

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

1. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board of 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 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 - that achieves the actuarial interest rate assumption on an annual basis and over rolling four-year period. Additionally, the Trustees 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).

Specifically, the Board, the Fund's investment manager(s), and the investment monitor shall comply with the following fiduciary standard:

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 return 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 SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

2. INVESTMENT PERFORMANCE OBJECTIVES

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

A. Total Fund Performance

1. The performance of the total Fund 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 the hybrid benchmark defined in Section 4 below.
2. On a relative basis, it is expected that the money manager's performance with regard to the total return of combined equity, fixed income and cash portfolio, will be in the top 40th percentile of an appropriate *balanced* universe over three to five-year periods.
3. On an absolute basis, it is expected that the total return of the combined equity, fixed income and cash portfolio, will equal or exceed the actuarial earnings assumption rate. For each actuarial valuation, the Board 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 Equity Performance

1. The *Large cap growth* equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 1000 growth stock index and rank within the top 40th percentile of an appropriate *core* equity universe over three and five-year periods.
2. The *Large cap value* equity portion is expected to perform at a rate at least equal to the Russell 1000 value stock index, and rank within the top 40th percentile of an appropriate *value* equity universe over three and five-year periods.
3. The *Mid-cap core* equity portion is expected to perform at a rate at least equal to the return of the Russell mid-cap stock index and rank within the top 40th percentile of an appropriate *mid-cap* equity universe over three and five-year periods.
4. The *Small- cap equity* portion is expected to perform at a rate at least equal to the return of the Russell 2000 index, and rank within the top 40th percentile of an appropriate *small-cap* equity universe over three and five-year periods.
5. The *Convertible* securities portfolio shall be compared to the Merrill Lynch Convertible index and rank in the top 40th percentile of an appropriate universe over rolling three and five-year periods.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

C. Infrastructure Performance

The Infrastructure portion of the portfolio is expected to achieve the returns of the FTSE Global Core Infrastructure 50/50 index and rank in the top 40th percentile of an appropriate universe. The Master Limited Partnerships (MLP, midstream pipelines) portion of the portfolio is expected to achieve the returns of the Alerian MLP Infrastructure index and rank in the top 40th percentile of an appropriate universe.

D. Bond Performance

The bond portion of the portfolio is expected to perform at a rate at least equal to the Bloomberg Barclay's Aggregate Bond Index and rank within the top 40th percentile of an appropriate *fixed income* universe over three and five-year periods.

E. International Equity Performance

The international portion of the portfolio is expected to perform at a rate at least equal to the return of the MSCI ACWI World ex US index and rank within the top 40th percentile of an appropriate *international* equity universe over three and five-year periods.

F. REIT Performance

The REIT portion of the portfolio is expected to perform at a rate at least equal to the return of the Wilshire REIT Index and rank within the top 40th percentile of an appropriate *REIT* universe over three and five-year periods.

3. INVESTMENT GUIDELINES

The value of assets shall be made in accordance with s. 302 (c) (2) of the Employee Retirement Income Security Act of 1974 and as permitted under regulations prescribed by the Secretary of the Treasury.

Liquidity: The Fund's investment 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.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

Custodian: The Board has 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 Board or the Board's 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.

Risk and Diversification: The investments held by 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, instrument, dealer, or bank which financial instruments are bought and sold.

- A. Authorized Investments. All of the investments of the Fund's assets shall be subject to the limitations and conditions set forth in sections 215.47 (1), (2), (3), (4), (5), (6), (7), (8), (10), and (16) of the Florida Statutes.
1. Cash Equivalents.
 2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an Agency of the United States Government.
 3. Bonds issued by the State of Israel.
 4. 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 the issuer has a quality.
 5. Equity investments include publicly traded REITS, common stock, infrastructure, convertible bonds, convertible preferred issues, and preferred stock in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or the OTC. Convertible securities will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign convertibles are limited to those that settle in U. S. dollars and traded on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or the OTC.
 6. Real Estate shall be limited to publicly traded REITS and diversified private real estate programs having third-party appraisal valuations each quarter.
 7. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3, if possible.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

B. Limitations

1. Investments in corporate common stock and convertible bonds shall not exceed **72%** of the Fund assets.
2. Foreign equity investments are limited to 25% of total assets.
3. Not more than five percent (5%) of the 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.
4. Not more than 5% of the Fund's assets (at market value) shall be invested in one fixed income issuer (this excludes issues of the United States Government or any governmental agency).
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 investments are prohibited:
 - a. Bonds issued by any state or municipality.
 - b. Futures.
 - c. General obligation issued by foreign government.
 - d. Hedge Funds
 - e. Insurance Annuities
 - f. Internally managed assets
 - g. Margin Accounts
 - h. Options
 - i. Private Equity
 - j. Private Mortgages
 - k. Securities Lending
 - l. PFIA*

*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.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

4. ASSET ALLOCATION, REBALANCING AND HYBRID BENCHMARK

Investment Approach	Benchmarks	% Alloc.	Range	
			Min	Max
Large cap growth	Russell 1000G	16.0	10	22
Large cap value	Russell 1000V	16.0	10	22
Convertibles	ML Convertible	8.0	5	11
Mid-cap equity	Russell mid-cap	5.0	3	7
Small-cap equity	Russell small-cap	5.0	3	7
International equity	MSCI ACWI World ex US	10.0	7	13
Real Estate	Wilshire REIT	5.0	0	10
Infrastructure	FTSE Global Core Infrastructure 50/50	5.0	3	7
Fixed income (bonds)	Barclays Aggregate	30.0	20	60
Cash	90-day T-bill	0.0	0	10
Total		100		

Since market conditions will favor one approach over another, during 12 to 36-month time periods, the asset allocation will require periodic rebalancing. Because the long-term approach of the Plan is to achieve blended returns of separate asset classes, it is essential that relative weightings do not become over or under-allocated for long periods of time. Accordingly, at least annually, the asset allocation of each category shall be reviewed and rebalanced, if necessary, under the direction of the investment consultant.

5. 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.
- C. If the Fund owns securities, which complied with Section 3 at time of purchase, which are subsequently downgraded while held, the manager will dispose of such securities when it is economically feasible.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

- D. The manager's quarterly report will list separately any security whose value has diminished 15% from purchase price.
- E. 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.
- F. 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. For each actuarial evaluation, 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.
- G. 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.
- H. The Board of Trustees shall submit investment performance reports on a periodic basis to the governing body of the unit of local government. This report shall include the investments in the Fund by class or type, income earned, book value, and market value.

6. CRITERIA FOR INVESTMENT MANAGER REVIEW

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

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

- A. Four consecutive quarters of the investment manager's performance below the 40th percentile in 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 Board of Trustees.
- F. Failure to observe the security quality restrictions in Section 3.

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

7. 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 Board or the employees of the City of Sanibel.

8. STATEMENT OF CONTINUING EDUCATION

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

9. FLORIDA STATUTES 112.661 AND 185, AND THE APPLICABLE CITY OF SANIBEL ORDINANCE

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

The Board and its investment managers shall comply with the applicable requirements of Chapter 203-28, 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-

CITY OF SANIBEL MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

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 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.

10. 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. In this regard, the money 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 portfolio 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 money manager concurs with the provisions of this document.

Once the Board has adopted the investment policy, the investment policy shall be promptly filed with the Department of Management Services, the plan sponsor, and the consulting actuary.

CITY OF SANIBEL MUNICIPAL POLICE
OFFICERS' RETIREMENT SYSTEM

Investment Policy Statement

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

*BOARD OF TRUSTEES
CITY OF SANIBEL MUNICIPAL
POLICE OFFICERS' RETIREMENT SYSTEM*

By: Craig Holst
Chairman, Board of Trustees

Date: Nov 24, 2023

By: _____
Burgess Chambers & Associates

Date: _____




2023-11-08 Sanibel Police

Final Audit Report

2023-11-24

Created:	2023-11-15
By:	Scotty Kelly (Scotty.Kelly@mysanibel.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAp-QSeiAaZEfgWIAucr6GsR9FrzZzE5s5

"2023-11-08 Sanibel Police" History

-  Document created by Scotty Kelly (Scotty.Kelly@mysanibel.com)
2023-11-15 - 8:04:17 PM GMT- IP address: 67.238.61.10
-  Document emailed to Craig Holston (cholston@sancaptrustco.com) for signature
2023-11-15 - 8:04:57 PM GMT
-  Email viewed by Craig Holston (cholston@sancaptrustco.com)
2023-11-24 - 4:41:22 PM GMT- IP address: 96.77.168.145
-  Document e-signed by Craig Holston (cholston@sancaptrustco.com)
Signature Date: 2023-11-24 - 4:41:33 PM GMT - Time Source: server- IP address: 96.77.168.145
-  Agreement completed.
2023-11-24 - 4:41:33 PM GMT