

# **OCALA POLICE OFFICERS' PENSION PLAN**

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

**Adopted: Feb. 23, 2004**  
**Revised: May 29, 2012**  
**Revised: May 13, 2013**  
**Revised: August 12, 2013**  
**Revised: Nov. 18, 2019**  
**Revised: August 14, 2023**  
**Revised: November 13, 2023**  
**Revised: February 12, 2024**

### **INTRODUCTION**

The Board of Trustees of the Ocala Police Officers' Pension Plan has established this Statement of Investment Policy. This Policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this Policy after evaluating the implications of increased investment return versus increased volatility of return for a number of potential investment policies with varying commitments to stocks and bonds.

This Policy is intended to complement the investment guidelines provided in all applicable State Statutes and local ordinances. The purpose of this Policy is to:

- 1) Provide the investment manager(s) a more accurate understanding of the Trustees' investment objectives and,
- 2) Indicate the criteria by which the investment manager's performance will be evaluated.

### **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, managers 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 Board of Trustees or their designated representatives periodically to review investment performance and philosophy.

Unless otherwise provided by the Fund'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.

### **GENERAL OBJECTIVES**

The primary investment objective of the Ocala Police Officers' Pension Plan is the preservation of invested capital. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns.

To achieve these objectives, the Board seeks to create a conservative, well diversified and balanced portfolio of high quality equity, fixed income, real estate, infrastructure, convertible, alternatives 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 OBJECTIVES**

Investment Objectives 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 Ocala Police Officers' Pension Plan are as follows:

**Primary Objective:** To earn a total rate of return over the long term (3 to 5 years) which exceeds the return of a Target Index. The Target Index for the Ocala Police Officers' Pension Plan is defined as a 37.5%% investment in the Russell 3000 Stock Index, a 10% investment in the ICE BofA ML All Convertible Index (ex 144A securities), a 15% investment in the MSCI All Country (ex U.S.) World Stock Index, a 7.5 % investment in the NCREIF ODCE Property Index, a 5% investment in the FTSE Core Infrastructure 50/50 Index, a 12.5% investment in the Bloomberg Capital U.S. Aggregate Bond Index and a 12.5% investment in the Bloomberg Capital 1-5 Year Gov't/Credit Bond Index.

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

**Secondary Objectives:** A further goal of the Ocala Police Officers' Pension Plan shall be to achieve an average annual rate of return greater than the actuarial assumed rate of return over the longer term. This absolute return objective will be evaluated in the context of the prevailing investment market conditions.

**Volatility:** The volatility of the Fund's total returns is expected to be similar to that of the Target Index and will be evaluated accordingly.

The above investment objectives have been established for the entire Ocala Police Officers' Pension Plan. 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 Ocala Police Officers' Pension Plan:

	Target (at market)	Range (at market)
<b>Domestic Equities</b>	<b>37.5%</b>	<b>30%-75%</b>
<b>Convertible Securities</b>	<b>10%</b>	<b>0%-25%</b>
<b>International Equities</b>	<b>15%</b>	<b>5%-25%</b>
<b>Real Estate</b>	<b>7.5%</b>	<b>0%-15%</b>
<b>Infrastructure</b>	<b>5%</b>	<b>0%-10%</b>
<b>Fixed Income</b>	<b>25%</b>	<b>20%-70%</b>
<b>Cash Equiv.</b>	<b>0%</b>	<b>0%-10%</b>

To implement this strategy, the Board has chosen to hire one or more professional investment managers. 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.

In accordance with the policies established by the Board of Trustees, the assets of the Ocala Police Officers' Pension Plan shall be invested in a diversified portfolio of fully negotiable equity, fixed income, real estate and money market securities, provided they meet the following criteria:

#### **EQUITY SECURITIES:**

- 1) Investments in all equity securities (including convertibles and infrastructure) shall be limited to no more than 75% (at market) of the Fund's total portfolio value.
- 2) All equity investments shall be limited to fully and easily negotiable equity securities.
- 3) No more than 5% at market value of the total equity portfolio may be invested in the shares of a single corporate issuer.
- 4) Investments in stocks of foreign companies shall be limited to 25% (at market value) of the total investment portfolio. The definition of a foreign stock for purposes of this policy is found in Florida Statutes, Section 185.06(1)(b)4.

#### **CONVERTIBLE SECURITIES:**

- 1) All convertible securities shall be classified as equities and shall be limited to 25% of the Fund's total market value.

- 2) All convertible investments shall be limited to fully and easily negotiable convertible securities.
- 3) No more than 10% at market value of an investment manager' convertible portfolio may be invested in the shares of a single corporate issuer.
- 4) Investments in foreign convertibles are limited to 20% of the convertible manager's portfolio.
- 5) This hybrid asset class will be deemed as equity and shall not be held to the rating standards of fixed income investments.
- 6) 144A securities are prohibited.

**FIXED INCOME SECURITIES:**

- 1) The duration of the fixed income portfolio shall be less than 135% of the duration of the Bloomberg Capital U.S. Aggregate Bond Index. There is no minimum duration requirement.
- 2) The benchmark for the fixed income portfolio will be a combination of the following fixed income indices:

Bloomberg Aggregate Bond Index  
Bloomberg 1-5 year Gov't/Credit Index

The weightings for each bond index will vary over time and will be confirmed in an addendum to the Investment Policy Statement. However, the permissible ranges (of the TOTAL FIXED INCOME portfolio) are as follows:

Bloomberg Aggregate Bond Index	0-100%
Bloomberg 1-5 Year Gov't/Credit Index	0-100%

The fixed income manager will be expected to recommend changes to the benchmark.

- 3) Investments in all corporate fixed income securities shall be limited to:
  - a) those securities rated "BBB" or higher by Standard & Poor's or "Baa" by Moody's rating services. Fixed income securities that are downgraded below the minimum rating by both entities shall be sold at the earliest beneficial opportunity.
  - b) Foreign bonds are limited to 10% (at market) of the total fixed income portfolio.
  - c) No more than 5% (at market) of the fixed income portfolio total value may 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 total fixed income portfolio and shall be restricted to those issues:
  - a) those issues backed by the full faith of the U. S. Government, an Agency thereof, or that are rated AAA by a major rating service.

b) PAC (planned amortization class), NAC (non-accelerated securities) Or VADM (very accurately defined maturity) securities.

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.

**Real Estate:**

- 1) Investments in real estate shall not exceed 15% at market valuation of the value of total Fund assets.
- 2) All real estate investments shall be made through participation in diversified commingled funds of real properties or real estate securities. These funds shall be broadly diversified as to property type and location.
- 3) Experienced and professional real property investment managers shall manage all real estate investments.

**Infrastructure:**

- 1) All infrastructure investments shall be limited to fully and easily negotiable infrastructure securities.
- 2) No more than 10% at market value of an investment manager's infrastructure portfolio may be invested in a single issuer unless the issuer makes up more than 10% of the benchmark. In such case, the investment manager may hold up to the Index weighting in that issuer.
- 3) The Board of Trustees recognizes and accepts that commingled and mutual fund investments will be dictated by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to invest assets of the Ocala Police Officers' Pension Plan in any commingled or mutual fund will only be made by the Trustees after a thorough review of the policies and/or prospectuses of those funds and after it has been determined that those policies are appropriate and consistent with the investment philosophy of the Ocala Police Officers' Pension Plan.

**Alternatives:**

- 1) With Board approval, investments in alternatives, including private credit, private equity, and other illiquid investments are permitted.
- 2) Investments in alternatives shall not exceed 10% (at market) of the total Plan assets.
- 3) The benchmark for all alternatives should be the CPI + 5%.
- 4) Private credit investments will be considered fixed income for asset allocation purposes.

**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 issued by United States corporations with a maturity of 270 days or less that is rated A-1 by Standard & Poor's or P-1 by Moody's.

**Mutual Funds/Commingled Funds:**

The Board of Trustees recognizes and accepts that commingled and mutual fund investments will be dictated by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to invest assets of the Ocala Police Officers' Pension Plan in any commingled or mutual fund will only be made by the Trustees after a thorough review of the policies and/or prospectuses of those funds and after it has been determined that those policies are appropriate and consistent with the investment philosophy of the Ocala Police Officers' Pension Plan.

**Sudan/Iran Divestiture:**

In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any company identified each quarter by the State Board of Administration on its website as a scrutinized company. The Board shall review its investments each quarter to determine whether it is required to sell, redeem, divest or withdraw any publicly traded security of a company identified by the SBA as a scrutinized company.

**SECTION 112.661, FLORIDA STATUTES**

The Board of Trustees has adopted the following additional provisions to comply with Section 112.661, Florida Statutes:

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).
5. AUTHORIZED INVESTMENTS: (a) The Board of Trustees recognizes those assets listed in its attached Statement of Investment Policy. Investments not so listed are prohibited. (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 a 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.

8. **RISK AND DIVERSIFICATION:** The Board of Trustees has developed a diversified investment program as to control the risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.
9. **EXPECTED ANNUAL RATE OF RETURN:** With consideration to rates of return from different asset classes, the Board of Trustees has crafted its investment program in order to deliver an expected rate of return similar to that of the actuarial assumed rate. The Board shall determine for each actuarial valuation, the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. The total expected annual rate of return is anticipated to be similar to the actuarial assumed rate of return. This determination is to be filed with the Department of Management Services and with the plan sponsor and consulting actuary.
10. **THIRD-PARTY CUSTODIAL AGREEMENTS:** All assets shall be held by a third party custodian selected by the Board. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities are to be made on a "delivery vs. payment" basis to insure that the custodian will have the security or money in hand at conclusion of the transaction.
11. **MASTER REPURCHASE AGREEMENT:** Repurchase Agreements are prohibited investments.
12. **BID REQUIREMENT:** To the extent possible, it is the intention of the Board of Trustees to 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 when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid is to be selected.
13. **INTERNAL CONTROLS:** The Board recognizes the internal controls and operational procedures outlined in the Board's operating rules and procedures, in the plan document, and in the custodial agreement. These controls are to be reviewed by the Board's independent certified public accountant as part of the financial audit periodically required. The internal controls are designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties or imprudent actions by the Board or employees of the plan sponsor.
14. **CONTINUING EDUCATION:** The Board of Trustees relies on its consultants and professionals to provide continuing education on pension and investment issues. The Board of Trustees also recognizes state and regional conferences as a source of continuing education. The Trustees are encouraged to attend conferences, schools, and other functions periodically in order to fulfill this requirement.
15. **REPORTING:** The Custodian's valuation report is to be filed annually with the plan sponsor. This report is available to the public.
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).

**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 12th Day of February, 2024

  
\_\_\_\_\_  
Chairman, Board of Trustees

2/12/24  
Date