Changes to the Florida Retirement System
(Conference Report on SB 2100)

Employee Contribution:
Effective 7/1/11, the required employee retirement contribution rates for all members for both the pension and investment plans is 3% of gross compensation. *[State savings from this provision = $456.5 million]*

Vesting:
All members will vest immediately in employee contributions; for members initially enrolling in the Pension Plan on or after 7/1/11, members will vest in 100% of employer contributions after 8 years (formerly 6 years) of creditable service; no change in vesting in employer contributions to the Investment Plan (i.e. vesting after 1 year of creditable service). *[State savings from this provision = 426.2 million]*

Normal Retirement Date:
The Normal Retirement Date for all members initially enrolled on or after 7/1/11 is changed as follows: For the Special Risk Class the retirement age is increased from 55 to 60 years of age and the years of creditable service is increased from 25 to 30 years; For all other classes the retirement age is increased from 62 to 65 years of age and the years of creditable service is increased from 30 to 33 years. *[State savings from this provision = $145.3 million]*

Average Final Compensation:
For members initially enrolled on or after 7/1/11, the average final compensation will be the 8 highest (formerly 5 highest) fiscal years of compensation prior to retirement, termination, or death; for in-the-line-of-duty disability benefits for members with less than 8 years of creditable service, the average final compensation will be the average for the years of creditable service completed. *[State savings from this provision = $68.1 million]*

DROP:
DROP is maintained. However, members entering DROP on or after 7/1/11 will earn interest at a reduced accrual rate of 1.3%. *[State savings from this provision = $80.9 million]*

Cost of Living Adjustment (COLA):
The 3% COLA is eliminated for service earned on or after 7/1/11. However, the Conference Committee report contemplates reinstatement of the COLA in 2016, subject to available funds and sufficient employer contributions to meet the constitutional requirement for the FRS to be actuarially sound. The Senate's proposed formula for calculating an alternate COLA would be in effect for those individuals that retire during the five year interval between 2011 and 2016. *[State savings from this provision = $404.8 million]*

IMPORTANT NOTES:
1. The total state savings for these provisions is nearly $1.182 billion (total after deducting for additional state personnel and related implementation costs).
2. NONE of these provisions apply to those that retired or entered DROP prior to July 1, 2011.
3. The only provisions that will apply to current FRS members are the employee contribution and the change in the Cost of Living Adjustment.
4. There are NO changes to the Health Insurance Subsidy.
5. There are NO provisions for compulsory enrollment in the Investment Plan.
6. The Legislature claims that school districts will realize a "savings" from FRS changes totaling $859 million. We assume that about half of the $1.182 billion savings – or about $560 million – will come from the changes listed above. Our best guess is that the remaining $300 million in savings would come from a reduction in the employer contribution rate.