

INVESTMENT PLAN

Quarterly Newsletter

First Quarter, January 2017



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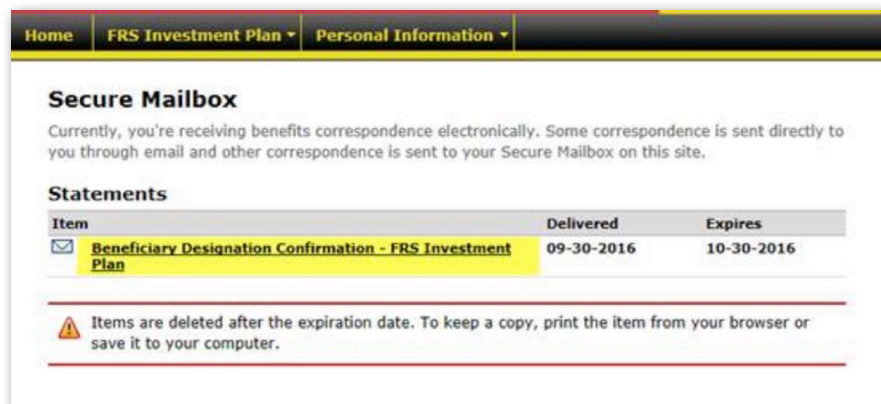
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Get Quick, Confidential Delivery With Your MyFRS.com Secure Mailbox

The new Secure Mailbox feature on *MyFRS.com* is a quicker alternative than U.S. postal mail for receiving important information about your Investment Plan account. Through your Secure Mailbox, you can receive your quarterly account statements, this newsletter, confirmation statements, privacy notices, and more.

Your Secure Mailbox will show any documents received in the last 30 days. Select any listed document, and a new page will open with a link to a PDF.



Did You Know?

You can save real money each year by ditching your daily coffee purchase. Spending \$5 every work day for your coffee will cost you over \$1,200 a year! Consider making your own coffee and banking your coffee spending. Over time it could make a real difference in your retirement savings.

How to Sign Up

To sign up for Secure Mailbox, log in to *MyFRS.com* with your current User ID and Password and choose “Manage Investment.” You will be prompted to choose your delivery preference.

If you have already chosen a delivery preference, you can change it by clicking “Personal Information,” and then “Change” next to “Delivery Preference.”

If you choose electronic delivery to the Secure Mailbox, you can switch back to delivery by U.S. postal mail at any time. No matter which delivery method you choose, paper copies of all documents and information can be requested by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

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).

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.

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 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, 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		—	—	1.40%	7.99%	7.41%	4.55%
<i>PB: Investment Plan Total Index</i>		—	—	1.47%	8.46%	7.14%	4.07%
RETIREMENT DATE FUNDS		—	—	0.43%	8.21%	—	—
<i>PB: Total Retirement Custom Index</i>		—	—	0.35%	7.79%	—	—
FRS 2055 Retirement Date Fund ⁴ (2055)	A	\$0.70	\$21	1.24%	9.34%	—	—
<i>PB: 2055 Retirement Custom Index</i>		—	—	1.22%	8.87%	—	—
FRS 2050 Retirement Date Fund ⁴ (2050)	A	\$0.70	\$21	1.28%	9.45%	9.78%	—
<i>PB: 2050 Retirement Custom Index</i>		—	—	1.22%	8.87%	9.49%	—
FRS 2045 Retirement Date Fund ⁴ (2045)	A	\$0.70	\$21	1.26%	9.43%	9.78%	—
<i>PB: 2045 Retirement Custom Index</i>		—	—	1.22%	8.87%	9.49%	—
FRS 2040 Retirement Date Fund ⁴ (2040)	A	\$0.70	\$21	1.22%	9.17%	9.73%	—
<i>PB: 2040 Retirement Custom Index</i>		—	—	1.05%	8.60%	9.45%	—
FRS 2035 Retirement Date Fund ⁴ (2035)	A	\$0.80	\$24	1.10%	9.07%	9.67%	—
<i>PB: 2035 Retirement Custom Index</i>		—	—	0.81%	8.33%	9.35%	—
FRS 2030 Retirement Date Fund ⁴ (2030)	A	\$1.00	\$30	0.62%	8.48%	8.65%	—
<i>PB: 2030 Retirement Custom Index</i>		—	—	0.55%	8.04%	8.38%	—
FRS 2025 Retirement Date Fund ⁴ (2025)	A	\$1.20	\$37	0.29%	8.05%	7.44%	—
<i>PB: 2025 Retirement Custom Index</i>		—	—	0.23%	7.63%	7.14%	—
FRS 2020 Retirement Date Fund ⁴ (2020)	A	\$1.30	\$40	-0.16%	7.37%	6.22%	—
<i>PB: 2020 Retirement Custom Index</i>		—	—	-0.18%	7.10%	5.92%	—
FRS 2015 Retirement Date Fund ⁴ (2015)	A	\$1.50	\$46	-0.61%	6.75%	4.98%	—
<i>PB: 2015 Retirement Custom Index</i>		—	—	-0.64%	6.52%	4.68%	—
FRS Retirement Fund ⁴ (2000)	A	\$1.50	\$46	-0.89%	6.23%	4.36%	—
<i>PB: Retirement Custom Index</i>		—	—	-0.85%	6.21%	3.93%	—
MONEY MARKET FUND							
FRS Money Market Fund (60)	A	\$0.60	\$18	0.19%	0.61%	0.30%	0.99%
<i>PB: iMoneyNet Money Fund Average</i>		—	—	0.12%	0.30%	0.09%	0.97%
REAL ASSETS FUND							
FRS Real Assets Fund ⁴ (300)	A	\$4.50	\$145	-1.33%	6.01%	-0.02%	—
<i>PB: FRS Custom Real Assets Index</i>		—	—	-1.12%	6.18%	-0.06%	—

INVESTMENT PLAN Quarterly Newsletter

Performance Summary as of December 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						
<i>PB: Investment Plan Total Bond Index</i>	—	—	-2.14%	4.69%	2.89%	4.83%
FRS U.S. Bond Enhanced Index Fund ⁴ (80) P	\$0.50	\$15	-3.01%	2.68%	2.37%	4.57%
<i>PB: Barclays Capital Aggregate Bond Index</i>	—	—	-2.98%	2.65%	2.23%	4.34%
FIAM Intermediate Duration Pool Fund ⁴ (90) A	\$1.23	\$38	-2.00%	3.07%	2.34%	4.03%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>	—	—	-2.05%	1.97%	1.95%	4.00%
FRS Core Plus Fixed Income Fund ⁴ (310) A	\$2.40	\$75	-2.06%	5.70%	4.38%	—
<i>PB: FRS Custom Core Plus Fixed Income Index</i>	—	—	-2.16%	4.89%	3.72%	—
U.S. STOCK FUNDS						
<i>PB: Investment Plan Total U.S. Equities Index</i>	—	—	5.37%	13.73%	15.06%	7.84%
FRS U.S. Stock Market Index Fund ⁴ (120) P	\$0.20	\$6	4.24%	12.87%	14.75%	7.18%
<i>PB: Russell 3000 Index</i>	—	—	4.21%	12.74%	14.67%	7.07%
FRS U.S. Large Cap Equity Fund ⁴ (320) A	\$3.30	\$104	5.11%	9.27%	15.12%	—
<i>PB: Russell 1000 Index</i>	—	—	3.83%	12.05%	14.69%	—
FRS U.S. Small/Mid Cap Equity Fund ⁴ (330) A	\$6.60	\$220	7.78%	19.91%	15.96%	—
<i>PB: Russell 2500 Index</i>	—	—	6.12%	19.58%	11.67%	—
FOREIGN AND GLOBAL STOCK FUNDS						
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>	—	—	-1.87%	4.46%	7.28%	2.44%
FRS Foreign Stock Index Fund ⁴ (200) P	\$0.30	\$9	-1.63%	5.29%	6.39%	1.19%
<i>PB: MSCI ACWI ex US IMI Index</i>	—	—	-1.57%	4.41%	6.09%	0.87%
American Funds EuroPacific Growth Fund ⁴ (220) A	\$5.00	\$162	-4.15%	1.01%	7.22%	2.97%
<i>PB: MSCI ACWI ex US Index</i>	—	—	-1.20%	5.01%	5.48%	0.62%
American Funds New Perspective Fund ⁴ (210) A	\$4.90	\$159	-1.83%	2.19%	11.46%	6.05%
<i>PB: MSCI All Country World Index</i>	—	—	1.19%	7.86%	9.39%	3.34%

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.

Webcasts Are Available in Spanish

The “Using the FRS to Plan for Retirement” and “New Employee Retirement Plan Choice” webcasts that will be conducted on April 5 and 6 at 1:00 p.m. ET will be broadcast in Spanish. The workshop slides will also be translated into Spanish. Register by calling 1-866-446-9377, Option 2 (Spanish-speaking planners are available to take your call). We will also record the workshop and post it online.

Talleres en Español a través del internet

Los talleres “Usando el FRS Para Planear Para el Retiro” y “Elección de Plan de Retiro para Empleados Nuevos” que se llevarán a cabo el 5 y 6 de abril a la 1:00 p.m. serán transmitidos en español a través del internet. La presentación del taller también será traducida en español. Puede inscribirse llamando al 1-866-446-9377, opción 2 (Asesores financieros que hablan español están disponibles para atender su llamada). El taller será grabado y estará disponible por internet.

Free Financial Planning Workshops for Employees

Workshops are free and unlimited for FRS-covered employees. Employees can attend in person in Tallahassee or from anywhere by webcast.

To Register

By Phone: 1-866-446-9377, Option 2 (TRS 711)

Online: <http://tinyurl.com/zrsh8r6>

To select the workshop you would like to attend, select “Attend a Workshop,” then “WEBINAR” under the “County” drop-down box.

April 5	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
April 5	Using the FRS to Plan for Retirement (SPANISH)	1:00 to 3:00 p.m.
April 6	Nearing Retirement in the FRS	10:00 a.m. to Noon
April 6	New Employee Retirement Plan Choice (SPANISH)	1:00 to 3:00 p.m.
July 6	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
July 6	Cash and Debt Management: Smart Spending & Saving for Retirement	1:00 to 3:00 p.m.
July 7	Nearing Retirement in the FRS	10:00 a.m. to Noon
July 7	Education Planning: Funding the Future	1:00 to 3:00 p.m.
October 4	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
October 4	Investment Planning for Everyone - The Basics	1:00 to 3:00 p.m.
October 5	Nearing Retirement in the FRS	10:00 a.m. to Noon
October 5	Estate Planning: Protecting Your Family	1:00 to 3:00 p.m.
ALL TIMES ARE ET		

Why You May Receive a Tax Form From the FRS

If you took a distribution from your Investment Plan account during 2016, a 1099-R form(s) will be mailed to your address on file by January 31, 2017. Allow two to 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, 2017 by phone or online.

By Phone: 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. Click “OK” to continue with your request.

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 MyFRS.com Secure Mailbox 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).

Is Guaranteed Retirement Income Right for You?

A lifetime income guarantee is a financial product from MetLife that lets you convert some or all of your Investment Plan balance into a stream of future payments that could last your lifetime.

To find out if a lifetime income guarantee is right for you, or to purchase one from MetLife, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

A lifetime income guarantee purchased at age 62 with \$100,000 of your FRS Investment Plan balance would pay you:

Single Life

\$490* monthly

payments for life beginning at age 62; upon death, payments would cease

OR

Joint & Survivor

\$420* monthly

payments for life beginning at age 62; upon death, payments of \$420* would continue to your survivor for life

You can defer receipt of your guaranteed monthly payments to a later age with a Qualified Longevity Annuity Contract (QLAC). The following QLAC quotes assume you make the purchase at age 62 and the monthly payments begin at age 72. Addition of a death benefit during the deferral period decreases the monthly payments.

A lifetime income guarantee QLAC purchased at age 62 with \$100,000 of your FRS Investment Plan balance would pay you:

Single Life

\$950* monthly

payments for life beginning at age 72; upon death, payments would cease

OR

Joint & Survivor

\$740* monthly

payments for life beginning at age 72; upon death, payments of \$740 would continue to your survivor for life

* Quotes are based on \$100,000 premium as of December 31, 2016 for a female, aged 62. Joint & Survivor assumes the chosen survivor is a spouse aged 62. Your actual quotes may vary based on your individual data and other circumstances. Please note that other payment options and features are available.

Security Alert! 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.
- 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 is case-sensitive and must be between 8 and 32 characters in length. Special characters are allowed (except for "_" underscore).