



FRS EMPLOYER Newsletter

YOUR Money YOUR Choice

Volume 10 • Issue 2 • July 2011

Legislative Update 1

FRS Workshop Information 6

New Hire Enrollment Deadlines 8

Resources 8

Legislative Update

The Florida Legislature completed its 2011 session and passed Senate Bill 2100 (Chapter 2011-68, Laws of Florida), making substantive changes to the Florida Retirement System (FRS). The bill was signed into law by Governor Rick Scott and is effective July 1, 2011. Additional information can be found by choosing “2011 Retirement Legislation” in the Alerts & Hot Topics box on the *MyFRS.com* home page.

Applicable to All FRS Members

Employee Contributions

The law requires all FRS Investment Plan and Pension Plan members (except those in DROP) to make 3% employee contributions on a pretax basis. This change will require both members and employers to pay the retirement contributions needed to fund a member’s retirement benefits, as shown in the following table. As an employer, you will deduct this amount from the member’s gross salary each payroll beginning in July 2011.

Membership Class	Paid by Employee	Paid by Employer			Total Paid by Employee and Employer
	Retirement	Retirement	Administrative & Education	Health Insurance Subsidy	
Regular Class	3%	3.77%	0.03%	1.11%	7.91%
Special Risk Class	3%	12.96%	0.03%	1.11%	17.10%
Special Risk Administrative Support Class	3%	4.90%	0.03%	1.11%	9.04%
Elected Officers’ Class (Judges)	3%	10.55%	0.03%	1.11%	14.69%
Elected Officers’ Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	7.90%	0.03%	1.11%	12.04%
Elected Officers’ Class (County and Local)	3%	10.00%	0.03%	1.11%	14.14%
Senior Management Service Class	3%	5.13%	0.03%	1.11%	9.27%
DROP	0%	3.31%	0%	1.11%	4.42%

Note: The total contribution to Investment Plan member accounts has not changed (i.e., 9% for Regular Class, 20% for Special Risk Class, etc.); however, the member will pay 3% of the total contribution and the employer will pay the remainder.

Continues on next page



Alerts & Hot Topics

The Alerts & Hot Topics section is your best source for important information and breaking news affecting the Florida Retirement System. Located on the left-hand side of the *MyFRS.com* home page, it contains links to legislation and other items of interest. Check back often for updates.

The table below shows an example of how required pretax employee contributions will affect a member's take-home pay. Members can determine how the employee contribution will impact their take-home pay by visiting *MyFRS.com* and clicking on "Take-home Pay Calculator" in the Alerts & Hot Topics box.

		Paycheck With No FRS Employee Contribution	Paycheck With 3% FRS Employee Contribution
Gross Monthly Pay		\$2,500.00	\$2,500.00
Before Tax	Health/Flexible Spending Account	(\$50.00)	(\$50.00)
	Deferred Compensation Account	(\$100.00)	(\$100.00)
	FRS Employee Contributions	\$0.00	(\$75.00)
Taxable Income		\$2,350.00	\$2,275.00
Taxes	Social Security 4.2%	(\$102.90)	(\$102.90)
	Medicare 1.45%	(\$35.53)	(\$35.53)
	Federal Withholding	(\$244.58)	(\$233.33)
Take-Home Pay		\$1,966.99	\$1,903.24

These examples assume the member is single earning \$2,500 monthly, one exemption, makes monthly pretax contributions of \$50 to a health care flexible spending account and \$100 to a deferred compensation account. These examples are for illustrative purposes only. A member's take-home pay will depend upon their actual gross monthly pay, tax rate, and deductions.

Important Note: Because the contribution is deducted from a member's pay on a pretax basis, their take-home pay is reduced by less than the full 3%. As a result, more money goes into the member's retirement plan than comes out of their paycheck. So, for an FRS member whose employee contribution is \$75.00, as in the example shown above, the net impact on their take-home pay may be \$63.75.

Vesting of Employee Contributions – Members are always fully vested in their own contributions. This means that if a member terminates FRS-covered employment prior to meeting their plan's vesting requirements, they will be entitled to a refund of their own contributions (3 calendar months after termination). However, taking such a refund may not be a sound financial decision because:

- Investment Plan members who take a refund will forfeit any unvested employer contributions and service credit associated with their service and be declared a retiree. As a retiree, the member will not be permitted to participate in the FRS if he is reemployed by any FRS employer in the future.
- Pension Plan members who take a refund will have to return to FRS-covered employment and earn one year of service credit to be able to purchase the refunded service and restore all service associated with the refund.

Continues on next page



Additional Information About Employee Contributions – Please note the following regarding required employee contributions:

- DROP participants are not required to pay the 3% contribution.
- Reemployed retirees who are not eligible for renewed FRS membership are not required to pay the 3% contribution.
- The salary used to calculate the Pension Plan's Average Final Compensation has not changed; gross salary is still used.

If a member needs assistance in determining their estimated take-home pay, you should direct them to use either the online Take-home Pay Calculator or to ask an Ernst & Young financial planner to determine the amount. An Ernst & Young financial planner can also assist the member in budgeting for this new expense. Ernst & Young planners are available to members through the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

The Division of Retirement will provide you with details and support regarding payroll deductions and reporting. If you have any questions, call the Division's Contributions Section toll-free at 1-877-377-1266.

Applicable to All FRS Pension Plan Members

DROP Interest Rate Reduced

The law changes the Pension Plan's Deferred Retirement Option Program (DROP) interest rate from 6.5% to 1.3% per year for any member whose DROP participation date is effective on or after July 1, 2011. DROP participants whose DROP effective date is prior to July 1, 2011 retain the 6.5% interest rate for their entire DROP period.

Cost of Living Adjustment (COLA) Reduced

There will be no Pension Plan COLA on FRS service earned on or after July 1, 2011. A reduced COLA will be calculated if a Pension Plan member's retirement or DROP participation date is effective on or after August 1, 2011. The reduced COLA will be calculated by taking the total years of service earned prior to July 1, 2011 and dividing it by the total years of service at retirement, then multiplying it by 3%.

For example, a member who retires effective July 1, 2012 with 30 years of service (29 years earned before July 1, 2011) will receive a 2.9% COLA each July: $29 \div 30 = .9667 \times 3\% = 2.9\%$.

Continues on next page

Members' Social Security Numbers

All Investment Plan members are notified of the following in every quarterly Investment Plan Newsletter:

- FRS Investment Plan member records are filed according to the member's Social Security number. The State Board of Administration of Florida (SBA) collects member Social Security numbers because it is imperative for the SBA to have the ability to identify Investment Plan members properly and definitively.

Because all FRS member records are filed by Social Security number, please be sure to enter your employees' Social Security numbers accurately on the monthly retirement payroll report. The number entered must be identical to the number on the employee's Social Security I.D. Card. Incorrect numbers can delay election processing, and affect the accuracy of service credit, and salary history.



Notes

Applicable to New FRS Pension Plan Members

The following changes are applicable only to new Pension Plan members enrolling in the FRS for the first time on or after July 1, 2011.

Vesting

The law changes the Pension Plan’s vesting requirement (member’s right to a benefit) from 6 years to 8 years. If the member uses their available 2nd Election and transfers from the Pension Plan to the Investment Plan, the present value of their Pension Plan benefit will vest after they complete 8 years of service. Current members with previous FRS service credit (regardless of whether they were actively employed when the law changed) retain 6-year vesting. The Investment Plan’s 1-year vesting requirement has not changed.

Average Final Compensation (AFC)

The law changes the Pension Plan’s AFC calculation (used in calculating retirement benefits) from the average of the 5 highest fiscal years of salary to the 8 highest fiscal years of salary. Current members with previous FRS service credit (regardless of whether they were actively employed when the law changed) retain a 5-year AFC.

Normal Retirement Date

The law changes the Pension Plan’s normal retirement date, as follows:

- **Regular, Senior Management Service, Elected Officers’, and Special Risk Administrative Support Classes** – Age 65 with 8 years of service or 33 years of service regardless of age.
- **Special Risk Class** – Age 60 with 8 years of Special Risk Class service, or 30 years of Special Risk Class service regardless of age, or age 57 with 30 years of combined Special Risk Class service and military service.

Current members with previous FRS service credit retain the current normal retirement provisions (e.g., all classes of membership – age 62 with 6 years of service or 30 years regardless of age; and Special Risk Class – age 55 with 6 years of Special Risk Class service, or 25 years of Special Risk Class service regardless of age, or age 52 with 25 years of combined Special Risk Class service and military service).

Continues on next page



Changes Proposed but Not Enacted

A number of other FRS changes were proposed but ultimately did not become law. Therefore:

- There were no changes to the reemployment after retirement provisions.
- Renewed membership in the FRS for retirees remains closed.
- The Pension Plan remains open to new members.
- All members continue to have a 2nd Election available to switch plans. However, members should remember the following:
 - Investment Plan members must buy into the Pension Plan and the cost could be unaffordable.
 - Pension Plan members will not vest in any money transferred to the Investment Plan until they have 6 years of service (8 years if a new employee). If the member terminates employment prior to vesting, the amount transferred from the Pension Plan may be forfeited.
- The Investment Plan's 1-year vesting requirement has not changed.
- No changes were made to the Health Insurance Subsidy.
- No changes for current Pension Plan retirees.

Keep Employees' Names and Addresses Current

Please encourage your employees to report any changes to their name or mailing address to ensure they continue to receive important information from you and the FRS.

- **Active FRS Pension Plan or Investment Plan members.** Information is updated in the FRS database after you submit your agency's monthly payroll report.
- **Inactive or retired Investment Plan members:**
 - Can make an address change online (name changes cannot be made online). Details about how this can be done are found on the *MyFRS.com* home page by clicking the "?" graphic, then "Knowledge Base," then entering "address change" in the search box.
 - Can request a name change form by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377 and selecting Option 4 for Aon Hewitt. Members will need to complete and sign the form, and mail it (P.O. Box 785027, Orlando, FL 32878-5027) or fax it (1-888-310-5559) to Aon Hewitt along with any required supporting documentation.
 - Instead of a name change form, members can mail (P.O. Box 785027, Orlando, FL 32878-5027) or fax (1-888-310-5559) a letter to Aon Hewitt. The letter must 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 member's new name.
- **Inactive or retired Pension Plan members.** Inactive members should contact the Division of Retirement's Calculations Section toll-free at 1-888-738-2252 (or 1-850-488-6491). Retired members should contact the Division's Retired Payroll Section toll-free at 1-888-377-7687 (or 1-850-488-4742).



Receive Notification About FRS Financial Planning Workshops in Your Area

Do you want to know when FRS Workshops are being held in your area so you can share this information with your employees? If so, please send an email with your name, FRS agency name, email address, and ZIP code to ey.planner@ey.com. Please note that you will be notified only about those workshops that are open to the public (some workshops are closed because they are held in secure locations like correctional facilities, etc.).

Register for FRS Financial Planning Workshops Online

Employees and employers can now sign up for workshops by registering online. (Telephone registration is still available). This enhancement, which was suggested by an FRS member, may make the registration process quicker and simpler. To register online, go to MyFRS.com's workshop page by selecting the workshop icon (shown at right) on the home page, then choosing to register online (see screenshot below).



Workshop Icon

MyFRS
Florida Retirement System

Workshops
Free
for FRS Members

Take Advantage of Free Financial Planning Workshops!

Conducted by experienced financial planners from **Ernst & Young**, our workshops consistently receive 5 1/2 stars out of 6. Plus, 99% of those who have attended say they would recommend the workshop to others.

In addition to conducting workshops at a location near you, we also offer a set of workshops live via the internet four times a year. Click here for the [2011 schedule](#).

[Click here](#) to be notified about upcoming workshops in your area.

Current Workshops Include:

Click on each workshop title for a detailed description:

- [Using the FRS to Plan for Your Retirement](#)
- [Nearing Retirement in the FRS](#)
- [Estate Planning: Protecting Your Family](#)
- [Investment Planning for Everyone - The Basics](#)
- [Investment Planning for Everyone - The Details](#)
- [New Employee Retirement Plan Choice Workshops](#)
- [Cash and Debt Management: Smart Spending and Saving for Retirement](#)
- [Education Planning: Funding the Future](#)
- [Estate Planning: Caring for Your Loved Ones](#)
- [Insurance Planning: Protecting Your Loved Ones](#)
- [Income Tax Planning: Smart Planning for Your Taxes](#)

USING THE FRS TO PLAN FOR YOUR RETIREMENT 90 min

This 90-minute retirement planning workshop provides an overview of the FRS and helps you understand the nuts and bolts of planning for your retirement. The workshop will demonstrate

Workshop

Find a Workshop Near You

View our [Workshop Calendar](#) to find the date, time and locations of workshops currently being offered at a location near you. This schedule is updated weekly, so keep checking the site for schedule updates!

Sign up today!
Click [here](#) to register online
Or call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2; TRS 711

Meet Ernst & Young's Workshop Presenters

Learn more about Ernst & Young's experienced workshop presenters

Your colleagues are saying:

"This was an excellent



Upcoming Employee Workshop Webcasts

The FRS offers financial planning workshop webcasts for FRS-covered employees. Over 870 employees attended the four virtual workshops held in February. Employees interested in attending an upcoming workshop should call 1-866-446-9377, Option 2. See the schedule of remaining 2011 workshops below.

Date	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
July 26	Using the FRS to Plan for Retirement	Investment Planning for Everyone - The Details
July 27	Nearing Retirement in the FRS	Education Planning: Funding the Future
October 25	Using the FRS to Plan for Retirement	Cash and Debt Management: Smart Spending
October 26	Nearing Retirement in the FRS	Estate Planning: Caring for Your Loved Ones

Two More Chances to Attend Employer Training in Tallahassee This Year

The Investment Plan workshops will be conducted both in person in Tallahassee, and broadcast live over the Internet. To register for Investment Plan training, please call the toll-free FRS Employer Assistance Line (1-866-377-2121, Option 1), and ask for either Chris Winter or Christie Petrosi. If you register for the online workshop, you will receive details for logging in and participating.

The Pension Plan workshop sessions will be conducted in Tallahassee only. To register for Pension Plan training, please call Kristina Corbally in the Division of Retirement's Bureau of Retirement Calculations (toll-free at 1-888-738-2252 or 850-414-7032 in the Tallahassee area).

Workshop dates are listed on the chart below. Additional information about the workshops can be found at *MyFRS.com* within the "Employers" section of the website.

Workshop Dates	Workshop Topics
September 7	Investment Plan
September 8	Pension Plan
October 12	Investment Plan
October 13	Pension Plan



Important New Hire Enrollment Deadlines

All enrollment forms must be mailed or faxed (1-888-310-5559) directly to Aon Hewitt, the FRS Plan Choice Administrator. To be considered to have been filed in a timely manner, Aon Hewitt must receive all initial election forms by 4:00 p.m. ET on the last business day of an employee’s enrollment deadline month. The 4:00 p.m. deadline is also applicable to those Regular and Special Risk Class members making their elections electronically via *MyFRS.com* or by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711). Below are the retirement plan enrollment deadlines for new FRS employees for the next 12 months.

Enrollment Deadlines

If Hired in This Month...	Retirement Plan Choice Deadline is...
January 2011	June 30, 2011
February 2011	July 29, 2011
March 2011	August 31, 2011
April 2011	September 30, 2011
May 2011	October 31, 2011
June 2011	November 30, 2011
July 2011	December 30, 2011
August 2011	January 31, 2012
September 2011	February 29, 2012
October 2011	March 30, 2012
November 2011	April 30, 2012
December 2011	May 31, 2012

Employer Resources

- *MyFRS.com* website.
- Toll-free FRS Employer Assistance Line at 1-866-377-2121.
- Ernst & Young and Aon Hewitt representatives are available from 9:00 a.m. to 8:00 p.m. ET, Monday through Friday, except holidays.
- Division of Retirement staff is available 8:00 a.m. to 5:00 p.m. ET, Monday through Friday, except holidays.