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November 26, 2024

Kathy Gould  
State Retirement Director  
Florida Department of Management Services, Division of Retirement

Re: **Blended Proposed Statutory Rates for the 2025-2026 Plan Year  
Reflecting a Uniform UAL Rate for All Membership Classes and DROP**

Dear Director Gould:

As requested, we have calculated the uniform or “blended” proposed statutory employer rates for the 2025-2026 plan year based on the statutory contributions for the FRS Investment Plan and the actuarially calculated 2025-2026 rates for the defined benefit FRS Pension Plan, as specified in the FRS 2024 Actuarial Valuation Report. The blended rates reflect a uniform Unfunded Actuarial Liability (UAL) Contribution Rate for all payroll bases on which the Blended UAL Contribution Rate is assessed.

### **Analysis**

We determined the uniform blended 2025-2026 employer rate for each membership class and subclass of the Florida Retirement System by projecting contributions for both the FRS Pension Plan and the FRS Investment Plan. We did this by dividing the projected combined amount that would be contributed for both the FRS Pension Plan and the FRS Investment Plan by the total projected combined payroll for both plans. The uniform blended rate calculation assumes plan year 2025-2026 contributions for the FRS Pension Plan will be made at no less than the actuarially calculated rate levels. The actuarially calculated rate levels are based on the July 1, 2024 actuarial valuation of the FRS Pension Plan, as presented in Table 4-11 of the FRS 2024 Actuarial Valuation Report. The FRS Investment Plan rates are the sum of the rates in Sections 121.72, 121.73, and 121.735 of Florida Statutes and assume those rates continue in effect during plan year 2025-2026. The employer contribution rates shown in the attached table are net of the 3% of payroll employee contribution rate.

The payroll for some employee groups is subject to only the UAL Cost component of the FRS Pension Plan’s contribution rate (e.g. participants in SUSORP, SMSOAP, and SCCORP, and reemployed retirees not eligible for renewed membership in a state-sponsored retirement program). The payroll for those employee groups is included in the calculation of the Blended UAL Contribution Rate but is excluded from the calculation of the Blended Normal Cost Contribution Rate.

Based on the data provided to us for this study, as of July 1, 2024, FRS Investment Plan payroll comprised between 30% and 31% of non-DROP FRS payroll. On a headcount basis, FRS Investment Plan members constitute between 35% and 36% of active (excluding DROP) FRS membership. Please note, Senate Bill 7022 enacted by the 2017 Florida legislature changed the default plan for initial enrollments on and after January 1, 2018 from the FRS Pension Plan to the FRS Investment Plan for all membership classes other than Special Risk. As a result of the enactment, new entrants who would have

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defaulted into the FRS Pension Plan under prior statute will now default into the FRS Investment Plan in the absence of an active election. The actual levels of participation in the FRS Pension Plan and the FRS Investment Plan as of July 1, 2024 reflect that Investment Plan payroll comprises an increased percentage of total payroll than it did one year ago.

## Results

Table I shows the results of our study based on actual levels of participation in the FRS Pension Plan and the FRS Investment Plan as of July 1, 2024, projected to plan year 2025-2026 using the long-term system payroll growth assumption of 3.50%.

Section A of the table includes the Normal Cost Rates developed in the July 1, 2024 funding actuarial valuation of the FRS Pension Plan. Section A does not include the UAL Cost. UAL Cost Rates are applied to a larger total payroll than the Normal Cost Rates and are developed in a later section. Section A, line 3 shows the total employer Normal Cost of the FRS Pension Plan as the product of Normal Cost Rates and projected Normal Cost payroll.

Similarly, Section B calculates the total employer cost of the FRS Investment Plan as the product of applicable employer contribution rates in effect and the projected FRS Investment Plan payroll.

Section C of the table shows the sum of the FRS Pension Plan employer Normal Cost and FRS Investment Plan employer cost as dollars and as a percentage of total projected combined payroll (FRS Pension Plan projected Normal Cost payroll plus FRS Investment Plan projected payroll).

Section D of the table shows the UAL Cost as of July 1, 2024 of the FRS Pension Plan, as shown in Table 4-11 of the FRS 2024 Actuarial Valuation Report.

Section E shows the projected payroll of the FRS Investment Plan. There is no UAL Cost attributable to the FRS Investment Plan.

Section F calculates the “Blended” UAL Cost as dollars and as a percentage of total payroll (FRS Pension Plan projected UAL payroll plus FRS Investment Plan projected payroll).

Section G shows the Total “Blended” Contribution Rates as the sum of the “Blended” Normal Cost Contribution Rates from Line (C3) and the “Blended” UAL Contribution Rates from Line (F3). The employers of employee groups subject to only the UAL Contribution Rate would contribute the “Blended” UAL Contribution Rates shown in Line (G2) of the table on applicable payroll. The Total “Blended” Contribution Rates shown in Line (G3) of the table will be applied to all other payroll subject to employer contributions.

The contribution rates shown in Table I exclude the 0.06% contribution rate for FRS Investment Plan administration and education (applied to all classes except DROP) and the 2.00% contribution rate for the Florida Retiree Health Insurance Subsidy (HIS) program, which apply across the board to the FRS Pension Plan and the FRS Investment Plan.

The calculations are based on census and payroll data provided to us by the Florida Department of Management Services, Division of Retirement for the July 1, 2024 actuarial valuation. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or

incomplete, the results of our analysis may likewise be inaccurate or incomplete. These calculations are based on the Individual Entry Age actuarial cost allocation method, as described in the FRS 2024 Actuarial Valuation Report for use in developing 2025-2026 actuarially calculated contribution rates for the FRS Pension Plan.

### **Certification**

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Except where otherwise noted in this letter, this analysis is based on the FRS Pension Plan provisions, actuarial methods and actuarial assumptions as summarized in the FRS 2024 Actuarial Valuation Report published on November 26, 2024. Further, the data used in these calculations were based on FRS Pension Plan data as summarized in the FRS 2024 Actuarial Valuation Report and FRS Investment Plan census data as of July 1, 2024 as provided to us by the Florida Department of Management Services, Division of Retirement. The results of our study depend on future experience conforming to those actuarial assumptions discussed earlier in this letter. Future actuarial measurements may differ significantly from the current measurements presented in this analysis 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.

Milliman's work product was prepared exclusively for the internal business use of Florida Department of Management Services, Division of Retirement. It is a complex technical analysis that assumes a high level of knowledge concerning the Florida Retirement System's operations, and uses Division data, which Milliman has not audited. To the extent that Milliman's work is not subject to disclosure under applicable public record 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:

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Kathy Gould  
Division of Retirement  
November 26, 2024  
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The valuation results relied upon for this work were developed using models intended for valuations that use standard actuarial techniques.

The consultants who worked on this assignment are 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 accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries.

We are consulting actuaries for Milliman, Inc. We are also members of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein. Please call if you would like to further discuss this project.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Matt Larrabee".

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

A handwritten signature in blue ink, appearing to read "Daniel Wade".

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

A handwritten signature in blue ink, appearing to read "Kathryn M. Hunter".

Kathryn Hunter, FSA, EA, MAAA  
Consulting Actuary

Enclosures

**FLORIDA RETIREMENT SYSTEM**  
FISCAL IMPACT ANALYSIS

**Blended Proposed Statutory Normal Cost Plus UAL Rates for 2025-2026 Plan Year**  
Please see the attached letter for details regarding data, assumptions, methodology, and plan provisions used.  
(Dollars in Thousands)

	Regular	Special Risk	Special Risk Administrative	Judicial	-----Elected Officers' Class----- Leg-Atty-Cab	Local	Senior Management	Composite (excluding DROP)	DROP	Composite (including DROP)
<b>Blended Proposed Statutory Normal Cost Contribution Rates</b>										
<b>A. Defined Benefit FRS Pension Plan Normal Cost</b>										
1. Employer Cost										
a. Normal Cost Rate <sup>1</sup>	6.32%	20.26%	11.02%	15.51%	8.79%	10.37%	8.10%	9.37%	9.37%	9.37%
b. Rate Reduction Techniques	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
c. Total Adjusted Contribution Rate <sup>2</sup>										
-PYE 2026	6.32%	20.26%	11.02%	15.51%	8.79%	10.37%	8.10%	9.37%	9.37%	9.37%
2. Projected 2025-2026 Payroll	\$21,334,221	\$5,967,673	\$4,951	\$133,508	\$6,160	\$46,488	\$666,796	\$28,159,797	\$3,131,424	\$31,291,221
3. Total Employer Normal Cost [(1c) x (2)]										
-PYE 2026	\$1,348,323	\$1,209,051	\$546	\$20,707	\$541	\$4,821	\$54,010	\$2,637,999	\$293,414	\$2,931,413
<b>B. Defined Contribution FRS Investment Plan (IP) Employer Cost</b>										
1. Employer Rates in effect on July 1, 2024 (Sec 121.72, Sec 121.73 and Sec 121.735)	8.60%	19.11%	10.43%	16.05%	11.94%	13.95%	9.98%	9.51%	0.00%	9.51%
2. Projected 2025-2026 Payroll	\$10,988,270	\$981,834	\$1,563	\$32,408	\$4,063	\$30,397	\$332,178	\$12,370,713	\$0	\$12,370,713
3. Total Employer Cost [(1) x (2)]										
-PYE 2026	\$944,991	\$187,628	\$163	\$5,201	\$485	\$4,240	\$33,151	\$1,175,859	\$0	\$1,175,859
<b>C. Total System Normal Cost (FRS Pension Plan + FRS Investment Plan)</b>										
1. Total Normal Cost Contribution [(A3) + (B3)]	\$2,293,314	\$1,396,679	\$709	\$25,908	\$1,026	\$9,061	\$87,161	\$3,813,858	\$293,414	\$4,107,272
2. Total System Projected 2025-2026 Payroll [(A2) + (B2)]	\$32,322,491	\$6,949,507	\$6,514	\$165,916	\$10,223	\$76,885	\$998,974	\$40,530,510	\$3,131,424	\$43,661,934
3. "Blended" Normal Cost Contribution Rate										
As a Percentage of Total 2025-2026 Payroll [(C1) / (C2)] <sup>2</sup>	7.10%	20.10%	10.88%	15.62%	10.04%	11.79%	8.73%	9.41%	9.37%	9.41%

<sup>1</sup> As reported in the July 1, 2024 actuarial valuation report Table 4-11.

<sup>2</sup> Rates shown do not include the Health Insurance Subsidy contribution rate or FRS Investment Plan education and administration assessment.

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**FLORIDA RETIREMENT SYSTEM**  
FISCAL IMPACT ANALYSIS

**Blended Proposed Statutory Normal Cost Plus UAL Rates for 2025-2026 Plan Year**  
Please see the attached letter for details regarding data, assumptions, methodology, and plan provisions used.  
(Dollars in Thousands)

	Regular	Special Risk	Special Risk Administrative	Judicial	-----Elected Officers' Class----- Leg-Atty-Cab	Local	Senior Management	Composite (excluding DROP)	DROP	Composite (including DROP)
<b>Blended Proposed Statutory UAL Contribution Rates</b>										
<b>D. Defined Benefit FRS Pension Plan UAL Contribution</b>										
1. Employer UAL Contribution Rate <sup>1 &amp; 2</sup>	6.98%	15.16%	34.93%	35.31%	78.63%	63.65%	33.29%	9.30%	10.65%	9.42%
2. Projected 2025-2026 Payroll	\$25,378,094	\$6,012,121	\$4,951	\$134,635	\$7,316	\$53,985	\$687,506	\$32,278,608	\$3,131,424	\$35,410,032
3. Total Employer UAL Contribution [(1) x (2)] -PYE 2026	\$1,771,391	\$911,438	\$1,729	\$47,540	\$5,753	\$34,361	\$228,871	\$3,001,083	\$333,497	\$3,334,580
<b>E. Defined Contribution FRS Investment Plan Projected Payroll</b>										
	\$10,988,270	\$981,834	\$1,563	\$32,408	\$4,063	\$30,397	\$332,178	\$12,370,713	\$0	\$12,370,713
<b>F. Total System UAL Contribution (FRS Pension Plan + FRS Investment Plan)</b>										
1. Total UAL Contribution [(D3)]	\$1,771,391	\$911,438	\$1,729	\$47,540	\$5,753	\$34,361	\$228,871	\$3,001,083	\$333,497	\$3,334,580
2. Total System Projected 2025-2026 Payroll [(D2) + (E)]	\$36,366,364	\$6,993,955	\$6,514	\$167,043	\$11,379	\$84,382	\$1,019,684	\$44,649,321	\$3,131,424	\$47,780,745
3. "Blended" UAL Contribution Rate As a Percentage of Total 2025-2026 Payroll [(F1) / (F2)] <sup>2</sup>	4.87%	13.03%	26.54%	28.46%	50.56%	40.72%	22.45%	6.72%	10.65%	6.98%
<b>Blended Statutory Uniform Contribution Rates <sup>3</sup></b>										
<b>G: Total Employer Contribution Rate (FRS Pension Plan + FRS Investment Plan)</b>										
1. "Blended" Normal Cost Contribution Rate [(C3)]	7.10%	20.10%	10.88%	15.62%	10.04%	11.79%	8.73%	9.41%	9.37%	9.41%
2. "Blended" UAL Contribution Rates [(F3)]	<u>4.87%</u>	<u>13.03%</u>	<u>26.54%</u>	<u>28.46%</u>	<u>50.56%</u>	<u>40.72%</u>	<u>22.45%</u>	<u>6.72%</u>	<u>10.65%</u>	<u>6.98%</u>
3. Total Blended Contribution Rate <sup>2</sup> -PYE 2026 [(G1) + (G2)]	11.97%	33.13%	37.42%	44.08%	60.60%	52.51%	31.18%	16.13%	20.02%	16.39%

<sup>1</sup> As reported in the July 1, 2024 actuarial valuation report Table 4-11.

<sup>2</sup> Rates shown do not include the Health Insurance Subsidy contribution rate or FRS Investment Plan education and administration assessment.

<sup>3</sup> Employers of employee groups subject to only the UAL contribution rate will pay the rates shown in line (G2).

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