



ADMINISTRATIVE RULES

Amended and approved on September 8, 2022

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RULE 1

RULE GENERAL PROVISIONS

1.1 Definitions

The following words, terms, and phrases when used in these Rules shall have the meanings ascribed to them in this section except where the context clearly indicates a different meaning.

Actuarial Equivalent shall mean equality in value of the aggregate amounts expected to be paid under different forms of payment and based upon the actuarial factors and assumptions adopted by the Board.

Actuarial Equivalent Pension Benefit shall mean a benefit in lieu of a Normal Pension payable as a lump sum of not less than five percent (5%) or greater than twenty-five percent (25%) of the Actuarial Equivalent of the Member's Normal Pension and the remainder as a reduced Pension.

Actuary shall mean the technical advisor to the Fund who performs mathematical calculations of Pension benefits based upon specific procedures and assumptions and who makes periodic valuations of the assets and liabilities of the Fund and Staff Plan and any other evaluations as requested by the Board.

Beneficiary shall mean the person designated by a Member who receives, or may receive, a benefit or refund from the Fund as provided under these Rules.

Board shall mean the Board of Trustees of the Fund and of the Staff Plan.

Cash Balance Account shall mean the individual nominal account administered by the Fund and established for Group II Members in Service between July 1, 2011 and September 30, 2013 to account for overtime Member Contributions made to the Fund.

City shall mean the City of Fort Worth, Texas.

City Contributions shall mean those amounts paid to the Fund by the City as derived from Members' Earnings.

City Council shall mean the City Council of the City.

Code shall mean the comprehensive set of tax laws created by the Internal Revenue Service and set forth under Title 26 of the United States Code, as amended, and any successor thereto.

Compensation Base shall mean the average Earnings within a specified number of calendar years where a Member had the highest Earnings during his or her Service as set forth in the Ordinance.

Credited Service shall mean the length of membership in the Fund represented in years and months where a month of Credited Service accrues during each calendar month that the Member's Service totals fifteen (15) or more days or such other duration as set forth in the Ordinance. Credited Service shall accrue for Service which the Member receives compensation and shall include Service Credits as set forth within and limited by the Ordinance.

Dependent Child or Dependent Children shall mean a Member's dependent, unmarried, legitimate as legitimacy is defined by the Texas Family Code and the Texas Probate Code, or legally adopted child under

age eighteen (18) and which determination of such child's dependency shall be at the discretion of the Board whose determination shall be final and conclusive on all parties.

Dependent Parent shall mean the parent of a Member for whom the Member provides over one half of such parent's financial support. The determination of the existence and level of financial support shall be at the discretion of the Board whose determination shall be final and conclusive on all parties.

DROP shall mean the Deferred Retirement Option Program.

DROP Account shall mean the account created for a Member who has made an effective DROP Election.

DROP Election shall mean the election made by a Member to participate in DROP.

Early Pension shall mean a non-Normal Pension available to a Vested Member whose Separation of Service and commencement of Pension is on or after the Early Retirement Date.

Early Retirement Date shall mean the date a Vested Member's Pension commences that is before the Member's Normal Retirement Date and on the date or after the date the Vested Member attains age fifty (50) and where a Group II Member is at least age fifty-five (55).

Early Retirement Penalty shall mean a Pension reduction of five-twelfths percent (5/12%) multiplied by the number of months that the commencement of the Pension antedates a Member's Normal Retirement Date.

Earned Income shall mean wages, salaries, tips, commissions, monetary bonuses, professional fees or other amounts received as compensation for personal services rendered including under a deferred compensation program.

Earnings shall mean the compensation paid to a Member for Service as set forth in the Ordinance.

Earnings Cap shall mean the method of calculating the Compensation Base of Members who were not Vested before October 23, 2007 that imposes a twelve percent (12%) cap on year-over-year increases to any Earnings used to calculate a Member's Compensation Base as set forth within and limited by the Ordinance.

Executive Director shall mean the individual appointed by the Board to supervise the administrative affairs of the Fund and to carry out the operation of the Fund.

Firefighter shall mean a member of the City of Fort Worth Fire Department appointed in substantial compliance with the Texas Local Government Code, Title 5, Chapter 143 or as modified by the provisions of the City's Collective Bargaining Agreement with the Fort Worth Professional Firefighters Association IAFF Local 440 and any trainee who is employed by the City for the sole purpose of attending the City of Fort Worth Fire Department's Training Academy.

Fiscal Year shall mean the period from October 1st of one year through September 30th of the following year.

Fund or Plan shall mean the Employees' Retirement Fund of the City of Fort Worth, Texas as designated through a properly filed assumed name certificate as the "Fort Worth Employees' Retirement Fund."

Fund Employer Contributions shall mean those amounts paid by the Fund to the Staff Plan on behalf of Fund Employees and derived from a percentage of Fund Employees' earnings.

Fund Employee shall mean an employee of the Fund.

General Employee shall mean an employee hired by the City who is not a Police Officer or Firefighter.

Group I Member shall mean a General Employee hired by the City before July 1, 2011.

Group II Member shall mean a General Employee hired by the City on or after July 1, 2011.

Group III Member shall mean a Police Officer hired by the City before January 1, 2013.

Group IV Member shall mean a Police Officer hired by the City on or after January 1, 2013.

Group V Member shall mean a Firefighter hired by the City prior to January 10, 2015.

Group VI Member shall mean a Firefighter hired by the City on or after January 10, 2015.

High 3 Compensation Base shall mean a Group I Member's, Group III Member's, Group V Member's Compensation Base determined by averaging such Member's Earnings during any three (3) calendar years that the Member had the highest Earnings and subject to the Earnings Cap where applicable as set forth in the Ordinance.

High 5 Compensation Base shall mean a Member's Compensation Base determined by averaging the Member's Earnings during any five (5) calendar years that the Member had the highest Earnings as set forth in the Ordinance.

Line of Duty shall mean as a result of the performance of a Member's Service and in the course of the operation usual to a Member's Service including all operations necessary, incident or appurtenant thereto or connected therewith whether such operations are conducted at the usual place of Service or elsewhere.

Member shall mean an employee of the City who makes or has made Member Contributions to the Fund or a Fund Employee who makes or has made Member Contributions to the Staff Plan.

Member Contributions shall mean the sum of all amounts deducted from a Member's Earnings through a regular payroll process or paid by the Member to the Fund or the Staff Plan. For the purposes of these Rules, such amounts paid by the City shall be deemed "employer contributions" for the purposes provided under Section 414(h)(2) of the Code but shall remain the employee's contribution for purposes of property rights of the members under Texas law.

Military Leave shall mean active duty in the armed forces of the United States including active duty in the Army National Guard and the Air National Guard and any other category of duty designated under the Uniformed Services Employment and Reemployment Rights Act and the U.S. Code of Federal Regulations.

Net Earnings from Self-Employment shall mean the earnings from self-employment as reflected upon the Internal Revenue Form Schedule SE and its successors which schedule is attached to Internal Revenue Form 1040 and its successors.

Normal Pension shall mean the Pension available to a Vested Member who remains in Service until his or her Normal Retirement Date.

Normal Retirement Date shall mean the last day of the month in which the earlier of the following occurs: (i) the Vested Member's age and Credited Service total eighty (80) and where a Group II Member is at least age 55; or (ii) the later of either (1) the Vested Member reaches age sixty-five (65) or (2) the Member's fifth (5th) anniversary of Fund membership; or (iii) a Vested Group III or Group IV Member completes twenty-five (25) years of Service.

Notice shall mean delivery by electronic mail with confirmation of the receipt of the electronic mail, delivery by certified or personal mail, delivery by overnight mail or first class postal mail, or delivery by personal service.

Ordinance shall mean the Fort Worth Code of Ordinances, Chapter 2.5 titled "Retirement" and its amendments and successor ordinances.

Part I Credited Service shall mean Credited Service earned or purchased by a Group I Member or a Group III Member before October 1, 2013 and Credited Service earned or purchased by a Group V Member before January 10, 2015.

Part II Credited Service shall mean Credited Service earned or purchased by a Group I Member or Group III Member on or after October 1, 2013 and Credited Service earned or purchased by a Group V Member on or after January 10, 2015.

Pension shall mean a benefit for life, as provided in these Rules, payable annually in twelve (12) equal monthly installments commencing on the first day of the month following the Board's approval of the benefit and in accordance with these Rules.

Pension Office shall mean the administrative office of the Fund.

Police Officer shall mean a member of the City of Fort Worth Police Department who has acquired civil service status or has been appointed or is serving a one (1) year probationary period in substantial compliance with the Texas Local Government Code, Title 5, Chapter 143.

Regular Interest shall mean 2-year Treasury Bill rate on the last pay date of the calendar year. Regular Interest will be compounded annually. Regular Interest will not be applied to any year in which the Member is not an active employee on the last pay date of the calendar year.

Retirement shall mean a Member's withdrawal from Service where a Pension is provided thereafter.

Rules shall mean the administrative rules and any procedures or processes adopted by the Board to govern the Fund or Staff Plan including those rules regarding the administration of benefits provided by the City and from the Fund and benefits provided by the Board and from the Staff Plan.

Separation of Service shall mean complete severance as a contributing Member of the Fund by any voluntary or involuntary act or means.

Service shall mean service as an employee of the City.

Service Credits shall mean additional periods of Credited Service voluntarily purchased by a Member through additional Member Contributions.

Specified Percentage shall mean the percentage of a Member's Compensation Base that is applied during a Pension calculation pursuant to and as set forth within the Ordinance.

Spouse shall mean the lawfully married husband or wife of a Member.

Staff Plan shall mean the Fort Worth Employees' Retirement Fund Staff Retirement Plan as created by the Board for the exclusive benefit of Fund Employees.

Trustee shall mean an elected or appointed member of the Board.

Vested shall mean the accrual of rights and benefits under the Plan or Staff Plan upon the attainment of five (5) years of Credited Service or upon a Member attaining his or her retirement date. Rights and benefits shall also accrue to all Members at the time of termination of the Fund, complete discontinuance of the City's Contributions to the Fund, or any partial termination of the Fund but only to the extent that the benefits of such Members have been funded.

Vested Pension shall mean a Pension available to a Vested Member whose Separation of Service is before the Member's Normal Retirement Date and where such Pension commences on or after the Member's Normal Retirement Date.

Vested Terminated Retirement Date shall mean the last day of the month in which the earlier of the following occurs: (i) the Vested Member's age and Credited Service total eighty (80) as if the Member had remained employed by the City through such date and where a Group II Member is at least age 55; or (ii) the date the Vested Member reaches age sixty-five (65), but not prior to the fifth (5th) anniversary of the date the Member joined the Fund.

1.2 Fund Establishment

- A. A retirement system for the employees of the City of Fort Worth was established by the Fort Worth City Charter and the Ordinance as the "Employees' Retirement Fund of the City of Fort Worth." This Fund was placed under the exclusive administration and management of a Board of Trustees by the Texas Revised Civil Statutes, Title 109, Article 6243i for the purpose of providing retirement benefits pursuant to the provisions of the Ordinance and these Rules.
- B. With respect to benefits from the Fund, the Board shall administer the Ordinance and the Fund shall be the successor to all rights, privileges and obligations of any repealed ordinances and there shall be no gap between those provisions establishing the Fund and any prior ordinances.
- C. The City, pursuant to its policies, programs and applicable law, shall indemnify and hold harmless the Board and its Trustees against any and all loss, damage and expense including court costs and attorney's fees resulting from or arising out of the actions or inactions of the Board and its individual Trustees in connection with the performance of their duties, provided that no such indemnification shall apply to any loss, damage or expense that is attributable to the Board's or a Trustee's gross negligence or willful misconduct.
- D. The Fund is an irrevocable trust into which all assets of the Fund shall be deposited. No part of the corpus or income of the Fund shall revert to the City or be used for, or diverted to, any purpose other than exclusively providing benefits to Members and their beneficiaries in accordance with the terms of these Rules.

1.3 Fund Administration

The custody and supervision of the Fund shall be vested in the Board, which has the sole and exclusive responsibility for the proper and effective administration of the Fund and the implementation of its Rules.

A. Fund Operation and Fund Employees

1. The Board shall conduct annual Trustee elections as per the Ordinance and may procure a professional election service provider to administer the election process.
2. The Board shall have the authority to purchase real property to include a building to house the operations of the Fund and Fund Employees and any equipment, supplies and furnishings as it determines reasonably necessary for the proper administration of the Fund including casualty insurance necessary to protect the physical property of the Fund. For the purpose of purchasing, holding or maintaining Fund property, the Board may use Fund income and/or any other funds controlled by the Board so long as the use of such funds is not prohibited by law. The Board shall also have authority to rent or lease any space within the building housing the Fund's operations to any public agency, private organization or individual.
3. The Board shall retain and compensate Fund Employees including, but not limited to, an Executive Director and any other professional and clerical employees as the Board, in its sole discretion, deems necessary for the efficient operation of the Fund. The salaries and benefits paid to all Fund Employees shall be paid from the assets of the Fund.
4. The Board shall appoint an Executive Director who shall supervise the administrative affairs of the Fund and carry out the business of the Fund as directed by the Board. The Executive Director, upon delegation from the Board, serves as a designated fiduciary of the Fund and exercises discretion in the administration of the Fund. The Executive Director shall appoint and direct all other Fund Employees as he or she deems necessary for the efficient operation of the Fund.
5. While delegated primarily to the Executive Director, the Board shall have the ultimate authority over the employment and compensation of Fund Employees. No provision of these Rules is intended to create any expectation of continued employment unless otherwise provided in a written contract that is approved by the Board.
6. The Board, by its power and under separate instrument, created and adopted a retirement plan for the exclusive benefit of Fund Employees known as the "Fort Worth Employees' Retirement Fund Staff Retirement Plan." As its named fiduciary, the Board shall manage and operate the Staff Plan in accordance with the following provisions:
 - a. The Staff Plan assets may be commingled with the Fund assets for investment purposes;
 - b. The Board retains the continuing power to amend or terminate the Staff Plan provided that no amendment shall result in a reduction of Member benefits below those benefits in effect at the time of enactment of such amendment;

- c. In the event of Staff Plan termination or partial termination or discontinuance of Fund Employer Contributions, the accrued benefits of Members shall become completely vested; and
- d. In the event of Staff Plan termination, any of its remaining assets shall revert to the Fund but at no time prior to the satisfaction of all Staff Plan liabilities shall any part of the Staff Plan principal or its income be diverted to any purposes other than the benefit of its Members and beneficiaries.

B. Board Authority

The Board shall be deemed the fiduciary of the Fund and the Staff Plan and shall discharge its responsibilities solely in the interest of Members and their beneficiaries and for the exclusive purpose of providing benefits to Members and their beneficiaries and to defray the reasonable expenses of the Fund.

1. The Board shall have the powers and authority necessary to discharge its duties hereunder including the complete discretion to construe and interpret the Ordinance, to enter into contracts, agreements and arrangements to facilitate the administration of the Fund, to pay for the costs and expenses of the business and administration of the Fund from Fund assets, grant or deny any benefit under the Plan, and delegate certain duties hereunder to any committee it may appoint or to the Executive Director. All decisions of the Board made in good faith shall be final, binding and conclusive on all parties.
2. The Board shall have the exclusive responsibility for the proper administration of the Staff Plan and shall administer it according to the Staff Plan document and/or Staff Plan Funding Policy. The Board shall be the final authority in all matters pertaining to the interpretation, application, and administration of the Staff Plan.
3. The Board shall annually select a Chairperson, a Vice-Chairperson, and a Secretary who shall each have the authority to execute all documents on behalf of the Board. The Chairperson shall have the power to call a meeting at any time necessary to carry out the business of the Fund. The Secretary shall be deemed the custodian of the Fund's records and shall have the authority to delegate day-to-day responsibilities for record maintenance to Fund Employees. The Board may appoint the Executive Director to serve as Secretary but such appointment shall not give the Executive Director any voting rights on the Board.
4. Seven (7) members of the Board shall constitute a quorum to transact any business of the Fund unless there are Trustee vacancies, in which event the quorum shall be reduced by the number of Trustee vacancies. Every matter before the Board for a vote shall require the affirmative vote of a majority of the Trustees for final passage, as such majority is reduced by any existing Trustee vacancies, except for matters requiring the affirmative majority of the entire Board under the Texas Revised Civil Statutes, Article 6243i.
5. The Board shall have authority to retain its own legal counsel, accountants, actuaries and other professional advisors to assist the Board in the performance of its duties. The Board may act without independent investigation upon the professional advice of its advisors and such advisors shall report solely to the Board and the Executive Director.
6. Consistent with the provisions of the Texas Civil Practice and Remedies Code, Title 5 the Trustees and Fund Employees shall be entitled to the sovereign and governmental

immunity thereunder and neither the Board nor any of its Trustees or Fund Employees shall have personal liability for any action taken in good faith while in the performance of his or her duties with respect to the Fund. The Board shall be authorized to purchase errors and omissions insurance using assets of the Fund for the protection of Trustees and Fund Employees while performing their duties with respect to the fund unless such performance includes intentional misrepresentation, willful misconduct, or gross negligence. If insurance policies or protections under the law are unavailable, insufficient, or otherwise not in effect, the Board may indemnify a Trustee or Fund Employee for damages caused by, and for reasonable costs and expenses incurred in the defense of, an alleged act, error or omission committed by the Trustee or Fund Employee while acting in good faith and in the performance of their duties with respect to the Fund. The Board shall not indemnify a Trustee or Fund Employee for any loss resulting from willful and malicious misconduct or gross negligence.

C. Board Duties and Responsibilities

1. The Board shall keep minutes of all of its public meetings and shall maintain a written record of any action taken by the Board.
2. The Board shall maintain those records necessary for the calculation and distribution of Fund and Staff Plan benefits, the financial accounting and reporting of Fund and Staff Plan assets, and the actuarial valuations of the Fund and Staff Plan. The Board shall maintain accurate accounts of all assets in the Fund and Staff Plan related to the following:
 - a. Member Contributions on both an individual and aggregate basis;
 - b. City Contributions and Fund Employer Contributions;
 - c. Receipts and disbursements;
 - d. Pension and other benefit payments;
 - e. Interests, dividends, gains, and losses from investments; and
 - f. Any other entries as may be required for a clear, complete financial report of the status of the Fund and Staff Plan.
3. The Board shall prepare, file and distribute reports on behalf of the Fund as may be required by law and regularly distribute a comprehensive Plan summary and periodic reports regarding the financial status of the Fund and Staff Plan.
4. The Board shall have the accounts of the Fund audited by a certified public accountant in accordance with generally accepted auditing standards at least once annually¹ and have the actuarial valuations, studies, and reports most recently prepared for the Fund audited by an independent actuary every five (5) years.²

¹ Fund account audit requirements are pursuant to the State of Texas Government Code Title 8, Subtitle A, Chapter 802, Subchapter B, Section 802.102 and may include commingled Staff Plan assets.

² Fund valuation and audit reporting requirements are pursuant to the State of Texas Government Code Title 8, Subtitle A, Chapter 802, Subchapter B, Section 802.1012.

5. The Board shall appoint an Actuary that meets the standards of an “enrolled actuary” as that term is defined in the Employee Retirement Income Security Act of 1974 (ERISA) and whose qualification exams are administered by the Society of Actuaries. Such Actuary shall provide an annual valuation of the Fund and the Staff Plan and serve as a technical advisor to the Board and the Executive Director. The actuarial assumptions used by the Actuary shall assume costs, liabilities, rates of interest, mortality, turnover and other reasonable factors that take into account the experience of the Fund and the reasonable expectations of its financial performance. The Board may adopt actuarial assumptions and methodologies upon the advice of its Actuary. At least thirty (30) days before the date that the Board adopts the Fund’s actuarial assumptions, the Board shall submit to the City Council the detailed report of the proposed actuarial assumptions and such report shall include the fiscal impact of the proposed actuarial assumptions to the Fund.
6. The Board shall establish a written investment policy using the advice and counsel of investment advisors as the Board deems necessary.³ The investment policy shall set forth the types of securities and other investments into which the assets of the Fund are placed. The investment policy shall further set forth appropriate limitations on Fund investments including, but not limited to, anticipated rate of return, investment quality, class and/or theme of investment and acceptable risk. The Board shall have the sole authority to invest and reinvest the assets of the Fund and Staff Plan as the Board deems appropriate provided the investment is consistent with the investment policy.
7. The Board shall be authorized to retain one (1) or more asset managers for the management of property held in the Fund and the Board shall convey property of the Fund to such money managers for investment or reinvestment in accordance with the terms of these rules and the investment policy established by the Board. Any such money manager contracting with the Board for the investment of its assets shall be deemed a fiduciary of the Fund.
8. The Board shall appoint a custodial institution for the purpose of holding in trust all assets of the Fund. The custodian appointed shall have demonstrated experience in the custody of public employee retirement plan assets. The custodian shall be responsible for the performance of all banking and trust duties, as assigned by the Board. The Board shall also be authorized to engage in a program of securities lending with the custodian. The custodian shall provide a monthly report of all transactions and shall further provide online access to the Fund to permit continuous review of Fund financial transactions. Within forty-five (45) days of the end of the Fund year, the custodian shall provide an annual report summarizing all transactions for the preceding twelve-month period.

D. Individual Trustees

1. The Board shall consist of thirteen (13) Trustees selected pursuant to Texas Revised Civil Statutes, Title 109, Article 6243i, Section 5.01 and such Trustees shall be elected or appointed pursuant to the provisions of the Ordinance.

³ The Board adopted an investment policy, attached hereto as Appendix A: “Statement of Investment Objectives and Guidelines” (last modified December 14, 2016). Such investment policy is subject to amendment at the discretion of the Board, provided that Notice of any proposed amendment is provided to the City within ten (10) days of a meeting where an amendment is proposed.

2. Each Trustee shall exercise his or her fiduciary responsibilities 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 a similar character and with similar aims.
3. Each Trustee shall adhere at all times to the following statutory provisions: (i) the Texas Constitution, Article 16, Section 67 titled “State and Local Retirement Systems”; (ii) the State of Texas Government Code Title 8, Subtitle A, Chapter 802 titled “Administrative Requirements”; (iii) the Texas Trust Code, Title 9, Subtitle B, Chapter 117 titled “Uniform Prudent Investor Act”; and (iv) the Texas Trust Code, Title 9, Subtitle C, Chapter 121 titled “Employees’ Trusts” as such provisions are applicable to a governmental retirement plan.
4. All Trustees shall serve the Fund and the Staff Plan without compensation but they shall be reimbursed from the Fund for necessary expenses as authorized by the Board. The Board shall establish a uniform reimbursement procedure for Trustee and Fund Employee travel expenses.⁴
5. No Trustee shall be responsible, at his or her own expense, to take legal action to correct the misconduct of any other Trustee. A Trustee shall have an affirmative obligation to publicly reveal any misfeasance, malfeasance or nonfeasance by another Trustee and, upon such revelation to the Board in a public meeting, shall thereafter be relieved of further responsibility with respect to actions of another Trustee.

1.4 Rule Amendments

A. Rule Amendments by Board

1. Except as otherwise provided under state law, the Board may adopt amendments to the Rules pursuant to the Texas Revised Civil Statutes, Title 109, Article 6243i, Section 5.06 if:
 - a. An analysis of the fiscal impact of the proposed amendment is performed and the Fund’s Actuary determines that the amendment will not negatively impact the fiscal soundness of the Fund;
 - b. The proposed amendment is placed on the agenda for at least two (2) consecutive meetings of the Board that are not less than thirty (30) days apart for the purpose of giving participating Members an opportunity to comment on the proposed amendments through board representation; and
 - c. The proposed amendment is approved by a majority vote of the full membership of the Board.

An amendment adopted in accordance with this Rule 1.4(A) becomes effective immediately unless otherwise provided by the Rule amendment.

⁴ The Board adopted a travel reimbursement policy, attached hereto as Appendix B: “Board Travel Policy” (last modified September 21, 2011). The Board Travel Policy is subject to amendment at the discretion of the Board.

2. Pursuant to the Texas Revised Civil Statutes, Title 109, Article 6243i, Section 5.10, the Board may adopt routine, emergency, or statutorily required amendments to the Rules as either proposed by the Board or as required by federal or state law if, by unanimous vote of the Trustees present and voting, the Board agrees that the proposed amendment is an emergency, routine, or statutorily required amendment and further approves the proposed amendment. Any approved routine, emergency, or statutorily required amendment to the Rules shall automatically be placed on the agenda for the next regular meeting of the Board and shall be subject to review, amendment, or repeal at such meeting.

B. Rule Amendments by City Council

In the event of a fiscal emergency of the City that requires an amendment to these Rules governing City Contributions, the City Council may amend these Rules to address such emergency if the City Council:

1. Determines that an emergency exists and approves the proposed amendment by the unanimous vote of all members of the City Council; and
2. Provides written Notice to the Executive Director at least five (5) business days before the date the proposed amendment is to take effect.

On the ninetieth (90th) day after the date an emergency amendment to these Rules takes effect and for each subsequent ninety (90) day period while the emergency amendment is in effect, the City Council shall determine whether the emergency continues to exist. If the City Council does not determine by a unanimous vote of its members that the fiscal emergency continues to exist, or if the City Council fails to vote on whether such emergency exists, such amendment shall automatically expire on the date the vote is taken or on the date the vote should have been taken, as applicable.

C. Rule Amendments to Plan Benefits

Consistent with the Texas Revised Civil Statutes, Title 109, Article 6243i, Part 4 no proposed amendment to the Rules that changes a benefit under the Plan may be adopted without review and approval by the City Council. Only the City Council can adopt an amendment to the Rules that reduces a benefit provided by the Fund. At least ninety (90) days before the date the City Council is scheduled to vote on an amendment to these Rules that would reduce a benefit under the Plan, the City Council must give Notice to the Board of its intention to vote on the proposed amendment.

RULE 2

MEMBERSHIP AND CONTRIBUTIONS

2.1 Membership

A. Membership General Provisions

1. Membership in the Fund shall be a condition of employment for all City employees who are eligible to be Members and such membership shall be pursuant to those requirements set forth under the Texas Revised Civil Statutes, Title 109, Article 6243i, Section 2.01.

B. Membership Upon Returning to Service

1. If a Group I Member's Separation of Service is before the Member becomes Vested and he or she returns to Service on or after July 1, 2011 then such Member shall be reclassified as a Group II Member even if he or she did not take a refund of Member Contributions or purchases Service Credits.
2. If a Group I Member's Separation of Service is after the Member becomes Vested and he or she takes a refund of Member Contributions and he or she returns to Service on or after July 1, 2011 then such Member shall be reclassified as a Group II Member even if he or she purchases Service Credits.
3. If a Group I Member's Separation of Service is after the Member becomes Vested, he or she does not take a refund of Member Contributions, and he or she returns to Service on or after July 1, 2011 then such Member shall remain classified as a Group I Member.
4. If a Group III Member's Separation of Service is before the Member becomes Vested and he or she returns to Service on or after January 1, 2013 then such Member shall be reclassified as a Group IV Member even if the Member did not take a refund of Member Contributions or purchases Service Credits.
5. If a Group III Member's Separation of Service is after the Member becomes Vested, he or she takes a refund of Member Contributions, and he or she returns to Service on or after January 1, 2013 then such Member shall be reclassified as a Group IV Member even if the Member purchases Service Credits.
6. If a Group III Member's Separation of Service is after the Member becomes Vested, he or she does not take a refund of Member Contributions, and he or she returns to Service on or after January 1, 2013 then such Member shall remain classified as a Group III Member.
7. If a Group V Member's Separation of Service is before the Member becomes Vested and he or she returns to Service on or after January 10, 2015 then such Member shall be reclassified as a Group VI Member even if the Member did not take a refund of Member Contributions or purchases Service Credits.
8. If a Group V Member's Separation of Service is after the Member becomes Vested, he or she takes a refund of Member Contributions, and he or she returns to Service on or after January 10, 2015 then such Member shall be reclassified as a Group VI Member even if the Member purchases Service Credits.

9. If a Group V Member's Separation of Service is after the Member becomes Vested, he or she does not take a refund of Member Contributions, and he or she returns to Service on or after January 10, 2015 then such Member shall remain classified as a Group V Member.

2.2 Contributions

A. Member Contributions⁵

1. By accepting employment with the City, all Members shall be deemed to consent and agree to the deduction of Member Contributions from his or her compensation and at the rate established by the City.
2. Effective for all pay periods beginning on or after July 20, 2019, Member Contributions will be made to the Fund for all overtime compensation.
3. Member Contributions may be automatically increased or decreased, subject to certain annual and aggregate caps, pursuant to Section 2.5-3(c) of the Ordinance.
4. Notwithstanding any automatic increases or decreases provided for in the Ordinance, the Member Contribution rate may be adjusted at any time in accordance with the procedures of the Texas Revised Civil Statutes, Title 109, Article 6243i, Section 5.09.
5. Member Contributions shall earn Regular Interest while a Member remains in Service but shall stop accruing Regular Interest upon a Member's Separation of Service or Retirement.
6. Member Contributions related to Members reinstated following Military Leave are governed by the Uniformed Services Employment and Reemployment Rights Act.
7. A Member's forfeiture of his or her Member Contributions may not be used to increase benefits to any other Member.
8. A Member whose Separation of Service is before the Member is Vested, and upon the Member's request to the Pension Office, shall be allowed to take a refund of his or her Member Contributions plus Regular Interest thereon and such Member shall thereafter be entitled to no further rights or benefits under the Plan. To ensure accuracy, the Fund will be allowed 60 to 90 days to process refunds.
9. A Member whose Separation of Service is after the Member is Vested may elect to take a refund of his or her Member Contributions plus Regular Interest thereon before the commencement of his or her Pension and by so doing shall forfeit all rights under the Plan and thereafter be entitled to no further rights or benefits from the Fund. To ensure accuracy, the Fund will be allowed 60 to 90 days to process refunds.

⁵ Note, because the Rules do not specify member contribution rates, no significant changes made to this section pursuant to the change in contributions under the Ordinance.

10. *Cash Balance Account*

Group II Members in Service between July 1, 2011 and September 30, 2013 have a separate Cash Balance Account established for them to include Member Contributions made to the Fund pursuant to overtime compensation. A Group II Member is eligible to receive the amount in his or her Cash Balance Account plus Regular Interest thereon as follows:

- a. After a Group II Member's Separation of Service and upon his or her request to the Pension Office to take a refund of his or her Member Contributions, such Member shall receive his or her Cash Balance Account plus Regular Interest thereon.
- b. A Group II Member who receives a Normal Pension shall also receive the amount in his or her Cash Balance Account plus Regular Interest thereon multiplied by two (2).
- c. A Group II Member who receives a Vested Pension shall also receive the amount in his or her Cash Balance Account plus Regular Interest thereon calculated to the Group II Member's Separation of Service multiplied by two (2). A Group II Member shall not gain interest on his or her Cash Balance Account after such Member's Separation of Service.
- d. A Group II Member who Retires and receives the amount in his or her Cash Balance Account then returns to Service before September 30, 2013 shall not begin a Cash Balance Account and shall not obtain a reinstatement of any previous Cash Balance Account.

B. City Contributions⁶

1. City Contributions shall be made to the Fund pursuant to the Ordinance. Members shall not have the option to receive such City Contributions directly.
2. The City shall have a continuing duty to inform the Fund of any personnel action affecting the collection and transmission of Member Contributions or City Contributions payable to the Fund.
3. City Contributions may be automatically increased or decreased, subject to certain annual and aggregate caps, pursuant to Section 2.5-3(c) of the Ordinance.
4. Notwithstanding any automatic increases or decreases provided for in the Ordinance, the City's Contribution rate or the manner of making City Contributions may be adjusted at any time in accordance with the procedures provided under the Texas Revised Civil Statutes, Title 109, Article 6243i, Section 5.07.

⁶ Note, because the Rules do not specify City contribution rates, no significant changes made to this section pursuant to the change in contributions under the Ordinance.

RULE 3

MEMBER PENSION

3.1 Pension Eligibility

A Member shall be eligible to receive a Pension on or after the earliest of his or her Normal Retirement Date or Early Retirement Date.

3.2 Credited Service

A Member's Credited Service, as defined and limited by the Ordinance, is used to determine both his or her Retirement eligibility and his or her Pension and will consist of Part I Credited Service, Part II Credited Service, or both as applicable.

A. Qualified Leave

1. A Member's Credited Service used to calculate his or her Pension shall include the hours of accumulated civil service sick leave, sick days, and/or major medical leave earned prior to July 20, 2019 for which the Member has not received compensation (hereinafter, "Qualified Leave") and as such Qualified Leave is recorded by the City as of the Member's Separation of Service. The hours of Qualified Leave shall be converted into months of Credited Service pursuant to the provisions of the Ordinance.
2. A Group I Member's and a Group III Member's Qualified Leave that is earned before October 1, 2013 shall be added to the Member's Part I Credited Service and any Qualified Leave earned on or after October 1, 2013 and before July 20, 2019 shall be added to the Member's Part II Credited Service.
3. A Group V Member's Qualified Leave earned before January 10, 2015 shall be added to the Member's Part I Credited Service and any Qualified Leave earned on or after January 10, 2015 and before July 20, 2019 shall be added to the Member's Part II Credited Service.
4. The addition of any Qualified Leave to a Member's Credited Service shall apply toward the calculation of such Member's Pension only and not toward his or her Retirement eligibility.
5. Any accumulated sick leave and/or major medical leave earned on or after July 20, 2019 will not be used to calculate a Member's Pension or count toward his or her Retirement eligibility.

B. Service Credit Purchase

A Member may acquire additional Credited Service through the purchase of Service Credits. Such purchase may affect a Member's Retirement eligibility date and/or Pension calculation. The purchase amount shall be determined in accordance with the Ordinance and shall not exceed the amount necessary to fund the purchased benefit. A Member may purchase the following types of Service Credits subject to the procedures adopted by the Board in its complete discretion, which shall be uniform and nondiscriminatory and interpreted in a manner that is consistent with the Ordinance.

1. *Qualified Credited Service*

- a. A Member seeking to increase his or her Credited Service for purposes of Retirement eligibility may purchase qualified Credited Service which is service not otherwise credited to a Member during his or her employment with one or more of the following entities:
 - i. The United States government or any state, or any political subdivision, or any agency or instrumentality of the foregoing, or association representing employees thereof;
 - ii. A public, private, or sectarian organization that provides formal instruction as its primary function, provides elementary or secondary education through grade twelve (12), maintains a regular faculty and curriculum, and has regularly enrolled students; or
 - iii. Military duty that is not Military Leave.
- b. A Member's purchase of qualified Credited Service is subject to the procedures of the Pension Office and the following limitations:
 - i. A Member must have Earnings within the then-current calendar year to purchase qualified Credited Service;
 - ii. Qualified Credited Service purchased by a Member may only be used in calculating benefits under the terms of the Ordinance in effect at the time of the purchase of such qualified Credited Service and not under the terms of the Ordinance in effect during the period to which the service may relate or any other period prior to the time of the purchase;
 - iii. A Member must purchase a minimum of one (1) month of qualified Credited Service;
 - iv. A Member may purchase Credited Service that is equivalent to qualified employment time unless such purchase would result in the Member obtaining a retirement benefit for the same service from more than one (1) plan; and
 - v. A Member must purchase his or her qualified Credited Service as a single-sum payment.
- c. Purchase of qualified Service Credits changes the Member's eligibility date and adds to Member's Credited Service for purposes of calculating the pension benefit.

2. *Non-qualified Credited Service*

A Member's purchase of non-qualified Credited Service is subject to the procedures of the Pension Office and the following limitations:

- a. A Member must have Earnings within the then-current calendar year to purchase non-qualified Credited Service;



- b. Non-qualified Credited Service purchased by a Member may only be used in calculating benefits under the terms of the Ordinance in effect at the time of the purchase of such non-qualified Credited Service and not under the terms of the Ordinance in effect during the period to which the service may relate or any other period prior to the time of the purchase;
- c. A Member must be Vested before purchasing non-qualified Credited Service;
- d. A Member must purchase a minimum of one (1) month of non-qualified Credited Service;
- e. A Member may purchase a maximum of five (5) years of non-qualified Credited Service;
- f. A Member must purchase his or her non-qualified Credited Service as a single-sum payment; and
- g. Purchase of non-qualified Service Credits changes the Member's eligibility date and adds to the Member's Credited Service for purposes of calculating the pension benefit.

3. *Additional Credited Service at Separation of Service*

A Member seeking to increase his or her Pension may purchase additional Credited Service at Separation of Service subject to the procedures of the Pension Office and the following limitations:

- a. A Member must have Earnings within the then-current calendar year to purchase additional Credited Service at Separation of Service;
- b. Additional Credited Service at Separation of Service purchased by a Member may only be used in calculating benefits under the terms of the Ordinance in effect at the time of the purchase of such additional Credited Service at Separation of Service and not under the terms of the Ordinance in effect during the period to which the service may relate or any other period prior to the time of the purchase;
- c. A Member must be Vested before purchasing additional Credited Service at Separation of Service;
- d. A Member must purchase additional Credited Service at Separation of Service at the time of his or her Separation of Service or Retirement;
- e. A Member participating in DROP may not purchase additional Credited Service at Separation of Service;
- f. A Member must purchase a minimum of one (1) month of additional Credited Service at Separation of Service;
- g. A Member may purchase a maximum of five (5) years of additional Credited Service at Separation of Service;



- h. A Member's retirement date shall not change upon purchase of his or her additional Credited Service;
- i. A Member must purchase his or her additional Credited Service as a single-sum payment; and
- j. The purchase of additional Service Credits at Separation of Service adds to the Member's Credited Service for purposes of calculating the pension benefit.

4. *Prior Credited Service (Service Buy Back)*

A Member seeking to restore his or her Credited Service after taking a refund of Member Contributions may purchase his or her prior Credited Service by repaying the refunded Member Contributions plus the assumed rate of return in place at the time of repayment commencement and during the payback period to the repayment of the total contributions withdrawn subject to the procedures of the Pension Office and the following limitations:

- a. A Member must commence purchase of prior Credited Service within ninety (90) days of returning to Service or he or she shall waive all rights to such prior Credited Service;
- b. Prior Credited Service purchased by a Member may only be used in calculating benefits under the terms of the Ordinance in effect at the commencement of the purchase of such prior Credited Service and not under the terms of the Ordinance in effect during the period to which the service may relate or any other period prior to the time of the purchase; and
- c. A Member may purchase prior Credited Service via a single-sum payment or a payroll deduction per the Ordinance as it relates to term and interest. Any Member who elects a payroll deduction and does not complete his or her entire prior Credited Service purchase shall receive prorated Credited Service based upon the amount paid towards the purchase of his or her prior Credited Service.

5. *Military Credited Service*

A Member absent from Service while on Military Leave may earn Credited Service for Retirement eligibility purposes but shall not receive Credited Service for Pension purposes unless the Member purchases his or her military Credited Service by making contributions that the Member would have otherwise made while on Military Leave (with no interest), subject to the Ordinance, the Uniformed Services Employment and Reemployment Rights Act, the procedures of the Pension Office, and the following limitations:

- a. A Member may purchase up to five (5) years of military Credited Service but may not purchase military Credited Service in excess of the Member's Military Leave;
- b. A Member who purchases military Credited Service shall obtain only the benefits provided under the Ordinance during the period of his or her military service;
- c. A Member must complete the purchase of his or her military Credited Service after the date the Member returns from Military Leave and within the duration of three

(3) times the period of his or her Military Leave but the purchase duration shall not exceed five (5) years;

- d. Following a Member's completion of the purchase of his or her military Credited Service, the City shall make the applicable City Contributions on behalf of such Member for the relevant period of Military Leave;
- e. A Member may purchase military Credited Service via a single-sum payment or a payroll deduction that shall not exceed the applicable payback period; and
- f. A Member who elects not to purchase his or her military Credited Service shall earn Credited Service during his or her Military Leave for eligibility date purposes but shall not receive Credited Service for purposes of calculating the Pension benefit.

6. *Credited Service After Reinstatement to Service*⁷

A Member who was involuntarily terminated from Service and was thereafter reinstated as the direct result of an appeal or suit arising from such termination will be granted Credited Service for the period that the Member was terminated provided that the applicable Member Contributions and City Contributions are made by the City and by or on behalf of the Member for the relevant period of absence.

3.3 Compensation Base

A Member's Compensation Base shall be determined pursuant to the Ordinance and subject to the following:

- A. The Compensation Base for Group I, Group III, and Group V Members shall mean both the average Earnings during any three (3) calendar years that the Member had the highest Earnings (hereinafter "High 3 Compensation Base") and the average Earnings during any five (5) calendar years that the Member had the highest Earnings (hereinafter "High 5 Compensation Base"). If a Group I or a Group III Member's last day of Service is before January 1, 1999, then such Member's Compensation Base shall mean his or her High 5 Compensation Base.
- B. The Compensation Base for Group II, Group IV, and Group VI Members shall mean his or her High 5 Compensation Base.
- C. For Compensation Base purposes, any Earnings with respect to Part II Credited Service shall not include overtime except such overtime as set forth within the Ordinance.
- D. If a Member has less than the applicable number of calendar years of Earnings, the Pension Office shall determine the Member's Compensation Base by using uniform, non-discriminatory procedures that are consistently applied.
- E. For Compensation Base purposes, the Earnings beginning January 1, 2008 of Group I, Group III, and Group V Members who were not Vested as of October 23, 2007 shall be subject to the Earnings

⁷ Didn't see this addressed in the Rules otherwise and was a new addition to the Ordinance.

Cap and the Pension Office shall determine the calendar years in which such Members had the highest Earnings.

- F. For Compensation Base purposes, any Earnings paid to a Member for any prior time period, whether awarded by a court, administrative body or settlement agreement, shall be retroactively attributed to the calendar year in which the Member would have otherwise received it pursuant to the direction of the City.
- G. For Compensation Base purposes, a Member who has made an effective DROP Election shall have his or her Compensation Base determined by using the Member's Earnings before the effective date of the DROP Election.

3.4 Pension Calculation

A Member's Pension shall be calculated pursuant to the Ordinance by multiplying the Member's Credited Service by a Specified Percentage of the Member's Compensation Base. Each Group I, Group III, and Group V Member's Pension shall be calculated by adding the products of two (2) separate formulas that represent the Member's Service during his or her Part I Credited Service and his or her Part II Credited Service.

A. Normal Pension

- 1. A Group I, Group III, or Group V Member who retires on or after the Member's Normal Retirement Date shall be eligible for a Normal Pension which shall be calculated as follows:
 - a. Three percent (3.00%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service; plus
 - b. Two and fifty one-hundredths percent (2.50%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service.
- 2. A Group II, Group IV, or Group VI Member who retires on or after the Member's Normal Retirement Date shall be eligible for a Normal Pension which shall be calculated by multiplying two and fifty one-hundredths percent (2.50%) of the Member's High 5 Compensation Base by his or her Credited Service.

B. Actuarial Equivalent Pension Benefit

- 1. A Member who is eligible to receive a Normal Pension may irrevocably elect to receive an Actuarial Equivalent Pension Benefit with the consent of his or her Spouse, in advance of his or her Retirement, and subject to the Board's discretion. The Actuarial Equivalent Pension Benefit shall be payable as a lump sum of not less than five percent (5%) or greater than twenty-five percent (25%) of the Actuarial Equivalent of the Member's Pension and the remainder as a reduced Pension.
- 2. An Actuarial Equivalent Pension Benefit shall not be available with respect to a death benefit or to any Member receiving a disability Pension, Early Pension, or Vested Pension or to any Member participating in DROP, already receiving a Pension, or any Member who retires again after returning to Service.

C. Early Pension

1. A Group I, Group III, or Group V Member who retires on or after the Member's Early Retirement Date shall be eligible for an Early Pension which shall be calculated as follows:
 - a. Two and seventy-five one-hundredths percent (2.75%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service; plus
 - b. Two and twenty-five one-hundredths percent (2.25%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service; minus
 - c. The Early Retirement Penalty.
2. A Group II, Group IV, or Group VI Member who retires on or after the Member's Early Retirement Date shall be eligible for an Early Pension which shall be calculated as follows:
 - a. Two and twenty-five one-hundredths percent (2.25%) of the Member's Compensation Base multiplied by his or her Credited Service; minus
 - b. The Early Retirement Penalty.
3. A Member must file a request with the Pension Office to initiate his or her Early Pension and such Pension shall be calculated pursuant to those benefits available under the Ordinance and in effect at the time of the Member's Pension commencement and not the Member's Separation of Service.

D. Vested Pension

1. A Vested Group I, Group III, or Group V Member whose Separation of Service is more than one (1) month before the Member's Normal Retirement Date shall be eligible for a Vested Pension upon the Member's Vested Terminated Retirement Date. Such Vested Pension shall be calculated as follows:
 - a. Three percent (3.00%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service; plus
 - b. Two and fifty one-hundredths percent (2.50%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service.
2. A Vested Group II, Group IV, or Group VI Member whose Separation of Service is more than one (1) month before the Member's Normal Retirement Date shall be eligible for a Vested Pension upon the Member's Vested Terminated Retirement Date. Such Vested Pension shall be calculated by multiplying two and fifty one-hundredths percent (2.50%) of the Member's Compensation Base by his or her Credited Service.
3. A Vested Fund Employee whose Separation of Service is more than one (1) month before his or her Normal Retirement Date shall be eligible for a Vested Pension upon the Member's Vested Terminated Retirement Date. Such Vested Pension shall be calculated by multiplying three percent (3.00%) of the Member's Compensation Base multiplied by his or her Credited Service.

4. A Member must file a request with the Pension Office to initiate his or her Vested Pension and such Pension shall be calculated pursuant to those benefits available under the Ordinance and in effect at the time of the Member's Pension commencement and not the Member's Separation of Service.

3.5 Deferred Retirement Option Program (DROP)

A. DROP General Provisions

1. DROP participation defers a Member's receipt of his or her Pension until the Member's Retirement. A Member who is in Service and has attained his or her Normal Retirement Date may elect to remain in Service and participate in DROP.
2. DROP shall be administered in accordance with these Rules and any procedures that are adopted and amended by the Board in its complete discretion and interpreted in a manner consistent with the provisions of the Ordinance.
3. A Member who elects to participate in DROP shall not be eligible to purchase Service Credits.
4. Whereas there is no minimum time requirement, a Member who meets one of the following criteria may continue to participate in DROP for a maximum of six (6) years: (a) the Member is participating or has participated in DROP as of July 20, 2019, and either (i) the Member's DROP has not expired as of July 20, 2019 or (ii) the Member's DROP expires prior to July 20, 2019, but the Member continues as an active employee or returns to active employment after the expiration of his or her DROP, or (b) the Member enters the DROP on or after July 20, 2019.
5. No interest shall accrue on a Member's DROP Account balance while the Member remains in Service.

B. DROP Election

1. All DROP Elections shall be made in accordance with these Rules and any procedures adopted and amended by the Board.
2. A Member shall make his or her DROP Election no earlier than sixty (60) days before his or her Normal Retirement Date and by signing the related form(s) adopted by the Board.
3. The DROP Election form(s) signed by a Member establishes the DROP benefits available to that Member.
4. A Member's DROP Election shall not become effective before his or her Normal Retirement Date.
5. No DROP Election shall be effective until approved by the Board and upon such approval shall be irrevocable so long as the Member remains in Service.

C. DROP and Pension

1. The Pension of a Member participating in DROP shall be determined using his or her Credited Service and Compensation Base as of the Member's DROP Election effective date. Credited Service or Earnings during participation in DROP shall not be included in a Member's Pension calculation.
2. At the time of Retirement, the Pension of a Member who participated in DROP shall be adjusted to include any Qualified Leave. No retroactive payments shall be made to a Member's DROP balance pursuant to such adjusted Pension.
3. A Member who elects an actuarially reduced Pension to provide for a surviving Spouse or Beneficiary at the time of his or her Retirement shall have such reduction applied to the account balance of his or her DROP Account.
4. A Member who has made a DROP Election shall not be eligible to elect an Actuarial Equivalent Pension Benefit or to receive a disability Pension. A Member who becomes disabled during his or her DROP participation may retire and elect a distribution of his or her DROP Account and commence receipt of his or her Pension.

D. DROP Account

1. A Member participating in DROP shall have his or her Pension credited to his or her DROP Account on the first day of each month until the Member's Retirement.
2. No interest shall accrue or be paid with respect to a Member's DROP Account while the Member remains in Service.
3. No withdrawals shall be made from a Member's DROP Account until after the Member's Retirement.

E. DROP and Contributions

1. Member Contributions and City Contributions shall continue to be made while a Member remains in Service and participates in DROP but no contributions will be credited to a Member's DROP Account.
2. Member Contributions or City Contributions made while the Member remains in Service will not affect the Member's Pension upon his or her Retirement.

F. DROP and Cost-of-Living Adjustments

1. If an eligible Member completes two (2) years of DROP participation, the Member's Pension at the time of his or her Retirement will be modified to include the applicable cost-of-living adjustments dating from the DROP Election effective date for which the Member would have been eligible under Rule 3.6 assuming he or she retired on the DROP Election effective date. Further, such Member will be eligible to receive the applicable cost-of-living adjustment for which he or she is otherwise eligible for under Rule 3.6 on January 1st following his or her Retirement.

2. An eligible Member who does not complete two (2) years of DROP participation will be eligible to receive only those cost-of-living adjustments to which the Member is entitled under Rule 3.6 after the date of his or her Retirement , but not for any period of his or her DROP participation.
3. If a Member is entitled to receive a cost-of-living adjustment during his or her DROP participation and such cost-of-living adjustment is payable as a 13th paycheck, the amount of such 13th paycheck will be based on the amount of the Member's Pension at the time of his or her Retirement, excluding any Qualified Leave, and the cumulative amount of all such 13th paychecks will be paid to the Member in a lump sum following his or her Retirement.

G. DROP and Member Death

If a Member dies while there is a balance in his or her DROP Account, the balance shall be paid to the Member's Spouse or, if there is no Spouse, to Member's Beneficiary or, if no Beneficiary, to the Member's estate. The eligible recipient of the Member's DROP Account shall receive the DROP Account balance as a single sum distribution. The Member's Pension shall be paid pursuant to the death benefit provisions of the Ordinance and these Rules.

H. DROP Distribution

After a Member participating in DROP Retires he or she shall commence receipt of his or her Pension and also receive the accumulated balance of his or her DROP Account. The Member may elect to receive his or her DROP Account balance via one of the following distribution options:

1. Lump-sum payment of Member's entire DROP Account balance;
2. Monthly payments where the Member's entire DROP Account is converted into an annuity and where such annuity shall be added to the Member's Pension;
3. Five substantially equal annual installment payments in accordance with the Ordinance.

The Member may elect to roll over all or a portion of a lump-sum DROP payment or an annual installment payment of his or her DROP Account balance into an eligible retirement plan in accordance with the provisions of the Code.

Effective September 8, 2022, all retired Members with DROP balances must provide a distribution election on or before December 22, 2022. If a retired Member fails to provide an election by December 22, 2022, the retired Member will be deemed to have irrevocably elected to have the Member's DROP Account balance converted to an annuity and added to the Member's Pension.

I. DROP Review

The Board shall periodically review the distributions from DROP Accounts to ensure that they are actuarially neutral. If the Board determines that the DROP Account distributions are actuarially adverse to the Fund's actuarial valuation, the Board may alter the terms of DROP Account distributions on a prospective basis provided that no Member then-participating in DROP shall be affected.

3.6 Cost-of-Living Adjustment

A. Cost-of-Living Adjustment Eligibility

1. Eligibility to receive a periodic cost-of-living adjustment is pursuant to the provisions of the Ordinance. Members (or Beneficiaries) eligible to receive a cost-of-living adjustment must be receiving a Pension on or before September 30th of the year preceding a cost-of-living adjustment and include only certain Group I Members, Group III Members, and Group V Members as set forth in (3) below. Group II Members, Group IV Members, and Group VI Members are not eligible to receive a cost-of-living adjustment on their Pension.
2. Group I Members, Group III Members, and Group V Members may be eligible to receive a cost-of-living adjustment for the portion of his or her Pension attributable to Credited Service earned or purchased prior to July 20, 2019. No cost-of-living adjustment will be granted for the portion of a Pension attributable to Credited Service earned or purchased on or after July 20, 2019 for any Members.
3. The following groups may be eligible to receive a two-percent (2%) cost-of-living adjustment under Rule 3.6(B)(1) below, a conditional ad-hoc cost-of-living adjustment under Rule 3.6(B)(2) below, or a combination of the two:
 - a. Retired Members and Beneficiaries eligible to receive a cost-of-living adjustment and who are receiving payments or who have retired on or before July 19, 2019,
 - b. Group I Members, Group III Members, and Group V Members (and their Beneficiaries) who retire or enter DROP on or before January 1, 2021, and
 - c. Members (and their Beneficiaries) who receive a Pension for a Line of Duty disability or death.
4. Group I Members, Group III Members, and Group V Members (and their Beneficiaries) who have not retired or entered DROP as of January 1, 2021 may be eligible for a variable cost-of-living adjustment under Rule 3.6(B)(3), but will not be eligible to receive a 2% cost-of-living adjustment under Rule 3.6(B)(1) below or ad hoc cost-of-living adjustment under Rule 3.6(B)(2) below.
5. Any cost-of living adjustment that is granted shall be effective on January 1st. For eligibility of DROP participants to receive a cost-of-living adjustment, see Rule 3.5(F).

B. Cost-of-Living Adjustment Types

1. *Two Percent (2.00%) Cost-of-Living Adjustment*

On January 1st of each year, Members and Beneficiaries who are eligible pursuant to the Ordinance to receive a two-percent (2.00%) cost-of-living adjustment shall receive an annual two-percent (2.00%) addition to the portion of the Member's Pension that is eligible for such two-percent (2.00%) cost-of-living adjustment as set forth in the Ordinance, as such Pension was calculated at his or her Retirement, before any reductions pursuant to an actuarial equivalent pension and excluding any cost-of-living adjustments pursuant to Rule 3.5(F).

Any such two-percent (2.00%) cost-of-living adjustment shall be determined by using a simple interest calculation.

2. *Conditional Ad Hoc Cost-of-Living Adjustment*

On January 1st of each year, Members and Beneficiaries who are eligible pursuant to the Ordinance to receive a conditional ad hoc cost-of-living adjustment may receive an increase in the portion of the Member's Pension that is eligible for such ad-hoc cost-of-living adjustment as set forth in the Ordinance, if the Fund's Actuary certifies that the amortization period required to satisfy the unfunded liability of the Fund is as follows:

- a. Eighteen (18) years or less, after granting a four percent (4.00%) cost-of-living adjustment and ignoring any contribution increases made in conjunction with the automatic risk-sharing provision under Section 2.5-3(c) of the Ordinance, shall result in a compounded increase of four percent (4.00%);
- b. More than eighteen (18) years and less than or equal to twenty-four (24) years, after granting a three percent (3.00%) cost-of-living adjustment and ignoring any contribution increases made in conjunction with the automatic risk-sharing provision under Section 2.5-3(c) of the Ordinance, shall result in a compounded increase of three percent (3.00%);
- c. More than twenty-four years and less than or equal to twenty-eight (28) years, after granting a two percent (2.00%) cost-of-living adjustment and ignoring any contribution increases made in conjunction with the automatic risk-sharing provision under Section 2.5-3(c) of the Ordinance, shall result in a compounded increase of two percent (2.00%); or
- d. More than twenty -eight years or more shall result in no increase.⁸

Any such conditional ad-hoc cost-of-living adjustment shall be determined by using a compound interest calculation.

Retired Members who are receiving a conditional ad hoc cost-of-living adjustment on the portion of the Member's Pension that is eligible for such ad-hoc cost-of-living adjustment as set forth in the Ordinance will also receive the two percent (2.00%) cost-of-living adjustment on the portion of the Member's Pension that is eligible for such two-percent (2.00%) cost-of-living adjustment as set forth in the Ordinance, before any reductions pursuant to an actuarial equivalent pension, and excluding any cost-of-living adjustments pursuant to Rule 3.5(F).

3. *Variable Cost-of-Living Adjustment*

No later than April 30th of each year, the Board may grant a variable cost-of-living adjustment or a 13th paycheck for the following calendar year based on the Fund's performance for the two (2) immediately preceding years to Members and Beneficiaries who are eligible pursuant to the Ordinance to receive such variable cost-of-living adjustment or 13th paycheck, but only if both of the following conditions are met:

⁸ Note, revisions in this Section 3.6(B)(2) made for consistency with the corresponding provisions in the Staff Plan.

- a. The actuarially determined contribution (“ADC”), based on a closed 30-year funding of the Fund’s unfunded liabilities, has been equal to or less than the fixed contribution (or the contribution in place before any automatic increases under Section 2.5-3(c) of the Ordinance) for the last two (2) consecutive calendar years based on both actuarial and market values of assets; and
- b. The Fund’s Actuary determines that funding the full cost of the variable cost-of-living adjustment or 13th paycheck is not anticipated to cause the ADC to exceed the fixed contribution described above for the calendar year in which the variable cost-of-living adjustment or 13th paycheck will apply.

Notwithstanding the above, no variable cost-of-living adjustment or 13th paycheck may (a) exceed 4% of the eligible portion of the Member’s Pension each year or (b) be made if either (i) contributions under the automatic risk-sharing provisions under Section 2.5-3(c) of the Ordinance, including any reduced-rate contributions under Section 2.5-3(c)(3), are being made in the then-current calendar year or are determined to be required for the following calendar year, or (ii) the assumed rate of return as determined by the Board is higher than the average of the assumed rates of return as reported by two (2) independent sources that have been agreed to by the City and the Board.

RULE 4

MEMBER DISABILITY

4.1 Disability Standard

- A. A Member of the Fund is disabled (or continues to be disabled) if, because of bodily injury, disease, or mental illness, the Member is incapacitated for life, in spite of reasonable accommodations by the City, from regularly and continuously performing the essential functions of the:
1. Trade, profession, or occupation in which the Member was employed by the City when the Member suffered the bodily injury, disease, or mental illness, and
 2. Any other position in the City which the Board determines to be reasonably comparable to the position held by the Member, taking into account the Member's education, qualifications, experience, salary, and other factors which the Board deems appropriate. A reasonably comparable position in the City does not have to be a vacant position.
- B. The term "regularly and continuously" as used in the above standard(s) shall not require that a Member be unable to perform all of the duties set forth in his or her job description.
- C. The term "essential functions" as used in the above standard shall mean those fundamental duties that must be performed by the Member holding the employment position and as set forth within various job descriptions provided by the City.

4.2 Disability General Provisions

- A. A disability must exist for at least ninety (90) consecutive days before a Member may apply for a disability Pension.
- B. A disability must not have been: (i) contracted, suffered, or incurred while the Member was engaged in, or result from the Member having engaged in, a criminal enterprise; or (ii) from habitual drunkenness or addiction to narcotics; or (iii) a self-inflicted injury; or (iv) from voluntary or involuntary military duty including the United States Merchant Marine, any of its allies or in any other foreign country.
- C. No physical or mental condition existing at the time of commencement or re-commencement of Service shall form a basis for a disability.
- D. No Credited Service shall be provided during a Service break in excess of ninety (90), consecutive days unless the Service break was caused by a sickness or accident leading to the Board's grant of a disability Pension.
- E. Any Qualified Leave shall not be converted to the Credited Service of a Member of the Fund receiving a disability Pension pursuant to an injury in the Line of Duty.
- F. To assist the Board in making disability determinations, the City shall provide the Executive Director with City job descriptions and qualifications, related salary ranges, and any other appropriate information as requested.

4.3 Disability Qualification

- A. A Member shall not qualify for a disability Pension unless one (1) or more duly licensed and practicing physician(s) appointed by the Executive Director has determined that the Member is not capable of performing the essential functions of his or her employment position or other employment position which the Board determines to be reasonably comparable to the Member's position. Determination of a disability shall not be made until at least ninety (90) days after the date the Member alleges such disability commenced.
- B. If at any time the Board is in reasonable doubt as to whether a Member is disabled as defined in Rule 4.1, it may suspend such Member's disability Pension until such doubt is resolved within a reasonable time. Any disability application or Pension shall be terminated upon the Board's determination that the Member is not disabled as defined in Rule 4.1.
- C. A disability Pension shall not commence during any period that a Member receives Earnings or any wages from the City, the State of Texas or any other division of government while in Service.
- D. Falsification, misrepresentation, or omission related to any prior conditions or injuries for which a disability Pension is or has been sought, any part of the disability Pension application, or the continuation of a disability Pension shall constitute grounds for denial of a disability Pension or for revocation of any disability Pension previously granted.
- E. No disability Pension shall be granted (or continued) while the Member is in Service. However, a Member may be granted a disability Pension if the Executive Director or the Board has been informed by the City that the Member's Separation of Service is impending because of the Member's inability to perform the essential functions of his or her position. Any such disability Pension granted under this Rule shall not become effective until the month following the Member's Separation of Service.
- F. Except as otherwise provided by law, the Board may consider a Member's failure to comply with the medical recommendations (including rehabilitation therapy and treatment) as prescribed by the Member's treating physician(s) and/or the Texas Rehabilitation Commission in the Board's determination as to whether a Member qualifies for a disability Pension. To be eligible to continue receiving a disability Pension, a Member must comply with the medical recommendations (including rehabilitation therapy and treatment) as prescribed by the Member's treating physician(s), the physician(s) appointed by the Executive Director, and/or the Texas Rehabilitation Commission.
- G. The Board's determination on all matters concerning the granting, refusing, or revoking of a disability Pension shall be final and conclusive on all parties and no appeal can be made therefrom. A Member is entitled to a reasonable hearing at which the Member may appear in person, with or by a representative, or in writing before the Board makes its determination.

4.4 Disability Pension

A Member who becomes disabled as defined in Rule 4.1 and is granted a disability Pension shall receive a Pension calculated pursuant to the Ordinance using the Member's Credited Service, Compensation Base, and the applicable Specified Percentage, but no disability Pension shall, at the time of commencement, exceed the Member's rate of earnings.

A. Disabled Line of Duty before Normal Retirement Date

1. A Group I, Group III, or Group V Member who becomes disabled as defined in Rule 4.1 in the Line of Duty and is granted a Pension before such Member's Normal Retirement Date shall receive a Pension calculated as follows:
 - a. Two and seventy-five one-hundredths percent (2.75%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service that would have accrued to his or her Normal Retirement Date; plus
 - b. Two and seventy-five one-hundredths percent (2.75%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service that would have accrued to his or her Normal Retirement Date.
2. A Group II, Group IV, or Group VI Member who becomes disabled as defined in Rule 4.1 in the Line of Duty and is granted a Pension before such Member's Normal Retirement Date shall receive a Pension calculated by multiplying two and twenty-five one-hundredths percent (2.25%) of such Member's Compensation Base by his or her Credited Service that would have accrued to his or her Normal Retirement Date.
3. No Pension granted pursuant to a disability in the Line of Duty shall be less than two hundred fifty dollars (\$250.00).

B. Disabled Line of Duty after Normal Retirement Date

A Member who becomes disabled as defined in Rule 4.1 in the Line of Duty and is granted a Pension after such Member's Normal Retirement Date shall receive a Pension calculated pursuant to a Normal Pension defined in Rule 3.4(A).

C. Disabled Non Duty before Vesting

A non-Vested Member who becomes disabled as defined in Rule 4.1 while not in the Line of Duty shall be entitled to take a refund of his or her Member Contributions plus Regular Interest and shall thereafter receive no further benefit from the Fund.

D. Disabled Non Duty after Vesting

1. A Vested Group I, Group III, or Group V Member who becomes disabled as defined in Rule 4.1 and is granted a Pension before such Member's Normal Retirement Date shall receive a Pension calculated as follows:
 - a. Two and seventy-five one-hundredths percent (2.75%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service; plus
 - b. Two and twenty-five one-hundredths percent (2.25%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service.
2. A Vested Group II, Group IV, or Group VI Member who becomes disabled as defined in Rule 4.1 and is granted a Pension before such Member's Normal Retirement Date shall receive a Pension calculated by multiplying two and twenty-five one-hundredths percent (2.25%) of such Member's Compensation Base by his or her Credited Service.

3. A Vested Member who becomes disabled as defined in Rule 4.1 and is granted a Pension after such Member attains his or her Normal Retirement Date shall receive a Pension calculated pursuant to a Normal Pension defined in Rule 3.4(A).
4. A Pension pursuant to a non duty disability of a Vested Member shall be calculated using the Member's Credited Service at the time of his or her disability.

4.5 Disability Recovery

- A. The Executive Director shall appoint one (1) or more physicians to conduct an annual medical examination of a Member after he or she has been granted a disability Pension, unless the Executive Director deems such examination unnecessary due to the Member's medical condition. The Board may, at any time as it deems necessary, require the examination of a Member who has been granted a disability Pension for purposes of determining whether the Member's disability is continuing pursuant to Rule 4.1. The Fund shall pay the expenses for medical examinations directed by the Executive Director or Board. To continue receiving a disability Pension, the Member shall submit to any medical examination required by the Executive Director or Board.
- B. The Board shall stop payments to a Member receiving a disability Pension upon the Board's determination that such Member is no longer disabled as defined in Rule 4.1.
- C. Should a Member return to Service following the Board's determination that he or she is no longer disabled, the Member's Credited Service upon reinstatement to Service will reflect the Credited Service to the date of his or her disability Pension including any Service Credits and the Member shall not receive Credited Service for the period that he or she received a disability Pension. However, the Member's period of disability shall be used to determine attainment of his or her Normal Retirement Date.
- D. Should a Member not return to Service following the Board's determination that he or she is no longer disabled and the Member was not vested when he or she was granted a disability Pension, then such Member shall receive a distribution of his or her Member Contributions plus Regular Interest thereon reduced by the total of disability Pension payments made to the Member and as otherwise reduced under the Ordinance. Thereafter, such Member shall have no further interest in, right to, or benefit from the Fund.
- E. Should a Member not return to Service following the Board's determination that he or she is no longer disabled and the Member was Vested when he or she was granted a disability Pension, then such Member shall receive a Vested Pension calculated using the later of the date of the Board's determination that the Member's disability does not exist or the Member's attainment of his or her Normal Retirement Date and using the Member's Credited Service on the date he or she was granted a disability Pension.

4.6 Disability Income Report

- A. A Member receiving a disability Pension that has not attained his or her Normal Retirement Date shall submit to the Executive Director, before May 1st of each year following the grant of his or her disability Pension: (i) a copy of the Member's signed income tax return filed for the preceding year including all attachments thereto; and (ii) a copy of tax returns including all attachments thereto for each of the Member's affiliated entities including, but not limited to, partnerships or corporations in which the Member or any of the Member's relatives owns any interest, including

community or separate property, and for which the Member performs any compensated or uncompensated services. At the end of the first year following the grant of a disability Pension and by May 1st of each subsequent year, a Member receiving a disability Pension shall also submit to the Executive Director an affidavit on the Executive Director's approved form swearing that the Member's Earned Income and Net Earnings from Self-Employment are fully disclosed on the provided tax returns and that such Member has not received any other compensation for services rendered nor performed any services for which the Member received no compensation except as disclosed in the affidavit, including amounts paid to affiliated entities for the benefit of such Member or to any relative of such Member. If the Internal Revenue Service has approved a Member's request for an extension to file a tax return and such tax return has not been filed by May 1st the Member shall provide the Executive Director with a copy of the extension by May 1st and a copy of the tax return with all attachments and the related affidavit within two (2) weeks after the tax return has been filed.

- B. A Member who is receiving a disability Pension and whose combined Earned Income, Net Earnings from Self-Employment, and disability Pension exceeds the annualized base hourly rate of pay that the Member would have earned during the same tax year had he or she remained in Service shall have his or her disability Pension reduced to such annualized rate of pay. In addition to a Pension reduction, the Board shall attempt to recover the cumulative excess of any disability Pension paid to the Member. In the event that a Member's disability Pension is reduced in excess of the Member's annualized rate of pay had the Member remained in Service, the Board shall return any such excess to the Member.
- C. The Board shall withhold a Member's disability Pension upon the Member's failure to submit on a timely basis the required income tax return including all attachments thereto for the previous year. If the Member subsequently provides the required tax return by the end of the calendar year in which such tax return was due the Board shall reinstate the Member's disability Pension including any previously withheld amounts without interest and subject to any other applicable provisions of these Rules. If the Member fails to provide the required tax return by the end of the calendar year in which such tax return was due the Member's disability Pension shall be terminated and the Member shall not be entitled to any amounts withheld during the period where the required tax return was not provided.
- D. For purposes of this section, any amounts paid to a Member's affiliated entity in connection with the performance of services by the Member shall constitute Earned Income, and any attempt to circumvent the limitations under these Rules on Earned Income and Net Earnings from Self-Employment through the use of affiliated entities shall be grounds for the Board to terminate the Member's disability Pension.

RULE 5

DEATH BENEFITS

5.1 Death of Member Before Retirement

A. Death of Non Vested Member

If a Member is not Vested on the date of his or her death, the Member's surviving Spouse, or if no surviving Spouse, the Member's Beneficiary shall be entitled to take a refund of the Member's total Member Contributions plus Regular Interest thereon and shall thereafter be entitled to no further rights or benefits under the Plan. If there is no surviving Spouse or Beneficiary, such Member Contributions shall be paid to the Member's estate.

B. Death of Member in Line of Duty

1. A Pension pursuant to the death of a Group I, Group III, or Group V Member who dies while in the Line of Duty as a result of the performance of his or her Service before such Member has attained his or her Normal Retirement Date shall be calculated as follows:
 - a. Three percent (3.00%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service that would have accrued to his or her Normal Retirement Date; plus
 - b. Three percent (3.00%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service that would have accrued to his or her Normal Retirement Date.
2. A Pension pursuant to the death of a Group II, Group IV, or Group VI Member who dies while in the Line of Duty as a result of the performance of his or her Service before such Member's Normal Retirement Date shall be calculated by multiplying two and fifty one-hundredths percent (2.50%) of the Member's Compensation Base by such Member's Credited Service that would have accrued to his or her Normal Retirement Date.
3. A Pension pursuant to the death of a Member who dies while in the Line of Duty as a result of the performance of his or her Service after such Member has attained his or her Normal Retirement Date shall be calculated as follows:
 - a. Three percent (3.00%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service that would have accrued to his or her termination; plus
 - b. Three percent (3.00%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service that would have accrued to his or her termination.
4. If a Member dies while in the Line of Duty as a result of the performance of his or her Service, the Member's surviving Spouse shall receive seventy-five percent (75%) of the Member's Pension calculated pursuant to Rule 5.1(B). If there is no surviving Spouse, then the Member's Dependent Children shall equally share seventy-five percent (75%) of such Pension. If there is no Spouse or Dependent Children, then the Member's Dependent Parent(s), qualified per the IRS financial support test, shall receive seventy-five percent

(75%) of such Pension. The Pension amount received by a Member's surviving Spouse, Dependent Children, or Dependent Parent(s) shall not be less than two hundred fifty dollars (\$250.00).

5. If a Member dies while in the Line of Duty, as a result of the performance of his or her Service, such Member's Dependent Children shall each receive one hundred dollars (\$100.00) each month unless the Dependent Children equally share seventy-five percent (75%) of the Member's Pension. Any payments to a Dependent Child shall continue until the earlier of such Dependent Child's death, marriage, or attainment of age eighteen (18).
6. Any Group II Member's surviving Spouse, Dependent Child, or Dependent Parent who receives a Pension pursuant to the Member's death in the Line of Duty and as a result of the performance of his or her Service shall also receive any balance in the Group II Member's Cash Balance Account plus Regular Interest thereon multiplied by two (2).

C. Death of Vested Member (Non Duty)

1. A Pension pursuant to a Vested Group I, Group III, or Group V Member who dies while still in Service but while not in the Line of Duty (hereafter referred to as "non duty") before such Member attains his or her Normal Retirement Date shall be calculated as follows:
 - a. Two and seventy-five one-hundredths percent (2.75%) of the Member's High 3 Compensation Base multiplied by his or her Part I Credited Service; plus
 - b. Two and twenty-five one-hundredths percent (2.25%) of the Member's High 5 Compensation Base multiplied by his or her Part II Credited Service.
2. A Pension pursuant to a Vested Group II, Group IV, or Group VI Member who dies while still in Service (non duty) before such Member attains his or her Normal Retirement Date shall be calculated by multiplying two and twenty-five one-hundredths percent (2.25%) of such Member's Compensation Base by his or her Credited Service.
3. A Pension pursuant to a Vested Member who dies while still in Service (non duty) after such Member attains his or her Normal Retirement Date shall be calculated pursuant to a Normal Pension.
4. If a Vested Member dies before his or her Retirement while still in Service (non duty) then such Member's surviving Spouse shall receive seventy-five percent (75%) of the Member's Pension calculated pursuant to this Rule. If there is no surviving Spouse, then the Member's Dependent Children shall equally share seventy-five percent (75%) of such Pension. If there is no Spouse or Dependent Children, then the Member's Dependent Parent(s) shall receive seventy-five percent (75%) of such Pension. The Pension amount received by a Member's surviving Spouse, Dependent Children, or Dependent Parent(s) shall not be less than one hundred fifty dollars (\$150.00).
5. If a Vested Member dies before his or her Retirement while still in Service (non duty), such Member's Dependent Children shall each receive one hundred dollars (\$100.00) each month unless the Dependent Children equally share seventy-five percent (75%) of such Member's Pension. Any payments to a Dependent Child shall continue until the earlier of such Dependent Child's death, marriage, or attainment of age eighteen (18).

6. Any Group II Member's surviving Spouse, Dependent Child, or Dependent Parent who receives a Pension pursuant to a Vested Member's death before Retirement shall also receive any balance in the Group II Member's Cash Balance Account plus Regular Interest thereon multiplied by two (2).

D. Death of Vested Member after Separation of Service

1. If a Member dies after his or her Separation of Service and before applying for his or her Pension and such Member's age and Credited Service total at least sixty-five (65) as of the Member's Separation of Service, then such Member's surviving Spouse may elect one (1) of the following options:
 - a. A refund of the Member's Contributions plus Regular Interest thereon; or
 - b. A Pension as provided in Rule 5.1(C).
2. If a Member dies after Separation of Service and before applying for his or her Pension and such Member's age and Credited Service do not total at least sixty-five (65) as of the Member's Separation of Service, then such Member's surviving Spouse shall elect one (1) of the following options:
 - a. A refund of the Member's Contributions plus Regular Interest thereon; or
 - b. A Pension as provided in Rule 5.1(C) to commence on the Member's Normal Retirement Date; or
 - c. A Pension as provided in Rule 5.1(C) to commence on the Member's Early Retirement Date and subject to any applicable Early Retirement Penalty.
3. If a Member dies after Separation of Service and before applying for his or her Pension and leaves no surviving Spouse, then the Member's Dependent Children shall elect and equally share the benefit pursuant to this Rule 5.1(D). Any payments to a Dependent Child shall continue until the earlier of such Dependent Child's death, marriage, or attainment of age eighteen (18).
4. If a Member dies after Separation of Service and before applying for his or her Pension and such Member leaves no surviving Spouse or Dependent Children then such Member's Beneficiary or estate shall receive the Member's Contributions plus Regular Interest thereon.
5. Any recipient of a Group II Member's Contributions plus Regular Interest thereon shall also receive any balance in such Group II Member's Cash Balance Account plus Regular Interest thereon.

5.2 Death of Member After Retirement

- A. Upon the death of a Group I, Group III, or Group V Member who is receiving a Pension, the Member's surviving Spouse shall receive seventy-five percent (75%) of such Pension if the Member and surviving Spouse were married for at least one (1) year immediately preceding the Member's Retirement.

- B. Upon the death of a Group I, Group III, or Group V Member who is receiving a Pension and who leaves no surviving Spouse, such Member's Dependent Children shall equally share seventy-five percent (75%) of such Pension. Any payments to a Dependent Child shall continue until the earlier of such Dependent Child's death, marriage, or attainment of age eighteen (18).
- C. An unmarried Member or any married Group II, Group IV, or Group VI Member shall be allowed a one-time, irrevocable designation of a Beneficiary and election of an actuarially reduced Pension that provides the designated Beneficiary with a percentage of such reduced Pension. If a Beneficiary predeceases the Member, there shall be no adjustment to the member's actuarially reduced Pension.
- D. Upon the death of an unmarried Member or a Group II, Group IV, or Group VI Member who is receiving an actuarially reduced Pension pursuant to Section 5.2(C) above, the Member's surviving Beneficiary shall receive the percentage of such Pension as specified by the Member upon his or her election to receive such reduced Pension.
- E. A Member who becomes married after retirement and has not designated a Beneficiary under Section 5.2 (C) may make a spousal election to receive a reduced pension if the Member elects such reduced Pension within six (6) months following the second (2nd) year of marriage to his or her Spouse. Upon the death of a Member who is receiving an actuarially reduced Pension pursuant to a spousal election after Retirement, the Member's surviving Spouse shall receive seventy-five percent (75%) of such reduced Pension. The Pension of a Member who is receiving an actuarially reduced Pension pursuant to a spousal election after Retirement, who selected a reversion option, and whose Spouse predeceases the Member, shall revert to its amount before the actuarial reduction pursuant to the spousal election and shall include any applicable cost-of-living adjustments.
- F. Upon the death of a Member who is receiving a Pension, such Member's Dependent Children shall each receive one hundred dollars (\$100.00) each month unless the Dependent Children equally share seventy-five percent (75%) of the Member's Pension. Any payments to a Dependent Child shall continue until the earlier of such Dependent Child's death, marriage, or attainment of age eighteen (18).
- G. Upon the death of a Member who designated a Beneficiary upon Retirement and who marries thereafter, only the Beneficiary shall receive a Pension.
- H. Upon the death of a Member who is receiving a Pension and who leaves no surviving Spouse, Beneficiary, or Dependent Child, an amount equal to the Member's total Member Contributions plus Regular Interest, less any amount previously paid him or her from the Fund, shall be paid to such Member's estate.
- I. Payments to a Member's surviving Spouse, Beneficiary, or Dependent Children shall terminate upon the death of such Spouse, Beneficiary, or Dependent Children or, in the case of Dependent Children, such children are no longer eligible to receive a benefit under Section 5.2(F). Upon such termination of a Pension to surviving Spouse, Beneficiary, or Dependent Child described immediately above, an amount equal to the Member's total Member Contributions plus Regular Interest, less any amount previously paid from the Fund, shall be paid to the Member's estate.
- J. Retired Employees' Group Death Benefit Fund
 - 1. The Board shall act on behalf of the City Council as the trustee of the Retired Employees' Group Death Benefit Fund and act under the same provisions, regulations, and procedures applicable to the Fund. All records and earnings of the assets of the Retired Employees'

Group Death Benefit Fund shall be maintained separate and apart from the assets and earnings of the Fund.

2. The Pension Office, through its Executive Director, shall be charged with administering lump-sum payments from the Retired Employees' Group Death Benefit Fund and any such payments shall be disbursed solely from funds appropriated by and subject to the purposes set forth by the City Council. Such records as may be necessary for the administration and accounting of the assets of the Retired Employees' Group Death Benefit Fund shall be maintained and no payments shall be made from Member Contributions or City Contributions or from any earnings on such Member Contributions or City Contributions.
3. Upon the death of a retired Member who is survived by a Spouse or Beneficiary, such Spouse or Beneficiary may be eligible to receive a five thousand dollar (\$5,000) lump sum. Upon written request by the Member's surviving Spouse or Beneficiary, the lump-sum amount, or a portion thereof, may be paid to the funeral home administering services with respect to the Member.
4. Upon the death of a retired Member who is not survived by a Spouse or Beneficiary, such Member's estate shall receive a five thousand dollar (\$5,000) lump sum in lieu of any payments that would have been payable under the City's group life insurance plan while the Member was in Service and upon presentation of one of the following instruments:
 - a. Letter of Testamentary granted by a court naming the legal executor of the Member's estate;
 - b. Letter of Administration appointing a person or persons to administer Member's estate;
 - c. Muniment of title signed by a judge;
 - d. Affidavit of Small Estate approved by a court; or
 - e. Judgment declaring heirship.
5. Lump-sum payments from the Retired Employees' Group Death Benefit Fund shall not be paid to any Beneficiary of a Member: (i) who retired from Service before January 1, 1970; or (ii) who was granted a disability Pension and applied for a premium waiver under the City's group life insurance plan.

RULE 6

BENEFIT DISBURSEMENT

6.1 Compliance with the Internal Revenue Code

A. Compliance General Provisions

1. The Board intends that the Fund remains a “qualified plan” as such term is defined under the Code. A qualified plan must satisfy the Code in both form and operation and, to the extent applicable to the Fund, the Code provisions set forth in these Rules shall govern. The actuarial assumptions used with respect to the Plan shall be consistent with the requirements of the Code.
2. In the event the Board determines that an error in the calculation of a Pension has resulted in the over or under payment of a benefit under the Plan, the Board shall have the authority to correct such calculation and make any adjustments required to maintain compliance with the Code.

B. Pension Compliance

1. Notwithstanding any other provision within these Rules, a Member’s Pension may not exceed the amount allowed under a qualified plan pursuant to Section 415(b) of the Code.
2. A Member’s Pension may increase by annual cost-of-living adjustments only to the maximum permitted under Section 415(d) of the Code.
3. If the combined amounts from two (2) or more retirement plans sponsored by the City would exceed the limits imposed under the Code, a Pension provided under the Plan shall be reduced to the extent necessary to comply with the limits set forth under the Code.

C. Pension Distribution Compliance⁹

1. Unless a Member remains in Service, his or her Pension shall commence no later than the latest of the following: (i) April 1st following the calendar year in which the Member attains age seventy and one-half (70½); or (ii) April 1st following the calendar year in which the Member retires; or (iii) such later date as may be set forth in the Code.
2. A Member’s Pension shall be distributed in one or more of the following ways:
 - a. Over the life of the Member and his or her designated beneficiary;
 - b. Over a period certain not extending beyond the Member’s life expectancy; or
 - c. Over a period certain not extending beyond the life expectancy of the Member and his or her designated beneficiary.

⁹ Note, revisions in this Section 6.1(C) made for consistency with the corresponding provisions in the Staff Plan.

3. If a Member dies after his or her Pension commences the distribution of any remaining benefit will be at least as rapid as under the method of distribution to the Member.
4. If a Member dies before his or her Pension commences, the distribution of any remaining benefit that is payable to a designated beneficiary will be distributed either: (i) within five (5) years after the Member's death; or (ii) over the life or life expectancy of the designated beneficiary and commencing not later than December 31st following the calendar year in which the Member died or would have attained age seventy and one-half (70½).
5. For purposes of this Rule 6.1(C), (i) all distributions will be made in a manner consistent with Section 401(a)(9) of the Code and the Treasury Regulations thereunder, and (ii) the term "designated beneficiary" has the meaning prescribed to such term in Section 401(a)(9) of the Code and the Treasury Regulations thereunder.

D. Rollover Distribution Compliance

A Member may elect, at the time and in the manner prescribed by the Board, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan.

1. An "eligible rollover distribution" is any distribution of all or a portion of a Member's Contributions. An eligible rollover distribution does not include any distribution that is: (i) a series of periodic payments including those over the life or life expectancy of the Member and/or his or her beneficiary; or (ii) subject to the minimum distribution requirements under the Code; or (iii) not includable in a Member's gross income unless transferred to a qualified trust or eligible retirement plan.
2. An "eligible retirement plan" is an individual retirement account, individual retirement annuity, annuity plan, qualified trust, eligible deferred compensation plan maintained by an eligible employer, or annuity contract as each is described in the Code and that accepts an eligible rollover distribution. An eligible retirement plan for a surviving Spouse, Beneficiary, or an alternate payee under a qualified domestic relations order shall only be an individual retirement account or individual retirement annuity.
3. If a Member elects to have an eligible rollover distribution paid to an eligible retirement plan, such distribution shall be made directly to the eligible retirement plan as specified by the Member. The Board shall be the sole determiner of both the Member's and the eligible retirement plan's eligibility with respect to any eligible rollover distribution.

6.2 Suspension of Payments Upon Reemployment

The Pension of a Member who returns to Service after Retirement shall be suspended. Upon return to Service such Member shall again earn Credited Service and such Credited Service shall be added to the Credited Service accrued during the Member's prior period of Service. Upon subsequent Retirement, the Member's Pension shall be recalculated using the Member's Credited Service accumulated during the Member's Service after his or her initial Retirement. The Member's Compensation Base shall be recalculated using the Earnings paid during the Member's Service after his or her initial Retirement. In no event shall a Member's Pension be reduced due to a return to Service.

6.3 Payments to Minors or Persons Lacking Capacity

Disbursements from the Fund that are payable to a minor or to a person lacking legal capacity to handle his or her financial affairs shall be made to the legal guardian of such minor's or person's estate upon receipt of proof of legal guardianship. In the absence of a legally appointed guardian, the Board shall have the authority to withhold payments and to make application to a court of competent jurisdiction for the appointment of a legal guardian. Before withholding any payments, the Board shall give written Notice of its intention to withhold payments and shall provide the person whose payments are being withheld a meaningful opportunity to establish capacity to receive payments from the Fund.

6.4 Court Orders

A. Court Order General Provisions

1. No portion of the Fund shall be held, seized, detained, subjected to or levied upon by virtue of any execution, attachment, garnishment, assignment, injunction or other writ, order, decree or any process or proceedings whatsoever issued by any court for the payment or satisfaction of any debt, damage, claim, demand or judgment against any person entitled to a benefit from the Fund, nor shall any claim with respect to the Fund be directly or indirectly assigned or transferred and any attempt to transfer or assign such claim shall be void unless for the deduction of insurance premiums on behalf of a Member's Spouse to a health or life insurance carrier engaged by the City.
2. Nothing shall prevent the division of a Member's Pension or other benefit accrued under the Plan between the Member and his or her former Spouse, children, and/or other beneficiaries pursuant to the terms of a valid order from a court of competent jurisdiction.
3. A court order with respect to benefits under the Plan shall not be honored if the order provides for any form of benefit or option to obtain a benefit that is not provided under the Plan or requires the Fund to provide increased benefits on the basis of actuarial value.

B. Qualified Domestic Relations Order (QDRO)

1. A Member's Pension may be reduced upon the qualification by a court of a Domestic Relations Order ("QDRO") awarding the Member's former Spouse ("Alternate Payee") a portion of such Member's Pension or other accrued benefit under the Plan. The court order must be a "qualified domestic relations order" within the meaning of the Code.
2. The maximum percentage of a Member's Pension that may be awarded to an Alternate Payee is fifty percent (50%) of such Member's gross benefit under the Plan.
3. A QDRO must either designate a specific monthly amount or a specific percentage of the Member's Pension that shall be disbursed to an Alternate Payee and no payments shall be disbursed to an Alternate Payee until commencement of the Member's Pension. Notwithstanding the above, a QDRO may not designate a specific monthly amount subsequent to January 1, 2017.
4. The Pension Office must receive the QDRO and a certified copy of the Member's entire, final divorce decree or judgment of divorce.

5. No QDRO shall be honored if such QDRO requires any disbursements to an Alternate Payee that are already required to be paid to another Alternate Payee.
6. Upon the death of a Member whose Pension is subject to a QDRO and whose Pension has commenced, all payments to the associated Alternate Payee shall cease and the Alternate Payee shall be eligible for no further benefits under the Plan.
7. No single sum payment shall be disbursed to an Alternate Payee except with respect to the refund of a Member's Contributions. If a Member whose future Pension is subject to a QDRO (i) Separates from Service and requests to take a refund of his or her Member Contributions; (ii) dies before his or her Pension commences; or (iii) dies after his or her Pension commences but before all of such Members' Contributions plus Regular Interest have been paid, the Alternate Payee shall not receive a Pension but shall instead receive the portion of the Member's Contributions plus Regular Interest thereon in the ratio of distribution provided in the QDRO and as a single-sum distribution so long as the Pension Office is in receipt of such QDRO prior to the distribution of the Member's Contributions.

Appendix A

Investment Policy Statement



INVESTMENT POLICY STATEMENT

Fort Worth Employees' Retirement Fund

Revised August 24, 2022

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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 collectively 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 its sources of funding 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 a benchmark philosophy, benchmarks and other criteria used 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 Board's 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, approving asset classes, and establishing asset class benchmarks.

3. Reviews this Policy periodically (at least every three 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, Board, and Service Providers on development and implementation of investments, 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 Private Investment Funds, 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, investment strategy, External Investment Manager, Private Investment Fund, and individual security.
6. Establishes sourcing approaches for the efficient review, selection or termination, and negotiation of Private Investment Funds and 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, Investment Committee, 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, benchmarks, 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 and/or Private Investment Funds 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 or Private Investment Funds 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 or Private Investment Funds 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.
 - 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 Implementation 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 or Private Investment Funds.
 - 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, Private Investment Funds, 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 Private Equity	18%	25%	5%
Maximum of Real Assets	13%	20%	5%
50% Diversified Opportunities	10%	15%	5%
Traditional Equity	42%	60%	30%
Minimum of Fixed Income	16%	40%	10%
50% 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

Through this Investment Policy Statement, the Board adopts a benchmark philosophy guided by the following ideas and aspirations.

1. Following the establishment of the strategic asset allocation, benchmark selection is the most important policy decision of the Board that influences Fund returns.
2. Benchmarks should be specified prior to the beginning of an evaluation period and known or agreed to by all parties.
3. Benchmarks should provide risk and return characteristics similar to the "beta" risk and return of the asset class proxies used in the design of the strategic asset allocation.
4. In general, benchmarks should be investable, measurable, unambiguous, simply constructed, commonly used by institutional investors, and available in a timely and cost-effective manner.

5. Asset class benchmarks should reflect the broadest and deepest opportunity set for each respective asset class.
6. Sub-asset class and investment strategy benchmarks should be focused to appropriately evaluate efforts, skill, and relative investment performance.
7. For Traditional Asset classes and other liquid investments, capital market-based benchmarks are preferred.
8. Alternative Asset and other private market benchmarks are not as available or precise as capital market-based benchmarks, therefore, peer-based benchmarks are more appropriate.
9. Alternative Asset benchmarks should be lagged appropriately to align the timing of the benchmark return to the timing of the reported returns that are incorporated in the overall performance report and annual financial statements.

The Board believes comparing the risks and returns of the Fund, asset classes, External Investment Managers and Private Investment Funds to the returns of relevant benchmarks is the primary method for assessing the effectiveness of individual investments, Investment Staff decisions and the investment program overall. Based on the benchmark philosophy and 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	Cambridge All PE Index, weighted by vintage year – 1 qtr lag
Real Assets	NFI - ODCE Index – 1 qtr lag
Diversified Opportunities	70% Cliffwater Direct Lending Index: Senior Only (CDLI-S) – 1 qtr lag and 30% Bloomberg US High Yield – 2% Issuer Cap Index
Equity	MSCI ACWI, Net Index
Fixed Income	Bloomberg 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 benchmark, performance reporting and monitoring sections of the Investment Implementation Procedures. 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. The investment performance will also be compared to the “as allocated” or “dynamic” benchmark. Updates to this Policy have included significant changes to asset class benchmarks and the strategic asset allocation targets. This creates multi-year periods of transition, where the actual portfolio asset allocation or underlying investments may be significantly different than the strategic asset allocation target or benchmarks. This is particularly true for Alternative Assets.

During these periods of transition, the policy index benchmark is not easily investible and investment performance may be significantly different from the policy index. The dynamic benchmark is similar to the policy benchmark, however, it adjusts for the changes to the IPS using a practical framework, which better reflects the effectiveness of investment decisions and the opportunity set. The CIO will consult with the Investment Committee on the rationale and appropriateness for the use of a dynamic benchmark.

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 the Fund, asset classes, Investment Strategies, External Investment Managers, and Private Investment Funds. 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 within an active risk budgeting framework. The Sharpe ratio or information ratio represents an appropriate measurement of risk adjusted returns for the Fund. 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 once per year, the CIO, Investment Staff, Executive Director, and Investment Committee will review actual investment results achieved by each External Investment Manager and Private Investment Fund with a focus on the long-term return characteristics (3-year or longer). 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:

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 Manager or Private Investment Fund performed in adherence to this Policy,
- The External Investment Manager or Private Investment Fund 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	12/14/2016
01/28/2009	01/24/2018
12/16/2009	01/27/2021
03/23/2011	03/23/2022
06/20/2012	08/24/2022
08/21/2013	
02/18/2014	
06/25/2014	

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 main fund.

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 a fund 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 publicly traded 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, Board committees, 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, Board committees, 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.

Private Investment Fund – An investment in a Limited Partnership, Limited Liability Corporation, or similar structure that exhibits limited liquidity characteristics because of the underlying private investments or the structure of the fund, and where the structure of the fund includes a distinction between the investors that provide capital to the fund, the entity(ies) that advises or directs the investment of the capital for the fund, and the underlying assets that receive the investment capital of the fund.

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.

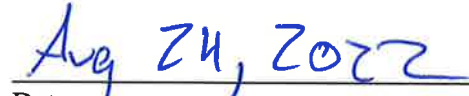
Venture Capital – Generally a type of private equity investment that invests in the financing of rapidly-growing companies that do not have access to public equity or debt financing.

**FORT WORTH EMPLOYEES' RETIREMENT FUND
INVESTMENT POLICY STATEMENT**

Approval:



Kevin Foster
Vice-Chair



Date