

State Board of Administration

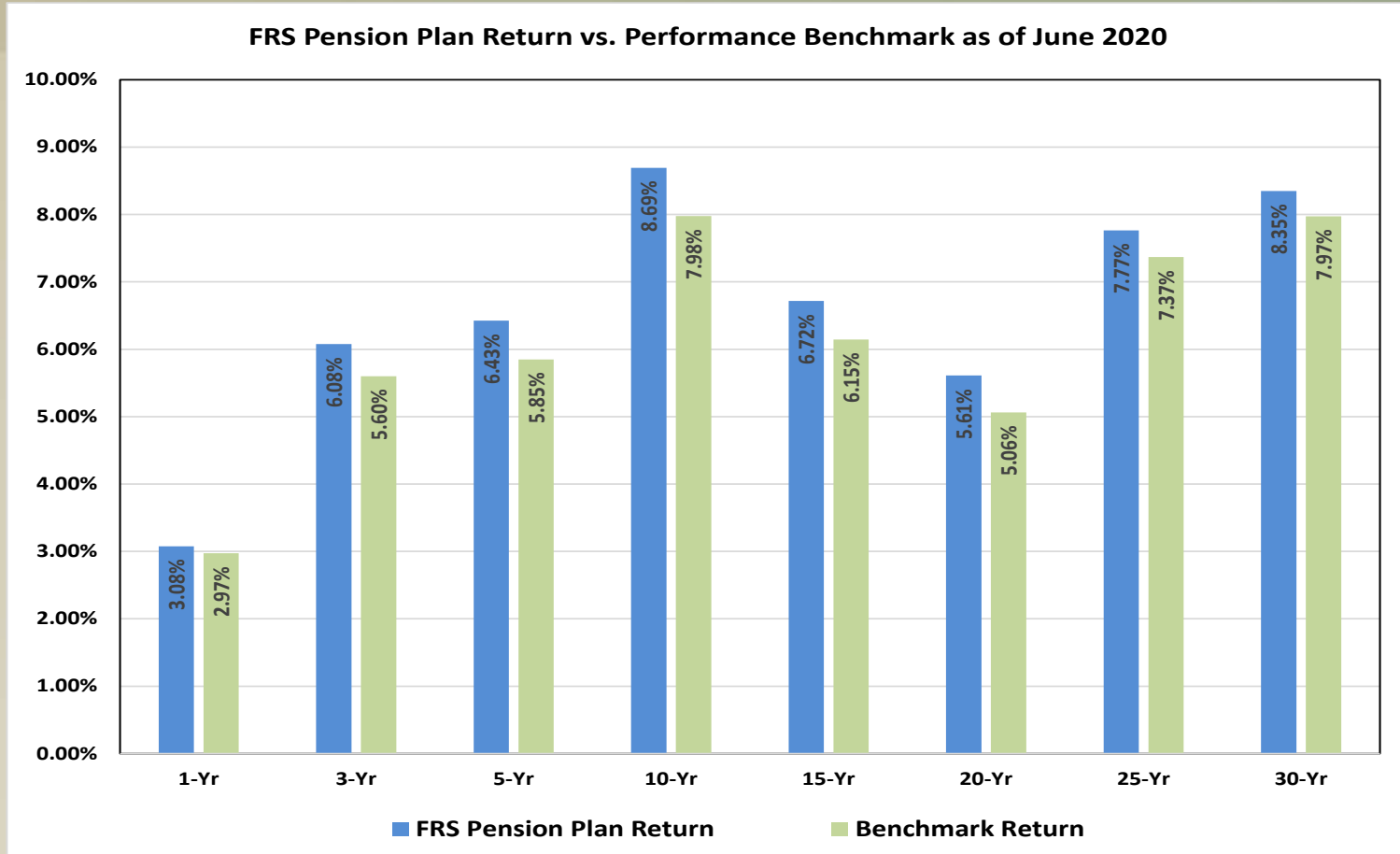
FRS Pension Plan Performance Review

Actuarial Assumptions Estimating Conference

October 8, 2020

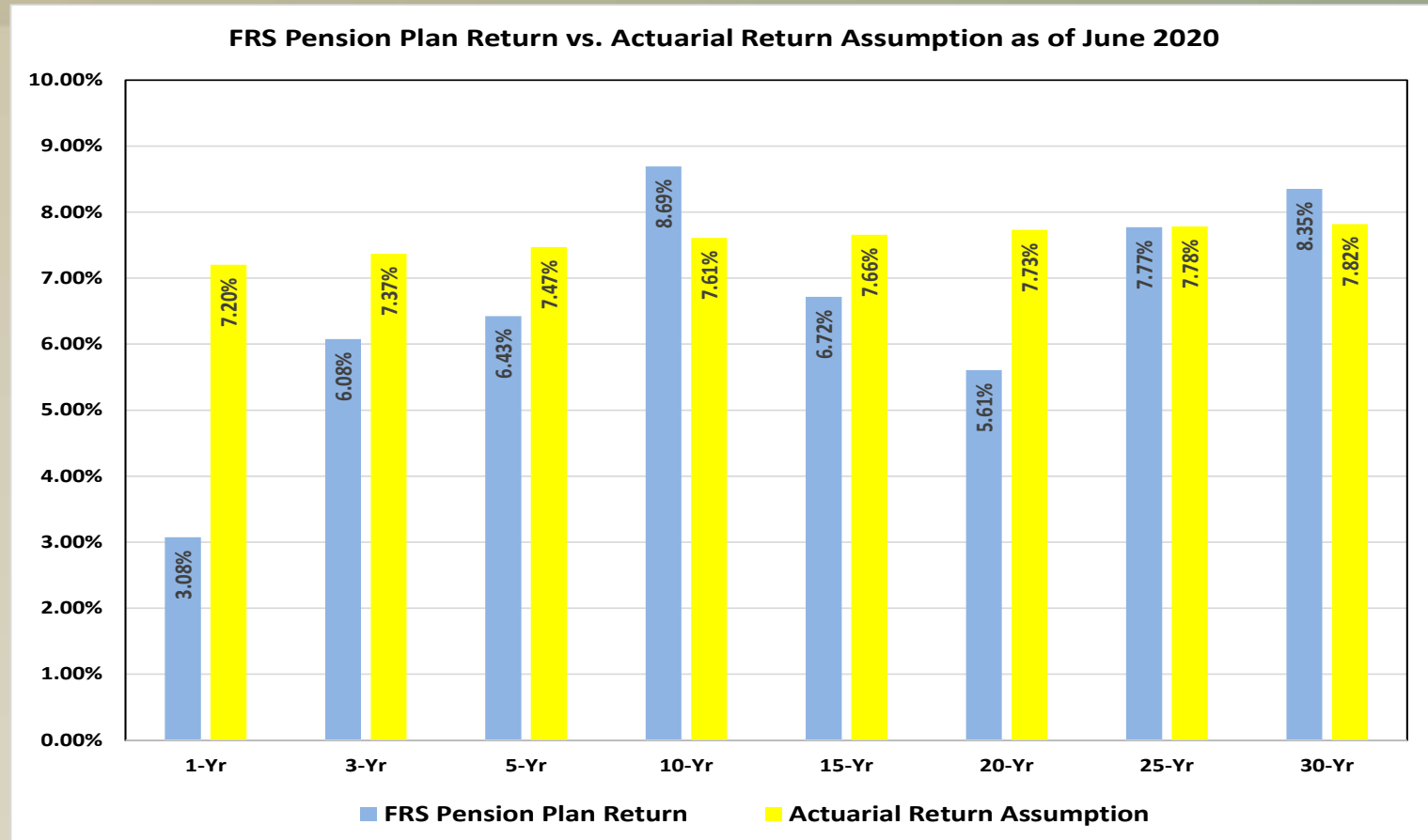


FRS Pension Plan Return vs. Performance Benchmark



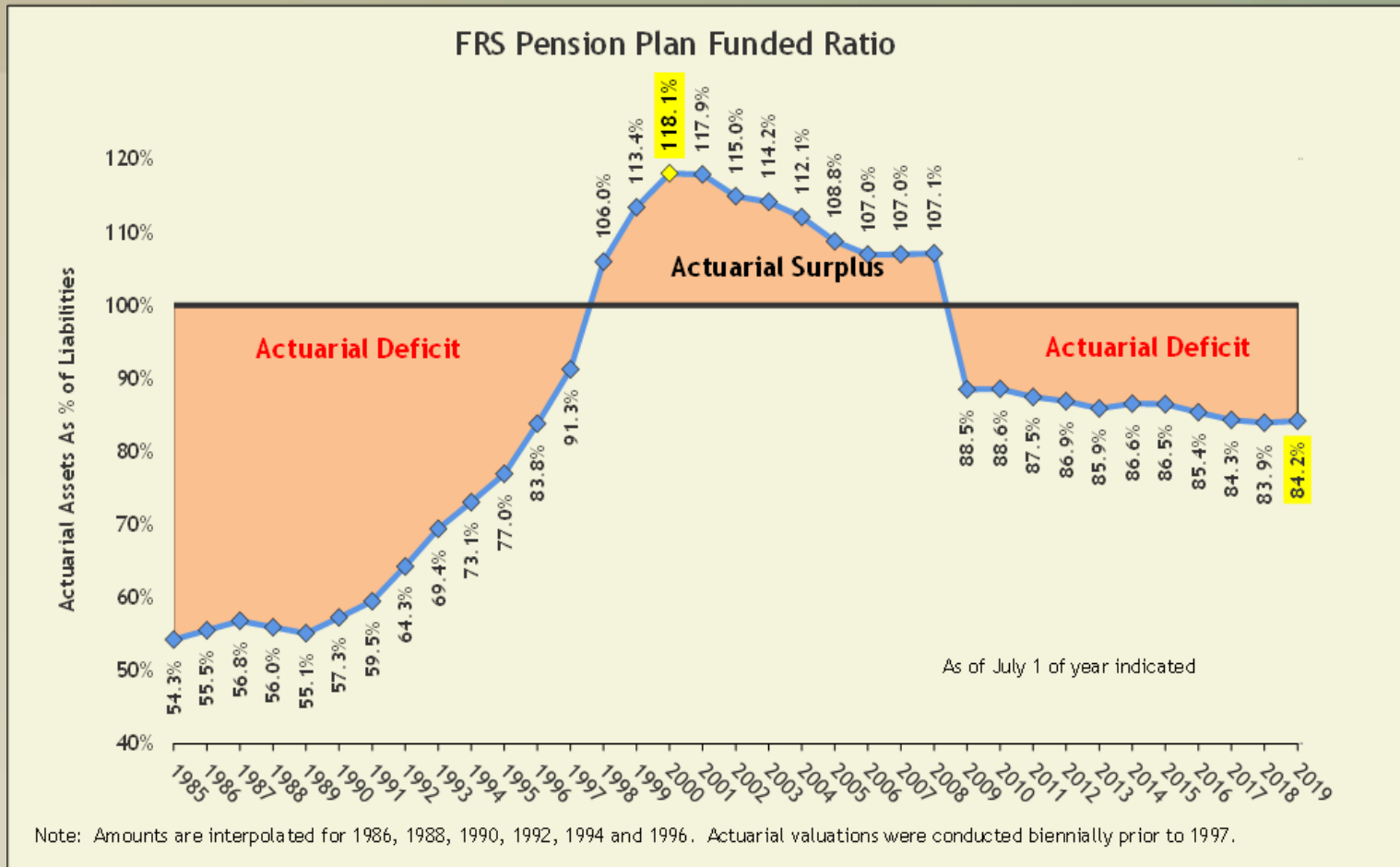
- The FRS Pension Plan has outperformed its performance benchmark over all time periods
- Current equity markets are now near all-time highs despite the global pandemic and continuation of higher returns in this space appears increasingly unlikely.

FRS Pension Plan Return vs. Actuarial Return Assumption



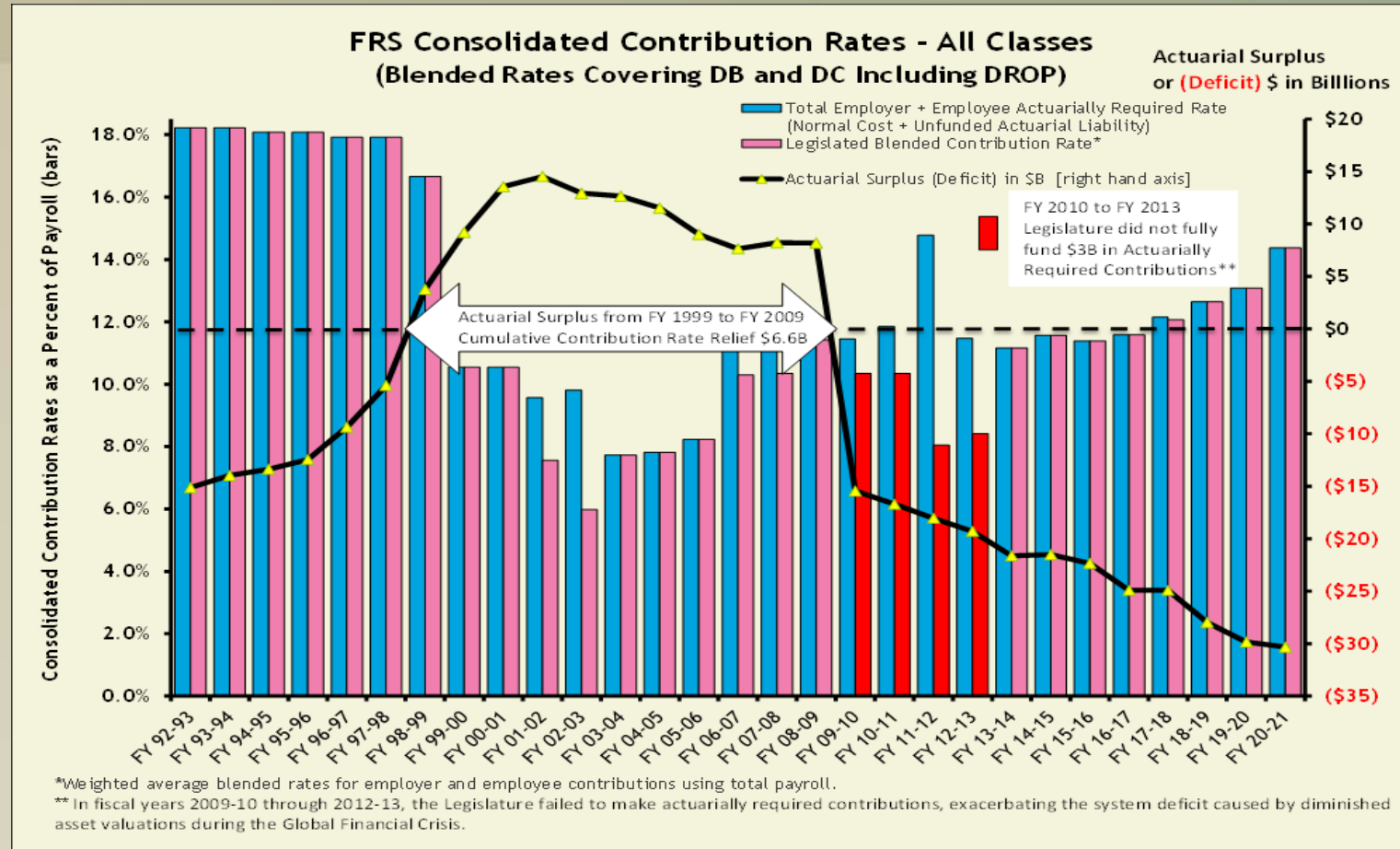
- Relative to historical actuarial return assumptions, the Pension Plan's performance is mixed.
- SBA is projecting a long-term return assumption of 6.46%

FRS Pension Plan's Funded Status



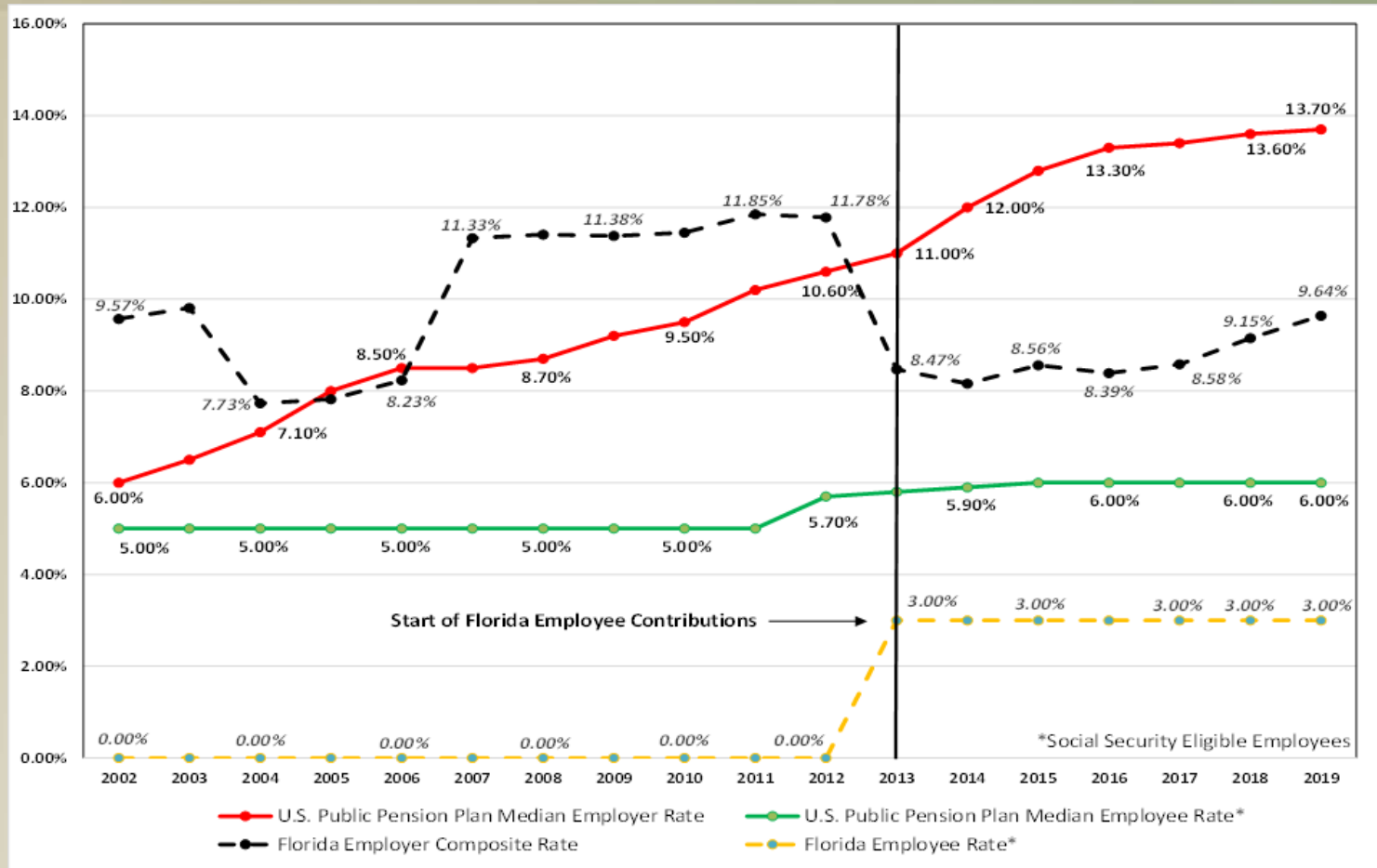
- The “Global Financial Crisis” that began in 2007 led to marked to market asset value declines, creating an unfunded liability.
- The FRS Pension Plan’s funded status continues to be in deficit.

Contributions and Funded Status



- 11-years of actuarial surpluses from 1998 thru 2008 and employers saving a cumulative \$6.6B through reduced contributions.
- \$3B in actuarially required contribution rates were not funded due to budgetary constraints from 2010 to 2013. Missed an opportunity to gain an estimated \$6.0B in asset value as of June 30, 2020.

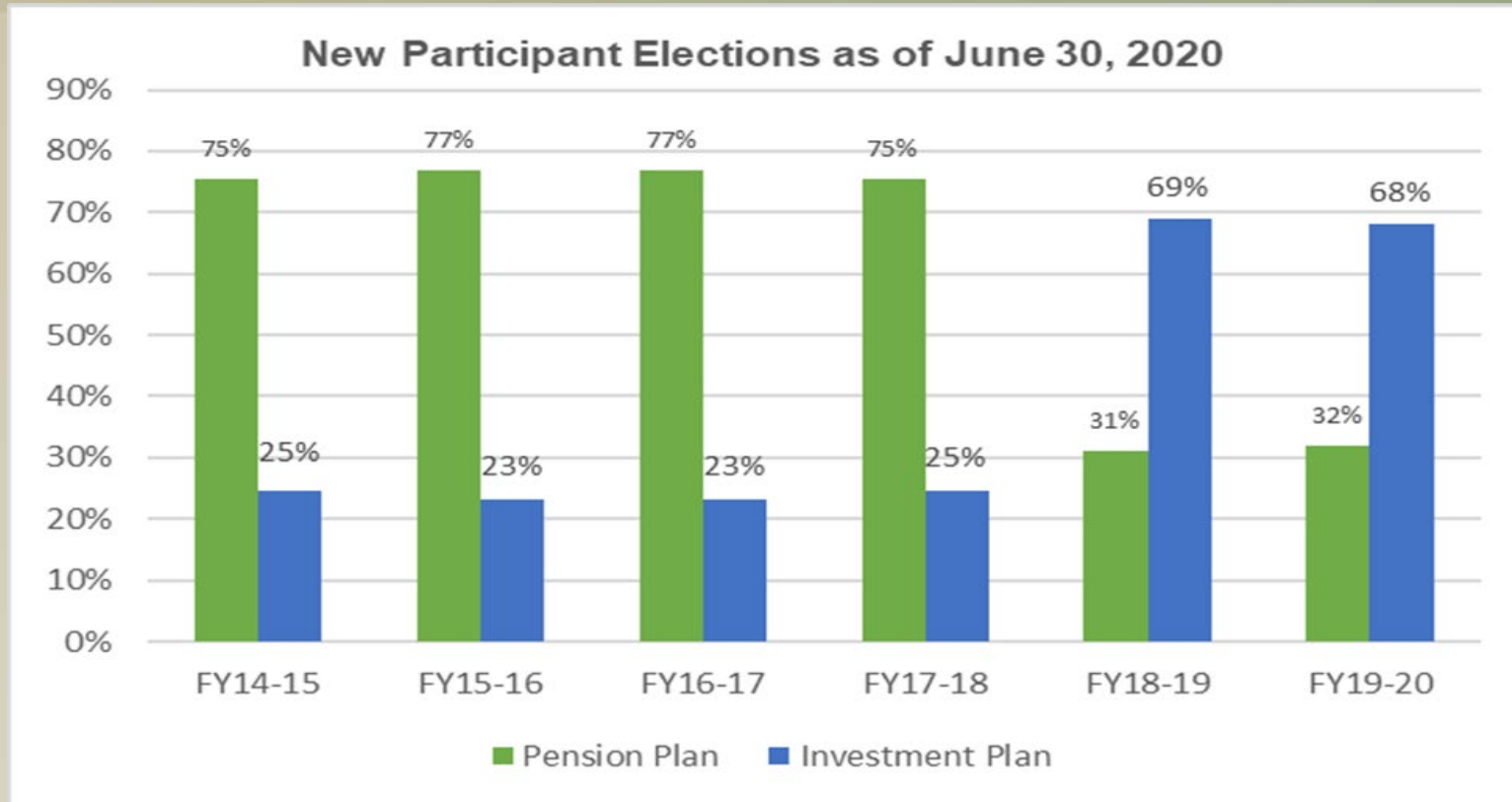
Florida's Contribution Rates Continue to Be Significantly Lower Than Other States



Source: NASRA (National Association of State Retirement Administrators)

When employees started contributing 3%, employers' composite contribution rate was lowered by more than 3%

Since the Default Change Went into Effect, A Dramatic Shift in New Participant Elections



- The 2018 change in the default plan for new hires (other than Special Risk employees) may drive investment asset allocation toward more liquid, less volatile investments, resulting in lower return expectations
- Significantly lower number of new hires going into the Pension Plan will accelerate the FRS Pension Plan's maturity and net cash outflows