

**DAVIE POLICE OFFICERS' PENSION FUND**  
**INVESTMENT GUIDELINES**  
**Revised February 2011**

**I. PURPOSE OF INVESTMENT GUIDELINE STATEMENT**

The Davie Police Officers' Pension Fund has been created and funded to provide retirement benefits for those employees who through their years of service have earned a right to a pension benefit. The purpose of this Fund is to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. This document is designed to set forth the guidelines for those who administer and invest the funds in the portfolio.

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 Guidelines.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle for providing income and benefits to retired participants and/or their beneficiaries. The Board also recognizes that the obligations of the Fund are long-term and that the investment guidelines should be made with a view toward performance 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 gains or losses, commensurate with the Prudent Investor Rule and any other applicable statute or requirement.

A reasonably consistent and adequate return, protection of the assets against the inroads of inflation, and absolute 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. Performance will be measured quarterly.

**II. FLORIDA STATUTES AND APPLICABLE CITY ORDINANCES**

Since the Davie Police Officers' Pension Fund is a defined benefit plan as defined and set forth by Florida Statutes Sections 215.47 (1), (2), (3), (4), (5), (6), (7), (8), (10) and (16) (See Exhibit A) and Chapter 185, the Fund is subject to and complies with the Statutes. If at any time this document is found to be in conflict with Florida Statutes or applicable city ordinances, the statutes and ordinances shall prevail.

Although this Fund is not subject to the Employee Retirement Income Security Act (ERISA), Florida Statutes provide that the Board and all of its agents comply with the standards set forth in ERISA. Therefore, all of the individuals associated with the Fund should act within the confines of that statute. Where not specifically indicated, the actions or decisions of the individuals are to be governed by the prudent investor rule.

Additionally:

EVERY FIDUCIARY SHALL:

- Discharge his or her duties for the exclusive purpose of providing benefits to the Davie Police Officers' Pension Fund members and their beneficiaries and defraying reasonable expenses of administering the Fund;
- Act with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims;
- Diversify investments of the Davie Police Officers' Pension Fund so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so, and;
- Operate in accordance with the Davie Police Officers' Pension Fund procedures, documents and instruments.

### III. INVESTMENT PERFORMANCE OBJECTIVES

Based upon the Fund's latest actuarial report, the Trustees have established long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a minimum, the Fund in aggregate needs to earn a compound annualized rate of return over time of 7.9%.

#### A. Total Fund Performance

The performance of the total Fund will be measured each quarter for rolling three and five year periods. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments. In addition to achieving the required actuarial rate of return, the total return of this portfolio is expected to exceed the return of the calculated model index as provided by the Consultant. The model index is defined as a composite of passive indices whose composition is determined each quarter based on the Fund's actual allocation.

#### B. Domestic Equity Performance

The equity portion of the portfolio is expected to perform at a rate greater than the S&P 500 Index and in the top 50% of an appropriate broad market equity universe.

The large capitalization equity portion of the portfolio is expected to perform at a rate greater than the S&P 500 Index and perform in the top 50% of an appropriate large cap equity universe.

The mid capitalization equity portion of the portfolio is expected to perform at a rate equal to the S&P 400 Mid-Cap Index.

The small capitalization equity portion of the portfolio is expected to perform at a rate greater than the Russell 2000 Small-Cap Index and perform in the top 50% of an appropriate small cap equity universe.

C. International Equity Performance

The international equity portion of the portfolio is expected to perform at a rate greater than the MSCI Europe, Australasia and Far East (EAFE) Index and perform in the top 50% of an appropriate international equity universe.

D. Fixed Income Performance

The fixed income portion of the portfolio is expected to perform at a rate greater than the Barclays Capital Aggregate Index and in the top 50% of an appropriate broad market fixed income universe.

E. Real Estate Performance

The real estate portion of the portfolio is expected to perform at a rate greater than the NCREIF ODCE Index.

While the Trustees acknowledge that market conditions can produce periods where such returns are difficult to achieve, the Investment Managers are expected to contribute to meeting the long term objectives of the Fund as well as others set forth in this document.

#### IV. BROKERAGE

Investment Managers shall use their best efforts to ensure that portfolio transactions are placed on a "best execution" basis. Brokerage transactions should not be directed to any firm if in doing so, taking all factors into consideration, the Fund will incur a disadvantage with respect to the market price of the security. Further, irrespective of any obligations to pay for services engaged by either the Investment Managers or the Trustees, only transactions that would normally be made for the Fund in the absence of such obligations should be executed.

#### V. PROXY VOTING

Responsibility for the exercise of ownership through proxy solicitation shall rest solely with the Investment Managers. Guidelines for voting proxies will be listed in individual Manager guidelines.

#### VI. ASSET ALLOCATION

The Board of Trustees has currently adopted the following asset allocation at market value:

Percentage

Index

Domestic Stocks	50.0%	S&P 500
International Stocks	12.5%	Barclays Capital Aggregate Bond
Domestic Bonds	32.5%	MSCI EAFE
Real Estate	5.0%	NCREIF ODCE

Although cash is not included in the asset allocation of the Fund, the Trustees realize the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and cash held in the Investment Managers' portfolios will be utilized to pay obligations of the Fund and periodic re-balancing of the assets. The Fund's Investment Managers shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Fund.

## VII. MANAGEMENT STRUCTURE

To diversify the Fund's assets so as to minimize the risk associated with dependence on the success of one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing the Fund's assets.

Investment Managers will be employed to utilize individual expertise within their assigned area of responsibility. Each Manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to this document.

The allocation for all assets is based on market values. The current asset allocation is as follows:

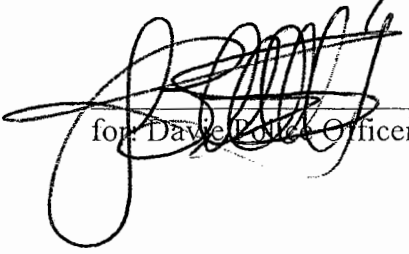
	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Domestic Stocks</u>	50.0%	40.0%	60.0%
Buckhead Capital Management (Large Cap Value)	17.5	15.0	20.0
Davis Hamilton Jackson (Large Cap Growth)	17.5	15.0	20.0
Rhumblin (Mid Cap)	7.5	5.0	10.0
TAMRO (Small Cap)	7.5	5.0	10.0
<u>International Stocks</u>	12.5%	7.5%	20.0%
Johnston Asset Management	7.5	5.0	10.0
SSgA MSCI EAFE Index Fund	5.0	2.5	7.5
<u>Domestic Bonds</u>	32.5%	25.0%	40.0%
Buckhead Capital Management (Core)	16.0	12.0	20.0
Davis Hamilton Jackson (Core)	16.5	13.0	20.0
<u>Real Estate</u>	5%	2.5%	7.5%

American Realty	3.5	1.5	5.0
UBS	1.5	1.0	2.5

### VIII. IMPLEMENTATION

All monies invested for the Fund by the Investment Managers after the adoption of these Investment Guidelines shall conform to this statement.

~~Adopted~~ <sup>Executed</sup> this 07 day of AUGUST, 20 12

  
for Davie Police Officers' Pension Fund