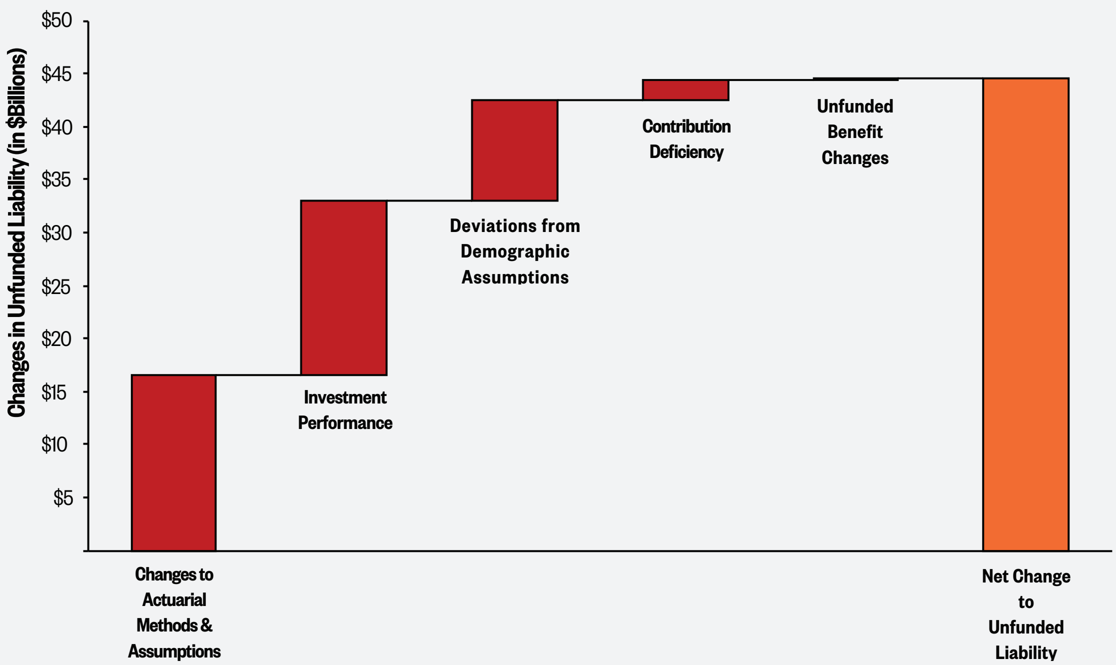
FLORIDA RETIREMENT SYSTEM (FRS)

2016 Reforms Did Not Address All FRS Pension Plan Challenges

Despite changes made in 2016, the Florida Retirement System (FRS) reported a record-high unfunded pension liability of $36 billion in 2020. An analysis of historical FRS reports going back to 2009 makes it possible to identify the key factors driving growth in FRS's unfunded liability—ones the 2016 reform did not address.

Actuarial Experience of FRS, 2009-2020



Source: Pension Integrity Project analysis of FRS valuation reports and CAFRs.
Demographic assumptions include: Age & Service Retirements, Withdrawal From Employment, Number of New Members, and others.

Volatility:

- FRS actuarial assumptions place the probability of achieving a 7.0% return over the next decade around 59%, though other industry models calculate the probability could be as low as 28%
- Each year investment expectation are not met, FRS is unable to compound the earnings, growing pension debt

Unrealistic Investment Return Expectations:

- Underperforming investments added $16.3 billion to the FRS unfunded liability since 2009
- FRS decreased its historic 8% rate of return to 7.0% in response to significant market changes
- Presenters at the 2020 FRS Actuarial Conference suggested return assumptions within the range of 6.56% (Milliman) to 6.46% (Aon)

Interest on Pension Debt:

- Net interest on FRS pension debt has added $14 billion to the unfunded liability since 2010
- FRS uses 30-year schedules to re-amortize its unfunded liabilities, which frequently leads to amortization payments less than accrued interest

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