



Florida Retirement System

YOUR Money YOUR Choice



INVESTMENT PLAN

Quarterly Newsletter

• October 2014 •

Quarterly Fund Performance Summary	2
MetLife Named New Annuity Provider	5
FRS Member Survey Shows Rise in Customer Service Satisfaction.....	5
2014 Employee Workshop Webcasts	6
Did You Know?	6
Lifetime Annuity Quotes — \$100,000 Premium	6

Did You Know?

Women Need to Save More for Retirement

On average, women live longer than men. Lower incomes, fewer years in the workforce, and longer life expectancies are only a few of the reasons why women have a harder time ensuring a successful retirement. It's never too early to begin planning for your retirement, so speak with an EY (formerly known as Ernst & Young) financial planner today by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2. Remember — the earlier, the better!

Investment Plan Fund Lineup Changes

On June 30, 2014, the Investment Plan's fund lineup changed. Some funds were combined to create new funds, and a slate of Retirement Date Funds replaced the FRS Select Balanced Funds. Any balances in funds that were closed were automatically transferred into new funds. Nearly 125,000 Investment Plan members had balances in the three closed Balanced Funds. Those balances were successfully mapped into the new Retirement Date Funds based on each member's age and membership class as of July 1, 2014. Almost 100,000 of these members now have all of their assets in an age-appropriate Retirement Date Fund. The remaining 25,000 members who used one or more of the Balanced Funds as a portion of their asset allocation now have this allocation in a single, age-appropriate Retirement Date Fund. Before the lineup change, the largest fund by assets and members was the Moderate Balanced Fund. Now, the FRS Large Cap Equity Fund and the Small-Mid Cap Equity Fund have the bulk of assets and members.

Now Is a Good Time to Review Your Retirement Goals

Most Investment Plan members were affected by these fund lineup changes. Now is a good time for you to call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, to make sure your current investment funds are appropriate for your retirement goals. If you do not have 100% of your contributions going to a single Retirement Date Fund, you may want to revisit your allocations to make sure that you are on track to meet your retirement income goals and that you are comfortable with your risk profile. If you had a balance transferred into a Retirement Date Fund, you may want to confirm that the fund corresponds to your desired retirement date. The "Choose a Retirement Date Fund Tool," which is available online under the "Investment Funds" section of *MyFRS.com*, can assist you in customizing your Retirement Date Fund to match your desired retirement date.

We encourage you to review your enclosed September 30, 2014 quarterly statement and make note of the funds you are invested in. If you wish to transfer existing balances and/or future contributions to other fund(s), you may do so at any time (subject to the excessive trading policy). Assistance with and information about making transfers is available by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4. Detailed information on the investment funds offered in the Investment Plan is available in the "Investment Funds" section on *MyFRS.com*.

Ernst & Young Is Now EY

Ernst & Young has rebranded itself as EY. The new name was chosen so it could be used consistently and easily worldwide. We will begin to update our education materials to reflect the new name.



Quarterly Fund Performance Summary

Overview

The Performance Summary is organized by asset classes: Retirement Date Funds, money market funds, real assets funds, bond funds, U.S. stock funds, and foreign and global funds. Retirement Date Funds are a special asset class that provides a diversified mixture of various asset classes. A Self-Directed Brokerage Account (SDBA) is also available.

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 on *MyFRS.com*. The asset class descriptions below are general in nature and should not be relied on as your sole source of information regarding a specific fund(s).

Retirement Date Funds

These funds are particularly good for “one-stop shopping.” Each Retirement Date Fund is a diversified portfolio of other FRS Investment Plan funds and uses an asset allocation concept called “target date funds.” The mix of funds in each Retirement Date Fund is based on the amount of time you have before retirement, and the mix gradually changes as you approach retirement. This gradual change follows a careful investment strategy called a “glide path.” Each Retirement Date Fund’s glide path was developed for the FRS by a global investment consulting firm and a fiduciary to the FRS.

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.

Real Assets Funds

These funds invest in a diversified array of assets that may help offset inflationary pressures. The funds seek long-term real (net of inflation) returns to preserve the future purchasing power of accumulated assets. You could lose money over short or long periods by investing in this fund. The fund’s price and return will vary over a wide range.

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 investing in stocks has been much higher than bonds. However, over long periods of time, stocks have generally done better than bonds, which is 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 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.

The Self-Directed Brokerage Account

The Self-Directed Brokerage Account (SDBA) allows you to invest in thousands of different investments in addition to the Investment Plan’s primary investment funds. An SDBA is **not** suitable for all members, and you assume the full risk and responsibility for the investments you select. Additional information on the SDBA is available in the “Investment Funds” section on *MyFRS.com*.

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, including the Self-Directed Brokerage 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.

Regarding This Performance Summary

This quarterly performance summary reflects the investment funds available effective July 1, 2014.

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 Retirement Date 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.

Total Index is a combination of all the market benchmarks in each market sector and is based on the asset amounts of each fund in each market sector.

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 September 30, 2014

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
TOTAL FRS INVESTMENT PLAN		---	---	-1.94%	7.99%	8.47%	6.39%
PB: Investment Plan Total Index		---	---	-2.05%	7.75%	8.07%	5.93%
RETIREMENT DATE FUNDS		---	---	-2.30%	---	---	---
PB: Total Retirement Custom Index		---	---	-2.23%	---	---	---
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$1.00	\$30	-2.42%	10.40%	---	---
PB: 2055 Retirement Custom Index		---	---	-2.43%	10.19%	---	---
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$1.00	\$30	-2.42%	10.40%	10.98%	---
PB: 2050 Retirement Custom Index		---	---	-2.43%	10.19%	10.69%	---
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$1.00	\$30	-2.42%	10.40%	10.98%	---
PB: 2045 Retirement Custom Index		---	---	-2.43%	10.19%	10.69%	---
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$1.00	\$30	-2.42%	10.40%	10.98%	---
PB: 2040 Retirement Custom Index		---	---	-2.43%	10.19%	10.69%	---
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$1.00	\$30	-2.35%	10.21%	10.92%	---
PB: 2035 Retirement Custom Index		---	---	-2.36%	10.01%	10.63%	---
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.10	\$34	-2.13%	9.16%	10.00%	---
PB: 2030 Retirement Custom Index		---	---	-2.12%	8.95%	9.69%	---
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.90	\$59	-2.20%	7.97%	9.09%	---
PB: 2025 Retirement Custom Index		---	---	-2.14%	7.62%	8.77%	---
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$2.50	\$78	-2.26%	6.83%	8.29%	---
PB: 2020 Retirement Custom Index		---	---	-2.18%	6.35%	7.92%	---
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$3.10	\$98	-2.33%	5.67%	7.40%	---
PB: 2015 Retirement Custom Index		---	---	-2.22%	5.06%	7.05%	---
FRS Retirement Income Fund ⁴ (2000)	A	\$3.30	\$104	-2.36%	5.22%	7.12%	---
PB: Retirement Income Custom Index		---	---	-2.23%	4.46%	6.62%	---
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.62	\$19	0.03%	0.16%	0.23%	1.82%
PB: iMoneyNet Money Fund Average		---	---	0.00%	0.02%	0.09%	1.83%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$7.20	\$242	-4.72%	1.38%	5.07%	---
PB: FRS Custom Real Assets Index		---	---	-5.06%	-0.42%	4.09%	---

Performance Summary as of September 30, 2014 – continued

P = Passively Managed Type

A = Actively Managed Type

	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
BOND FUNDS						
<i>PB: Investment Plan Total Bond Index</i>	—	—	-0.47%	3.54%	4.68%	5.08%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	0.20%	4.17%	4.26%	4.83%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	0.17%	3.96%	4.12%	4.62%
Pyramis Intermediate Duration Pool Fund ⁴ (90) A	\$1.19	\$36	-0.03%	2.75%	4.12%	4.34%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	0.03%	2.74%	3.58%	4.30%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$5.20	\$169	-0.98%	4.50%	6.54%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	-0.44%	5.10%	6.19%	—
U.S. STOCK FUNDS						
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	-1.27%	15.58%	16.33%	9.14%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	0.04%	17.84%	15.85%	8.51%
<i>PB: Russell 3000 Index</i>	—	—	0.01%	17.76%	15.78%	8.44%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.90	\$124	0.31%	17.29%	16.78%	—
<i>PB: Russell 1000 Index</i>	—	—	0.65%	19.01%	15.90%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.40	\$212	-4.76%	10.52%	17.42%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	-6.16%	5.58%	12.34%	—
FOREIGN AND GLOBAL STOCK FUNDS						
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	-4.81%	6.38%	7.79%	7.62%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	-5.47%	5.47%	6.93%	6.86%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	-5.46%	5.17%	6.58%	6.56%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$5.00	\$162	-4.23%	7.00%	7.13%	8.73%
<i>PB: MSCI ACWI ex US Index</i>	—	—	-5.19%	5.22%	6.17%	6.44%
American Funds New Perspective Fund ⁴ (210) A	\$4.50	\$145	-1.77%	10.48%	11.55%	9.44%
<i>PB: MSCI All Country World Index</i>	—	—	-2.31%	11.32%	10.23%	6.88%

¹ The performance information presented reflects past performance, which is not necessarily an indication of future performance. The most recent quarter, 1-, 5-, and 10-year performance returns are shown. The following applies to "FRS" labeled funds with an inception date of 7-1-2014: 1) the 5-year history, if available, is considered the return since inception; and 2) 1-year and 5-year historical performance is based on the target weight of the underlying managers/funds that would have been in place if the funds had been in place during these time periods.

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

³ Not annualized.

⁴ This fund is subject to an Excessive Fund Trading Policy, which may limit your ability to make investment changes involving this fund. The policy is available on the "Investment Funds" page of MyFRS.com.



MetLife Named New Annuity Provider

The State Board of Administration (SBA) is required to issue an Invitation to Negotiate (also known as a request for proposal) whenever a current contract for one of its providers is ending. Because MassMutual (formerly Hartford Life Insurance Company) notified us in October 2013 that it did not plan to renew its contract with the SBA, the SBA issued an Invitation to Negotiate for the annuity provider function. After careful evaluation by the SBA's selection committee and the project's consultant, MetLife was approved by the SBA's Executive Director as the new annuity provider, effective July 1, 2014. Current retirees who already have annuities through MassMutual will not experience any change.

"As the long-time annuity provider for the Federal Thrift Savings Plan, MetLife is very familiar with public defined contribution plans, and we look forward to bringing that expertise to the Florida Retirement System Investment Plan," said Roberta Rafaloff, vice president at MetLife.
"Annuities can provide retirees with peace of mind as it's the only product that allows you to have an income you can't outlive."

An annuity is an insurance product that provides a steady income for life during retirement. Investment Plan members have the option to invest all or part of their Investment Plan balance in an annuity upon terminating employment.

To find out more, you can call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, or TRS 711, and receive free, unbiased assistance from an EY (formerly known as Ernst & Young) financial planner. The financial planner can also provide price quotes on various types of annuities and send an enrollment form and package to review. If you wish to purchase an annuity, you must submit the necessary forms to the Investment Plan Administrator for processing.

FRS Member Survey Shows Rise in Customer Service Satisfaction

Investment Plan members were recently surveyed about their satisfaction with Aon Hewitt, the FRS Investment Plan Administrator. The results are as follows.*

- **85.9%** are satisfied with Aon Hewitt's quality of service.
- **73.7%** are satisfied with the usefulness of their online account information on *MyFRS.com*.
- **84.0%** are satisfied with the ability to conduct online transactions on *MyFRS.com*.
- **86.4%** are satisfied with the accuracy/timeliness of their Investment Plan quarterly statement.

*Scored a 5 or higher on a scale of 1 to 6 (low to high).

Aon Hewitt has seen increased satisfaction with its services and will continue to strive to provide the best customer service to all FRS members.

Alerts & Hot Topics

The "Alerts & Hot Topics" section is your best source for important information and breaking news affecting the Florida Retirement System. Located on the *MyFRS.com* home page, it contains links to legislation and other items of interest. Check back often for updates.

Excessive Fund Trading Policy

How much fund trading is too much? To find out, review the Excessive Fund Trading Policy available in the “Investment Funds” section on MyFRS.com.

Deadline for Requesting 2014 Tax Year Distributions

The deadline for requesting an Investment Plan distribution that will be considered a 2014 tax-year distribution is 4:00 p.m. ET on Friday, December 26, 2014. Any distribution requested after this deadline will be processed for the 2015 tax year.

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.

2014 Employee Workshop Webcasts

Below is the schedule for the remaining 2014 FRS financial planning workshop webcasts for FRS-covered employees. You can register by calling 1-866-446-9377, Option 2.

2014 Dates	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
October 21	Using the FRS to Plan for Retirement	Investment Planning for Everyone – The Details
October 22	Nearing Retirement in the FRS	New Employee Retirement Plan Choice

Did You Know?

- The average Investment Plan account balance is **\$56,115**.
- **81,570** members have retired (taken a distribution) from the Investment Plan. Combined, their rollovers and lump-sum distributions total **\$7.3 billion**.
- There are **644,761** active FRS members. **531,401** are in the Pension Plan and **113,360** are in the Investment Plan.

Lifetime Annuity Quotes – \$100,000 Premium (As of 9/30/2014)

Annuity Type	Monthly Benefit
Single Life	\$512.53
Joint and Survivor	\$440.86

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 MetLife, the FRS Investment Plan’s annuity provider.

The **Single Life Annuity** example assumes a male, aged 62. By choosing a single life annuity, he will receive fixed payments in the amount of \$512.53 for the rest of his life, no matter how long he lives. All income payments will cease upon his death and no further benefit payments will be due.

The **Joint and Survivor Annuity** example assumes a male, aged 62, has chosen his wife, aged 62, as his survivor. By choosing a joint and survivor annuity, he will receive \$440.86 for the rest of his life. When he dies, if his wife is still alive, then she will continue to receive the \$440.86 for the rest of her life, no matter how long she lives. You may name anyone as your survivor when you purchase a joint and survivor annuity.

Your actual annuity quotes may vary based on your individual data and other circumstances. Please note other annuity payment options and features are also available to you.

To find out if an annuity is right for you, or to purchase an annuity from MetLife, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).