

**PENSION BOARD POLICIES  
FIREFIGHTERS & POLICE OFFICERS  
PENSION FUND OF THE CITY OF TAMPA**

Policy Number: 702
Policy: Investment Policy
Eff. Date: 09/25/01 08/26/10 07/28/11 12/15/11 08/28/13 10/26/16 09/25/19 05/20/20 03/22/23 09/27/23 12/13/23
Ref: Pension Contract, Board Minutes, Florida Statutes Chapters 112, 175, 185, ERISA (prudent man/expert)

**POLICY**

1. **SCOPE:** This investment policy shall apply to all funds held for investment under control of the Board.
2. **INVESTMENT OBJECTIVES:** The primary objective of the Investment Manager(s) shall be the protection and preservation of Pension Fund assets. In addition, the Manager shall seek the highest possible return consistent with prudent regard for risk, safety of capital, diversification, legal considerations, liquidity, and fiduciary responsibility. The Pension Fund's investment approach should be based on long-term investment horizons enabling interim fluctuations to be viewed with an appropriate perspective.
3. **PERFORMANCE MEASUREMENT:** The Investment Manager's performance shall be evaluated not less than quarterly by a professionally qualified independent consultant retained by the Board. The phrase "professionally qualified independent consultant" means a consultant who, based on education and experience, is professionally qualified to evaluate the performance of professional money managers, and who, at a minimum:
  - a. Provides his or her services on a flat-fee basis.
  - b. Is not associated in any manner with the money manager for the pension fund.
  - c. Makes calculations according to the American Banking Institute method of calculating time-weighted rates of return. All calculations must be made net of fees.
  - d. Has 3 or more years of experience working in the public sector.

The Investment Manager(s) shall be evaluated by a professionally qualified independent consultant against a blended policy benchmark comprised of 60% S&P 500, 15% EAFE, 20% Barclays Capital G/C, and 5% T-bills. The Investment Manager(s) shall also be evaluated against a balanced index for the total fund, composed of S&P 500, EAFE, Barclays Capital G/C, Alerian MLP and T-bills which shall be self-adjusting based upon the actual asset allocation of the portfolio. The performance of the Investment Manager shall also be compared to CPI – All Urban Consumers. The portfolio's rate of return, net of investment fees, shall be reported by time weighted return and dollar weighted returns on an annualized basis as fiscal year to date, and rolling five-, ten-, fifteen-, and twenty-year periods.

The Pension Board Chairman shall select three (3) members of the Pension Board to serve on an Investment Committee. The Committee shall consist of one firefighter trustee, one police officer trustee, and one appointed trustee. The Investment Committee shall periodically review the investment policy and performance measurement reports and make recommendations to the full Board for consideration as necessary.

4. **INVESTMENT AND FIDUCIARY STANDARDS:** Section 6 of the pension contract provides that investments shall be made by the Board of Trustees under the prudent man standard: “the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence considering the probable income therefrom as well as probable safety of their capital.” However, Florida Statutes 112.661(4) requires that the board in performing its investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a)(1)(A)-(C). That fiduciary standard, as applicable here is that the Board shall discharge its duties with the care, skill, prudence, and diligence under the circumstances 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 a like character and with like aims. The Board hereby adopts the fiduciary standard set forth in Florida Statutes 112.661(4). The Investment Manager(s) shall be held to the prudent expert standard: “with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.”

All fiduciaries to the fund shall discharge his/her duties with respect to the plan solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries; and defraying reasonable expenses of administering the plan; by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and in accordance with the documents and instruments governing the plan.

The Investment Manager(s) are delegated the responsibility of exercising all voting rights acquired through the Plan’s investments. The Investment Manager(s) shall exercise acquired voting rights with the interest of acting as a fiduciary in the best interest of the Plan’s participants. The Pension Fund’s custodian shall forward copies of all proxies directly to the Fund’s Investment Manager(s). The Investment Manager(s) shall review all proxies, and generally, proxies will be voted along management’s guidelines as indicated on the proxy. The Investment Manager(s) shall provide a quarterly proxy voting report indicating proxies voted. Non-routine proxies shall be referred to the Board’s Investment Committee.

5. **AUTHORIZED INVESTMENTS:** The following broad asset categories are authorized investments under the pension contract/act, subject to limitations contained within Chapters 175 and 185, Florida Statutes and Chapter 215.47, Florida Statutes: equities, fixed income, cash, cash equivalents, and real estate.

Investments authorized by the Board are set forth in Section 6 (3) of the Pension Contract/Act:

“The Board shall have exclusive charge of the investment of any surplus in said fund not needed for the current obligations thereof; and said funds shall be managed by said Board in accordance with the following:

- (3) That the portfolio, representing the principal or surplus funds of the Pension Fund may be invested in the following securities or other property, real or personal, including but without being limited to, bonds, notes, or other evidences of

indebtedness issued, or assumed or guaranteed in whole or in part by the United States or any of its agencies or instrumentalities, or by any foreign government or political subdivisions or agencies thereof; or by the State of Florida, or by any county, city, school district, municipal corporation, or other political subdivision of the State of Florida, both general and revenue obligations, in mortgages and other interests in realty, or in such corporation bonds, notes, or other evidences of indebtedness, and corporation stocks including common and preferred stocks, of any corporation created or existing under the laws of the United States or any of the states of the United States, or of any foreign government or political subdivisions or agencies thereof, provided that in making each and all of such investments the Board of Trustees shall exercise the judgement and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as probable safety of their capital; provided, however, that not more than sixty-five per centum (65%) of said fund, based on the total book value of all investments held, shall be invested at any given time in common stocks, and that not more than five per centum (5%) of said fund shall be invested at any given time in the preferred and common, or either, stock of any one corporation and its affiliates and that not more than twenty-five per centum (25% ) of said fund, based on the total market value of all investments held, shall be invested at any given time in the bonds, notes or other evidences of indebtedness of any foreign government or political subdivisions or agencies thereof or corporations created or existing under the laws thereof. The investment cap on foreign securities may not be revised, amended, increased, or repealed except as provided by general law.”

All non-routine investment recommendations (such as securities lending, derivatives, collateralized mortgage obligations, etc.) will require full board approval.

6. **MATURITY AND LIQUIDITY REQUIREMENTS:** On advice of the Investment Manager(s) and actuary, the Board shall structure the portfolio in such manner as to provide sufficient liquidity to pay obligations as they come due based upon timely communication and information regarding known cash flow needs and anticipated cash flow requirements provided by the Board’s staff.

7. **PORTFOLIO COMPOSITION:**

**Cash Sector.** With respect to cash equivalent short-term investments, overall quality and minimal risk criteria apply. Instruments which may be used include: U.S. Government obligations and commercial paper rated A1/P1 or higher. Any cash not invested by the Investment Manager should be invested daily through an interest-bearing automatic sweep vehicle provided by the Pension Fund Custodian and approved by the Investment Manager(s).

**Fixed Income Sector.** The overall objectives of the fixed income portion of the portfolio are to add stability, consistency, income, and safety to the total fund portfolio. Instruments which may be used are summarized in Section 6 of the pension Contract/Act (see Appendix A – Section 6 of the Pension Contract/Special Act). The primary focus

should be on high quality issues such as bonds, notes, or other evidences of indebtedness issued, assumed, or guaranteed in whole or in part by the United States or any of its agencies or instrumentalities, and high quality corporate obligations holding a quality rating of Investment Grade or better at the time of the purchase by at least one of the major rating services. Should the rating of a security fall below a rating of Investment Grade, the Board may either hold and monitor the security or sell the security, as recommended by the investment manager. The preferred maturity for both government and corporate obligations is three to ten years, although this could vary based on market conditions, meaning both longer and shorter maturities are permissible. Bonds, notes or other evidences of indebtedness issued, or assumed or guaranteed in whole or in part by any foreign government, political subdivision, or agencies thereof are permissible, limited to a combined total of international equities and international fixed income of 25% of the total fund based on market value.

**Equity Sector.** The overall objective of the equity portfolio is to provide growth of capital. Not more than 65% of the Pension Fund, based on the cost, shall be invested in common stocks at any given time, and not more than 5% of the Pension Fund shall be invested in the preferred and common stocks of any one corporation in accord with Section 6 of the Pension Contract/Act. The Trustees desire that when selecting issues, the primary focus should be on large, high quality, well managed American companies possessing strong balance sheets. A smaller portion of the equity portfolio, up to 20% based on cost, may be devoted to good quality, well capitalized companies with revenues ranging from approximately 500 million to 2.0 billion dollars that possess above average long-term growth potential. Additionally, up to 5% of the equity portfolio, based on cost, may be invested in smaller emerging growth companies possessing exceptional capital appreciation potential. The shares of all domestic equity investments should trade on any one of the recognized national stock exchanges, including NASDAQ. Equity investments in corporation stocks, including common and preferred stocks, of any corporation created or existing under the laws of any foreign government or political subdivisions or agencies thereof are permissible, limited to a combined total of international equities and international fixed income of 25% of the total fund based on market value. Investments in Real Estate Investment Trusts (REITs) are permitted.

**International Investments.** Under Section 6(3) of the pension contract act, investment in securities or other property, real or personal, including but without being limited to, bonds, notes, or other evidences of indebtedness issued, or assumed or guaranteed in whole or in part by any foreign government or political subdivision or agencies thereof, or in such corporation bonds, notes, or other evidences of indebtedness, and corporation stocks, including common and preferred stocks, of any corporation created or existing under the laws of any foreign government or political subdivision or agencies thereof are permissible. Investments in permissible foreign securities shall not exceed 25% of the total portfolio at market value.

8. **RISK AND DIVERSIFICATION:** Investments shall be diversified to the extent practicable to control the risk of loss resulting from overconcentration in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. See also #4 – Investment and Fiduciary Standards and #7 – Portfolio Composition.

The Investment Manager(s) shall seek the highest possible return consistent with prudent regard for risk, safety of capital, diversification, legal considerations, liquidity, and fiduciary responsibility. The Pension Fund's investment approach should be based on long-term investment horizons enabling interim fluctuations to be viewed with an appropriate perspective. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the Board.

9. **EXPECTED ANNUAL RATE OF RETURN:** The desired investment objective is a long-term rate of return on Base plan assets of at least 8.5%. The Trustees have an established policy to review the long-term rate of return on plan assets at least once every five years, which includes a long-term forecast of the Fund's assets and liabilities. The long-term forecast includes a simulation of future capital markets under a wide range of economic scenarios and captures the movement of assets and liabilities under those varying economic conditions as well as the allocation of investment returns between the Base, PRAA, DROP, and 13<sup>th</sup> Check accounts.

The Trustees realize that market performance can vary significantly and that an 8.5% rate of return may not be attainable during every time period. It is also understood that the rate of return may exceed 8.5% for many time periods.

Over a complete business cycle, the Plan's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, is expected to perform at or above the median of a balanced fund universe or an appropriate customized index prepared by the Pension Fund's professionally qualified independent consultant.

The Trustees realize the difficulty of achieving the Plan's investment objectives in light of the uncertainties and complexities of contemporary financial markets. The Trustees also realize that some risk must be assumed to achieve the Plan's long-term investment objectives; therefore, although a balanced approach is required, the Investment Manager(s) should emphasize common stocks, which historically as a class have outperformed other investment alternatives over the long term. The Trustees expect their Investment Manager(s) to use a fundamental approach rather than a technical or other approach, the objective being to achieve superior results while assuming only average market risks. The principles which lead the Investment Manager's research and portfolio management effort should include:

Formulation of well-planned objectives and strategies

Flexibility and sensitivity to change

Achievement of acceptable return on invested capital

Protection of assets during periods of economic adversity

Ongoing search for value and growth potential.

10. **THIRD PARTY CUSTODIAL AGREEMENTS:** The Board shall contract with a third-party custodian which shall have the level of experience and expertise in providing

custodial services to plans and funds similar to those of the Pension Fund. The custodian shall act as a fiduciary in the administration of the accounts utilizing appropriate internal controls to assure the safety of assets from such things as fraud, collusion, loss, diversion, etc. The custodian will hold all securities on behalf of the Pension Fund and only deliver securities upon proper instruction from those authorized to provide such instruction or direction.

Delivery vs. Payment (DVP) for transfer of securities into and out of the pension fund account will be utilized. Transfers of cash and securities other than through the DVP method will occur upon the direct authorization from the Board or staff authorized by the Board to conduct the activities of the Board, such as providing funds to pay legitimate expenses or for activities within the accounts.

11. **MASTER REPURCHASE AGREEMENT:** The contract format by which a master repurchase agreement would be governed would be the PSA – The Bond Market Trade Association, which is utilized and approved by the Government Finance Officers Association (GFOA). All repurchase agreement transactions, if any, shall adhere to the requirements of the master repurchase agreement.
12. **BID REQUIREMENT:** The Investment Manager(s), when executing trades for the Pension Fund, shall have full discretion in the selection of brokers. The Manager shall have a fiduciary responsibility to select only those brokers who provide the best execution or a high level of service benefiting the Pension Fund, when appropriate.

The Board shall determine the fund's asset allocation based on advice from the actuary, Board staff and Investment Manager(s) regarding cash flow needs and market conditions, and the Board shall direct the Investment Manager(s) to analyze and select specific optimal types of investments to comply with the established asset allocation, and competitively bid the security in question when feasible and appropriate.

13. **INTERNAL CONTROLS:** The Board shall establish a system of internal controls which shall be in writing and made a part of the Board's operational procedures. The internal controls shall be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the board or its staff. Such controls shall be reviewed and evaluated at least annually by the Board's external certified public accountants.

The City of Tampa's external certified public accountants shall also audit the pension fund annually as part of the City of Tampa's external, independent audit for inclusion in the City of Tampa's Consolidated Annual Financial Report (CAFR).

The external certified public accountant retained by the Board of Trustees shall provide a monthly compilation of financial statements of the pension plan. In addition, the external certified public accountants shall also reconcile the financial statements to monthly reports provided by the Board's Investment Manager(s) and Custodian(s).

14. **CONTINUING EDUCATION:** In accordance with the pension contract/act, the general administration and responsibility for the proper operation of the Pension Fund is vested in the Board of Trustees. In administering the Pension Fund, it is the fiduciary

responsibility of Trustees to avail themselves of educational and training seminars and conferences in connection with pension related matters.

Each trustee shall be required to attend not less than 48 hours of continuing professional education during their three-year term on the Board, but not less than 12 hours per term year, in matters relating to investments and the Board's responsibilities. Any trustee elected or appointed to the board who is filling a partial term shall be responsible for the prorata share of continuing professional education.

15. **REPORTING:** The Investment Manager(s) for the City of Tampa Firefighters and Police Officers pension fund shall generate monthly reports, which shall include data on investments in the portfolio by class or type, book value, market value and rates of return earned as of the report date. Upon reasonable notice, the Investment Manager shall provide any information relevant to the Fund as requested by the Board of Trustees.

The custodian bank shall provide monthly reports, which shall include data on the investments in the portfolio by class or type, book value, market value, purchases and sales, summary totals of cash receipts and disbursements, and commission expenses incurred, listed by broker, as of the report date.

The Fund's professionally qualified independent consultant shall provide quarterly performance measurement reports.

The fund's external certified public accountant shall provide a monthly compilation of financial statements.

All such reports shall be available to the public.

16. **FILING OF INVESTMENT POLICY:** It is the intention of the Trustees to periodically review all investment goals, guidelines, and objectives. Recommendations may be submitted by the Investment Manager(s) or the professionally qualified independent consultant to the Trustees for their consideration at any time. Upon adoption by the Board, the investment policy shall be promptly filed with the Department of Management Services and the plan's sponsor and consulting actuary. The effective date of the investment policy, and any amendments thereto, shall be the 31<sup>st</sup> calendar day following the filing date with the plan sponsor.
17. **VALUATION OF ILLIQUID INVESTMENTS:** For each actuarial valuation, the Board, the Board's professionals, or staff shall verify the determination of the fair market value for illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Any investment for which fair market value is not provided requires disclosure to the Department of Management Services and the Board of Trustees.
18. **DIVESTITURE:** The Board is prohibited from directly investing in 'Scrutinized Companies' identified in the periodic publication by the State Board of Administration ("SBA list", updated on their website [www.sbafla.com/fsb/](http://www.sbafla.com/fsb/)). The Board of Trustees identified no direct or indirect holdings in any scrutinized company that the board had to sell, redeem, divest, or withdraw publicly traded securities prior to September 10, 2010,

as was required by statute. If a company is subsequently removed from the SBA list, the manager can acquire and hold that security. Indirect investment in ‘Scrutinized Companies’ (through pooled funds) are governed by the paragraph below.

The Investment Consultant/Manager, on behalf of the Plan, shall send a letter to any pooled fund referring the investment manager to the listing of ‘Scrutinized Companies’ by the State Board of Administration (‘SBA list’), on their website [www.sbafla.com/fsb/](http://www.sbafla.com/fsb/). This letter shall request that they consider removing such companies from the fund or create a similar actively managed fund having indirect holdings devoid of such companies. If the manager creates such a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards. However, after sending the required correspondence, if the holdings are not removed or a similar actively managed fund devoid of such companies is not created, the Plan is not required to sell the pooled fund. For the purposes of this policy, a private equity fund is deemed to be an actively managed investment fund.

19. **COMPLIANCE WITH CHAPTER 203-28, LAWS OF FLORIDA:** 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-numbered year. [112.662(4)]. Investment managers and the Board’s investment consultant shall assist in the preparation of required reports and shall annually certify to the Board their compliance with Chapter 203-28.
  - 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.

20. **SECURITIES MONITORING AND LITIGATION:** As part of its fiduciary duty to the Fund, the Board will provide for monitoring the portfolio of the Fund by law firms with demonstrated expertise in matters relating to enforcement of shareholder rights. Those firms will be provided copies of the monthly statement showing portfolio holdings and trading during the preceding month. In the event one or more of monitoring firms determines that the Fund has an investment loss attributable to alleged violation of state or federal securities laws, the Board's general counsel shall review the matter together with the monitoring firm bringing the particular matter forward. The Board's counsel shall report to the Board and make a recommendation concerning whether or not it is in the Fund's best interest to actively participate in any enforcement proceeding.

All legal services in securities litigation matters shall be fully contingent and the Board's counsel shall provide the analysis and continuing oversight of any securities litigation. The Board's counsel shall also perform this service on a contingent fee basis but shall be permitted to receive a portion of any fee paid to the lead counsel with court approval.

**Appendix A**  
**Section 6 of the Pension Contract/Special Act**

**Section 6 of Pension Contract**

“The Board shall have exclusive charge of the investment of any surplus in said fund not needed for the current obligations thereof; and said funds shall be managed by said Board in accordance with the following:

- (1) That the Board shall retain the services of one or more nationally recognized professional investment counselors.
- (2) That not less than once every six (6) months a written opinion shall be obtained from the investment counselor or counselors as to the overall condition and composition of the investment portfolio.
- (3) That the portfolio, representing the principal or surplus funds of the Pension Fund may be invested in the following securities or other property, real or personal, including but without being limited to, bonds, notes, or other evidences of indebtedness issued, or assumed or guaranteed in whole or in part by the United States or any of its agencies or instrumentalities, or any foreign government or political subdivisions or agencies thereof; or by the State of Florida, or by any county, city, school district, municipal corporation, or other political subdivision of the State of Florida, both general and revenue obligations, in mortgages and other interests in realty, or in such corporation bonds, notes, or other evidences of indebtedness, and corporation stocks including common and preferred stocks, of any corporation created or existing under the laws of the United States or any of the states of the United States, or of any foreign government or political subdivisions or agencies thereof, provided that in making each and all of such investments the Board of Trustees shall exercise the judgement and care under the circumstances then prevailing which men of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as probable safety of their capital; provided, however, that not more than sixty-five per centum (65%) of said fund, based on the total book value of all investments held, shall be invested at any given time in common stocks, and that not more than five per centum (5%) of said fund shall be invested at any given time in the preferred and common, or either, stock of any one corporation and its affiliates and that not more than twenty-five per centum (25%) of said fund, based on the total market value of all investments held, shall be invested at any given time in the bonds, notes or other evidences of indebtedness of any foreign government or political subdivisions or agencies thereof or corporations created or existing under the laws thereof. The investment cap on foreign securities may not be revised, amended, increased, or repealed except as provided by general law.”