

# **A G E N D A**

A regular meeting of the Board of Trustees of the Waxahachie Firemen's Relief and Retirement Fund to be held at Waxahachie Fire Station No. 1, 407 Water Street, Waxahachie, Texas on ***Monday, April 9, 2018 at 8:30 a.m.***

**BOARD MEMBERS:** Gary Myers, Chairman  
Matt Dorsey, Vice Chairman  
Marcus Brown, Secretary  
John Tillery  
Lee Statham  
David Hill, Councilmember  
Charles Harris, Finance Director

1. Call to Order
2. Canvass votes for FR&R Firefighter Board Member
3. Administer Oath of Office to Board Member
4. Reorganize the Board
5. Consent Agenda  
All matters listed under Item 5, Consent Agenda, are considered to be routine by the Board Members and will be enacted by one motion. Approval of the Consent Agenda authorizes the Chairman to execute all matters necessary to implement each item. Any item may be removed from the Consent Agenda for separate discussion and consideration by any Board Member.
  - a. Minutes of the Firemen's Relief & Retirement Fund meeting of February 19, 2018
  - b. Annuity checks for FR&R Retirees and other disbursements for the months of April and May 2018
6. Consider invoice from Retirement Horizons Incorporated
7. Consider invoice from Helen R. Duvall, CPA
8. Discuss Investment Policy and take any necessary action
9. Discuss Randy Muirhead's final DROP payment and take any necessary action
10. Discuss 2018 Actuary and take any necessary action
11. Set next meeting date and time of Firemen's Relief and Retirement Fund Board
12. Adjourn

**The Waxahachie Firemen's Relief and Retirement Fund reserves the right to go into Executive Session on any posted item.**

This meeting location is wheelchair-accessible. Parking for mobility impaired persons is available. Any request for sign interpretive services must be made forty-eight hours ahead of the meeting. To make arrangements, call the City Secretary at 469-309-4005 or (TDD) 1-800-RELAY TX

Firemen's Relief and Retirement Fund  
February 19, 2018

A regular meeting of the Board of Trustees of the Waxahachie Firemen's Relief and Retirement Fund was held at Waxahachie Fire Station No. 1, 407 Water Street, Waxahachie, Texas on Monday, February 19, 2018 at 8:30 a.m.

Members Present: Gary Myers, Chairman  
Matt Dorsey, Vice Chairman  
Marcus Brown, Secretary  
Lee Statham  
David Hill, Councilmember

Members Absent: John Tillery  
Charles Harris, Finance Director

Others Present: Amber Villarreal, Assistant City Secretary

**1. Call to Order**

Chairman Gary Myers called the meeting to order.

**2. Consent Agenda**

- a. Minutes of the regular Firemen's Relief & Retirement Fund meeting of November 13, 2017
- b. Annuity checks for FR&R Retirees and other disbursements for the months of January, February, and March 2018

**Action:**

*Vice Chairman Matt Dorsey moved to approve items a. through b. on the Consent Agenda. Mr. David Hill seconded, All Ayes.*

**3. Consider 2017 Financial Report**

Chairman Gary Myers reviewed the 2017 Financial Report prepared by Helen Duvall, CPA. He reported the fund had an approximate 10.73% rate of return for the year. He explained the city contributed about \$633,000 to the fund and the fund paid out about \$1,000,000 in benefits.

**Action:**

*Vice Chairman Matt Dorsey moved to accept the 2017 Financial Report. Secretary Marcus Brown seconded. All Ayes.*

**4. Hear Fourth Quarter Report 2017 from Tim Sharpe, Graystone Consulting, and take any necessary action**

Mr. Tim Sharpe, Graystone Consulting, presented the Fourth Quarter Performance Report for 2017 noting it was a good quarter with the Dow up 10.9%, NASDAQ up 6.6%, AND The S&P 500 increased 6.6%. The bond market increased 0.4% for the quarter. He explained we have favorable international investments over US investments at this time. Mr. Sharpe noted the fund has doubled since March 2004 and has been one of the top performing funds the past couple of years.

(5a)

Mr. Jim Stoker, Graystone Consulting, reported the fund is doing about 1% better than the overall market in general.

Mr. Sharpe noted the Morgan Stanley research department has made a decision to remove Glovista and he will provide replacement recommendations for a new emerging market manager at a future meeting.

Mr. Sharpe explained he has begun replacing Wedgewood Partners in all his funds with Polen Capital Management Focus Growth. He noted other cities have reviewed their contract and he recommends signing as well. Polen Capital has less volatility.

**Action:**

*Mr. David Hill moved to release Wedgewood Partners and hire Polen Capital Management Focus Growth. Vice Chairman Matt Dorsey seconded, All Ayes.*

Mr. Sharpe recommended rebalancing the funds as follows:

	2/15/18	Rebalance
	Balance	Amounts
1. Delaware LCV	\$1,866,692	
2. LCV ETF	\$191,171	
3. Wedgewood LCG	\$1,657,006	-\$86,000
4. LCG ETF	\$487,840	
5. Great Lakes SMID Core	\$1,990,690	-\$20,000
6. Delaware International	\$1,964,760	
7. WCM Intl Growth	\$2,039,729	
8. Glovista EM	\$1,339,689	
9. BREIF	\$1,809,628	
10. Blackrock Strategic Income	\$1,678,695	+\$55,000
11. Federated Core FI	\$1,681,634	+\$123,000

**Action:**

*Vice Chairman Matt Dorsey moved to approve the rebalance as presented. Mr. Lee Statham seconded, All Ayes.*

**5. Discussion of investment managers and take any necessary action**

Mr. Sharpe and Mr. Stoker provided an overview of CPG Vintage Access Fund, LLC explaining they harness Morgan Stanley's private equity and private credit platform. Mr. Stoker explained Morgan Stanley approved this in Fall 2017 and it is now offered to their credit investors.

Mr. Sharpe explained the proposal is to have the fund make a 5% commitment to private equity and that would be split up over three (3) years. There is also a \$300,000 commitment to CPG needed. He explained CPG can recycle the profits and reinvest it into more funds. He noted the fund wouldn't receive any funds until the investment period is over. He explained the expenses are as follows: 2% basis fee and CPG will take 20% of the profits.

(5a)

After further discussion, Chairman Myers confirmed there will most likely be a negative cash flow on the quarterly reports over the next four years and Mr. Sharpe concurred.

**Action:**

*Vice Chairman Matt Dorsey moved to change the asset allocation to 5% private equity reducing the domestic equity. Mr. Marcus Brown seconded, All Ayes.*

**Action:**

*Vice Chairman Matt Dorsey moved to commit \$300,000 to CPG Vintage Access Fund, LLC. Mr. Marcus Brown seconded, All Ayes.*

**6. Set next meeting date and time of Firemen's Relief and Retirement Fund Board**

The Firemen's Relief and Retirement Board set their next meeting for Monday, March 12, 2018 at 8:30 a.m.

**7. Adjourn**

There being no further business, the meeting adjourned at 10:10 a.m.

Respectfully submitted,

Amber Villarreal  
Assistant City Secretary

# MEMORANDUM

**TO:** FR&R Board Members  
**FROM:** Lori Saunders, City Secretary  
**DATE:** March 12, 2018  
**SUBJECT:** ANNUITY CHECKS

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Please approve the annuity checks for the month of April for the following retirees:

Mrs. Wendell Presley	Widow Benefits	\$ 651.67
Mrs. James Gilley	Widow Benefits	\$ 523.36
Alan Morgan	Disability	\$ 997.64
Jimmy Turner	Service Retirement	\$ 1,587.50
John Olin Turner	Service Retirement	\$ 1,875.00
Mike Slay	Service Retirement	\$ 1,522.26
(Sharon Cobb QDRO Payment)		\$ 507.74
John Tillery	Service Retirement	\$ 1,632.50
Loyde Junkin	Service Retirement	\$ 1,668.53
Don Fuller	Service Retirement	\$ 1,748.75
Billy Bratcher	Service Retirement	\$ 2,057.76
Larry Evans	Service Retirement	\$ 2,287.41
Dwayne Williams	Service Retirement	\$ 2,184.84
Don Bennett	Service Retirement	\$ 1,009.61
Terry Kuykendall	Service Retirement	\$ 2,395.06
Steve Hamilton	Service Retirement	\$ 1,048.38
(Denise Hamilton QDRO payment)		\$ 998.38
Sam Lewis	Service Retirement	\$ 2,642.41
John Chenault	Service Retirement	\$ 4,379.55
Rusty Ogletree	Service Retirement	\$ 1,497.50
Jeff Sport	Service Retirement	\$ 3,159.38
Paul Carrington	Service Retirement	\$ 3,074.81
(Carol Nunn QDRO payment)		\$ 168.86
Randy Johnston	Service Retirement	\$ 2,935.57
Terry Skipper	Service Retirement	\$ 4,044.75
Jeff Alexander	Service Retirement	\$ 5,099.96
(Lisa Warren QDRO payment)		\$ 359.29
James Irvin	Service Retirement	\$ 3,311.55
(Lori Irvin QDRO payment)		\$ 1,428.37
David Len Crow	Service Retirement	\$ 4,350.64
Randy Muirhead	Service Retirement	\$ 5,500.94
Jerry Sykes	Service Retirement	\$ 4,494.56
<b>TOTAL</b>		<b>\$71,144.53</b>

(5b)

# MEMORANDUM

**TO:** FR&R Board Members  
**FROM:** Lori Saunders, City Secretary  
**DATE:** April 9, 2018  
**SUBJECT:** ANNUITY CHECKS

Please approve the annuity checks for the month of May for the following retirees:

Mrs. Wendell Presley	Widow Benefits	\$ 651.67
Mrs. James Gilley	Widow Benefits	\$ 523.36
Alan Morgan	Disability	\$ 997.64
Jimmy Turner	Service Retirement	\$ 1,587.50
John Olin Turner	Service Retirement	\$ 1,875.00
Mike Slay	Service Retirement	\$ 1,522.26
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	<b>TOTAL</b>	<b>\$71,144.53</b>

# **WAXAHACHIE FIREMEN'S** **RELIEF AND RETIREMENT FUND**

## **Statement of Investment Policy, Guidelines, and Investment Objectives**

**Adopted by the Board of Trustees  
on March 28, 2000**

- Revision 1.1-Adopted September 24, 2001**
- Revision 1.2-Adopted May 18, 2004**
- Revision 1.3-Interim revision February 2005**
- Revision 1.4-Adopted June 12, 2006**
- Revision 1.5-Adopted November 13, 2006**
- Revision 1.6 – Adopted July 6, 2009**
- Revision 1.7 – Adopted May 10, 2010**
- Revision 1.8 – Adopted November 1, 2010**
- Revision 1.9 – Adopted January 9, 2012**
- Revision 2.1 – Adopted November 10, 2014**
- Revision 2.2 – Adopted December 7, 2015**
- Revision 2.3 – Adopted October 3, 2016**
- Revision 3.0 – Adopted November 13, 2017**
- Revision 3.1 – Adopted XXX**

***Prepared by:***

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## Section 1: Introduction

### 1.1 General Information:

The Waxahachie Firemen's Relief and Retirement Fund (hereinafter the "Fund") is a pension fund operating under the constitutional and statutory provisions of the State of Texas. It is governed by a Board of Trustees (the "Board") provided for under the law and funded by contributions from its participants, the City of Waxahachie, Texas, and from investment earnings. It provides for an orderly means whereby eligible participants of Waxahachie Firemen's Relief and Retirement Fund may accumulate reserves for themselves and their dependents, and provide for certain benefits upon retirement, disability, or death under the provisions of the plan.

The Board shall act and discharge its fiduciary duties with respect to the Fund solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

### 1.2 Purpose of this Document:

The purpose of this document is to formalize the investment policy and guidelines of the Waxahachie Firemen's Relief and Retirement Fund's Board of Trustees and to facilitate communication, and enhance supervision, monitoring, and evaluation of the Fund's assets. It outlines an overall philosophy specific enough to communicate the Board's expectations, but flexible enough to allow for changing economic circumstances and the inevitable fluctuations in capital markets.

This document has been formulated based upon a wide range of data and possibilities and describes the process deemed appropriate by the Board based upon the "prudent man" rule.

### 1.3 Exhibits:

**Exhibit A:** attached, is an **Executive Summary** of the Fund, investment allocations and benchmarks.

**Exhibit B:** attached, is a **Chronology of Investment Decisions**.

## Section 2: Investment Objectives

The overall investment objectives of the Fund are:

- i. To achieve a total return, net of management fees, in excess of the Fund's actuarial rate, currently 7.0%.
- ii. To outperform the annualized return of the Fund's composite policy benchmark net of management fees.
- iii. To achieve a real return of 5% over the CPI.

It is expected that at least two of the above criteria shall be met over a market cycle or a three to five year period. If the Fund's performance does not meet these objectives over a market cycle, then the goals must be re-evaluated, the asset mix modified, Manager composition revised, or a combination of the above.

The Board of Waxahachie Firemen's Relief and Retirement Fund has considered real return expectations (i.e. returns in excess of the rate of inflation) for the various asset classes. These expectations are considered reasonable given over fifty years of historical experience covering periods of varying economic conditions and investment environments, and given the belief that the United States' capital markets will remain viable.

These expectations reflect long-term views and the Board acknowledges the possibility that such returns may not be realized over short or even intermediate time periods. The Board's long-term, real rates of return expectations are as follows:

<b>Asset Class:</b>	<b>LT Real Rate of Return Expectations:</b>
Cash and Equivalents	0% to 1.0%
Diversified Portfolio of Domestic and International Fixed Income Investments	1.0% to 3.0%
Diversified Portfolio of Domestic and International Common Stocks	4.0% to 8.0%

These guidelines represent the framework within which the investment managers (the "Managers") operate in relation to the management of the Fund. These guidelines and objectives are the basis upon which the Managers will operate and upon which they will be evaluated.

The portfolio shall consist of investments, which, in combination, can reasonably be expected to satisfy the investment objectives of the Fund in light of its investment time horizon, risk tolerance, return objectives, and asset class allocations.

Risk management is achieved primarily through asset allocation established by the Board, thus dampening individual asset risk. Since the Board has chosen to use a multiple

manager approach across multiple asset classes, the need for broad diversification within individual portfolios, although not entirely eliminated, is somewhat reduced.

### **2.1 Investment Time Horizon:**

These investment guidelines are based upon an investment time horizon in excess of five years (in fact, much longer since the Fund will continue indefinitely). Therefore, interim fluctuations should be viewed with an appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term investment horizon.

Short-term liquidity requirements are only those necessary to meet the obligations of the Fund, namely benefit disbursements, lump-sum distributions, and administration and management costs as deemed appropriate by the board.

### **2.2 Risk Tolerances:**

The Board of Trustees of Waxahachie Firemen's Relief and Retirement Fund recognizes the difficulty of achieving the Fund's investment objectives in light of the complexities and uncertainties of today's capital markets. 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.

In establishing the risk tolerance of the Fund, the Board has taken into account several factors influencing the Fund's ability to withstand short and intermediate-term fluctuations in the value of the Fund's investments. Among these are the Fund's sound actuarial position, limited near-term liquidity requirements and balance of contributions and disbursements.

In summary, the Fund's prospects for the future, current financial condition, and several other factors collectively suggest that the Fund can tolerate moderate interim fluctuations in market value and rates of return in order to achieve the Fund's long-term objectives.

### **2.3 Performance Expectations:**

The Board of Waxahachie Firemen's Relief and Retirement Fund expects its money manager's activities, investment decisions, and results to be consistent with the Fund's policies, guidelines, goals, and objectives as reflected in this document. The Managers are expected to manage those assets in their portfolio using an investment approach that reflects their internal policies and guidelines while maintaining compliance with this document and all applicable statutes.

## Section 3: Duties of Parties Involved

### 3.1 Responsibilities of the Board of Trustees and Staff:

The ultimate responsibility for oversight of the Fund rests with the fiduciaries of the Fund. The Board of Trustees and staff will exercise its responsibilities as a prudent body in conformance with all applicable statutes of the State of Texas and the Federal Government. The Board and its staff, as fiduciaries, must operate under an extremely high ethical standard and, therefore, must not enter into any action or transaction that would be in conflict or perceived to be in conflict with the best interests of the Fund.

The duties and responsibilities of the Board include but are not limited to:

- i. Ensuring that the Fund is managed effectively and prudently in compliance with all applicable laws and ordinances and the actuarial needs of the Fund.
- ii. Complying with Texas laws governing the Fund, specifically, Article 6243e. of Vernon's Texas Civil Statutes which can be seen at the following Internet address: [www.legis.state.tx.us](http://www.legis.state.tx.us), and the Texas Government Code Title 8, Subtitle A – Provisions Generally Applicable to Public Retirement Systems which can be seen at the same Internet address.
- iii. Acting in good faith on a best-efforts basis to keep the managers apprised of any changes to such applicable statutes.
- iv. Determining an appropriate asset mix based upon capital markets expectations incorporating both historical and projected returns and the asset-liability mix of the Fund.
- v. Delegating supervisory responsibilities to appropriate groups or individuals, assigned staff, or assistants for administration of the Fund.
- vi. Establishing rules, regulations, and bylaws for administering the Fund.
- vii. Monitoring the administration of the Fund, including requesting, mandating, receiving, and reviewing reports as necessary to accomplish this function.
- viii. Monitoring the performance and other critical aspects of the Fund's investment managers, actuaries, accountants, consultants, and other professionals hired to conduct the affairs of the Fund.
- ix. Notifying the appropriate parties including investment managers, consultants and governmental bodies of changes in the Fund as necessary.
- x. Establishing policies and objectives relating to the investment of the Fund's assets and monitoring investment performance to ensure that the policies are followed and objectives are met.
- xi. Ascertaining the adequacy of this document, reviewing it annually or as needed, and determining any warranted changes.
- xii. Engaging such professional expertise as may be needed to assist in the supervision of the investment of the Fund's assets including but not limited to investment consultants, custodians, money managers, attorneys, and actuaries.
- xiii. Determining the eligibility, status, and rights of the Fund's participants and beneficiaries in accordance with the appropriate rules, regulations, and interpretations thereof, which have been adopted.

- xiv. To review and resolve contested claims.
- xv. To communicate with the Fund's participants and beneficiaries as is necessary or as required by law or regulations.
- xvi. To discharge its duties with all the judgment, care, skill, prudence, and diligence, under circumstances then prevailing, which a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims by diversifying the investments of the Fund to minimize the risk of large loss.

### **3.2 Responsibilities of Investment Managers:**

As deemed appropriate by the Board of Trustees, they may contract for professional investment management services. In selecting, engaging and utilizing professional investment management services (the Managers), the Board of Trustees will do so prudently and solely in the best interest of the Fund's participants and beneficiaries. No Trustees of the Board shall be liable for the acts or omissions of the investment managers, nor are they obligated to invest or otherwise manage any assets of the Fund subject to the control of the investment managers.

The duties and responsibilities of the investment managers include but are not limited to:

- i. Maintaining registration under the Federal Investment Advisors Act of 1940, 15 U.S.C. 80 B-1, ET seq.
- ii. Adhering to the policies, objectives, and guidelines as set forth in this document.
- iii. Exercising such investment discretion as has been authorized by contract with the Board of Trustees and in compliance with the policies, objectives, and guidelines set forth in this document.
- iv. Managers are fiduciaries and, as such, must comply with all applicable laws and legislation, particularly as it pertains to duties, functions, and responsibilities of a fiduciary and investment manager. Specifically, adherence to the "prudent expert" standard is required.
- v. Furthermore, all assets must conform with the Texas laws governing such investments for the Fund, specifically, Article 6243e. of Vernon's Texas Civil Statutes which can be seen at the following Internet address: [www.legis.state.tx.us](http://www.legis.state.tx.us) and the Texas Government Code Title 8, Subtitle A – Provisions Generally Applicable to Public Retirement Systems which can be seen at the same Internet address. It is understood that the Board will act in good faith on a best-efforts basis to keep the managers apprised of any changes to such statutes.
- vi. Each asset manager must stand ready at all times to explain and justify any investment or asset-related decisions to the Board of Trustees, or their appointee.
- vii. Formally reporting to the Board of Trustees on an as-needed basis.
- viii. Each money manager must acknowledge in writing their recognition and acceptance of full responsibilities as a fiduciary under appropriate Federal and State laws and their intention to comply with this document.

- ix. Being available to meet or confer with the Board or its designated appointees, as required, to resolve any questions arising in the day-to-day operations of the Fund.
- x. Voting proxies. Because of the complexity of issues and the direct impact on asset values, the Board believes its investment managers are best positioned to vote proxies of the shares held in the portfolios they manage. The Board directs that the investment managers vote proxies in accordance with their own policies in the best interest of the Fund. In general, Managers should vote for issues that will enhance shareholder's long-term value and against those issues that would decrease shareholder's long-term value.

### **3.3 Responsibilities of the Consultants:**

Due to the complexity of the investment environment, the Board recognizes the need to engage the services of a professional investment consultant (the "Consultant"). The duties of such consultant include but are not limited to the following:

- i. Assisting the Board in developing investment policy guidelines including appropriate asset classes, asset allocation targets and ranges, and managing risk through diversification.
- ii. Initial due-diligence which includes providing the Board with objective information on the broad range of investment management specialists and assisting the Board in assembling a superior team of investment managers.
- iii. Ongoing due-diligence including but not limited to monitoring both the qualitative and quantitative aspects of the money managers and providing reports on a quarterly basis or more timely if the situation demands, such as a change in key personnel.
- iv. Aid the Board in interpreting and understanding the performance data on the money managers and the Fund as a whole.
- v. Making recommendations to the Board as warranted to put a Manager on probation or terminate them for reasons including but not limited to the following: failure to consistently meet investment objectives over a reasonable period of time, a significant change in investment philosophy or process, deviation from investment guidelines, a change in key investment personnel, or failure to comply with all applicable regulations and laws including this document. A Manager may be removed from probation if they demonstrate satisfactorily to the Board that significant improvement or rectification of the problem has been accomplished.
- vi. Assist the board in developing and implementing a rebalancing strategy.
- vii. Meet with the Board on both a formal and informal basis as required. In order to control costs, the consultants will make use of video and teleconferencing, when appropriate and acceptable to the Board.

### **3.4 Responsibilities of the Custodian:**

The custodian appointed by the Board has the following duties and responsibilities, among others:

- i. Accepts possession of the investment securities for safekeeping, collects income from the investments, collects principal of called, matured or sold securities, and provides periodic statements of the accounts. In addition, the Custodian will sweep free credit balances into an appropriate money market fund as directed in writing by the Board.
- ii. Settles trades as they occur.
- iii. Receives contributions and makes disbursements by check or wired funds as directed in writing by the board or its designee.
- iv. Is available as necessary to confer with the Board, and to answer any operational questions as they arise.

## Section 4: Asset Allocation and Rebalancing

### 4.1 Asset Allocation Restraints:

The Board of Waxahachie Firemen's Relief and Retirement Fund understands that the Fund's return, risk, and liquidity are in large part determined by the asset mix. The Board has selected the strategic asset allocation as outlined in Exhibit A based upon the Fund's investment time horizon, risk tolerance, performance expectations, asset class preferences, and long-term real rate of return expectations. The asset allocation is designed to achieve the long-term required return objectives of the Fund.

### 4.2 Rebalancing Procedures:

The allocation mix outlined in Exhibit A is based upon market value and, consequently, the Fund's Consultant is expected to monitor the portfolio based on this valuation. Neither the upper nor the lower limits of the asset allocations are intended to require portfolio activity for the sole purpose of complying with the guidelines. However, deviation from these guidelines, when they occur, will be discussion items at the meetings between the Board of Trustees and the Consultant and or Managers.

The Board of Waxahachie Firemen's Relief and Retirement Fund recognizes that during times of transition, (for example when a new Manager is hired), that the Fund's actual allocation might vary temporarily from the target range outlined above. It is expected, however, that the actual allocation will be brought back into line as soon as is practically and prudently possible.

The Board also recognizes that relative asset class and Manager performance, as well as significant moves in the capital markets, can and will lead to movements in asset allocation away from the targeted ranges. Deviations outside the upper or lower limits (which generally range from 10% to 20% of the targeted allocations) for these reasons should be corrected as soon as prudently possible. Normal cash flows into or out of the portfolio will be managed as much as is practical and prudent to maintain targeted allocations. Allocation will be monitored on a quarterly basis and more often if necessary.

If the cash flows of the Fund are inadequate to maintain targeted allocations, the Board will instruct the Consultant, Managers, and the Custodian in writing to effect transactions and redeployment of funds as needed to bring the allocation within the guidelines above.

### 4.3 Significant Portfolio Cashflows:

Should a situation where significant, unusually large cash in- or outflows arise, the Board will inform the Consultant, the Custodian, and the Managers as necessary 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.



## Section 5: Investment Guidelines

Each money manager hired by the Waxahachie Firemen's Relief and Retirement Fund must adhere to the appropriate guidelines that follow. These guidelines for each major asset class serve as a framework for the money managers to work within to achieve the Fund's investment objectives while maintaining an acceptable level of risk. These guidelines are specifically designed to minimize interference with the money manager's efforts to attain overall objectives and to minimize the risk of excluding them from appropriate opportunities in compliance with this document. Should a money manager request a deviation from the following guidelines, the Board may choose to allow it, and this decision will be transmitted to the Manager in writing.

### **A special note regarding investments which are not separately managed such as mutual funds, etc.**

Should the Board choose to invest in mutual funds (open-ended, closed ended, index etc.), commingled funds, exchange traded funds (ETFs), registered investment corporations (RICs), limited partnerships (LPs), hedge funds or the like, the constraints, prohibited investments, and other such guidelines in this Policy shall not apply to those specific investments. The constraints, prohibited investments, guidelines, etc. contained in this document are intended for long-only separate account managers (the managers) hired under contract by the Fund. Mutual funds, index funds, ETFs, LPs and similar vehicles are ruled by their controlling documents. For example: their prospectuses, offering memoranda, partnership agreements, etc. and any "side letters" that might be negotiated.

If for any reason a security is purchased by any Manager outside of these guidelines, it must be sold. Following Board of Trustees notification the investment manager is given discretion to sell at anytime within a thirty-day period. If a security is disposed of as a result of an original purchase that was made outside of the guidelines of the Fund, then the Fund is to be made whole by the Manager. (Whole is defined as the original book value of the non-complying investment(s) plus the greater of either the holding period return on the non-complying security(ies) or the return of the primary benchmark for that specific managed account during the same holding period.)

### **5.1 Prohibited Investments:**

The following securities and transactions are prohibited unless the money manager has received prior, written Board authorization:

- i. Letter stock, restricted stock, stock in non-public corporations, private placements, and any other unregistered securities including fixed income securities or any securities acquired upon conversion of the above. "Restricted Securities" are securities that have not been registered under the Securities Act of 1933 and as a result are subject to restrictions on resale.
- ii. The purchase of securities on margin, or the lending, pledging, or hypothecating of securities (except when investing in mutual funds).
- iii. Short sales, except where permitted in Section 5.6.2.

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- iv. Participation on a joint and several basis in any securities trading account.
- v. Investment in companies for the purpose of exercising control of management.
- vi. Concentration of investments in a particular industry inasmuch as the maximum commitment to an industry may not exceed 25% of the total value of the Fund's portfolio. This is not intended to restrict the concentration of fixed income securities in any given sector (such as corporate bonds, asset-backed securities, mortgage-backed securities, etc.) but to limit the concentration within each sector to 25% in any one industry.
- vii. The purchase or sale of options or commodities, commodity contracts, mineral, oil, gas or other mineral exploration or development programs. However, the Fund may purchase the securities of companies engaged in the exploration, development, production, refining, transportation and marketing of oil, gas or other minerals.
- viii. The above referenced list of Prohibited Investments does not apply to Mutual Fund Investments. Mutual Fund Investments are restricted by the terms and conditions of their Prospectus and specific shareholder agreements.

### **5.2 Domestic Equities:**

These guidelines for equity Managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

- i. Equity holdings in any one company should not exceed 5% of the market value of the entire Fund.
- ii. The Managers should not invest more than ~~25~~35% of the value of the common stock portfolio in the securities of companies principally engaged in the same industry.
- iii. Equity holdings shall emphasize quality in security selection and be restricted to readily marketable securities of corporations actively traded on the major exchanges or listed over-the-counter.
- iv. The money managers shall have the discretion to invest a portion of the assets under their supervision in cash reserves when they deem appropriate. However, the Managers will be evaluated against their benchmarks and their peer group based on the total funds of the portfolio under their direct management.
- v. While the Managers should avoid the risk of large loss through diversification, the Board recognizes that certain Managers emphasizing performance often run concentrated portfolios holding fewer securities and are thus subject to greater volatility.

### **5.3 Domestic Fixed Income:**

These guidelines for fixed income managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

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- i. All individual fixed income securities held for the Fund shall, at a minimum, be of investment grade at the time of purchase. The fixed income account managed by any manager shall maintain a weighted average credit rating that falls within the "A" category or better, as determined by the major credit rating agencies at all times. Mutual funds may purchase non-investment grade securities including high yield, non-dollar, and emerging market securities. U.S. Treasury and U.S. government agency securities, while unrated, are qualified for inclusion in the Fund's portfolio.
- ii. Managers shall not invest more than 5% of the Fund's value in the issues of any one issuer, with the sole exception of the U.S. Government, its agencies, or instrumentalities.
- iii. All fixed income securities held for the Fund shall be expected, under normal market conditions, to be easily liquidated without severe markdowns when the transaction is not a forced liquidation.
- iv. No funds shall be invested in private mortgages.
- v. Short-term investments, including short-term investment funds (STIF's) and money market funds shall be of investment grade.
- vi. When previously agreed upon in writing by the Board, certain short sales may be employed.
- vii. Yankee bonds and taxable municipal securities are allowable.
- viii. The above referenced list of restrictions does not apply to Mutual Fund Investments. Mutual Fund Investments are restricted by the terms and conditions of their Prospectus and specific shareholder agreements.

#### **5.4.1 Developed Market International Equities:**

These guidelines for international equity managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

- i. International equities may be U.S. dollar or non-U.S. dollar denominated, but it is the intention of the Board that most securities will be U.S. dollar denominated.
- ii. Equity holdings in any one company shall not exceed 10% of the value of the Fund's international stock portfolio.
- iii. The Managers shall not invest more than 35% of the value of the Fund's international portfolio in any one industry category.
- iv. Managers should avoid extreme allocations to any specific country.
- v. International equity securities must be traded on recognized stock exchanges.
- vi. Managers shall not exceed 35% exposure of the Fund's international portfolio in emerging markets.

#### **5.4.2 Emerging Market International Equities:**

These guidelines for Emerging Markets (EM) international equity managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers discretion to manage their portfolios according to their own internal policies.

- i. Emerging Markets equities may be U.S. dollar or non-U.S. dollar denominated, but it is the intention of the board that most securities will be U.S. dollar denominated.
- ii. Emerging Markets Equities may be invested in any type of depositary receipt and securities comprising the EM Account may be traded on recognized exchanges or over the counter.
- iii. Equity holdings in any one company shall not exceed 10% at the market of the value of the Emerging Markets stock portfolio.
- iv. No manager shall invest more than 35% of the value of the Fund's Emerging Markets portfolio in any one industry category.
- v. Managers should avoid allocations to any specific country greater than 45% of their portfolio.

#### **5.5 Real Estate Investments:**

These guidelines for real estate investments are intended to be general in nature and to outline only broad constraints, allowing the Fund latitude to invest in the real estate sector as deemed prudent by the Board.

- i. The Board has determined that only real estate investments professionally managed by nationally recognized firms are appropriate for the Waxahachie Firemen's Relief and Retirement Fund.
- ii. Total real estate holdings at market value should not exceed an amount (to be determined) of the market value of the entire Fund at the time of purchase; however, the Board realizes that this percentage will not remain constant. Due to the relatively illiquid nature of certain types of private real estate investments, this percentage may be allowed to grow as high as (a percentage to be determined) of portfolio value before action is warranted by the Board. Where possible however, such as with public REIT managers, the Board deems that quarterly rebalancing is appropriate.
- iii. The primary real estate investments should be "core" type investments, holding a diversified basket of properties across both property types and geographic locations. Additional real estate investments may be of the specialty type including timberland.
- iv. The primary investment objective of the real estate portfolio is to generate a rate of return from investments in real estate which is greater than the U.S. real estate market net of all costs and fees over the course of a market cycle, typically five years. Secondary objectives include producing a predictable income stream, providing a partial hedge against inflation, and participation in the growth in value of high quality real estate over time.

- v. When possible, liquidity of investments is preferred over illiquidity but, in any case, a clearly defined “exit strategy” shall be enumerated in the offering.
- vi. Leverage may be employed, within certain constraints, at the discretion of the real estate manager. The Board shall make the ultimate determination of whether a real estate investment vehicle is suitable for the Fund given the amount of leverage utilized by the manager in that specific real estate vehicle. In any case, such leverage will not exceed levels that would be deemed reasonable and prudent given the circumstances.
- vii. It is the board’s intention that real estate holdings shall emphasize quality in selection and would normally be restricted to readily marketable properties. It is the intent of the Board that real estate investments be primarily high quality, income-producing properties with a small but meaningful equity return component. It is not the intention of the Board to invest in speculative real estate holdings.
- viii. All holdings within the private real estate portfolios shall be appraised by a qualified appraiser within any one-year period. These appraisals shall be available for the Board or its Consultant as requested.
- ix. The real estate managers shall have the discretion to invest a portion of the assets under their supervision in cash reserves when they deem appropriate. However, the Managers will be evaluated against their benchmarks and their peer group based on the total funds of the portfolio under their direct management.

### **5.6 Alternative Investments:**

The Board may, from time to time, employ investment managers or “funds of funds” to invest in alternative asset classes such as private equity or commodities. The purpose of such investments is to attain returns above traditional assets such as common stocks while at the same time diversifying the capital market exposure of the Fund through lower correlations with traditional asset classes. It should be understood that these investments will not, in general, fall within the guidelines of traditional asset classes which comprise the majority of the Fund. Alternative assets can have numerous risks that are not reflected in a mean-variance analytical framework.

In the selection process for alternative assets and Managers, the Board shall use a number of selection criteria to evaluate the expected return and both traditional and non-traditional risks. These criteria shall include but not be limited to the following:

- i. The expected return premium over traditional asset classes required to compensate for the added risk and illiquidity.
- ii. The diversification and volatility of the investment itself along with its correlation to the other assets of the Fund and its effect upon the total portfolio volatility.
- iii. The prospective Manager’s tenure as a management team, expertise with this type of investment, track record, transparency, total assets under management in this strategy, potential conflicts of interest and whether or not they have a direct stake in the investment.

- iv. Alignment of interest among investors and manager.
- v. The Manager's use of non-traditional investment strategies and instruments such as futures, shorting, leverage, etc.
- vi. Fees at each level, carried interest and the effect on net return.

#### **5.6.1 Private Equity:**

By definition, private equity investments generally possess a higher return potential along with a commensurately higher level of risk. The objective of the Fund's investments in private equity is to earn returns higher than those of traditional equity investments and to be adequately compensated for the additional risk assumed. Private equity may also further diversify the portfolio and reduce the Fund's total volatility.

- i. The long-term (five to ten year) expected return objective of private equity investments will be 13% (nominal) net or approximately the S&P 500 historical return plus a risk premium of 300 basis points. Due to the nature of private equity, it is to be expected that there will be significant deviations from this benchmark over shorter time periods.
- ii. Total investments in private equity shall not exceed ~~65~~65% of the Fund's market value at the time of purchase.
- iii. The total Fund's private equity investments shall be diversified over sectors, vintage years, number of investments, manager, geographic locations and company life-cycle entry points.
- iv. Funds-of-funds may be employed to gain access to adequate diversification within the private equity portfolio.

#### **5.6.2 Commodities:**

The primary objectives of the commodity allocation are to further diversify the Fund, to provide for some hedge against inflation, and to increase opportunities to enhance the Fund's total return. Commodity investments can be implemented by either an active manager of commodities or a passive (index) approach or a combination of the two.

- i. Investments in commodities shall not exceed 5% of the Fund's total value.
- ii. Exchange Traded Funds (ETFs) may be utilized for indexing part or all of the commodity allocation
- iii. Active investments in commodities will be made through qualified investment managers with proven, long-term superior track records.
- iv. Fund of funds in managed futures may be used for this asset allocation.
- v. Short sales and leverage may be employed.
- vi. A part of this allocation may be made through the use of specialty equity managers whose strategy is to outperform an appropriate commodity benchmark by investing in commodity-related equities which compliment and expand the components of the commodity index itself.

## Section 6: Performance Measurement

### 6.1 Performance Objectives:

Investment performance (including measures of both risk and return) for the Fund in total will be reviewed at least annually by comparing it to the Fund's composite policy benchmark outlined in Exhibit A.

This is done to determine the continued feasibility of achieving the Fund's investment objectives, and the appropriateness of this document in that regard. It is not expected that this document will be changed frequently; in particular short-term fluctuations in the capital markets should not require the modification of this document.

### 6.2 Monitoring of Money Managers:

The performance of each Manager will be measured by the Fund's consultant and shall be reviewed each quarter. This analysis should be taken in the context of the capital markets' conditions prevailing during that period and in relationship to that Manager's sector and style. The primary objectives of performance measurement are enhanced communication and understanding between the Fund and its Managers, and the comparison of actual performance against the goals established in this document.

The Board does not expect that the goals defined herein will be met in every quarter; however, the Board does expect these goals to be met over a full market cycle or a three to five year period. It is understood that there will be short-term periods during which a Manager's performance deviates from the market indices. During periods such as this, greater emphasis will be placed on that Manager's performance relative to its peer group, while keeping in perspective the Manager's long-term track record. This is done to reduce the likelihood of terminating a Manager whose investment style is out of favor when that Manager may, in fact, be outperforming its peer group. It is the Board's goal for each Manager to achieve a total return in the top 30% of a representative universe of similar managers over a full market cycle.

For each asset class within the Fund, each Manager's performance will be compared to a primary benchmark appropriate for that Manager's sector and style, and mutually agreed upon by the Manager and the Fund's consultant. It is the Board's goal that each Manager outperform their primary benchmark over a full market cycle. Where appropriate, a Manager will also be compared against a secondary benchmark, selected by the consultant, to give the Board a broader framework to evaluate that Manager's performance relative to its particular sector and style.

The manager-specific benchmarks for the Managers chosen by the Board of Waxahachie Firemen's Relief and Retirement Fund are presented in Exhibit A.

While it is the board's intention to fairly evaluate each Manager's performance, both absolute and relative, over a reasonable period of time, the Board clearly retains the right to terminate a Manager for any reason including but not limited to the following:

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- i. Failure to meet Board's communication and reporting requirements.
- ii. Failure to respond promptly to the Board's concerns.
- iii. Unacceptable justification for poor results.
- iv. If the Manager incurs excessive risks.
  - v. A significant change in key personnel or a change in ownership.
- vi. When the Board reaches a consensus that a change of Manager would be in the best interests of the Fund, with or without cause. (This judgment by the Board is sufficient justification for termination in and of itself.)
- vii. If the Manager fails to comply with all applicable laws and statutes, including this document.



## Section 7: Selection of Money Managers

Recognizing the vast number and broad spectrum of investment managers available, the Board of Waxahachie Firemen's Relief and Retirement Fund has engaged the services of a professional investment Consultant to aid in the selection of Managers for the Fund by performing due diligence, narrowing the broad universe of managers to a more manageable group, and recommending a select set of specific managers for each asset class for the Board's final selection. This structured approach promotes diversification across asset classes and investment styles, and promotes the longevity of manager relationships. At a minimum, managers for the Fund's consideration must meet the following criteria:

- i. Be a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisors Act of 1940.
- ii. Be registered and maintain registration under the Registered Investment Advisors Act of 1940.
- iii. Be registered to conduct business in the State of Texas.
- iv. Provide historical quarterly performance numbers on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
- v. Provide detailed information on the history of the firm, key personnel, and assets under management.
- vi. The Manager must articulate clearly and in writing the investment strategy that will be followed.
- vii. Provide the Fund with a current Form ADV.

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## Section 8: Meetings and Reports

On occasion the Board of Waxahachie Firemen's Relief and Retirement Fund may request a formal presentation by a manager at a scheduled board meeting. The date of the meeting will be scheduled in advance, and notification will be made in writing. Although the Board does not intend to limit the presentation by the Manager, it is requested that the following items be addressed by the Manager at a minimum:

- i. Economic and investment background.
- ii. Actual portfolio composition versus stated investment style, market sector, and methodology.
- iii. A review of actual results of the Fund's portfolio, including measures of both risk and return, under that Manager's supervision in relation to the Manager's short, intermediate, and long-term track record.
- iv. Any changes in the Manager's style, internal policies, or investment management process.
- v. Any changes in personnel.
- vi. Proxy voting record (if applicable).
- vii. A review of any guidelines contained in this document which might constrain the Manager adversely in the performance of its duties, and recommendations concerning any changes in policy which should be given consideration by the Board.

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## Exhibit A: Executive Summary

<b>Market Value of Assets (12/31/17):</b>	<b><u>\$16,493.575</u></b>
<b>Investment time horizon:</b>	Greater than ten years (perpetual)
<b>Actuarial return assumption:</b>	7.0%
<b>Expected portfolio return:</b>	8.2%
<b>Risk tolerance:</b>	Moderate to moderately aggressive

Policy Asset Allocation	Target Allocation	Range
Domestic Equity: Large Cap Growth	<del>+2.00</del> <u>11.00</u> %	10-30%
Domestic Equity: Large Cap Value	<del>+2.00</del> <u>11.00</u> %	10-30%
Domestic Equity: Smid Cap	<del>+1.00</del> <u>8.00</u> %	0-20%
International Equity	23.00%	0-20%
Emerging Markets Equity	7.00%	0-10%
Domestic Fixed Income	35.00%	30-60%
<u>Private Equity</u>	<u>5.00</u> %	<u>0-5</u> %
Cash and Equivalents	0.00%	0-5%

Composite Policy Benchmark Index	Percentage
Russell 1000 Growth	12%
Russell 1000 Value	12%
Russell 2500	11%
MSCI EAFE Net	23%
MSCI Emerging Markets	7%
BC Aggregate	35%

Manager Allocation	Sector/Style	Target Alloc.	Collar Percent	Lower Limit	Upper Limit
<del>Wedgewood Polen Capital</del>	Domestic Equity: LC Growth	<del>+2.0</del> 11.0%	10%	<del>+0.80</del> 10.9%	<del>+3.20</del> 13.1%
LCG ETF					
<del>Cambiar</del>	Domestic Equity: LC Value	<del>+2.0</del> 11.0%	10%	<del>+0.80</del> 10.9%	<del>+3.20</del> 13.1%
LCV ETF					
Great Lakes	Domestic Equity: Smid Cap	<del>+1.0</del> 8.0%	15%	<del>9.35</del> 6.8%	<del>+2.65</del> 9.2%
Delaware	International Equity: Value	13.0%	15%	11.05%	14.95%
WCM Investment	International Equity: Growth	10.0%	15%	8.50%	11.50%
Glovista Investors	Emerging Markets	7.0%	15%	5.95%	8.05%
Federated Investors	Core Fixed Income	12.0%	10%	10.80%	13.20%
Blackrock	Fixed Income	11.5%	10%	10.35%	11.15%
Blackstone	Fixed Income	11.5%	10%	10.35%	11.15%
<del>Central Park Group</del>	Private Equity	5.0%	n/a	n/a	n/a
Private Equity TBD					

Manager/Product	Primary Benchmark	Secondary Benchmark	MS Research
<del>Wedgewood Polen Capital</del>	Russell 1000 Growth	Russell 3000	Approved
LCG ETF	Russell 1000 Growth	None	Approved
Cambiar	Russell 1000 Value	Russell 3000	Focus
LCV ETF	Russell 1000 Growth	None	Approved
Great Lakes	Russell 2500 Index	Russell 3000	Focus
Delaware	MSCI EAFE Value Net	MSCI EAFE Net	Focus
WCM Investment	MSCI EAFE - Growth Net	MSCI EAFE Net	Approved
Glovista Investors	MSCI - EM Net	MSCI EAFE Net	Approved
Federated Investors	BC Aggregate	BC G/C	Approved
Blackrock	BC Aggregate	None	Approved
Blackstone	BC Aggregate	None	Approved
<del>Central Park Group</del>	13%	None	Approved

## Exhibit B: Chronology of Investment Decisions

The Waxahachie Firemen's Relief and Retirement Fund currently has twenty retirees and thirty-nine active duty participants. The Fund adopted a consultant-multiple manager format in April 2000. The Fund's payroll is administered by Automatic Data Processing (ADP). The Fund is currently in positive cash flow of approximately \$120,000 per year and is projected to be in positive cash flow for the next six or seven years. The Board has elected to keep a minimum of \$10,000 in the money market account after rebalancing, and has elected to allow rebalancing to any point within each Manager's upper and lower limits as directed by the Board.

In June 2001, the Board hired a domestic small-cap manager and funded them with a target allocation of ten percent, reducing the allocation to the domestic large-cap specialty manager from twenty-five percent to fifteen percent.

On February 17<sup>th</sup>, 2004, the Board engaged the Consulting Group of Smith Barney to perform consulting and custody for the Fund's assets. On March 4, 2004, the Fund replaced their small cap manager Wasatch with Turner SC core.

At a board meeting on October 11, 2004, the Board adopted an interim strategic allocation reducing Oak and Westcap to 12.5% each, increasing Delaware International to 15% pending a new allocation study by the Consultant.

At a meeting on May 9, 2005 the Board adopted a new 65/35 allocation policy with an allocation to mid-cap. Oak Associates was terminated, Turner SC was terminated and replaced by Penn Capital small and mid-cap core. The strategic allocation to large-cap is as follows; 24% large-cap value, 16% large-cap growth. The Board also adopted an interim tactical allocation between large-cap growth and value of 20% each based on the Consultant's recommendation.

On November 14<sup>th</sup> 2005, Westcap LCG was terminated for underperformance and replaced by Wedgewood Partners, Inc. for the large-cap growth allocation.

At the May 8, 2006 meeting, a new strategic allocation increasing international exposure from 12.5% to 20% was adopted, large cap growth was reduced from 16% to 13%, large cap value was reduced from 24% to 20%, and small and mid cap reduced from 12.5% to 12%. The tactical allocation to split LCG and LCV fifty-fifty was retained.

At the Board's September 11<sup>th</sup>, 2006 meeting, the Board voted to combine the two fixed income accounts, terminating the Intermediate account and placing the entire allocation in the Market Duration account.

At the Board's February 9, 2009 meeting, the Board voted to change the strategic allocation to LCG and LCV to 16.5% each from 13.0% and 20.0% respectively.

The Board at its August 9, 2010 meeting voted to replace Macquarie Allegiance Capital with Federated Investors to manage the fixed income account.

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On May 9, 2011, the Board adopted a new asset allocation based on an asset allocation study and the advice of the investment consultant. A 5% allocation is approved for emerging markets. Allocation to domestic equities is reduced from 45% to 40%; allocations to international, fixed income and commodities remain the same at 20%, 35% and 5% respectively. Domestic equities are comprised of 29% in large cap core and 11% in mid cap core. The international equity allocation is split among value and growth investment styles.

On August 10, 2011, the Board voted to hire Glovista Investments (with 5% allocation) as the emerging markets manager and MFS Investment Management (with 10% allocation) as the international growth manager based on recommendation by the investment consultant. The allocation to Delaware International is to be reduced from 20% to 10%.

At the May 12, 2014 board meeting, the Board at the recommendation of the investment consultant voted to invest 11.5% each in Blackstone Real Estate Income Fund and Goldman Sachs Strategic Income Fund. Funding of these two new investments will come from the allocation to Federated Investors Core Aggregate Fixed Income.

On June 8, 2015, the Board voted to terminate Penn Capital and engage Great Lakes Advisors for the mid cap mandate.

At the February 8, 2016 board meeting, the Board voted to liquidate the entire position in the Goldman Sachs Strategic Income Fund and to reinvest the proceeds in the Blackrock Strategic Income Opportunities Fund.

At the August 8, 2016 meeting the Board terminated MFS and hired WCM for the international growth allocation.

On November 13, 2017 the Board elected to adopt Revision 3.0 of the Investment Policy Statement which included indexing. 25% of Large Cap Growth was indexed. 10% of the Large Cap Value was indexed. Domestic Growth and Value allocations were reduced 2.5% each from 14.5% to 12.0%. International Growth and Value were increased 1.5% each, and Emerging Markets was increased by 2%.

On February 19, 2018, the Board voted to terminate the Large Cap manager Wedgewood to be replaced by Polen Capital Management. The Board also voted to reallocate 5% of the Domestic Equity Allocation to Private Equity. The Board voted to invest \$300,000 with the Central Park Group Vintage Access Fund, LLC.

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## Appendix A: Manager Acknowledgement Letter

*Date*

*Money Manager Name*

*Firm*

*Address*

*City, State, Zip*

Re: Acknowledgement of Receipt of Statement of Investment Policy, Guidelines, and Investment Objectives, Revision ~~3.0 November 13, 2017~~ 3.1, dated XXX.

Dear Sir or Madam:

Please sign and return this letter to us as acknowledgement of your receipt of the Waxahachie Firemen's Relief and Retirement Fund's Statement of Investment Policy, Guidelines, and Investment Objectives, Revision ~~3.0 dated November 13, 2017~~ 3.1, dated XXX.

This signed letter also serves as your acknowledgement and agreement in writing of your fiduciary responsibility to fully comply with the Statement of Investment Policy, Guidelines, and Objectives unless a deviation is agreed upon in writing by you and the Waxahachie Firemen's Relief and Retirement Fund in advance of any non-complying action.

It is the intention of the Waxahachie Firemen's Relief and Retirement Fund to review the above named document on an annual basis to reaffirm the continued relevancy or to revise it as deemed appropriate. You will be notified in writing of any changes to the document.

Yours very truly,

Tim Sharpe, CFA, CIMA  
Institutional Consulting Director

Acknowledged and agreed to by the Manager:

Signed: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Please return a signed original of this letter to:

Tim Sharpe, CFA, CIMA  
Institutional Consulting Director  
Morgan Stanley Wealth Management  
301 Congress Ave., Ste. 1400  
Austin, TX 78701