

One of the most important and sometimes difficult decisions a Florida Retirement System Pension Plan member must make at the time of retirement is selecting a benefit option. You may ask “Should I choose the largest possible monthly retirement benefit available to me; or should I choose an option which will provide me with a smaller monthly benefit during my lifetime, but will provide my beneficiary with a continuing benefit and some degree of financial security after my death?”

Option 1 is the basic benefit and will provide you, the retiree, with the maximum monthly benefit you will be eligible to receive for your lifetime. Options 2, 3, or 4 are reductions of the Option 1 benefit and are derived from it by applying equivalency factors. These options are designed to provide a continuing benefit to a beneficiary or joint annuitant in varying amounts depending on the option chosen. All benefit options are designed to be “actuarially equal”. This means that if you select Option 2, 3, or 4, the monthly amount you receive is reduced so that the expected total payments to both you and your beneficiary or joint annuitant are about the same as the total you alone would expect to receive under Option 1. This is called an “actuarial equivalent” of the basic Option 1 benefit. The reduction for Options 2, 3 or 4 can also be described as resembling an insurance policy, which guarantees the payment of a definite monthly amount over the lifetime of two individuals. The reduction in the monthly benefit can be considered the premium paid for this insurance.

### **Beneficiary or Joint Annuitant May Be Changed**

For Options 1 and 2, you may name any person, organization, trust or your estate as your beneficiary. You may designate more than one beneficiary and they may be listed sequentially or jointly. You may change your designation at any time before or after you retire under the Pension Plan.

If you choose to retire under Options 3 or 4, your beneficiary must be your spouse or other eligible joint annuitant. An explanation and listing of eligible joint annuitants are on the [Joint Annuitant Information Sheet \(JAD\)](#). Under Option 3, you may designate multiple joint annuitants and specify the portion of the benefit to be paid to each. Under Options 3 or 4, you may change your designation of joint annuitant only twice after you retire, and your benefit will be recalculated each time you change your joint annuitant designation. If your joint annuitant is to receive payments through a trust, you must name the individual person as your joint annuitant and specify that benefits be paid through the trust.

If you become divorced after you retire, you may nullify your Option 3 or 4 joint annuitant, unless you are prevented from doing so by a Qualified Domestic Relations Order. Under your Option 3 benefit, your benefit would not change unless you name a new eligible joint annuitant. Under Option 4, your monthly benefit would be reduced one-third as though your joint annuitant were deceased.

### **Option Choice Cannot Be Changed**

Once you cash or deposit a benefit payment, or begin the Deferred Retirement Option Program (DROP), your option selection **cannot** be changed. Therefore, it is important to carefully study your personal circumstances before making your decision. Some factors affecting your option selection include the age and general physical condition of both you and your joint annuitant, the existence of other financial dependents, the amount of your savings, additional income and other resources, outstanding financial obligations such as mortgages, your life style, and other conditions, which will influence your financial situation during retirement.

### **OPTIONS AVAILABLE TO YOU AT RETIREMENT AND REASONS WHY YOU MIGHT CHOOSE THEM**

**Option 1:** The maximum monthly benefit payable to you for your lifetime. Upon your death, the monthly benefit will stop and your beneficiary will receive *only a refund* of any contributions you paid which are in excess of the amount you received in benefits. **This option does not provide a continuing benefit to your beneficiary.** If you are married and select Option 1, your spouse must acknowledge your selection.

The advantage of an Option 1 benefit is that it provides the largest monthly amount for which you are eligible. The disadvantage is that it provides no continuing benefit upon your death. You might consider choosing an Option 1 benefit if you have no spouse or eligible joint annuitant dependent upon support from you; or if your spouse or joint annuitant is in ill health or otherwise expected to die before you; or if your spouse or joint annuitant has independent sources of income and is not in need of additional continuing support from you upon your death. You might not want to choose Option 1 if you are in ill health and your future physical condition is uncertain.

**Option 2:** A monthly benefit that is less than the Option 1 benefit, and the benefit is payable to you for your lifetime. In the event you die within ten years after your retirement date, including any period of DROP participation, the same monthly benefit will be paid to your designated beneficiary for the balance of the 10-year period. No further benefits are then payable. If you are married and select Option 2, your spouse must acknowledge your selection. The amount of reduction of the Option 2 benefit depends on your age only---the older you are, the larger the reduction.

If you have no spouse or eligible joint annuitant to be the recipient of a continuing benefit under Option 3 or 4 after your death, you may wish to select Option 2 in order to provide a monthly payment to your beneficiary for the remainder of the 10-year period if you should die before you have been retired for 10 years. You may name contingent beneficiaries to receive any benefits that are to be paid after the death of your primary beneficiary. This option would be particularly appropriate if you are in ill health and your future physical condition is uncertain at the time of retirement since children, other heirs, charities, organizations, or your estate or trust can be designated as beneficiaries for Option 2.

**Option 3:** A reduced monthly benefit payable for your lifetime. Upon your death, your joint annuitant, if living, will receive a lifetime monthly benefit payment in the same amount as you were receiving. [Exception: The benefit paid to a joint annuitant under age 25, who is not your spouse, will be your Option 1 benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.] No further benefits are payable after both you and your joint annuitant are deceased. The amount of reduction of the Option 3 benefit depends on your age and the age of your joint annuitant.

If you wish to have the security of a lifetime benefit for yourself and to provide a continuing benefit of the same amount to your joint annuitant after your death, the Option 3 benefit would be the appropriate choice.

**Option 4:** An adjusted monthly benefit payable to you while **both you and your joint annuitant are living**. Upon the **death of either you or your joint annuitant**, the monthly benefit payable to the survivor is **reduced to two-thirds** of the monthly benefit received **when both are living**. [Exception: The benefit paid to a joint annuitant under age 25, who is not your spouse, will be your Option 1 benefit amount. The benefit will stop when your joint annuitant reaches age 25, unless disabled and incapable of self-support, in which case the benefit will continue for the duration of the disability.] No further benefits are payable after both you and your joint annuitant are deceased. The amount of reduction of the Option 4 benefit depends on your age and the age of your joint annuitant.

If you anticipate the need for a larger benefit while **both** you and your joint annuitant are living and a smaller benefit when only one of you survives, you may wish to choose Option 4.

### **Other Considerations**

Disability benefit options are based on different mortality rates, which are higher than the mortality rates for regular benefit options. Consequently, the amount of the option reduction for Options 2, 3 or 4 will be greater for disability benefits than for regular retirement benefits.

When you apply for retirement, you will be furnished an estimate of the amount of your benefit under each option. If you are considering naming someone other than your spouse under Option 3 or 4, please review the [Joint Annuitant Information Sheet \(JAD\)](#). This informational sheet is available from our office or Web site.

### **Contact Information**

If you have any questions or need additional information, you may call the Division of Retirement Toll Free at (844) 377-1888 or locally at (850) 907-6500, e-mail [retirement@dms.MyFlorida.com](mailto:retirement@dms.MyFlorida.com) or visit our Web site, [frs.myflorida.com](http://frs.myflorida.com).