



• July 2012 •

Defined: Normal Retirement Date 1

Quarterly Fund Performance Summary 2

2012 Legislative Update 5

Annual Fee Disclosure Statement..... 5

Investment Plan Participant Data 6

Financial Planning Workshop Webcasts 6

Making 2nd Elections During the Summer

Do you work for an educational institution (school board, community college, university, etc.) on a work contract that is fewer than 12 months? If so, you cannot make a valid 2nd Election to transfer from the Pension Plan to the Investment Plan (or vice versa) if you are not actively employed in a specific month(s) during the summer. If you have any questions, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

Defined: Normal Retirement Date

House Bill 7079 (Chapter 2012-222, Laws of Florida), which passed during the 2012 legislative session, created a definition for “normal retirement” for Investment Plan members. “Normal retirement” is the later of either the date you attain normal retirement under the provisions of the Pension Plan, or the date you are vested under the Investment Plan. The chart below shows when you will achieve normal retirement, depending on your class of membership and first date enrolled in the FRS. For some members, this new definition has shortened the period of time they must wait to receive a distribution from the Investment Plan.

If you do not meet the Investment Plan’s normal retirement requirements, the earliest date you can request a distribution is the 1st of the month following a waiting period of 3 calendar months from the month you terminate employment. For example, if you terminate on July 15th, you cannot be employed by an FRS-covered employer during the months of August, September, and October. In this example, you can request a distribution on November 1st or later. This waiting period provides for a bona fide termination from employment as required under the IRS Code. It also allows for the processing of the payroll file and the posting of contribution and termination dates.

If you meet the Investment Plan’s normal retirement requirements, you can withdraw up to 10% of your Investment Plan account balance 1 calendar month following the month you terminate employment. You can withdraw the rest of your account after an additional 2 months. For example, a terminated Regular Class member at age 66 with 2 years of service (first hired prior to July 1, 2011) could receive a 10% distribution 1 calendar month after terminating employment. Under the old law, this member would not have been eligible for the 10% distribution and would have had to wait 3 calendar months to receive any distribution (the old law only permitted a 10% distribution if the member had met “normal retirement” under the Pension Plan).

Investment Plan Normal Retirement

	All Classes of Membership (except Special Risk)				Special Risk		
Enrolled prior to July 1, 2011	Age 62 or older and 1 or more years of Investment Plan service	Age 62 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 30 or more years of service	Age 55 or older and 1 or more years of Investment Plan service	Age 55 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 52 or older and 25 or more years of Special Risk and military service	Any age and 25 or more years of Special Risk service
Enrolled after July 1, 2011	Age 65 or older and 1 or more years of Investment Plan service	Age 65 or older and 1 or more years of combined Pension Plan and Investment Plan service	Any age and 33 or more years of service	Age 60 or older and 1 or more years of Investment Plan service	Age 60 or older and 1 or more years of combined Pension Plan and Investment Plan service	Age 57 or older and 30 or more years of Special Risk and military service	Any age and 30 or more years of Special Risk service



Quarterly Fund Performance Summary

Overview

The Performance Summary is organized by these asset classes: money market funds, inflation-protected securities funds, bond funds, U.S. stock funds, and foreign funds. A special asset class, balanced funds, provides a diversified mixture of various asset classes.

Asset classes are groups of similar investments whose values react to changes in the economy the same basic way. Organizing funds according to asset classes is a way to simplify how you invest and improve the odds of meeting your retirement goals. Investing in a mix of asset classes (also called “diversifying”) helps you control your risk, because the different asset classes typically react to market volatility in different ways.¹

Before you select any investment funds or make an election, you should also review the Fund Profiles, the Investment Fund Summary, and the Annual Fee Disclosure Statement posted in the “Investment Funds” section at *MyFRS.com*.

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, which 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 1% 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, which 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 and Global 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.

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 to ensure the SBA has the ability to identify Investment Plan members properly and definitively.

Telecommunications Relay Service 711

Members who are deaf, hard of hearing, or speech-impaired can communicate with the FRS using a national service called Telecommunications Relay Service (TRS) 711.

¹ 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 about diversifying your account, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, or call the Telecommunications Relay Service (TRS 711), or visit *MyFRS.com*. Additional information about 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.

- **Long-Term Fees** are the value in today's dollars of the total fees that would be charged over 30 years, assuming a \$1,000 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.
 - **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.
 - **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, 2012

P = Passively Managed Type

A = Actively Managed Type

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

	Fees per \$1,000		Annual Average Investment Returns After Deducting Fees ¹			
	Annual Fees ²	Long-Term Fees	Previous Quarter ³	Previous Year	Previous 5 Years	Previous 10 Years
BALANCED FUNDS						
FRS Select Aggressive Balanced Fund (A30) A	\$0.45	\$14	-2.61%	-0.41%	-1.07%	5.59%
<i>PB: Aggressive Balanced Aggregate Index</i>	---	---	-2.52%	-0.19%	-1.13%	5.78%
FRS Select Moderate Balanced Fund (A20) A	\$0.47	\$14	-1.38%	1.53%	0.95%	5.73%
<i>PB: Moderate Balanced Aggregate Index</i>	---	---	-1.37%	1.56%	0.51%	5.54%
FRS Select Conservative Balanced Fund (A10) A	\$0.55	\$17	0.44%	3.38%	3.50%	4.70%
<i>PB: Conservative Balanced Aggregate Index</i>	---	---	0.35%	3.35%	3.03%	4.24%
MONEY MARKET FUNDS						
FRS Select Yield Plus Money Market Active Fund (M10) A	\$0.57	\$17	0.07%	0.25%	1.18%	2.10%
<i>PB: Institutional Money Market Average Index</i>	---	---	0.02%	0.06%	1.32%	2.14%
INFLATION-PROTECTED SECURITIES FUNDS						
FRS Select U.S. Treasury Inflation-Protected Securities Index Fund (T10) P	\$0.20	\$6	3.20%	11.80%	8.57%	7.24%
<i>PB: Barclays Capital TIPS Index</i>	---	---	3.15%	11.66%	8.44%	7.23%
BOND FUNDS						
FRS Select U.S. Bond Enhanced Index Fund (B15) P	\$0.50	\$15	2.11%	7.70%	7.14%	5.80%
<i>PB: Barclays Capital Aggregate Bond Index</i>	---	---	2.06%	7.47%	6.79%	5.63%
Pyramis Intermediate Duration Pool Fund (B35) A	\$1.09	\$33	1.64%	5.83%	5.91%	5.38%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	---	---	1.32%	5.28%	6.25%	5.19%
FRS Select High Yield Fund (B50) A	\$4.60	\$148	1.57%	7.57%	9.14%	9.22%
<i>PB: Barclays Capital US HiYld Ba/B-1% Issuer Cap⁴</i>	---	---	2.06%	8.47%	9.72%	9.12%
PIMCO Total Return Fund (B20) A	\$6.00	\$198	2.75%	6.80%	9.08%	6.82%
<i>PB: Barclays Capital Aggregate Bond Index</i>	---	---	2.06%	7.47%	6.79%	5.63%

Performance Summary as of June 30, 2012 – continued

	Fees per \$1,000		Annual Average Investment Returns After Deducting Fees ¹			
	Annual Fees ²	Long-Term Fees	Previous Quarter ³	Previous Year	Previous 5 Years	Previous 10 Years
U.S. STOCK FUNDS						
FRS Select U.S. Stock Market Index Fund (S10) P	\$0.20	\$6	-3.11%	3.94%	0.50%	5.88%
<i>PB: Russell 3000 Index</i>	---	---	-3.15%	3.84%	0.39%	5.81%
FRS Select U.S. Large Value Stock Active Fund (S25) A	\$1.93	\$60	-2.92%	2.44%	-1.61%	5.70%
<i>PB: Russell 1000 Value Index</i>	---	---	-2.20%	3.01%	-2.19%	5.28%
FRS Select U.S. Large Growth Stock Active Fund (S30) A	\$3.36	\$106	-6.06%	3.80%	3.65%	6.04%
<i>PB: Russell 1000 Growth Index</i>	---	---	-4.02%	5.76%	2.87%	6.03%
Prudential Mid-Cap Quantitative Core Equity Fund (S40) A	\$3.50	\$111	-5.41%	-2.58%	2.72%	9.23%
<i>PB: S&P Mid-Cap 400 Index</i>	---	---	-4.93%	-2.33%	2.55%	8.21%
Fidelity Growth Company Fund (S80) A	\$5.90	\$194	-6.52%	3.66%	4.99%	9.44%
<i>PB: Russell 3000 Growth Index</i>	---	---	-4.02%	5.05%	2.79%	6.13%
Fidelity Low-Priced Stock Fund ⁵ (S90) A	\$7.10	\$238	-5.59%	-0.75%	1.97%	8.95%
<i>PB: Russell 2500 Value Index</i>	---	---	-3.02%	-1.49%	-0.20%	7.51%
Pioneer Fund (S20) A	\$7.20	\$242	-4.63%	-4.09%	-1.38%	4.54%
<i>PB: S&P 500 Index</i>	---	---	-2.75%	5.45%	0.22%	5.33%
American Beacon Small-Cap Value Fund (S99) A	\$8.30	\$284	-5.75%	-3.16%	0.18%	7.98%
<i>PB: Russell 2000 Value Index</i>	---	---	-3.01%	-1.44%	-1.05%	6.50%
T. Rowe Price Small-Cap Stock Fund (S97) A	\$9.20	\$320	-2.65%	1.65%	4.33%	8.46%
<i>PB: Russell 2000 Index</i>	---	---	-3.47%	-2.08%	0.54%	7.00%
FOREIGN AND GLOBAL STOCK FUNDS						
FRS Select Foreign Stock Index Fund ⁶ (F10) P	\$0.20	\$6	-7.01%	-13.77%	-5.32%	5.87%
<i>PB: MSCI World ex U.S. Index</i>	---	---	-7.20%	-14.13%	-5.67%	5.57%
American Funds Euro-Pacific Growth Fund ⁶ (F20) A	\$5.00	\$162	-6.10%	-12.62%	-2.24%	7.67%
<i>PB: MSCI All Country World ex U.S. Index</i>	---	---	-7.38%	-14.15%	-5.44%	5.73%
American Funds New Perspective Fund ⁶ (F40) A	\$5.20	\$169	-4.11%	-3.25%	0.64%	8.03%
<i>PB: MSCI World Index</i>	---	---	-5.07%	-4.98%	-2.96%	5.35%

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

¹ The performance information presented reflects past performance. Past performance is not necessarily an indication of future performance.

² Fees and expenses are only one of several factors that you should consider when making investment decisions.

³ Not annualized.

⁴ In June 2012, the benchmark was changed from Barclays Capital US HiYld Ba-2% Issuer Cap Index to Barclays Capital US HiYld Ba/B-1% Issuer Cap Index. For periods prior to June 30, 2012, the performance benchmark reflects the Barclays Capital US HiYld Ba-2% Issuer Cap Index.

⁵ This fund was closed to new money effective August 1, 2004.

⁶ These funds may have restrictions on your ability to trade. Please review the Excessive Fund Trading Policy.

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.



Keep Your Name and Address Current

Please be sure to report any change in your name or mailing address to your employer to ensure you receive important information from your employer and the FRS. All active FRS-covered employees must change their personal information through their FRS employer. Inactive or retired Investment Plan members can make an address change online.

For name changes, send a letter to Aon Hewitt, the Investment Plan Administrator. The letter should include your old name, your new name, the last four digits of your Social Security number, and a copy of the court order, marriage certificate, or driver's license reflecting your new name.

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*.

Inactive Account Maintenance Fee

Inactive FRS Investment Plan members with account balances of more than \$1,000 are subject to a \$6 per quarter account administrative 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 "FRS Investment Plan Summary Plan Description" on *MyFRS.com*.

2012 Legislative Update

In the April 2012 edition of this newsletter, we explained that several bills had passed that will affect the Florida Retirement System. These bills have been signed into law. Additional information can be found on the "2012 Legislation" page in the Alerts & Hot Topics box on the *MyFRS.com* home page.

Investment Plan Contribution Change

House Bill 5005 (Chapter 2012-146, Laws of Florida) passed during the 2012 legislative session. Starting on July 1, 2012, the amount of contributions paid by your employer into your Investment Plan account will be reduced. For example, the total Regular Class rate was reduced from 9% to 6.3% — an overall reduction of 30%. However, if you were first employed prior to July 1, 2012, your total reductions over your career will be less than 30% since you have earned higher contributions (9%) for all service prior to July 1, 2012. The lower contribution (6.3%) will only apply to service earned on or after July 1, 2012.

The amount of the reduction will depend on a number of factors, including how long you remain in the Investment Plan and the amount of your Investment Plan balance to date.

If you are concerned about your future Investment Plan benefits, we encourage you to call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, and speak with a financial planner. He or she will help you calculate your estimated future benefits under the Investment Plan.

Annual Fee Disclosure Statement

The Florida Retirement System Investment Plan is voluntarily complying with the Department of Labor's participant fee disclosure requirements. Although we are not required by law to provide this information to FRS members, we feel it is a "best practice" and to the benefit of all members to receive this information. The enclosed Annual Fee Disclosure Statement (Statement) provides, in a single document, information about the structure of the Investment Plan, administrative and individual expenses, and the investment funds, including performance, benchmarks, and fees and expenses. The purpose of the new fee disclosure rule is to provide you with information in simple terms that will help you make better investment decisions.

The FRS will update a number of publications and forms to ensure you are aware of the Statement. One of the most visible changes you will notice is we will now be showing fees on a \$1,000 versus \$10,000 basis, as required by the fee disclosure requirements. The online Statement will be included in the "Investment Funds" section at *MyFRS.com*. If you have any questions about the Statement, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

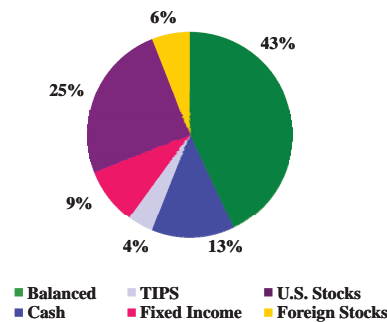
About Fund Transfers

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. ET (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 can change or cancel your request at any time before market close by logging in to *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.

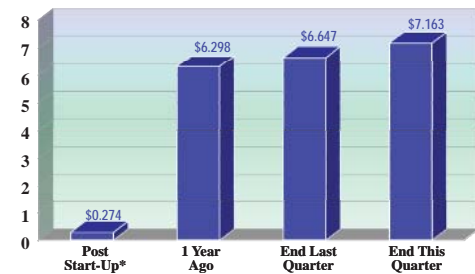
Investment Plan Participant Data

At the end of the second quarter 2012 (June 30, 2012), FRS Investment Plan assets were \$7,163 billion in 144,299 member accounts. The following tables show the Investment Plan's investment fund allocations and net asset value:

**Participant Selection Data
Second Quarter 2012**



**Total Plan
Net Asset Value (\$billion)**



* The initial DC transition concluded March 31, 2003 when the initial election period for the third employee group closed.

Beneficiary Designation Reminder

Your enclosed FRS Quarterly Investment Plan Statement lists your current Investment Plan account beneficiary(ies). Please review these beneficiary(ies) to ensure they are correct. You can change your beneficiaries by logging in to *MyFRS.com*, and clicking "Manage My Benefits" and then "Manage Investments." Or you can complete an FRS Investment Plan Beneficiary Designation Form (IPBEN-1), which is also available online. You can also update your beneficiaries by calling the FRS Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711).

Upcoming Employee Workshop Webcasts

The FRS offers financial planning workshop webcasts. Below is the schedule for the remainder of 2012. If you are interested in attending a workshop, register by calling 1-866-446-9377, Option 2.

2012 Dates	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
July 24	Using the FRS to Plan for Retirement	Cash and Debt Management: Smart Spending & Saving for Retirement
July 25	Nearing Retirement in the FRS	Estate Planning: Protecting Your Family
October 23	Using the FRS to Plan for Retirement	Investment Planning for Everyone: The Details
October 24	Nearing Retirement in the FRS	Insurance Planning: Protecting Your Loved Ones

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.