

Revised February 28, 2025

Investment Policy Operating Procedures

for

Austin Firefighters Retirement Fund

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I. Market Assumptions

In accordance with Section VIII of the Fund's Investment Policy Statement (the "Policy"), the Board has adopted the following market assumptions for use in determining the asset allocation plan for the Fund. These expected return and standard deviation assumptions are based on a twenty-year forecast for broad asset classes and sub-asset classes from Meketa Investment Group's 2024 Annual Asset Study. Expected returns are annualized compounded returns.

Asset Class	Annualized Average Return (%)	Annualized Standard Deviation (%)
Fixed Income		
Cash Equivalents	2.5	1.0
Investment Grade Bonds	4.8	4.0
Long-term Government Bonds	5.0	12.0
TIPS	4.7	7.0
High Yield Bonds	6.8	11.0
Bank Loans	6.6	10.0
Emerging Market Bonds (local; unhedged)	6.2	12.0
Emerging Market Bonds (major)	6.8	12.0
Private Debt	9.2	15.0
Equities		
Public U.S. Equity	8.5	17.0
Public Developed Market Equity	8.9	18.0
Public Emerging Market Equity	8.9	22.0
Public Frontier Market Equity	10.0	20.0
Private Equity	11.2	25.0
Private Equity Fund of Funds	9.9	26.0
Long-Short Hedge Funds	5.3	10.0
Real Assets		
Core Private Real Estate	6.9	12.0
Value Added Real Estate	9.0	20.0
Opportunistic Real Estate	10.3	26.0
Natural Resources (Private)	9.3	22.0
Commodities	5.3	17.0
Infrastructure (Core)	8.0	14.0
Infrastructure (Non-Core)	10.0	22.0
Other		
Hedge Funds	5.8	7.0
Hedge Fund of Funds	5.0	7.0

II. Investment Manager Selection and Termination

When hiring or terminating investment managers, the Fund Staff, in consultation with the Investment Consultant, will summarize in the Board meeting minutes, the key factors that led to the decision.

For new hires, typically the Investment Consultant will prepare a “search document” when the Board is considering hiring a new manager. The search document will include a mix of qualitative and quantitative characteristics on high conviction strategies that should help guide the Board in understanding the potential risks and opportunities across different investment options. The Board may (but is not required to) interview candidates prior to hire.

For terminations, the Investment Consultant will typically prepare a memo or analysis explaining its recommendation for termination. Termination could result from any of the following (non-exhaustive) reasons:

- Failure to deliver on performance expectations
- Asset allocation changes
- Strategy style drift
- Investment staff departures at the investment manager
- Firm instability or change in ownership at the investment manager

III. Investment Manager Invoice Fee Reconciliation and Payment

The majority of investment manager fees are paid indirectly through each investment’s fund vehicle (i.e. debited from performance).

For the investment strategies that invoice the Fund directly, Fund Staff is primarily responsible for reconciliation and payment of all invoiced investment manager fees. If a discrepancy is identified, Fund Staff shall request additional explanation from the investment manager prior to payment. If an error is found, Fund Staff must request a correction from the investment manager prior to payment.

IV. Asset Class Guidelines

In accordance with Section VI of the Policy, set forth below are the investment guidelines applicable to each broad asset class available for investment by the Fund. Additional investment guidelines are contained within each agreement between the Fund and individual investment managers (for separately managed accounts).

A. Public Equities

1. Eligible holdings:

The portfolios will be invested in publicly traded marketable securities.

2. Style Adherence:

Managers are expected to not deviate from the particular style they were selected to manage. Quarterly, fundamental portfolio characteristics and style benchmarks comparisons will be monitored for adherence to a manager's identified style. The capitalization of each stock in an equity manager's portfolio shall be within the cap range of the above identified style benchmark when purchased. Managers are expected to stay within the cap range of their dedicated strategy and are instructed to provide notification of any material changes to strategy. Currency management is at the discretion of active international managers.

B. Public Fixed Income

1. Eligible holdings:

The portfolios shall be invested in publicly traded marketable securities. Private placement bonds are not permitted. 144(a) fixed income securities are allowable.

2. Portfolio Quality – Core:

Dedicated core fixed income products should be predominantly invested in investment grade securities, as defined by market ratings agencies (e.g. Moody's, Standard & Poor's). Money market instruments shall have a minimum quality rating comparable to an A3 (Moody's) or A (standard & Poor's) bond rating and commercial paper shall be rated A1/P1 unless held in a diversified short term commingled fund.

C. Closed End Alternatives (Private Equity, Real Estate, Natural Resources)

1. Management:

Investments in closed end vehicles shall be made only through professionally managed, institutional limited partnerships or limited liability corporate vehicles.

2. Diversification:

The closed end alternatives portfolio will be prudently diversified. Further, the private equity portfolio in aggregate shall be diversified by: industry groups, company, number of transactions, stage of company maturity, form of investment, geography and vintage year. Investment in non-U.S. limited partnerships is permitted. The long-term nature of private equity investments and vintage year diversification shall be emphasized so that the Fund, as a long-term investor, may properly take advantage of the private negotiation of transactions and the liquidity premium associated with private markets investments.

3. Over-commitment:

The implementation of a private markets program by the Fund shall be made over time so as to increase vintage year diversification. The timing of new commitments shall be spread out so as to avoid undue concentration of commitments in any one-year. The Board recognizes that it will be necessary to make capital commitments in excess of the target allocation for private markets investments in order to achieve the target allocation and subsequently maintain it.

The Investment Consultant shall monitor the amount of capital committed, drawn, invested and distributed and make recommendations to the Board as needed.

4. Monitoring:

The Fund Staff, Board and Investment Consultant will collectively monitor and administer the underlying limited partnership investments in a prudent manner, in part, by:

- (a) administering capital calls and distributions,
- (b) employing financial monitoring and reporting systems,
- (c) maintaining an understanding of the limited partnership's holdings and activities, including periodic discussions with the general partners and attending partnership investor meetings as appropriate,
- (d) attending to partnership amendments or other matters related to the underlying partnerships in the best interest of the Fund, and
- (e) liquidating stock distributions.

D. Passive Investment Products

Passive investment products are expected to match the return of their respective benchmark, gross of fees.

V. Securities Litigation / Class Action Lawsuit Policy

From time to time, the Board may determine, with the advice and assistance of the Fund's Outside Counsel (if requested), that it is in the best interest of the Fund's participants and beneficiaries to participate in securities class action lawsuits where the Fund has been harmed due to securities fraud or other violations that negatively impact the value of securities held by the Fund.

A. Monitoring Securities Litigation Matters

It shall be the Fund custodian's primary responsibility to (1) monitor all securities class action litigation matters on behalf of the Fund, (2) manage the timely and effective filing of proofs of claim in securities class action litigation matters that have already reached settlement in respect of investments held by the Fund, and (3) report to the Executive Director as necessary. In addition, the Executive Director shall notify the investment manager(s) who manage the affected securities of any potential or pending legal action.

However, in those securities class action lawsuits or other securities litigation matters in which the Fund has retained a law firm to represent the Fund as lead plaintiff or class representative or to actively monitor the progress of the case in accordance with Section D, then the law firm shall be responsible for the timely and effective filing of proofs of claim in such lawsuits on behalf of the Fund and will notify, in writing, the Executive

Director, the Fund's custodian and any applicable investment manager(s) of the proofs of claim that have been filed on behalf of the Fund.

B. Active Involvement in Securities Litigation Cases

In addition to the routine filing of proofs of claim as described above, the Fund at its sole discretion may consider and assess whether and under what circumstances it may choose to become more actively involved in securities class action litigation or other securities litigation matters from time to time.

To this end, the Fund may at its discretion retain one or more law firms experienced in securities litigation matters to review and monitor potential and filed securities class action lawsuits and/or other securities litigation lawsuits and to bring to the attention of the Fund meritorious cases that the law firm concludes are worthy of further monitoring or involvement by the Fund and for which the Fund has suffered losses on its investment.

Generally, the Fund will not seek lead plaintiff status, opting instead for filing a proof of claim when appropriate, unless after consultation with the Fund's Outside Counsel and any law firm retained by the Fund to monitor and report securities litigation to the Fund, the Board believes that serving as lead plaintiff would be in the best interest of the Fund. Except as expressly provided herein, it is within the sole discretion of the Board to determine if and when it would be in the best interest of the Fund to seek lead plaintiff status or to become more actively involved in a securities litigation case.

If one of the Fund's retained law firms believes that a securities litigation case has merit and the Fund would be a good candidate to serve as the lead plaintiff in the case, the law firm shall present its recommendations in writing to the Executive Director, including a statement as to whether the law firm would recommend that the Fund actively monitor the case, seek lead plaintiff status or class representative status, or take some other course of action with respect to the particular securities class action lawsuit or other securities litigation lawsuit.

The Executive Director, in consultation with the Fund's Outside Counsel, will review all such recommendations and will evaluate the case and the law firm's recommendation considering the factors listed below. After such review and further consultation with the securities litigation law firm (as needed), the Executive Director will present, or may request that the law firm present, to the Board a recommendation regarding the Fund's involvement in the case if the securities litigation firm continues to recommend active involvement after consultation with the Executive Director.

After receiving the presentation described above, the Board shall have sole authority and discretion to decide whether the Fund should actively monitor the case, seek lead plaintiff status or class representative status, or take some other course of action. The Board may seek the advice of its Outside Counsel on such matters. Notwithstanding the above, if a decision regarding the Fund's involvement in a securities litigation lawsuit is required prior to the date of the next regularly scheduled Board meeting, the

Executive Director may make a decision regarding the Fund's level of involvement without a presentation to the full Board after consultation with the Chair or Vice-Chair of the Board and the Fund's Outside Counsel.

In evaluating any securities litigation case, the Board (or Executive Director) shall consider all relevant factors related to the Fund's participation in such lawsuit, including, without limitation, the following:

1. Strength of the merits of the claims and defenses involved in the case;
2. Alleged losses or damages to the Fund equal or exceed a minimum of \$500,000, unless there are unique or special circumstances about the Fund's interest in the case or the losses sustained by the Fund that may support the Fund's involvement at a lesser threshold;
3. Facts unique to the Fund that make it well-suited to serve as lead plaintiff, including the Fund's standing to represent a broad class of claimants or investors;
4. The estimated time and expense required of Fund staff and the Fund's Outside Counsel in order for the Fund to serve as lead plaintiff (i.e., certification of the class, assistance with discovery, review of pleadings and court filings, monitoring litigation and outside securities litigation counsel, settlement negotiations, etc.) and the ability to recover such costs through a favorable judgment or otherwise;
5. Estimated court costs;
6. Venue of litigation;
7. Reasonable potential for monetary recovery under a judgment (i.e., available resources of defendants, insurance coverage, possibility of bankruptcy, other suitable lead plaintiffs, etc.);
8. Whether the Fund is involved in other litigation; and
9. Qualifications of the law firm (or firms) bringing the recommendation based on the factors set forth in Section D below.

C. Securities Litigation Matters in Foreign Jurisdictions

The Fund may consider participating in securities litigation lawsuits that are brought or filed in foreign jurisdictions. The Fund will follow the same process set forth in Section B above in evaluating an international case and its involvement in such case.

In addition to the factors set forth in Section B above, the Board shall also consider all applicable foreign laws and regulatory requirements and the related risks that may apply to securities litigation claims brought in the particular jurisdiction, including without limitation, any unique jurisdictional requirements to prove the claim, the level of participation required by the Fund pursuant to foreign law, and the identity and qualifications of foreign counsel, if any, and their experience in pursuing litigation of this nature.

D. Selection of Securities Litigation Law Firm to Actively Represent the Fund

If the Board decides to seek lead plaintiff status or become actively involved in a case, the Board may hire one of the Fund's retained securities litigation law firms or another law firm experienced in securities litigation matters to advise and represent the Fund as lead plaintiff or otherwise in the case.

Generally, the Board will select the law firm (or one of the law firms) that brought the case to its attention to actively represent the Fund in the case. In the event more than one law firm recommends that the Fund actively seek participation in a case, the Board will select the firm that the Board believes will best represent the interests of the Fund in such case after considering all relevant factors, including, without limitation, the firm's:

1. Prior experience and demonstrated success in similar cases;
2. Experience and prior appearances in the particular venue of the case;
3. Quality of the analysis and presentation of the case to the Board, including the analysis of the factors relevant to the Fund's participation in the case as set forth in Section B above; and
4. Willingness and financial security of the firm to fund the cost of the litigation on a contingent fee arrangement (i.e., availability and timing of reimbursements for Fund staff time and expense and/or Outside Counsel involvement, specific terms of fee or reimbursement arrangement, sufficient level of malpractice insurance, etc.).