Florida Retirement System
Actuarial Assumption Estimating Conference
Executive Summary
October 21, 2025

The Florida Retirement System Actuarial Assumption Conference met on October 21, 2025, to consider the demographic, methodological, and economic assumptions to be used for the actuarial valuation of the Florida Retirement System (FRS) Pension Plan. The preliminary results for July 1, 2025, show that—as expected—the FRS continues to have an unfunded actuarial liability (UAL). Using the 2025 data and 2024 assumptions, the projected UAL decreases from the $45.8 billion reported in 2024's final valuation to $43.2 billion in the 2025 baseline valuation. Similarly, the system's funded status rises from the 80.7% shown in 2024's final valuation to 82.3% in the 2025 baseline valuation. These results were derived using a 6.70% investment return assumption (as first adopted in 2022), the individual entry age normal (Individual EAN) cost allocation method and a 20-year (level percent of pay) closed amortization period for all bases. The Conference discussed several possible changes, but ultimately decided to retain all of the assumptions from the prior year.

Despite lags in private market valuations, the return for the FRS pension plan came in higher than assumed for the past year. During a period of strong investment performance beginning in FY 2022-23 and continuing through last fiscal year (2024-25), the State Board of Administration (SBA) reported that the pension plan return was +10.6% for the period ending June 2025. On a smoothed actuarial value of assets (AVA) basis, the FY 2024-25 result was +8.3%; the AVA calculation method covers five years and is specified in statute. The tables below show the actual investment returns for the past five fiscal years and the cumulative returns over a 5-year, 10-year, 15-year, and 20-year timeframe.

Fiscal Year	Investment Return
2020-21	29.46%
2021-22	-6.27%
2022-23	7.50%
2023-24	10.52%
2024-25	10.60%

	Investment Return
3-year	9.44%
5-year	9.72%
10-year	8.06%
15-year	9.04%
20-year	7.46%

During the meeting, the state's actuary (Milliman) and SBA's financial consultant Aon Investments USA Inc. (Aon) presented their respective outlooks for longer term investment returns. Their projections for median returns ranged from 6.32% (Aon, 3.95% real) to 7.10% (Milliman, 4.70% real). In support of retaining the 6.70% assumption, SBA's presentation emphasized that while there is near-term economic stability, "the future is not likely to look like the past." They pointed to the potential for higher average inflation, higher interest rates and greater volatility as reasons to be cautious.

After discussion, the Conference agreed to hold the investment return assumption at 6.70%, as well as maintaining the inflation assumption at 2.40%. The following table displays the nominal returns, inflation rates, and real returns adopted at the three previous conferences, as well as the new assumptions applicable to the Actuarial Valuation for July 1, 2025.

2022	2023	2024	2025
6.70% Investment Return	6.70% Investment Return	6.70% Investment Return	6.70% Investment Return
2.40% Inflation	2.40% Inflation	2.40% Inflation	2.40% Inflation
4.20% Real Return	4.20% Real Return	4.20% Real Return	4.20% Real Return

Note: The real return takes into account administrative expenses, so the numbers in this table are not additive.

All other assumptions were retained from the prior year.

As noted in the constitutionally required *Long-Range Financial Outlook* adopted September 12, 2025, the current year's budget fully funded the UAL at the recommended contribution rate provided as part of 2024's final valuation report. All else being equal, fully funding the recommended UAL rate each year will result in a gradual increase of the funded ratio over time. Further, the contribution rates should remain stable so long as contributions are made as recommended and actual experience mirrors projections. Nonetheless, many factors affect these calculations and can cause the contribution rates to increase or decrease. Most importantly, investment returns have been and will continue to be a relatively volatile factor. If actual investment results are lower than assumed, they could significantly impact the UAL and future contribution rates.

The final actuarial valuation for July 1, 2025, will be released in December 2025. Those results will differ from the preliminary numbers reviewed by the Conference principals.