



Florida Retirement System

YOUR Money YOUR Choice



INVESTMENT PLAN

Quarterly Newsletter

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Did You Know?

Everyone knows that saving for retirement is important, but most people put it on the back burner. It's easy to place other financial priorities ahead of retirement, such as purchasing a home or a car, but retirement savings should be at the top of the list. Figuring out how to save money for your future needs can be daunting and even confusing. Many helpful tools are available on *MyFRS.com*, and speaking with an EY planner (call 1-866-446-9377, Option 2) can help you make sure your savings and retirement plan are on target for your future needs.

Answers to Top 4 Benefit Fair Questions

State Board of Administration staff recently attended state employee benefit fairs throughout the state. Here are answers to the top four questions we were asked.

1. I'm an Investment Plan member. Can I join the Deferred Retirement Option Program (DROP)?

No. DROP is only available for Pension Plan members. If you use your 2nd Election opportunity (if available) to buy back into the Pension Plan, you may be eligible to join DROP if you meet the eligibility criteria for DROP participation.

2. How do I change or name a beneficiary for my Investment Plan account?

You may change your beneficiary at any time by one of the following methods:

- Log in to *MyFRS.com*.
- Call the FRS Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711).
- Complete a beneficiary designation form (Form IPBEN-1). The form is available online at https://www.myfrs.com/pdf/forms/ip_beneficiary.pdf or by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

Review your enclosed FRS Quarterly Investment Plan Statement to be sure your Investment Plan account beneficiary(ies) is current. If your current beneficiary is "Per Florida Law," your benefits will be paid according to Section 121.4501(20), Florida Statutes: "... the beneficiary shall be the spouse of the deceased, if living. If the member's spouse is not alive at the time of the member's death, the beneficiary shall be the living children of the member. If no children survive, the beneficiary shall be the member's father or mother, if living; otherwise, the beneficiary shall be the member's estate."

3. How do I use my 2nd Election to buy back into the Pension Plan?

Your 2nd Election opportunity allows you to switch plans once — but only once — during your active FRS employment anytime after you make your initial choice or after your enrollment period ends. If you initially elected the Investment Plan, you must "buy" into the Pension Plan using the money in your Investment Plan account. If you do not have sufficient funds in your account, you must make up the difference with money from other sources, which may include a rollover from another eligible retirement plan.

To determine the cost of buying back into the Pension Plan, and to get a comparison of your retirement benefits under both plans, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711). You can also refer to "Is a 2nd Election Right for You?" at https://www.myfrs.com/pdf/forms/2nd_election.pdf.

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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).

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.

Quarterly Statements Getting a Makeover

The quarterly statements you receive beginning in April 2015 will have a new, modern look. Printed in color, the statement will be easier for you to read and find the information that is most important to you.

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*.

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 December 31, 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		—	—	2.05%	4.94%	8.27%	5.82%
PB: Investment Plan Total Index		—	—	2.13%	4.91%	7.96%	5.35%
RETIREMENT DATE FUNDS		—	—	0.87%	—	—	—
PB: Total Retirement Custom Index		—	—	0.86%	—	—	—
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$1.00	\$30	0.87%	4.36%	—	—
PB: 2055 Retirement Custom Index		—	—	0.94%	4.29%	—	—
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$1.00	\$30	0.87%	4.36%	10.28%	—
PB: 2050 Retirement Custom Index		—	—	0.94%	4.29%	10.06%	—
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$1.00	\$30	0.87%	4.36%	10.28%	—
PB: 2045 Retirement Custom Index		—	—	0.94%	4.29%	10.06%	—
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$1.00	\$30	0.87%	4.36%	10.28%	—
PB: 2040 Retirement Custom Index		—	—	0.94%	4.29%	10.06%	—
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$1.00	\$30	0.89%	4.39%	10.23%	—
PB: 2035 Retirement Custom Index		—	—	0.96%	4.33%	10.00%	—
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.10	\$34	0.94%	4.48%	9.36%	—
PB: 2030 Retirement Custom Index		—	—	1.02%	4.40%	9.12%	—
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.90	\$59	0.92%	4.48%	8.53%	—
PB: 2025 Retirement Custom Index		—	—	0.98%	4.18%	8.24%	—
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$2.50	\$78	0.85%	4.43%	7.76%	—
PB: 2020 Retirement Custom Index		—	—	0.93%	3.95%	7.37%	—
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$3.10	\$98	0.77%	4.36%	6.90%	—
PB: 2015 Retirement Custom Index		—	—	0.88%	3.70%	6.48%	—
FRS Retirement Income Fund ⁴ (2000)	A	\$3.30	\$104	0.74%	4.36%	6.64%	—
PB: Retirement Income Custom Index		—	—	0.86%	3.59%	6.03%	—
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.62	\$19	0.04%	0.15%	0.23%	1.77%
PB: iMoneyNet Money Fund Average		—	—	0.00%	0.02%	0.08%	1.78%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$7.20	\$242	-0.29%	3.20%	4.19%	—
PB: FRS Custom Real Assets Index		—	—	-0.03%	1.78%	3.15%	—

Performance Summary as of December 31, 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	—	—	1.29%	4.69%	4.74%	5.09%
PB: Investment Plan Total Bond Index	—	—	1.24%	4.86%	4.52%	4.71%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	1.83%	6.18%	4.59%	4.92%
PB: Barclays Capital Aggregate Bond Index	—	—	1.79%	5.97%	4.45%	4.71%
Pyramis Intermediate Duration Pool Fund ⁴ (90) A	\$1.19	\$36	0.77%	3.44%	4.12%	4.33%
PB: Barclays Capital Intermediate Aggregate Bond Index	—	—	1.20%	4.12%	3.72%	4.34%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$5.20	\$169	1.22%	4.59%	6.17%	—
PB: FRS Custom Core Plus Fixed Income Index	—	—	1.04%	5.07%	6.04%	—
U.S. STOCK FUNDS	—	—	5.76%	11.45%	16.28%	8.66%
PB: Investment Plan Total U.S. Equities Index	—	—	5.94%	11.06%	15.63%	8.04%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	5.26%	12.62%	15.71%	8.02%
PB: Russell 3000 Index	—	—	5.24%	12.56%	15.63%	7.94%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.90	\$124	5.22%	12.78%	16.52%	—
PB: Russell 1000 Index	—	—	4.88%	13.24%	15.64%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.40	\$212	7.25%	8.64%	17.83%	—
PB: FRS Custom Small/Mid Cap Index	—	—	8.14%	7.73%	13.19%	—
FOREIGN AND GLOBAL STOCK FUNDS	—	—	-3.19%	-3.19%	6.41%	5.87%
PB: Investment Plan Total Foreign/Global Equities Index	—	—	-3.26%	-2.96%	5.91%	4.66%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	-4.38%	-4.51%	5.46%	4.90%
PB: MSCI ACWI ex US IMI Index	—	—	-3.88%	-4.23%	5.23%	4.65%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$5.00	\$162	-1.63%	-2.29%	6.06%	7.06%
PB: MSCI ACWI ex US Index	—	—	-3.81%	-3.44%	4.89%	4.45%
American Funds New Perspective Fund ⁴ (210) A	\$4.50	\$145	1.88%	3.66%	10.79%	8.37%
PB: MSCI All Country World Index	—	—	0.41%	4.16%	9.44%	5.71%

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.

Your Opinions, Please!

An important survey is enclosed with this newsletter. It asks about your level of satisfaction with the services provided by the FRS Investment Plan. Your responses will help the FRS pinpoint any areas that need improving. Please complete and return the survey today.

Required Minimum Distribution Reminder for Those Age 70½ in 2015

If you are an inactive member and are or will be turning age 70½ in 2015, you may be required to take a required minimum distribution this year. You should have received a letter in January 2015 notifying you of the amount that may be paid to you in December 2015. Please review the letter carefully and call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4, if you have any questions.

4. Are there restrictions on my reemployment after I retire from the Investment Plan?

After you retire under the FRS, you can work for any private employer, for any public employer not participating in the FRS, or for any employer in another state. Your FRS benefits will not be affected.

If you are reemployed with an **FRS-participating** employer in any capacity (FRS-covered or non-covered, including temporary, part-time, OPS, and regularly established positions) during the first 12 months after a distribution, your retirement benefits will be **suspended**. If you are reemployed by an **FRS-participating** employer within the six-calendar-month period after retirement, your retirement will be **voided**. You and your employer will be required to repay any benefits you received; your FRS membership will then be reinstated. An alternative to repaying these benefits is to terminate employment for an additional period to satisfy the six-calendar-month termination requirement.

You may not return to employment with an **FRS-covered** employer until six calendar months have passed since the month in which you took a retirement plan distribution. If you return to employment with an **FRS-covered** employer during the seven to 12 calendar months after retirement, no additional Investment Plan distributions will be permitted until you either terminate employment or complete a total of 12 calendar months of retirement. There are no reemployment exceptions.

Once one year has passed since retirement, you can receive further Investment Plan distributions, even if you are reemployed by an FRS employer. Renewed membership in the FRS is not available for individuals who are initially reemployed on or after July 1, 2010.

2015 Employee Workshop Webcasts

The FRS will offer free financial planning workshop webcasts for FRS-covered employees according to the 2015 schedule shown below. Workshops will be conducted both in person in Tallahassee and by live broadcast over the Internet. You may attend as many workshops as you wish. Register by calling 1-866-446-9377, Option 2 (TRS 711).

2015 Dates	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
January 12	Using the FRS to Plan for Retirement	Insurance Planning: Protecting Your Loved Ones
January 13	Nearing Retirement in the FRS	Income Tax Planning: Smart Planning for Your Taxes
April 20	Using the FRS to Plan for Retirement	FRS Investment Plan: Understanding Your Benefits
April 21	Nearing Retirement in the FRS	Nearing Retirement in the FRS (SPANISH)
July 21	Using the FRS to Plan for Retirement	Cash and Debt Management: Smart Spending and Saving for Retirement
July 22	Nearing Retirement in the FRS	Education Planning: Funding the Future
October 20	Using the FRS to Plan for Retirement	Investment Planning for Everyone – The Basics
October 21	Nearing Retirement in the FRS	New Employee Retirement Plan Choice

Why You May Receive a Tax Form From the FRS

If you took a distribution from your Investment Plan account during 2014, a 1099-R form(s) will be mailed to your address of record by Friday, January 30, 2015. Please allow two or three weeks to receive your form. If you don't receive your form or if you misplace it, you can request a replacement form by calling Aon Hewitt at 1-866-446-9377, Option 4, starting February 13, 2015.

Spanish Webcast on April 21

The "Nearing Retirement in the FRS" webcast that will be conducted on April 21 at 1:00 p.m. will be broadcast in Spanish. The workshop slides will also be translated into Spanish. Register by calling 1-866-446-9377, Option 2 (Spanish-speaking planners are available to take your call). We will also record the workshop and post it online.

Taller en Español a través del internet 21 de abril

El taller "Acercándose a la jubilación en el FRS" que se llevará a cabo el 21 de abril a la 1:00 p.m. será transmitido en español a través del internet. La presentación del taller también será traducida en español. Puede inscribirse llamando al 1-866-446-9377, opción 2 (planificadores que hablan español están disponibles para atender su llamada). El taller será grabado y estará disponible por internet.

About Resident Alien Tax

Your address affects the withholding applied to distribution(s) you may receive from the Investment Plan. If your address is outside the United States, we're required to withhold 30% of your taxable income, unless you've submitted additional documentation that supports a lower withholding rate.

- If you're a U.S. citizen and want U.S. withholding applied to your payment, you must complete a Form W-9.
- If you're not a U.S. citizen, you may complete a Form W-8BEN if your country of residence qualifies for a reduced tax treaty rate. Some countries have a 30% withholding rate, so providing the Form W-8BEN wouldn't change your withholding. Other countries may have a withholding rate less than 30%, so providing the form would reduce the withholding applied to your payments. The treaty rates and Forms W-9 and W-8BEN can be found on the Internal Revenue Service (IRS) website at www.irs.gov. (For more information, see IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.) To receive the reduced withholding rate, if applicable, your form must be submitted and approved prior to your payment request.

For additional information, please call the Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711).

Lifetime Annuity Quotes – \$100,000 Premium (As of 12/31/2014)

Annuity Type	Monthly Benefit
Single Life	\$490.03
Joint and Survivor	\$422.97

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 female, aged 62. By choosing a single life annuity, she will receive fixed payments in the amount of \$490.03 for the rest of her life, no matter how long she lives. All income payments will cease upon her death, and no further benefit payments will be due.

The **Joint and Survivor Annuity** example assumes a female, aged 62, has chosen her husband, aged 62, as her survivor. By choosing a joint and survivor annuity, she will receive \$422.97 for the rest of her life. If her husband is still alive when she dies, he will continue to receive the \$422.97 for the rest of his life, no matter how long he 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 that 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).