General Provisions of the SUSORP

General Description

The State University System Optional Retirement Program (SUSORP)\(^1\) is a defined contribution plan offered for certain eligible employees of universities in the State University System. Each pay period, you and your university contribute a percentage of your earnings that are reported to the Division of Retirement to be forwarded to the participating company or companies you selected on your contract application(s). These contributions are invested on your behalf, at your direction, to create your retirement fund.

The amount to be contributed each pay period by your employer to your contract provider is based on a percentage rate established by State law. The employer contribution rate is subject to change by the Florida Legislature. Effective July 1, 2012, the employer contribution rate is 5.15 percent which includes a 0.01 percent fee to fund the Division of Retirement’s administration of the SUSORP. Of that amount 5.14 percent is forwarded to the provider company(ies). Effective July 1, 2011, 3 percent employee contributions, deducted on a pre-tax basis, must be paid along with the required employer contribution rate. Employees may also contribute an additional optional amount up to the percentage contributed by the employer less the 0.01 percent administrative fee.

Investment Process

Choosing Investment Provider(s)

Under the SUSORP, you have a number of choices to make regarding the investment of your retirement funds. You must choose among the approved participating companies, as well as among the investment products available within those companies. The university and the Division of Retirement cannot make recommendations to you regarding which company or companies would be best for you.

The five approved provider companies available to SUSORP members for investing their SUSORP funds are:

- **VALIC** – Variable Annuity Life Insurance Company (VALIC).
- **VOYA** – (Previously ING Insurance and Annuity Company of America)
- **Jefferson National Life Insurance Company** (No longer available as of January 1, 2015)
- **MetLife Investors USA Insurance Company**
- **TIAA-CREF** – Teachers Insurance and Annuity Association – College Retirement Equities Fund.

A general description of types of funds, methods of crediting investment earnings, and expense charges is contained in this section. Refer to your own qualified financial advisor or investment literature for discussions of investment strategies that best fit your needs and circumstances.

Keep in mind throughout your SUSORP investment decision process that the choices you make could change. The investments you will consider could be changed at a future date as you periodically review your investment needs to meet your goals or the provider company could change products. You should understand the flexibility of your investment when you make your decision(s).

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\(^1\) This document provides you with the pertinent facts regarding the SUSORP, but it is not an authoritative interpretation of the SUSORP. The final authority for the SUSORP is section 121.35, Florida Statutes, and rules promulgated by the Division of Retirement, which are located in Chapter 60U of the Florida Administrative Code. These legal documents govern the plan and should be followed in the event the information contained here is in conflict.
Major Investment Categories

Each participating company will provide its own description of the investment products available under the SUSORP. Company product names are rarely as direct as the major investment categories, the products the companies will offer you will generally be either fixed or variable investments. In general, a fixed investment contract provides a guaranteed rate of return for a specified period of time while a variable investment contract provides a rate of return that fluctuates with changing market conditions. The following descriptions should help you identify the basic type a product as you decide whether it fits into your personal investment strategy.

Fixed Investment Contracts

Fixed investment contracts usually offer one or more guaranteed rates of return on your investment dollars. The guarantees often take the form of a promise to pay a certain percentage return on all contributions made during a specified or minimum investment period, and/or a minimum future guaranteed return on those funds as well as on subsequent investments. Some contracts could offer to share company earnings that may exceed the rate they promised to pay you. These excess interest amounts are usually credited in the form of dividends near the end of an investment year.

Minimum guarantees included in most contracts are generally low. Still, this type of guarantee could provide a level of security for your investments in the case of adverse economic circumstances. Most other guarantees are good only for your current investment dollars. Consequently, these types of guarantees generally last for a year or less and should not be the sole factor influencing your investment decision.

Under guaranteed contracts, your investment earnings are usually credited to you in one of two ways:

- Under the first approach, all the money invested by you in a given year continues to receive interest credits based on the investments made during that year. Your total fund would then be composed of a series of annual "cells" of money, each of which would be earning different returns based on rates earned for bonds, mortgages, and other investments made during that year. The interest on those cells is usually considered a current year investment and would be invested with the new money for that year. In each year, therefore, you would have current year contributions and interest on your prior contributions being invested at current rates. At some point, the principal of your prior investments would also mature to provide more dollars being invested in any given year.

- The other approach to crediting investment earnings involves a portfolio of investments, often with much shorter maturities, which allows for a new rate based on your total assets to be determined annually. Instead of having pockets or cells of money, each of which continues to earn a return based on an initial investment, all assets are considered together in arriving at a total annual combined yield.

Variable Investment Contracts

Under a Variable Investment Contract, your contributions and those of the other policyholders are pooled and used to buy a portfolio of investments, either in common stocks, bonds, money market funds, or a combination thereof. The value of these investments may increase or decrease from year to year, depending on market conditions. You will have the opportunity to invest in any of the approved funds available within the contract you purchase.

The Variable Investment Contract is often considered to provide the investor with inflation protection. Even though variable products tend to reflect changes in price levels over the long term, stock values do not always move in conjunction with living costs. There have been periods when inflation levels were extremely high while stock prices were depressed. Although past performance is not necessarily indicative of future returns, many find it useful to review the historical level of investment return of particular variable annuity products. Therefore, you should consider the past performance record of all the funds within the variable contract you buy. For example, look at the strength of the basic growth funds, bond funds, and balanced funds within the contract. Also, make note how those accounts that are
largely composed of stocks (which are generally recognized as having the higher yielding returns desirable in long-term investments) have performed. In addition, many find it helpful to review the particular investment strategies set by the fund managers prior to selecting a variable investment contract.

**Mutual fund products**

Mutual funds are investment vehicles that are made up of a pool of funds collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

One advantage of mutual funds is that they give investors access to professionally managed, diversified portfolios of equities, bonds and other securities, which would be quite difficult (if not impossible) to create with a small amount of capital. Each shareholder participates proportionally in the gain or loss of the fund. Mutual fund units, or shares, are issued and can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share, which is sometimes expressed as NAVPS.

**Transferability**

The SUSORP plan provides that, where provided by contract, members may transfer all or any portion of the accumulated value of either their employer-funded and required employee-funded or voluntary employee-funded SUSORP accounts from one SUSORP provider company to another. This is known as a “contract exchange”. Such transactions are subject to the limitations or penalties provided in the individual contract with the company.

**Transfer Charges**

The provider companies may charge a fee for transfers or impose other restrictions. Transfer/withdrawal charges are generally of two types:

- A loss of a portion of the account value based on a percentage of withdrawal; or
- A lowering of the investment credit which the account would otherwise have received.

Some companies may offer products without any transfer/withdrawal charges; others may waive charges after a certain number of years of participation. The information given to you by the provider companies about their investment offerings will include specific information about transfer fees.

**Loans**

Effective July 1, 2012, the SUSORP does not allow members to borrow any funds provided by “or secured by” employer contributions, required employee contributions, or voluntary employee contributions. Benefits are available only after termination from all employment relationships with participating employers for three calendar months.

The law provides that “Benefits, including employee contributions, are not payable for employee hardships, unforeseeable emergencies, loans, medical expenses, educational expenses, purchase of a principal residence, payments necessary to prevent eviction or foreclosure on an employee’s principal residence or any other reason except a requested distribution for retirement, a mandatory de minimis distribution authorized by the administrator, or a required minimum distribution provided pursuant to the Internal Revenue Code.”

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2 If a company does not permit such transfers to other provider companies, no such transfers may be made to that company. (See Rule 60U-2.003(1)(g) and (2)(d), Florida Administrative Code.)

3 Before making your investment contract selections(s), you should understand any restrictions or charges that are imposed by the company.
Expense Charges

Participating companies may charge for their expenses in a variety of ways – an annual fixed administrative charge; an annual deposit charge; or an asset management charge. There might be other maintenance fees that are deducted from your account on a monthly, quarterly, or annual basis. Finally, you may incur service charges when you retire (receive a distribution that includes required employee contribution and/or employer contributions, and associated earnings). The information given to you by the provider companies about their investment offerings will include specific information about transfer fees. If the fee structures are not clear, you should ask each company to itemize all its applicable fees.

Voluntary Contributions

Tax–Sheltered Contributions to your SUSORP Account

In addition to the employer contributions being made to the SUSORP on your behalf, Florida law requires you to contribute 3 percent\(^4\) of your salary to the SUSORP. You may elect to contribute a voluntarily percentage of your earnings (currently up to 5.14 percent), subject to federal limits established under sections 403(b)2, 415(c), and 402(g) of the Internal Revenue Code. You have the option of directing these contributions to be invested among any of the approved products offered by the provider companies of the SUSORP. You must also have a contract with that vendor.

Tax–Sheltered Contributions to Other Plans

If your University or the United Faculty of Florida offers a tax-sheltered program under section 403(b)(7) of the Internal Revenue Code, also known as "custodial accounts," you are also permitted to make voluntary employee contributions to your custodial account without first contributing the maximum amount to the SUSORP.

If you are participating in the State of Florida's Deferred Compensation Plan (offered under section 457 of the Internal Revenue Code), there is an annual maximum amount of income you are allowed to defer under that plan. Contributions that are made to the SUSORP, either by your employer, your required employee contributions or through your own voluntary elections, and contributions to your custodial account may be counted as part of that maximum deferral. You may wish to consult a financial advisor or your SUSORP provider company regarding these maximums.

It is your responsibility to ensure that your aggregated contributions to all 457 and 403(b) plans do not exceed IRS limitations, regardless of whether such limits apply to 457 contributions or 403(b) contributions.

Quarterly Statements

Information regarding the Value of your Funds

After you become an SUSORP member, provider companies are required to send a quarterly report stating the performance of your investments during the most recent prior quarter, the amount contributed on your behalf during the quarter, and the total accumulated value of your fund. These statements will account for employer and required employee contributions, and any voluntary employee contributions. If you do not receive your quarterly statements, contact the provider company(ies) to insure they have your current mailing address. If contacting the provider company does not resolve the issue contact the Optional Retirement Program Office in the Bureau of Enrollment and Contributions. You may call this section toll-free at (877) 378-7677 or (850) 778-4696 in the Tallahassee local calling area, or e-mail orpdata@dms.MyFlorida.com.

\(^4\) Effective July 1, 2011, employees are required to contribute 3 percent of gross compensation on a pre-tax basis.
Termination of Employment

SUSORP Options upon Terminating Employment

The primary purpose of the SUSORP is to provide retirement income to participating State University System employees when they retire. However, as member in SUSORP, your fund value is totally vested after you execute an investment contract and complete your enrollment with the division. Therefore, you will not lose any benefits from the plan simply by terminating your employment before you are ready to actually retire. The following paragraphs describe your options.

Voluntary Employee Contributions

After meeting the required termination period, you may receive any voluntary employee contributions that you made to the SUSORP. There may be restrictions contained in the contract(s) you have selected. You must be terminated from all employment relationships with Florida Retirement System (FRS) participating employers for at least three calendar months to begin receiving these benefits.

The department may authorize a distribution of up to 10 percent of the member’s account after being terminated from employment with all participating employers for 1 calendar month if the member has reached the normal retirement date as defined in s. 121.021. Members wishing to use this option should contact the division at the number shown on the form ORP-ETF.

Employer Contributions and Required Employee Contributions

After you meet the definition of termination, you will have three options with respect to any required employee contributions you make and employer contributions paid on your behalf:

1. You may retain the investment contract(s) you have previously selected or elect to transfer your funds at any time to another investment company approved under the SUSORP, if your contract or contracts allow for such transfer. In either case, you would be leaving your funds in the SUSORP. With no additional contributions, your moneys would change over time only through future investment gains, losses, and expenses, until your eventual retirement. You could also choose to transfer your required employee and employer-paid funds to other investment opportunities. (Note that the Internal Revenue Service imposes certain restrictions on how long you may wait before you begin to receive income from your SUSORP investment contracts.)

2. You can elect to use your SUSORP funds to purchase an annuity or select another form of distribution. If you choose a lifetime annuity, your periodic income will be based on the size of your fund, your age, and the annuity purchase rates in effect at that time. Remember, the younger you are when you begin receiving payments, the less your periodic income may be because your annuity payments will be expected to continue over a longer period of time. Your annuity payments will be considered earned income and will therefore be subject to federal taxation. Talk with your provider if you want an automatic cost-of-living adjustment included as part your annuity payment.

3. You may elect to roll the contributions to another qualified plan.

If you roll funds that represent required employee or employer contributions, plus earnings, out of the SUSORP to another qualified plan, or annuitized your benefits or structured other benefit payment, you have taken a distribution and you are a retiree under the SUSORP and other-state administered retirement plans, regardless of age. You must be terminated from all employment with FRS-covered employers for at least three calendar months to become eligible to receive a distribution.

The department may authorize a distribution of up to 10 percent of the member’s account after being terminated from employment with all participating employers for 1 calendar month if the member has reached the normal retirement date as defined in s. 121.021. Members wishing to use this option should contact the division at the number shown on the form ORP-ETF.

Upon receiving a distribution, including rolling the funds to a non-SUSORP provider company, the retired member is subject to termination and reemployment restrictions and renewed membership requirements.
Retirees of a state-administered retirement system who are initially reemployed on or after July 1, 2010, are not eligible for renewed membership in a state-administered retirement plan. Therefore, it is important that members take this into account when considering taking a distribution, regardless of whether it is a withdrawal, rollover, or other payout of employer-funded or required-employee contribution funded benefits under the SUSORP – especially if returning to employment with an FRS-covered employer is being considered.

Benefits at Retirement

Retirement Benefits

The SUSORP is a defined contribution plan offered for certain eligible employees of universities in the State University System. Throughout each year, your university will contribute a percentage of your earnings and deduct 3 percent of your earnings on a pre-tax basis as required employee contribution. These contributions are reported to the Division of Retirement and then forwarded to the participating company or companies you selected. These contributions are invested on your behalf, at your direction, to create your retirement fund.

The percentage of compensation to be contributed each pay period to your contract provider is based on a rate established by State law. As noted earlier, the employer contribution rate is subject to change by the Florida Legislature. Effective July 1, 2012, the employer contribution rate is 5.15 percent with 0.01 percent funding the cost of SUSORP administration by the Division of Retirement.

Under a defined contribution plan, the amount you will receive at retirement will depend on your account(s) balance at that time. Your account balance will be based on your contribution level, your investment choices, gains/losses, market conditions, and the type of distribution option(s) you select. When you participate in a defined contribution plan, you bear all the investment risk; the risk that sufficient moneys may or may not be raised to provide you adequate retirement income at the time you hope to retire, and providing benefits throughout your retire lifetime. Your future contributions and investment performance can have a significant impact on your ultimate account balance.

If you elect to take your account distribution in the form of an annuity (guaranteed monthly benefit paid out over a specified period of time), the monthly benefit you will receive will be determined when you actually decide to retire and purchase the annuity and is based on your gender, your age at retirement, whether you provide a survivor benefit, if your annuity contract includes a cost-of-living adjustment, and market conditions.

Disability Benefits

The SUSORP does not provide a disability benefit. However, the plan provides full and immediate vesting upon execution of a contract and enrollment within the statutory timeframe. If your disability causes you to terminate your employment, depending on your age and tax penalties that may apply, you could elect to annuitize or otherwise receive your account balance at that time. Alternatively, if you have sufficient income through other means, you can allow the fund to continue to remain invested. You may also want to consider purchasing disability insurance during your employer to help subsidize your income in case you are disabled.

Survivor Benefits

In the event of your death before retirement, your beneficiary will be entitled to receive the full value of your SUSORP account(s). Your beneficiary may elect to receive a lump sum payment, or to receive monthly payments.

Under section 121.35, Florida Statutes, survivor benefits are payable as follows:
1. A lump sum distribution of SUSORP account(s), payable to the beneficiaries or to the deceased member's estate;  
2. An eligible rollover distribution on behalf of the surviving spouse of a deceased member, whereby all accrued benefits, plus interest and investment earnings, are paid from the deceased member’s account directly to an eligible retirement plan, as described in section 402(c)(8)(B) of the Internal Revenue Code, on behalf of the surviving spouse;  
3. Such other distribution options as are provided for in the member's optional retirement program contract; or  
4. A partial lump sum payment whereby a portion of the accrued benefit is paid to the deceased member's surviving spouse or other designated beneficiaries, less withholding taxes remitted to the Internal Revenue Service, if any, and the remaining amount is transferred directly to an eligible retirement plan, as described in section 402(c)(8)(B) of the Internal Revenue Code, on behalf of the surviving spouse. The proportions must be specified by the member or surviving beneficiary.  

You should contact your provider company or companies for a full explanation of the survivor benefits that are available under the investment contracts you hold.

Inflation Protection

When you elect to begin receiving retirement payments, your benefit stream will be determined by the type of payment contract you select:

- If you select a form of distribution other than an annuity (such as a lump sum distribution or periodic payments), no cost-of-living adjustment (COLA) option will be available.  
- If you select a fixed-income annuity with no adjustment for inflation (less expensive than an annuity with inflation protection), your payment amount will be set at retirement without any protection against future inflation and will continue unchanged for the remainder of your life (or for a fixed payment period as established by contract).  
- If your investment provider offers an annuity with a COLA as a distribution option, and you choose this more expensive type of annuity, your initial payment amount will be set at retirement and will increase periodically by the contracted amount for the remainder of your life (or for a fixed payment period as established by contract).  
- If you select a variable income annuity, your payments may fluctuate based on the investment returns of the annuity underwriter. Variable contracts may provide the investor with some inflation protection, but also with some downside risk.  
- If your funds are invested in mutual fund products, you will have the option of purchasing an annuity, distributing the funds, or rolling them over to another plan.

If you also have vested creditable service under the FRS when you elect to begin receiving retirement payments from the SUSORP, you may also apply to receive your FRS benefit.

Health Insurance Subsidy Payments

SUSORP members have funding for the HIS benefit included in their employer contribution rate and are not eligible to receive monthly HIS payments for any period of time they were covered under the SUSORP. However, if an SUSORP member also has vested creditable service under the FRS, when the retiree chooses to begin receiving his/her FRS benefit he/she may be eligible for a monthly HIS payment based on his/her FRS service.

Tax Considerations

Taxes Deferred on Account Accumulations
Because the funds contributed to the SUSORP for your retirement benefits are contributed on a pre-tax basis, you pay no current Federal income on those contributions or Federal income or FICA taxes on their investment earnings\(^5\). When you decide to retire and receive your retirement funds, those benefits will be subject to Federal income taxes as described below.

**Taxes Owed upon Withdrawal**

If you withdraw any or all of your voluntary tax-sheltered contributions from the SUSORP, and do not roll over those funds into another tax-deferred qualified plan, the amount withdrawn will be subject to income taxes. Certain restrictions and tax penalties apply to withdrawals from tax-sheltered annuities before age 59-1/2. Because of this and the law's possible impact on your financial planning objectives, you are encouraged to seek information and advice from a qualified advisor or tax planner before withdrawing any of your SUSORP funds.

**Special Considerations**

If you participate in more than one tax-sheltered plan (such as a 457 deferred compensation plan), then you are responsible for ensuring that your total tax-deferred income – in other words, all income you elect to shelter from taxation by directing it into voluntary contributions to a tax-sheltered plan – does not exceed the maximum as specified by Internal Revenue Code and Regulations. Please contact your provider(s) or a tax planner for a contribution limit calculation.

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\(^5\) Special tax laws allow public employees to exclude certain contributions from current federal income taxes (not including Social Security taxes). You may elect to contribute a percentage of your earnings, subject to Internal Revenue Code limits under sections 403(b)2, 415(c) and 402(g).