

# LAUDERHILL POLICE OFFICERS' RETIREMENT PLAN

## STATEMENT OF INVESTMENT POLICY GOALS AND GUIDELINES

Adopted: September 6, 2023

### PURPOSE

The Board of Trustees of the City of Lauderhill Police Officers' Retirement 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 variability of return for a number of potential investment policies with varying commitments to different asset classes.

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

- 1) Provide the investment manager 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

1. In selecting Investment Managers, only "pecuniary factors," as defined by Florida Statutes §112.662 may be considered.
2. 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.
3. 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.
4. Each investment manager is expected to provide any reasonable information requested by the Board of 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. This report shall also identify and describe any significant changes in the personnel or ownership of the investment management firm. Each investment manager is expected to meet with the Board of Trustees or their designated representatives periodically to review investment performance and philosophy.
5. Unless otherwise provided by the Plan's Custodian, each investment manager will manage portfolio activity to minimize uninvested cash balances.
6. Each investment manager shall be responsible only for those assets under their management.
7. 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.

#### Florida Statute 112

1. **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.
2. **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 recognize 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.

3. **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.
4. **SECTION 112.622 FILING REQUIREMENT:** The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd numbered year. [112.622(4)]. Investment managers and the Board's Investment Consultant shall assist in the preparation of required reports and shall annually confirm to the Board their Compliance with Chapters 2023-28.

#### **Florida Statute 215**

1. Direct investment in "Scrutinized Companies" identified in the periodic publication by the State Board of Administration ("SBA List", updated on their website [www.sbafla.com/fsb/](http://www.sbafla.com/fsb/)), is prohibited. Any security identified as non-compliant on or before January 1, 2010 must be divested by September 1, 2010. For securities identified after January 1, 2010 that were not deemed "Scrutinized Companies" at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investments in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. An action plan outlining the investment "hold or sell" strategy shall be provided to the Board immediately. However, if divestiture of business activities is accomplished and the company is subsequently removed from the SBA list, the manager can continue to hold that security.
2. For indirect investments in "Scrutinized Companies", the Investment Consultant, on behalf of the Plan, shall send a letter to any pooled fund referring the investment manager to the listing of "Scrutinized Companies" by the State Board of Administration ("SBA list"), on their website [www.sbafla.com/fsb/](http://www.sbafla.com/fsb/). This letter shall request that they consider removing such companies from the fund or create a similar actively managed fund having indirect holdings devoid of such companies. If the manager creates a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with the prudent investing standards. For the purposes of this section, a private equity fund is deemed to be an actively managed investment fund. However, after sending the required correspondence, the Plan is not required to sell the pooled fund.

#### **COMPLIANCE WITH CHAPTER 2023-28, LAWS OF FLORIDA**

The Board and its investment managers shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Section 112.662, along with regulations adopted by the Department of Management Services.

1. **Definition of pecuniary factor:** The term "pecuniary factor" is defined as a factor that an investment fiduciary "prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with the investment objectives and funding policy of the retirement system. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]
2. **Exclusive consideration of pecuniary factors:** Only pecuniary factors may be considered, and the interests of the participants and beneficiaries of the system may not be subordinated to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. [112.662(2)]

3. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]

4. Filing requirements: The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd-numbered year. [112.662(4)]. Investment managers and the Board's investment consultant shall assist in the preparation of required reports and shall annually confirm to the Board their compliance with Chapter 2023-28.

5. Contracting and external communication requirements: Manager contracts shall comply with Section 215.855 as follows:

Any written communication made by an investment manager to a company in which such manager invests public funds on behalf of the Board must include the following disclaimer in a conspicuous location if such communication discusses social, political, or ideological interests; subordinates the interests of the company's shareholders to the interest of another entity; or advocates for the interest of an entity other than the company's shareholders:

The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida.

6. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.

7. If a Request for Proposals document is issued for Investment Manager services, the solicitation document must include the following:

The Board of Trustees may not request documentation of or consider a vendor's social, political, or ideological interests when determining if the vendor is a responsible vendor. Additionally, the Board of Trustees may not give preference to a vendor based on vendor's social, political, or ideological interests.

## INVESTMENT OBJECTIVES

Given the purpose of the Lauderhill Police Officers' Retirement System stated above, 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. As most market cycles last from three to five years, 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 Lauderhill Police Officers' Retirement System are as follows:

**Absolute Return Objective:** To achieve an average annual rate of return greater than 7.50% over the longer term. This absolute return objective will be evaluated in the context of the prevailing investment market conditions.

**Market Return Objective:** To earn a total rate of return over the longer term, which exceeds the return of a Target Index. The Target Index for the Lauderhill Police Officers' Retirement System is defined as a 35% investment in the Russell 1000 Stock Index, a 10% investment in the Russell 2500, a 10% investment in the Europe Australasia and Far East (EAFE) Stock Index, a 10% investment in the CPI+4%, a 25% investment in the NCREIF Property Index and a 10% investment in the Barclays Aggregate Bond Index.

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

**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 Lauderhill Police Officers' Retirement System. The specific investment manager benchmarks and universe comparisons are outlined in Exhibit B.

## INVESTMENT GUIDELINES

The Board of Trustees has established the target asset allocation for the entire Lauderhill Police Officers' Retirement System as outlined in **Exhibit A**. Specific asset manager/fund assignments including comparative benchmarks and peer universes are listed in **Exhibit B**.

The Board has chosen to engage specialty managers for each asset class. It is the Board's intention to rebalance each asset class and/or manager portfolio quarterly. The trigger for rebalancing has been identified to be when the market value of any asset class/manager portfolio increases or decreases outside the permissible ranges listed in **Exhibit A**.

To implement this strategy, the Board has chosen to hire one or more professional investment managers. It may be necessary to rebalance between investment managers in order to maintain the permissible asset allocation ranges outlined above. It is the Board of Trustees' intention to evaluate asset valuations quarterly in order to make the necessary adjustments to achieve compliance with these guidelines.

In accordance with the policies established by the Board of Trustees, the assets of the Retirement Plan shall be invested in a diversified portfolio of securities, funds or pooled assets, provided they meet the following criteria:

### EQUITY SECURITIES:

- 1) Investments in equity securities shall be not exceed **65% at market** of the total investment portfolio.
- 2) Investment in equity securities shall be limited to easily and readily negotiable securities.
- 3) Investments in foreign securities shall be limited to **25% (at market)** of the total investment portfolio. The board may achieve diversification in foreign equity through commingled fund or institutional mutual fund vehicles. These pooled investments are considered an investment in foreign securities.
  - a) American Depository Receipts (ADRs) and foreign ordinary securities traded on domestic exchanges are United States dollar-denominated securities listed and traded on a United States exchange and are considered part of the ordinary investment strategy of the Board. These securities are not considered foreign securities and may be purchased by separate account managers without limitation.
- 4) Exchange traded funds (ETFs) may be utilized but may not exceed **10% (at market valuation)** of any equity manager's portfolio.
- 5) No more than **5% (at cost valuation)** of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.
- 6) Investment in those corporations whose stock has been publicly traded for less than one year are limited to **15% (at market valuation)** of the equity portfolio.

- 7) Investment in equity securities issued by corporations with total market capitalization of \$5 billion or less shall not exceed 20% of the total equity portfolio value at cost valuation.

FIXED INCOME SECURITIES:

- 1) The fixed income portfolio shall comply with the following guidelines:
  - a) The average credit quality of the bond portfolio must be rated "A" or higher.
  - b) The duration of the fixed income portfolio should be less than 135% of the duration of the market index. The market index is defined as the Barclays Aggregate Bond Index.
- 2) Investments in all corporate fixed income securities shall be limited to:
  - a) Those securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.
  - b) Securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.
  - c) no more than 5% at cost of an investment manager's total fixed income portfolio shall be invested in the securities of any single corporate issuer.
- 3) Collateralized Mortgage Obligations (CMOs) shall be limited to 15% of the market value of the investment managers' total fixed income portfolio. Private security CMOs are prohibited. Agency security CMOs may be purchased without restriction.
- 4) Futures contracts may be used on a non-levered basis for duration adjustment and yield curve positioning purposes.
- 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.
- 6) The board may make direct investment in unsecured notes guaranteed by the City of Lauderhill, City of Lauderhill Housing Authority, or the City of Lauderhill Community Redevelopment Agency (CRA). Requirements for these investments are as follows:
  - a) The yield at time of entering any such investment should be no less than the yield on Barclays Aggregate Bond Index.
  - b) The board shall limit combined investments in Promissory Notes to related entities to 5% (at the time of investment) of total plan assets.
  - c) Terms of such investments are to be outlined in a Promissory Note. Any such Promissory Note(s) shall be considered part of this Investment Policy Document.

#### ALTERNATIVE ASSETS:

The Board may invest in alternative asset classes and strategies through open-ended, commingled and institutional mutual fund vehicles or limited partnerships. The Board will endeavor to consider those investments that offer transparency, liquidity and low relative fees.

#### REAL ESTATE

- 1) Investments in real estate shall not exceed 35% (at market valuation) of the value of the total Fund assets.
- 2) All real estate investments shall be made through participation in diversified commingled funds of real properties. These funds shall be broadly diversified as to property type and geography.
- 3) Experienced and professional real property investment managers shall manage all real estate investments.

#### PRIVATE EQUITY / PRIVATE CREDIT:

- 1) Investments in private equity and credit strategies shall not exceed 15% of the value of the total Fund assets.
- 2) All private equity and private credit investments shall be made through participation in diversified limited partnership vehicles.
- 3) The board shall endeavor to consider those investments that offer liquidity, transparency and low relative fees.

#### CASH EQUIVALENT SECURITIES:

- 1) The investment managers may invest only in the following short-term investment vehicles:
  - a) The money market or short-term investment fund (STIF) provided by the Fund's custodian.
  - b) Direct obligations of the United States Government, its agencies or instruments with a maturity of one year or less.
  - c) Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 by Standard & Poor's or P-1 by Moodys.



- d) Bankers Acceptances and Certificates of Deposit issued by the largest 50 banks in the United States (in terms of total assets).

PROHIBITED SECURITIES:

Only those derivative securities expressly described herein are permissible.

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 Fund assets in any commingled or mutual fund will only be made by the Board of 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 Board's investment objectives.

**REVIEW OF POLICY**

It is the intention of the Board of Trustees to review this Statement of Investment Policy 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 06 day, SEPT., 2023.



Board of Trustees  
Lauderhill Police Officers' Retirement Plan

09-06-23  
Date

**EXHIBIT A**

| <b>ASSET ALLOCATION</b>                            |  |   |   |                                    |
|--|--|---|---|------------------------------------|
| <b>Asset Class</b>                                 | <b>Target Allocation<br/>(at market)</b> | <b>Minimum Allocation<br/>(at market)</b> | <b>Maximum Allocation<br/>(at market)</b> | <b>Representative Benchmark(s)</b> |
| <b>Public Equity:</b>                              |  |   |   |                                    |
| Large Cap Domestic Equity                          | 35%                                      | 25%                                       | 40%                                       | Russell 1000                       |
| Small and Mid-Cap Domestic Equity                  | 10%                                      | 5%  | 20%                                       | Russell 2500 / Russell 2000        |
| Foreign Equity (Including EM)                      | 10%                                      | 5%  | 25%                                       | MSCI EAFE                          |
| <b>Total Public Equity</b>                         | <b>55%</b>                               | <b>65% Max Limit*</b>                     |   |                                    |
| <b>Private Real Estate:</b>                        |  |   |   |                                    |
| Opportunistic Real Estate                          | 0%                                       | 0%  | 15%                                       | NCREIF / ODCE                      |
| Private Real Estate                                | 25%                                      | 20%                                       | 35%                                       | NCREIF / NCREIF ODCE               |
| <b>Alternative Investments:</b>                    |  |   |   |                                    |
| Absolute Return*                                   | 10%                                      | 5%  | 20%                                       | CPI + 4%                           |
| Private Credit                                     | 0%                                       | 0%  | 15%                                       | CPI + 4%                           |
| <b>Total Alternative &amp; Private Investments</b> | <b>35%</b>                               |   |   |                                    |
| <b>Fixed Income &amp; Cash</b>                     |  |   |   |                                    |
| Traditional Fixed Income                           | 10%                                      | 2%  | 20%                                       | Bloomberg Barclays Indexes         |
| Cash & Equivalents                                 | 5%                                       | 0%  | 10%                                       | T-Bills                            |
| <b>Total Fixed Income &amp; Cash</b>               | <b>15%</b>                               |   |   |                                    |

\* May include indirect equity exposure.

**EXHIBIT B**

Actively managed strategies / funds are expected to meet or exceed the stated policy benchmark and to rank above average to its comparative universe over a three to five-year period. Passive investments are expected to replicate their respective benchmarks and will be ranked against comparative universes for informational purposes. Passive funds are not expected to rank above average -vs- a sample of active managers. The Board of Trustees will place an actively managed strategy “under review” if these performance expectations are not met over a 3-5-year period. The Board of Trustees may place an actively managed strategy “under review” if the standard deviation of returns is considered inappropriate based on the unique characteristics of each strategy.

| Asset Manager                 | Policy Benchmark | Comparative Universe      |
|-------------------------------|------------------|---------------------------|
| Vanguard 500 Index            | S&P 500          | Domestic Large Cap Core   |
| Vanguard Small Cap Index      | Russell 2000     | Domestic Small Cap Core   |
| Crawford Investment           | Russell 2000     | Domestic Small Cap Core   |
| EuroPacific Growth            | MSCI EAFE Index  | Foreign Large Growth      |
| Oakmark International         | MSCI EAFE Index  | Foreign Large Value       |
| JPM SPF                       | NCREIF ODCE      | Private US Real Estate    |
| JPM SSPF                      | NCREIF ODCE      | Private US Real Estate    |
| TA Realty                     | NCREIF ODCE      | Private US Real Estate    |
| TerraCap V                    | NCREIF ODCE      | Private US Real Estate    |
| Blackrock Systematic          | CPI+4%           | Multi-strategy            |
| Cohen & Steers Infrastructure | CPI+4%           | Infrastructure            |
| Columbia Adaptive Risk        | CPI+4%           | Tactical Asser Allocation |
| Serenitas                     | CPI+4%           | Intermediate Core+        |
| PennantPark                   | CPI+4%           | N/A                       |
| Dodge & Cox Income            | US Aggregate     | Intermediate Core+        |
| PIMCO Income                  | US Aggregate     | Multi-Sector Bond         |