

## Florida Cooperative Liquid Asset Securities System ("FLCLASS")

### Investment Policy

#### **Purpose**

This Policy has been established to create the principles by which the Florida Cooperative Liquid Asset Securities System ("FLCLASS") will be invested and secured and to comply with the provisions of Florida law relating to the investment of public funds. Investment Funds may only be invested in a manner that is permitted pursuant to the laws of the State of Florida generally and Florida's Investment of Local Government Surplus Funds Act, Florida Statutes, Chapter 218, Part IV and the Florida Interlocal Cooperation Act of 1969.

#### **Objective**

The Fund's investment objectives are: 1) Safety & Preservation of Principal, 2) Daily Liquidity, 3) Transparency and 4) Competitive Yields.

The Fund's investments will conform to the Permitted Investments detailed in this Investment Policy to meet Standard & Poor's Principal Stability Fund AAAM rating requirements. The AAAM rating is the highest attainable rating for a Local Government Investment Pool.

#### **General Provisions**

The Administrator will invest FLCLASS assets in high-quality fixed income securities. To be considered high quality, a security must be rated in the two highest short-term rating categories by one or more Nationally Recognized Statistical Rating Organizations ("NRSROs"), or be deemed to be of comparable quality thereto by the Administrator. The Administrator also may enter into special transactions for FLCLASS, i.e. repurchase agreements.

FLCLASS will maintain a dollar-weighted average maturity to reset (WAMR) of 60 days or less and a dollar-weighted average maturity to final (WAMF) of 120 days or less.

FLCLASS shall at all times maintain a prudent diversification of its investment portfolio among eligible asset classes.

#### **Procedures for Investment of Pool Monies**

##### (a) Qualified Broker/Dealers.

The Administrator will maintain a list of qualified broker/dealers that FLCLASS may engage in investment transactions with which will be approved by the Board of Trustees, at least quarterly, and will be maintained separately from this Policy.

##### (b) Qualified Corporate Debt Issuers.

The Administrator will maintain a list of qualified corporate debt issuers that FLCLASS may purchase and which will be approved by the Board of Trustees, at least quarterly, and may be maintained separately from this Policy.

##### (c) Solicitation of Bids for Certificates of Deposit.

Bids for certificates of deposit may be solicited orally, in writing, electronically or in any combination of those methods. A record of such bids shall be maintained by the Administrator.

##### (d) Settlement Basis.

All purchases of investments, except investments in mutual funds or bank instruments, shall be made

on a delivery versus payment basis to a third party custodian. The safekeeping entity for all FLCLASS investments and for all collateral pledged to secure funds of FLCLASS shall be the Custodian.

### **Permitted Investments**

#### **Obligations of the United States Government and its Agencies and Instrumentalities.**

Bills, notes and bonds issued by the U.S. Treasury and backed by the full faith and credit of the United States.

Obligations of any agency or instrumentality of the United States, including but not limited to, obligations of The Federal Farm Credit Bank, the Federal Land Bank, a Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Export-Import Bank, the Tennessee Valley Authority, the Government National Mortgage Association, the World Bank, or an entity or organization that is not listed in this paragraph but that is created by, or the creation of which is authorized by, legislation enacted by the United States congress and that is subject to control by the federal government that is at least as extensive as that which governs an entity or organization listed in this paragraph.

Obligations issued by entities with liquidity support from the U.S. Government, or its agencies or instrumentalities. These support arrangements provide that the U.S. Government or its agencies or instrumentalities will advance funds to the entity to pay the obligations of the entity to the extent it has insufficient funds to pay amounts due on its obligations.

#### **Floating-Rate and Variable-Rate Obligations.**

Debt obligations purchased by the Fund may have interest rates that are periodically adjusted at specified intervals or whenever a benchmark rate or index changes.

Maximum final maturity per fixed-rate investment, non-sovereign government floating-rate investment, and sovereign floating-rate investments rated below 'AA-' - 13months (397 days).

Maximum final maturity per sovereign government (including sovereign government related/guaranteed) floating-rate security rated 'AA-' or higher - Two years (762 days).

#### **Repurchase Agreements.**

Repurchase Agreements with a termination date of 364 days or less collateralized by U.S. Treasury obligations, Federal Agency securities and Federal Instrumentality securities listed above. The purchased securities shall have a minimum market value including accrued interest of 102 percent of the dollar value of the transaction. Collateral shall be held by the PRIME custodian or a sub-custodian, and market value of the collateral securities shall be marked-to-the market daily. Repurchase Agreement counterparties, if rated, shall have a short-term credit rating of at least A-1 or the equivalent and a long-term rating of at least A or the equivalent by at least one Nationally Recognized Statistical Rating Organizations (NRSRO).

#### **Commercial Paper.**

FLCLASS may invest in "prime quality" commercial paper of corporations organized under the laws of the United States or any state thereof, including paper issued by bank holding companies and high-quality asset-backed securities, with a maturity of 365 days or less. "Prime quality" means that it shall be rated in the two highest ratings category of either S&P or Moody's or a comparable rating by a NRSRO with not more than 5% with any one issuer.

### **Corporate Notes and Bonds.**

FLCLASS may invest in bonds, notes and other evidences of indebtedness or obligations issued by corporations organized under the laws of the United States or any state having a remaining maturity less than or equal to 397 days. All such debt obligations purchased by the Fund shall be rated at least A or better by Standard & Poor's, Moody's, or a comparable rating by another NRSRO with not more than 5% with any one issuer.

### **Obligations of Banks.**

Bank instruments are unsecured interest bearing deposits with banks. Bank instruments include, but are not limited to, bank accounts, time deposits, certificates of deposit and banker's acceptances. Yankee instruments are denominated in U.S. dollars and issued by U.S. branches of foreign banks. Eurodollar instruments are denominated in U.S. dollars and issued by non-U.S. branches of U.S. or foreign banks.

Certificates of deposit and bank deposit notes with maturities of one year or less will be considered for purchase if rated in the top short-term rating category of either Moody's or S&P or a comparable rating by another NRSRO. Bank obligations with a remaining maturity of over one year will be considered for purchase if rated A or better by Standard & Poor's or a comparable rating by another NRSRO. The Fund will not invest in any bank obligation with a remaining maturity of greater than 397 days.

### **Asset Backed Securities**

Asset Backed Securities that are payable from pools of obligations, most of which involve consumer or commercial debts. Asset backed securities may take the form of commercial paper, notes or pass-through certificates.

### **Insurance Contracts**

Insurance Contracts that include guaranteed investment contracts, funding agreements and annuities. The company issuing the insurance contract must have an Insurance Financial Strength rating of A+ or equivalent by a nationally recognized rating agency. The company should have adjusted capital and surplus of at least \$250 million. Contracts with any one company should not exceed five percent of that company's capital and surplus.

### **Collateralized Certificates of Deposit.**

FLCLASS may invest in collateralized certificates of deposit as permitted by Florida law.

### **FDIC Insured Certificates of Deposit.**

FLCLASS may invest in certificates of deposit subject to applicable FDIC insurance limits in effect at the time of purchase.

### **Municipal Obligations.**

Any security that is a general or revenue obligation of any state of the United States, the District of Columbia, or any territorial possession of the United States or of any political subdivision, institution, department, agency, instrumentality, or authority of any of such governmental entities. At the time of purchase, the security must be rated in one of its two highest rating categories by two or more NRSRO's that regularly rate such obligations.

The maximum exposure per municipal issuer is 5%

The maximum final maturity per municipal investment is 13 months (397 days)

## **Foreign Securities**

Foreign securities issued in U.S. dollars by issuers based outside the United States. The Administrator considers an issuer to be based outside the United States if:

- it is organized under the laws of, or has a principal office located in, another country;
- the principal trading market for its securities is in another country; or
- it (or its subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country.
- All such debt obligations purchased by the Fund shall be rated at least A or better by Standard & Poor's, Moody's, or a comparable rating by another NRSRO with not more than 5% with any one issuer. The maximum final maturity per foreign security investment is 13 months (397 days).

## **Mortgage-backed Securities**

Mortgage-backed Securities with a final maturity not exceeding 397 days from the date of purchase that are collateralized first mortgage obligations or unstructured pass-through securities and rated at least AA, Aa or the equivalent by at least two NRSROs that rate the issue. The aggregate investment in mortgage-backed securities shall not exceed 25% of the total portfolio, and no more than 5% of the total portfolio shall be invested in any one issuer.

## **Securities Issued by Other Money Market Funds.**

No-load money market mutual funds that (i) are registered with and regulated by the Securities and Exchange Commission, (ii) include in their investment objectives the maintenance of a stable net asset value of \$1.00, and (iii) are rated AAAM or equivalent by at least one NRSRO.

## **Section 218.415(16), Florida Statutes.**

Without limited the foregoing, any investments authorized under Section 218.415(16), Florida Statutes.