



**Broward Principals' and  
Assistants' Association**

**Retirement Information**

**January 18, 2011**

**Nova Middle School  
Media Center**



# Florida Retirement System

- It is one of the best and highest rated public retirement plan in the nation
- It is adequately funded at 88.5% in 2008-2009
- Each public entity is allowed to join the FRS and pay a fee
- At over 100 Billion Dollars, the FRS is the 4<sup>th</sup> Largest Pension Fund in the United States

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# FRS Website

- [frs.MyFlorida.com](http://frs.MyFlorida.com)

# FRS Publications

- **Preparing to Retire**
- **DROP Brochure**
- **FRS Guide to Regular Retirement**
- **Reemployment after Retirement**
- **FRS Fall Bulletin 2010**

## **FRS and Social Security Statements**

- **Mailed to your address of record prior to your birthday**
  - **Review and Check these reports for accuracy**
  - **Report errors**

## Locate Yourself on the Internet

- FRS Website
- Enter your social security number
- Month (two digits) and Year (four digits) on your birth
  - Example February 1950 would be 02/1950
- Years of service and salary earned will be listed
- Estimates and projections can be done with the calculator
- Check for beneficiary

## Defined Benefit (DB) vs. Defined Contribution (DC)

- You have one opportunity to make this choice
- Once you retire you cannot change
- Defined Contribution is vested after one year
- Defined Benefit is vested after six years
- Defined Benefit participants are eligible for DROP
- Defined Contribution participants are NOT eligible for DROP
- Defined Contribution fluctuates with the financial markets
- Defined Benefit has a 3% COLA (Cost of Living Adjustment every year on July 1.

## Defined Benefit Calculation

- Highest five years of salary are divided by five to reach your average final compensation
- Number of years of FRS Service is multiplied by the following:
  - 30 years times 1.6% equals 48.00%
  - 31 years times 1.63% equals 50.53%
  - 32 years times 1.65% equals 52.80%
  - 33 or more years times 1.68% equals 55.44%
- This percentage is multiplied by your average final compensation to arrive at you annual benefit.

# Defined Benefit Example

- **Highest 5 years average compensation**
  - \$50,000
  - 30 years of service
- **1.6% X 30 years = 48%**
- **48% X \$50,000 = \$24,000 per year or \$2,000 per month**
- **It is paid the last business day of each month**

# Defined Benefit Options

- Option One
  - Maximum benefit for as long as you live
- Option Two
  - Reduced benefit guaranteed for ten years to someone if you pass away but will continue to you as long as you live
- Option Three
  - Reduced benefit will remain the same as long as either you or your spouse are alive and will end when both have passed away
- Option Four
  - Reduced benefit (Higher than Option 3) but when either you or your spouse pass away the benefit will be reduced by approximately one-third and end when both have passed away

# Deferred Retirement Option (DROP)

- You are eligible when you have 30 years of service or reach 62 years of age and have 6 years of service
  - At this time you are eligible for 60 months (five years) of DROP
  - At age 57 with 30 years or age 62 you must enter DROP or lose one month of DROP eligibility for each month you do not enter
  - At the end of DROP you must separate or lose FRS retirement benefits
  - You cannot work for any FRS Employer for one year after the end of DROP unless you forfeit your retirement benefit
- How long you wish to work is a significant factor upon choosing to enter DROP

## Sick Leave

- Unused Sick Leave will only be paid when you reach normal retirement (Age 62 or 30 years)
- You may accumulate any amount of sick leave and be paid for it when you retire
- Sick Leave is paid at the rate in the year you earned it
- Sick Leave cannot be used to increase the retirement calculation
- First –in and First-out is the method used to deduct sick leave

# Vacation Leave

- Vacation Leave
  - You may accrue up to 62.5 (60 days for newer employees) vacation days. After July 1, each year the hours over 62.5 (60) days will be deleted from your cumulative total
- Vacation Leave will be paid in all cases whether you resign, take a leave, terminate or retire from the SBBC
  - Vacation Leave will be paid into BENCOR when you retire or enter DROP
  - You will not pay FICA or Federal Income Tax if you enter DROP or Retire
  - You will pay FICA and Withholding Taxes if you resign or take a leave
  - Vacation Leave can increase your average high five for retirement calculation
  - It is generally best to invest this money in a qualified tax plan
  - You will pay Federal Income Tax when you draw the money out of a tax sheltered plan

# **Social Security**

- **Eligible at Age 62 (5% penalty for each year early)**
- **You receive a statement every year prior to your birthday**
- **Amount of pay increases until you reach full retirement age (66 and older for the younger people)**
- **Amount will increase the longer you wait before you take it**
- **Cannot have an earned income of over approximately \$14,160 or you will have to give back some of your social security payments**

# TAXES

- **You must pay taxes on all income!**
- **This includes FRS, Social Security and other income.**
- **Social Security and FRS do not take out for taxes, so be prepared to do so.**
- **You may set the amount via W-4**

## Insurance after Separation

- **Health**
  - \$533.82 for VISTA HMO High Option as January 2011
- **Dental, Vision and Life**
  - \$9.70 for Dental (Enhanced \$11.46)
  - \$3.87 for Vision (Enhanced \$5.00)
  - Life Insurance is inexpensive term for two (2) years and then automatically changes into whole life and is very expensive
- **FRS pays \$5.00 per year of service up to \$150.00 (30 years) in addition to your retirement benefit to offset the cost of health insurance. This can be paid directly to the insurance carrier from Florida Retirement System**
- **You must mail the payments for Dental and Vision**
- **You must also mail the first Health Insurance payment as well**

# LEGAL ISSUES

- **BENEFICIARY**
- **WILL**
- **LIVING WILL**
- **HEALTH SURROGATE**

# Executive and Legislative Numbers

- **Rick Scott – Governor (Republican)**
- **Florida Senate (40 Members)**
  - 28 Republicans
  - 12 Democrats
- **Florida House of Representatives (120 Members)**
  - 81 Republicans
  - 39 Democrats
- **Both Legislative Bodies have a “Veto Proof” majority**

# THE FUTURE

- **Rumors**
  - **New employees would only be eligible for a “Defined Contribution” retirement program**
  - **DROP monies would earn 3% rather than the guaranteed 6.5% now**
  - **Retirement calculations on “Base Salary” only**
  - **Use the last 5 years not the highest 5 years**
  - **Use the last 10 years or more for average compensation calculation**
  - **Eliminate the annual 3% Cost of Living Adjustment (COLA)**
  - **Eliminate DROP**

## **RUMORS continued**

- **Employees would have to contribute from 1% to 6% of their salary to their retirement**
- **Eliminate the Health Insurance Subsidy for current and future retirees (\$5 per month per year of service up to 30 years or \$150)**
- **Raise the retirement age from 1 to 3 years (62 to 65)**
- **Raise the number of years of service 1 to 3 years (30 to 33)**
- **Eliminate Vacation Leave from average final compensation**
- **Merit or Performance Pay as it relates to FRS**

## Current Legislative Status

- **No Bills have been filed as of today (January 18, 2011)**
- **Many media comments by elected officials**
- **BPAA employs a lobbyist in Tallahassee to alert membership to potential changes**
- **All legislative proposals in the 2010 Legislative Session were to effect new hires only after either July 1<sup>st</sup>, October 1<sup>st</sup> or January 1<sup>st</sup> of the coming year**

# Final Thoughts

- Each individual will have a different approach
- No two employees are the same
- Best to include your spouse in the discussion
- Make decisions well in advance of entering DROP or Retirement