

Town of Plymouth Contributory Retirement Board

INVESTMENT POLICY STATEMENT

For the

Town of Plymouth Contributory Retirement System

July 2017

INTRODUCTION AND PURPOSE

The Town of Plymouth Contributory Retirement System (the "Plan") has been established to provide retirement income for the town's eligible employees and their beneficiaries. The Retirement System is a governmental qualified defined benefit plan governed by Massachusetts General Laws, Chapter 32, and subject to the fiduciary standards set forth in M.G.L. c. 32 s. 23 (3). The Plan is also subject to investment restrictions imposed by Massachusetts General Laws and the Investment Regulations (840 CMR) of the Public Employee Retirement Administration Commission (PERAC).

This policy statement outlines the goals and investment objectives for the Plan. This document is also intended to provide guidelines for managing the Plan, and to outline 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 Board and other parties responsible for the management of the Plan;
- Establishes investment guidelines regarding the selection of investment managers and diversification of assets;
- Specifies the criteria for evaluating the performance of the investment managers and of the Plan as a whole.

INVESTMENT OBJECTIVE

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 Board has taken into account the financial needs and circumstances of the Plan, 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 effort, the Board has 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;
- To achieve investment results over the long-term that compare favorably with those of other pension Plans, professionally managed portfolios and to appropriate market indexes.

ASSIGNMENT OF RESPONSIBILITIES

Retirement Board - The Plymouth Retirement Board (the "Board") is charged with the responsibility of overseeing the assets of the Plan. To that end, the Board's responsibilities include: establishing and maintaining the Plan's investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, and return evaluation and for specific interpretation of said investment policy, as well as selecting the investment vehicles, and periodically monitoring the performance of the investments. The Board, however, may establish rules or other resolutions governing its investment policy and may delegate to the Board members or agents, the authority to act. The Board will meet periodically. As set forth in M.G.L. c.32 s.23 (3) and 840 CMR 1.00, the Board shall discharge its duties "with the care, skill, prudence and diligence appropriate to the circumstances then prevailing, that 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 and by diversifying the investments of the system so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so". The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

Investment Consultant - The Board may engage the services of an Investment Consultant. The Investment Consultant's role is that of a non-discretionary advisor to the Board. The Investment Consultant will assist in the development and periodic review of an Investment Policy Statement and the Plan's asset allocation, conduct manager searches when necessary, monitor the performance of the managers/funds, and communicate on other matters of relevance to the oversight of the Plan.

Custodian(s) - The Custodian is responsible for the safekeeping and custody of assets. 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 movement of assets into and out of the Plan (for example, to accommodate distribution needs).

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.

REBALANCING

The Board, at its discretion, may or may not institute rebalancing as necessary. Such adjustments should be made 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 MANAGERS/FUNDS

The Board intends to delegate the investment management of the System's assets to qualified investment managers as set forth in Massachusetts General Laws, Chapter 32, Sections 23(2)(b) and 23B. The Board shall utilize a competitive process for the evaluation and selection qualified investment managers in compliance with the procurement provisions of M.G.L. Ch.32, section 23B. Investment managers retained by the Plan shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate indexes and other investments having similar investment objectives with consideration granted to 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;
- 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 Board may retain additional investment 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/commingled funds and exchange traded funds. The Board understands that 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/commingled fund/exchange traded funds in the portfolio.

The investment manager(s) are expected to carry out fiduciary obligations with respect to the Plan's assets in accordance with Massachusetts General Laws Chapter 32, Section 23(3) and the investment regulations promulgated by the Public Employees Retirement Administration Commission (PERAC 840 CMR). Managers are expected to be cognizant and comply with all Massachusetts General Laws and the Investment Regulations (840 CMR) promulgated by the Public Employee Retirement Administration Commission (PERAC).

Massachusetts General Laws, Chapter 32, Section 23(2)(h) prohibits investment directly in mortgages or in collateral loans, and places limitations on investment in certain companies doing business in South Africa or Northern Ireland.

Chapter 119 of the Acts of 1997 prohibits Massachusetts retirement systems from making any new investments in stocks, securities, or other obligations of any company which derives more than 15% of its revenue from the sale of tobacco products. PERAC issues a "Tobacco Company List", and updated the list periodically. The list is available by contacting the Retirement Board, or by download at PERAC's website (www.mass.gov/perac). In applying the statute to pooled funds, PERAC will assess the 15% rule against the entire pool. Thus a pooled fund, if in violation of this standard, will be included on this list. It is the responsibility of each investment manager to obtain and review of copy of the list, as updates are issued.

With respect to mutual/commingled funds, the Board may consider the following to insure proper diversification and function for each of the funds:

1. The mutual fund/commingled pool organizations selected should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; and (d) cost-effectiveness
2. The mutual fund/commingled pool used will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least \$25 million under management (or, as an organization, \$100 million in the same strategy) at the time of selection.
3. Each mutual fund/commingled pool will be regularly evaluated for proper diversity and each will provide material information on a timely basis.

PROXY VOTING

Each investment 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 upon request.

INVESTMENT MONITORING AND REPORTING

The Board will periodically review performance of the investments in 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 Board 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;
- Relative investment management fees;
- Significant organizational or manager change.

In addition, the Board shall meet with its qualified investment manager(s) at least annually and require investment managers to report to the Board, on a quarterly basis, with a comprehensive written review of investment performance, a review of the System's investments, and a report on the investment manager's current investment outlook and future strategy. The annual investment review process will utilize the same criteria that formed the basis of the investment selection decision.

TERMINATION OF AN INVESTMENT MANAGER OR FUND

A manager/fund may be terminated when the Board 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 time, may be grounds for termination.

APPROVAL

It is understood that this investment policy is to be reviewed periodically by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, actuarial assumptions, risk tolerance, or changes involving the investment managers. The Board shall notify PERAC, as required by 840 CMR 18.03, of any changes to its investment objectives within ten days of the effective date, if applicable, and by the end of each calendar year whether or not any changes were made in the investment objectives.

This Investment Policy Statement has been adopted by:

The Plymouth Retirement Board

By:

Thomas Weg

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Scott Campbell

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Date:

10/23/17

**APPENDIX A
Updated July 2017**

Target Asset Allocation Table

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Short Term Money Market	0.0%	0.0%	5.0%	Citigroup Three-Month T-Bill Index
Fixed Income				
Core Fixed Income	10.0%	15.0%	24.0%	Barclays Aggregate Index
High Yield Fixed Income	0.0%	4.5%	10.0%	Barclays U.S. High Yield Ba/B2% Issuer Cap
Floating Rate/Bank Loans	0.0%	4.0%	8.0%	CS Leveraged Loan Index
Domestic Equity				
Domestic Large Cap	15.0%	22.5%	30.0%	S&P 500 Index
Domestic Small Cap	5.0%	9.0%	15.0%	Dow Jones US Small Cap Index/Russell 2000 Index
International Equity				
International Large Cap	10.0%	17.5%	25.0%	MSCI-ACWI ex-US Index
International Small Cap	0.0%	5.0%	10.0%	MSCI-EAFE Small Cap Index
Real Estate	5.0%	10.0%	15.0%	Custom Index ¹
Hedge Funds	0.0%	5.0%	10.0%	HFRI Fund of Funds Composite Index
Private Equity	0.0%	7.5%	12.5%	Russell 3000 Index

¹The custom index for Real Estate includes a custom blend of underlying strategic benchmarks for the PRIT Real Estate Account, currently 80% NCREIF Property Index (on a full quarter lag)/20% FTSE EPRA NAREIT Developed Net Total Return Index.