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Statement of Investment Policies and Objectives

for

Austin Fire Fighters Relief and Retirement Fund

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I. STATEMENT OF POLICY

Purpose

This document is the official policy governing the investment practices of the Austin Fire Fighters Relief and Retirement Fund (the “Fund”). These policies and objectives (the “Policy”) have been adopted by the Board of Trustees of the Fund (the “Board”), which has the fiduciary duty of overseeing Fund investments. The Policy is not to be deviated from by any responsible party without the prior written permission of the Board. All previous Fund investment policies and objectives are superseded by this document. Any revisions to this document will be promptly supplied to the appropriate parties in written format.

Investment Goals

The purpose of the Fund is to accumulate the financial reserves necessary to provide for the retirement pension benefits and other benefits set forth in the Fund’s governing statute (e.g., COLAs) for eligible members of the Fund and their beneficiaries. A primary investment goal of the Fund is to emphasize consistency of growth in a manner that protects the Fund from excessive volatility in market value from year to year, while achieving its performance objective over a long-term horizon.

The Board, with consultation, advice, and assistance from the investment consultant, will use the Fund’s asset allocation as the primary tool to achieve this goal. As this is a long-term projection and investments are subject to short-term volatility, the main investment review focus of the Board will be to emphasize total return of the Fund over a long-term time horizon. Each manager selected by the Board is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, add incremental value after costs, and provide investment management in compliance with this document and the manager’s contract with the Fund or other operating documents.

II. INVESTMENT OBJECTIVES

The primary objective of the Fund is to provide sufficient return and liquidity to pay the benefit obligations of the Fund on a timely and regular basis. The Fund is a permanent one and there is currently no expectation of need for significant liquidity from the Fund's portfolio. The Fund shall be considered a total return fund, with appropriate recognition given to both current income and capital appreciation. The Board accepts the risks associated with investing in public and private capital markets (market risks), but will minimize wherever possible those risks for which the Fund is unlikely to be compensated (non-market or diversifiable risks). The risk and return investment objectives of the Fund are set forth below and should strive to be achieved in a manner consistent with the goals stated in Section I above.

A. Risk Objectives

- To accept the minimum level of risk required to achieve the Fund's return objective as stated immediately below.
- To minimize the likelihood of experiencing a loss over any full market cycle.
- To use diversification to minimize exposure to company and industry-specific risks in the aggregate investment portfolio.

B. Return Objective

- To manage the Fund's assets so as to achieve a high likelihood of attaining a 7.3% nominal return over long-term time horizon.

C. Performance Objective

- To manage the Fund's assets so as to achieve a high likelihood of outperforming the total return of an index composed of a mix of asset class benchmarks over a market cycle. The benchmarks used for each asset class, as well as the mix of such benchmarks to determine the Fund's composite index, will be determined by the Board and set forth in its Operating Procedures.

III. INVESTMENT CONSTRAINTS

A. Legal and Regulatory

The Board intends that the assets of the Fund at all times are invested in accordance with applicable federal and Texas law and regulations, including its governing statute, its governing instruments, and applicable fiduciary standards. The Board will retain legal counsel when appropriate to review contracts and provide advice with respect to applicable statutes and regulations.

B. Time Horizon

The Fund will be managed on a going-concern basis. The assets of the Fund will be invested with a long-term horizon (twenty years or more), consistent with the participant demographics and the purpose of the Fund.

C. Liquidity

The Board intends to maintain sufficient liquidity to meet at least three years of anticipated beneficiary payments. To this end, the Board intends to invest no more than 40% of the Fund's assets in illiquid vehicles. Illiquid vehicles are defined as those vehicles that do not allow withdrawals to occur on at least a quarterly basis.

D. Over-Concentration

The securities representing equity of any one company shall not exceed 6% of the market value of the Fund. Fixed income securities of any one corporation shall be limited to 6%, at market, of the Fund.

IV. ALLOCATION OF INVESTMENT RESPONSIBILITIES**A. Board of Trustees**

The Board has the fiduciary responsibility for managing the investment process. In fulfilling this responsibility, the Board will establish and maintain investment policies and objectives. Within this framework, the Board will select, contract with, monitor, and evaluate the investment consultant, investment managers, bank custodian, and other parties to ensure that actual results meet objectives.

B. Fund Staff

The Staff of the Fund is responsible for oversight and management of the day-to-day operations of the Fund. This includes, but is not limited to, oversight of Fund policies and procedures, working closely with the investment consultant and investment managers, executing and reconciling all private market cash flows for the Fund, oversight of budget, oversight of manager fee payment and reconciliation, Board meeting preparation and coordination. Staff is responsible for direct communication with Fund participants related to all retirement calculations.

C. Investment Consultant

The investment consultant's duty is to render competent, professional advice and assistance and to work with the Board with respect to the investment process. This includes meeting at least quarterly with the Board to provide perspective as to the Fund's goals and analysis of the Fund's investments. The consultant will advise, consult, and work with the Board to develop and maintain a properly diversified portfolio.

The investment consultant will perform its duties and obligations to the Board in conformance with generally accepted industry standards and its contract with the Fund.

Fund allocation and performance will be regularly reviewed and recommendations will be made as appropriate. The consultant will assist the Board in investment manager selection, when needed, and will promptly inform the Board and discuss the impact of material changes taking place within any current manager's organization and/or investment process. Within this process, the investment consultant assumes fiduciary responsibility for advice given regarding the management of the investment process.

D. Investment Managers

The investment managers for separately managed accounts will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement and which are specified in this document and in their respective investment management agreement (IMA) they execute with the Fund. Investment managers will select specific securities, buy and sell such securities, and manage the investment portfolio within their guidelines. The Board also believes that investment decisions are best made when not restricted by excessive procedure. Therefore, full discretion is delegated to the investment managers to carry out the investment of the respective portfolios within stated guidelines.

The Board may also invest in pooled investment vehicles or private market investment vehicles. The governing instruments of these vehicles should specify the applicable investment philosophy and disciplines and provide the investment guidelines for the investment.

E. Custodian Bank

The custodian bank will hold all cash and securities, and will regularly value, list and summarize these holdings for the Board's review. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash prior to allocating it to the investment manager, and to invest such cash in liquid, interest-bearing instruments.

V. FIDUCIARY CONDUCT

An investment fiduciary includes, but is not limited to, a person who exercises discretionary authority or control in the investment of the assets of the Fund or who renders, for a fee, advice for the Fund. The term investment fiduciary includes, but is not limited to the members of the Board, the Fund Administrator, the investment consultant, and investment managers. An investment fiduciary shall discharge his or her duties in accordance with the fiduciary standards set forth in Section 802.203 of the Texas Government Code and other applicable law.

VI. AVAILABLE ASSET CLASSES AND INVESTMENT GUIDELINES

In consultation with the investment consultant and after proper consideration of the Board's investment objectives and asset allocation plan as discussed herein, the Board will determine the asset classes available for investment of Fund assets. The list of asset classes available for investment will be set forth in the Fund's Operating Procedures and updated as necessary. The specific degrees of diversification within each asset class will also be addressed in the Fund's Operating Procedures or each manager's investment guidelines, as applicable.

The investment guidelines for available asset classes, if applicable, are reflected in the Fund's Operating Procedures. In addition, specific investment guidelines for investment managers of separately managed accounts will be incorporated in the agreement with the Fund. Within their investment guidelines, each investment manager will also be furnished with a list of asset types and investment strategies that are forbidden. Investment guidelines

for pooled investment vehicles or private market investment vehicles will be set forth in the governing instruments of such vehicles.

VII. ASSET ALLOCATION

The Fund's achievement of its risk and return objectives is a function, in large part, of the Fund's asset allocation. The Board recognizes that the allocation of monies to various asset classes will be the major determinant of the Fund's return and risk experience over time. Therefore, the Board will allocate investments across available asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Fund's investment objectives.

In determining the appropriate asset allocation, the expected return and risk behavior of each asset class and the likely interaction of various asset classes in a portfolio are to be considered. These "market assumptions" are to be determined and considered by the Board when establishing the asset allocation of the Fund. The Board, with the assistance of the investment consultant, will determine the applicable market assumptions, including the expected return, volatility, and correlations for each asset class, which will be set forth in the Fund's Operating Procedures.

A. Long-Term Allocation Ranges

Based on its determination of the appropriate risk posture for the Fund and its long-term return expectations, the Board and investment consultant have established the following asset mix guidelines for the Fund:

<u>Asset Class</u>	<u>Fund Guidelines</u>
Equity Investments	30-55%
Fixed Income Investments	20-40%
Alternatives	10-40%

Unneeded cash reserves can be a drag on the Fund's performance and the overall level of cash held by the Fund shall typically remain under 5% unless extraordinary circumstances warrant otherwise.

B. Long-Term Allocation Targets

Based on the investment objectives and constraints of the Fund, and on the expected behavior of the available asset classes, the Board will specify a long-term target allocation for each available asset class. These targets will be expressed as a percentage of the Fund's overall market value. These targets will be selected in conjunction with the appropriate ranges listed above to accommodate permissible variation resulting from market forces. The Fund's target allocations are listed in the Operating Procedures. The Board will review its asset allocation targets and ranges at least annually or sooner if warranted by a material event in either the liability structure of the plan or the capital markets.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Fund's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, and other temporary changes in the Fund. Deviations from targets that occur due to capital market changes are discussed below.

C. Rebalancing

In general, cash flows to and from the Fund will be allocated in such a manner as to move each asset class toward its target allocation.

The Board recognizes that, periodically, market forces may move the Fund's allocations outside the target ranges. The Board also recognizes that failing to rebalance the allocations would unintentionally change the Fund's structure and risk posture. Consequently, the Board has established a process to rebalance the allocations periodically.

On at least an annual basis, if any strategic allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

VIII. EVALUATION AND REVIEW

As a function of its fiduciary responsibilities to monitor the investment decisions it makes on behalf of the Fund, the Board will regularly review the investments of the Fund. This review and evaluation of investments will be conducted in accordance with the following:

- On a quarterly basis, the Board, through the report of the investment consultant, will review the overall investment performance of the Fund and individual investment managers. This report will include a review of performance generally and in relation to the composite and asset class benchmarks established by the Board.
- The investment consultant will continually monitor the investment managers and other investments of the Fund to ensure that managers or such investments performed in accordance with applicable investment guidelines and the expected philosophy, methodology and style. The investment consultant will report to the Board on a quarterly basis any material deviation from the applicable guidelines or any other structural, organizational, philosophical, or other material change that warrants the Board's attention.
- At least annually, the Board will review the asset allocation of the Fund to determine if it remains appropriate in order to achieve the investment objectives of the Fund. This review will include an evaluation of market assumptions utilized in establishing the asset allocation to determine if any changes to these assumptions are warranted, as well as if any other asset classes should be made available for investment.
- At least annually, the Board will formally review this Policy to determine whether it continues to be appropriate in light of the Board's investment goals and objectives and changes in the capital markets and/or the Fund's condition or circumstances.

IX. SECURITIES LENDING

The Board may select an agent to lend the financial securities of the Fund, but has no obligation to do so. The securities lending program shall in no way inhibit the trading activities of the investment managers of the Fund.

X. TRADING

In accordance with the legal and fiduciary obligations imposed on investment managers by either their agreements with the Fund or applicable federal or Texas law, all trades executed by managers must be for the exclusive benefit of the Fund's participants and beneficiaries. Managers are expected to seek best execution on all trades.

XI. VOTING OF PROXIES

The Board has delegated the responsibility of voting all proxies to the investment managers. The Board expects that managers will execute all proxies in a timely fashion. Also, the Board expects the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

XII. INVESTMENT COSTS

The Board intends to monitor and control investment costs at every level of the Fund through the following:

- Professional fees will be negotiated whenever possible.
- Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.
- The Fund may enter into performance-based fees with specific managers.
- If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.
- Managers are instructed to seek best execution.