



Florida Retirement System

YOUR Money YOUR Choice



INVESTMENT PLAN

Quarterly Newsletter

• October 2015 •

Quarterly Fund Performance
Summary 2

Lifetime Annuities and
Installment Payments:
What's the Difference? 5

2015 Employee Workshops 6

Lifetime Annuity Quotes —
\$100,000 Premium 6

Did You Know?

Retirement can be fun! Retirement brings freedom, newfound time, and new opportunities. Retirement planning can be simplified by setting goals for your retirement. There are many helpful tools available on MyFRS.com to help you calculate your retirement needs and assist you in retiring when the time comes. Speak with an EY financial planner today at 1-866-446-9377, Option 1 (TRS 711).

Actuarial Assumption Changes Affect 2nd Elections

FRS Pension Plan actuarial assumption changes effective July 1, 2015 revised the 2nd Election calculations used to determine the:

- Present value for members transferring from the Pension Plan to the Investment Plan; and
- Buyback cost for members transferring from the Investment Plan to the Pension Plan.

Calculations used to determine the transfer cost between the Investment Plan and Pension Plan are based on the actuarial assumptions in the Florida Retirement System's (FRS) most recent valuation. There were numerous assumption changes adopted by the 2014 Actuarial Assumptions Conference, including changes to the Pension Plan's investment return, inflation rate, payroll growth rate, mortality, and the timing and frequency of DROP retirements to more closely reflect actual Pension Plan member experience.

If you request a 2nd Election calculation effective on or after July 1, 2015, you may notice modest to significant changes as a result of these assumption changes when compared to pre-July 1, 2015 calculations. If you want to determine your current calculation, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 1.

Advocating for Your Shareholder Rights Through Proxy Voting

The State Board of Administration (SBA), the Investment Plan's plan sponsor, acts as a strong advocate on behalf of Investment Plan members to strengthen shareowner rights and promote leading corporate governance practices at U.S. and international companies. The SBA's corporate governance activities are focused on enhancing share value and ensuring that public companies are accountable to their shareowners, with independent boards of directors, transparent and accurate financial reporting, ethical business practices, and policies that protect the value of members' investments.

As illustrated with well-known companies such as Enron, Chesapeake Energy, and Olympus, governance failures can destroy shareowner value and decrease confidence in the capital markets. As a result, SBA staff advocates for the implementation of guidelines and processes to optimize corporate behavior and protect beneficiaries.

What Is Proxy Voting?

Proxy voting is an integral part of managing assets in the best interests of fund clients and beneficiaries. The SBA casts votes on directly held portfolio holdings managed within both the Pension Plan and Investment Plan. For open-end mutual funds in the Investment Plan, the SBA votes proxies on all shares for funds that conduct annual shareowner meetings.

Continues on page 5



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 and may not keep 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 September 30, 2015

		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		---	---	-6.10%	-1.76%	6.34%	4.91%
PB: Investment Plan Total Index		---	---	-6.02%	-2.05%	6.04%	4.47%
RETIREMENT DATE FUNDS		---	---	-6.44%	-3.37%	---	---
PB: Total Retirement Custom Index		---	---	-6.33%	-3.34%	---	---
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$0.80	\$24	-8.01%	-4.16%	---	---
PB: 2055 Retirement Custom Index		---	---	-8.17%	-4.58%	---	---
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$0.80	\$24	-8.04%	-4.19%	8.02%	---
PB: 2050 Retirement Custom Index		---	---	-8.17%	-4.58%	7.76%	---
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$0.80	\$24	-8.04%	-4.19%	8.02%	---
PB: 2045 Retirement Custom Index		---	---	-8.17%	-4.58%	7.76%	---
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$0.80	\$24	-7.96%	-4.10%	8.04%	---
PB: 2040 Retirement Custom Index		---	---	-8.03%	-4.44%	7.79%	---
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$0.80	\$24	-7.62%	-3.82%	8.04%	---
PB: 2035 Retirement Custom Index		---	---	-7.69%	-4.14%	7.81%	---
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.00	\$30	-6.66%	-3.22%	7.31%	---
PB: 2030 Retirement Custom Index		---	---	-6.72%	-3.43%	7.08%	---
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.20	\$37	-6.09%	-3.05%	6.41%	---
PB: 2025 Retirement Custom Index		---	---	-6.00%	-3.04%	6.23%	---
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$1.40	\$43	-5.56%	-3.01%	5.55%	---
PB: 2020 Retirement Custom Index		---	---	-5.25%	-2.63%	5.45%	---
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$1.60	\$49	-4.96%	-2.87%	4.71%	---
PB: 2015 Retirement Custom Index		---	---	-4.46%	-2.19%	4.65%	---
FRS Retirement Income Fund ⁴ (2000)	A	\$1.70	\$52	-4.55%	-2.66%	4.37%	---
PB: Retirement Income Custom Index		---	---	-4.06%	-1.95%	4.20%	---
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.60	\$18	0.05%	0.18%	0.22%	1.54%
PB: iMoneyNet Money Fund Average		---	---	0.01%	0.04%	0.04%	1.55%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$4.50	\$145	-7.43%	-7.34%	1.11%	---
PB: FRS Custom Real Assets Index		---	---	-5.36%	-4.59%	0.60%	---

Performance Summary as of September 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>	—	—	0.36%	2.24%	3.20%	4.97%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	1.32%	3.06%	3.22%	4.85%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	1.23%	2.94%	3.10%	4.64%
Pyramis Intermediate Duration Pool Fund ⁴ (90) A	\$1.22	\$37	0.76%	2.37%	2.77%	4.33%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	1.08%	2.95%	2.69%	4.37%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$2.40	\$75	0.12%	1.94%	4.31%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	0.12%	1.92%	4.33%	—
U.S. STOCK FUNDS						
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	-7.55%	0.53%	13.57%	7.56%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	-7.20%	-0.40%	13.34%	7.00%
<i>PB: Russell 3000 Index</i>	—	—	-7.25%	-0.49%	13.28%	6.92%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.70	\$118	-7.59%	0.82%	14.20%	—
<i>PB: Russell 1000 Index</i>	—	—	-6.83%	-0.61%	13.42%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.30	\$209	-8.28%	1.92%	13.97%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	-10.08%	0.64%	9.50%	—
FOREIGN AND GLOBAL STOCK FUNDS						
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	-11.08%	-8.88%	4.57%	4.26%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	-12.14%	-11.20%	3.52%	3.11%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	-11.88%	-11.42%	3.19%	2.80%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$4.90	\$159	-9.81%	-4.93%	4.55%	5.37%
<i>PB: MSCI ACWI ex US Index</i>	—	—	-12.10%	-11.78%	2.27%	2.62%
American Funds New Perspective Fund ⁴ (210) A	\$4.90	\$159	-6.44%	0.65%	9.72%	7.53%
<i>PB: MSCI All Country World Index</i>	—	—	-9.45%	-6.66%	7.31%	4.27%

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.



Advocating for Your Shareholder Rights Through Proxy Voting, continued

SBA corporate governance activities include proxy voting and issuer engagement on key issues, such as board independence, shareowner rights, executive compensation, long-term business plans, mergers, acquisitions and divestitures, and capitalization structure.

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.

Financial Planner Appointments

The “Alerts & Hot Topics” box on the MyFRS.com home page has a link that gives you easy access to a financial planning expert. By clicking the “Schedule an Appointment with an EY Financial Planner” link, you can make an appointment to speak with an EY financial planner at a time that’s convenient for you.

Our Core Beliefs

The SBA believes a well-governed publicly traded company is characterized by adherence to best practices that have been reviewed and supported by investors worldwide. Below are a few of the SBA’s core beliefs, contained in the SBA’s Corporate Governance Principles & Proxy Voting Guidelines.

1. One share should represent one vote (shares with bonus voting rights distort the market).
2. The chairman of the board should be independent of management.
3. Board committees should consist only of independent directors.
4. Directors should be elected each year by a simple majority of voted shares.
5. Executive compensation should be performance-based, with all compensation plans subject to shareowner approval.
6. Directors and senior management should own significant amounts of company stock to ensure their actions are aligned with shareowners.

More details on the SBA’s governance and proxy voting activity are available in the SBA’s Annual Report and in the Corporate Governance Principles & Proxy Voting Guidelines, available in the “Performance & Reports” and “Governance” sections on the SBA’s website at sbafla.com.

Lifetime Annuities and Installment Payments: What’s the Difference?

When you terminate from the Investment Plan, you can choose to take your funds in a number of ways. Two of those ways are lifetime annuities and installment payments.

What Is a Lifetime Annuity?

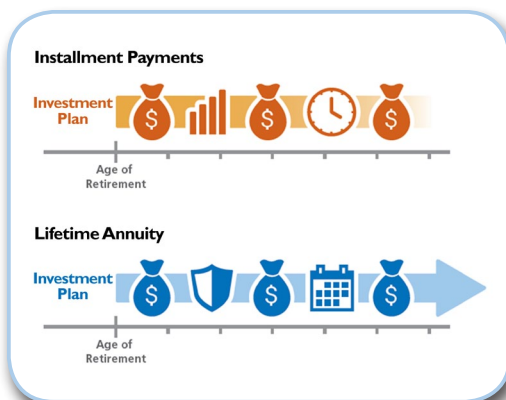
A lifetime annuity guarantees a fixed income to you for your life. Lifetime annuities are attractive because they are not affected by market returns or fluctuating interest rates, and because they offer you the security of knowing you can never outlive your payments. MetLife is the Investment Plan’s exclusive annuity provider.

What Are Installment Payments?

Installment payments allow you to receive a fixed percentage or dollar amount of your Investment Plan balance paid out over time. With installment payments, your Investment Plan balance remains invested and has the potential to grow until it’s withdrawn. Your funds are liquid and accessible, and the timing and amount of withdrawals can be customized to fit your needs. Aon Hewitt, the Investment Plan Administrator, can assist you in setting these up.

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Lifetime Annuities and Installment Payments: What's the Difference?, continued



Which Is Right for You?

Both lifetime annuities and installment payments provide a structured approach for converting your Investment Plan funds into a scheduled paycheck, but installment payments cannot guarantee that you will not outlive your funds. And, while installment payments are flexible and offer you potential future earnings, they do keep your Investment Plan account exposed to market volatility and fluctuating interest rates. In contrast, lifetime annuities are less flexible, but they offer the comfort and confidence of guaranteed payments for life.

To find out which payment may be best for you, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

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
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

In Volatile Financial Markets, Think Long Term

The MyFRS Financial Guidance Line has been receiving calls from members who are worried about the effect the current economic situation will have on their FRS benefits. During times like these, it is often best to stick with your current investment allocation. To be sure your current allocations for contributions and holdings meet your long-term retirement goals, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 1 (TRS 711), and speak with an EY financial planner.

Lifetime Annuity Quotes – \$100,000 Premium (As of 09/30/2015)

Annuity Type	Monthly Benefit
Single Life	\$504
Joint and Survivor	\$432

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 \$504 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 spouse, aged 62, as her survivor. By choosing a joint and survivor annuity, she will receive \$432 for the rest of her life. When she dies, if her spouse is still alive, then the spouse will continue to receive the \$432 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 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).