

June 13, 2011

MEMORANDUM NO: 048-11HR

TO: Agency Administrators

FROM: Bobbie Chappell, Director of Human Resources

VIA: Rip Colvin, Executive Director

RE: 2011 Florida Retirement System Legislation Summary

Senate Bill 2100 made several changes to the **Florida Retirement System (FRS)** and was signed by the Governor on May 26, 2011. We know you have many questions and want to present information to help you understand these changes.

For **current retirees**: Benefits were not changed during the 2011 legislative session; the annual FRS cost-of-living adjustment remains at 3%, and the Retiree Health Insurance Subsidy (HIS) benefit did not change.

Listed below are the key changes made in this legislation:

Employee Contributions

- Effective July 1, 2011, FRS members **must** contribute **3%** of their salary as retirement contributions, on a pre-tax basis (the salary is reduced by the amount of the employee contribution before determining the federal income tax deduction). The employer will automatically deduct the employee contributions.
- Members participating in the **Deferred Retirement Option Program (DROP)** and **re-employed retirees** who are not allowed to renew membership will not be required to make 3% contributions.

DROP

- Members with an effective DROP begin date on or before **June 2011** will retain an annual interest rate of **6.5%**.
- The annual DROP interest rate will be **1.3%** for members whose DROP participation begins on or after **July 1, 2011**.

Cost-of Living Adjustment (COLA)

- Members with an effective retirement date or DROP begin date before **August 1, 2011**, will not have a change in their 3% COLA.
- Members with an effective retirement date or DROP begin date on or after **August 1, 2011**, will have an **individually calculated COLA** that is a reduction from 3% using the following formula:
 - The total years of service before July 1, 2011, divided by the total years of service at retirement.

Multiply this number by 3% to get the retiree's COLA.

For example: a member who retires effective July 1, 2012, with 30 years of service of which 29 years occurred before July 1, 2011:

$$29/30 = .9667 \times 3\% = 2.9\%.$$

This member will receive a 2.9% COLA each July.

Changes for Members First Enrolled in the FRS on or after July 1, 2011

- **Vesting** for Pension Plan benefit eligibility will be after the completion of 8 years of creditable service.
- The average final compensation (**AFC**) used in calculating retirement benefits will be the highest 8 fiscal years of salary.
- The definition of "**normal retirement date**" is changed:
 - Members of the Regular Class, Senior Management Service Class, and Elected Officers' Class will reach their normal retirement date:
 - a) The first day of the month the member reaches age 65 and is vested; or
 - b) The first day of the month following the month the member completes 33 years of creditable service, regardless of age before age 65.
 - Members of the Special Risk Class will reach their normal retirement date:
 - a) The first day of the month the member reaches age 60 and is vested; or
 - b) The first day of the month following the month the member completes 30 years of creditable service in the Special Risk Class, regardless of age before age 60; or

- c) The first day of the month following the date the member reaches age 57 and completes 30 years of service comprised of Special Risk Class service and up to 4 years wartime military service purchased under s. 121.111, F.S.

For additional information please contact Jennifer Henderson at RetirementCoordinator@justiceadmin.org or 850-488-2415 ext. 249.

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