

HOLLYWOOD POLICE PENSION FUND

INVESTMENT GUIDELINES

AMENDED AUGUST 21, 2009

FUND OBJECTIVES

To conduct the operations of the Fund in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return to the fund.

INVESTMENT PERFORMANCE OBJECTIVES - QUARTERLY EVALUATION

A. The Total Fund

Beginning January 1, 2004, the performance of the portfolio will be compared to the return of a portfolio comprised of 33% of the S&P500 Index, 4% Russell 2000 Small Cap Index (R2000), 10% of the Russell 1000 Growth Index (R1000G), 7% of the Russell 1000 Value Index (R1000V), 23% of the Barclays Capital Government Credit Index (BCGC) and 23% of the Barclays Capital Intermediate Government Credit Index (BCIGC). Beginning January 1, 2009, the performance of the portfolio will be compared to the return of a portfolio comprised of 24% of the S&P500 Index, 4% Russell 2000 Small Cap Index (R2000), 10% of the Russell 1000 Growth Index (R1000G), 7% of the Russell 1000 Value Index (R1000V), 5% S&P400 MidCap Index, 23% of the Barclays Capital Government Credit Index (BCGC), 23% of the Barclays Capital Intermediate Government Credit Index (BCIGC) & 4% TBill.

B. Total Equity Portfolio

Beginning January 1, 2004, the performance of the total equity portfolio will be compared to the return of a portfolio comprised of 61.1% S&P500, 7.4% R2000, 18.5% R1000G & 13% R1000V. Beginning January 1, 2009, the performance of the total equity portfolio will be compared to the return of a portfolio comprised of 52% S&P500, 7.4% R2000, 18.5% R1000G, 13% R1000V & 9.1% S&P400.

C. Total Fixed Income Portfolio

Beginning October 1, 1992, the performance of the total fixed income portfolio will be compared to the return of a portfolio comprised of 50% BCGC and 50% BCIGC.

D. For Inverness Counsel

The below listed performance measures will be used as objective criteria for evaluating effectiveness of the investment manager.

Total Fund Performance

1. The performance of the total fund will be measured each quarter for rolling three and five year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. Beginning October 1, 1999, the performance of the portfolio will be compared to the return of a portfolio comprised of 50% S&P500 Index, 22.5% of the BCGC Index, 22.5% BCIGC & 5% TBill. Beginning April 1, 2008, the performance of the portfolio will be compared to the return of a portfolio comprised of 33% S&P500 Index, 31% of the BCGC Index, 31% BCIGC & 5% TBill. Beginning January 1, 2009, the performance of the portfolio will be compared to the return of a portfolio comprised of 30% S&P500 Index, 32.5% of the BCGC Index, 32.5% BCIGC & 5% TBill.

As Inverness is the sole Fixed Income manager, as of October 1, 2009, their Total Fund portfolio will have a minimum allocation to Fixed Income of fifty-five percent (55%) and a maximum allocation of one hundred percent (100%).

2. The evaluation period for Inverness will date from October 1, 1992.
3. Relative to other similar investment managers, it is expected the manager's performance with regard to the quarterly total return of combined equity, fixed income and cash portfolio will be in the top forty percent (40%) of the Mobius Universe over three to five year periods. When quarterly performance is below the standard, the manager will report to the Trustees the reasons for the occurrence and the steps taken to avoid reoccurrence.

E. For Davis Hamilton Jackson, Buckhead Capital, Eagle Asset Management & Rhumblin Advisers

The equity portion of the portfolio, defined as common stocks, convertible bonds, convertible preferred issues and international equities, is expected to perform over three and five year periods at a rate at least equal to, for:

Davis Hamilton Jackson, the Russell 1000 Growth Index and in the top 40% of the Mobius Large Cap Growth Equity Universe

Buckhead Capital, the Russell 1000 Value Index and in the top 40% of the Mobius Large Cap Value Equity Universe

Eagle Asset Management, the Russell 2000 Small Cap Index and in the top 40% of the Mobius Broad Small Cap Equity Universe. Beginning January 1, 2009, the S&P 400 MidCap Index and in the top 40% of the Mobius Broad MidCap Equity Universe.

Rhumblin Advisers, the S&P400 MidCap Index and in the top 40% of the Mobius Broad MidCap Equity Universe.

The evaluation period for Davis Hamilton Jackson will date from April 1, 2000; for Buckhead Capital, January 1, 2004 and for Eagle Asset Management, April 1, 2003.

Investment Guidelines

The investment of the Fund's assets will be sufficiently diversified as to minimize the risk of losses. Factors to be considered in diversification of investments will include but not be limited to the following: the purpose of the Fund; the amount of Fund assets; financial, industrial and economic conditions.

Types of investment may include commercial paper, savings accounts, U.S. Government securities, and bonds and equities of domestic and foreign corporations.

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
2. Obligations issued by the United States Government and its agencies or in obligations guaranteed as to principal and interest by the United States Government.
3. Stocks, bonds or other evidences of indebtedness issued 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, provided:
 - a. Equities are traded on one or more of the following recognized national exchanges:
 - 1) New York Stock Exchange
 - 2) American Stock Exchange
 - 3) The NASDAQ Stock Market
 - b. Not more than five percent (5%) of the market value of the Fund's total assets shall be invested in the common or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing

company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.

c. The individual issue meets the following rating criteria:

1) All corporate debt issues (bonds, notes, debentures) shall be rated in the highest four (4) categories of quality by any of the following listed services: Moody's, Standard and Poor's or Fitch's Manual.

Any issue, if downgraded below the fourth (4th) category by two (2) of the three (3) ratings services must either be sold or specifically approved for retention by the Board.

2) Commercial Paper: Moody's P1 or Standard and Poor's A1.

4. Bonds issued by the State of Israel.

5. The use of unhedged and/or leveraged derivatives will not be allowed in any form.

6. Foreign stocks, bonds or other evidence of indebtedness denominated in United States Dollars may be bought provided:

a. Equities are traded in the form of ADR's or otherwise on one or more of the following recognized national exchanges:

- 1) New York Stock Exchange
- 2) American Stock Exchange
- 3) The NASDAQ Stock Market

b. The individual issue meets the following rating criteria:

All corporate debt issues (bonds, notes and debentures) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poor's, or Fitch's Manual.

Any issue if downgraded below the third (3rd) category by two (2) of the three (3) ratings services must either be sold or specifically approved for retention by the Board.

7. In addition to the above, **all managers are** subject to the following specific guidelines:

a. Not more than **twenty-five percent (25%)** of the manager's total portfolio, at market value, shall be invested in foreign (exclusive of the State of Israel) stocks, bonds or other evidences of indebtedness. **The manager must immediately notify the Board and the Consultant when the foreign exposure reaches ten percent (10%). An explanation will be needed as to why the manager is changing their discipline.**

- b. In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any companies, identified by the State Board of Administration (SBA) on its website each quarter, as a scrutinized company. The investment Consultant and 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 and shall notify the Board each quarter, in writing, of the results of its review. Beginning no later than January 1, 2010, the Board shall sell, redeem, divest or withdraw all publicly traded securities it holds in any scrutinized company by no later than September 30, 2010 for Chapter 185 plans.**
- 8. In addition to the above, Davis, Hamilton, Jackson, Inc. is subject to the following specific guidelines:
 - a. The portfolio may be invested up to one hundred percent (100%) in equities.
 - b. Returns will be measured against appropriate indexes and universes reflecting a large capitalization equity growth style. For this purpose, the manager has indicated that the appropriate index is the Russell 1000 Growth Index (R1000G).
 - c. All stocks held must have a market capitalization of at least \$1 billion.
 - d. The initial amounts allocated to this manager are as follows:
 - \$5 million on February 9, 2000
 - \$2.5 million on February 28, 2000
 - \$2.5 million on March 1, 2000
 - \$10 million on January 31, 2001which shall be allowed to increase through investment return and appreciation without limit.
 - e. For the years 2002 through 2005 only, all funds received from the State of Florida under Chapter 185, Florida Statutes, on behalf of the Hollywood Police Officers' Share Plan, shall be allocated to this manager.
- 9. In addition to the above, Eagle Asset Management, Inc. is subject to the following specific guidelines:
 - a. The portfolio may be invested up to one hundred percent (100%) in equities.
 - b. Returns will be measured against appropriate indexes and universes reflecting a small capitalization core equity style.
 - c. The initial amount allocated to this manager is \$5.0 million, which shall be

allowed to increase through investment return and appreciation without limit.

10. In addition to the above, Buckhead Capital is subject to the following specific guidelines:

- a. The portfolio may be invested up to one hundred percent (100%) in equities.
- b. Returns will be measured against the Russell 1000 Value equity index the appropriate universe reflecting a large capitalization value equity style.
- c. All stocks held must have a market capitalization of at least \$1 billion
- d. The target amount to be transferred to this manager is \$10 million. The initial amounts allocated to this manager are as follows:

\$7.5 million on December 2, 2003
\$1 million on January 12, 2004
\$750,000 on February 19, 2004
\$750,000 on February 27, 2004

which amounts shall be allowed to increase through investment return and appreciation without limit.

11. In addition to the above, Eagle Asset Management, Inc. is subject to the following specific guidelines:

- a. The portfolio may be invested up to one hundred percent (100%) in equities.
- b. Returns will be measured against appropriate indexes and universes reflecting a mid capitalization core equity style.
- c. The initial amount allocated to this manager is \$5.0 million, which shall be allowed to increase through investment return and appreciation without limit.

12. In addition to the above, Rhumblin Advisers, Inc. is subject to the following specific guidelines:

- a. The portfolio may be invested up to one hundred percent (100%) in equities.
- b. Returns will be measured against appropriate indexes and universes reflecting a mid capitalization core index equity style.
- c. The initial amount allocated to this manager is \$5.0 million, which shall be allowed to increase through investment return and appreciation without limit.

OVERALL ASSET ALLOCATION

1. Constraints. The board believes the plan's risk and liquidity posture are, in a large part, a function of the asset class mix. The board has reviewed the long-term performance characteristics of various asset classes focused on balancing risk and rewards of market behavior. The following asset classes, as generally defined by professional investment standards, were selected:

a. Cash (cash equivalents)

Domestic fixed income

Domestic large capitalization equities

Domestic small capitalization equities

International equities

b. Strategic Guidelines. Based on the plan's time horizon, risk tolerance, performance expectation and asset class preference, an efficient or optimum portfolio to achieve the investment goals while diversifying assets has been identified. The strategic asset allocation (normal weighting) of the plan is as follows:

<u>Asset Class</u>	<u>Lower Limit</u>	<u>Normal Weighting</u>	<u>Upper Limit</u>
Cash or cash equivalents	0%	4%	5%
Domestic fixed income	35%	46%	60%
Large company domestic equities	40%	50%	60%
Small company domestic equities	0%	4%	8%
Convertible securities	0%	2.5%	5%

The allocations above are based on market values. At no time shall all equities combined exceed sixty five percent (65%) of the total Fund, nor may all equities plus convertible securities exceed 70% of the total Fund, based on market values.

2. Rebalancing

a. Rebalancing of strategic asset allocation: If the allocation to any one asset class exceeds the guidelines, the Board will take measures to rebalance the trust assets through instructions as outlined below. When the Board gives instructions for rebalancing it will attempt to reallocate the trust assets to percent weightings as close to the normal weighting, as outlined above, as it sees fit. Rebalancing should be completed by the end of the quarter next following the quarter for which the Performance Report was compiled.

b. Instructions: Rebalancing is to be done first with cash flows expected within the forthcoming quarter. If there are insufficient cash flows to rebalance the fund to the Board's instructions, the Board shall effect transactions to accomplish the rebalancing. The Board will utilize the Consultant to assist in the rebalancing process.

INVESTMENT MANAGER

The Trustees will select a professional Investment Manager(s), that meet(s) the definition of that term in Section 3(38) of E.R.I.S.A., who will provide the Trustees with a statement of fiduciary responsibility. The Trustees will provide that Manager(s) certain guidelines, including, but not limited to, the interest assumption necessary to support the actuarial soundness of the Plan, the cash liquidity necessary to provide monthly pensions, and the current and projected cash flow into the Fund.

INVESTMENT REVIEW

The Trustees will monitor the Investment Manager(s) by periodically reviewing the investment portfolio and determining if the results meet with the objectives and purposes of the Plan.

The Investment Manager shall within five (5) business days, after such occurs, notify the Board if any investment no longer meets these guidelines.

Amended through August 2009

For The Board of Trustees

Date

For Inverness Investment Counsel

Date

For Buckhead Capital

Date

For Eagle Asset Management

Date

For Davis Hamilton Jackson

Date

For Rhumblin Advisers

Date