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Free Help Available

Before you change your investment plan funds, get professional financial guidance. Find out which funds fit your needs and risk tolerance. Past performance of a fund does not guarantee future results.

CALL the MyFRS Financial Guidance Line at 1-866-446-9377 or Telecommunication Relay Service (TRS 711), and Visit MyFRS.com for:

- ✓ Free guidance and in-depth information on all investment funds offered under the FRS Investment Plan, including Financial Engines' Fund Score Cards and the Fund Profiles, Fund Details, and Investment Fund Summary, which are updated regularly. These reports discuss the fees, investment strategies, and other factors that may significantly affect the fund's performance.
- ✓ A status of all the funds under the SBA's investment manager monitoring guidelines.
- ✓ Daily account transfers or withdrawals, if the fund does not have transfer restrictions.

Legislative Update

The Florida Legislature completed its 2010 session and passed several bills affecting the Florida Retirement System. The effective date for the following bills is July 1, 2010, unless noted otherwise. For more information on legislation passed during the 2010 session, please visit *MyFRS.com*, click on the "Resources" tab, and scroll to the "Legislation, The Law & Public Records" link.

Note: House Bill 5607, which the Legislature passed, was vetoed by the Governor. This bill would have changed the interest rate earned in the Pension Plan's Deferred Retirement Option Program (DROP), and made changes to the employer contribution rates.

House Bill 1307 (Miscellaneous Investment Plan and State Board of Administration changes)

This bill provides the following:

Investment Plan Technical Changes

Clarifies practices and policies being used in administration of the Plan since the Plan began. Changes include:

- A number of definitions in s. 121.4501, Florida Statutes, were revised, added, or deleted.
- A member who transfers from the Investment Plan to the Pension Plan and retains an excess balance in the Investment Plan after the buy-in cannot receive this excess balance until the member retires from the Pension Plan. If you meet eligibility requirements, the excess amount can be rolled over to the Pension Plan to purchase service credit or upgrade service in the Pension Plan.
- Clarifies that members can file a complaint against the Investment Plan, the third party administrator, or any program vendor or provider.
- The third party administrator will be required to retain all participant records for at least 5 years for use in resolving member complaints. The SBA, third party administrator, or other service provider will not be required to produce documentation or audio recordings for member complaints that occurred 5 or more years before the complaint was submitted.
- Formalizes the establishment of a forfeiture account to hold assets forfeited by members.
- Lowers the Investment Plan administrative and educational contribution from .05% to .03%.
- Changes the number of days from 10 to 30 that an employer has to remit any loss of earnings amount owed to the Division of Retirement.
- Market losses are not payable to Investment Plan members if employer contributions are not posted timely due to acts of God that are beyond the control of the Division of Retirement, SBA, or the third party administrator.

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Quarterly Fund Performance Summary

Overview

This Performance Summary is organized by asset class. Thinking about asset classes is a very effective way to simplify investing and improve the odds of meeting your retirement goals. Asset classes are groups of similar investments whose values react to changes in the economy in the same basic way. Investing in a mix of asset classes, or diversifying, helps you control your risk.* In this Summary, we use five asset classes: money market, inflation-protected securities, bonds, U.S. stocks, and foreign stocks. We also have a special category called balanced funds that provide a diversified mixture of various asset classes.

Members' Social Security Numbers

FRS Investment Plan member records are filed according to the member's Social Security number. The State Board of Administration of Florida (SBA) collects member Social Security numbers because it is imperative for the SBA to have the ability to identify Investment Plan members properly and definitively.

Telecommunications Relay Services 711 Reminder

The MyFRS Financial Guidance Line's dedicated TTY line (1-888-429-2160) was discontinued on June 30, 2010. Members who are deaf, hard of hearing, or speech-impaired can now communicate with the FRS using a national service called Telecommunications Relay Services (TRS) 711.

Balanced Funds

These funds are particularly good for "one-stop shopping." They seek favorable long-term returns by keeping costs low and investing across multiple asset classes to diversify and control risk. They invest in various investment funds in different proportions to keep their overall level of risk relatively steady over time. The proportions and specific funds included in each Balanced Fund may change over time. Financial Engines, a federally registered investment advisor and fiduciary to the FRS, will periodically provide updated investment fund mixes to the FRS that they believe will provide the best balance between expected risk and return.

Money Market Funds

These funds invest in short-term securities (financial instruments or obligations) that are high quality and can be sold quickly with little loss of value. The funds have limited risk of declining in value; however, over the long term, returns have been modest, basically keeping pace with inflation. Money market funds are not FDIC insured or guaranteed.

Inflation-Protected Securities Funds

These funds invest in United States Treasury inflation-protected securities (TIPS). TIPS provide two types of return. First, there's a fixed interest rate that's been around 2% to 4% since TIPS were first issued in 1997. Second, there's a return of principal (the starting amount of your investment) and interest (the additional earnings you get over time) that is "protected," or indexed to inflation. As inflation rises, so does the amount of principal and interest you receive. So if the fixed rate is 3% and inflation is 3%, you receive a total interest rate of about 6%. The day-to-day value of inflation-protected securities varies with changes in inflation and interest rates, but these funds offer a promise of keeping up with inflation that is unique to this type of investment.

Bond Funds

These funds invest primarily in bonds, which are like IOUs – a company or government agency borrows money and pays it back with interest to the bondholder (the entity making the loan). The quality of a bond is reflected in the credit rating of the company or agency that issues the bond. The short-term risk of bond funds is relatively low. However, over time, the value of a bond is affected by interest rates, inflation, and other factors. When inflation or interest rates go up, the value of bonds goes down because they pay a fixed rate of interest (the market sees other investments as being more attractive). Therefore, bonds and bond funds don't always protect the value of your retirement savings against inflation.

U.S. Stock Funds

These funds invest primarily in equity shares or stocks issued by U.S. companies. The short-term risk of stocks has been much higher than bonds. However, over long periods of time, stocks have generally done better than bonds, one of the main reasons that stocks are typically recommended for retirement investing. Some risk is necessary to achieve long-term investment growth.

Foreign Stock Funds

These funds invest primarily in equity shares or stocks issued by foreign companies. Foreign stocks are affected by additional risk factors such as foreign laws and regulations, differences in accounting practices, political risk (foreign governments are sometimes unstable), and currency risk (differences in the relative value of domestic and foreign money). Over the long term, foreign stocks have not done quite as well as U.S. stocks, but they have provided diversification benefits.

* Note that there can be risk in holding a large portion of your account balance in a single fund (unless that fund is a reasonably diversified fund, such as a balanced fund). For further information on diversifying your account, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, or Telecommunication Relay Service (TRS 711), or visit MyFRS.com. Additional information on investing and diversification can be found on the U.S. Department of Labor's website at www.dol.gov/ebsa/investing.html.



What's in the Summary?

Below you'll find a brief description of the information in the Performance Summary.

- **Core Funds** invest in a very broad portion of an asset class and can help you form the “core” of your portfolio.
- **Specialty Funds** invest in a portion of an asset class and can help you fine-tune your portfolio.
- **Long-Term Fees** are the value in today's dollars of the total fees that would be charged over 30 years, assuming a \$10,000 initial investment.
- **“PB”** stands for Performance Benchmark. It allows you to see how well the fund is doing relative to the performance of the market sector it is trying to beat. Note that index funds are designed to approximate the returns of their benchmarks. Benchmarks do not have costs.
- **Management Type** is the type of investment strategy used by a fund.
 - **P Passively Managed** (or Index) funds follow a strategy to produce the same level and pattern of investment returns generated in a market index (such as the S&P 500® index) by buying and holding the same securities as the index itself. Index funds carry a very low fee.
 - **A Actively Managed** funds try to predict securities price movements in order to beat a market index. The higher fees associated with Actively Managed funds are used to support the research needed to predict market changes.

Performance Summary as of June 30, 2010

P = Passively Managed Type

A = Actively Managed Type

Refer to page 2 for a definition of these asset classes.

	Fees Per \$10,000 Account		Annual Average Investment Returns After Deducting Fees ††			
	Annual Fees †	Long-Term Fees	Previous Quarter*	Previous Year	Previous 5 Years	Previous 10 Years
BALANCED FUNDS						
Core Balanced Funds						
FRS Select Conservative Balanced Fund A	\$4	\$135	-0.28%	7.01%	4.14%	3.64%
<i>PB: Conservative Balanced Aggregate Index</i>	---	---	-0.21%	6.82%	3.52%	3.09%
FRS Select Moderate Balanced Fund A	\$6	\$170	-4.55%	11.43%	2.67%	3.03%
<i>PB: Moderate Balanced Aggregate Index</i>	---	---	-4.44%	10.94%	2.24%	2.66%
FRS Select Aggressive Balanced Fund A	\$5	\$140	-7.42%	11.27%	1.69%	1.41%
<i>PB: Aggressive Balanced Aggregate Index</i>	---	---	-7.38%	11.50%	1.57%	1.31%
MONEY MARKET FUNDS						
Core Money Market Funds						
FRS Select Yield Plus Money Market Active Fund A	\$6	\$186	0.06%	0.23%	3.06%	2.93%
<i>PB: Institutional Money Market Average Index</i>	---	---	0.08%	0.37%	3.25%	2.99%
INFLATION-PROTECTED SECURITIES FUNDS						
Core Inflation-Protected Securities Funds						
FRS Select U.S. Treasury Inflation-Protected Securities Index Fund P	\$2	\$60	3.88%	9.61%	5.06%	---
<i>PB: Barclays Capital TIPS Index</i>	---	---	3.82%	9.52%	4.98%	---
BOND FUNDS						
Core Bond Funds						
FRS Select U.S. Bond Enhanced Index Fund P	\$5	\$151	3.57%	9.76%	5.83%	6.65%
<i>PB: Barclays Capital Aggregate Bond Index</i>	---	---	3.49%	9.50%	5.54%	6.47%
PIMCO Total Return Fund A	\$59	\$1,943	2.72%	13.17%	7.31%	7.66%
<i>PB: Barclays Capital Aggregate Bond Index</i>	---	---	3.49%	9.50%	5.54%	6.47%

P = Passively Managed Type
A = Actively Managed Type

	Fees Per \$10,000 Account		Annual Average Investment Returns After Deducting Fees ††			
	Annual Fees †	Long-Term Fees	Previous Quarter*	Previous Year	Previous 5 Years	Previous 10 Years
BOND FUNDS - continued						
Specialty Bond Funds						
Pyramis Intermediate Duration Pool Fund A	\$12	\$372	3.30%	11.66%	5.29%	6.28%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	---	---	2.92%	8.72%	5.57%	6.24%
FRS Select High Yield Fund A	\$46	\$1,483	0.36%	21.19%	7.34%	8.41%
<i>PB: Barclays Capital US HYld Ba-2% Issuer Cap</i>	---	---	0.49%	21.62%	7.29%	8.42%
U.S. STOCK FUNDS						
Core U.S. Stock Funds						
FRS Select U.S. Stock Market Index Fund P	\$2	\$60	-11.32%	15.85%	-0.38%	-0.86%
<i>PB: Russell 3000 Index</i>	---	---	-11.32%	15.72%	-0.48%	-0.92%
Pioneer Fund A	\$74	\$2,496	-12.71%	12.86%	0.03%	-0.36%
<i>PB: S&P 500 Index</i>	---	---	-11.43%	14.43%	-0.79%	-1.59%
Specialty U.S. Stock Funds						
FRS Select U.S. Large Value Stock Active Fund A	\$19	\$595	-11.93%	16.64%	-1.14%	4.83%
<i>PB: Russell 1000 Value Index</i>	---	---	-11.15%	16.92%	-1.64%	2.38%
Prudential Mid-Cap Quantitative Core Equity Fund A	\$35	\$1,109	-9.56%	27.51%	2.23%	5.29%
<i>PB: S&P Mid-Cap 400 Index</i>	---	---	-9.59%	24.93%	2.21%	5.31%
FRS Select U.S. Large Growth Stock Active Fund A	\$40	\$1,280	-12.48%	12.30%	0.94%	-4.54%
<i>PB: Russell 1000 Growth Index</i>	---	---	-11.75%	13.62%	0.38%	-5.14%
Fidelity Growth Company Fund A	\$68	\$2,272	-11.43%	17.58%	3.48%	-2.12%
<i>PB: Russell 3000 Growth Index</i>	---	---	-11.55%	13.95%	0.44%	-4.89%
Fidelity Low-Priced Stock Fund** A	\$74	\$2,496	-9.91%	21.41%	2.54%	10.41%
<i>PB: Russell 2500 Value Index</i>	---	---	-10.16%	26.46%	-0.09%	7.58%
American Beacon Small-Cap Value Fund A	\$82	\$2,802	-10.96%	28.62%	0.27%	11.00%
<i>PB: Russell 2000 Value Index</i>	---	---	-10.60%	25.07%	-0.51%	7.48%
T. Rowe Price Small-Cap Stock Fund A	\$93	\$3,235	-8.80%	26.31%	2.29%	5.27%
<i>PB: Russell 2000 Index</i>	---	---	-9.92%	21.48%	0.37%	3.00%
FOREIGN STOCK FUNDS						
Core Foreign Stock Funds						
FRS Select Foreign Stock Index Fund*** P	\$2	\$60	-14.35%	6.19%	1.55%	0.73%
<i>PB: MSCI World ex U.S. Index</i>	---	---	-13.63%	7.03%	1.48%	0.58%
American Funds Euro-Pacific Growth Fund*** A	\$49	\$1,588	-11.96%	9.86%	5.35%	2.88%
<i>PB: MSCI All Country World ex U.S. Index^</i>	---	---	-12.26%	8.98%	1.84%	0.83%
Global Stock Funds						
American Funds New Perspective Fund*** A	\$61	\$2,015	-11.33%	13.64%	4.38%	2.69%
<i>PB: MSCI World Index</i>	---	---	-12.67%	10.20%	0.10%	-0.78%

Prior to July 2002, actual historical performance data has been adjusted for fees and/or designs for multiple manager designs specific to the FRS.

* Not annualized.

** This fund was closed to new money effective August 1, 2004.

*** These funds may have restrictions on your ability to trade. Please review the excessive fund trading policy.

† Fees and expenses are only one of several factors that you should consider when making investment decisions.

†† The performance information presented reflects past performance. Past performance is not necessarily an indication of future performance.

^ In January 2010, the benchmark was changed from the MSCI EAFE Index to the MSCI ACWI ex U.S. Index to reflect the revised primary benchmark listed in the Fund's prospectus. For periods ending prior to January 31, 2010, the performance benchmark reflects the MSCI EAFE Index.



Keep Your Name and Address Current

Please be sure to report any change in your name or mailing address to your employer, in order to ensure you receive important information from your employer and the FRS. All active FRS employees must change their personal information through their FRS employer. Inactive or retired Investment Plan members can make an address change online or for name changes, send a letter to Hewitt, the Investment Plan Administrator. The letter should include your old name, new name, last 4 digits of your Social Security number and a copy of the court order, marriage certificate, or driver's license reflecting your new name.

Continued from page 1

State Board of Administration

- A number of governance changes were made, including:
 - An audit committee was created to assist the SBA in its oversight responsibilities.
 - Requires minimum qualifications for the position of SBA Executive Director and as an Investment Advisory Council member.
 - The Investment Advisory Council was expanded from 6 to 9 members effective February 2011 and must meet at least quarterly.
 - Ethics and disclosure requirements are defined for investment advisers and managers.
- Changes the amount the SBA may invest in foreign equity for the FRS Pension Plan from 25% to 35% of total FRS assets.
- The SBA is permitted to secure trademarks, copyrights, and patents on behalf of the FRS or any other fund under its jurisdiction.
- Expands the local government investment pool to allow additional investment mandates. This change will allow the consolidation of several smaller funds managed by the SBA.
- Clarifies the types and amount of bonds that can be purchased by the SBA, including Build America Bonds, Qualified School Bonds, and certain tax-exempt bonds.

House Bill 1193 (Special Risk membership)

Redefines "special risk member" to include a Special Risk Class member employed in law enforcement, firefighting, or criminal detention who suffers a qualifying in-line-of-duty injury and reaches maximum medical improvement on or after August 1, 2008. Such a member may, upon recovery from the injury, return to work in a non-Special Risk Class position with the same employer and still retain Special Risk Class membership while employed by the same employer. The bill also provides death benefit payments under s. 112.191, F.S., to the survivors of firefighters killed while participating in a training exercise on or after November 1, 2003. Further details are available in the July 2010 Employer Newsletter available on MyFRS.com.

Hartford Life Annuity Quotes

The FRS Investment Plan offers both fixed and variable annuity options through Hartford Life. The following chart shows the lifetime monthly income you would receive by purchasing a Single Life Annuity or a 100% Joint and Survivor Fixed Annuity.

Lifetime Annuity Quotes – \$100,000 Premium

Annuity Type	Monthly Benefit	Annuity Type	Monthly Benefit
Single Life ¹	\$585.10	Joint and Survivor ²	\$508.20

Assumptions: The monthly benefits listed in the examples above assume you used \$100,000 of your FRS Investment Plan balance to purchase a lifetime fixed annuity from Hartford Life, the FRS Investment Plan's annuity provider. The Single Life Annuity example assumes a male, age 62; the Joint and Survivor Annuity example assumes a female spouse, age 62. A 3% cost of living increase is not included in these examples. The above examples are as of 7/1/10. Your actual annuity quotes may vary based on your individual data and circumstances (e.g., age, marital status), the movement in the fixed income investment markets, and the date you purchase the annuity. A variety of fixed and variable annuities are available for you to choose. Call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, for additional details.

¹ By choosing a Single Life Annuity, your monthly benefits are payable for your lifetime only. Upon your death, the annuity ends. Your survivors receive no further benefits.

² By choosing a 100% Joint and Survivor Annuity, monthly benefits are payable for your lifetime and the lifetime of your surviving joint annuitant. Upon your death, your surviving joint annuitant will receive a lifetime monthly benefit payment in the same amount (100%) as you were receiving.

Excessive Fund Trading Policy

The SBA has an Excessive Fund Trading Policy to help protect all Investment Plan members by preventing any short-term excessive fund trading within the FRS Investment Plan. The policy is available on the “Investment Funds” page of MyFRS.com.

About Fund Transfers

The FRS Investment Plan generally permits you to change your investment options daily (some funds restrict your ability to move your money under certain circumstances under an excessive fund trading policy). Transfer requests processed before 4:00 p.m. Eastern time (or market close, if earlier) will be effective on the day the request is made. Transfer requests received after that time will be processed the next business day. You may change or cancel your request at any time before market close by logging onto MyFRS.com or calling the FRS Investment Plan Administrator at 1-866-446-9377, Option 4. If your completed request is delayed for any reason, it will be processed as soon as administratively feasible.

De Minimis Accounts

Inactive FRS Investment Plan members with account balances over \$1,000 are subject to a \$6/quarter account maintenance fee. If applicable, this fee will appear on your quarterly statement after it has been applied to your FRS Investment Plan account. Further information is available in the Investment Plan Summary Plan Description available on MyFRS.com.

Make Your Money Last a Lifetime With an Annuity Through The Hartford

At retirement, you can convert all or part of your Investment Plan balance into an annuity through The Hartford Life Insurance Company, the FRS’ approved annuity provider. This simple step will provide you with an income stream that is guaranteed to last for the rest of your life (similar to receiving a Pension Plan benefit).

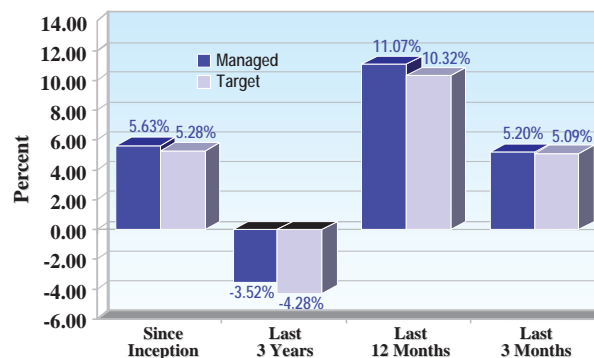
For details, please see the newly published Hartford annuity flyer called “Make Your Money Last a Lifetime” in the Publications section of MyFRS.com.



Investment Plan Performance

The total Investment Plan return for the second quarter of 2010 (ending June 30, 2010) was 5.20 percent, outperforming the target return (benchmark) by 11 basis points. The following table shows the Investment Plan’s returns over the time periods specified:

**Total Plan
Net Managed and Target Returns**



Publications Available

The following publications are available at MyFRS.com by clicking “Resources,” then “Publications.”

Summary Plan Descriptions (SPDs) — The SPDs for both the Investment Plan and Pension Plan have been updated to incorporate legislative and other changes.

Help Keep Your Retirement Plan on Track — This new publication explains how to use the online Financial Engines’ ADVISOR SERVICE to create a picture of your current financial situation and get or keep your retirement plan on track.

This Performance Summary is intended for use in connection with the FRS Investment Plan, pursuant to Florida law, and is not intended for use by other investors. Sections 121.4501(8)(b)4 and 121.4501(15)(b), Florida Statutes, incorporate the federal law concept of participant control, established by regulations of the U.S. Department of Labor under Section 404(c) of the Employee Retirement Income Security Act of 1974. If you exercise control over the assets in your Investment Plan account, pursuant to Section 404(c) regulations and all applicable laws governing the operation of the Investment Plan, no program fiduciary shall be liable for any loss to your account which results from your exercise of control.