STATEMENT OF INVESTMENT
OBJECTIVES AND GUIDELINES

CITY OF CLEARWATER EMPLOYEES'
PENSION PLAN

Approved by Trustees November 3, 2025
Effective December 3, 2025

Purpose

The purpose of this Statement of Investment Objectives and Guidelines hereinafter referred to as the “Policy Statement” or “Policy” is to assist the City of Clearwater Employees’ Pension Plan (hereafter referred to as the fund) in more effectively supervising and monitoring the investment of the Fund's assets.

In the various sections of this policy document, the Fund defines its investment program by:

- stating in a written document the Fund's attitudes, expectations and objectives in the investment of Fund assets.

- setting forth an investment "structure" for managing assets. This structure includes various asset classes and investment management styles that, in aggregate, are expected to produce a prudent level of diversification and investment return over time.

- providing guidelines for each investment portfolio that control the level of risk assumed in the portfolio and ensure that assets are managed in accordance with stated objectives.

- encouraging criteria to monitor and evaluate the performance results achieved by the investment managers.

This Statement represents the Fund's current philosophy regarding the investment of Fund assets. In addition, although the Fund shall utilize this Policy Statement in making decisions concerning the Fund, it shall not necessarily be bound solely by its contents.

Prudence and Ethical Standards

The standard of prudence to be applied by the trustees shall be the "Prudent Person" rule, which states: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived." The "Prudent Person" rule shall be applied in the context of managing the overall portfolio.

The trustees shall also be governed by the fiduciary standard set forth in the **Employee Retirement Income Security Act of 1974 at 29U.S.C. s. 1104 (a) (1) (A) – (C).** In the event of a conflict between the Policy and Florida Statutes or City ordinances, the statutes and ordinances shall prevail.

Funding Philosophy

The Fund's funding objectives are to be as fully funded as possible so that:

- the ability to pay all benefits and expense obligations from the Fund when due is ensured;

- the fund will strive to maintain the purchasing power of contributed funds;

- a "funding cushion" is maintained within the Fund for unexpected developments and for possible future increases in benefit structure and expense levels;

- the Fund assets should earn enough total rate of return over time to reduce the fund's dependency on employer contributions to meet all benefit and expense obligations.

Investment results within the Fund are considered to be the major critical element in achieving these funding objectives stated above while reliance on contributions is a secondary element.

Liquidity Posture

The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. Liquidity requirements are low in the short-term and intermediate term resulting in an immaterial impact upon investment policy, objectives and guidelines.

Roles and Responsibilities

Responsibilities of the Third-Party Custodian

A third-party custodian will hold all Fund assets other than commingled accounts. In order to maximize the Fund's return, no money should be allowed to remain idle. Dividends, interest, proceeds from sales, new contributions and all other monies are to be invested or reinvested promptly. If funds are not reinvested, then they will be placed in money market instruments or a money market Fund immediately by the designated cash manager working in concert with the custodian. Security lending is permitted if the agreements meet the credit standards of the City of Clearwater and no credit exposure liability is taken to end user borrowers.

The custodian will be responsible for performing the following functions:

- Accept daily instructions from the investment managers;

- Advise investment managers daily of changes in cash equivalent balances;

- Immediately advise investment managers of additions or withdrawals from account;

- Dispositions of holdings;

- Resolve any problems that investment managers may have relating to custodial account;

- Safekeeping of securities;

- Interest and dividend collection;

- Daily cash sweep of idle principal and income cash balance;
- Process all investment manager transactions on a delivery vs. payment basis;
- Collect proceeds from maturing securities;
- Provide monthly statements by investment manager account;
- All securities purchased by the Fund shall be properly designated as an asset of the Fund;
- No withdrawal of securities, in whole or in part shall be made except by an authorized member of the investment committee or the committee's designee.

<u>Responsibilities of Investment Managers</u>

The duties and responsibilities of each of the registered investment advisors retained by the Fund include:

- Managing the assets under its management in accordance with the policy guidelines and objectives expressed herein or expressed in a separate written agreement when deviation is deemed prudent and desirable.
- Exercising full investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the manager's current investment strategy and compatible with investment objectives.
- Promptly informing the Fund regarding all significant matters pertaining to the investment of the Fund assets, for example:

  a. changes in investment strategy, portfolio structure and market value of managed assets;

  b. the manager's progress in meeting the investment objectives set forth in this document; and

  c. significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing and clientele of the investment management organizations.

  No deviation from guidelines and objectives established in the Statement should occur until after such communication has occurred and the Fund has approved such deviation in writing.

- The Fund formally delegates full authority to each investment manager for exercising all proxy and related actions of the Fund's investment assets assigned to it. Each manager shall promptly vote all proxies and related actions in a manner consistent with the long-term interests of the Fund and its Participants and Beneficiaries. Each investment manager shall keep detailed records of all said voting of proxies and related actions and will comply with all regulatory obligations related thereto. The Fund shall periodically audit and review each investment manager's policies and actions in this area.

- Each Investment Manager shall utilize the same due care, skill, prudence and diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity, as a fiduciary, and fully familiar with such matters would use in like activities for like Funds with like aims, while maintaining appropriate diversification to avoid the risks of large losses, in accordance and compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.

- Notifying the Fund of the filing of a lawsuit by a client against the manager alleging breach of fiduciary duty or other willful conduct.

Responsibilities of the Pension Investment Committee

The Pension Investment Committee (Committee) shall consist (at a minimum) of the following: Finance Director (Treasurer for the Trustees), Assistant Finance Director, Finance Accounting Manager, and one member from the general public appointed by the Trustees. The Treasurer for the Trustees shall appoint/remove other City employees as needs warrant. One representative for each of the employee unions may also serve on the Investment Committee. The Finance Director or its designee will chair the Committee. A quorum of at least three (3) members must be physically present for all meetings.

The Treasurer for the Trustees will make recommendations to the Trustees as to any changes in the above makeup of the Committee.

The Committee maintains the ultimate responsibility for approving the Investment Policy and managing the Investment Assets. The Plan has delegated to the Committee those responsibilities as defined below.

- Oversee the management of the Fund's assets.

- Adopt, review and revise, as needed, an Investment Policy on an annual basis.

- Recommend policy guidelines for the asset allocation of the Fund's assets within the equity and fixed income segments according to investment style, taking into account near term cash needs and liquidity.

- Recommend selection and retention or termination of all Investment Consultants, Investment Managers and Custodians.
- Review reports from outside professionals and the Investment Consultant on the status of the Fund's assets.

- Periodically measure and evaluate the investment performance of the Investment Managers against the established goals and objectives defined herein and in the Investment Manager's agreement with the Committee and agreed upon rebalancing procedures for strategic asset allocation. On a periodic basis, in reference to the current liability obligation, an asset allocation study will occur.

- Consider, revise and accept (or reject) recommendations made by the Investment Consultant regarding the management of the Fund Assets.

- Control and account for all investment, recordkeeping and administrative expenses associated with the Fund's assets.

- Avoid prohibited transactions and conflicts of interest.

- Apply the prudent person standard of care in the context of managing an overall portfolio.

The annual budget for the Pension Fund will include sufficient funding for the trustees and members of the Pension Investment Committee to participate in pension education opportunities. These educational opportunities will include education on the individual's duties and responsibilities as well as investments in general. The Finance Director, as Treasurer for the Trustees, will complete no less than eight (8) hours of continuing educational opportunities on pension investments each fiscal year.

Responsibilities of the Investment Consultant

- Serve as an objective, third party advisor to the Investment Committee. As such, the Investment Consultant will guide the Committee through a disciplined and rigorous process and may make recommendations to the Committee but will not have discretion to make investment or allocation decisions without their approval.

- Assist in the development, implementation, review and monitoring of this Investment Policy.

- Offer advice that is consistent with the investment objectives, policies, guidelines and constraints as established in this Investment Policy.

- Conduct Investment Manager searches and fee negotiations when requested by the Investment Committee.

- Provide research, analysis and general information about the Investment Managers.

- Measure, monitor and evaluate the investment performance and asset allocation of the Plan and report the findings to the Committee no less frequently than on a quarterly basis.

- Periodically monitor the Investment Assets and provide reports to the Committee regarding investment performance and other pertinent information.

- Apply the prudent person standard of care in the context of managing an overall portfolio.

Compliance With Chapter 2023-28, Laws of Florida

The Trustees and the 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 Plan 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 Plan's investment consultant shall assist in the preparation of the required reports and shall annually confirm to the Plan 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 Plan 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 he 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 Plan 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 Plan may not give preference to a vendor based on vendor's social, political, or ideological interests.

Authorized Investments

The following is a list of authorized investments:

- Invest and reinvest the assets of the pension fund in annuity (including group annuity contracts of the pension investment type) and life insurance contracts of legal reserve life insurance companies, in amounts sufficient to provide, in whole or in part, benefits to which all of the participants shall be or become entitled to under the provisions of the Fund, and pay the initial and subsequent premiums thereon. Provided that the amount invested with a life insurance company shall not exceed three percent (3%) of the insurance company's assets.

- Invest and reinvest the assets of the pension fund in:

  a. Time deposits, savings accounts, money market accounts, funds, certificates of deposits, or money market certificates of a national bank, a state bank, or a savings, building and loan association.

  b. Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, and which carry the full faith and credit of the United States Government and its agencies. Investments in this category would include but not be limited to the following: United States Treasury Bills, Notes and Bonds, and securities issued by the Small Business Administration, Government National Mortgage Association (Ginnie Mae), Veterans Administration, and Federal Housing Administration.

  c. Fully collateralized United States Agency obligations, which carry an implied guarantee and the implied full faith and credit of the United States government. Investments in this category would include but not be limited to the following: obligations of the Federal Home Loan Banks System (FHLB) or its distinct banks and Financing Corporation (FICO).

  d. Other United States Agency obligations, which carry an implied guarantee (Government Sponsored Entities) and the implied full faith and credit of the United States Government. Investments in this category would include but not be limited to the following: obligations of the Federal Farm Credit Bank, Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), Financial Assistance Corporation and Federal Agriculture Mortgage Corporation (Farmer Mac).

  e. Collateralized Mortgage Obligations (CMO) and/or Real Estate Mortgage Investment Conduits (REMIC), rated investment grade or equivalent by Standard and Poor's, Moody's, Fitch, or other recognized national rating agencies which are backed by securities otherwise authorized in this ordinance and which are guaranteed as to the timely payment of principal and interest by the U.S. Government or its agencies.

f. Securities of countries, states, municipalities and county governments or their public agencies, which are, rated investment grade or equivalent by Standard and Poor's, Moody's, Fitch, or other recognized national rating agencies..

g. Asset-backed securities, which are rated investment grade or equivalent by Standard and Poor's, Moody's, Fitch, or other recognized national rating agencies.

h. Common stocks, preferred stocks and bonds and other evidence 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 or any non-U.S. corporation, provided:

1. The corporation is listed on any one or more of the recognized national or international stock exchanges and/or in the case of bonds and mortgage backed securities, traded among dealers and investors in a recognized and agreed upon conventional format;

2. Unless an asset allocation for less than investment grade corporate bonds is established, all corporate bonds shall carry an investment grade rating as established either by Standard & Poor's, Moody's, Fitch or other recognized rating agencies; and

3. Not more than three percent (3%) of the equity assets of the pension Fund shall be invested in the common stock or capital stock of any one issuing corporation except to the extent a higher percentage of the same issue is included in a nationally recognized market index, based on market values, at least as broad as the Standard and Poor's Composite Index of 500 Companies, or except upon a specific finding by the investment committee that such higher percentage is in the best interest of the Fund; nor shall the non-U.S. investments exceed twenty five percent (25%) of the pension Fund's assets at market.

i. Real estate including but not limited to REITS, comingled or limited partnerships. Investments in timber through vehicles such as comingled or limited partnerships shall be treated as a subclass of real estate.

j. Alternative Investments, with no more, in the aggregate, than twenty percent (20%) of the Fund in alternative investments, through participation in securities or investments or an alternative investment vehicle that is not publicly traded and is not otherwise authorized by this section. Alternative Investments include securities which fall outside the scope of traditional investments (stocks, bonds, and cash) or are strategies investing in securities using alternative means (derivatives, leverage, short selling), or some combination thereof. An "alternative investment vehicle" is a limited partnership, limited liability company, or similar legal structure or investment manager through which the fund invests in a portfolio company. Investments in public infrastructure projects will be considered alternative investments. Real estate, including timber investments, are not considered alternative investments for this policy.

Investments not listed above in this section are prohibited.

Unauthorized Investments

Effective July 1, 2009, Florida law was amended to require police and fire retirement plans to identify, publicly report and divest from investments in "scrutinized companies" as identified under Florida law. As a Florida Statute police and fire plan, the Trustees must follow this law.

First, the System must identify its holding in "scrutinized companies." 215.473(t) "Scrutinized Company" means any company that meets any of the following criteria:

1. The company has business operations that involve contracts with or provision of supplies or services to the government of Sudan, companies in which the government of Sudan has any direct or indirect equity share, consortiums or projects commissioned by the government of Sudan, or companies involved in consortiums or projects commissioned by the government of Sudan, and:

    a.) More than 10 percent of the company's revenues or assets linked to Sudan involve oil-related activities or mineral-extraction activities; less than 75 percent of the company's revenues or assets linked to Sudan involve contracts with or provision of oil-related or mineral-extracting products or services to the regional government of Southern Sudan or a project or consortium created exclusively by that regional government; and the company has failed to take substantial action; or

    b.) More than 10 percent of the company's revenues or assets linked to Sudan involve power-production activities include projects whose intent is to provide power or electricity to the marginalized populations of Sudan; and the company has failed to take substantial action.

2. The company is complicit in the Darfur genocide.

3. The company supplies military equipment within Sudan, unless it clearly shows that the military equipment cannot be used to facilitate offensive military actions in Sudan or the company implements rigorous and verifiable safeguards to prevent use of that equipment by forces actively participating in armed conflict. Examples of safeguards include post-sale tracking of such equipment by the company, certification from a reputable and objective third party that such equipment is not being used by a party participating in armed conflict in Sudan, or sale of such equipment solely to the regional government of southern Sudan or any internationally recognized peacekeeping force or humanitarian organization.

4. The company has business operations that involve contracts with or provision of supplies or services to the government of Iran, companies in which the government of Iran has any direct or indirect equity share, consortiums, or projects commissioned by the government of Iran and:

a.) More than 10 percent of the company's total revenues or assets are linked to Iran and involve oil-related activities or mineral-extraction activities; and the company has failed to take substantial action; or

b.) The company has, with actual knowledge, on or after August 5, 1996, made an investment of $20 million or more, or any combination of investments of at least $10 million each, which in the aggregate equals or exceeds $20 million in any 12-month period, and which directly or significantly contributes to the enhancement of Iran's ability to develop the petroleum resources of Iran.

The definition of scrutinized company is detailed here for your information. However, to be compliant with the statutory requirements, the Investment Committee may look to the Florida State Board of Administration quarterly reports on identified scrutinized companies. Regular quarterly updates can be found at:

http://www.sbafla.com/fsb/Home/tabid/369/Default.aspx.

The Investment Committee must publicly report any direct or indirect holdings in scrutinized companies. As new companies are identified the Trustees' must divest within 12 months of when the company was first added to the list.

The Investment Committee's third responsibility is one of two actions depending upon whether the holding is direct (securities are held directly by a public fund) or indirect (securities are held in an account or by a mutual fund in which the public fund owns shares or interests together with other investors not subject to the provisions of Florida Statutes §215.473.)

If the holdings are direct, the law requires the Trustees' to divest from its holdings. The divestiture must be completed by September 30, 2010. No further investments may be made in such companies. Private equity funds are deemed to be an actively managed investment fund.

If the holdings are indirect, the Investment Committee must notify the investment manager of the companies on the list and request that the manager remove such companies from your investment fund or create a similar actively managed fund without such holdings.

Bid Requirements

All securities shall be competitively bid where feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected. Executions must be made on a best-execution basis.

Investment Management Structure

Five distinct asset classes will be considered for inclusion in the portfolio which will include Domestic Equities, International Equities, Domestic Fixed Income, Real Estate, and Alternative Investments.

A permanent commitment to these five asset classes will be made to ensure diversification at the Fund level. The Fund may consider investments in other asset classes which offer potential enhancement to total return at risks no greater than the exposures under the initially selected asset classes.

It is not the intention of the Fund to become involved in day-to-day investment decisions. Therefore, the assets will be allocated to professional investment managers in a manner consistent with the Policy's objectives.

Each asset class will have its own investment managers. Diversification of the U.S. Market Equity commitment will be achieved through the employment of managers of complementary investment styles, Growth and Value. In the U.S. Fixed Income market, at least one core bond manager will be utilized to stabilize the Fund. In the International Equity market, diversified non-U.S. managers will be hired to achieve diversification. In the Real Estate market, the Fund will utilize collective funds or REIT's for purposes of diversification. In the Alternatives market, the Fund will hire fund of funds managers to optimize strategies and provide adequate safety of capital and diversification. Cash and cash equivalents will be managed either by the Investment Managers or the custodian. In addition the City uses the pooling concept to meet the immediate cash needs of the city and to maximize the interest earnings. All cash placed in the City's pooled cash account shall be separately accounted for and listed as an asset of the Fund. The Fund will keep sufficient funds in the City's pooled cash account to meet the current obligations of the Fund.

The guidelines for the allocation of assets, at market, to investment managers are as follows:

Asset Class	**Lower Limit**	**Upper Limit**	**Market**
U.S. Market Equities	20%	60%	Market
Growth	10%	30%	Market
Value	10%	30%	Market
International Equity	10%	25%	Market
Domestic Fixed Income	20%	40%	Market
Real Estate	0%	15%	Market
Alternative Investments	0%	20%	Market

Because the asset classes do not move in concert, deviations from the normal commitments will occur through normal market activity. The Upper and Lower Limits define the ranges within which market activity will be allowed to shift the allocations. The ranges are designed to allow for a reasonable period of time to elapse before rebalancing the portfolio. When the investments are out of policy the assets will be moved from the over-allocated to the under-allocated in a prudent manner.

When in market equilibrium, cash flows will be deployed in a manner that returns the portfolio to its normal commitments.

Internal Controls

As part of the City's annual financial audit the external CPA firm will review the internal controls of the Fund. The hiring or termination of all money managers, consultants or safekeeping custodians must be made by the trustees. No individual associated with the Fund may authorize any movement of monies or securities without the approval of the trustees, if required, or by the approval of the Pension Investment Committee if trustee approval is not required. Trustee approval is not required for rebalancing of the portfolio. Internal controls will be designed to prevent losses of funds which might arise from fraud, error, and misrepresentation by third parties or imprudent actions by the trustees or City employees.

Investment Return Objectives

In formulating investment return objectives for the Funds' assets, the Fund placed primary emphasis on the following goals:

- Achieve investment performance that exceeds the rate of inflation over time thereby providing a real rate of return.

- Achieve investment results of at least the actuarial rate of return.

- Achieve investment performance that is 50^{th} percentile or above over a five-year period when compared to an appropriate peer group.

- The Trustees will determine the expected rate of return of the current year, and future years. The expected rate of return for the foreseeable future is equivalent to the actuarial interest assumption at any point in time. The total Fund and asset segment return expectations are as follows:

    a. Total Fund Return Objectives

    The following minimum comparative objectives have been established for the total Fund:

    1. The total fund should rank in the upper fiftieth (50th) percentile compared to a recognized performance measure company's total public plan sponsor database measured over a minimum period of three (3) or maximum five (5) years.

    2. The Fund's overall annualized total return should perform at least at the upper fiftieth (50th) percentile compared to investment style peers of similar

type as found in recognized performance measurement style database for each asset class segment.

3. The Fund's overall annualized total return (which is defined as all price changes plus all income and/or dividends) should exceed the actuarial assumption over a rolling three (3) or maximum of five (5) year period.

4. The Fund's overall annualized total return should exceed the returns that would have collectively been achieved if the Fund had been fully invested in the appropriate percentage of:

- Bloomberg Aggregate US Bond Index
- Bloomberg Intermediate US Government/Credit
- Standard & Poor's 500 Stock Index
- Russell 2500
- MSCI EAFE Index
- MSCI ACWI Ex USA
- NCRIEF Fund Index

This is a custom benchmark that will be calculated relative to the actual collective asset class mix of the Fund measured over a minimum of three (3) or maximum of five (5) years.

b. Equity Segment Return Objectives

The following minimum performance goals have been established for the Fund's domestic equity segment:

1. The domestic equity segment total return should perform at least at the upper fiftieth (50th) percentile compared to a recognized performance measurement company’s total U.S. equity database measured over a minimum period of three (3) or maximum of five (5) years.

2. The individual domestic equity managers total return should perform at least at the upper fiftieth (50th) percentile compared to investment style peers of similar type as found in a recognized performance measure company’s total U.S. equity database measured over a minimum period of three (3) or maximum of five (5) years.

3. The domestic equity segment total return should exceed the total return of the Standard & Poor's 500 Stock Index, net of management fees, measured over a minimum period of three (3) or maximum of five (5) years.

c. International Equity Segment Return Objectives

The following minimum performance goals have been established for the Fund's international equity segment:

1. The international equity segment total return should perform at least at the upper fiftieth (50th) percentile compared to recognized performance measure company's total non U.S. equity database measured over a minimum period of three (3) or maximum of five (5) years.

2. The individual international equity managers total return should perform at least at the upper fiftieth (50th) percentile compared to the investment style peers of similar type as found in a recognized performance measure company's total non U.S. equity database measured over a minimum period of three (3) or maximum of five (5) years.

3. The international equity segment total return should exceed the total return of the Morgan Stanley Capital All Country World Index Ex United States, net of management fees, measured over a minimum of three (3) or maximum of five (5) years.

d. Fixed Income Segment Return Objectives

. The following minimum performance goals have been established for the Fund's domestic fixed-income segment:

1. The domestic fixed-income segment total return should perform at least at the upper fiftieth (50th) percentile compared to the recognized performance measure company's total domestic fixed income database measured over a minimum period of three (3) or maximum of five (5) years.

2. The individual domestic fixed income managers total return should perform at least at the upper fiftieth (50th) percentile compared to investment style peers of similar type as found in a recognized performance measure company's total domestic fixed income database measured over a minimum period of three (3) or maximum of five (5) years.

3. The domestic fixed income segment total returns should exceed the total return of the Bloomberg Aggregate US Bond Index measured over a minimum period of three (3) or maximum of five (5) years.

e. Real Estate Segment Return Objectives

The following minimum performance goals have been established for the Fund's Real Estate Segment:

1. The Real Estate segment total return should perform at least at the upper fiftieth (50th) percentile compared to recognized performance measurement

database measured over a minimum period of three (3) or maximum of five (5) years.

2. The Real Estate managers total return should perform at least at the upper fiftieth (50th) percentile compared to the investment style peers of similar type as found in a recognized performance measurement company's database measured over a minimum period of three (3) or maximum of five (5) years.

3. The Real Estate managers total return should exceed the total return for comparable strategies of the Wilshire RESI Index, the NCRIEF ODCE Fund Index or the NCRIEF Property Index over a minimum of three (3) or maximum of five (5) years.

f. Alternative Segment Return Objectives

The following minimum performance goals have been established for the Fund's alternative investment segment.

1. The Alternative total return should perform at least at the upper fiftieth (50th) percentile compared to recognized performance measurement database measured over a minimum period of three (3) or maximum of five (5) years.

2. The alternative manager's total return should perform at least at the upper fiftieth (50th) percentile compared to the investment style peers of similar type as found in a recognized performance measurement company's database measured over a minimum period of three (3) or maximum of five (5) years.

3. The alternative manager's total return should exceed the total return for comparable strategies of the alternative asset class's specific recognized index measured over a minimum of three (3) or maximum of five (5) years.

4. The Investment Committee is aware that alternative investments may have unusual or inconsistent return patterns due to the liquidity and marketability, or lack thereof, of such investments. Occasions may arise where performance measurement devices appropriate for more liquid markets may not properly or fairly measure relative performance. In these situations, the Committee may overlook traditional measures and apply normal business standards for evaluating the investment positions including long term appreciation potential, current market liquidity, impacting macro-economic factors and potential future cash flows.

Criteria for Investment Manager Review and Manager Termination

- Consistent under-performance of the stated target index over rolling 3-year periods.

- Failure to out-perform the manager's chosen performance benchmark or index measured over a minimum of three (3) years or maximum of five (5) years.

- Failure to out-perform the manager's investment style peer group measured over a minimum period of three (3) years or maximum of (5) years.

- Loss by the Manager of any senior personnel deemed detrimental to the Manager's ability to perform required duties or any potentially detrimental organizational issues that may arise and have an effect on the management of the Plan's assets.

- Substantial change in basic investment philosophy by the Manager.

- Substantial change of ownership of the firm deemed detrimental to the Manager's ability to perform the required duties.

- Failure to observe any guidelines as stated in this policy.

Evaluation and Review

On a timely basis, but not less than four times a year, the Fund will review actual investment results achieved by each manager (with a perspective toward a five-year time horizon) to determine whether:

- the investment managers performed in adherence to the investment philosophy and policy guidelines set forth herein; and

- the investment managers performed satisfactorily when compared with:

  a. the objectives set forth in Appendix "A", as a primary consideration,

  b. their own previously stated investment style,

  c. other investment managers, both in asset class and in style group,

  d. other retirement funds,

  e. several different market indices.

In addition to reviewing each investment manager's results, the Fund will re-evaluate, from time to time, its progress in achieving the total Fund, equity, fixed-income, international, and cash and equivalents segment objectives previously outlined. The periodic re-evaluation also will involve an evaluation of the continued appropriateness of: (1) the manager structure set forth in Appendix "A"; (2) the allocation of assets among the managers; and (3) the investment objectives for the Fund's assets.

The Fund may appoint investment consultants to assist in the on-going evaluation process. The consultants selected by the Fund are expected to be familiar with the investment practices of other similar retirement plans and will be responsible for suggesting appropriate changes in the Fund's investment program over time.

Filing of Investment Policy

Upon adoption by the trustees, the investment policy shall be promptly filed with the Department of Management Services, the City Clerk, and the consulting actuary. The effective date of changes to the Investment policy will be 31 days after the filing date with the city.

APPENDIX A:

FUND SEGMENT AND INDIVIDUAL MANAGER GUIDELINES
CITY OF CLEARWATER EMPLOYEES PENSION FUND

INVESTMENT STRUCTURE

Investment Manager	Target Allocation
Domestic Equity Value Orientation	10% - 30%
Domestic Equity Growth Orientation	10% - 30%
International Equity	10% - 25%
Domestic Fixed Income	20% - 40%
Real Estate	0% - 15%
Alternative Investments	0% - 20%

APPENDIX A (continued): FUND SEGMENT AND INDIVIDUAL MANAGER GUIDELINES

1. Manager Structure

   The Fund will retain investment managers that specialize in the use of particular asset classes. The targeted distribution of Fund assets among specialist managers will be as illustrated on the previous page. The Fund believes that the established structure:

   - is consistent with the practices of other similar-sized retirement funds; and
   - offers an appropriate "blend" of investment styles that will produce a sufficient level of diversification and investment return over time.

2. Cash Flow Allocation

   The allocation of assets is consistent with the Fund's desire to diversify its investment management program.

   The Fund intends to review on a periodic basis the allocation of assets among its investment managers. To the extent that it is practical, it is expected that any cash flow will be allocated to or taken from the managers in the same proportions that each manager's assets represent to total Fund assets in the target asset allocation outlined previously.

3. Trustee Utilization Restrictions

   All domestic Fund assets, in any form, shall be solely and exclusively: (a) settled at, (b) held in custody at, and (c) safe-kept only at custodians designated by the Fund at its sole discretion. International Fund assets may be held in commingled accounts provided that all of the normal protection of the Fund's assets is provided for.

4. Transaction Agent Assignment Restrictions

   Assignment of specific brokerage firms, dealers, financial institutions, and other transaction execution agents to all investment managers shall be the sole responsibility of the Fund. From time to time, the Fund at its sole discretion may specify certain transaction agents that investment transactions shall be executed through.

5. Short Selling and Related Restrictions

   There shall be no: short selling, non-collateralized and/or non-delivered repurchase agreements, use of financial futures or options, non-marketable direct investments in equity or debt private placements or lease-backs or any other specialized investment activity without the prior written consent of the Fund.

6. Liquidity and Marketability Restrictions

Liquidity and marketability frequently are perceived to be a function of the quality and the market capitalization of each security holding. From the Fund's perspective, liquidity and marketability also may be a function of a manager's aggregate holdings in a particular security. The Plan believes that an investment manager should not buy or hold a security for the Fund's portfolio if the aggregate holdings among all of that manager's other accounts in that same security would restrict the manager's ability to expeditiously liquidate the position at any time.

From a total Fund perspective, the Fund believes the collective holdings among all Fund managers' accounts in that same security would restrict all managers' collective ability to expeditiously liquidate their respective positions in that same security. Therefore, the Fund retains the sole right to limit any manager's holding of any security in the Fund at any time in order to prevent the potential for said Fund's collective liquidation and market risk.

7. Usage of Custodian STIF on all Idle Cash Restrictions

Any idle cash not invested by the investment managers shall be invested daily via an automatic sweep STIF managed by the Custodian or by others in behalf of each investment manager. It is the Fund's objective to have no idle cash at any time in any manager's portfolios.

8. Usage of Cross Asset Segment Investment Guideline Restrictions

When a manager's holdings include Fund assets outside of their primary assigned asset segment assignment (e.g. a primary domestic equity manager also holds some cash equivalents or fixed income securities as well as equities) the guidelines stated therein for the non primary asset segment shall fully apply to the manager, in addition to the primary asset assigned segment guidelines.

9. Diversification Restrictions

Except for criteria noted elsewhere in this Policy and in specific written contracts with each manager, the appropriate and reasonable diversification of securities by such factors as geography, region, sovereign risk, native currency, quality, coupon, country risk, maturity, industry, duration, and sector is within the full discretion and responsibility of the investment managers.

10. Other Objectives, Guidelines and Restrictions Forthcoming

The Fund may develop additional objectives, guidelines and restrictions and may amend the Policy from time to time.

11. Fund Segment Guidelines

Following are guidelines and objectives established for the Fund segments and for each investment manager retained by the Fund. Individual manager guidelines are designed to be consistent, in aggregate, with the total Fund asset allocation guidelines and investment objectives set forth in the Statement of Investment Objectives and Guidelines.

a. Domestic Equity Segment

Each equity manager is expected to adhere to the following guidelines:

- Equity holdings in any one company (including common and preferred stock, convertible securities and debt) should not exceed ten percent (10%) of the market value of the manager's portion of the Fund without the consent of the Fund.

- Equity holdings in any one industry (as defined by Standard & Poor's) should not exceed fifty percent (50%) of the market value of the manager's portion of the Fund.

- Cash equivalents and fixed income positions should not exceed twenty five percent (25%) of the manager's portfolio. A manager may invest in fixed income securities if projected returns on such securities are perceived to be competitive with potential equity returns. However, fixed income securities will not represent more than twenty-five percent (25%) of a manager's portfolio without the prior written consent of the Fund.

- No purchase shall be made by an investment manager that would cause a holding to exceed five percent (5%) of the issue outstanding.

b. International Equity Segment

Each international equity manager is expected to adhere to the following minimum guidelines:

- Equity holdings in any one company and all of its subsidiaries and affiliates (including equities, convertible securities and debt) should not exceed five percent (5%) of the market value of the manager's portion of the Fund portfolio without the prior written consent of the Fund.

- Equity holdings in any one industry should not exceed fifty percent (50%) of the market value of the manager's portion of the Fund portfolio. Equity holdings in any one sector (e.g., consumer cyclical, energy, technology, etc.) should not exceed fifty percent (50%) of the market value of the manager's portfolio without the prior written consent of the Fund.

- Cash equivalents and fixed income positions should not exceed fifty percent (50%) of the manager's portion of the Fund assets. A manager may invest in fixed income securities (i.e. securities with more than two years to maturity) if projected returns on such securities are perceived to be competitive with potential equity returns.

- The manager may enter into foreign exchange contracts on currency provided that: (a) such contracts have a maturity of one year or less, and (b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the manager's portfolio. The intent is to dampen portfolio volatility and prevent currency loss. There shall be no direct foreign currency speculation or any related investment activity.

- The manager may purchase or sell currency on a spot basis to accommodate specific securities settlements.

c. Fixed Income Segment

Each fixed income manager is expected to adhere to the following guidelines:

- All Fixed Income Securities held in each portfolio should have a Moody's, Fitch, or Standard & Poor's quality rating of no less than Investment Grade from any of these rating services. For an issue which is split-rated, the lower quality designation will govern. Once a security falls below investment grade the money manager will notify the plan of the downgrade as soon as practical. Included in that notification will be how the money manager will handle the below investment grade security.

- The diversification of securities by maturity, quality, sector, coupon and geography is the responsibility of the manager.

- The exposure of each manager's portfolio to any single security other than a security backed by the full faith and credit of the U.S. Government or any of its instrumentalities should be limited to five percent (5***%)*** of the manager's portion of the Fund measured at market value.

- No purchase shall be made by a Fixed Income Manager, which would cause a holding to exceed ten percent (10%) of the issue outstanding.

- There shall be no use of options, financial futures, derivatives or other specialized investment activity without the prior written approval of the Fund.

- Not more than ten percent (10%) of an investment manager's portfolio, valued at market, shall be invested in certificates of deposit, time deposits, bankers acceptances, commercial paper, or related investments of a single issuer financial institution or financial institution holding company family.

d. Real Estate Segment

Each Real Estate manager is expected to adhere to the following guidelines:

- REIT managers will limit holdings in any one company to fifteen percent (15%) of the market value of the manager's Fund, cash equivalents and positions in fixed income vehicles should not exceed twenty five percent (25%) of the managers portfolio and no purchase shall be made that would cause a holding to exceed ten percent (10%) of the issues outstanding.

- Managers of direct investments in real estate structured as limited partnerships, limited liability companies or separate accounts will operate strictly within conformance to the regulations of their state of domicile and comply with any applicable federal or state security laws.

- Managers of direct investments in real estate may be income oriented or capital gains oriented but in no event will the manager apply average leverage in excess of fifty percent (50%) of the value of the total portfolio.

- Managers of direct investments in real estate shall seek to diversify the portfolio in terms of geographic location, tenant usage, and lease schedules.

- Timberland managers shall maintain portfolios of geographically diversified stands of biological tree growth with the potential for land value appreciation, alternative use and leasing potential, diversified product opportunities and long term land appreciation possibilities.

e. Alternative Investment Segment

Academic research supports the use of alternative investments as a mechanism to potentially reduce the volatility and/or enhance the expected return of an investment portfolio. However, the use of alternative investments can introduce unique types of risks due to their inherent structure and characteristics which include but are not limited to the following: leverage, illiquidity, short sales, derivatives, and lack of transparency and regulation. In light of these unique risks, the Fund does not attempt to define or limit the manager's discretion as to the use of financial instruments. The Fund will actively monitor the investment manager's performance and activities to limit exposure to these unique risks.

f. Cash and Equivalents Segment

Although investment managers will be retained for their expertise in a certain investment segment, it is expected that from time-to-time each will have some cash and equivalents in their portfolios as a result of discretionary asset allocation decisions. Any idle cash not invested by the investment managers shall be invested daily via an automatic sweep STIF managed by the custodian. It is the Fund's objective to have no idle cash at any time in any manager's portfolio.

g. Pooled Vehicles

To the extent that the Fund invests a portion of the Fund's assets in commingled vehicles or institutional mutual funds, then the investment guidelines of the fund's prospectus will be adopted as this fund's guidelines.

h. Master Repurchase Agreement

The money managers and safekeeping custodian will use a master repurchase agreement whenever appropriate. All repurchase agreements transactions shall adhere to the requirements of the master repurchase agreement.

12. Individual Manager Descriptions and Five-Year Expectations

All expectations are minimums. All investment managers shall exceed the stated expectations.

Investment Manager	Percentile Expectation Relative To Other Managers	Percentile Expectation Relative To Style Peers
Domestic Equity Specialist Manager Value Orientation	50^{th}	50^{th}
Domestic Equity Specialist Manager Growth Orientation	50^{th}	50^{th}
International Equity Specialist Manager	50^{th}	50^{th}
Domestic Fixed Income Specialist Manager Core Fixed Income Orientation	50^{th}	50^{th}
Real Estate Specialist Manager	50^{th}	50^{th}
Alternatives Specialist Manager	50^{th}	50^{th}

13. Reporting Requirements:

a. Consultant Reporting

The Pension Fund's Consultant will provide quarterly reports to the Pension Fund which, at a minimum, will review the following information about each Investment Manager and the total Fund:

- Overview of the most recent quarter and year-to-date investment indicators
- Total Fund asset allocation
- Comparison of total Fund return versus the customized benchmark
- Performance results by individual Manager and Total Fund compared to appropriate benchmarks.

b. Investment Reporting:

- On not less than an annual basis the Trustees will receive a report showing a list of all of the securities held by investment manager. This report will be provided by the safekeeping custodians and shall include the portfolio by class or type, book value, income earned, and market value as of the date of the report. This report will be filed with the City.

c. Proxy Voting:

- On not less than a quarterly basis, money managers will report to the Plan their proxy voting during the last period.

14. Review of Policy

This Statement of Investment Policy must be reviewed annually by the Pension Investment Committee with a recommendation to revise or confirm to the Trustees.

15. Meeting Agenda

At each meeting, the written and oral presentations shall cover the following points:

- A report of performance for past periods. Standard time periods for each report will be last quarter, year-to-date, last year, two years, three years, etc., and since inception and by calendar year. Returns should be annualized and calculated on a time-weighted basis for the total portfolio. All returns should include price change plus income and/or dividends.

- Discussion of the rationale for performance results by relating them specifically to investment strategy and tactical decisions implemented during the current review period.

- Discussion of the investment manager's specific strategy for the portfolio over the next six to twelve months with specific reference to asset allocation and sector weighting, as appropriate.

- Supporting discussion of the next period's strategy with reference to investment manager's capital market and economic assumptions, if applicable.

An electronic copy of the written summary should be received by the Fund at least three business days prior to the meeting.

The Fund is interested in fostering an effective working relationship with its investment managers through a discipline of good communication. The establishment of Objectives, Performance Standards, Policies and Guidelines, and Reporting Requirements is intended to provide the Fund with a good foundation from which to understand specific management styles and strategies, evaluate results and oversee progress toward overall investment objectives.

The Fund shall be using a third party consultant selected, hired and directed by the Fund to: (1) assist in appraising performance, (2) to provide performance comparison data with other retirement plans, several capital market indices, and to other investment managers, (3) assist in evaluating manager style discipline and peer comparisons, (4) assist in strategic Funding and management of the Fund, and (5) other factors the Fund deems appropriate. Investment managers are required to support and assist the consultant with their fullest cooperation.