

SUMMARY PLAN DESCRIPTION

The following summary is a brief description of the Florida Retirement System Pension Plan as of June 30, 2006. Questions of interpretation shall be determined from part I of chapter 121, Florida Statutes, and chapter 60S of the Florida Administrative Code.

Creation

The Florida Retirement System (FRS) was created December 1, 1970, with consolidation of the Teachers' Retirement System, the State and County Officers and Employees' Retirement System, and the Highway Patrol Pension Fund. In 1972, the Judicial Retirement System was also consolidated with the FRS. The system was created to provide a program offering retirement, disability, and survivor benefits for participating public employees. Social Security coverage is also required for all members.

Membership

Membership in the FRS is compulsory for all full-time and part-time employees working in regularly established positions for state agencies, county governments, district school boards, state universities, and state community colleges; or cities, independent special districts, and public charter schools may make an irrevocable election to participate. Certain members, including elected officials and local government senior managers, may elect to not participate in the system. Members of the Elected Officers' Class may elect to participate in the Senior Management Service Class in lieu of the Elected Officers' Class or to withdraw from the FRS altogether. The following members may elect to participate in various optional programs instead of the FRS:

- ♦ Most pension plan members (including renewed members), Senior Management Service Optional Annuity Program participants, and Community College Optional Retirement Program participants may elect to participate in the Public Employee Optional Retirement Program (FRS Investment Plan). Participants of the State University System Optional Retirement Program or FRS Pension Plan members who retired to participate in the Deferred Retirement Option Program (DROP) are not eligible to become a member of the FRS Investment Plan;
- ♦ Senior Management Service Class members who are state employees (including state-level Elected Officers' Class members who choose to join that class) may elect to participate in the Senior Management Service Optional Annuity Program, while locally designated members of the class may elect to opt out of the system altogether;
- ♦ State University System faculty, executive service employees, and administrative and professional employees may elect to participate in the State University System Optional Retirement Program; and
- ♦ Community College System faculty and certain administrators may elect to participate in a Community College Optional Retirement Program, if the college offers an optional retirement program.

Classes of Membership

Regular Class — This class consists of members of the FRS who do not qualify for membership in the Special Risk, Special Risk Administrative Support, Elected Officers', or Senior Management Service Classes.

Special Risk Class — This class consists of members who meet the criteria to qualify for this class as set forth in Florida Law and Rules, and who are employed as:

- ♦ Law enforcement officers;
- ♦ Firefighters (including fire prevention and firefighter training positions, and aerial firefighting surveillance pilots for the Department of Agriculture and Consumer Services);
- ♦ Correctional officers or community-based correctional probation officers;

- ♦ Paramedics or emergency medical technicians whose primary duty and responsibility includes on-the-scene emergency medical care and who is employed with a licensed Advance Life Support (ALS) or Basic Life Support (BLS) employer;
- ♦ Professional health care workers in specified positions within the Department of Corrections or the Department of Children and Family Services who spend at least 75% of their time performing duties that involve contact with patients or inmates in a correctional or forensic facility or institution;
- ♦ Youth custody officers with the Department of Juvenile Justice; or
- ♦ Forensic employees employed by a law enforcement agency or medical examiner's office in a forensic discipline recognized by the International Association for Identification (IAI).

Special Risk Administrative Support Class — This class consists of former Special Risk Class members who are transferred or reassigned to a non-special-risk law enforcement, firefighting or correctional administrative support position within an FRS special risk employing agency and meet the criteria set forth in Florida Law.

Elected Officers' Class (EOC) — This class consists of members who hold specified elective offices in either state or local government:

- ♦ State officers include: Governor, Lieutenant Governor, Cabinet Officer, Legislator, Supreme Court Justice, district court of appeal judge, circuit judge, county court judge, state attorney, and public defender.
- ♦ County officers include: sheriff, tax collector, property appraiser, supervisor of elections, school board member, school board superintendent, clerk of circuit court, county commissioner, and other elected official with countywide authority.
- ♦ City or special district officers include: These elected officials in cities and special districts that have chosen to place their elected officials in the EOC instead of the Regular Class.

Senior Management Service Class (SMSC) — This class consists of:

- ♦ Members of the Senior Management Service of state government;
- ♦ Community college presidents;
- ♦ Appointed school board superintendents;
- ♦ County and city managers;
- ♦ Selected managerial staff of the Legislature;
- ♦ The Auditor General and managerial staff;
- ♦ The Executive Director of the Ethics Commission;
- ♦ The State University System Executive Service and university presidents;
- ♦ Selected managerial staff of the State Board of Administration;
- ♦ Judges of compensation claims;
- ♦ Selected managerial staff with the Judicial Branch;
- ♦ Capital collateral regional counsels and assistant capital collateral regional counsels;
- ♦ Assistant state attorneys;
- ♦ Assistant public defenders;
- ♦ Assistant statewide prosecutors or assistant attorneys general;
- ♦ Elected officials who chose to join the SMSC in lieu of the EOC;
- ♦ Nonelective managerial positions designated for SMSC membership by local government agencies; and
- ♦ Chief Deputy Court Administrator.

Contributions

Members of the Florida Retirement System (FRS) are not required to make employee contributions to establish service credit for work performed in a regularly established position; employers pay all required contributions. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the Florida Retirement System (FRS), covering both the FRS Pension Plan and the FRS Investment Plan. Including the fee of 0.05% for administration of the FRS Investment Plan and provision of educational tools for both plans, the uniform rates for FY 2005/06 are as follows:

Class	Rate
Regular	6.72%
Special Risk	17.42%
Special Risk Administrative Support.....	8.81%
Elected Officers	
Judges	17.54%
Governor, Lt. Governor, Cabinet, Legislators, State Attorneys, and Public Defenders	11.38%
Elected County Officials (in EOC)	14.12%
Senior Management Service	9.34%
Deferred Retirement Option Program (DROP)	8.22%

Note: To offset the rates shown above, a portion of the normal cost has been prefunded from surplus actuarial assets for all rates. These rates do not include the separate 1.11% contribution for the Retiree Health Insurance Subsidy.

Any member who terminates employment with an FRS employer may receive a refund of any retirement contributions personally made to the system (and lose the associated retirement credit), or may leave these personal contributions in the system and keep all creditable service earned through the date of termination.

Creditable Service

Members receive 1 month of service credit for each month in which any salary is reported for work performed. Members may also purchase additional credit to increase their retirement benefits under the FRS. Credit may be purchased for past service, prior service (including refunded service credit), certain military service (up to 4 years), approved leaves of absence (up to 2 years), out-of-state public service (including federal service), non-FRS public service and non-public service in certain schools or colleges in Florida (up to 5 years total, including both in-state and out-of-state service), and in some cases credit for periods of disability. To purchase this service credit, members must meet certain requirements. Only the purchase of past service and prior service may be included in the creditable years of service needed to vest (*see next section*). All other types of service credit purchases become creditable service only after a member is vested based on his/her other service.

Vesting

Since July 1, 2001, the FRS has provided for vesting of benefits after 6 years of creditable service. Members not employed in a position covered by the FRS on July 1, 2001, may be required to return to covered employment for up to 1 work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001.

Service Retirement

Members become eligible for *normal retirement* based on their age and/or service when they meet the minimum requirements listed in the following section. *Early retirement* may be taken after a member has vested and is within 20 years of his/her normal retirement age; however, there is a 5% benefit reduction for each year remaining from a member's retirement age to his/her normal retirement age.

Normal Retirement Requirements

<i>Regular Class, Elected Officers' Class, and Senior Management Service Class</i>	Six years of service and age 62; or The age after 62 that the member becomes vested; or Thirty years of service, regardless of age.
<i>Special Risk Class</i>	Six years of special risk service and age 55; or The age after 55 that the member becomes vested; or Twenty-five total years of service, consisting of both special risk service and up to four years of military service, and age 52; or Twenty-five total years of special risk service, regardless of age; or Thirty years of any creditable service, regardless of age.
<i>Special Risk Administrative Support Class</i>	Special Risk Class normal retirement requirements apply to service in this class if member has six years actual special risk service; otherwise Regular Class requirements apply.

Benefit Calculation

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation (AFC), and service credit. Credit for each year of service is expressed as a percentage of AFC (the average of the 5 highest fiscal years of earnings). The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The following chart shows the percentage value for each year of service credit earned:

<i>RETIREMENT PLAN</i>	<i>% VALUE (per year of service)</i>
State and County Officers' and Employees' Retirement System (SCOERS)	
Division A (no Social Security).....	2.00%
Division B (with Social Security).....	1.50%
Teachers' Retirement System (TRS)	
Plan E.....	2.00%
Florida Retirement System (FRS)	
<u>Regular Class</u>	
Retirement at age 62 or with 30 years of service.....	1.60%
Retirement at age 63 or with 31 years of service.....	1.63%
Retirement at age 64 or with 32 years of service.....	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
<u>Special Risk Class</u>	
Service from 12/1/70 through 9/30/74.....	2.00%
Service on and after 10/1/74.....	3.00%

Special Risk Administrative Support Class

(With 6 years of special risk service, the service in this class counts towards special risk normal retirement; otherwise, Regular Class requirements apply.)

Retirement at age 55; or with 25 total years special risk service; or at age 52 with 25 years (if total service includes military service)	1.60%
Retirement at age 56; or with 26 total years special risk service; or at age 53 with 26 years (if total service includes military service)	1.63%
Retirement at age 57; or with 27 total years special risk service; or at age 54 with 27 years (if total service includes military service)	1.65%
Retirement at age 58; or with 28 total years special risk service; or at age 55 with 28 years (if total service includes military service)	1.68%

Elected Officers' Class

Service as Supreme Court Justice, district court of appeal judge, circuit court judge, or county court judge	3.33%
Service as Governor, Lt. Governor, Cabinet Officer, Legislator, state attorney, public defender, elected county officer, or elected official of a city or special district that chose EOC membership for its elected officials	3.00%

<u>Senior Management Service Class</u>	2.00%
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There are three steps in computing an annual retirement benefit:

- Step 1. Determine the member's retirement plan(s) and class(es) of membership, years of creditable service in each, and the total percentage value earned.
- Step 2. Calculate the average final compensation (AFC).
- Step 3. Multiply the figures obtained in Steps 1 and 2 to determine the annual normal retirement benefit.

Benefit Options

Members must select one of the following four benefit options at retirement:

- Option 1 – Member receives a benefit for life with no continuing survivor benefit at death.
- Option 2 – Member receives a reduced benefit for life. If member dies anytime within 10 years after retiring, the beneficiary will receive the benefit for the remainder of the 10-year period from the member's retirement date. No survivor benefits are paid if the member dies 10 or more years after his/her effective retirement date.
- Option 3 – Member receives a reduced benefit for life. Upon the member's death, the joint annuitant, if living, will receive the same benefit for the remainder of his or her life. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's maximum benefit, but only until age 25, or, if disabled, until he or she is no longer disabled.
- Option 4 – Member receives a reduced benefit for life. Upon the death of either the member **or** the joint annuitant, the survivor will receive a lifetime benefit equal to two-thirds of the benefit the member was receiving when both were living. A joint annuitant who is under age 25 and is the member's child or other dependent for whom the member has guardianship will receive the member's maximum benefit, but only until age 25, or, if disabled, until he or she is no longer disabled.

Termination

Members must end all employment relationships with all FRS employers for 1 calendar month to complete their retirement process, in addition to meeting all other requirements and be eligible to receive monthly benefits payable under the FRS Pension Plan. Members who elect to retire and participate in the Deferred Retirement Option Program (DROP) must remain off all FRS payrolls for 1 calendar month at

the end of their program participation. (Special DROP termination provisions may apply as described in the following section.)

Deferred Retirement Option Program

The Deferred Retirement Option Program (DROP) is available under the FRS Pension Plan when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. While in DROP, the member's retirement benefits accumulate in the FRS Trust Fund (increased by a cost-of-living adjustment each July) and earn monthly interest equivalent to an annual rate of 6.50%.

The election to participate in DROP must be made within 12 months of the member's normal retirement date, unless the member is eligible to defer the election. To participate for the maximum DROP period, the member must enter DROP upon first reaching eligibility for normal retirement, or upon reaching an eligible deferral date as described below:

- ♦ A Special Risk Class member or a Special Risk Administrative Support Class member (with 6 years of Special Risk Class service) who reaches his or her normal retirement date based upon years of service before reaching age 52 may defer DROP entry up to age 52 and still participate for 60 months.
- ♦ A member of the Regular Class, Elected Officers' Class, or the Senior Management Service Class who reaches his or her normal retirement date before reaching age 57 may defer DROP entry until age 57 and still participate for 60 months. A member of the Special Risk Administrative Support Class who does not have 6 years of Special Risk Class service would be subject to these deferral requirements.
- ♦ A member of the Elected Officers' Class who reaches his or her normal retirement date during a term of office may defer the DROP election until the next succeeding term in that office and still participate for up to 60 months or until the end of that succeeding term, whichever is less.
- ♦ A member who is employed as K-12 instructional personnel as defined in s. 1012.01(2), F.S., may elect to participate in DROP at any time after reaching his or her normal retirement date and still participate for 60 months.

Upon termination, the DROP account is paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover, and monthly benefits are paid to the member in the amount as calculated upon entry into DROP, plus cost-of-living adjustments for intervening years.

In most cases, the DROP participant must cease employment after a maximum of 60 months in DROP, must satisfy the termination requirements for retirement, and must comply with applicable reemployment restrictions thereafter. However, certain exceptions apply:

- ♦ Effective July 1, 2002, a DROP participant who holds an elective office covered by the Elected Officers' Class may end DROP participation and postpone compliance with termination requirements and reemployment limitations until he or she no longer holds the elective office (including consecutive terms in the same office). For the period between the end of DROP participation and termination, no retirement credit is earned and the member's DROP accumulation accrues no additional monthly benefits (but continues to earn interest).¹
- ♦ Since June 1, 2003, K-12 instructional personnel employed with a district school board or the Florida School for the Deaf and the Blind may be allowed to extend their DROP participation for up to an additional 36 months beyond their initial 60-month DROP participation period. To

¹ Notwithstanding these provisions, any elected officer who entered DROP on or before June 30, 2002, is subject to prior provisions of law and may end DROP without terminating employment and be automatically enrolled as a renewed member of the Elected Officers' Class.

qualify for the extension, the DROP participant must receive authorization from the Division and from the district school superintendent or the Board of Trustees of the School for the Deaf and the Blind, as appropriate. If authorized to extend DROP participation, a participant must remain employed in an eligible position during the period of DROP extension.

- ♦ Since June 23, 2004, K-12 instructional personnel employed by a developmental research school may be allowed to extend DROP participation up to an additional 36 months beyond their initial 60-month DROP participation period. To qualify for the extension, the DROP participant must receive authorization from the Division and from the developmental research school's director (or principal if there is no director), as appropriate. If authorized to extend DROP participation under this provision, a participant must remain employed in an eligible position during the period of DROP extension.

Employers pay contributions at a rate of 8.22% of salary for all DROP participants.

Disability Benefits

Two types of disability retirement are available under the FRS: In-line-of-duty disability retirement and regular disability retirement. To qualify for either type of disability retirement, members must be totally and permanently disabled to the extent that they are unable to work in any job for any employer. In-line-of-duty disability benefits are available to members on their first day of employment. The minimum Option 1 benefit for in-line-of-duty disability retirement is 42% of AFC for all members except those in the Special Risk Class, who receive a minimum Option 1 in-line-of-duty disability benefit of 65% of AFC. To be eligible for regular disability retirement, members must complete 8 years of creditable service. The minimum Option 1 benefit under regular disability retirement is 25% of AFC. If a disabled member's service benefit would be higher than the minimum disability benefit, the higher benefit is paid.

Survivor Benefits

If an active member dies in the line of duty, his/her spouse will receive a monthly benefit equal to one-half of the member's monthly salary at death, payable for the spouse's lifetime. If the spouse dies, the benefit will continue to be paid on behalf of the member's children until the youngest child reaches age 18 or is married, if earlier.

If an active member dies before becoming vested and his/her death was not suffered in the line of duty, the designated beneficiary will receive a refund of any member-paid retirement contributions. However, if the active member dies within 1 year of vesting, the member's joint annuitant may use the deceased member's accumulated leave on an hour-by-hour basis, or the member's eligible in-state or out-of-state service, to purchase enough service credit to vest the deceased member and receive monthly benefits.

If the member was vested at death, the beneficiary may receive a refund of any contributions that may have been paid by the member or, if the beneficiary qualifies as a joint annuitant, he or she may receive a lifetime monthly benefit calculated as though the member had retired on the date of death and had chosen Option 3. If the joint annuitant is the member's child or other dependent for whom the member has guardianship who is under age 25, he or she will receive the member's maximum benefit only until age 25, or, if disabled, until no longer disabled. A deceased member's joint annuitant may buy any service credit that could have been claimed by the member at the time of death.

Cost-of-Living Adjustments

The benefits received by retirees and beneficiaries are increased by a 3% cost-of-living adjustment (COLA) each July based on their June benefit amount (excluding the Retiree Health Insurance Subsidy benefit). For retirees who have been retired for less than 12 months on July 1, the first COLA increase is prorated. The COLA applies to all continuing monthly retirement benefits paid under the FRS Pension

Plan (i.e., normal and early service retirement benefits and benefits accruing in participant accounts under DROP, disability retirement benefits, and survivor benefits).

Reemployment after Retirement

After retirement or DROP termination, retired FRS members may be employed by any private employer or any public employer not participating in the FRS without affecting his/her FRS benefits. However, restrictions apply to reemployment with an FRS employer. Any retired FRS member who is reemployed by an FRS employer during the first calendar month after retirement or DROP termination is not considered to have terminated employment and is therefore not considered to have retired. His/her active membership will be reinstated.

Upon meeting termination requirements, FRS retirees who are reemployed by FRS employers may not receive both salary and retirement benefits for the rest of the 12-calendar month period after retirement or the end of their DROP participation, and must forfeit retirement benefits for the months employed unless working in a position for which an exception is provided.

Exceptions to the reemployment restrictions allow FRS retirees to be reemployed in specified positions during the 2nd through 12th months of retirement or following termination from DROP participation without forfeiting benefits. After being retired for 1 calendar month, retirees may be reemployed without further limitation in specified positions with district school boards, the Florida School for the Deaf and the Blind, developmental research schools, and participating charter schools. Retirees may also be reemployed for up to 780 hours in specified positions by a state community college or a university in the State University System, or by FRS employers as firefighters or paramedics. Finally, retired judges called to temporary duty and retirees appointed to or voted into elective office are exempt from reemployment limitations after being retired for 1 calendar month.

Renewed Membership

Retirees of the FRS who are reemployed in regularly established positions will have renewed membership in the Regular Class, the Senior Management Service Class (SMSC), or the Elected Officers' Class and earn credit toward a second-career benefit based on requirements for their class of membership. Once retirees have established renewed membership in the system, they will have the same opportunities to elect to participate in alternative retirement programs, or to withdraw from the system altogether, as do similarly situated newly hired members of that membership class. Renewed members are subject to the same vesting requirements and other limitations as apply to other active members. However, renewed members are not eligible to participate in the Special Risk Class, to participate in the Deferred Retirement Option Program, to participate in the State University System Optional Retirement Program (SUSORP), or to retire under disability retirement provisions.

Appeals Procedure

Whenever the Division makes a decision that will reduce, suspend or terminate a member's retirement benefits, the member may petition the Division for a hearing. Section 28-106.201, F.A.C., outlines the requirements for filing a petition. After the Division reviews the petition, the State Retirement Director may ask a hearing officer from the Division of Administrative Hearings to conduct the hearing, or in some cases the Department of Management Services may conduct the hearing. If the outcome of the hearing is not in the member's favor, the member will be informed of the time period during which he or she can appeal the decision to the District Court of Appeal.

Forfeiture of Benefits

If, before retirement, a member commits a felony specified by law and is found guilty of or enters a plea of no contest to such crime, or their employment was terminated due to admission of committing, aiding, or abetting a specified crime, the member's retirement rights and benefits are forfeited (except

for a refund of personal retirement contributions, if any). The forfeiture of benefits provision applies in the case of any job-related felony offense as outlined below:

- ♦ Committing, aiding or abetting an embezzlement of public funds or any grand theft from the employer;
- ♦ Committing bribery in connection with employment;
- ♦ Committing any other felony specified in chapter 838, F.S., (bribery and misuse of public office), except ss. 838.15 and 838.16, F.S., (commercial bribes);
- ♦ Committing any felony with intent to defraud the public or the employer of the right to receive the faithful performance of duty, or receiving or attempting to receive profit or advantage for the member or another person through the use of his or her position; or
- ♦ Committing an impeachable offense (applies to elected officials only).

In addition to the crimes stated above, if a court of competent jurisdiction finds the member guilty of violating any state law against strikes by public employees, the member's benefits are forfeited.

If the member's designated beneficiary is found guilty of intentionally killing or procuring the death of the member, the beneficiary forfeits all rights to retirement benefits. Any benefits payable would then be paid as if the beneficiary died before the member.

The Clerk of the Court, the Secretary of the Senate or the employer, as appropriate, must notify the Commission on Ethics if the member is found guilty, impeached, or terminated prior to retirement due to any of the above offenses. The Commission on Ethics will notify the Division. The member's benefits will be suspended subject to a hearing held by a hearing officer of the Division of Administrative Hearings. The hearing officer's decision may be appealed to the District Court of Appeal. *(See s. 112.3173, F.S., and Article II, Section 8, of the Florida Constitution for more information.)*

Assignment, Execution, or Attachment

Retirement benefits and accumulated contributions accrued under the Florida Retirement System Pension Plan are not subject to assignment, execution, attachment or any other legal process with the exception of qualified domestic relations orders, certain income deduction orders (*see s. 61.1301, F.S.*), and federal income tax levies.