

# INVESTMENT PLAN

## Quarterly Newsletter

First Quarter, January 2021



Florida Retirement System

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## Don't Know How to Spend Your Money in Retirement?

Turn your retirement savings into retirement income.

Your needs are changing as you approach retirement. You want to protect your money from the ups and downs of the market, but still earn enough investment performance to make it last. And, beyond your investment needs, you'll need a plan for retirement income – to know how much to spend, instead of how to save.

The online GuidedChoice Advisor Service, free to FRS members (both Investment Plan and Pension Plan), will be introducing a Retirement Income Solution sometime early in 2021. It picks up right where the Advisor Service leaves off – using the same data about your retirement plan, the same powerful advice technology, and the same easy-to-use digital interface. The key difference is that you'll be safely drawing down from your nest egg, rather than building it up.

In the meantime, the Advisor Service is already being utilized by many of your colleagues to help them in their efforts to save for retirement. To learn more, log in to [MyFRS.com](https://www.myfrs.com) and click the "ADVISOR" button. And, if you have any questions, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).

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

If you took a distribution from your Investment Plan during 2020 (prior to 1:00 p.m. ET on December 24, 2020), a 1099-R form(s) will be mailed to your address of record by January 29, 2021. You can view your 1099-R online as of January 18, 2021 by logging in to [MyFRS.com](https://www.myfrs.com), clicking on "Investment Plan," then clicking on the "1099R Reprints/Check Advice" button.

Starting February 8, 2021, you can request a replacement form be mailed to you by logging in to [MyFRS.com](https://www.myfrs.com), clicking "Investment Plan," then "FRS Investment Plan," and then "Forms and Materials," or by calling 1-866-446-9377, Option 4.



# 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, 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](http://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.

### 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, 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, 2020

	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>	--	--	--	11.13%	13.07%	10.07%	7.98%
<i>PB: Investment Plan Total Index</i>		--	--	10.77%	11.72%	9.59%	7.58%
<b>RETIREMENT DATE FUNDS</b>	--	--	--	10.89%	12.44%	9.90%	--
<i>PB: Total Retirement Custom Index</i>		--	--	10.94%	12.34%	9.61%	--
FRS 2060 Retirement Date Fund (2060) <sup>4</sup>	Active	\$1.00	\$10	14.25%	14.48%	11.56%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	14.24%	14.12%	11.30%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.00	\$10	14.24%	14.35%	11.56%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	14.24%	14.12%	11.30%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.00	\$10	14.09%	14.00%	11.52%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	14.15%	14.09%	11.29%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.00	\$10	13.51%	13.79%	11.41%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	13.60%	13.90%	11.22%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.20	\$12	12.67%	13.26%	11.11%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	12.76%	13.44%	10.86%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.30	\$13	11.65%	12.61%	10.71%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	11.73%	12.72%	10.34%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.50	\$15	10.55%	11.98%	10.04%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	10.64%	11.97%	9.75%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.70	\$17	9.31%	11.37%	9.40%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	9.39%	11.15%	9.05%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.90	\$19	7.88%	10.45%	8.51%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	7.97%	10.22%	8.20%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	7.09%	10.25%	7.48%	--
<i>PB: Retirement Custom Index</i>		--	--	6.91%	9.65%	7.21%	--
<b>MONEY MARKET FUND</b>							
FRS Money Market Fund (60)	Active	\$0.60	\$6	0.05%	0.68%	1.41%	0.82%
<i>PB: iMoneyNet Money Fund Average</i>		--	--	0.00%	0.47%	1.11%	0.58%
<b>INFLATION PROTECTION FUND</b>							
FRS Inflation Sensitive Fund (300)	Active	\$3.60	\$37	5.82%	4.01%	4.94%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	5.71%	2.29%	4.63%	--

## Performance Summary as of December 31, 2020 – continued

	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>BOND FUNDS</b>							
		--	--	1.79%	8.05%	5.30%	4.28%
<i>PB: Investment Plan Total Bond Index</i>							
		--	--	1.29%	7.24%	4.87%	4.00%
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	0.75%	7.77%	4.52%	3.95%
<i>PB: Barclays Capital Aggregate Bond Index</i>							
		--	--	0.67%	7.51%	4.44%	3.84%
FRS Core Plus Bond Fund (310)	Active	\$1.90	\$19	2.43%	8.59%	5.94%	--
<i>PB: FRS Custom Core Plus Fixed Income Index</i>							
		--	--	1.65%	7.56%	5.20%	--
<b>U.S. STOCK FUNDS</b>							
		--	--	16.27%	20.04%	14.94%	13.56%
<i>PB: Investment Plan Total U.S. Equities Index</i>							
		--	--	16.12%	18.94%	14.74%	13.11%
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	14.70%	20.99%	15.52%	13.87%
<i>PB: Russell 3000 Index</i>							
		--	--	14.68%	20.89%	15.43%	13.79%
FRS U.S. Stock Fund (340) <sup>5</sup>	Active	\$3.20	\$33	18.41%	18.97%	14.28%	--
<i>PB: Russell 3000 Index</i>							
		--	--	14.68%	20.89%	15.43%	--
<b>FOREIGN AND GLOBAL STOCK FUNDS</b>							
		--	--	17.47%	15.20%	10.63%	7.18%
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>							
		--	--	16.84%	11.71%	9.43%	6.15%
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	17.27%	11.49%	9.46%	6.02%
<i>PB: MSCI ACWI ex US IMI Index</i>							
		--	--	17.22%	11.12%	8.98%	5.68%
FRS Foreign Stock Fund (220)	Active	\$4.60	\$47	19.95%	25.27%	12.47%	8.15%
<i>PB: MSCI ACWI ex US Index</i>							
		--	--	17.01%	10.65%	9.03%	5.20%
FRS Global Stock Fund (210)	Active	\$4.70	\$48	17.20%	33.78%	16.84%	13.00%
<i>PB: MSCI All Country World Index</i>							
		--	--	14.68%	16.25%	12.26%	9.35%

<sup>1</sup> 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.

<sup>2</sup> Fees are only one 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.

<sup>5</sup> 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 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.

## Free Financial Planning Webcasts

Webcasts are free and unlimited for FRS members. In-person workshops are temporarily suspended.

January 14	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
January 14	Income Tax Planning: Smart Planning for Your Taxes	1:00 to 3:00 p.m.
January 15	Taking Control of Your Finances (90 minutes)	10:00 a.m. to Noon
January 15	New Employee Retirement Plan Choice	1:00 to 3:00 p.m.
April 5	Using the FRS to Plan for Retirement	10:00 a.m. to Noon
April 5	Using the FRS to Plan for Retirement (SPANISH)	1:00 to 3:00 p.m.
April 6	Understanding Your Benefits under the FRS Pension Plan	10:00 a.m. to Noon
April 6	Nearing Retirement in the FRS (SPANISH)	1:00 to 3:00 p.m.
July 12	Taking Control of Your Finances (60 minutes)	10:00 a.m. to Noon
July 12	Investment Planning	1:00 to 3:00 p.m.
July 13	Education Planning	10:00 a.m. to Noon
July 13	Understanding the FRS Investment Plan	1:00 to 3:00 p.m.
October 6	Social Security and Your Retirement	10:00 a.m. to Noon
October 6	Protecting Yourself and Your Loved Ones	1:00 to 3:00 p.m.
October 7	Nearing Retirement in the FRS	10:00 a.m. to Noon
October 7	Group Health Insurance (state employees only)	1:00 to 3:00 p.m.

ALL TIMES ARE ET

## To Register

### By phone:

1-866-446-9377, Option 2

### Online:

- Locate the Webinar Link or Meeting ID from <https://myfrs.com/WorkshopCalender.htm>.
- Click on the Webinar Link and you will be directed to the Webinar Registration on Zoom.
  - If registering with Meeting ID:
    - Go to [Zoom.com](https://zoom.us).
    - Click “Join a Meeting.”
    - Enter the Meeting ID and click “Join.”
- Enter your first name, last name, and email address.
- Click “Register.”
- You will receive a confirmation email after registration and a reminder email the day prior to the webinar date.

## 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/VG2VZ3Y>.

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

### 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.

### Qualified Longevity Annuity Contract (QLAC)

A qualified longevity annuity contract (QLAC), also from MetLife, lets you defer receipt of your guaranteed monthly payments to a later age. QLACs are limited to \$135,000 or 25% of your Investment Plan balance (whichever is less).

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 [www.myfrs.com/MakeYourMoneyLastaLifetime.htm](http://www.myfrs.com/MakeYourMoneyLastaLifetime.htm) for additional resources, including an online quoting tool.

	Lifetime Income Guarantee	QLAC
For example, if purchased at age 65 with \$100,000 of your Investment Plan balance, each option would pay you:	<p><b>Single Life</b>  <b>\$466<sup>1</sup> monthly</b>                      payments for life beginning at age 65;                      upon death, payments would cease</p> <p>– OR –</p> <p><b>Joint &amp; Survivor</b>  <b>\$393<sup>1</sup> monthly</b>                      payments for life beginning at age 65;                      upon death, payments of \$393<sup>1</sup>                      would continue to your survivor for life</p>	<p><b>Single Life</b>  <b>\$902<sup>1</sup> monthly</b>                      payments for life beginning at age 75;                      upon death, payments would cease</p> <p>– OR –</p> <p><b>Joint &amp; Survivor</b>  <b>\$667<sup>1</sup> monthly</b>                      payments for life beginning at age 75;                      upon death, payments of \$667<sup>1</sup>                      would continue to your survivor for life</p>

<sup>1</sup> Quotes are based on \$100,000 premium as of December 31, 2020 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.

## Get an Annuity Quote Online

We have added an online annuity quote tool to [MyFRS.com](http://www.myfrs.com), at [www.myfrs.com/MakeYourMoneyLastaLifetime.htm](http://www.myfrs.com/MakeYourMoneyLastaLifetime.htm).

After entering some basic information, you can get estimated quotes in several ways, including lifetime immediate income for you and a survivor, guaranteed income for a period certain, cost-of-living protection, return of premium guarantee, and qualified longevity annuity contracts.



Consider becoming a registered user of the tool so you can save your quote results in order to review and compare later. Easily retrieve your most recent quote on subsequent visits. Visitors can still get a quote without registering but will not be able to save or retrieve the results.

If you are ready to purchase an annuity, an application can be downloaded to complete and submit. If you have any questions on using the annuity tool or annuities in general, call the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2.