



Florida Retirement System

YOUR Money YOUR Choice



INVESTMENT PLAN

Quarterly Newsletter

• April 2016 •

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Keep Up With Legislation

Visit MyFRS.com and click “2016 Legislation” in the “Alerts & Hot Topics” box. Or 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, except holidays.

Online Chat Hours Extended

EY financial planners are now available from 9:00 a.m. to 8:00 p.m. ET, Monday through Friday, through live chat right from the MyFRS.com home page. The extended hours now match the times the MyFRS Financial Guidance Line is open. 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.



Legislative Update

During the 2016 session, the Florida Legislature passed legislation authorizing in-line-of-duty death benefits for certain Investment Plan beneficiaries and changing employer contribution rates in the Florida Retirement System (FRS). Both changes are effective July 1, 2016.

Although changes were made to the employer contribution rates, 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.

In-Line-of-Duty Death Benefits

The Florida Legislature passed Senate Bill 7012 (**pending approval of the Governor**), authorizing in-line-of-duty death benefits equal to 100% of the member’s monthly salary at the time of death. This benefit is provided to the spouse and children of Special Risk Class members in the Investment Plan who are killed in the line of duty. In-line-of-duty death benefits provided in the Pension Plan for Special Risk Class members were increased from 50% to 100% of the member’s monthly salary at the time of death. Eligibility for this benefit is retroactive for any Investment Plan or Pension Plan Special Risk Class member who has been killed in the line of duty since July 1, 2013.

If the Investment Plan member’s death occurred prior to July 1, 2016, the benefit is effective the later of the month after the application is received or July 1, 2016. If the surviving spouse or children received an Investment Plan distribution, the monthly benefit will be actuarially reduced to account for the benefit already received.

If the Investment Plan member’s death occurs on or after July 1, 2016, the member’s Investment Plan account balance will be transferred to the Pension Plan and the monthly benefit will be paid from the Pension Plan.

What Didn’t Pass

House Bill 7107 proposed renewing membership in the FRS Investment Plan for certain retirees, changing the default retirement plan election from the Pension Plan to the Investment Plan, and in-line-of-duty death benefits for **all** Investment Plan beneficiaries. This bill did not pass.



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 March 31, 2016

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		—	—	0.79%	-2.57%	5.34%	4.60%
PB: Investment Plan Total Index		—	—	1.23%	-2.24%	5.15%	4.21%
RETIREMENT DATE FUNDS		—	—	1.66%	-2.62%	—	—
PB: Total Retirement Custom Index		—	—	1.54%	-2.34%	—	—
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$0.70	\$21	1.20%	-3.06%	—	—
PB: 2055 Retirement Custom Index		—	—	0.85%	-3.43%	—	—
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$0.70	\$21	1.26%	-3.06%	6.43%	—
PB: 2050 Retirement Custom Index		—	—	0.85%	-3.43%	6.20%	—
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$0.70	\$21	1.24%	-3.06%	6.44%	—
PB: 2045 Retirement Custom Index		—	—	0.85%	-3.43%	6.20%	—
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$0.70	\$21	1.18%	-3.08%	6.43%	—
PB: 2040 Retirement Custom Index		—	—	0.95%	-3.31%	6.22%	—
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$0.80	\$24	1.25%	-2.91%	6.41%	—
PB: 2035 Retirement Custom Index		—	—	1.14%	-3.08%	6.22%	—
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.00	\$30	1.51%	-2.44%	5.85%	—
PB: 2030 Retirement Custom Index		—	—	1.35%	-2.51%	5.68%	—
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.10	\$34	1.73%	-2.39%	5.20%	—
PB: 2025 Retirement Custom Index		—	—	1.60%	-2.13%	5.05%	—
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$1.30	\$40	1.90%	-2.46%	4.52%	—
PB: 2020 Retirement Custom Index		—	—	1.91%	-1.72%	4.44%	—
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$1.50	\$46	2.18%	-2.40%	3.86%	—
PB: 2015 Retirement Custom Index		—	—	2.27%	-1.28%	3.81%	—
FRS Retirement Income Fund ⁴ (2000)	A	\$1.50	\$46	2.28%	-2.26%	3.68%	—
PB: Retirement Income Custom Index		—	—	2.42%	-1.06%	3.56%	—
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.61	\$18	0.13%	0.30%	0.23%	1.34%
PB: iMoneyNet Money Fund Average		—	—	0.05%	0.10%	0.05%	1.34%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$4.50	\$145	2.02%	-7.33%	0.07%	—
PB: FRS Custom Real Assets Index		—	—	2.78%	-3.04%	-0.43%	—

Performance Summary as of March 31, 2016 – 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	—	—	2.97%	1.46%	3.73%	5.18%
<i>PB: Investment Plan Total Bond Index</i>	—	—	2.93%	1.27%	3.60%	4.80%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	3.04%	2.10%	3.92%	5.12%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	3.03%	1.96%	3.78%	4.90%
FIAM Intermediate Duration Pool Fund ⁴ (90) A	\$1.22	\$37	2.54%	1.94%	3.32%	4.46%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	2.31%	2.20%	3.11%	4.53%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$2.40	\$75	3.16%	1.19%	4.45%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	3.10%	1.16%	4.58%	—
U.S. STOCK FUNDS	—	—	0.28%	-1.73%	10.62%	7.26%
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	1.19%	-1.77%	10.29%	6.72%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	1.01%	-0.19%	11.09%	6.99%
<i>PB: Russell 3000 Index</i>	—	—	0.97%	-0.34%	11.01%	6.90%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.60	\$114	-2.50%	-2.22%	11.17%	—
<i>PB: Russell 1000 Index</i>	—	—	1.17%	0.50%	11.35%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.30	\$209	1.48%	-4.29%	9.84%	—
<i>PB: FRS Custom Small/Mid Cap Index</i>	—	—	1.66%	-6.48%	6.94%	—
FOREIGN AND GLOBAL STOCK FUNDS	—	—	-0.25%	-6.98%	3.00%	3.34%
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	-0.16%	-7.62%	2.15%	2.08%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	0.43%	-7.88%	1.99%	2.15%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	-0.23%	-8.08%	1.66%	1.82%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$4.90	\$159	-2.32%	-8.26%	2.79%	3.94%
<i>PB: MSCI ACWI ex US Index</i>	—	—	-0.26%	-8.78%	0.76%	1.59%
American Funds New Perspective Fund ⁴ (210) A	\$4.90	\$159	-2.41%	-1.54%	7.87%	6.91%
<i>PB: MSCI All Country World Index</i>	—	—	0.24%	-4.34%	5.58%	3.82%

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.

Investment Plan Fund Name Change

The "Pyramis Intermediate Duration Pool Fund (90)" has changed its name to the "FIAM Intermediate Duration Pool Fund (90)." Although the name has changed, there has been no change to the management company, fund objectives, investment strategy, or portfolio management team. If you have questions, please call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).



2016 Employee Workshop Webcasts

The FRS offers free financial planning workshop webcasts for FRS-covered employees. 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.)

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 (except the underscore "_") are allowed.

2016 Dates

10:00 a.m. to Noon ET

1:00 to 3:00 p.m. ET

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

Lifetime Annuity Quotes — \$100,000 Premium (As of 3/31/2016)

Annuity Type	Monthly Benefit
Single Life	\$486
Joint and Survivor	\$416

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 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 \$486 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 \$416 for the rest of his life. When he dies, if his spouse is still alive, then the spouse will continue to receive the \$416 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 find out if an annuity is right for you, or to purchase an annuity, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

Are You Saving Enough?

A recent study calculated that the average retiree at age 65 will need assets (not including Social Security) equal to 11 times their pre-retirement salary to maintain their pre-retirement standard of living over an average life expectancy.¹ Are you on track to meet this goal? The FRS has many resources to help you prepare for life after retirement, including:

Free Access to EY Financial Planners: Your EY financial planner does **not** sell any investment or insurance products. They are there to serve as your personal retirement and financial advocate and are available to answer any retirement and financial questions you have. Please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

MyFRS.com: The website features information and videos that can help you plan for the future, including:

- “Keys to Retirement Planning & Investment.” Click “Members” on the home page, then “Keys to Retirement Planning & Investing.”
- “Using the FRS to Plan for Your Retirement” and “Nearing Retirement in the FRS” videos. Click the “Workshop” button in the top yellow toolbar, choose the workshop title, and then click “Launch Presentation” to watch the video.

Free Workshops and Webcasts: We conduct a number of different workshops that can help you throughout your career. We also offer free workshops live via the Internet four times a year. (See the article “2016 Employee Workshop Webcasts” on page 5.) In addition, we have a number of previously recorded webcasts available to help you plan your retirement before and after you retire from the FRS. You can view these videos at www.myfrs.com/Workshop.htm or www.myfrs.com/RSVideos.htm.

Retirement planning and investing for retirement are important. Your FRS benefits will not provide all of the funds you will need for a comfortable retirement. Be proactive and learn about saving and investing to help close any gap that may exist.

¹Aon. *The Real Deal – 2015 Retirement Income Adequacy at Large Companies*.

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.

Get Free, Unbiased Financial Planning and Counseling

The FRS has a contract with EY to provide you free, unbiased financial planning and counseling services. EY does not sell any investment or insurance products. No other financial planners, financial institutions, or firms are affiliated with or endorsed by the Florida Retirement System, by Hewitt Financial Services, or by Aon Hewitt, the Investment Plan Administrator.

Be Careful About Granting Outsiders Access to Your SDBA

Be very cautious about providing access to your Self-Directed Brokerage Account (SDBA) to any personal financial planner that is not endorsed by the FRS or to any other outside party. This access may include trading authorization for your SDBA, your PIN, or your MyFRS.com User ID or Password. Such agreements are permissible, but they are made directly between you and the financial planner.

If you do grant someone access to your SDBA, be sure to monitor your Investment Plan account closely. Review any trades made on your behalf and ensure no unauthorized distributions have been made. Also, you should be aware of any fees outside planners are charging you to manage your account.

If you have any questions, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.