



# Important Information About Your Investment Funds, Fees, and Other Expenses for the FRS Investment Plan—Annual Fee Disclosure Statement

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The Florida Retirement System (FRS) Investment Plan is a great way to build savings for your future. Through the Investment Plan you get:

- **Contributions from your employer.**
- **Contributions from you** through your 3% employee pre-tax contributions.
- A **diversified investment line-up** that is monitored by the State Board of Administration (SBA).

You'll want to choose investments in the plan that will meet your long-term retirement needs. Tools are available at [MyFRS.com](http://MyFRS.com) and by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711). Explore how your investing decisions impact your long-term retirement planning goals. See the Investment Plan Summary Plan Description on [MyFRS.com](http://MyFRS.com) to learn more.

Review this notice to learn more about fees and expenses, the investment funds, and where to go for more information or to take action.

### Administrative Fees Charged Directly to Members

- **Administrative Fees:** Inactive members (not actively working for 3 calendar months) are charged \$6 per quarter to cover costs associated with operational expenses such as trustee and recordkeeping fees. If applicable to you, these fees are charged directly to your Investment Plan account and will be reflected on your quarterly account statement.
- **Self-Directed Brokerage Account (SDBA) Maintenance Fee:** If you established an SDBA and transferred funds to the account, you will be charged a maintenance fee of \$6.25 per quarter. This fee will be deducted from other assets you have in the Plan rather than directly from your SDBA account. Depending upon the investments purchased and sold within the SDBA, other commissions and fees may apply and will be charged within your SDBA account. (See page 2 for more information.)

## 1. About Fees and Expenses

As with other investments, some fees and expenses in the Investment Plan are paid by Investment Plan members. There are several types of fees:

- Some fees are **asset-based fees**, which are expressed as a percentage of holdings in an investment. For FRS investment options, asset-based fees primarily cover investment management services and certain fund operating expenses. In the Investment Plan, you won't see these fees directly because they are charged to the investment funds and reduce your investment earnings. The asset-based fees charged to the investment funds (also called the fund "expense ratio") are shown in Section 3 of this notice.
- You may also have **direct fees** that are a separate fee being charged to your account, or to you individually, and may be due to activity you have requested (see the sidebar below to learn about administrative fees).
- When you decide to invest in any of the primary funds in the Investment Plan there are no upfront sales loads or charges. None of the non-mutual or mutual funds in the Investment Plan pay fees to vendors serving the Investment Plan, including the Investment Plan Administrator, Education Provider, and Custodian. However, the expense ratio of some mutual funds includes 12b-1 fees, which may pay for fund sales and marketing services. In those cases, the mutual fund credits the 12b-1 fees directly to the Investment Plan, and the Investment Plan in turn distributes those credits to plan members' accounts through the fund's daily per share market value (known as the fund's daily net asset value, or NAV, pricing).

Fees and expenses are important because they can substantially reduce the growth of your account over the long term. (You can find an example that illustrates this concept on the Department of Labor's website, [www.dol.gov/ebsa/publications/401k\\_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html)) However, fees are only one of several factors to consider when making investment decisions. You should carefully consider other key factors, including asset class and investment risk, investment objectives, principal investment strategies, and historical performance when selecting investment funds.

## 2. The Plan's Investment Funds

As a member of the Investment Plan, you're responsible for investing your account in one or any combination of the Plan's investment funds. An SDBA is also available in which you can invest in thousands of different investments in addition to the Investment Plan's primary investment funds (see the section "Self-Directed Brokerage Account" below for more information).

Section 3 provides specific information about the following investment funds:

- **Retirement Date Funds** are particularly good for "one-stop shopping". Each Retirement Date Fund is a diversified portfolio of other Investment Plan funds and uses an asset allocation concept called "target date" investing. The mix of funds in each Retirement Date Fund is based on your date of birth and the amount of time you have before retirement. The mix of funds gradually changes as you approach retirement. This gradual change follows a careful investment strategy called a "glide path." Each Retirement Date Fund's glide path was developed for the FRS by a global investment consulting firm and a fiduciary to the FRS.
- **Money Market Funds** 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, the returns may be modest and returns may not keep pace with inflation. Money market funds are not FDIC insured or guaranteed.
- **Multi-Assets Funds** invest in a diversified mix of assets that may help offset inflationary pressures. The funds seek long-term real (net of inflation) returns to preserve the future purchasing power of accumulated assets. You could lose money over short or long periods by investing in this fund, and returns may not keep pace with inflation. The fund's price and return will vary over a wide range.
- **Bond Funds** invest primarily in bonds, which are similar to IOUs. A company or government agency borrows money and pays it back with interest to the bondholder (the person making the loan). When inflation or interest rates go up, the value of a bond goes down because bonds pay a fixed rate of interest.
- **U.S. Stock Funds** invest primarily in stocks issued by U.S. companies. The short-term risk of investing in stocks has been much higher than bonds. However, over long periods of time, stocks have generally done better than bonds, which is one of the main reasons that stocks are typically recommended for retirement investing. Some risk is necessary to achieve long-term investment growth.

- **Foreign/Global Stock Funds** invest primarily in stocks issued by foreign companies. Compared to U.S. stocks, 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 risks (differences in the relative value of domestic and foreign money). Over the long-term, foreign stocks have provided additional diversification benefits.

## Investment Allocations

You may change your investment elections as often as you like. However, trading restrictions may apply (see Section 3).

Ultimately, how you invest should depend on your age, lifestyle, accumulated assets, years to retirement, and comfort level around risk. This notice only provides some information about your investment choices like fees, expenses and historical returns. Your decisions should be based on the full picture, taking into account your individual situation, not just the information in this notice.

## Self-Directed Brokerage Account (SDBA)

The SDBA allows you to invest in thousands of different investments. The SDBA is offered through Alight Financial Solutions (AFS), member FINRA/SIPC. The SDBA is for experienced investors who want the flexibility to invest in a variety of options beyond those available in the Investment Plan's primary investment funds. It is **not** suitable for all members. Like the Investment Plan's primary investment funds, there are risks associated with the investments in the SDBA and you assume the full risk and responsibility for the investments you select. None of the investments in the SDBA have been reviewed for suitability by the FRS and you are solely responsible for determining the appropriateness of any investments in the SDBA.

Instructions on how to open an SDBA, SDBA summary brochure, fees and commission schedule, member agreement, listing of no transaction fee funds (additional expenses/fees may be applicable), SDBA access guide, and other SDBA information are available on the "Investments Funds" page on MyFRS.com. If you have any questions, please call the MyFRS Financial Guidance Line from 9:00 a.m. to 8:00 p.m. ET, Monday – Friday, toll-free at 1-866-446-9377, Option 4 (TRS 711).

## To Learn More About the Investment Funds

To learn more about the investment funds offered and fees that apply to these funds, visit [MyFRS.com](http://MyFRS.com). You can find fund facts, fund performance, and other fund information. You can also receive more information about the funds, including free paper copies of any information that is provided online, by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711). Representatives are available from 9:00 a.m. to 8:00 p.m., ET, Monday through Friday, except holidays.

Some of the information you can find on the website or request copies of include:

- Copies of summary prospectuses or similar documents for funds that are not federally registered.
- Copies of any financial statements or reports, such as statements of additional information and shareholder reports, and of any other similar materials relating to the Plan's federally registered funds, to the extent such materials are provided to the Plan or are available on the fund's website.
- A statement of the value of a share or unit of each fund as well as the date of the valuation.
- A list of the "plan assets" comprising the portfolio of each fund.

## To Make Changes to Your Investments

You can make changes to your investments at any time by logging in to [MyFRS.com](http://MyFRS.com). Once you have logged in you can:

- **Change your current investment mix or your investment elections for future contributions**—go to Investment Plan > FRS Investment Plan > Change Investments, and follow the instructions.

You may also change investment funds by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711). Representatives are available from 9:00 a.m. to 8:00 p.m., ET, Monday through Friday, except holidays.

## Investment Advisor

The SBA has designated Financial Engines, a federally registered investment advisor and fiduciary to the FRS, to provide you investment guidance on the individual investments within your Investment Plan account, and all of your taxable and tax-deferred retirement accounts. You can use the free online Financial Engines' ADVISOR SERVICE tool to receive investment advice, create a picture of your current financial situation, and determine the likelihood of meeting your retirement income goals.

## 3. Investment-Related Information

The following table provides you with information on the investment funds available to you. You'll find three things:

1. General information about the type of investment fund.
2. Fee information including asset-based fees (often called the expense ratio) plus other fees or investment restrictions.
3. Historical performance for the fund and an appropriate benchmark(s) for the same period of time.

Keep in mind, however, that past performance does not guarantee how the investment fund will perform in the future. Your investment in these funds could lose money. Information about a fund's investment objectives, strategy, and principal risks is available on [MyFRS.com](http://MyFRS.com).

Federal regulations require plan sponsors to make available this Statement. It includes important information to help you understand your retirement plans and compare the investment options offered to you. Most or all of the fund information available in this Statement is available to you by other means, and is provided by third parties. We have not independently verified the third-party information we are relaying in this statement.

For more information about this notice, you may contact the Investment Plan Administrator:

Telephone:  
1-866-446-9377, Option 4 (TRS 711)

Mail:  
FRS Investment Plan Administrator  
P.O. Box 785027  
Orlando, FL 32878-5027

General Information			Fee Information			Historical Performance		
Fund Name	Investment Manager(s)	Asset Class	Total Asset-Based Fees <sup>1</sup>	Annual Cost Per \$1,000 Investment	Investment Restrictions	Average Annual Total Return as of 06/30/17 <sup>2</sup>		
						Fund and Benchmark(s) (in italics)		
						1 yr.	5 yr.	10 yr.
<b>Retirement Date Funds</b>								
						17.49%	10.66%	N.A.
						17.24%	10.37%	N.A.
						<i>2060 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						17.49%	10.66%	N.A.
						17.24%	10.37%	N.A.
						<i>2055 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						17.57%	10.67%	N.A.
						17.24%	10.37%	N.A.
						<i>2050 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						17.48%	10.66%	N.A.
						17.24%	10.37%	N.A.
						<i>2045 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						17.02%	10.57%	N.A.
						16.47%	10.26%	N.A.
						<i>2040 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						16.15%	10.41%	N.A.
						15.16%	10.03%	N.A.
						<i>2035 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		

General Information			Fee Information			Historical Performance		
Fund Name	Investment Manager(s)	Asset Class	Total Asset-Based Fees <sup>1</sup>	Annual Cost Per \$1,000 Investment	Investment Restrictions	Average Annual Total Return as of 06/30/17 <sup>2</sup>		
						Fund and Benchmark(s) (in italics)		
						1 yr.	5 yr.	10 yr.
FRS 2030 Retirement Date Fund (2030)	Multimanager <sup>4</sup>	Retirement Date	0.10%	\$1.00	Yes <sup>5</sup>	14.26%	9.26%	N.A.
						13.69%	8.97%	N.A.
						<i>2030 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						-0.31%	2.21%	4.48%
						<i>Barclays Capital Aggregate Bond Index</i>		
						12.51%	7.92%	N.A.
						11.93%	7.68%	N.A.
						<i>2025 Retirement Custom Index<sup>6</sup></i>		
						17.90%	14.63%	7.18%
						<i>S&amp;P 500 Index</i>		
						-0.31%	2.21%	4.48%
						<i>Barclays Capital Aggregate Bond Index</i>		
						10.43%	6.55%	N.A.
9.82%	6.36%	N.A.						
<i>2020 Retirement Custom Index<sup>6</sup></i>								
17.90%	14.63%	7.18%						
<i>S&amp;P 500 Index</i>								
-0.31%	2.21%	4.48%						
<i>Barclays Capital Aggregate Bond Index</i>								
8.15%	5.12%	N.A.						
7.52%	5.02%	N.A.						
<i>2015 Retirement Custom Index<sup>6</sup></i>								
17.90%	14.63%	7.18%						
<i>S&amp;P 500 Index</i>								
-0.31%	2.21%	4.48%						
<i>Barclays Capital Aggregate Bond Index</i>								

General Information			Fee Information			Historical Performance		
Fund Name	Investment Manager(s)	Asset Class	Total Asset-Based Fees <sup>1</sup>	Annual Cost Per \$1,000 Investment	Investment Restrictions	Average Annual Total Return as of 06/30/17 <sup>2</sup>		
						Fund and Benchmark(s) (in italics)		
						1 yr.	5 yr.	10 yr.
FRS Retirement Fund (2000)	Multimanager <sup>4</sup>	Retirement Date	0.15%	\$1.50	Yes <sup>5</sup>	6.79%	4.39%	N.A.
						6.55%	4.29%	N.A.
						<i>Retirement Custom Index<sup>6</sup></i>		
						-0.31%	2.21%	4.48%
						<i>Barclays Capital Aggregate Bond Index</i>		
<b>Money Market Funds</b>						0.87%	0.38%	0.78%
						0.54%	0.16%	0.74%
						<i>iMoneyNet Money Fund Average</i>		
<b>Multi-Assets Funds</b>								
FRS Inflation Adjusted Multi-Assets Fund (300)	BlackRock, Principal Financial Group	Real Assets	0.45%	\$4.50	Yes <sup>5</sup>	3.49%	-0.35%	N.A.
						2.61%	-0.25%	N.A.
						<i>FRS Custom Real Assets Index</i>		
						-0.63%	0.27%	4.27%
						<i>Barclays Capital U.S. Treasury Inflation Protected Securities Index</i>		
<b>Bond Funds</b>								
						-0.26%	2.33%	4.71%
						-0.31%	2.21%	4.48%
						<i>Barclays Capital Aggregate Bond Index</i>		
						3.09%	3.91%	N.A.
						1.83%	3.49%	N.A.
						<i>FRS Custom Core-Plus Fixed Income Index</i>		
						-0.31%	2.21%	4.48%
						<i>Barclays Capital Aggregate Bond Index</i>		
						0.43%	2.22%	4.05%
						-0.16%	1.87%	4.04%
						<i>Barclays Capital Intermediate Aggregate Bond Index</i>		

General Information			Fee Information			Historical Performance		
Fund Name	Investment Manager(s)	Asset Class	Total Asset-Based Fees <sup>1</sup>	Annual Cost Per \$1,000 Investment	Investment Restrictions	Average Annual Total Return as of 06/30/17 <sup>2</sup>		
						Fund	Benchmark(s) (in italics)	
						1 yr.	5 yr.	10 yr.
<b>U.S. Stock Funds</b>								
						18.67%	14.68%	7.36%
						18.51%	14.58%	7.26%
							<i>Russell 3000 Index</i>	
						21.97%	15.01%	N.A.
						18.03%	14.67%	N.A.
							<i>Russell 1000 Index</i>	
						21.83%	15.44%	N.A.
						19.84%	14.04%	N.A.
							<i>Russell 2500 Index</i>	
						19.84%	11.42%	N.A.
							<i>FRS Custom Small/Mid Cap Index</i>	
<b>Foreign Stock Funds</b>								
						20.78%	8.76%	1.47%
						20.43%	8.44%	1.14%
							<i>MSCI ACWI excluding US IMI Index</i>	
						22.18%	9.61%	3.51%
						20.62%	7.64%	0.89%
							<i>MSCI ACWI excluding US Index</i>	
						21.57%	13.04%	6.66%
						18.78%	10.51%	3.56%
							<i>MSCI ACWI</i>	

<sup>1</sup>Total asset-based fees reflect the total fees paid from the fund's assets for investment management plus any other operating costs of the investment fund (such as, for mutual funds, custody and administrative services incurred in operating the fund). Rounded to nearest 1/100%.

<sup>2</sup>In general, a 1-year, 5-year, and 10-year performance is shown. If a full 10-year history is not available, a return since inception is provided instead. Any returns that are since inception are highlighted and the benchmark is adjusted to reflect the same timeframe. For the Investment Funds, the 5-year history, if available, is considered to be the since inception history. Historical performance for multiple managers and retirement date funds has been adjusted for fees and/or designs that would have been in place if the respective investment options were available.

<sup>3</sup>The FRS 2060 Retirement Date Fund was added to the fund lineup effective July 3, 2017. Longer term performance shown reflects historical returns of the FRS 2055 Retirement Fund (2055), which has a comparable strategy and is for informational purposes only.

<sup>4</sup>The Retirement Date Funds (RDF) are managed by multiple investment managers. The following managers manage some of the assets in the RDF's: American Beacon, BlackRock, Fidelity, Principal Financial Group, Prudential, QMA, and Wells Capital.

<sup>5</sup>This fund is subject to the FRS Investment Plan Excessive Fund Trading Guidelines, which may limit your ability to make investment changes involving this fund. The Guidelines are available on the "[Investment Funds](#)" page of MyFRS.com.

<sup>6</sup>Retirement Date Funds (RDF) are comprised of a mix of equity, fixed income, and real asset investments. In addition to a broad-based securities market index, a "custom" benchmark is provided for each of the RDF's. The "custom" benchmark for each RDF blends the returns of equity, fixed income, and real asset securities indices proportionately to reflect the actual equity, fixed income, and real assets holdings of the RDF. For example, where an RDF's equity-to-bond-to-real-assets ratio is 50:40:10, the returns of an appropriate equity index, an appropriate bond index, and an appropriate real assets index would be blended in the same ratio.



## 4. Terms You Should Know

Here are some key terms and concepts that you should know to understand the information described in this notice.

**Administrative Fees:** Cost for activities like recordkeeping data on members' accounts, communication materials, Internet services, and assisting members with transactions. Administration fees for active employees are paid by your FRS employer. Inactive members (not actively working for 3 calendar months) are charged \$6 per quarter to cover costs associated with operational expenses like trustee and recordkeeping fees.

**Asset-based Fees:** Fees that are charged as a percent of holdings in an investment (e.g., 0.10 or 1/10 of 1% of assets). For FRS investment options, these fees primarily cover investment management services and may also pay for certain fund operating expenses (such as, for mutual funds fund-level custody and administration). (See sidebar for an example of how asset-based fees work.)

**Asset Class:** A specific category of assets or investments (such as stocks, bonds, or cash) as well as certain types of stocks (such as international stocks, large-cap stocks, etc.). Assets within the same class generally exhibit similar characteristics.

**Benchmark:** A benchmark is typically a market index that tracks general market performance of similar types of investments. For instance, the S&P 500 index is commonly used as a benchmark for large-cap stocks.

**Investment Management Fees:** Fees paid to the investment manager for selecting and managing the investments in an investment option.

**Investment Risk:** This is the chance that a fund can lose value. While all investments have some investment risk, the level of risk can vary greatly across types of investments.

### How Asset-Based Fees Work

Let's assume your current account balance is \$30,000, and you've invested in three funds as shown below. Here's an estimate of what you might pay annually in total expenses.

Investment	Balance	Asset-Based Fees	
		As % of Assets	Dollar Amount
Bond	\$10,000	0.46%	\$46.00
U.S. Stock	\$17,000	0.19%	\$32.30
Foreign Stock	\$ 3,000	0.55%	\$16.50
Total	\$30,000	—	\$94.80

Because asset-based fees are accumulated daily, your actual cost will vary as your account value changes. You won't see these investment fees directly because they are "paid" as a percentage of the funds' assets deducted before the funds' daily NAV is reported.

To see more definitions related to investments, review the glossary on MyFRS.com. On the MyFRS.com home page, select FAQs > Glossary.

[MyFRS.com](https://www.myfrs.com)