

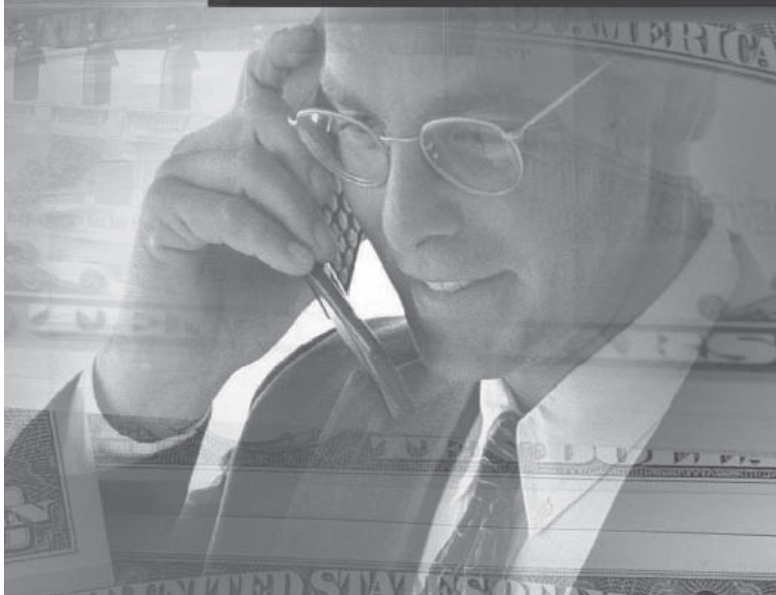


# Privacy & Services AGREEMENT

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## **I. Investment Services Agreements for Ernst & Young and Financial Engines**

This section contains the Services Agreement between you, the FRS participant, and two providers of educational services: Financial Engines and Ernst & Young.

### **MyFRS Financial Guidance Program Agreement Concerning Services Provided By Financial Engines® and Ernst & Young**

The Florida Retirement System has asked Financial Engines Advisors L.L.C. ("FE") and Ernst & Young LLP ("E&Y") to provide financial planning assistance to help you make decisions related to the FRS Pension Plan and FRS Investment Plan. It's important for you to understand what services FE and E&Y will each provide and what these services can and cannot do for you. (In this Services Agreement, "we," "us" and "our" refers to FE and E&Y.) Before you use these services, you must agree to the terms of this Services Agreement.

#### **Services Provided By FE**

FE provides the Internet-based online "CHOICE SERVICE" and the Financial Engines Investment ADVISOR® SERVICE ("ADVISOR SERVICE"):

- The CHOICE SERVICE — The CHOICE SERVICE, using information supplied by the FRS and by you, provides personalized guidance to help you make a choice between staying in the FRS Pension Plan, transferring to the FRS Investment Plan (100% Transfer Option) or taking a Hybrid Option by freezing your Pension Plan benefit where it is and having only future employer contributions go to the Investment Plan. The CHOICE SERVICE provides the following:
  - > *FRS-Paid Service* — Your use of the CHOICE SERVICE is paid for entirely by the FRS.
  - > *Investment Plan Forecast* — The CHOICE SERVICE provides an estimate, or Forecast, of what your Investment Plan might be worth at the date you specify. A Forecast is not a guarantee of the future performance of your Investment Plan account. FE calculates thousands of possible future economic scenarios to estimate how your investments might perform under a variety of circumstances, including changing interest rates, inflation and market conditions.
  - > *Pension Plan Forecast* — The CHOICE SERVICE then receives information about your current accrued benefit in the Pension Plan and forecasts what that plan might be worth in the future based on information you give us about when you expect to leave FRS-covered employment, how much your salary might increase while you are employed, and different scenarios involving inflation.
  - > *Plan Comparison* — These Forecasts allow you to compare your possible future benefits under each plan to see which plan might be best suited for your anticipated future needs. You may experiment with different retirement dates and investment risk levels in the Investment Plan to see how these changes affect the comparison between the two plans. Once you have explored your options, you can use the online CHOICE SERVICE to register your choice.
- The ADVISOR SERVICE — After making your plan choice, you will, as an FRS employee, also have access to the FE ADVISOR SERVICE. The ADVISOR SERVICE provides the following:
  - > *Forecasts of Retirement Income* — The ADVISOR SERVICE uses information supplied by the FRS and by you to give you personalized Forecasts of how much your assets might provide to you in retirement income.

- > *FRS-Paid Service* — In the ADVISOR SERVICE, the FRS pays for you to receive Forecasts and investment guidance related to the Investment Plan.
- > *Guidance About Choice of Investment Funds* — If you become an Investment Plan participant, the ADVISOR SERVICE can help you decide how to allocate your Investment Plan account balance among the funds in the Plan to increase the chance of reaching your retirement goals. Your account in the ADVISOR SERVICE will include information about your Investment Plan balance, if you choose that plan. If you remain a Pension Plan participant, the ADVISOR SERVICE can help you decide how to allocate your investments in one tax-deferred account of your choosing to increase the chance of reaching your retirement goals.
- > *Consideration of Outside Assets* — To get more complete Forecast and guidance about choice of investment funds that takes into account a fuller view of your situation, you can also add information about any “outside” assets you consider to be a retirement resource. Examples would be a retirement plan account you have from a former employer, your spouse’s retirement plan account, IRAs and so on. You may also choose, at your own expense, to receive investment guidance on how to invest any “outside” assets you wish to include either as additional retirement resources or resources toward a non-retirement goal (such as a downpayment on a home). The annual fee for Total Portfolio Advice is \$15.00, payable in advance by credit card.
- > *Implementation and Ongoing Monitoring* — If you participate in the Investment Plan and receive guidance from the ADVISOR SERVICE on how to invest your Investment Plan assets, you may send an instruction from the ADVISOR SERVICE to Hewitt, the Investment Plan’s Administrator, to buy and sell investment funds to implement this guidance. You may also go back to the ADVISOR SERVICE at any time to check your Forecast, monitor your investments and get more guidance.

### **Services Provided by E&Y**

E&Y personnel are available in person through live workshops or by telephone to provide financial planning assistance, to help you use the CHOICE SERVICE and ADVISOR SERVICE and to help you understand your options within the FRS. The FRS pays for you to receive these E&Y services. Additionally, after the FRS Choice Program, E&Y personnel will be available to meet face-to-face for individual financial counseling for a fee to be paid by you.

### **Your Responsibilities**

You are responsible for the following as it relates to the services of FE and E&Y:

- *Compliance With This Services Agreement* — You agree to use our services as described in this Services Agreement. If you use the Internet-based online access to these services, you will be required to agree to terms and conditions of use on that Internet Website. If you do not comply with the terms of this Services Agreement, you will hold us and the FRS harmless from any loss. You agree that you will use our services only for your own personal use, and not for any commercial or business purpose.
- *Understanding the Limitations of Services* — For example, it is important for you to understand that, although our services incorporate historical financial information, past financial performance is not a guarantee or indicator of future results. Moreover, although we believe the historical information and financial planning strategies we use are reliable, we cannot guarantee them. The information and materials we provide will not change or affect your rights under the FRS retirement plans. In all cases, the terms of the FRS retirement plans will

govern. (See the section below for a listing of other limitations.)

- **Your Own Decisions** — Our services are frameworks to be used in your own retirement planning, but they are not a substitute for your own informed judgment or decisions. Moreover, they provide only some of the resources that could possibly assist you in making your decisions. You may accept, reject or modify the recommendations provided by the CHOICE and ADVISOR services, and you may consult with other advisors or professionals (at your expense) as you see fit regarding your personal circumstances.
- **Monitoring Your Investments** — If you use the ADVISOR SERVICE, you are responsible for reviewing your account periodically to monitor changes in the market and the value of your investments.
- **Providing Accurate and Updated Account Information** — To get useful Forecasts and guidance on investments and financial planning, you understand that you should be sure any information you give to E&Y or add to your record in the CHOICE SERVICE or ADVISOR SERVICE is complete and accurate, and you should update your information when your investments or your personal or financial circumstances change.
- **Reviewing Your Situation** — Because your results can be affected by changes in your assumptions, your individual circumstances, or applicable laws and regulations, you should revisit your situation from time to time to determine whether you need to change your financial planning strategy.
- **Authorizing Exchange of Information** — You agree that FE and E&Y may exchange your information with each other to provide their services, and that FE may transmit information about you to Hewitt to implement any elections you may make within the CHOICE SERVICE and ADVISOR SERVICE. We may monitor or keep records of your communications with us in order to monitor the quality of our service. You agree that we may record any telephone conversations between you and us.

### ***Disclaimers and Limitations***

The following disclaimers and limitations apply:

- FE and E&Y are each solely responsible for their own services.
- We do not and cannot guarantee the future performance of your account, including your Investment Plan account or the value of your Pension Plan benefit. FE does not promise that investments it recommends will be profitable. These investments are subject to various market, currency, economic, political and business risks.
- E&Y does not guarantee the suitability or value of any investment information or strategy. E&Y is not responsible for advice or information you receive from anyone other than E&Y.
- At FE, we make investment recommendations only as to mutual and collective investment funds, not as to individual stocks. At E&Y, our services do not include recommendations of particular investments, although we will provide you with FE's recommendations and help you understand them.
- We do not select the funds available for investment under any plan or endorse any fund. The funds available under the Investment Plan are chosen by the FRS.
- We do not provide accounting, tax or legal advice.
- We do not and cannot guarantee the completeness, accuracy, sequencing or timeliness of the educational, news and financial market information that we obtain from others and make available to you or use in providing our services. We are not responsible for the content of any such third-party material. You agree that we will not be liable for any action or decision you take in reliance on that material. FE does not guarantee

that the CHOICE SERVICE, ADVISOR SERVICE or any related content will be delivered to you uninterrupted, timely or error-free.

- We will not be liable to you for any loss that may be caused by our good faith decisions or actions following your instructions or those of any other person (for example, Hewitt) who provides services for your account. All services are provided “as is,” and we do not make any warranties of any kind or nature, whether expressed or implied, including (without limitation) warranties of merchantability or fitness for a particular purpose or use. However, federal and state securities laws may impose liability under certain circumstances on persons who act in good faith. This Services Agreement does not waive or limit your rights under those laws.
- We will not be liable for any losses that may be caused directly or indirectly by circumstances beyond our reasonable control. In addition, neither we nor any of each of our affiliates, nor any of their partners, officers, directors, or employees, shall be liable for any errors of judgment, or for consequential, incidental, indirect, punitive or special damages in connection with providing services to you. In no event shall the liability of E&Y or any of its affiliates, nor any of their partners, officers, directors, or employees, to you exceed \$200.

### **Terms of This Services Agreement**

- Between You and FE — The term of this Services Agreement begins when you use the CHOICE SERVICE or ADVISOR SERVICE and ends when you log off and cease your current use of the CHOICE SERVICE or ADVISOR SERVICE. It also begins when a facilitator uses one of the services on your behalf and ends when the facilitator logs off. A new Services Agreement with these same terms and conditions will begin at each new use and end at each logoff. FE may terminate this Services Agreement if you do not comply with its terms. You may terminate this Services Agreement for any reason without penalty at any time. After the term of this Services Agreement ends, FE will not have any obligation to make any recommendations or take any action for your account. However, the termination of this Services Agreement will not affect the validity of any action previously taken, liabilities or obligations for actions started before termination, terms and conditions of use of the Website or the provisions below in this Services Agreement concerning arbitration.
- Between You and E&Y — This Services Agreement becomes effective when you first use or seek the services of E&Y or when you otherwise agree to the terms of this Services Agreement. E&Y may terminate this Services Agreement if you do not comply with its terms. E&Y has no obligation to update any information given or recommendations made to you in light of economic developments, changes in circumstances, or any other reason after a particular consultation has ended. You agree not to assign this Services Agreement, and we agree not to assign this Services Agreement (within the meaning of the Investment Advisers Act of 1940, as amended) without your written consent.
- Here’s how state and federal laws apply:
  - > *Between You and FE — the laws of the State of California govern this Services Agreement.*
  - > *Between You and E&Y — the laws of the State of New York govern this Services Agreement.*
  - > *State law may be preempted by federal law and, in any such case, federal law will govern to the extent it preempts state law.*

This Services Agreement will not be construed to be inconsistent with the Investment Advisers Act, any

applicable rule or order of the SEC under the Investment Advisers Act, the Employee Retirement Income Security Act of 1974 (“ERISA”), or any applicable rule or order of the Department of Labor under ERISA.

If any provision in this Services Agreement is invalid or unenforceable, the remainder of the Services Agreement will continue in full force and effect. The failure to insist on strict compliance with this Services Agreement will not constitute a waiver of rights under the Services Agreement. FE may change this Services Agreement as it relates to FE, but only with prior notice to you.

### ***Legal Documents***

FE is registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. This Services Agreement also incorporates FE’s Disclosure Statement. The text of this Disclosure Statement is printed at the end of this Services Agreement and can be found on the FE website.

E&Y’s services will be performed under the supervision of Ernst & Young Investment Advisors LLP (“EYIA”), an affiliate of E&Y that is also registered with the SEC under the Advisers Act.

EYIA’s Form ADV Part II can be obtained at no cost by sending a written request to: National IAS Compliance Officer, c/o Ernst & Young Investment Advisors LLP, 200 Plaza Drive, Suite 2222, Secaucus, NJ 07094. EYIA is a Delaware limited-liability partnership. E&Y will notify you if EYIA’s status changes during the time E&Y is providing services to you.

### ***Arbitration***

**Between You and FE** – If there is any dispute between you and FE about this Services Agreement or their services that cannot be resolved informally, you and FE agree to submit to non-binding mediation to resolve the dispute. The mediation will be conducted under JAMS/ENDISPUTE or the American Arbitration Association. FE will share the cost of mediation equally with you. If mediation does not resolve a dispute, you and FE agree to resolve the dispute through binding arbitration, governed by the rules of JAMS/ENDISPUTE or the American Arbitration Association.

**Between You and E&Y** – If you should have any kind of claim or dispute with E&Y about this Services Agreement or their services, these will be resolved in accordance with E&Y’s Alternative Dispute Resolution Procedures as on file with the FRS. Under those Procedures, any disputes that are not settled by agreement will be resolved by binding arbitration. You may request a copy of the Procedures from the address shown in the “Legal Documents” paragraph above, or by requesting the Procedures from an E&Y partner or employee. Should you have a claim against E&Y, your recourse will be limited to the assets of E&Y; you will not be able to bring a claim against any E&Y partner.

Arbitration is final and binding. By agreeing to arbitration, you give up the right to resolve disputes in court, including the right to a jury trial, unless a waiver would violate applicable law.

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## **II. Privacy Policies for Ernst & Young and Financial Engines**

This section contains two privacy policies containing

information about how you, the FRS participant, are protected regarding your private information.

### ***Ernst & Young Privacy Statement***

E&Y considers all nonpublic information about its clients to be confidential. This includes personal and financial information provided by you or by others, as well as information E&Y generates on your behalf. It is E&Y's policy not to disclose Client information to nonaffiliated third parties or affiliates, except as required by law, without Client consent. All relevant records will be provided to the Plan Sponsor in the event that the Client participates in a legal or administrative proceeding. E&Y personnel and contractors working under E&Y's supervision must observe E&Y's policies concerning confidential Client information, and E&Y employs security systems designed to protect against unauthorized access to and use of confidential information. All e-mail addresses collected by E&Y are plan assets and shall be shared with the FRS Plan Sponsor and any authorized contractors or agents, but will not be used except as expressly authorized by the Plan Sponsor.

### ***Financial Engines Privacy Policy (last updated June 26, 2001)***

***We will not sell, reveal or share your personal information.***

As a financial services company, we believe that the privacy and security of your data are essential. Personal information you give us is handled with care.

### ***Why is Financial Engines safe?***

- Personal information — We will not sell, reveal or share your personal information to third parties, except with your permission or as authorized by law.
- Independent advice — Financial Engines is an independent investment advisor. We do not sell mutual funds or receive commissions from any of the funds we recommend. As a feebased advisor, our primary revenue comes from the fees we charge customers, their employers or financial service firms for the advice portion of our service.
- Secure technology — We use SSL encryption, which is the industry standard for secure data transfer software, to ensure data you transmit through the Internet is protected against unauthorized access.

### ***Financial Engines privacy statement***

Financial Engines, Inc. is a licensee of the TRUSTe Privacy Program. TRUSTe is an independent non-profit organization whose mission is to build users' trust and confidence in the Internet by promoting the use of fair information practices. To demonstrate our commitment to your privacy, we have agreed to disclose our information practices and have our privacy practices reviewed for compliance by TRUSTe. By displaying the TRUSTe trustmark, we have agreed to notify you of:\*

- What personally identifiable information of mine is collected?
- Who is collecting my information?
- How is my information used?
- With whom is my information shared?
- What are cookies and how are they used?
- What choices are available to me regarding collection, use and distribution of my information?
- How can I change my personal information?
- How will you notify me of changes in the use of my personal information?

If you have questions or concerns regarding this statement, you should first e-mail [support@financialengines.com](mailto:support@financialengines.com). If you do not receive acknowledgment of your inquiry or your inquiry has not been satisfactorily addressed, you should then contact TRUSTe. TRUSTe will then serve as a liaison with Financial Engines to resolve your concerns. This privacy statement also applies to our former customers.

\* Our site links to other websites. Financial Engines is not responsible for the privacy practices or content of these other websites.

### **What personally identifiable information of mine is collected?**

Financial Engines collects information about you from the FRS, and other information from you upon and after registration. We will have your name, address, e-mail address, gender, name of your employer, birth date, date you enrolled in the FRS, years of FRS-covered employment, *MyFRS.com* PIN, annual salary and the dollar value of your Pension Plan benefit. If you use the ADVISOR<sup>®</sup> SERVICE, you may choose to give us information about your financial accounts outside the FRS system, and you may also choose to give us information about retirement assets held by your spouse or partner. If you receive a recommendation under the CHOICE SERVICE or the ADVISOR<sup>®</sup> SERVICE, we keep a log of the recommendation in our records for your protection. We are required by law to keep records of your usage of our services. This enables us to provide you with a history of the recommendations we have given you.

If you choose to pay for guidance on how to invest assets in accounts outside the Investment Plan, then we ask for your credit card and billing information. Billing information is used to verify your credit card information. We use VeriSign to bill your credit card for the Advice portion of the service you requested. VeriSign is a well-known company that specializes in secure online credit card processing.

For some users, forms such as the Customer Support form and Forgot Password or User ID form are available. These forms ask for some personal information, such as your name and birth date. This information is necessary and used only to provide the service you are requesting through those forms.

Occasionally, we may also conduct optional surveys through our monthly e-mail newsletters. In this case, we would collect the information you provide us from answering the survey questions.

Furthermore, we collect data in our log files. We collect your IP address, browser type, and domain name, and we log the length of time of your visit and the number of times you visit and subscribe to our service. We use this information to gather aggregate demographic information that helps us to provide you with services and information that are relevant to you. We keep this information for our internal use; we do not share it with others.

If your retirement plan sponsor or administrator or other financial institution makes our service available to you, it may provide us with information about you and your account to reduce the amount of data you need to enter.

### **Who is collecting my information?**

When you are on the Financial Engines site and provide us with your personal information, you can be sure that only Financial Engines (which means Financial Engines, Inc. and its subsidiary Financial Engines Advisors L.L.C.) collects this information unless it is explicitly stated otherwise.



### **How is my information used?**

Your personal, investment and forecast information are maintained by Financial Engines to provide you with the services you have requested and to fulfill our legal and regulatory requirements. Financial Engines' primary goal is to offer you a private, customized experience on our Website. This includes personalized portfolio tracking, forecasting of your current holdings and, if your access allows, customized guidance on your accounts. By having your personal information, we are better able to assess the chances of your reaching your retirement goals. Therefore, we are able to return a more accurate forecast and/or guidance to you.

The demographic information we collect is used in aggregated form and not linked to any of your personal information. We use this information for our market research purposes.

### **With whom is my information shared?**

Financial Engines will not sell, reveal or share any of your personal information to others except in the following limited circumstances:

- We have your permission to share the information;
- We need to share your information with companies who work on our behalf to provide a product or service you have requested or to maintain or service your account. For example:
  - > *We may work with a financial institution, such as your plan administrator or brokerage firm, to make services available to you or effect a transaction you have requested.*
  - > *If you have requested to receive e-mail communications from us, we may provide your e-mail address to companies that perform mailing services for us. (Unless we tell you differently, these companies do not have any right to use the personally identifiable information we provide to them beyond what is necessary to assist us.); or*
- We are required or authorized by law to disclose your information (for example, to comply with a subpoena or regulatory requirement, or to protect against fraud or illegal activity or for the safety of customers and their property).

### **What are cookies and how are they used?**

Cookies are small amounts of data that are sent to your browser from a Web server and stored on your computer's hard drive. Our cookies do not contain any personally identifying information. Instead, the information they provide is in the form of aggregate statistics. They are used by us to determine audience size, measure traffic patterns and analyze clickstreams.

If you do not wish to receive cookies, most Internet browsers allow you to turn cookies off so that you do not receive them. If you do turn your cookies off, you will still be able to use our whole website.

### **What choices are available to me regarding collection, use and distribution of my information?**

At Financial Engines, we would like to give you control over your account information. On occasion, we may use your e-mail address to inform you of products or services that we believe may be of interest to you. If you do not wish to receive future communications from us, in the ADVISOR® SERVICE go to the "Welcome" tab; click on "Personal info" tab; click on "Registration info" on the left hand side. Then click on "edit" in Account Information. By checking the

box under your e-mail address, you will be removed from our mailing list. You can also contact Financial Engines at [support@financialengines.com](mailto:support@financialengines.com), and we will ensure that you do not receive further e-mails from us. Lastly, you can use the opt-out service on any e-mail that you receive.

If you are a new user and have not registered with us, you can check the box below the e-mail address field that indicates you would prefer not to receive e-mails from us. However, even if you do choose not to receive e-mails from us, we may be required to send you an e-mail in an event where we must comply with our legal and regulatory obligations.

Furthermore, you can change your personal information anytime when you are logged on to Financial Engines. For more information on how to change or correct your information, see the next section, "How can I change my personal information?"

### **How can I change my personal information?**

After logging on to the Financial Engines ADVISOR® SERVICE, you have the option to change your information under the "Personal info" tab. For any information you cannot change in that section or if you are having problems changing your information, you can contact Financial Engines through e-mail at [support@financialengines.com](mailto:support@financialengines.com) to correct your information.

### **How will you notify me of changes in the use of my personal information?**

If we are going to use your personally identifiable information in a manner different from that stated at the time of collection, we will notify you via e-mail. You will have a choice as to whether or not we use your information in this different manner. In addition, if we make any material changes in our privacy practices that do not affect user information already stored in our database, we will post a prominent notice on our Website notifying users of the change. In some cases where we post the notice we will also e-mail users notifying them of the changes in our privacy practices.

### **Any more questions? Contact us...**

Please feel free to contact Financial Engines if you have further questions about our privacy and security policies, or if you just would like to give us suggestions for improving them. You can reach Financial Engines in the following ways:

**E-mail:** [support@financialengines.com](mailto:support@financialengines.com)

**Mail:** 1804 Embarcadero Road, Palo Alto, CA 94303

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## **III. Financial Engines Disclosure Statement**

This disclosure statement contains substantially the same information contained in Financial Engines' Form ADV, Part II, which is a form required by the U.S. Securities and Exchange Commission, excluding certain information that is inapplicable to members of the Florida Retirement System ("FRS members"). This form discloses information about the company which the U.S. Securities and Exchange Commission feels appropriate for investors to be aware of. This information includes a description of what the company does, the clients of the company, and the fees the company charges. The U.S. Securities and Exchange Commission requires certain information to be disclosed to all investors

but permits the company to customize the information for particular groups. The actual form filed with the U.S. Securities and Exchange Commission can be obtained at [www.financialengines.com](http://www.financialengines.com) (under the "Legal Info" link) or in print at the address shown in the document below.

FINANCIAL ENGINES ADVISORS L.L.C.

FINANCIAL ENGINES INVESTMENT

ADVISOR® SERVICE

1804 Embarcadero Road, Palo Alto, CA 94303

[support@financialengines.com](mailto:support@financialengines.com)

At Financial Engines, we create powerful, innovative advice technology that enables financial institutions, professionals and employers to solve real world investment problems for their clients and employees. In this document, we describe the Financial Engines Investment ADVISOR® SERVICE and certain other services that Financial Engines Advisors L.L.C. ("FEA") provides to FRS members. Based on FEA's proprietary technology and delivered to individuals over the Internet or in paper form, the ADVISOR SERVICE provides forecasting, investment recommendations, implementation instructions and account monitoring.

For purposes of this document, you, the FRS member, are described as "Client." Further information about other services provided by FEA may be found below under "Guidance, Education and Other Investment-Related Services."

**Financial Engines Investment ADVISOR® SERVICE.** FEA offers non-discretionary investment advisory services to individuals through its proprietary service, known as Financial Engines Investment Advisor service - (also known as Online Advice or Personal Online Advisor) (the "Advisor service"). You may subscribe to the Advisor service by accessing FEA's website, registering for an account by supplying a username and password, agreeing to the terms of the Investment Services Agreement, the Terms of Service and User License, and paying the applicable fee. Under the terms of the Investment Services Agreement, FEA's investment advisory relationship with you lasts for the period you are actively using the ADVISOR SERVICE. A new investment advisory relationship begins each time you access the Advisor service.

Clients may receive the following services:

- Goal forecasting;
- Investment recommendations;
- Instructions for implementing recommendations; and
- Account monitoring.

*Goal forecasting.* A Client may use the ADVISOR SERVICE to generate a Forecast or estimate of the chance of reaching the Client's retirement goals identified by the Client. The Forecast is based on the inputs provided by the Client, including the following:

- Current account balance(s);
- Current savings or contribution rate;
- Time horizon (i.e., years until retirement); and
- Investment goal (i.e., desired account balance at close of time horizon).

The ADVISOR SERVICE generates the Forecast through the use of simulations, which are hypothetical economic scenarios based upon analysis of historical and current returns, volatility, cross-correlations and other factors. The ADVISOR SERVICE creates thousands of possible future

economic scenarios to evaluate how a Client's portfolio might perform under a variety of circumstances, including changing interest rates, inflation and market conditions. The Forecast is a percentage figure representing the number of scenarios in which the balance of the Client's portfolio would be sufficient to meet or exceed the retirement goal at the end of the time horizon.

*Investment recommendations.* Clients may use the ADVISOR SERVICE to receive specific buy and sell recommendations to allocate the Client's assets among a limited universe of investment alternatives (mutual funds and other investments) available for investment in the Client's account. FEA's advice platform analyzes the Client's current holdings and the choices available for investment within the Client's account, including exposure to various asset classes, expenses, manager performance, risk, and tax-efficiency of each investment alternative. Due to the statistical nature of FEA's process, a number of potential portfolios will satisfy our criteria for an appropriate investment strategy. FEA does not select the investment alternatives that populate the universe of available alternatives for the Client's account. The universe of available investment alternatives for the FRS Investment Plan is selected by the State Board of Administration of Florida as the plan sponsor. FEA does provide consulting services to FRS for the balanced funds available as investment alternatives, consisting of recommendations for the allocations to the funds comprising the balanced funds and providing certain information and data to FRS.

*Investment implementation.* The Client is responsible for determining whether and when to implement the recommendations received from the ADVISOR SERVICE. The ADVISOR SERVICE can provide a Client with instructions for implementing the investment recommendations. FEA has established electronic communications links with the FRS Investment Plan Administrator, Hewitt Associates L.L.C., and with other defined contribution plan providers and other financial institutions to enable certain Clients to transmit the Client's investment decisions to the plan administrator or institution for execution.

*Account monitoring.* A Client may use the ADVISOR SERVICE as frequently as the Client chooses to monitor progress toward the Client's retirement goals, receive Forecasts and investment recommendations, and access educational content at FEA's website. The ADVISOR SERVICE updates the values of most mutual funds and stocks in Client accounts daily. A Client, as an FRS Investment Plan participant, should periodically revisit the ADVISOR SERVICE to:

- Update account information to reflect changes in investments, including purchases and sales of investments outside the plan;
- Update personal information, including retirement goals, to reflect changes in personal or financial circumstances; and
- Review any updates regarding changes to the Client's account value or Forecast.

The failure to review and continually update the personal and financial information can materially affect the value of the investment advisory services provided by the ADVISOR SERVICE. For certain Clients, some account information may be updated automatically when the Client revisits the ADVISOR SERVICE if FEA has established an electronic communications link with the Client's defined contribution plan sponsor or other financial institution. FEA may from time to time provide e-mail notifications to certain Clients who elect to receive them concerning changes in the value

of the Client's investments or the Client's Forecast.

*Limitations on the ADVISOR SERVICE.* The Investment Services Agreement imposes a number of restrictions on the scope of services provided by FEA and also limits FEA's liabilities in providing those services. Any Client who does not comply with the terms of the Investment Services Agreement holds FEA harmless for any loss resulting from the Client's non-compliance. The Investment Services Agreement is governed by a pre-dispute arbitration provision. FEA does not have responsibility for voting proxies relating to securities held in Client accounts.

*Terms of Service and User License.* Under the Terms of Service and User License, Clients are granted a nonexclusive, nontransferable limited license to use the ADVISOR SERVICE. All rights under copyright, patent, trademark and other intellectual property laws are reserved. FEA disclaims all warranties with respect to the ADVISOR SERVICE and Clients agree that FEA bears no responsibility for either errors or failures caused by the malfunction of Clients' computer systems or any computer viruses or related problems that may be associated with the use of the ADVISOR SERVICE.

*Client Communications.* Where a Client provides FEA with an e-mail address, FEA may rely on that address to communicate with that Client. Under the Investment Services Agreement, Clients who fail to keep FEA apprised of changes to their e-mail addresses waive any claims resulting from the failure to receive such communications under the Investment Services Agreement. Clients also consent to the recording of their telephone conversations.

*Privacy Policy.* According to the terms of its privacy policy, FEA will not sell, reveal or share a Client's personal, confidential information to third parties, except with the Client's permission or as required or authorized by law. The complete privacy policy is available on FEA's website at [www.financialengines.com](http://www.financialengines.com) and is attached to this document.

**Guidance, Education and Other Investment-Related Services.** FEA also provides other investment-related services including discretionary investment advisory and management services through FEA's Professional Management program, also known as Personal Asset Manager (this service is not offered by the FRS), guidance, investment education, and support. FEA's guidance, education and other investment-related services generally do not constitute investment advice under the Investment Advisers Act of 1940, as amended.

FEA provides advisory services to FRS participants to enable them to compare the potential benefits of participation in a defined benefit pension plan with participation in a defined contribution plan. For example, FEA provides the CHOICE SERVICE and Second Election CHOICE SERVICE to members of the Florida Retirement System for this comparison.

Financial Engines, Inc. (FEI) and FEA have developed educational materials and tools such as individual investment analyses, information on investing and retirement planning, and portfolio forecasting. While these products are available to Clients through the ADVISOR SERVICE, they are separate from the advisory services described above.

FEA and FEI provide investment guidance and education services to FRS members pursuant to FEA's contract with the State Board of Administration as plan sponsor for the FRS Investment Plan. These services are separate from the

investment advisory services that FEA also provides to FRS members.

FEA and FEI may also offer Clients additional technical and/or maintenance services, such as telephone or e-mail support.

In addition to its investment advisory business, FEA offers technical computer and software set-up and support services on a fee basis that is not deemed to be investment advice. FEA may also provide education and other investment-related services that are separate from its investment advisory services.

Further information about the services provided by FEA may be found in FEA's Form ADV Part II, which is available for no charge at [www.financialengines.com](http://www.financialengines.com) (under the "Legal Info" link), upon request by calling toll-free, 1-800-601-5957 or by writing to FEA at the address at the end of Section II.

**Fees for Investment Advisory and Related Services.**

FEA offers the ADVISOR SERVICE to FRS members by arrangement with the State Board of Administration as plan sponsor. These arrangements provide for some of FEA's fees to be paid by the State Board of Administration and some by you, as the Client. The amount of the fee is subject to negotiation with the State Board of Administration and may be calculated based on the number of individuals eligible to participate in the plan, the amount of aggregate assets in the plan or the assets in Client accounts, or a flat annual or other periodic fee. Payment schedules and the ability to obtain refunds will be subject to negotiation in FEA's agreement with the State Board of Administration.

After making their FRS plan choice, FRS members have access to the ADVISOR SERVICE.

- **FRS-Paid Service** — In the ADVISOR SERVICE, the FRS pays for FRS members to receive retirement income forecasts and investment guidance related to one tax-deferred account. There is no direct charge to actively employed FRS members.
- **Guidance About Choice of Investment Funds** — If a FRS member becomes an Investment Plan participant, the ADVISOR SERVICE can help the member decide how to allocate the Investment Plan account balance among the funds in the Plan with the objective of increasing the chance of reaching the member's retirement goals. A FRS members' account in the ADVISOR SERVICE will include information about their Investment Plan balance, if they choose that plan. If a FRS member remains a Pension Plan participant, the ADVISOR SERVICE can help the member decide how to allocate the member's account balance for one tax-deferred account of the member's choosing, with the objective of increasing the chance of reaching the member's retirement goals.
- **Consideration of Outside Assets** — To get more complete retirement income forecasts and guidance about choice of investment funds that takes into account a fuller view of FRS members' situation, the FRS member can also add information about any "outside" assets considered to be a retirement resource. Examples would be a retirement plan account from a former employer, a spouse's retirement plan account, IRAs. The FRS member may also choose, at the member's own expense, to receive investment guidance on how to invest any "outside" assets they wish to include as additional retirement resources. Any FRS member can choose to upgrade to Total Portfolio Advice for \$15.00 per year. If the member chooses to upgrade, the FRS member will pay the \$15.00 annual fee using a credit card. Procedures for obtaining a refund or canceling a subscription before its expiration date are available on FEA's website or by contacting FEA's Investor Support

Department at [support@financialengines.com](mailto:support@financialengines.com). The fee schedule is subject to change, and FEA may offer certain Clients discounted fees or other promotional pricing.

**Other Fees.** In general, fees for FEA's and FEI's investment advisory, guidance, and education services are negotiable depending upon the extent of the program. FEA or FEI may receive licensing fees or other compensation in connection with making its discretionary investment advisory services, guidance, education and investment-related products and services available through third parties, including other financial services firms. The amount of the fees will be subject to negotiation in FEA's and FEI's agreements with the third parties.

Specifically, with regard to the FRS, FEA provides the CHOICE SERVICE and Second Election CHOICE SERVICE to FRS members. FRS members' use of the CHOICE SERVICE and Second Election CHOICE SERVICE is paid for entirely by the FRS. There is no direct charge to actively employed FRS members.

FEA or FEI may charge certain retirement plans, plan sponsors, plan administrators, financial institutions or others one-time or regular licensing, integration, or development fees in connection with the provision of FEA's or FEI's services. For example, certain retirement plans, plan sponsors or plan administrators may pay fees relating to the modeling of specific plan or investment characteristics, and certain institutions may pay fees relating to the development or maintenance of software or other technology used in providing the services. All extra services such as these have been contractually provided for between the State Board of Administration and FEA or FEI and are not a charge to any FRS member.

FEA or FEI may charge additional fees for technical or maintenance services, including telephone or e-mail support, and investment guidance and education, subject to negotiation based upon the nature and extent of the services. Again, any such charge is a matter of contract between the State Board of Administration and FEA or FEI and is not a charge to any FRS member.

## **ABOUT FINANCIAL ENGINES**

**Investment Methodology.** In connection with the ADVISOR SERVICE, FEA provides advice and recommendations with respect to mutual funds (buy/sell), commingled funds (buy/sell), exchange-listed equity securities (sell only), and may provide advice and recommendations with respect to insurance company-issued guaranteed investment contracts and variable annuities. FEA may also take into consideration the following types of securities in its portfolio forecasting analysis: certificates of deposit, closed-end funds, variable annuities, stocks trading on foreign exchanges, bonds (including municipal securities, corporate debt securities, and Treasury securities), warrants, options, and futures.

FEA uses proprietary software in its investment advisory service platform, including software for which patents have been obtained and other patents are pending, to analyze historical and current returns, volatility, cross-correlations and other factors to develop individualized recommendations as to the assets within individual retirement plans and other investment accounts. Due to the statistical nature of FEA's process, a number of potential portfolios will satisfy our criteria for an appropriate investment strategy. The software employs returns-based style analysis, optimization, and Monte Carlo simulation,

among other techniques, to develop recommended allocations.

The main sources of information used by FEA include returns data for mutual funds, individual securities, and broad asset categories (e.g., large-capitalization U.S. equity returns, money market returns, foreign equity returns, etc.), security-specific information such as mutual fund expense ratios, as well as current market data and information that can be derived therefrom.

Although FEA may recommend trading or short-term purchases depending on market conditions, changes in individual preferences and other criteria, it is generally anticipated that the dominant mode of advice will recommend long-term purchases.

**Account reviews.** For Clients using the ADVISOR SERVICE, FEA does not provide account reviews in the typical sense. Accordingly, there are no individual reviewers assigned to monitor any specific accounts. The ADVISOR SERVICE allows Clients to review their accounts periodically. It is the responsibility of Clients to review and update their accounts on the ADVISOR SERVICE to adjust for changes in the investments they own. Clients should also review and update their accounts should significant changes occur in their personal circumstances. Clients who use the ADVISOR SERVICE have the ability to generate their own reports as frequently as they choose. FEA may from time to time provide e-mail notifications to Clients who elect to receive such messages from FEA concerning changes in market or other conditions that may affect the value of the Client's investments or the chances of reaching the Client's goal. These reports will be generated by FEA's proprietary software.

**The FEA Team.** FEA generally requires that those involved in determining investment advice or guidance on its behalf have substantial experience in investment analysis, financial services and/or economic research. This experience may be reflected in an advanced degree, an undergraduate concentration in economics, mathematics, statistics, finance, business software or other related field, and/or work experience evidencing comparable expertise.

### ***Financial Engines' Investment Committee***

The following are the members of FEA's Investment Committee:

**Name:** Christopher L. Jones

Year of Birth: 1967

Education: B.A. Economics, Stanford University  
M.S. Engineering - Economic Systems, Stanford University  
M.S. Business Technology, Stanford University

Background: Executive Vice President, Chief Investment Officer, Financial Engines Advisors L.L.C.  
Executive Vice President, Chief Investment Officer, Financial Engines, Inc.

**Name:** Omar Aguilar

Year of Birth: 1970

Education: B.S. Actuarial Sciences, Mexican Autonomous Institute of Technology  
M.S. Institute of Statistics and Decisions Sciences, Duke University  
Ph. D. Institute of Statistics and Decisions Sciences, Duke University

Background: Vice President, Portfolio Management, Financial Engines Advisors L.L.C.



Vice President, Portfolio Management, Financial Engines, Inc.  
Senior Vice President, Quantitative Equity, ING

**Name:** **Garry W. Hallee**  
Year of Birth: 1961  
Education: B.S. Electrical Engineering, Stanford University  
M.S. Electrical Engineering, Stanford University  
Background: Executive Vice President, Technology and Service Delivery, Financial Engines Advisors L.L.C.  
Executive Vice President, Technology and Service Delivery, Financial Engines, Inc.  
Executive Vice President, Technology, Financial Engines Advisors L.L.C.  
Executive Vice President, Technology, Financial Engines, Inc.

**Name:** **Wei-Yin Hu**  
Year of Birth: 1967  
Education: A.B. Economics, Stanford University  
Ph.D Economics, Stanford University  
Background: Director, Financial Research, Financial Engines Advisors L.L.C.  
Director, Financial Research, Financial Engines, Inc.

**Name:** **Jason S. Scott**  
Year of Birth: 1967  
Education: B.S. Economics, Texas A&M University  
Ph.D. Economics, Stanford University  
Background: Managing Director, Retiree Research Center, Financial Engines Advisors L.L.C.  
Managing Director, Retiree Research Center, Financial Engines, Inc.  
Vice President, Financial Research, Financial Engines Advisors L.L.C.  
Vice President, Financial Research, Financial Engines, Inc.

**Name:** **Gregory D. Stein**  
Year of Birth: 1970  
Education: B.A. Economics, Stanford University  
A.M. Economics, Stanford University  
Chartered Financial Analyst (CFA)  
Background: Director, Financial Quality Assurance and Financial Technology, Financial Engines Advisors L.L.C.  
Director, Financial Quality Assurance and Financial Technology, Financial Engines, Inc.

**Name:** **Robert L. Young**  
Year of Birth: 1966  
Education: A.B. Economics, Georgetown University  
M.B.A., Stanford University  
Background: Director, Investments Group, Financial Engines Advisors L.L.C.  
Director, Investments Group, Financial Engines, Inc.

### ***Financial Engines' Executive Officers***

In addition to Messrs. Jones and Hallee (listed above), the following are the executive officers of FEA:

**Name:** **Jeffrey N. Maggioncalda**  
Year of Birth: 1968  
Education: B.A. English/Quantitative Economics, Stanford University  
M.B.A. Stanford University  
Background: Manager, Chief Executive Officer & President, Financial Engines Advisors L.L.C.  
Director, Chief Executive Officer & President, Financial Engines, Inc.

**Name:** **Raymond J. Sims**  
Year of Birth: 1950  
Education: B.S. Business and Economics, Lehigh University  
M.B.A. Harvard Business School  
Background: Executive Vice President & Chief Financial Officer,  
Financial Engines Advisors L.L.C.  
Executive Vice President & Chief Financial Officer,  
Financial Engines, Inc.

**Name:** **Lawrence M. Raffone**  
Year of Birth: 1963  
Education: B.A. Marketing, Bryant College  
M.B.A. Babson College  
Background: Executive Vice President, Financial Engines  
Advisors L.L.C.  
Executive Vice President, Financial Engines, Inc.

**Name:** **Anne S. Tuttle**  
Year of Birth: 1961  
Education: B.A. Economics, Yale University  
J.D. Boston University School of Law  
Background: Executive Vice President, General Counsel,  
Financial Engines Advisors L.L.C.  
Executive Vice President, General Counsel,  
Financial Engines, Inc.

**Name:** **Kenneth M. Fine**  
Year of Birth: 1968  
Education: B.S. Mechanical Engineering, Rensselaer  
Polytechnic Institute  
M.S. Systems Engineering, Virginia Polytechnic  
Institute & State University  
M.B.A. Stanford University  
Background: Executive Vice President, Marketing,  
Financial Engines Advisors L.L.C.  
Executive Vice President, Marketing,  
Financial Engines, Inc.

**Name:** **Deborah Behrman**  
Year of Birth: 1956  
Education: B.A. Psychology, University of California Davis  
Background: Vice President, Human Resources, Financial  
Engines Advisors L.L.C.  
Vice President, Human Resources, Financial  
Engines, Inc.  
Principal, Dragonfly Consultants  
Senior Human Resources Director, Neoforma

**Participation or Interest in Client Transactions.**

FEA determines and recommends specific target investment allocations among securities (primarily mutual funds) to Clients through the ADVISOR SERVICE. FEA, its officers and employees may purchase securities for their own accounts which may, in certain instances, be the same securities as those recommended to Clients, for example, shares of the same mutual fund. Also, from time to time, FEA may provide investment recommendations with respect to mutual funds which hold the equity securities of its parent company, FEI. In providing its services, FEA shall give no consideration to whether or not a fund has exposure to such equity securities; and any modeling of such equity securities will be in accordance with our standard methodology of modeling individual securities. In the course of providing its advisory services, FEA does not maintain either possession or custody of Client assets and does not select the investment alternatives available to clients within their plans, or publish any recommended list of securities. However, in connection with providing discretionary investment advisory services to certain clients, FEA exercises discretionary investment

authority over Client assets. (FEA does not provide discretionary investment advisory services to members of the Florida Retirement Service.) FEA has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940. The Code establishes and reinforces a standard of business conduct that is expected of persons associated with FEA, and provides specific guidance related to avoiding actual or apparent conflicts of interest. The Code emphasizes certain governing principles FEA personnel should always be mindful of in the course of their work for FEA, including the duty at all times to place the interests of FEA clients first, the protection of material non-public information, and the obligation to report violations. In addition, persons designated as Access Persons under the Code are subject to additional specific requirements with respect to their personal securities transactions, including the disclosure of all securities holdings on an annual basis, certain reporting on a transactional and quarterly basis, and prior approval of transactions for certain designated securities and offerings. FEA maintains procedures for distribution and acknowledgement of the Code to all FEA personnel, and provides education on its content and requirements. Upon request, FEA will provide a copy of the Code to clients and prospective clients. To request a copy of the Code, please call 1-800-601-5957, or write to FEA at 1804 Embarcadero Road, Palo Alto, CA, 94303, Attention: Investor Support.

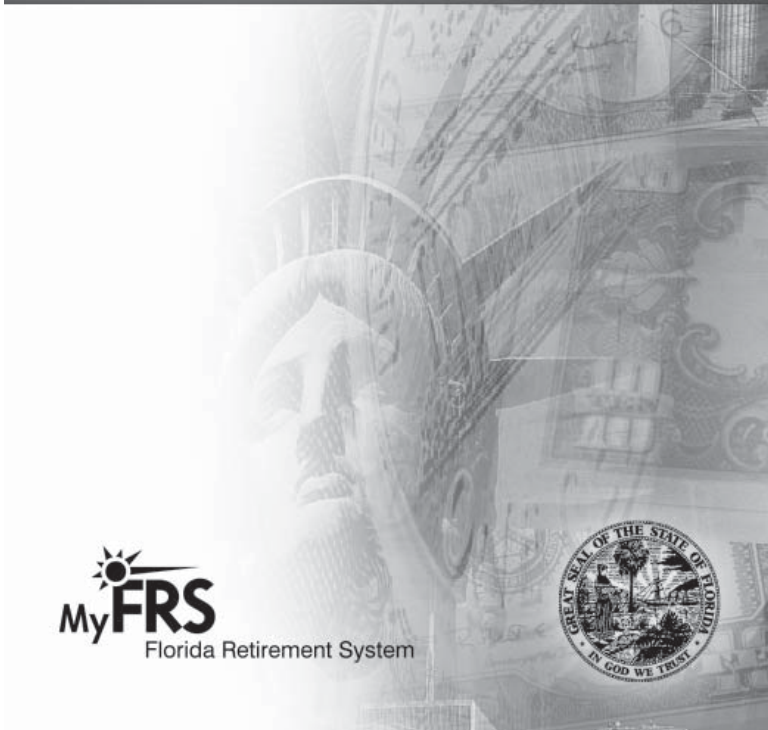
**Compensation Information.** The Online Advice service comprised approximately 35.2% of FEA's advisory business for the fiscal year ended December 31, 2009. Pension consulting services comprised approximately 0.3% of FEA's advisory business for the same period. FEA's Professional Management program comprised approximately 64.5% of FEA's advisory business for the same period (this service is not offered by the FRS).

FEA may compensate third party solicitors or employees for referrals of prospective clients to FEA. Such arrangements will be established and implemented in compliance with Rule 206(4)-3 of the Advisers Act.

FEA also may reimburse or compensate certain plan recordkeepers for maintaining secure communications links between the recordkeeper's information systems and FEA's systems for the purpose of facilitating the provision of FEA's services to FEA clients who are plan participants and, if applicable, for coordinating FEA's activities with certain plan sponsors with whom the recordkeeper has a service agreement, who may be interested in providing FEA's services to participants. The amount of the reimbursement is generally a percentage of the advisory fees FEA receives in connection with the provision of advisory services to clients using the communications links and may vary among plan recordkeepers based upon, without limitation, respective roles and responsibilities among the parties and systems' capabilities and/or constraints. The connectivity arrangement and the communications link between a plan recordkeeper and FEA do not constitute an endorsement, sponsorship or solicitation by the plan recordkeeper of FEA or its services. Plan participant clients receiving FEA's advisory services pursuant to such an arrangement with a plan recordkeeper will not be charged any additional fee for the data connectivity arrangement. Plan participants are notified of the existence of the fee, if any, prior to entering into an investment advisory agreement with FEA.



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