

# STATEMENT OF INVESTMENT POLICY, OBJECTIVES AND GUIDELINES

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## INTRODUCTION & PURPOSE

The Town of East Windsor Pension Plan ("Plan") is a defined benefit pension plan maintained to provide retirement benefits to plan participants and their beneficiaries. The Retirement Board is charged with the responsibility of monitoring the investment management of Plan assets. To assist the Retirement Board in this function, this investment policy statement was adopted to outline the goals, investment objectives and guidelines for managing the Plan assets.

The Statement is intended to provide the Retirement Board and the parties responsible for the investment management of the Plan assets ("Portfolio Managers") with a foundation from which to understand specific strategies and to enable the Retirement Board to effectively evaluate the performance of the Portfolio manager

## FUNCTIONS OF THE RETIREMENT BOARD

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The responsibilities of the Retirement Board relating to the investment management of the portfolio include:

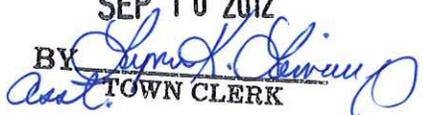
- Development of the Statement of Investment Policy, Objectives and Guidelines, to include, but not limited to;
  - Establish reasonable and consistent investment objectives, polices and guidelines
  - Define the risk tolerance
  - Define the time horizon
- Review the Statement periodically and make any necessary revisions;
- Select the Portfolio Managers ;
- Communicate/provide the Statement to the Portfolio Managers ;
- Regularly evaluate the performance of the Portfolio Managers to assure adherence to policy guidelines, and to monitor progress toward achieving investment objectives.

The Retirement Board shall not reserve any control over investment decisions, with the exception of specific limitations that may be described in the Statement. The Portfolio Managers shall be held accountable and responsible to achieve the objectives stated herein.

Cash requirements will be reviewed no less frequently than annually, and any change will be communicated within a reasonable time to the Portfolio Managers.

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## INVESTMENT MANAGEMENT POLICY

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### Stated Investment Objective

The investment objective of the portfolio is to achieve long-term growth through capital appreciation with current income as a secondary consideration. The portfolio's overall return shall be evaluated based upon both realized and unrealized capital gains and losses.

### Investment Horizon

The investment time horizon of the portfolio is long-term.

### Asset Allocation Guidelines

The portfolio shall be diversified by asset class (equities, fixed income, cash equivalents.) The allocation between equities and fixed income instruments will be the most important factor in determining investment performance over time. The purpose of investing in fixed income is primarily to produce current income and to reduce overall volatility of the portfolio. The purpose of investing in equities is to provide future growth in both principal and income while also preserving the purchasing power of the assets:

To maximize the ability of achieving the overall goals of the portfolio and provide the required level of income each year, the allocation between equities and fixed income shall adhere to the following ranges based on market value:

<u>Asset Class</u>	<u>Allocation Range</u>	<u>Target</u>
Equity	50% - 70%	60%
Fixed Income	30% - 50%	40%
Cash equivalents	0% - 10%	0%

The Retirement Board shall monitor the above ranges and targets periodically and communicate any changes to the Portfolio Managers

### Investment Guidelines

The Portfolio Managers are permitted to invest in the following assets:

#### Equity Investments

- Common Stocks
- Preferred Stocks
- Equity Mutual Funds/Exchange Traded Funds
  - Large Cap Funds

- Mid Cap Funds
- Small Cap Funds
- International Funds
- Emerging Market Funds

The Portfolio Managers use of mutual funds or exchange traded funds to add exposure to international as well as small and mid cap equities are subject to the following guidelines:

International equities should not represent more than 15% of the equity allocation in the portfolio.

The combined exposure to small and mid cap equities should not be more than 15% of the equity allocation in the portfolio.

It is the responsibility of the Portfolio Manager to ensure that the guidelines and objectives of the portfolio are consistent with the investment policy. It is the Portfolio Manager's responsibility to monitor the mutual fund and ensure that the mutual fund does not violate its prospectus and/or charter.

All investments must have a readily ascertainable market value and must be readily marketable

The emphasis will be on achieving long-term (minimum of three (3) years) performance objectives.

#### Fixed Income Securities

U.S. Government and Agency Securities  
 Corporate Notes and Bonds  
 Mortgage-Backed Bonds  
 Collateralized Mortgage Obligations  
 Fixed Income Mutual Funds/Exchange Traded Funds

The purpose of investing in bonds is to obtain a fixed and reasonably high level of current income and to reduce market volatility.

Bond investments should not be exposed to significant levels of interest rate risk or credit risk.

Bond investments should be limited to those backed by the full faith and credit of the United States Government and other bonds, not guaranteed by the United States Government, provided they are rated at least an "BBB" or its equivalent by Standard & Poor's or Moody's.

All investments must have a readily ascertainable market value and must be readily marketable

The emphasis will be on long-term (minimum of three (3) years) rather than on short term performance.

