

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 occur when employees with prior FRS service in the Pension Plan elect to join the Investment Plan by selecting the 100% transfer option. Accumulated benefit transfers can usually be expected for employees who return to FRS-covered service, have not begun receiving a Pension Plan benefit, and have chosen to enroll in the Investment Plan.

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 on the monthly payroll file until they file their retirement plan choice election. 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 1 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). They identify any members eligible to receive an accumulated benefit transfer. 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 also includes the contribution transfer amount for all members who do not have a Pension Plan accumulated benefit transfer. Upon receipt of the file, Aon Hewitt finalizes the reconciliation of the accumulated benefit transfer file for each member.

Aon Hewitt sends each member an opening balance confirmation letter that provides 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 the 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 contributions¹ 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 shown in Table 1 as follows:

Table 1 – Blended Contribution Rates (as of July 1, 2015)

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%	2.91%	2.65%	0.04%	1.66%	10.26%
Special Risk Class	3%	11.35%	8.99%	0.04%	1.66%	25.04%
Special Risk Administrative Support Class	3%	3.71%	27.54%	0.04%	1.66%	35.95%
Elected Officers' Class (Judges)	3%	11.39%	22.62%	0.04%	1.66%	38.71%
Elected Officers' Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	6.48%	37.62%	0.04%	1.66%	48.80%
Elected Officers' Class (County and Local)	3%	8.48%	32.09%	0.04%	1.66%	45.27%
Senior Management Service Class	3%	4.32%	15.41%	0.04%	1.66%	24.43%
DROP	0%	4.10%	7.12%	0%	1.66%	12.88%

The total contribution made to an Investment Plan member's account is shown in Table 2. Note that the total amount contributed to the Investment Plan account is different than the total contribution rate shown in Table 1.² 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 Table 1 above, for Regular Class members, the 2.91% 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.

- ¹ 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).
- 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 shown in Table 2 as follows:

Table 2 – Investment Plan Contribution Rates (as of July 1, 2015)

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 shown in Table 3 as follows:

Table 3 – Disability Benefit Funded by Employers (as of July 1, 2015)

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 is responsible for balancing the payrolls and transferring 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 Investment Plan contributions to member accounts within 2 business days of receipt of the transmission. It is important to note that the Division will not send the contributions until the employer pays any outstanding 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 loss of 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 does 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

Investment Plan members, 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 Money Market Fund. After the initial rollover deposit, the member can change fund allocations at any time on MyFRS.com or by calling the toll-free MyFRS Financial Guidance Line, Option 4. Rollover funds are tracked separately from a member's other Investment Plan assets.

[The Employee Rollover Deposit Instructions and Form](#) are available on MyFRS.com under "Resources," then "[Forms](#)," or by calling the MyFRS Financial Guidance Line, Option 4.

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 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 Retirement Income Fund. Anytime after the

initial rollover deposit, the member can change fund allocations on MyFRS.com or by calling the toll-free MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

[DROP rollover forms](#) are available on MyFRS.com under “Resources,” then “[Forms](#),” or by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

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 by accessing their account on 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 MyFRS Financial Guidance Line or by logging in to 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. 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 Pyramis Intermediate Duration Pool 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.