

VILLAGE OF TEQUESTA
(Plan Sponsor)
GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board of Trustees, as named fiduciaries, maintains that an important determinant of future investment returns is the expression and periodic review of the Plan's investment objectives. To that end, the Board has adopted this statement of Investment Policy and directs that it apply to all assets under their control.

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 Plan 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.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. 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 two years or less.

The Board will employ professional Investment Management firms to invest the assets of the Plan. Within the parameters allowed in this document, the Investment Managers shall have full discretion, including security selection, sector weightings and investment style.

Additionally the Board will retain the services of an independent outside Investment Consultant and Monitor Firm to assist it in the initial development of an Investment Policy Statement, selection of qualified Investment Managers and to perform ongoing and periodic performance evaluation and policy adherence reviews of all Investment Managers.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in 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. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged Investment Managers. The managers are responsible for the assets and allocation of their mandate only and will be provided an addendum to this policy with their specific performance objectives and investment criteria.

Asset Class	Target	Range	Benchmark Index
Domestic Equity	50%	45% - 55%	Russell 3000
International Equity	15%	10% - 20%	MSCI AC World ex USA
Total Equities	65%	60% - 70%	
Domestic Core Fixed Income	20%	15% - 25%	Barclays Intermediate Aggregate
Diversified Fixed Income*	5%	0% - 10%	Diversified Fixed Income Index**
Total Fixed Income	25%	20% - 30%	
Real Estate*	10%	5% - 15%	NCREIF ODCE (Equal Weight)
Total Real Estate	10%	5% - 15%	

* Benchmark will default to “domestic core fixed income” if these portfolios are not funded.

** Diversified Fixed Index: 33% JPM EMBI + | 33% BC Corp HY | 33% Citigroup Non-US World Gov Bond

With the assistance of the Investment Consultant and Monitor Firm, the Trustees will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, cash contributions into and withdrawals from the portfolio will be executed proportionally based on the most current market values available. The Trustees do not intend to exercise short-term changes to the target allocation.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of the Total Portfolio will be measured for rolling three and five year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance of this portfolio will be compared to the return of a portfolio comprised of 50% Russell 3000, 15% MSCI AC World ex USA, 20% Barclays Capital U.S. Intermediate Aggregate Index, 5% Diversified Fixed Income Index**, and 10% NCREIF ODCE (Equal Weight)*.
2. On a relative basis, it is expected that the total portfolio performance will rank in the top 40th percentile of the appropriate peer universe over three and five-year time periods.

3. On an absolute basis, it is expected that total return of the combined portfolio will equal or exceed the applicable actuarial earnings assumption in effect (currently 7.0%), and equal or exceed the Consumer Price Index plus 3% over three to five year periods.

B. Equity Performance

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to the 77% Russell 3000 + 23% MSCI-AC World ex USA Stock Index. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three and five-year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability, consistency and safety to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal 80% of the Barclays Capital U.S. Intermediate Aggregate and 20% of a Diversified Fixed Income Index**. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three and five-year time periods.

D. Real Estate Performance

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF NFI-ODCE Equal-Weight Index and rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

** Diversified Fixed Index: 33% JPM EMBI + | 33% BC Corp HY | 33% Citigroup Non-US World Gov Bond

IV. INVESTMENT GUIDELINES

A. Authorized Investments

Invest and reinvest the assets of the General Employees Pension Plan in annuity and life insurance contracts of life insurance companies in amounts sufficient to provide, in whole or in part, the benefits to which all of the participants in the General Employees Pension Plan shall be entitled under the provisions of this chapter and pay the initial and subsequent premiums thereon.

Invest and reinvest the assets of the General Employees Pension Plan in:

(Time or savings accounts of a national bank, a state bank insured by the Bank Insurance Fund, or a savings, building, and loan association insured by the Savings Association Insurance Fund which is administered by the Federal Deposit Insurance Corporation or a state or federal chartered credit union whose share accounts are insured by the National Credit Union Share Insurance Fund.

Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.

Bonds, stocks, commingled funds administered by National or State Banks, 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:

The corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and, in the case of bonds only, holds a rating in one of the four highest classifications by a major rating service; and

Specifically:

1. Equities:

- a. Traded on a national exchange.
- b. Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible bonds of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.

2. Fixed Income:

- a. All fixed income investments shall have a minimum rating in one of the four highest classifications by a major rating service, except that no more than 5% of the total portfolio may be invested in securities that fall below these rating guidelines.
- b. The value of bonds issued by any single corporation shall not exceed 10% of the total fund.
- c. The value of bonds denominated in US dollars that are issued by a foreign bank or corporation (Yankee Bonds) shall not exceed 5% of the total fund.

3. Money Market:

- a. The money market fund or STIF provided by the Plan's custodian.
- b. Government paper backed by full faith & credit of the United States Government.

4. Foreign Securities:

- a. Limited to securities traded on a national exchange and fully and easily negotiable securities.
- b. Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible bonds of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- c. Foreign securities (including equities and fixed income securities) shall not exceed twenty-five percent (25%) of the value at market of the fund.

5. Commingled Funds/Mutual Funds & Exchange Traded Funds:

Investments made by the Plan may include commingled funds. For purposes of this policy such funds may include mutual funds, commingled funds, and exchange-traded funds.

- a. Such funds may be governed by separate policy which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a fund the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.
- b. The asset classification of the fund will be based upon its investment objective.
- c. For compliance purposes, such funds will be treated as a single investment.

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 and convertible bonds shall not exceed seventy percent (70%) of the Fund assets at market.
2. Foreign securities (including equities and fixed income securities) shall not exceed twenty-five percent (25%) of the value at market of the fund.

D. Absolute Restrictions

There will be no investment activity in the following:

1. Any investment prohibited by State or Federal Law.
2. Any investment not specifically allowed as part of this policy.
3. Illiquid investments, as described in Chapter 215.47, Florida Statutes.
4. Any investment in speculative derivative instruments such as short sales, margin purchases, borrowings, commodities, puts, calls, straddles, warrants or other options (except those as part of an equity investment), foreign exchange hedging, private placements, venture capital, limited partnerships, other than those defined under Section IV.A.5 (a) of this Investment Policy Statement pertaining to investments held in Commingled Funds/Mutual Funds & Exchange Traded Funds.

V. 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. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV above and a summary of common stock diversification and attendant schedules.
- B. In addition, the Investment Managers shall deliver each quarter a report detailing the Plan's performance, adherence to the investment policy, 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 Village, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board and Investment Consultant and Monitor Firm 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 above.

- C. The Investment Managers and Investment Consultant and Monitor Firm will disclose all securities that do not comply with Section IV in each quarterly report.
- D. If the Plan owns investments at the end of a calendar quarter that complied with Section IV at the time of purchase, which do not satisfy the applicable investment standard, then such investment shall be disposed of at the earliest economically feasible opportunity in accordance with the prudent man standard of care and no additional investment may be made. However an action plan outlining the disposition strategy shall be provided immediately to the Board.
- E. The Investment Consultant and Monitor Firm shall evaluate and report on a quarterly basis the rate of return and relative performance of the Plan.
- F. The Investment Consultant and Monitor Firm shall present a quarterly performance report to the Board to quantify overall Fund performance as well as the individual performance benchmarks of all Investment Managers. Additionally the Board and Investment Consultant and Monitor will jointly meet with each Investment Manager to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.
- G. 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.

VI. 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. Provided that all approved vendors transacting repurchase agreements perform as stated in any Master Repurchase Agreement.
- B. 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.

- C. Each member of the Board shall participate in a continuing education program relating to investments and the Board's responsibilities to the Plan. It is highly suggested that this education process begin during each Trustee's first term.
- D. 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.
- E. 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.
- F. Investments for which there is no generally recognized market or consistent accepted pricing mechanism shall be valued at 50% cost. Assets without a fair market value shall be excluded from determination of annual funding cost.

VII. 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 will be warned of the Investment Consultant's serious concern for the Fund's continued safety and performance. If any five of these are violated the consultant will 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 40th percentile within the appropriate peer group and under performance verses the benchmark.
- Five (5) year trailing return below the top 40th 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.


VIII. APPLICABLE VILLAGE ORDINANCES

If, at any time, this document is found to be in conflict with the Village Ordinances, the Ordinances shall prevail.

IX. 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, any 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.

Village of Tequesta General Employees' Retirement Plan


Chairman, Board of Trustees
Secretary

2-6-2017
Date

VILLAGE OF TEQUESTA
(Plan Sponsor)
GENERAL EMPLOYEES' RETIREMENT PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY

Dana Investment Advisors
(Core Equity)

Dana Investment Advisors "Dana" has been retained by the Village of Tequesta General Employees' Retirement Plan (the Plan) to manage a well-diversified portfolio of equity and money market securities. Dana was retained for this assignment based on their qualifications and experience in managing equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the Plan, the Dana Core Equity portfolio must comply with the following at the time of purchase:

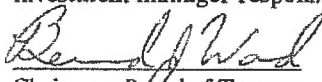
- A. The portfolio is to be invested in equity securities, regardless of capitalization and is expected to exhibit "Core" type characteristics.
- B. Investments in equity securities issued by companies domiciled outside the United States or its territories including ADR securities, are limited to 5%.
- C. Investments in cash and equivalents shall generally not exceed 20%.

II. INVESTMENT OBJECTIVES

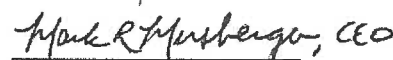
- A. The primary objective of the Dana Core Equity portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the S&P 500 Index.
- B. The secondary objective of the portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years, that ranks in the top 40th percentile of a representative peer universe.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index.

III. POLICY REVIEW

This Addendum is a part of the Village of Tequesta General Employees' Retirement Plan, and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.


Chairman, Board of Trustees
Secretary

2-6-2017
Date


Dana Investment Advisors

2-8-17
Date

VILLAGE OF TEQUESTA
(Plan Sponsor)
GENERAL EMPLOYEES' RETIREMENT PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY

Dann Investment Advisors
(Intermediate Fixed Income)

Dana Investment Advisors "Dana" has been retained by the Village of Tequesta General Employees' Retirement Plan (the Plan) to manage a well-diversified portfolio of fixed income and money market securities. Dana was retained for this assignment based on their qualifications and experience in managing fixed income portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the Plan, the manager's portfolio must comply with the following:

- A. All of the fixed income investments at shall have a minimum rating of investment grade or higher as reported by a major credit rating service.
- B. Yankee bonds may not exceed ten percent (10%) of the manager's portfolio.
- C. Non-U.S. dollar denominated bonds are prohibited.
- b. The value of bonds issued by any single corporation shall not exceed 10% of the manager's portfolio (excluding issues from the U.S. government, or agency thereof; and this restriction shall not apply to any single holding within a diversified pooled fund);
- D. There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.

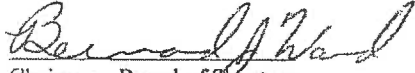
INVESTMENT OBJECTIVES

Total Portfolio:

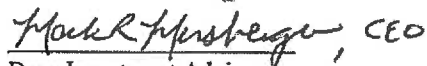
- A. The primary objective of the manager's portfolio shall be to achieve a total return over the longer term, three to five years, in excess of a Target Index. The Target Index for the portfolio is defined as a 100% investment in the Barclays Capital U.S. Intermediate Aggregate Bond Index.
- B. The secondary objective of the manager's portfolio shall be to achieve a total rate of return over the longer term, three (3) to five (5) years, which ranks in the top fortieth (40th) percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

POLICY REVIEW

This Addendum is a part of the Village of Tequesta General Employees' Retirement Plan, and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. By signing this addendum, the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.


Chairman, Board of Trustees
~~Secretary~~

2-6-2017
Date


Dana Investment Advisors

2-8-17
Date

