

**BENCOR SPECIAL PAY PLAN
PENSACOLA STATE COLLEGE - FLORIDA**

Welcome to the BENCOR SPECIAL PAY PLAN. This letter provides general information about the Special Pay Plan, referred to below simply as the “Plan,” and describes where you can find more detailed information about the Plan, its operation, terms and benefits to you.

What is the Plan? The Plan is a retirement program consisting of two parts, the *first part* satisfying the requirements under **Section 401(a)** of the Federal tax law, the *second part* following the dictates of **Section 403(b)**. Together, these two parts are offered by BENCOR, Inc. as one Plan to help governmental units, as well as you as an employee, save up to 7.65% of Social Security and Medicare taxes on certain forms of “special pay” (as described below) contributed to the first and second parts of the Plan. The Plan also results in the *deferral* of your income taxes on that same special pay that is contributed under both parts of the Plan; income taxes are not imposed until you actually withdraw money from the Plan. Social Security and Medicare tax savings, on the other hand, are *permanent*, because these taxes are not imposed on withdrawals from the Plan.

Who participates in the Plan? To be eligible for the Plan, you must be in a category of employees designated as *covered by Board policy*. If you are covered by such policy, then you will participate if you (i) are at least 55 years of age, retiring or terminating with at least ten (10) years of service or are entering into DROP, and (ii) have accumulated at least \$1,000 of "special pay" (sick leave pay, annual leave-vacation pay, incentive pay, etc.). By *Board Policy*, the \$1,000 stipulation for eligibility will be calculated/determined one time only. For example: an employee whose accumulated sick pay and annual leave equals a value of \$750 on the date of entering DROP, or at DROP anniversary date, will not be eligible even if the accumulated sick pay and annual leave reaches a value more than \$1,000 before the end of the DROP period.

What is contributed to the Plan? Contributions to the Plan consist of accumulated special pay that otherwise would be paid to you in cash at retirement or other separation from service. Contributions are made to the Plan at the time of your retirement or other separation, unless you are in DROP, in which case contributions are made to the Plan in each year of the DROP period leading up to your actual retirement date. In the latter case, the amount contributed each year depends upon the number of years in your DROP period. In addition to these employer-made contributions of special pay, you also may choose to “roll over” into the Plan monies invested in other eligible retirement plans or traditional IRAs, thereby consolidating your retirement savings in one place.

Is there a limit on the amount of Special Pay that can be contributed to the Plan? Yes. For 2014, the IRS limits contributions to the 401(a) part of the Plan on behalf of any participant to the *lesser* of \$52,000 or 100% of the participant’s includible compensation for the most recent period counted as a year of service. The IRS adjusts the annual dollar limit periodically to reflect cost-of-living increases. If the amount of special pay exceeds the applicable limit for the 401(a) part of the Plan, any excess is contributed automatically to the 403(b) part of the Plan, again up to a maximum of \$52,000 for 2014, or 100% of the participant’s compensation for the year, if less. In total, therefore, if a participant has other current compensation of at least \$52,000, up to \$104,000 of special pay may be contributed to the Plan. If a participant’s other current compensation is less than \$52,000, a different calculation applies, but a significant portion of special pay still may be contributed to the Plan.

Pensacola State, as your employer, never will contribute more to the Special Pay Plan on your behalf than is permitted by law. Any amount that cannot be contributed to the Plan will be paid to you as currently taxable compensation. Please consult your tax advisor or your BENCOR representative regarding your specific Plan contribution limits.

May I still make elective deferrals to another 403(b) or 457(b) plan? No elective employee contributions may be made to the BENCOR Special Pay Plan, but you still may elect to defer money into any other plans for which you are eligible, subject to all applicable limits imposed by Federal tax law.

How can I access my account? Go to www.bencorplans.com, click on **Participant Log On**, then select the **Get Started** box and follow the prompts to create your personalized user ID and password.

What should I do to set up my account? Pensacola State establishes your Plan account for you when they make the first contribution to the Plan on your behalf. Once your account is created, you should select your investment options as described below. It’s also important to go to the **Beneficiaries link** under the **Home tab** to name the person or persons who should receive the funds in your account in the event of your death.

FEATURES OF THE PARTICIPANT WEBSITE	
* Unit Values	* Investment Fund Objectives
* Account Balance	* Fund Performance
* Account Balance, by Fund	* Address Changes
* Fund Transfers	* Investment Allocation Changes
* Online Beneficiary Designation	* Transaction History
* Downloadable Forms	* Plan Overview

How is my account invested? The Plan offers a full array of investment options in which you may choose to invest amounts contributed to your account. If you do not choose investment options, your account will be invested automatically in the guaranteed option, which may or may not be the best option for your particular circumstances. Therefore, it is very important for you to log on to your account at www.bencorplans.com as soon as possible to obtain information about all the available investments and choose the options that are appropriate for your own objectives and preferences.

Can I withdraw money from my account? Your account is always 100% vested and belongs only to you. The balance of your account is available for withdrawal at any time *after* your termination of employment. In the case of your death, the beneficiary or beneficiaries you name under the Plan will be able to withdraw your account balance. Funds may be withdrawn in one or more cash distributions, which are taxable for the year of withdrawal, or in the form of a direct rollover to an IRA or other eligible retirement plan, which results in continued deferral of your income tax obligation. To request a withdrawal, download a Distribution Request Form from www.bencorplans.com. Additional information about income taxes and rollovers is included with the form.

Are my funds taxable and are there any penalties when I withdraw my funds? As described above, income taxes are imposed for the year of withdrawal. Income taxes are deferred in the case of a rollover to an IRA or other eligible retirement plan, although rollovers to a "ROTH" IRA are currently taxable. There also is a 10% IRS penalty on withdrawals from the 401(a) or 403(b) part of the Plan unless taken after your retirement and you are at least age 55 in the year that you retire.

The Special Tax Notice included with the Distribution Request Form provides general information about the taxation of distributions from the Plan. For specific tax information, consult an independent tax advisor.

Your account is subject to the IRS Required Minimum Distribution rules after you reach age 70 ½ or retire, whichever is later, or following your death, if earlier.

Individuals who are "active participants" for the year in certain tax-advantaged retirement plans, such as the 401(a) or 403(b) part of the Plan, are subject to federal tax law limitations on deducting contributions for the same year to an IRA account. These limitations also may affect a spouse's IRA deductions. Consult an independent tax advisor if you wish to take Federal income tax deductions for contributions to an IRA.

Can I borrow from my account? You may be eligible to borrow up to 50% of your account balance. The minimum loan amount is \$1,000. The amount available to borrow is affected by any other Plan loans you have received. A fee of \$100 is deducted from your account each time you take a loan. Please visit www.bencorplans.com to view loan availability and request a loan.

Will I receive statements? Statements showing your account activity and ending balance are provided after the close of each calendar quarter. You may enroll in e-statements online to save mail time, paper and ink.

Are there any fees? There are no administrative fees charged to your account unless your balance is less than \$1,000 *and* no contributions have been made to your account for more than two years. At that time, if you do not elect a distribution, a monthly maintenance fee will apply.

How can I get more information? To log on to your account for plan and account information, go to www.bencorplans.com. Click on the **Participant Log On** link to access your account. Log on tips for first time visitors are located on the log on page. After logging on, visit the **Communications** section and choose **Plan Related Forms** for an overview of the plan and website, or dial a Bencor Customer Service Representative at 1-888-258-3422. Representatives are available Monday – Friday, 8:30 a.m. through 5:00 p.m., Eastern Time. BENCOR also has representatives located throughout the State of Florida. Go to www.bencorplans.com and select FLORIDA BENCOR REP to view an interactive map of Florida. Click on your county to find your local representative(s).

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