

SUMMARY OF FRS LEGISLATIVE CHANGES

Employee Contributions

- Effective July 1, 2011, retirement eligible employees will be required to pay 3% employee contributions.
 - DROP participants are not required to pay employee contributions.
 - Reemployed retirees not working towards another retirement benefit will not be required to pay employee contributions.
 - Reemployed retirees enrolled in the Pension Plan or the Investment Plan working towards another retirement benefit will be required to pay employee contributions.
 - Employee contributions will be deducted on a pre-tax basis. (Salary will be reduced by the amount of the employee contribution before determining the federal income tax deduction.)

DROP

- Employees entering DROP on or after July 1, 2011 will earn 1.3% interest on the DROP funds.
- Employees currently participating in DROP or entering before July 1, 2011 will earn 6.5% interest on the DROP funds.

Cost-of-Living Adjustment – COLA for Pension Plan Members

- Eliminates the COLA for service earned on or after July 1, 2011.
- Employees with an effective retirement date or DROP begin date before August 1, 2011 will not have a change in their 3% COLA.
- Employees with an effective retirement date or DROP begin date on or after August 1, 2011, will have an individually calculated COLA based on the following formula: (Years of creditable service earned prior to 7/1/2011 (*divided by*) Total years of creditable service X 3%).
- **Example:** The COLA percentage for an employee who has 20 years creditable service earned prior to 7/1/2011 and works another 10 years before retiring or participating in DROP will be 2%. (20/30 X 3%)
- Reemployed retirees enrolled in the Pension Plan working towards another retirement benefit will be subject to the new COLA legislation.
- The new COLA formula will expire effective June 30, 2016 and the current 3% cost-of-living adjustment will be reinstated if funding is available.

Employees initially enrolled in the FRS on or after July 1, 2011

- Changes the definition of "average final compensation" for Pension Plan members from the average of the 5 highest fiscal years to the 8 highest fiscal years of compensation for creditable service prior to retirement.
- Changes the vesting period for Pension Plan members from 6 to 8 years of creditable service.
- Increases the normal retirement age and years of service requirements for Pension and Investment Plan members:
 - Special Risk Class
Increases the age from 55 to 60 years of age
Increases the years of creditable service from 25 to 30.
 - All other classes
Increases the age from 62 to 65 years of age
Increases the years of creditable service from 30 to 33 years.

