

MIDLAND FIREMEN’S RELIEF AND RETIREMENT FUND

STATEMENT OF INVESTMENT POLICY

Adopted: October 9, 2025

EXECUTIVE SUMMARY

Type of Fund:	Defined Benefit – Pension Fund
Plan Sponsor:	City of Midland, Texas
Plan Name:	Midland Firemen’s Relief and Retirement Fund
IRS Tax Identification:	75-6065580
Recent Asset Size:	\$150M+
Time Horizon:	Greater than 30 years
Return Objective:	7.0% Absolute Return (Net of Fees)

GENERAL BACKGROUND

The Midland Firemen’s Relief and Retirement Fund (the “Fund” or “Plan”) is a pension fund established in 1941. The Fund covers substantially all employees of the Midland Fire Department. Midland Firemen’s Relief and Retirement Fund is authorized by The Texas Constitution at Art. 16, Sec. 67 and is governed by Article 6243e Vernon’s Texas City Statutes (“Texas Local Fire Fighters Retirement Act” or “TLFFRA”) and Chapter 802 of the Texas Government Code.

I. FUND MISSION

The Midland Firemen’s Relief and Retirement Fund is an IRC Sec. 401(a) tax-qualified TLFFRA fund. The Plan Document provides the Board of Trustees (the “Board”) shall establish uniform rules and procedures to be followed for administrative purposes, benefit applications and all matters required to administer the Fund. The purpose of the Fund is to provide long-term retirement, disability, and survivor death benefits to the participants and their eligible survivors. The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board of Trustees of the Fund (“Board”). It is further intended to provide a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance will be evaluated.

The investment policies set forth in this document were established after a thorough review of the unique needs and circumstances of the Fund and a careful evaluation of the risk and potential returns expected from various mixes of risk assets, including stocks, bonds, alternative strategies, and cash equivalent securities. The goal of the Investment Policy Statement (the “IPS”) is to assist the Board in its fiduciary governance of the investment portfolio. This includes effectively supervising, monitoring, and evaluating the investment of Fund assets. All aspects of this statement should be interpreted consistently with the Fund’s objectives.

The Board has also established this Investment Policy to:

- Make a clear distinction between the responsibilities of the Board and the responsibilities of the investment manager(s) and other service providers selected by the Board to implement the Board's investment policy;
- Provide an unambiguous description of the Board's risk tolerance, as defined by the asset classes that are considered allowable investments and the percentage allocations to each asset class;
- The Board also recognizes and accepts the fact that a prudent level of risk must be assumed in order to achieve the Fund's long-term investment objectives. The Board intends to attempt to utilize the minimum level of risk required to achieve the Fund's investment objectives;
- Emphasize diversification of portfolio investments within each asset class;
- Describe the investment limitations that apply to the portfolios managed by investment managers;
- Provide rate-of-return objectives and establish formal criteria to monitor and evaluate the performance results achieved by strategies, indexes and asset managers;
- Establish effective communication procedures between the investment managers, investment consultant(s) and the Board;
- Create a formal review process for reviewing this Investment Policy Statement.

II. ROLES AND RESPONSIBILITIES

All parties involved in the investment program will act responsibly in accordance with their fiduciary duty and standards of care¹. (¹Sec. 802.203, Texas Government Code)

Prudence: The standard of prudence to be used by investment officials shall be the Uniform Prudent Investor Act standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures, this investment policy, and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Ethics and Conflicts of Interest: Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial or investment positions that could be related to the performance of the investment portfolio. Trustees and investment officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the system.

The **Board of Trustees** is responsible for the governance of the Fund. Their investment responsibilities include:

- Establish and develop an IPS and the strategic investment policy for the Fund and periodically review such policy considering any changes in actuarial variables and market conditions.
- Select qualified an investment consultant and portfolio manager(s) / mutual fund(s) ("Investment Manager") to manage and advise on the Fund's assets.
- Monitor and review the investment performance of the Fund to determine achievement of goals and compliance with guidelines.
- Monitor and evaluate Investment Manager performance.
- Conduct due diligence when an investment manager / mutual fund fails to meet a standard to determine an appropriate course of action (i.e., "Good Standing", "Under Review", or "Termination").
- Establish a procedural due diligence search process.
- Conduct portfolio manager searches as required for policy implementation.
- Efficiently manages the costs associated with implementation of its investment program.
- Periodically reviews the performance of all service providers that directly report to the board including investment staff, investment managers, investment consultants, and custodians.

The Board may utilize the services of an outside investment consultant (Investment Consultant) to assist in fulfilling its responsibilities. Each consultant is responsible to provide independent and unbiased information and will have its performance reviewed at least annually.

The **Investment Consultant** responsibilities include:

- To assist the Board in strategic planning for the Fund. This includes aiding in developing an investment policy, asset allocation strategy, and investment manager structure;
- To provide to the Board quarterly performance measurement reports on each Investment Manager / Strategy and on the Fund as a whole and to assist the Board in interpreting the results;
- Leading Investment Manager searches, selection process, monitoring, and termination following the policies outlined in the IPS.
- Providing quarterly reviews of investment fees incurred.
- Reviewing the IPS annually and providing the board any suggestions for improvement.
- To assist the Board in compliance with Texas law, TLFRA requirements and disclosures, and PRB guidance;
- To act as a liaison between the Investment Manager(s) and the Fund, and thereby facilitate the communication of important information in the management of the Fund;
- Shall acknowledge in writing that they are a fiduciary to the Fund with all attendant duties and responsibilities; and
- Other duties as may be mutually agreed upon.
- The Investment Consultant shall act solely in the best interest of the Fund. Final decision-making authority and responsibility, however, resides with the Board.

Investment Manager responsibilities include:

- To manage those Fund's assets under its supervision in accordance with the guidelines and objectives contained in this IPS and the objectives as set forth in the investment management agreement between the investment manager and the Board.
- Within the guidelines and restrictions set forth herein, the Board of Trustees intends to give each investment manager full investment discretion with respect to assets under its management.
- The investment managers shall discharge their responsibilities as a fiduciary of the Fund. The Board will request that each separate account investment manager shall acknowledge, in writing, that it is a named fiduciary of the Fund.
- Each investment manager utilizing separate account, commingled or limited partnership structure is expected to provide any reasonable information requested by the Board of Trustees. As a minimum requirement, these managers shall provide a quarterly report detailing their investment activity, the portfolio's current value and any changes in investment philosophy or strategy. This report shall also identify and describe any significant changes in the personnel or ownership of the investment management firm. Each investment manager is expected to meet with the Board of Trustees or their designated representatives periodically to review investment performance and philosophy.
- Unless otherwise provided by the Fund's Custodian, each separate account investment manager will manage portfolio activity to minimize un-invested cash balances.
- Each investment manager shall be responsible only for those assets under their management.
- It will be the responsibility of each separate account investment manager to review the monthly valuations provided by the Fund's Custodian and to note, in writing, any significant discrepancies from the valuations provided in their own reports.
- The Board acknowledges that mutual fund investments selected and purchased by the Fund's Custodian are governed by each fund's prospectus and that no additional requirements may be placed on these investments. Direct investments in mutual funds are not subject to the investment management responsibilities enumerated above.

Actuary responsibilities include:

- To perform biennial actuarial valuations to determine liability and funding requirements for the Fund;
- To monitor the funding progress of the Fund;
- To make appropriate recommendations regarding actuarial assumptions on a periodic basis; and
- To perform experience studies and special projects as mutually agreed.

Custodian responsibilities include:

- To hold securities and other investments in the name of the Fund or in the name of the nominee custodian or in bearer form;
- To collect and receive income, interest, proceeds of sales, maturities, investments, deposit of all receipts in a custodial or checking account and reinvest these receipts as directed by the Board;
- To make disbursements and transfers as directed by the Board;
- To maintain accounting records and assist in the preparation of reports required by the Board.

Frequency of Competitive Procurement

Third-party service providers shall be reviewed every 3-5 years. When deemed appropriate, the Board may conduct an informal review, an RFQ or a formal RFP process. The aim of these reviews is to ensure that quality services are being received and costs remain competitive. The Board may, at its discretion, review any service provider more frequently as may be necessary.

III. INVESTMENT OBJECTIVE

GENERAL OBJECTIVES

The investment objective of the Midland Firemen's Relief and Retirement Fund is to preserve the purchasing power of the Fund's assets and to earn a competitive real rate of return (after inflation); while over the long-term minimizing, to a reasonable extent, volatility of returns. To achieve these objectives, the Board of Trustees seeks to create a diversified and balanced portfolio of assets managed in separate account, mutual fund, commingled fund, and/or limited partnership vehicles.

INVESTMENT OBJECTIVES

Given the purpose of the Midland Firemen's Relief and Retirement Fund stated above, the Board of Trustees recognizes the necessity of a long-term horizon when formulating investment policies and strategies. However, shorter-term investment goals have been established and are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. Most investment styles require a full market cycle to allow an investment manager to demonstrate its abilities. As most market cycles last from three to five years, performance results will be measured over a three to five-year period. Performance over shorter time periods will be monitored as a means of identifying the trend of results.

The specific investment objectives of the Midland Firemen's Relief and Retirement Fund are as follows:

Absolute Return Objective: To achieve an average (net of fees) annual rate of return greater than **the applicable assumed rate of return** over the longer-term (rolling five-year periods). This absolute return objective will be evaluated in the context of the prevailing investment market conditions.

Target Return Objective: To earn a total rate of return over the longer term, which exceeds the return of a Target Index. The Target Index is constructed as a passive mix of investments with similar weightings to the actual Fund investments. The Target Index for the Midland Firemen's Relief and Retirement Fund is provided in **Exhibit A**.

Peer Return Objective: In addition, it is expected that the rate of return earned by the Fund will rank **above average** when compared to a representative universe of other, similarly managed portfolios.

Volatility: The Board of Trustees has identified standard deviation as the most appropriate measure of risk. The volatility of the total Fund's total returns is expected to be similar to that of the Target Index and will be evaluated accordingly.

The above investment objectives have been established for the entire Midland Firefighters' Relief and Retirement Fund. Individual asset managers (in separate account or fund structure) will be given specific benchmarks that correspond to their direct mandate and asset class in Exhibit B.

IV. LIQUIDITY

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

The investment consultant is responsible for monitoring the Fund's liquidity status. As liquidity can vary by asset class and investment vehicle, the Board shall limit portfolio asset investments based on redemption periods. The consultant will provide notice of known distribution liquidity needs to the investment managers in advance.

- No more than 35% of the Fund's assets should be invested in vehicles having liquidity provisions preventing full redemption within a period of one year.

V. RISK TOLERANCE

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate market risk, credit risk, inflation risk, and interest rate risk.

1. Market Risk

The Fund will minimize market risk, which is the risk that prices for stocks, bonds, and other assets may fall, by:

- Limiting investments to the types of securities listed in Section VI of this investment policy.
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the Fund will do business in accordance with Section VI.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

2. Credit Risk

The Fund will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VI of this investment policy.

- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the Fund will do business in accordance with Section VI.
- Requiring a minimum credit quality for certain investments and counterparties in accordance with Section VI.
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

3. Interest Rate Risk

The Fund will minimize interest rate risk, which is the risk that rising or falling interest rates will reduce the value of the Fund's assets, by:

- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy.

The Board of Trustees intend to assume a reasonable level of risk given the Fund's target return and near-term liquidity needs. Risk of the total Fund, the composite asset classes, and each individual asset manager is to be measured by the standard deviation of returns. The standard deviation of the total Fund is to be compared to other defined benefit pension plans as measured by applicable peer universe(s). The standard deviation of the composite equity portfolio will be compared to the standard deviation of the equity portfolios of other defined benefit plan sponsors in the peer universe. The standard deviation of the composite fixed income portfolio will be compared to the standard deviation of returns of fixed income portfolios of other defined benefit plan sponsors in the peer universe. The standard deviation of real estate managers and alternative strategies will be compared to the standard deviation of applicable universe comparisons (when available). The standard deviation of each asset manager or mutual fund will be independently measured against the volatility of their direct peer group (when available).

GENERAL POLICY PERSPECTIVE, LIABILITIES & PERIODIC REVIEW OF ASSET ALLOCATION

The Board shall manage the assets of the Fund in a manner equivalent to that of a prudent person who would perform such fiduciary-oriented activities in the administration of similar retirement and benefit funds. Investment of the Fund's assets shall be so diversified as to minimize the risk of large losses. Cash is to be minimized by investing in short-term cash equivalents to provide safety, liquidity and return.

It is the intention of the Board to allocate assets consistent with achieving the target return. In determining acceptable levels of risk, the Board, with the assistance of its Consultant, is to perform a comprehensive study of its fund-level asset allocation policy periodically. Each study is to measure investment risk loss evaluation, stress testing, best / worst, and most likely outcomes over long-term time horizons. The Board's studies should consider both forward-looking and historical portfolio modeling in assessing risk. The Fund's cash flow and liquidity needs must be considered when evaluating asset allocation decisions. Should a situation arise where an unusually large cash inflow (such as a discretionary contribution or pension bond from the City) or an unusually large cash outflow, the Board will inform the Consultant, the Custodian, and the Managers as soon as practical of anticipated additions to or withdrawals from their portfolio. The Consultant, in consultation with the Board, will determine the most appropriate utilization for the cash additions within the established guidelines and will similarly determine the most appropriate manner in which to raise cash for withdrawals.

Similarly, if a large reallocation within the existing asset portfolio is expected (potentially including new investments or terminating existing investments), the Board will inform the Consultant, the Custodian, and the Managers as soon as practical of anticipated additions to or withdrawals from their portfolio. The Consultant, in consultation with the Board, will determine the most appropriate and cost-effective manner to achieve that reallocation.

Given the mature nature of the Fund's liabilities, cash outflows the funded status, the overall risk tolerance of the Board is to be **moderate-to-conservative**. However, the Board recognizes the need to rely on and include growth assets such as public equity within the overall asset allocation of the Fund. In order to manage risk in the overall portfolio, the Board has established the following policies:

- Annual review of asset allocation with respect to the Fund outflows and liabilities.
- Annual review of capital market assumptions and the assumed actuarial rate of return.
- Periodic rebalancing of the Fund assets back to policy levels as needed.
- Annual review of the investment policy document.
- A periodic asset allocation study to consider changes in strategy and/or the inclusion of additional asset classes. This study should be comprehensive and include Monte Carlo simulation¹, loss evaluation, and stress testing. ¹ The Monte Carlo simulation was named after the gambling destination in Monaco because chance and random outcomes are central to this modeling technique.

VI. INVESTMENT ASSETS

The board recognizes that the asset allocation decision will be the single most important factor determining the long-term performance of the Fund. The board therefore wishes to retain complete discretion with respect to the asset allocation decision. Investment managers are expected to manage the funds for which they have been allocated at their discretion within the constraints of their mandates.

The current needs of the Fund require a diversified portfolio, and the asset allocation percentages specified in this section are determined by the board as the optimal allocation for the Fund. The determination of the optimal allocation is reviewed annually and is based on the advice of the investment consultant. The Fund's time horizon is long-term, and the allocation considers the various preferences, risk tolerances, return objective, and the desired diversification from this IPS.

Strategic Asset Allocation

The Board of Trustees has established the target asset allocation for the entire Midland Firemen's Relief and Retirement Fund as outlined in **Exhibit A**.

Rebalancing Policy

It is the Board's intention to allocate the assets similarly to the Target Index, but it is understood that the assets will fluctuate over time based on normal market volatility. In order to control risk, the permissible ranges have been identified as a tool to assist in rebalancing the total portfolio. Permissible ranges for each asset class are identified in **Exhibit A**. The Board of Trustees intends to review and rebalance the portfolio periodically. From time to time, if any asset class falls outside its permissible range, the Board of Trustees does not consider this a technical default of the Investment Policy. The Board will utilize Fund outflows and inflows to rebalance the portfolio to portfolio targets whenever possible.

Authorized Investments

The aggregate portfolio of assets in each asset class listed below should, in aggregate, comply with these guidelines. Specific investment manager assignments within broad asset classes, including specific benchmarks, are reflected in **Exhibit B**.

EQUITY PORTFOLIO:

- 1) Investments in equity securities or funds representing equity participation that are benchmarked to corresponding equity indices are subject to the range limits indicated in **Exhibit A**.
- 2) Investment in equity securities shall be limited to easily and readily negotiable securities, registered mutual funds or commingled funds.
- 3) Investments in foreign securities and funds representing foreign equity participation shall be limited to **25%** (at market) of the total investment portfolio. The Board may achieve diversification in foreign equity through commingled funds or institutional mutual fund vehicles. These pooled vehicles are considered investments in foreign securities.
 - a) American Depositary Receipts (ADRs) and foreign ordinary securities traded on domestic exchanges are United States dollar-denominated securities listed and traded on a United States exchange and are considered part of the ordinary investment strategy of the Board. These securities are not considered foreign securities and may be purchased by separate account managers without limitation.
- 4) Exchange-traded funds (ETFs) and exchange-traded notes (ETNs) are permissible within separate account portfolios, mutual funds, or commingled vehicles.
- 5) For separate account portfolios, investments in those corporations whose stock has been publicly traded for less than one year are limited to **15%** of the equity portfolio.

FIXED INCOME PORTFOLIO:

- 1) No more than **5%** of the composite fixed income portfolio (individual bonds and funds representing fixed income participation combined) shall be invested in the securities of any single corporate issuer.
- 2) The duration of the composite fixed income portfolio, including individual bonds and funds representing fixed income participation, should be less than **135%** of the duration of the market index. The market index is defined as the Bloomberg Aggregate Bond Index.
- 3) Direct investment in Collateralized Mortgage Obligations (CMOs) by separate account portfolio managers shall be limited to **15%** of the market value of their portfolio. There is no limitation on CMOs within a mutual fund or commingled fund structure.
- 4) Futures contracts and shorts may be utilized for diversification, duration adjustment, and/or yield curve positioning purposes. The decision to use futures in separate account fixed income portfolios will depend on the capability of the Fund's Custodian(s) and will be determined upon asset manager request.
- 5) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.

REAL ESTATE:

- 1) Direct investment in individual real estate property is permissible. The Board will seek real estate diversification through participation in commingled funds of real properties. These funds shall be broadly diversified as to property type and location.
- 2) Experienced and professional real estate investment managers shall manage all real estate investments.

ABSOLUTE RETURN:

- 1) All absolute return or alternative investments shall be made through participation in diversified commingled funds, mutual fund or limited partnership vehicles.
- 2) The Board considers absolute return as those strategies with a stable and consistent return expectation that are not tied to any asset class or benchmark. These strategies may include but not be limited to hedge fund, tactical asset allocation, or hybrid securities (convertible/preferred). The Board of Trustees shall endeavor to consider those investments that offer liquidity, transparency and low relative fees.

PRIVATE EQUITY / VENTURE CAPITAL:

- 1) All private equity / venture investments shall be made through participation in diversified limited partnership vehicles.
- 2) The Board shall endeavor to consider those investments that offer liquidity, transparency, and low relative fees.

PRIVATE CREDIT:

- 1) All private credit shall be made through participation in diversified limited partnership vehicles.
- 2) The Board shall endeavor to consider those investments that offer liquidity, transparency, and low relative fees.

CASH EQUIVALENT SECURITIES/FUNDS:

The investment managers may invest only in the following short-term investment vehicles:

- a) The money market or short-term investment fund (STIF) provided by the Fund's Custodian.
- b) Direct obligations of the United States Government, its agencies or instruments with a maturity of one year or less.
- c) Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 by Standard & Poor's or P-1 by Moody's rating services.
- d) Bankers Acceptances and Certificates of Deposit issued by the largest 50 banks in the United States (in terms of total assets).

PROHIBITED SECURITIES:

Only those derivative securities expressly described herein are permissible. Separate account portfolio managers may request the use of trading on margin, short selling, and the use of options and futures, which would require prior approval of the Board. Selling covered calls is allowed under this policy without separate Board approval.

MUTUAL FUNDS / COMMINGLED FUNDS:

The Board of Trustees recognizes and accepts that commingled and mutual fund investments are governed by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to invest Fund assets in any commingled or mutual fund will only be made by the Board of Trustees after a thorough review of the policies and/or prospectuses of those funds and after it has been determined that those policies are appropriate and consistent with the Board's investment objectives. The Board of Trustees implicitly accepts the policy of a mutual fund or commingled fund when it makes a direct investment.

Private Investment Legal Requirements

Due to the unique nature of private investments (i.e. absolute return, hedge funds, private equity, venture capital, private credit, private real estate, private infrastructure) all investment entry documents and any accompanying side letters will be reviewed by the Fund's contracted legal counsel to determine if the documents are sufficient for the Fund's legal requirements and needs. An alternative/private investment may not be made if certain legal requirements cannot be satisfied and the Fund is not willing to assume the legal exposure.

Private Investments Valuation Policy

Due to certain alternative investment pricing limitations and complexities, the board will delegate to the investment consultant confirmation of compliance with industry best practice valuation procedures.

For all private investments, the investment consultant should confirm compliance with industry best practices. These investments should preferably have quarterly valuations, but valuations must be conducted no less than semi-annually. Exceptions to this policy can be approved by the Board.

1. Valuation Requirements – The scope must be sufficient to demonstrate that the value of each investment held has been appropriately determined. The scope should include, but not be limited, to the following:
 - a. Must have and follow their own written valuation policies.

- b. Must notify the Fund in writing if the internal valuation policy is changed.
- c. Must be strategy appropriate, established valuation techniques.
- d. Valuation process oversight, review, and approval must be independent of the portfolio manager with approval so documented.

VII. PROXY VOTING

The Board, by default, does not intend to invest in investment vehicles that provide proxy voting rights; however, when applicable, the investment manager is granted the authority to represent the Fund and shall vote shares in the best interest of the Fund and its beneficiaries. A listing of all proxy votes showing the date each proxy was voted, the issue as to which each proxy was voted, and how each proxy was voted shall be provided to the Board at least annually. If a proxy was not voted, the investment manager will provide a written statement indicating why a particular proxy was not voted to the Board as soon as reasonably practicable.

VIII. PERFORMANCE EVALUATION

Performance measurement will be based on total rate of return and will be monitored over a sufficient period to reflect the investment expertise of the manager(s) over one full market cycle, or five years, whichever is less. Performance results and evaluation relative to objectives will be reported to the Board on a quarterly basis. A time-weighted return formula (which minimizes the effect of contributions and withdrawals) will be utilized in performance calculations. For alternative investments, time-weighted returns will be used for consolidated reporting; however, internal rates of return will be used for evaluation of managers.

Asset Class Benchmarks

The Asset Class Benchmarks for the Midland Firemen's Relief and Retirement Fund are provided in **Exhibit A**.

Marking to Market

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

Quarterly Report

Each quarter, the investment consultant will prepare a report that compares the performance of the total investment fund against the benchmarks for the preceding quarter, fiscal year-to-date and annualized periods. The report shall provide the current allocation to each strategy and asset class.

The investment consultant should provide the report to the Board and any investment committee. The report will include the following:

1. Listing of investments held at the end of the reporting period including type and market value.
2. Average weighted return on investments as compared to applicable benchmarks.
3. Percentage of the total portfolio which each type of investment represents.
4. A statement that the investment portfolio is compliant with the investment policy and is meeting the investment policy objectives.

Investment Expenses

Each quarter, the investment consultant will prepare a report that reviews both the direct and indirect expenses of the Fund. Total Fund expenses will be reviewed annually with recommendations for improvements or confirmation of reasonable expenses.

The report must show each investment's expenses, both direct and indirect, accrued or estimated for the applicable period if available. Alternative/private investments will show the most recent incurred expenses. The expenses incurred must be aggregated based on the type of fee incurred (e.g., management fee paid from trust, management fee netted from returns, commission/brokerage fees, and profit share carried interest) and by asset class.

IX. INVESTMENT MANAGER SELECTION AND MONITORING

To better ensure that managers will successfully manage to the system's objectives for their specific mandates, the board supports disciplined processes for manager selection, monitoring, watch list, and termination. In addition, the manager selection process is intended to protect against unethical behavior, including bribery and corruption, and contact between the board and managers during the search process that is related to the pending selection and intended to influence the search outcome. Contact will be limited during the search process and directed through the investment consultant or third-party provider assisting in the investment manager search. Direct inquiries by managers to individual board members regarding the investment program will be referred to the investment consultant. As the investment needs of the system are ever-changing, so are the criteria appropriate for the selection of investment managers. Additional criteria and/or amendments to these criteria may be made by the Board when appropriate.

Investment Manager Selection Criteria

The Board will rely on assistance from its investment consultant when considering new asset managers, indexes, and investment strategies. For actively managed strategies, the Board has set the following guidance for investment manager consideration:

- Asset managers should be a registered investment advisor (RIA), properly registered with the SEC / FINRA and any required state regulatory agencies.
- Manager candidates should have a real-time performance record of five years or more for the specific investment product that the Fund is seeking. However, recognizing that past performance is not indicative of future results and the fact that attractive opportunities may be available without this target, qualitative exceptions to this rule may be adopted by the Board.
- Asset managers in traditional asset classes (public equity / fixed income) should have a minimum of \$500 million in assets under management.
- Asset managers should have a published composite of their performance history that is compliant with Global Investment Performance Standards (GIPS).
- Consideration of other Texas public fund clients that have made the decision to invest in the same or similar strategy offered by the asset manager.

The Board of Trustees recognizes the abovementioned guidance and will thoroughly evaluate all asset manager candidates. However, the Board of Trustees reserves the right to hire any firm or invest in any strategy or vehicle based on its sole judgment.

Alternative/Private Investment Manager Selection Criteria

1. The general partners of alternative/private investment funds must possess the skill and industry knowledge to exercise influence or impact the portfolio companies where the funds invest.
2. The contract terms must not grossly favor the general partners over the limited partners (investors).
3. Capital commitment by the general partners should be significant.

Asset Manager Watch List / Review Process

The performance of investment managers will be monitored on an ongoing basis. The Board may place a manager on the "watch list" or "under review" at any time for various reasons that can be separated into two broad categories: quantitative and qualitative factors. The watch list may not necessarily lead to any action but rather is intended to place a manager under increased scrutiny based on failure to meet quantitative or qualitative standards.

Quantitative Factors Resulting in “Watch List” or “Under Review” Additions

At the discretion of the Board, a manager may be included on the “watch list” or “under review” based on prolonged performance below the assigned benchmark (based on rolling five-year periods) or the persistently low ranking relative to its peers in the appropriate universe. Once the manager is placed on the watch list for performance reasons, it will have up to 12 months to bring the relative performance up to the acceptable level. Failure to do so will trigger a review process for the comparison and the possible selection of a replacement manager.

Qualitative Factors Resulting in “Watch List” or “Under Review” Additions

A significant and potentially adverse event related, but not limited to any of the following qualitative issues or events, will be considered a reason to add the manager to the watch list. Examples include, but are not limited to, these events:

- Violation of investment guidelines
- Deviation from stated investment style and/or shifts in the firm’s philosophy or process
- Turnover of one or more key personnel
- Change in firm ownership or structure
- Significant loss of clients and/or assets under management
- Significant and persistent lack of responsiveness to client requests
- Litigation
- Failure to disclose significant information, including potential conflicts of interest
- Violations of the Fund’s investment policy
- Any other issue or situation of which the Board, the investment consultant and/or trustees become aware that is deemed material

After an assessment of the nature of the problem, the investment consultant should then make a recommendation as to the appropriate course of action. Because of the subjective nature of qualitative analysis, both additions and removals to and from the watch list should be handled by the investment consultant and the board on a case-by-case basis.

Policy for Contractual Provisions for Investment Managers

This policy covers contracts for Investment Managers, including commingled investment trusts, partnerships, and other commingled products for the Fund. Mutual Funds purchased on the open market are not generally subject to this policy, except where specifically mentioned. All contracts for Investment Management services, excluding Mutual Funds, will contain a provision acknowledging a fiduciary relationship to the Fund in accordance with the requirements of an Investment Manager as set forth at Govt. Code Sec. 802.204 (b)(1) and their discharge of their fiduciary responsibilities in accordance with Govt. Code Sec. 802.203.

Investment Manager should be authorized to do business in the State of Texas, and:

- The Manager will provide the Form ADV and any updates in a timely manner.
- The Board will seek a most favored nations clause with terms equal to investors of equal or smaller size as a provision of every Investment Manager agreement.
- No agreement for an investment will contain a provision for indemnification for another party’s negligent or wrongful acts. The Board may agree to fulfill their capital commitments but not to add additional assets for the purpose of indemnification.
- Agreements entered by the Board cannot waive any sovereign immunity defense.
- The Investment Manager agreements will be supplemented by the Investment Policy Guidelines of the Board. For commingled investments with their own investment guidelines, the Fund will seek to have the option to avoid prohibited investments in commingled vehicles.

- All agreements will contain the requirements of Texas law.
- Fees will be payable in arrears.
- Execute trades on a best-execution basis.
- Provide reports at least quarterly, which will:
 - i. Show returns, both gross and net, of all fees and transaction costs and shall be time-weighted.
 - ii. Outline the overall position of the portfolio with a complete listing of each security showing the cost, market value and yield at the close of the reporting period.
 - iii. Include all portfolio transactions during the preceding quarter.
 - iv. Include a listing of all trades, the broker utilized, and the cost of the trade.
- Investment Manager agreements will provide that the Manager will notify the Fund as soon as reasonably possible but within 10 days of:
 - Changes in personnel reasonably likely to materially affect the management of the investment, the company, or the fund; Any civil, criminal, Securities and Exchange Commission (“SEC”), U.S. Department of Labor (the “Department”) or other governmental investigation (which does not include routine examinations, audits or reviews), disciplinary proceeding, or administrative action finding a material violation by Investment Manager, General Partner or an affiliate thereof of a violation of an investment-related statute or regulation; Any civil, criminal, SEC, Department or other governmental investigation, disciplinary proceeding, report or administrative action related to or involving the Board’s investment in the fund; Any order or finding by a court of a violation by Investment Manager, General Partner or an affiliate thereof of an investment-related statute or regulations; The decision to delay or suspend valuation of interests or a previously reported valuation is adjusted.

Any individual provision of an Agreement may be contrary to this policy based on the Board’s business judgment weighing the offered variation of the policy from the Investment Manager with the value of that particular investment.

X. ETHICS

The board recognizes the responsibility and fiduciary duty it has to the members and beneficiaries of the system and requires all trustees, service providers, and fiduciaries to the system to always act ethically in accordance with the Board’s Ethics Policy.

XI. SECURITIES LITIGATION POLICY

The Board of Trustees manages the assets entrusted to it "in accordance with the prudent expert principle" which requires that the Board act "with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character and with like aims. Claims under state and federal securities laws arising out of losses on securities under the Board's management are assets subject to the Board's fiduciary duty of prudent management. Accordingly, the Board should take reasonable steps to identify and recover on such claims. Such steps may include:

- Participating as passive class member in class actions brought by others, and filing a proof of claim when action is settled/resolved
- Enhanced participation as class member in class actions brought and led by others, by considering objections or comments on settlements
- Active participation in class action litigation, including serving as a "lead plaintiff" or "co-lead plaintiff" pursuant to the Private Securities Litigation Reform Act
- Separate litigation on behalf of the Board

The Board will delegate to qualified service providers the responsibility to take steps to identify, analyze, pursue and collect upon securities law claims. The duties of each service provider shall be clearly articulated as a matter of contract and the Board shall adopt prudent, documented procedures to monitor the implementation of its policies.

The Board recognizes securities litigation only pertains to separate account equity portfolios. Mutual fund and commingled fund vehicles that are governed by a prospectus generally provide for all policies over those investments.

REVIEW & FILING REQUIREMENTS

The Board of Trustees intends to review this Statement of Investment Policy annually and to amend it to reflect any changes in philosophy or objectives. A copy of this document should be filed with the State Pension Review Board not later than the 90th day after the date the Policy is adopted. The current address of the SPRB is 300 W. 15th Street, Suite 406, Austin, Texas 78701.

Adopted this October 9, 2025

Signed copy on file

Chairman, Board of Trustees
Midland Firemen's Relief
& Retirement Fund

____10/9/2025_____
Date

C: MF IPS FINAL DRAFT 10-9-25

EXHIBIT A

ASSET ALLOCATION					
Asset Class	Target Index	Minimum Allocation	Maximum Allocation	Representative Benchmark	
Global Equity:					
Large Cap Domestic Equity	30%	10%	35%	S&P / Russell Benchmarks	
Small and Mid-Cap Domestic Equity	10%	0%	20%	Russell Benchmarks	
International Equity	10%	0%	20%	MSCI Benchmarks	
Alternative Equity:					
Master Limited Partnerships (MLPs)	10%	0%	15%	Alerian Benchmarks	
Total Equity	60%		70% Max Limit		
Alternative Strategies:					
Private Equity / Venture Capital	5%	0%	15%	CPI + 3%	
Real Estate	5%	0%	15%	NCREIF Benchmarks	
Private Credit	5%	0%	15%	CPI + 3%	
Total Alternative Strategies	15%		35% Max Limit		
Fixed Income	20% (15)	10% (5)	30%	Bloomberg / FTSE Benchmarks / CPI + 3%	
Cash Equivalents	5%	0%	10%	T-Bills	

EXHIBIT B

Actively managed strategies / funds are expected to meet or exceed the stated policy benchmark and to rank above average to its comparative universe over a three to five-year period. Passive investments are expected to replicate their respective benchmarks and will be ranked against comparative universes for informational purposes. Passive funds are not expected to rank above average -v- a sample of active managers. The Board of Trustees will place an actively managed strategy on “watch list” or “under review” if these performance expectations are not met over a 3-5-year period. The Board of Trustees may place an actively managed strategy on “watch list” or “under review” if the standard deviation of returns is considered inappropriate based on the unique characteristics of each strategy.

Asset Manager	Policy Benchmark	Comparative Universe
Vanguard 500 Index Adm (MF)*	S&P500 Index	Large Cap Core Universe
Wavcross Core Equitiv (MF)*	S&P500 Index	Large Cap Core Universe
Vanguard Small Cap Index (MF)*	Russell 2000 Index / CRSP US Small Cap	Small Cap Core Universe
Vanguard Mid Cap Index (MF)*	Russell Mid Cap Index / RRSP US Mid Cap	Mid-Cap Core Universe
Sit Small Cap Dividend Growth (MF)*	Russell 2000 / CRSP US Small Cap	Small Cap Core Universe
American Intl Growth & Income (MF)*	Russell 1000 Value	Large Cap Value Universe
NBW Capital (SA)*	Alerian MLP Index	MLP Universe
Dodge & Cox Income (MF)*	BB US Aggregate Index	Intermediate Core+ Universe
Pimco Income (MF)*	BB US Aggregate Index	Multisector Bond Universe
Serenitas Credit Gamma (LP)**	CPI+3%	US Intermeditate Duration Universe
Radcliffe Ultra Sort Duration (LP)**	BB US Treasury 1-3 Index	US Short Duration Fixed Income Universe
Midland Property (2) (Direct Real Estate) (DI)**	N/A	N/A
Bloomfield Capital Private Credit (LP)**	CPI + 3%	N/A
Glendower Secondaries IV Private Equity (LP)**	CPI + 3%	N/A
Step Stone Venture Capital (4) (LP)**	CPI + 3%	N/A
Davis Investment Ventures II (CEF Real Estate)**	NCREIF ODCE	Domestic Real Estate Universe
Greenway Investments Real Estate (3) (LP)**	NCREIF ODCE	Domestic Real Estate Universe
Harvest Interest Real Estate (7) (LP)**	NCREIF ODCE	Domestic Real Estate Universe
Moriah Real Estate (5) (LP)**	NCREIF ODCE	Domestic Real Estate Universe
Silverado Interests Real Estate (10) (LP)**	NCREIF ODCE	Domestic Real Estate Universe

SA – Separate Account
 CF – Commingled Fund
 MF – Mutual Fund
 LP – Limited Partnership
 DI – Direct Investment

*Frost Bank Custody

**Held away, separate custody. Midland property is a direct investment that does not require custody.