

# MFPRSI

Calendar Year 2026

## Investment Policy

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# INTRODUCTION

Municipal Fire and Police Retirement System of Iowa (“MFPRSI” or “retirement system”) is a statewide retirement system for firefighters and police officer personnel employed in Iowa’s largest cities. Pursuant to State of Iowa Code Section 411.7 (as amended by Chapter 1240, Act of the 1990 Iowa General Assembly) effective January 1, 1992, MFPRSI consolidated eighty-seven local retirement systems previously administered in forty-nine cities. Permanent, full-time firefighters and police officers in the participating cities are automatically MFPRSI members. Vesting occurs when members have obtained four years of membership service or reach the age of 55 while performing membership service with MFPRSI.

MFPRSI is a defined benefit plan and administered to provide income to members upon their retirement. The retirement system also provides benefits in the event of a member’s death, disability, or a vested member’s termination of employment prior to normal retirement. MFPRSI’s fiscal year runs July 1 to June 30.

# STATEMENT OF PURPOSE

The Statement of Investment Policies and Objectives (the “investment policy”) provides a guideline for MFPRSI’s investment portfolio which, in turn, provides benefits to the members of MFPRSI by generating a total rate of return on investments consistent with risks taken within a carefully monitored and implemented risk framework that is designed to rank no worse than median for public plans over a full market cycle.

In addition, the investment policy provides the following:

- Investment related responsibilities of the Board of Trustees (the “Board”), MFPRSI’s administration (the “administration”), and the retirement system’s investment service providers (the “investment managers”).
- Formal, yet flexible, investment guidelines which incorporate prudent asset allocation and realistic total return and risk tolerance goals.
- Communication framework between the Board, administration, and investment managers.
- Standards of investment performance that are reasonable and consistent with the goals of the Board and by which the investment managers agree to be measured over time.
- Framework to manage the retirement system and the investment portfolio in a timely, professional, and cost-effective manner.

Pursuant to Iowa Code Chapter 411.7, subsection 1, this statement will be reviewed annually by the Board, administration, and investment consultant to ensure the relevance of its contents to investment market conditions and the retirement system’s needs.

# INVESTMENT GOALS

The investment activities of MFPRSI are designed to meet the ongoing funding requirements of the benefit plan with which it is charged under Iowa Code Chapter 411. The comprehensive goals of the investment program are as follows:

- Meet the ongoing financial needs of the benefit plan as defined by MFPRSI's actuary consistent with conservative actuarial policies.
- Create a well-diversified portfolio of assets that is anticipated to meet or exceed the retirement system's long-term actuarial interest rate assumption while taking an acceptable level of risk exposure.
- Implement the requirements of the program as delineated within the performance policies established by this document.
- Establish relationships with investment managers and investment consultants who further the goals of MFPRSI's financial purposes and provide for the continuing refinement of a comprehensive investment program.

Obtaining specific performance goals in individual portfolios and in the various investment markets is contingent upon prevailing economic conditions and the performance of the capital markets. Both absolute and relative performance over specific periods will vary.

# STRATEGIC ASSUMPTIONS

The following basic assumptions concerning the investment markets are the foundation for the development of MFPRSI's investment policy:

- Over the long-term there is a distinct relationship between return and risk; expected returns should be commensurate with risks taken to achieve them.
- It is extremely difficult to "time the stock market" (i.e., knowing when stock markets will experience positive growth and negative growth). Therefore, cash should be kept to a minimum and target asset allocations should be maintained within reasonable bands.
- Diversification is essential to generate return, manage risk, and maintain exposure to the capital markets opportunity set.
- The role of active portfolio management is to add incremental value net of fees incurred relative to a similar investment option that is passively managed.

# GENERAL INVESTMENT POLICIES

The following general investment policies of MFPRSI are intended to meet the investment goals and represent the resolution of the Board in accordance with the “prudent person” rule of Iowa Code Chapters 411 and 97B.7A (see also Appendix Two).

The “prudent person” rule states that an investment be made with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an entity of a like character with like aims. Under the conceptual framework established by the “prudent person” rule, the Board has adopted specific policies for MFPRSI’s investment program.

## Asset Allocation

MFPRSI will adopt and execute an asset allocation predicated on a number of factors that will include, but is not necessarily limited to, the following:

- The projected liability stream of benefits and their costs.
- The level of expected risk and long-term performance of the capital markets.
- The historical performance of the capital markets.
- The view of current and future economic conditions including inflation and interest rate assumptions.
- The relationship between the current and projected assets of the plan and its actuarial requirements.
- The projected or expected changes in the level of financial support from its funding sources.

The asset allocation will identify the classes of assets MFPRSI will utilize as well as the percentages they are intended to represent of the total fund. The asset allocation is designed to provide asset diversification in an effort to enhance the investment return over time consistent with market and economic risk. Additionally, this asset allocation provides the framework for distribution of cash flows and establishes the projected rate of return and standard deviation of return. The Asset Allocation section delineates the asset allocation as adopted by the Board.

Operational Expectations – MFPRSI will invest its resources in conformity with the Board’s asset allocation. MFPRSI expects maintaining specific allocation targets is difficult due to the fluctuation of the capital markets. Therefore, MFPRSI will maintain compliance with the asset allocation if the asset class allocations are within 7.5% above or below the respective target for Core and Strategic Investments and within 15% above or below the respective target for Illiquid Investments. It is understood that achieving the desired level of private market investments takes time. Reasonable efforts will be made to gain exposure toward its intended level. (See Appendix One: Fund Allocation and Rebalancing section.)

## **Performance Policies**

General Performance Expectations – The performance of MFPRSI’s investment program will periodically be evaluated by the Board. It is the Board’s vision that the portfolio provide net returns in the top quartile for similarly sized plans and no less than median of all public plans on a risk-adjusted basis over a full market cycle.

The investment returns on each asset class and the returns on the total investment portfolio, asset class composites, and individual manager portfolios will be compared to the appropriate indices for the market or strategy in which they invest and/or to the interest rate assumption of the retirement system.

## **Portfolio Adjustments**

MFPRSI will allocate cash flows to establish the portfolios consistent with the target allocation for each portfolio type. Periodically, the Board will examine the weights of each portfolio relative to the targets and to the ranges established by the asset allocation. MFPRSI may act to adjust the size of individual portfolios through the withdrawal of funds from individual portfolios and the reallocation to underweighted portfolios or may rely upon the commitment of future cash flow to increase the size of individual portfolios. (See Appendix One: Fund Allocation and Rebalancing section.)

## **Time Horizon**

The progress of the retirement system, its fund, and its components relative to their return objectives will typically be measured over a full market cycle. Market cycles may differ markedly in length and there is no standardized measure for a market cycle’s term. For MFPRSI’s purposes, a full market cycle encompasses both a down stage and an up stage, in either order. The up or down portions of each stage will be of at least two consecutive quarters in length. Therefore, a full market cycle may be as short as one year though, in general, market cycles are expected to last from three to five years.

The market cycle concept as described above does not preempt the periodic review and evaluation of the activities and performance of individual investment managers over a period of time that is of longer or shorter duration than a market cycle. The Board reserves the right to take action relative to individual managers or to the portfolio as a whole without regard to the above-described concept at any time.

## **Relationship Policies**

Investment Manager Policies – The Board desires to manage the investment portfolio in a timely, professional, and cost-effective manner. MFPRSI selects and utilizes external investment managers

to invest portions of its assets. The selection of investment managers is accomplished as described in Appendix One: Portfolio Manager Identification section. Investment managers function either under a formal contract that delineates their responsibilities and provides an appropriate performance expectation or under a formal trust or partnership agreement with MFPRSI. When appropriate, MFPRSI may compensate the investment managers through the use of performance fees. Soft dollars generated through brokerage activity may, if authorized by contract, be used to acquire investment research and analysis and to defray various administrative expenses. MFPRSI may determine to have a portion of its portfolio managed by its administration.

**Manager Investment Discretion** - The investment managers under contract or who manage the applicable trust or partnership in which MFPRSI participates will have full discretion to direct and manage the investment and reinvestment of assets allocated to their accounts in accordance with this document, applicable to federal and state statutes and regulations, and the executed contracts.

**Manager Brokerage Discretion** - The investment managers under contract to MFPRSI have discretion to establish and execute accounts with one or more securities broker/ dealer(s) they deem appropriate. The investment managers will attempt to obtain the “best available price and most favorable execution” standard of care with respect to portfolio transactions unless such standard is not applicable in the relevant markets (e.g., private and/or foreign markets).

**Manager Evaluation** - The investment managers under contract with MFPRSI will meet with the administration and/or Board for the purpose of reviewing the investment activities, portfolio performance, investment strategy, and the relevant market(s) in which it operates. (See Appendix One: Ongoing Due Diligence Reviews & Evaluation section.)

**Short-Term Investments** - Cash allocated for investment by the investment managers is managed in accordance with the guidelines established in the contractual agreement with each separate account investment manager. The guidelines with each separate account investment manager will stipulate that cash will primarily be invested in the Short-Term Investment Fund (“STIF”) account of MFPRSI’s custodian bank. Due to the fluid nature of the capital markets, cash allocation decisions may be made by the administration consistent with the Board’s asset allocation.

**Investment Consultant(s)** - MFPRSI may utilize the services of an investment consultant(s) for various purposes, including performance reviews, asset allocation studies, investment manager selection screenings, and topical studies. The comments and recommendations of the investment consultant(s) will be considered in conjunction with other available information for the purpose of making an informed and prudent decision. Each investment consultant shall function under a formal contract that delineates its responsibilities. MFPRSI may utilize an RFP to select an investment consultant(s).

Custodian Bank - The investment assets of the retirement system shall be held in a custody/ record-keeping account in a master custodian bank and in the international subcustodian banks under contract to the master custodian bank. The custodian bank shall function under a formal contract that delineates its responsibilities.

Securities Lending - MFPRSI may, at its discretion, authorize the execution of a securities lending program.

## **Administrative Policies**

Proxy Voting - The voting rights of corporate stocks will be exercised by the administration or, at its direction, by designated investment managers in the best interest of MFPRSI and in accordance with the applicable statutes. The custodian bank will forward all proxies to the administration or to the designated investment managers. The administration or the designated investment managers will execute the voting of the proxies in accordance with the “prudent person” rule delineated in Iowa Code Chapter 97B.7A. It is the general policy of MFPRSI to vote its shares against measures that would hinder or prevent the acquisition or takeover of a corporation or company where a takeover or acquisition may be beneficial to the long-term earnings of the fund. Additionally, it is the general policy of MFPRSI to abstain from voting its shares on social issues except where the voting of said proxy may serve to further the safety of the membership of the retirement system if consistent with the execution of MFPRSI’s fiduciary responsibility. Issues arising in the proxy process may include, but are not limited to the following:

- Election of directors, including the number and terms of office, attendance, and number of meetings held.
- Selection and ratification of auditors.
- Stock splits, dividend, and fractional share issues.
- Application for listing of securities.
- Corporate name changes.
- Remuneration of management, directors, and employees including ratification of employee stock option plans.
- Employment issues.
- Cumulative voting issues.
- Fees paid to auditors or consultants.
- Date or location of annual meetings.
- Contributions to charities or educational institutions.
- All other items which are not expected to have a material adverse effect on the price of the security or which would not substantially affect the rights or privileges of the security.
- Acquisitions, mergers, and divestitures.
- Significant changes in the company’s articles of incorporation or by-laws, such as anti-takeover provisions, poison pills, or rights issues.
- Increases in the number of authorized shares.
- Business abroad.

Education and Due Diligence – To maintain and strengthen the investment management of MFPRSI, the Board has established an education and travel policy which outlines reasonable guidelines and procedures to govern travel by Board members for purposes of education and exchange of information and ideas (see Board Manual). Each member of the Board completes an orientation which includes investment education. In addition, the Board and/or the administration may, when appropriate:

- Participate in conferences/seminars related to the investment activities of public and private institutional investors and participate in the meetings of organizations of which MFPRSI is a member.
- Meet periodically with MFPRSI's investment managers at their office to perform a review and to clarify investment or administrative issues related to the management of the portfolio.
- Participate in the investors' meetings conducted by the various investment managers of MFPRSI's assets.
- Conduct due diligence visits to assess the acceptability of an investment manager(s) under consideration for management of the retirement system's assets and maintain good faith in its current investment managers under contract.
- Request education presentations on specific topics from the investment consultant.

Organizations – To maintain and strengthen the investment management of the retirement system, MFPRSI may join national organizations related to institutional investment management, finance, and education.

# RESPONSIBILITIES

## Board of Trustees

The Board acknowledges their individual and collective responsibility as fiduciaries of the retirement system. In the management and administration of the invested assets that comprise MFPRSI, the Board strives to act prudently and in the best long-term interest of the retirement system and its membership. To fulfill its responsibilities, the Board meets in public session on a scheduled basis throughout the calendar year.

The Board will periodically review the progress of the retirement system in achieving its investment objectives, on the compliance with the policies and guidelines as outlined in this investment policy, and on other matters as appropriate. The Board as a group may, as an investment committee of the whole, or periodically through an ad hoc investment committee appointed as their representative, perform the following:

1. Ensure the contributions to MFPRSI and the proceeds from the investments are used in accordance with its objectives.
2. Evaluate and select an independent investment consultant, if deemed necessary, to assist the Board in forming investment objectives and policies, allocating assets, selecting investment opportunities and investment managers, monitoring performance, and considering other appropriate issues as they may occur.
3. Develop investment objectives, guidelines, and performance standards which are consistent with the risk, performance, and policy parameters of each investment component.
4. Evaluate and select investment managers, pooled funds, mutual funds, or other appropriate investment vehicles for each investment component of MFPRSI's assets.
5. Communicate the investment objectives, guidelines, and standards (including any material changes that may occur) to the investment managers or responsible representatives of the selected investment managers of the funds.
6. In order to properly measure the success of the investment portfolio, the Board may request education and information from its investment consultant as necessary.
7. Review and evaluate results of each investment component in context with established standards of performance.
8. Implement or direct appropriate action(s) as deemed prudent if investment results are below expectations or if prevailing conditions warrant.
9. Ensure compliance with the provisions and reporting requirements of pertinent federal, state, and local regulations and rulings.

## Investment Consultant(s)

In consideration of its fiduciary obligations, the Board has determined to utilize an external investment consultant(s). The investment consultant(s), in recognition of their role as a fiduciary of MFPRSI, will perform the following:

1. Support the development of the investment policy which identifies the various policy issues affecting MFPRSI's investment of assets.
2. Make recommendations, when deemed necessary, as to changes in the objectives, guidelines, or standards based upon material and sustained changes in the capital markets.
3. Make recommendations with supporting materials as to the appropriate investment weights among the various portfolios, asset classes, and/or investment managers.
4. Assist the Board in selecting investment managers (see Appendix One: Portfolio Manager Identification section).
5. Perform a quarterly performance evaluation of MFPRSI's portfolios and their components and provide a written report to the Board following the end of each quarter. The written report will cover four basic areas:
  - a. Returns – Total time weighted rates of returns.
  - b. Comparisons – Returns will be compared to appropriate benchmark indices and a universe of similar funds.
  - c. Diagnostics – Measurement of risk-adjusted performance, analysis of risks, style characteristics, and return attribution.
  - d. Compliance – The investment manager's compliance with the assigned portfolio level mandates of the individual contracts.
6. Participate in periodic review meetings with the Board and/or the administration to evaluate and assess the performance and quality of the individual managers. The purpose of such meetings will be to provide the following:
  - a. A review and re-appraisal of the investment program.
  - b. A commentary on investment results in light of the appropriate standards of performance.
  - c. A discussion of any key policy issues.
  - d. Any other matters as deemed appropriate by the Board or the administration.
7. Provide periodic educational presentations to the Board and administration on investment themes and concepts as deemed necessary.

## **Administration**

The Board has appointed Management Staff and approved Administrative Staff (the “Management Staff” and “Administrative Staff”, respectively, and collectively the “administration”) to manage the retirement system, including the investment program. The administration shall perform the following pertaining to the investment program on behalf of the Board:

1. Coordinate the development of the investment policy which identifies the various policy issues affecting MFPRSI’s investment of assets.
2. Make recommendations concerning changes in the objectives, guidelines, or standards based upon material and sustained changes in the capital markets.
3. Administer the various policies delineated by this document and execute decisions made by the Board concerning the investment program.
4. Participate in periodic review meetings with the Board to evaluate and assess the performance and quality of the individual managers. Periodically meet with individual investment managers, the custodian bank, and consultants to assess the quality of the services being provided to MFPRSI.
5. Establish contracts with the support of MFPRSI’s legal counsel with investment managers, consultants, and the custodian bank (see Appendix One: Contractual Relationships section).
6. Vote the shares of MFPRSI’s equity assets through the proxy process in consideration of its economic interests or direct the managers to vote the proxies of MFPRSI.
7. Manage a portion of MFPRSI’s assets upon authorization of the Board and the establishment of specific guidelines.
8. Direct investment managers to raise cash from the portfolio and transfer appropriately for rebalancing or fund-raising purposes.
9. Coordinate the investment manager selection process with the investment consultant to develop a consensus recommendation to the Board.
10. Continually monitor the activities and operations of each investment manager to ensure the investment guidelines are followed and the assets are secure through the proper implementation of internal controls.

## **Investment Managers**

The investment managers, in recognition of their role as fiduciaries of MFPRSI, shall assume the following responsibilities:

1. Legally commit to invest MFPRSI’s funds in accordance with the objectives, guidelines, and standards delineated in the contractual document established between MFPRSI and the investment manager.

2. Exercise full discretionary authority as to all buy, hold, and sell decisions for each asset under the investment manager's management, subject to the requirements of the contract.
3. Make recommendations, when deemed necessary, as to changes in the objectives, guidelines, or standards contained within the contract based upon material and sustained changes in the capital markets.
4. Produce a statement for MFPRSI at the end of each month describing the portfolio asset class weights, individual security positions showing both cost and market value, and all principal cash transactions including all buys and sells in sufficient descriptive detail. For commingled assets, this statement should show unit position and unit value. Reports will include a performance review and be submitted to MFPRSI as requested (e.g., quarterly, monthly, ad hoc). Alternative investment managers are only required to report on a quarterly basis due to the illiquid nature of the assets.
5. At MFPRSI's request, participate in periodic review meetings with any or all of the following: the Board, administration, or investment consultant. The subjects to be discussed shall include:
  - a. A review of the activities of the manager pertaining to the individual portfolio and commentary upon the specifics of the investment strategy.
  - b. A commentary on investment results in light of the appropriate standards of performance.
  - c. A synopsis of the key investment decisions made by the investment manager, the underlying rationale, and how those decisions could affect future results.
  - d. A discussion of the investment manager's outlook, including specific investment decisions the outlook may generate, and how these decisions may affect future results.
6. Provide frequent and open communication with MFPRSI on all material matters pertaining to investment policies and the management of the fund's assets. In particular, the investment managers will:
  - a. Provide notice of any material changes in their investment outlook, strategy, and portfolio structure.
  - b. Notify MFPRSI of material changes in the investment manager's ownership, organizational structure, financial condition, senior staffing, and management.
  - c. Provide a copy to MFPRSI of each investment manager's periodic SEC Form ADV filing and of any other documents required by the contract with MFPRSI.
7. The investment managers will use their best judgment to obtain brokerage services based upon consideration of the objective of the best execution of trades and the lowest cost to the retirement system. MFPRSI may direct the investment manager to direct a reasonable amount of brokerage fees to particular brokerage firms in payment for certain third-party services as may be determined to be needed by the retirement system.

8. The investment managers shall, upon request from the administration, provide information concerning individual proxy issues. Issues arising in the proxy process may include both routine and non-routine matters.

### **Custodian Bank**

The custodian bank, in recognition of its role as MFPRSI's fiduciary, shall assume the following responsibilities:

1. Hold all MFPRSI deposits in the appropriate accounts and provide highly secure storage of stock certificates and bonds such that there is essentially no risk of loss due to theft, fire, or accident. Maintain appropriate records on computer files (i.e., databases) that are secure and free from inappropriate manipulation.
2. Arrange for timely and business-like settlement of all purchases and sales made for MFPRSI. Transactions shall be on a delivery versus payment basis unless dictated by the requirements of the markets in which the transactions are conducted. The custodian bank shall act to ensure the safety of the assets in the markets in which the transactions are conducted.
3. Provide for receipt and prompt crediting of all dividend and interest payments received as a result of MFPRSI's holdings. Monitor income receipts to ensure that income is received when due and institute investigative process to track and correct tardy or insufficient payments including reimbursement of interest lost due to tardiness or shortfall.
4. Sweep excess cash daily into an interest-bearing account featuring a high degree of safety of principal and liquidity.
5. Provide monthly reports showing individual asset holdings with sufficient descriptive detail to include unit volume, unit price, cost, market value, Committee on Uniform Security Identification Procedures ("CUSIP") number (where available), and any other information requested by MFPRSI. Principal cash transactions, including dividends and interest received, deposits, withdrawals, securities purchased, sold, matured, and fee payments will also be listed.
6. Reconcile the market values of each security held by managers using separate accounts for MFPRSI.
7. At the direction of MFPRSI's Executive Director or their appointed representative, transfer funds into and from specified accounts.
8. Promptly forward all proxy materials received to the administration or, at the administration's direction, to the appropriate investment manager for execution.
9. Monitor all securities litigation affecting the retirement system and keep MFPRSI informed of all activities related to each lawsuit.
10. Provide services for foreign exchange markets for the retirement system to allow for capital calls by investment funds denominated in non-U.S. dollar currency.

# ASSET GUIDELINES

The assets held in each portfolio are delineated in the contract established with the individual investment manager. The requirements for the individual managers shall be consistent with the general policies described as follows:

## Portfolio Definitions

### Core

The Core Portfolio is comprised of a diversified mix of global public equity, fixed income, core real estate, absolute return, and infrastructure portfolios. The aggregate Core Portfolio's allocation and underlying investment manager makeup are determined by the Board, with the intention of out-performing a specified composite index on both an absolute and risk-adjusted basis and over a full market cycle. This index is also determined and reviewed by the Board in an attempt to meet or exceed the retirement system's actuarial rate of return over time.

### Strategic

The Strategic Portfolio is comprised of multi-asset investment managers that invest in global securities including, but not limited to, public debt and equity, real assets, currencies, derivatives, and cash. The intent of the Strategic Portfolio is to outperform a specified composite index on both an absolute and risk-adjusted basis over a full market cycle. The composite index is currently weighted 75 percent to global equity and 25 percent to fixed income. This index is determined and reviewed by the Board in an attempt to meet or exceed the retirement system's actuarial rate of return over time. Individual managers in the Strategic Portfolio are granted the flexibility to tactically adjust their underlying asset allocations to take advantage of market opportunities they believe will benefit the retirement system.

### Illiquid Investments

The fund may hire various investment managers who invest in private illiquid investment opportunities including, but not limited to, venture, buyout, opportunistic, secondary market, credit and debt-related, closed-end real estate, and direct investment. These opportunities will consist of investing in private companies that do not offer equity and fixed income securities on public markets.

## Asset Classes

### Stocks and Bonds (Domestic, International, & Emerging Markets)

The stock and bond holdings of the fund may include individual debt or equity securities issued by state, federal or foreign governments, or business entities domiciled therein. These holdings may

also include mutual or commingled funds comprised of stock or bond holdings as well as individual instruments (e.g., futures and options) which may be utilized as an alternative to stock or bond positions as specified.

The stock, equity, bond, and debt holdings of the retirement system are subject to the Iowa Sudan Divestment Act of 2007 as enacted by the 2007 Iowa General Assembly, the Iran Divestment Act of 2011 as enacted by the 2011 Iowa General Assembly, the Divestiture of Companies Boycotting Israel Act of 2016 as enacted by the 2016 Iowa General Assembly, and the Divestiture of Companies that are Owned or Controlled by the Chinese Military or Government Act of 2023 as enacted by the 2023 Iowa General Assembly. Security holdings in the investment portfolios of the retirement system are subject to the non-investment and divestment provisions of the acts.

## Cash

The currency position of MFPRSI's investment portfolio may include the currency of a group of selected nations which have well-established and stable economic and political structures. Currency positions will only be taken in countries or in multinational currencies (e.g., euros) in which MFPRSI has determined to invest its assets. The fund's currency assets may be represented within the individual portfolios of the investment managers which are governed by investment mandates and may include international bonds or stocks. The benchmark against which these investment managers run the portfolios shall include a zero percent hedged position to the U.S. dollar for the international portions of the investment mandates.

## Private Markets (Private Equity, Private Credit, Infrastructure, and Real Estate)

Private markets are an alternative investment asset class that are not listed or traded on a public exchange (e.g., the New York Stock Exchange). The private markets assets held by MFPRSI may include private equity, private credit, infrastructure, and real estate. MFPRSI invests as a limited partner in private markets funds through an investment manager, or general partner. Private markets fund structures can be either closed- or open-ended.

## Derivative Instruments

Derivative instruments, such as futures and options, may be utilized in selected portfolios for the following purposes:

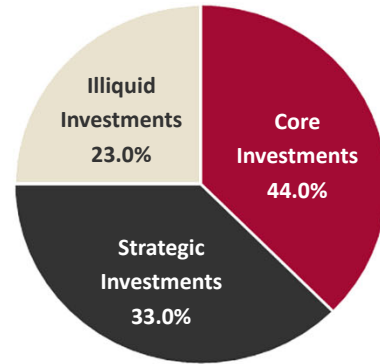
- As an alternative to maintaining a selected asset position.
- To maintain the duration of securities in a portfolio.
- To gain exposure in a time of U.S. dollar strength to a foreign bond market with minimal exposure to the currency of the country.
- To hedge or protect existing or anticipated portfolio positions.
- To establish and maintain the currency positions for currency overlay portfolio(s) and for the individual currency activities of the individual portfolios.

Derivative instruments are generally defined as contracts whose value depends on the value of an underlying asset, reference rate, or index. Derivative instruments include both of the following:

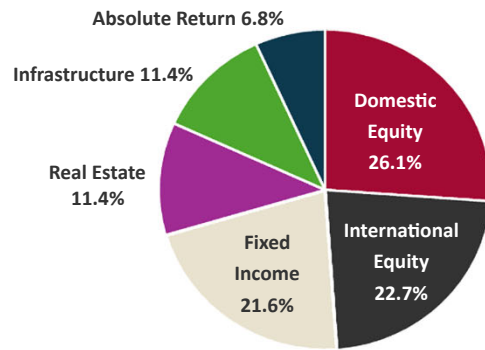
1. Over The Counter (“OTC”) derivatives: privately negotiated contracts provided directly by dealers to end-users. OTC derivatives may include swaps, futures, and options based upon interest rates, currencies, equities, and commodities.
2. Standardized contracts sold on exchanges. Both futures and options would be included under this definition.

# ASSET ALLOCATION

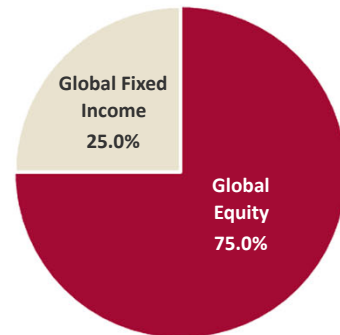
Asset Class	Portfolio Target Percentage
Core Investments <sup>1</sup>	44.0%
Strategic Investments <sup>2</sup>	33.0%
Illiquid Investments <sup>3</sup>	23.0%
<b>Total</b>	<b>100.0%</b>



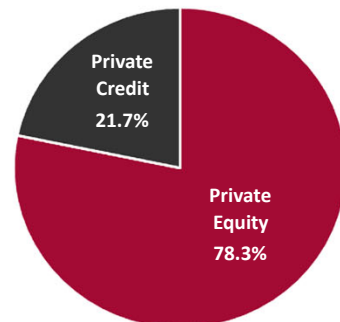
<sup>1</sup> Core Investments Asset Class	Portfolio Target Percentage
Domestic Equity	26.1%
International Equity	22.7%
Fixed Income	21.6%
Real Estate	11.4%
Infrastructure	11.4%
Absolute Return	6.8%
<b>Total</b>	<b>100.0%</b>



<sup>2</sup> Strategic Investments Asset Class	Portfolio Target Percentage
Global Equity	75.0%
Global Fixed Income	25.0%
<b>Total</b>	<b>100.0%</b>



<sup>3</sup> Illiquid Investments Asset Class	Portfolio Target Percentage
Private Equity	78.3%
Private Credit	21.7%
<b>Total</b>	<b>100.0%</b>



Caveats: In the absence of suitable opportunities within a specific market, the funds shall be directed to the other components within the debt or equity category. Due to the fluctuation of market values, positioning within  $\pm 7.5\%$  of the Core and Strategic Investments target and within  $\pm 15\%$  of Illiquid Investments shall constitute compliance with the policy. A review of the asset allocation shall occur periodically to allow the Board of Trustees to consider the effect of any changes in market conditions or of the expectations for the retirement system.

# APPENDIX ONE – INVESTMENT PROGRAM IMPLEMENTATION AND OVERSIGHT

## Introduction

In consideration of the fiduciary obligations as prescribed by Iowa Code 411.7 (see Appendix Two), the retirement system has established a comprehensive approach to implementation and oversight of the investment program.

As prescribed in Iowa Code 97B.7A, the investment program is governed by the “prudent person” rule.

This appendix describes in detail the components of the investment program. Questions concerning the program should be directed to the Executive Director of the retirement system.

The components of the appendix are as follows:

1. Investment Policy Development & Adoption
2. Investment Policy Implementation
3. Investment Policy Management
4. Investment Policy Oversight

# Investment Policy Development & Adoption

## Market Review and Commentary Examination

The duty of the investment program involves the ongoing review of market conditions, market events, market opportunities, and consideration of investment policy alternatives by both the administration and investment consultant. Included within this ongoing evaluation is the examination of specific investment portfolio concepts.

## Asset Allocation

At least once every five years, the Board conducts an asset allocation study which involves examining current and long-term liabilities of the benefit plan and various investment policy allocation alternatives. Subsequent to each review, the Board establishes an asset allocation which stipulates the markets into which the assets are to be invested.

## Annual Review by Board and Adoption of Investment Policy

Annually, as specified by Iowa Code Chapter 411, the Board reviews and adopts an investment policy for the investment program. The investment policy addresses each of the following:

- Purpose, goals, assumptions, and policies for the investment program.
- Responsibilities of the various parties.
- Adopted asset allocation.
- Guidelines for investment of assets.
- Investment objective and performance standards.

# Investment Policy Implementation

In order to actualize the investment policy, the administration and investment consultant undertake various steps to establish individual portfolios for each of the components of the asset allocation. The following section describes implementation of the investment policy as established by the Board.

## Portfolio Manager Identification

The investment consultant performs the following due diligence in order to identify and ultimately recommend investment managers for management of the portfolios.

### Sourcing

The investment consultant relies upon a variety of methods to identify investment managers for initial consideration, including:

- The information gathered during conference calls and meetings.
- Industry networking.
- Quarterly quantitative screening.

### Selection

The investment consultant performs the following for investment managers that warrant consideration:

#### Initial Due Diligence:

- Introductory meeting with investment manager to gain understanding of process and investment philosophy.
- Quantitative and qualitative review of strategy.
- Decides whether or not to continue due diligence.

#### Full Evaluation:

- Distributes comprehensive Request For Information (RFI) or Request For Proposal (RFP) and reviews responses.
- Reviews both quantitative and qualitative aspects of the investment managers and investment portfolio capabilities.
- Compares the investment manager to those investment managers already monitored.
- Should the investment manager pass through prior levels of due diligence, engages in on-site due diligence which includes rigorous fee negotiations during the RFP process.

#### Decision:

- Recommendations made by investment consultant analysts.

- Senior consultants and senior managers of investment consultant’s research staff meet as an internal investment manager search committee to discuss and vet recommendations.
- The investment manager search committee maintains and updates a tiered listing of investment managers.

### Due Diligence

The investment manager due diligence process performed by the investment consultant addresses:

#### Operations and Infrastructure:

- Management company information including investment manager ownership.
- Assets under management (AUM).
- Key non-investment professionals.
- Investment manager employee turnover.
- Internal policies, procedures, and control environment.
- Trading management and historic fund turnover.
- Proposed product fees.
- Technology integration.
- Business continuity plans (BCP).

#### Regulatory, Compliance, and Reference Checks:

- Regulatory registration.
- Conflict and compliance (e.g., affiliated entities, trade error policies, employee trading, etc.).
- Legal and regulatory.
- Global Investment Performance Standards (GIPS) compliance.
- Errors and omissions insurance.
- References (e.g., other investors, custodian, press search, etc.).

#### Investment Management Agreement (“IMA”) and ADV Review:

- IMA (e.g., account information, account terms, fees and expenses, portfolio limits, etc.)
- ADV form (e.g., ownership, regulatory disclosures, related entities, soft dollar limits, custody, disciplinary history disclosures, criminal and regulatory disclosures, etc.)

### Recommendation

As necessitated by MFPRSI’s asset allocation, the investment consultant recommends individual investment managers for consideration by the Board from those identified as acceptable candidates.

## Portfolio Manager Selection & Due Diligence

The administration performs the following to evaluate the recommendations of the investment consultant:

- Conducts interviews of prospective investment managers and performs additional on-site due diligence.
- Evaluates the investment portfolio opportunities in consideration of the established investment policy.

## Board Determination

During the process of identifying and selecting investment managers, the Board is periodically advised concerning information gathered; in particular, the Board is apprised as to how the portfolios managed by the prospective investment managers will meet the needs of the investment policy.

Upon completion of the described processes, a final recommendation is made by the investment consultant and Management Staff to the Board regarding the portfolio managers and specific portfolios. The Board then discusses this information with the investment consultant and Management Staff and makes a determination as to whether to establish a contract/legal relationship with the investment manager. If the Board decides to proceed, the establishment of a new relationship is pursued, subject to completion of negotiations involving investment terms and legal relationship.

## Contractual Relationships

The contractual review considers the legal relationship of separately managed accounts and commingled investment vehicles where appropriate to meet an individual investment objective of MFPRSI. In each case, a distinct investment contract or agreement is established defining the legal obligations of the investment manager and the investment policy for the portfolio. The contract or agreement with the investment manager will provide for the termination of the relationship at MFPRSI's discretion. Action to terminate a relationship with an investment manager will be based upon the investment manager's performance while under contract and may take into account all relevant information concerning the investment manager.

Pertaining to separately managed accounts, negotiations of the legal terms are completed by MFPRSI's external legal counsel in consultation with Management Staff. Investment terms are negotiated by Management Staff with support of the investment consultant, as warranted. In each case an acceptable IMA between the retirement system and the investment manager engaged to manage the specific investment is established.

With regards to investments in commingled investment vehicles, MFPRSI's legal counsel reviews applicable investment documents (e.g., subscription agreements, private placement

memorandums, limited partnership agreement, and/or trust agreements, etc., collectively the “investment documents”) for form and content and provides counsel to the Board and Management Staff regarding the retirement system’s rights, remedies, and legal risk associated with a particular investment fund or account. In some cases, MFPRSI’s legal counsel assists Management Staff in negotiating amendments or letter agreements to supplement the investment documents to achieve acceptable legal and business risks and to reflect legal obligations of the retirement system.

If negotiations are unsuccessful, the Board is advised the relationship will not be established.

The contractual review endeavors to identify and minimize legal risk associated with the following concepts which are to be addressed in the documents:

- Legal structure and contractual relationships, standard of care and fiduciary duties of investment managers and fund managers, indemnification requirements, withdrawal rights, liquidity issues, disclosure and MFPRSI’s obligations under Iowa’s open meeting and open record laws, jurisdiction, litigation, authority designation, limitations on liability, protections of MFPRSI’s assets, audit rights, reporting, permissible securities and transactions, and adherence to the retirement system’s investment policy and general legal compliance.

If negotiations are successful, the Board is advised negotiations have been successful and upon final authorization by the Board, the administration completes the applicable IMA or investment documents to establish and initiate the investment.

# Investment Policy Management

MFPRSI has established procedures to provide for the ongoing management of investment relationships. Those processes are discussed herein.

## Fund Allocation and Rebalancing

A newly established account is identified for each portfolio at MFPRSI's custodian bank.

### Internal procedures for the movement of money:

- Assets are moved based on internal procedures involving controls as provided by the custodian bank contract and the agreements established with each investment manager.

### The procedures involving the movement of money entail:

- A letter of direction authorized by two members of management is emailed to the custodian bank.

The administration and investment consultant monitor actual allocation versus the investment policy to ensure the investment portfolio remains compliant.

## Operational Controls

All cash moved from one investment portfolio to another must pass through the custodian bank's "cash" account. This control assures that all movements can be tracked, and inflows and outflows can be verified.

## Ongoing Due Diligence Reviews & Evaluation

MFPRSI has a systematic approach to the conduct of ongoing due diligence associated with each portfolio and each investment manager, involving the following regular activities:

### Scheduled Calls:

- Regularly scheduled calls are conducted with each investment manager to review performance, portfolio activity, organizational issues, and legal and regulatory issues that pertain to the investment manager and the retirement system's portfolio. Incorporated into the calls is a review of current performance reports that includes descriptions of the activity associated with the portfolio.

#### Scheduled Direct Interface:

- The administration visits each investment manager on a regularly scheduled basis to conduct reviews of operational controls and procedures. Detailed control documents are developed and maintained concerning each investment manager.

#### Additional Interface:

- As necessary to address issues and concerns, the administration requires the applicable investment manager to meet and discuss any and all issues concerning the investment portfolio.
- Additionally, the administration participates in annual client meetings as conducted by the investment managers and as appropriate to the needs of MFPRSI.

#### Board Interface:

- Each investment manager is interviewed by the Board on a regularly scheduled basis concerning its portfolio. This interview includes a variety of topics including, but not limited to, operational issues, organizational issues, legal and regulatory issues, portfolio implementation, and performance review.

#### Investment Consultant Interface:

- Each investment manager, except those MFPRSI is no longer making future investments to, meets with the investment consultant at a minimum of once per year to discuss any changes to the investment firm, team, process, or portfolio as well as review performance attribution and forward-looking investment outlook.
- Reviews quarterly data reported by the master custodian bank and reports quarterly performance to the Board.
- Provides education, in consultation with Management Staff, concerning the investment markets and opportunities for the portfolio.

#### Monitoring of Issues:

- The administration completes the following systematic steps pertaining to the investment managers and portfolios:
  - Performs a regular screening of investment news to identify any topics or issues pertaining to the investment managers, with follow-up to the investment managers concerning topics of importance to MFPRSI.
  - Conducts examination of the records and reports submitted by the investment managers, as submitted in compliance with legal agreements.
  - On a weekly basis, conducts a discussion concerning the status of each investment manager, in particular any outstanding issue or concern as identified by the administration.
  - Requires the investment managers to submit regular statements concerning the obligations of the legal agreements, including compliance with ethics and regulatory policies, and the management of the portfolio.

# Investment Policy Oversight

## Performance Reviews

Each investment manager is regularly invited to give a presentation to the Board at the retirement system's offices. In addition to organizational and operational issues, each investment manager is required to provide a comprehensive report and discuss its activities in the context of the specific market sectors in which investments have been made. Included in this discussion are any legal and regulatory issues that may be associated with each investment manager.

At each Board meeting, Management Staff and the investment consultant provide reports concerning the current and pending activities within the program, identify any issues of major concern, and recommend action pertaining thereto.

The Board evaluates the available information and takes steps necessary to protect the assets of the plan, as well as achieve the objectives of the investment program.

## External Audit

A comprehensive audit is performed annually by an external auditor. This audit includes a review of MFPRSI's internal controls. Any weaknesses noted are communicated to Management Staff and the Board.

An audit report prepared annually by a public accounting firm is submitted to the Board for approval. Upon approval, the report is forwarded to the State Auditor.

# APPENDIX TWO – STATUTORY PROVISIONS

## 411.7 Management of Fund

1. The board of trustees is the trustee of the fire and police retirement fund created in section 411.8 and shall annually establish an investment policy to govern the investment and reinvestment of the moneys in the fund, subject to the terms, conditions, limitations, and restrictions imposed by subsection 2 and chapters 12F, 12H, 12J, and 12K. Subject to like terms, conditions, limitations, and restrictions the system has full power to hold, purchase, sell, assign, transfer, or dispose of any of the securities and investments in which the fund has been invested, as well as of the proceeds of the investments and any moneys belonging to the fund.
2. The secretary of the board of trustees shall invest, in accordance with the investment policy established by the board of trustees, the portion of the fund established in section 411.8 which in the judgment of the board is not needed for current payment of benefits under this chapter in investments authorized in section 97B.7A for moneys in the Iowa public employees' retirement fund.
3. The secretary of the board of trustees is the custodian of the fire and police retirement fund. All payments from the fund shall be made by the secretary only upon vouchers signed by two persons designated by the board of trustees. The system may select master custodian banks to provide custody of the assets of the retirement system.
4. A member or employee of the board of trustees shall not have any direct interest in the gains or profits of any investment made by the board of trustees, other than as a member of the system. A trustee shall not receive any pay or emolument for the trustee's services except as secretary. A member or employee of the board of trustees shall not directly or indirectly for the trustee or employee or as an agent in any manner use the assets of the retirement system except to make current and necessary payments as authorized by the board of trustees, nor shall any trustee or employee of the system become an endorser or surety or become in any manner an obligor for moneys loaned by or borrowed from the system.
5. Except as otherwise provided in section 411.36, a member, employee, and the secretary of the board of trustees shall not be personally liable for a loss to the fire and police retirement fund, the loss shall be assessed against the fire and police retirement fund, and moneys are hereby appropriated from the fund in an amount sufficient to cover the losses.

## 97B.7A Investment and Management of Retirement Fund - Standards - Immunity

1. *Investment and investment policy standards.* In establishing the investment policy of the retirement fund and providing for the investment of the retirement fund, the system and board shall do the following:
  - a Exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for the purpose of speculation, but with regard to the permanent disposition of the funds, considering the probable income, as well as the probable safety, of their capital.
  - b Give appropriate consideration to those facts and circumstances that the system and board know or should know are relevant to the particular investment or investment policy involved, including the role the investment plays in the total value of the retirement fund.
  - c For the purposes of this subsection, appropriate consideration includes, but is not limited to, a determination that the particular investment or investment policy is reasonably designed to further the purposes of the retirement system, taking into consideration the risk of loss and the opportunity for gain or income associated with the investment or investment policy and consideration of the following factors as they relate to the retirement fund:
    - (1) The composition of the retirement fund with regard to diversification.
    - (2) The liquidity and current return of the investments in the retirement fund relative to the anticipated cash flow requirements of the retirement system.
    - (3) The projected return of the investments relative to the funding objectives of the retirement system.