

## STATE BOARD OF ADMINISTRATION

### Policy Statement on Support of Certain Non-FRS Defined Contribution Programs

#### I. PURPOSE

This Policy Statement serves as the primary expression of Board of Trustee policy regarding their statutory responsibilities and authority to support plan administrators of certain governmental defined contribution retirement programs that are external to the Florida Retirement System (FRS).

#### II. DEFINITIONS

- A. **Participant** – An employee enrolled in any of the following governmental defined contribution programs: State University System Optional Retirement Program (SUSORP), Senior Management Service Optional Annuity Program (SMSOAP) or the State of Florida’s Government Employees Deferred Compensation Program (DCP).
- B. **Investment Product** – The result of a process that forms portfolios from securities, financial instruments or real assets in order to produce investment returns.
- C. **Annuity** – A contract sold by an insurance company designed to provide payments to the holder at specified intervals, usually after retirement, with fixed or variable investment returns and/or ancillary non-investment benefits, e.g., death benefits or guaranteed payout options.
- D. **Provider Company** – A private sector company that offers one or more investment products that may be combined with non-investment services, e.g., record keeping, marketing or education.
- E. **Performance Benchmark** – A market benchmark index that is selected to serve as the performance measurement criterion for investment products.
- F. **Defined Contribution Program** – A retirement plan where benefits accrue in accounts that are participant-directed and funded by employer or employee contributions and earnings. Participants bear the investment risks that result when they exercise control over investments in their defined contribution accounts. For the purposes of this Policy, these Programs include: SUSORP, SMSOAP and DCP.
- G. **Plan Administrator** – The person or agency named in the Defined Contribution Program plan documents, statutes or rules as being responsible for day-to-day operations and all final determinations regarding the conduct of the Program.
- H. **Service Level Agreement** – An interagency agreement with a Plan Administrator that specifies services to be provided by the State Board of Administration (SBA) and associated fees.
- I. **Board** – The Board of Trustees of the SBA consisting of the Governor, as Chairman, the Chief Financial Officer, as Treasurer, and the Attorney General, as Secretary.

### III. OVERVIEW

- A. SUSORP is a 403(b) program that Participants choose in lieu of membership in the FRS. Effective July 1, 1997, the SBA reviews and make recommendations to the Department of Management Services, Division of Retirement (DOR) on the acceptability of all Investment Products proposed by Provider Companies of the SUSORP before they are offered through annuity contracts to Participants and may advise DOR of any changes necessary to ensure that the SUSORP offers an acceptable mix of Investment Products. DOR makes the final determination as to whether an Investment Product will be approved for the program, in accordance with Section 121.35 (6)(c), F.S. DOR is the Plan Administrator for SUSORP.
- B. SMSOAP is a 401(a) program that Participants choose in lieu of membership in the FRS. Effective July 1, 1997, the SBA reviews and make recommendations to the DOR on the acceptability of all Investment Products proposed by Provider Companies of SMSOAP before such products are offered through annuity contracts to Participants and may advise DOR of any changes deemed necessary to ensure that SMSOAP offers an acceptable mix of Investment Products. DOR makes the final determination as to whether an Investment Product will be approved for the program, in accordance with Section 121.055(6)(f), F.S. DOR is the Plan Administrator for SMSOAP.
- C. DCP is a 457(b) program that Participants employed by the State of Florida use as a supplemental retirement plan in addition to membership in the FRS, SUSORP or SMSOAP. The Chief Financial Officer is the sole trustee for the DCP and the Chief Financial Officer (or his designee) is the Plan Administrator for DCP. The SBA approves:
  - 1) The deferred compensation program before it can be established, in accordance with Section 112.215(4)(a) and (6)(a);
  - 2) The creation of a trust if the Chief Financial Officer deems it advisable to create such a trust, in accordance with Section 112.215(4)(b);
  - 3) The person to whom responsibility for administering the program may be delegated, in accordance with Section 112.215(4)(c); and
  - 4) An exemption from the provisions of Chapter 280 for any plan provider, which is a bank or savings association, in accordance with Section 112.215(11).

### IV. ROLES, RESPONSIBILITIES AND FIDUCIARY STATUS

- A. The Board delegates to the Executive Director the authority and responsibility, within the statutory limitations and rules, for managing and directing the administrative, personnel, budgeting and investment-related functions necessary to meet the requirements set out herein, including executing Service Level Agreements and setting and collecting reasonable fees for services rendered to Plan Administrators.
- B. The SBA's role is to provide investment expertise to assist the Plan Administrators in fulfilling their fiduciary responsibilities. The SBA shall discharge each of its responsibilities under Service Level Agreements with the due care, skill, prudence and diligence under the circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of any enterprise of like character and with like aims. The SBA shall discharge each of its responsibilities under Service Level Agreements with respect to the assets of each Defined Contribution Program solely in the interest of the Participants and beneficiaries of those assets.

- C. Plan Administrators shall retain the fiduciary responsibility for making all decisions with respect to plan matters, including understanding and accepting or rejecting any SBA reviews and commentary. Plan Administrators shall make the final determination as to whether any Investment Product, annuity, Provider Company, or other program vendor are approved, retained or terminated, or whether Participant assets are mapped upon Investment Product terminations. The SBA is not responsible for executing any plan documents to effect Investment Product changes or for communicating with Participants.
- D. This Policy Statement is structured to be consistent with the Legislature's intent to assign liability for Participants' investment losses to Participants.

## V. AUTHORIZED SERVICE LEVELS

- A. The Executive Director shall execute Service Level Agreements that identify one or more of the following service levels.
  - 1) The SBA shall respond to a Plan Administrator's request for Investment Product reviews in a timely, fair and consistent manner, in order to determine whether proposed Investment Product changes pass minimum qualifying criteria for acceptability, including inclusion or exclusion from a Defined Contribution Program.
  - 2) The SBA shall respond to a Plan Administrator's request for a determination of any changes necessary to ensure that the Defined Contribution Program offers an acceptable mix of Investment Products. In assessing the mix of products, the SBA shall consider the following long-term investment objectives:
    - a) Offer a diversified mix of low-cost Investment Products that span the risk-return spectrum and give Participants the opportunity to accumulate retirement benefits.
    - b) Offer Investment Products that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return, net of all expenses and fees, that achieves or exceeds the returns on their Performance Benchmarks.
- B. The Executive Director shall set Service Level Agreement fees fairly and consistently across Defined Contribution Programs. Fees shall reflect costs incurred by the SBA in rendering agreed to services. The Executive Director shall develop policies specifying criteria necessary to implement Service Level Agreements.

## VI. REPORTING

The Executive Director shall periodically recommend changes to this Policy Statement, as appropriate.

## VII. IMPLEMENTATION

Upon approval by the Board, this Policy Statement supersedes all previous Board policy on such issues.