

**CITY OF FORT LAUDERDALE  
GENERAL EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

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**CITY OF FORT LAUDERDALE  
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STATEMENT OF INVESTMENT POLICY**

**I. SCOPE OF THE POLICY**

- A. The Board of Trustees (Board) of the General Employees' Retirement System (Plan) has adopted these guidelines for the Investment of the Plan's assets to be administered in accordance with applicable Florida State Statutes and City Ordinances. To that end, this Policy is intended to set forth the procedures of investment objectives and parameters for the management of those assets in a manner designed to fulfill the requirements of the Board's fiduciary responsibilities.
- B. The Board recognizes their responsibility for the investment of the Plan's assets. To discharge this function, the Board is authorized by law to retain the services of Investment Managers who possess the necessary skilled personnel and facilities to provide the expertise with respect to the investment of Plan funds entrusted to them.
- C. This Policy will be reviewed no less frequently than annually by the Board and will be revised from time to time according to the Board's investment philosophy.

**II. INVESTMENT OBJECTIVES**

- A. The objective of this policy is to invest the assets of the fund, either directly or through investment managers, in order to provide ongoing pension benefits to Plan members and their beneficiaries.
- B. The goal is to maximize the funds' total rate of return through capital appreciation and income while limiting the amount of risk exposure to the fund. The methodology to determine the Plan's risk/return characteristics is through a diversification of investments across various asset classes detailed in Section V.
- C. An additional objective is to keep losses at a minimum due to erosion of market value or from security defaults. To that end, investment managers will trade securities from time to time to improve yield, maturity, quality, credit risk, and total return potential.

- D. The financial objective is to achieve the actuarial assumed rate of return over a market cycle along with an annualized total return that exceeds the rate of inflation measured by the Consumer Price Index (CPI).

### **III. PERFORMANCE MEASUREMENT**

- A. The Board shall adopt Measures of Investment Performance of the Plan's assets to be evaluated on a quarterly basis. The Board shall retain the services of an independent Investment Consultant to assist in monitoring the investment performance of the individual Investment Managers. Such performance is measured currently and historically to determine:

1. If the Manager has performed according to these Policy guidelines.
2. If the Manager has performed in the style or investment philosophy for which that firm was hired.
3. How the Manager has performed in relation to the Measures of Investment Performance for their asset class.
4. How the Total Fund and each Manager has performed in relation to the returns generated by similarly managed funds.

- B. The Measures of Investment Performance of investment returns on the various asset categories are as follows:

1. The Plan's total fund will be compared to the CPI as an inflationary measure and the actuarial interest assumption as described in Section IX.
2. The Plan's fixed income portfolio will be compared to the Barclays Intermediate Aggregate Bond Index.
3. The Plan's domestic equity asset classes will be compared to the Standard and Poor's 500 Index, the Russell 1000 Growth Index, the Russell 1000 Value Index, the Russell 2000 Growth Index, the Russell 2500 Growth Index, and the Russell 2500 Value Index as applicable to style.
4. The Plan's international portfolio will be compared to the Morgan Stanley Europe, Australasia, & Far East (EAFE) Index.

5. The Plan's emerging markets portfolio will be compared to the MSCI Index for Emerging Markets.
6. The Plan's equity real estate portfolio will be compared to the National Council of Real Estate Fiduciaries (NCREIF) Index.
7. The Plan's timber portfolio will be compared to the National Council of Real Estate Fiduciaries (NCREIF) Timberland Index.
8. The Plan's local real estate holdings will be originally valued at cost and then valued as appraised every two years.
9. The Plan's private equity holdings will be compared to the Cambridge Private Equity Index.

#### **IV. INVESTMENT AND FIDUCIARY STANDARDS**

- A. Plan assets will be invested in a manner consistent with the standards set forth in:
  1. The Employee Retirement Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)-(C).
  2. Chapter 112 and Chapter 518, Florida Statutes.
  3. Section 20, City of Fort Lauderdale Ordinances.
  4. In the event of conflict, within these provisions or any other provisions of law authorizing investments, the investment and fiduciary standards set forth in Chapter 112.661(4) and item 1 above shall control.
- B. The Board will adhere to the standard of the Prudent Person within the context of the overall management of the Plan's investment program. The Prudent Person standard is as follows:

"Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment."

- C. Any person or firm retained concerning the investment, monitoring, or advisement of the Plan's assets will be held to the higher standard of Prudent Expert. Such person or firm will exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

## **V. AUTHORIZED INVESTMENTS**

- A. Funds placed with Investment Managers are to be invested only in those authorized classes of investment as contained in this Policy. Investments should be made subject to the Plan's cash flow needs and such cash flows are subject to revision due to changes in the Plan's needs and market conditions.
- B. The authorized classes of investments for the Plan are as follows:
  - 1. Bonds, securities, and certificates of indebtedness of the United States government.
  - 2. Obligations guaranteed as to principal and interest by the United States government.
  - 3. Obligations guaranteed as to principal and interest by government-sponsored agencies of the United States government.
  - 4. The Florida Local Government Surplus Funds Trust Fund (SBA).
  - 5. Commercial Paper rated A-1 or P-1 by a nationally recognized rating service. If the Commercial Paper is backed by a Letter of Credit (LOC), the long-term debt of the LOC provider must be rated A or better by at least two nationally recognized rating services.
  - 6. Bankers Acceptances of United States banks or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, rated A-1 or P-1 by a nationally recognized rating service or Certificates of Deposit at said bank.
  - 7. Corporate bonds or notes, registered or unregistered under Rule 144A, issued by firms organized and operating within the United

States or by depository institutions licensed by the United States rated A by a nationally recognized rating service at the time of purchase. Rule 144A bonds or notes must include rights of registration. Any bond or note that falls below investment quality must be eliminated expeditiously unless the Board is notified for the reason or rationale to be held.

8. General Obligation and/or Revenue Bonds of state or local government taxable or tax-exempt debt rated A, for long term debt, by a nationally recognized rating service or rated MIG-2 or SP-2, for short term debt, by a nationally recognized rating service.
  9. Intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act provided in Section 163.01, Florida Statutes.
  10. Common and preferred stocks from domestic and foreign corporations including American Depository Receipts (ADRs).
  11. Commingled (including exchange traded funds (ETFs) and exchange traded notes (ETNs)) stock, bond or money market funds.
  12. Timber, real estate, real estate securities and private equity in accordance with the standards set forth in Fla. Stat. Sec. 112.661 (17), as same may be amended from time to time and Fla. Stat. Sec. 215.47 (6), as same may be amended from time to time.
- C. Investment Managers are encouraged to transact securities trades through the Plan's Commission Recapture Broker subject to the professional judgment of the Manager regarding best execution and commission costs.

## **VI. MATURITY AND LIQUIDATION REQUIREMENTS**

- A. The maximum maturity of bond and bond like investments purchased on behalf of the Plan will be as follows:
  1. The overall weighted average duration of principal return for the total fund will be less than 140% of the Barclays Intermediate Aggregate Bond Index.

- B. To service the pension payroll and administrative expenses of the Plan, sufficient liquidity will be maintained by the custodian bank in the amount of approximately \$3,500,000.00. The custodian bank will be regularly advised of the Plan's liquidity requirements.

The Board recognizes that the trust document or prospectus of commingled funds or mutual funds contain additional restrictions on those investments.

## VII. PORTFOLIO COMPOSITION

The Board has adopted the following long-term target asset mix for the Fund as follows:

<u>Asset Class</u>	<u>Sub-Categories</u>	<u>Target Allocation %</u>	<u>Minimum %</u>	<u>Maximum %</u>
Equities	Domestic Growth Style (Large, Mid & Small Cap)	20	15	25
	Domestic Value Style (Large, Mid & Small Cap)	20	15	25
	International (Non-Emerging Markets)	15	12	18
	International (Emerging Markets)	12	9	15
	<b>Total Equities</b>	<b>67</b>	<b>62</b>	<b>72</b>
Fixed Income	<b>Total Fixed Income</b>	<b>15</b>	<b>10</b>	<b>20</b>
Alternative Investments	Real Estate*	10	7	13
	Private Equity	5	0	8
	<b>Total Alternative Investments</b>	<b>15</b>	<b>7</b>	<b>20</b>
Cash	<b>Total Cash</b>	<b>3</b>	<b>0</b>	<b>5</b>
		<b>100%</b>		

\*Real Estate Funds, Timber Funds, Direct Real Estate purchases and/or Real Estate Securities. If the Board considers the direct purchase of real estate, it shall engage a Qualified Professional Asset Manager (QPAM) prior to any such purchase.

- A. The Board reserves the option to add additional asset classes within the portfolio from time to time. When an additional asset class is added, the Board will amend this Policy within a reasonable timeframe to reflect any changes to the figures contained in items 1 through 4 above.
- B. When the Plan's investments either exceed the applicable limit or do not satisfy the applicable investment standard, such excess or investment not in compliance with the policy may be continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit, unless authorized by law or ordinance.

## **VIII. RISK AND DIVERSIFICATION**

- A. The Board has adopted a strategy, described in Section VII, whereby the Plan's asset portfolio will be diversified to the extent practicable to control the risk of loss which might result from an over-concentration of investments in a specific security, maturity, issuer, dealer, or bank through which financial instruments are bought or sold.
- B. The following reporting requirements are imposed upon separate accounts for active equity and active fixed-income managers, unless otherwise agreed in writing between the Board and managing firm:
  - 1. If the managing firm has invested in the System's portfolio a position that also:
    - a. Across all the managing firm's portfolios for all clients totals more than 5% of the outstanding common shares of any company or
    - b. Across all the managing firm's portfolios for all clients totals more than 5% of the outstanding debt issuance of any one company or organization
    - c. Then they shall report such an occurrence to the System within 30 days of occurrence, and they shall report to System, on no less frequently than a quarterly basis, all positions satisfying above criteria.

2. No more than 10% of a bond manager's portfolio for GERS may be invested in the debt of any single entity except for the debt of the United States government or its agencies.

## **IX. EXPECTED ANNUAL RATE OF RETURN**

The Board has set the Plan's current expected rate of return at 7.5%, the short term expected rate of return at 7.5%, and long term expected rate of return to be at least the actuarial interest assumption rate of 7.5% along with an additional annualized return that exceeds the rate of inflation measured by the CPI.

## **X. THIRD-PARTY CUSTODIAL AGREEMENTS**

All securities will be held with the Custodial Bank (Bank) under a contractual agreement with the Board. All securities, purchased by and all collateral obtained by the Investment Managers and/or the Board are designated as assets of the Plan. No withdrawal of securities, or transfer of funds, in whole or in part, can be made from safekeeping except by authorization of the Board and written execution by any one of the following: the Board Chairman, Vice-Chairman, or the Plan Administrator. Securities transactions between a broker-dealer and the Bank involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the Bank will have the security or money, as appropriate, in hand at the conclusion of the transaction.

## **XI. BID REQUIREMENTS**

Each Investment Manager shall obtain competitive bids and offers on investment transactions to the fullest extent possible. Periodic reports will be made to the Board of investment firms conducting Plan business with the Fund's Investment Managers reflecting purchases, sales, or other activity.

## **XII. INTERNAL CONTROLS**

- A. The Plan Administrator will establish a system of internal controls and written operational procedures to be a part of the Plan's operational procedures to be reviewed annually by the Board. The internal controls should be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation, by third parties, or imprudent actions by employees. The written procedures should include reference to safekeeping, repurchase agreements, separation of transaction authority

from accounting and record keeping, wire transfer agreements, banking service contracts, collateral/depository agreements, and “delivery-vs.-payment” procedures. No person may engage in an investment transaction except as authorized under the terms of this policy.

- B. The Board shall establish an audit committee to conduct compliance with policies and procedures. Additionally, the Plan’s Actuary and Investment Consultant will perform annual system reviews.
- C. The Board shall establish a real estate committee to oversee the Plan’s local real estate holdings, and at the Board’s direction, act on their behalf for all matter pertaining to them.

### **XIII. CONTINUING EDUCATION**

Members of the Board and the Plan Administrator have the responsibility for continuing education programs in matters relating to Plan investments and Board responsibilities through the reading of appropriate materials and by attending appropriate local and national conferences and seminars from time to time as authorized and reimbursed for by the Board.

### **XIV. REPORTING**

The Board will annually make available information regarding the Plan’s investment portfolio, book and market value, and income earned, to the City’s Finance Department for inclusion in the City’s Comprehensive Annual Financial Report (CAFR).

### **XV. FILING OF INVESTMENT POLICY**

- A. The Board will promptly file this Policy with the State of Florida’s Department of Management Services, the City of Fort Lauderdale, and the Plan’s Actuary upon adoption.
- B. The effective date of this Policy will be the 31<sup>st</sup> calendar day following the date filed with the City of Fort Lauderdale.

### **XVI. VALUATION OF ILLIQUID INVESTMENTS**

All illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally recognized pricing mechanism will be given an annual valuation by the Plan’s Auditor. For each

actuarial valuation, the Board must verify the determination of fair market value for those investments and ascertain that their determination complies with all applicable state and federal requirements. The Board will disclose each illiquid investment to the State of Florida's Department of Management Services and the City of Fort Lauderdale.

**APPROVED AND ADOPTED BY THE GENERAL EMPLOYEE'S RETIREMENT SYSTEM**

**BOARD OF TRUSTEES ON: July 6, 2017**

**FILED WITH THE CITY OF FORT LAUDERDALE ON: July 7, 2017**

**EFFECTIVE DATE OF POLICY: August 7, 2017**

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GENERAL EMPLOYEES' RETIREMENT SYSTEM  
STATEMENT OF INVESTMENT POLICY**

**INVESTMENT MANAGER'S ACKNOWLEDGEMENT**

I acknowledge receipt of this Statement of Investment Policy dated **July 6, 2017**. I affirm on behalf of the investment management firm below that I understand said statement and do hereby agree to abide to the guidelines expressed within.

This Statement of Investment Policy becomes effective **August 7, 2017**.

\_\_\_\_\_  
Investment Management Firm

\_\_\_\_\_  
Authorized Signor (Print Name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date