

MIAMI BEACH
EMPLOYEES' RETIREMENT PLAN
INVESTMENT POLICY STATEMENT

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Policy Perspectives

I. SCOPE AND PURPOSE OF THE INVESTMENT POLICY STATEMENT

The Miami Beach Employees' Retirement Plan ("Plan") Investment Policy Statement sets forth the Plan's overarching investment purposes and objectives with respect to its investment programs.

This investment policy shall apply to all funds under the control of the Board.

The Pension Board of Trustees ("Board") maintains that an important determinant of future investment returns is the expression and periodic review of the Plan's investment objectives. To that end, the Board has adopted this Statement of Investment Policy.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term, and that the investment policy should be made with a view towards growth and income performance over a number of years.

The general investment objective is to obtain a total rate of return that achieves the actuarial interest rate assumption on an annual basis year after year. The total rate of return is defined as interest and dividend income plus realized and unrealized capital gains and/or losses.

II. FIDUCIARY STANDARDS AND RESPONSIBILITIES

In performing their investment duties, the Board of Trustees, its investment managers, and investment consultant shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974, 29 U.S.C. § 1104 (a) (1) (A)-(C). That is, they must discharge their duties with respect to the Plan solely in the interest of the participants and beneficiaries and -

- for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan; and
- with the care, skill, prudence, and diligence under the circumstance 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 like character and with like aim; and
- by diversifying the investments of the Plan so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

Investment Guidelines

III. AUTHORIZED INVESTMENTS

Investments shall be diversified among various asset classes (categories) to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, industry, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the uncertainty that is associated with achieving the Plan's investment objectives in light of the volatility of capital markets. The following authorized and prohibited investments were determined based on these risk and diversification considerations.

A. ***Fixed Income Securities:***

1. Time deposit account, demand deposit account or certificate of deposits of a bank, savings bank/association which has been designated by the Florida Chief Financial Officer as a Qualified Public Depository in accordance with Chapter 280, Florida Statutes.
2. Obligations issued by the United States Government and its Agencies or obligations guaranteed as to principal and interest by the government of the United States.
3. Short term obligations purchased individually or in pooled accounts or other collective investment funds provided by the custodian, or local government investment pools created by interlocal agreement under Chapter 163.01, Florida Statutes.
4. Money market mutual funds limited to obligations of the United States Government or its Agencies, commercial paper and banker's acceptances.
5. Bonds or other evidence of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia.
6. Securitized securities, including commercial mortgage-backed securities and asset-backed securities.
7. Taxable municipals rated investment grade are permissible, as defined in Section 5 A.
8. Fixed income investment managers shall emphasize companies rated in the top three classifications (investment grade), based on credit rating agencies.

B. ***Equity Securities:***

Investments in equities, excluding the private real estate allocation, shall not exceed 70% of the Plan's assets at market value:

1. Domestic stocks issued by a corporation organized under the laws of the United States or the District of Columbia provided the corporation is listed on one or more of the recognized national stock exchanges and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934.
2. Domestic equity investment managers may invest in cash equivalents, Exchange Traded Funds (ETF) and foreign securities designated as American Depository Receipts (ADR).
3. International equity investment managers shall emphasize companies of developed countries. Foreign securities are defined as a security issued by a corporation that is not organized under the laws of the United States, any state or organized territory of the United States, the District of Columbia, or not domiciled in the United States.
4. Infrastructure is generally considered as an alternative asset class which includes facilities, services, and installations.

C. *Private Real Estate*

The private real estate portfolio shall be primarily invested through commingled investment funds. Investments in real estate properties shall be broadly diversified by geography, property type and the number of properties.

D. *Private Infrastructure*

The private infrastructure portfolio shall be primarily invested through commingled investment funds. Investments in infrastructure assets properties shall be broadly diversified by geography, investment type and the number of assets.

E. *Commingled Fund Securities:*

When the Board determines that it is in the best interest of the Plan, an investment in a commingled vehicle, such as a collective trust or institutional mutual fund is permitted, provided that:

1. The fund prospectus shall be reviewed to determine if the commingled fund policies are appropriate.
2. Commingled and mutual fund investments are dictated by the policies of those funds and may be in conflict with the investment objectives of the plan.
3. Commingled funds commonly include futures, securities lending and options in their investment strategy. The Board shall consider the utilization of such strategies in its determination to invest in the funds.

F. *Prohibited Investments:*

1. Tax-exempt securities
2. Hedge funds
3. Insurance annuities
4. Letter stock or private equity placements
5. Private mortgages
6. Private label residential mortgage-backed securities
7. Securities of the investment managers, their parents, subsidiaries or affiliates.
8. Catastrophe Bonds

The plan shall comply with the Protecting Florida's Investment Act (PFIA). The investment managers are prohibited from purchases and are required to divest any investments in those companies with certain business operations in the countries of Sudan and Iran designated as "scrutinized companies" under the PFIA. Each manager shall be responsible for keeping current as to the companies listed as "scrutinized companies" by the Florida State Board of Administration.

G. *Maturity and Liquidity Requirements:*

The Plan's investment managers shall be kept informed of the liquidity requirements of the Plan. Asset liabilities studies may be considered, and the investment portfolios shall be structured to provide sufficient liquidity to pay all benefit and expense obligations as they come due. Furthermore, the Plan shall maintain sufficient funding for unexpected developments, possible future increases in benefits and reduction of interest rates or total return from investments. The Board shall retain cash in such amount as it may deem advisable.

Bid requirement: The Board (or fixed manager) shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

IV. ASSET ALLOCATION

The investment strategy of the Plan utilizes various separate investment approaches, as follows:

<u>Investment Approach</u>	<u>Target Allocation</u>	<u>Minimum</u>	<u>Maximum</u>
<i>Domestic Equity</i>			
Large cap equity	30%	20%	40%
Mid cap equity	12%	8%	18%
Small cap equity	8%	5%	15%
<i>International Equity</i>			
Private Infrastructure	7%	2%	11%
<i>Fixed Income</i>			
Fixed income	23%	20%	40%
<i>Real Estate</i>			
Private Real Estate	10%	5%	15%
Total	100%		

The benchmark objective of the total Plan is a hybrid index, as follows:

S&P 500 (large cap) index	30%
S&P 400 (mid-cap) index	12%
S&P 600 (small-cap) index	8%
MSCI ACWI ex. U.S. (foreign)	10%
Bloomberg Aggregate index (fixed)	23%
NCREIF ODCE index (real estate)	10%
<u>Actuarial assumption absolute return (infrastructure)</u>	<u>7%</u>
Total	100%

Rebalancing:

Periodically the asset allocation shall require periodic rebalancing. Because the long-term approach of the Plan is to achieve blended returns of various separate investment approaches, it is essential that relative weightings do not become over or under-allocated for long periods of time.

Portfolio Management

V. PERFORMANCE MEASUREMENT STANDARDS

The Plan's investment managers shall have full discretion in the selection and disposition of securities, but shall be limited by the investment standards and guidelines set forth in Section III Authorized Investments. The following performance measures shall be used as objective criteria for evaluating the effectiveness of each investment manager:

A. *Total Plan Performance Standards*

1. The performance of the total Plan shall be measured over various periods to include the three and five-year period. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance shall be compared to the return of the hybrid benchmark defined in Section IV Asset Allocation.
2. The desired investment objective is a long term annual average compound rate of return on assets that is at least the actuarial interest rate assumption for the current year, for each of the next several years and for the long term thereafter.
3. The Board expects that the Plan shall rank in the top 50th percentile of a peer group representing public pension plans.
4. On a relative basis, the Board expects that each investment manager's performance shall rank in the top 50th percentile of an appropriate universe (when applicable) over three-year and five-year periods.

B. *Investment Approach Performance Standards*

1. The large cap equity portion of the Plan is expected to meet or exceed the return of the Standard & Poor's 500 index and rank within the top 50th percentile of an appropriate universe over three and five-year periods.
2. The mid-cap equity portion of the Plan is expected to meet or exceed the return of the Standard & Poor's Midcap 400 index, and rank within the top 50th percentile of an appropriate universe over three and five-year periods.
3. The small cap securities portion of the Plan is expected to meet or exceed the return of the S&P 600 index and rank within the top 50th percentile of an appropriate universe over rolling three and five-year periods
4. The international portion of the Plan is expected to meet or exceed the return of an appropriate MSCI index and rank within the top 50th percentile of an appropriate universe over three and five-year periods.
5. The infrastructure portion of the Plan is expected to meet or exceed the actuarial expected rate of return.
6. The fixed-income portion of the portfolio is expected to meet or exceed the return of the Bloomberg Aggregate bond index and rank within the top 50th percentile of an appropriate broad market fixed income universe.
7. The private real estate portion of the portfolio is expected to meet or exceed the return of the NCREIF ODCE Real Estate index over rolling three and five-year periods.

VI. MONITORING OF INVESTMENT MANAGERS AND PERFORMANCE

A. *Custodian Reporting*

The custodian shall fully inform the Board of all transactions:

1. The custodian shall forward all proxies to the investment managers as soon as practicable but in no event later than ten calendar days of receipt.
2. On a monthly basis, the custodian shall supply a statement of account that shall include a detail and summary of all receipts and disbursements and the cost and the market value of all assets.

B. *Investment Manager Reporting*

Investment managers (separately managed accounts) provide periodic reporting to evaluate performance and compliance with the investment policy.

1. On a quarterly basis, each investment manager shall provide a written report delivered to the Board within 30 days of the end of the quarter, or as soon as practical.
 - a. Account balances and performance.
 - b. A summary of holdings.
 - c. Portfolio analysis and characteristics.
 - d. Adherence to the investment policy including a statement affirming compliance with the authorized investments.
 - e. Noncompliance with the investment policy:
 - (1) Each manager shall disclose any securities that are not in compliance with authorized investments in each quarterly report.
2. On at least an annual basis, investment managers are encouraged to communicate the following to the Board.
 - a. Each investment manager is encouraged to present to the Board and review performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan.
3. Immediate communication with the Board is required for material events, including:
 - a. The investment manager shall 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 authorized investments.
 - b. If an investment manager's account holds securities, which complied with authorized investments at time of purchase, but are subsequently downgraded while held, the investments are no longer authorized. The manager shall dispose of such securities as soon as practical.

C. *Investment Consultant Quarterly Reporting/Board Monitoring*

On at least a quarterly basis, the investment consultant shall present a monitoring report to the board which shall be discussed at a board meeting. The written report shall be delivered to the board by the second board meeting following the quarter end. The report shall include:

1. Evaluation of the rate of return and relative performance of the plan.
2. The plan's adherence to the Investment Policy Statement.
3. Separate account manager's adherence to this Investment Policy Statement.
4. Material changes in the investment manager's organization, investment philosophy or personnel. Charges filed against the organization or communication from any government agency.
5. Comparisons of the investment manager's results to the index and peer group described in the benchmark objective.
6. The risk associated with each investment manager's portfolio shall be measured by the variability of quarterly returns - which shall not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark index and peer group.

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. With this in mind, the following are adopted:

If any of the following standards by which judgments of the ongoing performance of an investment manager occurs, the investment manager shall be notified and advised of the Board's concern.

- A. Four consecutive quarters of the investment performance being below the 50th percentile ranking.
- B. Three-year or five-year rolling investment returns below that of the 50th percentile manager.
- C. A three-year or five-year period within the "southwest quadrant" of the risk/return scatter gram.
- D. Standard deviation for the account in excess of the manager's index.
- E. Any significant change in professional staff, a large loss or increase in business or changes in ownership or control.
- F. A change in fundamental investment philosophy by the manager.
- G. Failure to observe the security quality or allocation restrictions in Sections 5.
- H. Failure to attain a 60% vote of confidence by the Board of Trustees.
- I. Shall provide a quarterly recap and listing of illiquid assets.

Notwithstanding anything herein to the contrary, an investment manager may be replaced at any time and for any reason.

Compliance

VIII. INTERNAL CONTROLS

The Plan shall be governed by a set of written internal controls and operational procedures, which shall be periodically reviewed by the Plan's Administrator. At the time of every financial audit, the Plan Administrator shall review the controls that should be designed to prevent loss of funds that might arise

from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or the employees of the City of Miami Beach.

All Board members are encouraged to attend continuing education seminars concerning matters related to investments and responsibilities of Board members.

IX. REPORTING

Financial Statement Reporting. Following the end of the fiscal year and completion of the financial statements, the City of Miami Beach shall be provided with a report that shall include a list of investments in the portfolio by class or type. This report shall show market value and income earned. Such report shall be available to the public.

X. POLICY REVIEW AND AMENDMENTS

It is the Board's intention to review this document periodically and to consider amending this statement to reflect any changes in philosophy, objectives, diversified strategies or guidelines. By initial and continuing acceptance of this Investment Policy Statement, the investment manager concurs with the provisions of this document.

Investment managers may request addendums that are maintained separately from this investment policy and are available upon request.

Filing of Policy. Once the Board has adopted the investment policy, the investment policy shall be promptly filed with the Department of Management Services, the plan sponsor, and the consulting actuary. The effective date of the Investment Policy Statement and any amendment thereto, shall be the 31st calendar day following the filing date with the plan sponsor.

XI. COMPLIANCE WITH FLORIDA STATUTES AND LOCAL ORDINANCE

If at any time, this document is found to be in conflict with Chapter 112, Florida Statutes, or **the applicable City of Miami Beach Code, the Statutes and Code shall prevail.**

The Board and its investment managers shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Section 112.662, along with regulations adopted by the Department of Management Services.

1. 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)]
2. 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)]
3. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]

4. 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 confirm to the Board their compliance with Chapter 2023-28.

5. 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.

6. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.

7. If a Request for Proposals document is issued for Investment Manager services, the solicitation document must include the following:

The Board of Trustees may not request documentation of or consider a vendor's social, political, or ideological interests when determining if the vendor is a responsible vendor. Additionally, the Board of Trustees may not give preference to a vendor based on vendor's social, political, or ideological interests.

XII. GLOSSARY & ADDENDUMS

A glossary of Plan related terminology may be requested. Addendums granted by the Board are retained by the Plan Administrator and are available upon request.

Approval

**BOARD OF TRUSTEES
MIAMI BEACH EMPLOYEES' RETIREMENT PLAN**

James W. Boyd

Trustee:

March 19, 2024

Date:

Frank Wan

Investment Consultant:

March 12, 2024

Date:

Acknowledgement

Miami Beach Employees' Retirement Plan

INVESTMENT MANAGER ADHERENCE TO INVESTMENT POLICY STATEMENT

Effective: _____

As an Investment Manager for the Miami Beach Employees' Retirement Plan, we accept the guidelines, terms and conditions of this Investment Policy Statement and agree to be bound by them.

Investment Manager

Date