



November 26, 2007

Dear State University System Optional Retirement Program (SUSORP) Participant:

The 2007 Florida Legislature made some important changes affecting your retirement plan choices. SUSORP participants have **new opportunities** to enroll in the Florida Retirement System (FRS) beginning January 1, 2008. Here are a few key points:

- The FRS offers a defined contribution plan (FRS Investment Plan) in addition to its traditional defined benefit plan (FRS Pension Plan). There is also a hybrid option that combines both of these plans (you must meet a minimum service requirement to choose this option).
- Clinical faculty at a state university with a faculty practice plan who are mandatory members of the SUSORP are **not** eligible to transfer to the FRS.
- If you wish to make a retirement plan change from SUSORP to either FRS Plan, you must complete the enclosed *ORP-2 Conversion Form*. Telephone and Internet enrollment are not available.
- If you change to either FRS Plan, you will be enrolled in either the Regular Class or the Senior Management Service Class (only for positions included in the Executive Service of the State University System).
- The deadline for making a retirement plan change is December 31, 2008.
- If you choose to change from SUSORP to either the FRS Investment Plan or FRS Pension Plan, you may have one **additional** opportunity to elect to switch to the other FRS plan, which you may exercise during your active career under the FRS.
- As a SUSORP participant you do not have access to the online CHOICE SERVICE. However, you may call the toll-free MyFRS Financial Guidance Line to receive answers to all your questions on the FRS plans.
- **If you change to the FRS Pension Plan, you may/may not be eligible to participate in DROP (see “How Do the Plans Compare?”).**

The enclosures with this letter outline your options and some of the key differences between the SUSORP, FRS Investment Plan, and FRS Pension Plan. We hope you will use all the available free FRS educational resources to make your decision (see sidebar). We also encourage you to contact your university’s Human Resource Office or SUSORP investment provider to understand your benefits and fees under the SUSORP.

Free, Objective Help!

The MyFRS Financial Guidance Program is the official financial education program funded by the FRS. It is an ongoing support system that helps employees select their retirement plan and get ready for retirement.

As you make your decision, you will have free support through the MyFRS Financial Guidance Line at **1-866-446-9377** where you may talk to an Ernst & Young financial planner (Option 1) or a Division of Retirement counselor (Option 3) about your options.

You may also get information on the FRS Investment Plan and FRS Pension Plan from the **MyFRS.com** Web site.

Should you enroll in the FRS (either the Investment Plan or Pension Plan), the MyFRS Financial Guidance Line, MyFRS.com and retirement planning workshops will be available to you.

Should you remain in the SUSORP, your university’s Human Resource Office or SUSORP investment provider will be available to answer any questions you have regarding the SUSORP and its investment products.

A PRIMER ON YOUR NEW RETIREMENT PLAN CHOICES

Recently enacted legislation in SB 420 (Chapter 2007-92, Laws of Florida) provides several new retirement plan options for actively employed SUSORP participants.

- If eligible, you can transfer the present value of certain past FRS Pension Plan service to the SUSORP. This includes any FRS Pension Plan service from the date of your SUSORP eligibility to the date of your initial SUSORP participation.
- The law also provides SUSORP participants a one-time only window period to transfer from the SUSORP to the FRS Pension Plan or FRS Investment Plan. You have from January 1, 2008 through December 31, 2008 to exercise this one-time transfer opportunity. You will want to explore your options carefully *under all three plans*, and make the informed decision that is best for you. **IF YOU DO NOT WISH TO TRANSFER TO THE FRS OR TRANSFER YOUR FRS SERVICE TO THE SUSORP, NO ACTION IS REQUIRED ON YOUR PART.**

SUSORP - If you decide to remain in the SUSORP, your university will continue to make contributions to the SUSORP account set up in your name and you will continue to select investments from the SUSORP investment provider under your plan (employee contributions are optional). If you have service credit in the FRS Pension Plan from July 1, 1984 through December 31, 1992 and this service was earned between your initial date of SUSORP eligibility and your SUSORP effective date, you may elect to transfer to the SUSORP an amount representing the present value of this FRS Pension Plan service (a maximum of 3 months). If you are interested in the present value transfer, you may contact the Division of Retirement at 1-866-446-9377, Option 3, for a calculation of the amount to be transferred.

For example, if you were hired at a university on January 1, 1990 and joined the SUSORP effective April 1, 1990, you would be eligible to transfer to your SUSORP account the present value of 3 months of FRS Pension Plan service earned between January 1, 1990 and March 31, 1990.

Note: There is no cost for you to select this option. Virtually all SUSORP participants with service during the specified period above can have additional funds transferred to their SUSORP account. Under current law, there is no deadline for this option. However, you must submit the attached ORP-2 Conversion Form (and elect Option 1) to take advantage of this option.

FRS Pension Plan - If you elect to change to the FRS Pension Plan, your university will pay the required monthly contributions needed to fund a future lifetime monthly benefit based upon a formula set by Florida law (employee contributions are not permitted). The FRS Pension Plan is a defined benefit plan, rather than a defined contribution plan like the SUSORP and the FRS Investment Plan. Your current SUSORP account will be closed and you must “buy in” to obtain service credit under the FRS Pension Plan. The cost of the buy-in is the actuarial accrued liability or total cost to establish service credit as if you had always been in the FRS Pension Plan (rather than the SUSORP). You must transfer from your SUSORP account a sum representing the buy-in cost. If your current SUSORP balance is less than the buy-in cost, you must make up the difference with your own personal funds. If your SUSORP balance is greater than the buy-in cost, the excess balance will remain in the SUSORP. You must have 6 years of creditable service to vest under the FRS Pension Plan. The service credit you purchase under the FRS Pension Plan for your SUSORP service will count toward this vesting requirement. If you are interested in receiving an estimate of the Pension Plan buy-in cost, you should contact the Division of Retirement at 1-866-446-9377, Option 3, prior to making your election.

For example, if you were hired at a university on January 1, 1990, then joined the SUSORP effective April 1, 1990 and remained in the SUSORP until you transferred to the FRS Pension Plan effective April 1, 2008, you would begin membership in the FRS Pension Plan with a total of 18.30 years of service (18 years in the SUSORP plus 3 months service credit earned between January 1, 1990 and March 31, 1990). You would be immediately vested in your FRS Pension Plan account since you have more than 6 years of FRS service credit and have met the FRS Pension Plan vesting requirement.

FRS Investment Plan - If you decide to change from the SUSORP to the FRS Investment Plan, you will retain your existing SUSORP account balance, but all future university contributions will be directed to your account in the FRS Investment Plan. Your university will contribute to an FRS Investment Plan account set up in your name, much like the SUSORP, but employee contributions are not permitted. You will decide where the contributions are invested among the FRS Investment Plan's 20 investment funds. Your combined service under the FRS Investment Plan and/or FRS Pension Plan must equal at least 1 year for you to be vested in the contributions and associated earnings. The present value of any previous FRS Pension Plan benefit you may have accrued will be transferred to the FRS Investment Plan as your opening account balance (no maximum applies). However, the transferred amount only vests after you have completed at least 6 years of FRS service (including your service under the FRS Pension Plan and FRS Investment Plan, but excluding your SUSORP service).

For example, if you were hired at a university on January 1, 1990, then joined the SUSORP effective April 1, 1990 and remained in the SUSORP until you transferred to the FRS Investment Plan effective April 1, 2008, you would leave your current balance in the SUSORP and begin membership in the FRS Investment Plan with 3 months of service credit (earned between January 1, 1990 and March 31, 1990). To be vested in the FRS Investment Plan you would need to work at least 1 year (the 3 months of service credit you have already accrued in the FRS Pension Plan would count towards this requirement; however, your SUSORP service would not). The present value of your 3 months of FRS Pension Plan service will be transferred to the FRS Investment Plan as your opening account balance. This transferred amount plus earnings would not vest until you completed at least 6 years of service (the 3 months of service credit you have already accrued in the FRS Pension Plan would count towards this requirement; however, your SUSORP service would not).

FRS Hybrid Option – If you have at least 5 years of previous FRS Pension Plan service, you can choose the FRS Hybrid Option. Under this option, you will retain all service credit you earned under the FRS Pension Plan and your current SUSORP account and balance will remain in place. All future contributions will be directed to a new account in the FRS Investment Plan. You will be immediately vested in future contributions in the FRS Investment Plan, but you must have at least 6 years of FRS service (including your service under the FRS Pension Plan and FRS Investment Plan) to vest in the FRS Pension Plan service. You do not have the option of transferring the present value of any of your FRS Pension Plan service into the FRS Investment Plan (this service must remain in the FRS Pension Plan).

For example, assume you had earned 5 years of FRS Pension Plan service working at a state agency and were then hired at a university on January 1, 1990. If you joined the SUSORP effective April 1, 1990 and remained in the SUSORP until you transferred to the FRS Hybrid Option effective April 1, 2008, you would leave your current balance in the SUSORP and begin membership in the FRS Investment Plan. You would have a total of 5.30 years of FRS Pension Plan service (5 years of previous Pension Plan service plus 3 months of Pension Plan service earned between January 1, 1990 and March 31, 1990). You would be immediately vested in any future contributions paid into your FRS Investment Plan account since you have more than 1 year of FRS service credit and have met the FRS Investment Plan vesting requirements. However, to be vested in your FRS Pension Plan benefit you would need to attain at least 6 years of FRS service (the 5.30 years of service credit you have already accrued in the FRS Pension Plan would count towards this requirement; however, your SUSORP service would not).

More Information

For more in-depth information regarding...

- ...The SUSORP - you should contact your current SUSORP investment provider or your university's Human Resource Office.
- ...The FRS Plans and Your Choices - you can refer to the enclosed information, MyFRS.com, or contact the MyFRS Financial Guidance Line at 1-866-446-9377 (TTY: 1-888-429-2160), where you can speak to an Ernst & Young financial planner (select Option 1) or Division of Retirement counselor (select Option 3).

HOW DO THE PLANS COMPARE?

The SUSORP and the FRS Investment Plan are participant-directed defined contribution plans, with a number of features in common, while the FRS Pension Plan is a traditional defined benefit plan. However, each retirement plan has important distinguishing characteristics that you should consider before making your choice. You should also review the FRS Pension Plan and FRS Investment Plan information available on MyFRS.com or through the MyFRS Financial Guidance Line at 1-866-446-9377 (TTY: 1-888-429-2160).

	SUSORP	FRS Investment Plan	FRS Pension Plan
Plan Type	A retirement plan designed for a more mobile workforce.	A retirement plan designed for a more mobile workforce.	A traditional retirement plan designed for longer-service employees.
When do I become vested in my benefit?	You are vested for all accumulations under the SUSORP immediately upon executing an investment contract with a provider company (effective with your first date of SUSORP employment).	After 1 year of FRS service, you are vested for all employer contributions, plus investment earnings. (Any prior FRS service counts toward this requirement.) Any transferred FRS Pension Plan service vests after 6 years of service.	You must have 6 years of creditable service to vest under the FRS Pension Plan.
Who makes monthly contributions to the account and how much is contributed?	Your university contributes 10.42% of your gross salary to your SUSORP account, as set by law. You may also make optional pre-tax contributions up to the amount of the employer contributions.	Your university contributes a percentage of your gross salary to your account (Regular Class = 9% and Senior Management Service Class = 10.95%). You may not make employee contributions.	Your university contributes a percentage of your gross salary into a single pension trust fund for all FRS Pension Plan members. You may not make employee contributions.
Can I transfer the value of my prior service into the plan?	Yes, but you may only transfer an amount representing the present value of your benefit for FRS Pension Plan service earned between your initial date of SUSORP eligibility and your SUSORP effective date. The service must have been earned during the period July 1, 1984 through December 31, 1992.	Yes, you may transfer an amount representing the present value of your FRS Pension Plan benefit if you have prior FRS creditable service.	Yes, you may “buy in” to the FRS Pension Plan and obtain service credit for your SUSORP service. Service will be purchased as Regular Class or Senior Management Service Class service depending on verification from your university of the position(s) you filled.
What about disability benefits, Retiree Health Insurance Subsidy payments (HIS) or retirement and financial planning education?	You must provide your own disability coverage and retirement planning education out of your own resources. You do not qualify for FRS disability benefits. ² A contribution representing the Retiree Health Insurance Subsidy is included in your employer contribution rate.	You receive disability coverage, ¹ the Retiree Health Insurance Subsidy, ² and retirement planning education with no out-of-pocket cost. The cost is paid by your university.	You receive disability coverage, the Retiree Health Insurance Subsidy, and retirement planning education with no out-of-pocket cost. The cost is paid by your university.

¹ Disability benefits for FRS Investment Plan members mirror those provided under the FRS Pension Plan.

² The HIS, which is paid monthly, is \$5 for each year of creditable service, with a minimum payment of \$30 and a maximum payment of \$150 per month. If you are an Investment Plan member, HIS payments are available only after you attain at least six years of FRS service credit and you reach the normal retirement eligibility requirements of the FRS Pension Plan.

	SUSORP	FRS Investment Plan	FRS Pension Plan
Who invests the contributions?	The Division of Retirement has chosen 83 investment products from 5 investment providers for investment of your SUSORP contributions at your direction.	The State Board of Administration has chosen 20 investment funds (institutional and mutual funds) for investment of your FRS Investment Plan contributions at your direction.	The State Board of Administration manages the FRS Pension Plan Trust Fund for all FRS members. Investment results do not affect your benefit.
What are my investment fund expenses?	Contact your SUSORP investment provider; annual fees can vary widely by provider and can be material.	Participants pay average annual fees of about 0.29% of their account value; fees range from 0.02%-0.91%.	None. The FRS Pension Plan Trust Fund pays all investment fund expenses.
Are there any other charges besides the investment fund expenses?	Contact your SUSORP investment provider for additional information on any mortality and expense or surrender charges that may apply.	There are no other charges for active members. Retired or inactive members with account balances may pay a \$6 per quarter account maintenance fee.	No.
How does my benefit/account grow?	Your SUSORP benefit should accumulate steadily over your career, despite short-term ups and downs in the market. Your benefit ultimately depends on the investment returns earned on contributions. In the early years of your SUS career, most of your benefit comes from the contributions paid into your account by your university and you. Over time your investment earnings may account for a larger portion of your account balance.	Your Investment Plan benefit should accumulate steadily over your career, despite short-term ups and downs in the market. Your benefit ultimately depends on the investment returns earned on contributions. In the early years of your FRS career, most of your benefit comes from the contributions paid into your account by your university. Over time your investment earnings may account for a larger portion of your account balance.	Your Pension Plan benefit grows slowly at first, and then, because the Pension Plan formula is based on the average of your highest years of pay and your total years of creditable service, it takes a steep climb near retirement age. A 30-year employee will earn over 50% of their benefit in the last 10 years of their FRS career.
How is my retirement benefit calculated?	Your retirement benefit is based on your account balance, made up of: <ul style="list-style-type: none"> • University contributions to your account. • Plus your voluntary employee contributions, if any. • Plus or minus investment returns (gains and losses). • Minus expenses and fees. 	Your retirement benefit is based on your account balance, made up of: <ul style="list-style-type: none"> • University contributions to your account. • Plus or minus investment returns (gains and losses). • Minus expenses and fees. 	Your retirement benefit is a guaranteed benefit based on a formula that includes your: <ul style="list-style-type: none"> • Age. • FRS membership class (e.g., Regular Class, Special Risk Class, etc.). • Years of FRS service. • An average of your five highest years of salary.

	SUSORP	FRS Investment Plan	FRS Pension Plan
How is my benefit paid to me?	<p>Depends on the options offered by your SUSORP investment provider.</p> <p>Distribution options include:</p> <ul style="list-style-type: none"> • A lump-sum distribution. • A lump-sum direct rollover of your accrued benefits, including interest and investment earnings into another qualified plan. • Periodic distributions. • A partial lump-sum payment in which you are paid a portion of the accrued benefit and you direct your remaining account balance to be rolled into another qualified retirement plan. • Other distribution options as allowed by your optional retirement program contract. 	<p>Flexible distribution options are available, including:</p> <ul style="list-style-type: none"> • Leave your money in the plan (account balance must be greater than \$1,000) until age 70½, when mandatory distributions must begin. • Purchase an annuity that provides guaranteed monthly payments for life using all or part of your account balance. Surviving beneficiary and cost-of-living adjustment options are available. • Receive periodic distributions. • Elect a full or partial lump-sum distribution when you retire or at any future date. • Roll your money into a qualified retirement plan. • Choose any combination of distribution options allowed under the Investment Plan. 	<p>You receive guaranteed monthly checks for life, increasing each July due to a 3% cost-of-living adjustment. You can choose payout options that provide continued monthly payments to your surviving beneficiary/joint annuitant.</p>

	SUSORP	FRS Investment Plan	FRS Pension Plan
Can I participate in the Deferred Retirement Option Program (DROP)?	No, you are not eligible for DROP participation as a SUSORP participant.	No, you are not eligible for DROP participation as an Investment Plan member.	<p>You may be eligible for DROP participation if you meet the eligibility requirements. Please note that if you elect to change to the FRS Pension Plan, and you are past your normal retirement date (age 62 with 6 years of service or 30 years of service, regardless of age) you may not be eligible to participate in DROP or your total DROP participation period may be limited. <u>The law does not provide for any special DROP grandfathering provisions for SUSORP participants transferring to the FRS Pension Plan.</u></p> <p>For example, if you “buy in” to the FRS Pension Plan and have 25 years of service and are age 64, you would not be eligible to participate in DROP because you are more than 2 years beyond your normal retirement date.</p> <p>Please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 3, to determine whether you would be eligible to join the DROP.</p>

WHICH DEFINED CONTRIBUTION PLAN MIGHT PROVIDE YOU WITH A HIGHER BENEFIT?

You should carefully review your SUSORP contract(s) and the materials in this packet to understand all aspects of the plans, but the following table provides a numerical comparison that reflects three important financial differences between the plans: 1) contribution rates, 2) annual fees, and 3) the Health Insurance Subsidy benefit.

Table 1: The Potential Value of FRS Investment Plan and SUSORP Accounts at Age 62, Based on Employer Contributions

Assumptions: current employee age is 42, current salary is \$35,000, annual salary growth is 3%, employee earns a 7% annual investment return before fees, the FRS Investment Plan has a 9% employer contribution rate, and the SUSORP has a 10.42% employer contribution rate.

Years of Service	FRS Investment Plan*		SUSORP at Various Annual Fees				
	Default Fund	Annual Fee of 0.05%	Fee=0.35%	Fee=0.50%	Fee=1.00%	Fee=1.50%	Fee=2.00%
5		\$57,580	\$59,451	\$57,854	\$52,823	\$48,209	\$43,980
10		\$106,218	\$109,458	\$106,887	\$98,733	\$91,183	\$84,195
15		\$147,413	\$151,523	\$148,444	\$138,636	\$129,492	\$120,968
20		\$182,413	\$186,906	\$183,664	\$173,317	\$163,642	\$154,593

Notes:

* The default fund is the FRS Select Moderate Balanced Fund. It is the most commonly used fund in the Plan and has investments in stocks and bonds. The current annual fee of 0.05% is subject to change in the future. The projected account balances include the present value of 23 years of Health Insurance Subsidy (HIS) payments calculated using a 5% discount rate. The projected account balances do not include any estimate for the value of disability benefits available to FRS members. The HIS, which is paid monthly, is \$5 for each year of creditable service, with a minimum payment of \$30 and a maximum payment of \$150 per month. HIS is available only after you attain six years of FRS service credit and you reach the normal retirement eligibility requirements of the FRS Pension Plan.

It is important for you to understand that the information in Table 1 are frameworks to be used in your plan choice, but they are not a substitute for your own informed judgment or decisions. The projections are based on specific assumptions and do not constitute any guarantee or promise of performance, implied or otherwise by the FRS. There may be other factors, beside potential account value that could be relevant to your choice between programs and investment providers. Moreover, the information in this attachment provides only some of the resources that could possibly assist you in making your decisions and may not reflect all of your individualized needs and circumstances. You do not need to accept the analysis, and you may consult with other advisors or professionals (at your expense) as you see fit regarding your personal circumstances. In particular, before making any decision about which plan to choose, you should consider your other assets, income and investments (including, for example, equity in a home, IRA investments, savings accounts and interest in other retirement plans). FRS Investment Plan fees are subject to change.