

RETIREMENT PLAN FOR EMPLOYEES OF NORTH TEXAS MUNICIPAL WATER DISTRICT

INVESTMENT POLICY STATEMENT

Adopted November, 2025

1. Overview

The North Texas Municipal Water District (“NTMWD”) is a conservation and reclamation district and a political subdivision of the State of Texas providing treated water, wastewater and solid waste services to over 2 million people in north Texas. NTMWD’s Board of Directors has adopted that certain “Retirement Plan for Employees of North Texas Municipal Water District” as amended and restated as of January 1, 2025 (“NTMWD Retirement Plan” or “Plan”). The purpose of the NTMWD Retirement Plan is to provide eligible employees and their beneficiaries with scheduled monthly retirement benefits. NTMWD Board Resolution No 24-46, approved October 24, 2024 authorized the establishment of the North Texas Municipal Water District Retirement Plan Committee (“Retirement Plan Committee” or “Committee”), created as a governing committee for the Plan.

2. Plan Mission

In accordance with state law, the Retirement Plan Committee is responsible for the management and administration of Plan funds and for developing and adopting a written investment policy.¹ This Investment Policy Statement (“IPS”) serves as that policy and governs the Plan’s investment program. The IPS is established to provide a framework for management of Plan assets to conform with governing legislation and other legal requirements. This IPS outlines the foundational goals, purpose, objectives, benchmarks, restrictions, risks, and responsibilities of NTMWD and its investment managers, and service providers, with regard to the Plan’s investment program.

The investment program relies on incoming funds in accordance with the established funding policy to meet a reasonable investment return assumption that matches future benefits.

3. Roles and Responsibilities

All parties involved in the investment program will act responsibly in accordance with their fiduciary duty and standards of care.

3.1 Board of Directors

The Board of Directors established a committee comprised of Board members and NTMWD staff with authority to oversee and administer the defined retirement plan to eligible NTMWD employees adopted under resolution No. 24-46. At least on an annual basis the Retirement Plan Committee will provide an update to the Board of Directors.

3.2 Retirement Plan Committee

The Retirement Plan Committee was established as a governing committee for the NTMWD Retirement Plan. Responsibilities of the Retirement Plan Committee include:

- a. Benefits and administration
- b. Monitoring investments by investment managers
- c. Acting prudently and in the best interest of Plan participants/beneficiaries

¹ Tex. Gov’t Code Ann. § 802.202.

- d. Hiring professionals to provide services for the Plan such as investment managers/advisors
- e. Setting policies and rules for the Plan

3.3 Investment Consultant

The investment consultant is hired by, and reports to, the Retirement Plan Committee. The investment consultant must be registered under the Investment Advisers Act of 1940 and remain in good standing with all applicable laws. The consultant provides advice and expertise on all investment-related matters, including:

- a. Developing investment objectives and relevant policies
- b. Determining optimal asset allocation targets and investment strategies
- c. Leading investment manager searches, selection process, monitoring, and termination following the policies outlined in the IPS
- d. Providing monthly and quarterly investment performance reports
- e. Providing reviews of investment program fees incurred
- f. Providing the Retirement Plan Committee with necessary education to improve investment knowledge
- g. Reviewing the IPS as needed and recommending suggestions for improvement

3.4 Investment Managers

The investment managers are retained by the Retirement Plan Committee to manage or advise on specific strategies and asset classes, through a manager search process and according to specific criteria as set forth in this IPS. The manager must be registered under the Investment Advisers Act of 1940 and remain in good standing with all applicable laws.

Investment managers:

- a. Manage allocated assets in accordance with the policy guidelines and objectives as set forth in the investment management agreement between the manager and the Retirement Plan Committee.
- b. As requested, provide a written report affirming compliance with the policy guidelines and any separate written agreement with the Retirement Plan Committee.
- c. On a quarterly basis, provide a report detailing the performance of allocated assets, a forecast of the market and economy, and portfolio analysis of invested assets.
- d. Provide immediate written notice to the system of any significant market related or non-market related event that has impacted or may impact investment objectives.

3.5 Custodian Bank

The custodian bank serves as the master custodian of the Plan's assets and is responsible for maintaining the official book of record under the supervision of the Retirement Plan Committee, calculating investment performance, and using the Plan's assets in accordance with the terms of a separate agreement.

4. Investment Objective

The investment objective is to maintain a reasonable probability of achieving the actuarial return assumption without exceeding the risk tolerance specified by the Retirement Plan Committee. The actuarial consultant's recommended return assumption for the Plan should be created after consulting with the Plan's investment consultant to determine appropriate expectations surrounding long-term investment returns for a well-diversified investment portfolio considering system future liabilities. The current actuarial return assumption is 7.25%. On an annual basis, the Retirement Plan Committee will review the actuarial return assumption for reasonableness.

5. Liquidity

Cash is required to fund ongoing benefit payments and administrative expenses. Cash is provided to the Plan by periodic contributions and by cash flows from Plan investments. Cash will be monitored routinely and adjusted as necessary to ensure adequate liquidity is available to pay Plan expenses.

6. Risk Tolerance

The investment consultant will establish a framework for measuring the total portfolio and specifically the policy benchmarks for asset classes and investment managers. This framework should include a quantitative risk assessment for downside risk. The Retirement Plan Committee acknowledges that in order to achieve the Plan's investment objectives, a certain amount of risk is required. Annually, the Retirement Plan Committee will review risk metrics for the total portfolio provided by the investment consultant to include standard deviation and downside probabilities for the selected strategic asset allocation.

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

7. Investment Assets

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

The current needs of the Plan require a diversified portfolio, and the asset allocation percentages specified in this section are determined by the Retirement Plan Committee as the optimal allocation for the Plan. The determination of the optimal allocation is reviewed annually and is based on the advice of the investment consultant and available asset-liability studies. This should be performed generally every 5 years or after consulting with the actuary and investment consultant for appropriateness. The fund's time horizon is long-term, and the allocation considers the various preferences, risk tolerances, return objective, and the desired diversification from this IPS.

7.1 Strategic Asset Allocation

The Retirement Plan Committee intends to adopt a formal strategic asset allocation that establishes target allocations for each approved asset class, along with permissible minimum and maximum ranges. These ranges are designed to allow for normal market fluctuations and periodic rebalancing, while ensuring the overall portfolio remains consistent with the Plan's long-term investment objectives and

risk parameters. Until the asset allocation is adopted, the allowable range for Public Equities is a minimum of 20% and a maximum of 80% of the portfolio. Similarly, the allowable range for Fixed Income is a minimum of 20% and a maximum of 80% of the portfolio.

7.2 Rebalancing Policy

The goal of the rebalancing policy is to maintain the Retirement Plan Committee's approved strategic allocation and its risk-to-return profile. The Retirement Plan Committee has delegated rebalancing to the investment consultant which will review allocation levels for rebalancing at least quarterly and make a recommendation as necessary. Rebalancing should take place when an asset class falls above or below its allowable range, or as deemed necessary given market conditions.

7.3 Authorized Investments

7.3.1 Equity Investments

- a. Investments in public equity securities must be traded on a national exchange or electronic network.
- b. No more than 5 percent of the Plan's total assets may be invested in the common stock, capital stock or convertible stock of any single issuing company. Additionally, the aggregate investment in any single company shall not exceed 5 percent of the outstanding capital stock of that company.
- c. Investable options:
 - i. Index fund, mutual fund, common stocks, exchange traded funds (ETFs), preferred stocks, or broad market benchmarks
 - ii. Active and passive commingled funds
 - iii. Separately managed accounts
 - iv. Other equity instruments including exchange-traded futures, options, or other derivatives are permitted only with approval from the Retirement Plan Committee.
- d. Investments in funds shall adhere to the guidelines set forth for each fund.

7.3.2 Fixed Income

- a. Domestic and Yankee bonds, mortgages and mortgage-backed securities, asset-backed securities, global corporate bonds, global sovereign debt, fixed income futures, interest rate futures, index fund, mutual fund, exchange traded funds (ETFs), active and passive commingled funds.
- b. No more than 5 percent of the fund's total assets may be invested in the securities of any single corporate issuer.
- c. Competitive bids shall be obtained from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary market, if possible.
- d. Investments in funds shall adhere to the guidelines set forth for each fund.

7.3.3 Real Assets

- a. Inflation-linked securities, commodities, real estate investment trusts (REITs), private real estate, listed and private infrastructure, natural resources.

7.3.4 Alternative Investments

- a. Private equity, private credit, hedge funds

7.3.5 Cash

- a. Custodian bank short term investment fund (STIF) vehicles, AAA rated money market mutual funds, US Treasuries with maturity less than 365 days.

7.4 Alternative Investment Legal Requirements

Due to the unique nature of alternative investments, all investment subscription documents, and any accompanying side letters will be reviewed by the Plan's contracted legal counsel to determine if the documents are sufficient for the Plan's legal requirements and needs. An alternative investment may not be made if certain legal requirements cannot be satisfied, and the Plan is not willing to assume the legal exposure.

8. Proxy Voting

The Retirement Plan Committee by default does not intend to invest in investment vehicles that provide proxy voting rights; however, when applicable, the investment manager is granted the authority to represent the system and shall vote shares in the best interest of the Plan and its beneficiaries. A listing of all proxy votes showing the date each proxy was voted, the issue as to which each proxy was voted, and how each proxy was voted shall be provided to the Retirement Plan Committee upon request within a reasonable timeframe. If a proxy was not voted, the investment manager will provide a written statement indicating the reason that a particular proxy was not voted to the board as soon as reasonably practicable.

9. Performance Monitoring

Performance measurement will be based on total rate of return and will be monitored over a sufficient period to reflect the investment expertise of the investment manager(s) over a full market cycle. Performance results and evaluation relative to objectives will be reported to the RPC on a quarterly basis. A time-weighted return formula will be utilized in performance calculations. For alternatives, time-weighted returns will be used for consolidated reporting; however, internal rates of return and comparison to relevant benchmarks will be used for evaluation of managers.

9.1 Asset Class Benchmarks

Asset Class	Policy Benchmark	Asset Class Goal	Strategic Target
Public Equity	MSCI ACWI IMI (Net)	Benchmark	TBD
Fixed Income	Bloomberg Barclays US Aggregate Bond Index	Benchmark	TBD
Real Assets	Real Estate – (NCREIF-ODCE Index) Real Assets – (Rollup of underlying manager benchmarks)	Real Estate – (CPI+5%) Real Assets – (CPI+4%)	TBD
Alternative Investments	Hedge Funds – (HFRI FoF) Private Equity – (Rollup of underlying manager benchmarks)	Russel 3000 + 3%	TBD
Cash	30-Day T-Bill	Benchmark	TBD

9.2 Quarterly Report

Each quarter, the investment consultant will prepare a report that compares the performance of the total Plan against the benchmarks for the preceding quarter, fiscal year-to-date and annualized periods. Risk metrics such as standard deviation and Sharpe ratio will also be shown for comparison. The report shall provide the current allocation to each strategy and asset class. The report will also provide a list of currently scheduled commitments or redemptions, if any, as well as any activity for the preceding quarter.

9.3 Investment Expenses

Annually, the investment consultant will prepare a report that reviews both the direct and indirect expenses against relevant benchmarks and peers for the preceding quarter, fiscal year-to-date and one-year. Total fund expenses compared to available industry data will be reviewed annually with recommendations for improvements or confirmation of reasonable expenses.

10. Investment Manager Selection and Monitoring

To better ensure that managers will successfully manage to the Plan's objectives for their specific mandates, the Retirement Plan Committee supports disciplined processes for investment manager selection and monitoring. In addition, the investment manager selection process is intended to protect against unethical contact between the Retirement Plan Committee and investment managers during the search process that is related to the pending selection and intended to influence the search outcome. Contact will be limited during the search process and directed through the investment consultant or third-party provider assisting in the investment manager search. Direct inquiries by managers to individual Retirement Plan Committee members regarding the investment program will be referred to the investment consultant.

10.1 Investment Manager Selection Criteria

- Investment manager candidates should have a performance record of at least five years for the specific investment product that the Plan is seeking. However, recognizing that past performance is not indicative of future results and the fact that attractive opportunities may be available without this target, the Retirement Plan Committee may adopt exceptions to this rule.

2. Investment manager candidates must have registered with the U.S. Securities and Exchange Commission (SEC) as investment advisors or be exempt from registration.
3. Investment manager candidates should have a material amount of assets under management for that specific investment product and asset class unless the RPC, after consultation with the investment consultant, waives the requirement.

10.2 Alternative Investment Manager Selection Criteria


1. The general partners or sponsors of alternative investment funds must possess the management skill and industry knowledge to exercise influence or have an impact on their portfolio companies.
2. The contract terms must not grossly favor the general partners over the limited partners (investors).
3. Capital commitment by the general partners should be meaningful.

11. Ethics

The Retirement Plan Committee recognizes the responsibility it has to the Plan members and beneficiaries and requires all Committee members, service providers, and fiduciaries to the Plan to always act ethically in accordance with the Plan's Ethics Policy.

ADOPTION BY THE RETIREMENT PLAN COMMITTEE

This policy was passed and approved by the Retirement Plan Committee of the North Texas Municipal Water District in a regular meeting on the 20th of November, 2025.

Signed by:

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BOBBY SIMS, Secretary

Signed by:

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JEANNE CHIPPERFIELD, Chair