COMPREHENSIVE INVESTMENT PLAN
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: June 4, 2019

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.

<u>Actuary</u>

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 may hire one or more investment managers for each investment option. Investment managers will be selected as a result of a competitive procurement process as required by Section 287, Florida Statutes. Selection will be based on best value to the Board. Evaluation areas for best value shall include, but not be limited to, experience, strategy, performance and fees. 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. 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
3. 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 U.S. dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
2. Sovereign Debt Obligations
    - Must be U.S. dollar-denominated
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Foreign Debt Obligations
    - Must be U.S. 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.

Debt obligations with expected ratings are permissible as long as the rating is in compliance with the applicable rating requirement.

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
2. 144(a) securities (with and without registration rights) are permitted
3. Convertible and preferred securities

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. 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
3. Commercial Mortgage Backed Securities
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
4. Collateralized Loan Obligations and Collateralized Mortgage Obligations
   - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities

1. Supranational Debt Obligations
2. Sovereign Debt Obligations
3. Foreign Debt Obligations

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.

Debt obligations with expected ratings are permissible as long as the rating is in compliance with the applicable rating requirement.

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

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

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 U.S. 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 U.S. 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 U.S. 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: October 1, 2020

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
U.S. Government Backed Securities	76%	66 - 86%	60%
Investment Grade Corporate Bonds	24%	14 - 34%	40%

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

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.

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Actuarial Reserve Segment

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

Actuarial Reserve	Overall Allocation	Asset Class Allocation	Security Type Allocation	Benchmark
Fixed Income	***30%***			
Core		*100%*		Bloomberg Barclays U.S. Aggregate Bond Index
Fixed Income – Active			90%	
Fixed Income – Passive			10%	
Total Equity	***70%***			
Domestic Equity		80%		Russell 3000
Large Cap Core Equity			86%	
Small/Mid Cap Equity			10%	
Small Cap Growth			4%	
International Equity		20%		MSCI EAFE
International Equity			100%	

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

Each Security Type has a range of +/- 5% relative to its 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 of Board approval.

Performance for the Asset Class Allocations will be evaluated against the established benchmarks. All individual components will be evaluated against the benchmark for each security type.

III. COMMINGLED ACCOUNTS

The Board has approved the following commingled accounts and related benchmarks:

Actuarial Reserve Segment

Commingled Account	Investment Manager	Benchmark
Total Bond Market Index	Vanguard	Bloomberg Barclays U.S. Aggregate Float Adjusted Index
Small Cap Growth Index	Vanguard	CRSP Small Cap Growth Index
Institutional Index	Vanguard	Standard & Poor's 500 Index

Commingled accounts are monitored per the requirements in the Guidelines for Commingled Accounts.

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IV. SEPARATELY MANAGED ACCOUNTS

The Board has approved the following Separately Managed Accounts, benchmarks and related gross excess return and ex post tracking error targets.

Liability Segment

Investment Manager	Benchmark	Excess Return Target	Tracking Error Target
Neuberger Berman	Policy weighted between select U.S. Treasury Securities, Bloomberg Barclays U.S. Intermediate Corporate index and Bloomberg Barclays U.S. Long Corporate index	20 bps	50 bps
Insight		20 bps	50 bps
BlackRock		20 bps	50 bps
Income Research & Management		20 bps	50 bps

Actuarial Reserve Segment

Security Type	Investment Manager	Benchmark	Excess Return Target	Tracking Error Target
Fixed Income				
Fixed Income	Wellington	Bloomberg Barclays U.S. Aggregate Bond Index	50 bps	150 bps
Domestic Equity				
Small/Mid Cap Equity	Fiduciary	Russell 2500	200 bps	700 bps
International Equity				
International Equity	PanAgora	MSCI EAFE	100 bps	325 bps

Separately Managed Accounts are monitored per the requirements in the related Guideline section.

V. 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.

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VI. COMMINGLED ACCOUNT GUIDELINES

Objective
Commingled accounts will be utilized when they are determined to provide the best value to the Board.

Benchmark
Section III of these Guidelines provide the approved commingled accounts 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 and the specific commingled account prospectus.

Performance
Investment Manager performance will be evaluated using the following metrics:

1. **Passive Commingled Funds:** Performance, net of fees, shall meet the benchmark for the rolling 3- and 5-year periods

2. **Active Commingled Funds:** Performance, net of fees, shall exceed the benchmark for the rolling 3 and 5 year periods

Other factors the Board may consider in evaluating an Investment Manager include:

1. Significant changes in firm ownership and/or structure
2. Loss of one or more key personnel
3. Significant loss of clients and/or assets under management
4. Shifts in the firm's philosophy or process
5. 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 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.

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VII. 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 15% of the portfolio

1. Asset-backed and commercial mortgage backed securities

   - Must be rated AA/Aa2 by at least one nationally recognized rating service

2. 144(a) securities (with and without registration rights) are permitted
   - Must be rated by at least one nationally recognized rating services AA/Aa2 or higher

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

1. Supranational Debt Obligations, Sovereign Debt Obligations, Foreign Debt Obligations
   - Must be U.S. 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

1. Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.
2. 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).
3. Tracking Error to the benchmark shall be less than 70 bps.
4. Aggregate investment in obligations of the United States Treasury and Agencies shall not be less than 50% of the portfolio.
5. 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.

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.

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VIII. 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 BBB-/Baa3 or higher. If rated by only one nationally recognized rating service, then the rating must be A-/A3 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

1. United States Agency Mortgage backed securities, limited to 50% of the portfolio
2. Privately Issued Mortgage Backed securities, limited to 15% of the portfolio
    - 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/Aa2 by at least one nationally recognized rating service
2. 144(a) securities (with and without registration rights) are permitted
    - Must be rated by at least one nationally recognized rating services AA/Aa2 or higher
3. Collateralized Loan Obligations
    - Must be rated by at least one nationally recognized rating services AAA/Aaa or higher
    - Limited to 10% of portfolio

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

1. Supranational Debt Obligations, Sovereign Debt Obligations and Foreign Debt Obligations
    - Must be U.S. dollar-denominated
    - Must be rated by at least one U.S. nationally recognized rating services BBB-/Baa3 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

1. Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.
2. 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.
3. 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.

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.

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IX. 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

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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

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

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.

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X. 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

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

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.

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XI. 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.

Authorized investment vehicles for this portfolio:

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 U.S. 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 U.S. 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.

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