



INVESTMENT POLICY STATEMENT

Fort Worth Employees' Retirement Fund

Revised January 27, 2021

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I. OVERVIEW

This Investment Policy Statement (“Policy”) applies to the Fort Worth Employees’ Retirement Fund and the Fort Worth Employees’ Retirement Fund Staff Plan (both referred to as “FWERF” or the “Fund”). The Fort Worth Employees’ Retirement Fund was established by City Ordinance on September 12, 1945 for the purpose of providing retirement security and other benefits for employees of the City of Fort Worth (“City”). The Fort Worth Employees’ Retirement Fund Staff Plan was established through Administrative Rules in 2007 for the purpose of providing retirement security and other benefits for employees of the Fund. The Fund operates as a 401(a) defined benefit retirement plan and the sources of funds include investment returns and contributions from the City and employees.

The Fund’s Board of Trustees (“Board” or “Trustees”) is primarily responsible for the oversight and long-term vision of the Fund. The Executive Director, Chief Investment Officer (“CIO”), and Investment Staff are primarily responsible for the day-to-day general administration and effective investing of the Total Assets.

All assets of the FWERF shall be invested and managed solely in the financial interest of the FWERF’s beneficiaries and in a manner consistent with Section 802.203 of the Texas Government Code, the FWERF Ethics Policy, and ethical guidelines of the CFA Institute. The investment of assets shall adhere to all applicable domestic and international securities laws, rules, and regulations. Furthermore, the assets of the FWERF shall be invested subject to the criteria further established by the Board through this Policy, as may be amended from time to time.

This Policy is binding on all persons and entities with authority over the FWERF’s assets and will be communicated to such persons, including, but not limited to, the Board, Executive Director, CIO, Investment Staff, External Investment Managers, Discretionary External Investment Advisors, External Investment Advisors, General Consultant, Service Providers, Master Custodian, and any other person who or entity that may have a relationship with the FWERF, with respect to investment operations. Appendix A of this document includes definitions of key terms.

II. PURPOSE OF THE INVESTMENT POLICY

The purpose of this Policy is to assist the Board in effectively guiding, supervising, and monitoring the ongoing operations and performance of the Total Assets of the Fund.

In the various sections of this policy document, the Trustees define the Fund’s investment program by:

- Documenting the Trustees’ philosophy and objectives for the investment of Fund assets;
- Defining the distinct roles and responsibilities of the Board, Investment Committee, Executive Director, CIO, General Counsel, Investment Staff, and Service Providers;
- Establishing an investment structure for managing the assets that includes risk and return objectives, a list of approved assets or asset classes, and a strategic asset allocation target with ranges;

- Establishing criteria and benchmarks to measure and evaluate the performance results of Total Assets;

III. INVESTMENT OBJECTIVES

The Fund's primary investment objective is to establish a stable, diversified investment portfolio that in the long-term, will meet or exceed the Board approved assumed actuarial rate of return in order to maintain or improve the funded status of the Fund and provide sufficient liquidity to timely pay benefits. The Trustees adopt the following key investment objectives.

- The Boards' investment objective is to achieve an average long-term total rate of return which satisfies the actuarial assumed rate of return. The target actuarial rate of return is set at 7.00% including an assumed inflation rate of 2.50% and a target actuarial real rate of return of 4.50%.
- The Fund shall prudently manage overall risk through diversification, by establishing and updating a strategic asset allocation using an asset allocation model that balances return expectations and risk exposures related to institutionally investible geographies, asset classes, and investment strategies.
- The Fund shall periodically rebalance the Total Assets to manage active risk relative to the strategic asset allocation and various benchmarks, as well as liquidity. Rebalancing activities shall consider both the impact on the Fund and transaction cost of the activity.
- The investment activities of the Fund shall be executed in a cost-effective manner.

IV. DUTIES AND RESPONSIBILITIES

The Board has identified the following key parties that have a significant influence on the effective operation and administration of the Fund. The Board recognizes that transition periods and emergency circumstances occur that may require temporary shifts in the responsibilities listed below. The Board provides the Executive Director and/or CIO the flexibility to adjust such responsibilities on a temporary basis, provided the Executive Director and/or CIO promptly notify the Board. These emergency actions exclude changes to the responsibilities of the Board and Investment Committee. The general responsibilities of the parties are listed below.

In addition to the duties and responsibilities described in this Policy, Service Providers, as well as any other person who or entity that may have a fiduciary relationship with the FWERF, may have additional duties and responsibilities outlined within international, federal, and state laws, rules, regulations; executed contracts or agreements; or as dictated by standard business or industry practices.

Board of Trustees

1. Collaborates with the Executive Director, CIO, and Service Providers to establish the long-term objectives for the Fund.
2. Adopts this Policy that establish prudent investment criteria, for considering the purposes, terms, distribution requirements, and other circumstances of the FWERF. This responsibility includes setting clear objectives, approving the strategic asset allocation, and approving asset classes.

3. Reviews this Policy periodically (at least every two years) to determine if the stated investment objectives remain relevant and achievable.
4. Amends this Policy as a whole or in part, as determined by the Board from time to time.
5. Approves the recommendations of staff related to Service Provider engagements, including the Master Custodian and other Service Providers not related to the investment program.
6. To the extent permitted by Texas law, delegates the operational, program management, and administrative functions of the Fund's investment program to the Executive Director and CIO through this Policy and other relevant policies. This delegation includes without limitation investment activities and the methods and selection of External Investment Managers and other Service Providers related to the investment program.
7. Delegates the review and approval of the Investment Implementation Procedures employed by the Executive Director, CIO, and Investment Staff to the Investment Committee.
8. Reviews and approves an annual operating budget for the investment program as outlined in the Investment Implementation Procedures to ensure adequate and efficient resource utilization.
9. Evaluates the overall effective investment management of the Fund and the investment performance of Total Assets through reports supplied by the Executive Director, CIO, Investment Staff, compliance, and other Service Providers.
10. At least annually, reviews the actions taken by the Executive Director and CIO in order to monitor performance and compliance with the terms of delegation, this Policy, and other policies and procedures.

Investment Committee

1. Board committee that is delegated the responsibility to oversee and provide commentary and recommendations to the Board regarding the investment activities, portfolio implementation, and sustainable management of the Fund's investment process.
2. Assists in the development and/or periodic review of this Policy and recommends actions to the Board.
3. Reviews the annual budget for the investment program and recommends actions to the Board.
4. Assists in the development, reviews, and approves the Investment Implementation Procedures.
5. On an as needed basis, reviews and provides feedback on significant preliminary actions and/or concerns related to Service Providers.
6. Evaluates in more detail the investment performance of asset classes, investment strategies, or External Investment Managers, through reports supplied by the Executive Director, CIO, Investment Staff, and Service Providers.
7. At least annually, reviews the appropriateness of the CIO delegated investment activities in relation to this Policy and the Investment Implementation Procedures. These activities include but are not limited to contracting and Service Provider engagement, operating expenses and budgets, asset allocation changes, and the rationale for tactical asset allocation positioning.
8. Reviews other information that may be furnished and, as necessary, provides guidance, assistance, or recommended actions to the Board, Executive Director, and CIO.

Executive Director

1. Assumes executive responsibility and authority, as delegated, for all administrative, operational, and other aspects of managing the Fund.

2. Monitors the compliance of the investment program with this Policy, the Ethics Policy, and any laws, rules, or regulations that may apply.
3. Collaborates with the CIO and other Service Providers on the management of Total Assets.
4. Evaluates the investment performance of the Total Assets through reports provided by the CIO, Investment Staff, and other Service Providers.
5. Negotiates and executes, with the advice of the General Counsel and/or outside legal counsel where appropriate, all contracts, agreements, and other binding legal documents necessary for the efficient administration of the FWERF
6. Reviews and authorizes the use of Service Providers and employment of Investment Staff.
7. Evaluates the processes and procedures established by the CIO and Investment Staff.
8. Takes emergency, investment related actions that are deemed essential to protect assets of the FWERF with such actions being promptly reported to the Executive Committee of the Board.

Chief Investment Officer

1. Assumes executive responsibility and authority, as delegated for the investment operations, ongoing evaluation and management of the Total Assets.
2. Ensures compliance with this Policy, Investment Implementation Procedures, and any laws, rules, or regulations that may apply.
3. Operates ethically as a fiduciary with a duty of loyalty, investing and managing Total Assets solely in the financial interest of members and beneficiaries.
4. Collaborates with the Executive Director, Investment Committee, and Board on development and implementation of investment strategies, procedures, and this Policy.
5. Develops and recommends for Investment Committee approval the Investment Implementation Procedures. The Procedure describes the due diligence, operational expectations, and ongoing monitoring of new and existing External Investment Managers and other Service Providers, as well as investment philosophy, return expectations and risk controls for asset classes, and other criteria and limitations pertinent to each asset class, or investment strategy, External Investment Manager, and individual securities.
6. Establishes sourcing approaches for the efficient review, selection or termination, and negotiation of contracts with investment related Service Providers, including but not limited to, External Investment Managers, Discretionary External Investment Advisors, External Investment Advisors, General Consultant, and other Service Providers related to the investment program. This expressly excludes the Master Custodian.
7. Undertakes the authority to effectively manage and supervise the Investment Staff assigning investment and management functions to Investment Staff in a prudent manner.
8. Periodically reports to the Board, Investment Committee, and Executive Director on administrative, organizational, and investment activities. This includes, but is not limited to global market and economic activity, absolute and relative returns and risk, attribution of returns, compliance with Policy and Investment Implementation Procedures, operating costs, and other items as requested. Specific reporting requirements are described in the Investment Implementation Procedures.
9. Reports the outcome of fully executed decisions related to investment actions or Service Providers at the next regularly scheduled Board meeting.
10. Provides other assistance or information to the Executive Director, Investment Committee, or Board in a timely manner.

General Counsel

1. Serves as legal advisor to the Fund and reports to the Board and Executive Director (from an administrative standpoint).
2. Coordinates all legal services requested by the Board, Executive Director, CIO, and other staff.
3. Conducts and / or coordinates legal due diligence related to Fund investments.
4. Recommends to the Executive Director the engagement of outside legal counsel for specialized legal services and supervises and evaluates the outside legal engagements.
5. Reviews, drafts, and negotiates all Fund contracts, including but not limited to, subscription agreements, other investment documents, and agreements with Service Providers.
6. Advises the Board, Executive Director, CIO, and Investment Staff on governance matters and Texas and Federal laws and regulations relating to the management and operation of the Fund.
7. In consultation with the Executive Director and CIO, maintains a compliance function that oversees all regulatory and compliance matters related to Fund activities.

Investment Staff

1. Assumes responsibility and authority, as assigned, for the ongoing evaluation and management of Total Assets.
2. Operates ethically with a duty of loyalty, investing and managing Total Assets solely in the financial interest of members and beneficiaries.
3. Utilizes special skills and expertise in an effort to accomplish the long-term objective of this Policy.
4. Sources, evaluates, and monitors prospective and existing investment opportunities.
5. Prepares and submits reports required by the CIO in a timely manner.

Compliance

The Fund's General Counsel in consultation with the Executive Director and CIO shall maintain a compliance effort, which could be performed by internal resources and/or an external Service Provider. The compliance function shall maintain a degree of separation from the key investment decision makers to effectively operate as an unbiased third-party observer with the authority to initiate reports and recommend actions to the Executive Director, Investment Committee and Board, when deemed appropriate. The responsibilities of this party are described below.

1. Oversees and assesses Service Providers for effectiveness of and adherence to terms and conditions.
2. Maintains regulatory knowledge and assesses investment program adherence and risk related to laws, rules, and regulations.
3. Advises on best practice operational processes and procedures and reviews and reports on the effectiveness of internal controls.
4. Assists with action plans in response to audit discoveries and compliance concerns.
5. Prepares standardized quarterly and annual reports that include:
 - An overall assessment of this Policy, Investment Implementation Procedures, the Fund's Ethics Policy, and other policies, procedures, and documents including any variances and known exceptions,

- An assessment of the Fund’s compliance with relevant laws, rules, and regulations, and
- Findings of any audits related to investments and updates on ongoing action plans.

Service Providers

This Policy allows the Executive Director and CIO to contract with various Service Providers to advise, assist, or perform critical functions required for the proper operation of the Fund. Service Providers include External Investment Managers, Discretionary External Investment Advisors, External Investment Advisors, General Consultant, Master Custodian, and any other person who or entity that may have a relationship with the FWERF with respect to investment operations.

Each of the bodies and entities in this section are fiduciaries to the Fund and must act prudently, and in accordance with Fund policies and Section 802.203 of the Texas Government Code and any other related laws of the State of Texas as those laws apply to the fiduciary duties of municipal public pensions. These fiduciaries must also avoid conflicts of interest and may not engage in transactions on behalf of the Fund for the purpose of benefiting other parties unrelated to the Fund, as further described in the Fund’s Ethics Policy.

Specific responsibilities include:

1. General Consultant
 - a. Advise the CIO, Investment Staff, and Executive Director on the review and development of this Policy and Investment Implementation Procedures.
 - b. Review and provide objective advice on the overall portfolio composition, investment strategies, investment risk, cost, and other operational matters of the Fund.
 - c. Prepare and provide timely and objective research materials, as needed by the Investment Staff.
 - d. Provide periodic reporting on performance, risk, cost, and return attribution as outlined in the Investment Implementation Procedures. The performance reporting should include time weighted returns by asset class versus benchmarks, overall returns versus a peer universe, and commentary on the economic and market events that influenced performance.
 - e. Source and evaluate existing and prospective External Investment Managers in accordance with the Investment Implementation Procedures on an as needed basis.
 - f. Support the Investment Staff with respect to any matters related to applicable investment strategies or portfolios.
 - g. Provide an annual report to the Board acknowledging its status as a fiduciary to the Fund and detailing actions taken by the CIO, Investment Staff and/or Service Providers with the goal of assessing the appropriateness of the actions and informing the Board on relevant and material items that affect the management of the Fund.
2. External Investment Advisor
 - a. Review and provide objective advice on the investment strategies, investment risk, portfolio construction, and other operational matters related to the asset class assigned in the engagement contract.
 - b. Prepare and provide timely and objective research materials, as needed by the Investment Staff.

- c. Provide periodic reporting on performance, cost, fees, risk, and return attribution as outlined in the Investment Implementation Procedures. The performance reporting should include a measure of net and gross returns, net time weighted returns and/or IRR for the specific asset class, relative benchmark performance, a peer universe or quartile ranking of returns, manager specific returns, and any applicable commentary on economic or market events that influenced performance.
 - d. Source and evaluate existing and prospective External Investment Managers in accordance with the Investment Implementation Procedures on an as needed basis.
 - e. Support the Investment Staff with respect to any matters related to applicable investment strategies or portfolios.
3. Discretionary External Investment Advisor
- a. Assume discretionary responsibility for the portfolio construction, sourcing, selection, and termination of External Investment Managers related to the asset class assigned in the engagement contract.
 - b. Prepare and provide timely and objective research materials, as needed by the Investment Staff.
 - c. Provide periodic reporting on performance, risk, cost, and return attribution as outlined in the Investment Implementation Procedures. The performance reporting should include a measure of net and gross returns, net time weighted returns and/or IRR for the specific asset class, relative benchmark performance, a peer universe or quartile ranking of returns, manager specific returns, and any applicable commentary on economic or market events that influenced performance.
 - d. Support the Investment Staff with respect to any matters related to applicable investment strategies or portfolios.
4. External Investment Managers
- a. Assume discretionary responsibility for the portfolio construction, security selection, and risk management for the investment strategy outlined in the investment management agreement between the External Investment Manager and the Fund.
 - b. Maintain status as a Registered Investment Advisor under the Investment Advisors Act of 1940 throughout the contractual term. Known exceptions may exist for older or legacy relationships.
 - c. As applicable, acknowledge in writing to the Fund the External Investment Manager's intention to comply with this Policy, the Investment Implementation Procedures, and/or Section 802.204 of the Texas Government Code, in the current form or as modified in the future. Known exceptions may exist relating to agreed upon investment guidelines, Limited Partner Agreements, and side letters with private External Investment Managers.
 - d. Inform the CIO and Investment Staff of any material changes in the firm, ownership, staffing, investment strategy, or market values.
 - e. Provide periodic reporting on performance, risk, cost, and return attribution as outlined in the Investment Procedures.
 - f. Support the Investment Staff with respect to any matters related to applicable investment strategies or portfolios.

5. Master Custodian
 - a. Assume responsibility to collect income and safe keep all cash and securities.
 - b. Provide a regular summary of all holdings, the asset allocation, absolute returns, and returns relative to benchmarks at the Total Asset, asset class, portfolio or manager, and individual security level.
 - c. Act as a bank or trust depository to accept and hold and invest cash prior to allocation to External Investment Managers
 - d. Invest idle cash via an automatic sweep to a Short-Term Investment Fund (STIF) managed by the Master Custodian or by others on behalf of each External Investment Manager.

V. ASSET ALLOCATION STRATEGY

Authorized Asset Classes and Investment Strategies

The Trustees have reviewed the Fund and considered the appropriateness of various asset classes in relation to the objectives and philosophy described in this Policy and the Investment Implementation Procedures, including the risk, return and liquidity characteristics of various asset classes and investment strategies, the long-term capital markets expectations, and the Fund’s financial and demographic characteristics. The Board hereby empowers the Executive Director and CIO to invest and reinvest Total Assets in the following asset classes and investment strategies, subject to all the terms, limitations and criteria imposed by this Policy, the Investment Implementation Procedures, and any applicable laws, rules, and regulations. Furthermore, Investment Implementation Procedures shall guide the portfolio construction of the asset classes, define the investment beliefs, define the risk and return expectations, outline monitoring criteria and efforts, and identify other considerations, criteria, and limitations related to External Investment Manager and Service Provider engagement.

Asset Class	Traditional Assets			Alternative Assets		
	Equities	Fixed Income	Cash	Private Equity	Real Assets	Diversified Opportunities
Purpose	Growth, Liquidity, Income	Capital Preservation, Liquidity, and Income	Liquidity	Growth and Diversification	Income, Diversification, Inflation Protection, and Capital Preservation	Diversification and Income
Investment Strategies	Domestic International Emerging Markets Derivative Instruments Investment Companies Securities Lending	Core Core Plus Domestic International Emerging Markets Derivative Instruments Investment Companies US TIPS Securities Lending	Domestic International FX	Venture Capital Growth Equity Buyout Resources Distressed Debt Co-Investment Co-Investment Strategies Secondaries Other	Core Real Estate Non-Core Real Estate Real Estate Debt Investment Companies Commingled Real Estate Investments Infrastructure Commodities Co-Investment Co-Investment Strategies Secondaries Resources Other	Hedge Funds Direct Lending High Yield Bonds Levered Loans Mezzanined Debt Distressed Debt Real Estate Debt Emerging Market Debt Structured Credit Derivative Instruments Investment Companies Co-Investment Co-Investment Strategies Other

The Trustees have authorized Securities Lending as an investment strategy and Investment Implementation Procedures specifically outline the conditions and criteria that guide equity and fixed income lending.

Asset Allocation Policy Targets and Ranges

The Fund’s asset allocation policy is intended to reflect and be consistent with the return objective and risk tolerance expressed in this Policy. It is designed to provide the highest probability of meeting or exceeding the Fund’s long-term objectives at a level of risk acceptable to the Board. The Board and Investment Committee have reviewed the risk, return, liquidity and cost characteristics of a wide range of asset allocation approaches (conservative to aggressive). Based on input from the CIO, Investment Staff, and General Consultant, the Board establishes the following strategic asset allocation target and acceptable asset class ranges for investment of the Total Assets. The Board recognizes that market events or other circumstances may dictate that investing above or below the target allocation is desired.

Asset Class		Strategic Asset Allocation		
		Target	Maximum	Minimum
Alternatives Maximum of 45%	Private Equity	15%	20%	5%
	Real Assets	10%	20%	5%
	Diversified Opportunities	10%	20%	5%
Traditional Minnimum of 55%	Equity	45%	60%	30%
	Fixed Income	19%	40%	10%
	Cash	1%	5%	0%
		100%		

Periodically, the strategic asset allocation targets and ranges will be reviewed for reasonableness compared to market and economic factors and the long-term objectives of this Policy. Every three to five years, the CIO, Investment Staff, and Service Providers shall perform a formal asset / liability study and evaluate the risk and return profile of several conservative to aggressive asset allocation strategies. This study should influence and support changes to the strategic asset allocation policy.

Rebalancing

Because the asset classes do not move in concert, allocation deviations will occur through normal market activity. The CIO and Investment Staff should evaluate the asset classes, risk exposures, and return opportunities at least quarterly and rebalance the portfolio to the strategic asset allocation target or an alternative tactical asset allocation within defined ranges. The CIO should evaluate the impact of rebalancing along with the transaction cost of rebalancing and any specific market or timing factors that may influence the outcome of trading activity. This evaluation may suggest the planned rebalancing activity is undesired.

Portfolios that drift from the strategic asset allocation target and tactical asset allocation adjustments represent an active risk compared to the strategic asset allocation target and therefore should be based on a specific investment thesis or rationale that is communicated to the Investment Committee. Tactical asset allocation shifts should remain within allowable asset class ranges. Asset class

exposures that drift outside of the asset class ranges should be rebalanced within the stated range prior to the end of a quarter.

To be clear, the expectation is that asset allocation remains within defined ranges, but the Board also recognizes the uncertainty of global economic, geopolitical, and security market activity as well as the illiquidity of various asset classes. Transition periods or unforeseen market events could negatively impact the Market Value of the Fund making rebalancing unattractive. In this circumstance, the CIO shall promptly inform the Board of any factors that may impact the Fund’s ability to efficiently and effectively rebalance the portfolio within defined ranges and then design and communicate a rebalancing plan to the Board.

VI. INVESTMENT RETURN OBJECTIVES AND BENCHMARKS

Benchmarks

The Board believes comparing the risks and returns of the Fund, asset classes, and External Investment Managers to the returns of relevant benchmarks is the primary method for assessing the effectiveness of Investment Staff and the investment program overall. Based on input from the CIO, Investment Staff, and Service Providers the Board approves the following benchmarks for each asset class. The CIO, Executive Director, Investment Staff and Board will primarily evaluate the investment performance for the Total Assets, asset classes, and each component portfolio based on these benchmarks.

Asset Class	Benchmark
Private Equity	Russell 3000 +3%
Real Assets	NFI - ODCE Index
Diversified Opportunities	50% Bloomberg Barclays High Yield Index and 50% Credit Suisse Leveraged Loan Index
Equity	MSCI ACWI, Net Index
Fixed Income	Bloomberg Barclays U.S. Aggregate Bond Index
Cash	BofA Merrill Lynch 3 Month U.S. T-Bill Index

The investment performance of the Total Assets and component portfolio investment performance will be calculated in accordance with the performance reporting and monitoring sections of the Investment Implementation Procedures. Generally, the investment performance of the Fund will be compared to the policy benchmark, which is based on the strategic asset allocation and the asset class benchmarks defined above.

However, updates to this Policy may include significant changes to asset class benchmarks and the strategic asset allocation target. This may create periods of transition, where the actual portfolio asset allocation or underlying investments may be significantly different than the strategic asset allocation target or benchmarks. During these periods of transition, investment performance will be evaluated

both on a policy benchmark and an “as allocated” or “dynamic” benchmark. The composition of the dynamic benchmark considers the asset allocation at the beginning of a quarter and/or a blend of the previous and new asset class benchmarks. This dynamic benchmark changes over time and the investment performance is calculated by geometrically linking returns. When the dynamic benchmark converges to the policy benchmark, the continued use and evaluation of the dynamic benchmark may not be necessary. The CIO will communicate the rationale and appropriateness for the use of a dynamic benchmark to the Investment Committee.

To evaluate the effectiveness of the investment program and the decisions of Investment Staff, the Board sets relative return and risk objectives for the Total Assets in this Policy. In addition, the Investment Implementation Procedures outline the relative risk and return objectives for asset classes, Investment Strategies, and External Investment Managers. With respect to returns, long-term time weighted returns are particularly appropriate for the Fund and liquid asset classes and net internal rates of return may be appropriate for private asset classes. With respect to risk, the standard deviation of returns for the Fund, asset classes, and External Investment Managers is an appropriate measure of risk. The Sharpe ratio or information ratio represents an appropriate measurement of risk adjusted returns for the Fund. Other more specific evaluation criteria are described in the Investment Implementation Procedures.

Total Fund Performance Objectives¹

The Trustees adopt the following comparative objectives for the Investment Staff related to Total Fund performance:

1. The Fund’s return (net of fees) should meet or exceed the policy benchmark, or dynamic benchmark if applicable, over a period of 3 years.
2. The Fund’s return (gross of fees) should be evaluated in comparison to the fiftieth percentile (50%) return of a national recognized universe of other Public Funds of similar size measured over a period of 3 years. Differences in asset allocation and other criteria should be evaluated.
3. The Fund’s risk adjusted return (gross of fees) should be evaluated in comparison to the fiftieth percentile (50%) of a national recognized universe of other Public Funds of similar size measured over a period of 3 years.

VII. INVESTMENT MONITORING

This Policy requires the CIO to review high level investment performance with the Board quarterly. Additionally, on a timely basis, but not less than four (4) times a year, the CIO, Investment Staff, Executive Director, and Investment Committee will review actual investment results achieved by each External Investment Manager with a focus on the 3- and 5-year return characteristics. The criteria for the detailed review is defined in the Investment Implementation Procedures. The objective of the detailed review is to guide sourcing, retention and termination decisions by evaluating if:

- The External Investment Managers performed in adherence to this Policy,

¹ These are only investment objectives for the Fund. Failure to meet any of the listed objectives is not an indication that the Board is not in compliance with its fiduciary duty.

- The External Investment Managers performed satisfactorily when compared with section VI of this Policy, the Investment Implementation Procedures, and the stated style or investment process.

VIII. VARIANCES AND EXCEPTIONS

In case of uncertainty and on a case-by-case basis, the Executive Director and CIO shall approve variances or exceptions to this Policy. Such variances will be documented in writing and communicated to Compliance and the Board.

IX. REVISION HISTORY

05/2008
01/28/2009
12/16/2009
03/23/2011
06/20/2012
08/21/2013
02/18/2014
06/25/2014
12/14/2016
01/24/2018
01/27/2021

APPENDIX A: DEFINITIONS

Buyout – Generally a type of private equity investment that invests in the purchase of all or part of the stock or assets of a privately or publicly owned company through the use of debt and equity.

Cash Equivalents – Investment Grade debt investments representing liquid, marketable securities with a remaining term to maturity (at the time of purchase) of ninety days or less (≤ 90 days), including, but not limited to, commercial paper and discount notes. Debt securities issued by the United States, any agency of the United States federal government or any entity with the express or implied backing of the United States with a remaining term to maturity of three hundred ninety-seven days or less (≤ 397 days) may also be considered Cash Equivalents for purposes of this Investment Policy.

Co-Investment – An investment whereby limited partners or participants of a private equity or Commingled Real Estate Investment (and other parties) make a minority investment in a portfolio company or other underlying asset alongside the associated External Investment Manager.

Co-Investment Strategy – A categorical set of Co-Investments linked by a specified common factor, including, but not limited to, all Co-investments originating from a given underlying private equity or Commingled Real Estate Investment that is proposed for approval, managed, and reported as a single investment.

Commingled Real Estate Investment – A pooled investment vehicle that invests primarily in real estate assets and real estate related assets and is overseen by an External Investment Manager. Commingled Real Estate Investments may include, but are not limited to: open and closed end funds; private limited partnerships; private limited liability companies; private and public Real Estate Investment Trusts (“REITs”); and group trusts.

Commodities – Speculative or hedging transactions in physical assets or derivative contracts for physical assets related to precious metals, base metals, agriculture goods, construction goods, energy goods and other base assets.

Core Fixed Income – Fixed income investments in U.S. treasury bonds, corporate bonds, agency mortgages, and other structured products that are investment grade rated by at least one nationally recognized ratings agency.

Core Real Estate Investments – An industry term that generally means a Traditional Property Type that is well-located, of institutional quality and leased, at the time of acquisition, at a rate of eighty percent or greater ($\geq 80\%$). “Core plus,” as defined by the general real estate industry, may also be considered a Core Investment for purposes of this Investment Policy.

Core Plus Fixed Income - Fixed income investments in Core Fixed Income, as described above, with moderate exposure ($\leq 20\%$) to below investment grade fixed income.

Derivative Instruments – Any agreement, option or instrument, or any series or combinations of an agreement, option or instrument: (i) to make or take delivery of, or assume or relinquish, a

specified amount of one (1) or more underlying interests, or to make a cash settlement in lieu thereof; or (ii) that has a price, performance, value or cash flow based primarily upon the actual or expected price, yield, level, performance, value or cash flow of one (1) or more underlying interests. Derivative Instruments include, but are not limited to, options, warrants (not attached to another investment), caps, floors, collars, swaps, security-based swaps, security-based swap agreements, mixed swaps, swaptions, forwards, futures and any other agreements, options or instruments substantially similar thereto, or any series or combinations thereof. Derivative Instruments do not include Collateralized Mortgage Obligations (“CMOs”), Treasury Inflation-Protected Securities (“TIPS”), other asset-backed securities, principal-protected structured securities or floating rate securities.

Direct Lending – Cash flow or asset-backed leveraged private lending from a non-traditional bank to most often middle market private borrowers.

Direct Real Estate Investment – A direct ownership or co-ownership in Core Real Estate Investments or Non-Core Real Estate Investments.

Discretionary External Investment Advisor - An individual or entity duly selected and contractually bound, who/that typically provides asset management services for a specified asset class on a discretionary basis to the FWERF. Such External Investment Advisor will be appropriately registered, or exempt from registration, under the applicable state and federal, or international securities laws, rules and regulations.

Distressed Debt– Generally an investment that is focused on the debt obligations of underperforming companies in need of operating or financial restructuring and that are typically involved in a turnaround, restructuring, deleveraging or bankruptcy situation.

Emerging Market Debt – A local currency or dollar denominated debt instrument issued by sovereign nations or companies located in the same regions included in the MSCI Emerging Market Stock Index.

Equity(ies) – Investments representing an equity, ownership interest to include, but not limited to, publicly traded common and preferred stock, Initial Public Offerings (“IPOs”), bonds or any security convertible to stock, equity-focused Investment Companies, and publicly traded Real Estate Investment Trusts (“REITs”).

External Investment Advisor – An individual or entity duly selected and contractually bound, who/that typically provides investment and administrative advice on a non-discretionary basis to the FWERF. Such External Investment Advisor will be appropriately registered, or exempt from registration, under the applicable state and federal, or international securities laws, rules and regulations.

External Investment Manager – An individual or entity, duly selected and contractually bound, who/that typically assumes discretion over a specified portion of the FWERF’s public or private assets. Such External Investment Manager will be appropriately registered, or exempt from

registration, under the applicable state and federal or international securities laws, rules and regulations.

Fixed Income Security(ies) – Investments representing an instrument under which the issuer owes the holder (debt) to include, but not limited to, notes, bonds or other fixed income securities.

General Consultant – An entity or individual, duly selected and contractually bound, with substantial experience in providing advice on and/or consulting services related to the Total Assets based upon its/his/her expertise and analysis of the issues and/or assets under consideration.

General Counsel – The internal party authorized to represent the Fund, Board, and staff regarding all legal matters.

Growth Equity – Generally a type of private equity investment that invests in an established company with high growth prospects.

Hedging Transaction – A derivative transaction that is entered into and maintained to manage: (i) the risk of a change in the value, yield, price, cash flow or quantity of assets or liabilities, or a portfolio of assets and/or liabilities; or (ii) the currency exchange rate risk related to assets or liabilities, or a portfolio of assets and/or liabilities.

High Yield Bonds – A debt instrument with a credit rating below Investment Grade.

Income Generation Transaction – A derivative transaction, excluding Hedging Transactions and Replication Transactions, which is entered into to generate income.

Infrastructure – A liquid public or illiquid private investment in the equity or debt of a critical long-duration asset including but not limited to wireless transmission towers, electricity transmission, toll roads, rail networks, midstream energy projects, aviation projects, and shipping projects.

Investment Committee – A committee of the Board comprised of Board members that will assist and advise the Board in fulfilling its responsibilities with respect to the investments of the Fund.

Investment Companies – An entity, primarily engaged in the business of investing, that issues publicly listed securities. Investment Companies include, but are not limited to publicly listed unit investment trusts (“UITs”), Real Estate Investment Trusts (REITs), exchange-traded funds (“ETFs”), open-ended mutual funds and close-ended mutual funds.

Investment Grade – Rating description given to debt securities. For purposes of this Investment Policy, Investment Grade for long-term debt securities must be within the four (4) highest tiers (e.g., AAA, AA, A, or BBB) and short-term debt securities must be within the three (3) highest tiers (e.g., A-1, A-2 or A-3); rating modifiers (+, -) should not be considered when determining the tiers. Debt securities issued by the United States, any agency of the United States federal government or any entity with the express or implied backing of the United States shall be considered as holding the highest possible rating.

Investment Implementation Procedures – Separate documents that outline processes related to program implementation, portfolio construction, investment approval, due diligence, investment monitoring, performance and risk measurement, reporting, and other similar matters.

Investment Staff – Each employee involved in the investment and investment operations management of the Total Assets.

Legal Counsel – The internal or external party authorized to represent the Fund, Board, or Staff in assigned matters.

Levered Loans – A debt instrument issued from companies with below Investment Grade credit ratings. Leveraged loans are typically secured with a lien on the company's assets and are generally senior to the company's other debt.

Market Value – Market Value refers to values based on observable prices for liquid investments or the net asset value for illiquid or private investments. The Market Value is determined in accordance with applicable financial reporting requirements. For additional guidance, refer to the FWERF's Comprehensive Annual Financial Report.

Master Custodian – A bank, savings and loan association or trust company, duly selected and contractually bound, that, at a minimum, holds the assets of and processes securities transactions for the FWERF and reports on holdings and investment performance.

Mezzanine Debt – Placed between debt and equity in a company's capital structure, mezzanine debt is typically a subordinated debt instrument for middle market private companies and offers income through a current coupon and equity participation through a warrant.

Non-Core Real Estate Investments – Broadly defined as all other real estate assets that are not Core Investments. Non-Core Investments include “value-added,” “opportunistic,” “build to core” or “lease to core” investments, as defined by the general real estate industry.

Real Estate Debt – A debt instrument that is secured by the collateral of specified real estate property.

Replication Transaction – A derivative transaction or combination of derivative transactions, excluding Hedging Transactions, affected either separately or in conjunction with cash market investments included in a portfolio in order to replicate the risks and returns of another authorized transaction, investment or instrument and/or operate as a substitute for cash market transactions.

Resource – Generally a type of traditional private equity investment that invests in commodities or natural resources.

Service Providers – Any external party who/that performs investment-related services for or on behalf of the FWERF, including, but not limited to, the General Consultant, External Investment

Advisers, External Investment Managers, legal services, investment consultants, data providers, data aggregators, securities litigation monitors, etc.

Structured Credit – Products comprised of tranches of portfolios of credit instruments or exposures, including credit derivatives, usually securitized by various financial assets.

Total Assets – The total plan assets or overall investment portfolio of the FWERF.

Traditional Property Type – Real estate assets that consists of only office, multifamily (apartment), retail and/or industrial assets.

Venture Capital – Generally a type of private equity investment that invests in the financing of rapidly-growing companies that do not have access to public equity or debt financing.