COMPREHENSIVE INVESTMENT PLAN
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: December 5, 2018

I. OVERVIEW

The Stanley G. Tate Florida Prepaid College Program (Program) was created pursuant to Section 1009.98, Florida Statutes, to provide a medium through which the cost of enrollment in a state postsecondary institution may be paid in advance at a rate lower than the projected corresponding cost at the time of actual enrollment. Payments are combined and invested in a manner that yields, at a minimum, sufficient earnings to generate the difference between the prepaid amount and the cost of enrollment. Program funds are held in the Florida Prepaid College Trust Fund (Fund), established by Section 1009.972, Florida Statutes, within the State Board or Administration. The Fund may be invested pursuant to Section 215.47, Florida Statutes. Pursuant to Section 1009.972(4), Florida Statutes, the Fund is exempt from the investment requirements of Section 17.57.

II. GOVERNANCE

The Program is administered by the Florida Prepaid College Board (Board) which was created pursuant to Section 1009.97, Florida Statutes.

In accordance with Section 1009.973, Florida Statutes, the Board has established this Comprehensive Investment Plan (CIP), subject to approval by the State Board of Administration. This CIP formally documents the investment policy and strategies employed by the Board to meet the projected Program liabilities.

The Board has the necessary powers and duties to carry out the provisions of Section 1009.97, Florida Statutes. This includes, but is not limited to, the responsibility to administer the Program in an actuarially sound manner to defray its obligations and invest funds not required for immediate disbursement in accordance with this CIP. The Board may delegate responsibility for administration of this CIP to a committee of the Board or to a person duly chosen by the Board.

The Executive Director serves at the pleasure of the Board as the chief administrative and operational officer of the Board. The Executive Director is responsible for managing and executing the investment and debt responsibilities of the Board. This includes developing and implementing Investment Guidelines, as approved by the Board, which reflect the goals and objectives of this CIP.

III. CONTRACTUAL RELATIONSHIPS

The Executive Director shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

Pursuant to Section 1009.971, Florida Statutes, the Board solicits proposals and contracts for investment consultant, trustee, and investment management services. The Board also contracts for actuarial services. There may be more than one provider for each service; their respective responsibilities are summarized below.

Actuary

The Actuary shall perform periodic valuations of the Program to determine actuarial soundness and provide projections for future asset and liability patterns. The Actuary also conducts special experience and other Program studies to support Program valuation assumptions and policy considerations.

Investment Consultant

The Investment Consultant shall review the performance of the Investment Managers and advise the Board on investment management, performance matters, portfolio design and structure, asset allocation issues, and investment policy, including the contents of this CIP and the Investment Guidelines.

Trustee

The Trustee is responsible for the safekeeping of Program investment assets and management of the securities lending program.

Pursuant to Section 1009.971(5)(c), the Trustee shall agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent selection or supervision of investment programs by the Trustee.

Investment Managers

The Board will hire duly qualified investment managers to carry out the daily investment responsibilities. Investment Managers will have investment discretion as to security selection within the requirements expressed in the CIP and Investment Guidelines.

The Investment Managers shall invest Program assets, as specified by the Board, with care, skill, prudence, and diligence. This includes promptly voting all proxies solicited in connection with securities under the investment manager's supervision and maintaining detailed records of the voting of proxies and related actions. The Investment Manager shall evidence superior performance while maintaining strict compliance with all applicable provisions of law and may exercise discretion within the bounds of this CIP and the Investment Guidelines.

Pursuant to Section 1009.971(5)(d), the Investment Manager shall:

- Be limited to authorized insurers as defined in Section 624.09, banks as defined in Section 658.12, associations as defined in Section 665.012, authorized Securities and Exchange Commission investment advisers, and investment companies as defined in the Investment Company Act of 1940.
- Have their principal place of business and corporate charter located and registered in the United States.
- Agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent investing by the Investment Manager.

IV. CONFLICTS OF INTEREST

The Board, its designees, and any service provider operating on behalf of the Board has a duty and obligation to disclose conflicts of interest. The Board shall require timely and sufficient disclosure of conflicts of interest that may exist between the Board, service providers, potential service providers, investments, potential investments, and other entities or transactions.

The Investment Consultant and the Trustee shall annually certify that no conflicts of interest exist relative to the services provided for the Program.

V. INVESTMENT OBJECTIVE AND STRATEGY

The principal objective of the Fund is to meet the projected liability obligations of the Program while earning incremental income on the funds that exceed the liabilities. To achieve this, the Fund is divided into two segments: Liability and Actuarial Reserve.

The liability segment employs a liability driven investment strategy that (1) mitigates the risk of funding status deficiency and (2) maintains appropriate liquidity to address projected Program liability cash flows.

The actuarial reserve segment is invested to seek incremental yield within appropriate risk levels.

VI. INVESTMENT GOALS

To support the Fund objective, the Board has established the following investment goals, listed in order of priority.

Safety
The primary investment priority is to position the Program to meet future liabilities. The Fund shall be maintained with sufficient diversification among security issues and market sectors such that the performance of one security or sector will not have an excessive impact on the Fund.

Liquidity
Program investments must provide adequate liquidity to meet the future liabilities of the Program. Consideration will be given to investment maturities, investment income, and fund receipts.

Yield
After meeting safety and liquidity requirements, the Board aims to maximize investment returns within appropriate levels of risk.

VII. COMPREHENSIVE INVESTMENT PLAN

The Comprehensive Investment Plan (CIP) includes the investment policies utilized by the Board in its administration of the Program. Investment policies included in the CIP provide direction intended to set the framework for the Program's investments. Per Section 1009.973, Florida Statutes, the CIP is subject to the approval of the State Board of Administration.

VIII. INVESTMENT GUIDELINES

Investment Guidelines are intended to set forth the specific investment strategies, limitations and targets necessary to implement the CIP. Investment Guidelines are subject to the approval of the Board.

IX. ASSET/LIABILITY STUDY

An asset/liability study shall be conducted at least once every five years. The asset/liability study will provide a fundamental review of the strategic relationship between the overall investment program and the liabilities for which they serve. The focus will be to provide the Board with the information required to manage the risk associated with the Prepaid Plan. It will relate the risk/reward trade-offs of various investment programs to the liabilities relative to the interest rate risk and tuition inflation scenarios. The process will guide the Board to an investment structure which balances the objective of surplus growth with the concern for surplus volatility.

X. ASSET ALLOCATION

Asset allocation refers to the strategic deployment of assets among investment types. Assets are allocated to Fund Segments to meet the primary investment goal of positioning the Fund to meet future liabilities.

The board may maintain up to 5% of the Funds balance in cash for operating purposes. The cash shall be invested in 2a7 (actual or like) money market vehicles such as Florida Prime or an equivalent sweep vehicle provided by the Trustee.

The remaining funds shall be allocated as follows:

Fund Segment	Allocation
Liability Segment	100% of Net Actuary projected Program liabilities
Actuarial Reserve Segment	Remaining funds

XI. LIABILITY SEGMENT

The Liability Segment is established to match participant payments and future investment returns with Program liabilities as projected by the Actuary. The segment allocation shall not be less than future Program liabilities, net of projected participant payments.

The Liability Segment shall utilize an immunized fixed income investment strategy which is reconstituted periodically using the liability profile determined by the Actuary.

<u>Authorized investment vehicles for the Liability Segment</u>:

Cash or Cash Equivalent – Maximum allocation 10% of the Liability Segment

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
4. Commercial paper of prime quality
    - Must be rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies – Maximum allocation 100% of the Liability Segment

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)
4. Agencies of the United States Government
    - Not restricted to full-faith and credit obligations

Municipal securities – Maximum allocation of 20% of the Liability Segment

1. General Obligation or Revenue bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Build America Bonds (BABs) are permitted, but limited to 10% of the Liability Segment
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Corporate debt obligations – Maximum allocation of 40% of the Liability Segment

1. Registered Bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

- Convertible securities are not permitted

2. 144(a) securities (with and without registration rights) are permitted
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities – Maximum allocation of 20% of the Liability Segment

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to real estate mortgage investment conduits
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Mortgage To Be Announced (TBA) securities
    - Requires a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities – Maximum allocation of 10% of the Liability Segment

1. Asset-backed securities
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Commercial Mortgage Backed Securities
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities – Maximum allocation of 10% of the Liability Segment

1. Supranational Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Sovereign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Foreign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Commingled Investment Funds

1. Exchange Traded Funds (ETF's) traded on domestic exchanges
    - Primarily invested in authorized investment vehicles for the Liability Segment
    - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
2. Commingled investment funds and mutual funds
    - Primarily invested in authorized investment vehicles for the Liability Segment

- Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement

Derivatives

1. The following uses of derivatives are authorized:
   - Substitute for physical securities
   - Duration management
   - Risk control

The Program does not engage in short selling of securities.

The Board approves the target allocation for the Liability Segment. Target allocations and benchmarks are set forth in the Investment Guidelines.

Securities included in an approved benchmark that are not specifically identified above are authorized with a limit of 2% above the benchmark weighting.

XII. ACTUARIAL RESERVE SEGMENT

Any amount in the Fund that exceeds the Liability Segment is the Actuarial Reserve Segment. The Actuarial Reserve Segment is invested to seek incremental yield within appropriate risk levels based on how the Program is operating. Items to consider are market conditions, tuition pricing, product offerings, etc.

<u>Authorized investment vehicles for the Actuarial Reserve Segment</u>:

Cash or Cash Equivalent

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
4. Commercial paper of prime quality
   - Must be rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)
4. Agencies of the United States Government without restriction to full-faith and credit obligations

Municipal securities

1. General Obligation or Revenue bonds.
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

2. Build America Bonds (BABs) are permitted, but limited to 10% of the Liability Segment
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Corporate debt obligations

1. Registered Bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. 144(a) securities (with and without registration rights) are permitted
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to real estate mortgage investment conduits
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Mortgage To Be Announced (TBA) securities.
    - Requires a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities

1. Asset-backed securities
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Commercial Mortgage Backed Securities
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities

1. Supranational Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Sovereign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Foreign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Common Stock

1. Domestic Equities
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
2. American Depositary Receipts
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
3. Foreign Equities
   - Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets

Commingled Investment Funds

1. Exchange Traded Funds (ETF's) traded on domestic exchanges,
   - Primarily invested in authorized investment vehicles for the Actuarial Reserve Segment
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
2. Commingled investment funds and mutual funds
   - Primarily invested in authorized investment vehicles for the Actuarial Reserve Segment
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement

Derivatives

1. The following uses of derivatives are authorized:
   - Substitute for physical securities
   - Duration management
   - Risk control
   - Foreign currency hedging

The Program does not engage in short selling of securities.

The Board approves the target allocation for the Actuarial Reserve Segment. Target allocations and benchmarks are set forth in the Investment Guidelines.

Securities included in an approved benchmark that are not specifically identified above are authorized with a limit of 2% above the benchmark weighting.

XIII. ALLOCATION MONITORING AND REBALANCING

The Board shall review the Segment and Security Type allocations not less than quarterly. The Board shall adopt guidelines for rebalancing the Segment and Security Types in the Investment Guidelines.

XIV. COMPLIANCE

At a minimum, each Investment Manager shall certify compliance with this CIP and the Investment Guidelines at least quarterly. In the event of noncompliance, exceptions shall be reported to the Board with proposed actions to bring the portfolio into compliance.

XV. NON-COMPLIANT INVESTMENTS

Any investment that is not in compliance with the CIP and/or Guidelines at the time of purchase must be sold immediately. Any loss on the sale will be the responsibility of the Investment Manager.

Investments that are in compliance with the CIP and/or Guidelines at time of purchase but fall out of compliance due to a rating downgrade are not required to be immediately sold. The Investment Manager must notify the Board of such securities within 10 days of the downgrade. If an Investment Manager believes that it is in the best interest of the Board to hold the security, the Investment Manager can present a recommendation to hold the investment along with justification in writing to the Board.

If determined to be in the best interest of the Board, downgraded securities can be required to be sold immediately.

XVI. PERFORMANCE MEASUREMENT

The Investment Consultant shall calculate official performance results for the Board monthly, pursuant to the recommended guidelines of the CFA Institute, currently Global Investment Performance Standards (GIPS), where applicable, and in accordance with the Investment Guidelines.

XVII. REPORTING

The Executive Director shall create, or cause to be created, quarterly reports for the Board of investment matters including, but not limited to, investment management, investment performance, asset allocation, and rebalancing.

XVIII. SECURITIES LENDING

The Board may loan one or more securities held in the Fund. Loans must be collateralized at no less than 102% of the market value of the borrowed securities or 105% if the borrowed securities and collateral are denominated in different currencies. Collateral shall be obtained at the time the transaction is executed and maintained throughout the term of the loan. At no time, shall the market value of collateral be less than the market value of the loan.

<u>Authorized non-cash collateral:</u>

1. Obligations issued or guaranteed by the U.S. Government or its agencies

<u>Authorized investment vehicles for reinvestment of cash collateral</u>:

Cash or Cash Equivalent

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Repurchase agreements with the following collateral types:
    - Obligations of the United States Treasury or agencies of the United States Government
    - Equity securities

- corporate bonds
- Commercial paper and certificates of deposit

4. Commercial paper of prime quality
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category
5. Asset-backed commercial paper
   - Excludes structured investment vehicles, extendable commercial notes and liquidity notes
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

Obligations of the United States Treasury or Agencies

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)
4. Agencies of the United States Government
   - Not restricted to full-faith and credit obligations

Municipal securities

1. General Obligation or Revenue bonds
   - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher
2. Build America Bonds (BABs) are permitted, but limited to 10% of the cash collateral
   - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher

Short Term Corporate debt obligations

1. Registered Bonds
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category
2. 144(a) securities (with and without registration rights) are permitted
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

Short Term Foreign Debt Securities

1. Supranational Debt Obligations

- Must be dollar-denominated and registered with the SEC
- Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

2. Sovereign Debt Obligations

- Must be dollar-denominated and registered with the SEC
- Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

3. Foreign Debt Obligations

- Must be dollar-denominated and registered with the SEC
- Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

INVESTMENT GUIDELINES
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: December 5, 2018

I. OVERVIEW

The Florida Prepaid College Board (Board) has established the following Investment Guidelines to support implementation of the policy and strategy set forth in the Comprehensive Investment Plan (CIP) for the Stanley G. Tate Florida Prepaid College Program (Program). The Investment Guidelines are maintained with the CIP but they are managed separately by the Board to allow for timely response to market conditions and environmental factors that may affect the Program.

II. ASSET ALLOCATION TARGET

Where applicable, the Board has established target allocations within the fund segments. The allocation may deviate from the target allocation, within the allowable range(s) provided in the CIP.

Liability Segment

The Liability Segment represents the total liability obligations (including benefits, cancellation refunds and other expenses) less the present value of projected future premium contributions as calculated by the Actuary.

The target security type allocation for the Liability Segment of the Fund and the related benchmarks are as follows:

Security Type	Current Allocation	Range*	Long-Term Target Allocation	Benchmark Index
U.S. Government Backed Securities	76%	56 – 96%	60%	Policy weighted by security selection
Investment Grade Corporate Bonds	14%	4 – 24%	30%	Bloomberg Barclays U.S. Intermediate Corporate/ Bloomberg Barclays U.S. Long Corporate
Mortgage Backed Securities	10%	0 – 20%	10%	Bloomberg Barclays U.S. MBS

* Actively managed portfolios are authorized to be +/- 10% for Investment Grade Corporate Bonds and Mortgage Backed Securities.

The target allocation above represents an allocation to be achieved over time. Currently, the allocation is overweight U.S. Government Backed Securities and underweight Investment Grade Corporate Bonds. The Board will direct the transition to the target based on factors including, but not limited to: (1) plan prices, (2) anticipated tuition and fee inflation, (3) the strength of the actuarial reserve, and (4) plan sales.

Performance of the Liability Segment is evaluated against a custom target-weighted blend of the benchmarks for each security type in the segment. The custom benchmark is developed to replicate the behavior of the Program liabilities; thus, mitigating volatility in the funding status.

Actuarial Reserve Segment

The target Security Type allocations for the Actuarial Reserve Segment of the Fund and the related benchmarks are as follows:

Security Type	Target Allocation	Benchmark Index
Fixed Income		
Fixed Income	30%	Liability Segment Custom Benchmark
Domestic Equity		
Large Cap Growth Equity	7%	Russell 1000 Growth
Large Cap Value Equity	7%	Russell 1000 Value
Large Cap Core Equity	28%	S&P 500
Mid Cap Equity	7%	S&P Mid Cap 400
Small Cap Equity	7%	Russell 2000
International Equity		
International Equity	14%	MSCI EAFE

At least quarterly, the Board shall review the target allocations.

Each Security Type has a range of +/- 5% relative to its target allocation. In order to maintain the target allocation for each Security Type, the allocation shall be monitored monthly and rebalanced to the target when the allowable ranges are exceeded. The allocation should be brought back into compliance within five business days.

Performance of the Actuarial Reserve Segment will be evaluated at the Security Type level against the benchmark for each security type.

III. EXCESS RETURN AND TRACKING ERROR TARGETS

Each Investment Manager has established gross excess return and ex post tracking error targets.

Liability Segment

Investment Manager	Excess Return Target	Tracking Error Target
Neuberger Berman	20 bps	50 bps
Standish	20 bps	50 bps
Northern Trust	0 bps	10 bps

Actuarial Reserve Segment

Security Type	Investment Manager	Excess Return Target	Tracking Error Target
Fixed Income			
Fixed Income	Columbia	50 bps	100 bps
Domestic Equity			
Large Cap Growth Equity	BMO	150 bps	500 bps
Large Cap Value Equity	QMA	100 bps	400 bps
Large Cap Core Equity	AB	0 bps	25 bps
Mid Cap Equity	Boston Company	300 bps	700 bps
Small Cap Equity	Fiduciary	200 bps	700 bps
International Equity			
International Equity	PanAgora	100 bps	325 bps

IV. ALLOCATION MONITORING AND REBALANCING

The Board shall review the Segment and Security Type allocations not less than quarterly. At least annually, the Board shall review and consider rebalancing of the Segment allocation between the Liability and Actuarial Reserve Segments. In addition, the Board may transfer funds between Investment Managers to maintain a reasonable and appropriate distribution of funds.

V. LIABILITY SEGMENT GUIDLINES

Objective

The investment objective of the Liability Segment is to immunize the liabilities of the Program by structuring the assets in such a way that the value of the Program's assets increase/decrease in conjunction with increases/decreases in the value of the liabilities.

Benchmark

Performance of the Liability Segment is evaluated against a custom benchmark consisting of a weighted blend of the benchmarks for the security types in the segment. Section II of these guidelines provide the individual security types and benchmarks.

Allocation

The portfolio is expected to be fully invested at all times, relying on the Investment Manager's ability to generate return primarily through security selection, sector rotation and/or curve positioning, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5% of the portfolio, excluding amounts held as collateral for mortgage to be announced securities.

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to invest in out-of-benchmark authorized investment vehicles, as limited below.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

Investment Manager

The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Authorized investment vehicles for the portfolio:

Cash or Cash Equivalent – Maximum allocation 5% of the portfolio

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
4. Commercial paper of prime quality
   - Must be rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies – Maximum allocation 100% of the portfolio

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities

3. Treasury Inflation Protection Securities (TIPS)
4. Agencies of the United States Government
    - Not restricted to full-faith and credit obligations

Municipal securities – Maximum allocation of 20% of the portfolio

1. General Obligation or Revenue bonds
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher
2. Build America Bonds (BABs) are permitted, but limited to 10% of the portfolio
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher

Corporate debt obligations – Maximum allocation of 40% of the portfolio

1. Registered Bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
    - Convertible securities are not permitted
2. 144(a) securities (with and without registration rights) are permitted, but limited to 10% of the portfolio
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities – Maximum allocation of 20% of the portfolio

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to and real estate mortgage investment conduits
    - Must be rated AAA/Aaa by at least one nationally recognized rating service
    - Sub-prime mortgage backed securities are not permitted
    - Alt-A mortgage backed securities are not permitted
3. Mortgage To Be Announced (TBA) securities
    - Require a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities – Maximum allocation of 10% of the portfolio

1. Asset-backed and commercial mortgage backed securities
    - Must be rated AA/Aa by at least one nationally recognized rating service

Foreign Debt Securities – Maximum allocation of 10% of the portfolio

1. Supranational Debt Obligations, Sovereign Debt Obligations, Foreign Debt Obligations
   - Must be dollar-denominated
   - Must be rated by at least one U.S. nationally recognized rating services A-/A3 or higher

Commingled Investment Funds

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Traded on domestic exchanges
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities, duration management or risk control
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity
   - Stabilize and enhance portfolio returns
   - Lower transaction costs, including market impact costs
   - Reduction in the time required to change the mix of the portfolio
3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained from the Board

Other Restrictions

Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the custom benchmark for the Liability Segment.

<u>Passive Management</u>

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than one-tenth of one year (0.10 years).
4. Tracking error to the benchmark shall be less than 10 basis points.
5. The average credit quality rating must equal the benchmark.

Active Management

1. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than one-half of one year (0.50 years).

2. Tracking Error to the benchmark shall be less than 70 bps.

3. Aggregate investment in obligations of the United States Treasury and Agencies shall not be less than 50% of the portfolio.

4. The average credit quality rating cannot be more than one letter rating below the benchmark.

Performance
The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment Manager performance will be evaluated using the following metrics by investment strategy.

Passive Management
Passive investment strategies will be assessed on a gross of fee basis.

1. Rolling gross performance shall meet the benchmark for the 3 and 5 year periods.

2. Tracking error shall not exceed 10 bps for the rolling 3 and 5 year periods.

Active Management
Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.

2. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.

3. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.

4. Tracking error targets shall be set for each Investment Manager. Investment Managers shall meet or be less than their tracking error target for the rolling 3 and 5 year periods.

5. Tracking error shall not exceed 70 bps for the rolling 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management

- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the board as to any action the Board should take. Investment Managers serve at the pleasure of the Board and may be terminated or have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

VI. ACTUARIAL RESERVE SEGMENT - FIXED INCOME GUIDLINES

Objective
The investment objective for this Segment is to bring broad exposure to the fixed income market and assist in limiting actuarial reserve volatility.

Benchmark
Section II of these guidelines provide the benchmark for this Segment.

Investment Manager
The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation
The portfolio is expected to be fully invested at all times, relying on the Investment Manager's ability to generate return primarily through security selection, sector rotation and/or curve positioning, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5% of the portfolio, excluding amounts held as collateral for mortgage to be announced securities.

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to invest in out-of-benchmark authorized investment vehicles, as limited below.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

Authorized investment vehicles for the portfolio:

Cash or Cash Equivalent – Maximum allocation 5% of the portfolio

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
4. Commercial paper of prime quality
   - Must be rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies – Maximum allocation 100% of the portfolio

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)

4. Agencies of the United States Government
    - Not restricted to full-faith and credit obligations

Municipal securities – Maximum allocation of 20% of the portfolio

1. General Obligation or Revenue bonds.
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher
2. Build America Bonds (BABs) are permitted, but limited to 10% of the portfolio
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher

Corporate debt obligations – Maximum allocation of 70% of the portfolio

1. Registered Bonds
    - Rated by at least one nationally recognized rating services BBB-/Baa3 or higher
    - Convertible securities are not permitted
2. 144(a) securities (with and without registration rights) are permitted
    - Must be rated by at least One nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities – Maximum allocation of 50% of the portfolio

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to real estate mortgage investment conduits
    - Must be rated AAA/Aaa by at least one nationally recognized rating service
    - Sub-prime mortgage backed securities are not permitted
    - Alt-A mortgage backed securities are not permitted
3. Mortgage To Be Announced (TBA) securities
    - Require a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities – Maximum allocation of 20% of the portfolio

1. Asset-backed and commercial mortgage backed securities
    - Must be rated AA/Aa by at least one nationally recognized rating service

Foreign Debt Securities – Maximum allocation of 10% of the portfolio

1. Supranational Debt Obligations, Sovereign Debt Obligations and Foreign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one U.S. nationally recognized rating services A-/A3 or higher

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Traded on domestic exchanges
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities, duration management or risk control
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity
   - Stabilize and enhance portfolio returns
   - Lower transaction costs, including market impact costs
   - Reduction in the time required to change the mix of the portfolio
3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

<u>Passive Management</u>

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than one-tenth of one year (0.10 years).
4. Tracking error to the benchmark shall be less than 10 basis points.
5. Average credit quality rating must equal the benchmark.

<u>Active Management</u>

1. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of benchmark duration.
2. Tracking Error to the benchmark shall be less than 300 bps.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment manager performance will be evaluated using the following metrics by investment strategy.

<u>Passive Management</u>

Passive investment strategies will be assessed on a gross of fee basis.

1. Rolling gross performance shall meet the benchmark for the 3 and 5 year periods.
2. Tracking error shall not exceed 10 bps for the rolling 3 and 5 year periods.

<u>Active Management</u>

Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.
2. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.
3. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.
4. Tracking error targets shall be set for each Investment Manager. Investment Managers shall meet or be less than their tracking error target for the rolling 3 and 5 year periods.
5. Tracking error shall not exceed 300 bps for the rolling 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the board as to any action the Board should take. Investment Managers serve at the pleasure of the Board and may be terminated or have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

VII. ACTUARIAL RESERVE SEGMENT – DOMESTIC EQUITY GUIDELINES

Objective

The investment objective shall be to provide broad exposure to the domestic equity market for companies that offer the best combination of earnings, growth and valuation.

Benchmark

Section II of these guidelines provide the domestic equity mandates and related benchmarks.

Investment Manager

The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation

The portfolio is expected to be fully invested at all times, relying on the Investment Manager's ability to generate return through security and/or sector selection, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5%.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

<u>Authorized investment vehicles for the portfolio</u>:

Common Stock – Maximum allocation of 100% of the portfolio

1. Domestic Equities and American Depositary Receipts
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Traded on domestic exchanges
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities or control risk
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity
   - Stabilize and enhance portfolio returns
   - Lower transaction costs, including market impact costs
   - Reduction in the time required to change the mix of the portfolio
3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

Maximum investment in any security is the greater of 5% of the portfolio or 2% greater than the benchmark weight.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

<u>Passive Management</u>

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Tracking Error to the benchmark shall be equal to or less than 25 bps.

<u>Active Management</u>

1. Tracking Error to the benchmark shall be equal to or less than the tracking error target.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment Manager performance will be evaluated using the following metrics by investment strategy.

<u>Passive Management</u>

Passive investment strategies will be assessed on a gross of fee basis:

1. Rolling performance shall meet the benchmark for the 3 and 5 year periods.
2. Beta, as calculated using monthly data, shall not be less than 0.98 and not more than 1.02 relative to the benchmark over any 3 year rolling period.
3. Annualized tracking error to the benchmark shall be less than 25 basis points.

Active Management

Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.

2. Rolling gross performance shall rank above the median of a peer universe managing similar portfolios in a similar style for the 3 and 5 year periods.

3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target, gross of fees, for the rolling 3 and 5 year periods.

4. Alpha, calculated in accordance to the Jensen methodology, shall be positive, net of fees for the 3 and 5 year periods.

5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.

6. The coefficient of determination (or R-squared) relative to the benchmark, calculated using monthly data, shall not be less than 0.80 for the 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the Board as to any action the Board should take. Additionally, Investment Managers serve at the pleasure of the Board and may have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

VIII. ACTUARIAL RESERVE SEGMENT – INTERNATIONAL EQUITY GUIDELINES

Objective
The investment objective shall be to provide exposure to companies in developed markets outside of the United States.

Benchmark
Section II of these guidelines provide the benchmark for this mandate.

Investment Manager
The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation
The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through security and/or sector selection, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5%.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

Authorized investment vehicles for this mandate:

Common Stock – Maximum allocation of 100% of the portfolio

1. Foreign Equities
   - Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets
   - Securities domiciled, incorporated, or traded in a benchmark country

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities, control risk or foreign currency hedging
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity

- Stabilize and enhance portfolio returns
- Lower transaction costs, including market impact costs
- Reduction in the time required to change the mix of the portfolio

3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

Maximum investment in any security is the greater of 5% of the portfolio or 2% greater than the benchmark weight.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

<u>Passive Management</u>

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Tracking Error to the benchmark shall be equal to or less than 25 bps.

<u>Active Management</u>

1. Tracking Error to the benchmark shall be equal to or less than the tracking error target.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment manager performance will be evaluated using the following metrics by investment strategy.

<u>Passive Management</u>

Passive investment strategies will be assessed on a gross of fee basis:

1. Rolling performance shall meet the benchmark for the 3 and 5 year periods.
2. Beta, as calculated using monthly data, shall not be less than 0.98 and not more than 1.02 relative to the benchmark over any 3 year rolling period.
3. Annualized tracking error to the benchmark shall be less than 25 basis points.

<u>Active Management</u>

Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.
2. Rolling gross performance shall rank above the median of a peer universe managing similar portfolios in a similar style for the 3 and 5 year periods.
3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target, gross of fees, for the rolling 3 and 5 year periods.

4. Alpha, calculated in accordance to the Jensen methodology, shall be positive, net of fees for the 3 and 5 year periods.

5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.

6. The coefficient of determination (or R-squared) relative to the benchmark, calculated using monthly data, shall not be less than 0.80 for the 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the Board as to any action the Board should take. Additionally, Investment Managers serve at the pleasure of the Board and may have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

IX. SECURITIES LENDING GUIDELINES

Mandate
The selected Investment Manager(s) shall not exceed the authority provided within this guideline for the mandate. All references to percentages refer to the market value of funds provided to the Investment Manager under this mandate.

Objective
The investment objective shall be to provide additional income from loaning securities to third parties and reinvesting the cash collateral similar to 2a7 like money market funds.

Benchmark
The performance for the securities lending program shall be measured against the 91 day Treasury Bill Index.

Investment Manager
The Investment Managers' authority is limited to these guidelines for securities lending. All references to portfolio in these guidelines refer to the cash collateral received by the Investment Manager under this mandate.

Allocation
The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through security and/or sector selection, not timing of market movements.

The use of margin is prohibited.

<u>Authorized investment vehicles for this portfolio</u>:

Cash or Cash Equivalent

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Repurchase agreements with the following collateral types and levels:
    - Obligations of the United States Treasury or agencies of the United States Government at 102%
    - Equity securities included in the S&P 500, Russell 1000 or Russell 3000 at a minimum of 105%
    - Investment grade Corporate bonds at a minimum of 105%
    - Commercial paper and certificates of deposits with a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category at a minimum of 102%
4. Commercial paper of prime quality
    - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category
5. Asset-backed commercial paper

- Excludes structured investment vehicles, extendable commercial notes and liquidity notes
- Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

Obligations of the United States Treasury or Agencies

1. United States Treasury bonds and notes
2. Agencies of the United States Government
   - Not restricted to full-faith and credit obligations

Short Term Corporate debt obligations

1. Registered Bonds
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category
2. 144(a) securities (with and without registration rights)
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

Short Term Foreign Debt Securities

1. Supranational Debt Obligations, Sovereign Debt Obligations, Foreign Debt Obligations
   - Must be dollar-denominated and registered with the SEC
   - Must have a short term rating in the highest rating category by at least two nationally recognized rating services, or if only rated by one nationally recognized rating service, rated in the highest rating category

Other Restrictions

1. A maximum of 30% of the portfolio may be with a single borrower.
2. A maximum of 40% of the Fund may be on loan.
3. The dollar-weighted average portfolio life maturity must be 120 days or less.
4. A maximum maturity for all investments must be less than 397 days, except for variable rate United States Treasury or agencies of the United States Government securities, which shall be less than 762 days.
5. Floating and variable rate securities must have interest rates that reset at least every 97 days.
6. A minimum of 20% of the portfolio must be available each business day.
7. The rate sensitivity of the portfolio will be limited to 60 days.
8. Commercial paper, asset-backed commercial paper, certificates of deposit and time deposits must have a maturity date or demand feature not exceeding 13 months from the date of purchase.

9. Fixed rate securities must have a maturity date or demand feature not exceeding 13 months from the date of purchase.
10. A maximum of 10% of the portfolio may be invested with any one counterparty in repurchase agreements collateralized by securities other than United States Treasury or agencies of the United States Government securities.
11. A maximum of 25% of the portfolio may be invested with any one counterparty in repurchase agreements collateralized by United States Treasury or agencies of the United States Government securities.
12. Excluding overnight securities, a maximum of 40% of the portfolio may be invested in the same industry.
13. A maximum of 5% of the portfolio may be invested in any one issuer, except securities backed by the United States Treasury or agencies of the United States Government.
14. No more than 35% of the portfolio may be in repurchase agreements collateralized by securities other than those issued by the United States Treasury or agencies of the United States Government and no more than 10% of the portfolio may be in each individual type of collateral other than United States Treasury or agencies of the United States Government securities.
15. A maximum of 10% of the portfolio may be invested in a single money market fund.
16. Residual cash balances shall not be subject to diversification limits.

Performance

Investment manager performance shall be evaluated using the following metric:

1. Rolling net performance shall exceed the benchmark for the 1 and 3 year periods.

If an Investment Manager fails to meet any of these performance requirements, the Investment Consultant will review the situation and make a recommendation to the Board as to any action the Board should take. Additionally, Investment Managers serve at the pleasure of the Board and may have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

COMPREHENSIVE INVESTMENT PLAN
FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: December 5, 2018

I. OVERVIEW

The Florida College Savings Program ("Savings Program" or "Program") is a program created to provide a medium through which families and individuals may save for qualified educational expenses. The Savings Program is intended to be an alternative to the Prepaid Program, though participants in the Savings Program do have the option to enroll a qualified beneficiary in the Savings Program, the Prepaid Program, or both.

II. GOVERNANCE

The Program is administered by the Florida Prepaid College Board which was created pursuant to Section 1009.981 of the Florida Statutes.

In accordance with Section 1009.973, Florida Statutes, the Board has established this Comprehensive Investment Plan (CIP), subject to approval by the State Board of Administration. This CIP formally documents the investment policy and strategies employed by the Board to meet the projected Program liabilities.

The Board has the necessary powers and duties to carry out the provisions of Section 1009.97, Florida Statutes. The Board may delegate responsibility for administration of this CIP to a committee of the Board or to a person duly chosen by the Board.

The Executive Director serves at the pleasure of the Board as the chief administrative and operational officer of the Board. The Executive Director is responsible for managing and executing the investment and debt responsibilities of the Board. This includes developing and implementing Investment Guidelines, as approved by the Board, which reflect the goals and objectives of this CIP.

III. CONTRACTUAL RELATIONSHIPS

The Executive Director shall manage all external contractual relationships in accordance with the fiduciary responsibilities of the Board.

Pursuant to Section 1009.971, Florida Statutes, the Board solicits proposals and contracts for investment consultant, trustee, and investment management services. There may be more than one provider for each service; their respective responsibilities are summarized below.

<u>Investment Consultant</u>

The Investment Consultant shall review the performance of the Investment Managers and advise the Board on investment management, performance matters, portfolio design and structure, asset allocation issues, and investment policy, including the contents of this CIP and the Investment Guidelines.

<u>Trustee</u>

The Trustee is responsible for the safekeeping of Program investment assets. Pursuant to Section 1009.971(5)(c), the Trustee shall agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent selection or supervision of investment programs by the Trustee.

Investment Managers

The Board will hire duly qualified investment managers to carry out the daily investment responsibilities. Investment Managers will have investment discretion as to security selection within the requirements expressed in the CIP and Investment Guidelines.

The Investment Managers shall invest Program assets, as specified by the Board, with care, skill, prudence, and diligence. This includes promptly voting all proxies solicited in connection with securities under the investment manager's supervision and maintaining detailed records of the voting of proxies and related actions. The Investment Manager shall evidence superior performance while maintaining strict compliance with all applicable provisions of law and may exercise discretion within the bounds of this CIP and the Investment Guidelines.

Pursuant to Section 1009.971(5)(d), the Investment Manager shall:

- Be limited to authorized insurers as defined in Section 624.09, banks as defined in Section 658.12, associations as defined in Section 665.012, authorized Securities and Exchange Commission investment advisers, and investment companies as defined in the Investment Company Act of 1940.
- Have their principal place of business and corporate charter located and registered in the United States.
- Agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Fund fail to offset the obligations of the Board as a result of imprudent investing by the Investment Manager.

IV. CONFLICTS OF INTEREST

The Board, its designees, and any service provider operating on behalf of the Board has a duty and obligation to disclose conflicts of interest. The Board shall require timely and sufficient disclosure of conflicts of interest that may exist between the Board, service providers, potential service providers, investments, potential investments, and other entities or transactions.

The Investment Consultant and the Trustee shall annually certify that no conflicts of interest exist relative to the services provided for the Program.

V. INVESTMENT OBJECTIVE AND STRATEGY

The principal objective of the Program is to enable Account Owners to contribute funds that are combined and invested to pay the subsequent higher education expenses of a Beneficiary.

The investment strategy is for the Board to provide a sufficient range of investment options for Account Owners, with various investment knowledge and risk, return, and cost objectives, to save for future college expenses.

VI. COMPREHENSIVE INVESTMENT PLAN

The Comprehensive Investment Plan (CIP) includes the investment policies utilized by the Board in its administration of the Program. Investment policies included in the CIP provide direction intended to set the framework for the Program's investments. Per Section 1009.973, Florida Statutes, the CIP is subject to the approval of the State Board of Administration.

VII. INVESTMENT GUIDELINES

Investment Guidelines are intended to set forth the specific investment strategies, limitations and targets necessary to implement the CIP. Investment Guidelines are subject to the approval of the Board.

VIII. AUTORIZED INVESTMENTS

Cash or Cash Equivalent

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
4. Commercial paper of prime quality
    - Rated the highest letter and numerical rating provided by at least two nationally recognized rating service.

Obligations of the United States Treasury or Agencies

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)
4. Agencies of the United States Government
    - Not restricted to full-faith and credit obligations

Municipal securities

1. General Obligation or Revenue bonds
    - Rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Build America Bonds (BABs)
    - Rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Corporate debt obligations

1. Registered Bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
    - Convertible securities are not permitted
2. 144(a) securities (with and without registration rights)
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to real estate mortgage investment conduits
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Mortgage To Be Announced (TBA) securities

- Require a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities

1. Asset-backed securities
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Commercial Mortgage Backed Securities
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities

1. Supranational Debt Obligations
   - Must be dollar-denominated
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Sovereign Debt Obligations
   - Must be dollar-denominated
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Foreign Debt Obligations
   - Must be dollar-denominated
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Commingled Investment Funds

1. Exchange Traded Funds (ETF's) traded on domestic exchanges,
   - Primarily invested in authorized investment vehicles for the Investment Option
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
2. Commingled investment funds and mutual funds
   - Primarily invested in authorized investment vehicles for the Investment Option
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement

Common Stock

1. Domestic Equities
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
2. American Depositary Receipts
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
3. Foreign Equities

- Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets

Derivatives

1. The following uses of derivatives are authorized:
   - Substitute for physical securities
   - Duration management
   - Risk control
   - Foreign currency hedging

The Program does not engage in short selling of securities.

The Board approves the target allocations for the Program. Target allocations and benchmarks are set forth in the Investment Guidelines.

Securities included in an approved benchmark that are not specifically identified above are authorized with a limit of 2% above the benchmark weighting.

IX. COMPLIANCE

At a minimum, each Investment Manager shall certify compliance with this CIP and the Investment Guidelines at least quarterly. In the event of noncompliance, exceptions shall be reported to the Board with proposed actions to bring the portfolio into compliance.

X. NON-COMPLIANT INVESTMENTS

Any investment that is not in compliance with the CIP and/or Guidelines at the time of purchase must be sold immediately. Any loss on the sale will be the responsibility of the Investment Manager.

Investments that are in compliance with the CIP and/or Guidelines at time of purchase but fall out of compliance due to a rating downgrade are not required to be immediately sold. The Investment Manager must notify the Board of such securities within 10 days of the downgrade. If an Investment Manager believes that it is in the best interest of the Board to hold the security, the Investment Manager can present a recommendation to hold the investment along with justification in writing to the Board. The Board will review each request and approve or deny them. Requests can be subject to further Board review and any point after approval.

If determined to be in the best interest of the Board, downgraded securities can be required to be sold immediately.

XI. PERFORMANCE MEASUREMENT

The Investment Consultant shall calculate official performance results for the Board monthly, pursuant to the recommended guidelines of the CFA Institute, currently Global Investment Performance Standards (GIPS), where applicable, and in accordance with the Investment Guidelines.

XII. REPORTING

The Executive Director shall create, or cause to be created, quarterly reports for the Board of investment matters including, but not limited to, investment management, investment performance, asset allocation, and rebalancing.

INVESTMENT GUIDELINES
FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: December 5, 2018

I. OVERVIEW

The Florida Prepaid College Board (Board) has established the following Investment Guidelines to support implementation of the policy and strategy set forth in the Comprehensive Investment Plan (CIP) for the Florida College Savings Program (Program). The Investment Guidelines are maintained with the CIP but they are managed separately by the Board to allow for timely response to market conditions and environmental factors that may affect the Program.

II. ASSET CLASS OPTIONS AND BENCHMARKS

The Board has approved the following Asset Class options and related benchmarks:

Asset Class	Benchmark
Money Market	3-Month Treasury Bill
Fixed Income	Bloomberg Barclays Aggregate Bond Index
Large Cap Growth	Russell 1000 Growth
Large Cap Value	Russell 1000 Value
Large Cap Core	S&P 500
Mid Cap	S&P Mid Cap 400
Small Cap	Russell 2000
International	MSCI EAFE
Equity Option	Weighted on pro-rata share of benchmarks for included Asset Classes
Balanced Option	Weighted on pro-rata share of benchmarks for included Asset Classes
Age Based Option	Weighted on pro-rata share of benchmarks for included Asset Classes

III. EQUITY AND BALANCED OPTION ASSET CLASS ALLOCATION

The Board has established the following asset class allocation ranges and targets for the investment choices. The allocation may deviate from the target allocation, only within the allowable range(s).

Equity Option	Target Allocation	Allowable Range
Large Cap Growth	20%	17% - 23%
Large Cap Value	20%	17% - 23%
Large Cap Core	20%	17% - 23%
Mid Cap	10%	8% - 12%
Small Cap	10%	8% - 12%
International	20%	17% - 23%
Balanced Option		
Equity Option	50%	48% - 52%
Fixed Income Asset Class	50%	48% - 52%

In order to maintain the target for each respective option, the asset class allocation shall be monitored monthly and rebalanced to the target when the allowable ranges are exceeded. The portfolio should be brought back into compliance within five business days.

IV. AGE BASED OPTION ASSET CLASS ALLOCATON

The Board has established the following Age Brackets, Years to Enrollment, target allocations and allowable ranges. The allocation may deviate from the target allocation, within the allowable range(s). As the age brackets move closer the enrollment, the asset class allocation shall become more conservative.

Age Bracket	Years to Enrollment	Targeted Equity Allocation	Allowable Equity Range	Targeted Fixed Income Allocation	Allowable Fixed Income Range
0 – 4 years	14 or more years	100%	98 - 100%	0%	0 – 2%
5 – 8 years	10 – 13 years	75%	73 – 77%	25%	23 – 27%
9 – 12 years	6 – 9 years	50%	48 – 52%	50%	48 – 52%
13 – 15 years	3 – 5 years	25%	23 – 27%	75 %	73 – 77 %
Age 16 & above	0 – 2 years	0%	0 – 2%	100%	98 - 100%

Beneficiary account balances shall be moved to the next age bracket on the day following their birthdate during which they reach the age of the first year of each bracket. Accounts established based on the year's to enrollment option will move to the next age bracket on the day following the beneficiaries birthdate when their projected enrollment year is 13, 9, 5 and 2 years from enrollment in college.

V. INVESTMENT OPTION FEES

The Board has approved the following fees for the Investment Options:

Fund Option	Fee
Money Market	0 bps
Fixed Income	75 bps
Large Cap Growth	75 bps
Large Cap Value	75 bps
Large Cap Core	39 bps
Mid Cap	75 bps
Small Cap	75 bps
International	75 bps

Portfolio Option	Fee
Equity Option	68 bps
Balanced Option	71 bps
Age Based (Age 0-4)	68 bps
Age Based (Age 5-8)	70 bps
Age Based (Age 9-12)	71 bps
Age Based (Age 13-15)	73 bps
Age Based (Age 16+)	75 bps

VI. EXCESS RETURN AND TRACKING ERROR TARGETS

Each Investment Manager, other than the Investment Manager for the money market portfolio, has the following established gross excess return and ex post tracking error targets:

Security Type	Investment Manager	Excess Return	Tracking Error Target
Fixed Income			
Fixed Income	Columbia	50 bps	100 bps
Domestic Equity			
Large Cap Growth Equity	BMO	150 bps	500 bps
Large Cap Value Equity	QMA	100 bps	400 bps
Large Cap Core Equity	AB	0 bps	25 bps
Mid Cap Equity	Boston Company	300 bps	700 bps
Small Cap Equity	Fiduciary	200 bps	700 bps
International Equity			
International Equity	PanAgora	100 bps	325 bps

VII. MONEY MARKET GUIDELINES

Objective

The objective of the money market portfolio is to provide participants with a capital preservation option for saving for college expenses. It is expected that this option will be used by those participants with a short horizon to matriculation or with little appetite for short term investment volatility.

Benchmark

Section II of these guidelines provide the benchmark for this portfolio.

Investment Manager

The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Authorized investment vehicles for the portfolio:

Money Market Funds – 2a7 (actual or like) money market funds

Performance

Investment manager performance shall be evaluated using the following metrics on a net of fee basis:

1. Rolling net performance shall exceed the benchmark for the 1 and 3 year periods.
2. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 1 and 3 year periods.

If an Investment Manager fails to meet any of these performance requirements, the Investment Consultant will review the situation and make a recommendation to the board as to any action the Board should take. Investment Managers serve at the pleasure of the Board and may be terminated or have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

VIII. FIXED INCOME GUIDELINES

Objective

The objective of the fixed income portfolio is to provide participants with a low risk, low volatility option for saving for college expenses. It is expected that this option will be used by those participants with a short horizon to matriculation or with little appetite for short term investment volatility.

Benchmark

Section II of these guidelines provide the benchmark for this portfolio.

Investment Manager

The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation

The portfolio is expected to be fully invested at all times, relying on the Investment Manager's ability to generate return primarily through security selection, sector rotation and/or curve positioning, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5% of the portfolio, excluding amounts held as collateral for mortgage to be announced securities.

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to invest in out-of-benchmark authorized investment vehicles, as limited below.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

<u>Authorized investment vehicles for the portfolio</u>:

Cash or Cash Equivalent – Maximum allocation 5% of the portfolio

1. Deposit accounts and certificates of deposit in banks
2. 2a7 (actual or like) money market funds
3. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.
4. Commercial paper of prime quality
    - Must be rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies – Maximum allocation 100% of the portfolio

1. United States Treasury bonds and notes
2. Interest and principal strips of Treasury securities
3. Treasury Inflation Protection Securities (TIPS)

4. Agencies of the United States Government
    - Not restricted to full-faith and credit obligations

Municipal securities – Maximum allocation of 20% of the portfolio

1. General Obligation or Revenue bonds
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher
2. Build America Bonds (BABs) are permitted, but limited to 10% of the portfolio
    - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher

Corporate debt obligations – Maximum allocation of 70% of the portfolio

1. Registered Bonds
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. 144(a) securities (with and without registration rights) are permitted
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Residential Mortgage Backed Securities – Maximum allocation of 50% of the portfolio

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
    - Includes but is not limited to real estate mortgage investment conduits
    - Must be rated AAA/Aaa by at least one nationally recognized rating service
    - Sub-prime mortgage backed securities are not permitted
    - Alt-A mortgage backed securities are not permitted
3. Mortgage To Be Announced (TBA) securities
    - Require a cash equivalent set aside for future settlement of the forward agreement.

Other Collateralized Securities – Maximum allocation of 20% of the portfolio

1. Asset-backed and commercial mortgage backed securities
    - Must be rated AA/Aa by at least one nationally recognized rating service

Foreign Debt Securities – Maximum allocation of 10% of the portfolio

1. Supranational Debt Obligations, Sovereign Debt Obligations and Foreign Debt Obligations
    - Must be dollar-denominated
    - Must be rated by at least one U.S. nationally recognized rating services A-/A3 or higher

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Traded on domestic exchanges
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities, duration management or risk control
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity
   - Stabilize and enhance portfolio returns
   - Lower transaction costs, including market impact costs
   - Reduction in the time required to change the mix of the portfolio
3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained from the Board

Other Restrictions

Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

<u>Passive Management</u>

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than one-tenth of one year (0.10 years).
4. Tracking error to the benchmark shall be less than 10 basis points.
5. Average credit quality rating must equal the benchmark.

<u>Active Management</u>

1. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of the benchmark duration.
2. Tracking Error to the benchmark shall be less than 300 bps.
3. Credit quality rating cannot be more than one letter rating below the benchmark.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment manager performance will be evaluated using the following metrics by investment strategy.

<u>Passive Management</u>
Passive investment strategies will be assessed on a gross of fee basis.

1. Rolling gross performance shall meet the benchmark for the 3 and 5 year periods.
2. Tracking error shall not exceed 10 bps for the rolling 3 and 5 year periods.

<u>Active Management</u>
Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.
2. Performance shall rank at or above the median when compared to a universe of peers managing similar portfolios for the 3 and 5 year periods.
3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.
4. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.
5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.
6. Tracking error shall not exceed 300 bps for the rolling 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the board as to any action the Board should take. Investment Managers serve at the pleasure of the Board and may be terminated or have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

IX. DOMESTIC EQUITY GUIDELINES

Objective
Provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments.

Benchmark
Section II of these guidelines provide the domestic equity options and related benchmarks.

Investment Manager
The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation
The portfolio is expected to be fully invested at all times, relying on the Investment Manager's ability to generate return through security and/or sector selection, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5%.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

<u>Authorized investment vehicles for the portfolio</u>:

Common Stock – Maximum allocation of 100% of the portfolio

1. Domestic Equities and American Depositary Receipts
   - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
   - Has at least three years of publically available operating history

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Traded on domestic exchanges
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities or control risk

2. Derivative strategies must demonstrate one or more of the following benefits:
    - Increase liquidity
    - Stabilize and enhance portfolio returns
    - Lower transaction costs, including market impact costs
    - Reduction in the time required to change the mix of the portfolio
3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

Maximum investment in any security is the greater of 5% of the portfolio or 2% greater than the benchmark weight.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

Passive Management

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Tracking Error to the benchmark shall be equal to or less than 25 bps.

Active Management

1. Tracking Error to the benchmark shall be equal to or less than the tracking error target.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment Manager performance will be evaluated using the following metrics by investment strategy.

Passive Management

Passive investment strategies will be assessed on a gross of fee basis:

1. Rolling performance shall meet the benchmark for the 3 and 5 year periods.
2. Beta, as calculated using monthly data, shall not be less than 0.98 and not more than 1.02 relative to the benchmark over any 3 year rolling period.
3. Annualized tracking error to the benchmark shall be less than 25 basis points.

Active Management

Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.
2. Rolling gross performance shall rank above the median of a peer universe managing similar portfolios in a similar style for the 3 and 5 year periods.

3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.

4. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.

5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.

6. The coefficient of determination (or R-squared) relative to the benchmark, calculated using monthly data, shall not be less than 0.80 for the 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the Board as to any action the Board should take. Additionally, Investment Managers serve at the pleasure of the Board and may have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

X. INTERNATIONAL EQUITY GUIDELINES

Objective
Provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in equity investments.

Benchmark
Section II of these guidelines provide the benchmark for this mandate.

Investment Manager
The Board may hire multiple Investment Managers for this mandate. Investment Managers will be selected as a result of a competitive procurement process. Selected Investment Managers' authority is limited to these guidelines for this mandate. All references to portfolio in these guidelines refer to the market value of funds provided to each Investment Manager under this mandate.

Allocation
The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through security and/or sector selection, not timing of market movements. However, cash holdings may represent an integral part of an Investment Manager's desired portfolio structure. Therefore, for these purposes the Investment Manager shall be allowed to maintain a maximum cash position of 5%.

The use of margin is prohibited except as may be required in the use of approved Derivatives.

Asset allocation shall be determined based on the average position over any three month time period and shall operate within the following constraints set forth herein.

Authorized investment vehicles for this mandate:

Common Stock – Maximum allocation of 100% of the portfolio

1. Foreign Equities
   - Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets
   - Securities domiciled, incorporated, or traded in a benchmark country

Commingled Investment Funds – Maximum allocation of 100% of the portfolio

1. Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
   - Primarily invested in authorized investment vehicles provided in this Guideline
   - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement
   - Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

1. Derivatives shall only be used to substitute for physical securities, control risk or foreign currency hedging.
2. Derivative strategies must demonstrate one or more of the following benefits:
   - Increase liquidity

- Stabilize and enhance portfolio returns
- Lower transaction costs, including market impact costs
- Reduction in the time required to change the mix of the portfolio

3. Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board.

Other Restrictions

Maximum investment in any security is the greater of 5% of the portfolio or 2% greater than the benchmark weight.

Active and Passive management is permitted. Passive strategies shall replicate the returns of the benchmark.

Passive Management

1. Only securities eligible for inclusion in the benchmark indices are permitted.
2. Sector allocation shall be made consistent with the benchmark sector weights.
3. Tracking Error to the benchmark shall be equal to or less than 25 basis points.

Active Management

1. Tracking Error to the benchmark shall be equal to or less than the tracking error target.

Performance

The Board may elect to employ multiple investment managers with complementary investment skills and/or styles. As part of this structure, managers are hired for their expected contribution to the overall portfolio performance over the various market cycles based on their style, stated strategy and asset mix. As a result, non-performance information is also considered in the evaluation process.

Investment manager performance will be evaluated using the following metrics by investment strategy.

Passive Management

Passive investment strategies will be assessed on a gross of fee basis:

1. Rolling performance shall meet the benchmark for the 3 and 5 year periods.
2. Beta, as calculated using monthly data, shall not be less than 0.98 and not more than 1.02 relative to the benchmark over any 3 year rolling period.
3. Annualized tracking error to the benchmark shall be less than 25 basis points.

Active Management

Active investment strategies will be assessed on a gross and net of fee basis. Further, while 3 and 5 year periods are used to assess performance, the Board may consider longer time periods as part of the assessment.

1. Rolling net performance shall exceed the benchmark for the 3 and 5 year periods.
2. Rolling gross performance shall rank above the median of a peer universe managing similar portfolios in a similar style for the 3 and 5 year periods.
3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.

4. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.

5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.

6. The coefficient of determination (or R-squared) relative to the benchmark, calculated using monthly data, shall not be less than 0.80 for the 3 and 5 year periods.

In addition to the objectives listed above, other quantitative criteria should be considered with a focus on the interpretation of results. These criteria include risk metrics (e.g. standard deviation, downside risk, beta) and risk-adjusted performance metrics (e.g. Sharpe ratio, Treynor ratio, information ratio, excess return ratio).

Several non-performance factors may prompt the Board to re-evaluate a manager's retention. Any of the following may warrant immediate termination or further review:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests

If an Investment Manager fails to meet any of these performance objectives, the Investment Consultant will review the situation and make a recommendation to the Board as to any action the Board should take. Additionally, Investment Managers serve at the pleasure of the Board and may have their funds reduced at the Board's discretion due to any qualitative or quantitative factor listed or not listed above.

Florida ABLE, Inc.
Comprehensive Investment Plan
for the
Florida ABLE Program
March 20, 2018

AUTHORITY

Florida ABLE, Inc. is a direct support organization of the Florida Prepaid College Board. All investments made under this Comprehensive Investment Plan ("CIP") are made under the authority granted Florida ABLE, Inc. ("Corporation") by the Florida Prepaid College Board and Sections 1009.985 - .988, Florida Statutes.

PURPOSE

The CIP for the Florida ABLE Program ("Program") serves as the primary statement of the Corporation's investment policy regarding their statutory responsibilities and authority to establish and operate a savings plan for participants in the Program. The Program provides a medium through which eligible families and individuals may save private funds to help persons with disabilities cover costs that support their health, independence and quality of life. The Program is administered by the Corporation which was created pursuant to Section 1009.986, Florida Statutes.

ABLE CORPORATION RESPONSIBILITIES

The Corporation has the authority and responsibility to:

- Establish and maintain the CIP for the Program in accordance with state and federal law.
- Approve investment managers for the Program in accordance with the CIP.
- Request the Florida Prepaid College Board to solicit proposals, to contract or subcontract, or to amend contractual service agreements for the benefit of the Program.
- Review the investment options and fees for the Program on a periodic basis.
- Review periodically the performance of investment managers/investment options.
- Ensure that investment policies of the Corporation are strictly followed and that investment procedures are in place and properly followed.
- Utilize the services of a professional investment consultant for advice in the pursuit of investment objectives.

FLORIDA PREPAID COLLEGE BOARD RESPONSIBILITIES

The Florida Prepaid College Board has the authority and responsibility to:

- Approve the CIP, and any changes thereto, for the Program.
- Respond to requests from the Corporation made in accordance with the provisions of the CIP.
- Solicit proposals, to contract or subcontract or to amend contractual service agreements of the Florida Prepaid College Board for the benefit of the Program.

INVESTMENT OBJECTIVES

The Program shall seek the following objectives:

- Offer a diversified mix of investment options that span the risk-return spectrum and give participants the opportunity to accumulate savings to maintain health, independence and quality of life.
- Offer investment options that avoid excessive risk, have a prudent degree of diversification relative to broad market indices and provide a long-term rate of return that seek to achieve or exceed the returns on comparable market benchmark indices.
- Offer participants meaningful, independent control over the assets in their account with the opportunity to:
    - Obtain sufficient information about their account and investment alternatives to make informed investment decisions;
    - Direct contributions and account balances between approved investment options with a frequency that is consistent with state and federal law, as applicable;
    - Remove monies from an account without undue delay or penalties, subject to the contract and all applicable laws governing the operation of the Program.

INVESTMENT MANAGER RESPONSIBILITIES

Investment managers are responsible for following the provisions of this CIP. However, notwithstanding any provisions to the contrary, with regard to commingled/mutual funds the specific duties and responsibilities of each investment manager are to manage the assets under their supervision in accordance with the guidelines and objectives outlined in their respective prospectuses, participation agreements or other governing documents (e.g., Investment Management Agreement).

Managers should be responsive to the Corporation, Executive Director and/or investment consultant and provide information as necessary for monitoring the performance of the Program.

INVESTMENT OPTIONS

The number and range of investment options offered to Program participants will be reviewed by the Corporation periodically. The decision to offer additional options will take into account the growth of the Program, industry trends, administrative feasibility, diversification and costs associated with adding options. Permitted investment vehicles for any of the investment options include, but are not limited to a separately managed account, a pooled or commingled account, or a mutual fund.

If the Florida Prepaid College Board utilizes the same investment option as the Program, then the Program will use the Florida Prepaid College Board's investment manager for that investment option unless the Florida Prepaid College Board approves otherwise in advance. Specific commingled/mutual funds offered by the Program must also be approved in advance by the Florida Prepaid College Board.

The Corporation has authorized the following investment options that may be offered to Program participants:

Option 1 – a balanced "conservative" investment option which will consist of a 40/50/10 blend of equity, fixed income, and cash. The target allocation will utilize U.S. equity (Option 6), international equity (Option 7), fixed income (Option 5) and capital preservation (Option 4). Option 1 will be rebalanced to the targeted asset mix on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option 2 – a balanced "moderate" investment option which will consist of a 60/40 blend of equity and fixed income. The target allocation will utilize U.S. equity (Option 6), international equity (Option 7) and fixed income (Option 5). Option 2 will be rebalanced to the targeted asset mix on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option 3 – a balanced "growth" investment option which will consist of an 80/20 blend of equity and fixed income. The target allocation will utilize U.S. equity (Option 6), international equity (Option 7) and fixed income (Option 5). Option 3 will be rebalanced to the targeted asset mix on a periodic basis, according to the parameters outlined in the rebalancing section of this CIP.

Option 4 – a capital preservation investment option designed to provide exposure to liquid short-term fixed income instruments.

Option 5 – a fixed income investment option designed to track the broad domestic bond market.

Option 6 – a U.S. equities investment option designed to track the broad U.S. equities market.

Option 7 - an international equities investment option designed to provide exposure to international equities in developed markets.

Option 8 – A Federal Deposit Insurance Corporation (FDIC) insured savings account option designed to provide protection of Principal.

REPORTING

The Executive Director will cause monthly flash reports and detailed quarterly reports of the investment performance for each investment option to be prepared for review by the Corporation and the Florida Prepaid College Board.

Investment results for each investment option will be reported each quarter for the most recent completed quarter, calendar year-to-date, most recent twelve month period and cumulatively from inception showing returns relative to appropriate market benchmarks. Returns will be reported on a time weighted basis. At a minimum, the report will contain the following items:

1. Performance Measurement and Attribution

    - Performance of each investment option relative to its stated benchmark will be reported.

    - The performance of each underlying sub-portfolio will be reported relative to its stated benchmark.

- An attribution analysis of each investment option and sub-portfolio will be provided.
  - Fixed income attribution will include effects of changes in interest rates, sector and quality decisions and reinvestment rate.
  - Equity attribution will include such factors as sector and industry weights, beta, company size, yield and growth in earnings.
  - The attribution analysis will also account for any deviations in asset class or style weights from the targeted portfolio weights.

- Returns for each manager will also be evaluated on a risk-adjusted basis.

2. Qualitative Issues

- Ownership changes (e.g. key people "cash out")
- Departure of key investment professionals
- Changes in the decision-making process
- Changes in investment philosophy
- Involvement in material litigation or fraud

3. Compliance and Monitoring

- The allocation of each investment option will be reported to ensure allocation guidelines are met.

- Asset holdings will be reported to ensure investments are being made only in authorized securities and investment vehicles.

- Each manager will certify *monthly* that their portfolio is in compliance with the terms of this CIP and their specific investment mandate, as well as any applicable prospectus and Statement of Additional Information. Any exceptions to policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy.

- Each manager will be monitored based upon the performance objectives as outlined in this CIP.

- For each investment option which is implemented using a commingled/mutual fund, the manager will submit to the Corporation for approval any proposed changes to the prospectus or other governing documents in advance of making the changes.

- Each manager shall immediately disclose to the Corporation in writing any instance which a member of the investment manager's Board of Directors, an officer of the investment management firm, or a member of the portfolio management staff is also a member of the Board of Directors, an officer of, or a significant shareholder of 5% or more in stocks of a company in which they propose to invest the Corporation's funds. In addition, the Corporation's investment consultant and the trustee/custodian shall annually certify that no conflicts of interest exist with respect to the services they provide to the Program and shall annually provide the Corporation with a copy of the firm's policy governing conflicts of interest. The requirements of this paragraph do not apply with respect to the common stock of the manager responsible for investment of the U.S. equities investment option (or the common stock of the manager's holding company) when the manager's common stock (or that of its holding company) is included in the Russell 3000, or another recognized broad market index; provided that, prior to the initial purchase of the manager's common stock (or that of its holding company), the manager notifies the Corporation in writing that the manager's common stock (or that of its holding company) is included or has been included, in the Russell 3000.

AUTHORIZED INVESTMENT VEHICLES

Funds managed by the Program may be placed in the following accounts or investments:

1. Deposit accounts and certificates of deposit in banks.

2. Obligations of the United States Treasury.

3. Obligations of agencies of the United States Government (not restricted to full faith and credit obligations).

4. Commercial paper of prime quality of the highest letter and numerical rating established by a nationally recognized rating service.

5. Bankers' acceptances that are accepted by a member bank of the Federal Reserve System.

6. Corporate debt obligations, preferred stock, mortgage and asset-backed securities, provided the obligations meet the minimum credit criteria set forth elsewhere in this CIP.

7. Institutional investment products including fixed annuities, variable annuities and guaranteed insurance contracts that are obligations of United States insurance companies.

8. Common and preferred stocks traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets.

9. Common stock of foreign-domiciled companies traded on non-U.S. exchanges including over-the-counter markets.

10. Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government.

11. Commingled investment funds and mutual funds.

12. American Depository Receipts and Yankee bonds (including sovereign bonds issued in USD).

13. Municipal Bonds issued or guaranteed by U.S. local, city and state governments and agencies including Build America Bonds (BABs).

14. Exchange Traded Funds (ETFs), traded on domestic exchanges, so long as consistent with the investment mandate, and guidelines.

15. Mortgage TBAs ("To Be Announced") securities. These securities require an equivalent amount of cash equivalents set aside for future settlement of the forward agreement.

16. Derivatives: In general, the following uses of derivatives are approved for portfolio management purposes, although specific written permission must be granted to each manager on a case-by-case basis in formal written account guidelines.

    - Substitute for physical
    - Duration management
    - Risk control

    Before a derivative security or derivative strategy is used by an investment manager, one or more of the following benefits must be demonstrated to the Board:

    - Increased liquidity.
    - Stabilized and enhanced portfolio returns.
    - Lower transaction costs, including market impact costs.
    - Reduction in the time required to change the mix of the portfolio.

    Before any such derivative strategy is used by an investment manager, written permission for such use must be obtained from the Executive Director of the Program. However, in recognition of the balances that may exist in the early stages of the ABLE Program, the use of derivatives for portfolio management purposes will be permissive during the first twelve months of the launch of the ABLE Program.

PROHIBITED INVESTMENT VEHICLES AND GENERAL INVESTMENT RESTRICTIONS

1. Assets may not be invested in the securities of any foreign-domiciled entities, except to the extent those securities are registered in the United States and traded on one of the domestic exchanges or markets, and otherwise meet the limitations of this comprehensive investment plan, with the exception of the international equities investment option.

2. Short selling of securities is prohibited.

3. Maximum investment in the securities of any issuer, except U.S. Treasury or Agency or repurchase agreements collateralized by U.S. Treasury or Agency securities, is the greater of 5% of the market value of the fund, or 2% greater than the appropriate benchmark weight.

4. Debt obligations and preferred stock may not be rated less than BAA/BBB. Rating from each service must meet or exceed the required rating. (As established by two nationally recognized rating services.)

5. The following derivative strategies and derivative instruments are considered inappropriate and therefore not permitted for use in the managing of assets for the Florida ABLE Program:

- Derivatives used for speculative purposes.
- Derivatives that leverage the account (except as described in the section on leverage).
- Commodity options, swaps or other derivatives based on commodities.

INVESTMENT MANAGER SELECTION AND EVALUATION

Appropriate selection criteria will be used in the process of selecting investment managers/funds. Though not exhaustive, below is a list of considerations:

- Impact on asset class diversification. The characteristics of the potential investment option(s) relative to the characteristics of the existing options will be evaluated to determine the impact on participants' ability to diversify within a risk/reward spectrum.

- Adherence to designated style.

- Reasonable and competitive expense levels.

- Investment performance characteristics. Funds will have a record of performing well compared to peer groups and relevant published market indices. A minimum of a three year performance history is desirable for the assessment of manager skill.

The performance of each investment option will be evaluated in the context of its role in the array of options offered to Program participants. The Corporation shall evaluate investment performance over a sufficient time horizon, and in the context of the prevailing market environment, in order to properly assess the investment manager's success or failure. In general, a three- to five-year time horizon will be used to evaluate a manager's attainment of agreed-upon goals. On an interim basis, portfolio risk and investment performance will be monitored continually to ensure that the management of Program assets remains consistent with the style and objective for each investment option.

At a minimum, investment manager reviews will include a quarterly quantitative performance review conducted by the Program's consultant. Specific evaluation criteria are stated in the investment guidelines that have been individually prepared for each investment option pursuant to its specific role in the Program. As necessary, the evaluation may also include an annual site visit to review each portfolio manager's operations.

REBALANCING

In order to maintain the level of risk the Corporation has established, the asset class allocation within Option 1, Option 2 and Option 3 will be monitored monthly and rebalanced to the specified target when the allowable ranges are exceeded. The portfolio should be brought back into compliance within five business days. The following ranges will apply:

Option 1 – Balanced Conservative Allocation	Targeted Weight	Allowable Range
Capital Preservation (Option 4)	10%	5% -- 15%
Fixed Income (Option 5)	50%	45% – 55%
Broad Market U.S. Equity (Option 6)	30%	25% – 35%

International Equity (Option 7)	10%	5% -- 15%

Option 2 – Balanced Moderate Allocation	Targeted Weight	Allowable Range
Fixed Income (Option 5)	40%	35% – 45%
Broad Market U.S. Equity (Option 6)	45%	40% – 50%
International Equity (Option 7)	15%	10% -- 20%

Option 3 – Balanced Growth Allocation	Targeted Weight	Allowable Range
Fixed Income (Option 5)	20%	15% – 25%
Broad Market U.S. Equity (Option 6)	55%	50% – 60%
International Equity (Option 7)	25%	20% -- 30%

IMPLEMENTATION

All assets invested for the Program by the investment managers after the adoption of this CIP shall conform to this CIP, as amended from time to time.

The following portfolio-specific guidelines have been established to:

1. Ensure that the managers continually adhere to all regulations administered by any regulatory authority charged with oversight responsibility.

2. Limit the Program's exposure to unintended risks.

3. Ensure that each investment option adheres to its specific objectives.

4. Communicate objective, reasonable criteria of the Corporation's expectations to the managers.

The following sections contain the investment guidelines and policies for each option of the Program.

OPTION 1
BALANCED CONSERVATIVE ALLOCATION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the balanced conservative investment option is to provide participants with the opportunity to generate current income with low to moderate opportunities for long-term capital growth.

ASSET ALLOCATION

The balanced conservative investment option will be a blend of cash (Option 4), fixed income (Option 5), U.S. equity (Option 6) and international equity (Option 7) and is expected to be fully invested at all times. Allocations to the underlying fixed income, equity and cash portfolios will be rebalanced periodically according to the rebalancing guidelines specified in the rebalancing section of this CIP.

INVESTMENT GUIDELINES

The investment guidelines under Option 4, Option 5, Option 6 and Option 7 will apply to each respective portion of Option 1.

PERFORMANCE OBJECTIVES

The performance objectives specified in Option 4, Option 5, Option 6 and Option 7 will apply to each respective portion of Option 1.

OPTION 2
BALANCED MODERATE ALLOCATION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the balanced moderate investment option is to provide participants with an opportunity to generate both long-term capital growth and income.

ASSET ALLOCATION

The balanced moderate investment option will be a blend of fixed income (Option 5), U.S. equities (Option 6) and international equity (Option 7) and is expected to be fully invested at all times. Allocations to the underlying fixed income and equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified the rebalancing section of this CIP.

INVESTMENT GUIDELINES

The investment guidelines under Option 5, Option 6 and Option 7 will apply to each respective portion of Option 2.

PERFORMANCE OBJECTIVES

The performance objectives specified in Option 5, Option 6 and Option 7 will apply to each respective portion of Option 2.

OPTION 3
BALANCED GROWTH ALLOCATION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the balanced growth investment option is to provide participants with opportunities for long-term capital growth with less consideration being given to current income.

ASSET ALLOCATION

The balanced growth investment option will be a blend of fixed income (Option 5), U.S. equities (Option 6) and international equity (Option 7) and is expected to be fully invested at all times. Allocations to the underlying fixed income, U.S. equity and international equity portfolios will be rebalanced periodically according to the rebalancing guidelines specified in the rebalancing section of this CIP.

INVESTMENT GUIDELINES

The investment guidelines under Option 5, Option 6 and Option 7, will apply to each respective portion of Option 3.

PERFORMANCE OBJECTIVES

The performance objectives specified in Option 5, Option 6 and Option 7 will apply to each respective portion of Option 3.

OPTION 4
CAPITAL PRESERVATION OPTION
INVESTMENT GUIDELINES

OBJECTIVE

The capital preservation option seeks income consistent with liquidity, interest income and capital preservation. The capital preservation investment option will be actively managed and will primarily invest in high quality, liquid, short-term instruments to control credit risk and interest rate sensitivity.

ASSET ALLOCATION

The portfolio is expected to be invested at all times.

INVESTMENT GUIDELINES

The capital preservation option may invest in highly liquid money market instruments and fixed income securities with maturities not to exceed two years. The average portfolio maturity is not to exceed 6 months, notwithstanding the objective of preservation of capital. The minimum rating criteria for securities to be purchased in this paper are A1/P1 or an equivalent rating by two nationally recognized rating services.

PERFORMANCE OBJECTIVES

The performance of the capital preservation investment option shall be reviewed against a composite 91 Day Treasury Bills index and a universe of other prime money market funds. The fund is expected to maintain a net asset value (NAV) of $1/share.

OPTION 5
FIXED INCOME OPTION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the fixed income option is to provide participants with exposure to the broad fixed income market.

ASSET ALLOCATION

The portfolio is expected to be fully invested at all times. However, cash holdings may represent an integral part of the manager's desired portfolio structure. Therefore, for purposes of this constraint, cash will be defined as securities with a duration of less than three months and the manager shall be allowed a maximum cash position of not more than five percent.

INVESTMENT GUIDELINES

- Fixed income investments will be made only in dollar-denominated securities traded in domestic markets.
- The portfolio shall maintain a coefficient of determination (R^2) to the Barclays Capital Aggregate Index of not less than .90 over any rolling five-year time horizon calculated using monthly data.

RESTRICTED INVESTMENTS

Use of margin is prohibited except as may be required in the use of futures, options and swaps.

Other than futures, options and swaps, the use of derivative securities that have not been specifically approved by the Corporation is prohibited.

Convertible securities shall not be considered for investment.

PERFORMANCE OBJECTIVES

Manager performance shall be reviewed relative to the Barclays Capital Aggregate Index over any three- to five-year period, taking into consideration the following:
<u>Passive Managers</u>

- For passive managers, the manager’s performance, gross of fees, is expected to meet the Barclays Capital Aggregate Index.
- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the index of less than 15 basis points.

Active Managers

- For active managers, the manager’s performance, net of fees, is expected to exceed the Barclays Capital Aggregate Index, taking into consideration the degree of risk.

- The active manager’s performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.

- The effectiveness of the manager's duration, sector and security allocations will be reviewed to determine if the manager has demonstrated, on a total return basis, the ability to add value above the Index.

- The portfolio shall maintain at all times a duration of no less than 75% and no greater than 125% of the index duration.

OPTION 6
U.S. EQUITIES OPTION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the U.S. equities investment option is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in the broad U.S. equities market.

ASSET ALLOCATION

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

INVESTMENT GUIDELINES

1. The manager shall be permitted to invest in any securities which are a part of the Russell 3000 index, without regard for the constraint within this policy prohibiting or restricting the ownership of companies with less than a 3 year publicly available operating history. If the manager’s common stock (or the common stock of the manager’s holding company) is included in the Russell 3000, the manager is permitted to purchase, retain and sell the manager’s common stock (or the common stock of the manager’s holding company), consistent with the other requirements, guidelines, restrictions and performance objectives applicable to this portfolio and the reporting requirements imposed on managers.

2. The manager shall be permitted to invest in any securities which are a part of the Russell 3000, without regard for the preference within this policy for investments to be made in United States based corporations. There shall be no limit on the percent of the portfolio held in American Depository Receipts, provided those same companies are included in the Russell 3000 as American Depository Receipts.

3. The manager may temporarily invest in companies outside of the index in the case of additions or deletions, with the goal of minimizing tracking error and/or reducing trading costs.

RESTRICTED INVESTMENTS

1. The use of futures will be permitted subject to the restrictions imposed in the “Authorized Investment Vehicles” section.

2. Use of margin is prohibited except as may be required in the use of futures.

3. Convertible securities shall not be allowed for investment purposes.

PERFORMANCE OBJECTIVES

Manager performance shall be reviewed relative to the Russell 3000 Index, or other agreed-upon investible benchmark over any three to five year period, taking into consideration the following:

Passive Managers

- A passive manager's performance, gross of fees, is expected to meet the Russell 3000 Index, or other agreed-upon investible benchmark representing the broad U.S. equity market.

- The beta of the portfolio over any two year rolling time period and calculated using monthly data shall not be less than .98 or greater than 1.02.

- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the index of less than 25 basis points.

Active Managers

- An active manager's performance, net of fees, is expected to exceed the Russell 3000 Index, or other agreed-upon investible benchmark representing the broad U.S. equity market.

- The active manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.

OPTION 7
INTERNATIONAL EQUITIES OPTION
INVESTMENT GUIDELINES

OBJECTIVE

The objective of the international equities investment option is to provide participants an opportunity for meaningful growth of capital over a long investment horizon through participation in international equities in developed markets.

ASSET ALLOCATION

The portfolio is expected to be fully invested at all times, relying on the manager's ability to generate return through the selection of securities and not through the timing of market movements. Therefore, during these time periods the manager shall be allowed to maintain a maximum cash position of not more than five percent.

INVESTMENT GUIDELINES

1. The Board prefers the manager to invest only in equity securities that have a publicly available operating history of at least three years. However, the manager can invest up to five percent of the portfolio in initial public offerings that have been spun off by a company for which there is adequate history of audited financial statements. If, through spin-offs or other activities of the companies held, the portfolio exceeds five percent of holdings with less than three years operating history, the manager will bring the portfolio into compliance within a six-month period.

2. The coefficient of determination (R^2) measures the percentage of total market-related risk that an investment manager has undertaken. Therefore, the manager shall maintain a coefficient of determination to the MSCI EAFE Index of not less than .80 over any rolling five-year time horizon calculated using monthly data.

3. Equity investments shall be made only in securities domiciled outside of the United States. Country classification of a security will be based upon the country of domicile, not based on the country in which the security is listed or traded.

RESTRICTED INVESTMENTS

1. The use of currency futures and currency forwards will be permitted subject to the restrictions imposed in the “Authorized Investment Vehicles” section.

2. Use of options, futures, forwards or any other types of derivative securities that are not used for currency hedging purposes are prohibited.

3. Use of margin is prohibited except as may be required in the use of currency futures or forwards.

PERFORMANCE OBJECTIVES

Manager performance shall be reviewed relative to the MSCI EAFE Index, over any three or more year period of time, taking into consideration the following:

Passive Managers

- A passive manager's performance, gross of fees, is expected to meet the MSCI EAFE Index, or other investible benchmark representing the broad developed international equity markets.

- The beta of the portfolio relative to the index over any two year rolling time period and calculated using monthly data shall not be less than .98 or greater than 1.02.

- Tracking error measures the standard deviation of the differences between an investment manager's return and the index return. A low tracking error indicates that the manager's performance is closely tracking the performance of the index. In meeting the objectives set forth in these guidelines, the manager shall maintain an annualized tracking error to the index, of less than 35 basis points.

Active Managers

- The manager's performance, net of fees, is expected to exceed the MSCI EAFE Index or other investible benchmark representing the broad developed international equities market, taking into consideration the degree of risk.

- The manager's performance is expected to rank at or above the median when compared to a universe of its peers managing similar portfolios and following a similar investment style.

OPTION 8
FDIC INSURED SAVINGS ACCOUNT OPTION

OBJECTIVE

The FDIC insured savings account option is intended to operate as individual savings accounts. Funds will be placed on deposit in the account holders name and will earn the disclosed interest rate. Deposit amounts will be protected under FDIC insurance up to $250,000 per account.

PERFORMANCE OBJECTIVES

The FDIC insured savings account option is intended to provide a competitive savings account rate.