

August 30, 2016

INVESTMENT POLICY STATEMENT

**TOWN OF NEWTOWN
DEFINED BENEFIT AND MONEY PURCHASE PENSION PLANS**

**Amended and Restated
October 1, 2016**

**By
Newtown
Pension Committee**

**For
The Board of Selectmen, Plan Trustees**

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EXECUTIVE SUMMARY

Type of Plan	Defined Benefit and Money Purchase Pension Plan(s)	
Current Assets:	\$34,706,793.88 (As of June 30, 2016)	
Investment Time Horizon:	Greater than 10 Years	
Expected Return:	7.50% effective August 6, 2012	
Risk Tolerance:	Moderate	
Target Asset Allocation:	Domestic Equities	32.0%
	International Equities	25.5%
	Fixed Income	32.5%
	Real Estate	5.0%
	Natural Resources	2.5%
	T Bills/Cash Equivalents	2.5%
	Foreign Equities: No more than 25% of the 60% in Equities to be Foreign.	
Allocation Variance Limit:	10%	
Investment Manager:	Name of Investment Manager/Fund Manager	
Evaluation Benchmark:	Total portfolio return to perform above the weighted average return of the indices referenced in the Section "Monitoring of Investment Managers" on Page 15 of this Investment Policy Statement. This weighted average will be calculated by multiplying the appropriate index for each investment sector times the targeted weighting for each sector; e.g. domestic equities, international equities, etc. These weighted returns will then be added to obtain Portfolio return.	

Comment [DF1]: Based on the above table, the total exposure to equities is actually 57.5% (unless natural resources is being considered part of the equity allocation, which is reasonable). However, the 25.5% target to international equities inherently means that foreign exposure within the equity portfolio is going to be higher than 25%.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Town of Newtown Plan Trustees and Pension Committee in effectively monitoring, supervising and evaluating the investment of the Town of Newtown Defined Benefit and Money Purchase Pension Plans Plan Assets.

The Plans' investment program is defined in the various sections of this IPS by:

- Stating in a written document the Trustee's and Committee's attitudes, expectations, objectives and guidelines for the investment of all Plan assets.
- Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio so that all Plan assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Trustees, the Pension Committee and the Investment Manager(s)/Fund Manager(s).
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Manager(s)/Fund Manager(s).
- Complying with ERISA fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize and with all applicable laws, rules and regulations from various local, state, federal and international entities that may impact Plan assets.
- Defining the responsibilities of the Board of Selectmen, the Pension Committee, the Custodian and other parties responsible for the management of the Plans.

This IPS has been arrived at upon consideration by the Trustees and Pension Committee of the implications of a wide range of policies. It describes the prudent investment process that the Trustees and Pension Committee deem appropriate.

BACKGROUND

The Town of Newtown, Connecticut maintains three pension plans: a defined benefit pension plan for town employees, a defined benefit pension plan for police officers and a money purchase pension plan for elected officials. The Board of Selectmen, as Trustees of the plans, are responsible for overall investment policy governing management of the plans' assets. The Pension Committee acts as advisor to the Board of Selectmen. The Pension Committee studies and discusses the issues that are involved in the administration and investment of the retirement funds and recommends action to the Board of Selectmen. The Pension Committee and Trustees will discharge their responsibilities under the plans solely in the long-term interests of plan participants and their beneficiaries.

Key Information

Name of Plans:	The Pension Plan for Employees of the Town of Newtown The Pension Plan for Police Officers of the Town of Newtown Town of Newtown Elected Officials Pension Plan
Plan Sponsor:	Town of Newtown
Trustees:	Board of Selectmen
Custodian:	Wells Fargo Bank, NA
Third Party Plan Administrator:	T. R. Paul, Inc.
Investment Manager:	Investment Manager/Fund Manager Name

Comment [DF2]: In what capacity is T.R. Paul remaining as administrator? Will they continue to make benefit payments? Wells Fargo has the ability to make benefit payments for a lower cost (in the neighborhood of \$2.50 per payment, compared to \$7 for T.R. Paul).

INVESTMENT OBJECTIVES

The investment objectives of the Plans have been established in accordance with sound investment practices that emphasize long-term investment fundamentals. The Board of Selectmen have taken into account the current and projected financial requirements of the Plans, the time horizon available for investment, the nature of the Plans' cash flows and liabilities along with other factors that affect their risk tolerance.

The Investment Objectives are:

- To achieve a rate of return to meet the Plans' actuarial target interest rate.
- To maintain sufficient liquidity to meet Plan benefit obligations and expenses.
- To diversify Plan assets to minimize the risk of large losses or excessive fluctuations in market value from year to year.
- To achieve long term investment results that compare favorably with similarly invested pension plans and of appropriate market indices.
- To maintain a prudent level of risk that balances growth with the need to preserve capital.

RESPONSIBILITIES OF PLAN REPRESENTATIVES

BOARD OF SELECTMEN

The Board of Selectmen, as Trustees for the Town of Newtown Pension Plans, are the sole entity responsible for administering the Pension Fund. In accordance with this responsibility, the Trustees provide investment oversight for management of Plan assets and development of the Investment Policy Statement on behalf of the Plans and its intended beneficiaries; the current active members, retirees and their dependents.

The Board of Selectmen's responsibilities include:

- Establishing and maintaining the Plans' investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, return evaluation, specific interpretation of the investment policy, selecting the investment vehicles and periodically monitoring the performance of investments.
- Establishing rules or other resolutions governing the Plans' investment policy.
- Delegating to other Board Members, the Pension Committee or Agents the authority to act on behalf of the Plans.
- Determining the retention, discharge or selection of any Investment Manager/Fund Manager, Custodian and Investment Consultant. The Board of Selectmen shall also establish the amount of funds to be allocated to any Investment Manager/Fund Manager and determine when funds will be reallocated.
- Complying with the fiduciary standards of the Employee Retirement Income Security Act (ERISA) in performing its investment duties. Discharging their duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. In addition, the Board of Selectmen are governed by the CT Prudent Investor Rule. The Board of Selectmen recognize some risk must be assumed to achieve the Plans' long-term objectives.
- Meeting, not less than annually, with the Pension Committee to review the status of Plan portfolios, hear recommendations from Pension Committee and Investment Consultant.

PENSION COMMITTEE

The Pension Committee is appointed by the Board of Selectmen and serves in an advisory role with respect to the administration and investment oversight of Plan assets. The Committee provides guidance and insight into Plan provisions and monitors and reports to the Trustees on the Plan performance.

The responsibilities of the Pension Committee are:

- To serve as Advisors to the Board of Selectmen with respect to reviewing the recommended asset allocation, risk parameters, return evaluation, specific interpretations of the Investment Policy, reviewing recommended investment vehicles for the Plans, selecting the appropriate investment and making a recommendation to the Trustees for the Plan portfolio along with periodically reporting on the performance of Plan investments.

- To ensure the Statement of Investment Policy, along with other policy guidance and directives outlined by the Trustees, is properly implemented.
- To review the monthly Trust reports with respect to the status and value of Plan assets and report any exceptions or major variances to the Board of Selectmen. The Committee recognizes that some risk must be assumed to achieve the Plan's long-term objectives.
- Monitor the performance of Plan investments not less than quarterly. Meet with the Investment Consultant to review and discuss Plan performance and report to the Board of Selectmen.
- To discharge their duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing and to comply with the ERISA fiduciary standards and the CT Prudent Investor Rule.
- To meet with the Board of Selectmen, not less than annually, to review the status of the Plan investments, their performance, the Investment Policy Statement and any changes that the Committee in consult with the Investment Consultant might feel appropriate to suggest.

INVESTMENT CONSULTANT

The Board of Selectmen may engage the services of an Investment Consultant as a Non-Discretionary Advisor to the Pension Committee and the Board of Selectmen. The Investment Consultant will assist the Pension Committee and Board of Selectmen in the development and periodic review of an Investment Policy Statement along with the Plans' asset allocation. The Consultant will also conduct investment manager searches when necessary, monitor the performance of the Investment Manager/Fund Manager, make timely recommendations regarding any change in Investment Manager/Fund Manager and communicate on other matters of relevance to the oversight of the Pension Plans.

CUSTODIAN

The Board of Selectmen shall retain a bank or trust company to act as Custodian for Plan assets. The Custodian is responsible for safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plans, collect dividends and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales. The Custodian will perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Plans' accounts.

GUIDELINES AND INVESTMENT POLICY

Time Horizon

The investment guidelines are based upon an investment horizon of greater than 10 years so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Plans' strategic asset allocation is based on this long-term perspective.

There is a requirement to maintain sufficient liquid reserves to provide for the payment of retirement benefits.

Risk Tolerances

The Trustees recognize the difficulty of achieving the Plans' investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Trustees also recognize that some risk must be assumed to achieve the Plans' long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. These factors were:

- The Plans' strong financial condition enables it to adopt a long-term investment perspective.
- Demographic characteristics of participants suggest an average risk tolerance due to the average age of the work force.
- In summary, the Plans' prospects for the future, current financial condition and several other factors argue collectively that the Plans can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Performance Expectations

Over a complete business cycle, the Plans' overall annualized total return, after deducting for advisory, investment/fund management, custodial fees, other Plan expenses as well as total transaction costs, should perform above the weighted average return of the indices referenced in the Section "Monitoring of Investment Managers" on Page 15 of this Investment Policy Statement. This weighted average will be calculated by multiplying the appropriate index for each investment sector times the targeted weighting for each sector, e.g., domestic equities, domestic fixed income, international equities, etc. The weighted returns will then be added to obtain an overall portfolio index return.

ASSET ALLOCATION

The Trustees believe that the Plans' risk and liquidity posture, is in large part, a function of asset class mix. The Trustees have reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. Six major asset classes were selected:

- Domestic Equities
- International Equities
- Domestic Fixed Income
- T-Bills/Cash Equivalents
- Real Estate
- Natural Resources

Based on the Plans' time horizon, risk tolerances, performance expectations and asset class constraints, an efficient or optimal portfolio was identified. The percentage allocation to each asset class may vary as much as plus or minus 10% depending upon market conditions. Asset allocation target ranges are set forth in Exhibit A.

There are two exceptions to the 10% allocation variance limitation. First, in making normal changes to the portfolio, i.e., selling one security and replacing it with another security, the portfolio allocation of an asset class may temporarily fall below the 10% variance from the target allocation. Second, if in the opinion of the investment manager/fund manager, the principal of the Plans are at risk due to extraordinary market conditions, the investment manager/fund manager shall have the authority to liquidate securities, notwithstanding the fact that this causes an asset class to fall below the allocation variance limitation. If, for either of the above reasons, the portfolio asset allocation is outside the variation tolerance for a period exceeding 10 consecutive days, the investment manager/fund manager shall notify the Chairman of the Pension Committee of the variance, the reasons for the variance and recommendations for future investment options. The Chairman of the Pension Committee shall then notify the Trustees within a reasonable amount of time.

The following securities and transactions are not authorized:

- Letter stock and other unregistered securities
- Commodities or other commodity contracts
- Short sales or margin transactions
 - Mutual Funds that "SHORT" and Mutual Funds that use leverage (margin) may be used as investment vehicles provided the entire equity portion of the portfolio is NOT net "SHORT" and not net leveraged (On Margin)
- Securities Lending
- Futures and Options, except within Funds

REBALANCING

The Board of Selectmen, in its 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.

SELECTION CRITERIA FOR INVESTMENT/FUND MANAGERS

Investment managers/fund managers retained by the Plans shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate market 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/fund manager.
- How well the investment manager's/fund manager's investment style or approach complements other assets in the Plan.
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund.
- Be a bank, insurance company or investment adviser as defined by the Registered Investment Advisers Act of 1940.

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

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

SECURITIES GUIDELINES

The Plans' investments may include separately managed accounts and/or mutual funds including marketable alternatives and exchange traded funds. The Board of Selectmen understands that the investment managers/fund 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 Plans' separately managed accounts or in the prospectus/offering memorandum for

each mutual fund/exchange traded fund in the portfolio. No individual securities will be purchased or carried on margin.

Domestic Equities

Each Domestic Equity Manager is expected to adhere to the following guidelines:

- Equity holdings shall be restricted to mutual funds or readily marketable securities of corporations that are actively traded on the major US exchanges including NASDAQ.
- The investment manager/fund manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the investment manager/fund manager will be evaluated against their peers on the performance of the total funds under their direct management.
- High yield bonds are higher risk investment vehicles and are not acceptable in the lower risk fixed income portion of the portfolio. However, there are certain periods in the economic cycle, when high yield bonds can provide an investment return with less risk/volatility than equities. Therefore, Equity Managers will be permitted to invest a portion of the "equity" portion of the retirement portfolio in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds (for diversification) and does not comprise more than 10% of the equity portion of the portfolio.
- From time to time, an initial investment of no more than 10% of the equity portfolio may be positioned in one or more commodity mutual funds. This is a unique strategy and differs from a mutual fund investment that owns companies that are involved in industries related to commodities. For example, a mutual fund that holds an integrated oil company or a natural gas driller or a mining company is not the same as a commodities fund. A commodities fund provides the investor with investment exposure to the commodity directly (i.e. gold, wheat, potash).
- Up to 10% of the equity portfolio strategy may be invested in Mutual Funds which short the fixed income market.

Domestic Fixed Income

It is the intent of the Plans to eliminate all individual bond holdings and invest in bond mutual funds. However, until such time, each fixed income investment manager is expected to adhere to the following guidelines as long as the portfolio holds individual bonds:

- All fixed income securities held in the portfolio shall have had a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB" at time of purchase. Unrated securities of the US Treasury and US Government Agencies are qualified for inclusion in the portfolio. No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the investment manager has specific written authorization from the Trustees.
- The exposure of the portfolio to any one company, other than securities of the US Government, shall not exceed 10% of the market value of the domestic fixed portfolio.
- Holdings of individual bonds shall be large enough for easy liquidation.

- In selection of future bond funds recommended, the Pension Committee needs to review Prospectuses/Offering Memoranda before investment selection is taken.
- Liquidate bonds as practicable and prudent.

Foreign Equities

Each foreign equity manager is expected to adhere to the following guidelines:

- There shall be no direct foreign currency speculation or any related investment activity.

Mutual Funds

With respect to mutual funds, The Board of Selectmen will consider the following to insure proper diversification and function for each of the funds:

- The mutual fund selected should demonstrate;
 1. A clearly defined investment philosophy,
 2. A consistent investment process,
 3. An experienced and stable organization, and
 4. Cost effectiveness.
- The mutual fund used will generally have at least a full three-year track record and the individual fund must have at least \$25 million under management at the time of selection.
- Each mutual fund will be regularly evaluated for proper diversity and each will provide material information on a timely basis.
- With respect to hedge fund-of-funds, in addition to meeting each of the three above specified criteria, each fund-of-funds will include an appropriate number of hedge fund managers to be considered well diversified. Investment strategies in hedge fund-of-funds may generally include: long/short U.S. equity, global equity, derivatives, distressed debt and other fixed income strategies, currency exposure, arbitrage and event driven strategies, and additional strategies with low correlation to traditional asset classes.

T-Bills/Cash Equivalents

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, Time Deposits, Repurchase Agreements are also acceptable investment vehicles.
- Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the Custodian.

Real Estate

Real estate exposure may be obtained via either a direct real estate strategy or a REIT (Real Estate Investment Trust) strategy.

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- A direct real estate strategy would consist of using a professional investment manager which invests directly in underlying real estate, rather than obtaining real estate exposure via equity securities.
- The portfolio of a direct real estate strategy will be diversified geographically and across property sectors.
- A REIT strategy would consist of using an institutional mutual fund which invests in a diversified portfolio of underlying real estate investment trusts, which are companies that purchase office buildings, hotels, and other real estate property.

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Description to follow.

Natural Resources

- Natural resource exposure will be obtained via an institutional mutual fund.
- A natural resource fund may consist of commodities and/or equities of companies involved in the exploration, production, and distribution of real assets.
- A natural resource fund may offer exposure to energy, precious and base metals, agriculture, alternative energy, and other hard assets.

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Description to follow.

PROXY VOTING

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

CONTROL PROCEDURES

Duties and Responsibilities of the Investment Managers

The duties and responsibilities of each investment manager retained by the Trustees include the following:

- Managing the Plan assets under its care, custody and/or control in accordance with the Investment Policy Statement (IPS) objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Pension Committee and Trustees.

- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- Promptly informing the Pension Committee and Trustees in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including but not limited to:

Changes in investment strategy, portfolio structure, tactical approaches and significant market value of managed assets;

Changes in the ownership, organizational structure, financial condition, and/or professional staff of the investment manager; and

All material legal, SEC and other regulatory agency proceedings affecting the investment manager/fund manager.

- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each investment manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Each investment manager shall utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like retirement plans with like aims in accordance and compliance with ERISA and all applicable laws, rules and regulations from local, state, federal and international entities as it pertains to fiduciary duties and responsibilities.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.

Investment Objectives

Investment performance will be reviewed quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of Investment Managers

On a timely basis, but not less than four times a year, the Pension Committee, on behalf of the Trustees will meet to focus on:

- Manager's adherence to the IPS guidelines. Notable style drift/change in investment objective.
- High Manager Fees relative to peers.
- Material changes in the manager's organization, investment philosophy and/or personnel; and

- Comparisons of the manager's results to appropriate indices, over various times frames - 1,3,5,10 year and since inception, specifically:

Domestic Equity Managers:	Russell 3000 Index
Fixed Income Managers:	Barclay's US Aggregate Index, Citigroup World Government Bond Index
International Managers:	MSCI ACWI ex US Index
T-Bills/Cash:	Institutional Money Market Index
Real Estate:	NCREIF Fund Index
Natural Resources:	S&P North American Natural Resources Sector Index

Comment [DF3]: This will be NAREIT if the decision is made to go with a REIT fund rather than direct real estate.

In addition to the information covered during the quarterly reviews, the Pension Committee and the Trustees will meet not less than annually to focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper median of the manager's respective style universe.
- The Plans' performance results compared to the manager's overall performance figure to determine and account for dispersion between the manager's reported results and the Plans' actual results.

TERMINATION OF INVESTMENT/FUND MANAGER

An investment manager/fund manager may be terminated when the Board of Selectmen has lost confidence in the manager's ability to:

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

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

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

The process for selecting a replacement for a terminated manager would follow the criteria outlined in the Section of this Investment Policy Statement titled Selection Criteria for Investment/Fund Managers.

COORDINATION WITH PLAN DOCUMENT

Notwithstanding the foregoing, if a term or condition of this Investment Policy Statement conflicts with any term or condition in the Plans, the terms and conditions of the Plans shall control.

APPROVAL

It is understood that this Defined Benefit and Money Purchase Pension Plans Investment Policy is to be reviewed, not less than annually, by the Pension Committee and Board of Selectmen to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment manager/fund manager.

IN WITNESS WHEREOF, the Board of Selectmen has approved and caused this Investment Policy Statement to be executed by its duly authorized representative this _____ day of _____ 2016.

TOWN OF NEWTOWN

E. Patricia Llodra, First Selectman

DRAFT

EXHIBIT A

TARGET ASSET ALLOCATION
Defined Benefit and Money Purchase Pension Plans
October 1, 2016

<u>Asset Class</u>	<u>Min. Weight</u>	<u>Target Weight</u>	<u>Max. Weight</u>	<u>Benchmark</u>
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Domestic Equities	22.0%	32.0%	42.0%	Russell 3000 Index
International Equities	15.5%	25.5%	35.5%	MSCI ACWI ex U.S. Index
Fixed Income	22.5%	32.5%	42.5%	Barclays U.S. Aggregate Index, Citigroup World Government Bond Index
Real Estate	0.0%	5.0%	10.0%	NCREIF Fund Index – ODCE
Natural Resources	0.0%	2.5%	5.0%	S&P North American Natural Resources Sector Index
T Bills/Cash Equivalents	0.0%	2.5%	0.0%	Institutional Money Market Index

Comment [DF4]: Again, will be NAREIT if we go with a REIT fund.

August 30, 2016

INVESTMENT POLICY STATEMENT

**TOWN OF NEWTOWN
OTHER POST-EMPLOYMENT BENEFITS PLAN**

**Amended and Restated
October 1, 2016**

**By
Newtown
Other Post-Employment Benefits Committee
For
The Board of Selectmen, Plan Trustees**

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EXECUTIVE SUMMARY

Type of Plan	Other Post-Employment Benefits Plan	
Current Assets:	\$1,659,281.77 (As of June 30, 2016)	
Investment Time Horizon:	Greater than 10 Years	
Expected Return:	7.50% effective August 6, 2012	
Risk Tolerance:	Moderate	
Target Asset Allocation:	Domestic Equities	32.5%
	International Equities	27.5%
	Fixed Income	35.0%
	Real Estate - REITs	5.0%
	Foreign Equities: No more than 25% of the 60% in Equities to be Foreign.	
Allocation Variance Limit:	10%	
Investment Manager:	Name of Investment Manager/Fund Manager	
Evaluation Benchmark:	Total portfolio return to perform above the weighted average return of the indexes referenced in the Section "Monitoring of Investment Managers" on Page 15 of this Investment Policy Statement. This weighted average will be calculated by multiplying the appropriate index for each investment sector times the targeted weighting for each sector; e.g. domestic equities, international equities, etc. These weighted returns will then be added to obtain Portfolio return.	

Comment [DF1]: If the allocation above is adhered to, then 45.8% of the equity allocation will be foreign.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Town of Newtown Plan Trustees and Other Post-Employment Benefits (OPEB) Plan Committee in effectively monitoring, supervising and evaluating the investment of the Town of Newtown Other Post-Employment Benefits Plan Plan's Assets.

The Plans' investment program is defined in the various sections of this IPS by:

- Stating in a written document the Trustee's and Committee's attitudes, expectations, objectives and guidelines for the investment of all Plan assets.
- Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long term.
- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio so that all Plan assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Trustees, the OPEB Committee and the Investment Manager(s)/Fund Manager(s).
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Investment Manager(s)/Fund Manager(s).
- Complying with ERISA fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize and with all applicable laws, rules and regulations from various local, state, federal and international entities that may impact Plan assets.
- Defining the responsibilities of the Board of Selectmen, the Other Post-Employment Benefits (OPEB) Committee, the Custodian and other parties responsible for the management of the Plan.

This IPS has been arrived at upon consideration by the Trustees and OPEB Committee of the implications of a wide range of policies. It describes the prudent investment process that the Trustees and OPEB Committee deem appropriate.

BACKGROUND

The Town of Newtown, Connecticut established a plan for other post-employment benefits including retiree medical benefits. The Board of Selectmen, as Trustees of the plan, are responsible for overall investment policy governing management of the plan's assets. The OPEB Committee acts as advisor to the Board of Selectmen. The OPEB Committee studies and discusses the issues that are involved in the administration and investment of the OPEB funds and recommends action to the Board of Selectmen. The OPEB Committee and Trustees will discharge their responsibilities under the plan solely in the long-term interests of plan participants and their beneficiaries.

Key Information

Name of Plan: The Town of Newtown Other Post-Employment Benefits Plan

Plan Sponsor: Town of Newtown

Trustees: Board of Selectmen

Custodian: Wells Fargo Bank, NA

Third Party Plan Administrator: T. R. Paul, Inc.

Investment Manager: Investment Manager/Fund Manager Name

INVESTMENT OBJECTIVES

The investment objectives of the Plan have been established in accordance with sound investment practices that emphasize long-term investment fundamentals. The Board of Selectmen have taken into account the current and projected financial requirements of the Plan, the time horizon available for investment, the nature of the Plan's cash flows and liabilities along with other factors that affect their risk tolerance.

The Investment Objectives are:

- To achieve a rate of return to meet the Plan's actuarial target interest rate.
- To maintain sufficient liquidity to meet Plan benefit obligations and expenses.
- To diversify Plan assets to minimize the risk of large losses or excessive fluctuations in market value from year to year.
- To achieve long term investment results that compare favorably with similarly invested pension plans and of appropriate market indices.
- To maintain a prudent level of risk that balances growth with the need to preserve capital.

RESPONSIBILITIES OF PLAN REPRESENTATIVES

BOARD OF SELECTMEN

The Board of Selectmen, as Trustees for the Town of Newtown Other Post-Employment Benefits (OPEB) Plan, are the sole entity responsible for administering the OPEB Fund. In accordance with this responsibility, the Trustees provide investment oversight for management of Plan assets and development of the Investment Policy Statement on behalf of the Plan and its intended beneficiaries; the current active members, retirees and their dependents.

The Board of Selectmen's responsibilities include:

- Establishing and maintaining the Plan's investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, return evaluation, specific interpretation of the investment policy, selecting the investment vehicles and periodically monitoring the performance of investments.
- Establishing rules or other resolutions governing the Plan's investment policy.
- Delegating to other Board Members, the OPEB Committee or Agents the authority to act on behalf of the Plans.
- Determining the retention, discharge or selection of any Investment Manager/Fund Manager, Custodian and Investment Consultant. The Board of Selectmen shall also establish the amount of funds to be allocated to any Investment Manager/Fund Manager and determine when funds will be reallocated.
- Complying with the fiduciary standards of the Employee Retirement Income Security Act (ERISA) in performing its investment duties. Discharging their duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. In addition, the Board of Selectmen are governed by the CT Prudent Investor Rule. The Board of Selectmen recognize some risk must be assumed to achieve the Plan's long-term objectives.
- Meeting, not less than annually, with the OPEB Committee to review the status of Plan portfolios, hear recommendations from OPEB Committee and Investment Consultant.

OPEB COMMITTEE

The OPEB Committee is appointed by the Board of Selectmen and serves in an advisory role with respect to the administration and investment oversight of Plan assets. The Committee provides guidance and insight into Plan provisions and monitors and reports to the Trustees on the Plan performance.

The responsibilities of the OPEB Committee are:

- To serve as Advisors to the Board of Selectmen with respect to reviewing the recommended asset allocation, risk parameters, return evaluation, specific interpretations of the Investment Policy, selecting and reviewing recommended investment vehicles for the Plan and periodically reporting on the performance of Plan investments.

- To ensure the Statement of Investment Policy, along with other policy guidance and directives outlined by the Trustees, is properly implemented.
- To review the monthly Trust reports with respect to the status and value of Plan assets and report any exceptions or major variances to the Board of Selectmen. The Committee recognizes that some risk must be assumed to achieve the Plan's long-term objectives.
- Monitor the performance of Plan investments not less than quarterly. Meet with the Investment Consultant to review and discuss Plan performance and report to the Board of Selectmen.
- To discharge their duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing and to comply with the ERISA fiduciary standards and the CT Prudent Investor Rule.
- To meet with the Board of Selectmen, not less than annually, to review the status of the Plan investments, their performance, the Investment Policy Statement and any changes that the Committee in consult with the Investment Consultant might feel appropriate to suggest.

INVESTMENT CONSULTANT

The Board of Selectmen may engage the services of an Investment Consultant as a Non-Discretionary Advisor to the OPEB Committee and the Board of Selectmen. The Investment Consultant will assist the OPEB Committee and Board of Selectmen in the development and periodic review of an Investment Policy Statement along with the Plan's asset allocation. The Consultant will also conduct investment manager searches when necessary, monitor the performance of the Investment Manager/Fund Manager, make timely recommendations regarding any change in Investment Manager/Fund Manager and communicate on other matters of relevance to the oversight of the OPEB Plan.

CUSTODIAN

The Board of Selectmen shall retain a bank or trust company to act as Custodian for Plan assets. The Custodian is responsible for safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plans, collect dividends and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales. The Custodian will perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of the Plan's accounts.

GUIDELINES AND INVESTMENT POLICY

Time Horizon

The investment guidelines are based upon an investment horizon of greater than 10 years so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective.

There is a requirement to maintain sufficient liquid reserves to provide for the payment of retirement benefits.

Risk Tolerances

The Trustees recognize the difficulty of achieving the Plan's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Trustees also recognize that some risk must be assumed to achieve the Plan's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. These factors were:

- The Plan's strong financial condition enables it to adopt a long-term investment perspective.
- Demographic characteristics of participants suggest an average risk tolerance due to the average age of the work force.
- In summary, the Plan's prospects for the future, current financial condition and several other factors argue collectively that the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Performance Expectations

Over a complete business cycle, the Plan's overall annualized total return, after deducting for advisory, investment/fund management, custodial fees, other Plan expenses as well as total transaction costs, should perform above the weighted average return of the indices referenced in the Section "Monitoring of Investment Managers" on Page 15 of this Investment Policy Statement. This weighted average will be calculated by multiplying the appropriate index for each investment sector times the targeted weighting for each sector, e.g., domestic equities, domestic fixed income, international equities, etc. The weighted returns will then be added to obtain an overall portfolio index return.

ASSET ALLOCATION

The Trustees believe that the Plan's risk and liquidity posture, is in large part, a function of asset class mix. The Trustees have reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. Four major asset classes were selected:

- Domestic Equities
- International Equities
- Domestic Fixed Income
- Real Estate - REITS

Based on the Plan's time horizon, risk tolerances, performance expectations and asset class constraints, an efficient or optimal portfolio was identified. The percentage allocation to each asset class may vary as much as plus or minus 10% depending upon market conditions. Asset allocation target ranges are set forth in Exhibit A.

There are two exceptions to the 10% allocation variance limitation. First, in making normal changes to the portfolio, i.e., selling one security and replacing it with another security, the portfolio allocation of an asset class may temporarily fall below the 10% variance from the target allocation. Second, if in the opinion of the investment manager/fund manager, the principal of the Plan is at risk due to extraordinary market conditions, the investment manager/fund manager shall have the authority to liquidate securities, notwithstanding the fact that this causes an asset class to fall below the allocation variance limitation. If, for either of the above reasons, the portfolio asset allocation is outside the variation tolerance for a period exceeding 10 consecutive days, the investment manager/fund manager shall notify the Chairman of the OPEB Committee of the variance, the reasons for the variance and recommendations for future investment options. The Chairman of the OPEB Committee shall then notify the Trustees within a reasonable amount of time.

The following securities and transactions are not authorized:

- Letter stock and other unregistered securities
- Commodities or other commodity contracts
- Short sales or margin transactions
 - Mutual Funds that "SHORT" and Mutual Funds that use leverage (margin) may be used as investment vehicles provided the entire equity portion of the portfolio is NOT net "SHORT" and not net leveraged (On Margin)
- Securities Lending
- Futures and Options, except within Funds

REBALANCING

The Board of Selectmen, in its 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.

SELECTION CRITERIA FOR INVESTMENT/FUND MANAGERS

Investment managers/fund managers retained by the Plan shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate market 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/fund manager.
- How well the investment manager's/fund manager's investment style or approach complements other assets in the Plan.
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund.
- Be a bank, insurance company or investment adviser as defined by the Registered Investment Advisers Act of 1940.

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 Board of Selectmen may retain additional investment managers/fund managers to invest the assets of the Plan. Additional managers would be expected to diversify the Plan by investment style, asset class, and management structure and thereby enhance the probability of the Plan achieving its long-term investment objectives

SECURITIES GUIDELINES

The Plan's investments may include separately managed accounts and/or mutual funds including marketable alternatives and exchange traded funds. The Board of Selectmen understands that the investment managers/fund 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/exchange traded fund in the portfolio. No individual securities will be purchased or carried on margin.

Domestic Equities

Each Domestic Equity Manager is expected to adhere to the following guidelines:

- Equity holdings shall be restricted to mutual funds or readily marketable securities of corporations that are actively traded on the major US exchanges including NASDAQ.
- The investment manager/fund manager shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the investment manager/fund manager will be evaluated against their peers on the performance of the total funds under their direct management.
- High yield bonds are higher risk investment vehicles and are not acceptable in the lower risk fixed income portion of the portfolio. However, there are certain periods in the economic cycle, when high yield bonds can provide an investment return with less risk/volatility than equities. Therefore, Equity Managers will be permitted to invest a portion of the "equity" portion of the OPEB portfolio in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds (for diversification) and does not comprise more than 10% of the equity portion of the portfolio.
- From time to time, an initial investment of no more than 10% of the equity portfolio may be positioned in one or more commodity mutual funds. This is a unique strategy and differs from a mutual fund investment that owns companies that are involved in industries related to commodities. For example, a mutual fund that holds an integrated oil company or a natural gas driller or a mining company is not the same as a commodities fund. A commodities fund provides the investor with investment exposure to the commodity directly (i.e. gold, wheat, potash).
- Up to 10% of the equity portfolio strategy may be invested in Mutual Funds which short the fixed income market.

Domestic Fixed Income

It is the intent of the Plan to eliminate all individual bond holdings and invest in bond mutual funds. However, until such time, each fixed income investment manager is expected to adhere to the following guidelines as long as the portfolio holds individual bonds:

- All fixed income securities held in the portfolio shall have had a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB" at time of purchase. Unrated securities of the US Treasury and US Government Agencies are qualified for inclusion in the portfolio. No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the investment manager has specific written authorization from the Trustees.
- The exposure of the portfolio to any one company, other than securities of the US Government, shall not exceed 10% of the market value of the domestic fixed portfolio.
- Holdings of individual bonds shall be large enough for easy liquidation.

- In selection of future bond funds recommended, the OPEB Committee needs to review Prospectuses/Offering Memoranda before investment selection is taken.
- Liquidate bonds as practicable and prudent.

Foreign Equities

Each foreign equity manager is expected to adhere to the following guidelines:

- There shall be no direct foreign currency speculation or any related investment activity.

Mutual Funds

With respect to mutual funds, The Board of Selectmen will consider the following to insure proper diversification and function for each of the funds:

- The mutual fund selected should demonstrate;
 1. A clearly defined investment philosophy,
 2. A consistent investment process,
 3. An experienced and stable organization, and
 4. Cost effectiveness.
- The mutual fund used will generally have at least a full three-year track record and the individual fund must have at least \$25 million under management at the time of selection.
- Each mutual fund will be regularly evaluated for proper diversity and each will provide material information on a timely basis.
- With respect to hedge fund-of-funds, in addition to meeting each of the three above specified criteria, each fund-of-funds will include an appropriate number of hedge fund managers to be considered well diversified. Investment strategies in hedge fund-of-funds may generally include: long/short U.S. equity, global equity, derivatives, distressed debt and other fixed income strategies, currency exposure, arbitrage and event driven strategies, and additional strategies with low correlation to traditional asset classes.

T-Bills/Cash Equivalents

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, Time Deposits, Repurchase Agreements are also acceptable investment vehicles.
- Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the Custodian.

Real Estate

Description to follow: Exposure to real estate may be obtained via a REIT (Real Estate Investment Trust) strategy.

- A REIT strategy would consist of using an institutional mutual fund which invests in a diversified portfolio of underlying real estate investment trusts, which are companies that purchase office buildings, hotels, and other real estate property.

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PROXY VOTING

Each investment manager/fund manager is responsible for and empowered to exercise all rights, including voting rights, as are 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 firm's guidelines and/or summary of proxy votes shall be provided to the Board of Selectmen upon request.

CONTROL PROCEDURES

Duties and Responsibilities of the Investment Managers

The duties and responsibilities of each investment manager retained by the Trustees include the following:

- Managing the Plan assets under its care, custody and/or control in accordance with the Investment Policy Statement (IPS) objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the OPEB Committee and Trustees.
- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- Promptly informing the OPEB Committee and Trustees in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including but not limited to:

Changes in investment strategy, portfolio structure, tactical approaches and significant market value of managed assets;

Changes in the ownership, organizational structure, financial condition, and/or professional staff of the investment manager; and

All material legal, SEC and other regulatory agency proceedings affecting the investment manager/fund manager.

- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each investment manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Each investment manager shall utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like OPEB plans with like aims in accordance and compliance with ERISA and all applicable laws, rules and regulations from local, state, federal and international entities as it pertains to fiduciary duties and responsibilities.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.

Investment Objectives

Investment performance will be reviewed quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Monitoring of Investment Managers

On a timely basis, but not less than four times a year, the OPEB Committee, on behalf of the Trustees will meet to focus on:

- Manager’s adherence to the IPS guidelines. Notable style drift/change in investment objective.
- High Manager Fees relative to peers.
- Material changes in the manager’s organization, investment philosophy and/or personnel; and
- Comparisons of the manager’s results to appropriate indices, over various times frames - 1,3,5,10 year and since inception, specifically:

Domestic Equity Managers:	Russell 3000 Index
Fixed Income Managers:	Barclay’s US Aggregate Index
International Managers:	MSCI ACWI ex US Index
Real Estate - REITs	MSCI U.S. REIT Index

In addition to the information covered during the quarterly reviews, the OPEB Committee and the Trustees will meet not less than annually to focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper median of the manager's respective style universe.
- The Plan's performance results compared to the manager's overall performance figure to determine and account for dispersion between the manager's reported results and the Plan's actual results.

TERMINATION OF INVESTMENT/FUND MANAGER

An investment manager/fund manager may be terminated when the Board of Selectmen has lost confidence in the manager's ability to:

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

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

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

The process for selecting a replacement for a terminated manager would follow the criteria outlined in the Section of this Investment Policy Statement titled Selection Criteria for Investment/Fund Managers.

COORDINATION WITH PLAN DOCUMENT

Notwithstanding the foregoing, if a term or condition of this Investment Policy Statement conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

APPROVAL

It is understood that this Other Post-Employment Benefits Plan Investment Policy is to be reviewed, not less than annually, by the OPEB Committee and Board of Selectmen to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment manager/fund manager.

IN WITNESS WHEREOF, the Board of Selectmen has approved and caused this Investment Policy Statement to be executed by its duly authorized representative this _____ day of _____ 2016.

TOWN OF NEWTOWN

E. Patricia Llodra, First Selectman

EXHIBIT A

TARGET ASSET ALLOCATION Other Post-Employment Benefit Plan October 1, 2016

<u>Asset Class</u>	<u>Min. Weight</u>	<u>Target Weight</u>	<u>Max. Weight</u>	<u>Benchmark</u>
Domestic Equities	22.5%	32.5%	42.5%	Russell 3000 Index
International Equities	17.5%	27.5%	37.5%	MSCI ACWI ex U.S. Index
Fixed Income	25.0%	35.0%	45.0%	Barclays U.S. Aggregate Index
Real Estate	0.0%	5.0%	10.0%	MSCI U.S. REIT Index

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Newtown Portfolio Options



Originally Proposed Portfolio			Indexed Portfolio with Proposed Allocations			Indexed Portfolio with Current Allocations		
Fund/Manager	Target Allocation	Expense Ratio	Fund/Manager	Target Allocation	Expense Ratio	Fund/Manager	Target Allocation	Expense Ratio
Prudential Total Return Bond Q	10.0%	0.46%	Vanguard Total Bond Index I	35.0%	0.05%	Vanguard Total Bond Index I	40.0%	0.05%
Western Asset Clore Plus IS	10.0%	0.42%	<i>Fixed Income Subtotal</i>	35.0%		<i>Fixed Income Subtotal</i>	40.0%	
BlackRock Strategic Income Opps K	7.5%	0.57%						
Legg Mason BW Global Opps IS	<u>5.0%</u>	0.56%						
<i>Fixed Income Subtotal</i>	32.5%							
Vanguard Institutional Index I	22.0%	0.04%	Vanguard Institutional Index I	22.0%	0.04%	Vanguard Institutional Index I	30.0%	0.04%
Vanguard Mid Cap Index Adm	5.0%	0.08%	Vanguard Extended Market Adm	<u>10.0%</u>	0.09%	Vanguard Extended Market I	<u>15.0%</u>	0.07%
Boston Partners Small Cap Value II I	2.5%	1.10%	<i>Domestic Equity Subtotal</i>	32.0%		<i>Domestic Equity Subtotal</i>	45.0%	
Nationwide Geneva SC Growth InSvc	<u>2.5%</u>	1.16%						
<i>Domestic Equity Subtotal</i>	32.0%							
Causeway International Value I	12.0%	0.90%	Vanguard Developed Markets I	24.0%	0.07%	Vanguard Developed Markets I	<u>15.0%</u>	0.07%
Oppenheimer International Growth I	12.0%	0.70%	Vanguard Emerging Markets Adm	<u>4.0%</u>	0.15%	<i>International Equity Subtotal</i>	15.0%	
Harding Loewer Emerging Markets I	<u>4.0%</u>	1.30%	<i>International Equity Subtotal</i>	28.0%				
<i>International Equity Subtotal</i>	28.0%							
Comerstone Patriot Fund	<u>5.0%</u>	1.10%	Vanguard REIT Index Adm	<u>5.0%</u>	0.12%			
<i>Real Estate Subtotal</i>	5.0%		<i>Real Estate Subtotal</i>	5.0%				
Van Eck Global Hard Assets I	2.5%	1.00%						
<i>Natural Resources Subtotal</i>	2.5%							
TOTAL PORTFOLIO	100.0%	0.55%	TOTAL PORTFOLIO	100.0%	0.06%	TOTAL PORTFOLIO	100.0%	0.05%

Source of Expense Ratios: Morningstar

