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*City of Gainesville*
*General Employees' Pension Plan*

*Statement of Investment Policy*

**Approved October 3, 2013**

# City of Gainesville General Employees' Pension Plan

## Statement of Investment Policy

I. Scope

A. The City of Gainesville General Employees' Pension Plan ("Plan" or "Fund") is a defined benefit pension plan providing retirement benefits to eligible employees of the city of Gainesville, Florida. The City of Gainesville City Commission acts as the Board of Trustees of the Gainesville General Employees' Pension Plan ("Board" or "Trustees"), and is responsible for implementing and ensuring adherence to Plan provisions as well as the investment and administration of the Plan's assets.

B. It is the intent of the Board in adopting this Policy to state the objectives, goals, guidelines and a philosophy concerning the investment of Plan assets so that the desired investment results shall be achieved. It is the Board's intention that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practical. However, the policies stated herein are not to be deviated from by any responsible party.

II. Investment Objectives

A. The primary investment objective of the Plan is to ensure over the long-term life of the Plan, an adequate level of assets are available to fund the benefits guaranteed to City employees and their beneficiaries at the time they are payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of risk.

B. A secondary objective is to earn total rate of return after expenses that equals or exceeds the actuarial investment return assumption. The Trustees, with help from the actuary and investment consultant, will use the Fund's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, the main investment focus of the Trustees towards the Total Fund and each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

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

1. Long-Term Growth of Capital - In the absence of contributions and withdrawals, the asset value of the Fund should grow in the long run and earn rates of return greater than those of its Policy Index while avoiding excessive risk.

2. Preservation of Purchasing Power - Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) in order to preserve purchasing power.

3. Maintain sufficient funding for unexpected developments, possible future benefit increases and reduction of expected investment returns.

III. Performance Measurement

The Board has established the following investment goals by which to measure performance:

A. Total Fund: 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 5.25% (5.25% real rate of return).

2. Meets or exceeds the return of an appropriate Policy Index, such index being constructed as follows:

- 47% Russell 3000 Index
- 28% MSCI ACWI – ex US
- 8% Bloomberg Barclays US Aggregate~~Multiverse~~
- 12% NCREIF Fund ODCE Index
- 5% Strategy Index*. ~~5% Alerian MLP Index~~

* The strategy index for an alternative investment is defined as the most appropriate index, combination of indices, or absolute return target for the investment(s) in question.

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.

B. Investment Managers:

1. It is expected that each active investment manager shall achieve an annualized total rate of return, net of fees, over a market cycle (generally 3-5 years) which meets or exceeds a broad market benchmark and ranks above median in a manager style peer performance sample. The broad market benchmarks are shown in each investment manager's investment instructions attached as Addenda to this Policy.

2. It is expected that each passive investment manager shall achieve an annualized total rate of return, net of fees, that matches the underlying market benchmark with a minimal amount of tracking error.

3. Within market cycles, the Trustees recognize that various management styles within the broad equity and fixed income markets move in and out of favor. Therefore, short-term examination of each manager's performance shall focus on style adherence, style peer comparisons, and style benchmarks.

IV. Investment and Fiduciary Standards

A. The Fund shall be managed at all times in accordance with Florida statutes, Gainesville City ordinances and any other applicable law, and in compliance with fiduciary standards set forth in the Employees Retirement Income Security Act of 1974 at 29 U.S.C. Section 1140(a)(1)(A)(C).

B. Specifically, the Trustees and all other fiduciaries shall: (1) discharge their duties with respect to the Plan solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and beneficiaries, and defraying reasonable expenses of administering the Plan; (2) act with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; (3) diversify Plan investments so as to minimize risk of large losses, unless under the circumstances it is clearly prudent not to do so. In the event of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

V. Authorized Investments

A. The attached Investment Guidelines (Attachment A) lists investments authorized by the Board. (Investments not listed are prohibited). If at the time of adoption of this policy 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.

VI. Maturity and Liquidity Requirement

A. The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board has attempted to match investment maturities with known cash needs and anticipated cash-flow requirements. It is the intent of the plan to generally be fully invested.

VII. Portfolio Composition

A. The attached Investment Guidelines (Attachment A) establish guidelines for investments and limitations on security issues, issuers, maturities, etc. Such guidelines are commensurate with the nature and size of assets within the Board's control.

VIII. Risk and Diversification

A. The Investment Guidelines (Attachment A) provide for appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through 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-term variability has been considered. However, the Plan's financial condition enables the Board to adopt a long-term investment time horizon. Periodic review of the Investment Guidelines and asset liability studies will be conducted as deemed necessary by the Board to ensure adequate diversification.

IX. Expected Annual Rate of Return

A. For each actuarial valuation, the Board, with the assistance of the investment consultant, staff and actuary shall determine the total expected annual rate of return for the current year, for the next several years and for the long term thereafter.

B. Such analysis shall be based upon the consultant's then current capital market assumptions for expected return, standard deviation and correlation between asset classes. Such analysis shall also include the probable range of returns for the various time periods. This expected return determination shall be promptly filed with the Florida Division of Retirement, the City of Gainesville (the Plan's sponsor), and the consulting actuary.

X. Third Party Custodial Agreements

A. The attached Internal Controls Document (Attachment B) outlines appropriate arrangements for the custody and safekeeping of Plan assets.

XI. Master Repurchase Agreement

A. All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

XII. Bid Requirement

A. When feasible and appropriate, 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. Except as otherwise required by law, the most economically advantageous bid must be selected.

XIII. Internal Controls

A. The Board has established Internal Controls (Attachment B) attached to this Policy, which are part of the Board's operating procedures. These Internal Controls shall be reviewed by the Plan's independent certified public accountants as part of any financial audit periodically required of the Plan.

XIV. Continuing Education

A. All Board Members as well as Staff Members with investment-related responsibility are encouraged and expected to attend continuing education seminars concerning matters related to investments and fiduciary responsibility.

XV. Reporting

A. The Board shall submit an annual report to the City of Gainesville. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

XVI. Filing of Investment Policy

A. Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Division of Retirement and the actuary. The effective date of this Policy, and any amendment hereto, shall be the 31st calendar day following the filing date with the Florida Division of Retirement.

XVII. Valuation of Illiquid Investments

A. Unless specifically approved by the Board, illiquid investments or assets for which a generally recognized market value is not available or for which there is no consistent or generally accepted pricing mechanism are prohibited. In addition, for each actuarial valuation, the Board shall verify the fair market value determination for all such assets and ascertain that the determination complies with all state and federal requirements. Finally, the Board shall disclose to the Florida Division of Retirement each such investment for which the fair market value is not provided.

## Attachment A

**Investment Guidelines**

I. The Trustees recognize that 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 Plan the opportunity to achieve satisfactory long-term results.

II. Types of Assets: The following lists the investments currently authorized by the Board; investments not so listed are prohibited. All assets selected for the portfolio must have an acceptably attainable market value, and acceptable marketability.

A. Domestic Equities:

1. Common Stocks
2. Stock Index Futures
3. Preferred Stocks
4. Convertible Securities
5. American Depository Receipts
6. REITS
7. Limited Liability Companies (LLCs)
8. Master Limited Partnerships (MLPs)
9. Exchange Traded Funds (ETFs)

B. Non-U.S. Equities:

1. Investments in Non-U.S. Equities shall be restricted to Managers specifically hired to invest in Non-U.S. Equities.

2. Common Stocks and Preferred Stocks of foreign issuers domiciled in developed countries and developing countries (emerging markets)

3. Forward foreign currency exchange contracts for hedging purposes

4. American and Global Depository Receipts and similar securities

5. Exchange Traded Funds (ETFs)

C. Domestic Fixed Income:

1. U.S. Treasury and Agency Securities

2. Commercial Paper

3. Certificates of Deposit

4. Corporate Bonds

5. Mortgage Backed Securities

6. Asset Backed Securities

7. Yankees

8. Convertible Securities

9. Money Market or Cash Equivalent Securities

D. Non-U.S. Fixed Income:

1. Sovereign issued debt

2. Corporate bonds and commercial paper

E. Cash Equivalents

1. Certificates of deposit

2. Commercial paper

3. Direct obligations of the U.S. government

4. Repurchase agreements

5. Bankers acceptances

6. Custodian STIFs

7. Other appropriate liquid short-term instruments.

F. Real Estate and Alternative Assets:

1. If the use of real estate or alternative assets such as private equity, venture capital or hedge funds is specifically permitted by the Board, detailed investment guidelines for each investment shall be adopted by the Board for each investment and contained in investment manager Instructions attached as addenda to this Policy.

G. Pooled or Commingled Funds:

1. The Fund may invest in commingled vehicles such as mutual funds, Exchange Traded Funds, LLCs or common trust funds that are invested in substantially the same manner and same investments as stated above. 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 the manager for the Board. In such events, the investment consultant shall advise the Board whether such differences are reasonable and whether the Fund's adoption of the conflicting provision is recommended. The investment manager shall immediately notify the Board should investment guidelines in the prospectus or trust document change.

III. 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.

IV. Asset Allocation

A. Based on its determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Board shall establish an asset allocation based on the latest asset/liability study conducted by the investment consultant.

B. The Trustees believe that the level of risk assumed in the Fund is a function, in large part, of the Fund’s asset allocation. The proportion of assets allocated for equity investments is the most important determinant of volatility for future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return.

C. The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board has attempted to match investment maturities with known cash needs and anticipated cash-flow requirements.

D. 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.

E. Based on their determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Trustees, along with the investment consultant and actuary, have established the asset-mix guidelines for the Fund as contained in Attachment C.

F. 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 the most recent asset-liability study performed by the investment consultant and as adopted by the Board. 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 the Board determines deviation from the target or range is in the best interest of the Plan are permitted exceptions. This in no way should be considered tactical asset allocation or market timing and is not viewed as such by the Board.

G. The Trustees, in conjunction with their investment consultant and actuary, are responsible for broad asset allocation decisions. A manager's cash holdings can disrupt this position. Therefore, each manager's portfolio is to be fully invested (cash level of 10% or less) at all times, although cash can be held briefly when a security is sold prior to deciding which new security should be purchased. Prior to a manager holding more than 10% in cash, written approval must be received from Staff. The only exception to this will be when cash is used as part of a "barbell" strategy of a fixed income manager. This exception is consistent with the Trustees' decision to have managers avoid market-timing decisions stated above.

V. Rebalancing

A. Until such time as the Trustees change the broad asset class targets and permitted ranges, a routine rebalancing of the various portfolios back to the target allocation shall be implemented as necessary from time to time by the Plan's Administrator. The first tool used to achieve this rebalancing shall be regular cash flows. After that, manager cash and portfolio liquidation shall be used. When market experience causes any portfolio allocation to move outside its target range, as specified in Attachment C on a quarterly basis, pension staff will take necessary action to rebalance the allocation to within its stated range. Priority of rebalancing shall be asset class before style or individual manager.

VI. Investment Limitations

A. Equity Investments

1. Diversification: The equity portfolio should be well-diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

2. Quality and Marketability: Equity investments should emphasize high quality, income-producing companies with acceptable liquidity given the type of portfolio.

3. Concentration:

a. Exposure to any individual issue shall not exceed 5% at cost or 7% of the portfolio at market value.

b. Exposure to any economic sector shall not exceed the greater of 30% of the portfolio at market value or two times that of the underlying index, by which the manager is measured, for any given equity portfolio.

B. Fixed Income Investments

1. Quality: Unless expressly permitted by the Board, fixed income securities shall be limited to those with an S & P/ Moody's / Fitch rating of investment grade (BBB/Baa) or better. Investment managers shall be required to divest of any fixed income securities that are downgraded below investment grade. If downgraded below investment grade the manager shall present a plan for an orderly divestment.

2. Concentration by Issuer:

a. No limitations are placed on investments in U.S. Government guaranteed obligations (including fully guaranteed Federal agencies).

b. Investments in any one issuer (excluding obligations of the U.S. Government either direct or implied) shall not exceed 5% of any fixed income portfolio based on market value.

3. Non U.S. Dollar issues: Must be expressly permitted by the Board.

4. Portfolio Duration: Unless expressly permitted by the Board, the effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the broad market benchmark by which the manager is measured.

5. Use of Derivative Securities: The primary characteristics of fixed income securities in the portfolio shall be the stability of principal and income generation. The advent of securities created by Wall Street, which are classified as fixed income, warrant further definition for their use by managers of the Gainesville Employees' Pension Plan. The purpose of these restrictions is to avoid those holdings, which might produce "non-market" risks to the fund. In addition to all other guidelines outlined in this document, the following apply:

   a. No use of leverage in the portfolio;

   b. No use of "linked" securities that have the principal value or interest rate tied to anything not specifically allowed as permissible investments in these guidelines;

   c. Any structured note must maintain a constant spread relationship with its underlying acceptable index; and

   d. Collateralized mortgage obligations cannot be more sensitive to interest-rate changes than the underlying mortgage-backed security.

C. Short-term Investments

1. The money market fund or STIF provided by the Plan's custodian

2. Direct obligations of the U.S. Government with a maturity of one year or less

3. Commercial Paper rated at least A1/P1 by Standard & Poor's/Moody's with a maturity of 270 days or less. Exposure to any single issuer shall not exceed 5% of the market value.

4. Bankers Acceptances issued by the largest 50 banks in the U.S. (measured by total assets).

D. Master Limited Partnerships (MLPs):

1. Diversification: Unless expressly permitted by the Board, MLP portfolios shall be comprised primarily of investments in domestic midstream or energy infrastructure, MLPs publicly traded on U.S. equity exchanges, including domestic energy-related exchange traded funds (ETFs).

2. Both active and passive management approaches are permissible.

3. Primary emphasis is to be placed on relative rates of return over a market cycle (usually 3-5 years). The MLP portfolio is expected to exceed the Alerian MLP Index by 2% net of fees over a market cycle.

4. Unless expressly permitted by the Board, the use of leverage, short selling, and the use of options, futures or swaps is not permitted

5. In the event an Investment Manager owns a firm-wide basis greater than 5% of all the outstanding voting shares of any MLP which the Investment Manager holds in the System's portfolio, the Investment Manager will notify the Board of such level of ownership and continue to keep the Board informed as to the level of ownership as part of its regular quarterly reporting process.

## VII. Securities Lending Guidelines

A. The Fund may engage in the lending of securities subject to the following guidelines:

1. Collateral on loans is set at 102% of the market value of the security plus accrued interest.

2. Securities of the System are not released until the custodian bank receives payment for the book entry withdrawal of the loaned security.

3. Eligible securities may include the lending of all U.S. Treasury and other government guaranteed securities, corporate or municipal securities, and common stock.

## VIII. Total Fund Hedging Strategies

1. The Fund may utilize futures to manage equity and interest rate exposure at the Total Fund. Futures may be utilized both directly and through an outside manager, but only to the extent that the aggregate risk of the Fund is not increased beyond that which would be allowed by the Investment Policy without using these instruments.

2. Futures may be used to achieve exposures in a more efficient or timely manner than could otherwise be achieved through allocations to external managers. Under no circumstances are derivatives to be used for speculative purposes.

3. A portfolio hedging strategy utilizing futures will not be implemented unless approved in advance by the Pension Review Committee.

4. All futures positions will be reported to the Pension Review Committee on a monthly basis.

**Attachment B**

**Internal Controls**

I. Responsibilities of the Trustees and Pension Review Committee

A. The primary responsibilities of the Board of Trustees are:

1. As a primary objective, to ensure that sufficient assets are available to provide benefits promised to the Plan's participants and beneficiaries at the time they are payable;

2. As a secondary objective, to achieve an optimum level of return within specified risk tolerances; and

3. To accomplish 1 and 2 above effectively and prudently, in full compliance with all applicable laws and regulations.

B. The specific responsibilities of the Trustees in the investment process include, but are not limited to the following:

1. Complying with Florida statutes, City of Gainesville ordinances and fiduciary standards set forth in ERISA.

2. Determining the Fund's projected financial needs and communicating such to the Plan's actuary, investment consultant, investment managers and other service providers as necessary.

3. Expressing the collective risk tolerance of the Board, primarily through the Fund's asset allocation, and establishing the Fund's asset allocation (defined as determining an appropriate mix of the Fund's assets between asset classes and styles) in a manner to achieve the Fund's goals and objectives without excessive risk.

4. Developing sound and consistent investment policy guidelines, which the investment managers can use in formulating corresponding investment decisions.

5. Establishing realistic investment goals and objectives as well as reasonable investment policies and limitations.

6. Selecting qualified investment managers, actuaries, investment consultants, custodians and other service providers.

7. Maintaining all records dealing with the Plan and its assets and the investment of those assets.

8. Monitoring and evaluating performance results to assure compliance with policy investment guidelines and that objectives are being met.

9. Taking appropriate action to replace investment managers or other service providers as the Board determines is necessary or in the best interests of the Fund.

10. Undertaking such work, studies and education as may be necessary, including attending continuing education seminars concerning matters related to investments and responsibilities of Board members.

C. The Pension Review Committee (PRC) shall fill an advisory capacity to the Board in regards to investment oversight of the plan.

D. The Board is authorized to delegate certain responsibilities to qualified service providers to assist in it properly meeting its fiduciary duties and responsibilities outlined above. The Board has appointed investment managers, an investment consultant, custodian(s) and actuary to perform various functions. These service providers shall have the specific duties and responsibilities assigned to them as outlined below.

E. The attached investment policy objectives, goals and guidelines represent the current consensus of the Trustees' philosophy regarding the investment of the Fund's assets. The Statement of Investment Policy should be reviewed at least annually and possibly revised from time to time to ensure that the Statement continues to reflect the Trustees' attitudes, expectations and objectives.

II. <u>Responsibilities of the Investment Managers</u>

Each investment manager shall adhere to the requirements of this Policy as well as a set of individual investment manager instructions, contained in an addendum to this Policy. Such addenda will contain the manager's performance benchmark by which it is measured, and any necessary exceptions to this Policy that the PRC determines prudent. Each investment manager's responsibilities shall include, but not necessarily limited to the following:

A. Adherence to Statement of Investment Policy:

1. The investment managers shall respect and observe the specific limitations, guidelines, attitudes, and philosophies expressed herein, or as expressed in any written addenda to this policy.

2. The investment managers' acceptance of the responsibility to manage assets of the Fund will constitute an acceptance of this Policy,

affirming the belief that they are realistically capable of achieving the Fund's objectives within the guidelines and limitations stated herein.

B. Discretionary Authority:

1. The investment managers will be responsible for making all investment decisions on a fully discretionary basis regarding all assets placed under its control and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the investment manager's current investment strategy and compatible with the Fund's investment guidelines.

2. The investment managers will construct and manage investment portfolios consistent with the investment philosophy, style and discipline for which they were retained. They will also execute trades and allocate brokerage commissions according to this Policy and any applicable Addenda.

C. Communication:

1. Investment managers will keep the Trustees informed on a timely basis of: major changes in their investment outlook, investment strategy, asset allocation; tactical approaches; all legal, SEC and other proceedings affecting the firm; significant changes in the ownership, organizational structure, financial condition, or professional staffing of the Investment Management firm or investment product utilized; and other matters affecting their investment policies or philosophy.

2. Whenever investment managers believe that any particular guideline should be altered or deleted, it will be the investment manager's responsibility to initiate written communications with the Trustees expressing its views and recommendations.

3. Investment managers will meet with the Board at least annually, review past investment performance and performance attribution, evaluate the current investment outlook, and discuss portfolio structure and any inherent tactics (for example the significant over/under weighting of an economic sector relative to a market benchmark) in the portfolio as well as overall investment strategy with Trustees.

D. Reporting:

1. Each manager shall provide the Board with timely notices of transaction activities as may be required as well as quarterly performance reports and commission summaries and annual reports on proxy voting.

2. In addition, any information needed to assist the Trustees in conducting their evaluation of the investment manager's performance as it relates to Fund assets will be presented on a timely basis.

E. Proxy Voting:

1. The Trustees, as a part of their duties and responsibilities, shall have the right to vote any and all proxies solicited in connection with securities held by the Fund, but hereby delegate to the investment manager the responsibility to vote any and all proxies. The Trustees and/or the investment manager, as applicable, have the responsibility to vote solely in the interest of the Fund participants and to protect the value of the securities within the Fund. The investment managers shall keep accurate records with respect to their voting of proxies. Investment managers shall forward to the Board on an annual basis a summarization of all proxy voting where votes were cast against management along with the manager's supporting rationale.

F. Compliance with Appropriate State and Federal Law:

1. The investment managers are responsible for strict compliance with the provisions of the Florida statutes and all other applicable state and federal laws, rules and regulations, including ERISA as adopted by this policy, as they pertain to investment manager's duties and responsibilities as a fiduciary.

2. The investment managers shall acknowledge in writing their recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation with regard to Fund assets.

G. Investment Transactions:

1. All transactions shall be completed on a best price, best execution basis.

2. Understanding that the investment managers, as fiduciaries, have the responsibility to execute every transaction in the best interests of the Fund and its participants, the Trustees reserve the right to direct brokerage to firms which provide beneficial services directly to the Fund, recognizing that the cost of such services would otherwise have to be paid in hard dollars from the Fund. Commission discounts, therefore, will be competitively negotiated with this cost in mind to arrive at "best price" basis. The emphasis, however, shall be on "best price, best execution" in all cases, i.e., the highest proceeds to the Fund and the lowest cost, net of all transaction expenses.

3. Also, the trustees may adopt an alternative approach whereby target average annual commission costs are established for the various equity portfolios.

III. Responsibilities of Trustee or Custodian

A. The Fund shall retain one or more trust companies or banks to act as trustee or custodian for the Fund's assets. The duties and responsibilities of each such trustee/custodian with respect to the Fund's assets it holds shall include, but not be limited to the following:

1. Safekeeping of Fund assets under trust or custodial arrangement;

2. Except to the extent delegated to the investment managers, perform and exercise such rights, privileges, duties and responsibilities possessed by any owner of bonds, other debt securities or equity securities;

3. Provide the Board and its investment consultant and managers a monthly valuation, transaction listing and accounting of Fund assets.

4. Settle all purchases and sales of securities and other related transactions by investment managers employed by the Fund;

5. Sweep all Fund accounts daily into a cash management account to ensure no Fund assets are left uninvested;

6. Make available and return all securities eligible to participate and loaned through the securities lending agent employed by the Fund;

7. Manage all uninvested cash and cash awaiting disbursement to the Fund's managers in a liquid, safe, interest-bearing instrument;

8. Provide all other usual and customary custodial or trust services not specifically listed above necessary for the efficient investment, custody and administration of Fund assets; and

9. Ensure that: all securities purchased by and all collateral obtained by the Plan be properly designated as an asset of the Plan; no withdrawal of assets are made without proper Board authorization; securities transactions between a broker-dealer and custodian are made on a "delivery vs. payment" basis.

IV. Responsibilities of the Investment Consultant

A. The primary duty of the investment consultant is to work with the Board and PRC, supporting the Board's management of the investment process. This includes meeting regularly with the Board and PRC to provide information, perspective and evaluation as to the Fund's goals, objectives, investment structure and investment managers that encompass the development, implementation and monitoring of a properly diversified investment portfolio.

B. Specific duties of the investment consultant include, but are not limited to, the following:

1. Make recommendations to the Board or PRC of appropriate actions that will, over time, enhance the probability of achieving the Plan's objectives, such as use of various asset classes, implementation of investment strategy, changes in policy or managers or other service providers.

2. Assist the Board in developing an appropriate asset allocation through the use of regular studies that employ analysis of both the assets and liabilities of the Fund.

3. Provide on a quarterly basis, comprehensive evaluation of the investment results of the total Fund and individual investment managers, in light of the investment guidelines and performance standards contained in this policy, and any addenda.

4. Notify the Board of changes in the personnel, ownership, investment process or style of the managers serving the Fund, as the changes become know, and present a course of corrective action when necessary.

5. Provide ad hoc investment research and other support as necessary to support the Board's educational and informational needs.

6. Assist the Board in screening and selecting investment managers or other service providers.

V. Responsibilities of the Actuary

A. The Board's designated actuary shall have the following responsibilities:

1. Prepare an annual valuation of all the Fund's assets and liabilities. Such valuation shall be provided to the Board to determine the financial condition of the Fund and determine the necessary annual contribution.

2. Recommend to the Board adoption of certain assumptions including those concerning contribution rates, discount rates, death, disability, withdrawal, retirement and investment return.

3. Conduct, as requested by the Board, a study of the actual assumptions adopted by the Board and the actual Fund experience to determine the appropriateness of such assumptions.

4. Assist the investment consultant in the preparation of all asset-liability studies, specifically the analysis of the Fund's liabilities and Plan provisions.

5. Provide guidance and perspective regarding actuarial studies, valuations and all things of an actuarial nature as may be required by the Board.

VI. Investment Performance Review and Evaluation

A. Performance results for the investment managers shall be measured on at least a quarterly basis.

B. Total Fund performance will be measured on at least a quarterly basis. Performance benchmarks shall include those stated in the Investment Goals section above as well as comparisons to other public pension funds with similar market value and asset allocation.

C. The investment performance of the investment managers' portfolios will be measured as previously stated in this policy and any applicable manager addendums to this policy.

D. Investment performance will be compared using a statistically valid universe provided by the investment consultant as authorized by the Trustees.

E. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement.

F. While the Trustees intend to fairly evaluate the portfolio performance, they reserve the right to change investment managers without liability except payment of current charges for any reason, which in the exercise of the Trustees' discretion is deemed sufficient including but not limited to those stated below:

1. Change of Trustees' investment philosophy;

2. Unacceptable justification for poor results;

3. Failure to meet stated performance goals;

4. Failure to meet Trustees' communication and reporting requirements;

5. Deviation from the stated investment philosophy or style of the investment management firm; or

6. Change of decision-making personnel or ownership of the investment management firm;

7. Violations of investment policies.

VII. Communications

A. Investment managers' Communications with the Fund:

1. Provide portfolio valuation and transaction listings on at least a quarterly basis.

2. Meet at least annually with the Trustees, or as requested by them.

3. Communicate as necessary regarding all other issues.

B. Trustee Communication with Investment Managers:

1. On a timely basis, the Trustees will provide the investment managers with changes to the Statement of Investment Policy.

2. Meet regularly with the investment managers to:

a. Review and discuss any modifications and changes to the Fund's investment objectives, goals and guidelines;

b. Identify any significant anticipated changes in the Fund's cash flow or plan circumstances; and

c. Any other matters which may bear upon the Fund's assets.

C. Miscellaneous Provisions

1. Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Division of Retirement and the Boards Actuary.

Attachment C

Asset Allocations

| Asset Class | Long-Term Target Allocation (Based on Market Value) | | Permitted Range (Based on Market Value) |
|---|---|---|---|
| **Domestic Equity** | 47% | | 35% - 60% |
| Large Cap Equity | 30% | | 15% - 40% |
| Large Cap Value | | 15% | 5% - 25% |
| Large Cap Growth | | 15% | 5% - 25% |
| Non-Large Cap Equity | 17% | | 10% - 25% |
| Non-Large Cap Value | | 8% | 2% - 15% |
| Non-Large Cap Growth | | 9% | 2% - 15% |
| **International Developed Equity** | 23% | | 15% - 40% |
| International Value | | 14% | 5% - 20% |
| International Growth | | 9% | 5% - 20% |
| **International Emerging Equity** | 5% | | 0% - 10% |
| **Total Equity** | 75% | | 60% - 80% |
| **Real Estate** | 12% | | 0% - 15% |
| **Master Limited Partnerships** | 5% | | 0% - 10% |
| **Global Fixed Income** | 8% | | 0% - 20% |

| **Asset Class** | **Target*** | **Range*** | **Benchmark Index** |
|---|---|---|---|
| Domestic Large Value Equity | 15% | 5% - 25% | Russell 1000V |
| Domestic Large Growth Equity | 15% | 5% - 25% | Russell 1000G |
| Domestic Non-Large Cap Value | 8% | 2% - 15% | Russell 2000V |
| Domestic Non-Large Cap Growth | 9% | 2% - 15% | Russell Mid Cap Growth |
| ***Total Domestic Equity*** | ***47%*** | ***35% - 60%*** | ***Russell 3000*** |
| International Developed Value Equity | 14% | 5% - 20% | MSCI EAFE Value |
| International Developed Growth Equity | 9% | 5% - 20% | MSCI EAFE Growth |
| **Total Developed International** | **23%** | **15% - 40%** | **MSCI EAFE** |

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|---|---|---|---|
| **Equity** | | | |
| Emerging Market Equity | 5% | 0% - 10% | MSCI Emerging Markets Equity |
| ***Total International Equity*** | ***28%*** | ***15% - 45%*** | ***MSCI ACWI x US*** |
| ***Total Equity*** | ***75%*** | ***60% - 80%*** | |
| Domestic Fixed Income | 8% | 0% - 20% | B. Barclays Aggregate Bond |
| ***Total Fixed Income*** | ***8%*** | ***0% - 20%*** | ***B. Barclays Aggregate Bond*** |
| Real Estate[1] | 12% | 0% - 15% | NCREIF ODCE Eq. Wt. |
| Alternative Investments[1] | 5% | 0% - 10% | Strategy Index[2] |
| ***Total Real Estate & Alternatives*** | ***17%*** | ***0% - 25%*** | |
| Cash & Equivalents* | 0% | 0% - 10% | 90 Day U.S. T-Bill |

1. Absent of a full allocation to these segments, the “real estate” benchmark will default to “domestic fixed income” and the “alternative investments” benchmark will default to “domestic equity” with the corresponding +/-5% allowable range around the adjusted targets for both asset groups.
2. The “strategy index” for alternative investments is defined as the most appropriate index, combination of indices, or absolute return target for the investment(s) in question.

*Targets and ranges above are based on market value of total Plan assets.

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