

INVESTMENT PLAN

Quarterly Newsletter

Third Quarter, July 2018



Florida Retirement System

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Annual Fee Disclosure Statement Updated

The **Annual Fee Disclosure Statement for the Investment Plan** (updated July 1, 2018) provides information concerning the Investment Plan's structure, administrative and individual expenses, and investment funds, including performance, benchmarks, fees, and expenses. This Statement is designed to set forth relevant information in simple terms to help you make better investment decisions. The Statement is available in the "Investment Funds" section on *MyFRS.com*. Alternatively, you can request electronic delivery to your *MyFRS.com* Secure Mailbox or have a printed copy mailed at no cost by calling the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4 (TRS 711).

FRS Users Must Acknowledge New Online Terms and Policies

The Florida Retirement System (FRS), GuidedChoice, Alight Solutions, and EY have established privacy, security, and terms of use policies and procedures for the *MyFRS.com* website, linked websites, and for services provided to FRS members.

All FRS members who log in to *MyFRS.com* will now have to acknowledge that they have read and agree to the terms and conditions described in the **Privacy, Security & Terms of Use**. A link to these terms can be found at the bottom right corner of *MyFRS.com*.

Documents in this section include:

- **Alight Solutions Privacy Statement** (describes Alight's collection, use, and protection of your personal information)
- **Alight Solutions Terms of Use**
- **EY Privacy Statement**
- **EY Form ADV Part 2A** (describes EY's qualifications and business practices as a registered investment adviser)
- **Financial Guidance and Advice Policy** (for the online Choice Service and Advisor Service)
- **Financial Services Agreement** (describes services provided to you by GuidedChoice, Alight Solutions, and EY)
- **GuidedChoice Security and Privacy Statement**
- **GuidedChoice Terms of Service**
- **GuidedChoice Disclosure Document** (includes Form ADV Part 2A; describes GuidedChoice's disclosure information, qualifications, and business practices)
- **MyFRS.com Privacy Statement**
- **Default Investment Fund Notice** (describes the Investment Plan investment fund a member defaults into if an investment allocation is not made)

If you have any questions, please call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).

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.

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 June 30, 2018

	STRATEGY	FEES PER \$1,000			PERFORMANCE ¹		
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
TOTAL FRS INVESTMENT PLAN	--	--	--	1.55%	9.58%	7.85%	6.10%
<i>PB: Investment Plan Total Index</i>		--	--	1.61%	8.80%	7.47%	5.69%
RETIREMENT DATE FUNDS	--	--	--	0.80%	8.35%	8.04%	--
<i>PB: Total Retirement Custom Index</i>		--	--	0.90%	7.97%	7.80%	--
FRS 2060 Retirement Date Fund (2060) ⁴	Active	\$1.10	\$11	0.77%	10.43%	9.43%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	0.93%	10.22%	9.16%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.10	\$11	0.77%	10.43%	9.43%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	0.93%	10.22%	9.16%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.10	\$11	0.77%	10.47%	9.45%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	0.93%	10.22%	9.16%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.10	\$11	0.75%	10.35%	9.42%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	0.90%	10.15%	9.15%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.10	\$11	0.73%	9.97%	9.26%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	0.87%	9.61%	8.93%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.30	\$13	0.76%	9.50%	9.01%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	0.88%	8.96%	8.57%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.50	\$15	0.79%	8.64%	8.17%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	0.89%	8.21%	7.86%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.70	\$17	0.83%	7.84%	7.26%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	0.91%	7.38%	6.89%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.80	\$18	0.87%	6.79%	6.24%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	0.92%	6.37%	5.85%	--
FRS 2015 Retirement Date Fund (2015)	Active	\$1.90	\$19	0.88%	5.91%	5.19%	--
<i>PB: 2015 Retirement Custom Index</i>		--	--	0.91%	5.46%	4.79%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	0.86%	5.40%	4.67%	--
<i>PB: Retirement Custom Index</i>		--	--	0.90%	5.10%	4.30%	--
MONEY MARKET FUND							
FRS Money Market Fund (60)	Active	\$0.61	\$6	0.53%	1.66%	0.65%	0.54%
<i>PB: iMoneyNet Money Fund Average</i>		--	--	0.46%	1.29%	0.41%	0.43%
MULTI-ASSETS FUND							
FRS Inflation Adjusted Multi-Assets Fund (300)	Active	\$4.50	\$46	1.96%	5.63%	1.81%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	1.89%	5.71%	1.96%	--

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Performance Summary as of June 30, 2018 — continued

	STRATEGY	FEES PER \$1,000		PERFORMANCE ¹			
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
BOND FUNDS							
<i>PB: Investment Plan Total Bond Index</i>							
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	-0.15%	-0.37%	2.38%	3.91%
<i>PB: Barclays Capital Aggregate Bond Index</i>							
FRS Intermediate Bond Fund (90)	Active	\$1.20	\$13	0.09%	-0.48%	1.96%	3.50%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>							
FRS Core Plus Bond Fund (310)	Active	\$2.40	\$24	0.00%	0.50%	3.37%	--
<i>PB: FRS Custom Core Plus Bond Index</i>							
U.S. STOCK FUNDS							
<i>PB: Investment Plan Total U.S. Equities Index</i>							
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	3.89%	14.81%	13.39%	10.33%
<i>PB: Russell 3000 Index</i>							
FRS Large Cap Stock Fund (320)	Active	\$2.80	\$28	3.17%	18.15%	14.52%	--
<i>PB: Russell 1000 Index</i>							
FRS Small/Mid Cap Stock Fund (330)	Active	\$5.80	\$60	5.57%	16.81%	13.61%	--
<i>PB: Russell 2500 Index</i>							
FOREIGN AND GLOBAL STOCK FUNDS							
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>							
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	-2.82%	8.09%	6.97%	3.19%
<i>PB: MSCI ACWI ex US IMI Index</i>							
FRS Foreign Stock Fund (220)	Active	\$4.90	\$50	-2.82%	9.35%	8.34%	4.86%
<i>PB: MSCI ACWI ex US Index</i>							
FRS Global Stock Fund (210)	Active	\$4.90	\$50	2.40%	15.52%	12.21%	8.67%
<i>PB: MSCI All Country World Index</i>							

¹ 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.

² Fees and expenses are only two 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. 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.

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.

What Happens to Your Money if You Don't Choose Any Investment Funds?

If you don't provide instructions on how to allocate your Investment Plan funds, your assets will be 100% invested in the Plan's default investment fund option, which is a Retirement Date Fund selected based on your age. You can get details in the [Default Investment Fund Notice](#), which is located in the "Privacy, Security & Terms of Use" section on *MyFRS.com*.

Two Ways to Change Your Fund Allocations

You can change your fund allocations at any time without penalty (no fees or expenses) after your account is activated.

- Log in to *MyFRS.com*.
- Call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 4.

Multiple transfers of monies between funds may violate the [FRS Investment Plan Excessive Fund Trading Guidelines](#). You can find the guidelines in the "Investment Funds" section on *MyFRS.com*.

For More Information

For more information about Retirement Date Funds, Investment Plan defaults, or how the Plan works, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

You can also access these helpful documents in the "Investment Funds" section on *MyFRS.com*:

- [Retirement Date Funds Brochure](#)
- [Retirement Date Funds](#)
- [Investment Funds](#)

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, mail or fax an [FRS Investment Plan Beneficiary Designation Form \(IPBEN-1\)](#), available online, to the Investment Plan Administrator. You can also update your beneficiaries by calling the FRS Investment Plan Administrator at 1-866-446-9377, Option 4 (TRS 711).

Free Financial Planning Workshops and Webcasts

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

October 2	Using the FRS to Plan for Retirement	4:30 to 6:30 p.m.
October 2	Investment Planning ¹	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 ²	7:00 to 9:00 p.m.
ALL TIMES ARE ET		

¹ Combines "Investment Planning for Everyone — The Basics/The Details."

² 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 menu. (Be sure to select "A WEBINAR" and *not* the county you live or work in.)

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 copy of your chat transcript will be retained with your records, and a brief satisfaction survey will be emailed to you. Please take a moment to complete the survey so we can continue to improve our services to you.

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

\$542* monthly
payments for life beginning at age 65; upon death, payments would cease

OR

Joint & Survivor

\$457* monthly
payments for life beginning at age 65; upon death, payments of \$457* 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

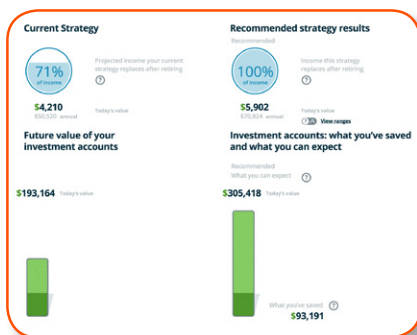
\$1,198* monthly
payments for life beginning at age 75; upon death, payments would cease

OR

Joint & Survivor

\$881* monthly
payments for life beginning at age 75; upon death, payments of \$881* would continue to your survivor for life

* Quotes are based on \$100,000 premium as of June 30, 2018 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.



The Advisor Service makes it easy to create a retirement plan that can help you reach your goals.

Have You Tried the New Online Advisor Service?

Simplify your retirement planning today and know what you can expect when you retire. The Advisor Service can help you create a comprehensive retirement plan and allocate your investments to make sure you can reach your retirement goals. To access the Advisor Service, log in to *MyFRS.com* and click the "Advisor" button. If you have any questions, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.

Watch this [short video](#) to see what the Advisor Service can do for you.

Note: Click MyFRS.com for easy access.