

**KILLEEN
FIREMEN'S RELIEF & RETIREMENT FUND**

Investment Policy Statement

Approved by the Board of Trustees at its Meeting on
March 19, 2021

TABLE OF CONTENTS

I.	PURPOSE OF INVESTMENT POLICY STATEMENT	2
II.	TARGET ALLOCATIONS	2
III.	INVESTMENT PERFORMANCE OBJECTIVES	3
IV.	INVESTMENT GUIDELINES	4
V.	COMMUNICATIONS	6
VI.	COMPLIANCE	7
VII.	CRITERIA FOR INVESTMENT MANAGER REVIEW	8
VIII.	REVIEW AND AMENDMENTS	9
IX.	FILING OF THE INVESTMENT POLICY	9

I. PURPOSE OF INVESTMENT POLICY STATEMENT

The Board of Trustees (the Board) maintains that an important determinant of future investment returns is the expression and periodic review of the Killeen Firemen's Relief and Retirement Fund's (the Plan) investment objectives. To that end, the Board has adopted this Statement of Investment Policy (IPS) and directs that it apply to all assets under their control.

In fulfilling their fiduciary responsibility, the Board recognizes that the Plan is to be administered exclusively to provide benefits to retired participants or their beneficiaries. The Board also recognizes that the obligations of the Plan are long-term and the investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return with an acceptable level of risk – through means and methods consistent with the Board's fiduciary duties and applicable law. The term "total rate of return" includes realized and unrealized capital gains or losses, plus interest and dividend income, less investment fees.

Reasonable consistency of return in line with the actuarial assumed rate of return of the Fund and protection of assets against the inroads of inflation are a primary focus. However, because of interest rate fluctuations and volatility of securities markets, it is prudent to judge investment performance within the context of several years rather than over shorter periods of time.

The Board will employ investment professionals to oversee and invest the assets of the Plan. An investment consultant (Investment Consultant) will be among the investment professionals selected by the Board. The Investment Consultant shall assist the Board in preparing this IPS, provide advice as to the overall investment objectives and asset allocation of the Plan, perform due diligence and make recommendations with respect to investment managers, and report and monitor on the overall investment performance of the Plan and the performance of the individual asset managers. The Investment Consultant shall be a fiduciary to the Plan in providing investment advice and related services to the Plan.

The Board will hire individual investment managers (Investment Managers) to invest most all Plan assets. Within the parameters allowed in this IPS and their agreements with the Plan, the Investment Managers shall have investment discretion over their mandates, including security selection, sector weightings and investment style.

The Board, the Investment Consultant and Investment Managers, in performing their investment duties, shall comply with the fiduciary standards set forth in the Texas Local Fire Fighters' Retirement Act (Texas Revised Civil Statutes Article 6243e), Texas Government Code Section 802.203, and other applicable Texas law. The Investment Consultant and Investment Managers shall also contractually agree to be fiduciaries to the Plan under Texas law with respect to investment services performed for the Plan.

II. TARGET ALLOCATIONS

In order to provide for a diversified portfolio, the Board has developed an asset allocation plan with the advice and assistance of its Investment Consultant. A target allocation has been determined for each included asset class, as well as acceptable ranges for each class. The Board may engage Investment Managers to manage and administer investments within these identified asset classes. The Investment Managers are responsible for the investment of assets only within their allocated mandate, and specific performance objectives and investment criteria will be set forth in their agreement with Plan. The Board has established the following

asset allocation plan, with target allocations and ranges, and benchmarks for the performance of investments within each class

TARGET ALLOCATIONS

Asset Classes	Target	Range	Benchmark Index
EQUITY			
Domestic Equity	40%	35% - 45%	Russell 3000 Index
International Equity	15%	10% - 20%	MSCI All Country World Index ex. US
FIXED INCOME			
Domestic Fixed Income	21%	15% - 25%	Barclays US Aggregate
Global Fixed Income*	5%	0% - 10%	Barclays Global Aggregate
Bank Loans	3%	0% - 8.5%	Credit Suisse Leveraged Loan Index
Cash	0%	0% - 2.5%	90 Day U.S. Treasury Bill
REAL ESTATE			
Private Real Estate	7.5%	0% - 12.5%	NFI ODCE
ALTERNATIVES			
Tactical Strategies**	8.5%	0% - 13.5%	Investment Dependent

*Targets and ranges above are based on market value of total Plan assets. *If no portion of the portfolio is allocated to "Global Fixed Income", the target and range for "Domestic Fixed Income" will increase by 5% and Section III below will be adjusted accordingly. **If no portion of the portfolio is allocated to "Tactical Strategies", the target and range for "Domestic Equity" will increase by 8.5% and Section III below will be adjusted accordingly.*

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.

III. INVESTMENT PERFORMANCE OBJECTIVES

The following performance measures will be used as objective criteria for evaluating the effectiveness of the Investment Managers.

A. Total Portfolio Performance

1. The performance of the total portfolio will be measured for rolling three (3) and five (5) 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 42% Russell 3000 Index, 15% MSCI ACWI excluding U.S., 26% Barclays Capital U.S. Aggregate Bond Index, 5% Barclays Capital Global Aggregate Bond Index, 3.5% BofAML High Yield Master II Index, 7.5% NFI ODCE, and 1% 90 Day U.S. Treasury Bill.

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.
3. The net return of the total portfolio should equal or exceed the actuarial rate of return assumption (currently 7.75%) over the five (5) and ten (10) year time periods.
4. The net return of the total portfolio should equal or exceed the Consumer Price Index (CPI) plus three percent (3.0%) over three (3), five (5), and ten (10) year time periods.

B. Equity Performance

The total equity portion of the portfolio, defined as common stock and convertible bonds, is expected to perform at a rate at least equal to 73% Russell 3000 Index and 27% MSCI ACWI ex. U.S. Individual components of the portfolio will be compared to the specific benchmarks defined in each Investment Manager agreement for separately managed accounts. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

C. Fixed Income Performance

The overall objective of the fixed income portion of the portfolio is to add stability and liquidity to the total portfolio. The total fixed income portion of the portfolio is expected to perform at a rate at least equal to 83% Barclays Capital U.S. Aggregate Bond Index and 17% Barclays Capital Global Aggregate Bond Index. Individual components of the portfolio will be compared to the specific benchmarks defined in each Investment Manager addendum for separately managed accounts. All portfolios are expected to rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

D. Alternative Asset Performance

The overall objective of the alternative portion of the portfolio is to add diversification by utilizing products that have low correlation to conventional asset classes. These investments may be illiquid and require commitments of capital for several years. The total alternative asset portion of the portfolio is expected to perform at a rate at least equal to 30% Russell 3000 Index, 30% Barclays Capital U.S. Aggregate Bond Index, and 40% BofAML High Yield Master II Index over three (3) and five (5) year periods, taking into account investments in alternative assets that have a longer investment time horizon (such as private equity).

E. Real Estate Performance

The overall objective of the real estate portion of the portfolio, if utilized, is to add diversification and another stable income stream to the total fund. The real estate portion of the portfolio, defined as core, open ended private real estate, is expected to perform at a rate at least equal to the NCREIF Open End Diversified Core (ODCE) Index and rank in the top 50th percentile of the appropriate peer universe over three (3) and five (5) year time periods.

IV. INVESTMENT GUIDELINES

A. Authorized Investments

It is understood that risk cannot be completely eliminated without significantly reducing investment returns and limiting the Plan's potential to meet its overall goals and objectives. However, it is important to identify and understand the various risk characteristics in different asset allocations within the investment portfolio, as well as the risk in actual investments, both individually and in the aggregate.

Each manager's volatility is expected to be reasonably close to the volatility of its respective benchmark. It is the Board's policy to allow managers to hold cash balances as a defensive posture against market declines, but managers will be evaluated on the performance of their total allocation, including cash. Investment managers have discretion to buy and sell securities within these parameters and consistent with the guidelines established in the management agreement between the Plan and the Manager. The following are performance goals and constraint guidelines placed on individual managers within specific asset classes:

1. Equities:

- a. All equity securities must be traded on a national exchange or electronic network.
- b. Real Estate Investment Trust (REIT) is considered an equity security for the purpose of this Investment Policy Statement.
- c. Not more than five percent (5%) of the Plan's assets, at market value, shall be invested in the stock of one corporation, nor shall the Plan own more than five percent (5%) of the voting stock of one corporation.

2. Fixed Income:

- a. The purchase of high yield bonds and convertible bonds is permitted if so stated in the investment manager agreement for that Manager. All other direct fixed income investments shall have a minimum rating of investment grade or higher as reported by a major credit rating service unless specifically approved by the Board to invest below investment grade.
- b. Not more than five percent (5%) of the Plan's assets, at market value, shall be invested in the bonds of a single issuer, except for issues of the U.S. Government, its Agencies and instrumentalities thereof.

3. Alternative Investments:

Alternative investment strategies are defined as those strategies that seek to produce investment returns that have low correlation to traditional equity and fixed income markets and highly dependent on Manager skill more than market results. These strategies include: private equity, hedge funds and fund of funds, direct real estate, and real assets.

- a. No more than ten percent (10%) of the total Plan should be allocated to any one manager with significant limitations on liquidity (defined as illiquid for 365 days or

more) at the time of the commitment. To the extent possible, the allocation illiquid managers in the aggregate should be limited to no more than fifteen percent (15%) of the total Plan based upon market value.

- b. Given the illiquid nature of some Alternative Investments and the broad latitude given to most Alternative Managers, due diligence on these types of investments is of greater importance. In evaluating a given opportunity, factors to be analyzed included but are not necessarily limited to: (1) the type of investment strategy to be employed, (2) the length of time the Manager has been operating, (3) the internal controls in place, (4) the external controls in place such as independent administrators, auditors, legal representatives, etc. (5) reporting frequency, (6) valuation policy, (7) registration issues, (8) liquidation rights and (9) personal capital at risk or subordinated to the Plan's investment.

4. Money Market:

- a. The money market fund or STIF options provided by the Plan's Custodian; and
- b. Have a minimum rating of A1/P1, or its equivalent, by a major credit rating service.

5. Pooled Funds:

Investments made by the Board may include pooled funds. For purposes of this policy, pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this IPS. In the event of an investment by the Plan into a pooled fund, investments set forth in the prospectus or governing policy of such pooled fund shall be treated as permissible under this IPS.

B. Trading Parameters

When feasible and appropriate, all securities shall be competitively bid. Except as otherwise required by law, the most economically advantageous bid shall be selected. Commissions paid for the purchase of securities must meet the prevailing best-execution rates. The responsibility of monitoring best price and execution of trades placed by each Investment Manager on behalf of the Plan will be governed by the Portfolio Management Agreement between the Plan and the Investment Managers.

C. Limitations

- 1. Investments in corporate common stock and convertible bonds shall not exceed sixty-five percent (65%) of the market value of Plan assets.
- 2. Foreign securities (regardless of asset class) shall not exceed fifty percent (50%) of the market value of Plan assets. For the purposes of this Investment Policy Statement, foreign securities are defined as bonds, stocks, or other evidences of indebtedness issued or

guaranteed by a company that is not organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia.

3. All equity and fixed income securities (other than equity holdings in alternative investments) must be readily marketable. Commingled funds must be independently appraised at least annually.

D. Absolute Restrictions

There will be no investment activity in the following:

1. Any investment prohibited by State or Federal Law.
2. Any investment not specifically allowed as part of this policy.

V. COMMUNICATIONS

- A. On a monthly basis, the Custodian shall supply an accounting statement that will include a summary of all receipts and disbursements and the cost and the market value of all assets.
- B. On a quarterly basis, the Investment Managers shall provide a written report affirming compliance with the security restrictions of Section IV, as well as any provisions outlined in the Investment Manager's agreement. In addition, the Investment Managers shall deliver a report each quarter detailing the Fund's performance, forecast of the market and economy, portfolio analysis and current assets of the Plan. Written reports shall be delivered to the Board within 30 days of the end of the quarter. A copy of the written report shall be submitted to the person designated by the Board. The Investment Managers will provide immediate written and telephone notice to the Board of any significant market related or non-market related event, specifically including, but not limited to, change in personnel or ownership, litigation or violation of securities regulations in which the Manager is involved and any deviation from the standards set forth in Section IV or their Investment Manager agreement.
- C. If an Investment Manager owns investments, that complied with section IV at the time of purchase, which subsequently exceed the applicable limit or do not satisfy the applicable investment standard, such excess or noncompliant investments may be continued until it is economically feasible to dispose of such investment in accordance with the prudent man standard of care, but no additional investment may be made unless authorized by law or ordinance. In addition, an action plan outlining the investment 'hold or sell' strategy shall be provided to the Board immediately.
- D. The Investment Consultant shall evaluate and report on a quarterly basis at a monthly meeting of the Board, at a minimum, the rate of return gross and net of investment fees and the relative performance of the Plan, and individual investment managers, as well as the Plan's current allocation as compared to its target asset allocation. The Investment Consultant shall provide additional information in its report as requested by the Board or as otherwise deemed prudent by the Investment Consultant in monitoring the investments of the Plan.

- E. As appropriate, the Board will meet with Investment Manager(s) and other appropriate outside consultants to discuss performance results, economic outlook, investment strategy and tactics and other pertinent matters affecting the Plan on a periodic basis.

VI. COMPLIANCE

- A. It is the direction of the Board that the Plan assets are held by a third party Custodian, and that all securities purchased by, and all collateral obtained by the Plan shall be properly designated as Plan assets. No withdrawal of assets, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or their designee. Securities transactions between a broker-dealer and the Custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis to insure that the Custodian will have the security or money in hand at conclusion of the transaction.
- B. All approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.
- C. At the direction of the Board, operations of the Plan shall be reviewed by independent certified public accountants as part of any financial audit periodically required. Compliance with the Board's internal controls shall be verified. These controls have been designed to prevent losses of assets that might arise from fraud, error, or misrepresentation by third parties or imprudent actions by the Board or employees of the Plan, to the extent possible.
- D. In connection with an actuarial valuation or study, the Board may adjust the investment rate of return assumption for the Plan. In this event, this IPS will be appropriately amended to reflect such assumption change and the investment objectives and asset allocation of the Plan will be analyzed to determine whether other appropriate adjustments need to be made to the IPS.
- E. The 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. On a regular basis, at least annually, each manager shall report a record of their proxy vote.
- F. To be eligible for appointment under Subsection (b) of section 28 of the Texas Local Firefighters' Retirement Act, an Investment Manager must be a Registered under the Investment Advisors Act of 1940 (15 U.S.C. Section 80b-1 et seq.); a bank as defined by that Act; or an insurance company qualified to perform investment services under the laws of more than one state. An Investment Manager in its agreement with the Plan must also acknowledge and agree to its fiduciary status under Texas law as to the Plan.

VII. CRITERIA FOR INVESTMENT MANAGER REVIEW

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 under performance 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 may be primarily responsible for conducting the review provided in this Section VII.

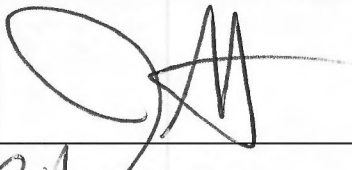
VIII. REVIEW AND AMENDMENTS

It is the Board's intention to review this document no less frequently than annually and to amend this statement to reflect any changes in philosophy, objectives, or guidelines. In this regard, the Investment Managers' interest in consistency in these matters is recognized and will be taken into account when changes are being considered. If, at any time, an Investment Manager feels that the specific objectives defined herein cannot be met, or the guidelines constrict performance, the Board shall be notified in writing. Through continuing acceptance of this Investment Policy Statement, the Investment Managers concur with the provisions of this document. By signing this document, the Chairman and the Board attests that this policy has been recommended by the Investment Consultant, reviewed by the Plan's legal counsel for compliance with applicable law, and approved by the Board.

IX. FILING OF THE INVESTMENT POLICY

Upon adoption by the Board and no later than the 90th day after the date this policy is adopted or revised, the Board of Trustees shall submit to the Pension Review Board (PRB) a copy of the investment policies adopted by the Board.

KILLEEN FIREMEN'S RELIEF & RETIREMENT FUND

A handwritten signature in black ink, consisting of a large loop followed by several sharp, overlapping strokes.

As: Chairman, Board of Trustees

Date Mar 19. 2021

Killeen Firemen's Relief & Retirement Fund

Appendix A – Strategy Asset Allocation Targets

Manager	Strategy	Target (%)
Domestic Equity		40.0
Vanguard	Index 500 (VFIAX)	15.0
Harbor	Capital Appreciation (HACAX)	7.5
Brandywine Global	Dynamic US Large Cap Value (LMBGX)	7.5
Vanguard	Extended Market (VEXAX)	10.0
Int'l/Global Equity		15.0
Vanguard	International Value (VTRIX)	7.5
American Funds	EuroPacific Growth (RERGX)	7.5
Domestic Fixed Income		24.0
Dodge & Cox	Income (DODIX)	14.5
Pacific Asset Management	Bank Loans	3.0
Crescent Capital Group	Crescent Direct Lending Fund	6.5
Int'l/Global Fixed Income		5.0
PIMCO	Diversified Income	5.0
Real Estate		7.5
ASB	Private Real Estate	5.0
Principal	Private Real Estate	2.5
Alternatives/Other		8.5
PIMCO	Tactical Opportunities Fund	3.5
BlackRock	Multi-Asset Income (BKMIX)	5.0