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PUBLIC SECTOR QUARTERLY NEWSLETTER

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2011 FRS RETIREMENT LEGISLATION

Florida Retirement System - 2011 Legislative Session

On May 26, 2011, Governor Rick Scott signed Senate Bill 2100 into law, which resulted in numerous changes to the Florida Retirement System (FRS) which will become effective July 1, 2011.

Summarized below are the key changes (not inclusive) to the Florida Retirement System.

The majority of these changes to FRS will affect members first enrolled in FRS on or after July 1, 2011, with exceptions as noted.

FRS Benefit and Employee Contribution

- 3% employee contribution on a pretax basis from the gross salary for **all** FRS members (except DROP participants and re-employed retirees.)
- Normal retirement age for Regular, Senior Management Service, Elected Officers' and Special Risk Administrative Support Classes - age 65 and is vested or 33 years of FRS creditable service regardless of age before age 65 - (new FRS members on or after 7/1/11)
- Normal retirement age for Special Risk Class – age 60 and is vested or 30 years of FRS creditable service regardless of age before age 60, or age 57 with 30 years combined Special Risk Class service and up to 4 years wartime military service purchased under Section 121.111, Florida Statues - (new FRS members on or after 7/1/11).
- 8 years of credible service vesting for FRS Pension Plan - (new members on or after 7/1/11)

- Average Final Compensation (AFC) will be the highest 8 fiscal years of salary - (new FRS members on or after 7/1/11)

- DROP interest rate is reduced to 1.3% (new DROP participants on or after 7/1/11)

- Pension Plan Cost of Living Adjustment (COLA) reduced- 7/1/11 - 7/1/16 (*see specific language in the law*)

Current Retirees: Benefits were not changed during the 2011 legislative session.

If you have further questions regarding the 2011 FRS retirement legislation, you should contact the Florida Retirement System, Bureau of Retirement Calculations at (888) 738-2252 or local (850) 488-6491, for an official FRS clarification on a matter relating to your specific situation.

What Is Next?

Public Pension reform remains a *"hot button"* issue. Therefore, funding for government programs, in particular, public pension plans at all levels of government will continue to undergo scrutiny.

Although the 2011 Florida legislature did pass major FRS pension reform legislation, no doubt, we will continue to see changes in public sector retirement systems going forward. It is therefore; somewhat problematic as to what changes will in fact occur with the Florida Retirement System and the ultimate impact upon active FRS members and FRS retirees. Consequently, it becomes very challenging to "*plan*" for the future.

What Should You Do?

Notwithstanding the uncertain future of public sector retirement systems, your retirement benefit alone, more than likely, will *not* be sufficient to sustain your desired standard of living during retirement. Therefore, everyone has the *individual responsibility* to plan for their retirement.

You should take the time to contact your trusted financial advisor and discuss these important issues. Retirement/financial planning should be an ongoing process throughout your lifetime.

It is never too late to start - the process begins with creating a financial budget and living within your means – in the end, it's is not how much you earn, but how much you *save*!

Achieving "*financial security*" and having "*peace of mind*" during your retirement years should become a priority in your life.

If you have any questions regarding your retirement Income Planning, please contact me at CPS Investment Advisors or, mlawton@cpalliance.com

Source: http://www.dms.Myflorida.com

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