

Eustis Police Officers' Pension Plan

Statement of Investment Policy

I. Scope

The purpose of the City of Eustis Police Officers' Pension Plan ("Plan") is to provide retirement benefits to the Plan's participants. The Board of Trustees of the Plan ("Board") serves as the named fiduciary for the Plan. This Statement of Investment Policy ("Policy") shall apply to all funds under control of the Board.

II. Investment Objectives

The Board recognized that in fulfilling its fiduciary responsibilities to the Plan it is essential that a reasoned, meaningful investment program be established and maintained in regard to the management of the Plan assets. In the attainment of this, the Board will employ professional investment management firm(s) to invest the assets in the name of the Plan and a qualified third party custodian to safely hold the Plan assets in the name of the Plan. Both the investment managers(s) and the custodian will be engaged under formal contracts outlining their duties and responsibilities and the fee arrangements regarding their appointment.

The Board recognizes that the obligations of the Plan are long-term in nature. Accordingly, the objectives and performance standards of the investment program for the assets of the Plan backing up these obligations are promulgated within the context of an extended time horizon. Not in conflict with this awareness, however, the Board recognizes that over time the liquidity requirements of the Plan may change. The Board will therefore undertake periodic review, with assistance from the Plan actuary, to assure that the investment program in place does not unduly restrict the ability of the Plan to meet its current obligations.

The purpose of the Policy is to communicate and formally record the investment goals, restrictions and guidelines of the Plan as established by the Board. It is the intention of the Board to formally review this document and, if necessary, amend the policies contained herein at least every two years or at such intervening time as circumstances may dictate.

III. Performance Measurement

Given the long-term nature of the Plan that this Policy is funding, the Board recognizes the necessity of utilizing a long-term horizon with reference to overall investment objectives. However, this does not mean that meaningful shorter-term investment goals should be ignored. In fact, the Board herein establishes certain periodic measures intended to provide a degree of quantifiable benchmarks valuable in objectively evaluating portfolio return and risk over interim periods. Such periods are three and five years and are expected to represent approximate market cycles. The benchmarks that the

Board has identified are of both a relative and an absolute basis and pertain to both the total fund and to the individual segments of the fund. These measures, established by the Board, are considered appropriate for the nature and size of the assets within the Board's custody. The Board will meet at least quarter annually to review the performance of its investments for the proceeding quarter.

A. Total Fund Performance Benchmarks

1. Comparison of total portfolio returns will be measured against the return of a benchmark portfolio comprised of weighting of the S&P 500 Stock Index, the Bloomberg Barclays U.S. Aggregate Bond Index and the Morgan Stanley Capital International (MSCI) EAFE Index in proportion to that of the Policy Allocation.
2. The total portfolio is expected to rank within the top half of a universe of similarly managed portfolios.
3. The total portfolio should earn a return that exceeds the actuarial earnings assumption adopted by the Board and one that exceeds the Consumer Price Index by 3.0%.
4. The volatility of total portfolio returns (as measured by the annual standard deviation) is expected to be similar to that of the benchmark portfolio.

B. Equity Performance

1. Equity performance will be measured against the return of the S&P 500 Stock Index, and the Morgan Stanley Capital International (MSCI) EAFE Index.
2. Equity performance is expected to rank within the top half of a universe of other similarly managed portfolios.
3. Volatility of the portfolio should be similar to that of the Index.

C. Fixed-income Performance

1. Fixed-income performance will be measured against the return of the Bloomberg Barclays U.S. Aggregate Bond Index.
2. Fixed-income performance is expected to rank within the top half of a universe of similarly managed portfolios.
3. Volatility of the portfolio should be similar to that of the Index.

IV. Investment and Fiduciary Standards

The Board shall discharge its duties with respect to the Plan solely in the interest the participants and their beneficiaries, and shall defray reasonable expenses of administration. The Board, and others acting in a fiduciary role with regard to the Plan, are held to a standard of prudence and ethical behavior to the extent required by the fiduciary provisions of the Employment Retirement Income Security Act of 1974 (EIRSA) and Chapter 112, Florida Statutes.

V. Authorized Investments

Investments made or held in the portfolio shall be limited to the following:

1. Time, savings, and money market deposit accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Stocks, commingled funds administered by national or state banks, mutual funds and bonds or other evidences of indebtedness, issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, provided:
 - a. Domestic securities shall be limited to those actively traded on a major exchange or NASDAQ. To insure proper diversification, no more than 5% (at cost) of the total portfolio may be invested in any single corporation, and exposure to any one industry sector shall not exceed 150% of the exposure represented by that industry in the S&P 500 Stock Index or 5% (at market), whichever is greater. Up to 15% of the Fund assets at market may be invested in non-U.S equities in the form of American Depositary Receipts and/or Exchange Traded Funds principally comprised of foreign securities.
 - b. At least 95% of fixed income securities held in the portfolio must be Investment Grade rated by National Rating Services (Moody's, S&P, Fitch). All other fixed income securities (i.e., up to 5% of the fixed income investments in the portfolio) shall be one grade below investment grade as rated by the National Rating Services. No more than 10% (at market) of the fixed-income portfolio may be invested in the securities of a single corporate issuer. There is no limit on

investments in fixed-income securities issued directly by the United States Government or any agency or instrumentality thereof. The average duration of the fixed-income portfolio is not expected to exceed 150% of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index.

- c. Cash Equivalent securities must be rated either A1 by Standard and Poor's or P1 by Moody's. Investment in a short-term investment fund (STIF) account sponsored by the funds's custodian or in Bankers Acceptances issued by the largest fifty banks in the United States shall be considered as meeting this quality restriction.

4. The following investment activity is specifically prohibited:

- a. Short sales, margin purchases, or borrowing.
- b. Private placement or other restricted securities.
- c. Commodities.
- d. Puts, calls, straddles, or hedge strategies.
- e. Warrants or other options, except as part of a purchased security.
- f. Bonds whose interest payments are generally not subject to federal income tax.
- g. Venture capital.
- h. Illiquid investments as described in Chapter 215.47 Florida Statutes.
- i. Any investments prohibited by State or Florida law.
- j. Any investment not specifically allowed as part of this policy.
- k. Reverse repurchase agreements.
- l. Direct investment in 'Scrutinized Companies' identified in the periodic publication by the State Board of Administration ("SBA list", updated on their website www.sbafla.com/fsb/), is prohibited. Any security identified as non-compliant on or before January 1, 2010 must be divested by September 1, 2010. Securities identified after January 1, 2010, must be divested within twelve (12) months of the company's initial appearance on the list. However, if divestiture of business activities is accomplished and the company is subsequently removed from the SBA list, the manager can continue to hold that security.
- m. Any investment activity prohibited by Chapter 185, Florida Statutes, Article IV, Chapter 70, Eustis Code of Ordinances, or any other applicable law or regulation.

5. The Board and its Investment Managers shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Section 112.662, along with regulations adopted by the Department of Management Services. The term "pecuniary factor" is defined as a factor that a named fiduciary "prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with the investment objectives and funding policy of the investment program. The term does not include the consideration of the furtherance of any social,

political, or ideological interests.” [112.662 (1)]. In selecting Investment Managers, only pecuniary factors may be considered and the interests of the participants and beneficiaries of the system may not be subordinated to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. [112.662 (2)]. Only pecuniary factors may be considered when voting proxies. [112.663 (3)].

VI. Maturity and Liquidity Requirements

The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board will, to the extent possible, match investment maturities with the known cash needs and anticipated cash-flow requirements.

VII. Portfolio Composition and Allocation

The Board has established the following target asset allocation for the total pension fund:

Domestic & International Equity Securities	65% (Int'l not to exceed 15%)
Fixed-Income Securities	30-35%
Real Estate	0-5%

This allocation target is intended as a maximum exposure to each security class based on the cost value of the assets and is consistent with the nature and size of the fund. The use of cash equivalent securities, including short-term fixed-income instruments and custodial STIF funds is not restricted and may be used within both the equity or fixed-income portfolio.

VIII. Risk and Diversification

The Board shall endeavor to diversify investments to the extent practicable to control the risk of loss resulting from over-concentration of the assets in a specific maturity, issuer, instrument, dealer, or bank through which financial investments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically as deemed necessary by the Board.

IX. Expected Annual Return

With each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination shall be filed with the Florida Department of Management

Services, the City of Eustis and the consulting actuary retained by the Board to provide the annual actuarial valuation.

X. Third Party Custodial Agreement

It is the Board's policy that securities of the Plan are held with a third party, and that all securities purchased and collateral obtained by the Board be properly designated as an asset of the Board. No withdrawal of assets from the fund shall be made except by an authorized Board member or by a designee of the Board. Securities transactions between any broker-dealer and the custodian involving purchase and sales for the fund must be made on a "delivery", as opposed to "payment" basis, if applicable, to ensure that the custodian receives money or securities on completion of the transaction.

XI. Master Repurchase Agreements

The Board shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement. This paragraph is not intended to authorize the Board to enter into any Master Repurchase Agreement or Reverse Repurchase Agreement that is not otherwise expressly permitted by this policy.

XII. Bid Requirement and Trading Considerations

The Board shall determine the approximate maturity date based on cash flow needs and market conditions, analyze and select one or more optimal types of investments, and competitively bid the security in question when feasible and appropriate. Except as required by law, the most economically advantageous bid must be selected.

XIII. Communications

- A. On a monthly basis, the custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.
- B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the City, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not

limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum.

- C. If the Fund owns investments, that complied with section IV at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investment in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. An action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.
- D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return net of investment fees and relative performance of the Plan.
- E. The Board will meet periodically to review the Investment Consultant performance report. The Board will meet with the investment manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.
- F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.
- G. The Investment Consultant, on behalf of the Board, shall send a letter to any pooled fund identified as having direct or indirect holdings in 'Scrutinized Companies' referring the investment manager to the listing of 'Scrutinized Companies' by the State Board of Administration ('SBA list'), on their website www.sbafla.com/fsb/. This letter shall request that they consider removing such companies from the fund or create a similar actively managed fund having indirect holdings devoid of such companies. If the manager creates a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards. For the purposes of this section, a private equity fund is deemed to be an actively managed investment fund. However, after sending the required correspondence, the Plan is not required to sell the pooled fund.
- H. The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd-numbered year. [112.662(4)] Investment managers and the Board's Investment Consultant shall assist in the preparation of required reports and shall annually confirm to the Board their compliance with Chapter 2023-28.

XIV Compliance

- A. It is the direction of the Board that the plan assets are held by a third party custodian, and that all securities purchased by, and all collateral obtained by the plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or their designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis to insure that the custodian will have the security or money in hand at conclusion of the transaction.
- B. The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
- C. At the direction of the Board operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the plan sponsor, to the extent possible.
- D. Each member of the Board of Trustees shall participate in continuing education as set forth in the Board's Operating Rules and Procedures.
- E. With each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination shall be filed promptly with the Department of Management Services, the plan's sponsor and the consulting actuary.
- F. The Board shall, by contract or other written agreement, give all investment managers proxy voting responsibility and the Trustees shall monitor the voting of the managers. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval. On a regular basis, at least annually, each manager shall report a record of their proxy vote. The following practices by investment management firms with proxy voting responsibility are not consistent with their fiduciary responsibility:
 - a. Declining to vote proxies;
 - b. Voting proxies exclusively for management without analysis of the underlying issues;
 - c. Permitting negligent or inaccurate record-keeping regarding proxy voting;
 - d. Accepting directions from other parties;

- e. Permitting the absence of policies or procedures to assure the proper Exercise of this fiduciary responsibility.

14. The Investment Consultant will provide Investment Managers for consideration based solely on pecuniary factors as defined by Florida Statutes [§ 12.662].

15. If a Request for Proposals document is issued for Investment Manager services, the solicitation document must include the following: The Board of Trustees may not request documentation of or consider a vendor's social, political, or ideological interests when determining if the vendor is a responsible vendor. Additionally, the Board of Trustees may not give preference to a vendor based on vendor's social, political, or ideological interests.

XV. Criteria for Investment Manager Review

The Board wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. If, at any time, any three of the following is breached, the portfolio manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five of these are violated the consultant may recommend a manager search for that mandate.

- Four (4) consecutive quarters of relative under-performance verses the benchmark.
- Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under performance verses the benchmark.
- Five (5) year trailing return below the top 50th percentile and under performance verses the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the IPS or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC).
- Significant asset flows into or out of the company.
- Merger or sale of firm.
- Fee increases outside of the competitive range.

- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the manager at any time for any reason.

XVI. Applicable City Ordinances

If at any time this document is found to be in conflict with the City Ordinances or applicable Florida Statutes, the Ordinances and Statutes shall prevail.

XVII. Review and Amendments

It is the Board's intention to review this document at least annually subsequent to the actuarial report and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. By initialing and continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the plan's legal counsel for compliance with applicable law, and approved by the Board of Trustees.

XVIII. FILING OF THE INVESTMENT POLICY

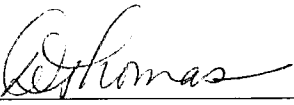
Upon adoption by the Board, the investment policy shall be promptly filed with the Florida Department of Management Services, the City, and the plan's actuary. The effective date of the Investment Policy shall be the 31 days following the filing date with the City.

XIV. Valuation of Illiquid Investments

In the event that the Plan investments contain assets for which a fair market value is not readily obtainable, the Board shall disclose such fact to the Department of Management Services and the Plan's sponsor for each such investment. Although this Policy prohibits the holding of illiquid investments, if under unforeseen circumstances such investments are found to be a part of the portfolio, the Board, determination of an appropriate valuation for such holdings, shall look to the criteria set forth in Florida Statutes Sec. 215.47(6) and may employ such independent outside experts to provide credible valuation as is deemed appropriate.

Date: 12-18-23

Eustis Police Officers' Pension Plan

By: 

DIANE E THOMAS, SECRETARY