FPL GROUP INC
Form 11-K
June 22, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-8841

FPL Group Employee Retirement Savings Plan
(Full title of the plan)

FPL GROUP, INC.
(Name of issuer of the securities held pursuant to the plan)

700 Universe Boulevard
Juno Beach, Florida 33408
(Address of principal executive office)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Participants and the Employee Benefit Plans
Administrative Committee
FPL Group Employee Retirement Savings Plan
Juno Beach, Florida

We have audited the accompanying statements of net assets available for benefits of FPL Group Employee Retirement Savings Plan (the Plan) as of December 31, 2008, and 2007 and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008, and 2007, and the changes in net assets available for benefits for the year ended December 31,2008 in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2008 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic 2008 financial statements taken as a whole.

Crowe Horwath LLP
Columbus, Ohio
June 19, 2009

FPL GROUP EMPLOYEE RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

		December 31, 2008		
		Nonparticipant-Directed		
	Participant-Directed	Allocated	Unallocated	Total
ASSETS				
Participant-directed investments	$ 1,160,917,548	$ -	$ -	$ 1,160,917,548
Nonparticipant-directed investments (Leveraged ESOP)	-	298,604,123	250,663,727	549,267,850
Total investments, at fair value	1,160,917,548	298,604,123	250,663,727	1,710,185,398
Accrued interest receivable	-	-	547	547
Total assets, reflecting interest in assets of Master Trust	1,160,917,548	298,604,123	250,664,274	1,710,185,945
LIABILITIES				
Leveraged ESOP Note:				
Current	-	-	13,306,794	13,306,794
Non-current	-	-	115,448,391	115,448,391
Interest payable - Leveraged ESOP	-	-	415,879	415,879
Total liabilities, reflecting interest in liabilities of Master Trust	-	-	129,171,064	129,171,064
Interest in net assets of Master Trust, reflecting all investments at fair value	1,160,917,548	298,604,123	121,493,210	1,581,014,881
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(4,429,081)	-	-	(4,429,081)
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,156,488,467	$ 298,604,123	$ 121,493,210	$ 1,576,585,800

		December 31, 2007		
		Nonparticipant-Directed		
	Participant-Directed	Allocated	Unallocated	Total
ASSETS				
Participant-directed investments	$ 1,549,010,626	$ -	$ -	$ 1,549,010,626
Nonparticipant-directed investments (LESOP)	-	393,034,187	383,238,613	776,272,800
Total investments, at fair value	1,549,010,626	393,034,187	383,238,613	2,325,283,426
Accrued interest receivable	-	-	1,263	1,263
Total assets, reflecting interest in assets of Master Trust	1,549,010,626	393,034,187	383,239,876	2,325,284,689
LIABILITIES				
Leveraged ESOP Note:				
Current	-	-	550,903	550,903
Non-current	-	-	136,337,304	136,337,304

Interest payable - Leveraged ESOP	-	-	442,149	442,149
Total liabilities, reflecting interest in liabilities of Master Trust	-	-	137,330,356	137,330,356
Interest in net assets of Master Trust, reflecting all investments at fair value	1,549,010,626	393,034,187	245,909,520	2,187,954,333
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(1,320,988)	-	-	(1,320,988)
NET ASSETS AVAILABLE FOR BENEFITS	$ 1,547,689,638	$ 393,034,187	$ 245,909,520	$ 2,186,633,345

The accompanying Notes to the Financial Statements are an integral part of these statements.

FPL GROUP EMPLOYEE RETIREMENT SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Nonparticipant-Directed		
	Participant-Directed	Allocated	Unallocated	Total
ADDITIONS				
Participant contributions	$ 78,280,980	$ -	$ -	$ 78,280,980
Allocation of Leveraged ESOP shares (see Note 3)	-	29,163,087	-	29,163,087
Transfer from nonparticipant directed investments	14,569,116	-	-	14,569,116
Increase in Leveraged ESOP unallocated account (see Note 3)	-	-	11,753,794	11,753,794
Net investment loss:				
Net investment loss in participation in Master Trust, at fair value	(374,425,901)	(90,229,903)	-	(464,655,804)
Total additions	(281,575,805)	(61,066,816)	11,753,794	(330,888,827)
DEDUCTIONS				
Benefit payments to participants and beneficiaries	112,580,494	18,728,914	-	131,309,408
Transfer to participant directed investments	-	14,569,116	-	14,569,116
Decrease in Leveraged ESOP unallocated account (see Note 3)	-	-	136,170,104	136,170,104
Administrative expenses	92,309	24,080	-	116,389
Total deductions	112,672,803	33,322,110	136,170,104	282,165,017

Transfers to/(from) the Plan, net	3,047,437	(41,138)	-	3,006,299
NET DECREASE	(391,201,171)	(94,430,064)	(124,416,310)	(610,047,545)
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2007	1,547,689,638	393,034,187	245,909,520	2,186,633,345
NET ASSETS AVAILABLE FOR BENEFITS AT DECEMBER 31, 2008	$ 1,156,488,467	$ 298,604,123	$ 121,493,210	$ 1,576,585,800

The accompanying Notes to the Financial Statements are an integral part of these statements.

FPL GROUP EMPLOYEE RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2008

1. Description of the Plan

The following description of the FPL Group Employee Retirement Savings Plan (the Plan) provides only general information. Participating employees (Participants) should refer to the Summary Plan Description available in their employee handbook (as updated periodically through Summaries of Material Modifications) or the Plan Prospectus for a more complete description of the Plan.

General

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Participation in the Plan is voluntary. Non-bargaining employees of FPL Group, Inc. (the Company or FPL Group) and its subsidiaries are eligible to participate in the Plan on the first day of the month coincident with the completion of one full month of service with the Company or certain of its subsidiaries or on the first day of any payroll period thereafter, except that the non-bargaining employees of Gexa Energy LP (Gexa Energy) did not become eligible until April 1, 2007. In September 2007, the Company acquired the Point Beach nuclear facility and as a result participants in the Nuclear Management Company, LLC 401(k) Savings Plan were eligible to make a voluntary rollover into the Plan. The Plan includes a cash or deferred compensation arrangement (Pretax Option) permitted by Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code). The Pretax Option permits Participants to elect to defer federal income taxes on all or a portion of their contributions (Pretax Contributions) until such contributions are distributed from the Plan. Under current tax law, the annual limitation on Pretax Contributions for the 2008 Plan year was $15,500. The Pretax Contribution limit increased in 2009 to $16,500. In addition, individuals age 50 or older who contributed the maximum allowable under the Pretax Option in the Plan have the option of contributing up to an additional $5,000 annually in Pretax Contributions in 2008, increased to $5,500 in 2009.

The Plan also includes leveraged employee stock ownership plan (Leveraged ESOP) provisions. The Leveraged ESOP is a stock bonus plan within the meaning of U.S. Treasury Regulation Section 1.401-1(b)(1)(iii) that is qualified under Section 401(a) of the Code and is designed to invest primarily in the common stock, par value $.01 per share, of FPL Group (Company Stock). Pursuant to the Leveraged ESOP, the Master Trust for Retirement Savings Plans of FPL Group, Inc. and Affiliates (Master Trust) purchased Company Stock from the Company using the proceeds of a loan (Acquisition Indebtedness) from FPL Group Capital Inc (FPL Group Capital), a subsidiary of FPL Group. The Company Stock acquired by the Master Trust is initially held in a separate account (Leveraged ESOP Account). As the Acquisition Indebtedness (including interest) is repaid, Company Stock is released from the Leveraged ESOP Account and allocated to Plan Participants.

The Plan has a Dividend Payout Program which enables Participants to choose how their dividends on certain shares of Company Stock held in the Plan are to be paid. The options available to Participants include reinvestment of dividends in Company Stock, distribution of dividends in cash, or a partial cash distribution with the balance reinvested in Company Stock. Dividends on Company Stock held in the Leveraged ESOP do not qualify under this program.

Trustee

Fidelity Management Trust Company (Trustee) administers the Master Trust established to hold the assets and liabilities of the Plan and the FPL Group Bargaining Unit Employee Retirement Savings Plan (Bargaining Plan) (collectively, the Master Trust Plans).

Administration of the Plan

The Plan is intended to qualify as a participant-directed account plan under Section 404(c) of ERISA. The Employee Benefit Plans Administrative Committee (as appointed by the Employee Benefits Advisory Committee of the Company) is the named fiduciary responsible for the general operation and administration of the Plan (but not management or control of Plan assets), and the Employee Benefit Plans Investment Committee (as appointed by the Employee Benefits Advisory Committee of the Company) is the named investment fiduciary, but is not directly responsible for the management and control of the Plan assets. The Employee Benefits Advisory Committee acts on behalf of the Company as the Plan sponsor, as defined by ERISA. Fidelity Investments Institutional Operations Company (Fidelity) provides recordkeeping services with respect to the Plan.

Employee Contributions

The Plan allows for combined pre-tax and after-tax contributions by eligible employees in whole percentages of up to 50% of their eligible earnings, as defined by the Plan. Pre-tax contributions are subject to limitations under the Code. Any participant who has attained age 50 by the end of the Plan year may make catch-up contributions in accordance with Code Section 414(v). As of December 31, 2008, Participants could elect to invest in any combination of the 23 different investment options offered under the Plan. Participants may change their investment elections daily, subject to Fidelity's excessive trading policy and the Plan's limitations on investments in Company Stock.

Employer Contributions

The table below presents the employer contribution formula for the various Participant groups covered by the Plan.

Participant Group	Benefit
FPL Group and subsidiaries Non-Bargaining Employees, not listed below	100% on the first 3% of employee contribution

	50% on the next 3% of employee contribution 25% on the next 1% of employee contribution
NextEra Energy Seabrook, LLC (formerly known as FPL Energy Seabrook, LLC) Transition Employees	100% on the first 3% of employee contribution
NextEra Energy Duane Arnold, LLC (formerly known as FPL Energy Duane Arnold, LLC) Transition Employees and NextEra Energy Point Beach, LLC (formerly known as FPL Energy Point Beach, LLC) Transition Employees	100% on the first 3% of employee contribution 50% on the next 2% of employee contribution

Company matching contributions are made in the form of Company Stock through allocation of shares held in suspense in the Leveraged ESOP Account. The Company makes cash contributions for the difference between the dividends on the shares acquired by the Leveraged ESOP Account and the required principal and interest payments on Acquisition Indebtedness. During 2008, the Plan was allocated a Company cash contribution of $1,723,323 (see Note 3). Contributions are subject to certain limitations.

Forfeitures

Forfeitures of non-vested Company matching contributions due to termination of employment may be used to restore amounts previously forfeited or to reduce the amount of future Company matching contributions to the Plan or may be applied to administrative expenses. At December 31, 2008 and 2007, the balance of the forfeiture account was $4,374,160 and $3,534,197, respectively. Forfeitures applied to administrative fees in 2008 totaled approximately $190,000.

Vesting

Participants are immediately 100% vested in employee contributions. NextEra Energy Seabrook, LLC non-bargaining transition employees, NextEra Energy Duane Arnold, LLC non-bargaining transition employees and NextEra Energy Point Beach, LLC non-bargaining transition employees are fully vested immediately in Company matching contributions. For employees of NextEra Energy Maine Operating Services LLC (formerly known as FPL Energy Maine Operating Services, LLC) hired prior to August 1, 2006, Company matching contributions are fully vested upon attaining six months of service. For all others, Company matching contributions vest at a rate of 20% each year of service and are fully vested upon a Participant attaining five years of service. Under certain circumstances, an employee may also receive vesting credit for prior years of service with the Company or any of its subsidiaries.

Participant Loans

Each Participant may borrow from his or her account a minimum of $1,000 up to a maximum of $50,000 or 50% of the vested value of the account (reduced by prior loans), whichever is less. The vested portion of a Participant's account will be pledged as security for the loan. The annual rate of interest on Participant loans is fixed and takes into account the prime rate at the time of origination of the loan. The interest rate for Participant loans is fixed and ranged from 4.00% to 9.25% for loans outstanding at December 31, 2008. The maturity dates for loans outstanding at December 31, 2008 ranged from 2009 through 2013.

Benefit Payments and Withdrawals

Withdrawals by Participants from their accounts during their employment are permitted with certain penalties and restrictions. The penalties may limit a Participant's contributions to the Plan for varying periods following a withdrawal. Upon termination from employment, Participants are eligible to receive a distribution of the full value of their vested account balance. Terminated Participants can elect to receive a full payment, partial payments or installments over a period of up to ten years.

Transfers to (from) the Plan generally represent net transfers between the Plan and the Bargaining Plan as well as transfers into the Plan resulting from plan mergers. The majority of transfers arise as a result of Participants transferring between bargaining unit and non-bargaining unit positions while employed by FPL Group and its affiliated companies.

Administrative Expenses

The Company pays a portion of the administrative expenses of the Plan. All other expenses are paid directly by the Plan or through forfeitures or through revenue sharing that the Plan receives either directly or indirectly from certain of the Plan's investment options. Any fees paid directly by the Company are not included in the financial statements.

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, Participants will become 100% vested in their accounts.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Investment income and interest income on loans to Participants are recognized when earned. Dividends are recorded on the ex-dividend date. Distributions to Participants are recorded when paid.

New Accounting Pronouncements

The Fair Value Option for Financial Assets and Financial Liabilities - In February 2007, the Financial Accounting Standards Board (FASB) issued Financial Accounting Standards No. (FAS) 159,"The Fair Value Option for Financial Assets and Financial Liabilities". The standard provides reporting entities with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between reporting entities that choose different measurement attributes for similar types of assets and liabilities. The Plan did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

Fair Value Measurements - In April 2009, the FASB issued FASB Staff Position (FSP) FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (FSP FAS 157-4). FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FAS 157, “Fair Value Measurements” (FAS 157), when the volume and level of activity for the asset or liability have significantly decreased. It also includes guidance on identifying circumstances that indicate a transaction is not orderly. The FSP also requires increased disclosures. This FSP is effective for annual reporting periods after June 15, 2009, and shall be applied prospectively. The adoption of FSP FAS 157-4 is not expected to have a material effect on the Plan’s financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Effective January 1, 2008 the Plan adopted FAS 157 which clarifies how to measure fair value and requires expanded fair value measurement disclosures. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy intended to disclose information about the relative reliability of fair value measurements, with the highest priority being quoted prices in active markets for identical assets and liabilities. FAS 157 was effective January 1, 2008 for financial assets and liabilities and any other fair value measurements made on a recurring basis and on January 1, 2009 for non-financial assets and liabilities that are not remeasured on a recurring basis. The adoption of the recognition provisions of FAS 157 did not have a material effect on the Plan's financial statements.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of the Plan's interest in the Master Trust is based on the beginning of year value of the Plan's interest in the Master Trust plus actual contributions and allocated investment income less actual distributions and expenses. The underlying investments of the Master Trust are valued at fair value.

The following reflect the valuation methodologies and inputs used to determine the fair value of the investments held by the Master Trust. Investments in shares of registered investment companies (mutual funds) are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year end. Investments in shares of money market mutual funds are stated at the net asset value of shares held by the Plan at year-end. Company Stock and other common stock are valued at their quoted market price. Participation units of common collective trust funds are stated at their quoted redemption value on the last business day of the Plan year as reported by the investment managers.

The FPL Managed Income Fund holds synthetic guaranteed investment contracts (see Note 6 – FPL Managed Income Fund) with banks and insurance companies in order to provide Participants with stable, fixed-rate return of investment and protection of principal from changes in market interest rates. Wrapper contracts provide the FPL Managed Income Fund with the ability to use contract value accounting to maintain a constant $1 unit price. Wrapper contracts also provide for the payment of Participant- directed withdrawals and exchanges at contract value (principal and interest accrued to date) during the term of the wrapper contracts. However, withdrawals prompted by certain events (e.g., layoffs, early retirement windows, spin-offs, sale of a division, facility closings, plan terminations, partial plan terminations, changes in law or regulation, etc.) may be paid at market value which may be less than contract value. The FPL Managed Income Fund is valued at estimated fair value based on the fair value of the underlying investments of the contracts, primarily debt securities, and the fair value of the wrapper contracts. Debt, asset-backed and mortgage-backed securities are valued at their most recent bid prices (sales prices if their principal market is an exchange) in the principal market in which such securities are traded, as determined by recognized dealers in such securities, or are valued on the basis of information provided by a pricing service. Investments in wrapper contracts are valued at fair value using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate, and the duration of the underlying portfolio of securities. For 2008 and 2007, the fair value of the wrapper contracts was not material. The contracts are unallocated in nature and are fully benefit-responsive. Therefore, net assets available for benefits reflects the Plan's interest in the contract value of the

FPL Managed Income Fund because the Plan's allocable share of the difference between fair value and contract value for this investment is presented as a separate adjustment in the statement of net assets available for benefits. Contract value represents cost plus contributions made under the contracts plus interest at the contract rates less withdrawals and administrative expenses. If the funds in the guaranteed investment contracts are needed for benefit payments prior to contract maturity, they may be withdrawn without penalty.

Participant loans are valued at their outstanding balances at year-end, which approximates fair value.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility, which could result in changes in the value of such securities. Due to the level of risk associated with certain types of investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect Participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

Purchases and sales of investment securities are recorded on the trade date. Gains or losses on sales of investment securities are determined using the average cost method of the securities. The carrying amounts of securities held in Participant accounts are adjusted daily; securities held in the Leveraged ESOP Account are adjusted daily. Unrealized appreciation or depreciation is recorded to recognize changes in market value.

3. Leveraged Employee Stock Ownership Plan (Nonparticipant-Directed Unallocated)

The Plan's Leveraged ESOP provisions correspond to the Plan's interest in the Leveraged ESOP Account of the Master Trust. The Leveraged ESOP Account of the Master Trust holds unallocated Company Stock that was purchased by the Master Trust on behalf of the Plan and the Bargaining Plan and the associated Acquisition Indebtedness. The Leveraged ESOP Account is allocated to each of the Master Trust Plans for financial reporting purposes proportionately based on each Master Trust Plan's relative end-of-year net assets excluding the net assets of the Leveraged ESOP Account. The Plan's allocation of Company Stock held in the Leveraged ESOP Account, accrued interest receivable, Acquisition Indebtedness and interest payable have been reflected in the statements of net assets available for benefits, but the entire balance of the Leveraged ESOP Account reflects amounts which are not yet allocated to Participant accounts. Company Stock will be released from the Leveraged ESOP Account and allocated to accounts of Participants at the fair value of the shares on the date of the allocation in satisfaction of part or all of the Company's matching contribution requirement under the Plan as the Acquisition Indebtedness is repaid. The Acquisition Indebtedness will be repaid from dividends on the shares held by the Leveraged ESOP Account, as well as from cash contributions from FPL Group. The net effect of a change in the allocation percentage from year to year is reported as a reallocation of the Leveraged ESOP Account. The value of the shares allocated to accounts of Participants under the Plan is not affected by these allocations.

Condensed financial information for the Leveraged ESOP Account is presented below, indicating the approximate allocations made to each Master Trust Plan. The net assets information below has been allocated to the Plan but not to the Plan Participants. The effect of 2008 Leveraged ESOP activity on net assets has been allocated to the Plan but not to the Plan Participants and is included in the financial statements of the Plan.

	December 31, 2008	
Total Leveraged ESOP Account		Plan