

CITY OF MARGATE EMPLOYEES' BENEFIT TRUST FUND

STATEMENT OF INVESTMENT POLICY

I. Introduction.

The City of Margate Employees' Benefit Trust Fund (the "Fund") is a benefit plan established by an agreement and declaration of trust. The Fund's Board of Trustees is the "plan sponsor". The Fund is administered by the City of Margate Employees' Benefit Trust Fund Board of Trustees, which has the fiduciary responsibility for the Fund's administration, investment of its assets, and the management of its operations. The purpose of the Fund is to provide health care benefits to participants in accordance with the express provisions of the Plan. In recognition of its responsibility, the Board has adopted this Statement of Investment Policy (the "Policy").

II. Purpose.

- A. The purpose of this Policy is to establish and communicate a clear understanding of the objectives and guidelines established by the Board regarding the investment and administration of the Fund's assets. It is intended to provide the Board, the Fund's Treasurer, the Fund Administrator and investment staff, the investment consultant, the investment managers, and the custodian bank a clear and accurate understanding of all investment objectives, investment policies, guidelines and limitations.
- B. It is the intention of the Board that this Policy be designed to allow sufficient flexibility in the investment oversight process in order to capture appropriate investment opportunities, ensure adequate capital and liquidity is available to pay benefits and expenses when due, establish a meaningful basis to evaluate effectiveness of investment strategy, and set reasonable parameters to manage risk in the investment of Fund assets.
- C. This Policy shall be adhered to by the Board, the Fund's staff and the Fund's service providers unless otherwise approved in writing by the Board.
- D. The Board shall review this Policy with the Investment Consultant and others as needed and may periodically amend this Policy to assure its provisions remain relevant and accurately guides the Fund's investment process.

III. Governing Law and Fiduciary Standards.

- A. The insurance trust investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of trust assets.
- B. This Policy is intended to complement applicable governing law; if at any time this Policy is found to be in conflict with such governing law, the applicable governing law shall prevail.
- C. Although the Trust Fund is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the assets of this fund shall be invested in a manner consistent with the fiduciary standard set forth in ERISA, as though ERISA applied to the Trust Fund; namely, (1) in accordance with the safeguards and diversity to which a prudent investor would adhere (2) and all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries to provide benefits and pay the expenses of the Fund.
- D. The Board is governed by the “Prudent Investor Rule,” which is codified in Section 518.11, Florida Statutes.

IV. Responsibilities and Duties.

- A. The Board, the Fund’s staff and the Fund’s service providers under contract to the Fund shall exercise judgment with the care, skill, and diligence under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of institutional investment portfolios entrusted to it; not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income.
- B. Board. The Board has responsibility for the administration and management of the Fund. In addition, the Board has sole authority and responsibility for the investment of Fund assets. Members of the Board are fiduciaries of the Fund. Board duties include, but not limited to:
 - 1. Comply with all applicable fiduciary and ethical training requirements;
 - 2. Comply with all applicable periodic public disclosure requirements;
 - 3. Approve a Statement of Investment Policy and provide direction in the implementation of such Policy; however, the Board delegates to the Fund’s Administrator the responsibility for the implementation and administrative oversight of such Policy;
 - 4. Nothing shall prohibit the Board from immediately removing any investment manager, custodian, investment consultant or other financial advisor when, in the opinion of the Board, such action is necessary to safeguard the Fund from loss.

5. Approve permitted asset classes, target asset allocation and permissible ranges, manager allocations, and asset rebalancing after consideration of advice and recommendations related thereto;
6. Monitor the Fund's investment program including regular review of investment performance, effectiveness of investment strategy in the achievement of objectives, investment costs, and regulatory compliance;
7. Review and approve as necessary any actuarial valuation, assumptions, funding, liability projections, or other actuarial-related information;
8. Review and approve as necessary any audits;
9. Establish general administrative rules and procedures for the effective and efficient administration of the Fund's operations; and
10. Periodically review this Policy.

C. Fund Administrator. The Fund Administrator is responsible for implementation of the Policy along with all other Board guidance and directives. The Administrator's duties include, but not limited to:

1. Manage and direct all administrative, personnel, budgeting and support functions;
2. Provide the Board with monthly and quarterly reports regarding administration of the Fund and investment of Fund assets including those of the investment consultant;
3. Develop a system of internal controls to safeguard Fund assets; and
4. All other duties as directed by the Board.

D. Investment Consultant. The investment consultant's responsibility is to provide investment advice and recommendations to the Board and assist the Fund Administrator and staff in the implementation of this Policy, Board directives, and management of the investment process. This includes meeting regularly with the Board to provide information, market perspective, and evaluation as to the Fund's objectives, investment policies, investment structure and investment performance as part of the overall development, implementation and monitoring of a diversified investment portfolio. The investment consultant shall be a Registered Investment Adviser under the Investment Advisers act of 1940, as amended, and shall be a fiduciary with regard to its investment advice and recommendations. Investment consultant duties include, but are not limited to:

1. Recommend appropriate actions which will enhance the probability of achieving Fund objectives and mitigate risk, including use of various asset classes, implementation of

investment strategy, changes in investment policy, and changes in investment managers or other service providers;

2. Assist the Board in developing appropriate asset mixes through the development of regular asset-liability studies and asset allocation reviews;
 3. Assist the Board in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies;
 4. Recommend to the Board rebalancing actions necessary to meet liquidity needs, take advantage of market opportunities or to protect capital;
 5. Provide comprehensive and regular evaluations of the investment results of the Fund and its individual asset managers in light of this Policy;
 6. Notify the Board of changes in the structure, personnel, ownership, or process of managers serving the Fund and recommend corrective action when necessary;
 7. Conduct searches for investment managers and other service providers as necessary and making recommendations for such positions;
 8. Disclosing potential conflicts of interest as they become known;
 9. Providing ad hoc investment research and other support as may be necessary to support the board's educational and informational needs;
 10. Monitor compliance with this Policy by all investment managers;
 11. Provide advice with respect to transitions from terminated investment managers to replacement managers;
 12. Monitor the custodian with respect to its functions and make recommendations with respect to custodial services;
 13. Monitor any securities lending program implemented by the Board and make recommendations as necessary;
 14. Negotiate, monitor and report investment management fees to the Board and offer recommendations for improvement thereon; and
 15. Review annually this Policy and recommend any necessary changes to the Board.
- E. Investment Managers. The Board shall select with the assistance and advice of the Investment Consultant competent, experienced professional investment managers to manage Fund assets. All investment managers shall be Registered Investment Advisers under the Investment Advisers Act of 1940, as amended, unless exempt from such registration and specifically permitted by the

Board. The Board delegates to its investment manager's full investment discretion regarding all assets placed under their control. Subject to this Policy, investment managers have full authority to manage assets, including the purchase, retention, and sale of securities in amounts and proportions that are reflective of the investment manager's respective investment strategies. The investment managers' acceptance of responsibility to manage Fund assets will constitute an acceptance of this Policy. The duties of investment managers include but are not limited to:

1. Invest Fund assets according to this Policy, and the investment discipline, mandate or style for which the manager was retained;
2. Inform the Board and investment consultant on a timely basis of: significant changes in investment strategy or asset allocation; significant changes in ownership, organizational structure, financial condition or professional staffing of the firm or investment product utilized; deviations from this Policy or the need therefore; and any regulatory actions, investigations, significant trading errors, or lawsuits alleging breach of fiduciary duty.
3. Meet with the Board, or investment consultant as needed in person or via teleconference to review: firm developments, investment performance, performance attribution, portfolio structure and investment/market outlook;

F. Custodian. The Board shall retain a qualified, third-party, custodian bank or trust company responsible for the custody, trade settlement, valuation, and accounting of Fund assets. The duties of the custodian include but are not limited to:

1. Custody of all Fund assets under a trust or custodial arrangement; collect all income, dividends and principal realizable and properly reporting same;
2. Provide the Fund, investment consultant and investment manager monthly reports of all Fund assets based on fair market value, a listing of all transactions, and accounting of all assets along with consolidated annual reports;
3. Settle all purchases and sales of securities and other related transaction by investment managers;
4. Sweep all investment manager and Fund accounts daily into a cash management account and manage such account in safe, liquid, interest-bearing investments in accordance with this Policy;
5. Reconcile cash balances with investment managers and make cash disbursements as directed by the Fund Administrator;
6. Distribute proxies to investment managers; and provide all other custodial services not listed above that are necessary for the efficient custody, valuation or administration of Fund assets.

V. Investment Objectives:

A. General Investment Objectives.

1. The general investment objective of the Fund is to preserve the purchasing power of the Fund's assets and earn a reasonable real rate of return over the long-term while minimizing, to the extent reasonable, the short-term volatility or losses. In broad terms, the board seeks to ensure over the life of the Fund that an adequate level of assets are available to fund benefit payments payable to the Fund's participants and beneficiaries at the time they become due. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of risk.
2. To achieve these general objectives, the Board seeks to create a well-diversified portfolio of equity, fixed income, real estate, and private equity and debt, real assets, money market and other permissible investments.

B. Specific Investment Objectives and Return Goals.

1. The primary investment objective of the Board is to maximize the probability of achieving an investment return that satisfies the target rate of return assumption for the Fund's investment portfolio, net of fees, subject to a prudent level of risk. As this is a long-term objective and investments are subject to volatility within a market cycle, the main investment focus of the Board is the expected long-term return and associated expected volatility of the Fund as a whole over a long-term investment time horizon.
2. In addition to the absolute investment objective, relative return goals are described as follows:
 - a. To earn a total risk adjusted rate of return at the total Fund level, net of fees, over a market cycle which exceeds the risk adjusted return of a Policy Index. The Policy Index for the Fund is defined as an index constructed of the returns of the broad market indices representing each asset class in which the Fund is invested, each weighted to reflect the Fund's target asset allocation as adopted by the Board. The Policy index may change from time to time as the asset allocation target or permissible asset classes change, as periodically approved by the Board.
 - b. The investment goals of each active investment manager are to achieve an annualized total risk adjusted rate of return, net of fees, over a market cycle that exceeds an appropriate market index and rank above median in a comparative performance universe reflecting the manager's investment style.

- c. The investment goal of each passive investment fund is to achieve an annualized total rate of return, net of fees, over a market cycle that is comparable to the underlying broad market index minus its internal expenses while minimizing tracking error to that index.

VI. Authorized Investments.

- A. Under the applicable elements of Section 215.47 (1)-(6), (8), (9), (11) and (17), Fund assets may be invested:
 - 1. Without limitation in U.S. government and agency securities, various full faith and selected state and municipal securities, various savings accounts and CD's of banks and S&L's, prime quality commercial paper and bankers acceptances, prime quality negotiable CD's issued by domestic or foreign financial institutions denominated in U.S. dollars, various short-term investment funds, various mutual funds and similar investment products comprised of U.S. government, agency and instrumentality securities, and repurchase agreements collateralized by U.S. government securities.
 - 2. With no more than 25% in various investment grade state and municipal securities, certain FHA and VA notes, certain CMO's, certain group annuity contracts, certain interests in real property and related personal property with provision for equity and income participation, investment grade foreign fixed income obligations, fixed income obligations of the government of Israel, dollar-denominated obligations issued by foreign governments and corporations, and asset-backed securities not otherwise described herein.
 - 3. With no more than 80% in domestic equities (common stock, preferred stock, and convertible bonds) listed under major exchanges, and domestic corporate bonds.
 - 4. With no more than 25% in corporate obligations and securities of foreign corporations and entities, not including US dollar-denominated securities listed and traded on US exchanges.
 - 5. Transactions involving the purchase and sale of certain futures and options.
- B. Investments not listed in this Policy are expressly prohibited. Should the Fund have investments that either exceed the applicable limit or do not satisfy the applicable investment standards, such excess or investment not in compliance with this Policy may be continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit, unless specifically authorized by law or local ordinance.

VII. Asset Allocation

- A. General.

1. The Board believes that the level of risk assumed in the Fund is a function, in large part, of the Fund's asset allocation. The proportion of assets allocated for equity investments is the most important determinant of the volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return and is necessary in the current market environment to fully fund future liabilities.
2. The Fund's investments shall be invested in a diversified portfolio which may be composed of equity securities (both domestic and international), fixed income securities (both domestic and international), diversifying assets (such as real estate or alternative assets, as permitted by statute or ordinance) and cash equivalent securities.
3. Based on its determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Board has established asset-mix guidelines for the Fund based on market values. The asset allocation is a strategic asset allocation. The long-term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset allocation study performed by the investment consultant or periodic asset allocation review, as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long-term in nature, periodically the asset mix may fall outside the target or range. Dollar-cost-averaging, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the Fund are permitted exceptions. This in no way should be considered tactical asset allocation or market timing and is not viewed as such by the Board.
4. The Board is responsible for broad asset allocation decisions. A manager's cash holdings can disrupt this position and therefore under normal circumstances should be kept to a minimum of its portfolio market value.
5. Until such time as the Board changes the asset class targets, a routine rebalancing of the various portfolios back within permitted allocation range shall be implemented as necessary. Managers considered to be underperforming their benchmarks, undergoing personnel or ownership change or for other reasons in the best interests of the Fund, may be excluded from receiving additional assets in any rebalancing.
6. The investments of the Fund shall be diversified so as to minimize the impact of large losses under any individual asset class or investment style.

B. Target Asset Allocation, Permitted Allocation Ranges, and the Policy Index.

1. The Fund's objectives, current target asset allocation, permitted allocation ranges and Policy Index are shown in Appendix A.

VIII. Investment Guidelines.

A. General.

1. The Fund Administrator, in consultation with the investment consultant, is responsible for developing periodic recommendations for consideration by the Board regarding the various asset classes, investment styles and individual portfolio policies and guidelines which are to be formally reflected in the goals and objectives of this Policy. Once adopted by the Board, the Administrator shall manage the implementation of the Policy and the guidelines reflected therein. The Administrator shall manage any guidelines for the selection and retention of investment managers as well as all external contractual relationships in discharging the fiduciary responsibilities of the Board. All asset classes and investment styles shall be invested to achieve or exceed, on a net of fee basis, the risk adjusted return for their respective benchmarks over a market cycle measured over rolling three to five year periods of time.
2. No investment manager shall be permitted to purchase the securities of the investment management organization for inclusion in the portfolio of the Fund. This prohibition shall additionally extend to the securities of the parent organization or subsidiaries of the investment management firm.

B. Cash Equivalents Guidelines/Restrictions.

1. Permissible Cash Equivalent Securities for the Fund include:
 - a. Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
 - b. Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.
 - c. Notes, bonds, and other obligations of agencies of the United States.
 - d. Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.
 - e. Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.

- f. Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
 - g. Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.
 - h. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
2. Notwithstanding the above list of securities that are eligible for investment by the custodian bank, the investment managers may invest only in the following short-term investment vehicles:
- a. The money market or STIF provided by the custodian bank.
 - b. MSILF Government securities portfolio.
 - c. Direct obligations of the United States Government or its agencies with a maturity of one year or less.
 - d. Repurchase agreements which are fully collateralized by direct obligations of the United States Government.
 - e. Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's, subject to a limit of no more than \$5 million by any single issuer.
 - f. Bankers Acceptances issued by prime money center banks, subject to a limit of no more than \$5 million in any single bank.

C. Equity Guidelines/Restrictions.

- 1. Domestic common stock and preferred stocks are permitted for domestic equity portfolios. No one equity holding in the Fund's portfolio shall represent more than 5% of the outstanding common stock of any one company.
- 2. No equity holding of any one company in the Fund's portfolio shall represent more than 5% of the assets of the Fund measured on the basis of market value.

3. Exchange Traded Funds (ETF's) may be used and held in domestic equity portfolios for passive investing exposure.
4. American Depositary Receipts (ADR's) and foreign-domiciled companies that are traded on United States exchanges are permitted investments for domestic equity managers; however, the combined amount of such securities shall be limited to 15% of a domestic equity manager's portfolio. This authorization is subject to the collective use of foreign-domiciled companies and international securities (through international equity managers) operating within the overall 25% limitation of the total Fund assets measured on the basis of market value. Notwithstanding these guidelines with respect to individual domestic equity managers, the Board shall issue directives to such individual domestic equity managers for the liquidation of a portion of their holdings in foreign domiciled companies in the event that the Trustees conclude that the overall limitation of 25% is in peril of being exceeded.
5. There shall be no investment in foreign securities within the portfolios of investment managers who are hired and assigned to manage domestic portfolios (except within the constraints described above). There shall be no: investment in venture capital, commodities, financial futures or options (other than covered call options), letter stocks, private placements (except those issued under Rule 144a with such securities being limited to 15% of a manager's portfolio measured at market value), short selling, purchases on margin, puts, calls, or hedging, or other specialized investment activity without the prior approval of the Board.
6. Corporate obligations and securities of a foreign corporation or a foreign commercial entity are permissible in international equity portfolios but shall not exceed 25% of the Fund, not including US dollar-denominated securities listed and traded on a US exchange. American Depositary Receipts and Global Depositary Receipts are also permissible in international equity portfolios.
7. Convertible preferred stocks may be purchased so long as the common stocks underlying them meet the required equity standards.
8. Convertible bonds shall not be considered as an appropriate equity substitute.
9. The equity investment managers are permitted to sell covered call options.
10. All securities purchased shall be fully negotiable and marketable unless prior approval is secured by the Board. An illiquid investment is generally recognized as an investment for which a recognized market is not available or for which there is no consistent or generally accepted pricing mechanism.
11. In order to achieve the desired level of quality and liquidity of the portfolio, all domestic equity purchases (other than private equity mandates) are limited to stocks registered or listed on a United States national exchange, (i.e. New York Stock Exchange and the NASDAQ

Over the Counter Market) and whose corporation conforms to the periodic reporting requirements under the Securities Exchange Act of 1934.

12. Permissible equity investment vehicles shall include equity separate accounts, commingled vehicles, index funds, and mutual funds consisting of those common stocks, preferred stocks, and convertible securities described above.

D. Fixed Income Guidelines/Restrictions.

1. The following are permissible investments:

- a. Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.
- b. State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith and credit of the state.
- c. Notes, bonds, and other obligations of agencies of the United States.
- d. The following are limited to 25% or less of the Fund:
 - i. Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.
 - ii. Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.
 - iii. Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.
 - iv. Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.
 - v. A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

- vi. Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in Section 215.475, Florida Statutes.
 - vii. United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities.
 - viii. Asset-backed securities not otherwise authorized by this section.
- e. Not more than 80% of the Fund may be invested in interest-bearing obligations with a fixed maturity of any corporation or commercial entity within the United States.
 - f. Not more than 25% of the Fund may be invested in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States of America or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board.
 - i. Unless permitted by the Board, all securities purchased for the portfolio must have an investment grade rating of BBB- or better (investment grade) from a nationally recognized rating service (i.e. Moody's, Standard & Poor's, or Fitch), subject to the limitations below. For an issue with a split rating, the lower quality designation will govern. In the event of a downgrade below BBB- or its equivalent after the time of purchase, the Investment Manager shall be required to dispose of the security at the earliest beneficial opportunity. Any purchase of below investment grade rated debt securities may only be made with the prior written permission of the Board.
 - ii. No purchase may be made which would cause a holding to exceed 5% of the issuer's outstanding fixed income securities.
 - iii. No more than 5% of the Fund's portfolio shall be invested in the securities of any single issuer, with the exception of the United States Government and its agencies and instrumentalities, which carry no limit.
 - iv. Convertible bonds may be purchased up to 10% of the value of the manager's fixed income portfolio; however, such investments should be liquidated at the time of conversion so as to avoid a fixed-income Investment Manager from carrying equity securities in the fixed-income portfolio.
 - v. There shall be no investment in foreign bonds (with the possible exception of bonds issued by the State of Israel were contractually authorized) within the

portfolios of investment managers who are hired and assigned to manage domestic core portfolios, without the prior written permission by the Board. In addition, there shall be no short selling or other specialized investment activity or investments in futures or options without the prior approval of the Board.

- vi. Yankee Bonds are permitted investments; however, such securities shall be limited to 5% of an investment manager's portfolio unless permitted in writing by the Board.
- vii. Closed-end bond funds may be purchased; however, such purchases shall be limited to 10% of an investment manager's portfolio. In addition, the investment manager's holdings in any single closed-end bond fund may not exceed 10% of the amount of such closed-end bond fund.
- viii. Collateralized Mortgage Obligations (CMO's) are acceptable provided they meet the following criteria unless otherwise permitted by the Board in writing:
 - a) Backing by the full faith of the U.S. Government or an Agency thereof, or that are rated AAA by a major rating service.
 - b) A volatility rating by Fitch Investors Services in the low to moderate category (VI, V2, or V3) or characteristics consistent with such ratings.
 - c) Limited to PAC (Planned Amortization Class), NAC (Non-Accelerated Securities), VADM (Very Accurately Defined Maturity) securities, or sequential CMO's.
- ix. Investments in Commercial Mortgage Backed Securities (CMBS) are permitted, provided they are rated AAA by a major rating service and the total value of all CMBS investments shall not exceed 15% of the market value of the total fixed income portfolio unless permitted by the Board.
- x. All securities purchased shall be fully negotiable and marketable. An illiquid investment is generally recognized as an investment for which a recognized market is not available or for which there is no consistent or generally accepted pricing mechanism.
- xi. Structured notes may not be held in the fixed income portfolio without the written permission of the Board.
- xii. Permissible investment vehicles shall include fixed income separate accounts, commingled vehicles, index funds and mutual funds consisting of those fixed income securities listed above.

E. Real Estate Guidelines/Restrictions.

1. Permissible real estate investments are considered to include certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds as well as infrastructure assets. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.
 - a. The title to real property acquired under this paragraph shall be vested in the name of the respective fund.
 - b. For purposes of taxation of property owned by any fund, the provisions of s. 196.199(2) (b) do not apply.
 - c. Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in Chapter 253, and the provisions of that chapter do not apply to such real property.
2. When deemed appropriate by the Board, real estate investment may be made in any legally permissible real estate investment vehicles, including, but not limited to, individual property investments, joint ventures, commingled funds, real estate investment trusts (REIT's), limited partnerships and limited liability companies, in an amount up to 15% of the Fund.
3. The Board will seek to diversify its real estate portfolio by property type (multi-family residential, industrial, office, retail, etc.), property location (geographic region), and strategy (core diversified, value-added, opportunistic).
4. As real estate investments, in general, are intended to provide a steady and predictable level of income, low volatility of total return and a low correlation to other asset classes. Leverage is limited to 35% at the portfolio level for core investments and 70% at the portfolio level for value-added /opportunistic, at cost.

F. Commingled and Mutual Fund Guidelines / Restrictions:

The Board recognizes and accepts that commingled and mutual fund investments will be dictated by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to invest Fund assets in any commingled or mutual fund will only be made by the Board of Trustees after a thorough review of the policies and/or prospectuses or other governing documents of those funds and after it has been determined that those policies are appropriate and generally consistent with the investment objectives of the Fund.

G. Investment Management Fees

The Board shall review investment management fees with the assistance of the Investment Consultant. As part of such fee review, the investment consultant shall provide perspective and opinion as to the reasonableness of such fees. Where investment managers are retained by more than one city entity the Board shall make every effort to aggregate assets between the entities for purposes of corresponding fee calculation.

H. Economically Targeted Investments and Socially Responsible Investments.

The Fund may consider various investment programs that are occasionally referred to as economically targeted investments (e.g. investments providing collateral benefits) or socially responsible investments. However, such considerations shall be based solely upon the expected return and risk characteristics of an investment approach and its impact on the success of the program as a whole. In order for such programs to receive consideration, they must address three basic minimum requirements:

1. Investments designated with below-market rates of return or other concessionary terms may not be acceptable if they compromise the Fund's risk-return standards and conflict with the Trustee's fiduciary responsibilities. Investments must yield an expected rate of return commensurate with the recognized level of risk of the investment.
2. Investments must meet the diversification and credit standards established by the Fund.
3. Asset strategies should anticipate the cash needs of the Fund.

IX. Performance Measurement.

- A. The investment performance of Fund assets will be measured by an independent performance measurement firm, usually the investment consultant and evaluated on a monthly or quarterly basis to determine whether:
 1. The Total Fund, asset classes and investment managers performed in adherence to the investment policy guidelines set forth herein.
 2. The investment managers have employed the investment philosophy or style of investing that they were hired to perform.
 3. The Total Fund, asset classes, and investment managers performed satisfactorily when compared to the objectives identified in this Statement, in addition to the returns generated by similarly managed funds.

B. Long-Term Evaluation.

The measurement period for the long-term evaluation of investment performance will be rolling three to five year periods and thereby approximating a complete market cycle.

C. Benchmark Comparisons.

The absolute and risk adjusted investment returns generated on the various categories of benefit plan assets shall be compared against the appropriate benchmarks, indicators and peer groups as indicated in Exhibit A. In addition to the evaluation of absolute investment returns, the level of risk assumed by the total Fund and the individual portfolios will be examined.

X. Reporting Requirements.

A. Quarterly Investment Performance Evaluation.

1. The Board shall review the investment activities and investment performance of the Fund, asset classes, and each portfolio manager on a regular basis to assure compliance with the goals, objectives, and guidelines contained in this Statement of Investment Policy. The Fund's investment consultant shall assist in interpreting investment results and assessing investment manager performance.
2. The investment consultant shall be available to attend meeting of the Board each quarter and shall prepare and present at such meetings a performance report, in writing, analyzing the performance of each investment manager. Such presentations may be accomplished by conference call or video conferencing. Reports of quarterly, annual and multi-year performance shall also be compiled by the investment consultant as appropriate. Within such reports, the investment consultant shall advise the Board as to the relative performance of the Fund as a whole, each asset class composite, and each investment manager as compared to the various benchmarks which are generally accepted in the investment marketplace.
3. While the Board intends to fairly evaluate the portfolio performance, it reserves the right to change investment managers, without liability except for the payment of current charges, for any reason which in the exercise of the Board's discretion is deemed sufficient, including but not limited to those stated below.
 - a. Change of Board's investment philosophy;
 - b. Poor results;
 - c. Failure to meet stated performance goals;
 - d. Failure to meet Board's communication and reporting requirements;

- e. Deviation from the stated investment philosophy or style for which the investment management firm was hired;
- f. Change of decision-making personnel or ownership of the investment management firm;
or
- g. Regulatory action or litigation.

XI. Other.

A. Annual Audit.

It is the policy of the Board of Trustees to retain an independent Certified Public Accountant for the preparation of an annual financial report.

B. Asset Values.

The market value of the assets for accounting purposes, actuarial purposes, payment of investment managers, and for purposes of measuring investment performance shall be based upon the market value assigned by the custodian bank.

Adopted on this ____ day of _____ 2020.

Exhibit A: Executive Summary

Market Value of Assets (6/30/2020): \$4,950,331
Investment Time Horizon: Greater than 25 years (perpetual)
Actuarial Return Assumption: ?
Expected Portfolio Return: ?
Risk Tolerance: Moderate?

Policy Asset Allocation:		Target Allocation	Range
EQUITIES			
Domestic Equity: Large Cap Value	Russell 1000 Value		
Domestic Equity: Large Cap Growth	Russell 1000 Growth		
Domestic Equity: Mid Cap Value	Russell MidCap Value		
Domestic Equity: Mid Cap Growth	Russell MidCap Growth		
Domestic Equity: Small Cap Value	Russell 2000 Value		
Domestic Equity: Small Cap Growth	Russell 2000 Growth		
Total Domestic Equity	Russell 3000		
International Equity:	MSCI EAFE		
International Equity:	MSCI ACWI ex USA Net		
Emerging Markets Equity	MSCI Emerging Markets Net		
Total International			
Total Equities			
FIXED INCOME			
Domestic Fixed Income	Bloomberg Barclays US Aggregate		
Total Fixed Income			
ALTERNATIVES			
Total Alternatives			
Cash and Equivalents			