

Prepared by:
CAPTRUST

City of Battle Creek Police and Fire Retirement System

Investment Policy Statement

November 2022

P&F Board Reviewed 10/21/25.
No changes were made.

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I. INTRODUCTION

Prologue

The financial integrity of the City of Battle Creek Police and Fire Retirement System (the “System”) is maintained by establishing and managing funds for the immediate and future needs of the System’s operations and programs. Moreover, the City of Battle Creek Police and Fire Retirement System Board of Trustees (the “Board”) is dedicated to acting in accordance with the applicable fiduciary responsibility standards as a responsible steward for the financial resources that have been provided to the System.

Definitions

“Fiduciary” shall mean any individual or group of individuals that exercise authority or control over management, disposition, or administration of the System’s assets on a comprehensive and continuous basis.

“Investment Assets” of the System consists of all assets so designated. The purpose of the Investment Assets is to provide capital appreciation and earnings sufficient to meet the operational and long-term capital needs of the System.

“Board” is the City of Battle Creek Police and Fire Retirement System Board of Trustees.

“Investment Policy” is this Investment Policy Statement of the System.

“Investment Consultant” shall mean any individual or organization employed to provide investment advisory services, including advice on investment policy, investment goals and objectives, asset allocation, manager search and selection, and performance measurement and evaluation.

“Investment Manager” shall mean any individual or group of individuals employed to manage all or part of the Investment Assets.

“Custodian” shall mean any individual or group of individuals that (1) hold securities for safekeeping; (2) report on holding.

“Full Market Cycle” shall be a period of time during which the long-term historic rates of return are realized, but no less than three years.

“System” shall mean the City of Battle Creek Police and Fire Retirement System.

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II. STATEMENT OF PURPOSE

Mission Statement

The fundamental mission of the System is to provide the capital assets necessary to meet the financial obligations made to participants of the System. Investment Assets are intended to provide a level of return generating sufficient capital to meet these obligations. In order to meet these goals, all related parties will exercise a prudent standard of care while exercising their roles.

Purpose

This Investment Policy Statement is intended primarily to set forth the expectations of the Board with respect to the investment management and performance of the assets of the System. The Board has adopted this Investment Policy Statement for the System in accordance with its responsibility and authority to manage the System's assets. This Statement also serves as a means of conveying the sense of priorities and of risk tolerance of the System as well as facilitating mutual understanding and communication between the Board, the consultant, and the investment managers.

The Investment Policy provides guidance in the following areas:

- Determining an appropriate risk level for the Investment Assets
- Seeking to ensure prudent diversification of the Investment Assets
- Defining the responsibilities of the Board for managing the investment process
- Defining monitoring criteria for selected investment options and investment managers
- Establishing asset allocation targets for asset classes and investment styles deemed suitable for the Investment Assets and providing rebalancing guidelines

Moreover, this document is drafted and adopted to ensure a funding resource for the future needs of the System.

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Investment Goals and Objectives

In order to meet the following investment goals and objectives, the Investment Assets are to be managed in accordance with the overall target asset allocation of equity and fixed income/cash as defined in section IV.

1. Achieve investment returns that together with contributions will provide funds adequate to pay promised benefits to present and future System beneficiaries
2. To earn a long-term investment return in excess of the growth of the System retirement liabilities
3. To minimize pension expense and cumulative contributions resulting from liability measurement and asset performance
4. Maintain a diversified portfolio to reduce the risk of large losses
5. To remain in compliance with the applicable Michigan Public Acts

Investment Philosophy

Investment Return. In order to meet its needs, the investment strategy of the System is to focus upon total return (combined return from capital appreciation plus dividend and interest income) with an acceptable amount of risk. Each investment manager should manage with the goal of optimizing the long-term inflation-adjusted investment returns given that portfolio's investment guidelines.

Preservation and Appreciation of Capital. Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve and appreciate capital, understanding that losses may occur in individual securities.

Definition of Risk. The Board realizes there are many ways to define risk. The Board defines risk as the probability of not meeting the investment objectives. The Board expects that each Investment Manager will manage its portfolio in a manner consistent with the investment objectives and investment strategy as defined in this Investment Policy applicable to its portfolio. The Investment Consultant and Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure the risk assumed is commensurate with the given investment style and objectives.

Volatility of Returns. The Board understands in order to achieve its objectives for the Investment Assets, the portfolios will experience volatility of returns and fluctuations of market value.

Diversification. The Board recognizes the broad diversification of the Investment Assets among various asset classes will help mitigate the magnitude of a loss in any single year.

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Market Timing and Shifts. The Board wishes to allow its Investment Managers the opportunity to practice their skill without undo interference. However, it is hereby made clear this Investment Policy is the product of the study of proven performance patterns in the capital markets. The Board recognizes there is considerable evidence that the passage of time causes the greatest rewards to accrue in favor of consistent investing approaches. Furthermore, the overall risk exposure could become uncontrollable without reasonable, careful adherence to the asset allocation guidelines in this Investment Policy. It is not, therefore, the general intention of this Investment Policy to allow short-term judgments to introduce significant unplanned risk. The Board recognizes adherence to this Investment Policy will occasionally appear to be either too risky or too conservative for current market conditions. However, the Board also recognizes that experts rarely agree about the near-term direction of the capital markets, and such opinions have generally proven to be a poor guide for action.

Adherence to Investment Discipline. Investment Managers are expected to adhere to the investment management styles for which they were retained. Investment Managers will be evaluated regularly for adherence to investment discipline.

Benchmark Indices and Performance Objectives. The Board recognizes Investment Managers must use the broad capital markets as their basic tools for investment and a substantial portion of investment returns will not be attributable to management skills, but rather to the markets themselves. However, the Board expects its active Investment Managers will add value to the broad market returns over a Full Market Cycle, net of fees and its passive Investment Managers will track the broad market returns with an acceptable tracking error. The investment options in the various categories may be evaluated according to the benchmarks described in the section entitled “Asset Allocation”.

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Performance Expectations

The Board fully understands the volatility of the various capital markets and the need to maintain a long-term time horizon when reviewing performance.

It is the goal of the Board to:

- Achieve a long-term total return which equals or exceeds a long-term rate of return assumption, net of fees and expenses.
- Provide funding for the operation and support of the System.
- Prudently appreciate capital to provide additional funding for the System's future operation and support.
- Pay all investment related expenses of the System out of earnings from the Investment Assets.
- Minimize risk and preserve capital as appropriate for a tax-qualified defined benefit retirement system.

Further, the goal of each Investment Manager shall be to:

- Meet or exceed a market index, or blended market index, selected and agreed upon by the Board.
- Display an overall level of risk in the portfolio that is consistent with the risk associated with the asset style and relevant index. Risk will be measured by the standard deviation of quarterly returns.

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III. ROLES AND RESPONSIBILITIES

Responsibilities of the Board

The Board maintains the ultimate responsibility for approving the Investment Policy and managing the Investment Assets. The Board has responsibilities as defined below.

- Oversee the management of the Investment Assets.
- Adopt, review and revise, as needed, an Investment Policy on a periodic basis.
- Conclude on guidelines for the asset allocation of the Investment Assets within the equity and fixed income segments, considering near term cash needs and liquidity.
- Approve selection and retention or termination of all Investment Consultants, Investment Managers and Custodians.
- Review reports from outside professionals and the Investment Consultant on the status of the Investment Assets.
- Periodically measure and evaluate the investment performance of the Investment Managers against appropriate benchmarks and peer groups. On a periodic basis, in reference to the current liability obligation, an asset allocation study will occur.
- Consider, revise, and accept (or reject) recommendations made by the Investment Consultant regarding the management of the Investment Assets.
- Control and account for all investment, recordkeeping and administrative expenses associated with the Investment Assets.
- Avoid prohibited transactions and conflicts of interest.
- Apply the prudent person standard of care in the context of managing an overall portfolio.
- Remain in compliance with the applicable Michigan Public Acts.

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Responsibilities of the Investment Consultant

- Serve as an objective, third party advisor to the Board. As such, the Investment Consultant will guide the Board through a disciplined and rigorous process and may make recommendations to the Board but will not have discretion to make investment or allocation decisions without their approval.
- Assist in the development, implementation, review, and monitoring of this Investment Policy.
- Offer advice that is consistent with the investment objectives, policies, guidelines, and constraints as established in this Investment Policy.
- Conduct Investment Manager searches and fee negotiations when requested by the Board.
- Provide research, analysis, and general information about the Investment Managers.
- Measure, monitor and evaluate the investment performance and asset allocation of the System.
- Report the findings to the Board no less frequently than on a quarterly basis.
- Periodically monitor the Investment Assets and provide reports to the Board regarding investment performance and other pertinent information.
- Apply the prudent person standard of care in the context of managing an overall portfolio.
- Assist the System in adhering to conditions outlined in the applicable Michigan Public Acts.

Responsibilities of the Investment Manager(s)

As distinguished from the Board and the Investment Consultant, who are responsible for managing the investment process, each Investment Manager is responsible for making investment decisions with respect to its portfolio. Specific duties and responsibilities of each Investment Manager are to:

- Select the investments of its portfolio in accordance with the general investment goals, objectives and guidelines expressed by this Investment

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Policy as well as the specific goals, objectives, and guidelines pertaining to its portfolio.

- Communicate with the Investment Consultant regarding all significant matters that the Investment Manager deems material, including but not limited to changes in the Investment Manager's ownership, organizational structure, professional staffing, investment philosophy or investment process and other changes of a substantial nature.
- Comply with all legislation and regulations as they pertain to the Investment Manager's duties, functions, and responsibilities as a Fiduciary in managing the portfolio.
- Provide statements setting forth all account activity and the financial position of the portfolio quarterly and otherwise as requested.
- Provide expanded analysis to the Investment Consultant and/or Board upon request. This may include, but is not limited to the following:
 - Statements showing compliance with asset allocation guidelines
 - Comparison of returns to benchmarks
 - Statement of policy regarding "soft dollar" usage of brokerage commissions
 - Detailed account of fees and expenses paid by the System including management fees and commissions on trades
- Apply the prudent person standard of care in the context of managing an overall portfolio.
- Adhere to conditions outlined in the applicable Michigan Public Acts.

If mutual funds are utilized, the restrictions outlined above do not apply. Instead, the existing policy outlined in the prospectus of the fund would take precedence. However, the Investment Manager and/or Investment Consultant will carefully scrutinize the prospectuses of potential mutual fund candidates so as to find funds with similar policies, restrictions, and characteristics to those outlined in this Investment Policy.

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IV. ASSET ALLOCATION

Priority & Purpose of Asset Allocation

Asset allocation is commonly considered the most important decision made in the investment management process. The purpose of a strategic asset allocation is to provide an optimal mix of investments with the potential to produce the desired returns and meet current and future liabilities, while having the least amount of fluctuation in the overall value of the investment portfolio. Allocating funds among a variety of investment types, increases the probability that if one of the investment types is decreasing in value, another one is increasing in value.

Asset Allocation Range

The following allocation of asset classes is intended to produce a rate of return sufficient to meet the goals and objectives established by the Board. The returns of the Investment Managers, who are selected because of their expertise in specific asset classifications, may be measured against the target percentage of the appropriate broad index returns as shown below or outlined in more detail within the System's performance report.

Asset Class	Benchmark	Minimum	Target	Maximum
Cash	BBgBarc US 3-Month Treasury Bills	0.0%	3.0%	13.0%
Fixed Income	BBgBarc US Aggregate Bond Index	22.0%	32.0%	42.0%
Equities		55.0%	65.0%	75.0%
U.S.	Russell 3000	39.5%	49.5%	59.5%
International	MSCI ACWI Ex US	5.5%	15.5%	25.5%

The above represents the current asset allocation. However, the current strategy does not preclude the System from investing in other asset classes in the future. Consequently, prudent, and reasoned consideration must be given to the use of other asset classes.

Re-balancing Among Asset Classes and Allocation of Net Contributions

Purpose: Because different asset classes will perform at different rates, the Board, with the assistance of the Investment Consultant, will monitor the asset allocation shifts caused by performance. When allocations exceed the target allocation indicated in this section (IV), rebalancing may occur.

Method: By rebalancing in this manner, the Board can be assured that portfolios will be managed to clear parameters. The portfolio will be analyzed on at least a quarterly basis and will be re-allocated as required.

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Accordingly:

- The Board, with the assistance of the Investment Consultant, will review the relative market values of the asset segments whenever there is material cash flow.
- To the extent that adequate re-balancing among asset categories cannot be affected via the allocation of contributions/distributions, the Board may redirect monies from one Investment Manager to another, if necessary, to maintain the asset allocation strategy described in this section (IV) of this Investment Policy. However, the Board recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various market conditions. Therefore, the allocation of the Investment Assets may vary from the allocation guidelines without being considered an exception to this Investment Policy.

V. INVESTMENT GUIDELINES

Selection of Investment Managers

The Board is responsible for the selection of the Investment Managers. All investment products will be compared to an appropriate benchmark index. The quantitative and qualitative factors to be considered for selecting Investment Managers may include, but are not necessarily limited to:

- Total firm assets under management and assets specific to the product of interest
- Stability and quality of the investment firm and its personnel
- Portfolio manager's tenure with the specific product of interest
- Historical performance of the Investment Manager's specific product of interest
- Risk adjusted performance of the product
- Consistency and correlation of the product's investment style
- Overlap of investment style and/or fund holdings with other Investment Managers
- Expense ratios and fees

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VI. PERFORMANCE MONITORING

Purpose

The purpose of monitoring investment performance is to be able to ensure compliance with policy and applicable law, manage the risk of the portfolio, and assess the performance of investment managers.

The Board acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance; the System intends to evaluate Investment Manager performance from a long-term perspective.

Investment Managers Performance Review and Evaluation

The investment performance of each Investment Manager/fund will be measured against commonly accepted performance benchmarks determined for each Investment Manager/fund based on the asset class mix of the Investment Manager's portfolio. As part of that process, the Investment Consultant may consider the ranking of investment options relative to their peers using CAPTRUST's Investment Policy Monitoring Methodology document. At no time will an individual Investment Manager/fund's performance be compared to overall portfolio expectations. Rather, the Board will review Investment Manager/fund returns versus appropriate indices as well as comparable performance to similar managers by investment style.

The following quantitative and qualitative criteria provide an outline for the evaluation process:

Quantitative:

- There is failure to adhere to any specific aspect of this Investment Policy
- There is an increase in the product's fees and expenses
- The product's assets decrease by greater than 20% of the assets under management of that investment manager

Qualitative:

- There is a change in the professionals managing the portfolio or firm ownership
- There is an indication of deviation of stated style or strategy
- There are uncharacteristic surges in portfolio trading volume

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- An extraordinary event occurs that may interfere with the Investment Manager's ability to fulfill its role in the future

It may be determined, after further analysis, that one of the following is necessary:

- A letter/call to the Investment Manager asking for an analysis of its underperformance
- A face-to-face meeting with the Investment Manager, which may be conducted on-site, to gain insight into organizational changes and any changes in strategy or discipline

The Board intends to evaluate the Investment Manager and/or Fund quarterly but reserves the right to terminate an Investment Managers and/or Funds for any reason including, but not limited to:

- Significant qualitative changes to the Investment Manager or fund's organization affecting areas such as firm ownership, organizational structure, professional staffing
- Investment performance that is significantly lower than the appropriate benchmark
- Deviation from stated investing style as evidenced by the actual characteristics of the portfolio
- Failure to adhere to any aspect of this Investment Policy

The decision to retain or terminate an Investment Manager or fund cannot be made by a formula. It is the Board's confidence in the strategy's ability to perform in the future that ultimately determines the retention of the Investment Manager or fund.

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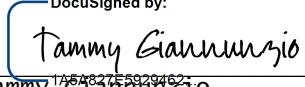
VII. ACKNOWLEDGEMENT AND ACCEPTANCE

The Board will review this Investment Policy periodically to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the Investment Policy will change frequently. Short-term changes in the financial markets should not require adjustments to the Investment Policy.

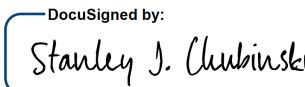
The undersigned acknowledge that this Investment Policy was revised and approved by the Board on behalf of the System.

Board Signatures

DocuSigned by:

1. Signed 
Printed 1A5A827E5929462 Tammy Giannunzio Date 11/22/2022

DocuSigned by:

2. Signed 
Printed 4E22F1C086D94D2 Stanley J. Chubinski Date 11/22/2022

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DocuSigned by:

1. Signed 
Printed 95B34B8F29714CE... Jeremy Tollas Date 11/22/2022

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