The Florida Retirement System Actuarial Assumption Conference met on November 13, 2018, to adopt assumptions to be used in the valuations of the Retiree Health Insurance Subsidy (HIS) and National Guard benefits programs. These programs are intended to be funded on a “pay-as-you-go” basis, which makes them subject to legislative appropriations. However, GASB requires financial reporting using a different approach.

The HIS valuation relies primarily on the related FRS assumptions. However, a few assumptions more unique to this program have been continued from prior years. These include assumptions that: (1) 95% of eligible members elect coverage at retirement, and (2) 30% of retiring members elect a spousal protection form of benefit. In addition, an assumption was adopted regarding the appropriate discount rate. Continuing prior practice, the Conference decided to use the Bond Buyer General Obligation 20-Bond Municipal Bond Index which is adopted as part of National Economic Estimating Conference. For the valuation dated June 30, 2018, the appropriate index value is 3.87%. The Conference also adopted the prospective use of this index for the 2019 valuation.

This discount rate will also be used for the Florida National Guard benefit. In addition to the rate, the Conference adopted an average annual future Cost-of-Living Adjustment (COLA) assumption of 2.6%. This rate matches the inflation assumption adopted for the Florida Retirement System, and it mirrors the average observed COLA increase over the past four years. Unless changed by a subsequent conference, this COLA assumption will also be used in 2019.

These assumptions affect only the GASB valuations and do not change actual program costs.