¹ This schedule will fill in to a ten-year schedule as results for new fiscal years are calculated.

Estimated Program Contribution Rates

Presently, HIS can be viewed as effectively using a “pay-as-you-go” funding structure. As of the valuation date, accumulated HIS assets constituted approximately three months of projected benefit payments. Further, without adjustment the contribution rate currently in effect likely will not be sufficient to pay HIS benefits in full even in the very near-term. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

The estimated pay-as-you-go rate for the next 10 years of the program is projected to be approximately 1.4 percent of payroll, based on \$29.7 billion of payroll in the 2013-2014 plan year and a 3.25 percent annual payroll growth assumption. The rate is highly sensitive to both the actual rate of growth in projected payroll and to individual member behavior regarding timing of retirement elections. Having benefit payments greater than projection or having actual payroll less than projection could lead to the projected 1.4 percent pay-as-you-go rate being less than fully sufficient. The following chart illustrates the sensitivity to actual payroll growth, with the pay-as-you-go rate for the 2019-2020 plan year being illustrated under three alternative scenarios of actual near-term payroll growth.

The notes to required supplementary information are an integral part of this schedule.

Estimated Pay-As-You-Go Contribution Rate

		2019-2020 plan year
Annual payroll	3.25%	1.4%
Growth (actual):	2.00%	1.5%
	0.00%	1.7%

Given this, it is informative to have an idea about what projected contribution rate might be needed to migrate toward a partially pre-funded program over time. Compared to a pay-as-you-go program, a partially pre-funded program has several benefits. First, the types of concerns discussed in the preceding paragraph do not arise as a reserve of several years of projected benefit payments is accumulated. Second, a significant portion of the benefits in partially pre-funded programs can be paid by investment earnings. This stands in contrast to pay-as-you-go programs, where effectively all benefits are paid from employer contributions.

One hallmark of a pre-funded program is that its accumulated assets are a multiple of the subsequent year's projected benefit payments. The following table shows the estimated contribution rates that would be needed to accumulate five, 10 or 15 times of the subsequent plan year's projected benefit payments. Accumulating five to 15 years of payments would be consistent with a partially pre-funded program. The table below shows contribution rates as a percent of projected payroll based on the assumptions that a) invested assets earn 7.65 percent annually; b) payroll increases at 3.25 percent annually; and c) payroll on which HIS contributions are made is approximately \$29.7 billion for the 2013-2014 plan year.

Estimated Contribution Rates to Achieve Partial Pre-Funding

		Years to accumulate assets:		
		5	10	20
Multiple of next year's	5x	2.7%	1.9%	1.5%
benefit payments	10x		2.5%	1.7%
accumulated:	15x			1.9%

Notes to Schedule of Changes in Net Pension Liability and Related Ratios

Actuarial Methods and Assumptions

We used the same demographic and pay-related assumptions that were used in the Florida Retirement System Actuarial Valuation as of July 1, 2014 ("funding valuation"), unless otherwise noted. In a given membership class and tier, we used the same assumptions for both Investment Plan (IP) members and for FRS Defined Benefit members.

In general, the discount rate used for calculating the total pension liability under GASB 67 is equal to the single rate that results in the same Actuarial Present Value as would be calculated by using two different discount rates as follows:

1. Discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net position (trust assets); and
2. Discount at a municipal bond rate for benefit payments after the projected depletion date.

Because the HIS is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to a long-duration, high-quality, tax-exempt municipal bond rate selected by the plan sponsor. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2014
Measurement Date	June 30, 2014
Asset Valuation Method	Fair Market Value
Discount rate (municipal bond rate)	4.29%
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Entry Age Normal

**BUDGETARY COMPARISON SCHEDULES
MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance, July 1, 2013	\$ 89,756	\$ 89,756	\$ 89,756	\$ -
Reversions	55,323	55,323	55,323	-
Fund Balance, July 1, 2013, restated	145,079	145,079	145,079	-
REVENUES				
Premium tax	172,900,000	173,000,000	169,215,084	(3,784,916)
Interest	1,009,100	-	-	-
Refund	-	-	19,846	19,846
Transfers	46,000	46,000	80,738	34,738
Total Revenues	173,955,100	173,046,000	169,315,668	(3,730,332)
Total Available Resources	174,044,856	173,135,756	169,405,424	(3,730,332)
EXPENDITURES				
<u>Operating Expenditures:</u>				
Salaries and Benefits	753,759	785,987	28,562	757,425
Expenses	83,389	83,389	50,894	32,495
Special Categories	197,395	197,174	108,859	88,315
Total Operating Expenditures	1,034,543	1,066,550	188,315	878,235
<u>Nonoperating expenditures:</u>				
Transfers	19,150,000	19,150,000	17,738,508	1,411,492
Refunds	100,000	100,000	100,000	-
Net Investment Activity	-	-	2,824,000	2,824,000
Other	149,000,000	149,000,000	148,478,613	521,387
Total Nonoperating Expenditures	168,250,000	168,250,000	169,141,121	4,756,879
Total Expenditures	169,284,543	169,316,550	169,329,436	5,635,114
Fund Balance, June 30, 2014	\$ 4,760,313	\$ 3,819,206	\$ 75,988	\$ 1,904,782

**BUDGET TO GAAP RECONCILIATION
MAJOR SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Police and Firefighters' Premium Tax Trust Fund
Budgetary basis fund balance	\$ 75,988
Items not included in budgetary basis fund balance:	
Non-State Treasury cash and investments	228,527,230
Other GAAP basis fund balances not included in budgetary basis fund balances	(86,637)
Adjusted budgetary basis fund balances	228,516,581
Adjustments (basis differences):	
Net receivables (payables) not carried forward	(155,662,118)
Encumbrances	-
GAAP basis fund balances	<u>\$ 72,854,463</u>

BUDGETARY REPORTING

Budget Process

Each year, the head of the Department of Management Services submits a legislative budget request to the Governor and Legislature by October 15 as required by section 216.023(01), Florida Statutes. The Governor, as Chief Budget Officer, submits his recommended budget to each legislator at least 30 days before the annual legislative session.

Revenue estimates for trust funds not projected by the Revenue Estimating Conference, such as the Police and Firefighters' Premium Tax Trust Fund, are provided by the state agency. These estimates may be revised during the course of the Legislature's consideration and adoption of a final budget. These estimates, together with known available cash balances, are further considered by the Governor during the preparation of annual spending plans. Adjustments to the original budget's trust fund revenue estimates may be made to conform agency revenue estimates to actual and projected revenue streams.

The Legislature considers and amends the Governor's recommended budget is considered and a final appropriations bill is then approved by the Legislature (subject to the line-item veto power of the Governor and override authority of the Legislature); this bill then becomes the General Appropriations Act. The Governor may, under certain conditions and subject to the review and objection procedures set forth in section 216.177, Florida Statutes, establish appropriations and corresponding releases for amounts not appropriated by the Legislature to agencies. This includes appropriations for non-operating disbursements, such as the purchase of investments and the transfer of money between state funds.

The head of a department may transfer appropriations, but only to the extent of 5 percent of the original appropriation or \$250,000, whichever is greater, or within certain programs and between identical funding sources and specific appropriation categories. The Governor may approve changes of expenditure authority within any trust fund if the changes are less than \$1 million. The Legislative Budget Commission may approve trust fund changes in excess of \$1 million. At the end of the fiscal year, any balance of an operating appropriation which has not been disbursed but is expended (recorded as a payable) or contracted to be expended (recorded as a reserve for encumbrances), may be carried forward into the next fiscal year. Any appropriations not disbursed by September 30 will revert pursuant to section 216.301(1), Florida Statutes.

The Chief Financial Officer approves disbursements in accordance with legislative authorizations. The budget is controlled at the account code level, which is defined as an appropriation category (e.g., salaries and benefits), and funded within a budget entity. The Governor and Chief Financial Officer are responsible for detecting conditions which could lead to a deficit in an agency's funds and reporting that fact to the Legislative Budget Commission. The Constitution of the State, Article VII, Section 1(d), states, "Provision shall be made by law for raising sufficient revenue to defray the expenses of the state for each fiscal period."

Budgetary Basis of Accounting

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). Appropriations are made from various funds that are prescribed by law, such as the Police and Firefighters' Premium Tax Trust Fund.

A budgetary comparison schedule for the Police and Firefighters' Premium Tax Trust Fund is presented as part of the other required supplementary information.

Budgetary basis revenues are essentially reported on a cash basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include disbursements, except for those for prior year carry/certified forwards, plus current year payables and encumbrances which are carried/certified forward into the next fiscal year. They also include amounts classified by GAAP as other financing uses. State law requires prior year payables and encumbrances not carried/certified forward to be paid from the current year budget.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the Police and Firefighters' Premium Tax Trust Fund present comparisons of the original budget and final budget with actual revenues and expenditures on a budgetary basis. A budget to GAAP reconciliation is presented following the budgetary comparison schedules because accounting principles for budgetary basis differ significantly from those used to present financial statements in conformity with GAAP.

OTHER SUPPLEMENTARY INFORMATION



Port of St. Petersburg - Photograph courtesy of the Florida Ports Council

SCHEDULE OF ADMINISTRATIVE EXPENSES

as of June 30, 2014

	Florida Retirement System	Retiree Health Insurance Subsidy	Stste University System Optional Retirement Program
Personnel services			
Salaries	\$ 6,861,686	\$ 41,918	\$ 99,067
State retirement contributions	519,442	-	9,356
Insurance contributions	1,707,499	-	30,700
Social security	504,904	-	7,296
Workers' compensation	45,187	-	-
Other post employment benefits	526,894	-	-
Compensated absences	28,220	-	5,035
Subtotal	10,193,832	41,918	151,454
Professional services			
Actuarial services	683,268	-	-
Contractual IT services and monitoring	2,859,538	-	-
Legal services	21,288	-	25,000
Other contractual services	233,489	-	75,296
Other contractual services - data processing	561,667	-	-
Subtotal	4,359,250	-	100,296
Communication			
Postage and freight	1,072,786	11,370	119
Printing and reproduction	418,644	-	-
Telephone	176,116	-	68
Travel	33,351	-	-
Subtotal	1,700,897	11,370	187
Other operating expenses			
Administrative overhead assessment	832,745	-	-
Data processing supplies	50,561	-	-
Depreciation	79,257	-	-
Dues and subscriptions	15,756	-	1,280
Equipment leasing	21,695	-	-
Human resources overhead assessment	52,957	-	536
Insurance	8,532	-	-
Loss on disposal of equipment	541	-	-
Materials and supplies	92,367	-	-
Miscellaneous expenses	10,378	420	1,427
Office equipment	39,123	-	-
Office rental	744,093	-	8,188
Office supplies	24,674	-	153
Repairs and maintenance	36,110	-	-
Utilities	89,114	-	718
Subtotal	2,097,903	420	12,302
Total administrative expenses	\$ 18,351,882	\$ 53,708	\$ 264,239

INVESTMENT SECTION



Port of Fort Pierce - Photograph courtesy of the Florida Ports Council



STATE BOARD OF ADMINISTRATION
OF FLORIDA

1801 HERMITAGE BOULEVARD
TALLAHASSEE, FLORIDA 32308
(850) 488-4406

POST OFFICE BOX 13300
32317-3300

RICK SCOTT
GOVERNOR
CHAIR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

December 31, 2014

TO: Members of the Florida Legislature
Members of the Florida Retirement System

RE: Assets of the Florida Retirement System Pension Plan

The State Board of Administration of Florida (SBA) manages the assets of the Florida Retirement System (FRS). The Board consists of Governor Rick Scott, Chairman, Chief Financial Officer Jeff Atwater, and Attorney General Pam Bondi. The primary investment objectives for the FRS Pension Plan are to provide investment returns sufficient to ensure timely payment of promised benefits and keep plan costs at a reasonable level. The portfolio consists of a highly diversified asset mix of investments, which includes government and corporate bonds, common stocks, income-producing real estate, alternative investments, and short-term money market instruments. The proportions of major asset classes in the FRS Pension Plan portfolio, by quarter, are shown below:

FRS Pension Plan Market Value for Fiscal Year 2013-2014

	9/30/13	12/31/13	3/31/14	6/30/14
Fund Market Value	\$138.00 billion	\$143.80 billion	\$144.91 billion	\$149.10 billion

**Actual Quarter-End Asset Allocation
Fiscal Year 2013-2014**

Asset Classes	9/30/13	12/31/13	3/31/14	6/30/14
Global Equity	60.3%	60.9%	60.2%	60.2%
Fixed Income	21.2%	20.4%	20.5%	20.2%
Real Estate	7.2%	7.2%	7.5%	7.4%
Private Equity	5.0%	4.9%	5.1%	5.4%
Strategic Investments	5.2%	5.3%	5.5%	5.4%
Cash Equivalents/Short Term	1.0%	1.3%	1.3%	1.3%
Total**	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Columns may not add to totals due to rounding.

**Annualized FRS Pension Plan Investment Performance
(By Fiscal Year Periods)**

FRS Pension Plan Public and Private Markets	10 Years 2004-2014	5 Years 2009-2014	3 Years 2011-2014	1 Year 2013-2014
Total FRS Pension Plan	7.52%	13.14%	10.02%	17.40%

Investment performance of the FRS Pension Plan is reported in the SBA's 2013-14 *Investment Report*. The annual report is prepared before January 1, in compliance with Section 215.44(5), Florida Statutes, and includes detailed information on FRS Pension Plan investment assets, strategy, and performance. The SBA's performance consultant, Bank of New York Mellon, independently prepares reported performance data.

Respectfully submitted,

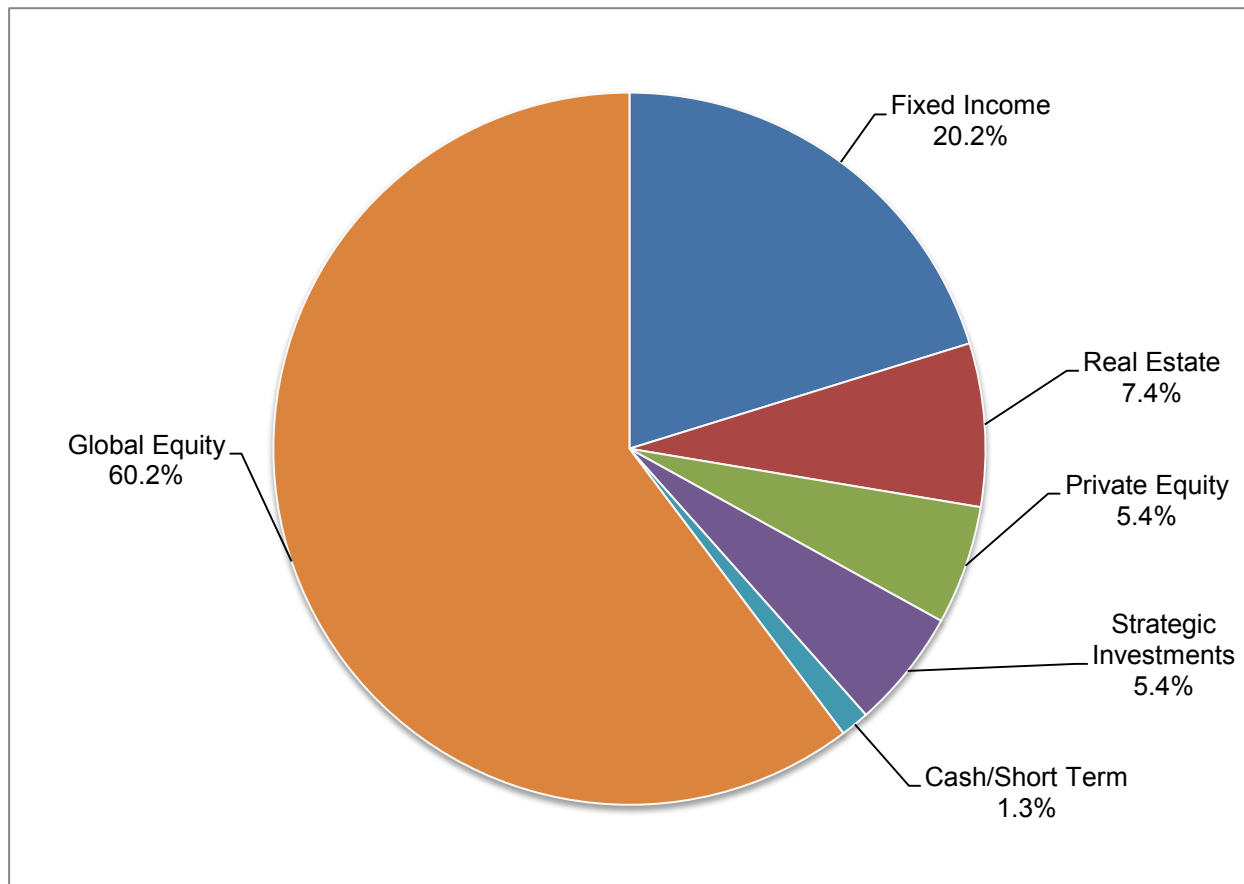
Ashbel C. Williams

FRS TRUST FUND PERFORMANCE

The following shows the FRS Trust Fund's investment performance reported at fair value for one-year periods as of June 30 of each year.

Fiscal Year	Based On Fair Value
2005	10.18%
2006	10.56%
2007	18.07%
2008	(4.42)%
2009	(19.03)%
2010	14.03%
2011	22.09%
2012	0.29%
2013	13.12%
2014	17.40%

FRS TRUST FUND
DISTRIBUTION OF INVESTMENTS¹
as of June 30, 2014



Fund Market Value \$149,097,956,342

Investments by Asset Class	
Asset Class	Value as of June 30, 2014
Global Equity	\$89,816,448,308
Fixed Income	\$30,067,981,115
Real Estate	\$11,057,496,323
Private Equity	\$8,075,293,670
Strategic Investments	\$8,112,038,740
Cash Equivalents/Short Term	\$1,968,698,186
Total	\$149,097,956,342

¹ Percentages may not add to 100 percent due to rounding.

ACTUARIAL SECTION



Port of Key West - Photograph courtesy of the Florida Ports Council

Florida Retirement System Pension Plan

Overview of GASB 67 and GASB 68

The Governmental Accounting Standards Board (GASB) released new accounting standards for public pension plans and participating employers in 2012. These standards, GASB Statements No. 67 and 68, have substantially revised the accounting requirements previously mandated under GASB Statements No. 25 and 27. The most notable change is the distinct separation of funding from financial reporting. The Annual Required Contribution (ARC) has been eliminated under GASB 67 and 68 and is no longer relevant for financial reporting purposes. As a result, plan sponsors have been encouraged to establish a formal funding policy that is separate from financial reporting calculations.

GASB 67 applies to financial reporting for public pension plans and is required to be implemented for plan fiscal years beginning after June 15, 2013. Note that a plan's fiscal year might not be the same as each participating employer's fiscal year. Under GASB 67, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 68 governs the specifics of accounting for public pension plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Relationship Between Valuation Date and Measurement Date

The Valuation Date is July 1, 2014. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2014

Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the Florida Retirement System:

- The Florida Retirement System has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 67 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position

Based on these circumstances, it is our professional opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses. As such, the detailed projections were not developed.



February 10, 2015

Florida Legislature Members and Florida Retirement System Members

Re: Actuary's Statement Regarding FRS 2014 Actuarial Valuation

Dear Florida Legislators and FRS Members:

Milliman has completed an actuarial valuation as of July 1, 2014 for the Florida Retirement System (FRS). With new GASB (Governmental Accounting Standards Board) financial reporting standards becoming effective, the annual valuation now has two distinct sets of calculations which fulfill two separate objectives:

- System funding calculations, which assess System funded status and determine actuarially calculated contribution rates for the July 1, 2015 – June 30, 2016 plan year, using methods and assumptions approved by the 2014 FRS Actuarial Assumptions Conference.
- System GASB financial reporting calculations, which satisfy relevant standards for annual disclosure to interested parties. These calculations use demographic and economic assumptions identical to those used in System funding calculations. However, as discussed later in this letter, the methods used to determine assets and actuarial liabilities differ in order to comply with GASB mandates which are designed to allow financial statement comparability between pension systems.

In this year's valuation, the two sets of calculations were issued under separate cover due to the differing methodologies as noted above and as discussed later in this letter.

System Funding Calculations

The composite actuarially calculated employer contribution rate in the funding valuation (prior to blending with Investment Plan contribution rates to create proposed statutory rates) for the 2015-2016 plan year decreased by approximately 0.20% of payroll when compared to the 2014-2015 rate calculated in the previous valuation. Further, the calculated funded status increased from 85.9% to 86.6%. While FRS funded status and FRS composite actuarially calculated employer contribution rates showed modest improvement compared to the previous valuation as of July 1, 2013, in our opinion FRS is in a markedly improved overall financial position compared to one year ago. The reasons for that opinion are:

- On a fair market basis, FRS's investment performance was markedly above the assumed long-term return. On that basis, the calculated return for the 2013–2014 plan year was in excess of 17%. That performance, in combination with strong prior year performance means that as of July 1, 2014 the fair market asset value is \$11.3 billion

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

higher than the smoothed actuarial asset value used for System funding calculations. That \$11.3 billion not yet recognized investment gain will be systematically recognized over the next several years if investment experience during that time meets or exceeds assumption. Alternatively, if experience during that time fails to meet assumption, the not yet recognized gain will serve as a cushion to either prevent or help mitigate the magnitude of increases in actuarially calculated employer contribution rates.

- The assumption for long-term average annual future investment return was decreased to a more conservative 7.65%, compared to the prior 7.75% assumption. The assumption change increased the calculated actuarial liability by approximately \$2.0 billion and increased the calculated FRS composite normal cost rate by 0.17% of pay. The assumption change increases the likelihood that FRS will meet or exceed its assumed investment return in future years, and will also serve to lessen the magnitude of contribution rate increases in the event that actual future investment performance fails to meet the assumption.
- A more conservative actuarial cost allocation method was used in this valuation, based on decisions made at the 2014 FRS Actuarial Assumptions Conference. The new method increased the calculated actuarial liability by \$0.5 billion while not affecting the calculated normal cost rate.
- The methodology used to set the assumption of the likelihood that future members will enter the Deferred Retirement Option Program (DROP) was modified to a markedly more conservative basis in this valuation. In the previous valuation, the DROP entry assumption used for the purposes of determining actuarially calculated employer contribution rates employed a methodology that artificially depressed the assumption. As approved by the 2014 FRS Actuarial Assumptions Conference, in this valuation the artificially depressed rate methodology has been eliminated, and the DROP entry assumption is now modeled based on full recent FRS observed experience. In our view, this revised methodology vastly increases the likelihood that future DROP entry experience will be near assumption. This, in turn, will vastly decrease the likelihood of future demographic liability losses due to actual incidence of DROP entry far in excess of assumption.
- The System's payroll increase assumption was lowered from 4.00% to a more conservative 3.25%. FRS unfunded liabilities are amortized as a level percentage of projected pay. As such, decreasing this assumption increases the UAL rate component of the actuarially calculated contribution rate, all else being equal.

In addition to the adopted changes to assumptions and methods noted above, the 2014 FRS Actuarial Assumptions Conference also approved two other assumption updates. The updates were made to better reflect recent and anticipated future experience, and served as a partial offset to the upward liability adjustments noted above. First, salary increase assumptions for most members were lowered in response to actual salary increases materially below the previous assumption in most years over the preceding ten-year period. In addition, the timing of retirement assumption for members who choose to work past their

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

DROP eligibility year was modified for membership classes other than Special Risk. The modifications reflect a consistent, statistically significant trend for those members to work on average to an age that is close to eligibility for unreduced Social Security benefits, rather than to the age close to first eligibility for Social Security benefits.

The combined effect of all adopted assumption and method changes was an increase of \$1.8 billion in actuarial liability and a contribution rate increase of approximately 0.1% of payroll on the FRS composite rate prior to blending with Investment Plan rates to create proposed statutory rates.

System GASB Financial Reporting Calculations

For valuation accounting exhibits, GASB Statement No. 67 is first effective with this valuation. GASB 67 differs significantly from the standard (GASB 25) which previously governed FRS's financial reporting. The new standard mandates use of fair market asset values instead of smoothed actuarial asset values. It also mandates the use of a specific actuarial cost method for financial reporting, whereas the prior standard allowed a variety of cost methods. An actuarial cost method allocates the net present value of projected retirement benefits across a member's projected working career, thus establishing values for actuarial liability (allocation to past service) and normal cost (allocation to current year service).

As of the date of this valuation, both of the GASB mandated methods noted above cause the calculated unfunded liability for financial reporting calculations to be significantly lower than the unfunded liability calculated for System funding calculations. For FRS GASB financial reporting calculations the unfunded liability as of July 1, 2014 is \$6.1 billion, whereas the System funding calculations have an unfunded liability of \$21.5 billion.

Other Comments

Actuarial assumptions are needed to estimate the future economic and demographic experience of the System. Any deviations between actual and expected future experience will result in corresponding changes in the on-going costs of the System. The economic assumptions were developed from both external economic forecasts and information and forecasts furnished by the State Board of Administration. The demographic actuarial assumptions were developed both from recent experience of the System and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2014 valuation were adopted at the 2014 FRS Actuarial Assumptions Conference. Details on the development of assumptions can be found in our 2014 FRS Experience Study, which was published in September and reviewed FRS experience for the five-year period ending June 30, 2013.

A single set of assumptions was used for both System funding calculations and System GASB financial reporting calculations. We believe the assumptions used are reasonable.

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

The methodology differences between the funding and GASB calculations are identified above. The assumptions and methods used in performing the GASB calculations meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

The results of the report are dependent upon future experience conforming to these assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the report due to many factors, including: 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) 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.

In performing the valuation, we relied without audit upon the financial statements, membership data, and other cost and benefits provision information furnished by the Division of Retirement. Although membership data was subjected to standard editing procedures and the other information was reviewed for reasonableness, Milliman, Inc. does not assume responsibility for either its accuracy or its completeness.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Division of Retirement. This information includes, but is not limited to, statutory provisions, employee census, and financial information. In our examination of this data, we have found it to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

This report has been prepared exclusively for the Florida Department of Management Services, Division of Retirement for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning the Florida Retirement System's operations, and uses Division data, which Milliman has not audited.

Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. No third party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsors. I am not aware of any relationship that would impair the objectivity of Milliman's work.

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

I hereby certify that the valuation report is complete and accurate to the best of my knowledge, and in my opinion the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the State Constitution. The report was prepared in accordance with generally accepted actuarial principles and practices. On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully submitted,



Matt Larrabee, FSA, EA, MAAA
Principal & Consulting Actuary

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Certification

Actuarial computations presented in this report under Statement No. 67 of the Governmental Accounting Standards Board are for purposes of assisting the FRS in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2013 to June 30, 2014. The reporting date for determining plan assets and obligations is June 30, 2014. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information as of June 30, 2013 and June 30, 2014 furnished by the FRS. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please note that this report is based on the June 30, 2014 assets for the program as reported to us by the Division of Retirement. Please see Milliman's funding valuation report dated November 26, 2014 for more information on the plan's participant group as of July 1, 2014 as well as a summary of the plan provisions and a summary of the actuarial methods and assumptions used for funding purposes.

We performed a limited review of the census and financial information used directly in our analysis and have found them 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.

We hereby certify that, to the best of our knowledge, this report, including all costs and liabilities based on actuarial assumptions and methods, is complete and accurate and determined in conformance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Code of Professional Conduct and supporting Recommendations of the American Academy of Actuaries.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, 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 the actuarial assignment, we did not perform an analysis of the potential range of such future measurements.

Milliman's work is prepared solely for the internal use and benefit of the Florida Retirement System. 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 exceptions: (a) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor'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 Fund; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

Milliman

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 specific needs.

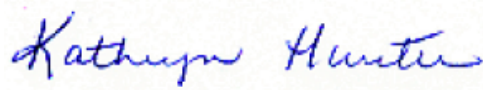
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Matt R. Larrabee, FSA, EA, MAAA
Principal and Consulting Actuary



Kathryn M. Hunter, ASA, MAAA
Consulting Actuary

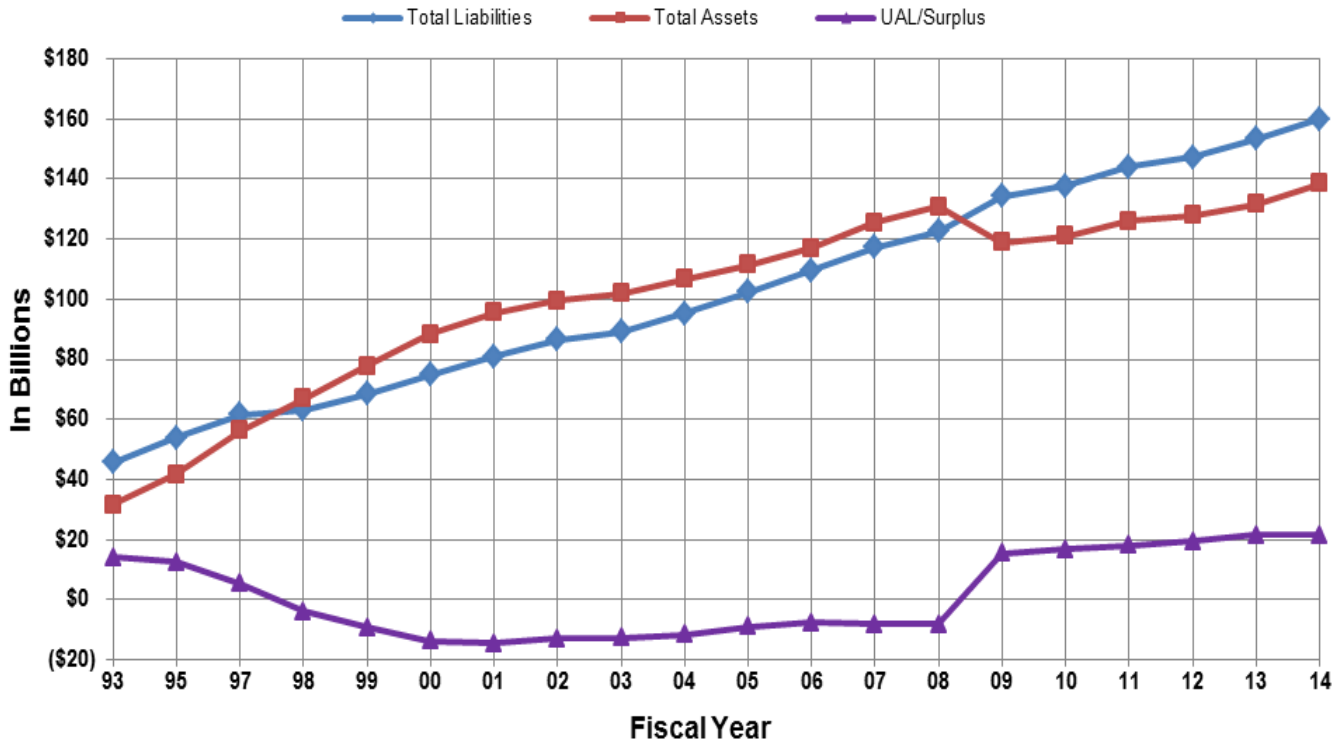


Daniel R. Wade, FSA, MAAA
Consulting Actuary

Milliman

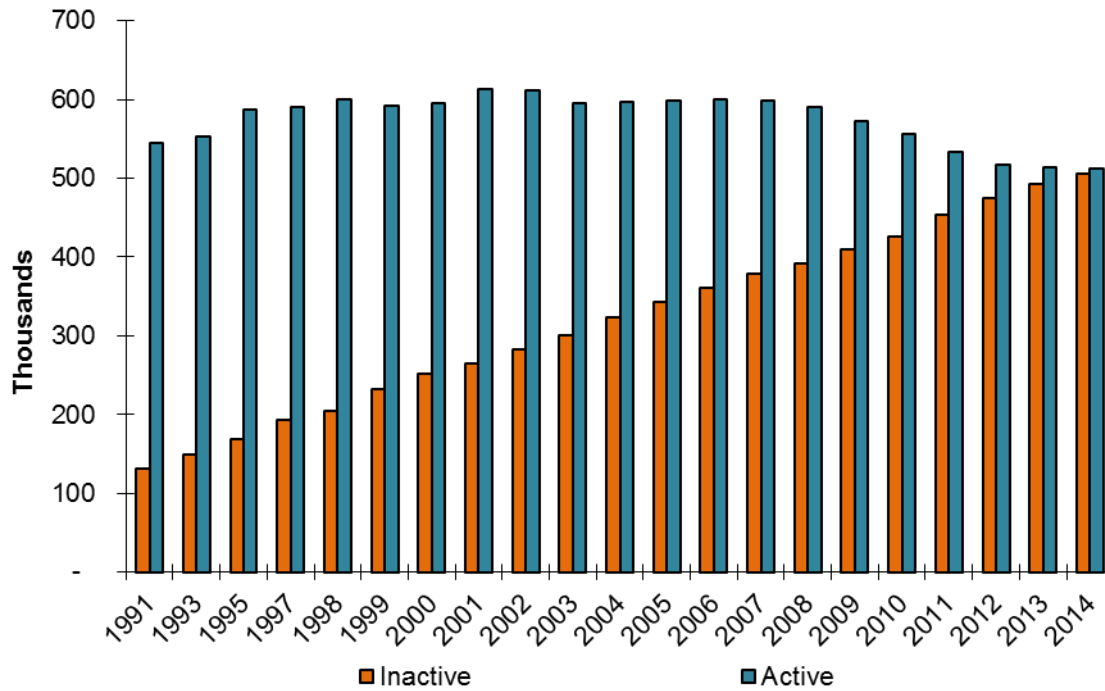
This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

History of the FRS Pension Plan Unfunded Actuarial Liability/Surplus with Total Liabilities and Total Assets from 1993 through 2014



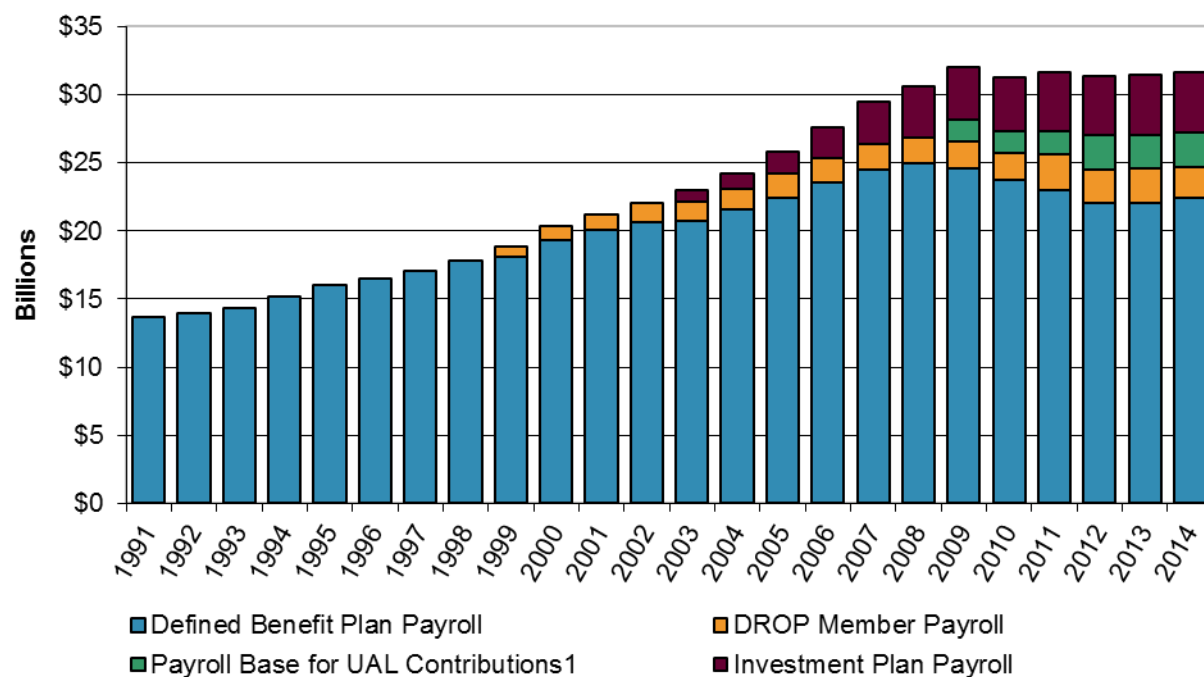
FISCAL YEAR	TOTAL LIABILITIES (IN BILLIONS)	TOTAL ASSETS (IN BILLIONS)	UAL/(SURPLUS) (IN BILLIONS)
1993	\$45.7	\$31.7	\$14.0
1995	\$54.0	\$41.6	\$12.4
1997	\$61.6	\$56.2	\$5.4
1998	\$63.2	\$67.0	(\$3.8)
1999	\$68.6	\$77.8	(\$9.2)
2000	\$74.9	\$88.5	(\$13.6)
2001	\$81.0	\$95.5	(\$14.5)
2002	\$86.5	\$99.4	(\$12.9)
2003	\$89.3	\$101.9	(\$12.6)
2004	\$95.2	\$106.7	(\$11.5)
2005	\$102.5	\$111.5	(\$9.0)
2006	\$109.5	\$117.1	(\$7.6)
2007	\$117.4	\$125.6	(\$8.2)
2008	\$122.5	\$130.7	(\$8.2)
2009	\$134.2	\$118.8	\$15.4
2010	\$137.6	\$120.9	\$16.7
2011	\$144.1	\$126.1	\$18.0
2012	\$147.2	\$127.9	\$19.3
2013	\$153.3	\$131.7	\$21.6
2014	\$160.1	\$138.6	\$21.5

FRS PENSION PLAN MEMBERSHIP

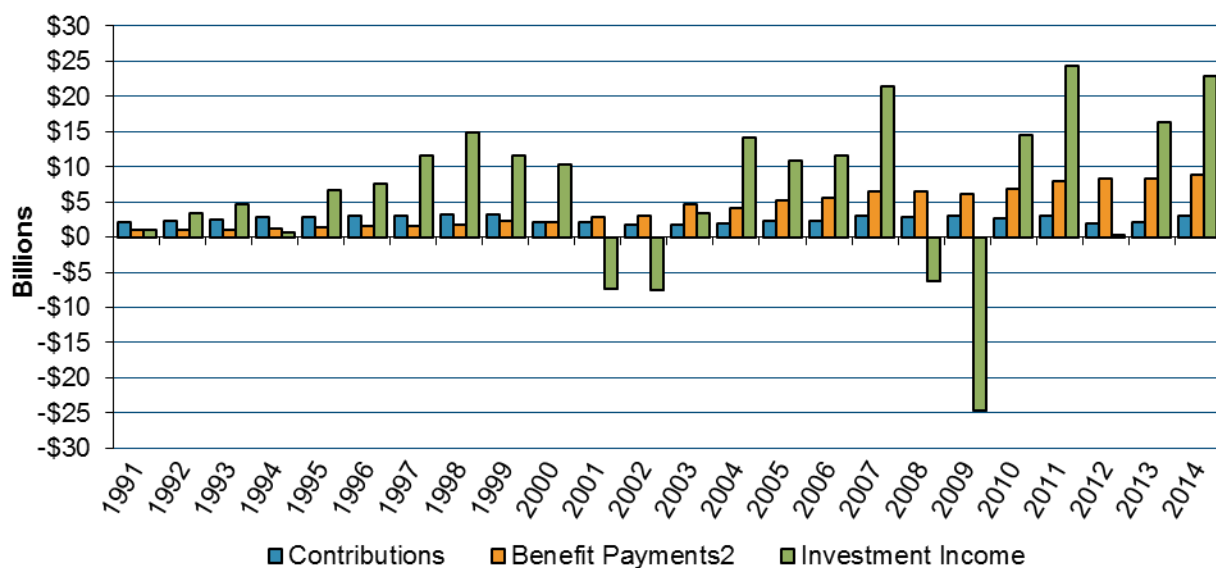


Inactive members include retirees, DROP participants and vested terminated pension plan members. Active members include only pension plan members.

FRS PENSION PLAN PAYROLL



FRS PENSION PLAN CASH FLOWS

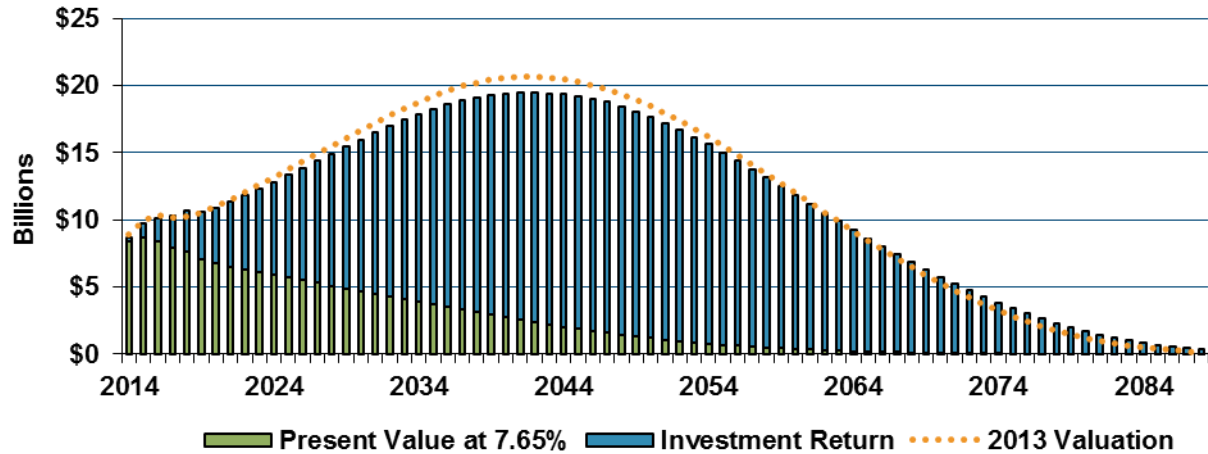


¹ Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL rate contributions to the FRS are made.

² Includes transfers to IP; Initial transfers in 2003 were \$353 Million.

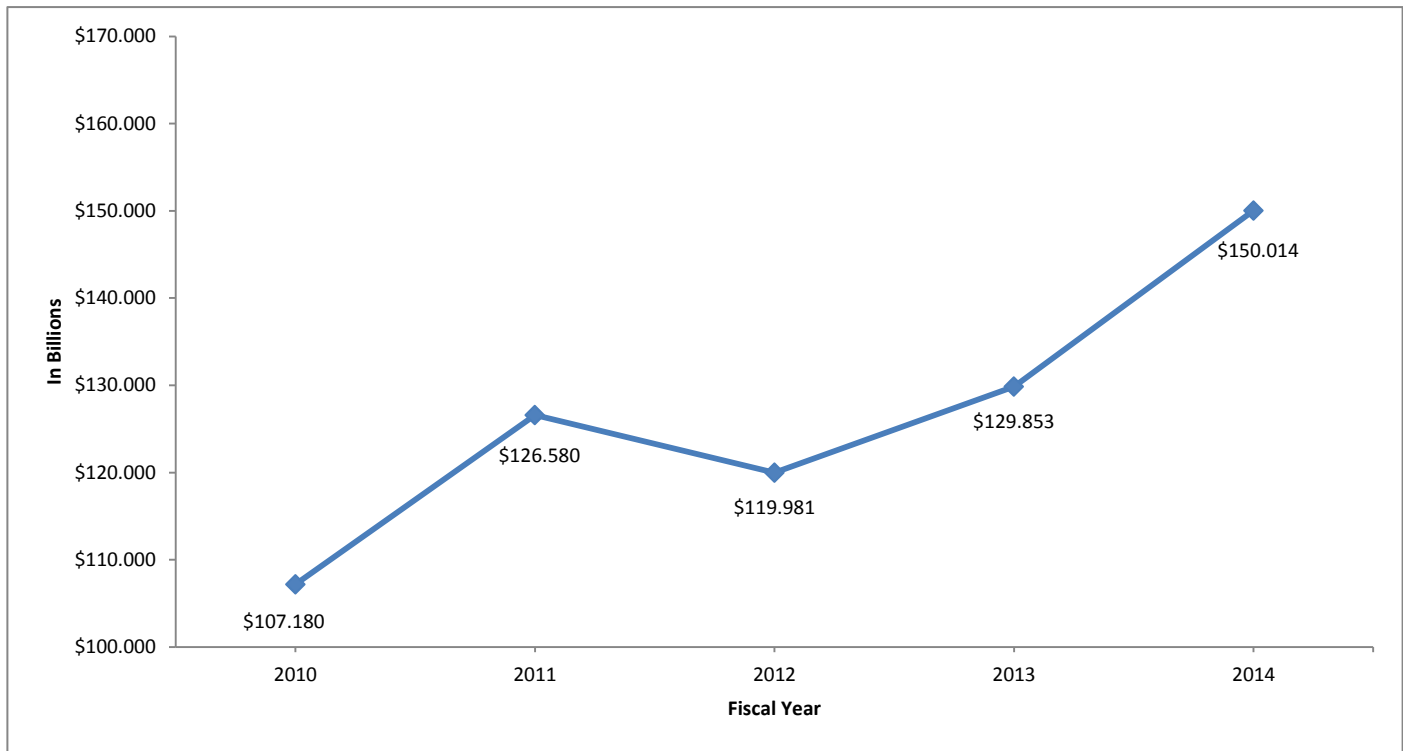
PROJECTED FRS PENSION PLAN BENEFIT PAYMENTS

(Dates are as of July 1)



The chart represents the effect of the time-value of money on promised benefit payments to current and former members (no future hires). In each year, the total bar is equal to expected benefit payments (exclusive of transfers to the Investment Plan). The green portion represents each year's benefit payments, discounted at 7.65 percent to July 1, 2014 (ie., the value of benefit payments in "today's dollars.") The blue portion of each bar represents the difference in dollars between the total value to be paid that year less the value in today's dollars.

FRS PENSION PLAN TRUST FUND ASSETS
as of June 30



STATEMENT OF FUND BALANCE/FIDUCIARY NET POSITION
as of June 30

	2013	2014
Florida Retirement System Trust Fund	\$129,852,527,785 ¹	\$150,014,292,372
Health Insurance Subsidy Trust Fund	157,929,285	93,385,450
State University System Optional Retirement Program Trust Fund ²	4,077,733	3,904,366
Senior Management Service Optional Annuity Program Trust Fund ²	22,184	50,851
Police Officers and Firefighters' Premium Tax Trust Fund	72,544,882	72,695,965
Total Fund Balance/Fiduciary Net Position	\$130,087,101,869	\$150,184,329,004

¹ Fiduciary net position as of July 1, 2013, was restated. Refer to Note 2. I.

² Fund Balance represents residual funds pending transfer to individual member accounts with program provider companies.

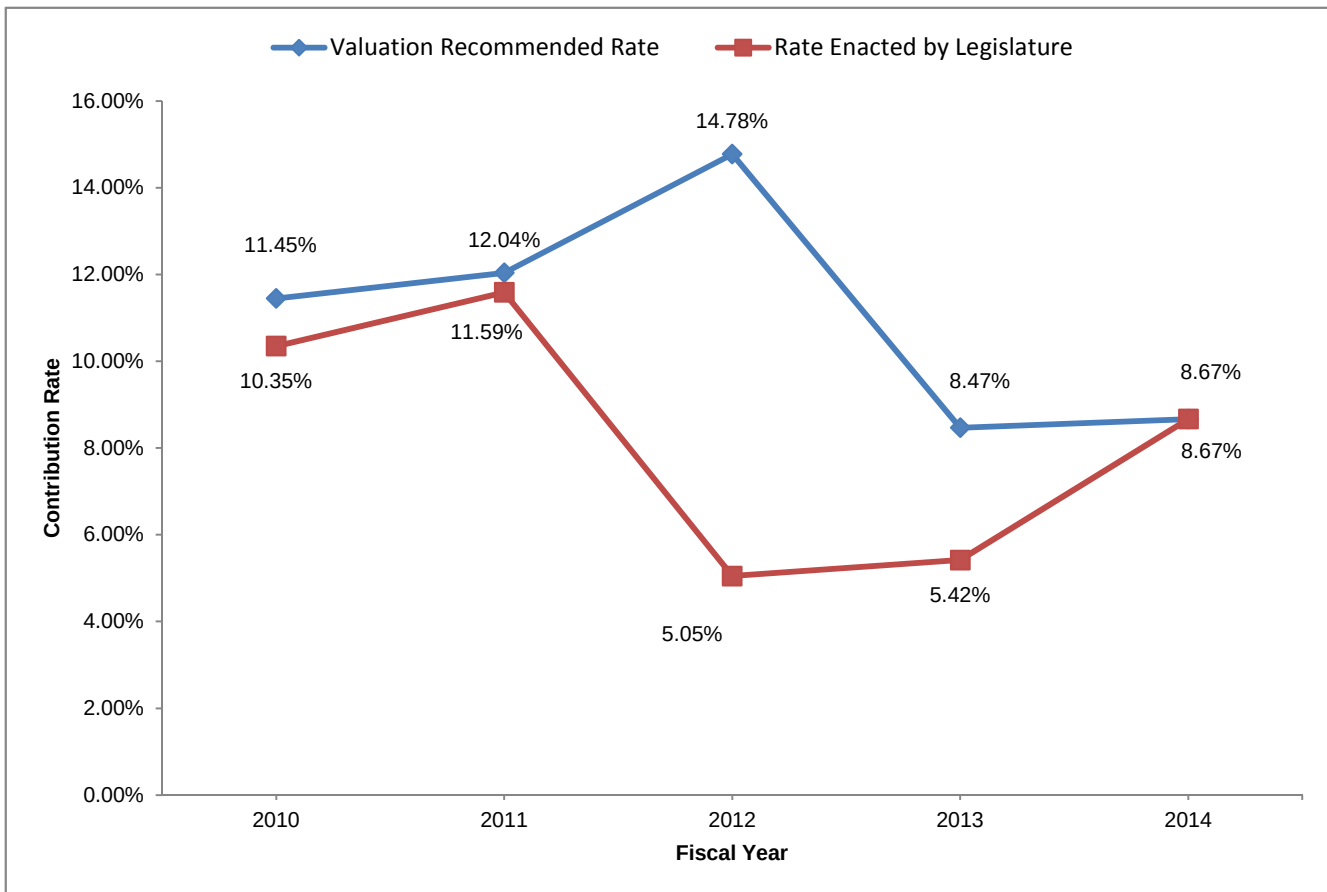
FRS PENSION PLAN TOTAL ACTUARIAL ASSETS COMPARED TO TOTAL ACTUARIAL LIABILITIES

This chart illustrates the overall financial health of the FRS defined benefit plan. Annual benefit payments are identified as part of the total liabilities.



TOTAL COMPOSITE BLENDED RATE

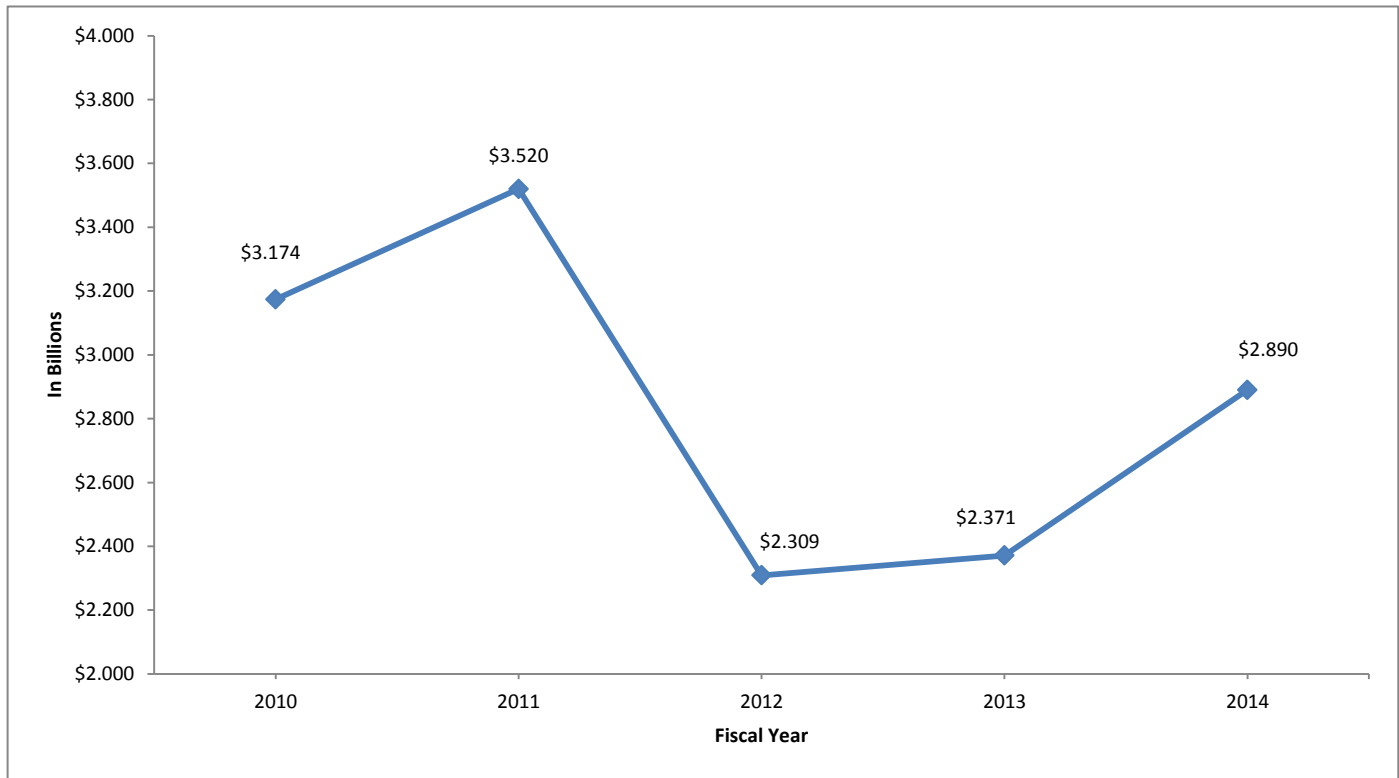
as of June 30



For 2010, the difference between the enacted rate and the recommended rate was funded using surplus actuarial assets. For 2011-2013, the difference between the enacted rate and the recommended rate represents underfunding of the benefit obligation.

FRS PENSION PLAN RETIREMENT CONTRIBUTIONS

as of June 30



All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2014 FRS Valuation dated Nov. 26, 2014.

Retiree Health Insurance Subsidy (HIS) Program

Overview of GASB 67 and GASB 68

GASB released new accounting standards for public pension plans and participating employers in 2012. These standards, GASB 67 and 68, have substantially revised the accounting requirements previously mandated under GASB 25 and 27. The Annual Required Contribution (ARC) has been eliminated under GASB 67 and 68 and is no longer relevant for financial reporting purposes.

GASB 67 applies to pension plan financial reporting and is effective for plan fiscal years beginning after June 15, 2013. Based on discussions with the Division of Retirement, it is our understanding that this is the applicable accounting standard for the HIS program. Note that a plan's fiscal year might not be the same as the employer's fiscal year. Even if the plan does not issue stand-alone financial statements, but rather is considered a pension trust fund of a government, it is subject to GASB 67. Under GASB 67, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

GASB 68 governs the specifics of accounting for public pension plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Demographic Data

The following table summarizes the demographic census data used in the valuation:

Active Members ¹	621,455
Retirees and Dependents ²	315,217
Terminated Vested Members ¹	114,373
Members in DROP ¹	38,058
Total	1,089,103

¹ Used to project future Health Insurance Subsidy benefit recipients.

² HIS benefit recipients identified by the Division; includes FRS Defined Benefit Program and Investment Plan retirees.

Benefits

The benefits are described in section 112.363 of the Florida Statutes. In general, an eligible retiree is entitled to a benefit of \$5 per month per year of service, with a minimum benefit of \$30 per month and a maximum benefit of \$150 per month. The retiree must apply for and provide certification of health insurance coverage to be eligible for the subsidy. The benefit is a cash payment without direct relationship to the member's health insurance cost or type of health coverage. The benefits are not pre-funded and paid only to the extent funds are available and budget authority is provided by the Florida Legislature.

The projected year-by-year HIS benefit payments for the next forty years are shown on the table below. The table is based on this valuation's demographic data and actuarial assumptions. It does not reflect the effects of projected benefits for individuals who join the FRS defined benefit program or the Investment Plan subsequent to the actuarial valuation date.

Projected Annual Benefit Payments

Fiscal Year	(Millions)	Fiscal Year	(Million)	Fiscal Year	(Million)	Fiscal Year	(Million)
2014-2015	\$427	2024-2025	\$578	2034-2035	\$666	2044-2045	\$618
2015-2016	440	2025-2026	590	2035-2036	668	2045-2046	605
2016-2017	456	2026-2027	602	2036-2037	670	2046-2047	590
2017-2018	474	2027-2028	613	2037-2038	669	2047-2048	575
2018-2019	496	2028-2029	623	2038-2039	667	2048-2049	560
2019-2020	511	2029-2030	633	2039-2040	663	2049-2050	543
2020-2021	524	2030-2031	641	2040-2041	658	2050-2051	525
2021-2022	537	2031-2032	649	2041-2042	650	2051-2052	505
2022-2023	551	2032-2033	656	2042-2043	641	2052-2053	485
2023-2024	565	2033-2034	662	2043-2044	630	2053-2054	465

All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2014 HIS Valuation dated Feb. 5, 2015.



February 10, 2015

Florida Legislature Members and Florida Health Insurance Subsidy Members

Re: Actuary's Statement Regarding HIS 2014 Actuarial Valuation

Dear Florida Legislators and HIS Members:

Milliman has completed an actuarial valuation as of July 1, 2014 for the Health Insurance Subsidy (HIS) provided to most retired employees and beneficiaries entitled to receive benefits under a retirement system administered by the State of Florida. The valuation generally uses the same data, methods, and assumptions that were used for the Governmental Accounting Standards Board (GASB) 67 financial reporting valuation of the Florida Retirement System, with the notable exception of the discount rate used to calculate liabilities. That discount rate differs as the GASB standard dictates differing discount rate determination methodologies for pre-funded programs such as Florida Retirement System and pay-as-you-go programs such as HIS. The HIS valuation's primary purpose is to estimate the financial reporting entries of HIS under GASB 67. The HIS actuarial valuation is only conducted every other year due to the effectively unfunded nature of the program.

Presently, HIS can be viewed as effectively using a "pay-as-you-go" funding structure. As of the valuation date, accumulated HIS assets constituted approximately three months of projected benefit payments on an accrual accounting basis. Further, without adjustment the contribution rate currently in effect likely will not be sufficient to pay HIS benefits in full even in the very near-term. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

The estimated pay-as-you-go rate for the next 10 years of the program is projected to be approximately 1.4% of payroll, compared to the statutory funding rate of 1.26% currently in effect, based on \$29.7 billion of payroll in the 2013-2014 plan year and a 3.25% annual payroll growth assumption. The rate is highly sensitive to both the actual rate of growth in projected payroll and to individual member behavior regarding timing of retirement elections. Having benefit payments greater than projection or having actual payroll less than projection could lead to the projected 1.4% pay-as-you-go rate being less than fully sufficient.

The chart below illustrates the sensitivity to actual payroll growth, with the pay-as-you-go rate for the 2019-2020 plan year being illustrated under three alternative scenarios of actual near-term payroll growth.

Annual payroll growth (actual):	Estimated pay-as-you-go contribution rate	
		2019-2020 plan year
	3.25%	1.4%
	2.00%	1.5%
	0.00%	1.7%

The 2014 FRS Actuarial Assumptions Conference approved assumption updates for anticipated future demographic experience. The updated assumptions are first effective with the 2014 HIS valuation. The updates were made to better reflect recent and anticipated future experience.

Actuarial assumptions are needed to estimate the future economic and demographic experience of the System. Any deviations between actual and expected future experience will result in corresponding changes in the on-going costs of HIS. The economic assumptions were developed from both external economic forecasts and information and forecasts furnished by the State Board of Administration. The demographic actuarial assumptions were developed both from recent experience of the System and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2014 valuation were adopted at the 2014 FRS Actuarial Assumptions Conference. Details on the development of assumptions can be found in our 2014 FRS Experience Study, which was published in September and reviewed FRS experience for the five-year period ending June 30, 2013. We believe the assumptions used in the valuation are reasonable, and that the assumptions and methods used in performing the GASB calculations meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

The results of the report are dependent upon future experience conforming to these assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the report due to many factors, including: 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) 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.

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

In performing the valuation, we relied without audit upon the financial statements, membership data, and other cost and benefits provision information furnished by the Division of Retirement. Although membership data was subjected to standard editing procedures and the other information was reviewed for reasonableness, Milliman, Inc. does not assume responsibility for either its accuracy or its completeness.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Division of Retirement. This information includes, but is not limited to, statutory provisions, employee census, and financial information. In our examination of this data, we have found it to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

This report has been prepared exclusively for the Florida Department of Management Services, Division of Retirement for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning the Florida Retirement System's operations, and uses Division data, which Milliman has not audited.

Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. No third party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsors. I am not aware of any relationship that would impair the objectivity of Milliman's work.

I hereby certify that the valuation report is complete and accurate to the best of my knowledge, and in my opinion the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the State Constitution. The report was prepared in accordance with generally accepted actuarial principles and practices.

On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. I am a member of the American

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Florida Legislators and HIS Members
February 10, 2015
Page 4

Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully submitted,



Matt Larrabee, FSA, EA, MAAA
Principal & Consulting Actuary

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Limitations and Certification

Actuarial computations presented in this report under GASB Statement No. 67 are for purposes of assisting the State of Florida in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for the fiscal year July 1, 2013 to June 30, 2014. The reporting date for determining plan assets and obligations is June 30, 2014. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

This report includes only the Health Insurance Subsidy benefits. It does not include any other benefits, such as the retiree healthcare benefit, that may fall under the GASB Statements applicable to Other Post-employment Benefits (OPEB).

In preparing this report we relied, without audit, on information (some oral and some written) supplied by the Division of Retirement. This information includes, but is not limited to, statutory provisions, member census data, and financial information. We performed a limited review of the census and financial information used directly in our analysis and have found them 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. Please note that this report is based on the June 30, 2014 assets for the program as reported to us by the Division of Retirement on February 3, 2015.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors such as, but not limited to, 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); 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.

Milliman's work product was prepared exclusively for the internal business use of the Florida Department of Management Services, Division of Retirement for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the plan's operations and uses Division data, which Milliman has not audited. 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 Division of Retirement 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 Plan.

(b) The Division may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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 pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

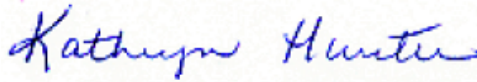
The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Matt R. Larrabee, FSA, MAAA
Principal and Consulting Actuary



Kathryn M. Hunter, ASA, MAAA
Consulting Actuary



Daniel R. Wade, FSA, MAAA
Consulting Actuary

Milliman

This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

This page is intentionally left blank

STATISTICAL SECTION



Port of Palm Beach - Photograph courtesy of the Florida Ports Council

MEMBERSHIP AND PAYROLL

as of June 30

TOTAL FRS MEMBERSHIP

	<u>2013¹</u>	<u>2014¹</u>	<u>% Change</u>
Members	621,774	622,089	0.05
Annual Payroll	\$25,530,493,947	\$26,142,416,182	2.40
Average Annual Salary	\$41,678	\$42,712	2.48

FRS INVESTMENT PLAN MEMBERSHIP

	<u>2013¹</u>	<u>2014¹</u>	<u>% Change</u>
Members	107,338	109,725	2.22
Annual Payroll	\$4,374,557,487	\$4,589,868,836	4.92
Average Annual Salary	\$41,250	\$42,348	2.66

FRS PENSION PLAN MEMBERSHIP

	<u>2013¹</u>	<u>2014¹</u>	<u>% Change</u>
Members	514,436	512,364	-0.40
Annual Payroll	\$21,155,936,460	\$21,552,547,346	1.87
Average Annual Salary	\$41,768	\$42,790	2.45

ANNUITANTS AND BENEFIT PAYMENTS FOR THE FRS PENSION PLAN

as of June 30

The increase in benefit payments is the result of several factors: (1) an increase in the number of new retirees; (2) higher salaries; and (3) cost-of-living adjustments to retirees. The figures below include disability payments, IFAS, General Revenue, and TRS-SB, but do not include refunds of member contributions.

	<u>2013¹</u>	<u>2014¹</u>	<u>% Change</u>
Annuityants	347,962	363,034	4.33
Benefit Payments (Annualized)	\$6,691,436,718	\$7,175,496,291	7.23
Average Benefits (Annualized)	\$19,230	\$19,765	2.78

DISABILITIES

	<u>2013¹</u>	<u>2014¹</u>	<u>% Change</u>
Disabled Retirees	16,018	16,137	0.74
Benefit Payments (Annualized)	\$216,826,621	\$224,690,544	3.63
Average Benefits (Annualized)	\$13,536	\$13,924	2.87

DROP PARTICIPANTS

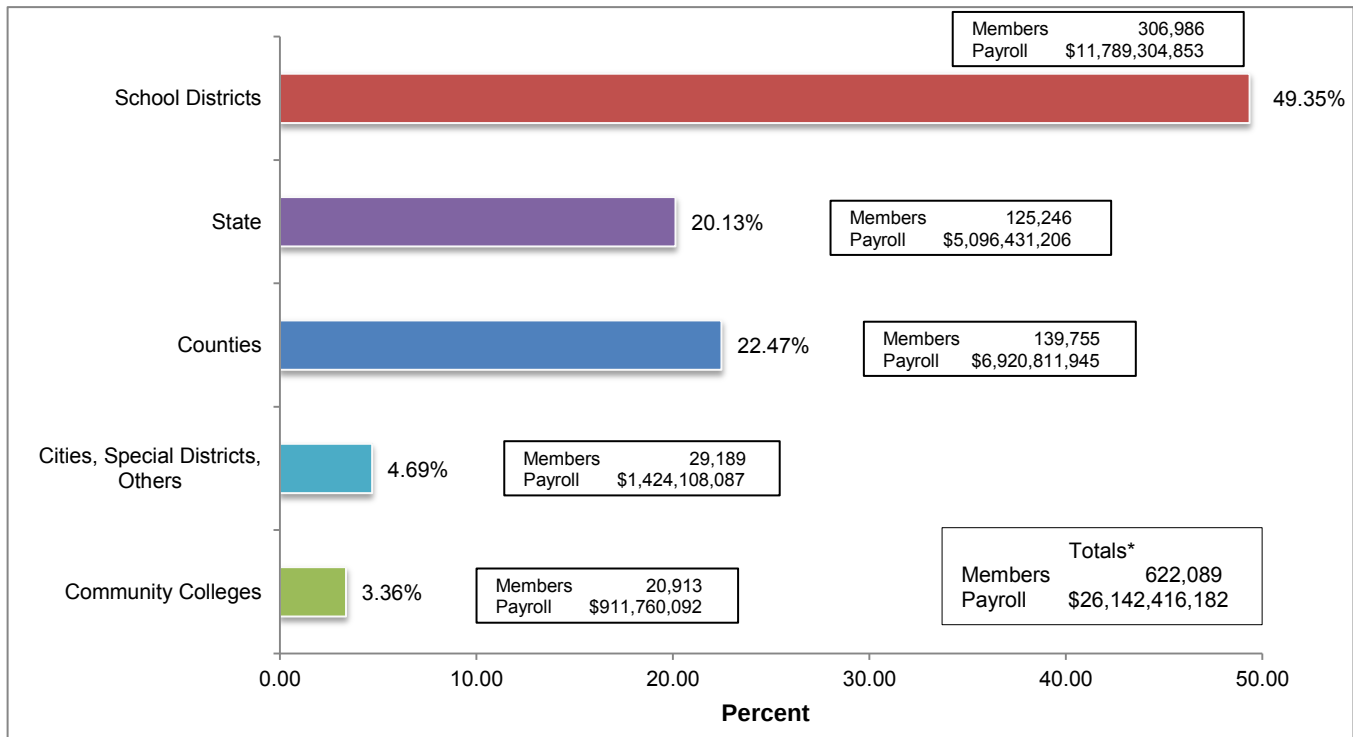
	<u>2013</u>	<u>2014</u>	<u>% Change</u>
DROP Participants	38,724	38,058	-1.72
Annual Payroll	\$2,141,966,924	\$2,158,869,852	0.79
DROP Accrued Liability	\$2,766,321,690	\$3,061,303,437	10.66

¹ Excludes DROP participants.

SOURCE OF FRS MEMBERSHIP AND COVERED PAYROLL

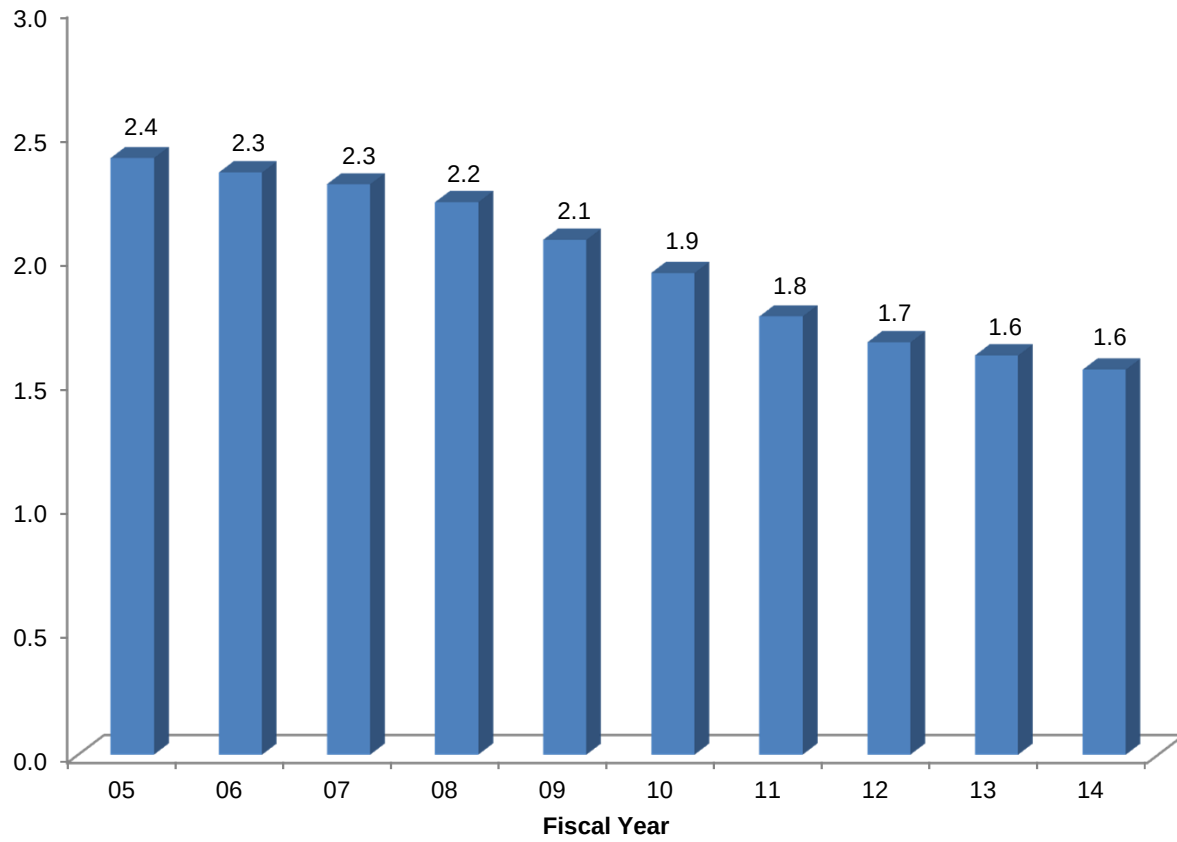
FOR FISCAL YEAR 2013-14¹

% = Percent of Total Active Members



¹ Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

RATIO OF FRS ACTIVE MEMBERS TO RETIREES
2005-2014



ACTIVE FRS MEMBERS BY SYSTEM/CLASS¹

as of June 30

System/Class	2010	2011	2012	2013	2014
FRS - Regular Class	559,714	551,896	535,467	536,506	537,993
- Senior Management Service Class	7,480	7,310	7,295	7,450	7,607
- Special Risk Class	75,066	72,675	70,005	68,800	68,593
- Special Risk Adm. Sup. Class	71	63	59	58	84
- Elected Officers' Class	2,052	2,014	2,005	2,094	2,040
- Renewed Membership					
- Regular Class	10,399	9,230	7,675	6,461	5,402
- Senior Management Service Class	268	288	251	210	184
- Elected Officers' Class	232	204	201	152	147
Subtotal	655,282	643,680	622,958	621,731	622,050
TRS	40	28	24	18	18
SCOERS	4	3	1	0	0
IFAS	41	35	28	25	21
Subtotal	85	66	53	43	39
Grand Total	655,367	643,746	623,011	621,774	622,089

ANNUAL FRS PAYROLL BY SYSTEM/CLASS¹

as of June 30

System/Class	2010	2011	2012	2013	2014
FRS - Regular Class	\$21,744,817,082	\$21,655,377,777	\$20,631,845,581	\$20,741,411,042	\$21,303,491,499
- Senior Management Service Class	594,414,137	570,620,622	568,619,954	582,103,240	610,837,202
- Special Risk Class	3,969,877,685	3,940,052,662	3,798,170,666	3,749,436,505	3,798,699,726
- Special Risk Adm. Sup. Class	3,184,828	2,867,236	2,734,578	2,642,488	3,988,509
- Elected Officers' Class	164,320,195	155,873,646	159,647,453	160,185,275	166,763,650
- Renewed Membership					
- Regular Class	373,779,595	368,999,068	305,619,928	260,982,112	227,312,942
- Senior Management Service Class	24,975,845	29,190,712	25,456,792	20,487,779	18,391,604
- Elected Officers' Class	14,182,926	12,780,009	12,494,111	9,189,227	9,115,108
Subtotal	26,889,552,293	26,735,761,732	25,504,589,063	25,526,437,668	26,138,600,240
TRS	3,423,057	2,572,873	2,145,124	1,749,243	1,773,199
SCOERS	131,421	86,494	26,980	0	0
IFAS	3,600,276	3,366,877	2,565,412	2,307,037	2,042,745
Subtotal	7,154,754	6,026,244	4,737,516	4,056,280	3,815,944
Grand Total	\$26,896,707,047	\$26,741,787,976	\$25,509,326,579	\$25,530,493,948	\$26,142,416,184
Average	\$41,449	\$42,026	\$41,459	\$41,678	\$42,712

MEMBERS' REQUIRED CONTRIBUTIONS BY SYSTEM/CLASS¹

as of June 30

System/Class	2010 ²	2011 ²	2012	2013	2014
FRS - Regular Class	\$0	\$0	\$618,417,040	\$619,557,678	\$638,688,181
- Senior Management Service Class	0	0	17,024,643	17,375,024	18,267,632
- Special Risk Class	0	0	113,818,828	112,135,028	113,870,339
- Special Risk Adm. Sup. Class	0	0	82,037	79,275	119,656
- Elected Officers' Class	0	0	4,786,311	4,791,628	4,979,301
- Renewed Membership					
- Regular Class	0	0	9,259,383	7,912,411	6,884,363
- Senior Management Service Class	0	0	795,627	635,153	578,917
- Elected Officers' Class	0	0	386,469	284,310	284,737
Subtotal	0	0	764,570,338	762,770,507	783,673,126
TRS	205,383	154,372	128,708	104,955	106,393
SCOERS	5,257	3,460	1,079	0	0
IFAS	0	0	0	0	0
Subtotal	210,640	157,832	129,787	104,955	106,393
Grand Total	\$210,640	\$157,832	\$764,700,125	\$762,875,462	\$783,779,519

¹ Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

² Required employee contributions for FRS members became effective July 1, 2011.

PROFILE OF ACTIVE FRS MEMBERS

as of June 30, 2014

Years of Service	Total Membership			State Membership			Non-State Membership ¹		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	22,487	16,491	38,978	6,071	4,569	10,640	16,416	11,922	28,338
1 - 5	93,094	56,818	149,912	19,558	14,417	33,975	73,536	42,401	115,937
6 - 9	79,390	46,628	126,018	13,948	9,780	23,728	65,442	36,848	102,290
10 - 19	126,347	68,482	194,829	19,507	13,924	33,431	106,840	54,558	161,398
20 - 29	64,192	36,072	100,264	12,530	8,211	20,741	51,662	27,861	79,523
30 or More Years	7,449	4,639	12,088	1,454	1,277	2,731	5,995	3,362	9,357
Total	392,959	229,130	622,089	73,068	52,178	125,246	319,891	176,952	496,843

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	44,874	28,468	73,342	9,923	8,222	18,145	34,951	20,246	55,197
30 - 39	83,646	49,131	132,777	16,421	11,685	28,106	67,225	37,446	104,671
40 - 49	109,948	62,108	172,056	18,936	12,935	31,871	91,012	49,173	140,185
50 - 59	114,356	61,442	175,798	20,846	13,413	34,259	93,510	48,029	141,539
60 - 69	36,274	23,825	60,099	6,390	5,269	11,659	29,884	18,556	48,440
70 and Over	3,861	4,156	8,017	552	654	1,206	3,309	3,502	6,811
Total	392,959	229,130	622,089	73,068	52,178	125,246	319,891	176,952	496,843

Average Age	45.09	45.13	45.11	44.34	44.04	44.22	45.26	45.45	45.33
Average Years of Service	11.58	11.19	11.43	11.20	10.99	11.11	11.66	11.25	11.51
Average Annual Salary	\$39,468	\$48,276	\$42,712	\$39,226	\$45,559	\$41,864	\$39,523	\$49,078	\$42,926
Percentage Entitled to a benefit if Terminated June 30, 2014	76.9%	74.1%	75.9%	72.9%	71.3%	72.2%	77.9%	74.9%	76.8%

¹ Non-State Membership: School Boards, Counties, Community Colleges, Cities, and Special Districts.

PROFILE OF ACTIVE FRS INVESTMENT PLAN MEMBERS

as of June 30, 2014

Years of Service	Total Membership			State Membership			Non-State Membership ¹		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	3,726	2,466	6,192	1,217	820	2,037	2,509	1,646	4,155
1 - 5	24,946	13,971	38,917	5,802	3,992	9,794	19,144	9,979	29,123
6 - 9	19,965	11,111	31,076	3,946	2,709	6,655	16,019	8,402	24,421
10 - 19	14,753	9,442	24,195	2,999	2,542	5,541	11,754	6,900	18,654
20 - 29	3,890	3,516	7,406	858	884	1,742	3,032	2,632	5,664
30 or More Years	984	955	1,939	154	228	382	830	727	1,557
Total	68,264	41,461	109,725	14,976	11,175	26,151	53,288	30,286	83,574

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	9,250	4,541	13,791	2,444	1,710	4,154	6,806	2,831	9,637
30 - 39	17,142	9,354	26,496	4,366	3,103	7,469	12,776	6,251	19,027
40 - 49	17,563	10,131	27,694	3,554	2,693	6,247	14,009	7,438	21,447
50 - 59	15,188	9,388	24,576	3,053	2,167	5,220	12,135	7,221	19,356
60 - 69	7,757	6,377	14,134	1,372	1,300	2,672	6,385	5,077	11,462
70 and Over	1,364	1,670	3,034	187	202	389	1,177	1,468	2,645
Total	68,264	41,461	109,725	14,976	11,175	26,151	53,288	30,286	83,574

Average Age	44.34	46.61	45.20	42.60	43.53	42.99	44.83	47.75	45.89
Average Years of Service	8.16	9.11	8.52	7.83	8.89	8.29	8.25	9.18	8.59
Average Annual Salary	\$38,952	\$47,939	\$42,348	\$40,270	\$46,651	\$42,997	\$38,581	\$48,414	\$42,145
Percentage Entitled to a Benefit if Terminated June 30, 2014	94.5%	94.1%	94.4%	91.9%	92.7%	92.2%	95.3%	94.6%	95.0%

¹ Non-State Membership: School Boards, Counties, Community Colleges, Cities, and Special Districts.

PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS

as of June 30, 2014

Years of Service	Total Membership			State Membership			Non-State Membership ¹		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	18,761	14,025	32,786	4,854	3,749	8,603	13,907	10,276	24,183
1 - 5	68,148	42,847	110,995	13,756	10,425	24,181	54,392	32,422	86,814
6 - 9	59,425	35,517	94,942	10,002	7,071	17,073	49,423	28,446	77,869
10 - 19	111,594	59,040	170,634	16,508	11,382	27,890	95,086	47,658	142,744
20 - 29	60,302	32,556	92,858	11,672	7,327	18,999	48,630	25,229	73,859
30 or More Years	6,465	3,684	10,149	1,300	1,049	2,349	5,165	2,635	7,800
Total	324,695	187,669	512,364	58,092	41,003	99,095	266,603	146,666	413,269

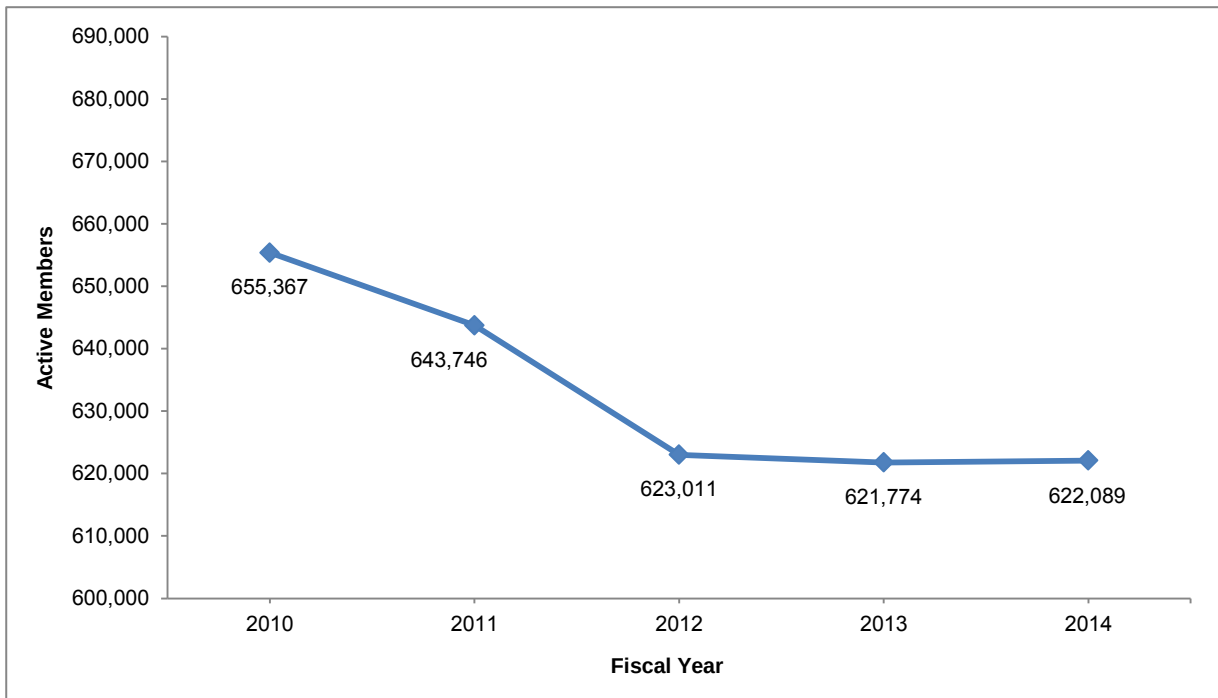
Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	35,624	23,927	59,551	7,479	6,512	13,991	28,145	17,415	45,560
30 - 39	66,504	39,777	106,281	12,055	8,582	20,637	54,449	31,195	85,644
40 - 49	92,385	51,977	144,362	15,382	10,242	25,624	77,003	41,735	118,738
50 - 59	99,168	52,054	151,222	17,793	11,246	29,039	81,375	40,808	122,183
60 - 69	28,517	17,448	45,965	5,018	3,969	8,987	23,499	13,479	36,978
70 and Over	2,497	2,486	4,983	365	452	817	2,132	2,034	4,166
Total	324,695	187,669	512,364	58,092	41,003	99,095	266,603	146,666	413,269

Average Age	45.25	44.80	45.09	44.79	44.18	44.54	45.35	44.98	45.22
Average Years of Service	12.29	11.65	12.06	12.06	11.56	11.86	12.34	11.67	12.10
Average Annual Salary	\$39,576	\$48,351	\$42,790	\$38,957	\$45,261	\$41,565	\$39,711	\$49,215	\$43,084
Percentage Entitled to a Benefit if Terminated June 30, 2014	73.2%	69.7%	71.9%	68.0%	65.4%	66.9%	74.4%	70.9%	73.1%

¹ Non-State Membership: School Boards, Counties, Community Colleges, Cities, and Special Districts.

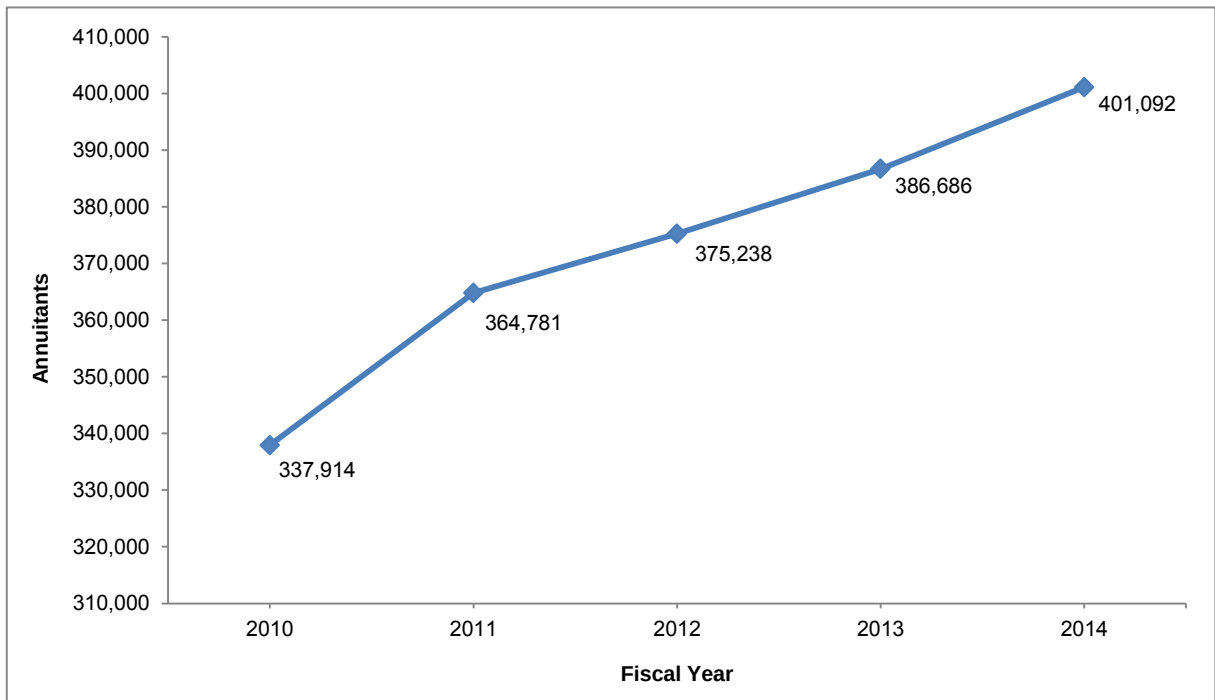
ACTIVE FRS MEMBERS 2010-2014¹

as of June 30



GROWTH OF FRS ANNUITANTS - ALL SYSTEMS 2010-2014²

as of June 30



¹ Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

² Includes DROP participants.

FRS PENSION PLAN REFUND PAYMENTS BY TYPE

as of June 30

Type of Refund	2012	2013	2014
Separated Members	434	2,165	3,410
Surviving Beneficiaries	52	191	268
Other	119	48	62
Total	605	2,404	3,740

FRS PENSION PLAN TOTAL REFUND PAYMENTS BY TYPE

as of June 30

Type of Refund	2012	2013	2014
Separated Members	\$627,841	\$2,057,147	\$4,905,850
Surviving Beneficiaries	104,050	190,235	376,678
Other	234,042	336,395	350,958
Total	\$965,933	\$2,583,777	\$5,633,486

ACTIVE FRS PENSION PLAN DROP PARTICIPANTS BY SYSTEM/CLASS

as of June 30, 2014

System/Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular	32,871	25.43	\$54,474	\$22,168	\$25,195
FRS - SMSC	669	27.46	104,466	47,517	53,972
FRS - Special Risk	4,240	24.90	80,766	56,125	63,661
FRS - Special Risk Adm. Sup.	6	24.63	49,416	26,121	29,545
FRS - EOC	265	24.59	128,112	79,053	89,619
TRS	7	43.19	64,594	53,021	60,282
Total/Average	38,058	25.40	\$58,796	\$26,799	\$30,442

PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2014

By Monthly Benefit Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less Than \$50	0	0.00	\$0	\$0	\$0
\$50 - \$99	18	6.47	9,382	895	1,006
\$100 - \$149	82	7.76	12,624	1,370	1,545
\$150 - \$199	137	7.84	17,015	1,904	2,132
\$200 - \$249	229	8.55	19,760	2,386	2,681
\$250 - \$299	290	9.35	22,374	2,930	3,291
\$300 - \$349	264	10.25	24,479	3,489	3,919
\$350 - \$399	318	11.28	26,154	3,986	4,492
\$400 - \$449	361	12.27	27,459	4,534	5,110
\$450 - \$499	347	12.57	29,828	5,055	5,702
\$500 - \$999	4,326	17.06	34,311	8,072	9,143
\$1,000 - \$1,999	10,665	24.59	44,482	15,899	18,053
\$2,000 - \$2,999	9,760	28.63	59,989	26,313	29,915
\$3,000 - \$3,999	5,755	30.16	74,010	36,105	41,040
\$4,000 - \$4,999	2,255	29.64	87,463	46,872	53,279
\$5,000 or More	3,251	27.43	109,688	73,145	83,012
Total/Average	38,058	25.40	\$58,796	\$26,799	\$30,442

By Option Selection¹

Lifetime Benefit (1)	21,553	25.05	\$57,120	\$26,663	\$30,285
Benefit with a Guarantee (2)	5,987	25.65	55,794	26,207	29,769
Member with a Joint Annuitant (3)	9,451	26.04	62,996	26,885	30,545
Reduced Benefit on 1st Death (4)	1,067	25.34	72,307	32,128	36,469
Total/Average	38,058	25.40	\$58,796	\$26,799	\$30,442

By Employer Group

State	6,878	25.76	\$51,932	\$24,179	\$27,450
State University System	1,605	26.06	58,443	24,043	27,314
Counties	8,828	24.72	70,508	37,260	42,267
School Boards	18,015	25.60	54,739	22,763	25,893
Community Colleges	1,214	23.93	59,771	23,143	26,310
Cities and Special Districts	1,518	25.84	69,533	31,578	35,820
Total/Average	38,058	25.40	\$58,796	\$26,799	\$30,442

¹ Option selections for existing systems have been included in the FRS options outlined even though they are different.

PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2014

Years of Service	Total Membership			State Membership			Non-State Membership ¹		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
6 - 9	904	591	1,495	179	115	294	725	476	1,201
10 - 14	1,860	1,040	2,900	350	231	581	1,510	809	2,319
15 - 19	2,655	1,487	4,142	539	395	934	2,116	1,092	3,208
20 - 24	3,465	1,695	5,160	614	419	1,033	2,851	1,276	4,127
25 - 29	3,345	3,571	6,916	606	715	1,321	2,739	2,856	5,595
30 - 34	11,172	5,221	16,393	2,688	1,438	4,126	8,484	3,783	12,267
35 or More Years	710	342	1,052	123	71	194	587	271	858
Total	24,111	13,947	38,058	5,099	3,384	8,483	19,012	10,563	29,575

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 50	145	567	712	35	85	120	110	482	592
50 - 54	1,671	2,055	3,726	557	342	899	1,114	1,713	2,827
55 - 59	5,939	3,683	9,622	1,540	939	2,479	4,399	2,744	7,143
60 - 64	11,329	5,365	16,694	2,178	1,458	3,636	9,151	3,907	13,058
65 - 69	4,841	2,176	7,017	783	548	1,331	4,058	1,628	5,686
70 - 74	158	86	244	4	12	16	154	74	228
75 - 79	22	13	35	2	0	2	20	13	33
80 and Over	6	2	8	0	0	0	6	2	8
Total	24,111	13,947	38,058	5,099	3,384	8,483	19,012	10,563	29,575

Average Age	61.11	59.50	60.52	60.11	60.12	60.12	61.38	59.30	60.64
Average Years of Service	25.58	25.09	25.40	26.03	25.50	25.82	25.46	24.96	25.28
Average Annual Salary	\$52,444	\$64,128	\$56,726	\$45,525	\$58,069	\$50,529	\$54,300	\$66,069	\$58,503
Average Annual Current Benefit	\$26,281	\$37,635	\$30,442	\$23,907	\$32,725	\$27,424	\$26,918	\$39,208	\$31,307

¹ Non-State Membership: School Boards, Counties, Community Colleges, Cities, and Special Districts.

**FRS PENSION PLAN DROP ACCRUED BENEFITS AND INTEREST
BY SYSTEM/CLASS**

as of June 30, 2014

System/Class	Total Membership		
	Females	Males	Total
FRS - Regular	\$1,542,653,830	\$700,200,674	\$2,242,854,504
FRS - SMSC	43,640,862	47,404,137	91,044,999
FRS - Special Risk	100,109,515	556,767,757	656,877,272
FRS - Special Risk Adm. Sup.	40,890	435,884	476,774
FRS - EOC	18,909,957	49,572,795	68,482,752
TRS	1,372,810	194,327	1,567,137
Total	\$1,706,727,864	\$1,354,575,574	\$3,061,303,438

System/Class	State Membership		
	Females	Males	Total
FRS - Regular	\$273,312,925	\$161,094,305	\$434,407,230
FRS - SMSC	15,572,804	21,287,591	36,860,395
FRS - Special Risk	24,503,275	83,219,528	107,722,803
FRS - Special Risk Adm. Sup.	40,890	316,754	357,644
FRS - EOC	12,581,269	44,785,968	57,367,237
TRS	0	0	0
Total	\$326,011,163	\$310,704,146	\$636,715,309

System/Class	Non-State Membership¹		
	Females	Males	Total
FRS - Regular	\$1,269,340,904	\$539,106,369	\$1,808,447,273
FRS - SMSC	28,068,058	26,116,546	54,184,604
FRS - Special Risk	75,606,240	473,548,229	549,154,469
FRS - Special Risk Adm. Sup.	0	119,130	119,130
FRS - EOC	6,328,688	4,786,828	11,115,516
TRS	1,372,810	194,327	1,567,137
Total	\$1,380,716,700	\$1,043,871,429	\$2,424,588,129

¹ Non-State Membership: School Boards, Counties, Community Colleges, Cities and Special Districts.

TERMINATED FRS PENSION PLAN DROP PARTICIPANTS BY SYSTEM/CLASS¹

from July 1, 2013 - June 30, 2014

System/Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular Class	9,344	24.71	\$52,143	\$20,669	\$22,946
FRS - Senior Management Service Class	177	27.04	101,156	44,925	50,151
FRS - Special Risk Class	1,027	24.82	75,813	52,088	57,467
FRS - Special Risk Admin Support Class	3	28.69	48,814	31,578	34,328
FRS - Elected Officers' Class	15	22.98	131,801	79,457	88,055
TRS	4	40.43	66,633	51,398	56,067
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

PROFILE OF TERMINATED FRS PENSION PLAN DROP PARTICIPANTS¹

from July 1, 2013 - June 30, 2014

By Monthly Benefit Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less than \$50	0	0.00	\$0	\$0	\$0
\$50 - \$99	14	6.76	8,442	919	1,013
\$100 - \$149	36	6.97	13,961	1,414	1,561
\$150 - \$199	54	7.94	16,880	1,913	2,076
\$200 - \$249	74	8.72	20,864	2,489	2,718
\$250 - \$299	87	9.62	22,965	3,046	3,324
\$300 - \$349	126	10.83	23,463	3,559	3,893
\$350 - \$399	100	11.31	26,266	4,114	4,512
\$400 - \$449	128	11.53	29,702	4,678	5,114
\$450 - \$499	117	13.63	29,058	5,309	5,752
\$500 - \$999	1,528	17.42	34,821	8,402	9,186
\$1,000 - \$1,999	3,131	24.54	45,480	16,287	17,904
\$2,000 - \$2,999	2,763	28.76	60,483	26,803	29,728
\$3,000 - \$3,999	1,304	30.13	73,789	36,361	40,747
\$4,000 - \$4,999	490	29.60	86,628	48,025	53,269
\$5,000 or more	618	27.92	107,002	72,064	80,167
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

By Option Selection²

Lifetime Benefit (1)	5,991	24.37	\$53,725	\$24,008	\$26,579
Benefit with a Guarantee (2)	1,739	24.96	52,962	23,818	26,483
Member with a Joint Annuitant (3)	2,534	25.57	59,525	24,422	27,161
Reduced Benefit on 1st Death (4)	306	24.78	67,233	29,191	32,153
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

By Employer Group

State	1,977	24.68	\$50,724	\$22,373	\$24,844
State University System	445	25.59	54,152	21,768	24,346
Counties	2,166	24.24	65,254	33,392	36,780
School Boards	5,213	25.01	52,486	21,348	23,768
Community Colleges	392	23.21	54,555	20,113	22,359
Cities and Special Districts	377	25.50	65,404	28,246	30,955
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

¹ Terminated DROP participants are also included with the statistics of all annuitants on pages 126 to 132.

² Option selections for existing systems have been included in the FRS options outlined even though they are different.

PROFILE OF TERMINATED FRS PENSION PLAN DROP PARTICIPANTS¹
from July 1, 2013 - June 30, 2014

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
6 - 9	494	7.69	\$35,361	\$4,447	\$4,835
10 - 14	956	12.67	41,809	8,569	9,382
15 - 19	1,261	17.62	46,878	13,171	14,486
20 - 24	1,552	22.41	52,915	19,569	21,487
25 - 29	1,818	26.88	66,042	36,272	39,830
30 - 34	4,223	30.84	59,304	29,177	32,636
35 or More Years	266	36.56	60,885	35,881	40,422
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

By Age Range					
Less than 50	82	25.52	\$78,552	\$56,638	\$58,723
50 - 54	452	27.88	70,950	46,216	50,166
55 - 59	1,751	29.33	62,363	34,322	38,153
60 - 64	3,821	27.29	56,973	25,484	28,154
65 - 69	4,338	20.66	49,528	16,545	18,590
70 - 74	94	15.54	42,502	11,533	12,929
75 - 79	23	11.13	36,083	6,679	7,227
80 and Over	9	10.30	32,677	5,792	6,227
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

By Gender					
Female	6,746	24.87	\$51,029	\$21,336	\$23,664
Male	3,824	24.57	63,057	29,324	32,509
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

By Cause of Termination					
Deceased	86	25.26	\$51,145	\$21,259	\$22,747
Termination	10,484	24.76	55,416	24,250	26,898
Total/Average	10,570	24.76	\$55,381	\$24,226	\$26,864

Average length of participation - 3.05 years

¹ Terminated DROP participants are also included with the statistics of all annuitants on pages 126 to 132.

TOTAL ANNUITANTS BY SYSTEM/CLASS¹

as of June 30

<u>System/Class</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FRS Pension Plan					
- Regular Class	267,301	280,910	294,413	306,121	319,663
- Senior Management Service Class	2,267	2,611	2,910	3,237	3,531
- Special Risk Class	25,248	26,808	28,295	29,743	31,314
- Special Risk Adm. Sup. Class	165	170	169	170	171
- Elected Officers' Class	2,050	2,187	2,189	2,311	2,310
Subtotal	297,031	312,686	327,976	341,582	356,989
TRS	4,967	4,762	4,557	4,326	4,084
TRS-SB	571	540	506	469	441
SCOERS	769	678	617	556	496
Highway Patrol	47	43	39	38	34
JRS	6	7	4	4	3
IFAS	158	165	171	172	169
Subtotal	6,518	6,195	5,894	5,565	5,227
Total	303,549	318,881	333,870	347,147	362,216
General Revenue					
Noncontributory (s. 112.05, F.S.)	51	43	32	25	22
National Guard	727	756	772	780	787
Judicial Retirement	9	8	7	9	8
Teachers (s. 238.171, F.S.)	1	1	1	1	1
Total	788	808	812	815	818
Grand Total	304,337	319,689	334,682	347,962	363,034

AVERAGE BENEFITS BY SYSTEM/CLASS

as of June 30

<u>System/Class</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FRS Pension Plan					
- Regular Class	\$15,567	\$16,045	\$16,506	\$16,973	\$17,394
- Senior Management Service Class	41,975	43,503	44,557	45,495	46,518
- Special Risk Class	31,536	32,931	34,262	35,755	37,207
- Special Risk Adm. Sup. Class	33,153	33,847	34,764	35,700	36,338
- Elected Officers' Class	42,414	43,387	44,577	46,740	47,966
TRS	29,215	30,636	32,149	33,679	35,348
TRS-SB	1,882	1,882	1,883	1,885	1,887
SCOERS	9,111	9,607	10,224	10,889	11,209
Highway Patrol	18,238	18,818	17,666	18,314	18,576
JRS	20,130	19,074	14,996	15,446	13,607
IFAS	10,155	10,663	10,953	11,252	11,680
Average	\$17,462	\$18,064	\$18,626	\$19,231	\$19,789
General Revenue					
Noncontributory (s. 112.05, F.S.)	\$14,324	\$14,615	\$16,173	\$16,343	\$16,245
National Guard	18,049	18,274	18,120	18,381	18,306
Judicial Retirement	75,023	75,421	74,824	76,909	82,758
Teachers (s. 238.171, F.S.)	2,105	2,168	2,233	2,300	2,369
Average	\$18,438	\$18,625	\$18,512	\$18,945	\$18,861
Average All Annuityants	\$17,465	\$18,066	\$18,625	\$19,230	\$19,765

¹ Total annuityants include General Revenue and TRS-SB annuityants and exclude DROP participants.

TOTAL ANNUAL BENEFITS BY SYSTEM/CLASS

as of June 30

System/Class	2010	2011	2012	2013	2014
FRS Pension Plan					
- Regular Class	\$4,161,037,611	\$4,507,199,721	\$4,859,628,720	\$5,195,856,141	\$5,560,290,675
- Senior Management Service Class	95,157,331	113,586,769	129,659,493	147,267,676	164,256,203
- Special Risk Class	796,227,945	882,805,653	969,448,345	1,063,459,505	1,165,109,331
- Special Risk Adm. Sup. Class	5,470,267	5,753,973	5,875,043	6,069,001	6,213,772
- Elected Officers' Class	86,947,886	94,886,960	97,579,092	108,016,759	110,800,310
Subtotal	5,144,841,040	5,604,233,076	6,062,190,693	6,520,669,082	7,006,670,291
TRS	145,110,979	145,890,628	146,500,765	145,695,711	144,359,396
TRS-SB	1,074,560	1,016,360	952,580	884,162	831,962
SCOERS	7,006,123	6,513,450	6,308,298	6,054,351	5,559,757
Highway Patrol	857,183	809,165	688,988	695,922	631,575
JRS	120,779	133,517	59,984	61,783	40,822
IFAS	1,604,541	1,759,476	1,873,044	1,935,281	1,973,905
Subtotal	155,774,165	156,122,596	156,383,659	155,327,210	153,397,417
Total	\$5,300,615,205	\$5,760,355,672	\$6,218,574,352	\$6,675,996,292	\$7,160,067,708
General Revenue					
Noncontributory (s. 112.05, F.S.)	\$730,502	\$628,433	\$517,544	\$408,570	\$357,397
National Guard	13,121,383	13,815,246	13,988,534	14,337,374	14,406,750
Judicial Retirement	675,206	603,368	523,766	692,184	662,067
Teachers (s. 238.171, F.S.)	2,105	2,168	2,233	2,300	2,369
Total	14,529,196	15,049,215	15,032,077	15,440,428	15,428,583
Grand Total	\$5,315,144,401	\$5,775,404,887	\$6,233,606,429	\$6,691,436,720	\$7,175,496,291
Average All Annuitants	\$17,465	\$18,066	\$18,625	\$19,230	\$19,765

TOTAL DISABILITY BENEFITS BY SYSTEM/CLASS

as of June 30

System/Class	Number of Retirees		Total Annual Benefits		Average Annual Benefits	
	2013	2014	2013	2014	2013	2014
FRS Pension Plan						
- Regular Class	14,043	14,089	\$168,885,316	\$173,717,651	\$12,026	\$12,330
- Senior Management Service Class	43	44	1,231,764	1,273,499	28,646	28,943
- Special Risk Class	1,503	1,532	38,476,948	40,553,872	25,600	26,471
- Special Risk Adm. Sup. Class	3	3	70,764	72,888	23,588	24,296
- Elected Officers' Class	8	6	301,819	212,796	37,727	35,466
FRS Investment Plan						
- Regular Class	193	243	2,679,530	3,448,372	13,884	14,191
- Senior Management Service Class	0	1	0	25,460	0	25,460
- Special Risk Class	71	83	2,436,564	2,834,326	34,318	34,149
- Special Risk Adm. Sup. Class	1	1	44,004	45,324	44,004	45,324
TRS	114	102	1,711,687	1,584,178	15,015	15,531
SCOERS	28	24	271,677	249,872	9,703	10,411
Highway Patrol	2	1	24,363	10,241	12,181	10,241
General Revenue	9	8	692,184	662,067	76,909	82,758
Total/Average	16,018	16,137	\$216,826,620	\$224,690,546	\$13,536	\$13,924

PROFILE OF TOTAL ANNUITANTS BY SYSTEM/CLASS¹

as of June 30, 2014

By System/Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS Investment Plan - Regular Class ²	243	17.03	\$40,897	\$12,747	\$14,191
FRS Investment Plan - Senior Management Service Class	1	10.33	100,891	25,223	25,460
FRS Investment Plan - Special Risk Adm. Sup. Class ²	1	32.91	49,487	39,288	45,324
FRS Investment Plan - Special Risk Class ²	83	16.18	53,751	30,628	34,149
FRS Investment Plan - Elected Officers' Class ²	2	17.75	143,640	48,645	49,292
FRS Pension Plan - Regular Class	319,420	20.86	36,694	12,577	17,397
FRS Pension Plan - Senior Management Service Class	3,530	24.30	94,057	36,776	46,524
FRS Pension Plan - Special Risk Class	31,231	20.71	50,026	27,776	37,215
FRS Pension Plan - Special Risk Adm. Sup. Class	170	25.08	48,076	23,744	36,285
FRS Pension Plan - Elected Officers' Class	2,308	20.41	65,024	34,914	47,964
TRS	4,084	29.20	36,336	21,586	35,348
TRS-SB	441	0.00	0	2,271	1,887
Judicial Retirement System	3	11.71	20,160	11,089	13,607
Highway Patrol	34	25.35	16,181	14,264	18,576
SCOERS	496	22.40	12,524	5,774	11,209
IFAS	169	0.07	95	9,021	11,680
General Revenue	818	32.86	1,441	11,963	18,861
Total/Average	363,034	20.96	\$38,412	\$14,348	\$19,765

PROFILE OF FRS ANNUITANTS³

as of June 30, 2014

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
40 or More Years	2,041	42.34	\$50,414	\$35,742	\$53,674
35 - 39	9,005	36.83	46,921	29,411	45,352
30 - 34	82,454	30.95	49,466	24,898	34,775
25 - 29	43,894	26.96	47,453	23,246	31,189
20 - 24	51,985	22.29	39,326	13,512	18,198
15 - 19	60,299	17.35	34,071	8,959	12,113
10 - 14	81,618	12.14	27,891	5,212	7,118
5 - 9	29,973	7.79	29,192	3,818	4,686
Less Than 5 Years	506	2.08	12,645	8,993	13,921
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Age Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Under 40	1,544	18.07	\$37,729	\$6,868	\$8,326
40 - 44	814	16.31	38,022	10,390	11,339
45 - 49	2,326	17.05	42,932	16,162	17,009
50 - 54	8,185	19.11	44,415	18,156	19,873
55 - 59	25,494	20.66	44,068	17,591	20,338
60 - 64	61,110	21.94	45,034	17,476	21,394
65 - 69	90,243	21.24	42,773	15,640	20,517
70 - 74	68,233	20.56	37,976	13,488	19,328
75 - 79	45,430	20.41	33,114	11,897	18,754
80 - 84	31,030	21.09	29,633	11,294	19,376
85 and Older	27,359	21.12	23,394	9,274	17,742
Option 2 Payees - Member Deceased	7	22.90	60,914	13,415	15,539
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

¹ Total Annuitants include General Revenue and TRS-SB annuitants and exclude DROP participants.

² Investment Plan Disability retirees.

³ Florida Retirement System Annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

PROFILE OF FRS ANNUITANTS¹

as of June 30, 2014

By Option Selection ²	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Lifetime Benefit (1)	210,923	20.23	\$36,455	\$13,611	\$18,747
Benefit with a Guarantee (2)	60,773	21.97	38,922	15,336	21,579
Member with a Joint Annuitant (3)	75,813	21.82	42,623	14,869	20,425
Reduced Benefit on First Death (4)	14,266	22.92	46,095	18,788	24,199
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Monthly Benefit Amount					
Less Than \$50	633	9.82	\$12,110	\$452	\$417
\$50 - \$99	3,308	9.39	11,134	841	948
\$100 - \$149	5,917	9.93	13,399	1,335	1,519
\$150 - \$199	7,959	10.63	16,012	1,805	2,108
\$200 - \$249	9,772	11.10	18,218	2,245	2,706
\$250 - \$299	10,741	11.46	19,366	2,633	3,308
\$300 - \$349	11,274	12.12	20,497	3,008	3,902
\$350 - \$399	11,013	12.77	22,187	3,492	4,498
\$400 - \$449	10,705	13.38	23,711	3,937	5,100
\$450 - \$499	10,348	13.95	24,889	4,392	5,696
\$500 - \$999	78,953	16.56	29,809	6,658	8,746
\$1000 - \$1999	87,775	22.63	38,940	12,889	17,343
\$2000 - \$2999	57,142	28.07	48,987	21,570	29,754
\$3000 - \$3999	30,244	30.21	57,825	28,936	41,206
\$4000 - \$4999	13,219	30.73	67,218	36,870	53,161
\$5000 or more	12,772	30.44	87,028	55,636	78,225
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Benefit Recipient					
Member Deceased	27,530	20.10	\$34,886	\$11,876	\$15,240
Member Living	334,245	21.03	38,843	14,574	20,164
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Retirement Date					
Before 12/1970	140	21.46	\$7,288	\$2,720	\$8,298
12/1970 - 6/1995	52,325	22.01	25,595	10,162	19,410
7/1995 - 6/2000	66,148	23.11	36,667	15,019	24,100
7/2000 - 6/2005	89,654	21.44	39,709	15,311	21,196
7/2005 - 6/2006	19,438	20.94	41,763	15,466	19,630
7/2006 - 6/2007	18,394	20.64	43,024	15,998	19,702
7/2007 - 6/2008	18,093	20.80	44,671	16,783	20,118
7/2008 - 6/2009	20,878	20.59	45,635	17,056	19,836
7/2009 - 6/2010	18,160	19.36	44,537	15,617	17,579
7/2010 - 6/2011	17,935	18.74	43,801	14,634	16,049
7/2011 - 6/2012	14,514	17.47	41,365	12,640	13,493
7/2012 - 6/2013	13,121	17.44	41,697	12,822	13,264
7/2013 - 6/2014	12,975	16.52	39,452	11,365	11,478
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Employer					
State	73,953	20.78	\$36,294	\$13,248	\$18,437
State University System	17,360	22.19	43,669	16,181	22,354
Counties	79,713	19.13	42,826	16,400	21,745
School Boards	167,891	21.90	36,387	13,551	19,132
Community Colleges	11,817	20.96	42,581	15,226	21,465
Cities and Special Districts	11,041	19.30	43,061	14,664	18,884
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

¹ Florida Retirement System annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

² Option selections for existing systems have been included in the FRS options outlined even though they provide different benefits.

PROFILE OF FRS ANNUITANTS¹

as of June 30, 2014

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	228,900	20.97	\$34,957	\$12,711	\$17,270
Male	132,875	20.95	44,718	17,223	24,128
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Type of Retirement					
Line of Duty Death	372	10.23	\$32,181	\$15,929	\$26,237
Not Line of Duty Death	9,019	17.84	34,422	7,038	10,629
Line of Duty Disability	3,506	14.61	29,410	13,644	19,258
Not Line of Duty Disability	12,625	17.50	31,122	9,333	12,405
Early	95,385	16.93	33,324	8,560	11,507
Normal	240,868	22.97	41,295	17,215	23,797
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

By Duration of Benefit Payments to Date					
Less Than 5 Years	76,705	18.05	\$42,419	\$13,626	\$14,678
5 - 10	96,300	20.87	43,293	16,198	19,958
10 - 15	84,267	21.58	38,895	15,025	21,427
15 - 20	58,955	23.20	35,905	14,874	24,283
20 - 25	25,236	22.26	28,906	11,467	21,058
25 - 30	12,720	22.01	22,146	8,926	18,424
30 - 35	5,648	21.61	16,553	6,888	15,393
35 - 40	1,481	20.35	11,952	4,561	11,466
40 or More Years	463	19.97	8,823	3,204	9,654
Total/Average	361,775	20.96	\$38,542	\$14,368	\$19,789

Average duration of benefit payments in years - 10.91 years

By Duration of Benefit Payments - Deaths in Current Year					
Less Than 1 Year	329	17.07	\$44,037	\$10,095	\$10,224
1 - 2	134	17.73	39,796	11,036	11,152
2 - 3	126	16.87	38,697	9,455	9,734
3 - 4	151	20.57	43,797	15,299	16,236
4 - 5	164	20.51	47,042	14,895	15,816
5 - 10	707	20.11	40,238	14,436	16,047
10 - 15	446	20.97	41,558	16,635	19,332
15 - 20	525	23.72	41,855	20,028	24,280
20 - 25	341	23.50	35,093	17,071	22,048
25 - 30	138	23.79	25,157	14,058	18,663
30 - 35	62	23.08	20,402	11,038	15,610
35 - 40	10	29.20	18,324	15,053	24,089
40 or More Years	6	23.92	12,342	5,844	8,630
Total/Average	3,139	20.95	\$39,803	\$15,137	\$17,585

Average duration of benefit payments in years - 10.88 years

¹ Florida Retirement System annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

FRS RETIREES AND BENEFICIARIES¹
BY AGE AT RETIREMENT

as of June 30, 2014

Age Range	Retirees	Retirees' Total Annual Benefits	Beneficiaries	Beneficiaries' Total Annual Benefits
Under 40	935	\$11,614,109	293	\$4,608,279
40 - 44	2,781	43,905,880	727	7,000,187
45 - 49	14,223	355,427,831	2,176	23,397,783
50 - 54	57,419	1,559,951,211	4,602	70,498,355
55 - 59	85,094	1,931,570,536	6,354	105,533,854
60 - 64	130,710	2,225,769,473	8,395	136,714,853
65 - 69	32,460	487,818,000	3,460	53,587,819
70 - 74	7,627	96,815,595	1,038	13,858,222
75 - 79	2,292	22,040,111	350	3,242,469
80 - 84	581	3,986,255	99	669,519
85 and Older	123	779,258	36	446,147
Total	334,245	\$6,739,678,259	27,530	\$419,557,487

FRS RETIREES AND BENEFICIARIES¹
BY YEARS OF SERVICE AT RETIREMENT

as of June 30, 2014

Years of Service	Retirees	Retirees' Total Annual Benefits	Beneficiaries	Beneficiaries' Total Annual Benefits
Less Than 5 Years	361	\$4,579,836	145	\$2,464,098
5 - 9	27,960	130,865,187	2,013	9,583,726
10 - 14	74,435	537,347,683	7,183	43,628,419
15 - 19	54,890	674,765,947	5,409	55,650,934
20 - 24	47,438	875,515,497	4,547	70,489,364
25 - 29	40,615	1,290,266,389	3,279	78,763,227
30 - 34	78,856	2,761,279,883	3,598	106,095,658
35 - 39	7,975	370,144,932	1,030	38,246,628
40 or More Years	1,715	94,912,906	326	14,635,433
Total	334,245	\$6,739,678,259	27,530	\$419,557,487

¹ Florida Retirement System retirees and beneficiaries exclude General Revenue and TRS-SB retirees and beneficiaries and exclude DROP participants.

TOTAL FRS ANNUITANTS BY TYPE OF RETIREMENT¹
as of June 30

Type of Retirement	2010	2011	2012	2013	2014
Line of Duty Death	358	368	367	373	372
Not Line of Duty Death	8,411	8,613	8,784	8,878	9,019
Line of Duty Disability	3,486	3,511	3,519	3,525	3,506
Not Line of Duty Disability	11,845	12,032	12,304	12,484	12,625
Early	80,671	84,739	88,838	91,872	95,385
Normal	198,207	209,078	219,552	229,546	240,868
Total	302,978	318,341	333,364	346,678	361,775

TOTAL FRS ANNUAL BENEFITS BY TYPE OF RETIREMENT
as of June 30

Type of Retirement	2010	2011	2012	2013	2014
Line of Duty Death	\$8,260,085	\$8,710,346	\$9,077,824	\$9,512,153	\$9,760,000
Not Line of Duty Death	83,908,009	87,418,800	90,568,179	92,526,753	95,860,703
Line of Duty Disability	57,321,042	60,187,785	62,641,326	65,402,997	67,518,857
Not Line of Duty Disability	129,494,949	136,770,717	144,153,894	150,731,440	156,608,204
Early	812,606,863	883,258,727	958,161,881	1,026,813,607	1,097,584,190
Normal	4,207,949,697	4,582,992,936	4,953,018,666	5,330,125,178	5,731,903,792
Total	\$5,299,540,645	\$5,759,339,311	\$6,217,621,770	\$6,675,112,128	\$7,159,235,746

TOTAL FRS ANNUITANTS ADDED DURING FISCAL YEAR BY TYPE OF RETIREMENT¹
as of June 30

Type of Retirement	2010	2011	2012	2013	2014
Line of Duty Death	8	8	6	5	2
Not Line of Duty Death	311	286	308	266	276
Line of Duty Disability	88	75	67	60	55
Not Line of Duty Disability	658	636	636	560	576
Early	4,622	5,081	5,170	4,303	4,924
Normal	5,952	6,557	6,182	6,263	7,142
Total	11,639	12,643	12,369	11,457	12,975

**TOTAL ANNUAL BENEFITS OF FRS ANNUITANTS
ADDED DURING FISCAL YEAR BY TYPE OF RETIREMENT**
as of June 30

Type of Retirement	2010	2011	2012	2013	2014
Line of Duty Death	\$227,058	\$185,487	\$134,331	\$129,637	\$46,977
Not Line of Duty Death	2,833,636	2,643,466	2,401,478	2,046,809	2,625,299
Line of Duty Disability	2,149,212	1,740,980	1,522,954	1,618,869	1,272,266
Not Line of Duty Disability	7,798,786	7,770,379	7,780,479	7,033,716	6,931,219
Early	42,651,470	47,274,034	48,767,649	40,969,304	44,563,965
Normal	84,017,380	95,491,247	85,381,239	87,971,909	93,486,455
Total	\$139,677,542	\$155,105,593	\$145,988,130	\$139,770,244	\$148,926,181

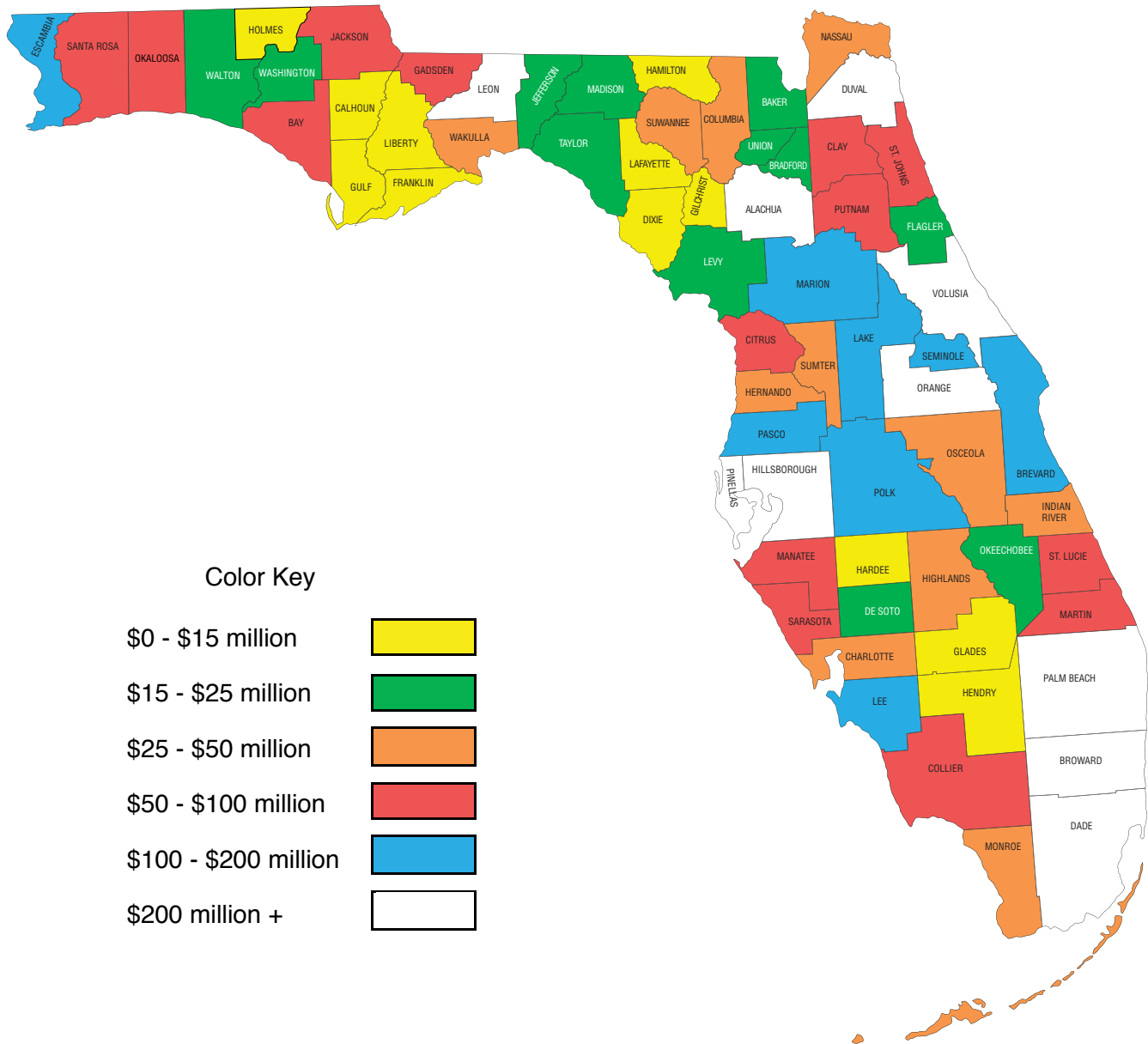
¹ Total annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

SCHEDULE OF AVERAGE FRS BENEFITS

		Years of Creditable Service								
		Less								
Fiscal Year		Than 5 ¹	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 or More
2014	Average Annual Benefit	\$13,921	\$4,686	\$7,118	\$12,113	\$18,198	\$31,189	\$34,775	\$45,352	\$53,674
	Average AFC	\$12,645	\$29,192	\$27,891	\$34,071	\$39,326	\$47,453	\$49,466	\$46,921	\$50,414
	Count	506	29,973	81,618	60,299	51,985	43,894	82,454	9,005	2,041
2013	Average Annual Benefit	\$13,402	\$4,600	\$6,924	\$11,790	\$17,599	\$30,006	\$33,868	\$44,232	\$51,876
	Average AFC	\$12,425	\$28,675	\$27,276	\$33,339	\$38,294	\$46,118	\$48,651	\$45,976	\$48,789
	Count	511	27,340	78,982	58,106	50,062	41,793	78,779	9,002	2,103
2012	Average Annual Benefit	\$12,998	\$4,484	\$6,721	\$11,407	\$16,977	\$28,760	\$32,921	\$43,008	\$50,466
	Average AFC	\$12,311	\$28,079	\$26,638	\$32,516	\$37,234	\$44,734	\$47,754	\$44,983	\$47,727
	Count	512	25,160	74,934	56,235	48,273	39,924	75,046	9,114	2,166
2011	Average Annual Benefit	\$12,594	\$4,404	\$6,522	\$11,041	\$16,410	\$27,628	\$32,059	\$41,729	\$49,194
	Average AFC	\$12,359	\$27,501	\$25,958	\$31,662	\$36,138	\$43,343	\$46,872	\$43,950	\$46,796
	Count	513	22,631	74,657	54,238	46,143	37,948	70,869	9,122	2,220
2010	Average Annual Benefit	\$12,191	\$4,317	\$6,323	\$10,672	\$15,802	\$26,491	\$31,141	\$40,464	\$47,675
	Average AFC	\$12,510	\$26,863	\$25,275	\$30,788	\$34,899	\$41,993	\$45,838	\$42,853	\$45,393
	Count	513	20,238	72,375	52,211	43,835	36,084	66,346	9,136	2,240
2009	Average Annual Benefit	\$11,815	\$4,252	\$6,127	\$10,317	\$15,198	\$25,386	\$30,288	\$39,161	\$46,227
	Average AFC	\$12,648	\$26,357	\$24,625	\$29,901	\$33,740	\$40,710	\$44,747	\$41,882	\$44,407
	Count	504	17,814	70,404	50,295	42,171	34,511	61,037	9,168	2,312
2008	Average Annual Benefit	\$11,194	\$4,202	\$5,936	\$9,945	\$14,647	\$24,291	\$29,380	\$37,846	\$44,723
	Average AFC	\$12,333	\$25,842	\$24,034	\$28,979	\$32,746	\$39,535	\$43,638	\$41,006	\$43,416
	Count	485	15,512	68,578	48,467	40,624	33,059	56,430	9,280	2,407
2007	Average Annual Benefit	\$11,340	\$4,137	\$5,734	\$9,603	\$14,114	\$23,135	\$28,508	\$36,534	\$43,316
	Average AFC	\$16,487	\$25,220	\$23,424	\$28,135	\$31,850	\$38,299	\$42,589	\$40,185	\$42,767
	Count	347	13,438	67,175	46,894	39,481	31,601	52,376	9,407	2,479
2006	Average Annual Benefit	\$10,801	\$4,138	\$5,543	\$9,266	\$13,595	\$22,031	\$27,705	\$35,424	\$41,729
	Average AFC	\$15,723	\$24,688	\$22,799	\$27,274	\$30,950	\$37,087	\$41,559	\$39,554	\$41,923
	Count	340	10,901	65,570	45,168	38,151	30,105	48,186	9,474	2,601
2005	Average Annual Benefit	\$10,373	\$4,236	\$5,357	\$8,943	\$13,089	\$20,958	\$26,967	\$34,257	\$40,339
	Average AFC	\$15,292	\$24,289	\$22,172	\$26,334	\$30,027	\$35,832	\$40,439	\$38,891	\$41,199

¹ Represents in-line-of-duty disability and death benefits with guaranteed minimum benefit levels.

2014 FRS PENSION BENEFITS BY FLORIDA COUNTY



Of the 363,034 retirees in the FRS, 316,487 or 87.2%, remain Florida residents as of June 30, 2014. During the Fiscal Year 2013-14, pension benefit payments approaching \$6.42 billion were distributed to retirees and their beneficiaries throughout the 67 counties of Florida as shown on the map above.

FRS RETIREES OUTSIDE THE UNITED STATES

Antilles (1)	China (3)	Hong Kong (1)	Nicaragua (3)	Trinidad & Tobago (4)
Argentina (3)	Colombia (12)	Hungary (3)	Norway (1)	Turkey (1)
Armed Forces (39)	Costa Rica (8)	India (4)	Pakistan (1)	United Kingdom (40)
Australia (19)	Croatia (1)	Ireland (8)	Panama (6)	Uruguay (2)
Bahamas (5)	Czech Republic (1)	Israel (11)	Peru (5)	Venezuela (1)
Barbados (2)	Dominican Republic (3)	Italy (4)	Philippines (16)	Vietnam (1)
Belize (2)	Ecuador (3)	Jamaica (9)	Poland (1)	Virgin Islands (16)
Bolivia (1)	Egypt (2)	Japan (2)	Portugal (2)	West Indies (18)
Bosnia-Herzegovina (1)	Finland (3)	Kenya (1)	Puerto Rico (216)	Other (23)
Brazil (3)	France (7)	Macedonia (1)	South Africa (1)	
Bulgaria (2)	Germany (22)	Mexico (16)	Spain (20)	
Canada (89)	Greece (6)	Monaco (1)	Switzerland (3)	
Cayman Islands (1)	Guam (1)	Netherlands (1)	Syria (1)	
Chile (5)	Guatemala (1)	New Zealand (10)	Thailand (19)	

**REEMPLOYED RETIREES NOT ELIGIBLE
FOR RENEWED MEMBERSHIP BY CLASS**

as of June 30

Class	2011 ¹	2012 ¹	2013	2014
FRS - Regular Class	1,668	2,783	4,160	2,541
- Senior Management Service Class	32	54	86	52
- Special Risk Class	143	284	550	534
- Elected Officers' Class	33	36	70	20
Total	1,876	3,157	4,866	3,147

**PROFILE OF REEMPLOYED RETIREES NOT ELIGIBLE
FOR RENEWED MEMBERSHIP**

as of June 30, 2014

By Employer Group	Count	Average Length of Employment	Average Salary
State	872	1.42	\$29,966
State University System	218	1.82	52,799
School Boards	1,150	1.73	29,772
Counties	612	1.52	30,615
Community Colleges	131	1.82	34,699
Cities and Special Districts	164	1.41	28,729
Total/Average	3,147	1.60	\$31,736

By Age Range			
Less than 30	79	1.33	\$26,280
30 - 39	785	1.56	32,832
40 - 49	1,055	1.62	33,636
50 - 59	807	1.60	31,531
60 - 69	324	1.65	27,632
70 and Over	97	1.69	22,050
Total/Average	3,147	1.60	\$31,736

By Gender			
Female	1,809	1.64	\$30,225
Male	1,338	1.54	33,778
Total/Average	3,147	1.60	\$31,736

¹ These totals were understated in previous annual reports and have been revised to reflect the correct totals.

SYSTEM SUMMARY SECTION



PortMiami – Photograph courtesy of Miami-Dade County, PortMiami

Chronological Highlights of State-Administered Retirement and Pension Systems Since 2000

2000 — The Public Employee Optional Retirement Program (also referred to as the Investment Plan) was established to be implemented in 2002.

Special risk annual retirement credit was upgraded to 3 percent for all years between Oct. 1, 1978, and Jan. 1, 1993, for members retiring on and after July 1, 2000.

Minimum special risk in-line-of-duty disability benefits were increased from 42 percent to 65 percent, effective July 1, 2000.

The vesting requirement was reduced to six years for all FRS membership classes, beginning July 1, 2001.

The vesting requirement for regular disability retirement was reduced to eight years, beginning July 1, 2001.

2001 — A one-time special 12 percent benefit increase was provided, effective Jan. 1, 2002, for FRS retirees with special risk service between Oct. 1, 1978, and Dec. 31, 1992, for members retiring before July 1, 2000.

Cities and special districts already participating in the FRS for their elected officials were given a second opportunity to designate their elected officials for membership in the Elected Officers' Class.

2002 — A uniform employer contribution rate structure was created effective July 1, 2002, for members of the Pension Plan and members of the Investment Plan.

A 90-day window was provided to allow members to convert their Senior Management Service Optional Annuity Program service to creditable service under the Pension Plan.

2003 — Participants of the Community College Optional Retirement Program were provided a one-time opportunity to transfer to the FRS.

2005 — Local government service managers who withdrew from the FRS were given a one-time opportunity to transfer to the FRS between Jan. 1, 2006, and June 30, 2006.

2007 — Participants of the State University System Optional Retirement Program were provided a one-time opportunity to transfer to the FRS between Jan. 1, 2008, and Dec. 31, 2008.

The Institute of Food and Agricultural Sciences Supplemental Retirement Program was consolidated as a closed-retirement system under the Regular Class of the FRS, effective July 1, 2007.

2009 — The definition of termination was changed from one calendar month to six calendar months for Pension Plan members whose DROP termination dates or non-DROP retirements are effective on or after July 1, 2010.

For Pension Plan members whose DROP termination dates or non-DROP retirements are effective on or after July 1, 2010, the reemployment limitation period was changed to six calendar months after meeting the definition of termination.

All exceptions to employment with FRS-covered employers during the reemployment limitation period were closed to Pension Plan members whose DROP termination dates are on or after July 1, 2010, or whose non-DROP retirements are effective July 1, 2010. Investment Plan members and participants in the State University System Optional Retirement Program, Senior Management Service Optional Annuity Program, State Community College Optional Retirement Program, and withdrawn local senior managers who received a distribution in June 2010 or after no longer have exceptions to employment with FRS-covered employers during the reemployment limitation period.

Renewed membership was closed to retirees of a state-administered retirement system initially reemployed by an FRS participating employer on or after July 1, 2010.

2010 — Continued Special Risk Class participation for employment in a non-special risk position is provided for members suffering specified in-line-of-duty injuries and who reach maximum medical improvement on or after Aug. 1, 2008, for as long as employed by the same employer at the time of injury.

2011 — Required 3 percent pre-tax employee contributions on compensation reported on or after July 1, 2011, for all members except those participating in the DROP or reemployed retirees who are not eligible for renewed membership.

Changed the cost-of-living adjustment formula for FRS Pension Plan retirements effective on or after Aug. 1, 2011, to be a proportional amount of 3 percent excluding service credit earned on or after July 1, 2011.

Created different benefit structure for FRS Pension Plan members initially enrolled on or after July 1, 2011, in addition to required employee contributions that require:

- Eight-year vesting,
- Highest eight fiscal years of salary used in the calculation of average final compensation,
- Normal retirement for Special Risk Class members at age 60 and vested or a total of 30 years of service; and age 65 and vested or a total of 33 years of service for all other classes,
- Elimination of cost-of-living adjustments after retirement.

FRS PARTICIPATING EMPLOYERS

as of June 30, 2014

STATE AGENCIES –

EXECUTIVE BRANCH

Agency for Health Care Administration
Agency for Persons with Disabilities
Department of Agriculture and Consumer Services
Department of Business and Professional Regulation
Department of Children and Families
Department of Citrus
Department of Community Affairs
Department of Corrections
Department of Economic Opportunity
Department of Education
Department of Elder Affairs
Department of Environmental Protection
Department of Financial Services
Department of Health
Department of Highway Safety and Motor Vehicles
Department of Juvenile Justice
Department of Law Enforcement
Department of Legal Affairs
Department of Lottery
Department of Management Services
Department of Military Affairs
Department of Revenue
Department of State
Department of Transportation
Department of Veterans' Affairs
Executive Office of the Governor
Fish and Wildlife Conservation Commission
Florida Clerks of Court Operations Corporation
Justice Administrative Commission
Parole and Probation Commission
State Board of Administration
Vending Facilities Operators

LEGISLATIVE BRANCH

Auditor General
Commission on Ethics
The Legislature
Public Service Commission

JUDICIAL BRANCH

Capital Collateral Regional Counsels
Florida Board of Bar Examiners
Guardian Ad Litem
Public Defenders
State Attorneys
State Courts - Circuit Courts
State Courts - County Courts
State Courts - District Courts of Appeal
State Courts - Supreme Court

STATE UNIVERSITY SYSTEM

Florida A&M University
Florida Atlantic University
Florida Gulf Coast University
Florida International University
Florida Polytechnic University
Florida State University

New College
University of Central Florida
University of Florida
University of North Florida
University of South Florida
University of West Florida

LOCAL AGENCIES –

ALACHUA COUNTY

Alachua County Library District
Alachua MYcroSchool of Integrated Academics and Technologies
Board of County Commissioners
Caring and Sharing Learning School
City of Alachua ^{1,4}
City of Gainesville ³
City of High Springs ^{1,2,4}
City of Newberry ^{2,4}
Clerk of Circuit Court
Genesis Preparatory School of Gainesville, Inc.
Micanopy Middle School, Inc.
Property Appraiser
Santa Fe College
School Board
Sheriff
SIATech Gainesville
Supervisor of Elections
Tax Collector

BAKER COUNTY

Board of County Commissioners
City of MacClenny ^{2,3,4}
Clerk of Circuit Court
New River Solid Waste Association
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Glen St Mary ^{3,4}

BAY COUNTY

Bay Haven Charter Academy
Elementary School
Bay Haven Charter Academy Middle School
Bay Haven Charter Academy, Inc.
Beach Mosquito Control District
Board of County Commissioners
Chautauqua Learn and Serve Charter School
City of Callaway ^{2,3,4}
City of Mexico Beach ^{1,4}
City of Panama City
City of Parker
City of Springfield
Clerk of Circuit Court
Gulf Coast State College
North Bay Haven Charter Career School
North Bay Haven Charter Elementary School
North Bay Haven Charter Middle School

Panama City Port Authority
Property Appraiser
Rising Leader Academy, Inc.
School Board
Sheriff
Supervisor of Elections
Tax Collector
University Academy, Inc.

BRADFORD COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

BREVARD COUNTY

Board of County Commissioners
Eastern Florida State College
Canaveral Port Authority
City of Cocoa ⁴
City of Indian Harbour Beach ⁴
City of Melbourne ^{1,3,4}
City of Palm Bay ³
City of West Melbourne ⁴
Clerk of Circuit Court
Merritt Island Public Library Tax District
Property Appraiser
School Board
Sebastian Inlet District
Sheriff
Supervisor of Elections
Tax Collector
Town of Malabar
Town of Melbourne Beach ⁴

BROWARD COUNTY

Board of County Commissioners
Broward College
Broward Community Charter Middle School
Broward Community Charter School
Broward Community Charter School West
Broward County Housing Authority
Broward Metropolitan Planning Organization
Central Broward Water Control District
Central Charter School
Charter School of Excellence Davie 1 Campus
Charter School of Excellence Davie 2 Campus
Charter School of Excellence Fort Lauderdale 1 Campus
Charter School of Excellence Fort Lauderdale 2 Campus
Charter School of Excellence Riverland 1 Campus
Charter School of Excellence Riverland 2 Campus
Charter School of Excellence Tamarac 1 Campus

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

Charter School of Excellence Tamarac 2
Campus
Children's Services Council of Broward
City of Coconut Creek
City of Cooper City ⁴
City of Dania Beach ^{3,4}
City of Deerfield Beach ³
City of Hollywood ³
City of Lauderdale Lakes
City of Margate
City of Miramar ³
City of North Lauderdale ²
City of Oakland Park ⁴
City of Pembroke Pines Charter Elementary
School
City of Pembroke Pines Charter High School
City of Pembroke Pines Charter Middle
School
City of Pembroke Pines FSU Charter School
City of Pompano Beach ³
City of Weston ³
City of West Park ^{3,4}
City of West Park ^{3,4}
City of Wilton Manors ^{1,3,4}
Clerk of Circuit and County Courts
Dayspring Elementary Charter School
Discovery Middle Charter School
*Fort Lauderdale Downtown Development
Authority*
Hillsborough Inlet Improvement and
Maintenance
North Broward Hospital District
Old Plantation Water Control District
Paragon Elementary Charter School
Plantation Acres Improvement District
Property Appraiser
School Board
Sheriff
Smart School, Inc.
South Broward Drainage District
South Florida Regional Planning Council
Sunrise Community Charter School
Sunshine Elementary Charter School
Supervisor of Elections
Tax Collector
Town of Hillsboro Beach ^{1,4}
Town of Lauderdale-by-the-Sea ^{3,4}
Town of Pembroke Park ⁴
Tri-County Commuter Rail

CALHOUN COUNTY

Apalachee Regional Planning Council
Board of County Commissioners
City of Blountstown ^{1,2,4}
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Altha ^{1,4}

CHARLOTTE COUNTY

Board of County Commissioners
Charlotte County Airport Authority
Clerk of Circuit Court
Property Appraiser
School Board

Sheriff
Supervisor of Elections
Tax Collector

CITRUS COUNTY

Board of County Commissioners
Citrus County Mosquito Control District
City of Crystal River
City of Inverness ^{3,4}
Clerk of Circuit Court
Homosassa Special Water District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

CLAY COUNTY

Board of County Commissioners
City of Green Cove Springs ^{3,4}
Clay County Utility Authority
Clerk of Circuit Court
First Coast Workforce Consortium
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

COLLIER COUNTY

Big Corkscrew Island Fire Control and
Rescue District
Board of County Commissioners
City of Marco Island
Clerk of Circuit Court
Collier County Soil and Water
Conservation District
Collier Mosquito Control District
East Naples Fire Control District
Golden Gate Fire Control District
Immokalee Fire Control District
Marco Island Academy
Marco Island Charter Middle School
Marco Island Fire Control District
North Naples Fire Control and Rescue
District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

COLUMBIA COUNTY

Board of County Commissioners
City of Lake City ^{3,4}
Clerk of Circuit Court
Florida Gateway College
Lake Shore Hospital Authority
Property Appraiser
School Board
Sheriff
Shining Star Academy of the Arts
Supervisor of Elections
Tax Collector

DADE COUNTY

See Miami-Dade County

DE SOTO COUNTY

Board of County Commissioners
Clerk of Circuit Court
Joshua Water Control District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

DIXIE COUNTY

Board of County Commissioners
Clerk of Circuit Court
Kinder Cub School, Inc.
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Three Rivers Regional Library System
Town of Cross City

DUVAL COUNTY

Duval MYcroSchool of Integrated
Academics and Technologies
Florida State College at Jacksonville
Jacksonville Aviation Authority
Jacksonville Seaport Authority
Jacksonville Transportation Authority
Northeast Florida Regional Planning
Council
River City Science Academy
River City Science Academy Elementary
River City Science Academy Innovation
School Board
SIATech Jacksonville

ESCAMBIA COUNTY

Board of County Commissioners
Byrnesville Elementary School, Inc.
Clerk of Circuit and County Courts
City of Pensacola ^{1,3,4}
Emerald Coast Utility Authority
Pensacola Beach Elementary School
Pensacola State College
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
West Florida Regional Planning Council

FLAGLER COUNTY

Board of County Commissioners
City of Bunnell
Clerk of Circuit Court
East Flagler Mosquito Control District
Flagler County Housing Authority
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

FRANKLIN COUNTY

Apalachicola Housing Authority
Board of County Commissioners
City of Apalachicola ^{1,4}

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

City of Carrabelle ^{1,3,4}
Clerk of Circuit Court
Eastpoint Water and Sewer District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

GADSDEN COUNTY

Board of County Commissioners
City of Chattahoochee ^{1,3,4}
City of Gretna
City of Midway ^{1,3,4}
Clerk of Circuit Court
Northwest Florida Water Management
District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Greensboro ^{1,4}
Town of Havana ^{1,4}

GILCHRIST COUNTY

Board of County Commissioners
City of Trenton ^{1,3,4}
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

GLADES COUNTY

Board of County Commissioners
City of Moore Haven ⁴
Clerk of Circuit Court
Moore Haven Mosquito Control District
Pemayetv Emahakv, Inc.
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

GULF COUNTY

Board of County Commissioners
City of Port Saint Joe
Clerk of Circuit Court
Port Saint Joe Port Authority
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

HAMILTON COUNTY

Board of County Commissioners
City of Jasper
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

HARDEE COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

HENDRY COUNTY

Barron Water Control District
Board of County Commissioners
Central County Water Control District
City of Clewiston ¹
City of La Belle ^{3,4}
Clerk of Circuit Court
Hendry County Hospital Authority
Port La Belle Community Development
District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

HERNANDO COUNTY

Board of County Commissioners
City of Brooksville ^{3,4}
Clerk of Circuit Court
Hernando County Housing Authority
Property Appraiser
School Board
Sheriff
Southwest Florida Water Management
District
Spring Hill Fire Rescue District and
Emergency Medical Services
Supervisor of Elections
Tax Collector

HIGHLANDS COUNTY

Board of County Commissioners
City of Avon Park
City of Sebring ⁴
Clerk of Circuit Court
Highlands Soil and Water Conservation
District
Property Appraiser
School Board
Sebring Airport Authority
Sheriff
South Florida State College
Supervisor of Elections
Tax Collector
Town of Lake Placid ^{1,3,4}

HILLSBOROUGH COUNTY

Board of County Commissioners
Children's Board of Hillsborough County
City of Temple Terrace
Clerk of Circuit Court
Hillsborough Area Regional Transit
Hillsborough Community College
Hillsborough County Aviation Authority
Hillsborough County Public
Transportation Commission
Property Appraiser

School Board
Sheriff
Supervisor of Elections
Tampa Bay Estuary Program
Tampa-Hillsborough County Expressway
Authority
Tampa Port Authority
Tampa Sports Authority
Tax Collector

HOLMES COUNTY

Board of County Commissioners
Clerk of Circuit Court
Holmes County Housing Authority
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

INDIAN RIVER COUNTY

Board of County Commissioners
Clerk of Circuit Court
Fellsmere Water Control District
Indian River Farms Water Control District
Indian River Mosquito Control District
Property Appraiser
Saint Johns Water Control District
School Board
Sheriff
Supervisor of Elections
Tax Collector

JACKSON COUNTY

Board of County Commissioners
Challenge for Success Charter School
Chipola College
City of Graceville ^{1,4}
City of Marianna ⁴
Clerk of Circuit Court
Jackson Hospital
Northwest Florida Regional Housing
Authority
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Alford ⁴
Town of Grand Ridge ⁴
Town of Sneads ^{1,4}

JEFFERSON COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

LAFAYETTE COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

Tax Collector
Town of Mayo ^{3,4}

LAKE COUNTY

Board of County Commissioners
City of Eustis
City of Minneola ^{2,4}
City of Tavares ⁴
City of Umatilla ⁴
Clerk of Circuit Court
Lake-Sumter State College
Oklawaha Basin Recreation and Water
Conservation District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Astatula
Town of Montverde ⁴

LEE COUNTY

Alva Fire and Rescue Service District
Bayshore Fire Protection and Rescue
Service District
Board of County Commissioners
Bonita Springs Fire and Rescue
Cape Coral Charter School
Captiva Erosion Prevention District
Captiva Fire Control District
City of Bonita Springs
Clerk of Circuit Court
East County Water Control District
Florida SouthWestern State College
Fort Myers Beach Fire Control District
Fort Myers Beach Library District
Fort Myers Beach Mosquito Control
Fort Myers Shores Fire Department
Goodwill Academies of Southwest Florida,
Inc.
Hyacinth Control District
Iona McGregor Fire Protection and Rescue
Service
Lee County Metropolitan Planning
Organization
Lee County Mosquito Control District
Lee Soil and Water Conservation District
Lehigh Acres Fire Control and Rescue
District
Matlacha-Pine Fire District
North Fort Myers Fire Control District
Property Appraiser
Public Risk Management of Florida
San Carlos Fire Protection and Rescue
District
Sanibel Fire Control District
School Board
Sheriff
South Trail Protection and Rescue Service
District
Southwest Florida Expressway Authority
Southwest Florida Regional Planning
Council
Supervisor of Elections
Tax Collector
Tice Fire and Rescue District

LEON COUNTY

Board of County Commissioners
CK Steele-Leroy Collins Community
Charter Middle School
Clerk of Circuit Court
Florida Clerk of Court Operations
Corporation
Florida Commission on Community
Service
Property Appraiser
The School of Arts and Sciences
Foundation, Inc.
School Board
Sheriff
Stars Middle School
Supervisor of Elections
Tallahassee Community College
Tallahassee Housing Authority
Tallahassee-Leon County Civic Center
Tax Collector

LEVY COUNTY

Board of County Commissioners
City of Cedar Key ¹
City of Chiefland
City of Fanning Springs
Clerk of Circuit Court
Levy County Housing Authority
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Inglis ^{1,4}
Town of Yankeetown ⁴
Whispering Winds Charter School

LIBERTY COUNTY

Board of County Commissioners
City of Bristol ⁴
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

MADISON COUNTY

Aucilla Area Solid Waste Administration
Board of County Commissioners
Clerk of Circuit Court
James Madison Preparatory High
School
North Florida Community College
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Greenville ⁴

MANATEE COUNTY

Board of County Commissioners
Braden River Fire Control and Rescue
Bradenton Downtown Development
Cedar Hammock Fire Control District
Central Community Redevelopment
Agency

City of Anna Maria
City of Bradenton ^{3,4}
City of Holmes Beach ⁴
Clerk of Circuit Court
Manatee County Housing Authority
Manatee County Mosquito Control District
Myakka City Fire Department
Palmetto Charter School, Inc.
Parrish Fire Control District
Peace River/Manasota Regional Water
Supply Authority
Property Appraiser
School Board
Sheriff
State College of Florida, Manatee-
Sarasota
Supervisor of Elections
Tax Collector
Town of Longboat Key ²
West Manatee Fire and Rescue District

MARION COUNTY

Board of County Commissioners
College of Central Florida
City of Dunnellon
Clerk of Circuit Court
Francis Marion Military Academy
Marion Charter School
Property Appraiser
Rainbow Lakes Municipal Service
School Board
Sheriff
Supervisor of Elections
Tax Collector

MARTIN COUNTY

Board of County Commissioners
City of Stuart
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

MIAMI - DADE COUNTY

The Children's Trust
City of Doral ¹
City of Florida City ^{1,4}
City of Miami Gardens ^{1,3,4}
City of North Bay Village ^{1,4}
City of North Miami ³
City of North Miami Beach ³
City of Opa-Locka ^{1,4}
City of Sunny Isles Beach
City of West Miami ^{1,4}
Clerk of Circuit Court
Coral Reef Montessori Charter School
Dade County Industrial Development
Authority
Miami Beach Housing Authority
Miami-Dade College
Miami-Dade County
Miami-Dade County Expressway Authority
Miami-Dade Police Department
Property Appraiser
Public Health Trust Jackson Memorial
School Board

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

SIATech Miami-Dade
Supervisor of Elections
Tax Collector
Town of Cutler Bay
Town of Miami Lakes ^{1,3,4}
Village of Biscayne Park ^{1,4}
Village of El Portal ^{1,4}

MONROE COUNTY

Board of County Commissioners
City of Key Colony Beach ^{1,4}
City of Marathon ³
Clerk of Circuit Court
Florida Keys Aqueduct Authority
Florida Keys Community College
Florida Keys Mosquito Control District
Islamorada, Village of Islands
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

NASSAU COUNTY

Amelia Island Mosquito Control
Board of County Commissioners
City of Fernandina Beach ³
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Callahan ^{3,4}
Town of Hilliard ^{3,4}

OKALOOSA COUNTY

Board of County Commissioners
City of Niceville ^{1,2,4}
City of Valparaiso
Clerk of Circuit Court
Liza Jackson Preparatory School
Northwest Florida State College
Okaloosa County Gas District
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Shalimar

OSCEOLA COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

ORANGE COUNTY

Board of County Commissioners
Central Florida Regional Transit Authority
City of Edgewood
City of Maitland
Clerk of Circuit Court
Florida Virtual High School
Greater Orlando Aviation Authority ²

Lake Apopka Natural Gas District
Nap Ford Community School
Office of the Comptroller
Orlando-Orange County Expressway
Authority
Orlando Science Elementary School
Orlando Science Middle/High School
Property Appraiser
Reedy Creek Improvement District
Rio Grand Charter School of Excellence
School Board
Sheriff
Supervisor of Elections
Tax Collector
Valencia College

PALM BEACH COUNTY

Board of County Commissioners
Clerk of Circuit Court
Harmony Neighborhood School, Inc.
New Dimensions High School
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

PASCO COUNTY

Acme Improvement District
Board of County Commissioners
Charter Schools of Boynton Beach
City of Atlantis ^{1,4}
City of Boca Raton ³
City of Boynton Beach ³
City of Greenacres
City of Pahokee
City of Palm Beach Gardens ^{3,4}
City of South Bay ³
Clerk of Circuit Court
Day Star Academy of Excellence
Florida Inland Navigation District
Good Schools for All Leadership
Academy
G-STAR School of the Arts for Motion
Pictures and Television
Gulf Stream Goodwill Academies, Inc.
Indian Trail Improvement District
Inlet Grove Community High School,
Inc.
Lake Worth Drainage District
Loxahatchee Groves Water Control
District
Palm Beach State College
Palm Beach County Solid Waste
Authority
Palm Beach Soil and Water
Conservation
Palm Beach Workforce Development
Consortium
Port of Palm Beach
Property Appraiser
Riviera Beach Maritime Academy
School Board
Shawano Drainage District
Sheriff
South Florida Conservancy

South Florida Water Management District
South Indian River Water Control District
South Tech Charter Academy, Inc.
Supervisor of Elections
Survivors Charter School
Tax Collector
Town of Haverhill ⁴
Town of Highland Beach ^{1,3,4}
Town of Juno Beach ^{1,4}
Town of Jupiter ^{3,4}
Town of Ocean Ridge ^{1,3,4}
Town of Palm Beach Shores ^{1,2,4}
Town of South Palm Beach ^{1,4}
Village of Tequesta
Village of Palm Springs ^{1,3,4}
Village of Wellington ^{3,4}
Western Academy Charter School

PINELLAS COUNTY

Board of County Commissioners
City of Dade City
City of New Port Richey ⁴
City of Port Richey
City of San Antonio ⁴
City of Zephyrhills ^{1,2,4}
Clerk of Circuit Court
Pasco County Housing Authority
Pasco County Mosquito Control District
Pasco-Hernando State College
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

SAN PETER COUNTY

Board of County Commissioners
City of Belleair Beach
City of Dunedin
City of Indian Rocks Beach
City of Madeira Beach ^{2,4}
City of Oldsmar
City of Safety Harbor
City of Seminole ^{3,4}
City of South Pasadena
City of Treasure Island ^{1,2}
Clerk of Court
Juvenile Welfare Board
Lealman Special Fire Control District
Palm Harbor Special Fire Control District
Pinellas County Planning Council
Pinellas Housing Authority
Pinellas MYcroSchool of Integrated
Academics and Technologies
Pinellas Park Water Management District
Pinellas Suncoast Fire and Rescue District
Pinellas-Suncoast Transit Authority
Property Appraiser
Saint Petersburg College
School Board
Sheriff
Supervisor of Elections
Tampa Bay Regional Planning Council
Tampa Bay Water
Tax Collector
Town of Indian Shores ³
Town of Kenneth City ¹

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

Town of North Redington Beach ⁴
Town of Redington Beach
Town of Redington Shores ^{3,4}

POLK COUNTY

Berkley Accelerated Middle School
Berkley Charter School
Board of County Commissioners
Clerk of Circuit Court
Compass Charter Middle School
Dale R. Fair Babson Park Elementary
School
Discovery Academy of Lake Alfred
Edward W. Bok Academy, Inc.
Hillcrest Elementary School
Janie Howard Wilson Elementary School
Lake Wales Charter School, Inc.
Lake Wales Senior High School
McKeel Academy of Technology
McKeel Elementary Academy, Inc.
New Beginnings High School, Inc.
Oaks Middle Academy
Our Children's Middle Academy
Polk Avenue Elementary School
Polk State College
Property Appraiser
Ridgeview Global Studies Academy
School Board
Sheriff
South McKeel Elementary
Academy, Inc.
Supervisor of Elections
Tax Collector
Town of Polk City ⁴
Village of Highland Park ⁴

PUTNAM COUNTY

Board of County Commissioners
Clerk of Circuit Court
Property Appraiser
Putnam Academy of Arts and Sciences
Saint Johns River State College
Saint Johns River Water Management
District
School Board
Sheriff
Supervisor of Elections
Tax Collector

SAINT JOHNS COUNTY

Able School, Inc.
Anastasia Mosquito Control District
Board of County Commissioners
City of Saint Augustine Beach
Clerk of Circuit Court
Property Appraiser
Saint Augustine-Saint Johns County Airport
Authority
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Hastings ⁴

SAINT LUCIE COUNTY

Board of County Commissioners
Children's Service Council of Saint Lucie
City of Port Saint Lucie ³

Clerk of Circuit Court
Indian River State College
*North Saint Lucie River Water
Management District*
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

SANTA ROSA COUNTY

Avalon Fire Rescue District
Board of County Commissioners
City of Gulf Breeze
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Jay ^{3,4}

SARASOTA COUNTY

Board of County Commissioners
City of North Port ^{3,4}
City of Venice ^{3,4}
Clerk of Circuit Court
Englewood Area Fire Control District
Englewood Water District
Goodwill Manasota Academy, Inc.
Property Appraiser
Sarasota Bay Estuary Program
Sarasota-Manatee Metropolitan
Planning Organization
Sarasota Military Academy
School Board
Sheriff
Student Leadership Academy of
Venice, Inc.
Supervisor of Elections
Tax Collector
West Coast Inland Navigation District

SEMINOLE COUNTY

Board of County Commissioners
City of Altamonte Springs
City of Casselberry
City of Longwood
City of Sanford ^{3,4}
Clerk of Circuit Court
Property Appraiser
School Board
Seminole State College of Florida
Sheriff
*South Seminole-North Orange
Wastewater Authority*
Supervisor of Elections
Tax Collector

SUMTER COUNTY

Board of County Commissioners
City of Bushnell
City of Center Hill ^{1,4}
City of Coleman ^{1,3,4}
City of Webster ^{1,3,4}
City of Wildwood
Clerk of Circuit Court

Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector

SUWANNEE COUNTY

Board of County Commissioners
City of Live Oak
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Suwannee River Water Management
District
Suwannee Valley Transit Authority
Tax Collector

TAYLOR COUNTY

Big Bend Water Authority
Board of County Commissioners
City of Perry ^{3,4}
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Taylor Coastal Water and Sewer District
Taylor County Development Authority

UNION COUNTY

Board of County Commissioners
City of Lake Butler ^{3,4}
Clerk of Circuit Court
New River Library Cooperative
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Union County Housing Authority

VOLUSIA COUNTY

Board of County Commissioners
City of Daytona Beach ^{3,4}
City of Daytona Beach Shores ¹
City of Deltona ⁴
City of Holly Hill ⁴
City of Lake Helen
City of New Smyrna Beach ³
City of Oak Hill ^{1,4}
City of Orange City
City of South Daytona ^{1,2,4}
Clerk of Circuit Court
Daytona State College
New Smyrna Beach Utilities Commission
Property Appraiser
School Board
Sheriff
Southeast Volusia Hospital District
Supervisor of Elections
Tax Collector
Town of Pierson ⁴
Town of Ponce Inlet ^{1,2,4}
Volusia County Law Library

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

Volusia County Metropolitan Planning
Organization
Volusia Soil and Water Conservation District

WAKULLA COUNTY

Board of County Commissioners
City of Sopchoppy ⁴
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Wilderness Coast Libraries

WALTON COUNTY

Board of County Commissioners
City of DeFuniak Springs
City of Freeport ^{2,3,4}
Clerk of Circuit Court
Property Appraiser
School Board
Seaside Neighborhood Charter School
Sheriff
South Walton Mosquito Control District
Supervisor of Elections
Tax Collector
Walton Academy

WASHINGTON COUNTY

Board of County Commissioners
City of Chipley
City of Vernon ^{3,4}
Clerk of Circuit Court
Property Appraiser
School Board
Sheriff
Supervisor of Elections
Tax Collector
Town of Wausau ^{3,4}

SUMMARY

State	45
State Universities	12
County Agencies	396
School Boards	67
Community Colleges	28
Cities	186
Independent Hospitals	6
Special Districts	262
<u>Other</u>	<u>12</u>
Total	1,014*

* This total includes the 26 cities,
five independent hospitals, and
12 independent special districts that are
closed to new FRS members as of
Jan. 1, 1996.

Note: Italicized agencies withdrew from the FRS effective Jan. 1, 1996, and, new employees hired on or after this date do not participate in the FRS.

¹ This agency participates in the FRS for its police employees.

² This agency participates in the FRS for its fire employees.

³ This agency participates in the FRS for its elected officials.

⁴ This agency participates in the FRS for its general employees.

POLICE AND FIREFIGHTERS' PREMIUM TAX TRUST FUND

The Division of Retirement's Municipal Police Officers' and Firefighters' Retirement Trust Funds' Office is responsible for the administrative oversight and monitoring of local police and fire pension funds in the State of Florida that participate under Chapters 175 and 185, Florida Statutes. Chapter 175 refers to the firefighters' plans and Chapter 185 refers to the police officers' plans.

These statutes require defined benefit plans for police officers and firefighters and establish the minimum benefits and standards that must be provided. Two types of plans operate under these statutes:

- **Chapter Plans** – plans that incorporate by reference the provisions of the chapter to meet the minimum benefits and standards of the Florida Statutes.
- **Local Law Plans** – plans that are created by a special act, local ordinance, or fire district resolution to set forth all the plan provisions. Local Law plans must meet all chapter minimums but may adopt benefits in excess of the chapter provisions.

For both types of plans, the respective boards of trustees created at the local level are responsible for the day-to-day operational control of the individual trust funds and subject to regulatory oversight by the Division of Retirement.

Participating cities and special fire control districts are eligible to receive annual distributions of state premium tax collections on property and casualty insurance policies written within the city limits or special fire district boundaries of the participating plan. The amount of premium taxes collected under Chapter 175 is equal to 1.85 percent of all property insurance written within the city limits or special fire district boundaries of the participating plan. Chapter 185 collects a 0.85 percent tax on all casualty insurance premiums written within the city limits of the participating plan. The Department of Revenue collects these amounts from the state's property and casualty insurers as reported on the DR-908 tax form and transfers them to the Police and Firefighters' Premium Tax Trust Fund. These funds are then available for distribution to the participating pension plans on an annual basis, once the plan has demonstrated compliance with all applicable statutory requirements.

Additional sources of funding for these plans are provided by employee contributions, employer contributions, investment returns and other revenue sources. The city or special fire district sponsoring the pension plan is required to meet any contribution funding deficiency shown by the plan's actuarial valuation.

The Division of Retirement also provides a local government annual report each year to the Legislature which details the activities, findings and recommendations concerning all local government sponsored retirement systems.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited in accordance with 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 financial statements of the fiduciary funds and governmental activities of the Florida Retirement System Pension Plan and Other State-Administered Systems (System) administered by the Florida Department of Management Services, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Systems's basic financial statements, and have issued our report thereon dated February 27, 2015, included under the heading INDEPENDENT AUDITOR'S REPORT. Our report includes a reference to other auditors who audited the assets and investment income of the Florida Retirement System Defined Benefit Plan. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the System'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 System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA

February 27, 2015

Audit Report No. 2015-110

NOTES

NOTES

NOTES

