

COUNCIL BILL NO.: 428296

RESOLUTION NO.: 96-1115

**RESOLUTION**

**ADOPTING** the Investment Policy of the City of Marietta/BLW Pension Board

**WHEREAS** the City Council desires to adopt the investment policy of the financial assets of the City of Marietta/BLW Pension Trust Funds;

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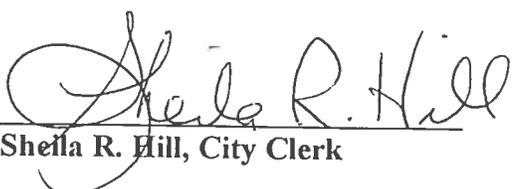
**NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE MARIETTA, GEORGIA, THAT:** the attached Investment Policy of the City of Marietta/BLW Pension Board is hereby adopted and approved.

DATE: July 10, 1996

APPROVED

  
Ansley L. Meaders, Mayor

ATTEST:

  
Sheila R. Hill, City Clerk

Approved as to Form: \_\_\_\_\_

Doug Haynie, City Attorney

**CITY OF MARIETTA EMPLOYEES' PENSION BOARD  
STATEMENT OF INVESTMENT POLICY**

**I. PURPOSE OF THIS STATEMENT OF INVESTMENT POLICY**

- A. This Statement of Investment Policy outlines the objectives, goals, and guidelines for the Fund and is set forth in order that:
1. There will be a clear understanding on the part of the Trustee and the Investment Manager (s) of the investment objectives and policies of the Fund so as to minimize the chance of the Trustees being surprised by results from what could be expected to occur during various stages of a market cycle.
  2. The Investment Manager (s) will be given guidance and limitations in the investment of the Fund's assets.
  3. The Trustees have a meaningful basis for the evaluation of the portfolio management by Investment Manager (s) in order that Trustees meet their fiduciary responsibility to prudently monitor the investments of the fund.
- B. The Fund shall be managed at all times in accordance with the laws of the State of Georgia and the City of Marietta.
1. The investments shall be prudently selected and properly diversified so as to minimize the risk of large losses.
  2. The investment of the Fund's assets shall be for the exclusive purpose of providing benefits for the participants and their beneficiaries.
- C. It is the intent of this document to state general attitudes, guidelines, and a philosophy which will guide the Investment Manager (s) toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful but adequately flexible to be practicable.

**II. RESPONSIBILITIES OF THE TRUSTEES**

- A. The specific responsibilities of the Trustees in the investment process include:
1. Structuring the Fund so all assets are prudently invested.

2. Determining the Fund's projected financial needs and communicating such to the Investment Manager (s) on a timely basis.
3. Expressing the Fund's risk tolerance level.
4. Developing sound and consistent investment objectives policy guidelines, which the Investment Manager (s) can use in formulating corresponding investment decisions.
5. Establishing reasonable investment objectives.
6. Selecting qualified Investment Manager (s).
7. Communicating clearly the major duties and responsibilities of the Investment Manager (s).
8. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met.
9. Taking appropriate action to replace an Investment Manager (s), for failure to perform as expected.
10. Complying with the laws of the State of Georgia and the City of Marietta, Georgia.

B. The Trustees recognize that their role is supervisory--not advisory and that determination of securities selection must be delegated to the Investment Manager.

C. The investment policy objectives, goals, and guidelines that follow should represent the current consensus of the Trustees' philosophy regarding the investment of Fund's assets. The Statement of Investment Policy will need to be reviewed and possibly revised from time to time to ensure that the Statement continues to reflect the Trustees' attitudes, expectations, and objectives.

### **III. RESPONSIBILITIES OF THE INVESTMENT MANAGER (S)**

A. Adherence to Statement of Investment Policy:

1. The Investment Manager (s) is expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein, or as expressed in any written amendments of instructions.

2. The Investment Manger (s) acceptance of the responsibility to manage assets of the fund will constitute a ratification of this Statement of Investment Policy, affirming the belief that they are realistically capable of achieving the Fund's objectives within the guidelines and limitations stated herein.

B. Discretionary Authority:

The Investment Manager (s) will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions that are reflective of the Investment Manager's current investment approach and compatible with the Fund's investment guidelines.

C. Communication:

1. Investment Manager (s) will keep the Trustees informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting their investment policies of philosophy.
2. Trustees also expect to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior staffing of Investment Manager's firm.
3. Whenever Investment Manager believes that any particular guideline should be altered or deleted, it will be the Investment Manager (s) responsibility to initiate written communications with the Trustees expressing its views and recommendations.

D. Reporting:

1. Trustees expect to receive timely notices of transaction activities as well as quarterly performance reports.
2. In addition, any information needed to assist the Trustees in conducting their evaluation of the Investment Manager's performance as it relates to Fund assets will be presented on a timely basis.

E. Voting:

The Investment Manager (s), as part of its duties and responsibilities, shall have the sole and exclusive right to vote any and all proxies solicited in connection with securities held by the Fund. The Investment Manager (s) shall keep accurate records with respect to its voting of proxies and shall submit a report on a quarterly basis to the Trustees summarizing the votes cast.

F. Investment Transactions:

The Investment Manager (s) as fiduciary, has the responsibility to execute every transaction on a price basis.

G. Compliance with the laws of the State of Georgia, the City of Marietta, and other Appropriate Legislation:

1. The Investment Manager (s) is responsible for compliance with the "Prudent Man Standard" as it pertains to the Investment Manager's duties and responsibilities as fiduciary.
2. The Investment Manager (s) is to acknowledge in writing its recognition and acceptance of full responsibility as a fiduciary to the Fund assets.

#### IV. INVESTMENT OBJECTIVES

The Fund is a balanced portfolio composed of equity, fixed income, and cash equivalent securities and, as such, is intended to be more aggressive than fixed income-oriented portfolios. In this context, "aggressive" relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, and expected long-term rates of return and return volatility.

Within the above framework, the investment objectives for the Fund are stated below in order of importance:

1. Meet or Exceed the Stated Actuarial Interest Rate Assumption (described in Section V4.)
2. Preservation of Purchasing Power: The preservation of purchasing power is the primary long term investment objective for the Fund. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve purchasing power of the participants' assets.

3. Long-Term Growth of Capital: It is recognized that short-term fluctuations may result in the loss of capital earned on occasion (i.e., negative rates or return). However, in the absence of contributions and withdrawals, the asset value of the Fund should grow in the long run and earn rates of return greater than those of a balanced Market Index (see Section V.2) while avoiding excessive risk.

## V. INVESTMENT GOALS

At least three of the four following investment goals are expected to be achieved over a three to five year time period.

1. To achieve a total return that is above the median of a representative universe of professionally manager funds selected by the Investment Management Consulting Services Department of Prudential-Bache Securities. Average ranking over a period of years is the performance criteria rather than the ranking achieved in any one specific year.
2. To exceed the return of a balanced Market Index comprised of the Standard and Poor's 500 stock index, Shearson Lehman Government/Corporate bond index, and U.S. Treasury Bills in the proportions equal to the long term average asset mix of each portfolio.
3. To exceed the rate of Inflation (as measured by the Consumer Price Index) by 3% at least on an annual basis.
4. To match or exceed the annual actuarial interest rate assumption of 8.5%.

## VI. INVESTMENT GUIDELINES

The Trustee recognize that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investment vehicles. While high levels of risk are to be avoided, as evidenced by high volatility and low quality rated securities, the assumption of risk is warranted and encouraged in order to allow the Investment Manager (s) the opportunity to achieve satisfactory long-term results consistent with objectives fiduciary character of the Fund.

A. Types of Assets

All assets selected for the portfolio must have a readily ascertainable market value, and must be readily marketable. In order to provide the Investment Manager (s) with flexibility to invest in various type of assets, the following list of types of assets are among those approved for investment: Equities:

- Common Stocks
- Preferred Stocks
- Convertible Securities Including Debentures
- American Depository Receipts (ADRs) of Foreign Companies

Fixed Income Investment:

- U.S. Government and Agency Securities (notes and bonds)
- Commercial Paper
- Certificates of Deposit
- Corporate Bonds

The following types of assets or transactions are expressly prohibited:

- Commodities
- Unregistered Letter Stock
- Private Placements
- Warrants
- Purchase of Equity Securities on Margin
- Selling Short
- Real Estate Equity
- All Options and Futures, except covered call writing

B. Asset Allocation:

It shall be the policy of the Fund to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

Asset Mix Policy

<u>Asset Category</u>	<u>Maximum</u>
Equities	55%
Fixed Income	45%
Short-Term Investments	20%

The Asset Mix Policy established by the Trustees represent a long-term view. As such, rapid and significant market movements may cause the Fund's actual asset mix to fall outside the policy range but it is expected that any divergence should be of a short-term nature.

C. Stocks:

1. Diversification: The equity portfolio should be well-diversified to avoid undue exposure to any single economic sector, industry group, or individual security.
2. Quality and Marketability: Common and convertible preferred stocks should be of good quality and listed on either the New York or American Stock Exchange or traded in the over-the-counter market with the requirement that such stocks have adequate market liquidity relative to the size of the investment.
3. Capitalization: No more than 5% of stocks can be invested in companies with market capitalization less than \$250 million at the time of purchase.
4. Concentration by Issuer;
  - a. No more than 5% of total equity Fund assets shall be invested in the securities of any one issuing corporation at the time of purchase.
  - b. No more than 10% of the market value of total equity Fund assets should be invested in any one industry at the time of purchase.
  - c. Issues should be at least \$50 million par value.
  - d. Fixed income holdings for the Fund should not represent more than 5% of the total issue.
3. Portfolio Maturity: The fixed income portfolio should not have a weighted average maturity of longer than Shearson Lehman Government/Corporate bond index or 10 years, which ever is longer.
4. Issue Maturity: No individual fixed income issue should have a maturity longer than 30 years.

E. Short-Term Investments:

1. Certificate of Deposits:

- a. Quality: Must be issued by a major depository which has capital and surplus of \$100 million or more.
- b. Concentration by Issuer: Investment in any one issuer shall not exceed 5% of total Fund assets at market at the time of purchase.
- c. Insurance: Issuer must be Federally insured.

2. Commercial Paper:

- a. Quality: Must have a rating of not less than A1 by Standard & Poor's or P1 by Moody's.
- b. Concentration by Issuer: Investment in any one issuer shall not exceed 5% by total Fund assets at the time of purchase.

F. Portfolio Fluctuation:

The volatility of returns, as measured by the standard deviation of monthly rates of return for the total portfolio, will be monitored and evaluated by the Trustees on a continuing basis.

**VII. INVESTMENT PERFORMANCE REVIEW AND EVALUATION**

- A. Performance results for the Investment Manager (s) will be measured on a quarterly basis.
- B. Total fund performance will be measured against a balanced Market Index weighted to match the long-term average asset mix of the Fund.
- C. The investment performance of the total portfolio and equity and fixed income segments (both in terms of return and risk) will be measured against commonly accepted benchmarks.
- D. Total fund performance will be compared to the CDA Balanced Universe or similar universe with the percentage of equity and fixed income to be indicative of the long term asset mix of the Fund.

- E. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement
- F. While the Trustees intend to fairly evaluate the portfolio performance over the agreed period of evaluation, Trustees reserve the right to change Investment Manager (s) if there is:
  - 1. Unacceptable justification for poor results;
  - 2. Lack of responsiveness to the Trustees' overall concern about the market-inflexibility of approach.
  - 3. Failure to meet Trustees' communication and reporting requirements.

## VIII. COMMUNICATIONS

- A. Investment Manager (s) communications with the Trustees
  - 1. Provide portfolio valuation and transaction listing on at least a quarterly basis.
  - 2. Meet at least quarterly with the Trustees
    - a. Review past investment performance, evaluate the current investment outlook and discuss investment strategy.
    - b. Provide information regarding major changes in investment policy that may result in major investment strategy changes.
    - c. Review any significant changes in management, research, personnel or ownership within the investment management firm.
- B. Trustee Communication with Investment Manager
  - 1. On a timely basis, provide the Investment Manager (s) with revisions of the master Statement of Investment Policy, Objectives, and Guidelines.
  - 2. Meet at least quarterly with the Investment Manager (s)
    - a. Review and discuss any modifications and changes to the Fund's investment objectives, goals, and guidelines.

- b. Identify any significant anticipated changes in the Fund's cash flow.
- c. Any other matters which may bear upon the Fund's assets.

**IX SUMMARY**

- A. All investments are to be made for the benefit of the Fund participants in a prudent manner.
- B. It is expected that the Investment Manager (s) will manage the assets so that the results will meet the objectives and goals as set forth in this Statement.

**X. SIGNATURES**

This policy statement shall be binding on all parties doing business with the Trustees, and all such parties shall abide by the terms and conditions set forth herein.

  
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Gene Camp, Chairman, Pension Board

  
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Ansley L. Meaders, Mayor

Attest:   
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Sheila R. Hill, City Clerk

Date: July 10, 1996

Approved as to Form:

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Doug Haynie, City Attorney