

Florida Retirement System Pension Plan And  
Other State Administered Systems  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



FLORIDA DEPARTMENT OF MANAGEMENT SERVICES  
**retirement**  
We serve those who serve Florida.

[Inside Front Cover]

Florida Retirement System Pension Plan And  
Other State Administered Retirement Systems  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2015



The panther is Florida's official state animal.

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

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

[www.frs.myflorida.com](http://www.frs.myflorida.com)

The photographs used throughout this report represent various wildlife of the State of Florida. On the cover is the manatee, which is the state's marine mammal. This report has been prepared by the Department of Management Services Division of Retirement and Division of Finance and Administration.

Rick Scott, Governor  
Chad Poppell, Secretary  
Dan Drake, State Retirement Director

This page is intentionally left blank

## TABLE OF CONTENTS

<b>INTRODUCTORY SECTION</b> .....	5
Transmittal Letter .....	6
Management Staff .....	8
Administrative Organization Chart and List of Consulting Services.....	9
Public Pension Standards Award for Funding and Administration.....	10
<b>FINANCIAL SECTION</b> .....	11
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	12
Management's Discussion and Analysis .....	15
<b>Financial Statements</b>	
Statement of Fiduciary Net Position .....	22
Statement of Changes in Fiduciary Net Position .....	24
Governmental Fund Balance Sheet / Statement of Net Position .....	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund / Statement of Activities .....	27
<b>Notes to the Financial Statements</b>	
Notes to the Financial Statements Table of Contents .....	28
Note 1 – Plan Description.....	29
Note 2 – Summary of Significant Accounting Policies .....	40
Note 3 – Plan Investments .....	45
Note 4 – Net Pension Liability .....	61
Note 5 – Interfund Balances and Transfers .....	68
Note 6 – Changes in Long-Term Liabilities.....	69
Note 7 – Related Parties .....	70
<b>Required Supplementary Information</b>	
Florida Retirement System Pension Plan .....	71
Retiree Health Insurance Subsidy Program .....	75
Florida National Guard Supplemental Retirement Benefit Plan.....	77
Budgetary Reporting .....	79
Budgetary Comparison Schedules .....	81
Budget to GAAP Reconciliation .....	81
<b>Other Supplementary Information</b> .....	83
Schedule of Administrative Expenses .....	84
<b>INVESTMENT SECTION</b> .....	85
Statement from the State Board of Administration Executive Director .....	86
FRS Trust Fund Performance .....	87
FRS Trust Fund Distribution of Investments.....	88
<b>ACTUARIAL SECTION</b> .....	89
Florida Retirement System Pension Plan Overview of GASB 67 and GASB 68 .....	90
Actuary's Statement Regarding FRS 2015 Actuarial Valuation and Certification .....	91
History of the FRS Pension Plan Unfunded Actuarial Liability / Surplus with Total Liabilities and Total Assets .....	99
FRS Pension Plan Membership .....	100
FRS Pension Plan Payroll .....	101
FRS Pension Plan Cash Flows .....	101
Projected FRS Pension Plan Benefit Payments .....	102
FRS Pension Plan Trust Fund Assets .....	103
Statement of Fund Balance / Fiduciary Net Position .....	103
FRS Pension Plan Total Actuarial Assets Compared to Total Actuarial Liabilities .....	104
Total Composite Blended Rate.....	105
FRS Pension Plan Retirement Contributions.....	106
Actuary's Statement Regarding HIS 2015 Valuation .....	107

## TABLE OF CONTENTS (continued)

Retiree Health Insurance Subsidy Program Overview of GASB 67 and GASB 68 .....	111
Actuary's Statement Regarding National Guard 2015 Valuation .....	113
Florida National Guard Supplemental Retirement Benefit Plan Overview of GASB 67 and GASB 68 .....	117
<b>STATISTICAL SECTION</b> .....	119
Membership and Payroll .....	120
Annuitants and Benefit Payments for the FRS Pension Plan .....	120
Source of FRS Membership and Covered Payroll for Fiscal Year 2014-15 .....	121
Ratio of FRS Active Members to Retirees .....	122
Active FRS Members by System / Class .....	123
Annual FRS Payroll by System / Class .....	123
Members' Required Contributions by System / Class .....	123
Profile of Active FRS Members .....	124
Profile of Active FRS Investment Plan Members .....	125
Profile of Active FRS Pension Plan Members .....	126
Active FRS Members 2011-2015 .....	127
Growth of FRS Annuitants – All Systems 2011-2015 .....	127
FRS Pension Plan Refund Payments by Type .....	128
FRS Pension Plan Total Refund Payments by Type .....	128
Active FRS Pension Plan DROP Participants by System / Class .....	129
Profile of Active FRS Pension Plan DROP Participants .....	129
FRS Pension Plan DROP Accrued Benefits and Interest by System / Class .....	131
Terminated FRS Pension Plan DROP Participants by System / Class .....	132
Profile of Terminated FRS Pension Plan DROP Participants .....	132
Total Annuitants by System / Class .....	134
Average Benefits by System / Class .....	134
Total Annual Benefits by System / Class .....	135
Total Disability Benefits by System / Class .....	135
Profile of Total Annuitants by System / Class .....	136
Profile of FRS Annuitants .....	136
FRS Retirees and Beneficiaries by Age at Retirement .....	139
FRS Retirees and Beneficiaries by Years of Service at Retirement .....	139
Total FRS Annuitants by Type of Retirement .....	140
Total FRS Annual Benefits by Type of Retirement .....	140
Total FRS Annuitants Added During Fiscal Year by Type of Retirement .....	140
Total Annual Benefits of FRS Annuitants Added During Fiscal Year by Type of Retirement .....	140
Schedule of Average FRS Benefits .....	141
FRS Pension Benefits by Florida County .....	142
FRS Retirees by State .....	143
FRS Retirees Outside the United States .....	143
Reemployed Retirees Not Eligible for Renewed Membership by System / Class .....	144
Profile of Reemployed Retirees Not Eligible for Renewed Membership .....	144
<b>SYSTEM SUMMARY SECTION</b> .....	145
Chronological Highlights of State-Administered Retirement and Pension Systems Since 2000 .....	146
FRS Participating Employers .....	148
Police and Firefighters' Premium Tax Trust Fund .....	155
<b>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</b> .....	156

# Introductory Section



The common mockingbird is Florida's state bird.



Director's Office  
P.O. Box 9000

Tallahassee, Florida 32315-9000

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

Rick Scott, Governor

Chad Poppell, Secretary

Dan Drake  
State Retirement Director

## Letter of Transmittal

Dear Members:

We are pleased to present the 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, 2014, through June 30, 2015. It includes the operations and financial status of the state retirement systems administered by the division, investment objectives and policy, actuarial reports, historical and statistical information on active members, annuitants and benefit payments, and a summary description of the retirement plans. 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 fifth largest state retirement system that provides retirement, disability, or death benefits to 377,671 retirees or their designated beneficiaries and 34,829 Deferred Retirement Option Program (DROP) participants and offers a wide range of information services to 626,578 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, 2015, the FRS had 1,016 participating employers.

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

### Economic Condition

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

As of June 30, 2015, the market value of assets for the FRS Pension Plan was approximately \$148.0 billion. This reflects a 3.67 percent annualized investment return. The fiduciary net position as of June 30, 2015, was \$148.5 billion, a 1.04 percent decrease over the previous year. The FRS Pension Plan is 86.5 percent funded on a plan funding basis as of June 30, 2015, and 92.0 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 2015 Legislative Session:

- Established uniform employer contribution rates for the FRS membership classes and the contribution rate for the Deferred Retirement Option Program (DROP) effective July 1, 2015. New uniform employer contribution rates include fully funding the recommended unfunded actuarial liability contribution. The required employee contribution rate remains at 3 percent.
- Increased the employer contribution rate for the Health Insurance Subsidy (HIS) from 1.26 percent to 1.66 percent effective July 1, 2015.

## Awards and Recognition

The FRS was awarded the Public Pension Coordinating Council's Public Pensions Standards Award for Funding and Administration in 2015. This award recognizes plans that meet professional standards for plan funding and administration in categories such as benefits, actuarial valuations, financial reporting and communications to members.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Dan Drake', written in a cursive style.

Dan Drake  
State Retirement Director

## MANAGEMENT STAFF

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



Chad Poppell  
Secretary



Dan Drake  
Director



Elizabeth Stevens  
Assistant Director



Delanah Gebhart, Manager  
Administrative Services



Garry Green, Chief  
Bureau of Research and  
Member Communications



Shirley Beauford, Chief  
Bureau of Benefit Payments



Kathy Gould, Chief  
Bureau of Retirement  
Calculations



Keith Brinkman, Chief  
Bureau of Local Retirement  
Systems

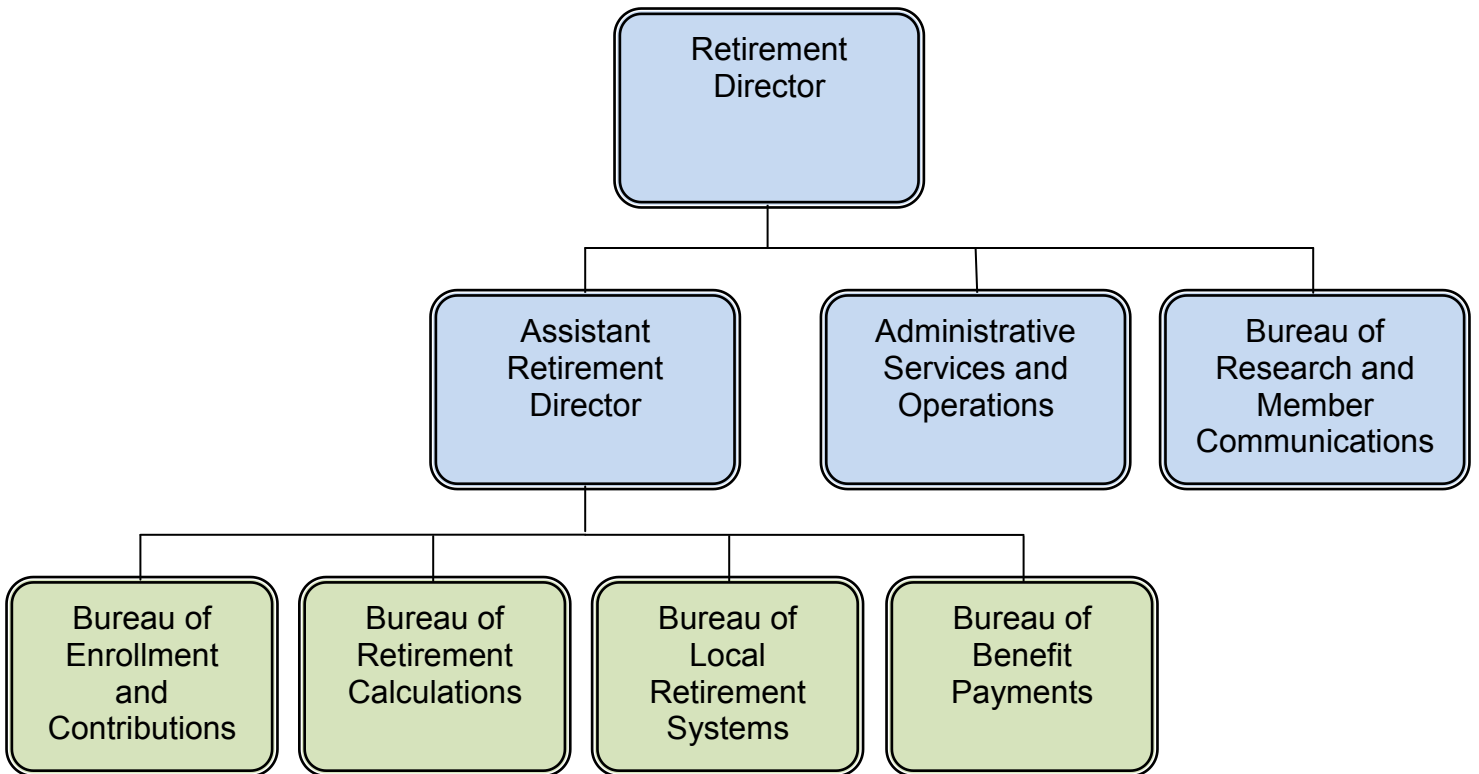


Joyce Morgan, Chief  
Bureau of Enrollment and  
Contributions

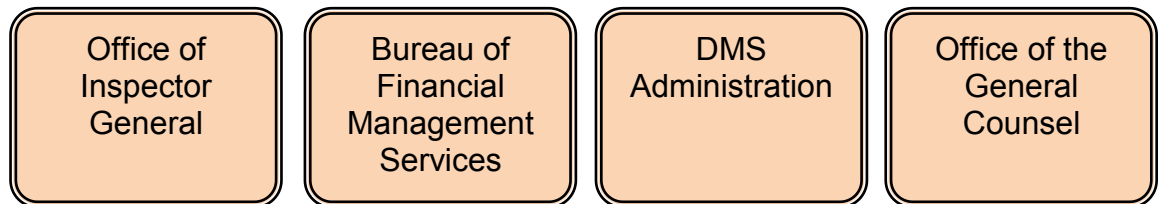
### MAILING ADDRESS

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

**ADMINISTRATIVE ORGANIZATION  
as of June 30, 2015**



The following sections are managed at the department level:



**CONSULTING SERVICES**

**Actuary**

Milliman, Inc., Consultants and Actuaries  
Seattle, Washington

**Information Technology**

Deloitte  
Tallahassee, Florida

**Investment**

State Board of Administration  
Tallahassee, Florida



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2015***

Presented to

***Florida Retirement System Pension Plan***

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

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

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

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a prominent 'A' and 'W'.

Alan H. Winkle  
Program Administrator

# Financial Section



Small key deer in the woods of Florida's Keys.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722  
Fax: (850) 488-6975

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary funds, governmental fund, and governmental activities of the Florida Retirement System Pension Plan and Other State-Administered Systems (System) administered by the Florida Department of Management Services, as of and for the fiscal year ended June 30, 2015, 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 investment assets and investment income of the Florida Retirement System Defined Benefits Plan which represent 99 percent of the assets and 62 percent of the additions of the Florida Retirement System Defined Benefit Plan as reported on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, respectively. Those assets and additions were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Florida Retirement System Defined Benefits Plan, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of 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, 2015, and the respective changes in financial position for the 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, 2015, 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 Note 2.J., the unfunded actuarial liability portion of the employer's total contribution for defined contribution plan members, previously reported as contributions in the defined contribution plans and transfers to the Florida Retirement System Pension Plan, are now reported as contributions in the Florida Retirement System Pension Plan. In addition, other income items that were previously reported as contributions are now reported as other income. Our opinion is not modified with respect to these matters.

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis, on pages 15 through 21, 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 71 through 78, and required budgetary information on pages 79 through 81, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Introductory Section, on pages 5 through 10, the Investment, Actuarial, Statistical, and System Summary Sections, on pages 85 through 155, and the Schedule of Administrative Expenses, on page 84, 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 February 25, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 25, 2016  
Audit Report No. 2016-097

## 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, 2015. 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

The FRS Pension Plan represents over 99.9 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 decreased slightly during the year ended June 30, 2015; the fiduciary net position of the FRS Pension Plan decreased to \$148.5 billion, a decrease of \$1.6 billion, or 1.04 percent below fiscal year 2014. The decrease in value was due primarily to lower 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 \$148.0 billion. The FRS earned an overall investment return of 3.67 percent for fiscal year 2015, compared with a return of 17.4 percent for fiscal year 2014.
- 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, 2015, the date of the latest actuarial valuation, the FRS' funded ratio was 86.5 percent on the valuation funding basis, as compared to 86.6 percent as of July 1, 2014. The funded ratio on the Governmental Accounting Standards Board Statement No. 67 basis was 92.0 percent as of July 1, 2015, as compared to 96.09 percent in the prior year.
- Administrative expense of the plan for fiscal year 2015 totaled \$18.0 million as compared to \$18.3 million for fiscal year 2014. Administrative expenses reported on the Statement of Changes in Fiduciary Net Position for fiscal year 2015 include items such as personnel and professional service cost, communication cost, and other operating costs which include administrative overhead assessment charges and facilities rental expenses. For additional information on administrative expenses refer to the Schedule of Administrative Expenses located immediately following the Required Supplementary Information Section.
- Contribution revenue recognized from employees and employers during fiscal year 2015 totaled \$3.1 billion, an increase of 8.5 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, account for the majority of the increase over the prior year.

- Pension benefits paid to retirees and beneficiaries during fiscal year 2015 increased 15.1 percent or \$1.2 billion over fiscal year 2014 benefit payments, for a total of \$9.2 billion. These benefits include payouts to terminating participants of the Deferred Retirement Option Program before being added to the monthly payroll for benefit payments. In addition to the expected growth in retired members due to baby boomers exiting the workforce, legislative changes enacted in 2011 resulted in a large increase in members entering DROP by June 2011. The last of this large group are completing DROP and will be added to the retired payroll for monthly benefits in this fiscal year and the next fiscal year.
- Refunds of employee and employer contributions increased by \$2.4 million in fiscal year 2015 to a total of \$9.4 million.

#### *Actuarial Valuations*

- The FRS actuarial valuation was prepared as of July 1, 2015.
- The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015.
- The National Guard actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015.
- Note 4, the Required Supplementary Information and the Actuarial Section of this report provide information on the net pension liability, key methods and assumptions used, and other required disclosures for each of the defined benefit plans.

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

- The HIS Program provides a health insurance subsidy payment to most retired employees and beneficiaries. The Florida Legislature sets the contribution rate for this program, which operates using a pay-as-you-go funding structure. As discussed in the actuary's report, the most recent valuation, dated July 1, 2015, accumulated HIS assets constituted less than two months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements on the amount of payroll on which the statutory rate is charged. Effective July 1, 2015, the Legislature increased the HIS employer contribution rate from 1.26 percent to 1.66 percent to address the cash flow needs of the program. For further discussion of this, refer to Part B of the Required Supplementary Information section.

#### *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. In prior years, this plan was considered de minimis and was accounted for as a component of the FRS. As of the fiscal year ended June 30, 2014, the long-term liabilities of the National Guard Supplemental Retirement Benefit Plan were determined to be material and the plan is now being accounted for separately in the financial statements.

## **Overview of the Financial Statements**

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

### ***Basic Financial Statements***

The systems' basic financial statements include the following elements as of and for fiscal year ended June 30, 2015:

- 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 regarding the state-administered retirement funds such as significant accounting policies, material account balances and activities, obligations, contingencies and subsequent events, if any.

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

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

- 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 \$148.6 billion, with the defined benefit plans comprising over 99.9 percent of the total. Net position decreased 1.07 percent from the previous year's total net position of \$150.2 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Cash and investments	\$ 160,290,145	\$ 157,905,336	\$ 4,303	\$ 4,122	\$ 236,975	\$ 228,666	\$ 160,531,423	\$ 158,138,124
Other assets	4,474,569	5,563,639	25	20	3,704	14,131	4,478,298	5,577,790
Total assets	164,764,714	163,468,975	4,328	4,142	240,679	242,797	165,009,721	163,715,914
Total deferred outflows of resources <sup>1</sup>	-	-	21	-	-	-	21	-
Total liabilities	16,259,547	13,361,298	215	187	166,388	170,101	16,426,150	13,531,586
Total deferred inflows of resources <sup>1</sup>	-	-	42	-	-	-	42	-
<b>Fiduciary net position / net position</b>	<b>\$ 148,505,167</b>	<b>\$ 150,107,677</b>	<b>\$ 4,092</b>	<b>\$ 3,955</b>	<b>\$ 74,291</b>	<b>\$ 72,696</b>	<b>\$ 148,583,550</b>	<b>\$ 150,184,328</b>

<sup>1</sup> Refer to Note 2.J.

## Statements of Changes in Fiduciary Net Position / Activities

These statements detail the changes in fiduciary net position/net position that occurred during the fiscal year. All changes are reported on an accrual basis and show net investment income earned, contributions from employers and employees, and withdrawals for members and beneficiaries that occurred during the fiscal year. Table 2 presents the Condensed Statements of Changes in Fiduciary Net Position / Activities for the fiscal 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 decreased by \$1.6 billion dollars during the fiscal year. The FRS Pension Plan accounts for 99.9 percent of the decrease.

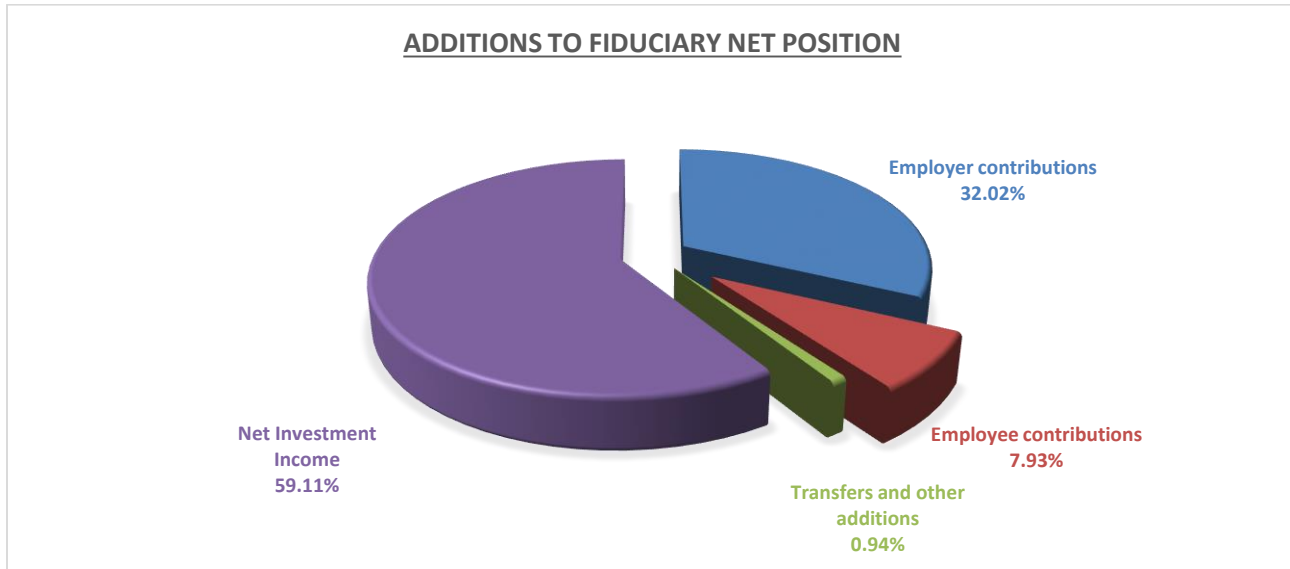
**Table 2: Condensed Statements of Changes in Fiduciary Net Position / Activities**  
For the fiscal year ended June 30  
(in thousands)

	Defined Benefit Plans		Defined Contribution Plans		Governmental Activities		TOTAL	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Additions / Revenues</b>								
Employer contributions	\$ 2,820,347	\$ 2,532,990	\$ 83,162	\$ 112,313	\$ -	\$ -	\$ 2,903,509	\$ 2,645,303
Employee contributions	698,304	699,579	85,985	81,978	-	-	784,289	781,557
Premium taxes	-	-	-	-	170,704	173,085	170,704	173,085
Transfers and other additions	82,459	114,190	248	358	550	-	83,257	114,548
Net investment income / (loss)	<u>5,205,768</u>	<u>22,812,506</u>	<u>64</u>	<u>81</u>	<u>380</u>	<u>260</u>	<u>5,206,212</u>	<u>22,812,847</u>
<b>Total additions / revenues</b>	<b><u>8,806,878</u></b>	<b><u>26,159,265</u></b>	<b><u>169,459</u></b>	<b><u>194,730</u></b>	<b><u>171,634</u></b>	<b><u>173,345</u></b>	<b><u>9,147,971</u></b>	<b><u>26,527,340</u></b>
<b>Deductions / Expenses</b>								
Benefit payments	9,661,895	8,421,910	-	-	-	-	9,661,895	8,421,910
Refunds of contributions	9,426	6,994	-	-	-	-	9,426	6,994
Payments to annuity companies	-	-	168,965	160,998	-	-	168,965	160,998
Distribution to cities	-	-	-	-	140,476	139,417	140,476	139,417
Administrative expenses	18,334	18,406	281	264	759	784	19,374	19,454
Transfers and other deductions	<u>719,733</u>	<u>823,884</u>	<u>8</u>	<u>33,613</u>	<u>28,804</u>	<u>32,863</u>	<u>748,545</u>	<u>890,360</u>
<b>Total deductions / expenses</b>	<b><u>10,409,388</u></b>	<b><u>9,271,194</u></b>	<b><u>169,254</u></b>	<b><u>194,875</u></b>	<b><u>170,039</u></b>	<b><u>173,064</u></b>	<b><u>10,748,681</u></b>	<b><u>9,639,133</u></b>
Change in net position	(1,602,510)	16,888,071	205	(145)	1,595	281	(1,600,710)	16,888,207
Fiduciary net position / net position - beginning, as restated (Note 2)	<u>150,107,677</u>	<u>133,219,606</u>	<u>3,887</u>	<u>4,100</u>	<u>72,696</u>	<u>72,415</u>	<u>150,184,260</u>	<u>133,296,121</u>
<b>Fiduciary net position/ net position - ending</b>	<b><u>\$ 148,505,167</u></b>	<b><u>\$ 150,107,677</u></b>	<b><u>\$ 4,092</u></b>	<b><u>\$ 3,955</u></b>	<b><u>\$ 74,291</u></b>	<b><u>\$ 72,696</u></b>	<b><u>\$ 148,583,550</u></b>	<b><u>\$ 150,184,328</u></b>

The pie charts below provide a visual representation of activity for all plans for the fiscal year ended June 30, 2015:

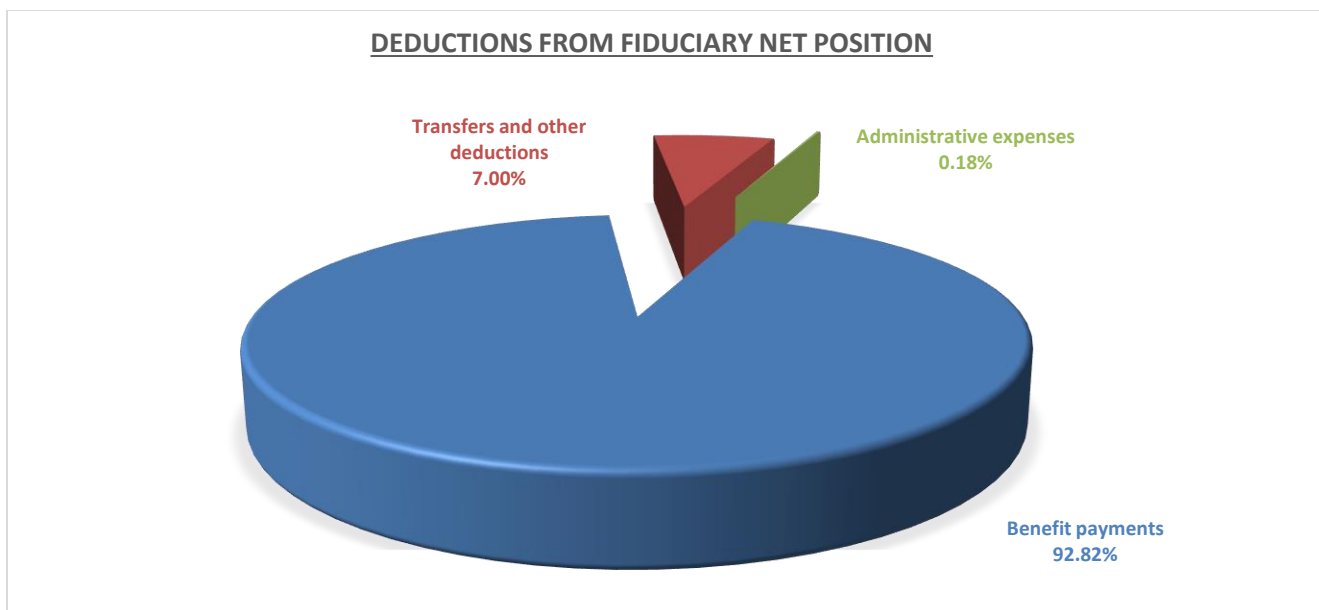
### Additions to Fiduciary Net Position

Of the total additions of \$9.1 billion for all plans during the fiscal year, 59.11 percent was attributable to net investment income of \$5.2 billion. Employer and employee contributions represent 32.02 percent and 7.93 percent, respectively, while the remaining 0.94 percent was allocated between transfers and other additions.



### Deductions from Fiduciary Net Position

Of the total deductions of \$10.7 billion for all plans during the fiscal year, benefit payments account for the majority of deductions from fiduciary net position, comprising 92.82 percent or \$9.7 billion. Transfers and other deductions made up 7.00 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 two key items: future investment returns and contributions. 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 long-term financial health depends on contributions and meeting the plan's assumptions including the assumed investment return. The division's funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer and employee contributions as well as earning an adequate long-term rate of return on its investments are essential components of the division's plan for accumulating the assets needed to finance future retirement benefits.

The investment performance for the FRS Pension Plan for the fiscal year ended June 30, 2015, was 3.67 percent which was less than the assumed investment return of 7.65 percent, resulting in a slight decrease in the fiduciary net position held in trust for pension benefits. The amount of assets required to meet future obligations is based, in part, on estimated or expected long-term investment returns. While management cannot predict future market returns, the changes in assets reflect the volatility of the market.

The division is required by state law to provide an actuarial valuation of the defined benefit pension plans to assist decision makers in assessing the funding strength and 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.

Assumptions changes adopted for the 2015 FRS Pension Plan Valuation included:

- Retaining the assumed investment rate of return of 7.65 percent,
- Retaining the inflation assumption of 2.60 percent, and
- Retaining the real wage growth assumption of 0.65 percent.

## **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, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706.

**STATEMENT OF FIDUCIARY NET POSITION**

as of June 30, 2015

	<b>Defined Benefit</b>		
	<b>Florida Retirement System</b>	<b>Retiree Health Insurance Subsidy</b>	<b>National Guard</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 722,768,630	\$ -	\$ -
State treasury investment pool	4,154,994	75,463	72,500
Total cash and cash equivalents	<u>726,923,624</u>	<u>75,463</u>	<u>72,500</u>
<u>Investments</u>			
Certificates of deposit	1,936,529,355	-	-
U.S. government and federally guaranteed obligations	7,622,314,823	-	-
Federal agencies	9,458,712,224	-	-
Commercial paper	5,867,392,218	-	-
Options	33,150	-	-
Repurchase agreements	400,000,000	-	-
International bonds and notes	2,636,428,966	-	-
Bonds and notes	7,735,700,449	-	-
Real estate contracts	10,142,273,433	-	-
International equity commingled	6,315,997,920	-	-
Short term investment funds	12,264,488	15,399,687	-
Domestic equity / domestic equity commingled	43,387,207,094	-	-
Alternative investment	19,596,356,887	-	-
International equity	36,089,572,296	-	-
Total investments	<u>151,200,783,303</u>	<u>15,399,687</u>	<u>-</u>
<u>Receivables</u>			
Accounts receivable	4,470,728	24,105	-
Contributions receivable	210,652,630	32,916,372	-
Interest receivable	136,328,564	-	-
Dividends receivable	173,306,013	-	-
Pending investment sales	1,477,146,161	-	-
Pending spot fx trades receivable	111,120,939	-	-
Forward contracts receivable	2,203,248,822	-	-
Futures trade equity	15,732,977	-	-
Due from other funds	45,268,775	2,377,953	-
Due from other funds within division	-	-	-
Due from other departments	52,984,011	-	-
Total receivables	<u>4,430,259,620</u>	<u>35,318,430</u>	<u>-</u>
Security lending collateral	8,346,890,175	-	-
Prepaid items	8,397,559	-	-
Furniture and equipment	1,110,257	-	-
Accumulated depreciation	(516,429)	-	-
Total assets	<u>164,713,848,109</u>	<u>50,793,580</u>	<u>72,500</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	92,266,597	19,265	72,500
Benefits payable	2,132,800	-	-
Accrued DROP liability	308,549,911	-	-
Due to other funds	66,021	-	-
Due to other funds within division	-	-	-
Due to other departments	5,631,848	-	-
Accrued interest payable	223,996	-	-
Obligations under security lending agreements	8,395,913,686	-	-
Pending investment purchases	4,984,157,006	-	-
Pending spot fx trades payable	111,062,194	-	-
Forward contracts payable	2,198,672,804	-	-
Broker rebate fees	729,256	-	-
Short sell obligations - fixed income	156,976,254	-	-
Compensated absences liability	807,844	-	-
Net pension liability	-	-	-
Other liabilities	2,263,990	-	-
Total liabilities	<u>16,259,454,207</u>	<u>19,265</u>	<u>72,500</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 pension	<u>\$ 148,454,393,902</u>	<u>\$ 50,774,315</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, 2015

Defined Contribution		
State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	Total June 30, 2015
\$ -	\$ -	\$ 722,768,630
4,245,887	57,573	8,606,417
<u>4,245,887</u>	<u>57,573</u>	<u>731,375,047</u>
-	-	1,936,529,355
-	-	7,622,314,823
-	-	9,458,712,224
-	-	5,867,392,218
-	-	33,150
-	-	400,000,000
-	-	2,636,428,966
-	-	7,735,700,449
-	-	10,142,273,433
-	-	6,315,997,920
-	-	27,664,175
-	-	43,387,207,094
-	-	19,596,356,887
-	-	36,089,572,296
<u>-</u>	<u>-</u>	<u>151,216,182,990</u>
-	-	4,494,833
12,688	-	243,581,690
4,582	28	136,333,174
-	-	173,306,013
-	-	1,477,146,161
-	-	111,120,939
-	-	2,203,248,822
-	-	15,732,977
-	-	47,646,728
7,620	-	7,620
-	-	52,984,011
<u>24,890</u>	<u>28</u>	<u>4,465,602,968</u>
-	-	8,346,890,175
-	-	8,397,559
-	-	1,110,257
-	-	(516,429)
<u>4,270,777</u>	<u>57,601</u>	<u>164,769,042,567</u>
20,791	-	20,791
<u>20,791</u>	<u>-</u>	<u>20,791</u>
93,539	8,984	92,460,885
-	-	2,132,800
-	-	308,549,911
22	-	66,043
-	7,620	7,620
585	4	5,632,437
-	-	223,996
-	-	8,395,913,686
-	-	4,984,157,006
-	-	111,062,194
-	-	2,198,672,804
-	-	729,256
-	-	156,976,254
33,811	-	841,655
46,698	-	46,698
23,259	-	2,287,249
<u>197,914</u>	<u>16,608</u>	<u>16,259,760,494</u>
41,511	-	41,511
<u>41,511</u>	<u>-</u>	<u>41,511</u>
<b>\$ 4,052,143</b>	<b>\$ 40,993</b>	<b>\$ 148,509,261,353</b>

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, 2015

	<b>Defined Benefit</b>		
	<b>Florida Retirement System</b>	<b>Retiree Health Insurance Subsidy</b>	<b>National Guard</b>
<b>ADDITIONS</b>			
<u>Contributions and other deposits</u>			
Pension contributions - employer	\$ 2,438,084,925	\$ 382,262,242	\$ -
Pension contributions - employee	687,864,970	-	-
Purchase of time by employees	10,439,142	-	-
General revenue	1,365,053	-	-
Other income	5,275,798	192,154	-
Forfeiture of employee benefit	-	-	-
Total contributions and other deposits	<u>3,143,029,888</u>	<u>382,454,396</u>	<u>-</u>
<u>Transfers</u>			
Other funds within division	-	-	-
Other funds - FRS investment plan	57,536,043	-	-
Other departments	3,595,035	-	-
General revenue	-	-	14,495,208
Total transfers	<u>61,131,078</u>	<u>-</u>	<u>14,495,208</u>
Total contributions and transfers	<u>3,204,160,966</u>	<u>382,454,396</u>	<u>14,495,208</u>
<u>Investment income</u>			
Net appreciation in fair value	2,093,623,230	36,009	-
Interest income	901,745,439	94,936	-
Dividends	2,002,846,459	-	-
Real estate operating income, net	488,969,490	-	-
Other investment income	209,831,981	78,942	-
Total investment income (loss)	<u>5,697,016,599</u>	<u>209,887</u>	<u>-</u>
Investment activity expense	(529,631,944)	(634)	-
Net income (loss) from investing activity	<u>5,167,384,655</u>	<u>209,253</u>	<u>-</u>
<u>Security lending activity</u>			
Security lending income	46,845,509	-	-
Security lending expense	(8,671,776)	-	-
Net income from security lending	<u>38,173,733</u>	<u>-</u>	<u>-</u>
Total net investment income (loss)	<u>5,205,558,388</u>	<u>209,253</u>	<u>-</u>
Total additions	<u>8,409,719,354</u>	<u>382,663,649</u>	<u>14,495,208</u>
<b>DEDUCTIONS</b>			
Benefit payments	9,221,329,459	425,086,006	-
Benefit payments - general revenue funded	1,056,713	-	14,422,708
Refunds of contributions	9,425,580	-	-
Transfers to other funds	-	1,106	-
Transfers to other funds within division	549,982	-	-
Transfers to FRS investment plan	719,182,111	-	-
Payments to annuity companies	-	-	-
Administrative expenses	18,073,979	187,672	72,500
Total deductions	<u>9,969,617,824</u>	<u>425,274,784</u>	<u>14,495,208</u>
Change in fiduciary net position	<u>(1,559,898,470)</u>	<u>(42,611,135)</u>	<u>-</u>
Fiduciary net position - beginning, restated (Note 2)	<u>150,014,292,372</u>	<u>93,385,450</u>	<u>-</u>
Fiduciary net position - ending	<u><b>\$ 148,454,393,902</b></u>	<u><b>\$ 50,774,315</b></u>	<u><b>\$ -</b></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, 2015

### Defined Contribution

State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	Total June 30, 2015
\$ 82,951,015	\$ 210,655	\$ 2,903,508,837
85,866,214	118,485	773,849,669
-	-	10,439,142
-	-	1,365,053
240,751	-	5,708,703
-	-	-
169,057,980	329,140	3,694,871,404
7,620	-	7,620
-	-	57,536,043
-	-	3,595,035
-	-	14,495,208
7,620	-	75,633,906
169,065,600	329,140	3,770,505,310
-	-	2,093,659,239
-	-	901,840,375
-	-	2,002,846,459
-	-	488,969,490
70,774	295	209,981,992
70,774	295	5,697,297,555
(6,584)	(42)	(529,639,204)
64,190	253	5,167,658,351
-	-	46,845,509
-	-	(8,671,776)
-	-	38,173,733
64,190	253	5,205,832,084
169,129,790	329,393	8,976,337,394
-	-	9,646,415,465
-	-	15,479,421
-	-	9,425,580
-	-	1,106
-	7,620	557,602
-	-	719,182,111
168,633,491	331,631	168,965,122
280,595	-	18,614,746
168,914,086	339,251	10,578,641,153
215,704	(9,858)	(1,602,303,759)
3,836,439	50,851	150,111,565,112
<b>\$ 4,052,143</b>	<b>\$ 40,993</b>	<b>\$ 148,509,261,353</b>

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, 2015

**Police and Firefighters' Premium Tax Trust Fund**

	<b>Special Revenue Fund</b>	<b>Reconciliation Adjustments (Note 2)</b>	<b>Statement of Net Position</b>
<b>ASSETS</b>			
State treasury investment pool	\$ 12,001,555	\$ -	\$ 12,001,555
Investments	224,973,176	-	224,973,176
Interest receivable	-	-	-
Due from other funds within division	-	-	-
Due from other departments	3,704,392	-	3,704,392
Total assets	<u>240,679,123</u>	<u>-</u>	<u>240,679,123</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<u>Current liabilities</u>			
Accounts payable	101,204	-	101,204
Due to other funds	251	-	251
Due to other departments	15,123,616	-	15,123,616
Due to other governmental units	140,904,863	-	140,904,863
Due to general revenue	10,056,351	-	10,056,351
Compensated absences liability	29,391	60,237	89,628
Total current liabilities	<u>166,215,676</u>	<u>60,237</u>	<u>166,275,913</u>
<u>Noncurrent liabilities</u>			
Other long-term liabilities	-	111,454	111,454
Total liabilities	<u>166,215,676</u>	<u>171,691</u>	<u>166,387,367</u>
Fund balance - committed	74,463,447	(74,463,447)	-
Total liabilities and fund balance	<u><b>\$ 240,679,123</b></u>		
Net position - restricted		<u><b>\$ 74,291,756</b></u>	<u><b>\$ 74,291,756</b></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, 2015

	<b>Police and Firefighters' Premium Tax Trust Fund</b>		
	<b>Special Revenue Fund</b>	<b>Reconciliation Adjustments (Note 2)</b>	<b>Statement of Activities</b>
<b>REVENUES</b>			
Premium taxes	\$ 170,704,392	\$ -	\$ 170,704,392
Investment earnings	380,039	-	380,039
Total revenues	<u>171,084,431</u>	<u>-</u>	<u>171,084,431</u>
<b>EXPENDITURES / EXPENSES</b>			
Distribution to cities	140,476,282	-	140,476,282
Administrative expense	745,380	13,193	758,573
Interest and fiscal charges	70	-	70
Total expenditures/expenses	<u>141,221,732</u>	<u>13,193</u>	<u>141,234,925</u>
Revenues over (under) expenditures	29,862,699		29,849,506
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in from other funds within division	549,982		549,982
Operating transfers out to other funds	<u>(28,803,697)</u>		<u>(28,803,697)</u>
Revenues and transfers in over expenditures and transfers out	1,608,984	(1,608,984)	-
Change in net position	-	<u>1,595,791</u>	<u>1,595,791</u>
Fund balance / net position - beginning	72,854,463	(158,498)	72,695,965
Fund balance / net position - ending	<u><b>\$ 74,463,447</b></u>	<u><b>\$ (171,691)</b></u>	<u><b>\$ 74,291,756</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, 2015**

**TABLE OF CONTENTS**

<b>NOTE</b>	<b>PAGE</b>
1 PLAN DESCRIPTION	29
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	40
3 PLAN INVESTMENTS	45
4 NET PENSION LIABILITY	61
5 INTERFUND BALANCES AND TRANSFERS	68
6 CHANGES IN LONG-TERM LIABILITIES	69
7 RELATED PARTIES	70

## 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.

### B. Defined Benefit Plans

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

##### Organization:

The Florida Retirement System (FRS) Pension Plan was created in Chapter 121, Florida Statutes, effective Dec. 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, Florida Statutes), the State and County Officers and Employees' Retirement System (Chapter 122, Florida Statutes), and the Highway Patrol Pension Trust Fund (Chapter 321, Florida Statutes). In 1972, the Judicial Retirement System (Chapter 123, Florida Statutes) was closed and consolidated into the FRS. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (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. 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 initially enrolled during this period. 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 on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

## Florida Retirement System

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

There are three steps in computing an annual retirement benefit:

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

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

Option 1 — Member receives a benefit for life with no continuing survivor benefit at death.

Option 2 — Member receives a reduced benefit for life. If member dies anytime within ten years after retiring, the beneficiary will receive the benefit for the remainder of the ten-year period from the member's retirement date or DROP begin date. No survivor benefits are paid if the member dies ten or more years after the effective retirement date.

Option 3 — Member receives a reduced benefit for life. Upon the member's death, the joint annuitant, if living, will receive the same benefit for life. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

Option 4 — Member receives a reduced benefit for life. Upon the death of either the member or the joint annuitant, the survivor will receive a lifetime benefit equal to two-thirds of the benefit the member was receiving when both were living. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

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

The 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. (DROP participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent.) As of June 30, 2015, the FRS Trust Fund held \$3,119,220,735 in accumulated benefits for 34,829 participants in the DROP.

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

- A Special Risk Class member initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months.
- A Special Risk Class member initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date before reaching age 57 may defer DROP entry until age 57 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date before reaching age 60 may defer DROP entry until age 60 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required to be vested would be subject to these deferral requirements.
- A member who reaches the normal retirement date during a term of office may defer the DROP election until the next succeeding term in that office and still participate for up to 60 months or until the end of that succeeding term, whichever is less.
- A member who is employed as K-12 instructional personnel as defined in Section 1012.01(2), Florida Statutes, may elect to participate in the DROP at any time after reaching the normal retirement date and still participate for 60 months.

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

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

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

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

If an active member dies in the line of duty, the spouse will receive a lifetime monthly benefit equal to one-half of the member's monthly salary at death. If the spouse dies, the benefit will continue to be paid on behalf of the member's dependent children until the youngest child reaches age 18 or is married, if earlier. If an active member dies before becoming vested and the death was not suffered in the line of duty, the designated beneficiary will receive a refund of any member-paid retirement contributions. However, if the active member dies within one year of vesting, the member's joint annuitant may use the deceased member's accumulated leave on an hour-by-hour basis, or the member's eligible in-state or out-of-state service, to purchase enough service credit to vest the deceased member and receive monthly benefits.

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

The benefits received by retirees and beneficiaries are increased by a COLA each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before Aug. 1, 2011, is 3 percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after Aug. 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Each Pension Plan member with an effective retirement date of Aug. 1, 2011, or after will have an individual COLA factor for retirement. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

After retirement or the DROP termination date, retired FRS members may be employed by any private employer or any public employer not participating in the FRS without affecting their FRS benefits. However, restrictions apply to reemployment with an FRS employer regardless of whether the employment is covered for retirement. Any retired FRS

member who is reemployed by an FRS employer before meeting the definition of termination is not considered to have retired. Active membership will be reinstated and all benefits received must be repaid. If a member retires from an FRS employer that withdrew for new employees effective Jan. 1, 1996, the member must remain unemployed by the withdrawn employer to meet the definition of termination in order to finalize the retirement.

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

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

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

Whenever the division makes a decision that will reduce, suspend or terminate a member's retirement benefits, the member may petition the division for a hearing. Section 28-106.201, Florida Administrative Code (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 for all defined benefit pension plans at June 30, 2015, was \$148,454,393,902. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

**FRS Retirement Contribution Rates:**

Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. The uniform rates for Fiscal Year 2014-15 are as follows:

<b>Class</b>	<b>Employee Contribution Rate</b>	<b>Employer Contribution Rate<sup>1</sup></b>	<b>Total Contribution Rate</b>
Regular	3.00%	6.07%	9.07%
Special Risk	3.00%	18.52%	21.52%
Special Risk Administrative Support Elected Officers'	3.00%	40.77%	43.77%
Judges	3.00%	31.87%	34.87%
Governor, Lt. Governor, Cabinet, Legislators, State Attorneys, and Public Defenders	3.00%	44.96%	47.96%
Elected County, City, and Special District Officials	3.00%	41.94%	44.94%
Senior Management Service	3.00%	19.84%	22.84%
Deferred Retirement Option Program	N/A	11.02%	11.02%

<sup>1</sup> These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.26 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.04 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:

<u>Member Types</u>	<u>Regular Class</u>	<u>SMSC</u>	<u>Special Risk</u>	<u>Special Risk Admin Supp.</u>	<u>EOC</u>	<u>Total</u>
Active <sup>1</sup> :						
Non-vested	142,119	1,523	19,050	3	413	163,108
Vested	404,176	6,393	51,052	79	1,770	463,470
Current Retirees And Beneficiaries	337,703	3,866	33,107	173	2,409	377,258
Vested Terminated <sup>1</sup>	105,273	1,415	6,403	17	404	113,512
<b>Total Members</b>	<b>1,019,094</b>	<b>13,838</b>	<b>113,730</b>	<b>279</b>	<b>5,236</b>	<b>1,152,177</b>

<sup>1</sup> Member counts include 112,325 active and 8,450 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		
	2015	2014	2013
Recipients	377,671	363,034	347,962
Contributions	\$3,136,389	\$2,890,003	\$2,027,998
Benefits paid	\$9,221,329	\$8,014,634	\$7,756,178
Fiduciary net position	\$148,454,394	\$150,014,292	\$129,852,528 <sup>1</sup>

<sup>1</sup> Fiduciary net position as of July 1, 2014, was restated.

## 2. Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Department of Management Services, Division of Retirement. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. Health Insurance Subsidy contributions are deposited in a separate trust fund from which HIS payments are authorized. Health Insurance Subsidy 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		
	2015	2014	2013
Recipients	336,529	323,098	310,139
Contributions	\$382,262	\$342,566	\$327,574
Benefits paid	\$425,086	\$407,276	\$390,973
Fiduciary net position	\$50,774	\$93,385	\$157,929

### 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. The table below provides additional information for the plan as of June 30 (in thousands where amounts are dollars):

	Fiscal Year Ended June 30	
	2015	2014
Active Members		
Vested	447	454
Non-Vested	11,000	10,413
Total Active	11,447	10,867
Terminated Vested	129	126
Retirees	792	777
	Fiscal Year Ended June 30	
	2015	2014
Benefits paid	\$14,423	\$14,465
Fiduciary net position	\$0	\$0

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

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

Section 121.35, Florida Statutes, created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. 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 that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed by the participant to provide retirement and death benefits. Employees in eligible positions are compulsory participants in the SUSORP unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP participants and cannot elect FRS membership.

The employers were statutorily required to contribute 5.15 percent of the participants' gross monthly compensation from July 2014 through June 2015. 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 participant. 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 participant 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 UAL contribution required for the fiscal year 2014-15 was 2.54 percent. Additional information pertaining to the SUSORP is as follows:

Members	18,228
Payroll	\$1,660,585,350
Contributions:	
Employee	\$85,866,214
Employer	\$82,951,015

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

Section 121.055, Florida Statutes, created the SMSOAP as an optional retirement program for state members of the Senior Management Service Class. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the Program. The SMSOAP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed to provide retirement and death benefits. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Service Class (SMSC). Employers were required to contribute 6.27 percent of covered payroll from July 2014 through June 2015. The employers' contributions were transferred to the provider companies designated by the participant. 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 participant 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 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 2014-15 was 15.04 percent. Additional information pertaining to the SMSOAP is as follows:

Members	25
Payroll	\$3,145,500
Contributions:	
Employee	\$118,485
Employer	\$210,655

#### **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, 2015, there were 667 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 2015 calendar year, the combined Social Security contribution rate for employees and employers totaled 15.30 percent (12.40 percent for Old Age, Survivors, and Disability Insurance and 2.90 percent for Medicare). The maximum taxable wage base on which Old Age, Survivors, and Disability Insurance contributions were paid increased from \$117,000 to \$118,500. 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 and optional retirement plans.

**Police and Firefighters’ Premium Tax Trust Fund** – a governmental special revenue fund that accounts for excise taxes assessed on insurance premiums. The premiums are used to supplement the funding of municipal police and firefighter pension 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 90 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 31. Realized and unrealized gains and losses are reflected in the statements of changes in net position as “Net appreciation in fair value.”

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

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

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

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

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

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

Investment detail is included in Note 3.

## **Capital Assets**

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

## **Deferred Outflows of Resources**

A consumption of net assets by the division that is applicable to a future reporting period is presented as a deferred outflow of resources. 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 when due, pursuant to statutory and contractual requirements. Total employer contributions for the FRS are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes, and employers also pay a required assessment to cover financial planning education costs for all FRS members and administrative costs of the FRS Investment Plan (IP).

For purposes of financial statement presentation, the unfunded actuarial liability (UAL) portion of the employer's total contribution remitted on the salaries of members in the FRS IP, the SUSORP, the State Community College System Optional Retirement Program, and the Senior Management Service Optional Annuity Program (SMSOAP) is classified as contributions in the FRS Pension Plan financial statements. 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. Refer to Section J, Accounting and Reporting Changes.

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. Restatement**

Fiduciary net position at July 1, 2014, for the SUSORP has been decreased by \$67,927 for the program's share of the applicable beginning pension liability, pursuant to implementation requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The SUSORP recognizes its allocated share of the state's portion of net pension liabilities, deferred outflows/inflows of resources, and pension-related expenses related to applicable pensions, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

## **J. Accounting and Reporting Changes**

### Florida National Guard Supplemental Retirement 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. The plan pays a monthly supplemental benefit to eligible Florida National Guard retirees funded by an annual legislative appropriation from the General Revenue Fund. In prior years, this plan was considered de minimis and was accounted for as a component of the Florida Retirement System. As of the fiscal year ended June 30, 2014, the long-term liabilities of the Florida National Guard Supplemental Retirement Benefit Plan were determined to be material and are accounted for separately in the financial statements.

### Contributions and Other Income

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 defined contribution plans is reported as contributions in the FRS Pension Plan. In prior years, these amounts were reported as transfers into the FRS and transfers out of the defined contribution plans. Other items, such as delinquent fees and recovery of benefit overpayments, were previously reported as contributions but are now reported as other income.

The administrative fee paid on the salaries of members in the SUSORP defined contribution plan is classified as other income; in prior years it was reported as contributions.

### Pensions

The SUSORP is a defined contribution plan administered by the division. Division employees who are FRS members administer the SUSORP, and, therefore, this plan shares in the reporting of the net pension liability and related components with other funds within the state, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

## NOTE 3 – PLAN INVESTMENTS

### A. Deposits

As of June 30, 2015, the state-administered retirement fund deposits in financial institutions pending investment totaled \$722,768,630 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, 2015, the Florida Retirement System (FRS) Pension Trust Fund held deposits in foreign currencies, totaling \$160,256,719 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 statement approved by SBA Trustees effective January 1, 2015, 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. 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, 2015, as illustrated in the following schedule (in thousands):

**Foreign Currency Deposits Held  
As of June 30, 2015**

Currency	Bank Statement Balance (in U.S. dollars)	
	FRS Pension Trust Fund	
Australian dollar	\$	17,014
Brazilian real		2,243
British pound sterling		25,719
Canadian dollar		6,825
Chilean peso		124
Danish krone		889
Egyptian pound		211
Euro currency unit		32,727
Hong Kong dollar		8,138
Hungarian forint		13
Indian rupee		4,684
Indonesian rupiah		294
Israeli shekel		739
Japanese yen		34,524
Kenyan shilling		618
Malaysian ringgit		628
Mexican peso		267
New Zealand dollar		703
Nigerian naira		2
Norwegian krone		2,599
Pakistan rupee		173
Philippines peso		95
Polish zloty		228
Qatari riyal		147
Singapore dollar		2,101
South African rand		1,636
South Korean won		1,275
Swedish krona		1,826
Swiss franc		1,164
Taiwan new dollar		11,885
Thailand baht		189
Turkish lira		502
UAE dirham		43
Other		32
Total deposits subject to foreign currency risk	\$	160,257

**B. Investments**

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The FRS Pension Trust Fund, Health Insurance Subsidy Program (HIS), National Guard Supplemental Benefit Plan (National Guard), State University System Optional Retirement Program (SUSORP), Senior Management Service Optional Annuity Program (SMSOAP), and Police and Firefighters' Premium Tax Trust Fund (Police and Fire)'s share of the investment pool was \$4,154,994, \$75,463, \$72,500, \$4,245,887, \$57,573, and \$12,001,555 at June 30, 2015, respectively. No allocation will be made as to the share of the types of investments or their risk categories for the FRS Pension Trust Fund, the HIS Program, the National Guard Plan, the SUSORP, the SMSOAP, or Police and Fire. The share of the assets and liabilities for the FRS Pension Trust Fund, the HIS Program, the National Guard Plan, 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.

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 Firefighters' Premium Tax Trust Fund. Section 215.47, Florida Statutes, allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses investments at fair value and their total carrying value at June 30, 2015, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Investments  
As of June 30, 2015**

Investment type	Fair value			Total
	FRS Pension Trust Fund	Retiree Health Insurance Subsidy	Police and Firefighters' Premium Tax Trust Fund	
Certificates of deposit	\$ 1,936,529	\$ -	\$ -	\$ 1,936,529
Commercial paper	5,867,392	-	-	5,867,392
Money market funds	12,265	15,400	224,973	252,638
Repurchase agreements	400,000	-	-	400,000
U.S. guaranteed obligations	7,622,315	-	-	7,622,315
Federal agencies	9,458,712	-	-	9,458,712
Domestic bonds and notes	7,734,775	-	-	7,734,775
International bonds and notes	2,636,429	-	-	2,636,429
Domestic stocks	43,387,207	-	-	43,387,207
International stocks	36,089,572	-	-	36,089,572
International equity commingled funds	6,315,998	-	-	6,315,998
Alternative investments	19,596,357	-	-	19,596,357
Real estate investments (directly owned)	7,777,275	-	-	7,777,275
Real estate commingled funds	2,364,999	-	-	2,364,999
Option contracts purchased	33	-	-	33
Swap contracts (debt related)	925	-	-	925
<b>Total investments excluding lending collateral</b>	<b>151,200,783</b>	<b>15,400</b>	<b>224,973</b>	<b>151,441,156</b>
Lending collateral investments:				
Money market funds	4,458,145	-	-	4,458,145
Repurchase agreements	3,775,237	-	-	3,775,237
Domestic bonds and notes	96,443	-	-	96,443
International bonds and notes	17,065	-	-	17,065
<b>Total lending collateral investments</b>	<b>8,346,890</b>	<b>-</b>	<b>-</b>	<b>8,346,890</b>
<b>Total investments for all types - fair value</b>	<b>\$ 159,547,673</b>	<b>\$ 15,400</b>	<b>\$ 224,973</b>	<b>\$ 159,788,046</b>
<b>Total investments for all types - carrying value</b>	<b>\$ 159,547,673</b>	<b>\$ 15,400</b>	<b>\$ 224,973</b>	<b>\$ 159,788,046</b>
Investments sold short:				
U.S. guaranteed obligations	(11,843)	-	-	(11,843)
Federal agencies	(145,133)	-	-	(145,133)
Options contracts	(17)	-	-	(17)
<b>Total investments sold short<sup>1</sup></b>	<b>\$ (156,993)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (156,993)</b>

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

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

	Governmental activities	Fiduciary funds	Total
Investments	\$ 224,973	\$ 151,216,183	\$ 151,441,156
Security lending collateral	-	8,346,890	8,346,890
Total Investments	<u>\$ 224,973</u>	<u>\$ 159,563,073</u>	<u>\$ 159,788,046</u>

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

**FRS Pension Trust Fund**  
**Securities Pledged as Collateral for Futures and Swaps Contracts**  
**As of June 30, 2015**

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 22,974
Federal agencies	14,833
Domestic stocks	24,966
Total	<u>\$ 62,773</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 brokers. Variation margins received from or paid to clearing brokers 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 brokers, and the variation margins held by the SBA in the FRS Pension Trust Fund as of June 30, 2015, are included in the "Accounts receivable" and "Accounts payable and accrued liabilities" balances, respectively, 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, 2015**

	Fair value (U.S. dollar)
Margin receivable from broker:	
Futures initial margin	\$ 8,597
Futures variation margin	7,136
Swaps variation margin	3,789
Total margin receivable	<u>\$ 19,522</u>
Margin payable to broker:	
Futures variation margin	\$ 6,674
Swaps variation margin	1,390
Total margin payable	<u>\$ 8,064</u>

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

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

The State Treasury Investment Pool's current rating by Standard and Poor's was A+f as of June 30, 2015.

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.

*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-. This portfolio primarily contains U.S. Treasuries, government agencies, and corporates.

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

*Lending portfolios* – Under investment policy guidelines in effect for the FRS Pension Trust Fund since May 2015, eligible cash collateral investments are:

- Tri-party qualified repurchase agreement transactions in which the subject securities thereunder will be repurchased by the seller no later than one business day from the purchase date, and such repurchase agreements are collateralized by U.S. Treasury bills, notes and/or bonds, U.S. Government Agency securities, and U.S. Government Agency mortgage backed securities having a market value of at least 100 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 AAmmf, Moody's Aaamf, Fitch AAmmf.
- U.S. Treasury bills, notes, and bonds.

Under investment policy guidelines in effect during the fiscal year prior to this new policy, eligible cash collateral could only be invested in tri-party qualified repurchase agreement transactions that were collateralized by "U.S. Government securities" having a market value of at least 100 percent of the market value of securities subject to being repurchased, and money market mutual funds regulated by SEC rule 2a-7.

"U.S. Government Securities" means any security issued or guaranteed as to principal or interest by the United States, or by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, or any certificate of deposit for any of the foregoing, including without limitation notes, bonds and other debt securities issued by the FNMA and the FHLMC.

In addition to tri-party repurchase agreements, investments purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios. The previous investment policy guidelines contained short-term rating requirements that were similar to the current short-term portfolio rating requirements. Repurchase agreements were required to be fully collateralized.

The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5 percent or more of the fund's fair market value at June 30, 2015. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2015 (in thousands):

**FRS Pension Trust Fund  
Credit Quality Ratings  
As of June 30, 2015**

Credit Rating <sup>1</sup>		Total <sup>2</sup>	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies	Domestic bonds and notes	International bonds and notes
S&P	Moody								
A-1/AAAm		\$ 10,337,802	\$ -	\$ 5,867,392	\$ 4,470,410	\$ -	\$ -	\$ -	\$ -
AAA		1,202,995	-	-	-	-	-	653,190	549,805
AA		1,733,439	99,992	-	-	370,254	9,700	948,396	305,097
A		3,419,301	-	-	-	-	1,050	2,590,631	827,620
BBB		3,143,907	-	-	-	-	-	2,478,599	665,308
BB		123,659	-	-	-	-	-	54,475	69,184
B		20,410	-	-	-	-	-	20,410	-
CCC		30,429	-	-	-	-	-	30,429	-
D		3,159	-	-	-	-	-	3,159	-
Not rated	Aaa	606,020	-	-	-	10	17,004	506,708	82,298
Not rated	Aa	226,493	149,988	-	-	-	4,572	58,120	13,813
Not rated	A	132,841	-	-	-	-	-	125,336	7,505
Not rated	Baa	120,567	-	-	-	-	-	60,900	59,667
Not rated	Ba	4,918	-	-	-	-	-	4,918	-
Not rated	Caa	9,218	-	-	-	-	-	9,218	-
Not rated	Ca	4,374	-	-	-	-	-	4,374	-
Not rated	Not rated	12,760,775	1,686,549	-	-	1,292,288	9,426,386	282,355	73,197
		<u>33,880,307</u>	<u>\$ 1,936,529</u>	<u>\$ 5,867,392</u>	<u>\$ 4,470,410</u>	<u>\$ 1,662,552</u>	<u>\$ 9,458,712</u>	<u>\$ 7,831,218</u>	<u>\$ 2,653,494</u>

Ratings not applicable:

Repurchase agreements <sup>3</sup>	2,512,685
U.S. guaranteed obligations <sup>3</sup>	7,622,315
Domestic stocks	43,387,207
International stocks	36,089,572
International equity commingled funds	6,315,998
Alternative investments	19,596,357
Real estate investments	10,142,274
Options purchased	33
Swaps	925
<b>Total investments</b>	<b><u>\$ 159,547,673</u></b>

<sup>1</sup> S&P ratings were primarily used. If S&P did not rate a security, then Moody ratings were used, if available. 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 FRS investments are included in this schedule, including security lending collateral investments.

<sup>3</sup> U.S. obligations and repurchase agreements that are collateralized by securities explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

All futures, options and swaps contracts held by the FRS Pension Trust Fund at June 30, 2015, were exchange traded, therefore minimizing counterparty credit risk through the use of a futures and swap clearing merchant and a clearing house.

Counterparty credit ratings for spot and forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2015, are listed below (in thousands):

**FRS Pension Trust Fund  
Foreign Currency Exchange Contract Counterparty Credit Ratings  
As of June 30, 2015**

Counterparty Credit Rating (Long Term) <sup>1</sup>			Receivable Fair Value	Payable Fair Value	Net Unrealized Gain (Loss)
S&P	Moody	Fitch			
AA/A-1	Aaa/P-1	AA/F1	\$ 407,169	\$ (408,200)	\$ (1,031)
AA/A-1	Aa/P-1	AA/F1	852	(852)	-
AA/A-1	NR/P-1	AA/F1	9,367	(9,266)	101
A/A-1	Aa/P-1	AA/F1	20,186	(20,202)	(16)
A/A-1	Aa/P-1	A/F1	687	(688)	(1)
A/A-1	A/P-1	AA/F1	4,493	(4,495)	(2)
A/A-1	A/P-1	A/F1	297,840	(300,054)	(2,214)
A/A-1	NR/P-1	AA/F1	6,515	(6,510)	5
A/A-1	NR/P-1	A/F1	3,186	(3,208)	(22)
A/A-1	NR/NR	NR/NR	132	(132)	-
A/A-2	Aa/P-1	A/F1	493,014	(488,187)	4,827
BBB/A-1	NR/P-2	NR/NR	292,565	(292,285)	280
NR/NR	NR/P-1	NR/NR	639,860	(641,107)	(1,247)
NR/NR	NR/NR	A/F1	35,933	(35,930)	3
NR/NR	NR/NR	NR/NR	98,782	(98,619)	163
Total:			<u>\$ 2,310,581</u>	<u>\$ (2,309,735)</u>	<u>\$ 846</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 \$224,973,176 and \$15,399,687, respectively, which held an S&P rating of AAAM at June 30, 2015.

## 2. Custodial Credit Risk

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

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name (or, in the case of certain foreign investments, in an omnibus client account) by the SBA's custodial financial institutions at June 30, 2015. 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, 2015**

	Fair Value
Invested security lending collateral:	
Repurchase agreements	\$ 459,782
Domestic bonds and notes	96,443
International bonds and notes	7,387
Total	<u>\$ 563,612</u>

### 3. Interest Rate Risk

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

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

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

*Short-term Portfolio* – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. In STIPFRS, no individual security shall have a final maturity date longer than 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 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* – Effective May 2015, new investment policy guidelines in effect for the FRS Pension Trust Fund allow investment in:

- Overnight repurchase agreements that are fully collateralized by U.S. Treasury bills, notes and/or bonds, U.S. Government Agency securities and U.S. Government Agency mortgage-backed 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.

Previous guidelines in effect from December 2008 until May 2015, allowed investment only in overnight repurchase agreements that were fully collateralized by U.S. government and/or agency securities, and money market mutual funds regulated by SEC rule 2a-7. 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. These guidelines included a maximum WAM for a portfolio of 60 to 90 days, depending on the lending program. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM.

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

**FRS Pension Trust Fund  
Debt Investments  
As of June 30, 2015**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ -	N/A	\$ 1,936,529	20
Commercial paper	-	N/A	5,867,392	27
Money market funds	-	N/A	4,470,410	1
Repurchase agreements	-	N/A	4,175,237	2
U.S. guaranteed obligations:				
U.S. Treasury bills	4,139	0.30	-	N/A
U.S. Treasury bonds and notes	5,758,098	3.87	-	N/A
Index linked government bonds	211,746	8.20	-	N/A
U.S. government guaranteed bonds and notes	51,181	5.71	-	N/A
GNMA mortgage-backed pass-through	749,820	3.43	-	N/A
GNMA commitments to purchase (TBAs)	693,557	3.50	-	N/A
GNMA CMO's and CMBS <sup>1</sup>	153,774	3.13	-	N/A
Federal agencies:				
Discount notes	344,754	0.16	-	
Unsecured bonds and notes	707,763	2.95	-	N/A
Agency strips	212,416	2.83	-	N/A
Mortgage-backed pass-through	4,554,035	3.47	-	N/A
TBA mortgage-backed pass-through	2,454,550	3.85	-	N/A
Mortgage-backed CMO's and CMBS <sup>1</sup>	1,185,194	3.60	-	N/A
Domestic bonds and notes:				
Corporate	5,541,558	4.32	-	N/A
Non-government asset and mortgage backed	873,742	1.98	59,857	27
Non-government backed CMO's and CMBS <sup>1</sup>	1,312,605	3.80	16,691	25
Municipal/provincial	23,982	2.84	-	N/A
Real estate mortgage loans	2,783	6.24	-	N/A
International bonds and notes:				
Government and agency	1,103,046	3.17	-	N/A
Corporate	1,487,296	3.65	-	N/A
Non-government asset and mortgage-backed	40,748	1.05	-	N/A
Non-government backed CMO's and CMBS	5,339	0.15	17,065	16
Futures contracts - long <sup>2</sup>	-	3.45	-	N/A
Options purchased <sup>3</sup>	33	See Note <sup>3</sup>	-	N/A
Swap contracts <sup>2</sup>	925	(4.15)	-	N/A
<b>Total debt investments</b>	<b>\$ 27,473,084</b>		<b>\$ 16,543,181</b>	

<sup>1</sup> Includes investments in IOs, POs, and INVs totaling \$63 million at June 30, 2015.

<sup>2</sup> The futures and swap contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2015.

<sup>3</sup> An option's effective weighted duration measures the rate of change of price with respect to yield. The effective weighted duration was (0.02) at June 30, 2015.

The effective duration of the State Treasury Investment Pool at June 30, 2015, was approximately 2.67 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, 2015**

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (11,843)	3.24
FNMA, FHLMC commitments to sell (TBAs)	(145,133)	3.47
Futures contracts <sup>2</sup>	0	4.22
Options sold <sup>3</sup>	(17)	See Note <sup>3</sup>
Total debt investments sold short	<u>\$ (156,993)</u>	

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

<sup>2</sup> The futures contracts effective weighted duration was calculated using notional values rather than fair values. For foreign futures, local notional value was converted to a U.S. dollar value based on foreign exchange rates at June 30, 2015.

<sup>3</sup> An option's effective weighted duration measures the rate of change of price with respect to yield. Effective weighted duration was (.01) at June 30, 2015.

The Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund had investments in money market funds, totaling \$224,973,176 and \$15,399,687, respectively, which had daily liquidity at June 30, 2015.

#### 4. Foreign Currency Risk

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

The FRS Pension Trust Fund had exposure to foreign currency risk at June 30, 2015. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved by SBA Trustees effective January 1, 2015, limits the global equity asset class (including domestic and foreign equities) to a policy range of 45-70 percent and a target allocation of 53 percent. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Within the global equity asset class, the FRS Pension Trust Fund holds units in international equity commingled funds. The FRS Pension Trust Fund owns only a portion of the overall investment in the funds, which are also owned by other investors. Equity linked notes are participatory notes that allow the FRS Pension Trust Fund to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The FRS Pension Trust Fund's unit holdings in the overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies. Within the alternative investment asset class, the FRS Pension Trust owns an interest in several alternative investment commingled funds (primarily limited partnerships) with other investors and, therefore, owns only a portion of the overall investment in the funds. For the alternative investment funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. The alternative investment funds denominated in Euro currency units are included in the foreign currency risk table below. Other alternative investments with potential exposure to foreign currency risk totaled \$17.4 billion as of June 30, 2015.

Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2015, 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, in thousands)**  
**As of June 30, 2015**

Currency	FRS Pension Trust Fund Investment Type		
	Equity	Alternative Investments	Fixed Income
Australian dollar	\$ 1,191,743	\$ -	\$ -
Brazilian real	466,067	-	-
British pound sterling	5,667,070	413	-
Canadian dollar	1,461,287	-	-
Chilean peso	25,764	-	-
Danish krone	359,608	-	-
Egyptian pound	38,629	-	-
Euro currency unit	7,490,040	410,370	-
Hong Kong dollar	2,511,811	-	-
Hungarian forint	36,560	-	-
Indian rupee	530,925	-	-
Indonesian rupiah	111,122	-	-
Israeli shekel	81,576	-	-
Japanese yen	5,061,576	-	-
Kenyan shilling	21,686	-	-
Malaysian ringgit	147,957	-	-
Mexican peso	211,216	-	-
New Zealand dollar	49,496	-	-
Nigerian naira	49,172	-	-
Norwegian krone	215,902	-	-
Omani rial	14,469	-	195
Pakistani rupee	23,499	-	-
Philippines peso	114,618	-	-
Polish zloty	80,819	-	-
Qatari riyal	48,006	-	-
Singapore dollar	510,134	-	-
South African rand	484,997	-	-
South Korean won	905,714	-	-
Sri Lankan rupee	22,731	-	-
Swedish krona	727,736	-	-
Swiss franc	2,351,834	-	-
Taiwan new dollar	753,626	-	-
Thailand baht	198,953	-	-
Turkish lira	212,228	-	-
United Arab Emirates dirham	65,203	-	-
Other	50,857	-	-
Equity linked notes (various currencies)	129,240	-	-
International equity commingled funds	6,315,998	-	-
Total investments subject to foreign currency risk	<u>\$ 38,739,869</u>	<u>\$ 410,783</u>	<u>\$ 195</u>

In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the broker, in the SBA's name, in accordance with the initial margin requirements of the broker. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party broker. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2015, that have exposure to foreign currency risk are presented below (values in thousands):

**FRS Pension Trust Fund**  
**Futures Positions Exposed to Foreign Currency Risk**  
**As of June 30, 2015**

	Currency	Number of Contracts <sup>1</sup>	In Local Currency			In U.S. dollars
			Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss) <sup>2</sup>	Unrealized Gain/(Loss)
<b>Bond Futures:</b>						
Euro BTP	Euro currency unit	709	95,674	92,319	(3,355)	\$ (3,738)
Euro Bund	Euro currency unit	(568)	(87,858)	(86,336)	1,522	\$ (1,696)
<b>Stock Index Futures:</b>						
GBP FTSE 100 Index	British pound sterling	275	18,244	17,858	(386)	\$ (606)
Canada S&P/TSE 60 Index	Canadian dollar	87	14,849	14,684	(165)	\$ (133)
DJ Euro STOXX 50	Euro currency unit	631	21,502	21,681	179	\$ 200
TOPIX Index Future	Japanese yen	222	3,663,623	3,619,710	(43,913)	\$ (359)

<sup>1</sup> Long positions are positive and short positions are negative.

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

The FRS Pension Trust Fund also enters into foreign currency exchange contracts, which are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. In the FRS Pension Trust Fund a currency overlay program is used to seek additional value and is run independently of the underlying equity assets. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are used primarily for trade settlement and currency repatriation and are valued at spot (traded) currency rates. Forward currency contracts are valued at interpolated forward rates and are generally used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. These contracts are recorded as receivables and payables on the Statement of Fiduciary Net Position. All of the contracts are subject to foreign currency risk. A schedule of the FRS Pension Trust Fund's foreign currency exchange contracts outstanding at June 30, 2015, is presented below, by currency (in thousands):

**FRS Pension Trust Fund**  
**Forward Foreign Currency Exchange Contracts**  
**As of June 30, 2015**

Currency to Buy	Amount to Buy (Local Currency)	Currency to Sell	Amount to Sell (Local Currency)	Receivable Fair Value (U.S. dollars)	Payable Fair Value (U.S. dollars)	Net Unrealized Gain/(Loss) (U.S. dollars)
Australian dollar	21,959	U.S. dollar	(17,084)	\$ 16,868	\$ (17,084)	\$ (216)
Brazilian real	162,805	U.S. dollar	(51,375)	51,857	(51,375)	482
British pound sterling	27,251	U.S. dollar	(42,452)	42,842	(42,452)	390
Canadian dollar	15,148	U.S. dollar	(12,216)	12,129	(12,216)	(87)
Chilean peso	21,056,102	U.S. dollar	(33,671)	32,846	(33,671)	(825)
Chinese yuan renminbi	111,434	U.S. dollar	(18,120)	18,146	(18,120)	26
Columbian peso	10,711,943	U.S. dollar	(4,090)	4,088	(4,090)	(2)
Danish krone	9,010	U.S. dollar	(1,369)	1,349	(1,369)	(20)
Euro currency unit	909	British pound sterling	(644)	1,013	(1,013)	-
Euro currency unit	143,383	U.S. dollar	(161,056)	159,853	(161,056)	(1,203)
Hong Kong dollar	245	Japanese yen	(3,869)	32	(32)	-
Hong Kong dollar	21,400	U.S. dollar	(2,760)	2,760	(2,760)	-
Hungarian forint	1,060,000	Euro currency unit	(3,396)	3,742	(3,788)	(46)
Hungarian forint	5,269,943	U.S. dollar	(19,100)	18,619	(19,100)	(481)
Indian rupee	3,729,368	U.S. dollar	(57,536)	58,048	(57,536)	512
Indonesian rupiah	628,193,642	U.S. dollar	(45,853)	46,424	(45,853)	571
Israeli shekel	45,576	U.S. dollar	(11,904)	12,082	(11,904)	178
Japanese yen	843,316	Australian dollar	(8,948)	6,892	(6,877)	15
Japanese yen	4,408	British pound sterling	(23)	36	(36)	-
Japanese yen	9,529,044	U.S. dollar	(77,200)	77,906	(77,200)	706
Malaysian ringgit	17,189	U.S. dollar	(4,599)	4,532	(4,599)	(67)
Mexican peso	250,019	U.S. dollar	(16,247)	15,899	(16,247)	(348)
Moroccan dirham	1,598	U.S. dollar	(164)	164	(164)	-
New Zealand dollar	7,830	U.S. dollar	(5,549)	5,264	(5,549)	(285)
Norwegian krone	282,167	U.S. dollar	(35,906)	35,848	(35,906)	(58)
Pakistan rupee	3,826	U.S. dollar	(37)	37	(37)	-
Peruvian nuevo sol	25,855	U.S. dollar	(8,092)	8,053	(8,092)	(39)
Philippines peso	208,960	Euro currency unit	(4,633)	4,617	(4,633)	(16)
Polish zloty	28,200	Euro currency unit	(6,806)	7,484	(7,591)	(107)
Polish zloty	137,777	U.S. dollar	(36,820)	36,597	(36,820)	(223)
Qatari riyal	104	U.S. dollar	(29)	29	(29)	-
Romanian leu	15,200	Euro currency unit	(3,417)	3,777	(3,811)	(34)
Russian ruble	361,002	U.S. dollar	(6,367)	6,307	(6,367)	(60)
Singapore dollar	369	Japanese yen	(33,538)	274	(274)	-
Singapore dollar	2,518	U.S. dollar	(1,868)	1,870	(1,868)	2
South African rand	411,084	U.S. dollar	(33,118)	33,669	(33,118)	551
South Korean won	10,779,172	U.S. dollar	(9,661)	9,639	(9,661)	(22)
Swedish krona	177,397	U.S. dollar	(21,135)	21,397	(21,135)	262
Swiss franc	470	British pound sterling	(319)	503	(502)	1
Swiss franc	17,659	U.S. dollar	(19,153)	18,932	(19,153)	(221)
Taiwan new dollar	332,673	U.S. dollar	(10,796)	10,793	(10,796)	(3)
Thailand baht	23,753	U.S. dollar	(701)	702	(701)	1
Turkish lira	144,071	U.S. dollar	(52,707)	53,437	(52,707)	730
U.S. dollar	89,501	Australian dollar	(116,203)	89,501	(89,090)	411
U.S. dollar	7,674	Brazilian real	(24,532)	7,674	(7,718)	(44)
U.S. dollar	77,884	British pound sterling	(50,208)	77,884	(78,933)	(1,049)
U.S. dollar	102,323	Canadian dollar	(126,278)	102,323	(101,095)	1,228
U.S. dollar	41,024	Chilean peso	(25,391,581)	41,024	(39,646)	1,378
U.S. dollar	16,539	Chinese yuan renminbi	(10,1876)	16,539	(16,587)	(48)
U.S. dollar	153	Danish krone	(1,024)	153	(153)	-
U.S. dollar	327,162	Euro currency unit	(293,289)	327,162	(326,880)	282
U.S. dollar	17,905	Hong Kong dollar	(138,812)	17,905	(17,905)	-
U.S. dollar	72,550	Hungarian forint	(20,176,444)	72,550	(71,285)	1,265
U.S. dollar	8,010	Indian rupee	(522,629)	8,010	(8,107)	(97)
U.S. dollar	2,066	Indonesian rupiah	(28,179,203)	2,066	(2,086)	(20)
U.S. dollar	15,445	Israeli shekel	(59,079)	15,445	(15,662)	(217)
U.S. dollar	247,702	Japanese yen	(30,877,564)	247,702	(252,440)	(4,738)
U.S. dollar	769	Kenyan shilling	(76,292)	769	(769)	-
U.S. dollar	56,431	Mexican peso	(876,796)	56,431	(55,811)	620
U.S. dollar	54,067	New Zealand dollar	(77,979)	54,067	(52,604)	1,463
U.S. dollar	45,172	Norwegian krone	(350,200)	45,172	(44,470)	702
U.S. dollar	29	Pakistan rupee	(2,939)	29	(29)	-
U.S. dollar	1,921	Philippines peso	(86,774)	1,921	(1,924)	(3)
U.S. dollar	26,041	Polish zloty	(96,711)	26,041	(25,706)	335
U.S. dollar	2,386	Russian ruble	(137,869)	2,386	(2,404)	(18)
U.S. dollar	23,531	Singapore dollar	(31,700)	23,531	(23,517)	14
U.S. dollar	12,943	South African rand	(161,406)	12,943	(13,226)	(283)
U.S. dollar	53,955	South Korean won	(60,382,650)	53,955	(54,009)	(54)
U.S. dollar	58,947	Swedish krona	(486,487)	58,947	(58,684)	263
U.S. dollar	80,907	Swiss franc	(75,647)	80,907	(81,143)	(236)
U.S. dollar	8,204	Taiwan new dollar	(256,137)	8,204	(8,311)	(107)
U.S. dollar	11,984	Turkish lira	(32,939)	11,984	(12,249)	(265)
T total				<u>\$ 2,310,581</u>	<u>\$ (2,309,735)</u>	<u>\$ 846</u>

## 5. Security Lending

Through the SBA, the FRS Pension Trust Fund participates in security lending programs. Initial collateral requirements for securities on loan range from 100 percent to 105 percent, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested approximately \$8.4 billion in cash and \$3.1 billion in U.S. government securities as collateral for the lending programs as of June 30, 2015. At June 30, 2015, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest). All security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the Statement of Fiduciary Net Position. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned, because security loan agreements are generally open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in overnight repurchase agreements. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 18 percent or less of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

The portfolios contain some legacy non-repo securities that will remain until they are either sold or mature. At June 30, 2015, 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, 2015 (in thousands):

### Schedule of Investments on Loan Under Security Lending Agreements As of June 30, 2015

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	\$	274,393
Federal agencies		19,012
Domestic bonds and notes		462,601
International bonds and notes		162,012
Domestic stocks		4,605,884
International stocks		2,596,899
Total securities on loan for cash collateral	\$	8,120,801
Securities on Loan for Non-Cash Collateral, by Security type		
Domestic stocks	\$	2,986,967
International stocks		59,094
Total securities on loan for non-cash collateral		3,046,061
Total securities on loan	\$	11,166,862

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

## 6. Derivatives

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

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

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

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

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

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

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

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

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

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

A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2015, all of the SBA investment derivatives were reported at fair value.

	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2015		Notional (in U.S. dollars)
	Classification	Amount (in U.S. dollars)	Classification	Amount (in U.S. dollars)	
<b>FRS Pension Trust Fund</b>					
Investment derivative instruments:					
Futures <sup>1</sup>	Investment Income	\$ 97,210	Receivable/(Payable)	\$ (8,967)	\$ 2,751,145
Options	Investment Income	\$ (2,819)	Investment/(Liability) <sup>2</sup>	\$ 17	\$ 1,000
Forward currency contracts	Investment Income	\$ 109,342	Receivable/(Payable) <sup>3</sup>	\$ 787	\$ 787
Interest rate swaps	Investment Income	\$ (559)	Investment	\$ (542)	\$ 101,000
Credit default swaps	Investment Income	\$ 1,114	Investment	\$ 1,467	\$ 103,000

<sup>1</sup> The total unrealized loss for open futures contracts at June 30, 2015, was \$(8,967,409) in the FRS Pension Trust Fund. Cash payments in the amount of \$18,026,406 had already been settled with the broker on or before June 30, 2015. Outstanding remaining net futures margin at June 30, 2015, totaled \$9,058,997 for the FRS Pension Trust Fund, which is reported gross on the Statement of Fiduciary Net Position as "Futures trade equity" and "Pending investment purchases". The total notional value on long and short futures positions were \$4,226,231,605 and \$(1,475,086,560), respectively.

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

<sup>3</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 \$2,199,459,653 and (\$2,198,672,804) as of June 30, 2015. These amounts are included in "Forward contracts receivable" and "Forward contracts payable" on the Statement of Fiduciary Net Position.

## 7. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$11.2 billion as of June 30, 2015.

## 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, 2014	June 30, 2015
Total pension liability	\$156,115,762,947	\$161,370,735,088
Fiduciary net position	150,014,292,372	148,454,393,902
Net pension liability	6,101,470,575	12,916,341,186
Fiduciary net position as a % of total pension liability	96.09%	92.00%
Covered payroll <sup>1</sup>	24,723,565,000	32,726,034,000
Net pension liability as a % of covered payroll	24.68%	39.47%

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

#### Discount Rate

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

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

#### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2014	July 1, 2015
Measurement date	June 30, 2014	June 30, 2015
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB <sup>2</sup>	Generational RP-2000 with Projection Scale BB <sup>3</sup>
Actuarial cost method	Individual Entry Age	Individual Entry Age

<sup>1</sup> For June 30, 2014, covered payroll includes the normal cost and unfunded actuarial liability (UAL) payroll of active Pension Plan members and reemployed retirees without renewed membership, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For June 30, 2015, covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership and the salaries of SMSOAP, SUSORP, and SCCSORP members.

<sup>2</sup> See July 1, 2014, Actuarial Valuation Report for details.

<sup>3</sup> See July 1, 2015, Actuarial Valuation Report for details.

<b>Changes in Net Pension Liability</b>	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2014	\$156,115,762,947	\$150,014,292,372	\$6,101,470,575
Changes for the year:			
Service cost	2,114,046,879		2,114,046,879
Interest on total pension liability	11,721,563,262		11,721,563,262
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	1,620,863,000		1,620,863,000
Effect of assumptions changes or inputs	0		0
Benefit payments <sup>1</sup>	(10,201,501,000)	(10,201,501,000)	0
Employer contributions		2,438,084,925	(2,438,084,925)
Member contributions		698,304,112	(698,304,112)
Net investment income		5,523,287,472	(5,523,287,472)
Administrative expenses		(18,073,979)	18,073,979
Balances as of June 30, 2015	<u>\$161,370,735,088</u>	<u>\$148,454,393,902</u>	<u>\$12,916,341,186</u>

### Sensitivity Analysis

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

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
Total pension liability	\$181,923,555,126	\$161,370,735,088	\$144,267,412,898
Fiduciary net position	148,454,393,902	148,454,393,902	148,454,393,902
Net pension liability	<u>\$33,469,161,224</u>	<u>\$12,916,341,186</u>	<u>\$(4,186,981,004)</u>

<sup>1</sup>Benefit payments shown above include outbound transfers to the Investment Plan and returns of contributions, net of \$57,536,043 inbound transfers from the Investment Plan.

## Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<b>Asset Class</b>	<b>Target Allocation<sup>1</sup></b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	3.2%	3.1%	1.7%
Fixed income	18%	4.8%	4.7%	4.7%
Global equity	53%	8.5%	7.2%	17.7%
Real estate (property)	10%	6.8%	6.2%	12.0%
Private equity	6%	11.9%	8.2%	30.0%
Strategic investments	12%	6.7%	6.1%	11.4%
Assumed Inflation – Mean		2.6%		1.9%

<sup>1</sup> As outlined in the Plan's investment policy.

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

Actuarial valuations for the HIS Program are conducted biennially. The July 1, 2014, HIS valuation is the most recent actuarial valuation which was used to develop the liabilities for the June 30, 2015, 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 a standard actuarial roll-forward technique.

<b>Net Pension Liability</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Total pension liability	\$9,443,629,461	\$10,249,201,290
Fiduciary net position	93,385,450	50,774,315
Net pension liability	9,350,244,011	10,198,426,975
Fiduciary net position as a % of total pension liability	0.99%	0.50%
Covered payroll <sup>1</sup>	29,676,340,167	30,340,449,100
Net pension liability as a % of covered payroll	31.51%	33.61%

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

### Discount Rate

Discount rate	4.29%	3.80%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	4.29%	3.80%

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 rates used at the two dates differ due to changes in the applicable municipal bond rate.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2015, 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, 2014	July 1, 2015
Measurement date	June 30, 2014	June 30, 2015
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>	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2014	\$9,443,629,461	\$93,385,450	\$9,350,244,011
Changes for the year:			
Service cost	217,518,873		217,518,873
Interest on total pension liability	405,440,918		405,440,918
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	0		0
Effect of assumptions changes or inputs	607,698,044		607,698,044
Benefit payments	(425,086,006)	(425,086,006)	0
Employer contributions		382,454,396	(382,454,396)
Member contributions		0	0
Net investment income		208,147	(208,147)
Administrative expenses		(187,672)	187,672
Balances as of June 30, 2015	<u>\$10,249,201,290</u>	<u>\$50,774,315</u>	<u>\$10,198,426,975</u>

### Sensitivity Analysis

The following presents the net pension liability of the HIS, calculated using the discount rate of 3.80 percent, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current rate.

	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
Total pension liability	\$11,671,407,115	\$10,249,201,290	\$9,063,295,120
Fiduciary net position	50,774,315	50,774,315	50,774,315
Net pension liability	<u>\$11,620,632,800</u>	<u>\$10,198,426,975</u>	<u>\$9,012,520,805</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, 2014, valuation is the first valuation ever performed for this plan and is the basis for all financial reporting reported below. The liability data as of June 30, 2015, uses a standard actuarial roll-forward technique. Liabilities for the years in which an actuarial valuation is not performed will be developed based on the results of the most recent full actuarial valuation.

<b>Net Pension Liability</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Total pension liability	\$446,683,424	\$504,915,152
Fiduciary net position	0	0
Net pension liability	446,683,424	504,915,152
Fiduciary net position as a % of total pension liability	0.00%	0.00%
Covered payroll <sup>1</sup>	446,939,000	476,278,000
Net pension liability as a % of covered payroll	95.66%	106.01%

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

Discount rate	4.29%	3.80%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	4.29%	3.80%

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 rates used at the two dates differ due to changes in the applicable bond rate.

#### Other Key Actuarial Assumptions

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

Valuation Date	July 1, 2014	July 1, 2014
Measurement date	June 30, 2014	June 30, 2015
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>	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2014	\$446,683,424	\$0	\$446,683,424
Changes for the year:			
Service cost	7,160,731		7,160,731
Interest on total pension liability	19,163,795		19,163,795
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	0		0
Effect of assumptions changes or inputs	46,329,910		46,329,910
Benefit payments	(14,422,708)	(14,422,708)	0
Employer contributions <sup>1</sup>		14,495,208	(14,495,208)
Member contributions		0	0
Net investment income		0	0
Administrative expenses		(72,500)	72,500
Balances as of June 30, 2015	<u>\$504,915,152</u>	<u>\$0</u>	<u>\$504,915,152</u>

### Sensitivity Analysis

The following presents the net pension liability of the plan, calculated using the discount rate of 3.80%, 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 (2.80%) or 1 percentage point higher (4.80%) than the current rate.

	1% Decrease 2.80%	Current Discount Rate 3.80%	1% Increase 4.80%
Total pension liability	\$622,192,468	\$504,915,152	\$416,578,642
Fiduciary net position	0	0	0
Net pension liability	<u>\$622,192,468</u>	<u>\$504,915,152</u>	<u>\$416,578,642</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, 2015, 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, 2015, consist of the following:

	Due from Other Funds within Division
	<b>Fiduciary Funds</b>
	State University System Optional Retirement Program
Due to Other Funds within Division	
<b>Fiduciary Funds</b>	
Senior Management Service Optional Annuity Program	\$ 7,620
<b>Total</b>	\$ 7,620

During the course of operations, transactions occur between funds within the division. Interfund transfers during the year are as follows:

	Transfers from Other Funds within Division	
	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
		State University System Optional Retirement Program
Transfers to Other Funds within Division		
<b>Fiduciary Funds</b>		
Florida Retirement System	\$ 549,982	\$ -
Senior Management Service Optional Annuity Program	-	7,620
<b>Total</b>	\$ 549,982	\$ 7,620

## NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for fiduciary and governmental activities during the fiscal year ended June 30, 2015, are as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year (Current)
<b>Fiduciary Activities</b>					
Pension Liability	\$ 67,927	\$ -	\$ 21,229	\$ 46,698	\$ 22,972
Compensated absences	33,251	560	-	33,811	4,738
Other Postemployment Benefits	<u>17,970</u>	<u>5,289</u>	<u>-</u>	<u>23,259</u>	<u>-</u>
<b>Total Fiduciary Activities</b>	<u>\$ 119,148</u>	<u>\$ 5,849</u>	<u>\$ 21,229</u>	<u>\$ 103,768</u>	<u>\$ 27,710</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 85,027	\$ 4,601	\$ -	\$ 89,628	\$ 29,391
Other Postemployment Benefits	<u>87,655</u>	<u>23,799</u>	<u>-</u>	<u>111,454</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>\$ 172,682</u>	<u>\$ 28,400</u>	<u>\$ -</u>	<u>\$ 201,082</u>	<u>\$ 29,391</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, so 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, so it is non-liquidating.

## NOTE 7 – RELATED PARTIES

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

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

Significant transactions between the SBA, the FRS Investment Plan Trust Fund and the DMS state-administered defined benefit pension plans for fiscal year 2015 are as follows:

	<b>Florida Retirement System Pension Plan</b>	<b>Retiree Health Insurance Subsidy Trust Fund</b>
<i>(in thousands)</i>		
<u>Payables:</u>		
Due to SBA for investment service charges	\$ 5,615	\$ -
<u>Additions:</u>		
Funds received from SBA for benefit payments	\$ 8,893,553	\$ 425,100
Transfers from FRS Investment Plan Trust Fund	57,536	-
Total Additions	\$ 8,951,089	\$ 425,100
<u>Deductions:</u>		
Employer / employee contributions sent to SBA	\$ 3,112,534	\$ 386,875
Member-directed benefits sent to FRS Investment Plan Trust Fund	719,182	-
Investment service charges to the SBA	33,308	-
Total Deductions	\$ 3,865,024	\$ 386,875

## 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>

*(in thousands)*

<b>Total Pension Liability</b>	<b><u>June 30, 2014</u></b>	<b><u>June 30, 2015</u></b>
Service cost	\$2,256,738	\$2,114,047
Interest on total pension liability	11,489,921	11,721,563
Effect of plan changes	0	0
Effect of economic/demographic (gains) or losses	(448,818)	1,620,863
Effect of assumption changes or inputs	1,256,045	0
Benefit payments	<u>(8,714,251)</u>	<u>(10,201,501)</u>
Net change in total pension liability	5,839,635	5,254,972
Total pension liability, beginning	<u>150,276,128</u>	<u>156,115,763</u>
Total pension liability, ending (a)	<u><u>\$156,115,763</u></u>	<u><u>\$161,370,735</u></u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$2,190,424	\$2,438,085
Member contributions	682,507	698,304
Investment income net of investment expenses	22,812,286	5,523,287
Benefit payments	(8,714,250)	(10,201,500)
Administrative expenses	<u>(18,352)</u>	<u>(18,074)</u>
Net change in plan fiduciary net position	16,952,615	(1,559,898)
Fiduciary net position, beginning	<u>133,061,677</u>	<u>150,014,292</u>
Fiduciary net position, ending (b)	<u><u>\$150,014,292</u></u>	<u><u>\$148,454,394</u></u>
Net pension liability, ending = (a) -(b)	\$6,101,471	\$12,916,341
Fiduciary net position as a % of total pension liability	96.09%	92.00%
Covered payroll <sup>2</sup>	\$24,723,565	\$32,726,034
Net pension liability as a % of covered payroll	24.68%	39.47%

<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, 2014, 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 June 30, 2015, and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged.

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

## 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, 2015, calculated based on the discount rate and actuarial assumptions below:

### Discount Rate

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Discount rate	7.65%	7.65%
Long-term expected rate of return, net of investment expense	7.65%	7.65%
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 in the determining the projected depletion date. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

### Other Key Actuarial Assumptions

The actuarial assumptions used to determine the total pension liability as of June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2015
Measurement Date	June 30, 2015
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 Normal

<sup>1</sup> See July 1, 2015, 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
2006	\$2,193,928,000	\$2,096,884,000	\$97,044,000	\$25,314,566,000	8.28%
2007	2,455,255,000	2,736,861,000	(281,606,000)	26,366,086,000	10.38%
2008	2,612,672,000	2,796,651,000	(183,979,000)	26,872,418,000	10.41%
2009	2,535,854,000	2,808,418,000	(272,564,000)	26,554,114,000	10.58%
2010	2,447,374,000	2,721,618,000	(274,244,000)	25,747,369,000	10.57%
2011	3,680,042,000	3,050,684,000	629,358,000	25,668,958,000	11.88%
2012	1,962,816,000	1,185,310,000	777,506,000	24,476,272,000	4.84%
2013	2,091,343,000	1,388,656,000	702,687,000	24,553,693,000	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%

<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 ending 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. For comparative purposes, the payroll for fiscal year ending 2015 on the basis shown in years 2014 and earlier is \$25,063,048,000.

### Notes to the Schedule of Employer Contributions

The following actuarial methods and assumptions were used in the July 1, 2015, funding valuation. Refer to the valuation report dated December 1, 2015, 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 2016-2017 plan year are calculated in the 7/1/2015 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 07/01/2015	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 tier, membership class; details in valuation report
<b>Investment Rate of Return</b>	7.65%
<b>Cost of Living Adjustments</b>	3% for pre-July benefit 2011 service; 0% thereafter
<b>Retirement Age</b>	Varies by tier, membership class; details in valuation report
<b>Turnover</b>	Varies by tier, membership class; details in valuation report
<b>Mortality</b>	Generational RP-2000 with Projection Scale BB

## Money-Weighted Rate of Return

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2015	3.77%
2014	17.57%

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

### Calculation of Money-Weighted Rate of Return

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.

	Net External Cash Flows	Periods Invested	Period Weight	Net External Cash Flows with Interest
Beginning value -July 1, 2014	\$150,014,292,372	12	1.00	\$155,672,422,060
Monthly net external cash flows:				
July	(590,265,495)	12	1.00	(612,528,699)
August	(590,265,495)	11	0.92	(610,717,153)
September	(590,265,495)	10	0.83	(608,685,567)
October	(590,265,495)	9	0.75	(606,885,387)
November	(590,265,495)	8	0.67	(605,090,531)
December	(590,265,495)	7	0.58	(603,077,662)
January	(590,265,495)	6	0.50	(601,294,068)
February	(590,265,495)	5	0.42	(599,515,748)
March	(590,265,495)	4	0.33	(597,521,424)
April	(590,265,495)	3	0.25	(595,754,262)
May	(590,265,495)	2	0.17	(593,992,326)
June	(590,265,495)	1	0.08	(592,016,376)
Ending value -June 30, 2015	\$148,454,393,902			\$148,445,342,857
Money-weighted rate of return	3.77%			

## 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>

(in thousands)

<b>Total Pension Liability</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Service cost	\$190,371	\$217,519
Interest on total pension liability	409,907	405,441
Effect of plan changes	0	0
Effect of economic/demographic (gains) or losses	0	0
Effect of assumption changes or inputs	386,383	607,698
Benefit payments	(407,276)	(425,086)
Net change in total pension liability	579,385	805,572
Total pension liability, beginning	8,864,244	9,443,629
Total pension liability, ending (a)	<u>\$9,443,629</u>	<u>\$10,249,201</u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$342,566	\$382,454
Member contributions	0	0
Investment income net of investment expenses	219	208
Benefit payments	(407,275)	(425,085)
Administrative expenses	(54)	(188)
Net change in plan fiduciary net position	(64,544)	(42,611)
Fiduciary net position, beginning	157,929	93,385
Fiduciary net position, ending (b)	<u>93,385</u>	<u>50,774</u>
Net pension liability, ending = (a) -(b)	\$9,350,244	\$10,198,427
Fiduciary net position as a % of total pension liability	0.99%	0.50%
Covered payroll	\$29,676,340	\$30,340,449
Net pension liability as a % of covered payroll	31.51%	33.61%

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

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

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

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, 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 economic assumptions that were used in the Florida Retirement System Actuarial Valuation as of July 1, 2014 (“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

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Discount rate	4.29%	3.80 %
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	4.29%	3.80%

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. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. The discount rate used in the 2014 valuation was updated from 4.29% to 3.80%, reflecting the change in the Bond Buyer General Obligation 20- Bond Municipal Bond Index as of June 30, 2015.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2015 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, 2014
Measurement Date	June 30, 2015
Asset Valuation Method	Fair Market Value
Discount rate (municipal bond rate)	3.80%
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, 2015, accumulated HIS assets constituted less than two months of projected benefit payments. Effective July 1, 2015, the Legislature increased the HIS employer contribution rate from 1.26 percent to 1.66 percent to address the cash flow needs of the program. 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>

(in thousands)

<b>Total Pension Liability</b>	<b>June 30, 2014</b>	<b>June 30, 2015</b>
Service cost	\$5,979	\$7,161
Interest on total pension liability	18,852	19,164
Effect of plan changes	0	0
Effect of economic/demographic (gains) or losses	0	0
Effect of assumption changes or inputs	27,926	46,330
Benefit payments	<u>(14,366)</u>	<u>(14,423)</u>
Net change in total pension liability	38,391	58,232
Total pension liability, beginning	<u>408,292</u>	<u>446,683</u>
Total pension liability, ending (a)	<u><u>\$446,683</u></u>	<u><u>\$504,915</u></u>
<b>Fiduciary Net Position</b>		
Employer contributions	\$14,366	\$14,495
Member contributions	0	0
Investment income net of investment expenses	0	0
Benefit payments	(14,366)	(14,423)
Administrative expenses	<u>0</u>	<u>(72)</u>
Net change in plan fiduciary net position	0	0
Fiduciary net position, beginning	<u>0</u>	<u>0</u>
Fiduciary net position, ending (b)	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Net pension liability, ending = (a) -(b)	\$446,683	\$504,915
Fiduciary net position as a % of total pension liability	0.00%	0.00%
Covered payroll <sup>1</sup>	\$466,939	\$476,278
Net pension liability as a % of covered payroll	95.66%	106.01%

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

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

**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. In September 2014 the Actuarial Assumptions Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. The discount rate used was updated from 4.29% to 3.80% as of June 30, 2015, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Discount rate	4.29%	3.80 %
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	4.29%	3.80%

**Other Key Actuarial Assumptions**

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

Valuation Date	July 1, 2014
Measurement date	June 30, 2015
Inflation	2.60%
Annual Increase – Federal Military Pay Tables	2.00%
Individual Member Salary Increase	Varies by service; separate tables for officers & enlisted
Annual Cost-of-Living-Adjustment	1.50%
Mortality	General RP- 2000 with Projection Scale BB (see valuation report for details)
Actuarial cost method	Individual Entry Age

## **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. 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, Florida Statutes, establish appropriations and corresponding releases for amounts not appropriated by the Legislature to agencies. This includes appropriations for non-operating disbursements, such as the purchase of investments and the transfer of money between state funds.

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

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

### **Budgetary Basis of Accounting**

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

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

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

## **Budget to GAAP Reconciliation**

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

**BUDGETARY COMPARISON SCHEDULES  
MAJOR SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance, July 1, 2014	\$ 75,988	\$ 75,988	\$ 75,988	\$ -
Reversions	-	-	-	-
Fund Balance, July 1, 2014, restated	<u>75,988</u>	<u>75,988</u>	<u>75,988</u>	<u>-</u>
<b>REVENUES</b>				
Premium tax	179,600,000	181,000,000	181,084,542	84,542
Interest	1,009,100	-	-	-
Net Investment Activity	3,934,000	3,934,000	3,934,000	-
Refund	-	-	273,274	273,274
Transfers	-	-	622,014	622,014
Total Revenues	<u>184,543,100</u>	<u>184,934,000</u>	<u>185,913,830</u>	<u>979,830</u>
Total Available Resources	<u>184,619,088</u>	<u>185,009,988</u>	<u>185,989,818</u>	<u>979,830</u>
<b>EXPENDITURES</b>				
<u>Operating Expenditures:</u>				
Salaries and Benefits	798,841	816,856	644,050	172,806
Expenses	122,489	104,638	52,982	51,656
Special Categories	197,174	261,986	150,633	111,353
Total Operating Expenditures	<u>1,118,504</u>	<u>1,183,480</u>	<u>847,665</u>	<u>335,815</u>
<u>Nonoperating expenditures:</u>				
Transfers	18,650,000	19,930,774	19,930,714	60
Refunds	100,000	100,000	-	100,000
Other	160,700,000	160,700,000	153,311,775	7,388,225
Total Nonoperating Expenditures	<u>179,450,000</u>	<u>180,730,774</u>	<u>173,242,489</u>	<u>7,488,285</u>
Total Expenditures	<u>180,568,504</u>	<u>181,914,254</u>	<u>174,090,154</u>	<u>7,824,100</u>
Fund Balance, June 30, 2015	<u>\$ 4,050,584</u>	<u>\$ 3,095,734</u>	<u>\$ 11,899,664</u>	<u>\$ 8,803,930</u>

**BUDGET TO GAAP RECONCILIATION  
MAJOR SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<b>Police and Firefighters' Premium Tax Trust Fund</b>
Budgetary basis fund balance	\$ 11,899,664
Items not included in budgetary basis fund balance:	
Non-State Treasury cash and investments	224,973,176
Other GAAP basis fund balances not included in budgetary basis fund balances	-
Adjusted budgetary basis fund balances	<u>236,872,840</u>
Adjustments (basis differences):	
Net receivables (payables) not carried forward	(162,409,393)
Encumbrances	-
GAAP basis fund balances	<u>\$ 74,463,447</u>

This page is intentionally left blank

# Other Supplementary Information



The alligator is the state reptile of Florida.

## SCHEDULE OF ADMINISTRATIVE EXPENSES

as of June 30, 2015

	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	\$ 6,719,451	\$ 129,729	\$ -	\$ 155,446
State retirement contributions	526,266	-	-	9,173
Insurance contributions	1,736,419	-	-	32,585
Social security	499,822	-	-	7,028
Workers' compensation	47,405	-	-	-
Other post employment benefits	435,657	-	-	5,289
Compensated absences <sup>1</sup>	(61,384)	-	-	560
Pension expense <sup>2</sup>	-	-	-	(509)
<b>Subtotal</b>	<b>9,903,636</b>	<b>129,729</b>	<b>-</b>	<b>209,572</b>
<b>Professional services</b>				
Actuarial services	480,826	39,985	72,500	-
Contractual IT services and monitoring	2,813,145	-	-	-
Legal services	169,902	-	-	50,000
Other contractual services	474,162	-	-	339
Other contractual services - data processing	878,024	-	-	-
<b>Subtotal</b>	<b>4,816,059</b>	<b>39,985</b>	<b>72,500</b>	<b>50,339</b>
<b>Communication</b>				
Postage and freight	537,620	17,943	-	8,515
Printing and reproduction	46,997	-	-	-
Telephone	331,064	-	-	62
Travel	56,640	-	-	-
<b>Subtotal</b>	<b>972,321</b>	<b>17,943</b>	<b>-</b>	<b>8,577</b>
<b>Other operating expenses</b>				
Administrative overhead assessment	1,017,946	-	-	-
Data processing supplies	51,720	-	-	-
Depreciation	130,411	-	-	-
Dues and subscriptions	13,052	-	-	1,380
Equipment leasing	19,922	-	-	-
Furniture and equipment	17,998	-	-	-
Human resources overhead assessment	56,119	-	-	1,327
Insurance	8,283	-	-	-
Loss on disposal of equipment	566	-	-	-
Materials and supplies	32,010	-	-	-
Miscellaneous expenses	12,447	15	-	78
Office rental	892,240	-	-	8,433
Office supplies	39,609	-	-	88
Repairs and maintenance	21,890	-	-	-
Utilities	67,750	-	-	801
<b>Subtotal</b>	<b>2,381,963</b>	<b>15</b>	<b>-</b>	<b>12,107</b>
<b>Total Administrative Expenses</b>	<b>\$ 18,073,979</b>	<b>\$ 187,672</b>	<b>\$ 72,500</b>	<b>\$ 280,595</b>

<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



Four great blue heron at the beach as the sun rises.



STATE BOARD OF ADMINISTRATION  
OF FLORIDA

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

POST OFFICE BOX 13300  
32317-3300

RICK SCOTT  
GOVERNOR  
CHAIR

JEFF ATWATER  
CHIEF FINANCIAL OFFICER

PAM BONDI  
ATTORNEY GENERAL

ASH WILLIAMS  
EXECUTIVE DIRECTOR & CIO

December 31, 2015

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

RE: Assets of the Florida Retirement System Pension Plan

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

**FRS Pension Plan Market Value for Fiscal Year 2014-2015**

	9/30/14	12/31/14	3/31/15	6/30/15
Fund Market Value	\$145.82 billion	\$146.56 billion	\$148.50 billion	\$147.97 billion

**Actual Quarter-End Asset Allocation  
Fiscal Year 2014-2015**

Asset Classes	9/30/14	12/31/14	3/31/15	6/30/15
Global Equity	59.3%	59.0%	58.9%	58.1%
Fixed Income	20.6%	20.1%	19.9%	19.8%
Real Estate	7.7%	7.9%	8.1%	8.3%
Private Equity	5.8%	5.6%	5.7%	6.0%
Strategic Investments	5.9%	6.5%	6.7%	6.9%
Cash Equivalents/Short Term	0.7%	0.7%	0.8%	0.8%
Total**	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

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

FRS Pension Plan Public and Private Markets	10 Years 2005-2015	5 Years 2010-2015	3 Years 2012-2015	1 Year 2014-2015
Total FRS Pension Plan	6.86%	11.01%	11.24%	3.67%

Investment performance of the FRS Pension Plan is reported in the SBA's *2014-15 Investment Report*. The annual report is prepared before January 1, in compliance with Section 215.44(5), Florida Statutes, and includes detailed information on FRS Pension Plan investment assets, strategy, and performance. The SBA's performance consultant, Bank of New York Mellon, independently prepares reported performance data.

Respectfully submitted,

Ashbel C. Williams

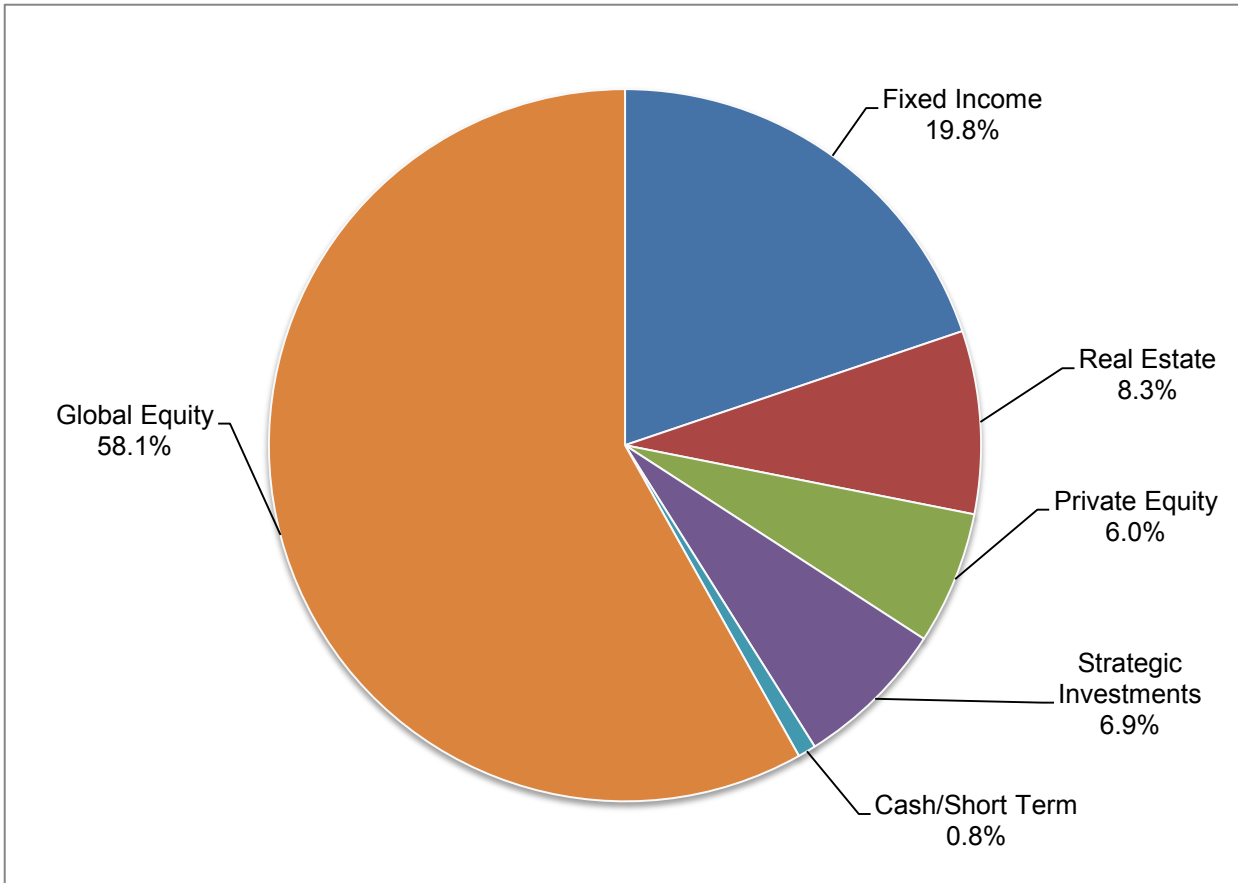
## FRS TRUST FUND PERFORMANCE

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

<b>Fiscal Year</b>	<b>Based On Fair Value</b>
2006	10.56%
2007	18.07%
2008	(4.42)%
2009	(19.03)%
2010	14.03%
2011	22.09%
2012	0.29%
2013	13.12%
2014	17.40%
2015	3.67%

**FRS TRUST FUND  
DISTRIBUTION OF INVESTMENTS<sup>1</sup>**

as of June 30, 2015



**Fund Market Value \$147,972,946,329**

<b>Investments by Asset Class</b>	
<b>Asset Class</b>	<b>Value as of June 30, 2015</b>
Global Equity	\$86,001,699,601
Fixed Income	\$29,313,167,689
Real Estate	\$12,284,305,293
Private Equity	\$8,938,200,649
Strategic Investments	\$10,219,336,456
Cash Equivalents/Short Term	\$1,216,236,641
<b>Total</b>	<b>\$147,972,946,329</b>

<sup>1</sup> Percentages may not add to 100 percent due to rounding.

# Actuarial Section



Florida bobcats.

## **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 Statement of Changes in Net Position or reported on the Statement of Fiduciary Net Position 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, 2015. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2015.

### **Depletion Date Projection**

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

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

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

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



111 SW Fifth Avenue, Suite 3700  
Portland, OR 97204  
Tel 503 227 0634

1301 Fifth Ave, Suite 3800  
Seattle, WA 98101  
Tel 206 504 5695

milliman.com

January 22, 2016

Florida Legislature Members and Florida Retirement System Members

**Re: Actuary's Statement Regarding FRS 2015 Actuarial Valuation**

Dear Florida Legislators and FRS Members:

Milliman has completed an actuarial valuation as of July 1, 2015 for the Florida Retirement System (FRS) Pension Plan. Due to current Governmental Accounting Standards Board (GASB) financial reporting standards, the actuarial valuation now has two distinct sets of calculations which fulfill two separate requirements:

- System funding calculations, which assess system funded status and determine actuarially calculated contribution rates for the July 1, 2016 – June 30, 2017 plan year. The methods and assumptions for these calculations are unchanged from those used in the prior valuation as of July 1, 2014 and in the preliminary 2015 valuation results, which were presented to the 2015 FRS Actuarial Assumptions Conference.
- System GASB 67 financial reporting calculations, which satisfy relevant accounting standards for annual financial reporting to interested parties. These calculations use demographic and economic assumptions identical to those used in system funding calculations. However, as discussed later in this letter, the methods used to determine assets and actuarial liabilities differ in order to comply with GASB mandates which are designed to allow financial statement comparability between pension systems.

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

System Funding Calculations

On the smoothed Actuarial Value of Assets (AVA) basis used to determine actuarially calculated contribution rates, Pension Plan funded status decreased slightly from 86.6% to 86.5%. On a Market Value of Assets (MVA) basis, Pension Plan funded status decreased from 93.7% to 89.7% due to an actual plan year investment return of 3.76% compared to an assumed return of 7.65%.

Due to strong overall investment performance over the past several years, the MVA exceeds the AVA used for funded status and contribution rate calculations by \$5.3 billion as of July 1, 2015. The \$5.3 billion not-yet-recognized investment gain will be systematically recognized in the AVA over the next several years if actual investment experience during

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.

that period meets or exceeds assumption. Alternatively, if actual investment experience during that period fails to meet the 7.65% assumption used in this valuation, the not-yet-recognized \$5.3 billion gain will serve as a cushion to help mitigate the magnitude of increases in actuarially calculated employer contribution rates.

The composite actuarially calculated employer contribution rate in the funding valuation (prior to blending with Investment Plan contribution rates to create proposed statutory rates) for the 2016-2017 plan year increased by 0.24% of payroll when compared to the 2015-2016 rate calculated in the prior valuation. The most significant rate increase sources were:

- a) Actual growth of the payroll to amortize the UAL was only 2.3%, compared to the assumed payroll growth of 3.25%,
- b) An increased percentage of Pension Plan payroll in the Special Risk Membership class, which has higher cost benefits than Regular Membership Class, and
- c) Actual plan year demographic experience differing from assumptions, including the effects of actual retirement/DROP entry at rates higher than assumed.

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 7.65%, as initially adopted for use by the 2014 FRS Actuarial Assumptions Conference. While the assumption is identical to that used in the previous valuation, it is materially above the 50th percentile average returns in the proprietary capital market outlook models of both Milliman and the State Board of Administration's consultant (Aon Hewitt Investment Consulting) as presented at the 2015 FRS Actuarial Assumptions Conference. Both models have 50th percentile average annual long-term future returns in the 6.8% - 6.9% range and both indicate an approximately 35% likelihood of actual long-term future returns meeting or exceeding 7.65%.

All else being equal, the lower the selected investment return assumption, the higher the likelihood the 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 the assumption.

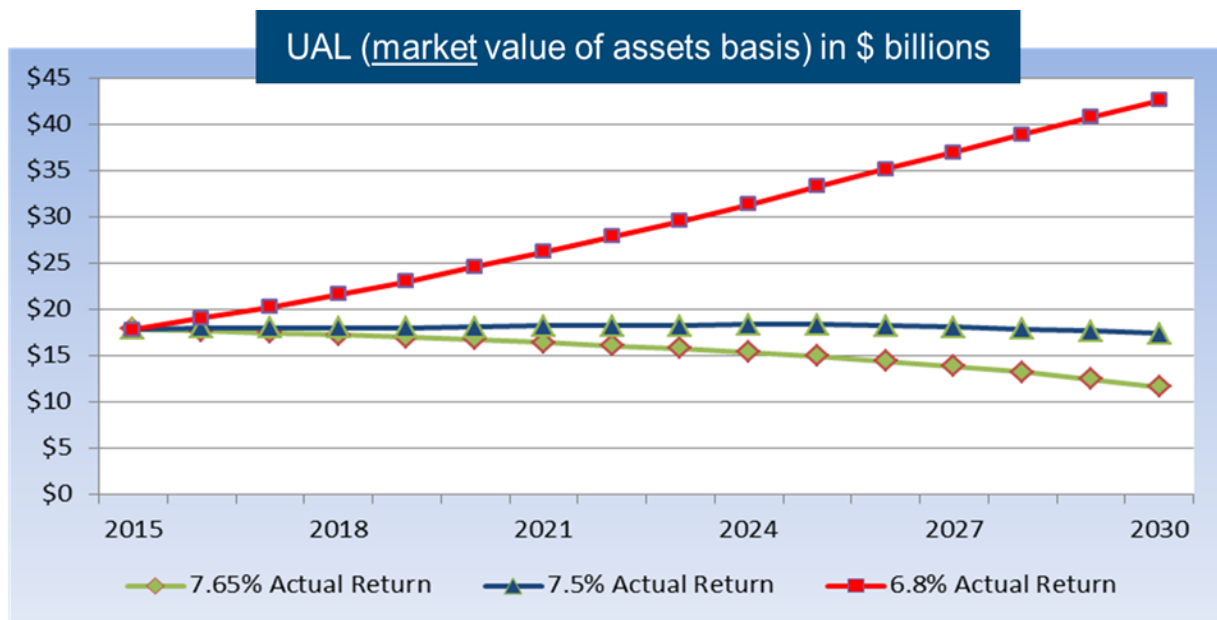
Actual future investment return experience for the Pension Plan is not affected by the assumption used in the actuarial valuation. Applying the 7.65% valuation assumption, the

**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.

following graph illustrates the UAL on a Market Value of Assets basis under three scenarios for steady actual future investment returns:

- 7.65%, which is the assumption used in the valuation
- 7.50%, which is slight underperformance compared to the valuation assumption
- 6.80%, which is near the 50<sup>th</sup> percentile return in the Aon Hewitt model



As illustrated in the graph, if actual returns match the 7.65% assumption the UAL is expected to decrease over time. This is consistent with the closed period amortization method used to calculate contribution rates in the valuation. If actual returns have modest underperformance compared to the 7.65% assumption, the UAL neither increases nor decreases materially over the illustrated projection period. On the other hand, if actual investment returns consistently underperform the assumption (0.85% underperformance is illustrated) the UAL will increase over time even if actuarially calculated contributions are made and all other experience follows the assumptions used in the valuation.

#### System GASB Financial Reporting Calculations

Unchanged from last year's valuation, GASB Statement No. 67 is the governing standard for system financial reporting. GASB 67 calculation methodology differs in two significant ways from the system funding calculation methodology. First, GASB 67 mandates use of fair market asset values for calculation of unfunded liability. Second, GASB 67 mandates a

specific actuarial cost method (Individual Entry Age Normal) for financial reporting. That method differs from that used in the system funding valuation calculations (Ultimate Entry Age Normal.) An actuarial cost method allocates the net present value of projected retirement benefits across a member's projected working career, thus establishing values for actuarial liability (allocation to past service) and normal cost (allocation to current year service).

As of the date of this valuation, both of the GASB-mandated methods noted above cause the calculated unfunded liability for financial reporting calculations to be significantly lower than the unfunded liability determined for system funding calculations. For FRS GASB 67 financial reporting calculations, the unfunded liability (Net Pension Liability) as of July 1, 2015 is \$12.9 billion, whereas the system funding calculations have an unfunded liability (UAL) of \$22.3 billion.

#### Other Comments

Actuarial assumptions are needed to estimate the future economic and demographic experience of the system. Any deviations between actual and expected future experience will result in corresponding changes in the on-going costs of the system. The economic assumptions were developed from both external economic forecasts and information and forecasts furnished by the State Board of Administration. The demographic actuarial assumptions were developed both from recent experience of the System and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2015 valuation are identical to those used in the previous valuation, and were adopted by the 2014 FRS Actuarial Assumptions Conference. Details on the development of assumptions can be found in our 2014 FRS Experience Study, which was published in September 2014 and reviewed FRS experience for the five-year period ending June 30, 2013.

A single set of assumptions was used for both system funding calculations and system GASB 67 financial reporting calculations. We believe the assumptions used are reasonable.

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

The results of the report are dependent upon future experience conforming to these assumptions. Future actuarial measurements may differ significantly from the current measurements presented in the report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period) and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

#### **Milliman**

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

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

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

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

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

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

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

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 report is complete and accurate to the best of my knowledge, and in my opinion the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the State Constitution. 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, this report is

**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.

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,

A handwritten signature in blue ink, appearing to read "Matt Larrabee", with a long horizontal flourish extending to the right.

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

**Milliman**

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

## Certification

Actuarial computations presented in this report under Statement No. 67 of the Governmental Accounting Standards Board are for purposes of assisting the FRS in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2014 to June 30, 2015. The reporting date for determining plan assets and obligations is June 30, 2015. 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, 2014 and June 30, 2015 furnished by the FRS. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please note that this report is based on the June 30, 2015 assets for the program as reported to us by the Division of Retirement. Please see Milliman's funding valuation report dated December 1, 2015 for more information on the plan's participant group as of July 1, 2015 as well as a summary of the plan provisions and a summary of the actuarial methods and assumptions used for funding purposes.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

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

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

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

Milliman's work is prepared solely for the internal use and benefit of the Florida Retirement System. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund; and (b) the Plan Sponsor may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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.

**Milliman**

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

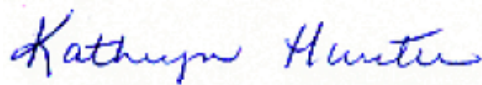
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

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



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



Kathryn M. Hunter, ASA, MAAA  
Consulting Actuary

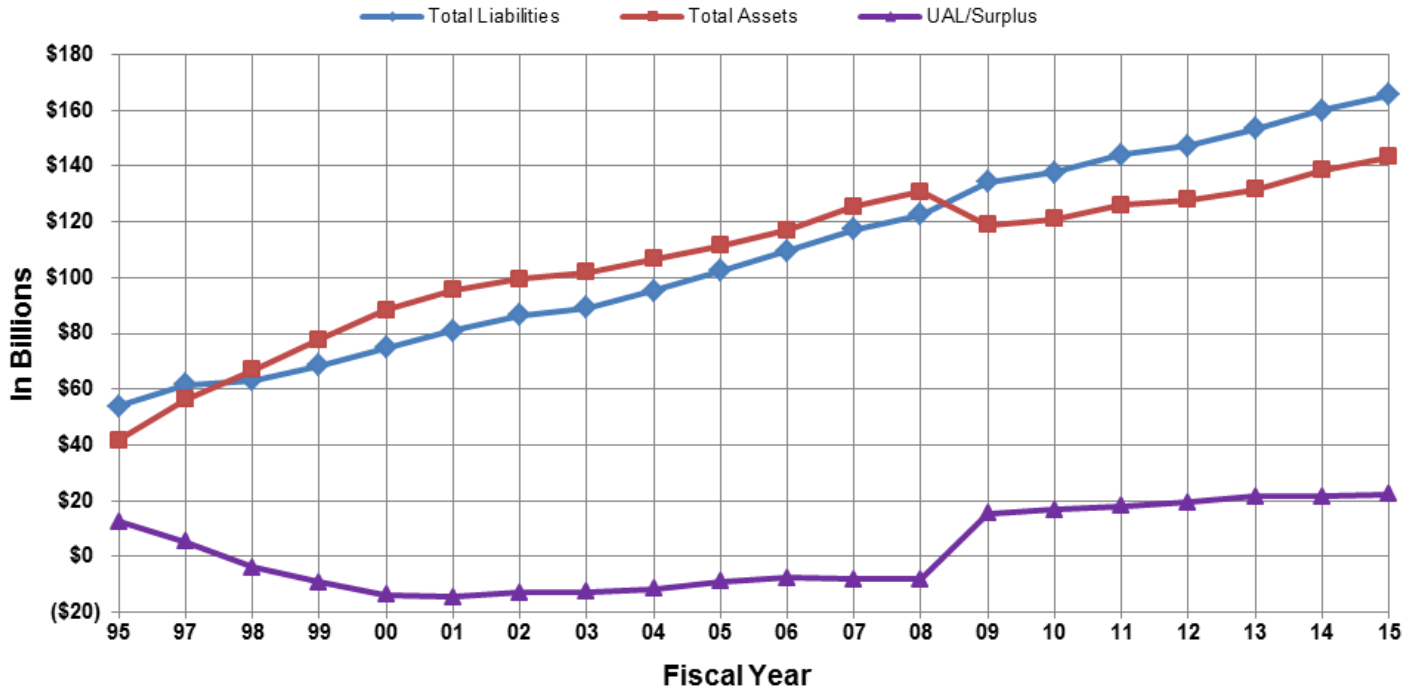


Daniel R. Wade, FSA, MAAA  
Consulting Actuary

**Milliman**

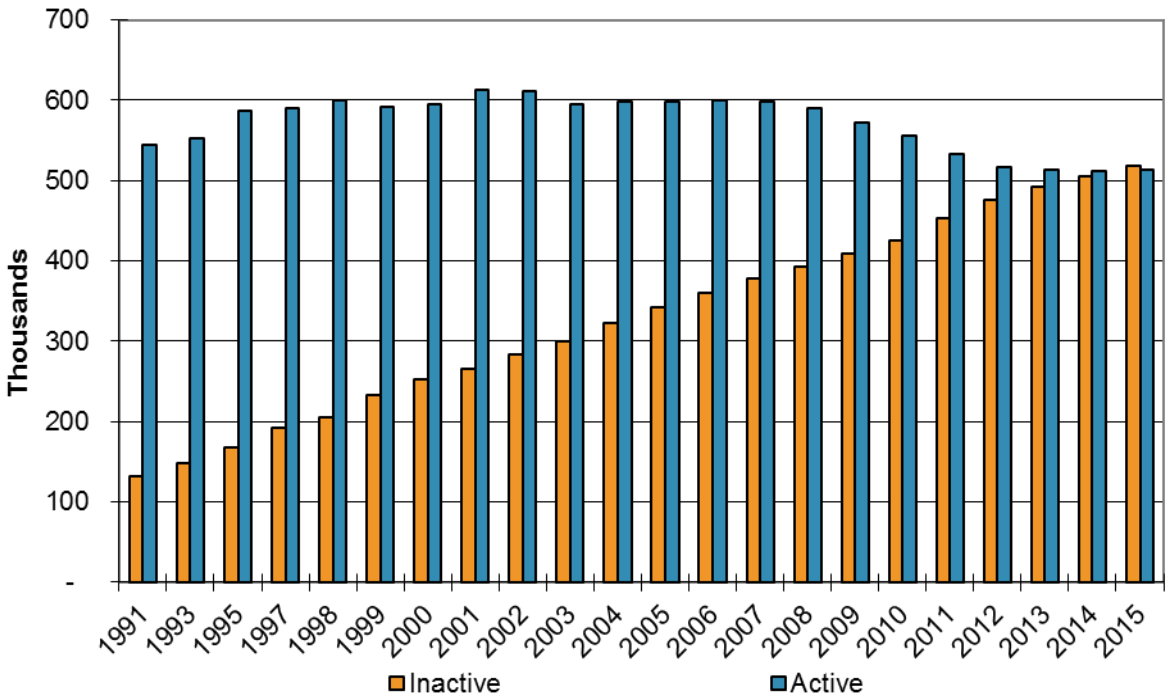
This work product was prepared solely for the Florida Department of Management Services for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends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

**HISTORY OF THE FRS PENSION PLAN UNFUNDED ACTUARIAL  
LIABILITY / SURPLUS WITH TOTAL LIABILITIES AND TOTAL ASSETS  
FROM 1995 THROUGH 2015**



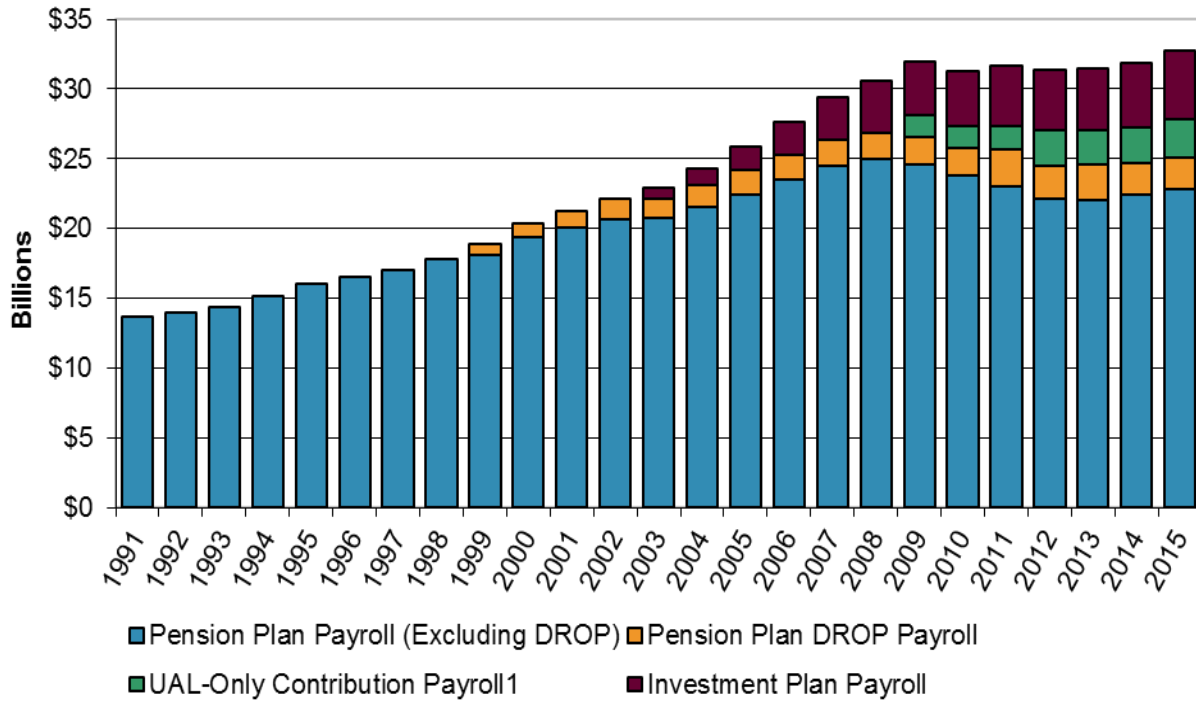
<b>FISCAL YEAR</b>	<b>TOTAL LIABILITIES (IN BILLIONS)</b>	<b>TOTAL ASSETS (IN BILLIONS)</b>	<b>UAL/(SURPLUS) (IN BILLIONS)</b>
1995	\$54.0	\$41.6	\$12.4
1997	\$61.6	\$56.2	\$5.4
1998	\$63.2	\$67.0	(\$3.8)
1999	\$68.6	\$77.8	(\$9.2)
2000	\$74.9	\$88.5	(\$13.6)
2001	\$81.0	\$95.5	(\$14.5)
2002	\$86.5	\$99.4	(\$12.9)
2003	\$89.3	\$101.9	(\$12.6)
2004	\$95.2	\$106.7	(\$11.5)
2005	\$102.5	\$111.5	(\$9.0)
2006	\$109.5	\$117.1	(\$7.6)
2007	\$117.4	\$125.6	(\$8.2)
2008	\$122.5	\$130.7	(\$8.2)
2009	\$134.2	\$118.8	\$15.4
2010	\$137.6	\$120.9	\$16.7
2011	\$144.1	\$126.1	\$18.0
2012	\$147.2	\$127.9	\$19.3
2013	\$153.3	\$131.7	\$21.6
2014	\$160.1	\$138.6	\$21.5
2015	\$165.5	\$143.2	\$22.3

# FRS PENSION PLAN MEMBERSHIP

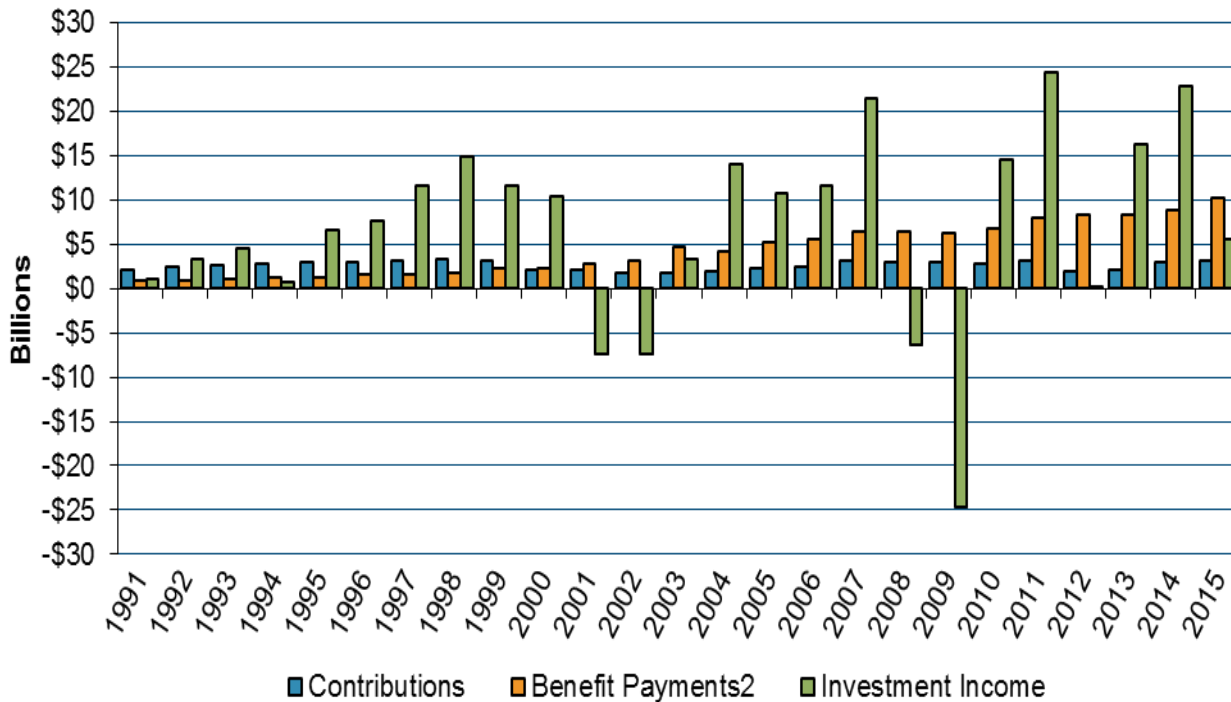


Inactive members include retirees, DROP participants and vested terminated pension plan members. Active members include only pension plan members.

## FRS PENSION PLAN PAYROLL



## FRS PENSION PLAN CASH FLOWS

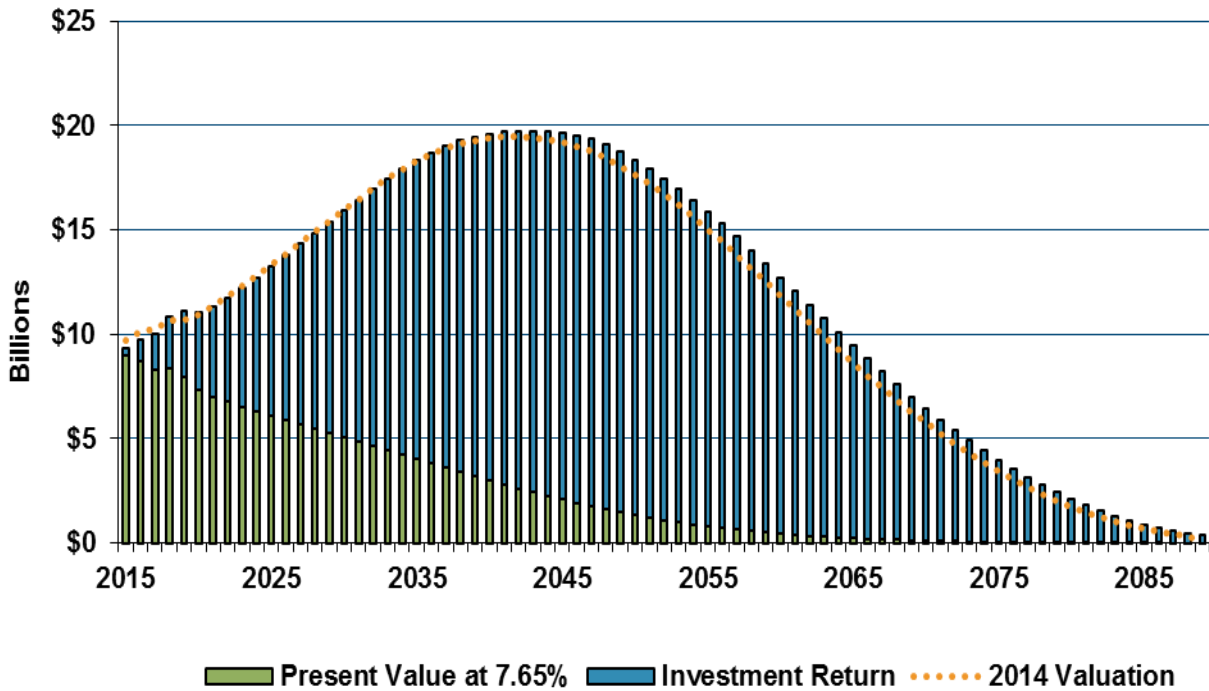


<sup>1</sup> Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL rate contributions to the FRS are made.

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

# PROJECTED FRS PENSION PLAN BENEFIT PAYMENTS

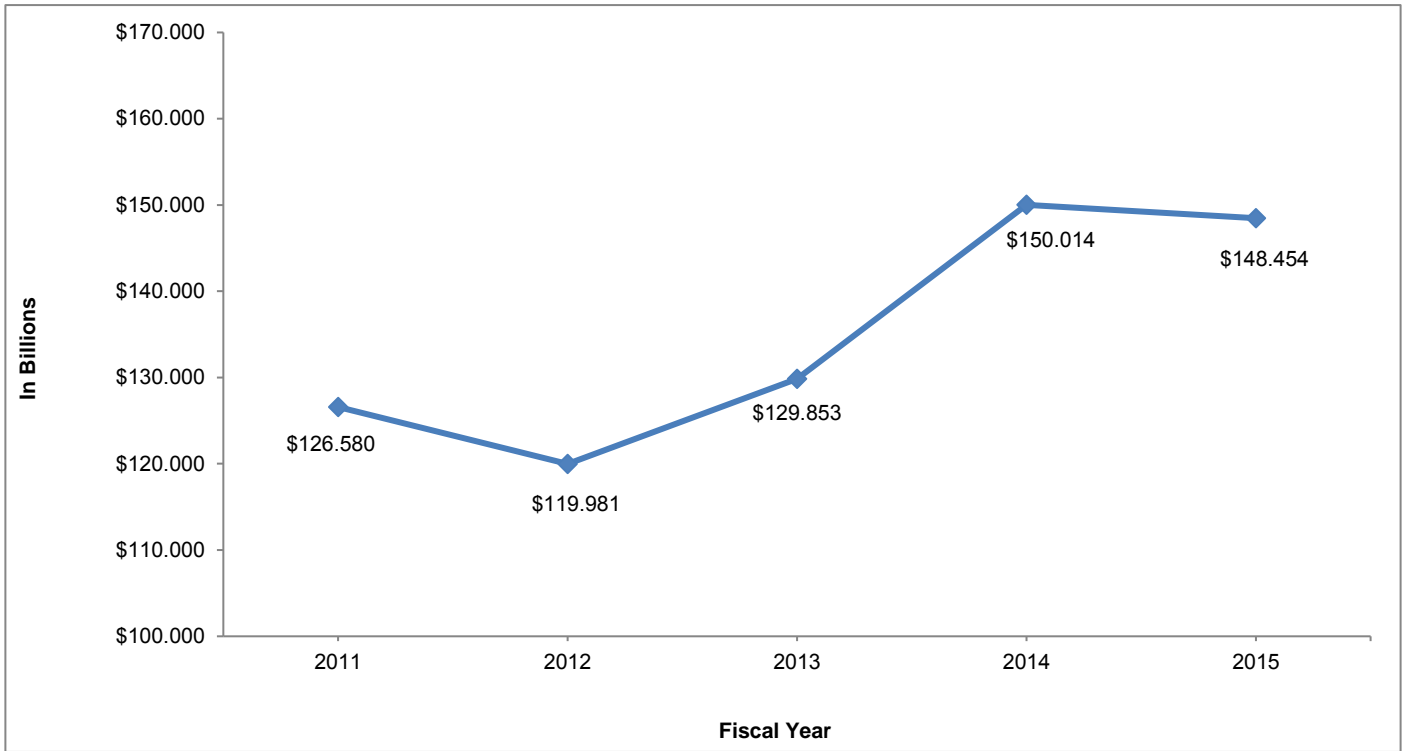
(Dates are as of July 1)



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 7.65 percent to July 1, 2015 (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

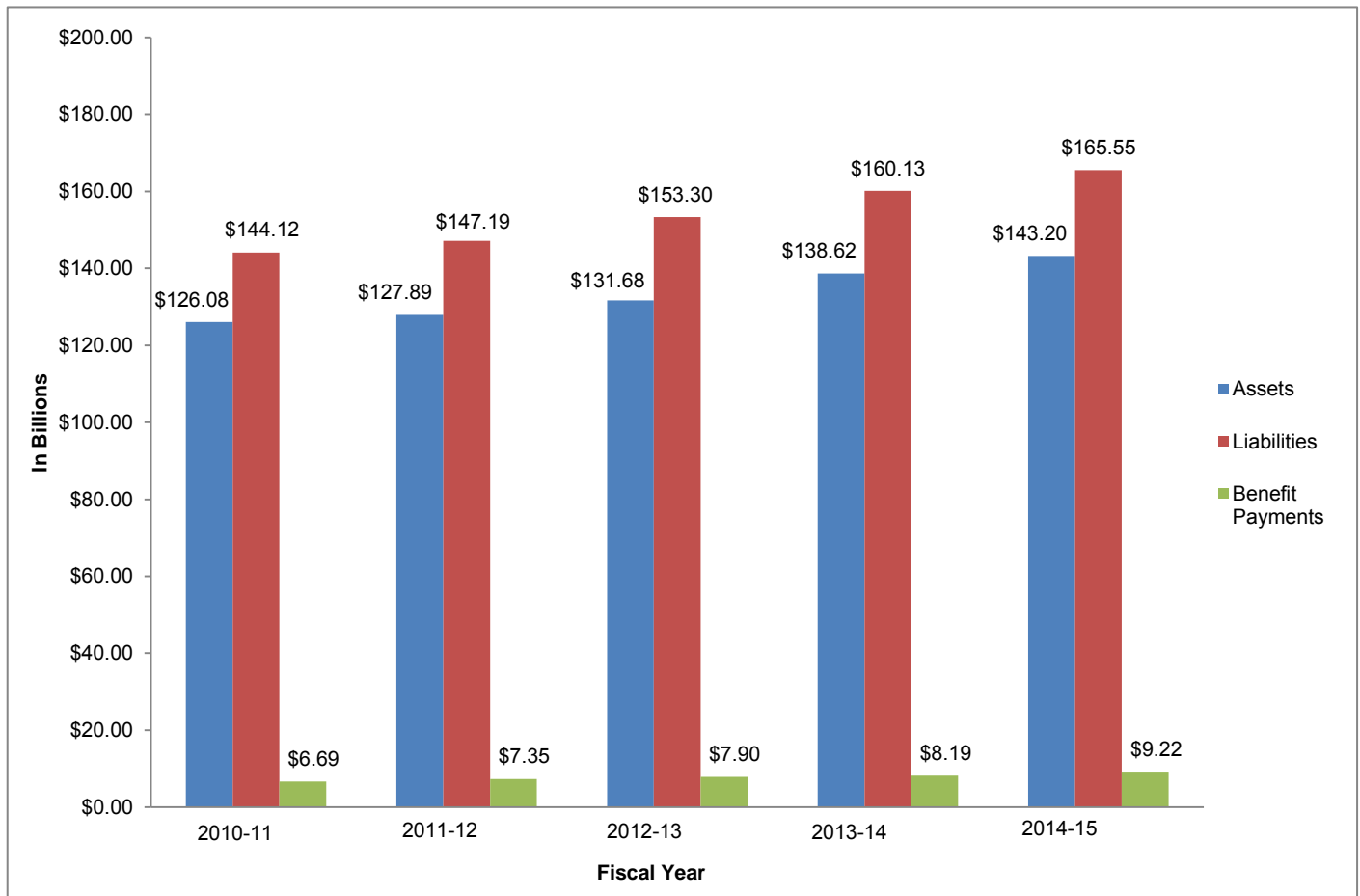
as of June 30

	<u>2014</u>	<u>2015</u>
Florida Retirement System Trust Fund	\$ 150,014,292,372	\$ 148,454,393,902
Health Insurance Subsidy Trust Fund	93,385,450	50,774,315
State University System Optional Retirement Program Trust Fund <sup>1</sup>	3,904,366	4,052,143
Senior Management Service Optional Annuity Program Trust Fund <sup>1</sup>	50,851	40,993
National Guard	-	-
Police Officers and Firefighters' Premium Tax Trust Fund	72,695,965	74,291,756
<b>Total Fund Balance/Fiduciary Net Position</b>	<b><u>\$ 150,184,329,004</u></b>	<b><u>\$ 148,583,553,109</u></b>

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

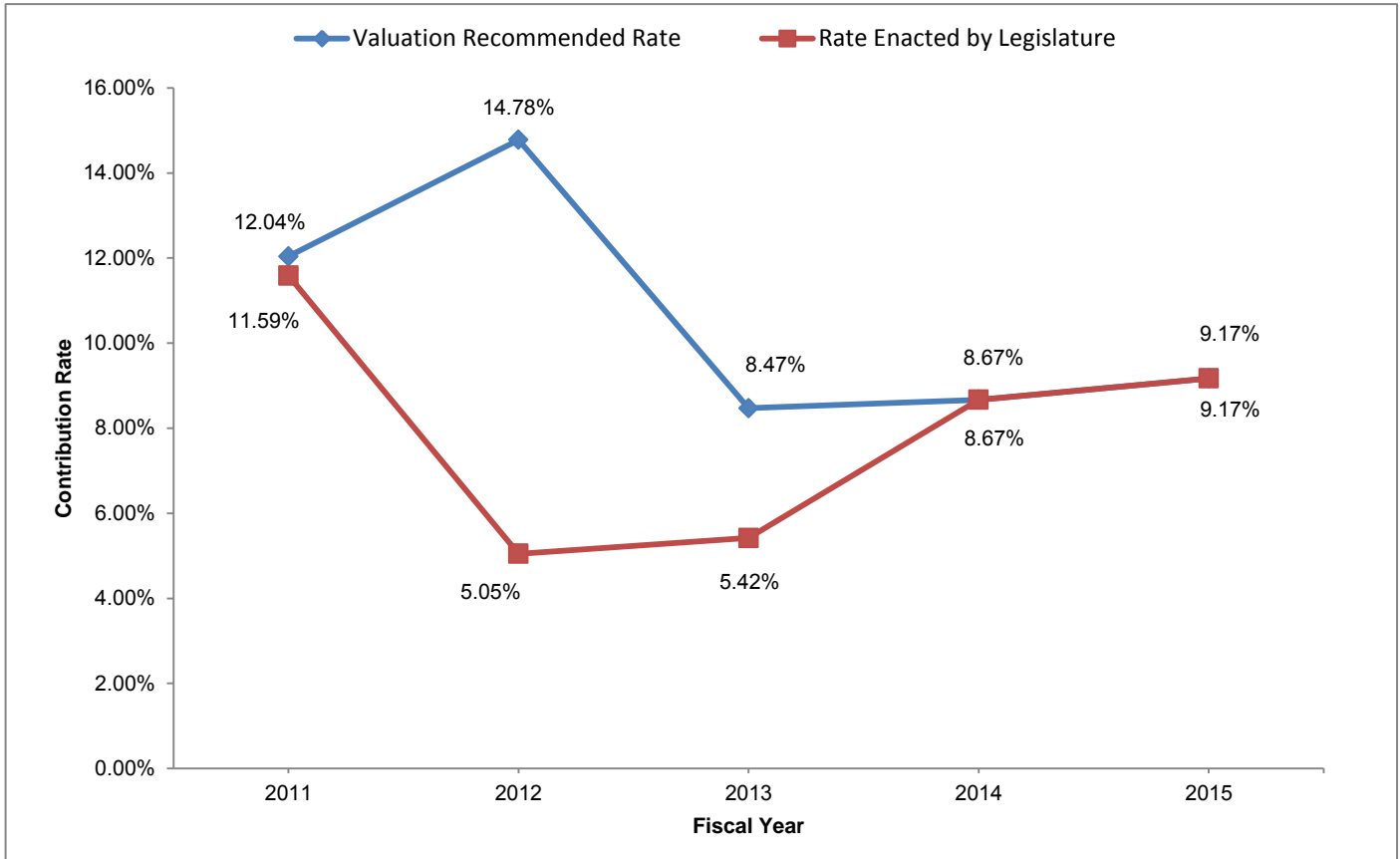
## FRS PENSION PLAN TOTAL ACTUARIAL ASSETS COMPARED TO TOTAL ACTUARIAL LIABILITIES

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

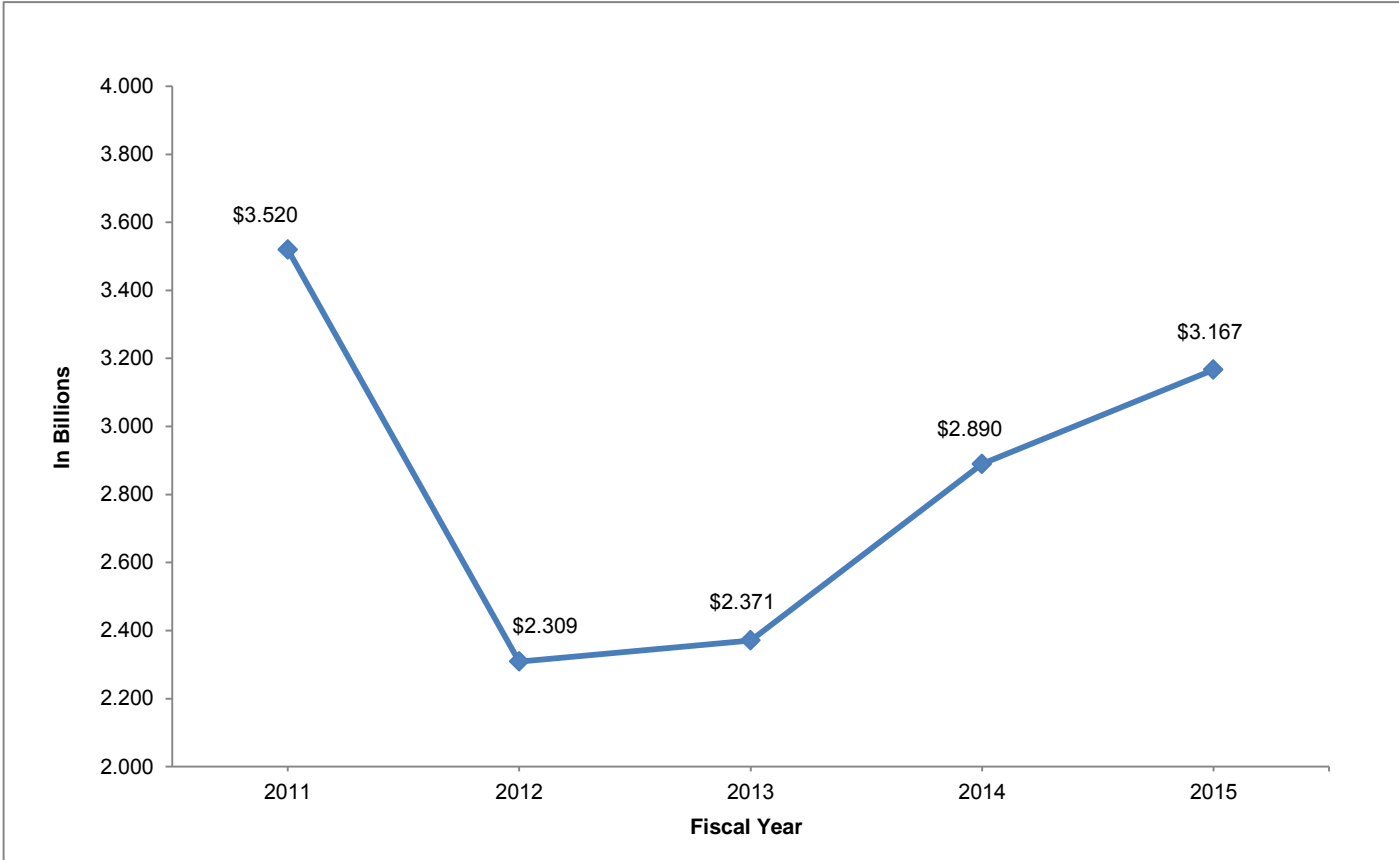
as of June 30



For 2011-2013, the difference between the enacted rate and the recommended rate represents underfunding of the benefit obligation.

# FRS PENSION PLAN RETIREMENT CONTRIBUTIONS

as of June 30



All other disclosures and information not separately contained in this section may be found in the RSI, the Note disclosures, and the 2015 FRS Valuation dated Dec. 1, 2015.



111 SW Fifth Avenue, Suite 3700  
Portland, OR 97204  
Tel 503 227 0634

1301 Fifth Avenue, Suite 3800  
Seattle, WA 98101  
Tel 206 624 7940

milliman.com

January 28, 2016

**VIA E-MAIL**

Mr. Dan Drake  
State Retirement Director  
Florida Retirement System  
1317 Winewood Boulevard, Building 8  
Tallahassee, FL 32399

**Re: Health Insurance Subsidy (HIS) GASB 67 Reporting for Fiscal Year End 2015**

Dear Dan:

As requested, we prepared actuarial exhibits to assist the State of Florida in completing financial reporting for the Health Insurance Subsidy for the fiscal year ending June 30, 2015. The exhibits are attached to this letter.

The exhibits provide information to assist the Department of Management Services (DMS) in complying with GASB Statement No. 67, which governs plan reporting and replaced GASB 25 beginning with last year's initial GASB year-end Measurement Date of June 30, 2014. They provide the same GASB 67 elements provided last year.

Health Insurance Subsidy valuations are conducted biennially. The most recently completed actuarial valuation report for HIS used an actuarial valuation date of July 1, 2014. That actuarial valuation was also used to develop the liabilities for the enclosed June 30, 2015 financial reporting exhibits. Liabilities originally calculated as of the actuarial valuation date are recalculated as of a later GASB Measurement Date using a standard actuarial roll-forward technique. The enclosed exhibits show the recalculated liability results at June 30, 2015, as required for GASB 67, and reflect asset information from the June 30, 2015 financial statements. The actuarial liability is labeled the "Total Pension Liability", consistent with terminology introduced by GASB 67. The Total Pension Liability as of June 30, 2014 is identical to that developed for the implementation of GASB 67 at fiscal-year-end 2014, and was based upon the July 1, 2014 actuarial valuation report.

The formal July 1, 2014 actuarial valuation report should be referenced for full detail on the data and assumptions used, actuarial methods applied, provisions valued, and other important information regarding the use and applicability of actuarial valuation results. Differences between the assumptions used for June 30, 2015 financial reporting compared to those shown in the actuarial valuation report are discussed below.

Offices in Principal Cities Worldwide

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

### **Assumption changes since July 1, 2014 Actuarial Valuation**

Assumptions used to calculate the Total Pension Liability are as described in the July 1, 2014 actuarial valuation report, with the following exception:

- The Total Pension Liability is calculated based on a single equivalent discount rate as required by GASB 67. The discount rate used was updated from 4.29% to 3.80%, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20-Bond Municipal Bond Index. That index was originally approved for use in HIS GASB 67 calculations by the 2014 FRS Actuarial Assumptions Conference.

### **Actuarial Basis**

Our analysis and conclusions are based on our understanding of the request and the data, methods, and assumptions described above. Differences in the data, methods, assumptions, and interpretations of the plan provisions may produce different results.

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied by the Division of Retirement. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The attached schedules 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.

All costs, liabilities, rates of interest, and other factors for the plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the plan. Future actuarial measurements may differ significantly from the current measurements presented in this letter due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this letter, we did not perform an analysis of the potential range of future measurements. The FRS Actuarial Assumptions Conference has the final decision regarding the appropriateness of the assumptions and approved them in September 2014.

Actuarial computations presented in this letter are for purposes of assisting DMS in completing the FYE 2015 CAFR in accordance with GASB 67. They cannot be relied upon for other purposes, and calculations for purposes other than this use may be significantly different from the estimates contained in this letter. Accordingly, additional determinations may be needed for other purposes.

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

#### **Milliman**

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

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

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

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

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

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

**Milliman**

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

Mr. Dan Drake  
January 28, 2016  
Page 4

If you have any questions about our response or need any additional information, please let us know.

Respectfully submitted,



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



Kathryn M. Hunter, ASA, MAAA  
Consulting Actuary



Daniel R. Wade, FSA, MAAA  
Consulting Actuary

**Milliman**

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

# RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM

## Overview of GASB 67 and GASB 68

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

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

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

### Demographic Data

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

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

<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.

## Benefits

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

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

### Projected Annual Benefit Payments

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

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



111 SW Fifth Avenue, Suite 3700  
Portland, OR 97204  
Tel 503 227 0634

1301 Fifth Avenue, Suite 3800  
Seattle, WA 98101  
Tel 206 624 7940

milliman.com

January 28, 2016

**VIA E-MAIL**

Mr. Dan Drake  
State Retirement Director  
Florida Retirement System  
1317 Winewood Boulevard, Building 8  
Tallahassee, FL 32399

**Re: National Guard Supplemental Retirement Benefit GASB 67 and 68 Reporting for Fiscal Year End 2015**

Dear Dan:

As requested, we prepared actuarial exhibits to assist the State of Florida in completing financial reporting for the National Guard Supplemental Retirement Benefit ("National Guard Benefit") for the fiscal year ending June 30, 2015. The exhibits are attached to this letter.

The exhibits provide information to assist the Department of Management Services (DMS) in complying with GASB Statement No. 67 and 68, which govern plan reporting and sponsoring employer reporting, respectively. GASB 67 and 68 replaced GASB 25 and 27 beginning with last year's initial GASB year-end Measurement Date of June 30, 2014. The exhibits provide the same GASB 67 and 68 elements provided in the July 1, 2014 Actuarial Valuation of Florida National Guard Supplemental Retirement Benefit report dated September 15, 2015 ("July 1, 2014 actuarial valuation report").

The National Guard valuations will be conducted biennially. The first completed actuarial valuation report for the National Guard Benefit used an actuarial valuation date of July 1, 2014. That actuarial valuation was also used to develop the liabilities for the enclosed June 30, 2015 financial reporting exhibits. Liabilities originally calculated as of the actuarial valuation date are recalculated as of a later GASB Measurement Date using a standard actuarial roll-forward technique. The enclosed exhibits show the recalculated liability results at June 30, 2015, as required for GASB 67 and 68, and reflect actual contributions and benefit payments for the fiscal year ending June 30, 2015. The actuarial liability is labeled the "Total Pension Liability", consistent with terminology introduced by GASB 67 and 68. The Total Pension Liability as of June 30, 2014 is identical to that developed for the implementation of GASB 67 and 68 at fiscal-year-end 2014, and was based upon the July 1, 2014 actuarial valuation report.

The formal July 1, 2014 actuarial valuation report should be referenced for full detail on the data and assumptions used, actuarial methods applied, provisions valued, and other important information regarding the use and applicability of actuarial valuation results. Differences between the assumptions used for June 30, 2015 financial reporting compared to those shown in the actuarial valuation report are discussed below.

Offices in Principal Cities Worldwide

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

### **Assumption changes since July 1, 2014 Actuarial Valuation**

Assumptions used to calculate the Total Pension Liability are as described in the July 1, 2014 actuarial valuation report, with the following exception:

- The Total Pension Liability is calculated based on a single equivalent discount rate as required by GASB 67 and 68. The discount rate used was updated from 4.29% to 3.80%, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20-Bond Municipal Bond Index. That index was originally approved for use in National Guard GASB 67 calculations by the 2014 FRS Actuarial Assumptions Conference.

### **Actuarial Basis**

Our analysis and conclusions are based on our understanding of the request and the data, methods, and assumptions described above. Differences in the data, methods, assumptions, and interpretations of the plan provisions may produce different results.

In preparing this letter, we relied, without audit, on information (some oral and some in writing) supplied by the Division of Retirement. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The attached schedules 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.

All costs, liabilities, rates of interest, and other factors for the plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the plan. Future actuarial measurements may differ significantly from the current measurements presented in this letter due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this letter, we did not perform an analysis of the potential range of future measurements. The FRS Actuarial Assumptions Conference has the final decision regarding the appropriateness of the assumptions.

Actuarial computations presented in this letter are for purposes of assisting DMS in completing the FYE 2015 CAFR in accordance with GASB 67. They cannot be relied upon for other purposes, and calculations for purposes other than this use may be significantly different from the estimates contained in this letter. Accordingly, additional determinations may be needed for other purposes.

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

#### **Milliman**

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

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

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

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

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

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

**Milliman**

This work product was prepared solely for the Florida Department of Management Services for the purposes described 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.

If you have any questions about our response or need any additional information, please let us know.

Respectfully submitted,



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



Kathryn M. Hunter, ASA, MAAA  
Consulting Actuary



Daniel R. Wade, FSA, MAAA  
Consulting Actuary

**Milliman**

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

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

### Demographic Data

We received demographic census data from the Division of Retirement as of June 30, 2014. The following table summarizes the demographic census data used in the valuation.

Active Members <sup>1</sup>	10,867
Retirees	777
Terminated Vested Members <sup>2</sup>	126
Total	<hr/> 11,770

<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)
2014-2015	\$14.2	2024-2025	\$15.8	2034-2035	\$27.8	2044-2045	\$37.6
2015-2016	14.0	2025-2026	17.0	2035-2036	28.8	2045-2046	38.5
2016-2017	13.8	2026-2027	18.2	2036-2037	29.7	2046-2047	39.3
2017-2018	13.8	2027-2028	19.4	2037-2038	30.4	2047-2048	39.9
2018-2019	13.7	2028-2029	21.0	2038-2039	31.1	2048-2049	40.3
2019-2020	13.8	2029-2030	21.9	2039-2040	32.0	2049-2050	40.7
2020-2021	14.0	2030-2031	23.2	2040-2041	33.0	2050-2051	40.9
2021-2022	14.2	2031-2032	24.4	2041-2042	34.0	2051-2052	41.1
2022-2023	14.7	2032-2033	25.8	2042-2043	35.4	2052-2053	41.0
2023-2024	15.2	2033-2034	27.0	2043-2044	36.5	2053-2054	40.6

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

# Statistical Section



Wild dolphin mother and calf.

## MEMBERSHIP AND PAYROLL

as of June 30

### TOTAL FRS MEMBERSHIP

	<u>2014<sup>1</sup></u>	<u>2015<sup>1</sup></u>	<u>% Change</u>
Members	622,089	626,578	0.72
Annual Payroll	\$26,142,416,182	\$26,731,330,633	2.25
Average Annual Salary	\$42,712	\$43,452	1.73

### FRS INVESTMENT PLAN MEMBERSHIP

	<u>2014<sup>1</sup></u>	<u>2015<sup>1</sup></u>	<u>% Change</u>
Members	109,725	112,325	2.37
Annual Payroll	\$4,589,868,836	\$4,804,087,794	4.67
Average Annual Salary	\$42,348	\$43,303	2.26

### FRS PENSION PLAN MEMBERSHIP

	<u>2014<sup>1</sup></u>	<u>2015<sup>1</sup></u>	<u>% Change</u>
Members	512,364	514,253	0.37
Annual Payroll	\$21,552,547,346	\$21,927,242,839	1.74
Average Annual Salary	\$42,790	\$43,485	1.62

## ANNUITANTS AND BENEFIT PAYMENTS FOR THE FRS PENSION PLAN

as of June 30

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

	<u>2014<sup>1</sup></u>	<u>2015<sup>1</sup></u>	<u>% Change</u>
Annuitants	363,034	377,671	4.03
Benefit Payments (Annualized)	\$7,175,496,291	\$7,731,851,133	7.75
Average Benefits (Annualized)	\$19,765	\$20,472	3.58

### DISABILITIES

	<u>2014<sup>1</sup></u>	<u>2015<sup>1</sup></u>	<u>% Change</u>
Disabled Retirees	16,137	16,185	0.30
Benefit Payments (Annualized)	\$224,690,544	\$233,008,641	3.70
Average Benefits (Annualized)	\$13,924	\$14,397	3.40

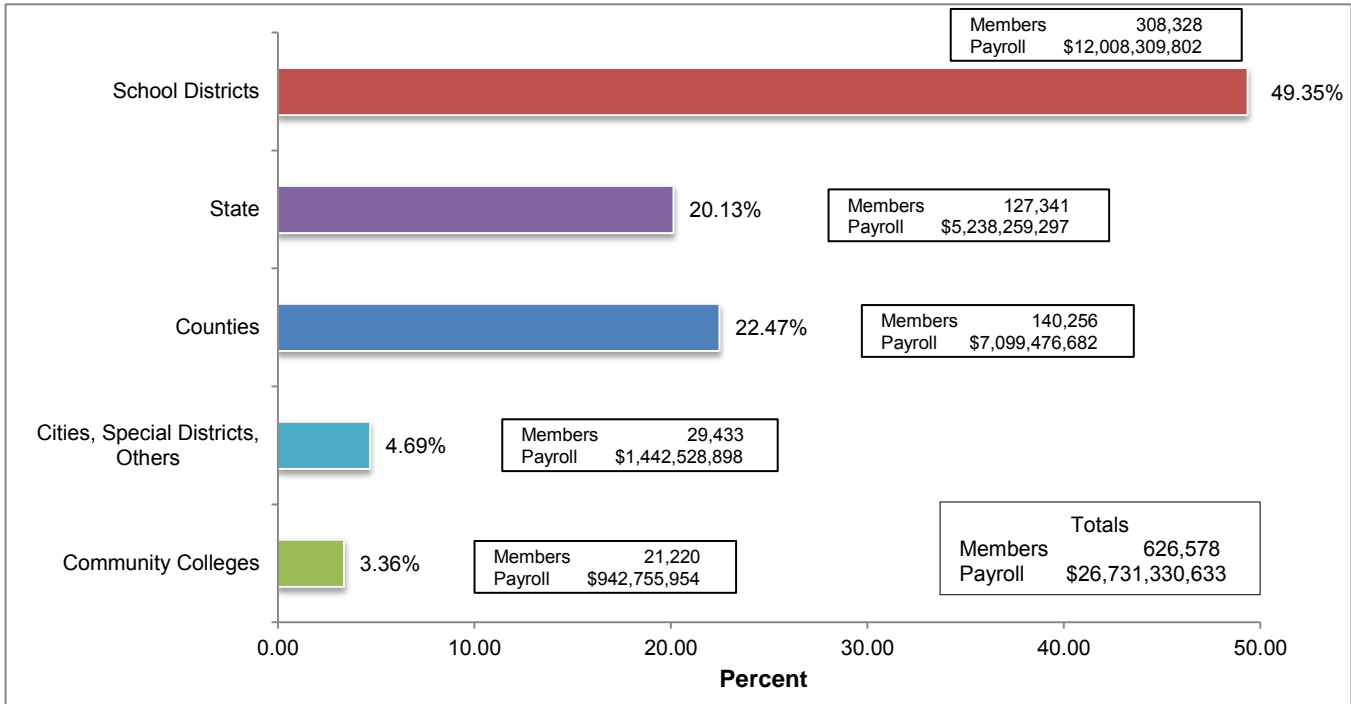
### DROP PARTICIPANTS

	<u>2014</u>	<u>2015</u>	<u>% Change</u>
DROP Participants	38,058	34,829	-8.48
Annual Payroll	\$2,158,869,852	\$1,982,846,218	-8.15
DROP Accrued Liability	\$3,061,303,437	\$2,725,449,095	-10.97

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

## SOURCE OF FRS MEMBERSHIP AND COVERED PAYROLL FOR FISCAL YEAR 2014-15<sup>1</sup>

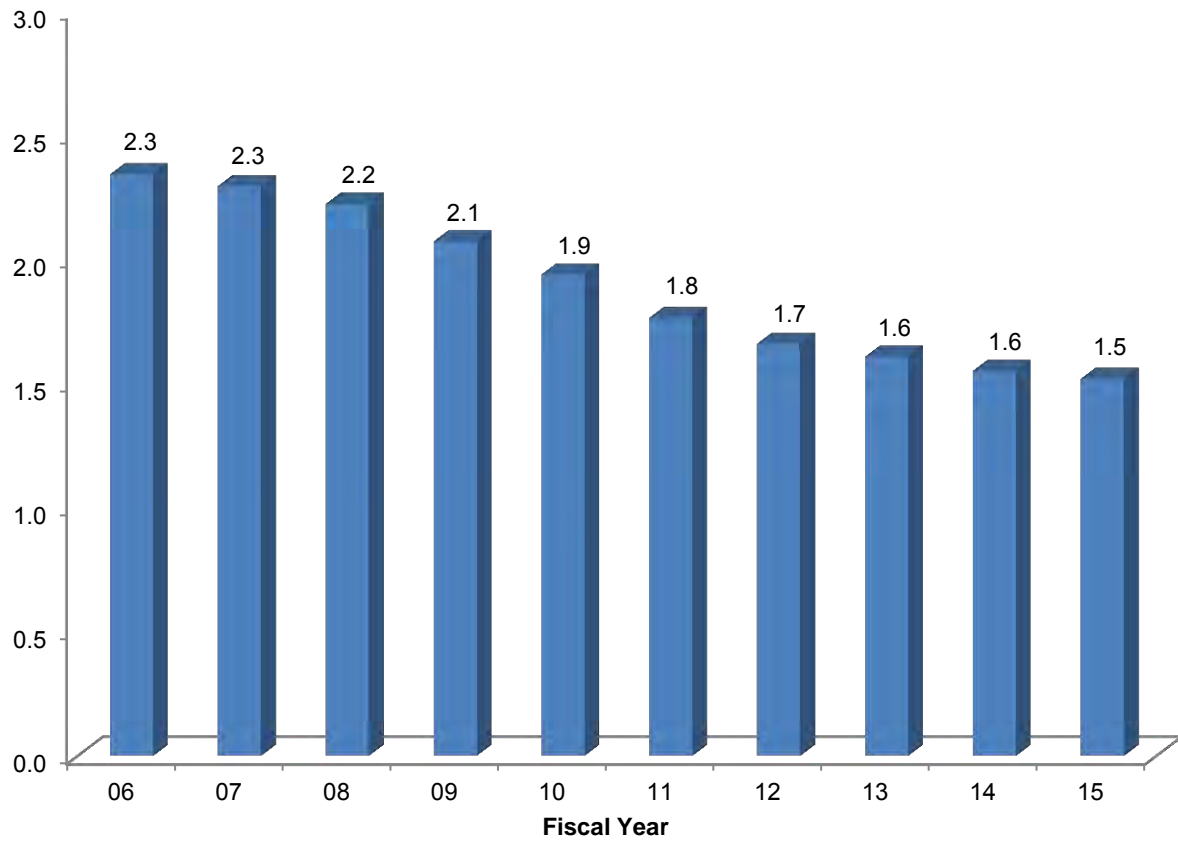
% = Percent of Total Active Members



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

## RATIO OF FRS ACTIVE MEMBERS TO RETIREES

2006-2015



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

as of June 30

System / Class	2011	2012	2013	2014	2015
FRS - Regular Class	551,896	535,467	536,506	537,993	541,748
- Senior Management Service Class	7,310	7,295	7,450	7,607	7,755
- Special Risk Class	72,675	70,005	68,800	68,593	70,102
- Special Risk Adm. Sup. Class	63	59	58	84	82
- Elected Officers' Class	2,014	2,005	2,094	2,040	2,058
- Renewed Membership					
- Regular Class	9,230	7,675	6,461	5,402	4,513
- Senior Management Service Class	288	251	210	184	161
- Elected Officers' Class	204	201	152	147	125
<b>Subtotal</b>	<b>643,680</b>	<b>622,958</b>	<b>621,731</b>	<b>622,050</b>	<b>626,544</b>
TRS	28	24	18	18	15
SCOERS	3	1	0	0	0
IFAS	35	28	25	21	19
<b>Subtotal</b>	<b>66</b>	<b>53</b>	<b>43</b>	<b>39</b>	<b>34</b>
<b>Grand Total</b>	<b>643,746</b>	<b>623,011</b>	<b>621,774</b>	<b>622,089</b>	<b>626,578</b>

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

as of June 30

System / Class	2011	2012	2013	2014	2015
FRS - Regular Class	\$21,655,377,777	\$20,631,845,581	\$20,741,411,042	\$21,303,491,499	\$21,796,619,128
- Senior Management Service Class	570,620,622	568,619,954	582,103,240	610,837,202	635,791,343
- Special Risk Class	3,940,052,662	3,798,170,666	3,749,436,505	3,798,699,726	3,905,940,436
- Special Risk Adm. Sup. Class	2,867,236	2,734,578	2,642,488	3,988,509	3,713,180
- Elected Officers' Class	155,873,646	159,647,453	160,185,275	166,763,650	164,614,742
- Renewed Membership					
- Regular Class	368,999,068	305,619,928	260,982,112	227,312,942	196,937,996
- Senior Management Service Class	29,190,712	25,456,792	20,487,779	18,391,604	16,476,384
- Elected Officers' Class	12,780,009	12,494,111	9,189,227	9,115,108	7,623,323
<b>Subtotal</b>	<b>26,735,761,732</b>	<b>25,504,589,063</b>	<b>25,526,437,668</b>	<b>26,138,600,240</b>	<b>26,727,716,532</b>
TRS	2,572,873	2,145,124	1,749,243	1,773,199	1,714,122
SCOERS	86,494	26,980	0	0	0
IFAS	3,366,877	2,565,412	2,307,037	2,042,745	1,899,979
<b>Subtotal</b>	<b>6,026,244</b>	<b>4,737,516</b>	<b>4,056,280</b>	<b>3,815,944</b>	<b>3,614,101</b>
<b>Grand Total</b>	<b>\$26,741,787,976</b>	<b>\$25,509,326,579</b>	<b>\$25,530,493,948</b>	<b>\$26,142,416,184</b>	<b>\$26,731,330,633</b>
<b>Average</b>	<b>\$42,026</b>	<b>\$41,459</b>	<b>\$41,678</b>	<b>\$42,712</b>	<b>\$43,452</b>

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

as of June 30

System / Class	2011 <sup>2</sup>	2012	2013	2014	2015
FRS - Regular Class	\$0	\$618,417,040	\$619,557,678	\$638,688,181	\$653,400,529
- Senior Management Service Class	0	17,024,643	17,375,024	18,267,632	19,005,924
- Special Risk Class	0	113,818,828	112,135,028	113,870,339	117,089,825
- Special Risk Adm. Sup. Class	0	82,037	79,275	119,656	111,395
- Elected Officers' Class	0	4,786,311	4,791,628	4,979,301	4,928,694
- Renewed Membership					
- Regular Class	0	9,259,383	7,912,411	6,884,363	5,946,155
- Senior Management Service Class	0	795,627	635,153	578,917	510,079
- Elected Officers' Class	0	386,469	284,310	284,737	236,981
<b>Subtotal</b>	<b>0</b>	<b>764,570,338</b>	<b>762,770,507</b>	<b>783,673,126</b>	<b>801,229,582</b>
TRS	154,372	128,708	104,955	106,393	102,848
SCOERS	3,460	1,079	0	0	0
IFAS	0	0	0	0	0
<b>Subtotal</b>	<b>157,832</b>	<b>129,787</b>	<b>104,955</b>	<b>106,393</b>	<b>102,848</b>
<b>Grand Total</b>	<b>\$157,832</b>	<b>\$764,700,125</b>	<b>\$762,875,462</b>	<b>\$783,779,519</b>	<b>\$801,332,430</b>

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

<sup>2</sup> Required employee contributions for FRS members became effective July 1, 2011.

## PROFILE OF ACTIVE FRS MEMBERS

as of June 30, 2015

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	24,295	18,303	42,598	7,388	5,665	13,053	16,907	12,638	29,545
1 - 5	101,210	60,848	162,058	20,409	15,015	35,424	80,801	45,833	126,634
6 - 9	68,833	41,940	110,773	13,267	9,280	22,547	55,566	32,660	88,226
10 - 19	129,318	69,686	199,004	19,307	13,769	33,076	110,011	55,917	165,928
20 - 29	63,370	35,379	98,749	12,224	7,986	20,210	51,146	27,393	78,539
30 or More Years	8,266	5,130	13,396	1,647	1,384	3,031	6,619	3,746	10,365
<b>Total</b>	<b>395,292</b>	<b>231,286</b>	<b>626,578</b>	<b>74,242</b>	<b>53,099</b>	<b>127,341</b>	<b>321,050</b>	<b>178,187</b>	<b>499,237</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	46,999	30,484	77,483	10,904	9,255	20,159	36,095	21,229	57,324
30 - 39	84,907	49,963	134,870	17,146	12,054	29,200	67,761	37,909	105,670
40 - 49	108,794	61,340	170,134	18,521	12,755	31,276	90,273	48,585	138,858
50 - 59	114,305	61,476	175,781	20,667	13,143	33,810	93,638	48,333	141,971
60 - 69	36,462	23,884	60,346	6,434	5,195	11,629	30,028	18,689	48,717
70 and Over	3,825	4,139	7,964	570	697	1,267	3,255	3,442	6,697
<b>Total</b>	<b>395,292</b>	<b>231,286</b>	<b>626,578</b>	<b>74,242</b>	<b>53,099</b>	<b>127,341</b>	<b>321,050</b>	<b>178,187</b>	<b>499,237</b>

Average Age	44.97	44.91	44.95	43.97	43.53	43.79	45.20	45.32	45.24
Average Years of Service	11.49	11.05	11.33	10.90	10.62	10.79	11.62	11.17	11.46
Average Annual Salary	\$40,137	\$49,118	\$43,452	\$40,023	\$46,258	\$42,623	\$40,164	\$49,970	\$43,664
Percentage Entitled to a Benefit if Terminated June 30, 2015	75.0%	72.1%	74.0%	70.7%	68.8%	69.9%	76.0%	73.1%	75.0%

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

## PROFILE OF ACTIVE FRS INVESTMENT PLAN MEMBERS

as of June 30, 2015

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	3,817	2,494	6,311	1,298	869	2,167	2,519	1,625	4,144
1 - 5	26,850	14,700	41,550	6,056	4,138	10,194	20,794	10,562	31,356
6 - 9	16,905	9,674	26,579	3,659	2,460	6,119	13,246	7,214	20,460
10 - 19	17,569	10,611	28,180	3,336	2,767	6,103	14,233	7,844	22,077
20 - 29	4,057	3,512	7,569	921	907	1,828	3,136	2,605	5,741
30 or More Years	1,098	1,038	2,136	178	257	435	920	781	1,701
<b>Total</b>	<b>70,296</b>	<b>42,029</b>	<b>112,325</b>	<b>15,448</b>	<b>11,398</b>	<b>26,846</b>	<b>54,848</b>	<b>30,631</b>	<b>85,479</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	9,424	4,585	14,009	2,536	1,741	4,277	6,888	2,844	9,732
30 - 39	17,582	9,416	26,998	4,579	3,191	7,770	13,003	6,225	19,228
40 - 49	17,964	10,174	28,138	3,587	2,727	6,314	14,377	7,447	21,824
50 - 59	15,970	9,687	25,657	3,106	2,266	5,372	12,864	7,421	20,285
60 - 69	7,990	6,465	14,455	1,460	1,255	2,715	6,530	5,210	11,740
70 and Over	1,366	1,702	3,068	180	218	398	1,186	1,484	2,670
<b>Total</b>	<b>70,296</b>	<b>42,029</b>	<b>112,325</b>	<b>15,448</b>	<b>11,398</b>	<b>26,846</b>	<b>54,848</b>	<b>30,631</b>	<b>85,479</b>

Average Age	44.44	46.71	45.29	42.54	43.48	42.94	44.98	47.91	46.03
Average Years of Service	8.32	9.23	8.66	7.92	8.94	8.35	8.44	9.34	8.76
Average Annual Salary	\$39,832	\$49,109	\$43,303	\$41,542	\$47,984	\$44,277	\$39,350	\$49,528	\$42,997
Percentage Entitled to a Benefit if Terminated June 30, 2015	94.6%	94.1%	94.4%	91.6%	92.4%	91.9%	95.4%	94.7%	95.2%

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

## PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS

as of June 30, 2015

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	20,478	15,809	36,287	6,090	4,796	10,886	14,388	11,013	25,401
1 - 5	74,360	46,148	120,508	14,353	10,877	25,230	60,007	35,271	95,278
6 - 9	51,928	32,266	84,194	9,608	6,820	16,428	42,320	25,446	67,766
10 - 19	111,749	59,075	170,824	15,971	11,002	26,973	95,778	48,073	143,851
20 - 29	59,313	31,867	91,180	11,303	7,079	18,382	48,010	24,788	72,798
30 or More Years	7,168	4,092	11,260	1,469	1,127	2,596	5,699	2,965	8,664
<b>Total</b>	<b>324,996</b>	<b>189,257</b>	<b>514,253</b>	<b>58,794</b>	<b>41,701</b>	<b>100,495</b>	<b>266,202</b>	<b>147,556</b>	<b>413,758</b>

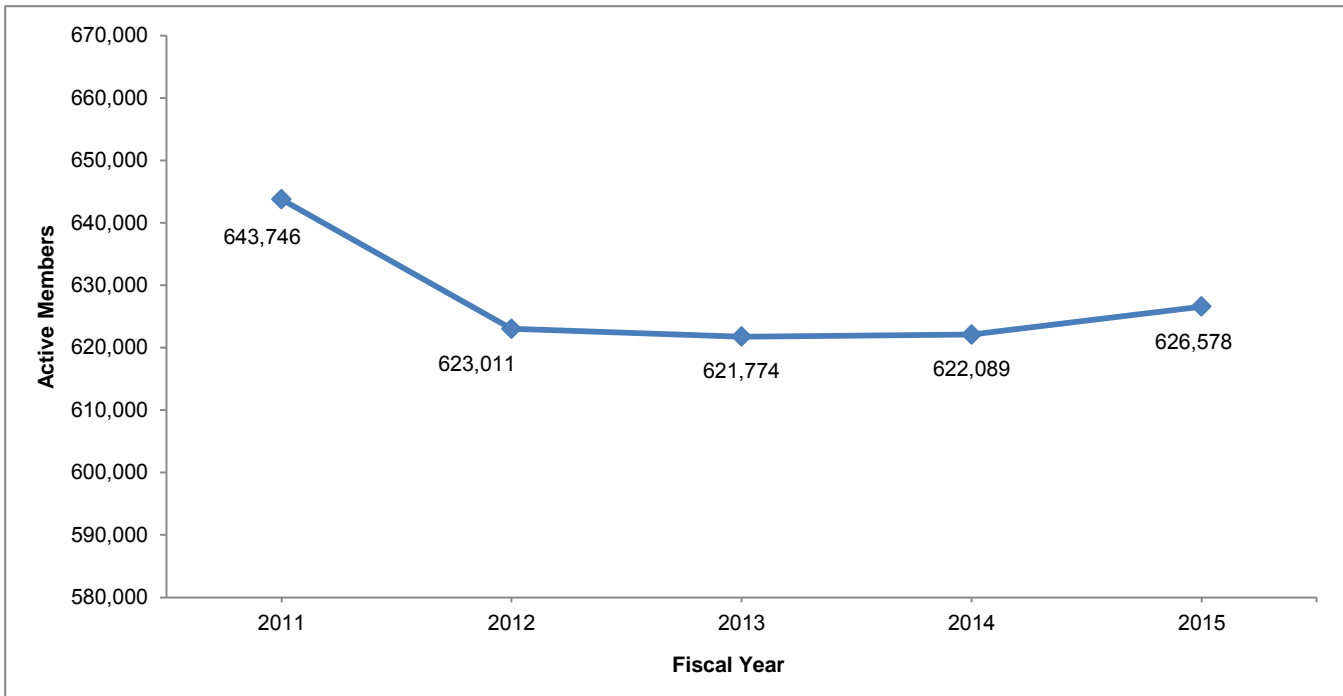
Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	37,575	25,899	63,474	8,368	7,514	15,882	29,207	18,385	47,592
30 - 39	67,325	40,547	107,872	12,567	8,863	21,430	54,758	31,684	86,442
40 - 49	90,830	51,166	141,996	14,934	10,028	24,962	75,896	41,138	117,034
50 - 59	98,335	51,789	150,124	17,561	10,877	28,438	80,774	40,912	121,686
60 - 69	28,472	17,419	45,891	4,974	3,940	8,914	23,498	13,479	36,977
70 and Over	2,459	2,437	4,896	390	479	869	2,069	1,958	4,027
<b>Total</b>	<b>324,996</b>	<b>189,257</b>	<b>514,253</b>	<b>58,794</b>	<b>41,701</b>	<b>100,495</b>	<b>266,202</b>	<b>147,556</b>	<b>413,758</b>

Average Age	45.08	44.51	44.87	44.35	43.55	44.01	45.24	44.78	45.08
Average Years of Service	12.17	11.45	11.91	11.69	11.09	11.44	12.28	11.55	12.02
Average Annual Salary	\$40,203	\$49,120	\$43,485	\$39,624	\$45,787	\$42,181	\$40,331	\$50,062	\$43,802
Percentage Entitled to a Benefit if Terminated June 30, 2015	70.8%	67.3%	69.5%	65.2%	62.4%	64.1%	72.1%	68.6%	70.8%

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

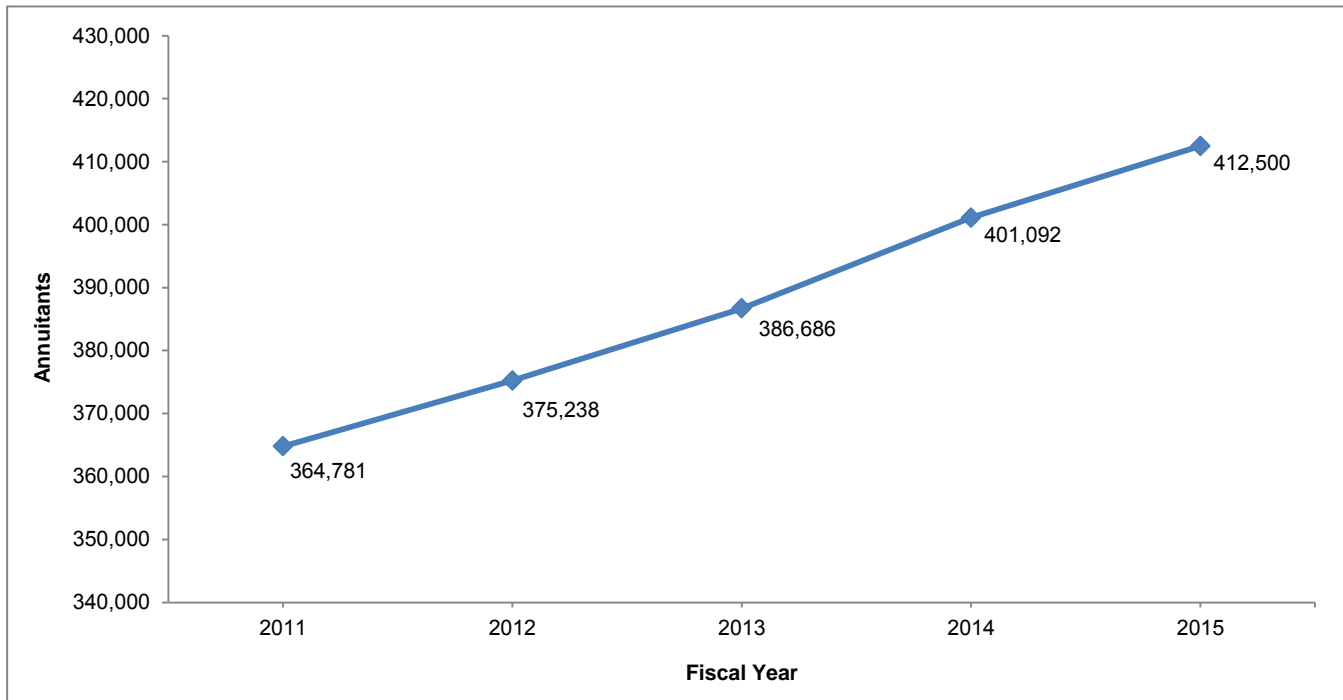
## ACTIVE FRS MEMBERS 2011-2015<sup>1</sup>

as of June 30



## GROWTH OF FRS ANNUITANTS - ALL SYSTEMS 2011-2015<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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Separated Members	434	2,165	3,410	3,249
Surviving Beneficiaries	52	191	268	256
Other	119	48	62	79
<b>Total</b>	<b>605</b>	<b>2,404</b>	<b>3,740</b>	<b>3,584</b>

## FRS PENSION PLAN TOTAL REFUND PAYMENTS BY TYPE

as of June 30

<u>Type of Refund</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Separated Members	\$627,841	\$2,057,147	\$4,905,850	\$6,488,033
Surviving Beneficiaries	104,050	190,235	376,678	1,870,433
Other	234,042	336,395	350,958	212,534
<b>Total</b>	<b>\$965,933</b>	<b>\$2,583,777</b>	<b>\$5,633,486</b>	<b>\$8,571,000</b>

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

as of June 30, 2015

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular	29,819	25.12	\$54,424	\$21,865	\$24,775
FRS - SMSC	641	27.55	106,547	48,643	55,081
FRS - Special Risk	4,118	24.79	82,141	56,913	64,359
FRS - Special Risk Adm. Sup.	7	22.30	44,023	23,008	25,918
FRS - EOC	240	25.02	129,349	80,669	91,258
TRS	4	45.65	68,084	58,589	66,396
<b>Total / Average</b>	<b>34,829</b>	<b>25.13</b>	<b>\$59,176</b>	<b>\$26,911</b>	<b>\$30,476</b>

## PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2015

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	23	6.70	9,398	921	1,015
\$100 - \$149	66	8.04	12,344	1,387	1,541
\$150 - \$199	122	7.94	17,009	1,950	2,158
\$200 - \$249	191	8.52	20,210	2,421	2,691
\$250 - \$299	255	9.57	22,421	2,958	3,286
\$300 - \$349	251	10.35	24,499	3,517	3,917
\$350 - \$399	297	11.48	25,764	4,019	4,481
\$400 - \$449	330	12.45	27,214	4,586	5,115
\$450 - \$499	325	12.78	29,225	5,090	5,692
\$500 - \$999	4,050	16.97	34,373	8,094	9,107
\$1,000 - \$1,999	10,050	24.41	44,777	15,903	17,987
\$2,000 - \$2,999	8,630	28.44	60,395	26,390	29,925
\$3,000 - \$3,999	5,094	29.80	74,814	36,174	41,031
\$4,000 - \$4,999	1,994	29.28	88,110	47,085	53,361
\$5,000 or More	3,151	27.12	110,716	73,621	83,318
<b>Total / Average</b>	<b>34,829</b>	<b>25.13</b>	<b>\$59,176</b>	<b>\$26,911</b>	<b>\$30,476</b>

By Option Selection <sup>1</sup>	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Lifetime Benefit (1)	20,027	24.81	\$57,447	\$26,796	\$30,343
Benefit with a Guarantee (2)	5,218	25.32	56,106	26,168	29,630
Member with a Joint Annuitant (3)	8,629	25.74	63,544	27,002	30,591
Reduced Benefit on 1st Death (4)	955	25.25	72,753	32,581	36,856
<b>Total / Average</b>	<b>34,829</b>	<b>25.13</b>	<b>\$59,176</b>	<b>\$26,911</b>	<b>\$30,476</b>

By Employer Group	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
State	6,253	25.50	\$51,999	\$23,990	\$27,159
State University System	1,402	25.62	59,173	24,188	27,412
Counties	8,519	24.68	71,637	38,015	42,980
School Boards	16,139	25.26	54,203	22,216	25,202
Community Colleges	1,089	23.49	60,838	23,199	26,279
Cities and Special Districts	1,427	25.46	71,219	32,041	36,227
<b>Total / Average</b>	<b>34,829</b>	<b>25.13</b>	<b>\$59,176</b>	<b>\$26,911</b>	<b>\$30,476</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, 2015

Years of Service	Total Membership			State Membership			Non-State Membership <sup>1</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
6 - 9	784	522	1,306	177	102	279	607	420	1,027
10 - 14	1,784	1,004	2,788	322	215	537	1,462	789	2,251
15 - 19	2,541	1,382	3,923	495	336	831	2,046	1,046	3,092
20 - 24	3,259	1,628	4,887	623	404	1,027	2,636	1,224	3,860
25 - 29	3,331	3,647	6,978	618	709	1,327	2,713	2,938	5,651
30 - 34	9,701	4,583	14,284	2,328	1,208	3,536	7,373	3,375	10,748
35 or More Years	462	201	663	81	37	118	381	164	545
<b>Total</b>	<b>21,862</b>	<b>12,967</b>	<b>34,829</b>	<b>4,644</b>	<b>3,011</b>	<b>7,655</b>	<b>17,218</b>	<b>9,956</b>	<b>27,174</b>

Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 50	136	576	712	29	86	115	107	490	597
50 - 54	1,425	1,899	3,324	412	300	712	1,013	1,599	2,612
55 - 59	5,204	3,312	8,516	1,351	804	2,155	3,853	2,508	6,361
60 - 64	10,806	5,129	15,935	2,157	1,307	3,464	8,649	3,822	12,471
65 - 69	4,131	1,973	6,104	689	506	1,195	3,442	1,467	4,909
70 - 74	141	63	204	5	6	11	136	57	193
75 - 79	15	13	28	1	2	3	14	11	25
80 and Over	4	2	6	0	0	0	4	2	6
<b>Total</b>	<b>21,862</b>	<b>12,967</b>	<b>34,829</b>	<b>4,644</b>	<b>3,011</b>	<b>7,655</b>	<b>17,218</b>	<b>9,956</b>	<b>27,174</b>

Average Age	61.22	59.53	60.59	60.42	60.20	60.33	61.44	59.33	60.67
Average Years of Service	25.28	24.86	25.13	25.69	25.25	25.52	25.17	24.74	25.02
Average Annual Salary	\$52,174	\$64,950	\$56,931	\$45,812	\$58,326	\$50,734	\$53,890	\$66,954	\$58,677
Average Annual Current Benefit	\$26,002	\$38,019	\$30,476	\$23,624	\$32,728	\$27,205	\$26,644	\$39,619	\$31,398

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

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

as of June 30, 2015

System / Class	Total Membership		
	Females	Males	Total
FRS - Regular	\$1,320,173,810	\$620,886,726	\$1,941,060,536
FRS - SMSC	39,766,483	44,272,748	84,039,231
FRS - Special Risk	97,038,293	539,094,531	636,132,824
FRS - Special Risk Adm. Sup.	61,776	442,672	504,448
FRS - EOC	17,113,512	45,686,449	62,799,961
TRS	912,097	0	912,097
<b>Total</b>	<b>\$1,475,065,971</b>	<b>\$1,250,383,126</b>	<b>\$2,725,449,097</b>

System / Class	State Membership		
	Females	Males	Total
FRS - Regular	\$238,743,945	\$134,398,790	\$373,142,735
FRS - SMSC	14,703,429	18,602,580	33,306,009
FRS - Special Risk	21,211,527	72,852,347	94,063,874
FRS - Special Risk Adm. Sup.	61,776	277,393	339,169
FRS - EOC	12,169,479	40,391,446	52,560,925
TRS	0	0	0
<b>Total</b>	<b>\$286,890,156</b>	<b>\$266,522,556</b>	<b>\$553,412,712</b>

System / Class	Non-State Membership <sup>1</sup>		
	Females	Males	Total
FRS - Regular	\$1,081,429,865	\$486,487,936	\$1,567,917,801
FRS - SMSC	25,063,054	25,670,167	50,733,221
FRS - Special Risk	75,826,766	466,242,184	542,068,950
FRS - Special Risk Adm. Sup.	0	165,279	165,279
FRS - EOC	4,944,033	5,295,003	10,239,036
TRS	912,097	0	912,097
<b>Total</b>	<b>\$1,188,175,815</b>	<b>\$983,860,569</b>	<b>\$2,172,036,384</b>

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

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

from July 1, 2014 - June 30, 2015

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular Class	11,187	25.52	\$53,841	\$22,059	\$24,629
FRS - Senior Management Service Class	209	27.33	101,082	45,888	51,077
FRS - Special Risk Class	1,204	24.93	77,952	54,378	60,340
FRS - Special Risk Admin Support Class	2	24.71	52,785	24,984	27,254
FRS - Elected Officers' Class	50	22.60	125,556	76,049	84,691
TRS	4	40.93	61,593	48,838	55,904
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

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

from July 1, 2014 - June 30, 2015

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	4	6.20	7,987	823	907
\$100 - \$149	36	7.42	13,308	1,383	1,516
\$150 - \$199	55	8.08	17,422	1,948	2,110
\$200 - \$249	96	8.60	20,109	2,479	2,699
\$250 - \$299	105	9.71	21,827	3,020	3,314
\$300 - \$349	82	10.63	24,377	3,576	3,906
\$350 - \$399	116	10.93	28,139	4,087	4,489
\$400 - \$449	134	12.05	28,602	4,665	5,105
\$450 - \$499	133	12.52	30,751	5,201	5,702
\$500 - \$999	1,556	17.53	34,679	8,376	9,186
\$1,000 - \$1,999	3,649	24.81	45,083	16,291	17,974
\$2,000 - \$2,999	3,250	28.91	60,204	26,725	29,781
\$3,000 - \$3,999	1,877	30.64	73,692	36,548	41,118
\$4,000 - \$4,999	742	30.12	86,884	47,529	53,257
\$5,000 or more	821	27.99	107,352	72,932	81,522
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

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

Lifetime Benefit (1)	7,193	25.12	\$55,782	\$25,622	\$28,520
Benefit with a Guarantee (2)	2,051	25.85	54,838	25,723	28,727
Member with a Joint Annuitant (3)	3,059	26.17	60,759	25,508	28,532
Reduced Benefit on 1st Death (4)	353	24.99	68,998	30,574	34,031
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

### By Employer Group

State	2,226	25.94	\$51,057	\$23,545	\$26,273
State University System	498	26.53	54,143	22,458	25,120
Counties	2,631	24.59	67,096	34,763	38,567
School Boards	6,416	25.66	54,754	22,885	25,605
Community Colleges	388	24.34	58,444	22,993	25,579
Cities and Special Districts	497	25.91	66,010	30,314	33,575
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 134-136.

<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, 2014 - June 30, 2015

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
6 - 9	544	7.75	\$37,597	\$4,854	\$5,332
10 - 14	955	12.58	41,565	8,476	9,325
15 - 19	1,370	17.56	48,590	14,029	15,495
20 - 24	1,712	22.43	54,474	20,126	22,177
25 - 29	2,153	26.87	66,939	37,499	41,357
30 - 34	5,433	30.96	60,583	29,947	33,645
35 or More Years	489	36.48	62,764	36,879	41,963
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

By Age Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less than 50	75	25.47	\$86,721	\$62,002	\$64,531
50 - 54	638	27.84	70,818	46,477	50,815
55 - 59	2,281	29.80	62,685	34,665	38,806
60 - 64	4,599	28.02	58,518	26,875	29,863
65 - 69	4,850	21.14	51,396	17,636	19,881
70 - 74	184	17.28	52,978	16,814	19,116
75 - 79	23	12.81	40,464	9,381	10,367
80 and Over	6	18.08	30,890	9,918	10,473
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	8,292	25.74	\$53,086	\$22,966	\$25,625
Male	4,364	25.02	65,019	31,036	34,572
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

By Cause of Termination	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Deceased	71	23.70	\$52,870	\$21,035	\$22,585
Termination	12,585	25.50	57,225	25,776	28,745
<b>Total / Average</b>	<b>12,656</b>	<b>25.49</b>	<b>\$57,201</b>	<b>\$25,749</b>	<b>\$28,710</b>

Average length of participation - 3.24 years

<sup>1</sup> Terminated DROP participants are also included with the statistics of all annuitants on pages 134-136.

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

<u>System / Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
FRS Pension Plan					
- Regular Class	280,910	294,413	306,121	319,663	332,410
- Senior Management Service Class	2,611	2,910	3,237	3,531	3,866
- Special Risk Class	26,808	28,295	29,743	31,314	33,076
- Special Risk Adm. Sup. Class	170	169	170	171	173
- Elected Officers' Class	2,187	2,189	2,311	2,310	2,397
<b>Subtotal</b>	<b>312,686</b>	<b>327,976</b>	<b>341,582</b>	<b>356,989</b>	<b>371,922</b>
TRS	4,762	4,557	4,326	4,084	3,873
TRS-SB	540	506	469	441	413
SCOERS	678	617	556	496	440
Highway Patrol	43	39	38	34	31
JRS	7	4	4	3	3
IFAS	165	171	172	169	170
<b>Subtotal</b>	<b>6,195</b>	<b>5,894</b>	<b>5,565</b>	<b>5,227</b>	<b>4,930</b>
<b>Total</b>	<b>318,881</b>	<b>333,870</b>	<b>347,147</b>	<b>362,216</b>	<b>376,852</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	43	32	25	22	18
National Guard	756	772	780	787	792
Judicial Retirement	8	7	9	8	9
Teachers (s. 238.171, F.S.)	1	1	1	1	0
<b>Total</b>	<b>808</b>	<b>812</b>	<b>815</b>	<b>818</b>	<b>819</b>
<b>Grand Total</b>	<b>319,689</b>	<b>334,682</b>	<b>347,962</b>	<b>363,034</b>	<b>377,671</b>

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

<u>System / Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
FRS Pension Plan					
- Regular Class	\$16,045	\$16,506	\$16,973	\$17,394	\$17,951
- Senior Management Service Class	43,503	44,557	45,495	46,518	47,373
- Special Risk Class	32,931	34,262	35,755	37,207	38,962
- Special Risk Adm. Sup. Class	33,847	34,764	35,700	36,338	37,499
- Elected Officers' Class	43,387	44,577	46,740	47,966	49,875
TRS	30,636	32,149	33,679	35,348	36,818
TRS-SB	1,882	1,883	1,885	1,887	1,885
SCOERS	9,607	10,224	10,889	11,209	12,152
Highway Patrol	18,818	17,666	18,314	18,576	19,373
JRS	19,074	14,996	15,446	13,607	14,016
IFAS	10,663	10,953	11,252	11,680	12,005
<b>Average</b>	<b>\$18,064</b>	<b>\$18,626</b>	<b>\$19,231</b>	<b>\$19,789</b>	<b>\$20,476</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$14,615	\$16,173	\$16,343	\$16,245	\$16,528
National Guard	18,274	18,120	18,381	18,306	18,178
Judicial Retirement	75,421	74,824	76,909	82,758	86,688
Teachers (s. 238.171, F.S.)	2,168	2,233	2,300	2,369	0
<b>Average</b>	<b>\$18,625</b>	<b>\$18,512</b>	<b>\$18,945</b>	<b>\$18,861</b>	<b>\$18,895</b>
<b>Average All Annuitants</b>	<b>\$18,066</b>	<b>\$18,625</b>	<b>\$19,230</b>	<b>\$19,765</b>	<b>\$20,472</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

<u>System / Class</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
FRS Pension Plan					
- Regular Class	\$4,507,199,721	\$4,859,628,720	\$5,195,856,141	\$5,560,290,675	\$5,967,096,004
- Senior Management Service Class	113,586,769	129,659,493	147,267,676	164,256,203	183,145,731
- Special Risk Class	882,805,653	969,448,345	1,063,459,505	1,165,109,331	1,288,693,588
- Special Risk Adm. Sup. Class	5,753,973	5,875,043	6,069,001	6,213,772	6,487,328
- Elected Officers' Class	94,886,960	97,579,092	108,016,759	110,800,310	119,550,041
<b>Subtotal</b>	<b>5,604,233,076</b>	<b>6,062,190,693</b>	<b>6,520,669,082</b>	<b>7,006,670,291</b>	<b>7,564,972,692</b>
TRS	145,890,628	146,500,765	145,695,711	144,359,396	142,594,320
TRS-SB	1,016,360	952,580	884,162	831,962	778,682
SCOERS	6,513,450	6,308,298	6,054,351	5,559,757	5,347,069
Highway Patrol	809,165	688,988	695,922	631,575	600,551
JRS	133,517	59,984	61,783	40,822	42,047
IFAS	1,759,476	1,873,044	1,935,281	1,973,905	2,040,823
<b>Subtotal</b>	<b>156,122,596</b>	<b>156,383,659</b>	<b>155,327,210</b>	<b>153,397,417</b>	<b>151,403,492</b>
<b>Total</b>	<b>\$5,760,355,672</b>	<b>\$6,218,574,352</b>	<b>\$6,675,996,292</b>	<b>\$7,160,067,708</b>	<b>\$7,716,376,184</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$628,433	\$517,544	\$408,570	\$357,397	\$297,496
National Guard	13,815,246	13,988,534	14,337,374	14,406,750	14,397,257
Judicial Retirement	603,368	523,766	692,184	662,067	780,195
Teachers (s. 238.171, F.S.)	2,168	2,233	2,300	2,369	0
<b>Total</b>	<b>15,049,215</b>	<b>15,032,077</b>	<b>15,440,428</b>	<b>15,428,583</b>	<b>15,474,948</b>
<b>Grand Total</b>	<b>\$5,775,404,887</b>	<b>\$6,233,606,429</b>	<b>\$6,691,436,720</b>	<b>\$7,175,496,291</b>	<b>\$7,731,851,132</b>
<b>Average All Annuitants</b>	<b>\$17,465</b>	<b>\$18,066</b>	<b>\$18,625</b>	<b>\$19,230</b>	<b>\$20,472</b>

**TOTAL DISABILITY BENEFITS BY SYSTEM / CLASS**  
as of June 30

<u>System / Class</u>	<u>Number of Retirees</u>		<u>Total Annual Benefits</u>		<u>Average Annual Benefits</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
FRS Pension Plan						
- Regular Class	14,089	14,087	\$173,717,651	\$178,994,618	\$12,330	\$12,706
- Senior Management Service Class	44	49	1,273,499	1,435,770	28,943	29,301
- Special Risk Class	1,532	1,536	40,553,872	42,162,632	26,471	27,450
- Special Risk Adm. Sup. Class	3	3	72,888	75,074	24,296	25,025
- Elected Officers' Class	6	6	212,796	219,180	35,466	36,530
FRS Investment Plan						
- Regular Class	243	285	3,448,372	4,041,346	14,191	14,180
- Senior Management Service Class	1	1	25,460	26,033	25,460	26,033
- Special Risk Class	83	94	2,834,326	3,502,392	34,149	37,259
- Special Risk Adm. Sup. Class	1	1	45,324	46,684	45,324	46,684
TRS	102	93	1,584,178	1,484,908	15,531	15,967
SCOERS	24	20	249,872	229,261	10,411	11,463
Highway Patrol	1	1	10,241	10,548	10,241	10,548
General Revenue	8	9	662,067	780,195	82,758	86,688
<b>Total / Average</b>	<b>16,137</b>	<b>16,185</b>	<b>\$224,690,546</b>	<b>\$233,008,641</b>	<b>\$13,924</b>	<b>\$14,397</b>

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

as of June 30, 2015

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>	285	16.90	\$40,720	\$12,612	\$14,180
FRS IP Senior Management Service Class <sup>2</sup>	1	10.33	100,891	25,223	26,033
FRS IP Special Risk Adm. Sup. Class <sup>2</sup>	1	32.91	49,487	39,288	46,684
FRS IP Special Risk Class <sup>2</sup>	94	16.81	56,008	33,239	37,259
FRS IP Elected Officers' Class <sup>2</sup>	1	17.75	143,640	48,645	51,268
FRS Pension Plan (PP) Regular Class	332,125	20.91	37,578	12,922	17,954
FRS PP Senior Management Service Class	3,865	24.28	94,696	37,058	47,379
FRS PP Special Risk Class	32,982	20.82	51,462	29,014	38,966
FRS PP Special Risk Adm. Sup. Class	172	25.16	48,482	24,202	37,446
FRS PP Elected Officers' Class	2,396	20.31	67,399	36,231	49,874
TRS	3,873	29.28	36,995	22,093	36,818
TRS-SB	413	0.00	0	2,289	1,885
Judicial Retirement System	3	11.71	20,160	11,089	14,016
Highway Patrol	31	25.29	16,396	14,536	19,373
SCOERS	440	23.05	13,201	6,219	12,152
IFAS	170	0.07	94	9,158	12,005
General Revenue	819	32.90	1,548	12,284	18,895
<b>Total / Average</b>	<b>377,671</b>	<b>21.01</b>	<b>\$39,405</b>	<b>\$14,804</b>	<b>\$20,472</b>

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

as of June 30, 2015

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
40 or More Years	1,973	42.32	\$51,246	\$36,378	\$54,628
35 - 39	9,173	36.79	48,289	30,164	46,398
30 - 34	87,114	30.94	50,424	25,362	35,681
25 - 29	46,449	26.95	48,944	24,250	32,547
20 - 24	53,896	22.29	40,311	13,909	18,811
15 - 19	62,096	17.35	34,845	9,200	12,488
10 - 14	83,281	12.16	28,543	5,356	7,343
5 - 9	31,954	7.80	29,757	3,892	4,823
Less Than 5 Years	503	2.08	12,578	9,047	14,218
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Age Range	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Under 40	1,448	17.99	\$38,429	\$6,991	\$8,402
40 - 44	770	16.42	37,390	10,295	11,250
45 - 49	2,165	17.29	45,164	17,743	18,517
50 - 54	8,139	19.49	46,484	20,111	22,052
55 - 59	25,267	20.93	45,476	18,733	21,653
60 - 64	61,524	22.02	45,923	18,026	22,021
65 - 69	95,882	21.27	43,775	16,017	21,056
70 - 74	72,796	20.63	39,158	13,929	20,095
75 - 79	47,810	20.32	33,974	12,112	19,205
80 - 84	32,112	21.02	30,404	11,558	19,946
85 and Older	28,520	21.18	24,438	9,733	18,681
Option 2 Payees - Member Deceased	6	22.34	59,632	11,614	12,503
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</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, 2015

By Option Selection <sup>2</sup>	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Lifetime Benefit (1)	219,809	20.29	\$37,437	\$14,053	\$19,432
Benefit with a Guarantee (2)	62,410	22.00	39,741	15,733	22,281
Member with a Joint Annuitant (3)	79,591	21.89	43,738	15,418	21,221
Reduced Benefit on First Death (4)	14,629	22.86	47,184	19,286	24,925
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Monthly Benefit Amount	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Less Than \$50	606	9.79	\$12,297	\$506	\$421
\$50 - \$99	3,270	9.34	11,211	858	951
\$100 - \$149	5,817	9.88	13,403	1,322	1,519
\$150 - \$199	7,949	10.60	15,984	1,808	2,108
\$200 - \$249	9,688	10.93	18,268	2,239	2,708
\$250 - \$299	10,625	11.44	19,685	2,680	3,307
\$300 - \$349	11,182	11.96	20,695	3,025	3,899
\$350 - \$399	11,191	12.60	22,359	3,503	4,495
\$400 - \$449	10,772	13.28	24,018	3,964	5,101
\$450 - \$499	10,351	13.76	25,399	4,444	5,695
\$500 - \$999	80,726	16.37	30,173	6,668	8,755
\$1000 - \$1999	91,392	22.42	39,381	12,901	17,369
\$2000 - \$2999	59,845	27.86	49,549	21,566	29,821
\$3000 - \$3999	33,341	30.05	58,206	28,854	41,256
\$4000 - \$4999	14,799	30.67	67,619	36,679	53,227
\$5000 or more	14,885	30.20	87,385	55,774	78,970
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Benefit Recipient	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Member Deceased	28,122	20.12	\$35,628	\$12,312	\$15,822
Member Living	348,317	21.08	39,845	15,026	20,874
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Retirement Date	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Before 12/1970	108	21.33	\$7,279	\$2,754	\$8,129
12/1970 - 6/1995	47,943	22.08	25,903	10,358	20,141
7/1995 - 6/2000	64,150	23.17	36,809	15,150	24,923
7/2000 - 6/2005	87,709	21.51	39,887	15,434	21,987
7/2005 - 6/2010	101,389	20.97	45,136	17,128	20,944
7/2010 - 6/2011	19,791	19.25	44,954	15,446	17,425
7/2011 - 6/2012	15,297	17.77	42,158	13,160	14,451
7/2012 - 6/2013	14,019	17.82	42,723	13,553	14,396
7/2013 - 6/2014	14,564	16.95	40,368	12,088	12,518
7/2014 - 6/2015	11,469	17.50	41,906	12,900	12,937
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Employer	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
State	76,547	20.85	\$37,124	\$13,841	\$19,104
State University System	17,986	22.20	44,322	16,441	22,850
Counties	83,239	19.29	44,176	17,226	22,906
School Boards	174,711	21.89	37,259	13,856	19,655
Community Colleges	12,272	20.98	43,558	15,553	22,029
Cities and Special Districts	11,684	19.41	44,545	15,349	19,800
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</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, 2015

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	239,102	21.04	\$35,952	\$13,145	\$17,914
Male	137,337	20.97	45,760	17,745	24,992
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

By Type of Retirement	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Line of Duty Death	368	10.26	\$32,483	\$16,078	\$27,109
Not Line of Duty Death	9,081	17.77	34,877	7,121	10,844
Line of Duty Disability	3,493	14.65	30,027	14,011	20,013
Not Line of Duty Disability	12,684	17.54	31,741	9,558	12,802
Early	97,694	16.92	33,887	8,801	11,930
Normal	253,119	22.98	42,407	17,697	24,532
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</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	75,140	17.97	\$42,615	\$13,588	\$14,618
5 - 10	101,389	20.97	45,136	17,128	20,944
10 - 15	87,709	21.51	39,887	15,434	21,987
15 - 20	64,150	23.17	36,809	15,150	24,923
20 - 25	26,728	22.29	29,961	11,870	21,877
25 - 30	13,001	22.01	23,440	9,413	19,356
30 - 35	6,120	21.82	18,028	7,631	16,861
35 - 40	1,703	20.84	13,081	5,250	12,947
40 or More Years	499	19.50	9,018	3,192	9,764
<b>Total / Average</b>	<b>376,439</b>	<b>21.01</b>	<b>\$39,530</b>	<b>\$14,823</b>	<b>\$20,496</b>

Average duration of benefit payments in years - 11.09 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	306	17.18	\$41,310	\$9,444	\$9,483
1 - 2	155	16.09	38,023	9,312	9,335
2 - 3	111	19.23	44,892	13,242	13,709
3 - 4	132	18.53	45,981	13,933	14,707
4 - 5	157	20.28	42,659	13,482	14,392
5 - 10	735	19.48	41,497	14,260	15,821
10 - 15	464	20.37	40,518	14,809	17,204
15 - 20	689	23.97	41,834	19,965	24,478
20 - 25	305	23.40	35,435	17,508	22,743
25 - 30	166	25.39	30,002	17,683	23,561
30 - 35	65	29.08	24,748	19,261	26,147
35 - 40	16	26.86	16,758	13,392	18,885
40 or More Years	8	18.00	11,327	8,038	12,404
<b>Total / Average</b>	<b>3,309</b>	<b>21.04</b>	<b>\$39,941</b>	<b>\$15,314</b>	<b>\$17,980</b>

Average duration of benefit payments in years - 11.34 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, 2015

By Retirement Age	Retirees	Retirees' Total		Beneficiaries' Total	
		Annual Benefits	Beneficiaries	Annual Benefits	
Under 40	918	\$11,761,973	291	\$4,680,741	
40 - 44	2,823	47,141,811	732	7,321,983	
45 - 49	14,895	400,219,953	2,190	25,000,151	
50 - 54	59,972	1,698,191,326	4,732	74,968,564	
55 - 59	88,680	2,089,448,984	6,499	112,297,688	
60 - 64	137,453	2,400,802,815	8,714	145,570,287	
65 - 69	32,821	495,975,414	3,426	56,485,544	
70 - 74	7,691	98,844,457	1,032	14,395,641	
75 - 79	2,354	23,292,589	372	3,199,503	
80 - 84	592	4,145,651	100	660,678	
85 and Older	118	814,539	34	377,211	
<b>Total</b>	<b>348,317</b>	<b>\$7,270,639,512</b>	<b>28,122</b>	<b>\$444,957,991</b>	

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

as of June 30, 2015

By Years of Service	Retirees	Retirees' Total		Beneficiaries' Total	
		Annual Benefits	Beneficiaries	Annual Benefits	
Less Than 5 Years	355	\$4,647,675	148	\$2,504,142	
5 - 9	29,815	143,755,436	2,139	10,350,194	
10 - 14	76,108	566,287,730	7,173	45,263,541	
15 - 19	56,568	716,453,968	5,528	59,018,698	
20 - 24	49,204	938,469,469	4,692	75,361,533	
25 - 29	43,061	1,427,416,711	3,388	84,347,400	
30 - 34	83,425	2,995,346,438	3,689	112,984,274	
35 - 39	8,148	385,980,637	1,025	39,629,271	
40 or More Years	1,633	92,281,448	340	15,498,938	
<b>Total</b>	<b>348,317</b>	<b>\$7,270,639,512</b>	<b>28,122</b>	<b>\$444,957,991</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	2011	2012	2013	2014	2015
Line of Duty Death	368	367	373	372	368
Not Line of Duty Death	8,613	8,784	8,878	9,019	9,081
Line of Duty Disability	3,511	3,519	3,525	3,506	3,493
Not Line of Duty Disability	12,032	12,304	12,484	12,625	12,684
Early	84,739	88,838	91,872	95,385	97,694
Normal	209,078	219,552	229,546	240,868	253,119
<b>Total</b>	<b>318,341</b>	<b>333,364</b>	<b>346,678</b>	<b>361,775</b>	<b>376,439</b>

## TOTAL FRS ANNUAL BENEFITS BY TYPE OF RETIREMENT

as of June 30

Type of Retirement	2011	2012	2013	2014	2015
Line of Duty Death	\$8,710,346	\$9,077,824	\$9,512,153	\$9,760,000	\$9,976,101
Not Line of Duty Death	87,418,800	90,568,179	92,526,753	95,860,703	98,471,096
Line of Duty Disability	60,187,785	62,641,326	65,402,997	67,518,857	69,904,011
Not Line of Duty Disability	136,770,717	144,153,894	150,731,440	156,608,204	162,375,701
Early	883,258,727	958,161,881	1,026,813,607	1,097,584,190	1,165,451,287
Normal	4,582,992,936	4,953,018,666	5,330,125,178	5,731,903,792	6,209,419,306
<b>Total</b>	<b>\$5,759,339,311</b>	<b>\$6,217,621,770</b>	<b>\$6,675,112,128</b>	<b>\$7,159,235,746</b>	<b>\$7,715,597,502</b>

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

as of June 30

Type of Retirement	2011	2012	2013	2014	2015
Line of Duty Death	8	6	5	2	3
Not Line of Duty Death	286	308	266	276	237
Line of Duty Disability	75	67	60	55	57
Not Line of Duty Disability	636	636	560	576	545
Early	5,081	5,170	4,303	4,924	3,751
Normal	6,557	6,182	6,263	7,142	6,876
<b>Total</b>	<b>12,643</b>	<b>12,369</b>	<b>11,457</b>	<b>12,975</b>	<b>11,469</b>

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

as of June 30

Type of Retirement	2011	2012	2013	2014	2015
Line of Duty Death	\$185,487	\$134,331	\$129,637	\$46,977	\$79,302
Not Line of Duty Death	2,643,466	2,401,478	2,046,809	2,625,299	2,189,212
Line of Duty Disability	1,740,980	1,522,954	1,618,869	1,272,266	1,730,607
Not Line of Duty Disability	7,770,379	7,780,479	7,033,716	6,931,219	7,051,061
Early	47,274,034	48,767,649	40,969,304	44,563,965	36,803,052
Normal	95,491,247	85,381,239	87,971,909	93,486,455	100,518,086
<b>Total</b>	<b>\$155,105,593</b>	<b>\$145,988,130</b>	<b>\$139,770,244</b>	<b>\$148,926,181</b>	<b>\$148,371,320</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	Less Than 5 <sup>1</sup>	Years of Creditable Service							40 or More	
		5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39		
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
2007	Average Annual Benefit	\$11,340	\$4,137	\$5,734	\$9,603	\$14,114	\$23,135	\$28,508	\$36,534	\$43,316
	Average AFC	\$16,487	\$25,220	\$23,424	\$28,135	\$31,850	\$38,299	\$42,589	\$40,185	\$42,767
	Count	347	13,438	67,175	46,894	39,481	31,601	52,376	9,407	2,479
2006	Average Annual Benefit	\$10,801	\$4,138	\$5,543	\$9,266	\$13,595	\$22,031	\$27,705	\$35,424	\$41,729
	Average AFC	\$15,723	\$24,688	\$22,799	\$27,274	\$30,950	\$37,087	\$41,559	\$39,554	\$41,923
	Count	340	10,901	65,570	45,168	38,151	30,105	48,186	9,474	2,601

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



## FRS RETIREES BY STATE

as of June 30, 2015



## FRS RETIREES OUTSIDE THE UNITED STATES

as of June 30, 2015

Antilles (1)	Cayman Islands (1)	Guam (2)	Pakistan (1)	Trinidad & Tobago (3)
Argentina (4)	Chile (4)	Guatemala (2)	Panama (7)	Turkey (1)
Armed Forces (39)	China (3)	Hungary (4)	Peru (6)	United Arab Emirates (1)
Armenia (1)	Colombia (15)	India (4)	Philippines (15)	United Kingdom (48)
Aruba (1)	Costa Rica (8)	Israel (12)	Poland (2)	Uruguay (2)
Australia (19)	Croatia (1)	Italy (4)	Portugal (2)	Vietnam (1)
Bahamas (4)	Czech Republic (1)	Jamaica (8)	Puerto Rico (218)	Virgin Islands (18)
Barbados (2)	Dominican Republic (3)	Japan (1)	Romania (1)	West Indies (20)
Belize (1)	Ecuador (7)	Mexico (13)	South Africa (1)	Other (22)
Bolivia (1)	Egypt (2)	Micronesia (1)	Spain (20)	
Bosnia-Herzegovina (1)	Finland (2)	Monaco (1)	Switzerland (3)	
Brazil (2)	France (8)	Netherlands (1)	Syria (1)	
Bulgaria (2)	Germany (22)	New Zealand (10)	Thailand (21)	
Canada (90)	Greece (6)	Nicaragua (3)	Tonga (1)	

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

as of June 30

By System / Class	2011 <sup>1</sup>	2012 <sup>1</sup>	2013	2014	2015
FRS - Regular Class	1,668	2,783	4,160	5,562	6,709
- Senior Management Service Class	32	54	86	113	150
- Special Risk Class	143	284	550	817	1,062
- Elected Officers' Class	33	36	70	82	102
<b>Total</b>	<b>1,876</b>	<b>3,157</b>	<b>4,866</b>	<b>6,574</b>	<b>8,023</b>

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

as of June 30, 2015

By Employer Group	Count	Average Length of Employment	Average Salary
State	1,881	1.89	\$33,950
State University System	415	2.23	56,448
School Boards	3,373	2.15	28,573
Counties	1,582	1.92	33,094
Community Colleges	392	2.16	32,934
Cities and Special Districts	380	1.89	30,185
<b>Total / Average</b>	<b>8,023</b>	<b>2.03</b>	<b>\$32,456</b>

By Age Range			
	Count	Average Length of Employment	Average Salary
Less than 30	84	1.31	\$24,504
30 - 39	968	1.85	34,330
40 - 49	1,396	1.99	35,527
50 - 59	2,043	1.88	33,046
60 - 69	2,763	2.15	32,495
70 and Over	769	2.40	23,689
<b>Total / Average</b>	<b>8,023</b>	<b>2.03</b>	<b>\$32,456</b>

By Gender			
	Count	Average Length of Employment	Average Salary
Female	4,628	2.05	\$29,623
Male	3,395	2.01	36,319
<b>Total / Average</b>	<b>8,023</b>	<b>2.03</b>	<b>\$32,456</b>

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

# System Summary Section



American Black Bear.

## **CHRONOLOGICAL HIGHLIGHTS OF STATE-ADMINISTERED RETIREMENT AND PENSION SYSTEMS SINCE 2000**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# FRS PARTICIPATING EMPLOYERS

as of June 30, 2015

## 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 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  
Chautauqua Learn and Serve Charter School  
City of Callaway<sup>2,3,4</sup>  
City of Mexico Beach<sup>1,4</sup>  
*City of Panama City*  
City of Parker  
City of Springfield  
Clerk of Circuit Court  
Gulf Coast State College  
North Bay Haven Charter Career School  
North Bay Haven Charter Elementary School  
North Bay Haven Charter Middle School

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

#### BRADFORD COUNTY

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

#### BREVARD COUNTY

Board of County Commissioners  
Eastern Florida State College  
*Canaveral Port Authority*  
City of Cocoa<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  
Merritt Island Public Library Tax District  
Property Appraiser  
School Board  
Sebastian Inlet District  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Malabar  
Town of Melbourne Beach<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  
Charter School of Excellence Fort Lauderdale 1 Campus  
Charter School of Excellence Fort Lauderdale 2 Campus  
Charter School of Excellence Riverland 1 Campus  
Charter School of Excellence Riverland 2 Campus  
Charter School of Excellence Tamarac 1 Campus

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

<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 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 Lauderdale Lakes*  
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  
*Fort Lauderdale Downtown Development  
Authority*  
Hillsborough Inlet Improvement and  
Maintenance  
*North Broward Hospital District*  
Old Plantation Water Control District  
Paragon Elementary Charter School  
Plantation Acres Improvement District  
Property Appraiser  
School Board  
Sheriff  
Smart School, Inc.  
South Broward Drainage District  
South Florida Regional Planning Council  
Sunrise Community Charter School  
Sunshine Elementary Charter School  
Supervisor of Elections  
Tax Collector  
Town of Hillsboro Beach <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  
City of Crystal River  
City of Inverness <sup>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>  
Clay County Utility Authority  
Clerk of Circuit Court  
First Coast Workforce Consortium  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **COLLIER COUNTY**

Board of County Commissioners  
*City of Marco Island*  
Clerk of Circuit Court  
Collier County Soil and Water  
Conservation District  
Collier Mosquito Control District  
Golden Gate Fire Control District  
Immokalee Fire Control District  
Marco Island Academy  
Marco Island Charter Middle School  
*Marco Island Fire Control District*  
North 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  
*Joshua Water Control District*  
Property Appraiser

School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **DIXIE COUNTY**

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

#### **DUVAL COUNTY**

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

#### **ESCAMBIA COUNTY**

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

#### **FLAGLER COUNTY**

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

#### **FRANKLIN COUNTY**

Apalachicola Housing Authority  
Board of County Commissioners  
City of Apalachicola <sup>1,4</sup>  
City of Carrabelle <sup>1,3,4</sup>  
Clerk of Circuit Court  
Eastpoint Water and Sewer District  
Property Appraiser  
School Board

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

<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.

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  
Pemayetv Emahakv, Inc.  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **GULF COUNTY**

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

#### **HAMILTON COUNTY**

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

#### **HARDEE COUNTY**

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

Sheriff  
Supervisor of Elections  
Tax Collector

#### **HENDRY COUNTY**

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

#### **HERNANDO COUNTY**

Board of County Commissioners  
City of Brooksville <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>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  
*City of Temple Terrace*  
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  
*Jackson Hospital*  
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  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **LAFAYETTE COUNTY**

Board of County Commissioners  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Mayo <sup>3,4</sup>

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

<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.

**LAKE COUNTY**

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

**LEON COUNTY**

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

**LEVY COUNTY**

Board of County Commissioners  
 City of Cedar Key <sup>1</sup>  
 City of Chiefland  
 City of Fanning Springs  
 Clerk of Circuit Court  
 Levy County Housing Authority  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Inglis <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  
 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>  
 West Manatee Fire and Rescue District  
 William Monroe Rowlett Academy for the  
 Arts and Communication

**MARION COUNTY**

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

**MARTIN COUNTY**

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

**MIAMI - DADE COUNTY**

The Children's Trust  
 City of Doral <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</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  
 Miami-Dade Police Department  
 Property Appraiser

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

<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.

*Public Health Trust Jackson Memorial*

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>  
*City of Valparaiso*  
Clerk of Circuit Court  
Liza Jackson Preparatory School  
Northwest Florida State College  
*Okaloosa County Gas District*  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
*Town of Shalimar*

**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

Central Florida Regional Transit Authority  
City of Edgewood  
*City of Maitland*  
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**

*Acme Improvement District*  
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 Greenacres*  
*City of Pahokee*  
City of Palm Beach Gardens <sup>3,4</sup>  
City of Riviera Beach <sup>3</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 Indian River Water Control 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 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 Tequesta*  
Village of Palm Springs <sup>1,3,4</sup>  
Village of Wellington <sup>3,4</sup>  
Western Academy Charter School

**PASCO COUNTY**

Board of County Commissioners  
*City of Dade City*  
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  
*Pasco County Housing Authority*  
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 Belleair Beach*  
*City of Dunedin*  
*City of Indian Rocks Beach*  
City of Madeira Beach <sup>2,4</sup>  
City of Oldsmar <sup>2</sup>  
*City of Safety Harbor*  
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

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

<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.

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 Beach*  
Town of Redington Shores<sup>3,4</sup>

#### **POLK COUNTY**

Berkley Accelerated Middle School  
Berkley Charter School  
Board of County Commissioners  
Clerk of Circuit Court  
Compass Charter Middle School  
Dale R. Fair Babson Park Elementary School  
Discovery Academy of Lake Alfred  
Edward W. Bok Academy, Inc.  
Hillcrest Elementary School  
Janie Howard Wilson Elementary School  
Lake Wales Charter School, Inc.  
Lake Wales Senior High School  
New Beginnings High School, Inc.  
Oaks Middle Academy  
Our Children's Middle Academy  
Polk Avenue Elementary School  
Polk State College  
Property Appraiser  
Ridgeview Global Studies Academy  
School Board  
Sheriff  
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  
*North Saint Lucie River Water Management District*  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **SANTA ROSA COUNTY**

Avalon Fire Rescue District  
Board of County Commissioners  
*City of Gulf Breeze*  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Jay<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 Altamonte Springs*  
*City of Casselberry*  
*City of Longwood*  
City of Sanford<sup>3,4</sup>  
Clerk of Circuit Court  
Property Appraiser  
School Board  
Seminole State College of Florida  
Sheriff  
*South Seminole-North Orange Wastewater Authority*  
Supervisor of Elections  
Tax Collector

#### **SUMTER COUNTY**

Board of County Commissioners  
*City of Bushnell*

City of Center Hill<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  
*New Smyrna Beach Utilities Commission*  
Property Appraiser  
School Board  
Sheriff  
Southeast Volusia Hospital District  
Supervisor of Elections

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

<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 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 COUNTY**

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

**WALTON COUNTY**

Board of County Commissioners  
 City of DeFuniak Springs

City of Freeport <sup>2,3,4</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Seaside Neighborhood Charter School  
 Sheriff  
 South Walton Mosquito Control District  
 Supervisor of Elections  
 Tax Collector  
 Walton Academy

**WASHINGTON COUNTY**

Board of County Commissioners  
 City of Chipley  
 City of Vernon <sup>3,4</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Town of Wausau <sup>3,4</sup>

**SUMMARY**

State	45
State Universities	12
County Agencies	396
School Boards	67
Community Colleges	28
Cities	189
Independent Hospitals	6
Special Districts	261
Other	12
<b>Total</b>	<b>1,016*</b>

\* This total includes the 23 cities, five independent hospitals, and 11 independent special districts that are closed to new FRS members as of Jan. 1, 1996.

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

<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.

## POLICE AND FIREFIGHTERS' PREMIUM TAX TRUST FUND

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

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

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

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

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

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

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722  
Fax: (850) 488-6975

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

## **INDEPENDENT AUDITOR'S REPORT 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, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 25, 2016, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies,

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 25, 2016  
Audit Report No. 2016-097

## NOTES

## NOTES

## NOTES

[Inside Back Cover]

