



Florida Retirement System

# Status Quo Not an Option: FRS Cost Increases Highlight Need for Reform

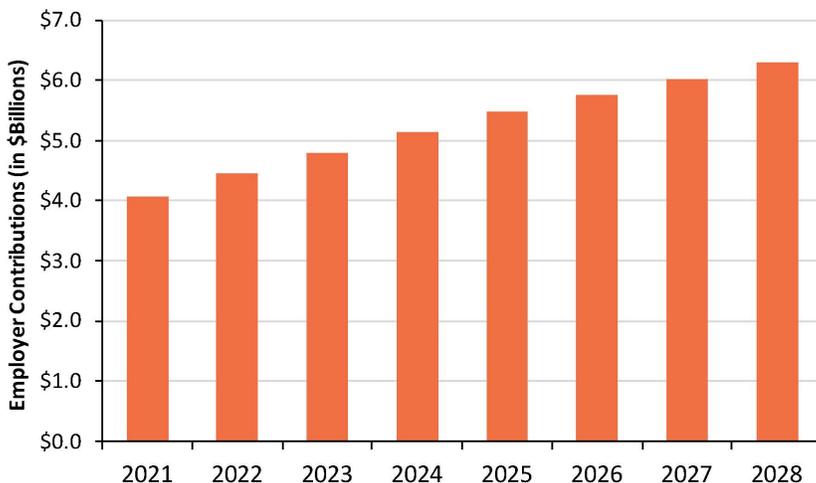
- The leading contributor to Florida’s \$36 billion in unfunded pension liabilities since 2001 has been overly optimistic investment return expectations.
- Analysis of capital market assumptions reported by major financial firms (BlackRock, BNY Mellon, JPMorgan, and Research Affiliates) suggests that over a 10 to 15 year period, FRS returns are likely to fall short of their 7% investment return assumption.
- Long-term projections are more optimistic and less reliable the further into the future because they rely on an assumption that the future will repeat the past.
- Experience over the next 10 to 15 years will be more influential to the cost and funding trajectory of the fund. Funding shortfalls now mean higher pension debt in the future.
- Reason Foundation analysis of major capital market forecasts show FRS is much more likely to average an investment return of closer to 6% over the next 10 to 15 years.

# 25%-45%

**Reason Foundation’s estimated probability of FRS achieving its assumed investment return rate of 7% over the next 10-to-15 years.**

Results represent range of probabilities from return forecasts of several market research firms applied to the current FRS investment strategy.

## Forecast of FRS Employer Contributions



## Weak FRS Investment Returns Already Impact Employers

In the next 8 years employer cost are expected to rise \$2.3 billion, or the entire amount Florida spends on highway and bridge construction each year.

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