

**STATEMENT OF INVESTMENT POLICY**  
**FOR THE**  
**CITY OF CAPE CORAL**  
**POLICE OFFICERS' PENSION FUND**

Adopted: February 23, 2021

**Introduction**

The Board of Trustees of the City of Cape Coral Police Officers' Pension Fund has established this Statement of Investment Policy. This policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to different asset classes.

This Statement of Investment Policy is intended to complement the investment guidelines provided in applicable State Statutes, and local ordinances. The purpose of this Statement is to:

- 1) Provide the investment manager a more accurate understanding of the Trustees' investment objectives and,
- 2) Indicate the criteria by which the investment manager's performance will be evaluated.

## **INVESTMENT MANAGER RESPONSIBILITIES**

- 1) Within the guidelines and restrictions set forth herein, it is the intention of the Board to give the investment manager full investment discretion, with respect to assets under its management. The investment manager shall discharge its responsibilities in the same manner as it would if the Fund were governed by the fiduciary provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Although the Fund Trustees acknowledge that ERISA does not apply to a governmental fund, it hereby imposes the fiduciary provisions of ERISA upon the investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. The investment manager shall acknowledge, in writing, that it is a named fiduciary of the Fund.
- 2) The investment manager is expected to provide any reasonable information requested by the Board of Trustees. At a minimum, each manager shall provide a quarterly report detailing their investment activity, the portfolio's current value, and any changes in investment philosophy or strategy. The Firm's investment manager is expected to meet with the Board of Trustees at least once per year. A designated representative will meet with the Board of Trustees, as requested.
- 3) Unless otherwise provided by the Custodian, the investment manager will monitor portfolio activity to minimize non-invested cash balances.
- 4) The investment manager shall be responsible only for those assets under its management.
- 5) It will be the responsibility of the investment manager to review the monthly valuations provided by the Custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.

### **Florida Statute 112:**

1. **EXPECTED ANNUAL RATE OF RETURN:** With consideration to rates of return from different asset classes, the Board of Trustees has crafted its investment program in order to deliver an expected rate of return similar to that of the actuarial assumed rate. The Board shall determine for each actuarial valuation, the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. The total expected annual rate of return is anticipated to be similar to the actuarial assumed rate of return. This determination is to be filed with the Department of Management Services and with the plan sponsor and consulting actuary.
2. **CONTINUING EDUCATION:** The Board of Trustees relies on its consultants and professionals to provide continuing education on pension and investment issues. The Board of Trustees also recognize state and regional conferences as a source of continuing education. The Trustees are encouraged to attend conferences, schools, and other functions periodically in order to fulfill this requirement.

3. **FILING OF INVESTMENT POLICY:** The investment policy is to be promptly filed with the Department of Management Services, plan sponsor and consulting actuary. The effective date of the investment policy and any amendment thereto shall be the 31st calendar day following the filing date with the plan sponsor.

**Florida Statute 215:**

1. Direct investment 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/)), is prohibited. Any security identified as non-compliant on or before January 1, 2010 must be divested by September 1, 2010. For securities identified after January 1, 2010 that were not deemed "Scrutinized Companies" at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investments in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. An action plan outlining the investment "hold or sell" strategy shall be provided to the Board immediately. However, if divestiture of business activities is accomplished and the company is subsequently removed from the SBA list, the manager can continue to hold that security.
2. For indirect investments in "Scrutinized Companies", the Investment Consultant, 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 a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with the prudent investing standards. For the purposes of this section, a private equity fund is deemed to be an actively managed investment fund. However, after sending the required correspondence, the Plan is not required to sell the pooled fund.

**GENERAL OBJECTIVES**

The primary investment objective of the City of Cape Coral Police Officers' Pension Fund is to achieve the absolute return objective over near-term, intermediate-term, and longer-term time periods. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns.

To achieve these objectives, the Board seeks to create a conservative, diversified and balanced portfolio of equity, fixed income, real estate, alternative strategies and money market securities. The Board has determined that one or more outside investment managers shall be retained to assure that all investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.

## INVESTMENT OBJECTIVES

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. Most investment styles require a full market cycle to allow an investment manager to demonstrate his abilities. A full market cycle is defined as a three to five year time period. As a result, performance objectives will be measured over three to five year periods. Monitoring shorter periods may be used to determine the trend of performance premiums or deficiencies.

The specific investment objectives of the City of Cape Coral Police Officers' Pension Fund are as follows:

**Absolute Return Objective:** The Goal of the Cape Coral Police Officers' Pension Fund shall be to achieve an average annual rate of return greater than the current **applicable assumed rate of return** over the longer term. This absolute return objective will be evaluated in the context of the prevailing investment market conditions.

**Market Return Objective:** In order to provide a reference of fund return and risk relative to a similar basket of passive assets, the board has developed a "Target Index". The target index has been developed to shadow the actual asset allocation of the total fund. The fund's objective is to achieve a rate of return over the long term (3 to 5 years), which exceeds the return of a Target Index.

The Target Index for the City of Cape Coral Police Officers' Pension Fund is defined as a **35%** investment in the Russell 1000 Stock Index, a **10%** investment in the Russell 2500 Stock Index, a **15%** investment in the Europe Australasia and Far East (EAFE) Index, a **10%** investment in the NCREIF Property Index a **10%** Investment in Absolute Return Strategies (CPI+4%), a **5%** investment in Private Equity (CPI+4%) and a **15%** investment in the Barclays Aggregate Bond Index.

**Peer Return Objective:** It is expected that the total rate of return earned by the Fund and the returns earned by the stock, bond and other portions of the portfolio will each rank in the **top 50%** when compared to a representative universe of other, similarly managed portfolios.

**Volatility:** The volatility of the Fund's total returns is expected to be similar to that of the Target Index and will be evaluated accordingly.

**The above investment objectives have been established for the entire City of Cape Coral Police Officers' Pension Fund. The specific investment objectives for each investment manager will be outlined in addenda to this overall Statement of Investment Policy.**

**INVESTMENT GUIDELINES**

The Board of Trustees has established the following target asset allocation for the entire Cape Coral Police Officers' Pension Fund investment account:

	<b>Target Allocation (at market)</b>	<b>Permissible Range (at market)</b>	<b>Representative Benchmark</b>
Large Cap Equity	35%	25% - 45%	Russell 1000
Foreign Equity	15%	10% - 25%	EAFE
Small/Mid Cap Equity	10%	5% - 15%	Russell 2500
<b>Total Equity</b>	<b>60%</b>	<b>70% Maximum Allowed</b>	
Direct Real Estate	10%	3% - 20%	NCREIF
Absolute Return	10%	5% - 15%	CPI+4
Private Equity	5%	0% - 15%	CPI+4
<b>Total Alts</b>	<b>25%</b>		
Fixed Income	15%	10% - 25%	Barclays Agg
Cash Equivalents	0%	0% - 10%	T-bills
<b>Total FI+ Cash</b>	<b>15%</b>		

To implement this strategy, the Board has chosen to hire one or more professional investment managers. It may be necessary to rebalance between investment managers in order to maintain the permissible asset allocation ranges outlined above. It is the Board of Trustees' intention to evaluate asset valuations quarterly in order to make the necessary adjustments to achieve compliance with these guidelines.

Specific assignments and additional guidelines for each investment manager will be outlined in addenda to this overall Statement of Investment Policy. The following guidelines and restrictions apply to all Fund investments.

In accordance with the policies established by the Board of Trustees, the assets of the Cape Coral Police Officers' Pension Fund shall be invested in a diversified portfolio of securities, funds or pooled assets, provided they meet the following criteria:

**EQUITY SECURITIES:**

- 1) Investments in equity securities shall be limited to no more than **70%** at market value of the Fund's total asset value.
- 2) All equity investments shall be limited to fully and easily negotiable equity securities.
- 3) No more than 5% at cost value of an investment manager's equity portfolio may be invested in the shares of a single corporate issuer.
- 4) Investments in stocks of foreign companies shall be limited to 25% (at market) of the total investment portfolio.
- 5) No more than 25% of the equity securities (at market valuation) are to be invested in small or mid-cap stocks. The Board defines small and mid-cap stocks the stocks whose market capitalization is less than \$10 billion dollars.

**FIXED INCOME SECURITIES:**

- 1) The fixed income portfolio shall comply with the following guidelines:
  - a. The average credit quality of the bond portfolio shall be "A" or higher.
  - b. The duration of the fixed income portfolio shall not exceed 135% of the duration of the market index. The market index is defined as the Barclays Aggregate Bond Index.
- 2) Investments in all corporate fixed income securities shall be limited to:
  - a. Those securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.
  - b. Securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.

c. no more than 5% at cost of an investment manager's total fixed income portfolio shall be invested in the securities of any single corporate issuer.

- 3) Private security Collateralized Mortgage Obligations (CMOs) shall be limited to 15% of the market value of the investment managers' total fixed income portfolio. Agency CMOs may be purchased without restriction.
- 4) Futures contracts may be used on a non-leveraged basis for duration adjustment and yield curve positioning purposes.
- 5) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.

**REAL ESTATE:**

- 1) Investments in real estate shall not exceed **20%** (at market valuation) of the value of the total Fund assets.
- 2) All real estate investments shall be made through participation in diversified commingled funds of real properties. These funds shall be broadly diversified as to property type and location.
- 3) Experienced and professional real property investment managers shall manage all real estate investments.

**ABSOLUTE RETURN ASSETS:**

- 1) Investments in Absolute Return strategies shall not exceed **15%** (at market valuation) of the value of the total Fund assets.
- 2) The Board may invest in alternative asset classes and strategies through open-ended, commingled funds administered by a state or national bank until otherwise permitted by ordinance, and institutional mutual fund vehicles or limited partnerships.
- 3) The Board will endeavor to consider those investments that offer transparency, liquidity and safety of capital.

**PRIVATE EQUITY:**

- 1) Investments in private equity strategies shall not exceed **15%** (at market valuation) of the value of the total Fund assets.
- 2) The Board may invest in private equity strategies through limited partnership vehicles.
- 3) The Board will endeavor to consider those investments that offer transparency, liquidity and low relative fees.

**CASH EQUIVALENT SECURITIES:**

- 1) The investment manager may invest only in the following short term investment vehicles:
  - a. The money market or STIF provided by the Plan's custodian.
  - b. Direct obligations of the United States Government with a maturity of one year or less.
  - c. Commercial Paper with a maturity of 270 days or less that is rated A-1 by Standard & Poor's or P-1 by Moody's.
  - d. Bankers Acceptances issued by the largest 50 banks in the United States (in terms of total assets).

**PROHIBITED SECURITIES:**

Only those derivative securities expressly described herein are permissible. Venture capital, trading on margin and short selling are prohibited unless otherwise stated in an investment managers' addendum to this investment policy.

**MUTUAL FUNDS / COMMINGLED FUNDS:**

The Board of Trustees recognizes and accepts that commingled and mutual fund investments will be dictated by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to make a direct investment in any commingled or mutual fund will only be made by the Board of Trustees after a thorough review of the policies and/or prospectuses of those funds and after it has been determined that those policies are appropriate and consistent with the investment objectives of Cape Coral Police Officers' Pension Board.



## **PERFORMANCE CRITERIA FOR MANAGER REVIEW & EVALUATION**

The Board of Trustees has established a diversified investment program and engaged various managers across asset classes and investment styles. Benchmarks and performance expectations for each investment manager are identified in each firm's specific addenda to this investment policy. The following performance criteria have been established for all actively-managed investment portfolios. Failure of either criterion will result in a respective investment manager being placed on a status of "Under Review". Failure of BOTH criteria contemporaneously will cause the Board to begin the process of seeking a replacement investment manager.

- Criteria 1: Each investment manager's rolling 3-yr return (gross of fees) shall not be less than its respective benchmark for three consecutive quarters.
- Criteria 2: Each investment manager's rolling 3-yr return (gross of fees) shall not rank in the bottom 1/3 (bottom 66<sup>th</sup> percentile or lower) of its respective peer universe.


Once a manager has been placed "Under Review" the Board has the expectation that performance will improve over the following 4-6 quarters or the process will begin for seeking a replacement manager. Any manager "Under Review" is expected to attend all quarterly pension meetings until such time that the manager is placed on "Good Standing". These criteria in no way limit or diminish the Trustees' right to terminate an investment manager at any time or for any reason.

**REVIEW OF POLICY**

It is the intention of the Board of Trustees of the City of Cape Coral Police Officers' Pension Fund to review this Statement of Investment Policy and its addenda periodically to amend it to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, the Board shall be so notified in writing.

The investment consultant shall endeavor that all investment managers are aware of the current Investment Policy guidelines. Each investment manager shall execute an Investment Policy addendum that also acknowledges their receipt and compliance with the current investment policy document.

Adopted this 23<sup>rd</sup> day of February 2021.



Chairman, Board of Trustees  
City of Cape Coral Police Officers'  
Pension Fund

2/23/21

Date



Secretary, Board of Trustees  
City of Cape Coral Police Officers'  
Pension Fund

2/23/2021

Date

0-02-0509-0001

## City of Cape Coral Police Officers' Pension Fund

### ADDENDUM TO STATEMENT OF INVESTMENT POLICY

FOR

American Realty Advisors (NCREIF ODCE)  
American Strategic Value Realty Fund

The Board of Trustees of the City of Cape Coral Police Officers' Pension Fund has decided to utilize the "American Strategic Value Realty Fund" in order to invest in a well-diversified portfolio of real estate property. American Realty Advisors (the "Investment Manager") is responsible for the day-to-day investment management of the American Strategic Value Realty Fund. The Fund was selected based on Investment Manager's qualifications and experience in managing real estate portfolios.

#### ADDENDUM

This Addendum is a part of the City of Cape Coral Police Officers' Pension Fund Plan's Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is acknowledged that the City of Cape Coral Police Officers' Pension Fund Plan's Investment Policy differs from the exact investment objectives, policies and restrictions of the American Strategic Value Realty Fund.

#### INVESTMENT OBJECTIVES

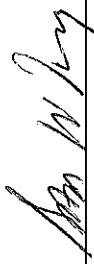
The following investment objectives are intended to serve only as guidance in evaluating and monitoring the Investment Manager and the American Strategic Value Realty Fund and are not intended as a statement of investment strategy for the American Strategic Value Realty Fund. The American Strategic Value Realty Fund and Investment Manager will be evaluated on the following basis:

Total Portfolio:


The primary objective of the City of Cape Coral Police Officers' Pension Fund for its investment in the American Strategic Value Realty Fund shall be to achieve a return over the longer term (3 to 5 years) in excess of a Target Index. The Target Index is defined as a 100% investment in the **NFI-ODCE (NCREIF Fund Index - Open End Diversified Core Equity)**. It should be a secondary goal to rank in the **TOP 50%** of a representative universe of similarly managed portfolios over longer time periods (3 to 5 years). The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

**POLICY REVIEW**

It is the intention of the Board of Trustees of the City of Cape Coral Police Officers' Pension Fund to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the Investment Manager believes that the specific objectives defined in this Addendum cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing.

  
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Chairman, Board of Trustees  
Cape Coral Police Officers' Pension Fund

11/23/21  
Date

  
\_\_\_\_\_  
American Realty Advisors  
Jay Butterfield  
Executive Managing Director

November 22, 2021  
Date

## City of Cape Coral Police Officers' Pension Fund

### ADDENDUM TO STATEMENT OF INVESTMENT POLICY

FOR

American Realty Advisors  
ARA Core Property Fund (NCREIF ODCE)

The Board of Trustees of the City of Cape Coral Police Officers' Pension Fund has decided to utilize the "ARA Core Property Fund" in order to invest in a well-diversified portfolio of real estate property. American Realty Advisors (the "Investment Manager") is responsible for the day-to-day investment management of the ARA Core Property Fund. This Fund was selected based on Investment Manager's qualifications and experience in managing real estate portfolios.

#### ADDENDUM

This Addendum is a part of the City of Cape Coral Police Officers' Pension Fund Plan's Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is acknowledged that the City of Cape Coral Police Officers' Pension Fund's Investment Policy differs from the exact investment objectives, policies and restrictions of the ARA Core Property Fund.

#### INVESTMENT OBJECTIVES

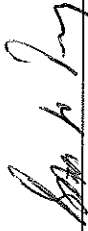
The following investment objectives are intended to serve only as guidance in evaluating and monitoring the Investment Manager and the ARA Core Property Fund, and are not intended as a statement of investment strategy for the ARA Core Property Fund. The ARA Core Property Fund and Investment Manager will be evaluated on the following basis:

Total Portfolio:

The primary objective of the City of Cape Coral Police Officers' Pension Fund for its investment in the ARA Core Property Fund shall be to achieve a return over the longer term (3 to 5 years) in excess of a Target Index. The Target Index is defined as a 100% investment in the **NFI-ODCE (NCREIF Fund Index - Open End Diversified Core Equity)**. It should be a secondary goal to rank in the **TOP 50%** of a representative universe of similarly managed portfolios over longer time periods (3 to 5 years). The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

**POLICY REVIEW**

It is the intention of the Board of Trustees of the City of Cape Coral Police Officers' Pension Fund to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the Investment Manager believes that the specific objectives defined in this Addendum cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing.



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Chairman, Board of Trustees  
Cape Coral Police Officers' Pension Fund

11/23/21

Date



\_\_\_\_\_  
American Realty Advisors  
Jay Butterfield  
Executive Managing Director

November 22, 2021

Date

**CITY OF CAPE CORAL POLICE OFFICERS' PENSION FUND**

**ADDENDUM TO  
STATEMENT OF INVESTMENT POLICY**

**FOR**

**GARCIA HAMILTON & ASSOCIATES, L.P. (BBAGG)**

**February 25, 2020**

The Board of Trustees of the City of Cape Coral Police Officers' Pension Fund has retained GARCIA HAMILTON & ASSOCIATES, L.P. to manage a well-diversified portfolio of high quality fixed income securities. GARCIA HAMILTON & ASSOCIATES, L.P. was retained for this assignment based on their qualifications and experience managing fixed income portfolios.

**ADDENDUM**

**This Addendum is a part of the City of Cape Coral Police Officers' Pension Fund's Investment Policy and is intended only to complement the objectives and guidelines outlined therein.**

**GUIDELINES**

Within the guidelines contained in the statement of Investment Policy established for the City of Cape Coral Police Officers' Pension Fund, Garcia Hamilton & Associates, L.P. may invest and reinvest the asset of the Plan in a diversified portfolio of:


- Fixed Income Securities (bonds)
- Cash Equivalent Securities

**INVESTMENT OBJECTIVES**

The primary objective of GARCIA HAMILTON & ASSOCIATES, L.P. portfolio shall be to achieve a return over the longer term (3 to 5 years) in excess of a Target Index. The Target Index for GARCIA HAMILTON & ASSOCIATES, L.P. portfolio is to exceed the Bloomberg Barclays Capital Aggregate Bond Index over the longer term (3 to 5 years). It should be a secondary goal to earn achieve a rate of return over the longer term (3 to 5 years) which ranks above average (TOP 50%) when compared to a representative universe of other, similarly managed portfolios. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

**POLICY REVIEW**

It is the intention of the Board of Trustees of the City of Cape Coral Police Officers' Pension Fund to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing.

  
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Chairman, Board of Trustees  
Cape Coral Police Officers' Pension Fund

02/26/2020  
\_\_\_\_\_  
Date

  
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GARCIA HAMILTON & ASSOCIATES, L.P.  
2-19-21  
\_\_\_\_\_  
Date

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