

**REQUEST FOR PROPOSALS  
FOR  
DOMESTIC FIXED INCOME INVESTMENT MANAGEMENT**

**Office of State Treasurer Young Boozer**

**Issue Date: June 26, 2017**

**Due Date: July 24, 2017**

***BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT  
COMPLIANCE***

**The Beason-Hammon Alabama Taxpayer and Citizen Protection Act (§§31-13-1 et seq, Code of Alabama, 1975 as amended by Act 2012-491) regulates illegal immigration in the State of Alabama. All contracts with the State or a political subdivision thereof must comply with that law.**

**For the purposes of this RFP and any responding Proposal, the following sections of that law impose specific requirements:** Section 9 (a) of the Act provides “As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or a state-funded entity to a business entity or employer that employs one or more employees, the business entity or employer shall not knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama.”

Section 9(b) of the Act requires “As a condition for the award of any contract, grant, or incentive by the state, any political subdivision thereof, or a state-funded entity to a business entity or employer that employs one or more employees within the State of Alabama, the business entity or employer shall provide documentation establishing that the business entity or employer is enrolled in the E-Verify program.”

As provided in the Act a “**business entity**” is *any person or group of persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood, whether for profit or not for profit* and an “**employer**” is defined as *any person, firm, corporation, partnership, joint stock association, agent, manager, representative, foreman, or other person having control or custody of any employment, place of employment, or of any employee, including any person or entity employing any person for hire within the State of Alabama, including a public employer. This term shall not include the occupant of a household contracting with another person to perform casual domestic labor within the household.*

A Proposal must include a statement that the Proposer has knowledge of this law and is in compliance. Before a contract is signed, the Contractor awarded the contract must submit a Certificate of Compliance using the form at Exhibit D to this RFP and, unless exempt because it has no employees in the State of Alabama, a complete copy of the Memorandum of Understanding issued by the United State Department of Homeland Security upon enrollment in the E-Verify Program. E-Verify enrollment can be accomplished at the website of the United States Department of Homeland Security at <http://www.uscis.gov>.

See Section 9 for additional language required by Section 9(k) of the Act to be included in the contract.

Rev.5-14-13

## **1. Purpose**

State Treasurer Young Boozer (“Treasurer”) solicits proposals from qualified professional firms interested in providing fixed income investment management services (“Manager” or “Responder”) to the State of Alabama.

This Request for Proposals (“RFP”) is issued in accordance with the requirements of Section 41-16-72(4), Code of Alabama (1975). This RFP is not an offer to contract but seeks the submission of proposals from qualified, professional firms that may form the basis for negotiation of an Investment Management Agreement with one or more Fixed Income Investment Managers. We are interested in receiving proposals from both active and passive management firms. *The Treasurer reserves the right to reject any or all proposals and the right to solicit additional proposals if that is determined to be in the best interests of the State of Alabama.*

## **2. Background**

The Treasurer is authorized in accordance with Section 41-14-30, Code of Alabama (1975), (the “Code”) to invest state funds in U.S. Treasury securities, U.S. Agency securities and agency-issued mortgage backed securities, money market mutual funds (if invested in treasury and agencies), repurchase agreements, bankers acceptances and high quality commercial paper. In managing the cash operations of the State, the Treasurer is interested in preserving principal, providing sufficient liquidity to meet daily operational needs, and lastly, maximizing earnings potential.

## **3. Scope of Services**

Services (a) – (d) are relevant to the Investment Management services. Service (e) is an optional service that you may choose not to bid.

- (a) The Manager shall develop a fixed income investment portfolio of statutorily acceptable securities of approximately \$200 million. The dollar amount of the managed portfolio may change from time to time, but is expected to remain fairly constant. The services of the Manager shall be rendered in accordance with attached Investment Guidelines, Exhibit E.
- (b) The Manager shall have independent discretionary authority with respect to the investment of that portion of the assets managed by the Manager, subject to the Code, Investment Guidelines and such other written limitations as the Treasurer may impose upon the Manager.
- (c) The Manager may provide reporting, to include monthly valuation, monthly performance reports, major changes in investment outlook, quarterly economic forecasts, significant changes in corporate structure, and other data to the Treasurer.
- (d) The Manager shall document all investment transactions with the Custodian in accord with usual and customary standards of practice, and confirm all executed transactions for custodial account records.

- (e) The Treasurer has oversight of approximately 25 pools of invested monies for various state agencies ranging from \$100 thousand to \$200 million. These pools are not commingled and are invested in accordance with the attached Guidelines in three mandates: money market mutual fund, 1-3-year maturity, and 1-5-year maturity. If interested in managing these monies, state so.

#### **4. Minimum Qualifications**

In order to be considered for selection, Exhibit C should be included as documented proof that the following minimum qualifications listed below are met. The Manager has a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the vendor as an unqualified candidate.

- (a) The Manager is duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and such registration is current. If exempt, provide explanation.
- (b) The Manager is fully licensed and registered with the Alabama Securities Commission. If exempt, provide explanation.
- (c) The Manager will register to transact business in Alabama in accordance with Code of Alabama, §10A-1-7.01, et al, if applicable. For more information, visit the Secretary of State website at [www.sos.state.al.us](http://www.sos.state.al.us) and click Corporations.
- (d) The Manager has managed domestic fixed income securities portfolios for at least five (5) years, as of December 31, 2016.
- (e) The Manager manages Government Portfolios of at least \$300,000,000 in domestic fixed income securities as of December 31, 2016.
- (f) The Manager and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state or local law to perform the services specified in this RFP at the time it submits a response to the RFP.
- (g) The Manager carries errors and omissions insurance or a comparable instrument to cover the firm's negligent acts or omissions.
- (h) The Manager complies with all applicable Global Investment Performance Standards (GIPS). If not, provide explanation.
- (i) The Manager will maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to this account.
- (j) The Manager has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.
- (k) The Manager will comply with *The Beason-Hammon Alabama Taxpayer and Citizen Protection Act*.

## 5. Fees

Managers shall be entitled to receive quarterly compensation. Fees shall be payable based upon the fair market value on the last business day of each quarter as reported by the Custodian. The proposal must state the fees charged for investment management services assuming a \$200 million mandate for the fixed income portfolio. Please show breakpoints in fee schedule in Exhibit B.

It is expected that the fee schedule for the smaller pools will be the same as for management of Treasury monies.

Treasury currently pays 1.5bps – 6.5bps in fees on the managed portfolios, and expects to continue to pay fees in this range.

## 6. Proposal Required Information

Proposals should be as thorough and detailed as possible so that your capabilities to provide the required services can be properly evaluated.

To be considered, responses to this RFP must include: (1) brief transmittal letter, (2) Exhibit A, Qualifications, (3) Exhibit B, Statement of Charges, (4) Exhibit C, Minimum Qualifications, (5) Exhibit D, Certificate of Compliance and (6) Disclosure Statement. All proposals submitted in response to this RFP must include a completed Disclosure Statement as required by Section 41-16-80, et seq., Code of Alabama (1975). Copies of the Disclosure Statement, and information, may be downloaded from the Alabama Attorney General's website at [www.ago.state.al.us/ag\\_items.cfm](http://www.ago.state.al.us/ag_items.cfm).

## 7. Submission of Proposals

### Issuing Office:

Office of State Treasurer Young Boozer  
Alabama State Capitol  
600 Dexter Avenue, Suite S106  
Montgomery, AL 36104

**Submission Deadline** It is the responsibility of the Manager to ensure that its proposal is timely delivered and received in the Treasurer's Office on or before 5:00 p.m. on July 24, 2017. Provide an original response, two copies and an electronic version of the response. The Treasurer will not consider proposals received after the date and time specified herein. The Treasurer assumes no responsibility for late delivery by the U.S. Mail, the State's Central Mail Facility, a commercial courier service, or any other method of delivery selected by the Manager. The response may be emailed by the submission deadline with the paper documents delivered within two business days.

**Questions and Inquiries** The sole point of contact for purposes of this RFP is Debra Arrington. Any questions or inquiries should be emailed to [debra.arrington@treasury.alabama.gov](mailto:debra.arrington@treasury.alabama.gov). All written questions should be submitted by July 17, 2017. Any oral communications shall be considered unofficial and nonbinding on Treasury.

**Rejection of all Proposals.** The Treasurer reserves the right to reject any or all proposals and/or to solicit additional proposals if that is determined to be fiscally advantageous to the State or otherwise in its best interests.

#### **8. Evaluation and Selection.**

All proposals timely received will be reviewed by a Proposal Evaluation Committee. The Committee will recommend proposals to the Treasurer that most closely meet the requirements of the RFP.

**Discussions and/or Presentations.** After the review and evaluation of the proposals, the Treasurer may conduct interviews. Finalists chosen for interviews will be notified. The Treasurer reserves the right, in his sole discretion, to award one or more contracts based upon the written proposals received without prior discussion or negotiations.

**Selection.** The Treasurer will select the Manager the Treasurer determines, in his sole discretion, to be fully qualified and best suited among those submitting proposals to fulfill the purposes of the RFP in a cost-effective manner.

#### **9. Investment Management Agreement**

All duties of the Manager shall be set forth in a contract agreement between the Manager and the Treasurer. The contract will incorporate reference to the requirements of the RFP and the Manager's proposal as negotiated.

In compliance with the Beason-Hammon Alabama Taxpayer and Citizen Protection Act (§31-13-9(k), Code of Alabama, 1975, as amended), the contract will include the following language:

*“By signing this contract, the contracting parties affirm, for the duration of the agreement, that they will not violate federal immigration law or knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama. Furthermore, a contracting party found to be in violation of this provision shall be deemed in breach of the agreement and shall be responsible for all damages resulting therefrom.”*

In compliance with Act 2016-312, §1. (Section 41-16-5, Code of Alabama, 1975, as amended) the contract will include the following language:

*“The contractor hereby certifies that it is not currently engaged in, and will not engage in, the Boycott of a person or entity based in or doing business with a jurisdiction with which this state can enjoy open trade.”*

State law prohibits the Treasurer from agreeing to (1) indemnify the Manager; (2) waive the right for jury trial; (3) grant a security interest; or (4) binding arbitration. Additionally, it is mandatory that Alabama laws apply to the performance of the contract and that jurisdiction and venue be in Montgomery, Alabama for state and federal courts.

#### **10. Efforts to Influence Selection Process Prohibited**

The integrity of the RFP process is of primary importance and will not be compromised. Any written or oral communications beyond the RFP response made by Managers, or others on their behalf, whether paid or unpaid, to influence the selection process, from the time the RFP is

issued through its conclusion, made directly or indirectly to the Treasurer or Treasury staff will be grounds for immediate elimination from the selection process.

#### **11. Public Information**

All responses received will be subject to the Alabama Open Records Act, §36-12-40, Code of Alabama and may be subject to public disclosure upon request. The Open Records Act is remedial and should therefore be liberally construed in favor of the public. The Alabama Trade Secrets Act is §8-27-1 through §8-27-6, Code of Alabama. Responders are cautioned to be familiar with these statutes. The burden is on the one asserting the trade secret to show that the information sought to be protected meets the definition of a Trade Secret as defined in the Act.

Any RFP response submitted that contains confidential, trade secrets or proprietary commercial information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as such. Identification of the entire bid proposal as confidential is not acceptable unless the Firm enumerates the specific grounds or applicable laws which support treatment of the entire material as protected from disclosure in accordance to the foregoing statutes or other applicable Alabama law.

The owner of the confidential information shall indemnify and hold the State of Alabama, the State Treasurer, and Treasury staff harmless from all costs or expenses, including but not limited to attorney fees and expenses related to litigation concerning disclosure of said information and documents.

**EXHIBIT A**  
**PROPOSAL**

**Part I. Corporate Information**

**A. Corporation**

1. Provide an overview of your firm, including the financial condition of the firm, year of incorporation, overall business objectives, strategic plans for growth, and ownership. Are there any changes pending in this profile?
2. Provide information on all "related" or "affiliated" firms.
3. List all investment management services offered by the firm (i.e. Domestic Equity, Foreign Equity, Domestic Fixed Income, etc). Does the firm provide any other product or service other than portfolio management? Please list.
4. Provide details of any past or pending litigation relating to your firm, individual personnel, or to the management of client assets in the three preceding years.
5. Provide details of any SEC, state regulatory, self-regulatory organization, or professional organization action taken against your firm or any of its owners, principals, or personnel in the three preceding years.
6. Provide details of all SEC fidelity bonds, errors and omissions coverage, and any other fiduciary insurance, which your firm carries. Include summary of policy.
7. Describe all arrangements or understandings (written or oral) between your firm and any advisor, broker, law firm, or other individual or entity in connection with the solicitation or referral of clients between the firms.
8. Provide details of any claims, disputes, litigation or other legal proceedings where your firm is involved with the State of Alabama or any of its agencies, or has been involved, in the three preceding years.
9. What other services do you offer that might be of interest to Treasury?

**B. Personnel**

1. Please complete the following chart:

	Firm Total	Fixed Income
Portfolio Managers	_____	_____
Research Analysts	_____	_____
Marketing/Sales	_____	_____
Trading	_____	_____
Other	_____	_____
Total	=====	=====

2. Provide an organizational chart and biographies of the person/persons/or team members who will be assigned to this account, including detailed experience relevant to this type account.

**C. Clients**

1. Provide the organization name, address, contact name and phone number of at least three clients for whom similar services as described in this RFP are provided. Include services provided.
2. Provide a representative list of domestic fixed income clients.

**Part II. Investment Philosophy and Style**

1. Describe your fixed income investment philosophy and style. Include a discussion of the following:
  - a. Universe of fixed income securities considered
  - b. Diversification/number of securities held in each portfolio
  - c. Investment time horizon/portfolio turnover policy
2. Describe the guidelines and risk control measures employed relative to your benchmark(s). Please explain your philosophy for sector allocation and duration management.
3. What decision factors add value in the performance of your portfolios?
4. Compare your 1-3 Year Fixed Income Composite (that most closely resembles the portfolio described in Exhibit E, Investment Guidelines) for the year ending December 31, 2016, with the Barclay's Government 1-3 Year Index.

	<b>Avg Account</b>	<b>Benchmark</b>
Duration		
Quality		
Total Return		
Yield to Mat.		
Avg. Maturity		
Avg. Coupon		
Number of Issues		

5. Identify the Sector Weightings for your Fixed Income Composite included in question #4 compared to the Barclay's Government 1-3 Year Index as a benchmark.

	<b>% Sector Weights</b>	<b>Benchmark</b>
US Tsy		
US Agency		
Agency-Issued Mortgage Backed		
Other-		
Other-		
Other-		
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>



6. Compare your 1-5 Year Fixed Income Composite (that most closely resembles the portfolio described in Exhibit E, Investment Guidelines) for the year ending December 31, 2016, with the Bofa Merrill Lynch 1-5 Year US Treasury & Agency Index.

	<b>Avg Account</b>	<b>Benchmark</b>
Duration		
Quality		
Total Return		
Yield to Mat.		
Avg. Maturity		
Avg. Coupon		
Number of Issues		

7. Identify the Sector Weightings for your Fixed Income Composite included in question #6 compared to the Bofa Merrill Lynch 1-5 Year US Treasury & Agency Index as a benchmark.

	<b>% Sector Weightings</b>	<b>Benchmark</b>
US Tsy		
US Agency		
Agency-Issued Mortgage Backed		
Other-		
Other-		
Other-		
TOTAL	100%	100%

8. Describe any quantitative/qualitative factors used in a buy decision. In a sell decision.
9. What is the main source of research used in the portfolio management process? If applicable, describe your reliance on in-house research in the context of personnel skills and experience.
10. What is your cash philosophy? What tools do you employ to manage cash? How is cash invested?

**Part III. Account Management**

1. Will the Treasury account be managed by an individual, or team of portfolio managers?
2. Account size managed by your firm:
- |  |          |
|--|----------|
| Largest Fixed Income Separate Account  | \$ _____ |
| Smallest Fixed Income Separate Account | \$ _____ |
| Average Fixed Income Separate Account  | \$ _____ |
3. How will the asset class restrictions of the Treasury portfolio affect your investment methodology?
4. Separate Account Assets Under Management as of December 31, 2016.

	<b># Fixed</b>	<b>\$ Fixed</b>
Public		
Corporate		
Other		
TOTAL		

5. Provide a breakdown of Fixed Income separate accounts by asset size as of December 31, 2016.

<b>Size of Account</b>	<b>\$ Total Assets</b>	<b># Accounts</b>
Under \$10 million		
\$10 to \$50 million		
\$50 to \$100 million		
Over \$100 million		

#### **Part IV. Performance**

1. Provide performance data for your 1-3 Year Fixed Income Composite.

	<b>% 12MO</b>	<b>% 1Q</b>	<b>% 2Q</b>	<b>% 3Q</b>	<b>% 4Q</b>	<b>\$ Assets</b>	<b># Accts</b>
2016							
2015							
2014							

2. Provide performance data for your 1-5 Year Fixed Income Composite.

	<b>% 12MO</b>	<b>% 1Q</b>	<b>% 2Q</b>	<b>% 3Q</b>	<b>% 4Q</b>	<b>\$ Assets</b>	<b># Accts</b>
2016							
2015							
2014							

3. Provide trailing performance data, both in gross and net of fees, for your 1-3 Year Fixed Income Composite for the periods 1 year, 3 years, 5 years and 10 years ending December 31, 2016.
4. Provide any recommendations to the guidelines Exhibit E.

#### **Part V. Other Investment**

Treasury manages approximately 25 investment accounts for various agencies. These accounts range from \$100 thousand to \$200 million, and the mean is approximately \$6.6 million. Each of these accounts has the same investment objectives, investment goals and eligible investments as Exhibit E, Investment Guidelines.

2. Explain how each of these accounts will be segregated. Will the accounts be sub accounts under one master account? Explain operational issues.
3. If a money market mutual fund is recommended, explain your firm's due diligence review of the fund, frequency of review, and similar items.
4. If a repurchase agreement is recommended, explain your tri-party arrangement.
5. If a bank product is recommended, describe the product and state if the product is a deposit of the bank that would be included in the SAFE Program.

## EXHIBIT B

### STATEMENT OF FEES

Any charge for services not addressed in the Statement of Fees in your proposal will not be allowed during the course of the contract. All fees charged must be listed in this schedule.

**Investment Management.** State the fees charged for managing a \$200 million mandate for a core fixed income portfolio in accordance with Exhibit E, Investment Guidelines. Include breakpoints up to \$300 million.

**Other Investment.** If applicable, provide fees for the segregated accounts.

Are your fees negotiable?

## EXHIBIT C

### MINIMUM QUALIFICATIONS

1. The Manager is duly registered with the Securities & Exchange Commission pursuant to the Investment Advisors Act of 1940, as amended, and the registration is current. If exempt, explain.  
Yes                      No
2. The Manager is fully licensed and registered with the Alabama Securities Commission. If exempt, explain.  
Yes                      No
3. If applicable, the Manager is qualified with the Secretary of State to conduct business in the State of Alabama.  
Yes                      No
4. The Manager has managed domestic fixed income portfolios for at least five (5) years, as of December 31, 2016.  
Yes                      No
5. The Manager manages Government Portfolios of at least \$300,000,000 in domestic fixed income securities as of December 31, 2016.  
Yes                      No
6. The Manager and its personnel have all authorizations, permits, licenses, and certifications as may be required under federal, state or local law to perform the services specified in this RFP at the time it submits a response to the RFP.  
Yes                      No
7. The Manager will carry errors and omissions insurance or comparable instrument to cover negligent acts or omissions.  
Yes                      No
8. The Manager complies with all applicable Global Investment Performance Standards.  
Yes                      No
9. The Manager maintains sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to this account.  
Yes                      No
10. The Manager has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.  
Yes                      No
11. The Manager will comply with *The Beason-Hammon Alabama Taxpayer and Citizen Protection Act*.  
Yes                      No

EXHIBIT D

**CERTIFICATE OF COMPLIANCE WITH THE BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT (ACT 2011-535, as amended by Act 2012-491)**

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**RE Contract/Grant/Incentive (*describe by number or subject*):** \_\_\_\_\_ **by and**  
**between** \_\_\_\_\_ **and**  
**(Contractor/Grantee) and** \_\_\_\_\_ **(State Agency or**  
**Department or other Public Entity)**

The undersigned hereby certifies to the State of Alabama as follows:

1. The undersigned holds the position of \_\_\_\_\_ with the Contractor/Grantee named above, is authorized to provide the representations that are set out in this Certificate as the official and binding act of that entity, and has knowledge of the provisions of THE BEASON-HAMMON ALABAMA TAXPAYER AND CITIZEN PROTECTION ACT (ACT 2011-535 of the Alabama Legislature, as amended by Act 2012-491) which is described herein as "the Act".
2. Applying the following definitions from the Section 3 of the Act, the Contractor/Grantee business structure is as indicated by my initials.

**BUSINESS ENTITY.** Any person or group of persons employing one or more persons performing or engaging in any activity, enterprise, profession, or occupation for gain, benefit, advantage, or livelihood, whether for profit or not for profit. "Business entity" shall include, but not be limited to the following:

- a. Self-employed individuals, business entities filing articles of incorporation, partnerships, limited partnerships, limited liability companies, foreign corporations, foreign limited partnerships, foreign limited liability companies authorized to transact business in this state, business trusts, and any business entity that registers with the Secretary of State.
- b. Any business entity that possesses a business license, permit, certificate, approval, registration, charter, or similar form of authorization issued by the state, any business entity that is exempt by law from obtaining such a business license, and any business entity that is operating unlawfully without a business license.

**EMPLOYER.** Any person, firm, corporation, partnership, joint stock association, agent, manager, representative, foreman, or other person having control or custody of any employment, place of employment, or of any employee, including any including any person or entity employing any person for hire within the State of Alabama, including a public employer. This term shall not include the occupant of a household contracting with another person to perform casual domestic labor within the household.

- \_\_\_\_\_ a. The Contractor/Grantee is a business entity or employer as those terms are defined in Section 3 of the Act.
- \_\_\_\_\_ b. The Contractor/Grantee is not a business entity or employer as those terms are defined in Section 3 of the Act.

3. As of the date of this Certificate, Contractor/Grantee does not knowingly employ an unauthorized alien, as that term is defined in Section 3 of the Act, within the State of Alabama and hereafter it will not knowingly employ, hire for employment, or continue to employ an unauthorized alien within the State of Alabama.

*{Alien is any person who is not a citizen or national of the United States, as described in 8 U.S.C. § 1101, et seq., and any amendments thereto.}*

*{Unauthorized Alien is an alien who is not authorized to work in the United States as defined in 8 U.S.C. § 1324a(h)(3).}*

4. Contractor/Grantee is enrolled in E-Verify unless *{initial the following selections which apply}*:

\_\_\_\_\_ (a) it is not eligible to enroll because of the rules of that program or other factors beyond its control.

\_\_\_\_\_ (b) it is excused from the requirement of enrollment in E-Verify because it does not have an employee in the  
State of \_\_\_\_\_ Alabama.

Certified this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

\_\_\_\_\_  
Name of Contractor/Grantee/Recipient

By:

\_\_\_\_\_

Its

\_\_\_\_\_

The above Certification was signed in my presence by the person whose name appears above, on this \_\_\_\_\_ day of  
\_\_\_\_\_ 20\_\_\_\_\_.

WITNESS \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Print Name of Witness

**EXHIBIT E**  
**STATE OF ALABAMA**  
**TREASURY INVESTMENT GUIDELINES**  
January 2017

1-3 Year Government Only Fixed Income Securities Portfolio

1. Authority  
Section 41-14-30, Code of Alabama (1975)
2. Investment Objectives, in priority order:
  - a. Preservation of Principal
  - b. Liquidity
  - c. Maximize Income
3. Investment Goal:  
To produce a return, after fees, in excess of the benchmark throughout economic cycles consistent with sector limitations, inherent security risks, and prudent investment principles.
4. Benchmark Index: Barclay's 1-3 Year Government Index
5. Eligible Securities:
  - a. Bonds, notes or treasury bills of the United States;
  - b. Any other obligations guaranteed as to principal and interest by the United States;
  - c. Obligations of any agency or instrumentality of the United States of America, including but not limited to the FHLB, Federal Land Bank, FNMA, FHLMC, FFCB, Federal Intermediated Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies;
  - d. Mortgage backed securities and collateralized mortgage obligations issued by obligations of the United States or its agencies;
  - e. Repurchase agreements secured by obligations of the United States or its agencies. Initial and overnight collateralization at 102% of the market value and accrued interest, and term repurchase agreements at 101% of the market value and accrued interest;
  - f. Money market mutual funds investing solely in securities eligible under this section.
  - g. Banker's Acceptances
  - h. Highest Quality Commercial Paper
6. Specific Guidelines:
  - a. Maximum effective maturity of any purchase will be five (5) years
    - i. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities
  - b. Maximum exposure to agency sector may be up to 90%
  - c. No more than 25% invested in any single US agency issuer
  - d. Average effective duration should be +/- 30% of the index duration
  - e. Maximum exposure to CP not to exceed 15% of the portfolio



- f. Limit exposure to individual issuers of commercial paper to 1.5% of the market value of the entire portfolio.

STATE OF ALABAMA  
TREASURY INVESTMENT GUIDELINES  
January 2017  
1-5 Year Government Only Fixed Income Securities Portfolio

1. Authority  
Section 41-14-30, Code of Alabama (1975)
2. Investment Objectives, in priority order:
  - a. Preservation of Principal
  - b. Liquidity
  - c. Maximize Income
3. Investment Goal:  
To produce a return, after fees, in excess of the benchmark throughout economic cycles consistent with sector limitations, inherent security risks, and prudent investment principles.
4. Benchmark Index: Bofa Merrill Lynch 1-5 Year Government Index
5. Eligible Securities:
  - a. Bonds, notes or treasury bills of the United States;
  - b. Any other obligations guaranteed as to principal and interest by the United States;
  - c. Obligations of any agency or instrumentality of the United States of America, including but not limited to the FHLB, Federal Land Bank, FNMA, FHLMC, FFCCB, Federal Intermediated Credit Bank, banks for cooperatives, Resolution Trust Corporation, or any of its other agencies;
  - d. Mortgage backed securities and collateralized mortgage obligations issued by obligations of the United States or its agencies;
  - e. Repurchase agreements secured by obligations of the United States or its agencies. Initial and overnight collateralization at 102% of the market value and accrued interest, and term repurchase agreements at 101% of the market value and accrued interest;
  - f. Money market mutual funds investing solely in securities eligible under this section.
  - g. Banker's Acceptances
  - h. Highest Quality Commercial Paper per Standard & Poor's/Moody's/Fitch rating agencies (A-1/P-1/F-1)
6. Specific Guidelines:
  - a. Maximum effective maturity of any purchase will be five (5) years
    - i. Market accepted average life at time of purchase shall be used in lieu of final maturity for the purpose of maturity acceptability of mortgage-backed securities
  - b. Maximum exposure to agency sector may be up to 90%
  - c. No more than 25% invested in any single US agency issuer
  - d. Average effective duration should be +/- 30% of the index duration
  - e. Maximum exposure to CP not to exceed 15% of the portfolio.

- f. Limit exposure to individual issuers of commercial paper to 1.5% of the market value of the entire portfolio.