

# **Ocala Police Officers' Pension Fund**

## **STATEMENT OF INVESTMENT POLICY GOALS AND GUIDELINES**

**Adopted: May 16, 2000**

### **PURPOSE**

The purpose of the Ocala Police Officers' 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 Ocala Police Officers' Pension Trust 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 investment objective of the Ocala Police Officers' Pension Trust Fund is to preserve the purchasing power of Fund 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. When deemed appropriate, the Board of Trustees may also invest Plan assets in mutual funds.

## **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 Trustees acknowledge that ERISA does not apply to the 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 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 or strategy. Each investment manager is expected to meet with the Trustees or their designated representatives periodically to review investment performance and philosophy.

Unless otherwise provided by the Fund 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 Ocala Police Officers' 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 total Ocala Police Officers' 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 Ocala Police Officers' Pension Fund is defined as a 50% investment in the S&P 500 Stock Index, a 10% investment in the MSCI Europe, Australasia and Far East Stock Index and a 40% investment in the Merrill Lynch Government/Corporate Bond Index.

In addition, it is expected that the rate of return earned by the Fund will rank above average when compared to a representative universe of other, similarly managed portfolios.

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

### INVESTMENT GUIDELINES

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 apply to the total Fund.

#### EQUITY SECURITIES:

- 1) Investments in equity securities shall not exceed 70% of the market value of the total Fund portfolio.
- 2) All equity investments shall be limited to fully and easily negotiable equity securities.
- 3) Investments in stocks issued by companies domiciled outside of the United States are limited to no more than 10% of the total portfolio value (at cost).
- 4) No more than 5% (at cost) may be invested in the shares of a single corporate issuer.

#### FIXED INCOME SECURITIES:

- 1) Investments in all corporate fixed income securities shall be limited to those securities rated "A" or higher by Moody's or Standard & Poors rating services. Fixed income securities which are downgraded below the minimum rating 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 mortgage securities issued or guaranteed by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA); or that are rated "Aaa" by Moody's or "AAA" by Standard & Poor's rating services.
  - 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) Investments in fixed income securities issued by foreign governments or corporations domiciled outside the United States are prohibited.
- 5) 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 Moody's.
  - 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 Trustees intend 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 16 day of MAY, 2000.

Dale Adams, Chairman  
BOARD OF TRUSTEES  
Ocala Police Officers' Pension Fund

5-16-00  
Date

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# Ocala Police Pension Fund

## ADDENDUM TO THE STATEMENT OF INVESTMENT POLICY

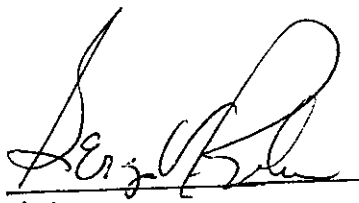
This Addendum is a part of the Plan's Statement of Investment Policy and is intended only to complement the objectives and guidelines outlined therein. The Board of Trustees has adopted this addendum to ensure compliance with Senate Bill 372. Although many of the requirements of SB372 are addressed in the Board's existing Statement of Investment Policy, this addendum addresses all seventeen items of the bill.

1. **SCOPE:** The investment policy applies to those funds under control of the Board.
2. **INVESTMENT OBJECTIVES:** The investment policy describes the investment objectives of the Board.
3. **PERFORMANCE MEASUREMENT:** The investment policy specifies performance measures as are appropriate for the nature and size of the assets within the Board's custody.
4. **INVESTMENT AND FIDUCIARY STANDARDS:** In performing its investment duties, the Board and its investment managers shall comply with the fiduciary standards set forth in ERISA (Employee Retirement Income Security Act of 1974, as amended (29 USC 1104)).
5. **AUTHORIZED INVESTMENTS:** (a) The Board of Trustees recognizes those assets listed in its local ordinance as authorized investments. Investments not so listed are prohibited. Unless otherwise authorized by law or ordinance investments of the assets of any local retirement system or plan shall be subject to the limitations and conditions set forth in certain subsections of Section 215.47, Florida Statutes, the provisions applicable to the State Board of Administration for investment of assets of the Florida Retirement System. (b) If on October 1, 2000 investments exceed the applicable limit or do not satisfy the applicable investment standard, such excess or non-compliant investment may be continued until it is economically feasible to dispose of such investment, but no additional investment may be made unless authorized by law or ordinance.
6. **MATURITY AND LIQUIDITY REQUIREMENTS:** The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.
7. **PORTFOLIO COMPOSITION:** The investment policy establishes guidelines for investments and limits on security issues, issuers and maturities. These guidelines are commensurate with the nature and size of the funds within the custody of the board.

16. FILING OF INVESTMENT POLICY: The investment policy is to be promptly filed with the Department of Management Services, plan sponsor and consulting actuary. The effective date of the Investment policy and any amendment thereto shall be the 31st calendar day following the filing date with the plan sponsor.

17. VALUATION OF ILLIQUID INVESTMENTS: The Board defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Board shall develop the methodology for valuation as set forth in the criteria in Section 215.47(6), Florida Statutes (the SBA/FRS methodology for valuation).

Adopted on this 2<sup>nd</sup> day of FEBRUARY, 2000.



Chairman  
Ocala Police Pension Fund