



Understanding Your Retirement

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Presented by: Tim Middleton

Tim Middleton, OSCA Retirement Coordinator



- Joined the OSCA in March 2023.
- Prior to the Courts, worked for Division of Retirement for 9 years, most recently supervising employees responsible for calculating pension benefits.
- OSCA Coordinator:
 - FMLA
 - ADA Title I
 - Workers Comp
 - Maternity and Parental Leave

Learning Objectives



- Understand the differences in the FRS Pension Plan (PP) and the FRS Investment Plan (IP).
- Explain the second election process to switch plans.
- Gain a basic understanding of how the PP benefit is calculated.
- Explain the DROP program and its benefits.
- Explain to employees the benefits and consequences their termination date has on their retirement benefits.

New Laws - 2023



- DROP participation to 8 years
- No time restricted entry into DROP, **once eligible**
- DROP interest rate ↑ to 4%
- 2% ↑ in amount going into IP
- HIS ↑ to \$7.50 for every year worked, maximum \$225



New Laws - 2024



- Effective July 1, 2024, removal of the reemployment restrictions in months 7-12.
- * Restrictions in months 1-6 remain and are severe – so be careful.
- No changes to COLA, investment plan contributions, or employee contributions.



Initial Election – New Employees



- 8 months to decide
- Pension Plan (PP) or Investment Plan (IP)
- Initial decision can have a lasting impact
 - Special Risk default to PP
 - All others default to IP
- One time second election – buyback (IP-PP) vs. lump sum transfer (PP-IP)

WELCOME to the **FLORIDA RETIREMENT SYSTEM**

Hi, [Recipient's First Name]! Your MyFRS.com PIN: [#####]

Your new employer is one of more than 950 public employers who participate in the Florida Retirement System (FRS). As a new FRS member, you must choose which of our two retirement plans you'd like to participate in — the Investment Plan or the Pension Plan.

Your deadline to choose an FRS retirement plan is [Month ##, Year] at 4:00 p.m. ET.¹

Your Retirement Plan Options

FRS Investment Plan

- 401 (k)-type investment plan — you are responsible for managing your account.
- You qualify for a benefit after 1 year of service; once earned, the benefit is yours.
- Your benefit is based on contributions made to your account and on investment performance over time.

FRS Pension Plan

- Traditional retirement pension plan — the State is responsible for managing the Pension Plan Trust Fund.
- You qualify for a benefit after 8 years' of service; your benefit is payable when you reach retirement age as defined by the plan.
- Your monthly benefit is guaranteed and based on a formula using your salary, years of service, FRS membership class, and age.

Both plans require you to contribute 3% of your salary, beginning with your first paycheck. You cannot change the amount you contribute. Your employer also makes contributions to the plan you choose.

Get Help Choosing a Plan

Visit ChooseMyFRSplan.com. Watch the quick interactive video to see which plan might be a better match for you, and access other helpful information.

Use the 1st Election Choice Service. Get a free, personalized estimate of the benefit you'd receive under each plan. To register:

1. Visit MyFRS.com and click "SIGN IN / REGISTER" at the top of the page.
2. On the Welcome page, select "REGISTER" and enter the requested information. Your 6-digit PIN is provided above.
3. Once registered, log in to MyFRS.com and click the green "CHOICE SERVICE" button at the top.

Call the MyFRS Financial Guidance Line. Speak with an unbiased financial planner who can answer your questions and help you choose your FRS plan.

1-866-446-9377 • Option 1 (TRS 711)
8:00 a.m. to 6:00 p.m. ET
Monday through Friday, except holidays

Special Risk Class Members! The chart below doesn't apply to your situation. Please use the 1st Election Choice Service or call the MyFRS Financial Guidance Line.

Make a Quick Financial Comparison

In this chart, the color of the circle where your age and expected years of service intersect indicates the plan projected to provide you a higher financial benefit. For personalized guidance, use the 1st Election Choice Service or call the MyFRS Financial Guidance Line.

● Hot Vested ● Investment Plan ● Pension Plan

The difference in the projected benefits is small and more information is needed to identify which plan might be better for you. Use the 1st Election Choice Service or call the MyFRS Financial Guidance Line.

Number of Years You Expect to Work for an FRS-Participating Employer

Age	1	2-7	8	10	15	20	25	30	35	40+
<25	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
26-30	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
31-35	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
36-40	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
41-45	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
46-50	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
51-55	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
56-60	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested
61+	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested	Hot Vested

These projections are based on age and certain general assumptions about length of service, salary growth, and investment earnings.

¹ If you do not submit a plan choice by your deadline, the Investment Plan will be considered your 1st Election by default. **Exception:** If you are in the Special Risk Class, the Pension Plan will be considered your 1st Election by default.

² If you were initially enrolled in the FRS before July 1, 2011, your vesting requirement may be different. Refer to myfrs.com/FRSPro_ComparePlan_Vesting.htm for details.

FRS Pension Plan



- Defined Benefit Plan –based on a formula
- Employee contributions have no impact on the benefit
- Guaranteed lifetime monthly pension benefit
- 6-year or 8-year vesting (based on initial enrollment date...7/1/2011)



FRS Investment Plan



- Defined Contribution Plan – account balance
- Employee and employer contributions have a direct impact on the benefit
- 1-year vesting
- No guarantee; account balance determined by your investment choices and could fluctuate
- Up to you to manage your account and make your money last for your lifetime
- Account balance could go up...



FRS Investment Plan



- Or account balance could go down...
- Must figure out which plan is the best for you



Making a Second Election



- Everyone gets a second election.
- But, must be...
 - An active employee
 - Earning service credit and salary
 - Make election before termination date.
- Election is effective first day of month after election is made.
- Can never switch back so be wise.



Making a Second Election – PP to IP



- Switch from PP to IP - effective the first day of the following month.
- Calculated lump sum value becomes Opening Account Balance (OAB) in investment plan account.
- OAB credited to investment plan account in the middle of the month and goes into Retirement Date Fund until you instruct otherwise.
- Caution – must vest by PP standards to be eligible for OAB.

Making a Second Election – IP to PP



- Must “Buy Back” into PP using IP balance
 - a. Buy back cost is calculated as of the 1st day of the month after you make the election to switch
 - b. IP balance is liquidated and applied to that cost
 - c. If IP balance covers the cost, buy back process is complete and you are now in the PP
 - d. If balance does not cover the cost, you must make up the difference and the buy back process continues...

Making a Second Election – IP to PP



- e) Receive a letter and invoice giving 60 days to pay the outstanding amount
 - Personal Funds
 - Rollover from another qualified plan

- f) Once the invoice is paid, the buy back process is complete

You are now in the PP and are eligible for the lifetime monthly pension benefit and DROP

Buy Back Reversed



- If the invoice is not paid, the election is null and void
 - Placed back in the IP and the money that was transferred out of IP account is deposited back into IP account
 - Retain 2nd election and can elect at some point in the future to buy back into the PP

MYFRS Financial Guidance Line



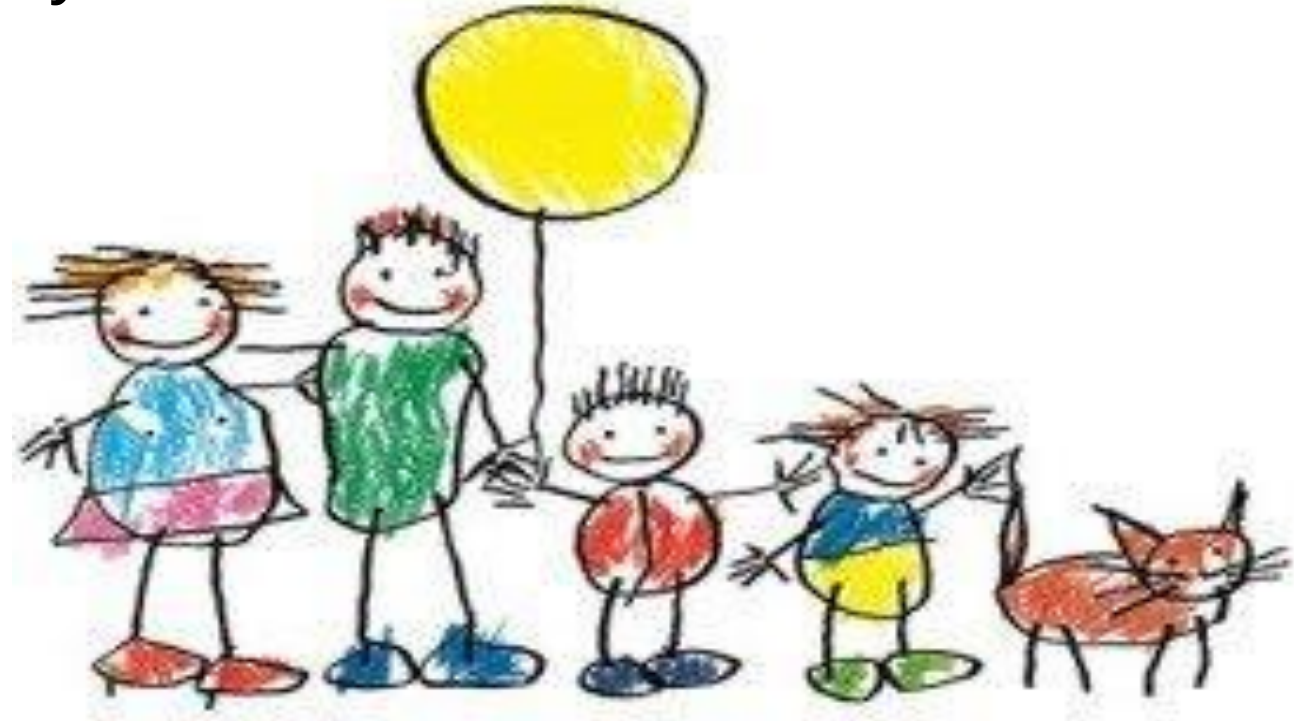
Toll-Free: (866) 446-9377, Option 1 or 2

- Created by the Legislature along with the IP
 - Assistance with making initial and second elections
 - Free financial guidance for FRS members
- Chat feature - <https://myfrs.com/ContactUs.htm>
- NOT ALLOWED TO SELL YOU ANYTHING – just there to answer your questions and provide guidance

Beneficiaries



- Have you protected your family?
- Important for both PP and IP
- Best way – online
- Be sure to provide all information including SS#



Survivor Benefits – What if I Pass Away?



- If your beneficiary is your spouse or another qualified Joint Annuitant, they are eligible for an option 3 benefit for the rest of their life.
- If your beneficiary is not your spouse or another qualified Joint Annuitant, they are only eligible for the EE contributions that are on deposit.
- If you haven't named a beneficiary, it would be determined by law.

Pension Formula



3 Factors in the formula:

- Years of Creditable Service (YOS)
- Percentage Value (%V)
- Average Final Compensation (AFC)

Calculation:

$\text{YOS} \times \%V \times \text{AFC} = \text{Option 1 Annual Benefit}$

$\text{Option 1 Annual Benefit} \div 12 \text{ months} = \text{Option 1 Monthly Benefit}$



Actual Calculations



Scenario:

An FRS member who is age 62 with 30 years of Regular Class service and an average final compensation of \$100,000

3 Factors in the formula:

- Years of service (YOS): 30
- Percentage Value (%V): 1.60%
- Average Final Compensation (AFC): \$100,000

Actual Calculations



Calculation:

YOS x %V x AFC = Option 1 Annual Benefit

÷ 12 months = Option 1 Monthly Benefit

1) $30 \times 1.60\% (0.016) = 48\%$

2) $48\% \times \$100,000 = \$48,000$ (Option 1 Gross Annual Benefit)

3) $\$48,000 / 12 = \text{\textbf{\$4,000 (Option 1 Gross Monthly Benefit)}}$

Mitigating Factors



- Option Factor – Options 2, 3 and 4, actuarially equivalent but reduced from option 1
- All 4 options include lifetime benefit for the employee and differ in the ongoing benefit for any Joint Annuitant (JA) or Beneficiary
 - Option 1 – No ongoing benefit for beneficiary
 - Option 2 – 10-year guarantee but no ongoing benefit after the 10 years
 - Option 3 – Lifetime benefit for both employee and JA – same for survivor
 - Option 4 - Lifetime benefit for both employee and JA – reduced for survivor

Mitigating Factors



- Early Retirement Factor:
 - 5% reduction for every year under normal retirement age
- Normal Retirement:
 - **Tier 1** - age 62 and vested or 30 YOS
 - **Tier 2** - age 65 and vested or 33 YOS
 - **Special Risk** - age 55 and vested or 25 years of Special Risk service

Deferred Retirement Option Program



- What is DROP?
- How does it work?
- Should I participate?

DROP Nuts and Bolts



- First eligible at normal retirement
- No restrictions on DROP entry once you become eligible (new law)
- Participate for maximum of 8 years (new law)
- Earn 4% interest after July 1, 2023 (new law)
- Must terminate at end of participation – unless you are a Judge
- Get lump sum and the ongoing lifetime monthly pension benefit

Is DROP Right or Me?



- Not for everyone!!
- Must be ready to stop working at end of DROP participation
- Think about:
 - Your AFC
 - Your % value per year
 - Insurance in retirement
 - Monthly pension amount



When Should You Terminate Employment?



Always weigh the pros and cons of your termination date. This includes the following items to consider:

- Insurance coverage
- Salary
- Pension / retirement income
- Gap between payday and pension check



DROP Termination Forms



- DP-TERM
 - Certifies termination date to Retirement
 - Initiates the monthly pension benefit to be direct deposited
 - Must be sent to OSCA Retirement Coordinator for authorized signature
- DP-PAYT
 - Communicates to Division of Retirement how to disperse the DROP lump sum
 - 3 options – Retirement withholds 20% taxes on any lump sum
 - 1) lump sum; 2) rollover; 3) partial lump sum
 - No signature from OSCA HR

Questions



Tim Middleton
(850) 410-0646
middletont@flcourts.org

