

Florida Retirement System Pension Plan And  
Other State Administered Systems  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2017



FLORIDA DEPARTMENT OF MANAGEMENT SERVICES  
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Florida Retirement System Pension Plan And  
Other State Administered Retirement Systems  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2017



Dagny Johnson Key Largo Hammock Botanical State Park - Photograph courtesy of the Florida Department of Environmental Protection

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Rick Scott, Governor  
Erin Rock, Secretary  
Elizabeth Stevens, State Retirement Director

**This report has been prepared by the Department of Management Services Division of Retirement and Division of Finance and Administration. The photographs used throughout this report highlight the beauty from the various Florida Gardens State Parks. On the cover is a photograph from the Alfred B. Maclay Gardens State Park courtesy of Lou Kellenberger.**

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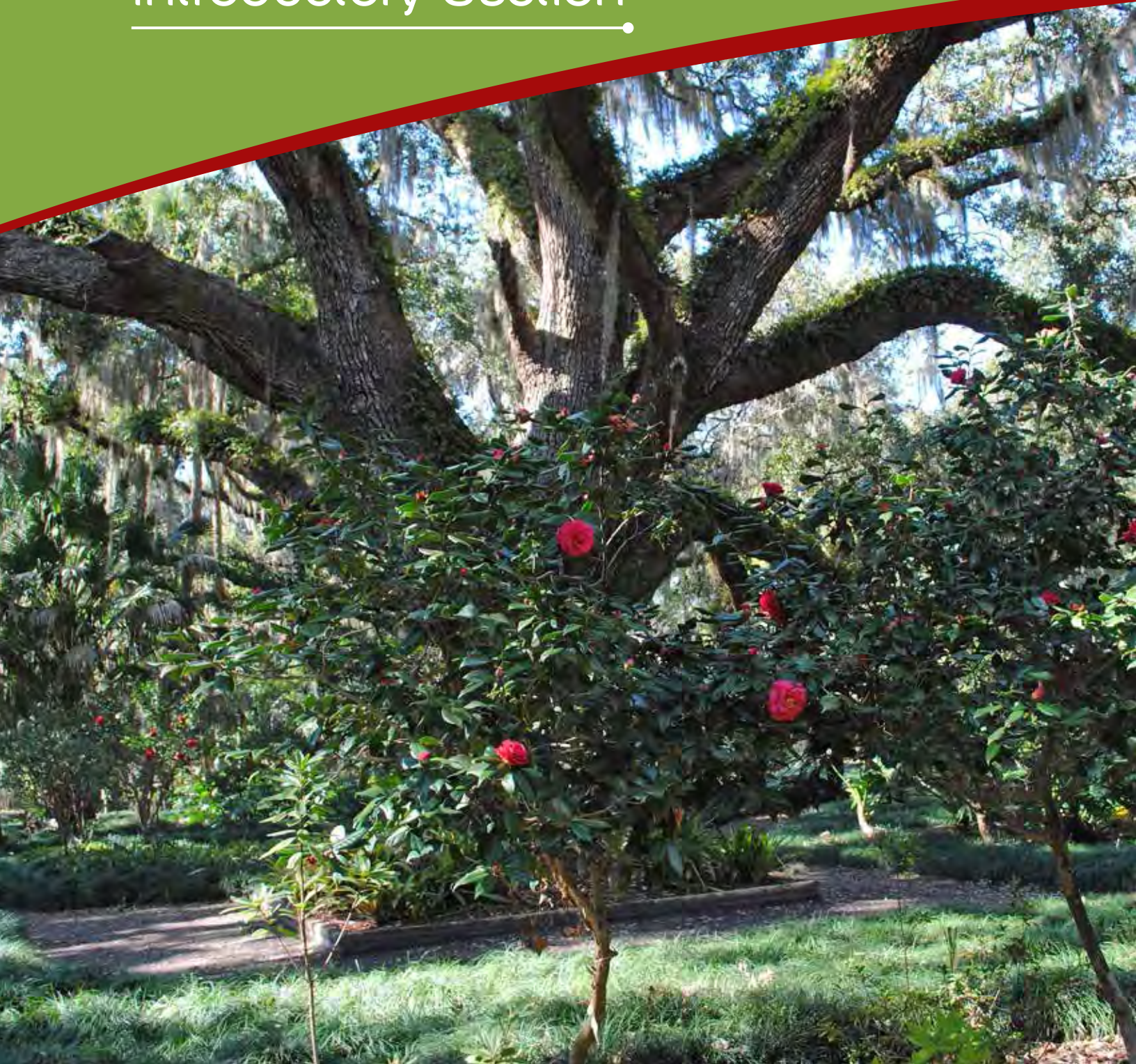
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# Introductory Section





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Rick Scott, Governor

Erin Rock, Secretary

## 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, 2016, through June 30, 2017. 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 406,018 retirees or their designated beneficiaries and 33,233 Deferred Retirement Option Program (DROP) participants and offers a wide range of information services to 637,643 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, 2017, the FRS had 995 participating employers enrolling new members and 41 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, 2017, the market value of assets for the FRS Pension Plan was approximately \$153.6 billion. This reflects a 13.77 percent annualized investment return. The fiduciary net position as of June 30, 2017, was \$154.1 billion, an 8.66 percent increase over the previous year. The FRS Pension Plan is 83.9 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 2017 Legislative Session:

- Created survivor benefits for FRS Investment Plan members in classes other than the Special Risk Class who are killed in the line of duty on or after July 1, 2002, for benefit payments on or after July 1, 2017, with the following stipulations:
  - A new in-line-of-duty survivor benefit is created for the surviving spouse or on behalf of an eligible dependent child or children of an Investment Plan member in addition to the in-line-of-duty survivor benefit created for Special Risk Class members in 2016. This new survivor benefit is equal to 50 percent of the member's base monthly salary at the time of death. If an in-line-of-duty death benefit is approved, the member's Investment Plan account balance must be transferred to the Survivor Benefit Account of the FRS Trust Fund to receive monthly benefits from the Pension Plan.
  - If there is no surviving spouse, the eligible child or children will receive benefits until the youngest unmarried child reaches age 18.
  - The retroactive application for future enhanced survivor benefit for the surviving spouse or eligible dependent child or children passed in 2016 but is now retroactive to July 1, 2002, instead July 1, 2013.
- Renewed membership is available to reemployed defined contribution plan retirees who are initially reemployed on or after July 1, 2011, and who are enrolled in one of the following plans on or after July 1, 2017: FRS Investment Plan, the State University System Optional Retirement Program or the State Community College System Optional Retirement Program depending upon the plan covering the position. The FRS Pension Plan remains closed to renewed members and Pension Plan retirees are not eligible for this renewed membership.
- The default membership for members employed on or after January 1, 2018, changes from the Pension Plan to the Investment Plan for members in all classes except the Special Risk Class. Special Risk Class members continue to default to the Pension Plan. The election choice period is extended from five calendar months to eight calendar months following the month of hire.
- The Senior Management Service Optional Annuity Program was closed to new members effective July 1, 2017.
- Established uniform employer contribution rates for the FRS membership classes and the contribution rate for the DROP effective July 1, 2017. New uniform employer contribution rates include fully funding the recommended unfunded actuarial liability contribution. The required employee contribution rate remains at 3 percent.

## Awards and Recognition

The FRS was awarded the Public Pension Coordinating Council's Public Pensions Standards Award for Funding and Administration in 2017. This award recognizes plans that meet professional standards for plan funding and administration in categories such as benefits, actuarial valuations, financial reporting and communications to members.

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

Respectfully submitted,



Elizabeth Stevens  
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:



Erin Rock  
Secretary



Elizabeth Stevens  
Director



Shirley Beauford  
Assistant Director



Delanah Gebhart, Manager  
Administrative Services



Garry Green, Manager  
Research and Education



Todd McCullough, Manager  
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

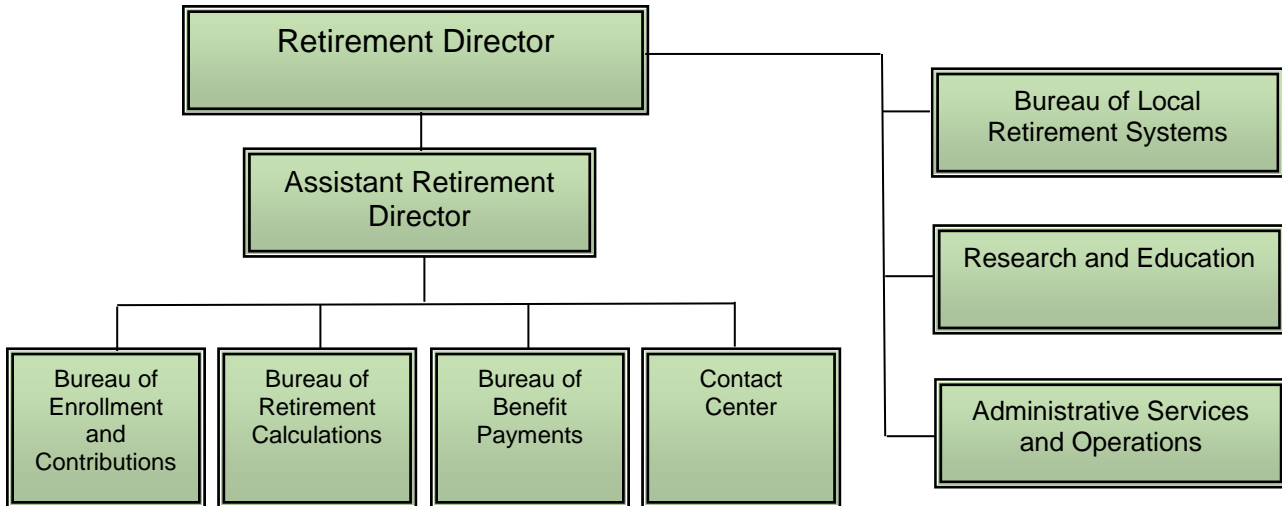


Kelly Recio, Chief  
Bureau of Benefit Payments

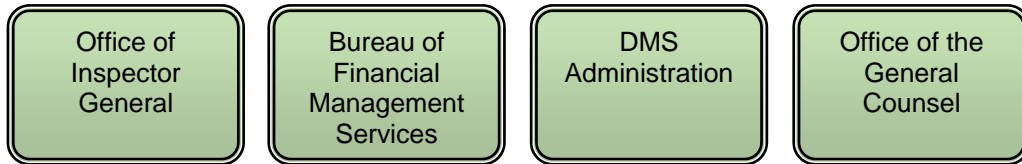
### MAILING ADDRESS

Division of Retirement  
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**ADMINISTRATIVE ORGANIZATION  
as of June 30, 2017**



**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



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2017***

Presented to

***Florida Retirement System Pension Plan***

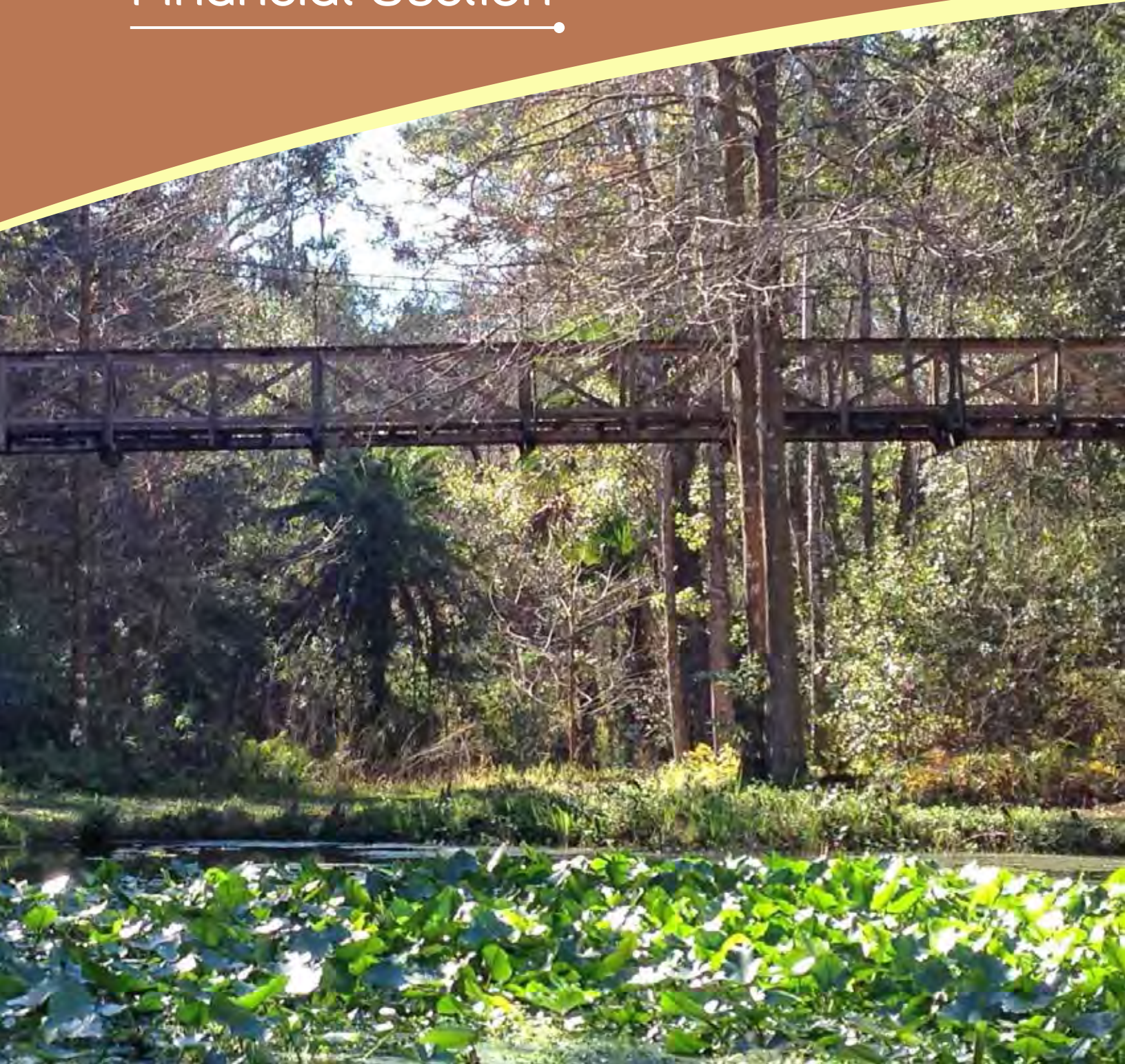
In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

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

Alan H. Winkle  
Program Administrator

# Financial Section





Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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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

### 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, 2017, 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 95.8 percent of the assets and 87.2 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, 2017, 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, 2017, 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.

As discussed in Note 2, management adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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 the accompanying Management's Discussion and Analysis on pages 17 through 24, and the Required Supplementary Schedules of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Money-Weighted Rate of Return, and related Notes to Required Supplementary Information on pages 80 through 87, and required budgetary information on pages 88 through 89, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the GASB 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 12, the Investment, Actuarial, Statistical, and System Summary Sections on pages 93 through 182, and the Schedule of Administrative Expenses on page 92, 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 December 15, 2017, 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  
December 15, 2017  
Audit Report No. 2018-065

## 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, 2017. 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 over 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, 2017; the fiduciary net position of the FRS Pension Plan increased to \$154.1 billion, an increase of \$ 12.3 billion, or 8.66 percent above fiscal year 2016. The increase in value was due primarily to higher than anticipated investment returns across all asset classes. As detailed in the Investment Section, the market value of assets for the FRS Trust Fund was \$153.6 billion. The FRS earned an overall investment return of 13.8 percent for fiscal year 2017, compared with a return of 0.54 percent for fiscal year 2016.
- 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, 2017, the date of the latest actuarial valuation, the FRS' funded ratio was 84.3 percent on the valuation funding basis, as compared to 85.4 percent as of July 1, 2016. The funded ratio on the Governmental Accounting Standards Board Statement No. 67 basis was 83.9 percent as of July 1, 2017, as compared to 84.9 percent in the prior year.

- Administrative expense of the plan for fiscal year 2017 totaled \$18.3 million as compared to \$18.5 million for fiscal year 2016. Administrative expenses reported on the Statement of Changes in Fiduciary Net Position for fiscal year 2017 include items such as professional service cost, communication cost, and other operating costs which include equipment and utilities 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 2017 totaled \$3.35 billion, an increase of 6.31 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 2017 decreased by \$0.7 billion (7.1 percent) from fiscal year 2016, for a total of \$9.3 billion. These benefits include payouts to terminating participants of the Deferred Retirement Option Program before being added to the monthly payroll for benefit payments. Legislative changes enacted in 2011 resulted in a large one-time increase in members entering DROP by June 2011. The last remaining members of this large group completed DROP and were added to the retired payroll for monthly benefits early in this fiscal year resulting in a decrease in total benefit payments compared to fiscal year 2016.
- Refunds of employee contributions increased by \$2.8 million in fiscal year 2017 to a total of \$13.5 million.

#### *Actuarial Valuations*

- The FRS actuarial valuation was prepared as of July 1, 2017.
- The HIS actuarial valuation was prepared as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017.
- The National Guard actuarial valuation was prepared as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017.
- 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 certain 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, 2017, constituted approximately five 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.

### *Change in Accounting Standards*

The division implemented Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. As part of this implementation, the division amended the long-term expected rate of return used in calculating the FRS Pension Plan's net pension liability for GASB 67 reporting purposes, resulting in a different investment return assumption than is used for funding policy purposes, as allowable under governmental accounting and reporting standards.

The investment return assumption used in calculating the FRS Pension Plan's net pension liability for GASB 67 reporting purposes was 7.10 percent, while the investment return assumption selected by the FRS Actuarial Assumption Conference and used for the funding policy was 7.50 percent. The investment return assumption for GASB 67 reporting consists of two building block components: 1) a real (in excess of inflation) return of 4.5 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, and 2) a long-term average annual inflation assumption of 2.6 percent as adopted by the FRS Actuarial Assumption Conference. The system's consulting actuary determined the investment return assumption of 7.10 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 of the financial statements. The depletion date projection is available in the 2017 GASB 67 Supplement to the FRS Actuarial Valuation on the division's website at [www.frs.myflorida.com](http://www.frs.myflorida.com)

### **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, 2017:

- **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

### 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 \$154.4 billion, with the defined benefit plans comprising over 99.9 percent of the total. Net position increased 8.69 percent from the previous year’s total net position of \$142.1 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	
	2017	2016	2017	2016	2017	2016	2017	2016
Cash and investments	\$ 158,050,953	\$ 145,735,865	\$ 5,110	\$ 5,018	\$ 255,052	\$ 250,424	\$ 158,311,115	\$ 145,991,307
Other assets	6,828,310	6,779,650	28	23	282	5,322	6,828,620	6,784,995
Total assets	164,879,263	152,515,515	5,138	5,041	255,334	255,746	165,139,735	152,776,302
Total deferred outflows of resources	-	-	46	25	-	-	46	25
Total liabilities	10,647,689	10,620,736	154	417	68,263	84,151	10,716,106	10,705,304
Total deferred inflows of resources	-	-	114	14	-	-	114	14
<b>Fiduciary net position / net position</b>	<b>\$ 154,231,574</b>	<b>\$ 141,894,779</b>	<b>\$ 4,916</b>	<b>\$ 4,635</b>	<b>\$ 187,071</b>	<b>\$ 171,595</b>	<b>\$ 154,423,561</b>	<b>\$ 142,071,009</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 \$12.4 billion dollars during the fiscal year. The FRS Pension Plan accounts for 99.4% of the increase.

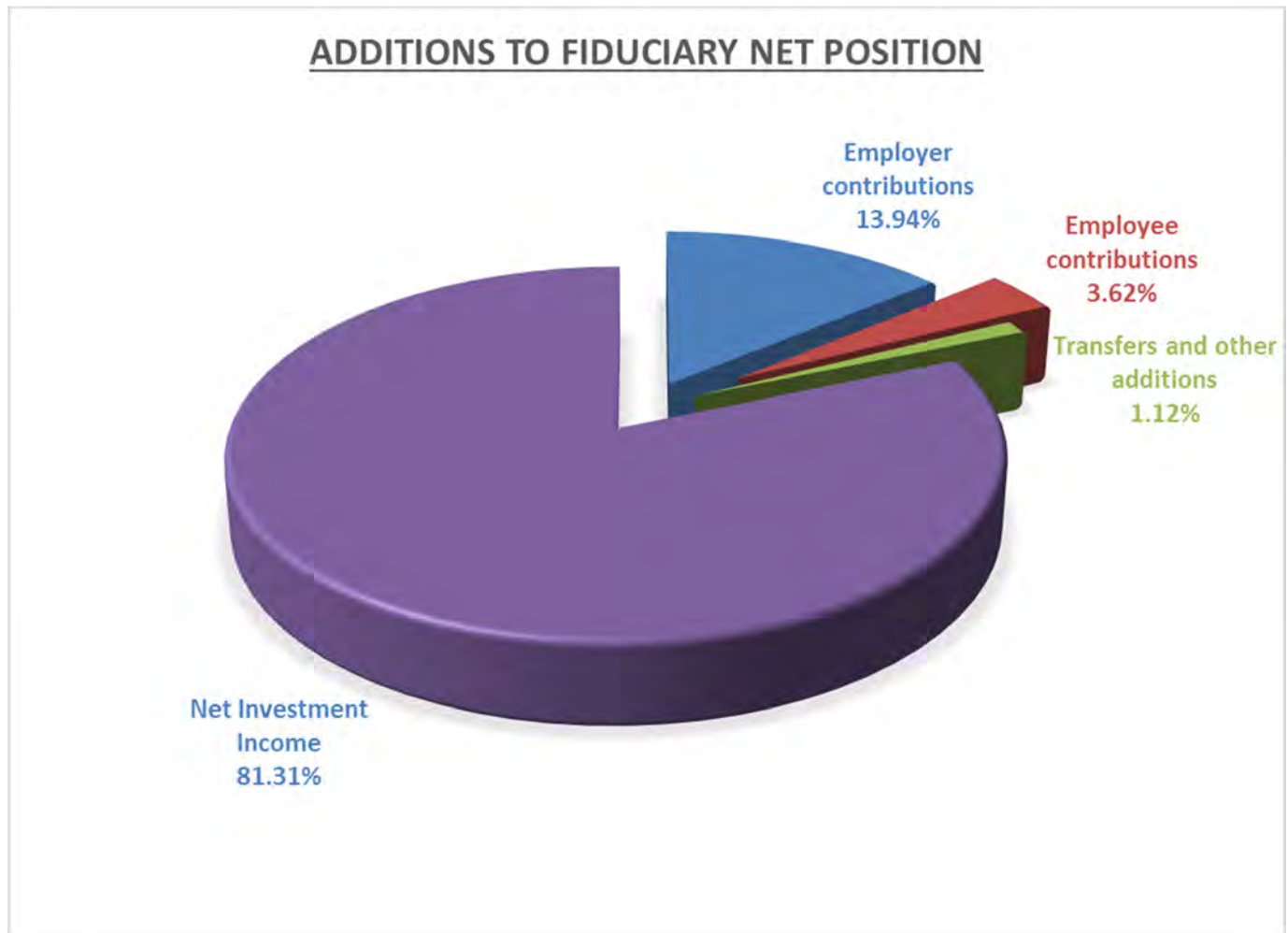
**Table 2: Condensed Statements of Changes in Fiduciary Net Position / Activities**  
For the fiscal year ended June 30  
(in thousands)

	Defined Benefit Plans		Defined Contribution Plans		Governmental Activities		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Additions / Revenues</b>								
Employer contributions	\$ 3,132,475	\$ 2,951,223	\$ 91,421	\$ 86,898	\$ -	\$ -	\$ 3,223,896	\$ 3,038,121
Employee contributions	744,839	710,717	92,962	89,068	-	-	837,801	799,785
Premium taxes	-	-	-	-	170,282	181,314	170,282	181,314
Transfers and other additions	89,630	77,477	176	106	-	395	89,806	77,978
Net investment income / (loss)	18,800,621	817,221	2	143	1,403	614	18,802,026	817,978
<b>Total additions / revenues</b>	<b>22,767,565</b>	<b>4,556,638</b>	<b>184,561</b>	<b>176,215</b>	<b>171,685</b>	<b>182,323</b>	<b>23,123,811</b>	<b>4,915,176</b>
<b>Deductions / Expenses</b>								
Benefit payments	9,829,816	10,524,981	-	-	-	-	9,829,816	10,524,981
Refunds of contributions	13,482	10,644	-	-	-	-	13,482	10,644
Payments to annuity companies	-	-	183,989	175,422	-	-	183,989	175,422
Distribution to cities	-	-	-	-	130,369	137,714	130,369	137,714
Administrative expenses	18,560	18,705	291	249	894	702	19,745	19,656
Transfers and other deductions	568,912	612,696	-	-	24,946	27,689	593,858	640,385
<b>Total deductions / expenses</b>	<b>10,430,770</b>	<b>11,167,026</b>	<b>184,280</b>	<b>175,671</b>	<b>156,209</b>	<b>166,105</b>	<b>10,771,259</b>	<b>11,508,802</b>
Change in net position	12,336,795	(6,610,388)	281	544	15,476	16,218	12,352,552	(6,593,626)
Fiduciary net position / net position - beginning	141,894,779	148,505,167	4,635	4,091	171,595	155,377	142,071,009	148,664,635
<b>Fiduciary net position / net position - ending</b>	<b>\$ 154,231,574</b>	<b>\$ 141,894,779</b>	<b>\$ 4,916</b>	<b>\$ 4,635</b>	<b>\$ 187,071</b>	<b>\$ 171,595</b>	<b>\$ 154,423,561</b>	<b>\$ 142,071,009</b>

The following charts provide a visual representation of activity for all state-administered retirement funds for the fiscal year ended June 30, 2017:

### Additions to Fiduciary Net Position

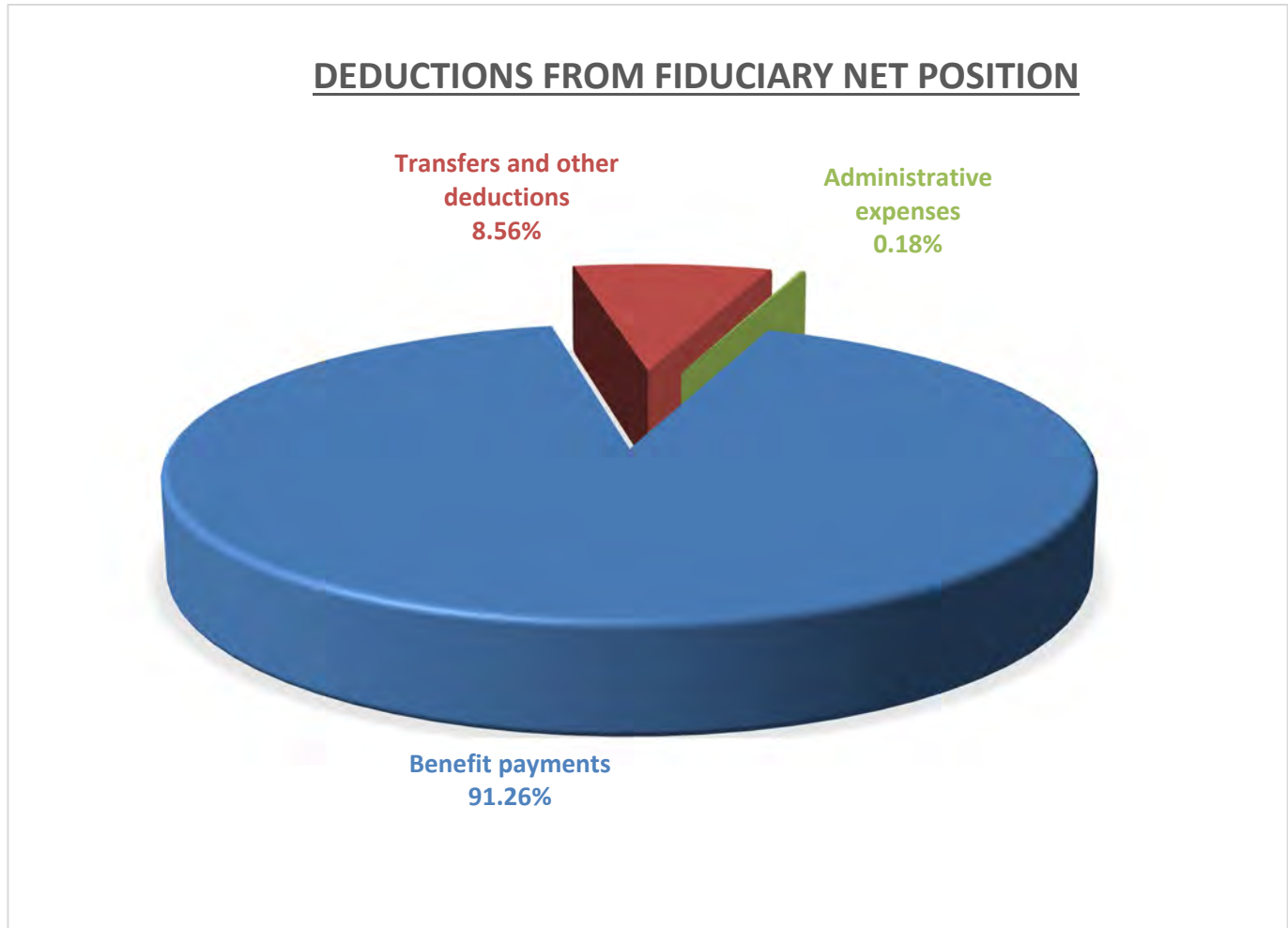
Of the total additions of \$23.1 billion for all state-administered retirement funds during the fiscal year, 81.31 percent was attributable to net investment income of \$18.80 billion. Employer and employee contributions represent 13.94 percent and 3.62 percent, respectively, while the remaining 1.12 percent was allocated between transfers and other additions.





## Deductions from Fiduciary Net Position

Of the total deductions of \$10.8 billion for all state-administered retirement funds during the fiscal year, benefit payments account for the majority of deductions from fiduciary net position, comprising 91.26 percent or \$9.83 billion. Transfers and other deductions made up 8.56 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 8.66 percent as of June 30, 2017, as compared to June 30, 2016. This increase primarily resulted from increased investment returns. The actual investment performance for the FRS Pension Plan for the fiscal year ended June 30, 2017, was 13.77 percent and 0.54 percent for the fiscal year ended June 30, 2016.

The long-term average annual investment return assumption for the 2017 FRS Pension Plan valuation was 7.10 percent and 7.60 percent for the 2016 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 assumption for GASB 67 reporting purposes. See Note 4 and the Actuarial Section for further information.

Assumption changes adopted for the 2017 FRS Pension Plan Valuation included:

- Decreasing the assumed investment rate of return from 7.60 percent to 7.10 percent for GASB 67 reporting purposes, and
- Decreasing the assumed investment rate of return from 7.60 percent to 7.50 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, 2017

	Defined Benefit		
	Florida Retirement System	Retiree Health Insurance Subsidy	National Guard
<b>ASSETS</b>			
Cash and cash equivalents	\$ 130,731,187	\$ -	\$ -
State treasury investment pool	60,429,448	150,807	-
Total cash and cash equivalents	<u>191,160,635</u>	<u>150,807</u>	<u>-</u>
<u>Investments</u>			
Certificates of deposit	800,168,500	-	-
U.S. government and federally guaranteed obligations	10,910,710,262	-	-
Federal agencies	8,418,178,463	-	-
Commercial paper	4,050,193,462	-	-
Other investments	17,211,447	-	-
Repurchase agreements	750,000,000	-	-
International bonds and notes	1,952,266,136	-	-
Bonds and notes	6,859,418,307	-	-
Real estate contracts	10,984,655,199	-	-
International equity commingled	7,911,256,458	-	-
Short term investment funds	16,866,516	134,445,168	-
Domestic equity / domestic equity commingled	45,250,542,923	-	-
Alternative investment	24,004,242,055	-	-
International equity	34,509,634,866	-	-
Total investments	<u>156,435,344,594</u>	<u>134,445,168</u>	<u>-</u>
<u>Receivables</u>			
Accounts receivable	4,357,049	42,973	-
Contributions receivable	189,585,664	31,163,663	-
Interest receivable	122,877,373	-	-
Dividends receivable	201,580,417	-	-
Pending investment sales	1,221,252,475	-	-
Pending spot fx trades receivable	454,201,463	-	-
Forward contracts receivable	4,510,178,954	-	-
Futures trade equity	29,350,009	-	-
Due from other funds	43,063,855	6,377,949	-
Due from other funds within division	-	6,133,191	-
Total receivables	<u>6,776,447,259</u>	<u>43,717,776</u>	<u>-</u>
Security lending collateral	1,289,851,618	-	-
Prepaid items	7,623,171	-	-
Furniture and equipment	1,063,786	-	-
Accumulated depreciation	(541,666)	-	-
Total assets	<u>164,700,949,397</u>	<u>178,313,751</u>	<u>-</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>			
Accounts payable	102,534,907	2,910	-
Accrued DROP liability	216,703,029	-	-
Due to other funds	9,744,622	-	-
Due to other funds within division	6,133,191	-	-
Due to other departments	5,786,041	-	-
Accrued interest payable	447,293	-	-
Obligations under security lending agreements	1,328,234,288	-	-
Pending investment purchases	3,701,087,157	-	-
Pending spot fx trades payable	454,190,536	-	-
Forward contracts payable	4,494,947,721	-	-
Broker rebate fees	1,106,135	-	-
Short sell obligations - fixed income	322,262,308	-	-
Compensated absences liability	906,117	-	-
Net pension liability	-	-	-
Other liabilities	3,603,084	-	-
Total liabilities	<u>10,647,686,429</u>	<u>2,910</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>			
Restricted for pensions	<u>\$ 154,053,262,968</u>	<u>\$ 178,310,841</u>	<u>\$ -</u>

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

**STATEMENT OF FIDUCIARY NET POSITION**  
as of June 30, 2017

<b>Defined Contribution</b>		
<b>State University System Optional Retirement Program</b>	<b>Senior Management Service Optional Annuity Program</b>	<b>Total June 30, 2017</b>
\$ -	\$ -	\$ 130,731,187
5,066,948	43,277	65,690,480
<u>5,066,948</u>	<u>43,277</u>	<u>196,421,667</u>
-	-	800,168,500
-	-	10,910,710,262
-	-	8,418,178,463
-	-	4,050,193,462
-	-	17,211,447
-	-	750,000,000
-	-	1,952,266,136
-	-	6,859,418,307
-	-	10,984,655,199
-	-	7,911,256,458
-	-	151,311,684
-	-	45,250,542,923
-	-	24,004,242,055
-	-	34,509,634,866
<u>-</u>	<u>-</u>	<u>156,569,789,762</u>
-	-	4,400,022
20,183	-	220,769,510
8,022	17	122,885,412
-	-	201,580,417
-	-	1,221,252,475
-	-	454,201,463
-	-	4,510,178,954
-	-	29,350,009
-	-	49,441,804
-	-	6,133,191
<u>28,205</u>	<u>17</u>	<u>6,820,193,257</u>
-	-	1,289,851,618
-	-	7,623,171
-	-	1,063,786
-	-	(541,666)
<u>5,095,153</u>	<u>43,294</u>	<u>164,884,401,595</u>
<u>46,493</u>	<u>-</u>	<u>46,493</u>
<u>46,493</u>	<u>-</u>	<u>46,493</u>
5,018	2	102,542,837
-	-	216,703,029
18	-	9,744,640
-	-	6,133,191
521	-	5,786,562
-	-	447,293
-	-	1,328,234,288
-	-	3,701,087,157
-	-	454,190,536
-	-	4,494,947,721
-	-	1,106,135
-	-	322,262,308
3,370	-	909,487
106,617	-	106,617
39,086	-	3,642,170
<u>154,630</u>	<u>2</u>	<u>10,647,843,971</u>
<u>113,545</u>	<u>-</u>	<u>113,545</u>
<u>113,545</u>	<u>-</u>	<u>113,545</u>
<u>\$ 4,873,471</u>	<u>\$ 43,292</u>	<u>\$ 154,236,490,572</u>

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

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

for the fiscal year ended June 30, 2017

	Defined Benefit		
	Florida Retirement System	Retiree Health Insurance Subsidy	National Guard
<b>ADDITIONS</b>			
<u>Contributions and other deposits</u>			
Pension contributions - employer	\$ 2,603,246,196	\$ 529,228,859	\$ -
Pension contributions - employee	737,776,492	-	-
Purchase of time by employees	7,062,918	-	-
General revenue	1,124,872	-	-
Other income	2,484,713	190,544	-
Forfeiture of employee benefit	-	-	-
Total contributions and other deposits	<u>3,351,695,191</u>	<u>529,419,403</u>	<u>-</u>
<u>Transfers</u>			
Other funds - FRS investment plan	71,109,940	-	-
General revenue	-	-	14,719,588
Total transfers	<u>71,109,940</u>	<u>-</u>	<u>14,719,588</u>
Total contributions and transfers	<u>3,422,805,131</u>	<u>529,419,403</u>	<u>14,719,588</u>
<u>Investment income</u>			
Net appreciation in fair value	14,192,417,077	-	-
Interest income	683,643,798	1,190,082	-
Dividends	1,790,068,722	-	-
Real estate operating income, net	469,305,831	-	-
Other investment income	2,186,430,639	-	-
Total investment income (loss)	<u>19,321,866,067</u>	<u>1,190,082</u>	<u>-</u>
Investment activity expense	(571,859,418)	(501)	-
Net income (loss) from investing activity	<u>18,750,006,649</u>	<u>1,189,581</u>	<u>-</u>
<u>Security lending activity</u>			
Security lending income	63,625,418	-	-
Security lending expense	(14,200,232)	-	-
Net income from security lending	<u>49,425,186</u>	<u>-</u>	<u>-</u>
Total net investment income (loss)	<u>18,799,431,835</u>	<u>1,189,581</u>	<u>-</u>
Total additions	<u>22,222,236,966</u>	<u>530,608,984</u>	<u>14,719,588</u>
<b>DEDUCTIONS</b>			
Benefit payments	9,347,970,547	465,980,062	-
Benefit payments - general revenue funded	1,190,063	-	14,677,088
Refund of contributions	13,481,914	-	-
Transfers to FRS investment plan	568,911,732	-	-
Payments to annuity companies	-	-	-
Administrative expenses	18,340,257	177,136	42,500
Total deductions	<u>9,949,894,513</u>	<u>466,157,198</u>	<u>14,719,588</u>
Change in fiduciary net position	12,272,342,453	64,451,786	-
Fiduciary net position - beginning	<u>141,780,920,515</u>	<u>113,859,055</u>	<u>-</u>
Fiduciary net position - ending	<u><u>\$ 154,053,262,968</u></u>	<u><u>\$ 178,310,841</u></u>	<u><u>\$ -</u></u>

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

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

for the fiscal year ended June 30, 2017

Defined Contribution			
State University System Optional Retirement Program	Senior Management Service Optional Annuity Program		Total June 30, 2017
\$ 91,302,044	\$ 118,959		\$ 3,223,896,058
92,886,629	75,360		830,738,481
-	-		7,062,918
-	-		1,124,872
177,484	-		2,852,741
-	-		-
<u>184,366,157</u>	<u>194,319</u>		<u>4,065,675,070</u>
-	-		71,109,940
-	-		14,719,588
-	-		85,829,528
<u>184,366,157</u>	<u>194,319</u>		<u>4,151,504,598</u>
-	-		14,192,417,077
-	-		684,833,880
-	-		1,790,068,722
-	-		469,305,831
10,007	(80)		2,186,440,566
10,007	(80)		19,323,066,076
(8,349)	(17)		(571,868,285)
1,658	(97)		18,751,197,791
-	-		63,625,418
-	-		(14,200,232)
-	-		49,425,186
1,658	(97)		18,800,622,977
<u>184,367,815</u>	<u>194,222</u>		<u>22,952,127,575</u>
-	-		9,813,950,609
-	-		15,867,151
-	-		13,481,914
-	-		568,911,732
183,786,157	202,621		183,988,778
291,051	-		18,850,944
<u>184,077,208</u>	<u>202,621</u>		<u>10,615,051,128</u>
290,607	(8,399)		12,337,076,447
4,582,864	51,691		141,899,414,125
<u>\$ 4,873,471</u>	<u>\$ 43,292</u>		<u>\$ 154,236,490,572</u>

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

**GOVERNMENTAL FUND BALANCE SHEET /  
STATEMENT OF NET POSITION**

as of June 30, 2017

	<b>Police and Firefighters' Premium Tax Trust Fund</b>		
	<b>Special Revenue Fund</b>	<b>Reconciliation Adjustments (Note 2)</b>	<b>Statement of Net Position</b>
<b>ASSETS</b>			
State treasury investment pool	\$ 44,197,496	\$ -	\$ 44,197,496
Investments	210,854,563	-	210,854,563
Interest receivable	-	-	-
Due from other funds within division	-	-	-
Due from other departments	281,579	-	281,579
Total assets	<u>255,333,638</u>	<u>-</u>	<u>255,333,638</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<u>Current liabilities</u>			
Accounts payable	30,198	-	30,198
Due to other funds	20	-	20
Due to other departments	11,013,582	-	11,013,582
Due to other governmental units	46,828,256	-	46,828,256
Due to general revenue	10,102,526	-	10,102,526
Compensated absences liability	32,485	73,696	106,181
Total current liabilities	<u>68,007,067</u>	<u>73,696</u>	<u>68,080,763</u>
<u>Noncurrent liabilities</u>			
Other long-term liabilities	-	182,677	182,677
Total liabilities	<u>68,007,067</u>	<u>256,373</u>	<u>68,263,440</u>
Fund balance - committed	187,326,571	(187,326,571)	-
Total liabilities and fund balance	<u>\$ 255,333,638</u>		
Net position - restricted		<u>\$ 187,070,198</u>	<u>\$ 187,070,198</u>

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



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND / STATEMENT OF ACTIVITIES**

For the fiscal year ended June 30, 2017

	Police and Firefighters' Premium Tax Trust Fund		
	Special Revenue Fund	Reconciliation Adjustments (Note 2)	Statement of Activities
<b>REVENUES</b>			
Premium taxes	\$ 170,281,579	\$ -	\$ 170,281,579
Investment earnings	1,402,932	-	1,402,932
Total revenues	<u>171,684,511</u>	<u>-</u>	<u>171,684,511</u>
<b>EXPENDITURES / EXPENSES</b>			
Distribution to cities	130,369,164	-	130,369,164
Administrative expense	855,010	39,252	894,262
Interest and fiscal charges	-	-	-
Total expenditures / expenses	<u>131,224,174</u>	<u>39,252</u>	<u>131,263,426</u>
Revenues over (under) expenditures	40,460,337		40,421,085
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in from other funds within division	-	-	-
Operating transfers out to other funds	<u>(24,946,026)</u>	-	<u>(24,946,026)</u>
Revenues and transfers in over expenditures and transfers out	15,514,311	(15,514,311)	-
Change in net position	-	<u>15,475,059</u>	<u>15,475,059</u>
Fund balance / net position - beginning	171,812,260	(217,121)	171,595,139
Fund balance / net position - ending	<u><b>\$ 187,326,571</b></u>	<u><b>\$ (256,373)</b></u>	<u><b>\$ 187,070,198</b></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, 2017**

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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, 2017, 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 December 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, may not participate in the FRS. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five 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 December 1, 1970 through September 30, 1974.....	2.00%
Service on and after October 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; or at age 52 with 25 years (if total service includes wartime military service) .....	1.60%
Retirement at age 56; or with 26 total years special risk service; or at age 53 with 26 years (if total service includes wartime military service) .....	1.63%
Retirement at age 57; or with 27 total years special risk service; or at age 54 with 27 years (if total service includes wartime military service) .....	1.65%
Retirement at age 58; or with 28 total years special risk service; or at age 55 with 28 years (if total service includes wartime military service) .....	1.68%

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

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 January 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, 2017, the FRS Trust Fund held \$2,255,747,029 in accumulated benefits for 34,810 DROP participants. Of these 34,810 DROP participants, 32,972 were active in the DROP with balances totaling \$2,039,044,001. The remaining participants were no longer active in the DROP and had balances totaling \$216,703,029 to be processed after June 30, 2017.

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.

- 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 August 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 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 August 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 January 1, 1996, the member must remain unemployed by the withdrawn employer to meet the definition of termination in order to finalize the retirement.

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

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

FRS 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 membership 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. Section 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, 2017, was \$ 154,053,262,968. 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 2016-17 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%	5.80%	8.80%
Special Risk	3.00%	20.85%	23.85%
Special Risk Administrative Support Elected Officers'	3.00%	26.34%	29.34%
Judges	3.00%	34.98%	37.98%
Governor, Lt. Governor, Cabinet, Legislators, State Attorneys, and Public Defenders	3.00%	40.38%	43.38%
Elected County, City, and Special District Officials	3.00%	40.75%	43.75%
Senior Management Service	3.00%	20.05%	23.05%
Deferred Retirement Option Program	N/A	11.33%	11.33%

<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	Regular Class	SMSC	Special Risk	Special Risk Admin Supp.	EOC	Total
Active <sup>1</sup> :						
Non-vested	167,222	1,667	22,751	1	451	192,092
Vested	388,521	6,361	48,861	92	1,716	445,551
Current Retirees And Beneficiaries	362,210	4,487	36,607	175	2,539	406,018
DROP Participants <sup>2</sup>	27,882	630	3,523	3	195	32,233
Vested Terminated <sup>3</sup>	109,186	1,540	6,555	17	445	117,743
<b>Total Members</b>	<b>1,035,867</b>	<b>14,251</b>	<b>115,885</b>	<b>275</b>	<b>5,195</b>	<b>1,193,637</b>

<sup>1</sup> Member counts include 117,629 active FRS Investment Plan members.  
<sup>2</sup> Member counts exclude 1,665 DROP participants with payouts pending after June 30, 2017, and meeting a qualifying event.  
<sup>3</sup> Member counts include 10,579 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		
	2017	2016	2015
Recipients	406,018	394,907	377,671
Contributions	\$3,348,086	\$3,149,376	\$3,136,389
Benefits paid <sup>1</sup>	\$9,361,452	\$10,070,169	\$9,230,755
Fiduciary net position	\$154,053,263	\$141,780,921	\$148,454,394

<sup>1</sup> Includes refund of member contributions. Amounts for 2016 and 2015 have been revised to include refund of member contributions.

**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, 2017, 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, 2017, 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		
	2017	2016	2015
Recipients	366,285	349,865	336,529
Contributions	\$529,229	\$512,564	\$382,262
Benefits paid	\$465,980	\$449,857	\$425,086
Fiduciary net position	\$178,311	\$113,859	\$50,774

### 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		
	2017	2016	2015
Active Members			
Vested <sup>1</sup>	248	474	447
Non-Vested	11,440	11,461	11,000
Total Active	11,688	11,935	11,447
Terminated Vested <sup>1</sup>	428	137	129
Retirees	775	784	792

	Fiscal Year Ended June 30		
	2017	2016	2015
Benefits paid	\$14,677	\$14,413	\$14,423
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 2016 through June 2017. In accordance with Chapter 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 2016-17 was 2.83 percent. Additional information pertaining to the SUSORP is as follows:

Members	19,901
Payroll	\$1,764,935,414
Contributions:	
Employee	\$92,886,629
Employer	\$91,302,044

#### 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 2016 through June 2017. 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.

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 2016-17 was 15.67 percent. Additional information pertaining to the SMSOAP is as follows:

Members	14
Payroll	\$1,771,287
Contributions:	
Employee	\$75,360
Employer	\$118,959

#### **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, 2017, there were 677 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 2017 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 \$127,200. 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. Details of deposits are included in Note 3. A.

#### Investments

Florida Statutes authorize the state to invest in various instruments. The state reports investments in accordance with GASB Codification Section I50, *Investments*.

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

The State Board of Administration (SBA) has statutory responsibility for custody and investment of pension plan assets. Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the investments are reported at fair value in accordance with GASB Codification Section I50, *Investments*. 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 BNY Mellon’s price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

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

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

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

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

Investment detail is included in Note 3.

## **Capital Assets**

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

## **Deferred Outflows of Resources**

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

## **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.

## **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 and 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. Other items, such as delinquent fees and recovery of benefit overpayments, 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, Other Postemployment Benefit (OPEB) liability costs, and applicable pension-related expenses. A detailed Schedule of Administrative Expenses is located in the Other Supplementary Schedules section.

### **I. Accounting and Reporting Changes**

The system implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 requires that payments made by an employer on behalf of employees should be classified in a manner consistent with the pension plan terms. The implementation of this statement required a change to one of the assumptions used in the valuation as described in Note 4 to the financial statements.

## NOTE 3 – PLAN INVESTMENTS

### A. Deposits

As of June 30, 2017, the state-administered retirement fund deposits in financial institutions pending investment totaled \$130.7 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.

At June 30, 2017, the Florida Retirement System (FRS) Pension Trust Fund held deposits in foreign currencies totaling \$126 million in the SBA's custodian nominee name that were uninsured and uncollateralized.

#### 2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, Florida Statutes, and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed total fund investment policies for the investment of assets in the FRS Pension Trust Fund that set ranges on investments by asset class in each fund. Under the investment policy statements approved by SBA Trustees effective January 1, 2015 and January 1, 2017, foreign and domestic equity securities are included in the global equity asset class. The FRS Pension Trust Fund has target allocations to global equities of 53 percent, with a policy of 45-70 percent, but within this range there are no limits on the amount of foreign equity securities that are not denominated in U.S. dollars. All asset classes may hold non-U.S. securities, depending on portfolio guidelines; however, Florida law limits the exposure to foreign securities held outside of commingled trusts to 50 percent of the total fund. The investment plan 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, 2017, as illustrated in the following schedule (in thousands):

## Foreign Currency Deposits Held

As of June 30, 2017

Currency	Bank Statement Balance (in U.S. dollars)	FRS Pension Trust Fund
Australian dollar	\$	2,221
Bangladesh taka		81
Brazilian real		816
British pound sterling		20,495
Canadian dollar		4,148
Chilean peso		210
Columbian peso		2
Czech koruna		38
Danish krone		548
Egyptian pound		69
Euro currency unit		17,455
Hong Kong dollar		10,755
Hungarian forint		54
Indian rupee		12,152
Indonesian rupiah		343
Israeli shekel		2,123
Japanese yen		20,755
Kuwaiti dinar		302
Malaysian ringgit		657
Mexican peso		2,746
Moroccan dirham		8
New Zealand dollar		1,656
Nigerian naira		116
Norwegian krone		2,065
Pakistan rupee		413
Philippines peso		465
Polish zloty		41
Qatari riyal		312
Singapore dollar		1,818
South African rand		325
South Korean won		3,362
Swiss franc		5,319
Taiwan new dollar		10,333
Thailand baht		129
Turkish lira		728
UAE dirham		160
Vietnam dong		2,780
Other		1
Total deposits subject to foreign currency risk	\$	126,001

## **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 Committee 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, and repurchase agreements. The FRS Pension Trust Fund's, Health Insurance Subsidy Program's (HIS), 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, 2017, were \$60,429,448, \$150,807, \$5,066,948, \$43,277, and \$44,197,496, respectively. The National Guard Supplemental Benefit Plan had no shares of the investment pool at June 30, 2017. 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 SUSORP, the SMSOAP, or Police and Fire. The share of the assets and liabilities for the FRS Pension Trust Fund, the HIS Program, 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 fair value and their total carrying value at June 30, 2017, as well as reconciliation to the basic financial statements (in thousands):

### Schedule of Investments

As of June 30, 2017

Investment type	Fair value			Total
	FRS Pension Trust Fund	Retiree Health Insurance Subsidy	Police and Firefighters' Premium Tax Trust Fund	
Certificates of deposit	\$ 800,168	\$ -	\$ -	\$ 800,168
Commercial paper	4,050,193	-	-	4,050,193
Money market funds	16,867	134,445	210,855	362,167
Repurchase agreements	750,000	-	-	750,000
U.S. guaranteed obligations	10,910,710	-	-	10,910,710
Federal agencies	8,418,178	-	-	8,418,178
Domestic bonds and notes	6,859,419	-	-	6,859,419
International bonds and notes	1,952,266	-	-	1,952,266
Domestic stocks	45,250,543	-	-	45,250,543
International stocks	34,509,635	-	-	34,509,635
International equity commingled funds	7,911,257	-	-	7,911,257
Alternative investments	24,004,242	-	-	24,004,242
Real estate investments (directly owned)	8,486,964	-	-	8,486,964
Real estate commingled funds	2,497,691	-	-	2,497,691
Futures (debt)	(3,149)	-	-	(3,149)
Futures (equity)	(8,245)	-	-	(8,245)
Option contracts purchased	30,620	-	-	30,620
Swap contracts (debt)	(2,015)	-	-	(2,015)
Total investments excluding lending collateral	156,435,344	134,445	210,855	156,780,644
Lending collateral investments:				
Money market funds	713,459	-	-	713,459
Repurchase agreements	508,840	-	-	508,840
Domestic bonds and notes	67,553	-	-	67,553
Total lending collateral investments	1,289,852	-	-	1,289,852
Total investments for all types - fair value	\$ 157,725,196	\$ 134,445	\$ 210,855	\$ 158,070,496
Total investments for all types - carrying value	\$ 157,725,196	\$ 134,445	\$ 210,855	\$ 158,070,496
Investments sold short:				
U.S. guaranteed obligations	(23,303)	-	-	(23,303)
Federal agencies	(290,622)	-	-	(290,622)
Options contracts	(8,338)	-	-	(8,338)
Total investments sold short <sup>1</sup>	\$ (322,263)	\$ -	\$ -	\$ (322,263)

<sup>1</sup> Investments sold short are included in Short sell obligations - fixed income on the Statement of Fiduciary Net Position.

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

	Governmental activities	Fiduciary funds	Total
Investments	\$ 210,855	\$ 156,569,789	\$ 156,780,644
Security lending collateral	-	1,289,852	1,289,852
Total Investments	<u>\$ 210,855</u>	<u>\$ 157,859,641</u>	<u>\$ 158,070,496</u>

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

**FRS Pension Trust Fund**  
Securities Pledged as Collateral for Futures and Swaps Contracts  
As of June 30, 2017

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 93,159
Total	<u>\$ 93,159</u>

In addition, cash required to open futures contracts (i.e., initial margin) in the FRS Pension Trust Fund was pledged as collateral with the SBA's futures counterparty. Variation margins received from or paid to a third-party counterparty may be required as frequently as daily, and represent the net settlement of profit or loss (i.e., the fair value increase or decrease) on open positions in futures and swaps. The initial and variation margin amounts held by the counterparty, and the variation margins held by the SBA in the FRS Pension Trust Fund as of June 30, 2017, are included in the "Accounts receivable," "Accounts payable and accrued liabilities," and "Futures trade equity," balances, on the Statement of Fiduciary Net Position. These amounts are presented in the table below (in thousands):

**FRS Pension Trust Fund**  
Cash and Foreign Currency Pledged as Collateral for Futures and Swaps Contracts  
As of June 30, 2017

	Fair value (U.S. dollar)
Margin receivable from counterparty:	
Futures contracts	\$ 29,350
Swaps contracts	4,074
Foreign currency contracts	7,815
Total margin receivable from counterparty	<u>\$ 41,239</u>
Margin payable to counterparty:	
Futures contracts	\$ 262
Swaps contracts	726
Total margin payable	<u>\$ 988</u>

## 1. Fair Value Hierarchy

The Trust'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 that are based on inputs that are either directly or indirectly observable for an asset or liability (including quoted prices for similar assets or liabilities), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs for an asset or liability.

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.

Debt 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.

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

Debt and equity securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Derivative instruments classified as Level 1 of the fair value hierarchy are 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 following *Additional GASB 72 Required Disclosures* table, footnotes 11 and 13, respectively. Other private equity funds are measured at net asset value (NAV).



Certain investments, such as money market funds and repurchase agreements are not included in the tables below because they are carried at cost and not priced at fair value.

The schedule below discloses the following fair value measurements for the FRS Pension Trust Fund as of June 30, 2017, (in thousands):

### FRS Pension Trust Fund

As of June 30, 2017

Investments by fair value level	Total Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Debt securities</b>				
Certificates of deposit	\$ 800,168	\$ -	\$ 800,168	\$ -
Commercial paper	4,050,193	-	4,050,193	-
U.S. guaranteed obligations	10,910,710	7,842,875	3,067,835	-
Federal agencies	8,418,178	-	8,418,178	-
Domestic bonds and notes	6,859,419	-	6,828,541	30,878
International bonds and notes	1,952,266	-	1,948,507	3,759
Total debt securities	32,990,934	7,842,875	25,113,422	34,637
<b>Equity securities</b>				
Domestic	45,250,543	45,249,456	-	1,087
International	34,509,635	34,378,379	96,181	35,075
Total equity securities	79,760,178	79,627,835	96,181	36,162
<b>Alternative investments</b>				
Private equity funds	314,550	-	-	314,550
<b>Real Estate direct investments</b>				
	8,486,964	-	-	8,486,964
<b>Derivative instruments</b>				
Futures contracts (debt) <sup>1</sup>	(3,149)	(3,149)	-	-
Futures (equity)	(8,245)	(8,245)	-	-
Options purchased	30,620	30,620	-	-
Swap contracts (debt)	(2,015)	-	(2,015)	-
Forward currency contracts, net <sup>1</sup>	3,343	-	3,343	-
Total derivative instruments	20,554	19,226	1,328	-
<b>Securities lending collateral investments</b>				
Domestic corporate bonds and notes	67,553	-	58,067	9,486
Total investments by fair value level <sup>1</sup>	\$ 121,640,733	\$ 87,489,936	\$ 25,268,998	\$ 8,881,799
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Commingled international equity funds	7,911,257			
Commingled real estate investment funds	2,497,691			
Activist equity funds	791,722			
Hedge funds	4,824,849			
Private debt / credit opportunities funds	3,267,442			
Private equity funds	11,100,982			
Private real asset funds	3,704,697			
Total investments measured at the NAV	\$ 34,098,640			
<b>Investments sold short (Liabilities)</b>				
U.S. guaranteed obligations	\$ (23,303)	\$ -	\$ (23,303)	\$ -
Federal agencies	(290,622)	-	(290,622)	-
Options sold	(8,338)	(8,338)	-	-
Total investments sold short	\$ (322,263)	\$ (8,338)	\$ (313,925)	\$ -

<sup>1</sup> Forward currency contracts are valued at their net unrealized appreciation/(depreciation) and are reported on the Statement of Fiduciary Net Position as Receivables and/or Liabilities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2017 is presented in the footnotes to the table below (in thousands):

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

	Fair value 6/30/2017	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Investments Measured at the NAV</b>				
Commingled international equity funds <sup>1</sup>	\$ 7,911,257		Daily, Monthly	2 - 120 days
Commingled real estate investment funds <sup>1</sup>	2,497,691		Quarterly	15 - 90 days
Activist equity funds <sup>2</sup>	791,722		Monthly, Annually	65 - 90 days
Hedge funds				
Diversifying strategies (CTAs) <sup>3</sup>	1,027,872		Daily, Monthly	10 - 35 days
Equity long / short <sup>4</sup>	537,218		Monthly, Quarterly	30 - 125 days
Event driven <sup>5</sup>	413,344		Quarterly, Biennially, Annually	45 - 90 days
Global macro <sup>6</sup>	734,457		Monthly, Quarterly	15 - 60 days
Multi-strategy <sup>7</sup>	1,064,451		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt <sup>8</sup>	603,194		Quarterly, Annually	65 - 90 days
Relative value <sup>9</sup>	444,313		Quarterly	45 - 90 days
Private debt / credit opportunity funds <sup>10</sup>	3,267,442	\$ 2,576,377		
Private equity funds <sup>11</sup>	11,100,982	\$ 6,587,810		
Private real asset funds <sup>12</sup>	3,704,697	\$ 2,056,599		
Total Investments Measured at the NAV	<u>\$ 34,098,640</u>			
<b>Investments at Level 3</b>				
Private equity funds <sup>11</sup>	\$ 314,550			
Real Estate Direct Investments <sup>13</sup>	\$ 8,486,964	\$ 119,634		

<sup>1</sup> *Commingled international equity funds and Commingled real estate investment funds.* Six international equity funds and eight real estate investment funds are considered to be commingled in nature. The six international equity funds are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. The eight real estate investment funds consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

<sup>2</sup> *Activist equity funds.* The three funds that make up 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 NAV per share. One fund (approximately 38% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 34% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 28% of this strategy) may be redeemed annually with the next redemption in nine months.

<sup>3</sup> *Diversifying strategies (CTAs) 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 in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at 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>4</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 NAV per share. One fund (approximately 18% of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 82% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

<sup>5</sup> *Event driven hedge funds.* The four funds in this strategy 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 NAV per share. All funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to eighteen months.

<sup>6</sup> *Global macro hedge funds.* Consisting of five 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 NAV per share. All funds in this strategy are no longer subject to contractual lockup, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.

<sup>7</sup> *Multi-strategy hedge funds.* The five 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, or Opportunistic Debt and Relative Value. These funds are valued at NAV per share. Two funds (approximately 46% of this strategy) are eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 26% of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining two funds (approximately 28% of this strategy) are eligible for redemption in three months and quarterly thereafter.

<sup>8</sup> *Opportunistic debt hedge funds.* Consisting of three 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 NAV per share. One fund (approximately 38% of this strategy) is subject to one year recurring hard lock-ups for each contribution and can be redeemed between three and six months. Another fund (approximately 19% of this strategy) is eligible for redemption in six months and annually thereafter. The remaining fund (approximately 43% of this strategy) is currently eligible for redemption in three months due to quarterly redemption restrictions.

<sup>9</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 NAV per share. Due to contractual lock-up restrictions, one fund (approximately 37% of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 63% of the value of this strategy) are eligible for redemption in three months and quarterly thereafter.

<sup>10</sup> *Private debt/credit opportunity funds.* There are 47 private debt/credit funds investing primarily in Distressed, Mezzanine and Senior Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2017, 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>11</sup> *Private equity funds.* There are 178 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 176 funds has been determined using the NAV at June 30, 2017, or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 3% of the value of these investments) was based on external appraisals at June 30, 2017, 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>12</sup> *Private real asset funds.* There are 55 real asset funds, 45 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 10 funds invest in infrastructure, timberland and commodities. The fair value of these funds has been determined using the NAV at June 30, 2017, 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> *Direct real estate investments.* There are 68 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, 2017, 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 Governmental 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 Risks

The FRS Pension Plan invests in a broad range of financial investments. Financial investments, in general, are 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 and concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk. Each of these risks is discussed in more detail below.

### 3. Credit Risk and Concentration of Credit Risk of Debt Securities

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

The State Treasury Investment Pool's current rating by Standard and Poor's was A+f as of June 30, 2017.

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

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

*Short-term Portfolio* – Securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the three nationally recognized statistical rating organizations (NRSROs) – Standard & Poor's (S&P) A-1, Moody's P-1, Fitch F1. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the three NRSROs – S&P A, Moody's A2, Fitch A. Securities of a single issuer are generally limited to 5 percent of the amortized cost of the portfolio (excluding U.S. Treasuries and Agencies).

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

*Intermediate Aggregate Less MBS Index Portfolio* – Securities should be rated investment grade by at least one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5 percent of the market value of the portfolio (excluding U.S. Treasuries and Agencies). This portfolio primarily contains U.S. Treasuries, government agencies, and corporates.

*Core portfolios* – Securities should generally be rated investment grade with a very small allocation to below investment grade (down to BB-/Ba3) by one of the three NRSROs at the time of purchase. Minimum ratings include S&P BBB-, Moody's Baa3, and Fitch BBB-. Securities of a single issuer are generally limited to 5 percent of the market value of the portfolio (excluding U.S. Treasuries and Agencies). These portfolios can contain: U.S. Treasuries; government agencies; investment grade residential mortgage backed, commercial mortgage backed and asset-backed securities; investment grade foreign sovereign debt; municipals; and corporates.

*Security Lending portfolios* – Under investment policy guidelines in effect for the FRS Pension Trust Fund since October 2016, eligible cash collateral investments are:

- 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 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 three NRSROs – S&P AAAm, Moody's Aaamf, Fitch AAAMmf.
- U.S. Treasury bills, notes, and bonds.
- Investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

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 (amortized cost for short-term portfolios) at June 30, 2017.

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.

The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2017, (in thousands):

**FRS Pension Trust Fund**  
**Credit Quality Ratings**  
As of June 30, 2017

Credit Rating <sup>1</sup>		Total <sup>2</sup>	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies <sup>4</sup>	Domestic bonds and notes	International bonds and notes
S&P	Moody								
A-1/AAAm		\$ 4,780,519	\$ -	\$ 4,050,193	\$ 730,326	\$ -	\$ -	\$ -	\$ -
AAA		898,851	-	-	-	-	2,554	549,972	346,325
AA		1,695,932	200,018	-	-	31,104	511,383	748,695	204,732
A		2,223,742	-	-	-	-	-	1,594,013	629,729
BBB		3,520,802	-	-	-	-	-	2,924,149	596,653
BB		61,893	-	-	-	-	-	37,118	24,775
B		21,689	-	-	-	-	-	8,307	13,382
CCC		24,837	-	-	-	-	-	24,837	-
D		2,625	-	-	-	-	-	2,625	-
Not rated	Aaa	501,501	-	-	-	-	10,853	448,645	42,003
Not rated	Aa	34,907	-	-	-	-	-	28,439	6,468
Not rated	A	146,169	-	-	-	-	-	143,634	2,535
Not rated	Baa	74,149	-	-	-	-	-	60,360	13,789
Not rated	Ba	1,394	-	-	-	-	-	-	1,394
Not rated	Caa	2,590	-	-	-	-	-	2,590	-
Not rated	Ca	3,353	-	-	-	-	-	3,353	-
Not rated	Not rated	9,529,497	600,150	-	-	615,243	7,893,388	350,235	70,481
		23,524,450	\$ 800,168	\$ 4,050,193	\$ 730,326	\$ 646,347	\$ 8,418,178	\$ 6,926,972	\$ 1,952,266

Ratings not applicable:

Repurchase agreements <sup>3</sup>	612,493
U.S. guaranteed obligations <sup>3</sup>	10,910,710
Domestic stocks	45,250,543
International stocks	34,509,635
Commingled international equity funds	7,911,257
Alternative investments	24,004,242
Real estate investments	10,984,655
Futures	(11,394)
Options purchased	30,620
Swaps	(2,015)
<b>Total investments</b>	<b>\$ 157,725,196</b>

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

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

<sup>3</sup> Repurchase agreements collateralized by U.S. guaranteed obligations or cash, and U.S. guaranteed obligations do not require disclosure of credit quality.

<sup>4</sup> Federal Agency TBAs and mortgage backed securities are classified as "Not Rated" 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, 2017, were exchange traded, therefore minimizing counterparty credit risk through the use of futures and swap clearing merchants and clearing houses.

Counterparty credit ratings related to credit risk for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2017, are listed below (in thousands):

**FRS Pension Trust Fund**  
**Foreign Currency Exchange Contract Counterparty Credit Ratings**  
As of June 30, 2017

Counterparty Credit Rating (Long/Short) <sup>1</sup>			Receivable Fair Value	Payable Fair Value	Net Unrealized Gain (Loss)
S&P	Moody	Fitch			
AA/A-1	Aa/P-1	AA/F1	\$ 544,522	\$ (544,882)	\$ (360)
AA/A-1	A/P-1	AA/F1	328	(328)	-
A/A-1	Aa/P-1	AA/F1	1,459	(1,460)	(1)
A/A-1	A/P-1	AA/F1	1,279	(1,287)	(8)
A/A-1	A/P-1	A/F1	4,256,227	(4,252,063)	4,164
A/A-1	NR/NR	AA/F1	15,424	(15,430)	(6)
A/A-1	NR/NR	NR/NR	1	(1)	-
A/A-2	A/P-1	A/F1	30,257	(31,541)	(1,284)
A/A-2	NR/P-2	A/F1	1,027	(1,025)	2
NR/NR	NR/P-1	NR/NR	83,794	(82,929)	865
NR/NR	NR/NR	A/F1	5,454	(5,469)	(15)
NR/NR	NR/NR	NR/NR	12,719	(12,723)	(4)
Total:			<u>\$ 4,952,491</u>	<u>\$ (4,949,138)</u>	<u>\$ 3,353</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 \$210,854,563 and \$134,445,168, respectively, which held an S&P rating of AAAM at June 30, 2017.

#### 4. Custodial Credit Risk

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

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, 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.

As required by negotiated trust and custody contracts, many of the state's investments were held in the SBA's name (or, in the case of certain foreign investments, in an omnibus client account) by the SBA's custodial financial institutions at June 30, 2017. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, included the following (in thousands):

### FRS Pension Trust Fund

#### Custodial Credit Risk

As of June 30, 2017

	Fair Value
Invested security lending collateral:	
Repurchase agreements	\$ 58,840
Domestic bonds and notes	67,553
Total	\$ 126,393

## 5. Interest Rate Risk

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

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

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

*Short-term Portfolio* – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than 397 days except for U.S. Treasury and Agency securities, which shall not exceed five years.

*Mortgage Index Portfolio* – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of 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.

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

*Core Portfolios* – 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 Portfolios contain certain investments, Collateralized Mortgage Obligations (CMOs), which are more sensitive to interest rate changes than others. 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.

*Security Lending portfolios* – Investment policy guidelines in effect for the FRS Pension Trust Fund allow investment in:

- Repurchase agreements, 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, and
- U.S. Treasury bills, notes, and bonds maturing within 92 days or less.

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

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

**FRS Pension Trust Fund**  
Debt Investments  
As of June 30, 2017

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ -	N/A	\$ 800,168	76
Commercial paper	-	N/A	4,050,193	18
Money market funds	-	N/A	730,326	3
Repurchase agreements	-	N/A	1,258,840	3
U.S. guaranteed obligations:				
U.S. Treasury bills	1,094,652	0.23	-	N/A
U.S. Treasury bonds and notes	7,842,876	3.90	-	N/A
Index linked government bonds	241,913	6.54	-	N/A
U.S. government guaranteed bonds and notes	38,824	4.88	-	N/A
GNMA mortgage-backed pass-through	1,150,183	3.26	-	N/A
GNMA commitments to purchase (TBAs)	281,934	4.05	-	N/A
GNMA CMO's and CMBS <sup>1</sup>	260,328	3.28	-	N/A
Federal agencies:				
Discount notes	342,898	0.06	-	N/A
Unsecured bonds and notes	514,881	2.72	-	N/A
Agency strips	39,718	2.47	-	N/A
Mortgage-backed pass-through	4,403,223	3.61	-	N/A
TBA mortgage-backed pass-through	1,661,753	4.11	-	N/A
Mortgage-backed CMO's and CMBS <sup>1</sup>	1,455,705	2.99	-	N/A
Domestic bonds and notes:				
Corporate	4,875,787	4.52	-	N/A
Non-government asset and mortgage backed	973,783	2.10	49,899	25
Non-government backed CMO's and CMBS <sup>1</sup>	1,002,447	2.28	8,168	25
Municipal / provincial	14,183	5.78	-	N/A
Real estate mortgage loans	2,705	2.27	-	N/A
International bonds and notes:				
Government and agency	732,247	3.35	-	N/A
Corporate	1,175,311	4.11	-	N/A
Non-government asset and mortgage-backed	44,708	0.65	-	N/A
Futures contracts - long <sup>2</sup>	(4,163)	3.64	-	N/A
Futures contracts - short <sup>2</sup>	1,014	8.25	-	N/A
Credit default swaps <sup>2</sup>	(2,508)	0.01	-	N/A
Interest rate swaps <sup>2</sup>	493	(1.11)	-	N/A
Total debt investments	<u>\$ 28,144,895</u>		<u>\$ 6,897,594</u>	

<sup>1</sup> Includes investments in IOs, POs, and INVs totaling \$65 million at June 30, 2017.

<sup>2</sup> The futures and swap contracts' effective weighted durations were calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2017.



The effective duration of the State Treasury Investment Pool at June 30, 2017, was approximately 2.80 years. Interest rate risk information for debt investments sold short is presented below (in thousands):

**FRS Pension Trust Fund**  
**Sold Short<sup>1</sup> Debt Investment Positions**  
As of June 30, 2017

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (23,303)	2.71
FNMA, FHLMC commitments to sell (TBAs)	<u>(290,622)</u>	4.44
Total debt investments sold short <sup>1</sup>	<u>\$ (313,925)</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 \$210,854,563 and \$134,445,168, respectively, which had daily liquidity at June 30, 2017.

## 6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The FRS Pension Trust Fund may have exposure to foreign currency risk to the extent its investments contain non-U.S. dollar denominated holdings in foreign countries. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. 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 investments where the FRS Pension Trust Fund owns units in commingled funds with other investors and, therefore, owns only a portion of the overall investment in the funds. Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The overall investments or notes themselves are denominated in U.S. dollars, but a portion of the underlying assets is 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.

Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2017, listed for each major asset type, by currency (in thousands):

**FRS Pension Trust Fund**  
Investments Exposed to Foreign Currency Risk (fair values in U.S. dollars)  
As of June 30, 2017

Currency	FRS Pension Trust Fund Investment Type					Total
	Equity	Alternative Investments	Fixed Income	Futures, Options and Swaps	Foreign Currency Contracts-Net	
Australian dollar	\$ 1,001,326	\$ -	\$ -	\$ -	\$ (153,563)	\$ 847,763
Bangladesh taka	16,617	-	-	-	-	16,617
Brazilian real	530,904	-	-	-	(48,531)	482,373
British pound sterling	3,948,224	33,527	-	(342)	51,778	4,033,187
Canadian dollar	1,424,480	-	-	(48)	(87,385)	1,337,047
Chilean peso	34,361	-	-	-	(38,901)	(4,540)
Columbian peso	9,967	-	-	-	11,052	21,019
Czech koruna	4,586	-	-	-	41,610	46,196
Danish krone	469,582	-	-	-	(386)	469,196
Egyptian pound	25,511	-	-	-	-	25,511
Euro currency unit	7,476,917	715,506	-	703	(252,308)	7,940,818
Hong Kong dollar	2,368,338	-	-	-	(6,668)	2,361,670
Hungarian forint	54,205	-	-	-	(41,177)	13,028
Indian rupee	983,825	-	-	-	86,136	1,069,961
Indonesian rupiah	196,188	-	-	-	55,328	251,516
Israeli shekel	90,438	-	-	-	(38,217)	52,221
Japanese yen	4,660,824	-	-	(29)	(443,722)	4,217,073
Kenyan shilling	24,481	-	-	-	-	24,481
Kuwaiti dinar	15,733	-	-	-	-	15,733
Malaysian ringgit	156,038	-	-	-	40,954	196,992
Mexican peso	237,709	-	-	-	99,242	336,951
Moroccan dirham	6,303	-	-	-	-	6,303
New Zealand dollar	70,860	-	-	-	74,627	145,487
Nigerian naira	32,252	-	-	-	-	32,252
Norwegian krone	228,965	-	-	-	(66,052)	162,913
Omani rial	6,507	-	63	-	-	6,570
Pakistani rupee	28,787	-	-	-	-	28,787
Philippines peso	104,087	-	-	-	5,633	109,720
Polish zloty	110,317	-	-	-	45,775	156,092
Qatari riyal	27,564	-	-	-	-	27,564
Romanian new leu	16,207	-	-	-	5,491	21,698
Russian ruble	-	-	-	-	36,081	36,081
Singapore dollar	410,302	-	-	-	(63,941)	346,361
South African rand	467,864	-	-	-	26,175	494,039
South Korean won	1,231,151	-	-	-	(4,429)	1,226,722
Sri Lankan rupee	22,197	-	-	-	-	22,197
Swedish krona	671,413	-	-	-	72,915	744,328
Swiss franc	1,708,792	-	-	2,274	(122,004)	1,589,062
Taiwan new dollar	873,418	-	-	-	(38,822)	834,596
Thailand baht	231,936	-	-	-	6,211	238,147
Turkish lira	223,130	-	-	-	117,706	340,836
United Arab Emirates dirham	53,901	-	-	-	-	53,901
Vietnam dong	13,729	-	-	-	-	13,729
Other	11,292	-	-	-	(4,408)	6,884
<b>Total investments with foreign currency risk</b>	<b>30,281,228</b>	<b>749,033</b>	<b>63</b>	<b>2,558</b>	<b>(633,800)</b>	<b>30,399,082</b>
Other investments with potential exposure to foreign currency risk:						
Alternative investments	-	23,255,209	-	-	-	23,255,209
Equity linked notes	79,947	-	-	-	-	79,947
Commingled international equity funds	7,911,257	-	-	-	-	7,911,257
<b>Total investments subject to foreign currency risk</b>	<b>\$ 38,272,432</b>	<b>\$ 24,004,242</b>	<b>\$ 63</b>	<b>\$ 2,558</b>	<b>\$ (633,800)</b>	<b>\$ 61,645,495</b>

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

## Futures

The FRS Pension Trust Fund's futures contract positions at June 30, 2017, 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, 2017

Currency	Number of Contracts <sup>1</sup>	In Local Currency			In U.S. dollars	
		Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss)	
Stock Index Futures:						
GBP FTSE 100 Index	British pound sterling	143	10,620	10,357	(263)	\$ (342)
Canada S&P/TSE 60 Index	Canadian dollar	40	7,176	7,114	(62)	\$ (48)
DJ Euro STOXX 50	Euro currency unit	417	14,763	14,307	(456)	\$ (520)
TOPIX Index Future	Japanese yen	68	1,086,616	1,095,820	9,204	\$ 82
Yen Denom NIKKEI	Japanese yen	185	1,868,485	1,856,013	(12,472)	\$ (111)
Mini MSCI Emerging Market <sup>1</sup>	U.S. dollar	364	18,326	18,351	25	\$ 25
Mini MSCI EAFE <sup>1</sup>	U.S. dollar	4,444	421,250	419,869	(1,381)	\$ (1,381)

<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.

## Foreign Currency Contracts

The FRS Pension Trust Fund also enters into foreign currency exchange contracts, which are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. In the FRS Pension Trust Fund a currency overlay program is used to seek additional value and is run independently of the underlying equity assets. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are used primarily for trade settlement and currency repatriation and are valued at spot (traded) currency rates. Forward currency contracts are valued at interpolated forward rates and are generally used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. These contracts are recorded as receivables and payables on the Statement of Fiduciary Net Position. All of the contracts are subject to foreign currency risk. A schedule of the FRS Pension Trust Fund's foreign currency exchange contracts outstanding at June 30, 2017, is presented below, by currency (in thousands):

**FRS Pension Trust Fund**  
Forward and Spot Foreign Currency Exchange Contracts  
As of June 30, 2017

Currency	Forward Currency Contracts				Spot Currency Contracts			
	Receivable Fair Value	Payable Fair Value	Net Receivable/ Payable	Unrealized Gain/ (Loss)	Receivable Fair Value	Payable Fair Value	Net Receivable/ Payable	Unrealized Gain/ (Loss)
Australian dollar	\$ 19,193	\$ (172,853)	\$ (153,660)	\$ (2,728)	\$ 5,650	\$ (5,553)	\$ 97	\$ 9
Brazilian real	6,667	(56,815)	(50,148)	72	2,249	(632)	1,617	(18)
British pound sterling	227,515	(148,101)	79,414	2,486	17,601	(45,237)	(27,636)	102
Canadian dollar	57,965	(145,333)	(87,368)	(2,974)	1,611	(1,628)	(17)	(2)
Chilean peso	6,382	(45,283)	(38,901)	58	-	-	-	-
Chinese yuan renminbi	6,283	(10,691)	(4,408)	(72)	-	-	-	-
Columbian peso	25,368	(14,316)	11,052	(639)	-	-	-	-
Czech koruna	52,406	(10,796)	41,610	2,711	-	-	-	-
Danish krone	-	-	-	-	-	(386)	(386)	-
Euro currency unit	431,445	(714,729)	(283,284)	2,364	69,836	(38,860)	30,976	(24)
Hong Kong dollar	12,926	(20,012)	(7,086)	22	1,796	(1,378)	418	-
Hungarian forint	35,913	(77,090)	(41,177)	(1,503)	-	-	-	-
Indian rupee	91,153	(5,017)	86,136	148	-	-	-	-
Indonesian rupiah	55,328	-	55,328	(116)	-	-	-	-
Israeli shekel	2,259	(40,461)	(38,202)	(604)	-	(15)	(15)	-
Japanese yen	110,390	(604,782)	(494,392)	7,748	68,721	(18,051)	50,670	(51)
Malaysian ringgit	39,935	-	39,935	(155)	1,187	(168)	1,019	1
Mexican peso	101,222	(1,020)	100,202	1,781	370	(1,330)	(960)	(1)
Moroccan dirham	-	-	-	-	-	-	-	-
New Zealand dollar	137,365	(56,363)	81,002	(914)	-	(6,375)	(6,375)	(34)
Nigerian naira	-	-	-	-	-	-	-	-
Norwegian krone	51,078	(117,130)	(66,052)	(1,185)	12,352	(12,352)	-	(3)
Philippines peso	24,068	(18,795)	5,273	(99)	360	-	360	-
Polish zloty	122,670	(76,902)	45,768	631	7	-	7	-
Romanian new leu	5,491	-	5,491	77	-	-	-	-
Russian ruble	36,081	-	36,081	(718)	-	-	-	-
Singapore dollar	-	(63,163)	(63,163)	(280)	-	(778)	(778)	(2)
South African rand	26,840	(2,439)	24,401	(96)	2,732	(958)	1,774	(16)
South Korean won	40,806	(44,002)	(3,196)	(25)	-	(1,233)	(1,233)	-
Sri lanka rupee	-	-	-	-	-	-	-	-
Swedish krona	90,418	(18,858)	71,560	1,647	5,513	(4,158)	1,355	36
Swiss franc	40,943	(209,401)	(168,458)	(4,642)	92,875	(46,421)	46,454	14
Taiwan new dollar	5,326	(43,456)	(38,130)	395	-	(692)	(692)	-
Thailand baht	5,387	-	5,387	5	1,137	(313)	824	-
Turkish lira	138,444	(20,829)	117,615	(52)	91	-	91	-
U.S. dollar	2,491,024	(1,756,311)	734,713	-	170,113	(267,672)	(97,559)	-
<b>Total</b>	<b>\$ 4,498,291</b>	<b>\$ (4,494,948)</b>	<b>\$ 3,343</b>	<b>\$ 3,343</b>	<b>\$ 454,201</b>	<b>\$ (454,190)</b>	<b>\$ 11</b>	<b>\$ 11</b>

## 7. Security Lending

Through the SBA, the FRS Pension Trust Fund participates in security lending programs. Collateral requirements for securities on loan range from 100 percent to 105 percent, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested approximately \$1.3 billion in cash and \$9.5 billion in securities as collateral for the lending programs as of June 30, 2017. At June 30, 2017, the collateral held for the security lending transactions exceeded the fair value of the securities on loan (including accrued interest). All security-lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The SBA does not have the ability to pledge or sell the non-cash collateral securities 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 are generally 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 23 percent of that lender's total collateral invested. This is due to the portfolio containing some legacy non-repo securities that will remain until they are sold or mature. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

At June 30, 2017, there were three lending agents, including the master custodian and two third-party agents.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2017 (in thousands):

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

As of June 30, 2017

Securities on Loan for Cash Collateral, by Security type	Fair value of Securities on Loan <sup>1</sup>	
		FRS Pension Trust Fund
U.S. guaranteed obligations	\$	141,736
Federal agencies		14,508
Domestic bonds and notes		69,582
International bonds and notes		77,240
Domestic stocks		235,581
International stocks		747,803
Total securities on loan for cash collateral	\$	1,286,450
<b>Securities on Loan for Non-Cash Collateral, by Security type</b>		
U.S. guaranteed obligations	\$	2,606,857
Federal agencies		10,599
Domestic bonds and notes		74,626
International bonds and notes		25,872
Domestic stocks		5,326,784
International stocks		1,246,340
Total securities on loan for non-cash collateral		9,291,078
Total securities on loan	\$	10,577,528

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

## 8. Derivatives

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

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

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

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets, 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, as well as to cost 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 participants 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 counterparty. Futures contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying instrument.

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

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

A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2017, all of the SBA investment derivatives were reported at fair value.

FRS Pension Trust Fund	Notional (in U.S. dollars)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2017	
		Classification	Amount (in U.S. dollars)	Classification	Amount (in U.S. dollars)
Investment derivative instruments:					
<b>Futures<sup>1</sup></b>					
Futures (debt)	\$ 1,495,700	Investment Income	\$ (31,113)	Investment	\$ (3,149)
Futures (equity)	2,013,876	Investment Income	308,984	Investment	(8,245)
<b>Total futures</b>	<u>\$ 3,509,576</u>		<u>\$ 277,871</u>		<u>\$ (11,394)</u>
<b>Forward currency contracts, net</b>	<u>\$ 3,343</u>	Investment Income	<u>\$ 63,097</u>	Receivable/(Payable), net <sup>2</sup>	<u>\$ 3,343</u>
<b>Options</b>					
Options purchased	\$ 2,416,630	Investment Income	\$ (129,010)	Investment	\$ 30,620
Options sold	(1,297,844)	Investment Income	88,832	Liability	(8,338)
<b>Total options</b>	<u>\$ 1,118,786</u>		<u>\$ (40,178)</u>		<u>\$ 22,282</u>
<b>Swaps</b>					
Interest rate swaps	\$ 241,105	Investment Income	\$ 5,673	Investment	\$ 493
Credit default swaps	171,000	Investment Income	(1,183)	Investment	(2,508)
<b>Total swaps</b>	<u>\$ 412,105</u>		<u>\$ 4,490</u>		<u>\$ (2,015)</u>

<sup>1</sup> The total notional values of long and short fixed income (debt) futures positions were \$2,032,700,000 and (\$537,000,000), respectively. The total notional value of long equity futures position was \$2,013,875,750.

<sup>2</sup> The total receivable and payable notional and fair values (in U.S. dollars) for forward currency contracts in the FRS Pension Trust Fund were \$4,498,290,371 and (\$4,494,947,721) as of June 30, 2017. These amounts are included in "Forward contracts receivable" and "Forward contracts payable" on the Statement of Fiduciary Net Position.

## 9. 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 \$11.3 billion as of June 30, 2017.

## 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, 2016	June 30, 2017
Total pension liability	\$167,030,999,000	\$183,632,592,000
Fiduciary net position	141,780,920,515	154,053,262,968
Net pension liability	25,250,078,485	29,579,329,032
Fiduciary net position as a % of total pension liability	84.88%	83.89%
Covered payroll <sup>1</sup>	33,214,217,000	33,775,800,000
Net pension liability as a % of covered payroll	76.02%	87.58%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below. The total pension liability is calculated using the Individual Entry Age Normal cost allocation method, which differs from the Ultimate Entry Age Normal cost allocation method used in the actuarial valuation for funding purposes for the System.

Discount Rate	June 30, 2016	June 30, 2017
Discount rate	7.60%	7.10%
Long-term expected rate of return, net of investment expense	7.60%	7.10%
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 7.10 percent rate of return assumption used in the June 30, 2017, 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 2017 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, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2016	July 1, 2017
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB; details in valuation report	Generational RP-2000 with Projection Scale BB; details in valuation report
Actuarial cost method	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.



Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2016	\$167,030,999,000	\$141,780,920,515	\$25,250,078,485
Changes for the year:			
Service cost	2,073,753,788		2,073,753,788
Interest on total pension liability	12,484,167,203		12,484,167,203
Effect of plan changes	92,185,000		92,185,000
Effect of economic / demographic gains or losses	1,412,462,453		1,412,462,453
Effect of assumptions changes or inputs	10,398,344,000		10,398,344,000
Benefit payments <sup>1</sup>	(9,859,319,444)	(9,859,319,444)	0
Employer contributions		2,603,246,196	(2,603,246,196)
Member contributions		744,839,410	(744,839,410)
Net investment income		18,801,916,548	(18,801,916,548)
Administrative expenses		(18,340,257)	18,340,257
Balances as of June 30, 2017	\$183,632,592,000	\$154,053,262,968	\$29,579,329,032

### Sensitivity Analysis

The following presents the net pension liability of the pension plan, calculated using the discount rate of 7.10 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate.

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Total pension liability	\$207,590,062,000	\$183,632,592,000	\$163,742,403,000
Fiduciary net position	154,053,262,968	154,053,262,968	154,053,262,968
Net pension liability	\$53,536,799,032	\$29,579,329,032	\$9,689,140,032

<sup>1</sup> Benefit payments shown above include outbound transfers to the Investment Plan and returns of contributions, net of \$71,109,940 inbound transfers from the Investment Plan.

## Long-Term Expected Rate of Return

The long-term expected rate of return assumption of 7.10 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.50 percent, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60 percent as adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.10 percent return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.10 percent reported investment return assumption differs from the 7.50 percent investment return assumption chosen by the 2017 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%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
Assumed Inflation – Mean			2.6%	1.9%

## Calculation of Money-Weighted Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 13.59 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, 2016, HIS valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2017, 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, 2016	June 30, 2017
Total pension liability	\$11,768,444,801	\$10,870,772,218
Fiduciary net position	113,859,055	178,310,841
Net pension liability	11,654,585,746	10,692,461,377
Fiduciary net position as a % of total pension liability	0.97%	1.64%
Covered payroll <sup>1</sup>	30,875,273,947	31,885,632,777
Net pension liability as a % of covered payroll	37.75%	33.53%

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, 2016	June 30, 2017
Discount rate	2.85%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond	2.85%	3.58%

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, 2017, 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, 2016	July 1, 2016
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB; details in valuation report	Generational RP-2000 with Projection Scale BB; details in valuation report
Actuarial cost method	Individual Entry Age	Individual Entry Age

<sup>1</sup> Covered payroll includes the normal cost and unfunded actuarial liability payroll for active Pension Plan and Investment Plan members and the payroll of reemployed retirees without renewed membership.

<b>Changes in Net Pension Liability</b>	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances as of June 30, 2016	\$11,768,444,801	\$113,859,055	\$11,654,585,746
Changes for the year:			
Service cost	304,536,707		304,536,707
Interest on total pension liability	337,486,406		337,486,406
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	0		0
Effect of assumptions changes or inputs	(1,073,715,634)		(1,073,715,634)
Benefit payments	(465,980,062)	(465,980,062)	0
Employer contributions		529,228,859	(529,228,859)
Member contributions		0	0
Net investment income		1,380,125	(1,380,125)
Administrative expenses		(177,136)	177,136
Balances as of June 30, 2017	<u>\$10,870,772,218</u>	<u>\$178,310,841</u>	<u>\$10,692,461,377</u>

### Sensitivity Analysis

The following presents the net pension liability of the HIS, calculated using the discount rate of 3.58 percent, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate.

	<b>1% Decrease 2.58%</b>	<b>Current Discount Rate 3.58%</b>	<b>1% Increase 4.58%</b>
Total pension liability	\$12,379,825,232	\$10,870,772,218	\$9,613,814,415
Fiduciary net position	178,310,841	178,310,841	178,310,841
Net pension liability	<u>\$12,201,514,391</u>	<u>\$10,692,461,377</u>	<u>\$9,435,503,574</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, 2016, National Guard valuation is the most recent actuarial valuation and was used to develop the liabilities for the June 30, 2017, 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, 2016	June 30, 2017
Total pension liability	\$664,546,758	\$586,288,494
Fiduciary net position	0	0
Net pension liability	664,546,758	586,288,494
Fiduciary net position as a % of total pension liability	0.00%	0.00%
Covered payroll <sup>1</sup>	477,549,000	487,100,000
Net pension liability as a % of covered payroll	139.16%	120.36%

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, 2016	June 30, 2017
Discount rate	2.85%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	2.85%	3.58%

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, 2016	July 1, 2016
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.60%	2.60%
Annual Increase – Federal Military Pay Tables	2.00%	2.00%
Individual Member Salary Increase	Varies by service; separate tables for officers and enlisted	Varies by service; separate tables for officers and enlisted
Annual Cost-of-Living-Adjustment	1.50%	1.50%
Mortality	General RP- 2000 with Projection Scale BB	General RP- 2000 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 (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances as of June 30, 2016	\$664,546,758	\$0	\$664,546,758
Changes for the year:			
Service cost	12,904,360		12,904,360
Interest on total pension liability	19,099,678		19,099,678
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	0		0
Effect of assumptions changes or inputs	(95,585,214)		(95,585,214)
Benefit payments	(14,677,088)	(14,677,088)	0
Employer contributions <sup>1</sup>		14,719,588	(14,719,588)
Member contributions		0	0
Net investment income		0	0
Administrative expenses		(42,500)	42,500
Balances as of June 30, 2017	<u>\$586,288,494</u>	<u>\$0</u>	<u>\$586,288,494</u>

### Sensitivity Analysis

The following presents the net pension liability of the plan, calculated using the discount rate of 3.58 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate.

	<b>1% Decrease 2.58%</b>	<b>Current Discount Rate 3.58%</b>	<b>1% Increase 4.58%</b>
Total pension liability	\$722,701,453	\$586,288,494	\$483,500,176
Fiduciary net position	0	0	0
Net pension liability	<u>\$722,701,453</u>	<u>\$586,288,494</u>	<u>\$483,500,176</u>

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

## NOTE 5 – INTERFUND BALANCES AND TRANSFERS

At June 30, 2017, 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, 2017, consist of the following:

	Due from Other Funds within Division
	<b>Fiduciary Funds</b>
Due to Other Funds within Division	Retiree Health Insurance Subsidy
<b>Fiduciary Funds</b>	
Florida Retirement System	\$ 6,133,191

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, 2017, are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year (Current)
<b>Fiduciary Activities</b>					
Pension liability	\$ 79,240	\$ 27,376	\$ -	\$ 106,617	\$ -
Compensated absences	887,199	22,556	268	909,487	289,004
Other postemployment benefits	2,964,734	677,436	-	3,642,170	-
<b>Total Fiduciary Activities</b>	<u>\$ 3,931,173</u>	<u>\$ 727,368</u>	<u>\$ 268</u>	<u>\$ 4,658,274</u>	<u>\$ 289,004</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 91,555	\$ 14,626	\$ -	\$ 106,181	\$ 32,485
Other postemployment benefits	147,587	35,090	-	182,677	-
<b>Total Governmental Activities</b>	<u>\$ 239,142</u>	<u>\$ 49,716</u>	<u>\$ -</u>	<u>\$ 288,858</u>	<u>\$ 32,485</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 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.

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.



## 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 2017 are as follows (in thousands):

	Florida Retirement System Pension Plan	Retiree Health Insurance Subsidy Trust Fund	Police and Firefighters' Premium Tax Trust Fund
<u>Payables:</u>			
Due to SBA for investment service charges	\$ 5,773	\$ -	\$ -
<u>Additions:</u>			
Funds received from SBA for distributions	\$ 9,546,215	\$ 466,100	\$ 171,280
Transfers from FRS Investment Plan Trust Fund	71,110	-	-
Total Additions	<u>\$ 9,617,325</u>	<u>\$ 466,100</u>	<u>\$ 171,280</u>
<u>Deductions:</u>			
Employer / employee contributions sent to SBA	\$ 3,295,458	\$ 528,629	\$ -
Member-directed benefits sent to FRS Investment Plan Trust Fund	568,912	-	-
Investment service charges to the SBA	33,072	-	-
Premium taxes sent to SBA	-	-	175,000
Total Deductions	<u>\$ 3,897,442</u>	<u>\$ 528,629</u>	<u>\$ 175,000</u>

## REQUIRED SUPPLEMENTARY INFORMATION

### A. Florida Retirement System (FRS) Pension Plan

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

#### Schedule of Changes in Net Pension Liability and Related 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	<u>(8,714,251)</u>	<u>(10,201,501)</u>	<u>(10,624,925)</u>	<u>(9,859,319)</u>
Net change in total pension liability	5,839,635	5,254,972	5,660,264	16,601,593
Total pension liability, beginning	<u>150,276,128</u>	<u>156,115,763</u>	<u>161,370,735</u>	<u>167,030,999</u>
Total pension liability, ending (a)	<u><u>\$ 156,115,763</u></u>	<u><u>\$ 161,370,735</u></u>	<u><u>\$ 167,030,999</u></u>	<u><u>\$ 183,632,592</u></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	<u>(18,352)</u>	<u>(18,074)</u>	<u>(18,507)</u>	<u>(18,340)</u>
Net change in plan fiduciary net position	16,952,615	(1,559,898)	(6,673,473)	12,272,342
Fiduciary net position, beginning	<u>133,061,677</u>	<u>150,014,292</u>	<u>148,454,394</u>	<u>141,780,921</u>
Fiduciary net position, ending (b)	<u><u>\$ 150,014,292</u></u>	<u><u>\$ 148,454,394</u></u>	<u><u>\$ 141,780,921</u></u>	<u><u>\$ 154,053,263</u></u>
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>2</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> 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.

## 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, 2017, calculated based on the discount rate and actuarial assumptions below:

### Discount Rate

	June 30, 2016	June 30, 2017
Discount rate	7.60%	7.10%
Long-term expected rate of return, net of investment expense	7.60%	7.10%
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 7.10 percent rate of return assumption used in the June 30, 2017, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per the Actuarial Standard of Practice Number 27 (ASOP 27). For additional information regarding the depletion date projection, refer to the 2017 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, 2017, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Asset Valuation Method	Fair Market Value
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB <sup>1</sup>
Actuarial cost method	Individual Entry Age

<sup>1</sup> See July 1, 2017, Actuarial Valuation Report for details.

## Schedule of Employer Contributions

Fiscal Year Ending 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
2008	\$2,612,672,000	\$2,796,651,000	\$(183,979,000)	\$26,872,418,000	10.41%
2009	2,535,854,000	2,808,418,000	(272,564,000)	26,554,114,000	10.58%
2010	2,447,374,000	2,721,618,000	(274,244,000)	25,747,369,000	10.57%
2011	3,680,042,000	3,050,684,000	629,358,000	25,668,958,000	11.88%
2012	1,962,816,000	1,185,310,000	777,506,000	24,476,272,000	4.84%
2013	2,091,343,000	1,388,656,000	702,687,000	24,553,693,000	5.66%
2014	2,190,424,344	2,190,424,344	0	24,723,565,000	8.86%
2015	2,438,084,925	2,438,084,925	0	32,726,034,000	7.45%
2016	2,438,659,458	2,438,659,458	0	33,214,217,000	7.34%
2017	2,603,246,196	2,603,246,196	0	33,775,800,000	7.71%

### Notes to the Schedule of Employer Contributions

The following actuarial methods and assumptions were used in the July 1, 2017, funding valuation. Refer to the valuation report dated December 1, 2017, 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 2018-2019 plan year are calculated in the July 1, 2017 actuarial valuation)
<b>Actuarial Cost Method</b>	Ultimate Entry Age Normal
<b>Amortization Method</b>	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Closed, layered
Amortization period at July 1, 2017	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 sex; details in valuation report
<b>Investment Rate of Return<sup>3</sup></b>	7.50%
<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 sex; details in valuation report
<b>Turnover</b>	Varies by membership class, length of service, age and sex; details in valuation report
<b>Mortality</b>	Generational RP-2000 with Projection Scale BB, details in actuarial valuation report for plan funding purposes

<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 7.50 percent return was chosen by the 2017 FRS Actuarial Assumption Conference and differs from the 7.10 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 Ending June 30</b>	<b>Net Money-Weighted Rate of Return</b>
2014	17.57%
2015	3.77%
2016	0.57%
2017	13.59%

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 2017 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).

## 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	<u>(407,276)</u>	<u>(425,086)</u>	<u>(449,857)</u>	<u>(465,980)</u>
Net change in total pension liability	579,385	805,572	1,519,243	(897,673)
Total pension liability, beginning	<u>8,864,244</u>	<u>9,443,629</u>	<u>10,249,201</u>	<u>11,768,445</u>
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	<u>(54)</u>	<u>(188)</u>	<u>(188)</u>	<u>(177)</u>
Net change in plan fiduciary net position	(64,544)	(42,611)	63,084	64,452
Fiduciary net position, beginning	<u>157,929</u>	<u>93,385</u>	<u>50,774</u>	<u>113,859</u>
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 in to a ten-year schedule as results for new fiscal years are calculated.

**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, 2016, calculated based on the discount rate and actuarial assumptions below, and then was 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, 2016, (“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**

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 2017 valuation was updated from 2.85 percent to 3.58 percent, reflecting the change in the Bond Buyer General Obligation 20- Bond Municipal Bond Index as of June 30, 2017.

	June 30, 2016	June 30, 2017
Discount rate	2.85%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	2.85%	3.58%

**Other Key Actuarial Assumptions**

The actuarial assumptions that determined the total pension liability as of June 30, 2017, 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, 2016
Measurement Date	June 30, 2017
Inflation	2.60%
Salary increases including inflation	3.25%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Individual Entry Age

**Program Contribution Rates**

The HIS essentially uses a “pay-as-you-go” funding structure. As of the June 30, 2017, accumulated HIS assets constituted approximately five 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.

### 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	<u>(14,366)</u>	<u>(14,423)</u>	<u>(14,413)</u>	<u>(14,677)</u>
Net change in total pension liability	38,391	58,232	159,632	(78,258)
Total pension liability, beginning	<u>408,292</u>	<u>446,683</u>	<u>504,915</u>	<u>664,547</u>
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	<u>-</u>	<u>(72)</u>	<u>(10)</u>	<u>(43)</u>
Net change in plan fiduciary net position	-	-	-	-
Fiduciary net position, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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 in to a ten-year schedule as results for new fiscal years are calculated.



**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**

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 2.85 percent to 3.58 percent as of June 30, 2017, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20- Bond Municipal Bond Index.

	June 30, 2016	June 30, 2017
Discount rate	2.85%	3.58%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	2.85%	3.58%

**Other Key Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2016, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67. The plan has not had a formal actuarial experience study performed.

Valuation Date	July 1, 2016	July 1, 2016
Measurement date	June 30, 2016	June 30, 2017
Inflation	2.60%	2.60%
Annual Increase – Federal Military Pay Tables	2.00%	2.00%
Individual Member Salary Increase	Varies by service; separate tables for officers and enlisted	Varies by service; separate tables for officers and enlisted
Annual Cost-of-Living-Adjustment	1.50%	1.50%
Mortality	General RP-2000 With Projection Scale BB	General RP-2000 with Projection Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

## **D. 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, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance, July 1, 2016	\$ 44,389,190	\$ 44,389,190	\$ 44,389,190	\$ -
Reversions	10,739	10,739	10,739	-
Fund Balance, July 1, 2016, restated	<u>44,399,929</u>	<u>44,399,929</u>	<u>44,399,929</u>	<u>-</u>
<b>REVENUES</b>				
Premium tax	187,100,000	175,000,000	175,314,016	314,016
Interest	613,905	-	1,402,932	1,402,932
Net Investment Activity	(5,122,932)	(5,122,932)	(5,122,932)	-
Refund	-	13	13	-
Transfers	-	-	-	-
Total Revenues	<u>182,590,973</u>	<u>169,877,081</u>	<u>171,594,030</u>	<u>1,716,949</u>
Total Available Resources	<u>226,990,902</u>	<u>214,277,010</u>	<u>215,993,959</u>	<u>1,716,949</u>
<b>EXPENDITURES</b>				
<u>Operating Expenditures:</u>				
Salaries and Benefits	800,362	808,475	684,963	123,512
Expenses	104,089	83,389	43,443	39,946
Special Categories	197,284	217,889	214,403	3,486
Total Operating Expenditures	<u>1,101,735</u>	<u>1,109,753</u>	<u>942,809</u>	<u>166,944</u>
<u>Nonoperating expenditures:</u>				
Transfers	22,100,000	22,100,000	13,314,318	8,785,682
Refunds	100,000	100,000	-	100,000
Distributions to Municipalities	146,341,074	146,341,074	143,160,836	3,180,238
Other	15,100,000	15,100,000	14,505,121	594,879
Total Nonoperating Expenditures	<u>183,641,074</u>	<u>183,641,074</u>	<u>170,980,275</u>	<u>12,660,799</u>
Total Expenditures	<u>184,742,809</u>	<u>184,750,827</u>	<u>171,923,084</u>	<u>12,827,743</u>
Fund Balance, June 30, 2017	<u>\$ 42,248,093</u>	<u>\$ 29,526,183</u>	<u>\$ 44,070,875</u>	<u>\$ 14,544,692</u>

**BUDGET TO GAAP RECONCILIATION  
MAJOR SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Police and Firefighters' Premium Tax Trust Fund
Budgetary basis fund balance	\$ 44,070,875
Items not included in budgetary basis fund balance:	
Non-State Treasury cash and investments	210,854,563
Other GAAP basis fund balances not included in budgetary basis fund balances	-
Adjusted budgetary basis fund balances	<u>254,925,438</u>
Adjustments (basis differences):	
Net receivables (payables) not carried forward	(67,598,867)
Encumbrances	-
GAAP basis fund balances	<u>\$ 187,326,571</u>

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# Other Supplementary Information

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## SCHEDULE OF ADMINISTRATIVE EXPENSES

as of June 30, 2017

	Florida Retirement System	Retiree Health Insurance Subsidy	Florida National Guard Supplemental Retirement Benefit Plan	State University System Optional Retirement Program
<b>Personnel services</b>				
Salaries	\$ 6,842,870	\$ 131,006	\$ -	\$ 127,314
State retirement contributions	554,443	-	-	5,239
Insurance contributions	1,815,712	-	-	14,362
Social security	499,528	-	-	5,204
Workers' compensation	54,363	-	-	-
Other post employment benefits	669,638	-	-	7,798
Compensated absences <sup>1</sup>	22,555	-	-	(268)
Pension Expense <sup>2</sup>	-	-	-	105,877
<b>Subtotal</b>	<u>10,459,109</u>	<u>131,006</u>	<u>-</u>	<u>265,526</u>
<b>Professional services</b>				
Actuarial services	282,520	27,295	42,500	-
Contractual IT services and monitoring	2,855,223	-	-	-
Legal services	85,774	-	-	185
Other contractual services	367,402	-	-	200
Other contractual services - data processing	526,317	-	-	-
<b>Subtotal</b>	<u>4,117,236</u>	<u>27,295</u>	<u>42,500</u>	<u>385</u>
<b>Communication</b>				
Postage and freight	535,466	17,817	-	12,024
Printing and reproduction	35,880	-	-	325
Telephone	440,044	-	-	129
Travel	40,170	-	-	-
<b>Subtotal</b>	<u>1,051,560</u>	<u>17,817</u>	<u>-</u>	<u>12,478</u>
<b>Other operating expenses</b>				
Administrative overhead assessment	1,353,686	-	-	-
Data processing supplies	31,666	-	-	-
Depreciation	136,343	-	-	-
Dues and subscriptions	9,834	-	-	1,629
Equipment leasing	20,973	-	-	-
Furniture and equipment	23,233	-	-	-
Human resources overhead assessment	51,610	1,018	-	1,221
Insurance	15,232	-	-	-
Loss on disposal of equipment	96	-	-	-
Materials and supplies	5,120	-	-	-
Miscellaneous expenses	30,957	-	-	-
Office rental	965,575	-	-	9,342
Office supplies	3,314	-	-	40
Repairs and maintenance	4,801	-	-	-
Utilities	59,912	-	-	430
<b>Subtotal</b>	<u>2,712,352</u>	<u>1,018</u>	<u>-</u>	<u>12,662</u>
<b>Total Administrative Expenses</b>	<u>\$ 18,340,257</u>	<u>\$ 177,136</u>	<u>\$ 42,500</u>	<u>\$ 291,051</u>

<sup>1</sup> Compensated Absences usage exceeded accrual.

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

# Investment Section

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**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

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ATTORNEY GENERAL

ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

December 15, 2017

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

RE: Assets of the Florida Retirement System Pension Plan

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

**FRS Pension Plan Market Value  
Fiscal Year 2016-2017**

	<u>9/30/16</u>	<u>12/31/16</u>	<u>3/31/17</u>	<u>6/30/17</u>
Fund Market Value	\$144.67 billion	\$144.43 billion	\$149.71 billion	\$153.57 billion

**Actual Quarter-End Asset Allocation  
Fiscal Year 2015-2016**

	<u>9/30/16</u>	<u>12/31/16</u>	<u>3/31/17</u>	<u>6/30/17</u>
Asset Classes				
Global Equity	56.4%	56.7%	57.1%	57.8%
Fixed Income	18.5%	18.2%	18.2%	17.9%
Real Estate	9.5%	9.1%	8.9%	8.9%
Private Equity	6.6%	6.6%	6.3%	6.4%
Strategic Investments	8.2%	8.3%	8.3%	8.2%
Cash Equivalents/Short Term	<u>0.9%</u>	<u>1.2%</u>	<u>1.2%</u>	<u>0.8%</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)**

	10 Years	5 Years	3 Years	1 Year
FRS Pension Plan Public and Private Markets	<u>2007-2017</u>	<u>2012-2017</u>	<u>2014-2017</u>	<u>2016-2017</u>
Total FRS Pension Plan	5.46%	9.51%	5.85%	13.77%

Investment performance of the FRS Pension Plan is reported in the SBA's 2016-17 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, 2017. 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 2016-17 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, 2017:

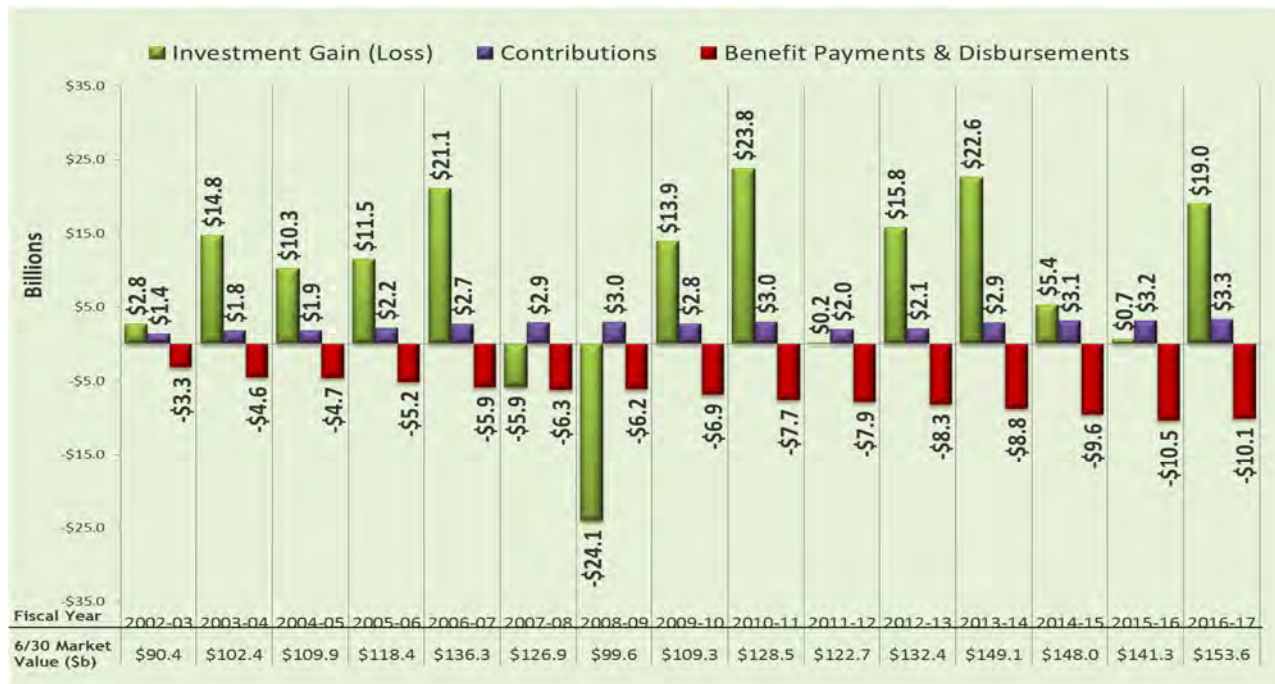
	Actual Return	Benchmark Return	Actual Over (Under) Benchmark
One Year	13.77%	12.96%	0.81%
Three Years	5.85%	4.88%	0.96%
Five Years	9.51%	8.62%	0.88%
Ten Years	5.46%	4.83%	0.63%
Fifteen Years	7.44%	6.94%	0.50%

- All returns are annualized for periods indicated through June 30, 2017.
- 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.
- Numbers may not total due to rounding.

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 2016-17.

### FRS PENSION PLAN – EXTERNAL INVESTMENT MANAGEMENT FEES FOR FISCAL YEAR 2016-17

Asset Class	Dollar Amount	Return Basis <sup>1</sup>
Global Equity	\$ 139,028,743	0.29%
Strategic Investments	159,773,786	1.36%
Fixed Income	6,964,322	0.07%
Real Estate	79,760,203	0.59%
Private Equity	136,208,495	1.44%
<b>Total</b>	<b>\$ 521,735,548</b>	<b>0.57%</b>

<sup>1</sup> Return basis expresses external management fees as a percent of the average of the beginning and ending net asset value of assets externally managed in each asset class. This measure is comparable to an annual expense ratio.

• Numbers may not total due to rounding.

### FRS PENSION PLAN – NET BROKERAGE COMMISSIONS FOR FISCAL YEAR 2016-17

Asset Class	Dollar Amount <sup>1</sup>
Global Equity <sup>2</sup>	\$ 21,808,752
Fixed Income	282,867
Real Estate	1,781,170
Private Equity	1,055
<b>Total</b>	<b>\$ 23,873,844</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 Equities asset class does not include broker commission amounts paid in commingled funds.

• Numbers may not total 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, 2017, returns to asset allocation surpassed the target return by 2 basis points.

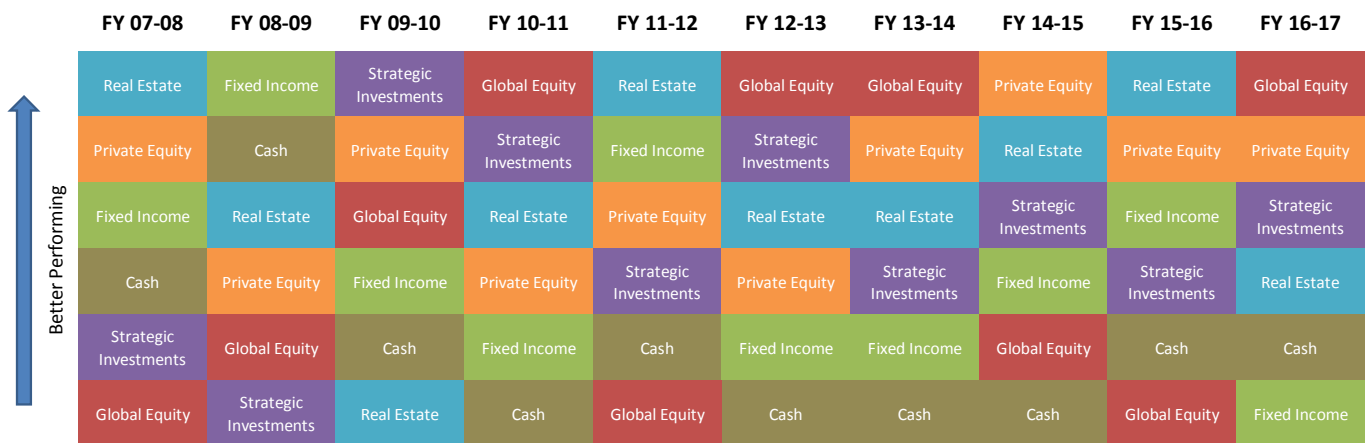
## Asset Classes

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.

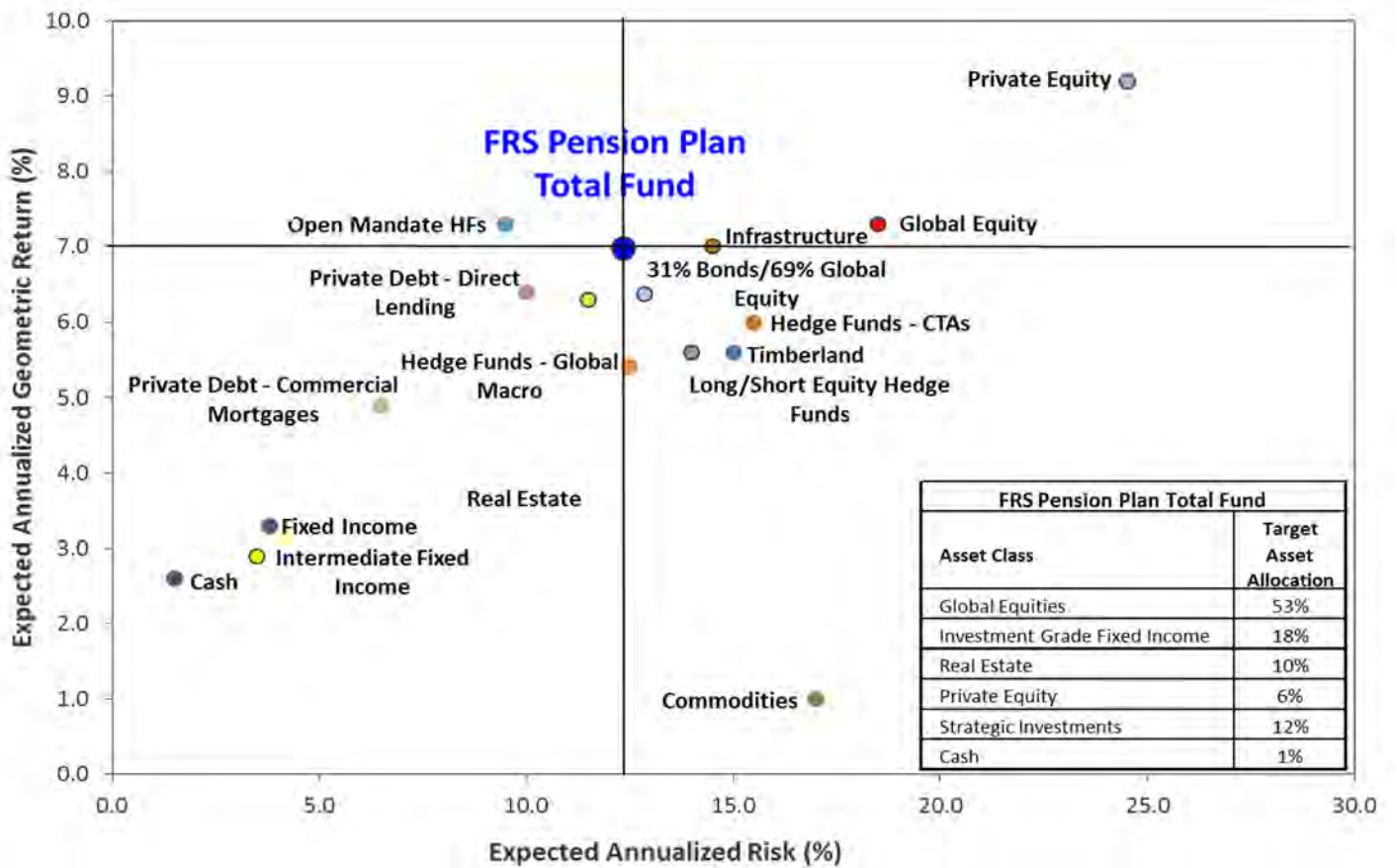
The following chart shows the related asset allocation performance of the FRS Pension Plan by fiscal year that demonstrates rebalancing to maximize investment objectives.



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 & 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.

Asset Class	Internal	External	Passive	Active	% of Total
Global Equity <sup>1</sup>	43.0%	57.0%	49.1%	50.9%	57.8%
Fixed Income <sup>2</sup>	65.9%	34.1%	43.3%	56.7%	17.9%
Cash & Cash Equivalents <sup>3</sup>	100.0%	0.0%	13.6%	86.4%	0.8%
Real Estate	62.6%	37.4%	0.0%	100.0%	8.9%
Private Equity	0.7%	99.3%	0.0%	100.0%	6.4%
Strategic Investments	0.6%	99.4%	0.0%	100.0%	8.2%
<b>Total Fund</b>	<b>43.1%</b>	<b>56.9%</b>	<b>36.2%</b>	<b>63.8%</b>	<b>100.0%</b>

Asset Class	Internal (\$m)	External (\$m)	Passive (\$m)	Active (\$m)	Total (\$m)
Global Equity <sup>1</sup>	\$ 38,155	\$ 50,551	\$ 43,538	\$ 45,170	\$ 88,706
Fixed Income <sup>2</sup>	18,167	9,384	11,928	15,624	27,551
Cash & Cash Equivalents <sup>3</sup>	1,184	0	162	1,023	1,184
Real Estate	8,554	5,121	0	13,675	13,675
Private Equity	66	9,737	0	9,803	9,803
Strategic Investments	78	12,578	0	12,654	12,654
<b>Total Fund</b>	<b>\$ 66,204</b>	<b>\$ 87,369</b>	<b>\$ 55,626</b>	<b>\$ 97,948</b>	<b>\$ 153,573</b>

<sup>1</sup> Includes Global Equity Liquidity Portfolio.

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

<sup>3</sup> Includes Securities Lending Account and Total Fund STIPFRS NAV Adjustment Account, Collateral Accounts and Cash Equilization Account.

• Numbers may not total due to rounding.

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, 2017

	Actual Return	Benchmark Return	Actual Over (Under) Benchmark
<b>Global Equity<sup>1</sup></b>			
One Year	19.60%	19.06%	0.53%
Three Years	5.71%	4.93%	0.78%
Five Years	11.58%	10.81%	0.77%
Ten Years	4.90%	4.09%	0.81%
Fifteen Years	7.62%	7.13%	0.48%
<b>Fixed Income</b>			
One Year	0.37%	-0.16%	0.53%
Three Years	2.22%	2.01%	0.21%
Five Years	2.13%	1.71%	0.42%
Ten Years	4.60%	4.22%	0.38%
Fifteen Years	4.79%	4.43%	0.35%
<b>Real Estate</b>			
One Year	8.73%	6.87%	1.86%
Three Years	11.09%	10.31%	0.78%
Five Years	12.61%	10.78%	1.83%
Ten Years	6.41%	5.18%	1.23%
Fifteen Years	9.53%	6.00%	3.53%
<b>Private Equity<sup>2</sup></b>			
One Year	18.21%	21.98%	-3.77%
Three Years	12.94%	7.74%	5.20%
Five Years	13.74%	15.29%	-1.55%
Ten Years	9.04%	10.14%	-1.10%
Fifteen Years	8.93%	11.66%	-2.73%
<b>Strategic Investments</b>			
One Year	9.75%	6.60%	3.15%
Three Years	6.07%	3.56%	2.51%
Five Years	9.43%	6.30%	3.13%
Ten Years	4.07%	2.21%	1.85%
<b>Cash Equivalents</b>			
One Year	0.62%	0.54%	0.07%
Three Years	0.38%	0.24%	0.14%
Five Years	0.33%	0.16%	0.17%
Ten Years	-0.04%	0.74%	-0.78%
Fifteen Years	0.95%	1.44%	-0.49%

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

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

• Numbers may not total due to rounding.

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 2016-17

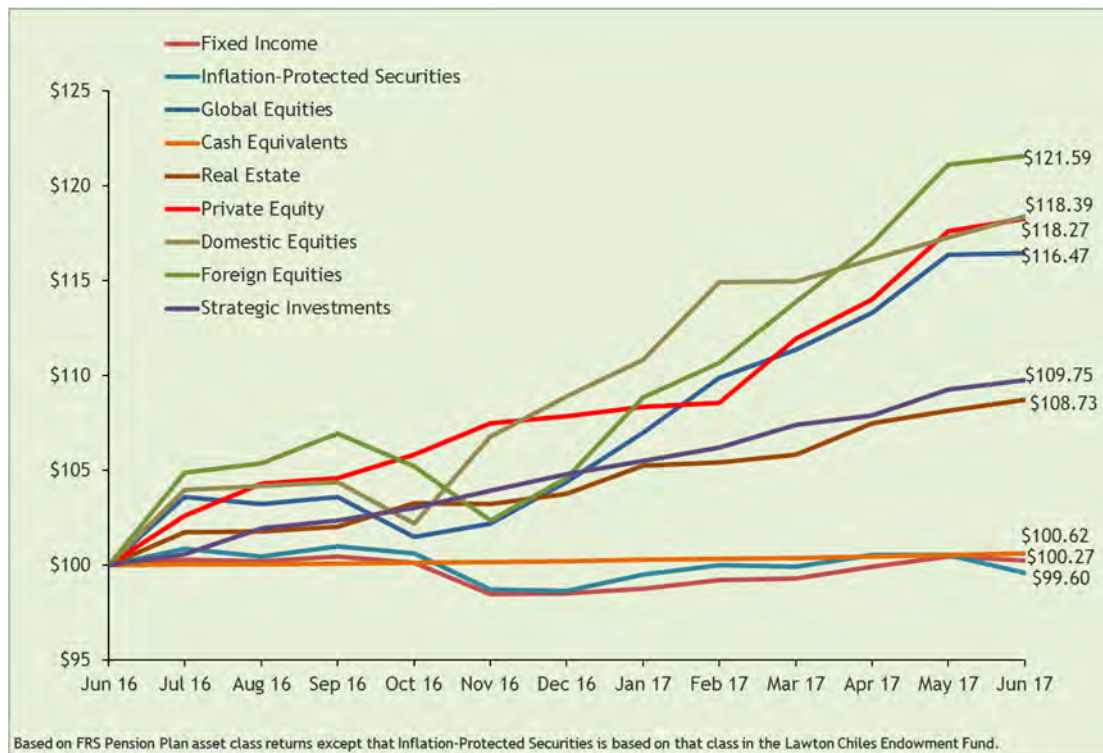
	Market Value 6/30/16	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/17
<b>Total Global Equity</b>	\$ 79,554,339,420	\$ (5,948,815,522)	\$ 15,100,509,322	\$ 88,706,033,220
<b>Fixed Income</b>	26,685,366,869	775,051,907	90,749,976	27,551,168,751
<b>Real Estate</b>	13,295,676,456	(743,400,000)	1,122,443,336	13,674,719,791
<b>Private Equity</b>	9,112,663,875	(910,000,000)	1,600,457,529	9,803,121,404
<b>Strategic Investments</b>	11,586,417,690	(60,000,000)	1,127,653,568	12,654,071,257
<b>Cash/Short-Term Securities<sup>1</sup></b>	1,086,737,585	115,426,712	(17,977,789)	1,184,186,508
<b>Total FRS Pension Plan</b>	<b>\$ 141,321,201,894</b>	<b>\$ (6,771,736,903)</b>	<b>\$ 19,023,835,942</b>	<b>\$ 153,573,300,933</b>

<sup>1</sup> The investment gain (loss) reported for the Cash/Short-Term Securities asset class includes \$32,927,381 in SBA investment service charges and bank fees paid in several cash expense accounts on behalf of the entire FRS Pension Plan. Excluding these expenses, the reported gain (loss) would have been a positive \$14,949,592.

• 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 2016-17



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
<b>Total</b>	<b>\$</b>	<b>647,840,737</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 actuarial 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 2016-17

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b>Domestic Equities</b>				
<b>Active Large Cap:</b>				
- AJO, LP	\$ 1,317,127,336	\$ (377,877,678)	\$ 235,448,201	\$ 1,174,697,859
- BMO US Large Cap Growth <sup>1</sup>	-	989,784,592	(3,722,651)	986,061,940
- Quantitative Management Associates	1,305,439,072	(357,895,414)	219,501,313	1,167,044,971
- Smith Asset Management Large Cap Enhanced	1,550,457,008	(315,150,673)	191,557,335	1,426,863,669
<b>Active Small Cap:</b>				
- AQR R2000 Equity	163,993,697	(20,135,745)	32,171,831	176,029,783
- Cortina Asset Management	136,672,677	(13,117,948)	42,538,940	166,093,670
- Delta	112,408,397	-	23,081,398	135,489,795
- Fisher Investments	210,610,064	(33,021,071)	51,578,929	229,167,922
- Mondrian US Small Cap Equity	121,241,825	-	21,557,717	142,799,542
- PanAgora Asset Management	160,505,348	(9,984,345)	31,365,309	181,886,311
- Signia Capital <sup>3</sup>	118,199,790	(128,050,821)	9,851,031	-
- Stephens Investment Management Group	163,724,831	-	30,504,088	194,228,920
- TAMRO Capital Partners <sup>2</sup>	0	(10,921)	10,921	0
- Vaughan Nelson Investment Management	213,580,388	(19,997,046)	30,273,951	223,857,293
<b>Active Micro Cap:</b>				
- Acuitas	140,131,928	20,000,000	46,238,573	206,370,501
<b>Passive:</b>				
- Avatar R1000 Index Fund	11,129,048,069	(202,766,877)	2,008,411,390	12,934,692,583
- Nova Portfolio	5,046,748,520	(12,724,255)	916,957,523	5,950,981,787
- Phoenix Portfolio	14,068,425,973	(1,478,382,270)	2,458,596,534	15,048,640,237
- R2000 Exposure <sup>5</sup>	114,360,626	56,174,126	40,559,653	211,094,404
- R2000 Growth Exposure <sup>6</sup>	103,997,382	(43,613,287)	20,310,832	80,694,928
<b>Other:</b>				
- Domestic Equity Asset Class Transition	0	226,049	(225,860)	189
- Global Equity Suspended Asset Account <sup>7</sup>	-	245	(230)	15
- Russell 1000 Growth Transition <sup>8</sup>	1,181,037,761	(1,362,954,604)	183,192,270	1,275,427
<b>Total Domestic Equities</b>	<b>\$ 37,357,710,690</b>	<b>\$ (3,309,497,943)</b>	<b>\$ 6,589,758,998</b>	<b>\$ 40,637,971,745</b>
<b>Foreign Equities</b>				
<b>Developed Markets:</b>				
- Acadian Asset Management	1,287,522,411	247,941,664	380,524,519	1,915,988,594
- AQR Capital Management Small Cap	508,799,647	(50,000,000)	97,259,557	556,059,204
- Artisan Partners	1,632,261,736	(174,729,312)	225,086,601	1,682,619,024
- Ballie Gifford Overseas Limited	1,464,788,456	(241,491,162)	418,948,340	1,642,245,633
- BlackRock Global Inv. Index Plus	1,634,035,802	1,495,987,222	526,498,880	3,656,521,903
- BlackRock Global Inv. Small Cap Strategy	702,871,234	-	155,252,259	858,123,493
- BlackRock Global Inv. World Ex-US	7,130,929,877	(2,186,912,610)	1,163,412,049	6,107,429,316
- BlackRock Global Inv. World Ex-US Alpha Tilts	1,704,683,779	(325,000,000)	369,270,137	1,748,953,916
- BlackRock Restructuring	41	(1,353,172)	(1,353,213)	0
- Dimensional Fund Advisors	427,035,236	(93,000,000)	124,767,352	458,802,588
- Epoch Investment Partners <sup>3</sup>	356,189,296	(358,744,405)	2,747,566	192,457
- Fidelity <sup>2,9</sup>	59,065	-	4,128	63,193
- Fidelity Institutional <sup>10</sup>	407,407,220	(25,000,000)	82,155,750	464,562,970
- Foreign Equity Internal Active Tax Reclaim <sup>11</sup>	1,163	-	31	1,194
- Franklin Templeton Small Cap	290,346,635	-	75,413,414	365,760,049
- Mondrian Investment Partners Small Cap	412,677,010	-	76,940,170	489,617,179
- Morgan Stanley Investment Management	1,662,387,517	(145,009,426)	283,410,351	1,800,788,442
- PineBridge Investments <sup>2</sup>	3,804	-	101	3,905
- Principal Global Investors - FE	406,537,092	-	95,714,454	502,251,546
- Sprucegrove Investment Management	1,696,431,709	(295,000,000)	399,358,165	1,800,789,874
- Templeton Investment Counsel	1,732,593,983	(250,000,000)	375,786,251	1,858,380,235
- Victory Capital Management <sup>2</sup>	493	-	13	506
- Walter, Scott & Partners, Ltd.	1,770,349,409	(292,966,287)	290,895,629	1,768,278,751
- William Blair	405,635,891	-	71,783,134	477,419,025
<b>Emerging Markets:</b>				
- Aberdeen Asset Management	808,311,570	(15,000,000)	147,631,104	940,942,675
-Acadian Asset Management Inc.	770,949,680	-	237,802,129	1,008,751,809
-AQR Capital Mgt. Emerging Markets Small Cap	179,054,857	25,000,000	43,379,318	247,434,176
- BlackRock Emerging Markets Index Plus	461,193,126	(73,215,439)	104,311,621	492,289,307
- Dimensional Fund Advisors EM	337,073,851	-	90,406,101	427,479,952
- Genesis Emerging Markets	764,527,176	-	137,897,874	902,425,050
- M&G Investment Management	758,507,434	-	177,478,339	935,985,773
- Mondrian Investment Partners Ltd.	818,770,922	-	137,091,299	955,862,221
- Somerset Capital	750,306,745	-	171,688,196	921,994,942
- State Street Global Advisors	183,972,157	25,000,000	43,970,632	252,942,789
- Trilogy <sup>2</sup>	1,564	-	42	1,606
- Wells Capital Management Emerging Markets	728,646,078	-	175,270,596	903,916,674
- William Blair & Company, LLC	665,207,179	-	144,529,606	809,736,785
- William Blair FRS Emerging Markets Small Cap	199,458,876	25,000,000	29,304,223	253,763,099
<b>Frontier Markets:</b>				
- Aberdeen Frontier Markets	116,211,135	-	19,907,665	136,118,800
- First State Frontier Markets	91,251,727	-	18,303,407	109,555,135
- HSBC Global Frontier Markets	114,314,475	-	22,656,518	136,970,993
- William Blair China A-Shares <sup>3</sup>	826,250	(751,240)	(75,010)	-
<b>Total Foreign Equities</b>	<b>\$ 33,382,133,308</b>	<b>\$ (2,706,537,824)</b>	<b>\$ 6,915,429,297</b>	<b>\$ 37,591,024,781</b>

Account Name - continued	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b>Dedicated Global Equities</b>				
<b>Active:</b>				
- Acadian Asset Management <sup>2</sup>	5,571	-	148	5,719
- Epoch Investment Partners Global	892,144,313	-	76,232,375	968,376,687
- Franklin Templeton <sup>2</sup>	20,514	-	1,138	21,652
- Hexavest Inc.	863,287,280	-	95,413,514	958,700,794
- Intech Investment Management	1,495,688,572	-	203,774,231	1,699,462,804
- MFG Asset Management	699,937,588	-	144,164,815	844,102,403
- Schroders Investment Management	831,580,067	-	168,181,296	999,761,363
- TS&W Florida Retirement System <sup>1</sup>	-	341,180,746	58,995,743	400,176,489
- Trilogy Global Advisors	674,933,245	(25,000,000)	177,255,509	827,188,755
<b>Passive:</b>				
- Atlas Portfolio	1,532,460,633	(2,750,000)	288,952,163	1,818,662,796
- Sinesis	507,362,120	-	81,122,271	588,484,391
<b>Total Dedicated Global Equities</b>	<b>\$ 7,497,419,903</b>	<b>\$ 313,430,746</b>	<b>\$ 1,294,093,203</b>	<b>\$ 9,104,943,852</b>
<b>Currency Overlay</b>				
- CIBC Global Managed	2,885,964	(12,142,132)	13,295,911	4,039,743
- Harmonic Managed	(2,057,789)	9,719,906	(7,580,783)	81,335
- P/E Global Managed	3,375,678	(13,534,696)	10,013,443	(145,575)
- Quaesta Managed	910,503	2,302,890	(21,024,666)	(17,811,273)
- Record Managed	5,466,759	(13,594,604)	8,130,108	2,262
<b>Total Currency Overlay</b>	<b>\$ 10,581,115</b>	<b>\$ (27,248,637)</b>	<b>\$ 2,834,013</b>	<b>\$ (13,833,509)</b>
<b>Other</b>				
- Cash Equitization Portfolio	51,675,539	(80,000,000)	90,650,388	62,325,927
- Citigroup Global Transition	1,693	557,563	(558,574)	683
- Global Equity Cash	726,835	(14,676,145)	15,026,449	1,077,139
- Global Equities Cash Expense	(220,773)	2,123,904	(1,903,132)	-
- Global Equity Liquidity Portfolio	1,254,223,192	(130,000,000)	197,710,072	1,321,933,264
- Global Equity Policy Transition Portfolio 1 <sup>12</sup>	-	(116,090)	116,090	-
- Global Equity Policy Transition Portfolio 2 <sup>13</sup>	61	(13)	524,802	524,850
- Global Equity Policy Transition Portfolio 3 <sup>4,14</sup>	-	-	-	-
- Global Equity Transition Account 1	87,856	3,148,914	(3,172,283)	64,487
<b>Total Other</b>	<b>\$ 1,306,494,403</b>	<b>\$ (218,961,865)</b>	<b>\$ 298,393,812</b>	<b>\$ 1,385,926,350</b>
<b>Total Global Equity</b>	<b>\$ 79,554,339,420</b>	<b>\$ (5,948,815,522)</b>	<b>\$ 15,100,509,322</b>	<b>\$ 88,706,033,220</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.

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

<sup>5</sup> Name changed from BMO Asset Management to R2000 Exposure during the fiscal year.

<sup>6</sup> Name changed from Cupps to R2000 Growth Exposure during the fiscal year.

<sup>7</sup> Name changed from Domestic Equity STIP Reserve Fund to Global Equity Suspended Asset Account during the fiscal year.

<sup>8</sup> Name changed from Jackson Square Partners to Russell 1000 Growth Transition.

<sup>9</sup> Name changed from Pyramis Global Advisors to Fidelity during the fiscal year.

<sup>10</sup> Name changed from Pyramis Global Advisors Trust Small Cap to Fidelity Institutional during the fiscal year.

<sup>11</sup> Name changed from Foreign Equities Internal Active to Foreign Equities Internal Active Tax Reclaim during the fiscal year.

<sup>12</sup> Name changed from Domestic Equity Policy Transition to Global Equity Policy Transition Portfolio 1 during the fiscal year.

<sup>13</sup> Name changed from Global Equity Policy Transition Acct 1 to Global Equity Policy Transition Portfolio 2 during the fiscal year.

<sup>14</sup> Name changed from Global Equity Policy Transition Acct 2 to Global Equity Policy Transition Portfolio 3 during the fiscal year.

• Totals may not foot due to rounding.

**FRS PENSION PLAN – FIXED INCOME  
CHANGE IN MARKET VALUE FOR FISCAL YEAR 2016-17**

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b><u>Aggregate:</u></b>				
- Active Core	\$ 5,310,529,520	\$ 789,622,619	\$ 17,263,794	\$ 6,117,415,933
- BlackRock Core Bond Enhanced Index	2,807,782,548	0	12,618,636	2,820,401,184
- Investment Grade AA Account	106,542,902	(29,133)	5,291,574	111,805,343
- Neuberger Berman Core	1,769,853,892	0	12,994,802	1,782,848,694
- PIMCO Core	259,633,701	(261,687,854)	2,054,153	0
- Prudential Conservative Core	1,212,959,997	0	(1,050,304)	1,211,909,693
- Smith Breeden Associates	2,349,094,460	0	55,139,053	2,404,233,513
- Taplin, Canida & Habacht	1,153,204,752	0	11,710,273	1,164,915,025
<b><u>Government/Corporate:</u></b>				
- Fixed Income Gov't./Corp. Passive Account	6,955,775,864	174,000,000	(13,408,994)	7,116,366,870
<b><u>Mortgage:</u></b>				
- Fixed Income MBS Passive	3,466,813,466	76,000,000	4,122,447	3,546,935,913
<b><u>Other:</u></b>				
- Fixed Income Cash Expense Account	0	269,882	(269,882)	0
- Fixed Income Liquidity Portfolio	1,286,889,068	0	(22,668,211)	1,264,220,858
- Fixed Income Transition Account <sup>1</sup>	0	0	0	0
- Fixed Income Transition Account	0	(8,107)	8,107	0
- Fixed Income Transition Account II	0	102,475	(102,475)	0
- STIPFRS Reserve Liquidation Fund	6,286,698	(3,217,975)	7,047,002	10,115,725
<b>Total Fixed Income</b>	<b>\$ 26,685,366,869</b>	<b>\$ 775,051,907</b>	<b>\$ 90,749,976</b>	<b>\$ 27,551,168,751</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 2016-17

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b>Partnerships:</b>				
- ABRY Partners VII, L.P.	\$ 74,557,823	\$ (45,649,335)	\$ 18,272,712	\$ 47,181,199
- ABRY Partners VIII, L.P.	42,852,550	11,936,564	5,260,877	60,049,991
- Accel-KKR Growth Capital Partners II, L.P.	3,351,974	3,669,250	55,644	7,076,868
- Accel-KKR Capital Partners V, L.P.	0	3,296,944	(522,443)	2,774,501
- Advent International GPE VI	44,503,692	(15,094,393)	7,303,794	36,713,093
- Advent International GPE VII, L.P.	92,635,637	(22,100,072)	24,705,086	95,240,651
- Advent International GPE VIII, L.P.	0	35,100,000	(650,006)	34,449,994
- American Industrial Partners Capital Fund VI, L.P.	811,946	18,017,642	325,029	19,154,618
- Apax VIII, L.P.	152,771,453	98,906	11,499,202	164,369,560
- Apollo Investment Fund VI, L.P. <sup>2</sup>	66,341,884	(52,609,574)	(13,732,310)	0
- Apollo Investment Fund VII, L.P. <sup>2</sup>	56,909,096	(54,423,855)	(2,485,241)	0
- Apollo Investment Fund VIII, L.P.	87,170,532	26,066,933	20,778,959	134,016,424
- Ardian LBO Fund VI, L.P. <sup>1</sup>	0	20,775,068	(1,536,957)	19,238,111
- Ares Corporate Opportunities Fund III, L.P.	88,378,975	(21,079,502)	11,551,694	78,851,167
- Ares Corporate Opportunities Fund IV, L.P.	160,522,305	(14,896,569)	47,937,358	193,563,094
- Ares Corporate Opportunities Fund V, L.P.	0	8,979,076	(319,503)	8,659,573
- ASF VI, L.P.	81,967,420	3,014,241	10,249,572	95,231,233
- ASF VII, L.P.	11,565,747	5,539,943	2,824,338	19,930,028
- Asia Alternatives FL Investor, L.P.	50,098,056	36,101,166	8,375,558	94,574,780
- Atlas Capital Resources II, L.P.	7,166,640	3,201,476	230,653	10,598,769
- AXA LBO Fund V, L.P.	68,586,958	(9,864,897)	7,656,576	66,378,637
- AXA Secondary Fund V, L.P.	64,784,484	(23,688,311)	6,509,919	47,606,093
- Berkshire Fund VIII, L.P.	45,822,170	5,276,485	4,378,964	55,477,619
- Berkshire Fund IX, L.P.	0	11,823,278	(291,492)	11,531,786
- Blackstone Capital Partners V, L.P. <sup>2</sup>	52,134,309	(57,477,801)	5,343,492	0
- Blackstone Capital Partners VI, L.P.	188,331,559	(41,175,070)	32,517,335	179,673,824
- Blackstone Capital Partners VII, L.P.	0	24,610,594	(1,347,293)	23,263,301
- Carlyle Asia Growth Partners IV, L.P.	57,552,304	(12,960,088)	3,625,505	48,217,721
- Carlyle Partners IV, L.P.	6,533,717	(4,288,072)	(145,626)	2,100,019
- Carlyle Partners V, L.P. <sup>2</sup>	94,055,114	(104,089,377)	10,034,263	0
- Carlyle Partners VI, L.P.	96,388,965	12,873,446	21,373,791	130,636,202
- Charlesbank Equity Fund VII, L.P.	61,484,584	(22,910,455)	6,372,075	44,946,204
- Charlesbank Equity Fund VIII, L.P.	32,575,303	25,602,218	5,543,103	63,720,624
- Cortec Group V, L.P.	107,400,598	276,210	92,421,197	200,098,005
- Cortec Group VI, L.P.	11,473,439	8,013,956	(1,263,546)	18,223,849
- Cressey & Company Fund IV, L.P.	35,051,089	(15,571)	(1,011,341)	34,024,177
- Cressey & Company Fund V, L.P.	24,829,704	12,375,000	1,238,361	38,443,065
- CVC Capital Partners VI, L.P.	27,432,188	14,744,486	9,697,258	51,873,932
- CVC European Equity Partners V, L.P.	41,477,304	(27,857,566)	24,092,638	37,712,376
- DCPF VI Oil and Gas Coinvestment Fund, L.P.	36,853,010	141,589	21,400,585	58,395,183
- Denham Commodity Partners Fund VI, L.P.	43,102,938	17,431,564	12,091,395	72,625,897
- Denham Oil & Gas Investment Fund, L.P.	6,158,881	29,550,580	(1,275,829)	34,433,632
- EnCap Energy Capital Fund VIII, L.P.	27,246,530	(5,409,424)	11,732,824	33,569,930
- EnCap Energy Capital Fund IX, L.P.	50,078,588	(20,567,039)	23,325,158	52,836,707
- EnCap Energy Capital Fund X, L.P.	18,806,137	17,134,164	9,887,494	45,827,795
- EnCap Flatrock Midstream Fund III, L.P.	7,457,494	11,796,852	1,038,941	20,293,287
- Energy Capital Partners II, L.P.	46,860,216	(14,157,427)	17,042,523	49,745,312
- Energy Capital Partners III, L.P.	36,531,376	33,001,285	12,529,823	82,062,484
- Energy & Minerals Group Fund III, L.P.	58,497,114	6,030,156	3,716,623	68,243,893
- EnerVest Energy Fund XII-A, L.P.	4,747,552	0	366,685	5,114,237
- EnerVest Energy Institutional Fund XIII-A, L.P.	14,693,729	0	(4,061,157)	10,632,572
- EnerVest Energy Institutional Fund XIV-A, L.P.	46,628,036	29,103,084	9,355,736	85,086,856
- Equistone Partners Europe Fund V, L.P.	27,443,566	22,033,694	3,218,543	52,695,803
- European Private Equity Opportunities I, L.P. <sup>1</sup>	0	1,762,713	(658,024)	1,104,688
- Fairview Special Opportunities Fund, L.P.	252,977,656	13,298,381	37,520,308	303,796,345
- Fairview Special Opportunities Fund II, L.P.	16,329,400	17,205,443	(1,206,173)	32,328,669
- Fairview Ventures Fund II, L.P.	30,219,383	(7,626,565)	5,191,203	27,784,021
- Fairview Ventures Fund III, L.P.	77,524,028	(12,578,218)	11,491,450	76,437,260
- First Reserve Fund XI, L.P.	8,435,834	(3,676,467)	3,584,057	8,343,424
- First Reserve Fund XII, L.P.	66,297,078	1,981,692	(8,661,210)	59,617,560
- Francisco Partners III, L.P.	92,100,267	(41,789,045)	27,214,998	77,526,220

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
- Francisco Partners IV, L.P.	25,704,872	20,437,500	5,250,134	51,392,506
- FS Equity Partners VI, L.P.	72,986,741	(6,580,664)	16,142,968	82,549,045
- FS Equity Partners VII, L.P.	51,818,670	(4,115,912)	2,224,424	49,927,182
- Green Equity Investors V, L.P. <sup>2</sup>	65,502,474	(73,894,975)	8,392,501	0
- Green Equity Investors VI, L.P. <sup>2</sup>	152,853,452	(175,068,486)	22,215,034	0
- Grove Street Partners Buyouts LLC	75,684,579	(22,156,385)	11,394,825	64,923,019
- Grove Street Partners Buyouts II, LLC	114,877,286	7,946,937	19,562,866	142,387,089
- Grove Street Partners Ventures, LLC	133,218,604	(32,943,508)	11,829,666	112,104,762
- Grove Street Partners Ventures II, LLC	282,663,497	(20,563,920)	23,085,107	285,184,685
- GS Partners Ventures III, L.P.	103,781,730	23,682,992	8,431,794	135,896,516
- Hellman & Friedman Capital Partners V, L.P.	1,725,108	(411,903)	(46,722)	1,266,483
- Hellman & Friedman Capital Partners VI, L.P. <sup>2</sup>	23,062,280	(22,063,809)	(998,471)	0
- Hellman & Friedman Capital Partners VII, L.P.	193,553,275	(20,989,555)	59,547,506	232,111,226
- Hellman & Friedman Capital Partners VIII, L.P.	0	10,022,277	1,315,422	11,337,699
- Inflexion Buyout Fund IV, L.P.	10,947,395	7,048,861	2,495,241	20,491,497
- Inflexion Enterprise Fund IV, L.P.	58,151	515,397	(363,889)	209,660
- Inflexion Partnership Capital Fund I, L.P.	2,049,853	5,381,128	1,663,830	9,094,811
- Insight Venture Partners VIII, L.P.	87,395,314	(6,220,758)	9,414,803	90,589,359
- Insight Venture Partners IX, L.P.	26,262,392	18,669,891	9,415,934	54,348,217
- Insight Venture Partners Growth-Buyout Coinvest Fund, L.P.	18,506,840	14,478,264	8,305,139	41,290,244
- Investindustrial VI, L.P.	6,026,494	560,145	528,536	7,115,175
- JH Whitney VII, L.P.	68,316,040	(11,053,175)	8,222,812	65,485,677
- KKR Asia Fund II, L.P.	64,889,607	29,660,120	13,465,846	108,015,573
- KPS Special Situations Fund III, L.P.	25,690,163	(7,285,414)	4,955,531	23,360,280
- KPS Special Situations Fund IV, L.P.	8,042,945	(2,529,428)	6,791,923	12,305,441
- LCP FSBA Co-Invest Account L.P.	5,000,000	4,000,000	3,049,254	12,049,254
- Lexington Capital Partners IV, L.P.	3,650,991	(3,002,506)	(163,816)	484,669
- Lexington Capital Partners V, L.P.	6,718,572	(1,814,384)	(128,152)	4,776,037
- Lexington Capital Partners Vh-B, L.P.	29,273,652	(8,970,181)	1,206,956	21,510,427
- Lexington Capital Partners VII, L.P.	99,213,361	(27,230,519)	5,953,166	77,936,008
- Lexington Capital Partners VIII, L.P.	58,102,320	(5,972,753)	8,256,800	60,386,367
- Lexington Co-Investment Partners Pools III & IV, L.P.	84,740,160	(38,709,948)	5,221,897	51,252,109
- Lexington Co-Investment Partners 2005, L.P.	208,551,951	(86,577,565)	14,567,863	136,542,249
- Lexington Co-Investment Partners 2005 Pool III, L.P.	524,679,546	(87,865,538)	127,164,929	563,978,937
- Lexington Co-Investment Partners 2005 Pool IV, L.P.	0	1,851	1,040,472	1,042,323
- Lexington Middle Market Investors III, L.P.	35,699,305	(3,087,561)	7,491,080	40,102,824
- Liberty Partners VI	2,691,073	(1,475,777)	109,704	1,325,000
- Liberty Partners VII	8,692,018	77,556	229,690	8,999,264
- Liberty Partners Group II	(1,117)	3,779	(3,877)	(1,215)
- Montagu Private Equity Fund IV, L.P.	33,389,986	(4,150,750)	5,442,421	34,681,657
- Montagu V, L.P.	8,173	7,365,946	(1,638,680)	5,735,439
- New Mountain Partners II, L.P.	868,965	0	99,287	968,252
- New Mountain Partners III, L.P.	79,692,645	(29,022,942)	19,865,844	70,535,547
- New Mountain Partners IV, L.P.	50,353,472	22,774,062	11,596,925	84,724,459
- OpCapita Consumer Opportunities Fund II, L.P. <sup>1</sup>	0	7,540,456	(942,857)	6,597,599
- OpenView Venture Partners IV, L.P.	7,335,702	4,488,535	507,481	12,331,719
- Pantheon Global Secondary Fund IV, L.P.	40,032,213	(12,942,740)	4,134,878	31,224,351
- Pantheon Venture Partners II, L.P.	68,279,110	(18,500,001)	3,024,295	52,803,404
- Peak Rock Capital II, L.P. <sup>1</sup>	0	64,269	(64,269)	0
- Peak Rock Capital Credit Fund II, L.P. <sup>1</sup>	0	4,462	(4,462)	0
- Permira IV, L.P. <sup>2</sup>	20,599,843	(23,552,079)	2,952,235	0
- Permira V, L.P.	65,145,266	12,283,154	14,191,681	91,620,101
- Platinum Equity Capital Partners, L.P. <sup>2</sup>	3,557,328	(3,607,184)	49,856	0
- Platinum Equity Capital Partners II, L.P.	29,674,051	(6,783,474)	13,936,533	36,827,110
- Platinum Equity Capital Partners III, L.P.	118,009,627	(30,869,464)	55,167,674	142,307,837
- Pomona Capital VI, L.P.	15,805,882	(4,115,540)	148,665	11,839,007
- Pomona Capital VII, L.P.	6,805,009	0	(316,493)	6,488,516
- Post Oak Energy Partners II, L.P.	10,355,248	(124,187)	15,981,788	26,212,848
- Post Oak Energy Partners III, L.P. <sup>1</sup>	0	12,768,107	(1,392,761)	11,375,346
- Providence Equity Partners VI, L.P. <sup>2</sup>	27,755,427	(25,707,870)	(2,047,557)	0
- Providence Equity Partners VII, L.P.	129,428,727	(8,699,650)	42,347,510	163,076,587
- RCP Advisors Fund IV, L.P.	29,764,534	(15,308,367)	5,437,909	19,894,076
- RCP Advisors Fund V, L.P.	34,814,529	(10,299,240)	9,271,575	33,786,864
- RCP Advisors Fund VI, L.P.	44,886,748	(13,060,405)	9,924,620	41,750,963
- RCP Advisors Fund VII, L.P.	45,621,657	(6,579,666)	15,704,212	54,746,202
- RCP Advisors Fund VIII, L.P.	25,587,844	5,000,000	4,297,271	34,885,116
- RCP Advisors Fund IX, L.P.	11,840,216	10,000,000	2,537,859	24,378,075
- RCP Advisors Fund X, L.P.	3,225,153	5,000,000	(1,424,061)	6,801,092
- Riverside Capital Appreciation Fund V, L.P. <sup>2</sup>	27,212,966	(19,389,117)	(7,823,849)	0

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
- Riverside Capital Appreciation Fund VI, L.P.	46,976,824	5,797,183	9,871,799	62,645,806
- Rubicon Technology Partners, L.P.	28,696,917	10,665,486	1,369,024	40,731,427
- Rubicon Technology Partners II, L.P. <sup>1</sup>	0	29,411	(29,411)	0
- Searchlight Capital II, L.P.	17,575,140	9,095,917	5,737,067	32,408,124
- Silver Lake Partners IV, L.P.	59,904,377	3,429,930	16,996,577	80,330,884
- Siris Partners III, L.P.	10,077,148	24,093,695	611,407	34,782,250
- SVB Capital Partners III, L.P.	10,692,680	5,062,496	185,831	15,941,007
- SVB Capital Partners IV, L.P. <sup>1</sup>	0	3,843	(3,843)	0
- SVB Strategic Investors Fund V-A, L.P.	136,561,057	5,375,000	8,514,398	150,450,455
- SVB Strategic Investors Fund V-A Opportunity, L.P.	60,016,805	1,000,000	6,212,562	67,229,367
- SVB Strategic Investors VI-A, L.P.	103,450,320	14,195,313	4,359,395	122,005,028
- SVB Strategic Investors Fund VII-A, L.P.	28,630,491	33,462,500	575,224	62,668,215
- SVB Strategic Investors Fund VIII-A, L.P. <sup>1</sup>	0	8,037,977	(781,672)	7,256,305
- Thoma Bravo Discover Fund, L.P.	6,964,481	13,815,185	(182,024)	20,597,642
- Thoma Bravo Fund IX, L.P.	19,484,033	(32,603,363)	18,325,641	5,206,310
- Thoma Bravo Fund X, L.P.	100,578,841	(81,641,363)	75,343,844	94,281,321
- Thoma Bravo Fund XI, L.P.	138,114,114	16,524,140	23,513,780	178,152,033
- Thoma Bravo Fund XII, L.P.	7,218,248	52,443,591	(2,157,918)	57,503,922
- Thoma Bravo Special Opportunities Fund I, L.P.	41,526,800	(5,475,726)	31,425,623	67,476,697
- Thoma Bravo Special Opportunities Fund II, L.P.	42,363,942	9,206,393	5,823,644	57,393,979
- Thoma Cressey Fund VIII, L.P.	1,856,670	(1,138,895)	370,808	1,088,583
- Tiger Iron Special Opportunities Fund, L.P.	571,710	9,236,100	(786,855)	9,020,955
- Top Tier Special Opportunities Fund, L.P.	4,830,389	(2,814,542)	513,243	2,529,090
- Top Tier Venture Capital II, L.P.	42,167,883	(16,202,179)	(1,688,923)	24,276,781
- Top Tier Venture Capital III, L.P.	44,928,263	(6,357,734)	(1,711,904)	36,858,625
- Top Tier Venture Capital IV, L.P.	117,645,750	(17,670,162)	4,847,081	104,822,669
- TowerBrook Investors II, L.P.	23,607,815	(6,691,967)	338,703	17,254,551
- TowerBrook Investors III, L.P.	60,166,149	(16,095,081)	(1,344,645)	42,726,423
- TowerBrook Investors IV, L.P.	36,539,754	4,885,592	12,671,548	54,096,894
- TPG Growth II, L.P.	158,347,088	(21,694,224)	30,511,364	167,164,228
- TPG Growth III, L.P.	12,797,455	26,106,965	6,335,595	45,240,015
- Trident V, L.P.	75,719,223	(10,899,496)	14,357,126	79,176,852
- Trident VI, L.P.	38,048,390	10,650,300	7,078,797	55,777,486
- Trident VII, L.P. <sup>1</sup>	0	77,373	(77,373)	0
- TrueBridge Capital FSA, LLC	3,783,300	4,627,482	(741,336)	7,669,446
- TrueBridge/FLSBA Special Purpose, LLC	64,446,052	(4,278,500)	2,733,769	62,901,321
- Truebridge/FLSBA Special Purpose II, LLC	14,314,503	2,487,500	1,508,395	18,310,398
- TrueBridge-Kauffman Fellows Endowment Fund II, L.P.	145,408,743	(5,111,773)	5,426,403	145,723,374
- TrueBridge-Kauffman Fellows Endowment Fund III, L.P.	93,558,318	12,500,000	3,510,655	109,568,973
- TrueBridge-Kauffman Fellows Endowment Fund IV, L.P.	10,520,091	18,750,000	(1,725,223)	27,544,868
- TSG Capital Fund III, L.P. <sup>3</sup>	15,587	0	(1,312)	14,275
- Venture Overage Fund, L.P.	65,040,835	3,884,436	13,857,263	82,782,534
- W Capital Partners III, L.P.	38,105,155	(2,396,125)	10,693,814	46,402,844
- Warburg Pincus China, L.P. <sup>1</sup>	0	9,389,443	(500,049)	8,889,394
- Warburg Pincus Private Equity IX, L.P.	8,954,345	(1,166,835)	1,863,134	9,650,643
- Warburg Pincus Private Equity X, L.P.	73,636,000	(8,116,235)	11,876,759	77,396,524
- Warburg Pincus Private Equity XI, L.P.	194,350,552	(14,887,200)	25,121,644	204,584,996
- Warburg Pincus Private Equity XII, L.P.	5,469,904	22,077,000	(338,679)	27,208,225
- Wellspring Capital Partners IV, L.P. <sup>2</sup>	36,039,307	(27,909,237)	(8,130,070)	0
- Wellspring Capital Partners V, L.P.	159,988,747	(130,041,990)	37,539,319	67,486,076
- WPEF VI Feeder Fund, L.P.	4,446,390	15,335,436	2,250,250	22,032,076
- WPEF VI Overflow Feeder Fund, L.P.	6,956	0	(3,548)	3,408
<b>Other:</b>				
- Private Equity Cash	99,332,082	(33,190,453)	251,046	66,392,675
- Private Equity Cash Expense	0	1,779,623	(1,779,623)	0
- Private Equity Transition <sup>4</sup>	0	0	0	0
<b>Total Private Equity</b>	<b>\$ 9,112,663,875</b>	<b>\$ (910,000,000)</b>	<b>\$ 1,600,457,529</b>	<b>\$ 9,803,121,404</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 2016-17

Account Name	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b>Debt-Oriented:</b>				
- ABRY Advanced Securities Fund, L.P.	\$ 1,962,274	\$ -	\$ 345,109	\$ 2,307,383
- ABRY Advanced Securities Fund II, L.P.	105,275,828	(76,505,695)	27,467,684	56,237,817
- ABRY Advanced Securities Fund III, L.P.	56,418,031	1,794,322	16,046,871	74,259,225
- ABRY Senior Equity III, L.P.	18,295,608	(12,891,048)	(1,437,591)	3,966,968
- ABRY Senior Equity IV, L.P.	49,113,063	(1,346,838)	6,357,203	54,123,428
- ABRY Senior Equity V, L.P. <sup>1</sup>	0	3,918,921	(370,540)	3,548,381
- Anchorage Capital Partners, L.P.	214,548,197	0	14,768,976	229,317,173
- Apollo Credit Liquidity Fund, L.P.	17,910,810	(556,758)	3,875,365	21,229,417
- Atalaya Special Opportunities Fund VI, L.P.	43,220,819	22,717,341	4,157,977	70,096,138
- Audax Credit Opportunities, LLC	277,086,019	164,250	15,567,220	292,817,489
- Audax Mezzanine Fund IV-A, L.P. <sup>1</sup>	0	14,969,946	(1,188,260)	13,781,686
- Bayview Opportunity Master Fund II b, L.P.	13,431,154	(9,656,500)	1,137,389	4,912,043
- Bayview Opportunity Master Fund III b, L.P.	152,388,648	(108,258,216)	9,993,554	54,123,987
- Benefit Street Partners CRE Conduit Co., L.P.	114,394,619	(909,229)	18,232,374	131,717,764
- BlackRock Carbon Capital V, Inc.	108,859,666	(56,905,631)	7,067,828	59,021,864
- Blackstone Credit Liquidity Partners, L.P.	455,604	0	(63,963)	391,641
- Blackstone/GSO Capital Solutions Fund, L.P.	31,607,950	(12,325,131)	3,301,676	22,584,495
- Canyon Value Realization Fund, L.P.	101,828,531	0	13,180,518	115,009,049
- Carlyle Mezzanine Partners II, L.P.	24,892,797	(8,671,901)	284,723	16,505,619
- Castlelake III, L.P.	78,906,409	0	13,922,772	92,829,181
- Castlelake IV, L.P. <sup>1</sup>	40,691,815	33,333,728	16,097,859	90,123,402
- Centerbridge Capital Partners III, L.P.	34,424,667	1,606,490	5,404,478	41,435,635
- Cerebus FSBA Levered Loan Opportunities Fund, L.P. <sup>1</sup>	0	84,277,230	10,920,591	95,197,821
- Cerberus Institutional RE Partners III, L.P.	153,164,410	(46,532,527)	13,357,846	119,989,730
- Colony Distressed Credit Fund II, L.P.	40,418,058	(17,267,070)	3,818,347	26,969,335
- Colony Distressed Credit & Special Sit Fund III, L.P.	106,319,486	(2,540,443)	9,592,523	113,371,566
- Crescent Mezzanine Partners VI, L.P.	120,430,378	(37,027,324)	8,524,594	91,927,648
- Crescent Mezzanine Partners VII, L.P. <sup>1</sup>	0	24,901,945	1,452,740	26,354,685
- CVI Credit Value Fund A, L.P.	77,232,204	(43,521,928)	7,899,551	41,609,827
- CVI Credit Value Fund II A, L.P.	234,042,205	(83,162,035)	19,580,282	170,460,452
- CVI Credit Value Fund III A, L.P.	75,485,684	60,000,311	15,378,022	150,864,016
- CVI Global Value Fund A, L.P.	66,419,060	(21,779,919)	3,550,363	48,189,504
- Deerfield Private Design Fund IV, L.P. <sup>1</sup>	0	10,039,766	(244,108)	9,795,658
- Distressed Managers II FL, L.P.	25,850,053	(9,024,058)	(1,238,844)	15,587,151
- Falcon Strategic Partners III, L.P.	63,736,529	(34,779,279)	7,113,585	36,070,835
- Falcon Strategic Partners IV, L.P.	87,263,910	(2,874,420)	13,273,491	97,662,981
- GSO Capital Opportunities Fund, L.P.	26,017,648	(17,023,336)	(2,736,694)	6,257,618
- GSO Capital Opportunities Fund II, L.P.	78,555,423	3,533,491	11,817,187	93,906,101
- GSO Capital Solutions Fund II, L.P.	64,048,760	24,930,146	22,736,395	111,715,301
- GSO Capital Solutions Fund III, L.P. <sup>1</sup>	0	33,513,123	727,773	34,240,896
- King Street Capital Fund, L.P.	245,010,340	0	14,584,605	259,594,945
- Lake Jackson, L.P. <sup>1</sup>	0	11,739	(11,739)	0
- LCM Credit Opportunities Fund III(a), L.P. <sup>1</sup>	0	23,820,342	(424,948)	23,395,394
- Levine Leichtman Capital Partners IV, L.P.	48,200,309	(22,931,111)	1,778,376	27,047,575
- Levine Leichtman Capital Partners V, L.P.	152,140,251	4,254,425	10,649,599	167,044,275
- Marathon European Credit Opp Fund II, L.P.	82,601,810	(7,749,930)	6,900,502	81,752,382
- Oaktree Opportunities Fund VIII, L.P.	37,461,682	(18,806,898)	5,819,570	24,474,354
- Oaktree Opportunities Fund VIIIb, L.P.	37,336,683	(8,078,978)	1,914,044	31,171,748
- Oaktree Opportunities Fund IX, L.P.	95,648,714	(14,967,825)	8,009,908	88,690,797
- OCM Opportunities Fund VIIb, L.P.	4,518,232	(1,515,851)	611,890	3,614,272
- PCG Special Situation Partners, L.P.	53,699,086	(31,398,248)	670,762	22,971,600
- Principal RE Debt (SBAF Mortgage Fund), LLC	238,006,778	(67,661,443)	17,993,695	188,339,029
- Providence Debt Fund III, L.P.	118,355,839	13,831,878	21,120,503	153,308,220
- Providence TMT Debt Opportunity Fund II, L.P.	41,135,018	(23,587,289)	5,293,302	22,841,031
- Providence TMT Special Situation Fund, L.P.	5,344,699	(2,357,070)	2,258,276	5,245,905
- Special Situation Partners II, L.P.	54,168,095	(11,775,305)	6,038,916	48,431,706
- Square Mile Partners III, L.P.	20,103,324	(3,637,371)	(340,347)	16,125,606
- TCW Crescent Mezzanine Partners V, L.P.	27,846,600	(10,881,008)	1,391,333	18,356,925
- Tricon Housing Partners I US, L.P.	66,302,198	(37,529,076)	5,349,135	34,122,257
- Tricon Housing Partners II US, L.P.	78,473,217	2,015,685	7,780,838	88,269,740
- Trigate Property Partners II, L.P.	34,062,491	(8,426,465)	4,569,337	30,205,363
- Varde Fund X, L.P.	111,250,351	(56,649,838)	17,628,036	72,228,549
- Varde Fund XI, L.P.	241,554,327	0	19,291,989	260,846,316
- Varde Fund XII (c), L.P.	32,400,000	57,675,124	10,634,102	100,709,226
- VSS Structured Capital II, L.P.	28,302,749	(10,093,939)	110,065	18,318,875
- Wayzata Opportunities Fund II, L.P.	9,727,745	(4,587,000)	2,823,072	7,963,817
- Wayzata Opportunities Fund III, L.P.	52,386,898	(18,247,048)	9,445,042	43,584,892

Account Name - continued	Market Value 6/30/2016	Net Contributions (Withdrawals)	Investment Gain (Loss)	Market Value 6/30/2017
<b>Diversifying Strategies:</b>				
- AQR Managed Futures Fund II, L.P.	203,022,149	50,000,000	(36,218,174)	216,803,975
- AQR Style Premia Fund	151,912,872	0	3,285,980	155,198,852
- Benefit Street Credit Alpha Partners, L.P.	151,494,976	0	670,180	152,165,156
- Caerus DT Fund, LLC	354,397,526	75,000,000	(29,263,920)	400,133,606
- Capula Global Relative Value Fund Ltd, L.P.	151,341,520	509	12,366,202	163,708,231
- Coastland Relative Value Fund, LLC	158,403,544	0	(24,595,598)	133,807,946
- Dymon Asia Macro (US) Fund	101,690,000	407	2,645,108	104,335,515
- Elan Fund, L.P.	335,670,665	75,000,000	5,448,588	416,119,252
- Graham Absolute Return Trading Ltd.	147,561,989	862	5,571,978	153,134,828
- Graticule Asia Macro Fund, L.P.	147,737,355	0	14,649,221	162,386,576
- Healthcare Royalty Partners III, L.P.	2,970,028	20,183,167	1,901,802	25,054,998
- Primary Wave Music IP Fund 1, L.P. <sup>1</sup>	0	10,348,560	(807,252)	9,541,308
- Vine Media Opportunities Fund III, L.P.	66,708,403	15,091,265	9,024,363	90,824,030
<b>Equity:</b>				
- Blackstone Unit Trusts	4,177,575	0	1,707,437	5,885,011
- Cevian Capital II, L.P.	161,446,000	0	62,741,000	224,187,000
- Highline Capital Partners, L.P.	218,168,361	0	10,662,260	228,830,621
- JHL Capital Group Fund, LLC	105,467,951	0	(8,717,156)	96,750,795
- KV Partners, LLC	71,524,060	360,353	22,954,979	94,839,393
- Lexington GP Holdings, L.P.	122,269,468	(17,792,083)	32,700,364	137,177,750
- P2 Capital Fund, L.P.	207,026,035	0	57,462,465	264,488,500
- Providence Equity Global Group, LLC	162,252,765	(5,368,232)	5,718,391	162,602,924
- Scopia PX, LLC	112,839,931	0	3,776,267	116,616,198
- Starboard Value and Opportunity Fund, LLC	280,066,197	0	23,917,213	303,983,410
- Three Bridges Europe Fund, L.P.	82,807,180	0	12,212,958	95,020,138
<b>Flexible Mandates:</b>				
- Blackstone Tactical Opportunities Fund II, L.P.	47,950,976	17,023,050	10,632,315	75,606,342
- Coastline Fund, L.P.	99,481,566	68,749,155	14,267,215	182,497,936
- Davidson Kempner Institutional Partners, L.P.	112,250,349	0	9,584,464	121,834,813
- Gruss Global Investors (Enhanced) II, L.P.	221,069,470	0	11,908,083	232,977,553
- HBK Fund II, L.P.	160,276,243	0	11,130,993	171,407,236
- Litespeed Partners, L.P.	80,147,412	0	9,522,182	89,669,594
- Luxor Capital Partners, L.P.	68,734,673	0	21,226,577	89,961,250
- Mason Capital Fund, L.P. <sup>3</sup>	9,253,431	(8,305,230)	(17,586)	930,614
- OZ Domestic Partners II, L.P.	253,216,940	0	34,865,791	288,082,730
- Taconic Opportunity Fund, L.P.	249,149,060	0	28,816,080	277,965,140
- York Capital Management, L.P.	167,930,279	0	31,092,273	199,022,552
<b>Global Macro:</b>				
- MKP Opportunity Partners, L.P.	151,557,000	0	6,055,009	157,612,009
<b>Real Assets:</b>				
- Bayview Opportunity Fund IV b, LLC	67,598,001	44,282,730	20,124,957	132,005,687
- BlackRock Carbon Capital VI, L.P. <sup>1</sup>	0	39,579,496	1,057,841	40,637,338
- Boston Timber Opportunities LLC	269,393,333	(9,355,700)	5,625,096	265,662,729
- Cerberus Institutional RE Partners IV, L.P.	18,217,047	(4,895,648)	(29,919)	13,291,480
- Chambers Energy Capital III, L.P.	25,339	12,755,027	(316,182)	12,464,185
- Colony Distressed Credit & Special Sit Fund IV, L.P.	52,922,361	16,452,643	9,621,495	78,996,499
- EIG Energy Fund XVI, L.P.	30,958,819	6,208,386	21,732,480	58,899,685
- Global Infrastructure Partners II, L.P.	110,884,227	13,417,258	18,661,171	142,962,655
- Global Infrastructure Partners III, L.P.	69,304	24,678,290	292,214	25,039,808
- GSO Energy Select Opportunities Fund, L.P.	8,488,017	17,724,552	2,811,944	29,024,513
- IFM Global Infrastructure (US), L.P.	331,287,105	320	42,813,330	374,100,754
- Jackson Timberland Opportunities, LLC	187,516,277	(7,633,036)	13,427,855	193,311,096
- Orion Mine Finance Fund I, L.P.	85,256,991	3,130,009	22,001,774	110,388,774
- Sprott Private Resource Lending (US), L.P. <sup>1</sup>	0	4,243,951	0	4,243,951
- Trigate Property Partners III, L.P.	(232,449)	14,997,040	1,171,839	15,936,429
<b>Special Situations:</b>				
- Castletlake Aviation II L.P.	32,837,311	(17,113,979)	1,134,857	16,858,189
- Castletlake III Aviation Stable Yield, L.P. <sup>1</sup>	0	75,914	(75,914)	0
- Florida Growth Fund, LLC	147,266,840	(54,026,902)	36,444,187	129,684,125
- Florida Growth Fund Credit Tranche, LLC	34,456,705	(982,633)	3,729,348	37,203,420
- Florida Growth Fund Tranche II, LLC	113,739,751	280,495	4,882,781	118,903,027
- Florida Growth Fund II, Tranche 1, LLC	47,557,688	27,844,671	8,392,793	83,795,152
- GI Partners Fund III, L.P.	45,764,776	(8,417,925)	6,501,751	43,848,601
- GI Partners Fund IV, L.P.	79,533,253	27,256,308	15,298,676	122,088,237
- SASOF III, L.P.	21,412,227	26,605,431	4,463,222	52,480,879
- TSSP Adjacent Opportunities Partners, L.P.	80,761,543	9,825,311	8,983,400	99,570,254
<b>Other:</b>				
- Strategic Investments Cash Account	75,500,926	(6,186,823)	395,344	69,709,447
- Strategic Investment Cash Expense Account	0	2,093,806	(2,093,806)	0
- Strategic Investments Transition Account	2,494,600	0	140,252	2,634,852
<b>Total Strategic Investments</b>	<b>\$ 11,586,417,690</b>	<b>\$ (60,000,000)</b>	<b>\$ 1,127,653,568</b>	<b>\$ 12,654,071,257</b>

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

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

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

• 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 2016-17

Account Name	Market Value 6/30/2016	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/2017
<b><u>Joint Ventures:</u></b>				
- Ramco <sup>3</sup>	\$ 962,501	\$ (633,350)	\$ 93,551	\$ 422,702
<b><u>Pooled Funds:</u></b>				
- AEW Senior Housing Investors III, L.P. <sup>1</sup>	-	15,575,433	(480,439)	15,094,993
- Beacon Capital Strategic Partners Fund V, L.P.	8,791,255	(6,509,994)	(1,506,504)	774,756
- BlackRock Diamond Property Fund, Inc.	4,787,175	(4,917,424)	565,022	434,774
- BlackRock Europe Property Fund IV	1,324,701	1,952,076	1,572,980	4,849,756
- Blackstone Real Estate Partners Asia, L.P.	122,355,164	(35,448,697)	21,435,547	108,342,014
- Blackstone Europe V	-	8,553,762	(111,603)	8,442,159
- Blackstone Real Estate Partners VI, L.P.	115,317,203	(94,519,885)	16,309,839	37,107,157
- Blackstone Real Estate Partners VII, L.P.	303,560,740	(67,536,053)	21,979,159	258,003,846
- Blackstone Real Estate Partners VIII, L.P.	38,856,230	(762,377)	6,948,356	45,042,209
- Brookfield-Fairfield US Multifamily Fund I, L.P.	44,800,042	(31,276,348)	4,173,989	17,697,683
- Brookfield-Fairfield US Multifamily Fund II, L.P.	59,806,529	(5,186,189)	15,899,843	70,520,183
- CapMan Nordic Real Estate Fund	43,537,453	(11,813,388)	9,728,397	41,452,462
- Carlyle Property Investors <sup>1</sup>	-	82,741	(82,741)	-
- Carlyle Realty Partners VI, L.P.	46,412,530	(18,825,077)	2,599,528	30,186,981
- Carlyle Realty Partners VII, L.P.	19,391,605	11,786,124	2,515,702	33,693,431
- Carlyle Realty Partners VIII, L.P. <sup>1</sup>	-	116,487	(116,487)	-
- CIM Fund VIII, L.P.	24,842,064	10,064,983	2,378,079	37,285,126
- EMI Pooled Fund Expenses Account <sup>4</sup>	-	-	-	-
- Europa Fund IV, L.P.	52,983,885	4,141,911	4,123,106	61,248,902
- Heitman Value Partners III, L.P.	19,351,009	12,018,617	2,926,569	34,296,195
- Hines Value Added Fund II, L.P.	55,527,855	(56,429,113)	4,826,132	3,924,874
- JP Morgan EOP Fund III	5,160,389	8,513,340	4,001,330	17,675,059
- JP Morgan Special Situation Fund	171,918,290	(4,532,760)	11,711,246	179,096,776
- JP Morgan Strategic Property Fund	381,888,217	(13,111,323)	26,240,625	395,017,518
- Prime Property Fund, LLC	358,666,226	(14,434,427)	32,228,680	376,460,478
- Principal US Property Fund	333,314,987	-	29,769,131	363,084,118
- Prologis USFL, L.P.	102,835,136	(4,298,350)	16,751,840	115,288,626
- Prudential PRISA	323,150,483	(13,443,040)	23,097,301	332,804,745
- Prudential PRISA Fund II <sup>2</sup>	121,622,076	(130,449,068)	8,826,993	-
- Prudential PRISA Fund III	227,595,263	(11,410,996)	25,485,321	241,669,588
- Rockpoint Real Estate Fund III, L.P.	10,560,185	(732,998)	545,107	10,372,294
- Rockpoint Real Estate Fund IV, L.P.	63,146,178	(9,850,601)	838,605	54,134,182
- Rockpoint Real Estate Fund V, L.P.	10,385,215	19,776,430	2,565,073	32,726,718
- RREEF America REIT II Pooled Fund	295,594,495	(9,946,094)	20,662,535	306,310,936
- Starwood Distressed Opportunity Fund IX Global, L.P.	86,219,694	(24,650,728)	4,978,413	66,547,379
- Starwood Opportunity Fund X Global, L.P.	84,491,588	5,005,148	13,754,596	103,251,332
- Starwood Global Opportunity Fund XI <sup>1</sup>	-	90,429	(90,429)	-
- Tristan EPISO 3, L.P.	56,052,986	(17,484,564)	8,375,985	46,944,406
- Tristan EPISO 4, L.P.	7,472,957	5,799,089	560,554	13,832,601
- UBS Pooled Fund, L.P.	287,374,565	(9,170,408)	13,025,303	291,229,461
<b><u>Principal Investments:</u></b>	<b>7,977,959,034</b>	<b>(194,847,423)</b>	<b>739,961,038</b>	<b>8,523,072,649</b>
<b><u>Real Estate Investment Trusts (REITs):</u></b>				
- AEW Global REIT	359,415,246	-	3,635,380	363,050,626
- CohenSteers Global REIT	280,320,404	-	14,966,643	295,287,047
- Invesco Global REIT	347,050,203	-	2,885,807	349,936,010
- RREEF Global REIT	355,068,870	-	2,284,585	357,353,455
<b><u>Other:</u></b>				
- Real Estate Cash Account	85,805,829	(55,406,788)	354,542	30,753,583
- Real Estate Cash Expense Account	-	750,893	(750,893)	-
- Real Estate Transition Account <sup>4</sup>	-	-	-	-
<b>Total Real Estate Investments</b>	<b>\$ 13,295,676,456</b>	<b>\$ (743,400,000)</b>	<b>\$ 1,122,443,336</b>	<b>\$ 13,674,719,791</b>

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

<sup>2</sup> Strategy terminated during the fiscal year.

<sup>3</sup> Strategy terminated or account closed during a prior fiscal year. Balances and activity reflect residual activity.

<sup>4</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 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 2016-17

Account Name	Market Value 6/30/2016	Net Contributions and Transfers	Investment Gain (Loss)	Market Value 6/30/2017
Cash Expense Account <sup>1</sup>	\$ 0	\$ 82,604	\$ (82,604)	\$ 0
Cash Securities Lending Account <sup>2</sup>	(44,764,699)	0	4,900,557	(39,864,142)
Central Cash/Short-Term	1,104,772,850	(51,700,669)	9,276,291	1,062,348,472
Centralized Cleared IM Collateral Account <sup>3</sup>	0	124,200,000	595,587	124,795,587
Centralized MSFTA Collateral Account	10,004,804	0	63,525	10,068,329
Centralized Non-Cleared Cash Collateral	16,550,245	10,000,000	122,594	26,672,840
TF STIPFRS NAV Adjustment Account <sup>4</sup>	174,384	0	(8,962)	165,422
Total Fund Cash Expense Account <sup>1</sup>	0	32,844,777	(32,844,777)	0
<b>Total Cash Asset Class</b>	<b>\$ 1,086,737,585</b>	<b>\$ 115,426,712</b>	<b>\$ (17,977,789)</b>	<b>\$ 1,184,186,508</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 both accounts.

<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 2017, the net unrealized loss decreased, resulting in an unrealized gain of \$4,900,557 that is included in the Investment Gain (Loss) column.

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

<sup>4</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 participant balances (carried at amortized cost) of 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**

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

GASB 67 applies to financial reporting for public pension plans. 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, 2017. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2017.

### **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 7.50% investment rate of return assumption selected by the 2017 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, 2017 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 percent and 50 percent over a thirty-year timeframe.
- 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 7.10 percent.
- The funding policy used to determine actuarially determined contributions does not change.
- The actuarial assumptions do not change.



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December 8, 2017

Members of the Florida Legislature and of the Florida Retirement System

**Re: Actuary's Statement Regarding FRS 2017 Pension Plan Actuarial Valuation**

Dear Florida Legislators and FRS Members:

Milliman has conducted an actuarial valuation as of July 1, 2017 for the Florida Retirement System (FRS) Pension Plan. Current Governmental Accounting Standards Board (GASB) financial reporting standards require two distinct sets of actuarial valuation calculations to fulfill two separate requirements:

- System funding calculations as of July 1, 2017, which assess system funded status and determine actuarially calculated contribution rates for the July 1, 2018 – June 30, 2019 plan year. The methods and assumptions for these calculations include a decrease in the investment return assumption from 7.60% to 7.50%. Preliminary 2017 valuation results reflecting this assumption update were presented to the 2017 FRS Actuarial Assumptions Conference. The investment return assumption, which was set by the 2017 FRS Actuarial Assumption Conference, is a *prescribed assumption* as defined by Actuarial Standard of Practice No. 27 (ASOP 27). The prescribed assumption conflicts with my professional judgment regarding what would constitute a reasonable assumption for the purpose of the measurement as discussed in ASOP 27.
- System GASB 67 financial reporting calculations as of June 30, 2017, 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 expected rate of return assumption of 7.10% used in GASB discount rate calculations differs from the 7.50% investment rate of return assumption used in the funding calculations. The 7.10% assumption consists of two building block components: 1) a real (in excess of inflation) return of 4.50%, consistent with the currently articulated real return target in the Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; 2) a long-term average annual inflation assumption of 2.60% as most recently adopted in October 2017 by the FRS Actuarial Assumption Conference. In my opinion, both components and the overall 7.10% return assumption are reasonable and appropriate per Actuarial Standards of Practice. In addition to the difference in the investment rate of return assumption, as discussed later in this letter, some actuarial methods used to determine assets and actuarial liabilities differ from the system funding calculations in order to comply with GASB mandates which are designed to allow financial statement comparability between governmental pension systems.

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

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.

### System Funding Calculations

On the smoothed Actuarial Value of Assets (AVA) basis used to determine actuarially calculated contribution rates, FRS Pension Plan funded status decreased from 85.4% to 84.3%. On a Market Value of Assets (MVA) basis, FRS Pension Plan funded status increased from 83.2% to 86.3% due to an actual plan year investment return of +13.6% compared to the assumed average annual return from the previous system funding valuation of 7.60%.

Due to market value investment performance above the long-term average assumed return over the past year, as of July 1, 2017 the MVA is more than the AVA, which is used for contribution rate calculations, by \$3.5 billion. That \$3.5 billion not yet recognized market investment gain will be systematically recognized as a sequence of actuarial investment gains in the Unfunded Actuarial Liability (UAL) over the next several years if market value investment experience during that period meets or exceeds the 7.50% investment return assumption. If actual market value investment experience during that period fails to meet or exceed the 7.50% assumption used in the funding valuation, the not yet recognized investment gain will serve as a buffer, either mitigating or eliminating increases in actuarially calculated employer contribution rates.

The composite FRS Pension Plan-only actuarially calculated employer contribution rate in the funding valuation (prior to blending with FRS Investment Plan contribution rates to create blended proposed statutory rates) for the 2018-2019 plan year increased by 0.70% of payroll when compared to the 2017-2018 rate calculated in the prior valuation. The most significant rate increase sources were, in decreasing order of significance:

- a) The decrease in the investment return assumption
- b) Actual retirement and DROP entry behavior of eligible members during 2016-2017 plan year compared to the long-term assumption
- c) Other actual member demographic experience during the year, which includes the effects of actual salary increase and mortality experience compared to long-term assumption, and an increase to in-line-of-duty death benefits for beneficiaries of Special Risk members played lesser roles in the year-over-year increase

The actuarially calculated contribution rates in the valuation are determined in a manner such that they will remain level as a percentage of projected payroll in future years if experience follows the valuation's assumptions until system funded status nears 100%.

This valuation used a long-term average annual future investment return assumption of 7.50%, as approved for use by the 2017 FRS Actuarial Assumption Conference. The assumption is materially above the 50th percentile average returns in the proprietary capital market outlook models developed by both Milliman and the Florida State Board of Administration's investment consultant (Aon Hewitt Investment Consulting). The models developed by Milliman and Aon Hewitt each had 50<sup>th</sup> percentile average annual long-term future returns in the 6.6%-6.8% range, and all models developed in 2017 indicated a likelihood of 40% or less of actual long-term future average returns meeting or exceeding 7.50%.

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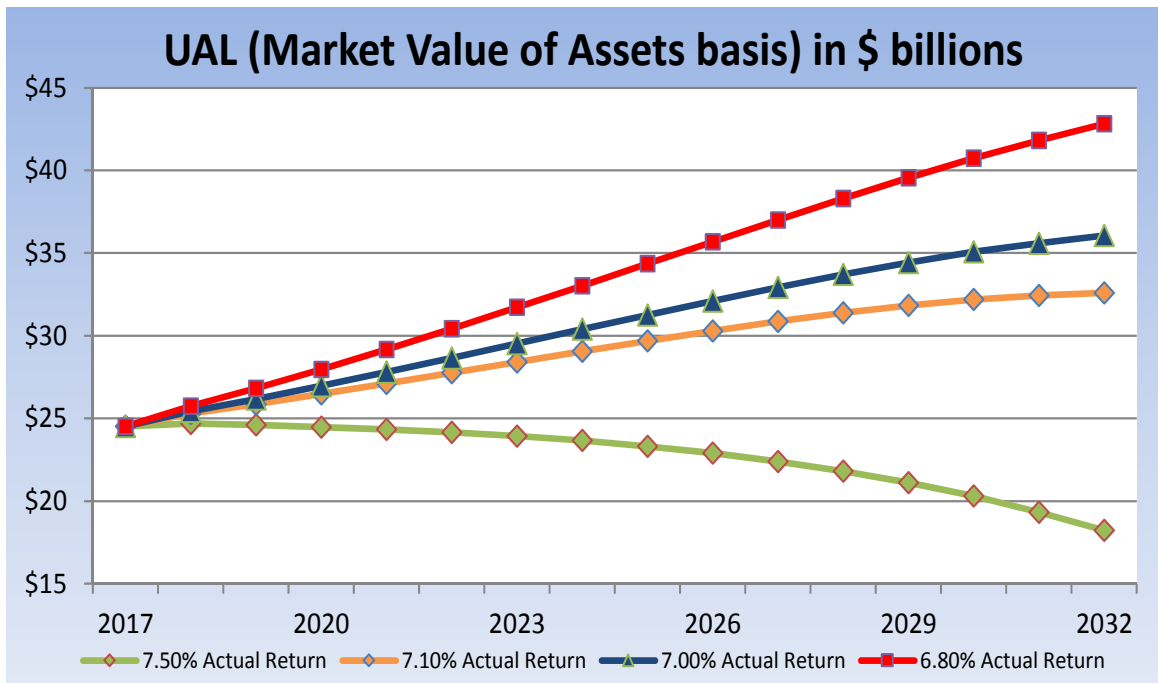
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All else being equal, the lower the selected investment return assumption, the higher the likelihood the FRS Pension Plan will meet or exceed its assumed investment return in future years. A lower assumption would result in higher short-term actuarially 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 7.50% valuation assumption, the following graph illustrates the UAL on a Market Value of Assets basis under four scenarios for steady actual future investment returns:

- 7.50%, which is the assumption selected for the funding valuation by the 2017 FRS Actuarial Assumption Conference
- 7.10%, which is the assumption used for GASB 67 financial reporting valuation calculations as of a June 30, 2017 Measurement Date
- 7.00%, which is moderate recurring annual underperformance compared to the funding valuation assumption
- 6.80%, which is near the 50th percentile assumption for a model developed by Aon Hewitt Investment Consulting in consultation with the Florida State Board of Administration for the 2017 asset-liability study



As illustrated in the graph, if actual future investment returns match the 7.50% assumption the UAL would decrease by approximately one-quarter 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 7.50% 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 amortization schedule if actual investment performance continues to match the assumption.) If actual returns underperform the 7.50% assumption by 0.40% to 0.50%, the UAL would increase by between \$8 and \$12 billion over the illustrated 15-year projection period. If actual investment returns equal the 50<sup>th</sup> percentile return from Aon Hewitt Investment Consulting's "SBA Approach" model of 6.8%, the UAL would increase by 75% over the modeled 15-year period even if actuarially calculated contributions are made and all other experience follows the assumptions used in this valuation.

### System GASB Financial Reporting Calculations

GASB Statement No. 67 is the governing standard for financial reporting of governmental pension systems. GASB 67 calculation methodology differs in three significant ways from the methodology of system funding calculations. First, GASB 67 mandates use of fair market asset values for the calculation of unfunded liability. Second, GASB 67 mandates a specific actuarial cost method (Individual Entry Age Normal) for financial reporting calculations. That actuarial cost method differs from the one used in system funding calculations (Ultimate Entry Age Normal). An *actuarial cost method* allocates the net present value of all projected future retirement benefits across a member's projected working career, thus establishing values for actuarial liability (allocation to past service) and normal cost (allocation to current year service). Third, the long-term expected rate of investment return assumption used in GASB discount rate calculations is 7.10% for financial reporting of governmental pension plans systems (compared to 7.50% used for system funding calculations.) The 7.10% return consists of two building block components: 1) a real (in excess of inflation) return of 4.50%, consistent with the currently articulated real return target in the Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; 2) a long-term average annual inflation assumption of 2.60% as most recently adopted in October 2017 by the FRS Actuarial Assumption Conference.

As of the date of this valuation, the combined effect of the differences in methodology noted above cause the calculated unfunded liability for financial reporting calculations to be higher than the unfunded liability determined for system funding calculations. For FRS Pension Plan GASB 67 financial reporting calculations, the unfunded liability (Net Pension Liability) as of June 30, 2017 is \$29.6 billion, whereas the system funding calculations have an unfunded liability (UAL on smoothed Actuarial Value of Assets basis) of \$28.0 billion as of July 1, 2017.

### 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 used in performing the July 1, 2017 system funding valuation were approved by the 2017 FRS Actuarial Assumption Conference. Details on the development of assumptions can be found in our 2017 FRS Actuarial Assumption Conference presentation

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materials, and also in the 2014 FRS Experience Study (published September 2014), which reviewed FRS Pension Plan experience for the five-year period ending June 30, 2013. 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 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 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 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 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 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.

This 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 reports are complete and accurate to the best of my knowledge. With the exception of the one

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December 8, 2017

Page 6

assumption noted above, in my opinion the techniques and assumptions used are reasonable. In my opinion this valuation meets the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the Florida State Constitution. Regarding the one noted exception, Section 216.136(10) of Florida Statutes indicates that the 2017 FRS Actuarial Assumption Conference holds the statutory authority to determine the investment return assumption for the system funding valuation. 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 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, 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

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## 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, 2016 to June 30, 2017. The reporting date for determining plan assets and obligations is June 30, 2017. 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, 2016 and June 30, 2017 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, 2017 assets for the program as reported to us by the Florida State Board of Administration. Please see Milliman's funding valuation report dated December 1, 2017 for more information on the plan's participant group as of July 1, 2017 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 Fund; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

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

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

**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.

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

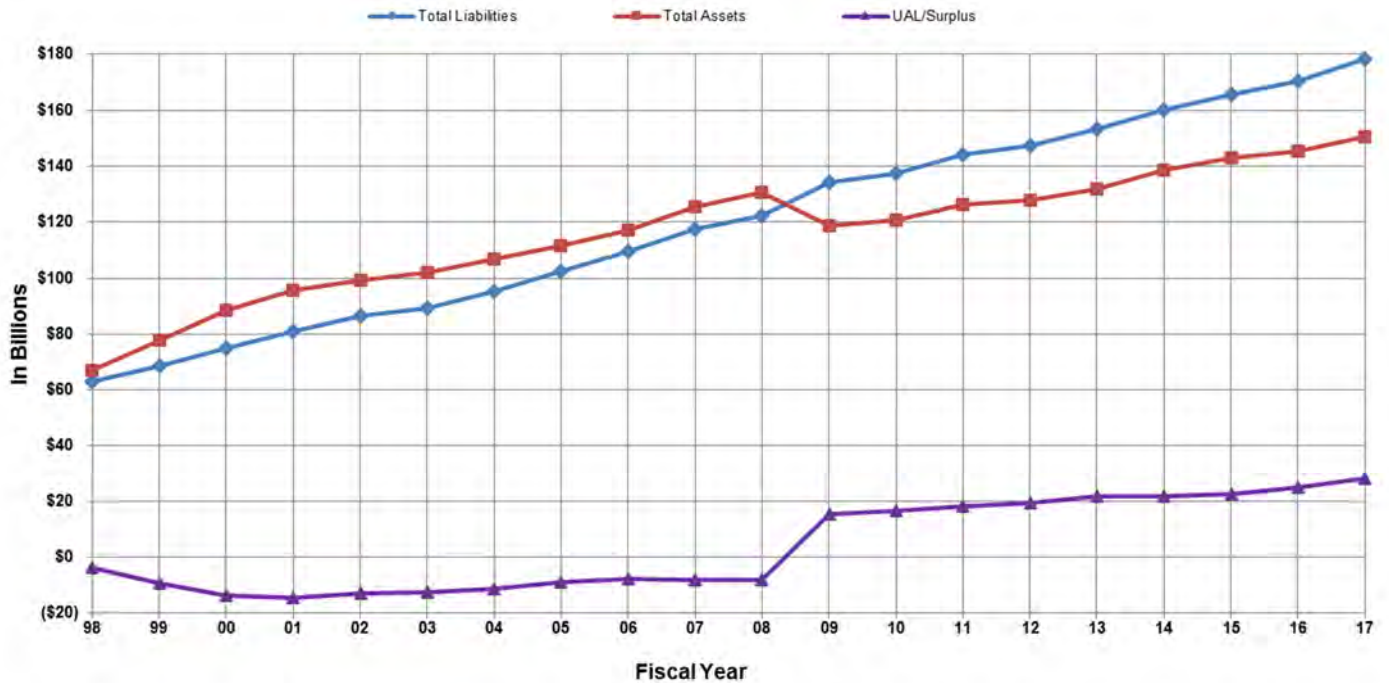


Daniel R. Wade, FSA, EA, MAAA  
Principal and Consulting Actuary

**Milliman**

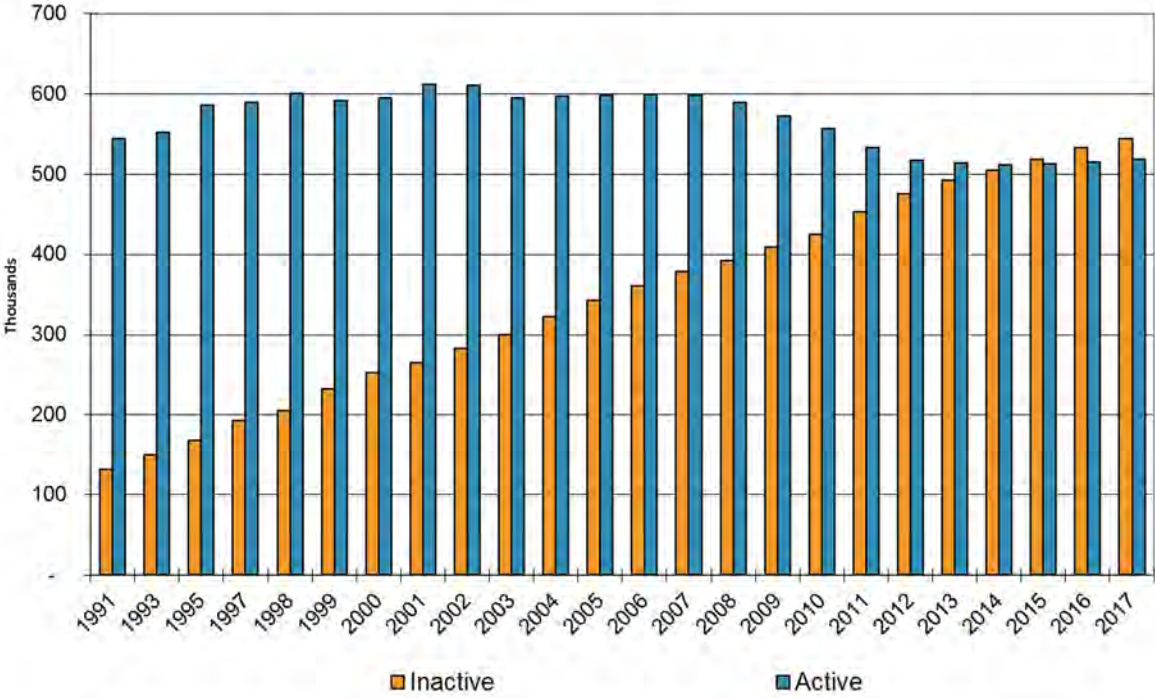
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## HISTORY OF THE FRS PENSION PLAN UNFUNDED ACTUARIAL LIABILITY / SURPLUS WITH TOTAL LIABILITIES AND TOTAL ASSETS FROM 1998 THROUGH 2017



<b>FISCAL YEAR</b>	<b>TOTAL LIABILITIES (IN BILLIONS)</b>	<b>TOTAL ASSETS (IN BILLIONS)</b>	<b>UAL/(SURPLUS) (IN BILLIONS)</b>
1998	\$63.2	\$67.0	(\$3.8)
1999	\$68.6	\$77.8	(\$9.2)
2000	\$74.9	\$88.5	(\$13.6)
2001	\$81.0	\$95.5	(\$14.5)
2002	\$86.5	\$99.4	(\$12.9)
2003	\$89.3	\$101.9	(\$12.6)
2004	\$95.2	\$106.7	(\$11.5)
2005	\$102.5	\$111.5	(\$9.0)
2006	\$109.5	\$117.1	(\$7.6)
2007	\$117.4	\$125.6	(\$8.2)
2008	\$122.5	\$130.7	(\$8.2)
2009	\$134.2	\$118.8	\$15.4
2010	\$137.6	\$120.9	\$16.7
2011	\$144.1	\$126.1	\$18.0
2012	\$147.2	\$127.9	\$19.3
2013	\$153.3	\$131.7	\$21.6
2014	\$160.1	\$138.6	\$21.5
2015	\$165.5	\$143.2	\$22.3
2016	\$170.4	\$145.5	\$24.9
2017	\$178.6	\$150.6	\$28.0

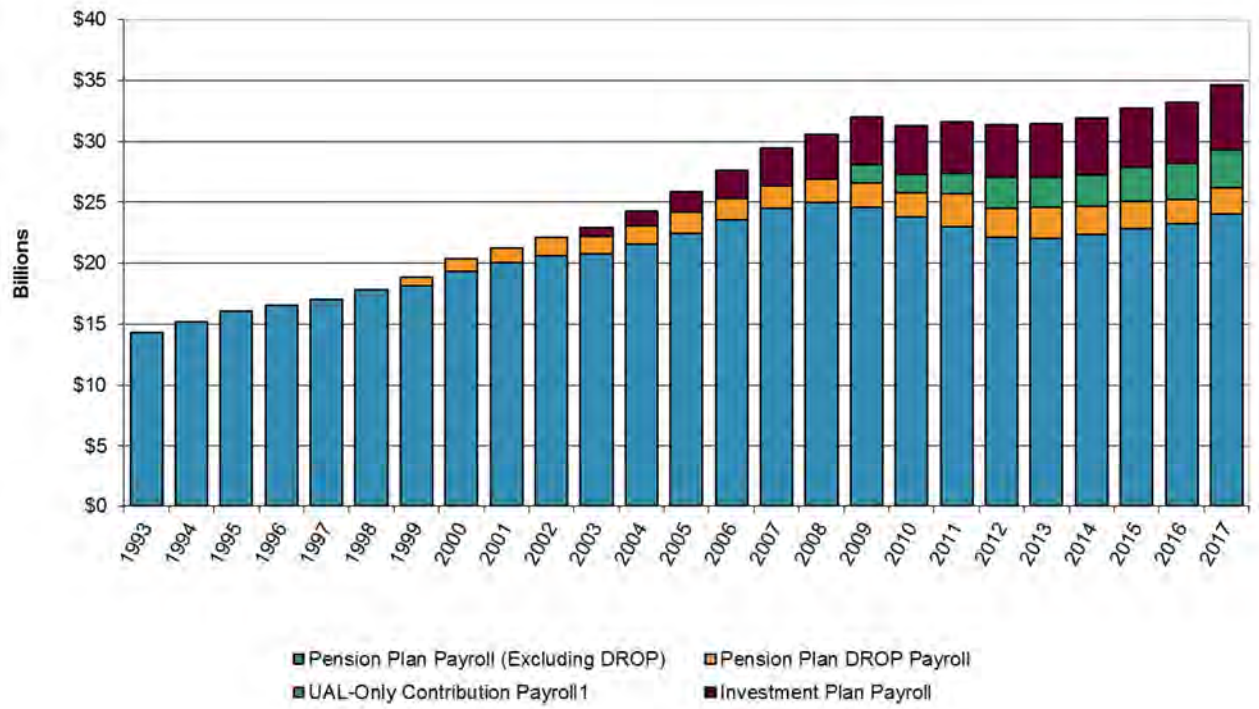
# FRS PENSION PLAN MEMBERSHIP



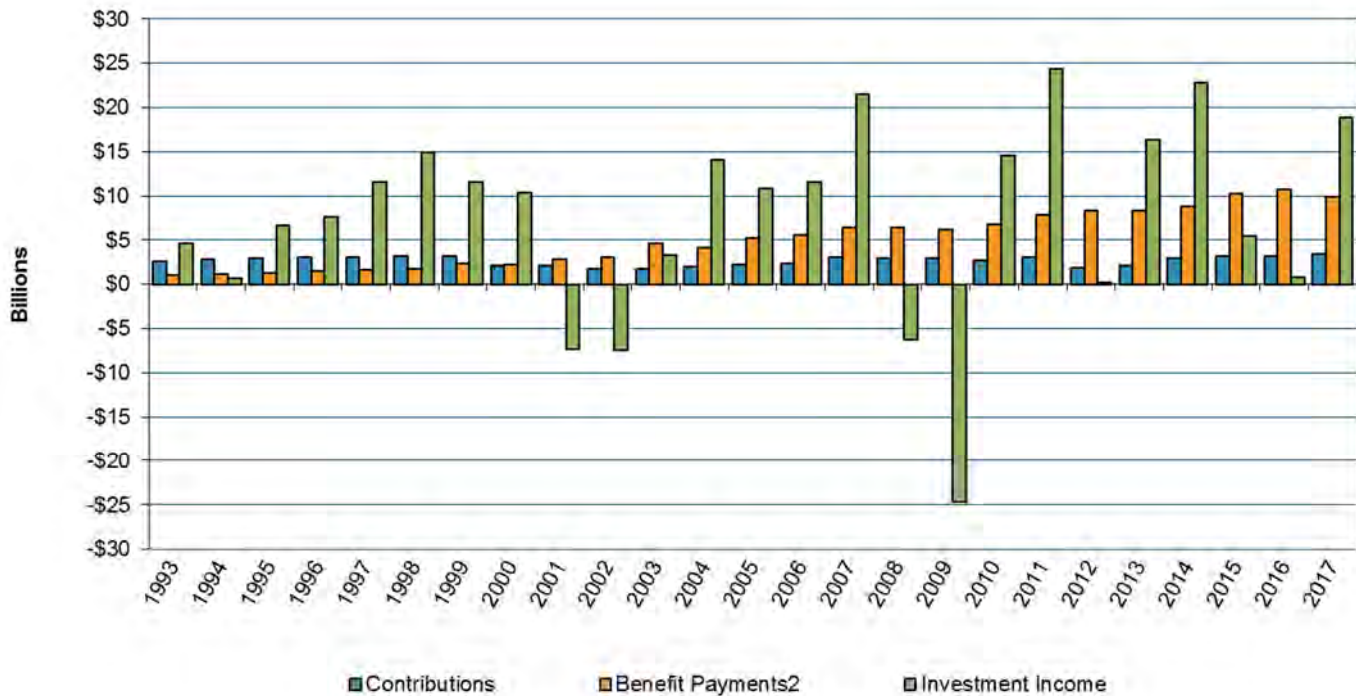
Inactive members include retirees, DROP participants and vested terminated pension plan members. Active members include only pension plan members.



## FRS PENSION PLAN PAYROLL



## FRS PENSION PLAN CASH FLOWS

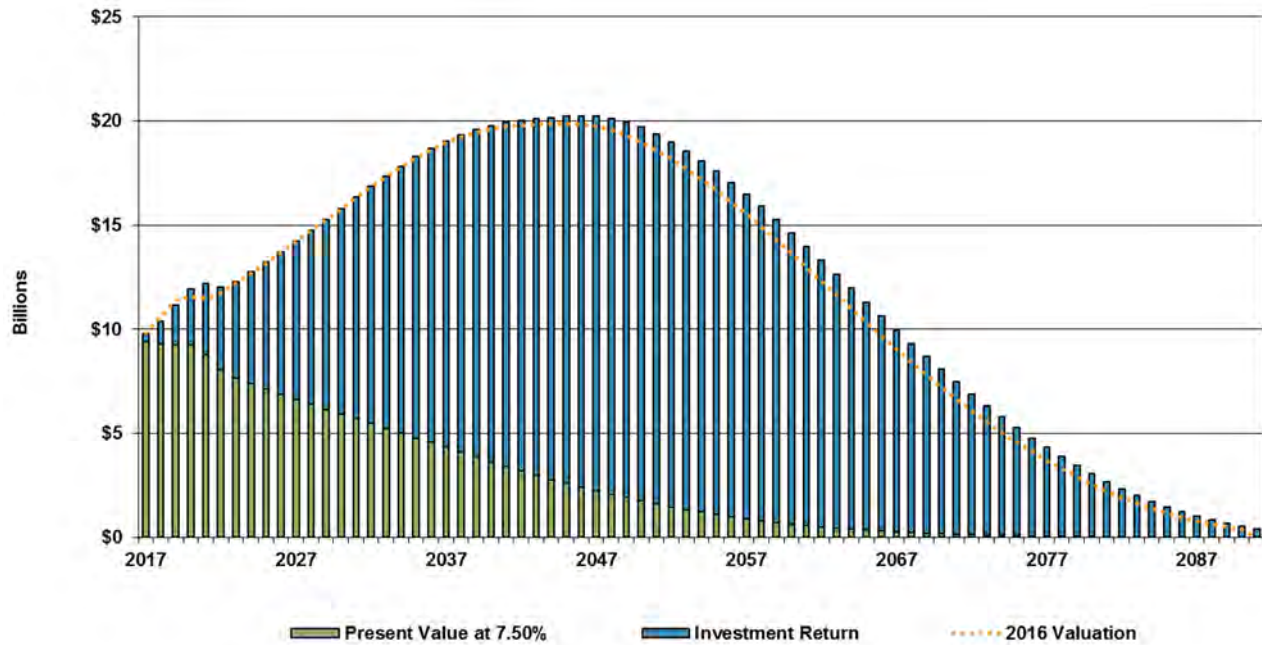


<sup>1</sup> Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL rate contributions to the FRS Pension Plan are made.

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

# PROJECTED FRS PENSION PLAN BENEFIT PAYMENTS

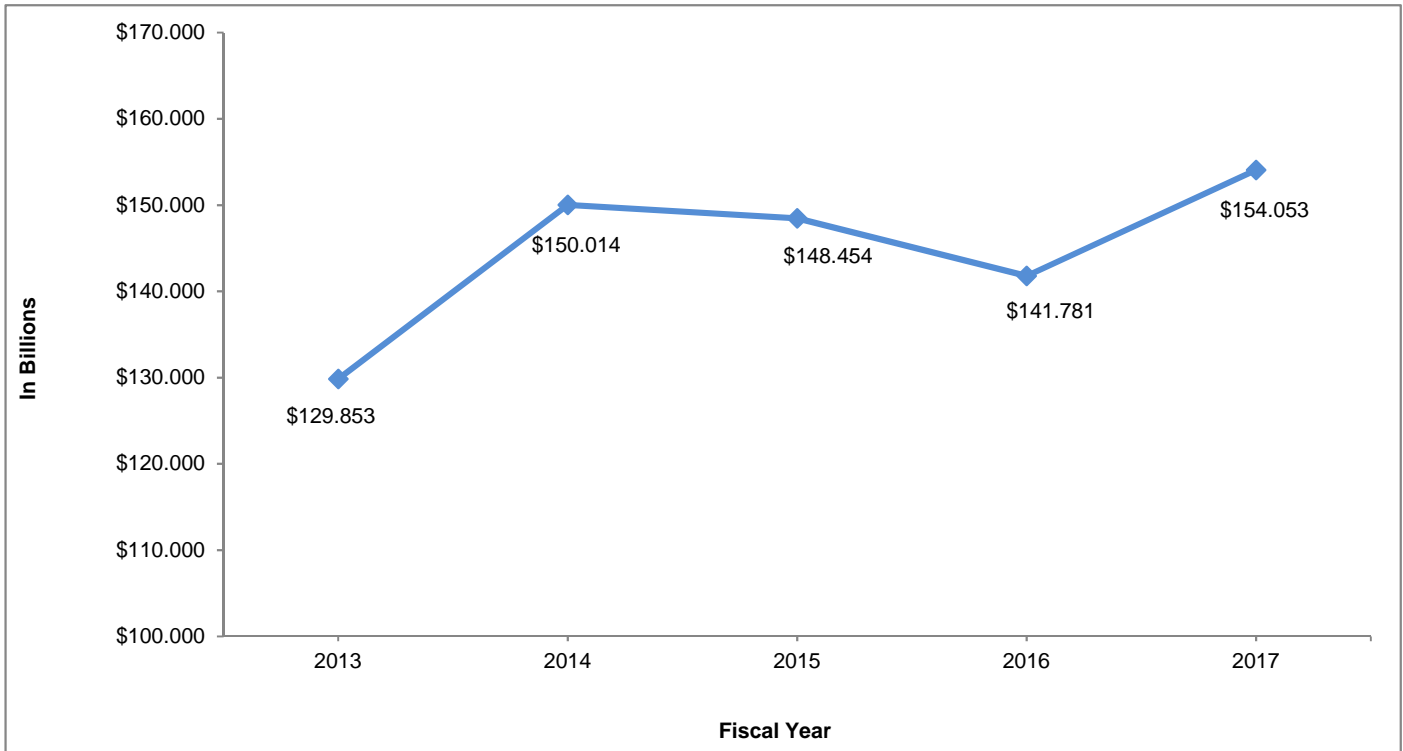
(Dates are as of July 1)



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 projected benefit payments (exclusive of transfers to the Investment Plan). The green portion represents each year's benefit payments, discounted at 7.50 percent to July 1, 2017 (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

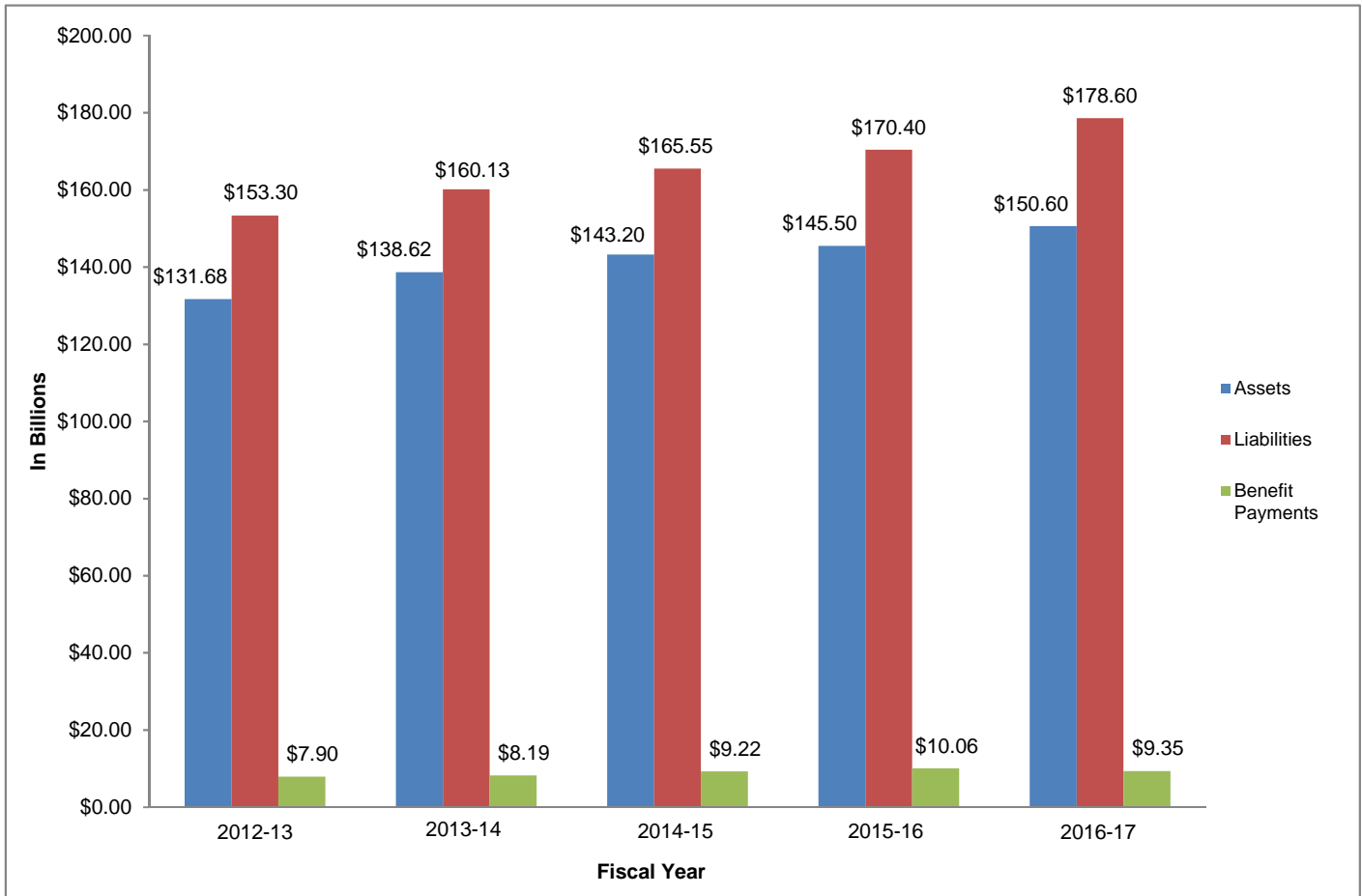
as of June 30

	<b>2016</b>	<b>2017</b>
Florida Retirement System Trust Fund	\$ 141,780,920,515	\$ 154,053,262,968
Health Insurance Subsidy Trust Fund	113,859,055	178,310,841
State University System Optional Retirement Program Trust Fund <sup>1</sup>	4,582,864	4,873,471
Senior Management Service Optional Annuity Program Trust Fund <sup>1</sup>	51,691	43,292
National Guard	-	-
Police Officers and Firefighters' Premium Tax Trust Fund	171,595,139	187,070,198
<b>Total Fund Balance / Fiduciary Net Position</b>	<b>\$ 142,071,009,264</b>	<b>\$ 154,423,560,770</b>

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

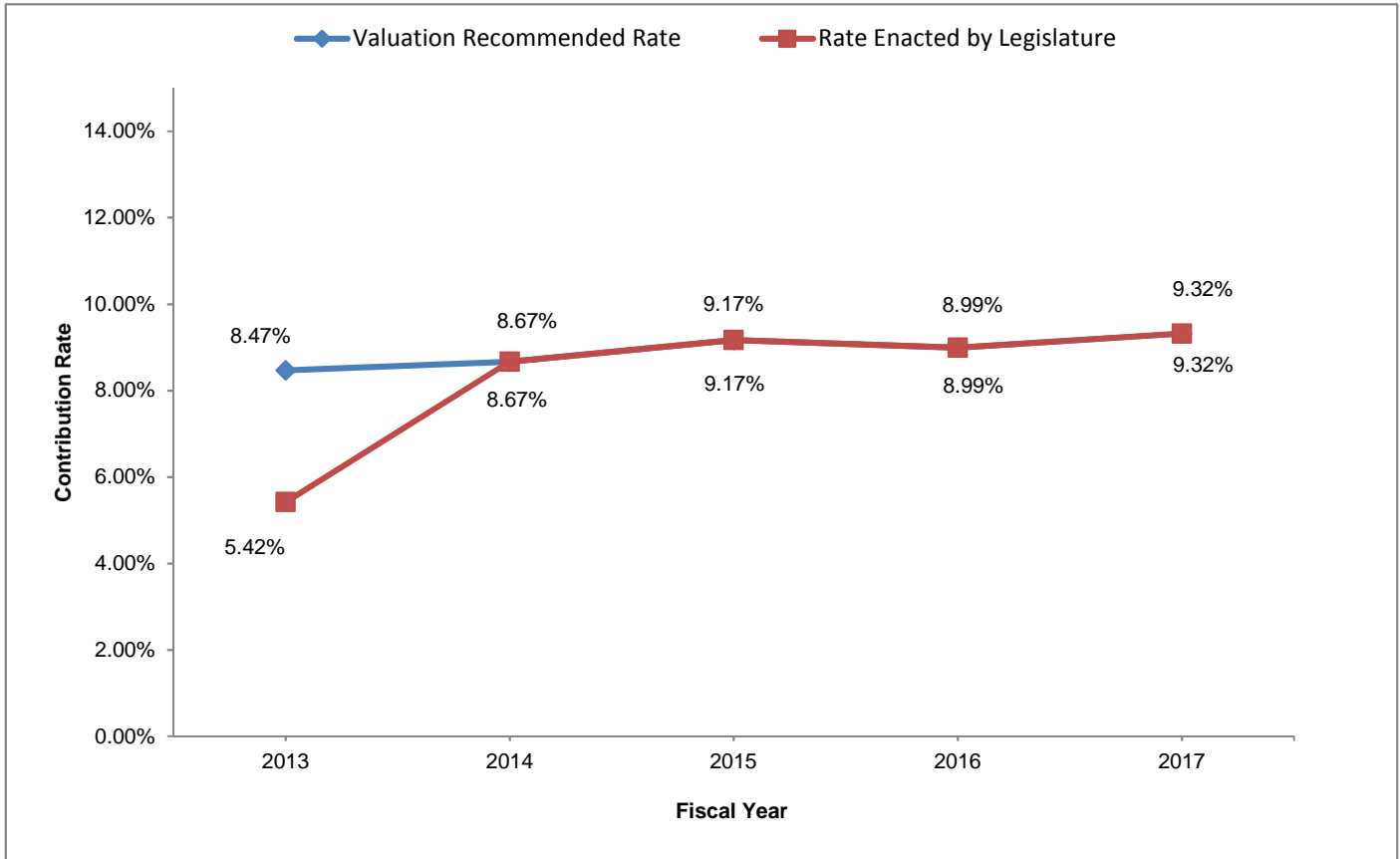
## FRS PENSION PLAN TOTAL ACTUARIAL ASSETS COMPARED TO TOTAL ACTUARIAL LIABILITIES

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

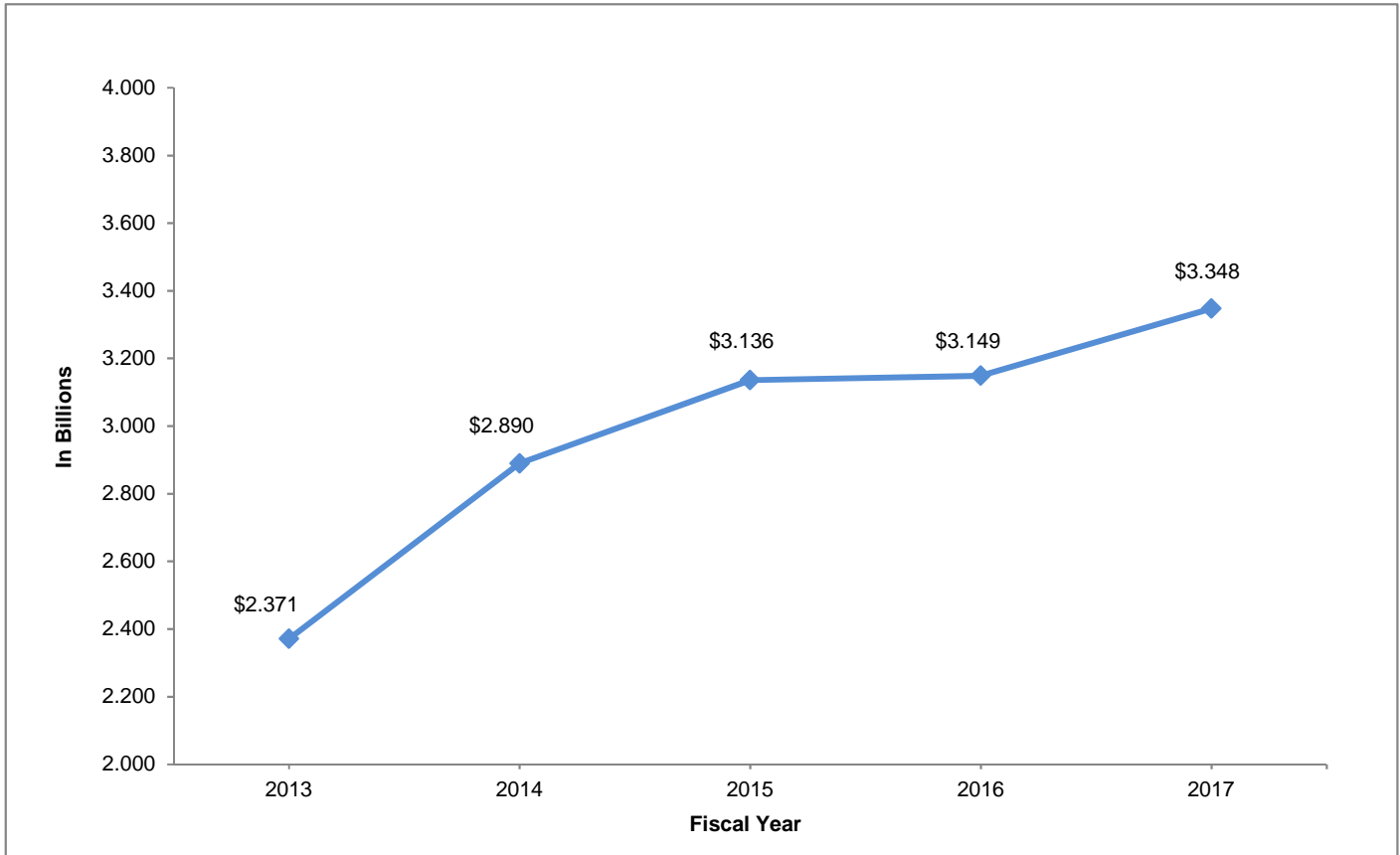
as of June 30



For 2013, the difference between the enacted rate and the recommended rate represents underfunding of the benefit obligation.

## FRS PENSION PLAN RETIREMENT CONTRIBUTIONS

as of June 30



All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2017 FRS Valuation dated December 1, 2017.

# RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM

## Overview of GASB 67 and GASB 68

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

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

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

### Demographic Data

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

Active Members <sup>1</sup>	629,113
Retirees and Dependents <sup>2</sup>	349,072
Terminated Vested Members <sup>1, 3</sup>	134,364
Members in DROP <sup>1</sup>	32,262
Total	<u>1,144,811</u>

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<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 14,065 terminated vested Investment Plan members eligible for the HIS benefit, initially identified to us for this valuation.

## Benefits

The benefits are described in section 112.363 of the Florida Statutes. In general, an eligible retiree is entitled to a benefit of \$5 per month per year of service, with a minimum benefit of \$30 per month and a maximum benefit of \$150 per month. The retiree must apply for and provide certification of health insurance coverage to be eligible for the subsidy. The benefit is a cash payment without direct relationship to the member's health insurance cost or type of health coverage.

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

### Projected Annual Benefit Payments

Fiscal Year	(Millions)	Fiscal Year	(Millions)	Fiscal Year	(Millions)	Fiscal Year	(Millions)
2016-2017	\$473	2026-2027	\$598	2036-2037	\$673	2046-2047	\$614
2017-2018	479	2027-2028	609	2037-2038	674	2047-2048	601
2018-2019	488	2028-2029	620	2038-2039	674	2048-2049	588
2019-2020	503	2029-2030	629	2039-2040	672	2049-2050	574
2020-2021	523	2030-2031	638	2040-2041	668	2050-2051	559
2021-2022	537	2031-2032	646	2041-2042	663	2051-2052	543
2022-2023	549	2032-2033	654	2042-2043	656	2052-2053	526
2023-2024	561	2033-2034	661	2043-2044	647	2053-2054	507
2024-2025	574	2034-2035	666	2044-2045	637	2054-2055	488
2025-2026	585	2035-2036	670	2045-2046	626	2055-2056	469

All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2016 HIS Valuation dated November 16, 2016.





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December 8, 2017

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

**Re: Actuary's Statement Regarding HIS Program 2017 Actuarial Valuation**

Dear Florida Legislators and HIS Program Members:

Milliman has conducted an actuarial valuation as of June 30, 2017 for the Florida Retiree 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 using standard actuarial roll-forward techniques 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, 2016. The valuation as of June 30, 2017 was an intervening year roll-forward valuation. Actuarial valuations of the HIS program serve two primary purposes:

- 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.
- 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.

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, 2016. Alternatively, if zero employer payroll growth occurred over that period the full valuation estimated that a 1.7% of payroll employer contribution rate would be necessary for complete pay-as-you-go program funding in the 2021-2022 plan year.

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 \$10.7 billion as of June 30, 2017.

The Net Pension Liability decreased by approximately \$0.96 billion compared to the prior measurement as of June 30, 2016. This year-over-year decrease was caused primarily by an increase 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 reflect yields as of the measurement date on long-duration tax-exempt general obligation municipal bonds. The bond index used to set the discount rate increased from 2.85% to 3.58% between measurement dates. 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 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, 2016 full valuation were approved by the 2016 FRS Actuarial Assumption Conference. Details on the development of assumptions can be found in our 2016 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 GASB valuation 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**

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.

December 8, 2017

Page 3

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**

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# FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN

## Overview of GASB 67 and GASB 68

GASB released new accounting standards for public pension plans and participating employers in 2012.

GASB 67 applies to pension plan financial reporting and first became effective for plan fiscal years beginning after June 15, 2013. 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 and was first required to be implemented for employer fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

### Demographic Data

We received demographic census data from the Division of Retirement as of June 30, 2016. The following table summarizes the demographic census data used in the valuation.

Active Members <sup>1</sup>	11,932
Retirees	775
Terminated Vested Members <sup>2</sup>	130
Total	<u>12,837</u>

---

<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 requirement to commence receipt.)

## Benefits

The benefits are described in section 250.22 of the Florida Statutes. In general, an eligible retiree is entitled to a benefit equal to 50 percent 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>.

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.

### Projected Annual Benefit Payments

Fiscal Year	(Millions)	Fiscal Year	(Millions)	Fiscal Year	(Millions)	Fiscal Year	(Millions)
2016-2017	\$14.6	2026-2027	\$19.4	2036-2037	\$31.1	2046-2047	\$40.5
2017-2018	14.6	2027-2028	20.6	2037-2038	31.8	2047-2048	41.1
2018-2019	14.6	2028-2029	22.0	2038-2039	32.5	2048-2049	41.6
2019-2020	14.9	2029-2030	23.0	2039-2040	33.5	2049-2050	42.1
2020-2021	15.2	2030-2031	24.4	2040-2041	34.4	2050-2051	42.5
2021-2022	15.4	2031-2032	25.7	2041-2042	35.3	2051-2052	42.6
2022-2023	16.1	2032-2033	27.1	2042-2043	36.6	2052-2053	42.7
2023-2024	16.6	2033-2034	28.4	2043-2044	37.8	2053-2054	42.4
2024-2025	17.2	2034-2035	29.3	2044-2045	38.9	2054-2055	42.0
2025-2026	18.3	2035-2036	30.3	2045-2046	39.8	2055-2056	41.4

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<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 8, 2017

Members of the Florida Legislature and of the Florida National Guard

**Re: Actuary's Statement Regarding Florida National Guard Supplemental Retirement Benefit 2017 Actuarial Valuation**

Dear Florida Legislators and Florida National Guard Members:

Milliman has conducted an actuarial valuation as of June 30, 2017 for the Florida National Guard Supplemental Retirement Benefit program to assess program assets and liabilities as of that date. The first actuarial valuation for the program was conducted as of June 30, 2014, and full actuarial 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, 2017 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 \$586 million as of June 30, 2017.

The Net Pension Liability decreased by approximately \$78 million compared to the prior measurement as of June 30, 2016. This year-over-year decrease was caused primarily by an increase 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 increased from 2.85% to 3.58% between measurement dates. 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 retirees, 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*.

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

The 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

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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.

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.

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

**Milliman**

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# Statistical Section



## MEMBERSHIP AND PAYROLL

as of June 30

### TOTAL FRS MEMBERSHIP

	2016 <sup>1</sup>	2017 <sup>1</sup>	% Change
Members	630,350	637,643	1.16
Annual Payroll <sup>2</sup>	\$27,316,079,786	\$33,775,800,033	23.65
Average Annual Salary	\$44,142	\$45,287	2.59

### FRS INVESTMENT PLAN MEMBERSHIP

	2016 <sup>1</sup>	2017 <sup>1</sup>	% Change
Members	114,434	117,629	2.79
Annual Payroll <sup>2</sup>	\$4,987,113,684	\$5,393,067,626	8.14
Average Annual Salary	\$44,066	\$45,216	2.61

### FRS PENSION PLAN MEMBERSHIP

	2016 <sup>1</sup>	2017 <sup>1</sup>	% Change
Members	515,916	520,014	0.79
Annual Payroll <sup>2</sup>	\$22,328,966,102	\$28,382,732,407	27.11
Average Annual Salary	\$44,159	\$45,304	2.59

## 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.

	2016 <sup>1</sup>	2017 <sup>1</sup>	% Change
Annuitants	394,907	406,374	2.90
Benefit Payments (Annualized)	\$8,389,672,928	\$8,873,267,992	5.76
Average Benefits (Annualized)	\$21,245	\$21,835	2.78

### DISABILITIES

	2016 <sup>1</sup>	2017 <sup>1</sup>	% Change
Disabled Retirees	16,248	16,150	-0.60
Benefit Payments (Annualized)	\$241,458,258	\$248,205,491	2.79
Average Benefits (Annualized)	\$14,861	\$15,369	3.42

### DROP PARTICIPANTS

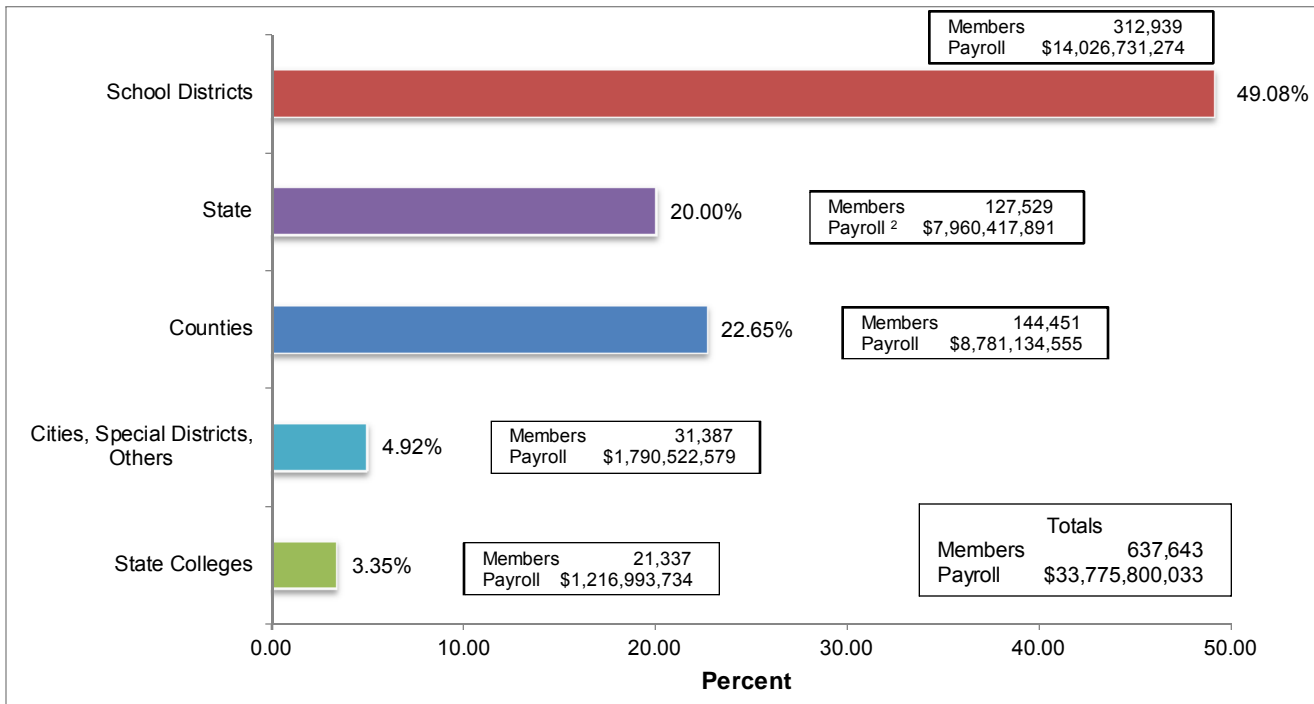
	2016	2017	% Change
DROP Participants	29,602	32,233	8.89
Annual Payroll	\$1,681,416,803	\$1,850,192,982	10.04
DROP Accrued Liability	\$1,871,732,532	\$2,042,737,512	9.14

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

<sup>2</sup> 2017 totals reflect a methodology change and include non-member funding payroll.

## SOURCE OF FRS MEMBERSHIP <sup>1</sup> AND COVERED PAYROLL <sup>2</sup> FOR FISCAL YEAR 2016-17

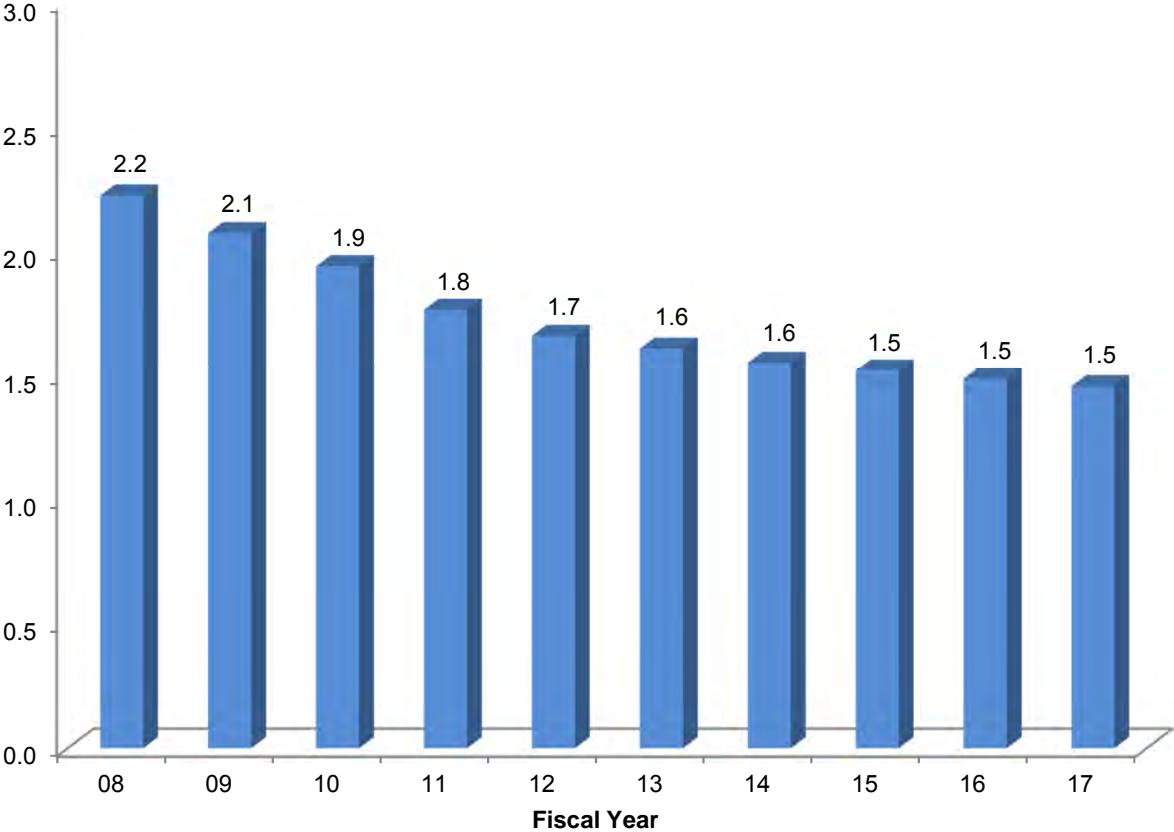
% = Percent of Total Active Members



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

<sup>2</sup> Reflects a methodology change and includes non-member funding payroll. State total includes \$3,800,154 for three agencies included for this year only; not included in the State of Florida total in other sections of this CAFR.

**RATIO OF FRS ACTIVE MEMBERS TO RETIREES <sup>1</sup>**  
2008-2017



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

**ACTIVE FRS MEMBERS BY SYSTEM / CLASS <sup>1</sup>**  
as of June 30

<b>System / Class</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
FRS - Regular Class	536,506	537,993	541,748	545,680	552,600
- Senior Management Service Class	7,450	7,607	7,755	7,876	7,912
- Special Risk Class	68,800	68,593	70,102	70,695	71,612
- Special Risk Adm. Sup. Class	58	84	82	76	93
- Elected Officers' Class	2,094	2,040	2,058	2,026	2,082
- Renewed Membership					
- Regular Class	6,461	5,402	4,513	3,709	3,116
- Senior Management Service Class	210	184	161	143	116
- Elected Officers' Class	152	147	125	115	85
<b>Subtotal</b>	<b>621,731</b>	<b>622,050</b>	<b>626,544</b>	<b>630,320</b>	<b>637,616</b>
TRS	18	18	15	16	13
IFAS	25	21	19	14	14
<b>Subtotal</b>	<b>43</b>	<b>39</b>	<b>34</b>	<b>30</b>	<b>27</b>
<b>Grand Total</b>	<b>621,774</b>	<b>622,089</b>	<b>626,578</b>	<b>630,350</b>	<b>637,643</b>

**ANNUAL FRS PAYROLL BY SYSTEM / CLASS <sup>1</sup>**  
as of June 30

<b>System / Class</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 <sup>2</sup></b>
FRS - Regular Class	\$20,741,411,042	\$21,303,491,499	\$21,796,619,128	\$22,286,589,644	\$28,213,175,622
- Senior Management Service Class	582,103,240	610,837,202	635,791,343	656,889,624	724,042,608
- Special Risk Class	3,749,436,505	3,798,699,726	3,905,940,436	4,009,149,560	4,445,360,974
- Special Risk Adm. Sup. Class	2,642,488	3,988,509	3,713,180	3,422,596	4,256,448
- Elected Officers' Class	160,185,275	166,763,650	164,614,742	166,561,581	195,062,418
- Renewed Membership					
- Regular Class	260,982,112	227,312,942	196,937,996	168,086,043	169,355,890
- Senior Management Service Class	20,487,779	18,391,604	16,476,384	15,100,252	15,259,022
- Elected Officers' Class	9,189,227	9,115,108	7,623,323	7,046,177	6,180,829
<b>Subtotal</b>	<b>25,526,437,668</b>	<b>26,138,600,240</b>	<b>26,727,716,532</b>	<b>27,312,845,477</b>	<b>33,772,693,811</b>
TRS	1,749,243	1,773,199	1,714,122	1,708,917	1,549,210
IFAS	2,307,037	2,042,745	1,899,979	1,525,392	1,557,012
<b>Subtotal</b>	<b>4,056,280</b>	<b>3,815,944</b>	<b>3,614,101</b>	<b>3,234,309</b>	<b>3,106,222</b>
<b>Grand Total</b>	<b>\$25,530,493,948</b>	<b>\$26,142,416,184</b>	<b>\$26,731,330,633</b>	<b>\$27,316,079,786</b>	<b>\$33,775,800,033</b>
<b>Average</b>	<b>\$41,678</b>	<b>\$42,712</b>	<b>\$43,452</b>	<b>\$44,142</b>	<b>\$45,287</b>

**MEMBERS' REQUIRED CONTRIBUTIONS BY SYSTEM / CLASS <sup>1</sup>**  
as of June 30

<b>System / Class</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 <sup>2</sup></b>
FRS - Regular Class	\$619,557,678	\$638,688,181	\$653,400,529	\$668,056,712	\$767,563,396
- Senior Management Service Class	17,375,024	18,267,632	19,005,924	19,655,065	21,124,323
- Special Risk Class	112,135,028	113,870,339	117,089,825	120,172,399	131,524,310
- Special Risk Adm. Sup. Class	79,275	119,656	111,395	102,678	127,695
- Elected Officers' Class	4,791,628	4,979,301	4,928,694	4,989,534	5,229,484
- Renewed Membership					
- Regular Class	7,912,411	6,884,363	5,946,155	5,084,232	5,019,630
- Senior Management Service Class	635,153	578,917	510,079	475,604	448,676
- Elected Officers' Class	284,310	284,737	236,981	215,359	185,426
<b>Subtotal</b>	<b>762,770,507</b>	<b>783,673,126</b>	<b>801,229,582</b>	<b>818,751,583</b>	<b>931,222,940</b>
TRS	104,955	106,393	102,848	102,536	92,286
IFAS	0	0	0	0	0
<b>Subtotal</b>	<b>104,955</b>	<b>106,393</b>	<b>102,848</b>	<b>102,536</b>	<b>92,286</b>
<b>Grand Total</b>	<b>\$762,875,462</b>	<b>\$783,779,519</b>	<b>\$801,332,430</b>	<b>\$818,854,119</b>	<b>\$931,315,226</b>

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

<sup>2</sup> 2017 totals reflect a methodology change and include non-member funding payroll.

# PROFILE OF ACTIVE FRS MEMBERS

as of June 30, 2017

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	25,708	18,856	44,564	7,893	5,306	13,199	17,815	13,550	31,365
1 - 5	118,732	71,618	190,350	23,453	16,884	40,337	95,279	54,734	150,013
6 - 9	51,727	31,395	83,122	10,708	7,586	18,294	41,019	23,809	64,828
10 - 19	134,807	73,879	208,686	20,005	13,747	33,752	114,802	60,132	174,934
20 - 29	61,995	33,883	95,878	11,124	7,416	18,540	50,871	26,467	77,338
30 or More Years	9,351	5,692	15,043	1,952	1,455	3,407	7,399	4,237	11,636
<b>Total</b>	<b>402,320</b>	<b>235,323</b>	<b>637,643</b>	<b>75,135</b>	<b>52,394</b>	<b>127,529</b>	<b>327,185</b>	<b>182,929</b>	<b>510,114</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	51,462	33,352	84,814	12,171	9,647	21,818	39,291	23,705	62,996
30 - 39	87,657	52,387	140,044	17,874	12,520	30,394	69,783	39,867	109,650
40 - 49	108,471	60,223	168,694	18,076	12,000	30,076	90,395	48,223	138,618
50 - 59	113,187	60,747	173,934	19,784	12,274	32,058	93,403	48,473	141,876
60 - 69	37,566	24,193	61,759	6,633	5,151	11,784	30,933	19,042	49,975
70 and Over	3,977	4,421	8,398	597	802	1,399	3,380	3,619	6,999
<b>Total</b>	<b>402,320</b>	<b>235,323</b>	<b>637,643</b>	<b>75,135</b>	<b>52,394</b>	<b>127,529</b>	<b>327,185</b>	<b>182,929</b>	<b>510,114</b>

Average Age	44.75	44.63	44.71	43.53	43.19	43.39	45.03	45.04	45.04
Average Years of Service	11.24	10.79	11.08	10.44	10.32	10.39	11.43	10.92	11.25
Average Annual Salary	\$41,658	\$51,492	\$45,287	\$40,996	\$47,477	\$43,659	\$41,810	\$52,642	\$45,695
Percentage Entitled to a Benefit if Terminated June 30, 2017	70.9%	68.0%	69.9%	66.7%	65.7%	66.3%	71.9%	68.7%	70.8%

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

## PROFILE OF ACTIVE FRS INVESTMENT PLAN MEMBERS

as of June 30, 2017

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	4,369	2,886	7,255	1,519	951	2,470	2,850	1,935	4,785
1 - 5	29,550	15,985	45,535	6,407	4,289	10,696	23,143	11,696	34,839
6 - 9	11,963	6,743	18,706	2,898	1,899	4,797	9,065	4,844	13,909
10 - 19	22,844	13,064	35,908	4,050	3,010	7,060	18,794	10,054	28,848
20 - 29	4,322	3,470	7,792	941	879	1,820	3,381	2,591	5,972
30 or More Years	1,250	1,183	2,433	221	281	502	1,029	902	1,931
<b>Total</b>	<b>74,298</b>	<b>43,331</b>	<b>117,629</b>	<b>16,036</b>	<b>11,309</b>	<b>27,345</b>	<b>58,262</b>	<b>32,022</b>	<b>90,284</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	10,343	5,035	15,378	2,825	1,805	4,630	7,518	3,230	10,748
30 - 39	18,189	9,664	27,853	4,591	3,178	7,769	13,598	6,486	20,084
40 - 49	18,583	10,138	28,721	3,645	2,594	6,239	14,938	7,544	22,482
50 - 59	16,985	9,926	26,911	3,146	2,154	5,300	13,839	7,772	21,611
60 - 69	8,671	6,688	15,359	1,622	1,319	2,941	7,049	5,369	12,418
70 and Over	1,527	1,880	3,407	207	259	466	1,320	1,621	2,941
<b>Total</b>	<b>74,298</b>	<b>43,331</b>	<b>117,629</b>	<b>16,036</b>	<b>11,309</b>	<b>27,345</b>	<b>58,262</b>	<b>32,022</b>	<b>90,284</b>

Average Age	44.56	46.67	45.34	42.53	43.48	42.92	45.13	47.80	46.07
Average Years of Service	8.55	9.35	8.85	7.99	8.92	8.37	8.71	9.51	8.99
Average Annual Salary	\$41,644	\$51,341	\$45,216	\$42,652	\$49,374	\$45,432	\$41,367	\$52,036	\$45,151
Percentage Entitled to a Benefit if Terminated June 30, 2017	94.1%	93.3%	93.8%	90.5%	91.6%	91.0%	95.1%	94.0%	94.7%

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

## PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS

as of June 30, 2017

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	21,339	15,970	37,309	6,374	4,355	10,729	14,965	11,615	26,580
1 - 5	89,182	55,633	144,815	17,046	12,595	29,641	72,136	43,038	115,174
6 - 9	39,764	24,652	64,416	7,810	5,687	13,497	31,954	18,965	50,919
10 - 19	111,963	60,815	172,778	15,955	10,737	26,692	96,008	50,078	146,086
20 - 29	57,673	30,413	88,086	10,183	6,537	16,720	47,490	23,876	71,366
30 or More Years	8,101	4,509	12,610	1,731	1,174	2,905	6,370	3,335	9,705
<b>Total</b>	<b>328,022</b>	<b>191,992</b>	<b>520,014</b>	<b>59,099</b>	<b>41,085</b>	<b>100,184</b>	<b>268,923</b>	<b>150,907</b>	<b>419,830</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	41,119	28,317	69,436	9,346	7,842	17,188	31,773	20,475	52,248
30 - 39	69,468	42,723	112,191	13,283	9,342	22,625	56,185	33,381	89,566
40 - 49	89,888	50,085	139,973	14,431	9,406	23,837	75,457	40,679	116,136
50 - 59	96,202	50,821	147,023	16,638	10,120	26,758	79,564	40,701	120,265
60 - 69	28,895	17,505	46,400	5,011	3,832	8,843	23,884	13,673	37,557
70 and Over	2,450	2,541	4,991	390	543	933	2,060	1,998	4,058
<b>Total</b>	<b>328,022</b>	<b>191,992</b>	<b>520,014</b>	<b>59,099</b>	<b>41,085</b>	<b>100,184</b>	<b>268,923</b>	<b>150,907</b>	<b>419,830</b>

Average Age	44.79	44.17	44.56	43.80	43.11	43.52	45.01	44.46	44.81
Average Years of Service	11.86	11.11	11.58	11.11	10.71	10.94	12.02	11.22	11.73
Average Annual Salary	\$41,662	\$51,526	\$45,304	\$40,547	\$46,955	\$43,175	\$41,907	\$52,770	\$45,811
Percentage Entitled to a Benefit if Terminated June 30, 2017	65.7%	62.3%	64.5%	60.2%	58.6%	59.5%	66.9%	63.4%	65.6%

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.



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

as of June 30, 2017

Years of Service	Total Membership			State Membership			Non-State Membership*		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	316	174	490	103	50	153	213	124	337
1 - 5	10,970	5,277	16,247	2,190	1,263	3,453	8,780	4,014	12,794
6 - 9	37,754	23,935	61,689	7,704	5,616	13,320	30,050	18,319	48,369
10 - 19	111,962	60,798	172,760	15,955	10,737	26,692	96,007	50,061	146,068
20 - 29	57,673	30,412	88,085	10,183	6,537	16,720	47,490	23,875	71,365
30 or More Years	8,101	4,509	12,610	1,731	1,174	2,905	6,370	3,335	9,705
<b>Total</b>	<b>226,776</b>	<b>125,105</b>	<b>351,881</b>	<b>37,866</b>	<b>25,377</b>	<b>63,243</b>	<b>188,910</b>	<b>99,728</b>	<b>288,638</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	3,218	2,612	5,830	602	695	1,297	2,616	1,917	4,533
30 - 39	41,084	24,564	65,648	6,902	4,973	11,875	34,182	19,591	53,773
40 - 49	70,632	38,948	109,580	11,109	7,237	18,346	59,523	31,711	91,234
50 - 59	83,450	41,993	125,443	14,343	8,525	22,868	69,107	33,468	102,575
60 - 69	26,204	14,863	41,067	4,545	3,429	7,974	21,659	11,434	33,093
70 and Over	2,188	2,125	4,313	365	518	883	1,823	1,607	3,430
<b>Total</b>	<b>226,776</b>	<b>125,105</b>	<b>351,881</b>	<b>37,866</b>	<b>25,377</b>	<b>63,243</b>	<b>188,910</b>	<b>99,728</b>	<b>288,638</b>

Average Age	48.68	48.36	48.57	48.82	48.67	48.76	48.65	48.28	48.52
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Average Years of Service	16.07	15.78	15.97	16.11	15.96	16.05	16.06	15.74	15.95
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Average Annual Salary	\$46,463	\$59,154	\$50,975	\$44,500	\$52,857	\$47,853	\$46,856	\$60,756	\$51,659
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Percentage Entitled

to a Benefit if Terminated

June 30, 2017	95.0%	95.6%	95.2%	93.9%	94.8%	94.3%	95.2%	95.9%	95.5%
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<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

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

as of June 30, 2017

Years of Service	Total Membership			State Membership			Non-State Membership <sup>*</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	21,023	15,796	36,819	6,271	4,305	10,576	14,752	11,491	26,243
1 - 3	58,559	37,400	95,959	11,340	8,720	20,060	47,219	28,680	75,899
4 - 7	21,661	13,661	35,322	3,622	2,682	6,304	18,039	10,979	29,018
8 - 19	3	29	32	0	1	1	3	28	31
20 - 29	0	1	1	0	0	0	0	1	1
33 or More Years	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>101,246</b>	<b>66,887</b>	<b>168,133</b>	<b>21,233</b>	<b>15,708</b>	<b>36,941</b>	<b>80,013</b>	<b>51,179</b>	<b>131,192</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	37,901	25,705	63,606	8,744	7,147	15,891	29,157	18,558	47,715
30 - 39	28,384	18,159	46,543	6,381	4,369	10,750	22,003	13,790	35,793
40 - 49	19,256	11,137	30,393	3,322	2,169	5,491	15,934	8,968	24,902
50 - 59	12,752	8,828	21,580	2,295	1,595	3,890	10,457	7,233	17,690
60 - 69	2,691	2,642	5,333	466	403	869	2,225	2,239	4,464
70 and Over	262	416	678	25	25	50	237	391	628
<b>Total</b>	<b>101,246</b>	<b>66,887</b>	<b>168,133</b>	<b>21,233</b>	<b>15,708</b>	<b>36,941</b>	<b>80,013</b>	<b>51,179</b>	<b>131,192</b>

Average Age	36.09	36.32	36.18	34.86	34.12	34.54	36.41	37.00	36.64
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Average Years of Service	2.42	2.38	2.40	2.17	2.23	2.20	2.48	2.42	2.46
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Average Annual Salary	\$30,908	\$37,259	\$33,434	\$33,497	\$37,421	\$35,165	\$30,220	\$37,209	\$32,947
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Percentage Entitled

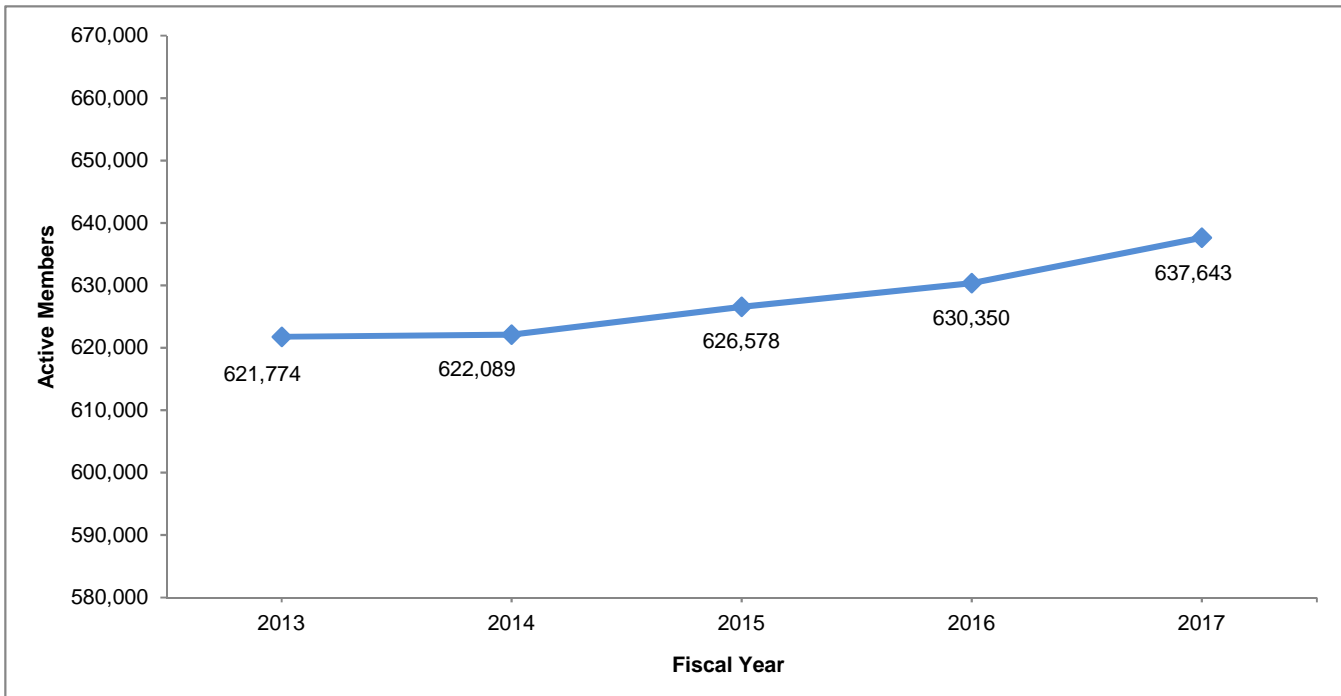
to a Benefit if Terminated

June 30, 2017	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
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<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

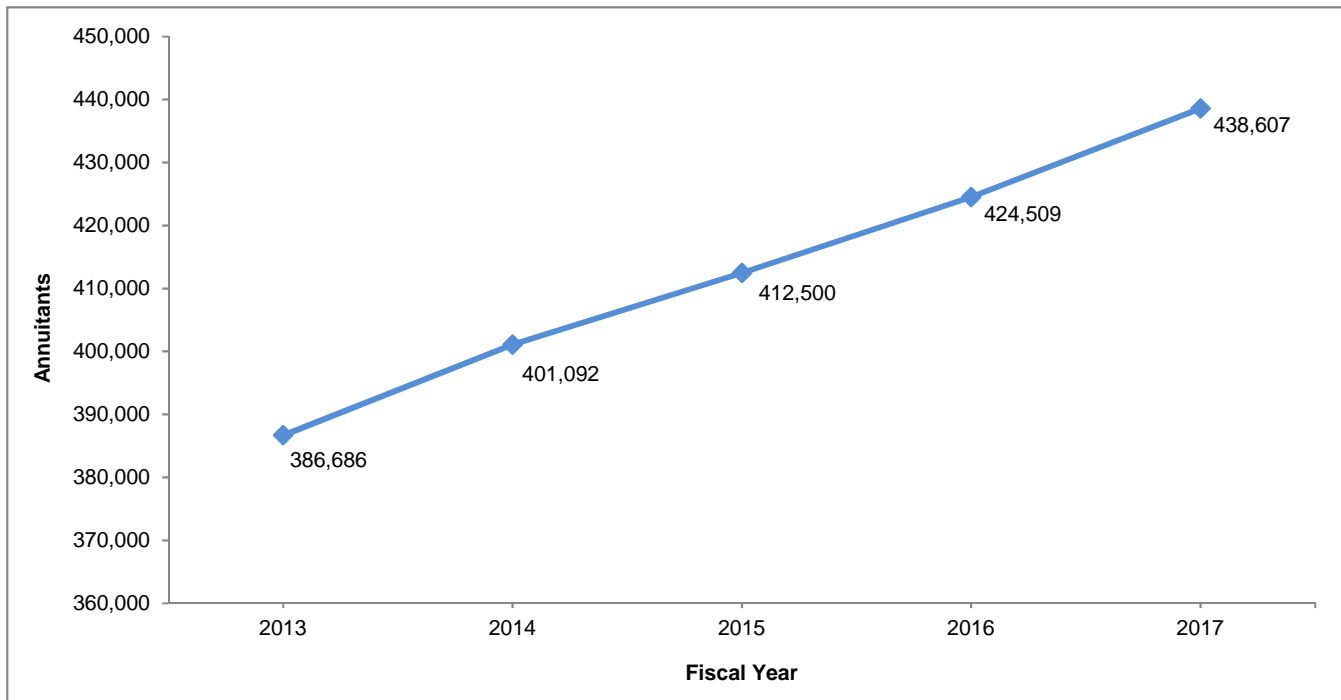
## ACTIVE FRS MEMBERS 2013-2017 <sup>1</sup>

as of June 30



## GROWTH OF FRS ANNUITANTS - ALL SYSTEMS 2013-2017 <sup>2</sup>

as of June 30



<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

<u>Type of Refund</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Separated Members	2,165	3,410	3,249	3,609	4,810
Surviving Beneficiaries	191	268	256	198	201
Other	48	62	79	87	128
<b>Total</b>	<b><u>2,404</u></b>	<b><u>3,740</u></b>	<b><u>3,584</u></b>	<b><u>3,894</u></b>	<b><u>5,139</u></b>

## FRS PENSION PLAN TOTAL REFUND PAYMENTS BY TYPE

as of June 30

<u>Type of Refund</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Separated Members	\$2,057,147	\$4,905,850	\$6,488,033	\$8,129,165	\$13,607,174
Surviving Beneficiaries	190,235	376,678	1,870,433	493,023	894,693
Other	336,395	350,958	212,534	213,271	360,974
<b>Total</b>	<b><u>\$2,583,777</u></b>	<b><u>\$5,633,486</u></b>	<b><u>\$8,571,000</u></b>	<b><u>\$8,835,459</u></b>	<b><u>\$14,862,841</u></b>

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

as of June 30, 2017

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular	27,881	25.10	\$54,742	\$22,034	\$24,774
FRS - SMSC	630	27.62	109,396	50,368	56,543
FRS - Special Risk	3,523	24.79	83,932	58,174	65,242
FRS - Special Risk Adm. Sup.	3	22.78	42,157	24,472	27,375
FRS - EOC	195	25.50	134,723	85,749	96,095
TRS	1	44.00	66,545	58,559	67,230
<b>Total / Average</b>	<b>32,233</b>	<b>25.12</b>	<b>\$59,484</b>	<b>\$26,924</b>	<b>\$30,251</b>

## PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2017

By Monthly Benefit Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less Than \$50	0	0.00	\$0	\$0	\$0
\$50 - \$99	14	7.03	9,399	915	988
\$100 - \$149	50	7.88	12,969	1,424	1,525
\$150 - \$199	111	8.27	17,006	1,976	2,118
\$200 - \$249	158	9.09	20,183	2,538	2,740
\$250 - \$299	208	10.11	21,822	3,057	3,313
\$300 - \$349	238	11.33	22,764	3,588	3,904
\$350 - \$399	284	12.20	24,347	4,109	4,491
\$400 - \$449	303	12.79	26,538	4,677	5,121
\$450 - \$499	319	13.46	27,952	5,188	5,694
\$500 - \$999	3,877	17.43	33,802	8,255	9,140
\$1,000 - \$1,999	9,555	24.34	45,037	15,994	17,896
\$2,000 - \$2,999	7,609	28.26	60,869	26,560	29,877
\$3,000 - \$3,999	4,766	29.78	75,959	36,507	41,188
\$4,000 - \$4,999	1,959	29.47	89,397	47,245	53,239
\$5,000 or More	2,782	27.18	113,579	74,749	84,001
<b>Total / Average</b>	<b>32,233</b>	<b>25.12</b>	<b>\$59,484</b>	<b>\$26,924</b>	<b>\$30,251</b>

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

Lifetime Benefit (1)	18,132	24.91	\$57,621	\$26,854	\$30,193
Benefit with a Guarantee (2)	4,585	25.02	55,787	25,449	28,568
Member with a Joint Annuitant (3)	8,700	25.54	63,859	27,080	30,399
Reduced Benefit on 1st Death (4)	816	25.95	74,999	35,116	39,415
<b>Total / Average</b>	<b>32,233</b>	<b>25.12</b>	<b>\$59,484</b>	<b>\$26,924</b>	<b>\$30,251</b>

### By Employer Group

State	5,525	25.67	\$52,549	\$24,264	\$27,200
State University System	1,282	25.33	57,558	23,564	26,435
Counties	7,697	24.76	72,932	38,389	43,042
School Boards	15,360	25.18	54,038	22,125	24,943
State Colleges	963	23.08	62,390	23,421	26,234
Cities and Special Districts	1,406	25.53	72,368	32,513	36,436
<b>Total / Average</b>	<b>32,233</b>	<b>25.12</b>	<b>\$59,484</b>	<b>\$26,924</b>	<b>\$30,251</b>

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

# PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2017

Years of Service	Total Membership			State Membership			Non-State Membership <sup>1</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
6 - 9	569	390	959	137	69	206	432	321	753
10 - 14	1,661	890	2,551	294	169	463	1,367	721	2,088
15 - 19	2,643	1,289	3,932	450	263	713	2,193	1,026	3,219
20 - 24	3,028	1,533	4,561	581	362	943	2,447	1,171	3,618
25 - 29	3,586	3,386	6,972	654	648	1,302	2,932	2,738	5,670
30 - 34	8,563	4,084	12,647	2,046	1,054	3,100	6,517	3,030	9,547
35 or More Years	424	187	611	62	18	80	362	169	531
<b>Total</b>	<b>20,474</b>	<b>11,759</b>	<b>32,233</b>	<b>4,224</b>	<b>2,583</b>	<b>6,807</b>	<b>16,250</b>	<b>9,176</b>	<b>25,426</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 50	101	430	531	25	71	96	76	359	435
50 - 54	1,263	1,607	2,870	331	261	592	932	1,346	2,278
55 - 59	4,530	3,036	7,566	1,142	711	1,853	3,388	2,325	5,713
60 - 64	10,513	4,853	15,366	2,046	1,142	3,188	8,467	3,711	12,178
65 - 69	3,982	1,793	5,775	677	395	1,072	3,305	1,398	4,703
70 - 74	76	33	109	3	3	6	73	30	103
75 - 79	8	6	14	0	0	0	8	6	14
80 and Over	1	1	2	0	0	0	1	1	2
<b>Total</b>	<b>20,474</b>	<b>11,759</b>	<b>32,233</b>	<b>4,224</b>	<b>2,583</b>	<b>6,807</b>	<b>16,250</b>	<b>9,176</b>	<b>25,426</b>

Average Age	61.34	59.68	60.74	60.70	60.09	60.47	61.51	59.57	60.81
Average Years of Service	25.23	24.94	25.12	25.69	25.48	25.61	25.10	24.79	24.99
Average Annual Salary	\$52,107	\$66,617	\$57,401	\$45,646	\$57,541	\$50,160	\$53,786	\$69,172	\$59,339
Average Annual Current Benefit	\$25,843	\$37,925	\$30,251	\$23,822	\$32,344	\$27,056	\$26,369	\$39,496	\$31,106

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

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

as of June 30, 2017

System / Class	Total Membership		
	Females	Males	Total
FRS - Regular	\$963,845,241	\$459,922,393	\$1,423,767,634
FRS - SMSC	30,862,928	40,646,698	71,509,626
FRS - Special Risk	86,985,672	417,461,867	504,447,539
FRS - Special Risk Adm. Sup.	10,475	121,923	132,398
FRS - EOC	16,159,884	26,536,385	42,696,269
TRS	184,046	0	184,046
<b>Total</b>	<b>\$1,098,048,246</b>	<b>\$944,689,266</b>	<b>\$2,042,737,512</b>

System / Class	State Membership		
	Females	Males	Total
FRS - Regular	\$165,416,293	\$91,338,269	\$256,754,562
FRS - SMSC	11,895,809	17,402,236	29,298,045
FRS - Special Risk	18,362,059	43,353,104	61,715,163
FRS - Special Risk Adm. Sup.	10,475	121,923	132,398
FRS - EOC	14,397,637	22,708,665	37,106,302
TRS	0	0	0
<b>Total</b>	<b>\$210,082,273</b>	<b>\$174,924,197</b>	<b>\$385,006,470</b>

System / Class	Non-State Membership <sup>1</sup>		
	Females	Males	Total
FRS - Regular	\$798,428,948	\$368,584,124	\$1,167,013,072
FRS - SMSC	18,967,119	23,244,462	42,211,581
FRS - Special Risk	68,623,613	374,108,764	442,732,377
FRS - Special Risk Adm. Sup.	0	0	0
FRS - EOC	1,762,247	3,827,719	5,589,966
TRS	184,046	0	184,046
<b>Total</b>	<b>\$887,965,973</b>	<b>\$769,765,069</b>	<b>\$1,657,731,042</b>

<sup>1</sup> Non-State Membership: School Boards, Counties, State Colleges, Cities and Special Districts.

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

from July 1, 2016 - June 30, 2017

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular Class	7,075	23.75	\$52,898	\$20,119	\$22,039
FRS - Senior Management Service Class	153	26.69	103,439	46,370	50,475
FRS - Special Risk Class	907	24.08	80,790	54,902	60,207
FRS - Special Risk Admin Support Class	4	19.95	38,788	17,405	18,652
FRS - Elected Officers' Class	48	22.78	107,823	60,689	65,592
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

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

from July 1, 2016 - June 30, 2017

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	10	6.34	9,934	962	1,027
\$100 - \$149	16	7.31	14,029	1,429	1,536
\$150 - \$199	42	8.02	17,169	2,006	2,169
\$200 - \$249	60	8.45	21,193	2,531	2,713
\$250 - \$299	68	9.89	22,153	3,042	3,279
\$300 - \$349	66	10.22	25,085	3,638	3,901
\$350 - \$399	70	12.24	24,676	4,114	4,451
\$400 - \$449	106	12.76	27,376	4,764	5,111
\$450 - \$499	104	13.58	28,980	5,302	5,722
\$500 - \$999	1,250	17.21	34,953	8,395	9,085
\$1,000 - \$1,999	2,579	23.84	46,471	16,319	17,755
\$2,000 - \$2,999	1,906	27.70	63,093	27,084	29,577
\$3,000 - \$3,999	945	28.92	77,966	37,059	40,867
\$4,000 - \$4,999	411	27.77	89,425	48,725	53,443
\$5,000 or more	554	26.34	110,710	73,834	81,519
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

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

Lifetime Benefit (1)	4,774	23.53	\$55,652	\$24,576	\$26,889
Benefit with a Guarantee (2)	1,224	24.18	55,207	24,784	27,182
Member with a Joint Annuitant (3)	1,972	24.34	60,927	24,470	26,867
Reduced Benefit on 1st Death (4)	217	23.91	70,428	29,015	31,624
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

### By Employer Group

State	1,338	23.99	\$50,648	\$21,656	\$23,683
State University System	289	23.78	55,802	21,476	23,722
Counties	2,004	23.54	69,356	35,397	38,756
School Boards	3,953	24.04	52,288	20,394	22,360
State Colleges	275	21.91	57,551	20,529	22,590
Cities and Special Districts	328	24.17	70,970	29,974	32,531
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 160-167.

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



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

from July 1, 2016 - June 30, 2017

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
6 - 9	347	7.82	\$36,541	\$4,857	\$5,243
10 - 14	805	12.65	43,032	8,927	9,689
15 - 19	1,130	17.60	47,535	13,780	15,061
20 - 24	1,381	22.61	55,511	21,429	23,424
25 - 29	1,821	26.75	67,770	37,003	40,363
30 - 34	2,650	30.36	61,879	29,679	32,702
35 or More Years	53	36.77	67,928	40,429	44,059
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

By Age Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less than 50	64	25.75	\$82,811	\$58,542	\$60,985
50 - 54	470	27.33	76,604	50,960	55,257
55 - 59	1,152	28.54	67,110	36,900	40,355
60 - 64	2,672	25.62	56,972	24,455	26,493
65 - 69	3,744	20.86	51,740	17,517	19,532
70 - 74	70	13.69	50,692	13,055	14,468
75 - 79	13	15.35	39,648	12,161	13,857
80 and Over	2	9.33	31,653	4,056	4,168
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	5,156	24.02	\$52,292	\$21,392	\$23,393
Male	3,031	23.52	65,677	30,325	33,279
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

By Cause of Termination	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Deceased	48	23.97	\$52,963	\$22,796	\$23,848
Termination	8,139	23.83	57,273	24,710	27,072
<b>Total / Average</b>	<b>8,187</b>	<b>23.83</b>	<b>\$57,247</b>	<b>\$24,699</b>	<b>\$27,053</b>

Average length of participation - 2.87 years

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 160-167.

**TOTAL ANNUITANTS BY SYSTEM / CLASS<sup>1</sup>**  
as of June 30

System / Class	2013	2014	2015	2016	2017
FRS Pension Plan					
- Regular Class	306,121	319,663	332,410	347,541	357,487
- Senior Management Service Class	3,237	3,531	3,866	4,218	4,487
- Special Risk Class	29,743	31,314	33,076	35,160	36,582
- Special Risk Adm. Sup. Class	170	171	173	176	175
- Elected Officers' Class	2,311	2,310	2,397	2,400	2,524
<b>Subtotal</b>	<b>341,582</b>	<b>356,989</b>	<b>371,922</b>	<b>389,495</b>	<b>401,255</b>
TRS	4,326	4,084	3,873	3,638	3,438
TRS-SB	469	441	413	380	356
SCOERS	556	496	440	381	325
Highway Patrol	38	34	31	28	25
JRS	4	3	3	3	3
IFAS	172	169	170	171	167
<b>Subtotal</b>	<b>5,565</b>	<b>5,227</b>	<b>4,930</b>	<b>4,601</b>	<b>4,314</b>
<b>Total</b>	<b>347,147</b>	<b>362,216</b>	<b>376,852</b>	<b>394,096</b>	<b>405,569</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	25	22	18	17	9
National Guard	780	787	792	784	784
Judicial Retirement	9	8	9	10	12
Teachers (s. 238.171, F.S.)	1	1	0	0	0
<b>Total</b>	<b>815</b>	<b>818</b>	<b>819</b>	<b>811</b>	<b>805</b>
<b>Grand Total</b>	<b>347,962</b>	<b>363,034</b>	<b>377,671</b>	<b>394,907</b>	<b>406,374</b>

**AVERAGE BENEFITS BY SYSTEM / CLASS**  
as of June 30

System / Class	2013	2014	2015	2016	2017
FRS Pension Plan					
- Regular Class	\$16,973	\$17,394	\$17,951	\$18,565	\$19,010
- Senior Management Service Class	45,495	46,518	47,373	48,821	49,772
- Special Risk Class	35,755	37,207	38,962	40,879	42,364
- Special Risk Adm. Sup. Class	35,700	36,338	37,499	38,484	39,465
- Elected Officers' Class	46,740	47,966	49,875	51,429	53,223
TRS	33,679	35,348	36,818	38,527	40,455
TRS-SB	1,885	1,887	1,885	1,885	1,883
SCOERS	10,889	11,209	12,152	13,000	13,990
Highway Patrol	18,314	18,576	19,373	19,610	17,063
JRS	15,446	13,607	14,016	14,436	14,869
IFAS	11,252	11,680	12,005	12,455	12,810
<b>Average</b>	<b>\$19,231</b>	<b>\$19,789</b>	<b>\$20,476</b>	<b>\$21,249</b>	<b>\$21,839</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$16,343	\$16,245	\$16,528	\$17,123	\$16,711
National Guard	18,381	18,306	18,178	18,428	18,988
Judicial Retirement	76,909	82,758	86,688	90,153	87,223
Teachers (s. 238.171, F.S.)	2,300	2,369	0	0	0
<b>Average</b>	<b>\$18,945</b>	<b>\$18,861</b>	<b>\$18,895</b>	<b>\$19,285</b>	<b>\$19,980</b>
<b>Average All Annuitants</b>	<b>\$19,230</b>	<b>\$19,765</b>	<b>\$20,472</b>	<b>\$21,245</b>	<b>\$21,835</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

System / Class	2013	2014	2015	2016	2017
FRS Pension Plan					
- Regular Class	\$5,195,856,141	\$5,560,290,675	\$5,967,096,004	\$6,452,033,264	\$6,795,935,448
- Senior Management Service Class	147,267,676	164,256,203	183,145,731	205,924,965	223,327,748
- Special Risk Class	1,063,459,505	1,165,109,331	1,288,693,588	1,437,318,491	1,549,767,553
- Special Risk Adm. Sup. Class	6,069,001	6,213,772	6,487,328	6,773,176	6,906,440
- Elected Officers' Class	108,016,759	110,800,310	119,550,041	123,429,109	134,335,905
<b>Subtotal</b>	<b>6,520,669,082</b>	<b>7,006,670,291</b>	<b>7,564,972,692</b>	<b>8,225,479,005</b>	<b>8,710,273,094</b>
TRS	145,695,711	144,359,396	142,594,320	140,162,000	139,083,477
TRS-SB	884,162	831,962	778,682	716,462	670,262
SCOERS	6,054,351	5,559,757	5,347,069	4,952,939	4,546,864
Highway Patrol	695,922	631,575	600,551	549,087	426,574
JRS	61,783	40,822	42,047	43,308	44,608
IFAS	1,935,281	1,973,905	2,040,823	2,129,879	2,139,309
<b>Subtotal</b>	<b>155,327,210</b>	<b>153,397,417</b>	<b>151,403,492</b>	<b>148,553,675</b>	<b>146,911,094</b>
<b>Total</b>	<b>\$6,675,996,292</b>	<b>\$7,160,067,708</b>	<b>\$7,716,376,184</b>	<b>\$8,374,032,680</b>	<b>\$8,857,184,188</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$408,570	\$357,397	\$297,496	\$291,092	\$150,398
National Guard	14,337,374	14,406,750	14,397,257	14,447,626	14,886,728
Judicial Retirement	692,184	662,067	780,195	901,531	1,046,677
Teachers (s. 238.171, F.S.)	2,300	2,369	0	0	0
<b>Total</b>	<b>15,440,428</b>	<b>15,428,583</b>	<b>15,474,948</b>	<b>15,640,249</b>	<b>16,083,803</b>
<b>Grand Total</b>	<b>\$6,691,436,720</b>	<b>\$7,175,496,291</b>	<b>\$7,731,851,132</b>	<b>\$8,389,672,929</b>	<b>\$8,873,267,991</b>
<b>Average All Annuitants</b>	<b>\$18,625</b>	<b>\$19,230</b>	<b>\$20,472</b>	<b>\$21,245</b>	<b>\$21,835</b>

## TOTAL DISABILITY BENEFITS BY SYSTEM / CLASS

as of June 30

System / Class	Number of Retirees		Total Annual Benefits		Average Annual Benefits	
	2016	2017	2016	2017	2016	2017
FRS Pension Plan						
- Regular Class	14,089	13,943	\$183,958,284	\$187,138,800	\$13,057	\$13,422
- Senior Management Service Class	45	44	1,436,266	1,404,934	31,917	31,930
- Special Risk Class	1,567	1,573	44,457,861	46,452,771	28,371	29,531
- Special Risk Adm. Sup. Class	3	3	77,326	79,646	25,775	26,549
- Elected Officers' Class	7	7	296,028	304,347	42,290	43,478
FRS Investment Plan						
- Regular Class	326	363	4,763,223	5,411,428	14,611	14,908
- Senior Management Service Class	1	2	26,618	52,993	26,618	26,496
- Special Risk Class	102	118	3,982,176	4,931,565	39,041	41,793
- Special Risk Adm. Sup. Class	1	1	48,084	49,527	48,084	49,527
TRS	79	67	1,286,606	1,115,774	16,286	16,653
SCOERS	17	16	213,388	205,840	12,552	12,865
Highway Patrol	1	1	10,865	11,190	10,865	11,190
General Revenue	10	12	901,531	1,046,677	90,153	87,223
<b>Total / Average</b>	<b>16,248</b>	<b>16,150</b>	<b>\$241,458,256</b>	<b>\$248,205,492</b>	<b>\$14,861</b>	<b>\$15,369</b>

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

as of June 30, 2017

By System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS Investment Plan (IP) Regular Class <sup>2</sup>	363	16.74	\$42,188	\$13,051	\$14,908
FRS IP Senior Management Service Class <sup>2</sup>	2	14.12	93,247	25,176	26,496
FRS IP Special Risk Adm. Sup. Class <sup>2</sup>	1	32.91	49,487	39,288	49,527
FRS IP Special Risk Class <sup>2</sup>	125	17.31	59,271	37,170	42,010
FRS IP Elected Officers' Class <sup>2</sup>	1	17.75	143,640	48,645	54,031
FRS Pension Plan (PP) Regular Class	357,124	20.98	39,139	13,525	19,014
FRS PP Senior Management Service Class	4,485	24.35	96,424	38,261	49,783
FRS PP Special Risk Class	36,457	20.97	54,172	31,311	42,365
FRS PP Special Risk Adm. Sup. Class	174	25.16	48,595	24,728	39,408
FRS PP Elected Officers' Class	2,523	20.30	70,944	38,154	53,223
TRS	3,438	29.63	38,589	23,286	40,455
TRS-SB	356	0.00	0	2,270	1,883
Judicial Retirement System	3	11.71	20,160	11,089	14,869
Highway Patrol	25	24.20	15,077	12,831	17,063
SCOERS	325	23.96	14,548	7,077	13,990
IFAS	167	0.07	96	9,625	12,810
General Revenue	805	32.80	1,985	12,858	19,980
<b>Total / Average</b>	<b>406,374</b>	<b>21.08</b>	<b>\$41,181</b>	<b>\$15,623</b>	<b>\$21,835</b>

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

as of June 30, 2017

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
40 or More Years	1,901	42.36	\$54,884	\$38,882	\$57,845
35 - 39	9,234	36.76	50,409	31,447	48,661
30 - 34	96,115	30.92	52,163	26,205	37,495
25 - 29	51,412	26.94	51,621	26,031	35,082
20 - 24	57,418	22.30	42,148	14,696	20,079
15 - 19	65,683	17.35	36,235	9,642	13,222
10 - 14	87,232	12.18	29,749	5,632	7,783
5 - 9	35,728	7.82	30,632	4,010	5,083
Less Than 5 Years	490	2.08	13,165	9,674	16,128
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

By Age Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Under 40	1,363	17.96	\$40,095	\$7,651	\$9,317
40 - 44	675	16.62	39,340	10,748	12,570
45 - 49	1,995	17.42	46,373	18,438	19,251
50 - 54	7,618	19.98	51,008	24,225	26,612
55 - 59	25,453	21.14	47,688	20,473	23,699
60 - 64	61,045	22.00	47,193	18,840	22,959
65 - 69	100,995	21.40	45,546	16,838	22,128
70 - 74	86,201	20.83	41,771	15,000	21,844
75 - 79	53,676	20.35	36,044	12,800	20,532
80 - 84	34,879	20.68	31,913	11,917	20,809
85 and Older	31,307	21.29	26,437	10,577	20,561
Option 2 Payees - Member Deceased	6	22.34	59,632	11,614	13,265
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

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

<sup>2</sup> IP 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, 2017

By Option Selection <sup>2</sup>	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Lifetime Benefit (1)	236,599	20.39	\$39,183	\$14,871	\$20,801
Benefit with a Guarantee (2)	65,910	21.98	41,105	16,320	23,472
Member with a Joint Annuitant (3)	87,402	21.97	45,750	16,407	22,700
Reduced Benefit on First Death (4)	15,302	22.72	49,323	20,234	26,395
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

## By Monthly Benefit Amount

Less Than \$50	563	9.67	\$12,132	\$470	\$427
\$50 - \$99	3,039	9.29	11,328	898	953
\$100 - \$149	5,771	9.80	13,401	1,326	1,519
\$150 - \$199	7,946	10.44	16,017	1,834	2,114
\$200 - \$249	9,569	10.82	18,428	2,277	2,711
\$250 - \$299	10,608	11.30	20,188	2,714	3,300
\$300 - \$349	11,344	11.76	21,075	3,098	3,902
\$350 - \$399	11,363	12.35	22,739	3,514	4,498
\$400 - \$449	10,806	12.96	24,320	4,001	5,096
\$450 - \$499	10,630	13.48	25,905	4,409	5,699
\$500 - \$999	83,826	16.02	30,907	6,698	8,768
\$1000 - \$1999	97,641	22.01	40,137	12,893	17,401
\$2000 - \$2999	64,195	27.43	50,448	21,469	29,864
\$3000 - \$3999	39,790	29.77	58,516	28,548	41,249
\$4000 - \$4999	18,311	30.40	67,919	36,065	53,209
\$5000 or more	19,811	29.90	87,881	55,620	80,215
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

## By Benefit Recipient

Member Deceased	29,038	20.15	\$37,332	\$13,273	\$17,213
Member Living	376,175	21.15	41,601	15,823	22,215
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

## By Retirement Date

Before 12/1970	51	20.42	\$6,766	\$2,912	\$7,756
12/1970 - 6/2000	99,759	22.85	32,893	13,562	24,690
7/2000 - 6/2005	84,378	21.62	40,181	15,649	23,584
7/2005 - 6/2010	98,928	21.11	45,629	17,455	22,589
7/2010 - 6/2015	96,363	19.65	46,209	16,514	18,854
7/2015 - 6/2016	13,493	17.85	42,727	13,557	13,922
7/2016 - 6/2017	12,241	17.44	42,314	13,329	13,380
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

## By Employer

State	81,154	20.90	\$38,424	\$14,472	\$20,274
State University System	19,119	22.10	45,965	17,015	23,936
Counties	90,055	19.58	46,709	18,813	25,227
School Boards	188,760	21.88	38,804	14,406	20,673
State Colleges	13,160	20.85	45,267	16,044	22,959
Cities and Special Districts	12,965	19.45	47,020	16,458	21,401
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</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.

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

as of June 30, 2017

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	259,274	21.12	\$37,700	\$13,906	\$19,148
Male	145,939	20.99	47,683	18,722	26,667
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

By Type of Retirement	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Line of Duty Death	379	10.69	\$34,681	\$18,577	\$40,796
Not Line of Duty Death	9,201	17.68	35,934	7,367	11,364
Line of Duty Disability	3,495	14.74	31,043	14,646	21,470
Not Line of Duty Disability	12,644	17.54	32,813	9,994	13,617
Early	102,482	16.84	34,867	9,167	12,633
Normal	277,012	23.01	44,377	18,576	25,972
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

By Duration of Benefit Payments to Date	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less Than 5 Years	72,554	18.04	\$43,265	\$14,020	\$14,939
5 - 10	113,020	21.09	47,757	18,352	22,450
10 - 15	87,519	21.42	41,902	16,053	22,886
15 - 20	76,849	22.72	38,440	15,707	25,989
20 - 25	31,393	22.35	32,338	12,878	23,865
25 - 30	14,602	22.24	26,660	10,794	21,991
30 - 35	6,638	22.04	20,220	8,590	19,172
35 - 40	2,062	21.15	14,964	6,457	15,201
40 or More Years	576	18.72	10,444	3,666	10,733
<b>Total / Average</b>	<b>405,213</b>	<b>21.08</b>	<b>\$41,295</b>	<b>\$15,640</b>	<b>\$21,856</b>

Average duration of benefit payments in years - 11.50 years

By Duration of Benefit Payments - Deaths in Current Year	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less Than 1 Year	272	18.64	\$49,372	\$14,533	\$14,733
1 - 2	132	18.24	40,623	10,625	10,817
2 - 3	114	18.98	43,180	12,164	12,416
3 - 4	143	16.95	46,349	12,358	12,756
4 - 5	97	17.80	39,615	12,102	12,733
5 - 10	818	20.04	43,974	15,099	16,517
10 - 15	384	21.63	48,015	19,967	23,107
15 - 20	656	23.02	42,077	19,647	24,626
20 - 25	275	22.89	38,087	17,775	23,481
25 - 30	161	23.83	34,662	18,503	24,996
30 - 35	73	27.54	28,382	19,241	27,347
35 - 40	15	26.49	23,294	16,266	24,607
40 or More Years	0	0.00	0	0	0
<b>Total / Average</b>	<b>3,140</b>	<b>21.06</b>	<b>\$42,889</b>	<b>\$16,594</b>	<b>\$19,521</b>

Average duration of benefit payments in years - 11.41 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, 2017

By Retirement Age	Retirees	Retirees' Total		Beneficiaries' Total	
		Annual Benefits	Beneficiaries	Annual Benefits	
Under 40	915	\$12,722,098	294	\$6,060,157	
40 - 44	2,864	53,177,440	727	8,743,493	
45 - 49	16,260	498,013,847	2,256	29,378,073	
50 - 54	64,878	1,985,078,386	4,984	89,529,011	
55 - 59	95,567	2,386,161,049	6,751	127,939,493	
60 - 64	150,816	2,762,462,027	9,048	159,965,725	
65 - 69	33,788	520,667,957	3,402	58,004,664	
70 - 74	7,976	107,523,385	1,046	15,258,148	
75 - 79	2,377	25,003,615	381	3,885,753	
80 - 84	615	5,146,116	110	676,144	
85 and Older	119	720,853	39	396,493	
<b>Total</b>	<b>376,175</b>	<b>\$8,356,676,773</b>	<b>29,038</b>	<b>\$499,837,154</b>	

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

as of June 30, 2017

By Years of Service	Retirees	Retirees' Total		Beneficiaries' Total	
		Annual Benefits	Beneficiaries	Annual Benefits	
Less Than 5 Years	349	\$4,910,352	141	\$2,992,173	
5 - 9	33,414	169,126,641	2,314	12,479,227	
10 - 14	79,899	628,609,028	7,333	50,278,009	
15 - 19	60,162	805,383,389	5,521	63,074,403	
20 - 24	52,553	1,067,803,707	4,865	85,099,699	
25 - 29	47,903	1,708,358,575	3,509	95,252,857	
30 - 34	92,101	3,471,256,664	4,014	132,588,198	
35 - 39	8,199	406,242,412	1,035	43,095,278	
40 or More Years	1,595	94,986,005	306	14,977,310	
<b>Total</b>	<b>376,175</b>	<b>\$8,356,676,773</b>	<b>29,038</b>	<b>\$499,837,154</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	2013	2014	2015	2016	2017
Line of Duty Death	373	372	368	367	379
Not Line of Duty Death	8,878	9,019	9,081	9,087	9,201
Line of Duty Disability	3,525	3,506	3,493	3,492	3,495
Not Line of Duty Disability	12,484	12,625	12,684	12,747	12,644
Early	91,872	95,385	97,694	100,062	102,482
Normal	229,546	240,868	253,119	267,961	277,012
<b>Total</b>	<b>346,678</b>	<b>361,775</b>	<b>376,439</b>	<b>393,716</b>	<b>405,213</b>

## TOTAL FRS ANNUAL BENEFITS BY TYPE OF RETIREMENT

as of June 30

Type of Retirement	2013	2014	2015	2016	2017
Line of Duty Death	\$9,512,153	\$9,760,000	\$9,976,101	\$10,559,988	\$15,461,802
Not Line of Duty Death	92,526,753	95,860,703	98,471,096	100,587,725	104,560,416
Line of Duty Disability	65,402,997	67,518,857	69,904,011	72,456,581	75,038,769
Not Line of Duty Disability	150,731,440	156,608,204	162,375,701	168,152,778	172,174,076
Early	1,026,813,607	1,097,584,190	1,165,451,287	1,232,717,230	1,294,646,937
Normal	5,330,125,178	5,731,903,792	6,209,419,306	6,788,841,916	7,194,631,927
<b>Total</b>	<b>\$6,675,112,128</b>	<b>\$7,159,235,746</b>	<b>\$7,715,597,502</b>	<b>\$8,373,316,218</b>	<b>\$8,856,513,927</b>

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

as of June 30

Type of Retirement	2013	2014	2015	2016	2017
Line of Duty Death	5	2	3	5	14
Not Line of Duty Death	266	276	237	197	232
Line of Duty Disability	60	55	57	57	57
Not Line of Duty Disability	560	576	545	524	445
Early	4,303	4,924	3,751	3,899	4,299
Normal	6,263	7,142	6,876	7,176	7,194
<b>Total</b>	<b>11,457</b>	<b>12,975</b>	<b>11,469</b>	<b>11,858</b>	<b>12,241</b>

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

as of June 30

Type of Retirement	2013	2014	2015	2016	2017
Line of Duty Death	\$129,637	\$46,977	\$79,302	\$232,897	\$807,536
Not Line of Duty Death	2,046,809	2,625,299	2,189,212	2,000,493	3,020,398
Line of Duty Disability	1,618,869	1,272,266	1,730,607	1,340,454	1,561,553
Not Line of Duty Disability	7,033,716	6,931,219	7,051,061	7,003,925	6,596,093
Early	40,969,304	44,563,965	36,803,052	36,772,765	40,252,170
Normal	87,971,909	93,486,455	100,518,086	105,985,962	111,542,570
<b>Total</b>	<b>\$139,770,244</b>	<b>\$148,926,181</b>	<b>\$148,371,320</b>	<b>\$153,336,496</b>	<b>\$163,780,320</b>

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



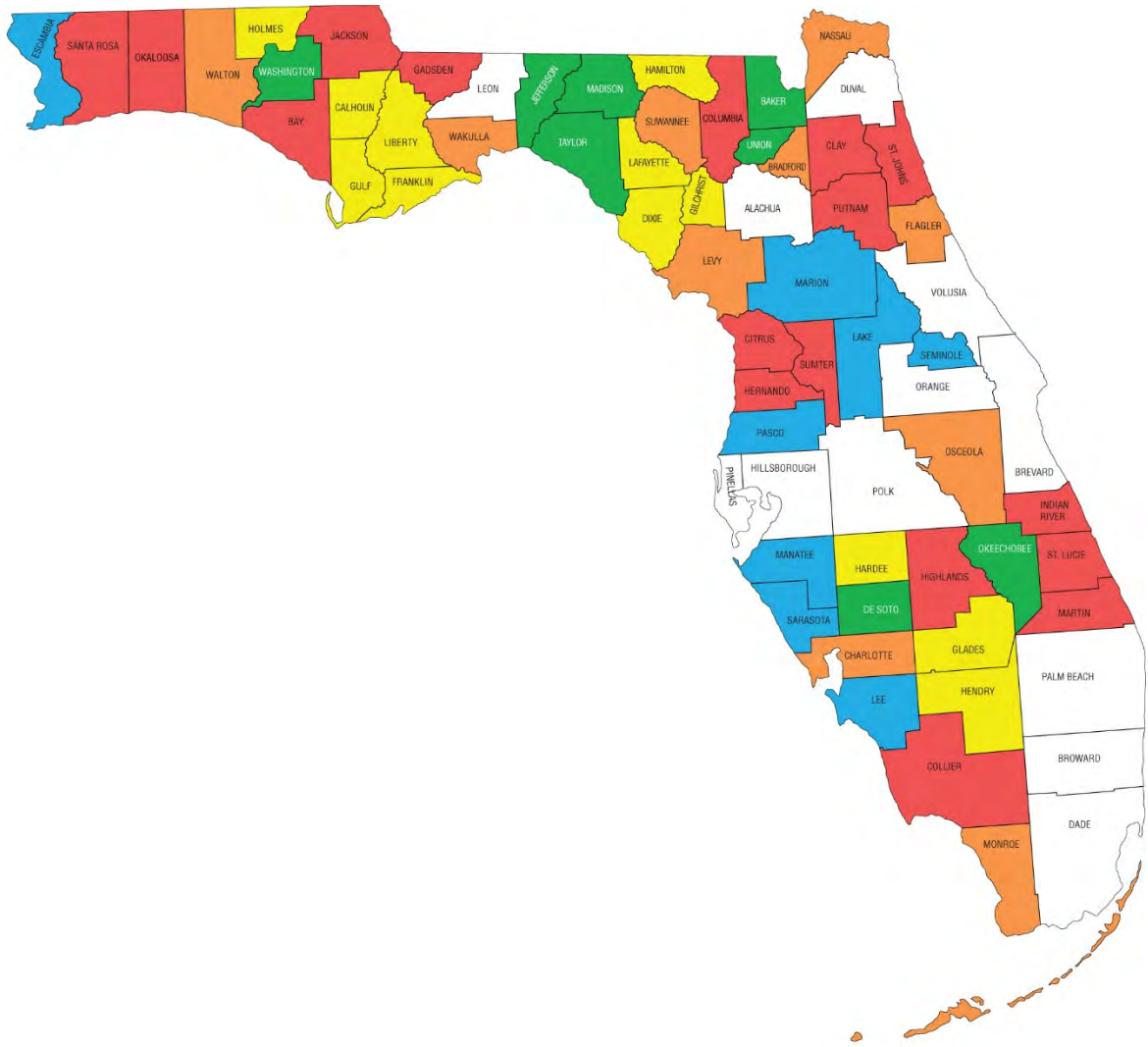
**SCHEDULE OF AVERAGE FRS BENEFITS**  
as of June 30







Fiscal Year	Years of Creditable Service									
	Less Than 5 <sup>1</sup>	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 or More	
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
2009	Average Annual Benefit	\$11,815	\$4,252	\$6,127	\$10,317	\$15,198	\$25,386	\$30,288	\$39,161	\$46,227
	Average AFC	\$12,648	\$26,357	\$24,625	\$29,901	\$33,740	\$40,710	\$44,747	\$41,882	\$44,407
	Count	504	17,814	70,404	50,295	42,171	34,511	61,037	9,168	2,312
2008	Average Annual Benefit	\$11,194	\$4,202	\$5,936	\$9,945	\$14,647	\$24,291	\$29,380	\$37,846	\$44,723
	Average AFC	\$12,333	\$25,842	\$24,034	\$28,979	\$32,746	\$39,535	\$43,638	\$41,006	\$43,416
	Count	485	15,512	68,578	48,467	40,624	33,059	56,430	9,280	2,407

<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, 2017

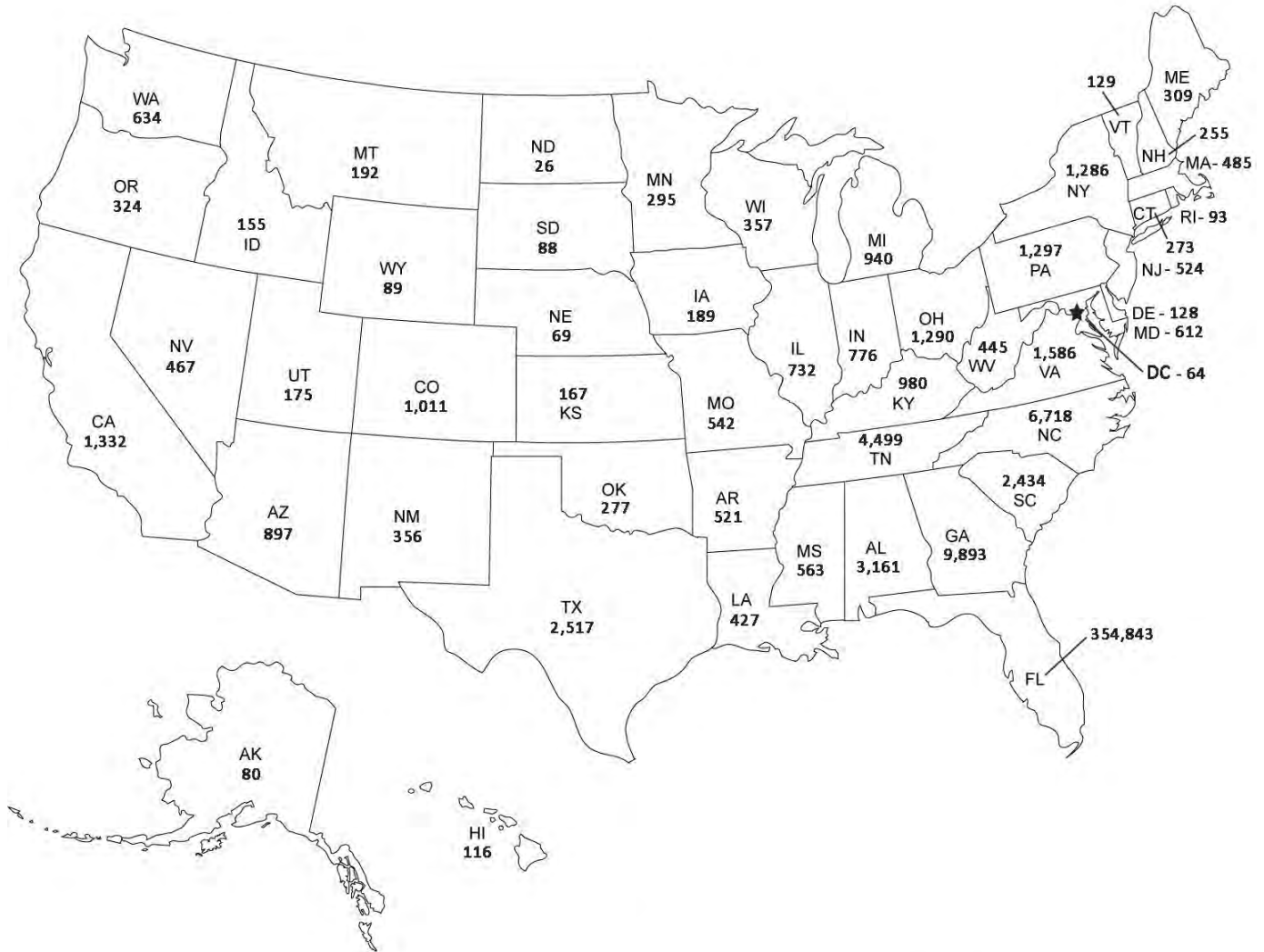


Color Key	
\$0 - \$15 million	
\$15 - \$25 million	
\$25 - \$50 million	
\$50 - \$100 million	
\$100 - \$200 million	
\$200 million +	

Of the 406,374 retirees in the FRS, 354,843 or 87.3 percent, remain Florida residents as of June 30, 2017. During the Fiscal Year 2016-17, pension benefit payments of \$7.15 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, 2017



## FRS RETIREES OUTSIDE THE UNITED STATES

as of June 30, 2017

American Samoa (1)	Colombia (13)	Honduras (2)	Peru (6)	Trinidad & Tobago (3)
Argentina (4)	Costa Rica (15)	Hungary (3)	Philippines (14)	United Arab Emirates (1)
Armed Forces (38)	Croatia (1)	India (2)	Poland (1)	United Kingdom (48)
Australia (17)	Czech Republic (1)	Israel (13)	Portugal (3)	Uruguay (2)
Bahamas (2)	Dominican Republic (5)	Italy (4)	Puerto Rico (223)	Venezuela (1)
Barbados (2)	Ecuador (9)	Jamaica (11)	Romania (2)	Vietnam (1)
Belize (1)	Egypt (2)	Japan (2)	Russia (1)	Virgin Islands (23)
Bosnia-Herzegovina (1)	Finland (3)	Lebanon (1)	South Africa (1)	West Indies (20)
Brazil (2)	France (10)	Mexico (10)	Spain (20)	Other (26)
Bulgaria (2)	Germany (22)	Morocco (1)	Sweden (1)	
Canada (101)	Ghana (1)	Netherlands (1)	Switzerland (3)	
Cayman Islands (1)	Greece (4)	New Zealand (10)	Taiwan (1)	
Chile (3)	Guam (2)	Nicaragua (4)	Thailand (20)	
China (1)	Guatemala (1)	Panama (5)	Tonga (1)	

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

as of June 30

<b>By System / Class</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
FRS - Regular Class	4,160	5,562	6,709	8,070	9,607
- Senior Management Service Class	86	113	150	170	209
- Special Risk Class	550	817	1,062	1,229	1,388
- Elected Officers' Class	70	82	102	99	142
<b>Total</b>	<b>4,866</b>	<b>6,574</b>	<b>8,023</b>	<b>9,568</b>	<b>11,346</b>

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

as of June 30, 2017

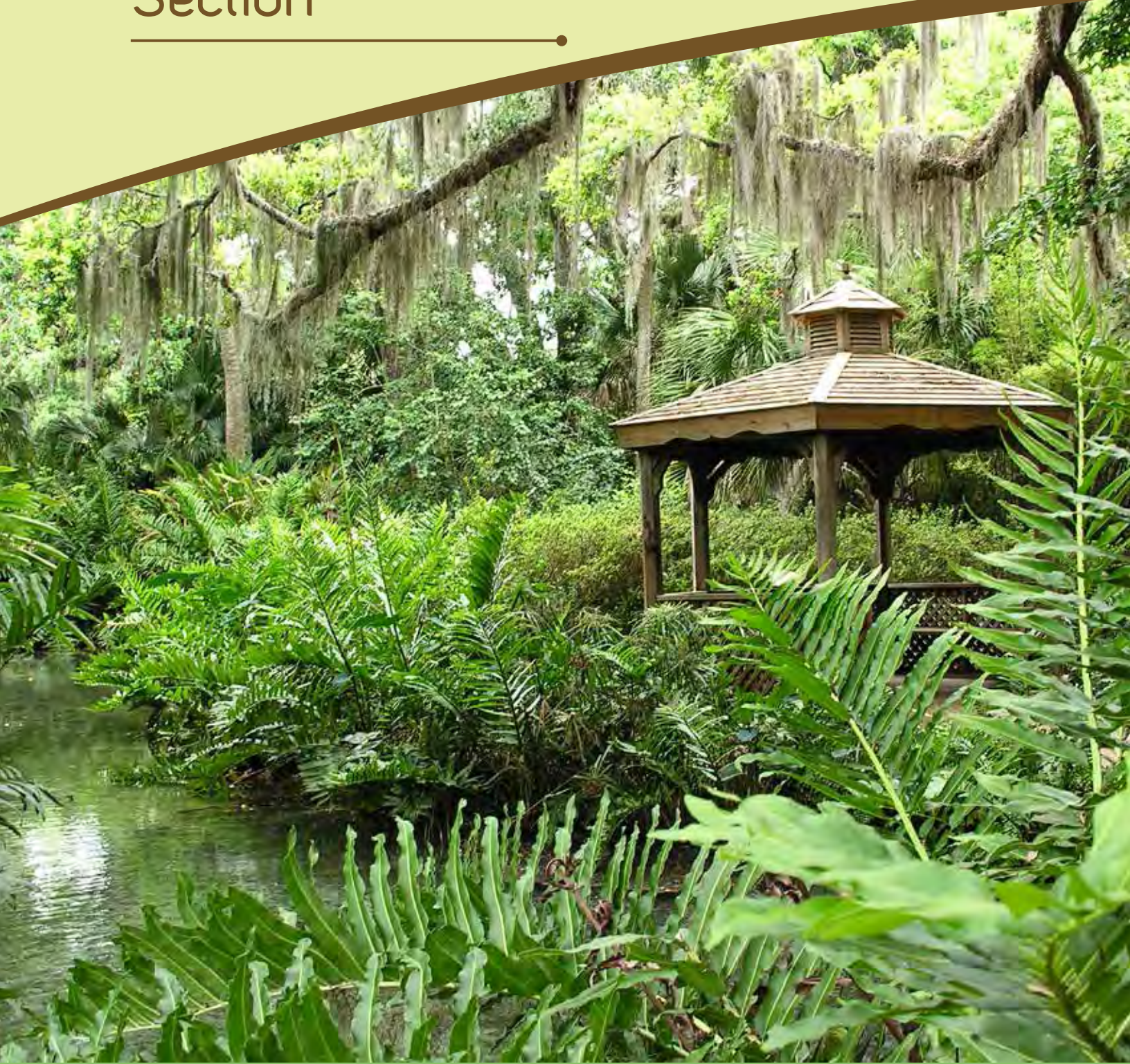
<b>By Employer Group</b>	<b>Count</b>	<b>Average Length of Employment</b>	<b>Average Salary</b>
State	2,541	2.53	\$36,579
State University System	525	2.91	58,463
School Boards	4,970	2.63	30,654
Counties	2,297	2.51	36,308
State Colleges	456	2.85	37,970
Cities and Special Districts	557	2.55	36,485
<b>Total / Average</b>	<b>11,346</b>	<b>2.60</b>	<b>\$34,993</b>

<b>By Age Range</b>			
	<b>Count</b>	<b>Average Length of Employment</b>	<b>Average Salary</b>
Less than 30	63	1.31	\$27,615
30 - 39	1,159	2.41	38,282
40 - 49	1,955	2.71	39,890
50 - 59	2,858	2.41	35,427
60 - 69	4,063	2.63	34,121
70 and Over	1,248	3.03	26,482
<b>Total / Average</b>	<b>11,346</b>	<b>2.60</b>	<b>\$34,993</b>

<b>By Gender</b>			
	<b>Count</b>	<b>Average Length of Employment</b>	<b>Average Salary</b>
Female	6,685	2.59	\$32,244
Male	4,661	2.62	38,935
<b>Total / Average</b>	<b>11,346</b>	<b>2.60</b>	<b>\$34,993</b>

# System Summary Section

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Washington Oaks Gardens State Park – Photograph courtesy of Beryn Harty

## **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, with existing members allowed to continue to participate.

# FRS PARTICIPATING EMPLOYERS

as of June 30, 2017

## STATE AGENCIES –

### EXECUTIVE BRANCH

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

### LEGISLATIVE BRANCH

Auditor General  
Commission on Ethics  
The Legislature  
Public Service Commission

### JUDICIAL BRANCH

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

## STATE UNIVERSITY SYSTEM

Florida A&M University  
Florida Atlantic University  
Florida Gulf Coast University  
Florida International University  
Florida Polytechnic University  
Florida State University  
New College  
University of Central Florida  
University of Florida  
University of North Florida  
University of South Florida  
University of West Florida

## LOCAL AGENCIES –

### ALACHUA COUNTY

Alachua County Library District  
Alachua MYcroSchool of Integrated Academics and Technologies  
Board of County Commissioners  
Caring and Sharing Learning School  
City of Alachua <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  
Bay Haven Charter Academy, Inc.  
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>1,4</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 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 Community Charter Middle School  
Broward Community Charter School  
Broward Community Charter School West  
Broward County Housing Authority  
Broward Metropolitan Planning Organization  
Central Broward Water Control District  
Central Charter School  
Charter School of Excellence Davie 1 Campus  
Charter School of Excellence Davie 2 Campus

<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.



Charter School of Excellence Fort  
Lauderdale 1 Campus  
Charter School of Excellence Fort  
Lauderdale 2 Campus  
Charter School of Excellence Riverland 1  
Campus  
Charter School of Excellence Riverland 2  
Campus  
Charter School of Excellence Tamarac 1  
Campus  
Charter School of Excellence Tamarac 2  
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>  
City of Margate  
City of Miramar <sup>3</sup>  
City of North Lauderdale <sup>2</sup>  
City of Oakland Park <sup>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  
Dayspring Elementary Charter School  
Discovery Middle Charter School  
Hillsborough Inlet Improvement and  
Maintenance  
North Springs Improvement District  
Old Plantation Water Control District  
Paragon Elementary Charter School  
Plantation Acres Improvement District  
Property Appraiser  
School Board  
Sheriff  
Smart School, Inc.  
South Broward Drainage District  
South Florida Regional Planning Council  
Sunrise Community Charter School  
Sunshine Elementary Charter School  
Supervisor of Elections  
Tax Collector  
Town of Hillsboro Beach <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  
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**

Duval MYcroSchool of Integrated  
Academies and Technologies  
Florida State College at Jacksonville  
Jacksonville Aviation Authority  
Jacksonville Seaport Authority  
Jacksonville Transportation Authority  
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

<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.

**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>  
 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  
 Pemaquid Emahakv, Inc.  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

**GULF COUNTY**

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

**HAMILTON COUNTY**

Board of County Commissioners  
 City of Jasper  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board

Sheriff  
 Supervisor of Elections  
 Tax Collector

**HARDEE COUNTY**

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

**HENDRY COUNTY**

Barron Water Control District  
 Board of County Commissioners  
 Central County Water Control District  
 City of Clewiston <sup>1</sup>  
 City of La Belle <sup>3,4</sup>  
 Clerk of Circuit Court  
 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  
 Spring Hill Fire Rescue District and Emergency Medical Services  
 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  
 Hillsborough County Public Transportation Commission

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

**HOLMES COUNTY**

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

**INDIAN RIVER COUNTY**

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

**JACKSON COUNTY**

Board of County Commissioners  
 Challenge for Success Charter School  
 Chipola College  
 City of Graceville <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

<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.

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>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 Erosion Prevention District  
Captiva Fire Control District  
City of Bonita Springs  
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  
Goodwill Academies of Southwest Florida,  
Inc.  
Hyacinth Control District  
Iona McGregor Fire Protection and Rescue  
Service  
Lee County Metropolitan Planning  
Organization  
Lee County Mosquito Control District  
Lee Soil and Water Conservation District  
Lehigh Acres Fire Control and Rescue  
District  
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 Expressway Authority  
Southwest Florida Regional Planning  
Council  
Supervisor of Elections  
Tax Collector  
Tice Fire and Rescue District

### **LEON COUNTY**

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

### **LEVY COUNTY**

Board of County Commissioners  
City of Cedar Key <sup>1</sup>  
City of Chiefland  
City of Fanning Springs  
City of Williston <sup>2</sup>  
Clerk of Circuit Court  
Levy County Housing Authority  
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 Community 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  
Bradenton Downtown Development  
Cedar Hammock Fire Control District

Central Community Redevelopment  
Agency  
City of Anna Maria  
City of Bradenton <sup>3,4</sup>  
City of Holmes Beach <sup>4</sup>  
Clerk of Circuit Court  
Manatee County Housing Authority  
Manatee County Mosquito Control District  
Myakka City Fire Department  
Palmetto Charter School, Inc.  
Parrish Fire Control District  
Peace River/Manasota Regional Water  
Supply Authority  
Property Appraiser  
School Board  
Sheriff  
State College of Florida, Manatee-  
Sarasota  
Supervisor of Elections  
Tax Collector  
Town of Longboat Key <sup>2</sup>  
William Monroe Rowlett Academy for the  
Arts and Communication

### **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

### **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>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

<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.

Miami-Dade Police Department  
Property Appraiser  
School Board  
SIATech Miami-Dade  
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  
Florida Keys Community College  
Florida Keys Mosquito Control District  
Islamorada, Village of Islands  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **NASSAU COUNTY**

Amelia Island Mosquito Control  
Board of County Commissioners  
City of Fernandina Beach <sup>3</sup>  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Callahan <sup>3,4</sup>  
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

#### **OKEECHOBEE 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  
Rio Grand Charter School of Excellence  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Valencia College

#### **OSCEOLA COUNTY**

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

#### **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  
Day Star Academy of Excellence  
Florida Inland Navigation District  
Good Schools for All Leadership  
Academy  
G-STAR School of the Arts for Motion  
Pictures and Television  
Gulf Stream Goodwill Academies, Inc.  
Indian Trail Improvement District  
Inlet Grove Community High School,  
Inc.  
Lake Worth Drainage District  
Loxahatchee Groves Water Control  
District  
Palm Beach State College  
Palm Beach County Solid Waste  
Authority  
Palm Beach Soil and Water  
Conservation  
Palm Beach Workforce Development  
Consortium  
Port of Palm Beach  
Property Appraiser  
Riviera Beach Maritime Academy  
School Board  
Shawano Drainage District  
Sheriff  
South Florida Conservancy  
South Florida Water Management  
District  
South Tech Charter Academy, Inc.  
Supervisor of Elections  
Survivors Charter School  
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 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

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<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.

Discovery Academy of Lake Alfred  
Edward W. Bok Academy, Inc.  
Hillcrest Elementary School  
Janie Howard Wilson Elementary School  
Lakeland Area Mass Transit District  
Lake Wales Charter School, Inc.  
Lake Wales Senior High School  
New Beginnings High School, Inc.  
Oaks Middle Academy  
Our Children's Academy  
Our Children's Middle 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**

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

#### **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

<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.

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  
Goodwill Manasota Academy, Inc.  
Property Appraiser  
Sarasota Bay Estuary Program  
Sarasota-Manatee Metropolitan  
Planning Organization  
Sarasota Military Academy  
Sarasota Military Academy Prep  
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 <sup>3,4</sup>  
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  
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  
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  
Volusia County Metropolitan Planning  
Organization  
Volusia Soil and Water Conservation  
District

#### **WAKULLA HILL 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

<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.

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
State Colleges	28
Cities	173
Independent Hospitals	2
Special Districts	260
Other	<u>12</u>
Total	995

<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 41 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 – *North Broward Hospital District*  
Clay County – *Clay County Utility Authority*  
Collier County – City of Marco Island  
Collier County – Marco Island Fire Control District  
DeSoto County – Joshua Water Control District  
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 – 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 subject to regulatory oversight by the Division of Retirement.

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

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

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





Sherrill F. Norman, CPA  
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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, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 15, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the investment 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 this report 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  
December 15, 2017  
Audit Report No. 2018-065



