THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OPEB FUND
INVESTMENT POLICY

I. SCOPE

A. The School Board of Broward County, Florida (the "Board") has established the Broward County Public Schools OPEB Fund (the "Fund"). The Fund is intended to provide for funding of non-pension post-employment benefits ("OPEB") for employees who meet the age and service requirements outlined in Florida Statute 112.0801. This Investment Policy Statement (the "Policy") reflects investment policy, objectives and constraints of the Fund.

B. The purpose of the Fund is to achieve long term growth of Fund assets by maximizing long term rate of return on investments and minimizing risk of loss to fulfill the Board's current and long term OPEB obligations. The specific purpose of the Policy is to achieve the following:

1. Document investment objectives, performance expectations and investment guidelines for Fund assets.

2. Establish an appropriate investment strategy for managing all Fund assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Fund.

3. Establish investment guidelines to control overall risk and liquidity.

4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the investment policy is being followed.

5. Comply with all fiduciary, prudence, due diligence and legal requirements for Fund assets.

C. Responsibility for execution and oversight of the investment program is vested with the Broward County Public Schools Office of the Chief Financial Officer (the "Office"). Responsibility for the administration of the investment program is hereby delegated by the Office to the Chief Financial Officer, who shall maintain an Investment Procedures and Internal Controls Manual based on this Policy. The Chief Financial Officer shall be responsible for monitoring internal controls, administrative controls and to regulate the activities of the Office's staff involved with the investment program. The Authorized Staff is limited to the following positions:

- Chief Financial Officer
- Treasurer
- Designees as authorized by the Chief Financial Officer

D. The Office may utilize investment advisors or managers to facilitate the effective management of the Fund assets and to maintain compliance with this Policy. The investment advisor may assist in establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The investment advisor may also select investment managers with discretion to purchase, sell, or hold specific securities that will be used to meet the Fund's investment objectives. The investment advisor must be registered with the Securities and Exchange Commission.

E. The Office may also utilize additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others to assist the Office in meeting its responsibilities and obligations to administer Fund assets prudently.

F. The Office will review the Policy at least annually and the Policy may be revised upon the Board's approval.

II. INVESTMENT OBJECTIVES

A. To invest assets of the Fund in a manner consistent with the following fiduciary standards: (a) all transactions undertaken must be for the sole interest of Fund beneficiaries and defray reasonable expenses in a prudent manner, and (b) assets are to be diversified in order to minimize the impact of large losses in individual investments.

B. To provide for funding and anticipated withdrawals on a continuing basis for payment of OPEB benefits and related expenses.

C. To conserve and enhance the value of Fund assets in real terms through asset appreciation and income generation, while maintaining a moderate investment risk profile.

D. To minimize principal fluctuations on a five year rolling return basis.

E. To achieve a long-term level of return commensurate with contemporary economic conditions and equal to or exceeding the investment objective set forth in the Policy.

F. The Fund's investment objectives are based on a 15-year investment horizon so that interim fluctuations should be viewed with appropriate perspective. The Office has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

G. The investment advisor shall review annually the appropriateness of the Policy for achieving the Fund's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the Policy.

III. PERFORMANCE MEASUREMENTS

A. The investment advisor shall report on a quarterly basis to the Office to review the total Fund investment performance. In addition, the investment advisor will be responsible for keeping the Office advised of any material change in investment strategy, investment managers, and other pertinent information potentially affecting performance of the Fund.

B. Performance measurements for the Fund's assets to be reviewed on a quarterly basis and evaluated based on five year rolling return basis. Performance is measured to determine the following:

1. If the investment managers have performed in accordance with this Policy.
2. If the investment managers have performed reasonably based on their respective asset class and investment style.
3. How the managers have performed in relation to other investment managers within the same asset class and investment style ("Peers").

C. The performance measurement indexes on the asset categories are as follows:

1. The Fund's fixed income portfolio return will be compared to the weighted average return of the Lehman Aggregate Bond Index or appropriate equivalent.

2. The Fund's domestic equity portfolio return will be compared to the weighted average return of the Standard and Poor's 500 Index or appropriate equivalent.

3. The Fund's international portfolio return will be compared to the weighted average return of the Morgan Stanley Europe, Australia, & Far East (EAFE) Index or appropriate equivalent.

4. The Fund's real estate portfolio return will be compared to the weighted average return of the MSCI US REIT Index or appropriate equivalent.

IV. INVESTMENT AND FIDUCIARY STANDARDS

A. The Fund's assets will be invested in a manner consistent with the standards set forth in:

1. Chapters 112 and 518, Florida Statutes.

2. The Fund's Investment Policy Statement.

3. In the event of a conflict within these provisions or any other provisions of law authorizing investments, the investment and fiduciary standards set forth in Section 112.661(4), Florida Statutes and item (1) above shall prevail.

B. The Office will adhere to the Prudent Person Standard and this standard shall be applied in the context of managing the overall Fund. The Prudent Person Standard is as follows:

> "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

C. Any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of Prudent Expert. The standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the Investment Advisor/Manager shall exercise: the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

D. The investment advisor shall prudently select appropriate investment managers to manage the assets of the Fund. Investment managers must meet the following criteria:

1. The investment manager must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.

2. With respect to Fund assets invested in a mutual fund, the Manager must provide historical quarterly performance data for the mutual fund compliant with Securities Exchange Commission ("SEC") and National Association of Securities Dealers ("NASD") standards.

3. The investment manager must provide historical quarterly performance data compliant with Global Investment Performance Standards ("GIPS"), calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net of fees.

4. The investment manager must provide detailed information on history of the firm, key personnel, key clients, fee schedule (including most favored nation clauses), and support

personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.

5. The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. The investment manager for portfolios other than Pooled Vehicles (see Authorized Investments) must confirm that it has received, understands and will adhere to this Policy and any manager specific policies by signing a consent form provided by the Office.

E. Investment manager(s) are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to “golden parachutes,” “super majorities,” “poison pills,” “fair price” provisions, staggered boards of directors, and other tactics. Investment manager(s) should vote proxies with the interest of preserving or enhancing the security’s value.

The investment manager(s) of a commingled plan or mutual fund that holds the assets of the Fund along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible vote the proxies to reflect the policies in proportion to each fund’s interest in the pooled fund.

V. AUTHORIZED INVESTMENTS

A. Funds placed with investment managers are to be invested in those authorized classes of investments as contained in this Policy. Investments should be made subject to the Fund’s cash flow needs and such cash flows are subject to revision due to changes in the Fund’s needs and market conditions.

B. The investment advisor shall make every effort to prudently select investments that follow the guidelines listed below.

Until the Fund reaches a size where investment in separate accounts are viable and appropriate, the Fund will invest in Pooled Vehicles such as commingled and/or mutual funds. Pooled Vehicles are regulated by either the Office of the Comptroller of the Currency (“OCC”) or the SEC and provide the Fund the ability to appropriately diversify its holdings in a cost effective manner. Inherent within the Pooled Vehicle structure is the limitation on customizing the underlying security selection based on Fund specific economic, social or other screens.

Pooled Vehicles

Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with this Policy (as outlined below in Equities and Fixed Income sections). However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between this Policy and the objectives of these pooled vehicles. A commingled fund or mutual fund will not be included in Fund portfolio unless it complies with the Investment Company Act of 1940’s diversification requirement.

Cash Equivalents

Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or higher, as established by Moody's or Standard & Poor's. Bankers' acceptances, certificates of deposit and savings accounts must be made of United States banks or financial institutions or United States branches of foreign banks, which are federally insured with unrestricted capital of at least $50 million Short-term corporate obligations must be rated A or better by Moody's or by Standard & Poor's.

Equities

Investment in common stocks, preferred stocks and publicly traded Real Estate Investment Plans shall be restricted to high quality, readily marketable securities of corporations that are actively traded on a major exchange.

Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 25% of stock valued at market may be held in any one industry category. Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the investment manager(s).

The overall non-U.S. equity allocation should include a diverse global mix of at least 10 countries. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. should be limited to 35% of the non-U.S. portion of the portfolio.

In order to maintain an effective money management structure that is style neutral, the target growth to value allocation in the all market capitalizations is one-to-one. However, in no case will the growth to value allocation for a particular market capitalization exceed two-to-one. Conversely, value shall not exceed growth by the same ratio.

Fixed Income

Fixed income investments shall be high quality, marketable securities with a preponderance of the investments in (1) U.S. Treasury, Federal Agencies and U.S. Government guaranteed obligations, and (2) investment grade municipal or corporate issues excluding convertibles.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio, including U.S. Treasury/Federal Agency issues, at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies.

The overall rating of the fixed income assets shall be at least "A", according to one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In cases where the yield spread adequately compensates for additional risk, securities where two of the three rating agencies (Fitch, Moody's or Standard & Poor's) have assigned ratings of Baa3 or BBB- ratings, can be purchased up to a maximum of 20% of total market value of fixed income securities. If the credit quality of any one issue should drop below investment grade (as defined by two of the three rating agencies – Fitch, Moody's and Standard & Poor's), the investment manager should notify the Office and the investment advisor immediately detailing their course of action regarding the security.

Active bond management is encouraged and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes. Holdings of individual securities should be liquid so as not to incur unnecessary transaction costs.

C. The following investments and transactions are not authorized and shall not be purchased: collectibles, convertible bonds, letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities), venture capital funds, private equity, direct real estate equity, natural resource properties, hedge funds; derivatives, options or futures for the purpose of portfolio leveraging are also prohibited.

VI. MATURITY AND LIQUIDATION REQUIREMENTS

A. In general, the Fund will hold up to 6 months of projected liquidity needs in cash equivalents for benefit payments and expenses. The actual amount of assets held for liquidity purposes will be based in part on the cash needs of the Fund and the projected frequency of cash additions to the Fund.

B. On a quarterly basis, the Fund's Actuary or Benefits Administrator will notify the Office of the Fund's liquidity requirements for the payment of benefits and expenses.

VII. PORTFOLIO COMPOSITION

A. The Office has adopted the following long-term target asset mix for the Fund as shown below.

B. The Fund assets shall be diversified with the intent to minimize risk of investment loss. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, countries, governments or industries.

The Office believes that to achieve the greatest likelihood of meeting Fund's investment objectives and the best balance between risk and return for optimal diversification, the Fund should allocate investment assets in accordance with the targets for each asset class as follows**:**

Investment Assets

Asset Class	**Asset Weightings**	
	Range	**Target**
Domestic Equity	**31% - 41%**	**36%**
International Equity	**18% - 28%**	**23%**
Other Equity	**1% - 11%**	**6%**
Fixed Income	**30% - 40%**	**35%**

Liquidity Assets

	Range	**Target**
Cash Equivalent	**0% - 100%**	**100%**

The investment managers shall have discretion to temporarily invest a portion of the assets in cash reserves when they deem it appropriate. However, the managers will be evaluated against their Peers on the performance of the total funds under their direct management.

C. The asset allocation range established by this Policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the Policy range. When these divergences occur, the investment advisor will rebalance the asset mix to its appropriate targets and ranges. Similarly, if the cash requirement to handle liquidity needs falls to a level where near term distributions (over the following six months or less) cannot be met and no contributions are anticipated, the investment advisor will rebalance the fund to its appropriate targets and ranges.

When the investment advisor is notified of new contributions by the custodian or the Fund, the investment advisor will review the Fund allocation and fill the liquidity allocation first and the remaining investment allocations last.

D. The Board will review these asset allocation targets annually and will revise the targets if any significant changes occur within the capital market environment. These review activities will be handled in conjunction with the fiscal year end annual investment review provided to the Board by the Office and the investment advisor.

VIII. RISK AND DIVERSIFICATION

A. The Board has adopted a strategy, described in Section VII, whereby the Fund's assets will be diversified to the extent practicable in order to control the risk of loss which might result from an over-concentration of investments in a specific security, maturity, issuer, dealer, or bank through which financial instruments are bought or sold.

B. In a further effort to control the risk of loss and assure adequate diversification, the following limitations are imposed upon the investment of the Fund's assets:

1. A maximum of 5% investment in the outstanding common stock of any one company or organization.
2. A maximum of 5% investment in the outstanding debt issuance of any one company or organization.

IX. EXPECTED ANNUAL RATE OF RETURN

On a five year rolling return basis period, the performance objective for Fund assets will be to achieve an average total annual rate of return that is equal to or greater than the Fund's assumed rate of return in its actuarial valuation. Additionally, it is expected that the annual rate of return on Fund assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Fund investments and blended benchmark comparisons for the Fund in its entirety.

X. THIRD-PARTY CUSTODIAL AGREEMENTS

All securities will be held with the custodial bank under a contractual agreement signed by the Superintendent of Schools and the Chief Financial Officer. All securities purchased by and all collateral obtained by the investment managers and/or the Office are designated as assets of the Fund. No withdrawal of securities, or transfer of funds, in whole or in part, can be made from safekeeping except by written authorization provided by the Office. Securities transactions between a broker/dealer and the custodial bank involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodial bank will have the security or money, as appropriate, in hand at the conclusion of the transaction.

XI. MASTER REPURCHASE AGREEMENT

All approved institutions and dealers transacting repurchase agreements will execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions will adhere to the requirements of the Master Repurchase Agreement.

XII. BID REQUIREMENTS

Each investment manager shall obtain competitive bids and offers on investment transactions to the fullest extent possible. The investment managers will make periodic reports to the Office reflecting purchases, sales, or other activity.

XIII. INTERNAL CONTROLS

A. The Office will establish a system of internal controls and written operational procedures to be a part of the Fund's operational procedures. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and record keeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and "delivery-versus-payment" procedures. No person may engage in an investment transaction except as authorized under the terms of this investment policy.

B. Independent auditors, as a normal part of their annual financial audits, will conduct a review of the system of internal controls to ensure compliance with policies and procedures. Additionally, the Fund's Actuary, Investment Advisor, and the District's auditors will complete an annual system review.

XIV. CONTINUING EDUCATION

Annually, members of the Office's office have the responsibility for completing continuing education programs in matters relating to the Fund's investments by reading the appropriate materials and by attending the appropriate local and national conferences and seminars. No less than eight hours are required.

XV. REPORTING

On an annual basis, the Office and the investment advisor will provide the Board with an investment report regarding the Fund's investment portfolio. The annual report shall provide all, but not limited to, the following: name and type of securities in which the funds are invested, the amount invested, income earned, the book value and the market value of the investment portfolio. The review will also include a review of the investment policy as prescribed in Section VII, D of this document. Investment reports shall be available to the public.

VALUATION OF ILLIQUID INVESTMENTS

All illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally recognized pricing mechanism will be given an actuarial valuation by the Fund's Actuary on an annual basis. For each actuarial valuation, the Board must verify the determination of a fair market value for those investments and ascertain that their determination complies with all applicable state and federal requirements.

Authority: F.S. 1001.41.

Law implemented: F.S. 112, 518,

Adopted: June 16, 2009.