

Glossary

This glossary is intended to help you understand the terms used throughout the Division of Retirement's website. Unless stated otherwise, the definitions and explanations provided relate primarily to the uses of such terms under the Florida Retirement System Pension Plan, as administered under part I of chapter 121, Florida Statutes.

Actuarial - An adjective that describes statistical elements, assumptions, and techniques used by actuaries. An "actuary" is an expert who computes insurance or pension risks and plan costs based upon plan membership, experience, and other factors. Actuaries determine the level of funding required to provide the benefits promised under the FRS Pension Plan.

Administrator - The person charged with the responsibility and authority for administering the FRS.

Annual Leave Payment - Any payment, made either during an employee's employment or at termination or retirement, for leave accrued during the employee's career that was intended for personal use, but never utilized by the employee. By law, a maximum payment for 500 hours of such annual leave may be considered in the calculation of average final compensation for retirement purposes under the FRS Pension Plan.

Annuity - An annuity is a long-term contract offered through an insurance company or financial institution. There are two basic types of annuity contracts: The *deferred annuity* and the *immediate annuity*. A deferred annuity is chiefly a vehicle for accumulating savings and eventually distributing them either in the form of an immediate annuity or as a lump-sum payment. An immediate annuity is a form of life insurance policy which, in exchange for a sum of money up front, guarantees payments for a period of years or the lifetime of an individual or couple.

Average Final Compensation - The average of the five highest years of salary earned during covered employment. Salaries are counted by fiscal year (July 1 - June 30).

Beneficiary - The joint annuitant or any other person, estate, organization, or trust designated by an FRS member to receive any benefits that may be payable upon the member's death.

Benefit - Under the FRS Pension Plan, any monthly payment from the retirement trust fund to a member, retiree, or beneficiary.

Closed Retirement Systems or Existing Systems - The separate state-administered retirement systems that existed before the Florida Retirement System was created on December 1, 1970, and that are now closed to new members (also called "Existing Systems"). These systems were consolidated under the FRS by chapter 121, F.S., and include the State and County Officers and Employees' Retirement System (SCOERS), the Teachers' Retirement System (TRS), the Highway Patrol Pension System and the Judicial Retirement System established by chapters 122, 238, 321, and 123, F.S., respectively.

Compensation - Regular payment of salary by an FRS employer to an FRS member for work performed in a covered position, including certain overtime payments. By law, certain fees, bonuses, and other amounts are not considered “compensation” under the FRS. (*See s. 121.021(22) and (47), F.S., or rule 60S-6.001(16), FAC, for details.*)

Contribution - In the case of the plans and programs under the consolidated Florida Retirement System, the term means regular payment by employers, on behalf of members, of the percentage of reported compensation required by law to fund the members’ retirement benefits. Under the FRS Pension Plan, the term may also refer to any employee contributions the member may have made before the FRS Pension Plan became employee noncontributory¹ for its several membership classes. Note that the term may also refer to contributions either required of or voluntarily made by state-administered plan members or program participants. Finally, the term may also refer to payments made by FRS Pension Plan members or their employers to purchase service credit or pay for upgraded service credit.

Contribution Rate - The percentage of compensation required to fund each member’s future retirement benefits (through employer contributions). Contribution rates vary, depending on retirement plan, membership class and other factors.

Cost-of-Living Adjustment or COLA - An annual increase in the FRS Pension Plan retirement benefit (currently three percent). The increase is implemented each year on July 1, and is intended to help offset the effects of inflation. (If a member has been retired for less than a full year on July 1, the first COLA is a prorated percentage based upon the number of months the member was retired before July 1.)

Covered Employment or Covered Position - Employment in a regularly established position with an employer participating in the Florida Retirement System or in another state-administered retirement system.

Creditable Service - Service for which retirement credit is earned through paid employment in a regularly established position with an employer participating in the FRS Pension Plan, as well as any additional service that may be credited under the plan. (The term may also be used to refer to service for which retirement credit is earned under any other defined benefit plan, such as one of the closed retirement systems.)

Deferred Benefit - A benefit to which a member or his designated beneficiary is entitled, but for which application is voluntarily delayed until a later date. When the benefit application is filed by the member, the deferred monthly benefit will be calculated based on his/her actual creditable service, AFC at termination, and age at the time of application. If the benefit application is filed by the member’s surviving beneficiary, the deferred monthly benefit will be calculated based on the member’ creditable service, the member’s AFC at termination, and the age the member would have been had he/she lived to the date of application.

¹ The FRS became employee noncontributory for members of the Regular and Special Risk Classes on January 1, 1975. It became employee noncontributory for members of the Elected Officers' Class (EOC) on October 1, 1979 (justices and judges and state attorneys) and October 1, 1981 (legislators, Governor, and Cabinet Officers). The FRS has never required employee contributions from county elected officers or public defenders in the EOC or from members of the Senior Management Service Class.

Deferred Retirement Option Program (DROP) - An elective program available for eligible members of the FRS Pension Plan, TRS, and SCOERS who are eligible for normal retirement. Under this program, a member effectively retires and continues covered employment for up to five years (*see DROP brochure for information about instructional personnel who may be eligible to extend DROP participation beyond five years*). While in DROP, the member's deferred monthly retirement benefits accumulate, earning interest and annual cost-of-living increases. When the DROP period concludes, the participant terminates covered employment and begins receiving his/her predetermined monthly retirement benefit, as well as the accrued DROP benefit. (*Note that disability retirees are not eligible to participate in DROP, and DROP participants do not qualify for disability retirement.*)

Defined Benefit Plan - An employer-sponsored retirement plan under which members are promised a continuing benefit at retirement if they meet certain age and/or service requirements. The benefit amount is determined by formula, normally based on the member's earnings, length of service, and service value. Promised member benefits are prefunded by contributions and investment earnings. The plan sponsor (employer) must ensure that sufficient moneys are raised to pay all promised benefits to current and future retirees and their eligible beneficiaries.

Defined Contribution Plan - An employer-sponsored retirement plan under which contributions are made by the employer, employee, or both, to individual member accounts to generate funds for distribution to the member at retirement (termination). Contribution amounts are determined by the plan sponsor and are usually a set percentage of the employee's salary. Investments are generally directed by the employee, among investment products offered by the plan. The benefit amount at retirement (termination) is the sum that accumulates in the member's account, based on contributions made and investment earnings/losses. It is the member's responsibility to ensure that sufficient moneys are raised to provide for adequate retirement income.

Disability - Under the FRS, the term means total and permanent disability by reason of a medically determinable physical or mental impairment that prevents a member from rendering useful and efficient service as an officer or employee.

- ◆ **In-Line-of-Duty Disability** - Means disability resulting from an injury or illness arising out of and in the actual performance of duty required by a member's employment during his regularly scheduled working hours or irregular working hours as required by the employer.
- ◆ **Regular Disability** - Means disability due to injury or illness suffered other than in the line of duty.

Early Retirement - Under a defined benefit plan like the FRS Pension Plan, “early retirement” is an elective, service-based retirement that occurs before the member reaches his/her normal retirement age or date. If a member retires early, he or she will receive a reduced retirement benefit² because he or she has not yet qualified for normal retirement. *(Note that a member must be vested to take an early retirement; however, disability benefits are not reduced for early retirement, and vesting is not required for in-line-of-duty disability retirement.)*

Effective Retirement Date - For the Florida Retirement System, the first day of the month in which retirement benefits begin to accrue as provided under rule 60S-4.0035(3) or rule 11.001(5), FAC.

Employer or Participating Employer - With respect to the Florida Retirement System, any agency, branch, department, institution, university, institution of higher education, or board of the state, or any county agency, branch, department, board, district school board (or charter school or charter technical career center), or special district of the state, or any city of the state which participates in the FRS for the benefit of certain of its employees.

Enrollment - With respect to the Florida Retirement System, the act by an employer agency of establishing membership in the FRS for all or any of its employees.

Fiscal Year or Plan Year - For the Florida Retirement System and other state-administered retirement systems, a 12-month period beginning July 1 and ending on June 30.

Florida Administrative Code or FAC - Rules and regulations of Florida regulatory agencies implementing enacted legislation, as adopted by such agencies and filed with the Department of State under the provisions of chapter 120, F.S.

Florida Retirement System or FRS - The retirement system established in December 1970 to consolidate the existing pension plans (now closed retirement systems) and provide a retirement, disability, and survivor benefit program for participating state and local government employees. Today, the FRS is a single retirement system consisting of two primary retirement plans and other nonintegrated programs administered under chapter 121, F.S. (The primary plans are the FRS Pension Plan, a defined benefit plan established under part I, and the FRS Investment Plan, a defined contribution plan established under part II.) In addition to the two primary plans, alternative optional defined contribution programs are available for specified employee groups under part I, including the SUSORP, the CCORP, and the SMSOAP.

FRS Investment Plan or Investment Plan - Officially titled the Public Employee Optional Retirement Program (PEORP), this plan is a defined contribution plan created under part II of chapter 121, F.S., which began enrolling members in July 2002.

² When a member of the FRS Pension Plan elects to take early retirement, his benefit is reduced by five percent for each year between his age at retirement and his normal retirement age. For example, if a Regular Class member had at least six but fewer than 30 years of creditable service and wanted to retire early at age 57 - five years before he would reach age 62, his benefit would be reduced by 25 percent (five years X five percent = 25 percent). For less than a full year, the reduction is prorated on a month-by-month basis (i.e., 5/12ths of one percent for each month).

FRS Pension Plan or Pension Plan - This plan is a defined benefit plan administered under part I of chapter 121, F.S. The benefits to be paid at retirement are guaranteed by the plan, and are based on a formula determined by the plan.

Health Insurance Subsidy or HIS - A supplemental benefit that may be paid to you after you retire under the Florida Retirement System to help you cover the cost of health insurance premiums. The amount you receive is based on your length of service³.

In-Line-of-Duty - In the performance of the duties required by your employer during regular scheduled work hours or irregular work hours.

In-State Service - Periods of Florida employment not covered under the FRS, for which a member of the FRS Pension Plan may purchase retirement credit under the plan, if specified criteria are met, as established under s. 121.1122, F.S. In-state service includes public employment in Florida not covered by the FRS and employment in charter schools or in any nonpublic school or college in Florida that is accredited by the Southern Association of Colleges and Schools.

Interest - The term may refer to the amount charged on money owed to the FRS Trust Fund⁴, or, for participants of the Deferred Retirement Option Program, the term may refer to the amount earned on retirement benefits that accrue on a participant's behalf⁵. Interest owed is charged from the date required for the type of creditable service purchased and is compounded annually each June 30, while DROP interest is earned from the month following deposit and is compounded monthly.

Joint Annuitant - A type of beneficiary who is eligible to receive certain continuing benefits upon an FRS Pension Plan member's death. If a member who is retiring or entering DROP chooses benefit payment option 3 or 4, his/her beneficiary must be a joint annuitant to receive continuing benefits after the member's death. To qualify as a joint annuitant, the beneficiary must be:

- ◆ The member's spouse; or
- ◆ The member's natural or legally adopted child who is either under age 25 or physically or mentally incapable of self-support; or
- ◆ The member's parent or grandparent who was dependent upon the member for at least one-half of his/her financial support at the time of death; or
- ◆ A person for whom the member is the legal guardian, and who was dependent upon the member for at least one-half of his/her financial support at the time of death.

³ Effective July 1, 2001, the health insurance subsidy is \$5 per month for each year of creditable service, with a minimum subsidy payment of \$30 per month (if the member's benefit is based on just six years of creditable service) and a maximum subsidy payment of \$150 per month (if the benefit is based on 30 or more years of creditable service).

⁴ Interest owed for purchase of service credit is compounded annually at four percent through June 30, 1975, and at 6.5 percent thereafter on the balance remaining each June 30.

⁵ While in DROP, a participant's DROP account earns interest at an effective annual rate of 6.5 percent, compounded monthly. No interest is earned on benefits that are on deposit for less than one month. Retirement benefits accumulating in a DROP account are also increased by a three percent cost-of-living adjustment each July 1 (the first cost-of-living adjustment will be adjusted if the DROP participant has not been in the program for a full year).

Member - Any officer or employee who is covered by the provisions of the FRS or one of the existing systems.

Membership Class - Members under the Florida Retirement System participate in the following membership classes: The Regular Class, Special Risk Class, Special Risk Administrative Support Class, Senior Management Service Class, and Elected Officers' Class.

Normal Retirement Age or Date - The date when a member first becomes eligible to retire under the FRS Pension Plan with unreduced benefits, by meeting the age or service requirements for his/her class of membership⁶. The normal retirement date occurs on the first day of the month that a vested member attains the required age, or on the first day of the month following the date that a member completes the required service. "Normal retirement age" is attained on the normal retirement date.

Officer or Employee - Any person employed in a regularly established position with a participating employer.

Option - The choice of benefit payment method made by a retiring member of the FRS Pension Plan. The four benefit payment options available under this plan are briefly described below:

- ◆ **Option 1** provides a continuing monthly benefit to the retiring member for his or her lifetime;
- ◆ **Option 2** provides a reduced monthly benefit to the retiring member for his or her lifetime, with ten years' certain (i.e., if the member dies within 120 months of retiring, his/her surviving beneficiary would receive a continuing benefit for any remaining months);
- ◆ **Option 3** provides a reduced monthly benefit to the member for his or her lifetime and a continuing lifetime benefit in the same amount to the member's surviving joint annuitant (with specified exceptions); and
- ◆ **Option 4** provides a reduced continuing lifetime benefit to the member and his or her joint annuitant. Upon the death of either of them, the benefit to the survivor is reduced to an amount equal to two-thirds of the existing benefit (with specified exceptions).

Other Personal Services or OPS - Funding category for services rendered for a state agency by an employee who is not filling a regularly established position and is therefore not eligible for membership in the Florida Retirement System.

Out-of-State Service - Periods of public employment in another state or for the Federal Government for which a member of the FRS Pension Plan may purchase retirement credit under the plan, if specified criteria are met, as established under s. 121.1115, F.S.

⁶ Under the FRS Pension Plan, the Teachers' Retirement System, or the State and County Officers and Employees' Retirement System, most vested members qualify for normal retirement by attaining age 62 or by completing 30 years of creditable service, regardless of age. (*Note that vested special risk members in the FRS Pension Plan qualify for normal retirement when they attain age 55 or complete 25 years of special risk service, regardless of age.*)

Reemployment - Employment after retirement under the FRS. In most cases, this term refers to post-retirement employment with participating employers. However, for disability retirees under the FRS, prohibited reemployment occurs whenever the disabled retiree is gainfully employed by any employer, public or private.

Regularly Established Position - Regularly established positions are covered for retirement under the Florida Retirement System. A regularly established position in a state agency is a full-time or part-time position authorized by law and paid from a salary appropriation or salary account (not a temporary position, such as one paid from an "other personal services" or "OPS" account). At the local level, it is a position that will last beyond 6 consecutive months, except as otherwise provided by rule of the Division of Retirement (s. 60S-1.004(5)(d), FAC).

Renewed Membership - Employment after retirement by a retiree in a regularly established position that provides the reemployed retiree with another period of benefit eligibility. A reemployed retiree who has established renewed membership by June 30, 2010, will continue to accrue retirement credit for covered employment until he/she retires again. A reemployed retiree who is initially reemployed on or after July 1, 2010 is not eligible for renewed membership. This closure of renewed membership covers the FRS (both Pension Plan and Investment Plan), the Senior Management Service Optional Annuity Program, the State University System Optional Retirement Program, the State Community College Optional Retirement Program, and any local alternative offered to senior managers in lieu of Senior Management Service Class membership.

Retiree - A retired member of one of the retirement systems established by chapters 121, 122, 123, 238, and 321, F.S., who has terminated his/her employment and is receiving benefits from the system in which he/she was a member. This term also includes a person who retired and is receiving benefits under s. 112.05, F.S., and a DROP participant who has not yet terminated his/her employment.

Senior Management System Optional Annuity Program (SMSOAP) - A defined contribution plan offered under the Florida Retirement System as an optional alternative for eligible state senior managers. The SMSOAP provides retirement and death benefits through contracts with designated insurance carriers. The employer contributes a percentage of the participant's salary as required by law to the participant's account, and the participant may contribute a like amount. The SMSOAP provides for full and immediate vesting of all contributions made by or on behalf of participants.

Sick Leave Payment or Accumulated Sick Leave Payment - Payment for leave accrued during an employee's career that was intended for use in the event of sickness, injury or other health problems of a member or his or her family. Such payments are not treated as compensation for retirement purposes.

Special District - An independent local unit of special-purpose government (as opposed to general-purpose government) within a limited boundary, created by general law, special act, local ordinance, or by rule of the Governor and Cabinet.

State-Administered Retirement System - Any of the retirement systems administered by the state Division of Retirement. These systems are the Florida Retirement System (including the TRS, SCOERS, Highway Patrol Pension System, and Judicial Retirement System, as well as the optional defined contribution programs SUSORP and SMSOAP).

State Agency - Any agency, branch, department, institution, university, institution of higher education, or board of the state that participates in the FRS.

State and County Officers and Employees' Retirement System (SCOERS) - The retirement system established by chapter 122, F.S., closed to new members upon creation of the FRS, effective December 1, 1970.

State Community College System Optional Retirement Program (CCORP) - Nonintegrated defined contribution plans offered by participating community colleges as an optional alternative to the FRS for eligible full-time community college employees. The CCORP provides retirement and death benefits through contracts with designated provider companies. The community college contributes a percentage of the participant's salary as required by law to the participant's account, and the participant may contribute a like amount. The CCORPs provide for full and immediate vesting of all contributions made by or on behalf of participants.

State University System Optional Retirement Program (SUSORP) - A defined contribution plan offered under the Florida Retirement System as an optional alternative for eligible state university faculty and administrators. The SUSORP provides retirement and death benefits through contracts with designated insurance carriers. The employing university contributes a percentage of the participant's salary as required by law to the participant's account, and the participant may contribute a like amount. The SUSORP provides for full and immediate vesting of all contributions made by or on behalf of participants.

System - The general retirement system established by chapter 121, F.S., known as the Florida Retirement System or FRS, which includes both the defined benefit plan administered under part I and the defined contribution plan administered under part II.

Teachers' Retirement System (TRS) - The retirement system established by chapter 238, F.S., closed to new members upon creation of the FRS, effective December 1, 1970.

Temporary Position - A position with a participating employer that is not a regularly established position and is not covered for retirement under the FRS. A temporary position in a state agency is one paid from a non-salary account ("other personal services" or OPS). At the local level, it is a position that will exist for less than six consecutive months, or other position determined by rule of the Division of Retirement [*see s. 60S-1.004(5)(d), FAC*], regardless of whether it will exist for six consecutive months or longer.

Termination - For members whose DROP termination dates are before July 1, 2010 or non-DROP retirement dates that are effective before July 1, 2010, termination occurs when a member or DROP participant ceases all employment relationships with all participating employers and remains off all FRS payrolls for at least one calendar month thereafter. A recent retiree who is reemployed in that month will cancel his/her retirement. For members whose DROP termination dates are on or after July 1, 2010 or non-DROP retirement dates are effective on or after July 1, 2010, termination occurs when a member or DROP participant ceases all employment relationships with all participating employers and remains off all FRS payrolls for six calendar months thereafter. A recent retiree who is reemployed during those six calendar months will cancel his/her retirement.

Vest, Vested, or Vesting - Meeting the length-of-service requirements under a retirement plan necessary for a member to qualify for a future benefit under that plan. Under the FRS Pension Plan, all members who were actively employed on July 1, 2001, or who complete at least one work year of covered employment on or after that date, are vested upon completing six years of creditable service⁷, regardless of membership class. Under the laws in effect before that date, all members were subject to a longer vesting schedule that varied by membership class⁸.

Work Year - The period of time a member must work to receive a full year of service credit for retirement purposes. Under the FRS Pension Plan, a year of creditable service consists of 12 months of covered employment in a fiscal year, unless the approved work year is shorter than 12 months, as is the case with employees of educational institutions.

Workers' Compensation Credit - Retirement credit received by a member for a period during which he/she is eligible to receive or receives Workers' Compensation payments for an illness or injury occurring during his/her employment while covered as a member.

⁷ Inactive members who were not in covered employment on July 1, 2001, and who had not vested under the prior law, did not automatically become vested when the law changed. To vest under the new law, any such member with at least five years of service (but fewer years than were previously required) must return to covered employment *after July 1, 2001*, and must be employed for one work year, or for the number of months needed to achieve vested status under the prior law, if shorter. All others must complete six years of creditable service. For questions about vesting status, contact the Bureau of Retirement Calculations by telephone toll-free at (888) 738-2252, local (850) 488-6491, or by e-mail at: calculations@dms.myflorida.com

⁸ Through June 30, 2001, to become vested under the FRS (now called the FRS Pension Plan), members of the Senior Management Service Class were required to complete seven years of creditable service, members of the Elected Officers' Class had to complete eight years of creditable service, and members of all other classes needed ten years of creditable service.

^{Note} Retirement terms relevant to the FRS Pension Plan are defined by law in s. 121.021 of the Florida Statutes.

^{Note} In an effort to make these provisions easy to understand, this glossary has been written using non-technical language as much as possible. However, if questions of interpretation arise as a result, chapter 121 of the Florida Statutes and any applicable rules of the Florida Administrative Code must remain the final authority.