MINUTES

CALL TO ORDER (A)
Chairman Asdourian called the meeting to order at 4:00 PM.

PLEDGE OF ALLEGIANCE (B)
Ms. Theresa Java led the Pledge of Allegiance.

ROLL CALL (C)
Present were Chairman Asdourian and Commissioners Andrew Tobin (arrived at 4:04PM), Susan Heim, Robert Majeska and Stephen Gibbs. Also present were General Manager, Peter Rosasco, General Counsel, Nicholas Mulick, District Clerk, Diane Bockelman, District Managers, and District Engineer, Ed Castle.

AGENDA ADDITIONS, CORRECTIONS, OR DELETIONS (D)
- Commissioner Gibbs requested the addition of a discussion on the previous motion to approve the Solar Project under Roundtable Discussion.
- Mr. Rosasco requested deletion of Item G-3 and the addition of three discussion items under General Manager’s Report: 1) Stewardship Grant Update (G-3), 2) Debt Reduction (G-4) and 3) IT Award Update (G-5).

Approval of Agenda (D-1)
Motion: Commissioner Heim made a motion to approve the agenda as amended and Commissioner Gibbs seconded the motion. The motion passed without objection.

PUBLIC COMMENT (E)
No speakers.

APPROVAL OF MINUTES OF PREVIOUS MEETINGS (F)
Minutes of June 19, 2018 (F-1)
Motion: Commissioner Gibbs made a motion to approve the minutes of June 19, 2018 and Commissioner Heim seconded the motion. The motion passed without objection.

GENERAL MANAGER’S REPORT (G)
Board Room Audio Update (G-1)
Mr. Lorenzo Giles of Innovative Technology Solutions and Mr. Shayne Ettienne of The Audio Visual Group presented their proposals and answered questions from the Board.
May Monthly Report (G-2)
Jered Primicerio, Plant Operations Manager, presented the wastewater treatment plant section. Mike Dempsey, Field Operations Manager, presented the field operations section. Ryan Dempsey, Maintenance Manager, presented the maintenance section. Ed Castle, District Engineer, presented the construction section. Kevin Becerra, Senior Support Analyst, presented the IT section. Diane Bockelman, Customer Service Manager, presented the administration and customer service section. Connie Fazio, Senior Finance Manager, presented the finance section.

Stewardship Grant Update (G-3)
Mr. Rosasco announced four projects he proposes to submit for Stewardship Grant funding. The projects include: Capital Upgrades Project which includes headworks bypass piping, process water pumping system, bridge to SBR #3 and filter booster pump upgrades, Solar Array Project, Debt Reduction Project, and Concrete Repair, Coating and Emergency Effluent Disposal Project. It was the consensus of the Board that staff move forward with the Concrete Repair, Coating and Emergency Effluent Disposal project.

Debt Reduction Update (G-4)
Mr. Rosasco informed the Board that the District’s loan balances were reduced by $2,834,643.19 in July, leaving a loan balance of $35,259,849. The District expects to reduce debt by an additional $2,000,000 in the next fiscal year.

IT Award Update (G-5)
Mr. Rosasco informed the Board that the District received an award from Government Technology for its use of remote monitoring of the Plant’s day-to-day operations and response to emergencies such as Hurricane Irma.

Motion: Commissioner Majeska made a motion to approve Commissioner Gibbs and Mr. Becerra traveling to Atlanta to attend the event and accept the award on behalf of the District and Chairman Asdourian seconded the motion.

Vote on Motion

Commissioner Majeska - Aye
Chairman Asdourian - Aye
Commissioner Gibbs - Aye
Commissioner Heim - Aye
Commissioner Tobin - Aye

Motion Passed: 5 to 0

BUDGET AND FINANCE REPORT (H)

KLWTD Retirement Program Options and Employee Survey Results (H-1)
Ms. Fazio provided an overview of the retirement options being researched.

EXTENSION 6:00

Motion: Commissioner Heim made a motion to extend the meeting 30 minutes. The motion passed without objection.
EXTENSION 6:31
Motion: Commissioner Gibbs made a motion to extend the meeting 30 minutes. The motion passed without objection.

Chairman Asdourian instructed Staff to bring this item back for further discussion.

5 MINUTE BREAK 6:38 PM

ADMIN AND CUSTOMER SERVICE REPORT (I)
Notice of Sewer Lateral Assistance Program (I-1)
Ms. Bockelman announced that information about the sewer lateral assistance program administered by the Monroe County Social Services Department has been mailed to all residential KLWTD customers who own a residential parcel not yet connected to the District’s central wastewater system.

Code Compliance (I-2)
Ms. Bockelman informed the Board that only one delinquent parcel will be referred to the Monroe County Code Compliance Department this month.

Billing EDU Adjustment – CBT Construction – 97645 Overseas Hwy (I-3)
Ms. Bockelman presented a request by the owner of the property located at 97645 Overseas Highway for a billing EDU adjustment. Staff recommended reducing the billed EDU assignment from 1.6 EDUs to 1.0 EDU.

Motion: Commissioner Heim made a motion to approve Staff’s recommendation.

Vote on Motion
Commissioner Heim - Aye
Commissioner Tobin - Aye
Commissioner Gibbs - Aye
Commissioner Majeska - Aye
Chairman Asdourian - Aye
Motion Passed: 5 to 0

Billing EDU Adjustment – Travel Trailer Town (I-4)
Ms. Bockelman presented a District-initiated review of the billing EDU assignment for the water meter associated with Travel Trailer Town. A construction project modifying the parcel’s wastewater system led to a review of historical water usage. Staff recommended increasing the billed EDU assignment of the parcel from 9.7 EDUs to 20.8 EDUs.

EXTENSION 7:00
Motion: Commissioner Gibbs made a motion to extend the meeting 30 minutes. The motion passed without objection.

Motion: Commissioner Heim made a motion to approve Staff’s recommendation.
Vote on Motion

Commissioner Heim - Aye
Commissioner Tobin - Aye
Commissioner Gibbs - Aye
Commissioner Majeska - Aye
Chairman Asdourian - Aye

Motion Passed: 5 to 0

OPERATIONS REPORT (J)
No report.

CONSTRUCTION REPORT (K)
No report.

ENGINEER'S REPORT (L)
No report.

LEGAL REPORT (M)
No report.

COMMISSIONER’S ITEMS (N)
No report.

ROUNDTABLE DISCUSSION (O)

Unfinished Business (O-1)
Previous motion to approve the Solar Project (Commissioner Gibbs) (N-1)
Commissioner Gibbs withdrew his request to discuss the previous motion to approve the Solar Project.

ADJOURNMENT (P)
The Meeting was adjourned at 7:07 PM.

David Asdourian/Chairman

Diane Bockelman, Clerk

Seal
### Key Largo Wastewater Treatment District Loan Balances

<table>
<thead>
<tr>
<th>Loan:</th>
<th>Balance at 4/30/18:</th>
<th>Interest Rate:</th>
<th>July 2018 Payment Principal Reduction:</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRF Loan - 46401P-00</td>
<td>$1,828,894.63</td>
<td>1.26%</td>
<td></td>
</tr>
<tr>
<td>SRF Loan - 46401P-01</td>
<td>$3,282,322.51</td>
<td>1.21%</td>
<td></td>
</tr>
<tr>
<td>SRF Loan - 46401P-02</td>
<td>$3,241,602.86</td>
<td>2.62%</td>
<td></td>
</tr>
<tr>
<td>SRF Loan - 46401P-03</td>
<td>$7,066,284.24</td>
<td>1.34%</td>
<td></td>
</tr>
<tr>
<td><strong>Total 46401P Loan Balance:</strong></td>
<td><strong>$15,419,104.24</strong></td>
<td></td>
<td><strong>$572,412.54</strong></td>
</tr>
<tr>
<td>SRF Loan 464010-01</td>
<td>$3,463,112.12</td>
<td>1.35%</td>
<td></td>
</tr>
<tr>
<td>SRF Loan 464010-02</td>
<td>$4,897,745.13</td>
<td>1.25%</td>
<td></td>
</tr>
<tr>
<td><strong>Total 464010 Loan Balance:</strong></td>
<td><strong>$8,360,857.25</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Balance for all SRF Loans:</strong></td>
<td><strong>$23,779,961.49</strong></td>
<td></td>
<td><strong>$939,649.03</strong></td>
</tr>
</tbody>
</table>

### BB&T Bond Balances

<table>
<thead>
<tr>
<th>BB&amp;T Bond:</th>
<th>Balance at 4/30/18:</th>
<th>Interest Rate:</th>
<th>Additional Payment for July 2018:</th>
</tr>
</thead>
<tbody>
<tr>
<td>BB&amp;T Bond 2013</td>
<td>$7,157,808.18</td>
<td>3.28%</td>
<td>$161,278.58</td>
</tr>
<tr>
<td>BB&amp;T Bond 2014</td>
<td>$7,156,722.72</td>
<td>3.28%</td>
<td>$161,303.04</td>
</tr>
<tr>
<td><strong>Total BB&amp;T Bonds Balance:</strong></td>
<td><strong>$14,314,530.90</strong></td>
<td></td>
<td><strong>$1,000,000.00</strong></td>
</tr>
</tbody>
</table>

(Additional $500,000 to each BB&T Bond made in July 2018)

| All Loan Balances Prior to July 2018 Payment: | $38,094,492.39 | $2,834,643.19 |
Award Categories

Category 1 – Technology Innovation: Citizens This category recognizes special districts that have utilized technology to improve service delivery to citizens – for example, increased customer satisfaction, enhanced user experience, accelerated access to services.

Category 2 – Technology Innovation: Operations This category recognizes special districts that have utilized technology to improve internal operations – for example, efficiency and productivity improvements, cost reduction, enhanced security, improved processes, advanced sustainability.

Category 3 – Technology Innovation: Leadership This category recognizes a special districts leader that has led technology innovation initiatives and programs that go above and beyond to positively impact the community and/or operations. The nomination should highlight vision, leadership and support of information technology.

Our Submission to Category 2:

Key Largo Wastewater Treatment District utilizes remote monitoring processes which include monitoring, adjustments, and inspections of the district’s operations. Our monitoring process includes multiple cameras, various level indicators, automatic start and stop functions, historical trends, and alarm set points. We were granted a variance in staffing requirements per FDEP when renewing the district operating permit due to our remote monitoring processes. This variance has helped the district lower staffing and aid in lower operating cost including but not limited to chemicals and energy savings.

During Hurricane Irma the operations departments fully utilized this process to be able to continue and maintain operations before, during and after the event while keeping all personnel safe. They were able to monitor in real-time the current levels and events. This allowed them to make any adjustments necessary to prevent any potential disasters. They were able to visually inspect the property and remotely verify operational equipment before they returned to the plant, due to this the crews were able to prepare and ensure they had the equipment they needed to bring back with them to recover after the event.

The Key Largo Wastewater Treatment District staff is proud to humbly submit this nomination for innovation in operations. We appreciate the opportunity to share our efforts. We are committed to continuing on the path on innovation.
Overview

Across the country, there are over 38,000 special-purpose government entities that are commonly referred to as Special Districts. Each of these special districts serves a vital community need including water, sanitation, parks, roads, mass transit, and more. Now in its second year, the Special Districts Program – a joint initiative between AT&T and Government Technology - is designed to enable special districts to connect, share and learn from one another online and on-the-road. The Special Districts Summits provide an in-person opportunity for special districts to hear inspirational keynotes, leadership discussions and timely topics to help advance their missions as well as network with other districts from their region. Drawing from the recommendations of a national advisory board and the latest research from the Center for Digital Government, the agenda will deliver relevant and actionable content to all regional participants.

Topics will include:

- Cybersecurity and Your District
- A New District Experience
- The Bits and Bytes of Data
- Connecting it All Together

With content designed for both the business and technology sides of the organization, this event will focus on how special districts can seize the opportunities that new technologies bring to transform the way they do business and build a more customer-focused, efficient and effective organization for both residents and businesses.

Event Information

August 2, 2018
8:30am – 1:45pm
Sheraton Atlanta Hotel

Congratulations, Special Districts 2018 Winners!

**Technology Innovation – Citizens Category**
Landlord Program Enhancements
Atlanta Housing Authority

**Technology Innovation – Operations Category**
Remote Monitoring of Plant Operations
Key Largo Wastewater Treatment District

**Technology Innovation – Leadership Category**
Edward L. Johnson, Chief Executive Officer
Central Florida Regional Transportation Authority (LYNX)
Good afternoon:

Please see attached letter, information, and an employee survey regarding a potential future change/addition to our KLWTD retirement benefit program.

The Board of Commissioners has asked us to obtain the opinion of the staff on this potential change.

I've also printed out copies of this document for employees to read and complete the survey, for those who may prefer not to read it on a screen. These paper copies are on Laura's desk at the first floor of the plant, or in my office at the Admin Building.

Please fill out the last page for the survey, and either email it back to me or place it in an envelope provided with the paper copies, and return it to me or Laura by next Friday June 8. Employee names are not needed on the completed survey. Please return only the survey page and keep the rest of the documents for your records.

Kim and I are happy to answer any questions you may have.

Thank you-
Connie

--
Connie Fazio
Finance Manager
Key Largo Wastewater Treatment District
103355 Overseas Hwy Key Largo, FL 33037
Phone: (305) 451 4019  Ext. 214

Employee Survey and Information re FRS (Florida Retirement System) June 1, 2018.pdf
2929K
June 1, 2018

To: KLWTD Employees  
From: Finance Department and Human Resources Department

KLWTD would like your opinion regarding the Florida Retirement System (FRS). The District has been asked by the Board of Commissioners to review the FRS plans. We would appreciate having your input about potential future participation should the Board decide to offer the FRS plan to employees in the next fiscal year, or at a later date.

The attached plan comparison chart provides a general overview of the FRS, which includes two (2) types of plans: Pension or Investment. You would have the option to choose one plan or the other, with a one-time opportunity during participation in the FRS program to change (i.e., from Investment plan to Pension plan, or from Pension plan to Investment plan).

In addition, KLWTD would offer current employees the option to stay with the 457(b) plan, and not switch to FRS. However, if you elect to stay with the 457(b) plan, you will not be able to make a change to the FRS in the future. New employees hired after the initial enrollment period would be required to participate in the FRS program.

Please review the information provided below as well as the attached Plan Comparison Chart and Frequently Asked Questions for more details. Both Kim & Connie can assist you with your questions. Please respond by Friday, June 8, either by email, or bring your survey to the Finance Dept. or give to Laura Weinstock at the Plant. Thank you.

Connie Fazio  Kim Carpenter  
Finance Manager  Human Resources Manager
**FRS Pension Plan:** The benefit of this defined benefit plan is guaranteed (after 8 years of vesting) and is based on a formula using your salary, years of service, FRS membership class (regular) and age. When you retire, even if you no longer are employed by KLWTD, your benefit includes monthly payments for your lifetime, with the option to provide continuing payments to your qualified beneficiary after your death.

- Requires 8 years employment that begins upon date of KLWTD’s FRS plan activation for 100% vesting (0% vesting if less than 8 years of employment) i.e.: if October 1, 2018 is the start date with FRS, that is the start date for 8 years vesting, and full vesting would be effective October 1, 2026.

- Employee contribution requirement is 3% (not greater or less than 3%). KLWTD’s employer contribution requirement is 8.12% (less administrative costs paid to FRS). Employee contributions in the Pension Plan do not earn interest. Employee contributions are paid on a pretax basis.

- All employees who currently participate in the 457(b) plan, may opt out of FRS before the start of the program. If employees don’t opt out, they are required to participate in either FRS investment or FRS pension plan. Once an employee opts out, enrollment in FRS is closed for the duration of their KLWTD employment.

- All employees who do not currently participate in the 457(b) plan, will be required to participate in either FRS investment or pension plan.

- There are no employee loan options with FRS as there are with the current 457(b) plan.

- Employees may make a one-time switch from Pension plan to the Investment plan, with certain exclusions and limitations. One exclusion: the prior investment contribution and associated earnings from the employer is forfeited if you change plans, only the employee contribution portion will be available.

- Employee’s funds currently in the 457(b) plan will stay in the CDM 457(b) program, and cannot be rolled into the FRS program.

- All FRS policies are subject to change, including the option to increase or decrease the amount that the employee and employer must pay into the plan, based on the Florida Legislature.
**FRS Investment Plan:** The defined contribution plan is based on your account balance, which consists of your contributions, as well as your employer's contributions, the performance of your investments and account fees and expenses. Upon retirement, your benefit is paid as a lump sum, a rollover, an annuity, a customized payment schedule, or any combination of these.

- Requires 1 year of employment that begins upon date of KLWTD's FRS plan activation for 100% vesting if October 1, 2018 is the start date with FRS, that is the start date for 8 years vesting, and full vesting would be effective October 1, 2019.

- Employee contribution requirement is 3% (not greater or less than 3%). KLWTD's contribution requirement is 3.30% (less administrative costs paid to FRS) to employee's investment plan. KLWTD contributes 3.30% to employee's investment plan. Employee contributions in the Investment Plan accumulate earnings, minus investment fees and administrative charges. Employee contributions are paid on a pretax basis.

- All employees who currently participate in the 457(b) plan, may opt out of FRS before the start of the program. If employees don't opt out, they are required to participate in either FRS investment or FRS pension plan. Once an employee opts out, enrollment in FRS is closed for the duration of their KLWTD employment.

- All employees who do not currently participate in the 457(b) plan, will be required to participate in either FRS investment or pension plan.

- There are no employee loan options with FRS as there are with the current 457(b) plan.

- Employees may make a one-time switch from Investment plan to the Pension plan, with certain exclusions and limitations. One exclusion: the prior investment contribution and associated earnings from the employer is forfeited if you change plans.

- Employee's funds currently in the 457(b) plan will stay in the CDM 457(b) program, and cannot be rolled into the FRS program.

- All FRS policies are subject to change, including the option to increase or decrease the amount that the employee and employer must pay into the plan, based on the Florida Legislature.
# FRS vs. CDM 457(b) Comparison:

<table>
<thead>
<tr>
<th>FRS Membership Class</th>
<th>FRS Pension Plan (Defined Benefit Plan)</th>
<th>FRS Investment Plan (Defined Contribution Plan)</th>
<th>Current CDM 457(b) Plan:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Contributed by Employer (based on employee's wages)</td>
<td>% of Employee's Wages Contributed by Employee (REQUIRED: not more or less than 3%)</td>
<td>% Contributed by Employer (based on employee's wages)</td>
</tr>
<tr>
<td>Regular (All employees are considered &quot;Regular&quot; other than General Manager and Commissioners)</td>
<td>8.12%</td>
<td>3%</td>
<td>3.30%</td>
</tr>
</tbody>
</table>
FRS PENSION PLAN FORMULA EXAMPLES USED TO DETERMINE MONTHLY PENSION PAYMENTS:

<table>
<thead>
<tr>
<th>Employee:</th>
<th>Years of K.LWTD Service (After start of FRS Membership in 2018)</th>
<th>Average Annual Wages of Highest 8 Years of Wages</th>
<th>Monthly Pension Amount Received after Retirement at Age 65</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>8</td>
<td>$40,000.00</td>
<td>$426.67</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>$50,000.00</td>
<td>$533.33</td>
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<td>$800.00</td>
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<td>$85,000.00</td>
<td>$906.67</td>
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<td>6</td>
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<td>14</td>
<td>15</td>
<td>$110,000.00</td>
<td>$2,200.00</td>
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<td>15</td>
<td>25</td>
<td>$40,000.00</td>
<td>$1,333.33</td>
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<tr>
<td>16</td>
<td>25</td>
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<td>$1,666.67</td>
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<tr>
<td>28</td>
<td>35</td>
<td>$110,000.00</td>
<td>$5,133.33</td>
</tr>
</tbody>
</table>
# Comparing the Plans: Investment Plan and Pension Plan

For complete plan details, refer to the Summary Plan Descriptions on MyFRS.com.

<table>
<thead>
<tr>
<th>Investment Plan</th>
<th>Pension Plan</th>
</tr>
</thead>
</table>
| **This is a ...** | 401(k)-type investment plan.  
It is designed primarily for employees who want greater control over their retirement plan and who want flexibility in how their benefit is paid at retirement. |
| **You qualify for a benefit after ...** | 8 years of service.  
Once you complete 8 years of service, you qualify for a benefit which is payable when you reach retirement age as defined by the plan. If you leave FRS employment sooner, you own your employee contributions. |
| **Plan investment choices are made by ...** | The State.  
The State is responsible for managing the Pension Plan Trust Fund. |
| **Your benefit is ...** | Based on a formula.  
Your benefit is guaranteed and is based on a formula using your salary, years of service, FRS membership class, and age. |
| **When you retire, your benefit can be paid to you as ...** | Monthly payments for your lifetime.  
You will have options that provide continuing payments to your qualified beneficiary after your death. |
| **Who contributes to the plan?** | Both plans require you to contribute 3% of your salary, beginning with your first paycheck. You cannot change the amount you contribute. Your employer also contributes a fixed percentage of your gross salary to the plan you choose. Contribution rates are set by the Florida Legislature. |

---

**Have Questions?**

Get answers from an experienced, unbiased financial planner. There is no charge to you.

MyFRS Financial Guidance Line • 1-866-446-9377, Option 1 (TRS 711)
9:00 a.m. to 8:00 p.m. ET, Monday through Friday, except holidays.
### Additional Plan Features

<table>
<thead>
<tr>
<th>Question</th>
<th>Investment Plan</th>
<th>Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>What happens if I work long enough to qualify for a benefit, but leave and go to work for ...</td>
<td>... another FRS-participating employer? You remain enrolled and contributions will continue to be made to your account.</td>
<td>You remain enrolled and your benefit will continue to grow.</td>
</tr>
<tr>
<td></td>
<td>... an employer that doesn’t participate in the FRS? You will have the option of leaving your money in the plan or taking a distribution.</td>
<td>Your benefit will be frozen until you either begin receiving monthly retirement benefits or return to an FRS-participating employer.</td>
</tr>
<tr>
<td>Is there a survivor benefit if I die in the line of duty?</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Will my benefit payments be adjusted to reflect increases in the cost of living?</td>
<td>Only if you purchase a fixed annuity that offers it.</td>
<td>No.</td>
</tr>
<tr>
<td>Would I be eligible to participate in the Deferred Retirement Option Program (DROP)?</td>
<td>No.</td>
<td>Yes, as of your normal retirement date.</td>
</tr>
<tr>
<td>Would I receive the Health Insurance Subsidy (HIS) to help me pay for health insurance in retirement?</td>
<td>Yes, if you satisfy the service requirements.</td>
<td>Yes, if you satisfy the service requirements.</td>
</tr>
<tr>
<td>Are there any benefits if I become permanently disabled?</td>
<td>Yes.</td>
<td>Yes.</td>
</tr>
<tr>
<td>Once I’m enrolled in one plan, can I switch to the other?</td>
<td>Yes. If you are actively working, earning salary and service credit, you can switch from the Investment Plan to the Pension Plan. You will have to buy into the Pension Plan, using the money in your Investment Plan account. If your balance doesn’t cover the cost, you will have to make up the difference out of your own pocket.</td>
<td>Yes. If you are actively working, earning salary and service credit, you can switch from the Pension Plan to the Investment Plan. You may either leave your Pension Plan benefit in place (if you have at least 8 years of service) or transfer it into the Investment Plan. Transferred amount is subject to the Pension Plan’s vesting requirements.</td>
</tr>
</tbody>
</table>

This publication is a summary of the retirement options available to new FRS-covered employees and is written in non-technical terms. It is not intended to include every program detail. Complete details can be found in Chapter 121, Florida Statutes, the rules of the State Board of Administration of Florida in Title 19, and the Department of Management Services in Title 60, Florida Administrative Code. In case of a conflict between the information in this publication and the statutes and rules, the provisions of the statutes and rules will control. Before you make an election or select any investment funds, you should review the Fund Profiles, the Investment Fund Summary, and the Annual Fee Disclosure Statement posted in the "Investment Funds" section on MyFRS.com.

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Each Plan Has Advantages and Disadvantages

Both Florida Retirement System (FRS) retirement plans have advantages and disadvantages. The plan that's best for you will depend on your personal situation. Following are some pros and cons to consider for each plan.

The Investment Plan

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You are vested after 1 year of service.</td>
<td>• Your benefit may decrease in value if the investments you’ve chosen don’t perform well.</td>
</tr>
<tr>
<td>• If you are a younger employee, your account balance has more time to grow.</td>
<td>• You must have enough discipline to take a long-term approach to investing.</td>
</tr>
<tr>
<td>• Your account could grow significantly if the underlying investments do well.</td>
<td>• You need to actively monitor your investments.</td>
</tr>
<tr>
<td>• You have a diversified choice of investment funds, including retirement date funds, stock funds, bond funds, a real assets fund, and a money market fund. A Self-Directed Brokerage Account (SDBA) is also available.</td>
<td>• If you’re an older employee, you may not have enough time to accumulate a large account balance before you retire.</td>
</tr>
<tr>
<td>• If you leave your job, you can keep your benefit growing by leaving it in the FRS or rolling it over to another qualified retirement plan.</td>
<td>• You could outlive your benefit if you don’t plan carefully or buy an annuity that provides a guaranteed monthly payment option for life.</td>
</tr>
<tr>
<td>• Flexible distribution options are available.</td>
<td>• You’re not eligible for DROP.</td>
</tr>
<tr>
<td>• If you have a retirement plan benefit from a former employer, you may be able to roll it over to the Investment Plan.</td>
<td>• If you decide to use your 2nd Election to change to the Pension Plan, your Investment Plan account balance may not be sufficient to fully fund your Pension Plan account. You will be responsible for making up the difference using your personal resources.</td>
</tr>
<tr>
<td>• If you meet Health Insurance Subsidy (HIS) requirements, you may be eligible for the HIS.</td>
<td>• You are not eligible to apply for the Health Insurance Subsidy (HIS) until you have retired (received any distribution) and have met the normal retirement age or service requirements of the Pension Plan for your class of membership.</td>
</tr>
<tr>
<td>• You may be eligible for disability benefits and In-Line-of-Duty survivor benefits (if employed in a Special Risk Class position).</td>
<td>• You are not eligible for In-Line-of-Duty survivor benefits (if employed in a non-Special Risk Class position).</td>
</tr>
<tr>
<td>• You have access to the free, unbiased MyFRS Financial Guidance Program resources.</td>
<td></td>
</tr>
</tbody>
</table>

1 You are always fully vested in your own contributions, as long as you remain in the retirement plan you chose as a new employee. How your employee contributions are distributed or refunded to you depends on a number of factors, especially if you use your 2nd Election to change plans. You can call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, for information.

2 Deferred Retirement Option Program. Visit MyFRS.com for details.
## Each Plan Has Advantages and Disadvantages – continued

### The Pension Plan

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• You can earn a substantial benefit if you spend your full career as a Pension Plan member or start your FRS service later in life.</td>
<td>• If you're a younger employee, it may take many years of service to build a large benefit.</td>
</tr>
<tr>
<td>• The SBA is responsible for managing the Pension Plan trust fund's investments.</td>
<td>• If you leave FRS-covered employment before you are vested, you will have no benefit.</td>
</tr>
<tr>
<td>• After you are vested, you may receive a benefit even if you retire early (benefit may be reduced).</td>
<td>• You have no say in how the money is invested.</td>
</tr>
<tr>
<td>• You cannot outlive your benefit.</td>
<td>• Benefits are paid monthly. There are no lump sums (except under DROP').</td>
</tr>
<tr>
<td>• You can participate in DROP if you're eligible.</td>
<td>• Your benefit is reduced if you choose early retirement.</td>
</tr>
<tr>
<td>• You are eligible for the Health Insurance Subsidy (HIS).</td>
<td>• If you decide to use your 2nd Election to transfer to the Investment Plan, the money transferred from the Pension Plan to the Investment Plan will not be vested until you have 8 years of FRS service credit. If you terminate employment with fewer than 8 years of service credit, the amount transferred from the Pension Plan may be forfeited.</td>
</tr>
<tr>
<td>• You may be eligible for disability and In-Line-of-Duty survivor benefits.</td>
<td>• During years when the Pension Plan is determined to be less than 100% actuarially funded, the Florida Legislature may take steps to improve the funding level by increasing employee or employer contributions or to lower Plan costs by reducing future Pension Plan benefits.</td>
</tr>
<tr>
<td>• A cost-of-living adjustment will be applied to the portion of your benefit that is based on any service earned prior to July 1, 2011.</td>
<td>• Service earned after July 1, 2011 will have no cost-of-living adjustment.</td>
</tr>
<tr>
<td>• You have access to the free, unbiased MyFRS Financial Guidance Program resources.</td>
<td></td>
</tr>
</tbody>
</table>

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1. Deferred Retirement Option Program. Visit MyFRS.com for details.
2. If you have any Pension Plan service prior to July 1, 2011, you are subject to 6-year vesting. If you join the Pension Plan on or after July 1, 2011 and have no previous Pension Plan service, you are subject to 8-year vesting.
3. You are always fully vested in your own contributions, as long as you remain in the retirement plan you chose as a new employee. However, your contributions are distributed or refunded to you depends on a number of factors, especially if you use your 2nd Election to change retirement plans in the future. You can call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, for information.
1. Are employee contributions mandatory?

Yes

2. Can I purchase leaves of absence or prior, past, out-of-state, in-state or military service under both plan options?

No. Under the Investment Plan you cannot purchase additional service credit. You can only do this if you are enrolled in the Pension Plan. If you are electing the Investment Plan and choosing to transfer the present value of your FRS Pension Plan benefit into the Investment Plan, you must purchase additional service in the Pension Plan before the transfer. The only time you may purchase service under the Investment Plan is if the purchase is required by federal law, such as a military service leave-of-absence, which is covered under the Uniformed Services Employment and Reemployment Act.

3. How do I count my years of creditable service?

Work performed in a full-time or part-time regularly established position with an FRS participating employer is creditable toward retirement. Service in a temporary or contract position is not creditable toward retirement. You earn a full month of retirement service credit for each month in which you receive a salary payment in a covered position.

Service that occurred between July 1, 1974, and July 1, 1985, required a minimum monthly salary for full credit. If you earned less than the minimum monthly salary during this period, your service credit is reduced proportionately for that month.

All retirement records are kept by fiscal years (July 1 through June 30). Credit is measured in terms of fiscal years and fractions of fiscal years. A work year of service credit is 12 months of a fiscal year, unless your work year is specified to be less than 12 months. Shorter work years have been approved for some employees of school boards, community colleges, and state universities. The work year of most schoolteachers, for instance, is 10 months. The shortest approved work year is 9 months.

When you work the required number of months in your work year, you will receive a full year of service credit. You cannot earn more than 1 year of credit in a fiscal year. If you work less than the required work year, you receive a part of a year of credit. That part, or fraction, is determined by dividing the number of months worked by the number of months required to be worked in the work year. For example, a deputy sheriff with a 12-
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month work year who works 9 months of that year will receive service credit for 75% of the work year \((9 / 12 = 0.75)\). A teacher who works 6 months of a 10-month work year will receive service credit for 60% of that year \((6 / 10 = 0.60)\).

4. **Will my employee contributions earn interest?**

Employee contributions in the Investment Plan will accumulate earnings, minus investment fees and administrative charges. Employee contributions in the Pension Plan will not earn interest.

5. **Are employee contributions paid before or after taxes?**

Employee contributions are paid on a pretax basis. Your salary will be reduced by the amount of the employee contribution before determining the federal income tax deduction.

6. **How should required employee contributions be reported on an employee's Form W-2?**

See the Tax Advice Disclaimer below.* The FRS requires all members to contribute 3% employee contributions. These contributions, as required by s. 121.71(2), Florida Statutes, are treated for tax purposes as employer-paid employee contributions (commonly called an employer pick-up) under Internal Revenue Code section 414(h)(2).** Consequently, these contributions are not included in the employees pay when calculating income on Form W-2 (that is, they are not included in Box 1). Instead, they should be reported on Form W-2 in Box 14-Other. These contributions should be labeled as FRS 414(h) Employee Contributions." These contributions are reported to the IRS for informational purposes and are not reported as income on the employees tax return (does not have any effect on an employee's wages for income tax purposes). Because the employee contribution is included in wages for purposes of FICA, it is included in Box 3 (Social Security wages) and Box 5 (Medicare wages) of the W-2.

In summary, the employee contributions should be reported on Form W-2 as follows:

- **Box 1 - Code section 414(h)(2) "pick-up" contributions are not included in the amount reported in Box 1 of Form W-2 because they are considered under Code section 414(h)(2) to be "employer contributions" and thus not included in an employee's wages - this treatment is regardless of whether the employer makes the contributions or whether the employee contributes through a payroll reduction contribution.**
- **Box 3 - The employee contribution is included in wages for purposes of FICA so it should be included in Box 3 (Social Security wages) of Form W-2.**

Excerpt from www.myFRS.com/Faq-Employees.htm
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- Box 5 - The employee contribution is included in wages for purposes of FICA so it should be included in Box 5 (Medicare wages) of Form W-2.
- Box 12 - Even though the employer "pick-up" contributions are pre-tax, they are not reported in Box 12 because they are not employee contributions, but are technically considered employer contributions under Code section 414(h)(2), even though they reduce the employee's salary. Please see IRS publication 2011 Instructions for Forms W-2 and W-3, pages 9 and 10, which provides that "required employee contributions" (which would include Code section 414(h)(2) employer pick-up contributions) may be reported in Box 14, but not Box 12, as follows:
  - "The following are not elective deferrals and may be reported in Box 14, but not in box 12 .... Required employee contributions."
  - "Do not report in Box 12 section 414(h)(2) contributions (relating to certain state or local government plans). Instead, use Box 14 for these items and any other information that you wish to give to your employee."
- Box 14-Other Employee contributions should be reported in Box 14-Other, labeled as "FRS 414(h) Employee Contributions."

*TAX ADVICE DISCLAIMER: Although the information provided above is presented in good faith and believed to be correct, it is General in nature and is not intended as tax advice. You may want to obtain the advice and guidance of a professional Tax Adviser prior to any actual transaction. The FRS assumes no obligation to inform any member or agency of any changes in the tax law or other factors that could affect the information contained above.

** Code section 414(h)(2) states: in the case of any plan established by the government of any State ... where the contributions of employing units are designated as employee contributions but where any employing unit picks up the contributions, the contributions so picked up shall be treated as employer contributions.

7. Why does the Investment Plan include some investment funds that I've never heard of?

The funds you're talking about - the FRS Funds, and others - are privately managed funds created specifically for the Investment Plan. Creating investment funds specific to a particular retirement plan is very cost-effective, and commonly done by large retirement plans. Plan trustees hire premier specialist companies to meet specific requirements at costs that are often a fraction of buying investment products and services off-the-shelf in the retail market. For the Investment Plan, experienced specialist investment companies have been hired. These specialists typically provide services only to pension funds, endowments, mutual funds or the very wealthy. As a result, you have access to some of

Excerpt from www.myFRS.com/Faq-Employees.htm
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the best money managers at a fraction of the cost you would pay for similar funds outside the Investment Plan.

8. Do all Pension Plan and Investment Plan members have to pay 3% employee contributions?

Yes.

9. If I terminate employment can I leave my employee contributions on deposit?

If you are a Pension Plan member, you can leave your employee contributions on deposit indefinitely. Interest will not be earned.

If you are an Investment Plan member, you can leave your employee contributions on deposit. Any unvested employer contributions will be moved to a suspense account for up to 5 years. If you do not return to FRS employment within 5 years, the unvested employer contributions and service associated with that service will be forfeited. If your employee contributions on deposit are greater than $1,000 at the time the unvested contributions are suspended/forfeited, you may keep them on deposit in the Investment Plan. If your vested employee contributions on deposit are $1,000 or less, the Investment Plan Administrator will automatically distribute the balance to you (a de minimis distribution). If you receive a de minimis distribution, you will not be considered a reemployed retiree and will not be subject to the limitations applicable to such employees. If you receive a de minimis distribution and return to FRS-covered employment in the future, you will be placed back in the Investment Plan and earn additional service credit.

Excerpt from www.myFRS.com/Faq-Employees.htm
Employee Response:

1. With the information that has been provided, on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to view the potential change from the current 457(b) plan to the Florida Retirement System (FRS) plan as a positive change? 1 2 3 4 5 (please circle one)

Please feel free to give any details/feedback regarding your rating above:

2. If you participate in the current 457(b) plan: with the information that has been provided, on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to change from the current 457(b) plan to the Florida Retirement System (FRS) PENSION PLAN? 1 2 3 4 5 (please circle one) Please feel free to give any details/feedback regarding your rating above:

3. If you participate in the current 457(b) plan: with the information that has been provided, on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to change from the current 457(b) plan to the Florida Retirement System (FRS) INVESTMENT PLAN? 1 2 3 4 5 (please circle one)

4. If you do NOT participate in the current 457(b) plan: with the information that has been provided, on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to sign up for the current 457(b) plan? 1 2 3 4 5 (please circle one) Please feel free to give any details/feedback regarding your rating above:

5. If you do NOT participate in the current 457(b) plan: on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to sign up for the Florida Retirement System (FRS) PENSION PLAN? 1 2 3 4 5 (please circle one) Please feel free to give any details/feedback regarding your rating above:

6. If you do NOT participate in the current 457(b) plan: on a scale of 1-5 (1 = very unlikely and 5 = very likely), how likely are you to sign up for the Florida Retirement System (FRS) INVESTMENT PLAN? 1 2 3 4 5 (please circle one) Please feel free to give any details/feedback regarding your rating above:

7. Do you have any questions that were not answered with the provided information?