



Florida Retirement System

YOUR Money YOUR Choice



# INVESTMENT PLAN

## Quarterly Newsletter

• October 2016 •

Quarterly Fund Performance Summary .....	2
Test Your Financial Literacy .....	5
Lifetime Annuity Quotes — \$100,000 Premium .....	5
Retirement Concerns for Women .....	6
Annual Fee Disclosure Statement Notice .....	6
Beneficiary Designation Reminder .....	6

### Did You Know?

“I WON THE LOTTERY! Now I can retire and do anything I want!” Do you dream of being able to say this one day? If so, bear in mind that the chances of a person winning the lottery to fund their retirement are slim to none. According to the Employee Benefit Research Institute, 56% of workers report that they have not attempted to calculate how much money they will need to save for a comfortable retirement. Don’t sit around and rely on chance to fund your golden years. You have all the resources you need right at your fingertips. It’s never too late to start saving, so speak with an EY financial planner today by calling the MyFRS Financial Guidance Line at 1-866-466-9377, Option 2. Get to work on funding those golden years!

## Go Paperless! Get Information Quickly!

Now you can get important information about your Investment Plan account more quickly through a new online *MyFRS.com* email feature. Through your *MyFRS.com* email account, you can receive electronic delivery of:

- Quarterly Account Statements
- Account Transaction Confirmation Statements
- Privacy Notices
- Fee Disclosures
- Prospectuses

Sign up today for your *MyFRS.com* email account by following these steps:

1. Log in to *MyFRS.com* with your current User ID and Password, and then choose “Manage Investment.”
2. Make your delivery preference choice.
3. If you have already made a delivery preference choice, you can change your delivery preference by:
  - Clicking “Personal Information.”
  - Clicking “Change” next to “Delivery Preference.”
  - At the bottom of the next page, choosing the button next to “Electronically.”
  - Clicking “Save and Return.”

You can change your mind at any time and revert to paper mailings. Also, you can always receive a paper copy of all documents and information by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

## Deadline for Requesting 2016 Tax Year Distributions

**The deadline for requesting an Investment Plan distribution that will be considered a 2016 tax year distribution is 4:00 p.m. ET on Friday, December 23, 2016. Any distribution requested after this deadline will be processed for the 2017 tax year.**



# 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.<sup>1</sup>

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).

## 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*.

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.

<sup>1</sup> 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 [dol.gov/ebssa/investing.html](http://dol.gov/ebssa/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, 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 <sup>1</sup>			
		Annual Fees <sup>2</sup>	Long-Term Fees	Previous Quarter <sup>3</sup>	Previous Year	Previous 5 Years	Previous 10 Years
<b>TOTAL FRS INVESTMENT PLAN</b>		—	—	3.91%	9.68%	8.21%	4.95%
<i>PB: Investment Plan Total Index</i>		—	—	3.71%	9.96%	7.92%	4.51%
<b>RETIREMENT DATE FUNDS</b>		—	—	4.10%	10.43%	—	—
<i>PB: Total Retirement Custom Index</i>		—	—	4.03%	10.31%	—	—
FRS 2055 Retirement Date Fund <sup>4</sup> (2055)	<b>A</b>	\$0.70	\$21	5.21%	12.03%	—	—
<i>PB: 2055 Retirement Custom Index</i>		—	—	5.17%	11.82%	—	—
FRS 2050 Retirement Date Fund <sup>4</sup> (2050)	<b>A</b>	\$0.70	\$21	5.23%	12.07%	11.07%	—
<i>PB: 2050 Retirement Custom Index</i>		—	—	5.17%	11.82%	10.76%	—
FRS 2045 Retirement Date Fund <sup>4</sup> (2045)	<b>A</b>	\$0.70	\$21	5.22%	12.09%	11.08%	—
<i>PB: 2045 Retirement Custom Index</i>		—	—	5.17%	11.82%	10.76%	—
FRS 2040 Retirement Date Fund <sup>4</sup> (2040)	<b>A</b>	\$0.70	\$21	5.04%	11.81%	11.04%	—
<i>PB: 2040 Retirement Custom Index</i>		—	—	4.98%	11.60%	10.75%	—
FRS 2035 Retirement Date Fund <sup>4</sup> (2035)	<b>A</b>	\$0.80	\$24	4.84%	11.60%	11.01%	—
<i>PB: 2035 Retirement Custom Index</i>		—	—	4.67%	11.29%	10.70%	—
FRS 2030 Retirement Date Fund <sup>4</sup> (2030)	<b>A</b>	\$1.00	\$30	4.43%	10.93%	9.94%	—
<i>PB: 2030 Retirement Custom Index</i>		—	—	4.32%	10.77%	9.65%	—
FRS 2025 Retirement Date Fund <sup>4</sup> (2025)	<b>A</b>	\$1.20	\$37	3.95%	10.25%	8.62%	—
<i>PB: 2025 Retirement Custom Index</i>		—	—	3.88%	10.13%	8.24%	—
FRS 2020 Retirement Date Fund <sup>4</sup> (2020)	<b>A</b>	\$1.30	\$40	3.42%	9.42%	7.33%	—
<i>PB: 2020 Retirement Custom Index</i>		—	—	3.36%	9.42%	6.88%	—
FRS 2015 Retirement Date Fund <sup>4</sup> (2015)	<b>A</b>	\$1.50	\$46	2.82%	8.60%	6.02%	—
<i>PB: 2015 Retirement Custom Index</i>		—	—	2.76%	8.64%	5.51%	—
FRS Retirement Fund <sup>4</sup> (2000)	<b>A</b>	\$1.50	\$46	2.45%	8.08%	5.35%	—
<i>PB: Retirement Custom Index</i>		—	—	2.50%	8.23%	4.60%	—
<b>MONEY MARKET FUND</b>							
FRS Money Market Fund (60)	<b>A</b>	\$0.60	\$18	0.16%	0.49%	0.27%	1.11%
<i>PB: iMoneyNet Money Fund Average</i>		—	—	0.06%	0.20%	0.07%	1.09%
<b>REAL ASSETS FUND</b>							
FRS Real Assets Fund <sup>4</sup> (300)	<b>A</b>	\$4.50	\$145	1.52%	6.47%	0.71%	—
<i>PB: FRS Custom Real Assets Index</i>		—	—	1.40%	6.89%	0.64%	—



## Performance Summary as of September 30, 2016 – continued

**P** = Passively Managed Type

**A** = Actively Managed Type

	Fees per \$1,000		Annual Average Investment Returns After Deducting Fees <sup>1</sup>			
	Annual Fees <sup>2</sup>	Long-Term Fees	Previous Quarter <sup>3</sup>	Previous Year	Previous 5 Years	Previous 10 Years
<b>BOND FUNDS</b>	—	—	1.33%	6.33%	3.64%	5.21%
<i>PB: Investment Plan Total Bond Index</i>	—	—	1.13%	5.87%	3.27%	4.79%
FRS U.S. Bond Enhanced Index Fund <sup>4</sup> (80) <b>P</b>	\$0.50	\$15	0.48%	5.36%	3.21%	5.02%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	0.46%	5.19%	3.08%	4.79%
FIAM Intermediate Duration Pool Fund <sup>4</sup> (90) <b>A</b>	\$1.22	\$37	0.52%	4.45%	2.95%	4.36%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	0.31%	3.57%	2.56%	4.34%
FRS Core Plus Fixed Income Fund <sup>4</sup> (310) <b>A</b>	\$2.40	\$75	1.79%	7.27%	5.50%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	1.33%	6.48%	4.74%	—
<b>U.S. STOCK FUNDS</b>	—	—	5.10%	14.33%	16.58%	7.99%
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	4.89%	15.23%	16.25%	7.37%
FRS U.S. Stock Market Index Fund <sup>4</sup> (120) <b>P</b>	\$0.20	\$6	4.43%	15.12%	16.45%	7.46%
<i>PB: Russell 3000 Index</i>	—	—	4.40%	14.96%	16.36%	7.37%
FRS U.S. Large Cap Equity Fund <sup>4</sup> (320) <b>A</b>	\$3.30	\$104	5.31%	11.38%	16.10%	—
<i>PB: Russell 1000 Index</i>	—	—	4.03%	14.93%	16.41%	—
FRS U.S. Small/Mid Cap Equity Fund <sup>4</sup> (330) <b>A</b>	\$6.60	\$220	6.42%	15.77%	17.73%	—
<i>PB: Russell 2500 Index<sup>5</sup></i>	—	—	6.56%	16.03%	12.74%	—
<b>FOREIGN AND GLOBAL STOCK FUNDS</b>	—	—	7.02%	10.19%	8.59%	3.54%
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	6.81%	10.13%	7.64%	2.27%
FRS Foreign Stock Index Fund <sup>4</sup> (200) <b>P</b>	\$0.30	\$9	7.09%	10.20%	7.50%	2.34%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	7.05%	9.81%	7.16%	2.01%
American Funds EuroPacific Growth Fund <sup>4</sup> (220) <b>A</b>	\$5.00	\$162	8.23%	8.52%	9.11%	4.28%
<i>PB: MSCI ACWI ex US Index</i>	—	—	7.00%	9.80%	6.52%	1.74%
American Funds New Perspective Fund <sup>4</sup> (210) <b>A</b>	\$4.90	\$159	5.78%	11.25%	13.26%	7.08%
<i>PB: MSCI All Country World Index</i>	—	—	5.30%	11.96%	10.74%	4.05%

<sup>1</sup> 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.

<sup>2</sup> Fees and expenses are only one of several factors that you should consider when making investment decisions.

<sup>3</sup> Not annualized.

<sup>4</sup> 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](http://MyFRS.com).

<sup>5</sup> Effective July 1, 2016, the benchmark changed from a custom benchmark, the FRS Custom Small/Mid Cap Index, to the Russell 2500 Index.



## Want to Boost Your Financial Literacy?

The FRS offers you a number of resources to help.

- **Free financial planning workshops.** Workshops are available live and via webcast. For more information, go to *MyFRS.com* and click “Workshops.”
- **MyFRS.com.** This is your gateway to a host of tools and information about the FRS Investment Plan, including your personal retirement forecast, current prices and values of your investments, and access to the online ADVISOR<sup>®</sup> SERVICE and 2<sup>nd</sup> Election CHOICE SERVICE.
- **EY financial planners.** This service is free to all FRS members. EY does not sell any investment or insurance products. Financial planners are available to serve as your personal retirement and financial advocate and to answer any retirement and financial questions you have.

Contact the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, if you have any questions.

## Test Your Financial Literacy

In a survey of Americans age 50 and older, only half answered the first two questions of the following quiz correctly and only a third got all three correct. Can you do better? Answers are below.

1. Suppose you had \$100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow?
  - a. More than \$102
  - b. Exactly \$102
  - c. Less than \$102
2. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account?
  - a. More than today
  - b. Exactly the same
  - c. Less than today
3. True or false: Buying a single company's stock usually provides a safer return than a stock mutual fund.
  - a. True
  - b. False

Answers: Question 1: a. More than \$102 Question 2: c. Less than today Question 3: b. False

Source: “Three Questions with Implications for Your Financial Future,” February 11, 2015, <http://knowledge.wharton.upenn.edu/article/three-questions-major-implications-financial-well/>.

## Lifetime Annuity Quotes — \$100,000 Premium (As of 9/30/2016)

Annuity Type	Monthly Benefit
Single Life	\$465
Joint and Survivor	\$400

**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 female, aged 62. By choosing a single life annuity, she will receive fixed payments in the amount of \$465 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 \$400 for the rest of her life. When she dies, if her spouse is still alive, then the spouse will continue to receive the \$400 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).

## 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 allowed (except for “ \_ ” underscore).

## Retirement Concerns for Women

A recent Nationwide Retirement Institute survey<sup>1</sup> of men and women age 50 and older found that 66% of women fear becoming a burden to their family as they get older, and 78% are concerned about having enough money to cover long-term care expenses. Although women are concerned about these issues, 62% have never talked to anyone about these long-term costs, and 64% are “terrified” of what health care costs may do to their retirement plans.

If you are concerned about long-term care expenses and whether you will have enough money in retirement, please contact the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, and speak with an EY financial planner. They can complete a financial assessment for you and help you determine the funds you may have available in retirement.

<sup>1</sup> Nationwide Survey: Women Age 50 and Older Fear Becoming a Burden to Their Families More So Than Men, March 16, 2016 Press Release, <https://www.nationwide.com/about-us/031616-nf-womens-survey.jsp>.

## Annual Fee Disclosure Statement Notice

The Annual Fee Disclosure Statement for the Investment Plan provides information concerning the Investment Plan’s structure, administrative and individual expenses, and investment funds, including performance, benchmarks, fees, and expenses. This Statement is designed to set forth relevant information in simple terms to help you make better investment decisions. The Statement is available online in the “Investment Funds” section on *MyFRS.com*, or you can request electronic delivery to your email box or have a printed copy mailed at no cost to you by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

## 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 Investment > Personal Information > Beneficiaries. 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).