

This instrument prepared by:
Betsy J. Driggers
201 N. 2nd Street
Palatka FL 3217

ORDINANCE NO. 09-47

entitled

AN ORDINANCE OF THE CITY OF PALATKA, FLORIDA, REVISING THE CODE OF ORDINANCES OF THE CITY OF PALATKA, FLORIDA, BY AMENDING THE INVESTMENT POLICY STATEMENT OF THE CITY OF PALATKA GENERAL EMPLOYEES RETIREMENT PLAN; AMENDING SEC. 2-204, INVESTMENT PERFORMANCE OBJECTIVES; AMENDING SEC. 2-205, INVESTMENT GUIDELINES; PROVIDING FOR SEVERABILITY AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF PALATKA, FLORIDA:

Section 1. That the portion of the City of Palatka Municipal Code Investment Policy Statement, being Sections 2-203 through 2-211 of the Palatka Municipal Code of Ordinances, shall be and the same is hereby amended to read as set forth in Exhibit 1 attached hereto and by this reference incorporated herein.

Section 2. A copy of this Ordinance shall be furnished to the Municipal Code Corporation for insertion in the Code of Ordinances for the City of Palatka.

Section 3. This Ordinance shall become effective upon its final passage by the City Commission of the City of Palatka.

Section 4. All ordinances or parts of ordinances in conflict herewith be and the same are hereby repealed.

PASSED AND ADOPTED by the City Commission of the City of Palatka, Florida this 22nd day of October, 2009.

CITY OF PALATKA

By: Karl H. Flagg
Mayor

ATTEST:

Betsy J. Driggers
City Clerk

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

1. PURPOSE OF INVESTMENT POLICY STATEMENT

The Pension Board Trustees maintain that an important determinant of future investment returns is the expression and periodic review of the Fund's investment objectives. To that end, the Trustees have adopted this statement of Investment Policy.

In fulfilling their fiduciary responsibility, the Trustees recognize that the retirement system is an essential vehicle for providing income benefits to retired participants or their beneficiaries. The Board 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 is greater than 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), and the 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 return and protection of assets against the inroads 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. The Board's acknowledges that each manager is only responsible for the assets that are placed under its management and not for the investment policies that apply to the Fund's entire portfolio.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

2. INVESTMENT PERFORMANCE OBJECTIVES

The below listed investment performance objectives and guidelines will be used as criteria in evaluating ongoing investment performance of the investment manager(s).

Total Fund Performance

1. Total Fund performance will be measured quarterly over rolling three and five year periods. These periods are considered sufficient to represent the capital market cycles. The total return of this portfolio is expected to exceed the return of a benchmark comprised of the following:

Benchmark Components	Type	% Alloc.	Range
Russell 3000	Domestic Equity Core	40	30-50
Barclay's Aggregate	Investment Grade Bond	30	10-60
Merrill Lynch High Yield	High Yield	5	0-5
MSCI EAFE	International Equity	15	10-20
Wilshire REIT	Real Estate	5	0-7
90-Day TBill	Cash	5	0-10

2. It is expected that portfolio volatility will not exceed that of the above benchmark index over a three-year rolling periods.

3. It is expected that the average three-year return of the fund will meet or exceed the actuarial interest rate assumption.

Total Domestic Equity Performance

1. The total domestic equity portion of the portfolio is expected to perform at a rate at least equal to the Russell 3000 Index, and rank in the top 40th percentile of a *core* investment manager universe over rolling three and five-year periods.
2. The *mid cap* stock portfolio is expected to perform at a rate at least equal to the S&P Mid-cap 400 Index, and rank in the top 40th percentile of an appropriate manager universe.
3. The *small cap* stock portfolio is expected to perform at a rate at least equal to the Russell 2000 Index, and rank in the top 40th percentile of an appropriate manager universe.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

International Stock Performance

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

Real Estate (REIT) Performance

The REIT equity 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 *real estate* manager universe.

Bond Performance

The investment grade bond portion of the portfolio is expected to perform at a rate at least equal to the Barclay's Aggregate Bond Index, and rank in the top 40th percentile of an appropriate *fixed income* manager universe over rolling three and five-year periods. The high-yield portion of the portfolio is expected to perform at a rate at least equal to the Merrill Lynch High-Yield Index and rank in the top 40th percentile of an appropriate *fixed-income* manager universe over rolling three and five-year periods.

3. INVESTMENT GUIDELINES

The value of assets shall be made in accordance with s. 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 a 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.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

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 issued by the State of Israel.
- (4) The investment grade 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 of at least BBB by Standard & Poor's or Baa by Moody's. *NOTE: Holdings with a rating of either BBB or Baa cannot exceed 25% of bond portfolio (at market).*
- (5) **The non-investment grade bonds are limited to 5% of the total Fund.**
- (6) 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.
- (7) Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria listed in Section 3.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

- (8) Real estate investment shall be restricted to REITs that trade on a major exchange.

B. Limitations

- (1). Investments in common stock shall not exceed 65% of the Fund's assets, based on market value.
- (2). Not more than five percent (5%) of the Fund's assets at cost shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the out-standing capital stock of the company.
- (3). Up to twenty percent (20%) of the assets of the Fund may be invested in foreign securities.
- (4). Investments in real estate are limited to real estate investment trusts (REITs).
- (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. Limited partnerships
 - h. Margin Accounts
 - i. Options
 - j. Private Equity
 - k. Private mortgages
 - l. Securities lending

4. COMMUNICATIONS

- A. The City Clerk's office shall prepare all written instructions to the custodian relating to periodic rebalancing of the stock and bond portfolios.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

- B. The custodian shall apprise the Trustees 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. Written reports and personal presentations shall be delivered to the Trustees within 60 days of the end of the quarter. The managers will provide immediate written and telephone notice to the Trustees of any significant market related or non-market related event, specifically including, but not limited to, any deviation from the standards set forth in Section 3 above.
- C. The managers will disclose any securities that are not in compliance with Section 3 in each quarterly report.
- D. If the Fund owns securities, which complied with Section 3 at time of purchase, which are subsequently down graded while held, the managers will dispose of such securities immediately.
- E. **The managers' quarterly report will list separately any security whose value has diminished 15% from purchase price.**
- F. The Trustees shall retain a monitoring service to evaluate and report on a quarterly basis the rate of return and relative performance of the Fund.
- G. The Trustees will meet quarterly with the monitoring service's representative to review the Performance Report. The Trustees 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.
- H. 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.
- 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.
- J. The manager shall annually provide the Trustees with an audited financial statement.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

5. CRITERIA FOR INVESTMENT MANAGER REVIEW

The Board 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 Board's serious concern for the Fund's continued safety and performance.

1. Four consecutive quarters of total Fund performance below the 40th percentile in manager performance rankings.
2. Standard deviation for the Fund in excess of 120% of the market.
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 60% vote of confidence by the Board of Trustees.

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 Palatka.

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 112.661 AND APPLICABLE CITY OF PALATKA ORDINANCES

If at any time, this document is found to be in conflict with Chapter 112.661, Florida Statutes, or the applicable City of Palatka Ordinances, the Statutes and Ordinances shall prevail.

CITY OF PALATKA GENERAL EMPLOYEES' RETIREMENT PLAN

Investment Policy Statement

9. REVIEW AND AMENDMENTS

It is the Trustees 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 at least three (3) Trustees. 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 Trustees 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.

**BOARD OF TRUSTEES
CITY OF PALATKA GENERAL
EMPLOYEES' RETIREMENT PLAN**

By: 
As Chairman, Board of Trustees

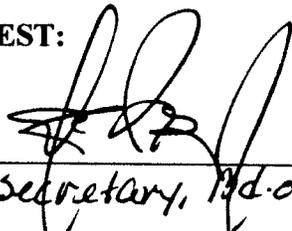
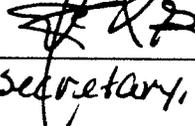
Date: 9/15/, 2009

SUNTRUST BANK

By: 
As,

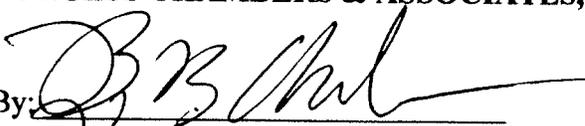
Date: 9/15, 2009

ATTEST:


By: 
As, *secretary, Bd. of Trustees*

Date: 9/15, 2009

BURGESS CHAMBERS & ASSOCIATES, INC.

By: 
As President

Date: 9/15, 2009