

RETIREMENT BENEFITS

So where will the money come from?

Typically, employees get retirement income from one or more of these sources:

- Social Security
- An Employer Pension Plan
- A Personal Retirement Savings Plan

You are very fortunate. As an employee of Pasco County Schools, you have all three sources available to you right here.

SOURCE 1: YOU GET SOCIAL SECURITY

Social Security is a safety net that was designed to provide a financial foundation for retirees and their families.

You contribute 7.65% of your pay to the program (6.2% to Social Security and 1.45% to Medicare). Pasco County Schools also contributes an equal amount for you.

SOURCE 2: YOU GET A RETIREMENT PLAN

You can choose from one of two available retirement plans. You pick the one that best fits you: the FRS Pension Plan or the FRS Investment Plan.

Employee Contributions

Pasco County Schools contributes the majority of your FRS retirement plan savings. In addition, all members (except those in DROP) contribute a mandatory 3% pretax contribution from your paycheck into your retirement account, regardless of the Plan you choose. Your 3% contribution will be deducted from your gross salary each paycheck before taxes.

How to Decide on a Plan

What are the important differences between the two retirement plans? Let's look at plan type, vesting and benefits.

Plan Type.

The Pension Plan is a traditional plan for longer services employees. The Pension Plan pays a guaranteed monthly lifetime benefits based on your years of service and salary.

The Investment Plan is for employees who change jobs more frequently (every 1 – 7 years). Your retirement benefit is based on your account balance at retirement.

Vesting

Vesting simply refers to the date that you first own your retirement plan and qualify for retirement benefits. Once you choose a plan, you must meet the vesting requirement of that plan to be eligible to receive a retirement benefit from that plan.

Pension Plan:

- Enrolled before July 1, 2011 after 6 years of creditable service
- Enrolled on or after July 1, 2011 after 8 years of creditable service

Investment Plan

- After 1 year of credible service

Normal Retirement

Normal Retirement is the date you first become eligible to receive a benefit from your retirement plan without penalty.

Pension Plan:

- Enrolled before July 1, 2011 Age 62 with 6 years of service or 30 years of service regardless of age
- Enrolled before July 1, 2011 Age 62 with 8 years of service or 33 years of service regardless of age

Investment Plan

- Age 59½ and vested based on the date you first enrolled in the Florida Retirement System.

Participating in DROP

To participate in DROP, you must be vested and eligible for normal retirement. Once eligible to participate in DROP, you may enroll for up to 60 months or 5 years. You may first begin participating in DROP on either:

- The first of the month that you reach your normal retirement based on age or
- The first of the month following the month you complete 30 years of service

You have a 12-month window from the first date that to become eligible to participate in DROP to enroll. For each month your delay enrollment, you reduce the number of months that you are eligible to participate in DROP. If you have not enrolled by the end of your 12-month window, you cannot participate in DROP.

There are two exceptions, which will allow you postpone enrollment in DROP:

1. If you reach 30 years of service before age 57, you may postpone your enrollment until anytime up to the month you turn age 57. If so, your 12-month window will begin at that time.
2. Instructional staff may postpone their enrollment in DROP to any future date and still be eligible to participate for the full 60 months.

Warning: You have 5 months from your hire date to decide which retirement plan is best for you. If you don't decide by the deadline, you get the Pension Plan.

Contact FRS

Pension Plan (888) 738-2252

Investment (866) 446-9377

You Can Switch Plans. Once.

During your working career as an FRS member, you can switch your plan from the Pension Plan to the Investment Plan or vice versa. But you can only do it once.

This is called your Second Election. Once you do it, your decision is final. You can never change again. So get some unbiased financial advice before you make a move.

You May Get Credit for Other Service.

If you're enrolled in the Pension Plan now, and you have been a public service employee (in-state or out-of-state), you may be able to buy up to 5 years of FRS service credit. You may also be able to buy up to 4 years of military service. It's a good way to increase your retirement income.

Now, of course, to buy service credits, you have to follow the rules. The rules dictate job type, position, location, retirement coverage and so on. So it's best to check with the powers at the Florida Division of Retirement.

When You are Close to Retirement

When you are getting close to retirement, call the Florida Division of Retirement. There are several programs that impact your retirement and your pension. One example is...

- The Deferred Retirement Option Plan (DROP) that allows you to retire under the pension plan, and accumulate retirement benefits without stopping work for up to 5 years.

Thinking of Returning to Work After Retirement

After retiring under the Florida Retirement System or concluding DROP participation, you may work for any private employer or for any public employer that does not participate in the FRS without affecting your FRS retirement benefits. However, you are subject to certain limitations with respect to your employment with any FRS employer during the first twelve months of retirement.

If you are a retired member of the FRS Pension Plan, you should **always** contact the Bureau of Retirement Calculations at (888) 738-2252 before returning to employment in any capacity with any FRS employer in your first year of retirement. Investment Plan members should contact the FRS Financial Guidance Line at (866) 446-9377 before returning to employment.

SOURCE 3: YOUR RETIREMENT SAVINGS PLAN

Here's a startling statement. If you want to live well in retirement, you can no longer rely on your Social Security and pension benefits alone! You must save more.

Fortunately, you have many excellent retirement savings plan options available here. However, you must take action. You must get into one or more of these plans. You must save as much as you can, as early as you can.

There are several retirement plan vendors that have been approved by the Board. You can feel comfortable with any one of them.

The Rewards of a Personal Savings Plan

The main reward is a more secure, more comfortable retirement that allows you to live your dreams. But there are many more rewards of a personal plan. For example:

- Participation in plans is voluntary
- Most flexible savings plans available
- Hundreds of investment options
- Options to fit your investing personality
- Change contributions and investments
- Lower taxable income, pay less taxes
- The amazing power of compounding
- Tax-deferred growth of nest egg

Your Retirement Projections

Your retirement picture is all about replacing your pre-retirement income. How much of your working level of income do you need to have to live comfortably?

Let's take a look at an estimate of how much of your pre-retirement income your Social Security and pension benefits will replace? Here's what some 2006 retirees discovered.

Scenario 1.

Sally retired at age 62 with 20 years of service. She was a Pension Plan participant, with no additional savings.

Her final salary in 2006 was \$58,000. She wants to collect Social Security immediately.

Plans replace 58% of her income.

Scenario 2.

Nancy is in the same situation (retiring at 62, with 20 years, same salary, pension plan, and Social Security) except that she has saved \$200,000 in her Retirement Savings Plan.

Plans replace 85% of her income

Clearly, Nancy will live more comfortably in retirement, will have a more flexible lifestyle, and will be better able to accomplish her goals for the future.

This is a brief summary of your available sources of retirement income. Consult your financial advisor about your future plans.



VOLUNTARY RETIREMENT SAVINGS PROGRAM

As an employee of the District School Board of Pasco County (District), you have a unique opportunity to invest a portion of your income for retirement. Depending on the plan you choose, you do not have to pay income tax on the amount you contribute or any earnings, until you retire or withdraw funds. You can start with as little as \$200 annually and increase your contributions up to the maximum amount allowed by the Internal Revenue Service (IRS). The investment options include a wide selection of mutual funds, fixed accounts, and variable annuities managed by authorized investment companies.

All regularly scheduled employees, with the exception of school board members, may elect to contribute to a personal retirement savings account through salary reduction. Upon employment, you are immediately eligible to participate.

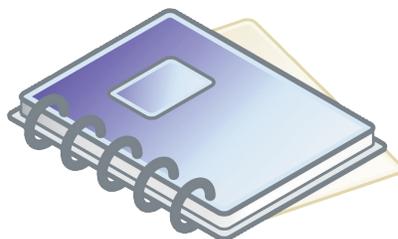
What is the Voluntary Retirement Savings Program?

The Voluntary Retirement Savings Program is the District's tax-sheltered annuity (TSA) program that allows eligible employees to save toward retirement through payroll deductions by contributing to either a 403(b), Roth 403(b) or 457(b) plan. Contributions are made solely by the employee through payroll deductions on either a pre-tax or post-tax basis.

1. A **403(b)** plan is a tax-advantaged retirement savings plan for employees of public schools, tax-exempt organizations and ministers. You contribute into a 403(b) plan before you pay income tax on your current salary and contributions grow tax-deferred until you withdraw the money out of the plan.
2. A **Roth 403(b)** plan is a tax-advantaged retirement savings plan for employees of public schools and tax-exempt organizations. You contribute into a Roth 403(b) plan after you pay income tax on your current salary. As long as your withdrawals meet qualified distribution rules, you are not required to pay federal income tax.

3. A **457(b)** plan is a type of tax-advantaged deferred compensation retirement plan that is available for governmental and certain non-governmental employers. You defer portions of your current salary into the 457(b) plan on a pre-tax basis. For the most part, the plan operates similarly to a 403(b) plan. The key difference is that, unlike the 403(b) plan, there is no 10% penalty for withdrawal before age 59 ½. Withdrawals are subject to ordinary income taxation.

You decide the amount of money you want to set aside for retirement through a salary reduction agreement. You must choose from the list of investment companies authorized by the District. Each company provides a selection of investment options for you to invest your contributions.



You may request additional information concerning the specific provisions of each plan. It is important to select an account and company best suited to your specific needs and goals.

Once you have selected a company, you must meet with a representative and complete a salary reduction agreement (SRA). Both the company's authorized representative and you must sign the SRA. The representative is responsible for forwarding the signed agreement to the Employee Benefits Department for processing. Please read the agreement carefully before signing. Be sure to retain a copy of the agreement for your records.

The Employee Benefits Department must receive your SRA form 8 to 10 days prior to the payroll for which you wish the change to be effective.

Authorized Investment Companies

Board policy and District administrative requirements allow companies that meet certain standards and qualifications to provide voluntary retirement saving plans to employees. A list of authorized investment companies is available on Employee Benefits and Risk Management's website at www.pasco.k12.fl.us/benefits/tsa.

Plan Administration

IRS rules governing the Board's voluntary retirement savings program requires that the District be accountable for transactions occurring within the District's 403(b) and 457(b) plan. These rules require the District to certify that all transactions from your account meet the IRS guidelines governing the District's plan. TSA Consulting Group (TSACG) is the District's third party administrator for the voluntary retirement savings program. TSACG will review all requests for distribution or transfer of assets on behalf of the District, determine whether your request meets IRS guidelines and approve or deny your request.

Plan Distribution Transactions

Distribution transactions may include any of the following:

1. Exchanges
2. Hardship Distributions
3. Loans
4. Rollovers
5. Transfers of Assets
6. Withdrawal of Funds (Distribution)

Employees/Participants may request these distributions by completing the necessary forms obtained from the provider and plan administrator as required. Submit all completed forms to TSACG, the plan administrator, for processing.

As the 403(b) and 457(b) Plan Administrator for the District, TSACG has developed an online system, known as the ART System, for you to use when requesting loans, rollovers, distributions, and contract exchanges from your account. The ART System will expedite the time required to process your requests.

For additional information about TSACG's role in the District's plan, visit TSA Consulting Group's website at www.tsacg.com or call (888) 777-5827.