

HB 1405, FRS Retirement Reform
Rep. Ritch Workman (R-30-Melbourne)

HB 1405 incorporates the pension reform provisions incorporated in Gov. Rick Scott's budget proposal for FY 2012. Gov. Scott's pension reform plan proposes more wide-sweeping changes to the current FRS system than any of the retirement proposals introduced this year. The Senate bill, SB 1130 by Senator Jeremy Ring (D-32-Broward), is a far more moderate proposal (but FEA remains opposed to it because it requires a 2% employee contribution).

The bill makes several changes to the Florida Retirement System (FRS). However, changes impacting benefits do not apply to those who have already retired. Benefits already earned are not impacted by the changes in this bill.

Effective July 1, 2011, the bill:

1. Requires a 5 percent employee contribution for members of all classes of the FRS pension plan (defined benefit plan), and changes the name of the FRS defined benefit program to the Florida Retirement System Pension Plan (the "pension plan").
2. Requires a 5 percent employee contribution for members of all classes of the FRS investment plan (defined contribution plan) and changes the name of the defined contribution program from the Public Employee Optional Retirement Program to the Florida Retirement System Investment Plan (the "investment plan").
3. Maintains the current service accrual rate for FRS Regular Class participants at 1.6%. Reduces the service accrual rate for the FRS Elected Officials Class to 1.6% (from 3.33% and 3%). Reduces the service accrual rate for the FRS Senior Management Service Class from 2% to 1.6 percent. Members of the Special Risk Class will maintain the current service accrual rate of 3%.
4. Closes DROP (the Deferred Retirement Option Program) to new participants, after July 1, 2011. All FRS participants who are enrolled in DROP by June 30, will continue through DROP as currently established (usually 5 years).
5. Freezes the Health Insurance Subsidy (HIS) at the benefit level accrued by June 30, 2011, so that no additional service credit for HIS can be earned after July 1, 2011. For example, if you have 15 years of service as of July 1, 2011, the maximum HIS benefit you will receive upon retirement is \$5 per year for each of your 15 years of service (\$75 per month). (This means that you will not earn, nor receive, the current maximum HIS benefit of \$5 month times 30 years (\$150 per month).
6. For members of the FRS Regular Class who enroll on or after July 1, 2011, the bill increases the retirement age from age 60 to age 62, and years of service from 30 to 33 years.
7. For members of the FRS Special Risk Class, increases the retirement age from age 55 to age 60, and years of service from 25 to 30 years.

8. The bill, as reported from Committee, does not include Gov. Scott's proposal to force all new state workers to enroll in 401(k)-style defined contribution pension plans.