

# Florida Education Investment Trust Fund – FEITF Term Series

## Full Rating Report

### Key Rating Drivers

**High-Quality Credit Portfolio:** The Florida Education Investment Trust Fund – FEITF Term Series invests in highly rated securities including U.S. Treasury securities, U.S. government agency securities, deposits including certificates of deposit and commercial paper. Other securities permitted by the term portfolio’s investment policy may include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least ‘A/F1’ by Fitch Ratings or equivalent. Investments in the term portfolio are designed to comply with Section 218.415(16) of Florida State Statutes as well as additional standards set by PFM Asset Management LLC (PFMAM).

**Stable Investor Base:** The portfolio is managed by PFMAM on behalf of the portfolio’s participants. The term portfolio comprises monies deposited by Florida school districts, political subdivisions of the state or instrumentalities of political subdivisions of the state.

**Matched Cash Flows:** The term portfolio is a fixed-rate, fixed-term portfolio with a maximum term of one year. The term program is designed to meet the cash flow requirements of investors with the cash flows from the portfolio. The program consists of multiple series with staggered termination dates. Individual series typically terminate within two years of their inception.

The maturity profile of the term portfolio is managed to meet preset redemptions of the portfolio’s participants. Upon investing in the program, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of at least \$1.00 for the participant that redeems on said date. Participants may request premature redemption, but the portfolio may charge significant penalties for any redemption prior to the agreed-upon redemption date and net asset value may be more or less than \$1.00 per share.

**Capable Investment Adviser:** The portfolio is managed by PFMAM, a member of the PFM Group of companies. PFMAM is registered with the SEC under the Investment Advisers Act of 1940 and specializes in creating investment strategies and managing funds for public-sector, not-for-profit and other institutional clients. The firm is based in Harrisburg, PA and, when including affiliates, has more than 35 years’ experience in managing high-quality portfolios.

**Oversight Decreases Operational Risk:** Portfolio oversight and operational controls are consistent with the assigned ratings. The investment policy of the portfolio is reviewed and approved at least annually by the trust’s board. Board members are appointed by the trust’s sponsoring associations. PFMAM’s internal compliance department provides review and independent oversight of the portfolio. The chief compliance officer reports directly to the PFM Group board. The portfolio is also subject to annual financial statement audits by an independent certified public accounting firm.

**Industry Standard Administration and Systems:** PFMAM uses appropriate systems for investment, administration, portfolio management and trading. Processes provide decision-making tools for risk analysis and investment allocation tools.

**Rating Rationale:** FEITF Term Series is rated ‘AAAF’ by Fitch. The ‘AAAF’ Fund Credit Quality Rating reflects the investment portfolio’s vulnerability to losses as a result of defaults in its bond holdings and is based on the actual and expected average credit quality of the portfolio’s investments. Fitch’s evaluation of the term portfolio also considered the management and operational capabilities of PFMAM and the legal and regulatory framework under which the portfolio operates.

### Pool Characteristics

Fitch Rating	AAAF
Investment Adviser	PFM Asset Management LLC
Sponsors	Florida Association of District School Superintendents, Inc. Florida School Boards Association, Inc.
Objective	To provide an investment subject to preset redemptions occurring from 60 days to one year from the time of investment, and that will produce the highest earnings consistent with maintaining principal at maturity and meeting the redemption schedule.

### Analysts

Winnie Lee-Cember  
+1 212 612-7890  
[winnie.lee-ember@fitchratings.com](mailto:winnie.lee-ember@fitchratings.com)

Brian Knudsen  
+1 646 582-4904  
[brian.knudsen@fitchratings.com](mailto:brian.knudsen@fitchratings.com)

**Operational Assessment**

✓ **Pass**      ● **Attention Required**      X **Fail**

**Service Providers**

Investment Manager ✓ PFM Asset Management LLC

Auditor ✓ The portfolio is subject to an annual external financial audit performed by an independent certified public accounting firm. Carr, Riggs & Ingram, LLC currently serves as the independent auditor of the portfolio.

**Regulation and Governance**

Governance ✓ FEITF is governed by the trustees. The trustees oversee the actions of all service providers, professional advisers and consultants to the portfolio and decide on general policies. Members of the board of trustees are appointed by the portfolio's sponsoring associations. Regular reports are provided to the board.

Control Framework ✓ Compliance controls are in place to ensure adherence with investment guidelines.

**Operations**

Pricing Responsibility ✓ Wells Fargo Bank, N.A. serves as the custodian and depository bank for the portfolio. PFMAM uses Bloomberg AIM for pretrade checks.

Technology ✓ Appropriate and integrated portfolio management system.

**Investments**

Composition ✓ The portfolio invests in highly rated securities including U.S. Treasury securities, U.S. government agency securities, deposits including certificates of deposit and commercial paper. Other securities permitted by the program's investment policy may include municipal obligations, repurchase agreements and government money market funds. Securities are rated at least 'A/F1' by Fitch or equivalent.

Maturity ✓ The maturity profile is managed to meet preset redemptions of the portfolio's participants. Upon investing in the program, a participant selects a planned maturity date on which the portfolio seeks to produce a share price of at least \$1.00 for the participant that redeems on said date.

**Disclosure and Transparency**

Level of Disclosure ✓ Good level of transparency: the program's website contains financial reports, investment policy and information on other policies pertinent to portfolio management.

**Related Criteria**

[Global Bond Fund Rating Criteria \(August 2016\)](#)

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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