THE WOODLANDS FIREFIGHTERS' RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT

I. INTRODUCTION

A. The Woodlands Firefighters' Retirement System ("System") is a pension trust fund operating under the constitutional and statutory provisions of the State of Texas. A Board of Trustees ("Board") governs the System.
B. The System provides service, disability, death, and survivor benefits for fire fighters and retired fire fighters in the System and for their beneficiaries. Benefits are funded by contributions of the active fire fighters, the governing entity, and investment returns.
C. The assets of the pension system are for the exclusive benefit of the members of the System.
D. The assets of the pension system shall be invested and reinvested in accordance with Article 16 of the Texas Constitution, TX Revised Civil Statutes Article 6243e, Texas Local Fire Fighter's Act and the Texas Government Code 802, Subchapter B and Chapter 804.

II. PURPOSE

A. The purpose of the Investment Policy is to define policies to guide the implementation of the Board's investment goals and objectives in addition to establishing delegations of authority and responsibility, with the result being effective management and control of the investment process.
B. This investment policy applies to all financial assets of the system.
C. This investment policy is binding upon all persons with authority over the System's assets including:
   1. Investment managers/advisors;
   2. Custodians;
   3. Consultants;
   4. Broker/Dealers;
   5. Executive Staff and Administrative employees;
   6. The Board of Trustees.
D. Trustees, Executive Staff, Consultants, and Administrative employees involved in the investment process shall refrain from any activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.
E. Trustees shall use reasonable care to prevent another Trustee from committing a breach of any of the responsibilities, obligations, or duties imposed upon fiduciaries.
F. Trustees, Executive Staff, Consultants, and Administrative employees shall disclose to the Board Chairman any material financial interests in financial institutions that conduct business within their jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the System.
G. Trustees, Executive Staff, Consultants, and Administrative employees who become aware of a personal conflict of interest that affects their duty owed to the System have an obligation not only to disclose that conflict, but also to cure it.
H. A person may cure a conflict of interest by withdrawing from action on a particular matter in which a conflict exists, and not influencing any action taken.
I. System investment managers, consultants, custodians and supporting vendors must disclose information regarding relationships with, and direct or indirect financial interests in, any party to a transaction with the System. The statement must cover the reporting period of the previous calendar year and must be filed with the Board Chairman and Administrator no later than April 15 the following year.

III. INVESTMENT OBJECTIVE

The Board's investment objectives over extended periods of time (generally, ten to twenty years) is to achieve an average annualized investment return net of fees that equals or exceeds the actuarial investment return assumption of the System over rolling three to five-year periods.

IV. INVESTMENT STRATEGY

A. It is the policy of the Board to invest funds in a manner that will provide investment return with security while meeting the daily cash flow demands of the System and conforming to all state statutes governing the investment of public funds.

B. The Board may acquire, hold, manage, purchase, sell, assign, trade, transfer, and dispose of any security, evidence of debt, or other investment in which the System's assets may be invested.

C. The objectives of the Board will be implemented based on the following principles:

   a. Asset allocation is the most important determinant of investment performance.
   b. Appropriate liquidity will be emphasized to meet benefit payment requirements.
   c. The investment strategy is long-term, recognizing that the average age of the System's liabilities is relatively long. For this reason, emphasis will be placed upon long-term or strategic decisions rather than tactical or short-term market timing decisions, recognizing the long-term horizon could result in short-term volatility with the goal of achieving a consistent investment strategy.
   d. All major sectors of the capital markets should be considered in order to diversify and minimize total investment program risk. Such sectors may include, but are not limited to, equities (both U.S. and international, public and private), fixed income, convertible bonds, short-term cash equivalents, real estate property and securities, and alternative investments.
   e. Periodic rebalancing of the allocation of assets among asset classes will be performed to maintain compliance with the target asset allocation and asset allocation ranges.
   f. The Board of Trustees may delegate to an Investment Committee the responsibility for monitoring the implementation of policies approved by the Board and for making appropriate recommendations to the Board.
   g. Commitment to excellence should be reflected in a manager's performance ranking over a market cycle, typically a five to ten-year period or as otherwise determined by the Board of Trustees.
   h. Cost control is valued, particularly regarding investment management fees, and the focus will be on the returns net of fees.
   i. Economic justification for investment proposals will override social and/or local justifications. Social and/or local investments will only be considered when they provide reasonable and competitive rate of return expectations versus other comparable investments.
   j. Unless the Board deems unnecessary, formal asset allocation studies will be requested from and conducted by a consultant at least every five years, with annual evaluations of the validity of the adopted asset allocation based on updated return projections as necessary.

V. RESPONSIBILITIES OF THE BOARD OF TRUSTEES

A. The Trustees, as fiduciaries of the System, shall:
   1. Ensure the assets are managed for the exclusive benefit of the members of the system;
   2. Establish prudent investment policies defining investment objectives and strategies;
   3. Seek to maximize investment return while maintaining the safety of the principal consistent with the stated investment objective;
   4. Diversify the assets to reduce risk of loss;
   5. Monitor and document investment performance; and
   6. Efficiently manage the costs associated with implementation of the investment program.

B. The Trustees may designate persons other than themselves to carry out fiduciary responsibilities.

C. In carrying out its fiduciary duties with respect to assets of the System, the Trustees will consider and act upon recommendations made by the Investment Committee if provided with respect to the investment programs and compliance of the investment programs with board policies.

D. The Trustees shall adopt and maintain an Investment Policy that details, at a minimum, the:
   1. Investment goals and objectives;
   2. Asset allocation guidelines;
   3. Policies that govern the selection and removal of investment managers;
   4. Eligible investment categories.

E. The Investment Policy shall be reviewed annually.

VI. RESPONSIBILITIES OF THE INVESTMENT COMMITTEE

A. The Board of Trustees' Investment Committee, should one be appointed, would be composed of three trustees selected by the Chairman and would meet at least quarterly. The System's Investment Consultant reports directly to the Board of Trustees until such time that the Board appoints said committee. If a committee is appointed, the full Board of Trustees, as a fiduciary of the System, shall consider the committee's recommendations and vote on all recommendations as a whole. Otherwise, all duties listed herein, are those of the full Board of Trustees.

B. The Investment Committee would advise the Board and make recommendations on the investment programs of the System and compliance of the investment programs with Board policies.

C. The Investment Committee would be responsible for preparing and maintaining an Investment Policy for the Board.

D. The Investment Committee would advise the Board and make recommendations with respect to the appointment of the following service providers:
   1. Investment managers
   2. Transition managers
   3. Investment Consultants; and
   4. Custodial Banks.

E. The Investment Committee would recommend to the Board specific actions to achieve the investment goals and objectives of the System.

F. Duties of the Investment Committee
   1. Monitor the System's compliance with the Investment Policy and report to the Board as appropriate;
   2. Monitor asset allocation to individual asset classes utilized in the investment programs;

3. Review the performance of each asset class within the investment programs;
4. Review investment manager performance;
5. Conduct due diligence activities concerning the selection of investment managers, consultants and advisors to assure that they are consistent with the policies of the Board;
6. Review the cost effectiveness of the investment program, including trading efficiency and external manager fees; and
7. Review the performance and independence of the investment consultant should the board hire as such.

VII. RESPONSIBILITIES OF THE ADMINISTRATOR

A. The Administrator is delegated full authority and responsibility by the Board of Trustees in the implementation and administration of its investment programs subject to Board policies, rules, regulations and directives consistent with constitutional and statutory limitations.
B. Under the authority of the Board of Trustees, the Administrator will carry out the following duties:
   1. Assist the Board in the procurement of investment managers, consultants and custodians; and
   2. Supervise staff in carrying out actions of the Board and Investment Committee.

VIII. RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

The Board shall use an independent third-party investment consultant, who shall be a fiduciary of the System, working with the Board of Trustees and/or the Investment Committee to:

1. Recommend to the Board and/or the Investment Committee revisions to the Investment Policy;
2. Assist in appraising performance;
3. Provide performance comparison data as requested;
4. Assist in evaluating investment manager style discipline and peer comparison;
5. Assist in asset allocation studies; and
6. Other duties the Board or Investment Committee deem appropriate.

IX. RESPONSIBILITIES OF INVESTMENT MANAGERS

A. Due Diligence: Each Investment Manager shall utilize the same due care, skill, prudence and diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity, as a fiduciary, and fully familiar with such matters would use in like activities for like plans with like aims, while maintaining appropriate diversification to avoid the risks of large losses, in accordance with compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities

B. These duties and responsibilities of each of the registered investment managers retained by the Board include managing the assets under its purview in accordance with the policy guidelines and objectives expressed herein in addition to any separate written agreement.

X. PROXY VOTING POLICY

Proxy votes must be exercised for the exclusive benefit of the participants of the Plan. Each separate account Investment Manager shall provide the Board with a copy of their proxy voting policy.

XI. PERMITTED ASSET CLASSES

A. Equities: Equity investments should be used to provide appreciation of principal as well as dividend income to the Fund with the recognition that this requires the assumption of greater market volatility and risk. Securities should be chosen on a total return evaluation basis using a thorough analysis of safety, liquidity and reasonably expected returns. Domestic equities shall be chosen from the New York Stock Exchange, the American Stock Exchange, regional exchanges and the NASDAQ market. No letter stocks or privately held stocks are permitted. International investments should be made in companies with American Depositary Receipts (ADR's) when possible. Direct purchase of international securities is permitted if such shares are listed on a recognized international exchange which provides immediate market values and liquidity and so long as the aggregate market value of such foreign denominated securities does not exceed 5% of the Plan balance at any time. Some privately held shares such as private equity is permitted by alternative asset managers so long as the aggregate does not exceed 5% of the Plan balance.

B. Fixed Income: Fixed Income investments should generally be used to provide a highly predictable and dependable source of income and to reduce the volatility of the market value of the Plan as well as provide liquidity when needed for current operations. Allowable fixed income securities include government securities, government agencies, mortgage backed pass-through bonds, corporate bonds, taxable municipals, and other asset backed securities. An average rating of A or better should be maintained for the core fixed income portfolio. The average duration of all fixed income investments of the Plan should not exceed 10 years, unless otherwise prudent to do so. All fixed income investments except foreign sovereign bonds must be payable in U.S. dollars. Some fixed income investments which do not meet the rating or duration standards above may be used by investment managers so long as the total amount of such investment does not exceed 10% of the Plan balance.

C. Alternative Investments: Any investment by the Plan that is not cash, fixed income, or publicly traded equity will be considered an alternative investment. The purpose of alternative investments for the Plan is to provide principal growth and income in ways that generally do not have a high historical correlation to conventional investments in cash, fixed income and publicly traded equity. Master limited partnerships or funds thereof, real estate investments through REITS, hedge funds, private equity, private fixed income, private real estate, infrastructure, managed futures and commodities are alternative investments that are approved investments. Additional types of alternative investments may be made, if recommended by the Investment Consultant and approved by the Board, up to an amount less than or equal to 5% of the Plan balance at the time of investment.

D. Cash: Cash or cash equivalent investments may be used to provide current income, but their main purpose should be to store purchasing power when appropriate to fund longer term investments. Cash investments include negotiable certificates of deposit of banks insured by the FDIC which must not exceed the current maximum insured size, interest bearing money market funds of the highest quality, or short-term interest bearing instruments with minimal or no risk which are immediately saleable.

XII. INVESTMENT RESTRICTIONS

Investment restrictions include the following and shall be strictly adhered to unless specifically waived by a resolution of the Board:

1. All investments must be U.S. dollar denominated except for certain equities and sovereign foreign bonds as delineated in Permitted Asset Classes;
2. Commercial paper must be rated P1 by Moody's or A1 or A2 by Standard & Poor's;
3. No more than 5% of the voting securities of any corporation may be owned;
4. No securities may be purchased on margin or leverage excluding alternative investments;
5. No short sale transactions except by approved alternative investment managers;
6. Transactions in financial futures are prohibited unless used to equitize cash, reduce risk, or by approved alternative investment managers;
7. No more than 30% of the aggregated equity portfolio may be invested in any one sector of the MSCI World at market;
8. No more than 5% of the aggregated equity portfolio shall be invested in securities of any one company at market;
9. No privately held securities shall be included in the Plan except by approved alternative investment managers; and
10. Option trading is prohibited except for covered calls or put hedges on a one to one ratio.

XIII. ASSET ALLOCATION

System Asset Allocation	Lower Limit	Target	Upper Limit
Domestic Equities Large Cap, Mid Cap, Small Cap Core / Value / Growth	45.0%	55.0%	65.0%
International Markets Equity	10.0%	15.0%	20.0%
Core Fixed Income	7.5%	12.5%	17.5%
Bank Loans	0.0%	2.5%	5.0%
Non-core Fixed Income	2.5%	5.0%	7.5%
Private Real Estate	5.0%	10.0%	15.0%
Opportunistic/Tactical	0.0%	0.0%	5.0%
Cash & Equivalents	0.0%	0.0%	5.0%

A. The most important component of an investment strategy is the asset mix, or the resource allocation among the various classes of securities available to the System for investment purposes. The Board of Trustees shall set long-term asset allocation targets or ranges that will best meet the needs of the System and its beneficiaries.
B. Within each asset class, the Board of Trustees shall adopt portfolio implementation strategies and investment styles to meet the overall investment objective of each asset class.
C. The Board will monitor the aggregate asset allocation of the portfolio and, if the allocation of an asset class falls outside of its allowable range during a calendar quarter, the Board will rebalance to the target asset allocation at the end of any such calendar quarter considering market conditions; provided, however, in the event of extenuating circumstances, such as pending cash flows or allocation levels viewed as temporary, the Board may determine to rebalance simply into the allowable range, as opposed to the target allocation. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available and with reasonable notice

provided to the Investment Managers. The Board does not intend to exercise short-term changes to the target allocation.

XIV. PERFORMANCE BENCHMARKS

A. The Board wishes to adopt standards by which judgments of the ongoing performance of a portfolio may be made. Evidence of the conditions set forth below have been determined to be indicative of the need for a specific evaluation of an Investment Manager. If, at any time, any three (3) of the following conditions occur, the Investment Manager may be warned of the Board's serious concern for the Plan's continued safety and performance. If any five (5) of these conditions occur, the Investment Consultant may recommend an Investment Manager change or evaluation for that mandate.

- Four (4) consecutive quarters of relative under-performance versus the benchmark.
- Three (3) year trailing return below the top 50th percentile within the appropriate peer group and under performance versus the benchmark.
- Five (5) year trailing return below the top 50th percentile and underperformance versus the benchmark.
- Three (3) year volatility greater than the index, as measured by standard deviation.
- Five (5) year volatility greater than the index as measured by standard deviation.
- Style consistency or purity drift from the mandate.
- Management turnover in portfolio team or senior management.
- Investment process change, including varying the index or benchmark.
- Failure to adhere to the Investment Policy Statement, Investment Manager Addendum or other compliance issues.
- Investigation of the firm by the Securities and Exchange Commission (SEC) or other regulatory agency.
- Significant asset flows into or out of the company or strategy.
- Merger or sale of firm.
- Fee increases outside of the competitive range.
- Servicing issues – key personnel stop servicing the account without proper notification.
- Failure to attain a majority vote of confidence by the Board.

Nothing in this section shall limit or diminish the Board's right to terminate any service provider at any time for any reason. The Investment Consultant will be primarily responsible for conducting the review provided in this Section XIV.

B. Total Portfolio Return Objectives

1. The performance of the total portfolio will be measured for rolling five (5) and ten (10) year periods. These periods are considered sufficient to accommodate the market cycles experienced with investments. The performance of the overall portfolio will be compared to the return of the policy indexes comprised of 55.0% Russell 3000 Index, 15.0% MSCI ACWI excluding U.S., 20.0% Barclays Capital U.S. Aggregate Bond Index, and 10.0% NCREIF ODCE.

2. On a relative basis, it is expected that the total portfolio performance will rank in the top 50th percentile of the appropriate peer universe over three (3), five (5), and ten (10) year time periods.

Agreed and accepted the __23rd __day of September, 2022 by the Board of Trustees of The Woodlands Firefighters' Retirement System.

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Doug Adams, Chairman Jeff Johnston, Secretary

Appendix A: Investment Policy History

Date	Action	Comments
March 2015	Board adopted initial IPS	
May 2018	Board adopted changes in policy	Added permitted asset class language and investment restrictions; added asset classes to asset allocation; reduced target ranges; amended performance benchmarks for asset classes
April 2019	Board adopted changes in IPS	Updated asset allocation, updated total portfolio and asset class benchmarks, updated proxy voting
November 2021	Board adopted changes in IPS	Updated asset allocation and associated policy benchmark changes
September 2022	Board adopted changes in IPS	Updated asset allocation