

Business, Operations, Finance and Construction
Ofelia San Pedro, Deputy Superintendent

**SUBJECT: PROPOSED AMENDMENT OF SCHOOL BOARD RULE: INITIAL READING
6Gx13- 4D-1.102, EARLY RETIREMENT PLAN – INVESTMENT POLICIES**

COMMITTEE: LEGISLATIVE RELATIONS, PUBLIC RELATIONS AND PERSONNEL SERVICES

The revisions to Board Rule 6Gx13- 4D-1.102, Early Retirement Plan – Investment Policies, are being requested to update policies as recommended by the Investment Advisory Committee. In addition, the revisions formalize investment policies language to comply with Government Accounting Standards Board (GASB) Statement 40 to be implemented in fiscal year 2004-05. Statement 40 delineates financial statement disclosure requirements for credit, concentration, custodial & interest rate risk on investments.

Credit risk relates to the risk that counterparties to an investment will not fulfill their obligation. Concentration risk relates to the risk of loss attributed to the magnitude of an investment in a single issuer. Custodial risk relates to the risk of not being able to recover the value of investment or collateral securities that are in the possession of an outside party. Interest rate risk relates to the risk that changes in interest rates will adversely affect the fair value of an investment. Investment policies in the Board Rule as recommended by the Investment Advisory Committee mitigate all these risks.

The Investment Advisory Committee at its June 3rd and August 30th, 2004 meetings reviewed revisions.

Attached are the Notice of Intended Action and the rule proposed for amendment. Changes from the current rule are indicated by underscoring words to be added and ~~striking through~~ words to be deleted.

Authorization of the Board is requested for the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act for the amendment of School Board Rule 6Gx13- 4D-1.102, Early Retirement Plan – Investment Policies.

RECOMMENDED: That The School Board of Miami-Dade County, Florida authorize the Superintendent to initiate rulemaking proceedings in accordance with the Administrative Procedure Act to amend School Board Rule 6Gx13- 4D-1.102, Early Retirement Plan – Investment Policies.

NOTICE OF INTENDED ACTION

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, announced on October 20, 2004, its intention to amend School Board Rule 6Gx13- 4D-1.102, Early Retirement Plan – Investment Policies, at its meeting of December 15, 2004.

PURPOSE AND EFFECT: The rule is amended to reflect updated procedures for Early Retirement Plan – Investment Policies as recommended by the Investment Advisory Committee. In addition, the revisions formalize investment policies language to comply with Government Accounting Standards Board (GASB) Statement 40 to be implemented in fiscal year 2004-05. Statement 40 delineates financial statement disclosure requirements for credit, concentration, custodial and interest rate risk on investments.

SUMMARY: Board Rule 6Gx13-4D-1.102, Early Retirement Plan – Investment Policies, is amended to reflect updated policies as recommended by the Investment Advisory Committee.

SPECIFIC LEGAL AUTHORITY UNDER WHICH RULEMAKING IS AUTHORIZED: 1001.41(1)(2); 1001.42(22); 1001.43(10) F.S.

LAW IMPLEMENTED, INTERPRETED, OR MADE SPECIFIC: Chapter 136; 112.625; 112.661; 218.32; 218.38; 218.407; 218.415; 1001.42(10); 1001.51(11)(J); 1010.01; 1010.53; 1011.09; 1011.13; 1011.14; 1011.18 F.S.

IF REQUESTED, A HEARING WILL BE HELD DURING THE BOARD MEETING OF December 15, 2004, which begins at 1:00 p.m., in the School Board Auditorium, 1450 N.E. Second Avenue, Miami, Florida 33132. Persons requesting such a hearing or who wish to provide information regarding the statement of estimated regulatory costs, or to provide a proposal for a lower cost regulatory alternative as provided by Section 120.541(1), F.S., must do so in writing by November 16, 2004, to the Superintendent of Schools, Room 912, at the same address.

ANY PERSON WHO DECIDES TO APPEAL THE DECISION made by The School Board of Miami-Dade County, Florida, with respect to this action will need to ensure the preparation of a verbatim record of the proceedings, including the testimony and evidence upon which the appeal is to be based. (Section 286.0105, Florida Statutes)

A COPY OF THE PROPOSED AMENDED RULE is available to the public for inspection and copying at cost in the Citizen Information Center, Room 158, 1450 N.E. Second Avenue, Miami, Florida 33132.

Originator: Mr. Eduardo A. Alfaro
Supervisor: Ms. Ofelia San Pedro
Date: October 6, 2004

Compensation and Related Benefits**EARLY RETIREMENT PLAN - INVESTMENT POLICIES**

I. Scope and Objectives

In accordance with Florida Statutes, the Board directs the Superintendent of Schools to implement the investment of the funds available under the Supplemental Early Retirement Plan (the "Plan"). All funds deemed to be available are to be invested after obtaining no less than three bids, and according to the policies set forth below.

The investment objectives are to attain the highest possible return for the Plan using strategies geared to a long term approach, within the general concept of prudence and the safeguarding of the Plan's assets. The performance measurement guidelines will be reviewed and recommended by the Investment Advisory Committee annually. Performance will be reported on a monthly basis to the School Board.

II. Trustee

A trustee shall be appointed by the School Board to act as custodian of securities and make disbursements to beneficiaries. From time to time the relationship shall be reviewed and request for proposals obtained as deemed necessary by responsible staff. Trustee will only execute "delivery versus payment:" transactions. Custodial credit risk policies require that the trustee hold securities exclusively for the account of The School Board of Miami-Dade County, Florida.

III. Investment Policies

Interest rate risks are managed by having weighted average maturities not exceed length of outstanding liabilities. Credit and concentration risks are managed under the following limitation and guidelines:

~~The following investment instruments and limitations are to be in effect:~~

<u>Investment Instrument</u>	<u>Limitation</u>
Corporate and/or Taxable Government Bonds	<ul style="list-style-type: none"> - <u>Up to 670%</u> of total portfolio - Investment grade (equivalent to "BBB" or "Baa" rating or higher) - Bonds of the State of Israel: up to 5% of total portfolio with a maximum maturity of 5 years, within the restriction stated above of 60% of total portfolio - <u>Bond Funds as approved by the Investment Advisory Committee</u>

- Equities
 - Up to 50% of total portfolio
 - Index funds and/or securities replicating the diverse equity mixes as approved by the School Board's Investment Advisory Committee
 - Up to 20% of the total portfolio in actively managed mutual funds demonstrating favorable performance with up to 5% in any one sector or individual fund, as approved by the School Board's Investment Advisory Committee
- Commercial Paper
 - Up to 50% of total portfolio
 - Minimum A1-P1- or F1-D4 ratings
 - Maturities 180 days or less
- Bankers Acceptances
 - Up to 50% of total portfolio
 - Bank listed among the 100 largest in the world or the 50 largest in the United States
 - Minimum \$100 million shareholder's equity
 - Profitable prior fiscal year
- U.S. Government
 - No limitations
- U.S. Government Agencies
 - Up to 40% of total portfolio in obligations of the following: Federal Farm Credit Banks; Federal Home Loan Bank; Federal Home Loan Mortgage Corporation; and Federal National Mortgage Association

Plan's assets are to be rebalanced at least once annually and are allowed to be over or under by 5% of the equity to fixed investments target mix.

Except for mutual funds and certificates of deposit all securities are to be delivered versus payment to the designated safe keeper (custodian).

IV. Money Market Mutual Fund

To maintain liquidity, funds may be temporarily deposited into a money market mutual fund. The amount deposited shall not exceed 12% of total portfolio. However, as market conditions or cash flow needs dictate, a greater amount, not to exceed 75% of total portfolio may be invested for a period of time.

V. Investment Manager(s)

Upon approval of the School Board an investment manager may be selected and appointed. In the event an investment manager(s) is appointed, the investment manager(s) will have responsibility for investing the portfolio or a part thereof. The School Board shall set parameters for the investment manager(s) to follow in the course of

discharging these duties.

VI. Continuing Education

Board members shall undergo continuing education in matters related to investments and the Board's responsibilities. Staff members responsible for investment activities shall undergo continuing professional education in matters related to investments on an annual basis.

Specific Authority: ~~230.22(2); 230.23(22)~~ 1001.41(1)(2); 1001.42(22); 1001.43(10) F.S.
Law Implemented, Interpreted, or Made Specific: Chapter 136; 112.625; 112.661; 218.32;
218.38; 218.407; 218.415; ~~230.23(10)(k); 230.23005(2); 230.33(12)(j); 236.24; 236.49;~~
~~237.151; 237.161; 237.211; 240.3763~~ 1001.42(10); 1001.51(11)(J); 1010.01; 1010.53;
1011.09; 1011.13; 1011.14; 1011.18 F.S.

History THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

New: 8-21-91

Amended: 10-11-00; 6-20-01