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MEMORANDUM #017---14HR

TO: Agency Administrators

FROM: Carolyn Horwich, J.D., Director of Human Resources

THROUGH: Rip Colvin, Executive Director

SUBJECT: Retirement Primer

DATE: August 15, 2014

At the Florida Public Defenders' Association's summer meeting, Jennifer Henderson, JAC's Retirement Coordinator, offered the attached PowerPoint Presentation with notes. We wanted to share it with all agencies we administratively serve and hope you find it helpful.

Please do not hesitate to contact Jennifer or Jessica Kranert at RetirementCoordinator@justiceadmin.org if you have any questions.

Thank you.

Retirement

Jennifer Henderson
Senior Human Resource Coordinator

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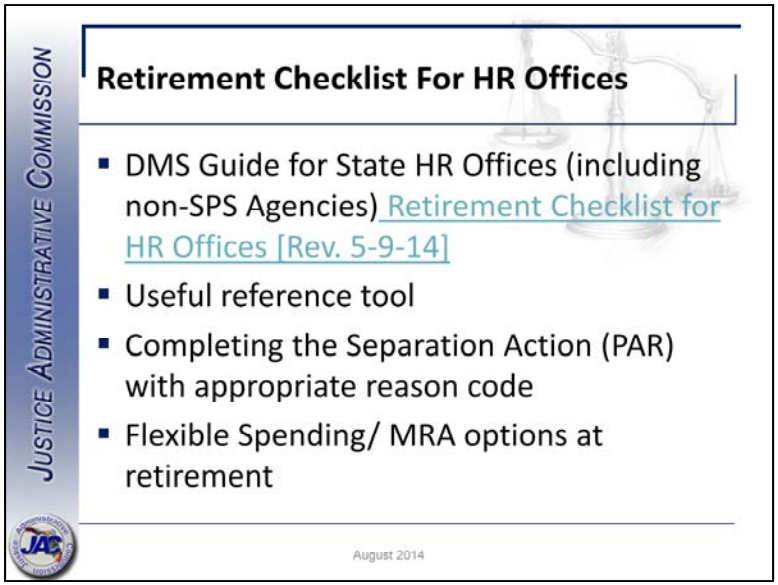
Retirement Checklist For HR Offices

- DMS Guide for State HR Offices (including non-SPS Agencies) Retirement Checklist for HR Offices [Rev. 5-9-14]
- Useful reference tool
- Completing the Separation Action (PAR) with appropriate reason code
- Flexible Spending/ MRA options at retirement



- Useful guide to assist you in counseling employees during the retirement process
- Some provisions of the guide are only applicable to State Personnel System employees, i.e. timesheet audits and bi-weekly deductions.
- Separation PAR should be coded as a Voluntary Separation (06), then the appropriate reason code should be used as follows:

1. Pension Plan: reason code of Retirement (56)
2. Investment Plan: reason code of Other (53)

- Investment Plan members are not considered “retired” until they take a distribution
- Retiring employees will need to complete the ‘MRA Options When Employment Ends Election Form”

1. Elect to terminate the plan and file claims up to the amount in the account at retirement;
2. Elect to pay remaining balance owed via check or money order and continuing filing claims through the end of the year; or
3. Elect to pay remaining balance from a sick and/or annual leave payout and file claims through the end of the year. This ensures they keep the pre-tax advantage.

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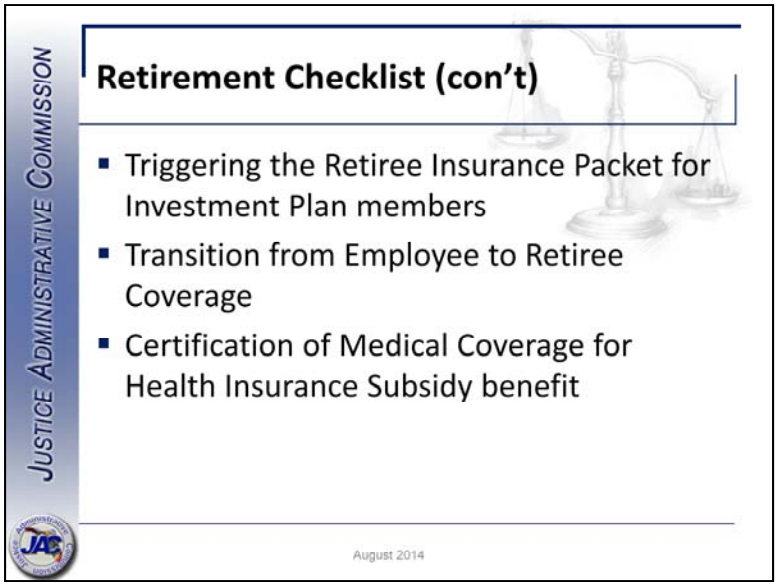
Retirement Checklist (con't)

- Triggering the Retiree Insurance Packet for Investment Plan members
- Transition from Employee to Retiree Coverage
- Certification of Medical Coverage for Health Insurance Subsidy benefit

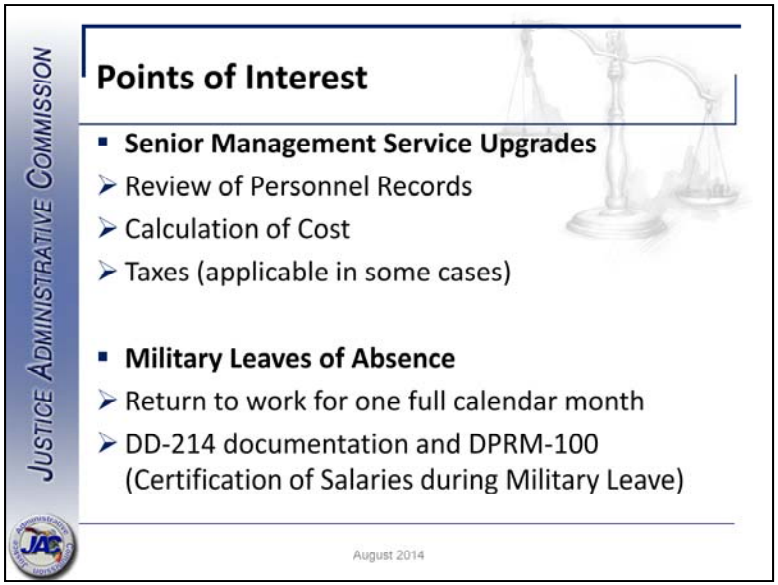


- Investment Plan members will receive the New Retiree Packet detailing their options for continuing their insurance once People First has verified they have taken a distribution.
- People First receives notification of all distributions taken by Investment Plan members.
- Investment Plan members will therefore be required to initially enroll in COBRA coverage to bridge the gap in coverage between termination of employment and taking a distribution.
- Pension Plan members will receive the New Retiree Packet detailing their options for continuing their insurance once the retirement PAR is processed.
- People First cannot process the New Retiree Health and Life Election Form prior to the retirement PAR being processed in the system. People First will therefore contact the retiree after 3 business days if there is a delay in processing the retirement action (PAR).
- Health Insurance Subsidy Form for Pension Plan members is automatically mailed to the retiree the month following retirement. The subsidy can be paid up to 6 months retroactively.
- Investment Plan members must meet the age and/or service requirements of the Pension Plan to receive the Health Insurance Subsidy and may apply for the subsidy once they receive a distribution.

Points of Interest

- **Senior Management Service Upgrades**
  - Review of Personnel Records
  - Calculation of Cost
  - Taxes (applicable in some cases)

- **Military Leaves of Absence**
  - Return to work for one full calendar month
  - DD-214 documentation and DPRM-100 (Certification of Salaries during Military Leave)



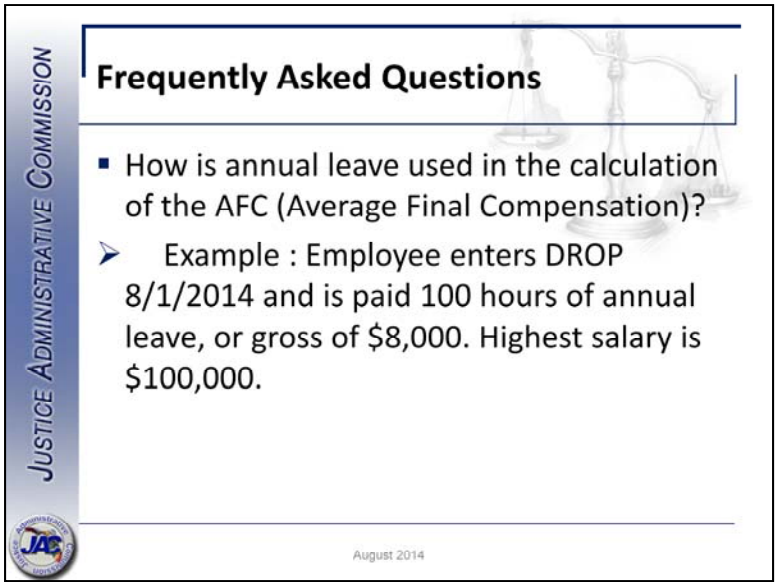
- Current members of the Senior Management Class or Elected Officers Class may upgrade past service performed within the purview of the SMSC retroactive to February 1, 1987.
- This can boost the member's overall retirement by increasing the value of their past service.
- Cost is calculated by the Division of Retirement after a formal review is performed of the member's personnel records.
- The employer is permitted but is not required to purchase an SMS upgrade on behalf of the member.
- The employer will be required to pay an additional amount in taxes if purchasing an upgrade on behalf of the member.

- JAC tracks a member's Military Leave based upon the submission of the Military Leave PAR and Orders.
- The employer will be required to pay retirement contributions based on the member's salary in effect prior to the Military Leave. The employee will also be billed for the 3% employee contribution.
- An invoice will be generated once the circuit provides the Return from Military Leave PAR, the DD-214 showing dates of service, and JAC submits the Certification of Salaries (DPRM-100).

Frequently Asked Questions

- How is annual leave used in the calculation of the AFC (Average Final Compensation)?

➢ Example : Employee enters DROP 8/1/2014 and is paid 100 hours of annual leave, or gross of $8,000. Highest salary is $100,000.



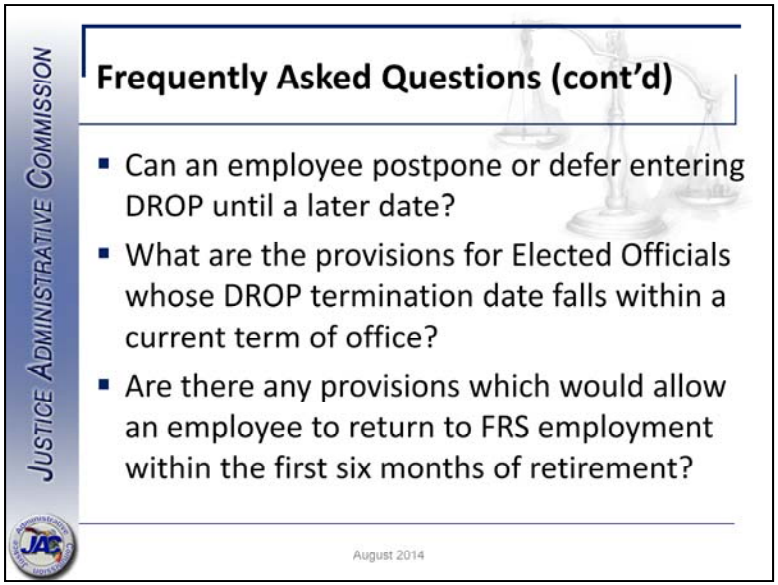
- Employees paid annual leave hours upon entering DROP or upon Regular Service Retirement, will have these hours reported on the Final Salary Certification.
- These annual leave hours can provide a boost to the member's overall retirement benefits by inclusion in the AFC (Average Final Compensation).
- In the example above, the Division of Retirement would first do a review to determine the member's highest salaries.
- Salaries are reviewed and calculated by fiscal year.
- The Division of Retirement will then "add" the gross annual leave payment to the gross highest salary. In this case: $8,000 (AL) + $100,000 (Highest Salary) = $108,000 the new Highest Salary.
- The Division of Retirement will then take an average of the member's highest five salaries to determine the AFC, and then apply the following:

AFC x **Years of Creditable Service** x **Percentage Value = Yearly Option 1 Benefit**

Yearly Benefit ÷ 12 = Monthly Option 1 Benefit

Frequently Asked Questions (cont'd)

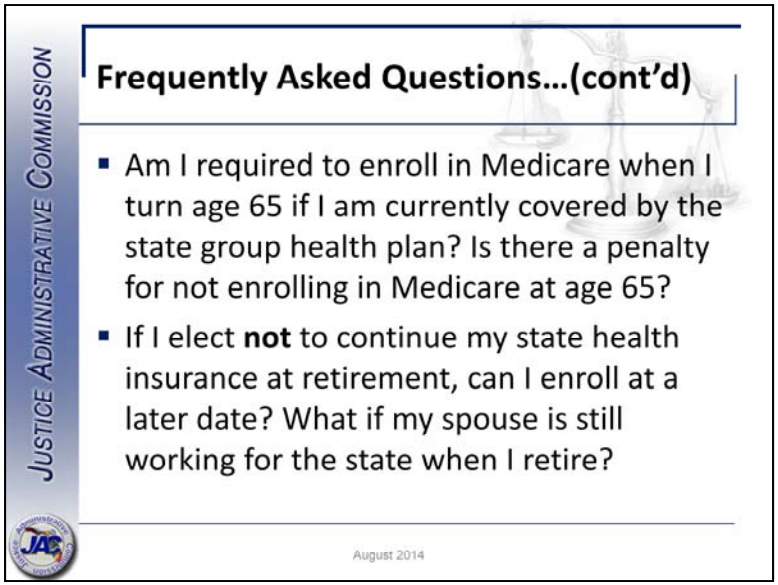
- Can an employee postpone or defer entering DROP until a later date?
- What are the provisions for Elected Officials whose DROP termination date falls within a current term of office?
- Are there any provisions which would allow an employee to return to FRS employment within the first six months of retirement?



- Employees who attain 30 years of service prior to age 57, have the option to delay joining DROP until the month they turn age 57, and may still participate the for five years. Such employees will lose a month of participation however, for each month they delay entering past their 57th birthday. They will lose the ability to join DROP the month they turn age 58. (For members of the FRS prior to July 1, 2011).
- Elected Officials have the option to postpone terminating employment while in DROP until the end of their current term of office or any subsequent term of office. Such officials should notify the Division of Retirement of their intent to work past their original DROP termination date and complete the DP-TEOC Form.
- All retirees of the FRS Pension Plan and FRS Investment Plan are required to terminate from all FRS-covered employment for six full calendar months. Such retirees may return to FRS-covered employment during the 7-12 month of retirement, but will be required to suspend further benefits until retired one full year.
- The following positions are considered FRS employment: OPS, temporary, part-time salaried and full-time salaried positions.
- Retirees who secure employment through a Temp Agency or as an Independent Contractor are not considered FRS employees and thus not subject to the six month termination requirement . Additional guidance should be obtained from the Division of Retirement if considering this type of employment.

Frequently Asked Questions…(cont'd)

- Am I required to enroll in Medicare when I turn age 65 if I am currently covered by the state group health plan? Is there a penalty for not enrolling in Medicare at age 65?
- If I elect **not** to continue my state health insurance at retirement, can I enroll at a later date? What if my spouse is still working for the state when I retire?



- Medicare Eligible employees and their spouses will receive information from the Social Security Administration three months prior to their 65th birthday regarding Medicare enrollment.
- Employees and their spouses who are currently covered under the state group health insurance plan may defer enrolling in Medicare due to a provision called the Special Enrollment Period.
- This Special Enrollment Period allows employees and their spouses to defer enrollment until one of two dates: 1) The date they or their spouse drop their state coverage or 2) The date they or their spouse retires, whichever occurs first.
- See the following SSA Publication, "The 2014 Medicare & You Handbook" at: www.Medicare.gov.

- Employees who decline retiree health and/or life coverage at the time of retirement will **not** be allowed to enroll in retiree coverage at a later date or during an Open Enrollment Period. They should therefore consider this decision wisely.
- Retirees should contact their HR Office to cancel the Spouse Program and switch to Family coverage under the working spouse. This is usually more advantageous premium-wise. People First will then allow both spouses to switch to two single retiree policies once the second spouse retires.

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Questions?

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