

TOWN OF WILTON

TRUST FOR THE
OTHER POST EMPLOYMENT BENEFITS PLAN OF THE TOWN OF WILTON

INVESTMENT POLICY STATEMENT

~~May 12, 2021~~ ~~August 2023~~ December 2023

Trust for the
Other Post Employment Benefits Plan of the Town of Wilton

Investment Policy Statement

Introduction

The Town of Wilton, Connecticut (the "Town") maintains the Other Post Employment Benefits Plan of the Town of Wilton (the "Plan") to provide non-pension, non-employment health benefits to certain employees of the Town, and to certain employees of the Board of Education of the Town who are eligible for such benefits pursuant to collective bargaining agreements, employment policies or state statutes.

The assets of the Plan are held in trust for the benefit of the members of the Plan under the terms of a trust agreement dated July 1, 2007.

The Board of Selectmen of the Town has the authority to appoint the Trustees of the Plan. Pursuant to that authority, on June 18, 2007 the Board of Selectmen, Board of Finance, Board of Education, Chief Financial Officer, and Director of Financial Planning and Operations were appointed to serve as the Trustees of the Plan.

The Trustees of the Plan are responsible for: (a) developing, adopting and modifying investment policy statements relating to the assets of the Plan; (b) managing Plan investments in accordance with such investment policy statements; and (c) undertaking such other investment-related responsibilities as may be required for the management of the assets of the Plan.

On the date set forth at the end hereof, the Trustees of the Plan approved the adoption of this investment policy statement.

Purpose

An investment policy statement provides the first step towards establishing the "fiduciary trail" - i.e. evidence that a fiduciary has acted solely in the interests of plan participants, and with the care, skill, prudence and diligence under the circumstances then prevailing a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. A well-written investment policy statement serves to:

- Clearly articulate the objectives towards building a diversified investment portfolio;
- Articulate the responsibilities of various parties, including the plan sponsor, plan administrator, trustee and investment consultant;

- Establish policies and procedures for investment selection; and
- Establish procedures for on-going performance monitoring and evaluation.

This investment policy statement outlines the goals and investment objectives of the Plan, provides guidelines for managing the assets of the Plan, and identifies specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Plan;
- Defines the responsibilities of the Trustees and other parties responsible for the management of the assets of the Plan;
- Establishes investment guidelines regarding the selection of investment managers and diversification of assets; and
- Specifies the criteria for evaluating the performance of the investment managers and of the Plan as a whole.

1. Investment Objectives

The Plan's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the Trustees have taken into account the financial needs and circumstances of the Town, the time horizon available for investment, the nature of the Plan's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Trustees have determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve the stated actuarial target of the Plan;
- To maintain sufficient liquidity to meet the obligations of the Plan;
- To diversify the assets of the Plan in order to reduce risk; and
- To achieve investment results over the long-term that compare favorably with those of other post-employment benefits plans, professionally managed portfolios, and appropriate market indices.

2. Assignment of Responsibilities

Trustees - The Trustees are charged with the responsibility to oversee the assets of the Plan. To that end, the Trustees' responsibilities include: (a) establishing and

maintaining the Plan's investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, and return evaluation; (b) interpreting the appropriate investment policy, objectives and portfolio guidelines; (c) selecting the investment vehicles for the investment of the Plan's assets; and (d) periodically monitoring the performance of such investments. The Trustees may establish rules and regulations governing its procedures, and may delegate to one or more of its members, or to its agents, the authority to take specific actions. The Trustees will meet periodically, and shall discharge their duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. The Trustees recognize that some risk must be assumed to achieve the Plan's long-term investment objectives.

Investment Consultant - The Trustees may engage the services of an Investment Consultant. The Investment Consultant will act as a non-discretionary advisor to the Trustees. The Investment Consultant will assist in the development and periodic review of an investment policy statement and the Plan's asset allocation, will conduct searches for investment managers when necessary, will monitor the performance of the investment managers and investment funds, and will communicate to the Trustees about other matters of relevance to the oversight of the Plan.

Custodian - The Custodian is responsible for the safekeeping and custody of the assets of the Plan. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as the movement of assets into and out of the Plan accounts (for example, to accommodate distribution needs).

3. Asset Allocation

The asset allocation target ranges set forth in Appendix A represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted range.

4. Rebalancing

The Trustees, at their discretion, may or may not institute rebalancing as necessary. Such adjustments should be executed with consideration to turnover, transaction costs, and realized losses over the long term. The necessity to rebalance will be reviewed periodically.

5. Selection Criteria for Investment Managers and Investment Funds

Investment managers and investment funds retained by the Trustees to invest the assets of the Plan shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate indices and other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Plan; and
- The level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund.

The Plan will utilize a multi-manager structure of complementary investment styles and asset classes to invest the Plan's assets.

Should additional contributions and/or market value growth permit, the Trustees may retain additional investment managers to invest the assets of the Plan. Additional investment managers would be expected to diversify the assets of the Plan by investment style, asset class, and management structure, and thereby enhance the probability of the Plan's achieving its long-term investment objectives.

6. Securities Guidelines

The Plan's investments may include separately managed accounts, mutual funds and commingled funds, including marketable and non-marketable alternatives and exchange traded funds. The Trustees understand that investment managers have full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups, as particularly detailed in the investment policy statement of each of the Plan's separately managed accounts or in the prospectus/offering memorandum for each mutual fund, co-mingled fund or exchange-traded fund in the portfolio. No securities will be purchased, or carried, on margin.

With respect to mutual funds and co-mingled funds, the Trustees will consider the following in order to ensure proper diversification and function for each of the funds:

- The mutual fund or co-mingled fund should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; and (d) cost-effectiveness.
- The mutual fund or co-mingled fund should generally have at least a full three-year track record (or its equivalent), and the individual mutual fund or co-mingled fund must have at least \$25 million under management (or, as an organization, \$100 million in the same strategy) at the time of selection.

- The mutual fund or commingled fund should be regularly evaluated for proper diversity, and must provide material information on a timely basis.
- With respect to a hedge fund-of-funds, in addition to meeting each of the three above-specified criteria, the fund-of-funds should include an appropriate number of hedge fund managers to be considered well diversified. Investment strategies in a hedge fund-of-funds may generally include: (a) long/short U.S. equity; (b) global equity; (c) derivatives; (d) distressed debt and other fixed income strategies; (e) currency exposure; (f) arbitrage and event driven strategies; and (g) additional strategies with low correlation to traditional asset classes.

7. Proxy Voting

Each investment manager is responsible for exercising, and is empowered to exercise, all rights, including voting rights, acquired through the purchase of securities, where practical. Each investment manager shall vote proxies in the best interest of the Plan. A copy of each investment manager's guidelines and/or summary of proxy votes shall be provided to the Trustees upon request.

8. Investment Monitoring and Reporting

The Trustees will periodically review the performance of the investments of the Plan. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact, and that an investment continues to be appropriate for the Plan. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Trustees on potential areas of concern.

Watch list criteria may include the following:

- Performance relative to benchmark performance over various time frames;
- Deterioration of risk-adjusted performance;
- Notable style drift/ change in investment objective;

- High manager fees relative to peers; and
- Significant organizational or manager change.

9. Termination of an Investment Manager or Investment Fund

An investment manager or investment fund may be terminated when the Trustees have lost confidence in its ability to:

- Achieve performance and risk objectives;
- Comply with investment guidelines;
- Comply with reporting requirements; or
- Maintain a stable organization and retain key investment professionals.

There are no hard and fast rules for the termination of an investment manager or investment fund. However, if the investment manager or investment fund has consistently failed to adhere to one or more of the above conditions, termination may be considered. Failure to remedy the circumstances causing unsatisfactory performance by an investment manager or investment fund, within a reasonable time, may be grounds for termination.

Any recommendation to terminate an investment manager or investment fund will be treated on an individual basis and will not be made solely based on quantitative data. In addition to the factors described above, other factors may include, but shall not be limited to, professional or Town turnover, or material change to investment processes.

The process for selecting a replacement for a terminated investment manager or investment fund will follow the criteria outlined above for the selection of an investment manager or investment fund.

Approval

It is understood that this investment policy is to be reviewed periodically by the Trustees to determine if any revisions are warranted due to changed circumstances, including but not limited to changes in financial status or risk tolerance, or changes involving the investment managers or investment funds.

Execution

On May 12, 2021, the Trustees of the Plan adopted this investment policy statement.

Name: _____

Signature: _____

Title: _____

Date: _____

Appendix A

Target Asset Allocation Table

| Asset Class | Minimum Weight | Target Weight | Maximum Weight | Benchmark Index |
|------------------------|----------------|---------------|----------------|---|
| Domestic Equities | 25.0% | 30.0% | 35.0% | CRSP Total Stock Market Index |
| International Equities | 15.0% | 20.0% | 25.0% | FTSE Global All Cap ex.US Index/ <u>MSCI ACWI ex US Index</u> |
| Fixed Income | 30.0% | 40.0% | 50.0% | Bloomberg Barclays U.S. Aggregate Index |
| Real Estate | 0.0% | 5.0% | 7.5% | FTSE NAREIT All Equity REITs Index |
| Cash | 0.0% | 5.0% | 10.0% | 90 Day U.S. Treasury Bill |