**Investment Policy Statement**

 Village of Speculator

Defined Contribution

Length of Service Award Program

 Directed by Board of Trustees

 **Updated March, 2025**

**RBC Wealth Management, a division of RBC Capital Markets Corporation,**

**Member NYSE/FINRA/SIPC**

This Investment Policy Statement should be reviewed from time to time with the Sponsoring Board’s Investment Advisor. Any change to this policy should be communicated in writing and on a timely basis to the Investment Advisor. If any term or condition of this Investment Policy Statement conflicts with any trust and/or plan document, the document shall control, as long as such term or condition is consistent with the law

**Executive Summary**

**Type of Client: Non ERISA LOSAP** Plan – Board Directed

**Plan Name: Village of Specuator**

 LOSAP Defined Contribution Plan

**Client Sub‑type:** ERISA Exempt

**Fiduciary Standard of Care:** Other ‑ Prudent Man Rule

**Tax Id: 14-6002522**

**Current Assets:** $ 132,000

**Time Horizon:** Long ‑ More than 20 years

**Modeled Return: 5**.0%

Asset allocation accounts for the majority of portfolio returns. Because asset allocation is so critical to the investor experience, it must be carefully selected and reviewed on a regular basis.

We have selected a 60% equity/40% bond and cash allocation to achieve our long term return goals.

Below is a selection of asset classes with strategic allocations with lower and upper limits for each.

**Allocation Range**

LL: Lower Limit

SA: Strategic Allocation

UL: Upper Limit

**Broad Asset Class Peer Group** LL SA UL

 **Cash & Cash Equivalents Cash Equivalents 1.0 3.0 20.0**

 **Fixed Income 30.0 37.0 44.0**

 U.S. Gov’t Fixed Income 3.0 9.0 23.0

 U.S. Corp Investment Grade

 Fixed Income 8.0 13.0 20.0

 U.S. Corp High Yield

 Fixed Income 0.0 4.0 8.0

 International Fixed Income 2.0 7.0 14.0

 Emerging Markets

 Fixed Income 0.0 4.0 8.0

 **Equity 50.0 60.0 70.0**

 U.S. Large Cap 14.0 24.0 32.0

 U.S. Mid Cap 3.0 9.0 9150

 U.S. Small Cap 0.0 3.0 7.0

 International Equity 12.0 20.0 28.0

 Emerging Markets Equity 0.0 4.0 10.0

 **Total 100.0**

Additional asset classes may temporarily be utilized based on market conditions.

Similarly, we allow temporary swings outside these parameters during extreme market conditions.

**Purpose**

The purpose of this Investment Policy Statement (IPS) is to assist the Board of Trustees (Board) in effectively supervising, monitoring and evaluating the investment of the District's Length of Service Award Plan (Plan) assets. The Plan's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Board’s attitudes, expectations, objectives and

 guidelines for the investment of all of the Plan's assets.

2. Encouraging effective communications between the Board and all parties involved with the

 investment management decisions.

3. Establishing formal criteria to select, monitor, evaluate and compare the performance results

 achieved by each investment option on a regular basis.

4. Setting forth an investment structure for managing the Plan's assets. This structure includes

 various asset classes, investment management styles, asset allocation and acceptable ranges

 that, in total, are expected to produce an appropriate level of overall diversification and total

 investment return over the investment time horizon.

5. Providing guidelines for each investment portfolio that control the level of overall risk and

 liquidity assumed in that portfolio, so all Plan assets are managed in accordance with stated

 objectives.

**Statement of Objectives**

**Background**

The Plan is a Defined Contribution plan and currently covers 28 volunteer participants. Plan size is currently $ 132,000. The purpose of the plan is to retain and recruit active volunteer firefighters and/or EMT’s.

This IPS has been arrived at upon consideration by the Board by a wide range of policies, and describes the prudent investment process the Board deems appropriate. This process

includes offering various asset classes and investment management styles that, in total, are

expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

The objectives of the Plan are:

1. Have the ability to pay all benefit and expense obligations when due.

2. Control costs of administering the plan and managing the investments.

3. Maximize return within reasonable and prudent levels of risk in order to minimize contributions.

**Time Horizon**

The investment guidelines are based upon an investment horizon of greater than twenty years. The Plan's strategic asset allocation is also based on this long‑term perspective. Short‑term liquidity requirements are anticipated to be covered by the plans assets.

**Risk Tolerances**

The Board recognizes that some risk must be assumed in order to achieve the investment

objectives of the plan. In establishing the risk tolerances of the IPS, the ability to withstand short

and intermediate term variability were considered.

In summary, The Plan's long time horizon, current financial condition and several other factors

suggest collectively some interim fluctuations in market value and rates of return may be tolerated

in order to achieve the longer‑term objectives.

**Performance Expectations**

The desired investment objective is a long‑term rate of return on assets that is at least 5.50%. The target rate of return for the Plan has been based upon the assumption that future real returns will approximate the long‑term rates of return experienced for each asset class in the IPS.

The Board realizes market performance varies and a 5.50% rate of return may not be

meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in the "Monitoring" section.

**Duties and Responsibilities**

**Board of Trustees**

As fiduciaries under the Plan, the primary responsibilities of the Board are:

1. Prepare and maintain this Investment Policy Statement.

2. Prudently diversify the Plan's assets to meet an agreed upon risk/return profile.

3. Prudently select investment options.

4. Control and account for all investment, record keeping and administrative expenses associated

 with the Plan.

5. Monitor and supervise all service vendors and investment options.

6. Avoid prohibited transactions and conflicts of interest.

**Custodian**

Custodians are responsible for the safekeeping of the Plan's assets. The specific duties and

responsibilities of the custodian are:

1. Value the holdings.

2. Collect all income and dividends owed to the Plan.

3. Settle all transactions (buy‑sell orders).

4. Provide monthly reports that detail transactions, cash flows, securities held and their current

 value, and change in value of each security and the overall Plan since the previous report.

5. Maintain separate accounts by legal registration.

**Investment Advisor**

The Investment Advisor serves as an objective, third‑party professional retained to assist the

Board in managing the overall investment process. The Advisor is responsible for managing the assets and guiding the Board through a disciplined and rigorous investment process to enable the Board to meet the fiduciary responsibilities outlined above. We should seek an Advisor who is a stated fiduciary to our plan

**Asset Class Guidelines**

The Board believes long‑term investment performance, in large part, is primarily a function of

asset class mix. The Board has reviewed the long‑term performance characteristics of the

broad asset classes, focusing on balancing the risks and rewards.

Historically while interest‑generating investments, such as bonds, have the advantage of relative

stability of principal value, they provide little opportunity for real long‑term capital growth due to

their susceptibility to inflation. On the other hand, equity investments, such as common stocks,

clearly have a significantly higher expected return but have the disadvantage of much greater

year‑by‑year variability of return. From an investment decision‑making point of view, this

year‑by‑year variability may be worth accepting given the Plan's long time horizon.

The following asset classes were selected and ranked in ascending order of "risk" (least to most)

according to the most recent quarter's median 3‑year Standard Deviation values.

Money Market Taxable

U.S. Government Fixed Income

U.S. Corporate Investment Grade Fixed Income

International Fixed Income

U.S. Corporate High Yield Fixed Income

Emerging Market Fixed Income

U.S. Large Cap Equity

U.S. Mid Cap Equity

International Equity

U.S. Small Cap Equity

Emerging Market Equity

**Rebalancing of Strategic Allocation**

The percentage allocation to each asset class may vary depending upon market conditions.

Please reference the allocation table in the Executive Summary for the lower and upper limits for

each asset class. When necessary and/or available, cash inflows/outflows will be deployed in a

manner consistent with the strategic asset allocation and allocation ranges of the Plan. If there

are no cash flows, the allocation of the Plan will be reviewed quarterly.

If the Board judges cash flows to be insufficient to bring the Plan within the target allocation

ranges, the Board shall decide whether to effect transactions to bring the allocation of Plan

assets within the threshold ranges.

**Implementation**

The Board will apply the following due diligence criteria in selecting each money manager or

mutual fund.

1. Regulatory oversight: Each investment option should be managed by: (i) a bank; (ii) an

 insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered

 investment adviser.

2. Correlation to style or peer group: The investment option should be highly correlated to the

 asset class being implemented. This is one of the most critical parts of the analysis since most

 of the remaining due diligence involves comparisons of the investment option to the

 appropriate peer group.

3. Performance relative to a peer group: The investment option’s performance should be

 evaluated against the peer group’s median manager return, for 1‑, 3‑ and 5‑year cumulative

 periods.

4. Performance relative to assumed risk: The investment option’s risk‑adjusted performance

 (Alpha and/or Sharpe Ratio) should be evaluated against the peer group’s median manager’s

 risk‑adjusted performance.

5. Minimum track record: The investment option should have sufficient history so that

 performance statistics can be properly calculated.

6. Assets in the product: The investment option should have sufficient assets so that the portfolio

 manager can properly trade the account.

7. Holdings consistent with style: The underlying securities of the investment option should be

 consistent with the associated broad asset class.

8. Expense ratios/fees: The investment option's fees should be fair and reasonable. Core/Satellite

 approach can be implemented to control expenses. This is the recognition that passive

 management and index funds should be used for the more efficient asset classes combined

 with active management for less efficient asset classes.

9. Stability of the organization: There should be no perceived organizational problems.

**Monitoring**

**Performance Objectives**

The Board acknowledges fluctuating rates of return characterize the securities markets,

particularly during short‑term time periods. Recognizing that short‑term fluctuations may cause

variations in performance, the Board intends to evaluate investment performance from a

long‑term perspective.

The Board is aware the ongoing review and analysis of the investment options is just as

important as the due diligence process. The performance of the investment options will be

monitored on an ongoing basis and it is at the Board's discretion to take corrective action by

replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than annually, the Board will meet to review whether each

investment option continues to conform to the search criteria outlined in the implementation

section; specifically:

1. The investment option's adherence to the watch list criteria;

2. Material changes in the investment option's organization, investment philosophy and/or

 personnel; and,

3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment options

 organization.

**Benchmarks**

The Board has determined it is in the best interest of the Plan's participants that performance objectives be established for each investment option. Manager performance will be evaluated in terms of an appropriate market index (e.g. the S&P 500 stock index for large‑cap domestic equity manager) and the relevant peer group (e.g. the large‑cap growth mutual fund universe for a large‑cap growth mutual fund).

 **Peer Group Index**

U.S. Government Fixed Income BBg Barc US Agg

U.S. Corporate Investment Grade Fixed Income BBg Barc US Corp Bond

U.S. Corporate High Yield Fixed Income ICE BofA US High Yield

International Fixed Income BBg Barc Global Agg

Emerging Market Fixed Income JPM EMBI

U.S. Large Cap Equity Russell 1000

U.S. Mid Cap Equity Russel Mid Cap Index

U.S. Small Cap Equity Russell 2000

International Equity MSCI ACWI Ex US

Emerging Market Equity MSCI EM

**Watch List Criteria**

An investment option may be placed on a Watch List and a thorough review and analysis of the

investment option may be conducted, when:

1. An investment option performs below median for their peer group over a 1‑, 3‑ and/or 5‑year

 cumulative period.

2. An investment option's 3‑year risk adjusted return (Alpha and/or Sharpe) falls below the peer

 group's median risk adjusted return.

3. There is a change in the professionals managing the investment option.

4. There is a significant decrease or increase in the investment option's assets.

5. There is an indication the investment option is deviating from the stated style and/or strategy.

6. There is an increase in the investment option's fees and expenses.

7. Any extraordinary event occurs that may interfere with the investment option's ability to

 prudently manage investment assets.

The decision to retain or terminate an investment option cannot be made by a formula. It is the

Board’s confidence in the investment option's ability to perform in the future that ultimately

determines the retention of an investment option.

**Measuring Costs**

The Board will review at least annually all costs associated with the management of the Plan, including:

1. Expense ratios of each mutual fund against the appropriate peer group.

2. Administrative Fees; costs to administer the Plan, including record keeping, custody and trust

 services.

3. The proper identification and accounting of all parties receiving soft dollars and/or 12b‑1 fees

 generated by the Portfolio.

**Investment Policy Review**

The Board will review this IPS at least annually to determine whether stated investment

objectives are still relevant and the continued feasibility of achieving the same. It is not expected

that the IPS will change frequently. In particular, short‑term changes in the financial markets

should not require adjustments to the IPS.

**Approved by:**

**Village of Speculator**

**Board of Trustees \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **Signature Date**