

INVESTMENT PLAN

Quarterly Newsletter

Second Quarter, April 2020



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The Investment Plan Fund Lineup Is Changing

Upcoming changes to the Investment Plan will simplify the plan’s fund lineup while continuing to offer you the opportunity to grow your retirement assets over the long term. These changes, which were reviewed by the State Board of Administration’s (SBA) investment consultant and approved by the SBA’s Executive Director & CIO, will take effect July 1, 2020.

Summary of Changes

These Affected Funds	Will Become These Funds as of July 1, 2020
U.S. Stock Funds	
FRS Large Cap Stock Fund (320) FRS Small/Mid Cap Stock Fund (330)	FRS U.S. Stock Fund (340)
Bond Funds	
FRS Intermediate Bond Fund (90)*	FRS Core Plus Bond Fund (310)
*This fund will be closed and its assets will be absorbed into the FRS Core Plus Bond Fund. The FRS Intermediate Bond Fund manager, Fidelity, will become one of the four managers of the FRS Core Plus Bond Fund.	
Retirement Date Funds	
FRS 2015 Retirement Date Fund (2015)	FRS Retirement Fund (2000)

Lineup Change Timeline

NOW until 4:00 p.m. ET June 26, 2020

If you like, you can move your existing balances out of the affected funds into a current fund that is not being changed.

AFTER 4:00 p.m. ET June 26, 2020

The affected funds will no longer accept new contributions.

AFTER 4:00 p.m. ET June 30, 2020

All balances in the affected funds will be transferred automatically as shown in the table at right.

July 1, 2020

Funds in the new lineup will be available for transfers and contributions.

Affected funds you may have included in any automatic rebalancing or future contributions will be changed to the new funds as shown in the table at right.

For More Details

More detailed information about these changes and how balances in the funds are being affected is provided on page 5.

In mid-May, a letter explaining these changes will be mailed to affected Investment Plan members. A second letter will be mailed in mid-June.

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: 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/agencies/ebsa/laws-and-regulations/laws/pension-protection-act/investing-and-diversification.

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 March 31, 2020

	STRATEGY	FEES PER \$1,000			PERFORMANCE ¹		
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
TOTAL FRS INVESTMENT PLAN	--	--	--	-15.86%	-7.50%	3.05%	5.55%
<i>PB: Investment Plan Total Index</i>		--	--	-15.56%	-7.34%	2.91%	5.30%
RETIREMENT DATE FUNDS	--	--	--	-15.19%	-6.87%	2.99%	--
<i>PB: Total Retirement Custom Index</i>		--	--	-15.13%	-7.00%	2.83%	--
FRS 2060 Retirement Date Fund (2060) ⁴	Active	\$1.10	\$11	-20.21%	-10.92%	2.92%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	-20.24%	-11.16%	2.71%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.10	\$11	-20.22%	-10.95%	2.92%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	-20.24%	-11.16%	2.71%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.10	\$11	-20.05%	-10.80%	2.98%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	-20.09%	-11.03%	2.74%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.10	\$11	-19.24%	-10.09%	3.13%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	-19.23%	-10.25%	2.93%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.20	\$12	-18.02%	-9.05%	3.26%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	-18.01%	-9.22%	3.00%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.40	\$14	-16.56%	-7.90%	3.39%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	-16.53%	-8.05%	3.02%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.50	\$15	-15.04%	-6.70%	3.31%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	-14.93%	-6.81%	3.08%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.70	\$17	-13.12%	-5.20%	3.24%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	-13.04%	-5.35%	3.05%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.90	\$19	-11.04%	-3.72%	3.01%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	-10.83%	-3.70%	2.96%	--
FRS 2015 Retirement Date Fund (2015)	Active	\$1.90	\$19	-9.60%	-2.59%	2.70%	--
<i>PB: 2015 Retirement Custom Index</i>		--	--	-9.36%	-2.57%	2.72%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	-9.24%	-2.30%	2.45%	--
<i>PB: Retirement Custom Index</i>		--	--	-9.08%	-2.35%	2.56%	--
MONEY MARKET FUND							
FRS Money Market Fund (60)	Active	\$0.60	\$6	0.40%	2.14%	1.39%	0.81%
<i>PB: iMoneyNet Money Fund Average</i>		--	--	0.28%	1.80%	1.08%	0.57%
MULTI-ASSETS FUND							
FRS Inflation Adjusted Multi-Assets Fund (300)	Active	\$4.50	\$46	-12.95%	-8.12%	-0.66%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	-12.99%	-8.18%	0.13%	--

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Performance Summary as of March 31, 2020 — 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>		--	--	-0.68%	5.24%	3.24%	3.94%
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	3.01%	8.76%	3.39%	3.97%
<i>PB: BBg BARC Aggregate Bond Index</i>		--	--	3.15%	8.93%	3.36%	3.88%
FRS Intermediate Bond Fund (90)	Active	\$1.20	\$12	-0.10%	4.61%	2.57%	3.28%
<i>PB: BBg BARC Intermediate Government/Credit Bond Index</i>		--	--	2.40%	6.88%	2.83%	3.23%
FRS Core Plus Bond Fund (310)	Active	\$2.40	\$24	-2.46%	3.92%	3.29%	--
<i>PB: FRS Custom Core Plus Bond Index</i>		--	--	0.03%	6.01%	3.29%	--
U.S. STOCK FUNDS							
<i>PB: Investment Plan Total U.S. Equities Index</i>		--	--	-22.82%	-12.09%	4.61%	9.54%
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	-20.88%	-9.08%	5.86%	10.22%
<i>PB: Russell 3000 Index</i>		--	--	-20.90%	-9.13%	5.77%	10.15%
FRS Large Cap Stock Fund (320)	Active	\$2.80	\$28	-21.71%	-11.57%	5.23%	--
<i>PB: Russell 1000 Index</i>		--	--	-20.22%	-8.03%	6.22%	--
FRS Small/Mid Cap Stock Fund (330)	Active	\$5.80	\$60	-29.82%	-21.76%	1.82%	--
<i>PB: Russell 2500 Index</i>		--	--	-29.72%	-22.47%	0.76%	--
FOREIGN AND GLOBAL STOCK FUNDS							
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>		--	--	-23.70%	-15.62%	-0.17%	2.98%
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	-24.01%	-16.03%	-0.36%	2.80%
<i>PB: MSCI ACWI ex US IMI Index</i>		--	--	-24.11%	-16.32%	-0.66%	2.46%
FRS Foreign Stock Fund (220)	Active	\$4.90	\$50	-22.43%	-12.70%	0.91%	3.97%
<i>PB: MSCI ACWI ex US Index</i>		--	--	-23.36%	-15.57%	-0.48%	2.36%
FRS Global Stock Fund (210)	Active	\$4.90	\$50	-18.19%	-6.33%	6.08%	8.64%
<i>PB: MSCI All Country World Index</i>		--	--	-21.37%	-11.26%	2.85%	6.00%

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. 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.

New Investment Plan Fund Lineup Details

FRS U.S. Stock Fund (New Fund)

This new fund will begin as a combination of the current FRS Large Cap Stock Fund (320) and the FRS Small/Mid Cap Stock Fund (330). It will then gradually change its allocation to be in line with the Russell 3000 Index. This fund will be actively managed and a counterpart to the FRS U.S. Stock Market Index Fund (120).

FRS Intermediate Bond Fund (Absorbed)

This fund will be closed and its assets will be absorbed by the FRS Core Plus Bond Fund (310). The FRS Intermediate Bond Fund manager, Fidelity, will become one of the four managers of the FRS Core Plus Bond Fund.

FRS 2015 Retirement Fund (Closing)

As a Retirement Date Fund, this fund invests in a mix of other FRS Investment Plan funds based on your target date for retirement. This mix gradually changes as your retirement gets nearer. All FRS Retirement Date Funds are designed as “through” target date funds (their asset allocations continue to gradually change after the target year is reached). This fund’s allocation will become the same as the FRS Retirement Fund 2000 and, as a result, it will be closed and become part of that fund.

FRS Inflation Adjusted Multi-Assets Fund (Name and Allocation Change)

The name of the fund will change from the FRS Inflation Adjusted Multi-Assets Fund (300) to the FRS Inflation Sensitive Fund (300) to better reflect the fund’s objective.

This fund’s allocations will change as follows:

- Increased U.S. Treasury Inflation-Protected Securities (TIPS)
- Decreased multi-manager real return assets
- New allocation to a private commercial real estate manager

FRS Retirement Date Funds (Annual Allocation Change)

The investment mix of each Retirement Date Fund gradually changes over time, from higher equity allocations to more conservative asset allocations. These changes occur annually and are automatic. The new allocations will be available beginning July 1 in the Retirement Date Funds brochure on MyFRS.com.

New MyFRS Financial Guidance Line Operating Hours

8:00 a.m. to 6:00 p.m. ET (effective July 1, 2020)

These new hours (formerly 9:00 a.m. to 8:00 p.m. ET) align with the opening time of the Division of Retirement’s call center (8:00 a.m. to 5:00 p.m. ET) and eliminate little-used hours in the evening.

Free Financial Planning Workshops

Workshops are free and unlimited for FRS members. You can attend in person in Tallahassee or from anywhere by webcast. For webcast schedules and registration instructions, call 1-866-446-9377, Option 2 (TRS 711) or go to https://www.myfrs.com/pdf/Online_Workshops.pdf.

Legislative Roundup

During the 2020 session, the Florida Legislature passed the following legislation. These bills are effective July 1, 2020, pending approval by the Governor.

House Bill 5007 — This bill would change employer FRS contribution rates. This would not change the total amount paid into your Investment Plan account or to the 3% contribution rate you pay.

Senate Bill 936 — This bill would allow FRS members receiving care at a federal Veterans Health Administration facility to offer certifications from two of that facility’s physicians as proof of the member’s total and permanent disability, regardless of where the physicians are licensed.

Senate Bill 952 — Under this bill, compulsory membership in the Senior Management Service Class (SMSC) would expand to include each appointed criminal conflict and civil regional counsel and each district’s assistant regional counsel chiefs, administrative directors, and chief investigators. These members may upgrade past service in these positions to the SMSC by purchasing such service retroactive to October 1, 2007.

To keep up with legislation, visit MyFRS.com and click “Legislation” in the “Alerts & Hot Topics” box.

Quarterly Statements to Show Lifetime Monthly Benefit

Your Investment Plan balance is more than just a stack of cash, it's an important source of continuing income in retirement. Once you have an Investment Plan balance greater than \$10,000, a new feature on your quarterly statements will show you the monthly income your current Investment Plan balance would provide over your lifetime. If the amount is lower than what you expect, consult with an EY financial planner for retirement planning and to explore ways to boost your retirement income, such as increasing your outside savings, working longer, or choosing lifetime income options offered by MetLife, the Investment Plan's exclusive lifetime income provider. See example to the right.

Will you be ready for retirement?

Your Investment Plan account balance would provide you a lifetime monthly benefit of

\$540*

Visit MyFRS.com or call the MyFRS Financial Guidance Line to learn more about available annuity options or to build a retirement plan.

* This estimate assumes you are age 65 (or your current age if you are older) and that you selected a single life annuity with level payments and no additional features. It is not a guarantee.

New Online FRS Investment Plan Beneficiary Designation Form

A new online **FRS Investment Plan Beneficiary Designation form** will give you an easy way to name your beneficiary(ies) and submit this information in one simple step. You will still have the option to change your beneficiaries by:

- Logging in to **MyFRS.com** and clicking Investment Plan > Your Profile > Beneficiaries.
- Mailing or faxing an FRS Investment Plan Beneficiary Designation form (IPBEN-1), available online, to the Investment Plan Administrator.
- Calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4 (TRS 711).

Creating a Retirement Plan Is About to Get Easier

The GuidedChoice Advisor Service can already help make your retirement dreams possible by giving you unbiased advice on how much to save and where to invest. The service is free to FRS members and you can create your plan in about 30 minutes online. Beginning in July, the Advisor Service will make creating a comprehensive plan even easier by letting you link to all of your retirement accounts, including non-FRS plans. Known as account aggregation, this is another feature designed to help FRS members achieve financial freedom in the easiest way possible. To learn more about 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 (TRS 711).

Attention Internet Explorer Users!



Beginning June 10, 2020, you will no longer be able to view your Investment Plan account online using Internet Explorer. Microsoft has officially ended its support for Internet Explorer and is advising users to switch to other browsers. To access your Investment Plan account on **MyFRS.com**, use the latest version of Edge, Chrome, Firefox, or Safari.

Two Ways to Protect Your Retirement Income

1. A **lifetime income guarantee** from MetLife lets you convert some or all of your Investment Plan balance into a stream of future payments that could last your lifetime.
2. A **qualified longevity annuity contract (QLAC)**, also from MetLife, lets you defer receipt of your guaranteed monthly payments to a later age.

To learn more about these options, or to purchase one, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711). Or, visit www.myfrs.com/MakeYourMoneyLastaLifetime.htm for additional resources.