

**TOWN OF DAVIE POLICE OFFICERS' PENSION PLAN**  
**INVESTMENT GUIDELINES**  
**Revised August 2022**

**I. PURPOSE OF INVESTMENT GUIDELINE STATEMENT**

The Town of Davie Police Officers' Pension Plan (Plan) 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 Plan 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 (Board) maintains that an important determinant of future investment returns is the expression and periodic review of the Plan's investment objectives. To that end, the Board has adopted this statement of Investment Guidelines.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan 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 Plan 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 Town of Davie Police Officers' Pension Plan 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 Plan 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 Plan 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 Plan 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 Town of Davie Police Officers' Pension Plan members and their beneficiaries and defraying reasonable expenses of administering the Plan:
- 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 Plan 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 Plan procedures, documents and instruments.

### **III. INVESTMENT PERFORMANCE OBJECTIVES**

Based upon the Plan's latest actuarial report, the Board has established long-term goals for the overall investment portfolio consistent with the liabilities of the Plan. At a minimum, the Plan in aggregate needs to earn a compound annualized net rate of return equal to the actuarial rate of return.

#### **A. Total Plan Performance**

The performance of the total Plan 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 Plan'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 greater than the Russell Mid Cap Index and perform in the top 50% of an appropriate mid cap equity universe.

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 Bloomberg US Aggregate Bond 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 Board acknowledges that market conditions can produce periods where such returns are difficult to achieve, the Managers are expected to contribute to meeting the long term objectives of the Plan as well as others set forth in this document.

**IV. BROKERAGE**

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 Plan 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 Managers or the Board, only transactions that would normally be made for the Plan 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 Managers. Guidelines for voting proxies will be listed in individual Manager guidelines.

## VI. ASSET ALLOCATION

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

	<u>Percentage</u>	<u>Index</u>
Domestic Stocks	50.0%	S&P 500
International Stocks	12.5%	MSCI EAFE
Domestic Bonds	22.5%	Bloomberg US Aggregate Bond
Real Estate	15.0%	NCREIF ODCE

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

## VII. MANAGEMENT STRUCTURE

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

Managers will be employed to utilize individual expertise within their assigned area of responsibility. Each Manager will be governed by individual investment guidelines. Separate guidelines for each 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:

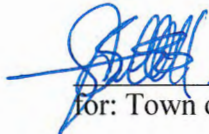
	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Domestic Stocks</u>	50.0%	40.0%	60.0%
Vanguard (Large Cap Core)	15.0	10.0	20.0
Aristotle Capital Management (Large Cap Value)	7.5	2.5	12.5
ClearBridge Investments (Large Cap Growth)	7.5	2.5	12.5
ClearBridge Investments (Mid Cap Core)	5.0	2.0	8.0
Vanguard (Mid Cap Core)	5.0	2.0	8.0
Vanguard (Small Cap Core)	5.0	2.0	8.0
Wellington (Small Cap Core)	5.0	2.0	8.0
<u>International Stocks</u>	12.5%	7.5%	17.5%
Hardman Johnston Global Advisors	12.5	7.5	17.5
<u>Domestic Bonds</u>	22.5%	15.0%	30.0%

Garcia Hamilton (Core)	22.5	15.0	30.0
<u>Real Estate</u>	15.0%	7.5%	22.5%
American Realty	3.0	0.0	6.0
Bloomfield	1.0	0.0	2.0
Intercontinental	5.0	0.0	8.0
Sound Mark Partners	1.0	0.0	2.0
UBS	5.0	0.0	8.0

**VIII. IMPLEMENTATION**

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

Adopted this 13 day of SEPTEMBER, 2022

 ADMINISTRATOR - FOR THE BOARD  
 for: Town of Davie Police Officers' Pension Plan