

# INVESTMENT PLAN

## Quarterly Newsletter

Fourth Quarter, October 2018



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### 3 Ways You Can Help Keep Your Investment Plan Account Safe

Your Investment Plan account may be your single largest financial asset, which makes it an attractive target for security invasion and theft.

The Florida Retirement System (FRS) considers the protection of your data, privacy, and finances of the utmost importance. Here are three things you can do to help protect your account.

1. Review all communications addressed to you from the Investment Plan Administrator.

Following certain types of account activities, such as an address change, a request for a withdrawal, a password change, or a change in your contact information, you'll receive a confirmation letter. These confirmations help the FRS ensure you initiated these activities. If you receive any communication or confirmation for activities you did not initiate, contact the Investment Plan Administrator immediately at 1-866-446-9377 (toll-free), Option 4 (TRS 711).

2. Use a strong password and keep it safe.

Here are some password tips from the U.S. Department of Homeland Security:

- Don't use the same password for multiple systems or accounts.
- Don't use passwords based on personal information that can be easily accessed.
- Consider using a password manager program to track your passwords.
- Don't write down your passwords or share them with anyone.

3. Keep the contact information associated with your Investment Plan account up to date.

This way, we can reach you quickly if updates are made to your account, and you can verify the accuracy of those updates.

#### For More Password Tips

Visit the United States Computer Emergency Readiness Team website at [us-cert.gov/ncas/tips/ST04-002](http://us-cert.gov/ncas/tips/ST04-002).

#### Questions About Account Security?

If you need additional information or have any questions at all, you may contact the Investment Plan Administrator at 1-866-446-9377 (toll-free), Option 4 (TRS 711). Representatives are available to assist you between 9:00 a.m. and 8:00 p.m. ET, Monday through Friday.

# 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 <https://www.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 September 30, 2018

	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>	--	--	--	3.17%	8.81%	7.49%	7.28%
<i>PB: Investment Plan Total Index</i>		--	--	3.10%	8.16%	7.16%	6.81%
<b>RETIREMENT DATE FUNDS</b>	--	--	--	2.41%	6.71%	8.04%	--
<i>PB: Total Retirement Custom Index</i>		--	--	2.28%	6.30%	7.80%	--
FRS 2060 Retirement Date Fund (2060) <sup>4</sup>	Active	\$1.10	\$11	3.34%	8.82%	7.77%	--
<i>PB: 2060 Retirement Custom Index</i>		--	--	3.29%	8.61%	8.33%	--
FRS 2055 Retirement Date Fund (2055)	Active	\$1.10	\$11	3.34%	8.82%	7.77%	--
<i>PB: 2055 Retirement Custom Index</i>		--	--	3.29%	8.61%	8.33%	--
FRS 2050 Retirement Date Fund (2050)	Active	\$1.10	\$11	3.36%	8.87%	8.62%	--
<i>PB: 2050 Retirement Custom Index</i>		--	--	3.29%	8.61%	8.33%	--
FRS 2045 Retirement Date Fund (2045)	Active	\$1.10	\$11	3.24%	8.66%	8.56%	--
<i>PB: 2045 Retirement Custom Index</i>		--	--	3.17%	8.42%	8.29%	--
FRS 2040 Retirement Date Fund (2040)	Active	\$1.10	\$11	3.08%	8.25%	8.37%	--
<i>PB: 2040 Retirement Custom Index</i>		--	--	2.98%	7.91%	8.03%	--
FRS 2035 Retirement Date Fund (2035)	Active	\$1.30	\$13	2.81%	7.74%	8.09%	--
<i>PB: 2035 Retirement Custom Index</i>		--	--	2.70%	7.26%	7.64%	--
FRS 2030 Retirement Date Fund (2030)	Active	\$1.50	\$15	2.48%	6.91%	7.38%	--
<i>PB: 2030 Retirement Custom Index</i>		--	--	2.37%	6.51%	7.07%	--
FRS 2025 Retirement Date Fund (2025)	Active	\$1.70	\$17	2.13%	6.16%	6.58%	--
<i>PB: 2025 Retirement Custom Index</i>		--	--	1.97%	5.65%	6.28%	--
FRS 2020 Retirement Date Fund (2020)	Active	\$1.80	\$18	1.66%	5.07%	5.62%	--
<i>PB: 2020 Retirement Custom Index</i>		--	--	1.47%	4.59%	5.38%	--
FRS 2015 Retirement Date Fund (2015)	Active	\$1.90	\$19	1.22%	4.15%	4.68%	--
<i>PB: 2015 Retirement Custom Index</i>		--	--	1.08%	3.70%	4.48%	--
FRS Retirement Fund (2000)	Active	\$1.90	\$19	1.11%	3.78%	4.22%	--
<i>PB: Retirement Custom Index</i>		--	--	0.98%	3.38%	4.11%	--
<b>MONEY MARKET FUND</b>							
FRS Money Market Fund (60)	Active	\$0.61	\$6	0.56%	1.88%	0.75%	0.53%
<i>PB: iMoneyNet Money Fund Average</i>		--	--	0.48%	1.52%	0.50%	0.41%
<b>MULTI-ASSETS FUND</b>							
FRS Inflation Adjusted Multi-Assets Fund (300)	Active	\$4.50	\$46	-0.36%	2.62%	1.42%	--
<i>PB: FRS Custom Multi-Assets Index</i>		--	--	-0.74%	2.14%	1.52%	--

# INVESTMENT PLAN Quarterly Newsletter

## Performance Summary as of September 30, 2018 — 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>							
<i>PB: Investment Plan Total Bond Index</i>							
FRS U.S. Bond Enhanced Index Fund (80)	Passive	\$0.50	\$5	0.06%	-1.17%	2.28%	3.96%
<i>PB: Barclays Capital Aggregate Bond Index</i>							
FRS Intermediate Bond Fund (90)	Active	\$1.20	\$12	0.32%	-0.79%	1.85%	3.78%
<i>PB: Barclays Capital Intermediate Aggregate Bond Index</i>							
FRS Core Plus Bond Fund (310)	Active	\$2.40	\$24	0.49%	-0.24%	3.17%	--
<i>PB: FRS Custom Core Plus Bond Index</i>							
<b>U.S. STOCK FUNDS</b>							
<i>PB: Investment Plan Total U.S. Equities Index</i>							
FRS U.S. Stock Market Index Fund (120)	Passive	\$0.20	\$2	7.12%	17.61%	13.56%	12.10%
<i>PB: Russell 3000 Index</i>							
FRS Large Cap Stock Fund (320)	Active	\$2.80	\$28	6.58%	18.77%	13.95%	--
<i>PB: Russell 1000 Index</i>							
FRS Small/Mid Cap Stock Fund (330)	Active	\$5.80	\$60	5.11%	17.12%	12.88%	--
<i>PB: Russell 2500 Index</i>							
<b>FOREIGN AND GLOBAL STOCK FUNDS</b>							
<i>PB: Investment Plan Total Foreign/Global Equities Index</i>							
FRS Foreign Stock Index Fund (200)	Passive	\$0.30	\$3	0.44%	2.12%	4.79%	5.47%
<i>PB: MSCI ACWI ex US IMI Index</i>							
FRS Foreign Stock Fund (220)	Active	\$4.90	\$50	-0.84%	1.47%	6.20%	6.86%
<i>PB: MSCI ACWI ex US Index</i>							
FRS Global Stock Fund (210)	Active	\$4.90	\$50	3.92%	13.83%	11.28%	10.84%
<i>PB: MSCI All Country World Index</i>							

<sup>1</sup> 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.

<sup>2</sup> Fees and expenses are only two 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.

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.

## Thinking About a 2<sup>nd</sup> Election?

The 2<sup>nd</sup> Election Choice Service can help you with this important decision by letting you compare customized benefit estimates from both plans based on your own assumptions about your salary growth and your age at retirement. You can use the 2<sup>nd</sup> Election Choice Service as often as you like — at no cost to you — until you make an election to change plans.

The 2<sup>nd</sup> Election Choice Service is powered by Alight Solutions, the Investment Plan Administrator and provider of communication consulting services to the MyFRS Financial Guidance Program. To access the 2<sup>nd</sup> Election Choice Service, log in to MyFRS.com.

## Changing to the Pension Plan Could Cost You

Depending on your circumstances, you may have to buy into the Pension Plan using your own money, and the change can have long-term financial implications. In addition to using the 2<sup>nd</sup> Election Choice Service, call the MyFRS Financial Guidance Line to be sure you fully understand the implications, requirements, and potential cost of a 2<sup>nd</sup> Election.

## 2<sup>nd</sup> Election Form Now Available Online

With the new EZ 2<sup>nd</sup> Election Retirement Plan Enrollment Form, you can now make a 2<sup>nd</sup> Election without logging in to MyFRS.com or sending hard copies by mail or fax. If submitted before 4:00 p.m. ET, requests made online using the new form will be processed the same evening.

The 2<sup>nd</sup> Election is a one-time opportunity to change from the Investment Plan to the Pension Plan. To learn more or to get free unbiased help with determining whether a 2<sup>nd</sup> Election is right for you:

- Call the MyFRS Financial Guidance Line: 1-866-446-9377 (toll-free), Option 1 (TRS 711). Speak with an EY financial planner, who can provide personalized information based on your individual situation.
- Download this flyer from MyFRS.com: [Is a 2<sup>nd</sup> Election Right for You?](#)
- Log in to MyFRS.com and select the “2<sup>nd</sup> Election Choice Service.”

## 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 (toll-free), Option 4 (TRS 711).

## Are You Investing Correctly?

Studies show that individuals who receive professional investment advice do better than those investing on their own. With the Advisor Service, you will receive a personalized investment plan to reach your retirement goals, and you can have the confidence that professionals are behind you all the way. Better yet, it's free! Just log in to MyFRS.com and click “Advisor Service” to see what they recommend for you.

## Deadline for Requesting 2018 Tax Year Distributions

The deadline for requesting an Investment Plan distribution that will be considered a 2018 tax year distribution is 4:00 p.m. ET on December 24, 2018. Any distribution requested after this deadline will be processed for the 2019 tax year.

## 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). Just click "Chat" on the MyFRS.com homepage.

## How Much Fund Trading Is Too Much?

To find out, review the [Excessive Fund Trading Guidelines](#) available in the "Investment Funds" section on MyFRS.com.

## 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 Investment Plan balance would pay you:

#### Single Life

**\$543\* monthly**

payments for life beginning at age 65; upon death, payments would cease

OR

#### Joint & Survivor

**\$458\* monthly**

payments for life beginning at age 65; upon death, payments of \$458\* 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 (toll-free), 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 Investment Plan balance would pay you:

#### Single Life

**\$1,173\* monthly**

payments for life beginning at age 75; upon death, payments would cease

OR

#### Joint & Survivor

**\$862\* monthly**

payments for life beginning at age 75; upon death, payments of \$862\* would continue to your survivor for life

\* Quotes are based on \$100,000 premium as of September 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.

## Have You Visited MyFRS.com Lately?

MyFRS.com gives you access to valuable online tools like the Advisor Service, 2<sup>nd</sup> Election Choice Service, and your Investment Plan account. If you're logging in for the first time, you can get started by visiting the Registration page. You'll be asked to enter the last 4 digits of your Social Security number, your 6-digit PIN, and your date of birth. If you need help logging in, call the MyFRS Financial Guidance Line toll-free at 1-866-446-9377, Option 2 (TRS 711).