



YOUR Money YOUR Choice

P.O. Box 13300, Tallahassee, FL 32317-3300

Florida Retirement System Pension Plan Funding Status

Over the last several weeks the media has reported a projected deficit in the Florida Retirement System Pension Plan Trust Fund. The purpose of this flyer is to provide you with information to help answer questions you and your employees may have.

First, and foremost, your FRS Pension Plan benefits are guaranteed in accordance with the benefit formula in [s. 121](#), Florida Statutes. The FRS Pension Plan is a defined benefit plan qualified under [s. 401\(a\)](#) of the Internal Revenue Code. [Article X, Section 14](#), of the Florida Constitution, and [s. 112, Part VII](#), Florida Statutes, require that all benefit improvements made must be funded on a sound actuarial basis.

Pension Plan benefits are funded over a member's career to take advantage of investment gains over a long period of time. These gains help reduce the cost of providing benefits to all FRS members.

As you may be aware, the State Board of Administration (SBA), the agency responsible for investing the Pension Plan contributions, compiles an [Annual Investment Report](#) (AIR) each year that is available in January for the preceding fiscal year. The [2007-08 AIR](#) was completed in late December 2008, and indicated that as of June 30, 2008, the FRS was 106.7% funded. This figure was taken from an actuarial analysis by the consulting actuary to the Division of Retirement.

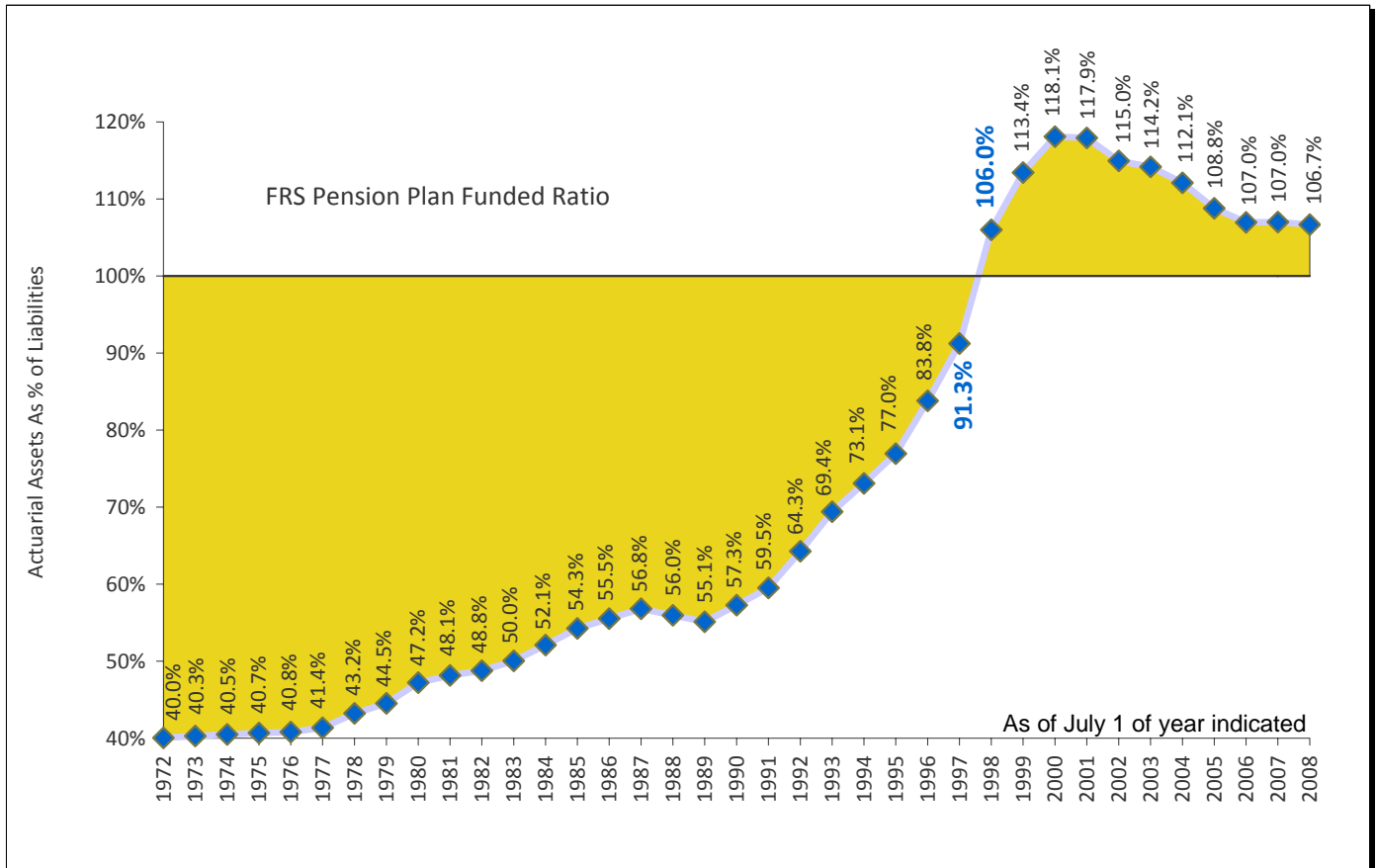
Each year, a high level [Executive Director's Report](#) (a summary of the AIR) is sent to all FRS members along with their annual Personal Forecast Statement (PFS). You should have received an email with the PFS and Executive Director's letter from the SBA's Walter Kelleher on March 5, 2009 asking you to forward it to your FRS-covered employees.

The AIR is an in-depth look backward at the investment performance of the SBA over the previous fiscal year. As the financial managers of the FRS Pension Plan Trust Fund, it is also important and prudent for us to look forward to determine if any corrections to our investment strategy are necessary. To that end, every year as part of our planning, the SBA contracts to have an informal independent asset/liability analysis report done of the FRS. This year's report was recently completed by Ennis Knupp & Associates and reviewed by our Investment Advisory Council (six investment professionals appointed by our Board of Trustees) on March 12. Our Trustees (the Governor, Chief Financial Officer, and Attorney General) reviewed the report on March 24.

Ennis Knupp & Associates projects that the FRS Pension Plan Trust Fund will be 93% funded on June 30, 2009, down from 106.7% on June 30, 2008. However, this 93% estimate is based on a number of assumptions. The official actuarial analysis will be conducted by the consulting state actuary to the Division of Retirement, (i.e., Milliman USA) as of June 30, 2009 to determine the actual funded status. Their findings and report will be forwarded to the Legislature for consideration during the 2010 Legislative session.

While the preliminary funded ratio is projected to decline from 106.7% to 93%, the decline is no surprise given recent market conditions. If the projection proves correct; being funded at less than 100% would not be new territory for the FRS Pension Plan. The FRS Pension Plan was underfunded for almost 30 years from inception through 1997 (see table below), yet FRS Pension Plan benefits have always been paid timely every month without fail. We fully expect all FRS Pension Plan benefits to be paid in the future.

While waiting for the markets to return to positive territory, we are positioning the FRS Pension Plan Trust Fund portfolio to take advantage of anticipated future gains. Additionally, the FRS Pension Plan continues to be one of the very best funded pension plans in the nation.



Amounts are interpolated for 1973 – 1976, 1978, 1979, 1981, 1982, 1984, 1986, 1988, 1990, 1992, 1994, and 1996 because no actuarial valuations were done in those years.

Note: An animated version of this flyer is available [here](#).