

**TOWN OF LEDYARD, CONNECTICUT**

**DEFINED BENEFIT PENSION PLAN**

**INVESTMENT POLICY STATEMENT**

Updated May 2023

With Update to Appendix A as of August 2019  
With Updates to Appendix A as of March 2022  
With Updates to Appendix A as of August 2022  
With Updates as of May 2023

## **Introduction & Purpose**

The Town of Ledyard Defined Benefit Pension Plan (the “Plan”) has been established to provide retirement benefits to those individuals eligible to receive them. This policy statement outlines the goals and investment objectives for the Plan in accordance with Section 3.3e of the Town of Ledyard Ordinance 200-100. This document is 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 Retirement 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 Retirement Board has 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 Retirement Board has determined that the investment of these assets shall be guided by the following underlying objectives:

- Achieve full funding (based on actuarial calculations) by the end of FY32-33 (Note: as agreed upon by majority vote of the Retirement Board on October 18<sup>th</sup>, 2022)
- Maintain sufficient liquidity to meet the obligations of the Plan;
  - The Town Finance Director has the authority to liquidate Pension Fund holdings in order to maintain sufficient liquidity to meet plan retiree obligations.
  - The Town Finance Director has the authority to allocate the Town’s annual contribution to the plan between cash (for liquidity) and other investments.
  - The Town Finance Director will inform the Retirement Board of such transaction but does not need the Boards approval prior to executing such transactions.
- Diversify the assets of the Plan in order to reduce risk;
- Achieve investment results over the long-term that compare favorably with those of other pension plans, professionally managed portfolios and of appropriate market indexes. **An overall return of 6.25% is to be used for actuarial**

calculations when determining current funding levels and annual contributions to the plan.

### **Assignment of Responsibilities**

**Retirement Board** - The Retirement 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 investments. The Retirement Board, however, may establish rules or other resolutions governing its investment policy and may delegate to the committee members or agents the authority to act. The Retirement Board will meet periodically. The Retirement Board shall discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. The Retirement Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

**Investment Consultant** - The Retirement Board may engage the services of an Investment Consultant. The Investment Consultant's role is that of a non-discretionary advisor to the Retirement 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** - 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 accounts (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 Retirement Board, at 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 Managers**

Investment managers/funds 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. 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;
- 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 Retirement 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/co-mingled funds, including marketable and non-marketable alternatives 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/co-mingled fund/exchange traded fund in the portfolio. No securities will be purchased, or carried, on margin.

With respect to mutual/co-mingled funds, the Board will consider the following to insure proper diversification and function for each of the funds:

1. The mutual fund/co-mingled 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/co-mingled 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/co-mingled pool will be regularly evaluated for proper diversity and each will provide material information on a timely basis.
4. 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.

### **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 client. A copy of each firm's guidelines, and/or summary of proxy votes shall be provided to the Retirement 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;
- High manager fees relative to peers;
- Significant organizational or manager change.

## 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.

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 Managers.

## Approval

*It is understood that this investment policy is to be reviewed periodically by the Retirement Board 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 managers.*

This Investment Policy Statement has been adopted by Town of Ledyard Retirement Board and is so approved:

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Name: \_\_\_\_\_

Title: Chairperson, Town of Ledyard Retirement Board

Appendix A  
Updated March 2022

**Target Asset Allocation Table**

<b>Asset Class</b>	<b>Min Weight</b>	<b>Target Weight</b>	<b>Max Weight</b>	<b>Benchmark Index</b>
Cash	0.0%	3.0%	5.0%	90-Day Treasury Bill
Fixed Income	25.0%	36.0%	50.0%	Barclays Capital Aggregate Index
Domestic Equities	20.0%	33.5%	50.0%	S&P 500 Index Russell 2000 Index
International Equities	10.0%	22.5%	40.0%	MSCI ACWI ex-US Index MSCI Emerging Markets Index
Real Assets	0.0%	5.0%	15.0%	S&P Real Assets Index

## Revision History

On May 16, 2023 the Retirement Board voted to approve the Investment Policy Statement as amended. This revised document changes the name of the board overseeing the Pension Plan from the Pension Board to the Retirement Board based on Ordinance #200-010. It also clarifies the timeframe for which the fund shall achieve full funding and the overall rate of return to be used in actuarial calculations. It also gives the Town Finance Director authority to liquidate fund holdings to maintain sufficient liquidity to pay plan obligations and determine how annual town contributions are allocated within the fund.