

# **Statement of Investment Policy**

**For**

**Retirement Plan for the General Employees of Dallas/Fort Worth International Airport  
Retirement Plan for the Public Safety Officers of Dallas/Fort Worth International Airport  
Dallas/Fort Worth International Airport's Post Employment Benefits Trust**

Approved February 4, 2009

## STATEMENT OF INVESTMENT POLICY

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### I. Purpose

This Statement of Investment Policy (SIP) for the Retirement Plan for Employees of Dallas/Fort Worth International Airport Board, the Retirement Plan for Public Safety Officers of Dallas/Fort Worth International Airport Board and the Dallas/Fort Worth International Airport's Other Post Employment Benefits Trust is set forth to:

- i. Define and assign the responsibilities of all involved parties;
- ii. Establish a clear understanding for all involved parties of the investment goals and objectives of Plan assets;
- iii. Offer guidance and limitations to all involved parties regarding the investment of Plan assets;
- iv. Controlling and accounting for all costs of administering the plan and managing the investments;
- v. Establish procedures for selecting, monitoring evaluating and, if appropriate, replacing investment managers; and,
- vi. Complying with all fiduciary, prudence, and due-diligence requirements that experienced investment professionals would utilize.

It should be noted that participant retirement income and post employment benefits are based on an employee's years of service and their salary level, applied to a benefit formula that determines their personal retirement benefits.

***Future Funding Sources** – Each Plan has contribution resources from the employer for the employee's service. Additionally, the public safety employees contribute on their behalf for the Retirement Plan for Employees of Dallas/Fort Worth International Airport Board.*

***Plan's Asset-to-Liability Ratio** – The Dallas/Fort Worth International Airport Board places a high priority upon providing a strong ratio of funded assets to vested and accrued liabilities as the Plan continues to mature. Unless the plan has cash flow or liquidity issues, the Committee may invest a portion of the Plan's assets in investments that do not provide immediate liquidity.*

### II. Definitions

- i. "Plan" shall mean the Retirement Plan for Employees of Dallas/Fort Worth International Airport Board, the Retirement Plan for Public Safety Officers of Dallas/Fort Worth International Airport Board and the Dallas/Fort Worth International Airport's Other Post Employment Benefits Trust.;
- ii. "Board" shall refer to the Dallas/Fort Worth International Airport Board of Directors which has authorized oversight for both the Retirement Plan for Employees of Dallas/Fort Worth International Airport Board, the Retirement Plan for Public Safety Officers of Dallas/Fort Worth International Airport Board and the Dallas/Fort Worth International Airport Other Post Employment Benefits Trust;

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- iii. "Committee" refers to the Retirement/Investment Committee. The Committee is comprised of six voting members. By Board authorization, three members are Board members appointed by the Chairman of the Board. The other members are staff appointed by virtue of their position. They are the Chief Executive Officer, the Executive Vice President Finance/Chief Financial Officer, and the Executive Vice President Administration and Diversity;
- iv. Chief Financial Officer "CFO" shall refer to the governing individual established to administer the investment decisions of the Plan on a daily basis;
- v. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Plan assets. A fiduciary must have the proper asset backing to help protect the Plan if a problem arises;
- vi. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Fund assets. This would also include mutual and collective fund portfolio managers. An "Investment Manager" hired by the Fund must be registered with the Securities and Exchange Commission under the Investment Act of 1940 or in the case of a banking organization with the Office of the Comptroller of the Currency;
- vii. "Investment Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring; and,
- viii. "Securities" shall refer to the marketable investment securities, which are defined as acceptable in this statement.

### III. Assignment of Responsibilities

- i. Responsibility of Dallas/Fort Worth International Airport Board of Directors
  - a. The Board is empowered to make certain decisions and take appropriate action regarding investment of Plan assets. These responsibilities include Reviewing and acting on recommendations of the Retirement/Investment Committee.
- ii. Responsibility of Retirement/Investment Committee

The Committee is responsible for review of the Plan and to make recommendations to the Board that are in the best interest of Plan participants. These recommendations include:

  - a. Review Plan for compliance with policies and guidelines;
  - b. Review actuarial analysis to approve assumptions and funding;
  - c. Sound and consistent investment policy guidelines;
  - d. Reasonable investment objectives;
  - e. Qualified investment managers;

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- f. Communicate the investment policy guidelines and objectives to the investment managers;
  - g. Evaluation performance results to assure that the policy guidelines are being met;
  - h. Appropriate custodian(s); and,
  - i. Any other appropriate recommended actions.
- iii. Responsibility of Investment Consultant
- The Investment Consultant's role is that of a non-discretionary advisor. As a signed fiduciary, the Investment Consultant will offer investment advice concerning the management of Plan assets. The advice will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:
- a. Assisting in the development and on-going review of investment policy, asset allocation strategy and performance of the investment managers;
  - b. Supporting portfolio optimization and other investment techniques to maximize return/risk characteristics of the Fund;
  - c. Conducting investment manager searches when requested by the Committee;
  - d. Monitoring the performance of the Investment Manager(s) to provide both the Committee and Board with the ability to determine the progress toward the investment objectives;
  - e. Communicating matters of policy, manager research, and manager performance to the Committee and Board;
  - f. Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement with any newly appointed members of the Committee; and,
  - g. Act as liaison between the Committee and any outside investment managers, consultants, or other advisors in receiving and responding to inquiries, referrals, and solicitations.
- iv. Responsibility of Investment Managers
- As a signed fiduciary, each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and in their specific Manager Guidelines. These responsibilities include:
- a. Will be a registered investment advisor appropriate to all sections of the Investment Advisory Act of 1940 or appropriate federal governing agency;
  - b. Have full discretion in the management of those assets of the Plan allocated to the investment manager(s), subject to prospectus or the overall investment guidelines set by the Committee;
  - c. Serve as fiduciary responsible for specific security decisions;

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- d. Abide by duties, responsibilities, and guidelines detailed in any specific investment advisor agreement;
  - e. Report investment results quarterly to the Consultant and individual portfolio transactions to the master custodian/trustee in the case of separate account management; and,
  - f. Vote all proxies in their fiduciary discretion. Manager's will maintain records of proxy voting activity and notify the Committee of deviations from their stated policy.
- v. Responsibility of Custodian/Trustee
- The Custodian/Trustee is responsible for the holding and accounting of Plan assets. The responsibilities of the Custodian/Trustee include:
- a. Maintain possession of securities owned by the Plan;
  - b. Collect dividend and interest payments;
  - c. Administers pension payroll;
  - d. Redeem maturing securities, and effect receipt/delivery following purchases and sales;
  - e. Accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts;
  - f. Minimum of monthly reporting of assets and transactions; and,
  - g. Provide any additional data requests.

### IV. General Investment Principles

- i. Investments shall be made solely in the interest of and for the participants and beneficiaries of the Plan;
- ii. The Fund shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent expert acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims;
- iii. Investment of the Fund shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
- iv. The Board will employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives;
- v. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return; and,
- vi. The Investment Manager(s) should, at all times, be guided by the principles of "best price and execution" and that the Plan's best interests are the primary consideration.

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### V. Investment Objectives

In order to meet its needs, the investment strategy of the Plan is to emphasize total return; that is, the aggregate return from capital appreciation, dividend and interest income. Specifically, over a five-year period the primary objectives in the investment management for Plan assets shall be:

- i. Maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on Plan assets;
- ii. Meet or exceed the actuarially assumed rate of return; and,
- iii. Provide an acceptable level of volatility in both the long and short-term periods.

### VI. Investment Strategy – Retirement Plans

Based on the Fund's long-term liquidity requirement, the Board has determined that currently all securities purchased for the Plan have readily ascertainable market values and shall be easily marketable. Going forward the liabilities are of a long-term nature, differing strategies may have unique investment horizons or liquidation periods. Based upon the assumed actuarial assumptions, the Board has approved the following allocation of assets guidelines:

<b>Asset Allocation Guidelines</b>			
<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Target</b>
<b>Total Equities</b>	<b>60.0%</b>	<b>75.0%</b>	<b>65.0%</b>
<b>Domestic Equity</b>	44.0%	67.0%	55.0%
Large Cap Core	7.0%	11.0%	9.0%
Large Cap Value	13.0%	18.0%	15.0%
Large Cap Index	2.0%	4.0%	3.0%
Mid Cap	8.0%	12.0%	10.0%
Small Cap Growth	7.0%	11.0%	9.0%
Small Cap Value	7.0%	11.0%	9.0%
<b>International Equity</b>	8.0%	12.0%	10.0%
<b>Fixed Income</b>	25.0%	40.0%	35.0%

- i. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the CFO will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.
- ii. In the event that any individual Investment Manager's portfolio is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Board expects that the Investment Manager will bring the

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portfolio into compliance with these guidelines as promptly and prudently as possible without instruction from the Board.

- iii Understanding that different asset classes will perform at different rates, the CFO and the Investment Consultant will closely monitor the asset allocation shifts caused by performance. Therefore:
  - a. The CFO will review the relative market values of the asset classes whenever there is to be a net contribution to the Fund and will generally place the new monies under investment in the category (ies) which are furthest below the target allocation in this policy; and,
  - b. The CFO and Investment Consultant will review the asset allocation monthly and during periods of severe market change to assure that the target allocation is maintained. If an asset class is outside the allowable range, the CFO and Investment Consultant will take appropriate action that redeploys assets taken into account timing, costs and other investment factors.

### **VII. Investment Strategy – OPEB Plan**

Based on the short-term liquidity requirement of OPEB funds and the small amount held in the trust fund, the Board has determined that the use of an indexed equity mutual fund and a core bond fund are appropriate investments for funds held by the OPEB Trust Fund. The allocation shall be approximately 50% to each mutual fund with a minimum range of 40% and a maximum range of 60%. All OPEB funds will be held in the OPEB Disbursement Accounts until such time as the balance in the Trust Fund has reached a level that longer term investment options should be considered.

### **VIII. Investment Performance Review and Evaluation**

- i. Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of the total Plan, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason.
- ii. Each manager will be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. Each should maintain a portfolio consistent with characteristics similar to those of the composite utilized for their retention. Investment performance is to be:
  - a. Measured on total return basis, which is defined as dividend and interest income plus realized and unrealized capital gains;
  - b. Evaluated in part by regular comparison to a peer group of other managers employing statistically similar investment style characteristics; and,

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- c. Above the peer group median and/or the appropriate index over rolling five-year periods with respect to both return and risk.
- iii. The Committee expects the individual managers to perform credibly compared to a peer group of similar managed funds with like investment styles. The following targets will be applied in measuring manager performance:
  - a. Domestic & International Equity: *Rolling Five Year Returns*  
Expect Upper 50% of Peers  
Or  
Exceed Appropriate Benchmark
  - b. Fixed Income Classes: *Rolling Five Year Returns*  
Expect Upper 50% of Peers  
Or  
Exceed Appropriate Benchmark

### IX. Measured Costs and Expenses

On a regular basis, all costs associated with the management of the Plan's investment program, will be reviewed including:

- i. Expense ratios/fees of each investment option against the appropriate peer group;
- ii. Custody fees: The holding of the assets, collection of the income and disbursement of payments; and,
- iii. Whether the manager is demonstrating attention to "best execution" in trading securities.

### X. Minority/Women Owned Enterprises (M/WBE) and Local Enterprises

The Committee is dedicated to following the M/WBE policy of the DFW International Airport Board. Additionally, the Committee will strive to provide opportunities to those organizations locally that assist in building the tax base and support for Dallas/Ft. Worth International Airport.

To meet this objective the Committee will receive from the Consultant distinct information about possible service providers in the investment arena under consideration. Any search for a new or additional provider will include all M/WBE or local reporting organizations. Elimination information will be provided on the managers that are deemed non-competitive in the area of expertise under consideration.

As part of this statement's annual review, the Committee will examine the results of this initiative and determine if expectations have been met. If not, the policy will be readdressed.

### XI. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Board will review the policy annually.

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### **XII. Conflict of Interest Policy**

All decisions are made in the best interest of the Plan participants. Any or all providers of services to the Plan are to immediately notify the Committee of any business or relationship issues that create the possibilities of a conflict of interest. Failure to comply may subject the provider to immediate termination.