



# Florida Retirement System Pension Plan And Other State Administered Systems

Comprehensive Annual Financial Report  
**FISCAL YEAR ENDED JUNE 30, 2019**



# Florida Retirement System Pension Plan And Other State Administered Systems

## Comprehensive Annual Financial Report

**Fiscal Year Ended June 30, 2019**



**Bridge of Lions in Saint Augustine, FL**

Division of Retirement  
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Ron DeSantis, Governor  
Jonathan Satter, Secretary  
David DiSalvo, State Retirement Director

**This report has been prepared by the Department of Management Services Division of Retirement. The photographs used throughout this report highlight various bridges throughout the State of Florida and were provided by the Florida Department of Transportation. On the cover is a photograph of the Dames Point Bridge which is located in Jacksonville, Florida.**

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## INTRODUCTORY SECTION



Sunshine Skyway Bridge in Tampa, FL

## Letter of Transmittal

Dear Members:

We are pleased to present the 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, 2018, through June 30, 2019. It includes the operations and financial status of the state retirement systems administered by the Division, a summary description of the retirement plans, investment objectives and policy, actuarial reports, and historical and statistical information on active members, annuitants and benefit payments. 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 three separate defined benefit pension plans: the Florida Retirement System (FRS) Pension Plan, the Retiree Health Insurance Subsidy Program, and the Florida National Guard Supplemental Retirement Plan; 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 fourth largest state retirement system that provides retirement, disability or death benefits to 424,895 retirees or their designated beneficiaries and 32,670 Deferred Retirement Option Program (DROP) participants and offers a wide range of information services to 647,942 active 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, 2019, the FRS had 976 participating employers enrolling new members and 44 participating employers closed to new FRS membership with grandfathered FRS members.

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. The Florida National Guard Supplemental Retirement Benefit Program is accounted for separately as a stand-alone pension plan. Oversight is provided to local government pension plans with premium tax collections distributed to eligible municipal police and firefighter 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, 2019, the market value of assets for the FRS Pension Plan was approximately \$163.1 billion as detailed in the Investment Section. This reflects a 6.26 percent annualized investment return. The fiduciary net position as of June 30, 2019, was \$163.6 billion, a 1.5 percent increase over the previous year. The FRS Pension Plan is 82.6 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 2019 Legislative Session:

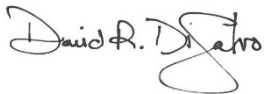
- Created an in-line-of-duty presumption causation of total and permanent disability or survivor benefits for firefighters due to 21 specified cancers or the treatment of one of these cancers for benefits payable on or after July 1, 2019.

## Awards and Recognition

The FRS was awarded the Public Pension Coordinating Council's Public Pensions Standards Award for Funding and Administration in 2019. 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 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 "David R. DiSalvo". The signature is stylized with a large, looped "D" and "S".

David R. DiSalvo  
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:



Jonathan Satter  
Secretary



David DiSalvo  
State Retirement Director



Shirley Beauford  
Assistant State  
Retirement Director



Vacant, Chief  
Administrative Services



Garry Green, Chief  
Research and Education



Vacant, Chief  
Contact Center



Kathy Gould, Chief  
Bureau of  
Retirement Calculations



Keith Brinkman, Chief  
Bureau of Local  
Retirement Systems



Joyce Morgan, Chief  
Bureau of Enrollment  
and Contributions

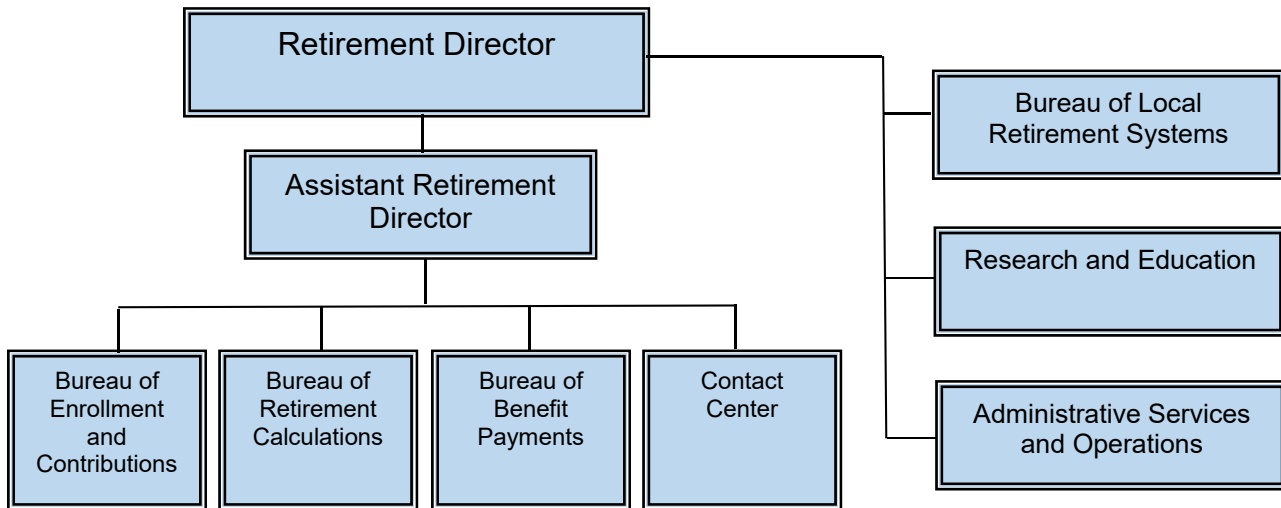


Kelly Recio, Chief  
Bureau of Benefit Payments

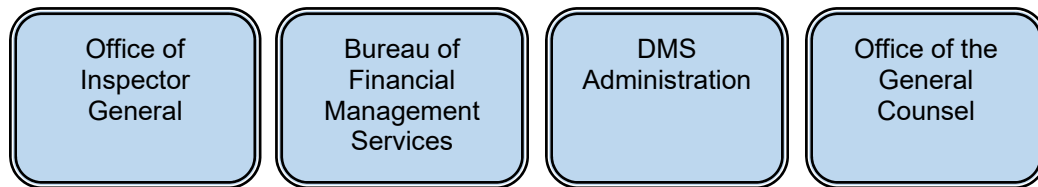
## MAILING ADDRESS

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

**ADMINISTRATIVE ORGANIZATION  
as of June 30, 2019**



**The following sections are managed at the department level:**



**CONSULTING SERVICES**

**Actuary**

Milliman, Inc., Consultants and Actuaries  
Portland, Oregon

**Information Technology**

Deloitte  
Tallahassee, Florida

**Investment**

State Board of Administration  
Tallahassee, Florida

## TERMS AND ABBREVIATIONS

This annual report contains the following terms and abbreviations:

**ABO** – Accumulated Benefit Obligation.

**Accumulated Contributions** – The total amount of contributions posted to the accounts of active members over their employment career, including interest on the contributions for members of the Teachers' Retirement System.

**Active Member** – Any employee on the May or June payroll who had not retired or had not been refunded accumulated contributions as of June 30.

**ADC** – Actuarially Determined Contribution.

**AFC** – Average Final Compensation.

**Annualized Benefits** – The monthly benefit paid on June 30 multiplied by 12.

**Annual Payroll** – The total salaries paid during the fiscal year to the members indicated.

**Annuitant** – Retired person or the survivor of a retired person who is receiving monthly benefits.

**AVA** – Actuarial Value of Assets.

**CAFR** – Comprehensive Annual Financial Report.

**COLA** – Cost-of-Living Adjustment.

**Combined Systems** – Teachers' Retirement System, State and County Officers and Employees' Retirement System, Highway Patrol Pension Trust Fund, Judicial Retirement System, and the Florida Retirement System since 1970.

**Division** – Division of Retirement, Department of Management Services.

**DMS** – Department of Management Services.

**DROP** – Deferred Retirement Option Program.

**FRS** – Florida Retirement System.

**REGULAR** – Regular Class.

**SPECIAL RISK** – Special Risk Class.

**SPECIAL RISK ADM. SUP.** – Special Risk Administrative Support Class.

**EOC** – Elected Officers' Class.

**SMSC** – Senior Management Service Class.

**FRS DB Plan** – Florida Retirement System Defined Benefit Plan, also known as the Florida Retirement System Pension Plan.

**FRS DC Plan** – Florida Retirement System Defined Contribution Plan, also known as the Florida Retirement System Investment Plan.

**GAAP** – Generally Accepted Accounting Principles.

**GASB** – Governmental Accounting Standards Board.

**HIS** – Health Insurance Subsidy.

**HWY PATROL** – Highway Patrol Pension Fund.

**IFAS** – Institute of Food and Agricultural Sciences.

**JRS** – Judicial Retirement System.

**MVA** – Market Value of Assets.

**National Guard** – Florida National Guard Supplemental Retirement Benefit Program.

**NPL** – Net Pension Liability – The difference between the total pension liability of the system and the assets.

## **TERMS AND ABBREVIATIONS (continued)**

**OPEB** – Other Postemployment Benefits.

**Retirees** – Retired members (includes joint annuitants or survivors).

**SBA** – State Board of Administration.

**SCCSORP** – State Community College System Optional Retirement Program.

**SCOERS** – State and County Officers and Employees' Retirement System.

**SMSOAP** – Senior Management Service Optional Annuity Program.

**SUSORP** – State University System Optional Retirement Program.

**TRS** – Teachers' Retirement System

**TRS-SB** – Teachers' Retirement System Survivor Benefits.

**UAL** – Unfunded Actuarial Liability – The difference between the plan's actuarial value of assets and the actuarial value of liabilities as of the measurement date.



Public Pension Coordinating Council

***Public Pension Standards Award For  
Funding and Administration  
2019***

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*

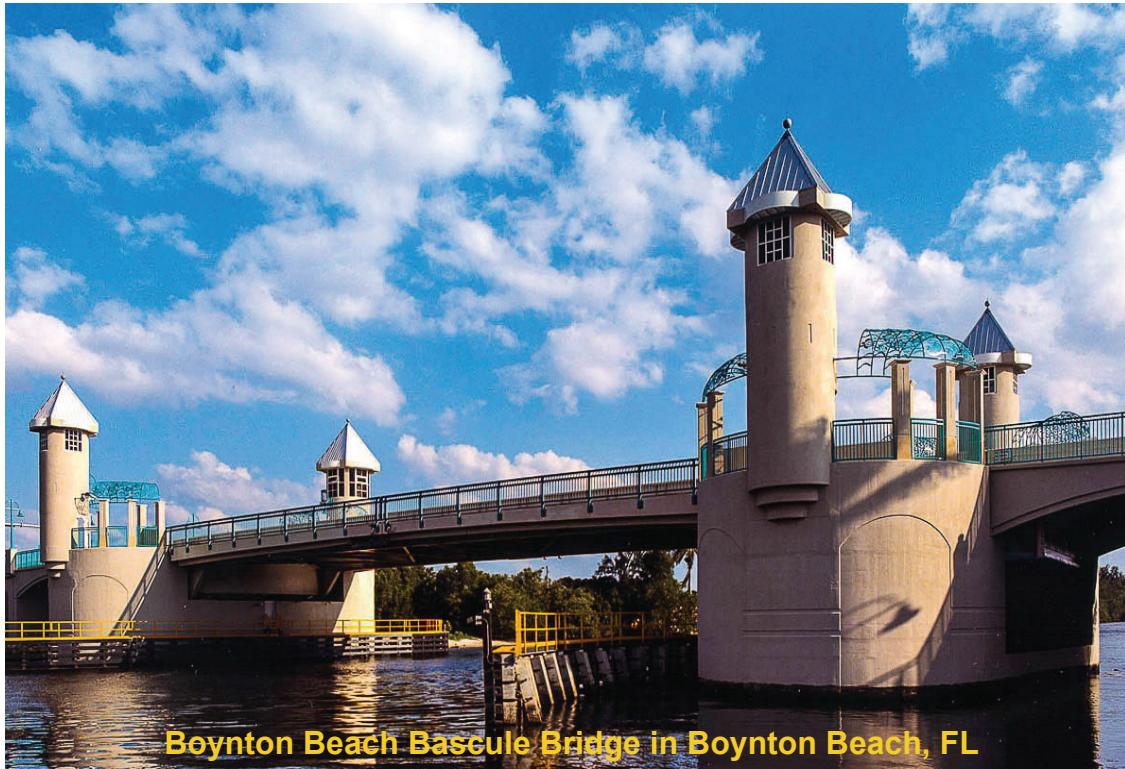
National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator



## FINANCIAL SECTION



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Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
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, governmental fund, 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, 2019, 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 Benefit Plan which represent 99.7 percent of the assets and 70.5 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 Benefit 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, governmental fund, and governmental activities of the System, as of June 30, 2019, 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, 2019, 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.

As discussed in Management's Discussion and Analysis, the ability of the current statutory contribution rate to pay full Retiree Health Insurance Subsidy 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. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 20 through 26, the Required Supplementary Schedules of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Money-Weighted Rate of Return, Schedule of Proportionate Share of the State's Total OPEB Liability, and related Notes to Required Supplementary Information on pages 86 through 99, and required budgetary information on pages 100 through 101, 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 and Other 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 7 through 14, the Investment, Actuarial, Statistical, and System Summary Sections on pages 105 through 195, and the Schedule of Administrative Expenses on page 104, 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 as a whole.

The Introductory, Investment, 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 dated January 3, 2020, 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely 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 the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 3, 2020  
Audit Report No. 2020-089

## 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, 2019. This section should be read in conjunction with the financial statements and other information provided in this Comprehensive Annual Financial Report (CAFR).

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 employers and their covered 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 a defined benefit plan for reporting 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;
- Florida National Guard Supplemental Retirement (National Guard) Plan; and
- Various General Revenue funded pension programs.

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 systems.

### Financial and Actuarial Highlights

#### *Florida Retirement System (FRS) Pension Plan*

The FRS Pension Plan represents 99.7 percent of the financial activity of the state-administered retirement systems. The following financial highlights relate specifically to the FRS Pension Plan:

- The overall financial position of the FRS Pension Plan increased during the year ended June 30, 2019; the fiduciary net position of the FRS Pension Plan increased to \$163.6 billion, an increase of \$2.4 billion, or 1.5 percent above fiscal year 2018. The increase in value was due primarily to investment returns. As detailed in the Investment Section, the market value of assets for the FRS Trust Fund was \$163.14 billion. The FRS earned an overall investment return of 6.26 percent for fiscal year 2019, compared with a return of 8.98 percent for fiscal year 2018.
- 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, 2019, the date of the latest actuarial valuation, the FRS' funded ratio was 84.2 percent on the valuation funding basis, as compared to 83.9 percent as of July 1, 2018. The funded ratio on the Governmental Accounting Standards Board Statement No. 67 basis was 82.6 percent as of July 1, 2019, as compared to 84.3 percent in the prior year.
- Administrative expense of the plan for fiscal year 2019 totaled \$19.6 million as compared to \$20.2 million for fiscal year 2018. Administrative expenses reported on the Statement of Changes in Fiduciary Net Position for fiscal year 2019 include items such as personnel and professional service cost, communication cost, and other operating costs which include administrative overhead assessment 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 2019 totaled \$3.85 billion, an increase of 7.15 percent over the prior year. The employers continue to be required to pay the full unfunded actuarial liability (UAL) rates recommended by the plan's consulting actuary. Increased membership and a higher payroll base, primarily in local government employers, accounts for the majority of the increase over the prior year.

- Pension benefits paid to retirees and beneficiaries during fiscal year 2019 increased 5.45 percent or \$0.5 billion more than fiscal year 2018 benefit payments, for a total of \$10.4 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 contributions decreased by \$1.0 million in fiscal year 2019 to a total of \$18.3 million.
- The investment return assumption used in calculating the FRS Pension Plan's net pension liability for GASB 67 reporting purposes was 6.90 percent, while the investment return assumption selected by the FRS Actuarial Assumption Conference and used for the funding policy was 7.20 percent. The system's consulting actuary determined the investment return assumption of 6.90 percent for GASB 67 reporting purposes to be reasonable and appropriate per Actuarial Standards of Practice. The consulting actuary prepared a depletion date projection and determined that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments. A description of the change in the investment return assumption for GASB 67 reporting purposes is provided in Note 4.A. of the financial statements. The depletion date projection is available in the 2019 GASB 67 Supplement to the FRS Actuarial Valuation on the division's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

#### *Actuarial Valuations*

- The FRS actuarial valuation was prepared as of July 1, 2019.
- The HIS actuarial valuation was prepared as of July 1, 2018, and update procedures were used to determine liabilities as of July 1, 2019.
- The National Guard actuarial valuation was prepared as of July 1, 2018, and update procedures were used to determine liabilities as of July 1, 2019.

Note 4, the Required Supplementary Information and the Actuarial Section of this report provide information on the net pension liability, key methods and assumptions used, and other required disclosures for each of the defined benefit plans.

#### *Retiree Health Insurance Subsidy (HIS) Program*

The HIS Program provides a 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. Accumulated HIS assets as of the measurement date of July 1, 2019, constituted approximately seven 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 and the amount of payroll on which the statutory rate is charged.

#### *Florida National Guard Supplemental Retirement Benefit (National Guard) Plan*

The National Guard Plan is a single-employer, non-qualified defined benefit pension plan established under Section 250.22, Florida Statutes. The monthly benefit is equal to the difference between fifty percent of the federal military pay table rate for the highest rank held while in the Florida National Guard and the reservist pension benefit received from the federal government for military service. The plan is funded by an annual appropriation from the General Revenue Fund.

## **Overview of the Financial Statements**

As required by generally accepted accounting principles, the state administered retirement 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, 2019:

- 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, deferred outflows of resources, liabilities, deferred inflows of resources and resulting fiduciary net position, providing a measurement of the financial position 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 government-wide 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 on plan description, significant accounting policies, material account balances and activities, and related party transactions.

### ***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.

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

### ***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, deferred outflows of resources, liabilities, deferred inflows of resources and net position 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 years ended June 30, summarizing the activities of the various retirement funds. The net position at the close of the fiscal year for all funds combined was \$164.1 billion, with the defined benefit plans comprising 99.9 percent of the total. Net position increased 1.52 percent from the previous year's total net position of \$161.6 billion.

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

As of June 30  
(in thousands)

|                                            | Defined Benefit Plans |                       | Defined Contribution Plans |                 | Governmental Activities |                   | TOTAL                 |                       |
|--------------------------------------------|-----------------------|-----------------------|----------------------------|-----------------|-------------------------|-------------------|-----------------------|-----------------------|
|                                            | 2019                  | 2018                  | 2019                       | 2018            | 2019                    | 2018              | 2019                  | 2018                  |
| Cash and investments                       | \$ 165,882,930        | \$ 166,153,174        | \$ 6,421                   | \$ 5,350        | \$ 275,494              | \$ 262,270        | \$ 166,164,845        | \$ 166,420,794        |
| Other assets                               | 3,513,931             | 8,909,015             | 22                         | 11              | 8,355                   | 7,671             | 3,522,308             | 8,916,697             |
| Total assets                               | 169,396,861           | 175,062,189           | 6,443                      | 5,361           | 283,849                 | 269,941           | 169,687,153           | 175,337,491           |
| Total deferred outflow s of resources      | 881                   | 519                   | 36                         | 37              | 10                      | 11                | 927                   | 567                   |
| Total liabilities                          | 5,519,372             | 13,631,516            | 234                        | 236             | 78,539                  | 72,293            | 5,598,145             | 13,704,045            |
| Total deferred inflow s of resources       | 2,600                 | 1,847                 | 90                         | 83              | 198                     | 101               | 2,888                 | 2,031                 |
| <b>Fiduciary net position/net position</b> | <b>\$ 163,875,770</b> | <b>\$ 161,429,345</b> | <b>\$ 6,155</b>            | <b>\$ 5,079</b> | <b>\$ 205,122</b>       | <b>\$ 197,558</b> | <b>\$ 164,087,047</b> | <b>\$ 161,631,982</b> |

### 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. Table 2 presents the Condensed Statements of Changes in Fiduciary Net Position/Activities for the fiscal years ended June 30. 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 \$2.5 billion during the fiscal year. The FRS Pension Plan accounts for 96.8% of the increase.

**Table 2: Condensed Statements of Changes in Fiduciary Net Position/Activities**

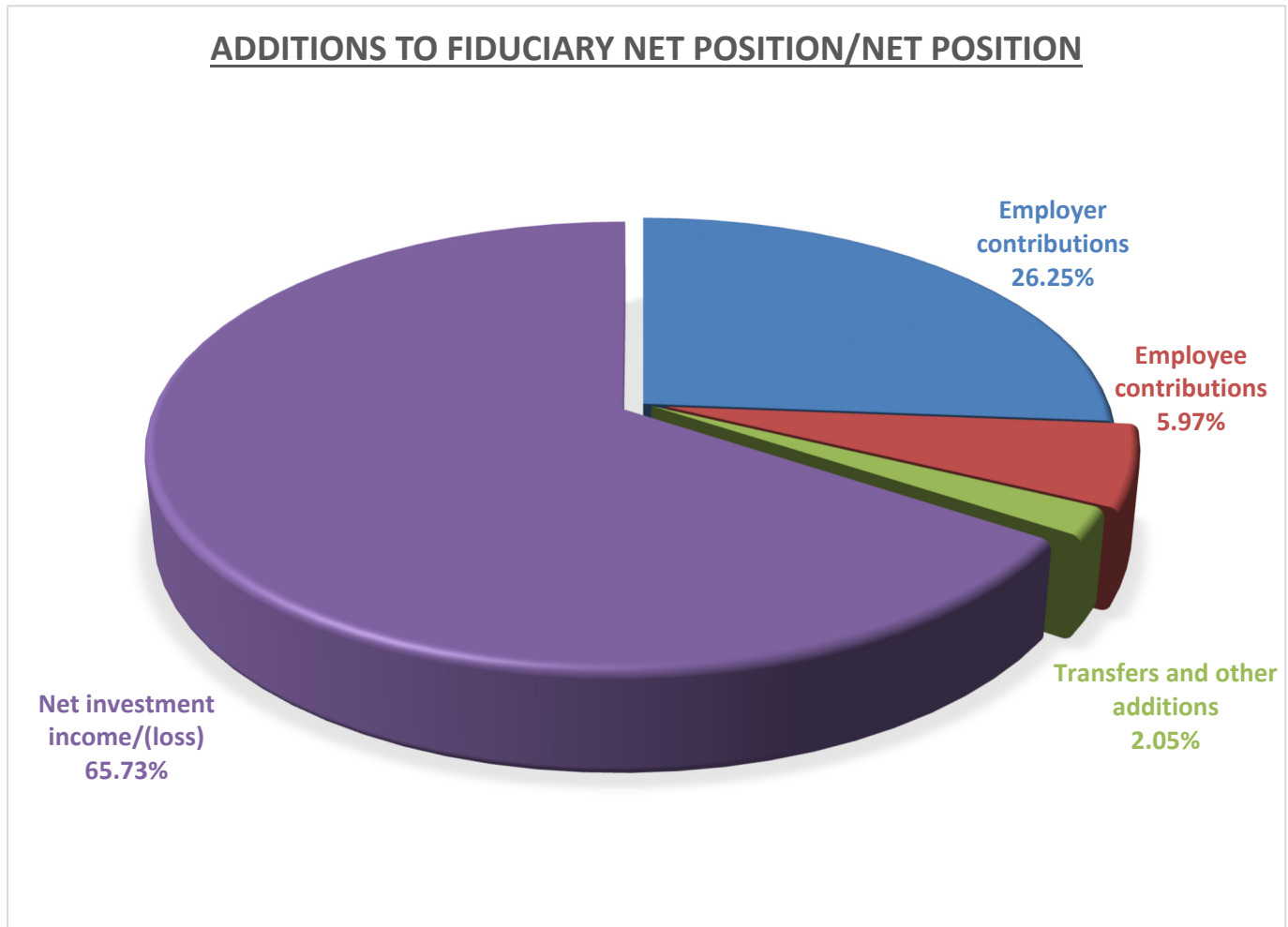
For the fiscal year ended June 30  
(in thousands)

|                                                     | Defined Benefit Plans |                       | Defined Contribution Plans |                 | Governmental Activities |                   | TOTAL                 |                       |
|-----------------------------------------------------|-----------------------|-----------------------|----------------------------|-----------------|-------------------------|-------------------|-----------------------|-----------------------|
|                                                     | 2019                  | 2018                  | 2019                       | 2018            | 2019                    | 2018              | 2019                  | 2018                  |
| <b>Additions/Revenues</b>                           |                       |                       |                            |                 |                         |                   |                       |                       |
| Employer contributions                              | \$ 3,656,012          | \$ 3,392,222          | \$ 104,280                 | \$ 98,390       | \$ -                    | \$ -              | \$ 3,760,292          | \$ 3,490,612          |
| Employee contributions                              | 753,008               | 746,607               | 102,080                    | 97,024          | -                       | -                 | 855,088               | 843,631               |
| Premium taxes                                       | -                     | -                     | -                          | -               | 189,355                 | 181,671           | 189,355               | 181,671               |
| Transfers and other additions                       | 104,011               | 89,091                | 197                        | 190             | -                       | -                 | 104,208               | 89,281                |
| Net investment income/(loss)                        | 9,412,437             | 13,956,080            | 327                        | 93              | 4,033                   | 2,567             | 9,416,797             | 13,958,740            |
| <b>Total additions/revenues</b>                     | <b>13,925,468</b>     | <b>18,184,000</b>     | <b>206,884</b>             | <b>195,697</b>  | <b>193,388</b>          | <b>184,238</b>    | <b>14,325,740</b>     | <b>18,563,935</b>     |
| <b>Deductions/Expenses</b>                          |                       |                       |                            |                 |                         |                   |                       |                       |
| Benefit payments                                    | 10,875,837            | 10,339,388            | -                          | -               | -                       | -                 | 10,875,837            | 10,339,388            |
| Refunds of contributions                            | 18,326                | 19,325                | -                          | -               | -                       | -                 | 18,326                | 19,325                |
| Payments to annuity companies                       | -                     | -                     | 205,597                    | 195,287         | -                       | -                 | 205,597               | 195,287               |
| Distributions to cities                             | -                     | -                     | -                          | -               | 160,059                 | 147,698           | 160,059               | 147,698               |
| Administrative expenses                             | 19,821                | 20,353                | 211                        | 122             | 857                     | 923               | 20,889                | 21,398                |
| Transfers and other deductions                      | 565,059               | 597,010               | -                          | -               | 24,908                  | 24,569            | 589,967               | 621,579               |
| <b>Total deductions/expenses</b>                    | <b>11,479,043</b>     | <b>10,976,076</b>     | <b>205,808</b>             | <b>195,409</b>  | <b>185,824</b>          | <b>173,190</b>    | <b>11,870,675</b>     | <b>11,344,675</b>     |
| <b>Change in net position</b>                       | <b>2,446,425</b>      | <b>7,207,924</b>      | <b>1,076</b>               | <b>288</b>      | <b>7,564</b>            | <b>11,048</b>     | <b>2,455,065</b>      | <b>7,219,260</b>      |
| Fiduciary net position/net position - beginning     | 161,429,345           | 154,221,421           | 5,079                      | 4,791           | 197,558                 | 186,510           | 161,631,982           | 154,412,722           |
| <b>Fiduciary net position/net position - ending</b> | <b>\$ 163,875,770</b> | <b>\$ 161,429,345</b> | <b>\$ 6,155</b>            | <b>\$ 5,079</b> | <b>\$ 205,122</b>       | <b>\$ 197,558</b> | <b>\$ 164,087,047</b> | <b>\$ 161,631,982</b> |

The following charts provide a visual representation of activity for all state-administered retirement funds for the fiscal year ended June 30, 2019:

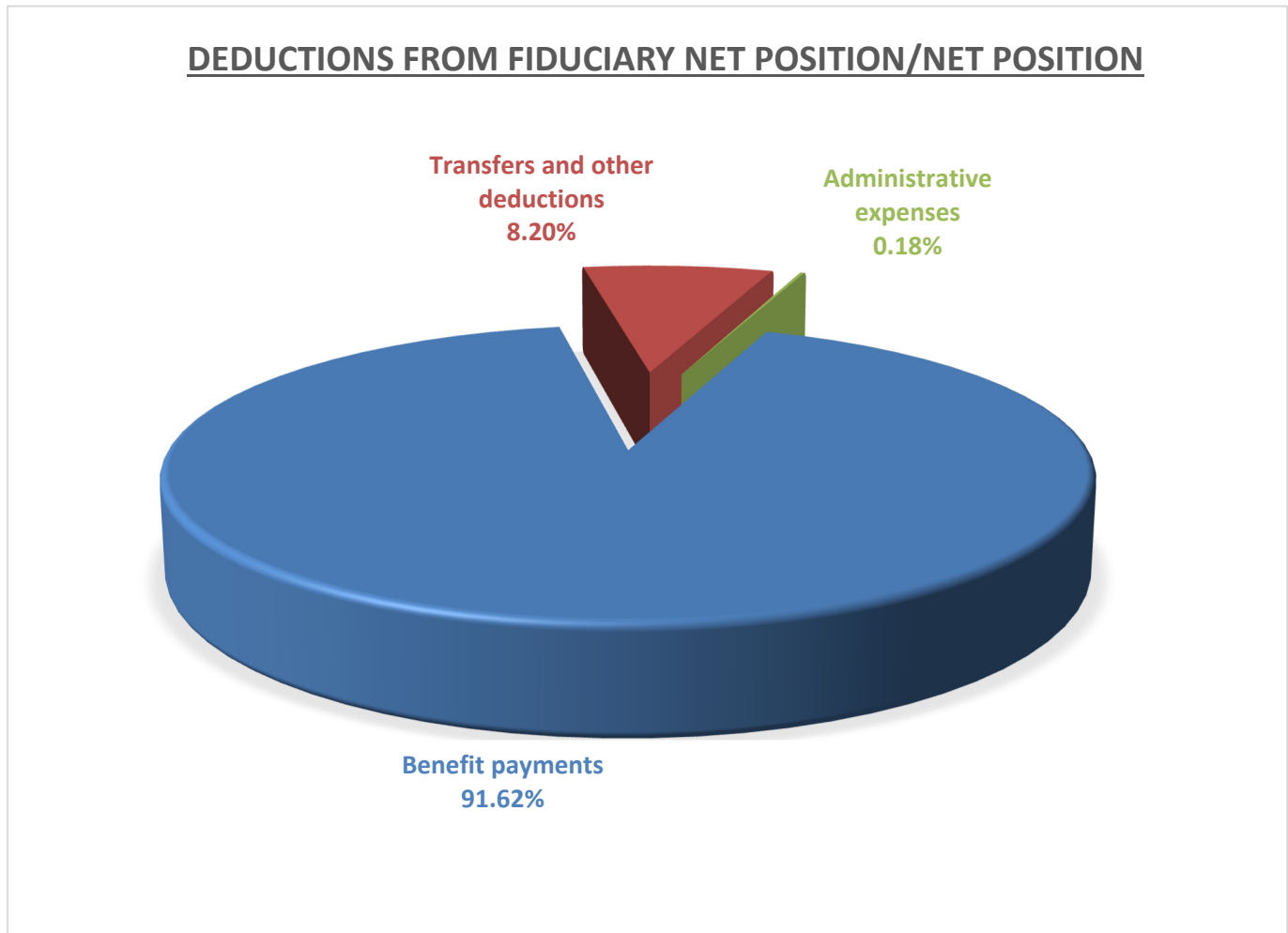
#### **Additions to Fiduciary Net Position/Net Position**

Of the total additions of \$14.3 billion for all state-administered retirement funds during the fiscal year, 65.73 percent was attributable to net investment income of \$9.42 billion. Employer and employee contributions represent 26.25 percent and 5.97 percent, respectively, while the remaining 2.05 percent was allocated between transfers and other additions.



## Deductions from Fiduciary Net Position/Net Position

Of the total deductions of \$11.9 billion for all state-administered retirement funds during the fiscal year, benefit payments account for the majority of deductions from fiduciary net position, comprising 91.62 percent or \$10.88 billion. Transfers and other deductions made up 8.20 percent of total deductions. Administrative expense represents only 0.18 percent of total deductions.



## Summary

The long-term financial health of all retirement plans is dependent upon several key items: future investment returns, contributions, and future benefit payments. In the defined contribution plans, the members bear the investment risk to insure adequate resources are available for retirement. For the FRS Pension Plan, a defined-benefit plan, the investment risk is held at the plan level. Annual valuations and experience studies performed every five years are utilized to measure the Pension Plan's actual economic and demographic experience compared to the plan's assumptions to determine the contribution level required to meet the long-term benefit obligations. 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 employee contributions as well as earning the assumed long-term rate of return on its investments are essential components of the division's funding plan to accumulate the assets needed to finance future retirement benefits.

The FRS Pension Plan's Fiduciary Net Position held in trust for pension benefits increased by 1.5 percent as of June 30, 2019, as compared to June 30, 2018. This increase primarily resulted from investment returns. The actual investment performance for the FRS Pension Plan for the fiscal year ended June 30, 2019 was 6.26 percent and 8.98 percent for the fiscal year ended June 30, 2018. The long-term average annual investment return assumption for the 2019 FRS Pension Plan valuation for GASB 67 reporting purposes was 6.90 percent and 7.00 percent for the 2018 FRS Pension Plan valuation. The amount of assets available to meet future obligations will be based on actual future investment returns and actual contributions received rather than the assumed future investment returns and assumed contributions.

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 fiduciary net position of the defined benefit pension plans. The results of these actuarial valuation reports are included in Note 4, Net Pension Liability, and the Required Supplementary Information and Actuarial Sections.

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plans pursuant to section 216.136(10), Florida Statutes. The division determines the investment return assumptions for GASB 67 reporting purposes. See Note 4 and the Actuarial Section for further information.

Assumptions changes adopted for the 2019 FRS Pension Plan Valuation included:

- Decreasing the assumed investment rate of return from 7.00 percent to 6.90 percent for GASB 67 reporting purposes, and
- Decreasing the assumed investment rate of return from 7.40 percent to 7.20 percent for funding purposes.

#### **Contacting the Division**

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, Research and Education Section, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706.

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# STATEMENT OF FIDUCIARY NET POSITION

as of June 30, 2019

|                                                            | Defined Benefit           |                                  |                |
|------------------------------------------------------------|---------------------------|----------------------------------|----------------|
|                                                            | Florida Retirement System | Retiree Health Insurance Subsidy | National Guard |
| <b>ASSETS</b>                                              |                           |                                  |                |
| Cash and cash equivalents                                  | \$ 94,879,899             | \$ -                             | \$ -           |
| State treasury investment pool                             | 66,298,067                | 32,237                           | 20,500         |
| Total cash and cash equivalents                            | 161,177,966               | 32,237                           | 20,500         |
| <u>Investments</u>                                         |                           |                                  |                |
| Certificates of deposit                                    | 324,979,952               | -                                | -              |
| U.S. government and federally guaranteed obligations       | 13,968,173,821            | -                                | -              |
| Federal agencies                                           | 8,366,295,579             | -                                | -              |
| Commercial paper                                           | 3,121,322,011             | -                                | -              |
| Repurchase agreements                                      | 800,000,000               | -                                | -              |
| International bonds and notes                              | 2,057,939,983             | -                                | -              |
| Bonds and notes                                            | 7,386,905,434             | -                                | -              |
| Real estate contracts                                      | 12,095,896,850            | -                                | -              |
| International equity commingled                            | 8,401,272,966             | -                                | -              |
| Short term investment funds                                | 54,943,837                | 249,471,380                      | -              |
| Domestic equity/domestic equity commingled                 | 48,025,526,283            | -                                | -              |
| Alternative investment                                     | 27,783,999,898            | -                                | -              |
| International equity                                       | 32,463,860,373            | -                                | -              |
| Other investments                                          | 115,326,012               | -                                | -              |
| Total investments                                          | 164,966,442,999           | 249,471,380                      | -              |
| <u>Receivables</u>                                         |                           |                                  |                |
| Accounts receivable                                        | 23,532,666                | 31,825                           | -              |
| Contributions receivable                                   | 238,365,049               | 40,581,805                       | -              |
| Interest receivable                                        | 156,302,749               | -                                | -              |
| Dividends receivable                                       | 246,926,293               | -                                | -              |
| Pending investment sales                                   | 2,641,277,407             | -                                | -              |
| Pending spot fx trades receivable                          | 93,338,707                | -                                | -              |
| Futures trade equity                                       | 16,115,567                | -                                | -              |
| Due from other funds                                       | 37,266,915                | 5,583,612                        | -              |
| Due from other funds within division                       | -                         | 6,385,045                        | -              |
| Total receivables                                          | 3,453,125,353             | 52,582,287                       | -              |
| Security lending collateral                                | 505,785,354               | -                                | -              |
| Prepaid items                                              | 7,716,037                 | -                                | -              |
| Furniture and equipment                                    | 1,259,098                 | -                                | -              |
| Accumulated depreciation                                   | (751,885)                 | -                                | -              |
| Total assets                                               | 169,094,754,922           | 302,085,904                      | 20,500         |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                           |                                  |                |
| Deferred outflows related to pension                       | -                         | -                                | -              |
| Deferred outflows related to other postemployment benefits | 880,765                   | -                                | -              |
| Total deferred outflows of resources                       | 880,765                   | -                                | -              |
| <b>LIABILITIES</b>                                         |                           |                                  |                |
| Accounts payable                                           | 127,799,926               | 35,152                           | -              |
| Benefits payable                                           | 805,664                   | 6,364                            | 6,507          |
| Accrued DROP liability                                     | 265,705,863               | -                                | -              |
| Due to other funds                                         | 12,312,750                | -                                | -              |
| Due to other funds within division                         | 6,385,045                 | -                                | -              |
| Due to other departments                                   | 6,045,624                 | -                                | 13,993         |
| Accrued interest payable                                   | 398,811                   | -                                | -              |
| Obligations under security lending agreements              | 537,065,576               | -                                | -              |
| Pending investment purchases                               | 4,137,778,151             | -                                | -              |
| Pending spot fx trades payable                             | 93,326,040                | -                                | -              |
| Broker rebate fees                                         | 2,076,037                 | -                                | -              |
| Short sell obligations - fixed income                      | 224,059,417               | -                                | -              |
| Compensated absences liability                             | 958,939                   | -                                | -              |
| Net pension liability                                      | -                         | -                                | -              |
| Other postemployment benefits liability                    | 13,161,211                | -                                | -              |
| Other liabilities                                          | 91,430,691                | -                                | -              |
| Total liabilities                                          | 5,519,309,745             | 41,516                           | 20,500         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                           |                                  |                |
| Deferred inflows related to pension                        | -                         | -                                | -              |
| Deferred inflows related to other postemployment benefits  | 2,599,725                 | -                                | -              |
| Total deferred inflows of resources                        | 2,599,725                 | -                                | -              |
| <b>FIDUCIARY NET POSITION</b>                              |                           |                                  |                |
| Restricted for pensions                                    | \$ 163,573,726,217        | \$ 302,044,388                   | \$ -           |

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

| Defined Contribution                                      |                                                          |                           |
|-----------------------------------------------------------|----------------------------------------------------------|---------------------------|
| State University<br>System Optional<br>Retirement Program | Senior Management<br>Service Optional<br>Annuity Program | Total<br>June 30, 2019    |
| \$ -                                                      | \$ -                                                     | \$ 94,879,899             |
| 6,384,405                                                 | 36,677                                                   | 72,771,886                |
| 6,384,405                                                 | 36,677                                                   | 167,651,785               |
| -                                                         | -                                                        | 324,979,952               |
| -                                                         | -                                                        | 13,968,173,821            |
| -                                                         | -                                                        | 8,366,295,579             |
| -                                                         | -                                                        | 3,121,322,011             |
| -                                                         | -                                                        | 800,000,000               |
| -                                                         | -                                                        | 2,057,939,983             |
| -                                                         | -                                                        | 7,386,905,434             |
| -                                                         | -                                                        | 12,095,896,850            |
| -                                                         | -                                                        | 8,401,272,966             |
| -                                                         | -                                                        | 304,415,217               |
| -                                                         | -                                                        | 48,025,526,283            |
| -                                                         | -                                                        | 27,783,999,898            |
| -                                                         | -                                                        | 32,463,860,373            |
| -                                                         | -                                                        | 115,326,012               |
| -                                                         | -                                                        | 165,215,914,379           |
| -                                                         | -                                                        | 23,564,491                |
| -                                                         | -                                                        | 278,946,854               |
| 22,089                                                    | 16                                                       | 156,324,854               |
| -                                                         | -                                                        | 246,926,293               |
| -                                                         | -                                                        | 2,641,277,407             |
| -                                                         | -                                                        | 93,338,707                |
| -                                                         | -                                                        | 16,115,567                |
| -                                                         | -                                                        | 42,850,527                |
| -                                                         | -                                                        | 6,385,045                 |
| 22,089                                                    | 16                                                       | 3,505,729,745             |
| -                                                         | -                                                        | 505,785,354               |
| -                                                         | -                                                        | 7,716,037                 |
| -                                                         | -                                                        | 1,259,098                 |
| -                                                         | -                                                        | (751,885)                 |
| 6,406,494                                                 | 36,693                                                   | 169,403,304,513           |
| 33,379                                                    | -                                                        | 33,379                    |
| 2,950                                                     | -                                                        | 883,715                   |
| 36,329                                                    | -                                                        | 917,094                   |
| 10,842                                                    | -                                                        | 127,845,920               |
| -                                                         | -                                                        | 818,535                   |
| -                                                         | -                                                        | 265,705,863               |
| -                                                         | -                                                        | 12,312,750                |
| -                                                         | -                                                        | 6,385,045                 |
| 768                                                       | -                                                        | 6,060,385                 |
| -                                                         | -                                                        | 398,811                   |
| -                                                         | -                                                        | 537,065,576               |
| -                                                         | -                                                        | 4,137,778,151             |
| -                                                         | -                                                        | 93,326,040                |
| -                                                         | -                                                        | 2,076,037                 |
| -                                                         | -                                                        | 224,059,417               |
| 2,616                                                     | -                                                        | 961,555                   |
| 73,980                                                    | -                                                        | 73,980                    |
| 148,925                                                   | -                                                        | 13,310,136                |
| -                                                         | -                                                        | 91,430,691                |
| 237,131                                                   | -                                                        | 5,519,608,892             |
| 59,306                                                    | -                                                        | 59,306                    |
| 30,353                                                    | -                                                        | 2,630,078                 |
| 89,659                                                    | -                                                        | 2,689,384                 |
| <b>\$ 6,116,033</b>                                       | <b>\$ 36,693</b>                                         | <b>\$ 163,881,923,331</b> |

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

for the fiscal year ended June 30, 2019

|                                           | Defined Benefit           |                                  |                |
|-------------------------------------------|---------------------------|----------------------------------|----------------|
|                                           | Florida Retirement System | Retiree Health Insurance Subsidy | National Guard |
| <b>ADDITIONS</b>                          |                           |                                  |                |
| <u>Contributions and other deposits</u>   |                           |                                  |                |
| Pension contributions - employer          | \$ 3,100,721,573          | \$ 555,290,298                   | \$ -           |
| Pension contributions - employee          | 746,586,622               | 194,729                          | -              |
| Purchase of time by employees             | 6,226,912                 | -                                | -              |
| General revenue                           | 1,141,786                 | -                                | -              |
| Other income                              | 4,009,994                 | 174,415                          | -              |
| Total contributions and other deposits    | 3,858,686,887             | 555,659,442                      | -              |
| <u>Transfers</u>                          |                           |                                  |                |
| Other funds - FRS investment plan         | 83,626,975                | -                                | -              |
| General revenue                           | -                         | -                                | 15,058,290     |
| Total transfers                           | 83,626,975                | -                                | 15,058,290     |
| Total contributions and transfers         | 3,942,313,862             | 555,659,442                      | 15,058,290     |
| <u>Investment income</u>                  |                           |                                  |                |
| Net appreciation in fair value            | 4,395,369,953             | 4,193                            | -              |
| Interest income                           | 909,591,092               | 5,970,574                        | -              |
| Dividends                                 | 1,923,999,086             | -                                | -              |
| Real estate operating income, net         | 488,096,289               | -                                | -              |
| Other investment income                   | 2,249,710,115             | 32,255                           | -              |
| Total investment income (loss)            | 9,966,766,535             | 6,007,022                        | -              |
| Investment activity expense               | (591,470,518)             | (463)                            | -              |
| Net income (loss) from investing activity | 9,375,296,017             | 6,006,559                        | -              |
| <u>Security lending activity</u>          |                           |                                  |                |
| Security lending income                   | 68,288,813                | -                                | -              |
| Security lending expense                  | (37,154,592)              | -                                | -              |
| Net income from security lending          | 31,134,221                | -                                | -              |
| Total net investment income (loss)        | 9,406,430,238             | 6,006,559                        | -              |
| Total additions                           | 13,348,744,100            | 561,666,001                      | 15,058,290     |
| <b>DEDUCTIONS</b>                         |                           |                                  |                |
| Benefit payments                          | 10,367,807,339            | 491,889,679                      | -              |
| Benefit payments - general revenue funded | 1,139,321                 | -                                | 14,999,297     |
| Refund of contributions                   | 18,326,135                | -                                | -              |
| Transfers to other departments            | -                         | -                                | 13,993         |
| Transfers to FRS investment plan          | 565,045,212               | -                                | -              |
| Payments to annuity companies             | -                         | -                                | -              |
| Administrative expenses                   | 19,580,485                | 195,303                          | 45,000         |
| Total deductions                          | 10,971,898,492            | 492,084,982                      | 15,058,290     |
| Change in fiduciary net position          | 2,376,845,608             | 69,581,019                       | -              |
| Fiduciary net position - beginning        | 161,196,880,609           | 232,463,369                      | -              |
| Fiduciary net position - ending           | <b>\$ 163,573,726,217</b> | <b>\$ 302,044,388</b>            | <b>\$ -</b>    |

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

| Defined Contribution                                      |                                                          |                           |
|-----------------------------------------------------------|----------------------------------------------------------|---------------------------|
| State University<br>System Optional<br>Retirement Program | Senior Management<br>Service Optional<br>Annuity Program | Total<br>June 30, 2019    |
| \$ 104,209,083                                            | \$ 71,153                                                | \$ 3,760,292,107          |
| 102,038,410                                               | 41,672                                                   | 848,861,433               |
| -                                                         | -                                                        | 6,226,912                 |
| -                                                         | -                                                        | 1,141,786                 |
| 196,888                                                   | -                                                        | 4,381,297                 |
| 206,444,381                                               | 112,825                                                  | 4,620,903,535             |
| -                                                         | -                                                        | 83,626,975                |
| -                                                         | -                                                        | 15,058,290                |
| -                                                         | -                                                        | 98,685,265                |
| 206,444,381                                               | 112,825                                                  | 4,719,588,800             |
| -                                                         | -                                                        | 4,395,374,146             |
| -                                                         | -                                                        | 915,561,666               |
| -                                                         | -                                                        | 1,923,999,086             |
| -                                                         | -                                                        | 488,096,289               |
| 337,801                                                   | 283                                                      | 2,250,080,454             |
| 337,801                                                   | 283                                                      | 9,973,111,641             |
| (11,313)                                                  | (8)                                                      | (591,482,302)             |
| 326,488                                                   | 275                                                      | 9,381,629,339             |
| -                                                         | -                                                        | 68,288,813                |
| -                                                         | -                                                        | (37,154,592)              |
| -                                                         | -                                                        | 31,134,221                |
| 326,488                                                   | 275                                                      | 9,412,763,560             |
| 206,770,869                                               | 113,100                                                  | 14,132,352,360            |
| -                                                         | -                                                        | 10,859,697,018            |
| -                                                         | -                                                        | 16,138,618                |
| 72                                                        | -                                                        | 18,326,207                |
| -                                                         | -                                                        | 13,993                    |
| -                                                         | -                                                        | 565,045,212               |
| 205,477,984                                               | 119,392                                                  | 205,597,376               |
| 211,094                                                   | -                                                        | 20,031,882                |
| 205,689,150                                               | 119,392                                                  | 11,684,850,306            |
| 1,081,719                                                 | (6,292)                                                  | 2,447,502,054             |
| 5,034,314                                                 | 42,985                                                   | 161,434,421,277           |
| <b>\$ 6,116,033</b>                                       | <b>\$ 36,693</b>                                         | <b>\$ 163,881,923,331</b> |

# GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET POSITION

as of June 30, 2019

|                                                            | Police and Firefighters' Premium Tax Trust Fund |                                     |                           |
|------------------------------------------------------------|-------------------------------------------------|-------------------------------------|---------------------------|
|                                                            | Special Revenue Fund                            | Reconciliation Adjustments (Note 2) | Statement of Net Position |
| <b>ASSETS</b>                                              |                                                 |                                     |                           |
| State treasury investment pool                             | \$ 44,261                                       | \$ -                                | \$ 44,261                 |
| Investments                                                | 275,449,438                                     | -                                   | 275,449,438               |
| Due from other departments                                 | 8,354,699                                       | -                                   | 8,354,699                 |
| Total assets                                               | 283,848,398                                     | -                                   | 283,848,398               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                                                 |                                     |                           |
| Deferred outflows related to other postemployment benefits | -                                               | 10,487                              | 10,487                    |
| Total deferred outflows of resources                       | -                                               | 10,487                              | 10,487                    |
| <b>LIABILITIES AND FUND BALANCE</b>                        |                                                 |                                     |                           |
| <u>Current liabilities</u>                                 |                                                 |                                     |                           |
| Accounts payable                                           | 60,506                                          | -                                   | 60,506                    |
| Due to other departments                                   | 8,550,204                                       | -                                   | 8,550,204                 |
| Due to other governmental units                            | 58,258,001                                      | -                                   | 58,258,001                |
| Due to general revenue                                     | 10,960,000                                      | -                                   | 10,960,000                |
| Compensated absences liability                             | 28,534                                          | 86,359                              | 114,893                   |
| Other postemployment benefits liability                    | 11,388                                          | -                                   | 11,388                    |
| Total current liabilities                                  | 77,868,633                                      | 86,359                              | 77,954,992                |
| <u>Noncurrent liabilities</u>                              |                                                 |                                     |                           |
| Other postemployment benefit liabilities                   | -                                               | 584,311                             | 584,311                   |
| Total liabilities                                          | 77,868,633                                      | 670,670                             | 78,539,303                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                       |                                                 |                                     |                           |
| Deferred inflows related to other postemployment benefits  | -                                               | 197,635                             | 197,635                   |
| Total deferred inflows of resources                        | -                                               | 197,635                             | 197,635                   |
| Fund balance - committed                                   | 205,979,765                                     | (205,979,765)                       | -                         |
| Total liabilities and fund balance                         | \$ 283,848,398                                  |                                     |                           |
| Net position - restricted                                  |                                                 | \$ 205,121,947                      | \$ 205,121,947            |

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

# STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS/STATEMENT OF ACTIVITIES

for the fiscal year ended June 30, 2019

|                                                               | Police and Firefighters' Premium Tax Trust Fund |                                     |                              |
|---------------------------------------------------------------|-------------------------------------------------|-------------------------------------|------------------------------|
|                                                               | Special Revenue Fund                            | Reconciliation Adjustments (Note 2) | Statement of Activities      |
| <b>REVENUES</b>                                               |                                                 |                                     |                              |
| Premium taxes                                                 | \$ 189,354,699                                  | \$ -                                | \$ 189,354,699               |
| Investment earnings                                           | 4,032,701                                       | -                                   | 4,032,701                    |
| General Revenue                                               | 310                                             | -                                   | 310                          |
| Total revenues                                                | <u>193,387,710</u>                              | <u>-</u>                            | <u>193,387,710</u>           |
| <b>EXPENDITURES/EXPENSES</b>                                  |                                                 |                                     |                              |
| Distribution to cities                                        | 160,059,356                                     | -                                   | 160,059,356                  |
| Administrative expense                                        | 847,894                                         | 9,124                               | 857,018                      |
| Total expenditures/expenses                                   | <u>160,907,250</u>                              | <u>9,124</u>                        | <u>160,916,374</u>           |
| Revenues over (under) expenditures                            | 32,480,460                                      |                                     | 32,471,336                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                                                 |                                     |                              |
| Operating transfers out to other funds                        | <u>(24,907,933)</u>                             | -                                   | (24,907,933)                 |
| Revenues and transfers in over expenditures and transfers out | 7,572,527                                       | (7,572,527)                         | -                            |
| Change in net position                                        | -                                               | <u>7,563,403</u>                    | <u>7,563,403</u>             |
| Fund balance/net position - beginning                         | 198,407,238                                     | (848,694)                           | 197,558,544                  |
| Fund balance/net position - ending                            | <u><u>\$ 205,979,765</u></u>                    | <u><u>\$ (857,818)</u></u>          | <u><u>\$ 205,121,947</u></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, 2019**

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## NOTE 1 – PLAN DESCRIPTION

### A. Reporting Entity

The Florida Retirement System Pension Plan and Other State-Administered Systems (System) are administered by the Florida Department of Management Services, Division of Retirement and are part of the primary government of the State of Florida. The division administers three 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). The financial statements do not include the pension liabilities of the participating employers. 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, 2019, 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.

### B. Defined Benefit Plans

#### 1. The Florida Retirement System Pension Plan

##### Organization:

The Florida Retirement System (FRS) Pension Plan 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 (Chapter 123, Florida Statutes) was closed and consolidated into the FRS. The FRS is a qualified retirement plan under section 401(a), Internal Revenue Code, 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 (DROP) 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, which is administered by the State Board of Administration. 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 Pension 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 Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, Florida Statutes.

##### Covered Members and Classes:

FRS membership is compulsory for employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Section 121.053 or Section 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Retirees initially reemployed in regularly established positions on or after July 1, 2010, through June 30, 2017, may not participate in the FRS. Effective July 1, 2017, retirees of specified defined contribution plans<sup>1</sup> employed in a regularly established position are eligible to be enrolled as renewed members of the defined contribution plan<sup>2</sup> covering the position held except the Senior Management Service Optional Annuity Program that is closed to new members. FRS Pension Plan retirees remain ineligible for renewed membership. 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.

<sup>1</sup> Retirees of the following defined contribution plans are eligible to be enrolled as a renewed member if employed in a regularly established position on or after July 1, 2017: Senior Management Service Optional Annuity Program (SMSOAP), State University System Optional Retirement Program (SUSORP), the State Community College System Optional Retirement Program (SCCSORP), and the FRS Investment Plan.

<sup>2</sup> Defined contribution Plan retirees initially enrolled on or after July 1, 2017, may be enrolled in the SUSORP, SCCSORP, or the FRS Investment Plan depending upon the retirement plan covering the position held. The SMSOAP was closed to new members effective July 1, 2017. Participation in the Investment Plan includes membership in the Special Risk Class for these renewed members.

There are five 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, assistant capital collateral representatives, and judges of compensation claims. 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.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. 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, 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:**

The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Benefits are computed based on 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)

### Regular Class members initially enrolled before July 1, 2011

|                                                               |       |
|---------------------------------------------------------------|-------|
| 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% |

### Regular Class members initially enrolled on or after July 1, 2011

|                                                               |       |
|---------------------------------------------------------------|-------|
| 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% |

### Special Risk Class

|                                                        |       |
|--------------------------------------------------------|-------|
| Service from Dec. 1, 1970 through Sept. 30, 1974 ..... | 2.00% |
| Service on and after Oct. 1, 1974 .....                | 3.00% |

### Special Risk Administrative Support Class members initially enrolled before July 1, 2011

(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;<br>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;<br>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;<br>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;<br>or at age 55 with 28 years (if total service includes wartime military service) .....     | 1.68% |

### Special Risk Administrative Support Class members initially enrolled on or after July 1, 2011

(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% |

### Elected Officers' Class

|                                                                                                                                                                                                                                            |       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Service as Supreme Court Justice, district court of appeal judge,<br>circuit court judge, or county court judge .....                                                                                                                      | 3.33% |
| Service as Governor, Lt. Governor, Cabinet Officer, Legislator, state attorney,<br>public defender, elected county officer, or elected official of a city or special<br>district that chose EOC membership for its elected officials ..... | 3.00% |

### Senior Management Service Class.....

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 is reduced by 5 percent for each year remaining before you would reach your normal retirement age. Your benefit is reduced if you elect to provide a continuing benefit to an eligible surviving 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 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 (COLA) each July and earn monthly interest equivalent to an annual rate of 1.30 percent on the preceding month's DROP accumulation until DROP participation ends. DROP participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent. Elected officers whose DROP participation ends before their term of office ends can delay termination until the end of that term of office or any consecutively held term of office. No additional monthly retirement benefits accumulate after DROP participation ends. Elected officers whose DROP participation began before July 1, 2010, and who delay termination after their DROP participation ends earn monthly interest through the month of termination. As of June 30, 2019, the FRS Trust Fund held \$2,542,917,693 in accumulated benefits for 33,490<sup>1</sup> DROP participants. Of these 33,490 DROP participants, 31,749<sup>2</sup> were active in the DROP with balances totaling \$2,277,211,830. The remaining participants were no longer active in the DROP and had balances totaling \$265,705,863 to be processed after June 30, 2019.

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 for vesting is 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 for vesting is subject to these deferral requirements.

<sup>1</sup> Includes retirees with a DROP payment pending.

<sup>2</sup> Includes elected officials with a different DROP termination date that is after June 30, 2019.

- 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. Monthly benefits are paid to the member in the amount as calculated upon entry into the DROP, plus a COLA 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 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. Effective March 9, 2018, there is one exception to the restrictions on reemployment limitations after retirement. Retired law enforcement officers may be reemployed as a school resource officer by an employer that participates in the FRS during the seventh through twelfth calendar months after their retirement date or after their termination date to finalize DROP and receive both their salary and retirement benefits.

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 Pension Plan retirees who are initially reemployed on or after July 1, 2010, are not eligible for renewed membership. Retirees of the FRS Investment Plan, the State University System Optional Retirement Program (SUSORP), the State Community College System Optional Retirement Program (SCCSORP), and the Senior Management Service Optional Retirement Program are not eligible for renewed membership from July 1, 2010, through June 30, 2017. Retirees of these defined contribution plans who are employed in a regularly established position on or after July 1, 2017, will be enrolled as renewed members of the FRS Investment Plan, the SUSORP or the SCCSORP depending upon the plan covering the position. Once enrolled in the FRS Investment Plan under this new tier of renewed membership, the renewed member remains in the Investment Plan unless employed in a State University System position with a college of medicine that requires mandatory SUSORP participation. Renewed members initially enrolled in the FRS Investment Plan are able to be Special Risk Class members if employed in positions covered by this class. The SMSOAP is closed to new membership effective July 1, 2017.

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. Rule 28-106.201, Florida Administrative Code (F.A.C.), 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 aforementioned crimes, 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.

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 at June 30, 2019, was \$163,573,726,217. 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 contribute 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 2018-19 are as follows:

| <b>Class</b>                                         | <b>Employee Contribution Rate</b> | <b>Employer Contribution Rate<sup>1</sup></b> | <b>Total Contribution Rate</b> |
|------------------------------------------------------|-----------------------------------|-----------------------------------------------|--------------------------------|
| Regular                                              | 3.00%                             | 6.54%                                         | 9.54%                          |
| Special Risk                                         | 3.00%                             | 22.78%                                        | 25.78%                         |
| Special Risk Administrative Support                  | 3.00%                             | 33.26%                                        | 36.26%                         |
| Elected Officers'                                    |                                   |                                               |                                |
| Judges                                               | 3.00%                             | 39.05%                                        | 42.05%                         |
| Governor, Lt. Governor, Cabinet, Legislators, State  |                                   |                                               |                                |
| Attorneys, and Public Defenders                      | 3.00%                             | 55.03%                                        | 58.03%                         |
| Elected County, City, and Special District Officials | 3.00%                             | 46.98%                                        | 49.98%                         |
| Senior Management Service                            | 3.00%                             | 22.34%                                        | 25.34%                         |
| Deferred Retirement Option Program                   | N/A                               | 12.37%                                        | 12.37%                         |

<sup>1</sup> These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.

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:

| Member Types                       | Fiscal Year Ended June 30, 2019 |               |                |                          |              |                  |
|------------------------------------|---------------------------------|---------------|----------------|--------------------------|--------------|------------------|
|                                    | Regular Class                   | SMSC          | Special Risk   | Special Risk Admin Supp. | EOC          | Total            |
| Active <sup>1</sup> :              |                                 |               |                |                          |              |                  |
| Non-vested                         | 182,683                         | 1,882         | 30,156         | 2                        | 507          | 215,230          |
| Vested                             | 379,591                         | 6,099         | 45,230         | 99                       | 1,693        | 432,712          |
| Current Retirees and Beneficiaries | 377,417                         | 5,043         | 39,666         | 166                      | 2,603        | 424,895          |
| DROP Participants                  | 28,359                          | 624           | 3,429          | 4                        | 254          | 32,670           |
| Vested Terminated <sup>2</sup>     | 105,671                         | 1,701         | 6,084          | 17                       | 433          | 113,906          |
| <b>Total Members</b>               | <b>1,073,721</b>                | <b>15,349</b> | <b>124,565</b> | <b>288</b>               | <b>5,490</b> | <b>1,219,413</b> |

<sup>1</sup> Member counts include 145,796 active FRS Investment Plan members.  
<sup>2</sup> Member counts include 11,750 vested terminated FRS Investment Plan members.

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 |               |                            |
|----------------------------|---------------------------|---------------|----------------------------|
|                            | 2019                      | 2018          | 2017                       |
| Recipients                 | 424,895                   | 415,483       | 406,018                    |
| Contributions              | \$3,853,535               | \$3,596,290   | \$3,348,086                |
| Benefits paid <sup>1</sup> | \$10,386,133              | \$9,851,163   | \$9,361,452                |
| Fiduciary net position     | \$163,573,726             | \$161,196,881 | \$154,043,111 <sup>2</sup> |

<sup>1</sup> Includes refund of member contributions.

<sup>2</sup> Reflects restatement of beginning net position due to implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

## 2. Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state-administered retirement systems in paying their health insurance costs. The Department of Management Services, Division of Retirement administers the HIS program. For the fiscal year ended June 30, 2019, 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 specified employees. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. 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, the legislation may reduce or cancel HIS Payments.

Note 4 and the Actuarial section of this report include 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 |           |           |
|------------------------|---------------------------|-----------|-----------|
|                        | 2019                      | 2018      | 2017      |
| Recipients             | 385,181                   | 376,031   | 366,285   |
| Contributions          | \$555,485                 | \$542,539 | \$529,229 |
| Benefits paid          | \$491,890                 | \$491,530 | \$465,980 |
| Fiduciary net position | \$302,044                 | \$232,463 | \$178,311 |

### 3. The Florida National Guard Supplemental Retirement Benefit Plan

The Florida National Guard Supplemental Retirement Benefit Plan is a single-employer, non-qualified defined benefit pension plan established under Section 250.22, Florida Statutes, and is administered by the Department of Management Services, Division of Retirement. The Florida Legislature establishes and amends the benefit terms of the plan, which provide a monthly benefit equal to the difference between 50 percent of the federal military pay table for the highest rank held while in the Florida National Guard and the reservist benefit received from the federal government for military service. The benefit amount is recalculated whenever the federal military pay table is increased or the federal benefit is increased by a cost of living adjustment. Florida National Guard retirees must have at least 30 years of Florida National Guard service. The benefit is payable for the lifetime of the retiree without a survivor benefit option. Normal retirement is at age 62 with early retirement available beginning at age 60. The Florida National Guard Supplemental Retirement Benefit Plan is funded by an annual appropriation from General Revenue by the Legislature. Any appropriated funds not obligated for benefit payments and expenses owed at June 30 each year revert to the General Revenue Fund.

Note 4 and the Actuarial section of this report include actuarial and other information regarding the Florida National Guard Supplemental Retirement Benefit Plan. Information about active and terminated vested Florida National Guard personnel, federal benefits including cost-of-living adjustments and pay tables, and forecasts of National Guard personnel is provided by the Florida Department of Military Affairs. The table below provides additional information for the plan as of June 30 (in thousands where amounts are dollars):

|                                | Fiscal Year Ended June 30 |        |        |
|--------------------------------|---------------------------|--------|--------|
|                                | 2019                      | 2018   | 2017   |
| Active Members                 |                           |        |        |
| Vested <sup>1</sup>            | 223                       | 428    | 248    |
| Non-Vested                     | 10,731                    | 11,008 | 11,440 |
| Total Active                   | 10,954                    | 11,436 | 11,688 |
| Terminated Vested <sup>1</sup> | 299                       | 309    | 428    |
| Retirees                       | 753                       | 768    | 775    |

|                        | Fiscal Year Ended June 30 |          |          |
|------------------------|---------------------------|----------|----------|
|                        | 2019                      | 2018     | 2017     |
| Benefits paid          | \$14,999                  | \$14,897 | \$14,677 |
| Fiduciary net position | \$0                       | \$0      | \$0      |

<sup>1</sup> The change from active status to terminated vested status is a result of National Guard retention board conclusions on retaining personnel due to the reduction of deployments supporting overseas military operations.

## **C. Defined Contribution Programs (Optional Retirement Programs)**

### **State University System Optional Retirement Program (SUSORP)**

The SUSORP is established under section 121.35, Florida Statutes, for eligible State University System faculty, administrators, and administrative and professional staff. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the Program. 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 qualified under section 403(b), Internal Revenue Code that upon signing an investment contract provides full and immediate vesting of all contributions paid on behalf of the members to the participating provider companies. The SUSORP member directs the investment of contributions to provide retirement and death benefits. Employees in eligible positions are compulsory SUSORP members unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP members and cannot elect FRS membership.

The employing universities were statutorily required to contribute 5.15 percent of the members' gross monthly compensation from July 2018 through June 2019. In accordance with Rule 60U-2, F.A.C., 0.01 percent of the employer contribution rate was used for the administration of the SUSORP program and 5.14 percent was transferred to the provider companies designated by the member. SUSORP members are not eligible to receive (HIS) payments from the HIS Trust Fund. There is an HIS component included in the employer's contribution deposited to the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A member may contribute by salary reduction an amount not to exceed the percentage contributed by the employer.

When applicable, the employer is also required to contribute the unfunded actuarial liability (UAL) contribution for the Regular Class on the salaries of SUSORP members which is transferred to the FRS Trust Fund to help amortize any UAL. The required UAL contribution rate for the fiscal year 2018-19 was 3.50 percent. Additional information pertaining to the SUSORP is as follows:

|                |                 |
|----------------|-----------------|
| Members        | 21,554          |
| Payroll        | \$2,027,414,069 |
| Contributions: |                 |
| Employee       | \$102,038,410   |
| Employer       | \$104,209,083   |

### **Senior Management Service Optional Annuity Program (SMSOAP)**

The SMSOAP is established under section 121.055, Florida Statutes, as offering an optional retirement program alternative for state members of the Senior Management Service Class (SMSC). Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP while employed in a position eligible for SMSOAP in lieu of the SMSC. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the Program. The SMSOAP is a defined contribution plan qualified under section 401(a), Internal Revenue Code that upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the members to the participating provider companies. SMSOAP members direct the investment of contributions to provide retirement and death benefits. Employers were required to contribute 6.27 percent of covered payroll from July 2018 through June 2019. The employers' contributions were transferred to the provider companies designated by the member. SMSOAP members are not eligible to receive HIS payments from the HIS Trust Fund. There is an HIS component included in the employer's contribution deposited to the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A member may contribute by salary deduction an amount not to exceed the percentage contributed by the employer. Effective July 1, 2017, SMSOAP is closed to new members, however a non-retired member enrolled in SMSOAP prior to July 1, 2017, may retain their membership.

When applicable, the employer is also required to contribute the unfunded actuarial liability (UAL) contribution for the SMSC on the salaries of SMSOAP members which is transferred to the FRS Trust Fund to help amortize the UAL. The required UAL contribution rate for fiscal year 2018-19 was 17.89 percent. Additional information pertaining to the SMSOAP is as follows:

|                |             |
|----------------|-------------|
| Members        | 7           |
| Payroll        | \$1,134,810 |
| Contributions: |             |
| Employee       | \$41,672    |
| Employer       | \$71,153    |

#### **D. Social Security Coverage**

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, 2019, there were 700 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. Public employers must provide Social Security coverage for their employees who participate in the FRS Pension Plan and Investment Plan, SUSORP, SMSOAP, and the existing defined benefit plans grandfathered under the FRS except for members of the Teachers' Retirement System or the IFAS Supplemental Retirement Program.

For the 2019 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 increased to \$132,900. There is no limitation on Medicare wages.

## 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 are reported using the 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, while expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

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 program, national guard supplemental retirement benefit plan (defined benefit plans) and optional retirement plans (defined contribution 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 firefighters' pension plans 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 equivalents. Details of deposits are included in Note 3. A.

#### Investments

The Plan is authorized through various state laws to invest in various security instruments. The Plan 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. Investments are reported in accordance with GASB reporting standards. Realized and unrealized gains and losses are reflected in the Statement of Changes in Fiduciary 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 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 (NAV), which equates to the 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 NAV of an entity is the value of its investment holdings. The NAV 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 or are reported at cost per the investment manager, are also required to be valued, generally annually, by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

Money market funds and repurchase agreements are reported at amortized cost. Commingled funds are generally reported at the NAV of units held at the end of the period based upon the value of the underlying investments as reported by the external investment manager. Certain commingled funds may be valued under different pricing methods depending on the nature of the fund.

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 an active 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. The State University System Optional Retirement Program (SUSORP) Trust Fund shares in reporting the FRS and HIS pension liabilities and related components with other funds within the state. Each fiscal year end, the SUSORP Trust Fund recognizes its allocated share of the state’s deferred outflows of resources related to applicable pensions, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

The division shares the cost of Other Postemployment Benefits (OPEB) liability and other related components with other funds within the state. The state-administered retirement funds recognize their allocated share of the state’s deferred

outflows of resources related to OPEB, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

### **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, as applicable, at current rates. Refer to Note 6 for details of the compensated absences liability.

### **Long-term Liabilities**

The SUSORP Trust Fund shares the reported FRS and HIS pension liabilities and related components with other funds within the state. Each fiscal year end, the SUSORP Trust Fund recognizes its allocated share of the state's applicable pension liability, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

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. The SUSORP Trust Fund shares the reported FRS and HIS pension liabilities and related components with other funds within the state. Each fiscal year end, the SUSORP Trust Fund recognizes its allocated share of the state's deferred inflows of resources related to applicable pensions, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

The division shares the cost of Other Postemployment Benefits (OPEB) liability and other related components with other funds within the state. The state-administered retirement funds recognize their allocated share of the state's deferred inflows of resources related to OPEB, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

### **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 for pension.

### **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. Contributions**

Contributions are recognized as revenues in the period for which the contributions are due pursuant to statutory requirements. Total employer contributions for the FRS are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes, and employers also pay a required assessment to cover financial planning education costs for all FRS members and administrative costs of the FRS Investment Plan (IP).

For purposes of financial statement presentation, the unfunded actuarial liability (UAL) portion of the employer's total contribution remitted on the salaries of members in the FRS IP, the SUSORP, the State Community College System Optional Retirement Program, and the Senior Management Service Optional Annuity Program (SMSOAP) is classified as contributions in the FRS Pension Plan financial statements. Delinquent fees are reported as other income. The administrative fee paid on the salaries of members in the SUSORP defined contribution plan is classified as other income.

Employee contributions required pursuant to Section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis.

#### **E. 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.

#### **F. 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.

#### **G. 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.

#### **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 system's 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. Administrative expenses also include transfers for administrative assessments, depreciation expense, and the allocated share of compensated absences expense, applicable OPEB-related expenses, and applicable pension-related expenses. A detailed Schedule of Administrative Expenses is located in the Other Supplementary Information section.

## **NOTE 3 – PLAN INVESTMENTS**

### **A. Deposits**

As of June 30, 2019, the state-administered retirement fund deposits in financial institutions pending investment totaled \$94.9 million for fiduciary activities. There were no deposits in financial institutions for governmental 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 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.

All U.S. dollar deposits at the Florida Retirement System (FRS) Pension Trust Fund's custodian bank were covered by federal depository insurance (FDIC) as of June 30, 2019. The remaining uninsured and uncollateralized deposits, totaling \$93.7 million as of June 30, 2019, were held in foreign currencies in the SBA's custodian nominee name.

#### **2. Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. 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 various types of securities denominated in foreign currency. The SBA has developed for the FRS Pension Trust Fund an Investment Policy Statement (IPS) that sets ranges on investments by asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. For the fiscal year ended June 30, 2019, Florida law limits the exposure to foreign securities held outside of foreign group trusts and certain other foreign entities to 50 percent of the total fund. There is no requirement that this exposure to foreign currency risk be hedged through forward currency contracts, although some managers are authorized to use forward currency contracts. The investment policies 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, 2019, as illustrated in the following schedule (in thousands):

## Foreign Currency Deposits Held

As of June 30, 2019

| Currency                                        | Bank Statement Balance<br>(in U.S. dollars) |        |
|-------------------------------------------------|---------------------------------------------|--------|
|                                                 | FRS Pension<br>Trust Fund                   |        |
| Australian dollar                               | \$                                          | 2,593  |
| Bangladesh taka                                 |                                             | 18     |
| Brazilian real                                  |                                             | 1,365  |
| British pound sterling                          |                                             | 7,870  |
| Canadian dollar                                 |                                             | 3,508  |
| Chilean peso                                    |                                             | 167    |
| Chinese yuan renminbi                           |                                             | 3,598  |
| Columbian peso                                  |                                             | 4      |
| Czech koruna                                    |                                             | 12     |
| Danish krone                                    |                                             | 392    |
| Euro                                            |                                             | 19,872 |
| Hong Kong dollar                                |                                             | 10,342 |
| Hungarian forint                                |                                             | 167    |
| Indian rupee                                    |                                             | 2,287  |
| Indonesian rupiah                               |                                             | 360    |
| Israeli shekel                                  |                                             | 1,029  |
| Japanese yen                                    |                                             | 18,316 |
| Malaysian ringgit                               |                                             | 354    |
| Mexican peso                                    |                                             | 996    |
| Moroccan dirham                                 |                                             | 8      |
| New Taiwan dollar                               |                                             | 7,313  |
| New Zealand dollar                              |                                             | 762    |
| New Zimbabwe dollar                             |                                             | 127    |
| Norwegian krone                                 |                                             | 1,167  |
| Pakistan rupee                                  |                                             | 124    |
| Philippines peso                                |                                             | 164    |
| Polish zloty                                    |                                             | 108    |
| Qatari riyal                                    |                                             | 13     |
| Russian ruble                                   |                                             | 94     |
| Singapore dollar                                |                                             | 1,040  |
| South African rand                              |                                             | 642    |
| South Korean won                                |                                             | 5,656  |
| Sri Lanka rupee                                 |                                             | 186    |
| Swedish krona                                   |                                             | 663    |
| Swiss franc                                     |                                             | 896    |
| Thailand baht                                   |                                             | 4      |
| Turkish lira                                    |                                             | 250    |
| United Arab Emirates dirham                     |                                             | 469    |
| Vietnam dong                                    |                                             | 795    |
| Total deposits subject to foreign currency risk | \$                                          | 93,731 |

## **B. Investments**

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Council per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. Redemptions are on a dollar in/dollar out basis adjusted for distributed income. The fair value of the pooled investments with the State Treasury is determined at fiscal year-end for financial reporting purposes. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, money market funds and repurchase agreements. The FRS Pension Trust Fund's, Retiree Health Insurance Subsidy Program's (HIS), National Guard Supplemental Benefit Plan (National Guard), State University System Optional Retirement Program's (SUSORP), Senior Management Service Optional Annuity Program's (SMSOAP), and Police and Firefighters' Premium Tax Trust Fund's (Police and Fire) shares of the investment pool at June 30, 2019, were \$66,298,067, \$32,237, \$20,500, \$6,384,405, \$36,677, and \$44,261, respectively. No allocation will be made as to the share of the types of investments or their risk categories for the FRS Pension Trust Fund, the HIS Program, the National Guard, the SUSORP, the SMSOAP, or Police and Fire. The share of the assets and liabilities for the FRS Pension Trust Fund, the HIS Program, the National Guard, the SUSORP, the SMSOAP and Police and Fire 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, the Retiree Health Insurance Subsidy Trust Fund, and the Police and Fire 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 June 30, 2019, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Investments**

As of June 30, 2019

| Investment type                                   | FRS Pension<br>Trust Fund | Retiree Health<br>Insurance<br>Subsidy | Police and Firefighters'<br>Premium Tax<br>Trust Fund | Total          |
|---------------------------------------------------|---------------------------|----------------------------------------|-------------------------------------------------------|----------------|
| Certificates of deposit                           | \$ 324,980                | \$ -                                   | \$ -                                                  | \$ 324,980     |
| Commercial paper                                  | 3,121,322                 | -                                      | -                                                     | 3,121,322      |
| Money market funds                                | 54,944                    | 249,471                                | 275,449                                               | 579,864        |
| Repurchase agreements                             | 800,000                   | -                                      | -                                                     | 800,000        |
| U.S. guaranteed obligations                       | 13,968,174                | -                                      | -                                                     | 13,968,174     |
| Federal agencies                                  | 8,366,295                 | -                                      | -                                                     | 8,366,295      |
| Domestic bonds and notes                          | 7,386,905                 | -                                      | -                                                     | 7,386,905      |
| International bonds and notes                     | 2,057,940                 | -                                      | -                                                     | 2,057,940      |
| Domestic stocks                                   | 48,025,526                | -                                      | -                                                     | 48,025,526     |
| International stocks                              | 32,463,861                | -                                      | -                                                     | 32,463,861     |
| International equity commingled funds             | 8,401,273                 | -                                      | -                                                     | 8,401,273      |
| Alternative investments                           | 27,784,000                | -                                      | -                                                     | 27,784,000     |
| Real estate investments (directly owned)          | 9,699,428                 | -                                      | -                                                     | 9,699,428      |
| Real estate commingled funds                      | 2,396,469                 | -                                      | -                                                     | 2,396,469      |
| Forwards <sup>1</sup>                             | 17,225                    | -                                      | -                                                     | 17,225         |
| Futures <sup>1</sup>                              | 47,934                    | -                                      | -                                                     | 47,934         |
| Options <sup>1</sup>                              | 3,690                     | -                                      | -                                                     | 3,690          |
| Swaps <sup>1</sup>                                | 46,477                    | -                                      | -                                                     | 46,477         |
| Total investments excluding lending collateral    | 164,966,443               | 249,471                                | 275,449                                               | 165,491,363    |
| Securities lending collateral                     |                           |                                        |                                                       |                |
| Money market funds                                | 145,168                   | -                                      | -                                                     | 145,168        |
| Repurchase agreements                             | 310,000                   | -                                      | -                                                     | 310,000        |
| Domestic bonds and notes                          | 50,617                    | -                                      | -                                                     | 50,617         |
| Total securities lending collateral               | 505,785                   | -                                      | -                                                     | 505,785        |
| Total investments                                 | \$ 165,472,228            | \$ 249,471                             | \$ 275,449                                            | \$ 165,997,148 |
| Liabilities - investments sold short <sup>2</sup> |                           |                                        |                                                       |                |
| U.S. guaranteed obligations                       | (26,607)                  | -                                      | -                                                     | (26,607)       |
| Federal agencies                                  | (197,452)                 | -                                      | -                                                     | (197,452)      |
| Other liabilities:                                |                           |                                        |                                                       |                |
| Forwards                                          | (21,616)                  | -                                      | -                                                     | (21,616)       |
| Futures                                           | (12,837)                  | -                                      | -                                                     | (12,837)       |
| Options                                           | (3,690)                   | -                                      | -                                                     | (3,690)        |
| Swaps                                             | (53,288)                  | -                                      | -                                                     | (53,288)       |
| Total liabilities                                 | \$ (315,490)              | \$ -                                   | \$ -                                                  | \$ (315,490)   |

<sup>1</sup> Forwards, futures, options and swaps are included in Other investments on the Statement of Fiduciary Net Position.

<sup>2</sup> Investments sold short are classified as liabilities on the Statement of Fiduciary Net Position.

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

|                             | Governmental<br>activities | Fiduciary<br>funds    | Total                 |
|-----------------------------|----------------------------|-----------------------|-----------------------|
| Investments                 | \$ 275,449                 | \$ 165,215,914        | \$ 165,491,363        |
| Security lending collateral | -                          | 505,785               | 505,785               |
| Total Investments           | <u>\$ 275,449</u>          | <u>\$ 165,721,699</u> | <u>\$ 165,997,148</u> |

Certain investments included in the above schedule were pledged as collateral with the SBA's futures and swaps clearing counterparties to meet initial margin requirements. Investments pledged as collateral as of June 30, 2019, are presented below (in thousands):

**FRS Pension Trust Fund**

Securities Pledged as Collateral for Futures and Swaps Contracts

As of June 30, 2019

| Investment Type             | Fair Value       |
|-----------------------------|------------------|
| U.S. guaranteed obligations | \$ 74,634        |
| Federal agencies            | 13,450           |
| Total pledged collateral    | <u>\$ 88,084</u> |

In addition, cash required to open futures and swap contracts (initial margins) may be pledged as collateral with the SBA's futures and swap counterparties. Such initial margin amounts are reflected as "Accounts receivable" on the Statement of Fiduciary Net Position. Pursuant to these types of contracts, and also pending foreign currency contracts and commitments to purchase (TBAs), the fund agrees to receive or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin, which are reflected as "Accounts receivable," "Accounts payable and accrued liabilities," and "Futures trade equity," on the Statement of Fiduciary Net Position. All initial and variation margin amounts receivable from or payable to the broker as of June 30, 2019, are presented below (in thousands):

**FRS Pension Trust Fund**

Cash and Foreign Currency Pledged as Collateral for Futures and Swaps Contracts

As of June 30, 2019

|                                           | Fair value (U.S. dollar) |
|-------------------------------------------|--------------------------|
| Margin receivable from counterparty:      |                          |
| Futures contracts                         | \$ 16,116                |
| Swaps contracts                           | 7,645                    |
| Foreign currency contracts                | 9,480                    |
| Commitments to purchase (TBAs)            | 371                      |
| Total margin receivable from counterparty | <u>\$ 33,612</u>         |
| Margin payable to counterparty:           |                          |
| Futures contracts                         | \$ 30,649                |
| Swaps contracts                           | 5,606                    |
| Commitments to purchase (TBAs)            | 556                      |
| Total margin payable to counterparty      | <u>\$ 36,811</u>         |

## 1. Fair Value Hierarchy

The FRS Pension Plan Trust Fund's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Investments reflect prices based on significant observable inputs (including, but not limited to, quoted prices for similar investments, interest rates, foreign exchange rates, volatility and credit spreads), either directly or indirectly. These inputs may be derived principally from, or corroborated by, observable market data through correlation or by other means.

Level 3 – Investments reflect prices based upon unobservable inputs, including situations where there is little market activity, if any, for assets or liabilities.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Fixed income and equity securities classified as Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's external pricing vendors, which utilize primary exchanges.

Fixed income securities classified as Level 2 are valued using evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Equity securities classified as Level 2 are valued using evaluated prices from the custodial bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Fixed income and equity securities classified as Level 3 are valued using prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, or broker bids.

Derivative instruments classified as Level 1 of the fair value hierarchy are valued using exchange-traded prices as provided by the custodian bank's external pricing vendors. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives.

Private equity funds and real estate direct investments classified as Level 3 were valued using the methodology as described in the footnotes for the *Additional GASB 72 Required Disclosures* tables, footnotes 13 and 15, respectively. Other private equity funds are measured at net asset value (NAV).

Certain investments, such as money market funds and repurchase agreements, are carried at amortized cost, and not priced at fair value. Commingled investments are generally measured at the net asset value (NAV) per share (or its equivalent) as provided by the investment manager. Commingled funds classified as Level 2 are valued using observable inputs that are market corroborated.

The FRS Pension Plan Trust Fund has the following fair value measurements as of June 30, 2019 (in thousands):

**FRS Pension Trust Fund**

As of June 30, 2019

| Investments by fair value level                          | Total          | Fair Value Measurements Using |               |               |
|----------------------------------------------------------|----------------|-------------------------------|---------------|---------------|
|                                                          |                | (Level 1)                     | (Level 2)     | (Level 3)     |
| <b>Fixed income</b>                                      |                |                               |               |               |
| Certificates of deposit                                  | \$ 324,980     | \$ -                          | \$ 324,980    | \$ -          |
| Commercial paper                                         | 3,121,322      | -                             | 3,121,322     | -             |
| U.S. guaranteed obligations                              | 13,968,174     | -                             | 13,968,174    | -             |
| Federal agencies                                         | 8,366,295      | -                             | 8,362,963     | 3,332         |
| Domestic bonds and notes                                 | 7,386,905      | -                             | 7,374,371     | 12,534        |
| International bonds and notes                            | 2,057,940      | -                             | 2,053,141     | 4,799         |
| Total fixed income                                       | 35,225,616     | -                             | 35,204,951    | 20,665        |
| <b>Equity</b>                                            |                |                               |               |               |
| Domestic                                                 | 48,025,526     | 48,025,506                    | -             | 20            |
| International                                            | 32,463,861     | 32,414,624                    | -             | 49,237        |
| Commingled international funds                           | 224,308        | -                             | 224,308       | -             |
| Total equity                                             | 80,713,695     | 80,440,130                    | 224,308       | 49,257        |
| <b>Alternative</b>                                       |                |                               |               |               |
| Private equity funds                                     | 325,711        | -                             | -             | 325,711       |
| <b>Real Estate direct</b>                                | 9,699,428      | -                             | -             | 9,699,428     |
| <b>Other</b>                                             |                |                               |               |               |
| Forwards                                                 | 17,225         | -                             | 17,225        | -             |
| Futures                                                  | 47,934         | 47,934                        | -             | -             |
| Options                                                  | 3,690          | 3,690                         | -             | -             |
| Swaps                                                    | 46,477         | -                             | 46,477        | -             |
| Total other                                              | 115,326        | 51,624                        | 63,702        | -             |
| <b>Securities lending collateral</b>                     |                |                               |               |               |
| Domestic corporate bonds and notes                       | 50,617         | -                             | 43,351        | 7,266         |
| Total investments by fair value level                    | \$ 126,130,393 | \$ 80,491,754                 | \$ 35,536,312 | \$ 10,102,327 |
| <b>Investments measured at the net asset value (NAV)</b> |                |                               |               |               |
| Commingled international equity funds                    | 8,176,965      |                               |               |               |
| Commingled real estate investment funds                  | 2,396,469      |                               |               |               |
| Activist equity funds                                    | 927,611        |                               |               |               |
| Hedge funds                                              | 4,477,967      |                               |               |               |
| Insurance funds                                          | 662,995        |                               |               |               |
| Private debt/credit opportunity funds                    | 3,039,722      |                               |               |               |
| Private equity funds                                     | 13,736,947     |                               |               |               |
| Private real asset funds                                 | 4,613,047      |                               |               |               |
| Total investments measured at the NAV                    | \$ 38,031,723  |                               |               |               |
| <b>Other investments carried at amortized cost</b>       |                |                               |               |               |
| Money market funds                                       | 54,944         |                               |               |               |
| Money market funds - security lending collateral         | 145,168        |                               |               |               |
| Repurchase agreements                                    | 800,000        |                               |               |               |
| Repurchase agreements - security lending collateral      | 310,000        |                               |               |               |
| Total investments carried at amortized cost              | \$ 1,310,112   |                               |               |               |
| <b>Total Investments</b>                                 | \$ 165,472,228 |                               |               |               |
| <b>Short sales (liabilities)</b>                         |                |                               |               |               |
| U.S. guaranteed obligations                              | \$ (26,607)    | \$ -                          | \$ (26,607)   | \$ -          |
| Federal agencies                                         | (197,452)      | -                             | (197,452)     | -             |
| Total short sales (liabilities)                          | \$ (224,059)   | \$ -                          | \$ (224,059)  | \$ -          |
| <b>Other (liabilities)</b>                               |                |                               |               |               |
| Forwards                                                 | (21,616)       | -                             | (21,616)      | -             |
| Futures                                                  | (12,837)       | (12,837)                      | -             | -             |
| Options                                                  | (3,690)        | (3,690)                       | -             | -             |
| Swaps                                                    | (53,288)       | -                             | (53,288)      | -             |
| Total other (liabilities)                                | (91,431)       | (16,527)                      | (74,904)      | -             |
| Total investments (liabilities)                          | \$ (315,490)   | \$ (16,527)                   | \$ (298,963)  | \$ -          |

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019 is presented in the footnotes to the table below (in thousands):

**FRS Pension Trust Fund**  
Additional GASB 72 Required Disclosures

|                                                        | Fair value<br>6/30/2019 | Unfunded<br>Commitments | Redemption Frequency<br>(If Currently Eligible) | Redemption<br>Notice Period |
|--------------------------------------------------------|-------------------------|-------------------------|-------------------------------------------------|-----------------------------|
| <b>Investments Measured at the NAV</b>                 |                         |                         |                                                 |                             |
| Commingled international equity funds <sup>1</sup>     | \$ 8,176,965            |                         | Daily, Monthly                                  | 1 - 120 days                |
| Commingled real estate investment funds <sup>2</sup>   | 2,396,469               |                         | Quarterly                                       | 15 - 90 days                |
| Activist equity funds <sup>3</sup>                     | 927,611                 |                         | Monthly, Annually                               | 65 - 90 days                |
| <b>Hedge funds</b>                                     |                         |                         |                                                 |                             |
| Diversifying strategies (managed futures) <sup>4</sup> | 1,262,007               |                         | Daily, Monthly                                  | 10 - 35 days                |
| Equity long/short <sup>5</sup>                         | 487,206                 |                         | Monthly, Quarterly                              | 30 - 125 days               |
| Event driven <sup>6</sup>                              | 117,831                 |                         | Quarterly, Biennially                           | 45 - 90 days                |
| Global macro <sup>7</sup>                              | 929,845                 |                         | Monthly, Quarterly                              | 5 - 60 days                 |
| Multi-strategy <sup>8</sup>                            | 711,115                 |                         | Quarterly, Annually, Biennially                 | 60 - 90 days                |
| Opportunistic debt <sup>9</sup>                        | 453,662                 |                         | Quarterly, Annually                             | 60 - 90 days                |
| Relative value <sup>10</sup>                           | 516,301                 |                         | Quarterly                                       | 45 - 90 days                |
| Insurance funds <sup>11</sup>                          | 662,995                 | \$ 163,925              | Monthly, Biannually                             | 30 - 90 days                |
| Private debt/credit opportunity funds <sup>12</sup>    | 3,039,722               | \$ 1,970,883            |                                                 |                             |
| Private equity funds <sup>13</sup>                     | 13,736,947              | \$ 8,285,677            |                                                 |                             |
| Private real asset funds <sup>14</sup>                 | 4,613,047               | \$ 3,224,935            |                                                 |                             |
| Total investments measured at the NAV                  | <u>\$ 38,031,723</u>    |                         |                                                 |                             |
| <b>Investments at Level 3</b>                          |                         |                         |                                                 |                             |
| Private equity funds <sup>13</sup>                     | \$ 325,711              |                         |                                                 |                             |
| Real estate direct investments <sup>15</sup>           | \$ 9,699,428            | \$ 363,017              |                                                 |                             |

<sup>1</sup> *Commingled International Equity Funds*: The six funds in this group are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. Each is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Four funds within this strategy are redeemable daily and two funds are redeemable monthly.

<sup>2</sup> *Commingled Real Estate Investment Funds*: The eight funds in this group consist primarily of real estate investments owned directly or through partnership interests located in the United States. The investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. All funds within this strategy are eligible for redemption quarterly.

<sup>3</sup> *Activist Equity Funds*: The three funds in this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 42 percent of this strategy) is currently eligible for redemption monthly. Another fund (approximately 34 percent of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 24 percent of this strategy) is eligible for redemption in nine months due to contractual lock-up restriction.

<sup>4</sup> *Diversifying Strategies (Managed Futures) Hedge Funds*: The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies across global markets. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

<sup>5</sup> *Equity Long/Short Hedge Funds*: Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. Two funds (approximately 32 percent of this strategy) are currently eligible for redemption monthly, while the remaining two funds (approximately 68 percent of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

<sup>6</sup> *Event Driven Hedge Funds*: The two funds in this group seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. Three funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to six months.

<sup>7</sup> *Global Macro Hedge Funds*: Consisting of six funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political views of various countries. These funds are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lock-up, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.

<sup>8</sup> *Multi-Strategy Hedge Funds*: The three funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. One fund (approximately 30 percent of this strategy) is eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 44 percent of this strategy) is eligible for redemption biennially with the next redemption in five months. The remaining fund (approximately 26 percent of this strategy) is eligible for redemption quarterly with the next redemption in three months.

- <sup>9</sup> *Opportunistic Debt Hedge Funds*: Consisting of four funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at the NAV per share. One fund (approximately 29 percent of this strategy) is eligible for redemption in six months due to annual redemption restrictions. Three funds (approximately 71 percent of this strategy) are currently eligible for redemption in three months due to quarterly redemption restrictions.
- <sup>10</sup> *Relative Value Hedge Funds*: Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lock-up, and are redeemable in three months or less due to quarterly redemption restrictions.
- <sup>11</sup> *Insurance Funds*: The five funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These investments are valued at the NAV per share. Two funds (approximately 39 percent) are eligible for redemption in seven months or less due to biannual redemption restrictions. One fund (approximately 26 percent) is eligible for redemption in six months, subject to exit restrictions. One fund (approximately 29 percent) has varying restrictions due to underlying investment funds and is redeemable within one to three months. The remaining fund (approximately 6 percent) is not eligible for redemption due to contractual lock-up restrictions.
- <sup>12</sup> *Private Debt/Credit Opportunity Funds*: There are 54 private debt/credit funds investing primarily in Distressed, Mezzanine and Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2019, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- <sup>13</sup> *Private Equity Funds*: There are 210 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 208 funds has been determined using the NAV at June 30, 2019, or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 2 percent of the value of these investments) was based on external appraisals at June 30, 2019, and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- <sup>14</sup> *Private Real Asset Funds*: There are 74 real asset funds, 52 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 22 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2019, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.
- <sup>15</sup> *Direct Real Estate Investments*: There are 69 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

The HIS and Police and Fire funds, at June 30, 2019, were fully invested in the Local Government Surplus Funds Trust Fund (Florida PRIME), a qualified external investment pool that measures for financial reporting purposes all of its investments at amortized cost. Florida PRIME currently has no limitations or restrictions on withdrawals. Section 218.409(8)(a), Florida Statutes, provides that the SBA executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the external investment pool, for 48 hours limit contributions to or withdrawals from the external investment pool to ensure that the SBA can invest moneys entrusted to it in exercising its fiduciary responsibility. With regard to liquidity fees, Section 218.409(4), Florida Statutes, provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

Florida PRIME currently follows all requirements in Government Accounting Standards Board Statement No. 79, paragraph 4, which lays out the requirements for external investment pools to report their investments at amortized cost. Florida PRIME is not required to register (and has not registered) with the Securities and Exchange Commission. Sections 218.40 through 218.415, Florida Statutes, and State Board of Administration Rules 19-7.002 through 19-7.016, Florida Administrative Code, promulgated pursuant to Section 218.405(4), Florida Statutes, govern the operation of Florida PRIME. The amortized cost of the participant account balance is reported as the fair value of the HIS and Police and Fire funds' investment in Florida PRIME.

## 2. Investment Risk

The FRS Pension Trust Fund has a broad range of financial investments exposed to various risks, including overall market volatility. Due to the level of risk associated with certain financial investments, it is reasonably possible that changes in the values of financial investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires that certain risks be discussed in the financial statements. These risks include credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

### 3. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality ratings are used as an assessment of creditworthiness and are assigned by Nationally Recognized Statistical Rating Organizations (NRSROs). These ratings are disclosed in aggregate by investment type for the securities held as of the financial statement date.

The State Treasury Investment Pool's current rating by Standard and Poor's was AA-f as of June 30, 2019.

The SBA, in compliance with Section 215.47, Florida Statutes, has adopted certain investment policies with regard to credit risk of fixed income securities, which generally are managed through individual portfolios within various asset classes. Some of the individual portfolios have slightly different restrictions on credit quality.

For the 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 NRSROs. For long-term investment ratings, this is defined as being a minimum rating of A from one of the NRSROs. Securities of a single issuer are generally limited to 5 percent of the market value of the portfolio (excluding U.S. Treasuries and Agencies).

Generally, securities in other major portfolios, such as the Mortgage Index Portfolio, Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio, should be rated investment grade by at least one of the NRSROs at the time of purchase [allowing a very small allocation to below investment grade (down to BB-/Ba3) for the Core Portfolio]. Securities for a single issuer are generally limited to 5 percent of fair value of the portfolio (excluding U.S. Treasuries and Agencies).

The Mortgage Index Portfolio limits securities generally 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.

The Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio allow U.S. Treasuries, U.S. Government Agencies, corporates, mortgage and asset backed securities, foreign sovereign debt, and municipals as well.

For security lending portfolios, eligible cash collateral investments are the following:

- Tri-party qualified repurchase obligations are collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. equity securities. U.S. Treasury and Government Agencies must maintain a market value of at least 102 percent of the market value of the securities subject to being repurchased and U.S. equities must maintain a market value of at least 110 percent of the market value of the securities subject to being repurchased.
- Money market mutual funds regulated by SEC rule 2a-7 and rated the highest applicable rating by at least one of the NRSROs.
- U.S. Treasury bills, notes, and bonds.

Security lending investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

The following table discloses credit quality ratings related to credit risk on investments held in the FRS Pension Trust Fund at June 30, 2019 (in thousands):

**FRS Pension Trust Fund**  
Credit Quality Ratings  
As of June 30, 2019

| Credit Rating <sup>1</sup> |         | Total <sup>2</sup> | Certificates<br>of deposit | Commercial<br>paper | Money<br>market funds | Repurchase<br>agreements | Federal<br>agencies <sup>4</sup> | Domestic<br>bonds and notes | International<br>bonds and notes |
|----------------------------|---------|--------------------|----------------------------|---------------------|-----------------------|--------------------------|----------------------------------|-----------------------------|----------------------------------|
| S&P                        | Moody's |                    |                            |                     |                       |                          |                                  |                             |                                  |
| A-1/AAAm                   |         | \$ 2,777,203       | \$ -                       | \$ 2,577,091        | \$ 200,112            | \$ -                     | \$ -                             | \$ -                        | \$ -                             |
| A-2                        |         | 411,630            | -                          | 411,630             | -                     | -                        | -                                | -                           | -                                |
| A-3                        |         | 87,528             | -                          | 87,528              | -                     | -                        | -                                | -                           | -                                |
| AAA                        |         | 927,965            | -                          | -                   | -                     | -                        | -                                | 603,819                     | 324,146                          |
| AA                         |         | 1,066,589          | -                          | -                   | -                     | -                        | 471,490                          | 406,158                     | 188,941                          |
| A                          |         | 2,138,333          | -                          | -                   | -                     | -                        | -                                | 1,587,884                   | 550,449                          |
| BBB                        |         | 3,472,403          | -                          | -                   | -                     | -                        | -                                | 2,852,176                   | 620,227                          |
| BB                         |         | 130,076            | -                          | -                   | -                     | -                        | -                                | 71,593                      | 58,483                           |
| B                          |         | 13,974             | -                          | -                   | -                     | -                        | -                                | 13,974                      | -                                |
| CCC                        |         | 1,724              | -                          | -                   | -                     | -                        | -                                | 1,724                       | -                                |
| CC                         |         | 13,075             | -                          | -                   | -                     | -                        | -                                | 13,075                      | -                                |
| D                          |         | 1,906              | -                          | -                   | -                     | -                        | -                                | 1,906                       | -                                |
|                            | P-2     | 17,979             | -                          | 17,979              | -                     | -                        | -                                | -                           | -                                |
|                            | P-3     | 27,094             | -                          | 27,094              | -                     | -                        | -                                | -                           | -                                |
|                            | Aaa     | 811,445            | -                          | -                   | -                     | -                        | 1,321                            | 749,215                     | 60,909                           |
|                            | Aa      | 73,463             | -                          | -                   | -                     | -                        | -                                | 60,662                      | 12,801                           |
|                            | A       | 164,399            | -                          | -                   | -                     | -                        | -                                | 132,430                     | 31,969                           |
|                            | Baa     | 577,501            | -                          | -                   | -                     | -                        | -                                | 497,603                     | 79,898                           |
|                            | Ba      | 141,081            | -                          | -                   | -                     | -                        | -                                | 122,998                     | 18,083                           |
|                            | Caa     | 2,224              | -                          | -                   | -                     | -                        | -                                | 2,224                       | -                                |
| NR                         | NR      | 8,922,654          | 324,980                    | -                   | -                     | 272,075                  | 7,893,484                        | 320,081                     | 112,034                          |
|                            |         | <u>21,780,246</u>  | <u>\$ 324,980</u>          | <u>\$ 3,121,322</u> | <u>\$ 200,112</u>     | <u>\$ 272,075</u>        | <u>\$ 8,366,295</u>              | <u>\$ 7,437,522</u>         | <u>\$ 2,057,940</u>              |

Ratings not applicable:

|                                          |                      |
|------------------------------------------|----------------------|
| Repurchase agreements <sup>3</sup>       | 837,925              |
| U.S. guaranteed obligations <sup>3</sup> | 13,968,174           |
| Total investments                        | <u>\$ 36,586,345</u> |

<sup>1</sup> S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "NR" (not rated). Long-term ratings are presented except for commercial paper and money market funds.

<sup>2</sup> All fixed income investments are included in this table, including security lending collateral investments.

<sup>3</sup> U.S. guaranteed obligations and collateral for repurchase agreements, which are explicitly guaranteed by the U.S. Government, do not require disclosure of credit quality.

<sup>4</sup> Federal Agency TBAs and mortgage-backed securities are classified as "NR" because they do not have explicit credit ratings on individual securities.

All futures, options and swaps contracts held by the FRS Pension Trust Fund at June 30, 2019, were exchange-traded, therefore minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses.

The FRS Pension Trust Fund may enter into contracts that allow for close-out netting with certain counterparties. In the event of default or early termination, the contract permits the non-defaulting party the right to close-out all transactions in a single net settlement to one net amount payable by one counterparty to the other. The aggregate fair value of non-exchange traded derivatives subject to close-out netting totaled \$(4.9) million as of June 30, 2019.

Counterparty credit ratings related to credit risk for forward currency contracts held at June 30, 2019, are presented below (in thousands):

**FRS Pension Trust Fund**  
Forward Currency Contract Counterparty Credit Ratings  
As of June 30, 2019

| Counterparty Credit Rating (Long/Short) <sup>1</sup> |         | Asset            | Liability          | Net Unrealized Gain/(Loss) |
|------------------------------------------------------|---------|------------------|--------------------|----------------------------|
| S&P                                                  | Moody's |                  |                    |                            |
| AA/A-1                                               |         | \$ 323           | \$ (942)           | \$ (619)                   |
| A/A-1                                                |         | 16,436           | (20,568)           | (4,132)                    |
|                                                      | NR/P-1  | 466              | (106)              | 360                        |
|                                                      |         | <u>\$ 17,225</u> | <u>\$ (21,616)</u> | <u>\$ (4,391)</u>          |

<sup>1</sup> If no rating exists, "NR" is reported.

Counterparty credit ratings related to credit risk for spot currency contracts held at June 30, 2019, are presented below (in thousands):

**FRS Pension Trust Fund**  
Spot Currency Contract Counterparty Credit Ratings  
As of June 30, 2019

| Counterparty Credit Rating (Long/Short) <sup>1</sup> |         | Receivables      | Payables           | Net Unrealized Gain/(Loss) |
|------------------------------------------------------|---------|------------------|--------------------|----------------------------|
| S&P                                                  | Moody's |                  |                    |                            |
| AA/A-1                                               |         | \$ 9,479         | \$ (9,463)         | \$ 16                      |
| A/A-1                                                |         | 36,739           | (36,734)           | 5                          |
| BBB/A-2                                              |         | 516              | (518)              | (2)                        |
|                                                      | A/P-1   | 5,415            | (5,413)            | 2                          |
| NR                                                   | NR      | 41,190           | (41,198)           | (8)                        |
|                                                      |         | <u>\$ 93,339</u> | <u>\$ (93,326)</u> | <u>\$ 13</u>               |

<sup>1</sup> 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 \$275,449,438 and \$249,471,380, respectively, which held an S&P rating of AAAM at June 30, 2019.

#### 4. Custodial Credit Risk

Custodial credit risk for investments is the risk that, if a depository financial institution or counterparty fails, the state will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

As stated in SBA's custodial credit policy, the SBA seeks to minimize custodial credit risk through the use of trust accounts maintained at top tier third-party custodian banks, whose creditworthiness is monitored by the SBA. 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, but does not apply to investments evidenced by contractual agreements such as alternatives, real estate, cleared derivative instruments (futures, options and swaps), external investment pools or open-ended mutual funds. These types of investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. In addition, un-invested cash for all portfolios/funds under SBA management is generally swept nightly into overnight investments, thereby reducing the plan's exposure to custodial credit risk. On occasion, however, the plan's cash balances can exceed federally-insured limits.

Presented below are investments that were uninsured and unregistered, with securities held by the counterparty, or by the counterparty's trust department but not in the SBA's name, as of June 30, 2019 (in thousands):

**FRS Pension Trust Fund**  
Custodial Credit Risk  
As of June 30, 2019

|                              | Fair Value       |
|------------------------------|------------------|
| Security lending collateral: |                  |
| Repurchase agreements        | \$ 10,000        |
| Domestic bonds and notes     | 50,617           |
| Total                        | <u>\$ 60,617</u> |

## 5. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5 percent or more of the fund's fair value at June 30, 2019.

Investment policy guidelines allow the security lending programs to hold up to 30 percent of the cash collateral reinvestment portfolio in U.S. Treasury bills, notes, and bonds.

## 6. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of fixed income instruments. The SBA, in compliance with Section 215.47, Florida Statutes, has adopted certain investment policies with regard to interest rate risk exposure for fixed income securities, which generally are managed through individual portfolios with various asset classes. The individual portfolios may have different policies regarding interest rate risk.

For the Short-term Portfolio, the weighted-average maturity to final maturity date (WAL) is limited to 120 days 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. No individual security shall have a final maturity date longer than 397 days except for U.S. Treasury and Agency securities, which shall not exceed five years.

The Mortgage Index 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 the Barclays Capital U.S. MBS Index duration. Swaps and/or Agency debentures may contribute no more than 25 percent of the portfolio's total duration.

The Intermediate Aggregate Less MBS Index Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration less the MBS Index component. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25 percent of the portfolio's total duration.

The Core Portfolio duration should remain within plus or minus 0.50 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration. Interest rate swaps and interest rate futures may contribute no more than 25 percent of the portfolio's total duration.

The Core Portfolio contains certain investments known as collateralized mortgage obligations (CMOs). CMOs are often more sensitive to interest rate changes than other fixed income instruments. Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IOs), principal-only (POs), and inverse floaters (INVs). IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO and decrease the value of an IO. Inverse floaters (INVs) have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

For security lending portfolios, policy guidelines allow investment in the following:

- Tri-party qualified repurchase obligations, with a term to repurchase not to exceed forty-five calendar days, that are fully collateralized by U.S. Treasury bills, notes, bonds and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. Equity securities.
- Money market mutual funds regulated by SEC rule 2a-7.
- U.S. Treasury bills, notes and bonds maturing within 92 days or less.

Security lending investments that were purchased prior to the investment policy guidelines established in December 2008 are still held in the lending programs, and are slowly paying down. For investments that had floating interest rates, interest rate reset dates were used to calculate WAM.

The interest rate risk table for the FRS Pension Trust Fund as of June 30, 2019, is presented below (in thousands). Investment types related to fixed income portfolios are presented using effective weighted duration. Investment types related to short-term and security lending collateral portfolios are presented using weighted-average maturity.

**FRS Pension Trust Fund**

Debt Investments

As of June 30, 2019

| Investment type                            | Total<br>(duration)  | Effective<br>weighted<br>duration<br>(in years) | Total<br>(WAM)      | Weighted<br>average<br>maturity<br>(in days) |
|--------------------------------------------|----------------------|-------------------------------------------------|---------------------|----------------------------------------------|
| Certificates of deposit                    | \$ -                 | N/A                                             | \$ 324,980          | 7                                            |
| Commercial paper                           | -                    | N/A                                             | 3,121,322           | 19                                           |
| Money market funds                         | -                    | N/A                                             | 200,112             | 1                                            |
| Repurchase agreements                      | -                    | N/A                                             | 1,110,000           | 8                                            |
| U.S. guaranteed obligations:               |                      |                                                 |                     |                                              |
| Treasury bills                             | 2,407,364            | 0.39                                            | -                   | N/A                                          |
| Treasury bonds and notes                   | 8,856,777            | 3.84                                            | -                   | N/A                                          |
| Index linked government bonds              | 383,483              | 6.93                                            | -                   | N/A                                          |
| Bonds and notes                            | 108,656              | 2.53                                            | -                   | N/A                                          |
| Asset-backed                               | 280,966              | 4.75                                            | -                   | N/A                                          |
| GNMA mortgage-backed                       | 1,419,757            | 2.94                                            | -                   | N/A                                          |
| GNMA commitments to purchase (TBAs)        | 177,501              | 2.06                                            | -                   | N/A                                          |
| Mortgage-backed CMOs and CMBs <sup>1</sup> | 333,670              | 4.13                                            | -                   | N/A                                          |
| Federal agencies:                          |                      |                                                 |                     |                                              |
| Discount notes                             | 34,331               | 0.04                                            | -                   | N/A                                          |
| Unsecured bonds and notes                  | 471,490              | 2.23                                            | -                   | N/A                                          |
| Agency strips                              | 21,687               | 4.72                                            | -                   | N/A                                          |
| Mortgage-backed                            | 5,256,570            | 2.34                                            | -                   | N/A                                          |
| FNMA, FHLMC commitments to purchase (TBAs) | 1,241,280            | 1.78                                            | -                   | N/A                                          |
| Mortgage-backed CMOs and CMBs <sup>1</sup> | 1,340,937            | 1.58                                            | -                   | N/A                                          |
| Domestic:                                  |                      |                                                 |                     |                                              |
| Corporate bonds and notes                  | 5,310,259            | 4.46                                            | -                   | N/A                                          |
| Asset and mortgage backed                  | 795,621              | 2.01                                            | 41,733              | 38                                           |
| Mortgage-backed CMOs and CMBs <sup>1</sup> | 1,272,637            | 3.99                                            | 1,618               | 57                                           |
| Municipal/provincial                       | 13,041               | 4.36                                            | -                   | N/A                                          |
| Real estate mortgage loans                 | 2,613                | 0.60                                            | -                   | N/A                                          |
| International:                             |                      |                                                 |                     |                                              |
| Government and agency obligations          | 691,522              | 2.98                                            | -                   | N/A                                          |
| Corporate bonds and notes                  | 1,307,245            | 3.72                                            | -                   | N/A                                          |
| Asset and mortgage-backed                  | 4,740                | 0.05                                            | -                   | N/A                                          |
| Mortgage-backed CMOs and CMBs <sup>1</sup> | 54,433               | 2.22                                            | -                   | N/A                                          |
| Futures - long <sup>2</sup>                | 35,461               | 3.74                                            | -                   | N/A                                          |
| Futures - short <sup>2</sup>               | (12,677)             | 10.24                                           | -                   | N/A                                          |
| Credit default swaps <sup>2</sup>          | (2,001)              | 0.00                                            | -                   | N/A                                          |
| Interest rate swaps <sup>2</sup>           | (4,810)              | (0.14)                                          | -                   | N/A                                          |
| Total fixed income investments             | <u>\$ 31,802,553</u> |                                                 | <u>\$ 4,799,765</u> |                                              |

<sup>1</sup> Includes investments in IOs, POs, and INVs totaling \$56 million at June 30, 2019.

<sup>2</sup> The futures and swaps contracts' effective weighted durations were calculated using notional values rather than fair values.

The effective duration of the State Treasury Investment Pool at June 30, 2019, was approximately 2.71 years. Interest rate risk information for fixed income investments sold short is presented below (in thousands):

**FRS Pension Trust Fund**  
Sold Short<sup>1</sup> Debt Investment Positions  
As of June 30, 2019

| Investment type                                        | Fair value<br>(duration) | Effective weighted<br>duration (in years) |
|--------------------------------------------------------|--------------------------|-------------------------------------------|
| GNMA commitments to sell (TBAs)                        | \$ (26,607)              | 2.65                                      |
| FNMA, FHLMC commitments to sell (TBAs)                 | (197,452)                | 1.88                                      |
| Total fixed income investments sold short <sup>1</sup> | <u>\$ (224,059)</u>      |                                           |

<sup>1</sup> Investments sold short are reported as liabilities on the Statement of Fiduciary Net Position.

The Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund had investments in money market funds totaling \$275,449,438 and \$249,471,380, respectively, which had daily liquidity at June 30, 2019.

## 7. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or investment. 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 investment by the FRS Pension Trust Fund may be invested in various types of securities denominated in foreign currency. The SBA has developed for the FRS Pension Trust Fund an Investment Policy Statement (IPS) that sets ranges on investments by asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. For fiscal year 2019, Florida law limits the exposure to foreign securities held outside of foreign group trusts and certain other foreign entities to 50 percent of the total FRS Pension Trust Fund. There is no requirement that this exposure to foreign currency risk be hedged through forward currency contracts, although some managers are authorized to use forward currency contracts.

Commingled international equity funds are collective investments where the FRS Pension Trust Fund owns a portion of the total units in commingled funds with other investors. Exchange-traded funds (ETFs) are investment funds, traded on the exchanges, that hold assets such as stocks or bonds, and the FRS Pension Trust Fund owns a portion of the total shares in the ETFs. Participatory notes (P-notes) 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 for other reasons. The overall investments or notes themselves are denominated in U.S. dollars, but a portion of the underlying assets may be exposed to foreign currency risk in various currencies.

Alternative investments are commingled investment funds (primarily limited partnerships) where the FRS Pension Trust Fund owns a portion of the overall investment in the funds. For those funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies.

The FRS Pension Trust Fund also holds positions in futures, options, swaps, and foreign currency contracts that are subject to foreign currency risk. Additional information on derivatives is provided in section B.9. in Note 3 to the financial statements.

Following are the FRS Pension Trust Fund's investments, by currency at fair value (in U.S. dollars), exposed to foreign currency risk as of June 30, 2019 (in thousands):

**FRS Pension Trust Fund**  
Investments Exposed to Foreign Currency Risk (fair values in U.S. dollars, in thousands)  
As of June 30, 2019

| Currency                                                            | FRS Pension Trust Fund Investment Type |                         |              |              |                     | Total         |
|---------------------------------------------------------------------|----------------------------------------|-------------------------|--------------|--------------|---------------------|---------------|
|                                                                     | Equity                                 | Alternative Investments | Fixed Income | Other        | Spot Contracts, net |               |
| Australian dollar                                                   | \$ 945,538                             | \$ -                    | \$ -         | \$ (71,392)  | \$ 428              | \$ 874,574    |
| Bangladesh taka                                                     | 15,691                                 | -                       | -            | -            | -                   | 15,691        |
| Brazilian real                                                      | 730,566                                | -                       | -            | (15,225)     | (1,995)             | 713,346       |
| British pound sterling                                              | 3,251,615                              | 72,146                  | -            | 24,570       | 8,199               | 3,356,530     |
| Canadian dollar                                                     | 1,368,060                              | -                       | -            | (24,544)     | 462                 | 1,343,978     |
| Chilean peso                                                        | 31,604                                 | -                       | -            | -            | -                   | 31,604        |
| Chinese yuan renminbi                                               | 381,517                                | -                       | -            | (16,261)     | (642)               | 364,614       |
| Columbian peso                                                      | 8,097                                  | -                       | -            | 5,282        | -                   | 13,379        |
| Costa Rican colon                                                   | 2,267                                  | -                       | -            | -            | -                   | 2,267         |
| Czech koruna                                                        | 5,345                                  | -                       | -            | 5,243        | -                   | 10,588        |
| Danish krone                                                        | 458,157                                | -                       | -            | (13,599)     | 1,115               | 445,673       |
| Egyptian pound                                                      | 31,920                                 | -                       | -            | -            | -                   | 31,920        |
| Euro                                                                | 7,115,510                              | 1,022,849               | -            | (367,904)    | (2,066)             | 7,768,389     |
| Ghanaian cedi                                                       | 2,118                                  | -                       | -            | -            | -                   | 2,118         |
| Hong Kong dollar                                                    | 2,756,183                              | -                       | -            | (36,567)     | (3,260)             | 2,716,356     |
| Hungarian forint                                                    | 42,607                                 | -                       | -            | (9,636)      | -                   | 32,971        |
| Indian rupee                                                        | 837,405                                | -                       | -            | 66,648       | -                   | 904,053       |
| Indonesian rupiah                                                   | 199,759                                | -                       | -            | 66,380       | (617)               | 265,522       |
| Israeli shekel                                                      | 116,483                                | -                       | -            | 7,372        | 10                  | 123,865       |
| Japanese yen                                                        | 3,982,234                              | -                       | -            | 44,687       | (3,116)             | 4,023,805     |
| Kenyan shilling                                                     | 15,566                                 | -                       | -            | -            | -                   | 15,566        |
| Kuwaiti dinar                                                       | 31,494                                 | -                       | -            | -            | -                   | 31,494        |
| Malaysian ringgit                                                   | 86,235                                 | -                       | -            | -            | (262)               | 85,973        |
| Mauritius rupee                                                     | 2,669                                  | -                       | -            | -            | -                   | 2,669         |
| Mexican peso                                                        | 189,342                                | -                       | -            | 31,814       | (1)                 | 221,155       |
| Moroccan dirham                                                     | 2,444                                  | -                       | -            | -            | -                   | 2,444         |
| New Taiwan dollar                                                   | 729,243                                | -                       | -            | (27,128)     | (6,552)             | 695,563       |
| New Zealand dollar                                                  | 58,366                                 | -                       | -            | (7,952)      | -                   | 50,414        |
| Nigerian naira                                                      | 28,085                                 | -                       | -            | -            | -                   | 28,085        |
| Norwegian krone                                                     | 257,601                                | -                       | -            | (38,864)     | (248)               | 218,489       |
| Omani rial                                                          | 1,620                                  | -                       | -            | -            | -                   | 1,620         |
| Pakistani rupee                                                     | 8,736                                  | -                       | -            | -            | -                   | 8,736         |
| Peruvian sol                                                        | 1,698                                  | -                       | -            | -            | -                   | 1,698         |
| Philippines peso                                                    | 99,219                                 | -                       | -            | 25,139       | 730                 | 125,088       |
| Polish zloty                                                        | 62,796                                 | -                       | -            | 10,422       | 186                 | 73,404        |
| Qatari riyal                                                        | 13,011                                 | -                       | -            | -            | -                   | 13,011        |
| Romanian new leu                                                    | 19,222                                 | -                       | -            | 5,169        | 55                  | 24,446        |
| Russian ruble                                                       | 8,476                                  | -                       | -            | 51,205       | (8)                 | 59,673        |
| Singapore dollar                                                    | 360,761                                | -                       | -            | 3            | 1,550               | 362,314       |
| South African rand                                                  | 352,952                                | -                       | -            | 7,608        | (2,680)             | 357,880       |
| South Korean won                                                    | 998,576                                | -                       | -            | (58,747)     | 611                 | 940,440       |
| Sri Lankan rupee                                                    | 8,802                                  | -                       | -            | -            | -                   | 8,802         |
| Swedish krona                                                       | 459,693                                | 23                      | -            | (6,145)      | 1,025               | 454,596       |
| Swiss franc                                                         | 1,585,234                              | -                       | -            | (4,844)      | (3,154)             | 1,577,236     |
| Thailand baht                                                       | 211,555                                | -                       | -            | 5,226        | (593)               | 216,188       |
| Turkish lira                                                        | 104,308                                | -                       | -            | 15,519       | (120)               | 119,707       |
| United Arab Emirates dirham                                         | 57,394                                 | -                       | -            | -            | 651                 | 58,045        |
| Vietnam dong                                                        | 37,216                                 | -                       | -            | -            | -                   | 37,216        |
| Total foreign currency risk                                         | 28,074,990                             | 1,095,018               | -            | (326,521)    | (10,292)            | 28,833,195    |
| Other investments with potential exposure to foreign currency risk: |                                        |                         |              |              |                     |               |
| Alternative investments                                             | -                                      | 26,688,982              | -            | -            | -                   | 26,688,982    |
| P-notes and ETFs                                                    | 437,879                                | -                       | -            | -            | -                   | 437,879       |
| Commingled international equity funds                               | 8,401,273                              | -                       | -            | -            | -                   | 8,401,273     |
| Total investments subject to foreign currency risk                  | \$ 36,914,142                          | \$ 27,784,000           | \$ -         | \$ (326,521) | \$ (10,292)         | \$ 64,361,329 |

The tables below provide additional details on the futures contracts, option contracts and foreign currency contracts that were subject to foreign currency risk. The margin payments included in "Accounts receivable" and "Accounts payable and accrued liabilities" on the Statement of Fiduciary Net Position, may also be exposed to foreign currency risk.

## Futures

The FRS Pension Trust Fund's futures contract positions at June 30, 2019, that were exposed to foreign currency risk are presented below (in thousands):

**FRS Pension Trust Fund**  
Futures Positions Exposed to Foreign Currency Risk  
As of June 30, 2019

| Futures Contract Type                          | Currency               | Number of Contracts | In Local Currency        |                          | In U.S. dollars        |                        |
|------------------------------------------------|------------------------|---------------------|--------------------------|--------------------------|------------------------|------------------------|
|                                                |                        |                     | Notional Traded Exposure | Notional Market Exposure | Unrealized Gain/(Loss) | Unrealized Gain/(Loss) |
| GBP FTSE 100 Index                             | British pound sterling | 48                  | 3,500                    | 3,537                    | 37                     | \$ 47                  |
| Canada S&P/TSE 60 Index                        | Canadian dollar        | 19                  | 3,698                    | 3,715                    | 17                     | 13                     |
| DJ Euro STOXX 50                               | Euro                   | 211                 | 7,131                    | 7,313                    | 182                    | 207                    |
| TOPIX Index Future                             | Japanese yen           | 32                  | 497,071                  | 496,320                  | (751)                  | (7)                    |
| NIKKEI 225 Yen                                 | Japanese yen           | 29                  | 307,618                  | 308,923                  | 1,305                  | 12                     |
| FTSE China A50 Index                           | U.S. dollar            | 381                 | 5,122                    | 5,146                    | 24                     | 24                     |
| MSCI EAFE <sup>1</sup>                         | U.S. dollar            | 1,523               | 144,427                  | 146,459                  | 2,032                  | 2,032                  |
| MSCI Emerging Markets Index                    | U.S. dollar            | 337                 | 16,956                   | 17,750                   | 794                    | 794                    |
| Total futures subject to foreign currency risk |                        | 2,580               | 985,523                  | 989,163                  | 3,640                  | \$ 3,122               |

<sup>1</sup> Futures denominated in U.S. dollar are based on an index that converts the foreign issues to dollar equivalents at currency market exchange rates.

## Options

The FRS Pension Plan Trust Fund's options contract positions as of June 30, 2019, that were exposed to foreign currency risk are presented below (in thousands):

**FRS Pension Trust Fund**  
Options Contract Positions Exposed to Foreign Currency Risk  
As of June 30, 2019

|                                        | In Local Currency |                    | In U.S. Dollars    |
|----------------------------------------|-------------------|--------------------|--------------------|
|                                        | Notional Amount   | Total Market Value | Total Market Value |
| <b>Options Purchased:</b>              |                   |                    |                    |
| Euro                                   | 56,940            | 621                | \$ 707             |
| Japanese yen                           | 55,801            | 307                | 350                |
| U.S. dollar <sup>1</sup>               | 630,924           | 2,633              | 2,633              |
| Total options purchased                | 743,665           | 3,561              | 3,690              |
| <b>Options Sold:</b>                   |                   |                    |                    |
| Euro                                   | 341,471           | (369)              | (411)              |
| Japanese yen                           | 145,140           | (1,948)            | (2,035)            |
| U.S. dollar <sup>1</sup>               | 257,054           | (1,244)            | (1,244)            |
| Total options sold                     | 743,665           | (3,561)            | (3,690)            |
| Total subject to foreign currency risk | 1,487,330         | -                  | \$ -               |

<sup>1</sup> Currency options on a currency pair that are denominated in U.S. dollars are dependent on the exchange rate of the given foreign currency relative to the U.S. dollar.

## Forward and Spot Foreign Currency Contracts

Foreign currency contracts are agreements to exchange one currency for another currency at an agreed-upon price and settlement date. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are valued at spot (traded) currency rates and are used primarily for trade settlement and currency repatriation. Forward currency contracts are valued at interpolated forward rates and may be used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. Forward currency contracts are recorded as other investments and other liabilities on the statements of net position and spot currency contracts are recorded as receivables and payables on the statements of net position. In addition, a currency overlay program is used to seek additional value and is run independently of the underlying equity assets.

The FRS Pension Trust Fund's forward and spot currency contract positions as of June 30, 2019, that were exposed to foreign currency risk are presented below, by currency (in thousands):

**FRS Pension Trust Fund**  
Forward and Spot Foreign Currency Exchange Contracts  
As of June 30, 2019

| Currency                   | Forward Currency Contracts |                     |                                 |                               | Spot Currency Contracts |                    |                                 |                               |
|----------------------------|----------------------------|---------------------|---------------------------------|-------------------------------|-------------------------|--------------------|---------------------------------|-------------------------------|
|                            | Receivable<br>Notional     | Payable<br>Notional | Net<br>Investment/<br>Liability | Unrealized<br>Gain/<br>(Loss) | Receivables             | Payables           | Net<br>Receivables/<br>Payables | Unrealized<br>Gain/<br>(Loss) |
| Australian dollar          | \$ 43,604                  | \$ 114,105          | \$ (71,392)                     | \$ (892)                      | \$ 1,263                | \$ (835)           | \$ 428                          | \$ 1                          |
| Brazilian real             | 29,455                     | 44,082              | (15,225)                        | (598)                         | 984                     | (2,979)            | (1,995)                         | 5                             |
| British pound sterling     | 117,265                    | 92,439              | 24,523                          | (303)                         | 11,604                  | (3,405)            | 8,199                           | 26                            |
| Canadian dollar            | 64,154                     | 88,630              | (24,557)                        | (81)                          | 598                     | (136)              | 462                             | 1                             |
| Chilean peso               | 15,170                     | 14,703              | -                               | (467)                         | -                       | -                  | -                               | -                             |
| Chinese yuan renminbi      | 11,712                     | 28,019              | (16,261)                        | 46                            | -                       | (642)              | (642)                           | (1)                           |
| Columbian peso             | 30,866                     | 24,327              | 5,282                           | (1,257)                       | -                       | -                  | -                               | -                             |
| Czech koruna               | 5,427                      | 263                 | 5,243                           | 78                            | -                       | -                  | -                               | -                             |
| Danish krone               | -                          | 13,476              | (13,599)                        | (123)                         | 1,115                   | -                  | 1,115                           | 2                             |
| Euro                       | 249,363                    | 614,037             | (368,407)                       | (3,734)                       | 7,501                   | (9,567)            | (2,066)                         | 1                             |
| Hong Kong dollar           | -                          | 36,504              | (36,567)                        | (63)                          | 4,087                   | (7,347)            | (3,260)                         | (1)                           |
| Hungarian forint           | 20,856                     | 30,637              | (9,636)                         | 145                           | -                       | -                  | -                               | -                             |
| Indian rupee               | 75,886                     | 9,945               | 66,648                          | 708                           | -                       | -                  | -                               | -                             |
| Indonesian rupiah          | 65,866                     | 743                 | 66,380                          | 1,257                         | -                       | (617)              | (617)                           | (1)                           |
| Israeli shekel             | 20,134                     | 12,749              | 7,372                           | (13)                          | 10                      | -                  | 10                              | -                             |
| Japanese yen               | 237,948                    | 193,169             | 46,367                          | 1,588                         | 4,433                   | (7,549)            | (3,116)                         | (1)                           |
| Malaysian ringgit          | -                          | -                   | -                               | -                             | 248                     | (510)              | (262)                           | -                             |
| Mexican peso               | 71,373                     | 40,098              | 31,814                          | 539                           | 2                       | (3)                | (1)                             | -                             |
| New Taiwan dollar          | 6,482                      | 33,014              | (27,128)                        | (596)                         | -                       | (6,552)            | (6,552)                         | (2)                           |
| New Zealand dollar         | 34,952                     | 42,299              | (7,952)                         | (605)                         | -                       | -                  | -                               | -                             |
| Norwegian krone            | 80,449                     | 118,186             | (38,864)                        | (1,127)                       | -                       | (248)              | (248)                           | -                             |
| Philippines peso           | 25,364                     | 248                 | 25,139                          | 24                            | 730                     | -                  | 730                             | (1)                           |
| Polish zloty               | 10,741                     | 473                 | 10,422                          | 154                           | 312                     | (126)              | 186                             | -                             |
| Romanian new leu           | 5,363                      | 236                 | 5,169                           | 43                            | 55                      | -                  | 55                              | -                             |
| Russian ruble              | 71,563                     | 21,740              | 51,205                          | 1,382                         | -                       | (8)                | (8)                             | -                             |
| Singapore dollar           | 28,057                     | 27,823              | 3                               | (232)                         | 1,831                   | (281)              | 1,550                           | -                             |
| South African rand         | 11,095                     | 3,983               | 7,608                           | 496                           | 208                     | (2,888)            | (2,680)                         | (16)                          |
| South Korean won           | 13,233                     | 71,104              | (58,747)                        | (875)                         | 3,264                   | (2,653)            | 611                             | 1                             |
| Swedish krona              | 26,028                     | 32,016              | (6,145)                         | (157)                         | 1,041                   | (16)               | 1,025                           | -                             |
| Swiss franc                | 93,429                     | 97,923              | (4,844)                         | (351)                         | 718                     | (3,872)            | (3,154)                         | -                             |
| Thailand baht              | 5,341                      | 223                 | 5,226                           | 109                           | 855                     | (1,448)            | (593)                           | (1)                           |
| Turkish lira               | 16,098                     | 1,093               | 15,519                          | 514                           | -                       | (120)              | (120)                           | -                             |
| United Arab Emirates dirha | -                          | -                   | -                               | -                             | 689                     | (38)               | 651                             | -                             |
| U.S. dollar                | 1,516,763                  | 1,195,750           | 321,013                         | -                             | 51,791                  | (41,486)           | 10,305                          | -                             |
| <b>Total</b>               | <b>\$ 3,004,037</b>        | <b>\$ 3,004,037</b> | <b>\$ (4,391)</b>               | <b>\$ (4,391)</b>             | <b>\$ 93,339</b>        | <b>\$ (93,326)</b> | <b>\$ 13</b>                    | <b>\$ 13</b>                  |

## 8. Security Lending

During fiscal year 2019, the FRS Pension Trust Fund participated in security lending programs with two lending agents, including the custodian and one third-party agent. These security lending programs have indemnity clauses requiring the lending agent to assume the borrower's risk from default. There are no restrictions on the amount of securities that can be loaned at one time to one borrower.

In addition to the two agent lending programs, the FRS Pension Trust Fund participated in security lending through investments in four commingled funds that do not offer borrower indemnification. The fund receives a proportionate share of the security lending income generated from these activities.

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. As of June 30, 2019, the FRS Pension Trust Fund had received and invested approximately \$537 million in cash collateral and received \$15 billion in securities as collateral for the lending programs. The collateral held for the security lending transactions exceeded the fair value of the securities on loan (including accrued interest). As a result, none of the lending programs were under-collateralized at the end of the fiscal year. The SBA does not have the ability to pledge or sell the non-cash collateral securities unless the borrower defaults, 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 lending agreements generally are open-ended with no fixed expiration date. As such, investments made with cash collateral are limited to those with a final maturity up to 92 days. However, investments in one of the security lending programs included investments with final maturities of six months or more, representing approximately 47 percent of that lender's total collateral invested at June 30, 2019. This is due to the portfolio containing some legacy non-repo securities that will remain until they are sold or mature.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2019 (in thousands):

### Schedule of Investments on Loan Under Security Lending Agreements

As of June 30, 2019

| Securities on loan for cash collateral,<br>by security type     | Fair value of Securities on Loan <sup>1</sup> |            |
|-----------------------------------------------------------------|-----------------------------------------------|------------|
|                                                                 | FRS Pension Trust Fund                        |            |
| U.S. guaranteed obligations                                     | \$                                            | 68,399     |
| Federal agencies                                                |                                               | 12,554     |
| Domestic corporate bonds and notes                              |                                               | 16,248     |
| International bonds and notes                                   |                                               | 42,370     |
| Domestic equities                                               |                                               | 30,952     |
| International equities                                          |                                               | 336,061    |
| Total securities on loan for cash collateral                    | \$                                            | 506,584    |
| Securities on loan for non-cash collateral,<br>by security type |                                               |            |
| U.S. guaranteed obligations                                     | \$                                            | 2,251,502  |
| Federal agencies                                                |                                               | 142        |
| Domestic corporate bonds and notes                              |                                               | 27,325     |
| International bonds and notes                                   |                                               | 9,782      |
| Domestic equities                                               |                                               | 10,422,272 |
| International equities                                          |                                               | 1,718,809  |
| Total securities on loan for non-cash collateral                |                                               | 14,429,832 |
| Total securities on loan                                        | \$                                            | 14,936,416 |

<sup>1</sup> Fair value includes accrued interest on fixed income securities.

## 9. Derivatives

The FRS Pension Trust Fund accounts for derivatives in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This statement defines a derivative instrument 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. Those 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 in the FRS Pension Trust Fund as of June 30, 2019, consisted of futures, options, forward currency contracts, and swaps.

The SBA has established investment 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, and may 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, and to effectively manage exposure to domestic and international equities, bonds, and real estate markets.

A futures contract is an agreement between 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 members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. 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 counterparties. 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 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" in 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 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 counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. 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.

The fair value, changes in fair value, and notional amounts of the derivative investments for the fiscal year ended June 30, 2019, are classified by type and presented in the table below (in thousands).

| FRS Pension Trust Fund             | Notional<br>(in U.S. dollars) | Increase/(Decrease) in Fair Value |                             | Fair Value at June 30, 2019                |                             |
|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|--------------------------------------------|-----------------------------|
|                                    |                               | Classification                    | Amount<br>(in U.S. dollars) | Classification                             | Amount<br>(in U.S. dollars) |
| Investment derivatives:            |                               |                                   |                             |                                            |                             |
| Futures <sup>1</sup>               |                               |                                   |                             |                                            |                             |
| Fixed income futures               | \$ 3,448,657                  | Investment Income                 | \$ 51,999                   | Investment                                 | \$ 22,784                   |
| Equity futures                     | 1,351,839                     | Investment Income                 | 73,956                      | Investment                                 | 12,313                      |
| Total futures                      | <u>\$ 4,800,496</u>           |                                   | <u>\$ 125,955</u>           |                                            | <u>\$ 35,097</u>            |
| Foreign currency forwards          | <u>\$ 3,004,037</u>           | Investment Income                 | <u>\$ 34,784</u>            | Receivable/<br>(Payable), net <sup>2</sup> | <u>\$ (4,391)</u>           |
| Options                            |                               |                                   |                             |                                            |                             |
| Foreign currency options purchased | \$ 743,665                    | Investment Income                 | \$ (100,688)                | Investment                                 | \$ 3,690                    |
| Foreign currency options sold      | 743,665                       | Investment Income                 | 57,133                      | Liability                                  | (3,690)                     |
| Total options                      | <u>\$ 1,487,330</u>           |                                   | <u>\$ (43,555)</u>          |                                            | <u>\$ -</u>                 |
| Swaps                              |                               |                                   |                             |                                            |                             |
| Credit default swaps               | \$ 279,705                    | Investment Income                 | \$ 2,022                    | Investment                                 | \$ (2,001)                  |
| Interest rate swaps                | 2,283,410                     | Investment Income                 | (6,863)                     | Investment                                 | (4,810)                     |
| Total swaps                        | <u>\$ 2,563,115</u>           |                                   | <u>\$ (4,841)</u>           |                                            | <u>\$ (6,811)</u>           |

<sup>1</sup> The total notional values of long and short fixed income futures positions were \$2,914,797,410 and \$533,859,475, respectively. The total notional value of long equity futures positions was \$1,351,838,655.

## 10. 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 for private equity, real estate and strategic investments not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$14.0 billion as of June 30, 2019.

## 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, 2018      | June 30, 2019      |
|----------------------------------------------------------|--------------------|--------------------|
| Total pension liability                                  | \$ 191,317,399,000 | \$ 198,012,334,000 |
| Fiduciary net position                                   | 161,196,880,609    | 163,573,726,217    |
| Net pension liability                                    | 30,120,518,391     | 34,438,607,783     |
| Fiduciary net position as a % of total pension liability | 84.26%             | 82.61%             |
| Covered payroll <sup>1</sup>                             | 34,675,000,000     | 35,571,200,000     |
| Net pension liability as a % of covered payroll          | 86.87%             | 96.82%             |

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.

| Discount Rate                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 7.00%         | 6.90%         |
| Long-term expected rate of return, net of investment expense | 7.00%         | 6.90%         |
| 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 if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 6.90 percent rate of return assumption used in the June 30, 2019, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). For additional information regarding the depletion date projection, refer to the 2019 GASB 67 Supplement to the FRS Actuarial Valuation available from Valuations on Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

|                                      |                                                                            |                                                                                                                               |
|--------------------------------------|----------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Valuation date                       | July 1, 2018                                                               | July 1, 2019                                                                                                                  |
| Measurement date                     | June 30, 2018                                                              | June 30, 2019                                                                                                                 |
| 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 | PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details in valuation report |
| Actuarial cost method                | Individual Entry Age                                                       | Individual Entry Age                                                                                                          |

<sup>1</sup> Covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged.

| <b>Changes in Net Pension Liability</b>        | <b>Total Pension Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension Liability<br/>(a) - (b)</b> |
|------------------------------------------------|----------------------------------------|------------------------------------------------------------------------|--------------------------------------------|
| Balances as of June 30, 2018                   | \$ 191,317,399,000                     | \$ 161,196,880,609                                                     | \$ 30,120,518,391                          |
| Changes for the year:                          |                                        |                                                                        |                                            |
| Service cost                                   | 2,523,070,443                          |                                                                        | 2,523,070,443                              |
| Interest on total pension liability            | 13,194,901,756                         |                                                                        | 13,194,901,756                             |
| Effect of plan changes                         | 11,404,000                             |                                                                        | 11,404,000                                 |
| Effect of economic/demographic gains or losses | 247,482,047                            |                                                                        | 247,482,047                                |
| Effect of assumptions changes or inputs        | 1,585,626,000                          |                                                                        | 1,585,626,000                              |
| Benefit payments <sup>1</sup>                  | (10,867,549,246)                       | (10,867,549,246)                                                       | -                                          |
| Employer contributions                         |                                        | 3,100,721,573                                                          | (3,100,721,573)                            |
| Member contributions                           |                                        | 752,813,534                                                            | (752,813,534)                              |
| Net investment income                          |                                        | 9,410,440,232                                                          | (9,410,440,232)                            |
| Administrative expenses                        |                                        | (19,580,485)                                                           | 19,580,485                                 |
| Balances as of June 30, 2019                   | <u>\$ 198,012,334,000</u>              | <u>\$ 163,573,726,217</u>                                              | <u>\$ 34,438,607,783</u>                   |

### Sensitivity Analysis

The following presents the net pension liability of the pension plan, calculated using the discount rate of 6.90 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90 percent) or one percentage point higher (7.90 percent) than the current rate.

|                         | <b>1%<br/>Decrease<br/>5.90%</b> | <b>Current<br/>Discount Rate<br/>6.90%</b> | <b>1%<br/>Increase<br/>7.90%</b> |
|-------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Total pension liability | \$ 223,106,611,000               | \$ 198,012,334,000                         | \$ 177,054,368,000               |
| Fiduciary net position  | 163,573,726,217                  | 163,573,726,217                            | 163,573,726,217                  |
| Net pension liability   | <u>\$ 59,532,884,783</u>         | <u>\$ 34,438,607,783</u>                   | <u>\$ 13,480,641,783</u>         |

<sup>1</sup>Benefit payments shown above include outbound transfers to the Investment Plan and returns of contributions, net of \$83,626,975 inbound transfers from the Investment Plan.

## Long-Term Expected Rate of Return

The long-term expected rate of return assumption of 6.90 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.30 percent, consistent with the capital market outlook model developed during 2019 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.90 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.90 percent reported investment return assumption differs from the 7.20 percent investment return assumption chosen by the 2019 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of 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. 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 <sup>1</sup> | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|--------------------------------|--------------------------|------------------------------------|--------------------|
| Cash                     | 1.0%                           | 3.3%                     | 3.3%                               | 1.2%               |
| Fixed income             | 18.0%                          | 4.1%                     | 4.1%                               | 3.5%               |
| Global equity            | 54.0%                          | 8.0%                     | 6.8%                               | 16.5%              |
| Real estate              | 10.0%                          | 6.7%                     | 6.1%                               | 11.7%              |
| Private equity           | 11.0%                          | 11.2%                    | 8.4%                               | 25.8%              |
| Strategic investments    | 6.0%                           | 5.9%                     | 5.7%                               | 6.7%               |
| Assumed Inflation – Mean |                                |                          | 2.6%                               | 1.7%               |

## Calculation of Money-Weighted Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 5.98 percent<sup>2</sup>. The money-weighted rate of return considers the changing amounts estimated as 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. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

<sup>1</sup> As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at [www.sbafla.com](http://www.sbafla.com).

<sup>2</sup> The money-weighted plan rate of return is an estimate using estimated level monthly net external cash flows. It may differ from the more precise return calculated by the Florida State Board of Administration.

## B. Retiree Health Insurance Subsidy (HIS) Program

Actuarial valuations for the HIS Program are conducted biennially. The July 1, 2018, HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2019, financial reporting exhibits shown below. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures. The discount rates used at the two liability measurement dates differ due to changes in the applicable municipal bond index between dates.

| Net Pension Liability                                    | June 30, 2018     | June 30, 2019     |
|----------------------------------------------------------|-------------------|-------------------|
| Total pension liability                                  | \$ 10,816,575,623 | \$ 11,491,043,673 |
| Fiduciary net position                                   | 232,463,369       | 302,044,388       |
| Net pension liability                                    | 10,584,112,254    | 11,188,999,285    |
| Fiduciary net position as a % of total pension liability | 2.15%             | 2.63%             |
| Covered payroll                                          | 32,670,918,206    | 33,452,626,138    |
| Net pension liability as a % of covered payroll          | 32.40%            | 33.45%            |

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                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 3.87%         | 3.50%         |
| Long-term expected rate of return, net of investment expense | N/A           | N/A           |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 3.87%         | 3.50%         |

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. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable municipal bond index.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2013 - June 30, 2018.

|                                      |                                                                                  |                                                                                  |
|--------------------------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Valuation Date                       | July 1, 2018                                                                     | July 1, 2018                                                                     |
| Measurement date                     | June 30, 2018                                                                    | June 30, 2019                                                                    |
| Inflation                            | 2.60%                                                                            | 2.60%                                                                            |
| Salary increases including inflation | 3.25%                                                                            | 3.25%                                                                            |
| Mortality                            | Generational RP-2000 with<br>Projection Scale BB; details<br>in valuation report | Generational RP-2000 with<br>Projection Scale BB; details<br>in valuation report |
| Actuarial cost method                | Individual Entry Age                                                             | Individual Entry Age                                                             |

| <b>Changes in Net Pension Liability</b>        | <b>Total Pension Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension Liability<br/>(a) - (b)</b> |
|------------------------------------------------|----------------------------------------|------------------------------------------------------------------------|--------------------------------------------|
| Balances as of June 30, 2018                   | \$ 10,816,575,623                      | \$ 232,463,369                                                         | \$ 10,584,112,254                          |
| Changes for the year:                          |                                        |                                                                        |                                            |
| Service cost                                   | 232,118,050                            |                                                                        | 232,118,050                                |
| Interest on total pension liability            | 418,156,727                            |                                                                        | 418,156,727                                |
| Effect of plan changes                         | -                                      |                                                                        | -                                          |
| Effect of economic/demographic gains or losses | -                                      |                                                                        | -                                          |
| Effect of assumptions changes or inputs        | 516,082,952                            |                                                                        | 516,082,952                                |
| Benefit payments                               | (491,889,679)                          | (491,889,679)                                                          | -                                          |
| Employer contributions                         |                                        | 555,290,298                                                            | (555,290,298)                              |
| Member contributions                           |                                        | 194,729                                                                | (194,729)                                  |
| Net investment income                          |                                        | 6,180,974                                                              | (6,180,974)                                |
| Administrative expenses                        |                                        | (195,303)                                                              | 195,303                                    |
| Balances as of June 30, 2019                   | <u>\$ 11,491,043,673</u>               | <u>\$ 302,044,388</u>                                                  | <u>\$ 11,188,999,285</u>                   |

### Sensitivity Analysis

The following presents the net pension liability of the HIS, calculated using the discount rate of 3.50 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 (2.50 percent) or one percentage point higher (4.50 percent) than the current rate.

|                         | <b>1%<br/>Decrease<br/>2.50%</b> | <b>Current<br/>Discount Rate<br/>3.50%</b> | <b>1%<br/>Increase<br/>4.50%</b> |
|-------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Total pension liability | \$ 13,074,860,670                | \$ 11,491,043,673                          | \$ 10,171,903,430                |
| Fiduciary net position  | 302,044,388                      | 302,044,388                                | 302,044,388                      |
| Net pension liability   | <u>\$ 12,772,816,282</u>         | <u>\$ 11,188,999,285</u>                   | <u>\$ 9,869,859,042</u>          |

### C. Florida National Guard Supplemental Retirement Benefit Plan

Actuarial valuations for the Florida National Guard Supplemental Retirement Benefit Plan are performed biennially. The July 1, 2018, National Guard valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2019, financial reporting exhibits shown below. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures. The discount rates used at the two liability measurement dates differ due to changes in the applicable municipal bond index between dates.

| Net Pension Liability                                    | June 30, 2018  | June 30, 2019  |
|----------------------------------------------------------|----------------|----------------|
| Total pension liability                                  | \$ 732,441,066 | \$ 818,492,864 |
| Fiduciary net position                                   | -              | -              |
| Net pension liability                                    | 732,441,066    | 818,492,864    |
| Fiduciary net position as a % of total pension liability | 0.00%          | 0.00%          |
| Covered payroll <sup>1</sup>                             | 485,666,000    | 495,379,000    |
| Net pension liability as a % of covered payroll          | 150.81%        | 165.23%        |

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 forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67.

| Discount Rate                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 3.87%         | 3.50%         |
| Long-term expected rate of return, net of investment expense | N/A           | N/A           |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 3.87%         | 3.50%         |

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 National Guard benefit is funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate adopted by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable bond index.

#### Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed.

|                                               |                                                                    |                                                                    |
|-----------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------|
| Valuation Date                                | July 1, 2018                                                       | July 1, 2018                                                       |
| Measurement date                              | June 30, 2018                                                      | June 30, 2019                                                      |
| Inflation                                     | 2.60%                                                              | 2.60%                                                              |
| Annual Increase – Federal Military Pay Tables | 2.00%                                                              | 2.00%                                                              |
| Individual Member Salary Increase             | Varies by service;<br>separate tables for<br>officers and enlisted | Varies by service;<br>separate tables for<br>officers and enlisted |
| Annual Cost-of-Living-Adjustment              | 2.60%                                                              | 2.60%                                                              |
| Mortality                                     | Generational RP- 2000<br>with Projection Scale BB                  | Generational RP- 2000<br>with Projection Scale BB                  |
| Actuarial cost method                         | Entry Age Normal                                                   | Entry Age Normal                                                   |

<sup>1</sup> Covered payroll is based on the total annual wages from the active duty military pay tables for the rank held by individuals in the Army and Air National Guard which is the basis of the benefit formula.

| <b>Changes in Net Pension Liability</b>        | <b>Total Pension Liability<br/>(a)</b> | <b>Increase (Decrease)<br/>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension Liability<br/>(a) - (b)</b> |
|------------------------------------------------|----------------------------------------|------------------------------------------------------------------------|--------------------------------------------|
| Balances as of June 30, 2018                   | \$ 732,441,066                         | \$ -                                                                   | \$ 732,441,066                             |
| Changes for the year:                          |                                        |                                                                        |                                            |
| Service cost                                   | 11,580,542                             |                                                                        | 11,580,542                                 |
| Interest on total pension liability            | 28,506,155                             |                                                                        | 28,506,155                                 |
| Effect of plan changes                         | -                                      |                                                                        | -                                          |
| Effect of economic/demographic gains or losses | -                                      |                                                                        | -                                          |
| Effect of assumptions changes or inputs        | 60,964,398                             |                                                                        | 60,964,398                                 |
| Benefit payments                               | (14,999,297)                           | (14,999,297)                                                           | -                                          |
| Employer contributions <sup>1</sup>            |                                        | 15,044,297                                                             | (15,044,297)                               |
| Member contributions                           |                                        | -                                                                      | -                                          |
| Net investment income                          |                                        | -                                                                      | -                                          |
| Administrative expenses                        |                                        | (45,000)                                                               | 45,000                                     |
| Balances as of June 30, 2019                   | <u>\$ 818,492,864</u>                  | <u>\$ -</u>                                                            | <u>\$ 818,492,864</u>                      |

### Sensitivity Analysis

The following presents the net pension liability of the plan, calculated using the discount rate of 3.50 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate.

|                         | <b>1%<br/>Decrease<br/>2.50%</b> | <b>Current<br/>Discount Rate<br/>3.50%</b> | <b>1%<br/>Increase<br/>4.50%</b> |
|-------------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Total pension liability | \$ 1,021,008,541                 | \$ 818,492,864                             | \$ 667,496,239                   |
| Fiduciary net position  | -                                | -                                          | -                                |
| Net pension liability   | <u>\$ 1,021,008,541</u>          | <u>\$ 818,492,864</u>                      | <u>\$ 667,496,239</u>            |

<sup>1</sup> Contributions are provided by annual legislative appropriations to cover expenses and benefit payments.

**NOTE 5 – INTERFUND BALANCES AND TRANSFERS**

At June 30, 2019, 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, 2019, consist of the following:

|                                    | Due from Other Funds<br>within Division |
|------------------------------------|-----------------------------------------|
|                                    | <b>Fiduciary Funds</b>                  |
|                                    | Retiree Health<br>Insurance Subsidy     |
| Due to Other Funds within Division |                                         |
| <b>Fiduciary Funds</b>             |                                         |
| Florida Retirement System          | <u>\$ 6,385,045</u>                     |

There were no interfund transfers during the year.

## NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for fiduciary and governmental activities during the fiscal year ended June 30, 2019, are as follows:

|                                      | Balance<br>July 1, 2018<br>Restated <sup>1</sup> | Additions        | Deletions        | Balance<br>June 30, 2019 | Due Within<br>One Year<br>(Current) |
|--------------------------------------|--------------------------------------------------|------------------|------------------|--------------------------|-------------------------------------|
| <b>Fiduciary Activities</b>          |                                                  |                  |                  |                          |                                     |
| Pension liability <sup>1</sup>       | \$ 72,065                                        | \$ 1,915         | \$ -             | \$ 73,980                | \$ 639                              |
| Compensated absences                 | 965,578                                          | -                | 4,023            | 961,555                  | 305,191                             |
| Other postemployment benefits        | 13,221,138                                       | 92,259           | 3,261            | 13,310,136               | 254,453                             |
| <b>Total Fiduciary Activities</b>    | <u>\$ 14,258,781</u>                             | <u>\$ 94,174</u> | <u>\$ 7,284</u>  | <u>\$ 14,345,671</u>     | <u>\$ 560,283</u>                   |
| <b>Governmental Activities</b>       |                                                  |                  |                  |                          |                                     |
| Compensated absences                 | \$ 117,592                                       | \$ -             | \$ 2,699         | \$ 114,893               | \$ 28,535                           |
| Other postemployment benefits        | 673,090                                          | -                | 77,392           | 595,698                  | 11,388                              |
| <b>Total Governmental Activities</b> | <u>\$ 790,682</u>                                | <u>\$ -</u>      | <u>\$ 80,091</u> | <u>\$ 710,591</u>        | <u>\$ 39,923</u>                    |

The long-term liability for fiduciary activities related to pension liability represents the State University System Optional Retirement Plan (SUSORP) Trust Fund's allocated share of the applicable state's pension liability. Changes to the trust fund's allocated share of the liability occur as a result of the state's allocation process and are non-liquidating by the trust fund itself. The liability related to compensated absences will be liquidated by the SUSORP Trust Fund. The allocated share of the state's Other Postemployment Benefits (OPEB) liability in the Florida Retirement System Trust Fund and the SUSORP Trust Fund is also reported above. The state does not currently fund the OPEB liability; therefore, it is non-liquidating.

The long-term liabilities for governmental activities related to compensated absences will be liquidated by the Police and Firefighters' Premium Tax Trust Fund, a special revenue fund. 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; therefore, it is non-liquidating.

<sup>1</sup> The SUSORP Trust Fund shares the reported FRS and HIS pension liabilities and related components with other funds within the state and recognizes its allocated share of the applicable pension liability. The fiduciary net position at July 1, 2017, for the FRS was restated as a result of the implementation of GASB Statement No. 75, resulting in an increase of \$16 in the SUSORP's share of the liability.

## 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 retirement systems 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 Pension Plan and charges an investment service charge on the net asset value at the end of each month.

In addition to the defined benefit pension plans, the DMS administers the 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. The SBA provides investment services to the Police and Firefighters' Premium Tax Trust Fund.

Significant transactions between the SBA, the FRS Investment Plan Trust Fund and the DMS state-administered retirement systems for fiscal year 2019 are as follows (in thousands):

|                                                                    | <b>Florida<br/>Retirement<br/>System<br/>Pension Plan</b> | <b>Retiree Health<br/>Insurance<br/>Subsidy<br/>Trust Fund</b> | <b>Police and<br/>Firefighters'<br/>Premium Tax<br/>Trust Fund</b> |
|--------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------|
| <b><u>Payables:</u></b>                                            |                                                           |                                                                |                                                                    |
| Due to SBA for investment service charges                          | \$ 6,030                                                  | \$ -                                                           | \$ -                                                               |
| <b><u>Additions:</u></b>                                           |                                                           |                                                                |                                                                    |
| Funds received from SBA for distributions                          | \$ 10,350,030                                             | \$ 490,680                                                     | \$ 177,766                                                         |
| Transfers from FRS Investment Plan Trust Fund                      | 83,627                                                    | -                                                              | -                                                                  |
| <b>Total Additions</b>                                             | <b>\$ 10,433,657</b>                                      | <b>\$ 490,680</b>                                              | <b>\$ 177,766</b>                                                  |
| <b><u>Deductions:</u></b>                                          |                                                           |                                                                |                                                                    |
| Employer/employee contributions sent to SBA                        | \$ 3,792,037                                              | \$ 549,171                                                     | \$ -                                                               |
| Member-directed benefits sent to FRS<br>Investment Plan Trust Fund | 565,045                                                   | -                                                              | -                                                                  |
| Investment service charges to the SBA                              | 35,836                                                    | -                                                              | -                                                                  |
| Premium taxes sent to SBA                                          | -                                                         | -                                                              | 223,529                                                            |
| <b>Total Deductions</b>                                            | <b>\$ 4,392,918</b>                                       | <b>\$ 549,171</b>                                              | <b>\$ 223,529</b>                                                  |

## NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS

The Florida Department of Management Services, Division of Retirement (division) is part of the primary government of the State of Florida. The division participates in the State Employees' Group Health Insurance Plan administered by the Department of Management Services, Division of State Group Insurance (DSGI). The plan covers retired employees and is considered an 'other postemployment benefits' plan.

### Plan Description

The DSGI Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan which provides healthcare benefits in accordance with Section 110.123, Florida Statutes, and the design documents located on DSGI's website at <https://www.mybenefits.myflorida.com/health/resources>. DSGI pays the medical costs incurred by participating retired employees, net of related premiums that are paid entirely by the retiree. Pursuant to provisions of Section 112.0801, Florida Statutes, the OPEB Plan allows all employees who retire and meet retirement eligibility requirements under one of the state's retirement plans to continue medical coverage as a participant in the state's group health insurance program. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. There are 6 participating employers in the Plan, including the primary government of the state and 15 of its component units which are reported as one employer in the valuation, along with 5 other governmental entities. Although retirees pay 100 percent of the premium amount, the premium cost to the retiree is implicitly subsidized by commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the Plan is secondary payer to Medicare Parts A and B. Employees must make an election to participate in the Plan within 60 days of the effective date of retirement or the termination date to finalized Deferred Retirement Option Program participation to be eligible to continue in the Plan as a retiree. The Plan does not provide for a cost of living allowance increase.

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan operates on a pay-as-you-go basis based on the budget supported by the General Appropriations Act enacted into law each year.

### Total Plan Employees Covered by Benefit Terms

At July 1, 2017, there were 190,666 employees covered by the OPEB Plan, as shown in the following table:

|                              |                |
|------------------------------|----------------|
| Active Members               | 137,962        |
| No Coverage Active Members   | 15,658         |
| Retired and Inactive Members | 37,046         |
| Total                        | <u>190,666</u> |

There are currently no inactive plan members entitled to but not yet receiving benefits because the Plan does not provide a vested termination benefit.

### Benefits Provided

The OPEB Plan provides the same healthcare benefits to retirees as those provided to active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All full-time equivalent employees of the state are eligible to receive postemployment health care benefits. Four types of health plans are offered to eligible participants:

- Standard statewide Preferred Provider Organization (PPO) Plan
- High Deductible PPO Plan
- Standard Health Maintenance Organization (HMO) Plan
- High Deductible HMO Plan

HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks. Benefit provisions are described by Section 110.123, Florida Statutes, and the design documents located on DSGI's website. The Florida Legislature establishes and amends the contribution requirements, benefit terms and benefit payments of the OPEB Plan. There were no changes in benefit terms during the measurement period. During the reporting period, the division paid \$244,381 for OPEB as the benefits came due.

## Contributions

Retirees participating in the group insurance plans offered by the State of Florida are required to contribute 100 percent of the premiums. The State of Florida implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same health plan offered to active employees. Retirees under age 65 pay the same premium amounts as applicable to the active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because Medicare is the primary payer for those retirees.

Note that the projected post-65 employee contributions for the fully-insured HMO plan are assumed to cover the entire cost of the program.

## OPEB Liability

Actuarial valuations for the OPEB Plan are conducted biennially. The July 1, 2017, OPEB valuation is the most recent actuarial valuation. Standard roll forward procedures were used to develop the liabilities for the June 30, 2019, financial reporting exhibits.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Florida's OPEB plan and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The Florida Retirement System (FRS) Trust Fund, the State University System Optional Retirement Program (SUSORP) Trust Fund and the Police and Firefighters' Premium Tax (Police and Fire) Trust Fund are allocated a share of the state's OPEB liability, deferred outflows, deferred inflows and expense based on the number of full-time equivalent positions funded by each trust fund. The division's OPEB liability is shown below:

|                                 | FRS<br>Trust Fund    | SUSORP<br>Trust Fund | Police and Fire<br>Trust Fund | Total                |
|---------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| State's share of OPEB liability | \$ 7,799,708,000     | \$ 7,799,708,000     | \$ 7,799,708,000              |                      |
| Fund's proportion               | 0.1687397873%        | 0.0019093611%        | 0.0076374444%                 |                      |
| Fund's proportionate share      | <u>\$ 13,161,211</u> | <u>\$ 148,925</u>    | <u>\$ 595,698</u>             | <u>\$ 13,905,834</u> |

The funds' proportion of the total OPEB liability and the change in proportion from the prior measurement date are shown below:

|                                                            | FRS<br>Trust Fund | SUSORP<br>Trust Fund | Police and Fire<br>Trust Fund |
|------------------------------------------------------------|-------------------|----------------------|-------------------------------|
| Fund's proportion at prior measurement date, June 30, 2017 | 0.1635221539%     | 0.0019041881%        | 0.0085688465%                 |
| Fund's proportion at measurement date of June 30, 2018     | 0.1687397873%     | 0.0019093611%        | 0.0076374444%                 |
| Increase/(decrease) in proportion                          | 0.0052176330%     | 0.0000051730%        | -0.0009314020%                |

## Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017. Liabilities originally calculated as of the actuarial valuation date have been recalculated as of a later GASB Measurement Date using standard actuarial roll forward procedures. The service cost and interest cost components of the GASB 75 expense are based on the discount rate of 3.87 percent. The following actuarial assumptions were used:

| Discount Rate                                                |       |
|--------------------------------------------------------------|-------|
| Discount rate                                                | 3.87% |
| Long-term expected rate of return, net of investment expense | N/A   |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 3.87% |

In general, the discount rate for calculating the total OPEB liability under GASB 75 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 OPEB benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. All future benefits were discounted using a high quality municipal bond rate of 3.87 percent. This rate was based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Index published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's AA rating.

## Healthcare Cost Trend Rates

The same trend rates were used for both pre-Medicare healthcare and Medicare healthcare. The trend rates are a key assumption used in determining the costs of the plan, and these rates have been developed in a manner consistent with actuarial industry standards. The healthcare cost trend rates used are consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017, through June 30, 2023, as presented on August 3, 2017, by the Self-Insurance Estimating Conference conducted by the Office of Economic and Demographic Research. The August 2017 report is available online at <http://edr.state.fl.us/Content/conferences/healthinsurance/archives/index.cfm>.

Trend rate assumptions vary slightly by medical plan. For the HMO plans, the initial rate is 5.2 percent, reaching an ultimate rate of 3.8 percent for years after 2075. For the PPO plans, the initial rate is 7.8 percent, reaching an ultimate rate of 3.8 percent for years after 2075.

## Other Key Actuarial Assumptions

The demographic assumptions that determined the total OPEB liability as of June 30, 2019, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 - June 30, 2013.

|                           |                                                                                                                                                                                                                                                                                  |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date            | July 1, 2017                                                                                                                                                                                                                                                                     |
| Measurement date          | June 30, 2018                                                                                                                                                                                                                                                                    |
| Actuarial value of assets | N/A – no plan assets                                                                                                                                                                                                                                                             |
| Inflation                 | 2.60%                                                                                                                                                                                                                                                                            |
| Payroll growth            | 3.25%                                                                                                                                                                                                                                                                            |
| Medical aging factors     | 4% per year prior to age 65;<br>3% per year between ages 65 and 75;<br>2% per year between ages 75 and 85;<br>0% per year thereafter.                                                                                                                                            |
| Mortality                 | RP-2000 Generational, Scale BB for healthy members;<br>RP-2000, no Projection Scale for disabled members other than special risk;<br>60% RP2000 Disabled / 40% Annuitant White Collar, No Projection Scale for disabled special risk members;<br>See details in valuation report |
| Actuarial cost method     | Entry Age Normal                                                                                                                                                                                                                                                                 |
| Marital status            | 80% assumed married, with male spouses 3 years older than female spouses                                                                                                                                                                                                         |

## Changes Since the Prior Valuation

The following changes have been made since the prior valuation:

- The discount rate as of the measurement date for GASB 75 purposes was changed to 3.87 percent. The prior valuation used 3.58 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of June 28, 2018.

All other assumptions for this update report are the same as the prior valuation.

## Sensitivity Analysis

### *Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the division's allocated share of the state's OPEB liability in each of the affected funds, calculated using the discount rate of 3.87 percent, as well as what the funds' OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.87 percent) or one percentage point higher (4.87 percent) than the current rate.

| FRS Trust Fund       |                                |                      | SUSORP Trust Fund    |                                |                      |
|----------------------|--------------------------------|----------------------|----------------------|--------------------------------|----------------------|
| 1% Decrease<br>2.87% | Current Discount<br>Rate 3.87% | 1% Increase<br>4.87% | 1% Decrease<br>2.87% | Current Discount<br>Rate 3.87% | 1% Increase<br>4.87% |
| \$ 16,007,476        | \$ 13,161,211                  | \$ 10,945,274        | \$ 181,131           | \$ 148,925                     | \$ 123,850           |

| Police and Fire Trust Fund |                                |                      |
|----------------------------|--------------------------------|----------------------|
| 1% Decrease<br>2.87%       | Current Discount<br>Rate 3.87% | 1% Increase<br>4.87% |
| \$ 724,525                 | \$ 595,698                     | \$ 495,401           |

### *Sensitivity of the total OPEB liability to changes in the healthcare cost trends:*

The following presents the division's allocated share of the state's OPEB liability in each of the affected funds, calculated using the current healthcare trend rate, as well as what the funds' OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates.

| FRS Trust Fund |                                  |               | SUSORP Trust Fund |                                  |             |
|----------------|----------------------------------|---------------|-------------------|----------------------------------|-------------|
| 1% Decrease    | Current Healthcare<br>Trend Rate | 1% Increase   | 1% Decrease       | Current Healthcare<br>Trend Rate | 1% Increase |
| \$ 10,646,207  | \$ 13,161,211                    | \$ 16,536,746 | \$ 120,466        | \$ 148,925                       | \$ 187,120  |

| Police and Fire Trust Fund |                                  |             |
|----------------------------|----------------------------------|-------------|
| 1% Decrease                | Current Healthcare<br>Trend Rate | 1% Increase |
| \$ 481,865                 | \$ 595,698                       | \$ 748,481  |

## OPEB Liabilities, OPEB Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

In accordance with GASB 75, paragraphs 157 and 158, changes in the total OPEB liability and costs incurred by the employer related to the administration of OPEB are recognized in expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees who are provided with benefits through the OPEB plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees who are provided with benefits through the OPEB Plan (active and inactive employees).

The average expected remaining service life of all employees provided with benefits through the OPEB Plan at June 30, 2018, was 8.0 years.

The division's proportionate share for all funds of the components of collective OPEB expense and deferred outflows and inflows of resources reported in the OPEB allocation schedules for the measurement date year ended June 30, 2018, are presented below:

**State Employees Group Health Insurance OPEB Plan**

|                                                                                                               | Recognized in<br>Expense Reporting<br>Period Ended<br>June 30, 2019 | Recognition<br>Period | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------|-----------------------------------|----------------------------------|
| Service cost                                                                                                  | \$ 593,726                                                          | Current               | \$ -                              | \$ -                             |
| Interest cost                                                                                                 | 527,115                                                             | Current               | -                                 | -                                |
| Effect of plan changes                                                                                        | -                                                                   | Current               | -                                 | -                                |
| Effect of economic/demographic gains or losses (difference<br>between expected and actual experience)         | -                                                                   | 8.0 years             | -                                 | -                                |
| Effect of assumptions changes or inputs                                                                       | (434,201)                                                           | 8.0 years             | -                                 | (2,758,636)                      |
| Changes in proportion and differences between benefit<br>payments and proportionate share of benefit payments | 83,262                                                              | 8.0 years             | 612,509                           | (69,077)                         |
| Benefit payments subsequent to the measurement date                                                           | (272,639)                                                           | 1 year                | 272,639                           | -                                |
| Administrative expenses subsequent to the measurement date                                                    | (9,054)                                                             | 1 year                | 9,054                             | -                                |
| Administrative expenses                                                                                       | 6,475                                                               | Current               | -                                 | -                                |
| Total                                                                                                         | <u>\$ 494,684</u>                                                   |                       | <u>\$ 894,202</u>                 | <u>\$ (2,827,713)</u>            |

Deferred outflows of resources related to benefit payments and administrative expense paid subsequent to the measurement date as shown in the table above will be recognized as a reduction of the OPEB liability in the reporting period ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized as follows:

| Reporting Period<br>Ending June 30, | OPEB Expense          |
|-------------------------------------|-----------------------|
| 2020                                | \$ (350,939)          |
| 2021                                | (350,939)             |
| 2022                                | (350,939)             |
| 2023                                | (350,939)             |
| 2024                                | (350,939)             |
| Thereafter                          | (460,509)             |
| Total                               | <u>\$ (2,215,204)</u> |

**Additional Information**

The actuarial report for the OPEB plan may be obtained by contacting the Division of State Group Insurance at:

Department of Management Services  
Division of State Group Insurance  
Chief of Financial and Fiscal Management  
P. O. Box 5450  
Tallahassee, FL 32314-5450  
850-921-4600 or toll free at 800-226-3734

## 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 Ratios<sup>1</sup> For the period ended June 30 (in thousands)

| Total Pension Liability                                  | 2014                 | 2015                 | 2016                 | 2017                              |
|----------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Service cost                                             | \$ 2,256,738         | \$ 2,114,047         | \$ 2,132,906         | \$ 2,073,754                      |
| Interest on total pension liability                      | 11,489,921           | 11,721,563           | 12,109,114           | 12,484,167                        |
| Effect of plan changes                                   | -                    | -                    | 32,310               | 92,185                            |
| Effect of economic/demographic (gains) or losses         | (448,818)            | 1,620,863            | 980,192              | 1,412,462                         |
| Effect of assumption changes or inputs                   | 1,256,045            | -                    | 1,030,667            | 10,398,344                        |
| Benefit payments                                         | (8,714,251)          | (10,201,501)         | (10,624,925)         | (9,859,319)                       |
| Net change in total pension liability                    | 5,839,635            | 5,254,972            | 5,660,264            | 16,601,593                        |
| Total pension liability, beginning                       | 150,276,128          | 156,115,763          | 161,370,735          | 167,030,999                       |
| Total pension liability, ending (a)                      | <u>\$156,115,763</u> | <u>\$161,370,735</u> | <u>\$167,030,999</u> | <u>\$183,632,592</u>              |
| <b>Fiduciary net position</b>                            |                      |                      |                      |                                   |
| Employer contributions                                   | \$ 2,190,424         | \$ 2,438,085         | \$ 2,438,659         | \$ 2,603,246                      |
| Member contributions                                     | 682,507              | 698,304              | 710,717              | 744,839                           |
| Investment income net of investment expenses             | 22,812,286           | 5,523,287            | 820,583              | 18,801,917                        |
| Benefit payments                                         | (8,714,250)          | (10,201,500)         | (10,624,925)         | (9,859,319)                       |
| Administrative expenses                                  | (18,352)             | (18,074)             | (18,507)             | (18,340)                          |
| Net change in plan fiduciary net position                | 16,952,615           | (1,559,898)          | (6,673,473)          | 12,272,343                        |
| Fiduciary net position, beginning                        | 133,061,677          | 150,014,292          | 148,454,394          | 141,780,921                       |
| Fiduciary net position, ending (b)                       | <u>\$150,014,292</u> | <u>\$148,454,394</u> | <u>\$141,780,921</u> | <u>\$154,053,263</u> <sup>2</sup> |
| Net pension liability, ending = (a) - (b)                | \$ 6,101,471         | \$ 12,916,341        | \$ 25,250,078        | \$ 29,579,329                     |
| Fiduciary net position as a % of total pension liability | 96.09%               | 92.00%               | 84.88%               | 83.89%                            |
| Covered payroll <sup>3</sup>                             | \$ 24,723,565        | \$ 32,726,034        | \$ 33,214,217        | \$ 33,775,800                     |
| Net pension liability as a % of covered payroll          | 24.68%               | 39.47%               | 76.02%               | 87.58%                            |

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

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

<sup>2</sup> Reflects restatement of beginning net position at July 1, 2017, due to implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

<sup>3</sup> For June 30, 2015, and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged.

| 2018                 | 2019                 |
|----------------------|----------------------|
| \$ 2,423,987         | \$ 2,523,070         |
| 12,847,930           | 13,194,902           |
| -                    | 11,404               |
| 554,811              | 247,482              |
| 2,235,654            | 1,585,626            |
| (10,377,575)         | (10,867,549)         |
| <u>7,684,807</u>     | <u>6,694,935</u>     |
| <u>183,632,592</u>   | <u>191,317,399</u>   |
| <u>\$191,317,399</u> | <u>\$198,012,334</u> |

|                      |                      |
|----------------------|----------------------|
| \$ 2,849,920         | \$ 3,100,721         |
| 746,370              | 752,813              |
| 13,955,233           | 9,410,440            |
| (10,377,575)         | (10,867,549)         |
| (20,178)             | (19,580)             |
| <u>7,153,770</u>     | <u>2,376,845</u>     |
| <u>154,043,111</u>   | <u>161,196,881</u>   |
| <u>\$161,196,881</u> | <u>\$163,573,726</u> |

|               |               |
|---------------|---------------|
| \$ 30,120,518 | \$ 34,438,608 |
| 84.26%        | 82.61%        |
| \$ 34,675,000 | \$ 35,571,200 |
| 86.87%        | 96.82%        |

## Notes to the 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 of July 1, 2019, calculated based on the discount rate and actuarial assumptions below:

| Discount Rate                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 7.00%         | 6.90%         |
| Long-term expected rate of return, net of investment expense | 7.00%         | 6.90%         |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 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 if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 6.90 percent rate of return assumption used in the June 30, 2019, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). For additional information regarding the depletion date projection, refer to the 2019 GASB 67 Supplement to the FRS Actuarial Valuation available from Valuations on the Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018.

|                                      |                                                            |                                                                                                                 |
|--------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Valuation Date                       | July 1, 2018                                               | July 1, 2019                                                                                                    |
| Measurement Date                     | June 30, 2018                                              | June 30, 2019                                                                                                   |
| Asset Valuation Method               | Fair Market Value                                          | Fair Market Value                                                                                               |
| Inflation                            | 2.60%                                                      | 2.60%                                                                                                           |
| Salary increases including inflation | 3.25%                                                      | 3.25%                                                                                                           |
| Mortality                            | Generational RP-2000 with Projection Scale BB <sup>1</sup> | PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 <sup>2</sup> |
| Actuarial cost method                | Individual Entry Age                                       | Individual Entry Age                                                                                            |

<sup>1</sup> See July 1, 2018, Actuarial Valuation Report for details.

<sup>2</sup> See July 1, 2019, Actuarial Valuation Report for details.

## Schedule of Employer Contributions

| Fiscal Year Ended June 30 | Actuarially Determined Contribution <sup>1</sup> | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll <sup>2</sup> | Contribution as a % of Covered Payroll |
|---------------------------|--------------------------------------------------|------------------------------|----------------------------------|------------------------------|----------------------------------------|
| 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                      | 24,553,693,000               | 5.66%                                  |
| 2014                      | 2,190,424,344                                    | 2,190,424,344                | -                                | 24,723,565,000               | 8.86%                                  |
| 2015                      | 2,438,084,925                                    | 2,438,084,925                | -                                | 32,726,034,000               | 7.45%                                  |
| 2016                      | 2,438,659,458                                    | 2,438,659,458                | -                                | 33,214,217,000               | 7.34%                                  |
| 2017                      | 2,603,246,196                                    | 2,603,246,196                | -                                | 33,775,800,000               | 7.71%                                  |
| 2018                      | 2,849,919,659                                    | 2,849,919,659                | -                                | 34,675,000,000               | 8.22%                                  |
| 2019                      | 3,100,721,573                                    | 3,100,721,573                | -                                | 35,571,200,000               | 8.72%                                  |

### Notes to the Schedule of Employer Contributions

The following actuarial methods and assumptions were used in the July 1, 2019, funding valuation. Refer to the valuation report dated Dec. 3, 2019, for further details.

|                                              |                                                                                                                                                                                                                                                            |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Valuation Timing</b>                      | 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 2020-2021 plan year are calculated in the July 1, 2019 actuarial valuation). |
| <b>Actuarial Cost Method</b>                 | Individual Entry Age                                                                                                                                                                                                                                       |
| <b>Amortization Method</b>                   |                                                                                                                                                                                                                                                            |
| Level percent or level dollar                | Level percent                                                                                                                                                                                                                                              |
| Closed, open, or layered periods             | Closed, layered                                                                                                                                                                                                                                            |
| Amortization period at July 1, 2019          | 30 years                                                                                                                                                                                                                                                   |
| Payroll growth rate                          | 3.25%                                                                                                                                                                                                                                                      |
| <b>Asset Valuation Method</b>                |                                                                                                                                                                                                                                                            |
| Smoothing period                             | 5 years                                                                                                                                                                                                                                                    |
| Recognition method                           | Asymptotic                                                                                                                                                                                                                                                 |
| Corridor                                     | 80% - 120% of fair market value                                                                                                                                                                                                                            |
| <b>Inflation</b>                             | 2.60%                                                                                                                                                                                                                                                      |
| <b>Salary Increases</b>                      | Varies by membership class, length of service and gender; details in valuation report                                                                                                                                                                      |
| <b>Investment Rate of Return<sup>3</sup></b> | 7.20%                                                                                                                                                                                                                                                      |
| <b>Cost of Living Adjustments</b>            | 3% for pre-July 2011 benefit service; 0% thereafter                                                                                                                                                                                                        |
| <b>Retirement Age</b>                        | Varies by tier, membership class, age and gender; details in valuation report                                                                                                                                                                              |
| <b>Turnover</b>                              | Varies by membership class, length of service, age and gender; details in valuation report                                                                                                                                                                 |
| <b>Mortality</b>                             | PUB-2010 base table varies by member category and gender, projected generationally with Scale MP-2018, details in funding actuarial valuation report                                                                                                       |

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

<sup>2</sup> For the fiscal years ended 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For the fiscal years 2015 and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged.

<sup>3</sup> The 7.20 percent return was chosen by the 2019 FRS Actuarial Assumption Conference and differs from the 6.90 percent investment return assumption that is used as the discount rate for determining the net pension liability.

### Money-Weighted Rate of Return

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>Net<br/>Money-Weighted<br/>Rate of Return</b> |
|------------------------------------------|--------------------------------------------------|
| 2014                                     | 17.57%                                           |
| 2015                                     | 3.77%                                            |
| 2016                                     | 0.57%                                            |
| 2017                                     | 13.59%                                           |
| 2018                                     | 9.28%                                            |
| 2019                                     | 5.98%                                            |

The above schedule is presented to illustrate the requirement to show information for ten years and will fill in to a ten-year schedule as results for new fiscal years are calculated. For the calculation of the money-weighted rate of return, refer to the 2019 GASB 67 Supplement to the FRS Actuarial Valuation available from Actuarial Valuations on Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

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## 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 Ratios<sup>1</sup> For the period ended June 30 (in thousands)

| Total Pension Liability                                  | 2014                | 2015                 | 2016                 | 2017                 |
|----------------------------------------------------------|---------------------|----------------------|----------------------|----------------------|
| Service cost                                             | \$ 190,371          | \$ 217,519           | \$ 256,710           | \$ 304,537           |
| Interest on total pension liability                      | 409,907             | 405,441              | 390,757              | 337,486              |
| Effect of plan changes                                   | -                   | -                    | -                    | -                    |
| Effect of economic/demographic (gains) or losses         | -                   | -                    | (30,826)             | -                    |
| Effect of assumption changes or inputs                   | 386,383             | 607,698              | 1,352,459            | (1,073,716)          |
| Benefit payments                                         | (407,276)           | (425,086)            | (449,857)            | (465,980)            |
| Net change in total pension liability                    | 579,385             | 805,572              | 1,519,243            | (897,673)            |
| Total pension liability, beginning                       | 8,864,244           | 9,443,629            | 10,249,201           | 11,768,445           |
| Total pension liability, ending (a)                      | <u>\$ 9,443,629</u> | <u>\$ 10,249,201</u> | <u>\$ 11,768,445</u> | <u>\$ 10,870,772</u> |
| <b>Fiduciary net position</b>                            |                     |                      |                      |                      |
| Employer contributions                                   | \$ 342,566          | \$ 382,454           | \$ 512,564           | \$ 529,229           |
| Member contributions                                     | -                   | -                    | -                    | -                    |
| Investment income net of investment expenses             | 219                 | 208                  | 565                  | 1,380                |
| Benefit payments                                         | (407,275)           | (425,085)            | (449,857)            | (465,980)            |
| Administrative expenses                                  | (54)                | (188)                | (188)                | (177)                |
| Net change in plan fiduciary net position                | (64,544)            | (42,611)             | 63,084               | 64,452               |
| Fiduciary net position, beginning                        | 157,929             | 93,385               | 50,774               | 113,859              |
| Fiduciary net position, ending (b)                       | <u>\$ 93,385</u>    | <u>\$ 50,774</u>     | <u>\$ 113,859</u>    | <u>\$ 178,311</u>    |
| Net pension liability, ending = (a) - (b)                | \$ 9,350,244        | \$ 10,198,427        | \$ 11,654,586        | \$ 10,692,461        |
| Fiduciary net position as a % of total pension liability | 0.99%               | 0.50%                | 0.97%                | 1.64%                |
| Covered payroll                                          | \$ 29,676,340       | \$ 30,340,449        | \$ 30,875,274        | \$ 31,885,633        |
| Net pension liability as a % of covered payroll          | 31.51%              | 33.61%               | 37.75%               | 33.53%               |

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

<sup>1</sup> This schedule will fill to a ten-year schedule as results for new fiscal years are calculated.

|    | 2018                 | 2019                 |
|----|----------------------|----------------------|
| \$ | 258,450              | \$ 232,118           |
|    | 389,705              | 418,157              |
|    | -                    | -                    |
|    | 188,173              | -                    |
|    | (398,996)            | 516,083              |
|    | (491,528)            | (491,890)            |
|    | <u>(54,196)</u>      | <u>674,468</u>       |
|    | 10,870,772           | 10,816,576           |
|    | <u>\$ 10,816,576</u> | <u>\$ 11,491,044</u> |

|    |                   |                   |
|----|-------------------|-------------------|
| \$ | 542,303           | \$ 555,291        |
|    | 237               | 195               |
|    | 3,311             | 6,181             |
|    | (491,531)         | (491,890)         |
|    | (168)             | (195)             |
|    | <u>54,152</u>     | <u>69,582</u>     |
|    | 178,311           | 232,463           |
|    | <u>\$ 232,463</u> | <u>\$ 302,045</u> |

|               |               |
|---------------|---------------|
| \$ 10,584,113 | \$ 11,188,999 |
|---------------|---------------|

|       |       |
|-------|-------|
| 2.15% | 2.63% |
|-------|-------|

|               |               |
|---------------|---------------|
| \$ 32,670,918 | \$ 33,452,626 |
|---------------|---------------|

|        |        |
|--------|--------|
| 32.40% | 33.45% |
|--------|--------|

## 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 of July 1, 2018, 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.

### Actuarial Methods and Assumptions

The same demographic and pay-related assumptions that were used in the Florida Retirement System Actuarial Valuation as of July 1, 2019, ("funding valuation") were used for the HIS program, unless otherwise noted. In a given membership class and tier, the same assumptions for both Investment Plan (IP) members and for FRS Pension Plan members were used.

| Discount Rate                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 3.87%         | 3.50%         |
| Long-term expected rate of return, net of investment expense | N/A           | N/A           |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 3.87%         | 3.50%         |

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. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent, reflecting the change in the Bond Buyer General Obligation 20- Bond Municipal Bond Index as of June 30, 2019.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study of the FRS for the period July 1, 2008 - June 30, 2013.

|                                      |                                                               |                                                               |
|--------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Valuation Date                       | July 1, 2018                                                  | July 1, 2018                                                  |
| Measurement Date                     | June 30, 2018                                                 | June 30, 2019                                                 |
| Inflation                            | 2.60%                                                         | 2.60%                                                         |
| Salary increases including inflation | 3.25%                                                         | 3.25%                                                         |
| Mortality                            | Generational RP-2000<br>with Projection Scale BB <sup>1</sup> | Generational RP-2000<br>with Projection Scale BB <sup>2</sup> |
| Actuarial cost method                | Individual Entry Age                                          | Individual Entry Age                                          |

### Program Contribution Rates

The HIS essentially uses a "pay-as-you-go" funding structure. As of June 30, 2019, accumulated HIS assets constituted approximately seven 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 and the amount of payroll on which the statutory rate is charged.

<sup>1</sup> See July 1, 2018, Actuarial Valuation Report for details.

<sup>2</sup> See July 1, 2019, Actuarial Valuation Report for details.

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### C. Florida National Guard Supplemental Retirement Benefit (National Guard) Plan

Required supplementary information for the National Guard Plan is presented below:

#### Schedule of Changes in Net Pension Liability and Related Ratios<sup>1</sup> For the period ended June 30 (in thousands)

| Total Pension Liability                                  | 2014              | 2015              | 2016              | 2017              |
|----------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Service cost                                             | \$ 5,979          | \$ 7,161          | \$ 9,044          | \$ 12,904         |
| Interest on total pension liability                      | 18,852            | 19,164            | 19,259            | 19,100            |
| Effect of plan changes                                   | -                 | -                 | -                 | -                 |
| Effect of economic/demographic (gains) or losses         | -                 | -                 | 27,462            | -                 |
| Effect of assumption changes or inputs                   | 27,926            | 46,330            | 118,279           | (95,585)          |
| Benefit payments                                         | (14,366)          | (14,423)          | (14,413)          | (14,677)          |
| Net change in total pension liability                    | 38,391            | 58,232            | 159,631           | (78,258)          |
| Total pension liability, beginning                       | 408,292           | 446,683           | 504,915           | 664,547           |
| Total pension liability, ending (a)                      | <u>\$ 446,683</u> | <u>\$ 504,915</u> | <u>\$ 664,547</u> | <u>\$ 586,288</u> |
| <b>Fiduciary net position</b>                            |                   |                   |                   |                   |
| Employer contributions                                   | \$ 14,366         | \$ 14,495         | \$ 14,423         | \$ 14,720         |
| Member contributions                                     | -                 | -                 | -                 | -                 |
| Investment income net of investment expenses             | -                 | -                 | -                 | -                 |
| Benefit payments                                         | (14,366)          | (14,423)          | (14,413)          | (14,677)          |
| Administrative expenses                                  | -                 | (72)              | (10)              | (43)              |
| Net change in plan fiduciary net position                | -                 | -                 | -                 | -                 |
| Fiduciary net position, beginning                        | -                 | -                 | -                 | -                 |
| Fiduciary net position, ending (b)                       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| Net pension liability, ending = (a) - (b)                | \$ 446,683        | \$ 504,915        | \$ 664,547        | \$ 586,288        |
| Fiduciary net position as a % of total pension liability | 0.00%             | 0.00%             | 0.00%             | 0.00%             |
| Covered payroll                                          | \$ 466,939        | \$ 476,278        | \$ 477,549        | \$ 487,100        |
| Net pension liability as a % of covered payroll          | 95.66%            | 106.01%           | 139.16%           | 120.36%           |

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

<sup>1</sup> This schedule will fill to a ten-year schedule as results for new fiscal years are calculated.

|    | 2018                  | 2019                     |
|----|-----------------------|--------------------------|
| \$ | 9,925                 | \$ 11,581                |
|    | 21,080                | 28,506                   |
|    | -                     | -                        |
|    | 39,056                | -                        |
|    | 90,990                | 60,964                   |
|    | (14,898)              | (14,999)                 |
|    | <u>146,153</u>        | <u>86,052</u>            |
|    | 586,288               | 732,441                  |
| \$ | <u><u>732,441</u></u> | <u><u>\$ 818,493</u></u> |

|    |                 |                    |
|----|-----------------|--------------------|
| \$ | 14,905          | \$ 15,044          |
|    | -               | -                  |
|    | -               | -                  |
|    | (14,897)        | (14,999)           |
|    | <u>(8)</u>      | <u>(45)</u>        |
|    | -               | -                  |
|    | -               | -                  |
| \$ | <u><u>-</u></u> | <u><u>\$ -</u></u> |

|    |         |            |
|----|---------|------------|
| \$ | 732,441 | \$ 818,493 |
|    | 0.00%   | 0.00%      |
| \$ | 485,666 | \$ 495,379 |
|    | 150.81% | 165.23%    |

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

The Florida National Guard Supplemental Retirement Benefit Plan is funded on a pay-as-you-go basis by an annual appropriation from General Revenue by the Legislature, rather than by employer contributions and investment earnings. Any appropriated funds not obligated for benefit payments and expenses owed at June 30 of each year revert to the General Revenue Fund.

| Discount Rate                                                | June 30, 2018 | June 30, 2019 |
|--------------------------------------------------------------|---------------|---------------|
| Discount rate                                                | 3.87%         | 3.50%         |
| Long-term expected rate of return, net of investment expense | N/A           | N/A           |
| Bond Buyer General Obligation 20-Bond Municipal Bond Index   | 3.87%         | 3.50%         |

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 National Guard benefit is 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. The discount rate used was updated from 3.87 percent to 3.50 percent as of June 30, 2019, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20- Bond Municipal Bond Index.

## Other Key Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2018, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GAB 67.

|                                               |                                                                                 |                                                                                 |
|-----------------------------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Valuation Date                                | July 1, 2018                                                                    | July 1, 2018                                                                    |
| Measurement date                              | June 30, 2018                                                                   | June 30, 2019                                                                   |
| Inflation                                     | 2.60%                                                                           | 2.60%                                                                           |
| Annual Increase – Federal Military Pay Tables | 2.00%                                                                           | 2.00%                                                                           |
| Individual Member Salary Increase             | Varies by service;<br>separate tables for<br>officers and enlisted <sup>1</sup> | Varies by service;<br>separate tables for<br>officers and enlisted <sup>2</sup> |
| Annual Cost-of-Living-Adjustment              | 2.60%                                                                           | 2.60%                                                                           |
| Mortality                                     | Generational RP-2000<br>With Projection<br>Scale BB                             | Generational RP-2000<br>with Projection<br>Scale BB                             |
| Actuarial cost method                         | Entry Age Normal                                                                | Entry Age Normal                                                                |

<sup>1</sup> See July 1, 2018, Actuarial Valuation Report for details.

<sup>2</sup> See July 1, 2019, Actuarial Valuation Report for details.

## D. Other Postemployment Benefits (OPEB) Plan

Required supplementary information for the OPEB Plan is presented below:<sup>1</sup>

### Schedule of FRS Trust Fund's Proportionate Share of the State's Total OPEB Liability

|                                                                                                  | 2017          | 2018          |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Proportion of the State's OPEB liability                                                         | 0.1635221539% | 0.1687397873% |
| Proportionate share of the State's OPEB liability                                                | \$ 13,068,952 | \$ 13,161,211 |
| Covered-employee payroll                                                                         | \$ 9,417,561  | \$ 9,842,854  |
| Proportionate share of the State's OPEB liability<br>as a percentage of covered-employee payroll | 138.77%       | 133.71%       |

### Schedule of SUSORP Trust Fund's Proportionate Share of the State's Total OPEB Liability

|                                                                                                  | 2017          | 2018          |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Proportion of the State's OPEB liability                                                         | 0.0019041881% | 0.0019093611% |
| Proportionate share of the State's OPEB liability                                                | \$ 152,186    | \$ 148,925    |
| Covered-employee payroll                                                                         | \$ 151,057    | \$ 159,384    |
| Proportionate share of the State's OPEB liability<br>as a percentage of covered-employee payroll | 100.75%       | 93.44%        |

### Schedule of Police and Firefighters' Trust Fund's Proportionate Share of the State's Total OPEB Liability

|                                                                                                  | 2017          | 2018          |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Proportion of the State's OPEB liability                                                         | 0.0085688465% | 0.0076374444% |
| Proportionate share of the State's OPEB liability                                                | \$ 684,836    | \$ 595,698    |
| Covered-employee payroll                                                                         | \$ 672,525    | \$ 677,093    |
| Proportionate share of the State's OPEB liability<br>as a percentage of covered-employee payroll | 101.83%       | 87.98%        |

## Notes to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits. There were no changes to benefit terms during the measurement period. Amounts reported as changes of assumptions resulted primarily from increasing the assumed discount rate from 3.58 percent to 3.87 percent. All other assumptions for this update report are the same as the prior valuation.

<sup>1</sup> These schedules will fill into ten-year schedules as results for new fiscal years are calculated.

## **E. Budgetary Reporting**

### **Budget Process**

Each year, the head of the Department of Management Services submits a legislative budget request to the Governor and Legislature as required by Section 216.023(01), Florida Statutes (F.S.). 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 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, F.S., 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), F.S.

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.

**BUDGETARY COMPARISON SCHEDULES  
MAJOR SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|                                                   | Original Budget       | Final Budget          | Actual                | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|------------------------------------------------|
| Fund Balance, July 1, 2018, Restated <sup>1</sup> | \$ 262,081,634        | \$ 262,081,634        | \$ 262,081,634        | \$ -                                           |
| Reversions                                        | 81,570                | 81,570                | 81,570                | -                                              |
| Fund Balance, July 1, 2018                        | <u>262,163,204</u>    | <u>262,163,204</u>    | <u>262,163,204</u>    | <u>-</u>                                       |
| <b>REVENUES</b>                                   |                       |                       |                       |                                                |
| Premium tax                                       | 187,900,000           | 187,000,000           | 188,671,209           | 1,671,209                                      |
| Interest                                          | 1,400,000             | 1,400,000             | 4,032,701             | 2,632,701                                      |
| Refund                                            | -                     | -                     | -                     | -                                              |
| General Revenue                                   | 308                   | 310                   | 310                   | -                                              |
| Total Revenues                                    | <u>189,300,308</u>    | <u>188,400,310</u>    | <u>192,704,220</u>    | <u>4,303,910</u>                               |
| Total Available Resources                         | <u>451,463,512</u>    | <u>450,563,514</u>    | <u>454,867,424</u>    | <u>4,303,910</u>                               |
| <b>EXPENDITURES</b>                               |                       |                       |                       |                                                |
| <u>Operating Expenditures:</u>                    |                       |                       |                       |                                                |
| Salaries and Benefits                             | 834,780               | 842,169               | 663,531               | 178,638                                        |
| Expenses                                          | 57,139                | 57,139                | 47,435                | 9,704                                          |
| Special Categories                                | 244,428               | 244,450               | 225,039               | 19,411                                         |
| Total Operating Expenditures                      | <u>1,136,347</u>      | <u>1,143,758</u>      | <u>936,005</u>        | <u>207,753</u>                                 |
| <u>Nonoperating expenditures:</u>                 |                       |                       |                       |                                                |
| Transfers                                         | 24,200,000            | 24,200,000            | 11,313,107            | 12,886,893                                     |
| Refunds                                           | 100,000               | 100,000               | -                     | 100,000                                        |
| Distributions to Municipalities                   | 163,000,000           | 163,000,000           | 152,754,000           | 10,246,000                                     |
| Other                                             | 15,855,000            | 15,855,000            | 14,533,697            | 1,321,303                                      |
| Total Nonoperating Expenditures                   | <u>203,155,000</u>    | <u>203,155,000</u>    | <u>178,600,804</u>    | <u>24,554,196</u>                              |
| Total Expenditures                                | <u>204,291,347</u>    | <u>204,298,758</u>    | <u>179,536,809</u>    | <u>24,761,949</u>                              |
| Fund Balance, June 30, 2019                       | <u>\$ 247,172,165</u> | <u>\$ 246,264,756</u> | <u>\$ 275,330,615</u> | <u>\$ 29,065,859</u>                           |

**BUDGET TO GAAP RECONCILIATION  
MAJOR SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

|                                                                              | Police and Firefighters' Premium Tax Trust Fund |
|------------------------------------------------------------------------------|-------------------------------------------------|
| Budgetary basis fund balance                                                 | \$ 275,330,615                                  |
| Items not included in budgetary basis fund balance:                          |                                                 |
| Non-State Treasury cash and investments                                      | -                                               |
| Other GAAP basis fund balances not included in budgetary basis fund balances | -                                               |
| Adjusted budgetary basis fund balances                                       | <u>275,330,615</u>                              |
| Adjustments (basis differences):                                             |                                                 |
| Net receivables (payables) not carried forward                               | (69,350,850)                                    |
| Encumbrances                                                                 | -                                               |
| GAAP basis fund balances                                                     | <u>\$ 205,979,765</u>                           |

<sup>1</sup>The beginning fund balance was increased by \$225,653,578 due to a change in methodology to include short-term investments in addition to cash in the State Treasury.

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## OTHER SUPPLEMENTARY INFORMATION



## SCHEDULE OF ADMINISTRATIVE EXPENSES

as of June 30, 2019

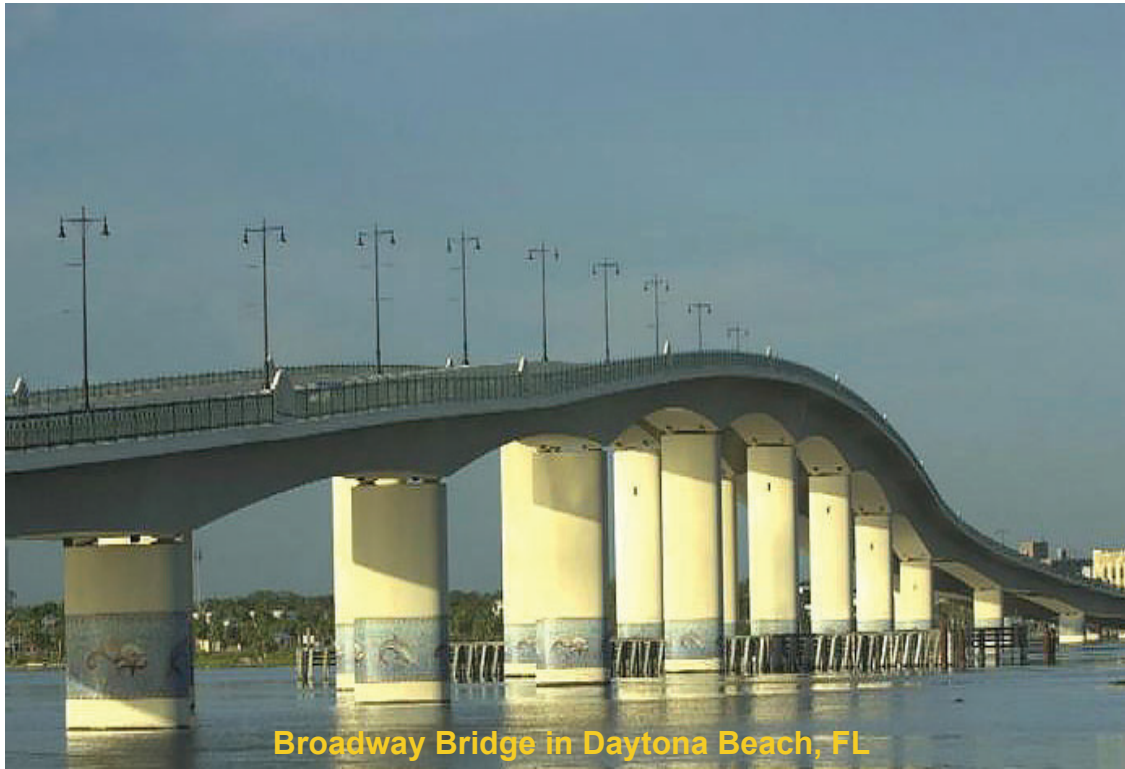
|                                              | Florida<br>Retirement<br>System | Retiree Health<br>Insurance<br>Subsidy | Florida<br>National Guard<br>Supplemental<br>Retirement<br>Benefit Plan | State University<br>System<br>Optional<br>Retirement<br>Program |
|----------------------------------------------|---------------------------------|----------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|
| <b>Personnel services</b>                    |                                 |                                        |                                                                         |                                                                 |
| Salaries                                     | \$ 7,089,010                    | \$ 136,468                             | \$ -                                                                    | \$ 135,710                                                      |
| State retirement contributions               | 624,723                         | -                                      | -                                                                       | 6,518                                                           |
| Insurance contributions                      | 1,897,874                       | -                                      | -                                                                       | 16,348                                                          |
| Social security                              | 519,446                         | -                                      | -                                                                       | 5,805                                                           |
| Workers' compensation                        | 96,307                          | -                                      | -                                                                       | -                                                               |
| Other post employment benefits               | 482,856                         | -                                      | -                                                                       | 4,328                                                           |
| Compensated absences <sup>1</sup>            | (3,267)                         | -                                      | -                                                                       | (756)                                                           |
| Pension expense <sup>2</sup>                 | -                               | -                                      | -                                                                       | 1,941                                                           |
| <b>Subtotal</b>                              | <b>10,706,949</b>               | <b>136,468</b>                         | <b>-</b>                                                                | <b>169,894</b>                                                  |
| <b>Professional services</b>                 |                                 |                                        |                                                                         |                                                                 |
| Actuarial services                           | 381,400                         | 40,000                                 | 45,000                                                                  | -                                                               |
| Contractual IT services and monitoring       | 3,930,369                       | -                                      | -                                                                       | -                                                               |
| Legal services                               | 140,797                         | -                                      | -                                                                       | -                                                               |
| Other contractual services                   | 212,193                         | -                                      | -                                                                       | 15,211                                                          |
| Other contractual services - data processing | 721,947                         | -                                      | -                                                                       | -                                                               |
| <b>Subtotal</b>                              | <b>5,386,706</b>                | <b>40,000</b>                          | <b>45,000</b>                                                           | <b>15,211</b>                                                   |
| <b>Communication</b>                         |                                 |                                        |                                                                         |                                                                 |
| Postage and freight                          | 636,067                         | 17,817                                 | -                                                                       | 11,878                                                          |
| Printing and reproduction                    | 36,388                          | -                                      | -                                                                       | -                                                               |
| Telephone                                    | 523,803                         | -                                      | -                                                                       | -                                                               |
| Travel                                       | 25,933                          | -                                      | -                                                                       | -                                                               |
| <b>Subtotal</b>                              | <b>1,222,191</b>                | <b>17,817</b>                          | <b>-</b>                                                                | <b>11,878</b>                                                   |
| <b>Other operating expenses</b>              |                                 |                                        |                                                                         |                                                                 |
| Administrative overhead assessment           | 986,007                         | -                                      | -                                                                       | -                                                               |
| Data processing supplies                     | 23,304                          | -                                      | -                                                                       | -                                                               |
| Depreciation                                 | 145,670                         | -                                      | -                                                                       | -                                                               |
| Dues and subscriptions                       | 13,631                          | -                                      | -                                                                       | 1,825                                                           |
| Equipment leasing                            | 30,981                          | -                                      | -                                                                       | -                                                               |
| Furniture and equipment                      | 10,078                          | -                                      | -                                                                       | -                                                               |
| Human resources overhead assessment          | 51,657                          | 1,018                                  | -                                                                       | 1,221                                                           |
| Insurance                                    | 7,131                           | -                                      | -                                                                       | -                                                               |
| Materials and supplies                       | 3,031                           | -                                      | -                                                                       | -                                                               |
| Miscellaneous                                | 47,363                          | -                                      | -                                                                       | -                                                               |
| Office rental                                | 819,414                         | -                                      | -                                                                       | 10,398                                                          |
| Office supplies                              | 37,142                          | -                                      | -                                                                       | -                                                               |
| Repairs and maintenance                      | 19,097                          | -                                      | -                                                                       | -                                                               |
| Utilities                                    | 70,134                          | -                                      | -                                                                       | 667                                                             |
| <b>Subtotal</b>                              | <b>2,264,640</b>                | <b>1,018</b>                           | <b>-</b>                                                                | <b>14,111</b>                                                   |
| <b>Total Administrative Expenses</b>         | <b>\$ 19,580,485</b>            | <b>\$ 195,303</b>                      | <b>\$ 45,000</b>                                                        | <b>\$ 211,094</b>                                               |

<sup>1</sup> This represents the change in Compensated Absences Liability from the prior year. Charges may be positive or negative.

<sup>2</sup> This represents the SUSORP Trust Fund's allocated share of pension-related expense. Charges may be positive or negative.



## INVESTMENT SECTION





**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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RON DESANTIS  
GOVERNOR  
CHAIR

JIMMY PATRONIS  
CHIEF FINANCIAL OFFICER

ASHLEY MOODY  
ATTORNEY GENERAL

ASHBEL C. WILLIAMS  
EXECUTIVE DIRECTOR &  
CHIEF INVESTMENT OFFICER

November 20, 2019

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 Ron DeSantis, Chairman, Chief Financial Officer Jimmy Patronis, and Attorney General Ashley Moody. 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  
Fiscal Year 2018-2019**

|                   | <u>9/30/18</u>   | <u>12/31/18</u>  | <u>3/31/19</u>   | <u>6/30/19</u>   |
|-------------------|------------------|------------------|------------------|------------------|
| Fund Market Value | \$163.24 billion | \$150.63 billion | \$159.80 billion | \$163.14 billion |

**Actual Quarter-End Asset Allocation  
Fiscal Year 2018-2019**

| Asset Classes               | <u>9/30/18</u> | <u>12/31/18</u> | <u>3/31/19</u> | <u>6/30/19</u> |
|-----------------------------|----------------|-----------------|----------------|----------------|
| Global Equity               | 56.2%          | 52.6%           | 55.1%          | 54.8%          |
| Fixed Income                | 18.5%          | 20.1%           | 19.2%          | 18.8%          |
| Real Estate                 | 8.9%           | 9.7%            | 9.3%           | 9.4%           |
| Private Equity              | 7.3%           | 7.5%            | 7.0%           | 7.3%           |
| Strategic Investments       | 8.0%           | 8.9%            | 8.4%           | 8.6%           |
| Cash Equivalents/Short Term | <u>1.1%</u>    | <u>1.3%</u>     | <u>1.1%</u>    | <u>1.1%</u>    |
| Total                       | 100.0%         | 100.0%          | 100.0%         | 100.0%         |

Columns may not total due to rounding.

**Annualized FRS Pension Plan Investment Performance  
(By Fiscal Year Periods Ending June 30, 2019)**

|                                             | 10 Years         | 5 Years          | 3 Years          | 1 Year           |
|---------------------------------------------|------------------|------------------|------------------|------------------|
| FRS Pension Plan Public and Private Markets | <u>2009-2019</u> | <u>2014-2019</u> | <u>2016-2019</u> | <u>2018-2019</u> |
| Total FRS Pension Plan                      | 9.80%            | 6.55%            | 9.63%            | 6.26%            |

Investment performance of the FRS Pension Plan is reported in the SBA's 2018-19 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,

Ash Williams  
Executive Director & Chief Investment Officer

## Overview and Investment Objective

The State Board of Administration of Florida (SBA) is responsible for managing and investing the assets of the Florida Retirement System (FRS) Trust Fund in accordance with applicable law, policies, and fiduciary standards for the benefit of the members and surviving beneficiaries of the FRS Pension Plan. The Florida Retirement System (FRS) Pension Plan, a defined benefit plan, comprises over 80 percent of total assets under SBA management. The FRS Pension Plan serves a working and retired membership base of nearly one million public employees.

The Investment Section provides an overview of the investment activities of the FRS Trust Fund for the fiscal year ended June 30, 2019. This section should be read in conjunction with the financial statements and other information provided in this Comprehensive Annual Financial Report (CAFR). For more information see the State Board of Administration 2018-19 Annual Investment Report available from Annual Investment Reports on the Performance and Reports page of the SBA's website at [www.sbafla.com](http://www.sbafla.com).

The SBA follows statutory guidelines and a substantial body of internal policies and procedures in investing the FRS Pension Plan assets. It has a robust governance and control structure in place, utilizes a wide array of professional consultants and external analysts, and employs a highly qualified staff of investment professionals. In keeping with the SBA's commitment to disciplined investment management services, the Investment Advisory Council provides independent oversight of the FRS Pension Fund's general objectives, policies and strategies.

The Pension Plan's long-term financial health rests on three legs: solid long-term investment performance, receipt of actuarially required annual contributions, and a reasonable benefit package.

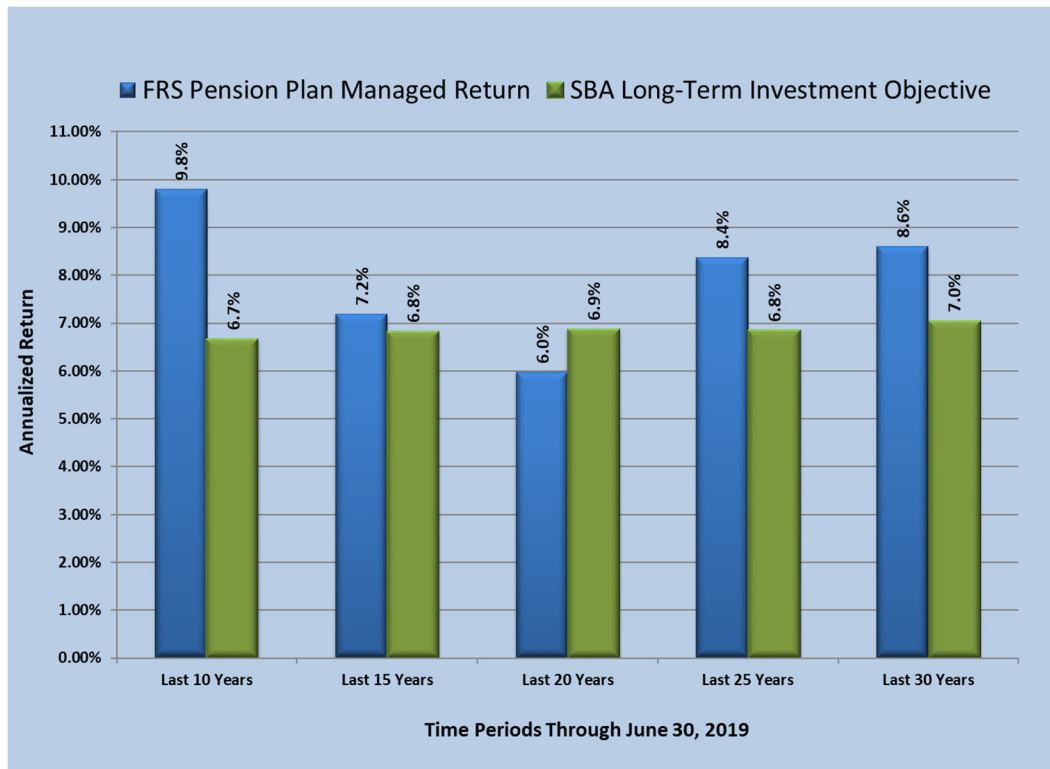
The SBA's commitment to obtaining solid long-term performance is vital to ensuring that the FRS Pension Plan continues to help participating retirees meet their financial goals and that fund assets are invested prudently. However, investment gains alone are not sufficient to maintain the fund's financial health. Approximately 60 percent+ paid to a retiree comes from investment gains, not from taxpayers or participants through contributions.

Annually determined actuarially sound rates of contribution into the fund are necessary to ensure that the investment base is large enough to meet future Pension Plan benefit obligations. Contribution rates are set by the state legislature, along with plan structure and benefit levels. The Division of Retirement in the Department of Management Services administers the Pension Plan, directs actuarial studies, and makes benefit payments.

## Performance

The SBA's investment policy objective for the FRS Pension Plan portfolio is to provide investment returns sufficient for the plan to be maintained in a manner that ensures the timely payment of promised benefits to current and future participants and to keep costs at a reasonable level, given actuarially required contributions. The SBA's investment objective is to earn a compounded return of 5 percent plus the rate of inflation per annum over the long run.

The chart below compares the SBA's actual return on Pension Plan assets to its investment objective of 5 percent real growth (inflation plus 5 percent) for the fund. This objective is derived from an asset/liability analysis of expected benefit growth, contribution levels, market performance, and a risk tolerance for the fund. Over the long-term, 20 years and greater, the SBA has met its long-term objective.

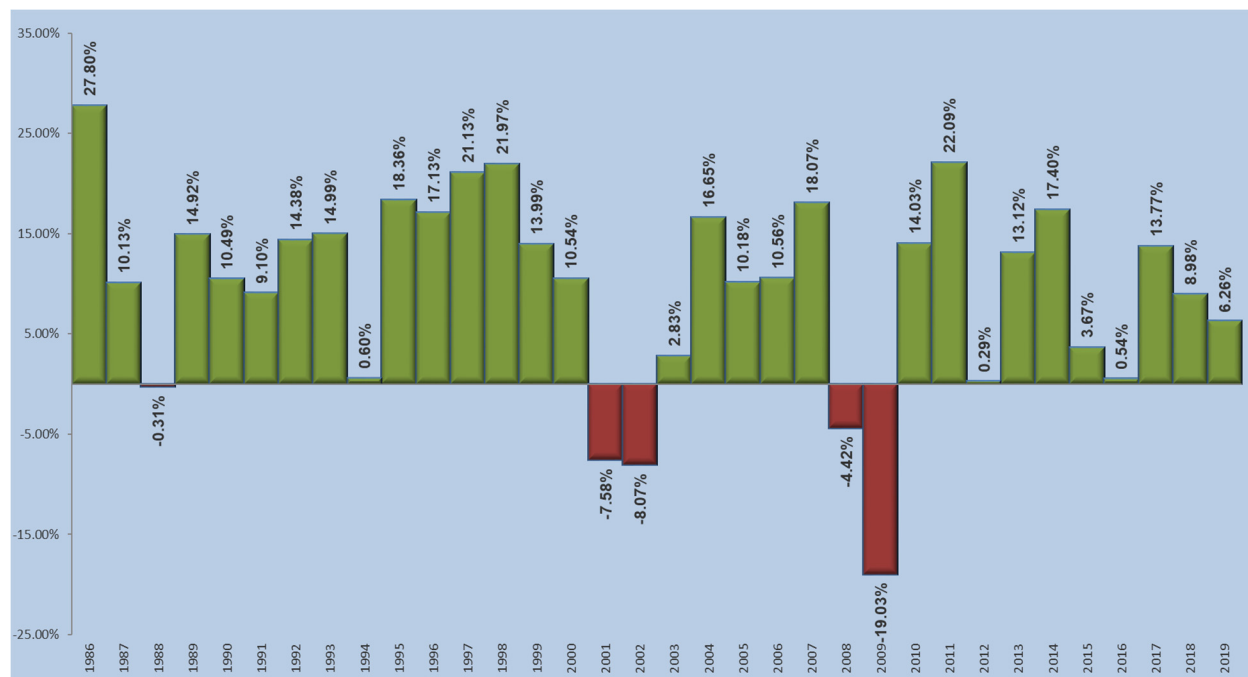


In addition to its investment objective for the Pension Plan, the SBA measures its investment performance relative to market-based benchmarks. The chart below compares actual returns to the total fund benchmark for various periods ending June 30, 2019:

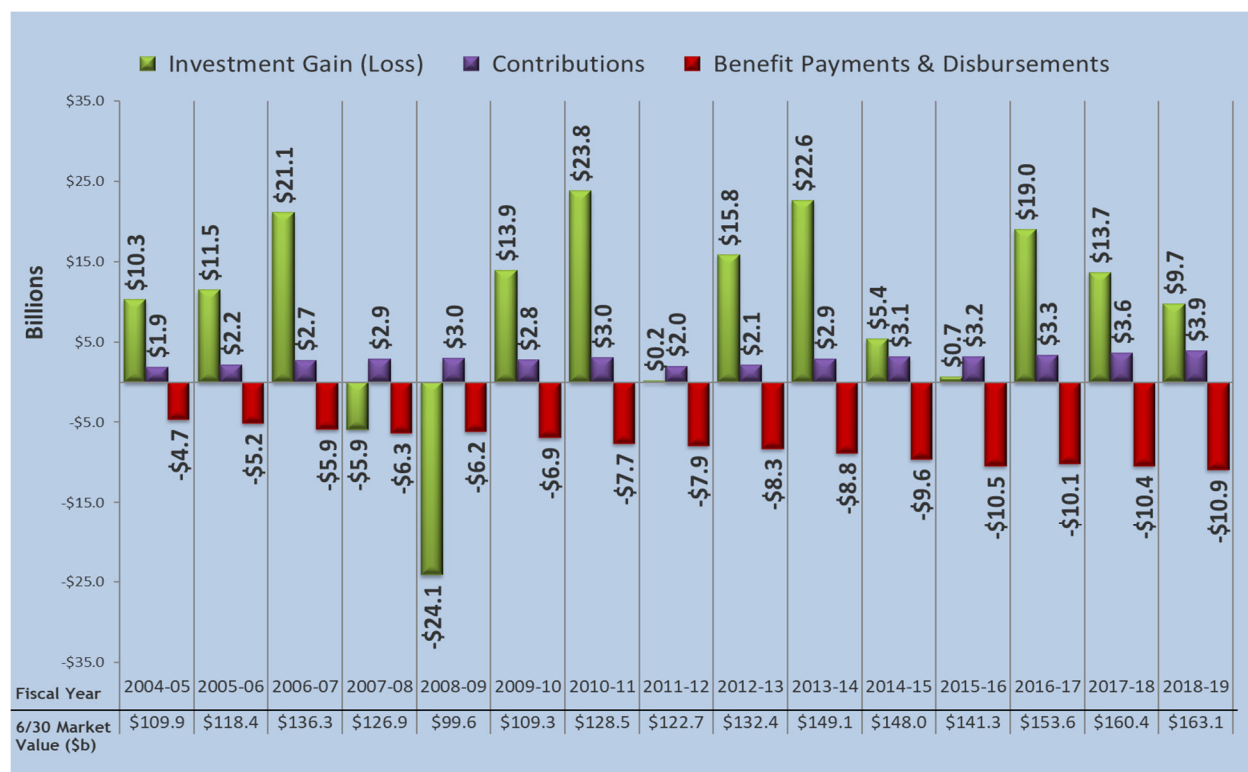
|               | SBA Managed Return | Benchmark Return | Managed Over (Under) Benchmark |
|---------------|--------------------|------------------|--------------------------------|
| One Year      | 6.26%              | 5.67%            | 0.59%                          |
| Three Years   | 9.63%              | 8.91%            | 0.72%                          |
| Five Years    | 6.55%              | 5.70%            | 0.85%                          |
| Ten Years     | 9.80%              | 8.84%            | 0.96%                          |
| Fifteen Years | 7.19%              | 6.57%            | 0.62%                          |

- All returns are annualized for periods indicated through June 30, 2019.
- Benchmark is a weighted blend of individual asset class target indices as applicable; weights and benchmarks are established in the FRS Pension Plan Investment Policy Statement.

The chart below shows the historical one-year returns earned by the FRS Pension Plan.



The key drivers of growth in the FRS Pension Plan's asset base are represented in the chart below. Over the period shown, investment returns (green bars) have generally been positive, with two notable exceptions: the bursting of the tech bubble in the early part of this century and the mortgage crisis that began in 2008. Benefit payments (the red bars falling downward, representing outflows) have grown steadily over the period. This is typical of a mature plan. Contributions into the fund (purple bars) shrank during the early 2000's, reflecting the actuarial surplus that the FRS Pension Plan had at the time.



The tables below show the external investment management fees and net brokerage commission for Fiscal Year 2018-19.

**FRS PENSION PLAN – EXTERNAL INVESTMENT MANAGEMENT FEES  
FOR FISCAL YEAR 2018-19**

| Asset Class           | Dollar Amount         | Return Basis <sup>1</sup> |
|-----------------------|-----------------------|---------------------------|
| Global Equity         | \$ 139,346,542        | 0.29%                     |
| Strategic Investments | 164,635,168           | 1.29%                     |
| Fixed Income          | 7,588,793             | 0.07%                     |
| Real Estate           | 87,541,840            | 0.60%                     |
| Private Equity        | 140,547,352           | 1.25%                     |
| <b>Total</b>          | <b>\$ 539,659,695</b> | <b>0.56%</b>              |

<sup>1</sup> Return basis expresses external management fees as a percent of the average of the month-end net asset value of externally managed portfolios in each asset class (including month-ends from June 30, 2018 through June 30, 2019). This measure is comparable to an annual expense ratio.

• Totals may not foot due to rounding.

**FRS PENSION PLAN – NET BROKERAGE COMMISSIONS  
FOR FISCAL YEAR 2018-19**

| Asset Class                | Dollar Amount <sup>1</sup> |
|----------------------------|----------------------------|
| Global Equity <sup>2</sup> | \$ 21,164,713              |
| Fixed Income               | 279,347                    |
| Real Estate                | 1,136,636                  |
| Strategic Investments      | 780                        |
| Private Equity             | 3,728                      |
| <b>Total</b>               | <b>\$ 22,585,204</b>       |

<sup>1</sup> Brokerage commission amounts for the entire fiscal year are presented in the appropriate year-end asset class.

<sup>2</sup> The amount reported for the Global Equity asset class does not include broker commission amounts paid in commingled funds.

• Totals may not foot due to rounding.

## Asset Allocation

Returns attributed to asset allocation arise from differences between asset class actual and target allocations as percentages of the Total Fund. During the 12-month period ending June 30, 2019, returns to asset allocation surpassed the target return by 2 basis points.

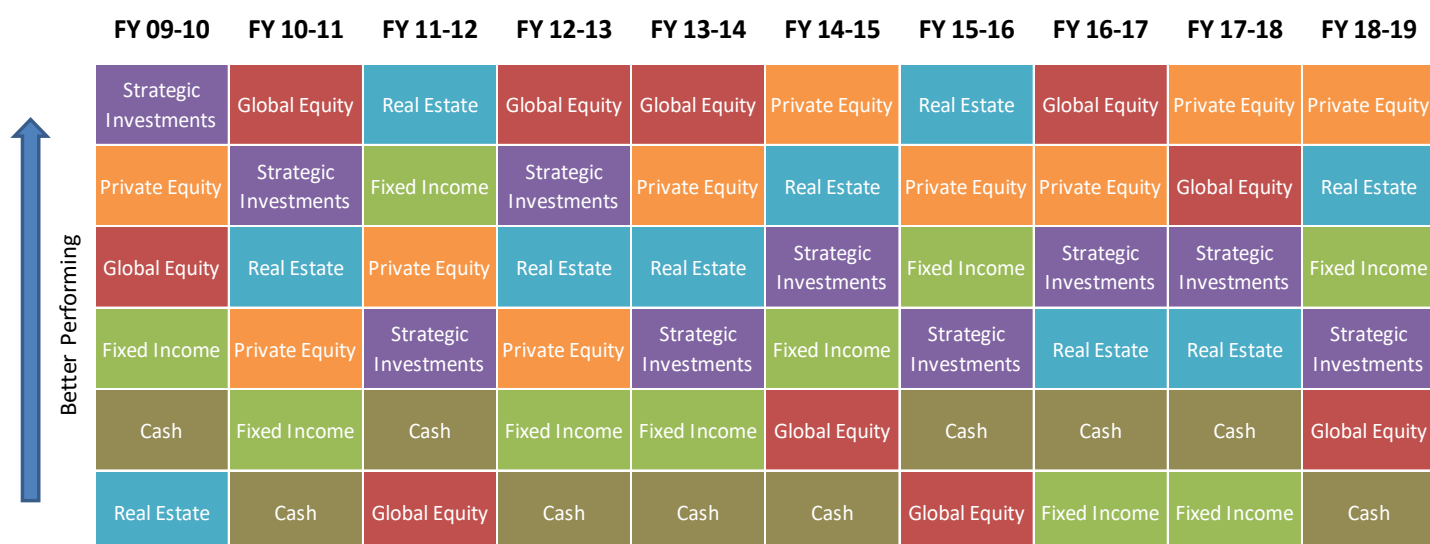
## Asset Classes

The Pension Plan portfolio is currently divided into six asset classes: Global Equity, Fixed Income, Real Estate, Private Equity, Strategic Investments, and Cash Equivalents. Asset class performance is measured against a broad market index appropriate to the asset class.

## Rebalancing

The investment strategy for the Pension Plan is to implement the policy allocation within relatively narrow bands around policy target weights. The SBA manages this strategy through asset allocation and risk-budgeting policies.

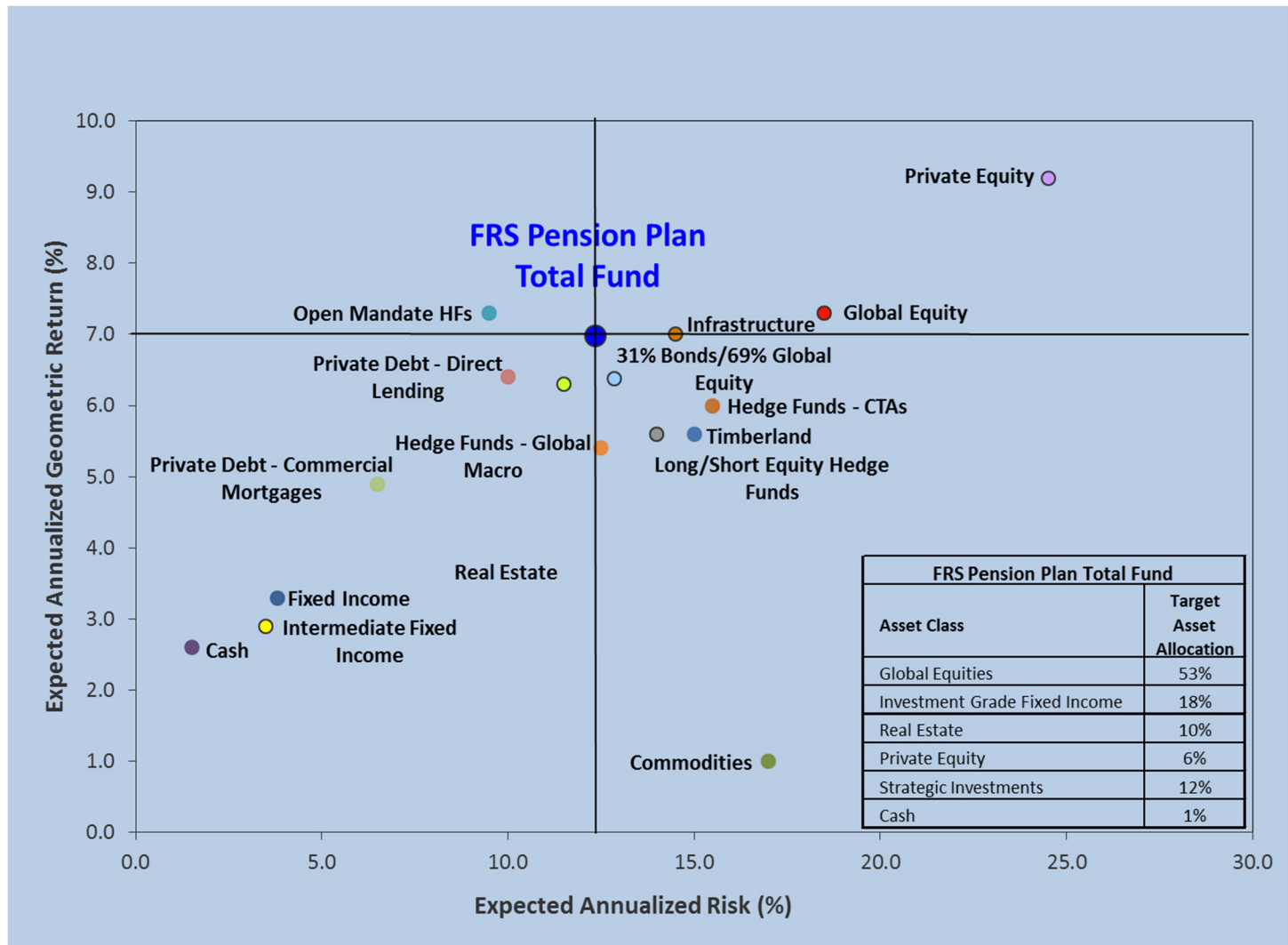
The following chart shows the related asset allocation performance of the FRS Pension Plan by fiscal year that demonstrates rebalancing to maximize investment objectives.



The SBA's exposure to various major asset types or classes is considered its asset allocation. Because over 90 percent of the return of a diversified investment portfolio is attributable to its asset allocation, determining the proper asset allocation (i.e., the desired relative exposure to each asset class) is the most fundamental way in which the SBA pursues its investment objective. Likewise, managing actual asset class exposure over time (i.e., managing asset allocation) is important if the SBA is to avoid unnecessary risk. For example, if 60 percent exposure to stocks is determined to be necessary to meet a long-term return objective, exposure below that, if persistent or poorly timed, will cause the actual return to fall short of the objective. Conversely, an exposure to stocks greater than necessary will subject the portfolio to higher levels of volatility than necessary, which can also result in disappointing returns, particularly when equity markets are stressed.

A thoughtfully constructed portfolio will provide diversification across a sufficiently broad range of investments so that the portfolio has a high probability of meeting the investment objective, notwithstanding the wide distribution of performance often associated with individual investments. In other words, some individual investments may be poor performers during a specific time frame but, in a highly diversified portfolio, their overall impact on the portfolio will often be offset by other investments that, at the time, are better performers.

The following chart presents examples of how various asset classes and investment strategies carry different risk/return tradeoffs. For example, investing in a mix of 31 percent Bonds and 69 percent Global Equity has slightly higher risk and a lower return than the target allocation for the overall FRS Pension Plan.



## Passive vs Active Investing

Investment management can be divided into two broad categories of management style, each reflecting a fundamentally different view regarding how modern capital markets behave. These two schools of thought are generally referred to as passive and active management.

Passive managers attempt to construct their portfolios to closely approximate the performance of well-recognized market indices such as the Russell 1000 Index (large U.S. companies), Russell 3000 Index (large and small U.S. companies) or MSCI World ex-US Investable Market Index (international companies). Passive investing typically has the lowest management costs. Additional savings can be realized when these portfolios are managed internally.

Active managers build a stock portfolio utilizing a wide variety of strategies for identifying companies believed to offer above-average prospects, i.e., those that can “beat the market”. Regardless of the approach, all active managers share a common thread: they buy and sell securities selectively based on their evaluation of future events. Active investing, because of research and time requirements, tends to be more costly.

The SBA employs an active investment strategy where the probability of being paid for assuming the increased cost and risk of active investing is greatest. Conversely, where there is the least likelihood to outperform market indices, the SBA tends to passively invest and save management costs associated with active management. One of the SBA’s historical strengths has been operating at a very low cost. The SBA’s size and significant proportion of passive investments are contributors to the SBA’s cost advantage.

The table below shows internal versus external management and the passive versus active management of the funds’ resources as of June 30, 2019.

| Asset Class                | Internal     | External     | Passive      | Active       | % of Total    |
|----------------------------|--------------|--------------|--------------|--------------|---------------|
| Cash <sup>1</sup>          | 100.0%       | 0.0%         | 9.1%         | 90.9%        | 1.2%          |
| Fixed Income <sup>2</sup>  | 65.2%        | 34.8%        | 43.5%        | 56.5%        | 18.8%         |
| Global Equity <sup>3</sup> | 45.8%        | 54.2%        | 48.2%        | 51.8%        | 54.8%         |
| Private Equity             | 1.1%         | 98.9%        | 0.0%         | 100.0%       | 7.3%          |
| Real Estate                | 63.3%        | 36.7%        | 0.0%         | 100.0%       | 9.3%          |
| Strategic Investments      | 0.2%         | 99.8%        | 0.0%         | 100.0%       | 8.6%          |
| <b>Total Fund</b>          | <b>44.6%</b> | <b>55.4%</b> | <b>34.7%</b> | <b>65.3%</b> | <b>100.0%</b> |

| Asset Class                | Internal (\$m) |               | External (\$m) |               | Passive (\$m) |               | Active (\$m) |                | Total (\$m)       |
|----------------------------|----------------|---------------|----------------|---------------|---------------|---------------|--------------|----------------|-------------------|
| Cash <sup>1</sup>          | \$             | 1,944         | \$             | -             | \$            | 178           | \$           | 1,766          | \$ 1,944          |
| Fixed Income <sup>2</sup>  |                | 20,027        |                | 10,689        |               | 13,375        |              | 17,340         | 30,715            |
| Global Equity <sup>3</sup> |                | 40,977        |                | 48,497        |               | 43,085        |              | 46,389         | 89,474            |
| Private Equity             |                | 130           |                | 11,772        |               | -             |              | 11,902         | 11,902            |
| Real Estate                |                | 9,660         |                | 5,607         |               | -             |              | 15,267         | 15,267            |
| Strategic Investments      |                | 35            |                | 13,994        |               | -             |              | 14,029         | 14,029            |
| <b>Total Fund</b>          | <b>\$</b>      | <b>72,773</b> | <b>\$</b>      | <b>90,558</b> | <b>\$</b>     | <b>56,637</b> | <b>\$</b>    | <b>106,694</b> | <b>\$ 163,331</b> |

<sup>1</sup> Includes Securities Lending Account, Total Fund STIPFRS NAV Adjustment Account and the collateral accounts.

<sup>2</sup> Includes STIPFRS Reserve Liquidation Account and Fixed Income Liquidity Portfolio.

<sup>3</sup> Includes Global Equity Liquidity Portfolio and the Cash Equitization Portfolio.

The SBA’s actual returns on Pension Plan assets have met or exceeded the long-term investment objective of the fund for the 20-, 25- and 30-year periods.

## FRS Pension Plan – Returns by Asset Class For Periods Ending June 30, 2019

|                                   | SBA Managed<br>Return | Benchmark<br>Return | Managed Over<br>(Under) Bmk. |
|-----------------------------------|-----------------------|---------------------|------------------------------|
| <b>Global Equity<sup>1</sup></b>  |                       |                     |                              |
| One Year                          | 4.98%                 | 4.55%               | 0.43%                        |
| Three Years                       | 11.88%                | 11.42%              | 0.46%                        |
| Five Years                        | 6.70%                 | 6.06%               | 0.64%                        |
| Ten Years                         | 11.25%                | 10.41%              | 0.84%                        |
| Fifteen Years                     | 7.31%                 | 6.75%               | 0.55%                        |
| <b>Fixed Income</b>               |                       |                     |                              |
| One Year                          | 6.82%                 | 6.73%               | 0.09%                        |
| Three Years                       | 2.30%                 | 2.03%               | 0.27%                        |
| Five Years                        | 2.64%                 | 2.46%               | 0.18%                        |
| Ten Years                         | 4.54%                 | 3.54%               | 1.00%                        |
| Fifteen Years                     | 4.39%                 | 4.09%               | 0.29%                        |
| <b>Real Estate</b>                |                       |                     |                              |
| One Year                          | 7.13%                 | 6.95%               | 0.18%                        |
| Three Years                       | 7.69%                 | 7.01%               | 0.68%                        |
| Five Years                        | 9.50%                 | 9.00%               | 0.50%                        |
| Ten Years                         | 9.57%                 | 8.61%               | 0.97%                        |
| Fifteen Years                     | 9.19%                 | 5.89%               | 3.30%                        |
| <b>Private Equity<sup>2</sup></b> |                       |                     |                              |
| One Year                          | 15.46%                | 6.08%               | 9.38%                        |
| Three Years                       | 17.03%                | 14.23%              | 2.80%                        |
| Five Years                        | 14.21%                | 8.54%               | 5.67%                        |
| Ten Years                         | 14.63%                | 15.71%              | -1.08%                       |
| Fifteen Years                     | 10.38%                | 12.25%              | -1.87%                       |
| <b>Strategic Investments</b>      |                       |                     |                              |
| One Year                          | 5.20%                 | 5.06%               | 0.14%                        |
| Three Years                       | 7.56%                 | 6.08%               | 1.48%                        |
| Five Years                        | 6.23%                 | 4.46%               | 1.77%                        |
| Ten Years                         | 10.98%                | 6.92%               | 4.05%                        |
| <b>Cash Equivalents</b>           |                       |                     |                              |
| One Year                          | 2.33%                 | 2.31%               | 0.01%                        |
| Three Years                       | 1.45%                 | 1.38%               | 0.07%                        |
| Five Years                        | 0.98%                 | 0.86%               | 0.11%                        |
| Ten Years                         | 0.80%                 | 0.49%               | 0.31%                        |
| Fifteen Years                     | 1.01%                 | 1.52%               | -0.51%                       |

<sup>1</sup> Global Equity became an asset class in July 2010. The historical return series prior to July 2010 was derived Domestic, Foreign and Global Equities components.

<sup>2</sup> Per industry convention, Private Equity returns are presented on a dollar-weighted basis.

SBA contracts with private equity partnerships require the following disclosure:

Because of the long-term nature of investing in private equity, funds can produce low or negative returns in the early years of the partnership. In the first few years of the partnership, management fees are drawn from partner's capital, and portfolio companies are held at cost, leading to a potential understatement of ultimate value.

- Due to numerous factors, including limited valuation and reporting standards, the return information for private equity in this report may not reflect the expected return of the partnerships. The returns contained in this report are calculated by the SBA or its agent and have not been reviewed by the general partners.
- Interim returns may not be meaningful or indicative of ultimate performance during the early stages of the investment life cycle.

## FRS PENSION PLAN – CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19

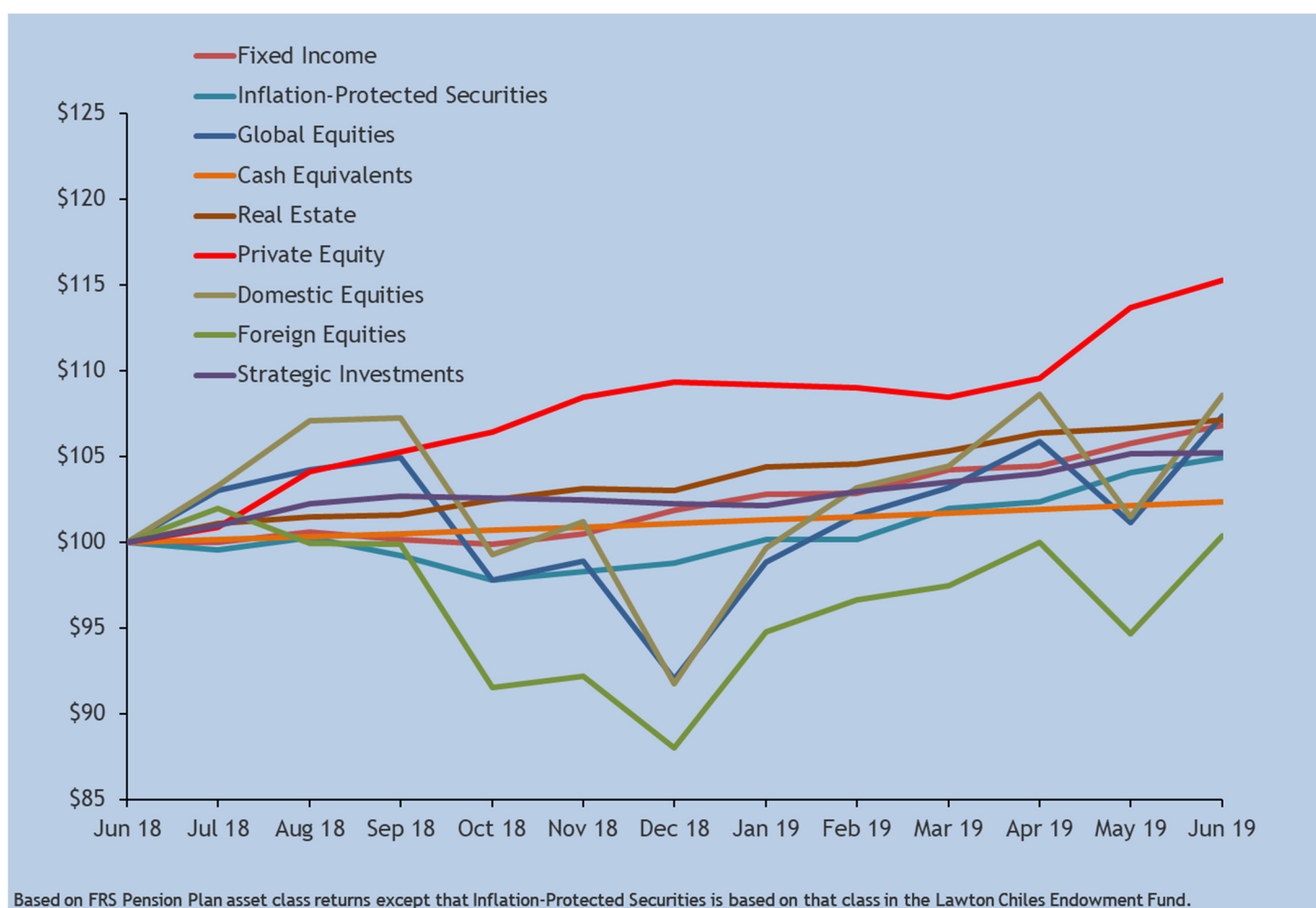
|                                               | Market Value<br>6/30/18   | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19   |
|-----------------------------------------------|---------------------------|------------------------------------|---------------------------|---------------------------|
| <b>Global Equity</b>                          | \$ 89,983,300,682         | \$ (4,877,344,032)                 | \$ 4,367,870,970          | \$ 89,473,827,619         |
| <b>Fixed Income</b>                           | 30,069,866,619            | (1,361,692,242)                    | 2,007,074,410             | 30,715,248,788            |
| <b>Real Estate</b>                            | 14,340,904,468            | (83,500,000)                       | 1,009,327,804             | 15,266,732,271            |
| <b>Private Equity</b>                         | 11,429,720,173            | (1,186,693,212)                    | 3,786,340,748             | 14,029,367,709            |
| <b>Strategic Investments</b>                  | 12,917,535,335            | 439,999,846                        | (1,455,215,918)           | 11,902,319,264            |
| <b>Cash/Short-Term Securities<sup>1</sup></b> | 1,697,097,498             | 36,841,144                         | 13,771,619                | 1,747,710,261             |
| <b>Total FRS Pension Plan</b>                 | <b>\$ 160,438,424,775</b> | <b>\$ (7,032,388,495)</b>          | <b>\$ 9,729,169,633</b>   | <b>\$ 163,135,205,913</b> |

<sup>1</sup> The investment gain (loss) reported for the Cash/Short-Term Securities asset class includes \$36,009,544 in SBA investment service charges and other fees paid in several cash expense accounts on behalf of the entire FRS Pension Plan. Excluding these expenses, the reported investment gain (loss) would have been a positive \$49,781,163.

• Totals may not foot due to rounding.

The chart below illustrates how returns over the year performed for each class:

Asset Class Net Investment Gains Showing Growth of \$100 Invested During FY 2018-19



Securities lending is the short-term loan of securities for a fee. With its large portfolio of assets, the Pension Plan is well suited to such a program. Mutual funds and ETFs typically have lending programs for the same reasons. The demand to borrow shares usually comes from hedge funds or short-sellers. When securities are loaned, borrowers provide collateral, such as cash or government securities, of value equal to, or greater than, the loaned securities. As shown in the table below, the program has provided significant gains over the long-term. However, fallout from the mortgage crisis resulted in losses during Fiscal Year 2009-10. In response, the program was restructured to a more conservative set of re-investment guidelines.

### FRS PENSION PLAN NET SECURITIES LENDING REVENUE BY FISCAL YEAR

|                      |           |                    |
|----------------------|-----------|--------------------|
| 2001-02              | \$        | 49,744,143         |
| 2002-03              |           | 34,628,432         |
| 2003-04              |           | 34,558,808         |
| 2004-05              |           | 38,447,917         |
| 2005-06              |           | 50,490,779         |
| 2006-07              |           | 54,097,509         |
| 2007-08              |           | 115,505,817        |
| 2008-09              |           | 96,168,151         |
| 2009-10 <sup>1</sup> |           | (134,528,845)      |
| 2010-11              |           | 43,594,622         |
| 2011-12              |           | 43,777,884         |
| 2012-13              |           | 48,168,513         |
| 2013-14              |           | 44,532,896         |
| 2014-15              |           | 38,044,668         |
| 2015-16              |           | 41,398,835         |
| 2016-17              |           | 49,210,608         |
| 2017-18              |           | 41,689,317         |
| 2018-19              |           | 31,482,495         |
| <b>Total</b>         | <b>\$</b> | <b>721,012,549</b> |

<sup>1</sup> The loss for 2009-10 resulted from a decline in value of various investments held in the securities lending portfolio. The recovery in value of these investments was not considered probable. Therefore, the underlying securities were written down resulting in a net realized loss. Net income without this loss was \$38,001,712.

This table is on an accrual basis, not a cash basis, meaning income is recorded when earned, not when received.

• Total may not foot due to rounding.

The following tables show the beginning and ending market values for each individual Pension Plan portfolio, together with net contributions and transfers, and investment gain or loss. The portfolios are grouped into separate tables by asset class.

## FRS PENSION PLAN – GLOBAL EQUITY CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19

|                                                 | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19 |
|-------------------------------------------------|-------------------------|------------------------------------|---------------------------|-------------------------|
| <b>Domestic Equities</b>                        |                         |                                    |                           |                         |
| <u>Active Large Cap:</u>                        |                         |                                    |                           |                         |
| - AJO, LP                                       | \$ 1,151,527,740        | \$ -                               | \$ 31,215,028             | \$ 1,182,742,769        |
| - BMO US Large Cap Growth                       | 1,198,162,568           | (105,462,948)                      | 110,883,331               | 1,203,582,952           |
| - Quantitative Management Associates            | 1,097,929,370           | -                                  | 19,635,221                | 1,117,564,591           |
| - Smith Asset Management Large Cap Enhanced     | 1,319,735,321           | (245,455,308)                      | 87,663,709                | 1,161,943,722           |
| <u>Active Small Cap:</u>                        |                         |                                    |                           |                         |
| - AQR R2000 Equity                              | 188,132,458             | (12,075,137)                       | (13,397,440)              | 162,659,881             |
| - BMO US Small Cap Value                        | 170,000,739             | -                                  | (12,160,936)              | 157,839,803             |
| - Cortina Asset Management                      | 200,177,948             | (33,271,836)                       | (27,379)                  | 166,878,733             |
| - Delta                                         | 170,986,600             | -                                  | (10,737,039)              | 160,249,561             |
| - Fisher Investments                            | 192,703,609             | (10,296,252)                       | (6,430,155)               | 175,977,202             |
| - Los Angeles Capital                           | 190,210,193             | (5,030,503)                        | 2,437,175                 | 187,616,865             |
| - Mondrian US Small Cap Equity                  | 168,272,695             | -                                  | (3,812,355)               | 164,460,340             |
| - PanAgora Asset Management                     | 191,300,439             | (5,283,311)                        | (9,446,231)               | 176,570,896             |
| - Stephens Investment Management Group          | 232,791,899             | (43,394,335)                       | 19,989,408                | 209,386,972             |
| - Vaughan Nelson Investment Management          | 189,430,877             | -                                  | 877,482                   | 190,308,359             |
| <u>Active Micro Cap:</u>                        |                         |                                    |                           |                         |
| - Acuitas                                       | 248,141,204             | (58,540,801)                       | (13,911,777)              | 175,688,626             |
| - Friess <sup>1</sup>                           | -                       | 23,365,683                         | -                         | 24,162,187              |
| - Walthausen <sup>1</sup>                       | -                       | 35,173,890                         | -                         | 31,269,387              |
| <u>Passive:</u>                                 |                         |                                    |                           |                         |
| - Avatar R1000 Index Fund                       | 14,281,814,636          | (166,641,600)                      | 1,433,250,788             | 15,548,423,824          |
| - Nova Portfolio                                | 5,721,957,796           | (53,055,200)                       | 576,141,263               | 6,245,043,859           |
| - Phoenix Portfolio                             | 15,439,638,593          | (2,355,937,393)                    | 1,319,439,162             | 14,403,140,363          |
| <u>Other:</u>                                   |                         |                                    |                           |                         |
| - Domestic Equity Asset Class Transition        | 121,156                 | 5,557,405                          | (5,671,115)               | 7,446                   |
| - Global Equity Suspended Asset Account         | 1                       | -                                  | 19                        | 20                      |
| Total Domestic Equities                         | 42,353,035,840          | (3,030,347,643)                    | 3,525,938,159             | 42,845,518,356          |
| <b>Foreign Equities</b>                         |                         |                                    |                           |                         |
| <u>Developed Markets:</u>                       |                         |                                    |                           |                         |
| - Acadian Asset Management                      | 1,629,971,395           | (40,000,000)                       | (51,114,878)              | 1,538,856,517           |
| - Alliance Bernstein                            | 1,289,671,908           | -                                  | (71,612,095)              | 1,218,059,814           |
| - AQR Capital Management Small Cap              | 522,264,165             | (15,000,000)                       | (55,712,320)              | 451,551,845             |
| - Artisan Partners                              | 1,539,367,413           | -                                  | 149,633,458               | 1,689,000,870           |
| - Ballie Gifford Overseas Limited               | 1,553,284,865           | (200,508,110)                      | (84,272,923)              | 1,268,503,833           |
| - BlackRock Global Inv. Index Plus              | 3,934,506,834           | (398,000,000)                      | 56,275,327                | 3,592,782,161           |
| - BlackRock Global Inv. Small Cap Strategy      | 1,394,605,178           | (30,000,000)                       | (77,768,254)              | 1,286,836,924           |
| - BlackRock Global Inv. World Ex-US             | 4,124,972,053           | (733,666,977)                      | 51,820,273                | 3,443,125,349           |
| - BlackRock Global Inv. World Ex-US Alpha Tilts | 1,593,223,770           | (886)                              | 13,230,822                | 1,606,453,706           |
| - BlackRock Restructuring                       | 0                       | (2,509)                            | 2,509                     | -                       |
| - Dimensional Fund Advisors                     | 483,464,176             | -                                  | (53,524,990)              | 429,939,186             |
| - Epoch Investment Partners <sup>2</sup>        | 91,014                  | (1,716)                            | (2,439)                   | 86,859                  |
| - Fidelity Institutional <sup>2</sup>           | 421,112                 | (16,839)                           | (32,196)                  | 372,077                 |
| - Foreign Equity Internal Active Tax Reclaim    | 1,222                   | (17,628)                           | 17,598                    | 1,192                   |
| - Franklin Templeton Small Cap <sup>2</sup>     | 1,777,218               | (458,700)                          | (502,802)                 | 815,716                 |
| - GMO                                           | 1,288,283,998           | -                                  | (25,810,017)              | 1,262,473,981           |
| - Mondrian Investment Partners Small Cap        | 532,595,138             | (75,000,000)                       | (11,842,292)              | 445,752,846             |
| - Morgan Stanley Investment Management          | 1,713,488,924           | (45,000,000)                       | 67,799,525                | 1,736,288,448           |
| - Numeric Investors <sup>1</sup>                | -                       | 348,204,994                        | (40,389,435)              | 307,815,560             |
| - Principal Global Investors - FE               | 520,939,856             | (55,000,000)                       | (27,609,200)              | 438,330,656             |
| - Sprucegrove Investment Management             | 1,606,583,395           | -                                  | 20,602,530                | 1,627,185,925           |
| - Templeton Investment Counsel LLC              | 1,615,091,012           | (190,000,000)                      | (89,342,133)              | 1,335,748,879           |
| - Walter, Scott & Partners, Ltd.                | 1,657,600,141           | 55,378,628                         | 176,786,526               | 1,889,765,295           |
| - William Blair                                 | 509,043,422             | (30,000,000)                       | (26,481,449)              | 452,561,974             |

|                                                            | Market Value<br>6/30/18  | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19  |
|------------------------------------------------------------|--------------------------|------------------------------------|---------------------------|--------------------------|
| <b>Emerging Markets:</b>                                   |                          |                                    |                           |                          |
| - Aberdeen Asset Management                                | 895,721,635              | (85,000,000)                       | 94,756,289                | 905,477,924              |
| -Acadian Asset Management Inc.                             | 939,507,157              | -                                  | (3,764,080)               | 935,743,077              |
| -AQR Capital Mgt. Emerging Markets Small Cap               | 271,931,430              | -                                  | (21,999,269)              | 249,932,161              |
| - BlackRock Emerging Markets Index Plus                    | 453,624,298              | -                                  | 5,100,333                 | 458,724,631              |
| - Dimensional Fund Advisors EM                             | 452,333,502              | -                                  | 6,661,675                 | 458,995,177              |
| - Genesis Emerging Markets                                 | 925,091,301              | -                                  | 50,397,605                | 975,488,906              |
| - M&G Investment Management <sup>3</sup>                   | 964,116,032              | (918,999,493)                      | (45,113,645)              | 2,894                    |
| - Mondrian Investment Partners Ltd.                        | 933,959,069              | -                                  | 44,415,405                | 978,374,473              |
| - Somerset Capital                                         | 941,414,082              | -                                  | 40,740,830                | 982,154,912              |
| - Sophus Capital <sup>1</sup>                              | -                        | 781,784,754                        | 90,395,100                | 872,179,853              |
| - State Street Global Advisors                             | 268,767,934              | -                                  | (11,395,701)              | 257,372,232              |
| - Wellington Emerging Markets Small Cap <sup>1</sup>       | -                        | 201,330,741                        | 740,728                   | 202,071,469              |
| - Wells Capital Management Emerging Markets                | 969,398,454              | -                                  | 22,036,213                | 991,434,667              |
| - William Blair & Company, LLC                             | 860,304,448              | -                                  | (11,629,822)              | 848,674,626              |
| - William Blair Emerging Markets Small Cap                 | 269,292,458              | -                                  | (18,673,064)              | 250,619,393              |
| <b>Frontier Markets:</b>                                   |                          |                                    |                           |                          |
| - Aberdeen Frontier Markets                                | 124,346,752              | -                                  | (15,637,239)              | 108,709,513              |
| - First State Frontier Markets                             | 120,930,054              | -                                  | (14,156,460)              | 106,773,594              |
| - HSBC Global Frontier Markets                             | 133,774,050              | -                                  | 8,336,974                 | 142,111,024              |
| Total Foreign Equities                                     | 37,035,760,866           | (1,429,973,740)                    | 141,363,015               | 35,747,150,141           |
| <b>Dedicated Global Equities</b>                           |                          |                                    |                           |                          |
| <b>Active:</b>                                             |                          |                                    |                           |                          |
| - Epoch Investment Partners Global                         | 904,266,475              | 116,178,109                        | 73,880,383                | 1,094,324,967            |
| - Franklin Templeton <sup>2</sup>                          | -                        | (63,220)                           | 63,220                    | -                        |
| - Hexavest Inc.                                            | 862,330,218              | -                                  | 47,102,735                | 909,432,952              |
| - Intech Investment Management                             | 1,752,345,697            | (229,985,092)                      | 103,706,267               | 1,626,066,873            |
| - MFG Asset Management                                     | 963,860,699              | -                                  | 150,506,072               | 1,114,366,771            |
| - Schiehallion Fund <sup>1</sup>                           | -                        | 190,873,717                        | 33,433,798                | 224,307,515              |
| - Schroders Investment Management                          | 933,437,194              | -                                  | 58,590,263                | 992,027,457              |
| - Trilogy Global Advisors <sup>2</sup>                     | 1,322,754                | (523,518)                          | 16,001                    | 815,237                  |
| - TS&W Florida Retirement System                           | 457,939,475              | -                                  | (33,596,045)              | 424,343,430              |
| <b>Passive:</b>                                            |                          |                                    |                           |                          |
| - Atlas Portfolio                                          | 2,018,878,959            | -                                  | 139,700,142               | 2,158,579,101            |
| - Sinesis                                                  | 904,776,771              | -                                  | 45,463,286                | 950,240,057              |
| Total Dedicated Global Equities                            | 8,799,158,242            | 76,479,997                         | 618,866,121               | 9,494,504,360            |
| <b>Currency Overlay</b>                                    |                          |                                    |                           |                          |
| - CIBC Global Managed                                      | (4,989,428)              | (4,835,566)                        | 8,343,115                 | (1,481,879)              |
| - P/E Global Managed                                       | (2,300,247)              | (14,006,847)                       | 11,494,234                | (4,812,860)              |
| - Quaesta Managed                                          | 7,912,039                | (3,168,449)                        | (9,235,369)               | (4,491,779)              |
| - Record Managed                                           | 1,051,070                | (3,665,138)                        | 3,294,053                 | 679,984                  |
| Total Currency Overlay                                     | 1,673,434                | (25,676,000)                       | 13,896,033                | (10,106,533)             |
| <b>Other</b>                                               |                          |                                    |                           |                          |
| - Cash Equitization Portfolio                              | 28,913,857               | (37,577,306)                       | 8,663,458                 | 8                        |
| - Citigroup Global Transition                              | 349,913,151              | (234,009,914)                      | (6,380,754)               | 109,522,483              |
| - Global Equity Cash                                       | 652,915                  | (3,802,139)                        | 4,008,649                 | 859,425                  |
| - Global Equities Cash Expense                             | 558                      | 2,181,405                          | (2,181,938)               | 25                       |
| - Global Equity Liquidity Portfolio                        | 1,414,050,274            | (201,631,094)                      | 73,926,098                | 1,286,345,278            |
| - Global Equity Policy Transition Portfolio 1              | -                        | (1,870)                            | 1,870                     | -                        |
| - Global Equity Policy Transition Portfolio 2              | 39                       | (80,814)                           | 80,776                    | 1                        |
| - Global Equity Policy Transition Portfolio 3 <sup>4</sup> | -                        | -                                  | -                         | -                        |
| - Global Equity Transition Account 1                       | 141,506                  | 7,095,088                          | (7,202,517)               | 34,077                   |
| Total Other                                                | 1,793,672,300            | (467,826,645)                      | 70,915,641                | 1,396,761,296            |
| <b>Total Global Equity</b>                                 | <b>\$ 89,983,300,682</b> | <b>\$ (4,877,344,032)</b>          | <b>\$ 4,370,978,969</b>   | <b>\$ 89,473,827,619</b> |

<sup>1</sup> Account opened during the fiscal year.

<sup>2</sup> Strategy terminated in a prior fiscal year. Residual activity occurred in the current fiscal year.

<sup>3</sup> Strategy terminated during the fiscal year. Remaining balances reflect residual activity.

<sup>4</sup> Account inactive during the fiscal year.

• Totals may not foot due to rounding.

**FRS PENSION PLAN – FIXED INCOME**  
**CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19**

|                                               | Market Value<br>6/30/18  | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19  |
|-----------------------------------------------|--------------------------|------------------------------------|---------------------------|--------------------------|
| <u>Aggregate:</u>                             |                          |                                    |                           |                          |
| - Active Core                                 | \$ 6,104,755,086         | \$ -                               | \$ 424,297,130            | \$ 6,529,052,216         |
| - Amundi Pioneer Investments                  | 2,908,698,012            | -                                  | 197,963,901               | 3,106,661,914            |
| - BlackRock Core Bond Enhanced Index          | 2,814,877,455            | -                                  | 194,011,546               | 3,008,889,001            |
| - Investment Grade AA Account                 | 112,608,272              | -                                  | 3,596,802                 | 116,205,075              |
| - Neuberger Berman Core                       | 1,785,610,575            | -                                  | 119,170,942               | 1,904,781,517            |
| - Prudential Conservative Core                | 1,208,135,786            | -                                  | 81,827,503                | 1,289,963,289            |
| - Taplin, Canida & Habacht                    | 1,290,718,038            | -                                  | 87,653,271                | 1,378,371,309            |
| <u>Government/Corporate:</u>                  |                          |                                    |                           |                          |
| - Fixed Income Gov't./Corp. Passive Account   | 8,369,019,030            | (834,000,000)                      | 557,462,655               | 8,092,481,685            |
| <u>Mortgage:</u>                              |                          |                                    |                           |                          |
| - Fixed Income MBS Passive                    | 4,212,559,378            | (525,000,000)                      | 264,371,002               | 3,951,930,380            |
| <u>Other:</u>                                 |                          |                                    |                           |                          |
| - Fixed Income Cash Expense Account           | -                        | 323,830                            | (323,830)                 | -                        |
| - Fixed Income Liquidity Portfolio            | 1,255,050,317            | -                                  | 75,458,483                | 1,330,508,800            |
| - Fixed Income Transition <sup>1</sup>        | -                        | -                                  | -                         | -                        |
| - Fixed Income Policy Transition <sup>1</sup> | -                        | -                                  | -                         | -                        |
| - Fixed Income Transition II <sup>1</sup>     | -                        | -                                  | -                         | -                        |
| - STIPFRS Reserve Liquidation Fund            | 7,834,670                | (3,016,072)                        | 1,585,005                 | 6,403,603                |
| <b>Total Fixed Income</b>                     | <b>\$ 30,069,866,619</b> | <b>\$ (1,361,692,242)</b>          | <b>\$ 2,007,074,410</b>   | <b>\$ 30,715,248,788</b> |

<sup>1</sup> Account inactive during the fiscal year.

• Totals may not foot due to rounding.

# FRS PENSION PLAN – PRIVATE EQUITY

## CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19

|                                                        | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19 |
|--------------------------------------------------------|-------------------------|------------------------------------|---------------------------|-------------------------|
| <u>Partnerships:</u>                                   |                         |                                    |                           |                         |
| - ABRY Partners VII, L.P. <sup>2</sup>                 | \$ 28,940,596           | \$ (29,442,239)                    | \$ 501,643                | \$ -                    |
| - ABRY Partners VIII, L.P. <sup>2</sup>                | 58,720,438              | (66,011,539)                       | 7,291,101                 | -                       |
| - Accel-KKR Capital Partners V, L.P.                   | 12,430,894              | 9,851,840                          | 1,025,990                 | 23,308,723              |
| - Accel-KKR Growth Capital Partners II, L.P.           | 10,441,352              | 4,164,505                          | 2,313,044                 | 16,918,901              |
| - Advent International GPE VI                          | 27,687,170              | (17,284,160)                       | 821,236                   | 11,224,246              |
| - Advent International GPE VII, L.P.                   | 97,148,584              | (23,588,330)                       | 9,225,218                 | 82,785,471              |
| - Advent International GPE VIII, L.P.                  | 76,758,700              | 52,425,000                         | 16,655,331                | 145,839,031             |
| - American Industrial Partners Capital Fund VI, L.P.   | 29,831,115              | 15,268,019                         | 3,389,647                 | 48,488,781              |
| - Apax VIII, L.P. <sup>2</sup>                         | 176,894,470             | (196,720,742)                      | 19,826,272                | -                       |
| - Apollo Investment Fund VIII, L.P.                    | 175,857,117             | (16,374)                           | (3,103,851)               | 172,736,892             |
| - Apollo Investment Fund IX, L.P.                      | -                       | 19,142,643                         | (3,258,335)               | 15,884,308              |
| - Ardian LBO Fund VI, L.P.                             | 49,404,380              | 28,531,796                         | 6,944,178                 | 84,880,353              |
| - Ares Corporate Opportunities Fund III, L.P.          | 97,179,172              | (24,502,628)                       | (5,921,178)               | 66,755,365              |
| - Ares Corporate Opportunities Fund IV, L.P.           | 186,462,849             | (1,085,895)                        | 501,220                   | 185,878,174             |
| - Ares Corporate Opportunities Fund V, L.P.            | 61,855,113              | 64,759,350                         | 6,955,076                 | 133,569,539             |
| - ASF VI, L.P.                                         | 93,579,225              | (10,721,610)                       | 9,389,419                 | 92,247,034              |
| - ASF VII, L.P.                                        | 52,134,103              | (360,293)                          | 4,442,969                 | 56,216,779              |
| - ASF VIII, L.P. <sup>1</sup>                          | -                       | 20,000                             | 675,824                   | 695,824                 |
| - Asia Alternatives FL Investor, L.P.                  | 169,123,875             | 8,501,194                          | 28,587,068                | 206,212,137             |
| - Asia Alternatives FL Investor II, LLC                | 6,711,956               | 45,548,546                         | (1,218,694)               | 51,041,808              |
| - Atlas Capital Resources II, L.P.                     | 12,185,398              | (2,220,384)                        | 6,020,972                 | 15,985,986              |
| - Atlas Capital Resources III, L.P. <sup>1</sup>       | -                       | 4,913,061                          | (536,281)                 | 4,376,780               |
| - AXA LBO Fund V, L.P.                                 | 54,896,020              | (28,692,181)                       | 10,195,019                | 36,398,859              |
| - AXA Secondary Fund V, L.P.                           | 19,741,735              | (3,889,931)                        | (816,513)                 | 15,035,291              |
| - Berkshire Fund VIII, L.P. <sup>2</sup>               | 30,866,265              | (46,620,887)                       | 15,754,622                | -                       |
| - Berkshire Fund IX, L.P. <sup>2</sup>                 | 37,417,111              | (50,479,462)                       | 13,062,351                | -                       |
| - Blackstone Capital Partners VI, L.P.                 | 197,690,542             | (43,781,769)                       | 22,180,266                | 176,089,039             |
| - Blackstone Capital Partners VII, L.P.                | 48,562,522              | 48,684,771                         | 14,738,617                | 111,985,910             |
| - Carlyle Asia Growth Partners IV, L.P.                | 30,685,155              | (5,076,457)                        | (6,695,006)               | 18,913,692              |
| - Carlyle Partners IV, L.P.                            | 1,943,633               | (175,616)                          | (210,260)                 | 1,557,757               |
| - Carlyle Partners VI, L.P.                            | 185,054,635             | (90,419,964)                       | 27,904,675                | 122,539,346             |
| - Carlyle Partners VII, L.P. <sup>1</sup>              | -                       | 14,970,373                         | (3,119,221)               | 11,851,152              |
| - Carnelian Energy Capital II, L.P.                    | 6,616,777               | 6,936,512                          | 1,235,933                 | 14,789,222              |
| - Charlesbank Equity Fund VII, L.P.                    | 32,503,301              | (19,860,992)                       | 10,694,920                | 23,337,229              |
| - Charlesbank Equity Fund VIII, L.P.                   | 75,372,827              | (32,403,132)                       | 18,937,545                | 61,907,240              |
| - Charlesbank Equity Fund IX, L.P.                     | (257,203)               | 23,327,712                         | (1,691,381)               | 21,379,128              |
| - Charlesbank Fund IX Overage Allocation Program       | 6,629,834               | 2,088,495                          | (116,138)                 | 8,602,191               |
| - Cortec Group V, L.P.                                 | 167,674,955             | (64,037,952)                       | 4,103,614                 | 107,740,617             |
| - Cortec Group VI, L.P.                                | 33,341,149              | 20,303,814                         | 3,894,314                 | 57,539,277              |
| - Cressey & Company Fund IV, L.P.                      | 36,348,873              | (15,309,401)                       | 3,115,270                 | 24,154,742              |
| - Cressey & Company Fund V, L.P.                       | 76,558,333              | (16,606,046)                       | 14,705,012                | 74,657,299              |
| - Cressey & Company Fund VI, L.P. <sup>1</sup>         | -                       | 22,080,560                         | (1,642,502)               | 20,438,058              |
| - Cressey & Company Overage Fund VI, L.P. <sup>1</sup> | -                       | 2,890,000                          | (16,103)                  | 2,873,897               |
| - CVC Capital Partners VI, L.P.                        | 74,217,675              | (1,039,637)                        | 15,244,971                | 88,423,008              |
| - CVC Capital Partners VII, L.P.                       | (954,050)               | 17,549,495                         | 5,458,113                 | 22,053,558              |
| - CVC European Equity Partners V, L.P.                 | 29,674,198              | (26,165,482)                       | 15,337,629                | 18,846,346              |
| - DCPF VI Oil and Gas Coinvestment Fund, L.P.          | 39,729,240              | (4,677,640)                        | 4,104,859                 | 39,156,459              |
| - Denham Commodity Partners Fund VI, L.P.              | 73,014,681              | 3,886,474                          | (367,570)                 | 76,533,585              |
| - Denham Oil & Gas Investment Fund, L.P.               | 46,832,176              | (8,780,444)                        | 5,672,223                 | 43,723,955              |
| - EnCap Energy Capital Fund VIII, L.P.                 | 23,575,960              | 2,575,786                          | (1,664,612)               | 24,487,134              |
| - EnCap Energy Capital Fund IX, L.P.                   | 54,077,136              | (7,893,779)                        | 4,218,490                 | 50,401,847              |
| - EnCap Energy Capital Fund X, L.P.                    | 70,972,774              | 6,893,943                          | 8,183,775                 | 86,050,493              |
| - EnCap Energy Capital Fund XI, L.P.                   | 6,667,757               | 9,815,849                          | (1,663,553)               | 14,820,053              |
| - EnCap Flatrock Midstream Fund III, L.P.              | 19,269,934              | 19,105,115                         | 2,652,842                 | 41,027,891              |
| - EnCap Flatrock Midstream Fund IV, L.P.               | 2,399,421               | 16,343,092                         | 1,862,624                 | 20,605,138              |
| - Energy & Minerals Group Fund III, L.P.               | 68,337,484              | (1,939,105)                        | (3,395,494)               | 63,002,885              |

|                                                              | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19 |
|--------------------------------------------------------------|-------------------------|------------------------------------|---------------------------|-------------------------|
| - Energy Capital Partners II, L.P.                           | 30,335,675              | (9,012,863)                        | (8,911,292)               | 12,411,520              |
| - Energy Capital Partners III, L.P.                          | 147,009,291             | (24,481,170)                       | 12,958,676                | 135,486,797             |
| - EnerVest Energy Fund XII-A, L.P.                           | 201,612                 | -                                  | 64,216                    | 265,828                 |
| - EnerVest Energy Institutional Fund XIV-A, L.P.             | 93,210,917              | (27,421,857)                       | 5,853,178                 | 71,642,238              |
| - Equistone Partners Europe Fund V, L.P.                     | 74,266,823              | (3,894,784)                        | (4,491,321)               | 65,880,719              |
| - Equistone Partners Europe Fund VI, L.P.                    | (145,944)               | 15,580,873                         | (732,165)                 | 14,702,764              |
| - European Private Equity Opportunities I, L.P.              | 9,225,143               | 7,412,320                          | (2,447,523)               | 14,189,940              |
| - Fairview Special Opportunities Fund, L.P.                  | 278,189,146             | (40,774,887)                       | 75,853,563                | 313,267,822             |
| - Fairview Special Opportunities Fund II, L.P.               | 61,309,948              | 15,064,822                         | 17,726,135                | 94,100,905              |
| - Fairview Ventures Fund II, L.P. <sup>2</sup>               | 18,780,388              | (15,574,930)                       | (3,205,458)               | -                       |
| - Fairview Ventures Fund III, L.P. <sup>2</sup>              | 63,753,687              | (50,994,419)                       | (12,759,268)              | -                       |
| - First Reserve Fund XI, L.P.                                | 5,405,309               | (2,490,470)                        | 1,980,546                 | 4,895,385               |
| - First Reserve Fund XII, L.P.                               | 44,559,445              | 3,099,048                          | (8,597,620)               | 39,060,873              |
| - Francisco Partners III, L.P.                               | 56,628,706              | (13,961,692)                       | 10,925,194                | 53,592,208              |
| - Francisco Partners IV, L.P.                                | 97,591,392              | (39,563,648)                       | 29,672,235                | 87,699,979              |
| - Francisco Partners V, L.P.                                 | 9,940,625               | 27,937,946                         | 2,284,179                 | 40,162,750              |
| - FS Equity Partners VI, L.P.                                | 91,555,473              | (21,235,620)                       | (13,186,213)              | 57,133,640              |
| - FS Equity Partners VII, L.P.                               | 69,393,645              | 25,167,412                         | 10,159,280                | 104,720,337             |
| - FS Equity Partners VIII, L.P. <sup>1</sup>                 | -                       | 9,924,381                          | (529,755)                 | 9,394,626               |
| - Grove Street Partners Buyouts LLC                          | 52,358,298              | (23,798,909)                       | 7,860,505                 | 36,419,894              |
| - Grove Street Partners Buyouts II, LLC                      | 172,272,480             | (6,258,037)                        | 17,148,380                | 183,162,823             |
| - Grove Street Partners Ventures, LLC <sup>2</sup>           | 85,544,085              | (76,285,709)                       | (9,258,377)               | -                       |
| - Grove Street Partners Ventures II, LLC                     | 287,074,852             | (41,430,817)                       | 67,242,975                | 312,887,010             |
| - GS Partners Ventures III, L.P.                             | 190,501,217             | 754,914                            | 30,148,653                | 221,404,784             |
| - Hellman & Friedman Capital Partners V, L.P. <sup>2</sup>   | 992,304                 | (1,091,628)                        | 99,324                    | -                       |
| - Hellman & Friedman Capital Partners VII, L.P.              | 259,174,587             | (59,505,590)                       | 63,857,694                | 263,526,691             |
| - Hellman & Friedman Capital Partners VIII, L.P.             | 142,977,534             | 52,677,542                         | 13,005,289                | 208,660,365             |
| - Hellman & Friedman Capital Partners IX, L.P. <sup>1</sup>  | -                       | -                                  | (209,237)                 | (209,237)               |
| - Inflexion Buyout Fund IV, L.P.                             | 37,959,192              | (1,514,279)                        | 1,784,615                 | 38,229,528              |
| - Inflexion Enterprise Fund IV, L.P.                         | 7,689,817               | 4,349,719                          | 1,795,656                 | 13,835,192              |
| - Inflexion Partnership Capital Fund I, L.P.                 | 17,693,053              | (1,520,509)                        | 2,084,807                 | 18,257,351              |
| - Insight Venture Partners VIII, L.P.                        | 105,356,962             | (58,607,968)                       | 24,111,443                | 70,860,437              |
| - Insight Venture Partners IX, L.P.                          | 99,551,369              | (3,975,379)                        | 35,344,536                | 130,920,527             |
| - Insight Venture Partners Growth-Buyout Coinvest Fund, L.P. | 62,632,924              | 177,672                            | 24,503,029                | 87,313,625              |
| - Investindustrial VI, L.P.                                  | 18,774,366              | 20,044,814                         | (854,938)                 | 37,964,242              |
| - JH Whitney VII, L.P.                                       | 53,746,081              | 387,066                            | 9,529,103                 | 63,662,250              |
| - KKR Asia Fund II, L.P.                                     | 111,517,164             | (7,791,376)                        | 5,238,578                 | 108,964,366             |
| - KKR Asia Fund III (EEA) SCSp                               | 7,963,029               | 44,418,658                         | 5,579,683                 | 57,961,370              |
| - KPS Special Situations Fund III, L.P.                      | 15,074,140              | (17,003,310)                       | 10,716,031                | 8,786,861               |
| - KPS Special Situations Fund IV, L.P.                       | 56,170,812              | 11,756,159                         | 5,375,179                 | 73,302,150              |
| - LCP FSBA Co-Invest Account L.P.                            | 51,302,161              | 16,267,983                         | 13,599,351                | 81,169,495              |
| - Lexington Capital Partners V, L.P.                         | 3,606,373               | (2,318,370)                        | (691,637)                 | 596,366                 |
| - Lexington Capital Partners VI-B, L.P.                      | 12,349,931              | (3,837,520)                        | 524,812                   | 9,037,223               |
| - Lexington Capital Partners VII, L.P.                       | 66,030,394              | (17,096,044)                       | 2,175,996                 | 51,110,346              |
| - Lexington Capital Partners VIII, L.P.                      | 141,573,552             | 34,646,459                         | 4,884,812                 | 181,104,823             |
| - Lexington Capital Partners IX, L.P. <sup>1</sup>           | -                       | 54,302                             | 11,703,062                | 11,757,364              |
| - Lexington Co-Investment Partners Pools III & IV, L.P.      | 35,963,717              | -                                  | (13,219,049)              | 22,744,668              |
| - Lexington Co-Investment Partners 2005, L.P.                | 108,757,775             | (31,726,489)                       | 27,877,708                | 104,908,994             |
| - Lexington Co-Investment Partners 2005 Pool III, L.P.       | 478,523,561             | (109,388,439)                      | 19,843,890                | 388,979,013             |
| - Lexington Co-Investment Partners 2005 Pool IV, L.P.        | 189,302,254             | 162,145,954                        | 33,188,461                | 384,636,669             |
| - Lexington Middle Market Investors III, L.P.                | 61,255,438              | (6,092,674)                        | 4,415,345                 | 59,578,109              |
| - Liberty Partners VI                                        | 275,000                 | (252,528)                          | (9,472)                   | 13,000                  |
| - Liberty Partners VII                                       | 8,849,530               | (5,818,931)                        | (470,973)                 | 2,559,626               |
| - Liberty Partners Group II                                  | (1,224)                 | 1,815                              | (297)                     | 294                     |
| - LightBay Capital Partners, L.P.                            | -                       | 3,441,946                          | (2,039,243)               | 1,402,703               |
| - Montagu Private Equity Fund IV, L.P.                       | 28,637,266              | (22,528,805)                       | 5,299,865                 | 11,408,326              |
| - Montagu V, L.P.                                            | 34,368,550              | 30,387,187                         | 8,941,228                 | 73,696,965              |
| - New Mountain Partners II, L.P.                             | 1,566,656               | -                                  | (846,758)                 | 719,898                 |
| - New Mountain Partners III, L.P.                            | 67,211,359              | (4,934,508)                        | 4,904,514                 | 67,181,365              |
| - New Mountain Partners IV, L.P. <sup>2</sup>                | 89,117,128              | (104,029,615)                      | 14,912,487                | -                       |

|                                                               | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19 |
|---------------------------------------------------------------|-------------------------|------------------------------------|---------------------------|-------------------------|
| - OpCapita Consumer Opportunities Fund II, L.P.               | 17,298,322              | 8,275,278                          | (704,979)                 | 24,868,622              |
| - OpenView Venture Partners IV, L.P.                          | 22,512,583              | 2,441,384                          | 13,128,418                | 38,082,385              |
| - OpenView Venture Partners V, L.P.                           | 7,574,770               | 1,181,859                          | 4,163,925                 | 12,920,554              |
| - Pantheon Global Secondary Fund IV, L.P.                     | 21,289,738              | (1,578,259)                        | 891,029                   | 20,602,508              |
| - Pantheon Venture Partners II, L.P. <sup>2</sup>             | 41,392,847              | (31,816,810)                       | (9,576,037)               | -                       |
| - Peak Rock Capital II, L.P.                                  | 3,356,552               | 14,972,214                         | 2,373,880                 | 20,702,646              |
| - Peak Rock Capital Credit Fund II, L.P.                      | 437,109                 | 1,240,645                          | (229,894)                 | 1,447,860               |
| - Permira V, L.P.                                             | 87,004,488              | (10,773,293)                       | 26,001,346                | 102,232,541             |
| - Platinum Equity Capital Partners II, L.P.                   | 8,098,363               | (5,834,911)                        | 2,996,051                 | 5,259,503               |
| - Platinum Equity Capital Partners III, L.P.                  | 142,549,605             | (60,737,898)                       | (8,135,602)               | 73,676,105              |
| - Pomona Capital VI, L.P.                                     | 6,711,596               | (2,549,284)                        | (795,075)                 | 3,367,237               |
| - Pomona Capital VII, L.P. <sup>2</sup>                       | 190,537                 | (172,501)                          | (18,036)                  | 0                       |
| - Post Oak Energy Partners II, L.P.                           | 33,089,434              | 318,804                            | (3,516,583)               | 29,891,655              |
| - Post Oak Energy Partners III, L.P.                          | 43,805,986              | (20,511,624)                       | 9,055,873                 | 32,350,235              |
| - Post Oak Energy Partners IV, L.P.                           | 797,144                 | 13,044,745                         | (1,177,045)               | 12,664,844              |
| - Providence Equity Partners VII, L.P. <sup>2</sup>           | 216,464,480             | (231,092,826)                      | 14,628,346                | -                       |
| - RCP Advisors Fund IV, L.P.                                  | 16,527,844              | (7,985,103)                        | 2,322,081                 | 10,864,823              |
| - RCP Advisors Fund V, L.P.                                   | 28,503,500              | (8,239,904)                        | 3,691,549                 | 23,955,145              |
| - RCP Advisors Fund VI, L.P.                                  | 31,578,958              | (19,943,192)                       | 13,541,902                | 25,177,668              |
| - RCP Advisors Fund VII, L.P.                                 | 52,837,195              | (17,411,564)                       | 10,736,193                | 46,161,824              |
| - RCP Advisors Fund VIII, L.P.                                | 42,948,077              | (6,380,638)                        | 10,113,712                | 46,681,152              |
| - RCP Advisors Fund IX, L.P.                                  | 36,374,102              | 2,500,000                          | 6,420,863                 | 45,294,965              |
| - RCP Advisors Fund X, L.P.                                   | 19,003,652              | 15,000,000                         | 1,545,221                 | 35,548,873              |
| - Rise Fund, L.P. (The)                                       | 3,560,612               | 8,514,587                          | 2,029,918                 | 14,105,117              |
| - Riverside Capital Appreciation Fund VI, L.P. <sup>2</sup>   | 62,208,875              | (62,831,830)                       | 622,955                   | -                       |
| - Rubicon Technology Partners, L.P.                           | 46,486,986              | (52,571,708)                       | 20,202,740                | 14,118,018              |
| - Rubicon Technology Partners II, L.P.                        | 13,123,295              | 27,429,912                         | 2,351,750                 | 42,904,957              |
| - Searchlight Capital II, L.P.                                | 53,955,650              | 16,287,244                         | 4,430,708                 | 74,673,602              |
| - Silver Lake Partners IV, L.P.                               | 116,991,828             | (19,375,079)                       | 39,511,270                | 137,128,019             |
| - Silver Lake Partners V, L.P.                                | 9,998,383               | 45,889,589                         | 3,292,537                 | 59,180,509              |
| - Siris Partners III, L.P.                                    | 57,313,606              | (17,474,177)                       | 2,684,299                 | 42,523,728              |
| - Siris Partners IV, L.P.                                     | -                       | 11,446,415                         | (854,068)                 | 10,592,347              |
| - Summa Equity Fund II AB <sup>1</sup>                        | -                       | -                                  | (39,587)                  | (39,587)                |
| - SVB Capital Partners III, L.P.                              | 20,718,198              | 675,000                            | 6,109,878                 | 27,503,076              |
| - SVB Capital Partners IV, L.P.                               | 5,591,965               | 2,200,000                          | (869,434)                 | 6,922,531               |
| - SVB Strategic Investors Fund V-A, L.P.                      | 169,369,962             | (32,350,419)                       | 53,796,290                | 190,815,833             |
| - SVB Strategic Investors Fund V-A Opportunity, L.P.          | 76,801,092              | (10,331,229)                       | 22,345,134                | 88,814,997              |
| - SVB Strategic Investors VI-A, L.P.                          | 144,108,107             | (8,891,563)                        | 52,284,914                | 187,501,458             |
| - SVB Strategic Investors Fund VII-A, L.P.                    | 105,472,556             | 11,625,000                         | 33,228,031                | 150,325,587             |
| - SVB Strategic Investors Fund VIII-A, L.P.                   | 27,250,503              | 26,140,000                         | 11,376,628                | 64,767,131              |
| - SVB Strategic Investors Fund IX-A, L.P.                     | -                       | 7,912,633                          | (940,203)                 | 6,972,430               |
| - Thoma Bravo Discover Fund, L.P.                             | 47,359,122              | 3,774,604                          | 8,841,293                 | 59,975,020              |
| - Thoma Bravo Discover Fund II, L.P.                          | -                       | 17,505,144                         | (1,386,092)               | 16,119,052              |
| - Thoma Bravo Fund IX, L.P.                                   | 1,139,046               | -                                  | 36,971                    | 1,176,017               |
| - Thoma Bravo Fund X, L.P.                                    | 61,490,919              | (37,384,247)                       | 24,675,921                | 48,782,593              |
| - Thoma Bravo Fund XI, L.P.                                   | 186,919,400             | (103,065,608)                      | 70,728,209                | 154,582,001             |
| - Thoma Bravo Fund XII, L.P.                                  | 100,556,296             | 45,001,519                         | 26,044,004                | 171,601,819             |
| - Thoma Bravo Fund XIII, L.P. <sup>1</sup>                    | -                       | 53,586,862                         | (892,819)                 | 52,694,043              |
| - Thoma Bravo Special Opportunities Fund I, L.P.              | 40,429,760              | (22,829,772)                       | 14,183,189                | 31,783,178              |
| - Thoma Bravo Special Opportunities Fund II, L.P.             | 59,859,516              | (3,130,152)                        | 15,409,750                | 72,139,114              |
| - Thoma Cressey Fund VIII, L.P.                               | 1,095,488               | (993,464)                          | 224,947                   | 326,970                 |
| - Tiger Iron Special Opportunities Fund, L.P.                 | 30,087,048              | 56,306,318                         | 8,564,808                 | 94,958,174              |
| - Tiger Iron Special Opportunities Fund II, L.P. <sup>1</sup> | -                       | 5,690,174                          | (14,286)                  | 5,675,889               |
| - Top Tier Special Opportunities Fund, L.P.                   | 2,302,684               | (701,681)                          | 394,601                   | 1,995,605               |
| - Top Tier Venture Capital II, L.P.                           | 14,998,749              | (4,749,177)                        | (120,170)                 | 10,129,402              |
| - Top Tier Venture Capital III, L.P.                          | 24,124,334              | (5,206,826)                        | 550,822                   | 19,468,330              |
| - Top Tier Venture Capital IV, L.P. <sup>2</sup>              | 90,693,405              | (81,785,545)                       | (8,907,860)               | -                       |
| - TowerBrook Investors II, L.P.                               | 5,819,904               | (2,887,721)                        | 1,226,428                 | 4,158,611               |
| - TowerBrook Investors III, L.P.                              | 24,428,204              | (5,070,156)                        | (3,018,975)               | 16,339,073              |
| - TowerBrook Investors IV, L.P.                               | 113,598,675             | 21,677,586                         | 20,153,795                | 155,430,056             |
| - TowerBrook Investors V, L.P. <sup>1</sup>                   | -                       | 89,418                             | (89,418)                  | -                       |

|                                                             | Market Value<br>6/30/18  | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19  |
|-------------------------------------------------------------|--------------------------|------------------------------------|---------------------------|--------------------------|
| - TPG Growth II, L.P.                                       | 121,364,293              | (5,197,067)                        | 17,696,043                | 133,863,269              |
| - TPG Growth III, L.P.                                      | 80,796,229               | (20,931,698)                       | 16,593,990                | 76,458,521               |
| - TPG Growth IV, L.P.                                       | (1,340,099)              | 41,665,129                         | 42,989                    | 40,368,019               |
| - Trident V, L.P.                                           | 61,564,699               | (23,734,040)                       | 8,937,056                 | 46,767,714               |
| - Trident VI, L.P.                                          | 74,111,852               | (17,348,729)                       | 18,938,254                | 75,701,377               |
| - Trident VII, L.P.                                         | 23,267,427               | 26,791,101                         | 6,019,963                 | 56,078,492               |
| - TrueBridge Capital FSA, LLC                               | 22,774,968               | 19,243,396                         | 5,547,938                 | 47,566,302               |
| - TrueBridge Capital Partners V, L.P.                       | 2,235,422                | 15,800,000                         | 332,721                   | 18,368,143               |
| - TrueBridge/FLSBA Special Purpose, LLC                     | 73,775,602               | (11,527,290)                       | 21,834,403                | 84,082,715               |
| - Truebridge/FLSBA Special Purpose II, LLC                  | 24,458,724               | 743,836                            | 8,109,465                 | 33,312,025               |
| - TrueBridge-Kauffman Fellows Endowment Fund II, L.P.       | 158,463,573              | (18,429,704)                       | 30,235,815                | 170,269,684              |
| - TrueBridge-Kauffman Fellows Endowment Fund III, L.P.      | 142,032,362              | (1,150,000)                        | 46,464,409                | 187,346,771              |
| - TrueBridge-Kauffman Fellows Endowment Fund IV, L.P.       | 63,936,359               | 30,000,000                         | 26,206,900                | 120,143,259              |
| - TSG Capital Fund III, L.P. <sup>3</sup>                   | 14,275                   | -                                  | -                         | 14,275                   |
| - Venture Overage Fund, L.P.                                | 92,353,768               | 3,725,000                          | 6,041,741                 | 102,120,509              |
| - W Capital Partners III, L.P.                              | 66,031,111               | (5,241,959)                        | 144,750                   | 60,933,902               |
| - Warburg Pincus China, L.P.                                | 42,654,808               | 11,991,800                         | 6,852,540                 | 61,499,148               |
| - Warburg Pincus China-Southeast Asia II, L.P. <sup>1</sup> | -                        | 2,380,000                          | -                         | 2,380,000                |
| - Warburg Pincus Private Equity IX, L.P.                    | 7,121,070                | (1,657,622)                        | (851,582)                 | 4,611,866                |
| - Warburg Pincus Private Equity X, L.P.                     | 69,042,510               | (15,618,515)                       | 3,575,884                 | 56,999,879               |
| - Warburg Pincus Private Equity XI, L.P.                    | 184,803,435              | (30,184,919)                       | 24,833,513                | 179,452,029              |
| - Warburg Pincus Private Equity XII, L.P.                   | 52,289,491               | 19,788,930                         | 6,258,063                 | 78,336,484               |
| - Waterland Private Equity Fund VII, C.V.                   | -                        | 14,979,371                         | (5,499,633)               | 9,479,737                |
| - Wellspring Capital Partners V, L.P. <sup>2</sup>          | 65,519,699               | (66,285,639)                       | 765,940                   | -                        |
| - WindRose Health Investors V, L.P. <sup>1</sup>            | -                        | 301,670                            | (368,271)                 | (66,601)                 |
| - WPEF VI Feeder Fund, L.P.                                 | 36,687,246               | 5,867,395                          | 12,382,087                | 54,936,728               |
| - WPEF VI Overflow Feeder Fund, L.P. <sup>2</sup>           | 4,683                    | -                                  | (4,683)                   | -                        |
| <u>Other:</u>                                               |                          |                                    |                           |                          |
| - Private Equity Cash                                       | 79,823,290               | 48,793,185                         | 1,690,463                 | 130,306,939              |
| - Private Equity Cash Expense                               | -                        | 4,215,291                          | (4,215,291)               | -                        |
| - Private Equity Transition <sup>4</sup>                    | -                        | -                                  | -                         | -                        |
| <b>Total Private Equity</b>                                 | <b>\$ 11,429,720,173</b> | <b>\$ (1,186,693,212)</b>          | <b>\$ 1,659,292,302</b>   | <b>\$ 11,902,319,264</b> |

<sup>1</sup> Account opened during the fiscal year.

<sup>2</sup> Account assets sold or partnership interest sold during the fiscal year. Account will be closed unless residual activity occurs.

<sup>3</sup> Account assets sold or partnership interest sold during the prior fiscal year. Balances and activity reflect residual activity.

<sup>4</sup> Account was inactive during the fiscal year.

• Private Equity market values are estimates of value which may or may not represent what would be actually realized in arm's-length sales transactions. The market values are self-reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings.

• Totals may not foot due to rounding.

## FRS PENSION PLAN – STRATEGIC INVESTMENTS

### CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19

|                                                                   | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>06/30/19 |
|-------------------------------------------------------------------|-------------------------|------------------------------------|---------------------------|--------------------------|
| <u>Strategic-Investments:</u>                                     |                         |                                    |                           |                          |
| - ABRY Advanced Securities Fund, L.P.                             | \$ 2,177,839            | \$ 471,817                         | \$ (404,189)              | \$ 2,245,467             |
| - ABRY Advanced Securities Fund II, L.P.                          | 21,898,487              | (3,981,366)                        | (2,290,011)               | 15,627,110               |
| - ABRY Advanced Securities Fund III, L.P.                         | 93,904,420              | 7,778,592                          | 329,214                   | 102,012,226              |
| - ABRY Senior Equity III, L.P.                                    | 3,264,278               | (2,855,851)                        | 2,298,918                 | 2,707,345                |
| - ABRY Senior Equity IV, L.P.                                     | 49,673,551              | (16,547,522)                       | 10,605,219                | 43,731,249               |
| - ABRY Senior Equity V, L.P.                                      | 12,583,035              | 787,870                            | 2,097,014                 | 15,467,919               |
| - Aeolus Property Catastrophe Keystone PF Fund, L.P. <sup>1</sup> | -                       | 100,014,795                        | 2,741,297                 | 102,756,092              |
| - Anchorage Capital Partners, L.P. <sup>2</sup>                   | 165,302,258             | (169,144,956)                      | 3,842,697                 | -                        |
| - Apollo Credit Liquidity Fund, L.P. <sup>2</sup>                 | 493,996                 | (634,505)                          | 140,509                   | -                        |
| - AQR Managed Futures Fund II, L.P.                               | 214,825,744             | -                                  | (4,076,067)               | 210,749,677              |
| - AQR Style Premia Fund                                           | 157,922,523             | -                                  | (20,833,347)              | 137,089,176              |
| - Atalaya Special Opportunities Fund VI, L.P.                     | 82,889,574              | (9,571,950)                        | 11,406,404                | 84,724,029               |
| - Atalaya Special Opportunities Fund VII, L.P. <sup>1</sup>       | -                       | 34,927,681                         | (587,354)                 | 34,340,327               |
| - Audax Credit Opportunities, LLC                                 | 311,000,109             | 141,000                            | 11,921,235                | 323,062,344              |
| - Audax Mezzanine Fund IV-A, L.P.                                 | 29,709,662              | 13,191,824                         | 2,268,128                 | 45,169,614               |
| - Bayview Opportunity Master Fund IIb, L.P.                       | 647,879                 | (666,464)                          | 18,584                    | -                        |
| - Bayview Opportunity Master Fund IIIb, L.P.                      | 19,619,609              | (15,723,963)                       | 4,877,254                 | 8,772,900                |
| - Bayview Opportunity Master Fund IVb, L.P.                       | 84,139,652              | (53,497,543)                       | 12,696,654                | 43,338,763               |
| - Benefit Street Credit Alpha Partners, L.P.                      | 164,340,531             | -                                  | (10,660,994)              | 153,679,537              |
| - Benefit Street Debt Fund IV, L.P.                               | 68,835,327              | 15,596,540                         | 5,068,433                 | 89,500,300               |
| - Benefit Street Partners CRE Conduit Co., L.P.                   | 995,637                 | (354,242)                          | 789,804                   | 1,431,199                |
| - BlackRock Carbon Capital V, Inc.                                | 46,745,697              | (24,655,636)                       | 3,045,816                 | 25,135,876               |
| - BlackRock Carbon Capital VI, L.P.                               | 58,488,778              | 25,393,032                         | 5,562,879                 | 89,444,689               |
| - Blackstone/GSO Capital Solutions Fund, L.P.                     | 10,022,049              | (3,858,978)                        | 774,048                   | 6,937,119                |
| - Blackstone Tactical Opportunities Fund II, L.P.                 | 123,298,032             | (16,696,596)                       | 16,551,619                | 123,153,054              |
| - Blackstone Tactical Opportunities Fund - FD, L.P. <sup>1</sup>  | -                       | 14,583,464                         | (280,709)                 | 14,302,755               |
| - Blackstone Unit Trusts <sup>2</sup>                             | 6,098,552               | (6,311,633)                        | 213,081                   | -                        |
| - Boston Timber Opportunities LLC                                 | 305,343,680             | (16,608,500)                       | 14,296,580                | 303,031,760              |
| - Bridgewater Pure Alpha Major Markets, LP PAMM                   | -                       | 200,015,606                        | (14,981,680)              | 185,033,926              |
| - Caerus DT Fund, LLC                                             | 416,832,353             | -                                  | 10,635,263                | 427,467,616              |
| - Canyon Value Realization Fund, L.P.                             | 124,047,155             | -                                  | 3,599,689                 | 127,646,844              |
| - Capula Global Relative Value Fund Ltd, L.P.                     | 169,657,196             | (17,744,327)                       | 9,602,126                 | 161,514,995              |
| - Carlyle Mezzanine Partners II, L.P.                             | 8,681,129               | (994,236)                          | (6,598,792)               | 1,088,101                |
| - Castlake Aviation II, L.P.                                      | 12,046,692              | (8,825,821)                        | 7,351,560                 | 10,572,431               |
| - Castlake III Aviation Stable Yield, L.P.                        | 37,772,951              | 50,147,751                         | 24,724,023                | 112,644,725              |
| - Castlake III, L.P.                                              | 72,527,692              | (13,502,158)                       | (2,717,402)               | 56,308,132               |
| - Castlake IV, L.P.                                               | 117,057,869             | (11,266,558)                       | 3,078,474                 | 108,869,785              |
| - Centerbridge Capital Partners III, L.P.                         | 66,850,928              | 291,348                            | 9,921,756                 | 77,064,032               |
| - Cerebus FSBA Levered Loan Opportunities Fund, L.P.              | 177,577,241             | -                                  | 14,794,897                | 192,372,138              |
| - Cerberus Institutional RE Partners III, L.P.                    | 84,304,763              | (27,629,185)                       | 7,855,968                 | 64,531,546               |
| - Cerberus Institutional RE Partners IV, L.P.                     | 62,749,208              | 61,166,495                         | 13,144,741                | 137,060,444              |
| - Cevian Capital II, L.P.                                         | 231,629,000             | -                                  | (11,826,952)              | 219,802,048              |
| - Chambers Energy Capital III, L.P.                               | 22,786,070              | 9,791,323                          | 2,588,844                 | 35,166,238               |
| - Coastline Fund, L.P.                                            | 191,173,554             | (18,504,289)                       | 12,386,057                | 185,055,322              |
| - Coastline Fund, L.P. Tranche II                                 | 78,356,338              | 22,455,861                         | 7,584,430                 | 108,396,629              |
| - Colony Distressed Credit Fund II, L.P.                          | 23,068,741              | (5,020,002)                        | 132,585                   | 18,181,324               |
| - Colony Distressed Credit & Special Sit Fund III, L.P.           | 101,472,701             | (24,942,741)                       | 8,013,223                 | 84,543,183               |
| - Colony Distressed Credit & Special Sit Fund IV, L.P.            | 94,951,403              | 25,364,440                         | 11,592,209                | 131,908,052              |
| - Crescent Mezzanine Partners VI, L.P.                            | 73,897,658              | (22,597,195)                       | 5,425,428                 | 56,725,891               |
| - Crescent Mezzanine Partners VII, L.P.                           | 42,784,299              | 16,003,580                         | 2,441,030                 | 61,228,909               |

|                                                                      | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>06/30/19 |
|----------------------------------------------------------------------|-------------------------|------------------------------------|---------------------------|--------------------------|
| - CVI Credit Value Fund A, L.P.                                      | 28,089,774              | (24,530,077)                       | 2,316,854                 | 5,876,551                |
| - CVI Credit Value Fund II A, L.P.                                   | 92,794,998              | (58,185,343)                       | (2,050,394)               | 32,559,261               |
| - CVI Credit Value Fund III A, L.P.                                  | 221,021,127             | (67,404,494)                       | 8,557,924                 | 162,174,557              |
| - CVI Credit Value Fund IV A, L.P.                                   | 15,354,326              | 60,002,480                         | 3,231,971                 | 78,588,777               |
| - CVI Global Value Fund A, L.P.                                      | 46,767,956              | (38,067,356)                       | 1,998,014                 | 10,698,614               |
| - Deerfield Private Design Fund IV, L.P.                             | 37,040,294              | 23,500,000                         | (319,286)                 | 60,221,008               |
| - Distressed Managers II FL, L.P.                                    | 11,911,710              | -                                  | (4,968,518)               | 6,943,192                |
| - DoubleLine Opportunistic Income                                    | 202,652,750             | -                                  | 17,600,567                | 220,253,317              |
| - Dymon Asia Macro (US) Fund                                         | 105,518,489             | -                                  | (4,099,422)               | 101,419,067              |
| - EIG Energy Fund XVI, L.P.                                          | 73,585,174              | (5,341,479)                        | 1,579,337                 | 69,823,031               |
| - Elan Fund, L.P.                                                    | 428,116,254             | 150,000,000                        | 34,853,435                | 612,969,689              |
| - Falcon Strategic Partners III, L.P.                                | 27,917,468              | (8,402,726)                        | (1,149,875)               | 18,364,867               |
| - Falcon Strategic Partners IV, L.P.                                 | 94,050,659              | (9,306,610)                        | 2,290,010                 | 87,034,059               |
| - Falko Regional Aircraft Opportunities Fund II, L.P. <sup>1</sup>   | -                       | 32,017,057                         | (887,155)                 | 31,129,902               |
| - Florida Growth Fund, LLC                                           | 124,199,315             | (7,325,646)                        | (3,601,785)               | 113,271,884              |
| - Florida Growth Fund Credit Tranche, LLC                            | 63,187,930              | 12,104,978                         | 1,862,582                 | 77,155,490               |
| - Florida Growth Fund Tranche II, LLC                                | 138,301,451             | (18,157,162)                       | 6,090,037                 | 126,234,326              |
| - Florida Growth Fund II, Tranche 1, LLC                             | 133,021,906             | 40,292,447                         | 1,589,941                 | 174,904,294              |
| - Florida Sunshine State Fund <sup>1</sup>                           | -                       | 9,094,608                          | (489,275)                 | 8,605,333                |
| - Gallatin Point Capital Partners, L.P. <sup>1</sup>                 | -                       | 26,287,426                         | (3,316,486)               | 22,970,940               |
| - Garda Fixed Inc. Relative Value Opp Fd (Onshore) Ltd. <sup>1</sup> | -                       | 200,071,906                        | 5,680,384                 | 205,752,290              |
| - GI Partners Fund III, L.P.                                         | 14,797,195              | (12,328,895)                       | (760,516)                 | 1,707,784                |
| - GI Partners Fund IV, L.P.                                          | 171,896,279             | 5,681,486                          | 25,897,605                | 203,475,370              |
| - Global Infrastructure Partners II, L.P.                            | 163,053,024             | (15,585,137)                       | 28,743,673                | 176,211,560              |
| - Global Infrastructure Partners III, L.P.                           | 76,935,667              | 28,484,689                         | 15,447,781                | 120,868,137              |
| - Global Infrastructure Partners IV, L.P. <sup>1</sup>               | -                       | 1,857,718                          | (1,857,718)               | -                        |
| - GOF II Feeder B, L.P. <sup>5</sup>                                 | -                       | -                                  | -                         | -                        |
| - Graham Absolute Return Trading Ltd.                                | 162,658,041             | -                                  | 4,073,375                 | 166,731,416              |
| - Grain Communications Opportunity Fund II, L.P. <sup>1</sup>        | -                       | 9,946,533                          | (1,669,499)               | 8,277,034                |
| - Graticule Asia Macro Fund, L.P.                                    | 171,507,610             | -                                  | (13,080,039)              | 158,427,571              |
| - Green Credit Investors, L.P. <sup>3</sup>                          | -                       | (156,571)                          | 156,571                   | -                        |
| - Gruss Global Investors (Enhanced) II, L.P. <sup>2</sup>            | 226,247,778             | (216,408,689)                      | (6,428,805)               | 3,410,284                |
| - GSO Capital Opportunities Fund, L.P.                               | 5,498,207               | -                                  | (2,175,711)               | 3,322,496                |
| - GSO Capital Opportunities Fund II, L.P.                            | 74,943,737              | (24,418,813)                       | 3,299,295                 | 53,824,219               |
| - GSO Capital Opportunities Fund III, L.P.                           | 51,845,034              | 45,564,002                         | 8,087,643                 | 105,496,679              |
| - GSO Capital Solutions Fund II, L.P.                                | 67,274,147              | (10,608,941)                       | (6,601,670)               | 50,063,536               |
| - GSO Capital Solutions Fund III, L.P.                               | 6,972,189               | 18,238,601                         | 1,479,665                 | 26,690,455               |
| - GSO Energy Select Opportunities Fund, L.P.                         | 54,568,940              | (200,219)                          | 4,141,825                 | 58,510,546               |
| - GSO Energy Select Opportunities Fund II, L.P. <sup>1</sup>         | -                       | 7,779,614                          | (124,923)                 | 7,654,691                |
| - HBK Fund II, L.P.                                                  | 176,807,576             | -                                  | 6,281,010                 | 183,088,586              |
| - Healthcare Royalty Partners III, L.P.                              | 29,139,834              | 6,575,037                          | 2,436,375                 | 38,151,246               |
| - Highline Capital Partners, L.P.                                    | 224,441,213             | -                                  | (13,570,460)              | 210,870,753              |
| - ICE EM Credit Absolute Return Fund, L.P. <sup>1</sup>              | -                       | 75,099,088                         | 721,667                   | 75,820,755               |
| - IFM Global Infrastructure (US), L.P.                               | 442,353,985             | -                                  | 72,732,192                | 515,086,177              |
| - ILS Property & Casualty Fund II <sup>1</sup>                       | -                       | 48,234,335                         | (3,602,472)               | 44,631,863               |
| - ITE Rail Fund, L.P.                                                | -                       | 166,827,451                        | 3,745,612                 | 170,573,062              |
| - Jackson Timberland Opportunities, LLC                              | 190,095,483             | (7,572,635)                        | 25,600,297                | 208,123,145              |
| - JHL Capital Group Fund, LLC <sup>2</sup>                           | 46,108,417              | (45,883,591)                       | (224,826)                 | -                        |
| - Juniperus Insurance Opportunity Fund Ltd <sup>1</sup>              | -                       | 150,025,355                        | 1,825,445                 | 151,850,800              |
| - King Street Capital Fund, L.P.                                     | 31,092,249              | (16,640,120)                       | 8,748,677                 | 23,200,805               |
| - KV Partners, LLC                                                   | 757,534                 | 36,345                             | (54,990)                  | 738,889                  |
| - Lake Jackson, L.P.                                                 | -                       | 15,345                             | (15,345)                  | -                        |
| - LCM Credit Opportunities Fund III(a), L.P.                         | 81,598,125              | 7,756,315                          | 8,819,497                 | 98,173,938               |
| - Levine Leichtman Capital Partners IV, L.P.                         | 38,332,771              | (18,073,732)                       | (8,920,063)               | 11,338,976               |
| - Levine Leichtman Capital Partners V, L.P.                          | 187,699,353             | (41,583,979)                       | 22,717,844                | 168,833,218              |
| - Levine Leichtman Capital Partners VI, L.P.                         | 38,545,424              | 30,670,824                         | 746,399                   | 69,962,647               |
| - Lexington GP Holdings, L.P.                                        | 143,579,124             | (13,756,937)                       | 30,122,037                | 159,944,224              |
| - Litespeed Partners, L.P. <sup>2</sup>                              | 10,313,958              | (10,314,607)                       | 648                       | -                        |
| - Luxor Capital Partners, L.P.                                       | 111,386,045             | -                                  | 6,532,978                 | 117,919,023              |
| - Marathon European Credit Opp Fund II, L.P.                         | 69,944,554              | (20,860,703)                       | 5,379,617                 | 54,463,468               |
| - Mason Capital Fund, L.P. <sup>3</sup>                              | 930,614                 | (930,789)                          | 175                       | -                        |
| - MCP Private Capital Fund, III                                      | 17,108,414              | 14,540,192                         | 4,776,523                 | 36,425,129               |
| - Mill Road Capital III, L.P. <sup>1</sup>                           | -                       | 58,942                             | (58,942)                  | -                        |
| - MKP Opportunity Partners, L.P.                                     | 158,485,792             | -                                  | 15,012,399                | 173,498,191              |
| - MW Eureka (US)                                                     | 54,946,099              | -                                  | 1,182,530                 | 56,128,629               |
| - Oaktree Opportunities Fund VIII, L.P.                              | 10,565,684              | (5,878,355)                        | 113,961                   | 4,801,290                |
| - Oaktree Opportunities Fund VIIIb, L.P.                             | 26,488,360              | (10,571,709)                       | 1,808,678                 | 17,725,329               |
| - Oaktree Opportunities Fund IX, L.P.                                | 77,394,935              | (10,000,000)                       | 6,055,841                 | 73,450,776               |
| - Oaktree Opportunities Fund Xb, L.P.                                | 5,000,000               | 20,000,000                         | (235,504)                 | 24,764,496               |

|                                                         | Market Value<br>6/30/18  | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>06/30/19 |
|---------------------------------------------------------|--------------------------|------------------------------------|---------------------------|--------------------------|
| - OCM Opportunities Fund VIIb, L.P.                     | 2,970,581                | (2,019,139)                        | 166,420                   | 1,117,862                |
| - Orion Mine Finance Co-Investment Fund II, L.P.        | 2,566,489                | 18,202,658                         | 3,650,519                 | 24,419,666               |
| - Orion Mine Finance Fund I, L.P.                       | 82,781,808               | (2,538,477)                        | (8,833,637)               | 71,409,695               |
| - Orion Mine Finance Fund II, L.P.                      | 51,369,775               | 28,120,264                         | 7,913,418                 | 87,403,457               |
| - OZ Domestic Partners II, L.P.                         | 317,368,763              | (120,005,863)                      | 8,081,255                 | 205,444,155              |
| - P2 Capital Fund, L.P.                                 | 312,008,461              | -                                  | (13,918,562)              | 298,089,899              |
| - Patria Infrastructure Fund IV, L.P. <sup>1</sup>      | -                        | 20,458                             | (20,458)                  | -                        |
| - PCG Special Situation Partners, L.P.                  | 19,644,297               | (17,571,071)                       | 790,951                   | 2,864,177                |
| - Primary Wave Music IP Fund 1, L.P.                    | 12,568,580               | 50,031,205                         | 1,211,092                 | 63,810,877               |
| - Primary Wave Music IP Fund 2, L.P. <sup>1</sup>       | -                        | 46,085                             | (46,085)                  | -                        |
| - Principal RE Debt (SBAF Mortgage Fund), LLC           | 166,951,509              | (80,545,270)                       | 10,579,940                | 96,986,178               |
| - Providence Debt Fund III, L.P.                        | 146,908,940              | (40,606,845)                       | 3,831,211                 | 110,133,306              |
| - Providence Equity Global Group, LLC                   | 142,466,273              | (24,211,324)                       | 47,512,338                | 165,767,287              |
| - Providence TMT Debt Opportunity Fund II, L.P.         | 8,830,652                | (7,691,319)                        | (293,674)                 | 845,659                  |
| - Providence TMT Special Situation Fund, L.P.           | 2,019,281                | (846,467)                          | (192,825)                 | 979,989                  |
| - Rubik Holdings LTD                                    | 50,905,607               | 125,000,000                        | (2,954,149)               | 172,951,458              |
| - SASOF III, L.P.                                       | 34,858,476               | (30,296,115)                       | 11,895,620                | 16,457,980               |
| - SASOF IV, L.P. <sup>4</sup>                           | 36,930,223               | (5,125,739)                        | 7,509,447                 | 39,313,930               |
| - Scopia PX, LLC                                        | 122,207,944              | -                                  | (1,609,480)               | 120,598,464              |
| - Special Situation Partners II, L.P.                   | 40,753,322               | (6,096,620)                        | (1,893,370)               | 32,763,332               |
| - Sprott Private Resource Lending (US), L.P.            | 48,177,807               | (9,377,666)                        | 7,349,593                 | 46,149,733               |
| - Sprott Private Resource Lending II, L.P. <sup>1</sup> | -                        | 5,599,177                          | (309,530)                 | 5,289,647                |
| - Square Mile Partners III, L.P.                        | 3,410,852                | (1,587,039)                        | (1,152,433)               | 671,380                  |
| - Starboard Value and Opportunity Fund, LLC             | 347,933,086              | -                                  | 42,699,359                | 390,632,445              |
| - Taconic Opportunity Fund, L.P.                        | 292,863,025              | -                                  | 20,614,799                | 313,477,824              |
| - TCW Crescent Mezzanine Partners V, L.P.               | 9,930,817                | (4,219,288)                        | (2,132,919)               | 3,578,610                |
| - Three Bridges Europe Fund, L.P.                       | 102,243,545              | -                                  | (4,892,980)               | 97,350,565               |
| - Tintoretto Partners, L.P.                             | 66,617,258               | 124,775,000                        | (2,433,492)               | 188,958,766              |
| - Tricon Housing Partners I US, L.P.                    | 33,004,469               | (2,278,351)                        | (24,548)                  | 30,701,570               |
| - Tricon Housing Partners II US, L.P.                   | 75,864,340               | (34,526,657)                       | (7,081,496)               | 34,256,187               |
| - Trigate Property Partners II, L.P.                    | 30,290,959               | (11,812,890)                       | 3,200,997                 | 21,679,066               |
| - Trigate Property Partners III, L.P.                   | 18,538,427               | 12,016,803                         | 4,388,067                 | 34,943,297               |
| - TSSP Adjacent Opportunities Partners, L.P.            | 131,300,483              | (4,362,004)                        | 11,676,146                | 138,614,625              |
| - Varde Fund X, L.P.                                    | 38,324,467               | (8,526,809)                        | 1,316,252                 | 31,113,910               |
| - Varde Fund XI, L.P.                                   | 215,193,611              | (30,229,564)                       | 16,423,417                | 201,387,464              |
| - Varde Fund XII (c), L.P.                              | 222,253,088              | -                                  | 18,219,207                | 240,472,295              |
| - Vine Media Opportunities Fund III, L.P.               | 85,509,971               | (4,374,373)                        | (20,644,717)              | 60,490,881               |
| - Vine Media Opportunities Fund IV, L.P.                | 7,294,479                | (1,797,260)                        | (1,589,529)               | 3,907,690                |
| - VSS Structured Capital II, L.P.                       | 18,188,579               | (11,652,085)                       | 326,007                   | 6,862,501                |
| - Wayzata Opportunities Fund II, L.P.                   | 2,949,855                | (2,184,390)                        | 18,504                    | 783,969                  |
| - Wayzata Opportunities Fund III, L.P.                  | 36,021,408               | (4,877,616)                        | (2,297,178)               | 28,846,614               |
| <b>Other:</b>                                           |                          |                                    |                           |                          |
| - Strategic Investments Cash                            | 67,434,958               | (34,566,070)                       | 1,350,079                 | 34,218,967               |
| - Strategic Investment Cash Expense                     | -                        | 1,860,247                          | (1,860,247)               | -                        |
| - Strategic Investments Transition                      | 788,061                  | -                                  | 53,797                    | 841,858                  |
| <b>Total Strategic Investments</b>                      | <b>\$ 12,917,535,335</b> | <b>\$ 439,999,846</b>              | <b>\$ 671,832,528</b>     | <b>\$ 14,029,367,709</b> |

<sup>1</sup> Account opened during the fiscal year.

<sup>2</sup> Account assets sold or partnership interest sold during the fiscal year. Remaining balances reflect residual activity.

<sup>3</sup> Account assets sold or partnership interest sold during the prior fiscal year. Balances and activity reflect residual activity.

<sup>4</sup> Account name changed from Apollo Aviation Fund Management, LLC to SASOF IV, L.P.

<sup>5</sup> Account inactive during the fiscal year.

• For certain strategic investments accounts, market values are estimates of value which may or may not represent what would be actually realized in arm's-length sales transactions. In such cases the market values are self-reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings.

• Totals may not foot due to rounding.

# FRS PENSION PLAN – REAL ESTATE

## CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19

|                                                                  | Market Value<br>6/30/18  | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>06/30/19 |
|------------------------------------------------------------------|--------------------------|------------------------------------|---------------------------|--------------------------|
| <b>Joint Ventures:</b>                                           |                          |                                    |                           |                          |
| - Ramco <sup>2</sup>                                             | \$ 430,280               | \$ -                               | \$ (17,681)               | \$ 412,599               |
| <b>Pooled Funds:</b>                                             |                          |                                    |                           |                          |
| - AEW Senior Housing Investors III, L.P.                         | 25,465,314               | 13,858,193                         | 2,080,630                 | 41,404,137               |
| - AEW Value Investors Asia III                                   | 20,167,372               | 54,235,007                         | 756,895                   | 75,159,275               |
| - Beacon Capital Strategic Partners Fund V, L.P. <sup>4</sup>    | 81,875                   | (34,150)                           | (47,725)                  | -                        |
| - BlackRock Diamond Property Fund, Inc. <sup>4</sup>             | 108,385                  | (91,956)                           | (16,429)                  | 0                        |
| - BlackRock Europe Property Fund IV                              | 12,141,829               | (1,986,712)                        | 4,294,151                 | 14,449,268               |
| - BlackRock Europe Fund V <sup>1</sup>                           | -                        | 1,158,711                          | (535,785)                 | 622,926                  |
| - Blackstone Real Estate Partners Asia, L.P.                     | 158,716,278              | (13,688,608)                       | 12,978,529                | 158,006,198              |
| - Blackstone Real Estate Partners Europe V, L.P.                 | 47,714,815               | 20,095,395                         | 2,474,283                 | 70,284,493               |
| - Blackstone Real Estate Partners VI, L.P.                       | 24,611,869               | (8,257,955)                        | 1,719,537                 | 18,073,451               |
| - Blackstone Real Estate Partners VII, L.P.                      | 240,445,552              | (71,745,733)                       | 8,326,245                 | 177,026,065              |
| - Blackstone Real Estate Partners VIII, L.P.                     | 59,060,617               | 16,999,842                         | 7,914,710                 | 83,975,170               |
| - Blackstone Real Estate Partners IX, L.P. <sup>1</sup>          | -                        | 82,166                             | (82,166)                  | -                        |
| - Brookfield-Fairfield US Multifamily Fund I, L.P.               | 696,694                  | -                                  | (42,389)                  | 654,305                  |
| - Brookfield-Fairfield US Multifamily Fund II, L.P.              | 71,288,322               | (62,503,243)                       | 16,825,624                | 25,610,703               |
| - CapMan Nordic Real Estate Fund                                 | 39,643,336               | (2,846,388)                        | 4,564,081                 | 41,361,028               |
| - CapMan Nordic Real Estate II                                   | 9,150,776                | 12,313,715                         | 955,494                   | 22,419,984               |
| - Carlyle Property Investors, L.P.                               | 99,362,732               | (4,496,781)                        | 7,794,133                 | 102,660,085              |
| - Carlyle Realty Partners VI, L.P.                               | 14,956,631               | (3,529,514)                        | (542,990)                 | 10,884,127               |
| - Carlyle Realty Partners VII, L.P.                              | 33,189,605               | (9,340,196)                        | 4,599,235                 | 28,448,644               |
| - Carlyle Realty Partners VIII, L.P.                             | (232,156)                | 8,845,951                          | (585,821)                 | 8,027,974                |
| - CIM Fund VIII, L.P.                                            | 42,309,584               | 6,605,690                          | 4,872,150                 | 53,787,424               |
| - EMI Pooled Fund Expenses Account <sup>3</sup>                  | -                        | -                                  | -                         | -                        |
| - Europa Fund IV, L.P.                                           | 47,408,041               | (11,304,556)                       | 4,139,780                 | 40,243,264               |
| - Heitman-SBAF GP Co-Invest JV <sup>1</sup>                      | -                        | 353,548                            | (353,548)                 | -                        |
| - Heitman Value Partners III, L.P.                               | 32,087,019               | (14,246,290)                       | 4,299,918                 | 22,140,647               |
| - Heitman Value Partners IV, L.P.                                | (545,740)                | 14,011,825                         | 707,110                   | 14,173,195               |
| - Hines Value Added Fund II, L.P.                                | 3,273,966                | (2,536,554)                        | (622,066)                 | 115,346                  |
| - JP Morgan EOP Fund III                                         | 39,719,496               | (12,960,567)                       | 9,736,312                 | 36,495,240               |
| - JP Morgan European Opportunistic Property Fund IV <sup>1</sup> | -                        | 6,289,025                          | (4,450,919)               | 1,838,106                |
| - JP Morgan Special Situation Property Fund                      | 191,735,775              | (6,421,812)                        | 12,960,982                | 198,274,945              |
| - JP Morgan Strategic Property Fund                              | 356,943,867              | (27,058,797)                       | 17,014,664                | 346,899,734              |
| - Landmark Real Estate Fund VIII, L.P.                           | 8,152,991                | 6,556,256                          | 900,251                   | 15,609,498               |
| - Prime Property Fund, LLC                                       | 392,481,631              | (15,665,599)                       | 27,847,194                | 404,663,226              |
| - Principal US Property Fund                                     | 393,750,294              | -                                  | 27,666,493                | 421,416,788              |
| - Prologis USFL, L.P.                                            | 191,986,440              | (6,650,870)                        | 29,421,717                | 214,757,286              |
| - Prudential PRISA                                               | 345,702,756              | (11,265,739)                       | 25,288,079                | 359,725,095              |
| - Prudential PRISA Fund III                                      | 249,821,271              | (23,950,094)                       | 22,996,731                | 248,867,908              |
| - Rockpoint Real Estate Fund III, L.P.                           | 7,995,193                | (3,126,156)                        | 282,009                   | 5,151,046                |
| - Rockpoint Real Estate Fund IV, L.P.                            | 42,233,078               | (10,560,199)                       | 537,458                   | 32,210,337               |
| - Rockpoint Real Estate Fund V, L.P.                             | 58,178,176               | 17,430,346                         | 8,574,408                 | 84,182,930               |
| - RREEF America REIT II Pooled Fund                              | 319,669,017              | (10,234,841)                       | 20,307,132                | 329,741,308              |
| - RREEF Core Plus Industrial Fund <sup>1</sup>                   | -                        | 22,500,000                         | -                         | 22,500,000               |
| - Starwood Distressed Opp. Fund IX Global, L.P.                  | 52,215,010               | (17,814,782)                       | (414,187)                 | 33,986,041               |
| - Starwood Opportunity Fund X Global, L.P.                       | 74,696,405               | (21,485,593)                       | 8,826,048                 | 62,036,860               |
| - Starwood Global Opportunity Fund XI, L.P.                      | 417,360                  | 5,073,582                          | 1,527,709                 | 7,018,650                |
| - Tristan EPIPO 3, L.P.                                          | 48,897,456               | (9,742,558)                        | (1,769,116)               | 37,385,783               |
| - Tristan EPIPO 4, L.P.                                          | 29,621,469               | 11,301,585                         | 3,855,379                 | 44,778,433               |
| - UBS Pooled Fund, L.P.                                          | 196,506,807              | (115,233,156)                      | 622,124                   | 81,895,776               |
| <b>Principal Investments</b>                                     | <b>8,869,892,235</b>     | <b>194,795,666</b>                 | <b>563,535,772</b>        | <b>9,628,223,673</b>     |
| <b>Real Estate Investment Trusts (REITs):</b>                    |                          |                                    |                           |                          |
| - AEW Global REIT                                                | 388,544,247              | -                                  | 36,019,121                | 424,563,368              |
| - CohenSteers Global REIT                                        | 314,043,761              | -                                  | 37,215,491                | 351,259,253              |
| - Invesco Global REIT                                            | 373,694,261              | -                                  | 33,229,140                | 406,923,402              |
| - RREEF Global REIT                                              | 383,698,190              | -                                  | 41,013,301                | 424,711,491              |
| <b>Other:</b>                                                    |                          |                                    |                           |                          |
| - Real Estate Cash Account                                       | 28,774,283               | 2,249,558                          | 651,945                   | 31,675,787               |
| - Real Estate Cash Expense Account                               | -                        | 523,339                            | (523,339)                 | -                        |
| - Real Estate Transition Account <sup>3</sup>                    | -                        | -                                  | -                         | -                        |
| <b>Total Real Estate Investments</b>                             | <b>\$ 14,340,904,468</b> | <b>\$ (83,500,000)</b>             | <b>\$ 1,009,327,804</b>   | <b>\$ 15,266,732,271</b> |

<sup>1</sup> Account opened during the fiscal year.

<sup>2</sup> Strategy terminated or account closed during a prior fiscal year. Balances and activity reflect residual activity.

<sup>3</sup> Account inactive during the fiscal year.

<sup>4</sup> Strategy terminated or account closed during the fiscal year.

• For certain real estate accounts, market values are estimates of value which may or may not represent what would be actually realized in arm's-length sales transactions.

• In such cases the market values are self-reported by the external managers of these accounts and incorporate their estimate of the value of illiquid publicly traded securities and private market holdings.

• Totals may not foot due to rounding.

**FRS PENSION PLAN – MISCELLANEOUS PORTFOLIOS**  
**CHANGE IN MARKET VALUE FOR FISCAL YEAR 2018-19**

|                                                | Market Value<br>6/30/18 | Net Contributions<br>and Transfers | Investment<br>Gain (Loss) | Market Value<br>6/30/19 |
|------------------------------------------------|-------------------------|------------------------------------|---------------------------|-------------------------|
| Cash Expense Account <sup>1</sup>              | \$ -                    | \$ 85,821                          | \$ (85,821)               | \$ -                    |
| Cash Securities Lending Account <sup>2</sup>   | (33,653,338)            | -                                  | 1,385,688                 | (32,267,650)            |
| Central Cash/Short-Term                        | 1,557,297,401           | 831,674                            | 44,233,888                | 1,602,362,963           |
| Centralized Cleared IM Collateral Account      | 126,313,010             | -                                  | 3,001,058                 | 129,314,068             |
| Centralized MSFTA Collateral Account           | 20,284,556              | -                                  | 477,730                   | 20,762,285              |
| Centralized Non-Cleared Cash Collateral        | 27,070,664              | -                                  | 618,747                   | 27,689,410              |
| TF STIPFRS NAV Adjustment Account <sup>3</sup> | (214,795)               | -                                  | 63,980                    | (150,816)               |
| Total Fund Cash Expense Account <sup>1</sup>   | -                       | 35,923,650                         | (35,923,650)              | -                       |
| <b>Total Cash Asset Class</b>                  | <b>\$ 1,697,097,498</b> | <b>\$ 36,841,144</b>               | <b>\$ 13,771,619</b>      | <b>\$ 1,747,710,261</b> |

<sup>1</sup> The Cash Expense Account and the Total Fund Cash Expense Account are both used to pay various expenses (including SBA investment service charges and bank fees) on behalf of the entire FRS Pension Plan. Excluding these expenses, the reported investment gain (loss) would have been \$0 for the Cash Expense Account and \$73 for the Total Fund Cash Expense Account.

<sup>2</sup> The SBA includes the net unrealized gain (loss) on invested cash collateral in the securities lending program in the total market value of the Cash Securities Lending Account. In fiscal year 2019, the net unrealized loss decreased, resulting in an unrealized gain of \$368,830 that is included in the Investment Gain (Loss) column. The other investment gains in fiscal year 2019 consisted of \$220,461 in realized gain from sales of security lending collateral, \$769,054 in settlement income and \$27,343 in interest on investments.

<sup>3</sup> The TF STIPFRS NAV Adjustment Account is used to record the difference between the net market value of the Short-Term Investment Pool (STIPFRS) that SBA utilizes to invest cash balances in the FRS Pension Plan and the total STIPFRS participant balances (carried at amortized cost) in all the individual portfolios that are invested in the pool.

• Totals may not foot due to rounding.



## ACTUARIAL SECTION



## **Florida Retirement System Pension Plan**

### **Overview of GASB 67 and GASB 68**

In 2012, the Governmental Accounting Standards Board (GASB) released GASB Statements No. 67 and 68 for public pension plans and participating employers. GASB Statements No. 67 and 68 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.

GASB 67 applies to financial reporting for public pension plans. 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. 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, 2019. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2019.

### **Depletion Date Projection**

In order to determine if the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, we have prepared a depletion date projection using the following techniques and assumptions:

- Current active members contribute the required employee contribution amounts.
- The employer contributes the actuarially determined contribution amounts based on the 7.20% investment rate of return assumption selected by the 2019 FRS Actuarial Assumption Conference.
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- Members are assumed to receive pay increases, terminate, retire, become disabled, die, and so forth according to the actuarial assumptions used for the July 1, 2019 valuation.
- Terminating and retiring members are replaced in a manner such that the proportions of Pension Plan and Investment Plan payroll modify gradually to 50% and 50% over a thirty-year timeframe that began in 2018 when the default plan changed from the FRS Pension Plan to the FRS Investment Plan.
- All cash flows are assumed to occur on average halfway through the year.
- In the depletion date test's projections, the actual return achieved each year on invested assets is 6.90%.
- The funding policy used to determine actuarially determined contributions does not change.
- The actuarial assumptions do not change.



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December 18, 2019

Members of the Florida Legislature and of the Florida Retirement System

**Re: Actuary's Statement Regarding FRS 2019 Pension Plan Actuarial Valuation**

Dear Florida Legislators and FRS Members:

Milliman has conducted an actuarial valuation as of July 1, 2019 for the Florida Retirement System (FRS) Pension Plan. Current Governmental Accounting Standards Board (GASB) necessitate two distinct sets of actuarial valuation calculations to fulfill two separate requirements:

- System funding calculations as of July 1, 2019, which assess system funded status and determine actuarially calculated contribution rates for the July 1, 2020 – June 30, 2021 plan year. The methods and assumptions for these calculations include a decrease in the investment return assumption from 7.40% to 7.20% and a change in the actuarial cost allocation method from the ultimate entry age normal method to the individual entry age normal method. Other assumptions are based on Milliman's most recent review of the System's experience, which used a July 1, 2013 – June 30, 2018 observation period. Preliminary 2019 valuation results were presented by the actuary to the 2019 FRS Actuarial Assumption Conference held in October 2019. In my professional opinion, I believe the assumptions and methods used in the valuation report for purposes of developing actuarially calculated contribution rates are reasonable per Actuarial Standards of Practice.
- System GASB 67 financial reporting calculations as of June 30, 2019, which satisfy relevant accounting standards for annual financial reporting to interested parties. These calculations use demographic assumptions identical to those used in system funding calculations. The long-term average annual future investment return assumption of 6.90% used in the GASB calculations differs from the 7.20% assumption used in the system funding calculations. A 6.90% nominal investment return assumption can be compared to the combined effect of a median real (in excess of inflation) return of 4.41% in the 2019 capital market outlook model developed by the outside investment consultant to the Florida State Board of Administration and an average inflation assumption of 2.60% as adopted in October 2019 by the FRS Actuarial Assumption Conference. In my opinion, the 6.90% nominal return assumption is reasonable under Actuarial Standards of Practice.

The two sets of calculations were issued as distinct valuation reports under separate cover due to the differing assumptions and purposes, as noted above and as discussed later in this letter.

### System Funding Calculations

On the smoothed Actuarial Value of Assets (AVA) basis used to determine actuarially calculated contribution rates, FRS Pension Plan funded status increased from 83.9% to 84.2%. On a Market Value of Assets (MVA) basis, FRS Pension Plan funded status calculated with the assumptions and methods used in the report for system funding purposes decreased from 86.7% to 85.5% due to actual plan year investment return of approximately +6.0%, which is below the assumed return in the prior year's valuation of 7.40%, along with a decrease in the investment return assumption for funding purposes. The market value funded status decrease from the sources noted above was partially mitigated by a change in the actuarial cost allocation method.

Due to cumulative market value investment performance in excess of the funding valuation's investment return assumption over the past five years, the MVA exceeds the smoothed AVA used for contribution rate calculations by approximately \$2.6 billion as of July 1, 2019. That \$2.6 billion not yet recognized market investment gain will be systematically recognized as a sequence of actuarial investment gains in the Unfunded Actuarial Liability (UAL) via recognition in the AVA over the next several years. If actual market value investment experience during that period fails to meet or exceed the 7.20% assumption used in the valuation for funding purposes, new investment losses will arise. The market investment gain not yet recognized in the AVA as of July 1, 2019 will serve as a buffer, either mitigating or eliminating increases in actuarially calculated employer contribution rates, which are based on the smoothed AVA measure.

The FRS Pension Plan-only actuarially calculated employer contribution rates derived in the funding valuation are combined with FRS Investment Plan contribution rates to create proposed blended statutory employer contribution rates. At a system-wide composite level, the blended employer contribution rate increased by 1.29% of payroll from 10.08% of payroll in the 2019-2020 plan year to 11.37% of payroll in the 2020-2021 plan year. Please note that the blended rate study is issued under separate cover shortly after the publication of the valuation report for funding purposes. Approximately 75% of the 1.29% of payroll increase was related to the lowering of the investment return assumption from 7.40% to 7.20%. Another 20% of the increase was related to the combined effects of the change in the actuarial cost allocation method from the ultimate entry age normal method to the individual entry age normal method and the amortization of the UAL decrease from that method change in a manner intended to mirror the projected payroll for Tier I Pension Plan members. The remaining 5% of the increase related to actual plan experience during the year and updates to demographic assumptions from the actuarial experience study conducted in 2019.

The FRS Pension Plan-only actuarially calculated contribution rates in the valuation are determined in a manner such that they would remain level as a percentage of projected payroll in future years if actual future experience follows the valuation's assumptions until system funded status nears 100%, with the exception of a) rate changes due to the effects of the not yet recognized market investment gains noted above and b) a decrease in the FRS Pension Plan normal cost rate as newly enrolling Tier II Pension Plan members replace currently active Tier I Pension Plan members as they leave FRS-covered employment.

For this valuation, a long-term average annual future investment return assumption of 7.20% was selected by the 2019 FRS Actuarial Assumption Conference. That assumption is 0.20% lower than the assumption used in the previous valuation. In our professional opinion, the 7.20%

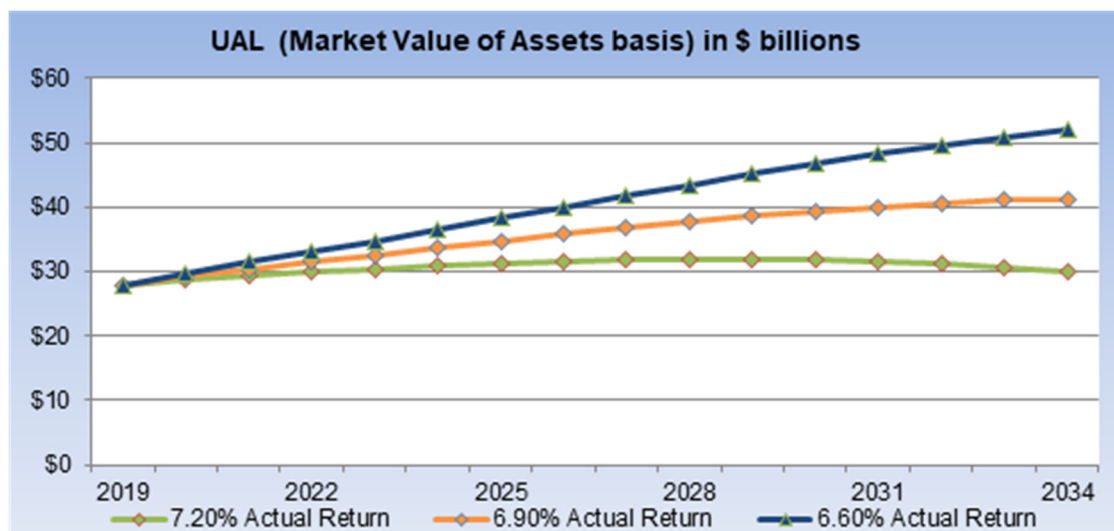
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assumption does **not** significantly conflict with our judgment regarding what would constitute a reasonable assumption for the purpose of the measurement Actuarial Standard of Practice No. 27 (ASOP 27). Our basis for that opinion is that both the 4.41% 50<sup>th</sup> percentile geometric average annual long-term future real return assumption developed by the Florida State Board of Administration's outside investment consultant (Aon Hewitt Investment Consulting) and the 2.60% average annual future inflation assumption selected by the Conference are each individually reasonable. Combined, those two individually reasonable assumption components would produce a geometric average annual nominal return assumption of 7.12%, which in our opinion is reasonable. The Conference's selected 7.20% investment return assumption does not significantly conflict with the reasonable 7.12% assumption level. More details on the return assumption are shown in our 2019 FRS Actuarial Assumption Conference presentation materials.

All else being equal, the lower the selected investment return assumption, the higher the likelihood the FRS Pension Plan will meet or exceed its assumed investment return in future years. A lower assumption would result in higher short-term actuarially calculated contribution rates for employers, but would also serve to lessen the magnitude of actuarially calculated contribution rate increases in the event that actual future investment performance fails to meet or exceed the assumption.

Actual future investment return experience for the FRS Pension Plan is not affected by the assumption used in the actuarial valuation. Applying the 7.20% valuation assumption, the following graph illustrates the UAL on a Market Value of Assets basis under three scenarios for steady actual future investment returns:

- 7.20%, which is the assumption selected for this valuation by the 2019 FRS Actuarial Assumption Conference
- 6.90%, which is the assumption used for GASB 67 calculations as of a June 30, 2019 Measurement Date
- 6.60%, which is effectively equal to the 50<sup>th</sup> percentile assumption of 6.59% in the asset/liability model developed by Aon Hewitt Investment Consulting in consultation with the 2019 FRS Actuarial Assumption Conference



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As illustrated in the graph, if actual future investment returns match the 7.20% assumption the UAL would be approximately the same as the current level by the end of the illustrated 15-year period. Currently, there are market investment gains that are not yet recognized in the smoothed Actuarial Value of Assets as of the valuation date. When that is the case, the pattern shown over the first 15 years in the 7.20% actual return scenario is typical of the method of closed 30-year amortization periods used to calculate contribution rates in the valuation. (The UAL still remaining after 15 years is amortized over the latter 15 years of the 30-year amortization schedule if actual investment performance continues to match the assumption.) If actual returns underperform the 7.20% assumption by 0.30%, the UAL would increase by approximately \$13 billion over the illustrated 15-year projection period. If actual investment returns equal the 50<sup>th</sup> percentile return of 6.6% from the 2019 Aon Hewitt Investment Consulting model, the UAL would increase by 88% over the modeled 15-year period even if actuarially calculated contributions are made and all other experience follows the assumptions used in this valuation.

The individual entry age normal (individual EAN) actuarial cost allocation method was selected by the 2019 FRS Actuarial Assumption Conference. The 2019 actuarial valuation was the first time this method was used for funding purposes. The actuarial cost allocation method divides the present value of total projected benefits for each active member between past service (actuarial liability, or AL) and future service (present value of future normal costs). The actuarial cost allocation method does not impact the calculation of the present value of total projected benefits. The previous valuation used the ultimate entry age normal (ultimate EAN) actuarial cost allocation method. The change in the actuarial cost allocation method increased the normal cost rate and decreased the actuarial liability and UAL rate when compared to the prior method. The individual EAN methodology is mandated by GASB for financial reporting calculations under GASB Statements Nos. 67 & 68, and has been used for GASB reporting in all years those two statements have been in effect.

#### System GASB Financial Reporting Calculations

GASB Statement No. 67 is the governing standard for financial reporting of governmental pension systems. Our GASB 67 calculations differ in two significant ways from the methodology used for system funding calculations. First, GASB 67 mandates use of fair market asset values for the calculation of unfunded liability, which is referred to as the fiduciary net position under GASB 67. Second, the long-term expected rate of investment return assumption used in GASB calculations is 6.90%, compared to the 7.20% return used for system funding calculations. The 6.90% nominal investment return assumption can be compared to the combined effect of a median real (in excess of inflation) return of 4.41% in the 2019 capital market outlook model developed by the outside investment consultant to the Florida State Board of Administration and an average inflation assumption of 2.60% as adopted in October 2019 by the FRS Actuarial Assumption Conference.

As of the date of this valuation, the combined effect of the differences in the asset valuation methodology and the investment return assumption noted above cause the calculated unfunded liability for financial reporting calculations (the net pension liability, or NPL) to be higher than the unfunded liability determined for system funding calculations (the unfunded actuarial liability, or UAL). For FRS Pension Plan GASB 67 financial reporting calculations, the NPL as of June 30, 2019 is \$34.4 billion, whereas the UAL in the system funding calculations is \$30.3 billion as of July 1, 2019.

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### 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 ongoing costs of the system. The economic assumptions were developed from both external economic forecasts and information and forecasts furnished by the Florida 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 are based on Milliman's most recent review of the System's experience, which was for the observation period from July 1, 2013 through June 30, 2018. Additional details on that review of System experience can be located in our October 8, October 23, and October 28, 2019 presentation materials to the 2019 FRS Actuarial Assumption Conference and our formal 2019 Experience Study report, which will be issued in the coming weeks. The actuarial assumptions used in performing the July 1, 2019 system funding valuation were approved by the 2019 FRS Actuarial Assumption Conference.

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

The results of the reports are dependent upon future experience conforming to these assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the reports 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 valuations, we relied without audit upon the financial statements, membership data, and other cost and benefits provision information furnished by the Florida Department of Management Services, Division of Retirement. Although membership data was subjected to standard editing procedures and the other information was reviewed for reasonableness, Milliman does not assume responsibility for either its accuracy or its completeness.

In preparing our reports we relied, without audit, on information (some oral and some written) supplied by the Florida Department of Management Services, 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 valuation results are dependent on the integrity of the data supplied, 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.

The reports have been prepared exclusively for the Florida Department of Management Services, Division of Retirement for specific and limited purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. The valuations are complex, technical analyses that assume a high level of knowledge concerning the Florida Retirement System's operations, and use data provided by the Florida Department of Management Services, Division of Retirement, which Milliman has not audited.

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

The consultants who worked on this assignment are retirement 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.

These actuarial valuations were prepared and completed by me and those under my direct supervision, and I acknowledge responsibility for the results. I hereby certify that the valuation reports are complete and accurate to the best of my knowledge. In my opinion the techniques and assumptions used are reasonable. In my opinion these valuations meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the Florida State Constitution. Section 216.136(10) of Florida Statutes indicates that the 2019 FRS Actuarial Assumption Conference holds the statutory authority to determine the investment return assumption for the system funding valuation, which differs from the long-term expected rate of return assumption used in GASB discount rate calculations. There is no benefit provision or related expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuations.

To the best of my knowledge, there were no known events that were not taken into account in the valuations. On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, the reports are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. 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**

## Certification

Actuarial computations presented in this report under Statement No. 67 of the Governmental Accounting Standards Board are for purposes of assisting the Florida Department of Management Services 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, 2018 to June 30, 2019. The reporting date for determining plan assets and obligations is June 30, 2019. 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, 2018 and June 30, 2019 furnished by the Florida Department of Management Services. 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, 2019 assets for the program as reported to us by the Florida State Board of Administration. Please see Milliman's funding valuation report to be published in December 2019 for more information on the plan's participant group as of July 1, 2019 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 Department of Management Services. 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 Plan; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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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.

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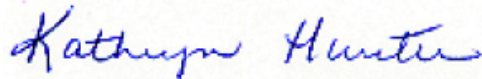
The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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, FSA, EA, MAAA  
Consulting Actuary

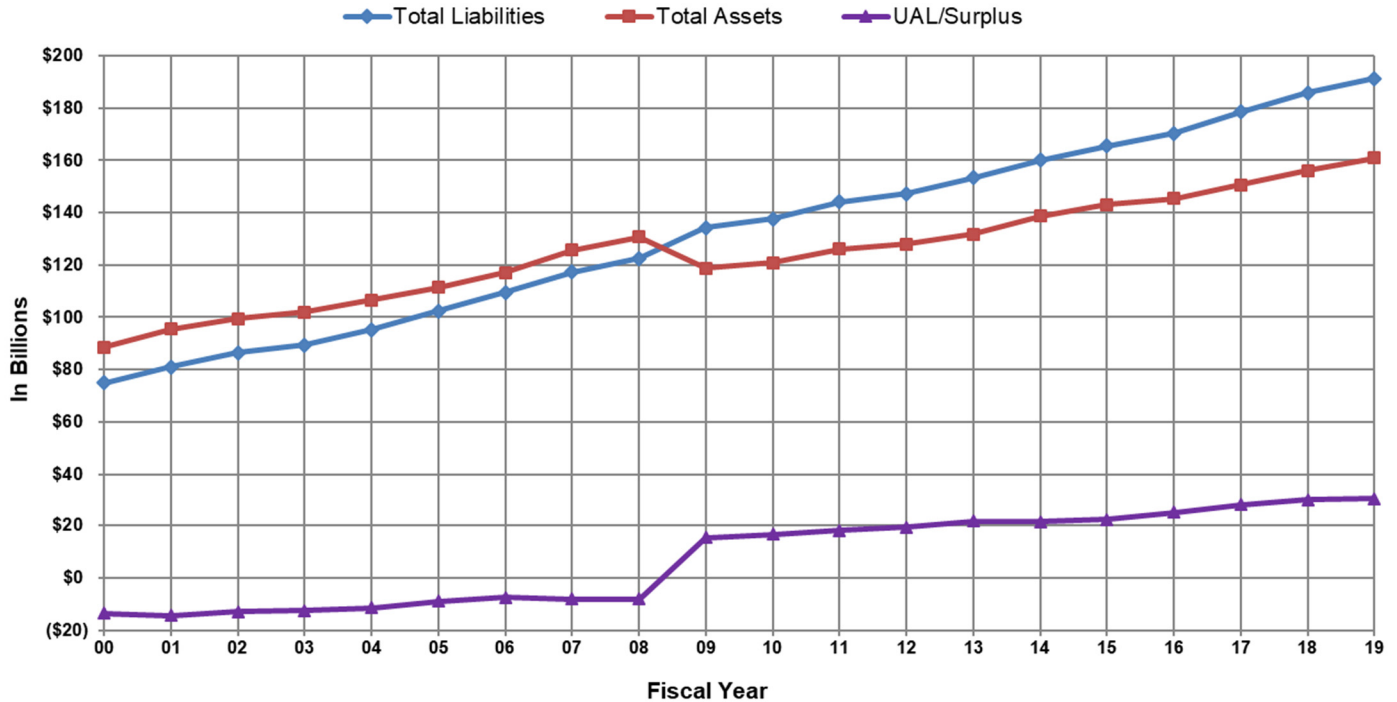


Daniel R. Wade, FSA, EA, MAAA  
Principal and Consulting Actuary

#### Milliman

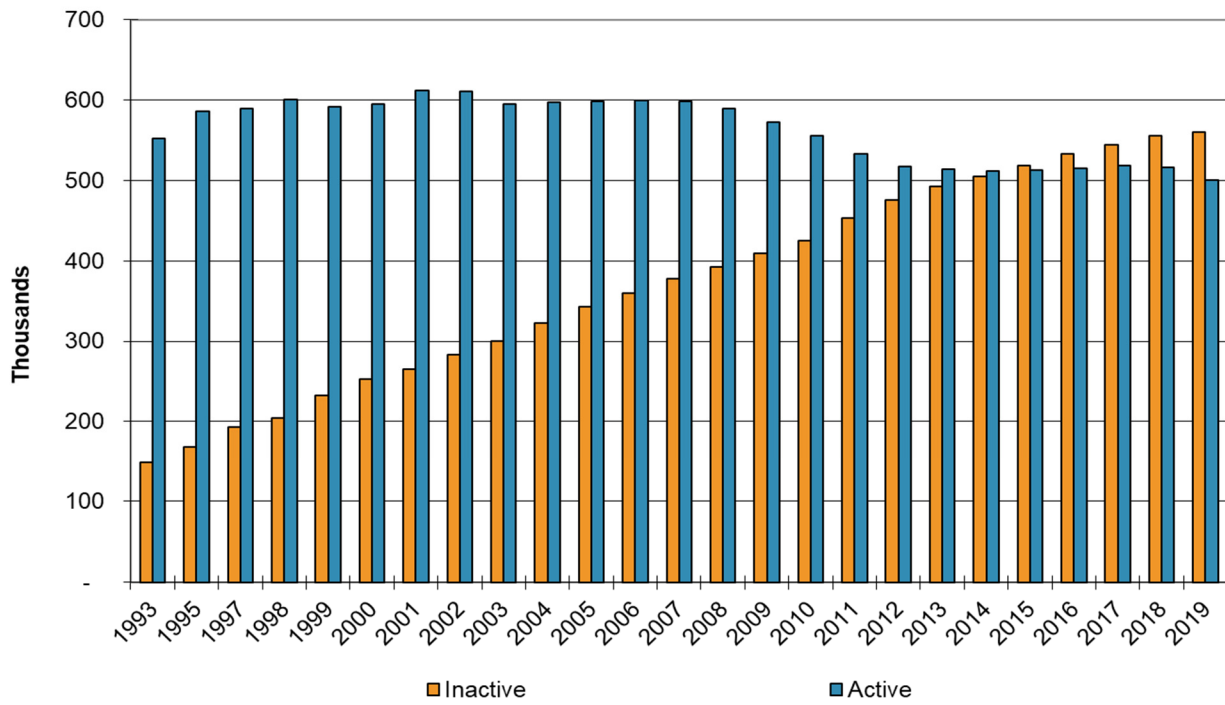
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# HISTORY OF THE FRS PENSION PLAN UNFUNDED ACTUARIAL LIABILITY/SURPLUS WITH TOTAL LIABILITIES AND TOTAL ASSETS FROM 2000 THROUGH 2019



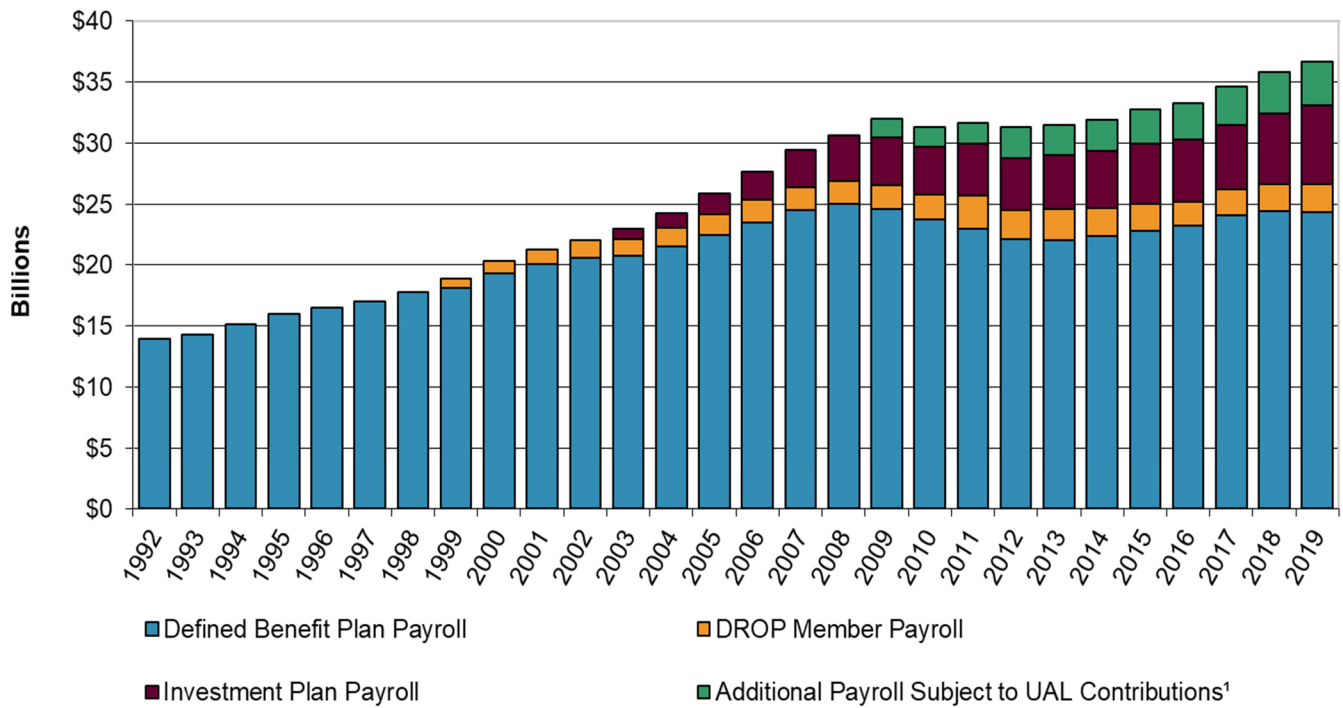
| FISCAL YEAR | TOTAL LIABILITIES (IN BILLIONS) | TOTAL ASSETS (IN BILLIONS) | UAL/(SURPLUS) (IN BILLIONS) |
|-------------|---------------------------------|----------------------------|-----------------------------|
| 2000        | \$74.9                          | \$88.5                     | (\$13.6)                    |
| 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                      |
| 2015        | \$165.5                         | \$143.2                    | \$22.3                      |
| 2016        | \$170.4                         | \$145.5                    | \$24.9                      |
| 2017        | \$178.6                         | \$150.6                    | \$28.0                      |
| 2018        | \$186.0                         | \$156.1                    | \$29.9                      |
| 2019        | \$191.3                         | \$161.0                    | \$30.3                      |

## FRS PENSION PLAN MEMBERSHIP

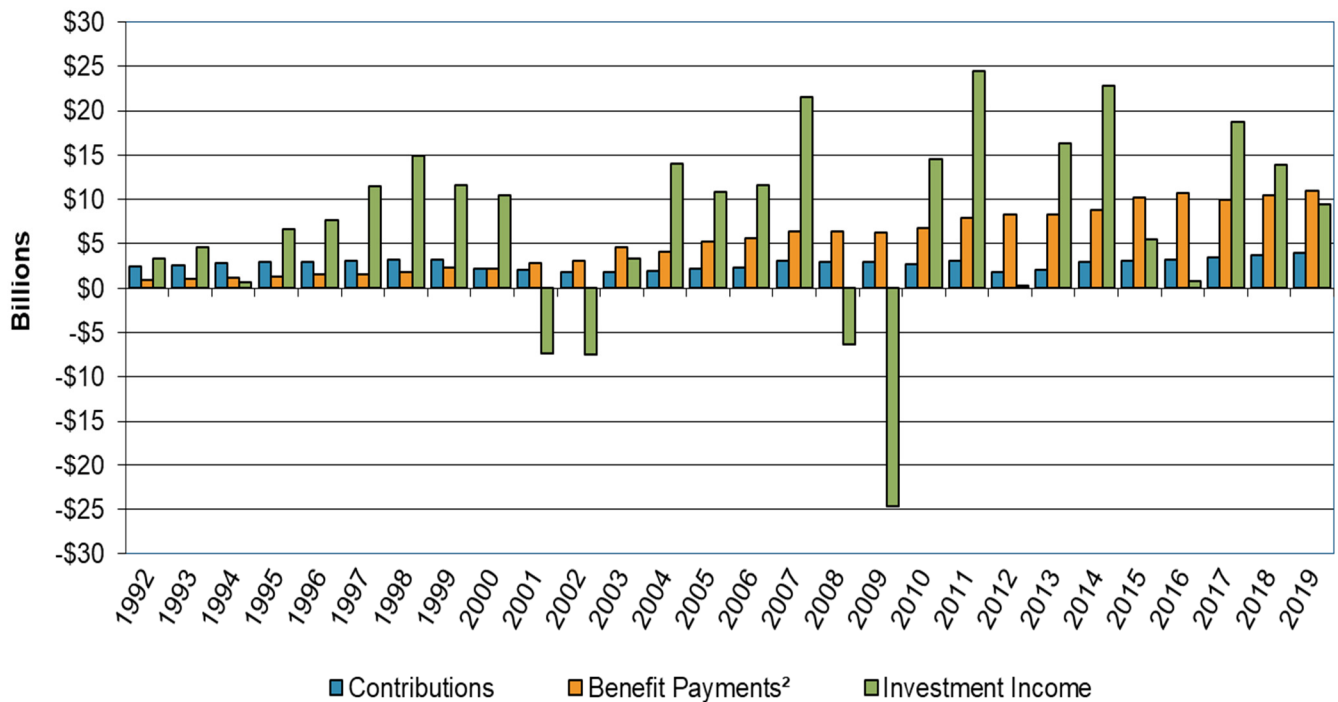


Inactive members include retirees, DROP participants and vested terminated pension plan members. Active members include only pension plan members.

## FRS PENSION PLAN PAYROLL



## FRS PENSION PLAN CASH FLOWS

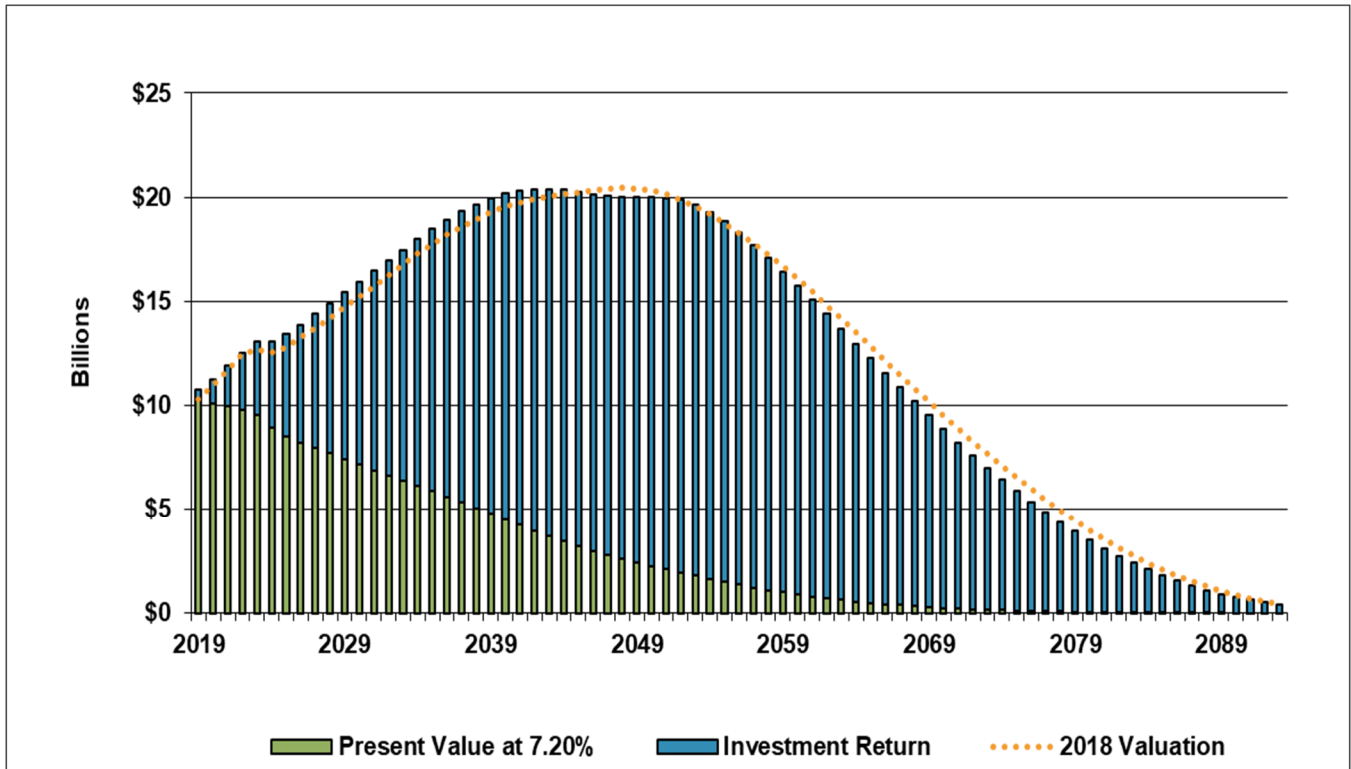


<sup>1</sup> Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL rate contributions to the FRS Pension Plan are made.

<sup>2</sup> Includes transfers to IP; Initial transfers in 2003 were \$353 Million.

## PROJECTED FRS PENSION PLAN BENEFIT PAYMENTS

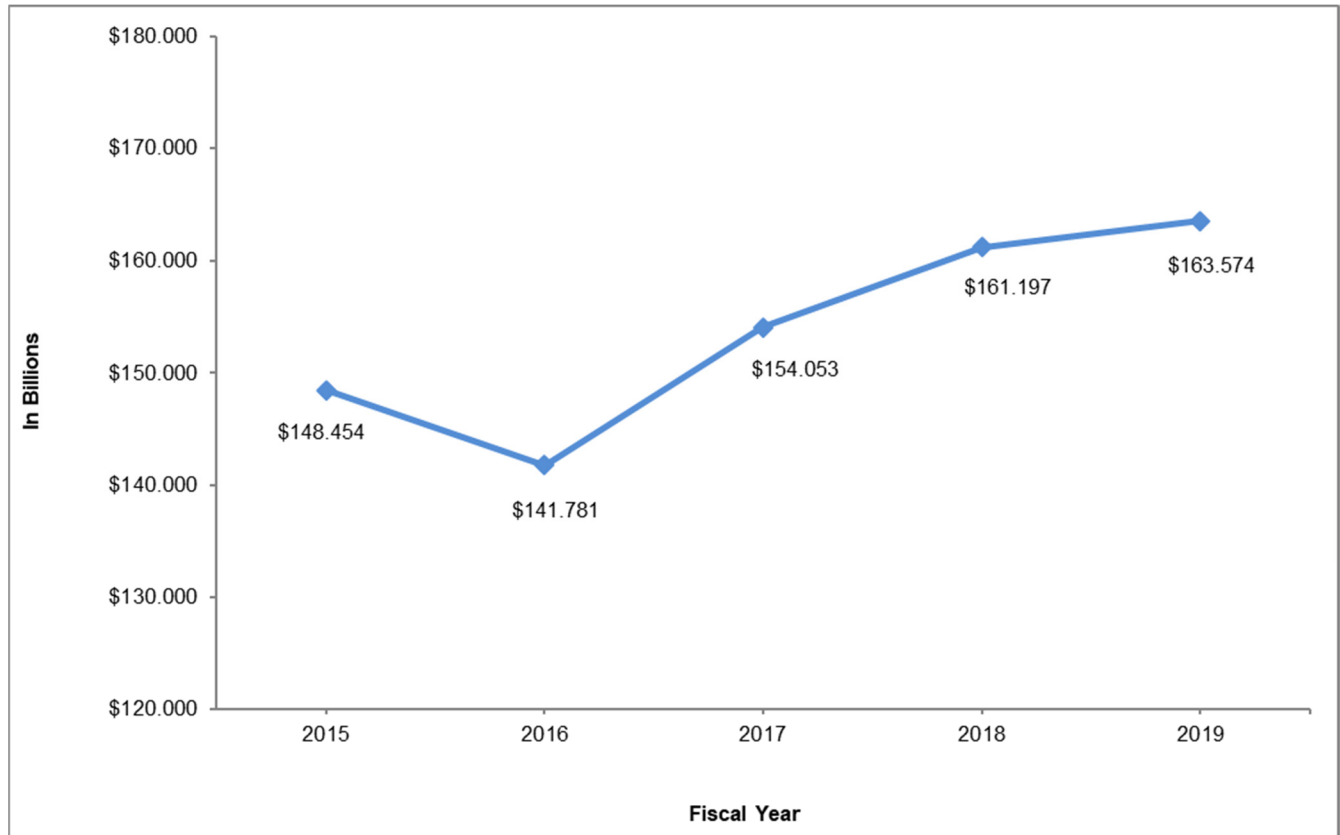
(Dates are as of July 1)



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 7.20% to July 1, 2019 (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

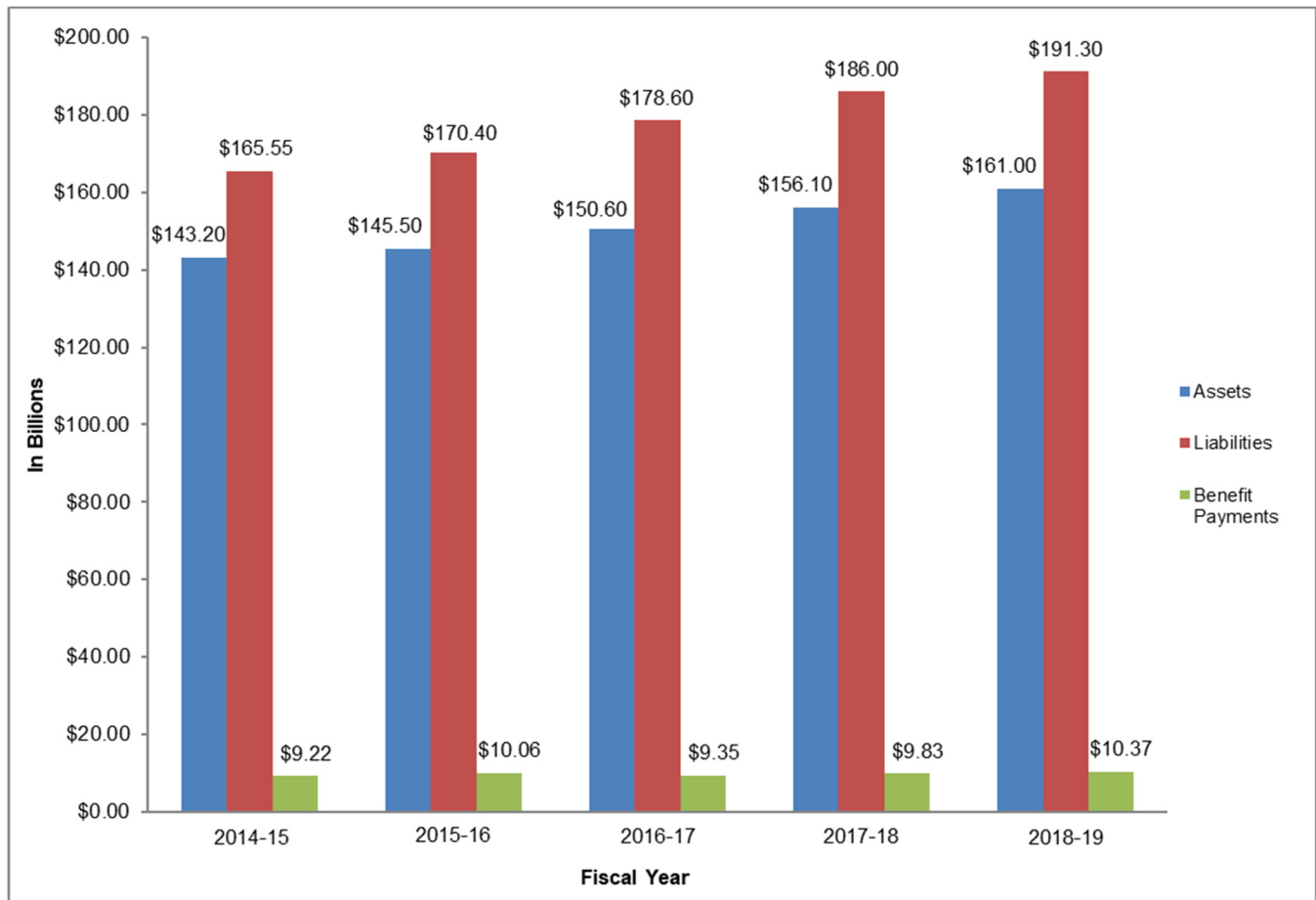
as of June 30

|                                                                             | 2018                      | 2019                      |
|-----------------------------------------------------------------------------|---------------------------|---------------------------|
| Florida Retirement System Trust Fund                                        | \$ 161,196,880,609        | \$ 163,573,726,217        |
| Health Insurance Subsidy Trust Fund                                         | 232,463,369               | 302,044,388               |
| State University System Optional Retirement Program Trust Fund <sup>1</sup> | 5,034,314                 | 6,116,033                 |
| Senior Management Service Optional Annuity Program Trust Fund <sup>1</sup>  | 42,985                    | 36,693                    |
| National Guard                                                              | -                         | -                         |
| Police Officers and Firefighters' Premium Tax Trust Fund                    | 197,558,544               | 205,121,947               |
| <b>Total Fund Balance/Fiduciary Net Position</b>                            | <b>\$ 161,631,979,821</b> | <b>\$ 164,087,045,278</b> |

<sup>1</sup> Fund Balance represents residual funds pending transfer to individual member accounts with program provider companies.

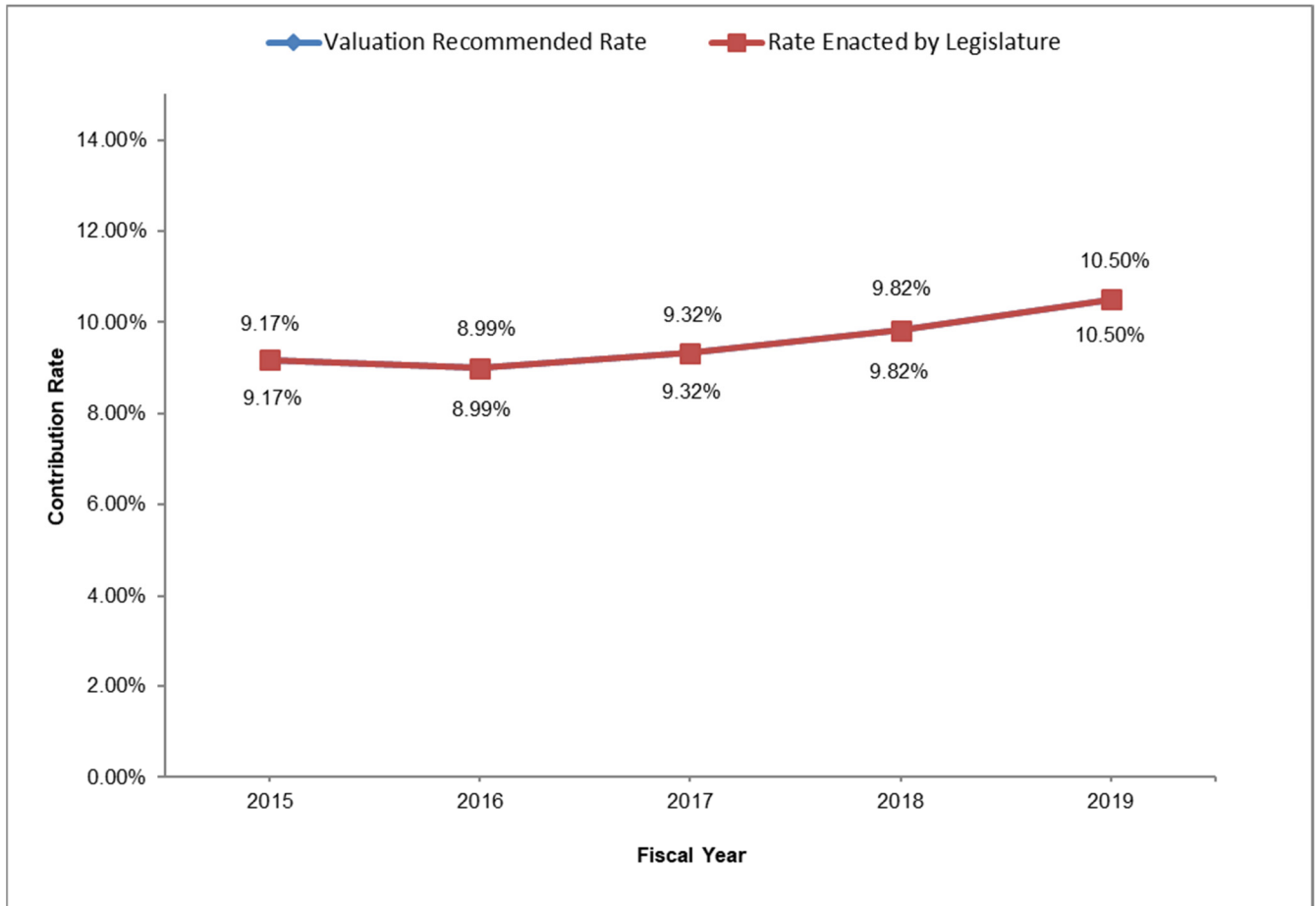
## FRS PENSION PLAN TOTAL ACTUARIAL ASSETS COMPARED TO TOTAL ACTUARIAL LIABILITIES

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

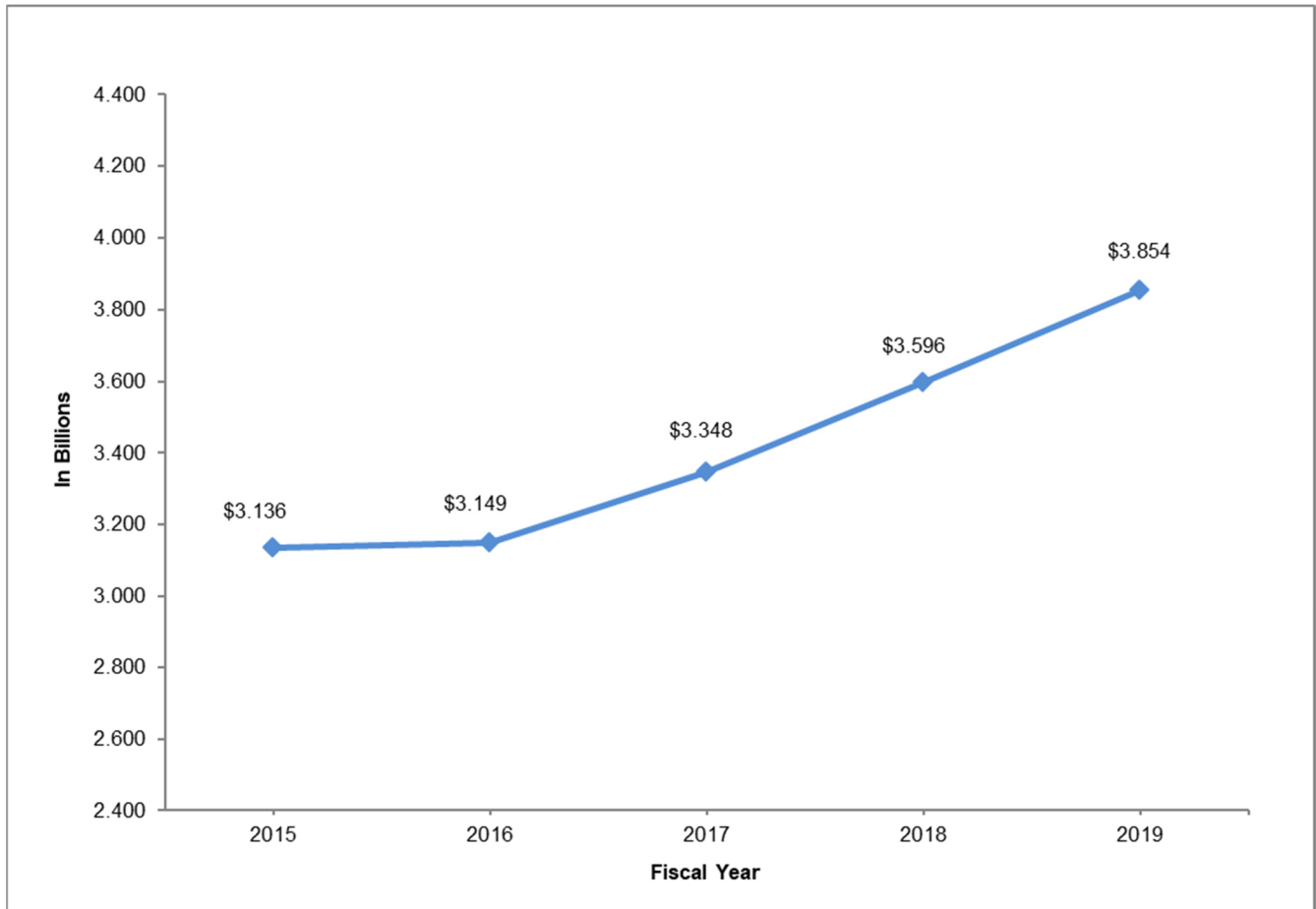
as of June 30



For 2015-2019, the valuation recommended rate and the rate enacted by the Legislature are the same.

## 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 2019 FRS Valuation dated Dec. 3, 2019.

# RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM

## Overview of GASB 67 and GASB 68

In 2012, the Governmental Accounting Standards Board (GASB) released GASB Statements Nos. 67 and 68 for public pension plans and participating employers. GASB Statements Nos. 67 and 68 substantially revised the accounting requirements previously mandated under GASB Statements Nos. 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 financial reporting for public pension plans. 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. 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 are 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

We received demographic census data from the Division of Retirement as of June 30, 2018. The following table summarizes the demographic census data we used in our valuation.

|                                          | Total     |
|------------------------------------------|-----------|
| Active Members <sup>1</sup>              | 642,079   |
| Retirees and Dependents <sup>2</sup>     | 376,031   |
| Terminated Vested Members <sup>1,3</sup> | 137,547   |
| Members in DROP <sup>1</sup>             | 35,033    |
| Total                                    | 1,190,690 |

<sup>1</sup> Used to project future Health Insurance Subsidy benefit recipients.

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

<sup>3</sup> Includes 15,962 terminated vested Investment Plan members eligible for the HIS benefit, initially identified to us for this valuation.

## Benefits

The benefits are described in §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 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 Pension Plan or the FRS Investment Plan subsequent to the actuarial valuation date.

| Projected Annual Benefit Payments |              |             |              |
|-----------------------------------|--------------|-------------|--------------|
| Fiscal Year                       | (\$millions) | Fiscal Year | (\$millions) |
| 2018-2019                         | \$509        | 2038-2039   | \$689        |
| 2019-2020                         | 516          | 2039-2040   | 688          |
| 2020-2021                         | 525          | 2040-2041   | 686          |
| 2021-2022                         | 541          | 2041-2042   | 681          |
| 2022-2023                         | 562          | 2042-2043   | 675          |
| 2023-2024                         | 575          | 2043-2044   | 668          |
| 2024-2025                         | 586          | 2044-2045   | 660          |
| 2025-2026                         | 596          | 2045-2046   | 650          |
| 2026-2027                         | 607          | 2046-2047   | 639          |
| 2027-2028                         | 618          | 2047-2048   | 628          |
| 2028-2029                         | 629          | 2048-2049   | 617          |
| 2029-2030                         | 639          | 2049-2050   | 605          |
| 2030-2031                         | 648          | 2050-2051   | 593          |
| 2031-2032                         | 656          | 2051-2052   | 579          |
| 2032-2033                         | 664          | 2052-2053   | 564          |
| 2033-2034                         | 672          | 2053-2054   | 549          |
| 2034-2035                         | 678          | 2054-2055   | 532          |
| 2035-2036                         | 682          | 2055-2056   | 514          |
| 2036-2037                         | 686          | 2056-2057   | 495          |
| 2037-2038                         | 688          | 2057-2058   | 476          |

All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2018 HIS Valuation dated Nov. 21, 2018.



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December 18, 2019

Members of the Florida Legislature and of the Health Insurance Subsidy (HIS) Program

**Re: Actuary's Statement Regarding HIS Program 2019 Actuarial Valuation**

Dear Florida Legislators and HIS Program Members:

Milliman has conducted an actuarial valuation as of June 30, 2019 for the Florida Health Insurance Subsidy (HIS) program to assess program assets and liabilities as of that date. Full actuarial valuations for the HIS program are conducted every other year. In intervening years actuarial valuation results are estimated based on results of the previous year's valuation, with adjustment to reflect the passage of time and pertinent market conditions that affect valuation calculations. The most recent full actuarial valuation for HIS was as of June 30, 2018. The valuation as of June 30, 2019 was an intervening year roll-forward valuation. Actuarial valuations of the HIS program serve two primary purposes:

- Compliance with standards mandated by the Governmental Accounting Standards Board (GASB) for program and participating employer financial reporting. These calculations are conducted annually in both the full and intervening year roll-forward valuations.
- Estimation of the employer program contribution rate necessary to provide complete funding of projected statutory benefits over the next five years on a pay-as-you-go basis if actual future program experience follows the demographic assumptions used in the valuation. These calculations are conducted every other year in the full actuarial valuation.

For GASB compliance, the relevant GASB standards are Statement No. 67 (for program financial reporting) and Statement No. 68 (for the financial reporting of participating employers). Under GASB 67 the unfunded liability of the program, which is referred to as the Net Pension Liability (NPL), was approximately \$11.2 billion as of June 30, 2019.

The Net Pension Liability increased by approximately \$0.5 billion compared to the prior measurement as of June 30, 2018. (As noted above, the measured liability as of June 30, 2019 was estimated and based on the results of the valuation conducted as of June 30, 2018.) This year-over-year increase was caused primarily by a modest decrease in the discount rate used to calculate the present value of projected future program benefit payments since the prior measurement, rather than by a significant change in the level of projected future benefits. The GASB standards mandate use of a market discount rate that reflects yields as of the measurement date on long-duration tax-exempt general obligation municipal bonds. The bond index used to set the discount rate decreased from 3.87% to 3.50% between measurement dates. All else being equal, the lower the discount rate used in a measurement, the higher the calculated program liability.

The current statutory program contribution rate is 1.66% of employer payroll and the program is effectively funded on a pay-as-you-go basis. The most recently conducted full valuation estimated that if actual future experience matches the valuation's assumptions, including 3.25%

annual growth in employer payroll, the current statutory rate will be sufficient to provide complete pay-as-you-go funding of program benefits over the five year period commencing June 30, 2018. Alternatively, if zero employer payroll growth occurred over that period the full valuation estimated that a 1.8% of payroll employer contribution rate would be necessary for complete pay-as-you-go program funding in the 2023-2024 plan year.

Actuarial assumptions are needed to estimate the future economic and demographic experience of the program. Any deviations between actual and assumed future experience will result in corresponding changes in the ongoing costs of the program. The demographic actuarial assumptions were developed both from recent experience of the FRS Pension Plan and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2018 full valuation were approved by the 2018 FRS Actuarial Assumption Conference. Details on the development of assumptions can be found in our 2018 FRS Actuarial Assumption Conference presentation materials and also in the 2014 FRS Experience Study, which was published in September 2014 and reviewed FRS Pension Plan experience for the five-year observation period ending June 30, 2013.

A single set of assumptions was used in the GASB calculations. We believe the assumptions used in the valuation report are reasonable, and that the assumptions and methods used in performing the GASB calculations meet the parameters set by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The results of the valuation report are dependent upon future experience conforming to the valuation's assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the valuation 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 program 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 actuarial valuation, we relied without audit upon the financial statements, membership data, and other cost and benefit provisions information furnished by the Florida Department of Management Services, Division of Retirement. Although membership data was subjected to standard editing procedures and the other information was reviewed for reasonableness, Milliman 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 Florida Department of Management Services, 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 valuation results are dependent on the integrity of the data supplied, 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.

**Milliman**

The valuation report was 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 program's operations, and uses data provided by the Florida Department of Management Services, Division of Retirement, which Milliman has not audited.

Milliman does not intend to benefit or create a legal duty to any third party recipient of the valuation report. No third party recipient of Milliman's work product should rely upon the valuation 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.

The actuarial valuation report was prepared and completed by me and those under my direct supervision, and I acknowledge responsibility for the results. I hereby certify that the valuation report is complete and accurate to the best of my knowledge. In my opinion the techniques and assumptions used are reasonable. There is no benefit provision or related expense to be provided by the program and/or paid from the program's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation report.

To the best of my knowledge, there were no known events that were not taken into account in the valuation report. On the basis of the foregoing, I hereby certify that, to the best of my knowledge and belief, the valuation report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. 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**

# FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN

## Overview of GASB 67 and GASB 68

In 2012, the Governmental Accounting Standards Board (GASB) released GASB Statements Nos. 67 and 68 for public pension plans and participating employers.

GASB 67 applies to financial reporting for public pension plans. 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 a sponsoring employer. 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

We received demographic census data from the Division of Retirement as of June 30, 2018. The following table summarizes the demographic census data we used in our valuation.

|                                        | Total  |
|----------------------------------------|--------|
| Active Members <sup>1</sup>            | 11,436 |
| Retirees                               | 768    |
| Terminated Vested Members <sup>2</sup> | 309    |
| Total                                  | 12,513 |

<sup>1</sup> Used to project future National Guard Benefit recipients.

<sup>2</sup> Retirees who have met the service requirement for the benefit, but are not yet receiving benefits (most have not met the age requirements to commence receipt.)

## Benefits

The benefits are described in §250.22 of the Florida Statutes. In general, an eligible retiree is entitled to a benefit equal to 50% of the base military salary for the highest rank attained, less any federal retirement benefit derived from military service. Eligibility for the benefit is met when service members have completed at least 30 years of service in the Florida National Guard. Benefits may start as early as age 60<sup>1</sup>.

In 2018, the federal military retirement benefit was changed by the implementation of the Uniform Services Blended Retirement System (BRS). The BRS applies to all new entrants after Jan. 1, 2018 and eligible existing service members who opt-in to the new system. The BRS combines a defined contribution component with a defined benefit annuity component based on a lower multiplier than the legacy federal military retirement benefit. Since the Florida National Guard benefit is offset by the defined benefit component of the federal military retirement benefit, a reduction in the offset will result in an increase to the Florida National Guard benefit, absent statutory changes.

The impact of the change in federal military retirement benefit is not modeled in this valuation due to several factors. It is unknown what portion of the Florida National Guard members valued herein will be affected by the BRS. The only existing service members eligible to opt-in to the BRS are those hired between Jan. 1, 2006, and Jan. 1, 2018. The optional election window closes Dec. 31, 2018, so the information on optional elections will not be available until the next Florida National Guard valuation. Due to the expected decrements prior to retirement and benefit eligibility, active members with less than twelve years of service comprise a small portion of the Total Pension Liability. Members affected by this change will not commence receiving benefits for 18 or more years into the future, which means, absent a statutory change to the Florida National Guard benefit, the impact of this change on projected benefit payments will emerge gradually over time.

The projected year-by-year National Guard benefit payments for the next 40 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 Florida National Guard subsequent to the actuarial valuation date. As noted above, it does not reflect potential changes resulting from the implementation of the BRS.

| Projected Annual Benefit Payments |              |             |              |
|-----------------------------------|--------------|-------------|--------------|
| Fiscal Year                       | (\$millions) | Fiscal Year | (\$millions) |
| 2018-2019                         | \$16.0       | 2038-2039   | \$41.1       |
| 2019-2020                         | 16.4         | 2039-2040   | 42.7         |
| 2020-2021                         | 16.8         | 2040-2041   | 44.2         |
| 2021-2022                         | 17.3         | 2041-2042   | 45.5         |
| 2022-2023                         | 18.2         | 2042-2043   | 47.6         |
| 2023-2024                         | 18.9         | 2043-2044   | 49.6         |
| 2024-2025                         | 19.7         | 2044-2045   | 51.4         |
| 2025-2026                         | 21.2         | 2045-2046   | 53.0         |
| 2026-2027                         | 22.6         | 2046-2047   | 54.6         |
| 2027-2028                         | 24.1         | 2047-2048   | 55.7         |
| 2028-2029                         | 25.9         | 2048-2049   | 56.7         |
| 2029-2030                         | 27.4         | 2049-2050   | 57.8         |
| 2030-2031                         | 29.2         | 2050-2051   | 58.9         |
| 2031-2032                         | 30.8         | 2051-2052   | 59.6         |
| 2032-2033                         | 32.8         | 2052-2053   | 60.2         |
| 2033-2034                         | 34.6         | 2053-2054   | 60.4         |
| 2034-2035                         | 36.0         | 2054-2055   | 60.5         |
| 2035-2036                         | 37.3         | 2055-2056   | 60.4         |
| 2036-2037                         | 38.6         | 2056-2057   | 60.0         |
| 2037-2038                         | 39.8         | 2057-2058   | 59.3         |

<sup>1</sup> The benefit is unreduced at age 62; an Early Retirement Factor applies to benefits paid as early as age 60.



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December 18, 2019

Members of the Florida Legislature and of the Florida National Guard

**Re: Actuary's Statement Regarding Florida National Guard Supplemental Retirement Benefit 2019 Actuarial Valuation**

Dear Florida Legislators and Florida National Guard Members:

Milliman has conducted an actuarial valuation as of June 30, 2019 for the Florida National Guard Supplemental Retirement Benefit program. The first full actuarial valuation for the program was conducted as of June 30, 2014, and full valuations for the program are conducted every other year. In intervening years actuarial valuation results are estimated based on results for the previous year's valuation, with adjustment to reflect pertinent market conditions that affect valuation calculations. The valuation as of June 30, 2019 was an intervening year valuation.

The program is funded on a pay-as-you-go basis, so rather than program funding, the sole purpose of the actuarial valuation is for compliance with standards mandated by the Governmental Accounting Standards Board (GASB) for program financial reporting. For GASB compliance, the relevant GASB standards are Statement No. 67 (for program financial reporting) and Statement No. 68 (for financial reporting by the sponsoring employer). Under GASB 67 the unfunded liability of the program, which is referred to as the Net Pension Liability (NPL), was approximately \$818 million as of June 30, 2019.

The Net Pension Liability increased by approximately \$86 million compared to the prior measurement as of June 30, 2018. (As noted above, the measured liability as of June 30, 2019 was estimated and based on the results of the full valuation conducted as of June 30, 2018.) This year-over-year increase was caused primarily by a decrease in the discount rate used to calculate the present value of projected future program benefit payments from 3.87% to 3.50%. The GASB standards mandate use of a market discount rate that reflects yields as of the measurement date on long-duration tax-exempt general obligation municipal bonds. All else being equal, the lower the discount rate used in a measurement, the higher the calculated program liability.

Actuarial assumptions are needed to estimate the future economic and demographic experience of the program. Any deviations between actual and expected future experience will result in corresponding changes in the ongoing costs of the program. The demographic actuarial assumptions were developed from recent turnover, retirement and promotion experience for National Guard personnel, from mortality experience for FRS Pension Plan members, and from standard actuarial sources.

We believe the assumptions used are reasonable, and that the assumptions and methods used in performing the GASB calculations meet the parameters set by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The results of the valuation report are dependent upon future experience conforming to these assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the valuation report due to many factors, including: program 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 program 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 Florida Department of Management Services, Division of Retirement. Although membership data, some of which was provided to the Division of Retirement by the Florida Department of Military Affairs, was subjected to standard editing procedures and was reviewed for reasonableness, Milliman 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 Florida Department of Management Services, Division of Retirement. This information includes, but is not limited to, statutory provisions, program membership 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 valuation results are dependent on the integrity of the data supplied, 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.

The valuation report was 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 program's operations, and uses data provided by the Florida Department of Management Services, Division of Retirement, which Milliman has not audited.

Milliman does not intend to benefit or create a legal duty to any third party recipient of the valuation report. No third party recipient of Milliman's work product should rely upon the valuation 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.

The actuarial valuation was prepared and completed by me and those under my direct supervision, and I acknowledge responsibility for the results. I hereby certify that the valuation report is complete and accurate to the best of my knowledge. In my opinion the techniques and assumptions used are reasonable. There is no benefit provision or related expense to be

**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.

provided by the program and/or paid from the program's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation.

To the best of my knowledge, there were no known events that were not taken into account in the valuation. 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 which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. 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



## STATISTICAL SECTION



## MEMBERSHIP AND PAYROLL

as of June 30

### TOTAL FRS MEMBERSHIP

|                             | 2018 <sup>1</sup> | 2019 <sup>1</sup> | % Change |
|-----------------------------|-------------------|-------------------|----------|
| Members                     | 643,333           | 647,942           | 0.72     |
| Annual Payroll <sup>2</sup> | \$32,385,514,061  | \$33,188,890,704  | 2.48     |
| Average Annual Salary       | \$46,164          | \$46,870          | 1.53     |

### FRS INVESTMENT PLAN MEMBERSHIP

|                             | 2018 <sup>1</sup> | 2019 <sup>1</sup> | % Change |
|-----------------------------|-------------------|-------------------|----------|
| Members                     | 124,788           | 145,796           | 16.83    |
| Annual Payroll <sup>2</sup> | \$7,780,672,703   | \$8,654,560,643   | 11.23    |
| Average Annual Salary       | \$45,970          | \$44,284          | -3.67    |

### FRS PENSION PLAN MEMBERSHIP

|                             | 2018 <sup>1</sup> | 2019 <sup>1</sup> | % Change |
|-----------------------------|-------------------|-------------------|----------|
| Members                     | 518,545           | 502,146           | -3.16    |
| Annual Payroll <sup>2</sup> | \$24,604,841,358  | \$24,534,330,062  | -0.29    |
| Average Annual Salary       | \$46,211          | \$47,620          | 3.05     |

## 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.

|                               | 2018 <sup>1</sup> | 2019 <sup>1</sup> | % Change |
|-------------------------------|-------------------|-------------------|----------|
| Annuityants                   | 415,800           | 424,895           | 2.19     |
| Benefit Payments (Annualized) | \$9,323,302,285   | \$9,798,243,665   | 5.09     |
| Average Benefits (Annualized) | \$22,423          | \$23,060          | 2.84     |

### DISABILITIES

|                               | 2018 <sup>1</sup> | 2019 <sup>1</sup> | % Change |
|-------------------------------|-------------------|-------------------|----------|
| Disabled Retirees             | 16,032            | 15,783            | -1.55    |
| Benefit Payments (Annualized) | \$253,846,409     | \$256,995,011     | 1.24     |
| Average Benefits (Annualized) | \$15,834          | \$16,283          | 2.84     |

### DROP PARTICIPANTS

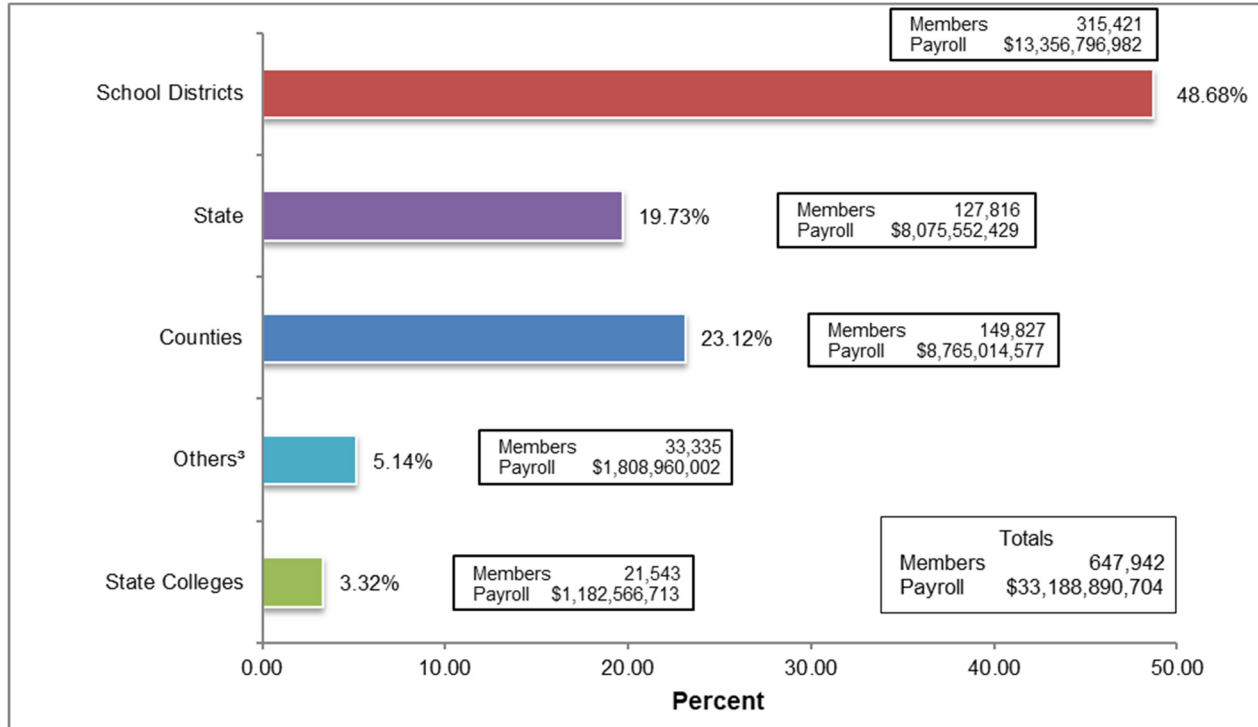
|                        | 2018            | 2019            | % Change |
|------------------------|-----------------|-----------------|----------|
| DROP Participants      | 33,432          | 32,670          | -2.28    |
| Annual Payroll         | \$1,962,818,178 | \$2,006,131,431 | 2.21     |
| DROP Accrued Liability | \$2,232,705,214 | \$2,317,115,624 | 3.78     |

<sup>1</sup> Excludes DROP participants.

<sup>2</sup> Totals include non-member funding payroll. The 2018 totals were overstated in last year's report and have been revised.

# **SOURCE OF FRS MEMBERSHIP<sup>1</sup> AND COVERED PAYROLL<sup>2</sup>** **FOR FISCAL YEAR 2018-19<sup>1</sup>**

% = Percent of Total Active Members



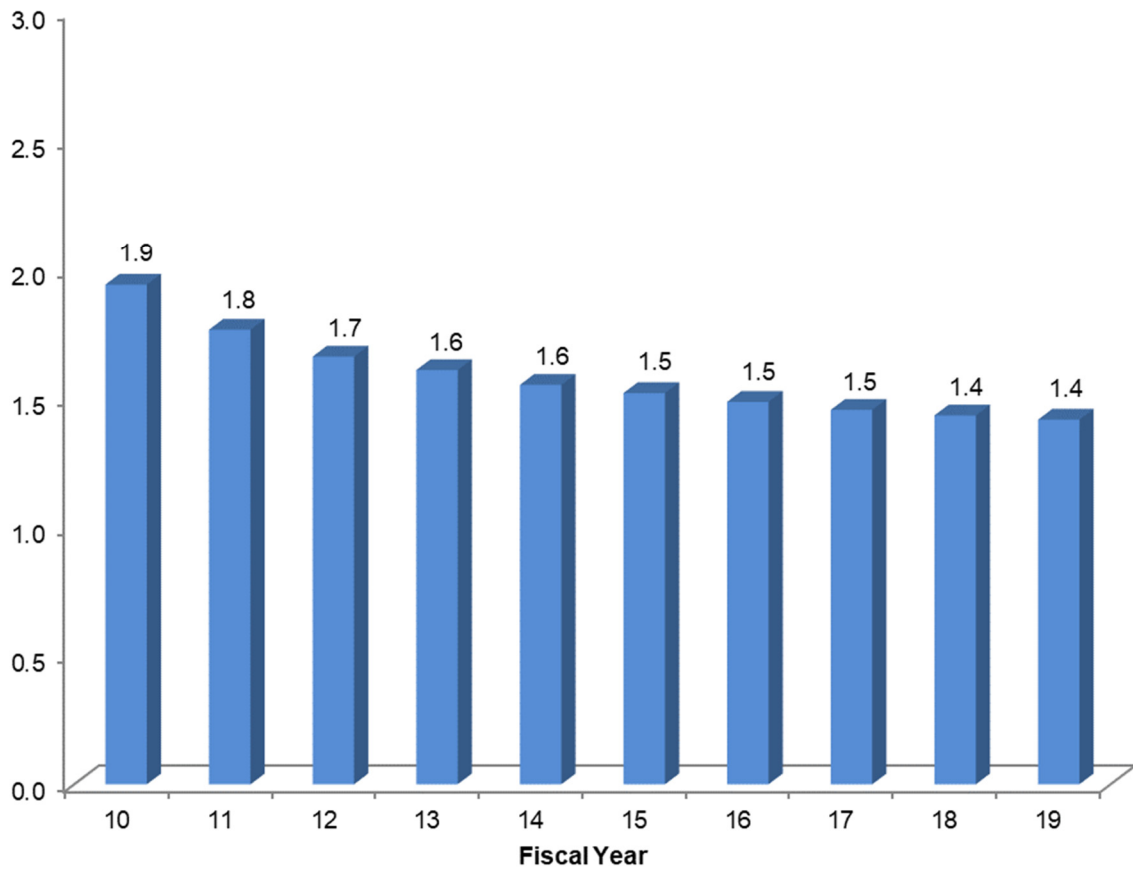
<sup>1</sup> Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

<sup>2</sup> Includes non-member funding payroll.

<sup>3</sup> Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

## RATIO OF FRS ACTIVE MEMBERS TO RETIREES<sup>1</sup>

2010-2019



<sup>1</sup> Includes DROP participants.

## ACTIVE FRS MEMBERS BY SYSTEM/CLASS<sup>1</sup>

as of June 30

| System/Class                      | 2015           | 2016           | 2017           | 2018           | 2019           |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| FRS - Regular Class               | 541,748        | 545,680        | 552,600        | 551,997        | 554,631        |
| - Senior Management Service Class | 7,755          | 7,876          | 7,912          | 7,881          | 7,767          |
| - Special Risk Class              | 70,102         | 70,695         | 71,612         | 72,642         | 74,274         |
| - Special Risk Adm. Sup. Class    | 82             | 76             | 93             | 87             | 100            |
| - Elected Officers' Class         | 2,058          | 2,026          | 2,082          | 2,050          | 2,088          |
| - Renew ed Membership             |                |                |                |                |                |
| - Regular Class                   | 4,513          | 3,709          | 3,116          | 7,349          | 7,629          |
| - Senior Management Service Class | 161            | 143            | 116            | 207            | 214            |
| - Special Risk Class              | 0              | 0              | 0              | 976            | 1,112          |
| - Special Risk Adm. Sup. Class    | 0              | 0              | 0              | 0              | 1              |
| - Elected Officers' Class         | 125            | 115            | 85             | 120            | 112            |
| <b>Subtotal</b>                   | <b>626,544</b> | <b>630,320</b> | <b>637,616</b> | <b>643,309</b> | <b>647,928</b> |
| TRS                               | 15             | 16             | 13             | 10             | 9              |
| IFAS                              | 19             | 14             | 14             | 14             | 5              |
| <b>Subtotal</b>                   | <b>34</b>      | <b>30</b>      | <b>27</b>      | <b>24</b>      | <b>14</b>      |
| <b>Grand Total</b>                | <b>626,578</b> | <b>630,350</b> | <b>637,643</b> | <b>643,333</b> | <b>647,942</b> |

## ANNUAL FRS PAYROLL BY SYSTEM/CLASS<sup>1</sup>

as of June 30

| System/Class                      | 2015                    | 2016                    | 2017 <sup>2</sup>       | 2018 <sup>2,3</sup>     | 2019 <sup>2</sup>       |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| FRS - Regular Class               | \$21,796,619,128        | \$22,286,589,644        | \$28,213,175,622        | \$26,373,088,230        | \$26,909,126,076        |
| - Senior Management Service Class | 635,791,343             | 656,889,624             | 724,042,608             | 737,271,805             | 751,396,287             |
| - Special Risk Class              | 3,905,940,436           | 4,009,149,560           | 4,445,360,974           | 4,644,123,864           | 4,863,620,171           |
| - Special Risk Adm. Sup. Class    | 3,713,180               | 3,422,596               | 4,256,448               | 4,220,102               | 4,637,891               |
| - Elected Officers' Class         | 164,614,742             | 166,561,581             | 195,062,418             | 192,140,256             | 196,819,213             |
| - Renew ed Membership             |                         |                         |                         |                         |                         |
| - Regular Class                   | 196,937,996             | 168,086,043             | 169,355,890             | 353,465,237             | 372,634,716             |
| - Senior Management Service Class | 16,476,384              | 15,100,252              | 15,259,022              | 23,027,893              | 22,952,898              |
| - Special Risk Class              | 0                       | 0                       | 0                       | 47,504,228              | 57,278,419              |
| - Special Risk Adm. Sup. Class    | 0                       | 0                       | 0                       | 0                       | 29,208                  |
| - Elected Officers' Class         | 7,623,323               | 7,046,177               | 6,180,829               | 7,795,841               | 7,950,186               |
| <b>Subtotal</b>                   | <b>26,727,716,532</b>   | <b>27,312,845,477</b>   | <b>33,772,693,811</b>   | <b>32,382,637,456</b>   | <b>33,186,445,065</b>   |
| TRS                               | 1,714,122               | 1,708,917               | 1,549,210               | 1,288,129               | 1,123,473               |
| IFAS                              | 1,899,979               | 1,525,392               | 1,557,012               | 1,588,476               | 1,322,166               |
| <b>Subtotal</b>                   | <b>3,614,101</b>        | <b>3,234,309</b>        | <b>3,106,222</b>        | <b>2,876,605</b>        | <b>2,445,639</b>        |
| <b>Grand Total</b>                | <b>\$26,731,330,633</b> | <b>\$27,316,079,786</b> | <b>\$33,775,800,033</b> | <b>\$32,385,514,061</b> | <b>\$33,188,890,704</b> |
| <b>Average</b>                    | <b>\$43,452</b>         | <b>\$44,142</b>         | <b>\$45,287</b>         | <b>\$46,164</b>         | <b>\$46,870</b>         |

## MEMBERS' REQUIRED CONTRIBUTIONS BY SYSTEM/CLASS<sup>1</sup>

as of June 30

| System/Class                      | 2015                 | 2016                 | 2017 <sup>2</sup>    | 2018 <sup>2,3</sup>  | 2019 <sup>2</sup>    |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| FRS - Regular Class               | \$653,400,529        | \$668,056,712        | \$767,563,396        | \$782,237,354        | \$797,769,738        |
| - Senior Management Service Class | 19,005,924           | 19,655,065           | 21,124,323           | 21,373,486           | 21,709,274           |
| - Special Risk Class              | 117,089,825          | 120,172,399          | 131,524,310          | 138,589,989          | 145,024,158          |
| - Special Risk Adm. Sup. Class    | 111,395              | 102,678              | 127,695              | 126,644              | 139,182              |
| - Elected Officers' Class         | 4,928,694            | 4,989,534            | 5,229,484            | 5,610,995            | 5,737,120            |
| - Renew ed Membership             |                      |                      |                      |                      |                      |
| - Regular Class                   | 5,946,155            | 5,084,232            | 5,019,630            | 10,518,985           | 11,089,573           |
| - Senior Management Service Class | 510,079              | 475,604              | 448,676              | 648,943              | 654,519              |
| - Special Risk Class              | 0                    | 0                    | 0                    | 1,424,825            | 1,718,222            |
| - Special Risk Adm. Sup. Class    | 0                    | 0                    | 0                    | 0                    | 878                  |
| - Elected Officers' Class         | 236,981              | 215,359              | 185,426              | 231,442              | 238,352              |
| <b>Subtotal</b>                   | <b>801,229,582</b>   | <b>818,751,583</b>   | <b>931,222,940</b>   | <b>960,762,663</b>   | <b>984,081,016</b>   |
| TRS                               | 102,848              | 102,536              | 92,286               | 80,508               | 70,216               |
| IFAS                              | 0                    | 0                    | 0                    | 0                    | 0                    |
| <b>Subtotal</b>                   | <b>102,848</b>       | <b>102,536</b>       | <b>92,286</b>        | <b>80,508</b>        | <b>70,216</b>        |
| <b>Grand Total</b>                | <b>\$801,332,430</b> | <b>\$818,854,119</b> | <b>\$931,315,226</b> | <b>\$960,843,171</b> | <b>\$984,151,232</b> |

<sup>1</sup> Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

<sup>2</sup> Totals include non-member funding payroll.

<sup>3</sup> The 2018 totals were overstated in last year's report and have been revised.

## PROFILE OF ACTIVE FRS MEMBERS

as of June 30, 2019

| Years of Service | Total Membership |                |                | State Membership |               |                | Non-State Membership <sup>1</sup> |                |                |
|------------------|------------------|----------------|----------------|------------------|---------------|----------------|-----------------------------------|----------------|----------------|
|                  | Females          | Males          | Total          | Females          | Males         | Total          | Females                           | Males          | Total          |
| Less Than 1 Year | 27,228           | 19,388         | 46,616         | 7,847            | 5,209         | 13,056         | 19,381                            | 14,179         | 33,560         |
| 1 - 5            | 128,482          | 77,557         | 206,039        | 25,795           | 17,955        | 43,750         | 102,687                           | 59,602         | 162,289        |
| 6 - 9            | 54,061           | 31,744         | 85,805         | 10,203           | 7,010         | 17,213         | 43,858                            | 24,734         | 68,592         |
| 10 - 19          | 125,714          | 71,304         | 197,018        | 19,441           | 13,265        | 32,706         | 106,273                           | 58,039         | 164,312        |
| 20 - 29          | 62,545           | 33,143         | 95,688         | 10,396           | 7,096         | 17,492         | 52,149                            | 26,047         | 78,196         |
| 30 or More Years | 10,492           | 6,284          | 16,776         | 2,074            | 1,525         | 3,599          | 8,418                             | 4,759          | 13,177         |
| <b>Total</b>     | <b>408,522</b>   | <b>239,420</b> | <b>647,942</b> | <b>75,756</b>    | <b>52,060</b> | <b>127,816</b> | <b>332,766</b>                    | <b>187,360</b> | <b>520,126</b> |

| Age Range    | Females        | Males          | Total          | Females       | Males         | Total          | Females        | Males          | Total          |
|--------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Less Than 30 | 51,843         | 34,207         | 86,050         | 12,602        | 9,167         | 21,769         | 39,241         | 25,040         | 64,281         |
| 30 - 39      | 89,873         | 54,431         | 144,304        | 18,526        | 12,866        | 31,392         | 71,347         | 41,565         | 112,912        |
| 40 - 49      | 108,880        | 59,642         | 168,522        | 17,881        | 11,821        | 29,702         | 90,999         | 47,821         | 138,820        |
| 50 - 59      | 113,774        | 60,864         | 174,638        | 19,207        | 12,014        | 31,221         | 94,567         | 48,850         | 143,417        |
| 60 - 69      | 39,848         | 25,621         | 65,469         | 6,910         | 5,371         | 12,281         | 32,938         | 20,250         | 53,188         |
| 70 and Over  | 4,304          | 4,655          | 8,959          | 630           | 821           | 1,451          | 3,674          | 3,834          | 7,508          |
| <b>Total</b> | <b>408,522</b> | <b>239,420</b> | <b>647,942</b> | <b>75,756</b> | <b>52,060</b> | <b>127,816</b> | <b>332,766</b> | <b>187,360</b> | <b>520,126</b> |

|                                                              |          |          |          |          |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                                                  | 44.84    | 44.65    | 44.77    | 43.38    | 43.37    | 43.38    | 45.17    | 45.01    | 45.11    |
| Average Years of Service                                     | 11.11    | 10.67    | 10.95    | 10.15    | 10.19    | 10.17    | 11.33    | 10.80    | 11.14    |
| Average Annual Salary                                        | \$42,882 | \$53,673 | \$46,870 | \$43,008 | \$50,221 | \$45,946 | \$42,854 | \$54,632 | \$47,097 |
| Percentage Entitled to a Benefit if Terminated June 30, 2019 | 68.4%    | 64.0%    | 66.8%    | 63.0%    | 61.7%    | 62.5%    | 69.6%    | 64.7%    | 67.8%    |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

## PROFILE OF ACTIVE FRS INVESTMENT PLAN MEMBERS

as of June 30, 2019

| Years of Service | Total Membership |               |                | State Membership |               |               | Non-State Membership <sup>1</sup> |               |                |
|------------------|------------------|---------------|----------------|------------------|---------------|---------------|-----------------------------------|---------------|----------------|
|                  | Females          | Males         | Total          | Females          | Males         | Total         | Females                           | Males         | Total          |
| Less Than 1 Year | 6,221            | 4,027         | 10,248         | 1,894            | 1,114         | 3,008         | 4,327                             | 2,913         | 7,240          |
| 1 - 5            | 43,448           | 22,073        | 65,521         | 8,524            | 5,376         | 13,900        | 34,924                            | 16,697        | 51,621         |
| 6 - 9            | 12,982           | 7,071         | 20,053         | 2,808            | 1,809         | 4,617         | 10,174                            | 5,262         | 15,436         |
| 10 - 19          | 24,058           | 13,831        | 37,889         | 4,462            | 3,232         | 7,694         | 19,596                            | 10,599        | 30,195         |
| 20 - 29          | 5,197            | 3,875         | 9,072          | 1,127            | 1,012         | 2,139         | 4,070                             | 2,863         | 6,933          |
| 30 or More Years | 1,596            | 1,417         | 3,013          | 271              | 311           | 582           | 1,325                             | 1,106         | 2,431          |
| <b>Total</b>     | <b>93,502</b>    | <b>52,294</b> | <b>145,796</b> | <b>19,086</b>    | <b>12,854</b> | <b>31,940</b> | <b>74,416</b>                     | <b>39,440</b> | <b>113,856</b> |

| Age Range    | Females       | Males         | Total          | Females       | Males         | Total         | Females       | Males         | Total          |
|--------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Less Than 30 | 16,102        | 7,681         | 23,783         | 3,857         | 2,137         | 5,994         | 12,245        | 5,544         | 17,789         |
| 30 - 39      | 22,289        | 11,528        | 33,817         | 5,318         | 3,548         | 8,866         | 16,971        | 7,980         | 24,951         |
| 40 - 49      | 22,687        | 11,771        | 34,458         | 4,242         | 2,934         | 7,176         | 18,445        | 8,837         | 27,282         |
| 50 - 59      | 20,360        | 11,686        | 32,046         | 3,561         | 2,508         | 6,069         | 16,799        | 9,178         | 25,977         |
| 60 - 69      | 10,277        | 7,534         | 17,811         | 1,882         | 1,446         | 3,328         | 8,395         | 6,088         | 14,483         |
| 70 and Over  | 1,787         | 2,094         | 3,881          | 226           | 281           | 507           | 1,561         | 1,813         | 3,374          |
| <b>Total</b> | <b>93,502</b> | <b>52,294</b> | <b>145,796</b> | <b>19,086</b> | <b>12,854</b> | <b>31,940</b> | <b>74,416</b> | <b>39,440</b> | <b>113,856</b> |

|                                                              |          |          |          |          |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                                                  | 43.63    | 45.69    | 44.37    | 41.94    | 43.34    | 42.50    | 44.07    | 46.46    | 44.90    |
| Average Years of Service                                     | 7.84     | 8.69     | 8.15     | 7.62     | 8.64     | 8.03     | 7.90     | 8.70     | 8.18     |
| Average Annual Salary                                        | \$40,740 | \$50,620 | \$44,284 | \$43,277 | \$50,451 | \$46,164 | \$40,089 | \$50,675 | \$43,756 |
| Percentage Entitled to a Benefit if Terminated June 30, 2019 | 93.3%    | 92.3%    | 93.0%    | 90.1%    | 91.3%    | 90.6%    | 94.2%    | 92.6%    | 93.6%    |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

## PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS

as of June 30, 2019

| Years of Service | Total Membership |                |                | State Membership |               |               | Non-State Membership <sup>1</sup> |                |                |
|------------------|------------------|----------------|----------------|------------------|---------------|---------------|-----------------------------------|----------------|----------------|
|                  | Females          | Males          | Total          | Females          | Males         | Total         | Females                           | Males          | Total          |
| Less Than 1 Year | 21,007           | 15,361         | 36,368         | 5,953            | 4,095         | 10,048        | 15,054                            | 11,266         | 26,320         |
| 1 - 5            | 85,034           | 55,484         | 140,518        | 17,271           | 12,579        | 29,850        | 67,763                            | 42,905         | 110,668        |
| 6 - 9            | 41,079           | 24,673         | 65,752         | 7,395            | 5,201         | 12,596        | 33,684                            | 19,472         | 53,156         |
| 10 - 19          | 101,656          | 57,473         | 159,129        | 14,979           | 10,033        | 25,012        | 86,677                            | 47,440         | 134,117        |
| 20 - 29          | 57,348           | 29,268         | 86,616         | 9,269            | 6,084         | 15,353        | 48,079                            | 23,184         | 71,263         |
| 30 or More Years | 8,896            | 4,867          | 13,763         | 1,803            | 1,214         | 3,017         | 7,093                             | 3,653          | 10,746         |
| <b>Total</b>     | <b>315,020</b>   | <b>187,126</b> | <b>502,146</b> | <b>56,670</b>    | <b>39,206</b> | <b>95,876</b> | <b>258,350</b>                    | <b>147,920</b> | <b>406,270</b> |

| Age Range    | Females        | Males          | Total          | Females       | Males         | Total         | Females        | Males          | Total          |
|--------------|----------------|----------------|----------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Less Than 30 | 35,741         | 26,526         | 62,267         | 8,745         | 7,030         | 15,775        | 26,996         | 19,496         | 46,492         |
| 30 - 39      | 67,584         | 42,903         | 110,487        | 13,208        | 9,318         | 22,526        | 54,376         | 33,585         | 87,961         |
| 40 - 49      | 86,193         | 47,871         | 134,064        | 13,639        | 8,887         | 22,526        | 72,554         | 38,984         | 111,538        |
| 50 - 59      | 93,414         | 49,178         | 142,592        | 15,646        | 9,506         | 25,152        | 77,768         | 39,672         | 117,440        |
| 60 - 69      | 29,571         | 18,087         | 47,658         | 5,028         | 3,925         | 8,953         | 24,543         | 14,162         | 38,705         |
| 70 and Over  | 2,517          | 2,561          | 5,078          | 404           | 540           | 944           | 2,113          | 2,021          | 4,134          |
| <b>Total</b> | <b>315,020</b> | <b>187,126</b> | <b>502,146</b> | <b>56,670</b> | <b>39,206</b> | <b>95,876</b> | <b>258,350</b> | <b>147,920</b> | <b>406,270</b> |

|                                                              |          |          |          |          |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                                                  | 45.20    | 44.36    | 44.89    | 43.87    | 43.38    | 43.67    | 45.49    | 44.62    | 45.17    |
| Average Years of Service                                     | 12.08    | 11.22    | 11.76    | 11.01    | 10.70    | 10.88    | 12.32    | 11.35    | 11.97    |
| Average Annual Salary                                        | \$43,518 | \$54,526 | \$47,620 | \$42,917 | \$50,146 | \$45,873 | \$43,650 | \$55,687 | \$48,033 |
| Percentage Entitled to a Benefit if Terminated June 30, 2019 | 61.0%    | 56.1%    | 59.2%    | 53.9%    | 52.0%    | 53.1%    | 62.6%    | 57.2%    | 60.6%    |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

# **PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS** **INITIALLY ENROLLED BEFORE JULY 1, 2011**

as of June 30, 2019

| Years of Service | Total Membership |                |                | State Membership |               |               | Non-State Membership* |               |                |
|------------------|------------------|----------------|----------------|------------------|---------------|---------------|-----------------------|---------------|----------------|
|                  | Females          | Males          | Total          | Females          | Males         | Total         | Females               | Males         | Total          |
| Less Than 1 Year | 239              | 186            | 425            | 73               | 41            | 114           | 166                   | 145           | 311            |
| 1 - 5            | 7,873            | 3,711          | 11,584         | 1,627            | 843           | 2,470         | 6,246                 | 2,868         | 9,114          |
| 6 - 9            | 22,525           | 12,796         | 35,321         | 4,379            | 2,997         | 7,376         | 18,146                | 9,799         | 27,945         |
| 10 - 19          | 101,653          | 57,433         | 159,086        | 14,978           | 10,028        | 25,006        | 86,675                | 47,405        | 134,080        |
| 20 - 29          | 57,348           | 29,266         | 86,614         | 9,269            | 6,084         | 15,353        | 48,079                | 23,182        | 71,261         |
| 30 or More Years | 8,896            | 4,867          | 13,763         | 1,803            | 1,214         | 3,017         | 7,093                 | 3,653         | 10,746         |
| <b>Total</b>     | <b>198,534</b>   | <b>108,259</b> | <b>306,793</b> | <b>32,129</b>    | <b>21,207</b> | <b>53,336</b> | <b>166,405</b>        | <b>87,052</b> | <b>253,457</b> |

| Age Range    | Females        | Males          | Total          | Females       | Males         | Total         | Females        | Males         | Total          |
|--------------|----------------|----------------|----------------|---------------|---------------|---------------|----------------|---------------|----------------|
| Less Than 30 | 835            | 732            | 1,567          | 154           | 205           | 359           | 681            | 527           | 1,208          |
| 30 - 39      | 31,181         | 19,083         | 50,264         | 5,143         | 3,632         | 8,775         | 26,038         | 15,451        | 41,489         |
| 40 - 49      | 62,878         | 34,638         | 97,516         | 9,491         | 6,211         | 15,702        | 53,387         | 28,427        | 81,814         |
| 50 - 59      | 76,391         | 37,768         | 114,159        | 12,669        | 7,383         | 20,052        | 63,722         | 30,385        | 94,107         |
| 60 - 69      | 25,126         | 14,068         | 39,194         | 4,292         | 3,283         | 7,575         | 20,834         | 10,785        | 31,619         |
| 70 and Over  | 2,123          | 1,970          | 4,093          | 380           | 493           | 873           | 1,743          | 1,477         | 3,220          |
| <b>Total</b> | <b>198,534</b> | <b>108,259</b> | <b>306,793</b> | <b>32,129</b> | <b>21,207</b> | <b>53,336</b> | <b>166,405</b> | <b>87,052</b> | <b>253,457</b> |

|                                                              |          |          |          |          |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                                                  | 49.59    | 49.29    | 49.49    | 49.82    | 49.88    | 49.84    | 49.55    | 49.15    | 49.41    |
| Average Years of Service                                     | 17.19    | 16.98    | 17.12    | 17.12    | 17.20    | 17.15    | 17.20    | 16.93    | 17.11    |
| Average Annual Salary                                        | \$49,201 | \$63,730 | \$54,328 | \$47,799 | \$57,491 | \$51,653 | \$49,471 | \$65,250 | \$54,891 |
| Percentage Entitled to a Benefit if Terminated June 30, 2019 | 95.9%    | 96.4%    | 96.1%    | 94.7%    | 95.8%    | 95.2%    | 96.1%    | 96.5%    | 96.3%    |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

# **PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS INITIALLY ENROLLED ON OR AFTER JULY 1, 2011**

as of June 30, 2019

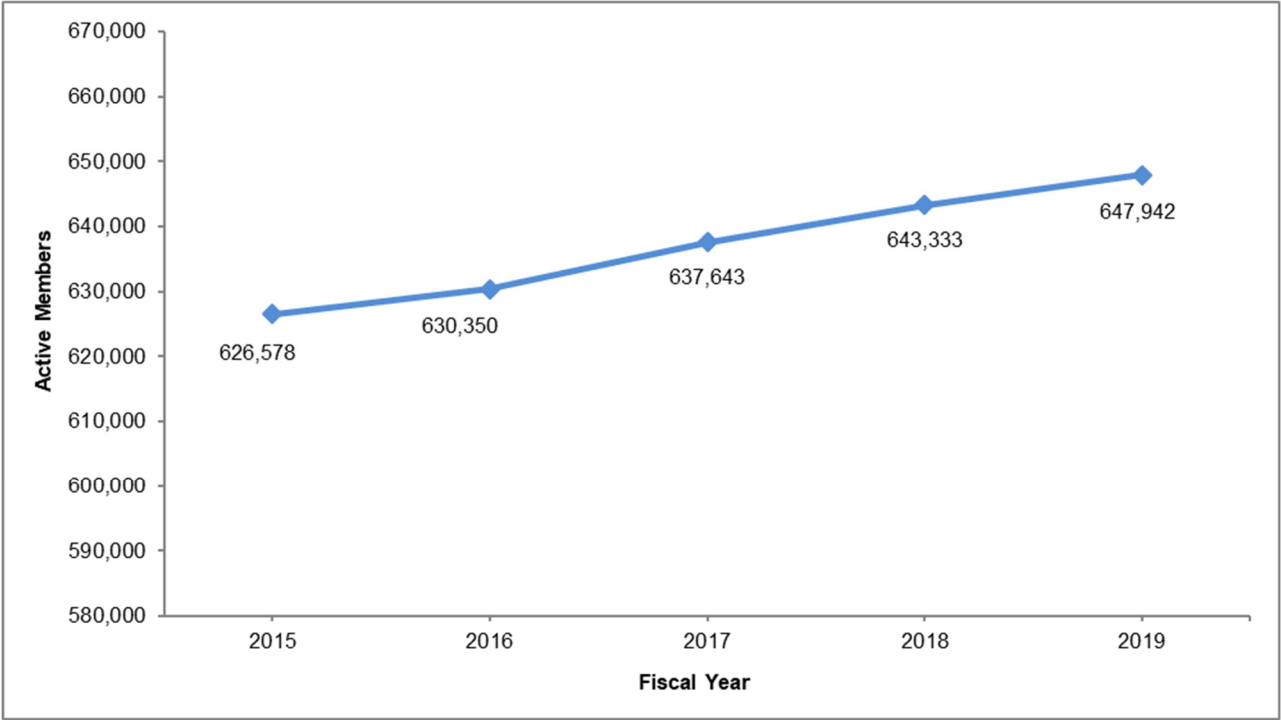
| Years of Service | Total Membership |               |                | State Membership |               |               | Non-State Membership* |               |                |
|------------------|------------------|---------------|----------------|------------------|---------------|---------------|-----------------------|---------------|----------------|
|                  | Females          | Males         | Total          | Females          | Males         | Total         | Females               | Males         | Total          |
| Less Than 1 Year | 20,768           | 15,175        | 35,943         | 5,880            | 4,054         | 9,934         | 14,888                | 11,121        | 26,009         |
| 1 - 3            | 49,963           | 33,645        | 83,608         | 10,788           | 7,833         | 18,621        | 39,175                | 25,812        | 64,987         |
| 4 - 7            | 44,037           | 29,385        | 73,422         | 7,780            | 6,041         | 13,821        | 36,257                | 23,344        | 59,601         |
| 8 - 19           | 1,718            | 660           | 2,378          | 93               | 71            | 164           | 1,625                 | 589           | 2,214          |
| 20 - 32          | 0                | 2             | 2              | 0                | 0             | 0             | 0                     | 2             | 2              |
| 33 or More Years | 0                | 0             | 0              | 0                | 0             | 0             | 0                     | 0             | 0              |
| <b>Total</b>     | <b>116,486</b>   | <b>78,867</b> | <b>195,353</b> | <b>24,541</b>    | <b>17,999</b> | <b>42,540</b> | <b>91,945</b>         | <b>60,868</b> | <b>152,813</b> |

| Age Range    | Females        | Males         | Total          | Females       | Males         | Total         | Females       | Males         | Total          |
|--------------|----------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Less Than 30 | 34,906         | 25,794        | 60,700         | 8,591         | 6,825         | 15,416        | 26,315        | 18,969        | 45,284         |
| 30 - 39      | 36,403         | 23,820        | 60,223         | 8,065         | 5,686         | 13,751        | 28,338        | 18,134        | 46,472         |
| 40 - 49      | 23,315         | 13,233        | 36,548         | 4,148         | 2,676         | 6,824         | 19,167        | 10,557        | 29,724         |
| 50 - 59      | 17,023         | 11,410        | 28,433         | 2,977         | 2,123         | 5,100         | 14,046        | 9,287         | 23,333         |
| 60 - 69      | 4,445          | 4,019         | 8,464          | 736           | 642           | 1,378         | 3,709         | 3,377         | 7,086          |
| 70 and Over  | 394            | 591           | 985            | 24            | 47            | 71            | 370           | 544           | 914            |
| <b>Total</b> | <b>116,486</b> | <b>78,867</b> | <b>195,353</b> | <b>24,541</b> | <b>17,999</b> | <b>42,540</b> | <b>91,945</b> | <b>60,868</b> | <b>152,813</b> |

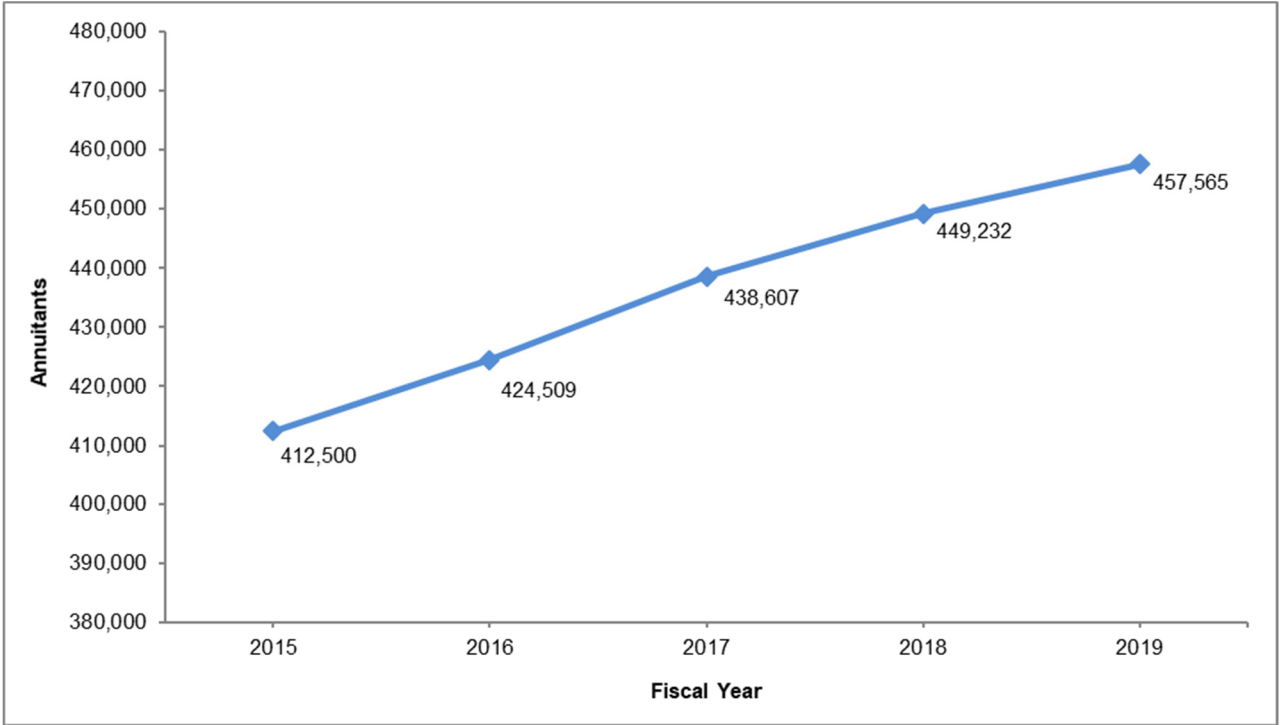
|                                                              |          |          |          |          |          |          |          |          |          |
|--------------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                                                  | 37.72    | 37.59    | 37.66    | 36.09    | 35.72    | 35.93    | 38.15    | 38.14    | 38.15    |
| Average Years of Service                                     | 3.38     | 3.30     | 3.35     | 3.01     | 3.05     | 3.03     | 3.47     | 3.38     | 3.44     |
| Average Annual Salary                                        | \$33,834 | \$41,891 | \$37,087 | \$36,526 | \$41,492 | \$38,627 | \$33,115 | \$42,009 | \$36,658 |
| Percentage Entitled to a Benefit if Terminated June 30, 2019 | 1.5%     | 0.8%     | 1.2%     | 0.4%     | 0.4%     | 0.4%     | 1.8%     | 1.0%     | 1.5%     |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

### ACTIVE FRS MEMBERS 2015-2019<sup>1</sup>



### GROWTH OF FRS ANNUITANTS – ALL SYSTEMS 2015-2019<sup>2</sup>



<sup>1</sup> Includes both FRS Pension Plan and Investment Plan members and excludes DROP participants.

<sup>2</sup> Includes DROP participants.

## FRS PENSION PLAN REFUND PAYMENTS BY TYPE

as of June 30

| Type of Refund          | 2015         | 2016         | 2017         | 2018         | 2019         |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| Separated Members       | 3,249        | 3,609        | 4,810        | 5,674        | 5,305        |
| Surviving Beneficiaries | 256          | 198          | 201          | 275          | 306          |
| Other                   | 79           | 87           | 128          | 64           | 38           |
| <b>Total</b>            | <b>3,584</b> | <b>3,894</b> | <b>5,139</b> | <b>6,013</b> | <b>5,649</b> |

## FRS PENSION PLAN TOTAL REFUND PAYMENTS BY TYPE

as of June 30

| Type of Refund          | 2015               | 2016               | 2017                | 2018                | 2019                |
|-------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| Separated Members       | \$6,488,033        | \$8,129,165        | \$13,607,174        | \$17,948,761        | \$16,840,353        |
| Surviving Beneficiaries | 1,870,433          | 493,023            | 894,693             | 1,092,468           | 1,273,703           |
| Other                   | 212,534            | 213,271            | 360,974             | 257,842             | 142,292             |
| <b>Total</b>            | <b>\$8,571,000</b> | <b>\$8,835,459</b> | <b>\$14,862,841</b> | <b>\$19,299,071</b> | <b>\$18,256,348</b> |

## ACTIVE FRS PENSION PLAN DROP PARTICIPANTS BY SYSTEM/CLASS

as of June 30, 2019

| System/Class                    | Count         | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|---------------------------------|---------------|-----------------|-----------------|--------------------------------|--------------------------------|
| FRS - Regular                   | 28,359        | 25.96           | \$56,060        | \$23,345                       | \$26,022                       |
| FRS - Senior Management Service | 624           | 28.31           | 109,433         | 51,990                         | 57,959                         |
| FRS - Special Risk              | 3,429         | 25.04           | 88,242          | 61,546                         | 68,337                         |
| FRS - Special Risk Adm. Sup.    | 4             | 23.85           | 54,522          | 31,092                         | 34,208                         |
| FRS - Elected Officers          | 254           | 26.57           | 126,689         | 80,841                         | 90,373                         |
| <b>Total/Average</b>            | <b>32,670</b> | <b>25.92</b>    | <b>\$61,006</b> | <b>\$28,349</b>                | <b>\$31,575</b>                |

## PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2019

| 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              | 8             | 7.06            | 9,397           | 908                            | 960                            |
| \$100 - \$149            | 27            | 7.84            | 13,420          | 1,492                          | 1,567                          |
| \$150 - \$199            | 78            | 9.06            | 15,306          | 1,978                          | 2,090                          |
| \$200 - \$249            | 102           | 10.24           | 18,411          | 2,608                          | 2,768                          |
| \$250 - \$299            | 156           | 10.85           | 21,171          | 3,117                          | 3,319                          |
| \$300 - \$349            | 183           | 11.78           | 22,010          | 3,638                          | 3,890                          |
| \$350 - \$399            | 224           | 12.29           | 24,412          | 4,195                          | 4,486                          |
| \$400 - \$449            | 238           | 13.50           | 25,164          | 4,759                          | 5,132                          |
| \$450 - \$499            | 252           | 13.96           | 27,334          | 5,295                          | 5,704                          |
| \$500 - \$999            | 3,630         | 17.78           | 33,497          | 8,426                          | 9,205                          |
| \$1,000 - \$1,999        | 9,446         | 24.69           | 44,751          | 16,226                         | 17,982                         |
| \$2,000 - \$2,999        | 7,922         | 28.68           | 60,486          | 26,767                         | 29,849                         |
| \$3,000 - \$3,999        | 5,234         | 30.23           | 75,573          | 36,833                         | 41,228                         |
| \$4,000 - \$4,999        | 2,180         | 30.02           | 89,833          | 47,490                         | 53,093                         |
| \$5,000 or More          | 2,990         | 27.65           | 116,728         | 76,563                         | 85,253                         |
| <b>Total/Average</b>     | <b>32,670</b> | <b>25.92</b>    | <b>\$61,006</b> | <b>\$28,349</b>                | <b>\$31,575</b>                |

### By Option Selection<sup>1</sup>

|                                   |               |              |                 |                 |                 |
|-----------------------------------|---------------|--------------|-----------------|-----------------|-----------------|
| Lifetime Benefit (1)              | 17,277        | 25.71        | \$58,871        | \$28,040        | \$31,251        |
| Benefit with a Guarantee (2)      | 4,696         | 25.78        | 57,034          | 26,769          | 29,778          |
| Member with a Joint Annuitant (3) | 9,944         | 26.29        | 65,322          | 28,822          | 32,080          |
| Reduced Benefit on 1st Death (4)  | 753           | 26.56        | 77,774          | 39,063          | 43,534          |
| <b>Total/Average</b>              | <b>32,670</b> | <b>25.92</b> | <b>\$61,006</b> | <b>\$28,349</b> | <b>\$31,575</b> |

### By Employer Group

|                      |               |              |                 |                 |                 |
|----------------------|---------------|--------------|-----------------|-----------------|-----------------|
| State                | 5,604         | 26.66        | \$53,812        | \$25,616        | \$28,506        |
| State Universities   | 1,210         | 25.84        | 57,631          | 24,175          | 26,898          |
| Counties             | 7,936         | 25.47        | 74,963          | 40,009          | 44,435          |
| School Boards        | 15,611        | 25.94        | 55,465          | 23,449          | 26,206          |
| State Colleges       | 899           | 24.39        | 63,907          | 25,059          | 27,828          |
| Others <sup>2</sup>  | 1,410         | 26.25        | 73,439          | 33,518          | 37,242          |
| <b>Total/Average</b> | <b>32,670</b> | <b>25.92</b> | <b>\$61,006</b> | <b>\$28,349</b> | <b>\$31,575</b> |

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

<sup>2</sup> Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

# PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2019

| Years of Service | Total Membership |               |               | State Membership |              |              | Non-State Membership <sup>1</sup> |              |               |
|------------------|------------------|---------------|---------------|------------------|--------------|--------------|-----------------------------------|--------------|---------------|
|                  | Females          | Males         | Total         | Females          | Males        | Total        | Females                           | Males        | Total         |
| 6 - 9            | 356              | 223           | 579           | 86               | 36           | 122          | 270                               | 187          | 457           |
| 10 - 14          | 1,477            | 778           | 2,255         | 266              | 133          | 399          | 1,211                             | 645          | 1,856         |
| 15 - 19          | 2,558            | 1,264         | 3,822         | 422              | 223          | 645          | 2,136                             | 1,041        | 3,177         |
| 20 - 24          | 2,849            | 1,508         | 4,357         | 532              | 338          | 870          | 2,317                             | 1,170        | 3,487         |
| 25 - 29          | 3,422            | 3,120         | 6,542         | 630              | 588          | 1,218        | 2,792                             | 2,532        | 5,324         |
| 30 - 34          | 9,545            | 4,625         | 14,170        | 2,278            | 1,128        | 3,406        | 7,267                             | 3,497        | 10,764        |
| 35 or More Years | 654              | 291           | 945           | 122              | 32           | 154          | 532                               | 259          | 791           |
| <b>Total</b>     | <b>20,861</b>    | <b>11,809</b> | <b>32,670</b> | <b>4,336</b>     | <b>2,478</b> | <b>6,814</b> | <b>16,525</b>                     | <b>9,331</b> | <b>25,856</b> |

| Age Range    | Females       | Males         | Total         | Females      | Males        | Total        | Females       | Males        | Total         |
|--------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|--------------|---------------|
| Less Than 50 | 83            | 358           | 441           | 24           | 56           | 80           | 59            | 302          | 361           |
| 50 - 54      | 1,086         | 1,428         | 2,514         | 289          | 216          | 505          | 797           | 1,212        | 2,009         |
| 55 - 59      | 5,058         | 3,281         | 8,339         | 1,316        | 694          | 2,010        | 3,742         | 2,587        | 6,329         |
| 60 - 64      | 10,460        | 4,871         | 15,331        | 2,037        | 1,094        | 3,131        | 8,423         | 3,777        | 12,200        |
| 65 - 69      | 4,068         | 1,812         | 5,880         | 669          | 409          | 1,078        | 3,399         | 1,403        | 4,802         |
| 70 - 74      | 98            | 53            | 151           | 1            | 9            | 10           | 97            | 44           | 141           |
| 75 - 79      | 6             | 6             | 12            | 0            | 0            | 0            | 6             | 6            | 12            |
| 80 and Over  | 2             | 0             | 2             | 0            | 0            | 0            | 2             | 0            | 2             |
| <b>Total</b> | <b>20,861</b> | <b>11,809</b> | <b>32,670</b> | <b>4,336</b> | <b>2,478</b> | <b>6,814</b> | <b>16,525</b> | <b>9,331</b> | <b>25,856</b> |

|                                |          |          |          |          |          |          |          |          |          |
|--------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Average Age                    | 61.36    | 59.87    | 60.82    | 60.62    | 60.34    | 60.52    | 61.56    | 59.74    | 60.90    |
| Average Years of Service       | 26.02    | 25.73    | 25.92    | 26.61    | 26.34    | 26.51    | 25.87    | 25.57    | 25.76    |
| Average AFC                    | \$55,076 | \$71,481 | \$61,006 | \$49,516 | \$63,195 | \$54,490 | \$56,535 | \$73,682 | \$62,723 |
| Average Annual Initial Benefit | \$24,264 | \$35,566 | \$28,349 | \$22,415 | \$30,514 | \$25,360 | \$24,749 | \$36,907 | \$29,137 |
| Average Annual Current Benefit | \$27,052 | \$39,565 | \$31,575 | \$24,943 | \$33,955 | \$28,220 | \$27,606 | \$41,054 | \$32,459 |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

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

as of June 30, 2019

| <b>System/Class</b>                   | <b>Females</b>         | <b>Total Membership</b> |                        |
|---------------------------------------|------------------------|-------------------------|------------------------|
|                                       |                        | <b>Males</b>            | <b>Total</b>           |
| FRS - Regular Class                   | \$1,094,025,822        | \$541,797,337           | \$1,635,823,159        |
| FRS - Senior Management Service Class | 38,991,834             | 43,012,297              | 82,004,131             |
| FRS - Special Risk Class              | 92,768,501             | 429,166,855             | 521,935,356            |
| FRS - Special Risk Adm. Sup. Class    | 75,509                 | 160,141                 | 235,650                |
| FRS - Elected Officers' Class         | 28,777,809             | 48,339,520              | 77,117,329             |
| <b>Total</b>                          | <b>\$1,254,639,475</b> | <b>\$1,062,476,150</b>  | <b>\$2,317,115,625</b> |

| <b>System/Class</b>                   | <b>Females</b>       | <b>State Membership</b> |                      |
|---------------------------------------|----------------------|-------------------------|----------------------|
|                                       |                      | <b>Males</b>            | <b>Total</b>         |
| FRS - Regular Class                   | \$189,044,372        | \$104,661,285           | \$293,705,657        |
| FRS - Senior Management Service Class | 13,884,875           | 18,884,798              | 32,769,673           |
| FRS - Special Risk Class              | 20,651,593           | 44,972,873              | 65,624,466           |
| FRS - Special Risk Adm. Sup. Class    | 75,509               | 114,944                 | 190,453              |
| FRS - Elected Officers' Class         | 18,563,893           | 40,415,048              | 58,978,941           |
| <b>Total</b>                          | <b>\$242,220,242</b> | <b>\$209,048,948</b>    | <b>\$451,269,190</b> |

| <b>System/Class</b>                   | <b>Females</b>         | <b>Non-State Membership<sup>1</sup></b> |                        |
|---------------------------------------|------------------------|-----------------------------------------|------------------------|
|                                       |                        | <b>Males</b>                            | <b>Total</b>           |
| FRS - Regular Class                   | \$904,981,450          | \$437,136,052                           | \$1,342,117,502        |
| FRS - Senior Management Service Class | 25,106,959             | 24,127,499                              | 49,234,458             |
| FRS - Special Risk Class              | 72,116,908             | 384,193,981                             | 456,310,889            |
| FRS - Special Risk Adm. Sup. Class    | 0                      | 45,197                                  | 45,197                 |
| FRS - Elected Officers' Class         | 10,213,916             | 7,924,472                               | 18,138,388             |
| <b>Total</b>                          | <b>\$1,012,419,233</b> | <b>\$853,427,201</b>                    | <b>\$1,865,846,434</b> |

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

## TERMINATED FRS PENSION PLAN DROP PARTICIPANTS BY SYSTEM/CLASS<sup>1</sup>

from July 1, 2018 – June 30, 2019

| System/Class                         | Count        | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|--------------------------------------|--------------|-----------------|-----------------|--------------------------------|--------------------------------|
| FRS - Regular Class                  | 7,918        | 24.69           | \$54,196        | \$21,473                       | \$23,513                       |
| FRS - Senior Management Service Clas | 170          | 27.39           | 111,628         | 50,779                         | 55,435                         |
| FRS - Special Risk Class             | 930          | 24.60           | 81,789          | 56,458                         | 61,979                         |
| FRS - Special Risk Adm. Sup. Class   | 1            | 25.09           | 38,053          | 28,334                         | 32,277                         |
| FRS - Elected Officers' Class        | 33           | 24.42           | 129,106         | 85,838                         | 94,170                         |
| TRS                                  | 1            | 44.00           | 66,545          | 58,559                         | 67,230                         |
| <b>Total/Average</b>                 | <b>9,053</b> | <b>24.73</b>    | <b>\$58,381</b> | <b>\$25,856</b>                | <b>\$28,327</b>                |

## PROFILE OF TERMINATED FRS PENSION PLAN DROP PARTICIPANTS<sup>1</sup>

from July 1, 2018 - June 30, 2019

| 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              | 3            | 7.97            | 6,615           | 742                            | 793                            |
| \$100 - \$149            | 18           | 7.68            | 13,178          | 1,404                          | 1,481                          |
| \$150 - \$199            | 38           | 7.55            | 18,990          | 1,998                          | 2,125                          |
| \$200 - \$249            | 51           | 9.17            | 20,148          | 2,568                          | 2,732                          |
| \$250 - \$299            | 64           | 9.94            | 22,392          | 3,122                          | 3,308                          |
| \$300 - \$349            | 68           | 12.34           | 21,520          | 3,682                          | 3,920                          |
| \$350 - \$399            | 94           | 12.04           | 25,083          | 4,195                          | 4,479                          |
| \$400 - \$449            | 106          | 13.20           | 26,332          | 4,811                          | 5,108                          |
| \$450 - \$499            | 125          | 14.21           | 27,259          | 5,323                          | 5,720                          |
| \$500 - \$999            | 1,202        | 17.76           | 34,129          | 8,521                          | 9,151                          |
| \$1,000 - \$1,999        | 2,826        | 24.30           | 45,991          | 16,344                         | 17,721                         |
| \$2,000 - \$2,999        | 2,121        | 28.29           | 62,164          | 27,314                         | 29,791                         |
| \$3,000 - \$3,999        | 1,189        | 29.53           | 77,355          | 37,292                         | 41,182                         |
| \$4,000 - \$4,999        | 470          | 29.15           | 91,425          | 48,040                         | 53,169                         |
| \$5,000 or more          | 678          | 27.07           | 113,984         | 74,546                         | 82,335                         |
| <b>Total/Average</b>     | <b>9,053</b> | <b>24.73</b>    | <b>\$58,381</b> | <b>\$25,856</b>                | <b>\$28,327</b>                |

### By Option Selection<sup>2</sup>

|                                   |              |              |                 |                 |                 |
|-----------------------------------|--------------|--------------|-----------------|-----------------|-----------------|
| Lifetime Benefit (1)              | 5,177        | 24.53        | \$56,990        | \$26,101        | \$28,668        |
| Benefit with a Guarantee (2)      | 1,305        | 24.90        | 54,534          | 24,599          | 26,856          |
| Member with a Joint Annuitant (3) | 2,321        | 24.96        | 61,969          | 25,182          | 27,509          |
| Reduced Benefit on 1st Death (4)  | 250          | 25.85        | 73,979          | 33,617          | 36,549          |
| <b>Total/Average</b>              | <b>9,053</b> | <b>24.73</b> | <b>\$58,381</b> | <b>\$25,856</b> | <b>\$28,327</b> |

### By Employer Group

|                      |              |              |                 |                 |                 |
|----------------------|--------------|--------------|-----------------|-----------------|-----------------|
| State                | 1,507        | 25.03        | \$51,097        | \$22,941        | \$25,088        |
| State Universities   | 346          | 24.64        | 57,865          | 23,826          | 26,151          |
| Counties             | 2,138        | 24.49        | 70,668          | 36,303          | 39,731          |
| School Boards        | 4,406        | 24.78        | 53,289          | 21,454          | 23,558          |
| State Colleges       | 270          | 23.31        | 61,821          | 23,712          | 26,003          |
| Others <sup>3</sup>  | 386          | 25.33        | 74,949          | 32,944          | 35,823          |
| <b>Total/Average</b> | <b>9,053</b> | <b>24.73</b> | <b>\$58,381</b> | <b>\$25,856</b> | <b>\$28,327</b> |

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 174-181.

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

<sup>3</sup> Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

# **PROFILE OF TERMINATED FRS PENSION PLAN DROP PARTICIPANTS<sup>1</sup>**

from July 1, 2018 - June 30, 2019

| <b>By Years of Service</b> | <b>Count</b> | <b>Average Service</b> | <b>Average AFC</b> | <b>Average Annual Initial Benefit</b> | <b>Average Annual Current Benefit</b> |
|----------------------------|--------------|------------------------|--------------------|---------------------------------------|---------------------------------------|
| 6 - 9                      | 286          | 7.99                   | \$35,343           | \$4,543                               | \$4,835                               |
| 10 - 14                    | 802          | 12.73                  | 43,871             | 9,262                                 | 9,965                                 |
| 15 - 19                    | 1,120        | 17.47                  | 47,370             | 13,277                                | 14,360                                |
| 20 - 24                    | 1,357        | 22.49                  | 54,260             | 20,862                                | 22,674                                |
| 25 - 29                    | 2,035        | 26.92                  | 68,566             | 37,322                                | 40,866                                |
| 30 - 34                    | 3,340        | 30.65                  | 62,726             | 30,472                                | 33,560                                |
| 35 or More Years           | 113          | 36.71                  | 66,491             | 39,320                                | 43,957                                |
| <b>Total/Average</b>       | <b>9,053</b> | <b>24.73</b>           | <b>\$58,381</b>    | <b>\$25,856</b>                       | <b>\$28,327</b>                       |

| <b>By Age Range</b>  |              |              |                 |                 |                 |
|----------------------|--------------|--------------|-----------------|-----------------|-----------------|
| Less than 50         | 53           | 25.55        | \$83,850        | \$61,233        | \$63,748        |
| 50 - 54              | 423          | 27.55        | 77,117          | 51,875          | 56,228          |
| 55 - 59              | 1,341        | 28.72        | 69,322          | 39,263          | 42,904          |
| 60 - 64              | 2,952        | 27.12        | 58,337          | 25,901          | 28,199          |
| 65 - 69              | 4,164        | 21.67        | 52,730          | 18,650          | 20,677          |
| 70 - 74              | 110          | 17.25        | 56,976          | 18,054          | 20,573          |
| 75 - 79              | 10           | 17.29        | 45,517          | 13,472          | 14,400          |
| <b>Total/Average</b> | <b>9,053</b> | <b>24.73</b> | <b>\$58,381</b> | <b>\$25,856</b> | <b>\$28,327</b> |

| <b>By Gender</b>     |              |              |                 |                 |                 |
|----------------------|--------------|--------------|-----------------|-----------------|-----------------|
| Female               | 5,823        | 24.90        | \$53,238        | \$22,494        | \$24,645        |
| Male                 | 3,230        | 24.42        | 67,654          | 31,918          | 34,967          |
| <b>Total/Average</b> | <b>9,053</b> | <b>24.73</b> | <b>\$58,381</b> | <b>\$25,856</b> | <b>\$28,327</b> |

| <b>By Cause of Termination</b> |              |              |                 |                 |                 |
|--------------------------------|--------------|--------------|-----------------|-----------------|-----------------|
| Deceased                       | 71           | 25.39        | \$54,183        | \$24,017        | \$25,217        |
| Termination                    | 8,982        | 24.73        | 58,415          | 25,871          | 28,352          |
| <b>Total/Average</b>           | <b>9,053</b> | <b>24.73</b> | <b>\$58,381</b> | <b>\$25,856</b> | <b>\$28,327</b> |

Average length of participation - 3.05 years

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 174-181.

## TOTAL ANNUITANTS BY SYSTEM/CLASS<sup>1</sup>

as of June 30

| <b>System/Class</b>               | <b>2015</b>    | <b>2016</b>    | <b>2017</b>    | <b>2018</b>    | <b>2019</b>    |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| FRS Pension Plan                  |                |                |                |                |                |
| - Regular Class                   | 332,410        | 347,541        | 357,487        | 365,219        | 372,909        |
| - Senior Management Service Class | 3,866          | 4,218          | 4,487          | 4,759          | 5,043          |
| - Special Risk Class              | 33,076         | 35,160         | 36,582         | 38,320         | 39,649         |
| - Special Risk Adm. Sup. Class    | 173            | 176            | 175            | 172            | 166            |
| - Elected Officers' Class         | 2,397          | 2,400          | 2,524          | 2,515          | 2,590          |
| <b>Subtotal</b>                   | <b>371,922</b> | <b>389,495</b> | <b>401,255</b> | <b>410,985</b> | <b>420,357</b> |
| TRS                               | 3,873          | 3,638          | 3,438          | 3,233          | 3,035          |
| TRS-SB                            | 413            | 380            | 356            | 317            | 283            |
| SCOERS                            | 440            | 381            | 325            | 296            | 259            |
| Highway Patrol                    | 31             | 28             | 25             | 21             | 17             |
| JRS                               | 3              | 3              | 3              | 3              | 2              |
| IFAS                              | 170            | 171            | 167            | 165            | 172            |
| <b>Subtotal</b>                   | <b>4,930</b>   | <b>4,601</b>   | <b>4,314</b>   | <b>4,035</b>   | <b>3,768</b>   |
| <b>Total</b>                      | <b>376,852</b> | <b>394,096</b> | <b>405,569</b> | <b>415,020</b> | <b>424,125</b> |
| <b>General Revenue</b>            |                |                |                |                |                |
| Noncontributory (s. 112.05, F.S.) | 18             | 17             | 9              | 8              | 6              |
| National Guard                    | 792            | 784            | 784            | 761            | 753            |
| Judicial Retirement               | 9              | 10             | 12             | 11             | 11             |
| <b>Total</b>                      | <b>819</b>     | <b>811</b>     | <b>805</b>     | <b>780</b>     | <b>770</b>     |
| <b>Grand Total</b>                | <b>377,671</b> | <b>394,907</b> | <b>406,374</b> | <b>415,800</b> | <b>424,895</b> |

## AVERAGE BENEFITS BY SYSTEM/CLASS

as of June 30

| <b>System/Class</b>               | <b>2015</b>     | <b>2016</b>     | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| FRS Pension Plan                  |                 |                 |                 |                 |                 |
| - Regular Class                   | \$17,951        | \$18,565        | \$19,010        | \$19,466        | \$19,968        |
| - Senior Management Service Class | 47,373          | 48,821          | 49,772          | 50,627          | 51,871          |
| - Special Risk Class              | 38,962          | 40,879          | 42,364          | 43,518          | 44,861          |
| - Special Risk Adm. Sup. Class    | 37,499          | 38,484          | 39,465          | 40,324          | 41,609          |
| - Elected Officers' Class         | 49,875          | 51,429          | 53,223          | 54,862          | 56,737          |
| TRS                               | 36,818          | 38,527          | 40,455          | 42,355          | 44,276          |
| TRS-SB                            | 1,885           | 1,885           | 1,883           | 1,882           | 1,885           |
| SCOERS                            | 12,152          | 13,000          | 13,990          | 14,582          | 15,389          |
| Highway Patrol                    | 19,373          | 19,610          | 17,063          | 16,198          | 17,058          |
| JRS                               | 14,016          | 14,436          | 14,869          | 15,315          | 17,118          |
| IFAS                              | 12,005          | 12,455          | 12,810          | 13,153          | 13,709          |
| <b>Average</b>                    | <b>\$20,476</b> | <b>\$21,249</b> | <b>\$21,839</b> | <b>\$22,426</b> | <b>\$23,064</b> |
| <b>General Revenue</b>            |                 |                 |                 |                 |                 |
| Noncontributory (s. 112.05, F.S.) | \$16,528        | \$17,123        | \$16,711        | \$17,118        | \$18,830        |
| National Guard                    | 18,178          | 18,428          | 18,988          | 19,533          | 19,855          |
| Judicial Retirement               | 86,688          | 90,153          | 87,223          | 92,143          | 94,623          |
| <b>Average</b>                    | <b>\$18,895</b> | <b>\$19,285</b> | <b>\$19,980</b> | <b>\$20,532</b> | <b>\$20,915</b> |
| <b>Average All Annuitants</b>     | <b>\$20,472</b> | <b>\$21,245</b> | <b>\$21,835</b> | <b>\$22,423</b> | <b>\$23,060</b> |

<sup>1</sup> Total annuitants include General Revenue and TRS-SB annuitants and exclude DROP participants.

## TOTAL ANNUAL BENEFITS BY SYSTEM/CLASS

as of June 30

| <b>System/Class</b>               | <b>2015</b>            | <b>2016</b>            | <b>2017</b>            | <b>2018</b>            | <b>2019</b>            |
|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| FRS Pension Plan                  |                        |                        |                        |                        |                        |
| - Regular Class                   | \$5,967,096,004        | \$6,452,033,264        | \$6,795,935,448        | \$7,109,410,224        | \$7,446,408,210        |
| - Senior Management Service Class | 183,145,731            | 205,924,965            | 223,327,748            | 240,932,313            | 261,584,594            |
| - Special Risk Class              | 1,288,693,588          | 1,437,318,491          | 1,549,767,553          | 1,667,627,626          | 1,778,711,538          |
| - Special Risk Adm. Sup. Class    | 6,487,328              | 6,773,176              | 6,906,440              | 6,935,702              | 6,907,046              |
| - Elected Officers' Class         | 119,550,041            | 123,429,109            | 134,335,905            | 137,978,766            | 146,947,993            |
| <b>Subtotal</b>                   | <b>7,564,972,692</b>   | <b>8,225,479,005</b>   | <b>8,710,273,094</b>   | <b>9,162,884,631</b>   | <b>9,640,559,381</b>   |
| TRS                               | 142,594,320            | 140,162,000            | 139,083,477            | 136,933,678            | 134,378,452            |
| TRS-SB                            | 778,682                | 716,462                | 670,262                | 596,462                | 533,354                |
| SCOERS                            | 5,347,069              | 4,952,939              | 4,546,864              | 4,316,278              | 3,985,678              |
| Highway Patrol                    | 600,551                | 549,087                | 426,574                | 340,168                | 289,979                |
| JRS                               | 42,047                 | 43,308                 | 44,608                 | 45,946                 | 34,235                 |
| IFAS                              | 2,040,823              | 2,129,879              | 2,139,309              | 2,170,259              | 2,357,944              |
| <b>Subtotal</b>                   | <b>151,403,492</b>     | <b>148,553,675</b>     | <b>146,911,094</b>     | <b>144,402,791</b>     | <b>141,579,642</b>     |
| <b>Total</b>                      | <b>\$7,716,376,184</b> | <b>\$8,374,032,680</b> | <b>\$8,857,184,188</b> | <b>\$9,307,287,422</b> | <b>\$9,782,139,023</b> |
| <b>General Revenue</b>            |                        |                        |                        |                        |                        |
| Noncontributory (s. 112.05, F.S.) | \$297,496              | \$291,092              | \$150,398              | \$136,940              | \$112,981              |
| National Guard                    | 14,397,257             | 14,447,626             | 14,886,728             | 14,864,354             | 14,950,802             |
| Judicial Retirement               | 780,195                | 901,531                | 1,046,677              | 1,013,569              | 1,040,857              |
| <b>Total</b>                      | <b>15,474,948</b>      | <b>15,640,249</b>      | <b>16,083,803</b>      | <b>16,014,863</b>      | <b>16,104,640</b>      |
| <b>Grand Total</b>                | <b>\$7,731,851,132</b> | <b>\$8,389,672,929</b> | <b>\$8,873,267,991</b> | <b>\$9,323,302,285</b> | <b>\$9,798,243,663</b> |
| <b>Average All Annuitants</b>     | <b>\$20,472</b>        | <b>\$21,245</b>        | <b>\$21,835</b>        | <b>\$22,423</b>        | <b>\$23,060</b>        |

## TOTAL DISABILITY BENEFITS BY SYSTEM/CLASS

as of June 30

| <b>System/Class</b>               | <b>Number of Retirees</b> |               | <b>Total Annual Benefits</b> |                      | <b>Average Annual Benefits</b> |                 |
|-----------------------------------|---------------------------|---------------|------------------------------|----------------------|--------------------------------|-----------------|
|                                   | <b>2018</b>               | <b>2019</b>   | <b>2018</b>                  | <b>2019</b>          | <b>2018</b>                    | <b>2019</b>     |
| FRS Pension Plan                  |                           |               |                              |                      |                                |                 |
| - Regular Class                   | 13,776                    | 13,509        | \$189,894,159                | \$190,737,884        | \$13,784                       | \$14,119        |
| - Senior Management Service Class | 45                        | 47            | 1,440,099                    | 1,538,313            | 32,002                         | 32,730          |
| - Special Risk Class              | 1,598                     | 1,595         | 48,606,099                   | 50,010,271           | 30,417                         | 31,354          |
| - Special Risk Adm. Sup. Class    | 3                         | 3             | 82,035                       | 84,496               | 27,345                         | 28,165          |
| - Elected Officers' Class         | 8                         | 8             | 376,406                      | 386,399              | 47,051                         | 48,300          |
| FRS Investment Plan               |                           |               |                              |                      |                                |                 |
| - Regular Class                   | 388                       | 410           | 5,793,727                    | 6,325,272            | 14,932                         | 15,427          |
| - Senior Management Service Class | 2                         | 2             | 54,170                       | 55,373               | 27,085                         | 27,686          |
| - Special Risk Class              | 124                       | 131           | 5,280,788                    | 5,621,693            | 42,587                         | 42,914          |
| - Special Risk Adm. Sup. Class    | 1                         | 1             | 51,012                       | 52,543               | 51,012                         | 52,543          |
| TRS                               | 60                        | 54            | 1,042,330                    | 996,134              | 17,372                         | 18,447          |
| SCOERS                            | 16                        | 12            | 212,015                      | 145,776              | 13,251                         | 12,148          |
| General Revenue                   | 11                        | 11            | 1,013,569                    | 1,040,857            | 92,143                         | 94,623          |
| <b>Total / Average</b>            | <b>16,032</b>             | <b>15,783</b> | <b>\$253,846,409</b>         | <b>\$256,995,011</b> | <b>\$15,834</b>                | <b>\$16,283</b> |

## PROFILE OF TOTAL ANNUITANTS BY SYSTEM/CLASS<sup>1</sup>

as of June 30, 2019

| By System/Class                   | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|-----------------------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| FRS Investment Plan <sup>2</sup>  |                |                 |                 |                                |                                |
| - Regular Class                   | 414            | 16.68           | \$42,755        | \$13,235                       | \$15,419                       |
| - Senior Management Service Class | 2              | 14.12           | 93,247          | 25,176                         | 27,686                         |
| - Special Risk Adm. Sup. Class    | 1              | 32.91           | 49,487          | 39,288                         | 52,543                         |
| - Special Risk Class              | 149            | 17.14           | 59,316          | 37,309                         | 43,230                         |
| - Elected Officers' Class         | 1              | 17.75           | 143,640         | 48,645                         | 56,944                         |
| FRS Pension Plan                  |                |                 |                 |                                |                                |
| - Regular Class                   | 372,495        | 21.00           | 40,369          | 13,968                         | 19,973                         |
| - Senior Management Service Class | 5,041          | 24.29           | 97,961          | 39,031                         | 51,880                         |
| - Special Risk Class              | 39,500         | 20.95           | 56,154          | 32,832                         | 44,868                         |
| - Special Risk Adm. Sup. Class    | 165            | 25.10           | 49,367          | 25,423                         | 41,542                         |
| - Elected Officers' Class         | 2,589          | 20.14           | 74,124          | 40,288                         | 56,737                         |
| TRS                               | 3,035          | 29.98           | 40,154          | 24,519                         | 44,276                         |
| TRS-SB                            | 283            | 0.00            | 0               | 2,400                          | 1,885                          |
| Judicial Retirement System        | 2              | 11.28           | 20,906          | 11,618                         | 17,118                         |
| Highway Patrol                    | 17             | 24.38           | 15,084          | 12,422                         | 17,058                         |
| SCOERS                            | 259            | 24.57           | 15,461          | 7,787                          | 15,389                         |
| IFAS                              | 172            | 0.07            | 93              | 10,158                         | 13,709                         |
| General Revenue                   | 770            | 32.79           | 1,850           | 13,299                         | 20,915                         |
| <b>Total/Average</b>              | <b>424,895</b> | <b>21.09</b>    | <b>\$42,607</b> | <b>\$16,253</b>                | <b>\$23,060</b>                |

## PROFILE OF FRS ANNUITANTS<sup>3</sup>

as of June 30, 2019

| By Years of Service  | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|----------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| 40 or More Years     | 1,830          | 42.37           | \$58,061        | \$40,841                       | \$59,415                       |
| 35 - 39              | 8,942          | 36.74           | 52,234          | 32,638                         | 51,025                         |
| 30 - 34              | 100,872        | 30.89           | 53,372          | 26,795                         | 39,326                         |
| 25 - 29              | 55,411         | 26.93           | 53,717          | 27,399                         | 37,322                         |
| 20 - 24              | 59,959         | 22.31           | 43,668          | 15,356                         | 21,231                         |
| 15 - 19              | 68,830         | 17.35           | 37,588          | 10,078                         | 13,930                         |
| 10 - 14              | 89,730         | 12.20           | 30,914          | 5,927                          | 8,244                          |
| 5 - 9                | 37,764         | 7.83            | 31,301          | 4,125                          | 5,341                          |
| Less Than 5 Years    | 504            | 2.04            | 14,135          | 10,200                         | 16,820                         |
| <b>Total/Average</b> | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Age Range                      | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|-----------------------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Under 40                          | 1,235          | 17.80           | \$41,225        | \$8,237                        | \$9,756                        |
| 40 - 44                           | 626            | 16.68           | 41,041          | 11,561                         | 12,456                         |
| 45 - 49                           | 1,753          | 17.48           | 48,006          | 19,422                         | 20,294                         |
| 50 - 54                           | 6,716          | 20.17           | 53,780          | 26,149                         | 28,277                         |
| 55 - 59                           | 22,793         | 21.13           | 50,552          | 22,707                         | 26,269                         |
| 60 - 64                           | 56,928         | 21.79           | 48,020          | 19,344                         | 23,597                         |
| 65 - 69                           | 100,224        | 21.51           | 46,883          | 17,592                         | 22,980                         |
| 70 - 74                           | 97,885         | 20.96           | 43,906          | 15,852                         | 23,262                         |
| 75 - 79                           | 63,206         | 20.53           | 38,556          | 13,803                         | 22,350                         |
| 80 - 84                           | 38,275         | 20.48           | 33,729          | 12,365                         | 21,893                         |
| 85 and Older                      | 34,196         | 21.30           | 28,352          | 11,358                         | 22,322                         |
| Option 2 Payees - Member Deceased | 5              | 23.03           | 61,364          | 10,417                         | 12,806                         |
| <b>Total/Average</b>              | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

<sup>1</sup> Total annuitants include General Revenue and TRS-SB annuitants and exclude DROP participants.

<sup>2</sup> FRS Investment Plan disability retirees.

<sup>3</sup> FRS annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

# PROFILE OF FRS ANNUITANTS<sup>1</sup>

as of June 30, 2019

| By Option Selection <sup>2</sup>   | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|------------------------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Lifetime Benefit (1)               | 246,568        | 20.43           | \$40,568        | \$15,481                       | \$22,017                       |
| Benefit with a Guarantee (2)       | 67,652         | 21.92           | 42,153          | 16,765                         | 24,603                         |
| Member with a Joint Annuitant (3)  | 93,924         | 21.95           | 47,337          | 17,144                         | 23,967                         |
| Reduced Benefit on First Death (4) | 15,698         | 22.65           | 51,054          | 21,228                         | 27,869                         |
| <b>Total/Average</b>               | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Monthly Benefit Amount | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|---------------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Less Than \$50            | 502            | 9.79            | \$12,661        | \$552                          | \$427                          |
| \$50 - \$99               | 2,730          | 9.25            | 11,442          | 919                            | 958                            |
| \$100 - \$149             | 5,334          | 9.71            | 13,369          | 1,337                          | 1,523                          |
| \$150 - \$199             | 7,386          | 10.36           | 15,921          | 1,805                          | 2,114                          |
| \$200 - \$249             | 9,199          | 10.74           | 18,370          | 2,290                          | 2,709                          |
| \$250 - \$299             | 10,493         | 11.22           | 20,250          | 2,735                          | 3,301                          |
| \$300 - \$349             | 10,969         | 11.60           | 21,495          | 3,144                          | 3,904                          |
| \$350 - \$399             | 11,360         | 12.14           | 22,811          | 3,500                          | 4,501                          |
| \$400 - \$449             | 10,936         | 12.70           | 24,501          | 4,008                          | 5,097                          |
| \$450 - \$499             | 10,564         | 13.31           | 26,111          | 4,475                          | 5,699                          |
| \$500 - \$999             | 85,662         | 15.72           | 31,403          | 6,708                          | 8,783                          |
| \$1000 - \$1999           | 101,988        | 21.58           | 40,773          | 12,852                         | 17,418                         |
| \$2000 - \$2999           | 65,549         | 26.90           | 51,021          | 21,259                         | 29,794                         |
| \$3000 - \$3999           | 45,105         | 29.43           | 58,533          | 28,042                         | 41,239                         |
| \$4000 - \$4999           | 21,556         | 30.20           | 67,795          | 35,321                         | 53,242                         |
| \$5000 or more            | 24,509         | 29.72           | 88,180          | 55,135                         | 81,441                         |
| <b>Total/Average</b>      | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Benefit Recipient | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|----------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Member Deceased      | 30,205         | 20.20           | \$38,914        | \$14,359                       | \$18,554                       |
| Member Living        | 393,637        | 21.16           | 43,001          | 16,414                         | 23,426                         |
| <b>Total/Average</b> | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Retirement Date   | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|----------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Before 12/1970       | 33             | 20.72           | \$7,113         | \$3,561                        | \$7,807                        |
| 12/1970 - 6/2000     | 87,690         | 23.01           | 33,691          | 14,096                         | 26,676                         |
| 7/2000 - 6/2005      | 80,683         | 21.74           | 40,507          | 15,882                         | 25,268                         |
| 7/2005 - 6/2010      | 95,294         | 21.21           | 46,022          | 17,719                         | 24,247                         |
| 7/2010 - 6/2015      | 106,839        | 20.23           | 47,829          | 17,733                         | 21,195                         |
| 7/2015 - 6/2016      | 15,452         | 18.67           | 44,456          | 14,883                         | 16,020                         |
| 7/2016 - 6/2017      | 14,792         | 18.33           | 44,116          | 14,688                         | 15,402                         |
| 7/2017 - 6/2018      | 12,731         | 18.50           | 45,111          | 15,129                         | 15,626                         |
| 7/2018 - 6/2019      | 10,328         | 18.21           | 45,497          | 14,930                         | 14,911                         |
| <b>Total/Average</b> | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Employer          | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|----------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| State                | 83,922         | 20.89           | \$39,516        | \$14,990                       | \$21,376                       |
| State Universities   | 19,824         | 22.04           | 47,440          | 17,618                         | 25,121                         |
| Counties             | 95,251         | 19.77           | 48,809          | 20,053                         | 27,205                         |
| School Boards        | 197,081        | 21.84           | 39,892          | 14,739                         | 21,549                         |
| State Colleges       | 13,723         | 20.76           | 46,665          | 16,460                         | 23,890                         |
| Others <sup>3</sup>  | 14,041         | 19.59           | 49,427          | 17,579                         | 23,050                         |
| <b>Total/Average</b> | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

<sup>1</sup> FRS annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

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

<sup>3</sup> Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.

## PROFILE OF FRS ANNUITANTS<sup>1</sup>

as of June 30, 2019

| By Gender            | Count          | Average Service | Average AFC     | Average Annual Initial Benefit | Average Annual Current Benefit |
|----------------------|----------------|-----------------|-----------------|--------------------------------|--------------------------------|
| Female               | 272,553        | 21.15           | \$39,054        | \$14,479                       | \$20,228                       |
| Male                 | 151,289        | 20.98           | 49,296          | 19,489                         | 28,213                         |
| <b>Total/Average</b> | <b>423,842</b> | <b>21.09</b>    | <b>\$42,710</b> | <b>\$16,267</b>                | <b>\$23,078</b>                |

| By Type of Retirement       |                |              |                 |                 |                 |
|-----------------------------|----------------|--------------|-----------------|-----------------|-----------------|
| Line of Duty Death          | 567            | 12.24        | \$41,087        | \$19,470        | \$32,431        |
| Not Line of Duty Death      | 9,145          | 17.58        | 36,955          | 7,590           | 11,911          |
| Line of Duty Disability     | 3,394          | 14.79        | 32,202          | 15,334          | 23,069          |
| Not Line of Duty Disability | 12,379         | 17.56        | 33,667          | 10,290          | 14,356          |
| Early                       | 104,784        | 16.83        | 35,822          | 9,535           | 13,405          |
| Normal                      | 293,573        | 22.96        | 45,853          | 19,197          | 27,229          |
| <b>Total/Average</b>        | <b>423,842</b> | <b>21.09</b> | <b>\$42,710</b> | <b>\$16,267</b> | <b>\$23,078</b> |

| By Duration of Benefit Payments to Date |                |              |                 |                 |                 |
|-----------------------------------------|----------------|--------------|-----------------|-----------------|-----------------|
| Less Than 5 Years                       | 69,801         | 18.64        | \$44,971        | \$15,123        | \$16,020        |
| 5 - 10                                  | 115,076        | 20.71        | 48,504          | 18,464          | 22,691          |
| 10 - 15                                 | 88,075         | 21.13        | 44,252          | 16,828          | 23,899          |
| 15 - 20                                 | 75,523         | 21.87        | 39,674          | 15,585          | 25,498          |
| 20 - 25                                 | 47,958         | 23.55        | 36,834          | 15,765          | 28,973          |
| 25 - 30                                 | 17,091         | 22.53        | 29,680          | 12,196          | 24,803          |
| 30 - 35                                 | 7,042          | 22.26        | 22,905          | 9,659           | 21,769          |
| 35 - 40                                 | 2,563          | 21.57        | 17,267          | 7,584           | 17,920          |
| 40 or More Years                        | 713            | 19.10        | 11,808          | 4,651           | 12,528          |
| <b>Total/Average</b>                    | <b>423,842</b> | <b>21.09</b> | <b>\$42,710</b> | <b>\$16,267</b> | <b>\$23,078</b> |

Average duration of benefit payments in years - 12.10 years

| By Duration of Benefit Payments - Deaths in Current Year |              |              |                 |                 |                 |
|----------------------------------------------------------|--------------|--------------|-----------------|-----------------|-----------------|
| Less Than 1 Year                                         | 149          | 18.67        | \$48,835        | \$14,611        | \$14,773        |
| 1 - 2                                                    | 131          | 20.56        | 46,466          | 15,703          | 15,892          |
| 2 - 3                                                    | 101          | 19.92        | 46,440          | 14,995          | 15,283          |
| 3 - 4                                                    | 106          | 19.14        | 43,458          | 14,141          | 14,687          |
| 4 - 5                                                    | 104          | 19.42        | 44,632          | 13,075          | 13,667          |
| 5 - 10                                                   | 777          | 20.26        | 47,659          | 16,418          | 18,160          |
| 10 - 15                                                  | 480          | 20.41        | 48,209          | 18,509          | 21,512          |
| 15 - 20                                                  | 480          | 21.35        | 45,353          | 19,616          | 24,269          |
| 20 - 25                                                  | 571          | 25.36        | 43,105          | 24,642          | 31,844          |
| 25 - 30                                                  | 214          | 24.63        | 34,885          | 20,528          | 27,153          |
| 30 - 35                                                  | 62           | 25.21        | 27,710          | 16,880          | 24,191          |
| 35 - 40                                                  | 15           | 30.03        | 29,894          | 25,407          | 34,379          |
| 40 or More Years                                         | 2            | 27.00        | 13,336          | 10,683          | 12,666          |
| <b>Total/Average</b>                                     | <b>3,192</b> | <b>21.66</b> | <b>\$44,961</b> | <b>\$18,665</b> | <b>\$22,220</b> |

Average duration of benefit payments in years - 12.88 years

<sup>1</sup> FRS annuitants exclude General Revenue and TRS-SB annuitants and exclude DROP participants.

**FRS RETIREES AND BENEFICIARIES<sup>1</sup>**  
**BY AGE AT RETIREMENT**

as of June 30, 2019

| By Retirement Age | Retirees       | Retirees' Total        | Beneficiaries | Beneficiaries' Total |
|-------------------|----------------|------------------------|---------------|----------------------|
|                   |                | Annual Benefits        |               | Annual Benefits      |
| Under 40          | 894            | \$13,354,527           | 289           | \$5,505,841          |
| 40 - 44           | 2,855          | 58,309,440             | 746           | 9,054,298            |
| 45 - 49           | 16,989         | 574,920,480            | 2,308         | 32,831,247           |
| 50 - 54           | 67,155         | 2,196,740,751          | 5,153         | 101,449,072          |
| 55 - 59           | 98,673         | 2,603,050,076          | 7,105         | 146,088,129          |
| 60 - 64           | 160,878        | 3,073,739,582          | 9,659         | 182,342,292          |
| 65 - 69           | 34,877         | 551,281,179            | 3,366         | 61,250,154           |
| 70 - 74           | 8,171          | 115,177,250            | 1,048         | 16,391,629           |
| 75 - 79           | 2,387          | 27,430,040             | 379           | 4,114,510            |
| 80 - 84           | 622            | 6,204,512              | 112           | 926,662              |
| 85 and Older      | 136            | 964,021                | 40            | 479,978              |
| <b>Total</b>      | <b>393,637</b> | <b>\$9,221,171,858</b> | <b>30,205</b> | <b>\$560,433,812</b> |

**FRS RETIREES AND BENEFICIARIES<sup>1</sup>**  
**BY YEARS OF SERVICE AT RETIREMENT**

as of June 30, 2019

| By Years of Service | Retirees       | Retirees' Total        | Beneficiaries | Beneficiaries' Total |
|---------------------|----------------|------------------------|---------------|----------------------|
|                     |                | Annual Benefits        |               | Annual Benefits      |
| Less Than 5 Years   | 340            | \$5,190,380            | 164           | \$3,286,709          |
| 5 - 9               | 35,288         | 187,730,449            | 2,476         | 13,958,016           |
| 10 - 14             | 82,232         | 684,351,338            | 7,498         | 55,415,674           |
| 15 - 19             | 63,128         | 889,862,215            | 5,702         | 68,931,376           |
| 20 - 24             | 55,028         | 1,181,139,349          | 4,931         | 91,825,522           |
| 25 - 29             | 51,703         | 1,959,115,412          | 3,708         | 108,954,977          |
| 30 - 34             | 96,557         | 3,815,193,546          | 4,315         | 151,659,488          |
| 35 - 39             | 7,855          | 406,441,774            | 1,087         | 49,820,780           |
| 40 or More Years    | 1,506          | 92,147,395             | 324           | 16,581,270           |
| <b>Total</b>        | <b>393,637</b> | <b>\$9,221,171,858</b> | <b>30,205</b> | <b>\$560,433,812</b> |

<sup>1</sup> FRS retirees and beneficiaries exclude General Revenue and TRS-SB retirees and beneficiaries and exclude DROP participants.

## TOTAL FRS ANNUITANTS BY TYPE OF RETIREMENT<sup>1</sup>

as of June 30

| Type of Retirement          | 2015           | 2016           | 2017           | 2018           | 2019           |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Line of Duty Death          | 368            | 367            | 379            | 539            | 567            |
| Not Line of Duty Death      | 9,081          | 9,087          | 9,201          | 9,182          | 9,145          |
| Line of Duty Disability     | 3,493          | 3,492          | 3,495          | 3,443          | 3,394          |
| Not Line of Duty Disability | 12,684         | 12,747         | 12,644         | 12,579         | 12,379         |
| Early                       | 97,694         | 100,062        | 102,482        | 103,916        | 104,784        |
| Normal                      | 253,119        | 267,961        | 277,012        | 285,044        | 293,573        |
| <b>Total</b>                | <b>376,439</b> | <b>393,716</b> | <b>405,213</b> | <b>414,703</b> | <b>423,842</b> |

## TOTAL FRS ANNUAL BENEFITS BY TYPE OF RETIREMENT

as of June 30

| Type of Retirement          | 2015                   | 2016                   | 2017                   | 2018                   | 2019                   |
|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Line of Duty Death          | \$9,976,101            | \$10,559,988           | \$15,461,802           | \$17,189,084           | \$18,388,498           |
| Not Line of Duty Death      | 98,471,096             | 100,587,725            | 104,560,416            | 106,882,817            | 108,923,959            |
| Line of Duty Disability     | 69,904,011             | 72,456,581             | 75,038,769             | 76,737,141             | 78,297,575             |
| Not Line of Duty Disability | 162,375,701            | 168,152,778            | 172,174,076            | 176,151,167            | 177,713,523            |
| Early                       | 1,165,451,287          | 1,232,717,230          | 1,294,646,937          | 1,352,625,844          | 1,404,653,598          |
| Normal                      | 6,209,419,306          | 6,788,841,916          | 7,194,631,927          | 7,577,104,906          | 7,993,628,517          |
| <b>Total</b>                | <b>\$7,715,597,502</b> | <b>\$8,373,316,218</b> | <b>\$8,856,513,927</b> | <b>\$9,306,690,959</b> | <b>\$9,781,605,670</b> |

## TOTAL FRS ANNUITANTS ADDED DURING FISCAL YEAR BY TYPE OF RETIREMENT<sup>1</sup>

as of June 30

| Type of Retirement          | 2015          | 2016          | 2017          | 2018          | 2019          |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Line of Duty Death          | 3             | 5             | 14            | 22            | 6             |
| Not Line of Duty Death      | 237           | 197           | 232           | 319           | 107           |
| Line of Duty Disability     | 57            | 57            | 57            | 73            | 31            |
| Not Line of Duty Disability | 545           | 524           | 445           | 545           | 319           |
| Early                       | 3,751         | 3,899         | 4,299         | 4,514         | 2,905         |
| Normal                      | 6,876         | 7,176         | 7,194         | 8,422         | 6,960         |
| <b>Total</b>                | <b>11,469</b> | <b>11,858</b> | <b>12,241</b> | <b>13,895</b> | <b>10,328</b> |

## TOTAL ANNUAL BENEFITS OF FRS ANNUITANTS ADDED DURING FISCAL YEAR BY TYPE OF RETIREMENT

as of June 30

| Type of Retirement          | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Line of Duty Death          | \$79,302             | \$232,897            | \$807,536            | \$900,675            | \$177,514            |
| Not Line of Duty Death      | 2,189,212            | 2,000,493            | 3,020,398            | 3,855,692            | 1,295,236            |
| Line of Duty Disability     | 1,730,607            | 1,340,454            | 1,561,553            | 1,984,029            | 1,081,317            |
| Not Line of Duty Disability | 7,051,061            | 7,003,925            | 6,596,093            | 7,847,917            | 4,092,355            |
| Early                       | 36,803,052           | 36,772,765           | 40,252,170           | 44,541,748           | 32,232,487           |
| Normal                      | 100,518,086          | 105,985,962          | 111,542,570          | 140,931,143          | 115,120,186          |
| <b>Total</b>                | <b>\$148,371,320</b> | <b>\$153,336,496</b> | <b>\$163,780,320</b> | <b>\$200,061,204</b> | <b>\$153,999,095</b> |

<sup>1</sup> Total annuitants include General Revenue and TRS-SB annuitants and exclude DROP participants.

# SCHEDULE OF AVERAGE FRS BENEFITS

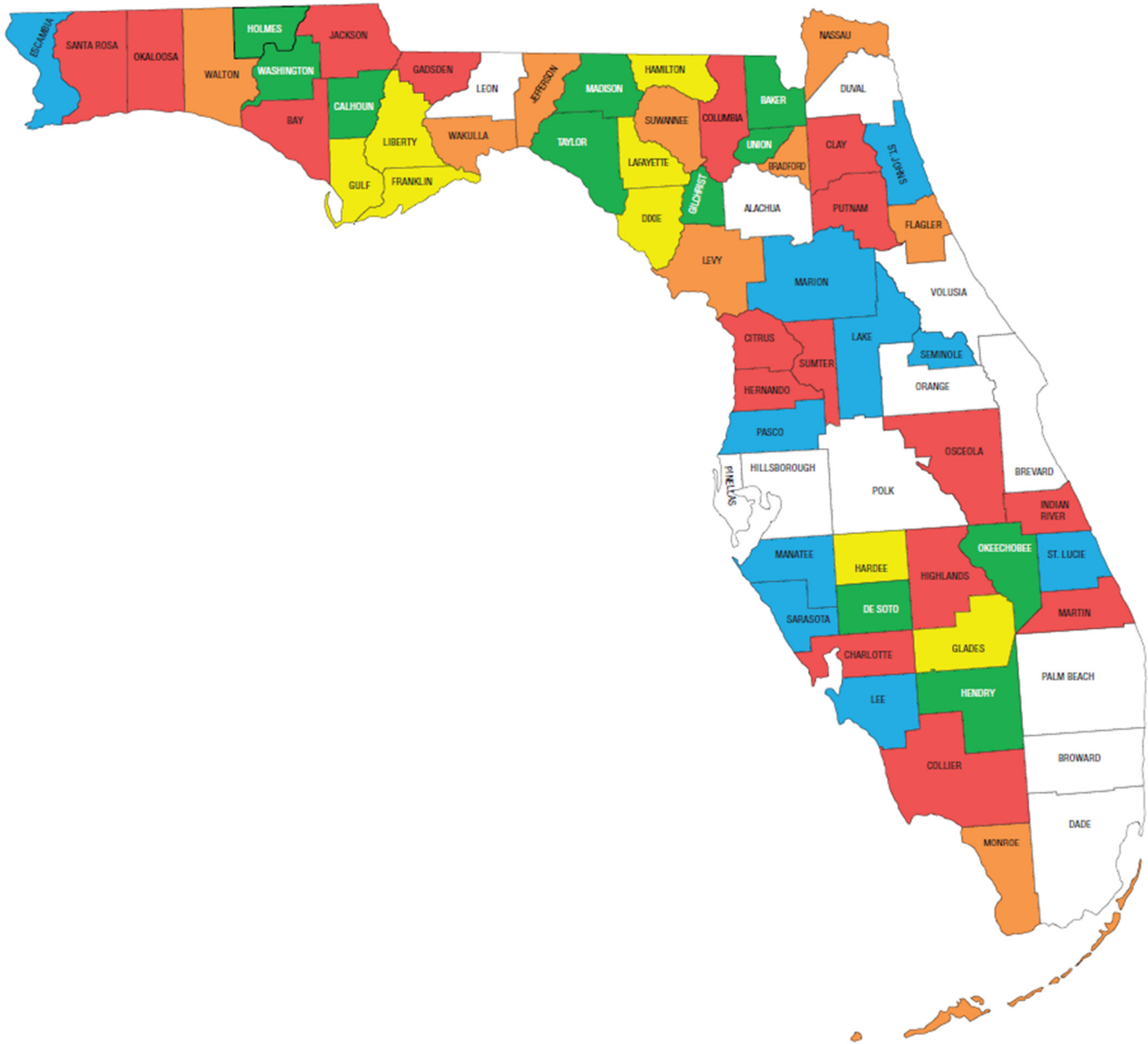
as of June 30

|      | Fiscal Year            | Years of Creditable Service |          |          |          |          |          |          |          | 40 or More |
|------|------------------------|-----------------------------|----------|----------|----------|----------|----------|----------|----------|------------|
|      |                        | Less Than 5¹                | 5 - 9    | 10 - 14  | 15 - 19  | 20 - 24  | 25 - 29  | 30 - 34  | 35 - 39  |            |
| 2019 | Average Annual Benefit | \$16,820                    | \$5,341  | \$8,244  | \$13,930 | \$21,231 | \$37,322 | \$39,326 | \$51,025 | \$59,415   |
|      | Average AFC            | \$14,135                    | \$31,301 | \$30,914 | \$37,588 | \$43,668 | \$53,717 | \$53,372 | \$52,234 | \$58,061   |
|      | Count                  | 504                         | 37,764   | 89,730   | 68,830   | 59,959   | 55,411   | 100,872  | 8,942    | 1,830      |
| 2018 | Average Annual Benefit | \$16,277                    | \$5,206  | \$8,002  | \$13,573 | \$20,640 | \$36,202 | \$38,415 | \$49,761 | \$58,959   |
|      | Average AFC            | \$14,228                    | \$30,995 | \$30,320 | \$36,897 | \$42,938 | \$52,669 | \$52,753 | \$51,109 | \$56,975   |
|      | Count                  | 499                         | 36,917   | 88,587   | 67,323   | 58,716   | 53,459   | 98,257   | 9,069    | 1,876      |
| 2017 | Average Annual Benefit | \$16,128                    | \$5,083  | \$7,783  | \$13,222 | \$20,079 | \$35,082 | \$37,495 | \$48,661 | \$57,845   |
|      | Average AFC            | \$13,165                    | \$30,632 | \$29,749 | \$36,235 | \$42,148 | \$51,621 | \$52,163 | \$50,409 | \$54,884   |
|      | Count                  | 490                         | 35,728   | 87,232   | 65,683   | 57,418   | 51,412   | 96,115   | 9,234    | 1,901      |
| 2016 | Average Annual Benefit | \$14,774                    | \$4,945  | \$7,564  | \$12,863 | \$19,434 | \$33,969 | \$36,542 | \$47,369 | \$56,026   |
|      | Average AFC            | \$12,727                    | \$30,220 | \$29,154 | \$35,581 | \$41,247 | \$50,472 | \$51,474 | \$49,560 | \$52,909   |
|      | Count                  | 502                         | 33,930   | 85,384   | 64,010   | 55,737   | 49,272   | 93,540   | 9,407    | 1,934      |
| 2015 | Average Annual Benefit | \$14,218                    | \$4,823  | \$7,343  | \$12,488 | \$18,811 | \$32,547 | \$35,681 | \$46,398 | \$54,628   |
|      | Average AFC            | \$12,578                    | \$29,757 | \$28,543 | \$34,845 | \$40,311 | \$48,944 | \$50,424 | \$48,289 | \$51,246   |
|      | Count                  | 503                         | 31,954   | 83,281   | 62,096   | 53,896   | 46,449   | 87,114   | 9,173    | 1,973      |
| 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      |

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

## FRS PENSION BENEFITS BY FLORIDA COUNTY

as of June 30, 2019



### Color Key

\$0 - \$15 million



\$15 - \$25 million



\$25 - \$50 million



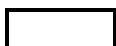
\$50 - \$100 million



\$100 - \$200 million



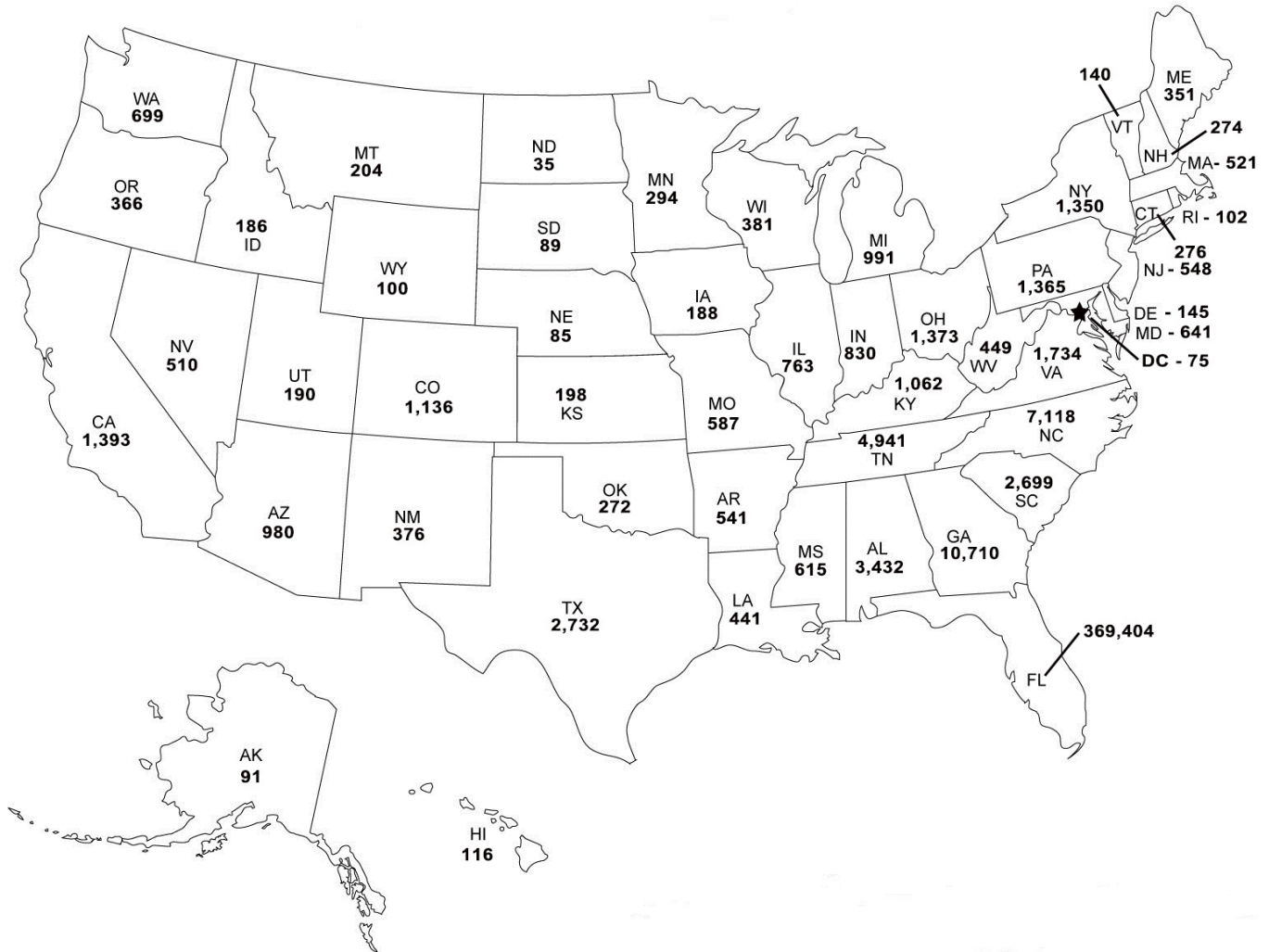
\$200 million +



Of the 424,895 retirees in the FRS, 369,404 or 86.9 percent, remain Florida residents as of June 30, 2019. During the Fiscal Year 2018-19, pension benefit payments of \$8.27 billion were distributed to retirees and their beneficiaries throughout the 67 counties of Florida as shown on the map above.

## FRS RETIREES BY STATE

as of June 30, 2019



## FRS RETIREES OUTSIDE THE UNITED STATES

as of June 30, 2019

|                        |                        |                 |                         |                       |
|------------------------|------------------------|-----------------|-------------------------|-----------------------|
| Argentina (4)          | Colombia (15)          | Honduras (2)    | Panama (6)              | Taiwan (1)            |
| Armed Forces (34)      | Costa Rica (7)         | Hungary (4)     | Peru (6)                | Thailand (21)         |
| Australia (21)         | Croatia (1)            | India (2)       | Philippines (17)        | Trinidad & Tobago (6) |
| Austria (2)            | Czech Republic (1)     | Israel (12)     | Poland (4)              | United Kingdom (44)   |
| Bahamas (1)            | Dominican Republic (4) | Italy (8)       | Portugal (3)            | Uruguay (2)           |
| Barbados (2)           | Ecuador (5)            | Jamaica (11)    | Puerto Rico (240)       | Venezuela (1)         |
| Belize (2)             | Egypt (2)              | Japan (4)       | Republic of Ireland (1) | Virgin Islands (20)   |
| Bosnia-Herzegovina (1) | El Salvador (1)        | Latvia (1)      | Romania (2)             | West Indies (18)      |
| Brazil (3)             | Finland (3)            | Lebanon (1)     | Russia (1)              | Other (17)            |
| Bulgaria (2)           | France (12)            | Mexico (9)      | Slovakia (1)            |                       |
| Canada (119)           | Germany (28)           | Micronesia (5)  | South Africa (1)        |                       |
| Cayman Islands (1)     | Ghana (1)              | Netherlands (3) | Spain (23)              |                       |
| Chile (3)              | Greece (4)             | New Zealand (8) | Sweden (1)              |                       |
| China (1)              | Guam (2)               | Nicaragua (4)   | Switzerland (4)         |                       |

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

as of June 30

| <b>By System/Class</b>            | <b>2015</b>  | <b>2016</b>  | <b>2017</b>   | <b>2018</b>  | <b>2019</b>  |
|-----------------------------------|--------------|--------------|---------------|--------------|--------------|
| FRS - Regular Class               | 6,709        | 8,070        | 9,607         | 5,329        | 5,766        |
| - Senior Management Service Class | 150          | 170          | 209           | 122          | 130          |
| - Special Risk Class              | 1,062        | 1,229        | 1,388         | 441          | 518          |
| - Elected Officers' Class         | 102          | 99           | 142           | 108          | 119          |
| <b>Total</b>                      | <b>8,023</b> | <b>9,568</b> | <b>11,346</b> | <b>6,000</b> | <b>6,533</b> |

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

as of June 30, 2019

| <b>By Employer Group</b> | <b>Count</b> | <b>Average Length<br/>of Employment</b> | <b>Average<br/>Salary</b> |
|--------------------------|--------------|-----------------------------------------|---------------------------|
| State                    | 1,178        | 3.11                                    | \$42,697                  |
| State Universities       | 236          | 3.31                                    | 57,410                    |
| School Boards            | 3,283        | 3.05                                    | 29,771                    |
| Counties                 | 1,303        | 2.92                                    | 36,906                    |
| State Colleges           | 245          | 3.48                                    | 36,604                    |
| Others <sup>1</sup>      | 288          | 3.07                                    | 36,195                    |
| <b>Total/Average</b>     | <b>6,533</b> | <b>3.06</b>                             | <b>\$35,063</b>           |

| <b>By Age Range</b>  |              |             |                 |
|----------------------|--------------|-------------|-----------------|
| Less than 30         | 0            | 0.00        | \$0             |
| 30 - 39              | 0            | 0.00        | 0               |
| 40 - 49              | 32           | 1.37        | 25,349          |
| 50 - 59              | 1,189        | 2.16        | 36,416          |
| 60 - 69              | 3,791        | 3.05        | 36,667          |
| 70 and Over          | 1,521        | 3.83        | 30,211          |
| <b>Total/Average</b> | <b>6,533</b> | <b>3.06</b> | <b>\$35,063</b> |

| <b>By Gender</b>     |              |             |                 |
|----------------------|--------------|-------------|-----------------|
| Female               | 3,846        | 3.08        | \$31,252        |
| Male                 | 2,687        | 3.04        | 40,517          |
| <b>Total/Average</b> | <b>6,533</b> | <b>3.06</b> | <b>\$35,063</b> |

<sup>1</sup> Others include Cities, Special Districts, Charter Schools, Housing Authorities, and Independent Hospitals.



## SYSTEM SUMMARY SECTION



## **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 October 1, 1978, and January 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 January 1, 2002, for FRS retirees with special risk service between October 1, 1978, and December 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 State 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 January 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 January 1, 2008, and December 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 August 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 August 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.

- 2016 —** Created enhanced survivor benefits for Special Risk Class members who are killed in the line of duty on or after July 1, 2013, for benefit payments on or after July 1, 2016, with the following stipulations:
- The benefit payable to the surviving spouse or on behalf of an eligible dependent child or children of a Pension Plan Special Risk Class member is increased from 50 percent to 100 percent of the member's base monthly salary at the time of death.
  - A new benefit for the surviving spouse or on behalf of an eligible dependent child or children of an Investment Plan Special Risk Class member is created, with the benefit payable equal to 100 percent of the member's base monthly salary at the time of death. The member's Investment Plan account balance must be transferred to the Survivor Benefit Account of the FRS Trust Fund if the in-line-of-duty death benefit is approved.
  - If there is no surviving spouse, the eligible child or children will receive benefits until the youngest unmarried child reaches age 18. The benefits may be extended up to age 25 if the eligible surviving child is unmarried and enrolled as a full time student.
- 2017 —** Created defined contribution plan renewed membership for state administered defined contribution plan retirees initially reemployed in a regularly established position on or after July 1, 2010, but initially enrolled in the FRS Investment Plan, the State University System Optional Retirement Program, or the State Community College System Optional Retirement Program on or after July 1, 2017. Membership in the FRS is available in all classes including the Special Risk Class for this tier of renewed membership. Pension Plan retirees remain ineligible for renewed membership.
- Created in-line-of-duty (ILOD) death benefits for members of the Investment Plan in all classes except the Special Risk Class with eligibility retroactive to July 1, 2002, for benefit payments on or after July 1, 2017.
- Extended retroactive eligibility for the existing in-line-of-duty death benefits for Special Risk Class members from July 1, 2013, to July 1, 2002, for eligible survivors of Pension Plan or Investment Plan members.
- Changed the default membership for FRS members initially enrolled on or after January 1, 2018, from the Pension Plan to the Investment Plan for all members except those in a Special Risk Class position at the time of default and extended the initial membership election period from five calendar months to eight calendar months after the month of hire effective January 1, 2018.
- Closed the Senior Management Service Optional Annuity Program to new members effective July 1, 2017. Existing members can continue to participate.
- 2018 —** Created an exception to reemployment restrictions to allow law enforcement officers who retired from the FRS or other state-administered retirement system to be reemployed as a school resource officer by an FRS participating employer FRS during the seventh through twelfth calendar months after their retirement date or their DROP termination date without requiring them to suspend their retirement benefit.
- Requires specified K-12 instructional personnel participating in the DROP who are authorized to extend their DROP participation beyond the initial 60-calendar month period to have their DROP termination date be the end of the month of the last month of the school year. Administrative personnel in grades K-12 participating in DROP who have a DROP termination date on or after July 1, 2018, may be authorized to extend their DROP participation beyond the initial 60 calendar month period if their termination date is before the end of the school year.
- Removed the requirement that a law enforcement officer, firefighter, emergency medical technician, or paramedic employed by a public agency who suffers a mental or nervous injury must also have an accompanying physical injury to be eligible for workers' compensation benefits.
- 2019 —** Established a presumption of in-line-of-duty causation for firefighters who die or are totally and permanently disabled due to one of a specified 21 types of cancers or due to circumstances arising out of the treatment of one of these cancers. The firefighter must be employed full-time within a fire department or public safety department of an employer whose primary responsibilities are the prevention and extinguishing of fires; the protection of life and property; and the enforcement of municipal, county, and state fire prevention codes and laws pertaining to the prevention and control of fires.

## FRS PARTICIPATING EMPLOYERS

### 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  
Justice Administrative Commission  
Parole and Probation Commission  
State Board of Administration  
Vending Facilities Operators  
Volunteer Florida

#### 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 <sup>1,4</sup>  
City of Archer <sup>4</sup>  
City of Gainesville <sup>3</sup>  
City of High Springs <sup>1,2,4</sup>  
City of Newberry <sup>2,4</sup>  
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 <sup>2,3,4</sup>  
Clerk of Circuit Court  
New River Solid Waste Association  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Glen St Mary <sup>3,4</sup>

#### BAY COUNTY

Bay Haven Charter Academy  
Elementary School  
Bay Haven Charter Academy Middle School  
Beach Mosquito Control District  
Board of County Commissioners  
Central High School  
Chautauqua Learn and Serve Charter School  
City of Callaway <sup>2,3,4</sup>  
City of Mexico Beach <sup>1,2,4</sup>  
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  
Palm Bay Elementary School  
Palm Bay Preparatory Academy  
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  
City of Cocoa <sup>4</sup>  
City of Indian Harbour Beach <sup>4</sup>  
City of Melbourne <sup>1,3,4</sup>  
City of Palm Bay <sup>3</sup>  
City of West Melbourne <sup>4</sup>  
Clerk of Circuit Court  
Indian River Lagoon Council  
Merritt Island Public Library Tax District  
Property Appraiser  
School Board  
Sebastian Inlet District  
Sheriff  
Space Coast Transportation Planning Organization  
Supervisor of Elections  
Tax Collector  
Town of Malabar  
Town of Melbourne Beach <sup>4</sup>

#### BROWARD COUNTY

Board of County Commissioners  
Broward College  
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 Fort Lauderdale 1 Campus  
Children's Services Council of Broward  
City of Coconut Creek  
City of Cooper City <sup>4</sup>  
City of Dania Beach <sup>3,4</sup>  
City of Deerfield Beach <sup>3</sup>  
City of Hollywood <sup>3</sup>

<sup>1</sup> This agency participates in the FRS for its police employees.

<sup>2</sup> This agency participates in the FRS for its fire employees.

<sup>3</sup> This agency participates in the FRS for its elected officials.

<sup>4</sup> This agency participates in the FRS for its general employees.

City of Lighthouse Point <sup>1,4</sup>  
 City of Margate  
 City of Miramar <sup>3</sup>  
 City of North Lauderdale <sup>2</sup>  
 City of Oakland Park <sup>2,4</sup>  
 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 <sup>3</sup>  
 City of Weston <sup>3</sup>  
 City of West Park <sup>3,4</sup>  
 City of Wilton Manors <sup>1,3,4</sup>  
 Clerk of Circuit and County Courts  
 Hillsborough Inlet Improvement and Maintenance  
 North Springs Improvement District  
 Old Plantation Water Control District  
 Plantation Acres Improvement District  
 Property Appraiser  
 School Board  
 Sheriff  
 South Broward Drainage District  
 South Florida Regional Planning Council  
 Supervisor of Elections  
 Tax Collector  
 Town of Hillsboro Beach <sup>1,4</sup>  
 Town of Lauderdale-by-the-Sea <sup>3,4</sup>  
 Town of Pembroke Park <sup>4</sup>  
 Tri-County Commuter Rail

#### **CALHOUN COUNTY**

Apalachee Regional Planning Council  
 Board of County Commissioners  
 City of Blountstown <sup>1,2,4</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Altha <sup>1,4</sup>

#### **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  
 Citrus MYcroSchool of Integrated Academics and Technologies, Inc.  
 City of Crystal River  
 City of Inverness <sup>2,3,4</sup>  
 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 <sup>3,4</sup>  
 Clerk of Circuit Court  
 First Coast Workforce Consortium  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **COLLIER COUNTY**

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

#### **COLUMBIA COUNTY**

Board of County Commissioners  
 City of Lake City <sup>3,4</sup>  
 Clerk of Circuit Court  
 Florida Gateway College  
 Lake Shore Hospital Authority  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **DADE COUNTY**

See Miami-Dade County

#### **DE SOTO COUNTY**

Board of County Commissioners  
 Clerk of Circuit Court  
 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  
 Suwannee Water and Sewer District  
 Tax Collector  
 Three Rivers Regional Library System  
 Town of Cross City

#### **DUVAL COUNTY**

Biscayne High School  
 Duval MYcroSchool of Integrated Academics and Technologies  
 Florida State College at Jacksonville

Jacksonville Aviation Authority  
 Jacksonville Seaport Authority  
 Jacksonville Transportation Authority  
 Lone Star High School  
 Northeast Florida Regional Planning Council  
 North Florida Transportation Planning Organization  
 River City Science Academy  
 River City Science Academy Elementary  
 River City Science Academy Innovation  
 River City Science Academy at Mandarin  
 School Board  
 SIATech Jacksonville

#### **ESCAMBIA COUNTY**

Board of County Commissioners  
 Byrnesville Elementary School, Inc.  
 Clerk of Circuit and County Courts  
 City of Pensacola <sup>1,3,4</sup>  
 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 <sup>1,4</sup>  
 City of Carrabelle <sup>1,3,4</sup>  
 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 <sup>1,3,4</sup>  
 City of Gretna  
 City of Midway <sup>1,3,4</sup>  
 Clerk of Circuit Court  
 Northwest Florida Water Management District  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Greensboro <sup>1,4</sup>

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<sup>4</sup> This agency participates in the FRS for its general employees.

Town of Havana <sup>1,4</sup>

#### **GILCHRIST COUNTY**

Board of County Commissioners  
City of Trenton <sup>1,3,4</sup>  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **GLADES COUNTY**

Board of County Commissioners  
City of Moore Haven <sup>4</sup>  
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  
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 <sup>1</sup>  
City of La Belle <sup>3,4</sup>  
Clerk of Circuit Court  
Hendry Soil and Water Conservation District  
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 <sup>3,4</sup>  
Clerk of Circuit Court  
Hernando County Housing Authority  
Property Appraiser  
School Board  
Sheriff  
Southwest Florida Water Management  
District  
Supervisor of Elections  
Tax Collector

#### **HIGHLANDS COUNTY**

Board of County Commissioners  
City of Avon Park <sup>3,4</sup>  
City of Sebring <sup>1,2,4</sup>  
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 <sup>1,3,4</sup>

#### **HILLSBOROUGH COUNTY**

Board of County Commissioners  
Children's Board of Hillsborough County  
Clerk of Circuit Court  
Hillsborough Area Regional Transit  
Hillsborough Community College  
Hillsborough County Aviation Authority  
Hillsborough County Civil Service Board  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tampa Bay Area Regional Transit  
Authority  
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  
Chipola College  
City of Graceville <sup>1,4</sup>  
City of Marianna <sup>4</sup>  
Clerk of Circuit Court  
Northwest Florida Regional Housing  
Authority  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Alford <sup>4</sup>  
Town of Grand Ridge <sup>4</sup>  
Town of Sneads <sup>1,4</sup>

#### **JEFFERSON COUNTY**

Board of County Commissioners  
City of Monticello <sup>4</sup>  
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  
Tax Collector  
Town of Mayo <sup>3,4</sup>

#### **LAKE COUNTY**

Board of County Commissioners  
City of Fruitland Park <sup>1,4</sup>  
City of Minneola <sup>2,4</sup>  
City of Tavares <sup>1,2,4</sup>  
City of Umatilla <sup>4</sup>  
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 <sup>4</sup>

#### **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 Fire Control District  
City of Bonita Springs

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<sup>3</sup> This agency participates in the FRS for its elected officials.

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Clerk of Circuit Court  
 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  
 Hyacinth Control District  
 Iona McGregor Fire Protection and Rescue Service  
 Lee County Metropolitan Planning Organization  
 Lee County Mosquito Control District  
 Lehigh Acres Fire Control and Rescue District  
 Lehigh Acres Municipal Services Improvement 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 Regional Planning Council  
 Supervisor of Elections  
 Tax Collector  
 Tice Fire and Rescue District

#### **LEON COUNTY**

Board of County Commissioners  
 Clerk of Circuit Court  
 Florida Clerk of Court Operations Corporation  
 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  
 Tax Collector

#### **LEVY COUNTY**

Board of County Commissioners  
 City of Cedar Key <sup>1</sup>  
 City of Chiefland  
 City of Fanning Springs  
 City of Williston <sup>2</sup>  
 Clerk of Circuit Court  
 Levy County Housing Authority  
 Nature Coast Middle School  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Inglis <sup>1,4</sup>  
 Town of Yankeetown <sup>4</sup>  
 Whispering Winds Charter School

#### **LIBERTY COUNTY**

Board of County Commissioners  
 City of Bristol <sup>4</sup>  
 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  
 Madison Creative Arts Academy, Inc.  
 North Florida College  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Greenville <sup>4</sup>

#### **MANATEE COUNTY**

Board of County Commissioners  
 Braden River Fire Control and Rescue  
 Cedar Hammock Fire Control District  
 City of Anna Maria  
 City of Bradenton <sup>3,4</sup>  
 City of Holmes Beach <sup>4</sup>  
 Clerk of Circuit Court  
 Lincoln Memorial Academy  
 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 <sup>2</sup>  
 William Monroe Rowlett Academy for the Arts and Communication  
 William Monroe Rowlett Middle Academy

#### **MARION COUNTY**

Board of County Commissioners  
 College of Central Florida  
 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  
 Village of Indiantown <sup>3,4</sup>

#### **MIAMI - DADE COUNTY**

Bal Harbour Village <sup>1</sup>  
 The Children's Trust  
 City of Coral Gables <sup>3</sup>  
 City of Doral <sup>1</sup>  
 City of Florida City <sup>1,4</sup>  
 City of Miami Gardens <sup>1,3,4</sup>  
 City of North Bay Village <sup>1,4</sup>  
 City of North Miami <sup>1,3,4</sup>  
 City of North Miami Beach <sup>3</sup>  
 City of Opa-Locka <sup>1,4</sup>  
 City of Sunny Isles Beach  
 City of West Miami <sup>1,4</sup>  
 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  
 Property Appraiser  
 School Board  
 Supervisor of Elections  
 Tax Collector  
 Town of Cutler Bay  
 Town of Miami Lakes <sup>1,3,4</sup>  
 Village of Biscayne Park <sup>1,4</sup>  
 Village of El Portal <sup>1,4</sup>  
 Village of Pinecrest <sup>1</sup>

#### **MONROE COUNTY**

Board of County Commissioners  
 City of Key Colony Beach <sup>1,4</sup>  
 City of Marathon <sup>3</sup>  
 Clerk of Circuit Court  
 Florida Keys Aqueduct Authority  
 The College of the Florida Keys  
 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 <sup>3</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Callahan <sup>3,4</sup>

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<sup>4</sup> This agency participates in the FRS for its general employees.

Town of Hilliard <sup>3,4</sup>

### **OKALOOSA COUNTY**

Board of County Commissioners  
City of Niceville <sup>1,2,4</sup>  
Clerk of Circuit Court  
Liza Jackson Preparatory School  
Northwest Florida State College  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

### **OSKEECHOBEE COUNTY**

Board of County Commissioners  
Clerk of Circuit Court  
Okeechobee Soil and Water Conservation District  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

### **ORANGE COUNTY**

Board of County Commissioners  
Central Florida Expressway Authority  
City of Edgewood  
Clerk of Circuit Court  
Florida Virtual High School  
Greater Orlando Aviation Authority <sup>2</sup>  
Lake Apopka Natural Gas District  
Nap Ford Community School  
Office of the Comptroller  
Orlando Science Elementary School  
Orlando Science Middle/High School  
Property Appraiser  
Reedy Creek Improvement District  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Valencia College

### **OSCEOLA COUNTY**

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

### **PALM BEACH COUNTY**

Board of County Commissioners  
City of Atlantis <sup>1,4</sup>  
City of Boca Raton <sup>3</sup>  
City of Boynton Beach <sup>3</sup>  
City of Palm Beach Gardens <sup>3,4</sup>  
City of Riviera Beach <sup>2,3,4</sup>  
City of South Bay <sup>3</sup>  
Clerk of Circuit Court  
Florida Inland Navigation District  
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 Consortium  
Port of Palm Beach  
Property Appraiser  
School Board  
Shawano Drainage District  
Sheriff  
South Florida Conservancy  
South Florida Water Management District  
South Tech Charter Academy, Inc.  
Supervisor of Elections  
Tax Collector  
Town of Haverhill <sup>4</sup>  
Town of Highland Beach <sup>1,3,4</sup>  
Town of Juno Beach <sup>1,4</sup>  
Town of Jupiter <sup>3,4</sup>  
Town of Loxahatchee Groves <sup>4</sup>  
Town of Mangonia Park <sup>4</sup>  
Town of Ocean Ridge <sup>1,3,4</sup>  
Town of Palm Beach Shores <sup>1,2,4</sup>  
Town of South Palm Beach <sup>1,4</sup>  
Village of Palm Springs <sup>1,3,4</sup>  
Village of Royal Palm Beach <sup>3,4</sup>  
Village of Wellington <sup>3,4</sup>  
Western Academy Charter School

### **PASCO COUNTY**

Board of County Commissioners  
City of New Port Richey <sup>4</sup>  
City of Port Richey  
City of San Antonio <sup>4</sup>  
City of Zephyrhills <sup>1,2,4</sup>  
Clerk of Circuit Court  
Learning Lodge Academy, Inc.  
Pasco County Mosquito Control District  
Pasco-Hernando State College  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

### **PINELLAS COUNTY**

Board of County Commissioners  
City of Madeira Beach <sup>2,4</sup>  
City of Oldsmar <sup>2</sup>  
City of Seminole <sup>3,4</sup>  
City of South Pasadena <sup>4</sup>  
City of Treasure Island <sup>1,2</sup>  
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 <sup>3</sup>  
Town of Kenneth City <sup>1</sup>  
Town of North Redington Beach <sup>4</sup>  
Town of Redington Shores <sup>3,4</sup>

### **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.  
Edward W. Bok Academy North  
Hillcrest Elementary School  
Janie Howard Wilson Elementary School  
Lakeland Area Mass Transit District  
Lake Wales Charter School, Inc.  
Lake Wales Senior High School  
Language and Literacy Academy of Learning, Inc.  
New Beginnings High School, Inc.  
Our Children's Academy  
Polk Avenue Elementary School  
Polk State College  
Property Appraiser  
Ridgeview Global Studies Academy  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
The Schools of McKeel Academy  
Town of Polk City <sup>4</sup>  
Village of Highland Park <sup>4</sup>

### **PUTNAM COUNTY**

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

### **SAINT JOHNS COUNTY**

Anastasia Mosquito Control District  
Board of County Commissioners  
City of Saint Augustine Beach  
Clerk of Circuit Court

<sup>1</sup> This agency participates in the FRS for its police employees.

<sup>2</sup> This agency participates in the FRS for its fire employees.

<sup>3</sup> This agency participates in the FRS for its elected officials.

<sup>4</sup> This agency participates in the FRS for its general employees.

Property Appraiser  
 Saint Augustine-Saint Johns County Airport  
 Authority  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **SAINT LUCIE COUNTY**

Board of County Commissioners  
 Children's Service Council of Saint Lucie  
 City of Port Saint Lucie <sup>3</sup>  
 Clerk of Circuit Court  
 Indian River State College  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **SANTA ROSA COUNTY**

Avalon Fire Rescue District  
 Board of County Commissioners  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Jay <sup>3,4</sup>

#### **SARASOTA COUNTY**

Board of County Commissioners  
 City of North Port <sup>3,4</sup>  
 City of Venice  
 Clerk of Circuit Court  
 Englewood Area Fire Control District  
 Englewood Water District  
 Property Appraiser  
 Sarasota Bay Estuary Program  
 Sarasota-Manatee Metropolitan Planning  
 Organization  
 Sarasota Military Academy  
 Sarasota Military Academy Prep  
 Sarasota Suncoast 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 Sanford  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Seminole Science Charter School  
 Seminole State College of Florida  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **SUMTER COUNTY**

Board of County Commissioners  
 City of Center Hill <sup>1,4</sup>  
 City of Coleman <sup>1,3,4</sup>  
 City of Webster <sup>1,3,4</sup>  
 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 <sup>3,4</sup>  
 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 <sup>3,4</sup>  
 Clerk of Circuit Court  
 New River Library Cooperative  
 PAL Public 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 <sup>3,4</sup>  
 City of Daytona Beach Shores <sup>1</sup>  
 City of Deltona <sup>4</sup>  
 City of Holly Hill <sup>4</sup>  
 City of Lake Helen  
 City of New Smyrna Beach <sup>3</sup>  
 City of Oak Hill <sup>1,4</sup>  
 City of Orange City  
 City of South Daytona <sup>1,2,4</sup>  
 Clerk of Circuit Court

Daytona State College  
 Property Appraiser  
 River to Sea Transportation Planning  
 Organization  
 School Board  
 Sheriff  
 Southeast Volusia Hospital District  
 Supervisor of Elections  
 Tax Collector  
 Town of Pierson <sup>4</sup>  
 Town of Ponce Inlet <sup>1,2,4</sup>  
 Volusia County Law Library

#### **WAKULLA COUNTY**

Board of County Commissioners  
 City of Sopchoppy <sup>4</sup>  
 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 <sup>2,3,4</sup>  
 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 <sup>3,4</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Wausau <sup>3,4</sup>

#### **SUMMARY**

|                       |            |
|-----------------------|------------|
| State                 | 57         |
| County Agencies       | 396        |
| School Boards         | 67         |
| Cities                | 176        |
| State Colleges        | 28         |
| Independent Hospitals | 2          |
| Special Districts     | 136        |
| Charter Schools       | 91         |
| Housing Authorities   | 12         |
| Other                 | 11         |
| <b>Total</b>          | <b>976</b> |

<sup>1</sup> This agency participates in the FRS for its police employees.

<sup>2</sup> This agency participates in the FRS for its fire employees.

<sup>3</sup> This agency participates in the FRS for its elected officials.

<sup>4</sup> This agency participates in the FRS for its general employees.

**Non-Participating Employers**

The following list of 44 employers report existing FRS members only; new employees are not eligible to participate in the FRS.

Bay County – City of Panama City  
Brevard County – Canaveral Port Authority  
Broward County – City of Lauderdale Lakes  
Broward County – Fort Lauderdale Downtown Development Authority  
Broward County – *Memorial Healthcare District*  
Broward County – *North Broward Hospital District*  
Citrus County – Citrus County Hospital Board  
Clay County – *Clay County Utility Authority*  
Collier County – City of Marco Island  
DeSoto County – Joshua Water Control District  
Flagler County – *City of Palm Coast*  
Hendry County – Hendry County Hospital Authority  
Hillsborough County – City of Temple Terrace  
Jackson County – Jackson Hospital  
Lake County – City of Eustis  
Leon County – City of Tallahassee  
Manatee County – *West Manatee Fire and Rescue District*  
Marion County – City of Dunnellon  
Miami-Dade County – Public Health Trust Jackson Memorial  
Okaloosa County – City of Valparaiso  
Okaloosa County – Okaloosa County Gas District  
Okaloosa County – Town of Shalimar  
Orange County – City of Maitland  
Orange County – Orange-Seminole-Osceola Transit Authority  
Palm Beach County – Acme Improvement District  
Palm Beach County – City of Greenacres  
Palm Beach County – City of Pahokee  
Palm Beach County – Palm Beach County Health Care District  
Palm Beach County – South Indian River Water Control District  
Palm Beach County – Village of Tequesta  
Pasco County – City of Dade City  
Pinellas County – City of Belleair Beach  
Pinellas County – City of Dunedin  
Pinellas County – City of Indian Rocks Beach  
Pinellas County – City of Safety Harbor  
Pinellas County – Town of Redington Beach  
Saint Lucie County – North Saint Lucie River Water Management District  
Santa Rosa County – City of Gulf Breeze  
Seminole County – City of Altamonte Springs  
Seminole County – City of Casselberry  
Seminole County – City of Longwood  
Seminole County – South Seminole-North Orange Wastewater Authority  
Sumter County – City of Bushnell  
Volusia County – New Smyrna Beach Utilities Commission

Note: Italicized agencies report FRS employees due to a merger, transfer, or consolidation of governmental services.

## 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.

For participating plans, the 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 are 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 monitors all local government sponsored pension plans for compliance with Part VII of Chapter 112, Florida Statutes. This Part ensures that all locally sponsored defined benefit pension plans are being funded on an actuarially sound basis and receive timely actuarial services which meet specified standards in their preparation. This review function covers general employee and other employee group plans, in addition to the police and fire plans monitored under Chapters 175 and 185, Florida Statutes. The Division 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.

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Sherrill F. Norman, CPA  
Auditor General

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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 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, governmental fund, 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, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 3, 2020, 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 in internal control 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 this Report**

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results 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,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 3, 2020  
Audit Report No. 2020-089

## NOTES

## NOTES



