

COMPREHENSIVE INVESTMENT PLAN FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: January 17, 2023

OVERVIEW

Florida College Savings Program

The Florida College Savings Program (Savings Program) is a program created to provide a flexible medium through which families and individuals may save for qualified educational expenses based on their desired timing and ability to contribute. Participants in the Savings Program have the option to enroll a qualified beneficiary in the Savings Program, the Prepaid Program, or both.

The Savings Program is limited to beneficiaries that are Florida residents.

Comprehensive Investment Plan

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

Investment Guidelines

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

Limitation on Use

The CIP and Investment Guidelines are intended to guide the Board and Investment Managers in their duty of administering the Savings Program. These documents shall be available publicly to ensure transparency. However, participants of the Savings Program shall bear responsibility for their own investment decisions and this CIP and Investment Guidelines should not be construed as investment advice.

GOVERNANCE

Florida Prepaid College Board

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

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

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

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

Investment Committee

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

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

Florida State Board of Administration

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

ROLES AND RESPONSIBILITIES

Florida Prepaid College Board

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

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

Investment Committee

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

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

Board Staff

Executive Director

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

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

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

Deputy Executive Director

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

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

Director of Finance and Investments

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

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

Consultants

Investment Consultant

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

The Investment Consultant duties also include:

- Measuring investment performance results and advising the Board, at least quarterly, as to the performance and continued appropriateness of each Investment Manager.
- Providing sophisticated, objective, and prudent investment advice and direction on all matters related to the management of investments.
- Advising the Board on investment management selection and termination decisions.

- Guiding the Board in the monitoring and negotiation of competitive investment management fees.

Other 529 Industry Consultants

From time to time, the Board may employ other consultants for the following, but not limited to, services:

- Performing studies of industry best practices relating to items such as plan design and fees.
- Providing objective insight on key investment decisions such as asset allocations and investment option offerings.

Investment Managers

The Investment Managers shall invest Savings Program assets, as instructed by the Board, with care, skill, prudence, and diligence. The Investment Managers shall evidence superior performance while maintaining strict compliance with all applicable provisions of law and may exercise discretion within the bounds of this CIP and the Investment Guidelines.

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

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

Other Vendors

Custodian/Trustee

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

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

Record Keeper

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

Independent Auditor

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

Bank

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

PROCUREMENT

Competitive Procurement Requirement

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

Procurement Teams

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

Procurement Strategy

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

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

Use of Board Resources

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

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

Selection

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

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

CONFLICTS OF INTEREST

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

The Board Members and each Investment Consultant providing advice to the Board shall certify annually that no conflicts of interest exist relative to the services provided for the Savings Program.

INVESTMENT OBJECTIVE, STRATEGY, AND STANDARD OF CARE

Investment Objective

The principal objective of the Savings Program is to enable participants to contribute funds that are invested to pay future qualified higher education expenses.

To accomplish this objective, the Board shall provide a sufficient range of investment options that are flexible enough to meet the needs of participants based on their age, investment knowledge, risk and return, and cost objectives.

Investment Strategy

The Board has adopted a long-term total return strategy for the evaluation of Investment Managers. While, at times, some Investment Managers may experience short-term and intermediate-term volatility, focus should remain on long-term returns to avoid unguided investment decisions.

Standard of Care and Evaluation of Investments

It is the commitment of the Board, when developing allocations for designed investment options (Enrollment year and static options), to only invest in a manner that prioritizes the highest return on investments, without consideration for nonpecuniary beliefs or political factors.

- The evaluation by the Board of an investment decision related to these designed investment options must be based only on pecuniary factors. As used in this section, “pecuniary factor” means a factor that the board prudently determines is expected to have a material effect on the risk and return of an investment based on appropriate investment horizons consistent with the designed investment option’s investment objectives. Pecuniary factors do not include the consideration of the furtherance of social, political, or ideological interests.
- The board may not subordinate the interests of the designed investment options to other objectives and may not sacrifice investment return or take on additional investment risk to promote any non-pecuniary factors. The weight given to any pecuniary factor by the Board should appropriately reflect a prudent assessment of its impact on risk and returns.
- In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

Proxy Voting

When deciding whether to exercise shareholder rights and when exercising such rights, including the voting of proxies, the Board:

- Must act prudently and solely in the interests of the Plan.

- May not subordinate the interests of the Plan to other objectives and may not sacrifice investment return or take on additional investment risk to promote non-pecuniary factors.
- In the case of a conflict with this section and any other provision of Florida law, Florida law shall prevail.

AUTHORIZED INVESTMENTS

The Board intends to offer investment options utilizing a diverse selection of authorized investments. Each investment option shall be assigned a benchmark in the Investment Guidelines. Investment Managers may invest in the securities of the specified benchmark as well as other authorized investments provided they comply with the Investment Guidelines and are consistent with the stated strategy.

General

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

Cash or Cash Equivalent

- Deposit accounts and certificates of deposit in banks
- 2a7 (actual or like) money market funds
- Stable value, guaranteed investment contracts, or similar investment products utilizing insurance-based wrappers or guarantees
- Collateralized repurchase agreements for which the underlying securities are obligations of the United States Treasury or agencies of the United States Government
- Commercial paper of prime quality
 - Rated the highest letter and numerical rating provided by at least two nationally recognized rating service

Obligations of the United States Treasury or Agencies

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

Municipal securities

- General Obligation or Revenue bonds

- Rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Build America Bonds (BABs)
 - Rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Corporate debt obligations

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

Residential Mortgage Backed Securities

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

Other Collateralized Securities

- Asset-backed securities
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- 144(a) securities (with and without registration rights) are permitted
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Commercial Mortgage Backed Securities
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Collateralized Loan Obligations and Collateralized Mortgage Obligations
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities

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

Commingled Investment Funds

- Exchange Traded Funds (ETF's) or Notes (ETN'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
- 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

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

Derivatives

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

Real Estate

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

COMPLIANCE

Monitoring

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

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

Non-Compliant Investments

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

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

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

PERFORMANCE MEASUREMENT

Official performance shall be calculated monthly, pursuant to the recommended guidelines of the CFA Institute, currently Global Investment Performance Standards (GIPS), where applicable, and in accordance with the Investment Guidelines.

INVESTMENT OPTION FEES

The Board is committed to providing quality investment options at competitive fees. As a result, the Board may waive or assess fees as it deems necessary to support the Savings Plan.

REPORTING

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

Quarterly Board Meetings

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

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

Website

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

- Information relating to each investment option:
 - Description
 - Fee
 - Benchmark
 - Risk level
 - Allocation for age-based and static options
- Performance, updated monthly, for periods such as:
 - Monthly
 - Quarterly
 - 1-year
 - 3-year
 - 5-year

- Since Inception
- Forms and information needed to understand, enroll, and maintain an account such as:
 - Program Description and Participation Agreement
 - Savings Program Guide
 - Forms needed to make updates to an established account

ANNUAL REVIEW

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

INVESTMENT GUIDELINES

FLORIDA COLLEGE SAVINGS PROGRAM

Effective Date: October 2024

OVERVIEW

Florida Prepaid College Board

The Florida Prepaid College Board (Board) has established the following Investment Guidelines to support implementation of the policy and strategy set forth in the Comprehensive Investment Plan (CIP) for the Florida College Savings Program (Program).

Investment Guidelines

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

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

Limitation on Use

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

INDIVIDUAL INVESTMENT OPTIONS, BENCHMARKS, AND FEES

To meet the Board's desire to provide a sufficient range of investment options that are flexible enough to meet the needs of participants based on their age, investment knowledge, risk and return, and cost objectives, the Board, based on guidance from the Investment Consultant, has approved the individual investment options outlined below.

Ticker numbers, as applicable, are provided to show detailed information related to the fund's investments and strategies. The Board calculates its own NAV for each investment option which may be different than the NAV provided by the fund.

Remainder of page intentionally left blank

Money Market Fund

The fund seeks to provide, in priority order, safety, liquidity and competitive returns with minimization of risks. Short-term, high-quality fixed income securities rated in the highest short-term rating category by one or more nationally recognized rating service, or in comparable securities.

Manager: Florida PRIME
Fund Fee: 0.04% (4 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: Merrill Lynch 91 day T Bill
Ticker: Separately Managed Account



Core Plus Fixed Income Fund

This fund is actively managed and seeks to provide broad exposure to primarily investment grade fixed income securities plus a restricted allocation to lower credit quality investments such as high-yield and emerging market debt.

Manager: Wellington
Fund Fee: 0.22% (22 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: Bloomberg Barclays Aggregate
Ticker: Separately Managed Account



Core Fixed Income Fund

This fund seeks to provide current income through investing in high credit quality investments while providing broad exposure to the investment grade segment of the U.S. bond market.

Manager: Vanguard
Fund Fee: 0.03% (3 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: Bloomberg Barclays Aggregate
Ticker: VBMPX



High Yield Fund

The fund seeks to provide a high level of current income. The fund invests primarily in a diversified group of high-yielding, higher-risk corporate bonds with medium- and lower-range credit quality ratings.

Manager: Vanguard
Fund Fee: 0.12% (12 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: 95% Bloomberg Barclays U.S. High-Yield Ba/B 2% Issuer Capped Index and 5% Bloomberg Barclays U.S. 1-5 Year Treasury Bond Index
Ticker: VWEAX



Emerging Markets Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of U.S. dollar-denominated bonds issued by governments and government-related issuers in emerging market countries.

Manager: Vanguard
Fund Fee: 0.18% (18 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: Bloomberg Barclays U.S. Dollar Emerging Markets Government RIC Capped Index
Ticker: VGIVX



Bank Loan Fund

The fund seeks to maintain broad borrower and industry diversification by investing broadly across the floating-rate loan market, providing diversified exposure to the loan market's many sectors, credit tiers and issuers.

Manager: Eaton Vance
Fund Fee: 0.77% (77 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: S&P/LSTA Leveraged Loan Index
Ticker: EIBLX



Treasury Inflation-Protected Securities Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of inflation-protected public obligations of the U.S. Treasury with remaining maturities of less than 5 years.

Manager: Vanguard
Fund Fee: 0.04% (4 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: Bloomberg Barclays U.S. 0-5 Year TIPS Index
Ticker: VTSPX



U.S. Broad All Cap Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of the overall U.S. stock market.

Manager: Vanguard
Fund Fee: 0.02% (2 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: CRSP US Total Market Index
Ticker: VSMPX



U.S. Large Cap Equity Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.

Manager: Vanguard
Fund Fee: 0.02% (2 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: S&P 500 Index
Ticker: VIXX



Small/Mid Cap Equity Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of small- and mid-capitalization stocks.

Manager: Vanguard
Fund Fee: 0.05% (5 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: S&P Completion Index
Ticker: VIEIX



Developed International Equity Fund

The fund seeks to invest primarily in non-U.S. equity securities and equity-like instruments of companies that are components of, or have characteristics similar to, the companies included in the MSCI EAFE Index and derivatives that are tied economically to securities of the MSCI EAFE Index.

Manager: Blackrock
Fund Fee: 0.45% (45 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: MSCI EAFE Index
Ticker: BROKX



Total International Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States.

Manager: Vanguard
Fund Fee: 0.08% (8 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: FTSE Global All Cap ex US Index
Ticker: VTPSX



Global Equity Fund

The fund seeks to achieve long-term capital appreciation by allocating its assets to underlying funds that invest in domestic and international equity securities such as large capitalization, small capitalization and emerging markets stocks, as well as real estate securities.

Manager: DFA
Fund Fee: 0.25% (25 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: MSCI All Country World Index
Ticker: DGEIX



Social Index Fund

The fund seeks to track the performance of a benchmark index that measures the investment return of large- and mid-capitalization stocks; specifically excluding stocks of certain companies in the following industries: alcohol, tobacco, weapons, fossil fuels, and nuclear power.

Manager: Vanguard
Fund Fee: 0.14% (14 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: FTSE4Good US Select Index
Ticker: VFTAX



Real Estate Index Fund

The fund seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs and other real estate-related investments.

Manager: Vanguard
Fund Fee: 0.13% (13 bps)
Admin. Fee: 0.00% (0 bps)
Benchmark: MSCI US Investable Market Real Estate
Ticker: VGSIX



Fund fees and tickers for mutual funds are subject to change at the discretion of the Investment Manager and as a result, will be updated within this document as the updates occur, without Board approval.

SMA Investment Managers must manage the portfolios in compliance with the investment management agreement and the investment guidelines for the respective asset class.

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

STATIC OPTION ASSET CLASS ALLOCATION

The Board, based on guidance from the Investment Consultant, has established the following pre-designed portfolios that focus on the investment goals of growth (more aggressive), income (more conservative), and a blend of the two. The portfolios are offered in both multi-manager (goal of exceeding the benchmark performance) and passive (goal of matching the benchmark performance at a lower fee) options. The investment allocations of the Static Option portfolios are constant over time (i.e., do not change based on the age of the student).

Components	Manager	Multi-Manager Portfolio			Passive Portfolio		
		Growth	Blended	Income	Growth	Blended	Income
Global Equity	DFA	43%	28%	-	-	-	-
Domestic Equity	Vanguard	23%	15%	-	50%	31%	-
International Equity	Vanguard	19%	13%	-	40%	25%	-
High Yield	Vanguard	5%	3%	10%	5%	3%	10%
Emerging Market Debt	Vanguard	5%	3%	10%	5%	3%	10%
Bank Loans	Eaton Vance	5%	3%	10%	-	-	-
Core Fixed Income	Vanguard	-	35%	60%	-	38%	70%
TIPS	Vanguard	-	-	10%	-	-	10%

Asset class balances fluctuate due to daily market movements. The actual asset class balances are monitored each business day and, within reasonable tolerance rates (+/- 2%), rebalanced to the target allocation.

To ensure the allocations remain in alignment with market expectations, they are reviewed, at a minimum, every 3 – 5 years by the Investment Consultant.

Remainder of page intentionally left blank

ENROLLMENT YEAR OPTION ASSET CLASS ALLOCATON

The Board, based on guidance from the Investment Consultant, has established the following target allocations for the enrollment year funds. The Board will offer 20 individual enrollment year funds, starting at 19 years to enrollment. Years to enrollment relate to a fiscal year (July 1 – June 30). Each enrollment year fund allocates the invested funds between stocks and bonds based on remaining years to enrollment. Quarterly, the investments transition from majority-stock to majority-bond within the fund based on the chart below:

Enrollment Year Option	Years to Enrollment	Asset Class								Total	Fee
		US Equity	Intl. Equity	High Yield Bonds	Core Bonds	Emerging Market Debt	Bank Loans	TIPS	Money Market		
		VSMPX	VTPSX	VWEAX	VBMPX	VGIVX	EIBLX	VTSPX	N/A		
Quarterly Rebalancing	19.00	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
2043	18.75	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	18.50	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	18.25	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	18.00	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
2042	17.75	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	17.50	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	17.25	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	17.00	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
2041	16.75	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	16.50	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	16.25	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	16.00	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
2040	15.75	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	15.50	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	15.25	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	15.00	51.00%	34.00%	5.00%	0.00%	5.00%	5.00%	0.00%	0.00%	100.00%	0.10%
2039	14.75	50.75%	33.88%	5.00%	0.44%	5.00%	4.93%	0.00%	0.00%	100.00%	0.10%
Quarterly Rebalancing	14.50	50.50%	33.75%	5.00%	0.88%	5.00%	4.87%	0.00%	0.00%	100.00%	0.09%
Quarterly Rebalancing	14.25	50.25%	33.63%	5.00%	1.31%	5.00%	4.81%	0.00%	0.00%	100.00%	0.09%
Quarterly Rebalancing	14.00	47.00%	32.00%	5.00%	7.00%	5.00%	4.00%	0.00%	0.00%	100.00%	0.09%
2038	13.75	46.25%	31.25%	5.00%	8.75%	4.75%	4.00%	0.00%	0.00%	100.00%	0.09%
Quarterly Rebalancing	13.50	45.50%	30.50%	5.00%	10.50%	4.50%	4.00%	0.00%	0.00%	100.00%	0.09%
Quarterly Rebalancing	13.25	44.75%	29.75%	5.00%	12.25%	4.25%	4.00%	0.00%	0.00%	100.00%	0.09%

Quarterly Rebalancing	13.00	44.00%	29.00%	5.00%	14.00%	4.00%	4.00%	0.00%	0.00%	100.00%	0.09%
2037	12.75	43.00%	28.50%	4.75%	15.75%	4.00%	4.00%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	12.50	42.00%	28.00%	4.50%	17.50%	4.00%	4.00%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	12.25	41.00%	27.50%	4.25%	19.25%	4.00%	4.00%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	12.00	40.00%	27.00%	4.00%	21.00%	4.00%	4.00%	0.00%	0.00%	100.00%	0.08%
2036	11.75	39.25%	26.25%	4.00%	22.75%	4.00%	3.75%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	11.50	38.50%	25.50%	4.00%	24.50%	4.00%	3.50%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	11.25	37.75%	24.75%	4.00%	26.25%	4.00%	3.25%	0.00%	0.00%	100.00%	0.08%
Quarterly Rebalancing	11.00	37.00%	24.00%	4.00%	28.00%	4.00%	3.00%	0.00%	0.00%	100.00%	0.08%
2035	10.75	36.25%	23.50%	3.75%	29.75%	3.75%	3.00%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	10.50	35.50%	23.00%	3.50%	31.50%	3.50%	3.00%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	10.25	34.75%	22.50%	3.25%	33.25%	3.25%	3.00%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	10.00	34.00%	22.00%	3.00%	35.00%	3.00%	3.00%	0.00%	0.00%	100.00%	0.07%
2034	9.75	33.00%	21.50%	3.00%	36.75%	3.00%	2.75%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	9.50	32.00%	21.00%	3.00%	38.50%	3.00%	2.50%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	9.25	31.00%	20.50%	3.00%	40.25%	3.00%	2.25%	0.00%	0.00%	100.00%	0.07%
Quarterly Rebalancing	9.00	30.00%	20.00%	3.00%	42.00%	3.00%	2.00%	0.00%	0.00%	100.00%	0.06%
2033	8.75	29.00%	19.50%	3.00%	43.50%	3.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	8.50	28.00%	19.00%	3.00%	45.00%	3.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	8.25	27.00%	18.50%	3.00%	46.50%	3.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	8.00	26.00%	18.00%	3.00%	48.00%	3.00%	2.00%	0.00%	0.00%	100.00%	0.06%
2032	7.75	25.25%	17.25%	3.00%	49.75%	2.75%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	7.50	24.50%	16.50%	3.00%	51.50%	2.50%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	7.25	23.75%	15.75%	3.00%	53.25%	2.25%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	7.00	23.00%	15.00%	3.00%	55.00%	2.00%	2.00%	0.00%	0.00%	100.00%	0.06%
2031	6.75	22.00%	14.50%	2.75%	56.75%	2.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	6.50	21.00%	14.00%	2.50%	58.50%	2.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	6.25	20.00%	13.50%	2.25%	60.25%	2.00%	2.00%	0.00%	0.00%	100.00%	0.06%
Quarterly Rebalancing	6.00	19.00%	13.00%	2.00%	62.00%	2.00%	2.00%	0.00%	0.00%	100.00%	0.06%
2030	5.75	18.25%	12.25%	2.00%	62.50%	2.00%	1.75%	1.25%	0.00%	100.00%	0.06%
Quarterly Rebalancing	5.50	17.50%	11.50%	2.00%	63.00%	2.00%	1.50%	2.50%	0.00%	100.00%	0.06%
Quarterly Rebalancing	5.25	16.75%	10.75%	2.00%	63.50%	2.00%	1.25%	3.75%	0.00%	100.00%	0.05%
Quarterly Rebalancing	5.00	16.00%	10.00%	2.00%	64.00%	2.00%	1.00%	5.00%	0.00%	100.00%	0.05%

2029	4.75	14.75%	9.50%	2.00%	64.50%	2.00%	1.00%	6.25%	0.00%	100.00%	0.05%
Quarterly Rebalancing	4.50	13.50%	9.00%	2.00%	65.00%	2.00%	1.00%	7.50%	0.00%	100.00%	0.05%
Quarterly Rebalancing	4.25	12.25%	8.50%	2.00%	65.50%	2.00%	1.00%	8.75%	0.00%	100.00%	0.05%
Quarterly Rebalancing	4.00	11.00%	8.00%	2.00%	66.00%	2.00%	1.00%	10.00%	0.00%	100.00%	0.05%
2028	3.75	10.25%	7.50%	1.75%	66.50%	1.75%	1.50%	10.00%	0.75%	100.00%	0.05%
Quarterly Rebalancing	3.50	9.50%	7.00%	1.50%	67.00%	1.50%	2.00%	10.00%	1.50%	100.00%	0.06%
Quarterly Rebalancing	3.25	8.75%	6.50%	1.25%	67.50%	1.25%	2.50%	10.00%	2.25%	100.00%	0.06%
Quarterly Rebalancing	3.00	8.00%	6.00%	1.00%	68.00%	1.00%	3.00%	10.00%	3.00%	100.00%	0.06%
2027	2.75	7.50%	5.50%	0.75%	68.25%	0.75%	3.50%	10.00%	3.75%	100.00%	0.07%
Quarterly Rebalancing	2.50	7.00%	5.00%	0.50%	68.50%	0.50%	4.00%	10.00%	4.50%	100.00%	0.07%
Quarterly Rebalancing	2.25	6.50%	4.50%	0.25%	68.75%	0.25%	4.50%	10.00%	5.25%	100.00%	0.07%
Quarterly Rebalancing	2.00	6.00%	4.00%	0.00%	69.00%	0.00%	5.00%	10.00%	6.00%	100.00%	0.07%
2026	1.75	6.00%	4.00%	0.00%	67.75%	0.00%	5.50%	10.00%	6.75%	100.00%	0.08%
Quarterly Rebalancing	1.50	6.00%	4.00%	0.00%	66.50%	0.00%	6.00%	10.00%	7.50%	100.00%	0.08%
Quarterly Rebalancing	1.25	6.00%	4.00%	0.00%	65.25%	0.00%	6.50%	10.00%	8.25%	100.00%	0.09%
Quarterly Rebalancing	1.00	6.00%	4.00%	0.00%	64.00%	0.00%	7.00%	10.00%	9.00%	100.00%	0.09%
2025	0.75	6.00%	4.00%	0.00%	63.50%	0.00%	7.25%	10.00%	9.25%	100.00%	0.09%
Quarterly Rebalancing	0.50	6.00%	4.00%	0.00%	63.00%	0.00%	7.50%	10.00%	9.50%	100.00%	0.09%
Quarterly Rebalancing	0.25	6.00%	4.00%	0.00%	62.50%	0.00%	7.75%	10.00%	9.75%	100.00%	0.10%
Enrolled	0.00	6.00%	4.00%	0.00%	62.00%	0.00%	8.00%	10.00%	10.00%	100.00%	0.10%

Asset class balances fluctuate due to daily market movements. The actual asset class balances are monitored each business day and, within reasonable tolerance rates (+/- 2%), rebalanced to the target allocation.

To ensure the allocations remain in alignment with market expectations, they are reviewed, at a minimum, every 3 – 5 years by the Investment Consultant.

INVESTMENT MANAGER SELECTION, PERFORMANCE EVALUATION, AND MONITORING

Investment Manager Selection

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

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

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

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

Investment Manager Performance Expectations

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

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

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

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

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

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

- Lack of responsiveness to client requests

Investment Manager Monitoring

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

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

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

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

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

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

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

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

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

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

EXCEPTIONS TO INVESTMENT GUIDELINE REQUIREMENTS

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

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

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

Remainder of page intentionally left blank

Objective

Provide participants with a low risk, low volatility option for saving for qualified higher education expenses. It is expected that fixed income will be used by those participants with a short horizon to matriculation or with little appetite for short-term investment volatility.

Benchmark

The Underlying Investment Manager Section above provides the benchmarks for fixed income portfolios.

Allocation

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

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

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

Quality Downgrade

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

Authorized investment vehicles for the portfolio:

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

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

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

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

Municipal securities – Maximum allocation of 20% of the portfolio

- General Obligation or Revenue bonds
 - Must be rated by at least two nationally recognized rating services BBB-/Baa3 or higher. If rated by only one nationally recognized rating service, then the rating must be A-/A3 or higher
- Build America Bonds (BABs) are permitted, but limited to 10% of the portfolio
 - Must be rated by at least two nationally recognized rating services A-/A3 or higher. If rated by only one nationally recognized rating service, then the rating must be AA-/Aa3 or higher

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

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

Residential Mortgage Backed Securities

- United States Agency Mortgage backed securities, limited to 50% of the portfolio
- Privately Issued Mortgage Backed securities, limited to 15% of the portfolio
 - Includes but is not limited to real estate mortgage investment conduits
 - Must be rated AAA/Aaa by at least one nationally recognized rating service
 - Sub-prime mortgage backed securities are not permitted
 - Alt-A mortgage backed securities are not permitted
- Mortgage To Be Announced (TBA) securities
 - Require a cash equivalent set aside for future settlement of the forward agreement.

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

- Asset-backed and commercial mortgage backed securities
 - Must be rated AA/Aa2 by at least one nationally recognized rating service
- 144(a) securities (with and without registration rights) are permitted
 - Must be rated by at least one nationally recognized rating services AA/Aa2 or higher
- Collateralized Loan Obligations
 - Must be rated by at least one nationally recognized rating services AAA/Aaa or higher
 - Limited to 10% of portfolio

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

- Supranational Debt Obligations, Sovereign Debt Obligations and Foreign Debt Obligations
 - Must be U.S. dollar-denominated

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

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

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

Derivatives

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

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives. At no time may any derivative be utilized to leverage the portfolio for speculation.
- Maximum investment in the securities of any issuer, except Obligation of the United States Treasury or Agencies, is 2% of the portfolio.
- Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of the benchmark duration.
- Tracking Error to the benchmark shall be less than 150 bps.
- Credit quality rating cannot be more than one letter rating below the benchmark.

Remainder of page intentionally left blank

Objective

Provide participants with the opportunity for additional growth (with additional risk) over the Core Fixed Income Option by utilizing non-investment grade credit and emerging market debt.

Benchmark

The Underlying Investment Manager Section above provides the benchmarks for Core + Fixed Income portfolio.

Allocation

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

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

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

Quality Downgrade

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

Authorized investment vehicles for the portfolio:

Cash or Cash Equivalent

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

Obligations of the United States Treasury or Agencies

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

Municipal securities

- General Obligation or Revenue bonds
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Build America Bonds (BABs)
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Corporate debt obligations

- Registered Bonds
- 144(a) securities (with and without registration rights) are permitted

Residential Mortgage Backed Securities

- United States Agency Mortgage backed securities
- Privately Issued Mortgage Backed securities
 - Includes but is not limited to real estate mortgage investment conduits
 - Must be rated BBB-/Baa3 by at least one nationally recognized rating service
 - Sub-prime mortgage backed securities are not permitted
 - Alt-A mortgage backed securities are not permitted
- Mortgage To Be Announced (TBA) securities
 - Require a cash equivalent set aside for future settlement of the forward agreement

Other Collateralized Securities

- Asset-backed and commercial mortgage backed securities
 - Must be rated BBB-/Baa3 by at least one nationally recognized rating service
- 144(a) securities (with and without registration rights) are permitted
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher
- Collateralized Loan Obligations
 - Must be rated by at least one nationally recognized rating services BBB-/Baa3 or higher

Foreign Debt Securities

- Supranational Debt Obligations, Sovereign Debt Obligations and Foreign Debt Obligations

Commingled Investment Funds

- Exchange Traded Funds (ETF's), commingled investment funds and mutual funds
 - Traded on domestic exchanges
 - Primarily invested in authorized investment vehicles provided in this Guideline
 - Compliance and monitoring shall be reviewed relative to the commingled investment funds' prospectus or participation agreement

- Before a Commingled Investment Fund is used by an Investment Manager, approval must be obtained by the Board

Derivatives

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

Other Restrictions

- The use of margin is prohibited except as may be required in the use of approved Derivatives.
- Maximum investment in the securities of any issuer, except Obligations of the United States Treasury or Agencies, is 2% of the portfolio.
- Maximum investment in unrated securities is 5%.
- Maximum investment in securities rated less than BBB-/Baa3 is 20% of the portfolio.
- Total duration, as calculated by the manager's preferred pricing source, shall not differ from benchmark duration, plus or minus, by more than 20% of the benchmark duration.
- Tracking Error to the benchmark shall be less than 300 bps.

Remainder of page intentionally left blank