



Florida Association of
Public Purchasing Officers

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**Capital Insurance
Agency, Inc.**

Art Adams

The Florida Retirement System

REGULAR Member: 30 years service - 48%

SPECIAL RISK: 25 years service – 75%

FRS

CONTRIBUTIONS

- Prior to 1/1/75, **both** the Employer and employees contributed.
- After 1/1/75, the State contributes **100%**.
- After 10/1/75, cities and counties contribute **100%**.

FRS

VESTING

After 6 years of creditable service, a member becomes "vested" and can collect benefits when eligible.

When are you eligible?

Regular: Vested and age 62 or 30 years creditable service at any age.

Special Risk: Vested with SR Service and age 55 or 25 years SR Service at any age.

Requirements for Normal Retirement and Percentage Values Used in Estimating Benefits

REGULAR:

6 years or more and age 62, or 30 years service	1.60%	48%
Age 63 or 31 years service	1.63%	50.5%
Age 64 or 32 years service	1.65%	52.8%
Age 65 or 33 years service	1.68%	55.4%
Age 66 or 34 years service	1.68%	57.1%
Age 67 or 35 years service	1.68%	58.8%

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SPECIAL RISK:

- 6 years or more of S.R.S. and age 55
- 25 years continuous service S.R.S. at any age
- 25 years S.R.S. and age 55, may include 4 years military

Between 12/1/70 to present <small>(Service prior to 12-1-70 may have other percentage factors applied)</small>	3.00%
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SENIOR MANAGEMENT	2.00%
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Average Final Compensation

- Average of **5 highest** years of salary during creditable service
- * • Unused annual leave paid at retirement, **included** in AFC
- Unused sick leave paid at retirement, **not included** in AFC

* Choice of payment if going into DROP

Early Retirement

Once "vested" (6 years or more of creditable service) you are eligible to retire.

FOR FULL BENEFITS:

<u>Regular</u> members	age 62 or 30 years
<u>Special Risk</u> members	age 55 or 25 years

May draw retirement benefits prior to age 62 (reg.) or 55 (spec. Risk) but benefits reduced 5% a year under normal retirement age.

EXAMPLE:

REGULAR

Age 62 (normal)
draw retirement age 55
7 yrs. Early
+ 5% or 35% reduction

SPECIAL RISK

Age 55 (normal)
draw retirement age 50
5 yrs. Early
+ 25% reduction

Steps to Estimating F.R.S. Benefits ^{FRS} (REGULAR)

STEP 1

Years of Creditable Service (30) x factor (1.60%) = 48%

STEP 2

Average Final Compensation (A.F.C.) 5 best years

Example:

\$34,700

35,394

36,102

36,824

37,560

\$180,580 ÷ 5 = \$36,116

STEP 3

\$36,116 x 48% = \$17,335* per year

Maximum F.R.S. Retirement Benefit = **\$1,445** Per Month

FRS

**After Estimating Your Benefits
You Must Select 1 of 4 Options
Before You Retire**

"A Tough Decision"

WHY?

Once you **cash or deposit your first retirement check**, your retirement option choice is **FINAL**.

This choice remains your retirement option for the rest of your life **regardless** of what might occur to you or your family members after retirement.

Option 1: Maximum to Retiree

- **Maximum** income to you
- Payable for **YOUR** life
- **After death** of retiree all **payments stop**
- All other options are **reduced** from this amount

FRS

Option 2: Life/10 Year Certain

- A **reduced** benefit from Option 1
- Benefit payable to employee **for life**, with **10 years certain**
- If death of employee is prior to 10 years after retirement, beneficiary will receive same amount **for the balance** of the 10 year period then payment stops (not ten years after death of the retiree)

Example: (1-9) (4-6) (11-0) IF death of retiree is after 10 years from first benefit payment beneficiary would receive nothing.

The only option where **anyone** may be designated as beneficiary.
Single person, no dependent, only has choice of **Option 1 or 2**.

FRS

Option 3: Life and/or Joint Annuitant

- **Reduced** income from Option 1.
- Upon death, same amount of income goes to beneficiary for the balance of his or her life. At death of beneficiary all payments stop.
- **EXCEPTION:**
- If joint annuitant is under age 25 at retired member's death, Option 1 benefit will be paid until the joint annuitant reaches age 25, unless the annuitant is disabled.
- **Beneficiary may only be spouse or financial dependent.**

FRS

Option 4: Life and/or 2/3 Annuity

- **Reduced** income from Option 1.
- Upon the **death of either**, survivor gets **2/3 of the already reduced income** for the remainder of his or her life. Nothing beyond these payments.
- **EXCEPTION:**
- If Joint Annuitant is under age 25 at retired member's death, Option 1 benefit will be paid until the joint annuitant reaches age 25, unless the annuitant is disabled.
- **Beneficiary may only be spouse or financial dependent.**

FRS

REGULAR (FRS) Option Example

Man retires at age 62 with wife age 59

30 Years FRS Service

Retirement Benefits = \$36,116 x 48%

Last Year's Salary \$37,560 \$3,130 \$1,445

FRS Benefits	Year	Month	B/W	Cost	Reduction From Last Year's Salary
Option 1 (Max)	\$17,335	\$1,445	\$667	\$ -	-54%
Option 2 (10 years certain)	\$16,577	\$1,381	\$638	\$63 Mo.	-56%
Option 3 Yr.* (Same to Survivor)	\$13,155	\$1,096	\$506	\$349 Mo.	-65% \$4,188
Option 4 (While both live)	\$14,744	\$1,229	\$567	\$216 Mo.	-61%
Option 4 (When one dies)	\$9,830	\$819	\$378	\$626 Mo.	-74%

* \$71,196 Cost at age 79

Steps to Estimating Your F.R.S. Benefits (Special Risk)

Step 1

Years of Creditable Service x factor (3%) = 75%

Step 2

Average final compensation (AFC) = 5 best years

Example: \$35,400
 \$36,300
 \$37,100
 \$38,900
 \$40,000
 \$187,700 ÷ 5 = **\$37,500**

Step 3

\$37,500 x 75% = \$28,125 Max. FRS Benefit

(\$2,344 month)

SPECIAL RISK (FRS) Option Example

Man retires at age 55 with wife age 52

25 Years S.R. Service

Retirement Benefits = \$37,500 x 75% (25 years x 3% per year)

Last Year's Salary \$40,000 \$3,333

FRS Benefits	Year	Month	His Cost	Reduction From Last Year's Salary
Option 1 (Max)	\$28,125	\$2,344	—	-30%
Option 2 (10 years certain)	\$27,549	\$2,296	\$48/Month	-32%
Option 3 Yr.* (Same to wife)	\$22,697	\$1,891	\$453/Month	-43% \$5,428
Option 4 (Both alive)	\$24,827	\$2,069	\$275/Month	-38%
Option 4 (Survivor)	\$16,552	\$1,379	\$965/Month	-59%

* \$119,416

Other Areas of Serious Importance

- **Social Security**

2022 - Full Benefits at age 67, Early Benefits age 64

- **Health Insurance**

HIS \$5.00 per month for each year credible service at time of Retirement (Maximum \$150.00)

- **State Life Insurance**

If enrolled prior to retirement, can take \$2,500 at \$4.25 per month or \$10,000 at \$35.79 per month.

- **Cost of Living Increases**

Annual 3% cost of living increase effective July 1 of each year.

- **Deferred Compensation**

- **Long Term Care**

Reemployment After Retirement

Cannot be employed with agency under the Florida Retirement System for 12 months following retirement without affecting benefit payments during that 12 month period.

Exceptions:

Certain exceptions apply to specific job categories and should be reviewed periodically.

"DROP"

Deferred Retirement Option Program

Effective: July 1, 1998

You effectively "retire" (retirement benefits go in a DROP "account") you continue to work (and draw a paycheck).

Retirement benefits earn annual interest of 6.5% plus 3% cost of living increase

To Participate...

- **You Must Retire under "Normal Retirement" (cannot use Early Retirement to get into DROP)**
- **Start drawing your Retirement Benefits**
- **Enter DROP (all Retirement Benefits held by DROP while you are in Program.**
- **Continue drawing salary for positions you hold while in DROP.**

Must make election within 12 months after first reaching DROP eligibility date.

- **May participate up to 5 years.**
- **May discontinue any time.**

* Exception:

Regular - If eligible prior to age 57, may go into DROP then, or defer until age 57 and go in for full 5 years.

Special Risk - If eligible prior to age 52, may go into DROP then, or defer until age 52 and go in for full 5 years.

Additional exceptions apply in certain job categories.

D.R.O.P.

While in DROP, you may change jobs but may not have a break in service.

While in DROP you cannot change FRS Option, or earn additional FRS credit.

While you are in DROP all other benefits (salary, insurance, leave, etc.) usually remain the same.

If initial election is less than 5 years you may later extend it up to 5 years if your employer agrees in writing.

D.R.O.P.

If you die while in D.R.O.P., spouse eligible to rollover DROP benefits into an individual retirement account or an individual retirement annuity as described by law.

If beneficiary dies while you are in DROP, you may name another beneficiary.

D.R.O.P. Values

FRS
Monthly
Benefit

Values of DROP Account

	Year 1	Year 2	Year 3	Year 4	Year 5
\$ 750	\$9,265	\$19,410	\$30,501	\$42,607	\$55,804
\$1,000	\$12,353	\$25,880	\$40,668	\$56,810	\$74,406
\$1,500	\$18,530	\$38,820	\$61,002	\$85,215	\$111,609
\$2,000	\$24,707	\$51,760	\$81,336	\$113,620	\$148,812
\$3,000	\$37,060	\$77,641	\$122,004	\$170,430	\$223,218

*All Totals include 6.5% interest and 3% cost-of-living.

D.R.O.P. Selected Payout Methods

- 1. Total Account Value Received in Cash**
 - Less 20% tax withholding
 - Total amount of D.R.O.P. payout is ordinary income for tax purposes in year received
- 2. Total Account Value Placed in Eligible Tax Sheltered Account**
 - No taxes until withdrawn
- 3. Partial Account Value Received in Cash**
 - Less 20% tax withholding
 - Balance placed into an eligible tax sheltered account
 - Amount received in cash is ordinary income for tax purposes in the year received.

Rollover of D.R.O.P. Benefits

* Eligible retirement plans include:

- (1) Individual Retirement Account (IRA)**
- (2) Individual retirement annuity**
- (3) Qualified trust**
- (4) Annuity plan** as described in s.403(a), IRC.

Reemployment After Retirement or D.R.O.P. Termination

Cannot be employed with agency under the Florida Retirement System for 12 months following retirement or D.R.O.P. termination without affecting benefit payments during that 12 month period.

Exceptions:

Certain exceptions apply to specific job categories and should be reviewed periodically.



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