MDC

The Metropolitan District

water supply · environmental services · geographic information

PERSONNEL, PENSION & INSURANCE COMMITTEE
SPECIAL MEETING
TUESDAY, OCTOBER 20, 2020
12:00 PM

IN ACCORDANCE WITH GOVERNOR LAMONT'S EXECUTIVE ORDER #7B
THIS MEETING WILL INCLUDE TELEPHONIC ATTENDANCE
Dial in #: (415)-655-0001
Access Code: 43808661#

The general public is welcome to call into the meeting. Everyone present on the conference call should mute their phone to limit background noise.

Location
Board Room
District Headquarters
555 Main Street, Hartford

Commissioners

Avedisian	Marotta
Camilliere	Pane
Currey	Patel
DiBella (Ex-Officio)	Salemi
Lester	Sweezy (VC)
Magnan	Taylor (C)

Quorum: 6

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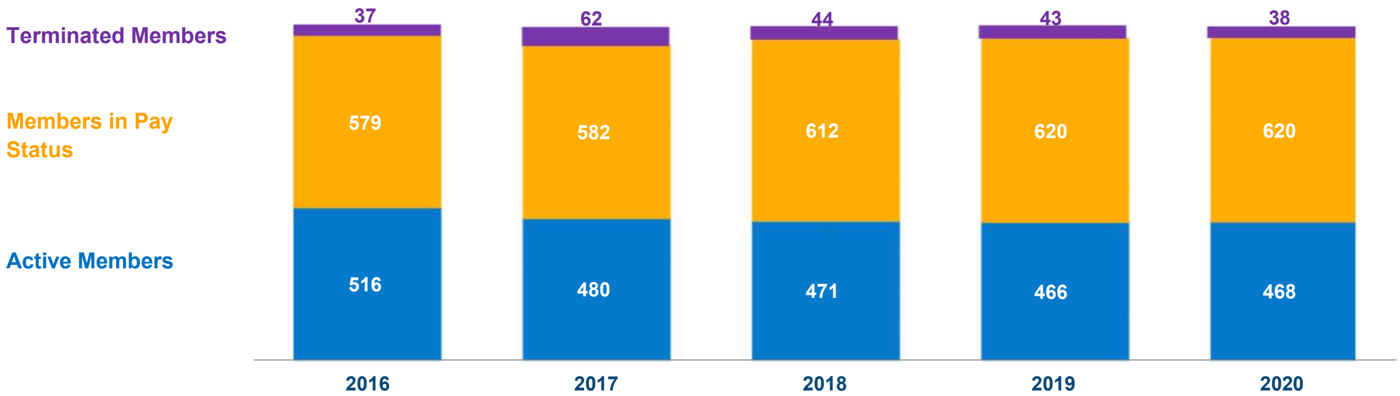
1. CALL TO ORDER
2. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
3. APPROVAL OF MEETING MINUTES OF SEPTEMBER 21, 2020
4. REPORT RE: OPEB AND PENSION ASSUMPTIONS
5. CONSIDERATION AND POTENTIAL ACTION RE: APPROVAL OF OPEB INVESTMENT POLICY
6. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
7. COMMISSIONER COMMENTS & QUESTIONS
8. ADJOURNMENT

RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

Membership

Member Count



Active Members on January 1, 2020

Total	468
Average Age	50.4
Average Service	15.4
Total Payroll	$47,184,831
Average Payroll	100,822

	Years of Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
< 25	3							3
25-29	10	4						14
30-34	18	7	3					28
35-39	19	5	11	2				37
40-44	10	8	18	4	3			43
45-49	8	8	18	10	15	3	1	63
50-54	12	10	13	26	16	13	18	108
55-59	8	8	14	12	20	15	18	95
60-64	3	7	5	12	19	9	8	63
65+		3	3	2	1	3	2	14
Total	91	60	85	68	74	43	47	468

Members in Pay Status on January 1, 2020

	Service Retirees	Disabled Retirees	Beneficiaries
Count	430	17	173
Average Age	71.9	59.1	77.6
Total Annual Benefit	$15,751,390	$411,007	$1,799,415
Average Annual Benefit	36,631	24,177	10,401

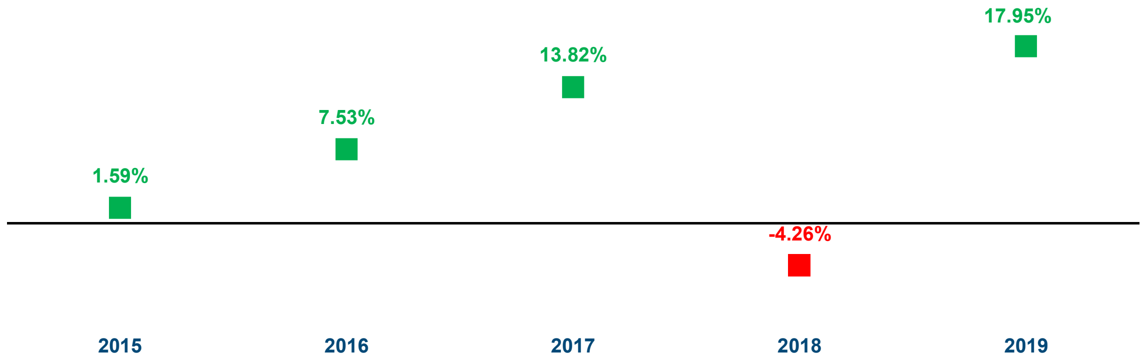
RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

Assets

2019 saw a year of strong market performance following last year's poor performance, with a rate of return of 17.95% on a Market Value basis. The chart below illustrates the ups and downs in the plan's investment returns.

Returns

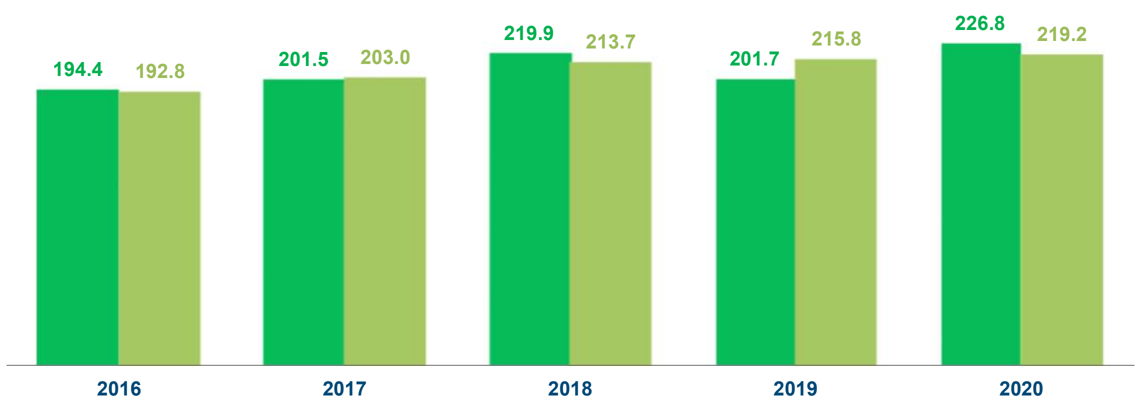


In order to dampen the volatility of the market and prevent large swings in the District's contribution, we smooth investment gains or losses over five years. The resulting Actuarial Value of Assets is shown alongside the Market Value of Assets in the chart below.

Balances
($ millions)

Market value

Actuarial value



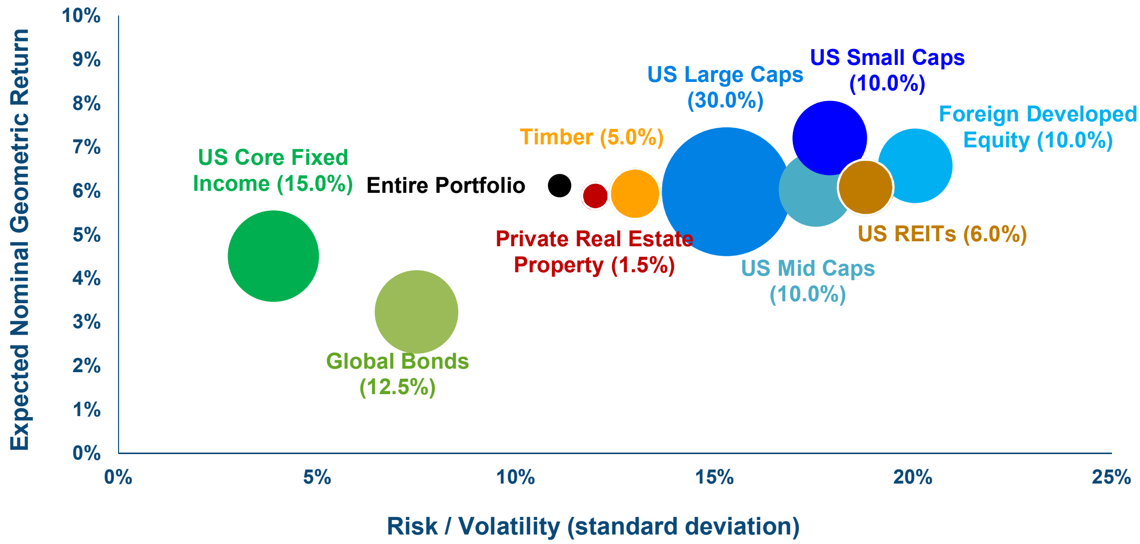
RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

Interest Rate Assumption

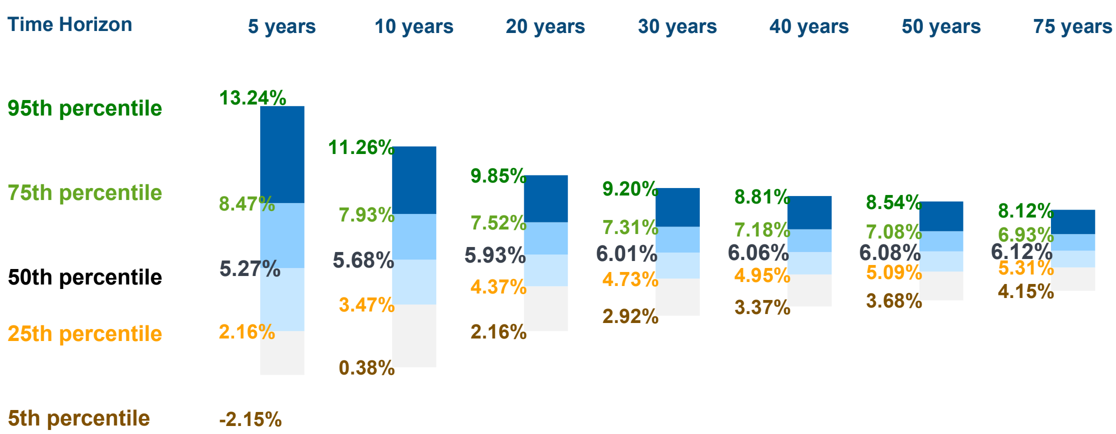
The interest rate assumption is based on the expected long-term return of the plan's investments. Using Milliman's December 31, 2019 Capital Market Assumptions, the target asset allocation has the following risk / return dimensions:

Asset Allocation



In any given year, the plan's investment return can range from very high to very low. As we look at longer and longer periods, the high and low years balance out and the annualized return should converge to the 50th percentile, or median. Using Milliman's December 31, 2019 Capital Market Assumptions, the expected long-term annualized median return of the portfolio, without reflecting a margin for manager alpha, is 6.12%.

Distribution of Expected Nominal Returns Over Time Without Margin for Manager Alpha



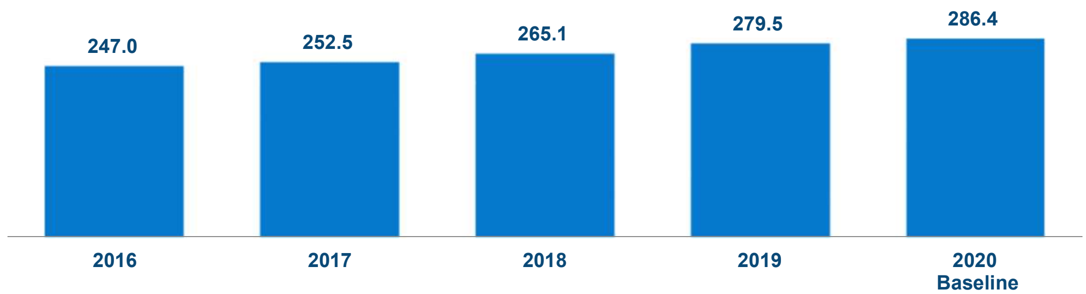
RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as retired members receive benefits. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

Accrued Liability
($ millions)

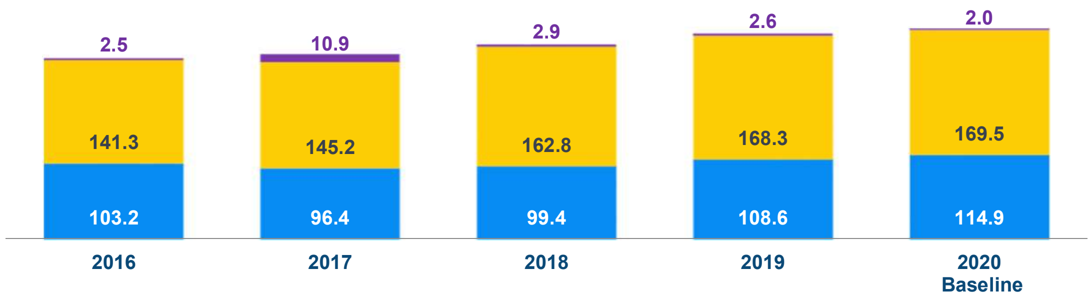


Accrued Liability
By Member Group

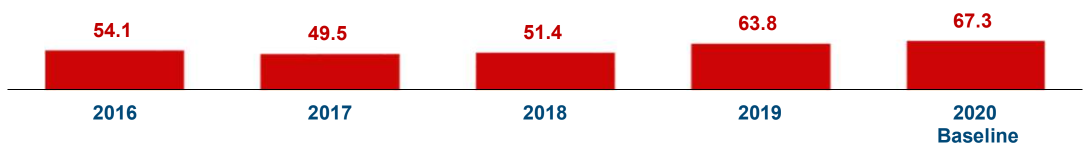
Terminated Members

Members in Pay Status

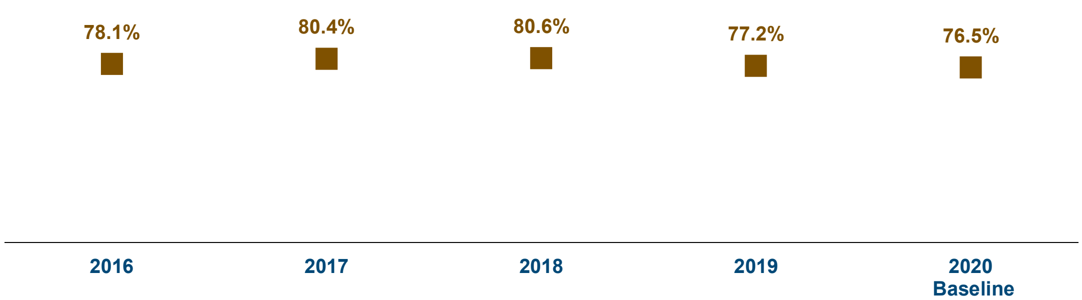
Active Members



Unfunded Accrued Liability
($ millions)



Funded Ratio



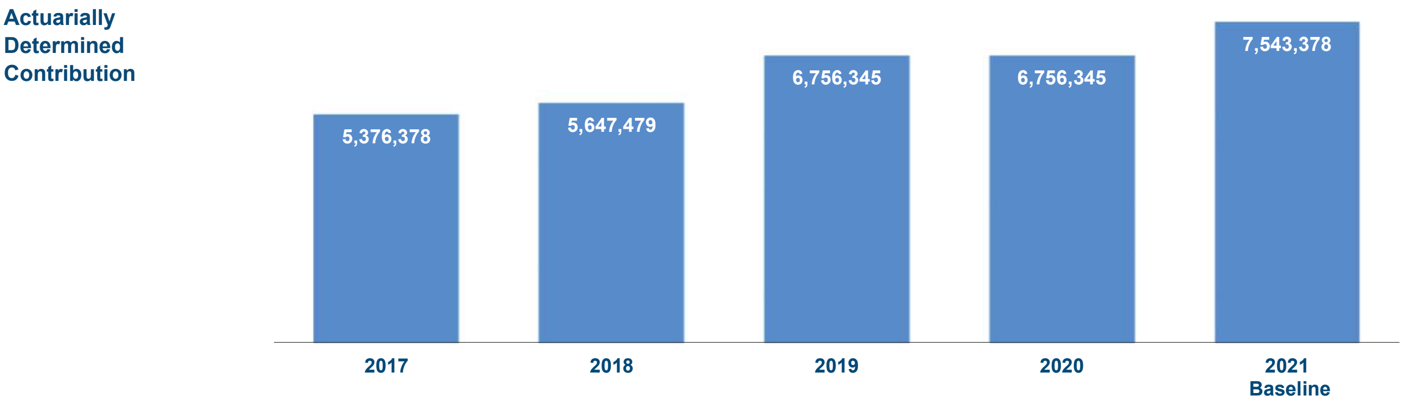
RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

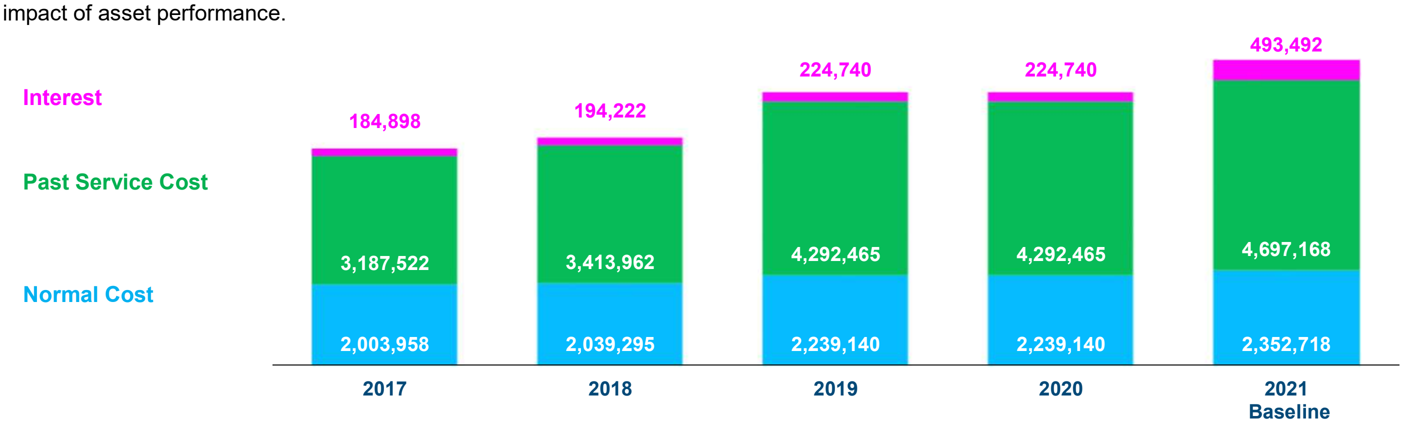
Actuarially Determined Contribution

Beginning with the January 1, 2020 valuation, each valuation determines the Actuarially Determined Contribution for the fiscal year starting one year after the valuation date. (For example, the January 1, 2020 valuation determines the Actuarially Determined Contribution for the 2021 fiscal year.) Previously the Actuarially Determined Contribution was developed for the fiscal year starting on the valuation date. In order to transition from the prior valuation timing to the new valuation timing, the January 1, 2019 valuation was the basis for both the 2019 and 2020 fiscal years.

The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus Interest to reflect the timing of the contribution relative to the valuation date.



Note that the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance.



RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2020 Valuation

Summary of Key Results

		January 1, 2020 Results				
	2019	Baseline No Changes	Plan Change	Updated Mortality	Lower Interest Rate	Lower Interest Rate More
Base Mortality Table	RP-2000 75% Blue Collar/ 25% White Collar	RP-2000 75% Blue Collar/ 25% White Collar	RP-2000 75% Blue Collar/ 25% White Collar	**Pub 2010 75% Pub Safety/ 25% General**	Pub 2010 75% Pub Safety/ 25% General	Pub 2010 75% Pub Safety/ 25% General
Mortality Improvement Basis	Scale AA	Scale AA	Scale AA	**MP Ultimate**	MP Ultimate	MP Ultimate
Interest Rate	7.00%	7.00%	7.00%	7.00%	**6.875%**	**6.75%**
Accrued Liability	$279,525,897	$286,422,481	$286,442,350	$299,706,547	$303,664,840	$307,705,262
Actuarial Value of Assets	215,775,826	219,158,864	219,158,864	219,158,864	219,158,863	219,158,863
Unfunded Accrued Liability	63,750,071	67,263,617	67,283,486	80,547,683	84,505,977	88,546,399
Funded Ratio	77.2%	76.5%	76.5%	73.1%	72.2%	71.2%
Amortization Period	20	19	19	19	19	19
Amortization Growth Rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Service Cost	4,292,465	4,697,168	4,698,556	5,624,824	5,846,136	6,068,141
Total Normal Cost	4,440,936	4,679,208	4,679,208	4,886,240	5,028,242	5,175,074
Expected Employee Contributions	2,271,796	2,433,490	2,433,490	2,435,399	2,435,399	2,435,399
Expected Expenses	70,000	107,000	107,000	107,000	107,000	107,000
Net Normal Cost	2,239,140	2,352,718	2,352,718	2,557,841	2,699,843	2,846,675
Interest*	224,740	493,492	493,589	572,787	587,536	601,750
Actuarially Determined Contribution	6,756,345	7,543,378	7,544,863	8,755,452	9,133,515	9,516,566
For Fiscal Year	2019 & 2020	2021	2021	2021	2021	2021

*Note that starting with the January 1, 2020 valuation, each valuation determines the ADC for the following fiscal year and includes a full year of interest.

The Metropolitan District Other Post-Employment Benefits Plan
Highlights of the January 1, 2020 Valuation

Summary of Key Results

	2018 Valuation Results #	January 1, 2020 Results: Baseline Results*	Plan Changes / Update Medical Trend**	Update Mortality	Increase Interest Rate to 6.75%	Increase Interest Rate to 6.25%	Shorten Amortization Period to 25 Years
Medical Trend		Same as 2018	**Updated**	Updated	Updated	Updated	Updated
Base Mortality Table	RP-2000 75% Blue / 25% White	RP-2000 75% Blue / 25% White	RP-2000 75% Blue / 25% White	**Pub 2010 75% Safety / 25% General**	Pub 2010 75% Safety / 25% General	Pub 2010 75% Safety / 25% General	Pub 2010 75% Safety / 25% General
Mortality Improvement Basis	Scale AA	Scale AA	Scale AA	**MP Ultimate**	MP Ultimate	MP Ultimate	MP Ultimate
Interest Rate	4.00%	4.00%	4.00%	4.00%	**6.75%**	**6.25%**	6.25%
Amortization Period	n/a	30	30	30	30	30	**25**
Accrued Liability	$281,045,993	$252,500,791	$228,918,898	$253,043,820	$175,553,352	$186,584,521	$186,584,521
Market Value of Assets	(525,553)	3,533,602	3,533,602	3,533,602	3,533,602	3,533,602	3,533,602
Unfunded Accrued Liability	281,571,546	248,967,189	225,385,296	249,510,218	172,019,750	183,050,919	183,050,919
Funded Ratio		1.4%	1.5%	1.4%	2.0%	1.9%	1.9%
Amortization Period		30	30	30	30	30	25
Amortization Growth Rate		3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Service Cost		8,891,836	8,049,611	8,911,230	8,663,941	8,698,726	9,852,759
Total Normal Cost		6,237,607	5,280,406	5,852,929	2,833,638	3,215,346	3,215,346
Expected Employee Contributions		479,955	479,955	479,955	479,955	479,955	479,955
Net Normal Cost		5,757,652	4,800,451	5,372,974	2,353,683	2,735,391	2,735,391
Interest		585,980	514,002	571,368	743,690	714,632	786,759
Actuarially Determined Contribution (ADC)		15,235,468	13,364,064	14,855,572	11,761,314	12,148,749	13,374,909
Expected Retiree Costs (Paid Directly From Operations)		9,979,652	10,082,322	10,141,348	10,141,348	10,141,348	10,141,348
Net Budget Impact = ADC less Retiree Costs Paid Directly		5,255,816	3,281,742	4,714,224	1,619,966	2,007,401	3,233,561
Phase-In Percentage (10 Years Starting 2020)		20%	20%	20%	20%	20%	20%
MDC Contribution to OPEB Trust	389,000	1,051,163	656,348	942,845	323,993	401,480	646,712
For FY	2020	2021	2021	2021	2021	2021	2021

The FY 2020 contribution was based on the January 1, 2018 valuation results using an interest rate of 6.75% (instead of 4.00%) in anticipation of the District's decision to pre-fund the OPEB trust and phase-in full funding over 10 years. Please see the summary provided to the District on October 21, 2019 for additional details of this calculation. In the absence of a funding policy at the time the January 1, 2018 valuation report was prepared, that report did not include calculations based on 6.75%.

* Reflects updated medical and dental claims / premiums as of January 1, 2020.

** Reflects plan changes, an updated medical trend assumption, and a change in procedure to value an implicit rate subsidy associated with dental benefits.

OVERVIEW of OPEB FUNDING for MDC Member Communities--data from 2020 MDC Survey/2019 Member Town CAFR Reports	Total NET OPEB Liability in millions	What is your overall OPEB funded ratio?	Current Asset Allocation for OPEB	Current Asset Allocation for Pension	Formal OPEB Policy?	Discount Rate	Number of Covered Individuals
MDC	$371	1%	N/A	60%Eq., 28% FI, 12% RE & other	no	2.74%	1394
Windsor	$48	6%	60 % Eq. 35% FI RE 5%	51% Eq, 29% FI,% 20% RE & Asset All.	yes	3.50%	854
Hartford	$428	0%	40% Eq. 30% FI RE 30%	50% Eq 10 %FI RE other 40%	yes	3.87%	5840
West Hartford	$173	4%	60% Eq. 40%FI	65%Eq. 35% FI 5% RE	yes	7.25%	2269
East Hartford	$93	11%	54% Eq. 40% FI 6%RE&other	59%Eq. 35% FI 6% RE& cash	yes	5.20%	1812
Wethersfield	$27	41%	60%Eq. 35% FI, RE other 5%	67% Eq. 33% FI	yes	7%	997
Bloomfield	$82	11%	65% Eq. 35% FI	60% Eq. 20% FI 20% RE & other	yes	6.75%	752
Rocky Hill	$19	11%	Town Manager/CFO discretion	80% Eq. 20 %RE	no	3.87%	553
Newington	$18	31%	60% Eq. 40% FI	60% Eq 40% FI	yes	7.13%	706
Farmington	$42	0%	58% Eq. 35%FI RE 7%	60% Eq. 33% FI 7% RE & other	yes	3.50%	992
So Windsor	$42	22.90%	65% Eq. 24% FI 11% RE	64% Eq 30% FI 6% RE	yes	6.75%	820

*Data was derived either directly from the Towns or extracted from each Town's 2019 CAFR

PERSONNEL, PENSION AND INSURANCE COMMITTEE
APPROVAL OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST INVESTMENT POLICY & GUIDELINES

To: Personnel, Pension and Insurance Committee for consideration on October 20, 2020

In November 2019, the Board of Finance recommended to the District Board commencing a ten (10) year prefunding phase-in of the District's OPEB Trust starting in the 2020 budget. In July 2020, the Personnel, Pension & Insurance Committee and District Board authorized the Chief Executive Officer to amend the existing contract with Dahab Associates Inc. as the pension investment advisor to include investment consulting services for the District's OPEB Trust. Dahab Associates Inc. drafted the enclosed OPEB Trust Investment Policy & Guidelines and recommends adoption of said policy by the District.

It is therefore RECOMMENDED that it be

VOTED: That the Personnel, Pension & Insurance Committee recommends to the District Board passage of the following resolution:

RESOLVED: That the District Board hereby approves the attached Other Post-Employment Benefits Trust Investment Policy & Guidelines and authorizes staff to implement and administer said Policy.

Respectfully Submitted,

Scott W. Jellison
Chief Executive Officer

THE METROPOLITAN DISTRICT
OTHER POST-EMPLOYMENT BENEFITS TRUST

STATEMENT OF
INVESTMENT POLICY AND GUIDELINES

AUGUST 2020

I. Statement of Purpose

The investment management of The Metropolitan District Other Post-Employment Benefits Trust (the "Trust" or "OPEB Trust") shall follow this Statement of Investment Policy and Guidelines as adopted August 26, 2020.

Statutory authority for the investment program of this Trust is provided by the provisions of section 7-450 of the Connecticut General Statutes. This Statement of Investment Policy and Guidelines applies only to the OPEB Trust. This Statement of Investment Policy and Guidelines shall be reviewed at least annually, but may be amended at any time.

A. Objectives

The objective of the Trust's Investment Policy is to preserve the actuarial soundness of the Trust in order to meet contractual benefit obligations. The Trust shall be for the purpose of funding current and future health care benefits for eligible participants in accordance with the Trust.

B. Fiduciary Standards

In striving to attain these objectives, the Trust will be managed in a manner consistent with fiduciary standards, namely:

1. All transactions shall be in the sole interest of the participants and their beneficiaries, and

2. All investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in an expert like capacity and familiar with such matters would use in conduct of an enterprise of like character and with the same aims, and

3. All entities dealing with the Trust are required to disclose conflicts of interest as soon as they become apparent, in writing to the OPEB Board or as part of a public meeting when the problem becomes apparent.

The OPEB Board, as described below, shall make its decisions solely for the benefit of plan members. All entities dealing with the Trust must conduct themselves in a manner worthy of the public trust, keeping in mind that the Trust is subject to public review and evaluation.

II. Roles and Responsibilities

All parties serving the Trust at the date of the original adoption of this Statement of Investment Policy and Guidelines have 60 days to be in compliance with its provisions, or to notify the OPEB Board in writing as to why they cannot be in compliance.

A. OPEB Board

The District Board (the " OPEB Board" or "Board") has the responsibility of establishing and maintaining policies for all aspects of the Trust including:

- Setting of investment policy;
- Performing asset allocation for the Trust;
- Selecting, evaluating, and replacing investment professionals.

The Board may select other professionals to assist in its duties.

B. Trust Administrator

The Metropolitan District has delegated the responsibility to its Personnel, Pension & Insurance Committee to plan, organize, and administer the operations of the Trust under broad policy guidance from the Board.

These operations include but are not limited to accounting; administration of investments, attorneys, accountants, actuaries, consultants and investment oversight.

C. Actuary

The Board will select an actuary to perform a valuation of the OPEB Trust as often as needed.

D. Investment Consultant

The Board may engage an investment consultant. The investment consultant will give an independent perspective on the Trust, help select custodians and investment managers, review asset allocation, and provide investment performance measurement.

The investment consultant is expected to attend meetings of the Board as needed and to perform asset allocation studies as needed.

The investment consultant will acknowledge in writing that he is a fiduciary of the plan relative to the provided services.

E. Custodian

The Custodian will hold all cash and securities or evidence thereof. The Custodian will be responsible for maintaining records, providing fund accounting and other services as defined in its contract.

The Custodian may not engage in financial transactions related to the Trust that are based on written or oral instructions from any person other than the Board, or the Trust Administrator acting on the Board's behalf.

F. Investment Managers

In managing assets for the Trust, the Board may engage the services of investment managers. Investment managers buy and sell securities according to guidelines established for their particular asset class.

Investment managers are to acknowledge in writing that they are fiduciaries of the plan relative to provided services.

III. Other Post-Employment Benefits Trust

The OPEB Board has three tasks to accomplish in managing the Trust: first, to adopt a realistic actuarial rate of return for the Trust; second, to recommend the level of contributions needed to keep the Trust financially sound; and third, to construct a portfolio that will have the potential of earning the actuarial rate of return with a high probability of success while muting as much volatility as possible.

The Board shall hire an actuary to conduct an actuarial study in meeting the first two goals. The Board may also hire an Investment Consultant to help in achieving the third goal, and to assist in setting the actuarial rate of return.

The Board shall exercise an appropriate level of due diligence with respect to all aspects of the investments in the Trust, development of the asset allocation structure, selection of external investment managers and the monitoring of investment performance.

The Board is aware that mutual funds and other commingled vehicles have separate guidelines and/or prospectuses. When employing such vehicles, the Board acknowledges that those separate guidelines and/or prospectuses shall supersede the guidelines that follow.

A. Manager Responsibility

Managers of funds administered under the Trust must acknowledge fiduciary responsibility relative to their work with the plan. Managers shall be held to the prudent expert standard articulated in Section I.B.2. above.

B. Trust Characteristics

In constructing portfolios for the Trust, the Board should consider the following characteristics.

1. Liquidity

The Trust should have liquidity to meet its cash flow needs. Individual investments may have limited liquidity so long as they do not interfere with the operation of the Trust as a whole. At plan inception, the cash flows are very strong. Cash inflows are expected to significantly exceed benefit payouts and expenses for the near future. The Board acknowledges the most liquid investments come at a cost of lower expected return. As the Trust grows, some investments may be selected with limited liquidity if expected returns exceed those of the more liquid investments then available.

2. Diversification

Assets should be diversified among asset categories, sectors, and geographic areas to minimize volatility. In the initial phases of the Trust, diversification may be simplified.

3. Time Horizon

The time horizon of the Trust is perpetual. In projecting returns for the Trust, the Board may consider information from recent history (20 years), long-term history (about 70 years) or some combination of the two. The Board must judge what data gives the best estimate for future returns by applying evidence from the past to current circumstances.

4. Risk Tolerance

The primary investment emphasis of the Trust is to meet the actuarial rate of return. However, a secondary goal is to preserve capital and achieve consistency of results. The Board should strive to attain these secondary goals while still meeting the actuarial rate of return.

The Board recognizes that risk is present in all investments. The assumption of risk is needed to achieve satisfactory long-term results. It is the responsibility of the Board to manage the tradeoff between risk and return given the projected needs of the Trust, always attempting to minimize risk of the overall portfolio for any given level of return.

The Board recognizes the initial cash flows are modest, but will increase over time and that the duration of payouts exceeds that of contributions. The initial risk reward profile has an aggressive bias.

5. Asset Allocation

An asset allocation study should be periodically performed. The study requires a projection of cash flows, which are dependent on contributions made into the Trust and disbursements made from the Trust in the form of benefits and expenses. The purpose of the asset allocation study is to understand the trade off between risk and return, and to aid in the construction of a portfolio that has a high probability of earning the actuarial rate of return but achieves this goal with a minimum of volatility.

6. Rebalancing

Once policy targets for the asset allocation are set in the asset allocation study, the Board should instruct the Administrator, in conjunction with the investment consultant, to rebalance the Trust in an effort to keep the asset allocation in line with the policy target. A rebalancing policy as it applies to the most current asset allocation is contained in the asset allocation addendum.

C. Investment Alternatives

Investment alternatives are divided into four broad categories: fixed income, domestic equity, international equity and alternative investments.

Fixed income investments shall be used primarily to provide stability of principle. Domestic equity and international equity may be added to enhance return. Alternative investments may be added to enhance return, and to provide diversification that will reduce volatility.

D. Performance Standards

Each manager hired will be assigned a benchmark. Active managers are expected to exceed their benchmark net of fees, and to perform in the upper half of a universe of managers in a similar style over a market cycle. Passive managers are expected to track their respective benchmarks with minimal tracking error. Guidelines for each of the asset classes are outlined in the next section.

IV. Manager Guidelines

A. Fixed Income Managers

1. Investment objective. Active bond managers are expected to beat a benchmark appropriate to their style, and to perform in the top half of a universe of similar portfolios. The benchmark used for comparison should be assigned to the manager as part of the selection process.

2. Permissible securities. Fixed income managers may invest in U.S. Government and agency bonds, U.S. domestic corporate bonds, asset-backed and mortgage-backed securities, and convertible bonds.

3. Non-permissible securities. Fixed income managers are prohibited from investing in equity securities (except for term trusts) and municipal bonds. Fixed income managers are also prohibited from investing in commodities, unregistered letter stock, foreign securities (other than those evidenced by American Depository Receipts which are listed on the New York Stock Exchange (NYSE), warrants, loans of portfolio securities, venture capital issues and private placements.

4. Non-permissible transactions. Fixed income managers are prohibited from purchasing securities on margin or selling short.

5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager’s discretion, keeping in mind that the benchmark will be applied to the manager’s total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Fixed income securities should be readily marketable.

7. Diversification. Fixed income obligations of any one issuer, other than securities subject to the guarantee of the United States government or any of its agencies, should represent no more than 5% of the aggregate fair market value of a manager’s portfolio.

B. Domestic Equity Managers

1. Investment Objective. Active equity managers are expected to outperform a benchmark appropriate to their style (value, core or growth) and market capitalization (large, mid and small). In addition, active equity managers should be ranked in the upper half of a universe of similar portfolios. Passive equity managers are expected to track their appropriate benchmark.

2. Permissible securities. Equity managers may invest in common stocks, convertible securities, and American Depositary Receipts (ADRs) for listed securities of foreign corporations. Listed securities are those traded on the NYSE, American Stock Exchange (AMEX) and National Association of Securities Dealers Automated Quotation System (NASDAQ) exchanges. Any investment in convertible debentures must carry an investment grade rating of "A" or better. Securities purchased should come from the universe of their benchmark – or closely resemble them. For example, a large cap value manager should largely purchase large cap value securities. However, it is acceptable to purchase a modest amount of mid cap value or large cap growth as long as the characteristics and the performance of the fund generally resemble those of a large cap value fund.

3. Non-permissible securities. Equity managers may not invest in foreign securities other than those defined above, fixed income securities, commodities, unregistered letter stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of portfolio securities, venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.

4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.

5. Cash balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Securities should be marketable. It is understood that small- and mid-capitalization stocks offer less liquidity than more widely held securities.

7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the Manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% of the Manager's total portfolio at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The manager should inform the Board in writing of any violation within 10 business days of its occurrence.

8. Income. There are no minimum yield or dividend requirements.

C. International Equity Managers

1. Investment objective. Active international equity managers are expected to outperform a benchmark appropriate to their style. In addition, active international equity managers should be ranked in the upper two quartiles of a universe of similar portfolios.

2. Permissible securities. International equity managers must invest in securities of companies not domiciled in the United States, including common stocks traded on any major stock exchange or ADRs traded in the United States, global depository receipts (GDRs) and preferred stocks traded on any major stock exchange. International equities include equities of both developed countries and emerging markets.

3. Non-permissible securities. Foreign equity managers may not invest in equities of U.S.-domiciled companies, fixed income securities, commodities, unregistered letter stock, warrants, real estate mortgages, all options and futures, real or personal property, oil and gas property, loans of

portfolio securities, venture capital issues, private placements, securities of a contributing employer, and derivatives. Derivatives include collateralized mortgage obligations, interest-only and principal-only strips, and currency swaps or other specialized investment activities.

4. Non-permissible transactions. Except with the written consent of the Board, equity managers may not purchase securities on margin or sell short.

5. Cash Balances. Managers are expected to remain fully invested. However, the decision to maintain cash balances is left to the manager's discretion, keeping in mind that the benchmark will be applied to the manager's total portfolio and not just to the non-cash portion. Managers should inform the Board within 10 business days if cash balances exceed 10%. Cash and equivalents may be invested in commercial paper rated A1 or P1, repurchase agreements, U.S. Treasury Bills and money market fund.

6. Marketability. Securities should be marketable. It is understood that international equity securities, especially in emerging markets, offer less liquidity than more widely held securities.

7. Diversification. Equity investments by a Manager in any single corporation shall be limited to no more than 5% of the manager's total portfolio based on the fair market value of the portfolio at the time of purchase, and no more than 10% at any quarterly valuation. The portfolio should also be appropriately diversified by industry sector. The Manager should inform the Board in writing of any violation within 10 business days.

8. Income. There are no minimum yield or dividend requirements.

D. Alternative Investments

Alternative investments should be considered with the goal of increasing the return of the portfolio without increasing risk, or lowering risk of the overall portfolio without lowering return.

If the Board allocates part of the portfolio to an alternative asset class, separate investment guidelines specific to that asset class shall be adopted.

V. Manager Guidelines

Investment managers may not act upon written or oral instructions from any person other than the Board, or the Administrator acting on behalf of the Board or the Administrator.

A. Discretionary Authority

Managers are given full discretion to act in accordance with the Statement of Investment Policy and Guidelines. In placing portfolio transaction orders on behalf of the Trust, each manager shall obtain execution of orders through responsible broker/dealers at the most favorable prices and at competitive commission rates, taking into consideration the efficiency of execution of the transaction.

B. Reporting

1. Within 14 calendar days a manager must inform the Board of changes in organizational structure, ownership, or key personnel. Also a Manager must inform the Board of material litigation brought by a client or former client relating to investment advisory services, or any enforcement proceeding by a regulatory agency that would have a material effect on the manager, within 14 calendar days after the manager has been notified of the litigation or the enforcement proceeding.

2. On a monthly basis each manager is to submit a portfolio statement. The monthly statement should include market and book values for all security holdings and performance results

compared with the designated benchmark.

3. On a quarterly basis each manager is to submit a brief letter or report on the status of and outlook for his or her portfolio. The report should address the following:

    - Economic investment and outlook;
    - Investment strategy (short- and intermediate-term)
    - Explanation of any high concentrations in any one sector or security;
    - A list of portfolio holdings or a summary of the largest holdings;
    - Commissions on trades upon request;
    - Market and book values for all security holding;
    - Performance results compared with designated benchmarks;
    - Brokerage commission reports (if any);
    - Turnover ratio;
    - Derivative use;
    - Quality ratings with average quality (for fixed income portfolios).

4. On an annual basis each manager may be required to submit an annual proxy voting report and the filing of Form ADV with the Securities and Exchange Commission.

C. Proxy Voting

The Board requires that managers exercise authority with regard to proxy voting, acting solely in the interest of and for the exclusive purpose of providing benefits to participants and beneficiaries, and always acting in the best interests of participants and beneficiaries. With regard to corporate governance, proxy votes should be against proposals to limit or eliminate liability for violation of duty of care and to indemnify directors in instances of gross negligence.

Managers shall be able to provide, upon request, an annual proxy voting report that shall include the following:

- Summation of all votes cast;
- Affirmation that all stock holdings with votes due were voted;
- Description of proposed changes in proxy voting policies;
- Confirmation that all votes cast were consistent with policy;
- Explanation of any violation of the previous requirements.

D. Cost Management

1. Turnover. The Board acknowledges that in the course of a year, investment conditions and opportunities will require managers to buy and sell securities on the Board's behalf. While the Board does not wish to inhibit the normal transactions executed by the managers, it does wish to be made aware of the need for any high levels of turnover to avoid churning the portfolio. The following reporting requirements are therefore for control purposes and are not necessarily intended to limit portfolio turnover to the stated limits.

    - Turnover is defined as the lesser of total purchases or sales divided by opening balance. Convertible bonds are considered equity surrogates and are subject to the discussions for common stocks. Preferred stocks are considered perpetual bond surrogates and are subject to the discussions for corporate bonds.

    - Equity turnover. Within five business days of the time in any calendar quarter in which the cumulative equity turnover during the quarter exceeds 30%, or within any calendar year in which the cumulative equity turnover exceeds 100%, the manager must submit a report to the Administrator stating the reason for the turnover as well as a list of any brokerage firms whose fees during the quarter or year exceeded $10,000.

- Fixed income turnover. Within five business days of the time in any calendar quarter in which the cumulative fixed income turnover during the quarter exceeds 100% or within any calendar year in which the cumulative fixed income turnover exceeds 200%, the manager must submit a report stating the reason for the turnover as well as a list of any brokerage firms handling more than 20% of the subject trades. U.S. government securities, used as collateral as part of the repurchase agreements, are exempt from this requirement.

- Turnover may be considered as one factor in the money manager selection and retention process.

2. Broker Relations. The manager is free to execute trades whenever it is in the best interests of the Trust, and will have the discretion to execute transactions with brokerage firms of his or her choosing.

   - The selection of a broker should be based on the quality of executions. Factors affecting the quality of executions include the financial health of the brokerage firm, the business integrity of the brokerage firm, commission costs and overall efficiency.

   - Commission dollars are a Trust asset and should not be used for purposes other than those that directly benefit Trust participants. The investment manager is required to provide reports and descriptions of all soft dollar arrangements involving the use of commission dollars to acquire resources of any type.

VI. Execution of Investment Policy

IN WITNESS WHEREOF, this document has been approved and executed by the undersigned on this

_____________ day of August __, 2020

Metropolitan District of Connecticut Other Post-Employment Benefits Trust

Date: ______________

By:____
Trust Administrator

By: ____
Board Chairman

ADDENDUM

ASSET ALLOCATION

The Board has currently adopted the following asset allocation at market value:

	Allocation	Range
Large Cap Equity	80%	+/- 10%
Fixed Income	20%	+/- 10%