

**Town of Simsbury
Retiree Health Care Trust**

INVESTMENT POLICY STATEMENT

September 2007

Introduction & Purpose

The Town of Simsbury Retiree Health Care Trust (the "Trust") has been established to provide post employment retirement benefits to those individuals eligible to receive them. This policy statement outlines the goals and investment objectives for the Trust. This document is also intended to provide guidelines for managing the Trust, and to outline specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Trust;
- Describes an appropriate risk posture for the investment of the Trust's assets;
- Defines the responsibilities of the Board of Finance (the "Board") and other parties responsible for the management of the Trust;
- 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 Trust as a whole.

Investment Objectives

The Trust's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Trust, the Board has taken into account the financial needs and circumstances of the Trust, the time horizon available for investment, the nature of the Trust's cash flows and liabilities, and other factors that effect their risk tolerance. Consistent with these attributes, 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 Trust;
- To exceed the rate of inflation, as defined by CPI, by approximately 4.0% per annum over a full market cycle (a 5-10 year period);
- To maintain sufficient liquidity to meet the obligations of the Trust;
- To diversify the assets of the Trust in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that could occur from concentrated positions;
- To achieve investment results over the long-term that compare favorably with those of other municipal investment pools, professionally managed portfolios and appropriate market indexes.

Volatility Objectives

- Diversification will be employed to reduce risk. The Trust's assets will be diversified by generally employing multiple investment firms engaging in distinct styles of investment.
- The volatility of the total portfolio, in aggregate, should be reasonably close to the volatility of a weighted composite of market indices of the target portfolio, which currently is comprised of: 22.5% S&P 500 Index, 5.0% Russell Mid Cap Index, 2.5% Russell 2000 Index, 15.0% MSCI EAFE Index, 5.0% MSCI Emerging Market Index, 2.5% Cohen & Steers Realty Major Index, 2.5% S&P World Ex US Property Index, 22.5% Lehman Brothers Aggregate Index, and 22.5% Lehman Brothers US TIPS Index.

Assignment of Responsibilities

Board of Finance - The Board is charged with the responsibility of managing the assets of the Trust. To that end, the Board's responsibilities include: establishing and maintaining the Trust's investment policy, selecting the investments, and periodically monitoring the performance of the investments. The Board shall discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing.

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 Trust'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 Trust.

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 Trust, 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 Trust (for example, to accommodate payments to eligible Trust participants).

Asset Allocation

The asset allocation target ranges set forth below represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted range.

Target Asset Allocation Table

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Domestic Equities:				
Large Cap	17.5%	22.5%	27.5%	S&P 500
Mid Cap	2.5%	5.0%	7.5%	Russell Mid Cap
Small Cap	0.0%	2.5%	5.0%	Russell 2000
Foreign Equity:				
International Eq. (Devel.)	10.0%	15.0%	20.0%	MSCI EAFE
International Eq. (Emerg.)	0.0%	5.0%	10.0%	MSCI Emerging Market
Real Estate:				
REIT (Domestic)	0.0%	2.5%	5.0%	Cohen & Steers Realty Mjr.
REIT (Intl.)	0.0%	2.5%	5.0%	S&P World Ex US Prop.
Fixed Income:				
Broad Market	5.0%	22.5%	30.0%	LB Aggregate
Inflation-Protected	5.0%	22.5%	30.0%	LB US TIPS
Short Term/Cash	0.0%	0.0%	10.0%	90 Day US T-Bill

Rebalancing

Given the inherent volatility of the capital markets, strategic adjustments in various asset classes may be required to rebalance asset allocation back to its target allocation. The necessity to rebalance will be reviewed periodically. Investment managers will rebalance portfolios at the direction of the Board. Such adjustments should be executed so as to minimize excessive turnover, transaction costs, and realized losses over the long term.

Selection Criteria for Investment Managers

Investment managers retained by the Trust shall be chosen using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives with consideration granted 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 Trust;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund;

- An assessment of the likelihood of future investment success, relative to other opportunities.

The Trust will generally utilize a multi-manager structure of complementary investment styles and asset classes to invest its' assets.

Should additional contributions and/or market value growth permit, the Board may retain additional investment managers to invest the assets of the Trust. Additional managers would be expected to diversify the Trust by investment style, asset class, and management structure and thereby enhance the probability of the Trust achieving its' long-term investment objectives.

Securities Guidelines

The Trust's investments may include separately managed accounts and/or mutual funds/co-mingled funds (including 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 Trust's separately managed accounts or in the prospectus/offering memorandum for each mutual fund/co-mingled fund in the portfolio.

With respect to separately managed accounts, any securities and transactions that are not permitted in the Trust without prior written Board approval will be detailed in the investment policy statement of each separate account manager, which is included as an attachment to this policy.

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; (d) cost-effectiveness; and (e) responsiveness to evolving investor requirements.
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.

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 according to their established proxy voting guidelines. A copy of those 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 Trust. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain in tact and that an investment continues to be appropriate for the Trust. 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:

- Behind benchmark performance over a specified period of time;
- Deterioration of risk-adjusted performance;
- Notable style drift / change in investment objective;
- Investment management fees not competitive in marketplace;
- 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, it is reasonable to presume a lack of adherence going forward. 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 professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the termination decision process.

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 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.

The signature below affirms that this statement has been read, understood and accepted by the Board.

Town of Simsbury Retiree Health Care Trust

Name: _____

Signature: _____

Date: _____

Title: _____