

The reduction for Investment Plan members, in the comparison of Table 1 and Table 2, is the actual allocation rate that is deposited into the Investment Plan member's account. The dollar amount deposited is based on the employee's base rate of pay. There will be a reduction in the amount of contributions paid into the member's retirement account for members of the Investment Plan only. This does not reduce the contribution by the employer.

To see the new employer contributions you must review Table 4. The FRS is a Blended Uniform Contribution Rate system which means regardless of which plan the employee elects to join, the employee will continue to pay the 3% contribution and the employer will continue to contribute based on the membership class in which the employee belongs (class title and pay plan).

The comparison of Table 3 and Table 4 indicates there will be an increase in the employer contribution for each class with the exception of the Elected Official class. The Elected Official class will reduce from 9.04% to 8.53%. All other classes will have an increase in the employer contribution rate.

Members of DROP will continue not paying a contribution however, the employer will see an increase in the employer contribution. The employer contribution will change from 4.42% to 5.44%.

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From: Chappell, Bobbie
Sent: Wednesday, March 21, 2012 12:36 PM
To: Colvin, Rip; Dolce, Michelle; Eastman, Jessi; Kranert, Jessica
Subject: MEMORANDUM: 019-12HR - 2012 Retirement Legislation & Utilizing 2nd Election

March 21, 2012

MEMORANDUM: 019-12HR

TO: Agency Administrators
FROM: Bobbie Chappell, Director of Human Resources
VIA: Rip Colvin, Executive Director
RE: 2012 Retirement Legislation & Utilizing 2nd Election

The State Board of Administration has released the attached "Notice on 2012 Legislation" which contains a summary of the bills passed during this session as well as helpful information to help you understand these changes. These bills are awaiting the Governor's signature and unless otherwise stated, these changes will be effective July 1, 2012. In anticipation of these changes, your office may begin receiving questions regarding an employee's option to switch retirement plans. Members considering switching retirement plans through their one-time 2nd Election should carefully weigh this important financial decision. We encourage members considering this switch to utilize the free financial counseling service offered through the My FRS Guidance Line, and to speak to a certified Ernest & Young Financial Advisor. This service is available Monday through Friday, 9:00 a.m. to 8:00 p.m. ET, toll free at 1-866-446-9377, and can provide

members with information on how to utilize their 2nd Election, the benefits under both plans, and any financial implications of this 2nd Election.

Please note that members who switch from the Investment Plan to the Pension Plan may be required to “buy-in” to the Pension Plan. This is sometimes referred to as the Actuarial Accrued Liability. Members will generally have a “buy-in” cost if their Investment Plan account value is less than what would have accrued under the Pension Plan, had the member originally enrolled in the Pension Plan. This difference in value must be paid by the member from personal funds and/or the member may roll funds over from another qualified retirement account. Due to this reason, members should contact an Ernest & Young Advisor to calculate this “buy-in” cost (if any) prior to making their 2nd Election.

We have also attached the FRS 2ND Election Brochure for employees to review as well. If you have any questions or need additional information please contact Bobbie Chappell or Jennifer Henderson at retirementcoordinator@jac.myflorida.com.

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[Important Notice on 2012 Legislation](#)

The Florida Legislature completed its 2012 session and passed several bills affecting the Florida Retirement System. Although these bills are awaiting the Governor's signature, the FRS would like to provide you with this information to help you understand these changes. Additional information can be found online in [2012 Legislation](#). The effective date for the following bills is July 1, 2012, unless noted otherwise.

[House Bill 5005 \(contribution rates\)](#)

Investment Plan Contributions

Changes the amount paid into Investment Plan member's accounts effective July 1, 2012, as shown in Tables 1 and 2 below. **No change was made to the 3% contribution rate paid by employees, or to the employer contribution for Investment Plan disability benefits.** However, the Legislature **reduced** the contributions paid by employers, which results in an overall reduction of **30%** in total contributions paid into Investment Plan member's accounts.

Table 1 Current Investment Plan Contributions

Membership Class	Paid by Employee	Paid by Employer ¹	Total to Employee Account
Regular Class	3%	6.00%	9.00%
Special Risk Class	3%	17.00%	20.00%
Special Risk Administrative Support Class	3%	8.35%	11.35%
Elected Officers' Class - (Judges)	3%	15.90%	18.90%
Elected Officers' Class - (Legislature/Cabinet/Public Defender/State Attorney)	3%	10.40%	13.40%
Elected Officers' Class - (County and Local)	3%	13.20%	16.20%
Senior Management Service Class	3%	7.95%	10.95%

Table 2 Investment Plan Contributions Effective July 1, 2012

Membership Class	Paid by Employee	Paid by Employer ¹	Total to Employee Account
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%

¹Paid by employers via the uniform contribution rates specified in Tables 3 and 4.

Because the reduction in Investment Plan contributions will have an impact on future Investment Plan benefits, Investment Plan members are encouraged to call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, and speak with a financial planner who can help them calculate estimated future benefits under the Investment Plan.

FRS Employer Contribution Rates

Changes the employer contribution rates effective July 1, 2012, as shown in Tables 3 and 4 below. Employers make uniform contributions for both Investment Plan and Pension Plan members (i.e., pay the same rate for members under both plans). **No change was made to the 3% contribution rate paid by employees**, the 1.11% Health Insurance Subsidy contribution, or the Investment Plan .03% administrative and educational contribution. The new uniform contribution rates provide for full funding of Pension Plan normal cost benefits, but do not provide full funding for the unfunded actuarial accrued liability, which will result in a continued overall underfunding of the Pension Plan.

Table 3 Current Uniform Contribution Rates

Membership Class	Paid by Employee	Paid by Employer			Total Paid by Employee and Employer
	Retirement	Retirement	Administrative & Education	Health Insurance Subsidy	
Regular Class	3%	3.77%	.03%	1.11%	7.91%
Special Risk Class	3%	12.96%	.03%	1.11%	17.10%
Special Risk Administrative Support Class	3%	4.90%	.03%	1.11%	9.04%
Elected Officers' Class - (Judges)	3%	10.55%	.03%	1.11%	14.69%
Elected Officers' Class - (Legislature/Cabinet/Public Defender/State Attorney)	3%	7.90%	.03%	1.11%	12.04%
Elected Officers' Class - (County and Local)	3%	10.00%	.03%	1.11%	14.14%
Senior Management Service Class	3%	5.13%	.03%	1.11%	9.27%
DROP	0%	3.31%	0%	1.11%	4.42%

Table 4 Uniform Contribution Rates Effective July 1, 2012

Membership Class	Paid by Employee	Paid by Employer			Total Paid by Employee and Employer
	Retirement	Retirement	Administrative & Education	Health Insurance Subsidy	
Regular Class	3%	4.04%	.03%	1.11%	8.18%
Special Risk Class	3%	13.76%	.03%	1.11%	17.90%
Special Risk Administrative Support Class	3%	4.77%	.03%	1.11%	8.91%
Elected Officers' Class - (Judges)	3%	10.79%	.03%	1.11%	14.93%
Elected Officers' Class - (Legislature/Cabinet/Public Defender/State Attorney)	3%	7.39%	.03%	1.11%	11.53%
Elected Officers' Class - (County and Local)	3%	9.09%	.03%	1.11%	13.23%
Senior Management Service Class	3%	5.16%	.03%	1.11%	9.30%
DROP	0%	4.33%	0%	1.11%	5.44%

Optional Programs Contribution Rates

Changes the optional programs employer contribution rates effective July 1, 2012, as shown in Tables 5 and 6 below. **No change was made to the 3% contribution rate paid by employees.**

Table 5 Current Contribution Rates

Optional Programs ²	Paid by Employee	Paid by Employer			Total Paid by Employee and Employer
	Contribution	Contribution	Administrative Cost	Unfunded Actuarial Liability	
State University System Optional Retirement Program	3%	7.42%	0.01%	0.49%	10.92%
Senior Management Service Optional Annuity Program	3%	9.49%	0%	0.32%	12.81%
State Community College System Optional Retirement Program	3%	7.43%	0%	0.49%	10.92%

Table 6 Contribution Rates Effective July 1, 2012

Optional Programs ²	Paid by Employee	Paid by Employer			Total Paid by Employee and Employer
	Contribution	Contribution	Administrative Cost	Unfunded Actuarial Liability	
State University System Optional Retirement Program	3%	5.14%	0.01%	0.49%	8.64%
Senior Management Service Optional Annuity Program	3%	6.27%	0%	0.32%	9.59%
State Community College System Optional Retirement Program	3%	5.15%	0%	0.49%	8.64%

²Rates for local annuity programs are not listed since those rates are established by local authority, per s. 121.055(1)(b)2., Florida Statutes.

House Bill 7079 (miscellaneous Investment Plan and Pension Plan changes)

This bill made the following miscellaneous changes:

- Clarifies that the provisions of Part I of the Florida Retirement System Act (Chapter 121, Florida Statutes) are applicable to Parts II and III of the Act.
- Defines normal retirement for Investment Plan members as the later of the date a member reaches normal retirement date under the Pension Plan, or the date the member is vested in the Investment Plan.
- Allows a member of the State University System Optional Retirement Program, Senior Management Service Optional Annuity Program, and State Community College System Optional Retirement Program to receive up to 10% of their account balance one month after termination, if they have reached the Pension Plan's normal retirement provisions.
- Clarifies that members first hired on or after July 1, 2011 may defer joining DROP until age 55 for Special Risk members and age 60 for all other members.

Senate Bill 1986 (regularly established position definition)

The bill provides a new definition of "regularly established position" and "temporary position" for five state water management districts. The new definition provides that a position within a water management district's adopted budget that is compensated from a salaries and benefits appropriation or account will be considered a regularly established position for retirement purposes.

Senate Bill 198 (increases providers in SUSORP)

This bill increases the number of companies who may offer contracts under the State University System Optional Retirement Program from the current five to six.

House Bill 1417 (State Board of Administration alternative investments)

This bill increases the amount the State Board of Administration can invest in alternative investments from 10% to 20%. This will permit the SBA to further diversify the FRS portfolio and protect it in times of volatile markets.

House Bill 959 (State Board of Administration proxy voting/investments in Cuba and Syria)

The bill provides that the SBA will vote against any proxy resolutions advocating expanded U.S. trade with Cuba or Syria.

Additionally, the bill amends section 287.135, F.S., pertaining to purchasing to prohibit any company doing business with Cuba or Syria from bidding on, submitting a proposal for, or entering into or renewing a contract with a state agency or local governmental entity for goods or services of \$1 million or more.

House Bill 629 (date of birth exemption)

This bill adds the date of birth to the list of exempt information for certain people under section 119.071, F.S., including law enforcement personnel, judges and justices, and the spouses and children of such individuals. The bill is effective October 1, 2012.

House Bill 1089 (exemption for certain state employees and county tax collectors)

This bill provides a public records exemption for current or former investigators or inspectors with the Department of Business and Professional Regulation covering their home addresses, telephone numbers, and photographs; as well as the names, home addresses, telephone numbers, places of employment, and school or day care facilities for the children and spouses of these employees. The bill also provides a public records exemption for the home addresses and telephone numbers of county tax collectors and the names, home addresses, telephone numbers, places of employment, and school or day care location for the children and spouses of county tax collectors. These exemptions are from the list of exempt information for certain people under section 119.071, F.S. The bill is effective upon becoming law.

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

Is a 2nd ELECTION Right for You?



One-Time Opportunity to Switch FRS Retirement Plans

After making your initial Florida Retirement System (FRS) retirement plan selection, you can change plans one time during your FRS working career. This plan change – called your “2nd Election” – is not for everyone, but it could be right for you.

How to Make Your 2nd Election¹

If you decide to make a 2nd Election, follow these steps:

- 1. Election by Form:** To obtain a 2nd Election Retirement Plan Enrollment form, either contact Aon Hewitt, FRS Plan Choice Administrator, toll-free at 1-866-446-9377, Option 4 (or Telecommunications Relay Service 711) or log onto *MyFRS.com* and select “Resources,” then “Forms.” Complete the form and return it to Aon Hewitt at the address shown on the form or fax it to 1-888-310-5559. If you fax your form, **DO NOT** mail the original. Keep a copy of the original form and fax receipt for your records.
- 2. Election Online:** If you are changing from the Pension Plan to the Investment Plan, you can make your 2nd Election online by logging onto *MyFRS.com* and selecting the 2nd Election CHOICE SERVICE. The election will be processed the same day if it is entered before 4:00 p.m. ET. (If you are switching from the Investment Plan to the Pension Plan, online election is not available; you must use a paper enrollment form.)
- 3. Locking in the Transfer Amount or Buy-in Cost:**
 - If transferring from the FRS Pension Plan to the FRS Investment Plan, your transfer amount will be locked in the month Aon Hewitt receives the form or your online election is confirmed.
 - If transferring from the FRS Investment Plan to the FRS Pension Plan, your cost to buy into the Pension Plan will be calculated as of the first day of the month following Aon Hewitt’s receipt of the election form. If there are any buy-in costs for transferring to the Pension Plan, you will receive a notification stating the amount you owe. Your buy-in payment is due within 60 days of the date on the notification letter.

- 4. Finalizing the Plan Change:** You must be working for an FRS employer at the time your enrollment form is received by Aon Hewitt or your online election is confirmed. For example, if the last day you work for an FRS employer is July 1st (due to voluntarily terminating or being forced to terminate FRS-covered employment) your election form must be received by Aon Hewitt, or the online election must be confirmed **prior** to 4:00 p.m. ET on July 1st.

Free Help Is Available

Before using your 2nd Election, get unbiased help from the FRS. Review your plan options carefully. Once you make a 2nd Election, that decision is final, unless you timely notify the MyFRS Financial Guidance Line that you wish to cancel your election. Once your 2nd Election is finalized, you must remain in your chosen plan until your FRS-covered employment ends and you retire.

The FRS offers two ways to get free help:

- Call the toll-free MyFRS Financial Guidance Line at 1-866-446-9377, Option 1 (or TRS 711). Financial planners will provide personalized, unbiased information based on your individual situation. Get solid financial guidance from someone who is not trying to sell you investment or insurance products.
- Log onto *MyFRS.com* and select the 2nd Election CHOICE SERVICE to see your projected retirement benefits under both plans.² You can change the information to better match your life circumstances.

¹ If you are on an unpaid leave of absence or if you are an employee of an educational institution and you are not employed during one or more summer months, you cannot use your 2nd Election until you return to work.

² CHOICE SERVICE retirement benefit projections may not be available to some members.

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See the reverse side for more details on making a 2nd Election • • • YOUR Money YOUR Choice



About the 2nd ELECTION . . .

As an FRS member, you have a one-time opportunity to transfer from one FRS retirement plan to the other while actively employed by an FRS employer.

If You Are in the FRS Pension Plan

You can switch to the FRS Investment Plan

What this means to you:

- ✓ No cost to you.
- ✓ The present value* of your Pension Plan benefit will become your opening Investment Plan account balance.
- ✓ You will be fully vested in the money you transfer from the Pension Plan to the Investment Plan after you have 6 years of service credit under the FRS.** You will be vested in new contributions if you have at least 1 year of FRS employment.
- ✓ If you terminate employment with less than 6 years of service credit, you could forfeit the amount transferred from the Pension Plan.**

* Called ABO (Accumulated Benefit Obligation).

** If you were first hired on or after July 1, 2011 and have no previous Pension Plan service, you will vest after you have 8 years of FRS service.

If You Are in the FRS Investment Plan

You can switch to the FRS Pension Plan

What this means to you:

- ✓ Your Investment Plan service will count toward the Pension Plan's 6-year vesting requirement.**
- ✓ You must "buy in" to the Pension Plan using the money in your Investment Plan account.
- ✓ The FRS will calculate your buy-in cost, based on whether you had previous FRS Pension Plan service before joining the Investment Plan:

If you had previous Pension Plan service, the buy-in cost is a present value calculation using all of your FRS service.¹

¹ Called a Return ABO

If you did not have previous Pension Plan service, the buy-in cost is the total cost to provide a Pension Plan benefit up to the time of your buy-in.²

² Called Actuarial Accrued Liability

After your buy-in cost is calculated...

If there isn't enough money in your Investment Plan account to cover the buy-in cost, you must make up the difference using your personal funds. You may be permitted to roll over funds from another eligible retirement plan to help pay the difference.

Note: The buy-in cost increases monthly.

If you buy into the Pension Plan and have extra funds left in your Investment Plan account, this surplus will remain in your Investment Plan account and you will continue to manage the funds as you did before. However, your Investment Plan money will not be available for distribution until you retire and begin receiving your Pension Plan benefit.

CAUTION

Some outside investment agents may try to persuade you to use your 2nd Election. Make an informed decision by calling the MyFRS Financial Guidance Line and speaking with an unbiased financial planner to see whether making a 2nd Election is in your best financial interests.

This publication is only a summary of the 2nd Election option for the FRS Retirement Plans. More information is available on MyFRS.com (2nd Choice Service). If you have any questions, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 1 (or TRS 711).