

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM
INVESTMENT POLICY ADOPTED JANUARY 20, 2009
EFFECTIVE FEBRUARY 22, 2009**

Name of Plan: Pompano Beach Police and Firefighters' Retirement System

Plan Sponsor: Pompano Beach, Florida

Current Board of Trustees:

<u>Police Department</u>	<u>Fire Department</u>
Daniel M. Christophers	Richard E. Avallone
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Deputy Administrator: Lindsay Dalton

Custodian: Comerica Bank

Money Managers: BCOM Investment Advisers, Cornerstone Investment Partners, Ironwood Capital Management, Invesco, Lord, Abbett & Co., Munder Capital Management, Sands Capital Management, Standish Mellon Asset Management, Renaissance Investment Management, UBP Asset Management, Voyageur Asset Management and Wells Capital Management.

Investment Consultant: Citi Institutional Consulting

Actuary: Gabriel, Roeder, Smith and Company

Accountant: Cherry, Bekaert & Holland, LLP

Legal Counsel: Sugarman & Susskind, P.A.

The Chairman of the Board of Trustees of the Pompano Beach Police and Firefighters' Retirement System has reviewed the attached Statement of Investment Management Policies, Guidelines and Objectives for completeness and has approved them as such.

SCOPE

The Statement of Investment Policy shall apply to all funds under control of the Board of Trustees.

INVESTMENT MANAGEMENT POLICIES, GUIDELINES AND OBJECTIVES

For The

POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM

I. INTRODUCTION AND BACKGROUND

The Pompano Beach Police and Firefighters' Retirement System is a defined employee pension benefit plan established by Ordinance of the City of Pompano Beach to provide retirement benefits for its police officers and firefighters. The City of Pompano Beach is the "plan sponsor". The Plan is administered by the Police and Firefighters' Retirement System Board of Trustees. The Plan is a pension plan maintained to provide retirement, disability, termination and death benefits, as the case may be, to participants in accordance with the express provisions of the Plan.

The Plan and the benefits provided thereunder are funded by contributions by the City of Pompano Beach, Employees' contributions, state premium tax refunds, interest income and other income in accordance with the underlying Plan documents.

The Board of Trustees is charged by Ordinance and Chapter 112, Florida Statutes with the responsibility of developing a policy for the investment of the assets of the Fund. The trustees are named fiduciaries. The investment of the assets of our retirement plan must be consistent with the written investment policy adopted by the board of trustees. The policies are structured to maximize the financial return to the retirement plan consistent with the risks incumbent in each investment and are structured to establish and maintain an appropriate diversification of the retirement system's assets. To assist the Board in this function, they are authorized to engage the services of investment and actuarial consultants to provide expert assistance. The Board periodically undertakes studies to evaluate the potential consequence of alternative investment strategies on the long term well being of the Plan. In the view of its consultants and the Board, the investment program defined in this Statement will produce a result over the long term consistent with the Plan's primary objective of preserving and enhancing the purchasing power of assets.

In the implementation of the investment program, the Plan will employ investment managers who have demonstrated expertise with particular asset classes. Furthermore, the Plan's investment managers utilize a variety of investment approaches. This diversification of managers and investment approach should reduce the risk of loss and contribute to the attainment of a more consistent positive return. Nonetheless, there will be short term periods when the fund may experience negative returns. Such periods are not inconsistent with achievement of the targeted long term objective.

II. INVESTMENT POLICY AND OBJECTIVES

Based on analysis of the Plan assets and expected investment returns and risks associated with alternative asset mix strategies, the Board adopted the following asset class targets, based on market value:

<u>TRADITIONAL ASSET CLASSES</u>	<u>% Range</u>	<u>% Target</u>
EQUITY MANAGER(S)		
<i>Large Capitalization Value Manager</i>	20.75 – 15.75%	18.25%
<i>Large Capitalization Growth Manager</i>	20.75 – 15.75%	18.25%
<i>Large Capitalization Core Manager</i>	7.50 – 2.50%	5.00%
<i>Small/Mid Capitalization Value Manager</i>	7.50 – 2.50%	5.00%
<i>Small/Mid Capitalization Growth Manager</i>	7.50 – 2.50%	5.00%
<i>International Value Manager</i>	4.00 – 2.00%	3.00%
<i>International Growth Manager</i>	4.00 – 2.00%	3.00%
Total Equity	65.00 – 50.00%	57.50%
FIXED INCOME MANAGER(S)	30.00 – 20.00%	<u>25.00%</u>
TOTAL TRADITIONAL ASSET CLASSES		82.50%
<u>ALTERNATIVE ASSET CLASSES</u>	<u>% Range</u>	<u>% Target</u>
REAL ESTATE		
<i>Public REIT (Equity)</i>	5.00 – 0.00%	2.50%
<i>Private Real Estate (Fixed)</i>	7.50 – 0.00%	5.00%
Total Real Estate	10.00 – 2.50%	7.50%
FUND OF HEDGE FUNDS & MANAGED FUTURES	10.00 – 0.00%	10.00%
PRIVATE EQUITY	5.00 – 0.00%	0.00%
TOTAL ALTERNATIVE ASSET CLASSES	25.00 – 7.50%	<u>17.50%</u>
TOTAL TRADITIONAL & ALTERNATIVE		100.00%

These ranges and targets are established as maximum weightings in each respective asset class. If the investment manager determines that a percentage of their allocation should be invested in cash, then they are permitted that flexibility and will be evaluated by their decisions accordingly.

Over time, it is the Board's intention to direct cash flows toward the asset class(es) that are under-represented and away from the class(es) that are over-represented.

The General investment objectives of the Board are as follows:

1. Establish a Prudent Investment Program

Although the Retirement System is not covered by the Employee Retirement Income Security Act of 1974 (ERISA), the assets of this fund shall be invested in a manner consistent with the fiduciary standard set forth in ERISA, as though ERISA applied to the Retirement System; namely, (1) in accordance with the safeguards and diversity to which a prudent investor would adhere (2) and all transactions undertaken on behalf of the Fund must be for the sole interest of Plan participants and their beneficiaries in order to provide benefits and pay the expenses of the Fund. The pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets.

2. Achieve Growth in Purchasing Power

Primary investment emphasis must be placed upon the consistent protection of the funds assets and growth performance, i.e., the achievement of adequate investment growth must not be at the expense of the protection of the assets over the investment horizon.

More specific investment objectives established by the Board include the following:

- The Fund should earn a return over time exceeding the assumed actuarial rate of 8.5%. In addition, the Fund should earn a return greater than inflation, as measured by the Consumer Price Index, by 3.0% per year. Meeting this objective indicates that the active management of the various portfolio components has added value over a passively managed fund. It is also consistent with the Board's objective to enhance the purchasing power of the Funds.
- Individual investment managers will not be measured against the aggregate fund objective stated above. They will be compared to appropriate market indices, and the performance of other managers who utilize a similar investment style.

III. TRADITIONAL ASSET CLASSES - INVESTMENT GUIDELINES

A. Liquidity Requirements

There is a requirement to maintain liquid reserves for the payment of pension benefits and expenses. The Board will review these projected cash flow requirements at least annually.

B. Securities Permitted on an Interim Basis

Investments may be made in Exchange Traded Funds (ETFs) or iShares on an interim basis during manager searches

C. Equities

The investment managers are permitted to invest in equity securities (including convertible bonds) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market maker regulated by the National Association of Securities Dealers (NASD). Domestic equity managers are restricted from purchasing international securities (i.e. ADRs or other foreign domiciled companies). For international investing, ADRs that trade over the counter, such as "Pink Sheet" ADRs and Bulletin Board ADRs are permissible as well as any foreign company that trades directly in a U.S. equity market. Any investment that does not fall into a category listed above is prohibited.

The equity portion of each portfolio manager shall not:

1. Be more than 10% invested in the securities of any one company at market.
2. Make short sales.
3. Use margin or leverage.
4. Be invested in commodities.
5. Be invested in private real estate
6. Be invested in " investment art objects."
7. Invest in Options, including the purchase, sale or writing of options unless options are "covered" by the corresponding security.
8. Be invested in warrants, although warrants issued in connection with stocks held by the fund may be sold, held, or converted by the investment manager at its discretion.
9. Invest in companies for which investment is prohibited to the State of Florida by the Protecting Florida's Investment Act (PFIA), Section 215.44, Florida Statutes.

a.) Large –Capitalization Value & Growth Stocks

Large capitalization stocks are expected to have the greatest weighting in the Retirement System. They are expected to provide more consistent returns over time than our other equity styles. The objective is to maximize investment return over a market cycle by investing in large capitalization equities having the potential to generate investment returns exceeding those of a passively managed large stock index.

Large-capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Large Capitalization Value or Growth Managers.
- Performance comparable to the Russell 1000 Value or Growth Indexes.
- When appropriate, performance comparable to the S&P.
- Performance comparable to the S&P 500 Stock Index. (Market & Equal-Weighted)
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

b.) Small/Mid Capitalization Value & Growth Stocks

Small/mid capitalization stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in small/mid capitalization equities having the potential to generate investment returns exceeding those of a passively managed small/mid stock index.

Small/mid capitalization equity manager performance parameters include the following:

- Performance within the top half of a Universe of Small/Mid Capitalization Value or Growth Managers
- Performance comparable to the Russell Midcap Value Index or Russell 2500 Growth Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle for the small/mid capitalization market.

c.) International Stocks

International Stocks are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long run. The objective is to maximize investment return over a market cycle by investing in international securities through American Depository Receipts (ADRs) as well as any foreign company that trades directly in a U.S. equity market. These equities should generate investment returns exceeding those of a passively managed international index.

International equity manager performance parameters include the following:

- Exceed MSCI EAFE – Net Dividend or MSCI All Country World ex. US Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) should not exceed that of the appropriate market index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the international market.

D. Fixed Income

Fixed income securities shall be invested entirely in marketable debt securities issued or guaranteed by either (a) the United States Government or its agencies, (b) domestic corporations (including industrial and utilities) or Israel Bonds (c) asset-backed (ABS) and commercial mortgage-backed securities (CMBS), (d) domestic banks and other US financial institutions. All securities must hold a rating in one of the four highest classifications by a major rating service. Such investments shall all be in accordance with the Code of the City of Pompano Beach. Any investments that do not fall under the criteria listed above are prohibited from being purchased. Securities ratings reduced beneath the four highest classifications after purchase should be sold by the portfolio manager within a reasonable period of time as determined by the manager. It is the manager's responsibility to notify the board in writing immediately after a security is downgraded below the policy guidelines. The written explanation should describe the manager's intentions regarding the disposition of the security being downgraded. Restrictions on fixed income include the following:

1. Except for Treasury and Agency obligations, the debt portion of the Fund shall contain no more than ten percent (10%) of a given issuer irrespective of the number of differing issues. Other diversification standards should be developed and applied by the Investment Manager(s).
2. If commercial paper is used it must be only of the highest quality (A-1 or P-1).
3. Private placement debt is not permissible except 144a placements.

4. The maximum weighting of fixed income in BBB ratings is 10%.

Fixed income manager(s) performance parameters include the following:

- Performance comparable to the Barclays Capital Aggregate Bond Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the Barclays Capital Aggregate Bond Index without a corresponding increase in performance above the index.
- Achieve the above objectives within a time horizon of a minimum of three to five years or a full market cycle.

E. Communications

1. Quarterly

- a. Evaluation reports will be supplied to the Trustees to provide most current statistics on rate of return (12 copies).
- b. Written reports should be supplied by the Investment Manager in sufficient detail and commentary so that the Trustees are apprised of Fund status and any changes in philosophy or investment strategy (12 copies).
- c. Manager should provide a statement certifying compliance with stated guidelines.
- d. Written report on proxies voted will be supplied to the Trustees (12 copies).

2. Meetings

On a reasonable schedule, meetings will be held with the Investment Manager(s) at least one time per year or at other such times as the Trustees may reasonably request to discuss performance results, economic outlook, investment tactics, organizational changes and any other pertinent matters. The Trustees may schedule an interim meeting upon reasonable request of the Investment Manager.

3. Immediate

Telephone and/or letter advice should be forthcoming from the Manager to provide the Trustees with information of an immediate nature, such as relevant personnel changes, market activity resulting in abnormal changes in the Fund, etc.

IV. ALTERNATIVE ASSET CLASSES - INVESTMENT GUIDELINES

Alternative asset classes historically have low to moderate correlation to market indices. Alternative asset classes are expected to improve total portfolio diversification and provide opportunities for higher incremental returns over the long-term. Many of the asset categories are expected to generate absolute returns (positive returns regardless of market environment) versus relative returns (returns comparative to a given benchmark).

Alternative asset classes guidelines differ from traditional asset classes guidelines. Alternative asset managers may use leverage and derivatives, may short securities, generally have higher fees, typically have reduced liquidity, and performance is dependent primarily on advisor skill.

A. Real Estate

Real Estate Investment Trusts (REITs)

The investment managers are permitted to invest in real estate investment trusts (REITs) listed on the New York, American and principal regional and foreign (for foreign securities) exchanges. They may also invest in over-the-counter securities for which there is an active market maker regulated by the National Association of Securities Dealers (NASD).

Private Real Estate

The investment managers are permitted to invest in private real estate. Private real estate will be purchased through an institutional vehicle. The institutional vehicle provides diversification of property type and geographical location and provides a competitive price structure.

a.) Real Estate Investment Trusts (REITs)

Real Estate Investment Trust securities are expected to improve total portfolio diversification and provide opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through REITs. These equities should generate investment returns exceeding those of a passively managed REIT index.

REIT equity manager performance parameters include the following:

- Exceed National Association of Real Estate Investment Trusts (NAREIT) Equity REIT Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NAREIT Equity REIT Index without a corresponding increase in performance above the index.

- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle of the REIT market.

b.) Private Real Estate

Private real estate investments are expected to improve total portfolio diversification and provide income and opportunities for higher incremental returns in the long-term. The objective is to maximize investment return over a market cycle by investment in real estate through private ownership. These private real estate investments should generate investment returns exceeding those of a passively managed private real estate index.

Private real estate investment performance parameters include the following:

- Exceed the National Council of Real Estate Investment Fiduciaries (NCREIF) Index.
- Performance comparable to the Barclays Capital Aggregate Bond Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the NCREIF Index or the Barclays Capital Aggregate Bond Index without a corresponding increase in performance above the index.
- Achieve the above objectives within a time horizon of five to ten years or a full real estate market cycle.

c.) Private Ownership of an Office Building

Private ownership of an office building partially or fully occupied by the Retirement System is permitted. The investment return and risk measures discussed in private real estate do not apply. The investment shall be managed and controlled by a qualified plan asset manager that shall acknowledge that it is a fiduciary with respect to the Retirement System. Appraisals for privately owned office building are discussed below:

- (a) Purpose of Appraisals. Appraisals of real property owned by the Retirement System shall be obtained periodically.
- (b) Timing of Appraisals. As part of its due-diligence with respect to each Investment, the Retirement System shall obtain an appraisal of the real property underlying such Investment prior to entering into such Investment. Thereafter, each such real property shall be appraised at annual intervals.
- (c) The Appraisers. Appraisals of real property shall be performed by one or more independent real estate appraisers. Such real estate appraisers and financial advisers shall be selected by the Trustees.

All appraisal reports shall be submitted to the Trustees. Any appraiser selected shall be licensed in compliance with any applicable state licensing requirements and a member of that state's Appraisal Institute.

B. Funds of Hedge Funds (FofHFs)

FofHFs are private investment funds investing primarily in the global equity and fixed income markets typically employing sophisticated trading strategies using leverage and derivative instruments. FofHFs invests in multiple, single manager hedge funds. The strategy designs a diversified portfolio of managers with the objective of significantly lowering the risk (volatility) of investing with an individual manager. The FofHFs manager has discretion in choosing which strategy to invest in for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers in multiple strategies. The investor has the advantage of diversification among managers and styles with significantly less capital than investing with separate managers.

Low Volatility Funds of Hedge Funds (LVFofHFs)

The LVFofHFs manager selects hedge fund investment managers that invest in Relative Value Arbitrage/ Event Driven asset classes. Relative Value Arbitrage/ Event Driven asset class categories consists of hedge fund managers specializing in Convertible Arbitrage, Fixed Income Arbitrage, Distressed, Statistical Arbitrage, and Equity Market Neutral Strategies.

Mid to High Volatility Funds of Hedge Funds (MHVofHFs)

The MHVofHFs manager selects hedges fund investment managers that invest in Long/ Short, Global Macro/ Managed Futures, and Manager Futures asset classes.

a.) Low Volatility Funds of Hedge Funds (LVFofHFs)

LVFofHFs are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers' strategies are expected to have return volatility in the range of 2-5% over a market cycle.

LVFofHFs manager performance parameters include the following:

- Exceed Hedge Fund Research, Inc. Fund of Funds Conservative Index (HFRI FOF Conservative Index).
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the HFRI FOF Conservative Index without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

- Compare to the Barclays Capital US Aggregate Bond Index for return and risk over a time horizon of three to five years or a full market cycle.

b.) Mid to High Volatility Funds of Hedge Funds (MHVFofHFs)

MHVFofHFs are expected to improve total portfolio diversification and provide opportunities to achieve higher incremental returns in the long-term. The objective is to provide absolute returns over a market cycle. The standard deviation for the combination of hedge fund managers strategies are expected to have return volatility in the range of 5-15% over a market cycle.

MHVFofHFs manager performance parameters include the following:

- Exceed appropriate Hedge Fund Research, Inc. Fund of Funds Index.
- The risk associated with the manager's portfolio as measured by the variability of quarterly returns (standard deviation) must not exceed that of the appropriate HFRI FOF without a corresponding increase in performance above the index.
- Achieve the performance parameters within a time horizon of a minimum of three to five years or a full market cycle.

V. STATE MANDATED REQUIREMENTS

1. **EXPECTED ANNUAL RATE OF RETURN.** The desired investment objective is a long-term rate of return on assets of 8.50%. The target rate of return is for the current year, for each of the next several years and for the long-term thereafter. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies and a fixed percent return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the Internal Controls section of this Investment Policy. Over a complete business cycle, the Plan's overall annualized total return, after deducting investment and transaction costs, should perform above the median of an appropriate universe and above a customized index composed of various market indices weighted by the strategic asset allocation of the Plan's assets.

2. **THIRD-PARTY CUSTODIAL AGREEMENTS.** The securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's 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, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

3. **MASTER REPURCHASE AGREEMENT.** All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement (where applicable).

4. **BID REQUIREMENT.** The board 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.

5. **PORTFOLIO COMPOSITION.** The Investment Guidelines establish parameters for investments and limits on security issues, issuers and maturities. Said Guidelines are commensurate with the nature and size of the funds within control of the Board. The Board believes that the Plan's risk and liquidity posture are, in large part, a function of asset class mix. The Board has reviewed long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

6. **RISK AND DIVERSIFICATION.** The Investment Guidelines provide for appropriate diversification of the portfolio. Investments have been diversified to the extent practical to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of

uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective.

7. INTERNAL CONTROLS. The attached system of internal controls and operational procedures has been adopted by the Board and shall be reviewed by its independent certified public accountants as part of any financial audit of the Plan.

In addition, the Board has adopted the following internal controls with reference to selection and review of Money Managers:

- A. Selection of Money Managers. The Board, with assistance from the Investment Consultant, has selected, and will select, appropriate Money Managers to manage Plan assets. Managers must meet the following minimum criteria:
 - 1. Be a bank, insurance company, investment management company or investment adviser, as defined by the Investment Advisers Act of 1940.
 - 2. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of fully discretionary accounts of similar investment style, reported net and gross of fees.
 - 3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
 - 4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
 - 5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

- B. Duties and Responsibilities of Money Managers. The duties and responsibilities of each Money Manager retained by the Board include:
1. Managing Plan assets under its care, custody and/or control in accordance with this Investment Policy or in accordance with separate written agreements when modification is deemed prudent and desirable by the Board.
 2. Exercising investment discretion (including holding cash equivalents as an alternative) within the objectives and guidelines set forth in this Investment Policy.
 3. Promptly informing the Board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
 - a. Investment Strategy
 - b. Portfolio Structure
 - c. Tactical Approaches
 - d. Ownership
 - e. Organizational Structure
 - f. Financial Condition
 - g. Professional Staff
 - h. Recommendations for Guidelines Changes
 - i. All legal, SEC and other proceedings affecting the firm
 4. Timely voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan as set forth herein. Each Manager shall keep a detailed record of said proxy voting and related actions and will comply with all regulatory obligations related thereto. Reports of such voting and actions shall be delivered to the Board no less frequently than quarterly.
 5. Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use like activities for like retirement plans with like aims in accordance with all applicable laws, rules and regulations from local, state, federal and international political entities as they may pertain to fiduciary duties and responsibilities.
 6. Acknowledging and agreeing in writing to their fiduciary responsibility fully to comply with this entire Investment Policy, as same may be modified from time to time.
- C. Monitoring of Money Managers. Quarterly performance will be evaluated to test progress toward the attainment of long-term targets. The Board understands that

there may be short-term periods during which performance deviates from market indices. During such periods, greater emphasis shall be placed on peer performance comparison with managers employing similar styles.

From time to time, but no less than quarterly, the Board will meet to focus on:

1. Manager's adherence to this Investment Policy.
2. Material changes in the Manager's organization, investment philosophy and/or personnel.
3. Comparisons of Manager's results to appropriate indices and peer groups.
4. The risk associated with each Manager's portfolio, as measured by variability of quarterly returns (standard deviation), which should not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark index and peer group.

In addition, the Board will annually focus on:

1. The Manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of its respective style universe.
2. The Plan's investment performance results compared to the Manager's overall composite performance figures to determine unaccounted for dispersion between the Manager's reported results and the Plan's results.

The Board is aware that ongoing review and analysis of Money Managers is as important as the due diligence utilized during the manager selection process. Accordingly, a thorough review and analysis of the Money Manager will be conducted if:

1. A Manager performs in the bottom quartile of its peer group over an annual period.
2. A Manager falls in the "southeast quadrant" of the risk/return scattergram for a three or five-year period.

Further, a Manager may be replaced at any time and for any reason, including but not limited to the following:

1. A Manager consistently performs below the median of its peer group over rolling three-year periods.
2. A Manager has a negative alpha for any three-year period.

The following events also warrant immediate review of the Manager:

1. Changes in professional staff.
2. Significant loss of business.
3. Significant increase in business.
4. Change in ownership and/or control.

8. CONTINUING EDUCATION. All Board members are encouraged and expected to attend continuing education seminars concerning matters related to investments and responsibilities of Board members. Without limiting the foregoing, Board members are pre-authorized to attend any in-state seminars. Attendance at out-of-state seminars requires prior Board approval.

9. REPORTING. The Board shall submit an annual report to the City of Pompano Beach. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

10. FILING OF INVESTMENT POLICY. Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the City of Pompano Beach and the Actuary. The effective date of this Investment Policy, and any amendment hereto, shall be 31st calendar day following the filing date with the City.

11. VALUATION OF ILLIQUID INVESTMENTS. Illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism shall be valued in accordance with Section 215.47(6), Florida Statutes, when those investments are utilized. Any asset without a fair market value shall be excluded from the determination of annual funding costs. The Board shall notify the Florida Department of Management Services and the City Auditor and Clerk of the City of Pompano Beach of each such asset.

VI. REVIEW OF INVESTMENT MANAGERS

The Board will meet at least quarterly with the consultants and review investment results..

These reviews will focus on:

- the managers' adherence to the policy guidelines;
- comparison of managers' results against funds using similar policies (in terms of the diversification, volatility, and style);
- the opportunities available in both equity and debt markets; and
- material changes in the managers' organizations, such as philosophical and personnel changes, acquisitions or losses of major accounts, etc.

VII. PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results that are consistent with the Plan's investment policy statement. A 3.0% real return is a reasonable expectation in light of this policy. The Board recognizes that this real return objective may not be attainable during some time periods, it is a long term goal. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. Performance of the Plan will be compared to other funds utilizing a similar investment policy.

VIII. POLICY REVIEW

Periodic reviews of the Policy Statement will be made by the Board to evaluate its appropriateness. Any modification of policy guidelines shall be approved by the Board of Trustees and acknowledged in writing by the investment managers.