

# Florida Retirement System Pension Plan And Other State Administered Systems Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2016





Florida Retirement System Pension Plan And  
Other State Administered Retirement Systems  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016



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Rick Scott, Governor  
Chad Poppell, Secretary  
Elizabeth Stevens, State Retirement Director

The photographs used throughout this report represent various hiking trails across the State of Florida. On the cover is a photograph of the Boardwalk in Big Cypress Swamp National Preserve in South Florida. This report has been prepared by the Department of Management Services Division of Retirement and Division of Finance and Administration.

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# Introductory Section



Kitching Creek Trail, Jonathan Dickinson State Park, Jupiter



Rick Scott, Governor

Chad Poppell, Secretary

## Letter of Transmittal

Dear Members:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the state retirement systems administered by the Department of Management Services' Division of Retirement (division). This annual report covers the period from July 1, 2015 through June 30, 2016. 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 fourth largest state retirement system that provides retirement, disability or death benefits to 394,907 retirees or their designated beneficiaries and 29,602 active Deferred Retirement Option Program (DROP) participants and offers a wide range of information services to 630,350 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, 2016, the FRS had 1,029 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. Oversight is provided to local government pension plans with premium tax collections distributed to eligible municipal police and firefighter plans.

### Economic Condition

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

As of June 30, 2016, the market value of assets for the FRS Pension Plan was approximately \$141.3 billion. This reflects a 0.54 percent annualized investment return. The fiduciary net position as of June 30, 2016, was \$141.8 billion, a 4.45 percent decrease from the previous year. The FRS Pension Plan is 84.9 percent funded on a Governmental Accounting Standards Board Statement No. 67 reporting basis.

Since the benefit payments are not all immediately payable, the SBA can maintain a long-term investment strategy. This approach, along with a well-diversified investment portfolio, helps weather periods of volatility in the investment markets.

## Legislation

The Florida Legislature enacted the following substantive changes during the 2016 Legislative Session:

- Created enhanced survivor benefits for Special Risk Class members who are killed in the line of duty on or after July 1, 2013 for benefit payments on or after July 1, 2016, with the following stipulations:
  - The benefit payable to the surviving spouse or on behalf of an eligible dependent child or children of a Pension Plan Special Risk Class member is increased from 50 percent to 100 percent of the member's base monthly salary at the time of death.
  - A new benefit for the surviving spouse or on behalf of an eligible dependent child or children of an Investment Plan Special Risk Class member is created, with the benefit payable equal to 100 percent of the member's base monthly salary at the time of death. The member's Investment Plan account balance must be transferred to the Survivor Benefit Account of the FRS Trust Fund if the in-line-of-duty death benefit is approved.
  - If there is no surviving spouse, the eligible child or children will receive benefits until the youngest unmarried child reaches age 18. The benefits may be extended up to age 25 if the eligible surviving child is unmarried and enrolled as a full time student
- Established uniform employer contribution rates for the FRS membership classes and the contribution rate for the Deferred Retirement Option Program (DROP) effective July 1, 2016. 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 administrative and educational assessment fee for the FRS Investment Plan from 0.04 percent to 0.06 percent effective July 1, 2016.

## Awards and Recognition

The FRS was awarded the Public Pension Coordinating Council's Public Pensions Standards Award for Funding and Administration in 2016. This award recognizes plans that meet professional standards for plan funding and administration in categories such as benefits, actuarial valuations, financial reporting and communications to members.

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

Respectfully submitted,



Elizabeth Stevens  
State Retirement Director

## MANAGEMENT STAFF

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



Chad Poppell  
Secretary



Elizabeth Stevens  
Director



Shirley Beauford  
Assistant Director



Delanah Gebhart, Manager  
Administrative Services



Garry Green, Manager  
Research and Education



Todd McCullough, Manager  
Contact Center



Kathy Gould, Chief  
Bureau of Retirement  
Calculations



Keith Brinkman, Chief  
Bureau of Local Retirement  
Systems



Joyce Morgan, Chief  
Bureau of Enrollment and  
Contributions



Kelly Recio, Chief  
Bureau of Benefit Payments

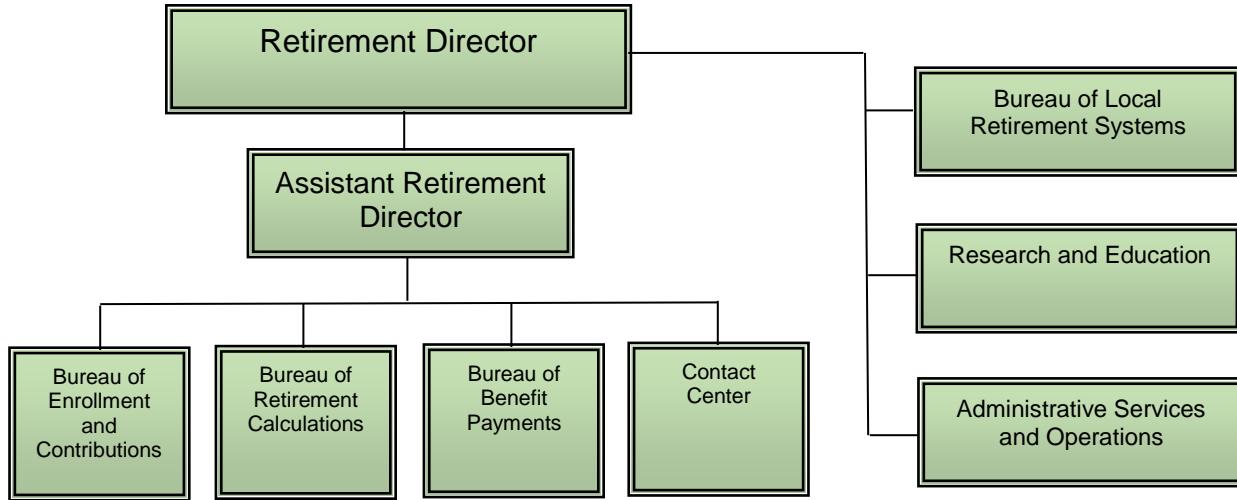
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Division of Retirement

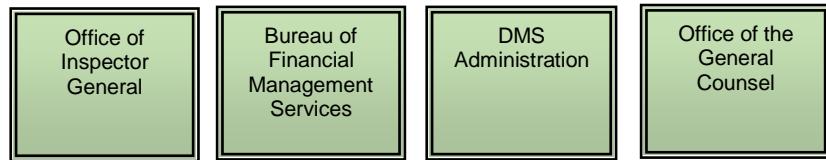
P.O. Box 9000

Tallahassee, Florida 32315-9000

## ADMINISTRATIVE ORGANIZATION as of June 30, 2016



The following sections are managed at the department level:



## CONSULTING SERVICES

### Actuary

Milliman, Inc., Consultants and Actuaries  
Portland, Oregon

### Information Technology

Deloitte  
Tallahassee, Florida

### Investment

State Board of Administration  
Tallahassee, Florida



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2016***

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 fluid and cursive, with "Alan" and "H." being more stylized and "Winkle" being more legible.

Alan H. Winkle  
Program Administrator



## Financial Section



Palm tree lined forest trail in Paynes Prairie State Park, Micanopy



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the fiduciary funds, governmental fund, and governmental activities of the Florida Retirement System Pension Plan and Other State-Administered Systems (System) administered by the Florida Department of Management Services, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the assets and investment income of the Florida Retirement System Defined Benefit Plan which represent 99 percent of the assets and 20 percent of the additions of the Florida Retirement System Defined Benefit Plan as reported on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position, respectively. Those assets and additions were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Florida Retirement System Defined Benefit Plan, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds, governmental fund, and governmental activities of the System, as of June 30, 2016, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 1, the financial statements present only the Florida Retirement System Pension Plan and Other State-Administered Systems and do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2016, 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.I., a restatement increased the July 1, 2015, beginning fund balance/net position of the Police and Firefighters' Premium Tax Trust Fund's Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities to recognize a correction for amounts due to other governmental units. Our opinion is not modified with respect to this matter.

As discussed in Note 4.A., the System's consulting actuary noted that the reduced investment return assumption adopted by the Florida Retirement System Actuarial Assumption Conference conflicts with the actuary's judgment of a reasonable assumption as defined by Actuarial Standard of Practice No. 27. Our opinion is not modified with respect to this matter.

As discussed in Management's Discussion and Analysis, the ability of the current statutory contribution rate to pay full Retiree Health Insurance Subsidy (HIS) Program 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. 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 75 through 82, and required budgetary information on pages 83 through 84, 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 87 through 155, and the Schedule of Administrative Expenses on page 86, 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 by us 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. In our opinion, based on our audit and the procedures performed as described above, the Schedule of Administrative Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, Statistical, and System Summary Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 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  
December 15, 2016  
Audit Report No. 2017-073

## 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, 2016. This section should be read in conjunction with the financial statements and other information provided in this Comprehensive Annual Financial Report (CAFR).

The Florida Retirement System (FRS) Pension Plan is the primary retirement plan administered by the division. It is a section 401(a), Internal Revenue Code, qualified cost-sharing, multiple-employer defined benefit plan for participating public employers and their covered employees. In addition to the FRS Pension Plan, the division administers several smaller plans and other retirement activities, including the:

- Retiree Health Insurance Subsidy (HIS) Program, a supplemental benefit provided to eligible FRS retirees that is treated as a defined benefit plan for reporting purposes;
- State University System Optional Retirement Program (SUSORP), a section 403(b), Internal Revenue Code, qualified defined contribution plan for faculty members of the State University System Executive Service, and administrative and professional staff positions that are exempt from career service;
- Senior Management Service Optional Annuity Program (SMSOAP), a section 401(a), Internal Revenue Code, qualified defined contribution plan for state senior managers;
- Police and Firefighters' Premium Tax Trust Fund, a supplemental funding of defined benefit plans for municipal police officers and firefighters who are not in the FRS;
- Florida National Guard Supplemental Retirement (National Guard) Plan; and
- Various General Revenue funded pension programs.

The division's responsibilities include making benefit payments to retirees, collecting contributions to the plans and transmitting contributions to the State Board of Administration (SBA) and other third party providers for investment, and directing actuarial studies. The SBA is responsible for, among other duties, investing defined benefit retirement fund assets consistent with statutory authority. The Florida Legislature is responsible for establishing plan structure, benefit levels and contribution rates, and providing statutory authority for the administration of the state-administered retirement systems.

### Financial and Actuarial Highlights

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

The FRS Pension Plan represents over 99.8 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 during the year ended June 30, 2016; the fiduciary net position of the FRS Pension Plan decreased to \$141.8 billion, a decrease of \$ 6.7 billion, or 4.45 percent below fiscal year 2015. 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 \$141.3 billion. The FRS earned an overall investment return of 0.54 percent for fiscal year 2016, compared with a return of 3.67 percent for fiscal year 2015.
- 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, 2016, the date of the latest actuarial valuation, the FRS' funded ratio was 85.4 percent on the valuation funding basis, as compared to 86.5 percent as of July 1, 2015. The funded ratio on the Governmental Accounting Standards Board Statement No. 67 basis was 84.9 percent as of July 1, 2016, as compared to 92.0 percent in the prior year.

- Administrative expense of the plan for fiscal year 2016 totaled \$18.5 million as compared to \$18.0 million for fiscal year 2015. Administrative expenses reported on the Statement of Changes in Fiduciary Net Position for fiscal year 2016 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 2016 totaled \$3.15 billion, an increase of 0.4 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 2016 increased 9.0 percent or \$0.8 billion over fiscal year 2015 benefit payments, for a total of \$10.1 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 remaining members of this large group completed DROP and were added to the retired payroll for monthly benefits in this fiscal year or will be added to the retired payroll for monthly benefits early in the next fiscal year.
- Refunds of employee and employer contributions increased by \$1.2 million in fiscal year 2016 to a total of \$10.6 million.

#### *Actuarial Valuations*

- The FRS actuarial valuation was prepared as of July 1, 2016.
- The HIS actuarial valuation was prepared as of July 1, 2016.
- The National Guard actuarial valuation was prepared as of July 1, 2016.
- 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, 2016, accumulated HIS assets constituted approximately three months of projected benefit payments. The ability of the current statutory contribution rate to pay full HIS benefits is very sensitive to near-term demographic experience, particularly the volume and timing of retirements and the amount of payroll on which the statutory rate is charged.

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

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

## **Overview of the Financial Statements**

As required by generally accepted accounting principles, the 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, 2016:

- 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 \$142.1 billion, with the defined benefit plans comprising over 99.8 percent of the total. Net position decreased 4.37 percent from the previous year's total net position of \$148.6 billion.

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

As of June 30

(in thousands)

	Defined Benefit Plans		Defined Contribution Plans		Governmental Activities		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$ 145,735,865	\$ 160,290,145	\$ 5,018	\$ 4,303	\$ 250,424	\$ 236,975	\$ 145,991,307	\$ 160,531,423
Cash and investments								
Other assets	6,779,650	4,474,569	23	25	5,322	3,704	6,784,995	4,478,298
Total assets	152,515,515	164,764,714	5,041	4,328	255,746	240,679	152,776,302	165,009,721
Total deferred outflows of resources	-	-	25	21	-	-	25	21
Total liabilities	10,620,736	16,259,547	417	215	84,151	166,388	10,705,304	16,426,150
Total deferred inflows of resources	-	-	14	42	-	-	14	42
<b>Fiduciary net position / net position</b>	<b>\$ 141,894,779</b>	<b>\$ 148,505,167</b>	<b>\$ 4,635</b>	<b>\$ 4,092</b>	<b>\$ 171,595</b>	<b>\$ 74,291</b>	<b>\$ 142,071,009</b>	<b>\$ 148,583,550</b>

### **Statements of Changes in Fiduciary Net Position / Activities**

These statements detail the changes in fiduciary net position/net position that occurred during the fiscal year. All changes are reported on an accrual basis and show contributions from employers and employees, net investment income earned, 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 \$6.5 billion dollars during the fiscal year. The FRS Pension Plan accounts for all of the decrease.

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

For the fiscal year ended June 30

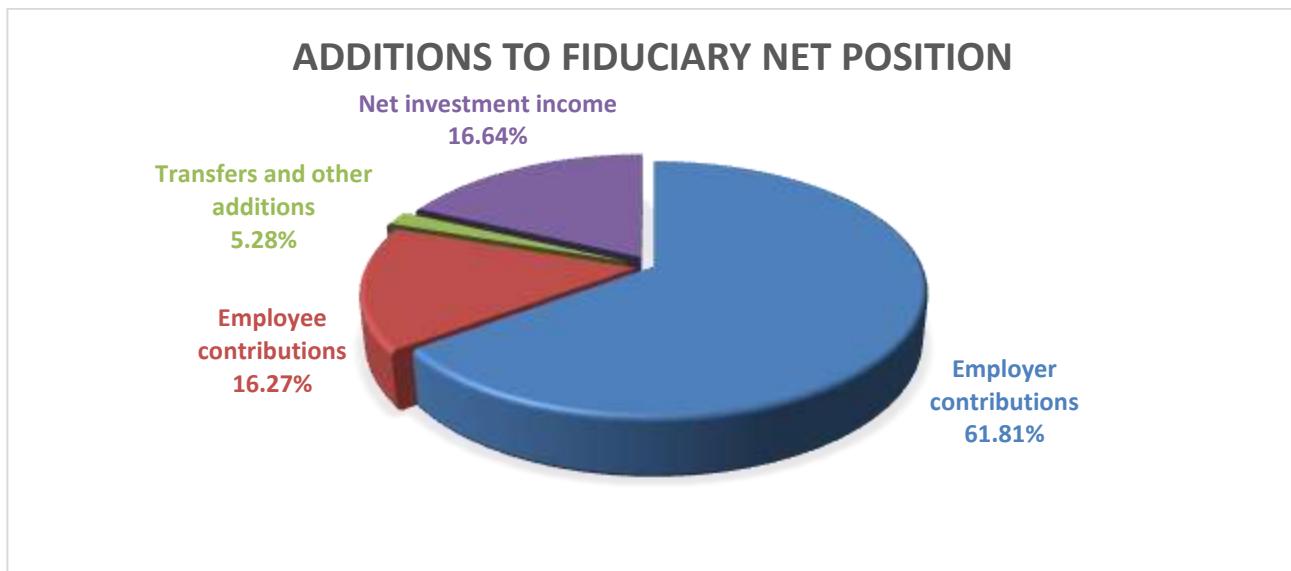
(in thousands)

	Defined Benefit Plans		Defined Contribution Plans		Governmental Activities		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Additions / Revenues</b>								
Employer contributions	\$ 2,951,223	\$ 2,820,347	\$ 86,898	\$ 83,162	\$ -	\$ -	\$ 3,038,121	\$ 2,903,509
Employee contributions	710,717	698,304	89,068	85,985	-	-	799,785	784,289
Premium taxes	-	-	-	-	181,314	170,704	181,314	170,704
Transfers and other additions	77,477	82,459	106	248	395	550	77,978	83,257
Net investment income/(loss)	817,221	5,205,768	143	64	614	380	817,978	5,206,212
<b>Total additions / revenues</b>	<b>4,556,638</b>	<b>8,806,878</b>	<b>176,215</b>	<b>169,459</b>	<b>182,323</b>	<b>171,634</b>	<b>4,915,176</b>	<b>9,147,971</b>
<b>Deductions / Expenses</b>								
Benefit payments	10,524,981	9,661,895	-	-	-	-	10,524,981	9,661,895
Refunds of contributions	10,644	9,426	-	-	-	-	10,644	9,426
Payments to annuity companies	-	-	175,422	168,965	-	-	175,422	168,965
Distributions to cities	-	-	-	-	137,714	140,476	137,714	140,476
Administrative expenses	18,705	18,334	249	281	702	759	19,656	19,374
Transfers and other deductions	612,696	719,733	-	8	27,689	28,804	640,385	748,545
<b>Total deductions / expenses</b>	<b>11,167,026</b>	<b>10,409,388</b>	<b>175,671</b>	<b>169,254</b>	<b>166,105</b>	<b>170,039</b>	<b>11,508,802</b>	<b>10,748,681</b>
Change in net position	(6,610,388)	(1,602,510)	544	205	16,218	1,595	(6,593,626)	(1,600,710)
Fiduciary net position / net position - beginning, as restated (Note 2)	148,505,167	150,107,677	4,091	3,887	155,377	72,696	148,664,635	150,184,260
<b>Fiduciary net position / net position - ending</b>	<b>\$ 141,894,779</b>	<b>\$ 148,505,167</b>	<b>\$ 4,635</b>	<b>\$ 4,092</b>	<b>\$ 171,595</b>	<b>\$ 74,291</b>	<b>\$ 142,071,009</b>	<b>\$ 148,583,550</b>

The charts below provide a visual representation of activity for all state-administered retirement funds for the fiscal year ended June 30, 2016:

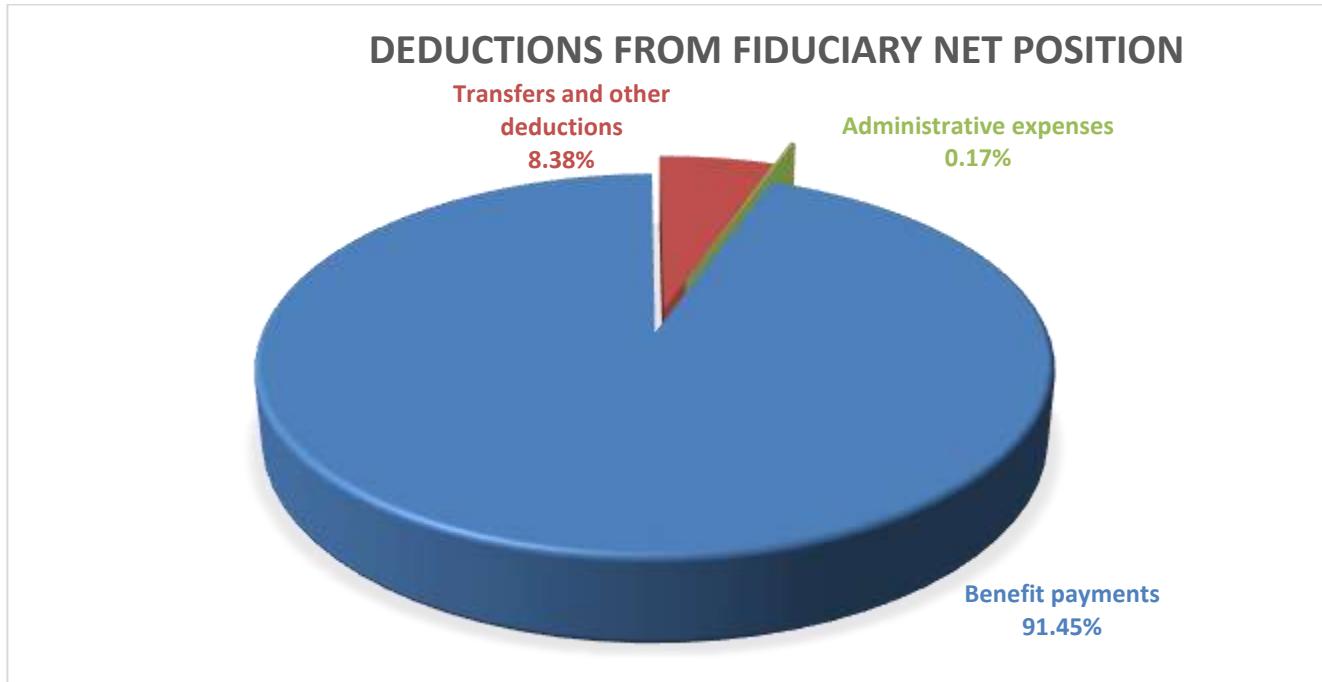
### Additions to Fiduciary Net Position

Of the total additions of \$4.9 billion for all state-administered retirement funds during the fiscal year, 16.64 percent was attributable to net investment income of \$0.82 billion. Employer and employee contributions represent 61.81 percent and 16.27 percent, respectively, while the remaining 5.28 percent was allocated between transfers and other additions.



## Deductions from Fiduciary Net Position

Of the total deductions of \$11.5 billion for all state-administered retirement funds during the fiscal year, benefit payments account for the majority of deductions from fiduciary net position, comprising 91.45 percent or \$10.5 billion. Transfers and other deductions made up 8.38 percent of total deductions. Administrative expense represents only 0.17 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 future investment returns and the investment risk is held at the plan level. Annual valuations and experience studies performed every five years are utilized to measure the Pension Plan's actual economic and demographic experience compared to the plan's assumptions to determine the contribution level required to meet the long-term benefit obligations. The division's funding objective is to accumulate sufficient assets over time to meet its long-term benefit obligations as they become due. Accordingly, collecting employer and employee contributions as well as earning the assumed long-term rate of return on its investments are essential components of the division's funding plan to accumulate the assets needed to finance future retirement benefits.

The division is required by state law to provide an actuarial valuation of the defined benefit pension plans to assist decision makers in assessing the funding strength and Fiduciary Net Position of the defined benefit pension plans. There was a 4.45 percent decrease in the FRS Pension Plan Fiduciary Net Position held in trust for the pension benefits as of the 2016 actuarial valuation compared to the 2015 valuation. This decrease primarily resulted from investment returns underperforming in comparison to the long-term average annual investment return and net negative cash flow during these fiscal years. The results of these actuarial valuation reports are included in Note 4, Net Pension Liability, and the Required Supplementary Information and Actuarial Sections.

The actual investment performance for the FRS Pension Plan for the fiscal year ended June 30, 2016, was 0.54 percent and 3.67 percent for the fiscal year ended June 30, 2015. The long-term average

annual investment return assumption for the 2016 FRS Pension Plan valuation was 7.60 percent and 7.65 percent for the 2015 FRS Pension Plan valuation. The amount of assets available to meet future obligations will be based on actual future investment returns and actual contributions received rather than the assumed future investment returns and assumed contributions. While management cannot predict future market returns, the changes in assets reflect the volatility of the market.

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to section 216.136(10), Florida Statutes. During the 2016 FRS Actuarial Assumption Conference, the investment consultant for the State Board of Administration and the System's consulting actuary both recommended reducing the investment return assumption by a larger percentage than was adopted by the FRS Actuarial Assumption Conference. See Note 4 and the Actuarial Section for further information.

Assumptions changes adopted for the 2016 FRS Pension Plan Valuation included:

- Decreasing the assumed investment rate of return from 7.65 percent to 7.60 percent, and
- Updating the active member mortality assumption.

### **Contacting the Division**

This report is designed to provide an overview of the division's activities to citizens, taxpayers, retirement plan members, and other interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Management Services, Division of Retirement, Research and Education Section, P.O. Box 9000, Tallahassee, Florida, 32315-9000; phone 850-488-5706.

# STATEMENT OF FIDUCIARY NET POSITION

as of June 30, 2016

	Defined Benefit		
	Florida Retirement System	Retiree Health Insurance Subsidy	National Guard
<b>ASSETS</b>			
Cash and cash equivalents	\$ 137,044,262	\$ -	\$ -
State treasury investment pool	1,993,615	105,858	10,000
Total cash and cash equivalents	<u>139,037,877</u>	<u>105,858</u>	<u>10,000</u>
<b>Investments</b>			
Certificates of deposit	775,061,750	-	-
U.S. government and federally guaranteed obligations	11,074,341,487	-	-
Federal agencies	7,725,368,565	-	-
Commercial paper	3,516,125,179	-	-
Options	38,673,495	-	-
Repurchase agreements	850,000,000	-	-
International bonds and notes	1,717,404,822	-	-
Bonds and notes	6,593,710,408	-	-
Real estate contracts	10,581,549,014	-	-
International equity commingled	5,452,109,522	-	-
Short term investment funds	1,097,231	70,497,693	-
Domestic equity / domestic equity commingled	41,029,901,819	-	-
Alternative investment	22,440,286,022	-	-
International equity	31,814,912,316	-	-
Total investments	<u>143,610,541,630</u>	<u>70,497,693</u>	<u>-</u>
<b>Receivables</b>			
Accounts receivable	4,989,302	19,777	-
Contributions receivable	155,931,273	31,612,752	-
Interest receivable	120,859,789	-	-
Dividends receivable	175,401,795	-	-
Pending investment sales	1,499,739,882	-	-
Pending spot fx trades receivable	610,594,357	-	-
Forward contracts receivable	4,040,802,822	-	-
Futures trade equity	49,386,521	-	-
Due from other funds	70,200,014	11,674,138	-
Due from other funds within division	298,554	-	-
Total receivables	<u>6,728,204,309</u>	<u>43,306,667</u>	<u>-</u>
Security lending collateral	1,915,672,097	-	-
Prepaid items	7,623,299	-	-
Furniture and equipment	1,116,123	-	-
Accumulated depreciation	(599,923)	-	-
Total assets	<u>152,401,595,412</u>	<u>113,910,218</u>	<u>10,000</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	92,819,090	51,163	10,000
Benefits payable	2,068,678	-	-
Accrued DROP liability	411,260,011	-	-
Due to other funds	41,211	-	-
Due to other funds within division	8,467	-	-
Due to other departments	5,346,139	-	-
Accrued interest payable	880,320	-	-
Obligations under security lending agreements	1,960,173,146	-	-
Pending investment purchases	3,168,482,487	-	-
Pending spot fx trades payable	623,198,181	-	-
Forward contracts payable	4,008,031,731	-	-
Broker rebate fees	503,598	-	-
Short sell obligations - fixed income	344,044,831	-	-
Compensated absences liability	883,561	-	-
Net pension liability	-	-	-
Other liabilities	2,933,446	-	-
Total liabilities	<u>10,620,674,897</u>	<u>51,163</u>	<u>10,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FIDUCIARY NET POSITION</b>			
Restricted for pensions	<u>\$ 141,780,920,515</u>	<u>\$ 113,859,055</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, 2016

## Defined Contribution

State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	Total June 30, 2016
\$ 4,967,511	\$ 50,740	\$ 137,044,262
<u>4,967,511</u>	<u>50,740</u>	<u>7,127,724</u>
<b>4,967,511</b>	<b>50,740</b>	<b>144,171,986</b>
		775,061,750
		11,074,341,487
		7,725,368,565
		3,516,125,179
		38,673,495
		850,000,000
		1,717,404,822
		6,593,710,408
		10,581,549,014
		5,452,109,522
		71,594,924
		41,029,901,819
		22,440,286,022
		31,814,912,316
		<u>143,681,039,323</u>
		5,009,079
15,047	930	187,560,002
6,986	24	120,866,799
<u>15,047</u>	<u>930</u>	<u>175,401,795</u>
		1,499,739,882
		610,594,357
		4,040,802,822
		49,386,521
		81,874,152
		298,554
<b>22,033</b>	<b>954</b>	<b>6,771,533,963</b>
		1,915,672,097
		7,623,299
		1,116,123
		(599,923)
<b>4,989,544</b>	<b>51,694</b>	<b>152,520,556,868</b>
<b>25,159</b>	<b>-</b>	<b>25,159</b>
<b>25,159</b>	<b>-</b>	<b>25,159</b>
		92,885,110
		2,068,678
		411,260,011
4	-	41,215
298,554	-	307,021
547	3	5,346,689
		880,320
		1,960,173,146
		3,168,482,487
		623,198,181
		4,008,031,731
		503,598
		344,044,831
3,638	-	887,199
79,240	-	79,240
31,288	-	2,964,734
<b>418,128</b>	<b>3</b>	<b>10,621,154,191</b>
<b>13,711</b>	<b>-</b>	<b>13,711</b>
<b>13,711</b>	<b>-</b>	<b>13,711</b>
<b>\$ 4,582,864</b>	<b>\$ 51,691</b>	<b>\$ 141,899,414,125</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, 2016

	<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	\$ 2,438,659,458	\$ 512,563,741	\$ -
Pension contributions - employee	703,045,504	-	-
Purchase of time by employees	7,671,311	-	-
General revenue	1,862,285	-	-
Other income	6,034,208	268,702	-
Total contributions and other deposits	3,157,272,766	512,832,443	-
<u>Transfers</u>			
Other funds within division	-	-	-
Other funds - FRS investment plan	54,889,558	-	-
Other departments	-	-	-
General revenue	-	-	14,422,581
Total transfers	54,889,558	-	14,422,581
Total contributions and transfers	3,212,162,324	512,832,443	14,422,581
<u>Investment income</u>			
Net appreciation in fair value	(3,293,230,449)	-	-
Interest income	732,373,981	297,059	-
Dividends	1,856,399,033	-	-
Real estate operating income, net	481,636,140	-	-
Other investment income	1,555,188,508	-	-
Total investment income (loss)	1,332,367,213	297,059	-
Investment activity expense	(555,437,751)	(556)	-
Net income (loss) from investing activity	776,929,462	296,503	-
<u>Security lending activity</u>			
Security lending income	52,954,963	-	-
Security lending expense	(12,959,914)	-	-
Net income from security lending	39,995,049	-	-
Total net investment income (loss)	816,924,511	296,503	-
Total additions	4,029,086,835	513,128,946	14,422,581
<b>DEDUCTIONS</b>			
Benefit payments	10,059,525,066	449,856,635	-
Benefit payments - general revenue funded	1,187,434	-	14,412,581
Refund of contributions	10,644,011	-	-
Transfers to other funds	-	-	-
Transfers to other funds within division	395,318	-	-
Transfers to FRS investment plan	612,301,153	-	-
Payments to annuity companies	-	-	-
Administrative expenses	18,507,240	187,571	10,000
Total deductions	10,702,560,222	450,044,206	14,422,581
Change in fiduciary net position	(6,673,473,387)	63,084,740	-
Fiduciary net position - beginning, restated (Note 2)	148,454,393,902	50,774,315	-
Fiduciary net position - ending	<b>\$ 141,780,920,515</b>	<b>\$ 113,859,055</b>	<b>\$ -</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, 2016

## Defined Contribution

State University System Optional Retirement Program	Senior Management Service Optional Annuity Program	Total June 30, 2016
\$ 86,732,208	\$ 165,296	\$ 3,038,120,703
88,964,396	103,342	792,113,242
-	-	7,671,311
-	-	1,862,285
106,682	-	6,409,592
<hr/> 175,803,286	<hr/> 268,638	<hr/> 3,846,177,133
 - - - - <hr/> 175,803,286	 - - - - <hr/> 268,638	 54,889,558 - 14,422,581 <hr/> 69,312,139 <hr/> 3,915,489,272
 - - - - 149,964 <hr/> 149,964 <hr/> (7,667) <hr/> 142,297	 - - - - 545 <hr/> 545 <hr/> (32) <hr/> 513	 (3,293,230,449) 732,671,040 1,856,399,033 481,636,140 1,555,339,017 <hr/> 1,332,814,781 <hr/> (555,446,006) <hr/> 777,368,775
 - - - <hr/> 142,297	 - - <hr/> 513	 52,954,963 (12,959,914) <hr/> 39,995,049 <hr/> 817,363,824
<hr/> 175,945,583	<hr/> 269,151	<hr/> 4,732,853,096
 - - - - - - - - 175,163,540 249,241 <hr/> 175,412,781 <hr/> 532,802 <hr/> 4,050,062	 - - - - - - - - 258,453 - <hr/> 258,453 <hr/> 10,698 <hr/> 40,993	 10,509,381,701 15,600,015 10,644,011  395,318 612,301,153 175,421,993 18,954,052 <hr/> 11,342,698,243 <hr/> (6,609,845,147) <hr/> 148,509,259,272
\$ 4,582,864	\$ 51,691	\$ 141,899,414,125

*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, 2016

**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	\$ 44,692,170	\$ -	\$ 44,692,170
Investments	205,731,630	-	205,731,630
Interest receivable	-	-	-
Due from other funds within division	8,467	-	8,467
Due from other departments	5,314,016	-	5,314,016
Total assets	<u>255,746,283</u>	<u>-</u>	<u>255,746,283</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<u>Current liabilities</u>			
Accounts payable	302,056	-	302,056
Due to other funds	25	-	25
Due to other departments	13,004,873	-	13,004,873
Due to other governmental units	59,619,927	-	59,619,927
Due to general revenue	10,985,121	-	10,985,121
Compensated absences liability	22,021	69,534	91,555
Total current liabilities	<u>83,934,023</u>	<u>69,534</u>	<u>84,003,557</u>
<u>Noncurrent liabilities</u>			
Other long-term liabilities	-	147,587	147,587
Total liabilities	<u>83,934,023</u>	<u>217,121</u>	<u>84,151,144</u>
Fund balance - committed	171,812,260	(171,812,260)	-
Total liabilities and fund balance	<u>\$ 255,746,283</u>		
Net position - restricted		<u>\$ 171,595,139</u>	<u>\$ 171,595,139</u>

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

For the fiscal year ended June 30, 2016

	<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	\$ 181,314,016	\$ -	\$ 181,314,016
Investment earnings	613,905	-	613,905
Total revenues	<u>181,927,921</u>	<u>-</u>	<u>181,927,921</u>
<b>EXPENDITURES / EXPENSES</b>			
Distribution to cities	137,714,029	-	137,714,029
Administrative expense	656,544	45,429	701,973
Interest and fiscal charges	-	-	-
Total expenditures / expenses	<u>138,370,573</u>	<u>45,429</u>	<u>138,416,002</u>
Revenues over (under) expenditures	43,557,348		43,511,919
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in from other funds within division	395,318		395,318
Operating transfers out to other funds	<u>(27,689,521)</u>		<u>(27,689,521)</u>
Revenues and transfers in over expenditures and transfers out	16,263,145	(16,263,145)	-
Change in net position	-	16,217,716	16,217,716
Fund balance / net position - beginning, restated (Note 2)	155,549,115	(171,692)	155,377,423
Fund balance / net position - ending	<u>\$ 171,812,260</u>	<u>\$ (217,121)</u>	<u>\$ 171,595,139</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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## NOTE 1 – PLAN DESCRIPTION

### A. Reporting Entity

The Florida Retirement System Pension Plan and Other State-Administered Systems (System) are administered by the Florida Department of Management Services, Division of Retirement and are part of the primary government of the State of Florida. The division administers three defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. These state-administered retirement systems are included in the department's Comprehensive Annual Financial Report (CAFR). The financial statements do not include the pension liabilities of the participating employers. The financial statements present only the Florida Retirement System Pension Plan and other State-Administered Systems and do not purport to, and do not, present fairly the financial position of the State of Florida as of June 30, 2016, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### B. Defined Benefit Plans

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

##### Organization:

The Florida Retirement System (FRS) Pension Plan was created in Chapter 121, Florida Statutes, effective Dec. 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, Florida Statutes), the State and County Officers and Employees' Retirement System (Chapter 122, Florida Statutes), and the Highway Patrol Pension Trust Fund (Chapter 321, Florida Statutes). In 1972, the Judicial Retirement System (Chapter 123, Florida Statutes) was closed and consolidated into the FRS. The FRS is a qualified retirement plan under section 401(a), Internal Revenue Code, created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan, which is administered by the State Board of Administration. Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, Florida Statutes, was consolidated under the Florida Retirement System Pension Plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class membership, and faculty and specified employees in the State University System and Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, Florida Statutes.

##### Covered Members and Classes:

FRS membership is compulsory for employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Section 121.053 or Section 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program.

There are five classes of membership, as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, assistant capital collateral representatives, and judges of compensation claims. Members of the Elected Officers' Class may elect to withdraw from the FRS or participate in the SMSC in lieu of the Elected Officers' Class.

- *Special Risk Class* – Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* – Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class (EOC)* – Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5 percent benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- *Special Risk Class and Special Risk Administrative Support Class Members* – For members initially enrolled in the FRS before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

#### **Significant Plan Provisions:**

The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Benefits are computed based on age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

## Florida Retirement System

	% Value (per year of service)
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### Regular Class members initially enrolled before July 1, 2011

Retirement up to age 62 or up to 30 years of service .....	1.60%
Retirement at age 63 or with 31 years of service .....	1.63%
Retirement at age 64 or with 32 years of service .....	1.65%
Retirement at age 65 or with 33 or more years of service.....	1.68%

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

Retirement up to age 65 or up to 33 years of service .....	1.60%
Retirement at age 66 or with 34 years of service .....	1.63%
Retirement at age 67 or with 35 years of service .....	1.65%
Retirement at age 68 or with 36 or more years of service.....	1.68%

### Special Risk Class

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

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

(With six or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)

Retirement up to age 55; or up to 25 total years special risk service; or at age 52 with 25 years (if total service includes wartime military service) .....	1.60%
Retirement at age 56; or with 26 total years special risk service; or at age 53 with 26 years (if total service includes wartime military service) .....	1.63%
Retirement at age 57; or with 27 total years special risk service; or at age 54 with 27 years (if total service includes wartime military service) .....	1.65%
Retirement at age 58; or with 28 total years special risk service; or at age 55 with 28 years (if total service includes wartime military service) .....	1.68%

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

(With eight or more years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)

Retirement up to age 60; or up to 30 total years special risk service.....	1.60%
Retirement at age 61; or with 31 total years special risk service .....	1.63%
Retirement at age 62; or with 32 total years special risk service .....	1.65%
Retirement at age 63; or with 33 total years special risk service .....	1.68%

### Elected Officers' Class

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

### Senior Management Service Class..... 2.00%

There are three steps in computing an annual retirement benefit:

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

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

- Option 1 — Member receives a benefit for life with no continuing survivor benefit at death.
- Option 2 — Member receives a reduced benefit for life. If member dies anytime within ten years after retiring, the beneficiary will receive the benefit for the remainder of the ten-year period from the member's retirement date or DROP begin date. No survivor benefits are paid if the member dies ten or more years after the effective retirement date.
- Option 3 — Member receives a reduced benefit for life. Upon the member's death, the joint annuitant, if living, will receive the same benefit for life. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.
- Option 4 — Member receives a reduced benefit for life. Upon the death of either the member or the joint annuitant, the survivor will receive a lifetime benefit equal to two-thirds of the benefit the member was receiving when both were living. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's Option 1 benefit, but only until age 25, or, if disabled, until no longer disabled.

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

The DROP is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment (COLA) each July and earn monthly interest equivalent to an annual rate of 1.30 percent on the preceding month's DROP accumulation until DROP participation ends. DROP participants with an effective DROP begin date before July 1, 2011, earn monthly interest equivalent to an annual rate of 6.50 percent. Elected officers whose DROP participation ends before their term of office ends can delay termination until the end of that term of office or any consecutively held term of office. No additional monthly retirement benefits accumulate after DROP participation ends. Elected officers whose DROP participation began before July 1, 2010, and who delay termination after their DROP participation ends earn monthly interest through the month of termination. As of June 30, 2016, the FRS Trust Fund held \$2,322,967,354 in accumulated benefits for 34,160 DROP participants. Of these 34,160 DROP participants, 29,602 were active in the DROP with balances totaling \$1,871,732,532. The remaining 4,558 participants were no longer active in the DROP and had balances totaling \$451,234,822 to be processed after June 30, 2016, pending a qualifying event. Of the total accumulated DROP benefits, \$411,260,011 was due and payable as of June 30, 2016.

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

- A Special Risk Class member initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months.
- A Special Risk Class member initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months. Also, a member of the Special Risk Administrative Support Class who has at least the number of years of Special Risk Class service required to be vested and reaches the normal retirement date based upon years of service before reaching age 55 may defer DROP entry up to age 55 and still participate for 60 months.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS before July 1, 2011, who reaches the normal retirement date before reaching age 57 may defer DROP entry until age 57 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required for vesting is subject to these deferral requirements.
- A member of the Regular Class, EOC, or the SMSC initially enrolled in the FRS on or after July 1, 2011, who reaches the normal retirement date before reaching age 60 may defer DROP entry until age 60 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have the number of years of Special Risk Class service required for vesting is subject to these deferral requirements.

- A member who reaches the normal retirement date during a term of office may defer the DROP election until the next succeeding term in that office and still participate for up to 60 months or until the end of that succeeding term, whichever is less.
- A member who is employed as K-12 instructional personnel as defined in Section 1012.01(2), Florida Statutes, may elect to participate in the DROP at any time after reaching the normal retirement date and still participate for 60 months.

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

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

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

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

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

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

The benefits received by retirees and beneficiaries are increased by a COLA each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under the DROP, disability retirement benefits, and survivor benefits). The COLA for retirements or DROP participation effective before 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 at June 30, 2016, was \$141,780,920,515. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

#### **FRS Retirement Contribution Rates:**

Effective July 1, 2011, both employees and employers of the FRS are required to contribute to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. The uniform rates for Fiscal Year 2015-16 are as follows:

<b>Class</b>	<b>Employee Contribution Rate</b>	<b>Employer Contribution Rate<sup>1</sup></b>	<b>Total Contribution Rate</b>
Regular	3.00%	5.56%	8.56%
Special Risk	3.00%	20.34%	23.34%
Special Risk Administrative Support	3.00%	31.25%	34.25%
Elected Officers'			
Judges	3.00%	34.01%	37.01%
Governor, Lt. Governor, Cabinet, Legislators, State Attorneys, and Public Defenders	3.00%	44.10%	47.10%
Elected County, City, and Special District Officials	3.00%	40.57%	43.57%
Senior Management Service	3.00%	19.73%	22.73%
Deferred Retirement Option Program	N/A	11.22%	11.22%

<sup>1</sup> These rates include the normal cost and unfunded actuarial liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.04 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:**

Member Types	Regular Class	SMSC	Special Risk	Special Risk Admin Supp.	EOC	Total
Active <sup>1</sup> :						
Non-vested	152,480	1,607	20,685	1	341	175,114
Vested	396,939	6,412	50,010	75	1,800	455,236
Current Retirees And Beneficiaries	352,532	4,218	35,188	176	2,413	394,527
DROP Participants <sup>2</sup>	25,297	558	3,492	6	249	29,602
Vested Terminated <sup>3</sup>	108,619	1,456	6,510	17	392	116,994
Total Members	1,035,867	14,251	115,885	275	5,195	1,171,473

<sup>1</sup> Member counts include 112,325 active FRS Investment Plan members.

<sup>2</sup> Member counts exclude 4,558 DROP participants with payouts pending after June 30, 2016, and meeting a qualifying event.

<sup>3</sup> Member counts include 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

	2016	2015	2014
Recipients	394,907	377,671	363,034
Contributions	\$3,149,376	\$3,136,389	\$2,890,003
Benefits paid	\$10,059,525	\$9,221,329	\$8,014,634
Fiduciary net position	\$141,780,921	\$148,454,394	\$150,014,292

**2. Retiree Health Insurance Subsidy Program**

The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of state-administered retirement systems in paying their health insurance costs. The Department of Management Services, Division of Retirement administers the HIS program. For the fiscal year ended June 30, 2016, retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for specified employees. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislation may reduce or cancel HIS Payments.

Note 4 and the Actuarial section of this report include actuarial and other information regarding the HIS Program. The table below provides additional information for the HIS as of June 30 (in thousands where amounts are dollars):

Fiscal Year Ended June 30

	2016	2015	2014
Recipients	349,865	336,529	323,098
Contributions	\$512,564	\$382,262	\$342,566
Benefits paid	\$449,857	\$425,086	\$407,276
Fiduciary net position	\$113,859	\$50,774	\$93,385

### 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	
	2016	2015
Active Members		
Vested	474	447
Non-Vested	11,461	11,000
Total Active	11,935	11,447
Terminated Vested	137	129
Retirees	784	792

	Fiscal Year Ended June 30	
	2016	2015
Benefits paid	\$14,413	\$14,423
Fiduciary net position	\$0	\$0

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

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

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

The employing universities were statutorily required to contribute 5.15 percent of the members' gross monthly compensation from July 2015 through June 2016. In accordance with Chapter 60U-2, F.A.C., 0.01 percent of the employer contribution rate was used for the administration of the SUSORP program and 5.14 percent was transferred to the provider companies designated by the member. SUSORP members are not eligible to receive (HIS) payments from the HIS Trust Fund. There is an HIS component included in the employer's contribution deposited to the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A member may contribute by salary reduction an amount not to exceed the percentage contributed by the employer.

When applicable, the employer is also required to contribute the unfunded actuarial liability (UAL) contribution for the Regular Class on the salaries of SUSORP members which is transferred to the FRS Trust Fund to help amortize any UAL. The required UAL contribution rate for the fiscal year 2015-16 was 2.65 percent. Additional information pertaining to the SUSORP is as follows:

Members	19,327
Payroll	\$1,683,014,141
Contributions:	
Employee	\$88,964,396
Employer	\$86,732,208

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

The SMSOAP is established under section 121.055, Florida Statutes, as offering an optional retirement program alternative for state members of the Senior Management Service Class (SMSC). Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP while employed in a position eligible for SMSOAP in lieu of the SMSC. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the Program. The SMSOAP is a defined contribution plan qualified under section 401(a), Internal Revenue Code, that upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the members to the participating provider companies. SMSOAP members direct the investment of contributions to provide retirement and death benefits. Employers were required to contribute 6.27 percent of covered payroll from July 2015 through June 2016. The employers' contributions were transferred to the provider companies designated by the member. SMSOAP members are not eligible to receive HIS payments from the HIS Trust Fund. There is an HIS component included in the employer's contribution deposited to the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3 percent. A member may contribute by salary deduction an amount not to exceed the percentage contributed by the employer.

When applicable, the employer is also required to contribute the unfunded actuarial liability (UAL) contribution for the SMSC on the salaries of SMSOAP members which is transferred to the FRS Trust Fund to help amortize the UAL. The required UAL contribution rate for fiscal year 2015-16 was 15.41 percent. Additional information pertaining to the SMSOAP is as follows:

Members	19
Payroll	\$2,462,446
Contributions:	
Employee	\$103,342
Employer	\$165,296

#### **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, 2016, there were 673 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 2016 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 remained at \$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 (defined benefit plans) and optional retirement plans (contribution plans).

**Police and Firefighters' Premium Tax Trust Fund** – a governmental special revenue fund that accounts for excise taxes assessed on insurance premiums. The premiums are used to supplement the funding of municipal police and firefighters' pension plans and relief funds.

### C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position / Fund Balance

#### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with an original maturity date within ninety days of the acquisition date. State treasury cash management pools are included as cash. Details of deposits are included in Note 3. A.

#### Investments

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

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

The State Board of Administration (SBA) has statutory responsibility for custody and investment of pension plan assets. Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the investments are reported at fair value in accordance with GASB Codification Section I50, *Investments*. Realized and unrealized gains and losses are reflected in the Statement of Changes in Fiduciary Net Position as “Net appreciation in fair value.”

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

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

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

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

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

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

Investment detail is included in Note 3.

## **Capital Assets**

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

## **Deferred Outflows of Resources**

A consumption of net assets by the division that is applicable to a future reporting period is presented as a deferred outflow of resources. The State University System Optional Retirement Program (SUSORP) Trust Fund shares in reporting the FRS and HIS pension liabilities and related components with other funds within the state. Each fiscal year end, the SUSORP Trust Fund recognizes its allocated share of the state's deferred outflows of resources related to applicable pensions, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

## **Compensated Absences Liability**

Employees earn the right to be compensated during absences for vacation and illness as well as for unused special compensatory leave earned for hours worked on legal holidays and other specifically authorized overtime. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees upon separation from state service. The amounts reported for compensated absences are based on current year-end salary rates and include employer Social Security and Medicare tax and pension contributions, as applicable, at current rates. Refer to Note 6 for details of the compensated absences liability.

## **Long-term Liabilities**

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

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

Refer to Note 6 for changes in long-term liabilities.

## **Deferred Inflows of Resources**

A deferred inflow of resources is an acquisition of net assets by the division that is applicable to a future reporting period. The SUSORP Trust Fund shares the reported FRS and HIS pension liabilities and related components with other funds within the state. Each fiscal year end, the SUSORP Trust Fund recognizes its allocated share of the state's deferred inflows of resources related to applicable pensions, as determined by the Florida Department of Financial Services, Statewide Financial Reporting Section.

## **Components of Net Position**

Net position is classified as (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

*Restricted net position* is reported when constraints are placed on net position that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The net position of all the fiduciary funds reported are classified as restricted for pension.

## **Components of Fund Balance**

Fund balance is classified as nonspendable, restricted, committed or unassigned. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the State's highest level of decision-making authority, the Legislature and the Governor, i.e., through legislation passed into law. Commitments may only be modified or rescinded by equivalent formal, highest-level action. The fund balance of the Police and Firefighters' Premium Tax Trust Fund reported in this CAFR is classified as committed.

## **D. Contributions**

Contributions are recognized as revenues 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.

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**

Fund balance at July 1, 2015, for the Police and Firefighters' Premium Tax Trust Fund has been increased by \$81,085,668 for the correction to amounts due to other governmental units. The payable amount was recorded based on total anticipated distributions to municipalities instead of the amount due to municipalities who met the reporting criteria as of June 30, 2015.

Fiduciary net position at July 1, 2015, for the SUSORP has been decreased by \$2,081 for the program's share of corrections to the net pension liability. 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.

## NOTE 3 – PLAN INVESTMENTS

### A. Deposits

As of June 30, 2016, the state-administered retirement fund deposits in financial institutions pending investment totaled \$137,044,262 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, 2016, the Florida Retirement System (FRS) Pension Trust Fund held deposits in foreign currencies totaling \$119,163,596 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 Jan. 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. All asset classes may hold non-U.S. securities, depending on portfolio guidelines; however, Florida law limits the exposure to foreign securities held outside of commingled trusts to 50 percent of the total fund. The investment plan may be modified in the future if the SBA adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2016, as illustrated in the following schedule (in thousands):

**Foreign Currency Deposits Held**  
**As of June 30, 2016**

Bank Statement Balance (in U.S. dollars)

Currency	FRS Pension Trust Fund
Australian dollar	\$ 3,931
Brazilian real	1,092
British pound sterling	10,330
Canadian dollar	15,313
Chilean peso	29
Danish krone	692
Egyptian pound	38
Euro currency unit	15,935
Hong Kong dollar	11,892
Indian rupee	1,104
Indonesian rupiah	475
Israeli shekel	1,284
Japanese yen	30,057
Kenyan shilling	33
Malaysian ringgit	484
Mexican peso	715
New Zealand dollar	1,371
Norwegian krone	2,456
Pakistan rupee	293
Philippines peso	400
Polish zloty	84
Qatari riyal	178
Singapore dollar	2,374
South African rand	3,029
South Korean won	639
Swedish krona	891
Swiss franc	3,071
Taiwan new dollar	9,925
Thailand baht	267
Turkish lira	48
UAE dirham	65
Vietnam dong	592
Other	77
Total deposits subject to foreign currency risk	<u>\$ 119,164</u>

**B. Investments**

Surplus cash is maintained in the State Treasury's general pool of investments. The State CFO pools funds from all State agencies. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. Redemptions are on a dollar in/dollar out basis adjusted for distributed income. The fair value of the pooled investments with the State Treasury is determined at fiscal year-end for financial reporting purposes. Included in the pool are primarily time deposits, U.S. Government securities, federal agency securities, commercial paper, corporate bonds and notes, and repurchase agreements. The FRS Pension Trust Fund's, Health Insurance Subsidy Program's (HIS), National Guard Supplemental Benefit Plan's (National Guard), State University System Optional Retirement Program's (SUSORP), Senior Management Service Optional Annuity Program's (SMSOAP), and Police and Firefighters' Premium Tax Trust Fund's (Police and Fire) shares of the investment pool at June 30, 2016, were \$1,993,615, \$105,858, \$10,000, \$4,967,511, \$50,740, and \$44,692,170, 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, Office of the Chief Financial Officer.

Pursuant to Section 215.44, Florida Statutes, the SBA has the authority and responsibility to manage and invest various funds of the state, including, but not limited to, the FRS Pension Trust Fund, the Retiree Health Insurance Subsidy Trust Fund, and the Police and Fire Trust Fund. Section 215.47, Florida Statutes, allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses investments at fair value and their total carrying value at June 30, 2016, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Investments**  
**As of June 30, 2016**

Investment type	Fair value				Total	
	Retiree Health			Police and Firefighters' Premium Tax Trust Fund		
	FRS Pension Trust Fund	Insurance Subsidy				
Certificates of deposit	\$ 775,062	\$ -	\$ -	\$ -	\$ 775,062	
Commercial paper	3,516,125	-	-	-	3,516,125	
Money market funds	1,097	70,498	205,732	-	277,327	
Repurchase agreements	850,000	-	-	-	850,000	
U.S. guaranteed obligations	11,074,342	-	-	-	11,074,342	
Federal agencies	7,725,369	-	-	-	7,725,369	
Domestic bonds and notes	6,595,369	-	-	-	6,595,369	
International bonds and notes	1,717,405	-	-	-	1,717,405	
Domestic stocks	41,029,902	-	-	-	41,029,902	
International stocks	31,814,912	-	-	-	31,814,912	
International equity commingled funds	5,452,110	-	-	-	5,452,110	
Alternative investments	22,440,286	-	-	-	22,440,286	
Real estate investments (directly owned)	8,059,810	-	-	-	8,059,810	
Real estate commingled funds	2,521,739	-	-	-	2,521,739	
Option contracts purchased	38,673	-	-	-	38,673	
Swap contracts (debt related)	(1,659)	-	-	-	(1,659)	
Total investments excluding lending collateral	143,610,542	70,498	205,732	-	143,886,772	
Lending collateral investments:						
Money market funds	1,046,370	-	-	-	1,046,370	
Repurchase agreements	789,504	-	-	-	789,504	
Domestic bonds and notes	79,798	-	-	-	79,798	
Total lending collateral investments	1,915,672	-	-	-	1,915,672	
Total investments for all types - fair value	\$ 145,526,214	\$ 70,498	\$ 205,732	\$ 145,802,444		
Total investments for all types - carrying value	\$ 145,526,214	\$ 70,498	\$ 205,732	\$ 145,802,444		
Investments sold short:						
U.S. guaranteed obligations	(1,891)	-	-	-	(1,891)	
Federal agencies	(306,334)	-	-	-	(306,334)	
Options contracts	(35,820)	-	-	-	(35,820)	
Total investments sold short <sup>1</sup>	\$ (344,045)	\$ -	\$ -	\$ -	\$ (344,045)	

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

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

	Governmental activities	Fiduciary funds	Total
Investments	\$ 205,732	\$ 143,681,040	\$ 143,886,772
Security lending collateral	-	1,915,672	1,915,672
<b>Total Investments</b>	<b>\$ 205,732</b>	<b>\$ 145,596,712</b>	<b>\$ 145,802,444</b>

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

**FRS Pension Trust Fund**  
**Securities Pledged as Collateral for Futures and Swaps Contracts**  
**As of June 30, 2016**

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 12,433
Federal agencies	9,829
Domestic stocks	215,832
<b>Total</b>	<b>\$ 238,094</b>

In addition, cash required to open futures contracts (i.e., initial margin) in the FRS Pension Trust Fund was pledged as collateral with the SBA's futures counterparty. Variation margins received from or paid to a third-party counterparty may be required as frequently as daily, and represent the net settlement of profit or loss (i.e., the fair value increase or decrease) on open positions in futures and swaps. The initial and variation margin amounts held by the counterparty, and the variation margins held by the SBA in the FRS Pension Trust Fund as of June 30, 2016, 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, 2016**

	Fair value (U.S. dollar)
Margin receivable from counterparty	
Futures initial margin	\$ 13,326
Futures variation margin	36,061
Swaps initial margin	3,768
Swaps variation margin	5,160
<b>Total margin receivable</b>	<b>\$ 58,315</b>
Margin payable to counterparty	
Futures variation margin	\$ 274
Swaps variation margin	4,075
Forward contract variation margin	12,280
<b>Total margin payable</b>	<b>\$ 16,629</b>

## 1. Fair Value Hierarchy

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

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

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

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

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

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

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

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

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

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

Private equity funds and real estate direct investments classified as Level 3 were valued using the methodology as described in the footnotes for the following Additional GASB 72 Required Disclosures table, footnotes 11 and 13, respectively.

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

The schedule below discloses the following fair value measurements for the FRS Pension Fund as of June 30, 2016 (in thousands):

<b>FRS Pension Trust Fund</b> <b>As of June 30, 2016</b>						
<b>Fair Value Measurements Using</b>						
	<b>Total Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>		
<b>Investments by fair value level</b>						
<b>Debt securities</b>						
Certificates of deposit	\$ 775,062	\$ -	\$ 775,062	\$ -		
Commercial paper	3,516,125	-	3,516,125	-		
U.S. guaranteed obligations	11,074,342	7,289,368	3,784,974	-		
Federal agencies	7,725,369	-	7,725,369	-		
Domestic bonds and notes	6,595,369	-	6,579,623	15,746		
International bonds and notes	1,717,405	-	1,703,208	14,197		
Total debt securities	31,403,672	7,289,368	24,084,361	29,943		
<b>Equity securities</b>						
Domestic	41,029,902	41,028,761	-	1,141		
International	31,814,912	31,755,588	56,306	3,018		
Total equity securities	72,844,814	72,784,349	56,306	4,159		
<b>Alternative investments</b>						
Private equity funds	323,000	-	-	323,000		
<b>Real Estate direct investments</b>						
	8,059,810	-	-	8,059,810		
<b>Derivative instruments</b>						
Options purchased	38,673	38,673	-	-		
Swap contracts (debt)	(1,659)	-	(1,659)	-		
Forward currency contracts <sup>1</sup>	23,843	-	23,843	-		
Futures contract <sup>1</sup>	45,167	45,167	-	-		
Total derivative instruments	106,024	83,840	22,184	-		
<b>Securities lending collateral investments</b>						
Domestic corporate bonds and notes	79,798	-	65,629	14,169		
Total investments by fair value level <sup>1</sup>	\$ 112,817,118	\$ 80,157,557	\$ 24,228,480	\$ 8,431,081		
<b>Investments Measured at the Net Asset Value (NAV)</b>						
International equity commingled funds	5,452,110					
Real estate commingled funds	2,521,739					
Activist equity funds	651,600					
Hedge funds	4,458,711					
Private debt / credit opportunities funds	3,089,748					
Private equity funds	10,163,107					
Private real asset funds	3,754,120					
Total investments measured at the NAV	\$ 30,091,135					
<b>Investments sold short (Liabilities)</b>						
U.S. guaranteed obligations	\$ (1,891)	\$ -	\$ (1,891)	\$ -		
Federal agencies	(306,334)	-	(306,334)	-		
Options sold	(35,820)	(35,820)	-	-		
Total investments sold short	\$ (344,045)	\$ (35,820)	\$ (308,225)	\$ -		

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

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2016, is presented in the footnotes to the table below (in thousands):

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

	Fair value 6/30/2016	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>Investments Measured at the NAV</b>				
Commingled international equity funds <sup>1</sup>	\$ 5,452,110		Daily, Monthly	2 - 120 days
Commingled real estate investment funds <sup>1</sup>	2,521,739		Quarterly	15 - 90 days
Activist equity funds <sup>2</sup>	651,601		Monthly, Annually	65 - 90 days
<b>Hedge funds</b>				
Diversifying strategies (CTAs) <sup>3</sup>	1,047,435		Daily, Monthly	10 - 35 days
Equity long / short <sup>4</sup>	519,283		Monthly, Quarterly	30 - 125 days
Event driven <sup>5</sup>	378,600		Quarterly, Biennially, Annually	45 - 90 days
Global macro <sup>6</sup>	550,907		Monthly, Quarterly	30 - 60 days
Multi-strategy <sup>7</sup>	937,686		Quarterly, Biennially, Annually	30 - 90 days
Opportunistic debt <sup>8</sup>	562,100		Quarterly, Annually	65 - 90 days
Relative value <sup>9</sup>	462,699		Quarterly	45 - 90 days
Private debt / credit opportunity funds <sup>10</sup>	3,089,748	\$ 1,331,738		
Private equity funds <sup>11</sup>	10,163,107	\$ 6,135,189		
Private real asset funds <sup>12</sup>	3,754,120	\$ 2,092,524		
<b>Total Investments Measured at the NAV</b>	<b><u>\$ 30,091,135</u></b>			
<b>Investments at Level 3</b>				
Private equity funds <sup>11</sup>	\$ 323,000			
Real Estate Direct Investments <sup>13</sup>	\$ 8,059,810	\$ 206,258		

<sup>1</sup> *Commingled international equity funds and Real estate investment funds.* Seven international equity funds and nine real estate investment funds are considered to be commingled in nature. These funds are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments.

<sup>2</sup> *Activist equity funds.* The three funds that make up this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at NAV per share. One fund (approximately 43 percent of this strategy) is currently eligible for redemption monthly. Another fund (approximately 32 percent of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 25 percent of this strategy) may be redeemed annually with the next redemption in nine months.

<sup>3</sup> *Diversifying strategies (CTAs) hedge funds.* The four funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across the globe. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

<sup>4</sup> *Equity long/short hedge funds.* Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at NAV per share. One fund (approximately 16 percent of this strategy) is currently eligible for redemption monthly, while the remaining three funds (approximately 84 percent of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

<sup>5</sup> *Event driven hedge funds.* The four funds in this strategy seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share. All funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to eighteen months.

<sup>6</sup> *Global macro hedge funds.* Consisting of four funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political views of various countries. These funds are valued at NAV per share. One of these funds (approximately 27 percent of this strategy) is redeemable in six months due to lock-up restrictions. The remaining three funds (approximately 73 percent of this strategy) are redeemable in three months or less, as they are not subject to lock-up restrictions.

<sup>7</sup> *Multi-strategy hedge funds.* The five funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, or Opportunistic Debt and Relative Value. These funds are valued at NAV per share. Two funds (approximately 44 percent of this strategy) are eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 26 percent of this strategy) is eligible for redemption biennially with the next redemption date in six months. The remaining two funds (approximately 29 percent of this strategy) are eligible for redemption in three months and quarterly thereafter.

<sup>8</sup> *Opportunistic debt hedge funds.* Consisting of three funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments. These funds are valued at NAV per share. One fund (approximately 38 percent of this strategy) is subject to one year recurring hard lock-ups for each contribution and can be redeemed between three and six months. Another fund (approximately 18 percent of this strategy) is eligible for redemption in six months and annually thereafter. The remaining fund (approximately 44 percent of this strategy) is currently eligible for redemption in three months due to quarterly redemption restrictions.

<sup>9</sup> *Relative value hedge funds.* Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at NAV per share. Due to contractual lock-up restrictions, one fund (approximately 33 percent of this strategy) is eligible for redemption in fourteen months. Two funds (approximately 67 percent of the value of this strategy) are eligible for redemption in three months and quarterly thereafter.

<sup>10</sup> *Private debt/credit opportunity funds.* There are 47 private debt/credit funds investing primarily in Distressed, Mezzanine and Senior Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2016, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

<sup>11</sup> *Private equity funds.* There are 179 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 177 funds has been determined using the NAV at June 30, 2016, or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 3 percent of the value of these investments) was based on external appraisals at June 30, 2016, and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

<sup>12</sup> *Private real asset funds.* There are fifty real asset funds. Forty-one of these funds invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining nine funds invest in infrastructure, timberland and commodities. The fair value of these funds has been determined using net asset values at June 30, 2016, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

<sup>13</sup> *Direct real estate investments.* There are 69 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

The HIS and Police and Fire funds, at June 30, 2016, were fully invested in the Local Government Surplus Funds Trust Fund (Florida PRIME), a qualified external investment pool that measures for financial reporting purposes all of its investments at amortized cost. Florida PRIME currently has no limitations or restrictions on withdrawals. Section 218.409(8)(a), Florida Statutes, provides that the SBA executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the external investment pool, for 48 hours limit contributions to or withdrawals from the external investment pool to ensure that the SBA can invest moneys entrusted to it in exercising its fiduciary responsibility. With regard to liquidity fees, Section 218.409(4), Florida Statutes, provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

Securities and Exchange Commission (SEC) Rule 2a-7 sets out certain requirements pertaining to money market funds required to register with the SEC under the Investment Company Act of 1940. Florida PRIME is not required to register (and has not registered) with the SEC; however, the fund is an external investment pool that has historically adopted operating procedures consistent with those required by Rule 2a-7. Sections 218.40 through 218.415, Florida Statutes, and State Board of Administration Rules 19-7.002 through 19-7.016, Florida Administrative Code, promulgated pursuant to Section 218.405(4), Florida Statutes, govern the operation of Florida PRIME. The amortized cost of the participant account balance is reported as the fair value of the HIS and Police and Fire funds' investment in Florida PRIME.

## **2. Investment Risks**

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

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

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

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

The State Treasury Investment Pool's current rating by Standard and Poor's was A+f as of June 30, 2016.

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

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

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

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

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

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

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

- Tri-party qualified repurchase agreement transactions in which the subject securities thereunder will be repurchased by the seller between one and forty-five calendar days from the purchase date, and such repurchase agreements are collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage backed securities, and U.S. equity securities. U.S. Treasury and Government Agencies must maintain a market value of at least 102 percent of the market value of the securities subject to being repurchased and U.S. equities must maintain a market value of at least 110 percent of the market value of the securities subject to being repurchased.
- Money market mutual funds regulated by SEC rule 2a-7 and rated the highest applicable rating by at least one of the three NRSROs – S&P AAAm, Moody's Aaamf, Fitch AAammf.
- U.S. Treasury bills, notes, and bonds.
- Investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios. These 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.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5 percent or more of the fund's fair market value at June 30, 2016.

Effective October 2015, the security lending programs are allowed to hold up to 30 percent of the cash collateral reinvestment portfolio in U.S. Treasury bills, notes, and bonds.

The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2016 (in thousands):

**FRS Pension Trust Fund**  
**Credit Quality Ratings**  
**As of June 30, 2016**

Credit Rating <sup>1</sup>		Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies <sup>4</sup>	Domestic bonds and notes	International bonds and notes
S&P	Moody							
A-1/AAAm		\$ 4,563,592	\$ -	\$ 3,516,125	\$ 1,047,467	\$ -	\$ -	\$ -
AAA		750,766	-	-	-	-	424,190	326,576
AA		1,064,384	200,044	-	-	31	14,999	686,057
A		2,086,976	-	-	-	-	1,551,810	535,166
BBB		3,376,750	-	-	-	-	2,875,349	501,401
BB		78,611	-	-	-	-	60,810	17,801
B		24,401	-	-	-	-	8,610	15,791
CCC		26,949	-	-	-	-	26,949	-
D		2,746	-	-	-	-	2,746	-
Not rated	Aaa	520,331	-	-	-	5,202	476,609	38,520
Not rated	Aa	52,619	-	-	-	4,403	39,151	9,065
Not rated	A	156,646	-	-	-	-	151,032	5,614
Not rated	Baa	57,918	-	-	-	-	27,625	30,293
Not rated	Ba	18,341	-	-	-	-	18,341	-
Not rated	Caa	7,770	-	-	-	-	7,770	-
Not rated	Ca	3,972	-	-	-	-	3,972	-
Not rated	Not rated	9,510,156	575,018	-	846,302	7,700,765	314,146	73,925
		22,302,928	\$ 775,062	\$ 3,516,125	\$ 1,047,467	\$ 846,333	\$ 7,725,369	\$ 6,675,167
								\$ 1,717,405
<b>Ratings not applicable:</b>								
Repurchase agreements <sup>3</sup>		793,171						
U.S. guaranteed obligations <sup>3</sup>		11,074,342						
Domestic stocks		41,029,902						
International stocks		31,814,912						
International equity								
commingled funds		5,452,110						
Alternative investments		22,440,286						
Real estate investments		10,581,549						
Options purchased		38,673						
Swaps		(1,659)						
Total investments			<u>\$ 145,526,214</u>					

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

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

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

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

All futures, options and swaps contracts held by the FRS Pension Trust Fund at June 30, 2016, 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, 2016, are listed below (in thousands):

**FRS Pension Trust Fund**  
**Foreign Currency Exchange Contract Counterparty Credit Ratings**  
**As of June 30, 2016**

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	Aa/P-1	AA/F1	\$ 420,705	\$ (423,368)	\$ (2,663)
A/A-1	Aa/P-1	AA/F1	88	(88)	-
A/A-1	Aa/P-1	AA/F1	3,575	(3,565)	10
A/A-1	Aa/P-1	A/F1	596	(598)	(2)
A/A-1	A/P-1	AA/F1	25,537	(25,524)	13
A/A-1	A/P-1	A/F1	3,993,398	(3,964,170)	29,228
A/A-1	NR/NR	NR/NR	288	(286)	2
A/A-2	A/P-1	A/F1	21,813	(22,420)	(607)
BBB/A-2	Baa/P-2	NR/NR	28,247	(28,291)	(44)
NR/NR	Aa/P-1	NR/NR	91,187	(93,626)	(2,439)
NR/NR	NR/NR	A/F1	50,296	(50,280)	16
NR/NR	NR/NR	NR/NR	6,739	(6,734)	5
		Total:	<u>\$ 4,642,469</u>	<u>\$ (4,618,950)</u>	<u>\$ 23,519</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 \$205,731,630 and \$70,497,693, respectively, which held an S&P rating of AAA at June 30, 2016.

#### 4. Custodial Credit Risk

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

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, but does not apply to investments evidenced by contractual agreements such as alternatives, real estate, cleared derivative instruments (futures, options and swaps), external investment pools or open-ended mutual funds. These types of investments are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

As required by negotiated trust and custody contracts, many of the state's investments were held in the 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, 2016. 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, 2016**

	Fair Value
Invested security lending collateral:	
Repurchase agreements	\$ 139,504
Domestic bonds and notes	<u>79,798</u>
Total	<u>\$ 219,302</u>

## 5. 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, on a net basis, may contribute no more than 25 percent of the portfolio's total duration.

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

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

*Security Lending portfolios* – Effective October 2015, new investment policy guidelines in effect for the FRS Pension Trust Fund allow investment in:

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

Investments that were purchased prior to the investment policy guidelines established in December 2008 are still held in the lending programs, but are slowly paying down. 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 WAM.

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

**FRS Pension Trust Fund**  
**Debt Investments**  
**As of June 30, 2016**

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ -	N/A	\$ 775,062	11
Commercial paper	- -	N/A	3,516,125	21
Money market funds	- -	N/A	1,047,467	1
Repurchase agreements	- -	N/A	1,639,504	5
U.S. guaranteed obligations:				
U.S. Treasury bills	1,815,962	0.06	-	N/A
U.S. Treasury bonds and notes	7,289,368	4.09	-	N/A
Index linked government bonds	283,611	7.10	-	N/A
U.S. government guaranteed bonds and notes	54,869	4.41	-	N/A
GNMA mortgage-backed pass-through	915,179	2.05	-	N/A
GNMA commitments to purchase (TBAs)	440,639	1.93	-	N/A
GNMA CMO's and CMBS <sup>1</sup>	274,714	2.56	-	N/A
Federal agencies:				
Discount notes	201,167	0.06	-	N/A
Unsecured bonds and notes	435,196	3.30	-	N/A
Agency strips	28,504	3.83	-	N/A
Mortgage-backed pass-through	4,889,281	2.35	-	N/A
TBA mortgage-backed pass-through	1,422,991	2.28	-	N/A
Mortgage-backed CMO's and CMBS <sup>1</sup>	748,230	2.22	-	N/A
Domestic bonds and notes:				
Corporate	4,700,890	4.67	-	N/A
Non-government asset and mortgage backed	729,262	1.61	51,589	25
Non-government backed CMO's and CMBS <sup>1</sup>	1,161,151	2.53	14,040	25
Municipal / provincial	15,489	6.27	-	N/A
Real estate mortgage loans	2,746	5.83	-	N/A
International bonds and notes:				
Government and agency	700,397	3.46	-	N/A
Corporate	976,492	4.18	-	N/A
Non-government asset and mortgage-backed	40,516	0.94	-	N/A
Futures contracts - long <sup>2</sup>	- -	2.75	-	N/A
Swap contracts <sup>2</sup>	(1,659)	0.19	-	N/A
<b>Total debt investments</b>	<b>\$ 27,124,995</b>		<b>\$ 7,043,787</b>	

<sup>1</sup> Includes investments in IOs, POs, and INV's totaling \$66 million at June 30, 2016.

<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, 2016.

The effective duration of the State Treasury Investment Pool at June 30, 2016, was approximately 2.61 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, 2016**

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (1,891)	-0.02
FNMA, FHLMC commitments to sell (TBAs)	(306,334)	4.40
Futures contracts <sup>2</sup>	-	3.49
<b>Total debt investments sold short<sup>1</sup></b>	<b>\$ (308,225)</b>	

<sup>1</sup> Investments sold short are reported as liabilities on the Statement of 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, 2016.

The Police and Firefighters' Premium Tax Trust Fund and the Retiree Health Insurance Subsidy Trust Fund had investments in money market funds totaling \$205,731,630 and \$70,497,693, respectively, which had daily liquidity at June 30, 2016.

## 6. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The FRS Pension Trust Fund may have exposure to foreign currency risk to the extent its investments contain non-U.S. dollar denominated holdings in foreign countries. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Florida law limits the exposure to foreign securities held outside of foreign group trusts and certain other foreign entities to 50 percent of the total FRS Pension Trust Fund. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the managers use them in many cases.

International equity commingled funds are investments where the FRS Pension Trust Fund owns units in commingled funds with other investors and, therefore, owns only a portion of the overall investment in the funds. Equity linked notes are participatory notes that allow the holder to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies.

Alternative investments are commingled investment funds (primarily limited partnerships) where the FRS Pension Trust Fund owns a portion of the overall investment in the funds. For those funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. Alternative investments with potential exposure to foreign currency risk totaled \$20.0 billion as of June 30, 2016.

Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2016, 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, 2016**

Currency	FRS Pension Trust Fund Investment Type		
	Equity	Alternative Investments	Fixed Income
Australian dollar <sup>1</sup>	\$ 1,077,695	\$ -	\$ -
Brazilian real	445,084	-	-
British pound sterling	4,473,700	13,333	-
Canadian dollar	1,392,486	-	-
Chilean peso	29,301	-	-
Danish krone	363,066	-	-
Egyptian pound	29,468	-	-
Euro currency unit <sup>1</sup>	6,427,069	584,953	-
Hong Kong dollar	1,916,243	-	-
Hungarian forint	37,775	-	-
Indian rupee	706,586	-	-
Indonesian rupiah	153,610	-	-
Israeli shekel	74,865	-	-
Japanese yen	4,519,662	-	-
Kenyan shilling	21,836	-	-
Malaysian ringgit	144,097	-	-
Mexican peso	215,345	-	-
New Zealand dollar	67,977	-	-
Nigerian naira	27,884	-	-
Norwegian krone	191,105	-	-
Omani rial	8,634	-	363
Pakistani rupee	32,780	-	-
Philippines peso	122,496	-	-
Polish zloty	72,469	-	-
Qatari riyal	39,279	-	-
Singapore dollar	416,356	-	-
South African rand	418,284	-	-
South Korean won	839,575	-	-
Sri Lankan rupee	16,411	-	-
Swedish krona	615,823	-	-
Swiss franc <sup>1</sup>	1,904,848	-	-
Taiwan new dollar	693,978	-	-
Thailand baht	193,215	-	-
Turkish lira	182,261	-	-
United Arab Emirates dirham	56,338	-	-
Other	62,265	-	-
Equity linked notes (various currencies)	47,562	-	-
International equity commingled funds	5,452,110	-	-
Total investments subject to foreign currency risk	\$ 33,489,538	\$ 598,286	\$ 363

<sup>1</sup> Equity exposure to Australian dollars, Euro currency units and Swiss francs include equity currency options with fair values at June 30, 2016, of \$11,870, (\$4,048,661), and \$3,904,123, respectively.

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 counterparty, in the SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party counterparty. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2016, 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, 2016**

	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>Stock Index Futures:</b>						
GBP FTSE 100 Index	British pound sterling	323	19,297	20,745	1,448	\$ 1,935
Canada S&P/TSE 60 Index	Canadian dollar	56	9,007	9,120	113	\$ 87
ASX SPI 200	Australiian dollar	11	1,422	1,423	1	\$ 1
DJ Euro STOXX 50	Euro currency unit	1,053	29,507	30,063	556	\$ 628
TOPIX Index Future	Japanese yen	193	2,547,341	2,403,815	(143,526)	\$ (1,399)
Yen Denom NIKKEI	Japanese yen	333	2,711,453	2,620,710	(90,743)	\$ (885)

<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 holds positions in interest rate swap contracts that are subject to foreign currency risk. An interest rate swap is a contractual agreement between two parties, where one stream of future interest payments is exchanged for another based on a specified principal amount. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's interest rate swap positions at June 30, 2016, that were exposed to foreign currency risk are presented below (notional and fair values in thousands):

**FRS Pension Trust Fund**  
**Interest Rate Swap Contracts Exposed to Foreign Currency Risk**  
**As of June 30, 2016**

Currency	Notional Amount (Local Currency)			Maturity Dates	Fair Value in Local Currency	Fair Value in U.S. Dollars	
		Receive <sup>1</sup>	Pay <sup>1,2</sup>				
Euro currency unit	27,000	1.0995%	EURIBOR 6 month	02/12/36	1,618	\$ 1,797	
Euro currency unit	1,000,000	EURIBOR 6 month	(0.155)% - (0.153)%	02/13/17	(137)	(153)	
New Zealand Dollar	40,000	3.06%	3 Month NZD_BBR_FRA	03/29/26	1,412	1,006	
						\$ 2,650	

<sup>1</sup> If a range of interest rates is presented, the range represents the lowest to highest fixed rates received or paid. The EURIBOR (Euro Interbank Offered Rate) is the rate at which euro wholesale money market (or interbank market) term deposits within the euro zone are offered by one prime bank to another prime bank. Euro rates at 6/30/16 were negative. The 6-month EURIBOR rate at 6/30/16 was - 0.179%.

<sup>2</sup> The NZD\_BBR\_FRA is a forward rate agreement bank bill reference rate maintained by the New Zealand Financial Markets Association, a professional body for wholesale (institutional) banking in New Zealand. The bank bill interest rate is the wholesale interbank rate within Australia and is published by the Australian Financial Markets Association (AFMA). It is the borrowing rate among the country's top market makers, and is widely used as the benchmark interest rate for financial instruments. The 3-month rate is the average interest rate at which a selection of banks are prepared to lend to one another in New Zealand dollars with a maturity of 3 months. The 3-month NZD\_BBR\_FRA rate at 6/30/16 was 2.41.

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, 2016, is presented below, by currency (in thousands):

**FRS Pension Trust Fund**  
**Forward and Spot Foreign Currency Exchange Contracts**  
**As of June 30, 2016**

<u>Currency to Buy</u>	<u>Amount to Buy (Local Currency)</u>	<u>Currency to Sell</u>	<u>Amount to Sell (Local Currency)</u>	<u>Receivable Fair Value (U.S. dollars)</u>	<u>Payable Fair Value (U.S. dollars)</u>	<u>Net Unrealized Gain/(Loss) (U.S. dollars)</u>
Australian dollar	71,104	U.S. dollar	(52,835)	\$ 52,858	\$ (52,835)	\$ 23
Brazilian real	141,551	U.S. dollar	(39,947)	43,929	(39,947)	3,982
British pound sterling	9,656	Canadian dollar	(16,684)	12,908	(12,847)	61
British pound sterling	14,956	Japanese yen	(2,058,796)	19,993	(20,069)	(76)
British pound sterling	57,613	U.S. dollar	(80,837)	77,052	(80,837)	(3,785)
Canadian dollar	146,937	U.S. dollar	(14,270)	13,155	(14,270)	(1,115)
Chilean peso	24,852,229	U.S. dollar	(36,538)	37,491	(36,538)	953
Chinese yuan renminbi	31,089	U.S. dollar	(4,681)	4,648	(4,681)	(33)
Columbian peso	10,700,000	U.S. dollar	(3,482)	3,623	(3,482)	141
Czech koruna	84,000	Euro currency unit	(3,107)	3,453	(3,461)	(8)
Czech koruna	274,870	U.S. dollar	(11,638)	11,278	(11,638)	(360)
Danish krone	33,456	U.S. dollar	(5,106)	5,008	(5,106)	(98)
Euro currency unit	3,208	Australian dollar	(4,778)	3,564	(3,558)	6
Euro currency unit	730	Canadian dollar	(1,050)	811	(808)	3
Euro currency unit	34,020	Japanese yen	(4,296,538)	37,796	(41,882)	(4,086)
Euro currency unit	11,000	Polish zloty	(48,465)	12,221	(12,234)	(13)
Euro currency unit	17,100	Swiss franc	(18,494)	18,998	(18,985)	13
Euro currency unit	273,635	U.S. dollar	(306,300)	304,321	(306,300)	(1,979)
Hong Kong dollar	4,959	Canadian dollar	(830)	639	(639)	-
Hong Kong dollar	6,764	U.S. dollar	(872)	872	(872)	-
Hungarian forint	980,000	Euro currency unit	(3,130)	3,449	(3,486)	(37)
Hungarian forint	15,416,701	U.S. dollar	(55,608)	54,255	(55,608)	(1,353)
Indian rupee	3,087,026	U.S. dollar	(45,436)	45,287	(45,436)	(149)
Indonesian rupiah	561,025,552	U.S. dollar	(41,695)	42,259	(41,695)	564
Israeli shekel	185,753	U.S. dollar	(48,550)	48,241	(48,550)	(309)
Japanese yen	8,934,384	Euro currency unit	(69,426)	87,091	(77,131)	9,960
Japanese yen	40,262,804	U.S. dollar	(361,197)	393,568	(361,197)	32,371
Kenyan shilling	801	U.S. dollar	(8)	8	(8)	-
Malaysian ringgit	14,300	U.S. dollar	(3,480)	3,578	(3,480)	98
Mexican peso	1,178,759	U.S. dollar	(63,795)	63,712	(63,795)	(83)
Moroccan dirham	551	U.S. dollar	(56)	56	(56)	-
New Zealand dollar	201,912	U.S. dollar	(143,187)	143,488	(143,187)	301
Nigerian naira	16,408	U.S. dollar	(58)	58	(58)	-
Norwegian krone	277,515	U.S. dollar	(34,006)	33,163	(34,006)	(843)
Pakistani rupee	7,752	U.S. dollar	(74)	74	(74)	-
Peruvian nuevo sol	11,700	U.S. dollar	(3,485)	3,533	(3,485)	48
Philippines peso	171,500	Euro currency unit	(3,689)	3,630	(3,689)	(59)
Polish zloty	45,585	Euro currency unit	(10,317)	11,501	(11,470)	31
Polish zloty	340,035	U.S. dollar	(86,955)	85,826	(86,955)	(1,129)
Romanian leu	30,400	Euro currency unit	(6,713)	7,476	(7,476)	-
Russian ruble	1,551,265	U.S. dollar	(23,048)	24,072	(23,048)	1,024
Singapore dollar	2,633	U.S. dollar	(1,951)	1,956	(1,951)	5
South African rand	832,934	U.S. dollar	(55,165)	56,719	(55,165)	1,554
South Korean won	125,404,388	U.S. dollar	(107,072)	108,638	(107,072)	1,566
Swedish krona	269,059	U.S. dollar	(31,983)	31,804	(31,983)	(179)
Swiss franc	6,393	Euro currency unit	(5,900)	6,562	(6,555)	7
Swiss franc	114,992	U.S. dollar	(118,073)	118,360	(118,073)	287
Taiwan new dollar	114,796	U.S. dollar	(3,518)	3,568	(3,518)	50
Thailand baht	27,656	U.S. dollar	(787)	787	(787)	-
Turkish lira	2,520	Euro currency unit	(788)	877	(876)	1
Turkish lira	119,885	U.S. dollar	(40,560)	41,487	(40,560)	927
U.S. dollar	241,133	Australian dollar	(328,723)	241,133	(244,560)	(3,427)
U.S. dollar	23,675	Brazilian real	(83,305)	23,675	(25,894)	(2,219)
U.S. dollar	170,751	British pound sterling	(121,010)	170,751	(161,818)	8,933
U.S. dollar	135,445	Canadian dollar	(174,300)	135,445	(134,226)	1,219
U.S. dollar	31,850	Chilean peso	(22,112,493)	31,850	(33,375)	(1,525)
U.S. dollar	15,643	Chinese yuan renminbi	(103,891)	15,643	(15,522)	121
U.S. dollar	13,829	Czech koruna	(335,170)	13,829	(13,753)	76
U.S. dollar	560,979	Euro currency unit	(500,567)	560,979	(556,529)	4,450
U.S. dollar	13,047	Hong Kong dollar	(101,211)	13,047	(13,051)	(4)
U.S. dollar	71,184	Hungarian forint	(20,078,064)	71,184	(70,659)	525
U.S. dollar	3,613	Indian rupee	(246,965)	3,613	(3,611)	2
U.S. dollar	7,695	Indonesian rupiah	(104,311,406)	7,695	(7,858)	(163)
U.S. dollar	79,884	Israeli shekel	(308,698)	79,884	(80,174)	(290)
U.S. dollar	344,263	Japanese yen	(36,959,934)	344,263	(361,062)	(16,799)
U.S. dollar	10	Malaysian ringgit	(40)	10	(10)	-
U.S. dollar	66,402	Mexican peso	(1,232,333)	66,402	(66,734)	(332)
U.S. dollar	62,532	New Zealand dollar	(88,837)	62,532	(63,189)	(657)
U.S. dollar	25,190	Norwegian krone	(212,825)	25,190	(25,431)	(241)
U.S. dollar	92,688	Polish zloty	(366,434)	92,688	(92,486)	202
U.S. dollar	9,480	Russian ruble	(625,377)	9,480	(9,732)	(252)
U.S. dollar	40,760	Singapore dollar	(55,305)	40,760	(41,063)	(303)
U.S. dollar	51,805	South African rand	(814,413)	51,805	(55,457)	(3,652)
U.S. dollar	72,449	South Korean won	(85,654,124)	72,449	(74,179)	(1,730)
U.S. dollar	54	Sri Lanka rupee	(7,992)	54	(55)	(1)
U.S. dollar	104,063	Swedish krona	(858,804)	104,063	(101,545)	2,518
U.S. dollar	168,556	Swiss franc	(163,849)	168,556	(168,583)	(27)
U.S. dollar	14,676	Taiwan new dollar	(477,277)	14,676	(14,837)	(161)
U.S. dollar	128	Thailand baht	(4,499)	128	(128)	-
U.S. dollar	30,850	Turkish lira	(91,845)	30,850	(31,876)	(1,026)
UAE dirham	493	U.S. dollar	(134)	134	(134)	-
Total				\$ 4,642,469	\$ (4,618,950)	\$ 23,519

## 7. Security Lending

Through the SBA, the FRS Pension Trust Fund participates in security lending programs. Collateral requirements for securities on loan range from 100 percent to 105 percent, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested approximately \$2.0 billion in cash and \$10.1 billion in U.S. government securities as collateral for the lending programs as of June 30, 2016. At June 30, 2016, 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 one security lending program included investments with final maturities of six months or more representing approximately 12 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, 2016, there were two lending agents, including the master custodian and one third-party agent.

The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2016 (in thousands):

**Schedule of Investments on Loan Under Security Lending Agreements**  
**As of June 30, 2016**

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	\$	239,976
Federal agencies		15,031
Domestic bonds and notes		58,017
International bonds and notes		52,820
Domestic stocks		618,367
International stocks		918,324
Total securities on loan for cash collateral	\$	1,902,535
 Securities on Loan for Non-Cash Collateral, by Security type		
U.S. guaranteed obligations	\$	1,063,666
Federal agencies		151,266
Domestic bonds and notes		666,836
International bonds and notes		408,131
Domestic stocks		6,805,027
International stocks		837,446
Total securities on loan for non-cash collateral		9,932,372
Total securities on loan	\$	11,834,907

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

## 8. Derivatives

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

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

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

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

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

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

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

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

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

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

A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below (in thousands). As of June 30, 2016, all of the SBA investment derivatives were reported at fair value.

	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2016		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	\$ (1,964)	Receivable/(Payable)	\$ 45,167	\$ 3,668,813	
Options purchased	Investment Income	(56,620)	Investment <sup>2</sup>	38,673	(1,400,308)	
Options sold	Investment Income	17,062	Liability <sup>2</sup>	(35,820)	2,094,415	
Forward currency contracts	Investment Income	25,031	Receivable/(Payable) <sup>3</sup>	23,843	23,843	
Interest rate swaps	Investment Income	(4,676)	Investment	(2,163)	1,445,884	
Credit default swaps	Investment Income	302	Investment	504	116,000	

<sup>1</sup> The total unrealized loss for open futures contracts at June 30, 2016, was \$45,166,949 in the FRS Pension Trust Fund. Variation margin cash payments in the net amount of \$9,380,738 had already been received from the counterparty on or before June 30, 2016. Outstanding remaining net futures variation margin at June 30, 2016, totaled \$35,786,211 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 values of long and short futures positions were \$5,585,312,940 and \$(1,916,500,000), 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.

<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 \$4,031,874,674 and (\$4,008,031,731) as of June 30, 2016. These amounts are included in "Forward contracts receivable" and "Forward contracts payable" on the Statement of Fiduciary Net Position.

## 9. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments that are not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$9.8 billion as of June 30, 2016.

## 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

<b>Net Pension Liability</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>
Total pension liability	\$161,370,735,088	\$167,030,999,000
Fiduciary net position	148,454,393,902	141,780,920,515
Net pension liability	12,916,341,186	25,250,078,485
Fiduciary net position as a % of total pension liability	92.00%	84.88%
Covered payroll <sup>1</sup>	32,726,034,000	33,214,217,000
Net pension liability as a % of covered payroll	39.47%	76.02%

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

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to section 216.136(10), Florida Statutes. During presentations to the 2016 FRS Actuarial Assumption Conference, Aon Hewitt, the investment consultant for the State Board of Administration, and the consulting actuary both recommended reducing the investment return assumption. Based on their respective capital market outlook models, the 50<sup>th</sup> percentile average annual long-term future return rates ranged between 6.3 percent and 6.6 percent. When Aon Hewitt applied the State Board of Administration's approach to assumption development, the investment return forecast was 7.0 percent. The consulting actuary notes the reduced investment return assumption adopted by the FRS Actuarial Assumption Conference conflicts with their judgment of a reasonable assumption as defined by the Actuarial Standards of Practice Number 27 (ASOP 27). Refer to the Actuarial Section for additional information.

<b>Discount Rate</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>
Discount rate	7.65%	7.60%
Long-term expected rate of return, net of investment expense	7.65%	7.60%
Municipal bond rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The rate of return assumption is a prescribed assumption as defined by ASOP 27. The 7.60 percent assumption was adopted by the 2016 FRS Actuarial Assumption Conference.

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

## Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Valuation Date	July 1, 2015	July 1, 2016
Measurement date	June 30, 2015	June 30, 2016
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

## Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of June 30, 2015	\$161,370,735,088	\$148,454,393,902	\$12,916,341,186
Changes for the year:			
Service cost	2,132,905,650		2,132,905,650
Interest on total pension liability	12,109,113,805		12,109,113,805
Effect of plan changes	32,310,000		32,310,000
Effect of economic / demographic gains or losses	980,191,881		980,191,881
Effect of assumptions changes or inputs	1,030,667,368		1,030,667,368
Benefit payments <sup>1</sup>	(10,624,924,792)	(10,624,924,792)	0
Employer contributions		2,438,659,458	(2,438,659,458)
Member contributions		710,716,815	(710,716,815)
Net investment income		820,582,372	(820,582,372)
Administrative expenses		(18,507,240)	18,507,240
Balances as of June 30, 2016	<u>\$167,030,999,000</u>	<u>\$141,780,920,515</u>	<u>\$25,250,078,485</u>

## Sensitivity Analysis

The following presents the net pension liability of the pension plan, calculated using the discount rate of 7.60 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$188,268,024,512	\$167,030,999,000	\$149,353,979,968
Fiduciary net position	141,780,920,515	141,780,920,515	141,780,920,515
Net pension liability	<u>\$46,487,103,997</u>	<u>\$25,250,078,485</u>	<u>\$7,573,059,453</u>

<sup>1</sup> Benefit payments shown above include outbound transfers to the Investment Plan and returns of contributions, net of \$54,889,558 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 2016 the FRS Actuarial Assumption Conference reviewed long-term assumptions developed by capital market assumptions teams from both Milliman and Aon Hewitt Investment Consulting, investment consultants 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. The 2016 FRS Actuarial Assumption Conference selected a return assumption of 7.60 percent, which is a *prescribed assumption* as defined by ASOP 27.

Asset Class	Target Allocation <sup>1</sup>	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic investments	12%	6.1%	5.6%	11.1%
Assumed Inflation – Mean			2.6%	1.9%

## Calculation of Money-Weighted Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on FRS pension plan investments, net of pension plan investment expense, was 0.57 percent<sup>2</sup>. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

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

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

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

The following pages display the calculation of the Net Pension Liability and the Changes to the Net Pension Liability over the past year. Note that the June 30, 2015, liability is based on census data and demographic assumptions from the July 1, 2014, actuarial valuation, while the June 30, 2016, liability is based on census data and demographic assumptions from the July 1, 2016, actuarial valuation. The discount rates used at the two liability measurement dates differ due to changes in the applicable municipal bond index between dates.

Net Pension Liability	June 30, 2015	June 30, 2016
Total pension liability	\$10,249,201,290	\$11,768,444,801
Fiduciary net position	50,774,315	113,859,055
Net pension liability	10,198,426,975	11,654,585,746
Fiduciary net position as a % of total pension liability	0.50%	0.97%
Covered payroll <sup>1</sup>	30,340,449,100	30,875,273,947
Net pension liability as a % of covered payroll	33.61%	37.75%

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

Discount Rate	June 30, 2015	June 30, 2016
Discount rate	3.80%	2.85%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond	3.80%	2.85%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable municipal bond index.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2016, 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, 2016
Measurement date	June 30, 2015	June 30, 2016
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB; details in valuation report	Generational RP-2000 with Projection Scale BB; details in valuation report
Actuarial cost method	Individual Entry Age	Individual Entry Age

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

<b>Changes in Net Pension Liability</b>	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease)</b>	<b>Net Pension Liability (a) – (b)</b>
		<b>Plan Fiduciary Net Position (b)</b>	
Balances as of June 30, 2015	\$10,249,201,290	\$50,774,315	\$10,198,426,975
<b>Changes for the year:</b>			
Service cost	256,710,220		256,710,220
Interest on total pension liability	390,757,053		390,757,053
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	(30,826,289)		(30,826,289)
Effect of assumptions changes or inputs	1,352,459,162		1,352,459,162
Benefit payments	(449,856,635)	(449,856,635)	0
Employer contributions		512,563,741	(512,563,741)
Member contributions		0	0
Net investment income		565,205	(565,205)
Administrative expenses		(187,571)	187,571
Balances as of June 30, 2016	<u>\$11,768,444,801</u>	<u>\$113,859,055</u>	<u>\$11,654,585,746</u>

### **Sensitivity Analysis**

The following presents the net pension liability of the HIS, calculated using the discount rate of 2.85 percent, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate.

	<b>1% Decrease 1.85%</b>	<b>Current Discount Rate 2.85%</b>	<b>1% Increase 3.85%</b>
Total pension liability	\$13,484,316,752	\$11,768,444,801	\$10,344,364,746
Fiduciary net position	113,859,055	113,859,055	113,859,055
Net pension liability	<u>\$13,370,457,697</u>	<u>\$11,654,585,746</u>	<u>\$10,230,505,691</u>

## C. Florida National Guard Supplemental Retirement Benefit Plan

Actuarial valuations for the Florida National Guard Supplemental Retirement Benefit Plan are performed biennially. The June 30, 2016, calculations are based on census data and demographic assumptions from the July 1, 2016, actuarial valuation. The June 30, 2015, results were developed based on census data and demographic assumptions from the July 1, 2014, actuarial valuation, rolled-forward to July 1, 2015, using standard actuarial techniques. Due to the pay-as-you-go nature of the program, full actuarial valuations will not be conducted on an annual basis, but instead will be conducted in even-numbered years only.

<b>Net Pension Liability</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>
Total pension liability	\$504,915,152	\$664,546,758
Fiduciary net position	0	0
Net pension liability	504,915,152	664,546,758
Fiduciary net position as a % of total pension liability	0.00%	0.00%
Covered payroll <sup>1</sup>	476,278,000	477,549,000
Net pension liability as a % of covered payroll	106.01%	139.16%

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.

<b>Net Pension Liability</b>	<b>June 30, 2015</b>	<b>June 30, 2016</b>
Discount rate	3.80%	2.85%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.80%	2.85%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the National Guard benefit is funded on a pay-as-you-go basis, the depletion date is considered to be immediate. The single equivalent discount rate is equal to the municipal bond rate adopted by the FRS Actuarial Assumption Conference. The discount rates used at the two dates differ due to changes in the applicable bond index.

### Other Key Actuarial Assumptions

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

Valuation Date	July 1, 2014	July 1, 2016
Measurement date	June 30, 2015	June 30, 2016
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, 2015	\$504,915,152	\$0	\$504,915,152
Changes for the year:			
Service cost	9,044,063		9,044,063
Interest on total pension liability	19,259,164		19,259,164
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	27,461,729		27,461,729
Effect of assumptions changes or inputs	118,279,231		118,279,231
Benefit payments	(14,412,581)	(14,412,581)	0
Employer contributions <sup>1</sup>		14,422,581	(14,422,581)
Member contributions		0	0
Net investment income		0	0
Administrative expenses		(10,000)	10,000
Balances as of June 30, 2016	<u>\$664,546,758</u>	<u>\$0</u>	<u>\$664,546,758</u>

## Sensitivity Analysis

The following presents the net pension liability of the plan, calculated using the discount rate of 2.85 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate.

	1% Decrease 1.85%	Current Discount Rate 2.85%	1% Increase 3.85%
Total pension liability	\$830,694,636	\$664,546,758	\$540,886,986
Fiduciary net position	0	0	0
Net pension liability	<u>\$830,694,636</u>	<u>\$664,546,758</u>	<u>\$540,886,986</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, 2016, 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, 2016, consist of the following:

		Due from Other Funds within Division	
		<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Due to Other Funds within Division</b>			
<b>Fiduciary Funds</b>			
Florida Retirement System		Police and Firefighters' Premium Tax Trust Fund	Florida Retirement System
State University System Optional Retirement Program		\$ 8,467	\$ -
<b>Total</b>		<hr/>	<hr/>
			298,554
		<hr/>	<hr/>
		\$ 8,467	\$ 298,554

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 Funds</b>
<b>Transfers to Other Funds within Division</b>		
<b>Fiduciary Funds</b>		Police and Firefighters' Premium Tax Trust Fund
Florida Retirement System		\$ 395,318
<b>Total</b>		<hr/>
		\$ 395,318

## NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for fiduciary and governmental activities during the fiscal year ended June 30, 2016, are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year (Current)	
<b>Fiduciary Activities</b>						
Pension liability	\$ 49,698	\$ 32,542	\$ -	\$ 79,240	\$ 1,260	
Compensated absences	841,655	75,717	30,173	887,199	202,909	
Other postemployment benefits	2,287,249	677,485	-	2,964,734		-
<b>Total Fiduciary Activities</b>	<b>\$ 3,175,602</b>	<b>\$ 785,744</b>	<b>\$ 30,173</b>	<b>\$ 3,931,173</b>	<b>\$ 204,169</b>	
<b>Governmental Activities</b>						
Compensated absences	\$ 89,628	\$ 1,927	\$ -	\$ 91,555	\$ 22,021	
Other postemployment benefits	111,454	36,133	-	147,587		-
<b>Total Governmental Activities</b>	<b>\$ 201,082</b>	<b>\$ 38,060</b>	<b>\$ -</b>	<b>\$ 239,142</b>	<b>\$ 22,021</b>	

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

The long-term liabilities for governmental activities related to compensated absences will be liquidated by the Police and Firefighters' Premium Tax Trust Fund, a special revenue fund. The fund's allocated share of the state's Other Postemployment Benefits (OPEB) liability is also reported above. The state does not currently fund the OPEB liability; therefore, it is non-liquidating.

## NOTE 7 – RELATED PARTIES

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

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

In addition to the defined benefit pension plans, the DMS administers the Police and Firefighters' Premium Tax Trust Fund, a supplemental funding of defined benefit plans for municipal police officers and firefighters who are not in the FRS. The SBA provides investment services to the Police and Firefighters' Premium Tax Trust Fund.

Significant transactions between the SBA, the FRS Investment Plan Trust Fund and the DMS state-administered retirement systems for fiscal year 2016 are as follows:

	Florida Retirement System Pension Plan	Retiree Health Insurance Subsidy Trust Fund	Police and Firefighters' Premium Tax Trust Fund
(in thousands)			
<u>Payables:</u>			
Due to SBA for investment service charges	\$ 5,327	\$ -	\$ -
<u>Additions:</u>			
Funds received from SBA for distributions	\$ 9,849,725	\$ 443,875	\$ 163,755
Transfers from FRS Investment Plan Trust Fund	<u>54,890</u>	<u>-</u>	<u>-</u>
Total Additions	<u>\$ 9,904,615</u>	<u>\$ 443,875</u>	<u>\$ 163,755</u>
<u>Deductions:</u>			
Employer / employee contributions sent to SBA	\$ 3,085,492	\$ 513,400	\$ -
Member-directed benefits sent to FRS			
Investment Plan Trust Fund	612,301	-	-
Investment service charges to the SBA	31,970	-	-
Premium taxes sent to SBA	-	-	143,900
Total Deductions	<u>\$ 3,729,763</u>	<u>\$ 513,400</u>	<u>\$ 143,900</u>

## REQUIRED SUPPLEMENTARY INFORMATION

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

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

#### Schedule of Changes in Net Pension Liability and Related Ratios<sup>1</sup> (in thousands)

<b>Total Pension Liability</b>	<u><b>June 30, 2014</b></u>	<u><b>June 30, 2015</b></u>	<u><b>June 30, 2016</b></u>
Service cost	\$2,256,738	\$2,114,047	\$2,132,906
Interest on total pension liability	11,489,921	11,721,563	12,109,114
Effect of plan changes	0	0	32,310
Effect of economic / demographic (gains) or losses	(448,818)	1,620,863	980,192
Effect of assumption changes or inputs	1,256,045	0	1,030,667
Benefit payments	<u>(8,714,251)</u>	<u>(10,201,501)</u>	<u>(10,624,925)</u>
Net change in total pension liability	5,839,635	5,254,972	5,660,264
 Total pension liability, beginning	 150,276,128	 156,115,763	 161,370,735
Total pension liability, ending (a)	<u>\$156,115,763</u>	<u>\$161,370,735</u>	<u>\$167,030,999</u>
 <b>Fiduciary Net Position</b>			
Employer contributions	\$2,190,424	\$2,438,085	\$2,438,659
Member contributions	682,507	698,304	710,717
Investment income net of investment expenses	22,812,286	5,523,287	820,583
Benefit payments	(8,714,250)	(10,201,500)	(10,624,925)
Administrative expenses	<u>(18,352)</u>	<u>(18,074)</u>	<u>(18,507)</u>
Net change in plan fiduciary net position	16,952,615	(1,559,898)	(6,673,473)
 Fiduciary net position, beginning	 133,061,677	 150,014,292	 148,454,394
Fiduciary net position, ending (b)	<u>\$150,014,292</u>	<u>\$148,454,394</u>	<u>\$141,780,921</u>
 Net pension liability, ending = (a) -(b)	 \$6,101,471	 \$12,916,341	 \$25,250,078
 Fiduciary net position as a % of total pension liability	 96.09%	 92.00%	 84.88%
 Covered payroll <sup>2</sup>	 \$24,723,565	 \$32,726,034	 \$33,214,217
 Net pension liability as a % of covered payroll	 24.68%	 39.47%	 76.02%

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

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

<sup>2</sup> For June 30, 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

## 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, 2016, calculated based on the discount rate and actuarial assumptions below:

### Discount Rate

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Discount rate	7.65%	7.60%
Long-term expected rate of return, net of investment expense	7.65%	7.60%
Bond Buyer General Obligation 20-Bond Municipal Bond Index	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The rate of return assumption is a prescribed assumption as defined by Actuarial Standard of Practice Number 27 (ASOP 27). The 7.60 percent assumption was adopted by the 2016 FRS Actuarial Assumption Conference.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2016
Measurement Date	June 30, 2016
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

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<sup>1</sup> See July 1, 2016, 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
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%
2016	2,438,659,458	2,438,659,458	0	33,214,217,000	7.34%

### Notes to the Schedule of Employer Contributions

The following actuarial methods and assumptions were used in the July 1, 2016, funding valuation. Refer to the valuation report dated December 1, 2016, 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 2017-2018 plan year are calculated in the July 1, 2016, actuarial valuation)
<b>Actuarial Cost Method</b>	Ultimate Entry Age Normal
<b>Amortization Method</b>	Level percent
Level percent or level dollar	Closed, layered
Closed, open, or layered periods	30 years
Amortization period at July 1, 2016	3.25%
Payroll growth rate	
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Asymptotic
Corridor	80% - 120% of fair market value
<b>Inflation</b>	2.60%
<b>Salary Increases</b>	Varies by membership class, length of service and sex; details in valuation report
<b>Investment Rate of Return</b>	7.60%
	The investment return assumption, which was set by the 2016 FRS Actuarial Assumption Conference, is a <i>prescribed assumption</i> as defined by Actuarial Standard of Practice Number 27 (ASOP 27)
<b>Cost of Living Adjustments</b>	3% for pre-July 2011 benefit service; 0% thereafter
<b>Retirement Age</b>	Varies by tier, membership class, age and sex; details in valuation report
<b>Turnover</b>	Varies by membership class, length of service, age and sex; details in valuation report
<b>Mortality</b>	Generational RP-2000 with Projection Scale BB

<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.

## **Money-Weighted Rate of Return**

<b>Fiscal Year Ending June 30</b>	<b>Net Money-Weighted Rate of Return</b>
2014	17.57%
2015	3.77%
2016	0.57%

The above schedule is presented to illustrate the requirement to show information for ten years and will fill in to a ten-year schedule as results for new fiscal years are calculated. For the calculation of the money-weighted rate of return, refer to the 2016 GASB 67 Supplement to the FRS Actuarial Valuation available from Valuations on Publications page of the Division of Retirement's website at [www.frs.myflorida.com](http://www.frs.myflorida.com).

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

Required supplementary information for the HIS Program is presented below:

### Schedule of Changes in Net Pension Liability and Related Ratios<sup>1</sup>

(in thousands)

Total Pension Liability	June 30, 2014	June 30, 2015	June 30, 2016
Service cost	\$190,371	\$217,519	\$256,710
Interest on total pension liability	409,907	405,441	390,757
Effect of plan changes	0	0	0
Effect of economic/demographic (gains) or losses	0	0	(30,826)
Effect of assumption changes or inputs	386,383	607,698	1,352,459
Benefit payments	(407,276)	(425,086)	(449,857)
Net change in total pension liability	579,385	805,572	1,519,243
 Total pension liability, beginning	 8,864,244	 9,443,629	 10,249,201
Total pension liability, ending (a)	 \$9,443,629	 \$10,249,201	 \$11,768,445
 <b>Fiduciary Net Position</b>			
Employer contributions	\$342,566	\$382,454	\$512,564
Member contributions	0	0	0
Investment income net of investment expenses	219	208	565
Benefit payments	(407,275)	(425,085)	(449,857)
Administrative expenses	(54)	(188)	(188)
Net change in plan fiduciary net position	(64,544)	(42,611)	63,084
 Fiduciary net position, beginning	 157,929	 93,385	 50,774
Fiduciary net position, ending (b)	 \$93,385	 \$50,774	 \$113,859
 Net pension liability, ending = (a) -(b)	 \$9,350,244	 \$10,198,427	 \$11,654,586
 Fiduciary net position as a % of total pension liability	 0.99%	 0.50%	 0.97%
 Covered payroll <sup>1</sup>	 \$29,676,340	 \$30,340,449	 \$30,875,274
 Net pension liability as a % of covered payroll	 31.51%	 33.61%	 37.75%

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

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

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

The total pension liability was determined by an actuarial valuation as of the valuation date of July 1, 2016, calculated based on the discount rate and actuarial assumptions below:

### Actuarial Methods and Assumptions

The same demographic and pay-related assumptions that were used in the Florida Retirement System Actuarial Valuation as of July 1, 2016, ("funding valuation") were used for the HIS program, unless otherwise noted. In a given membership class and tier, the same assumptions for both Investment Plan (IP) members and for FRS Pension Plan members were used.

#### Discount Rate

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Discount rate	3.80%	2.85%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.80%	2.85%

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The discount rate used in the 2016 valuation was updated from 3.80 percent to 2.85 percent, reflecting the change in the Bond Buyer General Obligation 20- Bond Municipal Bond Index as of June 30, 2016.

### Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2016, were based on the results of an actuarial experience study of the FRS for the period July 1, 2008 - June 30, 2013.

Valuation Date	July 1, 2016
Measurement Date	June 30, 2016
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 June 30, 2016, accumulated HIS assets constituted approximately three 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)

Total Pension Liability	June 30, 2014	June 30, 2015	June 30, 2016
Service cost	\$5,979	\$7,161	\$9,044
Interest on total pension liability	18,852	19,164	19,259
Effect of plan changes	0	0	0
Effect of economic/demographic (gains) or losses	0	0	27,462
Effect of assumption changes or inputs	27,926	46,330	118,279
Benefit payments	(14,366)	(14,423)	(14,413)
Net change in total pension liability	38,391	58,232	159,632
 Total pension liability, beginning	 408,292	 446,683	 504,915
Total pension liability, ending (a)	\$446,683	\$504,915	\$664,547
 Fiduciary Net Position			
Employer contributions	\$14,366	\$14,495	\$14,423
Member contributions	0	0	0
Investment income net of investment expenses	0	0	0
Benefit payments	(14,366)	(14,423)	(14,413)
Administrative expenses	0	(72)	(10)
Net change in plan fiduciary net position	0	0	0
 Fiduciary net position, beginning	 0	 0	 0
Fiduciary net position, ending (b)	\$0	\$0	\$0
 Net pension liability, ending = (a) -(b)	 \$446,683	 \$504,915	 \$664,547
 Fiduciary net position as a % of total pension liability	 0.00%	 0.00%	 0.00%
 Covered payroll <sup>1</sup>	 \$466,939	 \$476,278	 \$477,549
 Net pension liability as a % of covered payroll	 95.66%	 106.01%	 139.16%

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

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

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

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

### Discount Rate

In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the National Guard benefit is funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The discount rate used was updated from 3.80 percent to 2.85 percent as of June 30, 2016, reflecting the change during the fiscal year in the Bond Buyer General Obligation 20- Bond Municipal Bond Index.

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Discount rate	3.80%	2.85%
Long-term expected rate of return, net of investment expense	N/A	N/A
Bond Buyer General Obligation 20-Bond Municipal Bond Index	3.80%	2.85%

### Other Key Actuarial Assumptions

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

Valuation Date	July 1, 2014	July 1, 2016
Measurement date	June 30, 2015	June 30, 2016
Inflation	2.60%	2.60%
Annual Increase – Federal Military Pay Tables	2.00%	2.00%
Individual Member Salary Increase	Varies by service; separate tables for officers and enlisted	Varies by service; separate tables for officers and enlisted
Annual Cost-of-Living-Adjustment	1.50%	1.50%
Mortality	General RP-2000 With Projection Scale BB	General RP-2000 with Projection Scale BB
Actuarial cost method	Entry Age Normal	Entry Age Normal

## **D. Budgetary Reporting**

### **Budget Process**

Each year, the head of the Department of Management Services submits a legislative budget request to the Governor and Legislature as required by Section 216.023(01), Florida Statutes. 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, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balance, July 1, 2015	\$ 11,899,664	\$ 11,899,664	\$ 11,899,664	\$ -
Reversions	78,305	78,305	78,305	-
Fund Balance, July 1, 2015, restated	<u>11,977,969</u>	<u>11,977,969</u>	<u>11,977,969</u>	<u>-</u>
<b>REVENUES</b>				
Premium tax	178,700,000	179,000,000	179,704,392	704,392
Interest	338,586	600,000	613,905	13,905
Net Investment Activity	19,241,545	19,241,545	19,241,545	-
Refund	-	-	-	-
Transfers	-	-	685,707	685,707
Total Revenues	<u>198,280,131</u>	<u>198,841,545</u>	<u>200,245,549</u>	<u>1,404,004</u>
Total Available Resources	<u>210,258,100</u>	<u>210,819,514</u>	<u>212,223,518</u>	<u>1,404,004</u>
<b>EXPENDITURES</b>				
<u>Operating Expenditures:</u>				
Salaries and Benefits	800,571	821,859	686,484	135,375
Expenses	104,089	104,650	49,788	54,862
Special Categories	197,523	386,398	305,230	81,168
Total Operating Expenditures	<u>1,102,183</u>	<u>1,312,906</u>	<u>1,041,502</u>	<u>271,404</u>
<u>Nonoperating expenditures:</u>				
Transfers	22,100,000	22,100,000	15,223,178	6,876,822
Refunds	100,000	100,000	-	100,000
Distributions to Municipalities	146,300,000	146,300,000	137,913,297	8,386,703
Other	14,688,000	14,688,000	13,656,351	1,031,649
Total Nonoperating Expenditures	<u>183,188,000</u>	<u>183,188,000</u>	<u>166,792,826</u>	<u>16,395,174</u>
Total Expenditures	<u>184,290,183</u>	<u>184,500,906</u>	<u>167,834,328</u>	<u>16,666,578</u>
Fund Balance, June 30, 2016	<u>\$ 25,967,917</u>	<u>\$ 26,318,608</u>	<u>\$ 44,389,190</u>	<u>\$ 18,070,582</u>

**BUDGET TO GAAP RECONCILIATION**  
**MAJOR SPECIAL REVENUE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Police and Firefighters' Premium Tax Trust Fund</b>
Budgetary basis fund balance	\$ 44,389,190
Items not included in budgetary basis fund balance:	
Non-State Treasury cash and investments	205,731,630
Other GAAP basis fund balances not included in budgetary basis fund balances	1,350
Adjusted budgetary basis fund balances	<u>250,122,170</u>
Adjustments (basis differences):	
Net receivables (payables) not carried forward	(78,309,910)
Encumbrances	-
GAAP basis fund balances	<u>\$ 171,812,260</u>

## Other Supplementary Information



Trail in Bill Baggs Cape Florida State Park, Key Biscayne

## SCHEDULE OF ADMINISTRATIVE EXPENSES

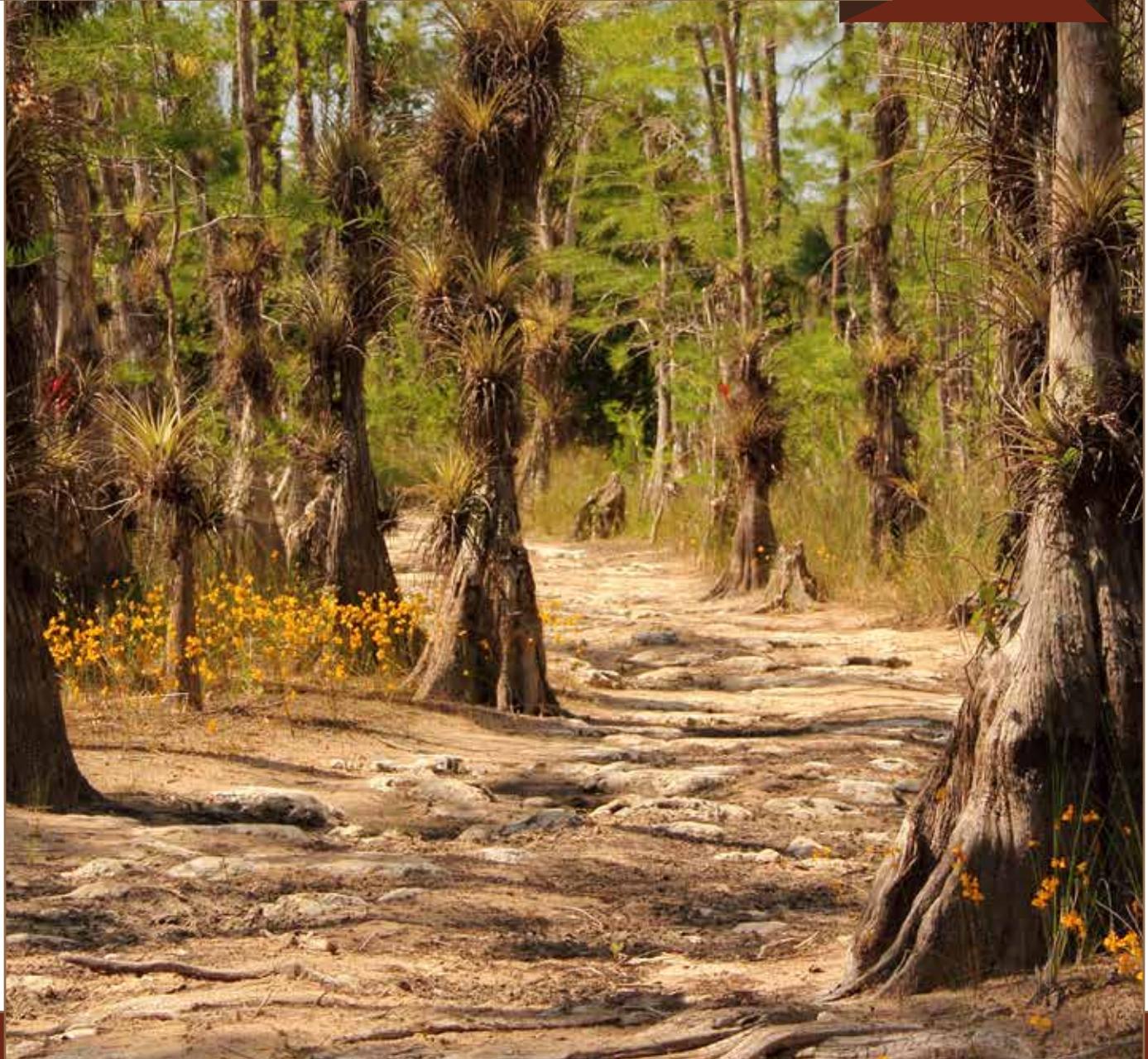
as of June 30, 2016

	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	\$ 6,830,257	\$ 129,696	\$ -	\$ 155,739
State retirement contributions	540,953	-	-	8,826
Insurance contributions	1,710,655	-	-	23,092
Social security	504,250	-	-	8,020
Workers' compensation	48,398	-	-	-
Other post employment benefits	669,456	-	-	8,029
Compensated absences <sup>1</sup>	75,717	-	-	(30,173)
Pension Expense <sup>2</sup>	-	-	-	(1,705)
<b>Subtotal</b>	<b>10,379,686</b>	<b>129,696</b>	<b>-</b>	<b>171,828</b>
<b>Professional services</b>				
Actuarial services	616,420	39,015	10,000	-
Contractual IT services and monitoring	2,844,114	-	-	-
Legal services	129,795	-	-	50,000
Other contractual services	274,731	-	-	219
Other contractual services - data processing	434,396	-	-	-
<b>Subtotal</b>	<b>4,299,456</b>	<b>39,015</b>	<b>10,000</b>	<b>50,219</b>
<b>Communication</b>				
Postage and freight	495,464	17,817	-	11,972
Printing and reproduction	77,867	-	-	-
Telephone	438,511	-	-	40
Travel	49,817	-	-	-
<b>Subtotal</b>	<b>1,061,659</b>	<b>17,817</b>	<b>-</b>	<b>12,012</b>
<b>Other operating expenses</b>				
Administrative overhead assessment	1,144,547	-	-	-
Data processing supplies	169,712	-	-	405
Depreciation	132,385	-	-	-
Dues and subscriptions	14,535	-	-	1,494
Equipment leasing	22,400	-	-	-
Furniture and equipment	38,561	-	-	-
Human resources overhead assessment	52,574	1,043	-	1,251
Insurance	9,802	-	-	-
Loss on disposal of equipment	14,638	-	-	-
Materials and supplies	101,520	-	-	-
Miscellaneous expenses	38,334	-	-	2,640
Office rental	942,937	-	-	8,795
Office supplies	6,655	-	-	52
Repairs and maintenance	2,235	-	-	-
Utilities	75,604	-	-	545
<b>Subtotal</b>	<b>2,766,439</b>	<b>1,043</b>	<b>-</b>	<b>15,182</b>
<b>Total Administrative Expenses</b>	<b>\$ 18,507,240</b>	<b>\$ 187,571</b>	<b>\$ 10,000</b>	<b>\$ 249,241</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



Picturesque trail in Big Cypress National Preserve, Ochopee



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EXECUTIVE DIRECTOR & CIO

December 15, 2016

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 2015-2016**

	<b>9/30/15</b>	<b>12/31/15</b>	<b>3/31/16</b>	<b>6/30/16</b>
Fund Market Value	\$139.16 billion	\$141.95 billion	\$141.59 billion	\$141.32 billion

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

<b>Asset Classes</b>	<b>9/30/15</b>	<b>12/31/15</b>	<b>3/31/16</b>	<b>6/30/16</b>
Global Equity	56.0%	57.1%	56.8%	56.3%
Fixed Income	20.9%	19.5%	18.8%	18.9%
Real Estate	9.0%	8.9%	9.4%	9.4%
Private Equity	6.1%	6.0%	6.2%	6.4%
Strategic Investments	7.5%	7.8%	8.0%	8.2%
Cash Equivalents/Short Term	0.5%	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	<b>10 Years</b> <b>2006-2016</b>	<b>5 Years</b> <b>2011-2016</b>	<b>3 Years</b> <b>2013-2016</b>	<b>1 Year</b> <b>2015-2016</b>
Total FRS Pension Plan	5.85%	6.78%	6.96%	0.54%

Investment performance of the FRS Pension Plan is reported in the SBA's *2015-16 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

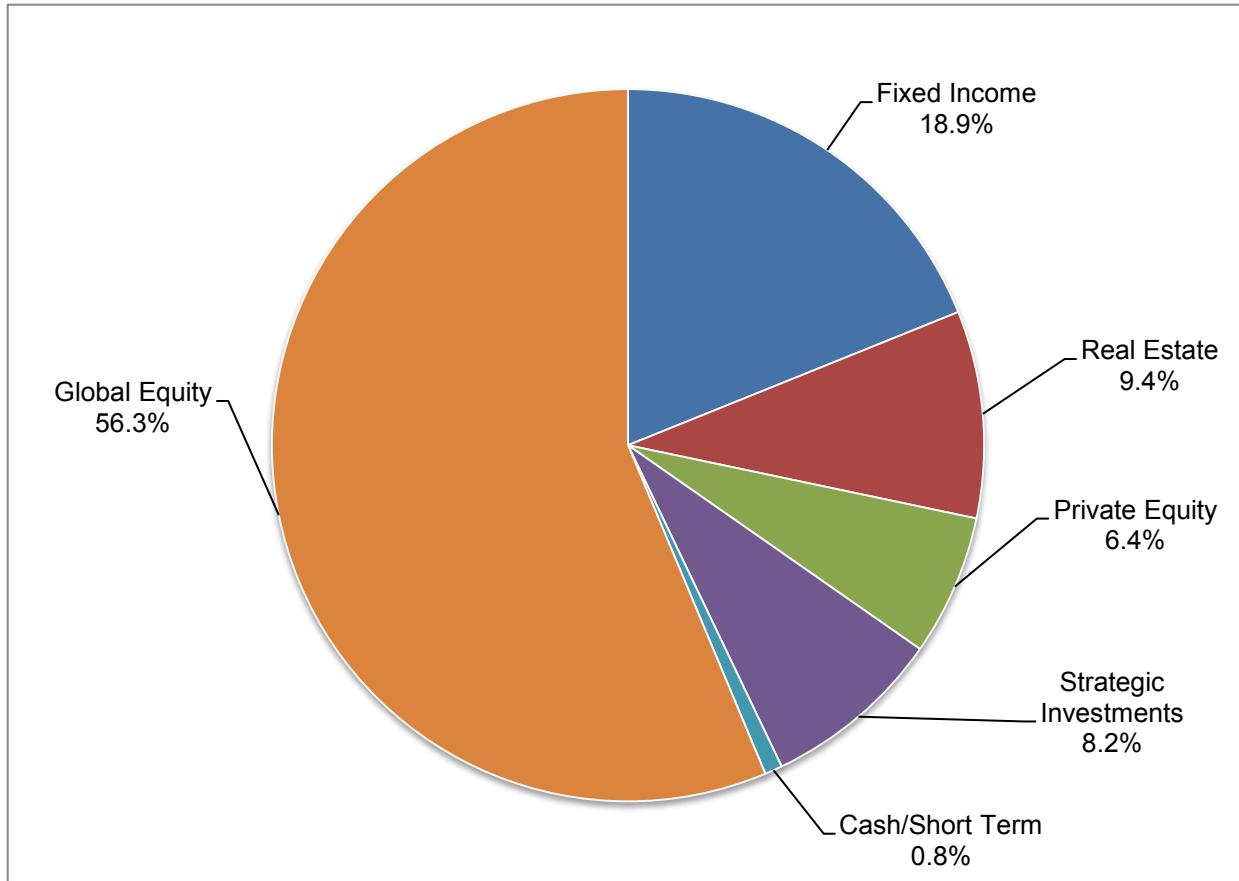
Ashbel C. Williams

## 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.

Fiscal Year	Based On Fair Value
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%
2016	0.54%

**FRS TRUST FUND**  
**DISTRIBUTION OF INVESTMENTS**  
as of June 30, 2016



**Fund Market Value \$141,321,201,894**

Investments by Asset Class	
Asset Class	Value as of June 30, 2016
Global Equity	\$79,554,339,420
Fixed Income	\$26,685,366,869
Real Estate	\$13,295,676,455
Private Equity	\$9,112,663,875
Strategic Investments	\$11,586,417,690
Cash Equivalents/Short Term	\$1,086,737,585
<b>Total</b>	<b>\$141,321,201,894</b>



## Actuarial Section



Florida Pinelands hiking trail

## Florida Retirement System Pension Plan

### Overview of GASB 67 and GASB 68

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

GASB 67 applies to financial reporting for public pension plans. Under GASB 67, enhancements to the financial statement disclosures are required, along with certain required supplementary information.

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

### Relationship Between Valuation Date and Measurement Date

The Valuation Date is July 1, 2016. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2016.

### 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 sometimes 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 Department of Management Services:

- The Florida Department of Management Services 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 percent 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.



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December 1, 2016

Members of the Florida Legislature and of the Florida Retirement System

**Re: Actuary's Statement Regarding FRS 2016 Pension Plan Actuarial Valuation**

Dear Florida Legislators and FRS Members:

Milliman has conducted an actuarial valuation as of July 1, 2016 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, 2017 – June 30, 2018 plan year. The methods and assumptions for these calculations include a decrease in the investment return assumption from 7.65% to 7.60%, and an updated mortality assumption for plan members during the period while they are in FRS-covered employment. Preliminary 2016 valuation results reflecting these two assumption updates were presented to the 2016 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, some actuarial methods used to determine assets and actuarial liabilities differ from the system funding calculations in order to comply with GASB mandates which are designed to allow financial statement comparability between governmental pension systems.

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

**System Funding Calculations**

On the smoothed Actuarial Value of Assets (AVA) basis used to determine actuarially calculated contribution rates, FRS Pension Plan funded status decreased from 86.5% to 85.4%. On a Market Value of Assets (MVA) basis, FRS Pension Plan funded status decreased from 89.7% to 83.2% due to an actual plan year investment return of +0.54% compared to the assumed average annual return from the previous valuation of 7.65%.

Due to market value investment performance below the long-term average assumed return over the past two years, as of July 1, 2016 the MVA is less than the AVA, which is used for contribution rate calculations, by \$3.7 billion. That \$3.7 billion not yet recognized market investment loss will be systematically recognized as a sequence of actuarial investment losses

in the Unfunded Actuarial Liability (UAL) over the next several years unless market value investment experience during that period exceeds the return assumption. If actual market value investment experience during that period fails to exceed the 7.60% assumption used in this valuation, the systematic recognition of the market value investment loss will lead to future increases in actuarially calculated contribution rates.

The composite FRS Pension Plan-only actuarially calculated employer contribution rate in the funding valuation (prior to blending with FRS Investment Plan contribution rates to create blended proposed statutory rates) for the 2017-2018 plan year increased by 0.57% of payroll when compared to the 2016-2017 rate calculated in the prior valuation. The most significant rate increase sources were, in decreasing order of significance:

- a) The decrease in the investment return assumption
- b) Investment return measured on a smoothed Actuarial Value of Assets basis of +7.0%, compared to the 7.65% assumed in the prior valuation
- c) Actual growth of the payroll used to amortize the Unfunded Actuarial Liability (UAL) was only 1.1%, compared to assumed annual payroll growth of 3.25%,
- d) Legislative enhancement of the Special Risk in-line-of-duty death benefit

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 7.60%, as initially approved for use by the 2016 FRS Actuarial Assumptions Conference. The assumption is materially above the 50th percentile average returns in the proprietary capital market outlook models developed by both Milliman and the Florida State Board of Administration's investment consultant (Aon Hewitt). The models developed by Milliman and Aon Hewitt each had 50<sup>th</sup> percentile average annual long-term future returns in the 6.3%-7.0% range, and all models developed in 2016 indicated a likelihood of 35% or less of actual long-term future average returns meeting or exceeding 7.60%.

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

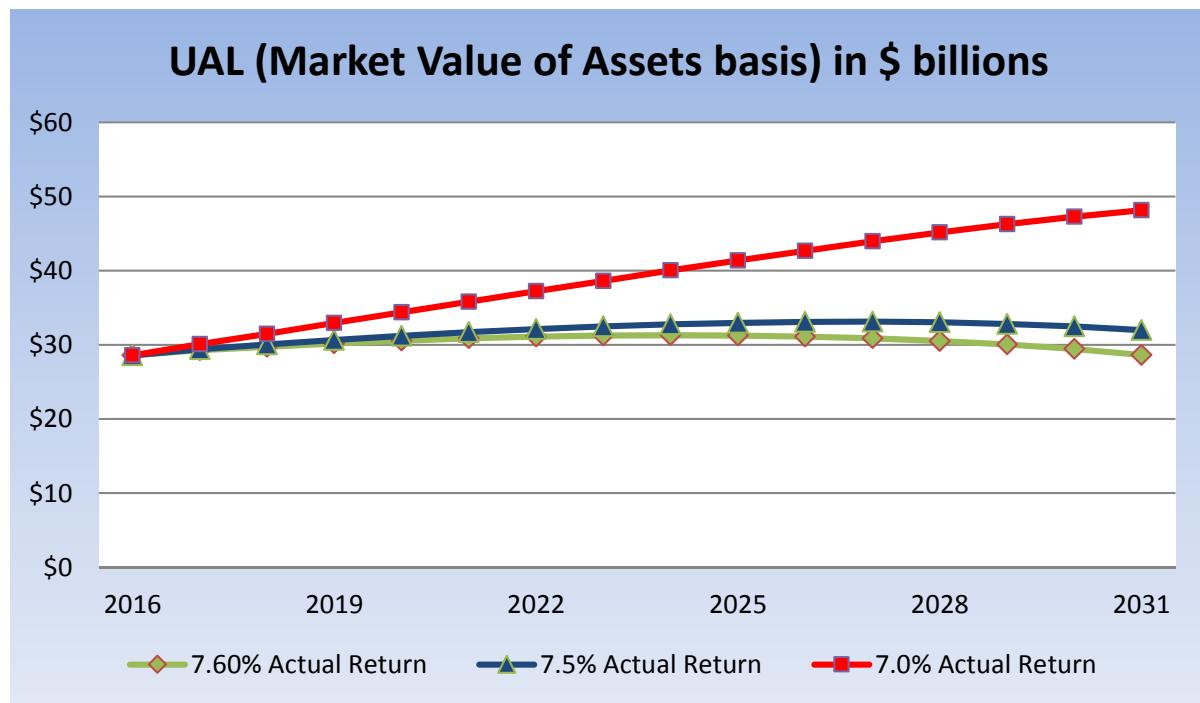
Actual future investment return experience for the FRS Pension Plan is not affected by the assumption used in the actuarial valuation. Applying the 7.60% valuation assumption, the

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

- 7.60%, which is the assumption selected for this valuation by the 2016 FRS Actuarial Assumptions Conference
- 7.50%, which is slight underperformance compared to the valuation assumption
- 7.00%, which is near the 50<sup>th</sup> percentile return in the model developed by Aon Hewitt in consultation with the Florida State Board of Administration for the 2016 asset-liability study



As illustrated in the graph, even if actual returns match the 7.60% assumption the UAL is effectively unchanged by the end of the illustrated fifteen year period. When there are market value investment losses that are not yet recognized in the smoothed Actuarial Value of Assets as of the valuation date, this pattern over the first fifteen years is typical of the method of closed 30-year amortization periods used to calculate contribution rates in the funding valuation. (The UAL remaining after fifteen years is amortized over the latter fifteen years of the amortization schedule.) If actual returns show slight underperformance compared to the 7.60% assumption, the UAL increases modestly over the illustrated projection period. On the other hand, if actual investment returns consistently underperform the assumption (0.60% underperformance is

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illustrated) the UAL will increase significantly 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

GASB Statement No. 67 is the governing standard for financial reporting of governmental pension systems. GASB 67 calculation methodology differs in two significant ways from the methodology of system funding calculations. First, GASB 67 mandates use of fair market asset values for the calculation of unfunded liability. Second, GASB 67 mandates a specific actuarial cost method (Individual Entry Age Normal) for financial reporting calculations. That actuarial cost method differs from the one used in system funding calculations (Ultimate Entry Age Normal). An *actuarial cost method* allocates the net present value of all projected future retirement benefits across a member's projected working career, thus establishing values for actuarial liability (allocation to past service) and normal cost (allocation to current year service).

As of the date of this valuation, the combined effect of the GASB-mandated methods noted above cause the calculated unfunded liability for financial reporting calculations to be modestly higher than the unfunded liability determined for system funding calculations. For FRS Pension Plan GASB 67 financial reporting calculations, the unfunded liability (Net Pension Liability) as of July 1, 2016 is \$25.25 billion, whereas the system funding calculations have an unfunded liability (UAL on smoothed Actuarial Value of Assets basis) of \$24.9 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 ongoing costs of the system. The economic assumptions were developed from both external economic forecasts and information and forecasts furnished by the Florida State Board of Administration. The demographic actuarial assumptions were developed both from recent experience of the System and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2016 valuation were approved by the 2016 FRS Actuarial Assumptions Conference. Details on the development of assumptions can be found in our 2016 FRS Actuarial Assumptions Conference presentation materials, and also in the 2014 FRS Experience Study, which reviewed FRS Pension Plan experience for the five-year period ending June 30, 2013 and was published in September 2014.

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, with the exception of one prescribed assumption. Please note that the investment return assumption of 7.60% is a *prescribed assumption* as defined by Actuarial Standard of Practice No. 27 (ASOP 27), as it was set by the 2016 FRS Actuarial Assumptions Conference. The prescribed assumption conflicts with my professional judgment regarding what would constitute a *reasonable assumption* as defined by ASOP 27. Details are shown in the 2016 FRS Actuarial Assumptions Conference presentation materials and discussed in both the valuation report for system funding calculations and this letter.

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

The results of the 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.

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

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

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 data provided by the Florida Department of Management Services, Division of Retirement, which Milliman has not audited.

Milliman does not intend to benefit or create a legal duty to any third party recipient of 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.

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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. With the exception of the one assumption noted above, in my opinion the techniques and assumptions used are reasonable. In my opinion this valuation meets the requirements and intent of Part VII, Chapter 112, Florida Statutes, and Section 14, Article X of the Florida State Constitution. Regarding the one noted exception, Section 216.136(10) of Florida Statutes indicates that the 2016 FRS Actuarial Assumptions Conference holds the statutory authority to determine the investment return assumption. 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 complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. I am a member of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully submitted,



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

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## Certification

Actuarial computations presented in this report under Statement No. 67 of the Governmental Accounting Standards Board are for purposes of assisting the Florida Department of Management Services in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2015 to June 30, 2016. The reporting date for determining plan assets and obligations is June 30, 2016. 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, 2015 and June 30, 2016 furnished by the Florida Department of Management Services. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please note that this report is based on the June 30, 2016 assets for the program as reported to us by the Florida State Board of Administration. Please see Milliman's forthcoming funding valuation report, which will be published by December 1, 2016 for more information on the plan's participant group as of July 1, 2016 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. Please note that the investment return assumption of 7.60% is a prescribed assumption as defined by Actuarial Standard of Practice No. 27 (ASOP 27), as it was set by the 2016 FRS Actuarial Assumptions Conference. The prescribed assumption conflicts with our judgment regarding what would constitute a reasonable assumption under ASOP 27. Details are shown in our 2016 FRS Actuarial Assumptions Conference presentation materials.

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

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

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

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

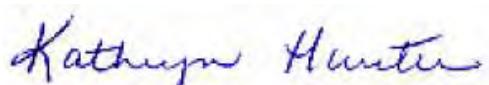
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

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

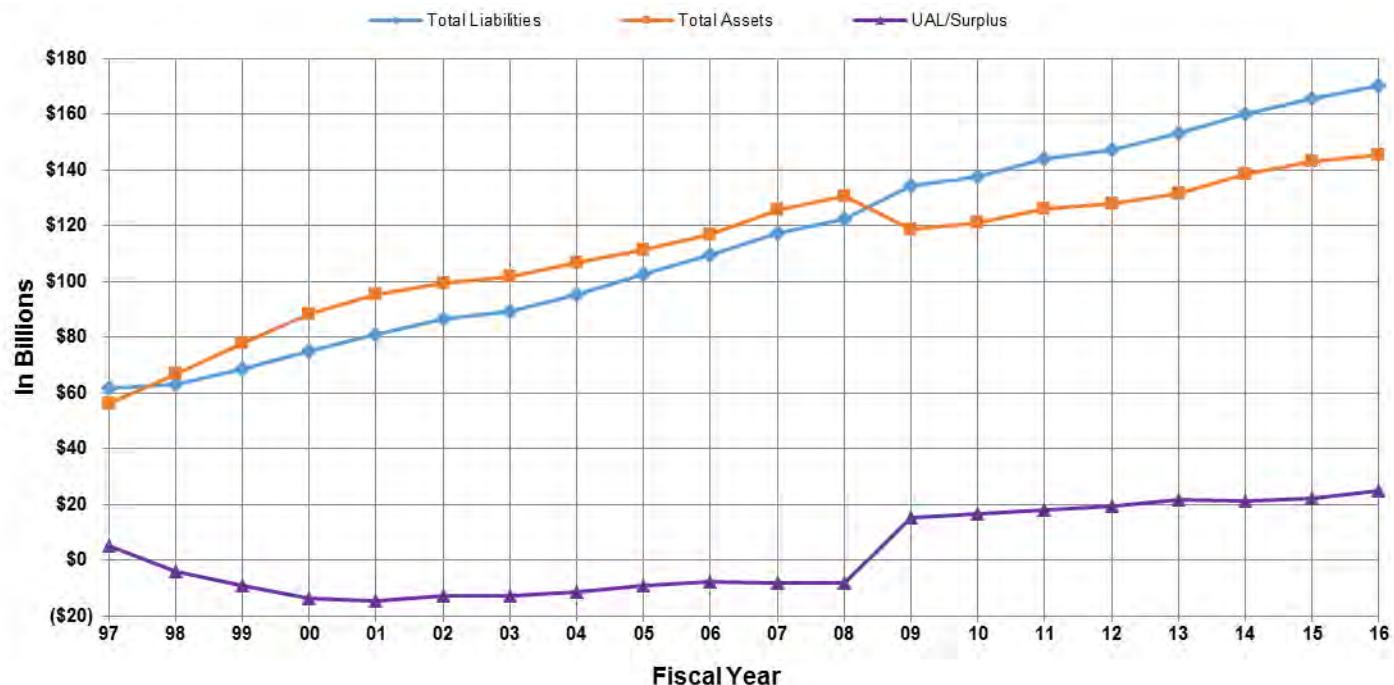


Daniel R. Wade, FSA, EA, MAAA  
Principal and Consulting Actuary



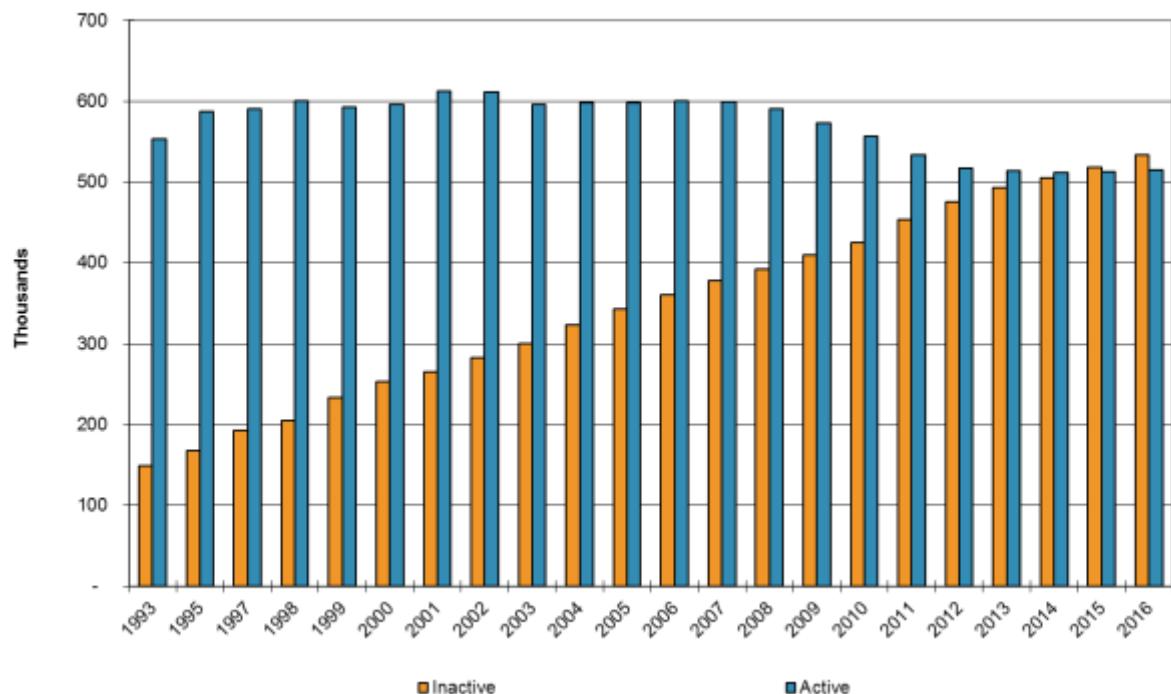
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## HISTORY OF THE FRS PENSION PLAN UNFUNDED ACTUARIAL LIABILITY / SURPLUS WITH TOTAL LIABILITIES AND TOTAL ASSETS FROM 1997 THROUGH 2016



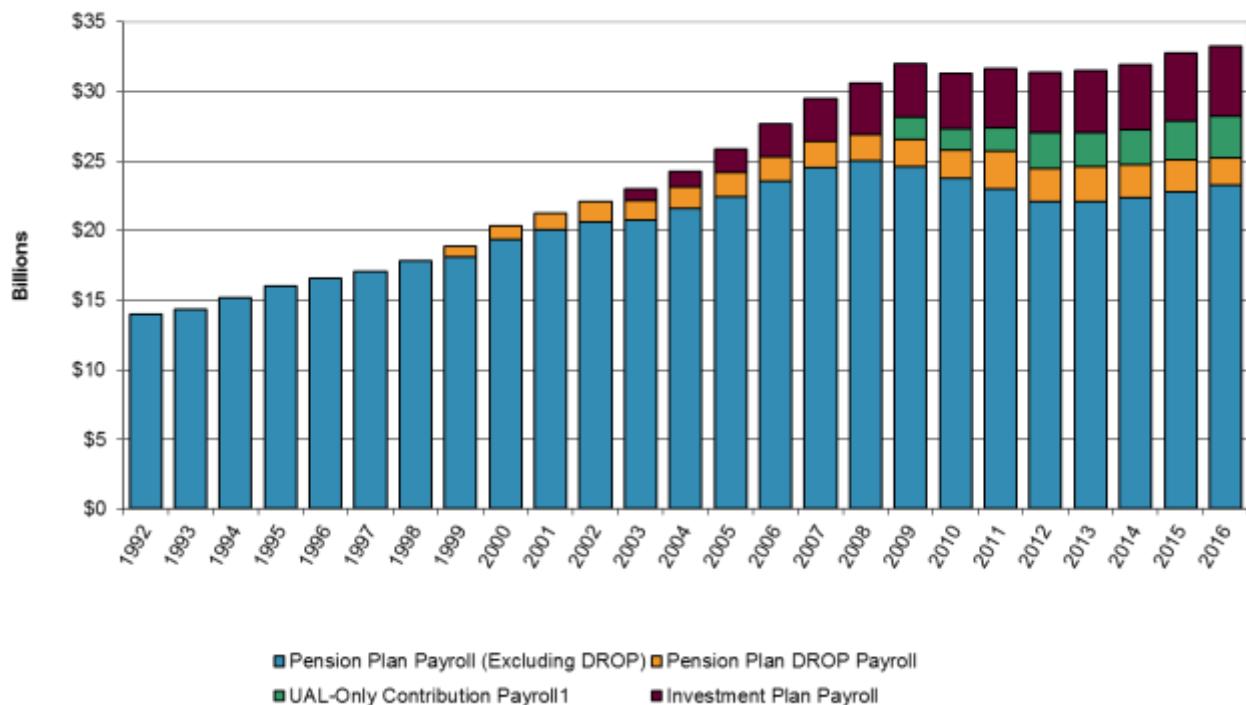
FISCAL YEAR	TOTAL LIABILITIES (IN BILLIONS)	TOTAL ASSETS (IN BILLIONS)	UAL/(SURPLUS) (IN BILLIONS)
1997	\$61.6	\$56.2	\$5.4
1998	\$63.2	\$67.0	(\$3.8)
1999	\$68.6	\$77.8	(\$9.2)
2000	\$74.9	\$88.5	(\$13.6)
2001	\$81.0	\$95.5	(\$14.5)
2002	\$86.5	\$99.4	(\$12.9)
2003	\$89.3	\$101.9	(\$12.6)
2004	\$95.2	\$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
2016	\$170.4	\$145.5	\$24.9

## FRS PENSION PLAN MEMBERSHIP

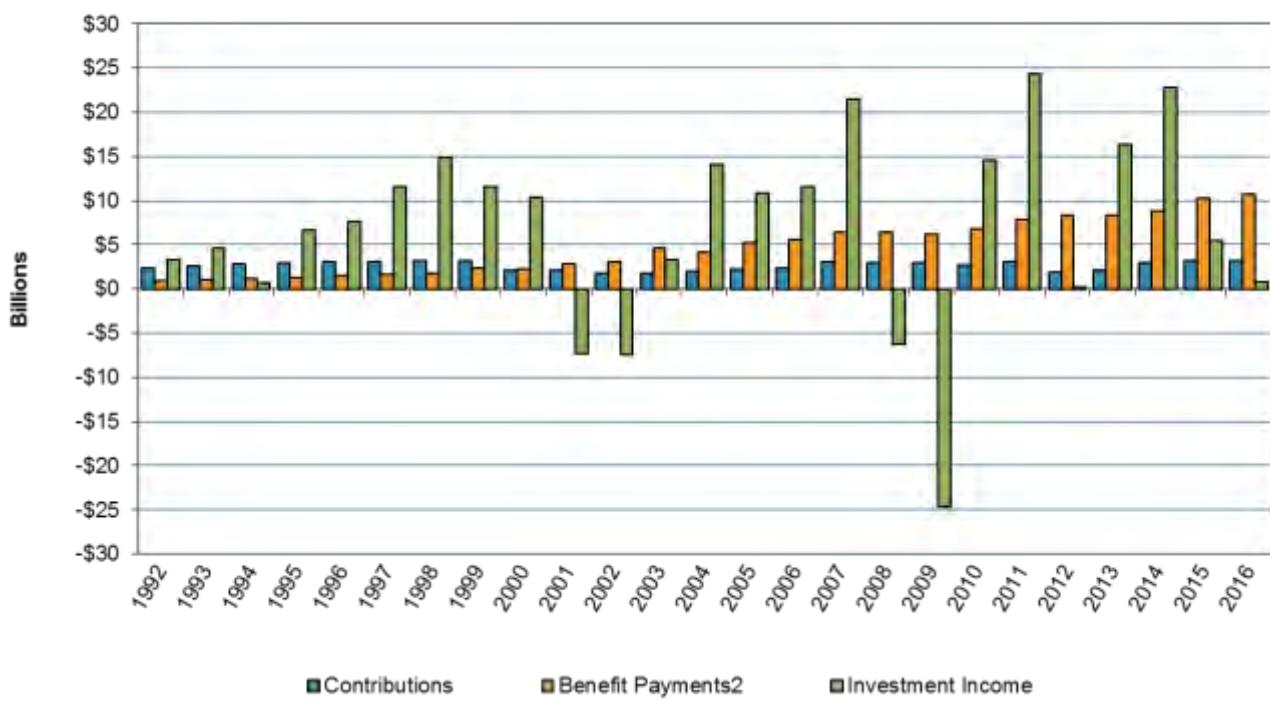


Inactive members include retirees, DROP participants and vested terminated pension plan members. Active members include only pension plan members.

## FRS PENSION PLAN PAYROLL



## FRS PENSION PLAN CASH FLOWS

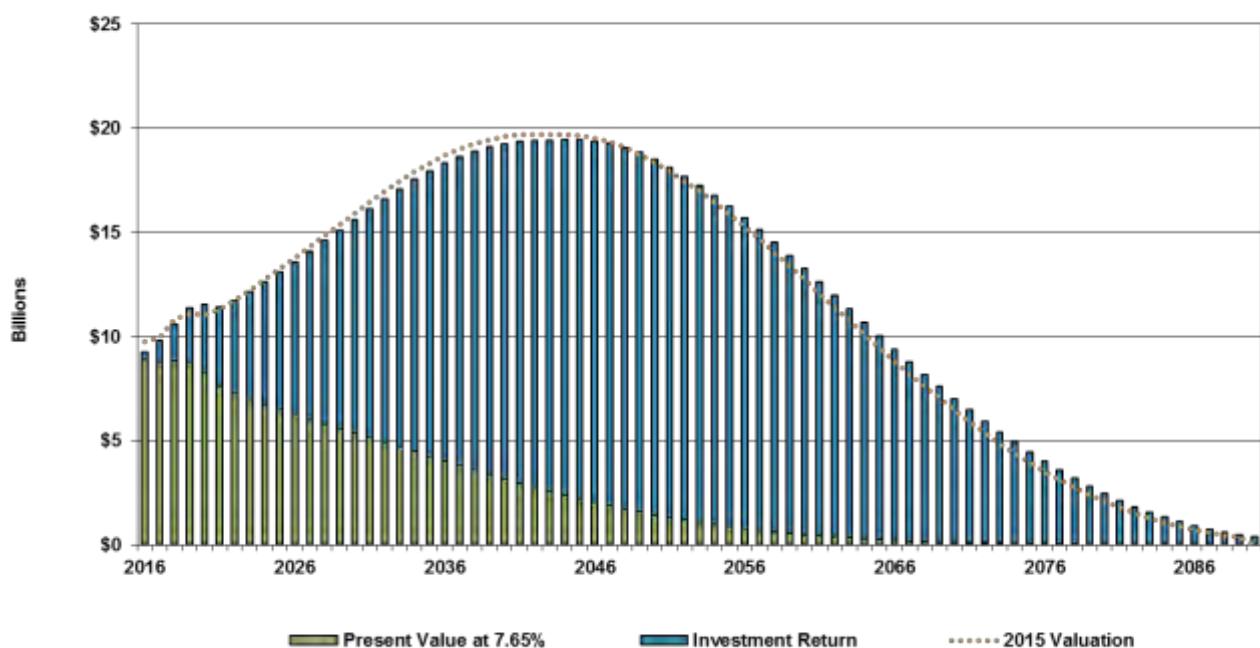


<sup>1</sup> Includes payroll for participants in certain non-FRS defined contribution plans upon which UAL rate contributions to the FRS are made.

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

## PROJECTED FRS PENSION PLAN BENEFIT PAYMENTS

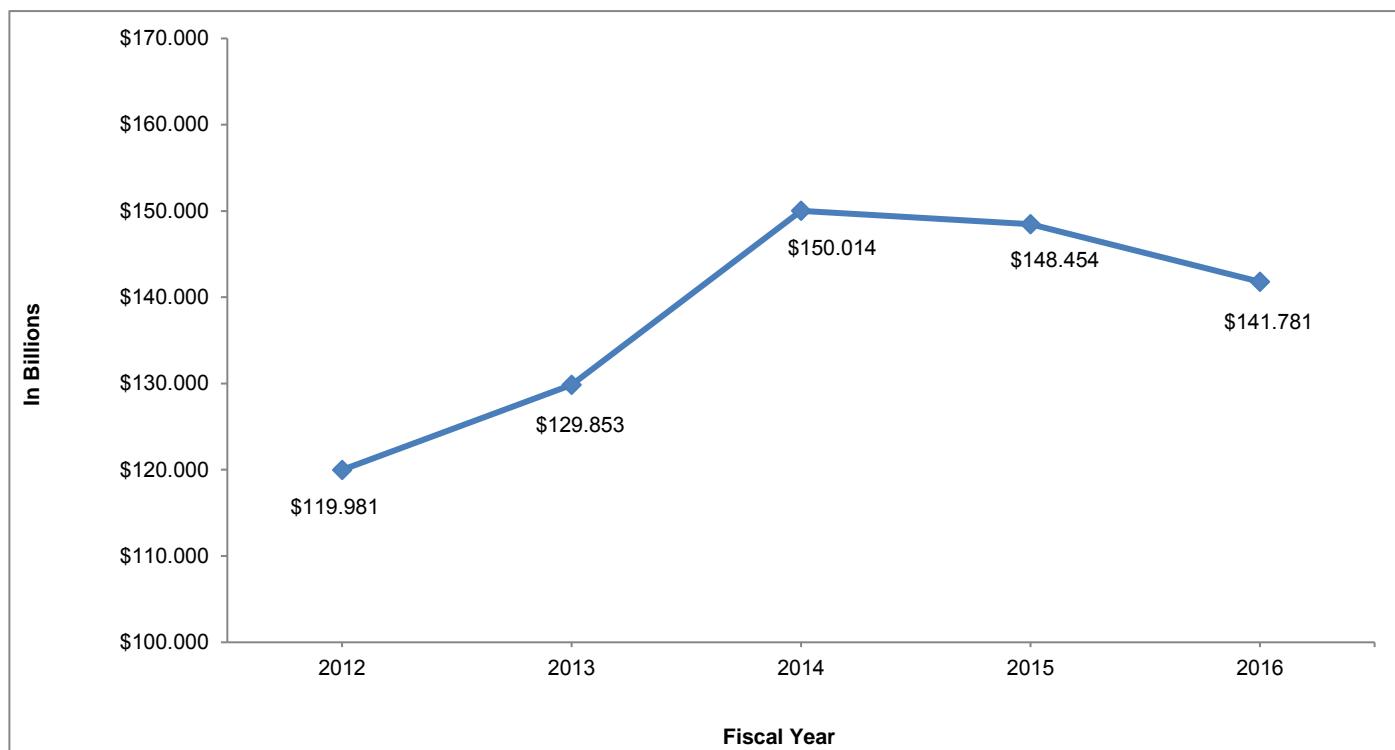
(Dates are as of July 1)



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 (i.e., 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

	2015	2016
Florida Retirement System Trust Fund	\$ 148,454,393,902	\$ 141,780,920,515
Health Insurance Subsidy Trust Fund	50,774,315	113,859,055
State University System Optional Retirement Program Trust Fund <sup>1</sup>	4,052,143	4,582,864
Senior Management Service Optional Annuity Program Trust Fund <sup>1</sup>	40,993	51,691
National Guard	-	-
Police Officers and Firefighters' Premium Tax Trust Fund <sup>2</sup>	<u>155,377,424</u>	<u>171,595,139</u>
<b>Total Fund Balance/Fiduciary Net Position</b>	<b><u>\$ 148,664,638,777</u></b>	<b><u>\$ 142,071,009,264</u></b>

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

<sup>2</sup> Fund Balance as of June 30, 2015, was restated. Refer to Note 2.

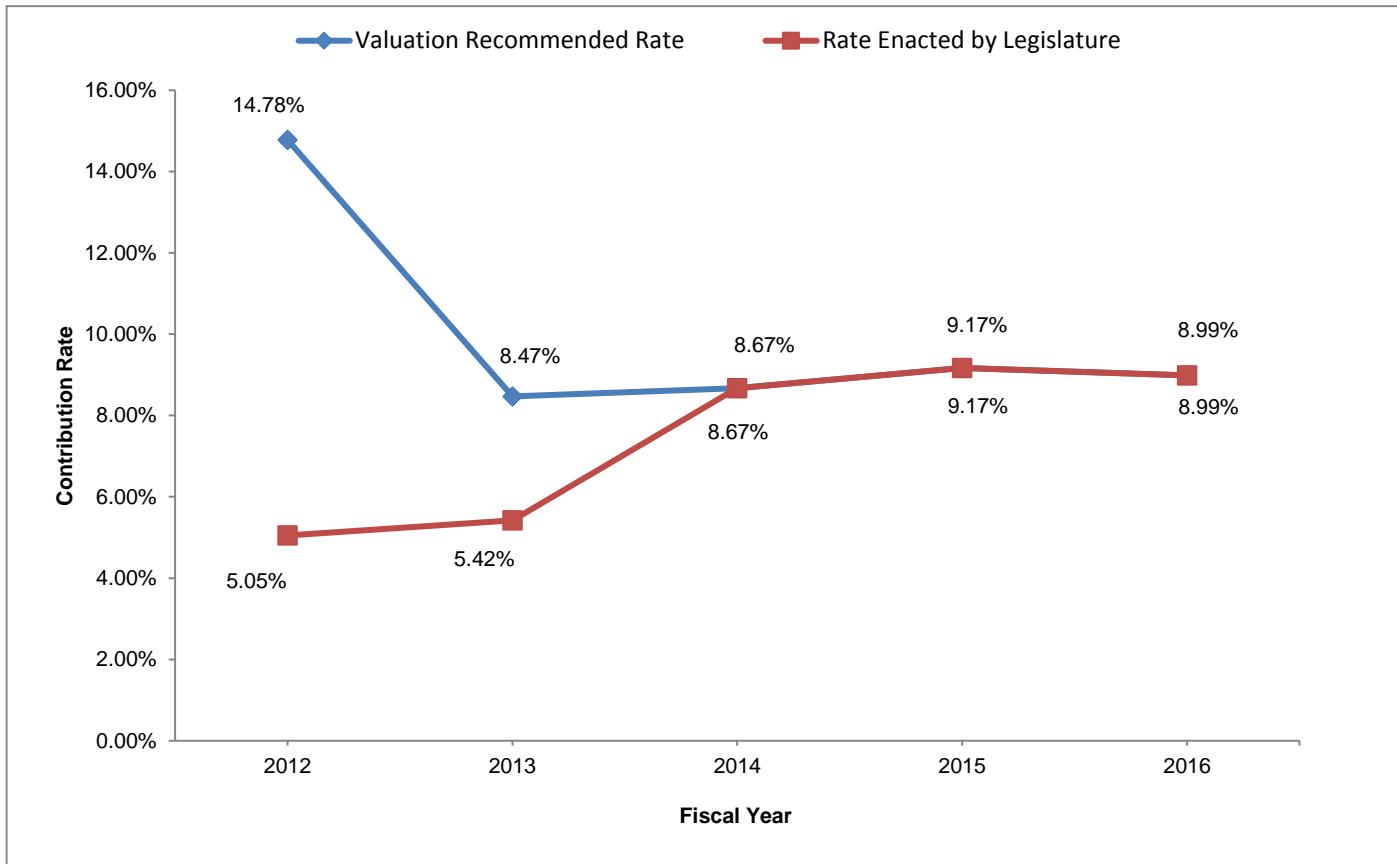
## FRS PENSION PLAN TOTAL ACTUARIAL ASSETS COMPARED TO TOTAL ACTUARIAL LIABILITIES

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

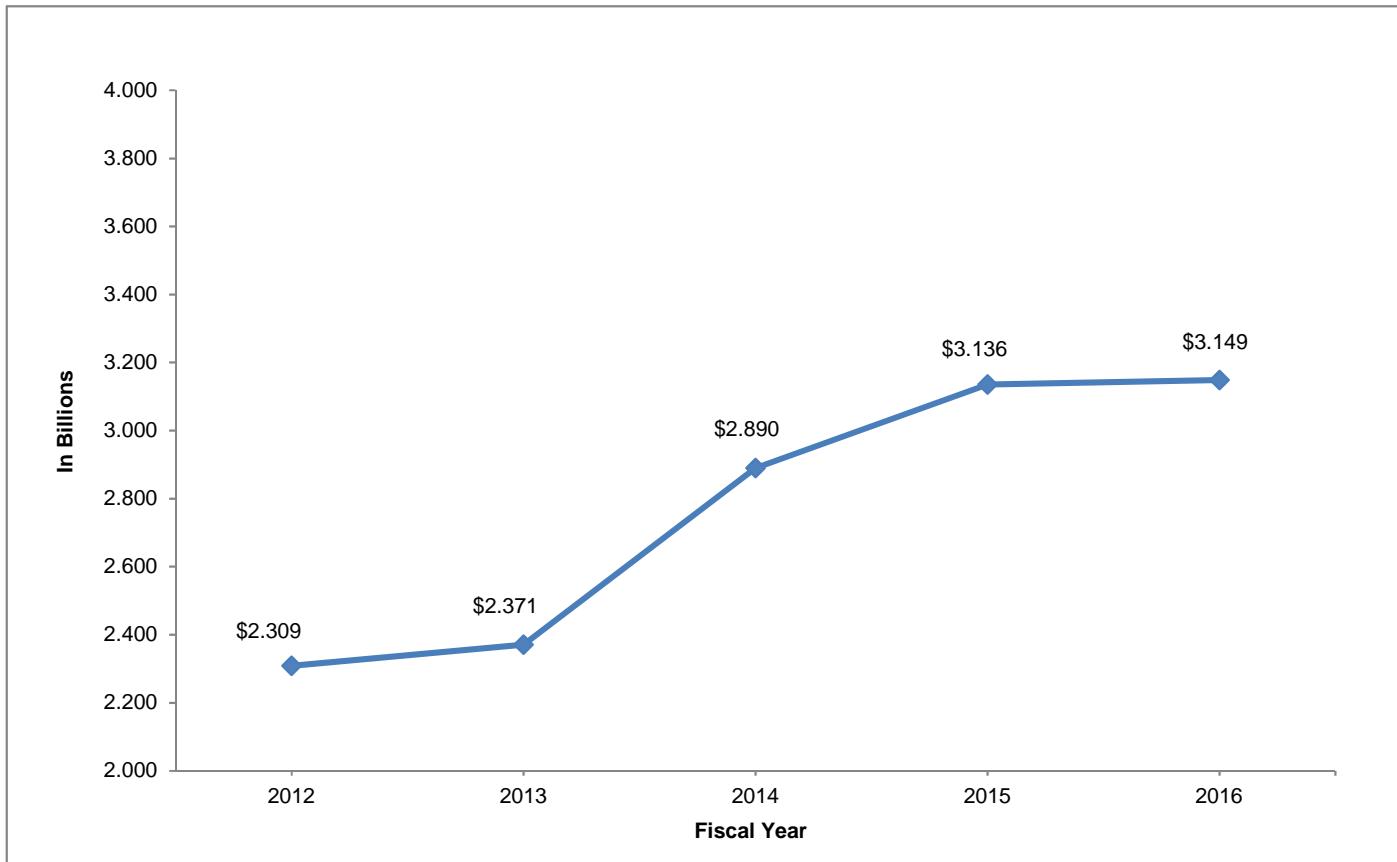
as of June 30



For 2012-2013, 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 2016 FRS Valuation dated Dec. 1, 2016.

December 8, 2016

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

**Re: Actuary's Statement Regarding HIS Program 2016 Actuarial Valuation**

Dear Florida Legislators and HIS Program Members:

Milliman has conducted an actuarial valuation as of June 30, 2016 for the Health Insurance Subsidy (HIS) program. Actuarial valuations for the HIS program are conducted every other year. In intervening years actuarial valuation results are estimated based on results of the previous year's valuation, with adjustment to reflect the passage of time and pertinent market conditions that affect valuation calculations. The actuarial valuation of the HIS program serves two primary purposes:

- Estimation of the employer program contribution rate necessary to provide complete funding of projected statutory benefits over the next five years on a pay-as-you-go basis if actual future program experience follows the demographic assumptions used in the valuation.
- Compliance with standards mandated by the Governmental Accounting Standards Board (GASB) for program and participating employer financial reporting.

The current statutory program contribution rate is 1.66% of employer payroll and the program is effectively funded on a pay-as-you-go basis. This year's valuation estimated that if actual future experience matches the valuation's assumptions, including 3.25% annual growth in employer payroll, the current statutory rate will be sufficient to provide complete pay-as-you-go funding of program benefits over the next five years. Alternatively, if zero employer payroll growth occurred over the next five years the valuation estimated that a 1.7% of payroll employer contribution rate would be necessary for complete pay-as-you-go program funding in the 2021-2022 plan year.

For GASB compliance, the relevant GASB standards are Statement No. 67 (for program financial reporting) and Statement No. 68 (for the financial reporting of participating employers). Under GASB 67 the unfunded liability of the program, which is referred to as the Net Pension Liability (NPL), was approximately \$11.7 billion as of June 30, 2016.

The Net Pension Liability increased by approximately \$1.5 billion compared to the prior measurement as of June 30, 2015. (As noted above, the measured liability as of June 30, 2015 was estimated and based on the results of the valuation conducted as of June 30, 2014.) This year-over-year increase was caused primarily by a significant decrease in the discount rate used to calculate the present value of projected future program benefit payments since the prior measurement, rather than by a significant change in the level of projected future benefits. The GASB standards mandate use of a market discount rate that reflect yields as of the measurement date on long-duration tax-exempt general obligation municipal bonds. The bond

index used to set the discount rate decreased from 3.80% to 2.85% between measurement dates. All else being equal, the lower the discount rate used in a measurement, the higher the calculated program liability.

Actuarial assumptions are needed to estimate the future economic and demographic experience of the program. Any deviations between actual and assumed future experience will result in corresponding changes in the ongoing costs of the program. The demographic actuarial assumptions were developed both from recent experience of the FRS Pension Plan and from standard actuarial sources. The actuarial assumptions used in performing the July 1, 2016 valuation were approved by the 2016 FRS Actuarial Assumption Conference. Details on the development of assumptions can be found in our 2016 FRS Actuarial Assumption Conference presentation materials and also in the 2014 FRS Experience Study, which was published in September 2014 and reviewed FRS Pension Plan experience for the five-year observation period ending June 30, 2013.

A single set of assumptions was used in the valuation's calculations, except that the five-year employer contribution rate calculations were developed under three different system payroll growth assumptions to illustrate the sensitivity of the contribution rate to actual future experience. We believe the assumptions used in the valuation report are reasonable, and that the assumptions and methods used in performing the GASB calculations meet the parameters set by GASB Statement No. 67, *Financial Reporting for Pension Plans*.

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

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

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

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

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

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

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

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

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

Respectfully submitted,

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

## RETIREE HEALTH INSURANCE SUBSIDY (HIS) PROGRAM

### Overview of GASB 67 and GASB 68

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

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

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

### Demographic Data

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

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

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

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

<sup>3</sup> Includes 14,065 terminated vested Investment Plan members eligible for the HIS benefit, initially identified to us for this valuation.

## Benefits

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

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

### Projected Annual Benefit Payments

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

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

December 8, 2016

Members of the Florida Legislature and of the Florida National Guard

**Re: Actuary's Statement Regarding Florida National Guard Supplemental Retirement Benefit 2016 Actuarial Valuation**

Dear Florida Legislators and Florida National Guard Members:

Milliman has conducted an actuarial valuation as of June 30, 2016 for the Florida National Guard Supplemental Retirement Benefit program. The first actuarial valuation for the program was conducted as of June 30, 2014, and valuations for the program are conducted every other year. In intervening years actuarial valuation results are estimated based on results for the previous year's valuation, with adjustment to reflect pertinent market conditions that affect valuation calculations.

The program is funded on a pay-as-you-go basis, so rather than program funding the sole purpose of the actuarial valuation is for compliance with standards mandated by the Governmental Accounting Standards Board (GASB) for program financial reporting. For GASB compliance, the relevant GASB standards are Statement No. 67 (for program financial reporting) and Statement No. 68 (for financial reporting by the sponsoring employer). Under GASB 67 the unfunded liability of the program, which is referred to as the Net Pension Liability (NPL), was approximately \$665 million as of June 30, 2016.

The Net Pension Liability increased by approximately \$160 million compared to the prior measurement as of June 30, 2015. (As noted above, the measured liability as of June 30, 2015 were estimated and based on the results of the valuation conducted as of June 30, 2014.) This year-over-year increase was caused primarily by a significant decrease in the discount rate used to calculate the present value of projected future program benefit payments since the prior measurement, rather than by a significant change in the level of projected future benefits. The GASB standards mandate use of a market discount rate that reflects yields as of the measurement date on long-duration tax-exempt general obligation municipal bonds. The bond index used to set the discount rate decreased from 3.80% to 2.85% between measurement dates. All else being equal, the lower the discount rate used in a measurement, the higher the calculated program liability.

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

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

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

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

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

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

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

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

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

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

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

Respectfully submitted,

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

# FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN

## Overview of GASB 67 and GASB 68

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

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

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

### Demographic Data

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

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

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

<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



Trail Through the Springtime Woods

## MEMBERSHIP AND PAYROLL

as of June 30

### TOTAL FRS MEMBERSHIP

	2015 <sup>1</sup>	2016 <sup>1</sup>	% Change
Members	626,578	630,350	0.60
Annual Payroll	\$26,731,330,633	\$27,316,079,786	2.19
Average Annual Salary	\$43,452	\$44,142	1.59

### FRS INVESTMENT PLAN MEMBERSHIP

	2015 <sup>1</sup>	2016 <sup>1</sup>	% Change
Members	112,325	114,434	1.88
Annual Payroll	\$4,804,087,794	\$4,987,113,684	3.81
Average Annual Salary	\$43,303	\$44,066	1.76

### FRS PENSION PLAN MEMBERSHIP

	2015 <sup>1</sup>	2016 <sup>1</sup>	% Change
Members	514,253	515,916	0.32
Annual Payroll	\$21,927,242,839	\$22,328,966,102	1.83
Average Annual Salary	\$43,485	\$44,159	1.55

## 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.

	2015 <sup>1</sup>	2016 <sup>1</sup>	% Change
Annuitants	377,671	394,907	4.56
Benefit Payments (Annualized)	\$7,731,851,133	\$8,389,672,928	8.51
Average Benefits (Annualized)	\$20,472	\$21,245	3.78

### DISABILITIES

	2015 <sup>1</sup>	2016 <sup>1</sup>	% Change
Disabled Retirees	16,185	16,248	0.39
Benefit Payments (Annualized)	\$233,008,641	\$241,458,258	3.63
Average Benefits (Annualized)	\$14,397	\$14,861	3.22

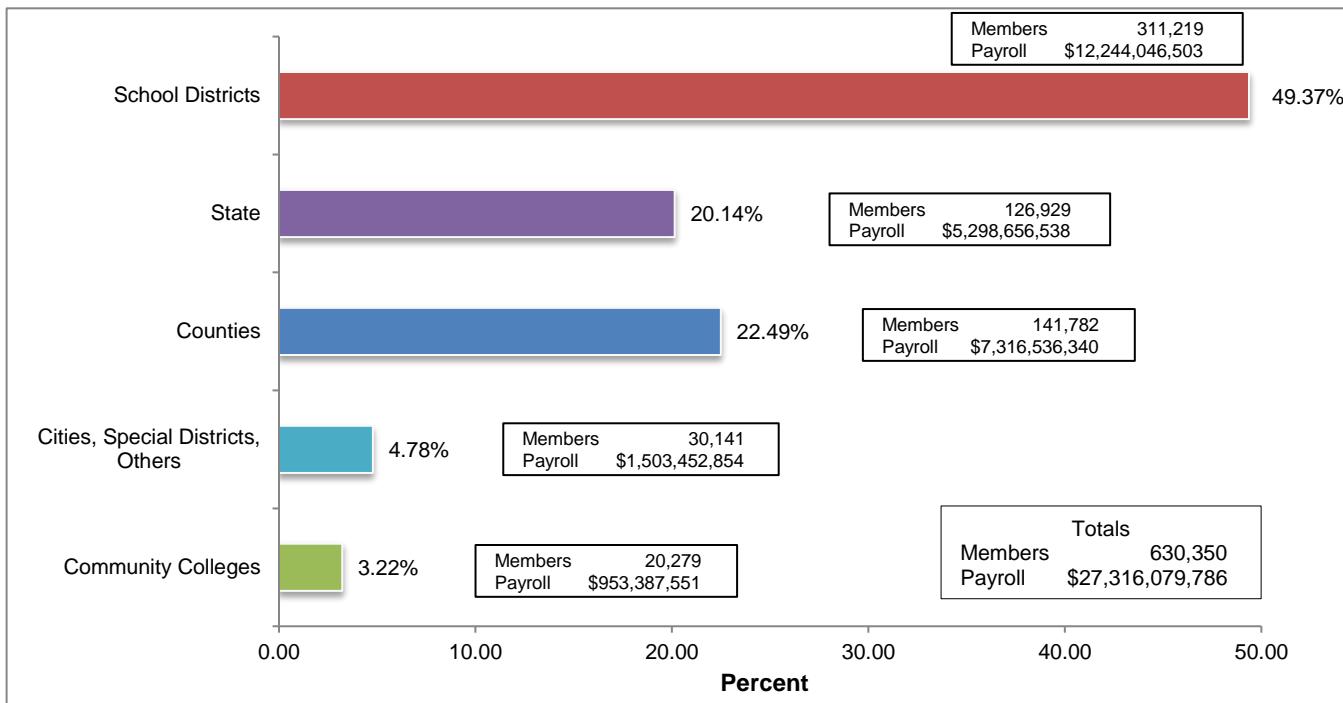
### DROP PARTICIPANTS

	2015	2016	% Change
DROP Participants	34,829	29,602	-15.01
Annual Payroll	\$1,982,846,218	\$1,681,416,803	-15.20
DROP Accrued Liability	\$2,725,449,095	\$1,871,732,532	-31.32

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

## SOURCE OF FRS MEMBERSHIP AND COVERED PAYROLL FOR FISCAL YEAR 2015-16<sup>1</sup>

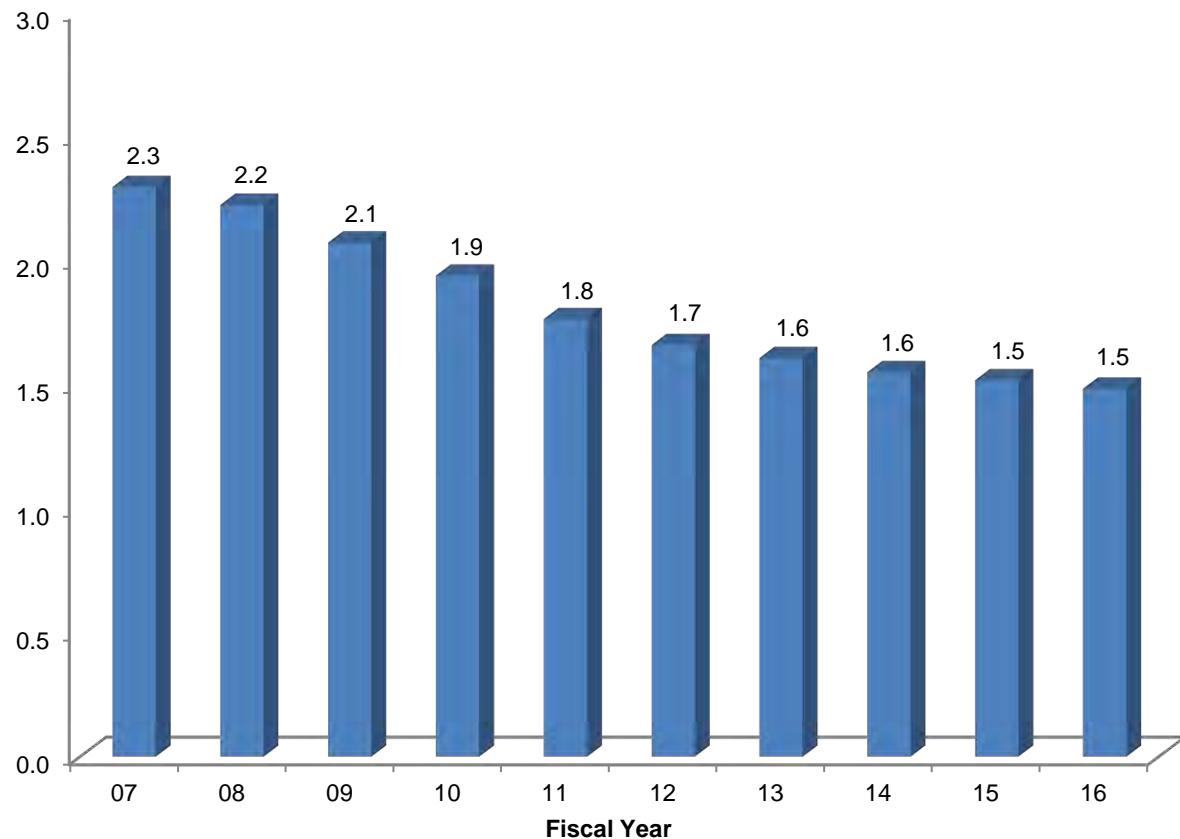
% = Percent of Total Active Members



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

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

2007-2016



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

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

as of June 30

System / Class	2012	2013	2014	2015	2016
FRS - Regular Class	535,467	536,506	537,993	541,748	545,680
- Senior Management Service Class	7,295	7,450	7,607	7,755	7,876
- Special Risk Class	70,005	68,800	68,593	70,102	70,695
- Special Risk Adm. Sup. Class	59	58	84	82	76
- Elected Officers' Class	2,005	2,094	2,040	2,058	2,026
- Renewed Membership					
- Regular Class	7,675	6,461	5,402	4,513	3,709
- Senior Management Service Class	251	210	184	161	143
- Elected Officers' Class	201	152	147	125	115
<b>Subtotal</b>	<b>622,958</b>	<b>621,731</b>	<b>622,050</b>	<b>626,544</b>	<b>630,320</b>
TRS	24	18	18	15	16
SCOERS	1	0	0	0	0
IFAS	28	25	21	19	14
<b>Subtotal</b>	<b>53</b>	<b>43</b>	<b>39</b>	<b>34</b>	<b>30</b>
<b>Grand Total</b>	<b>623,011</b>	<b>621,774</b>	<b>622,089</b>	<b>626,578</b>	<b>630,350</b>

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

as of June 30

System / Class	2012	2013	2014	2015	2016
FRS - Regular Class	\$20,631,845,581	\$20,741,411,042	\$21,303,491,499	\$21,796,619,128	\$22,286,589,644
- Senior Management Service Class	568,619,954	582,103,240	610,837,202	635,791,343	656,889,624
- Special Risk Class	3,798,170,666	3,749,436,505	3,798,699,726	3,905,940,436	4,009,149,560
- Special Risk Adm. Sup. Class	2,734,578	2,642,488	3,988,509	3,713,180	3,422,596
- Elected Officers' Class	159,647,453	160,185,275	166,763,650	164,614,742	166,561,581
- Renewed Membership					
- Regular Class	305,619,928	260,982,112	227,312,942	196,937,996	168,086,043
- Senior Management Service Class	25,456,792	20,487,779	18,391,604	16,476,384	15,100,252
- Elected Officers' Class	12,494,111	9,189,227	9,115,108	7,623,323	7,046,177
<b>Subtotal</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>	<b>27,312,845,477</b>
TRS	2,145,124	1,749,243	1,773,199	1,714,122	1,708,917
SCOERS	26,980	0	0	0	0
IFAS	2,565,412	2,307,037	2,042,745	1,899,979	1,525,392
<b>Subtotal</b>	<b>4,737,516</b>	<b>4,056,280</b>	<b>3,815,944</b>	<b>3,614,101</b>	<b>3,234,309</b>
<b>Grand Total</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>\$27,316,079,786</b>
<b>Average</b>	<b>\$41,459</b>	<b>\$41,678</b>	<b>\$42,712</b>	<b>\$43,452</b>	<b>\$44,142</b>

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

as of June 30

System / Class	2012	2013	2014	2015	2016
FRS - Regular Class	\$618,417,040	\$619,557,678	\$638,688,181	\$653,400,529	\$668,056,712
- Senior Management Service Class	17,024,643	17,375,024	18,267,632	19,005,924	19,655,065
- Special Risk Class	113,818,828	112,135,028	113,870,339	117,089,825	120,172,399
- Special Risk Adm. Sup. Class	82,037	79,275	119,656	111,395	102,678
- Elected Officers' Class	4,786,311	4,791,628	4,979,301	4,928,694	4,989,534
- Renewed Membership					
- Regular Class	9,259,383	7,912,411	6,884,363	5,946,155	5,084,232
- Senior Management Service Class	795,627	635,153	578,917	510,079	475,604
- Elected Officers' Class	386,469	284,310	284,737	236,981	215,359
<b>Subtotal</b>	<b>764,570,338</b>	<b>762,770,507</b>	<b>783,673,126</b>	<b>801,229,582</b>	<b>818,751,583</b>
TRS	128,708	104,955	106,393	102,848	102,536
SCOERS	1,079	0	0	0	0
IFAS	0	0	0	0	0
<b>Subtotal</b>	<b>129,787</b>	<b>104,955</b>	<b>106,393</b>	<b>102,848</b>	<b>102,536</b>
<b>Grand Total</b>	<b>\$764,700,125</b>	<b>\$762,875,462</b>	<b>\$783,779,519</b>	<b>\$801,332,430</b>	<b>\$818,854,119</b>

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

## PROFILE OF ACTIVE FRS MEMBERS

as of June 30, 2016

Years of Service	Total Membership			State Membership			Non-State Membership <sup>1</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	25,184	18,324	43,508	7,477	5,126	12,603	17,707	13,198	30,905
1 - 5	109,425	66,197	175,622	21,763	16,108	37,871	87,662	50,089	137,751
6 - 9	58,946	36,340	95,286	12,034	8,492	20,526	46,912	27,848	74,760
10 - 19	132,938	71,643	204,581	19,597	13,747	33,344	113,341	57,896	171,237
20 - 29	62,311	34,606	96,917	11,631	7,749	19,380	50,680	26,857	77,537
30 or More Years	8,992	5,444	14,436	1,798	1,407	3,205	7,194	4,037	11,231
<b>Total</b>	<b>397,796</b>	<b>232,554</b>	<b>630,350</b>	<b>74,300</b>	<b>52,629</b>	<b>126,929</b>	<b>323,496</b>	<b>179,925</b>	<b>503,421</b>
Age Range	Females			Males			Total		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	49,269	31,689	80,958	11,540	9,383	20,923	37,729	22,306	60,035
30 - 39	86,210	51,067	137,277	17,450	12,324	29,774	68,760	38,743	107,503
40 - 49	108,154	60,505	168,659	18,169	12,352	30,521	89,985	48,153	138,138
50 - 59	113,630	61,162	174,792	20,135	12,687	32,822	93,495	48,475	141,970
60 - 69	36,833	24,033	60,866	6,446	5,160	11,606	30,387	18,873	49,260
70 and Over	3,700	4,098	7,798	560	723	1,283	3,140	3,375	6,515
<b>Total</b>	<b>397,796</b>	<b>232,554</b>	<b>630,350</b>	<b>74,300</b>	<b>52,629</b>	<b>126,929</b>	<b>323,496</b>	<b>179,925</b>	<b>503,421</b>
Average Age	44.84	44.78	44.82	43.72	43.36	43.58	45.10	45.20	45.13
Average Years of Service	11.38	10.94	11.22	10.69	10.52	10.62	11.54	11.07	11.37
Average Annual Salary	\$40,694	\$50,039	\$44,142	\$40,492	\$46,869	\$43,136	\$40,741	\$50,966	\$44,395
Percentage Entitled to a Benefit if Terminated									
June 30, 2016	73.3%	70.3%	72.2%	69.1%	67.9%	68.6%	74.3%	71.0%	73.1%

<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, 2016

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	3,583	2,294	5,877	1,190	773	1,963	2,393	1,521	3,914
1 - 5	28,524	15,507	44,031	6,317	4,348	10,665	22,207	11,159	33,366
6 - 9	14,031	8,147	22,178	3,291	2,232	5,523	10,740	5,915	16,655
10 - 19	20,423	11,987	32,410	3,767	2,975	6,742	16,656	9,012	25,668
20 - 29	4,194	3,471	7,665	933	905	1,838	3,261	2,566	5,827
30 or More Years	1,176	1,097	2,273	208	257	465	968	840	1,808
<b>Total</b>	<b>71,931</b>	<b>42,503</b>	<b>114,434</b>	<b>15,706</b>	<b>11,490</b>	<b>27,196</b>	<b>56,225</b>	<b>31,013</b>	<b>87,238</b>
Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	9,760	4,643	14,403	2,604	1,757	4,361	7,156	2,886	10,042
30 - 39	17,789	9,398	27,187	4,666	3,253	7,919	13,123	6,145	19,268
40 - 49	18,128	10,165	28,293	3,615	2,716	6,331	14,513	7,449	21,962
50 - 59	16,505	9,802	26,307	3,106	2,215	5,321	13,399	7,587	20,986
60 - 69	8,361	6,736	15,097	1,531	1,312	2,843	6,830	5,424	12,254
70 and Over	1,388	1,759	3,147	184	237	421	1,204	1,522	2,726
<b>Total</b>	<b>71,931</b>	<b>42,503</b>	<b>114,434</b>	<b>15,706</b>	<b>11,490</b>	<b>27,196</b>	<b>56,225</b>	<b>31,013</b>	<b>87,238</b>
Average Age	44.56	46.86	45.42	42.55	43.48	42.94	45.12	48.11	46.19
Average Years of Service	8.49	9.37	8.82	8.09	8.99	8.47	8.60	9.51	8.93
Average Annual Salary	\$40,548	\$50,020	\$44,066	\$42,336	\$48,913	\$45,115	\$40,048	\$50,431	\$43,739
Percentage Entitled to a Benefit if Terminated									
June 30, 2016	95.0%	94.6%	94.9%	92.4%	93.3%	92.8%	95.7%	95.1%	95.5%

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

## PROFILE OF ACTIVE FRS PENSION PLAN MEMBERS

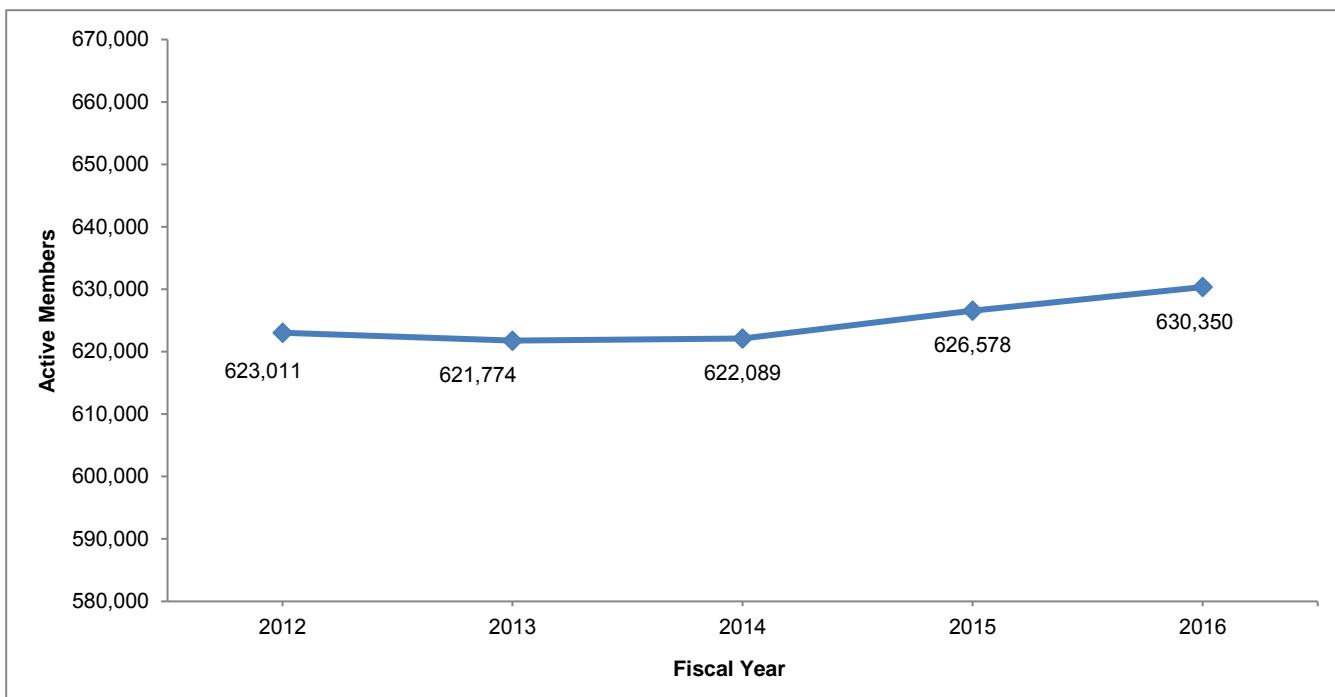
as of June 30, 2016

Years of Service	Total Membership			State Membership			Non-State Membership <sup>1</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 1 Year	21,601	16,030	37,631	6,287	4,353	10,640	15,314	11,677	26,991
1 - 5	80,901	50,690	131,591	15,446	11,760	27,206	65,455	38,930	104,385
6 - 9	44,915	28,193	73,108	8,743	6,260	15,003	36,172	21,933	58,105
10 - 19	112,515	59,656	172,171	15,830	10,772	26,602	96,685	48,884	145,569
20 - 29	58,117	31,135	89,252	10,698	6,844	17,542	47,419	24,291	71,710
30 or More Years	7,816	4,347	12,163	1,590	1,150	2,740	6,226	3,197	9,423
<b>Total</b>	<b>325,865</b>	<b>190,051</b>	<b>515,916</b>	<b>58,594</b>	<b>41,139</b>	<b>99,733</b>	<b>267,271</b>	<b>148,912</b>	<b>416,183</b>
Age Range	Females			Males			Total		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 30	39,509	27,046	66,555	8,936	7,626	16,562	30,573	19,420	49,993
30 - 39	68,421	41,669	110,090	12,784	9,071	21,855	55,637	32,598	88,235
40 - 49	90,026	50,340	140,366	14,554	9,636	24,190	75,472	40,704	116,176
50 - 59	97,125	51,360	148,485	17,029	10,472	27,501	80,096	40,888	120,984
60 - 69	28,472	17,297	45,769	4,915	3,848	8,763	23,557	13,449	37,006
70 and Over	2,312	2,339	4,651	376	486	862	1,936	1,853	3,789
<b>Total</b>	<b>325,865</b>	<b>190,051</b>	<b>515,916</b>	<b>58,594</b>	<b>41,139</b>	<b>99,733</b>	<b>267,271</b>	<b>148,912</b>	<b>416,183</b>
Average Age	44.90	44.32	44.69	44.04	43.33	43.75	45.09	44.59	44.91
Average Years of Service	12.02	11.30	11.75	11.39	10.95	11.21	12.16	11.39	11.88
Average Annual Salary	\$40,727	\$50,043	\$44,159	\$39,997	\$46,298	\$42,596	\$40,887	\$51,078	\$44,533
Percentage Entitled to a Benefit if Terminated									
June 30, 2016	68.5%	64.9%	67.2%	62.9%	60.8%	62.1%	69.8%	66.0%	68.4%

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

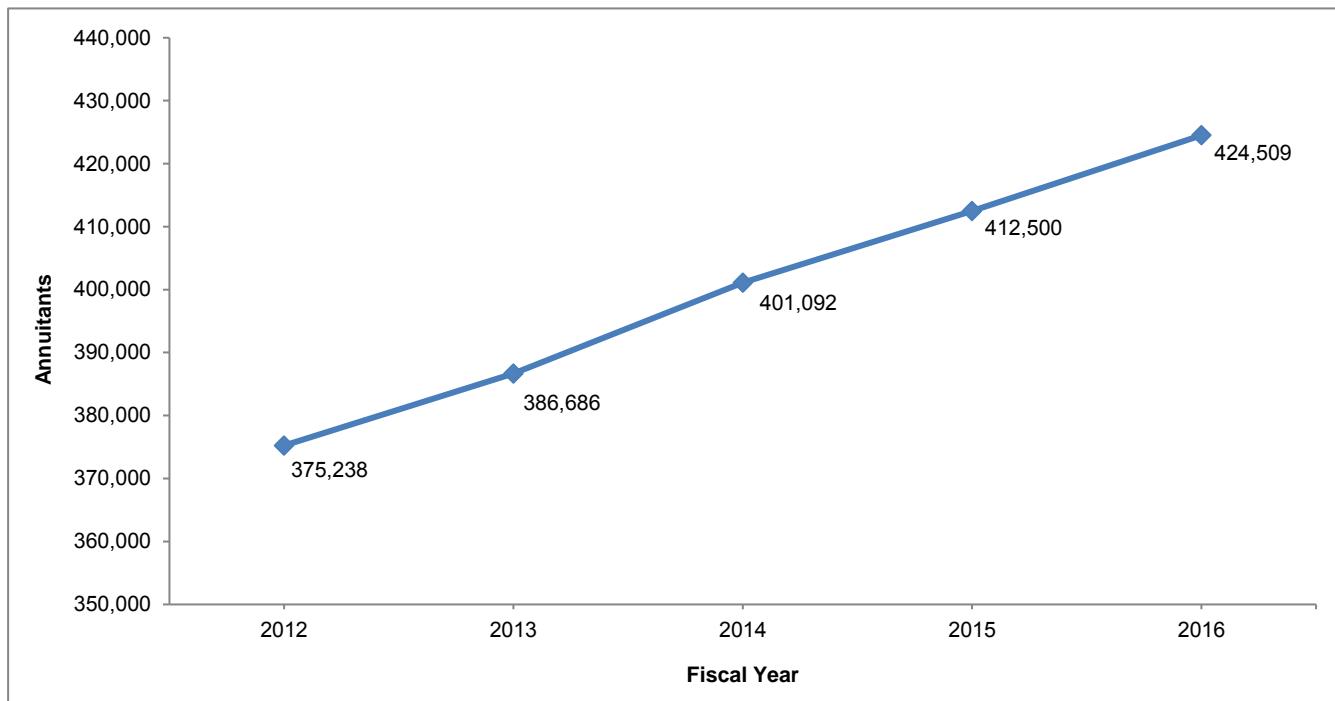
## ACTIVE FRS MEMBERS 2012-2016<sup>1</sup>

as of June 30



## GROWTH OF FRS ANNUITANTS - ALL SYSTEMS 2012-2016<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

<b>Type of Refund</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Separated Members	434	2,165	3,410	3,249	3,609
Surviving Beneficiaries	52	191	268	256	198
Other	119	48	62	79	87
<b>Total</b>	<b>605</b>	<b>2,404</b>	<b>3,740</b>	<b>3,584</b>	<b>3,894</b>

## **FRS PENSION PLAN TOTAL REFUND PAYMENTS BY TYPE**

as of June 30

<b>Type of Refund</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Separated Members	\$627,841	\$2,057,147	\$4,905,850	\$6,488,033	\$8,129,165
Surviving Beneficiaries	104,050	190,235	376,678	1,870,433	493,023
Other	234,042	336,395	350,958	212,534	213,271
<b>Total</b>	<b>\$965,933</b>	<b>\$2,583,777</b>	<b>\$5,633,486</b>	<b>\$8,571,000</b>	<b>\$8,835,459</b>

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

as of June 30, 2016

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular	25,296	24.63	\$54,343	\$21,426	\$24,212
FRS - SMSC	558	27.42	108,955	49,770	56,120
FRS - Special Risk	3,492	24.54	83,272	57,253	64,490
FRS - Special Risk Adm. Sup.	6	20.53	38,916	18,610	20,855
FRS - EOC	249	25.17	128,615	80,511	90,633
TRS	1	44.00	66,545	58,559	67,230
<b>Total / Average</b>	<b>29,602</b>	<b>24.68</b>	<b>\$59,407</b>	<b>\$26,684</b>	<b>\$30,124</b>

## PROFILE OF ACTIVE FRS PENSION PLAN DROP PARTICIPANTS

as of June 30, 2016

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	20	6.82	9,449	928	1,013
\$100 - \$149	47	7.77	13,164	1,406	1,532
\$150 - \$199	108	8.05	17,109	1,959	2,138
\$200 - \$249	166	8.68	20,514	2,486	2,722
\$250 - \$299	212	10.01	21,744	3,006	3,303
\$300 - \$349	218	10.72	23,826	3,551	3,905
\$350 - \$399	275	11.92	24,982	4,068	4,487
\$400 - \$449	290	12.70	26,556	4,623	5,113
\$450 - \$499	304	13.26	28,296	5,128	5,689
\$500 - \$999	3,722	17.13	34,135	8,161	9,111
\$1,000 - \$1,999	8,758	24.09	45,279	15,873	17,864
\$2,000 - \$2,999	6,924	27.98	61,118	26,385	29,833
\$3,000 - \$3,999	4,163	29.40	76,050	36,227	41,057
\$4,000 - \$4,999	1,706	28.86	89,167	47,114	53,308
\$5,000 or More	2,689	26.87	113,062	74,564	84,111
<b>Total / Average</b>	<b>29,602</b>	<b>24.68</b>	<b>\$59,407</b>	<b>\$26,684</b>	<b>\$30,124</b>

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

Lifetime Benefit (1)	17,237	24.43	\$57,583	\$26,557	\$29,986
Benefit with a Guarantee (2)	4,196	24.81	56,280	25,789	29,104
Member with a Joint Annuitant (3)	7,383	25.14	63,799	26,729	30,172
Reduced Benefit on 1st Death (4)	786	25.06	74,837	33,840	38,146
<b>Total / Average</b>	<b>29,602</b>	<b>24.68</b>	<b>\$59,407</b>	<b>\$26,684</b>	<b>\$30,124</b>

### By Employer Group

State	5,245	25.03	\$52,671	\$23,969	\$27,001
State University System	1,183	25.02	58,763	23,728	26,746
Counties	7,385	24.33	72,633	38,099	42,906
School Boards	13,630	24.78	53,574	21,554	24,426
Community Colleges	911	22.85	60,887	22,632	25,511
Cities and Special Districts	1,248	25.13	72,684	32,348	36,406
<b>Total / Average</b>	<b>29,602</b>	<b>24.68</b>	<b>\$59,407</b>	<b>\$26,684</b>	<b>\$30,124</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, 2016

Years of Service	Total Membership			State Membership			Non-State Membership <sup>1</sup>		
	Females	Males	Total	Females	Males	Total	Females	Males	Total
6 - 9	604	416	1,020	145	89	234	459	327	786
10 - 14	1,608	916	2,524	283	195	478	1,325	721	2,046
15 - 19	2,448	1,254	3,702	473	292	765	1,975	962	2,937
20 - 24	2,899	1,503	4,402	579	356	935	2,320	1,147	3,467
25 - 29	3,304	3,261	6,565	600	624	1,224	2,704	2,637	5,341
30 - 34	7,459	3,543	11,002	1,827	916	2,743	5,632	2,627	8,259
35 or More Years	274	113	387	36	13	49	238	100	338
<b>Total</b>	<b>18,596</b>	<b>11,006</b>	<b>29,602</b>	<b>3,943</b>	<b>2,485</b>	<b>6,428</b>	<b>14,653</b>	<b>8,521</b>	<b>23,174</b>
Age Range	Females	Males	Total	Females	Males	Total	Females	Males	Total
Less Than 50	116	501	617	35	73	108	81	428	509
50 - 54	1,200	1,498	2,698	334	227	561	866	1,271	2,137
55 - 59	3,964	2,699	6,663	998	606	1,604	2,966	2,093	5,059
60 - 64	9,561	4,538	14,099	1,953	1,139	3,092	7,608	3,399	11,007
65 - 69	3,690	1,733	5,423	620	437	1,057	3,070	1,296	4,366
70 - 74	56	27	83	2	3	5	54	24	78
75 - 79	8	8	16	1	0	1	7	8	15
80 and Over	1	2	3	0	0	0	1	2	3
<b>Total</b>	<b>18,596</b>	<b>11,006</b>	<b>29,602</b>	<b>3,943</b>	<b>2,485</b>	<b>6,428</b>	<b>14,653</b>	<b>8,521</b>	<b>23,174</b>
Average Age	61.37	59.67	60.74	60.69	60.40	60.58	61.55	59.45	60.78
Average Years of Service	24.81	24.45	24.68	25.20	24.75	25.03	24.71	24.37	24.58
Average Annual Salary	\$51,615	\$65,563	\$56,801	\$45,178	\$57,903	\$50,098	\$53,347	\$67,797	\$58,660
Average Annual Current Benefit	\$25,493	\$37,949	\$30,124	\$23,485	\$32,460	\$26,954	\$26,033	\$39,550	\$31,003

<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, 2016

<b>System / Class</b>	<b>Total Membership</b>		
	<b>Females</b>	<b>Males</b>	<b>Total</b>
FRS - Regular	\$858,619,292	\$417,506,352	\$1,276,125,644
FRS - SMSC	27,851,295	34,869,347	62,720,642
FRS - Special Risk	80,395,132	391,171,133	471,566,265
FRS - Special Risk Adm. Sup.	85,326	173,116	258,442
FRS - EOC	19,474,053	41,467,256	60,941,309
TRS	120,230	0	120,230
<b>Total</b>	<b><u>\$986,545,328</u></b>	<b><u>\$885,187,204</u></b>	<b><u>\$1,871,732,532</u></b>

<b>System / Class</b>	<b>State Membership</b>		
	<b>Females</b>	<b>Males</b>	<b>Total</b>
FRS - Regular	\$146,304,582	\$86,728,651	\$233,033,233
FRS - SMSC	11,746,820	15,224,322	26,971,142
FRS - Special Risk	15,447,146	38,955,780	54,402,926
FRS - Special Risk Adm. Sup.	85,326	173,116	258,442
FRS - EOC	13,360,588	35,013,151	48,373,739
TRS	0	0	0
<b>Total</b>	<b><u>\$186,944,462</u></b>	<b><u>\$176,095,020</u></b>	<b><u>\$363,039,482</u></b>

<b>System / Class</b>	<b>Non-State Membership<sup>1</sup></b>		
	<b>Females</b>	<b>Males</b>	<b>Total</b>
FRS - Regular	\$712,314,710	\$330,777,701	\$1,043,092,411
FRS - SMSC	16,104,474	19,645,025	35,749,499
FRS - Special Risk	64,947,986	352,215,353	417,163,339
FRS - Special Risk Adm. Sup.	0	0	0
FRS - EOC	6,113,465	6,454,106	12,567,571
TRS	120,230	0	120,230
<b>Total</b>	<b><u>\$799,600,865</u></b>	<b><u>\$709,092,185</u></b>	<b><u>\$1,508,693,050</u></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, 2015 - June 30, 2016

System / Class	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
FRS - Regular Class	12,539	26.09	\$54,773	\$22,883	\$25,567
FRS - Senior Management Service Class	242	28.17	104,816	48,445	53,890
FRS - Special Risk Class	1,529	25.34	78,569	55,428	61,715
FRS - Special Risk Admin Support Class	3	27.64	55,275	35,552	38,639
FRS - Elected Officers' Class	17	26.05	136,885	87,182	97,952
TRS	3	46.20	68,597	58,599	67,164
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>

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

from July 1, 2015 - June 30, 2016

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	7	6.90	8,948	894	985
\$100 - \$149	31	7.34	12,976	1,401	1,538
\$150 - \$199	48	7.89	17,318	1,990	2,166
\$200 - \$249	75	8.61	20,086	2,451	2,683
\$250 - \$299	92	9.29	23,260	2,979	3,271
\$300 - \$349	116	10.47	25,114	3,600	3,928
\$350 - \$399	110	11.27	26,854	4,130	4,515
\$400 - \$449	120	12.27	27,757	4,664	5,106
\$450 - \$499	104	12.66	30,085	5,176	5,673
\$500 - \$999	1,536	17.07	35,562	8,339	9,134
\$1,000 - \$1,999	4,083	25.30	44,197	16,367	18,108
\$2,000 - \$2,999	3,863	29.18	59,833	26,894	29,978
\$3,000 - \$3,999	2,216	30.56	73,246	36,463	41,064
\$4,000 - \$4,999	827	30.25	86,281	47,629	53,383
\$5,000 or more	1,105	28.07	106,647	71,385	79,854
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>

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

Lifetime Benefit (1)	8,186	25.71	\$56,955	\$26,899	\$29,982
Benefit with a Guarantee (2)	2,239	26.19	55,500	26,248	29,341
Member with a Joint Annuitant (3)	3,500	26.79	61,809	26,760	29,980
Reduced Benefit on 1st Death (4)	408	25.87	69,044	30,731	34,113
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>

## By Employer Group

State	2,580	26.57	\$49,328	\$23,227	\$25,942
State University System	586	26.65	58,573	24,566	27,545
Counties	3,164	25.60	69,237	37,188	41,334
School Boards	7,035	26.08	55,502	23,494	26,314
Community Colleges	416	24.86	61,919	24,838	27,643
Cities and Special Districts	552	26.14	69,070	31,836	35,323
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</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, 2015 - June 30, 2016

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
6 - 9	552	7.83	\$36,775	\$4,621	\$5,103
10 - 14	975	12.63	43,305	8,932	9,859
15 - 19	1,308	17.51	48,566	14,030	15,501
20 - 24	1,766	22.55	54,631	20,323	22,439
25 - 29	2,480	26.86	68,460	39,496	43,655
30 - 34	6,804	31.01	61,100	30,234	33,980
35 or More Years	448	36.72	60,189	35,732	40,577
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>
<b>By Age Range</b>					
Less than 50	85	25.77	\$74,808	\$54,257	\$56,476
50 - 54	863	27.70	73,752	49,763	55,144
55 - 59	3,226	30.19	62,232	33,775	37,804
60 - 64	4,951	28.45	59,389	27,580	30,660
65 - 69	4,947	21.15	52,046	17,852	20,119
70 - 74	225	17.02	49,600	14,823	16,803
75 - 79	31	16.16	45,294	12,773	14,478
80 and Over	5	18.04	31,913	11,888	13,639
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>
<b>By Gender</b>					
Female	9,200	26.20	\$53,692	\$23,545	\$26,302
Male	5,133	25.78	66,438	32,837	36,624
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>
<b>By Cause of Termination</b>					
Deceased	74	23.70	\$53,633	\$20,278	\$21,665
Termination	14,259	26.06	58,281	26,907	30,042
<b>Total / Average</b>	<b>14,333</b>	<b>26.05</b>	<b>\$58,257</b>	<b>\$26,873</b>	<b>\$29,999</b>

Average length of participation - 3.40 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

System / Class	2012	2013	2014	2015	2016
FRS Pension Plan					
- Regular Class	294,413	306,121	319,663	332,410	347,541
- Senior Management Service Class	2,910	3,237	3,531	3,866	4,218
- Special Risk Class	28,295	29,743	31,314	33,076	35,160
- Special Risk Adm. Sup. Class	169	170	171	173	176
- Elected Officers' Class	2,189	2,311	2,310	2,397	2,400
<b>Subtotal</b>	<b>327,976</b>	<b>341,582</b>	<b>356,989</b>	<b>371,922</b>	<b>389,495</b>
TRS	4,557	4,326	4,084	3,873	3,638
TRS-SB	506	469	441	413	380
SCOERS	617	556	496	440	381
Highway Patrol	39	38	34	31	28
JRS	4	4	3	3	3
IFAS	171	172	169	170	171
<b>Subtotal</b>	<b>5,894</b>	<b>5,565</b>	<b>5,227</b>	<b>4,930</b>	<b>4,601</b>
<b>Total</b>	<b>333,870</b>	<b>347,147</b>	<b>362,216</b>	<b>376,852</b>	<b>394,096</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	32	25	22	18	17
National Guard	772	780	787	792	784
Judicial Retirement	7	9	8	9	10
Teachers (s. 238.171, F.S.)	1	1	1	0	0
<b>Total</b>	<b>812</b>	<b>815</b>	<b>818</b>	<b>819</b>	<b>811</b>
<b>Grand Total</b>	<b>334,682</b>	<b>347,962</b>	<b>363,034</b>	<b>377,671</b>	<b>394,907</b>

**AVERAGE BENEFITS BY SYSTEM / CLASS**

as of June 30

System / Class	2012	2013	2014	2015	2016
FRS Pension Plan					
- Regular Class	\$16,506	\$16,973	\$17,394	\$17,951	\$18,565
- Senior Management Service Class	44,557	45,495	46,518	47,373	48,821
- Special Risk Class	34,262	35,755	37,207	38,962	40,879
- Special Risk Adm. Sup. Class	34,764	35,700	36,338	37,499	38,484
- Elected Officers' Class	44,577	46,740	47,966	49,875	51,429
TRS	32,149	33,679	35,348	36,818	38,527
TRS-SB	1,883	1,885	1,887	1,885	1,885
SCOERS	10,224	10,889	11,209	12,152	13,000
Highway Patrol	17,666	18,314	18,576	19,373	19,610
JRS	14,996	15,446	13,607	14,016	14,436
IFAS	10,953	11,252	11,680	12,005	12,455
<b>Average</b>	<b>\$18,626</b>	<b>\$19,231</b>	<b>\$19,789</b>	<b>\$20,476</b>	<b>\$21,249</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$16,173	\$16,343	\$16,245	\$16,528	\$17,123
National Guard	18,120	18,381	18,306	18,178	18,428
Judicial Retirement	74,824	76,909	82,758	86,688	90,153
Teachers (s. 238.171, F.S.)	2,233	2,300	2,369	0	0
<b>Average</b>	<b>\$18,512</b>	<b>\$18,945</b>	<b>\$18,861</b>	<b>\$18,895</b>	<b>\$19,285</b>
<b>Average All Annuitants</b>	<b>\$18,625</b>	<b>\$19,230</b>	<b>\$19,765</b>	<b>\$20,472</b>	<b>\$21,245</b>

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

## TOTAL ANNUAL BENEFITS BY SYSTEM / CLASS

as of June 30

System / Class	2012	2013	2014	2015	2016
FRS Pension Plan					
- Regular Class	\$4,859,628,720	\$5,195,856,141	\$5,560,290,675	\$5,967,096,004	\$6,452,033,264
- Senior Management Service Class	129,659,493	147,267,676	164,256,203	183,145,731	205,924,965
- Special Risk Class	969,448,345	1,063,459,505	1,165,109,331	1,288,693,588	1,437,318,491
- Special Risk Adm. Sup. Class	5,875,043	6,069,001	6,213,772	6,487,328	6,773,176
- Elected Officers' Class	97,579,092	108,016,759	110,800,310	119,550,041	123,429,109
<b>Subtotal</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>	<b>8,225,479,005</b>
TRS	146,500,765	145,695,711	144,359,396	142,594,320	140,162,000
TRS-SB	952,580	884,162	831,962	778,682	716,462
SCOERS	6,308,298	6,054,351	5,559,757	5,347,069	4,952,939
Highway Patrol	688,988	695,922	631,575	600,551	549,087
JRS	59,984	61,783	40,822	42,047	43,308
IFAS	1,873,044	1,935,281	1,973,905	2,040,823	2,129,879
<b>Subtotal</b>	<b>156,383,659</b>	<b>155,327,210</b>	<b>153,397,417</b>	<b>151,403,492</b>	<b>148,553,675</b>
<b>Total</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>\$8,374,032,680</b>
<b>General Revenue</b>					
Noncontributory (s. 112.05, F.S.)	\$517,544	\$408,570	\$357,397	\$297,496	\$291,092
National Guard	13,988,534	14,337,374	14,406,750	14,397,257	14,447,626
Judicial Retirement	523,766	692,184	662,067	780,195	901,531
Teachers (s. 238.171, F.S.)	2,233	2,300	2,369	0	0
<b>Total</b>	<b>15,032,077</b>	<b>15,440,428</b>	<b>15,428,583</b>	<b>15,474,948</b>	<b>15,640,249</b>
<b>Grand Total</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>\$8,389,672,929</b>
<b>Average All Annuitants</b>	<b>\$18,066</b>	<b>\$18,625</b>	<b>\$19,230</b>	<b>\$20,472</b>	<b>\$21,245</b>

## TOTAL DISABILITY BENEFITS BY SYSTEM / CLASS

as of June 30

System / Class	Number of Retirees		Total Annual Benefits		Average Annual Benefits	
	2015	2016	2015	2016	2015	2016
FRS Pension Plan						
- Regular Class	14,087	14,089	\$178,994,618	\$183,958,284	\$12,706	\$13,057
- Senior Management Service Class	49	45	1,435,770	1,436,266	29,301	31,917
- Special Risk Class	1,536	1,567	42,162,632	44,457,861	27,450	28,371
- Special Risk Adm. Sup. Class	3	3	75,074	77,326	25,025	25,775
- Elected Officers' Class	6	7	219,180	296,028	36,530	42,290
FRS Investment Plan						
- Regular Class	285	326	4,041,346	4,763,223	14,180	14,611
- Senior Management Service Class	1	1	26,033	26,618	26,033	26,618
- Special Risk Class	94	102	3,502,392	3,982,176	37,259	39,041
- Special Risk Adm. Sup. Class	1	1	46,684	48,084	46,684	48,084
TRS	93	79	1,484,908	1,286,606	15,967	16,286
SCOERS	20	17	229,261	213,388	11,463	12,552
Highway Patrol	1	1	10,548	10,865	10,548	10,865
General Revenue	9	10	780,195	901,531	86,688	90,153
<b>Total / Average</b>	<b>16,185</b>	<b>16,248</b>	<b>\$233,008,641</b>	<b>\$241,458,256</b>	<b>\$14,397</b>	<b>\$14,861</b>

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

as of June 30, 2016

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>	326	16.85	\$41,748	\$12,925	\$14,611
FRS IP Senior Management Service Class <sup>2</sup>	1	10.33	100,891	25,223	26,618
FRS IP Special Risk Adm. Sup. Class <sup>2</sup>	1	32.91	49,487	39,288	48,084
FRS IP Special Risk Class <sup>2</sup>	102	17.11	57,247	34,339	39,041
FRS IP Elected Officers' Class <sup>2</sup>	1	17.75	143,640	48,645	52,631
FRS Pension Plan (PP) Regular Class	347,215	21.00	38,496	13,320	18,569
FRS PP Senior Management Service Class	4,217	24.36	95,904	37,909	48,826
FRS PP Special Risk Class	35,058	20.96	53,097	30,482	40,885
FRS PP Special Risk Adm. Sup. Class	175	25.15	48,530	24,497	38,429
FRS PP Elected Officers' Class	2,399	20.26	68,452	36,873	51,428
TRS	3,638	29.41	37,732	22,641	38,527
TRS-SB	380	0.00	0	2,323	1,885
Judicial Retirement System	3	11.71	20,160	11,089	14,436
Highway Patrol	28	25.24	16,653	14,823	19,610
SCOERS	381	23.56	13,722	6,580	13,000
IFAS	171	0.07	94	9,488	12,455
General Revenue	811	32.85	1,736	12,514	19,285
<b>Total / Average</b>	<b>394,907</b>	<b>21.10</b>	<b>\$40,438</b>	<b>\$15,325</b>	<b>\$21,245</b>

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

as of June 30, 2016

By Years of Service	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
40 or More Years	1,934	42.31	\$52,909	\$37,589	\$56,026
35 - 39	9,407	36.77	49,560	30,906	47,369
30 - 34	93,540	30.94	51,474	25,874	36,542
25 - 29	49,272	26.94	50,472	25,336	33,969
20 - 24	55,737	22.29	41,247	14,302	19,434
15 - 19	64,010	17.35	35,581	9,432	12,863
10 - 14	85,384	12.17	29,154	5,496	7,564
5 - 9	33,930	7.81	30,220	3,950	4,945
Less Than 5 Years	502	2.07	12,727	9,287	14,774
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</b>

## By Age Range

Under 40	1,421	18.00	\$39,139	\$7,220	\$8,599
40 - 44	700	16.21	38,265	10,352	11,827
45 - 49	2,131	17.46	45,809	18,414	18,940
50 - 54	8,125	20.01	49,422	23,017	25,209
55 - 59	26,284	21.52	47,216	20,230	23,391
60 - 64	61,928	22.17	46,770	18,609	22,657
65 - 69	102,036	21.33	44,753	16,436	21,636
70 - 74	77,164	20.67	40,346	14,379	20,868
75 - 79	50,524	20.32	34,913	12,431	19,823
80 - 84	33,298	20.87	31,204	11,770	20,422
85 and Older	30,099	21.23	25,444	10,177	19,609
Option 2 Payees - Member Deceased	6	22.34	59,632	11,614	12,878
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</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, 2016

<b>By Option Selection<sup>2</sup></b>	<b>Count</b>	<b>Average</b>	<b>Average</b>	<b>Average Annual</b>	<b>Average Annual</b>
		<b>Service</b>	<b>AFC</b>	<b>Initial Benefit</b>	<b>Current Benefit</b>
Lifetime Benefit (1)	230,084	20.39	\$38,462	\$14,572	\$20,200
Benefit with a Guarantee (2)	64,578	22.06	40,580	16,147	22,987
Member with a Joint Annuitant (3)	84,005	21.99	44,874	16,028	22,062
Reduced Benefit on First Death (4)	15,049	22.82	48,388	19,871	25,764
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</b>
<b>By Monthly Benefit Amount</b>					
Less Than \$50	588	9.78	\$12,206	\$518	\$426
\$50 - \$99	3,143	9.34	11,253	872	954
\$100 - \$149	5,781	9.85	13,422	1,332	1,519
\$150 - \$199	7,953	10.50	16,008	1,832	2,110
\$200 - \$249	9,659	10.89	18,321	2,258	2,712
\$250 - \$299	10,467	11.36	20,054	2,718	3,301
\$300 - \$349	11,438	11.82	20,777	3,047	3,898
\$350 - \$399	11,314	12.47	22,551	3,518	4,501
\$400 - \$449	10,685	13.11	24,264	4,008	5,100
\$450 - \$499	10,651	13.60	25,665	4,429	5,698
\$500 - \$999	82,494	16.21	30,566	6,698	8,765
\$1000 - \$1999	95,309	22.25	39,739	12,921	17,397
\$2000 - \$2999	62,951	27.69	50,057	21,576	29,862
\$3000 - \$3999	37,009	29.92	58,571	28,810	41,245
\$4000 - \$4999	16,744	30.58	67,972	36,505	53,207
\$5000 or more	17,530	30.04	87,977	55,959	79,564
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</b>
<b>By Benefit Recipient</b>					
Member Deceased	28,611	20.16	\$36,513	\$12,880	\$16,559
Member Living	365,105	21.17	40,874	15,537	21,636
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</b>
<b>By Retirement Date</b>					
Before 12/1970	73	20.84	\$7,211	\$3,012	\$7,958
12/1970 - 6/2000	106,060	22.76	32,506	13,325	23,751
7/2000 - 6/2005	86,162	21.56	40,028	15,541	22,764
7/2005 - 6/2010	100,513	21.05	45,413	17,311	21,760
7/2010 - 6/2011	29,412	21.90	49,830	19,897	22,985
7/2011 - 6/2012	16,096	18.05	42,875	13,671	15,440
7/2012 - 6/2013	15,093	18.19	43,524	14,171	15,476
7/2013 - 6/2014	15,401	17.37	41,336	12,802	13,607
7/2014 - 6/2015	13,048	18.00	43,029	13,741	14,113
7/2015 - 6/2016	11,858	17.42	41,785	12,887	12,931
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</b>
<b>By Employer</b>					
State	79,550	20.95	\$37,857	\$14,244	\$19,757
State University System	18,698	22.20	45,273	16,813	23,447
Counties	87,246	19.51	45,650	18,205	24,219
School Boards	182,960	21.93	38,170	14,219	20,236
Community Colleges	12,834	20.97	44,569	15,901	22,596
Cities and Special Districts	12,428	19.49	45,983	16,059	20,754
<b>Total / Average</b>	<b>393,716</b>	<b>21.10</b>	<b>\$40,557</b>	<b>\$15,343</b>	<b>\$21,267</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, 2016

By Gender	Count	Average Service	Average AFC	Average Annual Initial Benefit	Average Annual Current Benefit
Female	251,001	21.14	\$36,976	\$13,630	\$18,614
Male	142,715	21.03	46,855	18,356	25,934
<b>Total / Average</b>	<b><u>393,716</u></b>	<b><u>21.10</u></b>	<b><u>\$40,557</u></b>	<b><u>\$15,343</u></b>	<b><u>\$21,267</u></b>

### By Type of Retirement

Line of Duty Death	367	10.29	\$33,055	\$16,364	\$28,774
Not Line of Duty Death	9,087	17.71	35,307	7,208	11,069
Line of Duty Disability	3,492	14.69	30,528	14,320	20,749
Not Line of Duty Disability	12,747	17.52	32,318	9,774	13,192
Early	100,062	16.90	34,408	9,016	12,320
Normal	267,961	23.05	43,564	18,259	25,335
<b>Total / Average</b>	<b><u>393,716</u></b>	<b><u>21.10</u></b>	<b><u>\$40,557</u></b>	<b><u>\$15,343</u></b>	<b><u>\$21,267</u></b>

### By Duration of Benefit Payments to Date

Less Than 5 Years	71,496	17.82	\$42,528	\$13,472	\$14,394
5 - 10	111,501	21.27	47,105	18,246	22,169
10 - 15	90,086	21.28	40,542	15,484	22,061
15 - 20	68,614	23.22	37,964	15,727	25,934
20 - 25	29,522	22.38	31,313	12,475	23,009
25 - 30	13,607	22.01	24,853	9,946	20,412
30 - 35	6,449	21.91	19,116	8,148	17,984
35 - 40	1,892	20.97	14,042	5,955	14,140
40 or More Years	549	19.25	9,806	3,502	10,323
<b>Total / Average</b>	<b><u>393,716</u></b>	<b><u>21.10</u></b>	<b><u>\$40,557</u></b>	<b><u>\$15,343</u></b>	<b><u>\$21,267</u></b>

Average duration of benefit payments in years - 11.26 years

### By Duration of Benefit Payments - Deaths in Current Year

Less Than 1 Year	252	18.67	\$44,766	\$11,589	\$12,089
1 - 2	152	19.46	49,116	12,862	13,010
2 - 3	119	19.42	40,392	11,982	12,326
3 - 4	100	18.44	41,411	13,045	13,647
4 - 5	106	19.34	40,883	13,272	14,126
5 - 10	866	20.20	45,356	16,535	18,209
10 - 15	510	20.62	43,246	17,309	20,090
15 - 20	532	23.25	44,204	21,604	26,618
20 - 25	376	24.04	36,942	20,029	26,035
25 - 30	157	23.42	28,443	15,294	20,970
30 - 35	81	26.64	25,875	18,512	25,483
35 - 40	18	29.38	17,080	16,204	24,324
40 or More Years	9	19.50	11,843	7,381	12,522
<b>Total / Average</b>	<b><u>3,278</u></b>	<b><u>21.30</u></b>	<b><u>\$42,021</u></b>	<b><u>\$16,913</u></b>	<b><u>\$19,898</u></b>

Average duration of benefit payments in years - 11.65 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, 2016

<b>By Retirement Age</b>	<b>Retirees</b>	<b>Retirees' Total</b>		<b>Beneficiaries' Total</b>
		<b>Annual Benefits</b>	<b>Beneficiaries</b>	
Under 40	921	\$12,367,132	294	\$4,841,600
40 - 44	2,860	50,462,242	731	7,696,476
45 - 49	15,845	461,286,415	2,222	26,795,745
50 - 54	63,451	1,874,991,996	4,931	84,480,737
55 - 59	92,911	2,269,288,945	6,632	119,779,337
60 - 64	144,761	2,590,238,669	8,837	152,452,361
65 - 69	33,349	507,687,726	3,415	58,102,446
70 - 74	7,859	103,067,817	1,039	15,258,443
75 - 79	2,417	24,899,601	359	3,199,793
80 - 84	610	4,500,325	119	781,259
85 and Older	121	764,788	32	372,364
<b>Total</b>	<b>365,105</b>	<b>\$7,899,555,656</b>	<b>28,611</b>	<b>\$473,760,561</b>

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

as of June 30, 2016

<b>By Years of Service</b>	<b>Retirees</b>	<b>Retirees' Total</b>		<b>Beneficiaries' Total</b>
		<b>Annual Benefits</b>	<b>Beneficiaries</b>	
Less Than 5 Years	357	\$4,849,555	145	\$2,567,012
5 - 9	31,721	156,741,138	2,209	11,026,795
10 - 14	78,081	598,185,646	7,303	47,633,333
15 - 19	58,511	763,176,219	5,499	60,161,767
20 - 24	51,012	1,004,170,905	4,725	79,038,775
25 - 29	45,819	1,583,130,356	3,453	90,576,395
30 - 34	89,640	3,293,181,048	3,900	124,923,678
35 - 39	8,353	402,953,987	1,054	42,645,882
40 or More Years	1,611	93,166,802	323	15,186,924
<b>Total</b>	<b>365,105</b>	<b>\$7,899,555,656</b>	<b>28,611</b>	<b>\$473,760,561</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	2012	2013	2014	2015	2016
Line of Duty Death	367	373	372	368	367
Not Line of Duty Death	8,784	8,878	9,019	9,081	9,087
Line of Duty Disability	3,519	3,525	3,506	3,493	3,492
Not Line of Duty Disability	12,304	12,484	12,625	12,684	12,747
Early	88,838	91,872	95,385	97,694	100,062
Normal	219,552	229,546	240,868	253,119	267,961
<b>Total</b>	<b>333,364</b>	<b>346,678</b>	<b>361,775</b>	<b>376,439</b>	<b>393,716</b>

## **TOTAL FRS ANNUAL BENEFITS BY TYPE OF RETIREMENT**

as of June 30

Type of Retirement	2012	2013	2014	2015	2016
Line of Duty Death	\$9,077,824	\$9,512,153	\$9,760,000	\$9,976,101	\$10,559,988
Not Line of Duty Death	90,568,179	92,526,753	95,860,703	98,471,096	100,587,725
Line of Duty Disability	62,641,326	65,402,997	67,518,857	69,904,011	72,456,581
Not Line of Duty Disability	144,153,894	150,731,440	156,608,204	162,375,701	168,152,778
Early	958,161,881	1,026,813,607	1,097,584,190	1,165,451,287	1,232,717,230
Normal	4,953,018,666	5,330,125,178	5,731,903,792	6,209,419,306	6,788,841,916
<b>Total</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>	<b>\$8,373,316,218</b>

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

as of June 30

Type of Retirement	2012	2013	2014	2015	2016
Line of Duty Death	6	5	2	3	5
Not Line of Duty Death	308	266	276	237	197
Line of Duty Disability	67	60	55	57	57
Not Line of Duty Disability	636	560	576	545	524
Early	5,170	4,303	4,924	3,751	3,899
Normal	6,182	6,263	7,142	6,876	7,176
<b>Total</b>	<b>12,369</b>	<b>11,457</b>	<b>12,975</b>	<b>11,469</b>	<b>11,858</b>

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

as of June 30

Type of Retirement	2012	2013	2014	2015	2016
Line of Duty Death	\$134,331	\$129,637	\$46,977	\$79,302	\$232,897
Not Line of Duty Death	2,401,478	2,046,809	2,625,299	2,189,212	2,000,493
Line of Duty Disability	1,522,954	1,618,869	1,272,266	1,730,607	1,340,454
Not Line of Duty Disability	7,780,479	7,033,716	6,931,219	7,051,061	7,003,925
Early	48,767,649	40,969,304	44,563,965	36,803,052	36,772,765
Normal	85,381,239	87,971,909	93,486,455	100,518,086	105,985,962
<b>Total</b>	<b>\$145,988,130</b>	<b>\$139,770,244</b>	<b>\$148,926,181</b>	<b>\$148,371,320</b>	<b>\$153,336,496</b>

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

## SCHEDULE OF AVERAGE FRS BENEFITS

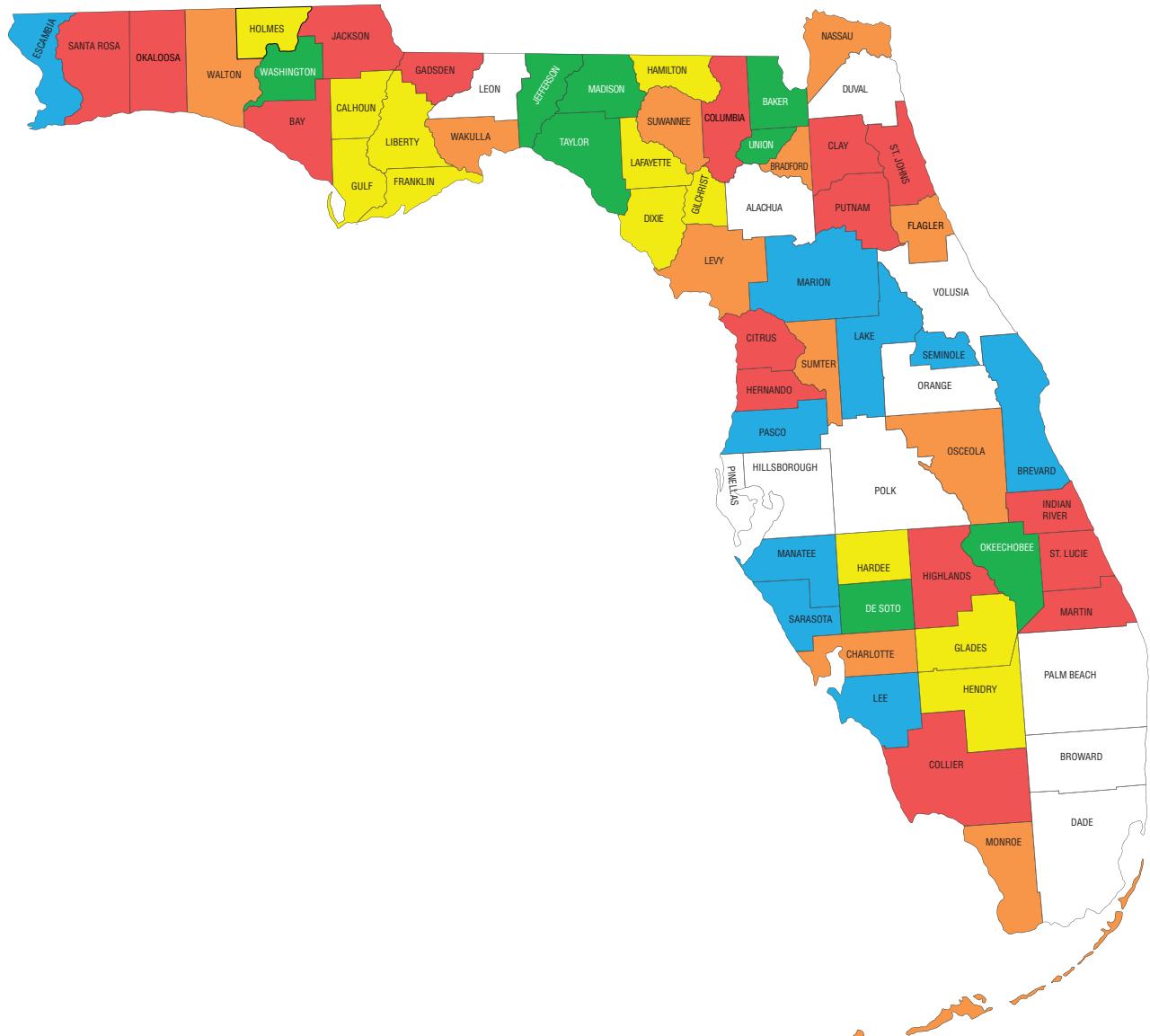
as of June 30

	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		
2016	Average Annual Benefit	\$14,774	\$4,945	\$7,564	\$12,863	\$19,434	\$33,969	\$36,542	\$47,369	\$56,026
	Average AFC	\$12,727	\$30,220	\$29,154	\$35,581	\$41,247	\$50,472	\$51,474	\$49,560	\$52,909
	Count	502	33,930	85,384	64,010	55,737	49,272	93,540	9,407	1,934
2015	Average Annual Benefit	\$14,218	\$4,823	\$7,343	\$12,488	\$18,811	\$32,547	\$35,681	\$46,398	\$54,628
	Average AFC	\$12,578	\$29,757	\$28,543	\$34,845	\$40,311	\$48,944	\$50,424	\$48,289	\$51,246
	Count	503	31,954	83,281	62,096	53,896	46,449	87,114	9,173	1,973
2014	Average Annual Benefit	\$13,921	\$4,686	\$7,118	\$12,113	\$18,198	\$31,189	\$34,775	\$45,352	\$53,674
	Average AFC	\$12,645	\$29,192	\$27,891	\$34,071	\$39,326	\$47,453	\$49,466	\$46,921	\$50,414
	Count	506	29,973	81,618	60,299	51,985	43,894	82,454	9,005	2,041
2013	Average Annual Benefit	\$13,402	\$4,600	\$6,924	\$11,790	\$17,599	\$30,006	\$33,868	\$44,232	\$51,876
	Average AFC	\$12,425	\$28,675	\$27,276	\$33,339	\$38,294	\$46,118	\$48,651	\$45,976	\$48,789
	Count	511	27,340	78,982	58,106	50,062	41,793	78,779	9,002	2,103
2012	Average Annual Benefit	\$12,998	\$4,484	\$6,721	\$11,407	\$16,977	\$28,760	\$32,921	\$43,008	\$50,466
	Average AFC	\$12,311	\$28,079	\$26,638	\$32,516	\$37,234	\$44,734	\$47,754	\$44,983	\$47,727
	Count	512	25,160	74,934	56,235	48,273	39,924	75,046	9,114	2,166
2011	Average Annual Benefit	\$12,594	\$4,404	\$6,522	\$11,041	\$16,410	\$27,628	\$32,059	\$41,729	\$49,194
	Average AFC	\$12,359	\$27,501	\$25,958	\$31,662	\$36,138	\$43,343	\$46,872	\$43,950	\$46,796
	Count	513	22,631	74,657	54,238	46,143	37,948	70,869	9,122	2,220
2010	Average Annual Benefit	\$12,191	\$4,317	\$6,323	\$10,672	\$15,802	\$26,491	\$31,141	\$40,464	\$47,675
	Average AFC	\$12,510	\$26,863	\$25,275	\$30,788	\$34,899	\$41,993	\$45,838	\$42,853	\$45,393
	Count	513	20,238	72,375	52,211	43,835	36,084	66,346	9,136	2,240
2009	Average Annual Benefit	\$11,815	\$4,252	\$6,127	\$10,317	\$15,198	\$25,386	\$30,288	\$39,161	\$46,227
	Average AFC	\$12,648	\$26,357	\$24,625	\$29,901	\$33,740	\$40,710	\$44,747	\$41,882	\$44,407
	Count	504	17,814	70,404	50,295	42,171	34,511	61,037	9,168	2,312
2008	Average Annual Benefit	\$11,194	\$4,202	\$5,936	\$9,945	\$14,647	\$24,291	\$29,380	\$37,846	\$44,723
	Average AFC	\$12,333	\$25,842	\$24,034	\$28,979	\$32,746	\$39,535	\$43,638	\$41,006	\$43,416
	Count	485	15,512	68,578	48,467	40,624	33,059	56,430	9,280	2,407
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

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

## FRS PENSION BENEFITS BY FLORIDA COUNTY

as of June 30, 2016



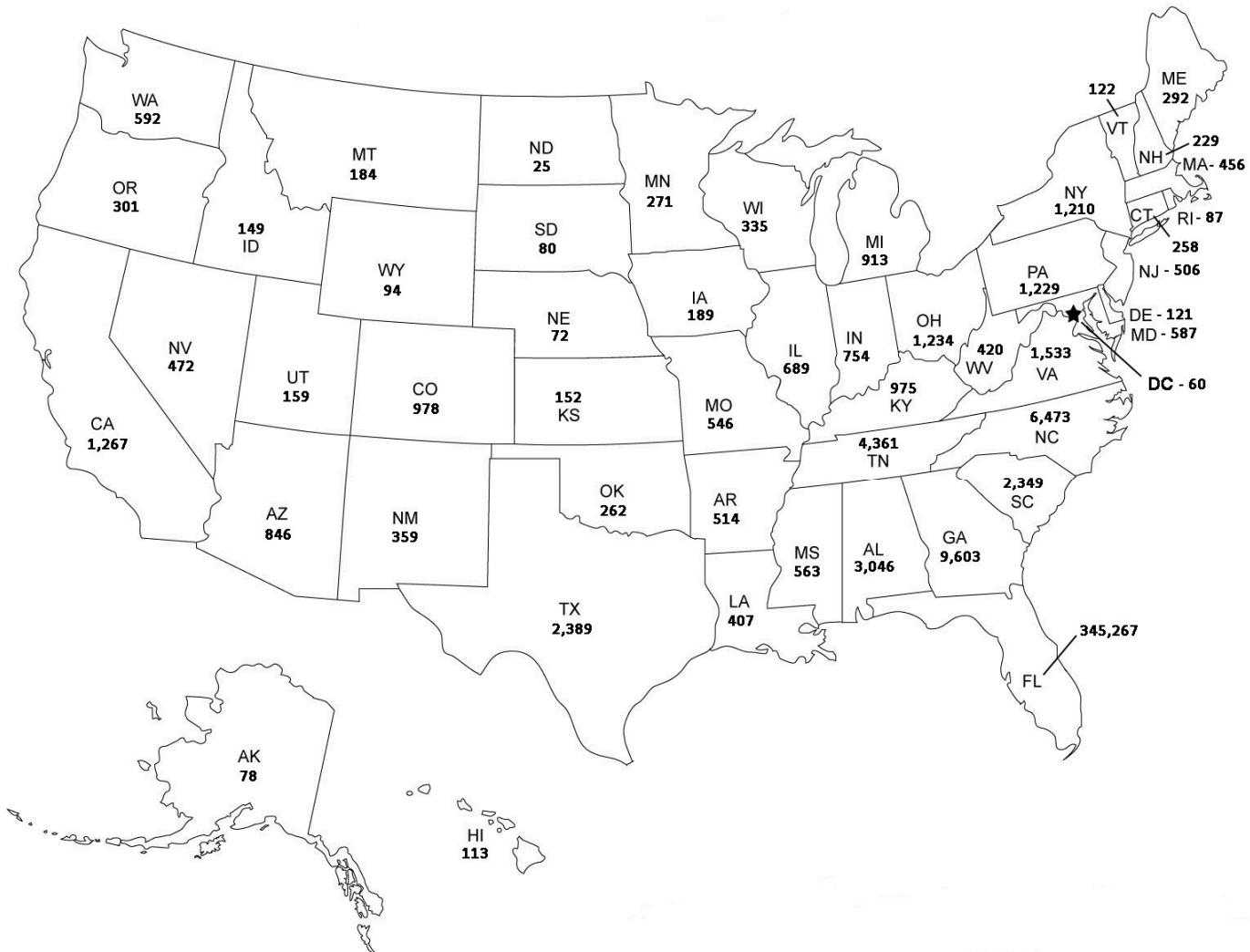
### Color Key

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

Of the 394,907 retirees in the FRS, 345,267 or 87.4 percent, remain Florida residents as of June 30, 2016. During the Fiscal Year 2015-16, pension benefit payments of \$6.98 billion were distributed to retirees and their beneficiaries throughout the 67 counties of Florida as shown on the map above.

## FRS RETIREES BY STATE

as of June 30, 2016



## FRS RETIREES OUTSIDE THE UNITED STATES

as of June 30, 2016

Antilles (1)	Chile (4)	Guam (3)	Pakistan (1)	Trinidad & Tobago (4)
Argentina (4)	China (2)	Guatemala (1)	Panama (7)	Turkey (1)
Armed Forces (37)	Colombia (15)	Honduras (1)	Peru (6)	United Arab Emirates (1)
Aruba (1)	Costa Rica (12)	Hungary (3)	Philippines (13)	United Kingdom (49)
Australia (20)	Croatia (1)	India (4)	Poland (1)	Uruguay (2)
Bahamas (3)	Czech Republic (1)	Israel (13)	Portugal (3)	Venezuela (1)
Barbados (2)	Dominican Republic (4)	Italy (3)	Puerto Rico (212)	Vietnam (1)
Belize (1)	Ecuador (8)	Jamaica (11)	Romania (2)	Virgin Islands (20)
Bolivia (1)	Egypt (2)	Japan (2)	South Africa (1)	West Indies (18)
Bosnia-Herzegovina (1)	Finland (4)	Macedonia (1)	Spain (21)	Other (21)
Brazil (2)	France (9)	Mexico (11)	Sweden (1)	
Bulgaria (2)	Germany (21)	Netherlands (1)	Switzerland (3)	
Canada (92)	Ghana (1)	New Zealand (10)	Thailand (21)	
Cayman Islands (1)	Greece (5)	Nicaragua (4)	Tonga (1)	

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

as of June 30

<b>By System / Class</b>	<b>2012<sup>1</sup></b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
FRS - Regular Class	2,783	4,160	5,562	6,709	8,070
- Senior Management Service Class	54	86	113	150	170
- Special Risk Class	284	550	817	1,062	1,229
- Elected Officers' Class	36	70	82	102	99
<b>Total</b>	<b><u>3,157</u></b>	<b><u>4,866</u></b>	<b><u>6,574</u></b>	<b><u>8,023</u></b>	<b><u>9,568</u></b>

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

as of June 30, 2016

<b>By Employer Group</b>	<b>Count</b>	<b>Average Length of Employment</b>	<b>Average Salary</b>
State	2,179	2.27	\$35,359
State University System	449	2.65	58,518
School Boards	4,121	2.39	29,578
Counties	1,947	2.21	34,818
Community Colleges	392	2.51	37,751
Cities and Special Districts	480	2.18	32,588
<b>Total / Average</b>	<b><u>9,568</u></b>	<b><u>2.34</u></b>	<b><u>\$33,805</u></b>

**By Age Range**

Less than 30	57	1.55	\$27,468
30 - 39	1,112	2.12	36,514
40 - 49	1,712	2.29	37,358
50 - 59	2,447	2.17	33,871
60 - 69	3,285	2.45	33,329
70 and Over	955	2.76	26,122
<b>Total / Average</b>	<b><u>9,568</u></b>	<b><u>2.34</u></b>	<b><u>\$33,805</u></b>

**By Gender**

Female	5,583	2.33	\$30,934
Male	3,985	2.35	37,826
<b>Total / Average</b>	<b><u>9,568</u></b>	<b><u>2.34</u></b>	<b><u>\$33,805</u></b>

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



## System Summary Section



Footpath with ferns Ichetucknee Springs State Park, Fort White

## 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.

**2016** — Created enhanced survivor benefits for Special Risk Class members who are killed in the line of duty on or after July 1, 2013, for benefit payments on or after July 1, 2016, with the following stipulations:

- The benefit payable to the surviving spouse or on behalf of an eligible dependent child or children of a Pension Plan Special Risk Class member is increased from 50 percent to 100 percent of the member's base monthly salary at the time of death.
- A new benefit for the surviving spouse or on behalf of an eligible dependent child or children of an Investment Plan Special Risk Class member is created, with the benefit payable equal to 100 percent of the member's base monthly salary at the time of death. The member's Investment Plan account balance must be transferred to the Survivor Benefit Account of the FRS Trust Fund if the in-line-of-duty death benefit is approved.
- If there is no surviving spouse, the eligible child or children will receive benefits until the youngest unmarried child reaches age 18. The benefits may be extended up to age 25 if the eligible surviving child is unmarried and enrolled as a full time student.

## FRS PARTICIPATING EMPLOYERS

as of June 30, 2016

### 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  
 Indian River Lagoon Council  
 Merritt Island Public Library Tax District  
 Property Appraiser  
 School Board  
 Sebastian Inlet District  
 Sheriff  
 Space Coast Transportation Planning Organization  
 Supervisor of Elections  
 Tax Collector  
 Town of Malabar  
 Town of Melbourne Beach <sup>4</sup>

#### BROWARD COUNTY

Board of County Commissioners  
 Broward College  
 Broward Community Charter Middle School  
 Broward Community Charter School  
 Broward Community Charter School West  
 Broward County Housing Authority  
 Broward Metropolitan Planning Organization  
 Central Broward Water Control District  
 Central Charter School  
 Charter School of Excellence Davie 1 Campus  
 Charter School of Excellence Davie 2 Campus

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Charter School of Excellence Fort Lauderdale 1 Campus	Sheriff	School Board
Charter School of Excellence Fort Lauderdale 2 Campus	Supervisor of Elections	Sheriff
Charter School of Excellence Riverland 1 Campus	Tax Collector	Supervisor of Elections
Charter School of Excellence Riverland 2 Campus	Town of Altha <sup>1,4</sup>	Tax Collector
Charter School of Excellence Tamarac 1 Campus	<b>CHARLOTTE COUNTY</b>	<b>DADE COUNTY</b>
Charter School of Excellence Tamarac 2 Campus	Board of County Commissioners	See Miami-Dade County
Children's Services Council of Broward City of Coconut Creek	Charlotte County Airport Authority	<b>DE SOTO COUNTY</b>
City of Cooper City <sup>4</sup>	Clerk of Circuit Court	Board of County Commissioners
City of Dania Beach <sup>3,4</sup>	Property Appraiser	Clerk of Circuit Court
City of Deerfield Beach <sup>3</sup>	School Board	<i>Joshua Water Control District</i>
City of Hollywood <sup>3</sup>	Sheriff	Property Appraiser
<i>City of Lauderdale Lakes</i>	Supervisor of Elections	School Board
City of Margate	Tax Collector	Sheriff
City of Miramar <sup>3</sup>	<b>CITRUS COUNTY</b>	Supervisor of Elections
City of North Lauderdale <sup>2</sup>	Board of County Commissioners	Tax Collector
City of Oakland Park <sup>4</sup>	Citrus County Mosquito Control District	<b>DIXIE COUNTY</b>
City of Pembroke Pines Charter Elementary School	Citrus MYcroSchool of Integrated Academics and Technologies, Inc.	Board of County Commissioners
City of Pembroke Pines Charter High School	City of Crystal River	Clerk of Circuit Court
City of Pembroke Pines Charter Middle School	City of Inverness <sup>3,4</sup>	Kinder Cub School, Inc.
City of Pembroke Pines FSU Charter School	Clerk of Circuit Court	Property Appraiser
City of Pompano Beach <sup>3</sup>	Homosassa Special Water District	School Board
City of Weston <sup>3</sup>	Property Appraiser	Sheriff
City of West Park <sup>3,4</sup>	School Board	Supervisor of Elections
City of Wilton Manors <sup>1,3,4</sup>	Sheriff	Suwannee Water and Sewer District
Clerk of Circuit and County Courts	Supervisor of Elections	Tax Collector
Dayspring Elementary Charter School	Tax Collector	Three Rivers Regional Library System
Discovery Middle Charter School	<b>CLAY COUNTY</b>	Town of Cross City
<i>Fort Lauderdale Downtown Development Authority</i>	Board of County Commissioners	<b>DUVAL COUNTY</b>
Hillsborough Inlet Improvement and Maintenance	City of Green Cove Springs <sup>3,4</sup>	Duval MYcroSchool of Integrated Academics and Technologies
<i>North Broward Hospital District</i>	Clay County Utility Authority	Florida State College at Jacksonville
North Springs Improvement District	Clerk of Circuit Court	Jacksonville Aviation Authority
Old Plantation Water Control District	First Coast Workforce Consortium	Jacksonville Seaport Authority
Paragon Elementary Charter School	Property Appraiser	Jacksonville Transportation Authority
Plantation Acres Improvement District	School Board	Northeast Florida Regional Planning Council
Property Appraiser	Sheriff	North Florida Transportation Planning Organization
School Board	Supervisor of Elections	River City Science Academy
Sheriff	Tax Collector	River City Science Academy Elementary
Smart School, Inc.	<b>COLLIER COUNTY</b>	River City Science Academy Innovation
South Broward Drainage District	Board of County Commissioners	School Board
South Florida Regional Planning Council	<i>City of Marco Island</i>	SIA Tech Jacksonville
Sunrise Community Charter School	Clerk of Circuit Court	<b>ESCAMBIA COUNTY</b>
Sunshine Elementary Charter School	Collier County Soil and Water Conservation District	Board of County Commissioners
Supervisor of Elections	Collier Mosquito Control District	Byrneville Elementary School, Inc.
Tax Collector	Golden Gate Fire Control District	Clerk of Circuit and County Courts
Town of Hillsboro Beach <sup>1,4</sup>	Immokalee Fire Control District	City of Pensacola <sup>1,3,4</sup>
Town of Lauderdale-by-the-Sea <sup>3,4</sup>	Marco Island Academy	Emerald Coast Utility Authority
Town of Pembroke Park <sup>4</sup>	Marco Island Charter Middle School	Pensacola Beach Elementary School
Tri-County Commuter Rail	<i>Marco Island Fire Control District</i>	Pensacola State College
<b>CALHOUN COUNTY</b>	North Collier Fire Rescue District	Property Appraiser
Apalachee Regional Planning Council	Property Appraiser	School Board
Board of County Commissioners	School Board	Sheriff
City of Blountstown <sup>1,2,4</sup>	Sheriff	Supervisor of Elections
Clerk of Circuit Court	Supervisor of Elections	Tax Collector
Property Appraiser	Tax Collector	West Florida Regional Planning Council
School Board	<b>COLUMBIA COUNTY</b>	<b>FLAGLER COUNTY</b>
	Board of County Commissioners	Board of County Commissioners
	<i>City of Lake City</i> <sup>3,4</sup>	City of Bunnell
	Clerk of Circuit Court	Clerk of Circuit Court
	Florida Gateway College	<i>East Flagler Mosquito Control District</i>
	<i>Lake Shore Hospital Authority</i>	
	Property Appraiser	

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Flagler County Housing Authority

Property Appraiser

School Board

Sheriff

Supervisor of Elections

Tax Collector

#### **FRANKLIN COUNTY**

Apalachicola Housing Authority

Board of County Commissioners

City of Apalachicola <sup>1,4</sup>

City of Carrabelle <sup>1,3,4</sup>

Clerk of Circuit Court

Eastpoint Water and Sewer District

Property Appraiser

School Board

Sheriff

Supervisor of Elections

Tax Collector

#### **GADSDEN COUNTY**

Board of County Commissioners

City of Chattahoochee <sup>1,3,4</sup>

City of Gretna

City of Midway <sup>1,3,4</sup>

Clerk of Circuit Court

Northwest Florida Water Management

District

Property Appraiser

School Board

Sheriff

Supervisor of Elections

Tax Collector

Town of Greensboro <sup>1,4</sup>

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

City of Monticello <sup>4</sup>

Clerk of Circuit Court

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Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector

#### **LAFAYETTE COUNTY**

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

#### **LAKE COUNTY**

Board of County Commissioners  
*City of 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  
Olkawaha Basin Recreation and Water  
Conservation District  
Property Appraiser  
School Board  
Sheriff  
Supervisor of Elections  
Tax Collector  
Town of Astatula  
Town of Montverde <sup>4</sup>

#### **LEE COUNTY**

Alva Fire and Rescue Service District  
Bayshore Fire Protection and Rescue  
Service District  
Board of County Commissioners  
Bonita Springs Fire and Rescue  
Cape Coral Charter School  
Captiva Erosion Prevention District  
Captiva Fire Control District  
City of Bonita Springs  
Clerk of Circuit Court  
Florida SouthWestern State College  
Fort Myers Beach Fire Control District  
Fort Myers Beach Library District  
Fort Myers Beach Mosquito Control  
Fort Myers Shores Fire Department  
Goodwill Academies of Southwest Florida,  
Inc.  
Hyacinth Control District  
Iona McGregor Fire Protection and Rescue  
Service  
Lee County Metropolitan Planning  
Organization  
Lee County Mosquito Control District  
Lee Soil and Water Conservation District  
Lehigh Acres Fire Control and Rescue  
District  
Lehigh Acres Municipal Services  
Improvement District  
Matlacha-Pine Fire District  
North Fort Myers Fire Control District  
Property Appraiser  
Public Risk Management of Florida

San Carlos Fire Protection and Rescue  
District  
Sanibel Fire Control District  
School Board  
Sheriff  
South Trail Protection and Rescue  
Service District  
Southwest Florida Expressway Authority  
Southwest Florida Regional Planning  
Council  
Supervisor of Elections  
Tax Collector  
Tice Fire and Rescue District

#### **LEON COUNTY**

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

#### **LEVY COUNTY**

Board of County Commissioners  
City of Cedar Key <sup>1</sup>  
City of Chiefland  
City of Fanning Springs  
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 Coral Gables <sup>3</sup>  
City of Doral <sup>1</sup>  
City of Florida City <sup>1,4</sup>  
City of Miami Gardens <sup>1,3,4</sup>  
City of North Bay Village <sup>1,4</sup>

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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

*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*

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#### **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>2,3,4</sup>

City of South Bay <sup>3</sup>

Clerk of Circuit Court

Day Star Academy of Excellence

Florida Inland Navigation District

Good Schools for All Leadership Academy

G-STAR School of the Arts for Motion Pictures and Television

Gulf Stream Goodwill Academies, Inc.

Indian Trail Improvement District

Inlet Grove Community High School, Inc.

Lake Worth Drainage District

Loxahatchee Groves Water Control District

Palm Beach State College

Palm Beach County Solid Waste Authority

Palm Beach Soil and Water Conservation

Palm Beach Workforce Development Consortium

Port of Palm Beach

Property Appraiser

Riviera Beach Maritime Academy

School Board

Shawano Drainage District

Sheriff

South Florida Conservancy

South Florida Water Management District

*South 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 Magnolia Park <sup>4</sup>

Town of Ocean Ridge <sup>1,3,4</sup>

Town of Palm Beach Shores <sup>1,2,4</sup>

Town of South Palm Beach <sup>1,4</sup>

*Village of Tequesta*

Village of Palm Springs <sup>1,3,4</sup>

Village of Royal Palm Beach <sup>3,4</sup>

Village of Wellington <sup>3,4</sup>

Western Academy Charter School

#### **PASCO COUNTY**

Board of County Commissioners

*City of 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

Learning Lodge Academy, Inc.

Pasco County Mosquito Control District

Pasco-Hernando State College

Property Appraiser

School Board

Sheriff

Supervisor of Elections

Tax Collector

#### **PINELLAS COUNTY**

Board of County Commissioners

*City of 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  
 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  
 Lakeland Area Mass Transit District  
 Lake Wales Charter School, Inc.  
 Lake Wales Senior High School  
 New Beginnings High School, Inc.  
 Oaks Middle Academy  
 Our Children's Academy  
 Our Children's Middle Academy  
 Polk Avenue Elementary School  
 Polk State College  
 Property Appraiser  
 Ridgeview Global Studies Academy  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 The Schools of McKeel Academy  
 Town of Polk City <sup>4</sup>  
 Village of Highland Park <sup>4</sup>

#### **PUTNAM COUNTY**

Board of County Commissioners  
 Clerk of Circuit Court  
 Property Appraiser  
 Putnam Academy of Arts and Sciences  
 Putnam Edge High School  
 Saint Johns River State College  
 Saint Johns River Water Management District  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector

#### **SAINT JOHNS COUNTY**

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

#### **SAINT LUCIE COUNTY**

Board of County Commissioners  
 Children's Service Council of Saint Lucie  
 City of Port Saint Lucie <sup>3</sup>  
 Clerk of Circuit Court  
 Indian River State College  
*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 Science Charter School  
 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

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.

**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  
 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 Sopchopy <sup>4</sup>  
 Clerk of Circuit Court  
 Property Appraiser  
 School Board  
 Sheriff  
 Supervisor of Elections  
 Tax Collector  
 Wilderness Coast Libraries

**WALTON COUNTY**

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

**WASHINGTON COUNTY**

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

**SUMMARY**

State	57
County Agencies	396
School Boards	67
Community Colleges	28
Cities	193
Independent Hospitals	6
Special Districts	270
Other	<u>12</u>
Total	1,029*

\* This total includes the 23 cities, five independent hospitals, and 10 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.

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

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

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

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

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

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

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Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## **INDEPENDENT AUDITOR'S REPORT 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, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 15, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the assets and investment income of the Florida Retirement System Defined Benefit Plan. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in finding No. 2016-01 in the **FINDINGS AND RECOMMENDATIONS** accompanying this report, that we consider to be a material weakness.

### **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*.

### **Additional Matters**

We also noted an additional matter involving the System's internal control that we reported to management as finding No. 2016-02 in the **FINDINGS AND RECOMMENDATIONS** accompanying this report.

### **Department's Responses to Findings**

The Department's responses to the findings identified in our audit are described in the **FINDINGS AND RECOMMENDATIONS** accompanying this report. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

### **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

December 15, 2016

Audit Report No. 2017-073

## **FINDINGS AND RECOMMENDATIONS**

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### **MATERIAL WEAKNESS**

#### **ACCOUNTS PAYABLE AND DUE TO OTHER GOVERNMENTAL UNITS**

<b>Finding Number</b>	<b>2016-01</b>
<b>Opinion Unit</b>	Governmental Activities, Special Revenue Fund, Aggregate remaining fund information
<b>Financial Statements</b> <b>Account Titles</b>	Accounts payable, Due to other governmental units; Administrative expenses, expenditures/expenses, net position – beginning, restated
<b>Adjustment Amounts</b>	\$55,500; \$86,721,146; \$5,635,478; \$81,085,668
<b>Finding</b>	The Department of Management Services (Department) did not always properly identify, accrue, and record accounts payable and amounts due to other governmental units.
<b>Criteria</b>	Generally accepted accounting principles require goods and services received on or prior to the fiscal year-end for which consideration (e.g., a promise to compensate a vendor or service provider) has been exchanged to be accrued and recorded as a payable (accounts payable or due to other governmental units) with a corresponding expense. As such, effective cut-off procedures are necessary to identify those goods and services received on or prior to the fiscal year-end which are to be paid in the subsequent fiscal year.
<b>Condition</b>	Our audit and evaluation of the Department's fiscal year-end financial statement closing process disclosed that Department cut-off procedures needed enhancement to ensure that accounts payable and amounts due to other governmental units were appropriately reported. Specifically, we noted that, for the:
	<ul style="list-style-type: none"><li>• <i>Florida National Guard Supplemental Retirement Benefit Plan</i> (National Guard), the Department accrued and recorded an accounts payable related to a \$65,500 purchase order for actuarial services that had not been completed as of the fiscal year-end. Our examination of Department records disclosed that an overstatement of \$55,500 resulted from recording services that had not been completed as of the fiscal year-end.</li><li>• <i>Police and Firefighters' Premium Tax Trust Fund</i> (Police and Firefighters' Fund), the Department used tax distribution calculations related to all municipalities that received premium tax distributions as the basis for accruing and recording entries to the due to other governmental units account at fiscal year-end. However, our audit procedures found that Department staff did not consider whether individual municipalities had been approved to receive the distribution on or prior to the fiscal year-end. Our examination of Department records disclosed that municipalities scheduled to receive premium tax distributions totaling \$81,085,668 had not been approved by the Department to receive the distributions as of the fiscal year-end.</li></ul>
<b>Cause</b>	Although Department staff had received training on fiscal year-end cut-off procedures related to National Guard payables, the procedures were not followed nor was the overstatement detected by supervisory review. In addition, the Department had not established cut-off procedures to identify the municipalities approved to receive Police and Firefighters' premium tax distributions on or prior to the fiscal year-end.
<b>Effect</b>	Prior to adjustment, accounts payable and administrative expenses related to the National Guard were overstated by \$55,500. Subsequent to our audit inquiry, the

Department recorded an adjustment to reduce each account. With respect to the Police and Firefighters' Fund, the due to other governmental units account was overstated by \$86,721,146, expenditures/expenses were overstated by \$5,635,478, and net position – beginning, was understated by \$81,085,668. Subsequent to our audit inquiry, the Department recorded a prior period adjustment to correct each account.

<b>Recommendation</b>	To ensure that only goods and services received on or prior to the fiscal year-end are accrued and recorded, we recommend that the Department enhance fiscal year-end cut-off procedures and training for accounting for National Guard payables. We also recommend that, to appropriately record amounts due to other governmental units, the Department establish fiscal year-end cutoff procedures that properly identify those municipalities approved to receive Police and Firefighters' premium tax distributions on or prior to the fiscal year-end.
<b>State Agency Response and Corrective Action Plan</b>	<p>The department conservatively reported the potential total surtax liability rather than actual approved payments as of June 30. Prospectively, the department will ensure compliance to the applicable standards. It is important to note the characterization of the payables at issue in this finding was not detrimental to the state.</p> <p>The Bureau of Financial Management Services will establish cut-off procedures to identify payables as of the fiscal year end date. Training will be provided to appropriate staff members and year-end adjusting entries will be reviewed to ensure standard compliance. The Division of Retirement is also updating processes to ensure there is streamlined funding source identification along with an appropriate payment verification process.</p>
<b>Estimated Corrective Action Date</b>	August 31, 2017 completion
<b>Agency Contact and Telephone Number</b>	Kelly McMullen (850) 487-0950

## ADDITIONAL MATTER

### NATIONAL GUARD BENEFIT PAYMENTS

<b>Finding Number</b>	<b>2016-02</b>
<b>Opinion Unit</b>	Aggregate remaining fund information
<b>Financial Statements</b>	Benefit payments – general revenue funded
<b>Account Title</b>	
<b>Finding</b>	The Department of Management Services (Department) did not always obtain from the Department of Military Affairs a Florida National Guard (FNG) Form 37 that included an authorized signature certifying the accuracy of the data reported and used as the basis for retiree benefit payments.
<b>Criteria</b>	Section 250.22(1), Florida Statutes, specifies that any person who is at least 62 years of age and who completes no less than 30 years of service as an officer or enlisted person in the Florida National Guard is to be retired at the highest rank attained while serving in the Florida National Guard or Federal military forces, and is to receive pay in an amount equal to one-half of the base pay prescribed in the applicable pay tables for similar pay grades and periods of service of personnel in the United States Army or Air Force. Prior to February 2015, the Department's practice was, before making National Guard retirement benefit payments, to receive from the Department of Military Affairs an FNG Form 37 certifying the total years of service for retirement credit as well as the highest rank attained by the retiree. Effective February 2015, the Department established written procedures that mirrored the Department's prior practices.
<b>Condition</b>	We examined Department records for 30 retired members of the Florida National Guard who received a benefits payment during the period July 2015 through June 2016 to determine whether Department records included an appropriately certified FNG Form 37. For 2 former members, the Department was unable to provide a FNG Form 37 that included an authorized signature from the Department of Military Affairs certifying the accuracy of the data. The Department established National Guard retiree accounts for both former members, allowing benefits to be paid absent an appropriately certified FNG Form 37 evidencing that the information used to calculate the benefit payments had been verified.
<b>Cause</b>	Although Department practices and procedures required a verified FNG Form 37 be received from the Department of Military Affairs prior to the payment of National Guard retiree benefits, the Department, due to an oversight, accepted forms without an authorized signature to evidence the verification of required information.
<b>Effect</b>	Absent the receipt of an appropriately certified FNG Form 37 from the Department of Military Affairs verifying the accuracy of retiree data, the Department has reduced assurance that the statutory requirements for retirement have been verified or that benefits are calculated and paid based on accurate data.
<b>Recommendation</b>	We recommend that Department procedures for establishing National Guard retiree accounts and making benefit payments be consistently followed and that, prior to creating retiree accounts and processing benefit payments, Department staff confirm receipt of an appropriately certified FNG Form 37.
<b>State Agency Response and Corrective Action Plan</b>	The Division of Retirement pays supplemental retirement benefits to Florida National Guard (FNG) members who meet certain statutory criteria. As part of the division's review before approving supplemental benefit payments, the

division requires that the Department of Military Affairs submit to the division a FNG Form 37 documenting FNG membership and other necessary information.

A review of the supplemental retirement program identified two FNG Form 37 documents submitted by the Department of Military Affairs to the division with the commanding officer's typed name but without an accompanying signature. The two documents were for supplemental benefits initiated in 2010 and 2011. Historical policy during the time period in question did require a signed FNG 37 before processing a supplemental benefit. Written procedures were established in February 2015 to document requirements for processing a FNG supplemental benefit and include the signature requirement on the FNG 37.

The Division of Retirement is currently reviewing all FNG Form 37 documents on file. If the division identifies any forms without signatures, the division will contact the Department of Military Affairs and request a signed form.

**Estimated Corrective Action Date**

The review project of FNG Form 37 application forms is expected to be completed by January 31, 2017.

**Agency Contact and Telephone Number**

Kathy Gould  
(850) 488-9623

## NOTES

## NOTES



