

Paying for Pensions



LAKE WALES
CHARTER SCHOOLS

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Senate Bill 2100

In the 2011 Regular Session, the Florida Legislature passed retirement legislation impacting members of the Florida Retirement System (FRS).

Effective July 1, 2011, this legislation requires employees to start making 3 percent contributions to the retirement system.

Other changes include: excluding service credit earned after July 1, 2011, from calculation of a member's cost-of-living increase at time of retirement; reducing the DROP interest rate to 1.3 percent for new participants effective July 1, 2011; and changing the normal retirement requirements, vesting requirements and calculation of average final compensation for FRS members first enrolled on/after July 1, 2011.

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In addition to executing great lesson plans, now teachers (and other FRS employees) must contribute 3% to their retirement plans.

News coverage

Legislators reach pension deal, agree to 3% wage cut

From Miami Herald • April 30
TALLAHASSEE -- Teachers, police, firefighters and state workers would face a three percent cut in their take home pay as the state uses the money to pay for retirement costs under a pension agreement reached late Friday by state legislators.

The agreement will require all public employees enrolled in the Florida Retirement System to have three percent of their earnings shifted to their retirement accounts beginning July 1. Combined with other adjustments in the state benefit's plan, the savings to the state will be \$1.18 billion ...

The pension agreement also will hit workers in their retirement years. It calls for the elimination of the annual three percent cost-of-living adjustment for all employees enrolled in the FRS after July 1,

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This information is designed to help explain the changes to the Florida Retirement System, which must be implemented July 1, 2011. Most LWCS employees will see changes in their August paychecks.

... more news coverage

2011. Anyone who is currently retired will continue to receive COLA payments and current employees will keep the benefits they have already earned when they retire but will not earn any more after this year.

That provision alone saves the state \$404.8 million. Lawmakers attempted to soften the hit by requiring that legislators reinstate the COLA payment on June 30, 2016. However, one legislature can't bind future legislatures and the change will only happen if lawmakers agree to that change during the 2016 legislative session.

Legislators kept the popular deferred retirement option program, known as DROP, which allows workers nearing retirement age to accumulate five years worth of retirement pay while they continue to work so that they can gather a lump sum upon retirement. But rather than guaranteeing that money will earn a 6 percent interest, as is current law, legislators will allow them to reap a 1.3 percent interest on their money, giving the state \$81 million in savings.

The plan also reduces benefits for any new hires who enroll in the state retirement system after July 1.

But what does this mean for me?

Here are several **fictional** examples. The 3% "payment" to the FRS pension plan will be paid as *pre-tax* dollars, so employees won't see take-home pay go down a full 3%. (*Note: For tax purposes, we used withholding for a single person with 0 exemptions. No other deductions – optional insurance, TSAs, United Way, etc. – are included in these examples.*)

Employee	Salary	3%	Old take-home	New take-home	Difference
Susie	\$18,000	\$540	\$18,000 <u>- \$2,977 taxes</u> \$15,023 net	\$18,000 <u>-\$540 FRS</u> \$17,460 <u>- \$2,896 taxes</u> \$14,564 net	-\$459 (-2.55%)
Jim	\$38,000	\$1,140	\$38,000 <u>- \$7,247 taxes</u> \$30,753 net	\$38,000 <u>-\$1,140 FRS</u> \$36,860 <u>- \$6,962 taxes</u> \$29,898 net	-\$855 (-2.25%)
Kathy	\$58,000	\$1,740	\$58,000 <u>- 13,377 taxes</u> \$44,623 net	\$58,000 <u>-\$1,740 FRS</u> \$56,260 <u>- \$12,942 taxes</u> \$43,318 net	-\$1,305 (-2.25%)