

CITY OF ST. PETE BEACH POLICE OFFICERS' RETIREMENT SYSTEM

ADDENDUM TO STATEMENT OF INVESTMENT POLICY

Cutwater Asset Management (Core Fixed Income)

Cutwater Asset Management (Cutwater) has been retained by the City of St. Pete Beach Police Officers' Retirement System to manage a well-diversified portfolio of fixed income and money market securities. Cutwater was retained for this assignment based on their qualifications and experience in managing core fixed income portfolios.

I. GUIDELINES

Within the guidelines contained in the Statement of Investment Policy established for the City of St. Pete Beach Police Officers' Retirement System, the manager's portfolio must comply with the following:

- A. The fixed income portfolio characteristics shall exhibit similar features as the Barclays Aggregate Bond Index.
- B. 80% of the fixed income securities shall have a minimum rating of investment grade by one of the nationally recognized rating services (Moody's, Standard & Poor's, or Fitch).
- C. No more than 15% of the Plan's assets, at the time of purchase, shall be invested in Collateralized Mortgage Obligations (CMO's).
- D. The market value of fixed income securities issued by any single issuer shall not exceed 3% of the manager's portfolio.
- E. Foreign bonds or Yankee bonds shall not exceed 10% of the manager's portfolio.
- F. The maximum duration of the manager's portfolio shall not exceed 135% of the duration of the Barclays Aggregate Bond Index.
- G. Cash and equivalents shall not exceed 10% of the market value of the manager's portfolio.

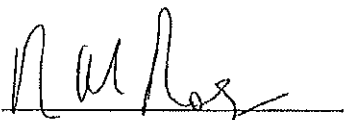
II. INVESTMENT OBJECTIVES

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 100% investment in the Barclays 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 40th 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 St. Pete Beach Police Officers' Retirement System Investment Policy Statement, approved October 16, 2014, 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.**


Chairman, Board of Trustees

10/15/2014
Date


Cutwater Asset Management

10/16/14
Date