

INVESTMENT PLAN

Quarterly Newsletter

First Quarter, January 2023



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Why You May Receive a Tax Form from the FRS

If you took a distribution from your Investment Plan account during 2022 (prior to 4:00 p.m. ET on December 23, 2022), a 1099-R form(s) will be mailed to your address of record by January 31, 2023. You can view your 1099-R online as of January 20, 2023, by logging in to [MyFRS.com](https://www.myfrs.com), clicking “Investment Plan,” then clicking the “1099R Reprints/Check Advice” button.

Starting February 10, 2023, you can request a replacement form be mailed to you by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

How to Read Your Form 1099-R

- 1** The total amount (gross distribution) paid to you for the calendar year before deductions. The amounts in boxes 2a and 5 add up to this amount.
- 2a** The taxable amount of your gross distribution reported to the IRS. This is the portion of your gross distribution you contributed to the plan on a pre-tax basis.
- 4** The total amount of federal income tax withheld from your benefits during the calendar year.
- 5** The portion of your gross distribution you are allowed to claim this tax year. This is the portion of your gross distribution related to your employee contributions made on an after-tax basis. You may have an amount here only if you retired August 1, 1986, or later. It is uncommon to have an amount in this box.
- 7** The distribution code identifying the type of benefit you received. Code descriptions are on the back of Form 1099-R.
- 9b** If you began receiving payments during this calendar year, this is the total employee contributions you made on an after-tax basis to the FRS (this is uncommon).

The image shows a sample Form 1099-R for 2022. Yellow lines connect the numbered list items to the corresponding boxes on the form:

- Item 1 points to boxes 1 (Gross distribution), 2a (Taxable amount), and 5 (Employee contributions).
- Item 2a points to box 2a.
- Item 4 points to box 4 (Federal income tax withheld).
- Item 5 points to box 5.
- Item 7 points to box 7 (Distribution code).
- Item 9b points to box 9b (Total employee contributions).

Quarterly Fund Performance Summary

This 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: stable value funds, inflation protection 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/agencies/ebsa/laws-and-regulations/laws/pension-protection-act/investing-and-diversification.

Stable Value Funds

These funds invest in fixed income securities and wrap contracts offered by banks and insurance companies. Wrap contracts generally provide a protected return even if the underlying investments decline in value. Stable value funds focus on the preservation of capital, retaining the value of your investment regardless of what stock or bond markets are doing. Stable value funds are not FDIC-insured or guaranteed.

Inflation Protection 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, natural resources, 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, 2022

	STRATEGY	FEES PER \$1,000		PERFORMANCE ¹			
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
TOTAL FRS INVESTMENT PLAN	--	--	--	6.15%	-15.14%	4.48%	6.49%
<i>PB: Investment Plan Total Index</i>		--	--	6.42%	-13.84%	4.44%	6.32%
RETIREMENT DATE FUNDS	--	--	--	6.81%	-14.14%	4.22%	--
<i>PB: Total Retirement Custom Index</i>		--	--	7.78%	-13.22%	4.27%	--
FRS 2060 Retirement Date Fund (2060) ⁴	Active	\$1.10	\$11	8.81%	-15.97%	4.91%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	9.47%	-15.14%	4.95%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.10	\$11	8.82%	-16.02%	4.91%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	9.47%	-15.14%	4.95%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.10	\$11	8.52%	-15.99%	4.80%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	9.42%	-15.12%	4.91%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.10	\$11	8.24%	-15.80%	4.64%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	9.11%	-14.95%	4.76%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.30	\$13	7.61%	-15.15%	4.53%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	8.64%	-14.41%	4.61%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.50	\$15	6.92%	-14.45%	4.37%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	8.04%	-13.56%	4.46%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.60	\$16	6.22%	-13.71%	4.19%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	7.42%	-12.73%	4.27%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.80	\$18	5.47%	-12.97%	3.96%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	6.71%	-11.91%	3.99%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.90	\$19	4.96%	-12.07%	3.62%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	5.92%	-11.08%	3.63%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	4.74%	-11.80%	3.33%	--
<i>PB: Retirement Custom Index</i>		--	--	5.33%	-10.73%	3.26%	--
STABLE VALUE FUND							
FRS Stable Value Fund (350)*	Active	\$1.90	\$19	0.55%	1.84%	2.06%	--
<i>PB: ICE BofA 1-3 Year Treasury Index</i>		--	--	0.74%	-3.64%	0.77%	--
INFLATION PROTECTION FUND							
FRS Inflation Sensitive Fund (300)	Active	\$3.60	\$37	3.78%	-7.70%	2.94%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	4.66%	-5.87%	2.77%	--

* The FRS Stable Value Fund was initially open for investments on July 1, 2021. Past performance shown is based on the investment allocations as if they were held over the past five years prior to July 1, 2021.

Performance Summary as of December 31, 2022 – continued

	STRATEGY	FEES PER \$1,000		PERFORMANCE ¹			
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
BOND FUNDS							
		--	--	2.15%	-12.45%	0.67%	1.62%
<i>PB: Investment Plan Total Bond Index</i>							
		--	--	2.20%	-11.87%	0.47%	1.42%
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	1.82%	-13.11%	0.03%	1.11%
<i>PB: Bloomberg Aggregate Bond Index</i>							
		--	--	1.87%	-13.01%	0.02%	1.06%
FRS Core Plus Bond Fund (310)	Active	\$1.90	\$19	2.34%	-13.16%	0.80%	--
<i>PB: FRS Custom Core Plus Fixed Income Index</i>							
		--	--	2.42%	-12.46%	0.56%	--
U.S. STOCK FUNDS							
		--	--	7.29%	-20.38%	7.69%	11.69%
<i>PB: Investment Plan Total U.S. Equities Index</i>							
		--	--	7.23%	-19.12%	8.06%	11.60%
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	7.20%	-19.19%	8.84%	12.20%
<i>PB: Russell 3000 Index</i>							
		--	--	7.18%	-19.21%	8.79%	12.13%
FRS U.S. Stock Fund (340) ⁵	Active	\$3.50	\$36	7.31%	-22.39%	6.12%	--
<i>PB: Russell 3000 Index</i>							
		--	--	7.18%	-19.21%	8.79%	--
FOREIGN AND GLOBAL STOCK FUNDS							
		--	--	13.71%	-18.18%	2.01%	5.47%
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>							
		--	--	13.64%	-16.76%	1.44%	4.85%
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	14.47%	-16.58%	1.06%	4.59%
<i>PB: MSCI ACWI ex US IMI Index</i>							
		--	--	14.15%	-16.58%	0.85%	4.41%
FRS Foreign Stock Fund (220)	Active	\$4.60	\$47	13.78%	-22.72%	1.54%	5.30%
<i>PB: MSCI ACWI ex US Index</i>							
		--	--	14.28%	-16.00%	0.88%	3.99%
FRS Global Stock Fund (210)	Active	\$4.10	\$42	8.48%	-25.64%	7.67%	10.27%
<i>PB: MSCI All Country World Index</i>							
		--	--	9.76%	-18.36%	5.23%	7.98%

¹ The performance information presented reflects past performance, net of fees, which is not necessarily an indication of future performance. The most recent quarter, 1-, 5-, and 10-year performance returns are shown, if available.

² Fees are only one of several factors that you should consider when making investment decisions.

³ Not annualized.

⁴ The FRS 2060 Retirement Date Fund was initially open for investments on July 1, 2017. Five-year performance shown is for the FRS 2055 Retirement Date Fund, which has the same investment allocations.

⁵ The following applies to the FRS U.S. Stock Fund with an inception date of July 1, 2020: 1.) the five-year history, if available, is considered the return since inception; and 2.) one-year and five-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.

All Investment Plan funds (except the FRS Stable Value 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.

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.

Frequent Tax Filing Questions

Why did I receive a Form 1099-R?

You took a reportable distribution from the Investment Plan during 2022. This includes rollovers to other plans.

What is the purpose of a 1099-R?

A 1099-R is an IRS tax form that reports distributions from annuities, IRAs, retirement plans, profit-sharing plans, pensions, and insurance contracts. The gross amount of the distribution, taxable amount, employee contributions, tax withholding, and distribution code are reported to the contract owner and the IRS.

What type of plan is my Investment Plan benefit?

Your Investment Plan benefit is a multiple-employer governmental defined benefit retirement plan qualified under section 401(a) of the Internal Revenue Code (IRC).

What is a qualified plan, and why is that important?

A qualified plan meets the requirements of the IRC that allow benefits to accrue on a tax-deferred basis during your working career. After you retire, the benefits received from a qualified plan become taxable income in the year they are received instead of being taxed while working in addition to your wages. Investment Plan benefits are funded by employer and employee contributions and the investment earnings of the assets placed in the member's account.

What is the difference between pre-tax and after-tax contributions?

Pre-tax contributions are reduced from taxable income before federal taxes are determined. After-tax contributions are deducted from your taxable income after federal taxes are determined (this is uncommon). Since July 1, 2011, the Investment Plan requires pre-tax employee contributions.

Why did I receive more than one 1099-R?

You may receive more than one 1099-R if you:

- Received a retirement benefit and a payment resulting from a divorce.
- Received your own retirement benefit and a survivor benefit from someone else.
- Retired from more than one retirement system.

Electronic PIN Reminders Now Available!

Previously, if you needed a **PIN reminder** to access **MyFRS.com**, you had to wait up to seven business days for your reminder to arrive by U.S. mail. In response to member feedback, PIN reminders are now immediately available via text. To receive your PIN via your cell phone, you will need to verify your identity on the PIN reminder page, successfully answer several security questions, and have your cell phone number verified. If you do not pass this verification step, your PIN will be sent via U.S. mail.



Take the Member Satisfaction Survey

Please let us know how satisfied you are with the services provided by the Investment Plan Administrator. We value your opinion, and your responses will help us pinpoint any areas that need improvement.

Take the survey now at <https://www.surveymonkey.com/r/FRS2023>.

During the month of January, you will receive an email with a link to this important survey, and a reminder email will be sent to you in March. Thank you for your participation.



Two Ways to Protect Your Retirement Income

Two solutions from MetLife – lifetime income guarantees and qualified longevity annuity contracts (QLACs) – allow you to convert some or all of your Investment Plan balance into payments to you for your lifetime and, if you choose, to your survivor after your death.

The quotes below are based on a \$100,000 Investment Plan balance as of December 31, 2022, for a female aged 65. Joint & Survivor payments assume 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.

	Lifetime Income Guarantee Payments begin at age 65	QLAC Payments begin at age 75
Single Life – lifetime payments to you	\$638.18	\$1,509.59
Joint & Survivor – lifetime payments to you that continue to your survivor after your death	\$551.19	\$1,125.39

To learn more about these options, or to purchase one, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2. Or, visit myfrs.com/MakeYourMoneyLastaLifetime.htm for additional resources, including an online quoting tool.

Rising Interest Rates Favorably Impact Monthly Annuity Benefit Payment

With so many market forces that can impact successful retirement outcomes, employees are looking for ways to help make their Investment Plan savings last. An income annuity can guarantee a monthly paycheck in retirement even during a volatile market. In fact, rising interest rates are making the guaranteed monthly income benefits paid from an income annuity even more attractive for retirees now than just under a year ago.

Example 1¹: A \$100,000 purchase of an **immediate income annuity** today gives a 65-year-old retiring participant an approximate **20% increase** in monthly income due to the rise in interest rates. The impact to deferred QLAC annuities is even greater.

Example 2²: A \$100,000 purchase of a **QLAC annuity** gives a 65-year-old retiring participant, commencing benefit at age 85, a **36% increase** in monthly income.

With workers living 87 years on average³, and, since half of retirees will live beyond average life expectancy, the impact to your income could be significant.

If you haven't considered an annuity for guaranteed income, now may be the right time.

Additional resources are available at the FRS [lifetime income](#) page, or call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

¹ Based on the Metropolitan Guaranteed Income Program® or MetLife Retirement Income Insurance® QLAC unisex purchase rates as of July 27, 2022 vs. August 26, 2021.

² Uses the Lifelong Income for You® (or single life annuity) payment option. It does not include a pre-commencement return of premium guarantee, nor does it include a return of premium guarantee. Individual results may vary.

³ SOA Research Institute, Life expectancy comparison, 2021.

Group annuity contracts are issued through Metropolitan Life Insurance Company (MLIC). Like most group annuity contracts, MLIC group annuities contain certain limitations, exclusions and terms for keeping them in force. MLIC annuity products may not be available in all states. Contact your MetLife representative for more information. Any discussion of taxes is for general informational purposes only and does not purport to be complete or cover every situation. MLIC, its agents and representatives may not give legal, tax or accounting advice and this document should not be construed as such. You should confer with your qualified legal, tax and accounting advisors as appropriate. All guarantees are subject to the financial strength and claims-paying ability of the issuing MetLife company.