# 2011 Legislative Changes FRS Employer Workshop













#### Welcome

- Introductions
- State Board of Administration
  - Walter Kelleher, Director of Educational Services
- Division of Retirement
  - Hobart Lawrance, Benefits Administrator





#### **Agenda**

- Legislation Summary
- Questions
- Wrap Up



# FRS EMPLOYER WORKSHOP 2011 LEGISLATION CHANGES

June 13, 2011

#### **2011 Legislation Changes**

- Significant changes starting **July 1, 2011** impacting:
- FRS employers;
- Current members; and
- New members initially enrolled in the FRS on or after July 1, 2011.

#### 3 % EMPLOYEE CONTRIBUTIONS

- Members of the FRS Pension Plan and Investment Plan and participants of the State University System Optional Retirement Program, the Senior Management Service Optional Annuity Program, and the State Community College Optional Retirement Program must contribute 3% of gross compensation toward their retirement benefit.
- Members participating in the DROP and reemployed retirees without renewed membership <u>do not pay</u> employee contributions.

#### EMPLOYEE CONTRIBUTIONS PAYROLL DEDUCTED

#### Pre-tax from federal income tax:

- FRS Pension Plan
- FRS Investment Plan
- State Community College Optional Retirement Program
- State University System Optional Retirement Program
- Senior Management Service Optional Annuity Program

#### Post-tax

- Teachers' Retirement System
- State and County Officers and Employees' Retirement System.

#### REFUND OF REQUIRED EMPLOYEE CONTRIBUTIONS

Employees must remain off all employment with FRS employers for 3 calendar months to be eligible:

- FRS Pension Plan Refund results in loss of service credit. Employer contributions are not refundable.
- FRS Investment Plan Before vesting, a refund of employee contributions results in the member being retired and forfeiting employer contributions. After vesting, any distribution requested by the member results in the member being retired.
- SUSORP, SCCORP, and SMSOAP A distribution requested by the participant that includes required employee contribution will result in the participant being retired.

#### **BENEFICIARY DESIGNATION**

Encourage all employees to verify, update or make their beneficiary designations:

- FRS Pension Plan, State and County Officers and Employees'
   Retirement System and Teachers' Retirement System Members
  - Members log into their Online Services from the Division's website (<a href="http://frs.MyFlorida.com">http://frs.MyFlorida.com</a>) to make an electronic beneficiary designation or submit Form BEN-001 to the Division.
- Investment Plan Members
  - Log into MyFRS.com (<u>www.MyFRS.com</u>) to make an electronic beneficiary designation or submit Form IP-BEN-01 to the FRS Investment Plan administrator.
- SUSORP, SCCORP and SMSOAP Participants
  - Contact investment provider company(ies).

#### FRS EMPLOYER CONTRIBUTIONS

Total employer contribution rates beginning July 1, 2011, include:

- Retirement contribution
- Unfunded Actuarial Liability contribution
- Health Insurance Subsidy (HIS) contribution
- Administrative/educational fee

#### REPORT EMPLOYER UAL CONTRIBUTIONS FOR:

- Re-employed retirees not eligible for renewed membership; and
- Participants of the State Community College Optional Retirement Program, the State University System Optional Retirement Program and the Senior Management Service Optional Annuity Program; and
- Elected Officials with delayed termination after DROP participation ends.

#### **DELINQUENT FEES**

- Employers must report members under the correct plan code using the correct employer and employee contribution rates. Corrections to reported plan codes, prior period adjustments and workers' compensation will result in delinquent fees.
- Effective July 1, 2011, these delinquent fees cannot be waived.

Delinquent fees apply if your retirement report is not received by the 5<sup>th</sup> working day of the following month (either the contributions owed or the monthly detail).

One waiver of a delinquent fee for a late report <u>may</u> be granted per plan year (July – June) due to extraordinary circumstances beyond the employer's control.

The request for a waiver should be sent to:

Bureau of Financial Management Services

Attention: Retirement

4050 Esplanade Way STE 270

Tallahassee, Florida 32399-0950

For more information call Robyn Battles at (850) 414-6336.

#### **WORKERS' COMPENSATION**

- For eligible periods of workers' compensation reported using work period code 88:
  - Employer pays employee and employer contributions.

### WORKERS' COMPENSATION REPORTING EXAMPLES

Sample report for a Regular Class member who received workers' compensation rather than his/her normal salary of \$1,500 in July - August 2011. In the September report:

AGY	SSN	CK DATE	NAME	PLAN	WP	WAGES	EMPLOYEE CONT	EMPLOYER CONT
47123	XXXXXXXX	072011	Smith, John	НА	88	1500.00	0.00	118.65
47123	XXXXXXXX	082011	Smith, John	НА	88	1500.00	0.00	118.65

Sample report for a Regular Class member with a normal salary of \$1,500, who received partial salary payments of \$500 in July - August 2011. In the September report:

AGY	SSN	CK DATE	NAME	PLAN	WP	WAGES	EMPLOYEE CONT	EMPLOYER CONT
47123	XXXXXXXX	072011	Smith, John	НА	88	1000.00	0.00	79.10
47123	XXXXXXXX	082011	Smith, John	HA	88	1000.00	0.00	79.10

#### REINSTATEMENTS

- Employee pays employee contributions.
- Employer pays employer contributions plus interest on both employee and employer contributions.

### CHANGES IMPACTING CURRENT MEMBERS ON OR AFTER JULY 1, 2011

- Required employee contributions of 3%.
- Annual interest changes from 6.5% to 1.3% for DROP participation beginning on or after July 1, 2011.
- Cost-of-living adjustment (COLA) reduced from 3% for retirements and DROP participation effective on or after August 1, 2011, when work is performed in July 2011 or later.

# CHANGES IMPACTING PENSION PLAN MEMBERS INITIALLY ENROLLED IN THE PENSION PLAN ON OR AFTER JULY 1, 2011

- Vesting 8 years of service.
- Average Final Compensation (AFC) Highest 8 fiscal years salaries.
- Normal Retirement date Age 60 and vested or after 30 years of service regardless of age for Special Risk Class members; age 65 and vested or after 33 years of service regardless of age for all other membership classes.

Accurate reporting of the date of hire in a regularly established position impacts the determination of the employee's benefit eligibility.

#### **EMPLOYER REPORTING QUESTIONS**

#### **CONTACT:**

Contributions Section – Monthly Report Requirements

(877) 377-3675 (toll free)

(850) 488-6011 (local)

contributions@dms.MyFlorida.com

Enrollment Section – Enrolling Members and Agencies and Beneficiary Changes Before Retirement

(877) 377-1266 (toll free)

(850) 488-8837 (local)

enrollment@dms.MyFlorida.com

Website:

http://frs.myflorida.com

### FRS PENSION PLAN MEMBER ACCOUNT AND BENEFIT CALCULATION QUESTIONS

#### **CONTACT:**

**Bureau of Retirement Calculations** 

(888) 738-2252 (toll free)

(850) 488-6491 (local)

calculations@dms.MyFlorida.com

#### Website:

http://frs.myflorida.com



#### Wrap Up

- Investment Plan call Financial Guidance Line
- MyFRS.com
  - FAQs
  - Take-home Pay Calculator
    - Ernst & Young can assist with budgeting
- Notice to Employees
  - Summary mailing to Investment Plan, Pension Plan, and SUSORP members mid/late June
- Investment Plan Employee Newsletter
- Employer Newsletter





#### Wrap Up

- Publications Posted Online
  - New Hire Kit available for July new hires
  - Orientation Brochure
  - SUSORP
  - 2<sup>nd</sup> Election
- New Hire Video
  - Posted online by July 1
  - Copies available in July
- Workshop Recorded
- Complete Evaluation



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