

INVESTMENT PLAN

Quarterly Newsletter

Third Quarter, July 2023



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Florida Legislature Approves FRS Employer Contribution Rate Increase

During the 2023 session, the Florida Legislature passed and the Governor approved **Senate Bill 7024**, increasing the amount Florida Retirement System (FRS) employers contribute to the Investment Plan by 2%, effective July 1, 2023. Note that this is the second year in a row that Investment Plan contributions have increased; contributions rose 3% in 2022.

This change does not affect your 3% Investment Plan contribution. It only changes the total amount your employer contributes to your Investment Plan account. For example, total contributions (yours plus your employer’s) for Regular Class members will rise from 9.30% to 11.30%. This means your Investment Plan account should grow faster going forward. See the new contribution rates in the table below-left.

Legislative Roundup

The following bills were also passed during the 2023 legislative session.

Senate Bill 7024 (Chapter No. 2023-193, Laws of Florida) –

In addition to the contribution rate changes noted above, this bill makes the following retirement changes:

- Amends the normal retirement date for Special Risk Class members initially enrolled on or after July 1, 2011, to be the earlier of 25 years of creditable Special Risk service, or age 55.
- Revises the Deferred Retirement Option Program (DROP) by:
 - Eliminating the restrictive entry window for eligible members to participate in DROP. It allows entry into DROP at any time after the member reaches their normal retirement date and their vesting requirement is met;
 - Increasing the maximum amount of time eligible members may participate in DROP from 60 to 96 calendar months for all membership classes;
 - Allowing instructional personnel, as defined in s. 1012.01(2) (a)-(d), Florida Statutes, to extend their DROP participation for up to 24 calendar months in addition to the 96 months; and
 - Increasing the interest rate applied to a member’s accrued monthly benefit from 1.3% to 4%, effective July 1, 2023.
- Increases the monthly retiree Health Insurance Subsidy from \$5 to \$7.50 for each year of creditable service. The maximum monthly benefit is adjusted from \$150 to \$225 and the minimum monthly benefit is adjusted from \$30 to \$45, effective July 1, 2023.

New Investment Plan Employer Contribution Rates — Effective July 1, 2023

Membership Class	Paid by Employee		Paid by Employer		Total to Employee Account	
	Current	New	Current	New	Current	New
Regular Class	3%	3%	6.30%	8.30%	9.30%	11.30%
Special Risk Class	3%	3%	14.00%	16.00%	17.00%	19.00%
Special Risk Administrative Support Class	3%	3%	7.95%	9.95%	10.95%	12.95%
Elected Officers’ Class (Judges)	3%	3%	13.23%	15.23%	16.23%	18.23%
Elected Officers’ Class (Legislature/Cabinet/Public Defender/State Attorney)	3%	3%	9.38%	11.38%	12.38%	14.38%
Elected Officers’ Class (County and Local)	3%	3%	11.34%	13.34%	14.34%	16.34%
Senior Management Service Class	3%	3%	7.67%	9.67%	10.67%	12.67%

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 June 30, 2023

	STRATEGY	FEES PER \$1,000		PERFORMANCE ¹			
		Annual ²	Long-Term	Quarterly ³	1 Year	5 Years	10 Years
TOTAL FRS INVESTMENT PLAN	--	--	--	4.04%	10.76%	6.15%	6.99%
<i>PB: Investment Plan Total Index</i>		--	--	3.83%	10.45%	6.05%	6.76%
RETIREMENT DATE FUNDS	--	--	--	3.06%	8.84%	5.87%	--
<i>PB: Total Retirement Custom Index</i>		--	--	3.03%	9.77%	5.88%	--
FRS 2060 Retirement Date Fund (2060) ⁴	Active	\$1.10	\$11	4.61%	13.12%	7.16%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	4.34%	13.32%	7.00%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.10	\$11	4.62%	13.12%	7.11%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	4.34%	13.32%	7.00%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.10	\$11	4.47%	12.63%	6.95%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	4.30%	13.23%	6.96%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.10	\$11	4.21%	12.02%	6.71%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	4.09%	12.65%	6.74%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.30	\$13	3.73%	10.69%	6.43%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	3.72%	11.69%	6.47%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.50	\$15	3.17%	9.18%	6.06%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	3.21%	10.38%	6.13%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.60	\$16	2.56%	7.58%	5.67%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	2.66%	8.96%	5.74%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.80	\$18	1.81%	5.69%	5.17%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	2.01%	7.30%	5.25%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.90	\$19	1.20%	4.27%	4.64%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	1.24%	5.31%	4.64%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	0.97%	3.70%	4.29%	--
<i>PB: Retirement Custom Index</i>		--	--	0.73%	3.97%	4.14%	--
STABLE VALUE FUND							
FRS Stable Value Fund (350)*	Active	\$0.80	\$8	0.66%	2.31%	2.11%	--
<i>PB: ICE BofA 1-3 Year Treasury Index</i>		--	--	-0.57%	0.15%	0.95%	--
INFLATION PROTECTION FUND							
FRS Inflation Sensitive Fund (300)	Active	\$3.60	\$37	-1.11%	-1.62%	2.94%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	-1.38%	-1.04%	2.80%	--

* 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.

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Performance Summary as of June 30, 2023 – 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>							
		--	--	-0.33%	0.71%	1.47%	2.10%
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	-0.80%	-0.74%	0.83%	1.60%
<i>PB: Bloomberg Aggregate Bond Index</i>							
		--	--	-0.84%	-0.94%	0.77%	1.52%
FRS Core Plus Bond Fund (310)	Active	\$1.90	\$19	-0.10%	1.14%	1.67%	--
<i>PB: FRS Custom Core Plus Fixed Income Index</i>							
		--	--	-0.41%	0.99%	1.37%	--
U.S. STOCK FUNDS							
<i>PB: Investment Plan Total U.S. Equities Index</i>							
		--	--	8.21%	18.84%	10.51%	11.77%
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	8.40%	19.01%	11.44%	12.41%
<i>PB: Russell 3000 Index</i>							
		--	--	8.39%	18.95%	11.39%	12.34%
FRS U.S. Stock Fund (340) ⁵	Active	\$3.50	\$36	9.05%	22.26%	8.79%	--
<i>PB: Russell 3000 Index</i>							
		--	--	8.39%	18.95%	11.39%	--
FOREIGN AND GLOBAL STOCK FUNDS							
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>							
		--	--	3.00%	13.75%	4.63%	6.22%
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	2.58%	12.73%	3.72%	5.33%
<i>PB: MSCI ACWI ex US IMI Index</i>							
		--	--	2.38%	12.47%	3.38%	5.01%
FRS Foreign Stock Fund (220)	Active	\$4.60	\$47	2.16%	15.80%	4.29%	6.30%
<i>PB: MSCI ACWI ex US Index</i>							
		--	--	2.44%	12.72%	3.52%	4.90%
FRS Global Stock Fund (210)	Active	\$4.10	\$42	6.30%	19.56%	10.16%	11.18%
<i>PB: MSCI All Country World Index</i>							
		--	--	6.18%	16.53%	8.10%	8.75%

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](https://www.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.

Legislative Roundup (continued from page 1)

House Bill 1121 (Chapter No. 2023-316, Laws of Florida) – This bill amends the definition of termination in s. 121.021(39), Florida Statutes, for clarity and provides authority for FRS employers to establish a post-employment volunteer program that allows retirees to provide civic, charitable, and humanitarian services during the first 12 calendar months following retirement without causing the retiree to violate the termination requirements. These volunteer programs must meet specified criteria. A definition of “volunteer services” is also created in s. 121.021(65), Florida Statutes.

Senate Bill 110 (Chapter No. 2023-111, Laws of Florida) – This bill, effective May 24, 2023, makes the following retirement changes:

- Clarifies that benefits cannot be paid to a member of the Investment Plan who has been charged with or convicted of specific offenses; and
- Permits a waiver of the requirement that a member of the Investment Plan who wishes to designate a non-spouse as their beneficiary receive an acknowledgement of that designation from their spouse.

To keep up with legislation, visit [MyFRS.com](https://www.myfrs.com) and click “**Legislation**” in the “Recent News Articles” box.



New Retirement Date Fund Added to Lineup

Effective July 1, 2023, the Investment Plan expanded its Retirement Date Funds to include the FRS 2065 Retirement Date Fund (2065). This new fund is best suited for FRS members who currently have more than 45 years before reaching their FRS normal retirement age or before they retire and begin taking distributions.

Retirement Date Funds invest in a diversified portfolio of other Investment Plan funds and the mix of funds is based on your anticipated retirement date. The mix of investments in Retirement Date Funds adjusts from growth-focused to more conservative investments as the target date gets closer, with a goal of protecting the retirement nest egg you’ve built.

Inflation’s Impact on Retirement Planning

Most of us tend to think inflation means prices are going up, but inflation can have longer-term effects on our finances, including retirement planning. Consider taking these actions to help offset the effects of inflation.

If you are on the verge of retiring or in retirement, inflation can have a significant impact on your plans. It may cause you to delay retiring for a year or two to compensate for the increase in costs. If you’re retired, you may consider working part-time to help supplement your retirement income. If you are in your working years, you may need to increase your personal savings amounts – slightly if you have 20 or more years until retirement and as much as 5% if you plan to retire sooner.

It’s worth noting that when inflation goes up, interest rates typically go up too. And when interest rates rise, bond funds usually don’t perform as well. Even if you’re already retired, the investments recommended by the online GuidedChoice Advisor Service may not change much, if at all. That’s because your retirement planning is intended to take you to and through retirement. The service has already considered the anticipated range of interest rates when calculating your investment recommendations.

For help planning for retirement, log in to the GuidedChoice Advisor Service on [MyFRS.com](https://www.myfrs.com) or call the EY financial planners via the MyFRS Financial Guidance Line at 1-866-446-9377, Option 2 (TRS 711).

Multi-Factor Authentication Boosts MyFRS.com Security

In August 2021, we began offering multi-factor authentication (MFA) on MyFRS.com as a security option for existing members and requiring it for all new registrations, profile resets, and PIN reminder requests.

Beginning January 1, 2024, all accounts on MyFRS.com will be required to utilize MFA.

By requiring you to log in with a random, six-digit code sent via email or text message, your account will have an added layer of security.



Annual Fee Disclosure Statement

The Annual Fee Disclosure Statement for the Investment Plan (which will be updated for 2023 in mid-July) provides information concerning the Investment Plan's structure, administrative and individual expenses, and investment funds, including performance, benchmarks, fees, and expenses. It is written in simple terms to help you make better investment decisions. You can find the statement in the "Investment Funds" section on [MyFRS.com](https://www.myfrs.com/pdf/forms/Annual_Fee_Disclosure_Statement.pdf) (https://www.myfrs.com/pdf/forms/Annual_Fee_Disclosure_Statement.pdf). You also can request electronic delivery to your [MyFRS.com](https://www.myfrs.com) Secured Participant Mailbox or have a printed copy mailed at no cost by calling the MyFRS Financial Guidance Line at 1-866-446-9377, Option 4.

Two Ways to Protect Your Retirement Income

Lifetime income guarantees and qualified longevity annuity contracts (QLACs) are two solutions from MetLife that allow you to convert some or all of your Investment Plan balance during retirement into payments to you for your lifetime or payments to your survivor after your death.

The quotes below assume a \$100,000 Investment Plan balance on June 30, 2023, for a 65-year-old female. Joint & Survivor payments assume the designated survivor is a 65-year-old spouse. 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	\$636	\$1,472
Joint & Survivor — lifetime payments to you that continue to your survivor after your death	\$553	\$1,117

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

Attend Our Free Financial Planning Workshops

The following live workshops are free and unlimited for FRS members. You may attend as many workshops as you wish, either in person in Tallahassee or via Zoom.

You must register separately for each workshop you plan to attend.

October 2	Social Security and Your Retirement	10:00 a.m. to noon
October 2	Understanding Your Benefits under the FRS Pension Plan	1:00 to 3:00 p.m.
October 3	Nearing Retirement in the FRS	10:00 a.m. to noon
October 3	Group Health Insurance (state employees only)	1:00 to 3:00 p.m.
ALL TIMES ARE ET		

To Register

By phone (in-person or Zoom):

1-866-446-9377, Option 2

Online (Zoom only):

- Go to the workshop calendar at https://myfrs.com/WorkshopCalendar.htm#____employee.
- Locate the employee workshop you want to attend via Zoom, then register.
- You will receive a confirmation email after registration and a reminder email the day before the webinar.