

# **CITY OF KEY WEST EMPLOYEES' RETIREMENT PLAN**

## **ADDENDUM TO STATEMENT OF INVESTMENT POLICY Highland Capital Management, LLC. (Balanced Portfolio)**

Highland Capital Management, LLC. (Highland) has been retained by the City of Key West, Employees' Retirement Plan to manage a well-diversified balanced portfolio of equity and fixed income securities. Highland was retained for this assignment based on their qualifications and experience in managing balanced portfolios.

### **I. GUIDELINES**

Within the guidelines contained in the Statement of Investment Policy established for the City of Key West, Employees' Retirement Plan, the portfolio must comply with the following:

- A. Cash and equivalents shall not exceed 10% of the market value of the manager's portfolio.
- B. Equity investments shall not exceed seventy-five percent (75%) of the manager's portfolio.
- C. The market value of bonds issued by any single issuer shall not exceed five percent (5%) of the manager's portfolio.
- D. All U.S. corporate fixed income securities shall have a minimum rating of BBB by at least two (2) nationally recognized rating agencies. If only one nationally recognized rating agency shall rate the obligations, then the U.S. corporate fixed income securities must be rated A or better in the manager's portfolio.
- E. Foreign investments shall not exceed twenty-five (25%) of the manager's portfolio. For the purposes of this Investment Policy Statement, foreign securities are defined as bonds, stocks, or other evidences of indebtedness issued or guaranteed by a company that is not organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.
- F. The maximum duration of the manager's portfolio shall not exceed 135% of the Barclays Aggregate Bond Index.
- G. Short sales, margin purchases or borrowing is prohibited.
- H. Puts, Calls, Straddles or hedging is prohibited
- I. Direct purchase of commodities and private placements is prohibited.

### **II. INVESTMENT OBJECTIVES**

### Total Portfolio:

- A. The primary objective of the portfolio shall be to achieve a total return over the longer term, 3 to 5 years, in excess of a Target Index. The Target Index for the portfolio is defined as a 60% Russell ~~1000-Stock~~3000 Index and 40% ~~Barelays~~Bloomberg U.S. Aggregate ~~Bond~~ Index.
- B. The secondary objective of the portfolio shall be to achieve a total rate of return over the longer term, 3 to 5 years, which ranks in the top 40<sup>th</sup> percentile of a representative universe of similarly managed portfolios.
- C. The volatility of the Fund's total returns is expected to be similar to that of this Target Index and will be evaluated accordingly.

### **III. POLICY REVIEW**

**This Addendum is a part of the City of Key West, Employees' Retirement Plan Investment Policy Statement, dated ~~June 5, 2015~~September 9, 2022, and is intended only to complement the objectives and guidelines outlined therein.** It is the intention of the Board of Trustees to review the Statement of Investment Policy and this Addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. However, if at any time the investment manager believes that the specific objectives defined herein cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. **By signing this addendum the investment manager understands and agrees to adhere to the guidelines, investment manager responsibilities, and other conditions therein.**

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Chair, Board of Trustees

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Date

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ICC Capital Management

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Date