INVESTMENT POLICY STATEMENT

Effective April 1, 2026

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SECTION I: INTRODUCTION

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted this Investment Policy Statement (IPS) to govern the System's Trust Fund investments. The IPS, along with its Exhibits, including the Investment Guidelines, outlines TMRS' investment objectives and beliefs, Board and staff responsibilities and limitations, and asset allocation. The IPS also establishes accountability for the Board, staff, investment consultants, and investment managers. Board approval is required for any action that deviates from the IPS.

The objective of TMRS' investment program is to ensure that members, retirees and beneficiaries receive the benefits they have been promised by participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, is responsible for adopting an actuarial return assumption (ARA). Trust Fund assets will be invested to achieve a total return that meets or exceeds the current ARA of 6.75%.

The Board will review the IPS annually.

SECTION II: STANDARD OF CARE

Standard of Care. As System fiduciaries, the Board and staff must:

1. Exercise the degree of judgment and care, under the circumstances, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, considering the probable income from the securities and probable safety of their capital.

2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

Conflict of Interest Prohibited. Board members, staff, investment consultants, and investment managers will refrain from any activity that could conflict with the proper execution and management of the TMRS investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to disclose, in writing, any known relationships that could create or appear to create a conflict of interest.

Decisions in the Best Interest of the System. Board members and staff are required to make all investment decisions in the best interest of the System and shall comply with applicable TMRS policies on personal investment activities. To protect against unethical behavior between TMRS and investment managers during a manager search, any communication by a prospective manager with a Board member regarding an ongoing search should be referred to the Chief Investment Officer.

SECTION III: INVESTMENT MANAGEMENT

A. BOARD RESPONSIBILITIES

Board of Trustees. The Board is responsible for the administration of the System and its investment program. To advise and assist the Board in fulfilling its fiduciary oversight responsibilities, the Board has established an Investment Committee operating under the Charter for the Board's Investment Committee. The Board, Investment Committee, and each Trustee must discharge their duties solely in the interest of providing benefits to members, retirees and beneficiaries. While the Board maintains oversight responsibility for the investment of the Trust Fund, to improve the efficient use of its resources, the Board has delegated general day-to-day investment program administration to staff.

The Board's investment role includes, but is not limited to, the following:

1. Establishing investment goals, objectives and beliefs of the System consistent with plan funding needs;

2. Adopting a written IPS;

3. Monitoring and evaluating investment performance, investment risk, and compliance with the IPS and applicable state and federal laws;

4. Selecting, in consultation with staff, the General Investment Consultant, any Specialized Investment Consultants, Custodian Bank, and Securities Lending Agent;

5. Periodically reviewing investment consultant performance; and

6. Reviewing and, as appropriate, approving investment activities not delegated to staff.

B. INVESTMENT BELIEFS

The Board shall adopt investment beliefs based on capital market theories and other investment and management principles generally accepted by long-term focused institutional investors. The Board's investment beliefs are:

1. The System's asset allocation and funding strategies are based on an asset/liability framework and are designed to optimize the funding of TMRS liabilities over time.

2. The most effective use of the Board's expertise and time is to set overall investment objectives and clearly articulate investment direction through the IPS, while continually monitoring its compliance.

3. Good governance promotes long-term value for the System and its members, retirees, and beneficiaries.

4. Clearly defined roles and responsibilities are essential to good governance.

5. The best investment results come from the right people following prudent processes to make the right decisions and taking ownership of long-term performance outcomes.

6. Intelligent risk-taking is rewarded with compensating returns over time and is justifiable for long-term investors.

7. Trust Fund risk must be managed.

8. The primary determinant of portfolio risk and return is the System's long-term asset allocation.

9. Capital markets have inefficiencies and opportunities that can be exploited.

10. Costs impact investment returns and should be monitored and managed.

C. STAFF AND ADVISOR RESPONSIBILITIES

Executive Director. The Board has determined that implementation of investment decisions within the limits set forth in the IPS shall be delegated to the Executive Director (ED) or their designees. The ED's responsibilities and duties include, but are not limited to:

1. Supervising the investment program by ensuring that investment staff act in accordance with the IPS and that internal controls and a compliance structure are in place to safeguard Trust Fund assets;

2. Negotiating, where necessary, and executing all contracts, agreements, and memorandums of understanding in accordance with the IPS;

3. Taking prudent action deemed necessary to protect Trust Fund assets;

4. Ensuring regular investment reporting is provided to the Board; and

5. Performing or delegating additional duties as determined by the Board.

Chief Investment Officer. The Chief Investment Officer (CIO) is the senior member of the investment staff and directs the day-to-day activities of the investment program. The CIO's responsibilities and duties or its designees include, but are not limited to:

1. Providing information, support, and advice to the Board to ensure its directives are fulfilled;

2. Ensuring implementation of the investment program is consistent with the Board's intentions as set forth in the IPS;

3. Ensuring adequate controls are in place to safeguard Trust Fund assets by maintaining internal procedures, analytical and risk management tools, and recommending updates to the IPS;

4. Recruiting, retaining and supervising a qualified investment staff capable of implementing the IPS; and

5. Performing or delegating other duties pertinent to the day-to-day management of the Trust Fund.

Investment Consultants. Investment consultants are retained by the Board to provide independent advice on investment-related matters. All investment consultants must act as fiduciaries in advising the Board and staff, be bound by prudent expert standards, and be Registered Investment Advisers under the Investment Advisers Act of 1940. The Board will retain a General Investment Consultant and may retain Specialized Investment Consultants. Responsibilities and duties of investment consultants include, but are not limited to the following.

1. **General Investment Consultant.**

    a. Advising on the development of investment goals and objectives, investment policies and strategies, asset allocation, investment manager and service provider selection, monitoring, terminations, guidelines and restrictions, analysis of investment performance and risk, advice on internal staffing issues, and independently researched support for delegated investment decisions in areas of firm expertise.

    b. Ensuring the Board is provided educational opportunities on institutional investment practices and other topics pertinent to the discharging their fiduciary obligations.

    c. Working closely with staff to ensure that TMRS' investment objectives are achieved in accordance with the IPS and applicable state and federal laws and regulations.

   d. Collaborating with the Consulting Actuary, Specialized Investment Consultants, and other investment service providers to provide coordinated advice to the Board.

2. **Specialized Investment Consultant.** The Board may retain one or more Specialized Investment Consultants to provide advice on specific asset class implementations or other topics. Specialized Investment Consultants collaborate with the General Investment Consultant and staff to provide independent support for delegated investment decisions.

Chief Investment Legal and Compliance Officer. The Chief Investment Legal and Compliance Officer (CILCO) is the System's chief investment legal advisor. The CICLO is responsible for coordinating all legal services relevant to the administration of the investment program and for designing and implementing a compliance program independent of investment department oversight to ensure that testable parameters of the IPS are adhered to and operational actions pertinent to security of the Trust Fund are carried out.

Fiduciary Counsel. The Board retains Fiduciary Counsel to provide advice on matters related to the exercise of the fiduciary standards required by law and regulation. Fiduciary Counsel also works with the ED, CILCO and CIO on investment-related legal matters.

Director of Internal Audit. The Director of Internal Audit ensures that adequate and effective internal controls are in place and objective audits of investment functions are periodically performed.

Staff Investment Committee. The Staff Investment Committee (SIC), operating at the direction of the Executive Director and pursuant to the SIC Charter, reviews and approves decisions falling under IPS delegated authority.

Investment Staff. Investment staff are responsible for the daily operation and implementation of the investment program and work with investment consultants to advise the Board, ED and CIO on investment-related matters.

Investment Managers. TMRS retains investment managers to implement specific strategies consistent with the IPS and according to the terms of the contract governing their mandate. All investment managers must act as fiduciaries, be Registered Investment Advisers under the Investment Advisers Act of 1940 or be registered comparably in another jurisdiction or otherwise be exempted from regulatory registration and must agree to contractual terms consistent with TMRS' Investment Principles.

D. INVESTMENT RISK MANAGEMENT

Consistent with the Board's Investment Beliefs, TMRS' risk management program monitors what investments TMRS owns, how risks from those investments aggregate within the Trust Fund, and how actual portfolio risk compares to benchmark risk.

The CIO will implement a risk management program to ensure investment risk is managed consistent with the IPS. The CIO will establish and oversee the risk management program to ensure policies and procedures are adopted, documented, and followed. The CIO will ensure that investment risk, operational risk and portfolio impacts are assessed during the investment manager selection processes and ongoing portfolio management.

The Director of Internal Audit and compliance staff will provide an independent review and make recommendations regarding investment department governance and internal controls.

SECTION IV: DELEGATED AUTHORITY AND REPORTING REQUIREMENTS

A. DELEGATED AUTHORITY

The Board, pursuant to limitations set forth below, delegates the following authority to staff.

Investment Managers. The Board authorizes the Executive Director or their designee to hire, retain and terminate investment managers to achieve the System's investment objectives.

Investment Decisions. The Board delegates to the Executive Director, their designee, or the CIO in specific cases identified below, the authority to invest Trust Fund assets subject to the following limitations:

1. *Passive Public Markets Strategies.* An investment in Passive Public Markets Strategies up to limits stated in the Asset Allocation.

2. *Active Public Markets Strategies.* An investment in Active Public Markets Strategies up to 3% of total Trust Fund assets.

3. *Private Markets Strategies.* An investment in Private Markets Strategies up to 1.00% of total Trust Fund assets. Three years after an initial investment in an Open-ended Private Markets Strategy, additional investments may be made up to 1.50% of total Trust Fund assets.

4. *Asset-Specific Private Markets Strategies (ASPMS).* An investment in ASPMS strategies up to 0.50% of total Trust Fund assets.

5. *Rebalancing*. The authority to rebalance Trust Fund assets so long as no additional net investment is required and is within the above limitations and consistent with the Board's Asset Allocation.

6. *Cash Management.* The Board delegates to the CIO the ability to raise cash to meet the operational needs of the System and to invest cash in public markets strategies within the above limitations and consistent with the Board's Asset Allocation.

7. *Emergencies.* Emergency measures to ensure Trust Fund assets remain under fiduciary management are delegated to staff.

Proxy Voting. Proxy voting is an important part of TMRS' investment program. Investment staff will vote proxies consistent with the Board's fiduciary duty. Working with a proxy advisory firm, investment staff will direct the proxy advisor how to vote proxies consistent with such fiduciary duties and monitor their compliance with TMRS' instructions.

Delegation Standards. The following standards apply to investment delegation:

1. *Delegated Limits.* Delegated limits are calculated using the market value of total Trust Fund assets as reported in the latest Annual Comprehensive Financial Report (ACFR).

2. *Investment Consultant Support.* Written General and/or Specialized Investment Consultant support must be received prior to the implementation of any delegated Investment Decisions with respect to Passive Public Markets Strategies, Active Public Markets Strategies, and Private Markets Strategies. Written Consultant support for an existing investment strategy may be relied upon for a delegated decision involving an ASPMS. Written Investment Consultant support for approved Transition Managers must be provided every four years.

3. *Executive Director Designee.* When the ED designates responsibility for executing investment contracts and agreements, the designee must be independent of and in addition to the CIO.

B. REPORTING REQUIREMENTS

The Board has adopted the following four investment reporting principles to ensure the Board has appropriate information to carry out its fiduciary responsibilities and to confirm the standards it expects in investment reports.

1. **Clear.** Written communications should be in plain English and avoid unnecessary technical jargon. Important messages or results should be easy to find and recognize.

2. **Concise.** Key information should be summarized. Extraneous information that does not directly improve the Board's ability, knowledge, and understanding in fulfilling its fiduciary responsibilities should be avoided.
3. **Balanced.** The pros and cons of any investment should be identified. Positive and negative information should be communicated to the Board.

4. **Timely.** Information should be provided to the Board in a timely manner.

Investment staff shall provide performance reporting and material investment program updates to the Board at regular intervals. In addition, the following reporting will be provided to the Board regularly:

1. **General Investment Consultant Reports.** The General Investment Consultant will provide regular reports on subjects pertinent to the Board's execution of its fiduciary responsibilities. These reports should provide the Board the ability to assess: i) asset allocation; ii) capital markets conditions; iii) absolute performance and risk; iv) performance and risk relative to benchmarks; and v) performance and risk relative to peer institutions.

2. **Delegated Decision Reports.** Reports documenting delegated decisions will be provided by staff to the Board at its next regularly scheduled meeting. These reports should include: i) Executive Summaries and/or schedules of completed actions; ii) Investment Consultant Support, where required; and iii) relevant SIC meeting minutes.

3. **Investment Risk Reports.** Staff will provide a performance and risk report to the Board quarterly. This Report will include historical risk in current asset class implementations, and a comparison of historical total Trust Fund risk relative to the General Investment Consultant's risk expectations used in the last Asset Allocation Study.

4. **Investment Compliance Reports.** Compliance staff will provide the Board each quarter with the results of any policy compliance testing performed during the quarter.

5. **Annual Asset Class and Investment Manager Reviews.** Staff shall conduct comprehensive asset class and investment manager reviews at least annually. The results of these reviews, including any related recommended actions and the costs of asset class implementation, will be reported to the Board.

6. **Proxy Voting.** Staff will provide the Board a proxy voting summary report for each public markets separately managed account, and other accounts which TMRS has contractual authority to direct proxy voting as appropriate, as soon as practical after fiscal year-end. The Report will include the number of ballots cast, the number of issues voted upon, and percent of issues voted with management, against management, and designated as abstaining.

7. **Material Deviations from the IPS.** If an investment consultant learns of any material deviation from prudence, objectivity, IPS provisions, or learns of any other matter of concern involving TMRS' investment program, the consultant must promptly express their concern in writing to the Board.

EXHIBIT A

ASSET ALLOCATION

Effective October 1, 2025

One of the Board's investment beliefs is that the primary determinant of portfolio risk and return is the System's strategic, long-term asset allocation. The Board's Asset Allocation includes asset classes, strategic target allocations with minimum and maximum allocation ranges, and a benchmark to measure investment performance. Asset Allocation is based on an Asset Allocation Study that includes expectations for long-term return and risk.

The Board's Asset Allocation is intended to produce investment returns equal to or greater than the Actuarial Return Assumption (ARA) at a level of risk acceptable to the Board. In adopting an asset allocation, the Board should consider the System's assets and liabilities, risk and return trade-offs, the ability to deliver on promised benefit payments at a reasonable and predictable cost to participating cities, the risk of permanent loss of capital, Trust Fund liquidity and the ability to maintain a long-term strategy during sustained periods of market volatility.

The Board has adopted the following Asset Allocation:

Asset Class	Target %	Range	Benchmark
Public Equity	35%	25% - 45%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Private Equity	20%	12% - 28%	Cambridge Global Private Equity & Venture Capital
Tactical Opportunities	6%	0% - 11%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Credit	21%	13% - 29%	40% ICE BofA 1-3 yr. A-BBB US Corporate Index 60% CS Leverage Loans Index + 100 bps
Real Assets	18%	10% - 26%	50% Cambridge Infrastructure 50% NCREIF NFI-ODCE (Net)

The Asset Allocation will be reviewed at least annually for reasonableness, taking into consideration current capital markets and economic conditions and the Board's views regarding long-term investment goals and objectives.

An Asset Allocation Study to comprehensively review the Asset Allocation will be completed at least every four years. The Board will verify or amend its Asset Allocation upon review of an Asset Allocation Study.

An Asset-Liability Modeling Study will be conducted at least every four years.

The Board will assess the Asset Allocation's performance over five-year rolling periods compared to the ARA, Trust Fund benchmark, and asset class benchmarks.

EXHIBIT B

INVESTMENT FEE POLICY

Effective December 3, 2020

Summary. The Investment Fee Policy (Policy) is a Board approved policy that ensures the following three objectives are balanced and reported as part of TMRS' investment management processes.

1. Securing the best available combination of skill, net of fee performance expectations, and risk management for a given investment discipline;

2. Aligning the interest of TMRS with selected investment management firms; and

3. Reducing the overall costs of the investment program.

Approach and Alignment Principles. TMRS has adopted the following principles to negotiate investment management services fees across all strategies:

4. TMRS will consider manager compensation levels and alignment of economic interests in its manager selection decisions.

5. TMRS will utilize its negotiation strength to improve its contractually negotiated economic share of investment return.

The Approach and Alignment Principles recognize that:

1. Considerations will differ depending on asset class, strategy, vehicle structure and management style
2. TMRS has varying levels of negotiation strength
3. Passive alternatives are typically the least costly option but are not available for all strategies
4. Active management strategies typically charge more than passive strategies
5. Internal management of certain strategies may be a viable cost reduction alternative
6. Different strategies and managers have different demand levels for their products and thus may charge different fees
7. Alignment with and access to differentiated managers often come with higher levels of compensation
8. Compensation considerations include balancing management fees and incentive compensation

Oversight and Reporting Principles. Oversight and reporting of investment manager fees and expenses is a critical component of TMRS' investment management. By statute, industry requirement and/or best practice, TMRS must report certain fee and expense information concerning its investment portfolio to the Texas Pension Review Board or the public pursuant to open records requests and in the Annual Comprehensive Financial Report.

TMRS utilizes the following oversight and reporting principles:

6. TMRS will document its consideration of the rates of compensation for a manager during the investment decision-making process.

7. TMRS will ensure that payments are made in accordance with each investment manager agreement.

8. TMRS will design its manager fee and expense reporting practices to be consistent, timely, and in accordance with statutory and other reporting requirements.

EXHIBIT C

INVESTMENT PRINCIPLES

TMRS' Investment Principles state the minimum contractual standards by which investment managers must abide. The Executive Director is responsible for the maintenance and updating of the Investment Principles consistent with the IPS. Any amendments to the TMRS Investment Principles will be provided to the Board at the next regularly scheduled Board meeting.

1. Investment managers must be registered as an investment adviser with the SEC, exempt from registration with the SEC, or registered with a foreign regulatory agency.

2. Investment managers must agree to act as fiduciaries and to a standard of care that prohibits placing their or their affiliates' interests ahead of those of the investment vehicle in which TMRS invests.

3. TMRS will not agree to indemnify or exculpate for breach of fiduciary duty.

4. Texas law must govern issues related to Texas law and regulation, including sovereign immunity and litigation involving only TMRS, and venue must be in Texas for any litigation involving only TMRS.

5. Investment managers must permit communications among investors, subject to reasonable limitations.

6. Investment managers and their affiliates cannot vote on non-ministerial matters, such as self-interested transactions or an increase in fees payable to the manager.

7. Investment managers must agree to TMRS' language regarding compliance with Texas statutes that require public disclosure of certain information pertaining to TMRS investments and access to TMRS' board meetings.

Revised October 2023

EXHIBIT D

DEFINITION OF TERMS

Active Public Markets Strategies. Actively managed strategies which have redemption windows of one month or less.

Asset Allocation Study. A study to determine the asset allocation most appropriate for the System based on the results of the Asset Liability Study.

Asset-Liability Study. A comprehensive actuarial review process that seeks to align Trust Fund investment policy with System-designated contribution policy, expected future benefit payments to beneficiaries, and plan expenses.

Asset Specific Private Markets Strategies (ASPMS). Strategies that involve the underwriting of specific and known assets, rather than diversified or unspecified, blind-pool fund vehicles. ASPMS include, but are not limited to, single-asset co-investments and continuation vehicles.

Custodian Bank. The financial institution that holds and/or accounts for Trust Fund assets.

Investment Managers. Third parties that provide investment management services on a long-term basis. Investment managers include, but are not limited to, the managers of Passive Public Markets Strategies, Active Public Markets Strategies, Private Markets Strategies, and Asset Specific Private Markets Strategies.

Open-ended Private Markets Strategy. A Private Market Strategy invested in a structure with no fixed term, allowing for investments and redemptions to occur over an indefinite time period. Specifically, as related to Delegated Authority: i) three-years is measured from the date capital is first drawn from TMRS to be invested; ii) the numerator in the delegated limit test is measured by adding the most recently available net asset value plus the new committed amount at time of legal closing. The Hedge Fund asset class is not considered an Open-ended Private Markets Strategy for purposes of Delegated Authorities.

Passive Public Markets Strategies. Strategies invested in public securities that seek to closely replicate a TMRS asset class benchmark in the Asset Allocation, or closely replicate an index which plays a role in more closely aligning a TMRS asset class portfolio with its asset class benchmark. Enhanced core fixed income strategies are considered Passive Public Markets Strategies.

Private Markets Strategies. Strategies which have redemption windows exceeding one month. Hedge Funds are considered Private Market Strategies for purposes of Delegated Authority.

Registered Investment Adviser. An investment adviser is defined by the Securities and Exchange Commission (SEC) as an individual or a firm that is in the business of giving advice about securities and is registered as such with the SEC or a state's securities agency.

Trust Fund. Total TMRS investment assets held in trust for the benefit of members, retirees and beneficiaries and service of expenses of administering the System.

EXHIBIT E

INVESTMENT GUIDELINES

Effective: April 1, 2026

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INTRODUCTION

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted these Investment Guidelines (Guidelines) as an addendum to the Investment Policy Statement to establish investment portfolio management principles and limitations. Amendments to the Guidelines are subject to Board approval.

Testable parameters are identified and will be carried out as follows:

i) *Approval/Contract Tests.* Initial test at the time of delegated approval and/or contracting.
ii) *Quarterly Tests.* Ongoing quarterly tests; also applicable at time of approval.
iii) *Annual Tests.* Ongoing annual tests; also applicable at time of approval.

SECTION I: GENERAL INVESTMENT MANAGEMENT GUIDELINES

General Investment Management Guidelines (GIMG) apply to all investments and all asset classes held in the Trust Fund. GIMG limitations established herein apply at the asset class level unless otherwise specifically noted. Asset class guidelines and limitations will be measured on a net asset value basis with the denominator in the calculation being the greater of the net asset value of the asset class or the strategic target allocation of the asset class. The most recently finalized month-end net asset values reported by TMRS' Custodian Bank will be used for testing.

Eligible Investments (Approval/Contract Test)**.** Funds will be invested only in securities as defined in the TMRS Act.

Derivatives Usage (Approval/Contract Test)**.** As permitted in the TMRS Act, in the event TMRS allows an investment manager in a separately managed account to purchase or sell derivatives, the purchase or sale of derivatives shall only be used to manage transaction risk, currency risk, or interest rate risk in the purchasing, selling or holding of securities.

Leverage (Approval/Contract Test)**.** Leverage at the Trust Fund level is prohibited unless specifically authorized in the IPS. Derivatives used solely to manage transaction risk, currency risk, or interest rate risk in the purchasing, selling, or holding of securities are not considered leverage under this IPS.

Percentage of Manager Assets Under Management Limits (Approval/Contract Test, Annual Test for public market strategies)**.** No investment with any one single investment manager may account for more than 25% of that manager's total assets under management. Zero management fee TMRS investments do not contribute to the numerator in calculating adherence to this limitation. The AUM denominator will be taken from form ADV, similar regulatory forms, or the denominator calculation methodology will be detailed in associated recommendation materials.

Asset Specific Private Markets Strategies (ASPMS) Fiduciary Duty (Approval/Contract Test)**.** An ASPMS investment satisfies fiduciary duty obligations as set forth in the IPS if the following three requirements are met: i) TMRS is invested in the underlying ASPMS asset through another investment vehicle in which IPS-consistent contractual fiduciary duties have been established; ii) TMRS will not pay management fee or carry (or similar fees or incentives) for its participation in an ASPMS investment vehicle; and iii) the purchase and sale of the subject underlying ASPMS asset will be on terms substantially similar to the reference vehicle.

Delegated Authority Calculations (Approval/Contract Test)**.** Delegated authority limitations set forth in the IPS apply to single investment vehicles. Separate tranches invested through a common legal entity for cost or administrative purposes are separate investment vehicles for delegated limit tests. Percentage limitations may be interpreted as "amounts not to cause the total amount invested to exceed the limitation." The percentage limitation utilizes the following basis for the numerator in percentage calculations, where any newly contemplated investments in an investment vehicle are additive to the below:

i) For Passive Public Markets Strategies and Active Public Markets Strategies: the percentage test applies to the most recently available month-end market value.

ii) For Open-ended Private Market Strategies: the percentage limitation applies to the net asset value plus uncalled commitments.

iii) For closed-end private market vehicles: the percentage limitation applies to commitment amounts.

iv) For ASPMS strategies: the percentage limitation applies to committed amounts. The rollover of previously invested capital into a continuation vehicle does not count toward committed amounts.

v) This test exclusively applies to delegated limits for allocation to a specific investment vehicle. This test does not apply to compliance with asset class limits established by the Asset Allocation.

Quarterly and Annual Test Resolution. In the event a quarterly or annual test results in a finding of non-adherence with the Guidelines, a plan of action will be documented by TMRS staff and shared with the General Investment Consultant for input and feedback.

SECTION II: ASSET CLASS GUIDELINES & LIMITATIONS

A. PUBLIC EQUITY

Objective. The Public Equity asset class is intended to provide capital appreciation.

Permissible Investments. Permissible investments include the following:

1. Index funds of broad market benchmarks.
2. Active and passive commingled funds.
3. Separately managed accounts for Actively Managed, Rules Based Strategies and Passively Managed or custom strategies.
4. Other equity instruments which qualify as a "security" under TMRS' statutory authority, including exchange traded futures and options on currencies and securities.
5. All other derivatives allowed under GIMG.

Risk Management. Risk management principles for public equity will be managed as follows:

1. *Liquidity.* The Public Equity asset class is expected to be publicly tradable.

2. *Geography (Quarterly Test).* The Public Equity asset class will be managed such that international exposure is not greater than 10% overweight the asset class benchmark's weight (e.g., if the asset class benchmark international exposure is 50% of the total benchmark, the public equity portfolio may not be more than 60% invested internationally).

B. CREDIT

Objective. The Credit asset class is composed of Public Credit and Private Credit. The Public Credit objective is to diversify risk, provide income, and be a source of liquidity for the Trust Fund. The Private Credit objective is to provide return enhancement relative to Public Credit.

Permissible Investments. Public Credit includes government debt, corporate debt, structured credit, and loans, among other tradable securities with debt-like characteristics. Private Credit additionally includes non-tradable instruments with debt-like characteristics.

Risk Management.

1. *Liquidity.* Public Credit strategies are expected to invest primarily in assets readily tradable in OTC or public transactions during normal market conditions. Private Credit strategies are expected to be illiquid and/or underwritten to a multi-year investment scenario.

2. *Public Credit Strategy Concentration (Quarterly Test).* Measured as a percentage of total Public Credit strategy market value, strategy concentration limits will be managed to the following limits and ranges:

i.	Core/Core +	0% to 50%
ii.	Global High Yield Debt	0% to 50%
iii.	Loans	0% to 50%
iv.	Structured Credit	0% to 50%
v.	EMD/Other	0% to 20%

3. *Private Credit Strategy Concentration (Quarterly Test).* Measured as a percentage of total Private Credit strategy market value, strategy concentration limits will be managed to the following limits and ranges:

i.	Corporate Direct Lending	0% to 75%
ii.	Opportunistic Credit	0% to 75%
iii.	Asset-Backed	0% to 50%
iv.	Structured/Niche/Other	0% to 30%

4. *Other Risk Measures.* Other notable risk metrics relevant to the Credit Asset class include geography, currency, interest rate risk, sector risk, credit quality, and concentration risks. Collectively, risk will be managed such that the total portfolio is managed in a benchmark-aware manner.

C. PRIVATE EQUITY

Objective. The Private Equity asset class is intended to enhance total fund performance through investment in non-publicly traded securities by generating a long-term rate of return that exceeds that of publicly-traded equities.

Permissible Investments. Private Equity strategies generally include, but are not limited to, buy-outs/growth equity, venture capital, and special situations investments such as distressed securities or other structured investments. The Private Equity market can be accessed using the primary market as well as secondaries, co-investments, and continuation vehicles, among other approaches.

Risk Management. Risk management principles for Private Equity will be managed as follows:

1. *Liquidity.* Private equity investments are expected to be illiquid and long-term in nature.

2. *Geography (Quarterly Test).* The Private Equity asset class will be managed subject to the following geographic limitations:

i.	U.S.A.	Min. 60%
ii.	International	Max. 40%

3. *Strategy Concentration Limits (Quarterly Test).* Strategy concentrations must be managed to the following ranges:

i.	Buyout/Growth	50% to 100%
ii.	Venture	0% to 30%
iii.	Special Situations	0% to 20%

D. REAL ASSETS

Objective. Real Assets is intended to enhance the total fund performance through investments that exhibit less volatility, greater income orientation, and more inflation hedging than most equity-oriented strategies.

Permissible Investments. Real Assets is composed of Real Estate, Infrastructure, and Natural Resource/Other strategies exhibiting real-asset-like characteristics.

Risk Management. Risk management principles for Real Assets will be managed as follows:

1. *Liquidity.* Real Asset investments are generally expected to be expressed through private markets. Public market strategies are allowable.

2. *Strategy (Quarterly Test).* Strategy concentration must be managed to the following ranges:

i.	Real Estate	25% to 75%
ii.	Infrastructure	25% to 75%
iii.	Natural Resources/Other	0% to 50%

3. *Other Risk Measures.* Other notable risk metrics relevant to Real Assets include geography, property type, leverage, and income profile, among others. Collectively, risk will be managed such that the total portfolio is managed in a benchmark-aware manner.

E. TACTICAL OPPORTUNITIES

Objective. Tactical Opportunities bucket targets diversifying investment strategies capable of beating the Public Equity benchmark.

Permissible Investments. Tactical Opportunities includes both public market strategies and private market strategies, and can include but is not required to, strategies contemplated to be invested in through other TMRS asset classes.

Risk Management. Risk management principles for Tactical Opportunities will be managed as follows:

1. *Liquidity (Quarterly Test).* Tactical Opportunities investments are allowed to be expressed in either public markets or private markets. Liquidity will be managed to the following limitations:

    i. Private Markets (excluding Hedge Funds) 0% to 67%
    ii. Public Markets (including Hedge Funds) 0% to 100%
    iii. Any vintage-year 2025 or later closed-end investment vehicle will be classified as private markets for purposes of this test.

F. <u>CASH EQUIVALENTS</u>

Objective. Cash balances satisfy cash flow requirements, reallocating assets between portfolios. Their investment objective is to safeguard principal, maintain adequate liquidity to meet anticipated needs, and earn incremental yield.

Permissible Investments. Permissible investments include interest bearing or discount instruments, money market funds, corporate issued commercial paper, bank issued Certificates of Deposit, bankers acceptances, fully collateralized repurchase agreements or participation in commingled cash equivalents funds managed by a bank, insurance company, or investment manager.

Risk Management. Risk management for cash equivalents will be managed as follows:

1. *Liquidity (Contractual Test).* Cash investments are expected to be highly liquid and maintained with sufficient liquidity to address TMRS' day-to-day cash flow needs. Cash equivalent securities will have a maturity less than or equal to fifteen months.

2. *Geography (Contractual Test).* Cash Equivalent holdings are expected to be maintained in US dollars. Both U.S. and foreign securities issued in U.S. markets are permissible.

SECTION III: OTHER INVESTMENT MANAGEMENT GUIDELINES

A. INVESTMENT MANAGER TRANSITIONS

A transition manager may be retained to assist in the transfer of assets from one investment manager to another, and to serve as a liaison between the Staff, the Custodian Bank, the manager distributing assets, and the manager receiving assets. This transition may occur either within an asset class or between asset classes. The transition manager, chosen from a pre-approved list of providers will facilitate clear communication between all parties, work to minimize market impact, trading costs and opportunity costs and may include interim investment management services of account assets for a limited period of time.

The transition manager is required to be a registered investment adviser under the Investment Advisers Act of 1940 as amended (unless properly exempted from registration by the SEC) or otherwise regulated by an appropriate governmental regulatory oversight organization (unless exempt from such registration requirement), act as a fiduciary to TMRS, not delegate such fiduciary responsibility, and provide agency-only execution services.

B. PROXY VOTING

Investment staff will vote proxies to maximize long-term investment returns consistent with the Board's fiduciary duty and the laws of the State of Texas. Proxies will not be voted to establish or endorse any social policy. A proxy advisory firm will assist investment staff in maintaining TMRS' custom proxy voting policy and monitoring adherence with it. See Appendix A for TMRS Proxy Voting Policies and Procedures.