INVITATION TO NEGOTIATE

Title: Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Issuer: Florida Prepaid College Board

ITN Number: ITN 18-2

Issue Date	July 12, 2018
Written Request for Clarification Deadline	July 23, 2018 12:00PM (ET)
Written Request for Clarification Response	July 27, 2018
Submission of Data to Callan, LLC Deadline	July 31, 2018 12:00PM (ET)
Response Deadline	August 8, 2018 12:00PM (ET)
Anticipated Contract Effective Date	January 1, 2019

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1. INTRODUCTION

1.01 ABOUT THE FLORIDA PREPAID COLLEGE BOARD

The Florida Prepaid College Board (Board) administers two Qualified Tuition Programs for the State of Florida pursuant to Section 529 of the Internal Revenue Code: the Stanley G. Tate Florida Prepaid College (Prepaid) Program and the Florida 529 Savings (Savings) Program. The Prepaid Program allows Florida families to prepay the cost of college tuition, required fees, and dormitory housing at a state college or university in Florida at a price lower than the projected future cost of enrollment. The Savings Program allows families nationwide to invest for future higher education expenses.

The Board, an agency of the State of Florida created by Section 1009.97, Florida Statutes, has seven members who establish policy and monitor performance for the Prepaid and Savings Programs. The Board is administratively housed within the State Board of Administration (SBA) but exercises its powers independently. The Board employs an administrative staff of 20.

For more information, please visit myfloridaprepaid.com.

1.02 PROCUREMENT OBJECTIVE

This Invitation to Negotiate (ITN) has been issued by the Board, pursuant to Section 287.057, Florida Statutes, to obtain written offers for services (Responses) from qualified firms (Respondents) to manage a mid or SMID cap equity investment portfolio designed to outperform the, Russell Mid Cap Index or the Russell 2500 index (Benchmark). Respondents shall only propose one product (mid or SMID) against one benchmark.

The Board intends to contract with at least one firm that employs an active management style to achieve excess returns, over the Benchmark. The assets of the Prepaid Program and 529 Savings Program must be managed in separate accounts.

1.03 MINIMUM QUALIFICATIONS FOR RESPONDENTS

Respondents must affirmatively state, in writing, that the Respondent has:

1. Has $5 billion, or more, in firm-wide assets under management (AUM), as of March 31, 2018.
2. Has $1 billion, or more, in institutional AUM for mid or SMID cap investments, as of March 31, 2018.
3. Has 5 years, or more, of experience managing mid or SMID cap investments.
4. Has positive gross performance versus the Benchmark for the rolling 3 and 5 year periods, as of March 31, 2018, for their mid or SMID cap Composite.
5. Has a dollar weighted average market cap less than $12B.
6. Will charge an effective annual manager fee of 65 bps or less for $200 million AUM.
7. Will manage the assets in separate accounts.
8. Agrees to provide the services as detailed in Section 3 and agrees to all other requirements as stated in the ITN.
9. Agrees to accept and can enter into the Contract supplied in Appendix A.
10. Submitted product and organizational information into Callan Associates' database at https://questionnaire.callan.com, no later than Noon (Eastern Time), July 31, 2018.

Pursuant to Section 1009.971(5)(d), Florida Statutes, the Respondent shall:

1. Be an authorized insurer as defined in Section 624.09, bank as defined in Section 658.12, association as defined in Section 665.012, authorized Securities and Exchange Commission investment adviser, or investment company as defined in the Investment Company Act of 1940.
2. Have its principal place of business and corporate charter located and registered in the United States.
3. Agree to meet the obligations of the Board to qualified beneficiaries if moneys in the Florida Prepaid College Trust Fund (Fund) fail to offset the obligations of the Board due to imprudent investing by the Respondent.

Any Respondent that does not satisfy the minimum criteria herein shall be rejected.

2. SCHEDULE AND COMMUNICATIONS

2.01 SCHEDULE

The following schedule is set forth for informational and planning purposes. The Board reserves the right to modify this schedule as necessary to effectively administer this procurement.

Action	Date & Time	Location
Issue Date	July 12, 2018	
Written Request for Clarification Deadline	July 23, 2018 12:00PM (ET)	ITNinfo.Prepaid@MyFloridaPrepaid.com
Written Request for Clarification Response	July 27, 2018	
Submission of Data to Callan, LLC Deadline	July 31, 2018 12:00PM (ET)	questionnaire.callan.com
Response Deadline	August 8, 2018 12:00PM (ET)	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Response Opening*	August 8, 2018 2:00PM (ET)	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Evaluator Scoring Validation*	September - October 2018	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Negotiation Period	October - November 2018	
Negotiation Vote*	October - November 2018	1801 Hermitage Blvd., Suite 210 Tallahassee, FL 32308
Notice of Intended Award	October – November 2018	
Anticipated Contract Effective Date	January 1, 2019	

** Indicates public meeting. Notice of public meetings will be posted in the Florida Administrative Register (FAR).*

2.02 OFFICIAL NOTICES

All notices, addenda, revisions, decisions, intended decisions, and other information relating to this procurement will be electronically posted on the State of Florida Vendor Bid System (VBS) website. The Respondent is responsible for monitoring VBS. The Board does not guarantee information obtained from other sources.

Please visit: myflorida.com/apps/vbs/vbs_www.main_menu.
Agency: **State Board of Administration**
Title: **ITN 18-2**

2.03 COMMUNICATIONS AND RESTRICTIONS THEREOF

In accordance with Section 287.057, Florida Statutes, Respondents to this solicitation or persons acting on their behalf may not contact, between the release of the solicitation and the end of the 72-hour period following the agency posting the Notice of Intended Award, excluding Saturdays, Sundays, and state holidays, any employee or officer of the executive or legislative branch concerning any aspect of this solicitation, except in writing to the procurement officer or as provided in the solicitation documents. Violation of this provision may be grounds for rejecting a Response. The procurement officer for this procurement is:

Ashley Falls, ITN Administrator
Email: ITNinfo.Prepaid@MyFloridaPrepaid.com

The Board is the only entity authorized to issue news releases relating to this procurement and any resulting contract.

3. DESCRIPTION OF SERVICES

3.01 SERVICES

The Respondent(s) selected will establish and assume direct responsibility for managing a mid or SMID cap equity investment portfolio. The Board anticipates that the selected Respondent(s) will be assigned approximately $214 million in assets ($182 million managed for the Florida Prepaid Program and $32 million for the Florida Savings Program). However, the Board does not guarantee any minimum or maximum market value at any time or in any year.

Pursuant to a written contract resulting from this procurement, the Respondent(s) selected shall:

1. Establish separate accounts for each Program, consisting of publicly traded mid or SMID cap securities complying with applicable state and federal statutes.

2. Deliver a mid or SMID cap style equity investment product of high quality, sufficiently diversified by issue as is prudent and complies with the Board's Comprehensive Investment Plan for the Prepaid Program. Please be advised that the Board is in the process of restructuring the Comprehensive Investment Plans to be effective by October 1, 2018. Draft versions are available in Appendix D.

3. Achieve excess returns through active management.

4. Prepare written monthly, quarterly, and fiscal year-end reports in a format as required by the Board. Monthly reports shall be provided not later than fifteen (15) days after the last day of the month which is the subject of the report; quarterly reports shall be provided not later than thirty (30) days after the last day of the quarter which is the subject of the report.

5. Present reports to the Board, quarterly and as requested, to review performance of the portfolio, modifications to investment strategy, and changes to investment personnel.

6. Make available to the investment consultant appointed by the Board, any information necessary for the conduct of its responsibilities for the Board, including final asset and transaction statements within fifteen (15) days after the last day of each month.

3.02 CONTRACT

The Board intends to enter into a written contract with the Respondent(s) that offers the best value to the Board for the services included in this solicitation, as determined by the Board. The contract will incorporate this solicitation and amendments thereof, the written requests for clarifications and the answers thereof, and the Response provided by the contracting Respondent, including any and all supplemental Responses as requested by the Board.

A copy of the contract, which details the responsibilities of the contracting Respondent(s), is provided as Appendix A. The Board reserves the right to modify this contract pursuant to the negotiations addressed herein.

If the language between this solicitation and the contract conflict with the terms of State of Florida General Contract Conditions (PUR 1000) or State of Florida General Instructions to Respondents (PUR 1001), incorporated herein by reference, this solicitation and the contract shall control.

Failure to meet any contractual obligations may result in cancellation of any award.

4. RESPONSE

4.01 MANDATORY REQUIREMENTS

The Board has established certain mandatory requirements that must be included in a Response. The use of “shall”, “must”, or “will” (except to indicate simple futurity) indicates a mandatory requirement or condition. The words "should" or "may" indicate desirable attributes or conditions, but are permissive in nature. Deviation from, or omission of, such a desirable attribute will not by itself cause rejection of a Response.

Respondents who meet the minimum qualifications and that have satisfied the mandatory requirements will be considered; any Respondent who does not will be rejected.

4.02 RESPONSE FORMAT AND CONTENT

Respondents must provide the following information in the form/format specified. Failure to comply with the instructions herein is sufficient cause to reject a Response.

There are two primary components of a Response: (1) the Callan Manager Questionnaire and (2) the Written Response Packet included herein as Appendix B. The Written Response Packet includes the following forms:

Tab 1 – Invitation to Negotiate Acknowledgement
The Invitation to Negotiate Acknowledgment must be completed and signed by an officer or agent of the Respondent who is empowered to bind the Respondent in a contract. An executed acknowledgement, with the requested materials that follow, constitute an offer from the Respondent to provide the services detailed in this solicitation under the contractual terms provided herein.

Tab 2 – Minimum Qualifications
The Minimum Qualifications form represents a written attestation that the Respondent meets the minimum qualifications set forth in this solicitation.

Tab 3 - Performance
The Performance form collects performance information about the Respondent mid or SMID cap equity investment portfolio.

Tab 4 – Organizational Experience
The Organizational Experience form collects information about the Respondent, the assigned team, and the relevant experience thereof.

Tab 5 – Investment Philosophy and Strategy

The Investment Philosophy and Strategy form collects information about investment services, philosophy, and strategy offered, including benchmark construction, management, and portfolio risk and return.

TAB 6 - Audits and Financial Information

The Audits and Financial Information form requests recent financial statements and third-party audit reports. The Respondent is asked to document sufficient financial history, financial strength, capital adequacy, and internal controls to provide the services required in this procurement.

TAB 7 – Pricing Schedule

The Pricing Schedule represents the price offered for the services set forth in this solicitation. The Respondent, if awarded the contract, will receive compensation under the contract resulting from this procurement based upon the agreed upon price contained in the Pricing Schedule.

The forms provided herein are made available in Microsoft Word on the Board's website for ease of completion. Responders must use the provided forms. Additional information may be added as appendixes to support the forms. However, primary consideration will be given to the information provided in the forms.

Please visit: myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/.

4.03 DELIVERY

Responses must be complete on the date delivered. Additional information submitted after the Response, or separate from the Response, will not be considered unless specifically requested by the Board and only to the extent requested.

The Respondent is responsible for the timely and proper delivery. Responses that, for any reason, are not delivered timely will be retained by the Board but will not be considered.

Delivery to the Board

Each response shall be prepared simply and economically providing a straightforward and concise delineation of the Respondent's capabilities to satisfy the requirements of this procurement.

Each Respondent shall deliver the following:

1. Four (4) complete electronic copies of the Response on four (4) USB hard drives – one (1) copy per drive.
2. One (1) unbound original copy of the Response.
3. Four (4) bound copies of the Response. Fancy bindings and promotional material are not desired.

All Responses must be executed and submitted in a sealed package. The face of the package must contain the number and title of this solicitation and the date of the response. See Section 2 for delivery date, time, and address.

Delivery to the Callan, LLC

Each Respondent must complete, or must have completed, the Callan Manager Questionnaire. To complete the questionnaire, please visit: questionnaire.callan.com.

Responses received by facsimile, telephone, or email will be rejected.

4.04 CONFLICTS OF INTEREST

Any award hereunder will be subject to the provisions of Chapter 112, Florida Statutes. Respondents must disclose with their Response the name of any officer, director, or agent who is also an employee of the State of Florida, the Board, or any agency of the State of Florida. Respondents must disclose the name of any state employee who owns, directly or indirectly, interest of five percent or more in the Respondent. Respondents must disclose all investment products, annuities, mutual funds or other similar type savings plans that are marketed or sold by the Respondent, its proposed subcontractors or any Related Entity of the Respondent or any subcontractor, for other states as a part of a prepaid college fund or a college savings fund or for any Qualified Tuition Program.

4.05 RESPONSE TENURE

All Responses are valid for one hundred eighty (180) days from the due date. The period of time during which responses are valid will be tolled during the pendency of any proceeding related to any contract awarded pursuant to this procurement.

5. ITN PROCESS

5.01 OVERVIEW

This is a multi-phase competitive procurement process, pursuant to Section 287.057, Florida Statutes, whereby all Respondents shall receive fair and equal treatment. Respondents will not be eliminated from consideration until the posting of the Notice of Intended Award.

5.02 REQUESTS FOR CLARIFICATION

Prior to the Response deadline, the Board will accept requests for clarification from prospective Respondents. Questions concerning the conditions and/or specifications of this procurement must be addressed in writing, using the Request for Clarification Form provided in Appendix C. Written requests for clarification delivered to the ITN Administrator in a proper and timely manner will receive a written answer communicated publically via VBS.

Requests for clarification and answers thereto shall be considered an addendum to, and an integral part of, this solicitation document.

5.03 MANDATORY REQUIREMENTS ASSESSMENT

Upon timely and proper receipt, each Response will be reviewed to determine whether the Respondent meets the minimum qualifications and satisfies mandatory requirements set forth in this solicitation. The Board reserves the right to determine which Responses meet the minimum criteria and the right to accept Responses that deviate in a minor or technical fashion.

This assessment is binary (pass/fail); there are no points awarded for meeting the minimum qualifications or satisfying the mandatory requirements. Respondents that do not meet the minimum qualifications or satisfy the mandatory requirements will be removed from consideration.

5.04 EVALUATION PHASE

Each Response for which the Respondent meets the minimum qualifications and satisfies the mandatory requirements will be evaluated, independently, by members of an Evaluation Team appointed by the Board.

Response Evaluation

The Evaluation Team will award points for each Response in the following areas:

Component	Maximum Points Awarded
Performance (Tab 3)	35
Written Response: Organizational Experience (Tab 4)	10
Written Response: Investment Philosophy and Strategy (Tab 5)	20
Written Response: Financial Stability (Tab 6)	5
Written Response: Pricing Schedule (Tab 7)	30
Total	100

The Evaluation Team may consider information received from Callan, LLC, an investment consultant appointed by the Board. Callan may provide information relating to historical performance, portfolio attributes, and the experience, background, and staffing of the Respondent. Any information provided by Callan will be based on the Response to this solicitation and information possessed by Callan through its normal course of business. Callan will not make evaluation decisions for the Board.

Pricing Schedule Evaluation

Each Pricing Schedule Response will be evaluated relative to the lowest responsive price offered based on a portfolio balance of $200 million. Points will be awarded using the following formula:

$(X/N) \times P = Z$; where:

X = Lowest Responsive Pricing Schedule;

N = Proposed Pricing Schedule;

P = Maximum Points Available

Z = Awarded Points

The calculated points awarded will be rounded to the nearest whole number. Decimal values less than 0.50 will be rounded down to the next whole number; decimal values greater than, or equal to, 0.50 will be rounded up to the next whole number. The minimum possible calculated points awarded will be 0.

Ranking of Respondents and Selection of the Shortlist for Negotiation

After the Evaluation Team has evaluated each Response independently, the individual scores will be aggregated to determine the total score for each Response. The Respondents will be ranked based on the total score for their Response and the Board will select the highest-ranked Respondents, within a competitive range, for negotiation (Shortlist).

The Board intends to select up to five (5) Respondents to the Shortlist. However, the Board reserves the right, after posting notice thereof, to expand the shortlist to include additional responsive Respondents for negotiation. The Board will provide individual notice to each Shortlist Respondent.

5.05 NEGOTIATION PHASE

The Board will appoint a Negotiation Team to conduct negotiations with the Shortlist Respondents. The Board intends to negotiate concurrently with the Shortlist Respondents; however, the Board may change the method of negotiation (e.g., concurrent versus by order of ranking) and evaluation criteria if it determines that to do such would be in the best interest of the Board.

When negotiations have been completed, the Board will award a contract to the responsive and responsible Respondent(s) that the Board determines will provide the best value to the Board. The Board will provide public notice of selection via Notice of Intended Award posted on VBS.

6. GENERAL INFORMATION

6.01 LEGAL REQUIREMENTS

Applicable provisions of all federal, state, county, and local laws, will govern development, submittal and evaluation of all Responses received hereto and will govern any and all claims and disputes that may arise between persons submitting a Response and the Board. Lack of knowledge by any Respondent will not constitute a cognizable defense against the legal effect thereof.

6.02 BOARD RIGHTS

The Board, in its sole discretion, may take any of the following actions and may determine the scope and manner of such actions, the Respondent(s) affected, and whether to provide concurrent public notice of such decision:

1. Modify this solicitation, after posting notice thereof.
2. Review and rely on relevant information contained in a Response.
3. Change the members of the Evaluation Team and/or Negotiation Team.
4. Request supplemental Responses from a Respondent.
5. Contact previous clients of a Respondent, as identified by the Respondent, to inquire about the Respondent's ability to deliver on the services offered.
6. Expand the Shortlist, after posting notice thereof, to include additional responsive Respondents.
7. Require any or all Respondent(s) to address services, prices, or conditions offered by any other Respondent.
8. Schedule additional negotiating sessions with any or all Respondent(s).
9. Decline to conduct further negotiations with any Respondent.
10. Reopen negotiations with any Respondent.
11. Require any or all Respondent(s) to provide a best and final offer.
12. Take any administrative steps deemed necessary to determine final award, including additional fact-finding, evaluation, or negotiation where necessary and consistent with the terms of this procurement.
13. Arrive at an agreement with any Respondent, finalize principal contract terms and terminate negotiations with any or all other Respondents, regardless of the status of, or scheduled negotiations with, such other Respondents.

14. The Board reserves the right to accept or reject any and all Responses and to award the contract in the best interests of the State of Florida.

6.03 PUBLIC ACCESS TO RECORDS

Responses to this solicitation shall result in the Respondent waiving any and all rights relating to confidentiality, or claims thereof, upon delivery to the Board. All electronic and written communications pertaining to this procurement, whether sent from or received by the Board, and all Responses including, without limitation, administrative information, proposed services/commodities, and price will be subject to disclosure after contract award as required under Chapter 119, Florida Statutes.

Negotiations between the Board and Respondent are exempted from being held as public meetings by Section 286.0113(2)(a), Florida Statutes. In addition, strategy meetings held by Negotiation Team are also exempted by Section 286.0113(2)(a), Florida Statutes.

6.04 PROPERTY OF BOARD

All Responses become the property of the Board upon receipt and will not be returned to the Respondent. The Board has the right to use any and all ideas or adaptations of ideas contained in any Response received in for this solicitation. Selection or rejection of the Response will not affect this right. All Responses become public documents upon submission. All materials and data produced for the Board under the contract resulting from this solicitation will be owned by the Board unless otherwise agreed to in writing by the Board.

6.05 COST OF DEVELOPING AND SUBMITTING RESPONSES

Neither the Board nor the State of Florida is liable for any of the costs incurred by the Respondent in preparing and/or submitting a Response.

APPENDIX A

INVESTMENT MANAGEMENT AGREEMENT

This Investment Management Agreement (the "Agreement"), is entered into this _________ day of ___________________________, _________, by and between the FLORIDA PREPAID COLLEGE BOARD ("the Board"), an agency of the State of Florida, and ____ ("the Manager"), a corporation doing business under the laws of the State of Florida___________ and doing business in the State of Florida, , for the Stanley G. Tate Florida Prepaid College Program (the “Prepaid Plan”).

In consideration of the services to be performed and the payments to be made, together with the mutual covenants and conditions hereinafter set forth, the parties agree as follows:

PART 1: INVESTMENT MANAGEMENT SERVICES

1. REPRESENTATIONS AND WARRANTIES

The Manager represents and warrants that:

A. It is a duly registered investment adviser under the Investment Advisers Act of 1940, as amended (hereinafter called the "Advisers Act"), and further represents, warrants, and agrees that it will continue at all times during the term of this Agreement to be an investment adviser and manager and fiduciary as described in subparagraph B. of this Section and that it will comply with all federal and state security laws and rules and regulations thereunder, as well as all other state and local laws referenced by this Agreement and all rules adopted thereunder. The Manager will promptly notify the Board in the event that it ceases to be a registered investment adviser under the Advisers Act or a qualified investment manager and fiduciary as described in subparagraph B., below; and

B. It is an "investment manager" as such term is defined in the Employees Retirement Income Security Act ("ERISA") with respect to the Account Assets and, by reason thereof, a fiduciary as such term is defined in ERISA with respect thereto, notwithstanding the fact that the terms and provisions of ERISA are not applicable to this Agreement; and

C. It is a corporation duly organized, validly existing, and in good standing under the laws of the United States and the State of ____________________________ and has the power and authority to carry on its business as now being conducted and has the power and authority to execute, deliver, and perform this Agreement; and

D. It is duly qualified and in good standing in such other states of the United States, as well as in such foreign countries or political subdivisions thereof, as is necessary to perform this Agreement; and

E. It has taken all actions necessary to authorize the execution, delivery, and performance of this Agreement, and this Agreement is a valid and binding obligation of the Manager enforceable against it in accordance with its terms except as may be limited by federal and state laws affecting the rights of creditors generally and except as may be limited by legal or equitable remedies; and

F. It has made, obtained, and performed all other registrations, filings, approvals, authorizations, consents, licenses, or examinations required by any government or governmental authority, domestic or foreign, or required by any other person, corporation or other entity in order to execute, deliver, and perform this Agreement; and

G. To the best of the Manager's knowledge, neither the execution, delivery, nor performance of this Agreement by the Manager will violate any law, statute, order, rule, or regulation of, or judgment, order or decree by, any federal, state, local, or foreign court or governmental authority, domestic or foreign, to which the Manager is subject nor will the same constitute a breach of, or default under, provisions of any agreement or contract to which it is a party or by which it is bound.

H. If the Manager has answered “Yes” to any questions posed in Item 11 of Form ADV (Uniform Application for Investment Advisor Registration), Part I, Manager covenants and agrees to provide the Board with a copy of such Form ADV, Part I, or amended Form ADV, Part I, within 5 working days after the Form ADV, Part I, or amended Form ADV, Part I, has been filed with the Securities and Exchange Commission.

I. It is lawfully organized and constituted under all federal, state and local laws, ordinances and other authorities of its domicile and is otherwise in full compliance with all legal requirements of its domicile.

J. It is possessed in the legal authority and capacity to enter into and perform this Agreement.

K. It has been duly authorized to operate and do business in all places where it will be required to conduct business under this Agreement; that it has obtained, at no cost to the State of Florida, all necessary licenses and permits required in connection with this Agreement; and that it will fully comply with all laws, decrees, labor standards and regulations of its domicile and wherever performance occurs during the performance of this Agreement.

L. It has no present interest nor will acquire any interest which would conflict in any manner with the Manager’s duties and obligations under this Agreement.

2. INVESTMENT OF ACCOUNT ASSETS

The Board hereby appoints the Manager as an investment manager with the power to invest and manage the account Assets of the Board which from time to time are allocated to the Account the Board has opened with the Master Custodian as indicated in Exhibit "A" attached hereto, and the Manager hereby accepts such appointment on the terms and conditions set forth herein. "Account Assets" will mean the assets of the Board which the Board has notified or will from time to time notify the Manager in writing to be transferred to the account together with dividends, income, proceeds, and profits thereon. The Board authorizes the Manager to invest the Account Assets, subject to the fiduciary standards set forth in Paragraph 5 of this Agreement. The investment by the Manager will be made in accordance with the investment guidelines as described in the attached Exhibit "B" or its subsequent revision.

3. SCOPE OF SERVICES

Pursuant to the authority of Section 1009.971(5)(d), Florida Statutes, the Manager will serve as a mid or SMID cap equity investment manager employing an active management style for the Prepaid Plan. In this capacity, the Manager will provide the following services:

A. Serve as an agent of the Board to manage Account Assets in compliance with the Comprehensive Investment Plan for the Prepaid Plan, as may be amended from time to time. The Manager will establish separate accounts for the assets of the Prepaid Plan. The Manager's performance will be reviewed and compared against the custom mid or SMID cap benchmark as described in the Comprehensive Investment Plan.

B. Present reports to the Board, at a minimum on a quarterly basis, to review performance of the fund, changes in manager strategies and investment personnel, and to prepare written monthly, quarterly and fiscal year-end reports in a format as required by the Board. Monthly reports, including but not limited to monthly performance summary will be provided not later than fifteen (15) days after the last day of the month which is the subject of the report; quarterly reports will be provided not later than thirty (30) days after the last day of the quarter which is the subject of the report. The Manager will make available to the Board's appointed consultant any information necessary for the conduct of its responsibilities to the Board including final asset and transaction statements within fifteen (15) days after the end of each month.

C. Assist with information and descriptive statements needed concerning the and the investment strategy used for the management of such product as may be periodically required by the Board for inclusion in any prospectus or disclosure booklet for the Prepaid Plan. The Board may specify the requirements for such information or descriptive statements and the times when such information or statements must be submitted to the Board. Any such information and descriptive statements are subject to the prior written approval of the Board and the Board may require changes to such information or descriptive statements. The Board will work cooperatively with the Manager to ensure that information and statements included in any such prospectus or disclosure statement are accurate in all material respects and are not misleading.

D. All services provided under this Agreement for the Prepaid Plan shall be provided in accordance with the ITN. All provisions of the ITN, the Questions and Answers regarding the ITN, and the Manager's Proposal submitted in response to the ITN are incorporated by reference and attached to this Agreement as Restated Composite Exhibit "A". In the event of any conflict in the opinion of the Board, between any provision of this Agreement and the ITN, the Questions and Answers regarding the ITN or the Manager's Proposal, this Agreement shall govern the conduct of the Board and the Manager. In the event of any conflict, in the opinion of the Board, between the ITN and the Manager's Proposal, the ITN shall govern the conduct of the Board and the Manager. In the event of any conflict in the opinion of the Board, between the ITN and the Questions and Answers regarding the ITN, the Questions and Answers regarding the ITN shall govern the conduct of the Board and the Manager. In the event of any conflict, in the opinion of the Board, between Questions and Answers regarding the ITN and the Manager's Proposal, the Questions and Answers regarding the ITN shall govern the conduct of the Board and the Manager.

4. DUTIES OF MANAGER

A. The Manager is hereby authorized on behalf of the Board, as its agent and manager of the Account Assets, to exercise full discretionary investment authority within the investment guidelines (including any cash flow requirements) established in Exhibit "B" hereto, and also within guidelines established by the Board's Comprehensive Investment Plan (which is hereby incorporated by reference and attached to this Investment Management Agreement as Exhibit "C"), without obtaining the prior consent of or consulting with the Board or any other person,

(i) to issue to brokers (including the Manager's broker-dealer affiliates) instructions to sell, and otherwise trade in, or deal with, the Account Assets;

(ii) to purchase and sell to any person the Account Assets;

(iii) to instruct any trustee or custodian of any and all of the Account Assets to receive, accept and deliver securities or other assets sold, exchanged or otherwise disposed of from the Account Assets; and

(iv) generally to perform any other act necessary or proper to enable the Manager to carry out its obligations under this Agreement. Manager will not, however, be responsible for the overall allocation restrictions contained in Exhibit “C.” The Manager will obtain best execution of each purchase and sale transaction. So long as the provisions of Section 28(e) of the Securities Act of 1934 are met, the Manager may cause a broker or dealer to be paid commissions in excess of those another broker or dealer may charge.

B. It is understood that the Manager performs investment advisory services for various clients. The Board understands that the Manager may give advice and take action with respect to any of its other clients which may differ from advice given to the Board, or the timing or nature of action taken with respect to the Account Assets; provided, however, the Manager agrees that it will (i) not favor or disfavor consciously and consistently any client or class of clients in the allocation of investment opportunities, and (ii) to the extent practical see that such opportunities are allocated among clients over a period of time on a fair and equitable basis.

C. Nothing in this Agreement will impose upon the Manager any obligation to purchase or sell, or to recommend for purchase or sale, for the Account Assets any security which the Manager, its principal affiliates or employees may purchase or sell for its or their own accounts or for the account of any other client.

5. FIDUCIARY DUTIES

The Manager agrees to discharge its duties, as investment manager and fiduciary, with respect to the Account Assets solely in the interest of the Board and the beneficiaries thereunder and (a) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in the like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and (b) in accordance with the investment instructions as the Board may furnish to the Manager in writing from time to time and with this Agreement. The Manager further agrees that it will continue at all times during the term of this Agreement to be an investment manager and a fiduciary as above described, and that it will comply with all laws, rules, and regulations set forth in Paragraph 1 (A), and that it will perform in accordance with the standards of care set forth in this paragraph and this Agreement.

6. COVENANTS

The Manager will notify the Board promptly after becoming aware (i) if it fails to comply with or will for any reason be unable to comply with any term, condition or provision of this Agreement; (ii) of any material change in the Manager's partners, directors, or employees who exercise investment discretion with respect to the Account Assets or to any other material adverse change in the Manager's condition, financial or otherwise, or in its business, corporate organization, or any such change which is or might be materially adverse to the Manager or the Account Assets; and (iii) following the occurrence of any happening or event which would cause any representation or warranty of the Manager in Paragraph 1 hereof, to be no longer true and correct in all respects (assuming solely for the purpose of this covenant of notification that all such representations and warranties are deemed to be reiterated and brought down during each successive day during this Agreement) provided that nothing in the preceding sentence will detract from or modify any representation or warranty made by the Manager in Paragraph 1 hereof.

7. OBJECTIVE

The objective of the Manager will be to produce a mid or SMID cap investment management portfolio designed to outperform the index provided in the Comprehensive Investment Plans. The Manager will have investment discretion as to security selection subject to the guidelines and limitations expressed in the Comprehensive Investment Plans and any manager specific guidelines agreed upon between the Board and the Manager.

8. CUSTODY AND CONTROL OF ASSETS

A. Custody and control of all Account Assets will remain with the Master Custodian. Accordingly, the Manager will arrange to have all investments, option premium funds or other cash flow arising from any transaction effected in accordance with the terms and provisions of this Agreement to be promptly remitted to the Master Custodian and credited to the appropriate account number. The Manager will also provide the Board with such information as the Board, from time to time, may request with regard to the Account Assets, including the identity of the employees, officers, and directors or other principals of the Manager, or other matters relating to this Agreement and the transactions contemplated hereby. The Board has the power at any time, in its sole discretion, to appoint one or more additional or substitute custodians to hold the Account Assets pursuant to the terms of any other custody agreements or pursuant to the terms of Exhibit "A" hereto, as may be revised.

B. The Board, during the term of this Agreement, will give the Manager notice of any termination of the Exhibit "A" Master Custodian Agreement or substitute custodian Agreement.

C. The Manager will cooperate with the Master Custodian or its successor in connection with all transactions contemplated by this Investment Management Agreement covered by the Master Custodian Agreement.

9. INSURANCE

The Manager has in effect and will maintain during the term of this Agreement:

A. Insurance coverage which complies with the bonding requirements of Section 412 of ERISA. The Manager will maintain such insurance coverage as required by said section (as the same may from time to time be supplemented or amended), notwithstanding the fact that the terms and provisions of ERISA may not be applicable to this Agreement.

B. Errors and omissions insurance in an amount not less than $25,000,000.00 which provides coverage with respect to any loss resulting from a breach of its fiduciary duties and including coverage in the event of recourse against it by, or on behalf of, the Board.

C. Fiduciary liability insurance in an amount not less than $25,000,000.00 which provides coverage with respect to any loss resulting from a breach of its fiduciary duties and including coverage in the event of recourse against it by, or on behalf of, the Board.

Upon request of the Board, the Manager will provide to the Board evidence that the premiums therefor have been paid.

10. CONSIDERATION

A. The compensation of the Manager for its services hereunder will be calculated and paid in such manner as will be agreed upon, from time to time, by the Manager and the Board in accordance with Exhibit "E" hereto. All out of pocket expenses of the Manager, including without limitation, mailing and telephone expenses, travel expenses, salaries, and overhead costs, are to be paid for by the Manager.

B. If the Manager enters any agreement or contract with any other customer by which the Manager agrees to provide equivalent services for a lower fee or price, or additional services for a comparable fee or price, the Manager will provide written notice thereof to the Board within thirty (30) days of the date the Manager enters such agreement or contract with another customer and will agree to amend the Agreement, resulting from the ITN to provide the equivalent fee or price or additional service to the Board.

11. BROKERAGE COMMISSIONS

The Board may instruct the Manager in writing to direct the Board's brokerage commissions, subject to the restriction of best execution, to a particular broker dealer, in which case any research products and services generated by such commissions are the property of the Board and its beneficiaries, are accountable to the Board and will be reported by the Manager on a quarterly basis as provided in Paragraph 4 of this Agreement.

12. NO ASSIGNMENTS

No assignment, as that term is defined in the Investment Advisers Act of 1940, nor any other form of assignment, transfer, or conveyance of this Agreement will be made by the Manager without the prior written consent of the Board.

13. TERM OF CONTRACT

A. The duration of this Agreement shall be for five (5) years beginning ____, or such later date designated by the Board. It is the intent of the Board to review and define necessary services at the end of five (5) years. The Board reserves the option to renew the contract or any portion of the Agreement under the terms and conditions set forth in this ITN, or other such conditions as may be negotiated between the parties, for five (5) additional one (1) year periods. Renewal may be divided into increments or may be executed for a complete term. Renewal shall be contingent upon, among other things, availability of funds, continued need and satisfactory performance by the Manager. Moreover, the contract is subject to an annual performance evaluation of the successful firm.

B. No provision for the automatic renewal or extension of this Agreement is effective. Any renewal or extension will be in writing and executed by both parties to this Agreement. If the Board elects to renew this Agreement, the Board may prepare and submit to the Manager for execution a renewal agreement containing all of the then-existing terms of this Agreement (except for any additional renewal period), and the Manager shall execute said renewal agreement without any amendment (except for amendments required to update the Agreement to comply with changes of law or regulatory requirements) and return it to the Board.

C. This Agreement will be subject to termination pursuant to Paragraph 31.

14. INDEPENDENT CONTRACTOR

A. The Board and Manager represent that they are acting in their individual capacities and not as employees, partners, or associates of one another.

B. The Manager will establish and assume direct responsibility for acting as the service provider for the Board in accordance with the provisions of the ITN. Accordingly, the Manager shall designate a Contract Manager whose primary responsibility is to work with the Board staff in making certain that all contract terms are strictly observed. At any time during the term of the contract, the Board reserves the right to reject the Manager's choice of Contract Manager and may terminate the contract if a Contract Manager acceptable to the Board cannot be made available by the Manager.

15. INDEMNIFICATIONS

A. The Manager will act as an independent contractor and not as an employee of the Board in the performance of the tasks and duties which are the subject of this contract. The

Manager shall be liable, and agrees to be liable for, and shall indemnify, defend, and hold the Board harmless from all claims, suits, judgments, or damages (including litigation costs and reasonable attorney's fees) arising from the Manager’s fraud, negligence or misconduct, or any subcontractor’s fraud, negligence or misconduct, of the tasks and duties which are the subject of this Agreement, including, but not limited to:

(i) Obtaining consent of any nature whatsoever;

(ii) Protecting the Board against claims for the unauthorized use of name or likeness of any person, libel, slander, defamation, disparagement, piracy, plagiarism, unfair competition, idea misappropriation, infringement of copyright title, patent, slogan or other property rights and any invasion of the right of privacy. “Misconduct” shall mean any violation of Florida law, Board rules, or directives, state or federal securities laws and regulations implementing same, or the Board’s Comprehensive Investment Plan; and

(iii) Actions arising under Chapter 119, F.S.

B. The Manager will notify the Board in writing immediately of any claim or suit against the Manager arising from or related to the Manager’s tasks and duties which are the subject of this Agreement. The Manager shall not settle, compromise, mediate, agree to dismiss, or voluntarily agree to the entry of any judgment, temporary injunction or permanent injunction, in any claim or suit against the Manager arising from or related to the Manager’s tasks and duties which are the subject of this contract without the prior written authorization of the Board. Nothing in this Agreement authorizes the Manager to waive the Board’s immunity from suit under the Eleventh Amendment to the United States Constitution.

C. The provisions of this Paragraph shall survive the termination of this Agreement.

D. Federal and state securities laws may impose liabilities under certain circumstances on investment advisers, managers or fiduciaries who act in good faith, and nothing herein shall constitute a waiver or limitation of any right that the Board may have under any such federal or state securities laws.

16. IMPRUDENT INVESTING

If moneys in the Florida Prepaid College Trust Fund fail to offset the Board's obligations to qualified beneficiaries of the Stanley G. Tate Florida Prepaid College Program as a result of imprudent investing by the Manager, the Manager agrees to be liable for the Board's obligations. Investments made in accordance with the Comprehensive Investment Plan adopted by the Board will not be considered imprudent. The agreement and obligation of the Manager under this provision shall survive the termination of this Agreement.

17. PERSONNEL

The Board may interview the personnel assigned by the Manager to perform the services required under this Agreement. The Board may require the replacement of any personnel of the Manager believed to be unable to carry out the responsibilities of the contract at any time. The Manager shall warrant that personnel assigned to perform tasks under the Agreement will not be replaced or reassigned except as is reasonably necessary.

18. MODIFICATION OF CONTRACT

This Agreement represents the entire agreement of the parties. Any alterations, variations, changes, modifications or waivers of provisions of this Agreement will only be valid when they have been reduced to writing, duly signed by each of the parties hereto, and attached to the original of this Agreement.

19. SUBCONTRACTOR

The Manager may enter into written subcontracts for performance of its duties under this Agreement. All subcontractors will be subject to the prior written approval of the Board. The Board may disapprove any subcontractor if such disapproval would be in the best interests of the Board. The Board may inspect and acquire any of the subcontract documents executed between the Manager and any subcontractor. No subcontract which the Manager enters into with respect to performance under this Agreement will in any way relieve the Manager of any responsibility for performance of duties stipulated in this Agreement. The Board reserves the right to communicate directly with any subcontractor's Project Manager regarding performance of tasks required under this Agreement.

20. OWNERSHIP OF MATERIALS

All materials and data produced for the Board under this Agreement will be owned by the Board unless otherwise agreed to in writing by the Board.

21. APPROVAL OF WORK

A. All work produced for distribution by the Manager must be approved in advance in writing by the Board or the Board's representative.

B. Each phase of the services provided by the Manager will require the approval of the Board or the Board's representative.

C. The Board reserves the right, in its own best interests, to unilaterally modify, reject, cancel or stop any and all plans, schedules or work in progress.

D. Notwithstanding "prior approval" requirements which may be reserved to the Board under this Agreement and Part IV, Chapter 1009, Florida Statutes, such requirement does not relieve or mitigate Manager's ultimate responsibility for ensuring and guaranteeing the quality and timeliness of work and services to be provided under this Agreement. The Manager is solely responsible for performing the services specified herein to the satisfaction of the Board.

22. TAXES

The Board bears no responsibility for the payment of any federal, state, or local taxes which become payable by the Manager or its subcontractor as the result of this Agreement.

23. PUBLIC ACCESS TO RECORDS AND CONFIDENTIALITY

A. Section 1009.981(6), Florida Statutes, provides that all information that identifies the benefactors or qualified beneficiaries of any participation agreement and s. 1009.98(6), Florida Statutes, provides that all information that identifies the purchasers or beneficiaries of any advance payment contract, is not subject to the provisions of s. 119.07(1), Florida Statutes, the Public Records Law. All other documents, papers, letters, or other materials relating to this Agreement that are made or received by the Trustee in conjunction with the Agreement, and which are required by law to be maintained, will be available for public access and for audit purposes for a period of three (3) years after the expiration of the Agreement. Said records will also be maintained per Chapter 119 and other applicable Florida Statutes. The provisions of this Paragraph shall survive the termination of this Agreement.

B. Manager agrees not to use or disclose any information concerning a recipient of services under this Agreement for any purpose not in conformity with state and federal law or regulations except upon written consent of the recipient, or his responsible parent or guardian when authorized by law, if applicable.

C. If the Manager has access to confidential information in order to fulfill Contractor's obligations under this Agreement, Manager agrees to abide by all applicable Board Information Technology Security procedures and policies. Manager (including its employees, sub-contractors, agents, or any other individuals to whom Contractor exposes confidential information obtained under this Agreement), shall not store, or allow to be stored, any confidential information on any portable storage media (e.g., laptops, thumb drives, hard drives, etc.) or peripheral device with the capacity to hold information. Failure to strictly comply with this provision shall constitute a breach of contract.

D. Manager shall notify the Board in writing of any disclosure of unsecured confidential information of Board by Manager, its employees, agents or representatives which is not in compliance with the terms of the Agreement (of which it becomes aware). Manager also shall report to Board any Security Incidents of which it becomes aware, including those incidents reported to Manager by its sub-contractors or agents. For purposes of this Agreement, "Security Incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of Board information in Manager's possession or electronic interference with Board operations; however, random attempts at access shall not be considered a security incident. Manager shall make a report to the Agency not more than seven (7) business days after Manager learns of such use or disclosure. Manager's report shall identify, to the extent known: (i) the nature of the unauthorized use or disclosure, (ii) the confidential information used or disclosed, (iii) who made the unauthorized use or received the unauthorized disclosure, (iv) what Manager has done or shall do to mitigate any deleterious effect of the unauthorized use or disclosure, and (v) what corrective action Manager has taken or shall take to prevent future similar unauthorized use or disclosure.

24. WAIVER

Failure of either party to this Agreement to object to or to take affirmative action with respect to any conduct of the other which is in violation of the terms of this Agreement will not be construed as a waiver of the violation or breach, or of any future violation or breach.

25. GENERAL CONDITIONS

A. The Board may cancel this Agreement if the Manager refuses to allow public access to any documents, papers, letters, or other materials subject to the provisions of Chapter 119, Florida Statute, and made or received by the Manager in conjunction with the Agreement.

B. The Board will operate the Florida Prepaid College Plan in compliance with the requirements of s. 529 of the Internal Revenue Code and the federal securities laws.

C. Notwithstanding "prior approval" requirements which may be reserved to the Board under this Agreement and Part IV, Chapter 1009, Florida Statutes, such requirement does not relieve or mitigate Manager's ultimate responsibility for ensuring and guaranteeing the quality and timeliness of work and services to be provided under this Agreement. The Manager is solely responsible for performing the services specified herein to the satisfaction of the Board.

D. The Board reserves the right, in its own best interests, to unilaterally modify, reject, cancel or stop any and all plans, schedules or work in progress.

E. The Manager shall not initiate any communication with any member of the Board, on any matter related to this Agreement or related to the duties of the Board under Part IV, Chapter 1009, Florida Statutes, or any successor statute, or which in any way relate to the Manager's activities. Except at publicly noticed meetings of the Board or any of its committees, all communication by the Manager directed to the Board, or any member of the Board, shall only be sent to the Executive Director of the Board who will forward same to the Board or to the appropriate member. If the Manager receives any communication from any member of the Board, the Manager shall notify the Executive Director of the Board immediately, and shall take no further action on any matter related to this Agreement or any other matter related to the duties of the Board under Part IV, Chapter 1009, Florida Statutes, or any successor statute, until advised by the Executive Director.

F. Throughout the term of the Agreement, the Manager shall comply with all applicable federal, state and local laws, regulations, rules or ordinances, as amended from time to time, including, but not limited to, s. 529 of the Internal Revenue Code, any federal regulations relating to qualified state tuition programs, applicable Florida laws, including without limitation Part IV, Chapter 1009, Florida Statutes, all administrative rules adopted by the Board, and the securities laws of the United States and the State of Florida. If during the course of the Agreement these laws, regulations, rules or ordinances are amended, the Manager shall revise its services as necessary to preserve such compliance at no additional cost to the Board.

G. The Board reserves the right to inspect the Manager's facilities at any time with prior notice.

H. All references in the Agreement to ss. 1009.97, 1009.971, 1009.972, 1009.98, or 1009.983, Florida Statutes, includes all successor statutes thereto.

26. AUDIT OF CONTROL PROCEDURES

The Board shall have the right to audit or inspect the Manager's, and any subcontractors', procedures and financial and accounting records, including, but not limited to, records, reports, and documents and such other supporting evidence necessary to verify compliance with the terms of this Agreement, using Board employees, its designees or other state agencies as provided by law. The Manager shall include a provision substantially similar to the preceding sentence in all agreements between the Manager and its subcontractors that are related to or for the provision of goods or services under this Agreement. If the Board exercises its right to audit, the Manager and its subcontractors shall provide the Board or its auditors, adequate and appropriate work space as well as access to photocopy machines and the right to interview current employees and contact information for former employees. The provisions of this Paragraph shall survive the termination of this Agreement.

27. INVOICES

Any invoices submitted by the Manager seeking payment for services rendered under the terms of this Agreement will be submitted to the Board in sufficient detail to ensure proper pre-audit and post-audit thereof.

28. INTENT

The parties agree that time is of the essence in undertaking the provisions of this Agreement and mutually express their good faith in the execution of its terms.

29. INTERPRETATION, VENUE AND DISPUTE RESOLUTION

A. The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of Florida. This Agreement shall be subject to the rules of the Florida Prepaid College Board.

B. The sole and exclusive manner of resolution of all claims, disputes or controversies related to or arising under or from this Agreement shall be pursuant to Rules 19B-14.001, 19B-14.002, 19B-14.003, Florida Administrative Code, as amended from time to time.

C. Any and all litigation arising under this Agreement shall be instituted in accordance with subparagraph (b) in Leon County, Florida. All appeals shall be to the First District Court of Appeals of the State of Florida.

D. Any dispute concerning performance of the Agreement shall be decided by the Board's designated contract manager, who shall reduce the decision to writing and serve a copy on the Manager. The decision shall be final and conclusive unless within twenty one (21) days from the date of receipt, the Manager files with the Board a petition for administrative hearing. The Board’s decision on the petition shall be final, subject to the Manager’s right to review pursuant to Chapter 120 of the Florida Statutes. Exhaustion of administrative remedies is an absolute condition precedent to the Manager's ability to pursue any other form of dispute resolution; provided, however, that the parties may employ the alternative dispute resolution procedures outlined in Chapter 120.

E. The provisions of this Paragraph shall survive the termination of this Agreement.

30. INSOLVENCY OF THE MANAGER

A. In the event the Manager files for protection or reorganization or a petition for involuntary bankruptcy is filed against the Manager, under the United States Bankruptcy Code, the Board may determine that it will require certain periodic financial reports and certain operational reports from the Manager. The Manager shall supply said reports as requested by the Board.

B. Notwithstanding Paragraph 13.A, if the Manager files for protection or reorganization or a petition for involuntary bankruptcy is filed against the Manager, under the United States Bankruptcy Code, during the term of the contract, the term of this Agreement shall automatically convert to a single one-year contract terminating on the next June 30, after the bankruptcy petition is filed. In such event, the Board shall have the option to renew the Agreement or any portion of this Agreement in accordance with this Agreement or such conditions as may be negotiated between the parties for a number of one-year Agreement extensions which shall be equal to the number five minus the number of years remaining under the term of the Agreement pursuant to Paragraph 13.A., prior to the filing of the bankruptcy petition. Each such one-year Agreement renewal shall be contingent upon, among other things, availability of funds, continued need, and satisfactory performance by the Manager. Such Agreement extensions shall be subject to an annual performance evaluation of the Manager.

[NOTE: If Manager is a bank or insurance company, this paragraph will be modified as appropriate to that type of entity.]

31. TERMINATION

A. The continuation of this Agreement shall be contingent upon the satisfactory performance and evaluation of the Manager by the Board. The Board may terminate this Agreement or any part of this Agreement, without penalty or cost to the Board, at its convenience and such termination will be effective at such time as is determined by the Board. If both parties agree, this Agreement or any part of a Agreement resulting from the ITN may be terminated on an agreed date prior to the end of this Agreement without penalty to either party. In the event of termination, the Manager shall provide to the Board all materials produced in connection with this Agreement within 10 days of notice of termination.

32. BOARD AUTHORITY

This Agreement and all payments provided herein are subject to the provisions of Part IV, Chapter 1009, Florida Statutes, or any successor statute, and the rules of the Board. All references in this Agreement to Part IV, Chapter 1009, Florida Statutes, include all successor statutes.

33. ANNUAL APPROPRIATIONS

Performance by the Board under this Agreement will be subject to and contingent upon the availability of monies lawfully appropriated to the Board and applicable for the purposes of this Agreement.

34. SEVERABILITY

If any provisions of this Agreement are held invalid or unenforceable, such invalidity or unenforceability will not affect any other provisions, and this Agreement will be construed and enforced as if such provisions had not been included.

35. STATE HOLIDAYS

The staff of the Manager assigned to this Agreement shall observe only official State holidays or holidays which the New York Stock Exchange is closed.

36. TITLES

All titles, headings or captions respecting the sections or paragraphs of this Agreement are for convenience of reference only, and will not be construed as a part or limitation of those provisions to which they refer.

37. NOTICES

All notices, requests, instructions, other advice, or documents required hereunder will be in writing and delivered personally or mailed by first class mail, postage prepaid, as follows:

If to the Board:	Kevin Thompson, Executive Director 1801 Hermitage Blvd., Suite 210, Tallahassee, Florida 32308 Telephone: (850) 488-8514 Facsimile: (850) 488-3555
With a copy to:	GrayRobinson, P.A. Attention: Jason Unger, Esquire 301 Bronough Street, Suite 600, Tallahassee, Florida 32301 Telephone: (850) 577-9090 Facsimile: (850) 222-3494
If to the Manager:	___________________________________ ___________________________________ ___________________________________ ___________________________________ ___________________________________
With a copy to:	___________________________________ ___________________________________ ___________________________________ ___________________________________ ___________________________________

IN WITNESS THEREOF, the parties have caused this Agreement to be executed and attested by their respective officers thereunto duly authorized on the day and year first above written.

FLORIDA PREPAID COLLEGE BOARD

_________________________________ By: _________________________________

Attested to by Its: Executive Director

____

Witness

STATE OF FLORIDA

COUNTY OF _______________

Before me, the undersigned authority, personally came and appeared KEVIN THOMPSON, EXECUTIVE DIRECTOR of the FLORIDA PREPAID COLLEGE BOARD, who is personally known to me _____ or who has produced _________________ as identification and who executed the foregoing CONTRACT on behalf of the FLORIDA PREPAID COLLEGE BOARD and who also acknowledged before me that he is authorized to execute the same on behalf of said Board.

In witness whereof, I have placed my hand and seal in the county and state last aforesaid, this _____ day of ________, 2018.

____

Notary Public, State of Florida at Large
Printed Name:
My Commission Expires:

IN WITNESS THEREOF, the parties have caused this Agreement to be executed and attested by their respective officers thereunto duly authorized on the day and year first above written.

____
Attested to by

____
By: _______________________________________
Its: _______________________________________

____
Witness

STATE OF __________________

COUNTY OF ________________

Before me, the undersigned authority, personally came and appeared____________, of___________________, who is personally known to me _____ or who has produced _____________________ as identification and who executed the foregoing CONTRACT on behalf of ___________________, and who also acknowledged before me that he or she is authorized to execute the same on behalf of said limited liability partnership.

In witness whereof, I have placed my hand and seal in the county and state last aforesaid, this _____ day of _________, 2018.

____
Notary Public
Printed Name:
My Commission Expires:

APPENDIX B: WRITTEN RESPONSE PACKET

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan
Issuer:	Florida Prepaid College Board 1801 Hermitage Boulevard, Suite 210 Tallahassee, FL 32308

When completing this Written Response Packet, the Respondent should give clear, concise, and, where appropriate, quantifiable replies to all questions. The length of the Response is at the discretion of the Respondent; however, Responses are expected to be brief and to contain full and fair disclosure of essential elements without references to an appendix or attachment, unless otherwise requested. Respondents shall only propose one product against one benchmark.

This packet is made available in Microsoft Word on the Board's website for ease of completion.
Please visit: myfloridaprepaid.com/who-we-are/about-the-board/board-reports-and-plans/.

TAB 1: INVITATION TO NEGOTIATE ACKNOWLEGEMENT

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan
Issuer:	Florida Prepaid College Board 1801 Hermitage Boulevard, Suite 210 Tallahassee, FL 32308

This sheet and the accompanying negotiation documents constitute an offer from the Respondent to provide the services detailed in the solicitation under the contractual terms provided therein.

By completing this acknowledgment, I agree to abide by all conditions of this negotiation and certify that (1) I am authorized to sign this response and (2) that the offer complies with all requirements of the solicitation.

Respondent (Firm): ______________________________

Contact Person: ______________________________

Address: ______________________________

____

Telephone: ______________________________

E-Mail Address: ______________________________

Authorized Signature: ______________________________

Date: ______________________________

Printed Name & Title: ______________________________

TAB 2: MINIMUM QUALIFICATIONS

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ____________________

The following represent minimum qualifications. A mark in a field indicates an affirmative response to the statement. Any Respondent that does not satisfy the criteria herein shall be rejected.

EXPERIENCE	Yes/No
Respondents must affirmatively state, via written response, that the Respondent:	
Has $5 billion, or more in firm-wire assets under management (AUM), as of March 31, 2018.	______
Has $1 billion, or more, in institutional AUM for mid or SMID cap investments, as of March 31, 2018.	______
Has 5 years, or more, of experience managing mid or SMID cap investments.	______
Has positive gross performance versus the Benchmark for the rolling 3 and 5 year periods, as of March 31, 2018, for their mid or SMID cap composite.	______
Has a dollar weighted average market cap less than $12 billion.	______
Will charge an effective annual manager fee of 65 bps or less for $200 million AUM.	______
Will manage the assets in separate accounts.	______
Agrees to provide the services as detailed in Section 3 and agrees to all other requirements as stated in the ITN.	______
Agrees to accept and can enter into the Contract supplied in Appendix A.	______
Submitted product and organizational information into Callan Associates' database no later than Noon (Eastern Time), July 31, 2018.	______

STATUTORY REQUIREMENTS	Yes/No
Section 1009.971(5), Florida Statutes limits the type of entities that may be an investment manager for the Board. Please indicate whether the Respondent is one of the following:	
An authorized insurer as defined in Section 624.09, Florida Statutes.	______
A bank as defined in Section 658.12, Florida Statutes.	______
An association as defined in Section 665.012, Florida Statutes.	______
An authorized Securities and Exchange Commission investment adviser.	______
An investment company as defined in the Investment Company Act of 1940.	______

STATUTORY REQUIREMENTS (Continued)	Yes/No
Please indicate whether the Respondent:	

Has their principal place of business and corporate charter located and registered in the United States. ____________

Agrees 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 Respondent. ____________

TAB 3: PERFORMANCE

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ______________________________

Performance

Please provide the product (mid or SMID) and benchmark (Russell Mid Cap Index or the Russell 2500 index) you are proposing

For your mid or SMID cap equity investment portfolio, please provide the following performance information for the 1, 3, and 5 year periods and since inception as of March 31, 2018:

Period	Excess Return	Tracking Error	Information Ratio
1-Year			
3-Year			
5-Year			
Inception			

The performance information will be considered in addition to the data provided to Callan Associates.

TAB 4: ORGANIZATIONAL EXPERIENCE

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ______________________________

Organization Overview

1. Please introduce the organization by providing a brief overview of:
    a. History,
    b. Services provided,
    c. Ownership structure,
    d. Assets Under Management by asset class
    e. Organization changes (i.e., mergers, acquisitions, key personnel changes, etc.) that are in process or have occurred over the last three years.

2. Please provide the name, mandate size and contact information for at least three mid or SMID cap equity investment portfolio clients. The Board may contact these individuals during due diligence efforts.

Experience managing mid or SMID cap equity investment portfolios designed to outperform the Benchmark

3. Please describe your investment experience managing mid or SMID cap equity investment portfolios designed to outperform the Benchmark including but not limited to: years, number of clients and AUM.

4. Please describe the technical and research capabilities, including analytical tools and processes, of the team and the extent to which outside research sources are used.

5. How will the team incorporate working with the Board and investment advisor appointed by the Board to provide ideas and feedback on investment strategy enhancements?

6. Please describe any suggested modifications to the Board's current and proposed Comprehensive Investment Plans.

Compliance

7. Please describe how the organization manages compliance and provide an organizational chart showing where compliance responsibility resides as well as the reporting flow, escalation, and resolution of compliance violations.

8. Please describe how quantitative and qualitative contractual guidelines are implemented and reviewed.

9. Describe any compliance monitoring issues that the Board's current and proposed Comprehensive Investment Plans may cause your compliance section. Also, suggest changes to the Comprehensive Investment Plans that could resolve any issues.

Regulatory Restrictions, Litigation and Conflicts of Interest

10. Please state whether or not there are any past or pending regulatory restrictions, consent orders, stipulations or litigation to which the Respondent, any subcontractor, any Related Entity of the Respondent or any subcontractor, or any of their principals, owners, directors or officers, has ever been a party that would affect its or their ability to provide the required services or which alleges any unfair, illegal or unethical business practice. If so, a detailed description of each must be provided.

11. Please state whether or not any penalties, fines or liquidated damages have been imposed against the Respondent, any subcontractors or any Related Entity of the Respondent or any subcontractor, including without limitation thereto, those associated with any contract for services entered into by the Respondent, any subcontractor, or any Related Entity of the Respondent or any subcontractor, within the past five (5) years. If so, a detailed description of each such incident, including the amount of the penalty, fine, or liquidated damages imposed, must be included in the Response.

12. Please state whether or not the Respondent or any subcontractor has ever been involved in any litigation with any Qualified Tuition Plan. If so, a detailed description of each lawsuit must be provided.

13. Please state whether or not the Respondent or any Related Entity has ever been contacted by any regulatory body (federal, state or industry) regarding any potentially illegal, non-compliant, unethical or improper activities involving the Respondent, any Related Entity, or any of the employees of the Respondent or any Related Entity. If so, a detailed description must be provided that indicates whether your firm or any Related Entity conducted an investigation of those matters.

14. Please confirm that the Respondent has not been placed on the convicted vendor list and that it will comply with the provisions of s. 287.133, F.S. Section 287.133(2)(a), F.S., which provides:

    A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity in excess of the threshold amount provided in s. 287.017 for CATEGORY TWO for a period of 36 months following the date of being placed on the convicted vendor list.

15. Please confirm that the Respondent has not been placed on the discriminatory vendor list and that it will comply with the provisions of s. 287.134(2)(a), F.S. which provides that:

    An entity or affiliate who has been placed on the discriminatory vendor list may not submit a bid, proposal, or reply on a contract to provide any goods or services to a public entity; may not submit a bid, proposal, or reply on a contract with a public entity for the construction or repair of a public building or public work; may not submit bids, proposals, or replies on leases of real property to a public entity; may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity.

16. Pursuant to the provisions of Chapter 112, F.S., Respondents must disclose with their Response the name of any officer, director, or agent who is also an employee of the State of Florida, the Board, or any State agency. Respondents must disclose the name of any state employee who owns, directly or indirectly, interest of five percent or more in the Respondent. Respondents must disclose all investment products, annuities, mutual funds or other similar type savings plans that are marketed or sold by the Respondent or its proposed subcontractors for other states as a part of a prepaid college fund or a college savings fund.

TAB 5: INVESTMENT PHILOSOPHY AND STRATEGY

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ______________________________

Return Opportunity

1. What challenges does the Benchmark present to an active manager?

2. Describe your view of the current environment for active management in mid or SMID cap securities and note what makes the Benchmark universe an attractive opportunity set.

3. Describe the circumstances or market conditions that would favor your investment strategy. Provide examples of conditions in which your strategy has performed well relative to the Benchmark.

4. Describe the circumstances or market conditions that would not favor your investment strategy. Provide examples of conditions in which your strategy has not performed well relative to the Benchmark.

Investment Philosophy, Style, and Construction

5. Describe your investment philosophy for the proposed mid or SMID cap product. At a minimum please discuss the following:

a. The market inconsistency or inefficiency you are trying to capture.
b. Is your philosophy top-down, bottom-up or a combination of both? Please discuss.
c. Why do you believe this philosophy will lead to excess returns over a full market cycle?
d. Describe the factors that drive returns in the proposed product. Do the factors vary in the short and long term? [Note: this question applies to both fundamental and quantitative strategies.]

6. Describe how you construct an active mid or SMID cap domestic equity portfolio.
    a. Initial idea generation
        i. How are ideas sourced? Please detail ways you identify potential names to research for inclusion in the portfolio.
    b. Stock Selection
        i. Please differentiate and describe the quantitative and qualitative process that leads to a security's inclusion in the portfolio.
        ii. Discuss the role of research in the security selection process, including if research is primarily sourced by sell-side resources or is generated internally.
        iii. How many stocks are actively researched in depth for potential inclusion in the portfolio?
        iv. Describe the analyst team supporting the proposed strategy, including their coverage responsibilities if organized by sector, industry, or otherwise. How many securities is each analyst responsible for covering? Do they support any other strategies?
        v. How do you gain insight over other investors into the opportunities and risk in the mid or SMID cap market?

7. Describe your sell discipline.

8. What unique aspects of your process help you identify opportunities in the mid or SMID cap universe?

9. If applicable, please describe any changes made to your investment philosophy or process over the past five years as well as the performance and risk impact of these changes.

10. Do you anticipate any changes to the investment philosophy or process in the near future? What are the expected implications of these changes?

11. Describe the research that your organization conducts and how it is incorporated into the portfolio construction process.

12. Discuss the importance of company visits to your process.
    a. Is a company visit mandatory before you would purchase a security for the portfolio?
    b. How many company visits do you conduct every year?

13. Provide your internal guidelines for this strategy managed as a fully discretionary account.
    a. Provide a description of the portfolio construction process, listing each stage explicitly.
    b. Discuss how security and sector weightings are determined.
    c. What determines the positioning of a single stock as well as sector and industry weights? What are the maximum and minimum parameters? How were these parameters established?

14. Discuss how your mid or SMID cap strategy complements other strategies (e.g. growth or value).

15. Who is responsible for risk monitoring? Do you maintain an internal, dedicated risk team? If so, who does that team report to and what is the process for monitoring and effecting portfolio changes when necessary? Also, please describe the interaction between risk professionals within your firm and the investment team responsible for this strategy.

16. How is portfolio risk monitored and controlled?
    a. How do you define risk?
    b. Discuss any applicable risk controls with respect to sectors, industries, value or growth style exposures, individual stocks and capitalization.

17. What is the expected excess returns and tracking error of the strategy over a full market cycle?

18. What is the range of market capitalizations (lowest and highest) for which you will consider investing in this mid or SMID cap strategy?

19. Will you hold any securities outside of the Benchmark?

20. Please answer the following questions regarding cash holdings.
    a. How is cash utilized in this strategy?
    b. What is the maximum amount of cash that a portfolio manager may hold in this strategy?

Profile Characteristics

21. What is the number range of securities held in a typical portfolio?

22. Compare your mid or SMID cap domestic equity portfolio with the Benchmark as of March 31, 2018.

	Average Account	**Benchmark**
Weighted Average Market Cap		
Weighted Med Market Cap		
Average Forward Price/Earnings (Next 12 months)		
Average P/B		
Forecasted 5 Year Earn. Growth		
Dividend Yield		
# of holdings		

23. What has the average annual portfolio turnover been in 2014, 2015, 2016, and 2017? What originated the turnover (asset allocation, changes in security selections)?

24. Describe any specific guidelines/restrictions around sector or industry concentrations.

25. Describe any biases towards any sectors, industries or market capitalization.

26. What is the capacity of the portfolio and how is it monitored/evaluated?

TAB 6: AUDITS AND FINANCIAL INFORMATION

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ______________________

The Respondent shall provide complete copies of each audited financial statement **electronically** for the most recent three (3) year period, or other evidence that clearly indicates the Respondent's financial history, current financial strength, and capital adequacy to provide the services required in this procurement.

To the extent that written explanation is required, please use the space below.

The respondent shall indicate if any of the previous 3 audit reports included any Qualified Opinion or Going Concern language. If so, please describe in the space below.

TAB 7: PRICING SCHEDULE

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan

Respondent: ______________________________

Please supply your proposed fee schedule:

In addition, please provide an **effective annual fee** for the following funding amount. Please note that your response will be scored based on these effective fees.

Annual Fee

$200 Million
Effective Fee: ________ Basis points

Calculation of compensation

The fee due will be determined quarterly in accordance with the rates set forth above in the fee schedule and the formula below, based on the market value of the assets held in the portfolio as determined by the custodian appointed by the Board, on the last business day of the quarter being billed. The fee shall be calculated on a prorata basis for the portfolio to reflect the periods of time such assets were under direct supervision during the billing period.

The formula utilized in calculating this proration is shown below and calculated on a settlement date basis using actual, rather than standard, days.

Quarterly Fee =
[(Portfolio Market Value on Last Day of Quarter – Adjustment for Contributions + Adjustment for Withdrawals) x (Flat Rate Fee) x (Number of Days in Preceding Quarter / Number of Days in Year)]

Adjustment for Contributions=
[Contribution Amount x
((Number of Days from Beginning of Quarter to Date of Contribution) / Number of Days in Quarter))]

Adjustment for Withdrawals =
[Withdrawal Amount x
((Number of Days from Beginning of Quarter to Date of Contribution) / Number of Days in Quarter))]

REQUEST FOR CLARIFICATION

Solicitation Number:	ITN 18-2
Title:	Mid or SMID Cap Equity Portfolio Investment Management Services for the Stanley G. Tate Florida Prepaid College Program and the Florida 529 Savings Plan
Issuer:	Florida Prepaid College Board 1801 Hermitage Boulevard, Suite 210 Tallahassee FL 32308

Respondent: ______________________________

No.	ITN Section	ITN Page	Question / Comment
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Authorized Signature: ______________________________

Date: ______________________________

Printed Name & Title: ______________________________

ATTACHMENT D: COMPREHENSIVE INVESTMENT PLANS

COMPREHENSIVE INVESTMENT PLAN
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: August 1, 2018

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.

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.

CONTRACTUAL RELATIONSHIPS

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

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

Actuary

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

Investment Consultant

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

Trustee

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

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

Investment Managers

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

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

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

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

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.

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.

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.

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.

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.

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.

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

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 – 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 commercial mortgage backed securities and real estate mortgage investment conduits
    - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
3. Mortgage To Be Announced (TBA) securities.
    - Requires a cash equivalent set aside for future settlement of the forward agreement.

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

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

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

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

Commingled Investment Funds

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

Derivatives

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

The Program does not engage in short selling of securities.

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

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

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.

Authorized investment vehicles for the Actuarial Reserve Segment:

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

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

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

Residential Mortgage Backed Securities

1. United States Agency Mortgage backed securities
2. Privately Issued Mortgage Backed securities
   - Includes but is not limited to commercial mortgage backed securities and real estate mortgage investment conduits

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

3. Mortgage To Be Announced (TBA) securities.
   - Requires a cash equivalent set aside for future settlement of the forward agreement.

Other Collateralized Securities

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

Foreign Debt Securities

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

Common Stock

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

Commingled Investment Funds

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

2. Commingled investment funds and mutual funds
    - Primarily invested in authorized investment vehicles for the Actuarial Reserve Segment
    - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement

Derivatives

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

The Program does not engage in short selling of securities.

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

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

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.

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.

NON-COMPLIANT INVESTMENTS

Any purchased investment that is not in compliance with the CIP and/or Guidelines 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.

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.

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.

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.

Authorized non-cash collateral:

1. Obligations issued or guaranteed by the U.S. Government or its agencies
2. Irrevocable letters of credit issued by banks approved by the Agent's Trust Credit Department.

Authorized investment vehicles for reinvestment of cash collateral:

Cash or Cash Equivalent – Maximum allocation 100% of the cash collateral

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 – Maximum allocation 100% of the cash collateral

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 cash collateral

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

Corporate debt obligations – Maximum allocation of 40% of the cash collateral

1. Registered Bonds
   - Rated by at least two nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher
2. 144(a) securities (with and without registration rights) are permitted
   - Rated by at least two nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher

Foreign Debt Securities – Maximum allocation of 10% of the cash collateral

1. Supranational Debt Obligations
   - Must be dollar-denominated and registered with the SEC
   - Must be rated by at least two U.S. nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher
2. Sovereign Debt Obligations
   - Must be dollar-denominated and registered with the SEC
   - Must be rated by at least two U.S. nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher
3. Foreign Debt Obligations
   - Must be dollar-denominated and registered with the SEC
   - Must be rated by at least two U.S. nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher

INVESTMENT GUIDELINES
STANLEY G. TATE FLORIDA PREPAID COLLEGE PROGRAM

Effective Date: August 1, 2018

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.

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	Short-Term Target Allocation	Long-Term Target Allocation	Benchmark Index
U.S. Government Backed Securities	76%	60%	Policy weighted by security selection
Investment Grade Corporate Bonds	14%	30%	Bloomberg Barclays U.S. Intermediate Corporate/ Bloomberg Barclays U.S. Long Corporate
Mortgage Backed Securities	10%	10%	Bloomberg Barclays U.S. MBS

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

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

Actuarial Reserve Segment

The target Security Type allocation for the Actuarial Reserve Segment of the Fund and the related benchmark is as follows:

Security Type	Target Allocation	Benchmark Index
Fixed Income		
Fixed Income	30%	Bloomberg Barclays Aggregate Bond Index
Domestic Equity		
Large Cap Growth Equity	10%	Russell 1000 Growth
Large Cap Value Equity	10%	Russell 1000 Value
Large Cap Core Equity	20%	S&P 500
Mid Cap Equity	10%	S&P Mid Cap 400
Small Cap Equity	10%	Russell 2000
International Equity		
International Equity	10%	MSCI EAFE

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

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

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

EXCESS RETURN AND TRACKING ERROR TARGETS

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

Liability Segment

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

Actuarial Reserve Segment

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

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.

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.

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to maintain out-of-benchmark authorized investment vehicles, as limited below, of up to 10% of the portfolio for any security that is not backed by the full faith and credit of the U.S. Government.

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.

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

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

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

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

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

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

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

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

Commingled Investment Funds

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

Derivatives

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

Other Restrictions

Maximum investment in the securities of any issuer, except securities backed by the U.S. Government, is the 2% of the portfolio.

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

<u>Passive Management</u>

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

Active Management

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

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

3. Aggregate investment in corporate debt, asset backed securities, and mortgage backed securities shall not exceed 50% of the portfolio.

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

Performance

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

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

Passive Management

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

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

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

Active Management

While comparative performance and risk-adjusted returns may be calculated gross of fees, Active investment strategies will be assessed on a 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.

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.

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to maintain out-of-benchmark authorized investment vehicles, as limited below, or up to 10% of the portfolio for any security that is not backed by the full faith and credit of the U.S. Government.

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

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

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

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

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

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

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

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

Municipal securities – Maximum allocation of 20% of the portfolio

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

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

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

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

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

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

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

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

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

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

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

Derivatives

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

Other Restrictions

Maximum investment in the securities of any issuer, except securities backed by the U.S. Government, is 2% of the portfolio.

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

Passive Management

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

Active Management

1. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of benchmark duration.

2. Tracking Error to the benchmark shall be less than 300 bps.

Performance

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

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

Passive Management

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

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

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

Active Management

Active investment strategies will be assessed on a 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.

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.

Authorized investment vehicles for the portfolio:

Common Stock – Maximum allocation of 100% of the portfolio

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

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

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

Derivatives

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

Other Restrictions

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

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

<u>Passive Management</u>

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

<u>Active Management</u>

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

Performance

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

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

<u>Passive Management</u>

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

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

Active Management

Active investment strategies will be assessed on a 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.

ACTUARIAL RESERVE SEGMENT – INTERNATIONAL EQUITY GUIDELINES

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

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

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

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

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

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

Authorized investment vehicles for this mandate:

Common Stock – Maximum allocation of 100% of the portfolio

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

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

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

Derivatives

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

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

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

Other Restrictions

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

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

Passive Management

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

Active Management

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

Performance

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

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

Passive Management

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

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

Active Management

Active investment strategies will be assessed on a 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.

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.

Benchmark

The performance for the securities lending program shall be measured against the 2a7 like money market fund Florida PRIME.

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 – Maximum allocation 100% 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 – Maximum allocation 100% of the portfolio

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

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

1. Registered Bonds

   - Must be rated by at least two nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher

2. 144(a) securities (with and without registration rights) are permitted, but limited to 10% of the cash collateral

   - Must be rated by at least two nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher

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

1. Supranational Debt Obligations, Sovereign Debt Obligations, Foreign Debt Obligations

   - Must be dollar-denominated and registered with the SEC
   - Must be rated by at least two U.S. nationally recognized rating services AA-/Aa3 or higher. If rated by only one nationally recognized rating service, then the rating must be AAA-/Aaa3 or higher

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. A maximum of 20% of the portfolio may be invested in securities or instruments which have a maturity exceeding 97 days.
4. A minimum of 20% of the portfolio must be available each business day.
5. The rate sensitivity of the portfolio will be limited to 60 days.
6. Floating rate instruments and variable rate instruments must have interest rates that may be reset at least every 97 days, and a maturity not exceeding 18 months from the date of purchase.
7. Commercial paper, certificates of deposit and time deposits must have a maturity date or demand feature not exceeding 9 months.
8. Fixed rate securities must have a maturity date or demand feature not exceeding 13 months from the date of purchase.
9. A maximum of 25% of the portfolio may be invested in repurchase agreements with one counterparty.
10. A maximum of 25% of the portfolio may be invested in the same industry.
11. A maximum of 5% of the portfolio may be invested in any one issuer, except securities backed by the U.S.

Term loans

1. Investment for term loans will follow all guidelines above with the following exceptions:

    - A term loan investment must be selected so that its rate sensitivity matches closely with the agreed date of maturity, rebate reset or renegotiation of the underlying term loan.
    - Greater than 20% of the portfolio may be invested in securities or instruments which have a maturity exceeding 60 days
    - Less than 20% of the portfolio may be available each day
    - The rate sensitivity of the portfolio may exceed 600 days

Performance
Investment manager performance shall be evaluated using the following metric.

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

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

COMPREHENSIVE INVESTMENT PLAN
FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: August 1, 2018

OVERVIEW

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

GOVERNANCE

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

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

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

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

CONTRACTUAL RELATIONSHIPS

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

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

Investment Consultant

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

Investment Managers

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

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

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

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

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.

INVESTMENT OBJECTIVE AND STRATEGY

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

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

INVESTMENT GOALS

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

Safety
The primary investment priority is to offer Investment Options with reasonable risk levels for the underlying securities. Investment Options 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.

Yield
After meeting safety requirements, Investment Options aim to maximize investment returns.

Fees
The Board shall assess reasonable fees for Investment Options based on the underlying investment style and Investment Manager and operational costs.

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.

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.

AUTORIZED INVESTMENTS

Cash or Cash Equivalent

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

Obligations of the United States Treasury

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

Municipal securities

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

Corporate debt obligations

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

Residential Mortgage Backed Securities

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

Other Collateralized Securities

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

Foreign Debt Securities

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

Commingled Investment Funds

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

Common Stock

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

Derivatives

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

The Program does not engage in short selling of securities.

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

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

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.

NON-COMPLIANT INVESTMENTS

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

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

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

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.

REPORTING

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

INVESTMENT GUIDELINES
FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: August 1, 2018

OVERVIEW

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

ASSET CLASS OPTIONS AND BENCHMARKS

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

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

EQUITY AND BALANCED OPTION ASSET CLASS ALLOCATION

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

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

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

AGE BASED OPTION ASSET CLASS ALLOCATON

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

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

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

INVESTMENT OPTION FEES

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

Fund Option	Fee		Portfolio Option	Fee
Money Market	0 bps		Equity Option	68 bps
Fixed Income	75 bps		Balanced Option	71 bps
Large Cap Growth	75 bps		Age Based (Age 0-4)	68 bps
Large Cap Value	75 bps		Age Based (Age 5-8)	70 bps
Large Cap Core	39 bps		Age Based (Age 9-12)	71 bps
Mid Cap	75 bps		Age Based (Age 13-15)	73 bps
Small Cap	75 bps		Age Based (Age 16+)	75 bps
International	75 bps			

EXCESS RETURN AND TRACKING ERROR TARGETS

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

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

MONEY MARKET GUIDELINES

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

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

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

Authorized investment vehicles for the portfolio:

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

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

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

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

FIXED INCOME GUIDELINES

Objective

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

Benchmark

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

Investment Manager

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

Allocation

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

The portfolio is expected to be invested in securities within the benchmark. However, active management strategies are allowed to maintain out-of-benchmark authorized investment vehicles, as limited below, or up to ten percent of the portfolio for any security that is not backed by the full faith and credit of the U.S. Government.

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 – Maximum allocation 100% of the portfolio

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

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

Municipal securities – Maximum allocation of 20% of the portfolio

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

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

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

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

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

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

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

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

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

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

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

Derivatives

I. Derivatives shall only be used to substitute for physical securities, duration management or risk control

II. 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

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

Other Restrictions

Maximum investment in the securities of any issuer, except securities backed by the U.S. Government, is 2% of the portfolio.

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

<u>Passive Management</u>

I. Only securities eligible for inclusion in the benchmark indices are permitted.

II. Sector allocation shall be made consistent with the benchmark sector weights.

III. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than one-tenth of one year (0.10 years).

IV. Tracking error to the benchmark shall be less than 10 basis points.

V. Average credit quality rating must equal the benchmark.

<u>Active Management</u>

I. Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of the benchmark duration.

II. Tracking Error to the benchmark shall be less than 300 bps.

III. Credit quality rating cannot be more than one level below the benchmark.

Performance

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

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

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

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

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

<u>Active Management</u>
While comparative performance and risk-adjusted returns may be calculated gross of fees, Active investment strategies will be assessed on a 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.

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

II. Performance shall rank at or above the median when compared to a universe of peers managing similar portfolios for the 3 and 5 year periods.

III. 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.

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

V. 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.

VI. 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.

DOMESTIC EQUITY GUIDELINES

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

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

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

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

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

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

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

Common Stock – Maximum allocation of 100% of the portfolio

I. Domestic Equities and American Depositary Receipts

- Traded on domestic exchanges, including over-the-counter markets and recognized third and fourth markets
- Has at least three years of publically available operating history

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

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

Derivatives

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

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

Other Restrictions

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

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

<u>Passive Management</u>

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

<u>Active Management</u>

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

Performance

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

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

<u>Passive Management</u>

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

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

<u>Active Management</u>

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

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

3. Excess return targets shall be set for each Investment Manager. Investment Managers shall meet or exceed their excess return target for the rolling 3 and 5 year periods.
4. Rolling Alpha, calculated in accordance to the Jensen methodology, shall be positive for the 3 and 5 year periods.
5. Tracking error targets shall be set for each Investment Manager. Investment Managers shall not exceed their tracking error target for the rolling 3 and 5 year periods.
6. The coefficient of determination (or R-squared) relative to the benchmark, calculated using monthly data, shall not be less than 0.80 for the 3 and 5 year periods.

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

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

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

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

INTERNATIONAL EQUITY GUIDELINES

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

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

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

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

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

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

Authorized investment vehicles for this mandate:

Common Stock – Maximum allocation of 100% of the portfolio

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

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

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

Derivatives

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

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

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

Other Restrictions

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

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

<u>Passive Management</u>

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

<u>Active Management</u>

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

Performance

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

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

<u>Passive Management</u>

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

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

<u>Active Management</u>

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

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

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

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

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

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

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