Chapter 9

PENSION PLAN SERVICE RETIREMENT

Chapter 9 Contents:

I. Requirements for Vesting and Retirement ............................................. 9-2
II. Retirement Benefit Formula ................................................................ 9-3
III. Benefit Estimates ................................................................................ 9-7
IV. Retirement Application ........................................................................ 9-8
V. Retirement Date .................................................................................... 9-10
VI. Proof of Age ....................................................................................... 9-10
VII. Option Selection ................................................................................ 9-11
VIII. Beneficiary Designation .................................................................... 9-15
IX. Final Salary Certification ..................................................................... 9-18
X. Deadline for Adding Member’s Name to Retired Payroll .................... 9-20
XI. Changes after Member’s Name Is Added to Retired Payroll ............... 9-20
XII. Maximum Benefits ............................................................................. 9-21
XIII. Retirement Annuities Offered by Private Companies ................. 9-22
XIV. Deferred Retirement Option Program (DROP) .......................... 9-29
XV. FRS Investment Plan ......................................................................... 9-52

Service retirement is possible under the FRS Pension Plan once certain criteria are met. The requirements for retirement and the steps involved in the retirement process are discussed in this chapter. (For information on IFAS Supplemental Retirement Benefits, see chapter 12, part IX. For information on the FRS Investment Plan, see page 9-52.)

This Division of Retirement Employer Handbook is intended for the employers of members of the FRS Pension Plan or the FRS Investment Plan. However, references to an FRS member in this Handbook will refer to a member of the FRS Pension Plan, unless stated otherwise. The Division is responsible for processing contributions and maintaining service credit records for Investment Plan members, and for administering Investment Plan members’ disability benefits and Health Insurance Subsidy benefits. Procedures in this handbook should be well marked to indicate the difference in actions required of the employer with respect to Pension Plan vs. Investment Plan members.
**I. REQUIREMENTS FOR VESTING AND RETIREMENT**

Normal Retirement Requirements

Normal retirement requirements for members of the FRS Pension Plan, are shown below:

- **Regular Class, Elected Officers’ Class (EOC) and Senior Management Service Class (SMSC)** - Vested and age 62 or 30 years of creditable service regardless of age (may include optional service credit).

- **Special Risk Class** - 6 years of special risk service and age 55; or 25 total years of special risk service and age 52 (may include up to 4 years of military service); or 25 years of special risk service regardless of age; or 30 years of any creditable service (may include credit for up to 4 years of military service).

- **Special Risk Administrative Support Class** - Members of this class will qualify for special risk normal retirement age or date (see requirements above) provided they have at least 6 years of special risk or special risk-related service.

Effective July 1, 2001, all members of the FRS Pension Plan achieve vested status upon completing 6 years of creditable service\(^1\) (including military leaves of absence), regardless of their membership class.

**Statutory Reference:**

Sections 121.021(29) and (30), 121.055(4), and 121.091(1) and (3), F.S.

**FRS Rule Reference:**

Sections 60S-4.003 and 4.005, F.A.C.

---

\(^1\) To vest with 6 years of creditable service, a member must have been actively employed in an FRS-covered position on July 1, 2001. Inactive members with 6 or more years of FRS service did NOT automatically vest on July 1, 2001; these members must return to work and complete at least 1 work year of creditable service under the FRS to vest (except that no member is required to compete more than the 7, 8, or 10 years of service required before July 1, 2001).
II. RETIREMENT BENEFIT FORMULA

The monthly benefit a member will receive at retirement depends on his/her years of creditable service, percentage value for each year of creditable service, and average final compensation. The amount may be reduced if the member retires early or selects benefit payment option 2, 3, or 4. An option 1 benefit at normal retirement age is calculated as follows:

<table>
<thead>
<tr>
<th>Years of Creditable Service</th>
<th>X</th>
<th>Percentage Value</th>
<th>X</th>
<th>Average Final Compensation</th>
<th>=</th>
<th>Yearly Option 1 Benefit at Normal Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yearly benefit ÷ 12 = Monthly Option 1 Benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“Years of creditable service” is the total years and parts of years a member works in positions covered by the FRS or in one of the closed retirement systems in which the member may have participated before joining the FRS, plus any additional service for which retirement credit is purchased.

“Percentage value” is the value a member receives for each year of creditable service. The chart on the following pages shows the percentage values for the FRS and the closed retirement systems.
<table>
<thead>
<tr>
<th>Retirement Plan</th>
<th>% Value (per year of service)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATE &amp; COUNTY OFFICERS &amp; EMPLOYEES’ RETIREMENT SYSTEM (SCOERS)</strong></td>
<td></td>
</tr>
<tr>
<td>Division A (no Social Security)</td>
<td>2.00% *</td>
</tr>
<tr>
<td>Division B (with Social Security)</td>
<td>1.50% *</td>
</tr>
<tr>
<td><strong>TEACHERS’ RETIREMENT SYSTEM (TRS)</strong></td>
<td></td>
</tr>
<tr>
<td>Plan E</td>
<td>2.00% *</td>
</tr>
<tr>
<td><strong>FLORIDA RETIREMENT SYSTEM (FRS)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Regular Class</strong></td>
<td></td>
</tr>
<tr>
<td>Retirement up to age 62 or 30 Years</td>
<td>1.60%</td>
</tr>
<tr>
<td>Retirement at age 63 or 31 years</td>
<td>1.63%</td>
</tr>
<tr>
<td>Retirement at age 64 or 32 years</td>
<td>1.65%</td>
</tr>
<tr>
<td>Retirement at age 65 or 33 or more years</td>
<td>1.68%</td>
</tr>
<tr>
<td><strong>Special Risk Class</strong></td>
<td></td>
</tr>
<tr>
<td>Service from 12/1/70 through 9/30/74</td>
<td>2.00%</td>
</tr>
<tr>
<td>Service from 10/1/74 through 9/30/78</td>
<td>3.00%</td>
</tr>
<tr>
<td>Service on or after 10/1/78</td>
<td>3.00% **</td>
</tr>
<tr>
<td>Past service with city or special district purchased as</td>
<td></td>
</tr>
<tr>
<td>Special Risk service</td>
<td>2.00%</td>
</tr>
</tbody>
</table>
Chapter 9: PENSION PLAN SERVICE RETIREMENT

Special Risk Administrative Support Class
(with 6 years of Special Risk service credit)

Retirement at age 55; or with 25 years of creditable service;
or, if military service is included in the creditable service,
at age 52 with 25 years.................................................................1.60%

Retirement at age 56; or with 26 years of creditable service;
or, if military service is included in the creditable service,
at age 53 with 26 years.................................................................1.63%

Retirement at age 57; or with 27 years of creditable service;
or, if military service is included in the creditable service,
at age 54 with 27 years.................................................................1.65%

Retirement at age 58; or with 28 years of creditable service;
or, if military service is included in the creditable service,
at age 55 with 28 years.................................................................1.68%

Elected Officers’ Class

Judges and Justices.................................................................3.333%
All Others.................................................................3.00%

Senior Management Service Class

Service on and after 2/1/87 .........................................................2.00%

* For more on requirements for and calculation of benefits under SCOERS and TRS, please contact the Bureau of Retirement Calculations. Outside the Tallahassee calling area, call toll free at 888/RET-CALC (888/738-2252). Otherwise, you may reach the bureau by phone at (850) 488-6491 or SUNCOM 278-6491 or by e-mail at calculations@dms.myflorida.com.

** For retirements before July 1, 2000, the percentage value for Special Risk Class service earned from October 1978 through December 1992 varied incrementally:

Service from 10/1/78 through 12/31/88..............................................2.00%
Service from 1/1/89 through 12/31/89..............................................2.20%
Service from 1/1/90 through 12/31/90..............................................2.40%
Service from 1/1/91 through 12/31/91..............................................2.60%
Service from 1/1/92 through 12/31/92..............................................2.80%

Rates for these periods were retroactively upgraded to 3.00% with the enactment of chapter 2000-169, Laws of Florida.

For military service values, see chapter 7, part III, section C.
**Average Final Compensation (AFC)**

Average final compensation (AFC) is the average of the 5 highest years of salary an employee earns during covered employment. Salaries are counted by fiscal year (July 1 - June 30). If an employee worked only part of a year, you can determine whether the months worked should be included within one of the 5 highest years by dividing the actual salary received in the partial year by the percentage of a year of creditable service earned for that year\(^2\). If the resulting amount is one of the five highest salaries, the actual salary received should be used in the AFC. Since this represents only a percentage of a year, the remaining percentage necessary to complete 5 years of creditable service should be added from the next highest fiscal year’s salary (i.e., the appropriate percentage from the 6th highest year’s salary)\(^3\).

Federal law under Sec. 401(a)(17) of the Internal Revenue Code limits the amount of annual salary that may be applied towards retirement, and therefore the amount of annual salary that can be used in the AFC. Employees who initially became members of the FRS on or after July 1, 1996, were initially subject to a maximum fiscal year salary of $150,000, an amount that is adjusted incrementally\(^4\) by the Commissioner of the Internal Revenue Service to reflect cost-of-living increases. Based on the FRS Plan Year, as of July 1, 2006, this limit is $220,000. Employees who initially became members of the FRS before July 1, 1996, are subject to a higher fiscal year limit, which is adjusted annually by the Commissioner of the Internal Revenue Service to reflect cost-of-living increases. As of July 1, 2006, this limit is $328,860 for FRS members.\(^5\)

Community colleges and other local agencies that administer an optional retirement program for employees in lieu of the FRS are also subject to this federal law and should limit compensation included in their retirement plans accordingly. The higher limit adopted by the 1996 Legislature ($328,860 in FY 2006/07) is applicable only to FRS, TRS, SCOERS, SMSOAP, and SUSORP members or participants who were initially members of those plans prior to July 1, 1996.

**STATUTORY REFERENCE:**
Sections 121.091 and 121.30(6), F.S.

**FRS RULE REFERENCE:**
Section 60S-4.004, F.A.C.

---

\(^2\) For example, if a member worked 3 months earning $12,000 over that period, you would divide $12,000 by 25% (the percentage of a year’s creditable service earned) to arrive at an annualized compensation of $48,000.

\(^3\) For example, using the example in footnote 2, if the member earned $40,000 in his/her 6th highest fiscal year of earnings, you would add $30,000 (75% of $40,000) to the previously derived $12,000 to arrive at a combined salary of $42,000.

\(^4\) In other words, this limit will not necessarily be adjusted annually.

\(^5\) This limit is slightly higher than the “grandfather” limit set by IRS, due to differences in methods for determining cost-of-living adjustments.
III. BENEFIT ESTIMATES

Online Estimates

Members wishing to calculate their own estimate of benefits may use the Online Services feature of the Division’s website (http://frs.myflorida.com). These secure web pages require members to use a secure User ID. A member’s User ID is his or her 9-digit Social Security number, typed without dashes or spaces (for example, 123456789). For the initial log in, the member’s password will be his or her birth month and year, typed in 6-digit MMYYYY format, (for example, if the member was born in July 1967, the password would be 071967). At the first log on, members will be prompted to answer a secret question and choose a new password, before moving on to the Member Services menu where an estimate of benefits may be calculated. Members becoming eligible to transfer to the FRS Investment Plan will also be sent a User ID to logon to our new combined pension plan and investment plan website, at www.myfrs.com.

Official Estimates

Upon request, the Division will calculate an official estimate of an employee’s retirement benefits. We encourage members to request an estimate 4 to 5 years before retirement. To request an estimate, Form FR-9, Information Request, should be completed and submitted to the Bureau of Retirement Calculations (an online version of Form FR-9 may also be completed and submitted electronically via the Division’s web site at: http://frs.myflorida.com. (See chapter 7, part II, for more information on Form FR-9.)
IV. RETIREMENT APPLICATION

Retirement is not an automatic process. An employee can begin receiving monthly retirement benefits only after making proper application on Form FR-11, FRS Application for Service Retirement, and terminating covered employment. The earliest an employee can apply for retirement is 6 months before termination of employment. For retirement purposes, an employee is considered terminated only after stopping all employment with all employers covered by the FRS, except elected officers who are dually employed as described in chapter 1, part IV, section J., who may elect to terminate and retire from the non-elected office while continuing to serve in the elected office\textsuperscript{6}.

The Division will acknowledge receipt of the application form and advise the employee of anything else needed. The employee may change any item on the application prior to retirement. However, once a benefit payment has been cashed or deposited, the employee’s retirement is final and the option selection cannot be changed, nor can additional service credit be added.

NOTE: A member who wishes to participate in the Deferred Retirement Option Program (DROP) must also apply for retirement. However, the procedures and forms to retire and enter DROP are somewhat different from the procedures and forms described in this part. (For details on the DROP process and the program generally, see part XIV of this chapter and chapter 13, part III.)

STATUTORY REFERENCE:
Section 121.091, F.S.

FRS RULE REFERENCE:
Sections 60S-4.002(2), (3), and (4) and 4.010(5), F.A.C.

\textsuperscript{6} In such cases, the elected officer is also retired from his/her elected officer position, but is not required to terminate his/her elective office to achieve retired status and may continue in his/her elective office as a renewed member.
**Chapter 9: PENSION PLAN SERVICE RETIREMENT**

**SAMPLE OF FR-11, page 3**

Florida Retirement System Pension Plan
Application for Service Retirement
PO Box 9000
Tallahassee FL 32315-9000

<table>
<thead>
<tr>
<th>Field</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member Name</td>
<td></td>
</tr>
<tr>
<td>Member SSN</td>
<td></td>
</tr>
<tr>
<td>Position Title</td>
<td></td>
</tr>
<tr>
<td>Birthdate</td>
<td></td>
</tr>
<tr>
<td>Home Phone</td>
<td></td>
</tr>
<tr>
<td>Work Phone</td>
<td></td>
</tr>
<tr>
<td>Home Mailing Address</td>
<td></td>
</tr>
<tr>
<td>Present FRS Employer(s)</td>
<td></td>
</tr>
</tbody>
</table>

My services terminated, or will terminate on _____________. Your retirement date is determined by the Division of Retirement.

**Beneficiary Designation:** All previous beneficiary designations are null and void unless you are applying for a second career retirement benefit. In the case of a second career benefit, this application does not affect your original benefit in any way. To designate more than one primary beneficiary, attach a Beneficiary Designation Form, FST-12.

<table>
<thead>
<tr>
<th>Primary Relationship</th>
<th>Primary SSN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Birthdate</td>
<td></td>
</tr>
<tr>
<td>Contingent Relationship</td>
<td>Contingent SSN</td>
</tr>
<tr>
<td>Contingent Birthday</td>
<td></td>
</tr>
</tbody>
</table>

I understand I must terminate all employment with FRS employers to receive a retirement benefit under Chapter 121, Florida Statutes. I also understand that I cannot add additional service, change options, or change my type of retirement (Regular, Disability and Early) once my retirement becomes final. My retirement becomes final when any benefit payment is cashed or deposited.

**Member Signature:** [print in the presence of a Notary]

**Notary:**
State of Florida, County of ________________ Sworn to and subscribed before me this ______ day of ________, ________ by ______________________________. Personally known or

Produced ______________________________ Identification

Signature of Notary Public - State of Florida
Print, Type or Stamp Commissioner Name of Notary Public

**Employer Certification:**
This is to certify that the above named member was employed by this agency and will terminate, or has terminated on ______________ with the last day worked on ______________.

Authorized Personnel Signature: __________________________ Agency Number: ____________

Agency Phone: (______)_____________ SUNCOM: _______________ Date: _______________

Rule 60S-9 001, F.A.C.
Form Page 1 of 1
V. Retirement Date

The effective date of retirement is always the first day of the month. If the Division receives the application form before the employee terminates employment or within 30 days thereafter, the effective retirement date will be the first day of the month following termination. If the application is not received until 30 days after termination, the effective retirement date will be the first day of the month following receipt of the application form by the Division. (See chapter 10, part III, for effective dates of retirement for disability retirees.)

The employee may choose to defer his/her retirement to some future date. The effective date of retirement will be the first day of the month following receipt of the application, unless a later date is specified. The Division will accept an application for benefits up to 6 months before the desired retirement date.

STATUTORY REFERENCE:
Section 121.091, F.S.

FRS RULE REFERENCE:
Section 60S-4.0035(3), F.A.C.

VI. Proof of Age

When the employee applies for retirement, proof of age must be furnished. If option 3 or 4 is chosen, proof of age for the employee’s joint annuitant must also be provided. The Division will accept a legible copy of one of the following documents:

- Birth certificate
- Delayed birth certificate
- Census report more than 30 years old
- Life insurance policy more than 30 years old
- Letter from the Social Security Administration stating the date of birth it has established for the payment of benefits.
- Certificate of naturalization

If the employee cannot furnish any of the above, a legible copy of a document from two of the following categories will be required:

- Birth certificate of a child, giving the employee’s (or joint annuitant’s) age
- Baptismal certificate more than 30 years old
- Hospital record of birth
- School record at the time the employee (or joint annuitant) entered grammar school

STATUTORY REFERENCE:
Section 121.031, F.S.

FRS RULE REFERENCE:
Section 60S-4.0035(2), F.A.C.


**Part VII. Option Selection**

At retirement, the employee must choose one of four benefit payment options. Retirement benefits cannot be received until an option has been selected. Once a benefit payment has been cashed or deposited, or the member begins participation in DROP, the option selection cannot be changed.

If an employee is married and selects either option 1 or 2, he/she must notify his/her spouse and the spouse must acknowledge the option selection on Form FRS 11o or Form SA-1. The employee may not begin receiving his/her retirement benefits until the required forms are submitted to the Division.

Options 2, 3, and 4 are actuarially adjusted from option 1. This means that, while the monthly benefit is usually lower, the total benefits expected to be paid to the employee and designated beneficiary or joint annuitant under options 2, 3, or 4 are equal to the total lifetime benefits expected to be paid to the member alone under option 1.

### FRS Benefit Payment Options

**Option 1:** A monthly benefit payable to the employee for his/her lifetime. Upon the death of the employee, the monthly benefit will stop and the beneficiary will receive only a refund of any contributions paid which are in excess of the amount the employee received in benefits. This option does not provide a continuing benefit to a beneficiary.

**Option 2:** A reduced monthly benefit payable to the employee for his/her lifetime. If the employee dies within 120 months of his/her effective retirement date, his/her designated beneficiary will receive a monthly benefit payment in the same amount as the member was receiving for the balance of the 120-month period. No further benefits are then payable.

**Option 3:** A reduced monthly benefit payable to the employee for his/her lifetime. Upon the employee’s death, the joint annuitant (spouse or eligible financial dependent), if living, will receive a lifetime monthly benefit payment in the same amount as the employee was receiving*. No further benefits are payable after both the employee and the joint annuitant are deceased.

**Option 4:** An adjusted monthly benefit payable to the employee while both the employee and his/her joint annuitant (spouse or eligible financial dependent) are living. Upon the death of either the employee or joint annuitant, the monthly benefit payable to the survivor is reduced to two-thirds of the monthly benefit received when both were living*. No further benefits are payable after both the employee and the joint annuitant are deceased.

*NOTE: The benefit paid to the joint annuitant under age 25, who is not the employee’s spouse, will be the employee’s option one benefit amount. The benefit will stop when the joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.

---

7 For members in DROP, the 120 payments begin on the first day of DROP participation, not after DROP ends.
If the employee elects to change retirement options, Form FRS-11o, Option Selection for FRS Members, must be submitted. Once a benefit payment is cashed or deposited, or the member begins participation in DROP, the option selection cannot be changed.

**STATUTORY REFERENCE:**
Section 121.091(6), F.S.

**FRS RULE REFERENCE:**
Section 60S-4.010, F.A.C.

**IMPORTANT:** Please make it clear to employees who select option 4 that this is the only option under which the benefit will automatically be reduced upon the death of either the member or the joint annuitant after retirement commences. This reduction also applies when a husband and wife are both FRS members and both select option 4. Both benefits will be reduced when either spouse dies.
Chapter 9: PENSION PLAN SERVICE RETIREMENT

SAMPLE OF FRS-110

Florida Retirement System Pension Plan
Option Selection for FRS Members

PO Box 9000
Tallahassee, FL 32315-9000

Member Name: ___________________________ Member SSN: ___________________________

A member must select one of the following retirement options prior to receipt of their first monthly retirement benefit.

I select:

___ Option 1: A monthly benefit payable for my lifetime. Upon my death, the monthly benefit will stop and my beneficiary will receive only a refund of any contributions I have paid which are in excess of the amount I have received in benefits. This option does not provide a continuing benefit to my beneficiary.

___ Option 2: A reduced monthly benefit payable for my lifetime. If I die before receiving 120 monthly payments, my designated beneficiary will receive a monthly benefit in the same amount as I was receiving until the monthly benefit payments to both of us equal 120 monthly payments. No further benefits are then payable.

This section must be completed if you select Option 1 or 2

Married: ______ Yes ______ No If yes, your spouse must complete the Spousal Acknowledgement.

Spousal Acknowledgement:

I, ________________________________, being the legal spouse of the above named member, acknowledge that the member has selected either Option 1 or 2.

Signature of Spouse ___________________________ Date ___________________________

___ Option 3: A reduced monthly benefit payable for my lifetime. Upon my death, my joint annuitant, if living will receive a lifetime monthly benefit payment in the same amount as I was receiving. (Exception: The benefit paid to a joint annuitant under age 25, who is not your spouse, will be your option one benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.) No further benefits are payable after both my joint annuitant and I are deceased. The social security number of my joint annuitant is: ______/_____/______.

___ Option 4: An adjusted monthly benefit payable to me while both my joint annuitant and I are living. Upon the death of either my joint annuitant or me, the monthly benefit payable to the survivor is reduced to two-thirds of the monthly benefit received when both were living. (Exception: The benefit paid to a joint annuitant under age 25, who is not your spouse, will be your option one benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.) No further benefits are payable after both my joint annuitant and I are deceased. The social security number of my joint annuitant is: ______/_____/______.

I understand I must terminate all employment with FRS employers to receive a retirement benefit under Chapter 121, Florida Statutes. I also understand that I cannot add additional service, change options, or change my type of retirement (Regular, Disability and Early) once my retirement becomes final. My retirement becomes final when any benefit payment is cashed, deposited, or when my Deferred Retirement Option Program participation begins.

Member Signature (Sign in presence of Notary) __________________________________________

Notary:

State of Florida, County of ____________. Sworn to and subscribed before me this _____ day of __________, ________

by ________________________________. Personally known ___ or Produced ________________ Identification

Signature of Notary Public - State of Florida

Print, Type or Stamp Commissioned Name of Notary Public
SAMPLE OF SA-1

DIVISION OF RETIREMENT
SPOUSAL ACKNOWLEDGMENT

PO Box 9000
Tallahassee, Florida 32309-9000

Name:

SSN:

This form must be completed because you selected Option . Check one of the following:

___ I certify that I am married. (Your spouse must complete the following acknowledgment):

THIS SECTION MUST BE COMPLETED IF YOU SELECTED OPTION 1 or 2

MARRIED: ___YES ___NO IF YES, YOUR SPOUSE MUST SIGN BELOW.

SPOUSAL ACKNOWLEDGMENT: I, __________________________, being the legal spouse of the above named member, acknowledge that the member has selected either Option 1 or 2.

________________________  __________________________
Signature of Spouse            Date

___ I certify that I am not married.

Member's Signature:________________________  Date:________________________

The following is an explanation of all four Florida Retirement System Options:

Option 1: A monthly benefit payable for my lifetime. Upon my death, the monthly benefit will stop and my beneficiary will receive only a refund of any contributions I have paid which are in excess of the amount I have received in benefits. This option does not provide a continuing benefit to my beneficiary.

Option 2: A reduced monthly benefit payable for my lifetime. If I die before receiving 120 monthly payments, my designated beneficiary will receive a monthly benefit in the same amount as I was receiving until the monthly benefit payments to both of us equal 120 monthly payments. No further benefits are then payable.

Option 3: A reduced monthly benefit payable for my lifetime. Upon my death, my joint annuitant, if living, will receive a lifetime monthly benefit in the same amount as I was receiving. (Exception: The benefit paid to a joint annuitant under age 25 who is not your spouse, will be your option one benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.) No further benefits are payable after both my joint annuitant and I are deceased.

Option 4: An adjusted monthly benefit payable to me while both my joint annuitant and I are living. Upon the death of either my joint annuitant or me, the monthly benefit payable to the survivor is reduced to two-thirds of the monthly benefit received when both were living. (Exception: The benefit paid to a joint annuitant under age 25 who is not your spouse, will be your option one benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.) No further benefits are payable after both my joint annuitant and I are deceased.

Rule 60S-9.001, F.A.C.

Page 1 of 1
VIII. BENEFICIARY DESIGNATION

Under the FRS Pension Plan, at the time of retirement, all previous beneficiary designations are null and void unless an employee is applying for a “second-career” retirement benefit. The employee is required to designate his/her retirement beneficiary on Form FR-11, FRS Application for Service Retirement. The employee may designate one or more beneficiaries sequentially or jointly. If he/she wishes to designate more than one beneficiary, Form FST-12, Beneficiary Designation Form (Retired Members Only) [including DROP participants], must be submitted.

<table>
<thead>
<tr>
<th>Beneficiary Designation and Option Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>• If the member chooses option 1 or 2, he/she may name as beneficiary any person, organization, trust, or his/her estate. The member may name one or more beneficiaries to receive benefits jointly or sequentially.</td>
</tr>
<tr>
<td>• If the member chooses option 2 he/she may name one or more contingent beneficiaries to receive any benefits remaining upon his/her death and the death of all his/her primary beneficiaries. (See chapter 11, part 1, for additional information on contingent beneficiaries.)</td>
</tr>
<tr>
<td>• If the member chooses option 3 or 4 he/she must name as his/her beneficiary a person who qualifies as a joint annuitant.</td>
</tr>
<tr>
<td>• If the member chooses option 3 he/she may name more than one joint annuitant, and specify the percentage of the benefit to be paid to each.</td>
</tr>
</tbody>
</table>

DROP participants are also subject to the beneficiary designation provisions described above (except Form DP-11 should be completed instead of Form FR-11).

*Form FST-12 must be used by DROP participants who wish to designate more than one beneficiary.*

STATUTORY REFERENCE:
Section 121.091(6) and (8), F.S.

FRS RULE REFERENCE:
Sections 60S-4.010(8) and 4.011, F.A.C.

---

8 See page 9-58 for information regarding designation of beneficiaries under the FRS Investment Plan.
If the employee selects either option 3 or 4 and designates someone other than his/her spouse or child under age 25 as beneficiary (joint annuitant), the Division will need proof of the financial dependency or disability of that person before the employee’s name can be added to the retired payroll.

For purposes of the FRS Pension Plan, a joint annuitant is a designated beneficiary who is eligible to receive a monthly lifetime retirement benefit upon the member’s death. By law, to qualify as a joint annuitant under option 3 or 4, the beneficiary must be:

- The spouse of the member;
- The member’s natural or adopted child who is under age 25, or is physically or mentally disabled and incapable of self-support, regardless of age; or any person other than the spouse for whom the member is the legal guardian, provided that such person is under age 25 and is financially dependent for no less than one-half of his or her support from the member at retirement or at the time of death of such member, whichever occurs first; or
- A parent or grandparent, or a person age 25 or older for whom the member is the legal guardian, provided that such parent, grandparent, or other person is financially dependent for no less than one-half of his or her support from the member at retirement or at time of the death of such member, whichever occurs first.

To determine if the designated beneficiary qualifies as a financial dependent, the Division will need the following:

- A certified copy of the employee’s latest income tax return signed and filed with the Internal Revenue Service (IRS). This must be the complete return, including copies of Form W-2. The employee should contact the IRS for the correct procedure to obtain this certification.
- A certified copy of the beneficiary’s latest income tax return, as signed and filed with the IRS. If the employee’s beneficiary did not file a tax return, a notarized statement to that effect from the beneficiary is required.
- Additional documentation such as medical or institutional cost statements.
- Other proof as required by the Division based on individual circumstances.

**STATUTORY REFERENCE:**
Section 121.021(28), F.S.

**FRS RULE REFERENCE:**
Sections 60S-4.011 and 6.001(34), F.A.C.
FST-12
Rev. 12/02
Rule (3)
Survivor Benefits

Chapter 9: PENSION PLAN SERVICE RETIREMENT

SAMPLE OF FST-12

Florida Retirement System Pension Plan
Beneficiary Designation Form
(Retired Members Only)
PO Box 9000
Tallahassee FL 32315-9000

Member Name ________________________ Member SSN ________________________

Please list your beneficiaries below. Return the original of the form to us and keep a copy for your records. If this form does not meet your individual needs, call the Division of Retirement at (850) 488-5207.

When you retire, benefits due for the month of your death will be paid to your estate. Any benefits due after the month of death are payable to the designated beneficiary on file in our office.

1. **Primary Beneficiary(s) Indicate percentages if naming more than one primary beneficiary.**

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>SSN</th>
<th>Relationship</th>
<th>Birthdate</th>
<th>Sex</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. **Contingent Beneficiary(s) Indicate percentages if naming more than one contingent beneficiary.**

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>SSN</th>
<th>Relationship</th>
<th>Birthdate</th>
<th>Sex</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. **For FRS Option 2 Retirees Only:** If you wish to name joint beneficiaries and a contingent beneficiary for a particular primary beneficiary, use this block. (Please do not complete blocks 1 & 2 if you are completing this block.)

<table>
<thead>
<tr>
<th>Primary Beneficiary</th>
<th>Date of Birth</th>
<th>%</th>
<th>Primary Beneficiary</th>
<th>Date of Birth</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Beneficiary SSN</td>
<td>Relationship</td>
<td></td>
<td>Primary Beneficiary SSN</td>
<td>Relationship</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent Beneficiary</td>
<td>Date of Birth</td>
<td>%</td>
<td>Contingent Beneficiary</td>
<td>Date of Birth</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent Beneficiary SSN</td>
<td>Relationship</td>
<td></td>
<td>Contingent Beneficiary SSN</td>
<td>Relationship</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This form must be signed and acknowledged before a notary public.

Member Signature ________________________

State of ________________________

County of ________________________

Sworn to and subscribed before me this ______ day of __________, ______ by ____________________________.

Personally known ________ or Produced Identification ________

Type of Identification Produced ____________________________

Signature of Notary Public ____________________________

Print, Type or Stamp Commissioned Name of Notary Public ____________________________

Rule 60S-9.001, F.A.C.
Page 1 of 1

Part VIII. BENEFICIARY DESIGNATION  (Aug 2006)  9-17
IX. **Final Salary Certification**

At the time of an employee’s retirement, you are required to certify the last 4 months of salary paid prior to the termination of the employee. The salary certification should be submitted on *Form FC-1, Final Salary Certification* (see note below). If a salary adjustment or correction is made after the form is submitted, you must submit an amended salary certification. You should not certify any payments on which retirement contributions are not required.

**Annual Leave**

Retirement contributions are due for lump sum payments for accumulated annual leave. Accumulated annual leave is leave accrued during the employee’s career and which was intended but never utilized by the employee for his/her personal use. General leave, which may be used for both sickness and vacation, is considered accumulated annual leave. When leave is initially accrued separately as annual leave or sick leave and later combined into a consolidated leave account, only the payment for that portion which represents annual leave shall be considered as compensation. Accumulated annual leave payments that may be included in the AFC are limited to a combined total of 500 hours. If a single lump sum payment exceeds 500 hours, only a maximum of 500 hours is to be certified and reported with retirement contributions. *(Please see chapter 2, part I., section A., for additional information.)*

**Sick Leave**

Lump-sum payments of accumulated sick leave are not considered to be compensation for retirement purposes and should *not* be certified on *Form FC-1*.

**Bonuses**

Bonuses are payments made in addition to an employee’s regular or overtime salary. These payments are usually non-recurring, do not increase the employee’s base rate of pay, and do not carry with them a commitment for payment in future years. Bonuses are not considered compensation for retirement purposes and should not be reported for retirement. Therefore, bonuses should *not* be certified on *Form FC-1*.

**NOTE:** For DROP participants, *Form FC-1* should certify any prorated deferred salary payment made prior to the DROP begin date. Certify all salaries earned prior to the DROP begin date.

**STATUTORY REFERENCE:**

Section 121.021(24), F.S.

**FRS RULE REFERENCE:**

Section 60S-6.001(3) and (6), F.A.C.
**SAMPLE OF FC-1, page 1**

Florida Retirement System Pension Plan

---

**Pension Plan Service Retirement**

---

**Florida Retirement System Pension Plan**

---

- **Agency Member**
  - **Member Number**
  - **Name**
  - **SSN**

---

**Final Salary Certification**

---

**Amended Salary Certification**

---

**Instructions for Completion**

1. Certify the last four months salary earned prior to termination for Service Retirement or DROP begin date.
2. Certify salary by check/warrant date for all regular (non-DROP) retirements. List all regular salary payments, including overtime. **Certify the lump sum annual leave payment in the designated area.**
3. Certify prorated deferred salary payment made prior to the DROP begin date. Certify all salaries earned prior to DROP begin date.
4. If a salary adjustment or correction is made after this form is submitted, please submit an amended salary certification.
5. Do not certify any payments on which retirement contributions are not required. (See the following page for additional information.)

---

The completed form should be faxed [850/410-2195 or SUNCOM 210-2195] to the Division of Retirement, no later than the fifth of the month following termination or DROP begin date. If you fax this form, do not mail the original. Call 850/488-6491 or SUNCOM 278-6491 if you have any questions.

---

<table>
<thead>
<tr>
<th>Employee Pay Period:</th>
<th>Biweekly</th>
<th>Monthly</th>
<th>Other, specify</th>
<th>Termination Date or the day before the DROP begin Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check/Warrant Date</td>
<td>Salary Paid</td>
<td>Comments</td>
<td>Lump Sum Annual Leave Payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>X Hours Hourly Rate = Lump Sum Paid Payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Do not include this payment in the salary paid column.)</td>
<td></td>
</tr>
</tbody>
</table>

---

To be completed only by School Boards, Community Colleges and State Universities

This member is employed on a 9 10 11 12 month basis.

<table>
<thead>
<tr>
<th>Contract Salary $</th>
</tr>
</thead>
</table>

---

Certified by: __________________ Date __________

Agency Phone: _______________ SUNCOM: ___________

---

Rule 60S-9.001, F.A.C.
Page 1 of 1
X. DEADLINE FOR ADDING MEMBER’S NAME TO RETIRED PAYROLL

To insure that an employee’s name is added to the retired payroll during the first month of retirement, all information and documentation regarding the employee’s retirement account should be received in the Division by the 5th day of the month containing the employee’s effective retirement date. If all required information and documentation are not received early in the month, the employee may be added to the next retired payroll and the first month’s benefit will be paid retroactively.

XI. CHANGES AFTER MEMBER’S NAME IS ADDED TO RETIRED PAYROLL

Once a benefit payment has been cashed or deposited, or the member begins participation in DROP, retirement is final. The option selection cannot be changed nor can additional service credit be purchased. If a benefit payment has not been cashed or deposited, retirement can be canceled, the option selection can be changed, and additional service can be claimed. For more information, the employee should contact the Bureau of Retirement Calculations. Outside the Tallahassee calling area, you may reach the bureau toll-free at 888/RET-CALC (888/738-2252). Otherwise, contact the bureau by phone at (850) 488-6491 or SUNCOM 278-6491 or by e-mail at: calculations@dms.myflorida.com .

STATUTORY REFERENCE:
Section 121.091, F.S.

FRS RULE REFERENCE:
Section 60S-4.002(4), F.A.C.
XII. MAXIMUM BENEFITS

FRS Maximum
Under Florida law (s. 112.65, F.S.), the initial retirement benefit payable under the FRS may not exceed 100% of the retiring employee’s average final compensation.9

Federal Maximums
Since 1974, the Federal Government has limited the amount of retirement benefits retirees can receive per year under Sec. 415 of the Internal Revenue Code. For information purposes, the 2006 calendar-year annual federal maximum benefit for a member age 62-65 who retires under option 1, 3, or 4 is $175,000 (option 2 is slightly lower). This maximum is adjusted for age so that retirees younger than age 62 have a lower maximum, and those older than age 65 have a higher maximum.

Preservation of Benefits Plan
In 1998, Congress enacted legislation to permit government entities to establish “excess benefit plans” for people who are adversely affected by the federal maximum benefit limit. As a result, in 1999, the Florida Legislature adopted the FRS Preservation of Benefits Plan (an excess benefits plan) to effectively eliminate the impact of the federal limit on FRS retirees. The Division is now authorized to pay each affected retiree, by separate check, an amount equal to any reduction in benefits imposed by the federal limit. Therefore, any retiree affected by this federal maximum will be “made whole” by the excess benefit plan and will not suffer a reduction in benefits.

DROP and Federal Limits
Members who elect to participate in the Deferred Retirement Option Program (DROP) are not exempt from the maximum benefit limitations described in the prior section. However, the amount of the accumulated DROP at the time the member ceases DROP is amortized over the member’s expected lifetime, in the manner required by the Internal Revenue Code, and the annualized value of the DROP account reduces the federal maximum annual benefit the member is entitled to receive. For example, if a member completed DROP at age 62 having accumulated a DROP amount that, amortized over his/her expected lifetime, would have an annualized value of $10,000 a year, the federal maximum applicable to the normal FRS retirement benefit for that member would be $165,000, rather than $175,000.

FRS Benefits/Contributions are Primary
Since June 18, 1999, a member may receive more than one retirement benefit or pension from his employer based on the same period of service (a benefit based on the same service from a different employer’s retirement system or plan is prohibited). However, if the member participates in any retirement plan maintained by his employer in addition to the FRS and Social Security, including a qualified pension plan, a qualified employee annuity plan, or a 403(b) annuity, federal limits may apply to the total amount of benefits and/or contributions payable under all plans except Social Security. FRS benefits and/or contributions are considered primary to any other plan.

STATUTORY REFERENCE:
Sections 112.65, 121.091(1)(a), and 121.30(5), F.S.

FRS RULE REFERENCE:
Section 60S-4.002(3), F.A.C.

9 Florida law also separately limits benefits paid under other public pension plans.
XIII. Retirement Annuities Offered by Private Companies

“Fifth Option” or “Pension Maximization” Plans

The Division has seen an increase in the number of private insurance companies and financial and retirement planners encouraging members to purchase insurance policies (“pension maximization” or “fifth option” plans) that offer private insurance protection in the form of an annuity for a member’s spouse or loved one. Instead of retiring under option 3 or 4, which provides a lifetime benefit to both the member and the joint annuitant with an annual COLA, under these plans, the member is encouraged to retire under option 1, which provides the highest benefit but is paid to the member only during his or her lifetime.

The plans referred to in this section should not be confused with any plans or programs offered under the FRS Investment Plan, which is administered by the State Board of Administration (SBA). (See page 9-52 for more details on the FRS Investment Plan)

Plans Not Supported by the Division

Many of these companies erroneously state or imply that they are associated with the FRS. Some agents may also claim that the Division has sold or provided them the names and addresses of members or retirees so that the private companies can contact them. Although the Division maintains individual addresses of active FRS members through the information provided on the reporting agencies’ monthly payroll reports, these records are not provided to the public or sold to private companies. The Division also keeps address information on retired FRS members and beneficiaries; however, their names and addresses are, by law, confidential and exempt from the Public Records Law and may not be provided in aggregate, compiled, or list form to any person other than a public agency engaged in official business.

The Division has reservations about insurance and annuity programs marketed as an alternative to a continuing retirement benefit under the FRS. The Division does not support nor endorse any such programs because they may encourage FRS members to select a retirement option contrary to their surviving spouses’ best financial interests.

Jane Bryant Quinn Article & Worksheet

On the next page is a copy of an article written on this subject by financial expert Jane Bryant Quinn, plus a worksheet designed to help employees determine whether it would be to their advantage to select an FRS joint and survivor option (option 3 or 4) or a “pension maximization” product. The worksheet was prepared by John Allen, an attorney with the Colorado law firm of Allen-Warren, at the request of Ms. Quinn.

You may wish to make copies of this article available to your employees to use in making their own decisions about “pension maximization” or “fifth option” plans.
Watch the Numbers If You’re Considering a Switch in Life Insurance
by
Jane Bryant Quinn

Some life insurance agents and financial planners are persuading couples to gamble with their security, especially the security of a dependent wife.

They don’t tell you that you’re gambling; the scheme is presented as safe and smart. But, as you’ll see in the specific case history I present below, you may be misled by a sales pitch.

First a brief summary of what’s going on:

There are generally two ways of taking your pension:

- The payments can last for your lifetime only. This choice yields a higher monthly income for as long as you live and nothing thereafter.

- The payments can stretch over the lifetimes of you and your spouse. “Joint-and-survivor” pension payments may be 25 to 40 percent lower. But if you die first, they guarantee your spouse a continuing income.

For a spouse’s protection, joint pensions are the best. But insurance agents are pooh-poohing that idea. Instead, they’re recommending the higher, single life pension. With part of that higher check, you buy a life insurance policy. If you die first, that policy funds an annuity for your spouse, to replace the lost pension. If your spouse dies first, you have a higher pension for the rest of your life.

A financial planner named David Trela, from The Eschels Financial Group in Southfield, Michigan wrote me a letter, urging that I write about this nifty idea. So I asked him for an illustration of an actual case. When I got it, I sent it for analysis to actuary James Hunt, a director of the National Insurance Consumer Organization. Here are the sad results:

Trela’s customer, Mr. X, 62, is retiring from a Michigan public school district. His wife is 57. With a single-life pension, they’d get $2,957 a month for as long as the husband lived and nothing after that. By contrast, with a joint-and-survivor pension, they’d get $2,306 a month ($1,660 after taxes) for as long as either one of them lived. That’s a gross of $651 a month less.

Trela told them to take the larger, single-life pension. For only $585 a month, he said, they could buy a $205,000 universal-life policy on the husband. If he died, the proceeds would buy an annuity paying the widow $1,679 a month, almost exactly replacing the after-tax pension she gave up. What’s more, Trela said, they’d have an extra $66 a month to live on. Neat, right? Mr. and Mrs. X decided to buy.
Jim Hunt says they’re being given wrong information. “In general, Eschels Financial uses tax implications when it helps and doesn’t when it hurts,” he says.

Trela told Mr. X that he could pay his $585 life insurance premium from the $651 a month that he gains from choosing the single-life pension. But that ignored taxes. The insurance actually costs Mr. X $812 in pre-tax income. Result: as a couple, they’ll have $161 less to live on each month than if they had taken the joint-and-survivor pension.

Trela also did not show the taxes on the wife’s annuity income, if she had to depend on it to replace her husband’s pension. By Hunt’s calculations, her after-tax income would be only $1,372 a month. That’s $307 a month less than she would have gotten from the pension. So the plan makes this couple poorer, not richer.

In addition, Mrs. X’s annuity income is fixed. If she kept her joint-survivor-pension, she would get a cost-of-living increase every year. The insurance proceeds would buy her a larger annuity each year she gets older, but generally not enough to beat the pension plan.

When I asked David Trela about these problems, he conceded that he had knowingly used pre-tax numbers. He agreed that the couple’s income would not be as high as his fancy computer printout said. When I asked him why he’d done it, he said, “I don’t have an answer for that.” He denied that it had anything to do with making a sale or collecting a commission.

There may be a happy ending to this story. A subsequent letter from Mr. Trela concludes that “in this particular case the dollars-and-cents answer ... clearly favors the election of the survivor benefit through the pension plan.” He says he is “trying to reach this client,” to “re-explain the inaccuracies.” Mr. X isn’t retiring until June, so he has time to reconsider.

There are a very few circumstances where this insurance scheme might work. But in general, mistrust it. Never buy without taking the proposal to an accountant for an independent evaluation of whether the computer printout tells the truth.
Pension Maximization: Will It Work For You?

When you retire, there are two general ways of taking your pension: (1) Lifetime only. You get a higher monthly income, but it stops when you die. (2) Joint-and-survivor. You get a lower monthly income, but it lasts for the lifetimes of you and your spouse. [The FRS offers another way to receive your pension — option 2. This option pays a benefit to a designated beneficiary if you die within 120 months of your effective retirement date. This monthly benefit payment will be in the same amount as you were receiving for the balance of the 120-month period. No further benefits are then payable.]

A “pension max” salesperson will propose that you take the lifetime-only pension. To protect your spouse, you buy a life insurance policy. At your death, the proceeds of that policy can be used to provide your spouse with a lifetime income.

This plan is potentially workable if: (1) Your single-life pension after tax, and after paying the insurance premium, is greater than you would have received had you chosen the joint-and-survivor pension; and (2) after your death, the insurance proceeds are sufficient to buy your spouse a lifetime income at least equal to what the joint-and-survivor pension would have paid.

Does your proposed plan meet these two tests if you are just starting your retirement?* This worksheet will tell you. You and the salesperson should fill in the following blanks:

<table>
<thead>
<tr>
<th>Have You Really Maximized Your Pension?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Your monthly pension, if paid for your life only.</td>
</tr>
<tr>
<td>2. Your monthly pension after all taxes.**</td>
</tr>
<tr>
<td>3. Your monthly pension if you take a joint-and-survivor option.</td>
</tr>
<tr>
<td>4. That same pension after all taxes.**</td>
</tr>
<tr>
<td>5. Your spouse's monthly pension after your death, if you take the joint-and-survivor option. (This may or may not be the amount you reported on line 3.)</td>
</tr>
<tr>
<td>6. This same pension after all taxes.**</td>
</tr>
<tr>
<td>7. The midpoint between lines 5 and 6. Use this as a first rough target for figuring how much insurance to buy if you choose pension maximization.***</td>
</tr>
<tr>
<td>8. The cost of buying your spouse an annuity after your death, figured for your spouse's age when you retire.*** The “annuity rate” tells you, in dollars and cents, how much monthly income can be bought for every $1,000 of life insurance proceeds.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>9. The life insurance proceeds needed to provide the monthly income. To calculate this, divide the target income (line 7) by the annuity rate (on line 8) and multiply by 1,000.</td>
</tr>
<tr>
<td>10. Monthly life insurance premium required to secure proceeds shown above.</td>
</tr>
</tbody>
</table>

* If your income after pension max leaves you with less disposable income than you'd get from a joint-and-survivor pension, stop here. It usually makes no sense to use it.
If pension max provides you with more income as a couple, continue the
calculation to see if it protects your spouse.

**HAVE YOU LEFT A LARGE ENOUGH ANNUITY FOR YOUR SPOUSE?**

12. Your spouse’s life expectancy, based on his or her age when you retire.****
   The number comes from an IRS table, and is called the Expected Return Multiple.

13. The portion of the spouse’s annuity income that will be excluded from income
taxes. This is called the Exclusion Ratio.***** Carry it to three decimal places.

14. Subtract the Exclusion Ratio from 1.000.

15. Enter the monthly income you targeted, from line 7.

16. Multiply line 15 by line 14. This tells you how much of the spouse’s annuity income
   is subject to tax.

17. Subtract income taxes** from the spouse’s annuity income and enter that income
   after tax.

18. Enter actual amount of net spousal income you need to protect (line 6).

If line 18 is larger than line 17, you need more insurance. Redo the calculation, using a larger insurance
amount. If line 18 is less than line 17, you could buy a smaller insurance policy.

If you start pension maximization earlier than retirement, you’ll also need a *present-value
analysis*. This analysis recognizes that $1,000 spent on insurance today is worth much more
than $1,000 received in higher pension benefits 10 years from now. A present-value analysis
tells you whether those extra pension benefits are worth their cost. Don’t buy from an
insurance agent or planner who won’t (or can’t) do this calculation for you.

This worksheet does not consider the value of pensions with cost-of-living adjustments. But you can
take a stab at it by estimating what your pension will be in 5, 10, and 20 years, and using this sheet
to see if the life insurance will indeed supply a comparable pension for your spouse.

All pension-max proposals with cost-of-living adjustments should be presented with a *present-
value analysis*. So should any proposal where insurance premiums or death benefits vary.

* This worksheet is not effective for plans started before retirement. For such plans, the
  salesperson should compare the cost of the insurance premium with the after-tax pension
  benefits expected — adjusting for the fact that costs come now and benefits, later.

** Federal, state and local. Do the exact calculation. Don’t just estimate the bracket.

*** A *good* professional planner will be able to target this exactly.

**** For safety, refigure for 5, 10, and 20 years ahead. Each year the spouse lives, his or her life
  expectancy improves.

***** To get the Exclusion Ratio: Multiply the spouse’s monthly annuity income by 12. Multiply
the result by the Expected Return Multiple (line 12). Divide the result into the proceeds of
the life insurance policy.

Worksheet prepared by John Allen JD, Allen-Warren, P.O. Box 740035, Arvada, Colorado 80006.
Permission granted for reprinting.
What Are the Risks of Choosing Pension Maximization\(^\text{10}\)?

- Since the retirement benefit is annually adjusted under the FRS Pension Plan to help protect the benefit against inflation, the member would need to purchase a much larger amount of insurance (or a rising amount of insurance) to provide the spouse with a comparable lifetime income.

- If a member buys a universal-life policy or an interest-sensitive whole-life policy, and interest rates decline, he/she might have to pay a higher insurance premium or accept a lower death benefit. The member should ask the agent to demonstrate what happens to the pension-max plan if interest rates drop.

- If a member buys a policy with a “vanishing premium” — hoping to pay premiums for a limited number of years — and interest rates fall, the member will pay premiums for a longer time.

- Between the time the policy is activated and the time of the member’s death, annuity rates can (and usually will) change. The policy proceeds may not be enough for the member’s spouse to buy an annuity that will afford him/her the income originally planned for.

- Inflation or unexpected expenses could erode the member’s income. If the member becomes unable to afford the life insurance premium and has to cancel the policy, his/her spouse would lose the income protection the policy was intended to provide.

- If a premium payment is late or lost, the member’s insurance could lapse — leaving his/her spouse without income protection.

- The “owner” of the policy may at any time cancel the policy or change the beneficiary. Thus, if the member’s spouse is the policy “owner,” the member could be left without a benefit.

- With private insurance, the company could fail as a result of economic conditions or the actions of its managers, which could jeopardize the payment of future benefits under the plan.

- Both the member and his/her spouse or other financial dependent may receive health insurance subsidy payments from the pension plan that would be discontinued when the member dies\(^\text{11}\).

- The spouse’s money could run out if the life insurance proceeds are not used to buy a lifetime annuity. But choice of an annuity means that the member won’t have a lump sum of money for his/her heirs. Both goals — a legacy and lifetime spousal income — cannot be guaranteed.

**NOTE:** If a member chooses a pension maximization plan at retirement, he/she should make sure the life insurance plan has been approved and is in full force *before* the FRS benefit is paid. **Once an FRS benefit payment is cashed or deposited, the member’s option selection cannot be changed.** It could be disastrous for a member to cash an option 1 FRS benefit payment and then discover that he/she has been turned down for the alternative plan’s life insurance policy.

---

\(^{10}\) List of risks based on list created by John Allen JD, Allen-Warren, P.O. Box 740035, Arvada, Colorado 80006.

\(^{11}\) The FRS pays a health insurance subsidy (HIS) to eligible retirees or beneficiaries with health insurance coverage. The surviving spouse or dependent is not eligible to continue receiving the monthly HIS payments after the member’s death if the member retires under option 1. Similarly, if the member retires under option 2, the HIS payment is guaranteed payable to the member’s beneficiary only for the first 10 years of retirement.
Here Are the Potential Advantages of Pension Maximization:\(^{12}\):

- If the member’s spouse dies first, the insurance can be canceled, leaving the member with more disposable income.

- If the member decides to continue the insurance after the spouse dies, a larger estate may be left to his/her heirs (although if leaving a larger estate is important to the member, he/she can carry extra life insurance without taking the pension-max approach).

- If the member divorces, the policyholder could cancel the policy (although the divorce settlement could require that the policy be kept in force).

- If the member and his/her spouse were to live for many years, the member could — at that point — withdraw some cash from the policy. By doing so, the member would shrink the death benefit available for his/her spouse. But at later ages, less money may be needed to provide the spouse with a lifetime income.

---

\(^{12}\) List of advantages based on list created by John Allen JD, Allen-Warren, P.O. Box 740035, Arvada, Colorado 80006.
XIV. DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Since July 1, 1998, eligible members of the FRS, the Teachers’ Retirement System (TRS) and the State and County Officers and Employees’ Retirement System (SCOERS) may choose to participate in the FRS Deferred Retirement Option Program (DROP) for up to 60 months.\textsuperscript{13}

This program allows a member to retire and continue working — drawing both salary and retirement benefits while in the program. Instead of paying the monthly retirement benefit directly to the member or depositing it in his/her bank, while the member is in DROP, the benefit payment is credited to the member’s individual DROP account, where it will earn tax deferred interest, compounded monthly at an effective annual rate of 6.5%.

The DROP participant continues to work up to the date preselected to stop participation in DROP. When the DROP period ends, employment must be terminated. At that time, the member will receive distribution of his/her accumulated DROP benefits, and will begin directly receiving the FRS monthly retirement benefit (in the same amount as determined at retirement and entry into DROP, plus applicable cost-of-living increases\textsuperscript{14}). (See page 9-36 for discussion of special provisions allowing certain members to extend their DROP participation beyond 60 months. See page 9-38 and chapter 13, part III, section C., for discussion of special termination and reemployment provisions applicable to elected officers.)

A DROP participant is, in actuality, a retiree under the FRS. However, participation in DROP does not alter his/her employment status and, for such purpose, the DROP participant will have the same employment status as nonretired members in covered employment until the post-dated resignation becomes effective and/or termination occurs. Terms and conditions of employment (salary, insurance coverage, leave accrual, seniority, being subject to layoff or termination, etc.) do not change as a result of DROP participation.

\textsuperscript{13} Certain members are able to extend their DROP participation for up to an additional 36 months (see page 9-36).

\textsuperscript{14} Each July 1st, retirement benefits for retired members and DROP participants are increased by 5/12ths of 1% for each month in the prior fiscal year that the member was retired). This equates to an annual 3% increase in benefits.
Eligibility for DROP

A vested FRS, TRS, or SCOERS member may elect to participate in DROP for a maximum of 60 months following the date on which he/she first reaches normal retirement date (including members who are on a leave of absence or on workers’ compensation). While a member may apply for DROP up to 6 months before reaching his/her normal retirement date or DROP deferral date, unless he/she is eligible to defer the election as described in the next section, the election to participate in DROP must be made within 12 months of first reaching the normal retirement date. A member’s normal retirement date is reached when the member is either age 62 and vested, or has 30 years of service regardless of age (age 55 and vested, or 25 years of service for special risk members).

DROP participation is not allowed for any member who previously retired under the FRS, TRS, or SCOERS and has since become reemployed in a covered FRS position as a “renewed” member. Participation is also not allowed for employees in the FRS Investment Plan, State University System Optional Retirement Program (SUSORP), State Community College System Optional Retirement Program (CCORP), or Senior Management Service Optional Annuity Program (SMSOAP). Local agency senior managers and members of the Elected Officers’ Class who have withdrawn from the FRS are also ineligible to participate in DROP.

---

15 Certain members are able to extend their DROP participation for up to an additional 36 months (see page 9-36).

16 Renewed members of the FRS are automatically enrolled in the FRS Pension Plan; however, they may elect to participate in the FRS Investment Plan instead, if they wish. In neither case will they be eligible for DROP.
A member who has reached his/her normal retirement date may be able to defer his/her DROP election as described below if he/she meets one of the following criteria:

- Since July 1, 2001, any member designated and certified by his/her employing agency as “instructional personnel” as defined in s. 1012.01(2)(a)-(e), F.S., may indefinitely postpone the DROP election. These members may elect to enter DROP at any time after reaching their normal retirement date and may participate in DROP for a full 60 months, regardless of the date they begin DROP.  

- A member who reaches his/her normal retirement date based on years of service before age 57 (or age 52 for special risk members) may defer his/her DROP election. He/she may elect to enter DROP anytime from the member’s initial eligibility date through the month he/she attains age 57 (or age 52 for special risk members) and participate for a full 60 months. (The member could also make the deferred DROP election at any time during the 12 months after the month in which he/she reaches age 57 (or age 52 for special risk members), but his/her participation period would be shortened accordingly.)

- When determining either DROP eligibility or the maximum participation period, a member may choose to include or exclude any optional service credit purchased by the member or his/her employer from the total service used to establish his/her normal retirement date. Optional service includes all creditable service for which the member chooses to purchase/claim retirement credit. It may include prior service, optional past service, wartime military service, a military leave of absence taken before December 3, 1974, a leave of absence without pay, in/out-of-state service, a suspension without pay, teaching in a federally operated school in Florida, and periods of disability retirement. Workers’ compensation credit, non-optional past service credit, and employer-purchased credit for a military leave-of-absence on or after December 3, 1974, do not count as optional service credit. Upgraded service credit is not considered optional service credit.

- A member with dual normal retirement dates, resulting from an employment history in two different classes of membership with different retirement date and age requirements, may elect to participate in DROP within 12 months after attaining his/her normal retirement date in either class.

- An elected officer who reaches his/her normal retirement date while serving a term of office (including an elected officer who is not a member of the EOC) may defer DROP participation until his/her next term in such office. The officer must elect to participate in DROP within 12 months of the first day of the succeeding term and may only participate for up to 60 months or until the end of the term, whichever is less.

---

17 This definition includes classroom teachers, staff members responsible for student personnel services, staff members responsible for providing school library media services, other instructional staff, and educational paraprofessionals.

18 For example, in establishing eligibility for DROP, a member with 30 years of service that includes 2 years of purchased optional service credit could elect to join DROP immediately (by opting to include the optional service) or could wait up to 2 years to join DROP (by choosing to exclude the optional service). Whether included or excluded for purposes of the DROP election, the purchased optional service credit will always be used in the member’s benefit calculation.
**Key procedures** for a member to enroll in DROP:
- Eligible employee compares estimates with and without DROP and decides to elect DROP participation.
- Employee and employer complete and submit two forms, Form DP-ELE and Form DP-11, described below, to the Division.
- To make an option selection, the member must complete Form FRS-11o, (supplied along with Form DP-11).
- Employee should be reported on your monthly retirement report under Plan DP, DR, DS, or DT beginning with the selected month of DROP enrollment.

*Form DP-ELE*, Notice of Election to Participate in the DROP and Resignation of Employment, must be submitted to the Division no later than 12 months following the date on which the member first reaches his/her normal retirement date (unless the member is eligible to defer the DROP participation date\(^{19}\)) and no earlier than 6 months before the member’s anticipated DROP begin date. The member must indicate the starting and ending date of DROP participation, acknowledged by the employer. To participate in DROP for the full 60 months\(^{20}\), the member must file this form together with *Form DP-11*, Application for Service Retirement and the DROP, no later than the end of the month the member reaches his/her normal retirement date or DROP deferral date. Any member who fails to complete and submit *Form DP-ELE* within 12 months of first reaching his/her normal retirement date or DROP deferral date will be ineligible for DROP participation.

*Form DP-11*, Application for Service Retirement and the DROP, establishes the effective date of retirement and beginning DROP participation date. This application may be filed up to 6 months in advance of the member’s intended date to begin DROP. To retain the desired retirement and DROP begin dates, the Division must receive *Form DP-11* no later than the close of business on the last day of the month in which the desired DROP effective date falls. If the form is received after the end of said month, the effective date of retirement and DROP begin date can be no earlier than the first of the month in which *Form DP-11* is received. The form requires the member to name a beneficiary, provide required birth date verification, and establish dates of DROP participation.

To make an option selection, the member must complete *Form FRS-11o* (supplied along with the *Form DP-11*).

---

\(^{19}\) For more on DROP deferral, see page 9-31.

\(^{20}\) Certain members are able to extend their DROP participation for up to an additional 36 months (*see page 9-36*).
Chapter 9: PENSION PLAN SERVICE RETIREMENT

DROP Participation Period

DROP participation will continue for the acknowledged period indicated on Form DP-11 unless:

- The employee terminates or is terminated earlier than originally stated.
- The employee, with the employer’s approval, expands DROP participation past the originally selected termination date but still within the 60-month limitation period (e.g., member signs up for 36 months of DROP and later expands it to 60 months with the employer’s approval). The Division must receive a revised Form DP-ELE, signed by both the employee and employer, verifying this change. The member may not participate beyond his/her initial 60-month eligibility period, unless he or she is eligible for and obtains an extension as described on page 9-36).

Beneficiary Designation

Form DP-11 requires each member electing to participate in DROP to name one or more beneficiaries to receive any continuing retirement benefits or DROP benefits payable if the participant dies. The beneficiary or beneficiaries designated to receive continuing retirement benefits must be the same beneficiary as is named to receive the DROP benefits. If the DROP participant’s designated beneficiary dies while he/she is in DROP, the DROP participant may name a new beneficiary as follows:

1. If the participant retired under benefit payment option 1 or 2, he/she may name a new beneficiary on Form FST-12, Beneficiary Designation for Retired Members, who will then be eligible for both the DROP benefits and any continuing FRS benefits; or

2. If the participant retired under option 3 or 4, he/she may either name a new qualified joint annuitant on Form JA-1, Change of Joint Annuitant Form, who will then be eligible for both the DROP benefits and continuing FRS benefits, or name a beneficiary who may or may not be qualified as a joint annuitant on Form FST-12, Beneficiary Designation for Retired Members, to receive only the DROP benefits. (Note that option 4 benefits accumulating in DROP are reduced upon the death of the beneficiary and benefits under option 3 or 4 are recalculated when a new joint annuitant is named.)
Every member who elects to participate in DROP, and who is eligible to receive a terminal payment for unused annual leave earned according to agency policy, may choose to receive the lump sum terminal payment at either the beginning or the end of the DROP period. If the member elects to take the leave payment at the beginning of DROP, the payment amount for up to 500 hours of leave will be reported as compensation earned in that fiscal year and may be used in the calculation of his/her retirement benefit. In this case, the lump sum payment is based on the hourly wage of the participant at the time he/she retires and begins DROP. If the participant elects instead to wait and receive a lump sum leave payment when terminating employment at the end of DROP, the terminal leave payment will be based on the hourly wage of the participant at termination of employment (which may be higher), but the payment does not affect the member’s benefit (which was determined and fixed by law when he/she elected to retire and begin DROP).

A participant who elects to receive the terminal annual leave payment at the beginning of DROP may be eligible to also receive a second lump sum leave payment upon termination of DROP. For such a second payment to be made, the member must have additional annual leave which, when combined with the leave represented by the original payment, does not exceed any applicable limit on payment of terminal leave as established by law or by employer policy or rules.

NOTE: Limits on terminal leave payments as described in this section apply to payments reported to the Division of Retirement for retirement purposes only, and do not affect employer policies governing payment for accumulated unused leave, generally.

For a member’s deferred pay to be used in the calculation of his or her Average Final Compensation (AFC), the agency must prorate the deferred payment for the year and pay the member when he/she enters DROP. This payment must be reported in the month it is paid to the employee. The remaining portion of the deferred pay should be reported with the June report under the appropriate DROP plan. If the agency elects not to pay the prorated portion of the deferred salary before DROP participation begins, it will not be used in the calculation of the member’s AFC. (See chapter 3, part VII, concerning reporting of contract salary paid over a 12-month period, for more information.)

---

21 A member’s benefit is the product of the member’s years of creditable service, percentage value for each year, and average final compensation. The average final compensation (AFC) is an amount representing the average of the 5 highest fiscal years of compensation earned during covered employment. If the 5 highest fiscal years of compensation include the year in which the terminal leave payment is made, the retirement benefit will be improved as a result of the leave payment.
Chapter 9: PENSION PLAN SERVICE RETIREMENT

Changing Jobs or Employers

A DROP participant may change jobs or have more than one FRS employer while in DROP, as long as a break in service does not occur (i.e., where no salary is reported during a month). If a break in service does occur, DROP participation will cease. A month in which no salary is paid but the employer-employee relationship continues (e.g., leave of absence without pay or workers’ compensation leave) does not constitute a break in service. The employer must verify that the participant is still employed. If the participant is employed by two employers upon beginning DROP, both employers must submit both Form DP-11 and Form DP-ELE. A change of employer or addition of a new employer after commencement of DROP only requires the new employer to submit Form DP-ELE (Form DP-11 is not required). The new employer must acknowledge on Form DP-ELE the participant’s DROP termination date and acknowledge liability for any additional retirement contributions and interest that may be required if the participant fails to timely terminate employment. The last employer must pay required contributions to reestablish service credit for the period of DROP participation.

Changes Restricted after Entering DROP

After the first month of participation, a DROP participant cannot add additional service, change benefit payment options, change his/her DROP begin date, or change his/her type of retirement (e.g., from service retirement to disability retirement).

Contributions

Employer DROP and health insurance subsidy (HIS) contributions are due for DROP participants beginning the first day of the month of DROP participation (see chapter 2, part II, for the applicable contribution rates). The participant should be reported on your monthly retirement report under Plan DP for FRS members, Plan DR for SCOERS Plan A members, Plan DS for SCOERS Plan B members, or Plan DT for TRS members. Elected officials who began DROP on or after July 1, 2002, and remained in office after their maximum DROP participation period concluded should be reported under Plan DE, DF, DG, or DH (for HIS contributions only). All salary earned through the end of the month prior to DROP participation must be reported using the appropriate plan code and contribution rate for the class of membership. Salaries of employees on weekly or biweekly payrolls must be split to reflect the change to the DROP contribution rate as of the first day of the month of DROP participation. (See chapter 3, part IX, for more information.)

22 See chapter 3, part II, rate chart 10, for more about reporting HIS contributions under these plan codes.
Effective June 1, 2003, the following DROP participants may be approved to extend their participation in DROP for up to 36 months beyond the 60-month maximum participation period (no more than 96 months total):

- Persons employed by a district school board on an annual contractual basis as “instructional personnel” in grades K-12. This includes classroom teachers; student personnel services staff such as guidance counselors, social workers and school psychologists; librarians and media specialists; and other instructional staff such as primary specialists, learning resource specialists, instructional trainers, adjunct educators, and similar positions [see s. 1012.01(2)(a)-(d), F.S., for definition].

- Persons employed by the Florida School for the Deaf and the Blind on an annual contractual basis as instructional personnel.

- Effective June 23, 2004, DROP participants who are employed by developmental research schools (or “lab schools”) as instructional personnel as defined in s. 1012.01(2)(a)(a)-(d), F.S.

To extend DROP participation: An eligible DROP participant employed by a district school board must receive authorization from his/her district school superintendent; an eligible DROP participant employed by the Florida School for the Deaf and the Blind must receive authorization of the Board of Trustees for that school; and an eligible DROP participant who is employed by a developmental research school must obtain authorization from the school’s director, or the school’s principal if there is no director, and must also obtain approval by the division.

By authorizing an employee to extend his/her DROP participation for up to 36 months beyond the initial 60-month DROP period, the employer is certifying that the employee is employed on an annual contractual basis and is filling a position eligible for extension as required by law. Such extension may be granted for the entire 36-month period or on a year-by-year basis, at the employer’s discretion.

To extend DROP participation, the eligible employee must submit a separate form, Form DP-EXT, Extension of Deferred Retirement Option Program (DROP) For Specified K-12 Instructional Personnel, to the Division. This form may be submitted as early as 6 months before the 60th month of the initial DROP period, but must be received before the employee’s termination date as established for his/her initial 60-month DROP participation period.

The applicant will receive confirmation from the Division when the application to extend DROP participation has been received and approved.

NOTE: Do not confuse this type of extension with an extension of the DROP end date past the originally selected termination date, but still within the 60-month eligibility period, as described on page 9-33).
To change jobs while in a period of DROP extension, the employee must remain employed in an **eligible position** with an **eligible employer** to continue DROP participation. Similar to changes of employment during the first 60 months of DROP, the change must take place without a break in service. If the job is with a new employer, the new employer must approve the extension\(^\text{23}\). All **DP-EXT** forms are subject to Division approval. Any member who moves to an ineligible position must either terminate employment and DROP or void retirement, forfeit all DROP accumulations, and reestablish membership in the FRS Pension Plan (see description following).

**Nonelected members**\(^\text{24}\) in DROP must terminate employment by the date specified on the **Form DP-ELE** unless the DROP period is extended as provided on page 9-33 or page 9-36. If an employee works beyond the specified termination date, the employee should complete and submit **Form DP-VOID**, certified by his/her employer, before the preselected resignation date to advise the Division of the resignation rescission and continued employment, at which point:

- The employee’s retirement and DROP participation are voided.
- The employee forfeits all DROP accumulations, as well as any monthly benefits he/she may have received.
- Membership in the retirement plan will be retroactively reestablished back to the date the member started DROP.
- The employer at that time must pay or receive a refund of the difference\(^\text{25}\) between the retirement contribution rate owed to retroactively establish service credit under the employee’s class of membership and the DROP contribution rate, plus interest (no interest is paid on refunds).

The Division will notify DROP participants 3 months prior to their DROP termination date of their upcoming termination date and will send them the following forms: **Form DP-TERM**, **DROP Termination Notification**, and **Form DP-PAYT**, **DROP Selected Payout Method**. (See pages 9-48 thru 9-50 for samples of these forms.)

Both the employee and employer must sign **Form DP-TERM**, verifying that termination has occurred or will occur. The **payment of monthly benefits will not occur until after the Division receives Form DP-TERM and termination of employment has occurred. The DROP balance will not be distributed until after employment has terminated and the Division receives Form DP-PAYT.**

---

23 A new **Form DP-EXT**, signed by the new employer, must be submitted and received by the Division no later than the last working day of the month in which the new employment commenced.

24 For purposes of this section, “nonelected member” means a DROP participant who, at the conclusion of his/her DROP period, is filling a position not covered by the Elected Officers’ Class.

25 In the case of a job change while in DROP from one eligible employer to another, the new employer is liable for all retroactive retirement contributions due and the previous employer is eligible for all refunds of retirement contributions. A former DROP participant who violates the reemployment provisions during the 2nd through 12th months will, along with his employer, be jointly and severally liable to pay back the monthly retirement benefits paid subsequent to DROP.
An elected member\textsuperscript{26} participating in DROP must terminate employment by the date specified on his/her their Form DP-ELE unless the DROP period is extended as provided on page 9-33 or page 9-36\textsuperscript{*}, except as described below:

**Terminating DROP (Elected Officers)**

DROP participants who began participating in DROP before July 1, 2002, and who hold an elective office covered by the Elected Officers’ Class (EOC), may end their DROP participation without terminating their employment; however, the DROP participation period cannot exceed 60 months. Upon terminating DROP (without terminating their employment), these members will receive their DROP payout, begin receiving their monthly retirement benefit and become renewed members within the EOC the first of the month following their DROP termination.

DROP participants who begin DROP on or after July 1, 2002, and who hold an elective office covered by the EOC may end their DROP participation and remain in office without terminating employment until the end of the current term of office or until they no longer continuously hold an elective office eligible for coverage under the FRS. During this time of continued elective service, the officer is not considered an active member of the retirement system. No additional monthly benefits accrue in the affected officer’s DROP account (which continues to earn interest at an effective annual rate of 6.5%, compounded monthly); no DROP distribution is made and no monthly benefits are paid to the affected officer; no additional retirement credit is earned; and no contributions other than HIS contributions are required of the employer. Upon termination of the elective office, the member’s DROP balance, including any earned interest, will be distributed and the retired member will also begin receiving monthly retirement benefits directly, including any applicable cost-of-living increases. Thereafter, the retired member is subject to all applicable post-retirement reemployment limitations and renewed membership provisions (see chapter 13, parts III and IV).

It is **IMPORTANT** for these elected members to note that:

- Monthly benefits will not be paid to any member who began DROP on or after July 1, 2002, until after the Division receives Form DP-TERM and termination of employment has occurred.
- The DROP balance will not be distributed to any member who began DROP on or after July 1, 2002, until after employment has terminated and the Division receives Form DP-PAYT.

**Termination Notice Required**

It is the responsibility of an affected elected officer to notify the Division of his/her termination, regardless of the dates of DROP participation. Both the officer and his/her employer must sign Form DP-TERM, verifying that termination of employment has occurred or will occur at a specified time.

\textsuperscript{26} For purposes of this section, “elected member” means a DROP participant who, at the conclusion of his/her DROP period, is filling an elective or appointed position covered by the Elected Officers’ Class.
A DROP participant must notify the Division on Form DP-PAYT of the method of payment desired from his/her DROP account: Lump sum, direct rollover, or combined partial lump sum and rollover.

A direct rollover must be paid directly to the custodian of an eligible retirement plan as defined in Sec. 402(c)(8)(B), IRC. Eligible retirement plans include:

- An Individual Retirement Account as described in Sec. 408(a), IRC – commonly referred to as an IRA.
- An Individual Retirement Annuity as described in Sec. 408(b), IRC – an annuity set up by an insurance company (does not include an endowment contract).
- A Qualified Trust – a stock bonus, pension, or profit sharing plan of an employer (both defined contribution and defined benefits plans) established in accordance with Sec. 401(a), 401(k), or 403(b), IRC, for the sole and exclusive benefit of employees or their beneficiaries. This includes a rollover or direct trustee-to-trustee transfer to an account under the FRS Investment Plan as provided under s. 121.4501(21), F.S. (see page 9-53 for more information).
- An Annuity Plan as described in Sec. 403(a), IRC – the definition of a qualified annuity plan – or as described in Sec. 403(b), IRC – an annuity purchased by an organization or a public school under Sec. 501(c)(3), IRC.
- An Eligible Deferred Compensation Plan as defined in Sec. 457(b), IRC.

NOTE: An eligible retirement plan does not include a Roth IRA.

If the DROP participant dies while in DROP, his/her surviving beneficiary must submit the appropriate form or forms to receive DROP benefits:

- If the surviving beneficiary is the DROP participant’s spouse or alternate payee as described in chapter 12, part VI, Form DROLL, the Beneficiary Direct Rollover Election Form, must be submitted. The beneficiary may choose to roll over all or a portion of the proceeds of the DROP account. However, in that event, the account proceeds must be rolled into an eligible plan as described in Sec. 402(c)(9), IRC.
- If the surviving DROP beneficiary is neither the spouse nor alternate payee, the DROP accumulation may only be paid as a lump-sum distribution. To receive such benefits, the beneficiary must complete and submit Form FST-11g, Florida Retirement System Pension Plan Application of Beneficiary for Benefit Payment.

Any DROP participant or beneficiary who submits all required forms, but fails to elect a method of payment within 60 days of termination or death, will automatically receive a lump sum distribution, less applicable taxes.

---

27 To receive this distribution, the spouse must be the member’s designated beneficiary.
28 Under Sec. 402(c)(9), IRC: “If any distribution attributable to an employee is paid to the spouse of the employee after the employee’s death, the preceding provisions of this subsection shall apply to such distribution in the same manner as if the spouse were the employee.”
The portion of each monthly benefit funded by after-tax employee contributions and accumulated in the DROP account will be paid to the DROP participant as a tax-free, lump sum payment (calculated using the Simplified General Rule\textsuperscript{29}).

The tax consequences that apply to distribution of DROP assets are outlined in the following chart and examples:

<table>
<thead>
<tr>
<th>Payout Method</th>
<th>Taxes Due at Conclusion of DROP</th>
<th>Taxes Due Later</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DROP assets rolled over to eligible retirement plan (also see 4. below).</td>
<td>No taxes withheld.</td>
<td>Taxes due when withdrawn from eligible retirement plan.</td>
</tr>
<tr>
<td><strong>Example:</strong> Joe Smith elects to have his $100,000 of DROP assets rolled over to his Individual Retirement Account (IRA). Joe is not taxed on this income until he starts withdrawing it from his IRA. If he withdraws $200 a month ($2,400 for the year), he will owe taxes of $360 (assuming a 15% tax bracket).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. DROP assets received as lump sum (also see 4. below).</td>
<td>Taxes withheld at 20% in year received.</td>
<td>Additional taxes may be due if employee in higher tax bracket.</td>
</tr>
<tr>
<td><strong>Example:</strong> Mary Jones elects to receive her $100,000 of DROP assets in a lump sum. The Division will automatically withhold 20% of this amount (as required by federal law). When Mary files her income taxes for that year, she would report the lump-sum amount paid, plus the credit for the 20% tax already withheld (these amounts will be reported to her on Form 1099-R provided by the Division). Since she is in the 28% tax bracket, she would owe an additional 8% tax or $8,000, effectively reducing her lump-sum benefit from $100,000 to $72,000.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. DROP assets received as partial lump sum and partial rollover.</td>
<td>The lump sum or rollover will be taxed according to items 1. and 2., or item 4., as applicable.</td>
<td>The lump sum or rollover will be taxed according to items 1. and 2., or item 4., as applicable.</td>
</tr>
<tr>
<td>4. DROP assets received as lump sum or rollover, where member previously made after-tax (employee) contributions.</td>
<td>No taxes withheld.</td>
<td>Already paid.</td>
</tr>
<tr>
<td><strong>Example:</strong> Tom Henry had after-tax employee contributions of $20,000 on deposit when he retired, on which amount income taxes had already been paid. If he elects to receive his $100,000 in DROP assets in a lump sum, the Division will apply the Internal Revenue Service’s Simplified General Rule\textsuperscript{28} to determine how much of his DROP assets can be distributed directly to him with no taxes withheld. If the Division calculates this amount to be $5,000 for the 5 years he participated in DROP, then Tom would receive a lump sum of $5,000, with no additional taxes due either now or later on this money. This $5,000 cannot be rolled over to an eligible retirement plan, according to Internal Revenue Code regulations. The remaining $95,000 will be treated as a regular lump-sum payment (see example 2), or could be rolled over as described in example 1, or distributed in combination.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** A portion of the monthly retirement benefit Tom would begin to receive after concluding DROP would be tax-free due to the application of the Simplified General Rule\textsuperscript{28} (remains tax free for the period specified in the Simplified General Rule).

**NOTE:** DROP complies with all provisions of the Internal Revenue Code (IRC) and the Division of Retirement must administer the program accordingly. Various provisions of the IRC, including maximum benefit limitations, may apply to certain individuals, and payouts and monthly retirement benefits would be affected accordingly.

\textsuperscript{29} For more on the Simplified General Rule, see IRS Publication 575, *Pension and Annuity Income*, available at [www.IRS.gov](http://www.irs.gov).
### Federal Maximum Benefits

Benefits accumulating in the DROP are not subject to federal benefit limitations until DROP ends and the participant begins receiving his/her monthly retirement benefits. At that time, the value of the DROP accumulation will be divided by the number of years in the participant’s expected lifetime, in the manner required by the Internal Revenue Code, to create an annualized value. This annualized value will reduce the federal maximum benefit the participant is allowed to receive each year based upon his/her age at the time DROP participation ends. For example, if a member completes DROP at age 62 having accumulated an amount in the DROP account which, amortized over his/her expected lifetime, would have an annualized value of $10,000 a year, the federal maximum applicable to the normal FRS benefit for that member would be $165,000, rather than $175,000 (based on 2006 limits). This provision will affect very few members. The Division will notify a participant if his/her benefits are expected to exceed the federal maximum.

### IRS W-2 Form Designation of DROP Participants

A DROP participant is retired and, while in DROP, is not eligible to participate in the FRS as an active or renewed member. Therefore, for the tax year, employers should not check the “Pension Plan” box (Section 15) on the IRS W-2 Form, unless the DROP participant has participated in any of the following retirement plans at any time during the FRS plan year: A qualified pension plan (which includes the FRS); a profit-sharing, stock bonus, money purchase, Keogh, 401(k), union, or qualified annuity plan; a plan established by the United States, a state, or a political subdivision thereof, or by an agency or instrumentality of any of the foregoing, for its employees; or a 403(b) plan, SEP, 501(c)(18) trust, or SIMPLE plan.

### Reemployment Limits after DROP Concludes

At the conclusion of DROP, the same reemployment restrictions and exceptions that apply to FRS retirees who do not choose to participate in DROP will apply to DROP retirees (see chapter 13, part III). If an FRS employer reemploys a DROP retiree in the first calendar month after the DROP period concludes, the DROP retiree will void both his/her retirement and his/her DROP participation. The retiree must repay all DROP and monthly retirement benefits received, and the employer who reemployed such retiree is liable for the retroactive contributions that are required to reestablish retirement membership, plus interest.

### Health Insurance Subsidy

A DROP participant is not eligible to receive monthly retiree health insurance subsidy (HIS) payments while in DROP; however, employer contributions are due for HIS throughout the participant’s DROP period. Upon conclusion of DROP, the DROP retiree may apply for and, if he/she meets the eligibility requirements, start receiving monthly health insurance subsidy payments.

---

30 For more on federal benefit limits, see page 9-21.
31 A “DROP retiree” is a retiree who participates in DROP and concludes his/her DROP participation period. Note that this term may not apply to certain elected officers filling positions covered by the EOC. Separate termination and reemployment requirements may apply to such officers, as described on page 9-38.
32 For more on the retiree health insurance subsidy, see chapter 12, part II.
Counseling Employees  The following information, taken from an article in the June 1998 FRS Bulletin, should help you in counseling employees on the major questions they may have about DROP.

To DROP or Not to DROP — What Are the Questions???

If you are eligible to retire (or getting close and thinking about it), one of the most important issues you will face is deciding whether to retire now, retire later, or join DROP and, in effect, do both—retire now, but continue to work for up to 5 years, allowing your retirement benefits to accumulate into a “nest egg” to enhance your retirement benefit. This decision is a highly personal one, and your individual answer will depend greatly on your own particular circumstances.

To help you decide, you may ask the Division to prepare a DROP estimate for you. The estimate will show the benefits you could receive if you join DROP versus the benefits you would receive if you choose to remain in the FRS for the same period.

Once you get these estimates, you might want to gather any significant financial data relevant to your situation and meet with an accountant or financial planner to discuss your personal financial situation. The advice you get will probably not be free, but if you are unsure about how to proceed, it could be well worth the expense.

You will want to consider your potential DROP benefit, your expected monthly FRS benefit, any personal investments or other assets you may have (such as your home), and your anticipated Social Security benefit (and when you expect to begin drawing this benefit). You will also want to consider any significant debts you may owe as well as other liabilities you may have.

You might want to ask yourself some questions in order to maximize your chances of coming to the right conclusion . . . for you! For example:

- How much time do you have to decide? Are your circumstances such that you must decide quickly, or are you in a position to defer your DROP election to a later date?
- Are you anxious to retire now, or can you wait? Can you picture yourself continuing to work for a few more months or years?
- Will you be ready to stop working in no more than 5 years from your DROP eligibility date (or deferral date)? If not, do you have another job in mind or other plans?
- Do you expect a big pay increase or promotion (or have you recently gotten one)? If so, will it increase your compensation significantly over the next 5 years? Would the increase in your monthly benefit resulting from the boost in your AFC be enough to offset the value of your projected DROP lump sum, withdrawn in monthly increments over the course of your lifetime? (You could ask an accountant or financial planner about potential payout methods, such as various types of annuities, IRA structured payouts, individual qualified trusts, or other possible financial arrangements, to determine the form of investment and/or structured payout that will best enhance your retirement.) This is an individual consideration — each member will have to compare and decide.
Will the moneys you expect from DROP participation be used to increase your retirement income after DROP by “rolling over” your DROP proceeds into a tax-sheltered individual retirement account (IRA) or other investment? If so, how much interest must you earn on your investment to exceed the loss of retirement income that results from a lower FRS benefit?

What impact might retiring early have on your potential Social Security benefit? For example, if you enter DROP at age 50, stay in DROP for 5 years and terminate at age 55, under current federal age requirements you could have from 7 to 10 years of zero salary factored into the calculation of your Social Security benefit (the years between ages 55 and 62 to 65). This could reduce your benefit. Contact the Social Security Administration (SSA) to determine the potential impact on your future benefit. You could call the SSA toll free at 1-800-772-1213 or, if you have access to the Internet, you could reach the SSA at: www.ssa.gov. From the SSA homepage, under “Online Direct Services,” select “Request a Personal Earnings & Benefit Estimate Statement” and follow instructions from there.

Would you like to leave a lump sum to your beneficiary or do you want to provide a guaranteed benefit to an otherwise ineligible beneficiary? If so, DROP could allow you to do so. (Under the FRS, a retiring member has limited payout options, none of which directly provide for a lump sum payout. Moreover, to leave a benefit to someone other than a spouse or financially dependent family member, you must elect the option 2 form of payout, which provides a benefit to your chosen beneficiary at your death only for the remainder of the 10-year period after you retire.)

Do you have a retirement “dream” that would cost more than you have in savings, but might be afforded through DROP? For example, if you don’t need your DROP capital to make your retirement more secure, and you have always dreamed of buying a boat and sailing into the sunset or buying an RV and touring the back roads and campgrounds of America, DROP might give you a way to make your dream a reality.

If you envision yourself retiring at a relatively early age and embarking on a new career or starting a small business, would a DROP account provide the money you’d need?

Imagine that an FRS regular member named George must decide what to do about DROP. He could retire now, but what if he waits? What sort of total benefit could he expect if he joins DROP or keeps working?

Let’s say George earns about $27,000 annually, and gets a 3 percent pay raise each year. What’s the difference in his benefit under the two scenarios?

- If George enters DROP, with an AFC of $25,000, his annual FRS benefit when DROP begins would be $12,000. With yearly 3% cost-of-living adjustments, this annual FRS benefit would become $13,916 after 5 years in DROP, when he would also have his DROP lump sum benefit of $74,406.

- If George instead opts to continue working during the same 5 years, his salary would most likely increase. Let’s assume his later benefit would be calculated on an AFC of $28,982, giving him a total annual FRS benefit of $17,041.
The difference in George’s annual FRS benefit with and without DROP is $3,125 in the first year. Disregarding cost-of-living increases, if George rolled his $74,406 in DROP moneys into a tax sheltered IRA that earned zero interest, he could withdraw $3,125 every year for over 23 years before he would deplete his DROP funds. In fact, if he earns only 4.25 percent interest on his total investment each year, he could withdraw that amount each year and never diminish his principal amount (which he could arrange to leave to his beneficiary when he dies).

The following table illustrates the estimated value of a DROP account. To estimate how much a member’s DROP account will be worth, find the estimated monthly retirement benefit on the left side of the table. Next, find the number of years the member will participate in DROP. The amount at the intersection of the selected row and column is the estimated value of the DROP account. For example, if the estimated monthly retirement benefit is $600 and the member wants to participate in DROP for 3 years, the estimated value of the DROP account in 3 years would be $24,401.

<table>
<thead>
<tr>
<th>Monthly Retirement Benefit</th>
<th>1 YR</th>
<th>2 YRS</th>
<th>3 YRS</th>
<th>4 YRS</th>
<th>5 YRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>$1,235</td>
<td>$2,588</td>
<td>$4,067</td>
<td>$5,681</td>
<td>$7,441</td>
</tr>
<tr>
<td>$200</td>
<td>$2,471</td>
<td>$5,176</td>
<td>$8,134</td>
<td>$11,362</td>
<td>$14,881</td>
</tr>
<tr>
<td>$400</td>
<td>$4,941</td>
<td>$10,352</td>
<td>$16,267</td>
<td>$22,724</td>
<td>$29,762</td>
</tr>
<tr>
<td>$600</td>
<td>$7,412</td>
<td>$15,528</td>
<td>$24,401</td>
<td>$34,086</td>
<td>$44,644</td>
</tr>
<tr>
<td>$800</td>
<td>$9,883</td>
<td>$20,704</td>
<td>$32,534</td>
<td>$45,448</td>
<td>$59,525</td>
</tr>
<tr>
<td>$1,000</td>
<td>$12,353</td>
<td>$25,880</td>
<td>$40,668</td>
<td>$56,810</td>
<td>$74,406</td>
</tr>
<tr>
<td>$1,200</td>
<td>$14,824</td>
<td>$31,056</td>
<td>$48,802</td>
<td>$68,172</td>
<td>$89,287</td>
</tr>
<tr>
<td>$1,400</td>
<td>$17,295</td>
<td>$36,232</td>
<td>$56,935</td>
<td>$79,534</td>
<td>$104,168</td>
</tr>
<tr>
<td>$1,600</td>
<td>$19,765</td>
<td>$41,408</td>
<td>$65,069</td>
<td>$90,896</td>
<td>$119,049</td>
</tr>
<tr>
<td>$1,800</td>
<td>$22,236</td>
<td>$46,584</td>
<td>$73,202</td>
<td>$102,258</td>
<td>$133,931</td>
</tr>
<tr>
<td>$2,000</td>
<td>$24,707</td>
<td>$51,760</td>
<td>$81,336</td>
<td>$113,620</td>
<td>$148,812</td>
</tr>
<tr>
<td>$2,200</td>
<td>$27,177</td>
<td>$56,937</td>
<td>$89,469</td>
<td>$124,982</td>
<td>$163,693</td>
</tr>
<tr>
<td>$2,400</td>
<td>$29,648</td>
<td>$62,113</td>
<td>$97,603</td>
<td>$136,344</td>
<td>$178,574</td>
</tr>
<tr>
<td>$2,600</td>
<td>$32,119</td>
<td>$67,289</td>
<td>$105,737</td>
<td>$147,706</td>
<td>$193,455</td>
</tr>
<tr>
<td>$2,800</td>
<td>$34,589</td>
<td>$72,465</td>
<td>$113,870</td>
<td>$159,068</td>
<td>$208,336</td>
</tr>
<tr>
<td>$3,000</td>
<td>$37,060</td>
<td>$77,641</td>
<td>$122,004</td>
<td>$170,430</td>
<td>$223,218</td>
</tr>
<tr>
<td>$3,200</td>
<td>$39,531</td>
<td>$82,817</td>
<td>$130,137</td>
<td>$181,792</td>
<td>$238,099</td>
</tr>
<tr>
<td>$3,400</td>
<td>$42,002</td>
<td>$87,993</td>
<td>$138,271</td>
<td>$193,154</td>
<td>$252,980</td>
</tr>
<tr>
<td>$3,600</td>
<td>$44,472</td>
<td>$93,169</td>
<td>$146,405</td>
<td>$204,516</td>
<td>$267,861</td>
</tr>
<tr>
<td>$3,800</td>
<td>$46,943</td>
<td>$98,345</td>
<td>$154,538</td>
<td>$215,878</td>
<td>$282,742</td>
</tr>
<tr>
<td>$4,000</td>
<td>$49,414</td>
<td>$103,521</td>
<td>$162,672</td>
<td>$227,240</td>
<td>$297,624</td>
</tr>
</tbody>
</table>

STATUTORY REFERENCE:
Sections 121.091(13) and 121.4501(21), F.S.
Chapter 9: PENSION PLAN SERVICE RETIREMENT

SAMPLE OF DP-ELE, page 1

Florida Retirement System Pension Plan

Notice of Election to Participate in the Deferred Retirement Option Program (DROP) and Resignation of Employment

PO Box 9000
Tallahassee FL 32315-9000

Member Name __________________________ Member SSN __________________________

Position Title __________________________ Birthdate __________________________

Home Phone __________________________ Work Phone __________________________

Home Mailing Address __________________________ Present FRS Employer(s) __________________________

Resignation From Employment to Participate in the DROP:
I elect to participate in the DROP in accordance with Subsection 121.091(13), Florida Statutes (F.S.), as indicated below, and resign my employment on the date I terminate from the DROP. I understand that the earliest date my participation in the DROP can begin is the first date I reach my normal retirement date as determined by law and that my DROP participation cannot exceed a maximum of 60 months from the date I reach my normal retirement date, although I may elect to participate in the DROP for less than 60 months. Participation in the DROP does not guarantee my employment for the DROP period.

I understand that I must terminate all employment with FRS employers to receive a monthly retirement benefit and my DROP benefit under Chapter 121, F.S. unless I am an elected officer with membership in the EOC. I cannot add additional service, change options, or change my type of retirement after my DROP begin date.

DROP begin date __________ / __________ / __________

DROP termination and resignation date __________________________

Member Signature (sign in the presence of a Notary) __________________________

Notary: State of Florida, County of __________. Sworn to and subscribed before me this ______ day of __________, __________ by __________. Personally known ______ or

Produced __________ identification. __________________________

Signature of Notary Public – State of Florida

Print, Type or Stamp Commissioned Name of Notary Public

Employer Certification: This is to certify that the above named member will be enrolled as a DROP participant on the date stated and will terminate his or employment on the date stated.

For educational agencies only: I certify that the member’s position of __________ meets the definition of instructional personnel under Section 1012.01(2), Florida Statutes.

Authorized Personnel Signature: __________________________

Agency Phone: __________________________ SUNCOM: __________________________ Date: __________________________

Rule 609-9.001, F.A.C.
Page 1 of 1

Part XIV. DEFERRED RETIREMENT OPTION PROGRAM (DROP) (Aug 2006) 9-45
I have resigned my employment on the date stated below and elect to participate in the DROP in accordance with Subsection 121.091(13), Florida Statutes (F.S.). My DROP participation cannot exceed a maximum of 60 months from the date I first reach my normal retirement date as determined by the Division of Retirement.

I understand that I must terminate all employment with FRS employers to receive a monthly retirement benefit and my DROP benefit unless I am an elected officer with membership in the EOC. I cannot add additional service, change options, or change my type of retirement after the DROP begin date. If I fail to terminate my employment in accordance with s. 121.021(39)(e), F.S., on my DROP termination date, my retirement will be null and void and my FRS membership shall be established retroactively to the date I began DROP. I have read and understand the DROP Accredited Distribution Information provided with this form.

Beneficiary Designation: All my previous beneficiary designations are null and void.

Primary

Relationship

Contingent

Relationship

DROP begin date:

DROP termination and resignation date:

Member Signature: (sign in the presence of a Notary) 

Notary: State of Florida, County of ______________________ Sworn to and subscribed before me this ______ day of ____________, ______ by ___________________________ Personally known ______ or

Produced ___________________________ identification. 

Signature of Notary Public – State of Florida

Print, Type or Stamp Commissioned Name of Notary Public

Employer Certification: This is to certify that the above named member will be enrolled as a DROP Participant on the date stated and will terminate his or her employment on the date stated.

For educational agencies only: I certify that the member's position of ______________________ meets the definition of instructional personnel under Section 1012.01(2), Florida Statutes.

Authorized Personnel Signature: ______________________ Agency Number: ____________

Agency Phone: ______________________ SUNCOM: ____________ Date: ____________
Section 121.091 (13), F.S., allows individuals who are employed in a K-12 instructional position as defined in s. 1012(2)(a)-(d), F.S., with a district school board, Florida School for the Deaf and Blind or a developmental research school to participate in DROP beyond 60 months (up to a total of 96 months). Any participant who is eligible to participate for more than 60 months must receive authorization from the employer and be employed on an annual contractual basis for each year of participation, after the initial 60-month period. The individual must be employed in an eligible position at the end of his/her initial DROP period in order to be considered eligible for DROP extension and must remain in an eligible position during the period of extension.

The dates of my DROP participation for my initial 60-month participation period are:

DROP begin date:              DROP termination and resignation date:

I am requesting to extend my DROP participation through ___/___/____ with the approval of my employer.

**Member Signature:** (sign in the presence of a Notary) ______________________________

**Notary:** State of Florida, County of ______________________ Sworn to and subscribed before me this ______

day of ________, ______ by __________________________ who is personally known ______ or

who produced __________________________ identification. __________________________

Print, Type or Stamp Commissioned Name of Notary Public

____________________________

**Employer Certification:**

This is to certify that __________________________________________ (agency name) has rescinded the resignation of the above named member whose position meets the definition of an instructional position. The agency has approved a new termination date of ___/___/____. This agency stipulates that this member is eligible to participate in the DROP beyond 60 months and the member will continue working in a regularly established position as a

Superintendent or Designee Signature________________________ Agency Number________

Agency Phone: (____)______________ SUNCOM _______________ Date:___/___/____
SAMPLE OF DP-TERM

Florida Retirement System
Deferred Retirement Option Program (DROP)
Termination Notification

P.O. Box 3000
Tallahassee, FL 32301-3000
(850) 487-4856

Member Verification:

MEMBER NAME ________________________________
MEMBER SSN ____________________
Home Telephone Number _____________________________

According to our records, your DROP termination date is _______. This form must be completed by both you and your employer and returned to the Division of Retirement in order to receive your DRCP benefits and your monthly retirement benefits. In order to collect DRCP, you must agree to the following statements:

I understand that I cannot work for any Florida Retirement System (FRS) covered employer during the calendar month following my DROP termination date or my DROP participation will be null and void. If I fail to meet this requirement, I will forfeit my accumulated DROP benefit including interest. I also understand that I may not be reemployed by any FRS employer in any capacity, including part-time, temporary, other personal services (OPS) or non-Division approved contractual services, during the calendar month immediately following my DROP termination date. If I fail to meet this requirement, I will forfeit my accumulated DROP benefit, including interest retroactive to my enrollment date in the DROP.

I understand that if I forfeit my DROP benefit, my employer will be responsible for making retroactive retirement contributions, and I will instead be awarded service credit for the time period during which I was in DROP. I will be eligible for a service retirement benefit based on my new termination date. I will be responsible for submitting an Application for Service Retirement. My retirement benefit will be based on my creditable service and salary, including such service and salary earned while in DROP.

I will terminate or have terminated employment with my FRS employer on ____________________________.

Member Signature: (sign in the presence of a Notary)

_________________________  __________________________

Notary:
State of Florida, County of ______________________________

Sworn to and subscribed before me this ______ day of _____, ______ by ______________________________
Personally known or Produced Identification
Signature of Notary Public - State of Florida ________________________________ (list type)

Print, Type or Stamp Commissioned Name of Notary Public

_________________________  __________________________

Employer Certification:
This is to certify that the DROP participation for the above named member will terminate or has terminated on ________________ with the Agency, who I am authorized to represent.

(Date)

Authorized Signature: ___________________________ Print Name: ___________________________

Agency Name: ___________________________ Agency Number: ___________________________

Date: ________________ Phone: ________________ SUNCOM: ___________________________
SAMPLE OF DP-VOID

Member Name ___________________________ Member SSN ___________________________

Position Title ___________________________ Work Phone ___________________________

Home Phone ___________________________ Present FRS ___________________________

Home Mailing Address ____________________ Employer(s) ___________________________

I elected to participate in the Deferred Retirement Option Program (DROP) as follows:

DROP begin date: ____________________ DROP termination and resignation date: __________

I have rescinded my resignation and will continue my employment.

I understand my DROP retirement and participation will be null and void and my FRS membership shall be reestablished to the date I began DROP. I understand that I may not be eligible for DROP participation in the future. I will be required to terminate all FRS employment and submit the appropriate application for retirement benefits in the future. I understand that the option selected upon entering DROP is null and void and the DROP accrual is forfeited. The beneficiary named while in DROP will remain the beneficiary unless a change of beneficiary form is submitted.

Member Signature: (sign in the presence of a Notary) ______________________________________

Notary: State of Florida, County of ________________ sworn to and subscribed before me this __________ day of ________________, 200__ by ________________ who is Personally Known or who produced __________________________ identification.

Signature of Notary Public

Print, Type or Stamp Commissioned Name of Notary Public

Employer Certification: This is to certify that the ____________________________ (agency name) has rescinded the resignation of the above named member, and the member will continue working in a regularly established position with FRS coverage. We understand the member’s DROP participation will be null and void, the membership in the FRS Pension Plan will be reestablished to the date the member joined the DROP and we will begin immediately reporting the correct retirement plan and contributions to the Division of Retirement. FRS will adjust previous payrolls reported under DROP based upon the member not having joined the DROP. In addition, we understand that contributions, plus interest, may be required. Future payrolls should reflect the retirement plan of active membership.

Authorized Agency Personnel Signature_________________________ Agency Number __________________

Agency Phone ___________________________ SUNCOM __________________ Date __________

Rule 60S-9.001, F.A.C.
Page 1 of 1
SAMPLE OF DP-PAYT

Florida Retirement System
Deferred Retirement Option Program (DROP)
Selected Payout Method
PO BOX 3000
Tallahassee, FL 32315-3000
(850) 487-4856

MEMBER NAME ____________________________ MEMBER SSN ____________

PAYEE NAME ____________________________ PAYEE SSN ____________

Be advised that this DROP account payment will have a TAX impact upon you. You should consult a tax advisor for questions concerning your payment options and tax liability. In accordance with §121.081, Florida Statutes, you must select one of the following methods for distributing your DROP funds. (Check one box; if you select Partial Lump Sum, indicate amount.) Any portion of your payout that is taken as a lump sum prior to the year you reach age 55, will incur an additional 10% tax penalty. Regardless of the payout method selected, you may receive a portion of the after-tax contributions you made to the retirement system as calculated under the Internal Revenue Service’s Simplified General Rule (SGR). The DROP amount shown below includes your FRS benefits plus interest earned.

☐ Lump Sum

Pay me the Net Lump Sum Payment Amount.

Lump Sum Calculation

<table>
<thead>
<tr>
<th>Direct Rollover</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drop</td>
<td>$</td>
</tr>
<tr>
<td>Less SGR</td>
<td>$</td>
</tr>
<tr>
<td>Eligible Lump Sum</td>
<td>$</td>
</tr>
<tr>
<td>Less 20% Tax Withheld</td>
<td>$</td>
</tr>
<tr>
<td>Net Lump Sum Payment</td>
<td>$</td>
</tr>
</tbody>
</table>

☐ Direct Rollover Calculation

All accrued DROP benefits, paid to the custodian of an eligible retirement plan as defined in s. 402(c)(8)(B) of the Internal Revenue Code.

Direct Rollover Amount Eligible for Rollover

☐ Partial Lump Sum

Pay me a partial lump sum of $.

Partial Lump Sum Calculation

<table>
<thead>
<tr>
<th>Partial Lump Sum Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drop</td>
</tr>
<tr>
<td>Less SGR</td>
</tr>
<tr>
<td>Amount Eligible for Rollover</td>
</tr>
</tbody>
</table>

☐ Partial Lump Sum Calculation

A payout of a portion of the accrued DROP benefits as documented above, less 20% tax withholding remitted to the IRS. The remaining DROP benefits are transferred directly to the custodian of an eligible retirement plan as defined in s. 402(c)(8)(B) of the Internal Revenue Code.

This is to acknowledge that I have made a selection above and that I have received a copy of “Special Notice Regarding Plan Payments.”

Notary Block: Payee’s Signature (sign in the presence of a Notary)

State of Florida, County of ____________________________

Sworn to and subscribed before me this ______ day of __________, ________ by ____________________________

Personally known ________ or Produced Identification ________

Signature of Notary Public - State of Florida ________  (list type)

Print, Type or Stamp Commissioned Name of Notary Public ____________________________

THIS SECTION MUST BE COMPLETED BY CUSTODIAN OF ELIGIBLE RETIREMENT PLAN OR IRA.

If incomplete, the form will be returned and payment will be delayed.

In accordance with the above authorization of the depositor, we agree to deposit the forthcoming rollover amount from the Florida Retirement System in the following account. (Account type below must be checked)

☐ 403(a)  ☐ 403(b)  ☐ 401(a)  ☐ 403(a)  ☐ 403(b)  ☐ 457(b)  ☐ 401(k)  Account # __________

Custodian Name: ____________________________ Date: __________

Mailing Address: ____________________________ Custodian’s Signature: ____________________________

__________________________ Print Name ____________________________

__________________________ Phone Number ____________________________

SPECIAL NOTE: This payment will be processed the month following depositor’s termination date.
SAMPLE OF DROLL

Florida Retirement System Pension Plan
PO Box 9000
Tallahassee, FL 32315-6000
(850) 488-5207

RMD ______

BENEFICIARY DIRECT ROLLOVER ELECTION FORM

MEMBER NAME __________________________________ MEMBER SSN _______________________

BENEFICIARY INFORMATION

Beneficiary's Name __________________________________ Benefit’s SSN __________________________________
Mailing Address ____________________________________________ Home Telephone Number _________
City, State, and Zip Code __________________________________ Work Telephone Number _________

SELECTED PAYOUT METHOD

Be advised that this payment will have a TAX impact upon you. Questions concerning your tax liability should be directed to a tax advisor. Check one of the boxes below. If you are a surviving spouse or alternate payee of the deceased member, you are entitled to roll over the taxable amount of the payment into a traditional IRA or another eligible retirement plan. If you are not a surviving spouse or alternate payee, you must select a lump sum payment. Please refer to the Special Notice and cover letter for additional information.

☐ Lump Sum  □ Direct Rollover  □ Partial Lump Sum
Net Lump Sum Payment $ ________  Amount Eligible for Rollover $ ________  Partial Lump Sum $ ________
Net Payment to Beneficiary $ ________

NOTARY BLOCK

Beneficiary’s Signature (sign in the presence of a Notary) ____________________________________________
State of __________, County of ________________

Sworn to and subscribed before me this ___ day of _________________, 20___ by ____________________________
Personally known ________ or Produced Identification ____________________________
Signature of Notary Public ____________________________ (list type)
Print, Type or Stamp Commissioned Name of Notary Public: ____________________________

THIS SECTION MUST BE COMPLETED BY CUSTODIAN OF ELIGIBLE RETIREMENT PLAN OR IRA
If incomplete, the form will be returned and payment will be delayed.

In accordance with the above information of the depositor, we agree to deposit the forthcoming rollover amount from the Florida Retirement System in the following account: (Account type below must be checked)

☐ 408(a)  ☐ 408(b)  ☐ 401(a)  ☐ 403(a)  ☐ 403(b)  ☐ 457(b)  Account # ________

Custodian Name: ____________________________ Date: ____________________________
Mailing Address: ____________________________ Custodian’s Signature: ____________________________
Print Name: ____________________________ Phone Number: ____________________________

Rule 60S-9.001, F.A.C.
Page 1 of 1
XV. FRS INVESTMENT PLAN

The FRS Investment Plan, an employer-funded optional defined contribution program, was implemented under the FRS in 2002. This plan is available to the general membership and allows members to establish individual retirement investment accounts under the provisions of Sec. 401(a), Internal Revenue Code (similar to 401(k) plans in the private sector), in lieu of the FRS Pension Plan.

Administration

The State Board of Administration (SBA) — composed of the Governor as chair, the Chief Financial Officer, and the Attorney General — is responsible for administration of the FRS Investment Plan. The SBA has contracted with a third party administrator (CitiStreet) to provide services related to billing, record keeping, accounting, fund disbursement, etc., and has contracted with additional third party organizations (Aon, Financial Engines, and Ernst & Young) to provide educational services. Aon is a developer of educational materials; Financial Engines is a developer of the online website, www.myfrs.com; and Ernst & Young provides training for employers and members through seminars and telephone counseling. The SBA also evaluates, selects, and monitors performance of investment providers and products, subject to statutory guidelines.

The Division of Retirement administers the FRS Pension Plan, a defined benefit plan, and, for Investment Plan members, also processes retirement contributions, maintains creditable service records, and administers disability and Health Insurance Subsidy benefits.

Eligibility

An officer or employee, as defined in s. 121.021(11), F.S., may elect to participate in the FRS Investment Plan in lieu of the FRS Pension Plan, provided that he or she:

- Is an active member of the FRS (including renewed members); or
- Participates in, or is eligible to participate in, the Senior Management Service Optional Annuity Program or the State Community College Optional Retirement Program (existing CCORP members have been eligible since July 1, 2003); or
- Is eligible to participate in, but does not participate in, the State University System Optional Retirement Program (SUSORP) or, as a senior manager with a local agency, is eligible to withdraw from the FRS in lieu of remaining in the FRS Senior Management Service Class.

However:

- Any such officer or employee who elects to participate in the FRS Investment Plan or chooses to retain membership in the FRS Pension Plan (whether by active election or by default), or who elects to retain membership in an eligible optional retirement program, has one opportunity to reverse this decision by exercising his/her “second chance” option as described on page 9-55; and
- Active DROP participants and SUSORP participants are ineligible to participate.

---

33 The FRS Investment Plan is known by law as the Public Employee Optional Retirement Program (PEORP).
34 A seven-member advisory committee was temporarily established to advise the SBA in implementing and administering the FRS Investment Plan, together with the Investment Advisory Council. After 2 years, the advisory committee ceased to function and was eliminated (see chapters 2003-6 and 2005-253, Laws of Florida).
Since July 1, 2005, terminated DROP participants have been authorized to establish investment accounts under the FRS Investment Plan and transfer their DROP proceeds via a “rollover” or a direct trustee-to-trustee transfer distributed under s. 121.091(13)(c)5., F.S. The transaction must constitute an “eligible rollover distribution” as permitted under Sec. 402(c)(4) of the Internal Revenue Code. They will then be able to direct the investment of their Investment Plan accounts in the same manner as regular Investment Plan members. No employer contributions will be made to the terminated DROP participant’s Investment Plan account (unless he/she returns to covered employment, becomes a renewed member of the FRS, and elects to participate in the FRS Investment Plan). If a DROP participant has any questions regarding this investment option, he/she should contact Ernst & Young (1-866/446-9377, option 1). To implement this choice, the DROP participant should contact CitiStreet, the third party administrator for the Investment Plan at 1-866/446-9377, option 4.

To implement the FRS Investment Plan, outreach and enrollment periods were established in 2002 and 2003 for specified groups of existing employees*, as follows:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>Outreach Period</th>
<th>Choice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GROUP I - STATE EMPLOYEES</strong></td>
<td><strong>STARTED:</strong></td>
<td></td>
</tr>
<tr>
<td>(includes state agencies, state universities, community colleges, water management districts, and blind vending operators)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GROUP II - SCHOOL DISTRICT EMPLOYEES</strong></td>
<td><strong>STARTED:</strong></td>
<td></td>
</tr>
<tr>
<td>(district school board employees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GROUP III - COUNTY &amp; OTHER EMPLOYEES</strong></td>
<td><strong>STARTED:</strong></td>
<td></td>
</tr>
<tr>
<td>(all other local government employees and renewed members from all groups)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

\(^{35}\) As used in this paragraph, this term means retirees of the FRS Pension Plan who have completed their elective participation in DROP and are eligible for, or have previously taken, a rollover distribution of their DROP moneys.  
\(^{36}\) Group members hired after this date are treated as “new hires” for plan choice purposes (see details on page 9-55).
Choice information, both general and individual, was made available to active FRS members before they were expected to make this decision. The FRS launched a major educational program for FRS employing agencies and members. The educational program included printed information mailed to each individual, interactive electronic information on a secure website (www.myfrs.com), telephone counselors (1-866-446-9377 for members and 1-866-377-2121 for employers), group seminars, and individualized choice packets mailed to each employee.

* As used in this section, the term “existing employees” refers to members in FRS-covered employment during the enrollment period for their respective employer group as described above who were enrolled in the FRS Pension Plan or FRS Investment Plan as described on page 9-54. Group enrollment periods are no longer available for transfer of existing employees. To change FRS plans, any such employee must exercise his/her “second chance” opportunity as described on page 9-55. FRS members hired on or after the dates shown in the chart above are considered “new hires” as described on page 9-55. FRS members who were not actively employed in a covered position during their respective enrollment period and who subsequently return to covered employment are also treated as “new hires” for plan choice purposes, but with the same credit transfer options as were available to existing employees.

**NOTE:** See page 9-56 for transfer options available to participants of the State Community College System Optional Retirement Program (CCORP).

**Group Outreach & Choice Periods, cont’d**

**Existing Employees**

During group enrollment periods as shown on page 9-53, an active FRS member electing to transfer to the FRS Investment Plan with 5 or more years of service could choose to either keep the service credit earned under the FRS pension plan (and remain eligible for a future lifetime benefit), or move the present value of his/her FRS service credit to the FRS Investment Plan (and forfeit any potential future benefit under the FRS Pension Plan). Failure by an existing employee to actively choose membership in either plan resulted in default membership in the FRS Pension plan. Separate education/outreach and election/enrollment periods were established on the dates shown on page 9-53 for three groups of existing FRS employees — state employees, district school board employees, and local government employees. Each outreach period lasted at least 90 days followed by a 90-day election/enrollment period that began in 2002 on June 1, September 1, and December 1, respectively. (For transferring members, membership in the Investment Plan became effective on the first day of the month following receipt by CitiStreet of a member’s election to transfer).
**Chapter 9: PENSION PLAN SERVICE RETIREMENT**

**New Hires** Any employee first employed in an eligible position on or after the close of the choice period for his/her employee group as shown in the table on page 9-53 is, by default, enrolled in the FRS Pension Plan at the commencement of employment. For such “new hires,” the education/election/enrollment period lasts about 5 months (through the last day of the 5th month after the employee’s month of hire). During this period, the employee may elect to participate in the FRS Investment Plan or the FRS Pension Plan. To make an active choice, the employee’s election must be made in writing or by electronic means and must be filed with CitiStreet, the third-party administrator. If the Investment Plan is chosen, membership is effective retroactive to the date of hire, and employer contributions submitted to the FRS Pension Plan during the election/enrollment period for such member are transferred to the member’s individual Investment Plan account. If membership in the FRS Pension Plan is chosen, or if no active choice is made within the prescribed time period, the employee retains membership in the FRS Pension Plan, effective from the date of hire.

**“Second Chance” Transfer Option** After the plan choice period has concluded, or in the month after the initial plan election is received, if sooner, each eligible employee has one chance to reverse his/her initial decision (without regard to whether the employee made an active plan choice or simply retained membership in the FRS Pension Plan by default). To accomplish such a plan choice reversal:

- To move from the FRS Investment Plan to the FRS Pension plan, the employee must pay an amount calculated as described below:
  - Any former member of the Pension Plan who, upon joining the Investment Plan, elected to transfer the present value of his/her pension benefit to his/her Investment Plan account is required pay an amount representing the present value of his/her accumulated benefit obligation as of the date of transfer.
  - Any other member of the FRS Investment Plan is required to pay a sum representing his/her actuarial accrued liability as of the date of transfer to the Pension Plan.

In either case, the Division will calculate the amount due. Moneys must come first from the member’s investment plan account. If this sum is insufficient, the difference must be paid from personal funds.

- To move from the FRS Pension Plan to the FRS Investment Plan, the employee must simply follow the procedure for initial election/enrollment.

Eligible employees may elect to switch plans only if they are earning service credit in an employer-employee relationship consistent with the requirements of s. 121.021(17)(b), F.S., excluding leaves of absence without pay. Since July 1, 2005, “second chance” transfer elections become effective on the first day of the month after the election is received by the third-party administrator. The employee must have been in an employer-employee relationship when the election was received by the third-party administrator and must have earned service credit for that month. However, no employer-employee relationship is required in the effective month of transfer for such elections to take effect, nor is it required that contributions for the eligible employee be received in that month.
Vesting

After 1 year of creditable service, an FRS Investment Plan member vests in employer contributions allocated to his/her account under s. 121.72, F.S., plus earnings; however, any member transferring from the FRS Pension Plan must meet the vesting requirements under the FRS Pension Plan\textsuperscript{37} to vest in present value amounts transferred to his/her account from that program. All service under either program is creditable for vesting purposes. If an Investment Plan member terminates employment before vesting, nonvested account accumulations will be held in a suspense account for up to 5 years. If he/she returns to covered employment within the 5-year suspense period, all moneys held in the suspense account, plus actual earnings, would be transferred to his/her individual account. If the Investment Plan member fails to return to covered employment within 5 years of termination, all nonvested accumulations in the suspense account (and associated service credit) will be forfeited.

CCORP Transfer Option

Exclusive of the “second chance” opportunity available to members of the FRS as described on page 9-55, since July 1, 2003, each participant of the State Community College System Optional Retirement Program has one opportunity, to be exercised at the employee’s discretion, to elect to transfer from that optional retirement program to either the FRS Pension Plan or the FRS Investment Plan\textsuperscript{38}, as follows:

- To move to the FRS Pension Plan, the employee must pay to the FRS Trust Fund an amount representing the present value of that employee’s accumulated benefit obligation for the affected period of transferred service. In exchange, the employee will receive service credit under the FRS Pension Plan equal to his/her years of service under the optional retirement program. The Division will determine the amount required, based on requirements of the law and using a formula and methodology certified by the consulting actuary for the FRS. Moneys must come first from the member’s CCORP account. If this sum is insufficient, the difference must be paid from personal funds.

- To move to the FRS Investment Plan, the employee will retain within the State Community College System Optional Retirement Program any contributions, interest, and earnings credited to the employee under that program, and future employer contributions will be deposited in the member’s FRS Investment Plan account, for investment as directed by the member.

\textsuperscript{37} See page 9-2 for more on vesting requirements under the FRS Pension Plan.

\textsuperscript{38} Note that a CCORP participant may alternatively elect to stay in CCORP and transfer to his/her program account the present value of any service credit he may have retained under the FRS Pension Plan for the period of transfer eligibility (see chapter 1, part IV, section 1, for details).
Benefits

FRS Investment Plan benefits accrue in individual, member-directed accounts. Any vested member can elect to take distribution of his/her vested proceeds as a lump sum or direct rollover, or in periodic payments. Survivor benefits are distributed in a similar manner. Investment Plan members are covered for Social Security and are eligible for the retiree health insurance subsidy (HIS) available under s. 112.363, F.S. However, to qualify for the HIS payments, the Investment Plan member must first meet the requirements for normal retirement under the FRS Pension Plan.

Payment of Benefits

Since July 1, 2005, distributions under the FRS Investment Plan may not be made until the member has been terminated for 3 calendar months. However, up to 10 percent* of the Investment Plan account may be distributed to a member who has been terminated for just 1 calendar month if he/she has met the requirements for normal retirement under the FRS Pension Plan, as provided in s. 121.021(29), F.S.

Suspension/Forfeiture of Unclaimed Benefits

If an Investment Plan payee fails to present for payment, within 180 days after the last day of the month originally issued, a financial instrument issued for the payment of retirement benefits, such instrument will be cancelled and the payment amount will be transferred to the Investment Plan’s trust fund and held in suspense for up to 10 years in the payee’s name. If a proper application for the affected benefits is made within the 10-year suspension period, the moneys held in suspense, excluding earnings, will be payable. If no application is made within the required period, such amounts and any earnings thereon will be forfeited and become assets of the FRS Investment Plan.

---

39 A member must either complete 30 years of covered service or attain age 62 (25 years/age 55 for special risk members).
40 Such forfeitures are not subject to the provisions of chapter 717, F.S.
Designation of Beneficiaries

Each FRS Investment Plan member may designate one or more persons to receive any benefits that may be payable in the event of his/her death. Form IPBEN-1, which is available for this purpose, must be signed by the member and filed with CitiStreet, the third-party administrator. Beneficiaries may be named sequentially or jointly.

If an Investment Plan member dies before his/her effective date of retirement, the spouse at the time of death will be his/her beneficiary unless the member has designated a different beneficiary after his/her most recent marriage. If the member dies after retirement, the beneficiary most recently designated by the member on a form or letter filed with the third-party administrator will be the beneficiary entitled to any survivor benefits payable. However, if no beneficiary has been named, or no designated beneficiary survives the member:

- The beneficiary will be the spouse of the deceased member, if living;
- If the spouse is not living, the beneficiary or beneficiaries will be the living child or children of the member;
- If the spouse is deceased and no children survive, the beneficiary or beneficiaries will be the member’s father and/or mother, if living; or
- Otherwise, the beneficiary will be the member’s estate.

Whenever an Investment Plan member wishes to designate a primary beneficiary other than his/her spouse, the spouse must sign the beneficiary designation form to acknowledge the designation. (This requirement does not apply to the designation of one or more contingent beneficiaries to receive any benefits remaining upon the death of the primary beneficiary or beneficiaries.)

A member may designate that survivor benefits be paid through a trust to a beneficiary who is a minor or is physically or mentally incapacitated. However, if at the time of payment the beneficiary is no longer a minor or no longer incapacitated, benefits must be paid directly to the beneficiary, notwithstanding the member’s designation, and notwithstanding the provisions of the trust.
### BENEFICIARY DESIGNATION FORM

**FRS INVESTMENT PLAN**

<table>
<thead>
<tr>
<th>Social Security Number</th>
<th>Last Name</th>
<th>First Name</th>
<th>M/I</th>
<th>Birth Date</th>
<th>Work Telephone</th>
<th>Home Telephone</th>
<th>EMAIL:</th>
</tr>
</thead>
</table>

You may designate one or more individuals as your beneficiary to receive your assets, if any, in the FRS Investment Plan when you die. You may name any person, organization or trust, or your estate, as your beneficiary. **Contingent beneficiaries are optional — they will inherit your FRS Investment Plan Account if all primary beneficiaries are deceased.** Please enter all required information for each beneficiary. If you need to add more than 3 primary or contingent beneficiaries, please make a copy of this page and attach it to this form. You may change your beneficiary at any time by completing a new Beneficiary Designation form.

**NOTE:** If you are participating in the Investment Plan Hybrid Option, your beneficiary named below for the Investment Plan will not affect your selected beneficiary in the Pension Plan. Additionally, section 112.363(3)(e)2, F.S., provides that only a spouse who is named as the primary designated beneficiary is eligible to receive the Health Insurance Subsidy (HIS) under the Investment Plan. You reserve the right to change this designation with the understanding that this designation, and any change thereof, will be effective only upon receipt by the FRS Investment Plan Administrator, CitiStreet.

#### Marital Status: Check One Box

- Single
- Married

**Spouse Name:** ___________________________________________ **SSN:** __________________________

**Address:** ____________________________________________

#### A. Primary Beneficiaries (NOTE: All primary beneficiary percentages must be in whole percents and must total 100%.)

<table>
<thead>
<tr>
<th>Name of Primary Beneficiary</th>
<th>Relationship</th>
<th>SSN</th>
<th>Percent Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total = 100 %**

#### B. Contingent Beneficiaries (NOTE: All contingent beneficiary percentages must be in whole percents and must total 100%.)

<table>
<thead>
<tr>
<th>Name of Contingent Beneficiary</th>
<th>Relationship</th>
<th>SSN</th>
<th>Percent Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total = 100 %**

I understand that the execution of this form and receipt thereof by the Investment Plan Administrator will revoke all prior designations I may have made.

I understand that if I am married and have named someone other than my spouse as my primary beneficiary, my spouse needs to acknowledge this designation by signing below.

**Signature of Participant** ___________________________________________ **Date**

**Employing Agency Name:** ___________________________________________

**NOTE:**

IF YOU HAVE NAMED SOMEONE OTHER THAN YOUR SPOUSE AS YOUR PRIMARY BENEFICIARY, YOUR SPOUSE IS REQUIRED TO SIGN BELOW:

**Signature of Spouse** ___________________________________________ **Date**

---

Mail your completed form to:

**FRS Investment Plan Administrator**

P.O. Box 56290
Jacksonville, FL 32241-6290
A member of the Investment Plan who becomes totally and permanently disabled\(^{41}\) may elect to retire on the retirement funds accumulated in their individual accounts or:

- To apply for a regular disability benefit under the FRS Pension Plan, provided that the member has completed a minimum of 8 years of creditable service (based on total FRS creditable service under both plans) and is not a renewed member; or
- To apply for an in-line-of-duty disability benefit under the FRS Pension Plan, regardless of length of service, provided that the member is not a renewed member.

Upon application for disability and approval by the Division, the member’s entire individual account will be transferred to the disability account of the FRS Trust Fund. If the member had retained Pension Plan credit as a hybrid member of both plans, the actuarial present value of the member’s Pension Plan account will also be transferred to the disability account of the FRS Trust Fund. The disabled retiree will be entitled to a lifetime Pension Plan disability benefit as if the retiree had continuously been a member of the Pension Plan.

No employee contributions are required under either FRS plan and no employee contributions are allowed under the FRS Investment Plan.

To fund benefits under the FRS Investment Plan, FRS employers contribute a specified percentage of each participating employee’s gross monthly compensation to the plan. The employer contribution is based on a uniform “blended rate,” as established by the Legislature, which balances contribution rates for the Pension and Investment Plans and utilizes surplus assets in the Pension Plan to help offset costs for both plans\(^{42}\).

Contribution rates cover four cost areas:

- A contribution to the employee’s account to fund the termination/retirement benefit;
- A contribution to fund disability coverage;
- A contribution to fund the retiree health insurance subsidy payable under s. 112.363, F.S.; and
- A contribution to fund administrative costs.

\(^{41}\) A member is considered totally and permanently disabled if he/she is prevented, due to a medically determinable physical or mental impairment, from rendering useful and efficient service as an officer or employee.

\(^{42}\) See chapter 2 for more on contributions and contribution rates.
Chapter 9: PENSION PLAN SERVICE RETIREMENT

The uniform blended rates that determine contributions paid by employers for members of both the FRS Pension Plan and the FRS Investment Plan for Fiscal Year 2006/07 are set forth below:

### Blended Contribution Rates\(^1\) for the FRS Pension Plan & FRS Investment Plan

<table>
<thead>
<tr>
<th>Class of Membership</th>
<th>Retirement Contribution(^2)</th>
<th>Administrative/ Educational Fee</th>
<th>HIS Contribution</th>
<th>TOTAL Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>8.69%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>9.85%</td>
</tr>
<tr>
<td>Special Risk</td>
<td>19.76%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>20.92%</td>
</tr>
<tr>
<td>Special Risk Admin.</td>
<td>11.39%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>12.55%</td>
</tr>
<tr>
<td>EOC - Legislators</td>
<td>13.32%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>14.42%</td>
</tr>
<tr>
<td>EOC – Gov-Lt. Gov-Cab</td>
<td>13.32%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>14.42%</td>
</tr>
<tr>
<td>EOC – State Atys, PDs</td>
<td>13.32%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>14.42%</td>
</tr>
<tr>
<td>EOC – Judicial</td>
<td>18.40%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>19.56%</td>
</tr>
<tr>
<td>EOC – County Officers</td>
<td>15.37%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>16.53%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>11.96%</td>
<td>0.05%</td>
<td>1.11%</td>
<td>13.12%</td>
</tr>
</tbody>
</table>

\(^1\) The uniform blended rates in this chart are achieved by determining the benefit obligations for members under both plans and dividing the total dollars required by the estimated gross compensation of members in both plans and by offsetting a portion of the cost through dedication of surplus assets in the Florida Retirement System Trust Fund toward rate reduction.

\(^2\) Rates in this column include embedded allocation for disability coverage as shown in column 2 of the chart on the following page.
Amounts that are deposited in individual member accounts, or are allocated to the FRS Trust Fund to provide for disability coverage, are based on rates separately set by law, as shown in the chart below. Allocations are made to or on behalf of Investment Plan members from the total contributions received for all FRS members. Allocation rates for Fiscal Year 2006/07 are set forth below:

## FRS Investment Plan Allocation Rates

<table>
<thead>
<tr>
<th>Class of Membership</th>
<th>Retirement Allocation</th>
<th>Disability Allocation</th>
<th>TOTAL Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>9.00%</td>
<td>0.25%</td>
<td>9.25%</td>
</tr>
<tr>
<td>Special Risk</td>
<td>20.00%</td>
<td>1.33%</td>
<td>21.33%</td>
</tr>
<tr>
<td>Special Risk Admin.</td>
<td>11.35%</td>
<td>0.45%</td>
<td>11.80%</td>
</tr>
<tr>
<td>EOC - Legislators</td>
<td>13.40%</td>
<td>0.41%</td>
<td>13.81%</td>
</tr>
<tr>
<td>EOC – Gov-Lt. Gov-Cab</td>
<td>13.40%</td>
<td>0.41%</td>
<td>13.81%</td>
</tr>
<tr>
<td>EOC – State Atty, PDs</td>
<td>13.40%</td>
<td>0.41%</td>
<td>13.81%</td>
</tr>
<tr>
<td>EOC – Judicial</td>
<td>18.90%</td>
<td>0.73%</td>
<td>19.63%</td>
</tr>
<tr>
<td>EOC – County Officers</td>
<td>16.20%</td>
<td>0.41%</td>
<td>16.61%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>10.95%</td>
<td>0.26%</td>
<td>11.21%</td>
</tr>
</tbody>
</table>

1. See chart on page 9-61 for contribution rates used to determine monthly contributions paid by FRS employers on behalf of members.
2. The monthly retirement allocation based on rates in this column is allocated to the member’s account under s. 121.72, F.S.
3. This column shows allocation rates for disability coverage for Investment Plan members under s. 121.73, F.S. The disability allocation is embedded in the uniform blended retirement contribution rate shown in the chart at the top of the page.
4. This column shows total allocation rates for retirement/disability coverage (excluding rates for HIS and administrative/educational fees).
In addition to assessments that may be levied for late submissions as described in chapter 2, part III, section D., and chapter 6, part III, if contributions or accompanying payroll data are not received within the calendar month due (including contribution adjustments owed due to employer error or correction), and the delinquency results in market losses to the member:

- The reporting unit must reimburse the member’s account for market losses resulting from the late contributions.
- CitiStreet, as the third-party administrator of the Investment Plan, will calculate market losses for each affected member. The reporting unit must also pay the cost of CitiStreet’s calculation and reconciliation adjustments resulting from the late contributions.

If an Investment Plan member terminates employment and takes a distribution, he/she is responsible for returning any excess contributions that were erroneously provided by the reporting unit, adjusted for any investment gain or loss incurred while in the member’s Investment Plan account. The State Board of Administration or its designated agent will notify terminated members of their obligation to repay such excess contribution amounts.

**STATUTORY REFERENCE:**
Section 121.091(13)(c)5., F.S., and parts II and III of chapter 121, F.S.

**FRS RULE REFERENCE:**
Chapters 19-11 and 60S-4.003, F.A.C.