

**CITY OF PENSACOLA GENERAL PENSION AND
RETIREMENT FUND**

INVESTMENT POLICY STATEMENT

Revised: August 9, 2023

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Board of Trustees of the Pensacola General Pension and Retirement Fund (the "Fund") maintain that an important determinate in achieving successful investment results over time is the clear expression and periodic review of the Fund's investment objectives. To this end, the Trustees have adopted this statement of investment policy.

In fulfilling their fiduciary responsibility, the Trustees recognize that the Fund is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Trustees also recognize that the obligations of the Fund are long-term and that the investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return (defined as interest and dividend income plus realized and unrealized capital gains or losses) while maintaining a prudent regard for legal considerations, fiduciary responsibility, safety of capital and minimum volatility of returns.

Reasonable consistency of returns and protection of assets against the inroads of inflation are paramount. However, the volatility of interest rates and securities markets makes it necessary to judge results within the context of several years rather than over short periods of one or two years or less.

To achieve these objectives, the Trustees seek to create a well diversified and balanced portfolio of equity, convertibles, fixed income, real estate (diversified commingled funds and/or REITs), infrastructure assets 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 Trustees may also invest Fund assets in mutual funds.

II. INVESTMENT PERFORMANCE OBJECTIVES

The below listed performance measures will be used as objective criteria for evaluating the effectiveness of the Fund's investment strategy and of the Fund's money manager(s).

Total Fund Performance:

The performance of the total Fund will be measured on a rolling five year period. This period is considered sufficient to accommodate a full investment market cycle. It is understood that five year periods may not always represent a full market cycle.

On a relative basis, it is expected that the total Fund's return will rank in the TOP 50% when compared to other professionally managed public pension funds over similar time periods.

It is further expected that the total Fund's return will exceed that of a Target Index over such period. The Target Index for the Pensacola General Pension and Retirement Fund is defined as a 28% investment in the Russell 1000 Stock Index, a 9% investment in the Russell 2500 Stock Index, an 8% investment in the NCREIF-ODCE Real Estate Index, a 15% investment in the MSCI All Country (ex U.S.) World Stock Index (ACWI), a 10% investment in the Merrill Lynch All U.S. Convertible Index, a 5% investment in the FTSE Global Core Infrastructure 50/50 Index and a 25% investment in the Bloomberg Barclays Capital U.S. Intermediate Government/Credit Bond Index.

On an absolute basis, it is expected that the total Fund's return will equal or exceed the Plan's actuarial earnings assumption rate.

Common Stock Portfolio Performance:

It is expected that the rate of return earned in the total domestic equity portfolio will equal or exceed the return of the Russell 3000 Stock Index. The rate of return of the Fund's foreign equity portfolio is expected to equal or exceed the return of the MSCI ACWI Stock Index. It shall be a further objective that the total equity portfolio return (domestic and foreign) rank in the top 50% when compared to the equity portfolios of other public pension funds.

Bond Portfolio Performance:

It is expected that the rate of return earned in the fixed income portfolio will equal or exceed the return of the Bloomberg Barclays Capital U.S. Intermediate Government/Credit Bond Index and rank in the top 50% when compared to the fixed income portfolios of other public pension funds.

Convertible Performance:

It is expected that the rate of return earned in the convertible portfolio will equal or exceed the return of the Merrill Lynch All U.S. Convertibles Index and rank in the top 50% when compared to an appropriate universe of convertible managers.

Real Estate Portfolio Performance:

The private real estate portion of the portfolio is expected to meet or exceed the return of the NCREIF – ODCE Real Estate Index-. Actively managed public real estate (REIT) is expected to meet or exceed the Dow Jones Wilshire REIT Index and rank in the top 50% of an appropriate real estate fund universe.

Infrastructure Performance:

The infrastructure portion of the portfolio is expected to meet or exceed the return of the FTSE Global Core Infrastructure 50/50 Index and rank in the top 50% when compared to an appropriate universe of infrastructure managers/funds.

III. INVESTMENT GUIDELINES

The Board of Trustees of the Pensacola General Pension and Retirement Fund has established a target asset allocation for the Fund based on the market value of the Fund's total assets:

	Target	Index	Range
Domestic large cap equity	28%	Russell 1000	20-50%
Domestic small/mid cap equity	9%	Russell 2500	5-15%
Infrastructure	5.0%	FTSE Global 50/50	0-10%
Real Estate	8.0%	NCREIF-ODCE	0-15%
Convertibles	10.0%	ML All Conv.	5-25%
Foreign equity	15.0%	MSCI ACWI	5-25%
Fixed Income securities	25.0%	Bloomberg Barclays Int. G/C	20-60%

Although Fund contributions or withdrawals may be used to maintain the appropriate balance between investment manager portfolios, it may also be necessary from time to time to transfer securities or cash from one investment manager to another.

The Trustees recognize that investments in mutual funds will be subject only to the guidelines and limitations contained in the mutual fund prospectus. The guidelines contained in this document apply to all separately managed portfolios. Specific investment manager assignments and any additional guidelines for separately managed portfolios will be outlined in addenda to this overall Statement of Investment Policy.

The separate account assets of the Fund may be invested and reinvested in a diversified portfolio of easily negotiable equity, convertible, fixed income, real estate (diversified commingled funds and/or REITs) and cash equivalent securities, provided all securities meet the following criteria:

EQUITY SECURITIES:

- 1) No more than 5% (at market) of the Fund's total equity portfolio may be invested in the shares of a single corporate issuer. This limit is defined as the market value of the security divided by the market value of the total equities in the Fund.
- 2) Investments in equity securities that have been publicly traded for less than one year are limited to no more than 10% (at market) of the Fund's total equity portfolio. This limit is defined as the total market value of equity securities that have been publicly traded for less than one year divided by the market value of the total equities in the Fund.
- 3) Investments in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any other country other than the United States of America or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board, are limited to 25% of the total Fund value (at market).

- 4) All domestic equity securities shall be limited to fully and easily negotiable securities that are actually traded on a major U.S. stock exchange, NASDAQ or U.S. over-the-counter market.
- 5) The total allocation to equities (including convertibles and infrastructure) shall not exceed 80% (at market) of the total Fund.

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) No more than 10% at market value of an investment manager's convertible portfolio may be invested in the shares of a single corporate issuer.
- 3) Investments in foreign convertibles shall not exceed 25% of the market value of the investment manager's portfolio. Foreign securities are defined as those companies that are not organized under the laws of the United States or the District of Columbia. All securities must be traded in U.S. dollars and cleared through DTC or Euroclear.
- 4) This hybrid asset class will be deemed as equity and shall not be held to the rating standards of fixed income investments.
- 5) 144A securities are permitted.
- 6) Synthetic convertibles shall not exceed 30% (at market) of the manager's portfolio.

INFRASTRUCTURE:

- 1) All infrastructure investments shall be limited to fully and easily negotiable 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 Pensacola General Pension and Retirement Fund 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 Pensacola General Pension and Retirement Fund.

FIXED INCOME SECURITIES:

- 1) Investments in all corporate fixed income securities shall be limited to those securities rated "BAA" or higher by Moody's or "BBB" or higher by Standard & Poor's rating services. Fixed income securities which are downgraded below the minimum rating by both entities shall be sold at the earliest beneficial opportunity.
- 2) Investments in corporate fixed income securities that are rated below "A" by Standard & Poor's and Moody's shall not exceed 25% of the Fund's total fixed income portfolio.
- 3) Investments in the fixed income securities issued by a single corporation shall not exceed 5% (at market) of the Fund's total fixed income portfolio.
- 4) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the investment manager's fixed income portfolio and shall be restricted to those issues backed by securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Association (FNMA).
- 5) Investments in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any other country other than the United States of America or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board, are limited to 25% of the total fund value (at market).
- 6) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.
- 7) Investment grade obligations of state and local governments and public authorities are also permitted.

REAL ESTATE:

- 1) Investments in real estate shall not exceed 15% (at market) of the Fund's total market value.
- 2) All real estate investments shall be made through commingled real estate funds up to the maximum of 15% of assets (at market). Direct ownership and operation of real estate properties are prohibited.
- 3) Experienced and professional real property investment managers shall manage all real estate investments.
- 4) Real estate securities (REITs) are also permitted.

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 or an agency thereof with a

maturity of one year or less.

- c) Commercial Paper with a maturity of 270 days or less and that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's.
- d) Investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, venture capital, futures contracts or options contracts are prohibited without the written consent of the Board of Trustees. Trading on margin and short selling are also prohibited.

IV. COMMUNICATIONS

The investment managers shall provide a monthly report summarizing all transactions, all receipts and disbursements and a list and valuation of all assets.

The investment managers shall also provide a quarterly report detailing the manager's current investment strategy, fund performance and any other salient information regarding Fund investments. The investment managers may make a presentation to the Trustees semi-annually, or with greater frequency as requested.

The Trustees will retain a performance measurement consultant to assist in calculating and reviewing Fund results on a quarterly basis. The consultant shall also be responsible for assisting the Trustees in selecting investment managers, evaluating investment manager results, achievement of objectives, compliance with guidelines, changes in manager investment style and style drift.

V. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Trustees wish to adopt standards by which judgments of the ongoing performance of a manager may be made. With this in mind, the following are adopted:

If, at any time, any one of the following is breached, the manager will be warned of the Trustees' serious concern for the Fund's continued safety and performance.

- 1) Four consecutive quarters of the manager's performance below the 40th percentile in manager performance rankings.
- 2) Standard deviation for the Fund in excess of 120% of the market.
- 3) Loss by the manager of any senior investment personnel.
- 4) Any change in basic investment philosophy by the manager.
- 5) Failure to attain a 60% vote of confidence by the Trustees

VI. INVESTMENT MANAGER SELECTION

When selecting investment' manager(s) to invest the assets of the Fund, it is the objective of the Trustees to identify those investment manager candidates most appropriate to meet the specific Fund objectives outlined in this statement. To accomplish this, a comprehensive screening and evaluation process will be used. In this process, consideration will be given to firm size, structure and stability, management style, past performance and risk exposure, experience of the firm's

personnel and any other criteria deemed appropriate by the Trustees. The Trustees may retain a performance measurement consultant to perform the comprehensive screening and evaluation process.

VII. SECTION 112.661, FLORIDA STATUTES

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

INVESTMENT AND FIDUCIARY STANDARDS: In performing its investment duties, the Trustees and the investment managers shall comply with the fiduciary standards set forth in ERISA (Employee Retirement Income Security Act of 1974, as amended (29 USC 1104)) and Chapter 112, Florida Statutes. In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in Chapter 112, Florida Statutes shall prevail.

AUTHORIZED INVESTMENTS: Unless otherwise authorized by law or ordinance, investments of the Fund shall be subject to the limitations and conditions set forth in Section 215.47, Florida Statutes, the provisions applicable to the State Board of Administration for investment of assets of the Florida Retirement System.

EXPECTED ANNUAL RATE OF RETURN: With consideration to rates of return from different asset classes, the Trustees have crafted their investment program in order to deliver an expected rate of return similar to that of the actuarial assumed rate. The Trustees 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.

THIRD-PARTY CUSTODIAL AGREEMENTS: All assets shall be held by a third party custodian selected by the Trustees. 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 the conclusion of the transaction.

MASTER REPURCHASE AGREEMENT: Repurchase Agreements are prohibited investments.

BID REQUIREMENT: To the extent possible, it is the intention of the 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.

INTERNAL CONTROLS: The Trustees recognize the internal controls and operational procedures outlined in the Trustees' operating rules and procedures in the plan document and in the custodial agreement. These controls are to be reviewed by the Trustees' 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 Trustees or employees of the plan sponsor.

CONTINUING EDUCATION: The Trustees rely on their consultants and professionals to provide continuing education on pension and investment issues. The 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.

REPORTING: The Custodian's valuation report is to be filed annually with the plan sponsor. This report is available to the public.

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.

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).

SUDAN/IRAN DIVESTITURE: In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), each investment manager is prohibited from directly investing in any company identified each quarter by the State Board of Administration on its website as a scrutinized company. Each investment manager 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.

VIII. 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 for all Manager contracts executed, amended or renewed on or after July 1, 2023.

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:

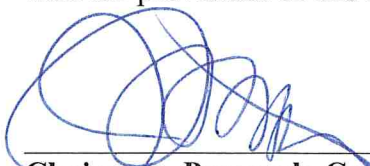
The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida.

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.

IX. REVIEW AND AMENDMENTS

It is the Trustees' intention to review this document periodically and to amend it to reflect any changes in philosophy, objectives or guidelines. However, if at any time the investment managers or consultant believe that the specific objectives defined herein cannot be met or that these guidelines constrict performance, the Trustees should be so notified in writing. By initial and continuing acceptance of this Investment Policy Statement, the investment managers concur with the provisions of this document.



Chairman, Pensacola General Pension and Retirement Fund

8/9/2023

Date