

## Important Notice on 2011 Legislation

The Florida Legislature completed its 2011 session and passed Senate Bill 2100, making substantive changes to the Florida Retirement System (FRS). Although this bill is awaiting the Governor's signature, the FRS would like to address members' questions and present information to help you understand these changes. New employees should consider these changes when deciding which retirement plan to choose.

### Applicable to All FRS Members

#### Employee Contributions

The bill 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 you and your employer to pay the retirement contributions needed to fund your retirement benefits. **Your employer will deduct this amount from your gross salary each paycheck beginning in July 2011.**

### Applicable to All FRS Pension Plan Members

#### DROP Interest Rate Reduced

The bill changes the Deferred Retirement Option Program (DROP) annual 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.

#### 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 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:  $29 \div 30 = .9667 \times 3\% = 2.9\%$ .

### 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 bill changes the Pension Plan's vesting requirement (your right to a benefit) from 6 years to 8 years. If you use your 2<sup>nd</sup> Election and transfer from the Pension Plan to the Investment Plan, the present value of your Pension Plan benefit will vest after you complete 8 years of service. The Investment Plan's 1-year vesting requirement has not changed.

#### Average Final Compensation (AFC)

The bill 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.

#### Normal Retirement Date

The bill 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.

If you have any questions, the FRS encourages you to call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).