

Investment Portfolio Guidelines
Retiree Health Insurance Subsidy Trust Fund
BNY Mellon Accounting Number: FMXFC121012
BNY Mellon Name: FMXFCAN005 HIS; Qualified

Approval by Deputy Executive Director Kevin Sigrist

Date 9/11/09

Purpose

The purpose of the Retiree Health Insurance Subsidy Trust Fund is to provide monthly subsidy payments to retired members of any state-administered retirement system to assist in paying the costs of health insurance. The trust fund shall be used to account for all moneys received and disbursed by the Division of Retirement pursuant to Section 112.363 of the Florida Statutes. An investment policy study of the mandate will be completed in 2009 to assess the implementation and benchmark.

Investment Objective

The objective of the fund is to provide the necessary liquidity to meet distribution requirements. Liquidity needs should be routinely evaluated, given statutory adjustments to contribution and/or benefit rates. The Division of Retirement can provide additional information as needed, relative to the projected cash flows of the fund. The projections will be used to develop appropriate investment strategies to maximize return.

Over a three-year moving period, annualized performance is expected to be competitive with the Merrill Lynch 1-year LIBOR CMTR Index.

Implementation

The portfolio is internally managed and under the span of control of the Senior Investment Officer of Fixed Income. However, this portfolio may be funded or defunded based on information provided by the Division of Retirement.

Investment Restrictions/Compliance

The following restrictions will be observed and checked monthly for compliance:

All securities purchased will be consistent with Section 215.47 of the Florida Statutes. The portfolio may only purchase money market and fixed income securities, and further:

- At the time of purchase, all securities must be rated investment grade. For short-term investment ratings, this shall be defined as the highest applicable rating from one Nationally Recognized Statistical Rating Organization (NRSRO) (S&P A-1; Moody's P-1; Fitch F1). For long-term investment ratings, this shall be defined as minimum mid-single A rating from one of the three NRSROs (S&P A; Moody's A2; Fitch A). There may be grade variations within these broad parameters. Provisional ratings of similar quality by the NRSROs and expected ratings by third party providers are acceptable, until such time as the official rating is provided.

- Securities of a single issuer shall not represent more than 5% of portfolio-amortized cost, excluding U.S. Treasuries and Agencies.
- Weighted average maturity shall not exceed 1.5 years. Final maturity dates will be used to calculate the weighted average maturity of the portfolio.
- A small percentage of invested funds, not to exceed 2% of portfolio amortized cost, may have maturities between 3 and 5 years. No individual security shall have a final maturity date longer than 5 years.
- The designated Compliance Officer will perform monthly compliance monitoring to ensure that investment practices comply with the requirements of these Investment Portfolio Guidelines and will communicate compliance exceptions to the Investment Oversight Group at regular monthly meetings.
- In the event that a security no longer meets the criteria for purchase due to default, event of insolvency, a credit rating downgrade or other material event (“Affected Security”), the Senior Investment Officer must identify the Affected Security within the monthly compliance cycle and cause the Portfolio Manager to either dispose of the security within 45 business days or present a justification for the retention of the security to the Investment Oversight Group at the next monthly meeting. If an Affected Security matures within 45 business days, no further action is required. An Affected Security may be held after 45 days only if the Executive Director has determined, based upon a recommendation from the Senior Investment Officer and the Investment Oversight Group, that it would not be in the best interest of the portfolio to dispose of the security taking into account market conditions that may affect an orderly disposition.

Evaluation

Performance evaluation will be conducted monthly. The Merrill Lynch 1-year LIBOR CMTR Index will be used for evaluation. The portfolio is considered actively managed for performance measurement purposes.

Revised

**Fixed Income Monthly Compliance
Internally Managed
Retiree Health Insurance Subsidy Trust Fund
Active / Qualified**

BNY Mellon Account Number: FMXFC121012 (12101)

Date:

In Compliance?

Are all holdings consistent with Florida Statutes Section 215.47?

Were any securities purchased?

If yes, then were only eligible securities purchased? (money market and fixed income securities)

At time of purchase, were all securities rated investment grade? For short-term ratings this is defined as the highest applicable rating from one Nationally Recognized Statistical Rating Organization (NRSRO) (S&P A-1; Moody's P-1; Fitch F1). For long-term ratings this is defined as having a minimum mid-single A rating from one of the three NRSROs (S&P A; Moody's A2; Fitch A). Provisional and expected ratings are acceptable until an official rating is provided.

Are securities of a single issuer 5% or less of portfolio amortized cost? (Excluding U. S. Treasuries and Agencies)

Is portfolio weighted average to final maturity 1.5 years or less? days

Are maturities between three and five years 2% or less of portfolio amortized cost?

Are the final maturities of all holdings less than or equal to five years?

Were any securities identified during the month by the SIO – Fixed Income as no longer meeting the purchase criteria due to default, event of insolvency, credit rating downgrade, or other material event?

If yes, then will the affected security either mature or be sold within 45 business days? (If yes, then no further action required.)

If no, then did the portfolio manager present a justification for retention to the Investment Oversight Group (IOG) at the next monthly meeting? (Attach justification.)

If yes, then did the SIO and IOG provide a recommendation to the Executive Director to retain the affected security beyond 45 business days? (Attach recommendation.)

If yes, then did the Executive Director approve the recommendation to retain the affected security beyond 45 business days? (Attach approval.)