

**ADDENDUM TO
STATEMENT OF INVESTMENT POLICY FOR
POMPANO BEACH POLICE & FIREFIGHTERS' RETIREMENT SYSTEM
DROP ACCOUNTS
ADOPTED DECEMBER 21, 2009
EFFECTIVE JANUARY 21, 2010**

The Retirement Board (the "Board") of the Pompano Beach Police & Firefighters' Retirement System, as Sponsor, Named Fiduciary and Plan Administrator hereby adopts the following Statement of Investment Policy for its DROP Plan (the "Plan"), effective January 21, 2010.

I. Statement of Funding Policy and Method

The principal purpose of the DROP Plan is to provide certain benefits upon actual retirement and thereafter. Thus, the principal goal of the investment of the funds in the Plan should be both security and long-term stability with moderate growth expectations. Investments, other than "fixed dollar" investments, should be included among the Plan's available investments to prevent erosion by inflation. However, investments should be sufficiently liquid to enable the Plan, on short notice, to make distributions (without investment penalties) in the event of distributions on demand.

The Plan will be funded with deposits and reinvestment of income in an IRS-qualified retirement plan and trust exempt from income tax under IRC Section 501(a).

II. Purpose

The Plan Fiduciaries are charged with the overall responsibility under the law to manage the Plan's assets prudently on behalf of the participants pursuant to certain standards of conduct. The general purpose of this Investment Policy Statement is to assist the Fiduciaries in discharging their responsibility to supervise, monitor and evaluate the investment of DROP Plan assets and to set forth the investment standards expected.

Therefore, this Statement is compiled so that the Fiduciaries define a formal set of investment objectives, guidelines and procedures for the management of the DROP Plan assets. It shall be subject to the terms of the Plan documents and any Plan Service Agreement entered into by the Plan and other Fiduciaries. Any DROP Plan Investment Consultant may rely upon the Statement for guidance in order to make recommendations to the Fiduciaries regarding the selection and monitoring of investments in the DROP Plan. Effective communications between Fiduciaries, consultants and money management firms is encouraged.

III. Objectives

The primary investment objective of the DROP Plan is to offer the participants a range of investment choices to permit diversification among different asset classes and the opportunity for the growth of their accounts. The objectives are further defined as follows:

- A. To provide sufficient investment choices so that DROP participants will be able to choose the investment mix that may fall within a full range of risk and return characteristics they deem appropriate for themselves.

- B. To provide sufficient investment choices so that the asset classes selected shall be such that, taken together, participants will have a reasonable opportunity to materially affect the potential investment returns in their accounts, while at the same time controlling risk or volatility.
- C. To provide sufficient investment choices so that participants will have adequate opportunity to diversify so as to reduce the risk of loss.

IV. Guidelines

- A. Investment alternatives for the participants shall be determined solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to the participants and their beneficiaries.
- B. Investment alternatives for the participants shall be determined with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and aims.
- C. The Fiduciaries will engage the services of investment professionals (Consultants). The Consultants are expected to exhibit a general understanding of the Fiduciary aspects of relevant statutes, regulations, case law and investment theory and practice. The Consultants will provide a review of the investment performance as it relates to the criteria in this document not less frequently than semi-annually, and otherwise perform in accordance with the terms of any servicing agreement. The Consultants are responsible for frequent and open communication with the Fiduciaries with respect to all significant matters pertaining to this Statement and the management of the Plan's assets. Any change to this Investment Policy Statement or the plan provisions will be communicated in writing on a timely basis to all interested parties.
- D. The responsibility of the Board and its fiduciaries ends with the selection and monitoring of DROP investment performance. Individual investment decisions and asset allocations made by DROP participants are solely within the discretion of the member and are not the responsibility of the Board. DROP participants are urged to consult with their accountant and/or an investment professional in selecting self-directed investments which are consistent with the financial needs of the member. DROP participants are also urged to monitor investment performance as they would for their personal portfolios.

V. DROP Participant Direction

- A. All current DROP Participants (at the time of the initial implementation of the Employee-Directed Option) shall be given a choice between the following investment vehicles:
 - 1. A variable investment return credited quarterly, equal to the investment return experienced by the Pension Fund as a whole, net of investment and administrative expenses (called "The Fund Rate Option"), or
 - 2. A variable investment return based upon the actual performance of various investment funds in which they choose to invest (called "The Employee-Directed Option"), net of investment and administrative expenses.

Once the Employee-Directed Option is elected, a DROP Participant may not change back to the Fund Rate. It is an irrevocable election. Any current DROP Participants who fail to make an election hereunder, shall be deemed to have elected the Fund Rate and shall remain therein unless directed otherwise. All current DROP Participants electing the Fund Rate (whether by explicit or

deemed election) may change that election at any later time to enter the Employee-Directed Option.

- B. The Investment Policy Statement for The Fund Rate Option shall be the Investment Policy Statement adopted by the Board for the Pension Fund as a whole.
- C. DROP Participants electing The Employee-Directed Option shall be given control over the investment allocation process. This shall include the right to change investment allocations of existing account balances and future contributions at least once every three months. Participants shall also be given any and all information that the Fiduciaries deem necessary for participants to understand the investment funds and to make informed investment decisions. Participants shall have the right to direct the investment of certain funds contributed to the Plan as specified in the Plan documents among the investment fund alternatives chosen by the Plan Fiduciaries.
- D. For The Employee-Directed Option, Fiduciaries shall adopt three to five Model Portfolios that DROP Participants may select and designate as representing their investment allocations. They shall be sample sets of investment asset allocation elections based upon percentages of the underlying basic investment alternatives made available by the Plan. Such Model Portfolios shall be developed with the assistance of the Investment Consultants as suggested portfolios for each given level of risk. The development shall utilize generally accepted optimization techniques and modern portfolio theory. DROP Participants shall, nevertheless, be entitled to waive the use of Model Portfolios and design their own investment asset allocation elections among the investment funds made available to the Employee-Directed Option.

VI. Asset Classes (The Employee-Directed Option)

- A. Broad Asset Classes shall be selected by the Fiduciaries. Individual investment alternatives shall be selected by Fiduciaries which represent the respective Asset Classes.
- B. Asset Classes shall be selected based upon general non-correlation of returns, fundamentally dissimilar underlying instruments, and generally accepted investment standards. Consideration shall also be given to the number of separate investment alternatives deemed prudent by Fiduciaries. Asset Classes considered may include but are not necessarily limited to:

Proposed Line-Up
Traditional Asset Classes
Large Value
Large Growth
Large Blend
Mid Value
Mid Growth
Mid Blend
Small Value
Small Growth
Small Blend
International Value
International Growth
International Blend
Emerging Markets
Intermediate Bond
High Yield Bond
International Bond
Money Market
Alternative Asset Classes
Real Estate
Inflation Protected Securities
Commodities
Natural Resources
Gold

- C. As a result of review and analysis, and in consideration of the criteria outlined in this policy, the Fiduciaries have selected the Asset Classes outlined in Appendix A, as attached hereto. It is understood that this list is dynamic and subject to change by amendment of this Policy.

VII. Implementation Procedure (Employee-Directed Option)

A. The Fiduciaries shall use business judgment in selecting investment products such as open-ended mutual funds, insurance investment products, common or collective trust funds, and money manager separate accounts. Passive and active management strategies will be considered. The Fiduciaries may select, for member-directed investments, a commingled fund, e.g. a group, collective or common trust maintained by a corporate trustee, regardless of whether such trustee is the Plan's trustee, investment manager, or otherwise a party-in-interest of the Plan and that the Fiduciaries adopt and incorporate the governing provisions of such fund herein.

Investment Option Minimum Criteria

After determining the asset classes to be used, the Investment Committee must evaluate and choose the specific investment options. Each investment option's issuer must meet certain minimum criteria:

1. It should be a bank, insurance company, or Investment Management Company registered under the Investment Company Act of 1940 or a Registered Investment Adviser registered under the Investment Adviser Act of 1940.
2. It should be operating in good standing with regulators.

3. It should provide detailed additional information on the history of the firm, its investment philosophy and approach, and its principals, clients, locations, fee schedules and other relevant information.

*There is no guarantee that a selected strategy will meet any stated goal.

In selecting the investment options for the plan, the Investment Committee will consider a variety of statistical and non-statistical factors. These factors will include the investment options' investment objectives, performance relative to its index and peer group, risk characteristics, investment style, fees (including expense ratios and other potential costs, such as redemption fees), manager tenure, style consistency and the degree of correlation with other plan investment options. The investment options' management company should also be evaluated for factors such as manager turnover and current legal or regulatory issues.

Prior to selecting the investment options for the plan, the Investment Committee should outline specific screening guidelines, by category, that each of the investment options must meet. These screening guidelines should be documented in the "Investment Management" section of the Fiduciary Audit File, a file established by the Plan Sponsor to document procedural process.

VIII. Criteria for Selection/Retention of Investment Alternatives (The Employee-Directed Option)

A. The ongoing monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment options selected and verifying that the criteria originally satisfied continues to be satisfied within an acceptable range. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

The Investment Committee will monitor, on a periodic basis, the Plan's investment options, considering the same factors identified above under "Investment Selection". Further review will be required if an investment option has a change in manager, experienced style drift, performed unfavorably relative to its index or peer group, violated its investment guidelines, material litigation filed against the firm, or material changes in firm ownership structure or announcements thereof, or any other factors that may have arisen that the Investment Committee deems material since the initial selection of the investment option.

If an investment option continues to satisfy the original selection criteria within an acceptable range, no further action is required. If areas of dissatisfaction exist, it is the responsibility of the Investment Committee to take steps to remedy the deficiency, which could lead to the replacement of the investment option.

The Investment Committee may retain an outside investment consultant or other experts to assist in the periodic review of the Plan's investment options.

The Investment Committee will hold regular meetings and will receive and review reports of the Plan's investment options on a periodic basis.

Fund Evaluation Criteria

Watch List Procedures

An investment option may be placed on a Watch List by the Committee after recommendation by the Investment Consultant and a thorough review and analysis of the investment option may be conducted, when:

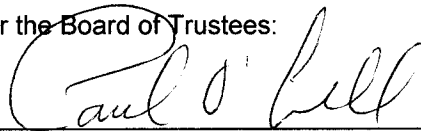
Appendix A

**Selection of Funds
To Fulfill the Statement of Investment Policy
For Pompano Beach Police & Firefighters' Retirement System
Employee-Directed – DROP Accounts**

Pursuant to our Statement of Investment Policy, effective January 21, 2010, the Board as the Plan Fiduciary has selected the following investment alternatives representing the stated asset classes and hereby adopt the following Model Portfolios.

Funds	Model 1 30/70	Model 2 40/60	Model 3 50/50	Model 4 60/40	Model 5 70/30
Large Value	2%	4%	6%	7%	8%
Large Growth	2%	4%	6%	7%	8%
Large Blend	2%	4%	4%	4%	6%
Mid Value	1%	1%	1%	1%	1%
Mid Growth	1%	1%	1%	1%	1%
Mid Blend	0%	0%	0%	2%	2%
Small Value	1%	1%	1%	1%	1%
Small Growth	1%	1%	1%	1%	1%
Small Blend	0%	0%	0%	0%	2%
Domestic Equity	10%	16%	20%	24%	30%
International Value	3%	6%	7%	9%	11%
International Growth	3%	6%	7%	9%	11%
International Blend	3%	4%	6%	6%	8%
Emerging Markets	2%	4%	5%	6%	8%
International Equity	11%	20%	25%	30%	38%
Intermediate Bond	40%	32%	23%	16%	4%
High Yield Bond	2%	3%	5%	6%	8%
International Bond	0%	2%	4%	5%	5%
Money Market	30%	20%	15%	10%	6%
Fixed Income	72%	57%	47%	37%	23%
Real Estate	2%	2%	2%	3%	3%
Inflation Protected Securities	2%	2%	2%	2%	2%
Commodities	1%	1%	2%	2%	2%
Natural Resources	1%	1%	1%	1%	1%
Gold	1%	1%	1%	1%	1%
Alternatives	7%	7%	8%	9%	9%
	100%	100%	100%	100%	100%

For the Board of Trustees:



Title: Chairman, Board of Trustees

Date: December 22, 2009

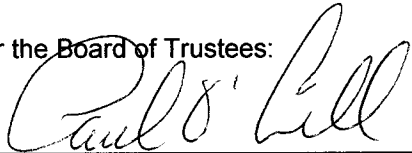
1. Performs below median for their peer group over a 3 and 5 year cumulative period.
 2. Performs below its benchmark over a 3 and 5 year cumulative period.
 3. 3 year Alpha is negative.
 4. 3 year Sharpe is lower than its benchmark.
 5. Fiduciary Score Average is above 25 (N/A equals above 25).
 6. Standard deviation exceeds its appropriate index over a 3 and 5 year cumulative period.
 7. Has a change in the professionals managing the investment option.
 8. Deviates from the stated style and/or strategy.
 9. Has an increase in the investments option's fees and expenses.
- If an investment meets the criteria in sections 3, 4 and 5 it will be put on the Watch List. Additionally, if all performance objectives are not met, investment will be placed on watch list irregardless of Fiduciary Score.

The decision to retain or terminate an investment cannot be made by a formula. However, if an investment meets the criteria in sections 1, 2, 3, 4, and 5 and on watch at least one quarter, the investment will be removed. It is the Committee's confidence in the investment's ability to perform in the future that ultimately determines the retention of an investment.

B. Quantitative due diligence of each fund may (but need not) be conducted through annual written or oral interviews with appropriate parties at each investment manager. Any issue materially affecting the management staff and investment process associated with each fund will be considered, including:

1. Changes to the management team or the firm's ownership.
2. Modifications to the fund's investment policy, philosophy and decision process.
3. Deviation of investment style, regulatory action, and investigation or litigation by a government agency.

For the Board of Trustees:



Title: Chairman, Board of Trustees

Date: December 22, 2009