

MIAMI SPRINGS POLICE & FIREFIGHTERS' RETIREMENT SYSTEM
For
Highland Capital Management, Polen Capital Management, and American Realty
Amended October 2012
Amended February 2013
Amended August 2014
Amended May 2018

I. PURPOSE OF INVESTMENT POLICY GUIDELINES

The Pension Board of Trustees ("Board") maintains that an important determinant of future investment returns is the expression and periodic review of the System's investment objectives. To that end, the Trustees have adopted this statement of Investment Policy Guidelines and directs that it apply to all assets under the control of the Board.

In fulfilling their fiduciary responsibility, the Board recognizes that the retirement System is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the System are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return – defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the Prudent Investor Rule and any other applicable statute or requirement.

A reasonably consistent and adequate return, protection of the assets against the inroads of inflation and safety of the assets are very important. However, the volatility of interest rates and securities markets make it necessary to judge results within the context of several years rather than over short periods of one or two years or less. Performance will be measured quarterly.

The Board, in performing its investment duties, shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s.1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

II. INVESTMENT PERFORMANCE OBJECTIVES – QUARTERLY EVALUATION MECHANISMS

The below listed performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Manager:

A. Total Fund Performance

1. The performance of the total fund will be measured each quarter for rolling three and five year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. Beginning January 1, 1996 the return of this portfolio will be measured against a portfolio comprising 50% of the S&P500 Index, and 50% of the Barclays Capital Government/Credit Bond Index. Beginning January 1, 2007 the return of this portfolio will be measured against a portfolio comprising 60% of the S&P500 Index, and 40% of the Barclays

Capital Government/Credit Bond Index. Beginning January 1, 2013 the return of this portfolio will be measured against a portfolio comprising 35% of the S&P500 Index, 25% of the Russell 1000 Growth Index (R1000G) and 40% of the Barclays Capital Government/Credit Bond Index. Beginning April 1, 2013 the return of this portfolio will be measured against a portfolio comprising 35% of the S&P500 Index, 25% of the Russell 1000 Growth Index (R1000G), 7.5% NCREIF Property Index, and 32.5% of the Barclays Capital Government/Credit Bond Index. Beginning October 1, 2014 the return of this portfolio will be measured against a portfolio comprising 30% of the S&P500 Index, 20% of the Russell 1000 Growth Index (R1000G), 10% MSCI EAFE Index, 7.5% NCREIF Property Index, and 32.5% of the Barclays Capital Government/Credit Bond Index. **Beginning July 1, 2018 the return of this portfolio will be measured against a portfolio comprising 25% of the S&P500 Index, 25% of the Russell 1000 Growth Index (R1000G), 12% MSCI EAFE Index, 7.5% NCREIF Property Index, and 30.5% of the Barclays Capital Government/Credit Bond Index.**

2. Equities (including all convertible securities) may be represented in the portfolio up to 70% of the account's market value.
3. The evaluation period of Highland Capital Management will date from January 1, 1996. Beginning October 1, 2014, Highland shall have a target allocation of 48% in equities and 52% in fixed income. **Beginning July 1, 2018, Highland shall have a target allocation of 45% in equities and 55% in fixed income.**
4. Relative to other similar investment managers, it is expected the Investment Manager's performance with regard to the total return of the fund will be in the top 40% of the Mobius Mutual Fund Universe over rolling three to five year periods. Attainment of the 40% is not a condition for retention. When quarterly performance is below the standard, the Investment Manager will report to the Board the reason for the occurrence.
5. On an absolute basis, it is expected that the total return of the combined equity, fixed income and cash portfolio will equal or exceed the actuarial earnings assumption of 8%, and equal or exceed the Consumer Price Index plus 3% over three to five year periods. When quarterly performance is below the standard, the Investment Manager will report to the Board the reason for the occurrence.

B. Common Stock Performance

The equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to 58% of the Standard & Poor's 500 Stock Index and 42% of the Russell 1000 Growth Index. Beginning October 1, 2014 the return of this portfolio will be measured against a portfolio comprising 50% of the S&P500 Index, 33.3% of the Russell 1000 Growth Index (R1000G), and 16.7% MSCI EAFE Index. **Beginning July 1, 2018 the return of this portfolio will be measured against a portfolio comprising 40.3% of the S&P500 Index, 40.3% of the Russell 1000 Growth Index (R1000G), and 19.4% MSCI EAFE Index.**

C. Bond Performance

The bond portion of the portfolio, defined as preferred issues and fixed income securities having a maturity greater than one year, is expected to perform at a rate at least equal to the Barclays Capital Government/Credit Bond Index.

III. INVESTMENT GUIDELINES

A. Authorized Investments:

The Board shall adopt and periodically update a written investment policy in accordance with § 112.661, Florida Statutes, as such statute may be amended in the future. Within the limitations of the foregoing standards and investment policy, the Board is authorized to acquire and retain in the fund every kind of investment, specifically including, but not limited to:

1. Time, savings and money market deposit accounts of a national bank, or a savings and loan association insured by the Federal Deposit Insurance Corporations.
2. Obligations issued by the U.S. Government, or an agency or instrumentality of the U.S. Government, including mortgage-related securities. The U.S. Government securities which may be purchased include direct obligations issued by the United States Treasury, such as Treasury bills, certificates of indebtedness, notes and bonds as well as instruments issued or guaranteed by agencies or instrumentalities of the United States government, including mortgage-related securities. Mortgage-related securities or asset-backed securities not issued by the U.S. Government or an agency or instrumentality thereof may also be purchased.
3. Domestic and International Equities: equities defined as common stocks and issues convertible to equities, provided:
 - a. Each holding shall be listed on a major U.S. exchange.
 - b. Not more than 5% of the total equity Fund's assets (at market value) 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 5% of the outstanding stock of the company.
 - c. In accordance with the provisions of Chapter 2009-97, Laws of Florida, no more than twenty-five percent (25%) of any investment manager's **(with the exception of any international manager or mutual fund)** Total Fund portfolio, at market value, shall be invested in foreign stocks or bonds. The Investment Manager must immediately notify the Board and the Consultant when the foreign exposure reaches fifteen percent (15%). An explanation will be needed as to why the Investment Manager is changing their discipline.

4. Fixed income investments defined as preferred issues and fixed income securities provided:
 - a. All issues rank in Moody's Aaa, Aa, A and Baa, or Fitch Ratings AAA, AA, A, or B.
5. Money market funds, defined as fixed income securities having a maturity of less than one year; provided:
 - a. All issues shall meet or exceed Standard & Poor's A1, or Moody's P1 credit rating.
6. Bonds issued by the State of Israel.
7. Prohibited Transactions:
 - a. Margin purchases, lending or borrowing money
 - b. Short Sales
 - c. Purchase or sale of commodities
 - d. Mortgages or limited partnerships
 - e. Direct Purchase of Real Estate
 - f. In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any companies, identified by the State Board of Administration (SBA) on its website each quarter, as a scrutinized company. The Investment Consultant and each investment manager shall review its investments each quarter to determine whether it is required to sell, redeem, divest or withdraw any publicly traded security of a company identified by the SBA as a scrutinized company and shall notify the Board each quarter, in writing, of the results of its review. Beginning no later than January 1, 2010, the Board, through its Investment Manager, shall sell, redeem, divest or withdraw all publicly traded securities it holds in any scrutinized company by no later than September 10, 2010 for Chapter 175 & 185 plans.
8. Domestic Commercial Real Estate Property holdings that will be compared to the NCREIF Property index holdings.

B. Trading Parameters

When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for purchase of securities must meet the prevailing best-execution rates.

C. Limitations

1. Investments in corporate common stock, convertible bonds and convertible preferred issues shall not exceed 65% of the fund assets at market value. The Investment Manager will promptly notify the Chairman of the Board of Trustees and the Investment Consultant if the portion of

the fund investment in common stock, convertible bonds and convertible preferred issues exceed 70% at market value.

2. There are no percentage limits on fixed income or money market investments.
3. No more than 25% of the System's equities (at market value) can be invested in foreign securities.

IV. COMPLIANCE

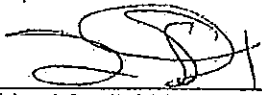

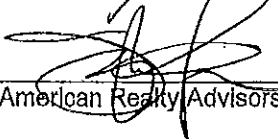
- A. It is the direction of the Board that the System assets are held by a third party custodian, and that all securities purchased by, and all collateral obtained by the System shall be properly designated as System assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping 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 System 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 System sponsor, to the extent possible.
- D. Each member of the Board shall participate in a continuing education program relating to investments and the Board's responsibilities to the System. It is suggested that this education process begin during each Trustee's first term.
- 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 System's sponsor and the consulting actuary.

V. COMMUNICATIONS

- A. The Investment Manager will disclose any securities which are not in compliance with Section III in each quarterly report.
- B. 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.
- C. At least annually, the Board shall provide the Investment Manager with projected disbursement needs of the System 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 Manager should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.

- D. The Investment Manager's quarterly report will list separately any security whose value has diminished 25% from purchase price.
- E. On a regular basis, at least annually, the Investment Manager shall report a record of their proxy vote. The proxy votes must be exercised for the exclusive benefit of the participants of the System. If a proxy was not voted, the Investment Manager shall provide a written statement indicating the reason that particular proxy was not voted.
- F. The Investment Consultant, on behalf of the Board, shall send a letter to any pooled fund 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 Investment Manager creates a similar fund, the System 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 System is not required to sell the pooled fund.

Chairperson	Date
	7/12/18
Highland Capital Management STEVE SPACK	Date
	7/13/18
Polen Capital Management	Date
	7/18/18
American Realty Advisors	Date

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Chairperson


Date

Highland Capital Management Date

Polen Capital Management Date

American Realty Advisors Date