

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

Adopted: March 9, 2022

**Introduction**

The Board of Trustees of the City of Cape Coral Firefighters' 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 responsibility 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.

**GENERAL OBJECTIVES**

The primary investment objective of the City of Cape Coral Firefighters' 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 Firefighters' Pension Fund are as follows:

**Absolute Return Objective:** The Goal of the Cape Coral Firefighters' Pension Fund shall be to achieve an average annual rate of return greater than the current *applicable actuarial 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 Firefighters' Pension Fund is defined as a **40%** investment in the Russell 1000 Stock Index, a **10%** investment in the Russell 2500 Stock Index, a **10%** investment in the Europe Australasia and Far East (EAFE) Index, a **10%** investment in the NCREIF ODCE Property Index, a **10%** investment in Absolute Return (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 Firefighters' 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 Firefighters' Pension Fund investment account:

	<b>Target Allocation (at market)</b>	<b>Permissible Range (at market)</b>	<b>Representative Benchmark</b>
Large Cap Equity	40%	25% - 45%	Russell 1000
Foreign Equity	10%	5% - 25%	EAFE
Small/Mid Cap Equity	10%	5% - 15%	Russell 2500
<b><i>Total Equity</i></b>	<b>60%</b>	<b>65% Maximum Allowed</b>	
Direct Real Estate	10%	5% - 20%	NCREIF ODCE
Absolute Return	10%	5% - 15%	CPI + 4%
Private Equity	5%	0% - 15%	CPI + 4%
<b><i>Total Alts</i></b>	<b>25%</b>		
Fixed Income	15%	10% - 25%	Barclays Agg
Cash Equivalents	0%	0% - 10%	T-bills
<b><i>Total FI + Cash</i></b>	<b>15%</b>		

### **REBALANCING:**

It is the Board's intention to allocate the assets similarly to the Target Index but understands that the assets will fluctuate over time based on normal market volatility. In order to control risk, the permissible ranges above have been identified as a tool to assist in rebalancing the total portfolio. The Board of Trustees intend to review and rebalance the portfolio periodically. From time to time, if any asset class fall outside its permissible range the Board of Trustees does not consider this a technical default of the Investment Policy. The Board will utilize plan outflows to rebalance the portfolio back to portfolio targets whenever possible.

Specific investment manager assignments within broad asset classes including specific benchmarks are reflected in Exhibit A. The aggregate portfolio of assets in each asset class listed below should, in aggregate, comply with these guidelines:

#### EQUITY SECURITIES:

- 1) Investments in equity securities shall be limited to no more than **65%** at market value (per ordinance) 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:

- 1) Investments in alternative 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, and institutional mutual fund vehicles or limited partnerships.
- 3) The Board will endeavor to consider those investments that offer transparency, liquidity and low relative fees.

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 Firefighters' Pension Board.



## REVIEW OF POLICY

It is the intention of the Board of Trustees of the City of Cape Coral Firefighters' 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 9th day of March 2022.



Chairman, Board of Trustees  
City of Cape Coral Firefighters'  
Pension Fund

3/9/2022  
Date



Secretary, Board of Trustees  
City of Cape Coral Firefighters'  
Pension Fund

3/9/2022  
Date

### Exhibit A

Actively managed strategies / funds are expected to meet or exceed the stated policy benchmark and to rank above average to its comparative universe over a three to five-year period. Passive investments are expected to replicate their respective benchmarks and will be ranked against comparative universes for informational purposes. Passive funds are not expected to rank above average -v- a sample of active managers. The Board of Trustees will place an actively managed strategy “under review” if these performance expectations are not met over a 3-5-year period. The Board of Trustees may place an actively managed strategy “under review” if the standard deviation of returns is considered inappropriate based on the unique characteristics of each strategy.

Asset Manager	Policy Benchmark	Comparative Universe
Rhumblin Russell 1000	Russell 1000 Index	Domestic Large Cap Universe
Rhumblin Russell 1000 Growth	Russell 1000 Growth	Domestic Large Cap Growth Universe
DePrince Race & Zollo	Russell 1000 Value Index	Domestic Large Cap Value Universe
Highland Capital	Russell 1000 Value Index	Domestic Large Cap Value Universe
Eagle Capital	Russell 1000 Value Index	Domestic Large Cap Value Universe
Vanguard Small Cap Index	Russell 2000 Index	Domestic Small Cap Universe
American Funds EuroPacific Growth Fund	MSCI EAFE Index	International Equity Universe
Oppenheimer Intl Growth Y	MSCI EAFE Index	International Equity Universe
CS McKee	Bloomberg Barclays US Aggregate Bond Index	Core Domestic Fixed Income Universe
Garcia Hamilton	Bloomberg Barclays US Aggregate Bond Index	Core Domestic Fixed Income Universe
American Core Realty	NCREIF ODCE	Domestic Real Estate Universe
JPM SSPF (Value Add)	NCREIF ODCE	Domestic Real Estate Universe
PIMCO All Asset Fund (ASR)	CPI + 4%	NA
Cohen & Steers Infrastructure (ASR)	CPI + 4%	NA
Taurus Fund I (Private Equity)	CPI + 4%	NA
JPM PEG Global Private (Private Equity)	CPI + 4%	NA

