

**Florida Health Maintenance Organization
Consumer Assistance Plan
Investment Report
As of July 31, 2014**

The Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP") diversifies its investment options to provide the maximum safety, availability and rate of return on its funds.

One of the FHMOCAP's primary investment vehicles is the State of Florida Treasurers Special Purpose Investment Account ("SPIA"). Pursuant to the Investment Advisory Policy approved by the Board, funds are also invested in certificates of deposit ("CDs") and money market accounts at Wells Fargo and Hancock banks. Additionally, the FHMOCAP maintains a checking account at Wells Fargo.

<i>Bank</i>	<i>Account Type</i>	<i>Balance as of July 31, 2014</i>	<i>Interest Rate</i>
Florida Treasury	SPIA	\$3,604,068.42	Variable
Wells Fargo	Money market	\$341,092.44	0.10% current variable APY
Wells Fargo	Checking	\$12,365.36	n/a
Wells Fargo	CD Ladder	\$4,900,000.00	Ranges between 0.300% and 1.15%, 22 CDs
Hancock Bank	CD	\$127,500.84	2.01% APY
Total:		\$8,985,027.06	

SPIA is an optional investment program open to entities established by the Florida Constitution or Florida Statutes. A fixed-income portfolio has been created by combining various sources of funds. This program offers liquidity to participating organizations as well as returns that have the ability to exceed money market rates. These returns are made possible because the stable level of investible funds allows the placement of approximately half of the portfolio in intermediate term bonds.

During calendar year 2014, net rates of return for the SPIA have varied from 0.7273% (JAN 2014) to 1.4734% (JUN 2014) with an average net rate of return of 1.0987%. As of July 31, 2014 the balance in the SPIA account was \$3,604,068.42.

Effective, March 8, 2010, the FHMOCAP reached the maximum amount limit a non-state agency SPIA participant can invest in each of their accounts. In order to achieve the objective of maximizing earnings for the benefit of the State, the Florida Treasury had to ensure that the SPIA percentage of the investment pool is maintained at an appropriate level. The investment limits were determined by taking each participant's highest invested SPIA balance for the period July 1, 2009 through December 31, 2009. In 2011, the Plan Manager, Bruce Platt, submitted a request to increase the limit, but since FHMOCAP was already over their limit the request was denied.

In addition to the SPIA account, the FHMOCAP has a Money Market Account and two Certificate of Deposit Accounts including one Laddered Portfolio of Brokered CDs containing 22 CDs.

The Wells Fargo Money Market Account is used to reduce the number of transfers from the SPIA to the Wells Fargo Checking for funding of payments for operating expenses for the FHMOCAP. This account assures the availability of immediate withdrawal of funds to cover operating costs for the FHMOCAP should funds at the SPIA not be available for same-day withdrawal. The goal is to maintain at least \$30,000 in this account at all times. The current balance in the account is \$341,092.44 and the current variable rate of return is 0.10%.

Because of the timing in the sale of existing CDs and the purchase of new ones, the balance varies significantly. The current balance in the Wells Fargo Money Market Account is higher than usual because of two such transactions. A \$250,000.00 Wells Fargo CD matured at the end of July 2014, but the replacement CD will not settle until early August 2014. Also, a \$175,000.00 Wells Fargo CD was purchased at the end of July 2014 prior to the redemption of the CD it would replace, which will mature on August 1, 2014. The net result would reduce the balance in the Wells Fargo Money Market Account by \$75,000.00.

The Wells Fargo CD Ladder Account, which was opened in January 2012, currently includes 22 CDs totaling \$4,900,000.00 – the amount of each CD is within the FDIC insurance limit of \$250,000, and all of the CDs have terms of less than 36 months. At this time, the rate of return ranges from 0.300% and 1.15%. On May 22, 2014, the board revised the current investment policy/guidelines allowing up to 50% of the value of the funds held by the FHMOCAP in investments other than SPIA to have maturity dates exceeding 24 months, but no maturity dates may exceed 60 months. Wells Fargo Advisor, Scott Hilton, said the rate is about 2% for 60-month CDs and about 0.5% or less for the CDs with maturities of 24 months or less. Wells Fargo has begun to purchase CDs within the new guidelines, but we have continued to try to keep the terms low, as interest rates are expected to eventually rise. The laddered CD program helps give the FHMOCAP liquidity and a stable source of income.

Currently, the FHMOCAP has a certificate of deposit at Hancock Bank. This CD has an approximate value of \$127,500.84 and an APY of 2.01%. The 60-month CD will mature on February 22, 2016. The benefits of the longer term CD was determined after calculations showed that even if the firm redeemed the CD at the end of 12 months and took the early withdrawal penalty, they would earn more interest than if they opened a 12-month CD with an APY of 0.75%. In the current, low-interest environment, this is one of the ways the FHMOCAP can optimize its interest earned.

We will continue to monitor Money Market and CD rates to insure that the FHMOCAP receives the safest maximum return on its investments.

The balance of FHMOCAP funds are retained in a Wells Fargo checking account.