

**Investment Policy Statement  
Town of Somers  
Pension Plan  
DRAFT 10/20/22**



## **I. Purpose and Scope**

The purpose of Somers Town Pension Plan (the “Plan”) is to provide post-retirement benefits to covered employees of the Town of Somers who are entitled to receive benefits under the Plan. The purpose of this Investment Policy Statement is to guide the Pension Committee and its advisors in making investment-related decisions by establishing guidelines for the management of the Plan’s Investment Portfolio (the “Portfolio”). The town currently expects to maintain the Plan in perpetuity. This Statement shall be reviewed periodically and may be revised by The Pension Committee of Somers.

## **II. Responsibilities**

**The Pension Committee** (the “Committee”), has primary responsibility for Portfolio investments and asset allocation decisions. In carrying out this responsibility, the Committee will act solely in the interests of the participants of the Town Plan and their beneficiaries. The Committee’s guiding principle for fulfilling this responsibility is the “Prudent Person Standard: “A fiduciary must discharge his or her duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character and aims.” This standard applies to all those to whom the Committee may delegate responsibility. More specifically the Committee will

- Establish and maintain the Investment Policy Statement
- Ensure the Plan’s investment policies are carried out
- Work with the advisor in choosing appropriate investments for the Plan
- Implement an appropriate asset allocation policy
- Implement investment changes as warranted.
- Monitor and evaluate the performance of investment managers and mutual funds
- Monitor liquidity requirements to meet Plan obligations *and initiate transfers of cash to the town account to fund those obligations.*

**The Investment Consultant** will provide information (see IV below) and advice pertaining to the disposition of the Portfolio’s assets. The Committee may delegate the day-to-day authority for transactions to consultants and/or fund managers. The investment consultant is expected to follow the spirit of the IPS guidelines and to advise the committee of any transactions not addressed by this statement or which otherwise require explanation before those transactions are executed.

**The Custodian** will collect and hold all investments and cash related to them. The Custodian will maintain records of all investments including cost and market, and supply quarterly information concerning performance, asset allocation, and any other related information that the Committee may require for decision-making. Functions of the Investment Consultant and Custodian may be combined in one firm.

**Fund Managers** are the investment professionals in charge of the mutual funds, REIT’s, ETF’s, and other investments that make up the assets of the Portfolio.

**The Town CFO and Assistant Finance Director** will provide information concerning funding of benefits, pension funding levels, and Town finances and will contribute counsel about investments. *They oversee the cash management of the Town*

*tactical changes within these allocation ranges in response to market conditions.*

#### Prohibited transactions

The Committee is prohibited from the following transactions because they involve excessive risk, excessive complexity, and/or lack of liquidity. Some of these may be engaged in by funds under the Committee's management, but no funds will be purchased that engage exclusively or predominately in these transactions.

1. Purchasing securities on margin or executing short sales
2. Purchasing derivatives
3. Purchasing hedge funds or private equity
4. Executing options or futures contracts
5. Pledging or hypothecating securities
6. Investing in currency markets
7. SPACS (*Special Purpose Acquisition Company*)
8. *Cryptocurrencies and entities that invest in them or provide services concerning them.*

#### **IV. Reporting / Performance Monitoring**

The Committee will receive Quarterly Reports from the Investment Consultant that includes, but is not limited to, the following:

- An outline of current strategy and investments
- Portfolio performance versus the assigned benchmark index and peer group
- Portfolio performance since inception and over various time periods
- Portfolio composition relative to asset allocation policy
- A review of the portfolio's diversification
- Portfolio analysis by sector

#### Fee Disclosures:

The Committee will undertake a periodic review of Plan fees and expenses, including investment management consulting, banking, custodial, and actuarial.

#### **Strategic Asset Allocation Parameters**

<b>Asset class</b>	<b>Range</b>
<i>Equities: US and Foreign (through mutual funds or ETFs)</i>	40-80%
<i>Alternatives: REITs, MLPs</i>	0-20%
<i>Fixed income: Bonds, Preferreds, cash and cash equivalents (CDs, Money market)</i>	15-55%

Approved by Pension Committee on 1/8/15

Reviewed by Pension Committee but not changed 1/26/19

Reviewed and Amended by Pension Committee on 10/20/22

### **Benefit Payment Services**

1. Monthly benefit payments to retirees coordinated through H&H Service Center
2. Trust level statements
3. Retiree death audit
4. Calculation and remission of Federal and/or State taxes
5. Tax withholding and reporting
6. Check reporting
7. Voids, stop payments, replacement checks

### **Participant Services - H&H Service Center**

1. H&H Service Center assistance for all participants
2. Interaction with participants to process benefit calculations and set up payment including:
  - a. Answer participant questions
  - b. Audit submitted forms and supporting documentation
  - c. Correspond with participant until forms are complete and in good order
  - d. Submit completed forms to sponsor for authorization
  - e. Initiate new retiree benefit payments with custodian
3. Assist in the set-up of surviving spouse upon death of retiree
4. Administer benefit payment maintenance
5. Pension income verifications
6. Locate missing participants
7. Monthly benefit payment register audit and reconciliation
8. Retiree death audit review
9. Mailing of the following:
  - a. Benefit election packages to participant
  - b. Letters to terminated vested participants with Accrued Benefits (includes preparation)
  - c. Letters to non-vested terminations (includes preparation)
  - d. Bi-annual mailing to terminated vested participants six months prior to normal retirement date (includes preparation)
  - e. Benefit statements (if requested)
  - f. Suspension of benefits notices (if applicable)

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