



INVESTMENT PLAN

Quarterly Newsletter

• January 2016 •

Quarterly Fund Performance Summary..... 2

How Much Do My Employer and I Contribute Monthly to My Investment Plan Account? 5

Why You May Receive a Tax Form From the FRS..... 5

Keep Up With 2016 Legislation 5

2016 Employee Workshop Webcasts 6

Lifetime Annuity Quotes — \$100,000 Premium..... 6

QLAC Requirements

- Limits premiums to 25% of the member's balance or \$125,000, whichever is less
- Specifies an income payment start date that must begin before age 85
- Once purchased, the contract cannot be canceled; however, the payment can begin sooner (recalculation will be done)
- Provides annuity income payments that meet the applicable RMD rules

Start 2016 With the Right Investments

The beginning of the year is a great time to review your retirement accounts and make sure you have the mix of funds that best meets your personal financial needs. To get personalized help, call the MyFRS Financial Guidance Line at 1-866-446-9377 (TRS 711), Option 2. 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.

Your Opinions, Please!

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

MetLife to Begin Offering Deferred Annuities

MetLife is now offering eligible Investment Plan members a new type of income annuity: a deferred income annuity (also known as a Qualifying Longevity Annuity Contract or QLAC). Deferred income annuities are designed to provide income later on in retirement, typically between the ages of 80 and 85. They protect against the possibility of outliving retirement assets and can help ensure financial independence in your later years.

Currently, members can purchase an immediate lifetime annuity that guarantees fixed income for life. The new deferred income annuity is different from an immediate lifetime annuity because it allows members to:

- Defer receiving their guaranteed income payments to a later age; and
- Reduce their Investment Plan balance that may be subject to required minimum distribution (RMD) rules.

Example: Phil purchases a QLAC with the maximum purchase amount permitted: 25% of his Investment Plan balance at age 65. He wants to begin receiving payments at age 85.¹



¹ This illustration is based on the MetLife Retirement Income Insurance® QLAC purchase rates as of January 1, 2015.

Lifetime annuities are attractive because they are not affected by market returns or fluctuating interest rates, and because they offer members the security of knowing they can never outlive their payments. 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).



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 December 31, 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		--	--	2.99%	-0.88%	5.93%	4.97%
PB: Investment Plan Total Index		--	--	2.87%	-1.35%	5.60%	4.58%
RETIREMENT DATE FUNDS		--	--	2.49%	-1.82%	--	--
PB: Total Retirement Custom Index		--	--	2.70%	-1.65%	--	--
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$0.70	\$21	3.74%	-1.44%	--	--
PB: 2055 Retirement Custom Index		--	--	3.97%	-1.72%	--	--
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$0.70	\$21	3.70%	-1.50%	7.15%	--
PB: 2050 Retirement Custom Index		--	--	3.97%	-1.72%	6.98%	--
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$0.70	\$21	3.72%	-1.48%	7.16%	--
PB: 2045 Retirement Custom Index		--	--	3.97%	-1.72%	6.98%	--
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$0.70	\$21	3.67%	-1.45%	7.16%	--
PB: 2040 Retirement Custom Index		--	--	3.85%	-1.69%	6.99%	--
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$0.80	\$24	3.45%	-1.38%	7.13%	--
PB: 2035 Retirement Custom Index		--	--	3.57%	-1.66%	6.94%	--
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.00	\$30	2.89%	-1.35%	6.44%	--
PB: 2030 Retirement Custom Index		--	--	3.09%	-1.45%	6.28%	--
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.10	\$34	2.33%	-1.70%	5.64%	--
PB: 2025 Retirement Custom Index		--	--	2.56%	-1.52%	5.52%	--
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$1.30	\$40	1.75%	-2.14%	4.85%	--
PB: 2020 Retirement Custom Index		--	--	1.98%	-1.63%	4.78%	--
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$1.50	\$46	1.11%	-2.54%	4.05%	--
PB: 2015 Retirement Custom Index		--	--	1.34%	-1.75%	4.02%	--
FRS Retirement Income Fund ⁴ (2000)	A	\$1.50	\$46	0.83%	-2.57%	3.80%	--
PB: Retirement Income Custom Index		--	--	1.04%	-1.79%	3.68%	--
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.61	\$18	0.07%	0.21%	0.22%	1.44%
PB: iMoneyNet Money Fund Average		--	--	0.02%	0.05%	0.04%	1.45%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$4.50	\$145	-0.91%	-7.91%	0.25%	--
PB: FRS Custom Real Assets Index		--	--	-0.46%	-5.00%	-0.36%	--

Performance Summary as of December 31, 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	—	—	-0.60%	0.33%	3.27%	4.85%
<i>PB: Investment Plan Total Bond Index</i>	—	—	-0.65%	0.14%	3.14%	4.47%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	-0.48%	0.72%	3.38%	4.73%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	-0.57%	0.55%	3.25%	4.51%
Pyramis Intermediate Duration Pool Fund ⁴ (90) A	\$1.22	\$37	-0.69%	0.88%	2.89%	4.20%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	-0.51%	1.21%	2.74%	4.26%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$2.40	\$75	-0.61%	0.10%	4.16%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	-0.67%	0.20%	4.24%	—
U.S. STOCK FUNDS	—	—	5.93%	0.70%	12.20%	7.88%
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	5.48%	-0.52%	11.51%	7.31%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	6.32%	0.60%	12.24%	7.44%
<i>PB: Russell 3000 Index</i>	—	—	6.27%	0.48%	12.18%	7.35%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.40	\$108	7.14%	2.67%	13.36%	—
<i>PB: Russell 1000 Index</i>	—	—	6.50%	0.92%	12.44%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.30	\$209	4.06%	-1.12%	11.62%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	2.97%	-4.16%	7.98%	—
FOREIGN AND GLOBAL STOCK FUNDS	—	—	3.52%	-2.57%	3.83%	4.14%
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	3.72%	-4.35%	2.97%	2.93%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	2.95%	-4.39%	2.68%	3.01%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	3.52%	-4.60%	2.48%	2.76%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$4.90	\$159	2.97%	-0.48%	4.00%	4.96%
<i>PB: MSCI ACWI ex US Index</i>	—	—	3.30%	-5.25%	1.51%	2.54%
American Funds New Perspective Fund ⁴ (210) A	\$4.90	\$159	6.87%	5.58%	9.29%	7.77%
<i>PB: MSCI All Country World Index</i>	—	—	5.03%	-2.36%	6.52%	4.46%

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.



Required Minimum Distribution Reminder for Those Age 70½ in 2016

If you are an inactive member and are or will be turning age 70½ in 2016, you may need to take a required minimum distribution in 2016. You should have received a letter in January 2016 notifying you of the amount that may be paid to you in December 2016. Please carefully review the letter and call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4, if you have any questions.

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.

How Much Do My Employer and I Contribute Monthly to My Investment Plan Account?

This question was asked frequently by Investment Plan members during recent employee benefit fairs held throughout the state. Here is the answer.

As an Investment Plan member, you make a pretax employee contribution of 3% of your gross monthly salary. Your employer makes a contribution based on your employment class (e.g., Regular Class, Special Risk Class). The total Investment Plan contribution rates are as follows.

Membership Class	Paid by You	Paid by Your Employer	Total Paid by You and Your Employer
Regular Class	3%	3.30%	6.30%
Special Risk Class	3%	11.00%	14.00%
Special Risk Administrative Support Class	3%	4.95%	7.95%
Elected Officers' Class - (Judges)	3%	10.23%	13.23%
Elected Officers' Class - (Legislature/Cabinet/Public Defender/State Attorney)	3%	6.38%	9.38%
Elected Officers' Class - (County and Local)	3%	8.34%	11.34%
Senior Management Service Class	3%	4.67%	7.67%

Note: Your employer pays a single "blended contribution" rate to the Florida Retirement System (FRS). This rate is the same whether a member participates in the Investment Plan or the Pension Plan. This single rate is sufficient to pay the required rates set by the Legislature for members in the Pension Plan and the Investment Plan and differs from the actual employer contribution that is paid into your account as listed in the table above.

Why You May Receive a Tax Form From the FRS

If you took a distribution from your Investment Plan account during 2015, a 1099-R form(s) will be mailed to your address of record by January 31, 2016. 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 anytime after February 15, 2016 by:

- **Phone:** Call Aon Hewitt at 1-866-446-9377, Option 4.
- **Online:** Log in to MyFRS.com and click "Manage Investment." On the landing page, click "FRS Investment Plan," then "Forms and Materials." On the Request Materials page, check the box in front of "1099-R Reprint" and click "Request Materials" at the bottom. A pop-up box will state to choose "OK" to continue with this request. Click "OK."

Keep Up With 2016 Legislation

You can keep up with the status of all proposed retirement bills by clicking "2016 Legislation" in the "Alerts & Hot Topics" box on the MyFRS.com home page (see screenshot below).



2016 Employee Workshop Webcasts

The FRS offers free financial planning workshop webcasts for FRS-covered employees. The 2016 schedule is shown below. You may attend as many workshops as you wish. Register by calling 1-866-446-9377, Option 2 (TRS 711), or go to <http://tinyurl.com/nwokknj>. (After login, select “Attend a Workshop,” then “WEBINAR” under the County drop-down box, and then select the workshop you would like to attend.)

Did You Know?

Happiness is being able to learn something new. Learning something new gives you knowledge, and with knowledge comes power. You have the power to control your retirement, and now is the perfect time to start. Learn something new today, set goals, and take control to ensure happiness in your retirement years. Many helpful tools are available on MyFRS.com to help you calculate your retirement needs to ensure you have the financial means to retire when the time comes. Speak with an EY planner for help to get started saving. Call today — it’s never too soon!

2016 Dates	10:00 a.m. to Noon ET	1:00 to 3:00 p.m. ET
January 11	Using the FRS to Plan for Retirement	Estate Planning: Protecting Your Family
January 12	Nearing Retirement in the FRS	Income Tax Planning: Smart Planning for Your Taxes
April 20	Using the FRS to Plan for Retirement	Using the FRS to Plan for Retirement (SPANISH)
April 21	Nearing Retirement in the FRS	Nearing Retirement in the FRS (SPANISH)
July 19	Using the FRS to Plan for Retirement	Estate Planning: Caring for Your Loved Ones
July 20	Nearing Retirement in the FRS	Insurance Planning: Protecting Your Loved Ones
October 5	Using the FRS to Plan for Retirement	FRS Investment Plan: Understanding Your Benefits
October 6	Nearing Retirement in the FRS	Investment Planning for Everyone - The Details

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. The online MyFRS Financial Guidance Line Appointment System allows you to select the date and time that best fit your schedule.

Lifetime Annuity Quotes — \$100,000 Premium (As of 12/31/2015)

Annuity Type	Monthly Benefit
Single Life	\$480
Joint and Survivor	\$415

Assumptions: The monthly benefits listed in the examples above assume you used \$100,000 of your Investment Plan balance to purchase a lifetime fixed annuity from MetLife, the 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 \$480 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 \$415 for the rest of his life. When he dies, if his spouse is still alive, then the spouse will continue to receive the \$415 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).