



Client Memorandum

To: Florida Pension Clients
From: Klausner, Kaufman, Jensen & Levinson
Date: 10/13/17
Re: Florida Retirement System (FRS) discount rate

MEMORANDUM

Last week the Florida Retirement System's Actuarial Assumption Conference was held to review assumptions and methods used by one of the country's largest public retirement systems. As had been suggested last year, the FRS will be lowering its discount rate (otherwise known as the "investment earnings assumption" or "assumed rate of return") from 7.6% to 7.5%.

The financial impact for the 2018-2019 State budget will be \$124 million, which does not include the cost to counties or local governments that participate in FRS.

This is the fourth year in a row that the FRS has lowered its discount rate, which was 7.75% in 2013. This reduction will bring FRS in line with the median assumption for the 126 largest public plans.

By way of update, the IRS recently released new mortality tables for private sector plans. The next FRS experience study will be released after 6/30/18. Any revisions to the FRS mortality tables will be reflected in the 2019 FRS valuation, which would be expected in December of 2019.

Local plans are required to use the FRS mortality tables within two years after adoption by FRS. An executive summary of the FRS decision will be posted on the following site: <http://edr.state.fl.us/Content/conferences/actuarial/index.cfm>