

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

**1. PURPOSE OF INVESTMENT POLICY STATEMENT**

The Pension Board of Trustees (“Trustees”) maintains 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 Trustees also recognizes 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, then, is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains and/or losses - that exceeds the actuarial interest rate assumption on an annual basis year after year.

The Trustees, the Fund’s investment manager(s) (“manager”), and investment monitor in performing their investment duties shall comply with fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 29 U.S.C. s 1104 (a) (1) (A)-(C). A fiduciary shall discharge its duties with respect to the Plan solely in the interest of the participants and beneficiaries and –

- a. for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan;
- b. with the care, skill, prudence, and diligence under the circumstance then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aim;
- c. by diversifying the investments of the Plan so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

Reasonable consistency of returns and protection of assets against the inroads of inflation 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.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

**2. INVESTMENT PERFORMANCE OBJECTIVES**

The below listed performance measures will be used as objective criteria for evaluating effectiveness of the manager:

**A. Total Fund Performance**

1. Performance will be measured for rolling three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance of this portfolio will be compared to the return of a hybrid index comprised of the following:

<b><i>Benchmark Components</i></b>	<b><i>Type</i></b>	<b><i>%</i></b>
S&P 500	Domestic Equity Core	20.0
ML Convertibles ex 144A	Convertibles	10.0
S&P 400 Mid Cap Core	Mid Cap Equity	8.0
S&P 600 Small Cap Core	Small Cap Equity	5.0
MSCI ACWI ex US	International Equity	15.0
FTSE Global Core Infrastr 50/50	Infrastructure	5.0
Wilshire REIT	Real Estate	5.0
NCREIF - ODCE	Real Estate	7.0
Bloomberg Aggregate	Domestic Bond	25.0

2. It is expected that the total portfolio return, will be in the top 40th percentile of an appropriate universe over three to five-year periods.
3. On an absolute basis, it is expected that the total portfolio return, will equal or exceed the actuarial earnings assumption rate. For each actuarial valuation, the Trustees will 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.

**B. Domestic Stock Performance**

1. Actively managed *large- cap core equity* is expected to perform at a rate at least equal to S&P 500 stock index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
2. Actively managed *large- cap growth equity* is expected to perform at a rate at least equal to S&P 500/Citigroup Growth stock index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
3. Actively managed *large- cap value equity* is expected to perform at a rate at least equal to S&P 500/Citigroup Value stock index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

4. Actively managed *convertible securities* portfolio is expected to perform at a rate at least equal to Merrill Lynch Convertible ex 144A index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
5. Actively managed *mid-cap core equity* is expected to perform at a rate at least equal to S&P 400 Mid Cap stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
6. Actively managed *mid-cap growth equity* is expected to perform at a rate at least equal to S&P 400 Mid Cap Growth stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
7. Actively managed *mid-cap value equity* is expected to perform at a rate at least equal to S&P 400 Mid Cap Value stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
8. Actively managed *small-cap core equity* is expected to perform at a rate at least equal to S&P 600 Small Cap stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
9. Actively managed *small-cap growth equity* is expected to perform at a rate at least equal to S&P 600 Small Cap Growth stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
10. Actively managed *small-cap value equity* is expected to perform at a rate at least equal to S&P 600 Small Cap Value stock index, and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.
11. The *infrastructure* portfolio is expected to perform at a rate at least equal to the FTSE Global Core Infrastructure 50/50 Index and rank in the top 40<sup>th</sup> percentile of an appropriate peer universe.

**C. Bond Performance**

Actively managed *bonds* are expected to perform at a rate at least equal to the Bloomberg Aggregate Bond index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.

**D. International Equity Performance**

Actively managed *international* is expected to meet or exceed the return of the MSCI ACWI ex US index and rank within the top 40<sup>th</sup> percentile of an appropriate peer universe.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

**E. Real Estate Performance**

Actively managed public real estate (REIT) is expected to meet or exceed the Wilshire REIT index and rank within the top 40th percentile of an appropriate peer universe. Private Real Estate shall focus on core and value/add products offering quarterly liquidity.

**F. Passive Strategies**

Passive investment strategies within the portfolio are expected to perform at a rate similar to their corresponding benchmark, less fees. With no more than an average variance of half of one percent (0.50%)

**3. INVESTMENT STANDARDS AND GUIDELINES**

*Liquidity:* The Fund's manager(s) shall be kept informed of the liquidity requirements of the Fund. The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

*Custodian:* The Trustees have a retained and will continue to retain a third party to be custodian of the Fund's assets. All securities shall be designated as an asset of the Fund, and no withdrawal of securities-in whole or part-shall be made from safekeeping except by an authorized member of the Trustees or the Trustees' designee. Security transactions between a broker dealer and a custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the money or security, as appropriate, in hand at the conclusion of the transaction.

*Bid requirement:* The Trustees shall 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 must be selected.

*Risk and Diversification:* The investments of the Fund shall be diversified to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, issuer, instrument, dealer, or bank which financial instruments are bought and sold.

**A. Authorized Investments**

The following investments are authorized:

1. Cash Equivalents.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the government of the United States.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

3. Foreign equities, including: convertible bonds, convertible preferred issues, and preferred stock.
4. Equities - including publicly traded REITS, infrastructure, convertibles (convertible bonds, convertible preferred issues, and preferred stock. Convertible bonds, convertible preferred issues and preferred stock will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign securities convertibles are limited to those that settle in U. S. dollars and traded on one or more of the recognized national exchanges, NASDAQ or the OTC.
5. Taxable debt securities issued by states or local governments and their agencies, authorities, and other instrumentalities.
6. Bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia provided issuer has a quality rating of Baa3/BBB- or higher by a major rating service. Up to 20% of the fixed income portfolio may be invested in bonds rated below investment grade (high yield) and foreign securities (combined). Convertible securities do not apply to these limitations, as they are classified as equities.
7. Investments in securitized products, including: Mortgage Backed Securities, Agency Mortgages, Agency Pass-Through Securities, Collateralized Mortgage Obligations (CMOs), and Commercial Mortgage Backed Securities (CMBS). These investments are required to be rated AAA by a major rating service.
8. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3.

**B. Limitations**

1. Investments in equities shall not exceed 72% of the Fund's assets at market value.
2. Not more than 5% of the total Fund's assets at market value 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.
3. Foreign investments are limited to 25% of the total Fund's assets and shall include equities and Yankee bonds and obligations of non-US governments and their subdivisions, agencies and government programs. All non-US issued bonds, agencies and government program issues must be US dollar denominated.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

4. Investments in real estate are limited to real estate investment trusts (REITs) and Private Real Estate providing quarterly liquidity.
5. Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
6. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
7. The following direct investments are prohibited:
  - a. Futures
  - b. General obligations issued by a foreign government
  - c. Hedge funds
  - d. Insurance annuities
  - e. Internally managed assets (managed by the City)
  - f. Margin Accounts
  - g. Options
  - h. Private equity
  - i. Private mortgages
  - j. Securities lending
  - k. Under Protecting Florida's Investment Act (PFIA), scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, Section 215.473.

**4. COMMUNICATIONS**

- A. The custodian shall apprise the Trustees of all transactions and shall forward all proxies to the manager within ten calendar days. 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. On a quarterly basis, the manager shall provide a written report affirming compliance with the security restrictions of Section 3 above and a summary of common stock diversification and attendant schedules. In addition, the 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 and personal presentations shall be delivered to the Trustees within 60 days of the end of the quarter. The manager will provide immediate written and telephone notice to the Trustees 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 3 above.
- B. The manager will disclose any securities that are not in compliance with Section 3 in each quarterly report.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

- C. If the Fund owns securities, which complied with Section 3 at time of purchase, which are subsequently down graded while held, the manager will dispose of such securities when it is economically feasible.
- D. The Trustees shall retain a monitoring service to evaluate and report on a quarterly basis the rate of return and relative performance of the fund.
- E. The Trustees will meet quarterly with the monitoring service's representative to review the Performance Report. The Trustees 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 Fund on a quarterly basis.
- F. The equity manager shall report to the Trustees on an annual basis with respect to proxies, the issues, votes and dates, and if not voted, a written explanation.
- G. The Trustees shall submit investment performance reports on a periodic basis to the City Council. This report shall include the investments in the Fund by class or type, income earned, book value, and market value.

**5. 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.

- A. Four consecutive quarters of the manager's performance below the 40th percentile in manager performance rankings.
- B. Standard deviation for the Fund in excess of 120% of the market.
- C. Loss by the manager of any senior investment personnel.
- D. Any change in basic investment philosophy by the manager.
- E. Failure to attain a 60% vote of confidence by the Trustees.
- F. Failure to observe the security quality restrictions in Section 3.

**6. INTERNAL CONTROLS**

The Fund shall be governed by a set of written internal controls and operational procedures, which shall be periodically reviewed by the Fund's certified public accountant (CPA). At the time of every financial audit, the CPA shall review the controls that should be designed to prevent loss of funds that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Trustees or the employees of the City of Panama City Beach.

**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

**7. CONTINUING EDUCATION**

In fulfilling its fiduciary responsibility, the Trustees acknowledge that continuing education is important. Therefore, all Trustees shall receive continuing education in matters relating to investments and the Trustees' responsibilities.

**8. FLORIDA STATUTES 112, 175, 185 AND APPLICABLE CITY OF PANAMA CITY BEACH ORDINANCES**

If at any time, this document is found to be in conflict with Chapter 112.661 or Chapters 175 and/or 185, Florida Statutes, or the applicable City of Panama City Beach Ordinances, the Statutes and Ordinances shall prevail.

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.

- A. 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)]
- B. 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)]
- C. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]
- D. 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.
- E. 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



**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
***Investment Policy Statement***

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.

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

G. 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.

**9. REVIEW AND AMENDMENTS**

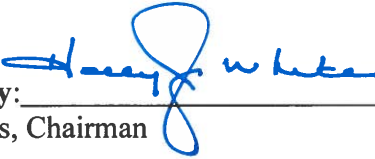
It is the Trustees intention to review this document periodically and to amend this statement to reflect any changes in philosophy, objectives or guidelines. The manager's consistency in these matters is recognized and will be taken into account when changes are being considered. If at any time any manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Trustees should be notified in writing. By initial and continuing acceptance of this Investment Policy Statement, the manager concurs with the provisions of this document.

Once the Trustees have adopted the investment policy, the investment policy shall be promptly filed with the Department of Management Services, the City, and the consulting actuary.

The effective date of the Investment Policy Statement and any amendment thereto, shall be the 31st calendar day following the filing date with the City.


**CITY OF PANAMA CITY BEACH GENERAL EMPLOYEES' PENSION PLAN**  
*Investment Policy Statement*

**BOARD OF TRUSTEES**  
**CITY OF PANAMA CITY BEACH**  
**GENERAL EMPLOYEES'**  
**PENSION PLAN**

By:   
As, Chairman

Date: 08/31/23

**ATTEST:**

By:   
As, City Clerk

Date: 08/31/23

**BURGESS CHAMBERS & ASSOCIATES, INC. STERLING CAPITAL MGT.**

By:   
As, Consultant

Date: 08/31/23

By:   
As, Investment Manager

Date: 11/17/23