

# CITY OF TALLAHASSEE

## SINKING FUND COMMISSION

<b>ACTION REQUESTED ON:</b>	September 29, 2010
<b>SUBJECT/TITLE:</b>	<b>Approval of Revised Pension Investment Policy 236 to Provide for Emerging Market Securities</b>
<b>TARGET ISSUE:</b>	N/A

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### STATEMENT OF ISSUE

The City's Pension Investment Policy guides all investment considerations for the City's Pension Plan (Plan). The policy was last updated on December 4, 2007. Changes to the policy require Sinking Fund Commission approval. The Sinking Fund Commission is composed of the City Commission and three (3) other citizens/residents of the City.

Segal Advisors (Segal) serves as the City's investment consultant. In that capacity, Segal has provided an Investment Strategy Study that provides asset allocations. After reviewing the Investment Strategy Study with Segal, the Treasurer-Clerk recommends revising the Pension Investment Policy to reflect a new asset allocation. The new asset allocation model was also reviewed and unanimously approved by the Investment Advisory Committee (IAC) on May 12, 2010.

The most significant change to existing allocation percentages is the addition of emerging market securities to the Plan's portfolio.

### RECOMMENDED ACTION

Approve the revised Pension Investment Policy 236, a copy of which is attached.

### FISCAL IMPACT

None.

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James O. Cooke, IV  
Deputy Treasurer-Clerk

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Gary Herndon  
City Treasurer-Clerk

For information, please contact: Jim Cooke, extension 8146.

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**SUPPLEMENTAL MATERIAL/ISSUE ANALYSIS**

**HISTORY/FACTS & ISSUES**

Section 65 of the Charter Laws of the City of Tallahassee created the Sinking Fund Commission. The Sinking Fund Commission is composed of the City Commission and three (3) other citizens/residents of the City. The original purpose of the Sinking Fund Commission was to invest bond sinking funds to the best advantage of the City. The City's pension fund investment policy statement expanded the role of the Sinking Fund Commission to include oversight responsibility for investing the assets of the City's pension plan. Section 51 of the City Charter places specific responsibility for administering and operating functions of investments necessary for efficient, effective and prudent management of pension plan assets. The three (3) citizen members of the Sinking Fund Commission comprise the Investment Advisory Committee (IAC), whose responsibilities include meeting with the Treasurer-Clerk for quarterly review of plan performance, making recommendations to the full Sinking Fund Commission related to investment of Plan assets, as deemed necessary, and notifying the Treasurer-Clerk of anything that comes to their attention that may negatively impact the plan investments or investment managers.

The City also retains an investment consultant to provide various services, including asset allocation strategies, manager searches, performance review and analysis, and other investment consultation as needed. The City's Pension Investment Policy guides all investment considerations by the Treasurer-Clerk, the IAC, the Sinking Fund Commission, and the consultant. Changes to the policy require Sinking Fund Commission approval. The policy was last updated on December 4, 2007.

Segal Advisors (Segal) serves as the City's investment consultant. In that capacity, the Treasurer-Clerk and IAC requested that Segal perform an Investment Strategy Study to determine a recommended asset allocation. The asset allocation models recognize the need to diversify and provide percentages for various asset classes (large cap equities, international equities, fixed income, etc.). These investment strategies are designed to provide sufficient investment returns for the Plan to meet its benefit obligations while balancing the need to maximize returns at a desired risk tolerance. After reviewing the Investment Strategy Study with Segal, the Treasurer-Clerk recommends revising the pension investment policy to reflect the new asset allocation. The new asset allocation model was also reviewed by the IAC on May 12, 2010. The IAC unanimously recommended approval of the proposed change.

The proposed asset allocation plan establishes the following asset allocations, Domestic Equities 48%, International Equities 15%, Real Estate 10% and Fixed Income 27%. The most significant change to the existing allocation is the addition of emerging market securities to the Plan's portfolio. Emerging market securities will have a target allocation of 5%, and are included in the 15% international allocation.

**CHARITABLE CONTRIBUTIONS**

N/A

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**OPTIONS**

1. Approve the revised Pension Investment Policy 236, a copy of which is attached.
2. Do not approve the revised Pension Investment Policy, and provide further direction to staff.

**ATTACHMENTS/REFERENCES**

Pension Investment Policy 236