City of Delray Beach
General Employees Retirement Plan
Pension Fund Investment Policy

Amended May 2025

Name of Plan:	Delray Beach General Employees Retirement Plan
Plan Sponsor:	City of Delray Beach, Florida
Plan Board of Trustees:	Howard Ellingsworth Adam Frankel Henry Dachowitz Tom MacManus, Chair Marty Dorow
Pension Administrator:	Retirement Committee
Custodian:	Salem Trust
Money Managers:	Blackrock Newton (Mellon) Garcia Hamilton Harding Loevner Rhumbline Vanguard J.P. Morgan Deerpath Delaware Mass Mutual Dodge & Cox Winslow Waycross R.W. Baird
Investment Performance Monitor:	Mariner Institutional
Legal Counsel:	Pedro Herrera
Actuary:	Gabriel, Roeder, Smith & Co.
Accountant:	Caler, Donten, Levine, Druker, Porter & Veil P.A.

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SCOPE

This investment policy shall apply to all funds under the control of the Retirement Committee of the City of Delray Beach General Employees' Retirement Plan (hereinafter also referred to as the committee or pension board).

PURPOSE

The purpose of this policy is to communicate to the investment manager a clear understanding of the committee's investment policies and objectives. This policy will outline an overall philosophy that is specific enough for the manager to know the committee's expectations, but sufficiently flexible to allow for changing economic conditions and securities markets. The policy will provide realistic risk policies to guide the Manager toward long-term rate of return objectives, which will serve as standards for evaluating investment performance. The policy also will establish the investment restrictions to be placed upon the Manager, and will outline procedures for policy and performance review.

INVESTMENT OBJECTIVES

The objectives of the Fund should be pursued as a long-term goal designed to optimize the returns without exposure to undue risk, as defined herein. Whereas it is understood that fluctuating rates of return are characteristic of the securities markets, the Manager's greatest concern should be long-term appreciation of the assets and consistency (i.e., low standard deviation) of total portfolio returns.

PERFORMANCE MEASUREMENT

The Board has specified performance measures as are appropriate for the nature and size of the assets within the Board's custody. These performance measures are set forth in the Internal Controls section of the Investment Policy. Investment performance will be reviewed periodically to determine the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy for achieving those objectives.

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All transactions effected for the Plan will be "subject to the best price and execution." If a manager utilizes brokerages from the plan assets to effect soft dollar transactions, detailed records will be kept and communicated to the board.

It is not expected that the investment policy will change frequently. In particular, short term changes in the financial markets should not require adjustments to the investment policy.

INVESTMENT AND FIDUCIARY STANDARDS

The board in performing its investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974, 29 USC § 1104(a)(1)(A)-(C). This means that board members must discharge theirs duties with respect to the plan solely in the interest of the participants and beneficiaries and for the exclusive purpose of: (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan; with the care, skill, prudence, and diligence under the circumstances 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 a like character and with like aims; by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. In the event of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

AUTHORIZED INVESTMENTS

The investment policies and restrictions presented in this policy serve as a framework to help the Manager achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with the Manager's efforts to attain overall objectives, and to minimize excluding him from appropriate investment opportunities. The policy allows the Manager substantial discretion in the asset allocation and diversification of the assets for the purposes of increasing investment returns and/or reducing risk exposure. The Manager has broad responsibility to shift the commitment of assets among asset classes, industry sectors and individual securities to pursue opportunities presented by long-term secular changes within the capital markets.

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.

Equities

The Manager should maintain the equity portion of the portfolio at a risk level roughly equivalent to that of the equity market as a whole, with the objective of exceeding its results as represented by the S&P 500 Index by 0.5% annually over a three year moving time period. Equity holdings may be selected from the New York, American and Regional Stock Exchanges, the NASDAQ markets, or appropriate foreign exchange should an international manager be used; and up to 25% of the equity portfolio may be invested in foreign securities and obligations. In absence of board approval, the Manager is prohibited from investing in, private placements, letter stock, and options; or from engaging in short sales, or margin transactions. It is expected that no assets will be invested in securities whose issuers have filed a petition for bankruptcy.

Within the above guidelines, gives the Manager full responsibility for security selection and diversification, subject to a maximum 5% commitment of the equity portfolio's market value for an individual security, and 20% for a particular industry as defined in advance in writing by the Manager. The Manager will have full discretion over turnover and allocation of equity holdings among securities and industry groups, within the limits described above.

It is understood that the manager will deviate from the Representative Index. To limit the extent of potential underperformance, and because of the inherent difficulty in defining specific restrictions which would cover all possibilities, the Manager is instructed to invest the equity component of the account so as to prevent the returns for that component from being less than 100% of the Index return in the quarters during which the Index return has been positive, or decreasing more than 90% of the Index return in the quarters during which the Index return has been negative, measured over a trailing maximum 5-year period. Index funds are expected to perform within 20bps. (0.20%) of its underlying index on an annualized basis.

The equity portfolio should consistently produce a total return exceeding the median of an appropriate universe of large, mid or small capitalization (value, growth, core as is appropriate to each manager).

Fixed Income

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. The Manager may select from appropriately liquid preferred stocks, U.S. corporate debt securities, mortgage-related securities or asset-backed securities not issued by the U.S. government or an agency or instrumentality thereof, obligations of the U.S. Government and its agencies, and other securities contained in the specified index. These investments will be subject to the following limitations:

1. No issues may be purchased with more than 30 years to maturity, unless the issue is part of an index fund portfolio.

2. Investments in securities of a single issuer (with the exception of the U.S. Government and its agencies) must not exceed 5% of the market value of the fixed income portfolio.

3. Only corporate debt issues that meet or exceed a credit rating of BBB- from Standard & Poor's or a BAA rating from Moody's, may be purchased. In the event that a security's ratings from Standard & Poor's and Moody's differ, the higher of the ratings shall be used. If a security that is held in the portfolio is downgraded below the limitations listed above, the manager shall have the discretion to hold or sell the security based on the best interest of the plan. Should a manager decide to hold a security that has been downgraded below the limitations listed above, they will report to the Board and the Investment Consultant on that security with a brief explanation on their decision within 45 days.

4. Preferred stocks must be rated A or better by Moody's and/or equivalent Standard & Poor's at the time of purchase.

5. Up to 25% of the fixed income portfolio may be invested in obligations issued by foreign governments, foreign corporations and other foreign commercial entities.

6. With respect to Garcia Hamilton, mortgage-related securities and asset-backed securities will be limited to 30% of the market value of the portfolio. The account managed by GHA will be measured against a benchmark of Bloomberg Barclays Capital Intermediate Government/Credit Index.

The Manager is prohibited from investing in private placements, from speculating in fixed income or interest rate futures.

It is understood that the Manager will deviate from the Representative Index. To limit the extent of potential underperformance, and because of the inherent difficulty in defining specific restrictions which would cover all possibilities, the Manager is instructed to invest the fixed income component of the Fund so as to prevent the returns for that component from being less than 90% of the Index return in the quarters during which the Index return has been positive, or decreasing more than 80% of the Index return in the quarters during which the Index return has been negative, measured over a trailing maximum 5-year period.

Within the above restrictions, the Manager has complete discretion over timing and selection of fixed income securities.

The fixed income portfolio should produce a total return exceeding the median of an appropriate broad universe of fixed income managers.

Alternative Investments

As an alternative to Fixed Income investing, the Plan will diversify into Global Tactical Asset Allocation strategies (mutual funds) and other alternative strategies. It is understood that within a mutual fund there may be securities in the portfolio that are below investment grade. This will be permitted for this asset class only.

Additionally, the plan may utilize Direct Lending strategies as another alternative to public market debt and equity securities.

The Manager may invest in commercial paper, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the account's principal value. All such assets must represent maturities of one year or less at time of purchase. Commercial paper assets must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively. The Manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). The Manager also may not invest more than 5% of the total Fund's market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies, or any short-term vehicle made available by the client's custodian. Uninvested cash reserves should be kept to minimum levels, not to exceed 5% of fund assets. Within the limitations mentioned above, the Manager has complete discretion to allocate and select short-term cash and equivalent securities.

Other Assets

The Manager will not purchase assets other than those mentioned above without written consent. Investments in options or futures contracts is also prohibited. Investments not specifically addressed by this policy are forbidden without written consent.

MATURITY/LIQUIDITY

The investment guidelines are based on an investment horizon of greater than five years, so interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

PORTFOLIO COMPOSITION

Investments will be made for the sole interest and the exclusive purpose of providing the optimum return within the constraints described herein. The assets must be held, invested and transferred in accordance with fiduciary standards set forth in this investment policy. All investments will be made within the guidelines of quality, marketability and diversification mandated by controlling statutes and this policy.

The Manager is to implement these policies so as to achieve a return, after fees, superior to the return of the target asset mix, without additional risk as measured by the variability of returns.

TARGET ASSET MIX TABLE				
Asset Class	Min Wt	Target Wt	Max Wt	Representative Index
Equities	20	61.5	66.5	20% R1000V 20% R1000 Growth 17% S&P400 MidCap 4.5% R2000
International Equity	0	10	25	5% MSCI EAFE + EM
Intermediate Fixed Income	15	18	40	Barclays Intermediate Government/Credit
Alternatives	0	10.5	20.5	Strategy Index*
Cash & Equiv	0	0	30	Citigroup Treas. 3 Mo. T-Bill

1. *The "strategy index" for alternative investments is defined as the most appropriate index, combination of indices, or absolute return target for the investment(s) in question. Absent of a full allocation to this segment, the "alternative investments" benchmark will

default to "domestic equity" with the corresponding +/-5% allowable range around the adjusted targets for both asset groups.

The investment returns of the Manager's asset allocation will be measured against those of a target portfolio based on the target weights shown in the Target Asset Mix Table above as invested in the representative indices.

The Manager is to maintain the weights of each asset class, based on market values, within the minimum and maximum range shown in the Target Asset Mix Table. Note that all convertible securities are treated as equity (but all dedicated convertible portfolios will not count toward the maximum equity limit), preferred stocks are treated as fixed income securities, and long term debt securities with under one year remaining to maturing are treated as fixed income.

Because security market conditions can vary greatly throughout a market cycle, the Manager is granted full discretion to change the asset mix within the above ranges, for the purpose of increasing investment return and/or reducing risk.

More specifically, over any three year period, the manager is expected to achieve a return superior to the target mix without additional risk as measured by the variability of quarterly returns.

The investments are expected to consistently produce a total return exceeding the median of a universe of balanced fund managers over a moving three year period.

It is understood that the Manager will deviate from the target asset allocation mix. To limit the extent of potential underperformance, and because of the inherent difficulty in defining specific restrictions which would cover all possibilities, the Manager is expected to invest with the objective of preventing the returns of the total Fund from being less than 90% of the policy return in the quarters during which the policy return has been positive, or decreasing more than 90% of the policy return in the quarters during which the policy return has been negative, measured over a trailing maximum 5-year period.

RISK AND DIVERSIFICATION

The board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets. The board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability was considered. The Plan's strong financial condition enables it to adopt a long-term investment perspective.

In summary, the Plan's prospects for the future, current financial condition, and several other factors suggest collectively that the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve the long-term objectives.

EXPECTED ANNUAL RATE OF RETURN

Recognizing that short-term market fluctuations may cause variations in the account performance, the Board of Trustees expects the Fund to achieve the following objectives over a three year moving time period:

1. The total expected return will exceed the increase in the Consumer Price Index by 5% annually. Actual returns should exceed the expected amount 50% of the time.

2. The total expected return will exceed 8.0% annually (note: the assumed actuarial rate of return, as of this date, is 6.25%).

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. This determination must be filed promptly with the Department of Management Services and with the plan's sponsor and the consulting actuary.

THIRD-PARTY CUSTODIAL AGREEMENTS

All assets shall be held with a third party, and all assets purchased by, and all collateral obtained by, the board shall be properly designated as an asset of the board. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

MASTER REPURCHASE AGREEMENT

All approved institutions and dealers transacting repurchase agreements must execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

BID REQUIREMENT

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

INTERNAL CONTROLS / SELECTION AND REVIEW OF MONEY MANAGERS

A. Selection of Money Managers: The board, with the assistance of a consultant, will select appropriate money managers to manage Plan assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be a copy of a recent request for proposal (RFP) completed by the manager.
5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
6. The Investment Consultant will provide Investment Managers for consideration based solely 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 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.

B. Duties and Responsibilities of the Money Managers: The duties and responsibilities of each money manager retained by the board include:

1. Managing the Plan assets under its care, custody, and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the board.
2. Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
3. Promptly informing the board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
    a. Investment strategy

b. Portfolio Structure
c. Tactical Approaches
d. Ownership
e. Organizational Structure
f. Financial condition
g. Professional staff
h. Recommendations for guidelines changes
i. All legal material and SEC and other regulatory agency proceedings affecting the firm.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance with all applicable laws, rules and regulations from local, state, federal, and international political entities as they pertain to fiduciary duties and responsibilities.
6. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.
7. 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. The term "pecuniary factor" is defined as a factor that a named 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 investment program. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]. In selecting Investment Managers, 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)]. Only pecuniary factors may be considered when voting proxies. [112.662(3)]

C. Monitoring of Money Managers: Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indexes. During such periods, greater emphasis shall be placed on peer-performance comparisons with managers employing similar styles.

On a timely basis, but not less than four times a year, the board will meet to focus on:

1. Manager's adherence to the investment policy guidelines

2. Material changes in the manager's organization, investment philosophy, and/or personnel

3. Comparisons of the manager's results to appropriate indexes and peer groups, specifically:

Asset Category	Index	Peer Group Universe
Domestic Large Capitalization equity:	S&P 500	Total Equity Database
Value	R1000 Value	Value equity style
Growth	R1000 Growth	Growth equity style
Core	S&P 500	Core equity style
Mid	S&P 400	MidCap equity style
Small	R2000	Small cap equity style
International Equity:		
Developed Markets	MSCI EAFE	International Equity
Emerging Markets	MSCI Emerging Markets	Emerging Intl. Equity
Domestic Fixed Income:		
Intermediate Duration	Barclays Capital Int. Government/Credit	Active Duration style
GTAA	Blended Index	Custom(IM Flexible Portfolio)
Alternatives	Strategy Index	Strategy Universe

4. The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), should not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

5. In addition to the information covered during the quarterly reviews, the board will meet at least annually to focus on:

a. The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of the manager's respective style universe

b. The Plan's investment performance results compared to the manager's overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Plan's actual results.

6. The board is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. Accordingly, a thorough review and analysis of a money manager will be conducted if:

    a. A manager performs in the bottom quartile (75^{th} percentile) of his or her peer group over two consecutive quarters or annual period.

    b. A manager falls in the southeastern quadrant of the risk/return scattergram for three- and/or five-year time periods.

    c. A manager has a five-year risk-adjusted return fall below that of the median manager within the appropriate peer group.

    d. A manager underperforms its index for four consecutive quarters.

7. Further, a manager may be replaced at any time and for any reason, including but not limited to the following:

    a. A manager that consistently performs below the median (50^{th} percentile) of his or her peer group over rolling three-year periods.

    b. A manager with a negative alpha for three-year time periods.

8. Major organizational changes also warrant immediate review of the manager, including:

    a. Changes in professionals

    b. Significant account losses

    c. Significant growth of new business

    d. Change in ownership

9. The performance of the board's investment managers will be monitored on an ongoing basis, and it is at the board's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

<u>CONTINUING EDUCATION</u>

All board members are encouraged to attend continuing education seminars in matters relating to investments and the board's responsibilities. Board members are pre-authorized to attend any applicable conferences within the state of Florida (maximum two (2) per year). Out of state travel is permitted, but limited to one U.S. Continental trip per calendar year.

ANNUAL REPORTING

The board shall submit an annual report to the Delray Beach City Commission. The report shall include investments in the portfolio by class or type, book value, income earned, and market value as of the report date. The annual report shall be available to the public.

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.

FILING OF INVESTMENT POLICY

Upon adoption by the board, this investment policy shall be promptly filed with the Florida Department of Management Services, the City of Delray Beach City Commission, and the consulting actuary. The effective date of the investment policy, and any amendment thereto, shall be the 31st calendar day following the filing date with the City Commission.

VALUATION OF ILLIQUID INVESTMENTS

Investments in assets for which a generally recognized market is not available or for which there is no generally accepted pricing mechanism shall be prohibited.

Approved by Pension Board: ________________________________

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