

Appendix D: Description of the Program

Established by the Florida Legislature in 1987, the Stanley G. Tate Florida Prepaid College Program (the "Prepaid Plan" or "Program") provides a mechanism through which eligible postsecondary tuition, required fees, and dormitory costs may be paid in advance. The first contracts were sold in 1988. The Program is administered by the Florida Prepaid College Board (the "Board") and is financially guaranteed by the State of Florida pursuant to section 1009.98(7), Florida Statutes.

Prepaid Plans are available for purchase year-round. Prices are established annually for the period July 1 through June 30. A qualified beneficiary generally must satisfy the Program's Florida residency requirements. When opening an account, the purchaser becomes the account owner, accepts the Master Contract, and designates a qualified beneficiary. The Contract, which includes the application, the Master Contract, and the most recent Participation and Payment Schedule, is the complete and exclusive agreement between the account owner and the Board concerning the Program and the plans purchased for the beneficiary.

Fees Covered

Depending on the type and effective date of the contract, a Prepaid Plan may cover one or more of the following fees, as those terms are defined in the Master Contract:

- **Registration Fee.** For a State University, the tuition fee authorized in section 1009.24(4), Florida Statutes, the financial aid fee authorized in section 1009.24(7), Florida Statutes, and the Capital Improvement Trust Fund fee authorized in section 1009.24(8), Florida Statutes. For a Florida College, the term includes the tuition fee authorized in section 1009.23(3), Florida Statutes, the financial aid fee authorized in section 1009.23(8), Florida Statutes, and the capital improvement fee authorized in section 1009.23(11), Florida Statutes.
- **Tuition Differential Fee.** The fee charged by a State University pursuant to section 1009.24(16), Florida Statutes.
- **Local Fee.** For a State University, the activity and service, health, and athletic fees authorized in section 1009.24(9)-(12), Florida Statutes. For a Florida College, the term includes the student activity and service fee authorized in section 1009.23, Florida Statutes. The technology fee authorized in section 1009.23(10), Florida Statutes, is also covered by Local Fee Plans purchased after July 1, 1999.
- **Dormitory Fee.** The fee charged by a State University for residence in a double-occupancy, air-conditioned dormitory room. Coverage is subject to availability and the terms of the Master Contract.

Types of Plans

For the 2026-2027 annual enrollment period, the Board offers two plan types for purchase:

- 1-Year Florida University Plan, which covers 30 semester credit hours of Registration Fees, Tuition Differential Fees, and Local Fees at a State University.
- 1-Year Dormitory Plan, which covers two semesters of Dormitory Fees at a State University.

Both plans are offered in one-year increments, allowing purchasers to add coverage over time, subject to Program limits. Earlier enrollment periods offered additional bundled plans, including 4-Year University, 2 + 2, and Florida College plans, as well as unbundled Tuition, Tuition Differential Fee, and

Local Fee plans. Those legacy plan types remain in force but generally are no longer offered for new purchases. Certain Tuition Differential Fee and Local Fee plans may be purchased only as additions to qualifying legacy Tuition Plans.

Statutory Limitations

The following statutory provisions affect Program benefits, pricing, and actuarial adequacy calculations:

- Section 1009.24(16)(b)5, Florida Statutes, exempts beneficiaries with prepaid tuition contracts that were in effect on July 1, 2007, and remain in effect from payment of the Tuition Differential Fee.
- Section 1009.24(16), Florida Statutes, permits a university board of trustees to establish a Tuition Differential Fee for undergraduate courses with approval from the Board of Governors. Since July 1, 2014, the Board of Governors may approve the establishment of or an increase in a Tuition Differential Fee only for a state research university designated as a preeminent state research university under section 1001.7065(3), Florida Statutes.
- Section 1009.24(16)(b)4, Florida Statutes, provides that the aggregate undergraduate tuition and fees per credit hour, including the Tuition Differential Fee, may not exceed the national average for undergraduate tuition and fees at four-year, degree-granting public postsecondary institutions.
- Effective with the 2022-2023 academic year and thereafter, section 1009.98(10), Florida Statutes, establishes the amounts paid by the Board to State Universities for contracts purchased before July 1, 2034. For Registration Fees and Tuition Differential Fees, the annual increase over the preceding fiscal year's assessed amount is determined by the actuarial reserve level, as shown below.

Actuarial reserve level	Annual increase
Less than 5.0% of expected liabilities	5.5%
At least 5.0% but less than 6.0%	6.0%
At least 6.0% but less than 7.5%	6.5%
At least 7.5%	7.0%

- Under section 1009.98(10), Florida Statutes, Local Fees are increased by 5% over the preceding fiscal year's assessed amount, and Dormitory Fees are increased by 6%.
- For contracts purchased before July 1, 2034, payments by the Board may not exceed 100% of the amount charged by the State University for the applicable Registration Fees, Tuition Differential Fees, Local Fees, or Dormitory Fees. For contracts purchased on or after July 1, 2034, the Board will pay the actual amounts assessed in accordance with law.

Assumptions

The Board provides the contract assumptions used in the quarterly and annual actuarial adequacy analyses. The assumptions are generally grouped into economic and demographic categories.

The annual actuarial adequacy review treats the Program as closed for valuation purposes, evaluating existing contracts without assuming any future sales. This approach does not mean the Program is closed to new purchases. Because the Program continues to sell plans each year, the quarterly actuarial reviews include estimated additional years of sales, as directed by the Board, and the associated future receipts and obligations. The resulting quarterly cash flow projections are used to construct the liability-driven investment (LDI) benchmark, aligning the investment strategy with projected net cash flows from both existing contracts and anticipated future sales.

- **Economic assumptions** are used to project Registration Fees, Tuition Differential Fees, Local Fees, Dormitory Fees, administrative and investment-related expenses, and investment earnings. The annual adequacy valuation discounts projected net cash flows using a yield curve based on U.S. Treasury spot rates plus an incremental return assumption reflecting the corporate bond allocation in the liability-hedging portfolio.
- **Demographic assumptions** reflect recent Program experience and expectations regarding future events, including participation, mortality and disability, pre-matriculation cancellations, benefit usage and matriculation patterns, cancellations during the benefit usage period, and beneficiary substitutions.

The Board also approves the assumptions used for annual plan pricing. Pricing inputs include projected investment yields and incremental returns, average university and college costs, future tuition and fee inflation, financing charges, expenses, and benefit usage assumptions.

See Appendices F, G, and H for additional detail regarding the assumptions used in the quarterly and annual actuarial adequacy and pricing analyses.

Investment Strategy

The principal investment objective of the Florida Prepaid College Trust Fund is to meet the Program's projected liability obligations while earning incremental income on assets that exceed those obligations. The Comprehensive Investment Plan establishes the following investment goals, in priority order:

1. Safety
2. Liquidity
3. Yield

The Fund is divided into a Liability Segment and an Actuarial Reserve Segment.

The **Liability Segment** represents total projected obligations, including benefits, cancellation refunds, and expenses, less the present value of projected future premium contributions. It is managed using a liability-driven, immunized strategy designed to reduce funding-status volatility and maintain liquidity for projected Program cash flows. The strategy uses primarily U.S. government-backed and investment-grade corporate fixed income securities and is reconstituted periodically using the liability profile prepared by the actuary.

Assets in excess of the Liability Segment comprise the **Actuarial Reserve Segment**. These assets are invested to seek incremental return within risk levels approved by the Board and may include core and short-term fixed income, domestic equity, international equity, and cash or short-term investments. The Board uses multiple external investment managers and monitors segment allocations, performance, risk, and compliance in accordance with the Comprehensive Investment Plan and Investment Guidelines.

Pricing

Plan prices are established annually for the July 1 through June 30 enrollment period and approved by the Board. For the 2026-2027 enrollment period, purchasers may select one of three premium payment options:

- A single lump-sum payment.
- Eighty-four level monthly payments over seven years.
- Level monthly payments through the beneficiary's projected college enrollment year.

Monthly payments are due on the 20th day of each month, with the first payment due on the 20th day of the first month following acceptance of the application. Payment amounts vary based on the beneficiary's age or grade, the projected college enrollment year, the plan purchased, and the selected payment schedule.

Administration and Operations

The Board administers the Prepaid Plan and retains responsibility for Program governance, pricing, actuarial oversight, investment oversight, and compliance. As authorized by law, the Board contracts with service providers for records administration and other operational services. The Board's recordkeeping environment supports enrollment, payment processing, benefit payments, account maintenance, and customer service. Service providers perform assigned day-to-day functions under the Board's oversight and in accordance with the Master Contract, applicable statutes and rules, and Board-approved policies and procedures.