

ENGLEWOOD AREA FIRE CONTROL DISTRICT FIREFIGHTERS' PENSION TRUST FUND

ADDENDUM TO STATEMENT OF INVESTMENT POLICY

Garcia Hamilton & Associates (Core Fixed Income)

Garcia Hamilton & Associates (Garcia) has been retained by the Englewood Area Fire Control District Firefighters' Pension Trust Fund to manage a well-diversified portfolio of fixed income and money market securities. Garcia was retained for this assignment based on their qualifications and experience in managing domestic core fixed income portfolios. To the extent there is a conflict between this Addendum and the Statement of Investment Policy, this Addendum shall control.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the Englewood Area Fire Control District Firefighters' Pension Trust Fund, the portfolio must comply with the following:

- A. Corporate fixed income securities rated below "BBB-" by a major rating agency (i.e. S&P, Moody's or Fitch) shall not exceed 15% of the manager's portfolio. In the case of split rated security, the highest rating shall apply.
- B. The weighted average credit quality of the portfolio shall be "A-" or better in the manager's portfolio. In the case of split rated security, the highest rating shall apply.
- C. Yankee bonds may not exceed 10% of the entire portfolio.
- D. Non-dollar denominated bonds may not exceed 10% of the manager's portfolio.
- E. No more than 5% of the assets of the Account, at the time of purchase, will be invested in the securities of any one issuer; provided, however, that the issuer limit shall be 10% with respect to AAA rated US Government Sponsored Enterprises, AAA rated sovereigns and supernationals. The following exceptions may be held in unlimited amounts: US Governments, US Government-guaranteed investments. No other issuer limits shall apply to the manager's portfolio.
- F. The duration of the manager's portfolio shall be less than 135% of the duration of the Target Index.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the Garcia portfolio shall be to achieve a total return over the longer term, 3 to 5 years, in excess of a Target Index. The Target Index for the portfolio is defined as a 100% investment in the Bloomberg Barclays Capital U.S. Aggregate Bond Index.

- B. The secondary objective of the Garcia portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years, which ranks in the top 40th percentile of a representative universe of similarly managed portfolios.

- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

III. POLICY REVIEW

This Addendum is a part of the Englewood Area Fire Control District Firefighters' Pension Trust Fund City of Investment Policy, dated September 2020, and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees of the Englewood Area Fire Control District Firefighters' Pension Trust 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. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**

Charles H. Beay
Chairman, Board of Trustees

9/14/20
Date

Garcia Hamilton & Associates

Date

policy indexes comprised of 55% Russell 3000 Index, 10% MSCI-All Country World ex. U.S. Index, 10% Bloomberg Barclays U.S. Aggregate Bond Index, 5% FTSE World Government Bond Index, 5% Strategy Index, and 15% NCREIF ODCE Index.

2. On a relative basis, it is expected that the total portfolio performance will rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.
3. On an absolute basis, the objective is that the return of the total portfolio will equal or exceed the actuarial earnings assumption, and provide inflation protection by meeting Consumer Price Index plus 3%. This absolute return objective will be evaluated in the context of the prevailing market conditions.

B. Equity Performance

The combined equity portion of the portfolio, defined as common stocks and convertible bonds, is expected to perform at a rate at least equal to the 85% Russell 3000 Index and 15% MSCI-All Country World ex. U.S. Index. Individual components of the equity portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to the Bloomberg Barclays U.S. Aggregate Bond Index. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

D. Real Estate Performance

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF Index and rank in the top 40th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

E. Alternative and Other Asset Performance

The overall objective of the alternative and/or "other asset" portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and enhance returns. This portion of the portfolio will be measured against an appropriate benchmark, which will be outlined in the Investment Manager addendum at the time of investment.

IV. INVESTMENT GUIDELINES

A. Authorized Investments

Notwithstanding any limitation provided for in Chapters 175, Florida Statutes to the contrary (unless such limitation may not be amended by local ordinance) or any limitation in prior city ordinances to the contrary, all monies paid into or held in the Fund may be invested and reinvested in such securities, investment vehicles or property wherever situated and of whatever kind, as shall be approved by the Board, including but not limited to common or preferred stocks, bonds and other evidences of indebtedness or ownership. In no event, however, shall more than ten percent of the assets of the Fund be invested in foreign securities, unless Chapters 175, Florida Statutes, is amended to remove or change this mandatory restriction.

In addition, the Board may, upon recommendation by the Board's investment consultant, make investments in group trusts meeting the requirements of Internal Revenue Service Revenue Ruling 81-100 and Revenue Ruling 2011-1 or successor rulings or guidance of similar import and operated or maintained exclusively for the commingling and collective investment of monies, provided that the funds in the group trust consist exclusively of trust assets held under plans qualified under section 401(a) of the Code, individual retirement accounts that are exempt under Section 408(e) of the Code, eligible governmental plans that meet the requirements of Section 457(b) of the Code, and governmental plans under 401(a)(24) of the Code. For this purpose, a trust includes a custodial account that is treated as a trust under Section 401(f) or under Section 457(g)(3) of the Code. While any portion of the assets of the Fund are invested in such a group trust, such group trust is itself adopted as part of the System or plan, subject to the following guidelines and limitations:

1. Equities:

- a. Must be traded on a national exchange or electronic network; and
- b. Not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company; and

2. Fixed Income:

- a. Eighty-five percent (85%) of the fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service; and
- b. The value of bonds issued by any single corporation shall not exceed 3% of the total fund; and

3. Real Estate:

- a. Investments in real estate shall not exceed 15% of the market value of the total Plan at the time of purchase; and
- b. All real estate investments shall be managed by experienced and qualified professional real property investment managers; and

- c. The Board will seek to diversify real estate investments by property type (multi-family, residential, industrial, office, retail, timberland, etc.), property location (geographic region), property size and number of properties; and
- d. Real estate investments are intended to provide a high level of income, low volatility of total return, and a low correlation to other asset classes.

4. Money Market:

- a. The money market fund or STIF options provided by the Plan's Custodian; and
- b. Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service.

5. Pooled Funds:

Investments made by the Board may include pooled funds. For purposes of this policy pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a pooled fund, the prospectus or governing policy of that pooled fund, as updated from time to time, shall be treated as an addendum to this Investment Policy Statement. The Investment Consultant shall periodically review with the Board any material changes in the prospectus or governing policy of a pooled fund.

B. Trading Parameters

When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for purchase of securities must meet the prevailing best-execution rates. The responsibility of monitoring best price and execution of trades placed by each Investment Manager on behalf of the Plan will be governed by the Portfolio Management Agreement between the Plan and the Investment Managers.

C. Limitations

1. Investments in corporate common stock and convertible bonds shall not exceed seventy percent (70%) of the market value of Plan assets.
2. Foreign securities (regardless of asset class) shall not exceed twenty-five percent (25%) of the market value of Plan assets. For the purposes of this Investment Policy Statement, foreign securities are defined as bonds, stocks, or other evidences of indebtedness issued or guaranteed by a company that is not organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.
3. All equity and fixed income securities must be readily marketable. Commingled funds must be independently appraised at least annually.

D. Absolute Restrictions

No investments shall be permitted in;

1. Any investment not specifically allowed as part of this policy.
2. Illiquid investments, as described in Chapter 215.47, Florida Statutes.
3. 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/), is prohibited. Securities identified after January 1, 2010, must be divested within twelve (12) months of the company's initial appearance on the list. 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. Indirect investment in 'Scrutinized Companies' (through pooled funds) are governed by the provisions of Section V. (G) below.

V. **COMMUNICATIONS**

- A. On a monthly basis, the Custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.
- B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV (as well as any provisions outlined in the Investment Manager's addendum). In addition, the Investment Managers shall deliver a report each quarter detailing the Plan's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the City, and shall be available for public inspection. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section IV or their Investment Manager addendum.
- C. If an Investment Manager owns investments, that complied with section IV 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 investment in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. In addition, an action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.
- D. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return net of investment fees and relative performance of the Plan.
- E. The Board will meet periodically to review the Investment Consultant performance report. The Board will meet with the Investment Manager and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.

- F. At least annually, the Board shall provide the Investment Managers with projected disbursement needs of the Plan so that the investment portfolio can be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To this end the Investment Managers should, to the extent possible, attempt to match investment maturities with known cash needs and anticipated cash-flow requirements.
- G. 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/. 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 Investment Manager creates 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. 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 or limit additional purchases the pooled fund.

VI. COMPLIANCE

- A. It is the direction of the Board that the Plan assets are held by a third party Custodian, and that all securities purchased by, and all collateral obtained by the Plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or their 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 to insure that the Custodian will have the security or money in hand at conclusion of the transaction.
- B. The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
- C. At the direction of the Board operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the Plan sponsor, to the extent possible.
- D. Each member of the Board shall participate in a continuing education program relating to investments and the Board's responsibilities to the Plan. It is suggested that this education process begin during each Board member's first term.
- E. With each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years and for the long term thereafter. This determination shall be filed promptly with the Department of Management Services, the Plan's sponsor and the consulting actuary.

- F. The proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each Investment Manager shall provide the Board with a copy of their proxy voting policy for approval. On a regular basis, at least annually, each manager shall report a record of their proxy vote.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of an Investment Manager may be made. If, at any time, any three (3) of the following is breached, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five (5) of these are violated the Investment Consultant may recommend an Investment Manager evaluation for that mandate.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the top 40th percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 40th percentile and under performance versus the benchmark.
- Three (3) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Five (5) year downside volatility greater than the index (greater than 100), as measured by down market capture ratio.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Investment Policy Statement, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a 60% vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate the Investment Manager at any time for any reason.

VIII. APPLICABLE CITY ORDINANCES

If at any time this document is found to be in conflict with the City Ordinances or applicable Florida Statutes, the Ordinances and Statutes shall prevail.

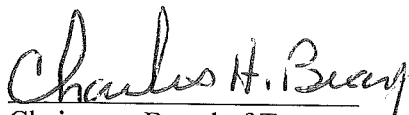
IX. REVIEW AND AMENDMENTS

It is the Board's intention to review this document at least annually subsequent to the actuarial report and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Manager's interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, the Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board should be notified in writing. By initialing and continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman attests that this policy has been recommended by the Investment Consultant, reviewed by the Plan's legal counsel for compliance with applicable law, and approved by the Board.

X. FILING OF THE INVESTMENT POLICY

Upon adoption by the Board, the Investment Policy Statement shall be promptly filed with the Florida Department of Management Services, the City, and the Plan's actuary. The effective date of the Investment Policy Statement shall be the 31 days following the filing date with the City.

ENGLEWOOD AREA FIRE CONTROL DISTRICT FIREFIGHTERS' PENSION TRUST FUND


Chairman, Board of Trustees


Date