COMPREHENSIVE INVESTMENT PLAN
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: September 21, 2021

OVERVIEW

Stanley G. Tate Florida Prepaid College Program

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 Program is limited to beneficiaries that are Florida residents.

Comprehensive Investment Plan

In accordance with Section 1009.973, Florida Statutes, the Florida Prepaid College Board (Board) has established this Comprehensive Investment Plan (CIP), subject to approval by the Florida State Board of Administration (SBA). The purpose of the CIP is to document the governance structure, roles and responsibilities, investment objectives, and authorized investment vehicles for the Program.

Investment Guidelines

In addition to the CIP, Investment Guidelines are also established and are provided in a separate document. Investment Guidelines shall be approved and maintained by the Board to comply within the framework of the CIP. Investment Guidelines more specifically set forth the investment options, allocations, monitoring requirements, and specific guidance on items such as asset class limits, credit rating exposure restrictions, and risk constraints which will be employed by the Program. Investment Guidelines may be updated more or less frequently than the CIP subject to approval of the Board only.

Limitation on Use

The CIP and Investment Guidelines are intended to guide the Board and Investment Managers in their duty of administering the Program. These documents are provided publicly to ensure transparency. This CIP and Investment Guidelines should not be construed as investment advice.

GOVERNANCE

Florida Prepaid College Board

Section 1009.971(1), Florida Statutes, establishes the Board with the requirement to administer the Program.

Per Section 1009.971(2), Florida Statutes, the Board shall consist of seven members to be composed of the Attorney General, the Chief Financial Officer, the Chancellor of the State University System, the Chancellor of the Division of Florida Colleges, and three members appointed by the Governor and subject to confirmation by the Senate. Each member appointed by the Governor shall possess knowledge, skill, and experience in the areas of accounting, actuary, risk management, or investment management.

Section 1009.971(4), Florida Statutes, provides the Board with the necessary powers and duties to appropriately administer the Program, including the ability to delegate responsibility for administration of this CIP to a committee of the Board or to a person duly chosen by the Board.

Florida's "Sunshine Law" requires that Board members only discuss and make decisions affecting the Program in public meetings, ensuring process transparency and accountability to participants.

Investment Committee

The Board may establish an Investment Committee (Committee) to help carry out its investment responsibilities. A charter which outlines the responsibilities of the Committee is required for establishment. The Board shall review and approve the Committee charter at least every five years.

The Chairperson of the Board shall serve as the Chairperson of the Committee and shall appoint three additional members to serve on the Committee. Each member of the Committee shall possess knowledge, skill and experience in the areas of accounting, actuarial services, risk management and/or investment management. In addition, each member shall be free of any relationship that, in the opinion of the Board, would interfere with his or her individual exercise of independent judgment.

Florida State Board of Administration

Per Section 1009.973, Florida Statutes, the CIP is subject to the approval of the SBA.

ROLES AND RESPONSIBILITIES

Florida Prepaid College Board

Per section 1009.971(1), Florida Statutes, the Board has the responsibility of administering the Program. This includes adopting a CIP and Investment Guidelines, direction of investments, and overseeing the Program's policies, procedures, and related processes.

To properly carry out these responsibilities, the Board may rely on Board staff and vendors to assist in the administration of the Program.

Investment Committee

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities of investment related activities. The Committee will administer the CIP and Investment Guidelines for the Program and address other matters that may come before the Committee. Duties include selecting investment options, monitoring performance and fees for the Program and accepting the quarterly investment performance reports presented to the Board by the Investment Consultant.

The Committee shall review, in partnership with the Board's Investment Consultant, the CIP and Investment Guidelines annually, or more frequently as needed. Committee recommendations and decisions are subject to approval by the Board.

Board Staff

<u>Executive Director</u>

The Executive Director is appointed by the Board and serves as the Chief Executive Officer and Chief Investment Officer for the Program. These duties include:

- Overseeing investment management of assets in the Program
- Recommending enhancements to the CIP and Investment Guidelines
- Monitoring and advising about the impact on the Board's investment policies as a result of rules and guidance issued by regulatory agencies

- Approving the selection of, and executing contracts and amendments with, Investment Consultants, Custodian Banks, and Investment Managers based on the competitive procurement process

Deputy Executive Director

The Deputy Executive Director provides leadership, strategic planning, and oversight for the investment, administration, information technology, and operations of the Program. These duties include:

- Making high quality operational, financial, and legal decisions and recommendations to ensure the mission, financial requirements, industry standards, and applicable rules for the Program are met
- Developing and implementing high quality strategic initiatives aligning with the vision and objectives for the Program
- Reviewing the investment policies and guidelines, investment lineup, program structure, and fees for the Program
- Participating in the competitive procurement, and ongoing due diligence, of Investment Consultants, Custodian Banks, and Investment Managers

Director of Finance and Investments

The Director of Finance and Investments directs, plans, organizes, staffs, and oversees the day-to-day finance and investment activities and functions of the Program. These duties include:

- Overseeing the investment lineup, performance, and fees for the Program, including periodic market analyses to ensure the Program offers competitive products, returns, and expenses
- Monitoring investment selection and performance to ensure Investment Managers and options conform with CIP and Investment Guidelines requirements, including the receipt of Investment Manager certifications and reports
- Serving as the contract manager and primary point of contact for the Investment Consultants, Custodian Banks, and Investment Managers
- Engaging Investment Consultants, Custodian Banks, and Investment Managers to identify and draft investment policy and guideline enhancements
- Providing subject matter expertise for, and resolution of, policy questions, escalated matters, and changes to the Program
- Participating in the competitive procurement and ongoing due diligence of Investment Consultants, Custodian Banks, and Investment Managers.

Consultants

Investment Consultant

The Investment Consultant advises the Board on portfolio design and structure, asset allocation, investment fees, and investment policy, including the contents of this CIP and the Investment Guidelines.

The Investment Consultant duties also include:

The Investment Consultant advises the Board on portfolio design and structure, asset allocation, investment fees, and investment policy, including the contents of this CIP and the Investment Guidelines.

The Investment Consultant duties also include:

- Measuring investment performance results and advising the Board, at least quarterly, as to the performance and continued appropriateness of each Investment Manager.

- Providing sophisticated, objective, and prudent investment advice and direction on all matters related to the management of investments.
- Advising the Board on investment management selection and termination decisions.
- Guiding the Board in the monitoring and negotiation of competitive investment management fees.

Investment Managers

The Investment Managers shall invest Program assets, as instructed by the Board, with care, skill, prudence, and diligence. The Investment Managers 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), Florida Statutes, the Investment Managers 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.

Other Vendors

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.

Custodian/Trustee

The Custodian/Trustee is responsible for the safekeeping of the program's investment assets by holding them in trust. These duties include:

- Receiving and validating instructions from Investment Managers to purchase and sell various securities.
- Executing trades upon proper documentation and reconciliation.
- Calculating the daily Net Asset Value of each investment option.
- Performing the rebalancing of the static and age-based investment options as provided for in the Investment Guidelines

Record Keeper

The Record Keeper performs the daily operational functions of the Program including receiving participant funds, maintaining participant account balances, and customer service.

Independent Auditor

The Independent Auditor performs an annual financial statement audit and presents the audited Program financial statements to the Board. In addition, they provide review services of Board initiatives as requested.

Bank

The Bank receives and disburses participant funds. In addition, the Bank provides other services such as wires, ACH processing, and fraud prevention. To ensure the protection of the funds on deposit, only qualified public depositories approved by the State's Chief Financial Officer shall be eligible to provide these services.

PROCUREMENT

Competitive Procurement Requirement

Pursuant to Section 1009.971, Florida Statutes, the Board is required to solicit proposals and contracts for Investment Consultant, Trustee, and Investment Management services. These services are solicited through a competitive process pursuant to Section 287.057, Florida Statutes, and may result in more than one provider for each service.

Procurement Teams

Procurement Teams shall be responsible for completing the procurement process and shall consist of Board staff and/or other individuals that have a strong working knowledge of the requested service and shall be appointed by the Executive Director. Evaluation and Negotiation Teams are typically used for the ITN process. The Executive Director is responsible for approving the final selection(s) of the Procurement Teams. Procurement Team members must certify that they are independent of each procurement respondent.

Procurement Strategy

Unless otherwise approved by the Executive Director, Procurement Teams shall use the Invitation to Negotiate (ITN) process, as provided for in Section 287.057, Florida Statutes, to select vendors for the Program. The ITN is a multi-phase competitive procurement process. The phases include:

- Evaluation – Result in a shortlist of respondents to continue in the process.
- Negotiation – Results in a greater understanding of the shortlisted respondents, their proposed services and contractual terms.
- Recommendation of Award – The vendor(s) determined to provide the best value is recommended to the Executive Director for final approval.

Use of Board Resources

Evaluation and Negotiation Teams should consider information from the Board's Investment Consultant in addition to the vendor responses. Information provided by the Investment Consultant will be based on the response to the solicitation and information possessed through its normal course of business.

The Evaluation and Negotiation Teams should also consult with the Board's legal vendor throughout the procurement process to ensure compliance with Florida Statutes.

Selection

Contract awards will be based on the respondent that provides the best value to the Board and Program participants. Best value will be based on all components of the response such as demonstrated ability to successfully perform the requested service, alignment with the Board's overall strategy, and fees.

Final vendor selection is subject to the approval of the Board's Executive Director.

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 Board members and Investment Consultants providing advice to the Board shall certify annually that no conflicts of interest exist relative to the services provided for the Program.

INVESTMENT OBJECTIVE AND STRATEGY

Investment Objective

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.

Investment Strategy

The liability segment shall employ a liability driven investment "immunized" strategy that (1) mitigates the risk of funding status deficiency and (2) maintains appropriate liquidity to address projected Program liability cash flows. The strategy should be reconstituted periodically using the liability profile determined by the Actuary.

The Actuarial Reserve Segment shall be invested to seek incremental yield, within appropriate risk levels, as determined by the Board. Items to consider are market conditions, tuition pricing, product offerings, etc.

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.

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.

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.

In general, the remaining funds should be allocated as follows:

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

ALLOCATION MONITORING AND REBALANCING

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

LIABILITY SEGMENT

The Liability Segment is established to match participant payments and future investment returns with Program liabilities as projected by the Actuary.

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

General

- No short selling, unless specifically permitted by the applicable prospectus or offering documents
- Debt obligations with expected ratings are permissible as long as the rating is in compliance with the applicable rating requirement
- Securities included in the specified benchmark that are not specifically identified below are authorized with a limit of 2% above the benchmark weighting

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

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
- 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

- United States Treasury bonds and notes
- Interest and principal strips of Treasury securities

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

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

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

- Registered Bonds
  - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
  - Convertible securities are not permitted
- 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
- Bank Loans

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

- United States Agency Mortgage backed securities
- 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
- 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

- Asset-backed securities
  - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- 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
- 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

- Supranational Debt Obligations
  - Must be U.S. dollar-denominated

  - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Sovereign Debt Obligations
  - Must be U.S. dollar-denominated
  - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- 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

- 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
- 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

Return Seeking Assets - Maximum allocation of 20% of the Liability Segment. Prior to utilizing return seeking assets, an asset liability study must be completed to document the appropriateness.

- Domestic Equities
  - Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
- Foreign Equities
  - Foreign-domiciled companies traded on domestic or non-U.S. exchanges, including over-the-counter markets
- Registered Bonds
  - Rated below BBB-/Baa3
  - 144(a) securities (with and without registration rights) are permitted
- Supranational, Sovereign, and Foreign Debt Obligations
  - Rated below BBB-/Baa3

Derivatives

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

ACTUARIAL RESERVE SEGMENT

Any amount in the Fund that exceeds the Liability Segment is the Actuarial Reserve Segment.

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

General

- No short selling or lending of securities, unless specifically permitted by the applicable prospectus or offering documents
- Debt obligations with expected ratings are permissible as long as the rating is in compliance with the applicable rating requirement
- Securities included in the specified benchmark that are not specifically identified below are authorized with a limit of 2% above the benchmark weighting

Cash or Cash Equivalent

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
- 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

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

Municipal securities

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

- Registered Bonds
- 144(a) securities (with and without registration rights) are permitted
- Convertible and preferred securities
- Bank Loans

Residential Mortgage Backed Securities

- United States Agency Mortgage backed securities
- 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
- Mortgage to Be Announced (TBA) securities.
  - Requires a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities

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

- Supranational Debt Obligations
- Sovereign Debt Obligations
- Foreign Debt Obligations

Common Stock

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

Commingled Investment Funds

- 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

- 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

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

Real Estate

- Equity, debt and other interests in real estate or infrastructure assets.

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>

- Obligations issued or guaranteed by the U.S. Government or its agencies
- Obligations issued or guaranteed by other countries or their agencies
- Equities
  - Includes Exchange Traded Funds comprised of Equities

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

Cash or Cash Equivalent

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- 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

- 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
- 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

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

Municipal securities

- 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
- 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

- 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
- 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

- 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

- 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
- 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

COMPLIANCE

Monitoring

The Executive Director shall be responsible for ensuring that compliance with the CIP and Investment Guidelines is regularly monitored.

Each Investment Manager of a separately managed account shall certify compliance with this CIP and the Investment Guidelines at least quarterly. Each commingled account shall provide a current prospectus, outlining the pertinent information related to the fund such as investment objective, fees, and performance.

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 are not required to be immediately sold. The Investment Manager must notify the Board of such securities in writing within 10 days of the non-compliance. 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 Director of Finance and Investments, with assistance from the Investment Consultant, will review each request and approve or deny them. Requests can be subject to further review at any point after approval.

If determined to be in the best interest of participants, the Board can require a non-compliance investment to be sold immediately.

PERFORMANCE MEASUREMENT

Official performance shall be calculated 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.

REPORTING

To ensure the transparency of the Program, at a minimum the following reporting shall be provided:

Quarterly Board Meetings

To maintain an understanding of the Program's investments, the Board and Investment Committee shall review quarterly reports from Board staff and the Investment Consultant for applicable investment matters including, but not limited to:

- Investment management (options, strategies, manager selection, etc.)
- Investment performance
- Asset allocation
- Rebalancing

Website

As the primary access point to information for the participants, the Program website shall provide, at a minimum:

- Information relating to the Program:
  - Overview
  - Pricing
  - Options
  - Frequently asked questions
- Forms and information needed to understand, enroll, and maintain an account

ANNUAL REVIEW

The Board shall conduct an annual review of the CIP and Investment guidelines. The review shall be done in partnership with the Board's Investment Consultant with the results being presented to the Investment Committee.

INVESTMENT GUIDELINES
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: July 1, 2021

OVERVIEW

Florida Prepaid College Board

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).

Investment Guidelines

The Investment Guidelines are maintained in compliance with the CIP, but they are managed and approved separately by the Board to allow for timely response to market conditions and environmental factors that may affect the Program. Updates to the Investment Guidelines are subject to approval by the Board only.

The Investment Committee shall review, in partnership with the Board's Investment Consultant, the Investment Guidelines annually, or as needed.

Limitation on Use

The CIP and Investment Guidelines are intended to guide the Board and Investment Managers in their duties of administering the Program. These documents are provided publicly to ensure transparency to Program participants. The CIP and Investment Guidelines should not be construed as investment advice.

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	Long-Term Target Allocation
U.S. Government Backed Securities	76%	60%
Investment Grade Corporate Bonds	24%	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.

In general, funds within the Liability Segment should be allocated between the existing investment managers equally.

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		70%		Russell 3000
Large Cap Core Equity			86%	
Small/Mid Cap Equity			10%	
Small Cap Growth			4%	
International Equity		30%		MSCI ACWI ex U.S.
International Equity – Active			70%	
International Equity - Passive			30%	

Asset Class Allocation Monitoring and Rebalancing

Funds within the Liability Segment will be monitored at the Investment Manager level.

Funds in the Reserve Segment will be monitored at the asset class level (Fixed Income, Domestic Equity, and International Equity). When an asset class requires rebalancing, the underlying security types may be included in the rebalancing.

Each allocation has an allowable range of +/- 3 % to the target allocation amount. For example, the allowable range for fixed income would be 27 – 33%.

To reduce unintended tracking error, the Director of Finance and Investments will:

- Monitor the balances at least monthly, and rebalance when the Reserve Segment asset class or Liability Segment Investment Manager balances exceed the allowable range.
- Use required cash flows to move allocation towards targets.

Segment Allocation Monitoring and Rebalancing

At least quarterly, the Board should review and consider rebalancing the allocation between the Liability and Actuarial Reserve Segments.

Generally, the need for rebalancing between the Segments is evaluated based on the most recent Actuarial Adequacy Report. When the Liability Segment is over or under funded, consideration for a rebalancing should occur. The Board can postpone the rebalancing if it would not be in the best interest of the program. Examples of when the rebalancing could be postponed include, but are not limited to:

- A change to the Florida Statutes, school rates, or actuarial assumptions is not incorporated in the current actuarial report.
- The Board has placed a restriction on, or is procuring, the investment manager(s) that will receive the funds.
- An asset sale or purchase may not be in the best interests of the Board due to size of the transaction or the current market environment.

Performance

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.

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
Total International Stock Index	Vanguard	FTSE Global All Cap ex U.S.

Commingled account authority is limited to the specific commingled account prospectus document

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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
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
Insight	
BlackRock	
Income Research & Management	

Actuarial Reserve Segment

Security Type	Investment Manager	Benchmark
Fixed Income		
Fixed Income	Wellington	Bloomberg Barclays U.S. Aggregate Bond Index
Domestic Equity		
Small/Mid Cap Equity	Fiduciary	Russell 2500
International Equity		
International Equity	Lazard	MSCI ACWI ex U.S.

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

INVESTMENT MANAGER SELECTION, PERFORMANCE EVALUATION, AND MONITORING

Investment Manager Selection

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

The Program's assets will be invested primarily through mutual funds, exchange-traded funds, commingled funds, and/or separately managed accounts containing Authorized Investments as delineated by the Comprehensive Investment Plan.

If the Board determines an Investment Manager or Fund should be added or replaced, the Board will evaluate potential alternatives based on best value to participants. Best value shall include but not be limited to experience, strategy, performance, and fees. Specifically, at a minimum, the below criteria will be considered:

- Overall organizational strength and investment professional tenure.
- Well-articulated and consistent application of investment philosophy and process.
- Portfolio characteristics and sector weightings relative to style benchmark.
- Consistent performance history relative to style benchmark and industry style universe.
- Strategy's long-term risk/reward profile compared to style benchmark and industry style universe.
- Investment management fee competitiveness.

Investment Manager Performance Expectations

The Board, with the assistance of the Investment Consultant and Board Staff, will monitor the performance of its existing Investment Managers on a regular, ongoing basis. Investment returns will be measured net of investment management fees. At a minimum, the following quantitative expectations will be used as criteria for monitoring Investment Manager performance:

- For actively-managed portfolios, the Investment Manager is expected to have:
    - Performance, net of Investment Manager fees, meet or exceed the assigned benchmark for the 3 and 5 year periods.
    - Total return to rank median or above peers in the comparative peer universe for the 3 and 5 year periods
    - Volatility, as measured by standard deviation, is expected to be no greater than 120% of the assigned benchmark for the 5 year period.
- For passively-managed (or indexed) portfolios, the Investment Manager is expected to have:
    - Performance meet the assigned benchmark, gross of Investment Manager fees for the 3 and 5 year periods.
    - Volatility, as measured by standard deviation, is expected to be no greater than 110% of the assigned benchmark for the 5 year period.

The Investment Managers and their respective assigned benchmarks are identified in the Underlying Investment Manager Section above.

Where an Investment Manager does not have all the periods of historical performance with the Board, performance from the mutual fund or similar composite can be utilized for evaluation. If additional historical performance for an Investment Manager is not available, the Board's since inception performance will be monitored.

To supplement these quantitative measures, the Investment Committee may also consider qualitative factors in developing forward-looking expectations on Investment Manager performance. Examples of qualitative factors that may prompt the Board to re-evaluate a manager's ability to meet future expectations include but are not limited to:

- Significant tracking error changes on passively managed options
- Significant changes in firm ownership and/or structure
- Loss of one of more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Lack of responsiveness to client requests

Investment Manager Monitoring

The Board with the assistance of its Investment Consultant will maintain a formal process for monitoring of Investment Managers (Monitoring) in relation to each Investment Manager's ability to meet the above expectations. The Monitoring shall be presented at each quarterly Board meeting and designed to address shortfalls, quantitative or qualitative, in performance relative to expectations. The Monitoring serves to facilitate communication relating to the Investment Manager(s) between the Investment Consultant and the Board. The Monitoring includes assigning a status to each Investment Manager to promote a disciplined yet flexible approach to addressing any conditions requiring remedy in a thoughtful manner. In assigning the status, the Investment Consultant will, at a minimum, consider the following:

- Results versus quantitative expectations outlined above
- Expectations for the Investment Manager's strategy in the current market environment
- The ability of the Investment Manager to invest in the benchmark and how limitations may affect their performance in certain market environments
- Any qualitative items the Investment Consultant is aware of

The following terminology has been developed to describe each Reporting status:

"In-Compliance" – The Investment Manager is acting in accordance with the CIP and Investment Guidelines and/or there is continued confidence on a forward looking basis.

"Alert" – Continued confidence in the Investment Manager on a forward looking basis but a shortfall has been identified that causes concern. The Investment Consultant will conduct due diligence necessary to review the concern and propose the most prudent course of action (which may include no action) to the Board.

"On Notice" – Material concern has been identified that may affect the Investment Managers ability to meet future performance expectations. The concern is communicated to the Investment Manager. Specific criteria required for status upgrade is outlined, including any timeframes, in the notification. In addition, processes may be put in motion to consider alternate investment strategies. Failure to improve upon stated noted issues within the detailed time frame justifies Investment Manager termination.

"Termination" – The Board, working with the Investment Consultant, has decided to terminate the Investment Manager. The Investment Manager has been notified and transition plans are in motion.

The Investment Consultant shall document justification for Investment Managers assigned an "In-Compliance" status while substantially deviating from the quantitative expectations. In addition, the Board may request documentation for any "In-Compliance" status as determined necessary.

Monitoring shall be used by the Board as a guide rather than a required precursor to termination of an Investment Manager. The assigned status is not required to progress through each option. Based on the circumstances, and the Investment Consultant's recommendations, status can change to any level at any time, for example move from "In-Compliance" directly to "On Notice" or "Termination".

Notwithstanding these criteria, the Board may terminate any Investment Manager at any time for any sound reason in prudent service of the Program's investment objectives and participants as severity and circumstances of the concern warrant.

EXCEPTIONS TO INVESTMENT GUIDELINE REQUIREMENTS

Occasionally, in the day-to-day administration of the Program, events may occur that may require exceptions to Investment Guideline requirements. The Executive Director has the authority to grant exceptions to the Investment Guidelines provided the following:

- Does not violate the Comprehensive Investment Plan
- The exception is in the best interest of the Program
- Consideration has been given to transaction costs, market environments, and/or other pertinent information
- The exception is recommended by the Investment Consultant

Any exceptions granted must be presented to the Board at the next scheduled meeting.

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. The Separately Managed Accounts section of these guidelines provide the benchmark.

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.

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.

Quality Downgrade

If a security is downgraded to below any rating requirements, the Investment Manager shall promptly (within 10 days) notify the Board of the event and the Investment Manager's plan of action regarding the security.

Authorized investment vehicles for the portfolio:

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

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
- 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

- United States Treasury bonds and notes
- Interest and principal strips of Treasury securities
- Treasury Inflation Protection Securities (TIPS)
- Agencies of the United States Government

- Not restricted to full-faith and credit obligations

Municipal securities – Maximum allocation of 20% of the portfolio

- 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
- 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

- Registered Bonds
  - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
  - Convertible securities are not permitted
- 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

- United States Agency Mortgage backed securities
- 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
- 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

- Asset-backed and commercial mortgage backed securities
  - Must be rated AA/Aa2 by at least one nationally recognized rating service
- 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

- 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

- 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

- Derivatives shall only be used to substitute for physical securities, duration management or risk control
- 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
- Before a Derivative strategy is used by an Investment Manager, approval must be obtained from the Board

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives. At no time may any derivative be utilized to leverage the portfolio for speculation.
- Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.
- 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).
- Tracking Error to the benchmark shall be less than 70 bps.
- Aggregate investment in obligations of the United States Treasury and Agencies shall not be less than 50% of the portfolio.
- The average credit quality rating cannot be more than one letter rating below the benchmark.

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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
The Separately Managed Accounts section of these guidelines provide the benchmark.

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.

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.

Quality Downgrade
If a security is downgraded to below any rating requirements, the Investment Manager shall promptly (within 10 days) notify the Board of the event and the Investment Manager's plan of action regarding the security.

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

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

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
- 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

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

Municipal securities – Maximum allocation of 20% of the portfolio

- 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
- 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

- Registered Bonds
  - Rated by at least one nationally recognized rating services BBB-/Baa3 or higher
  - Convertible securities are not permitted
- 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

- United States Agency Mortgage backed securities, limited to 50% of the portfolio
- 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
- 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

- Asset-backed and commercial mortgage backed securities
  - Must be rated AA/Aa2 by at least one nationally recognized rating service
- 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
- 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

- 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

- 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

- Derivatives shall only be used to substitute for physical securities, duration management or risk control
- 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
- Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives.
- Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.
- 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.
- Tracking Error to the benchmark shall be less than 300 bps.

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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
The Separately Managed Accounts section of these guidelines provide the benchmark.

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%.

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:

Common Stock – Maximum allocation of 100% of the portfolio

- 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

- 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

- Derivatives shall only be used to substitute for physical securities or control risk
- 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
- Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives.
- Maximum investment in any security is the greater of 5% of the portfolio or 2% greater than the benchmark weight.

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

Benchmark
The Separately Managed Accounts section of these guidelines provide the benchmark.

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 up to 5%.

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 this mandate</u>:

Common Stock – Maximum allocation of 100% of the portfolio

- 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

- 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

- Derivatives shall only be used to substitute for physical securities, control risk or foreign currency hedging
- 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
- Before a Derivative strategy is used by an Investment Manager, approval must be obtained by the Board

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives.
- Maximum investment in any security is 5% at time of purchase.

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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.

Quality Downgrade
If a security is downgraded to below any rating requirements, the Investment Manager shall promptly (within 10 days) notify the Board of the event and the Investment Manager's plan of action regarding the security.

Non-Cash Collateral

- Obligations issued or guaranteed by the U.S. Government or its agencies
  - Minimum required collateral of 102%
- Obligations issued and guaranteed by the Japanese Government
  - Minimum required collateral of 105%
- Equities
  - Minimum required collateral of 107%
  - No more than 2 times the average 30-day trading volume
  - No more than 2% of market cap of equity issuer
  - No more than 10% per issuer
  - Northern Trust and Borrower stock not eligible
- Exchange Traded Funds
  - Must represent a diversified U.S. or non-U.S. equity or debt index
  - ETFs that are leveraged, represent a single asset, or are derivatives are not acceptable

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

Cash or Cash Equivalent

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- 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%
- 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
- 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

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

Short Term Corporate debt obligations

- 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
- 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

- 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

- The use of margin is prohibited
- A maximum of 40% of the portfolio may be with a single borrower, aggregated at the Parent Company level.
- A maximum of 50% of the Fund may be on loan.
- The U.S. dollar-weighted average portfolio life maturity must be 120 days or less.
- 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.
- Floating and variable rate securities must have interest rates that reset at least every 97 days.
- A minimum of 20% of the portfolio must be available each business day.
- The rate sensitivity of the portfolio will be limited to 60 days.
- 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.
- Fixed rate securities must have a maturity date or demand feature not exceeding 13 months from the date of purchase.
- 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.
- 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.
- Excluding overnight securities, a maximum of 40% of the portfolio may be invested in the same industry.
- 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.
- 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.
- A maximum of 10% of the portfolio may be invested in a single money market fund
- Residual cash balances shall not be subject to diversification limits