

# GAINESVILLE GENERAL EMPLOYEES' PENSION FUND

## STATEMENT OF INVESTMENT POLICY GOALS AND GUIDELINES

Adopted: 6/22/98



### PURPOSE

The purpose of the Gainesville General Employees' Pension Fund is to provide long-term retirement benefits to the Plan's participants.

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board of Trustees of the Gainesville General Employees' Pension Fund. It is intended to provide the investment managers a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance will be evaluated. The guidelines and objectives provided herein are intended only to complement those contained in any applicable ordinances or statutes. If at any time this document is found to be in conflict with any applicable ordinances or statutes, the statutes and ordinances shall prevail.

The investment policies set forth in this document were established after a thorough review of the unique needs and circumstances of the Fund and a careful evaluation of the risk and potential returns expected from various mixes of stocks, bonds and cash equivalent securities.

### GENERAL OBJECTIVES

The objective of the Gainesville General Employees' Pension Fund is to fund future liabilities of the Plan while exercising due regard for risk. As a result, the Fund's investment objective is to preserve the purchasing power of the Plan's assets and earn an above average real rate of return (after inflation) over the long term while minimizing, to a reasonable extent, the short term volatility of results.

To achieve these objectives, the Board of Trustees seeks to create a well diversified and balanced portfolio of equity, fixed income and money market securities. The Board has determined that one or more outside investment managers shall be retained to assure that all investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.

## INVESTMENT MANAGER RESPONSIBILITIES

Within the guidelines and restrictions set forth herein, it is the intention of the Board of Trustees to give each investment manager full investment discretion with respect to assets under its management.

The investment managers shall discharge their responsibilities in the same manner as if the Fund were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Although the Fund Trustees acknowledge that ERISA does not apply to the Fund as a governmental fund, it hereby imposes the fiduciary provisions of ERISA upon each investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each investment manager shall acknowledge, in writing, that it is a named fiduciary of the Fund.

Each investment manager is expected to provide any reasonable information requested by the Board of Trustees. At a minimum, each manager shall provide a quarterly report detailing their investment activity, the portfolio's current value and any changes in investment philosophy, strategy, key personnel or organizational structure. Each investment manager is expected to meet with the Board of Trustees or their designated representatives periodically to review investment performance and philosophy.

Unless otherwise provided by the Plan's Custodian, each investment manager will monitor portfolio activity to minimize uninvested cash balances.

Each investment manager shall be responsible only for those assets under their management.

It will be the responsibility of each investment manager to review the monthly valuations provided by the Fund's custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.

## INVESTMENT OBJECTIVES

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

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

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

To earn an average annual rate of return over the long term which exceeds the Consumer Price Index (CPI) by 5.0%.

To earn a total rate of return over the longer term which exceeds the return of a Target Index. The Target Index for the Gainesville General Employees' Pension Fund is defined as a ~~60%~~<sup>55%</sup> investment in the Russell 3000 Stock Index, a ~~10%~~<sup>15%</sup> investment in the MSCI Europe, Australia and Far East (EAFE) Index and a 30% investment in the Merrill Lynch Government/Corporate Master Bond Index.

To earn a total rate of return over the longer term which ranks above average when compared to a representative universe of other, similarly managed portfolios.

To earn a total annualized rate of return over the longer term which is equal to or greater than 9.5%.

The above investment objectives have been established for the entire Gainesville General Employees' Pension Fund. The specific investment objectives for each investment manager will be outlined in addenda to this overall Statement of Investment Policy.

### INVESTMENT GUIDELINES

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

	<u>Target</u>	<u>Target Index</u>
Domestic equity securities	<del>60%</del> 55%	Russell 3000
Foreign equity securities	<del>10%</del> 15%	EAFE
Fixed income securities	30%	ML Govt/Corp

Although new fund contributions will be used to maintain the appropriate balance and achieve the above referenced targets, it may also be necessary from time to time to transfer securities or cash from one investment manager to another. If, at the end of any calendar month, the actual amount held varies by 5% or more from the above stated asset targets, re-balancing to target levels will occur. Once re-balancing requirements have been identified, re-balancing shall occur at the beginning of the next calendar quarter.

Specific investment manager assignments and additional guidelines for each investment manager will be outlined in addenda to this overall Statement of Investment Policy. The following guidelines and restrictions apply to all Fund investments.

#### EQUITY SECURITIES:

- 1) All equity investments shall be limited to fully and easily negotiable equity securities.
- 2) No more than 5% (at cost) of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.

3) Unless otherwise stated in an addendum to this Statement of Investment Policy, investments in the shares of companies that have been publicly traded for less than one year are limited to no more than 15% of an investment manager's total equity portfolio.

#### FIXED INCOME SECURITIES:

1) Investments in all corporate fixed income securities shall be limited to those securities rated "BAA" or higher by Moody's or "BBB" or higher by Standard & Poors rating services. Fixed income securities which are downgraded below the minimum rating by both entities shall be sold at the earliest beneficial opportunity.

2) No more than 10% (at cost) of an investment manager's total fixed income portfolio shall be invested in the securities of any single corporate issuer.

3) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the investment manager's total portfolio and shall be restricted to those issues:

a) backed by securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA).

b) which pass the FFIEC High Risk Security Test on an annual basis. Any CMO issue held in an investment manager's portfolio that fails the FFIEC test shall be sold at the earliest beneficial opportunity.

4) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.

#### CASH EQUIVALENT SECURITIES:

1) The investment managers may invest only in the following short term investment vehicles:

a) The money market or STIF provided by the Fund's custodian.

b) Direct obligations of the United States Government with a maturity of one year or less.

c) Commercial Paper with a maturity of 270 days or less that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moodys.

d) Bankers Acceptances issued by the largest 50 banks in the United States (in terms of total assets).

Investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts or options contracts are prohibited. Trading on margin and short selling are also prohibited.

**PERFORMANCE EVALUATION**

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

**REVIEW OF POLICY**

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

Adopted this 22nd day of June, 1998.



WAYNE BOWERS, TRUST ADMINISTRATOR  
GAINESVILLE GENERAL EMPLOYEES'  
PENSION FUND

7-29-98

Date

c: GVLGEPOL