

BOYNTON BEACH GENERAL EMPLOYEES' PENSION FUND

STATEMENT OF INVESTMENT POLICY GOALS AND GUIDELINES

Adopted: May 22, 2023

PURPOSE

The Board of Trustees of the City of Boynton Beach General Employees' Pension Fund has established this Statement of Investment Policy. This policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for several potential investment policies with varying commitments to different asset classes.

The Board has established this Investment Policy to:

- Provide an unambiguous description of the Board's risk tolerance, as defined by the asset classes that are considered allowable investments and the percentage allocations to each asset class.
- Emphasize diversification of portfolio investments within each asset class.
- Provide rate-of-return objectives and establish formal criteria to monitor and evaluate the performance.

GENERAL OBJECTIVES

The primary investment objective of the Boynton Beach General Employees' Pension Fund is to achieve the absolute return objective over the near-term, intermediate-term and longer-term time periods. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns. To achieve these objectives, the Board of Trustees seeks to create a conservative, well diversified and balanced portfolio of asset classes managed in separate accounts, mutual funds, commingled funds, and/or limited partnerships. The Board has determined that one or more outside investment managers shall be retained to assure that all investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines. The Board of Trustees will make direct investments in fund structured investments and acknowledges that no guidelines may be imposed on these investments.

INVESTMENT MANAGER RESPONSIBILITIES

- 1) Within the guidelines and restrictions set forth herein, it is the intention of the Board of Trustees to give each investment manager full investment discretion with respect to assets under its management. The investment managers shall discharge their responsibilities in the same manner as if the Fund were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Although the Fund Trustees acknowledge that ERISA does not apply to the Fund as a governmental fund, it hereby imposes the fiduciary provisions of ERISA upon each investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each investment manager shall acknowledge, in writing, that it is a named fiduciary of the Fund.
- 2) Each investment manager is expected to provide any reasonable information requested by the Board of Trustees. At a minimum, each manager shall provide a quarterly report detailing their investment activity, the portfolio's current value and any changes in investment philosophy or strategy. Each investment manager is expected to meet with the Board of Trustees or their designated representatives periodically to review investment performance and philosophy.
- 3) Unless otherwise provided by the Fund's Custodian, each investment manager will monitor portfolio activity to minimize uninvested cash balances.
- 4) Each investment manager shall be responsible only for those assets under their management.
- 5) It will be the responsibility of each investment manager to review the monthly valuations provided by the Fund's custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.

Florida Statute 112

1. **EXPECTED ANNUAL RATE OF RETURN:** With consideration to rates of return from different asset classes, the Board of Trustees has crafted its investment program in order to deliver an expected rate of return similar to that of the actuarial assumed rate. The Board shall determine for each actuarial valuation, the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. The total expected annual rate of return is anticipated to be similar to the actuarial assumed rate of return. This determination is to be filed with the Department of Management Services and with the plan sponsor and consulting actuary.
2. **CONTINUING EDUCATION:** The Board of Trustees relies on its consultants and professionals to provide continuing education on pension and investment issues. The Board of Trustees also recognize state and regional conferences as a source of continuing education. The Trustees are encouraged to attend conferences, schools, and other functions periodically in order to fulfill this requirement.
3. **FILING OF INVESTMENT POLICY:** The investment policy is to be promptly filed with the Department of Management Services, plan sponsor and consulting actuary. The effective date of the investment policy and any amendment thereto shall be the 31st calendar day following the filing date with the plan sponsor.

INVESTMENT OBJECTIVES

Given the above stated purpose of the Boynton Beach General Employees' Pension Fund, the Board of Trustees recognizes the necessity of a long-term horizon when formulating investment policies and strategies. However, shorter-term investment goals have been established and are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk.

Most investment styles require a full market cycle to allow an investment manager to demonstrate his abilities. A full market cycle is generally defined as a three-to-five-year time period. As a result, performance results will be measured over a three-to-five-year period. Performance over shorter time periods will be monitored as a means of identifying the trend of results.

The specific investment objectives of the Boynton Beach General Employees' Pension Fund are as follows:

Absolute Return Objective: The goal of the Boynton Beach General Employees' Pension Fund shall be to achieve an average annual rate of return greater than **the applicable actuarial assumed rate of return** net of investment expenses, over the longer term (3 to 5 years).

Market Return Objective: In order to provide a reference of fund return and risk relative to a similar basket of passive assets, the board has developed a "Target Index". The fund's objective is to achieve a rate of return over the long term (3 to 5 years), which exceeds the return of a Target Index.

The Target Index for the Boynton Beach General Employees' Pension Fund is defined as a **30%** investment in the Russell 1000 Stock Index, a **15%** investment in the Russell 2000 Stock Index, a **10%** investment in the MSCI Europe, Australasia and Far East Stock Index, a **25%** investment in the NCREIF Property Index, a **15%** investment in the Bloomberg Barclays Capital Aggregate Bond Index and a **5%** investment in the Consumer Price Index plus 3% (CPI + 3%).

Peer Return Objective: It is expected that the total rate of return earned by the Fund and the returns earned by the stock and bond portions of the portfolio will each rank in the top 50% when compared to a representative universe of other, similarly managed portfolios.

The above investment objectives have been established for the entire Boynton Beach General Employees' Pension Fund. The specific investment objectives for each investment manager will be outlined in Exhibit A.

INVESTMENT GUIDELINES

The Board of Trustees has established the following target asset allocation for the entire Boynton Beach General Employees' Pension Fund:

	Target Allocation <u>(at market)</u>	Permissible Range <u>(at market)</u>	Representative <u>Benchmark</u>
Public Equity:			
Domestic Large Cap	30%	20% - 40%	Russell 1000
Domestic Small / Mid Cap	15%	5% - 20%	Russell 2000 / 2500
Foreign Equity	10%	5% - 25%	MSCI EAFE
Total Equity	55%	65% Maximum	
Private Real Estate	25%	15% - 35%	NCREIF Property Index ODCE
Total Real Estate	25%		
Fixed Income:			
Core Fixed Income	10%	10% - 30%	Bloomberg Barclays Capital Agg / Int
Non-Core / Alt Fixed Income	5%	0 - 15%	Bloomberg Barclays Capital Agg / Int
Private Credit	5%	0% - 15%	CPI + 3%
Total Fixed Income	20%		
Cash & Equivalents	0%	0% - 10%	T-bills

It may be necessary to rebalance the portfolio periodically to maintain policy targets and diversification. The Board of Trustees will monitor each component of the Retirement Plan (including asset class, mutual fund, and portfolio manager asset values) and will adjust as necessary at quarterly meetings. To implement this strategy, the Board has chosen to hire one or more professional investment managers. The following guidelines and restrictions apply to all fund investments.

In accordance with the policies established by the Board of Trustees, the assets of the Boynton Beach General Employees' Pension Fund shall be invested in a diversified portfolio of securities, funds or pooled assets, provided they meet the following criteria:

PUBLIC EQUITY SECURITIES & FUNDS

- 1) Public equity investment may be diversified across Domestic Investments Large Cap, Domestic Small Cap, and Foreign Equity (Incl EM).
- 2) Investment in equity securities / funds shall be limited to no more than **65%** (at market valuation) of the Fund's total asset value.
- 3) Investments in all equity securities shall be limited to fully and easily negotiable equity securities.
- 4) Investments in foreign securities shall be limited to **25%** (at market valuation) of the total investment portfolio. The board may achieve diversification in foreign equity through commingled fund or institutional mutual fund vehicles. These pooled investments are considered an investment in foreign securities.
 - a) American Depositary Receipts (ADRs) and foreign ordinary securities traded on domestic exchanges are United States dollar-denominated securities listed and traded on a United States exchange and are considered part of the ordinary investment strategy of the Board. These securities are not considered foreign securities and may be purchased by separate account managers without limitation.
- 5) Exchange traded funds (ETFs) may be utilized but may not exceed **10%** (at market valuation) of any equity manager's portfolio.
- 6) No more than **20%** of the equity securities are to be invested in small or mid-cap stocks. The Board defines small and mid-cap stocks the stocks whose market capitalization is less than \$5 billion dollars.
- 7) No more than **5%** (at cost) of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.

FIXED INCOME SECURITIES, FUNDS AND RELATED STRATEGIES:

- 1) Fixed Income may include traditional fixed income in core or core+ strategy, private credit offered through limited partner structure, or non-traditional and alternative fixed income management offered in limited partner structure.
- 2) The fixed income portfolio shall comply with the following guidelines:
 - a. The average credit quality of all rated bonds held in the fixed income portfolio shall be "A" or higher.
 - b. The duration of the fixed income portfolio shall not exceed 135% of the duration of the market index. The market index is defined as the Bloomberg Barclays Capital Aggregate Bond Index.
- 3) Investments in all rated corporate fixed income securities shall be limited to:
 - a. Those securities rated below "BBB" shall not exceed 20% of the entire fixed income portfolio.
 - b. No more than 5% at cost of an investment manager's total fixed income portfolio shall be invested in the securities of any single corporate issuer.
- 4) Futures contracts may be used on a non-levered basis for duration adjustment and yield curve positioning purposes.
- 5) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.
- 6) Commingled vehicles managed by the investment adviser may be used to assist with the efficient implementation of portfolio strategy.
- 7) Index ETFs may be used for the efficient implementation of portfolio strategy.
- 8) Investment in private credit strategies are considered part of the general fixed income asset class.
 - a. Investments in private credit strategies shall not exceed 15% of the value of the total Fund.
 - b. All private credit investments shall be made through participation in diversified limited partnership vehicles.
 - c. The board shall endeavor to consider those investments that offer transparency and low relative fees.

PRIVATE REAL ESTATE:

- 1) Investment in real estate shall not exceed 35% (at market valuation) of the value of the total Fund assets.
- 2) All real estate investments shall be made through participation in diversified commingled funds and limited partnerships of real properties. These funds shall be broadly diversified as to property type and geography. Experienced and professional real property investment managers shall manage all real estate investments.

CASH EQUIVALENT SECURITIES:

- 1) The investment manager may invest only in the following short term investment vehicles:
 - a. The money market or STIF provided by the Plan's custodian.
 - b. Direct obligations of the United States Government with a maturity of one year or less.
 - c. Commercial Paper with a maturity of 270 days or less that is rated A-1 by Standard & Poor's or P-1 by Moody's.
 - d. Bankers Acceptances issued by the largest 50 banks in the United States (in terms of total assets).

MUTUAL FUNDS / COMMINGLED FUNDS / LIMITED PARTNERSHIPS:

The Board of Trustees recognizes and accepts that commingled, mutual fund and limited partnership 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 make a direct investment in any vehicle will only be made by the Board of Trustees after a thorough review of the policies of the governing documents of those funds and after it has been determined that those policies are appropriate and materially consistent with the investment objectives.

PROHIBITED SECURITIES:

Only those derivative securities expressly described herein are permissible. Trading on margin and short selling are prohibited for separate account managers.

PERFORMANCE EVALUATION

The Board of Trustees intends to review investment performance and compliance with stated investment policies on a quarterly basis.

REVIEW OF POLICY

It is the intention of the Board of Trustees to review this Statement of Investment Policy periodically and to amend it to reflect any changes in philosophy or objectives. However, if at any time the investment managers believe that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing.

Adopted: May 22, 2023


BOARD OF TRUSTEES
BOYNTON BEACH GENERAL EMPLOYEES'
PENSION FUND

5/23/2023
Date

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EXHIBIT A

Actively managed strategies / funds are expected to meet or exceed the stated policy benchmark and to rank above average to its comparative universe over a three to five-year period. Passive investments are expected to replicate their respective benchmarks and will be ranked against comparative universes for informational purposes. Passive funds are not expected to rank above average -v- a sample of active managers. The Board of Trustees will place an actively managed strategy "under review" if these performance expectations are not met over a 3-5-year period. The Board of Trustees may place an actively managed strategy "under review" if the standard deviation of returns is considered inappropriate based on the unique characteristics of each strategy.

Asset Manager (Asset Class / Structure)	Policy Benchmark	Comparative Universe
Clearbridge (Domestic Large Cap SA)	R1000 Growth	Large Cap Growth Universe
Schwab Total Market Index (Domestic Large Cap MF)	R1000	Large Cap Core Universe
Mutual of America (Domestic Small Cap CF)	S&P 400	Small / Mid Cap Universe
Vanguard Dividend Growth (Domestic Large Cap MF)	S&P 500	Large Cap Core Universe
Vanguard 500 Index (Domestic Large Cap MF)	S&P 500	Large Cap Core Universe
Atlanta Capital (Domestic Small Cap CF)	Russell 2500 Index	Small / Mid Universe
EuroPacific Growth (Intl Equity MF)	MSCI EAFE	International Universe
Harding Loevner (Intl Equity MF)	MSCI EAFE	International Universe
JPM SPF (Direct Real Estate CF)	NCREIF ODCE	US Private Real Estate Universe
JPM SSPF (Direct Real Estate CF)	NCREIF ODCE	US Private Real Estate Universe
Affiliated Housing Fund I (Direct Real Estate LP)	NCREIF ODCE	US Private Real Estate Universe
C&S RE Oppty Fund I (Direct Real Estate LP)	NCREIF ODCE	US Private Real Estate Universe
Principal Green Fund III (Direct Real Estate LP)	NCREIF ODCE	US Private Real Estate Universe
Dodge & Cox Income (Core Fixed Income MF)	BB Aggregate Bond Index	Intermediate Core+ Fixed Income Universe
Garcia Hamilton (Core Fixed Income SA)	BB Aggregate Bond Index	US Fixed Income Universe
PIMCO Capital Securities (Core+ Fixed Income (MF)	ICE BofA Preferred Stock Index	Preferred Securities Universe
PIMCO Income Fund (Core+ Fixed Income (MF)	BB Aggregate Bond Index	Multisector Fixed Income Universe
Serenatas (Alt Fixed Income LP)	BB Aggregate Bond Index	US Fixed Income Universe
ATEL (Private Credit LP)	CPI + 3%	N/A
Pennant Park (Private Credit LP)	CPI + 3%	N/A

