

Newton Retirement System Investment Policy

Introduction

The Newton Retirement System (the "System") exists for the exclusive purpose of providing retirement, disability and survivor benefits to System members and their beneficiaries, as prescribed by the laws of Massachusetts and its governing statutes and rules and regulations, and to cover reasonable expenses incurred to provide such benefits.

The System is a defined benefit plan as defined and set forth by Massachusetts General Law, Chapter 32, and the investment procedures and regulations set forth under the statute and 840 CMR must be followed. If, at any time, this document is found to conflict with Massachusetts law, the statute or regulations shall prevail.

The purpose of this investment policy is to set forth the investment policies, objectives, and guidelines the Newton Retirement Board (the "Board") determines to be appropriate, prudent and, in consideration of the System's needs, to comply with current laws and to direct the System's investment activities.

Regulatory Requirements

Since the System is a qualified defined benefit plan as defined and set forth by Massachusetts law, investment procedures and restrictions stipulated under these regulations must be followed.

Objectives

All investment transactions undertaken on behalf of the System will be for the sole benefit of the members and their beneficiaries, for the exclusive purpose of providing benefits and defraying reasonable administrative expenses. The System's long-term objective is to earn an average rate of return greater than the rate of return of representative indices for individual asset classes but no less than the actuarial assumption rate as set by the Board (currently 6.9% per annum).

The Board acknowledges that market conditions can produce periods where such returns are difficult to achieve on an annual basis.

The Board reserves the right to retain the services of an outside advisor regarding the handling of the Board's investments.

Asset Allocation

It is the policy of the Fund to invest the assets of the retirement system in the Pension Reserves Investment Trust (PRIT) Core Fund.

The Board recognizes the need to provide liquidity to pay obligations as they come due. For this purpose, the Board maintains an account with the Massachusetts Municipal Depository Trust (MMDT). The Board's cash position in the MMDT account will be managed with the approved cash flow plan to pay obligations of the System.

Cash Management Policy

Cash Flow Statements are to be provided by the System Director to the Board with the prior calendar year as well as actuals and projections of the current calendar year for each scheduled monthly Board meeting for the purpose of determining the Cash needs of the System on a monthly basis.

The System maintains an account with Eastern Bank for the purpose of receiving deposits and issuing disbursements. The System receives and deposits all cash receipts into the System's Eastern Bank checking account with funds being transferred into the MMDT account. The Director will deposit receipts into Eastern Bank when \$5,000.00 is accumulated, or near the last business day of the month for any amount.

The System Director creates monthly disbursement warrants (pension payroll, operating expenses, Federal taxes, and distributions of death benefits) that are reviewed and signed by the Board. These are then sent to the City Treasurer to transfer funds from the NRS MMDT account to the NRS Eastern Bank account for disbursement.

The City disburses the Annual Appropriation to the System August 1st of each year, consistent with the System's actuarial report assumption.

Annually in May, the Board will discuss the handling of the City's annual appropriation between the PRIT Core Fund and the MMDT account. Throughout the year, the Board will monitor cash requirements of the System.

Transfers between the PRIT Fund and the MMDT account shall be conducted by the System Treasurer with the Assistant City Treasurer, Director, Board Chair and Ex-Officio member serving as backups. All transfers must be authorized previously by the Board.

See addendum for PRITs process on redemptions and deposits.

See addenda for 840 CMR 1.00 and 18.00.

Board Approval Date: 05/28/2024



Pension Reserves Investment Management Board

PRIT Fund Redemption Form Information Sheet

A completed PRIT Fund Redemption Form is required to redeem funds from all PRIT Fund accounts.

Redemption Date: The structure of the PRIT Fund only allows access to the investment portfolios on the first business day of each month, with the exception of the PRIT Fund Hedge Funds portfolio which is only accessible on the first business day of the first month of each quarter. If you require funds during the month, a cash *maintenance balance* can be established which moves funds into the Cash Account each first business day for availability during the month. Each month, the Cash Account balance is reset to the amount of the maintenance balance. This is to ensure that invested funds are not redeemed unnecessarily and that unused cash does not accumulate in the account. Please note that the maintenance balance amount cannot be modified during the month and that any mid-month redemption requests cannot exceed your existing Cash Account balance. The PRIT Fund Cash Account receives a short-term cash rate of return.

Redemption Amount: There is no limit to the amount of your investment portfolio balance that can be redeemed on first business day. However, if you are requesting a substantial or full redemption from PRIT Core or a segment of the PRIT Fund, only 70% of a portfolio's last reported net asset value will be wired out on that day. The remaining true-up amount will be wired later in the month once the prior month's accounting is final.

PRIT Fund Portfolio: All first business day redemptions will be redeemed from the investment portfolio listed on the PRIT Fund Redemption Form and as referenced on your monthly PRIT Fund statement(s). Any redemptions requested for a day other than first business day will be funded from the PRIT Cash Account and should be listed accordingly.

Wire Instructions: The requested redemption amount will be sent via Fed wire to your account's authorized standing wire instructions. If you need to change the wire instructions on file, please contact PRIM staff to request a PRIT Fund Wire Instruction Authorization Form. All wire instruction changes require verbal confirmation and must be received by PRIM **at least two full business days prior** to the effective date. Same day changes to wire instructions will not be accepted. Please note that redemption wires are typically sent by our custodian bank between 9:00 am and 12:30 pm on the requested redemption date. If you need the funds to be in your bank account before 12:30 pm, it may be beneficial to request the wire transfer to occur one business day prior to the day you need the funds available.

Deborah B. Goldberg, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer



Pension Reserves Investment Management Board

Authorized Signature: The PRIT Fund Redemption Form must be signed and dated by an authorized signer, as listed under the heading “Authorized Representatives” on your Board’s current PRIT Fund Letter of Incumbency. If you need to update your Board’s list of authorized signers, please contact PRIM staff to request a new PRIT Fund Letter of Incumbency for completion. All new incumbency certificates require verbal confirmation and need to be received by PRIM **at least two full business days prior** to the effective date.

Cash Request Deadline: PRIM staff must receive all redemption requests **by 12:00 pm one business day prior** to the redemption date. To enable sufficient time for processing, we cannot accept Redemption Forms received after the noon deadline.



Pension Reserves Investment Management Board

PRIT Fund Deposit Form Information Sheet

Wire Deposit Date: The structure of the PRIT Fund only allows access to the investment portfolios on the first business day of each month, with the exception of the PRIT Fund Hedge Funds portfolio which is only accessible on the first business day of the first month of each quarter. A completed PRIT Fund Deposit form is required for all first business day investments into any PRIT Fund portfolio. PRIM staff must receive all completed first business day deposit forms via email to clientservice@mapension.com **by 12:00 pm on the last business day of the month**. Any funds that are received on first business day without a properly executed deposit form will reside in your Cash Account until the next first business day.

The completed Deposit form should list *the date that the wire is being sent to PRIM*. Funds being invested in any of the PRIT Fund segmented portfolios should only be wired to PRIM on the first business day of the month. However, funds being invested in the PRIT Fund General Allocation portfolio can be wired to PRIM at any time during the month. Any funds received after first business day reside uninvested in the Cash Account until the next first business day, when they will be automatically transferred into the General Allocation portfolio. The PRIT Fund Cash Account receives a short-term cash rate of return.

Deposit Amount: The completed Deposit form should list the exact amount of the wire being sent to PRIM. This amount can not be changed after the investment is processed on the morning of first business day.

PRIT Fund Portfolio: All deposits will be invested in the investment portfolio listed on the PRIT Fund Deposit Form and as referenced on your monthly PRIT Fund statement(s). This line should not be left blank.

Authorized Signature: The PRIT Fund Deposit Form must be signed and dated by an authorized signer, as listed under the heading "Authorized Representatives" on your Board's current PRIT Fund Letter of Incumbency. If you need to update your Board's list of authorized signers, please contact clientservice@mapension.com to request a new PRIT Fund Letter of Incumbency for completion. All new incumbency certificates require verbal confirmation and need to be received by PRIM **at least two full business days prior** to the effective date.

Wire Instructions: All deposit wires should be sent to the instructions listed on the PRIT Fund Deposit Form **via Fed Wire only**. PRIM's custodian bank does not accept funds via ACH.

Deborah B. Goldberg, Treasurer and Receiver General, Chair
Michael G. Trotsky, CFA, Executive Director and Chief Investment Officer

Regulation 840 CMR 1.00: Protection of Interests of Retirement System Members and their Beneficiaries

Date: 07/10/1998

Organization: Public Employee Retirement Administration Commission

M.G.L. c. 32, s. 21

Regulatory Authority: M.G.L. c. 32, s. 23

M.G.L. c. 7, s. 50

Official Version: Published by the Massachusetts Register

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840 CMR 1.00, to protect the interests of retirement system members and their beneficiaries, is promulgated by the Public Employee Retirement Administration Commission pursuant to M.G.L. c. 7, § 50 and M.G.L. c. 32, §§ 21 and 23. Except as may otherwise be provided by the Commission, or by supplementary rules of a particular retirement board approved by the Commission pursuant to 840 CMR 14.02, or by statute, 840 CMR 1.00 protects the interests of retirement system members and their beneficiaries.

1.01 Board Members' Duty

A board member shall discharge all of his/her duties solely in the interest of members and their beneficiaries, and

(1) For the exclusive purpose of:

(a) providing benefits to members and their beneficiaries; and

(b) defraying reasonable expenses of administering the system.

(2) 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 like character and with like aims.

(3) By diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

4) In accordance with the Massachusetts General Laws, the rules and regulations promulgated by the Commission, and rules and regulations adopted by the Board and approved by the Commission

1.02 Liability For Breach of Fiduciary Duty

(1) Failure to comply with the fiduciary standard set forth in M.G.L. c. 32, § 23 and in 840 CMR 1.01 may subject the fiduciary to personal liability for any losses to the system resulting from such failure.

(2) If a fiduciary knowingly participates in or knowingly conceals an act or omission of a co-fiduciary which is a breach of fiduciary duty the fiduciary may be subject to personal liability for any losses to the system resulting from such breach.

(3) If, by failing to comply with his/her fiduciary duty, a fiduciary enables a co-fiduciary to breach his/her fiduciary duty, the fiduciary may be subject to personal liability for any losses to the system resulting from such breach.

(4) If a fiduciary has knowledge of a breach of fiduciary duty by a co-fiduciary and the fiduciary fails to make reasonable efforts under the circumstances to remedy the breach of fiduciary duty, the fiduciary may be subject to personal liability for any losses to the system resulting from such breach.

1.03 Prohibition Against Certain Persons Holding Certain Positions

No individual who has been convicted of robbery, bribery, extortion, embezzlement, fraud, grand larceny, burglary, arson, a felony violation of state or federal law defined in Section 102(a) of the Comprehensive Drug Abuse Prevention and Control Act of 1970, murder, rape, kidnapping, perjury, assault with intent to kill, any crime described in Section 9(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-9(a)(1)), a violation of Section 302 of the Labor-Management Relations Act, 1947 (29 U.S.C. 186), a violation of Chapter 63 of Title 18, United States Code, a violation of Section 874, 1027, 1503, 1505, 1506, 1510, 1951, or 1954 of Title 18 United States Code, a violation of the Labor-Management Reporting and Disclosure Act of 1959 (29 U.S.C. 401), any felony involving abuse or misuse of such person's position or employment in a labor organization or employee benefit plan to seek or obtain an illegal gain at the expense of the members of the labor organization or the beneficiaries of the employee benefit plan, or conspiracy to commit any such crimes, or a crime in which any of the foregoing is an element or has been found by the Commission or any court to have violated his/her fiduciary duty or has been found by the Ethics Commission or any court to have violated M.G.L. c. 268A, shall serve or be permitted to serve:

1. As a member, administrator, fiduciary, officer, trustee, custodian, counsel, agent, employee or representative in any capacity of a board.
2. As a consultant, manager or provider of goods or services to a board.
3. In any capacity that involves decision making authority or custody or control of the monies, funds, assets or property of any system.

1.04 Investment

Members of a board which has received an exemption pursuant to 840 CMR 19.00 and has delegated investment discretion for assets to a qualified investment manager or is participating in or purchasing shares of the PRIT Fund shall not be liable for the acts or omissions of the qualified investment manager or of the PRIM Board, provided the selection and retention of such investment manager or of the PRIM Board is consistent with the members' fiduciary duty.

REGULATORY AUTHORITY

840 CMR 1.00: M.G.L. c. 7, § 50; c. 32, §§ 21 and 23.

Regulation 840 CMR 18.00: Formation of Investment Policy And Statement of Investment Objectives

Date: 07/10/1998

Organization: M.G.L. c. 32, s.21(4)

Regulatory Authority: MGL c. 7, § 50
MGL c. 32, §§ 21 and 23

Official Version: Published by the Massachusetts Register

840 CMR 18.00 is the standard rule for the formation of investment policy and statement of investment objectives promulgated by the Public Employee Retirement Administration Commission pursuant to M.G.L. c. 7, § 50 and M.G.L. c. 32, §§ 21 and 23. Except as may otherwise be provided by the Commission, or by supplementary rules of a particular retirement board approved by the Commission pursuant to 840 CMR 14.02, or by statute, 840 CMR 18.00 is the standard rule for the formation of investment policy and statement of investment objectives.

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18.01 General Requirement

- (1) Every board shall file a statement of investment objectives with the Public Employee Retirement Administration Commission.
- (2) Before designing an investment program and writing a statement of objectives, every board shall consider its most recent actuarial valuation, meet with the board's consultant, if any, and address the following questions:
 - (a) What stage of growth best describes the system: start-up, early growth, sustained growth, maturity, or decline?
 - (b) What are the estimates of growth in the workforce, benefit increases, inflation and other economic factors?
 - (c) What is the projected level of cash payments to beneficiaries for the next 20 years (the "liabilities stream")?
 - (d) What assumption regarding "real investment return" (total return less wage inflation rate) is used by the actuary to make funding estimates?
 - (e) Is the system underfunded?

(f) What has been the history of employer and employee payments into the system? Is there any reason to expect that these will change?

(g) What is the long-term demographic forecast for the system area? What may affect the tax base including such factors as population and business growth, rate of growth or decline and condition of housing stock and industrial facilities?

(3) Asset allocation decisions shall be made based on a liability-sensitive approach which tailors asset allocation for the portfolio to the system's liability profile. Boards shall conduct an initial study of the asset universe and establish the asset allocation in a manner that recognizes the financial structure of the system. Asset allocation decisions shall establish target levels and ranges for asset percentages.

18.02 Matters to be Included in Statement of Investment Objectives

Every statement of investment objectives shall be filed on Form 18, shall be signed by each board member and shall include the following information:

(1) **Fiduciaries.** The name, address, background and responsibilities of every retirement board fiduciary, including every qualified investment manager employed or expected to be employed by the board.

(2) **Terms of Employment and Compensation.** The terms of employment and compensation of every:

- (a) qualified investment manager;
- (b) consultant employed by the board;
- (c) custodian bank employed by the board;
- (d) actuary employed by the board;
- (e) attorney employed or used by the board; and
- (f) other contractor employed by the board.

(3) **Investment Policy.** A statement of investment policy indicating how investment objectives are to be accomplished including the investment philosophy and method of investment, whether a consultant will be employed, whether a qualified investment manager will be employed, the method to be used to select brokers on a competitive basis for investment transactions, guidelines for proxy voting and tender offer exercise procedures and other practices of the board.

(4) **Rate of Return.** A statement of the rate of return objective for each asset class and for the entire portfolio, provided that the statement also include the assumed rate of return used in the most recent actuarial valuation of the system. The rate of return objective for the entire portfolio should not exceed the assumed rate of return used in the most recent actuarial valuation of the system by more than 1.00%.

(5) **Risk.** The expected level of risk for the equity portion of the portfolio expressed in terms of an annual average beta coefficient, standard deviation, or other statistical risk measures and the expected duration of the fixed income portfolio. Risk levels shall also be established for other asset classes and the total portfolio.

(6) **Asset Mix.** The expected portfolio asset mix, expressed as a percentage of the entire portfolio, of equities, fixed income investments, cash and short term investments, real estate, alternative investments, and international investments.

(7) **Diversification.** The expected degree of diversification within each asset class for:

(a) equities, including capitalization, industry diversification, number of issues and rate of turnover;

(b) fixed income investments, including quality ratings, maturity schedule, industry diversification, number of issues, par value of issues and rate of turnover;

(c) cash and cash equivalent investments, including types of instruments and insurance coverage;

(d) real estate investments;

(e) alternative investments such as venture capital and leveraged buy - outs;

(f) international equities, including capitalization, country and industry diversification, number of issues and rate of turnover;

(g) international fixed income investments, including quality, maturity schedule, country and industry diversification, number of issues, par value of issues and rate of turnover; and

(h) international cash and cash equivalent investments, including country diversification, types of instruments and insurance coverage.

(8) **Other.** Such further information as may otherwise be required by the Commission.

18.03 Updates of Statement of Investment Objectives

Statements of objectives shall be updated by the board as changes occur including, but not limited to, the filing of an Application for Exemption as provided for in 840 CMR 19.00. The board shall notify Commission in writing of any such changes within ten days of the effective date of the change. Boards shall review and, if appropriate, amend the statement of objectives upon completion of each actuarial valuation of the system. In addition on or before December 31 of each year the board shall notify the Commission of whether or not any changes have been made in the statement of objectives and in the event changes have been made said board shall notify the Commission of those changes.

REGULATORY AUTHORITY

840 CMR 18.00: M.G.L. 7, § 50; c. 32, §§ 21 and 23.