



Florida Prepaid College Board

June 2026 Quarterly Actuarial Adequacy Reserve Update

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Executive Summary

A. Summary of Key Valuation Results

	Adequacy Valuation as of:	
	March 31, 2026	June 30, 2026
Resources		
Invested Assets (FMV)	\$13,425,000,000	\$13,961,000,000
Premium Contributions:		
Current Contracts	1,793,000,000	1,972,000,000
Projected Contract Sales*	<u>1,922,000,000</u>	<u>2,366,000,000</u>
Total Premium Contributions	3,715,000,000	4,338,000,000
Total Resources	\$17,140,000,000	\$18,299,000,000
Obligations		
Program Benefits, Cancellation Refunds, and Certain Expenses:		
Current Contracts	\$ 9,280,000,000	\$ 9,622,000,000
Projected Contract Sales*	<u>2,509,000,000</u>	<u>3,311,000,000</u>
Total Benefits, Cancellation Refunds, and Certain Expenses	11,789,000,000	12,933,000,000
Near-Term Payable Amounts (FMV)	<u>356,000,000</u>	<u>340,000,000</u>
Total Liability Obligations	\$12,145,000,000	\$13,273,000,000
Actuarial Adequacy Reserve		
Actuarial Adequacy Reserve (Resources Less Obligations)	\$ 4,995,000,000	\$ 5,026,000,000
Adequacy Reserve as a % of Total Obligations	41.1%	37.9%
Other Metric(s)		
Single Effective Discount Rate for Total Obligations Calculation	5.10%	5.17%

All numbers above are present value projections unless otherwise identified as Fair Market Value (FMV).

Program expenses including asset management, administrative budget, and lockbox are included in Program Benefits.

* March results reflect annual projected future contract sales of 40,000 for 2026 through 2030, less any actual sales that had already occurred by March 31, 2026 for the 2026 enrollment period. June results reflect actual 2026 contract sales and 111,000 annual projected future contract sales for 2027 through 2031.

B. Actuarial Discussion and Analysis

A comprehensive adequacy valuation of the Stanley G. Tate Florida Prepaid College Program (the “Program”) is conducted annually, with interim valuation updates quarterly, to analyze the ability of projected Program resources to fully meet projected Program contract obligations and Program expenses. Consistent with Section 1009.98(10)(a)1 of Florida Statutes, the actuarial adequacy reserve is the amount stated in present value terms by which the expected value of Program assets (resources) exceeds the expected value of Program liabilities, including expenses (obligations). The calculation is done as of a single point in time, using a single set of actuarial assumptions and methods as approved by the Florida Prepaid College Board (the “Board”).

While the adequacy analysis uses a single set of actuarial assumptions, actual future Program experience will differ from the assumptions used in the adequacy valuation’s calculations. Given that, the use of assumptions which in combined effect include a margin of conservatism to account for potential adverse actual future Program experience is prudent. Per its statutory role, the final decisions regarding the assumptions used in the adequacy valuation and the appropriate margin of conservatism to include in those assumptions reside with the Board.

This quarterly update was conducted using the same actuarial assumptions and methods used in the comprehensive annual adequacy valuation report conducted as of June 30, 2026, except as noted below. The assumptions used in the comprehensive annual adequacy valuation report were approved by the Board, based on the Board’s review of Program experience and economic conditions.

C. Program Experience

“Experience” encompasses the performance of the Program during a measurement period, including investment performance, along with the effects of any changes in the discount rate yield curve and the Program’s contract data.

The Program experience since the prior actuarial adequacy reserve update is quantified through changes in the actuarial adequacy reserve. The sources of the \$31 million increase in the reserve since the last update are detailed in Exhibit 2. As noted there, the primary sources of increase were gains due to actual 2026-2027 tuition and fee policy compared to the assumed policy and the investment earnings on reserve assets. Those increase sources were partially offset by the inclusion of an additional year of projected new contracts, changes to the expected new sales cohort, modification to the pre-matriculation cancellation assumption and changes to the assumption for certain expenses including budget, lockbox, and investment management fees. Both the present value of Program obligations and the present value of Program resources increased during the period. The adequacy reserve as a percentage of Program obligations decreased from 41.1% to 37.9% during the period.

D. Changes in Actuarial Assumptions and Methods

The actuarial assumptions and methods used in this quarterly update are the same as those used in the comprehensive annual adequacy valuation report conducted as of June 30, 2026 with the following exceptions:

- Include five years of projected future sales, from the 2026-2027 enrollment year through the 2030-2031 enrollment year. The Board has approved adding the additional five projected years of sales to the Liability Driven Investment benchmark. Adding additional projected sales better aligns the quarterly update report with the approved investment strategy.

Please see Appendix A of the comprehensive annual adequacy valuation report as of June 30, 2026 for a more detailed summary of this valuation’s actuarial assumptions (with the exceptions noted above) and methods.

E. Changes in Program Provisions

The Board simplified the types of contracts being sold to 1 year university and 1 year dormitory contracts only. Please see Appendix B of the comprehensive annual valuation report as of June 30, 2026 for a summary of principal Program provisions.

Exhibits

Exhibit 1

Discount Rate Yield Curves Used in Current and Prior Valuations

The present values of Program obligations and projected future premium contributions are calculated using a discount rate yield curve developed by the Program's investment consultant and provided to Milliman by Program staff. The yield curve is based on the term structure of estimated U.S. Treasury spot rates plus credit spreads reflecting the asset allocation across U.S. Treasury STRIPS (76%) and long corporate bonds (24%). The discount rate yield curves used in the March 31, 2026 Adequacy Update Report and this June 30, 2026 Adequacy Update Report are shown below. The equivalent single effective interest rate used to calculate Total Program Obligations as of June 30, 2026 was 5.17%. This is 7 basis points higher than the single effective rate of 5.10% used for the March 31, 2026 Adequacy Update Report.

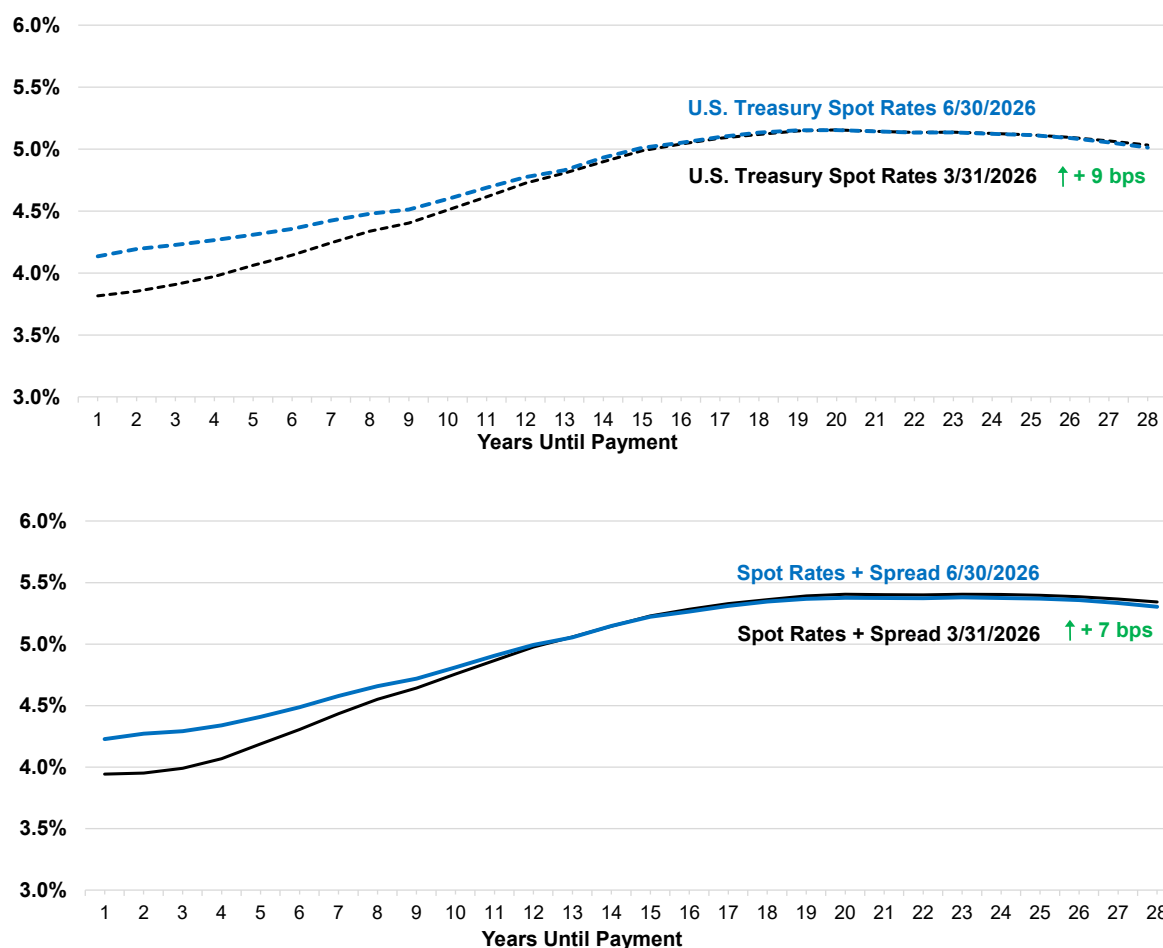


Exhibit 2

Change in Actuarial Adequacy Reserve from March 31, 2026 to June 30, 2026

A number of factors contributed to the change in the actuarial adequacy reserve, as quantified below.

1. Actuarial adequacy reserve at March 31, 2026	\$4,995,000,000
Increase/(decrease) in reserve from March 31, 2026 to June 30, 2026 due to:	
2. Investment return on reserve assets	422,000,000
3. Immunization*	(10,000,000)
4. 2026-2027 tuition and fee policy**	545,000,000
5. Less contract sales than projected	40,000,000
6. Update to New Entrant Cohort	(170,000,000)
7. Addition of projected future contract sales for the 2030-2031 enrollment year	(201,000,000)
8. Changes in certain projected future expenses	(260,000,000)
9. Changes in pre-matriculation cancellation assumption	(307,000,000)
10. Actual contract usage/cancellation behavior**, and all other sources	<u>(28,000,000)</u>
11. Total increase/(decrease) in actuarial adequacy reserve during the period	31,000,000
12. Actuarial adequacy reserve at June 30, 2026	\$5,026,000,000

* Immunization reflects the combined effects of the investment return on the liability-hedging fixed income investments and changes to the present values of Program obligations and projected future premium payments due to changes in the valuation discount rate yield curve and the passage of time between March 31, 2026 and June 30, 2026.

** Compared to that assumed in the adequacy valuation as of June 30, 2025.

Certification

Caveats and Limitations of Use

This quarterly actuarial adequacy reserve update of the Stanley G. Tate Florida Prepaid College Program (the “Program”) as of June 30, 2026 has been completed in accordance with our understanding of Program provisions as specified by Florida Statutes using assumptions and methods as approved by the Florida Prepaid College Board (the “Board”). It also has been completed in accordance with our understanding of any applicable guidance or interpretations provided by the Program’s administrative staff. The valuation results contained in this report are based on the actuarial assumptions and methods, principal Program provisions, and financial and contract data as summarized in the appendices of the comprehensive annual adequacy valuation report as of June 30, 2026, with the following exceptions:

- Include five years of projected future sales, from July 1, 2026, through the 2030-2031 enrollment year. The Board has approved including the additional five years of projected future contract sales into the Liability Driven Investment benchmark. Adding the projected future contract sales better aligns the quarterly adequacy reserve update report’s cash flow projections with the approved investment strategy.

Purpose of the Valuation

The adequacy reserve portion of the actuarial valuation assesses, as of a single point in time, the estimated sufficiency of Program resources (assets currently held and estimated future premium contributions for contracts currently in force) to satisfy Program obligations (estimated future Program benefit payments and administrative expenses). The adequacy reserve valuation uses assumptions and methods approved by the Board.

Assumptions and Methods

Other than the exceptions as noted in this report, all liabilities shown in this report have been determined on the basis of actuarial assumptions and methods set forth in Appendix A of the comprehensive annual valuation report as of June 30, 2026 and as approved by the Board. The assumptions are based on recent Board reviews of Program experience and economic conditions. The assumptions and methods used in this valuation are the same as those used in the comprehensive annual valuation report as of June 30, 2026, except as noted in this report.

Limited Use

We believe the assumptions and methods used in this report for purposes of calculating the adequacy reserve are reasonable for the purposes of the measurements. The results of this report are dependent upon future experience conforming to the assumptions disclosed in this report. Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including Program experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in Program provisions and/or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Determinations for purposes other than meeting those requirements referenced above may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Reliance

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Board. This information includes, but is not limited to, statutory provisions, contract data, and financial information. In our examination of these data items, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

This actuarial valuation was prepared and completed by us and those under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our professional opinion, the techniques and assumptions used are reasonable. To the best of our knowledge, there is no benefit provision or related expense to be provided by the Program and/or paid from the Program's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation, and there were no known events that were not taken into account in the valuation.

Milliman's work product was prepared exclusively for the internal business use of the Board, for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the Program's operations and uses Program 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:

- (a) The Board may provide a copy of Milliman's work, in its entirety, to the Program's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Program.
- (b) The Board may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

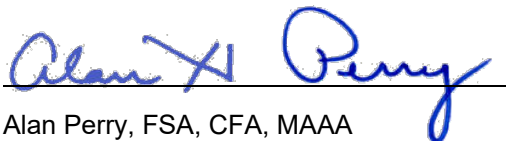
No third-party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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 Program sponsor. We are not aware of any relationship that would impair the objectivity of our work.

Certification

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 Actuarial Standards of Practice, the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



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