



FRS Investment Plan

EMPLOYER
MANUAL...



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Chapter 1

Introduction

The rules and regulations for any retirement plan can be complex. This manual is intended to explain the administration of the retirement plan choice process and the FRS Investment Plan in non-technical language. (You can access a copy of the “FRS Pension Plan Employer Handbook” through the Employers site at *MyFRS.com*.)

The “FRS Investment Plan Employer Manual” includes:

- Resources and information about who to contact for various questions
- An explanation of how the Plan works:
 - Eligibility
 - New hires and reemployed retirees
 - Forfeitures
 - Vesting
 - 2nd Election
 - Rollovers
 - Distributions and retirement
- Procedures for reporting FRS-covered salary and retirement contributions
- Complaint procedures
- Information about liens and legal actions

As an employer, you play an important role in our members’ retirement planning and fulfillment. Please become familiar with the procedures described in this manual, and use it as needed in concert with relevant statutes and rules, the “FRS Employer Toolkit,” and the Employer Assistance Line.

If you have a question of interpretation, the governing statutes and rules of the FRS will be the final authority. This manual and future updates will be available on the Employers site at *MyFRS.com*. Updates to this manual will be announced in the quarterly FRS Employer Newsletter.

Chapter 2

General Information

Contacts

FRS Investment Plan Administrator

Aon Hewitt

1-866-377-2121, Option 3
9:00 a.m. – 8:00 p.m. ET, Monday – Friday (except holidays)

General	Overnight
FRS Investment Plan Administrator P.O. Box 785027 Orlando, FL 32878-5027	FRS Investment Plan Administrator 2300 Discovery Dr. Orlando, FL 32826-3712

FRS Investment Plan Sponsor

State Board of Administration (SBA)

1-850-488-4406
9:00 a.m. – 5:00 p.m. ET, Monday – Friday (except holidays)
DefinedContributionPrograms@sbafla.com

General	Overnight
State Board of Administration of Florida P.O. Box 13300 Tallahassee, FL 32317-3300	State Board of Administration of Florida 1801 Hermitage Blvd., Suite 100 Tallahassee, FL 32308-7743

FRS Pension Plan Sponsor/Administrator

Division of Retirement (Division)

1-866-377-2121, Option 2, or
1-850-488-6011, or
1-877-377-1266
8:00 a.m. – 5:00 p.m. ET, Monday – Friday (except holidays)
contributions@dms.myflorida.com

General	Overnight
Division of Retirement P.O. Box 9000 Tallahassee, FL 32315-9000	Division of Retirement 1317 Winewood Blvd., Building 8 Tallahassee, FL 32399-1560

FRS Investment Plan Profile

Plan Name	FRS Investment Plan
Official Plan Name	Florida Retirement System Investment Plan
Common Plan Name	FRS Investment Plan
Type of Plan	Defined Contribution Retirement Plan qualified under Section 401(a) of the Internal Revenue Code.
Federal Employer Identification Number	59-6001872
Plan Number	002
Plan Sponsor	State Board of Administration of Florida (SBA). The SBA is charged with establishing and administering this Plan.
Plan Trustees	Executive Director, State Board of Administration of Florida, representing the Governor, the Chief Financial Officer, and the Attorney General as the Trustees of the Board. The address for the Executive Director is: Executive Director, State Board of Administration of Florida, 1801 Hermitage Blvd., Suite 100, Tallahassee, Florida 32308-7743. The address for each of the three Trustees of the Board is: The Capitol, Tallahassee, Florida 32399.
Plan Documents are the Florida Statutes and the rules of the State Board of Administration establishing the Plan	Chapter 121, Parts I, II, and III, Rule Title 19, Florida Administrative Code.
Source of Benefit Payments	All benefits payable under the Investment Plan shall be paid solely from your individual retirement account within the Florida Retirement System Investment Plan Trust Fund.
Agent for Service of Legal Process	Executive Director, State Board of Administration of Florida, 1801 Hermitage Blvd., Suite 100, Tallahassee, Florida 32308-7743.
Name of Plan Administrator	Aon Hewitt, FRS Investment Plan Administrator, P.O. Box 785027, Orlando, Florida 32878-5027; toll-free telephone number: 1-866-446-9377, Option 4 (or Telecommunications Relay Service 711).
Date Plan Effective	The Plan became effective July 1, 2000, although the first members in the Plan were effective July 1, 2002.
Name of Employer	FRS employing agency.
Plan Year	July 1 through June 30
Plan Year — Limit Monitoring	January 1 through December 31
Employee Assistance Line MyFRS Financial Guidance Line	1-866-446-9377 Telecommunications Relay Service (TRS) 711 Representatives are available 9:00 a.m. – 8:00 p.m. ET, Monday – Friday (except holidays).
Employer Assistance Line	1-866-377-2121
<ul style="list-style-type: none"> • Ernst & Young Financial Planners 	Option 1, 9:00 a.m. – 8:00 p.m. ET
<ul style="list-style-type: none"> • Division of Retirement 	Option 2, 8:00 a.m. – 5:00 p.m. ET
<ul style="list-style-type: none"> • Aon Hewitt 	Option 3, 9:00 a.m. – 8:00 p.m. ET
Internet Address	MyFRS.com

The FRS Investment Plan Summary Plan Description (SPD)

The FRS Summary Plan Descriptions (SPDs) are the official documents that govern the FRS Plans. There are separate SPDs for each of the two FRS retirement plans. You can find the Pension Plan Retirement Class Guides, the “FRS Pension Plan Summary Plan Description,” and the “FRS Investment Plan Summary Plan Description” online at *MyFRS.com*. Click “Resources,” then “Publications,” and scroll down to “Active Members: Summary Plan Descriptions/Guides.”

MyFRS Financial Guidance Program Resources for Employers and Employees

FRS Employer Toolkit

The “FRS Employer Toolkit” is an excellent resource for FRS retirement plan basics. When you need to explain the retirement plans or plan features to new hires and members, refer to your toolkit. The toolkit includes:

- An overview of both FRS retirement plans
- Plan choice enrollment timeline
- Tips for conducting a new hire retirement plan orientation
- The 2nd Election
- Optional retirement programs for different service classes
- Details about the free MyFRS resources, including the MyFRS Financial Guidance Line, the MyFRS website, an overview of printed materials, and a description of partner companies
- Frequently asked questions

Housed in a 3-ring binder, the toolkit includes pockets to store related documents and plenty of room for you to add your own notes. The included reference CD contains a scripted New Hire Orientation PowerPoint presentation that you can customize to suit your needs. It also includes the New Hire Video and links to various documents and sites at *MyFRS.com*.

To request a copy of the toolkit, call the FRS Employer Assistance Line at 1-866-377-2121, Option 3.

Telephone Support — The FRS Employer Assistance Line and the MyFRS Financial Guidance Line

FRS Employer Assistance Line: 1-866-377-2121

Available Monday – Friday (except holidays)

The Employer Assistance Line is staffed by representatives from Ernst & Young, the Division of Retirement, and Aon Hewitt. These representatives are available to discuss any issue related to the two FRS retirement plans and the MyFRS Financial Guidance Program. When you call, you will hear a recorded message directing you to the various options. The phone map that follows shows the information you can access when you press or say the corresponding key on your telephone keypad.

FRS EMPLOYER ASSISTANCE LINE

<p>Option 1</p>	<p>Ernst & Young Financial Planners You can speak with an Ernst & Young financial planner and receive guidance about:</p> <ul style="list-style-type: none"> • Any of the services available from the MyFRS Financial Guidance Program • Questions about retirement plan choice • Financial planning • The one-time 2nd Election (2nd Election CHOICE SERVICE) • The ADVISOR SERVICE • Information about the FRS Investment Plan and distribution options • Scheduling a workshop or arranging for an Ernst & Young representative to conduct a workshop at your location • Reemployment restrictions • DROP payout/Investment Plan rollover options • Survivor financial counseling for Investment Plan beneficiaries 	<p>9:00 a.m. – 8:00 p.m. ET Monday – Friday (except holidays)</p> <p>Ernst & Young (E&Y) financial planners will guide you through the use of the online choice-making, retirement planning, and investment education resources. The FRS provides you and your employees with free access to E&Y financial planners. E&Y financial planners are experienced, unbiased, and credentialed. They do not sell any investment or insurance products, and they are there to serve as your employees' personal retirement and financial advocates.</p>
<p>Option 2</p>	<p>Division of Retirement — Pension Plan Administrator The Division representatives can answer questions about:</p> <ul style="list-style-type: none"> • Both FRS Plans, including: <ul style="list-style-type: none"> – Monthly payroll/contribution reporting – File transfer procedure and the funds transfer system – Timing of contributions to both plans – Employee data files – Membership classes – Disability benefits – Health Insurance Subsidy (HIS) • The Pension Plan: <ul style="list-style-type: none"> – Pension Plan provisions – Deferred Retirement Option Program (DROP) – Pension Plan Qualified Domestic Relations Orders (QDRO) 	<p>8:00 a.m. – 5:00 p.m. ET Monday – Friday (except holidays)</p> <p>The Division of Retirement administers the FRS Pension Plan and other statewide retirement systems, offering information and administrative services to both active and retired members.</p>

FRS EMPLOYER ASSISTANCE LINE

Option 3	<p>Aon Hewitt — Investment Plan Administrator</p> <p>Aon Hewitt representatives can answer questions about:</p> <ul style="list-style-type: none"> • Ordering MyFRS Financial Guidance Program printed materials (also available at <i>MyFRS.com</i>) • The plan choice process • Making a retirement plan election • Investment Plan administration issues • Quarterly Investment Plan Statements • Demographic changes for inactive Investment Plan members (active member demographic information must be changed via your monthly payroll file) • Submitting a member's termination date • Employee distribution dates • ACH Form • Enrollment Forms <ul style="list-style-type: none"> – EZ Enrollment Form – General enrollment forms – 2nd Election Enrollment Form • Beneficiary Designation Form • Employee Termination Form • Plan Choice Information Package • Employee Rollover Deposit Form (including DROP rollovers to the Investment Plan) • Special Tax Notice • Investment Plan Qualified Domestic Relations Orders (QDROs) • Death Claim Forms • Required minimum distributions (RMD) 	<p>9:00 a.m. – 8:00 p.m. ET Monday – Friday (except holidays)</p> <p>Aon Hewitt is the FRS Plan Choice Administrator and the FRS Investment Plan Administrator (recordkeeper) for the FRS Investment Plan. They provide administrative services to both active and retired Investment Plan members.</p>
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Important: Do not stockpile forms and materials. Forms and materials are updated frequently. It is best to print them as you need them to be sure you have the most current version.

MYFRS FINANCIAL GUIDANCE LINE (FOR EMPLOYEES)

Option 1	<p>Ernst & Young Financial Planners Pension Plan and Investment Plan members can speak with an Ernst & Young financial planner about:</p> <ul style="list-style-type: none"> • Initial choice • 2nd Election CHOICE SERVICE • MyFRS website, including help with the online ADVISOR SERVICE
Option 2	<p>Ernst & Young Financial Planners Pension Plan and Investment Plan members can speak with an Ernst & Young financial planner about:</p> <ul style="list-style-type: none"> • Investment planning, including their investments outside the FRS • Investment fund performance • Estate, education, insurance, and tax planning • Debt, spending, and credit issues
Option 3	<p>Division of Retirement — Pension Plan Administrator Pension Plan members can speak with a Division representative to:</p> <ul style="list-style-type: none"> • Learn about the Pension Plan • Determine their eligibility for: <ul style="list-style-type: none"> – Pension Plan retirement benefits – Deferred Retirement Option Program (DROP) – Health Insurance Subsidy (HIS) benefits – Disability and death benefits • Request an estimate of their Pension Plan benefits • Request copies of printed Pension Plan materials • Receive guidance to determine: <ul style="list-style-type: none"> – At what age the member can consider retiring – How to apply for Pension Plan benefits – How to change Pension Plan beneficiaries • Request assistance with Pension Plan benefits after retirement
Option 4	<p>Aon Hewitt — Investment Plan Administrator Investment Plan members can access their account and:</p> <ul style="list-style-type: none"> • Check account balances • Change investment fund elections and allocations • Request a distribution (after meeting termination requirements) • Transfer available fund balances • Request Investment Plan forms and documents • Speak with an Investment Plan customer service associate

MyFRS.com

The MyFRS website is the single most comprehensive resource for the Florida Retirement System plans and is the gateway to essential tools and information. Employers should refer employees to this website for authoritative, up-to-date information. Here, members can compare the two FRS Plans, locate important contact information, link to personalized financial planning tools and forecasts, get information about workshops, and access forms and publications.

The following forms are available at *MyFRS.com* by clicking “Resources,” then “Forms”:

- Beneficiary Designation Forms for the Investment Plan and Pension Plan
- Enrollment Forms
- Employee Rollover Deposit Form
- Special Tax Notice
- Employment Termination Form
- Death Benefit Distribution Claim Form
- Disability Retirement Application
- Health Insurance Subsidy Application
- Complaint Procedures
- FRS Certification Form (located on the Employers site at *MyFRS.com*)
- QDRO Guide

The following materials are available to employers at *MyFRS.com*. From the Employers site, click the “Order Materials” tab and choose:

- Employee Orientation Brochure (YOUR Money YOUR Choice, Welcome to the Florida Retirement System)
- FRS New Hire Video DVD
- State University System SUSORP-Eligible Employees Brochure
- Your Guide to FRS Resources Brochure
- Financial Planning for Life
- Is a 2nd Election Right for You?
- FRS Investment Plan Distribution Options Brochure
- Working After Retirement Flyer
- FRS Investment Plan Employer Toolkit & Manual
- MyFRS Termination Kit
- FRS Survivor Financial Counseling for Investment Plan Beneficiaries
- Keep Your Money Working — Investment Plan Termination Options
- Think Twice Before Rolling Out of the Investment Plan
- FRS Resource Card
- Regular Class Retirement Guide
- Special Risk Class & Special Risk Administrative Support Retirement Guide
- Elected Officers’ Class Retirement Guide
- Senior Management Service Class Retirement Guide
- After You Retire Brochure
- Disability Benefits Brochure
- DROP Brochure
- Preparing to Retire Brochure
- Survivor Benefits Brochure
- Annual Report
- List of Participating Employers
- FRS Bulletin
- Retiree Newsletter

This list is subject to change. Forms and documents are mailed to the employer within 2 business days of the request.

Important: Do not stockpile forms and materials. Forms and materials are updated frequently. It is best to print them as you need them to be sure you have the most current version.

Chapter 3

Employee Eligibility/Vesting in the Investment Plan

Plan Eligibility

An employee is eligible to participate in the FRS Investment Plan when hired in a regularly established FRS-covered position, unless they participate in one of the following plans:

- Deferred Retirement Option Program (DROP); however, terminated DROP members can roll over their DROP accumulation into the Investment Plan, as explained in Chapter 6.
- Mandatory State University System Optional Retirement Program (SUSORP) participant. Faculty, including clinical faculty, in a college at a state university that has a faculty practice plan are mandatory participants of the SUSORP.
- Teachers' Retirement System (This plan is closed to new members.)
- State and County Officers' and Employees' Retirement System (This plan is closed to new members.)
- A retiree of the FRS Pension Plan, FRS Investment Plan, or any state-administered retirement system who is initially reemployed with an FRS-covered employer on or after July 1, 2010.

A new FRS-covered employee is automatically enrolled in the Pension Plan. They can elect to stay in the Pension Plan or transfer to the Investment Plan before their enrollment deadline. The enrollment deadline is 4:00 p.m. ET on the last business day of the 5th month following a new employee's month of hire. The employee must be on covered payroll and earning service credit when they file their plan election. FRS contributions (both employee and employer) are retroactive to the employee's date of hire.

If an employee elects to enroll in the Investment Plan, the employee receives the blended contribution rate (both employee and employer) from their date of hire to the effective date of their Investment Plan election. Thereafter, they receive the scheduled Investment Plan contribution rate based on their FRS membership class (for example, a total of 6.3% of gross salary for Regular Class employees, of which 3% is paid by the employee). The following timeline illustrates the employee's enrollment period.



* It's important to submit the correct and complete data for new employees on the next payroll report following the employee's date of hire. Remind your employees to keep their address of record current to avoid delays.

** 4:00 p.m. ET on the last business day of the 5th month after the employee's month of hire.

When a new FRS-covered employee is hired:

1. The employer determines the appropriate retirement membership class for each new employee and reports the employee as an FRS Pension Plan member on the first available payroll.
2. The Division of Retirement sends a data file to Financial Engines. Financial Engines generates a personal Benefit Comparison Statement that includes personalized information (including a Personal Identification Number [PIN]) and mails it with a “New Employee FRS Enrollment Kit” to the new employee’s address of record.
3. The new member should receive their “New Employee FRS Enrollment Kit” at their address of record file within 30 to 60 days of the payroll on which they are first reported. Any errors in the reporting of a new member may cause delays in receiving the kit. The new member has until 4:00 p.m. ET on the last business day of the 5th month following their month of hire to make a retirement plan choice.
4. New employees who do not make an election by the end of the 4th month following their month of hire will receive up to two reminder letters. The first reminder letter mails on the last business day of the 4th month after the employee’s month of hire. If they still haven’t made an active election, the final reminder letter mails on the 10th calendar day of the employee’s deadline month.
5. **If the employee elects the Investment Plan**, a confirmation letter is mailed to their address of record. All blended contributions earned in the Pension Plan are transferred to the employee’s FRS Investment Plan account on the last day of the month in which their election is effective. If the member does not have prior FRS service in the Pension Plan, the blended contributions made from the member’s date of hire to the date they elect the Investment Plan will be transferred to their Investment Plan account (these blended contributions include 3% employee contributions [which vest immediately] and employer contributions [which vest after 1 year]). If the member had prior service in the Pension Plan, the amount transferred from the Pension Plan into the Investment Plan is subject to the Pension Plan’s vesting schedule (6 years if enrolled in the FRS prior to July 1, 2011 and 8 years if enrolled on or after July 1, 2011).
6. **If the employee elects the Pension Plan**, a confirmation letter is mailed to the employee’s address of record.
7. **If the employee fails to make an active election** within the 5-month enrollment period, the employee will default and remain in the Pension Plan. A letter confirming the default is mailed to their address of record.

Rehired Member/Reemployed Retiree

When former or retired employees are rehired, their accounts are handled as follows:

Rehired Member

- A terminated Investment Plan member who did not take a distribution and is rehired by an FRS-covered employer in an FRS-covered position is reactivated in the Investment Plan. They can use their one-time 2nd Election, if available, to “buy into” the FRS Pension Plan at any time during their active career, as long as they are earning salary and service credit.
- **If a Pension Plan member is rehired**, they return to the Pension Plan.

Reemployed Retiree

- A **terminated Investment Plan** member who has taken a distribution of any kind (e.g., lump sum, rollover, annuity, etc.) from their Investment Plan account **is considered retired**. A retired member who is rehired in an FRS-covered position prior to July 1, 2010 is considered a “reemployed retiree” and is subject to the rules and laws governing such members. The member will be considered a new employee and will be given a new election period.
- **Reemployed retirees** are not entitled to certain benefits under the FRS, including:
 - Special Risk Class membership
 - Disability benefits
 - The Deferred Retirement Option Program (DROP)
- For clarification of the rules and laws regarding reemployed retirees, contact:
 - An Ernst & Young financial planner if enrolled in the Investment Plan.
 - The Division of Retirement if enrolled in the Pension Plan.
- The Division of Retirement is responsible for determining retirement membership eligibility and notifying Aon Hewitt, the Investment Plan Administrator, about whether a member is eligible for retirement coverage. Please refer to the Division of Retirement’s “Pension Plan Employer Handbook” for information about employee eligibility and payroll reporting requirements and format.

Note: Renewed membership in the FRS is not available for individuals who are initially reemployed on or after July 1, 2010.

Vesting

FRS members are 100% vested after completing the specified number of years of FRS-covered employment:

Plan	Years of Service
Investment Plan	1
Pension Plan	8*
Pension Plan value transferred into the Investment Plan	8*

Members are always fully vested in all of their own contributions, as long as they remain in their current plan.

Vesting Rules

The following vesting rules are used to determine if a member is entitled to a benefit.

- Pension Plan members who leave FRS-covered employment with less than 8 years* of FRS-covered service are not vested and are only entitled to receive a refund of their employee contributions (without interest) paid into the Pension Plan.
- Pension Plan members who leave FRS-covered employment with more than 8 years* of FRS-covered service are vested and are entitled to receive:
 - A lifetime monthly benefit from the Pension Plan, or
 - A refund of the member’s employee contributions (without interest) paid into the Pension Plan.
- Investment Plan members who leave FRS-covered employment with less than 1 year of FRS-covered service are not vested and are only entitled to receive a distribution of their employee contributions, plus

earnings, paid into the Investment Plan. The unvested account balance is subject to forfeiture after 5 years of non-FRS-covered employment or if a distribution of employee contributions is paid.

- Investment Plan members who leave FRS-covered employment with more than 1 year of FRS-covered service are vested and are entitled to receive a distribution of their entire Investment Plan account balance.
- **2nd Election Transfer From the Pension Plan to the Investment Plan** — A present value of the member's Pension Plan benefit will be calculated and transferred to the Investment Plan as their opening account balance. The present value calculation is an actuarial determination of the member's service credit; it is not the total of any employee or employer contributions paid into the Pension Plan.
 - If the member terminates employment prior to meeting the Pension Plan vesting requirements (less than 6 or 8 years of total service, depending on date of hire), the member will only be entitled to receive a distribution of:
 - If the member has less than 1 year of total service, employee contributions plus earnings paid after the member transferred to the Investment Plan, or
 - If the member has more than 1 year of total service, employee and employer contributions plus earnings paid after the member transferred to the Investment Plan.
 - If the member terminates employment after meeting the Pension Plan vesting requirements (6 or 8 years or more of total service, depending on date of hire), the member will be entitled to receive a distribution of the member's opening account balance (the present value of the member's Pension Plan benefit) and the employee and employer contributions plus earnings paid into the Investment Plan after the transfer.
- **2nd Election Transfer From the Investment Plan to the Pension Plan** — The member will buy in to the Pension Plan using the balance in the member's Investment Plan account (and any additional personal funds, if applicable).
 - If the member terminates employment prior to meeting the Pension Plan vesting requirements (less than 6 or 8 years of total service, depending on date of hire), the member will only be entitled to receive a refund of employee contributions (without interest) paid into the Pension Plan after the transfer.
 - If the member terminates employment after becoming vested in the Pension Plan (6 or 8 years or more of total service, depending on date of hire), the member will be entitled to receive:
 - A lifetime monthly benefit from the Pension Plan, or
 - A refund of the member's employee contributions (without interest) paid into the Pension Plan after the transfer.
- Pension Plan members who terminated covered employment before July 1, 2001 and were more than 1 year away from the previous vesting requirements of 7, 8, or 10 years (depending on membership class) must work for 1 work year after returning to FRS-covered employment before being eligible for 6-year vesting. However, if the member was within 1 work year of vesting when employment was terminated, the member will vest upon working the number of months that were required to vest before the member terminated.

* *Pension Plan members initially enrolled in the FRS prior to July 1, 2011 will need 6 years of service to vest.*

FRS Investment Plan Forfeitures and Suspension of Funds

If an FRS Investment Plan member terminates FRS employment before they are vested, their account balance may be subject to forfeiture. Depending on their vesting status and whether they took a distribution from their Investment Plan account, their account balance could be suspended for up to 5 years or immediately forfeited. Members are always fully vested in all of their own contributions, as long as they remain in their current plan.

Scenario 1: *An Investment Plan member with less than 1 year of service who **does not** take a distribution of their own contributions.*

Their unvested account will be suspended for 5 years from the month of termination, during which time the funds will be held in the FRS Select TIPS Fund.** After 5 years, the funds will be forfeited unless the member is rehired in an FRS-covered position.

Scenario 2: *An Investment Plan member with less than 1 year of service who **does** take a distribution of their own contributions.*

The member is considered retired and the unvested benefits in their Investment Plan account, if any, will be forfeited at the time they receive an Investment Plan distribution.

Scenario 3: *An Investment Plan member with more than 1 year of service but less than 8 years* who **does not** take a distribution from their Investment Plan account.*

The unvested accrued Pension Plan benefits, if any, in their Investment Plan account will be suspended for 5 years from the month of termination, as long as they do not take a distribution. If the member is not rehired in FRS-covered employment within 5 years, their unvested Pension Plan benefits will be forfeited, but not their Investment Plan funds.

Any employee contributions made by a member in the Pension Plan will not be transferred to the Investment Plan. Rather, a present value amount will be transferred and the member will begin membership in the Investment Plan with zero employee contributions in their account.

Scenario 4: *An Investment Plan member with more than 1 year but less than 8 years* of service who **does** take a distribution from their vested Investment Plan account.*

The member is considered retired and the unvested accrued Pension Plan benefits in their Investment Plan account, if any, will be forfeited at the time they receive an Investment Plan distribution.

* A Pension Plan member initially enrolled in the FRS prior to July 1, 2011 will need 6 years of service to vest.

** Forfeiture Rates: Any earnings credited back to the member's Investment Plan account will be equal to the actual market return earned on the FRS Select U.S. Treasury Inflation-Protected Securities (TIPS) Index Fund.

An Investment Plan member's account could also be subject to forfeiture, in accordance with Sections 121.091(5) and 112.3173, Florida Statutes, Rule 19-11.008(3), Florida Administrative Code, and Article II, Section 8(d), Florida Constitution:

“Any public officer or employee who is convicted of a felony involving a breach of public trust shall be subject to forfeiture of rights and privileges under a public retirement system or pension plan in such manner as may be provided by law.”

Members are always fully vested in their own contributions, as long as they remain in their current plan. These contributions are not subject to forfeiture.

Chapter 4

Employer/Employee Non-Financial Transactions

New Employees

New employees are defined as employees who have never participated in the FRS or who have previously participated in the FRS but never had the opportunity to make a retirement plan election. Employees can elect the:

- FRS Pension Plan (traditional defined benefit plan),
- FRS Investment Plan (defined contribution plan), or
- FRS Hybrid Option. (Member freezes Pension Plan account and directs all future employer contributions into the Investment Plan. This option is available only to employees with 8* or more years of FRS Pension Plan service.)

* *A Pension Plan member initially enrolled in the FRS prior to July 1, 2011 will need 5 years of service to participate in the FRS Hybrid Option.*

FRS membership is automatic for all full-time and part-time employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or participating city, special district, or charter school. Elected officials can choose not to participate in (opt out of) the FRS retirement program. Employees of the Elected Officers' Class (EOC) can choose to participate in the Senior Management Service Class instead of the EOC. The following employees can elect to participate in other annuity or optional programs instead of an FRS Plan:

- Senior Management Service Class employees (including EOC employees who choose to join that class),
- State University System faculty and administrative and professional employees, and
- State Community College System faculty and certain administrators, if their college offers an optional retirement program.

If an employee works concurrently in two or more jobs that are covered by different FRS membership classes, the employee can be a member of only one class, which will be determined as follows:

- If the jobs are covered by different membership classes, and none are the EOC, the member will be placed in the service class in which the member is employed for more than half the time. When the employment is split equally, the member can choose the class.
- If the jobs are covered by different FRS membership classes, and one of the classes is the EOC, the member can choose to participate in any one class for which the member is eligible.

If the member is required or chooses to participate in the Regular Class, the member's total salary from all positions will be reported and used to calculate the member's retirement service credit. When the member is required or chooses to participate in the Special Risk Class, the Special Risk Administrative Support Class, the Senior Management Service Class, or the Elected Officers' Class, only the salary received from that position will be reported and used to calculate retirement service credit.

FRS members are eligible to participate in the FRS Investment Plan unless they participate in one of the following programs:

- Deferred Retirement Option Program (DROP); however, terminated DROP members can roll over their DROP accumulation into the Investment Plan, as explained in Chapter 6.
- Mandatory State University System Optional Retirement Program (SUSORP) participant. Faculty, including clinical faculty, in a college at a state university that has a faculty practice plan are mandatory participants of the SUSORP.
- Teachers' Retirement System (TRS).
- State and County Officers' and Employees' Retirement System (SCOERS).
- A retiree of the FRS Pension Plan, FRS Investment Plan, or any state-administered retirement system, who is initially reemployed with an FRS-covered employer on or after July 1, 2010.

If a member chooses to participate in the FRS Investment Plan, the member and employer will contribute an amount to the member's account every month (3% is paid by the member). The member directs the allocation of their account among the investment funds available through the Plan.

Note that these eligibility requirements are established by the Florida Legislature and codified in the Florida Statutes. They are subject to change.

Enrollment Process

1. FRS-eligible new employees (including reemployed retirees*) are automatically enrolled in the FRS Pension Plan during their first month of employment. They have 5 full months following their month of hire to elect to either remain in the FRS Pension Plan or transfer to the FRS Investment Plan. If a new employee does not make an active election, they will default to (remain enrolled in) the Pension Plan. (See Chapter 2, "Plan Eligibility.")

* *Renewed membership in the FRS is not available for retirees who are initially reemployed on or after July 1, 2010.*

2. The "New Employee FRS Enrollment Kit" is mailed to new employees the month after the employee's month of hire. For example, if an employee is hired in March, the kit would be mailed in late April and the employee would most likely receive it in early May. The kit includes the employee's personalized Benefit Comparison Statement and their Personal Identification Number (PIN).
3. The employee reviews the information in the kit and enrolls in the Plan of their choice by their enrollment deadline. Employees who need help making a decision can call the MyFRS Financial Guidance Line and speak with an unbiased financial planner and/or use the online CHOICE SERVICE at *MyFRS.com*. The CHOICE SERVICE is not available to new employees who are age 80 or older or those age 16 or younger when first employed under FRS coverage.
4. An employee's membership classification determines how they can enroll:
 - a. **Regular Class and Special Risk Class** employees can enroll:
 - i. **Using the EZ Enrollment Form** included in their "New Employee FRS Enrollment Kit." Complete, accurate, and signed enrollment forms sent to Aon Hewitt, the FRS Plan Choice Administrator, are processed within 2 business days of receipt.
 - ii. **By logging in at *MyFRS.com* and enrolling online.** Online enrollments submitted by a new employee before 4:00 p.m. ET are processed and become effective on the day the election is submitted.
 - iii. **By calling the MyFRS Financial Guidance Line.** Telephone enrollments made by a new employee before 4:00 p.m. ET are processed and become effective on the day the election is made.

5. **Employees in membership classes other than Regular and Special Risk** can only enroll using the applicable enrollment form for their membership class. Complete, accurate, and signed enrollment forms sent to Aon Hewitt, the FRS Plan Choice Administrator, are processed within 2 business days of receipt.

After an employee makes an active election or defaults after their enrollment deadline passes, Aon Hewitt will mail an enrollment confirmation to the employee, documenting the employee's enrollment choice, along with the publication "Your Guide to FRS Resources."

6. An employee's enrollment in the Investment Plan is subject to eligibility review at any time. If the enrollment is determined to be ineligible, the election and any associated monetary transfers, payroll contributions, and any earnings on these funds will be reversed. The employee will receive a letter explaining the reason for the reversal. Following are a few examples of reasons an employee's enrollment may be reversed:
 - a. Employee terminated prior to receipt of election form.
 - b. Employee did not earn service credit in the month the election form was received.
 - c. Employee is in a position not eligible for membership in the Investment Plan.

Investment Plan Membership and Contribution Effective Date

Investment Plan membership for a new employee is retroactive to their date of hire. Blended contributions (both employee and employer) will be paid from the date of hire through the end of the month of election. The Investment Plan contribution effective date is the 1st of the month following the month in which the new employee's enrollment election is processed. Enrollments received up to 4:00 p.m. ET each business day (excluding holidays) are processed on the day they are received. Enrollments received after 4:00 p.m. ET are processed on the next business day (excluding holidays).

The 2nd Election

All FRS Pension Plan and Investment Plan members have a one-time option to switch retirement plans. This option can be used at any time during the member's active FRS career by submitting a 2nd Election Retirement Plan Enrollment Form to Aon Hewitt, the FRS Investment Plan Administrator, or by making an online election (Pension Plan to Investment Plan only). For the 2nd Election to be considered valid:

1. A complete, accurate, and signed form must be received by Aon Hewitt, or a valid online election must be made (Pension Plan to Investment Plan only), prior to the member's date of termination.
2. A member can make a 2nd Election only if they are actively employed and earning salary and service credit when the 2nd Election Retirement Plan Enrollment Form is received by Aon Hewitt or the online election is made. If the employer does not report earned service credit in the month the member files their 2nd Election, the election will be invalid.
 - a. Members on an unpaid leave of absence are not eligible to make a 2nd Election.
 - b. Members of educational institutions on summer break cannot make a 2nd Election.

Employers can monitor the status of their members' elections for both 1st and 2nd elections via the Division of Retirement's Online Employer Services application. Elections are recorded by Aon Hewitt and provided to the Division to upload on the MyFRS website under "Employers." Employers can view and download a file that lists members who have elected the Investment Plan or used their 2nd Election to switch to the Pension Plan.

Note: This part of the service is not available for state agencies, since payroll and election tasks are handled by other entities (e.g., Department of Financial Services processes payroll and contribution information for state agencies, and retirement election information is handled by People First). State agencies have limited access to the service to determine the date FRS Investment Plan members received a distribution and whether a member is eligible for rehire.

Personal Identification Number (PIN) Issuance

Personal Identification Numbers (PINs) are randomly generated by the Division of Retirement and sent in an encrypted file to Financial Engines to print on each member's personalized Benefit Comparison Statement.

The PIN must be entered the first time a member logs in at *MyFRS.com*. The member will be prompted to use the PIN to create a User ID and password known only to them. Investment Plan members will need their original PIN to request a distribution from their Investment Plan account through the MyFRS Financial Guidance Line or if they forget their User ID or password.

The member can request PIN reminders anytime at *MyFRS.com* or by calling the MyFRS Financial Guidance Line, Option 4. When a member requests a reminder, Aon Hewitt will request that a PIN reminder be generated and will have it mailed to the member.

PIN Process — Excluding Plan Alternate Payees

- The member's initial Personal Identification Number (PIN) is printed on the Benefit Comparison Statement included in their "New Employee FRS Enrollment Kit."
- Members can change their PIN as many times as they like online at *MyFRS.com* or by calling the MyFRS Financial Guidance Line, Option 4. When changing a PIN, the member must choose a new 6-digit number equal to or greater than 000001. The member will need their original PIN in order to change their PIN.
- PIN changes are processed immediately.
- PIN reminders are mailed to the member's address of record within 2 business days of the request.

PIN Process — Plan Alternate Payees

Aon Hewitt is responsible for establishing alternate payee accounts with the following information:

- Name
- Address
- Bifurcated Social Security number starting with 99X-XX-XXXX

Voided DROP Members

Note: The following applies only to DROP members who never received the opportunity to elect the Investment Plan prior to entering DROP. (DROP members who did receive the opportunity to elect the Investment Plan prior to entering DROP are considered rehired employees and can use their 2nd Election at any time during their active career, provided they have not previously used their 2nd Election.)

1. A member of DROP must terminate employment by the date of resignation specified on their DROP election form. If a member fails to terminate by the specified date:
 - a. The member's retirement and DROP participation become null and void.
 - b. The member forfeits all DROP accumulations, as well as any monthly benefits they have received. The member will be required to repay the DROP accumulation and any monthly benefits received. Membership in the FRS Pension Plan will be reestablished retroactive to the date the member started DROP.
 - c. At the time of DROP termination, the employer must pay the difference between the retirement contribution rate owed and the DROP contribution rate paid, plus interest, to retroactively establish service credit under the member's class of membership. In some cases, the employer may be eligible to receive a refund of employer contributions, excluding interest. (**Note:** The employer at the time the member's DROP is voided will be responsible for any amount due for the back contributions. Any previous employer will be entitled to all or a portion of any refund of contributions.)
 - d. A member whose DROP is voided may, if certain requirements are met, be eligible to participate in the DROP in the future.
2. If a member's DROP participation has been declared void, the member may be considered a "new hire" for plan choice purposes.
3. The employer must submit the voided DROP member's name and other information on the next available payroll feed to the Division of Retirement.
4. The Division transmits the member's data to Financial Engines. Financial Engines generates a personalized Benefit Comparison Statement and PIN and mails them to the member.
5. A member whose DROP has been declared void has to make a retirement plan choice between the FRS Pension Plan and FRS Investment Plan. The member's election must be received by Aon Hewitt by 4:00 p.m. ET on the last business day of the 5th month after the month of their original DROP termination date.

Note these exceptions for elected officers who:

- a. Participated in DROP prior to July 1, 2002
 - i. Elected officers in the Elected Officers' Class (EOC) who participated in DROP prior to July 1, 2002 can terminate their DROP participation without terminating their employment. However, their DROP participation period cannot exceed 60 months.
 - ii. Upon terminating DROP (without terminating their employment), these members will receive their DROP payout, begin receiving their monthly retirement benefit, and become renewed EOC members on the 1st of the month following their DROP termination date.
 - iii. As renewed members, these employees will be considered a "new hire" for plan choice purposes. They will have to make an election by the end of the 5th month after the month the DROP participation ceased.

- b. Participated in DROP on or after July 1, 2002
 - i. Elected officers who begin participating in DROP on or after July 1, 2002 can remain in office when their DROP participation ceases, upon completing 60 months. Their DROP account will continue to earn interest, and no additional retirement payments will be made until the officer leaves office (an elected officer whose DROP participation begins on or after July 1, 2010 cannot continue to earn such interest). During this time of continued elected service, no retirement contributions are required (except Health Insurance Subsidy contributions), and the officer will not be an active FRS member. Upon leaving office, the former officer will receive monthly retirement benefits and DROP payouts and will be subject to applicable reemployment limitations. Because these officers are not members of the FRS between the time they complete DROP and the time they terminate employment, these officers cannot make an FRS Plan choice.

Social Security Number Corrections

The Division of Retirement provides Social Security number (SSN) corrections to Aon Hewitt. As a security measure, SSN changes are not accepted from the member or retirement coordinators. A member's SSN can be changed only when the correction is received from the Division. If a member has taken a distribution, a corrected Form 1099 reflecting the corrected SSN will be sent to the member's address of record.

Name and Address Changes

Process for Actively Employed Members

All active Investment Plan members must report any name and/or address changes to their employer. Aon Hewitt cannot make manual name or address changes in the recordkeeping system. The Division of Retirement provides name and address corrections via the monthly payroll reports.

Process for Terminated Members

If a terminated member's name or address is inaccurate for any reason, the member should complete one of the following steps:

1. To change their name, the member needs to either request a Name Change Form from Aon Hewitt (1-866-446-9377, Option 4) or send a letter to Aon Hewitt, the Investment Plan Administrator, by mail (FRS Investment Plan, P.O. Box 785027, Orlando, FL 32878-5027) or by fax (1-888-310-5559). The letter should include the member's old name, new name, last 4 digits of their Social Security number, and a copy of the court order, marriage certificate, or driver's license reflecting the new name. If the form/letter is in good order, Aon Hewitt will update the information on the recordkeeping system.
2. For address changes only, the member can either make the address change online by logging in at *MyFRS.com* or by calling Aon Hewitt, the Investment Plan Administrator, at 1-866-446-9377, Option 4. For the member's security, a confirmation statement will be mailed within 2 business days to both the member's current address on file and the new address provided.

Beneficiary Designation

Investment Plan members can review their current Investment Plan account beneficiary(ies) by logging in at *MyFRS.com*, by calling the MyFRS Financial Guidance Line, Option 4, or by reviewing their Quarterly Investment Plan Statement, which is mailed to their address of record each quarter. Members can designate a beneficiary(ies) at *MyFRS.com* by completing the Investment Plan Beneficiary Designation Form, which is available at *MyFRS.com* under "Resources," then "Forms," or by calling the MyFRS Financial Guidance Line, Option 4. Aon Hewitt processes the form as soon as administratively possible; the beneficiary designation generally takes effect the close of business on the day the form is received.

Until an Investment Plan member submits a completed Investment Plan Beneficiary Designation Form to Aon Hewitt, the member's beneficiary will be noted as "Per Florida Law." Section 121.4501(20), Florida Statutes, states:

Each member may, by electronic means or on a form provided for that purpose, signed and filed with the third-party administrator, designate a choice of one or more persons, named sequentially or jointly, as his or her beneficiary for receiving the benefits, if any, which may be payable pursuant to this chapter in the event of the member's death. If no beneficiary is named in this manner, or if no beneficiary designated by the member survives the member, the beneficiary shall be the spouse of the deceased, if living. If the member's spouse is not alive at the time of the member's death, the beneficiary shall be the living children of the member. If no children survive, the beneficiary shall be the member's father or mother, if living; otherwise, the beneficiary shall be the member's estate. The beneficiary most recently designated by a member shall be the beneficiary entitled to any benefits payable at the time of the member's death. However, for a member who dies prior to his or her effective date of retirement, the spouse at the time of death shall be the member's beneficiary unless the member designates a different beneficiary subsequent to the member's most recent marriage.

If a member designates a primary beneficiary other than the member's spouse, *the member's spouse must sign the beneficiary designation form to acknowledge the designation.* This requirement does not apply to the designation of one or more contingent beneficiaries to receive benefits remaining upon the death of the primary beneficiary or beneficiaries. [Emphasis added.]

Health Insurance Subsidy (HIS) — Investment Plan Members

The HIS benefit is administered by the Division of Retirement. Please direct any questions about the HIS to the Division.

To be eligible to receive the HIS, an Investment Plan member must:

- Terminate employment with all FRS-covered employers as described in Section 121.021(39), F.S.
- Take a distribution from the Investment Plan (retire)
- Satisfy the vesting requirements for the Pension Plan (6 years if enrolled in the FRS prior to July 1, 2011 and 8 years if enrolled on or after July 1, 2011) or be eligible for an FRS disability benefit
- Meet the age or service requirements to qualify for normal retirement under the Pension Plan as set forth in Section 121.021(29), F.S.*
- Have health insurance (Cover Florida Health Care Access Program, Medicare, and TRICARE are accepted)
- Apply for the HIS as required by the Division using forms FRS HIS-IP and HIS-IP-2, available at *MyFRS.com* or by calling the MyFRS Financial Guidance Line, Option 3.

FRS Investment Plan Hybrid Option members are eligible to receive the Health Insurance Subsidy once they begin receiving their Pension Plan benefit.

* "Normal retirement date" for FRS Pension Plan members who enrolled prior to July 1, 2011 is attained for Regular Class, Elected Officers' Class, and Senior Management Service Class members at either age 62 and 6 years of creditable service or 30 years of creditable service regardless of age, and for Special Risk members at either age 55 with 6 years of special risk service or 25 years of special risk service regardless of age. "Normal retirement date" for FRS Pension Plan members who initially enrolled on or after July 1, 2011 is attained for Regular Class, Elected Officers' Class, and Senior Management Service Class members at either age 65 and 8 years of creditable service or 33 years of creditable service regardless of age, and for Special Risk members at either age 60 with 8 years of special risk service or 30 years of special risk service regardless of age.

Only the surviving spouse named as the member's beneficiary is eligible to receive the HIS in the event of the member's death. Named beneficiaries other than the spouse are not eligible for the HIS.

Eligible retirees or beneficiaries will receive a monthly HIS benefit equal to \$5 per month for each year of FRS Pension Plan and/or Investment Plan service credit earned at retirement. The minimum HIS benefit is \$30, not to exceed a maximum of \$150 per month.

Qualified Domestic Relations Orders (QDROs)

In the event of an Investment Plan member's divorce, a Qualified Domestic Relations Order (QDRO) can be issued by a court. Members must submit the court order to Aon Hewitt who will determine if the QDRO meets all necessary statutory requirements and is valid.

A hold will then be placed on the member's Investment Plan account. The hold prohibits member-initiated withdrawal transactions in the account. Aon Hewitt calculates the asset split necessary for the member's Investment Plan account. The amount of the split along with the alternate payee's name, address, phone number, SSN, and date of birth will be used by Aon Hewitt in establishing an account in the name of the alternate payee. The investment fund allocations in the alternate payee's account will match those in the member's account at the time of the split. A PIN will be provided to the alternate payee for accessing their account at *MyFRS.com* or for processing a distribution.

If the alternate payee's account is in a payable status and the transaction is in accordance with the QDRO, the alternate payee's account is eligible for fund allocation transfers, a lump-sum distribution, an IRA rollover, or deferral (there is a \$6 per quarter account maintenance fee for inactive Investment Plan accounts).

Questions concerning current and pending QDROs and related legal issues should be directed to Aon Hewitt by calling 1-866-446-9377, Option 4. Model language is available to assist in the drafting of a QDRO that meets the requirements of federal law and the Plan's provisions. This language is available in the "FRS Investment Plan QDRO Procedures Guide" and "FRS Investment Plan QDRO Instructions and Model Language Guide" at *MyFRS.com* in the "Forms" and "Publications" sections.

Complaint Procedures

If a member has a complaint about any actions taken by an Investment Plan provider, the member can send a written petition on Form SBA-RFI, Request for Intervention, to the SBA for intervention and resolution. The form is available at *MyFRS.com* or by calling the MyFRS Financial Guidance Line, Option 4. The written Request for Intervention can be sent by:

U.S. Mail: Investment Plan Complaint Resolution
 Office of Defined Contribution Programs
 State Board of Administration of Florida
 P.O. Box 13300
 Tallahassee, FL 32317-3300

Email: DefinedContributionPrograms@sbafla.com

Fax: 850-413-1489

The Request for Intervention Form must include:

- Member's personal information, including name, address, home/work/fax telephone numbers, email address, name of employer, and Social Security number
- The other parties involved in the dispute, including the names of the personnel the member interacted with
- Facts supporting the complaint
- Desired outcome the member is seeking
- Steps taken to reach a resolution
- Reasons the member is requesting our assistance

Upon receipt of the completed Request for Intervention, an investigation will be conducted. The SBA will prepare and send a final agency action letter to the member, detailing the SBA's findings, any proposed resolution, and information on the next steps in the dispute resolution process.

If the member is not satisfied with the proposed resolution as set out in the agency action letter, the member can file a Petition for Hearing (FRS Investment Plan Petition for Hearing, Form SBA-PFH). The Petition for Hearing must be received within 21 days of the member's receipt of the agency action letter or it will be rejected as untimely and the member will have waived his/her rights to a hearing.

Pursuant to the provisions of Sections 120.569 and 120.57, Florida Statutes, the hearing can be formal or informal. The SBA will review the petition for compliance with the SBA's requirements and timeliness. If appropriate, the petition can be denied for lack of compliance and for failure to file within the stated timeline. If the SBA elects to request that an administrative law judge of the Division of Administrative Hearings (DOAH) be assigned to conduct the hearing, the SBA will forward the petition and all materials filed with the SBA to the DOAH within 15 days after receipt of the petition and will notify the member of its action. The SBA will issue a final order in the proceedings. Once the order becomes final, the member's rights to appeal will be governed by Section 120.68, Florida Statutes.

Note: There are some complaints that cannot be handled through the administrative process, such as a request for monetary damages. In these cases, the complaint must be handled in court. In addition, if the complainant has entered into an arbitration agreement with the vendor complained against, then the arbitration agreement must be adhered to.

Chapter 5

2nd Election Process

General Information and Resources

After a member makes their initial enrollment decision, they have a one-time opportunity to switch retirement plans during their active FRS career. Once they make a 2nd Election, that decision is final. The member cannot switch retirement plans again during their FRS career.

A member **can** make a 2nd Election only if they are actively employed and earning salary and service credit when the 2nd Election Retirement Plan Enrollment Form is received by Aon Hewitt or the online election is made. If the employer does not report earned service credit in the month the member files their 2nd Election, the election will be invalid.

A member **cannot** make a 2nd Election if they:

- Have already used their 2nd Election
- Have retired
- Are a member of DROP
- Have terminated FRS-covered employment
- Are on an **unpaid** leave of absence
- Are an employee of an educational institution and are on summer break

Members considering making a 2nd Election can get help in two ways:

1. Members can call the MyFRS Financial Guidance Line, Option 1, and speak with a financial planner who will provide personalized, unbiased information based on each member's individual situation.
2. Most members* can log in at *MyFRS.com* and select the 2nd Election CHOICE SERVICE. The service is an online tool that allows the member to see their projected retirement benefits under both plans.

** The ability to see projected retirement benefits is not available to some members.*

How to Make a 2nd Election

1. The member can call the MyFRS Financial Guidance Line, Option 4, and speak with an Aon Hewitt representative to request a 2nd Election Retirement Plan Enrollment Form to transfer to the Pension Plan or Investment Plan. The form is also available at *MyFRS.com* under "Resources," then "Forms." Members can also make a 2nd Election online at *MyFRS.com* (only an election to switch from the Pension Plan to the Investment Plan is permitted online).
2. The member must complete, sign, and mail or fax the form to the address or fax number shown on the form. If the member is terminating FRS-covered employment, the 2nd Election form must be received by Aon Hewitt prior to the member's termination date. The member must earn service credit in the month the form is received by Aon Hewitt.
3. If a member is transferring to the Pension Plan, receipt of the form by Aon Hewitt will lock in for that month the member's transfer or "buy-in" cost, if any. If there is a buy-in cost, the member will receive a notification from the Division of Retirement stating the amount the member owes. The member's buy-in payment is due within 60 days of the date on the notification letter.
4. The 2nd Election is effective on the 1st of the month following the month in which the election is received.

Switching From the Investment Plan to the Pension Plan

(Buy In to the Pension Plan)

Investment Plan members who want to switch to the Pension Plan will need to “buy in” to the Pension Plan. If the member had previous Pension Plan service, the buy-in cost is the “present value” of the accumulated Pension Plan benefit. If there was no previous Pension Plan service, the buy-in amount is based on the actuarial accrued liability or “total cost” of the benefit under the Pension Plan at the time the member makes the 2nd Election. The buy-in cost is greater under the actuarial accrued liability calculation than it is under the present value calculation. **Note:** The buyback cost is an actuarial calculation; it is not the total of any employee or employer contributions paid into the FRS Investment Plan.

If the member’s Investment Plan account balance is less than the buy-in cost, the member must pay the difference with personal funds.

If the member’s Investment Plan account balance is greater than the buy-in amount, the buy-in amount will be deducted from the Investment Plan balance and the remainder will stay in the Investment Plan. That means the member will have a benefit in both plans. However, in the event the member has a balance remaining in their Investment Plan account, they cannot take a distribution from their Investment Plan account until they retire and begin receiving their Pension Plan benefit.

A member can get an estimated buy-in cost from the Division of Retirement (MyFRS Financial Guidance Line, Option 3). The actual buy-in cost will be calculated by the Division after Aon Hewitt processes the member’s 2nd Election Retirement Plan Enrollment Form and notifies the Division. The Division will communicate the actual buy-in cost to Aon Hewitt.

Aon Hewitt will communicate to the Division the value to be returned to the FRS Pension Plan. The Division will invoice the member for any shortfall. If the member does not remit the buy-in payment within 60 days of the date of the invoice, the 2nd Election will be voided. The member will retain their 2nd Election option. The amount of Investment Plan assets that were liquidated will be returned to the Investment Plan and reinvested at current market value. The FRS is not responsible for any market gains or losses to the member’s account during the liquidation process.

CAUTION: The FRS cautions members that the out-of-pocket cost to “buy in” to the Pension Plan may be significant and the member may not have sufficient funds in their FRS Investment Plan account to cover the total buy-in cost. A new hire can initially elect the Investment Plan with the strategy of using the 2nd Election at a later date. However, the longer the member works in an FRS-covered position, the more expensive and potentially cost-prohibitive the buy-in will be. That is why it is so important for a member to select the right retirement plan during their initial election.

Vesting Caution: If a member terminates employment **prior** to meeting the Pension Plan vesting requirements (less than 6 or 8 years of total service, depending on date of hire), the member will only be entitled to receive a refund of employee contributions (without interest) paid into the Pension Plan after the transfer.

If the member terminates employment **after** becoming vested in the Pension Plan (6 or 8 years or more of total service, depending on date of hire), the member will be entitled to receive:

- A lifetime monthly benefit from the Pension Plan, or
- A refund of employee contributions (without interest) paid into the Pension Plan after the transfer.

Switching From the Pension Plan to the Investment Plan

When a Pension Plan member wants to switch to the Investment Plan, the present value of their accumulated Pension Plan benefit will be converted as the opening account balance in the Investment Plan. The present value calculation is an actuarial determination of the member's service credit; it is not the total of any employee or employer contributions paid into the FRS Pension Plan.

The member can get an estimated accrued value of their Pension Plan benefit from the Division of Retirement or by logging in at *MyFRS.com* and selecting the 2nd Election CHOICE SERVICE. After Aon Hewitt processes the member's 2nd Election Retirement Plan Enrollment Form or online election, Aon Hewitt notifies the Division that the accrued value of the member's Pension Plan benefit will be transferred to the Investment Plan on the last business day of the month in which the 2nd Election is effective. The effective date of the change is the 1st of the month following the month in which the election is made. The account balance will be available to the member on the last business day of the effective month.

Vesting Caution: The present value transferred from the FRS Pension Plan to the FRS Investment Plan requires 6 or 8 years of total service to vest, depending on the member's date of hire.

If the member terminates employment **prior** to meeting the Pension Plan vesting requirements (less than 6 or 8 years of total service, depending on date of hire), the member will only be entitled to receive a distribution of:

- If the member has less than 1 year of total service, the employee contributions plus earnings paid after transferring to the Investment Plan, or
- If the member has more than 1 year of total service, the employee and employer contributions plus earnings paid after transferring to the Investment Plan.

If the member terminates employment **after** meeting the Pension Plan vesting requirements (6 or 8 years or more of total service, depending on date of hire), the member will be entitled to receive a distribution of the opening account balance (the present value of the Pension Plan benefit) and the employee and employer contributions plus earnings paid into the Investment Plan after the transfer.

If the member requests a distribution of vested employee or employer contributions, the member will be considered a retiree of the FRS and will forfeit all unvested employer contributions and earnings. If the member does not request a distribution of vested employee or employer contributions, the unvested employer contributions will be forfeited if the member does not return to FRS-covered employment within 5 years.

Hybrid Option

When a member of the Pension Plan chooses the Hybrid Option using the 2nd Election, they elect to freeze their Pension Plan benefit and direct future contributions into an Investment Plan account. To elect the Hybrid Option, a member must have at least 5 years of service (if initially enrolled in the FRS prior to July 1, 2011) or at least 8 years of service (if initially enrolled in the FRS on or after July 1, 2011). A member cannot move frozen Pension Plan account funds into their Investment Plan account at a future date.

In certain circumstances, a member can participate in the Hybrid Option and still have a 2nd Election available. In this case, they can choose to move their Investment Plan account balance and buy back in to the Pension Plan at a "present value" cost. Because of the complex nature of the Hybrid Option, please encourage members to call the Financial Guidance Line before electing this option.

Chapter 6

Contributions and Payroll Reporting

New Hire Contributions/Accumulated Benefit Transfers

Employees electing to enroll in the Investment Plan will receive employee and employer contributions and any accumulated benefit from the Pension Plan.

Accumulated benefit transfers are a result of an employee with prior FRS service in the Pension Plan who elects to join the Investment Plan by selecting the 100% transfer option. Accumulated benefit transfers can usually be expected for employees returning to FRS-covered service who did not receive a Pension Plan benefit.

Newly hired employees (new hires) with no previous FRS-covered service do not receive an accumulated benefit transfer. New hires will receive regular payroll employee contributions of 3% and employer contributions equal to the blended rate from the time the employee is reported by their agency as a new Pension Plan member until the employee elects the Investment Plan. As of the member's effective month of transfer to the Investment Plan and going forward, the new member will receive the legislatively mandated contribution rate (see table under "Payroll Reporting, Contributions" below).

During the first week of each month, the Division of Retirement and Aon Hewitt audit the employee enrollment elections received in the prior month and whose effective date is the 1st of the current month, called the effective month (e.g., if the election is made in June, then the effective date is July 1st). On or about the 15th of the month (e.g., July 15th), the Division sends Aon Hewitt an accumulated benefit transfer file of all Investment Plan members whose effective date is the 1st day of the current month. The file includes the accumulated benefit amounts to be transferred from the Pension Plan for each member. Upon receipt of the file, Aon Hewitt finalizes the reconciliation of the accumulated benefit transfer file for each member.

Aon Hewitt will send an opening balance confirmation letter to the member providing the dollar amount transferred to the Investment Plan, the date it was allocated, and the member's investment choices.

Payroll Reporting, Contributions

FRS employers are responsible for sending contributions and monthly payroll reports for both the FRS Investment Plan and FRS Pension Plan to the Division of Retirement. Employers are required to submit one data file and one Contribution Summary Information form containing information for both plans. (Refer to the "FRS Pension Plan Employer Handbook," Chapter 4, for payroll file format.)

Contributions and payroll data are due from employers by the 5th business day of each month. If the Division of Retirement does not receive contributions and/or payroll data by the 5th business day of the month, the employer will be sent a delinquent fee invoice equal to 1% of the total monthly payroll file. Failure to report payroll information accurately and timely can result in the employer being held responsible for any Investment Plan market losses. If contributions and/or payroll data are not received within the calendar month they are due, and if that delinquency results in market losses to an Investment Plan member, the employer is responsible for reimbursing the member's account for any market losses. Aon Hewitt will calculate the market loss, and the Division will invoice the employer.

All payments made to employees that meet the definition of compensation as described in Rule 60S-6.001(15)(a), Florida Administrative Code, must be reported to the Division of Retirement for retirement calculation purposes. Your monthly payroll report should include only wages paid during that month.

Employee contributions* are equal to 3% and employer contributions are equal to a percentage of the member's gross monthly salary based on the member's membership class. The Florida Legislature requires all FRS-covered employers to use the uniform contribution rate system. Under this system, employer contributions are based on blended rates equal to a percentage of the total payroll for each FRS membership class or subclass regardless of which retirement plan a member elects. Therefore, employers pay the same rates for Investment Plan and Pension Plan members. (Refer to the "FRS Pension Plan Employer Handbook," Chapter 2, for information on retirement creditable wages and current contribution rates for each retirement class.) The blended rates are as follows:

Blended Contribution Rates

Membership Class	Paid by Employee	Paid by Employer				Total Paid by Employee and Employer
		Retirement Uniform Employer Contribution Rate	Retirement Unfunded Actuarial Liability	Administrative & Education	Health Insurance Subsidy	
Regular Class	3%	3.55%	0.49%	0.03%	1.11%	8.18%
Special Risk Class	3%	11.01%	2.75%	0.03%	1.11%	17.90%
Special Risk Administrative Support Class	3%	3.94%	0.83%	0.03%	1.11%	8.91%
Elected Officers' Class (Judges)	3%	10.02%	0.77%	0.03%	1.11%	14.93%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	6.51%	0.88%	0.03%	1.11%	11.53%
Elected Officers' Class (County and Local)	3%	8.36%	0.73%	0.03%	1.11%	13.23%
Senior Management Service Class	3%	4.84%	0.32%	0.03%	1.11%	9.30%
DROP	0%	4.33%	0%	0%	1.11%	5.44%

The total contribution made to an Investment Plan member's account is shown in the table on the next page. Note that the total amount contributed to the Investment Plan account is different than the total contribution rate shown in the above table.** For example, for a Regular Class member, the total Investment Plan contribution will equal 6.3% (the employee will contribute 3% and the employer will contribute 3.3%). The 3.3% Investment Plan employer contribution is funded solely by the blended contributions submitted by the employer.

Looking at the table above, for Regular Class members, the 3.55% retirement uniform employer contribution rate is calculated by an actuary. The actuary has determined that this "blended" rate is sufficient to pay the required rates for Regular Class members in the Pension Plan and the Investment Plan.

* Employee contributions, as required by Section 121.71(2), Florida Statutes, are treated for tax purposes as employer-paid employee contributions (commonly called an employer pick-up) under Internal Revenue Code Section 414(h)(2).

** New hires who elect the Investment Plan within their initial 5-month election period will receive blended contribution rates from their date of hire until their Investment Plan effective date. From the effective date forward, contributions will be paid at the FRS Investment Plan contribution rate.

The Investment Plan contribution rates are as follows:

Investment Plan Contribution Rates

Membership Class	Paid by Employee	Paid by Employer	Total Paid by Employee and Employer
Regular Class	3%	3.30%	6.30%
Special Risk Class	3%	11.00%	14.00%
Special Risk Administrative Support Class	3%	4.95%	7.95%
Elected Officers' Class (Judges)	3%	10.23%	13.23%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	6.38%	9.38%
Elected Officers' Class (County and Local)	3%	8.34%	11.34%
Senior Management Service Class	3%	4.67%	7.67%

Built into the retirement uniform employer contribution rate is a contribution that funds guaranteed monthly benefits for Investment Plan members who are totally and permanently disabled from all employment. If a member is approved for disability benefits, the entire Investment Plan account balance will be transferred to the Pension Plan. As stated above, these rates are built into the retirement uniform employer contribution rates and are not separately paid by employers. The disability rates are as follows:

Disability Benefit Funded by Employers

Membership Class	Disability Benefit Funded by Employer
Regular Class	0.25%
Special Risk Class	1.33%
Special Risk Administrative Support Class	0.45%
Elected Officers' Class (Judges)	0.73%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	0.41%
Elected Officers' Class (County and Local)	0.41%
Senior Management Service Class	0.26%

The Division balances the payrolls and transfers the data and contributions to Aon Hewitt for Investment Plan members. Payroll information for Investment Plan members is electronically transmitted to Aon Hewitt daily. Aon Hewitt posts contributions to member accounts within 2 business days of receipt of the information. However, the Division will not send the contributions until the employer pays any outstanding delinquent fee invoice. Contributions cannot be deposited in member accounts until the payroll files are updated. Therefore, the employer may have to reimburse the members' Investment Plan accounts for any lost investment earnings resulting from the delay.

Accumulated Benefit True-Up

The member's initial accumulated benefit transfer from the Pension Plan to the Investment Plan is calculated using available information regarding the member's age, salary, membership class, and years of service. If an agency did not report current information on the member, the accumulated benefit transfer amount may need to be adjusted (i.e., true-up). The true-up amount represents the difference in the estimated and the actual accumulated benefit calculation plus interest. Accumulated benefit true-ups can result in a negative or positive change. By law, the accumulated benefit true-up must be calculated within 60 days of the initial transfer. The Investment Plan member will receive a Confirmation of Benefit Transfer Adjustment letter informing the member about the adjustment.

Employee Rollover Deposits

An Investment Plan member, including former Investment Plan members (retirees), can deposit eligible rollover funds from other qualified plans into their Investment Plan account. If an employee asks about this option, please refer them to the MyFRS Financial Guidance Line (1-866-446-9377, Option 4) or the MyFRS website. The member must submit an Employee Rollover Deposit Form and appropriate documentation directly to Aon Hewitt. Upon receipt of the form and funds, Aon Hewitt will deposit the qualified rollover funds into the member's account in accordance with the member's requested investment allocation on the form. If the member fails to select an allocation on the form, the rollover will be deposited in the FRS Select Yield Plus Money Market Active Fund. The member can change fund allocations at any time after the initial rollover deposit at *MyFRS.com* or by calling the toll-free MyFRS Financial Guidance Line, Option 4. Rollover funds are segregated from other Investment Plan assets.

The Employee Rollover Deposit Instructions and Form are available by calling the MyFRS Financial Guidance Line, Option 4, or at *MyFRS.com* under "Resources," then "Forms."

Note: If an Investment Plan member had past membership in the State University System Optional Retirement Program, the State Community College System Optional Retirement Program, or the Senior Management Service Optional Annuity Program and transfers any of those funds into the member's Investment Plan account, the member will be considered a "retiree" the month following the transaction. As a retiree, the Investment Plan member will not be entitled to participate in the Special Risk Class or receive disability benefits. A retiree who is initially reemployed with an FRS-covered employer on or after July 1, 2010 is not eligible for FRS membership.

DROP Member Rollover Deposits

Pension Plan DROP members, including former DROP members, can roll eligible DROP funds into the FRS Investment Plan and have immediate access to these funds, even if they return to FRS-covered employment. This option allows DROP members to take advantage of the low-cost investment options offered under the Investment Plan. DROP members receive a flyer in their DROP termination kit provided by the Division of Retirement informing them of their ability to use the MyFRS Financial Guidance Program, as well as the rollover option. The member must submit a DROP Accumulation Direct Rollover Form for Current DROP Members directly to Aon Hewitt (former DROP members must submit a DROP Direct Rollover Form for Former DROP Members). Upon receipt of the form and funds, Aon Hewitt will deposit the DROP funds into the member's account in accordance with the member's requested investment allocation on the form. If the member fails to select an allocation on the form, the rollover will be deposited in the FRS Select Yield Plus Money Market Active Fund. Anytime after the initial rollover deposit, the member can change fund allocations at *MyFRS.com* or by calling the toll-free MyFRS Financial Guidance Line, Option 4.

DROP Rollover Forms are available by calling the MyFRS Financial Guidance Line, Option 4, or at *MyFRS.com* under "Resources," then "Forms."

Fund-to-Fund Transfer and Fund Reallocation

Investment Plan members can generally change their investment mix at any time by calling 1-866-446-9377, Option 4, or accessing their account at *MyFRS.com*. Changes may be subject to restrictions outlined in the “FRS Investment Plan Summary Plan Description (SPD).” The SPD is available by calling the Financial Guidance Line or by logging in at *MyFRS.com* and selecting “Resources,” then “Publications.”

Investment changes take effect at the close of business on the day the request is made, provided the request is completed by 4:00 p.m. ET (earlier on days the stock market closes early). If the request is completed after 4:00 p.m. ET or on a non-business day (weekends or holidays), the change will take effect on the next business day. Investment allocation changes to future contributions generally take effect with the next payroll submission.

Forfeited, Suspended, and Reinstated Account Balances

When an Investment Plan member terminates FRS employment, the portion of their account that is not vested is transferred to a suspense account 120 days following the date of termination. The suspense account is invested in the FRS Select U.S. Treasury Inflation-Protected Securities (TIPS) Index Fund. If the member requests a distribution of the vested portion of their Investment Plan account balance, the unvested balance and associated FRS service will be forfeited.

If a terminated Investment Plan member is reemployed in an FRS-covered position within 5 years of termination and has not taken a distribution of their vested account balance, the unvested balance held in suspense, plus earnings (the rate of return earned on the TIPS Index Fund), will be reinstated to the member’s Investment Plan account. If a terminated member is not reemployed in an FRS-covered position within 5 years of termination, the unvested balance and associated FRS service will be forfeited.

Chapter 7

Investment Choices and Financial Transactions

Investment Allocations

Once an Investment Plan member's account is activated, the member can change their current investment allocations and investment elections anytime by telephone or online, subject to certain restrictions set out in the "FRS Investment Plan Summary Plan Description." Fund allocation changes for existing balances will take effect at the close of business on the day the request was made, provided that the request was completed by 4:00 p.m. ET. If the request is completed after 4:00 p.m. ET or on a non-business day, the change will generally take effect at the close of business on the next business day on which the stock markets are open. Changes to the investment of future contributions, referred to as "investment elections," take effect the next time employee and employer contributions are deposited in the member's Investment Plan account.

Investment Fund Election Process

A new member can elect their initial investment fund choices when they first enroll.

- **Regular, Special Risk, and Special Risk Administrative Support Class employees can:**
 - Use the EZ Retirement Plan Enrollment Form and automatically direct all their account contributions and any money transferred from the Pension Plan to be deposited in the FRS Select Moderate Balanced Fund. Once their account is activated, they can change their investment fund allocation at any time.
 - Download, print, and complete the Retirement Plan Enrollment Form from *MyFRS.com*. The form allows the member to allocate their contributions and any money transferred from the Pension Plan among the available funds using whole percentages.
 - Enroll online or by telephone and allocate their contributions and any money transferred from the Pension Plan among the available funds using whole percentages.
- **All other employment classes** must use the enrollment form applicable to their class. These forms, which are available at *MyFRS.com*, allow the member to allocate their contributions and any money transferred from the Pension Plan among the available funds using whole percentages.

Members electing the FRS Pension Plan do not make investment elections.

Once a member is enrolled in the Investment Plan, the member can change their investment fund allocations online at *MyFRS.com* or by calling the MyFRS Financial Guidance Line, Option 4.

- Investment fund allocation elections must be made in 1% increments, totaling 100%.
- The member's fund allocation applies to all sources of funds in the Investment Plan account, including the current account balance, future contributions, rollovers, and Pension Plan transfers.
- If a member does not make an investment fund election, their fund allocation will default to the FRS Select Moderate Balanced Fund. (Future quarterly statements will remind the member to call the MyFRS Financial Guidance Line to obtain guidance on choosing the investment funds that best fit their needs and risk tolerance.)
- Investment Plan members can make investment fund allocation changes daily, subject to the Investment Plan Excessive Fund Trading Policy. (Continue reading for more information on this policy.)

Excessive Fund Trading Policy

The Excessive Fund Trading Policy was implemented to help protect Investment Plan members by preventing short-term excessive fund trading within all funds in the FRS Investment Plan except the FRS Select Yield Plus Money Market Fund (M10). Excessive fund trading occurs when members move money in and out of funds on a frequent basis for the purpose of short-term gains, and can have a negative impact on the funds involved. Excessive trading can increase a fund's trading costs which, in turn, increases costs to that fund's shareholders. It can also complicate a fund's portfolio management and reduce the fund's investment returns.

The Excessive Fund Trading Policy applies to all FRS Investment Plan members, including current members, previous members, members who have rolled over DROP funds into the Investment Plan, surviving beneficiaries, and other alternate payees. The Policy applies to transfers of money between funds. It does not, however, affect any administrative transaction, such as depositing employer or employee payroll contributions, processing a distribution, or any administrator-initiated transaction (e.g., processing a QDRO or mapping funds from terminated products, etc.), which are considered "exempt transactions."

Any member who violates the policy will be notified in writing that excessive trades have been identified in their account. The member may be required to conduct future trades by telephoning Aon Hewitt (the affected member will not be permitted to initiate trades via the Internet). If there are subsequent violations, the member may be required to conduct trades via paper trading forms mailed certified/return-receipt to the SBA.

Complete details on the Excessive Fund Trading Policy can be found in:

- The Excessive Fund Trading Policy, by going to *MyFRS.com* and clicking on "Investment Funds," then "Excessive Fund Trading Policy."
- Rule 19-11.004, Florida Administrative Code, by going to *MyFRS.com* and clicking on "Resources," then "Legislation, The Law & Public Record."
- The "FRS Investment Plan Summary Plan Description," by going to *MyFRS.com* and clicking on "Resources," then "Publications."

Distributions

Distribution Overview

To initiate a distribution, members must be terminated from all FRS-covered employment for 3 calendar months (a 1-month exception exists) and be vested in the Investment Plan (have 1 year of FRS service). Any benefit transferred from the Pension Plan to the member's Investment Plan account vests after 6 or 8 years of total service, depending on date of hire. Members are always fully vested in all of their own contributions, as long as they remain in their current plan. The terminated member's FRS employer must report the member's termination date to the Division of Retirement, and the member must meet all of the following criteria:

- Cannot be employed by another FRS agency,
- Cannot have pending employment with an FRS agency, and
- Cannot be working for any FRS agency in a temporary, part-time, or Other Personal Services (OPS) position.

Once an Investment Plan member **takes any distribution (including a rollover)**, they are considered retired by the FRS. This means the member will:

- Lose any non-vested account balance and associated service credit, and
- Lose any prior FRS Pension Plan service, as well as any associated past service credit the member may have earned.

If a member takes a distribution and later returns to FRS-covered employment prior to July 1, 2010, they will be eligible for future membership in the FRS; however, they will **not be entitled** to:

- Participate in the Special Risk Class,
- Participate in the FRS Pension Plan DROP, or
- Receive disability benefits from either plan.

Any member who considers these benefits important should think carefully before taking a distribution upon termination from FRS-covered employment (unless they are actually retiring and not planning to return to FRS employment in the future).

If a member returns to FRS-covered employment on or after July 1, 2010, they will not be eligible for future membership in the FRS.

A member's eligibility to continue their current health insurance coverage with their employer may be affected if a distribution is made from their Investment Plan account. Members are encouraged to contact their personnel office prior to taking a distribution from their Investment Plan account to verify their eligibility to continue this very important coverage.

A member cannot initiate a distribution from their Investment Plan account balance if there is an outstanding Qualified Domestic Relations Order (QDRO) or a Child Support Order (CSO) hold on the account. The member's account balance will be available for distribution once the QDRO or CSO has been satisfied and the account hold has been removed. Please refer any questions about a QDRO or CSO hold to Aon Hewitt.

Please note that a member can choose to keep their money in the Investment Plan after they terminate employment. However, if a member's account balance after termination is \$1,000 or less, it is considered to be a de minimis amount and could be subject to an automatic distribution (see "Automatic De Minimis Distribution" for further information). The member's account will be subject to a \$6 quarterly account maintenance fee plus any investment management fees that apply to the funds in the member's account.

Members can obtain a Special Tax Notice explaining the tax consequences of distributions by calling the MyFRS Financial Guidance Line, Option 4, or online at *MyFRS.com* under "Resources," then "Forms." If members have any questions concerning the tax consequences of taking a distribution, they should be referred to the MyFRS Financial Guidance Line, Option 1.

The FRS Investment Plan is a retirement plan and does not permit distributions by members due to hardships, unforeseeable emergencies, loans, medical expenses, educational expenses, the purchase of a principal residence, payments necessary to prevent eviction or foreclosure on a member's principal residence, or for any other reason prior to retirement.

Distribution Process

1. The employer reports the member's termination date on their monthly payroll file.

Before a member can initiate a distribution from the FRS Investment Plan, the member's FRS-covered employer must submit the termination date on the regular payroll file following the member's termination date. Any questions about reporting the termination date should be directed to the Division's Contributions Section at 1-877-377-1266 or 850-488-6011.

If the employer fails to report the member's termination date by the 3rd calendar month following the member's date of termination, the member must obtain written certification of their termination from the employer by completing an Employment Termination Form (ETF). The ETF is available at *MyFRS.com* under "Resources," then "Forms." The form must be signed by the member and the employer's designated retirement coordinator on file with the FRS, or an authorized staff member on file with Aon Hewitt. The ETF should be sent by the employer to Aon Hewitt via U.S. mail or fax (Aon Hewitt's contact information is located on the form).

Please note that Aon Hewitt will accept the ETF **only if** the following two conditions have been met:

1. The employer has not reported the termination date on the agency’s regular payroll file, and
2. A total of 3 calendar months have passed since the member’s date of termination. (Note that there is an exception for members who meet the normal retirement requirements for the FRS Pension Plan. The earliest a distribution can be made is the 1st of the month following compliance with the termination requirements.)

2. The Division of Retirement sends the member’s termination date to Aon Hewitt via the daily contribution file.

3. Aon Hewitt sends the terminated member a “MyFRS Termination Kit.”

Upon being notified that a member has terminated employment, Aon Hewitt sends the member the “MyFRS Termination Kit.” The kit includes information on the requirements for taking a distribution, distribution options, taxes, de minimis distributions, required minimum distributions, name and address changes, the Health Insurance Subsidy, reemployment after retirement, and a Special Tax Notice. The kit is also available by going to *MyFRS.com* and clicking on “Resources,” then “Publications.”

4. The member initiates their distribution.

An Investment Plan member can initiate a distribution from their Investment Plan account by calling the MyFRS Financial Guidance Line, Option 4, and speaking with an Aon Hewitt representative (or online at *MyFRS.com* under “Manage Investments”). Rollovers to another qualified plan can be made by speaking with an Aon Hewitt representative or online at *MyFRS.com*. Rollovers cannot be processed via rollover forms submitted to Aon Hewitt by the member or the receiving institution. Members who speak with an Aon Hewitt representative will need their PIN to initiate a distribution from their Investment Plan account.

Waiting Period: The earliest date a member can initiate a distribution is the 1st of the month following a waiting period of 3 calendar months from their month of termination. For example, if a member terminates on July 15th, the member must be off all FRS-covered payrolls for the months of August, September, and October; the member can then request a distribution on November 1st or after. This waiting period allows the payroll file to be processed and the Division to post contributions and termination dates. Payroll files usually post by the 15th of each month unless there is an error that delays the posting of contributions and termination dates.

If a member meets the Investment Plan normal retirement requirements,* the member may be able to withdraw up to 10% of their Investment Plan account balance 1 calendar month following their month of termination. They can withdraw the remainder of their account after an additional 2 months.

* “Normal retirement” for FRS Investment Plan members is the later of either the date the member attains normal retirement under the provisions of the Pension Plan or the date the member is vested under the Investment Plan. The following chart spells out when a member achieves normal retirement depending on their class of membership and first date of hire:

	All Classes of Membership (except Special Risk)			Special Risk			
Hired prior to 7/1/11	Age 62 or older and 1 or more years of Investment Plan service	Age 62 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 30 or more years of service	Age 55 or older and 1 or more years of Investment Plan service	Age 55 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 52 or older and 25 or more years of Special Risk and military service	Any age and 25 or more years of Special Risk service
Hired after 7/1/11	Age 65 or older and 1 or more years of Investment Plan service	Age 65 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 33 or more years of service	Age 60 or older and 1 or more years of Investment Plan service	Age 60 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 57 or older and 30 or more years of Special Risk and military service	Any age and 30 or more years of Special Risk service

Aon Hewitt Processes the Distribution

Distributions are withdrawn from the Investment Plan account equally across all of the member's sources and investment funds. If a member requests a specific dollar amount distribution and their account balance is less than the requested amount due to market fluctuations, Aon Hewitt will not process the distribution request.

A member can request that a distribution be paid by ACH/direct deposit or via a check made payable to the member (unless the member requests a rollover distribution). The check will be mailed to the member's address of record. Aon Hewitt will verify the member's address of record prior to mailing the member's distribution check. If the member has requested a rollover, the check will be made payable to the receiving plan or institution, for the benefit of the member. Some participating rollover institutions provide the opportunity to have the distribution paid via ACH/direct deposit; members will be informed if their institution supports this option when the distribution is processed. In addition, members can choose to have the rollover check mailed either directly to the institution or to their address of record.

It is the member's responsibility to make sure their correct address is on file with Aon Hewitt. They can either make the address change online at *MyFRS.com* or by calling Aon Hewitt at 1-866-446-9377, Option 4. For the member's security, a confirmation statement will be mailed within 2 business days to both the member's current address on file and the new address provided.

Distribution Options

Members with vested account balances can request a distribution, as long as they have met all previously stated criteria. The distribution options are explained below. Members who would like more information about the options can call the MyFRS Financial Guidance Line, Option 1, and speak with an unbiased financial planner.

Additional distribution information can be found in the publication "MyFRS Termination Kit," which is automatically sent to the member by Aon Hewitt when Aon Hewitt is notified of a member's termination date. It is also available by going to *MyFRS.com* and clicking on "Resources," then "Publications."

Full or Partial Lump-Sum Distribution

Members can take a full or partial lump-sum distribution of their account balance and have it paid directly to them. Any amounts eligible for rollover but paid directly to the member will have a mandatory 20% federal income tax withheld from the distribution (exceptions apply). If a member is under age 59½ when the distribution is received, there may be an additional 10% federal tax penalty on the taxable portion of the distribution. If the member's account is subject to the additional 10% penalty, it will be the member's responsibility to pay the penalty when filing their tax return. The 10% tax penalty may not apply if the member meets one of the exceptions permitted under the Internal Revenue Code, such as death, total and permanent disability, separation from service in the year the member turned age 55 or older, or distribution according to a Qualified Domestic Relations Order (QDRO). The penalty also may not apply to distributions made as part of a series of substantially equal, periodic payments (at least annual) throughout the member's life or life expectancy or the joint lives or joint life expectancies of the member and the member's beneficiary if the payment begins after the member separated from service.

Rollover Distribution

Members can roll over their full account balance to an IRA, Roth IRA, 401(k), 403(b), 457, or other qualified plan. Rollovers are not subject to federal withholding. It is the responsibility of the member to ensure that the receiving institution will accept the rollover; otherwise, the transaction can become taxable. Some participating rollover institutions provide the opportunity to have the distribution paid via ACH/direct deposit; members will be informed if their institution supports this option when the distribution is processed. In addition, members can choose to have the rollover check mailed directly to the institution or to their address of record.

Systematic or Periodic Withdrawals

Members can elect to receive monthly, quarterly, semiannual, or annual installment payments. All installments are processed on the last business day of the month or year, as applicable, and mailed 2 days later to the member's address of record.

Required Minimum Distributions — Age 70½

Members who turn age 70½ may be subject to a federally mandated required minimum distribution (RMD). Aon Hewitt will notify inactive members by letter when they become eligible for an RMD. If a member is actively employed with an FRS-covered employer, the member is not required to take a distribution. However, if the member terminates employment during the calendar year in which they turn 70½, an RMD may need to be processed. A member who receives an RMD will not be considered a retiree nor will the member lose any unvested service credit. However, if a member requests distributions that exceed the RMD, the member will be considered retired from the FRS Investment Plan. If a member has any questions about RMDs, they should call the MyFRS Financial Guidance Line, Option 1, and speak with an Ernst & Young financial planner.

Automatic De Minimis Distribution

If a member's account balance after termination is \$1,000 or less, it is considered to be a de minimis amount and could be subject to an automatic distribution. No distribution will be made, however, until the member has been terminated from all employment with FRS-covered employers for at least 6 calendar months. A de minimis distribution will either be a complete lump-sum distribution of the account, subject to the provisions of the Internal Revenue Code, or a lump-sum direct rollover distribution paid directly to the custodian of an eligible retirement plan on behalf of the member. If the member returns to FRS-covered employment after receiving an automatic de minimis distribution, the member is not considered a reemployed retiree and will not be subject to the limitations applicable to such members. If a member receives a de minimis distribution and returns to FRS-covered employment in the future, they will be placed back in the FRS Investment Plan and earn additional service credit.

Annuity Payments — Hartford Annuity Options

The FRS Investment Plan offers a number of fixed and variable annuity options through the Hartford Life Insurance Company.

Annuity Payout Options

The various annuity options offered in the FRS Investment Plan are described below:

Option 1 — Life

This option provides payments for as long as the member lives. There is no guaranteed minimum number of payments and no provision for a death benefit to any beneficiary. It is possible under this option for an annuitant to receive only one annuity payment.

Option 2 — Fixed Period and Life

This option provides payments for as long as the member lives. However, if the member dies within a specified period of time (e.g., 5, 10, 15, or 20 years), the beneficiary will receive any remaining payments during the chosen period certain. If the member dies after the chosen period ends, no death benefit is payable.

Option 3 — Fixed Period

If the member does not want lifetime payments, they can receive periodic payouts for a designated period of their choice (e.g., 5, 10, 15, or 20 years). If the member dies before the end of the chosen period, the designated beneficiary will receive any remaining payments. Payments stop at the end of the chosen period. This option does not guarantee lifetime payments.

Option 4 — Cash Refund

With this option, the member receives payments for as long as the member lives. If the member dies before the account balance used to purchase the annuity has been depleted, the remainder of the balance will be paid to the beneficiary.

Option 5 — Joint and Last Survivor

This option provides payments for the lifetime of two people — the annuitant (member) and a joint annuitant (typically the spouse). Unless the member chooses to have the survivor benefits paid at the same level (100%), the amount of the survivor benefit payment will be reduced upon the earlier of the first annuitant's death, based on the percentage that the member chose. The reduced payment to the survivor will equal a percentage (e.g., 50%, 66²/₃%, or 75%) of the initial benefit. Regardless of who dies first, the survivor will receive a reduced benefit. All benefit payments will stop upon the deaths of both annuitants.

Option 6 — Joint and Last Survivor With Fixed Period

This option works like a Joint and Last Survivor (Option 5), with some additional benefits. If the member or the joint annuitant dies during the fixed period (e.g., 5, 10, 15, or 20 years), full payments continue to the survivor until the end of the fixed period. Thereafter, payments to the survivor will continue based on the continuation percentage the member chose (e.g., 50%, 66²/₃%, 75%, or 100%). If both the member and the joint annuitant die before the end of the fixed period, the designated beneficiary will receive the full payments for the remainder of the fixed period.

Option 7 — Joint and Last Survivor With Cash Refund

This option works like a Joint and Last Survivor (Option 5), except when the member and the joint annuitant both die before the amount of the member's premium is paid to the member. In that case, the beneficiary receives the remainder in one lump sum.

A joint annuitant is a second person (typically a spouse) who is entitled to a lifetime annuity benefit if he or she outlives the primary annuitant. Since a joint annuitant's benefit is a lifetime entitlement, the joint annuitant cannot be changed once benefit payments begin.

Delayed-Start Annuities

The member can elect to have distributions begin within 90 days from the date the annuity option is quoted. The member can elect options 1, 4, 5, or 7 to start at a later date (i.e., delayed start). For options 1 and 5, if payable at a later date, there will be no payments from the annuity if the member and, if applicable, the joint annuitant die before the payment start date.

Additional Information Regarding Investment Plan Annuity Options

There are no health or medical underwriting requirements for the purchase of an annuity. Any Investment Plan member with an account balance of \$5,000 or more can purchase an annuity.

Annuities issued to FRS Investment Plan members are guaranteed by Hartford Life Insurance Company's claims-paying ability. Hartford Life Insurance Company has received consistently high ratings from top independent rating agencies for its claims-paying ability and financial strength.

Fixed annuities are subject to state guarantee association coverage. That coverage is generally dictated by the member's state of residence and can vary significantly. For example, under Florida law, the state association would guarantee up to \$100,000 in cash values or \$300,000 for all benefits including cash values. The limit applies to all coverages on a single individual.

Any variable annuity a member may buy is supported by a Hartford Life separate account. Assets in a separate account can be used only to support the benefits payable from the account. They are not available to pay general account policyholder claims or other Hartford Life creditors.

Distribution Information

Members can call the MyFRS Financial Guidance Line, Option 2, to discuss their retirement and distribution options with an unbiased Ernst & Young financial planner. The Ernst & Young financial planner will assist the member in evaluating the various retirement income options (Annuity, Lump Sum, Systematic Withdrawals, Rollover).

For a member interested in the annuity option, an Ernst & Young financial planner will run the Investment Plan annuity quotes using Hartford's online tool and will send the quote(s) and Election Form/Package to the member to review.

Once the member decides on an annuity option (either full or partial), the member will need to submit the necessary forms for processing (signed election form and either individual quote sheet or Quote Results Page with the option circled) to:

FRS Investment Plan
P.O. Box 785027
Orlando, FL 32878-5027

Invalid Distributions

If a member receives an invalid distribution from their Investment Plan account (e.g., due to an overpayment, an invalid Investment Plan election, violation of the reemployment-after-retirement provisions, etc.), the member will be required to repay the amount received to the Investment Plan within 90 days. Failure to do so could result in the member being declared retired from the Investment Plan in accordance with the Florida Statutes and all applicable rules or, at the option of the Plan administrator, administrative or legal action. Under certain conditions, employers may be held jointly liable for invalid distributions.

Chapter 8

Member Statements

Aon Hewitt is responsible for preparing and mailing the Quarterly Investment Plan Statement. The statements are mailed to the member's address of record approximately 25 business days after the quarter ends. Investment Plan members can also review and download their statements at *MyFRS.com* by selecting "Manage Investments."

The employer is responsible for submitting current active member address updates on the monthly payroll report. Aon Hewitt is responsible for maintaining the address of record for terminated Investment Plan members who have Investment Plan account balances.

Chapter 9

Compliance

Limit Monitoring

Aon Hewitt performs Section 415 limit testing for the Investment Plan on a semiannual basis. No refunds are processed from the Investment Plan. If a member exceeds the Section 415 limit in any calendar year, a refund must be taken from the member's other qualified plans.

Aon Hewitt must receive accurate, up-to-date reports from employers in order to properly monitor contribution limits across all eligible employer-sponsored plans in which the member participates.

Aon Hewitt will notify the employer when a member appears to be reaching the allowable limits under the Internal Revenue Code.

Please refer to the “FRS Pension Plan Employer Handbook, Chapter 3,” for the monthly payroll-reporting format for limit monitoring.

Aon Hewitt can only perform limit calculations based on the data it receives from employers. Aon Hewitt and the Division do not audit this data in any way. Aon Hewitt may not be able to tell if a member exceeds the limit if Aon Hewitt does not receive data from all of the qualified plans a member has contributed to during the year.

A contribution amount related to non-Investment Plan accounts and found to exceed the contribution limits will not be refunded from the FRS Investment Plan and must be taken from the member's other accounts.

Revised July 2012

This publication is a summary of the retirement options available to FRS-covered employees written in non-technical terms. It is not intended to include every program detail. Complete details can be found in the respective Summary Plan Descriptions; Chapter 121, Florida Statutes; and the rules of the State Board of Administration of Florida in Title 19, Florida Administrative Code. In case of a conflict between the information in this publication and the statutes and rules, the provisions of the statutes and rules will control.

