

On Switching Retirement Plans

Until the end of 2008, you have the option of transferring from an Optional Retirement Plan to the Florida State Retirement System.

You should have received a package of material from FRS providing you with a figure that represents your buy-in cost to transfer from an ORP to the FRS. A benefits projection may have been included in this package. If you have not received this package, or have not also received a benefits projection, call 1-866-446-9377, option 3. Your benefits projection will show the projected amount of your state pension based on years in service and salary.

The benefits projection will show a monthly income that begins at age 62. In order to compare this to the projected benefit from an ORP account, you can ask your ORP provider the following questions:

- What would be the cost for an immediate annuity purchased by a 62 year old [woman or man] to provide a pay-out starting at \$X,xxx/per month [projected monthly benefit under FRS] for an entire lifetime? Ask for this information within the context of an automatic cost-of-living adjustment. The FRS provides a yearly 3% COLA.
- What would be the projected accumulation of an ORP account that uses the buy-in figure as a starting amount and adds the state contribution (10.4%) based on the projected salary shown on the FRS Benefits Projection until age 62?
- You can compare the figures provided by an ORP carrier to a generic annuity calculator at banksite.com/calc/annuity.

You may find that it is more difficult than you would expect to get figures that you can use in direct comparisons from ORP providers. For example, some providers do not offer annuities with automatic cost of living adjustments. These are not the only factors to be taken into consideration in making this decision. The Florida Retirement System is a defined benefits plan; ORP plans are defined contribution plans. With a defined benefit plan, you have a guaranteed income. With an ORP plan, you have more control over your resources. Participation in the FRS plan makes you eligible for the DROP program; this option is not available to those in an ORP plan.

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Professor O'Rourke prepared this report based on consultations with a professional financial advisor hired by the UFF-FSU Chapter. Professor O'Rourke is not a financial planner and offers no warranty regarding this report other than to assure other UFF members that he made a good faith effort to investigate plan switching options.