

CITY OF PENSACOLA
(PLAN SPONSOR)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board of Trustees (the Board) maintains that an important determinant of future investment returns is the expression and periodic review of the City of Pensacola Municipal Police Officers' Pension Fund (the Plan) investment objectives. To that end, the Board has adopted this statement of Investment Policy and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and that 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 - commensurate with the Prudent Investor Rule and any other applicable ordinances and statutes.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, interest rate fluctuations and volatility of securities markets make it necessary to judge results within the context of several years rather than over short periods of five years or less.

The Board will employ investment professionals to oversee and invest the assets of the Plan. Within the parameters allowed in this document and their agreements with the Board, the investment management professionals shall have investment discretion over their mandates, including security selection, sector weightings and investment style.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) - (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the fund. The Investment Managers are responsible for the assets and allocation of their mandate only and may be provided an addendum to this policy with their specific performance objectives and investment criteria. The Board has established the following asset allocation targets for the total fund:

Asset Class	Target	Range	Benchmark Index
Domestic Equity	45%	40% - 50%	Russell 3000
International Equity	15%	10% - 20%	MSCI-ACWxUS
Broad Market Fixed Income	25%	20% - 30%	BA/ML Int. Aggregate
TIPS*	5%	2% - 7%	BA/ML TIPS
Alternatives*	10%	0% - 15%	TBD

*Benchmark will default to "broad market fixed income" if these portfolios are not funded. Targets and ranges above are based on market value of total Plan assets.

The Investment Consultant will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available and with reasonable notice provided to the Investment Managers. The Board does not intend to exercise short-term changes to the target allocation.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of the total portfolio will be measured for rolling three (3) and five (5) year periods. The performance of the portfolio will be compared to the return of the policy indexes comprised of 45% Russell 3000 Index, 15% MSCI-All Country World x U.S. Index, 25% Bank of America / Merrill Lynch Bank of America Merrill Lynch. Int. Domestic Master Bond Index, 5% Barclays TIPS Index and 10% TBD Index.
2. On a relative basis, it is expected that the total portfolio performance will rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.
3. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed the actuarial earnings assumption (8%), and provide inflation protection by meeting Consumer Price Index plus 3%. This absolute return objective will be evaluated in the context of the prevailing market conditions.

B. Equity Performance

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to the 83% Russell 3000 Index and 17% MSCI-All Country World x U.S. Index. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum.

All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to the Bank of America / Merrill Lynch Int. Domestic Bond Index. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

D. Treasury Inflation Protection Security (TIPS) Performance

The overall objective of the TIPS portion of the portfolio, if utilized, is to provide inflation protection while adding stability to the total portfolio. If TIPS are utilized the strategy is expected to approximate the structure and performance of the Bank of America / Merrill Lynch U.S Treasury TIPS Index.

E. Real Estate Performance

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF ODCE Index and rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

F. Alternative and Other Asset Performance

The overall objective of the alternative and/or "other asset" portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and enhance returns. This portion of the portfolio will be measured against an appropriate benchmark, which will be outlined in the Investment Manager addendum at the time of investment.

IV. INVESTMENT GUIDELINES

A. Authorized Investments

Pursuant to the investment powers of the Board as set forth in the Florida Statutes and local ordinances, the Board sets forth the following investment guidelines and limitations, however, additional criteria may be outlined in an Investment Manager's addendum:

1. Equities:

- a. Must be traded on a national exchange or electronic network; and
- b. Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company; and

2. Fixed Income:

- a. All direct investment in fixed income securities shall have a minimum rating of investment grade or higher as reported by a major credit rating service; and
- b. The value of bonds issued by any single corporation shall not exceed 3% of the total fund; and

3. Money Market:

- a. The money market fund or STIF options provided by the Plan's Custodian; and
- b. Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service.

4. Pooled Funds:

Investments made by the Board may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships, group trusts, and private equity. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a pooled fund, the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as an addendum to this Investment Policy Statement with the approval of the Board. The Investment Consultant shall periodically review with the Board any material changes in the prospectus or governing policy of a pooled fund.

B. Trading Parameters

When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for purchase of securities must meet the prevailing best-execution rates. The responsibility of monitoring best price and execution of trades placed by each Investment Manager on behalf of the Plan will be governed by the Portfolio Management Agreement between the Plan and the Investment Managers.

C. Limitations

1. Investments in corporate common stock and convertible bonds shall not exceed seventy (70%) of the market value of Plan assets.
2. Foreign securities (regardless of asset class) shall not exceed twenty-five percent (25%) of the market value of Plan assets. For the purposes of this Investment Policy Statement, foreign securities are defined as bonds, stocks, or other evidences of indebtedness issued or guaranteed by a company that is not organized under the laws of

the United States, any state or organized territory of the United States, or the District of Columbia.

3. All equity and fixed income securities must be readily marketable. Commingled funds must be independently appraised at least annually.
4. Group Trust investment shall be no more than twenty-five (25%) percent of the Retirement Fund assets, at fair market value.

D. Absolute Restrictions

No investments shall be permitted in;

1. Any investment not specifically allowed as part of this policy.
2. Illiquid investments: For purposes of this policy Illiquid Investments shall be defined as investments at time of purchase which are not readily marketable, or which provide for periodic liquidity redemption options greater than quarterly. Investments requiring initial investment lockup provisions may exceed one quarter, but must be no more than one year.
3. 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/), is prohibited. Any security identified as non-compliant on or before January 1, 2010 must be divested by September 1, 2010. Securities identified after January 1, 2010, must be divested within twelve (12) months of the company's initial appearance on the list. 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. Indirect investment in 'Scrutinized Companies' (through pooled funds) are governed by the provisions of Section V. (G) below.

V. **COMMUNICATIONS**

- A. On a monthly basis, the Custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.
- B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the City, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum.

- C. If an Investment Manager owns investments, that complied with section IV 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 investment in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. In addition, an action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.
- D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return net of investment fees and relative performance of the Plan.
- E. The Board will meet periodically to review the Investment Consultant performance report. The Board will meet with the Investment Manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.
- F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.
- G. 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/. 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 Investment Manager creates a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with 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 or limit additional purchases the pooled fund.

VI. COMPLIANCE

- A. It is the direction of the Board that the Plan assets are held by a third party Custodian, and that all securities purchased by, and all collateral obtained by the Plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or their designee. Securities transactions between a broker-dealer and the Custodian involving purchase or sale of securities by transfer of money or securities must 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.
- B. The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

- C. At the direction of the Board operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the Plan sponsor, to the extent possible.
- D. Each member of the Board shall participate in a continuing education program relating to investments and the Board's responsibilities to the Plan. It is suggested that this education process begin during each Board member's first term.
- E. With each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination shall be filed promptly with the Department of Management Services, the Plan's sponsor and the consulting actuary.
- F. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval. On a regular basis, at least annually, each manager shall report a record of their proxy vote.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of an Investment Manager may be made. If, at any time, any three (3) of the following is breached, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five (5) of these are violated the Investment Consultant may recommend an Investment Manager evaluation for that mandate.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the top 40th percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 40th percentile and under performance versus the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Investment Policy Statement, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.

- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the Investment Manager at any time for any reason.

VIII. APPLICABLE CITY ORDINANCES

If at any time this document is found to be in conflict with the City Ordinances or applicable Florida Statutes, the Ordinances and Statutes shall prevail.

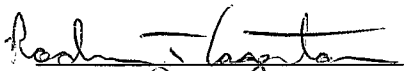
IX. REVIEW AND AMENDMENTS

It is the Board's intention to review this document at least annually with the Investment Consultant subsequent to the actuarial report and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. By initialing and continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the Plan's legal counsel for compliance with applicable law, and approved by the Board.

X. FILING OF THE INVESTMENT POLICY

Upon adoption by the Board, the Investment Policy Statement shall be promptly filed with the Florida Department of Management Services, the City, and the Plan's actuary. The effective date of the Investment Policy Statement shall be the 31 days following the filing date with the City.

CITY OF PENSACOLA MUNICIPAL POLICE OFFICERS' PENSION PLAN


Chairman, Board of Trustees

8-17-11
Date

CITY OF PENSACOLA
(PLAN SPONSER)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY

Integrity Fixed Income
(Core Fixed Income)

INTEGRITY FIXED INCOME (INTEGRITY) has been retained by the Retirement Board to manage a well-diversified portfolio of fixed income and money market securities. INTEGRITY was retained for this assignment based on their qualifications and experience in managing fixed income portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of PENSACOLA MUNICIPAL POLICE OFFICERS' PENSION PLAN, the portfolio must comply with the following:

1. Quality
All securities will be investment grade. The weighted average quality of the portfolio shall be "A" or better.
2. Maturity/Duration
The effective duration of the portfolio shall be kept within +/-20% of Merrill Lynch Intermediate Domestic Master Index.
3. Yankee bonds may not exceed 10% at market of the portfolio.
4. Non-dollar denominated bonds are prohibited.
5. Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the investment manager's total fixed income portfolio and shall be restricted to issues that meet the following criteria:
 - a. All issues must be backed by securities issued by the Government National Mortgage Association (GNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Federal National Mortgage Corporation (FNMA).
 - b. All CMO issues must pass the FFIEC High Risk Security Test on an annual basis. Any CMO issue held in the investment manager's portfolio that fails the FFIEC test shall be sold immediately.
6. The exposure of the portfolio to any one corporate issuer, other than securities of the United States Government or agencies, shall not exceed 3% of the market value of the portfolio. The aggregate investment in any one issuing corporation shall not exceed (5%) of the outstanding debt of the corporation.

7. The fixed income portfolio may be invested in securities with a maturity up to thirty (30) years, so long as the average effective duration of the portfolio will not exceed 125% of the duration of the Merrill Lynch Intermediate Domestic Master Bond Index.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the portfolio shall be to achieve a total return over the longer term, 3 to 5 years, in excess of a Target Index. The Target Index for the portfolio is defined as a 100% investment in the Merrill Lynch Intermediate Domestic Master Bond Index.
- B. The secondary objective of the portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years that ranks in the top 40th percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

POLICY REVIEW

This Addendum is a part of the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board's Investment Policy Statement dated AUGUST 10, 2011 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**


Chairman, Board of Trustees

8-17-11
Date

Integrity

Date

CITY OF PENSACOLA
(PLAN SPONSER)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY

Integrity Fixed Income
(Inflation Protection Securities)

INTEGRITY FIXED INCOME (INTEGRITY) has been retained by the Retirement Board to manage a well-diversified portfolio of fixed income and money market securities. INTEGRITY was retained for this assignment based on their qualifications and experience in managing fixed income portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the Total Fund, the portfolio must comply with the following:

- A. Securities shall be limited to U.S. Treasury Inflation Protection Securities (TIPS)
- B. Money Market Instruments

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the INTEGRITY FIXED INCOME portfolio shall be to achieve the return characteristics, and to maintain the overall portfolio characteristics of the Target Index. The Target Index for the portfolio is defined as a 100% investment in the Merrill Lynch U.S. Treasury Inflation Protection Index.
- B. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

POLICY REVIEW

This Addendum is a part of the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board's Investment Policy Statement dated AUGUST 10, 2011 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**

Robert T. Ligata
Chairman, Board of Trustees

8-17-11
Date

Integrity

Date

CITY OF PENSACOLA
(PLAN SPONSOR)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY
WENTWORTH, HAUSER, AND VIOLICH
(Foreign Equity)

WENTWORTH, HAUSER, AND VIOLICH (WHV) has been retained by the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board to manage a well-diversified portfolio of equity and money market securities. WHV was retained for this assignment based on their qualifications and experience in managing equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of PENSACOLA MUNICIPAL POLICE OFFICERS' PENSION PLAN, the WHV portfolio must comply with the following:

- A. The portfolio is to be invested in foreign equity securities, regardless of capitalization and is expected to exhibit "Growth" type characteristics.
- B. Foreign Equity securities shall be limited to American Depository Receipts (ADRs), and will be traded on one or more of the following organized national exchanges: New York Stock Exchange, American Stock Exchange and Over the Counter Exchange (NASDAQ) or on any of the major equivalent electronic exchanges.
- C. Investment in cash and equivalents shall not exceed 15%.
- D. Not more than 7% of the portfolio assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- E. The use of derivatives including options, warrants and futures contracts is prohibited.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the WH portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the MSCI EAFE Stock Index.

- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 40th percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

III. POLICY REVIEW

This Addendum is a part of the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board's Investment Policy Statement dated AUGUST 10, 2011 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**


Chairman, Board of Trustees

8-17-11
Date

WHV

Date

CITY OF PENSACOLA
(PLAN SPONSOR)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY
Deprince Race Zollo
(Broad Large Cap Value)

DEPRINCE RACE, ZOLLO (DRZ) has been retained by the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board to manage a well-diversified portfolio of equity and money market securities. DRZ was retained for this assignment based on their qualifications and experience in managing equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of PENSACOLA MUNICIPAL POLICE OFFICERS' PENSION PLAN, DRZ portfolio must comply with the following:

- A. The portfolio is to be invested in equity securities, regardless of capitalization and is expected to exhibit "Value" type characteristics.
- B. Equity securities will be traded on one or more of the following organized national exchanges: New York Stock Exchange, American Stock Exchange and Over the Counter Exchange (NASDAQ) or on any of the major equivalent electronic exchanges.
- C. Foreign securities, limited to American Depository Receipts (ADRs), are permitted up to 10% of the Manager's portfolio at market.
- D. Investment in cash and equivalents shall not exceed 15%.
- E. Not more than 5% of the portfolio assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- F. The use of equity derivatives including options, warrants and futures contracts is prohibited.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the DRZ portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 3000 Value Stock Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 40th percentile of a representative universe of similarly managed portfolios.

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

III. POLICY REVIEW

This Addendum is a part of the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board's Investment Policy Statement dated AUGUST 10, 2011 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**



Chairman, Board of Trustees

8-17-11
Date

DRZ

Date

CITY OF PENSACOLA
(PLAN SPONSOR)
MUNICIPAL POLICE OFFICERS'
PENSION PLAN

ADDENDUM TO
STATEMENT OF INVESTMENT POLICY
Wells Capital Heritage Growth
(Broad All Cap Growth)

WELLS CAPITAL HERITAGE GROWTH (WCH) has been retained by the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board to manage a well-diversified portfolio of equity and money market securities. WCH was retained for this assignment based on their qualifications and experience in managing equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of PENSACOLA MUNICIPAL POLICE OFFICERS' PENSION PLAN, WCH portfolio must comply with the following:

- A. The portfolio is to be invested in equity securities, regardless of capitalization and is expected to exhibit "Growth" type characteristics.
- B. Equity securities will be traded on one or more of the following organized national exchanges: New York Stock Exchange, American Stock Exchange and Over the Counter Exchange (NASDAQ) or on any of the major equivalent electronic exchanges.
- C. Foreign securities, limited to American Depository Receipts (ADRs), are permitted up to 10% of the Manager's portfolio at market.
- D. Investment in cash and equivalents shall not exceed 15%.
- E. Not more than 5% of the portfolio assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company.
- F. The use of equity derivatives including options, warrants and futures contracts is prohibited.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the WCH portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 3000 Growth Stock Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that ranks in the top 40th percentile of a representative universe of similarly managed portfolios.

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

III. POLICY REVIEW

This Addendum is a part of the City of PENSACOLA MUNICIPAL POLICE OFFICERS' Retirement Board's Investment Policy Statement dated August 10, 2011 and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum with the Plan Consultant at least annually, and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. This addendum shall control over the contract between the investment manager and the Board of Trustees of the City of Pensacola Municipal Police Officers' Pension Fund only to the extent this Addendum is inconsistent with the contract. Otherwise, the terms of the contract remain the same. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**


Chairman, Board of Trustees

8-17-11
Date

Wells Capital Heritage

Date