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To: All County Employees

From: Robert Weisman, County Administrator

RE: **CHANGES TO THE FLORIDA RETIREMENT SYSTEM PENSION PLAN BENEFITS**

As many of you are aware, effective July 1, 2011, the Florida Legislature made several changes to your Florida Retirement System (FRS) benefits. The major changes are summarized as follows:

- The State of Florida will now be requiring all FRS members, including employees of Palm Beach County, to share the cost of their pension plan benefits. **A 3% contribution, effective 7/1/2011, will be required for employees of Palm Beach County, except for employees who are participants in the FRS Deferred Retirement Option Program (DROP).** The deduction will be on a pre-tax basis (the salary is reduced by the amount of the employee contribution before determining the federal income tax), and the first deduction will appear in the paycheck you receive on July 8, 2011.

- The DROP program will be maintained, but the current 6.5% interest rate on DROP earnings will be reduced to 1.3% for members who enter the DROP on or after 7/1/11. Members who joined DROP prior to 7/1/2011 will still receive the 6.5% interest rate.

- Elimination of the cost-of-living adjustment (COLA) for retirees for service earned on or after July 1, 2011. Employees will maintain all COLA benefits prior to this date. For example, if you currently have 15 years of service in FRS as of July 1 and you retire after 30 years of service, if COLA is not reinstated by the Legislature, you will have earned a 1.5% COLA upon retirement. However, subject to the availability of funding and the Legislature enacting sufficient employer contributions specifically for the purpose of funding the reinstatement of the COLA, the new COLA formula will expire effective June 30, 2016, and the current 3% cost-of-living adjustment will be reinstated.

The Legislature also made significant changes to the plan for all employees hired after July 1, 2011. Those changes do not affect existing employees.

It is unfortunate that these changes are occurring when our general employees have gone another year without a pay increase and the costs to our health coverage continue to increase. One outcome is that the changes to the plan for both existing and new employees will result in substantial savings to the County and will help offset the deficits we are facing during another difficult budget year. These savings will not balance the budget, but we will have fewer cuts than were originally anticipated.

If you have any questions regarding the changes, please contact Kurt Jenkins, Retirement Coordinator at 616-6884.