



• October 2008 •

New Financial Planning Workshops Available 1

Quarterly Fund Performance Summary 2

All About Fees 5

2008 Tax-Year Distributions 5

Online and Direct Deposit Distributions 6

Contact Information 6

ING Survey Coming Soon!

The quarterly statement you receive in January 2009 will include a survey to determine your satisfaction with the services of ING (formerly CitiStreet), the FRS Investment Plan Administrator. Please take a moment to complete and return the survey. Your responses will assist us in determining any areas that need improvement.

New Financial Planning Workshops

The FRS has recently completed a thorough review of the financial planning workshops offered through the MyFRS Financial Guidance Program. As a result, the following enhancements have been made:

- **Nearing Retirement in the FRS:** This new workshop focuses on practical issues of importance to members who are nearing retirement. Topics include:
 - Setting retirement goals based on income needs and sources of retirement income (e.g., FRS plans and Social Security).
 - Distribution options for various plans.
 - Creating a retirement income stream intended to last your lifetime.
- **Investment Planning for Everyone – The Basics:** This updated workshop, which replaces “Investment Planning for Everyone,” focuses on investment planning basics to help you make sound investment decisions using the MyFRS Financial Guidance Line and the Advisor Service. A great planning workshop no matter which FRS Retirement Plan you participate in.
- **Investment Planning for Everyone – The Details:** This new workshop builds on the basic investment concepts introduced in The Basics workshop and focuses on:
 - Managing risk.
 - Why asset allocation is important to your long-term investment success.
 - How to evaluate and choose mutual funds.
- **Using the FRS to Plan for Your Retirement:** The FRS’ most popular workshop has been updated to include targeted retirement planning information for FRS members of all ages. The workshop will:
 - Demonstrate the importance of early planning for retirement.
 - Help you build a personal action plan to improve your chances of meeting your retirement goals.

Conducted by experienced financial planners from Ernst & Young, the free FRS workshops give you practical information on topics such as retirement, estate and insurance planning, spending and debt management, and other personal-finance topics. Ninety-nine percent of those who have attended a workshop say they would recommend it to others.

A detailed description of all the workshops is available on MyFRS.com by clicking on the green workshop button in the upper right corner of the screen. You can also view an online Workshop Calendar to find the date, time and locations of workshops currently being offered at a location near you. To sign up for a workshop, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.



Quarterly Fund Performance Summary

Overview

This Performance Summary is organized by asset class. Thinking about asset classes is a very effective way to simplify investing and improve the odds of meeting your retirement goals. Asset classes are groups of similar investments whose values react to changes in the economy in the same basic way. Investing in a mix of asset classes, or diversifying, helps you control your risk.* In this Summary, we use five asset classes: money market, inflation-protected securities, bonds, U.S. stocks, and foreign stocks. We also have a special category called balanced funds that provide a diversified mixture of various asset classes.

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 because it is imperative for the SBA to have the ability to identify Investment Plan members properly and definitively.

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 that 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

These funds invest in United States Treasury inflation-protected securities (TIPS). TIPS provide two types of return. First, there's a fixed interest rate that's been around 2% to 4% since TIPS were first issued in 1997. Second, there's a return of principal (the starting amount of your investment) and interest (the additional earnings you get over time) that is "protected," or indexed to inflation. As inflation rises, so does the amount of principal and interest you receive. So if the fixed rate is 3% and inflation is 3%, you receive a total interest rate of about 6%. The day-to-day value of inflation-protected securities varies with changes in inflation and interest rates, but these funds offer a promise of keeping up with inflation that is unique to this type of investment.

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 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.

* 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 on diversifying your account, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2, or TTY 1-888-429-2160, or visit MyFRS.com. Additional information on 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.

- **Core Funds** invest in a very broad portion of an asset class and can help you form the "core" of your portfolio.
- **Specialty Funds** invest in a portion of an asset class and can help you fine-tune your portfolio.
- **Long-Term Fees** are the value in today's dollars of the total fees that would be charged over 30 years, assuming a \$10,000 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.
- **Management Type** is the type of investment strategy used by a fund.
 - **P Passively Managed** (or Index) funds follow a strategy to produce the same level and pattern of investment returns generated in a market index (such as the S&P 500® index) by buying and holding the same securities as the index itself. Index funds carry a very low fee.
 - **A Actively Managed** funds try to predict security price movements in order to beat a market index. The higher fees associated with Actively Managed funds are used to support the research needed to predict market changes.

Performance Summary as of September 30, 2008

P = Passively Managed Type

A = Actively Managed Type

Refer to page 2 for an explanation of these asset classes.

	Fees Per \$10,000 Account		Annual Average Investment Returns After Deducting Fees ††			
	Annual Fees †	Long-Term Fees	Previous Quarter*	Previous Year	Previous 5 Years	Previous 10 Years
BALANCED FUNDS						
Core Balanced Funds						
FRS Select Conservative Balanced Fund A	\$10	\$308	-3.27%	-2.04%	5.18%	5.25%
<i>PB: Conservative Balanced Aggregate Index</i>	---	---	-3.41%	-2.52%	4.74%	4.41%
FRS Select Moderate Balanced Fund A	\$6	\$168	-7.91%	-14.65%	6.37%	6.25%
<i>PB: Moderate Balanced Aggregate Index</i>	---	---	-8.51%	-15.54%	6.29%	5.23%
FRS Select Aggressive Balanced Fund A	\$7	\$211	-11.23%	-19.91%	7.36%	6.12%
<i>PB: Aggressive Balanced Aggregate Index</i>	---	---	-11.62%	-20.15%	7.63%	5.19%
MONEY MARKET FUNDS						
Core Money Market Funds						
FRS Select Yield Plus Money Market Active Fund A	\$6	\$194	0.59%	3.34%	3.57%	3.85%
<i>PB: Institutional Money Market Average Index</i>	---	---	0.68%	3.73%	3.61%	3.81%
INFLATION-PROTECTED SECURITIES FUNDS						
Core Inflation-Protected Securities Funds						
FRS Select U.S. Treasury Inflation-Protected Securities Index Fund P	\$2	\$60	-3.48%	6.35%	5.16%	---
<i>PB: Lehman Brothers TIPS Index</i>	---	---	-3.54%	6.19%	5.15%	---
BOND FUNDS						
Core Bond Funds						
FRS Select U.S. Bond Enhanced Index Fund P	\$5	\$151	-0.40%	4.09%	3.87%	5.28%
<i>PB: Lehman Brothers Aggregate Bond Index</i>	---	---	-0.49%	3.65%	3.78%	5.20%
PIMCO Total Return Fund A	\$59	\$1,943	-2.08%	3.65%	4.17%	5.57%
<i>PB: Lehman Brothers Aggregate Bond Index</i>	---	---	-0.49%	3.65%	3.78%	5.20%

P = Passively Managed Type
A = Actively Managed Type

	Fees Per \$10,000 Account		Annual Average Investment Returns After Deducting Fees ††			
	Annual Fees †	Long-Term Fees	Previous Quarter*	Previous Year	Previous 5 Years	Previous 10 Years
BOND FUNDS - continued						
Specialty Bond Funds						
Pyramis Intermediate Duration Pool Fund A	\$19	\$579	-2.31%	0.55%	3.10%	5.08%
<i>PB: Lehman Brothers Intermediate Aggregate Bond Index</i>	---	---	-0.13%	4.16%	3.79%	5.22%
PIMCO High Yield Fund A	\$50	\$1,623	-10.66%	-11.92%	3.81%	4.54%
<i>PB: PIMCO High Yield Custom Index</i>	---	---	-8.33%	-9.23%	4.30%	4.52%
U.S. STOCK FUNDS						
Core U.S. Stock Funds						
FRS Select U.S. Stock Market Index Fund P	\$2	\$60	-8.64%	-21.38%	5.74%	3.87%
<i>PB: Russell 3000 Index</i>	---	---	-8.73%	-21.52%	5.70%	3.85%
Pioneer Fund A	\$70	\$2,346	-6.57%	-19.35%	7.02%	4.75%
<i>PB: S&P 500 Index</i>	---	---	-8.37%	-21.98%	5.17%	3.06%
Specialty U.S. Stock Funds						
FRS Select U.S. Large Value Stock Active Fund A	\$19	\$595	-5.16%	-22.36%	7.87%	7.67%
<i>PB: Russell 1000 Value Index</i>	---	---	-6.11%	-23.56%	7.12%	5.55%
Prudential Mid-Cap Quantitative Core Equity Fund A	\$35	\$1,109	-11.81%	-19.25%	9.07%	10.68%
<i>PB: S&P Mid-Cap 400 Index</i>	---	---	-10.87%	-16.68%	8.65%	10.31%
FRS Select U.S. Large Growth Stock Active Fund A	\$42	\$1,342	-12.57%	-20.38%	3.71%	2.09%
<i>PB: Russell 1000 Growth Index</i>	---	---	-12.33%	-20.88%	3.74%	0.59%
Fidelity Growth Company Fund A	\$69	\$2,309	-18.24%	-21.93%	7.44%	6.50%
<i>PB: Russell 3000 Growth Index</i>	---	---	-11.93%	-20.60%	3.96%	0.89%
Fidelity Low-Priced Stock Fund** A	\$72	\$2,421	-12.11%	-21.63%	8.42%	11.97%
<i>PB: Russell 2500 Value Index</i>	---	---	-1.22%	-15.79%	9.00%	9.95%
American Beacon Small-Cap Value Fund A	\$81	\$2,763	-2.06%	-15.98%	8.53%	---
<i>PB: Russell 2000 Value Index</i>	---	---	4.96%	-12.25%	9.45%	---
T. Rowe Price Small-Cap Stock Fund A	\$89	\$3,076	-2.74%	-17.82%	7.26%	8.77%
<i>PB: Russell 2000 Index</i>	---	---	-1.11%	-14.48%	8.15%	7.81%
FOREIGN STOCK FUNDS						
Core Foreign Stock Funds						
FRS Select Foreign Stock Index Fund*** P	\$2	\$60	-19.28%	-28.19%	10.82%	---
<i>PB: MSCI World ex U.S. Index</i>	---	---	-20.67%	-29.57%	10.28%	---
American Funds Euro-Pacific Growth Fund*** A	\$50	\$1,623	-17.98%	-25.12%	12.30%	9.12%
<i>PB: MSCI EAFE Index</i>	---	---	-20.50%	-30.13%	10.16%	5.41%
Global Stock Funds						
American Funds New Perspective Fund*** A	\$46	\$1,483	-14.74%	-22.31%	9.91%	8.76%
<i>PB: MSCI World Index</i>	---	---	-15.25%	-26.05%	7.55%	4.11%

Prior to July 2002, actual historical performance data has been adjusted for fees and/or designs for multiple manager designs specific to the FRS.

† Fees and expenses are only one of several factors that you should consider when making investment decisions.

* Not annualized.

†† The performance information presented reflects past performance. Past performance is not necessarily an indication of future performance.

** This fund was closed to new money effective August 1, 2004.

*** These funds may have restrictions on your ability to trade. Please review the excessive fund trading policy.



Keep Your Name and Address Current

Please be sure to report any change in your name or mailing address to ensure you receive important information from your employer and the FRS.

- **Active FRS Investment Plan members.** You must change your personal information through your FRS employer. Your employer will forward this information to the FRS via their monthly payroll report.
- **Inactive or retired Investment Plan members.**
 - You can make an address change online (name changes cannot be made online). Detailed information on how this can be done is found on the MyFRS.com home page under the heading “Address Changes Online.”
 - You can request a name/address change form by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377 and selecting Option 4 for ING. You will need to complete and sign the form, and mail it (P.O. Box 56290, Jacksonville, FL 32241-6290) or fax it (1-888-310-5559) to ING along with any required supporting documentation.
 - Instead of a form, you can mail (P.O. Box 56290, Jacksonville, FL 32241-6290) or fax (1-888-310-5559) a letter to ING. The letter must include:
 - Your Social Security number.
 - Both your old and new addresses.
 - A copy of the court order (if changing your name).

2008 Tax Year Distributions

The latest you can request a distribution that will be considered a 2008 tax-year distribution is by 4:00 p.m. on Monday, December 29, 2008. Any distribution requested after 4:00 p.m. on December 29th will be processed for the 2009 tax year.

All About Fees

As a member of the FRS Investment Plan, you have the opportunity to choose from a variety of investment funds. Each of the available funds charges an investment management fee—the cost for managing your money. This is the only fee you pay. No hidden fees are paid to investment providers and no other administrative fees are charged to your account. (After your employment under the FRS ends, however, you will pay a quarterly plan-administration charge of \$6.) The exact fee you pay depends on the funds you select. Fees are automatically deducted from the price of each fund before the prices are posted to your account. The daily price posted to your account is called a net asset valuation (NAV) price, meaning it is calculated after expenses. You will not see any separate billing or line item deduction for investment management fees on your quarterly statement.

How the FRS Helps Lower the Fees You Pay

As an FRS member, your investment fees are lower, in most cases, than they would be for a private investor. The FRS negotiates with each Investment Manager and Investment Provider to obtain the lowest management fees possible. And although many mutual funds charge fees called 12b-1 fees, which go to pay for services such as revenue-sharing to financial advisors and recordkeepers, 12b-1 revenue-sharing fees are not allowed to go to the FRS or to any FRS Investment Plan vendor.

Those mutual funds that have 12b-1 fees “rebate” these fees to the FRS Investment Plan fund and those rebates are then distributed directly to member accounts through the daily NAV pricing. During the 2007-2008 fiscal year, the FRS Investment Plan received over \$1.5 million in 12b-1 rebate fees that were, in turn, disbursed to member accounts.

In an investment practice known as “securities lending,” fund managers are permitted to “loan out” assets for a short-term to other fund managers. This practice generates revenues for the lender and for Investment Plan participants. The investment managers in the FRS Investment Plan who participate in securities lending return 70% of the securities-lending revenue directly to the fund shares held in the FRS Investment Plan. This pays for investment management fees and helps reduce the expenses of the fund for FRS Investment Plan members. During the 2007-2008 fiscal year, the FRS Investment Plan received over \$425,000 in securities lending revenues, which were deposited into member accounts.

How To Determine Your Fees

Let’s assume you have an account balance of \$30,000 and you invest \$20,000 in the FRS Select U.S. Stock Market Index Fund and \$10,000 in the FRS Select U.S. Bond Enhanced Index Fund.

1. To calculate the annual fee as a percentage, divide the annual fee (listed in the Performance Summary Table on pages 3 and 4) by \$10,000.
2. Then, multiply the dollar amount invested in each fund by the fund’s percentage annual fee to determine your total annual investment management fee for that fund.

Continues on page 6

BEFORE YOU CHANGE YOUR INVESTMENT PLAN FUNDS, get professional guidance. Find out which funds fit your needs and risk tolerance. Remember, past performance of a fund does not guarantee future results!

CALL the MyFRS Financial Guidance Line at 1-866-446-9377 (TTY 1-888-429-2160), and Visit MyFRS.com for:

- ✓ Free guidance and in-depth information on all investment funds offered under the FRS Investment Plan, including Financial Engines' Fund Score Cards and the Fund Profiles, Fund Details, and Investment Fund Summary, which are updated regularly. These reports discuss the fees, investment strategies, and other factors that may significantly affect the fund's performance.
- ✓ A status of all the funds under the SBA's investment manager monitoring guidelines.
- ✓ Daily account transfers or withdrawals, if the fund does not have transfer restrictions.

Continued from page 6

3. Add up the fees for each fund.

Name of Fund	Amount Invested	Annual Fee (%)	Total Annual Fee (\$)
FRS Select U.S. Stock Market Index Fund	\$20,000	$\$2/\$10,000 = 0.02\%$	$\$20,000 \times 0.02\% = \4
FRS Select U.S. Bond Enhanced Index Fund	\$10,000	$\$5/\$10,000 = 0.05\%$	$\$10,000 \times 0.05\% = \5
Total	\$30,000	0.03%*	$\\$4 + \\$5 = \\$9$

* $\$9/\$30,000 = 0.03\%$ annual fee

While you shouldn't shy away from a fund because of a higher fee, you should know the amount of your investment fees so you can make informed decisions. The average FRS Investment Plan member pays an annual fee of only 0.25% (\$25 per \$10,000). If you have questions about your fees or the funds in the Investment Plan, call the Financial Guidance Line at 1-866-446-9377, Option 2.

Habla Usted Español?

El Plan de Inversión tiene representantes bilingües disponibles para asistirle con sus preguntas. Llame a la Línea de Orientación Financiera (1-866-446-9377) de lunes a viernes, entre las 9:00 a.m. y 8:00 p.m. hora del Este:

- Marque 2 para hablar con un Planificador Financiero y reciba asesoramiento acerca de tu asuntos financieros.
- Marque 4 para hablar con el Administrador y tener acceso a su cuenta, modificar sus elecciones de fondos de inversión, y transferir saldos disponibles.

Online and Direct Deposit Distributions Available

Attention terminated Investment Plan members who have met the requirements for taking an Investment Plan distribution, and FRS members who have rolled DROP funds into the Investment Plan:

You can now request a distribution online. The distributions can be electronically deposited into your bank account.

For information and instructions, visit the MyFRS.com home page and click the "Read More" link under the article called "Online Distributions and ACH Direct Deposits Now Available."

This Performance Summary is intended for use in connection with the FRS Investment Plan, pursuant to Florida law, and is not intended for use by other investors. Sections 121.) and 121.4501(15)(b), Florida Statutes, incorporate the federal law concept of participant control, established by regulations of the U.S. Department of Labor under Section 404(c) of the Employee Retirement Income Security Act of 1974. If you exercise control over the assets in your Investment Plan account, pursuant to Section 404(c) regulations and all applicable laws governing the operation of the Investment Plan, no program fiduciary shall be liable for any loss to your account which results from your exercise of control.