

CITY OF WINTER SPRINGS
(Plan Sponsor)
GENERAL EMPLOYEES' RETIREMENT SYSTEM
Investment Policy Statement

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board of Trustees, as named fiduciaries, 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 and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the retirement system 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 investment policy should be made with a view toward performance and return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - commensurate with the Prudent Investor Rule and any other applicable statute.

Reasonable consistency of return and protection of assets against the inroads of inflation are paramount. However, the volatility of interest rates and securities markets make it necessary to judge results within the context of several years rather than over short periods of two years or less.

The Board will employ professional Investment Management firms to invest the assets of the Plan. Within the parameters allowed in this document, the Investment Managers shall have full discretion, including security selection, sector weightings and investment style.

The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) - (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has engaged several Investment Management firms. The manager's are responsible for the assets and allocation of their mandate only and will be provided an addendum to this policy with their specific performance objectives and investment criteria.

Asset Class	Target	Range	Benchmark Index
Domestic Large Cap Value Equity	25%	20% - 30%	Russell 3000V
Domestic Broad Cap GrowthEquity	25%	20% - 30%	Russell 1000G
Foreign Equity	15%	10% - 20%	MSCI-EAFE
Broad Market Fixed Income	25%	20% - 30%	Barclays Int. Aggregate
TIPS	5%	0% - 10%	Barclays TIPS
<i>Alternative</i>	-	0% - 10%	
Real Estate*	5%	0% - 10%	NCREIF Property

Targets and ranges above are based on market value of total Plan assets.

The Trustees will monitor the aggregate asset allocation of the portfolio, and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, cash contributions into and withdrawals from the portfolio will be executed proportionally based on the most current market values available. The Trustees do not intend to exercise short-term changes to the target allocation.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of the Total Portfolio will be measured for rolling three and five year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance of this portfolio will be compared to the return of a portfolio comprised of 50% Russell 3000, 15% MSCI EAFE and 25% Barclays Capital U.S. Intermediate Aggregate Bond Index, 5% Barclays Capital TIPS Index, and 5% NCREIF 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 and five-year time periods.
3. On an absolute basis, it is expected that total return of the combined portfolio will equal or exceed the actuarial earnings assumption (8.0%), and equal or exceed the Consumer Price Index plus 3% over three to five year periods.

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 77% Russell 3000 Index, 23% MSCI EAFE Index. Individual components of the equity portfolio will be compared as outlined in Schedule A. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three and five-year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability, consistency and safety to the total portfolio. The fixed income portion of the portfolio is expected to perform at a rate at least equal to the Barclays Capital U.S. Intermediate Aggregate Bond Index. All portfolios are expected to rank in the top 40th percentile of the appropriate peer universe over three and five-year time periods.

D. Treasury Inflation Protection Securities (TIPS)

The overall objective of the TIPS portfolio, if utilized, is to provide inflation protection while adding stability to the total portfolio. If TIPS are utilized the strategy is expected to approximate the structure and performance of the Barclays Capital U.S Treasury TIPS Index.

E. Real Estate Performance

The overall objective of the real estate portfolio of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the total fund, 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 and five-year time periods. Please also see attached addendums for performance objectives.

F. Alternatives

The overall objective of the alternative portion of the portfolio, if utilized, is to reduce the overall volatility of the portfolio and improve potential absolute returns. This portion of the fund is expected to provide an absolute rate of return and will be benchmarked as outlined in the manager addendum.

IV. INVESTMENT GUIDELINES

A. Authorized Investments

Pursuant to the investment powers of the Board of Trustees set forth in the plan and trust documents; and subject to governing Florida Statutes and the governing local ordinances of the City of Winter Springs, the Board of Trustees sets forth the following investment guidelines and limitations on investments:

1. Equities:

- a. Traded on a national exchange.
- 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.

2. Fixed Income:

- a. All fixed income investments shall have a minimum rating of investment grade or higher as determined by at least one major credit rating service.
- b. The value of bonds issued by any single corporation shall not exceed 3% of the total fund.

3. Money Market:

- a. The money market fund or STIF provided by the Plan's custodian.
- b. Government paper backed by full faith & credit of the United States Government.

4. Real Estate:

- a. Shall be limited to commingled funds. Investments must be independently appraised annually. Commingled fund debt holdings shall be considered independently of Fixed Income, and may include both rated and non rated debt.

5. Alternatives

- a. Investments not described under any other asset class, may be utilized to reduce the overall volatility of the portfolio and improve potential absolute returns. All alternative investments shall be independently custodied and provide for transparency of investment.

6. Foreign Securities:

Limited to fully and easily negotiable equity securities.

7. Commingled Funds/Mutual Funds & Exchange Traded Funds:

Investments made by the Board may include commingled funds. For purposes of this policy such funds may include mutual funds, commingled funds, and exchange-traded funds.

- a. Such funds may be governed by separate policy which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a fund the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.
- b. The asset classification of the fund will be based upon its investment objective.

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 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-five percent (75%) of the Fund assets at market.
- 2. Foreign securities shall not exceed twenty percent (20%) of the value at cost of the Fund.
- 3. Alternative investments shall not exceed 15% of the value at market of the Fund

D. Absolute Restrictions

There will be no investment activity in the following:

1. Any investment prohibited by State or Federal Law.
2. Any investment not specifically allowed as part of this policy.
3. Illiquid investments, as described in Chapter 215.47, Florida Statutes.

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. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV above and a summary of common stock diversification and attendant schedules.
- B. In addition, the Investment Managers shall deliver each quarter a report detailing the Plan's performance, adherence to the investment policy, 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 above.
- C. The Investment Managers will disclose any securities that do not comply with section IV in each quarterly report.
- D. If the Plan owns investments at the end of a calendar quarter that complied with section IV at the time of purchase, which do not satisfy the applicable investment standard, then such investment shall be disposed of at the earliest economically feasible opportunity in accordance with the prudent man standard of care and no additional investment may be made. However an action plan outlining the disposition strategy shall be provided to the Board immediately.
- E. The Investment Consultant shall evaluate and report on a quarterly basis the rate of return and relative performance of the Plan.
- F. The Board will meet quarterly to review the monitoring service's 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.
- G. 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.

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. Provided that all approved vendors transacting repurchase agreements perform as stated in any Master Repurchase Agreement.

- B. 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.
- C. 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 highly suggested that this education process begin during each Trustee's first term.
- D. 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.
- E. 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.
- F. Investments for which there is no generally recognized market or consistent accepted pricing mechanism shall be valued at 50% cost. Assets without a fair market value shall be excluded from determination of annual funding cost.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. If, at any time, any three of the following is breached, the portfolio manager will be warned of the Board's serious concern for the Fund's continued safety and performance. If any five of these are violated the consultant will recommend a manager search for that mandate.

- Four (4) consecutive quarters of relative under-performance verses the benchmark.
- Three (3) year trailing return below the top 40th percentile within the appropriate peer group and under performance verses the benchmark.
- Five (5) year trailing return below the top 40th percentile and under performance verses 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 IPS or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC).
- Significant asset flows into or out of the company.
- 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 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, the Ordinances 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.

City of Winter Springs General Employees' Retirement System

Chairperson, Board of Trustees

Date

CITY OF WINTER SPRINGS GENERAL EMPLOYEES' RETIREMENT SYSTEM

ADDENDUM TO STATEMENT OF INVESTMENT POLICY

Dalton Greiner, Hartman, Maher & Co., LLC.
(Broad Cap Domestic Value Equity)

Dalton Greiner, Hartman, Maher & Co., LLC. (DGHM) has been retained by the City of Winter Springs General Employees' Retirement Board to manage a well-diversified portfolio of equity and money market securities. DGHM was retained for this assignment based on their qualifications and experience in managing such equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of Winter Springs General Employees' Retirement Board, the DGHM portfolio must comply with the following:

- A. The portfolio is to be invested in equity securities, regardless of capitalization and is expected to exhibit "Value" type characteristics.
- B. Foreign securities including American Depository Receipts (ADRs) shall be limited to 7% of the manager's portfolio.
- C. Investment in cash and equivalents shall not exceed 15%.
- D. Not more than 7% 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.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the DGHM portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 3000 Value Stock Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that 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 City of Winter Springs General Employees' Retirement Board's Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees 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.**

Chairperson, Board of Trustees

Date

DGHM

Date

CITY OF WINTER SPRINGS GENERAL EMPLOYEES' RETIREMENT SYSTEM

ADDENDUM TO STATEMENT OF INVESTMENT POLICY

Lateef Investment Management., LP. (Broad Large Cap Domestic Growth Equity)

Lateef Investment Management, LP. (Lateef) has been retained by the City of Winter Springs General Employees' Retirement Board to manage a well-diversified portfolio of equity and money market securities. Lateef was retained for this assignment based on their qualifications and experience in managing such equity portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of Winter Springs General Employees' Retirement Board, the Lateef portfolio must comply with the following:

- A. The portfolio is to be invested in equity securities, regardless of capitalization and is expected to exhibit "Growth" type characteristics.
- B. Foreign securities including American Depository Receipts (ADRs) shall be limited to 13% of the manager's portfolio.
- C. Investment in cash and equivalents shall not exceed 15%.
- D. Not more than 7% 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.

II. INVESTMENT OBJECTIVES

Total Portfolio:

- A. The primary objective of the Lateef portfolio shall be to achieve a return over the longer term, 3 to 5 years, in excess of the Russell 1000 Growth Stock Index.
- B. The secondary objective of the portfolio shall be to achieve a rate of return over the longer term, 3 to 5 years that 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 City of Winter Springs General Employees' Retirement Board's Investment Policy and is intended only to complement the objectives and guidelines outlined therein. It is the intention of the Board of Trustees 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.**

Chairperson, Board of Trustees

Date

Lateef

Date