

**NORTHWEST FLORIDA STATE
COLLEGE**

RETIREMENT PLANS

**FLORIDA RETIREMENT SYSTEM (FRS)
PENSION PLAN**

**FLORIDA RETIREMENT SYSTEM (FRS)
INVESTMENT PLAN**

OPTIONAL RETIREMENT PROGRAM (ORP)

BENEFIT

Your retirement benefit is a guaranteed benefit based on a formula that includes your:

- * age (65)
- * FRS membership class (e.g. Regular Class, Special Risk Class, etc.)
- * years of FRS service (33)
- * 8 years of highest pay, averaged

Your retirement benefit is based on your account balance, which equals:

- * 3% employee contribution and employer contributions to your account
- * *plus* investment returns
- * *minus* expenses, fees and losses

Your retirement benefit is based on your account balance, which equals:

- * 3% employee contribution and 7.43% employer contributions to your account
- * *plus* investment returns
- * *minus* expenses, fees and losses

CONTRIBUTIONS

Monthly contributions based on salary and FRS membership class are ***paid by you (a 3% contribution) and your employer*** to a single pension trust fund.

The State Board of Administration manages the Pension Plan Trust Fund for all FRS members.

Monthly contributions based on salary and FRS membership class are ***paid by you (a 3% contribution) and your employer*** to an account set up in your name.

You choose how contributions are allocated among the assortment of investment funds set by the State Board of Administration. You can change your investment elections at any time.

Monthly contributions based on salary are ***paid by you (a 3% contribution) and your employer*** to the ORP Provider Company Company you have chosen.

You allocate contributions among the available investment options (e.g. Guaranteed, Stock, Money Market, Bond, Social Choice, etc.). You design an investment strategy to suit your own needs and circumstances.

VESTING

Benefits vest after 8 years of FRS service.

Benefits vest 100% immediately for Employee contributions; After 1 year of employment for Employer contributions.

Benefits vest immediately.

PORTABILITY

Portable within 800 FRS Employers so if you go to another FRS employer, your benefit will continue to grow.

Portable within 800 FRS Employers as well as employers outside the FRS umbrella.

Portable among more than 5,000 institutions nationwide.

DEFERRED RETIREMENT OPTION PROGRAM (DROP)

DROP is available when you are eligible for normal retirement. You can retire while continuing to work for up to 60 months and draw normal salary. While you are in DROP, retirement benefits accumulate in the Pension Trust Fund. At termination, you would receive DROP benefits as a lump sum, a rollover or a combination.

You are not eligible for DROP under the FRS Investment Plan.

You are not eligible for DROP under the ORP Plan.

MORE INFORMATION

Enclosed

Enclosed

Qualified Companies:

- *Metlife
- *Valic
- *TIAA CREF

More information available in Human Resources

**MORE INFORMATION
CONCERNING THE
PENSION PLAN AND THE
INVESTMENT PLAN**

What's the DIFFERENCE?



Comparing the FRS Pension Plan and the FRS Investment Plan

Before you make your retirement plan selection, it's important to know the key differences between the two Florida Retirement System (FRS) plan options. Review the chart that follows to learn about the similarities and differences.

	FRS Pension Plan	FRS Investment Plan
How does the plan work?	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 • 8 years of highest pay, averaged¹ 	Your retirement benefit is based on your account balance, which equals: <ul style="list-style-type: none"> • employer and employee contributions to your account • plus investment returns • minus expenses, fees and losses
Who makes the monthly contributions?	Your employer contributes the majority of your FRS retirement plan savings. A mandatory 3% pretax contribution is directed from your paycheck into your retirement account regardless of the plan you choose.	
Where do the contributions go?	All contributions go into a single pension trust fund for all Pension Plan members.	Your and your employer's contributions go into a portable individual account that you manage.
Who invests?	The State Board of Administration manages the Pension Plan trust fund for all FRS employees.	The State Board of Administration has chosen an assortment of investment funds; you can elect how to allocate your and your employer's contributions among those funds. You can change your investment elections at any time.
Who assumes investment risk and reward?	The FRS and your employer. Investment results do not affect your benefit.	You. Investment results do affect your benefit.
What other factors affect my benefit?	The length of your FRS service is most important, but salary growth, FRS membership class, vesting, inflation, your age at hire and retirement, how long you live after retiring, and DROP participation also make a difference.	
When do I become vested in my benefit?	After 8 years of FRS service. ^{2,3}	After 1 year of FRS service. ³ If you choose to transfer the present value of your accrued Pension Plan benefit into the Investment Plan, the transferred portion of your benefit will vest on the Pension Plan's 8-year schedule. ²

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What's the DIFFERENCE?

Continued from previous page

	FRS Pension Plan	FRS Investment Plan
What happens to my benefit if I leave my job?	If you go to another FRS employer, your benefit will continue to grow. If you leave FRS employment after vesting, your benefit will be frozen until you return to FRS employment or until you begin to receive an early or normal retirement benefit.	If you leave your job, you can keep your benefit in the FRS, where it will remain invested, or you can transfer your account to another retirement plan. Either way, it has the opportunity to grow. You can also elect to cash out your benefit when you leave, but you may be subject to tax penalties for taking an early withdrawal.
How is my benefit paid to me?	Monthly guaranteed payments for life beginning at retirement. (A 3% cost of living adjustment is automatically applied each July only for Pension Plan service earned prior to July 1, 2011.) Other options provide for continued payments to your surviving beneficiary/joint annuitant.	You have flexible payment options. It can be a lump sum — payable when you leave or on any future date you choose. You can also buy guaranteed monthly annuity checks for life using all or part of your account balance, with surviving beneficiary and cost-of-living adjustment options available.
What about DROP? (Deferred Retirement Option Program)	You're eligible for DROP after reaching normal retirement eligibility.	You're not eligible for DROP.
Can I switch plans?	After you enroll, you will have a one-time second opportunity (called your 2 nd Election) to switch to the other retirement plan during your active FRS-covered employment. (See the 2 nd Election Flyer in the Publications section under Resources at MyFRS.com .)	
Can future funding increases impact future contributions and benefit levels?	Yes. As of the July 1, 2010 valuation, the Pension Plan had actuarial assets of \$120.9 billion and actuarial liabilities of \$137.6 billion, resulting in a plan funding level of 87.9%. 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.	Yes. Pension Plan underfunding or future cost increases to fund the FRS may make it necessary for the Florida Legislature to lower the amount that employers contribute to Investment Plan members' accounts or to increase the amount that employees contribute to their Investment Plan accounts.

¹ If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, your retirement benefit will be calculated based on your 5 highest years of pay, averaged.

² If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, you will vest in your benefit after 6 years of FRS service.

³ You are always fully vested in your own contributions.

Free help is available...personalized for you

To learn more about your retirement plan options:

- ✓ Visit MyFRS.com and review the New Hire Roadmap.
- ✓ Call the FRS toll-free: 1-866-446-9377 (TRS 711).
 - Select option 1 to speak with an unbiased financial planner about both plans.

This flyer highlights some of the differences between the two FRS plans. For a more detailed comparison, go online to MyFRS.com and select FRS Programs.

Plan Overview

	FRS Pension Plan	FRS Investment Plan
Who contributes and how much?	Your employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary as determined by the state legislature. A mandatory 3% pretax contribution is deducted from your paycheck and deposited into the retirement trust fund.	Your employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary (total employee and employer rate is 9% for Regular Class employees). A mandatory 3% pretax contribution is deducted from your paycheck and deposited into your retirement account.
Where are the monthly contributions deposited?	Into a single pension trust fund for all FRS Pension Plan members.	Into an investment account that is established in your name by the FRS.
Who invests the money?	The State Board of Administration of Florida manages the Pension Plan trust fund for all FRS employees. Investment results do not affect benefits.	You can elect how to allocate your and your employer's contributions among the funds available to Investment Plan participants. You are responsible for managing your account and you can change your investment elections at any time. Investment results will affect your benefit.
When am I vested in my benefit?	After 8 ¹ years of FRS service. You are always fully vested in your own contributions.	After 1 year of FRS service. You are always fully vested in your own contributions.
What if I change jobs after vesting?	If you go to work for another FRS employer, your Pension Plan benefit will continue to grow. If you go to work for a non-FRS employer, your Pension Plan benefit will be frozen until you either begin receiving monthly retirement benefits or you return to FRS-covered employment.	If you go to work for another FRS employer, you will remain enrolled in the Investment Plan and contributions will continue to be made to your account. If you leave FRS employment, you have the option of: <ul style="list-style-type: none"> • Leaving your money in the Plan.² OR • Taking a distribution and retiring.³

¹ If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, you will vest in your benefit after 6 years of FRS service.

² Account maintenance fees of \$6 per quarter may apply. Distribution is mandatory if the account balance is \$1,000 or less.

³ Cash distributions will be taxed according to your tax bracket. Penalties may apply depending on your age at distribution.

Plan Overview

	FRS Pension Plan	FRS Investment Plan
Can I switch plans after I make my initial election?	Yes. You have a one-time 2 nd Election that you can use during your FRS career to switch to the other FRS retirement plan, providing you are actively employed by an FRS-covered employer earning retirement service credit at the time your election is received.	
How does my benefit/account grow?	The 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 total years of creditable service, it takes a steep climb near retirement age. A 33-year employee will earn over 50% of their benefit in the last 10 years of their FRS career.	The Investment Plan benefit should accumulate steadily over your career, despite short-term ups and downs in the market. Your benefit ultimately depends on how well you manage your account and the investment returns earned on contributions. In the early years of your FRS career, most of your benefit comes from the contributions paid into the account by your employer and you. Over time, the investment earnings may account for a larger portion of your account balance.
How is my retirement benefit calculated?	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 8¹ highest years of salary. 	Your retirement benefit is based on your account balance, made up of: <ul style="list-style-type: none"> • Employer and employee contributions to your account. • Plus or minus investment returns (gains and losses). • Minus expenses and fees.

¹ If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, your retirement benefit will be calculated based on your 5 highest years of pay, averaged.

Plan Overview

	FRS Pension Plan	FRS Investment Plan
<p>How is my benefit paid at retirement?</p> <p>Note that you cannot receive a distribution unless you have terminated from all FRS employment.</p>	<p>Guaranteed monthly checks for life. Cost-of-living adjustment will be applied to the portion of your benefit that is based on service earned prior to July 1, 2011.</p> <p>You can choose payout options that provide continued monthly payments to your surviving beneficiary/joint annuitant.</p>	<p>Flexible distribution options are available. As long as your balance is more than \$1,000, you can:</p> <ul style="list-style-type: none"> • Leave your money in the plan 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.² • Elect a lump sum when you retire or at any future date.² • Roll it over into another qualified retirement plan.
<p>Does the plan provide other benefits?</p>	<p>Yes, including DROP¹, disability benefits, and retiree Health Insurance Subsidy (HIS) payments.</p>	<p>Yes, including disability benefits and retiree Health Insurance Subsidy (HIS) payments.</p>
<p>Can future funding increases impact future contributions and benefit levels?</p>	<p>Yes. As of the July 1, 2010 valuation, the Pension Plan had actuarial assets of \$120.9 billion and actuarial liabilities of \$137.6 billion, resulting in a plan funding level of 87.9%. 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.</p>	<p>Yes. Pension Plan underfunding or future cost increases to fund the FRS may make it necessary for the Florida Legislature to lower the amount that employers contribute to Investment Plan members' accounts or to increase the amount that employees contribute to their Investment Plan accounts.</p>

¹ Deferred Retirement Option Program. Visit MyFRS.com for details.

² Cash distributions will be taxed according to your tax bracket. Penalties may apply depending on your age at distribution.

Each Plan Has Advantages and Disadvantages

Both retirement plans have advantages and disadvantages. The plan that's best for you (i.e., the one that will provide the highest income to you at retirement) will depend on your personal situation. Following are some pros and cons to consider for each plan.

The FRS Investment Plan

Advantages	Disadvantages
<ul style="list-style-type: none"> • You are vested¹ after 1 year of service, rather than the 8² years it takes to vest in the Pension Plan. • If you're a younger employee, your account balance has more time to grow. • Your account could grow significantly if the underlying investments do well. • You have a diversified choice of investment funds, including balanced funds, stock funds, bond funds, an Inflation-Protected Securities (TIPS) fund, and a money market fund. • If you leave your job, you can keep your benefit growing by leaving it in the plan or rolling it over to another qualified retirement plan. • Flexible distribution options are available. • If you have a retirement plan benefit from a former employer, you may be able to roll it over to the Investment Plan. • If you meet Health Insurance Subsidy (HIS) requirements, you may be eligible for the HIS. • You may be eligible for disability benefits. • You have access to the free, unbiased MyFRS Financial Guidance Program resources. 	<ul style="list-style-type: none"> • There is investment risk involved. Your benefit may decrease in value if the investments in your account don't perform well. • You must have enough discipline to take a long-term approach to investing. • You need to actively monitor your investments. • Consider your age. If you're an older employee, you may not have enough time to accumulate a large account balance before you retire. • You could outlive your benefit if you don't plan carefully or buy an annuity that provides a guaranteed monthly payment option for life. • You're not eligible for DROP³. • If you decide to use your 2nd Election to transfer to the Pension Plan, and your Investment Plan account balance is lower than the amount needed to fully fund your Pension Plan account, it is your responsibility to make up the difference using your personal resources. This "buy-in" cost could make transferring to the Pension Plan unaffordable. • Pension Plan underfunding or future cost increases to fund the FRS may make it necessary for the Florida Legislature to lower the amount that employers contribute to Investment Plan members' accounts or to increase the amount that employees contribute to their Investment Plan accounts.

¹ You are always fully vested in your own contributions.

² If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, you will vest in your benefit after 6 years of FRS service.

³ Deferred Retirement Option Program. Visit MyFRS.com for details.

Each Plan Has Advantages and Disadvantages

The FRS Pension Plan

Advantages	Disadvantages
<ul style="list-style-type: none"> • You earn a substantial benefit if you spend your full career as a Pension Plan member or start your FRS service later in life. • You don't have to worry about investing with this plan; the SBA is responsible for managing the Pension Trust Fund's investments. • You will receive a benefit even if you retire early providing you are vested. • You cannot outlive your benefit. • You can participate in DROP¹ if you're eligible. • You are eligible for the Health Insurance Subsidy (HIS). • You may be eligible for disability and In-Line-of-Duty survivor benefits. • A cost of living adjustment will be applied to the portion of your benefit that is based on service earned prior to July 1, 2011, if any. • You have access to the free, unbiased MyFRS Financial Guidance Program resources. 	<ul style="list-style-type: none"> • If you're a younger employee, it may take many years of service to build a large benefit. • If you leave FRS-covered employment before you are vested, you will have no benefit (you are not vested in the Pension Plan until you have completed 8^{2,3} years of service). • You have no say in how the money is invested. • All your distribution options are monthly payments; there are no lump sums (except under DROP¹). • Your benefit is reduced if you choose early retirement. • 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^{2,3} years of service credit under the FRS. If you terminate employment with fewer than 8^{2,3} years of service credit, the amount transferred from the Pension Plan may be forfeited. • As of the July 1, 2010 valuation, the Pension Plan had actuarial assets of \$120.9 billion and actuarial liabilities of \$137.6 billion, resulting in a plan funding level of 87.9%. 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.

¹ Deferred Retirement Option Program. Visit MyFRS.com for details.

² If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, you will vest in your benefit after 6 years of FRS service.

³ You are always fully vested in your own contributions.

Key Differences Between the Plans

The chart highlights the basic differences between the plans.

	FRS Pension Plan	FRS Investment Plan
Designed for	A traditional retirement plan designed for longer-service career employees.	A retirement plan designed for shorter service and more mobile employees.
Vesting	You qualify for a benefit after 8 ^{1,2} years of service.	You qualify for a benefit after 1 year of service. ²
Contributions	Your employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary as determined by the state legislature. A mandatory 3% pretax contribution is deducted from your paycheck and deposited into the retirement trust fund.	Your employer provides the majority of your FRS retirement plan contribution based on a fixed percentage of your gross salary (total employee and employer rate is 9% for Regular Class employees). A mandatory 3% pretax contribution is deducted from your paycheck and deposited into your retirement account.
Benefit	Pays a guaranteed lifetime monthly benefit using a formula based on the service and salary while you are working for an FRS employer. Plan underfunding or future cost increases could make it necessary for the Florida Legislature to reduce benefits.	Your benefit depends on the amount of money contributed to your account and its growth over time. You decide how to allocate the money in your account among the available investment funds. Future plan cost increases could make it necessary for the Florida Legislature to reduce the amount that employers contribute to the plan, which may result in a lower benefit.

¹ If you are a rehired employee who has any Pension Plan service prior to July 1, 2011, you will vest in your benefit after 6 years of FRS service.

² You are always fully vested in your own contributions.

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Decision-Making Considerations

These guidelines may help you understand the factors you need to consider before making a choice between the Pension Plan and the Investment Plan.

Once you have made a retirement plan election you have a limited time period during which you may be able to cancel the election. See the following FAQ for more information.

Guidelines	The Pension Plan might be better if you...	The Investment Plan might be better if you...
FRS Service	<ul style="list-style-type: none"> • Have already earned significant FRS service, such as 25 or more years • Begin your FRS career later in life • Expect to stay long enough to retire from an FRS employer • Expect to spend most of your career with an FRS employer 	<ul style="list-style-type: none"> • Have thus far earned a limited amount of FRS service, such as 10 or fewer years* • Begin your FRS career young in life • Expect to take a non-FRS job in the next 5 to 10 years • May not stay for the years needed to vest in the Pension Plan. Vesting is 8 years if you were enrolled in the FRS on or after July 1, 2011, or 6 years if enrolled in the FRS prior to July 1, 2011.
Salary Growth	<ul style="list-style-type: none"> • Receive most promotions and salary increases near the end of your career 	<ul style="list-style-type: none"> • Receive most promotions and salary increases near the beginning of your career
Managing Your Retirement Benefit	<ul style="list-style-type: none"> • Don't want to make investment decisions; and • Are uncomfortable receiving objective investment assistance 	<ul style="list-style-type: none"> • Prefer making investment decisions and setting goals; or • Are comfortable receiving objective investment assistance
Investment Risk	<ul style="list-style-type: none"> • Are uncomfortable with the risk that your retirement benefit could decrease because of poor financial markets • Are unwilling to experience short-term fluctuations in the value of your account 	<ul style="list-style-type: none"> • Are comfortable relying on long-term investment returns to forecast your retirement benefit • Are comfortable with short-term fluctuations in your retirement account in order to possibly earn higher long-term benefits
Retirement Income Options	<ul style="list-style-type: none"> • Prefer that your benefit be paid as lifetime monthly checks with no lump-sum options • Are comfortable with 1 of the 4 lifetime annuity payment options guaranteed by the Pension Plan • Expect to use the DROP program to build a nest egg to meet special or 	<ul style="list-style-type: none"> • Prefer the flexibility to decide how much of your retirement account is taken as a lump-sum or lifetime monthly benefits • Are comfortable with an annuity payment option (if purchased) guaranteed by a highly rated private insurance company • Prefer a customized benefit payment schedule

<p>Early-Retirement Considerations</p>	<p>unanticipated spending needs</p> <ul style="list-style-type: none"> • Expect to retire in your 50s with full or reduced monthly benefits (the reduction is 5% per year for each year prior to normal retirement age of age 62 or 65 for Regular Class and age 55 or 60 for Special Risk) • Prefer that your HIS benefit begins immediately upon retirement 	<p>to meet your special retirement situation/needs</p> <ul style="list-style-type: none"> • Are willing to receive your benefit as an annuity to avoid tax penalties when drawing this benefit before age 55; or can live on other savings or income until age 55 or don't expect to draw benefits until later in life • Are comfortable deferring your HIS until normal retirement age
<p>Survivor Considerations</p>	<ul style="list-style-type: none"> • Prefer that your surviving beneficiaries receive lifetime monthly benefits guaranteed by the FRS • Expect that only your spouse or other dependents need to be named as beneficiaries 	<ul style="list-style-type: none"> • Prefer that your survivors have the flexibility to receive a lump-sum benefit or lifetime benefits guaranteed by a private insurance company • Expect to name non-family heirs
<p>Purchase Optional Service</p>	<ul style="list-style-type: none"> • Want to purchase military or other service credit such as out-of-state service or a leave of absence to increase benefits 	<ul style="list-style-type: none"> • Have no need to purchase military or other service credit to increase benefits (or have already made this purchase under the Pension Plan)

*According to FRS historical statistics, less than 20% of newly hired employees and 50% of those with over 10 years of service actually stay a full career in FRS employment, given today's mobile society.

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