

City of Gainesville
Evergreen Cemetery Fund

Statement of Investment Policy
2020

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I. Scope

Sec. 7-11. - Same—Trust fund. City Ordinance.

(a) There is hereby established a perpetual care trust fund known as "Evergreen Cemetery Trust Fund." All moneys received from owners of lots who are changing from annual to perpetual care, together with a portion of the moneys received from the sale of spaces specified by the city commission shall be paid to the city manager or designee, who shall deposit the moneys in the trust fund in any depository for deposit of city funds or as otherwise authorized by the city commission. The city commission when setting prices for spaces shall designate what portion of moneys received shall be paid into the trust fund.

(b) The income from the trust fund shall be used exclusively for the care and maintenance of the lots and spaces covered thereby and for the care and maintenance of the cemetery grounds.

(c) The city commission shall invest such funds as they deem advisable.

(Code 1960, § 10-15; Ord. No. 4079, § 5, 5-22-95)

II. Investment Objectives

A. The primary investment objective of the Trust is to provide income that shall be used exclusively for the care and maintenance of the lots and spaces covered thereby and for the care and maintenance of the cemetery grounds. In meeting this objective, the City seeks to achieve a high level of investment return consistent with a prudent level of risk. The Fund shall be managed at all times in accordance with Florida statutes, Gainesville City ordinances and any other applicable law.

B. Other general investment objectives for the Fund are stated below:

1. The Fund's investments should earn rates of return equal to or greater than its established Policy Index benchmark while avoiding excessive risk.
2. The asset value of the Fund should grow in the near term, though expenses are expected to eventually exceed investment gains in the long run. The Fund is expected to eventually be spent down and terminated.

III. Performance Measurement

Pension & Investment staff has established the following investment goals by which to measure performance:

- A. It is expected that the Fund shall achieve an annualized total rate of return, net of fees, over a market cycle (generally 3-5 years) which:
1. Exceeds the Consumer Price Index (CPI) by 5.00% (5.00% real rate of return).
 2. Meets or exceeds the return of an appropriate Policy Index, such index being constructed as follows:
 - 65% Russell 3000 Index
 - 15% MSCI EAFE Index
 - 20% Barclays US Aggregate Index

Note: The term “annualized total rate of return” used above and throughout this Policy, is defined as total rate of return, including all dividend and interest income and both realized and unrealized capital gains or losses, as measured on a compounded or time-weighted (geometric mean) basis. This does not include investment management fees, but does include transaction costs. For comparison purposes, performance will be reviewed gross of fees; however, for goal/objective evaluation purposes, performance will be reviewed net of fees.

IV. Authorized Investments, Diversification, And Liquidity

- A. The attached Investment Guidelines (Attachment A) lists investments suitable for the Fund. (Investments not listed are prohibited). If from time to time 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 investments, but no additional investment may be made.
- B. Investments shall be diversified to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, manager, dealer or bank through which financial instruments are bought and sold. The Investment Guidelines (Attachment A) provide for appropriate diversification of the portfolio. Some risk must be assumed to achieve the Fund’s long-term investment objectives. In establishing the risk tolerances, the Fund’s ability to withstand short-term variability has been considered. However, the Fund’s financial condition enables staff to adopt a long-term

investment time horizon. Periodic review of the Investment Guidelines will be conducted as deemed necessary by staff to ensure adequate diversification.

- C. The Fund shall be invested to provide adequate liquidity, and specifically to provide for investment withdrawals to be made on an annual basis to cover Evergreen Cemetery related expenses accrued during the City's Fiscal Year. It is intended that the Fund be fully invested

Attachment A

Investment Guidelines

Risk (i.e., the uncertainty of future events), volatility (i.e., the variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, the assumption of some types of risk is warranted in order to allow the Fund the opportunity to achieve satisfactory long-term results.

I. Commingled Investments

Given the size of the Fund, investments will be limited commingled vehicles such as mutual funds, Exchange Traded Funds, LLCs or common trust funds that are invested in any of the underlying securities specified below. However, when utilizing such a commingled vehicle, the portfolio will be managed according to such fund's prospectus or trust document. In the event such prospectus or trust document conflicts with this Policy, the prospectus or trust document will control and the areas of conflict will be outlined in detail by staff. In such events, staff shall consider whether such differences are reasonable and whether the Fund's adoption of the conflicting provision is acceptable.

A. Types of Assets: The following lists the investments are considered suitable for the Fund; investments not so listed are prohibited. All assets selected for the portfolio must have an acceptably attainable market value, and acceptable marketability.

1. Domestic Equities:

- a. Common Stocks
- b. Preferred Stocks
- c. Convertible Securities
- d. American Depository Receipts
- e. Mutual Funds
- f. REITS
- g. Commingled Investment Trusts
- h. Limited Liability Companies (LLCs)
- i. Exchange Traded Funds (ETFs)

2. Non-U.S. Equities:
 - a. Investments in Non-U.S. Equities shall be restricted to Managers specifically hired to invest in Non-U.S. Equities.
 - b. Common Stocks and Preferred Stocks of foreign issuers domiciled in developed countries and developing countries (emerging markets)
 - c. Forward foreign currency exchange contracts for hedging purposes
 - d. American and Global Depository Receipts and similar securities
 - e. Exchange Traded Funds (ETFs)
3. Domestic Fixed Income:
 - a. U.S. Treasury and Agency Securities
 - b. Commercial Paper
 - c. Certificates of Deposit
 - d. Corporate Bonds
 - e. Mortgage Backed Securities
 - f. Asset Backed Securities
 - g. Yankees
 - h. Convertible Securities
 - i. Money Market or Cash Equivalent Securities
4. Cash Equivalents
 - a. Certificates of deposit
 - b. Commercial paper
 - c. Direct obligations of the U.S. government
 - d. Repurchase agreements
 - e. Bankers acceptances

- f. Custodian STIFs
- g. Other appropriate liquid short-term instruments.

II. Restricted Investments - Categories of investments which are prohibited unless specifically permitted by the Board of Trustees as part of an alternative investment strategy include:

- A. Short sales or margin transactions;
- B. Investments in commodities or commodity contracts;
- C. Direct loans or extension lines of credit to any interested party;
- D. Letter stock;
- E. Unregistered securities and private placements (except those securities regulated by SEC Rule 144A or as specifically permitted by the Board); and
- F. Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism, unless specifically permitted by the Board.

III. Asset Allocation

- A. The asset allocation is a strategic asset allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon staff's prudent consideration of the Fund's long term investment return objectives and acceptable risk. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long term in nature, periodically the asset mix may fall outside the target or range. Dollar-cost-averaging, portfolio transition or other cases where staff determines deviation from the target or range is in the best interest of the Fund are permitted exceptions.

	<u>Target Allocation</u>	<u>Acceptable Range</u>
US Equity	70%	55% - 85%
International Equity	20%	10% - 30%
Total Equity	90%	65% - 100%
Fixed Income	10%	0% - 20%

IV. Rebalancing

- A. Routine rebalancing of the Fund's asset class investments back to the target allocation shall be implemented as necessary from time to time by staff. The first tool used to achieve this rebalancing shall be regular cash flows. After that, investment liquidation shall be used. When market experience causes any asset allocation to move outside its target range, as specified above, staff will take necessary action to rebalance the allocation to within its stated range on a quarterly or other reasonable timeframe.

V. Investment Performance Review and Evaluation

- A. Staff will perform ongoing investment performance and asset allocation review and evaluation using monthly investment manager statements. Monthly investment manager statements will be provided to the City Accounting Division. Annual Reports will be created by staff, and distributed to the Evergreen Cemetery staff at the City Parks Division.