

# West Palm Beach Police Pension Fund

## Investment Policy Guidelines

Amended April 2026

### I. FOR ALL INVESTMENT MANAGERS

#### Purpose of Investment Policy Statement

The Pension Board Trustees maintain that an important determinant of future investment returns is the expression and periodic review of the Fund's Investment objectives. To that end, the Trustees have adopted this statement of Investment Policy.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Fund 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, then, 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 statute.

A reasonably consistent and adequate return, protection of the assets against the inroads of inflation and safety of the assets are paramount. However, the volatility of interest rates and securities markets make it necessary to judge results within the context of several years rather than over short periods of one or two years or less. Performance will be measured quarterly.

### II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged investment professional(s) to manage and administer the Plan. The investment manager(s) 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:

<b>Asset Class</b>	<b>Target*</b>	<b>Range*</b>	<b>Benchmark Index</b>
Domestic Equity	44%	39% - 49%	14% S&P 500, 15% Russell Mid Cap, 15% Russell 2000
International Equity	13%	8% - 19%	MSCI-EAFE
Emerging Market Equity	3%	0% - 8%	<i>MSCI EM Index</i>
<b>Total Equity</b>	<b>60%</b>	<b>55% - 65%</b>	
Domestic Fixed Income	16%	11% - 21%	Barclays Intermediate Aggregate
Emerging Market Fixed Income	4%	0% - 9%	50/50 JPM EMBI/GBI-EM

Other Fixed Income <sup>1</sup>	0%	0% - 10%	<i>Domestic Fixed Income Benchmark</i>
<b>Total Fixed Income</b>	<b>20%</b>	<b>15% - 25%</b>	
Real Estate <sup>2</sup>	11%	6% - 16%	NCREIF ODCE Eq. Wt.
Alternative Investments <sup>2</sup>	9%	4% - 20%	Strategy Index <sup>3</sup>
<b>Total Real Estate &amp; Alternatives</b>	<b>20%</b>	<b>10% - 30%</b>	
Cash & Equivalents*	0%	0% - 5%	90 Day U.S. T-Bill

1. While the measurement of "other fixed income" strategies within the overall blended policy benchmark will be made relative to the domestic fixed income benchmark, based on the specific investment strategy implemented in this category, a secondary benchmark may be assigned for performance measurement purposes.

2. Absent of a full allocation to these segments, the "real estate" benchmark will default to "domestic fixed income" and the "alternative investments" benchmark will default to "domestic equity" with the corresponding +/-5% allowable range around the adjusted targets for both asset groups.

3. The "strategy index" for alternative investments is defined as the most appropriate index, combination of indices, or absolute return target for the investment(s) in question.

\*Targets and ranges above are based on market value of total Plan assets.

The Board 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 - QUARTERLY EVALUATION

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 index defined in the target allocation table in Section II.
2. On a relative basis, it is expected that the total portfolio performance will rank in the top 50<sup>th</sup> 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, and to earn an average annual rate of return over the long term which exceeds the Consumer Price Index (CPI) by 4.5%.

#### 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 a blended index consisting of 23.33% S&P 500 index, 25% of the Russell Mid Cap index, 25% of the Russell 2000 index, 21.67% MSCI EAFE index, and 5% of the MSCI EM 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 50<sup>th</sup> 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 a blended index consisting of 80% Barclays Capital U.S. Intermediate Aggregate Bond index and 20% of 50/50 JPM EMBI/GBI-EM Global Diversified index. Individual components of the fixed income portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 50<sup>th</sup> percentile of the appropriate peer universe over three (3) and five (5) year time periods.

D. 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 total fund, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF ODCE Equal Weighted index and rank in the top 50<sup>th</sup> percentile of the appropriate peer universe over three (3) and five (5) year time periods.

E. Alternative Investment Performance

The overall objective of the alternative investment portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and/or enhance returns. This portion of the Plan will be benchmarked against the most appropriate index, combination of indices, or absolute return target for the investment(s) in question. The "strategy index" will be determined at the time of engagement based on the specific investment's long-term objective, prospectus, and/or governing documents.

**IV. AUTHORIZED INVESTMENTS**

**A. Equity Investments**

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Money Market obligations issued by the U.S. Government, or in obligations guaranteed as to principal and interest by the United States Government or in obligations guaranteed as to principal and interest by the United States Government agency. All money market issues must rank as either Standard & Poor's A1, or Moody's P1.

3. Domestic and International Equities: equities defined as common stocks and issues convertible to equities, provided:
  - a. Each holding shall be listed on a major U.S. exchange (except for the International Equity manager who may also purchase over-the-counter (OTC) securities and securities listed on foreign exchanges).
  - b. Not more than five percent (5%) of the Fund's assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company.
  - c. Not more than ten percent (10%) of any manager's Total Fund portfolio, at market value, shall be invested in foreign securities. The manager must immediately notify the Board and the Consultant when the international exposure reaches ten percent (10%). An explanation will be needed as to why the manager is changing their discipline.
4. The use of unhedged and/or leveraged derivatives will not be allowed in any form.

**B. Fixed Income Investments**

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation provided the amount deposited does not exceed the insured amount.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities, or foreign bonds or other evidence of indebtedness denominated in United States Dollars. The U.S. government securities which may be purchased include direct obligations issued by the United States Treasury, such as Treasury bills, certificates on indebtedness, notes and bonds as well as instruments issued or guaranteed by agencies or instrumentalities of the United States government, including mortgage-related securities. Mortgage-related securities or asset-backed securities not issued by the U.S. government or an agency or instrumentality thereof may also be purchased.
3. Fixed income investments defined as preferred issues and fixed income securities provided:
  - a. All corporate debt issues shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poors or Fitch's Manual. Any issue which

is downgraded to investment grade (the fourth (4<sup>th</sup>) category) may be held.

Any issue which is downgraded below investment grade by two (2) of the three (3) above mentioned ratings services must either be sold or specifically approved for retention by the Board.

4. Money market funds, defined as fixed income securities having a maturity of less than one year; provided:
  - a. All issues shall meet or exceed Standard & Poor's A1, or Moody's P1 credit rating.
5. The use of unhedged and/or leveraged derivatives will not be allowed in any form.

### **C. Real Estate Investments**

Investments in direct real estate investment partnerships may be used to diversify the Pension Fund's Total Portfolio and to enhance total return. These investments may be in open end limited partnership funds or closed end limited partnership funds. It is understood that open end funds offer more liquidity than illiquid closed end funds, but both types of investments are long-term, private partnerships with high variability of returns.

### **E. Limitations**

1. No limitations are placed on percentage commitments to fixed income or money market investments.
2. Not more than twenty-five percent (25%) of the Fund's total assets, at market value, shall be invested in foreign securities.
3. In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any companies, identified by the State Board of Administration (SBA) on its website each quarter, as a scrutinized company. The investment Consultant and 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 and shall notify the Board each quarter, in writing, of the results of its review. Beginning no later than January 1, 2010, the Board shall sell, redeem, divest or withdraw all publicly traded securities it holds in any scrutinized company by no later than September 30, 2010 for Chapter 185 plans.
4. The Board hereby adopts the provisions of Florida Statutes §215.4725 as regulating their investments. Direct investment in "Entities that Boycott Israel" identified in the periodic publication by the State Board of Administration, in conjunction with the Department of Management Services, is prohibited. Securities identified on the list 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 list, the manager can continue to hold that security.

5. 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. The term "pecuniary factor" is defined as a factor that a named 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 investment program. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]. In selecting Investment Managers, 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)]. Only pecuniary factors may be considered when voting proxies. [112.662(3)]

## **V. COMMUNICATIONS**

- A. It shall be incumbent upon the investment managers and the custodian to apprise the Trustees of all transactions. On a monthly basis each manager shall supply an accounting statement which will include a summary of all receipts and disbursements, the cost and the market value of all assets and the percentage of the fund invested in equities, fixed income and money market at cost. On a quarterly basis each manager shall provide an analysis of the quality of the assets, including the quality rating of each security held, a summary of common stock diversification and attendant schedules. In addition, each manager shall deliver each quarter a report detailing the fund's performance, adherence to the investment policy, forecast of the market and economy, portfolio analysis and current assets of the Trust. Written reports shall be provided to the Trustees at the quarterly meetings. Each manager will provide immediate written and telephone notice to the Trustees and the performance monitor of any significant market related or non-market related event. The Trustees have retained a monitoring service to evaluate and report on a quarterly basis the rate of return and relative performance of the fund.
- B. Meetings: The Trustees will meet quarterly with the monitoring service's representative to review the performance report. At least annually, the Trustees will meet with each investment manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Fund.

- C. The Managers will immediately disclose any securities owned in the past or presently held securities which are not in compliance with Section III.
- D. The Manager's quarterly report will list separately any security whose value has diminished twenty-five percent (25%) or more from the purchase price.
- E. The Managers shall report to the Trustees on an annual basis how each proxy was voted, the issue as to each, and the date the proxy was voted. If a proxy was not voted, the Manager shall provide a written statement indicating the reason that particular proxy was not voted.
- F. The Trustees may wish to recapture as many of their commission dollars as possible consistent with obtaining the "best execution" as defined in ERISA Technical Release 96-1 which is made part of this agreement by reference.
- G. When there is any change in ownership of the investment management firm, the new firm will provide the Trustees with an audited balance sheet and will keep the Trustees fully informed of all material events. This is to include, but not be limited to, the loss of any clients, deterioration of the financial health of the firm and all employment contracts.
- H. 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.

## **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. The Board acknowledges the importance of continuing education for the Trustees. Education will be provided on an on-going basis by the Fund's actuary, attorney, custodian, investment manager(s), consultant and administrator. In addition, the Trustees are encouraged to attend educational conferences in connection with their duties and responsibilities. Each trustee is encouraged to attend a minimum of one conference or seminar per year. Additional conferences or seminars are also encouraged. The Board will pay the cost of certification as a Certified Public Pension Trustee by the Florida Public Pension Trustee Association or for a similar certification.
- 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.
- G. The Investment Consultant will provide Investment Managers for consideration based solely on pecuniary factors as defined by Florida Statutes §112.662.
- H. 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.

## **VI. CRITERIA FOR INVESTMENT MANAGER REVIEW**

The Board wishes to adopt standards by which judgments on the ongoing performance of a portfolio manager may be made. In this regard, the following will be closely monitored:

1. Four consecutive quarters of total fund performance below the fiftieth (50<sup>th</sup>) percentile in manager rankings.
2. Loss by the Manager of any senior investment personnel.
3. Any change in basic investment philosophy by the Manager.
4. Failure to attain a 60% vote of confidence by the Board members.

The above criteria shall in no way limit or diminish the Trustee's right to terminate a Manager at any time for any reason.

**VIII. FLORIDA STATUTES AND APPLICABLE CITY SPECIAL ACT OF WEST PALM BEACH**

If at any time this document is found to be in conflict with Florida Statutes, or the applicable City of West Palm Beach Special Act, the Statute and Special Act shall prevail.

**IX. REVIEW AND AMENDMENTS**

It is intended that the Investment Manager and Trustees review this document periodically. 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 any Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Trustees should be so notified in writing. By initial and continuing acceptance of this Investment Policy Statement, the Investment Manager concurs with the provisions of this document.

*JAC JT*

*4/10/26*

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For the Board of Trustees of the City of West Palm Beach  
Police Pension Fund

Date