

Florida PRIME™ Best Practices Review

Florida State Board of Administration (SBA)

June 2015

Aon Hewitt Investment Consulting

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Executive Summary

Aon Hewitt Investment Consulting (AHIC) conducts a Best Practices Review of Florida PRIME™ on an annual basis. In this report, we review the responses to the annual participant survey, review the onsite due diligence meeting conducted at Federated – Florida PRIME™’s investment manager – by AHIC and Florida SBA Staff, provide an update on the SEC 2a-7 money market reforms, and review the Florida PRIME™ Investment Policy Statement. Based on our most recent review, we continue to believe that Florida PRIME™ is being managed in a manner consistent with best practices and in consideration of participants’ best interests. Further we believe the SBA has a team in place to appropriately interpret and incorporate the newly issued SEC reforms with the management and administration of Florida PRIME™. As there were no directly actionable recommendations made in the 2014 annual review, we will begin the report with a summary of our current recommendations.

2015 Recommendations

- Continue to stay apprised of the pending Statement from the Governmental Accounting Standards Board (GASB) on how external investment pools shall interpret and apply the SEC’s 2a-7 money market reforms and keep participant needs and best interests at the forefront of contemplated policy and/or guideline changes to the portfolio.
- Postpone modifying the Investment Policy Statement until a final Statement is released from the GASB and until the implications and best practices for Florida PRIME™ have been identified in order to prevent unnecessary disruption to the management of the portfolio and confusion in communications to pool participants.

2015 Participant Survey Results

The SBA conducts a survey of Florida PRIME™ participants every year to gain a better understanding of the participant base, overall investor satisfaction, gauge interest in various enhancements, and obtain information on investors' usage of the website and other resources. The 2015 survey attracted 80 respondents, which is a lower turnout than what was experienced last year.

A diversified group of governmental units responded to the survey, with approximately 71% indicating that they employ less than 1,000 employees and 43% indicating a level of cash assets available for short-term investment being greater than \$10 million. Of the 80 respondents, 48% indicated having a balance with Florida PRIME™ of over \$10 million. 36% of respondents indicated they have maintained less than 25% of their surplus in Florida PRIME™ and 23% indicated they have maintained between 25% and 50% with Florida PRIME™.

Respondents continue to provide strong feedback related to the Florida PRIME™ website, with 78% indicating that they visit the website at least once a month, and 62% responding that they find its functionality very easy to use and the remaining respondents finding it somewhat easy to use. The survey indicated that participants continue to utilize the website primarily to access account balances and statements, to make transactions and to access the Monthly Summary Reports. Though phone representatives are seldom used, customer service continues to receive strong feedback with over 90% of respondents rating them very courteous, knowledgeable and responsive.

When asked about the usefulness of multiple communication pieces, 92% of respondents noted that they find the monthly account statements very useful and 78% indicated that they find the email Notifications of Withdrawals & Changes to Bank Instructions very useful. Over 90% found the Periodic eNotices and Monthly Summary Reports to be either very useful or somewhat useful. The Education Center continues to see weak participation, with more than 40% of responders indicating that they have not used this service. However, of the 42 responses, over 75% have indicated they find the quality, selection and cost effectiveness of the service at least somewhat useful.

The survey also posed questions related to how and why participants utilize other competing and complementary liquidity vehicles. The survey indicated that the most commonly used vehicle in addition to Florida PRIME™ are Certificates of Deposit offered by a bank, with approximately 45% indicating their use over the past 12 months, and consistent with previous surveys, roughly 38% have also used an SEC-registered money market fund (not offered by Federated, Florida PRIME's investment manager). When asked how competing investment services have added value to the respondent organizations' investment goals, 41% indicated that the yield level added value and 29% indicated value was added through offering other complimentary investment

vehicles to choose from. This is different from previous surveys that indicated the perceived level of risk adjusted for the level of return as the leading characteristic. When asked what is preventing an organization from using Florida PRIME™ as the primary source of cash management, 54% responded that a major or moderate reason was an unattractive yield level; however, 35% responded that the yield was not a reason at all. Approximately 38% responded that diversification needs of the cash portfolio were a major or moderate reason for not utilizing Florida PRIME™ as a primary source of cash, though 46% also responded this was not a reason at all. Further, approximately 72%, 83% and 91% of respondents indicated that costs being too high, participant disclosures not being adequate and poor client service, respectfully, were not at all reasons for not using Florida PRIME™ as a primary source of cash management.

Relatedly, the survey annually takes the pulse on the demand for additional investment pools offered by the SBA. The survey specifically gauges participants' interest in a lower risk/lower return fund and/or a higher risk/higher return fund. Similar to surveys in the past, there continues to be little to no demand for a lower risk / lower return fund option. There also continues to be relatively modest demand for a higher risk / higher return fund option, with 13% responding with high interest and 34% responding with medium interest. There continues to be approximately 30% that indicate they have no interest in a higher risk / higher return type fund.

Lastly, given the recent 2014 SEC money market reforms, the survey asked participants if there was a preference to maintaining amortized cost accounting or to switch to a fluctuating NAV. The results were fairly clear of the preference for current participants to maintain the amortized cost accounting. Approximately 65% indicated strongly favoring or favoring amortizing costs and 33% and 17% indicated strong disfavor and disfavor changing to a fluctuating NAV. There were only 3 respondents that indicated they would favor or strongly favor changing to a fluctuating NAV; however, 45% indicated they felt neutral on the issue.

Overall, the survey results continue to be favorable regarding the operational and service related questions. Respondents indicated that they utilize the website fairly frequently and find it easy to use. Further respondents indicated the communications issued by the SBA are mostly useful as well. There continues to be results suggesting participants are seeking a higher yield from their cash management vehicles; however AHIC and SBA Staff's quarterly review of Florida PRIME™'s yield levels relative to the iMoneyNet universe compares favorably relative to other money market funds. Relatedly, there continues to only be mild interest in a second offering from the SBA, but expectedly interest continues to lean towards a higher risk / higher return type portfolio. Lastly, the survey results clearly indicated a preference for maintaining the current use of amortized cost accounting over moving to a fluctuating NAV given the recently released SEC money market reforms.

Federated Investors Onsite Due Diligence Meeting

The SBA has employed Federated Investors (“Federated”) as the investment manager for Florida PRIME™. SBA Staff and AHIC conduct onsite due diligence meetings at the Federated offices on a regular basis. In April 2015, SBA Staff and AHIC visited the Federated offices in Pittsburgh, PA. The goal of the visit was to conduct a comprehensive overview of Federated’s business and processes, and specifically those that impact the Florida PRIME™ investment pool and its participants. Below we provide a brief summary of the topics covered and the surrounding discussion.

Corporate Overview: Federated Investors is among the largest institutional money market fund managers in the industry with a sole focus on asset management. As of December 31, 2014, Federated managed a total of \$363 billion across money market, fixed income and equity strategies. Approximately \$259 billion, or 70% of Federated’s assets under management (AUM), were invested in money market portfolios. Additionally, approximately \$150 billion, or 30% of Federated’s AUM, were managed in prime money market strategies, under which Florida PRIME™ is classified. Prime money market funds are classified as those that are not solely comprised of U.S. Treasuries, and that also invest in floating or variable rate debt and commercial paper of corporations and securities of the U.S. government and agencies. Of the 45 domestic money market portfolios Federated manages, 14 are prime, 12 are government and 19 are tax-free (municipal bond) strategies. Federated manages assets for over 4,000 public entities across 32 states. The Federated team has 35 liquidity management professionals with 18 years of experience working together at the firm. Additionally, Federated is very active across the industry, participating in at least 10 conferences per year, frequently interacting with relevant industry participants, such as the Governmental Accounting Standards Board (GASB) regarding the 2014 SEC money market reforms, and issuing multiple market and economic communications. We find Federated to be a high-quality and proactive player in the money market space with a stable and strong organization.

Enterprise Risk Management: AHIC and SBA met with Federated’s Chief Risk Officer, Michael Granito. Federated’s Enterprise Risk Management (ERM) division oversees broadly the risk management of the firm. The ERM team includes over 100 professionals with 14 risk committees that are embedded within each business unit. The committees have a systematic scoring process that assesses the probability and severity of impact of identified risks allowing Federated to assess different strategies and better prepare and manage assets. Examples of key risks include the Federal Reserve exiting from extraordinary monetary policy, regulatory reform post-financial crisis with Dodd Frank, and the impact of the new SEC money market regulation on short-term investments. Risk management is kept completely separate from the investment side of the business and the team periodically provides update reports to the Fund Trustees and Board of Directors. Additionally, Federated’s internal audit periodically reviews the risk committees’ processes to ensure their appropriateness and effectiveness.

Information Security/ Business Continuity: Federated's Business Information Services Division (BISD) manages the communications network and information technology infrastructure and works in tandem with the Compliance Department. Within the BISD, Federated has a dedicated Money Market Services (MMS) unit located within the Investment Management Business Services (IMBS) division. The IMBS reports directly to the Chief Information Officer. AHIC and SBA met with Ed Klosky, head of the MMS. There are six dedicated professionals in the MMS unit who report to Mr. Klosky and oversee the data security through trading, compliance, credit review, etc., of money market portfolios.

Security of client and Federated information is managed at multiple levels at the firm. Procedures are in place at the desktop, network and server levels to safeguard confidential client and firm information. Federated utilizes a dual data center architecture located on separate power grids south of downtown Pittsburgh to support the business. All satellite offices connect to both data centers. The dual data center reduces risks by allowing all critical daily functions to run smoothly in the event of an emergency. Additionally, Federated does two levels of review on all third party organizations they partner with to ensure information and data is handled in an appropriate and secure manner.

In addition, Federated has sixty-one business continuity plans throughout the company. The plans are tested on an annual basis and must perform at a minimum 80% of their daily processes. Similarly to the security review, Federated also reviews their vendors' business continuity plans to ensure they are up to Federated's standards. In instances where they are not, Federated documents the issues and makes recommendations to the company for improvement.

Florida PRIME™ Operation Support: Federated provided an overview of the investment management operations and reconciliation processes specific to Florida PRIME™. Federated has a dedicated Investment Management Operations (IMO) team that oversees the operations related to trading, settlement, reconciliation, compliance, performance analysis and reporting. Federated has reconciliation processes at multiple levels and a very robust daily position reconciliation process from data import through reporting and archiving. Final reconciliation occurs after SBA's custodian, BNY Mellon, closes their books on the fifth or sixth business day each month-end.

Compliance: The Federated Compliance Department is responsible for the development of compliance programs for each business unit and for monitoring investment activities and operations within applicable regulations, client guidelines and corporate standards. The Compliance Department is comprised of over thirty employees who are structured to address compliance matters related to both the investment funds and the operating companies. Coverage includes investment management and related activities, broker/dealer distribution activities and transfer agency oversight.

AHIC and SBA met with Stephen Van Meter, the Compliance Operating Officer. Mr. Van Meter reports directly to the Chief Compliance Officer who in turn reports directly to the Chief Legal Officer. Mr. Van Meter meets with the Chief Investment Officers and the head of trading on a weekly basis. Federated utilizes four trade order management systems that the Compliance Department is responsible for overseeing. The applicable trading system utilized for stable NAV funds, and specifically for the management of Florida PRIME™, are proprietary systems (FedPorts and FedCMS). The Compliance Department works in tandem with the BISD and IMO to develop and implement automated tests within the trading systems that are conducted to assure trading compliance with applicable regulations and guidelines. Due to the proprietary nature of Federated's trading system, the Compliance Department, in conjunction with the BISD and IMO, has created a set of rules specifically for the Florida PRIME™ portfolio that are constantly reviewed and updated.

Every trade that is generated for Florida PRIME™ runs through compliance. The Compliance Department interprets the regulations and guidelines that govern the portfolio into automated tests that are embedded within the trading system. Federated has implemented a straightforward and effective system to ensure guidelines are followed. Should any trade placed not comply with the set of rules, a notice of either 'Warn,' 'Fail' or 'Stop' will be received and will need to be rectified before the trade can be processed. Each notice has a different level of importance and corresponding parameter on who can validate the trade. For instance, if a 'Stop' notice is triggered, specific senior individuals (i.e., CIO) must be consulted in order to remedy the situation.

In addition, Federated has a nightly process that runs pre-trade and batch compliance checks for the Florida PRIME™ portfolio. Federated reviews the Florida PRIME™ Compliance Checklist on a daily basis. The Compliance Checklist is also provided in the Monthly Summary Reports that are accessible via the Florida PRIME™ website. Further, the Compliance Department monitors Federated employees' personal trading activity and provides the SBA with a Code of Ethics Certification on an annual basis.

Trading and Investment Management: The Federated trading team is well tenured, consisting of twelve traders with an average of eighteen years of experience. The trading process begins with the development of the investment strategy, which is followed by thorough credit analysis before trading takes place. When trading, the team utilizes a best execution policy for selecting brokers and has a committee that meets quarterly and oversees the broker selection practices. FedPorts is Federated's proprietary order management system, as previously noted, and user access is customized based on the role in portfolio management (i.e. compliance, trading, credit analysis, portfolio management, etc.). The trading team works together with Federated's other business units to execute Florida PRIME™'s investment strategy on a seamless basis.

Federated provided an overview of the investment management process, of which the credit review process is a key component. All credits must go through Federated's Credit Committees, which are chaired by the Director of Investment Research. Voting members of the Committees include portfolio managers, senior analysts and a dedicated team of money market investment

analysts. The money market strategies managed by Federated have a team of dedicated credit analysts, which ensures a thorough understanding of the asset class including regulations, market environment, and specific considerations related to money market instruments. Once credits are identified, each issue is reviewed and assigned an internal Federated credit rating of 1 through 5, with 1 being the most favorable. Utilizing Federated's internal credit ratings, along with financial analysis, industry and market information, internal and third party research, along with hosting due diligence meetings, Federated develops an approved issuer database. It is from this database that traders select securities from which to invest the portfolio, while ensuring the portfolio stays in compliance with Florida PRIME™'s Investment Policy Statement.

Federated also works with nationally recognized statistical rating organization, Standard and Poor's (S&P), to ensure the portfolio maintains its AAAM rating. This process includes Federated sending weekly portfolio holdings to S&P, as well as a weekly summary report that includes information such as weighted average maturity, weighted average life, total net assets, total net subscriptions and redemptions, percentage portfolio holdings, total percentage illiquid securities and the percent of holdings in A1+ and A1 buckets. Further, on an annual basis S&P conducts an annual due diligence visit to Federated's offices. This communication practice is designed to ensure the integrity of the credit rating process.

Additionally, through a competitive review process, the investment team reviews the holdings of other similar funds as an additional check that particular securities are not being overlooked or as a check for rationale for why certain securities were not approved. The entire investment management team, including traders, portfolio managers and investment analysts, meet on a weekly basis to discuss and review the market landscape, recent developments, market outlook, specific credit names and relative value plays.

Conclusion

We continue to find Federated among the top managers in the money market asset management business and believe they will continue to successfully manage the Florida PRIME™ portfolio. The onsite meeting provided a comprehensive overview of the Federated's investment process and also its business, operational, and compliance infrastructure and processes. The meeting reinforced our confidence in Federated's capabilities with regard to the people, process and technology that support the management of Florida PRIME™. Further, we have confidence in Federated's ability to keep the SBA and Florida PRIME™ participants well informed and ahead of the curve as the industry progresses.

SEC Rule 2a-7 Reform Update

Background

The Florida PRIME™ investment pool is managed as a “2a-7 like pool” in accordance with the accounting and financial reporting guidelines established by the Governmental Accounting Standards Board (GASB). “2a-7 like pools” are defined as external pools that satisfy the requirements of SEC Rule 2a7 of the Investment Company Act of 1940 without actually being registered with the SEC. The GASB guidelines state that “2a7-like pools” are permitted to report their investments at amortized cost if they have a policy that they will, and do, operate in a manner consistent with the SEC’s Rule 2a-7. The guidelines also established minimum requirements for financial statements and disclosures. Federated and SBA Staff have managed Florida PRIME™ in a manner consistent with SEC Rule 2a-7 and as is laid out in Florida PRIME™’s Investment Policy Statement.

Since the 2008 financial crisis, significant time and attention has been paid to identifying the appropriate level and content of money market regulations.

2010 Reforms

In 2010, the SEC approved new money market regulations which increased transparency of money market funds’ risks and investments, and lowered the overall risk profile of the funds by increasing liquidity and limiting lower quality investments. These reforms have been fully implemented and were generally well-received by industry participants. Since approval, Florida PRIME™ continued to be managed as a “2a-7 like pool.” The new guidelines were adopted and Federated has managed the portfolio under the most up-to-date 2a-7 regulations.

2014 Reforms

Following the 2010 reforms, there was another push for additional regulations with the objective of further protecting the industry and the broader economy from another 2008 experience. The second wave of reforms was met with strong opposition from many industry participants and went through a lengthy period of evaluation and research to identify the most appropriate and effective additional regulation.

In July 2014, the SEC adopted final money market reform regulations that are intended to increase transparency and provide investors additional protection during rare periods of market stress. The reforms, made effective September 25, 2014, are intended to be implemented over the next two years and to fully be effected by October 2016. The 2014 money market reforms are summarized below:

- **Floating NAV:** Requires institutional prime and institutional municipal money market funds to have a floating net asset value (NAV), in which the daily share price fluctuates in tandem with changes in the market-based value of the fund’s assets. Penny rounding

will no longer be allowed and pricing will be required to be recorded out to four decimal places (\$1.0000).

- **Liquidity Fee:** Provide non-government money market fund boards a new tool to address runs on money market funds in periods of rare market stress.
 - If a fund's weekly liquid assets were to fall below 30%, fund's board may impose a 2% fee on redemptions
 - If a fund's weekly liquid assets were to fall below 10%, redemptions will be subject to a 1% fee, unless fund's board determines otherwise
- **Redemption Gate** Provide non-government money market fund boards a new tool to address runs on money market funds in periods of rare market stress
 - If a fund's weekly liquid assets were to fall below 30%, fund's board may suspend redemptions for up to 10 days
- **Definitions**
 - Retail funds limit shareholders to beneficial ownership by "natural persons" (individuals)
 - Government money market funds re-defined as investing 99.5% (formerly 80%) or more of its total assets in cash, government securities, and/or repurchase agreements that are collateralized solely by government securities or cash
- **Exemptions:** Both retail funds and government and U.S. treasury money market funds are exempt from the reforms

Governmental Accounting Standards Board (GASB)

As a reminder, GASB requires "2a-7 like" external investment pools to follow specific SEC 2a-7 criteria in order to qualify for amortized cost reporting. Following the issuance of the 2014 reforms, GASB recognized that some local government investment pools differ from many SEC registered money market funds and that few governments will be in a position to adopt the 2014 amendments.

Therefore, in December 2014, the GASB added *External Investment Pools* to its official agenda. The goal of the project is to research and determine the appropriate measurement criteria and disclosure requirements for external investment pools. These criteria could replace the current "2a7-like" accounting criteria for certain investment pools addressed in GASB-31, which applies to Florida PRIME™.

Specifically, the GASB project description reads, "The objective of this project is to improve the financial reporting by external investment pools and pool participants that report positions in investment pools. Improvement will be achieved by addressing recognition, measurement, of investment pools and their disclosures."¹

¹ Governmental Accounting Standards Board. External Investment Pools Project.
http://www.gasb.org/jsp/GASB/GASBContent_C/ProjectPage&cid=1176164354797

GASB has determined that the *External Investment Pool Project* will consider the following issues:

1. If a cost-based measurement for investment pools is developed, what criteria or defining characteristics describe such pools?
2. For all investment pools, what additional note disclosures are essential information for financial statement users?
3. For pool participants, what additional note disclosures are essential information for financial statement users?

To date of this report, the GASB has held four meetings since the project was added to the official agenda in December 2014. According to the meeting minutes², GASB has made meaningful progress towards identifying criteria to be included in the Executive Draft for External Investment Pools. The GASB meeting minutes indicate support for an exception to the fair value reporting requirement issued in the SEC's 2014 reforms, allowing external investment pools to report investments at amortized cost if certain criteria are met. Criteria was indicated to include limits and guidelines related to maturity levels, credit quality, liquidity levels, portfolio diversification, shadow price reporting and disclosure requirements. In the Appendix of this report, we list in complete detail the last available "Tentative Board Decisions" as provided on the GASB website.

The GASB work plan anticipates issuing the Exposure Draft in June 2015 followed by a 60 day comment period from July to August 2015. The work plan states a final GASB Statement is scheduled to be issued by December 2015, well in advance of the SEC's October 2016 deadline for funds to conform to the new regulations.

Florida PRIME™ Considerations

Following review of the tentative decisions posted by GASB, AHIC does not anticipate significant changes needed on Florida PRIME™'s investment management or operational procedures should Florida PRIME™ decide to continue to follow the potential "2a-7 like" GASB updated guidelines. As of April 2015, approximately 27% of the Florida PRIME™ portfolio had daily liquidity and 37% was available within 5 business days. The portfolio holds zero second tier securities and has a weighted average effective maturity of 28 days. Further, the fluctuating net asset value is reported on a daily basis on the Florida PRIME™ website, which is available to the public at all times. Additionally, maturity, liquidity, diversification and other relevant and important statistics are currently reported by the SBA and Federated and made available to pool participants.

Provided that the current management and reporting practices of Florida PRIME™ are mostly in line with the tentatively proposed GASB criteria for pools to maintain amortized cost accounting, and given the timeline from the GASB to issue a final Statement for external investment pool

² Governmental Accounting Standards Board. External Investment Pools Project.
http://www.gasb.org/jsp/GASB/GASBContent_C/ProjectPage&cid=1176164354797

application of the 2014 SEC money market reforms, AHIC recommends the SBA hold off on making any changes to Florida PRIME™'s investment management, operations and reporting until the final statement is issued by the GASB. AHIC, Federated and SBA Staff continue to stay apprised of developments from the GASB and will ensure Florida PRIME™ continues to be managed in the most appropriate manner to serve the needs of its participants.

Investment Policy Review

Included in the annual best practices review is a periodic assessment of the Florida PRIME™ Investment Policy Statement (“IPS”). The objective of the IPS is to set forth the objectives, strategy, guidelines, and overall responsibilities for the oversight and prudent investment of Florida PRIME™ assets.

The Florida PRIME™ IPS was last formally approved by the SBA Trustees in June of 2014. AHIC last reviewed the IPS in June 2014 as well. At that time, AHIC did not find any obvious or notable material absent from the Florida PRIME™ IPS. We continue to find the Policy to be an effective guiding document for the management of Florida PRIME™ and do not have any recommendations for additions or modifications at this time.

Provided that Florida PRIME™ is governed by the GASB, AHIC believes it is prudent to wait to make modifications to the IPS until the GASB issues its final Statement in December 2015 with guidelines for external investment pools to interpret and apply the 2014 SEC money market reforms. Enacting changes to Florida PRIME™’s IPS now could result in unnecessary disruptions to the management, reporting and overview of the portfolio pending the final opinion from the GASB. With the final Statement scheduled to be released in December 2015, should the decision be made to maintain the “2a-7 like” status, there is ample time to conform to the regulations within the SEC’s timeline. AHIC, Federated and SBA Staff continue to stay apprised of the GASB’s work plan and progress, and will continue to work together to ensure Florida PRIME™’s IPS is updated in a timely manner with appropriate guidelines in order to maintain industry best practices.

Appendix

As of May 26, 2015, and based on the meeting minutes as provided by the GASB, we list below the decisions regarding external investment pools that have thus far been tentatively decided upon. Please note the below has been extracted directly from the GASB Website.³

- In order to qualify for an amortized cost exception, the following criteria should be met:
 - A pool should transact with its participants at a stable net asset value.
 - The following portfolio maturity limits should be met:
 - A pool should not acquire any instrument with a remaining maturity of greater than 397 calendar days;
 - A pool should not maintain a dollar-weighted average portfolio maturity that exceeds 60 calendar days; and
 - A pool should not maintain a dollar-weighted average portfolio maturity, determined without reference to the exceptions regarding interest rate readjustments that exceeds 120 calendar days.
 - The following portfolio quality requirements should be met:
 - Nationally Recognized Statistical Rating Organizations credit ratings should be used for as a benchmark for portfolio quality.
 - A pool should not acquire second-tier securities.
 - As of the reporting date, a pool should not hold more than 3 percent of total assets in securities that subsequently drop to second-tier after acquisition.
 - The following portfolio diversification requirements should be met:
 - The proposed portfolio diversification requirements should be applied as of the acquisition of each security.
 - The following portfolio liquidity limits should be met:
 - A pool may not acquire any illiquid security if, immediately after the acquisition, the pool would have invested more than 5 percent of its total assets in illiquid securities.
 - A pool may not acquire any security other than a daily liquid asset if, immediately after the acquisition, the pool would have invested less than 10 percent of its total assets in daily liquid assets.
 - A pool may not acquire any security other than a weekly liquid asset if, immediately after the acquisition, the pool would have invested less than 30 percent of its total assets in weekly liquid assets.
- A pool should have a shadow price as follows:
 - The shadow price should be calculated monthly.

³ Governmental Accounting Standards Board. *External Investment Pool Project*.
http://www.gasb.org/jsp/GASB/GASBContent_C/ProjectPage&cid=1176164354797#recent_minutes

- If a pool has a deviation of 0.5 percent or more between its amortized cost share price and its fair value share price at time of calculation, the pool should not be allowed to report at amortized cost for that period.
- A pool should have the option to measure its investments at fair value, even if it meets all of the proposed criteria to report at amortized cost.
- A pool should make the disclosures required by Statement No. 72, Fair Value Application and Measurement, with respect to the fair values of investments that are already required to be disclosed by Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.
- A pool should disclose information about any withdrawal restrictions, such as withdrawal thresholds, limits, and waiting periods that the pool can impose on participants.
- A pool participant should disclose information about any withdrawal restrictions, such as withdrawal thresholds, limits, and waiting periods that the pool can impose.
- The effective date of the proposed Statement should be for fiscal periods beginning on or after June 15, 2015, except for the monthly shadow pricing criterion, which would be effective for fiscal periods beginning on or after December 15, 2015.
- Pools do not need to provide retrospective restatement of beginning balances, prior periods, or disclosures.
- Pools that have been reporting at fair value can elect to report at amortized cost going forward only at the initial effectiveness of the proposed Statement.
- Noncompliance with a criterion for amortized cost reporting may not necessarily prevent a pool from reporting using amortized cost for that reporting period or in future reporting periods, depending on the circumstances.