



Florida Retirement System

YOUR Money YOUR Choice



INVESTMENT PLAN

Quarterly Newsletter

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Beneficiary Designation Reminder

Your enclosed quarterly FRS Investment Plan Account 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).

Legislative Update: Bill Revises Employer Contribution Rates

During the 2015 special session, the Florida Legislature passed Senate Bill 2512-A (Chapter 2015-227, Laws of Florida), changing employer contribution rates in the Florida Retirement System (FRS), effective July 1, 2015. **No change was made to the total amount paid into your Investment Plan account or to the 3% contribution rate you pay.** The Investment Plan contribution rates will remain the same.

During the regular session, the Legislature also passed CS/House Bill 565 (Chapter 2015-149, Laws of Florida), authorizing local agency employers to reassess the designation of their positions included in the Senior Management Service Class, effective July 1, 2015.

For More Information

Additional information about 2015 legislation can be found in the “Alerts & Hot Topics” box on MyFRS.com. If you have questions about any of this legislation, please call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711), between 9:00 a.m. and 8:00 p.m. ET, Monday through Friday.

Annual Fee Disclosure Statement

The enclosed Annual Fee Disclosure Statement provides information about the Investment Plan’s structure, administrative and individual expenses, and investment funds, including performance, benchmarks, fees, and expenses. The purpose of the Statement is to provide you with information in simple terms that will help you make better investment decisions. If you have any questions about the Annual Fee Disclosure Statement, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).

Did You Know?

Millions of Americans will not have enough money saved to live comfortably during their retirement years. Sadly, many Americans who are retired today have to make hard choices, like deciding whether to buy needed medicine, use their air-conditioner or heater, or buy groceries. Many helpful tools are available on MyFRS.com to help you calculate your retirement needs so you can plan for a financially secure retirement. Speak with an EY planner for help in creating your plan (1-866-446-9377, Option 2). Call today — it’s never too soon!



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.

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 June 30, 2015

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		—	—	-0.04%	2.58%	9.27%	5.99%
PB: Investment Plan Total Index		—	—	-0.12%	2.08%	8.85%	5.47%
RETIREMENT DATE FUNDS		—	—	-0.09%	—	—	—
PB: Total Retirement Custom Index		—	—	-0.34%	—	—	—
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$0.80	\$24	0.39%	1.67%	—	—
PB: 2055 Retirement Custom Index		—	—	0.28%	1.37%	—	—
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$0.80	\$24	0.39%	1.67%	12.46%	—
PB: 2050 Retirement Custom Index		—	—	0.28%	1.37%	12.13%	—
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$0.80	\$24	0.39%	1.67%	12.46%	—
PB: 2045 Retirement Custom Index		—	—	0.28%	1.37%	12.13%	—
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$0.80	\$24	0.38%	1.67%	12.46%	—
PB: 2040 Retirement Custom Index		—	—	0.28%	1.37%	12.13%	—
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$0.80	\$24	0.33%	1.66%	12.38%	—
PB: 2035 Retirement Custom Index		—	—	0.24%	1.39%	12.06%	—
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$0.90	\$27	0.07%	1.47%	11.24%	—
PB: 2030 Retirement Custom Index		—	—	0.03%	1.34%	10.92%	—
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.20	\$37	-0.16%	0.97%	9.93%	—
PB: 2025 Retirement Custom Index		—	—	-0.08%	0.93%	9.60%	—
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$1.50	\$46	-0.38%	0.38%	8.74%	—
PB: 2020 Retirement Custom Index		—	—	-0.18%	0.53%	8.37%	—
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$1.70	\$52	-0.60%	-0.18%	7.48%	—
PB: 2015 Retirement Custom Index		—	—	-0.29%	0.11%	7.12%	—
FRS Retirement Income Fund ⁴ (2000)	A	\$1.80	\$56	-0.71%	-0.44%	6.87%	—
PB: Retirement Income Custom Index		—	—	-0.34%	-0.09%	6.29%	—
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.62	\$19	0.05%	0.16%	0.23%	1.63%
PB: iMoneyNet Money Fund Average		—	—	0.01%	0.03%	0.05%	1.64%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$4.50	\$145	-0.98%	-4.63%	3.84%	—
PB: FRS Custom Real Assets Index		—	—	0.14%	-4.29%	3.02%	—

Performance Summary as of June 30, 2015 – 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>	—	—	-1.23%	1.39%	3.76%	4.89%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	-1.72%	1.92%	3.46%	4.64%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	-1.68%	1.86%	3.35%	4.44%
Pyramis Intermediate Duration Pool Fund ⁴ (90) A	\$1.20	\$37	-0.65%	1.57%	3.19%	4.23%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	-0.67%	1.89%	2.89%	4.22%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$2.40	\$75	-1.43%	0.82%	5.19%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	-1.34%	1.36%	5.13%	—
U.S. STOCK FUNDS						
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	0.06%	7.36%	18.09%	8.91%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	-0.08%	6.73%	17.38%	8.24%
<i>PB: Russell 3000 Index</i>	—	—	0.15%	7.36%	17.59%	8.23%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.70	\$118	0.14%	7.29%	17.54%	8.15%
<i>PB: Russell 1000 Index</i>	—	—	1.30%	9.44%	18.94%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.30	\$209	0.11%	7.37%	17.58%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	-1.18%	5.82%	18.74%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	-0.65%	5.04%	13.92%	—
FOREIGN AND GLOBAL STOCK FUNDS						
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	1.31%	-2.46%	10.41%	6.55%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	0.87%	-4.16%	9.46%	5.16%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	1.41%	-4.45%	9.69%	5.54%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$4.90	\$159	1.00%	-4.97%	9.05%	5.20%
<i>PB: MSCI ACWI ex US Index</i>	—	—	1.12%	0.95%	10.13%	7.71%
American Funds New Perspective Fund ⁴ (210) A	\$4.90	\$159	0.72%	-4.85%	8.23%	4.99%
<i>PB: MSCI All Country World Index</i>	—	—	0.90%	5.67%	14.18%	9.17%
	—	—	0.35%	0.71%	12.32%	6.03%

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.



Online Chat Hours Extended

EY financial planners are now available two extra hours through live chat right from the *MyFRS.com* home page. The new hours are 10:00 a.m. to 5:00 p.m. ET, Monday through Friday. Through live chat, you can get quick answers to general questions. Detailed or personal questions may require the EY financial planner to contact you directly.



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.

2015 Employee Workshops

The FRS offers free financial planning workshops for FRS-covered employees. The remaining 2015 schedule is 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.

2015 Dates	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
July 21	Using the FRS to Plan for Your 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 Your Retirement	Investment Planning for Everyone – The Basics
October 21	Nearing Retirement in the FRS	New Employee Retirement Plan Choice

Lifetime Annuity Quotes – \$100,000 Premium (As of 06/30/2015)

Annuity Type	Monthly Benefit
Single Life	\$514
Joint and Survivor	\$442

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 \$514 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 spouse, aged 62, as his survivor. By choosing a joint and survivor annuity, he will receive \$442 for the rest of his life. When he dies, if his spouse is still alive, then the spouse will continue to receive the \$442 for the rest of the spouse's life, no matter how long the spouse 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).

“Make Your Money Last a Lifetime” Video

This video explains how lifetime annuities from MetLife can benefit FRS Investment Plan members in retirement. To see the video, click “Make Your Money Last a Lifetime” in the “Retirees” section on the *MyFRS.com* home page.



Change Your MyFRS.com Login Password Regularly

Security experts suggest you change your online passwords on a regular basis. You may want to consider changing your *MyFRS.com* Password each quarter. You can let your quarterly statement serve as your reminder. To change your *MyFRS.com* login Password, complete the following steps:

- Log in to *MyFRS.com* with your current User ID and Password.
- Once logged in, move your mouse cursor over your name in the top-right corner and select “My Profile.”
- When the “My Profile” information page appears, enter your current Password and your new Password, confirm your new Password, and select “SAVE.” Your Password will be changed.

Your Password is **case-sensitive** and must be between 8 and 32 characters in length. Special characters are not allowed.

Low Interest Rates Slow Growth of FRS Money Market Fund

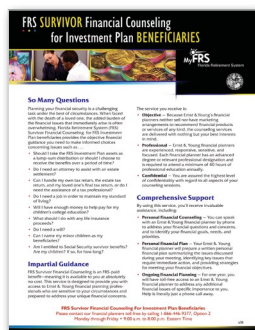
Low interest rates during the last few years have resulted in modest returns among all money market mutual funds, including the FRS Money Market Fund. The fund earned just 0.23% over the past 5 years and just 1.63% over the past 10 years. These returns have not kept up with inflation, which averaged about 2.3% over the last 5 years and 2.3% over the last 10 years. Members invested in the FRS Money Market Fund (60) should evaluate the fund’s performance and consider whether moving some of their assets into other funds would provide better prospects for long-term growth and future retirement income.

The FRS Money Market Fund invests in short-term securities that are high-quality and can be sold quickly. The fund has a limited risk of declining in value, but it is not FDIC insured or guaranteed. As of May 31, 2015, the FRS Money Market Fund had over \$844 million in assets, with 15,490 Investment Plan members having some or all of their money invested in the fund, and 5,570 members having all of their money invested in the fund.

EY financial planners are available to help you make sure you have the mix of funds that best meets your personal financial needs. The financial planners have access to state-of-the-art planning tools, like Financial Engines’ Personal Online ADVISOR SERVICE, which is also available by logging in to *MyFRS.com*. Call the toll-free MyFRS Financial Guidance Line at 1-866-446-9377 (TRS 711), Option 2, and speak with an experienced, unbiased financial planner.

Investment Plan Rollovers Can Help You Keep Your Savings in One Place

If you have 457, 401(a), 401(k), or 403(b) retirement accounts with previous employers, you can roll over eligible account balances into your Investment Plan account. Keeping all your eligible retirement funds in one account can make managing your retirement savings a little easier and may also save you administrative and investment management fees. Call the MyFRS Financial Guidance Line toll free at 1-866-446-9377, Option 4, to find out whether your other accounts are eligible for a rollover.



FRS Survivor Financial Counseling Flyer

Survivor Financial Counseling Is Available

Survivor financial counseling provides each Investment Plan member’s named beneficiaries with free, unbiased support through the MyFRS Financial Guidance Line for up to one year after the member’s death. For more information, read the “FRS Survivor Financial Counseling for Investment Plan Beneficiaries” flyer, which is available by visiting *MyFRS.com* and clicking “Resources,” then “Publications.” The FRS will mail a copy of the flyer to the member’s beneficiary(ies) after being notified of the member’s death.