

# INVESTMENT PLAN

## Quarterly Newsletter

First Quarter, January 2018



Florida Retirement System

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### Important Note for Current ADVISOR SERVICE Users

Currently, the ADVISOR SERVICE is provided by Financial Engines. If you have previously entered any account information into the ADVISOR SERVICE, you will need to copy/print this information so you can re-enter it into the GuidedChoice ADVISOR SERVICE as of April 1. For detailed instructions, visit [https://www.myfrs.com/GuidedChoice\\_transition.pdf](https://www.myfrs.com/GuidedChoice_transition.pdf). If you have any questions, please call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

### Take the Member Satisfaction Survey

Please tell us how satisfied you are with the services provided by the Investment Plan Administrator. Your responses will help us pinpoint any areas that need improvement. You can take the survey now at <https://www.surveymonkey.com/r/87TQBCV>. In January, you will receive a reminder email with a link to this important survey. Thank you for your participation.



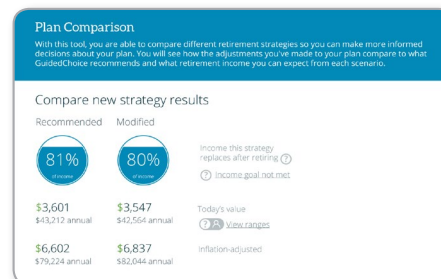
### ADVISOR SERVICE Can Help You Reach Your Goals

Enhancements are coming to the ADVISOR SERVICE that will simplify your retirement planning and make it easier for you to create the financial future you want.

Beginning April 1, 2018, the ADVISOR SERVICE will be provided through our new partner, GuidedChoice. Designed to simplify your retirement planning, GuidedChoice will give you a clearer picture of what you can expect in retirement based on how you're currently invested and how much you're saving. You'll receive a personalized, actionable recommendation on how to adjust your Investment Plan and any outside retirement account investments to help meet your goals. Advice on your Investment Plan account can then easily be implemented with just a click of a button. You will also be able to run scenario modeling to answer those difficult questions like "Do I need to save more?" and "When can I really retire?"

The service is available to all FRS members at no cost by logging in to [MyFRS.com](https://www.myfrs.com). You can use it to help you manage the FRS Investment Plan as well as any other supplemental retirement accounts you and your spouse may have (e.g., 457, 403(b), IRA).

To learn more about the GuidedChoice Advisor Service and how you can benefit, visit <https://www.myfrs.com/GuidedChoiceAdvisorService.htm>.



# Quarterly Fund Performance Summary

The Quarterly Fund Performance Summary gives you a quick update on the performance of the Investment Plan's investment funds. Before you select any investment funds, you should also review the fund profiles, the Investment Fund Summary, and the Annual Fee Disclosure Statement posted in the "Investment Funds" section on *MyFRS.com*. The asset class descriptions below are general in nature and should not be relied on as your sole source of information regarding these funds.

## Asset Class

An asset class is a group of similar investments whose values react in the same basic way to changes in the economy. The Investment Plan's funds are spread across five asset classes: money market funds, multi-assets funds, bond funds, U.S. stock funds, and foreign and global stock funds. There can be a risk in holding a large portion of your account balance in a single fund or asset class. According to investment experts, a good mix of investments (a strategy known as "diversifying") can help you control your risk and improve your returns. Additional information about investing and diversification can be found on the U.S. Department of Labor's website at [dol.gov/ebsa/investing.html](http://dol.gov/ebsa/investing.html).

### Money Market Funds

These funds invest in short-term securities (financial instruments or obligations) that are high-quality and can be sold quickly with little loss of value. The funds have limited risk of declining in value; however, over the long term, returns have been modest and may not keep pace with inflation. Money market funds are not FDIC-insured or guaranteed.

### Multi-Assets Funds

These funds invest in a diversified array of assets that may help offset inflationary pressures. These assets include but are not limited to U.S. Treasury inflation-linked securities, commodities, real estate investment trusts, gold, and other securities. 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.

### 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 and the market may see 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 longer periods of time, stocks have generally experienced higher returns than bonds, which is one of the main reasons that stocks are typically recommended for retirement investing. Some risk is necessary to achieve long-term investment growth.

### Foreign and Global (Foreign and U.S.) Stock Funds

Foreign stock funds invest primarily in equity shares or stocks issued by foreign companies in stock markets outside the U.S. 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 risk (differences in the relative value of domestic and foreign money). Global stock funds invest in both U.S. and foreign stocks.

Over the long term, foreign and global stocks have not experienced as high a return as U.S. stocks, but they have provided diversification benefits.

### Retirement Date Funds

Each Retirement Date Fund is a diversified portfolio of FRS Investment Plan investment managers and uses an asset allocation concept called "target date funds." The mix of funds in each Retirement Date Fund is based on the amount of time you have before retirement, and the mix gradually changes as you approach retirement. This gradual change follows a careful investment strategy called a "glide path." Each Retirement Date Fund's glide path was developed for the FRS by a global investment consulting firm and a fiduciary to the FRS. Retirement Date Funds don't fall into just one asset class. They invest in multiple asset classes, which makes them good for "one-stop shopping."

### Self-Directed Brokerage Account

The Self-Directed Brokerage Account (SDBA) does not fall into any single asset class. That's because the SDBA allows you to invest in thousands of different investments in addition to the Investment Plan's primary investment funds. The SDBA is not suitable for all members, and you assume the full risk and responsibility for the investments you select. Additional information on the SDBA is available in the "Investment Funds" section on *MyFRS.com*.

## Strategy

Passively managed funds try to match the returns of a market index (such as the Russell 3000 index) by buying and holding the same securities as the index they're trying to match. Actively managed funds try to beat a market index.

## Annual Fees

These are the current fees the fund charges to cover its management, operating, and marketing expenses. These fees are based on a percentage of your account balance and they are deducted from your account balance. The fees shown are based on a \$1,000 investment in that fund.

## Long-Term Fees

The total fees that would be charged for a \$1,000 investment held for 10 years, based on current annual fees.

## Performance Benchmark (PB)

A performance benchmark allows you to see how well the fund is doing relative to the performance of the market sector it is trying to beat. Note that index funds are designed to approximate the returns of their benchmarks. Benchmarks do not have costs.

## Total Index

A total index is a combination of all the market benchmarks in each market sector and is based on the asset amounts of each fund in each market sector.

## Performance Summary as of December 31, 2017

	STRATEGY	FEES PER \$1,000		PERFORMANCE <sup>1</sup>			
		Annual <sup>2</sup>	Long-Term	Quarterly <sup>3</sup>	1 Year	5 Years	10 Years
<b>TOTAL FRS INVESTMENT PLAN</b>	--	--	--	4.09%	16.36%	8.54%	5.35%
<i>PB: Investment Plan Total Index</i>		--	--	4.07%	15.46%	8.24%	4.96%
<b>RETIREMENT DATE FUNDS</b>	--	--	--	4.05%	17.18%	8.04%	--
<i>PB: Total Retirement Custom Index</i>		--	--	3.98%	16.59%	7.80%	--
FRS 2060 Retirement Date Fund (2060) <sup>4</sup>	Active	\$0.70	\$8	5.07%	21.53%	10.83%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	5.05%	21.27%	10.62%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$0.70	\$7	5.07%	21.53%	10.83%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	5.05%	21.27%	10.62%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$0.70	\$7	5.10%	21.60%	10.85%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	5.05%	21.27%	10.62%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$0.80	\$8	5.06%	21.46%	10.83%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	5.04%	21.25%	10.61%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$0.80	\$8	4.89%	20.89%	10.68%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	4.79%	20.35%	10.40%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$0.90	\$9	4.64%	19.82%	10.42%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	4.45%	18.92%	10.04%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.10	\$11	4.16%	17.96%	9.28%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	4.06%	17.31%	9.03%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.30	\$13	3.74%	16.14%	7.94%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	3.65%	15.48%	7.73%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.50	\$15	3.21%	14.05%	6.53%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	3.17%	13.34%	6.36%	--
FRS 2015 Retirement Date Fund (2015)	Active	\$1.60	\$16	2.77%	11.96%	5.11%	--
<i>PB: 2015 Retirement Custom Index</i>		--	--	2.76%	11.24%	4.99%	--
FRS Retirement Fund (2000)	Active	\$1.60	\$16	2.56%	10.77%	4.37%	--
<i>PB: Retirement Custom Index</i>		--	--	2.60%	10.42%	4.30%	--
<b>MONEY MARKET FUND</b>							
FRS Money Market Fund (60)	Active	\$0.61	\$6	0.35%	1.22%	0.49%	0.59%
<i>PB: iMoneyNet Money Fund Average</i>		--	--	0.25%	0.87%	0.25%	0.52%
<b>MULTI-ASSETS FUND</b>							
FRS Inflation Adjusted Multi-Assets Fund (300)	Active	\$4.50	\$46	2.07%	8.14%	-0.20%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	2.84%	8.12%	0.23%	--



# INVESTMENT PLAN Quarterly Newsletter

## Performance Summary as of December 31, 2017 — continued

		FEES PER \$1,000		PERFORMANCE <sup>1</sup>			
	STRATEGY	Annual <sup>2</sup>	Long-Term	Quarterly <sup>3</sup>	1 Year	5 Years	10 Years
BOND FUNDS		--	--	0.34%	4.37%	2.57%	4.58%
PB: Investment Plan Total Bond Index		--	--	0.32%	3.91%	2.38%	4.15%
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	0.39%	3.64%	2.21%	4.22%
PB: Barclays Capital Aggregate Bond Index		--	--	0.39%	3.54%	2.10%	4.01%
FRS Intermediate Bond Fund (90)	Active	\$1.20	\$12	-0.15%	2.45%	1.86%	3.67%
PB: Barclays Capital Intermediate Aggregate Bond Index		--	--	-0.07%	2.27%	1.70%	3.53%
FRS Core Plus Bond Fund (310)	Active	\$2.40	\$24	0.57%	5.28%	3.26%	--
PB: FRS Custom Core Plus Bond Index		--	--	0.41%	4.23%	3.02%	--
U.S. STOCK FUNDS		--	--	6.15%	20.83%	15.83%	9.35%
PB: Investment Plan Total U.S. Equities Index		--	--	5.94%	19.59%	15.26%	8.71%
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	6.35%	21.24%	15.67%	8.71%
PB: Russell 3000 Index		--	--	6.34%	21.13%	15.58%	8.60%
FRS Large Cap Stock Fund (320)	Active	\$2.80	\$28	7.40%	25.49%	16.71%	--
PB: Russell 1000 Index		--	--	6.59%	21.69%	15.71%	--
FRS Small/Mid Cap Stock Fund (330)	Active	\$5.90	\$61	4.45%	16.31%	15.49%	--
PB: Russell 2500 Index		--	--	5.24%	16.81%	11.96%	--
FOREIGN AND GLOBAL STOCK FUNDS		--	--	5.10%	28.64%	9.04%	3.60%
PB: Investment Plan Total Foreign/Global Equities Index		--	--	5.27%	27.27%	8.37%	2.57%
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	5.25%	28.29%	8.25%	2.51%
PB: MSCI ACWI ex US IMI Index		--	--	5.23%	27.81%	8.09%	2.17%
FRS Foreign Stock Fund (220)	Active	\$5.00	\$51	4.23%	31.17%	9.21%	3.95%
PB: MSCI ACWI ex US Index		--	--	5.00%	27.19%	7.19%	1.94%
FRS Global Stock Fund (210)	Active	\$5.00	\$51	4.69%	29.26%	12.93%	7.17%
PB: MSCI All Country World Index		--	--	5.73%	23.97%	10.80%	4.68%

<sup>1</sup> The performance information presented reflects past performance, which is not necessarily an indication of future performance. The most recent quarter, 1-, 5-, and 10-year performance returns are shown. The following applies to "FRS" labeled funds with an inception date of 7-1-2014: 1) the 5-year history, if available, is considered the return since inception; and 2) 1-year and 5-year historical performance is based on the target weight of the underlying managers/funds that would have been in place if the funds had been in place during these time periods.

<sup>2</sup> Fees and expenses are only two of several factors that you should consider when making investment decisions.

<sup>3</sup> Not annualized.

<sup>4</sup> The FRS 2060 Retirement Date Fund was initially open for investments on July 1, 2017. Past performance shown is for the FRS 2055 Retirement Date Fund which has the same investment allocations.

All Investment Plan funds (except the FRS Money Market Fund) are subject to the Excessive Fund Trading Guidelines, which may limit your ability to make investment changes. The Guidelines are available on the "Investment Funds" page of [MyFRS.com](http://MyFRS.com).

This Performance Summary is intended for use in connection with the FRS Investment Plan, pursuant to Florida law, and is not intended for use by other investors. Sections 121.4501(8)(b)4 and 121.4501(15)(b), Florida Statutes, incorporate the federal law concept of participant control, established by regulations of the U.S. Department of Labor under Section 404(c) of the Employee Retirement Income Security Act of 1974. If you exercise control over the assets in your Investment Plan account, including the Self-Directed Brokerage Account, pursuant to Section 404(c) regulations and all applicable laws governing the operation of the Investment Plan, no program fiduciary shall be liable for any loss to your account that results from your exercise of control.

## FRS Rolls Out Improved 2<sup>nd</sup> Election CHOICE SERVICE

Your retirement plans can change for many reasons. That's why the FRS offers you one opportunity during your career to change from your current FRS retirement plan to the other plan. This is known as your 2<sup>nd</sup> Election.

The new 2<sup>nd</sup> Election CHOICE SERVICE, which launches April 1, 2018, can help you with this important decision by letting you compare customized benefit estimates from both plans based on your own assumptions about your salary growth and your age at retirement. You will be able to use the 2<sup>nd</sup> Election CHOICE SERVICE as often as you like — at no cost to you — until you make an election to change plans.

The new 2<sup>nd</sup> Election CHOICE SERVICE is powered by Alight Solutions, the Investment Plan Administrator and provider of communication consulting services to the MyFRS Financial Guidance Program. To access the new 2<sup>nd</sup> Election CHOICE SERVICE, log in to [MyFRS.com](http://MyFRS.com) beginning April 1, 2018.

## Thinking About a 2<sup>nd</sup> Election?

Your potential benefit at retirement is not the only thing to consider when thinking about changing plans. Depending on your circumstances, you may have to buy into the other plan using your own money, and the change can have long-term financial implications. In addition to using the 2<sup>nd</sup> Election CHOICE SERVICE, call the MyFRS Financial Guidance Line to be sure you fully understand the implications, requirements, and potential cost of a 2<sup>nd</sup> Election.

## Free Financial Planning Workshops and Webcasts

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

January 11	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
January 11	Income Tax Planning: Smart Planning for Your Taxes	1:00 to 3:00 p.m.
January 12	Nearing Retirement in the FRS	10:00 a.m. to Noon
January 12	New Employee Retirement Plan Choice	1:00 to 3:00 p.m.
April 4	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
April 4	Using the FRS to Plan for Retirement (SPANISH)	1:00 to 3:00 p.m.
April 5	Nearing Retirement in the FRS	10:00 a.m. to Noon
April 5	Nearing Retirement in the FRS (SPANISH)	1:00 to 3:00 p.m.
July 11	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
July 11	Taking Control of Your Finances <sup>1</sup>	1:00 to 3:00 p.m.
July 12	Nearing Retirement in the FRS	10:00 a.m. to Noon
July 12	Understanding the FRS Investment Plan <sup>2</sup>	1:00 to 3:00 p.m.
October 2	Using the FRS to Plan for Retirement	4:30 to 6:30 p.m.
October 2	Investment Planning <sup>3</sup>	7:00 to 9:00 p.m.
October 3	Nearing Retirement in the FRS	4:30 to 6:30 p.m.
October 3	Protecting Yourself and Your Loved Ones <sup>4</sup>	7:00 to 9:00 p.m.
ALL TIMES ARE ET		

<sup>1</sup> Formerly Cash and Debt Management.

<sup>2</sup> Formerly FRS Investment Plan: Understanding Your Benefits.

<sup>3</sup> Combines Investment Planning Basic and Details.

<sup>4</sup> Combines Insurance Planning and Estate Planning.

## To Register

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

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

Select "Attend a Workshop," then "A WEBINAR" under the "County" drop-down box. Be sure to select "A WEBINAR" and **not** the county you live or work in.

**En español:** Puede inscribirse para los dos presentaciones del taller traducida en español, llamando al 1-866-446-9377, opción 2. Asesores financieros que hablan español están disponibles para atender su llamada. El taller será grabado y estará disponible por internet.

## Chat Live With an EY Financial Planner

The live chat feature on *MyFRS.com* is available from 9:00 a.m. to 8:00 p.m. ET, Monday through Friday (except holidays). To use live chat:

1. Click "Chat" on the *MyFRS.com* home page.
2. Enter your name and email address on a secure webpage.
3. Answer a few questions to confirm your identity.

After your chat is completed, a brief satisfaction survey will be emailed to you. A copy of your chat transcript will be retained with your record.

## Beneficiary Designation Reminder

Please review the beneficiary(ies) listed on your enclosed quarterly Investment Plan Account Statement to ensure the designation is correct. You can change your beneficiaries by logging in to *MyFRS.com* and clicking Investment Plan > Personal Information > Beneficiaries. Or, complete an FRS Investment Plan Beneficiary Designation Form (IPBEN-1), which is also available online. You can also update your beneficiaries by calling the FRS Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711).

## Is Guaranteed Retirement Income Right for You?

### Lifetime Income Guarantee

A lifetime income guarantee (offered by MetLife) lets you convert some or all of your Investment Plan balance into a stream of future payments that could last your lifetime.

For example, a lifetime income guarantee purchased at age 65 with \$100,000 of your FRS Investment Plan balance would pay you:

#### Single Life

**\$521\* monthly**  
payments for life beginning at age 65; upon death, payments would cease

OR

#### Joint & Survivor

**\$437\* monthly**  
payments for life beginning at age 65; upon death, payments of \$437\* would continue to your survivor for life

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

### Qualified Longevity Annuity Contract (QLAC)

If you would like to defer receipt of your guaranteed monthly payments to a later age, you can choose a Qualified Longevity Annuity Contract (QLAC). Addition of a death benefit during the deferral period would decrease the monthly payments.

For example, a lifetime income guarantee QLAC purchased at age 65 with \$100,000 of your FRS Investment Plan balance would pay you:

#### Single Life

**\$1,091\* monthly**  
payments for life beginning at age 75; upon death, payments would cease

OR

#### Joint & Survivor

**\$800\* monthly**  
payments for life beginning at age 75; upon death, payments of \$800\* would continue to your survivor for life

\* Quotes are based on \$100,000 premium as of December 31, 2017 for a female aged 65. Joint & Survivor assumes the chosen survivor is a spouse aged 65. Your actual quotes may vary based on your individual data and other circumstances. Please note that other payment options and features are available.

## Why You May Receive a Tax Form From the FRS

If you took a distribution from your Investment Plan account during 2017 (prior to 4:00 p.m. ET on Friday, December 22, 2017), a 1099-R form(s) will be mailed to your address on file no later than January 31, 2018. Starting February 15, 2018, you can call or go online to request a replacement for a lost or missing form.

**By phone:** 1-866-446-9377, Option 4

**Online:** Log in to *MyFRS.com* and click "Investment Plan." On the landing page, click "FRS Investment Plan," then "Forms and Materials." On the "Request Materials" page, check the box in front of "1099-R Reprint" and click "Request Materials" at the bottom. Click "OK" in the pop-up box to continue with your request.