

PENSACOLA FIREFIGHTERS' RELIEF AND PENSION FUND

STATEMENT OF INVESTMENT POLICY GOALS AND GUIDELINES

Revised: February 11, 2015

PURPOSE

The purpose of the Pensacola Firefighters' Relief and Pension Fund (the Fund) is to provide long-term retirement benefits to the Plan's participants, as enacted by the City of Pensacola as plan sponsor.

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board of Trustees of the Pensacola Firefighters' Relief and Pension Fund. It is intended to provide the investment managers a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance will be evaluated. The guidelines and objectives provided herein are intended to complement those contained in any applicable ordinances or statutes. If at any time this document is found to be in conflict with any applicable ordinances or statutes, the statutes and ordinances shall prevail.

Although this Fund is not governed by the Employee Retirement Income Security Act of 1974, the Board of Trustees, in performing its investment duties, shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at U.S.C.s. 1104(a)(1)(A)-(C). The investment policies set forth in this document were established after a thorough review of the unique needs and circumstances of the Fund, and a careful evaluation of the risk and potential returns expected from various mixes of stocks, convertibles, bonds, real estate and cash equivalent securities.

GENERAL OBJECTIVES

The investment objective of the Pensacola Firefighters' Relief and Pension Fund is to preserve the purchasing power of the Fund's assets and earn an above average real rate of return (after inflation) over the long term while minimizing, to a reasonable extent, the short-term volatility of results. The Fund investments will be so structured as to provide sufficient liquidity to pay obligations as they come due.

To achieve these objectives, the Board of Trustees seeks to create a well diversified and balanced portfolio of high quality equity, convertibles, master limited partnerships, fixed income, real estate 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. When deemed appropriate, the Board of Trustees may authorize investments in mutual and/or commingled funds. The Board of Trustees recognizes that investments in mutual funds will be

subject only to the guidelines and limitations contained in the mutual fund prospectus. The guidelines contained in this document apply to all separately managed portfolios. Specific investment manager assignments and any additional guidelines for separately managed portfolios will be outlined in addenda to this overall Statement of Investment Policy.

INVESTMENT MANAGER RESPONSIBILITIES

Within the guidelines and restrictions set forth herein, it is the intention of the Board of Trustees to give each investment manager full investment discretion with respect to assets under its management.

The investment managers shall discharge their responsibilities in the same manner as 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 the Fund as a governmental fund, it hereby imposes the fiduciary provisions of ERISA upon each investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each investment manager shall acknowledge, in writing, that it is a named fiduciary of the Fund.

Each investment manager is expected to provide any reasonable information requested by the Board of Trustees. At a minimum, managers shall provide a quarterly report detailing their investment activity, the portfolio's current value and any changes in investment philosophy or strategy. Each investment manager is expected to meet with the Board of Trustees or their designated representatives periodically to review investment performance and philosophy.

Unless otherwise provided by the Fund's Custodian, each investment manager will monitor portfolio activity to minimize uninvested cash balances.

Each investment manager shall be responsible only for those assets under their management.

It will be the responsibility of each investment manager to review the monthly valuations provided by the Fund's custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.

INVESTMENT OBJECTIVES

Given the above stated purpose of the Pensacola Firefighters' Relief and Pension Fund, the Board of Trustees recognizes the necessity of a long-term horizon when formulating investment policies and strategies. However, shorter-term investment goals have been established and 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 generally defined as a three to five year time period. As a result, performance results will be measured over a three to five year period. Performance over shorter time periods will be monitored as a means of identifying the trend of results.

The specific investment objectives of the Pensacola Firefighters' Relief and Pension Fund are as follows:

To earn an average annual rate of return over the long term which exceeds the Consumer Price Index (CPI) by 5.0% or the actuarial assumption rate of 8%, whichever is greater.

To earn a total rate of return over the long term which exceeds the return of a Target Index. The Target Index for the Pensacola Firefighters' Relief and Pension Fund is defined as a 30% investment in the Russell 1000 Stock Index, a 10% investment in the Russell 2500 Stock Index, a 5% investment in the NCREIF-ODCE Real Estate Index, a 10% investment in the Merrill Lynch All Convertibles Index, a 15% investment in the MSCI All Country (ex U.S.) World Stock Index (ACWI), a 5% investment in the Alerian MLP Index and a 25% investment in the Barclays Capital U.S. Intermediate Government/Credit Bond Index.

In addition, it is expected that the rate of return earned by the Fund will rank above average when compared to a representative universe of other, similarly managed portfolios.

To comply with Section 112.661 of the Florida Statutes, the Board shall each year determine the total expected rate of return of the Fund for that year, each of the next several years and for the long-term. The long-term total average annual return is currently assumed to be 8%.

The above investment objectives have been established for the entire Pensacola Firefighters' Relief and 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 Pensacola Firefighters' Relief and Pension Fund:

	Target	Index	Range
Domestic large cap equity	30.0%	Russell 1000	30-50%
Domestic small/mid cap equity	10.0%	Russell 2500	5-15%
Master Limited Partnerships	5.0%	Alerian MLP	0-5%
Real Estate	5.0%	NCREIF-ODCE	5-15%
Convertibles	10.0%	ML All Conv.	5-25%
Foreign equity	15.0%	MSCI ACWI	5-25%
Fixed Income securities	25.0%	Barclays Int. Gov/Credit	25-60%

Although new fund contributions may be used to maintain the appropriate balance and achieve the above referenced target, it may also be necessary from time to time to transfer securities or cash from one investment manager to another.

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

EQUITY SECURITIES:

- 1) All equity investments shall be limited to fully and easily negotiable securities
- 2) Investments in all equity securities (including convertibles) shall be limited to no more than 75% (at market) of the Fund's total portfolio value.
- 3) Investments in all domestic equity securities shall be limited to those actively traded on a major stock exchange or NASDAQ.
- 4) The total of all investments in securities (stocks, bonds and cash equivalents) issued by corporations domiciled outside the United States is limited to no more than 25% of total plan assets (at market). Foreign securities are defined as anything other than bonds, stocks, or other evidences of indebtedness issued or guaranteed 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.
- 5) To maintain adequate diversification, no more than 5% (at market) of the equity portfolio total value may be invested in the shares of a single corporate issuer.
- 6) Unless otherwise stated in an addendum to this Statement of Investment Policy, investments in those corporations whose stock has been publicly traded for less than one year is limited to 10% (at market) of an investment manager's total equity portfolio.
- 7) 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 invest assets of the Fund in any commingled or mutual fund will only be made by the 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 philosophy of the Fund.

CONVERTIBLE SECURITIES:

- 1) All convertible securities shall be classified as equities and shall be limited to 25% of the Fund's total market value.
- 2) All convertible investments shall be limited to fully and easily negotiable convertible securities.
- 3) No more than 10% at market value of an investment manager's convertible portfolio may be invested in the shares of a single corporate issuer.
- 4) Investments in foreign convertibles shall not exceed 25% of the market value of the investment manager's portfolio. Foreign securities are defined as those companies that are not organized under the laws of the United States or the District of Columbia.

- 5) This hybrid asset class will be deemed as equity and shall not be held to the rating standards of fixed income investments.
- 6) 144A securities are permitted.

MASTER LIMITED PARTNERSHIPS:

- 1) All Master Limited Partnerships (MLPs) shall be limited to fully and easily negotiable MLP securities.
- 2) No more than 10% at market value of an investment manager's MLP portfolio may be invested in a single issuer unless the issuer makes up more than 10% of the Alerian MLP Index. In such case, the investment manager may hold up to the Index weighting in that issuer.
- 3) 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 invest assets of the Pensacola Firefighters' Relief and Pension Fund in any commingled or mutual fund will only be made by the 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 philosophy of the Pensacola Firefighters' Relief and Pension Fund.

FIXED INCOME SECURITIES:

- 1) Investments in all corporate fixed income securities and all municipal fixed income securities shall be limited to those securities rated "BBB" or higher by Standard & Poor's or "Baa" by Moody's rating services or any other national rating service that may be agreed upon in the future. However, securities rated below "A" will be limited to 20% of the total fixed income portfolio. Fixed income securities that are downgraded below the minimum rating by two national rating services shall be sold at the earliest beneficial opportunity.
- 2) No more than 10% (at cost) of an investment manager's total fixed income portfolio may be invested in the securities of any single corporate issuer.
- 3) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the total fixed income portfolio and shall be restricted to those issues:
 - a) backed by the full faith of the U. S. Government, an Agency thereof, or that are rated AAA by a major rating service.
 - b) PAC (planned amortization class), NAC (non-accelerated securities) or VADM (very accurately defined maturity) securities.
- 4) The total of all investments in securities (stocks, convertibles, bonds, real estate and cash equivalents) issued by corporations domiciled outside the United States is limited to no more than 25% of total plan assets (at market). Foreign securities are defined as anything other than bonds, stocks, or other evidences of indebtedness issued or

guaranteed 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.

- 5) It is expected that the average duration of the total fixed income portfolio will not be more than 150% of the duration of the Barclays Capital U.S. Intermediate Government/Credit Bond Index.
- 6) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.
- 7) 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 invest assets of the Fund in any commingled or mutual fund will only be made by the 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 philosophy of the Fund.

REAL ESTATE:

- 1) Investments in real estate shall not exceed 15% at market valuation of the value of total Fund assets.
- 2) All real estate investments shall be made through participation in diversified commingled funds of real properties or real estate securities. 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.

CASH EQUIVALENT SECURITIES:

- 1) The investment managers may invest only in the following short-term investment vehicles:
 - a) The money market or STIF provided by the Fund'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.

Direct investments in interest only or principal only CMOs, precious metals, real estate, venture capital, futures contracts or options contracts are prohibited. Trading on margin and short selling are also prohibited.

Sudan/Iran Divestiture:

In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), each investment manager is prohibited from directly investing in any company identified each quarter by the State

Board of Administration on its website as a scrutinized company. Each investment manager shall review its investments each quarter to determine whether it is required to sell, redeem, divest or withdraw any publicly traded security of a company identified by the SBA as a scrutinized company. Beginning no later than January 1, 2010, each investment manager shall sell, redeem, divest or withdraw all publicly traded securities it directly holds in any scrutinized company by no later than September 30, 2010.

SECTION 112.661, FLORIDA STATUTES

The Board of Trustees has adopted the following additional provisions to comply with Section 112.661, Florida Statutes:

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 no less than 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.

THIRD-PARTY CUSTODIAL AGREEMENTS: All assets shall be held by a third party custodian selected by the Board. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities are to 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.

MASTER REPURCHASE AGREEMENT: Repurchase Agreements are prohibited investments.

BID REQUIREMENT: To the extent possible, it is the intention of the Board of Trustees to 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 is to be selected.

INTERNAL CONTROLS: The Board recognizes the internal controls and operational procedures outlined in the Board's operating rules and procedures, in the plan document, and in the custodial agreement. These controls are to be reviewed by the Board's independent certified public accountant as part of the financial audit periodically required. The internal controls are designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties or imprudent actions by the Board or employees of the plan sponsor.

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 recognizes 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.

REPORTING: The Custodian's valuation report is to be filed annually with the plan sponsor. This report is available to the public.

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.

VALUATION OF ILLIQUID INVESTMENTS: The Board defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Board shall develop the methodology for valuation as set forth in the criteria in Section 215.47(6), Florida Statutes (the SBA/FRS methodology for valuation).

PERFORMANCE EVALUATION

The Board of Trustees intends to review investment performance and compliance with stated investment policies on a quarterly basis.

REVIEW OF POLICY

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



CHAIRMAN, BOARD OF TRUSTEES
PENSACOLA FIREFIGHTERS'
RELIEF AND PENSION FUND

2/11/15
Date