

Florida Retirement System Update

Welcome

- State Board of Administration Staff
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2022 Legislation

- Contribution rate changes effective July 1, 2022

Membership Class	Paid by Employee		Paid by Employer										Total Paid by Employee and Employer	
	Retirement		Normal Cost		Unfunded Actuarial Liability		Administrative and Education		Health Insurance Subsidy		Total Paid by Employer		Total Paid by Employee and Employer	
	Current	New	Current	New	Current	New	Current	New	Current	New	Current	New	Current	New
Regular Class	3%	3%	4.91%	5.96%	4.19%	4.23%	0.06%	0.06%	1.66%	1.66%	10.82%	11.91%	13.82%	14.91%
Special Risk Class	3%	3%	15.27%	16.44%	8.90%	9.67%	0.06%	0.06%	1.66%	1.66%	25.89%	27.83%	28.89%	30.83%
Special Risk Administrative Support Class	3%	3%	9.73%	10.77%	26.31%	26.16%	0.06%	0.06%	1.66%	1.66%	37.76%	38.65%	40.76%	41.65%
Elected Officers' Class (Judges)	3%	3%	13.38%	14.41%	25.81%	27.64%	0.06%	0.06%	1.66%	1.66%	40.91%	43.77%	43.91%	46.77%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	3%	8.49%	9.31%	53.52%	56.76%	0.06%	0.06%	1.66%	1.66%	63.73%	67.79%	66.73%	70.79%
Elected Officers' Class (County and Local)	3%	3%	10.28%	11.30%	39.42%	43.98%	0.06%	0.06%	1.66%	1.66%	51.42%	57.00%	54.42%	60.00%
Senior Management Service Class	3%	3%	6.49%	7.70%	20.80%	22.15%	0.06%	0.06%	1.66%	1.66%	29.01%	31.57%	32.01%	34.57%
DROP	0%	0%	7.23%	7.79%	9.45%	9.15%	0%	0%	1.66%	1.66%	18.34%	18.60%	18.34%	18.60%

2022 Legislation

- Investment Plan contributions increased

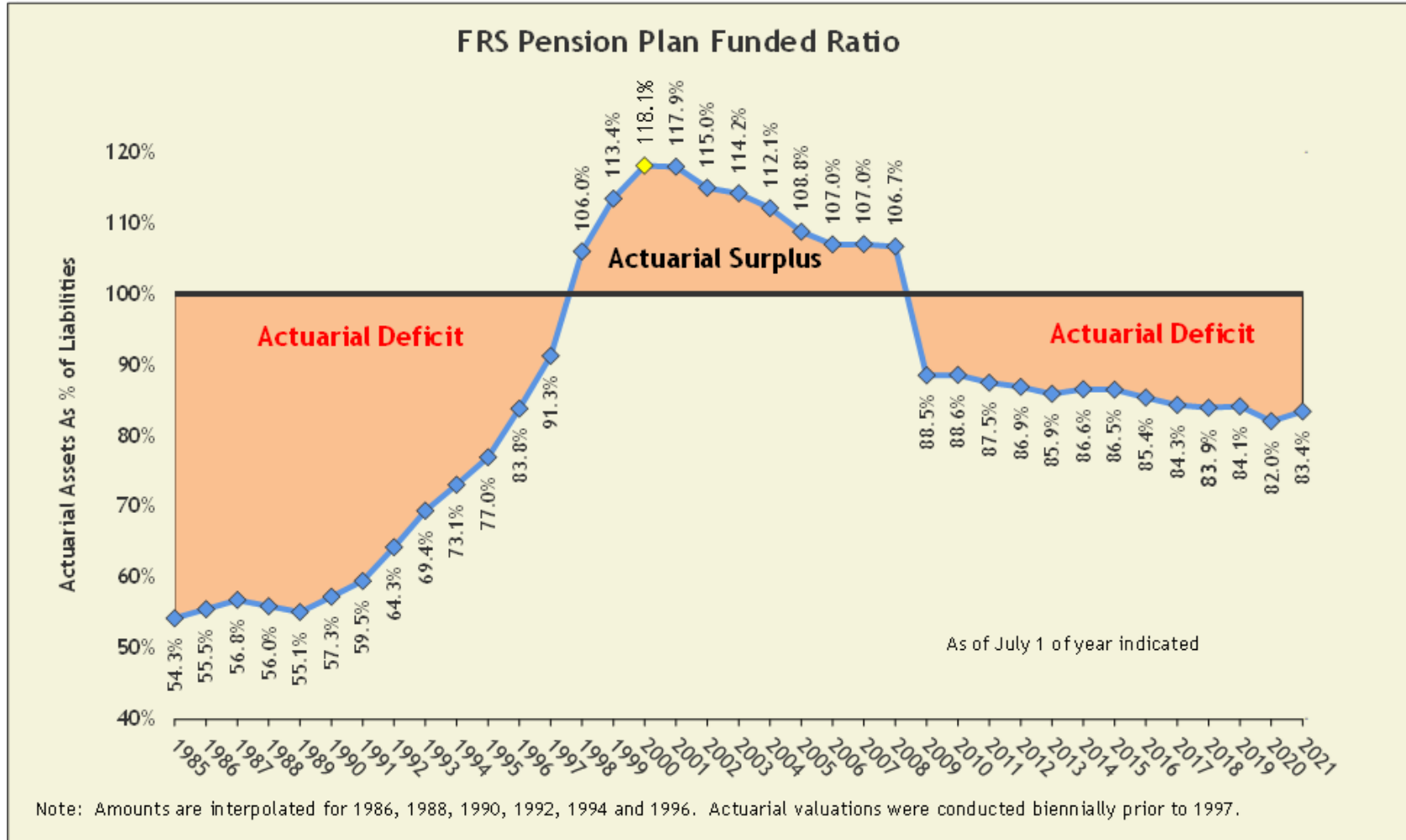
Membership Class	Paid by Employee		Paid by Employer ¹		Total to Employee Account	
	Current	New	Current	New	Current	New
Regular Class	3%	3%	3.30%	6.30%	6.30%	9.30%
Special Risk Class	3%	3%	11.00%	14.00%	14.00%	17.00%
Special Risk Administrative Support Class	3%	3%	4.95%	7.95%	7.95%	10.95%
Elected Officers' Class (Judges)	3%	3%	10.23%	13.23%	13.23%	16.23%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	3%	6.38%	9.38%	9.38%	12.38%
Elected Officers' Class (County and Local)	3%	3%	8.34%	11.34%	11.34%	14.34%
Senior Management Service Class	3%	3%	4.67%	7.67%	7.67%	10.67%

- Other legislation:

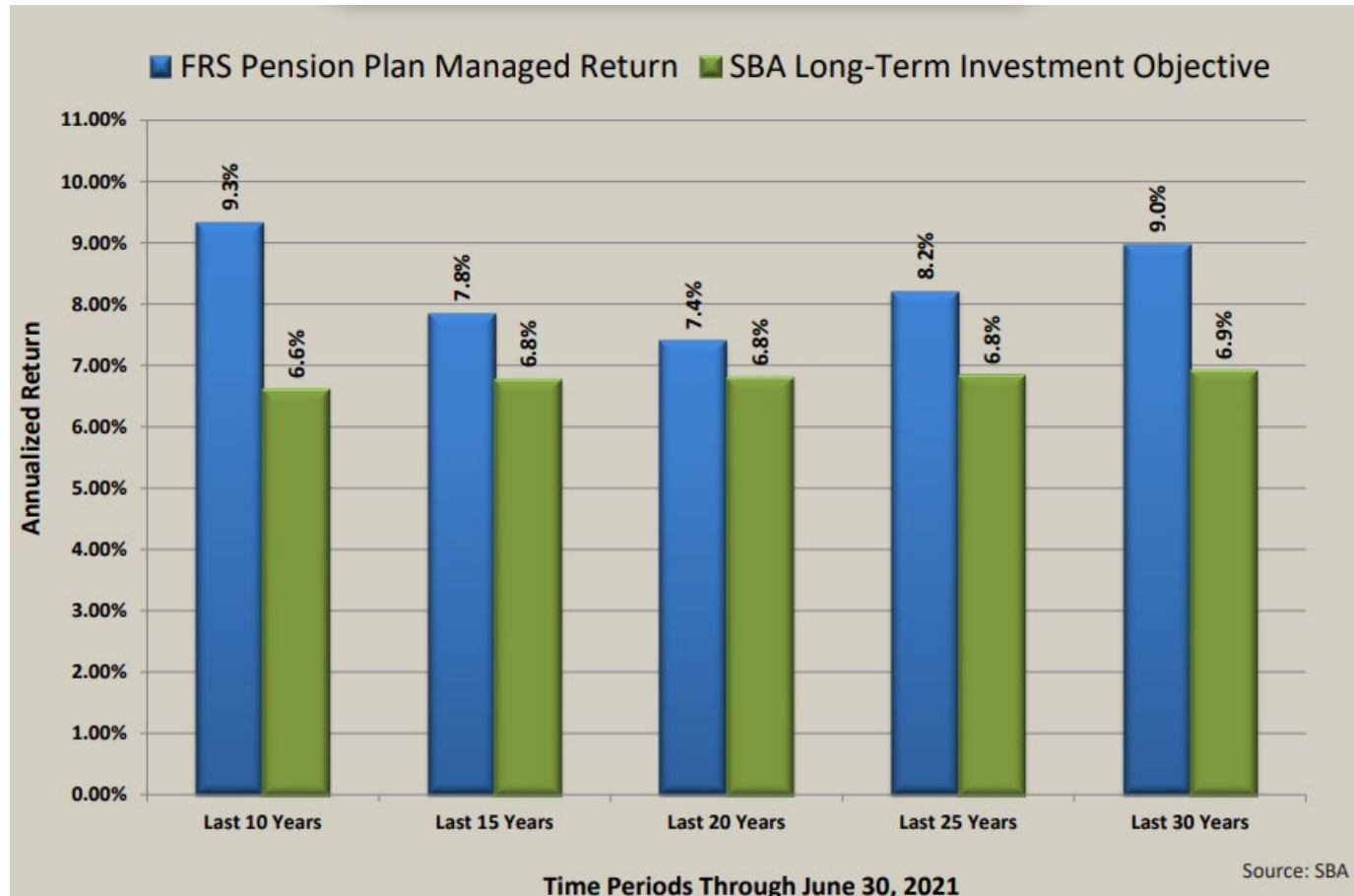
- DROP extended up to 36 months for law enforcement (join DROP between 7/1/22-6/30/2028)
- Posttraumatic stress disorder presumption for correctional officers (in-line-of-duty disability and death benefits)
- Specified cancer presumption expanded to include full-time Florida-certified fire investigators (in-line-of-duty disability and death benefits)

Pension Plan Funded Ratio

(as of June 30 of year indicated)



Pension Plan - Long-Term Performance Results vs. SBA's Investment Objective



The SBA's actual returns on Pension Plan assets have met or exceeded the long-term investment objective of the fund for ALL periods.

Investment Plan Actual Returns by Fiscal Year



Investment Plan Returns vs. Benchmark

	Actual Return	Benchmark Return	Actual Over (Under) Bmk.
One Year	28.40%	27.32%	1.07%
Three Years	11.50%	10.98%	0.52%
Five Years	11.48%	10.85%	0.62%
Ten Years	8.45%	8.07%	0.38%
Since Inception	7.75%	7.36%	0.39%

- All returns are annualized for periods indicated through June 30, 2021.
- Benchmark is a weighted blend of individual asset class target indices as applicable per the FRS Investment Plan Investment Policy Statement; weights are based on contemporaneous market valuations, per participant asset allocation choices.
- Inception of the fund is August 2002.
- Numbers may not total due to rounding.

Source: SBA

Florida Retirement System (FRS) Pension Plan and Investment Plan

Florida offers employees the option of participating in one of two retirement plans. Almost 1,000 participating employers.

- Traditional Defined Benefit Plan
 - Funded by Mandatory Employer and Employee Contributions
 - Has been in existence since the early 1970's
 - Assets: \$199.7 Billion*
 - Members: 452,974*
 - Retirees: 440,307*
- 401(a) Defined Contribution Plan
 - Funded by Mandatory Employee and Employer contributions
 - Has been in existence since July 2002
 - Assets: \$14.6 Billion*
 - Members: 271,575*
 - Retirees: 172,814*

*As of March 2022

Pension Plan

- Guaranteed benefit at retirement
- Benefit amount fixed, based on:
 - Years of service
 - Highest eight years of salary
 - Employment class
- Funded by employer and employee contributions
- SBA assumes investment risk
- Vests after eight years
- Not portable outside FRS system



Pension Plan Advantages and Disadvantages

Advantages

- Full career employees may get higher benefit
- Employees in 2nd career may get higher benefit
- Full-career employees can take full benefits in 50s
- DROP program
- Service credit purchase
- COLA on service prior to 7/1/2011

Disadvantages

- Young employees with short service or low salary growth get lower benefit
- Penalty for early benefits
- Longer vesting period
- May not be able to leave to heirs

Investment Plan

- Participant-directed program
 - Individual accounts
 - Control over investments
- Benefit amount depends on contributions and investment performance, less plan expenses
- Employees, beneficiaries bear investment risk
- Funded by employer/employee contributions
- Vests after one year
- Portable outside FRS system



Investment Plan Advantages and Disadvantages

Advantages

- Employees with less than full career may get higher benefit
- Investments help hedge inflation
- Flexibility for annuity plus extra emergency money
- 1-year vesting increases chance of a benefit
- Account can be left to heirs

Disadvantages

- Older employees may get better benefit in Pension Plan
- Poor investment return can result in lower benefits
- 2nd career employees may get lower benefit
- Early retirement reduces potential accumulated benefit

New Hires – Enrollment Process

- Election period – 8 months following month of hire
 - For example, if hired December 2021 election deadline is August 31, 2022
- Default
 - Special Risk – Pension Plan
 - All other classes – Investment Plan

School Board Defaults

Choice Period	End Date	Employer Group	TOTAL IN CHOICE	Election Summary			
				Active	Default	Total % PP	Total % IP
FY 17-18		School Board/Charter School	26,382	41%	59%	76%	24%
FY 18-19		School Board/Charter School	22,271	37%	63%	19%	81%
FY 19-20		School Board/Charter School	26,224	39%	61%	22%	78%
FY 20-21		School Board/Charter School	20,569	39%	61%	22%	78%
FY 21-22		School Board/Charter School	7,808	34%	66%	20%	80%

- Default plan was Pension Plan until 1/2018
- Default plan is now Investment Plan
- 80% of school board employees now actively electing/defaulting into the Investment Plan

New Hire Communication Road Map – Effective July 1, 2019

HIRED!	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9
Employee Orientation	Payroll Submitted	Welcome Brochure	1 st Reminder Email	2 nd Reminder Email	3 rd Reminder Mailing	4 th Reminder Email	5 th Reminder Email	6 th Reminder Mailing	Confirm Letter Welcome Letter
New Hire Video			20 th day of the month 	15 th day of the month 	10 th day of the month 	5 th day of the month 	1 st day of the month 	10 th day of the month 	(Version depends on plan selected or default. Shown are the default to Investment Plan confirmation and welcome letters.) 
New Hire Flyer 								7 th Reminder Email Day before choice deadline 	 
		Employee receives PIN and can access the 1 st Election Choice Service						Choice Deadline 4:00 p.m. on the last business day of month 8	
				Click on the yellow boxes to see sample communications.					

FRS Employee Resources

- Employees have access to:
 - A variety of information, print and electronic
 - Personalized benefit comparisons
 - Internet tools from GuidedChoice
 - Unbiased EY (Ernst & Young) financial planners via toll-free phone number
 - Employee choice/retirement workshops

Questions and Answers

