

# What's the DIFFERENCE?



## Comparing the FRS Investment Plan and the FRS Pension Plan

Before you make your retirement plan selection, it's important to know the key differences between the two Florida Retirement System (FRS) plan options. Review the chart that follows to learn about some of the similarities and differences.

	FRS Investment Plan	FRS Pension Plan
<b>When am I vested in my benefit?</b>	After 1 year of FRS service. You are always fully vested in your own contributions, as long as you remain in the Investment Plan. <sup>1</sup>	After 8 years <sup>2</sup> of FRS service. You are always fully vested in your own contributions, as long as you remain in the Pension Plan. <sup>1</sup>
<b>Who contributes and how much?</b>	Your FRS-covered employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary (total employee and employer rate is 6.3% for Regular Class employees). A mandatory 3% pretax contribution is deducted from your paycheck and deposited into your retirement account.	Your FRS-covered employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary as determined by the state legislature. A mandatory 3% pretax contribution is deducted from your paycheck and deposited into the Pension Plan trust fund.
<b>Where are the monthly contributions deposited?</b>	Into an investment account that is established in your name by the FRS.	Into a single Pension Plan trust fund for all FRS Pension Plan members.
<b>Can future funding increases impact future contributions and benefit levels?</b>	Yes. Pension Plan underfunding or future cost increases to fund the FRS may make it necessary for the Florida Legislature to lower the amount that employers contribute to Investment Plan members' accounts or to increase the amount that employees contribute to their Investment Plan accounts.	Yes. During years when the Pension Plan is determined to be less than 100% actuarially funded, the Florida Legislature may take steps to improve the funding level by increasing employee or employer contributions or to lower Plan costs by reducing future Pension Plan benefits.
<b>Who invests the money?</b>	You can elect how to allocate your account balance among the funds available to Investment Plan participants. You are responsible for managing your account and can change your investment elections at any time. Investment results will affect your benefit.	The State Board of Administration of Florida manages the Pension Plan trust fund for all FRS-covered employees. Investment results do not affect benefits.
<b>Can I switch plans after making my initial election?</b>	Yes. You have a one-time 2 <sup>nd</sup> Election that you can use during your FRS career to switch to the other FRS retirement plan, provided you are actively employed by an FRS-covered employer and earning retirement service credit at the time your election is received.	

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	FRS Investment Plan	FRS Pension Plan
<b>What other factors affect my benefit?</b>	The length of your FRS service is most important, but salary growth, FRS membership class, vesting, inflation, your age at hire and retirement, how long you live after retiring, and DROP participation also make a difference.	
<b>How is my retirement benefit calculated?</b>	Your retirement benefit is based on your account balance, made up of: <ul style="list-style-type: none"> <li>• Employer and employee contributions to your account.</li> <li>• Plus or minus investment returns (gains and losses).</li> <li>• Minus expenses and fees.</li> </ul>	Your retirement benefit is a guaranteed benefit based on a formula that includes your: <ul style="list-style-type: none"> <li>• Age,</li> <li>• FRS membership class (e.g., Regular Class, Special Risk Class, etc.),</li> <li>• Years of FRS service, and</li> <li>• The average of your 8 highest years of salary.<sup>3</sup></li> </ul>
<b>What if I change jobs after vesting?</b>	If you go to work for another FRS-covered employer, you will remain enrolled in the Investment Plan, and contributions will continue to be made to your account. If you leave FRS-covered employment, you have the option of: <ul style="list-style-type: none"> <li>• Leaving your money in the Plan,<sup>4</sup> OR</li> <li>• Taking a distribution and retiring.<sup>5</sup></li> </ul>	If you go to work for another FRS-covered employer, your Pension Plan benefit will continue to grow. If you go to work for a non-FRS-covered employer, your Pension Plan benefit will be frozen until you either begin receiving monthly retirement benefits or return to FRS-covered employment.
<b>How is my benefit paid at retirement?</b> (Note that you cannot receive a distribution unless you have terminated from all FRS-covered employment)	Flexible distribution options are available. As long as your balance is more than \$1,000, you can: <ul style="list-style-type: none"> <li>• Leave your money in the plan until age 70½, when mandatory distributions must begin.</li> <li>• Purchase an annuity that provides guaranteed monthly payments for life using all or part of your account balance. Surviving beneficiary and cost-of-living adjustment options are available.</li> <li>• Receive periodic distributions.<sup>5</sup></li> <li>• Elect a lump sum when you retire or at any future date.<sup>5</sup></li> <li>• Roll it over into another qualified retirement plan.</li> </ul>	Guaranteed monthly checks for life. Cost-of-living adjustment will be applied to the portion of your benefit that is based on service earned prior to July 1, 2011.  You can choose payout options that provide continued monthly payments to your surviving beneficiary/joint annuitant.
<b>Does the plan provide other benefits?</b>	Yes, including disability benefits and retiree Health Insurance Subsidy (HIS) payments.	Yes, including DROP, <sup>6</sup> disability benefits, and retiree Health Insurance Subsidy (HIS) payments.

## Free help is available... personalized for you

To learn more about your retirement plan options:

- ✓ Visit [MyFRS.com](http://MyFRS.com) and review the New Hire Roadmap.
- ✓ Call the FRS toll-free at 1-866-446-9377 (TRS 711).
  - Select Option 1 to speak with an unbiased financial planner about both plans.

<sup>1</sup> How your employee contributions are distributed or refunded to you depends on a number of factors, especially if you use your 2<sup>nd</sup> Election to switch plans in the future. You can call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, for information.

<sup>2</sup> If you have any Pension Plan service prior to July 1, 2011, you are subject to 6-year vesting. If you join the Pension Plan on or after July 1, 2011 and have no previous Pension Plan service, you are subject to 8-year vesting.

<sup>3</sup> If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, your retirement benefit will be calculated based on the average of your 5 highest years of salary.

<sup>4</sup> Account maintenance fees of \$6 per quarter may apply. Distribution is mandatory if the account balance is \$1,000 or less.

<sup>5</sup> Cash distributions will be taxed according to the member's tax bracket. Penalties may apply depending on the member's age at distribution.

<sup>6</sup> Deferred Retirement Option Program. Visit [MyFRS.com](http://MyFRS.com) for details.

This flyer highlights some of the differences between the two FRS Plans. For a more detailed comparison, go online to [MyFRS.com](http://MyFRS.com) and select "FRS Programs."