Workshop Objectives

- Understand the FRS plans
- Know how the second election works
- Review the FRS Investment Plan funds
- Understand how the Advisor Service helps you
- Learn the features of the Investment Plan
- Review the tools and resources available
- Know which steps to take next
Personal Action Plan

<table>
<thead>
<tr>
<th>Action Steps</th>
<th>Done</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Find your 6-digit PIN and create a MyFRS.com account. (If already registered, use User ID and Password created.)</td>
<td></td>
</tr>
</tbody>
</table>

Action Step

- See Appendix F for your own Personal Action Plan.

Resources Available to You - FREE

MyFRS Financial Guidance Program

MyFRS.com:
- Advisor Service
- Choice Services
- FAQ’s, Calculators
- Access IP account

MyFRS Financial Guidance Line:
- Ernst & Young
- Division of Retirement
- Aon Hewitt

Employee workshops:
- Visit MyFRS.com for an updated list of workshops, locations and dates
- Call the Guidance Line to receive email notices of workshops in your area

Print and e-mail communications:
- IP quarterly newsletter
- IP quarterly statement

Action Step

- See Appendix B for an overview of the MyFRS Financial Guidance Line.
FRS Retirement Benefits

Retirement Income Sources

1. Personal savings
   - IRAs
   - Taxable savings
2. Employer benefits
   - FRS Investment Plan
   - 403b, 457, deferred comp
3. Government benefits
   - Social Security
Two FRS Retirement Plans

OR

Pension Plan

Investment Plan

or Hybrid Option

The FRS Investment Plan

• More recent retirement plan design
• Benefit not fixed
• Based on (1) employer contributions, (2) employee contributions, (3) investment returns, and (4) account fees
• You choose how to distribute contributions among the investment funds in the plan
• Guaranteed benefit for life available
• Vested after 1 year
• Fully portable throughout the over 900 FRS employers as well as employers outside the FRS umbrella
### Plan Administration – Investment Plan Contribution Rates (as of 7/1/2013)

<table>
<thead>
<tr>
<th>Membership Class</th>
<th>Paid by Employer</th>
<th>Paid by Employee</th>
<th>Total Investment Plan Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular</td>
<td>3.30%</td>
<td>3.00%</td>
<td>6.30%</td>
</tr>
<tr>
<td>Special Risk</td>
<td>11.00%</td>
<td>3.00%</td>
<td>14.00%</td>
</tr>
<tr>
<td>Special Risk Admin</td>
<td>4.95%</td>
<td>3.00%</td>
<td>7.95%</td>
</tr>
<tr>
<td>Elected Officers (Judges)</td>
<td>10.23%</td>
<td>3.00%</td>
<td>13.23%</td>
</tr>
<tr>
<td>Elected Officers (Leg/Cab/Defender/Attorney)</td>
<td>6.38%</td>
<td>3.00%</td>
<td>9.38%</td>
</tr>
<tr>
<td>Elected Officers (County &amp; Local)</td>
<td>8.34%</td>
<td>3.00%</td>
<td>11.34%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>4.67%</td>
<td>3.00%</td>
<td>7.67%</td>
</tr>
</tbody>
</table>

### Using Your 2nd Election
2\textsuperscript{nd} Election

- One-time opportunity
- Switch plans any time
  - 2\textsuperscript{nd} Election Retirement Plan Enrollment Form
    - Mail or fax (1-888-310-5559) to Aon Hewitt
    - Online (Pension Plan to Investment Plan only)
- Must be an active employee = earning salary & service credit
- Educational institution employees

2\textsuperscript{nd} Election – Pension Plan $\leftrightarrow$ Investment Plan

- Pension Plan present value $\leftrightarrow$ Investment Plan
- Hybrid option
  - 5 or more years of service if enrolled prior to July 1, 2011; 8 or more years of service if enrolled on or after July 1, 2011 \(\rightarrow\) freeze Pension Plan
  - Future contributions \(\leftrightarrow\) Investment Plan
- Vesting caution
  - 6-year vesting applies if enrolled in FRS prior to July 1, 2011
  - 8-year vesting applies if enrolled in FRS on or after July 1, 2011
2nd Election – Investment Plan → Pension Plan

- Buy into the Pension Plan with Investment Plan $$
  - Present value
  - Accrued liability or total cost
- Make up difference with personal $$
- Calculate estimated costs at MyFRS.com
  - With previous Pension Plan Service
- Excess account balance (reverse Hybrid)
2nd Election Choice Service Demonstration: Pension Plan ↪ Investment Plan

Welcome back, FIRST LAST!

Should you stay in the Pension Plan?

Consider you Second Election carefully!
Once you make a Second Election, you may not change plans again.

If you have questions about your options, call
1-866-446-9377
(1-866-446-9377)
Non-Pri: 8am-8pm ET

Compare your estimated retirement benefit from each Florida Retirement System plan, consider each plan’s features and decide whether now, later or never is the right time to make a change.

Personalized estimates from the FRS. Your retirement benefit estimates are based on the following information and assumptions (see below).

<table>
<thead>
<tr>
<th>Age</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>$10,500</td>
</tr>
<tr>
<td>Years of FRS service</td>
<td>8.83</td>
</tr>
</tbody>
</table>

Consider you Second Election carefully!
Once you make a Second Election, you may not change plans again.

If you have questions about your options, call
1-866-446-9377
(1-866-446-9377)
Non-Pri: 8am-8pm ET

Click Next to compare your plans.

Exit

Next >>

Pension Plan ↪ Investment Plan

See how your plans compare.

Here is a comparison of your estimated benefits. Estimates include other sources of retirement income that you have entered.

Click Next to choose your plan or change assumptions.

MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com
Numbers related to the Investment Plan estimate

Investment allocation for this risk level

MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com

6 years old
6 years old

MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com

Pension Plan

Investment Plan

Your starting balance if you switch to the Investment Plan now:
$39,614

The rate of return you’ll need from the Investment Plan to match the income from the Pension Plan using the assumptions shown above:
17.56%

Pension Plan ⊕ Investment Plan

See how your plans compare.

Here is a comparison of your estimated benefits. Estimates include other sources of retirement income that you have entered.
Numbers related to the Pension Plan estimate

<table>
<thead>
<tr>
<th>Non-FRS Pensions and Retirement Accounts</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from your non-FRS retirement benefits: today's dollars:</td>
<td>$7,245</td>
</tr>
<tr>
<td>Income from your other investment accounts: today's dollars:</td>
<td></td>
</tr>
<tr>
<td>If your investments perform poorly - Low</td>
<td>$1,630</td>
</tr>
<tr>
<td>If your investment perform average - Median</td>
<td>$2,314</td>
</tr>
<tr>
<td>If your investments perform well - High</td>
<td>$3,234</td>
</tr>
</tbody>
</table>

Assumptions

- Estimated rate at which your yearly salary grows: 4.0%
- Age you will leave FRS employment: 64 years old
- Age you will start to receive FRS benefits: 64 years old
- You will not be participating in DROP.

Note:
The Investment Plan does not offer DROP.

Inflation rates

Our estimates generally assume an average annual rate of inflation of about 3.5%. However, if you leave FRS-covered employment before starting to receive benefits, or participate in DROP, we use a range of annual inflation rates to model the inflation risk to your fixed FRS benefit amounts during those time periods, such as the typical rates shown below:

- One year inflation rate if the inflation rate is high: 10.0%
- One year inflation rate if the inflation rate is median: 2.5%
- One year inflation rate if the inflation rate is low: 0.0%

Estimates of your Pension Plan

- Estimated first-year benefit payment you would get from the Pension Plan in future dollars: $51,815
- Estimated starting balance in the Investment Plan if you switch to the Investment Plan now. This is the estimated present value of your Pension Plan benefit: $35,614
- Estimated lump-sum transferred to the Investment Plan if you were to switch to the Investment Plan just before you were to leave FRS employment using your second opportunity to change plans, in future dollars: $338,858

Your starting balance if you switch to the Investment Plan now: $35,614
Your starting balance if you switch to the Investment Plan just before you were to leave FRS employment: $338,858

Investment Funds
Stocks, Bonds, Bills And Inflation
Hypothetical Value of $1 Invested 1926-2012

Past performance is no guarantee of future results. Hypothetical value of $1 invested at the beginning of 1926. Assumes reinvestment of income and re-investment of gains or losses. This is a hypothetical example only and not indicative of any investments. Any investments cannot be made directly in an index. For further information on Morningstar, please visit Morningstar.com.

Learning About the Investment Plan Funds

Members
Stay up to date on news, information, and changes that affect your Florida Retirement System, and become a more knowledgeable consumer.

Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small stocks</td>
<td>11.9%</td>
</tr>
<tr>
<td>Large stocks</td>
<td>9.6%</td>
</tr>
<tr>
<td>Government bonds</td>
<td>3.7%</td>
</tr>
<tr>
<td>Treasury bills</td>
<td>3.0%</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Hypothetical Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1926</td>
<td>$1</td>
</tr>
<tr>
<td>1936</td>
<td>$1.3</td>
</tr>
<tr>
<td>1946</td>
<td>$1.7</td>
</tr>
<tr>
<td>1956</td>
<td>$2.1</td>
</tr>
<tr>
<td>1966</td>
<td>$2.6</td>
</tr>
<tr>
<td>1976</td>
<td>$3.1</td>
</tr>
<tr>
<td>1986</td>
<td>$3.7</td>
</tr>
<tr>
<td>1996</td>
<td>$4.4</td>
</tr>
<tr>
<td>2006</td>
<td>$6.1</td>
</tr>
<tr>
<td>2012</td>
<td>$13.3</td>
</tr>
</tbody>
</table>

$18,365

$1,000

$100

$10

$1
Learning About Funds
Investment Fund Summary

- Investment Summary Booklet
- Quick Guide
- Updated quarterly
Learning About Funds on MyFRS.com

MyFRS Select U.S. Stock Market Index Fund (S10)

Comparison: Performance, Lipper Rankings, Risk, Return, Distributions, Management, Style

Date as of 12-31-2012 unless otherwise noted

10-Year: 29.8 18.18
5-Year: 64.140.10
3-Year: 10
1-Year: 0
1-Month: 0

Primary Benchmark: Russell 2000 Index

FRS Select U.S. Stock Market Index Fund (S10)

Percentile rank among similar funds:

- 10-Year: 29.8 18.18
- 5-Year: 64.140.10
- 3-Year: 10
- 1-Year: 0
- 1-Month: 0

Net Asset Value:

FRS Select U.S. Stock Market Index Fund (S10)

Daily Net Asset Value

Select:

- FRS Select U.S. Stock Market Index

Compare to:

- FRS Select U.S. Large Value
- FRS Select U.S. Large Growth
- FRS Select U.S. Mid Cap Growth
- FRS Select U.S. Pacific Growth
- FRS Select U.S. Small Value
- FRS Select U.S. Small Growth
- FRS Select U.S. High Yield
- FRS Select U.S. Municipal

MyFRS Financial Guidance Line: 1-866-446-9377
MyFRS.com
What is the Cost of Investing in Investment Funds?

- Commissions (Loads)
  - No-load
  - Front-load
  - Back-load

- Fund Operating Expenses
  - Management Fee
  - 12b-1 Fees
  - Other Fund Expenses

Note: All FRS IP investment options are “no load”

Investment Fund Fees
Annual Fees for a $10,000 Account as of 09-30-13

<table>
<thead>
<tr>
<th>Investment Fund Categories</th>
<th>Range of FRS IP Fund Fees</th>
<th>Average Mutual Fund Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Fund</td>
<td>$5.60</td>
<td>$43</td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities Fund</td>
<td>$2</td>
<td>$54</td>
</tr>
<tr>
<td>Fixed Income Funds</td>
<td>$5 – $57</td>
<td>$66</td>
</tr>
<tr>
<td>U.S. Stocks Funds</td>
<td>$2 – $92</td>
<td>$87-$136</td>
</tr>
<tr>
<td>Foreign Stocks Funds</td>
<td>$2 – $53</td>
<td>$87-$114</td>
</tr>
<tr>
<td>Balanced Funds</td>
<td>$4.00 – $5.60</td>
<td>$94</td>
</tr>
</tbody>
</table>
FRS Investment Managers

- Mutual Funds (Active)
  - Familiar mutual fund families—Fidelity, T. Rowe Price, American funds, etc.
- Index Managers (Passive)
  - Match performance of a market index
    - e.g., S&P 500 Index
- Institutional Managers (Active)
  - Manage investments for large companies or pension plans
  - Not usually available to individual investors

FRS Select Funds

- Designed to offer members ability to invest with institutional managers not usually open to individual investors
- Only available to FRS IP members
FRS Balanced Funds

• Conservative Balanced Fund
  • Risk similar to 100% bonds
    • 81% in money market, TIPS and fixed income
• Moderate Balanced Fund
  • Risk similar to that of average U.S. investor
    • 55% stocks
• Aggressive Balanced Fund
  • Risk mid-way between 100% stock portfolio and the Moderate Balanced Fund
    • 77% U.S. and foreign stocks

*Allocations as of 12/31/2013

FRS Investment Plan Fund Choices

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund Number</th>
<th>Fund Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balanced</td>
<td>A10</td>
<td>FRS Select Conservative Balanced Fund</td>
</tr>
<tr>
<td></td>
<td>A20</td>
<td>FRS Select Moderate Balanced Fund</td>
</tr>
<tr>
<td></td>
<td>A30</td>
<td>FRS Select Aggressive Balanced Fund</td>
</tr>
<tr>
<td>Cash</td>
<td>M10</td>
<td>FRS Select Yield Plus Money Market Active Fund</td>
</tr>
<tr>
<td>Bonds</td>
<td>T10</td>
<td>FRS Select U.S. Treasury Inflation Protected Securities Index Fund</td>
</tr>
<tr>
<td></td>
<td>B15</td>
<td>FRS Select U.S. Bond Enhanced Index Fund</td>
</tr>
<tr>
<td></td>
<td>B20</td>
<td>PIMCO Total Return Fund</td>
</tr>
<tr>
<td></td>
<td>B35</td>
<td>Pyramis Intermediate Duration Fund</td>
</tr>
<tr>
<td></td>
<td>B50</td>
<td>FRS Select High Yield Fund</td>
</tr>
</tbody>
</table>

Action Step
  • Visit the “Investment Funds” section of MyFrs.com for more information.
## FRS Investment Plan Fund Choices (continued)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fund Number</th>
<th>Fund Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Stocks</td>
<td>S10</td>
<td>FRS Select U.S. Stock Market Index Fund</td>
</tr>
<tr>
<td></td>
<td>S25</td>
<td>FRS Select U.S. Large Value Stock Active Fund</td>
</tr>
<tr>
<td></td>
<td>S30</td>
<td>FRS Select U.S. Large Growth Stock Active Fund</td>
</tr>
<tr>
<td></td>
<td>S40</td>
<td>Prudential Mid-Cap Quantitative Core Equity Fund</td>
</tr>
<tr>
<td></td>
<td>S80</td>
<td>Fidelity Growth Company Fund</td>
</tr>
<tr>
<td></td>
<td>S97</td>
<td>T. Rowe Price Small Cap Stock Fund</td>
</tr>
<tr>
<td></td>
<td>S99</td>
<td>American Beacon Small Cap Value Fund</td>
</tr>
<tr>
<td>Foreign Stocks</td>
<td>F10</td>
<td>FRS Select Foreign Stock Index Fund</td>
</tr>
<tr>
<td>Global Stocks</td>
<td>F20</td>
<td>American Funds EuroPacific Growth Fund</td>
</tr>
<tr>
<td></td>
<td>F40</td>
<td>American Funds New Perspective Fund</td>
</tr>
</tbody>
</table>

### Action Step
- Visit MyFRS.com and/or call the Guidance Line to discuss whether the Self-Directed Brokerage Account may be appropriate for you.
Excessive Fund Trading Policy

- All Investment Plan members
- Prevents short-term excessive trading
- Excessive trading drives costs/reduces returns

ADVISOR SERVICE
ADVISOR SERVICE

- Powered by Financial Engines for **ALL FRS** Members
- Visit MyFRS.com
- Call Financial Guidance Line for assistance

Using the ADVISOR SERVICE
ADVISOR SERVICE Provides Answers

“How much investment risk should I take?”

<table>
<thead>
<tr>
<th>Consider changing your risk level</th>
<th>current</th>
<th>new</th>
</tr>
</thead>
<tbody>
<tr>
<td>very conservative 0.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>moderately aggressive 1.34</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Your investment allocations

<table>
<thead>
<tr>
<th>FRS Investment Plan</th>
<th>10%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRS Conservative Balanced</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>FRS Aggressive Balanced</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>FRS Total Foreign Stock Index Fund</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>FRS US Stock Index</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

“Should I consider working longer?”

Retirement Income Forecast Using Current Strategy

Will you reach your goal?

You have a very unlikely chance of reaching your retirement income goal of $50,000 per year at your projected retirement age of 66 years old.

Your retirement income may be $33,400 per year or less at age 65 if market performance is average. This could be $37,800 or less if the market performance is poor or $41,000 or more if market performance is excellent.

Your retirement income goal is $50,000 per year. There is about a 4% chance that you will exceed your goal. Learn more.

There is a 4% chance that your investment portfolio may decline by $2,500 (2.8%) over the next 12 months.

Can you do better? Get advice.

Will I have enough money to reach my life goals using my current strategy?”
Retirement Income Forecast Using Recommendations

How much income could you have?
With your new plan detailed above, we estimate your retirement income may be $50,000 per year if market performance is average, or $44,400 per year if market performance is poor. Learn more...

All forecasts are in today’s dollars and include Social Security and pension, if any.

All amounts shown are estimates and are not guaranteed. See detailed methodology and assumptions used for your forecast.

Portfolio forecast Income forecast Goal forecast

ADVISOR SERVICE Overview

<table>
<thead>
<tr>
<th>Pension Plan</th>
<th>Investment / Hybrid Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pre-loaded member data</td>
<td>All FRS benefit data</td>
</tr>
<tr>
<td>2. Member adds personal data/goals</td>
<td>Non-FRS assets (qualified plans, home value, etc.)</td>
</tr>
<tr>
<td>3. ADVISOR SERVICE:</td>
<td></td>
</tr>
<tr>
<td>Estimates ...</td>
<td>Total retirement income</td>
</tr>
<tr>
<td>Forecasts...</td>
<td>Likelihood of meeting retirement goal</td>
</tr>
<tr>
<td>Gives free investment guidance ...</td>
<td>Advice across FRS and non-FRS taxable and tax-deferred retirement accounts including deferred compensation plans and IRAs</td>
</tr>
</tbody>
</table>
Investment Plan Features

- Rollovers
- Disability Benefits
- Death Benefits
- Distributions
- Health Insurance Subsidy
- Health Insurance Coverage
- Reemployment
- Forfeitures

Investment Plan Rollovers

- Current, Former, and Retired members
  - Roll qualified plans $$ ➔ Investment Plan
**Investment Plan Rollovers Cont.**

- Current and former DROP participants
  - Roll DROP $$ ⇸ Investment Plan
  - Low-cost funds and inactive administration fee

**Investment Plan Disability Benefits**

- Must have a total and permanent disability
- Regular Disability
  - 25% minimum, must have 8 years service credit
- ILOD Disability
  - 42% or 65% minimum, eligible from first day
- Division approval
  - Investment Plan $$ ⇸ Pension Plan
  - Disability benefits under Pension Plan provisions
- 2nd Election not required
- Recovery ⇸ transfer back to Investment Plan
**Investment Plan Death Benefits**

- Vested, no distribution ➔ full value of account balance to beneficiary
- Spouse beneficiary
  - Choice of distribution
  - Defer distribution
- Other beneficiary
  - One year to decide
  - 5-year payout or lifetime annuity
- Line of duty

**Beneficiary Designation**

- Make change online, or
- Investment Plan members can change by calling Aon Hewitt, or
- Mail a Beneficiary Designation form any time
  - Pension Plan ➔ BEN-001 ➔ Division of Retirement
  - Investment Plan ➔ IPBEN-1 ➔ Aon-Hewitt
    - Download copy of form online
    - Or call to request copy of form
    - Enrollment form default designation
      - Florida Statutes
- Talk to a financial planner
Investment Plan Survivor Counseling

- Free, objective financial guidance
- Investment Plan beneficiaries only
- Automatically notified by mail
- Available for one year

**Action Step**
- See Appendix C for the Survivor Counseling Flyer.

Investment Plan Distributions

- Vested
- Requirements
  - Terminated for 3 calendar months
  - 1 calendar month exception
  - Termination date on file
  - Member requests distribution from Aon Hewitt or online – direct deposit available
- Auto distribution
  - Account balance $1,000 or less
Investment Plan Distributions Reporting Termination Date

- Your employer will report term date on monthly payroll report
- Exception only
  - Term date not reported timely
  - Ask Employer to submit Employment Termination Form to Aon Hewitt
  - Employer must sign

Investment Plan Termination Kit

- Mailed automatically
- Includes:
  - Distribution requirements and payment options
  - De minimis and Required Minimum Distributions
  - Penalties and taxes
  - Health Insurance Subsidy eligibility
  - Re-employment
  - Special Tax Notice
Investment Plan Payment Options

- Rollover
- Lump-sum
- On demand or scheduled
- Annuity payments
  - Survivor
  - 3% COLA
- Combination

Taxes on Investment Plan Distributions

- Taxed when received
  - Potential penalties for early distributions
- Rollover to defer taxes
- Exceptions to Penalty
  - Call MyFRS Financial Guidance Line
Health Insurance Subsidy (HIS)

• $5/year of creditable service
  • $30 minimum/month
  • $150 maximum/month

• Eligibility
  • Must retire (take IP distribution) and have some form of insurance coverage
  • 6 years, if enrolled prior to July 1, 2011
  • 8 years if enrolled on or after July 1, 2011

Health Insurance Subsidy (HIS) Cont.

• Early IP distribution
  • HIS begins at Pension Plan normal retirement age
  • Special Risk: Age 55 + 6 years or 25 Special Risk years, enrolled prior to July 1, 2011; Age 60 + 8 years or 30 Special Risk years, enrolled on or after July 1, 2011
  • All other classes: Age 62 + 6 years or 30 years, enrolled prior to July 1, 2011; Age 65 + 8 years or 33 years, enrolled on or after July 1, 2011

• Hybrid Option
  • HIS begins when member starts receiving Pension Plan benefit

• Surviving spouse
Health Insurance Coverage

- Insured prior to retirement
- Continue same coverage
- Employer by employer

Re-employment Limitations

- Non-FRS employer
  - No effect on benefit
- FRS employer
  - Terminate 6 calendar months
  - 12 month wait
  - Or suspend benefits
  - Exceptions may apply
  - After 7/1/10, no FRS membership

Action Step

- See Appendix D for the Re-employment Limitations Chart.
**Forfeiture of Benefits – Non-Vested Service**

- Unvested benefit forfeited if:
  - Take distribution of vested balance (including employee contributions), or
  - Not re-employed within 5 years
- Example:
  - 5 years of service
    (3 Pension Plan + 2 Investment Plan)
  - January 1, 2014 termination date

**Workshop Objectives**

- Understand the FRS plans
- Know how the second election works
- Review the FRS Investment Plan funds
- Understand how the Advisor Service helps you
- Learn the features of the Investment Plan
- Review the tools and resources available
- Know which steps to take next
Resources Available to You - FREE

MyFRS Financial Guidance Program

Action Step
- See Appendix E for the Investment Plan Quarterly Newsletter.

MyFRS.com:
- Advisor Service
- Choice Services FAQ’s, Calculators
- Access IP account

MyFRS Financial Guidance Line:
- Ernst & Young
- Division of Retirement
- Aon Hewitt

Employee workshops:
- Visit MyFRS.com for an updated list of workshops, locations and dates
- Call the Guidance Line to receive email notices of workshops in your area

Print and e-mail communications:
- IP quarterly newsletter
- IP quarterly statement

MyFRS Financial Guidance Program

Action Steps

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<tr>
<th>Action Steps</th>
<th>Done</th>
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<tr>
<td>1) Log on to MyFRS.com and explore the ADVISOR SERVICE</td>
<td>☐</td>
</tr>
<tr>
<td>2) Call MyFRS Financial Guidance Line at 1-866-446-9377</td>
<td>☐</td>
</tr>
<tr>
<td>3) Look for additional workshops in your area</td>
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<tr>
<td>4) Review your financial situation at least once a year</td>
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Next Steps: Personal Action Plan
Questions and Answers

FRS Investment Plan
Understanding your benefit
### FRS Investment Plan: Understanding Your Benefits

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NOTICE TO EMPLOYEES

Dear Employee:

The FRS has engaged Ernst & Young LLP to provide financial planning education workshops to its employees. We expect that you will find Ernst & Young’s services to be valuable, but we think it is also important that you understand the scope of these services. The following explains what financial education workshops can and cannot do for you, particularly as regards investment planning.

General Financial Planning Considerations
Here are points to understand regarding your personal financial planning and your participation in financial planning workshops:

- Ernst & Young has prepared certain financial planning materials and is providing other services for your personal use as an employee of the FRS.
- The financial education program includes historical financial information and well-accepted financial planning strategies. It may also include information on Social Security benefits and your company benefit plans. This information is based on sources that Ernst & Young believes to be reliable. However, Ernst & Young cannot guarantee its accuracy.
- Past performance, which may be referenced in the program, is not a guarantee or even necessarily an indication of future results.
- The financial planning materials you receive will not change or affect your rights under your company benefit plans. In all cases, the company’s plans govern.
- As you plan your financial future, you will need to make assumptions about future financial trends (such as inflation and rates of return), laws and regulations, and apply these to your particular circumstances. Your results can be significantly affected by even small changes in your assumptions, your individual circumstances or laws and regulations, as well as the extent to which your assumptions ultimately vary from actual financial conditions. You may need to reevaluate your financial planning strategy and your decisions from time to time to determine if any changes have occurred that would necessitate amendments to your assumptions or plan.
- A financial education program provides only some of the resources for assisting you in preparing your financial planning strategies. Financial education does not provide accounting, tax or legal advice and does not involve recommendation of specific investments.
- You need to decide on your own whether to consult with a financial advisor or other professional regarding your personal circumstances. If you do, please be aware, you may incur additional costs.
- In providing financial education, Ernst & Young may help you decide on your asset allocation or help you make informed assumptions about rates of return and other investment issues. While Ernst & Young will help you understand what you need to do, you are responsible for making and acting on these decisions. Ernst & Young cannot provide you with all information that may be relevant nor can any materials provided address every possible scenario in connection with such decisions.
- Neither Ernst & Young nor your employer will make any financial planning decisions for you or assume any responsibility for decisions you make.
- Ernst & Young may provide audit or other accounting services to the investments or service providers discussed. The provision of other services will not be a determining factor whether to discuss or recommend an investment or service provider.
Privacy of Information Provided to Ernst & Young

In the event Ernst & Young collects nonpublic personal information about you from you or other sources authorized by you, Ernst & Young will not disclose such information to third parties, except as permitted by law or as otherwise authorized by you. Ernst & Young maintains physical, electronic, and procedural safeguards to guard your nonpublic personal information.

Further Considerations

| All services are provided “as is,” and there are no warranties of any kind or nature, whether express or implied, including but not limited to warranties of merchantability or fitness for a particular purpose or use. In addition, neither Ernst & Young nor its affiliates nor any of their partners, officers, directors or employees shall be liable to you for any services performed or omitted or for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing the services described above. Federal securities laws impose liabilities under certain circumstances on certain persons, even those who act in good faith, and therefore nothing in this notice constitutes a waiver or limitation of any rights that you may have under these laws. |

If you should have any kind of claim or dispute with Ernst & Young as a result of this program, these will be resolved in accordance with Ernst & Young’s Alternative Dispute Resolution Procedures (“Procedures”) in effect on the date of this notice. You may receive a copy of the Procedures by requesting them from the Compliance officer of Ernst & Young, at the following address:

200 Plaza Drive
Suite 2222
Secaucus, NJ 07094

*   *   *   *   *   *   *

If, after considering the issues discussed above, you do not want to participate in financial education and counseling in conjunction with this program, please contact your Human Resource Professional for the FRS, as soon as possible.
DISCLOSURE STATEMENT
Ernst & Young LLP
Ernst & Young Investment Advisers LLP
Employee Financial Services

Please note that this disclosure statement provides a summary of the investment advisory services provided by Ernst Young LLP. Please note that a full copy of ADV Part 2A can be located at this link www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx.

Ernst & Young LLP ("EY"), under the supervision of Ernst & Young Investment Advisers LLP ("EYIA"), provides Employee Financial Services ("EFS"), including investment education and counseling services to employees, members of associations, unions or other large groups ("Participants") pursuant to engagements by corporate employers, pension plan trustees, or other entities formed for the benefit of such Participants ("Sponsors"). Such services are provided through EY's Personal Financial Services Practice, a functional specialty within the firm's Tax Department. EYIA is registered with the Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940 ("Advisers Act") and maintains its main office at 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094 (telephone: 800-273-0588).

Employee Financial Services ("EFS")

EY's services to Participants are rendered to such persons in a manner determined by their Sponsors. EY services to Participants may include some or all of the following:

1. Enabling Participants to access a toll-free “EY Financial Planner Line®”, staffed by EY planners or consultants, for assistance with personal financial planning matters.

2. Designing or presenting workshops for Participants concerning the financial planning process and alternatives available under the Sponsor's benefit plans.

3. Providing access to a financial planning website ("EY Financial Planning Center®") for use by Participants.

4. Providing various personal finance and tax-related publications, in print form or by audio or other visual means.

5. Making available to Participants and survivors of Participants, financial education and counseling assistance with respect to retirement plan distributions; company benefit and compensation plans; estate settlements and planning; life insurance policies; and other related issues.

6. Providing in-person personal financial advisory services to Participants pursuant to an engagement by a Sponsor.

As part of the personal financial advisory services, both in-person and via the EY Financial Planner Line®, EY may prepare personal asset allocation targets (based on modern portfolio theory and using EY’s own or other approved financial planning tools) for such Participants after obtaining and evaluating information concerning their individual circumstances provided by each Participant in

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1 From this webpage follow these steps to view the most current Form ADV: a) select Firm, b) enter CRD #110921, c) click Investment Adviser Firm, d) click SEC, e) Brochure link is on the left under Part 2.
response to an EY questionnaire. Participant specific advice (i.e., personal asset allocation targets) will generally be confirmed in writing.

EY does not recommend, and should not be deemed to have recommended, any particular investment as an appropriate investment for the Participants and discussions of various investments should not be construed as such a recommendation.

EY's advisory services also may be offered by a Sponsor to Participants in tandem with the personal advisory services of another registered investment adviser designated by the Sponsor that is not affiliated with EY ("Other Adviser"). In some EFS engagements, the Sponsor contemplates that EY will refer individual Participants to the Other Adviser for specific recommendations and/or implementation of the Participant's investment decisions. Such referrals by EY do not constitute a recommendation of the Other Adviser by EY to Participants, and, in such cases, EY does not perform any quantitative or qualitative screening procedures with respect to the Other Adviser.

EY, in certain circumstances, is contracted solely to help train employees of financial institutions seeking to offer financial and tax planning services to clients. Such services do not involve EY providing advice directly to the clients of such financial institutions, but rather entails training a financial institution's counselors on financial and tax planning topics and such other support as is mutually agreed upon by EY and the financial institution.

All Selections and Investments Are Made Solely by the Participating Employee

EY's investment education and counseling does not include recommendations concerning the purchase or sale of particular investments or particular industry sectors. EY may provide counseling on the purchase or sale in the context of providing tax, compensation and benefits, or estate planning services, but that counseling does not reflect a view as to the intrinsic merits of the investment. All decisions to invest in or dispose of particular investments are made solely by the participating Participant in the exercise of his or her own discretion.

Fees

Fees for EFS Services generally are negotiated between EY and the Sponsors of such groups on a case-by-case basis. They usually are based upon (i) a “per capita” eligible employee or member amount, (ii) a “usage by Participants” amount, (iii) the volume of calls by Participants to the EY Financial Planner Line®, (iv) the number of workshops designed and presented by EY, or (v) other negotiated factors. EY's fees in such engagements may be paid wholly or partially either by the Sponsor or by Participants, whose payments for services received (if any) may be collected by the Sponsor through payroll deductions and remitted to EY. Participants also may incur expenses for fees to any other investment adviser they may consult and will be responsible for transaction charges imposed by broker-dealers through or with whom they effect transactions for their accounts. Generally &Y’s contracts with Sponsors for services to Participants are terminable by either party in accordance with a specified notice period. In addition, Participants receiving advisory services by EY (including a Participant who pays in whole or in part for the services rendered to such Participant) may terminate participation at any time. If such a contract or participation is terminated at a time other than the end of the quarter, a pro rata portion of any quarterly or other fee paid in advance is refunded.

Investment Advisers

All personal investment advice, and most impersonal investment advice, typically is given only by EY Financial Planners. Financial Planners are persons who spend all or substantial portions of their time on financial planning. Typically, all of these professionals have at least a degree from a four-year college or university and must meet such other standards as EYIA may establish from time to time. Those standards
may include participation in continuing education programs each year and maintaining what EY regards as significant involvement in financial counseling engagements. Moreover, Financial Planners must satisfy applicable State investment adviser representative registration requirements or pass the Series 65 Uniform Investment Adviser Exam of the National Association of Securities Dealers, Inc. In some instances, EY may retain consultants to assist in providing workshops and staffing the EY Financial Planner Line®. Generally, consultants are subject to the same requirements as EY Financial Planners. However, consultants are not subject to the same public accounting independence requirements as EY Financial Planners and their continuing education programs differ in some respects.

**Monitoring, Reviews and Reports**

In the case of EFS engagements that extend beyond one year and involve the provision of personal advisory services to Participants, Participants are asked questions concerning any changes in their relevant individual circumstances. EY will take into account the changed circumstances of any Participant of which it has notice in the event that Participant seeks additional personal advisory services from EY.

**Miscellaneous**

Clients and prospective clients of EY also should be aware of the following additional information concerning EY and EYIA:

- **Custody of Securities or Funds.** EY does not manage participant accounts on a discretionary basis and does not take custody of participant securities or participant funds.

- **Other Financial Industry Activities.** As noted above, EYIA is responsible for supervising the investment advisory services provided by EY. EY and Ernst & Young (U.S.) are general partners of EYIA. In consideration of EYIA’s supervising the rendering of investment planning services provided by EY, EY provides EYIA with office and filing space, staff and other assistance. All of EYIA’s time is spent supervising the compliance and operations of the investment planning services provided by EY.

- **Other Business Activities.** EY is a public accounting firm which spends substantially all of its time providing accounting, audit, tax, and business advisory services.

  **Education and Business Background.** Below are the backgrounds and five year business histories of each EYIA Advisory Board member: (1) Name, (2) year of birth, (3) education and (4) business background for preceding five years of EYIA Advisory Board members:

1. Glenn H. Hascher – (Chair)/2. 1961
   3. B.S., Economics, Rutgers University, New Brunswick, NJ
   4. November 1988 to date, Ernst & Young LLP

1. R. Lynn Pettus/2. 1968
   3. B.A., Accounting, Converse College, Spartanburg, SC
   4. 1997 to date, Ernst & Young LLP

1. Kym M. Hubbard/2. 1957
   3. B.A., Accounting, Bradley University, Peoria, IL

1. Robert J. Porter/2. 1964
   3. B.S., Siena College, Loudonville, NY
   4. 1998 to date, Ernst & Young LLP
1. Greg Rosica / 2. 1964
4. 2002 to date, Ernst & Young LLP; 1988 to 2002 Arthur Andersen LLP

1. James G. Wolf / 2. 1955
3. University of Notre Dame, South Bend, IN, BBA Finance; University Of Texas, Austin, TX, MBA
4. 1985 to date, Ernst & Young LLP

1. David E. Boyle / 2. 1955
3. B.S., Georgetown University, 1977; The University of Michigan, MBA, 1979
4. November 1988 to date, Ernst & Young LLP
Call 1-866-446-9377, Option 2, for financial planning assistance from Ernst & Young financial planners.

The Ernst & Young planners at the MyFRS Financial Guidance Line are available from 9:00am to 8:00pm ET, Monday through Friday, (except holidays).

When you call the Ernst & Young planners at the MyFRS Financial Guidance Line you are calling one of the largest personal financial planning counseling groups in the U.S. Ernst & Young is committed to providing you with the highest quality financial planning services.

You can feel confident that the information and guidance you receive is appropriate for your needs because Ernst & Young’s financial planners are objective and independent.

When you call the MyFRS Financial Guidance Line for financial planning assistance you should expect:

- Confidential assistance from highly qualified planners, who average seven years of experience in the financial planning industry
- Phones that are answered promptly by experienced planners who will assist you with your personal financial planning needs. If you are prompted to leave a message, a planner will return your call as soon as possible
- Action-oriented guidance based on your personal information and goals
- Planners who are knowledgeable about FRS retirement plans
- An up-to-date record of prior interactions so that you are not starting each call from scratch
- The ability to ask for the same planner each time you call the MyFRS Financial Guidance Line

What topics can you discuss with the financial planners at the MyFRS Financial Guidance Line?

- Investment considerations and asset allocation
- Retirement planning and actions to get or stay on track
- FRS retirement plan information, projections and comparisons
- Ways to reduce debts and increase cash flow
- Tax planning and recent law changes

The Financial Guidance Line pledge to you: Your decisions are kept confidential and will not be made available to your employer or to any other organization or person outside of the Ernst & Young Employee Financial Education and Counseling practice. Calls are monitored for quality assurance purposes only.
So Many Questions

Planning your financial security is a challenging task under the best of circumstances. When faced with the death of a loved one, the added burden of the financial issues that immediately arise is often overwhelming. Florida Retirement System (FRS) Survivor Financial Counseling for FRS Investment Plan beneficiaries provides the objective financial guidance you need to make informed choices concerning issues such as . . .

- Should I take the FRS Investment Plan assets as a lump-sum distribution or should I choose to receive the benefits over a period of time?
- Do I need an attorney to assist with an estate settlement?
- Can I handle my own tax return, the estate tax return, and my loved one’s final tax return, or do I need the assistance of a tax professional?
- Do I need a job in order to maintain my standard of living?
- Will I have enough money to help pay for my children’s college education?
- What should I do with any life insurance proceeds?
- Do I need a will?
- Can I name my minor children as my beneficiaries?
- Am I entitled to Social Security survivor benefits? Are my children? If so, for how long?

Impartial Guidance

FRS Survivor Financial Counseling is an FRS-paid benefit—meaning it is available to you at absolutely no cost. This service is designed to provide you with access to Ernst & Young financial planning professionals who are sensitive to your circumstances and prepared to address your unique financial concerns.

The service you receive is:

- **Objective** — Because Ernst & Young’s financial planners neither sell nor have marketing arrangements to recommend financial products or services of any kind, the counseling services are delivered with nothing but your best interests in mind.
- **Professional** — Ernst & Young financial planners are experienced, responsive, sensitive, and focused. Each financial planner has an advanced degree or relevant professional designation and is required to attend a minimum of 40 hours of professional education annually.
- **Confidential** — You are assured the highest level of confidentiality with regard to all aspects of your counseling sessions.

Comprehensive Support

By using this service, you’ll receive invaluable assistance, including:

- **Personal Financial Counseling** — You can speak with an Ernst & Young financial planner by phone to address your financial questions and concerns, and to identify your financial goals, needs, and priorities.
- **Personal Financial Plan** — Your Ernst & Young financial planner will prepare a written personal financial plan summarizing the issues discussed during your meeting, identifying key issues that require immediate action, and providing strategies for meeting your financial objectives.
- **Ongoing Financial Planning** — For one year, you will have toll-free access to an Ernst & Young financial planner to address any additional financial issues of specific importance to you. Help is literally just a phone call away.

FRS Survivor Financial Counseling For Investment Plan Beneficiaries

Please contact our financial planners toll-free by calling 1-866-446-9377, Option 2

Monday through Friday • 9:00 a.m. to 8:00 p.m. Eastern Time
**Reemployment Rules for FRS Investment Plan Members**

Returning to work with an FRS participating employer too soon after retirement could be a costly mistake. Read this brief flyer to be sure you don’t shortchange yourself in retirement.

**What You Need to Know**

Once you become an FRS retiree:
- You will not be able to rejoin the FRS — even if you return to work with an FRS participating employer.
- If you return to work with an FRS participating employer before satisfying a waiting period, any distributions you’re receiving may be temporarily suspended and you may have to repay any distributions you have already received.

**When Do I Become an FRS Retiree?**

You become an FRS retiree once you terminate employment with all FRS participating employers and you take a distribution of any kind from the Investment Plan. Distributions include lump-sum payouts, annuities, and rollovers to other retirement plans.

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**Caution!**

The reemployment laws are very complex and there are no exceptions. Returning to work for an FRS participating employer after you’ve retired may have significant financial consequences.

Before taking any distribution from your Investment Plan account or returning to work for an FRS participating employer, we strongly recommend that you call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

**Questions?**

Before initiating an Investment Plan distribution and becoming an FRS retiree, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, to understand the impact of returning to employment with an FRS participating employer.

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1 If you were an FRS retiree that was initially rehired by an FRS participating employer in an excepted position before July 1, 2010, your Investment Plan distributions would not be suspended during months 7 to 12, as described on the next page. If you have questions, contact the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, and speak with a financial planner.
When Can an FRS Retiree Return to Work with an FRS Participating Employer?

You can return to work with an FRS participating employer at any time; however, returning within 12 calendar months of becoming an FRS retiree may require you to repay any distribution received, as described below.

If you are an FRS retiree and return to work with an FRS participating employer …

<table>
<thead>
<tr>
<th>Period</th>
<th>Requirement</th>
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<tr>
<td>Within 6 Calendar Months</td>
<td>You (and possibly your employer) will be required to repay the distribution you received. To avoid repayment, wait a full 6 calendar months from the month you took your distribution or rollover to return. If you’ve already been rehired, terminate your employment and return after satisfying the 6-calendar-month period.</td>
</tr>
<tr>
<td>During Calendar Months 7 to 12</td>
<td>Any distributions you are receiving from the Investment Plan will stop until 12 calendar months have elapsed since you became an FRS retiree or you terminate employment with all FRS participating employers.</td>
</tr>
<tr>
<td>After 12 Calendar Months</td>
<td>You will not be required to repay any prior distributions, and you may continue receiving distributions from the Investment Plan without interruption.</td>
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You must notify the Investment Plan Administrator of your employment during this period by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

Want to know when you’ll reach the 6- and 12-calendar-month waiting periods?

View or download the comprehensive reemployment tables by visiting MyFRS.com. On the home page, click “Reemployment After Retirement,” then “Reemployment Tables.”

Can I Rejoin the FRS After Becoming an FRS Retiree?

No. Once you take a distribution from the Investment Plan, you cannot renew your membership in the FRS, no matter when you return to employment with an FRS participating employer. This means that you will not be eligible to earn any additional benefits under an FRS plan.²

Do These Reemployment Rules Apply if I Am Hired by a Non-FRS Employer?

No. After becoming an FRS retiree, being hired by a private employer or a non-FRS public employer³ will have no impact on your Investment Plan distributions (except for disability retirement — see below).

Would Being Rehired Affect My FRS Disability Benefits?

Yes. You cannot receive disability benefits if you are employed. Your FRS disability benefits will be terminated upon returning to work for any employer (includes private, non-FRS, and FRS participating employers).

¹ This includes work in a temporary, part-time, OPS, or regularly established position, regardless of whether it is an FRS-covered or non-covered position.
² The FRS plans include the Pension Plan, Investment Plan, and other non-integrated defined contribution plans.
³ If you are retiring from an employer that no longer offers FRS membership to new employees and you plan to return to employment with this same employer after termination, please call the Division of Retirement at 1-866-446-9377, Option 3, to determine what reemployment restrictions apply.

This publication is a summary of the reemployment provisions for the Florida Retirement System Investment Plan and Pension Plan and is not intended to include every program detail. Complete details can be found in Chapter 121, Florida Statutes, the rules of the State Board of Administration of Florida in Title 19 and the Department of Management Services, Division of Retirement, in Chapter 60-5, Florida Administrative Code, and the Investment Plan and Pension Plan Summary Plan Descriptions. In case of a conflict between the information in this publication and the statutes and rules, the provisions of the statutes and rules will control.

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Self-Directed Brokerage Account Now Available

The Florida Retirement System (FRS) Investment Plan is now offering a new option that allows you to invest in thousands of different investments in addition to the investment funds already offered in the Investment Plan. This new investment option is called a Self-Directed Brokerage Account (SDBA) and became available on January 2, 2014.

An SDBA is not suitable for all members. It’s for experienced investors who want the flexibility to invest in a variety of options beyond those available in the FRS Investment Plan.

To participate in the SDBA, you must maintain a balance of at least $5,000 in the Investment Plan’s primary investment funds. You must also pay all trading fees, commissions, administrative fees, and any other expenses associated with participating in the SDBA. All transfers into the SDBA must be at least $1,000.

To open an SDBA, you must complete the following steps:

1. Log in to MyFRS.com.
2. Choose Manage My Benefits > Manage Investments > Open Brokerage Account.
3. On the site, complete the enrollment form online OR print the form and submit a hard copy via mail or fax. (Hard-copy forms are also available by calling the Investment Plan Administrator.)

The SDBA will be established within one to two business days of receipt of the enrollment form. Once the account is established, a welcome email will be sent with information on accessing and using the SDBA.

You can visit the “Investment Funds” page on MyFRS.com for detailed instructions on how to open an SDBA, an SDBA summary brochure, a fees and commission schedule, a member agreement, a listing of no-transaction fee funds (additional expenses/fees may be applicable), an SDBA access guide, and other SDBA information. If you have any questions about the SDBA, please call the MyFRS Financial Guidance Line between 9:00 a.m. and 8:00 p.m. ET, Monday through Friday, toll-free at 1-866-446-9377, Option 4 (TRS 711) and ask to speak with an SDBA specialist.
Quarterly Fund Performance Summary

Overview

The Performance Summary is organized by these asset classes: money market funds, inflation-protected securities funds, bond funds, U.S. stock funds, and foreign funds. A special asset class, balanced funds, provides a diversified mixture of various asset classes. The 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 at 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).

Balanced Funds

These funds are particularly good for “one-stop shopping.” They seek favorable long-term returns by keeping costs low and investing across multiple asset classes to diversify and control risk. They invest in various investment funds in different proportions to keep their overall level of risk relatively steady over time. The proportions and specific funds included in each balanced fund may change over time. Financial Engines, a federally registered investment advisor and fiduciary to the FRS, will periodically provide updated investment fund mixes to the FRS, which they believe will provide the best balance between expected risk and return.

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, basically keeping pace with inflation. Money market funds are not FDIC-insured or guaranteed.

Inflation-Protected Securities Funds

This fund invests in United States Treasury inflation-protected securities (TIPS). TIPS are U.S. government bonds and, like other bonds, pay a fixed rate of interest based on the face value of the bond when issued. TIPS bonds are designed to provide long-term inflation protection by attaching the face value of the bond to changes in inflation. When inflation increases, the face value of the bond will also increase. If inflation were to become negative, the adjusted face value would decrease. As with all bonds, TIPS are a promise of payment at a point in the future. As actual and anticipated interest rates and inflation rise and fall, the current value of those future payments will rise and fall as well. You could lose money over short or long periods by investing in this fund.

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 stocks has been much higher than bonds. However, over long periods of time, stocks have generally done better than bonds, 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 equity shares or 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.

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 balanced 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.

---

### Performance Summary as of December 31, 2013

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Fees per $1,000</th>
<th>Annual Average Investment Returns After Deducting Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Fees²</td>
<td>Long-Term Fees</td>
</tr>
<tr>
<td>TOTAL FRS INVESTMENT PLAN</td>
<td>– –</td>
<td>– –</td>
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<tr>
<td>PB: Investment Plan Total Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>BALANCED FUNDS</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>PB: Investment Plan Total Balanced Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>FRS Select Moderate Balanced Fund (A20)</td>
<td>$0.40</td>
<td>$12</td>
</tr>
<tr>
<td>PB: Moderate Balanced Aggregate Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>FRS Select Aggressive Balanced Fund (A30)</td>
<td>$0.49</td>
<td>$15</td>
</tr>
<tr>
<td>PB: Aggressive Balanced Aggregate Index</td>
<td>– –</td>
<td>– –</td>
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<tr>
<td>FRS Select Conservative Balanced Fund (A10)</td>
<td>$0.56</td>
<td>$17</td>
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<tr>
<td>PB: Conservative Balanced Aggregate Index</td>
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<tr>
<td>MONEY MARKET FUND</td>
<td>– –</td>
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<tr>
<td>FRS Select Yield Plus Money Market Active Fund (M10)</td>
<td>$0.58</td>
<td>$17</td>
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<tr>
<td>PB: Institutional Money Market Average Index</td>
<td>– –</td>
<td>– –</td>
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<tr>
<td>INFLATION-PROTECTED SECURITIES FUND</td>
<td>– –</td>
<td>– –</td>
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<tr>
<td>FRS Select U.S. Treasury Inflation-Protected Securities Index Fund (T10)</td>
<td>$0.20</td>
<td>$6</td>
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<tr>
<td>PB: Barclays Capital TIPS Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>BOND FUNDS</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>PB: Investment Plan Total Bond Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>FRS Select U.S. Bond Enhanced Index Fund (B15)</td>
<td>$0.50</td>
<td>$15</td>
</tr>
<tr>
<td>PB: Barclays Capital Aggregate Bond Index</td>
<td>– –</td>
<td>– –</td>
</tr>
<tr>
<td>Pyramis Intermediate Duration Pool Fund (B35)</td>
<td>$1.11</td>
<td>$34</td>
</tr>
<tr>
<td>PB: Barclays Capital Intermediate Aggregate Bond Index</td>
<td>– –</td>
<td>– –</td>
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<tr>
<td>FRS Select High Yield Fund (B50)</td>
<td>$4.60</td>
<td>$148</td>
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<tr>
<td>PB: Barclays Capital US HiYld Ba/B-1% Issuer Cap</td>
<td>– –</td>
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<tr>
<td>PIMCO Total Return Fund (B20)</td>
<td>$5.70</td>
<td>$187</td>
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<tr>
<td>PB: Barclays Capital Aggregate Bond Index</td>
<td>– –</td>
<td>– –</td>
</tr>
</tbody>
</table>

= Passively Managed Type
= Actively Managed Type

Refer to page 2 for a definition of these asset classes.

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**Management Type** is the type of investment strategy used by a fund.

- **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.

- **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.

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Refer to page 2 for a definition of these asset classes.
Performance Summary as of December 31, 2013 – continued

<table>
<thead>
<tr>
<th>U.S. STOCK FUNDS</th>
<th>Fees per $1,000</th>
<th>Annual Average Investment Returns After Deducting Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Fees²</td>
<td>Long-Term Fees</td>
</tr>
<tr>
<td>PB: Investment Plan Total U.S. Equities Index</td>
<td>-- --</td>
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<tr>
<td>FRS Select U.S. Stock Market Index Fund (S10)</td>
<td>$0.20</td>
<td>$6</td>
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<tr>
<td>PB: Russell 3000 Index</td>
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</tr>
<tr>
<td>FRS Select U.S. Large Value Stock Active Fund (S25)</td>
<td>$1.93</td>
<td>$60</td>
</tr>
<tr>
<td>PB: Russell 1000 Value Index</td>
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<tr>
<td>FRS Select U.S. Large Growth Stock Active Fund (S30)</td>
<td>$2.89</td>
<td>$91</td>
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<tr>
<td>PB: Russell 1000 Growth Index</td>
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<tr>
<td>Prudential Mid-Cap Quantitative Core Equity Fund (S40)</td>
<td>$3.50</td>
<td>$111</td>
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<tr>
<td>PB: S&amp;P Mid-Cap 400 Index</td>
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<tr>
<td>Fidelity Low-Priced Stock Fund⁴ (S90)</td>
<td>$5.50</td>
<td>$180</td>
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<tr>
<td>PB: Russell 2500 Value Index</td>
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<tr>
<td>Fidelity Growth Company Fund (S80)</td>
<td>$6.50</td>
<td>$216</td>
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<tr>
<td>PB: Russell 3000 Growth Index</td>
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</tr>
<tr>
<td>American Beacon Small-Cap Value Fund (S99)</td>
<td>$9.20</td>
<td>$320</td>
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<tr>
<td>PB: Russell 2000 Value Index</td>
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</tr>
<tr>
<td>T. Rowe Price Small-Cap Stock Fund (S97)</td>
<td>$9.20</td>
<td>$320</td>
</tr>
<tr>
<td>PB: Russell 2000 Index</td>
<td>-- --</td>
<td>-- --</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FOREIGN AND GLOBAL STOCK FUNDS</th>
<th>Fees per $1,000</th>
<th>Annual Average Investment Returns After Deducting Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual Fees²</td>
<td>Long-Term Fees</td>
</tr>
<tr>
<td></td>
<td>-- --</td>
<td>-- --</td>
</tr>
<tr>
<td>PB: Investment Plan Total Foreign/Global Equities Index</td>
<td>-- --</td>
<td>-- --</td>
</tr>
<tr>
<td>FRS Select Foreign Stock Index Fund⁵ (F10)</td>
<td>$0.20</td>
<td>$6</td>
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<tr>
<td>PB: MSCI World ex U.S. Index</td>
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<tr>
<td>American Funds New Perspective Fund⁵ (F40)</td>
<td>$4.50</td>
<td>$145</td>
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<tr>
<td>PB: MSCI All Country World Index</td>
<td>-- --</td>
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<tr>
<td>American Funds EuroPacific Growth Fund⁶ (F20)</td>
<td>$5.00</td>
<td>$162</td>
</tr>
<tr>
<td>PB: MSCI All Country World ex U.S. Index</td>
<td>-- --</td>
<td>-- --</td>
</tr>
</tbody>
</table>

¹ The performance information presented reflects past performance. Past performance is not necessarily an indication of future performance.
² Fees and expenses are only one of several factors that you should consider when making investment decisions.
³ Not annualized.
⁴ This fund was closed to new money effective August 1, 2004.
⁵ These funds may have restrictions on your ability to trade. Please review the Excessive Fund Trading Policy.
About Fund Transfers

The FRS Investment Plan generally permits you to change your investment options daily (some funds restrict your ability to move your money under certain circumstances under an Excessive Fund Trading Policy). Transfer requests processed before 4:00 p.m. ET (or market close, if earlier) will be effective on the day the request is made. Transfer requests received after that time will be processed the next business day. You can change or cancel your request at any time before market close by logging in to MyFRS.com or calling the FRS Investment Plan Administrator at 1-866-446-9377, Option 4. If your completed request is delayed for any reason, it will be processed as soon as administratively feasible.

Inactive Account Maintenance Fee

Inactive FRS Investment Plan members with account balances of more than $1,000 are subject to a $6 per quarter account administrative fee. If applicable, this fee will appear on your quarterly statement after it has been applied to your FRS Investment Plan account. Further information is available in the “FRS Investment Plan Summary Plan Description” on MyFRS.com.

Proposed Investment Fund Changes

Changes are being proposed to the current Investment Plan fund lineup. If approved by the State Board of Administration’s Investment Advisory Council and Trustees (Governor, Chief Financial Officer, and Attorney General), these changes will take effect July 1, 2014. The goals of the proposed changes are to simplify the existing fund lineup and offer you the opportunity to grow retirement assets over the long term. Some existing funds may be combined to create new funds, and a slate of “target date” funds is being considered to replace the current FRS Select Balanced Funds. More information on these changes will be provided in upcoming newsletters.

Your Opinions, Please!

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

2014 Employee Workshop Webcasts

The FRS offers free financial planning workshop webcasts for FRS-covered employees. The 2014 schedule is shown below. You may attend as many workshops as you wish. Register by calling 1-866-446-9377, Option 2, or by visiting myfrs-workshops.com and following these steps:

1. Once on the site (myfrs-workshops.com), register and/or log in.
2. Click on the “Select County” drop-down and select “EMPLOYEE WEBINARS.”
3. Click “Select Workshop” and select the workshop you would like to attend.
4. Click on “Select Program” and select “FRS Financial Planning Workshops.”
5. Click “Find Open Time Slots” and “Select” the webcast date you would like to attend.
6. Finalize your registration by clicking “Finalize Workshop.”

If you cannot attend one of the live webcasts, you can access recorded webcasts, as well as videos, by clicking the “FRS Video Library” link on the MyFRS.com home page. Topics include new hire plan choice, financial planning, plan provisions, and more.

<table>
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<tr>
<th>2014 Dates</th>
<th>10:00 a.m. to Noon ET</th>
<th>1:00 to 3:00 p.m. ET</th>
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</thead>
<tbody>
<tr>
<td>January 28</td>
<td>Using the FRS to Plan for Retirement</td>
<td>Investment Planning for Everyone – The Basics</td>
</tr>
<tr>
<td>January 29</td>
<td>Nearing Retirement in the FRS</td>
<td>Income Tax Planning: Smart Planning for Your Taxes</td>
</tr>
<tr>
<td>April 29</td>
<td>Using the FRS to Plan for Retirement</td>
<td>Estate Planning: Caring for Your Loved Ones</td>
</tr>
<tr>
<td>April 30</td>
<td>Nearing Retirement in the FRS</td>
<td>FRS Investment Plan: Understanding Your Benefits</td>
</tr>
<tr>
<td>July 22</td>
<td>Using the FRS to Plan for Retirement</td>
<td>Cash and Debt Management: Smart Spending &amp; Saving for Retirement</td>
</tr>
<tr>
<td>July 23</td>
<td>Nearing Retirement in the FRS</td>
<td>Estate Planning: Protecting Your Family</td>
</tr>
<tr>
<td>October 21</td>
<td>Using the FRS to Plan for Retirement</td>
<td>Investment Planning for Everyone – The Details</td>
</tr>
<tr>
<td>October 22</td>
<td>Nearing Retirement in the FRS</td>
<td>New Employee Retirement Plan Choice</td>
</tr>
</tbody>
</table>
Annual Fee Disclosure Statement Updated

We recently updated the Annual Fee Disclosure Statement to include information on the Self-Directed Brokerage Account. The statement provides information about the Investment Plan’s structure, administrative and individual expenses, and investment funds, including performance, benchmarks, fees, and expenses.

The Annual Fee Disclosure Statement is posted online in the “Investment Funds” section of MyFRS.com. If you have any questions about the statement, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

MyFRS.com Redesign

The MyFRS.com website is currently being redesigned and will soon have a new look. The purpose of this change is to modernize the site and make it easier to find important items. We are using a responsive Web design approach, so the site’s appearance will adjust automatically depending on the device that is being used to view it (e.g., laptop, iPad, mobile phone). Because the traffic on MyFRS.com is high (exceeding 1.5 million visits and 800,000 unique visitors yearly), these changes should make the site easier for all FRS members who visit.

Why You May Receive a Tax Form From the FRS

If you took a distribution from your Investment Plan account during 2013, a 1099-R form(s) will be mailed to your address of record by Friday, January 31, 2014. Please 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 starting February 17, 2014.

• By Phone: Call Aon Hewitt at 1-866-446-9377, Option 4.
• Online: Log in to MyFRS.com, click on “Manage My Benefits,” then “Manage Investments.” On the landing page, click on “FRS Investment Plan,” then “Forms and Materials,” and then checkmark “1099-R Reprint.”

Members’ Social Security Numbers

FRS Investment Plan member records are filed according to the member’s Social Security number. The State Board of Administration of Florida (SBA) collects member Social Security numbers to ensure the SBA has the ability to identify Investment Plan members properly and definitively.

Required Minimum Distribution Reminder for Those Age 70½ in 2014

If you are an inactive member and are or will be turning age 70½ in 2014, you may be required to take a required minimum distribution this year. You should have received a letter in January 2014 notifying you of the amount that may be paid to you in December 2014. Please review the letter carefully and call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4, if you have any questions.
### PERSONAL ACTION PLAN

<table>
<thead>
<tr>
<th>Action Step</th>
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MyFRS Financial Guidance Line® Callback Request

Because we feel strongly that you take action to achieve your financial goals, we encourage you to work with an EY financial planner. By providing the information below, we will have a planner reach out to you so that you can be one step closer towards reaching your financial goals.

Please fill out the information below and return it to the EY representative. You can expect a call back within two weeks from a planner who can help you work on your financial plan.

Name  ____________________________  ____________________________
                 First               Last

City in which you live: ____________________________ (This will help us locate your record before we call)

Phone #  ____________________________  Email address  ____________________________
          (Including area code)

Best time to call (ET)  9am – 11am  11am – 1pm  3pm – 5pm

Specific Request for Timing: ____________________________

Topic(s) you are interested in discussing:

[ ] Cash & Debt Management
[ ] Education Funding
[ ] Estate Planning
[ ] Income Tax Planning
[ ] Insurance (Life, Health, Disability, etc.)
[ ] Investment Planning
[ ] Retirement Planning
[ ] Other (please list)  ____________________________

The FRS provides this Financial Planning benefit to you at no cost. Ernst & Young financial planners do not sell or endorse financial products and thus are able to provided financial guidance with no perceived or actual conflicts of interest. As a reminder you can call the MyFRS Financial Guidance Line® at (866) 446-9377, Option 2.

If you or a member of your immediate family or household serves as a director, an officer, or in a financial reporting role with a public company, please indicate the company name here: ____________________________.