

RETIREMENT – Florida Retirement System (FRS)

Prior to 2002, the Florida Retirement System offered one retirement option: the FRS Pension Plan. It provided a retirement benefit based on years of service at retirement, on an employee's highest five years of pay , FRS membership class during the time an employee is with an FRS employer.

Today, employees have a choice to either participate in the FRS Pension Plan or participate in the FRS Investment Plan. The FRS Investment Plan lets employees decide how to allocate employers' monthly contributions among one or more investment funds.

Both FRS options are funded entirely by the City of Sunny Isles Beach. Below is a summary of the key differences between the FRS Pension Plan and the FRS Investment Plan.

	FRS Pension Plan	FRS Investment Plan
Plan type	Defined benefit retirement plan.	Defined contribution retirement plan.
Who contributes	Monthly contributions are employer-paid.	Monthly contributions are employer-paid.
How it works	Monthly contributions based on a percent of salary and FRS membership class - paid to a trust fund for all FRS members.	Monthly contributions based on a percent of salary and FRS membership class - paid to employees' accounts.
Who invests	Benefits are based on a formula (years of service, highest 5 years of salary, FRS membership class).	Benefits are based on employees' account value (contributions plus investment earnings less expenses and losses).
Who assumes the investment risk and rewards	The State Board of Administration (SBA) invests the Pension Plan Trust Fund by choosing investment strategies and investment firms.	Employees choose how contributions are allocated among various investment funds. The SBA chooses private investment firms to manage the investment funds.
Other factors influencing employees' benefit levels	FRS and employers.	You.
Vesting (benefit ownership)	The length of an employee's FRS service is the most important, but so are other factors, including salary growth, FRS membership class, vesting, inflation and DROP participation.	
Amount of	After six years of FRS service.	After one year of FRS service.
	Amount fixed by formula and	Amount based on employee's account value and

benefit paid at retirement	employee's choice of payment option.	employee's choice of payment option.
Will benefits continue to grow if employee changes employers?	Yes, if an employee moves to another public sector employer participating in the FRS. Otherwise, benefit is frozen until retirement.	Yes, employee's account can be left in the plan or rolled over to another retirement plan. Either way, employee's account remains invested.
Retirement income options	Monthly lifetime payments, guaranteed by the FRS. Benefit reduction for early retirement. Other lifetime options provide for payments to surviving beneficiary. Under current law, benefits increase 3% each July.	Employee decides how and when the account balance is withdrawn after termination. Employee can use some or all of account to buy monthly lifetime payments guaranteed by a private sector insurance firm. Payments include survivor benefit options and a 3% annual benefit increase option.
Deferred Retirement Option Program (DROP) participation	Employees are eligible to participate in DROP after reaching normal retirement eligibility.	Employees are not eligible to participate in DROP.

In addition to the above information, the Florida Retirement System also offers individuals an opportunity to increase their retirement benefits by purchasing:

- ✚ prior service (as approved by the State of Florida, Division of Retirement)
- ✚ certain military service
- ✚ board approved leave of absence
- ✚ in-state and / or out-of state service (as approved by the State of Florida, Division of Re

Normal Retirement, Early Retirement, Disability Retirement,
and Deferred Optional Retirement Program (DROP).

- **Normal Retirement:** Regular Class members must be vested and reach 62 years of age; or must have 30 years of service regardless of age (may include military service).

- **Early Retirement:** You can retire prior to age 62 or reaching 30 years of service with a reduced benefit after you are vested. Your pension benefit will be reduced by 5% percent a year under the age of 62, unless you fulfill the service requirement of 30 years for normal retirement. Early retirement benefits are reduced based on age requirements and service requirements.

- **Early Retirement by age, Penalty, and % of Pension**

AGE	% of Penalty	% of Pension Received
42	100%	0
50	60%	40%
55	35%	65%
57	25%	75%
60	10%	90%

Disability Retirement: A member who becomes totally and permanently disabled, and defined in the paragraph below, after completing 5 years of creditable service or a regular member who has become totally and permanently disabled in the line of duty regardless of service, shall be entitled to a benefit; except that any member with less than 5 years of service on or before July 1, 1980, or any person who becomes a member of FRS on or after such date must have completed 10 years of creditable service prior to becoming totally and permanently disabled in order to receive disability retirement benefits for a disability which occurs other than in the line of duty. Members may apply for Regular Disability or In-Line Of Duty Disability.

Total and permanent disability - a member shall be considered totally and permanently disabled if , in the opinion of the FRS Administrator, he/she is prevented, reason of a medically determinable physical or mental impairment, from rendering useful and efficient service as an officer or employee.

DROP: The Deferred Retirement Optional Program allows you to retire, continue your employment and have your monthly retirement benefit remain in the Florida Retirement System (FRS) Trust Fund instead of being paid directly to you. Your tax deferred benefits will earn interest, compounded monthly at an annual rate 6.5%, as long as you participate in DROP. Upon termination of employment, the participant will receive

payment of the accumulated Drop benefits and begin to receive your normal monthly retirement benefits . Vested members are eligible to enter Drop once they reach 30 years or age 62. Eligible members may participate for a period not to exceed 60 calendar months. (Participation in Drop does not guarantee employment for the specified period of Drop). While you participate in DROP your monthly retirement benefit will be increased by a 3% cost-of-living adjustment each July 1 (or a prorated amount the member retires within the year).

Effective July 1, 2001 (House Bill 1193) Instructional personnel may enter DROP at anytime after they reach their normal retirement date.

The enrollment period for all other members is within 12 months after your FIRST reach your normal retirement date, age 62 or 30 years of service. Members, other than Instructional Personnel, who reach 30 years of service prior age 62, may defer entering Drop and elect to enroll at anytime between completing 30 years and reaching age 57.

FREQUENTLY ASKED DROP QUESTIONS:

1. **When can I apply for Drop?** Your Drop application can be submitted to the Division of Retirement 6 months prior to the DROP entry date.
2. **What do I need to do to apply?** Call Human Resources Retirement Department (352) 253-6538 and make an appointment or request a DROP packet sent to you. You will need to provide a copy of your birth certificate. The birth certificate does not have to be an original or certified copy.
3. **What do I do when I'm ready to exit DROP?** Discuss your decision to terminate employment with your Administrator
4. **If I want FRS to send my DROP accumulation in a Lump Sum will it be taxed?** It will be taxed at 20%.
5. **If I elect to rollover my DROP accumulation, what can it be rolled into?** A participant who elects a rollover must have the rollover paid directly to the custodian of an eligibility retirement plan as defined in s.402(c) (8) (B) of the Internal Revenue Code (IRC) retirement plans include:
 - i. **Individual Retirement Account** - referred to as an IRA
 - ii. **Individual Retirement Annuity** - an annuity set up by an insurance company (does not include an endowment contract).
 - iii. **Qualified Trust** - a stock bonus, pension, or profit sharing plan of an employer and DC plans established in accordance with 401 (a) IRC, for the and exclusive benefit of employees or their beneficiaries.
 - iv. **Annuity Plan describe in s.403 (a), IRC** - the definition of a qualified annuity plan (does not include a 403(b) or a 457 plan)
6. **Additional questions and answers are available on the FRS web page.**

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To obtain more information on the Florida Retirement System, visit www.myfrs.com OR

Contact the Human Resources Department at 305-792-1809.