

Investment Policy Statement

For

**School District of New
London**

Other Post Employment Benefits (OPEB)

Wisconsin OPEB Trust

September 24, 2018

BACKGROUND

The School District (the “District”) has entered into an agreement with the Wisconsin OPEB Trust (the “Trust”). The Trust is intended to provide for funding of non-pension post-employment benefits (“OPEB”) for employees who meet the age and service requirements outlined in the District’s plan documents.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

The purpose of the Investment Policy Statement (the “Investment Policy”) is to achieve the following:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all parties by documenting investment objectives, performance expectations and investment guidelines for the Trust assets.
3. Establish an appropriate investment strategy for managing all Trust assets, including an investment time horizon, risk tolerance ranges and asset allocation to provide sufficient diversification and overall return over the long-term time horizon of the Trust.
4. Establish periodic performance reporting requirements that will effectively monitor investment results and ensure that the Investment Policy is being followed.
5. Comply with all fiduciary, prudence, due diligence and legal requirements for Trust assets.

The Investment Policy is intended to be a summary of an investment philosophy and the procedures that provide guidance for all involved parties. The policies described in the Investment Policy should be dynamic. These policies should reflect the District’s current status and philosophy regarding the investment of the Trust assets. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Trust assets, to the District or the capital markets.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the District

The District School Board or its designee(s) (the “Committee”) oversees certain policies and procedures related to the operation and administration of the Trust. The Committee will have authority to implement the investment policies and guidelines in the best interest of the Trust. In implementing the Investment Policy, the Committee believes it may delegate certain functions to:

1. An Investment Advisor to assist the Committee in the investment process and to maintain compliance with the Investment Policy. The Investment Advisor must be registered with the Securities and Exchange Commission.
2. A Custodian to physically maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. 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 Trust.
3. A Corporate Trustee, such as a bank trust department, to provide administration according to the terms of the Trust agreement.
4. Additional specialists such as attorneys, auditors, actuaries, and others to assist the Committee in meeting its responsibilities and obligations to administer Trust assets prudently.

Specific responsibilities of the Committee include:

1. Communicating financial needs such as cash flow to the Investment Advisor and Trustee.
2. Providing the current actuarial valuation report to the Investment Advisor.
3. Developing, reviewing and recommending proposed changes to the Investment Policy.

Responsibility of the Investment Advisor

The Investment Advisor’s role is that of a discretionary advisor to the Trust operating within the guidelines outlined in the Investment Policy. Investment advice concerning the management of Trust assets will be offered by the Investment Advisor, and will be consistent with the investment objectives, policies, and guidelines established in the Investment Policy.

Specific responsibilities of the Investment Advisor include:

1. Assisting the Committee with the development and periodic review of the Investment Policy.
2. Researching and selecting the investments.

3. Monitoring the performance of the investments on a quarterly basis in accordance with the guidelines established in the Investment Policy.
4. Maintaining the Trust assets within the asset allocation guidelines established in Investment Policy.
5. Communicating relevant issues to the Committee that may affect Investment Policy such as current global economic conditions and outlook.

Responsibility of Mutual Funds and Exchange Traded Funds (collectively the “Funds”)

Funds will be expected to invest assets in accordance with the investment policies, guidelines and objectives established within the Funds’ prospectus.

Specific responsibilities of the Funds include:

1. Exercising full investment discretion with respect to buying, managing, and selling assets held in the portfolio.
2. Voting all proxies and related actions on a timely basis.
3. Maintaining detailed records of all voted proxies and related actions and comply with all applicable regulatory obligations.
4. Communicating openly with the public regarding all significant changes pertaining to the Fund. Examples of changes to the Fund include changes in ownership, organizational structure, financial condition, and professional staff are examples of changes to the Fund.

Responsibility of the Trustee of the Trust

The Trustee’s role is that of a directed trustee. The Trustee shall discharge duties solely in the interest of the Trust, with the care, skill, prudence and diligence under 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 with like aims.

Specific responsibilities of the Trustee include:

1. Managing the Trust according to the terms of the Trust agreement
2. Adhering to the guidelines as defined in UPIA and all other applicable regulations.
3. Developing and enacting proper control procedures.
4. Performing daily asset reconciliation with sub custodian.

GENERAL INVESTMENT PRINCIPLES

1. All transactions undertaken must be made solely in the interest of the Trust beneficiaries and defray reasonable expenses in a prudent manner.
2. Investments of the Trust shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
3. The Investment Advisor may employ one or more investments of varying styles and philosophies to attain the Trust's objectives.
4. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

INVESTMENT OBJECTIVES

The investment objective of the Trust is to provide for funding and anticipated withdrawals on a continuing basis for payment of OPEB related expenses. To fulfill the District's current and long-term OPEB obligations, the Trust seeks to achieve growth of Trust assets through capital appreciation and dividend and interest income while minimizing risk of loss.

INVESTMENT TIME HORIZON

The Trust's investment objectives are based on the duration of the OPEB liabilities. The Committee has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

INVESTMENT PERFORMANCE GOALS

Over full market cycles, typically 5 to 7 years, the performance goal for the Trust assets will be to achieve an annualized rate of return that is equal to or greater than the Trust's current actuarial discount rate.

Additionally, it is expected that the annual rate of return of Trust assets will be commensurate with the then prevailing investment environment. Measurement of this return goal will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Trust investments and blended benchmark comparisons for the aggregate Trust assets.

DEFINITION OF RISK

The Committee expects that any person or organization involved in the process of managing the Trust assets understands how the Committee defines risk so that the assets are managed in a manner consistent with the Trust's objectives contained within the Investment Policy. The Committee defines risk as:

The probability of not meeting the Trust's liabilities or cash flow requirements

ASSET ALLOCATION GUIDELINES

Investment management of the Trust assets shall be in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Domestic Equity	20%	40%	30%
International Equity	5%	25%	15%
Inflation Sensitive	0%	15%	4%
Fixed Income – Investment Grade	25%	45%	35%
Fixed Income – Other	5%	25%	15%
Cash Equivalents	0%	20%	1%

The Investment Advisor may employ investments that have disciplines outside of the established asset allocation guidelines. However, taken as a component of the aggregate Trust assets, such disciplines must fit within the overall asset allocation guidelines established in the Investment Policy.

The Investment Advisor will evaluate Trust asset allocation against the preferred targets and acceptable ranges on a quarterly basis, or more frequently if market conditions dictate. If a particular asset class exceeds the maximum or minimum constraints of its acceptable range, the Investment Advisor will rebalance Trust assets to bring the asset class allocation back within the asset allocation guidelines established in the Investment Policy. Trust assets will not be rebalanced when the Committee requests that the Investment Advisor hold cash equivalents for shorter-term needs causing certain asset classes to fall outside the acceptable ranges.

INVESTMENT GUIDELINES

Allowable Assets:

Domestic Equity

- Common Stocks
- Convertible Notes and Bonds
- Convertible Preferred Stocks

International Equity

- Stocks of Non-U.S. Companies (Ordinary Shares)
- American Depository Receipts (ADRs)

Inflation Sensitive

- Commodities
- Public Real Estate (i.e. REITs)

Fixed Income – Investment Grade

- Global Government and Agency Securities
- Treasury Inflation Protected Securities (TIPS)
- Global Corporate Notes and Bonds (rated BBB or higher by Standard & Poors and/or BAA or higher by Moodys)
- Mortgage Backed Bonds
- Preferred Stock

- Municipal Bonds

Fixed Income – Other

- Emerging Markets Fixed Income Securities
- Global High Yield Bonds – Non-Investment Grade (rated lower than BBB by Standard & Poors and/or lower than BAA by Moodys)

Cash Equivalents

- Treasury Bills
- Money Market Funds
- Commercial Paper
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit
- Guaranteed Investment Contracts (GICs)

LIQUIDITY

The Committee will provide the Investment Advisor and Trustee with a timely estimate of expected net cash flow needs to allow sufficient time to build up necessary liquid reserves.

SELECTION OF INVESTMENTS

Every effort shall be made, to the extent practical, prudent and appropriate, to select investments that have objectives and policies that are consistent with the Investment Policy. However, given the nature of certain pooled investments, including Funds, it is recognized that there may be deviations between the Investment Policy and the objectives of these pooled investments. Funds will not be included in the Trust unless they comply with the Investment Company Act of 1940's diversification requirement. In evaluating the performance of investments, the Investment Advisor shall take into account some or all of the following criteria:

1. The investment performance should be competitive on a long-term basis and on a risk-adjusted basis as measured by standard deviation. Specific risk and risk-adjusted return measures should be within a reasonable range relative to an appropriate, style-specific benchmark and peer group.
2. Based on the investment's objective and style, performance should be competitive and consistent when measured against an appropriate style-specific benchmark and peer group used for relative investment performance evaluation.
3. The investment should have fees that are reasonable and competitive with similar investment funds

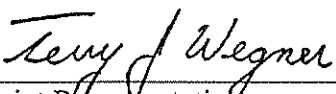
INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Advisor shall be compiled at least quarterly and communicated to the Committee for review. The investment performance of aggregate Trust assets, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in the Investment Policy. The Investment Advisor intends to evaluate Trust asset and investment performance over a full market cycle, typically 5-7 years.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in the Investment Policy, the Committee plans to review investment policy at least annually. Any changes and exceptions to the Investment Policy will be made in writing and adopted by the Committee.

Resolved by:
Terry Wegner, Board President



District Representative

September 24, 2018

Date