

COUNCIL BILL NO. 11-40ORDINANCE NO. 11-41

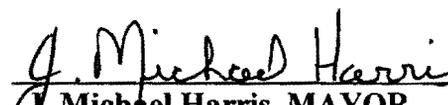
An Ordinance adopting a revised Policemen's and Firemen's Pension Plan Investment Policy.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CARTHAGE, JASPER COUNTY, MISSOURI as follows:

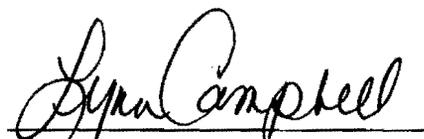
SECTION I: The City of Carthage hereby adopts a revised Policemen's and Firemen's Pension Plan Investment Policy Statement, a copy of which is attached hereto and incorporated herein as if set out in full.

SECTION II: This ordinance shall take effect and be in force from and after its passage and approval.

PASSED AND APPROVED THIS 11th DAY OF October, 2011.


J. Michael Harris, MAYOR

ATTEST:


CITY CLERK

Sponsored by: Finance & Personnel Committee

This is a follow-up from a previous meeting when the Policemen's and Firemen's Pension Committee requested changes to the investment policy approved by the Council. At that time the Pension Committee proposed/recommended a change that said, "To clarify the parameters of the investment policy relating to the specific allocation to the small cap stock category and the mid cap stock category. The overall allocation to equities has not changed."

At that time, it was believed that the language was not specific enough and the Pension Committee was asked to revise their recommendation and specify the mix in the policy itself. That has been done with this proposal. The only change to the overall policy is under the asset Allocation section on page 4 of the attached policy. The current mix and the proposed mix tables are as follows:

FROM:

	Min.	Target	Max.
Equities	40%	50%	60%
Large Cap	80%	85%	90%
International	10%	15%	20%
Fixed	40%	50%	60%

TO:

	Min.	Target	Max.
Equities	40%	50%	60%
Large Cap	70%	75%	80%
Mid Cap	0%	5%	10%
Small Cap	0%	5%	10%
International	10%	15%	20%
Fixed	40%	50%	60%

Staff concurs in the recommendation of the Pension Committee for the changes to the policy.

This item is also on the Council Agenda for first reading at the meeting later this evening.

**CITY OF CARTHAGE, MISSOURI
POLICEMEN'S AND FIREMEN'S PENSION PLAN
INVESTMENT POLICY STATEMENT**

October 11, 2011 (amended)

Purpose

The purpose of this investment policy is to provide a clear understanding of the investment policies, guidelines and objectives for the City of Carthage's Policemen's and Firemen's Pension Plan (Pension Plan), for the Carthage City Council, the Policemen's and Firemen's Pension Committee (Pension Committee), investment managers, investment advisors and others.

This document provides a governing basis for the management and disposition of all assets (including cash and non-cash items) held as investments by the Pension Plan.

The following guidelines have been set forth to give the investment managers/advisors/consultants an overview of the general investment philosophy and orientation of the Trustee's responsible for the fund. The intent is to give broad direction allowing for the flexibility necessary for the managers/advisors/consultants to successfully implement the investment strategy.

Organization

This plan is a defined benefit Pension Plan for the Police and Firefighters of the City of Carthage. The Pension Plan is a qualified pension plan and trust as defined in the Internal Revenue Code. Therefore, this Plan is exempt from Federal and State income taxes. The purpose of the fund is to provide retirement benefits to participants of the Plan.

The primary function of the Pension Committee is to administer the Plan for the exclusive benefit of the participants and their beneficiaries, subject to the specific terms of the Plan.

The City Council has allocated to the Pension Committee the responsibility for implementing these guidelines. The Pension Committee may employ at its discretion an investment manager to manage all or a designated portion of the assets of the Pension Plan to accomplish the Pension Plan's objectives.

The City Council and Pension Committee members acting in accordance with this Investment Policy Statement (and/or procedures established or to be established) and exercising due diligence shall be relieved of personal liability for an individual securities credit risk or market change.

Investment Objectives

The principal objectives of the Pension Plan's investment program shall be:

- **Safety of Capital** - Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required so potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

- **Prudence** - The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

The "prudent person" standard states that, "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 to be derived."

- **Liquidity** - The investment portfolio shall remain sufficiently liquid to enable the Fund to meet all operating requirements which may be reasonably anticipated.
- **Return on Investments** - The primary goal of the Fund will be to earn a return (along with contributions) that will adequately fund current and future obligations of the Plan. The investment portfolio shall be designed to attain as a minimum, a market average rate of return taking into account the cash flow needs of the fund and the investment restrictions placed on the account.
- **Preservation of Purchasing Power After Spending** - The goal is to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets.

Achieving these objectives will require assuming a moderate level of risk, a long-term investment horizon and diversification among assets. Although the investment objectives are long-term, each quarter there will be a review the performance and activities in the meeting the investment objectives stated in this plan.

Funding Of Withdrawals/Distributions

The fund has requirements and expectations for periodic withdrawals for benefits and expenses. The investment managers will be made aware of these requirements and will be responsible for employing a strategy to meet these needs. The Fund would anticipate that the funds needed could most often be provided from cash and cash equivalents, fund contributions and investment income earnings.

Approved Investments

The Fund may hold the following types of securities:

- **Cash and Equivalents**

Short-term investments (maturities less than one year) shall consist of obligations of the U.S. Government, U.S. Agencies of one year maturity or less. Additionally, a money market fund or comparable investment vehicle with like investments may be used.

- **Fixed Income**

The quality of the fixed income securities shall be in accordance with Missouri statute and restricted to U.S. Government bonds and U.S. Agencies. Any exception will be those specifically identified in the statute.

- **Equities**

The portfolio may hold common stocks, variable annuities or mutual funds that invest in common stocks of publicly traded companies on U.S. Exchanges, Foreign Exchanges represented in the EAFE index, NASDAQ listed stocks and securities convertible into such stocks. Equity investments in any major sector classification shall not exceed 20% of the market value of the total equity portfolio. Equity investments in any single issue shall not exceed 7% of the equity portfolio at market value.

Investment Advisor/Consultant

The Pension Committee is ultimately responsible for complying with all applicable laws, rules and regulations set by the Missouri Department of Insurance. The Pension Committee may utilize the services of an Investment Advisor/Consultant to be responsible for investment manager or mutual fund selection and oversee fixed income recommendations and purchases. The Investment Manager, Advisor and/or Consultant shall act as a fiduciary to the equity and fixed income segments of the Fund. The Investment Advisor/Consultant shall have discretion relative to the equity segment of the Fund, but not the fixed income segment. The Pension Committee should also periodically utilize the services of an independent Investment Consultant to provide performance evaluation and analysis.

Any investment manager, advisors or consultants are responsible for making the Pension Committee aware of all investment decisions regarding the assets of the fund. This includes promptly notifying the Pension Committee of any change in portfolio management, management style, analytical or management personnel.

The Investment Manager, Advisor and/or Consultants will, therefore, be accountable for actions to comply with the objectives and guidelines outlined herein. The investments should be adequately diversified to reduce risk, but the interpretation of "adequate" is up to the Pension Committee or City Council.

It is expected the Investment Manager, Advisor and/or Consultants will provide personal consultation with the Pension Committee on a quarterly basis in addition to printed reports and financial statements.

Prohibited Transactions

Investment activities in the following are prohibited:

- Margin purchases
- Private placements or other restricted securities
- Commodities
- Foreign issues, unless traded on U.S. exchanges or markets
- Futures transactions
- Options transactions
- Derivative transactions

Asset Allocation

The following targets and ranges shall apply to each of the asset classes:

	Min.	Target	Max.
Equities	40%	50%	60%
Large Cap	70%	75%	80%
Mid Cap	0%	5%	10%
Small Cap	0%	5%	10%
International	10%	15%	20%
Fixed	40%	50%	60%

Re-Balancing

In the event the above asset allocation guidelines are broken, for reasons including but not limited to market price fluctuations, the Committee will instruct the Investment Manager to bring the portfolio into compliance with these guidelines as promptly and prudently as possible if market conditions are favorable.

Evaluation and Performance Criteria

Investment Manager's and fund portfolio's can expect to be evaluated using both absolute and relative criteria. Performance of the Manager or fund shall be measured on a quarterly basis versus an appropriate benchmark that fairly reflects their investment style. Each manager is expected to outperform their benchmark over a 3-5 year time period on a net basis.

The Total Fund performance shall be measured versus the Policy Index. The Policy Index is composed of 40% S&P 500, 8% EAFE Index, 50% Merrill Lynch Government Master Bond Index and 2% T-bills.

The Total Fund shall exceed a target return of 7.5% on an annual basis.

Communication and Review

- **Quarterly:** Investment Manager, Advisor and/or Consultants should expect to provide quarterly portfolio presentations to the Pension Committee which will include reports of portfolio status, time-weighted returns in accordance with Association for Investment Management and Research performance measurement standards, performance comparisons to appropriate benchmarks, economic outlook, investment strategy and other related matters which would be of interest to the Pension Committee. The Consultant shall report on a quarterly basis the fixed income brokerage costs as well as PFA mutual fund fees.
- **Annual:** The Investment Manager, Advisor and/or Consultants shall report to the Pension Committee all fees and commissions that are charges to the Fund.
- **Ongoing:** Ongoing communication by phone, letter or personal consultation will be required as deemed necessary by the Investment Advisor and/or the Investment Committee.

The City Council and the Pension Committee places great trust in an emphasis on the investment strategy employed by the plan's managers, advisor and consultants. Any material changes to or deviations from a previously outlined approach, changes in management or investment personnel must immediately be communicated and justified to the Pension Committee and the City Council.

Plan Review

The managers, advisors and or consultants shall be responsible for reviewing these guidelines with the Pension Committee at least annually to assure that they remain valid and relevant. Any recommendations as to changes should be submitted to the Pension Committee in writing.

The statement set forth herein shall be effective as of September 1, 2006, until otherwise amended in writing by the City Council of the City of Carthage.

The Pension Committee requires the Chairman, Secretary and Treasurer to approve the above Investment Policy Statement by signing as indicated below. The Pension Committee further requires the remaining trustees acknowledge that they have read and understand the provisions of this document by signing as indicated below.

Approved by:

Policemen's and Firemen's Pension Plan

City of Carthage

Chairman

Neil Beaman

J. Michael Harris

Mayor, J. Michael Harris

Secretary

Beta Buhler

Treasurer

Jim All

Trustee

Bill Hansen

Trustee

Jim Mat

Trustee

David Myers

Trustee