



RICK SCOTT
Governor

DEPARTMENT OF MANAGEMENT
SERVICES

CRAIG J. NICHOLS
Secretary

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July 12, 2012

Governor Dean Colson
Chair, State University System of Florida
Florida Board of Governors
325 West Gaines Street, Suite 1614
Tallahassee, FL 32399-0400

Dear Governor Colson:

Chapter 2012-10, Laws of Florida (Senate Bill 198) was approved by Governor Scott on March 23, 2012, and became law effective July 1, 2012. This law amended section 121.35, Florida Statutes, and increased the maximum number of investment provider companies from five to six for the State University System Optional Retirement Program (SUSORP). This legislation also provides a procurement process if a sixth provider company is added and a separate competitive procurement for all companies seeking to be a provider company under contract effective on or after January 1, 2015.

As a result of this legislation, the Department of Management Services (department) has chosen to go forward with a competitive procurement to add a sixth provider company with a contract effective date on or before July 1, 2013, and ending December 31, 2014. In addition, under a separate competitive procurement, the department will seek provider companies for the SUSORP with their contracts effective on or after January 1, 2015. SUSORP provider companies are bundled investment providers that provide investment advice in addition to a variety of investment products from which SUSORP participants make their investment choices.

Under section 121.35(6)(a), Florida Statutes, the department seeks the Board of Governors of the State University System (board) recommendations on the contract to be provided including:

1. The nature and extent of the rights and benefits in relation to the required contributions; and
2. The suitability of the rights and benefits to the needs of the participants and the interests of the institution in the recruitment and retention of eligible employees.

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Under section 121.35(6)(b), Florida Statutes, after receiving and considering the recommendations of the board, and following the review and recommendations of the State Board of Administration under section 121.35(6)(c), Florida Statutes, on the acceptability of all investment products proposed by the investment provider companies, the department shall approve the form and content of the SUSORP provider company contracts.

The department respectfully requests your recommendations on the contracts to be provided within 90 days from receipt of this letter. Thank you for all the consideration given to this important matter.

Sincerely,



Craig J. Nichols
Secretary

CJN:gh

cc: Chancellor Frank T. Brogan
Governor Tico Perez
Mr. Tim Jones, Board of Governors
Ms. Sarabeth Snuggs, Division of Retirement
Mr. Gerald Haynes, Division of Retirement ✓



TO: Tim Jones
Chief Financial Officer, Board of Governors

FROM: Shari Shuman 
CAFA Chair

DATE: August 22, 2012

SUBJECT: Optional Retirement Plan

The State University System Optional Retirement Plan (SUSORP) provides retirement and death benefits through investment contracts with designated provider companies. The Department of Management Services (DMS) determined which funds are available for contributions, and the funds cover a wide range of investment models from conservative to aggressive. The employer and mandatory employee contributions (totaling 8.14 percent) are invested with the company or companies selected by the participant to create a fund to provide benefits for the employee at retirement. The participant may also contribute by salary reduction a voluntary amount not to exceed the 5.14 percent contributed by the university to the participant's account. The five current companies are Jefferson National Life Insurance Company, MetLife Investors, TIAA-CREF, VALIC Retirement and ING.

Section 121.35, Florida Statutes was amended this past legislative session by increasing the maximum number of investment provider companies from five to six for the SUSORP. As a result of this legislation, DMS has chosen to go forward with a competitive procurement to add a sixth provider company with a contract effective date on or before July 1, 2013, and ending December 31, 2014. In addition, under a separate competitive procurement, DMS will seek provider companies for the SUSORP with their contracts effective on or after January 1, 2015.

CAFA was requested to make a recommendation to the BOG on the following:

1. recommendations on the types of plans/services a 6th provider should have for SUS employees; and
2. recommendations on the types of plans/services all 6 providers should have.

The current plan offerings do provide for a diverse array of investment options. As new options become available, the companies have been adding to the choices. Although we believe there is adequate coverage at this time, CAFA recommends the following:

1. The addition of a mutual fund company with a low administrative fee, (such as Fidelity, T. Rowe Price and Vanguard) would fill a missing element.
2. Administrative fees should be clear to the employee. The fees are not always clearly transparent.
3. Providers should have adequate provider representation with preference of local representatives and a dedicated campus representative.

Products, associated Fees, Surrender Charges and Historical Returns for the Florida SUSORP

AS OF 06/30/2012

INFORMATION SUPPLIED BY SUSORP PROVIDER COMPANIES

AS OF 06/30/2012	Historical Percentage Returns											
	Ticker	Product Style	Exp Ratio	M/E	Dist. Fee	Total Fees	12 Months	3 Years	5 years	10 years		
1	Oppenheimer Developing Markets A	ODMAX	Foreign Large Blend	130.00	0.00	-	130.00	-10.28	13.98	3.95	17.57	
2	American Funds EuroPacific Gr R3	RERCX	Foreign Large Blend	114.00	0.00	-	114.00	-13.19	6.83	-2.86	7.06	
3	Thornburg International Value R4	THRVX	Foreign Large Blend	125.00	0.00	-	125.00	-14.91	6.95	-2.92	7.77	
4	Nuveen Real Estate Securities A	FREAX	Real Estate	129.00	0.00	-	129.00	12.26	32.30	4.29	12.14	
5	JPMorgan Small Cap Growth A	PGSGX	Small Cap Growth	125.00	0.00	-	125.00	-6.59	18.74	2.02	7.63	
6	DWS Dreman Small Cap Value A	KDSAX	Small Cap Blend	130.00	0.00	-	130.00	-6.32	13.21	-0.52	8.08	
7	Perkins Small Cap Value S	JISCX	Small Cap Value	138.00	0.00	-	138.00	-4.11	13.43	3.73	7.42	
8	Prudential Jennison Mid Cap Growth A	PEEAX	Mid Cap Growth	109.00	0.00	-	109.00	3.29	18.71	4.96	10.60	
9	Legg Mason ClearBridge Mid Cap Core A	SBMAX	Mid Cap Blend	123.00	0.00	-	123.00	-3.24	14.70	1.02	6.17	
10	RidgeWorth Mid-Cap Value Equity A	SAMVX	Mid Cap Value	135.00	0.00	-	135.00	-5.92	18.27	2.37	7.80	
11	Franklin Growth R	FGSRX	Large Cap Growth	118.00	0.00	-	118.00	1.81	16.02	1.62	6.05	
12	JPMorgan Equity Index Select	HLEIX	Large Cap Blend	20.00	0.00	-	20.00	5.25	16.19	0.08	5.12	
13	American Funds Fundamental Invs R3	RFNCX	Large Cap Blend	93.00	0.00	-	93.00	-0.94	13.32	-0.56	6.47	
14	American Funds American Mutual R3	RMFCX	Large Cap Value	97.00	0.00	-	97.00	4.97	14.61	0.72	5.16	
15	Columbia Balanced A	CBLAX	Balanced	111.00	0.00	-	111.00	3.95	12.40	4.58	6.11	
16	Templeton Global Bond A	TPINX	World Bond	89.00	0.00	-	89.00	-1.10	8.64	9.13	10.73	
17	PIMCO Total Return A	PTTAX	Intermediate-Term Bond	85.00	0.00	-	85.00	6.54	8.23	8.75	6.50	
18	Janus Flexible Bond T	JAFIX	Intermediate-Term Bond	71.00	0.00	-	71.00	8.05	8.77	8.55	6.61	
19	Fixed Interest Option	FB124	Stable Value	0.00	0.00	-	0.00	2.99	3.36	3.51	3.78	
			Average	102.21			102.21	-0.92	13.61	2.76	7.83	

Products, associated Fees, Surrender Charges and Historical Returns for the Florida SUSORP
AS OF 06/30/2012

INFORMATION PROVIDED BY
SUSORP PROVIDER COMPANIES

AS OF 06/30/2012		BASIS POINTS					Historical Returns as of 06/30/2012					VAA Inception Date
ING	Product Style	Net Fund Expenses	M/E	Dist. Fee	Total	12 Months	3 Years	5 years	10 years			
	Underlying Investment Option Investment Style	In Basis Points*	In Basis Points*		In Basis Points*	1 Year			Inception			
1	ING Fixed Plus Account II	Stability of Principal	0	0.0	N/A	0.00	3.00	3.00	3.23	3.66		
2	ING Money Market Portfolio, Class I	Money Market	34	90.0	N/A	124.00	-0.87	-0.76	0.25	0.97	2/29/1996	
3	ING Intermediate Bond Portfolio, Class I	Intermediate-Term Bond	50	90.0	N/A	140.00	6.90	9.31	4.67	4.37	1/31/1996	
4	ING PIMCO Total Return Portfolio - Service Class	Intermediate-Term Bond	84	90.0	N/A	174.00	3.87			4.57	6/3/2010	
5	ING Global Bond Portfolio	Multi-Sector Bond	54	90.0	N/A	144.00	0.69	10.95	4.81	5.09	3/30/2005	
6	ING Balanced Portfolio, Inc Class I	Balanced	64	90.0	N/A	154.00	-1.14	10.58	-0.35	3.37	2/29/1996	
7	ING T.Rowe Price Capital Appreciation Portfolio-Service Class	Balanced	90	90.0	N/A	180.00	2.80			10.09	6/18/2010	
8	Fidelity® VIP Contrafund® Portfolio, Initial Class	Large Cap Growth	67	90.0	N/A	157.00	0.49	14.97	0.12	6.38	3/29/1996	
9	ING Stock Index Portfolio, Inst Class	Large Cap Value / Large Blend	26	90.0	N/A	116.00	4.28	15.10	-0.91	3.51	5/1/2004	
10	Invesco VI Core Equity Fund Series, I Shares	Large Cap Blend	92	90.0	N/A	182.00	-2.71	10.80	-0.38	4.51	10/12/2000	
11	Neuberger Berman Socially Responsive Fund - Trust Class		113	90.0	N/A	203.00	-6.45			8.89	6/4/2010	
12	Fidelity VIP Equity-Income Portfolio - Initial Class	Large Blend	56	90.0	N/A	146.00	1.93	15.11	-3.41	3.64	1/31/1996	
13	ING T. Rowe Price Growth Equity Portfolio, Initial Class	Large Cap Growth	75	90.0	N/A	165.00	5.55	16.54	0.93	5.59	11/28/1997	
14	The Growth Fund of America® Class R-4	Large Cap Growth	68	90.0	N/A	158.00	-1.02	11.05	-1.37	3.91	5/3/2004	
15	ING Index Plus MidCap Portfolio, Class I	Mid Cap Blend	48	90.0	N/A	138.00	-2.36	16.90	-0.64	5.67	5/4/1998	
16	ING Small Company Portfolio, Class I	Small Cap Blend	85	90.0	N/A	175.00	-0.92	16.59	1.13	6.45	5/30/1997	
17	ING Baron Growth Portfolio, Service Class	Mid Cap Growth	131	90.0	N/A	221.00	-0.71	17.81	1.00	3.64	9/27/2006	
18	ING BlackRock Global Science and Technology Portfolio Class I	Specialty/Technology	105	90.0	N/A	195.00	-5.89	13.07	1.78	4.90	5/9/2000	
19	Europacific Growth Fund® Class R-4	Global/International Foreign Stock	85	90.0	N/A	175.00	-13.73	6.18	-3.47	5.48	5/3/2004	
20	ING Oppenheimer Global Portfolio, Initial Class	Global/International World Stock	66	90.0	N/A	156.00	-11.28	10.68	-2.65	3.59	3/30/2005	
		Average	69.8	85.3		155.11	-0.3	11.7	0.5	5.0		
M/E fee increases to 125 during payout phase												
SURRENDER CHARGES:		No surrender charges but liquidity restriction apply on fixed account.										

* Basis Points- A basis point is one one-hundredth of a percentage point (.01). One percent = 100 basis points. One half of one percent = 50 basis points. The expenses shown in this chart are expressed as basis points.

Products, associated Fees, Surrender Charges and Historical Returns for the Florida SUSORP

AS OF 06/30/2012

The performance data quoted represents past performance. Past performance does not guarantee future results. For month-end performance, which may be lower or higher than the performance data shown please call 800-282-6295. Investment return and principal value of an investment will fluctuate so that, when sold, an investment may be worth more or less than the original cost.

You should consider the investment objectives, risks and charges, and expenses of the variable product and its underlying fund options carefully before investing. The prospectus contains this and other information. Anyone who wishes to obtain a free copy of the separate account and/or fund prospectuses may call their ING Representative or the number above. Please read the prospectus / prospectus summaries carefully before investing.

These numbers reflect total Separate Account charges of 0.90% on an annual basis. They also assume reinvestment of all dividends (ordinary income and capital gains) and are net of management fees and other fund operating expenses. Returns less than one year are not annualized. VAA Inception Date is the date on which contributions were first received in this fund under the Variable Annuity Account, and it is the date used in calculating the periodic returns.

Must be accompanied by the ING Performance Update Report. Please refer to the Performance Update Report for important fund specific disclosures.

Important Information:

Variable annuities are long-term investment vehicles designed for retirement purposes which allow you to allocate contributions among variable investment options that have the potential to grow tax-deferred with an option to receive a stream of income at a later date. Early withdrawals from variable annuities may be subject to surrender charges, and if taken prior to age 59 1/2, a 10% IRS penalty may apply. Withdrawals will also reduce the applicable death benefit and cash surrender/ account value.

Securities offered through ING Financial Advisers, LLC (member SIPC) or other broker/dealers with which it has a selling agreement.

Please refer to the current fund prospectuses and disclosure materials (if applicable) for a full explanation of fees and expenses. Fees and expenses are subject to change and may vary based on fund size, reimbursements, etc. Total fund operating expenses shown below are before and after reimbursement (if applicable), including investment management/advisory fees, 12b-1 fees (if applicable) and other operating expenses. If the fund imposes 12b-1 fees, such payments are made out of fund assets. These fees and expenses do not include any charges that may be assessed under your plan.

For certain funds, the investment adviser or other service provider to the fund may waive a portion of its fees or reimburse certain fund expenses, which will reduce the expense ratio of the fund for the period of the waiver or adjustment. The amount of such waivers and adjustments as stated in the fund's most current prospectus is shown in the column "Waivers and Adjustments". These waivers and adjustments may not necessarily continue in the future.

AN INVESTMENT IN ING VP MONEY MARKET PORTFOLIO IS NOT INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY.

THE FUND IS A MONEY MARKET FUND WHICH DOES NOT SEEK TO MAINTAIN A STABLE \$1.00 NET ASSET VALUE.

WHILE THE FUND'S INVESTMENT OBJECTIVE INCLUDES THE PRESERVATION OF CAPITAL, IT IS POSSIBLE TO LOSE MONEY BY INVESTING IN THE FUND.

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Products, associated Fees, Surrender Charges and Historical Returns for the Florida SUSORP

AS OF 06/30/2012

INFORMATION PROVIDED BY
SUSORP PROVIDER COMPANIES

AS OF 06/30/12		Basis Points					Historical Percentage Returns					
	Product Style	Mutual Fund Ticker	Exp Ratio	M/E	Dist. Fee	Total Fees	12 Months	3 Years	5 years	10 years	Since Inception	
1	TIAA Traditional Annuity	Insured Short / Int. bond	0.00			0.00	4.06	3.83	4.49	4.84	N/A	
2	TIAA Real Estate	Real Estate	92.00			92.00	11.09	5.92	(2.27)	4.34	5.85	
3	CREF Stock	Large Blend	49.00			49.00	(2.71)	13.59	(1.26)	5.50	9.63	
4	CREF Global Equities	World Stock	52.00			52.00	(4.81)	11.48	(2.77)	5.01	6.70	
5	CREF Growth Account	Large Cap Growth	47.00			47.00	5.03	16.47	2.56	5.36	6.59	
6	CREF Equity Index	Large Cap Blend	43.00			43.00	3.47	16.29	0.03	5.40	8.00	
7	CREF Bond Market	Int. Term Bond	45.00			45.00	7.14	7.04	5.98	5.18	6.74	
8	CREF Inflation Linked Bond	Inflation Linked bond	45.00			45.00	11.18	9.17	7.91	6.74	6.80	
	CREF Social Choice (Closed to new contributions 9/2011)	Balanced	46.00			46.00	2.16	11.55	2.44	5.53	8.26	
9	CREF Money Market	Cash	42.00			42.00	0.00	0.00	0.99	1.74	3.94	
			GROSS EXPENSE RATIO			NET EXPENSE RATIO *						
10	TIAA-CREF Mid Cap Value Fund – Retirement Share Class	Mid Cap Value	TRVRX	71.00		71.00	(2.23)	16.83	0.14		7.23	
11	TIAA-CREF Growth and Income Fund – Retirement Share Class *	Growth and Income	TRGIX	73.00		72.00	4.45	15.27	2.23		8.31	
12	TIAA-CREF International Equity Fund – Retirement Share Class *	International Equity	TRERX	78.00		78.00	(19.21)	6.95	(7.55)		7.12	
13	TIAA-CREF Large Cap Value Fund – Retirement Share Class *	Large Cap Value	TRLCX	72.00		72.00	(0.82)	14.03	(2.74)		7.63	
14	Oppenheimer Developing Markets fund		ODVYX	100.00		100.00	(9.98)	14.35	4.26		11.87	
15	Prudential Jennison Natural Resources		PNRZX	88.00		88.00	(26.28)	7.37	(1.55)	13.72	11.84	
16	TIAA-CREF Social Choice Equity Fund		TRSCX	44.00		44.00	0.71	15.25	0.14		7.23	
17	Templeton Global Bond Fund		TGBAX	65.00		64.00	(0.86)	8.91	9.41	11.00	8.27	
18	TIAA-CREF High Yield Fund		TIHRX	65.00		65.00	7.81	13.93	8.08		7.86	
19	Royce Penn Mutual Fund		PENNIX	91.00		91.00	(6.97)	15.84	0.49	7.97	7.91	
20	Manning & Napier Target Risk options:											
	Manning&Napier Conservative		MNCIX	70		71.0	3.94	8.16			5.37	
	Manning& Napier Extended term		MNBIX	84		84.0	-0.26	11.08			3.88	
	Manning& Napier Max Term		MNHIX	85		85.0	-4.76	11.4			2.24	
	Average			62.91		60.30						

No surrender charges but liquidity restrictions apply on fixed product

Fees Explained:
Expense ratio The percentage of total investment that shareholders pay annually for mutual fund management fees and operating expenses.
Basis Points (BPs) Basis points are used in calculating the costs (such as expense ratios, administrative fees, etc.) for a financial instrument. Basis points may also be used to indicate the change in the value of a financial instrument. A basis point is a unit equal to 1/100th of 1%. The relationship between costs or percentage changes and basis points can be summarized as follows: For example, 0.01% cost = 1 basis point or 1% change = 100 basis points.
Mortality and expense risk charge – This charge is equal to a certain percentage of your account value, typically in the range of 1.25% per year. This charge compensates the insurance company for insurance risks it assumes under the annuity contract. Profit from the mortality and expense risk charge is sometimes used to pay the insurer's costs of selling the variable annuity, such as a commission paid to your financial professional for selling the variable annuity to you.
Surrender charges – If you withdraw money from a variable annuity within a certain period after a purchase payment (typically within six to eight years, but sometimes as long as ten years), the insurance company usually will assess a "surrender" charge, which is a type of sales charge. This charge is used to pay your financial professional a commission for selling the variable annuity to you. Generally, the surrender charge is a percentage of the amount withdrawn, and declines gradually over a period of several years, known as the "surrender period." For example, a 7% charge might apply in the first year after a purchase payment, 6% in the second year, 5% in the third year, and so on until the eighth year, when the surrender charge no longer applies. Often, contracts will allow you to withdraw part of your account value each year – 10% or 15% of your account value, for example – without paying a surrender charge.
Distribution fees include fees paid for marketing and selling fund shares, such as compensating brokers and others who sell fund shares, and paying for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature.
For additional information regarding fees, please see: http://www.sec.gov/answers/mffees.htm , or http://www.sec.gov/investor/pubs/varannty.htm , or contact your provider company