

2023 Biennial Report of Decision-Making in Voting and Adherence to Fiduciary Standards

Leesburg Firefighters Pension Plan

1. This report is submitted pursuant to DOR Rule 60T-1.008 which implements Section 112.662, Fla.Stat.
2. The Board's governance policies relating to investments and fiduciary standards are set forth in the Board's comprehensive investment policy, which is attached and incorporated herein by reference.
3. Following the adoption of Chapter 2023-28, the Board amended its investment policy to specifically address the requirements of Section 112.662.
4. The Board's decision-making in voting on investments and its adherence to fiduciary standards in making investment decisions are governed by the Board's investment policy.
5. All security level investment decisions are delegated to professional investment managers and all investment managers with direct holdings are fiduciaries.
6. Where applicable, investment managers with direct holdings have been instructed to abide by Section 112.662 when voting proxies.

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1. PURPOSE OF INVESTMENT POLICY STATEMENT

The Retirement Committee maintains that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Retirement Committee has adopted this statement of Investment Policy.

In fulfilling their fiduciary responsibility, the Retirement Committee recognizes that the retirement system is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Retirement Committee also recognizes that the obligations of the Fund are long-term and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective, then, is to obtain a reasonable total rate of return - defined as interest and dividend income plus realized and unrealized capital gains or losses - that exceeds the actuarial interest rate assumption on an annual basis and over rolling three-year periods. Additionally, the Trustees in performing their investment duties shall comply with fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 29 U.S.C. s 1104 (a) (1) (A)-(C).

Specifically, the Board, the Fund's investment manager(s), investment monitor shall comply with the following fiduciary standard:

A fiduciary shall discharge its duties with respect to the Plan solely in the interest of the participants and beneficiaries and -

- A. for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan;
- B. with the care, skill, prudence, and diligence under the circumstance then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aim;
- C. by diversifying the investments of the Plan so as to minimize the risk of large loss, unless under the circumstances it is clearly prudent not to do so.

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

2. INVESTMENT PERFORMANCE OBJECTIVES

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

A. Total Fund Performance

1. The performance of the total Fund will be measured over rolling three and five-year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The

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performance of this portfolio will be compared to the return of a portfolio comprised of the following:

Benchmark Components	Type	% Alloc.
Russell 3000	Domestic Equity Core	45
EAFE	International Equity	15
ML All Convertibles	Convertible Securities	5
Barclays Aggregate	Domestic Bond	28
NCREIF ODCE	Private Real Estate	7

2. On a relative basis, it is expected that the total Fund performance will be in the top 40th percentile of an appropriate *balanced* investment manager Universe over rolling three and five-year periods.

B. Large Cap Equities

The large cap equity portion of the portfolio is expected to perform at a rate at least equal to the appropriate Russell index, and rank in the top 40th percentile of an appropriate *Large Cap* universe.

C. Mid Cap Equities

The mid cap equity portion of the portfolio is expected to perform at a rate at least equal to the appropriate Russell index, and rank in the top 40th percentile of an appropriate *Mid Cap* universe.

D. Small Cap Equities

The small cap equity portion of the portfolio is expected to perform at a rate at least equal to the appropriate Russell Index, and rank in the top 40th percentile of an appropriate *Small Cap* universe.

E. International Stock Performance

The international equity portion of the portfolio is expected to perform at a rate at least equal to the appropriate MSCI index, and rank in the top 40th percentile of an appropriate *international* universe.

F. Convertible Securities Performance

The convertible securities portion of the portfolio is expected to perform at a rate at least equal to the ML All US Convertibles index and rank in the top 40th percentile of an *appropriate* convertible universe over rolling three and five-year periods.

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G. Bond Performance

The bond portion of the portfolio is expected to perform at a rate at least equal to the Barclays Aggregate bond index, and rank in the top 40th percentile of an *appropriate* fixed income universe over rolling three and five-year periods.

The TIPS portion of the portfolio is expected to perform at a rate at least equal to the Barclays TIPS index, and rank in the top 40th percentile of an appropriate universe over rolling three and five-year periods.

H. Real Estate Performance

The real estate (REIT) portion of the portfolio is expected to perform at a rate at least equal to the Wilshire REIT Index, and rank in the top 40th percentile of an appropriate (*REIT*) universe over rolling three and five-year periods.

The private real estate portion of the portfolio is expected to perform at a rate at least equal to the NCREIF ODCE Index, and rank in the top 40th percentile of an appropriate universe over rolling three and five-year periods.

J. Passive Investments

Passive investment strategies within the portfolio are expected to perform at a rate similar to their corresponding benchmark less fees, with no more than an average variance of half of one percent (0.50%).

3. INVESTMENT GUIDELINES

The value of assets shall be made in accordance with section 302 (c) (2) of the Employee Retirement Income Security Act of 1974 and as permitted under regulations prescribed by the Secretary of the Treasury.

Liquidity: The Fund's investment manager(s) shall be kept informed of the liquidity requirements of the Fund. The investment portfolio shall be structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

Custodian: The Board has retained and will continue to retain a third party to be custodian of the Fund's assets. All securities shall be designated as an asset of the Fund, and no withdrawal of securities-in whole or part-shall be made from safekeeping except by an authorized member of the Board or the Board's designee. Security transactions between a broker dealer and a custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the money or security, as appropriate, in hand at the conclusion of the transaction.

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

Risk and Diversification: The investments held by the Fund shall be diversified to the extent practical to control the risk of loss resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank which financial instruments are bought and sold.

A. Authorized Investments.

All investments made or held by the Fund shall be limited to:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan institution, insured by the Federal Deposit Insurance Corporation, provided the amount deposited does not exceed the insured amount, and the cash instruments have a quality rating of at least Standard & Poor's A1 or Moody's P1.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an Agency of the United States Government.
3. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia and the corporation is listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market provided the issuer has a quality rating in one of the top four (4) classifications by Standard & Poor's or Moody's, but only 25% of the bond portfolio at cost may be invested below the three highest classifications.
4. Equity investment (common stock, convertible bonds, and preferred stock) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market or on the U.S. OTC market.
5. Real Estate (REITS)
6. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3.
7. Master Limited Partnerships (MLP)

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B. Limitations

1. Investments in corporate common stock and convertible bonds shall not exceed 70% of the Fund assets at market.
2. Not more than five percent (5%) of the total portfolio shall be invested in the common stock or capital stock (including convertible securities) of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company. Non-government bonds shall be limited to 2.5% of each bond portfolio at market.
3. Cash or equivalents may not exceed ten percent (10%) of any portfolio, unless such reserves are a temporary result of securities trading or related to a fixed-income strategy.
4. Foreign equity investments are limited to 25% of the total Fund's assets (at market).
5. Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
6. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement
7. The following investments are prohibited:
 - a. Bonds issued by any state or municipality
 - b. Futures
 - c. General obligations issued by a foreign government
 - d. Hedge funds
 - e. Insurance annuities
 - f. Internally managed assets
 - g. Margin Accounts
 - h. Options
 - i. Private Equity
 - j. Private mortgages
 - k. Securities lending
 - l. Under Protecting Florida's Investment Act (PFIA), scrutinized companies published by the State Board of Administration, unless an indirect investment is unable to divest, as provided for in Florida Statutes, section 215.473. Pursuant to Florida Statutes, section 175.071 (8).

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4. COMMUNICATIONS

- A. The custodian shall apprise the Retirement Committee of all transactions and shall forward all proxies to the manager within ten calendar days. On a monthly basis, the custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets. On a quarterly basis, the managers shall provide a written report affirming compliance with the security restrictions of Section 3 above and a summary of common stock diversification and attendant schedules. In addition, the managers shall deliver each quarter a report detailing the Fund's performance, adherence to the investment policy, forecast of the market and economy, portfolio analysis and current assets of the Fund.
- B. The managers will disclose any securities that are not in compliance with Section 3 in each quarterly report and provide a listing of all security ratings.
- C. If the Fund owns securities, which complied with Section 3 at time of purchase, which are subsequently downgraded while held, the managers will dispose of such securities when it is economically feasible.
- E. The Retirement Committee shall retain a monitoring service to evaluate and report on a quarterly basis the rate of return and relative performance of the Fund.
- F. The Retirement Committee will meet quarterly with the monitoring service's representative to review the Performance Report. The Retirement Committee will meet with the investment managers and appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Fund on a quarterly basis.
- G. For each actuarial valuation, the Board shall determine the total expected annual rate of return for the current year, for each of the next several years, and for the long-term thereafter.
- H. The manager shall annually provide the Retirement Committee with an audited financial statement.
- I. The Board of Trustees shall submit investment performance reports on a periodic basis to the City Council. This report shall include the investments in the Fund by class or type, income earned, book value, and market value.

5. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Retirement Committee wishes to adopt standards by which judgments of the ongoing performance of a portfolio manager may be made. With this in mind, the following are adopted:

If, at any time, any one of the following is breached, the portfolio manager will be warned of the Retirement Committee's serious concern for the Fund's continued safety and performance.

1. Four consecutive quarters of sector Fund performance below the 40th percentile in manager performance rankings.

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2. Standard deviation for the Fund in excess of 120% of the appropriate market indexes.
3. Loss by the manager of any senior investment personnel.
4. Any change in basic investment philosophy by the manager.
5. Failure to attain a majority vote of confidence by the Retirement Committee.

6. INTERNAL CONTROLS

The Fund shall be governed by a set of written internal controls and operational procedures, which shall be periodically reviewed by the Fund's certified public accountant (CPA). At the time of every financial audit, the CPA shall review the controls that should be designed to prevent loss of funds that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or the employees of the City of Leesburg.

7. STATEMENT OF CONTINUING EDUCATION

In fulfilling its fiduciary responsibility, the Board of Trustees acknowledges that continuing education is important. Therefore, all Trustees shall receive continuing education in matters relating to investments and the Board's responsibilities.

8. FLORIDA STATUTES 112 AND 175, AND APPLICABLE CITY OF LEESBURG ORDINANCES

If at any time, this document is found to be in conflict with Chapter 112 or Chapter 175, Florida Statutes, or the applicable City of Leesburg Ordinances, the Statutes and Ordinances shall prevail.

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

- A. 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)]
- B. 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)]

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- C. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]
- D. Filing requirements: The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd-numbered year. [112.662(4)]. Investment managers and the Board's investment consultant shall assist in the preparation of required reports and shall annually confirm to the Board their compliance with Chapter 2023-28.
- E. Contracting and external communication requirements: Manager contracts shall comply with Section 215.855 as follows:

Any written communication made by an investment manager to a company in which such manager invests public funds on behalf of the Board must include the following disclaimer in a conspicuous location if such communication discusses social, political, or ideological interests; subordinates the interests of the company's shareholders to the interest of another entity; or advocates for the interest of an entity other than the company's shareholders:

The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida.

- F. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.
- G. If a Request for Proposals document is issued for Investment Manager services, the solicitation document must include the following:

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

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9. REVIEW AND AMENDMENTS

It is the Retirement Committee's intention to review this document periodically and to amend this statement to reflect any changes in philosophy, objectives or guidelines. Any change to this document shall require the affirmative vote of the majority. In this regard, the money managers' interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If at any time any portfolio manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Retirement Committee should be notified in writing. By initial and continuing acceptance of this Investment Policy Statement, the money managers concur with the provisions of this document.

Once the Board has adopted the investment policy, the investment policy shall be promptly filed with the Department of Management Services, the City, and the consulting actuary.

The effective date of the Investment Policy Statement, and any amendment thereto, shall be the 31st calendar day following the filing date with the City.

**RETIREMENT COMMITTEE
CITY OF LEESBURG FIREFIGHTERS'
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By: Walter Roenbeck
As Trustee

Date: 9/13/23