Fort Pierce Police Officers' Retirement Fund

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Investment Policy Statement

1. **SCOPE:** This Investment Policy shall apply to all funds under control of the Board.

2. **INVESTMENT OBJECTIVES**:

   A. To obtain a reasonable total rate of return, defined as income plus realized and unrealized capital gains and losses, commensurate with the Prudent Person Rule.
   B. To obtain reasonable consistency of returns on a year-to-year basis.
   C. To protect capital against the erosion of inflation and volatility.
   D. To have the ability to pay all benefit and expense obligations when due.
   E. To maintain sufficient funding for (a) unexpected developments, (b) possible future increases in benefits and/or (c) reduction in expected returns on investments or interest rate assumptions.

3. **PERFORMANCE MEASUREMENT:** The following performance measures shall be used as objective criteria for evaluating the effectiveness of the Investment Managers.

   A. **Total Fund Performance.**

      i. Achievement of an average annual rate of return over all three and five-year periods that meet the actuarial assumption rate.

      ii. Achievement of an average annual rate of return over all three and five-year periods which exceeds an index defined in section 4.

      iii. Achievement of an average annual rate of return over rolling three and five-year periods that will rank in the top 50th percentile of an appropriate universe of *balanced* managers.

   B. **Large Cap Equity Performance**: The large cap core equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 1000 index and rank in the top 50th percentile of an appropriate universe of *large-cap* managers over rolling three and five-year periods.

   C. **Large Cap Value Equity Performance**: The large cap equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 1000 Value index, and rank in the top 50th percentile of an appropriate universe of *large-cap value* managers over rolling three and five-year periods.

   D. **Large Cap Growth Equity Performance**: The large cap equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 1000 Growth index, and rank in the top 50th percentile of an appropriate universe of *large-cap growth* managers over rolling three and five-year periods.

   E. **Convertible Bond Performance**: The *convertible* securities portion of the portfolio is expected to meet or exceed the return of the Blmbrg. U.S. Convertibles Liquid Bond Index, and rank within the top 50th percentile of an appropriate universe over three and five-year periods.

F. **Mid Cap Equity Performance**: The mid cap equity portion of the portfolio is expected to perform at a rate at least equal to the Russell Mid Cap index, and rank in the top 50th percentile of an appropriate universe of *mid-cap* managers over rolling three and five-year periods.

G. **Small Cap Equity Performance**: The small cap equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 2000, and rank in the top 50th percentile of an appropriate universe of *small cap* equity managers over rolling three and five-year periods.

H. **International Equity Performance**: The international equity portfolios are expected to perform at a rate at least equal to the EAFE index or where appropriate, the ACWI ex US index, and rank in the top 50th percentile of an appropriate *international* universe over rolling three and five-year periods.

I. **Fixed Income Performance**: The fixed income portion of the portfolio is expected to perform at a rate at least equal to the Bloomberg Aggregate bond index, and rank in the top 50th percentile of an appropriate universe of fixed income managers over rolling three and five-year periods. The high yield mandate is expected to perform at a rate at least equal to the Bloomberg High Yield Index and rank in the top 50th percentile an appropriate fixed income manager universe.

J. **Real Estate Performance**: The REIT portfolio is expected to perform at a rate at least equal to the MSCI U.S. REIT Index, and rank in the top 50th percentile of an appropriate REIT universe over rolling three and five-year periods. The Private real estate portfolio is expected to perform at a rate at least equal to the NCREIF ODCE index, and rank in the top 50th percentile of an appropriate universe over rolling three and five-year periods.

K. **Infrastructure**: portfolio is expected to perform at a rate at least equal to the FTSE Global Core Infrastructure 50/50 Index and rank in the top 50th percentile of an appropriate universe (if available) over three and five-year periods.

L. **Index Substitution:** In the event access to an index outlined above is no longer available, the investment consultant will substitute it for an appropriate alternative index, and timely report the change(s) to the trustees for ratification at the next Board meeting.

4. PROCEDURE FOR REBALANCING ASSET ALLOCATION

The investment strategy of the Plan utilizes several investment approaches, each having a target allocation and an asset allocation range (based on market values), as follows:

Asset Class	Index	Target Allocation	Minimum Allocation	Maximum Allocation
Large Cap Equity	Russell 1000	31.0%	26.0%	36.0%
Mid Cap Equity	Russell mid-cap	10.0%	7.0%	13.0%
Small Cap Equity	Russell 2000	7.0%	5.0%	9.0%
Convertibles	Blmbrg. U.S. Convertibles Liquid Bond Index	5.0%	3.0%	7.0%
Infrastructure	FTSE Global Core Infrastructure 50/50 Index	4.0%	2.0%	6.0%
International Equity	MSCI EAFE/ACWI	10.0%	7.0%	13.0%
REIT	MSCI U.S. REIT Index	3.0%	0.0%	5.0%
Fixed Income	Bloomberg Agg	20.0%	15.0%	40.0%
High Yield	Bloomberg High Yield	4.0%	4.0%	9.0%
Private RE	NCRIEF ODCE	5.0%	3.0%	7.0%
Cash	ML 3M T-Bill	1.0%	0.0%	5.0%
		100.0%		

Over the long-term, it is expected that the asset allocation will be similar to the Target Allocation. Since market conditions will favor one approach over another, during the time periods, the asset allocation will require periodic adjustment. Since the long-term approach of the Plan is to achieve blended returns of various investment approaches, it is essential that relative weightings do not become over or under-allocated for long periods of time. Accordingly, at least annually, a rebalancing may be made under the direction of the consultant to rebalance the assets of the Plan.

5. **INVESTMENT AND FIDUCIARY STANDARDS:** In performing their investment duties, the Board, its Investment Managers ("Manager"), and Investment Consultant ("Consultant") shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1104 (a) (1) (A)-(C). That is, they must discharge their duties with respect to the Plan solely in the interest of the participants and beneficiaries:

   A. for the exclusive purpose of providing benefits to participants and their beneficiaries; and defraying reasonable expenses of administering the Plan;

   B. with the care, skill, prudence, and diligence under the circumstance then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims;

   C. by diversifying the investments of the Plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

6. **INVESTMENT GUIDELINES:** If on October 1 of any year, investments exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investment may be continued until it is economically feasible to dispose of such investment, but no additional investment may be made.

   A. **Authorized Investments.** Investments made or held by the Plan shall be limited to the following:

      i. Cash equivalents.

      ii. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government.

      iii. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia provided the issues are traded over-the-counter (OTC) and shall hold a rating of Baa2/Mid BBB or above by Moody's and Standard & Poor's respectively. In the event of a split rating, the lower rating shall prevail. In the event of a downgrade, the Active Fixed Income Manager may hold up to 5% at market value of their total portfolio in bonds rated below Baa2/Mid BBB. The Active Fixed Income Manager shall notify Consultant in writing within ten (10) business days of any such downgrade. High yield mandates are exempt from these quality guidelines. Convertible securities do not apply to these limitations, as they are classified as equities.

      iv. Equity investments (common stock, convertible bonds, convertible preferred issues, preferred stock, and infrastructure) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market. Foreign equities are permissible.

      v. REIT funds traded on a major exchange.

      vi. Private real estate products having monthly valuations and quarterly liquidity.

      vii. Infrastructure securities traded on a major global exchange.

      viii. Commingled equity, bond, REIT or money market funds whose investments are restricted to securities meeting the criteria of this section.

      ix. All assets of the Plan must be deemed as marketable securities.

   B. **Limitations:**

      i. Equity investments shall not exceed 70% of the Plan assets at market value.

      ii. Not more than five percent (5%) of the Plan's assets at cost shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of that company.

iii. Foreign equity investments shall not exceed twenty-five percent (25%) of the Plan's assets.

C. **Prohibited Investments.** The following investments are prohibited:
   i. Bonds issued by any state or municipality
   ii. Futures
   iii. General obligations issued by a foreign government
   iv. Hedge funds
   v. Insurance annuities
   vi. Internally managed assets
   vii. Margin Accounts
   viii. Options
   ix. Private Equity [private real estate permitted as authorized in section 6(a)(vi)]
   x. Private mortgages
   xi. Securities lending
   xii. Any investment not specifically authorized
   xiii. Effective October 1, 2010, under Protecting Florida's Investment Act (PFIA), scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, section 215.473.

7. **MATURITY AND LIQUIDITY REQUIREMENTS:** The Plan's manager(s) shall be kept informed of the liquidity requirements of the Plan. The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

8. **PORTFOLIO COMPOSITION:** The Investment Guidelines establish parameters for investments and limits on security issues, issuers, and maturities. Said Guidelines are commensurate with the nature and size of the funds within control of the Board. The Board believes that a Plan's risk and liquidity posture is, in large part, a function of asset class mix. The Board has reviewed long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

9. **RISK AND DIVERSIFICATION:** The Investment Guidelines provide for appropriate diversification of the portfolio. The investments held by the Plan shall be diversified to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In

establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective.

10. **EXPECTED ANNUAL RATE OF RETURN:** For each actuarial valuation, the board shall determine the 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 and with the Plan's Sponsor and the Plan's actuary. The target rate of return is for the current year, for each of the next several years and for the long-term thereafter. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies, and the assumption rate of return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the *Internal Controls* section of this Investment Policy.

11. **THIRD-PARTY CUSTODIAL AGREEMENTS:** All securities shall be held by a third party, and all securities purchased by and collateral obtained by the Board shall be properly designated as an asset of the Plan. No withdrawal of assets, either in whole or in part, shall be made from safekeeping except by an authorized member of the Board or the Board's designee. Securities transactions between a broker dealer and a Custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the money or security, as appropriate, in hand at the conclusion of the transaction.

12. **MASTER REPURCHASE AGREEMENT:** All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreements transactions shall adhere to requirements of the Master Repurchase Agreement. This provision does not restrict or limit the terms of any such Master Repurchase Agreement.

13. **BID REQUIREMENT:** 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 investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

14. INTERNAL CONTROLS:

A. The Plan shall be governed by a set of written internal controls and operational procedures, which shall be periodically reviewed by the Plan's certified public accountant (CPA). At the time of every financial audit, the CPA shall review the controls that should be designed to prevent loss of plans that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or the employees of the City of Fort Pierce.

B. In addition, the Board has adopted the following internal controls with reference to the selection and review of Manager(s):

   i. Selection of Manager(s). The Board, with assistance from the Consultant, has selected, and will select, an appropriate Manager(s) to manage Plan assets. Managers must meet the following minimum criteria:

      a. Be a bank, insurance company, investment management company, or investment adviser as defined by the Investment Advisers Act of 1940.

      b. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of fully discretionary accounts of similar investment style, reported net and gross of fees.

      c. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.

      d. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.

      e. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

   ii. Duties and Responsibilities of Manager(s). The duties and responsibilities of each Manager retained by the Board include:

      a. Managing Plan assets under its care, custody, and/or control in accordance with this Investment Policy or in accordance with separate written agreements when the Board deems modification prudent and desirable.

      b. Exercising investment discretion (including holding cash equivalents as an alternative) within the objectives and guidelines set forth in this Investment Policy.

c. Promptly informing the Board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:

   Investment Strategy
   Portfolio Structure
   Tactical Approaches
   Firm Ownership
   Organizational Structure
   Financial Condition
   Professional Staff
   Recommendations for Guideline Changes
   All legal, SEC, and other proceedings affecting the Firm

d. Timely voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan as set forth herein. Each Manager shall keep a detailed record of said proxy voting and related actions and will comply with all regulatory obligations related thereto. Reports of such voting and actions shall be delivered to the Board no less frequently than annually.

e. On a quarterly basis, the Manager shall provide a written report affirming compliance with the security restrictions of Section 6 above and a summary of common stock diversification and attendant schedules. In addition, the Manager shall deliver each quarter a report detailing the plan's performance, adherence to the investment policy, listing the quality ratings of each security, forecast of the market and economy, portfolio analysis and current assets of the Trust. Written reports shall be delivered to the Board within sixty (60) days of the end of each quarter. The Manager will provide immediate written and telephone notice to the Trustees of any significant market related or no-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section 6 above.

f. The Manager will disclose any securities that are not in compliance with Section 6 in each quarterly report. If the Plan owns securities, which complied with Section 6 at the time of purchase, which are subsequently down graded while held, the Manager shall dispose of such securities when it is economically feasible.

g. Utilizing the same care, skill, prudence, and due diligence under the circumstances then prevailing the experienced investment professionals acting in like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance with all applicable laws, rules, and regulations from local, state, federal, and international political entities as they may pertain to fiduciary duties and responsibilities.

h. Acknowledging and agreeing in writing to their fiduciary responsibility fully to comply with the entire Investment Policy, as same may be modified from time to time.

iii. Monitoring of Managers. Quarterly performance will be evaluated to test progress toward the attainment of long-term targets. The Board understands that there may be short-term periods during which performance deviates from market indices. During such periods, greater emphasis shall be placed on peer performance comparison with managers employing similar styles. Accordingly, a thorough review and analysis of the Manager (s) shall be conducted if:

a. A Manager performs below the top 40th percentile in manager performance rankings for four (4) consecutive quarters.
b. Changes in senior investment personnel.
c. Significant loss of business.
d. Change in firm ownership and/or control.

15. **CONTINUING EDUCATION:** The Board acknowledges the importance of continuing education for the Board. The Board is encouraged to attend educational conferences in connection with their duties and responsibilities as Board.

16. **REPORTING:** The Board shall submit an annual report to the plan sponsor. The report shall include investments in the portfolio by class or type, book value, income earned and market value as of the report date. The annual report shall be available to the public.

17. **FILING OF INVESTMENT POLICY:** Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the plan's sponsor, and the consulting actuary. The effective date of the Investment Policy Statement and any amendment thereto, shall be the 31st calendar day following the filing date with the plan's sponsor.

18. **VALUATION OF ILLIQUID INVESTMENTS:** Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism are prohibited.

FLORIDA STATUTES 112.661 AND 185, AND APPLICABLE CITY OF FORT PIERCE CODE: If any portion of this Investment Policy Statement is found to be in conflict with Chapters 112.661 or 185, *Florida Statutes*, or any applicable City of Fort Pierce Code, the Statutes, Ordinances, and Resolutions shall prevail.

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.

A. Definition of pecuniary factor: The term "pecuniary factor" is defined as a factor that an investment 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 retirement system. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]

B. Exclusive consideration of pecuniary factors: 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)]

C. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]

D. Filing requirements: 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.

E. Contracting and external communication requirements: Manager contracts shall comply with Section 215.855 as follows:

> Any written communication made by an investment manager to a company in which such manager invests public funds on behalf of the Board must include the following disclaimer in a conspicuous location if such communication discusses social, political, or ideological interests; subordinates the interests of the company's shareholders to the interest of another entity; or advocates for the

interest of an entity other than the company's shareholders:

The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida.

F. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.

G. 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.

Board of Trustees
Fort Pierce Police Officers' Retirement Fund

BY: ______________________ DATE: 9/19/2024
As Chairman

Burgess Chambers & Associates

BY: ______________________ DATE: 9/19/24
President