

Bloomfield Township
457(b) Deferred Compensation Plan
401(a) Defined Contribution Plan
Retirement Health Savings Plan

STATEMENT OF INVESTMENT POLICY

Section 1 – Introduction

The Bloomfield Township 457(b) Deferred Compensation, 401(a) Defined Contribution Plan, and Retirement Health Savings Plans (“the Plans”), provide retirement benefits to eligible employees of Bloomfield Township. (“the Twp.”). The plan complies with ERISA section 404(c) of the Code.

The assets of the Plans belong to the participants in the Plans. Contributions to the Plans are made by both employees who are the participants in the Plans and by the Twp. The objective of the Plans is to provide employees with a source of retirement income from accumulated contributions and investment returns.

The Twp. Board of Trustees (“Board”) is responsible for the underlying investment options of the Plan. The Board is authorized to retain professional investment advisory services to provide input with respect to the investment of the Plans’ assets under the guidance of the Board.

Section 2 – Purpose

This Statement of Investment Policy ("SIP") governs the investment of the assets held in trust for the Plans and assists the members of the Board, and any professional investment advisory services hired by the Board, in effectively selecting, monitoring, and evaluating the investment alternatives available to the participants in the Plans.

The guidelines and policies set forth in this SIP have been adopted as of February 14, 2022.

The purpose of this SIP is to:

- A. Set forth the investment objectives, policies, and guidelines, which the Board, or any professional investment advisory services hired by the Board, judges to be appropriate and prudent, in consideration of the needs of the Plans.
- B. Establish the criteria that the investment management organizations, which are selected by the Board, or any professional investment advisory services hired by the Board, will be expected to meet and against which they are to be measured.
- C. Serve as a review document for the Board, or any professional investment advisory services hired by the Board, in the ongoing oversight of the investments of the Plans.

Section 3 – Investment Options

The assets of the Plans are invested under the supervision of the Board. However, each participant directs his or her own accumulated contributions among the investment funds, which are made available under the terms of the Plans. By virtue of this allocation, each participant determines the amount of risk he or she is willing to accept.

To provide plan participants a broad range of investment alternatives, the Plans will make available at least twelve investment funds from the following asset classes:

- ❖ **Money Market or Stable Value Funds** – Funds in this class are those that seek protection of principal, daily liquidity, and competitive yields in the short-term securities market. Investments may include money market funds as well as GICs and GIC pools.
- ❖ **Bond Funds** – Funds in this class have a primary emphasis on income. They may invest in a blend of securities issued by the U.S. Government or agencies of the U.S. Government such as Treasury Bills, Treasury Bonds, and mortgage-backed securities. Funds may also seek income by investing in fixed income securities issued by corporations such as corporate bonds and preferred stocks.
- ❖ **Value Stock Funds** – Funds in this class invest primarily for the purpose of capital appreciation and current dividend income. These funds will invest mainly in equity securities with above average yields and some potential for appreciation.
- ❖ **Growth Stock Funds** – Funds in this class seek capital growth by investing in equity securities of companies with earnings that are expected to grow at an above average rate. Income, if considered at all, is secondary.
- ❖ **Aggressive Growth Funds** – Funds in this class seek rapid growth of capital by investing in equity securities of companies with earnings that are expected to grow at an above average rate and using investment techniques that involve above average risk.
- ❖ **International Equity/Global Funds** – International Equity funds invest in equity securities of companies that reside outside the U.S. Global Equity funds invest in equity securities of issuers all over the world; these funds will generally keep a portion of their assets in U.S. equity securities.
- ❖ **Retirement Target Date Funds** – Diversified retirement target date funds may invest in both equity and fixed income holdings. Generally, the equities are invested in domestic and international companies, both value and growth in nature. The fixed income funds may be diversified among money market, government, corporate and alternative bond fund vehicles.

Section 4 – Criteria for Investment Selection

The assets of the Plans will be invested in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards, which would guide a prudent man, will be observed. All transactions undertaken on behalf of the Plans will be for the sole benefit of the participants in the Plans.

The Board will select appropriate investment alternatives using the following criteria:

- 1) The Board is responsible for selecting investment managers, which may include one or more of the following:
 - a) Mutual fund management companies;
 - b) Banks;
 - c) Registered investment advisory firms; and
 - d) Insurance companies.
- 2) The investment manager must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- 3) The investment manager must be able to provide historical quarterly performance numbers calculated on a time-weighted basis and reported net of all fees.
- 4) The investment manager must provide volatility measurements so that an appropriate risk/return profile can be prepared.
- 5) The investment manager must be able to provide information on its history, key personnel, fee schedules and expenses, and current investment exposure.
- 6) Long-term and short-term net investment results. The funds are evaluated based on annualized averages as well as individual annual returns over the last ten years, where applicable. Returns are measured against the most comparable index for a given asset category, and they are ranked by quintile according to their performance relative to peer funds.
- 7) Risk management. The beta of a given fund is a three-year annualized statistic that measures the volatility of a fund's net returns relative to the returns of a comparable index over the same time period. A beta of 1.0 indicates that a fund is equally volatile to the market. A beta of less than 1.0 indicates a fund that is less volatile than the market and a beta of greater than 1.0 indicates a fund that is more volatile than the market. The alpha of a given fund is also a three-year annualized statistic which measures how well a fund has performed, taking into consideration its beta. A positive alpha indicates better-than-expected performance, and a negative alpha indicates worse-than-expected performance. The R-squared is a statistical measure of correlation that indicates the significance of both alpha and beta. An R-squared of 100 means perfect correlation and highly significant beta and alpha. An R-squared of less than 60 indicates that beta and alpha are perhaps insignificant. The closer to 100, the greater the correlation between a given fund and its comparable index. R-squared never exceeds 100.
- 8) Inception dates and, more importantly, the lead manager tenures for the funds.
- 9) Expense ratios. The analysis emphasizes net returns, but close scrutiny of expense ratios is always prudent.
- 10) Asset size. Large asset sizes can be a plus for fixed income funds and can be a serious concern for equity funds.

Section 5 – Performance Evaluation

The investment performance of the individual investment managers will be monitored quarterly and reviewed at least annually relative to the objectives and guidelines described herein. The investment performance evaluations may include performance analyses and comparisons with the appropriate indices and fund universes.

The Board does not expect to respond to short-term investment developments, recognizing that the accumulation of value for eventual retirement benefit payout is generally a long-term objective and that investment competence must be measured over a complete market cycle. The Board, nevertheless, may act on interim qualitative judgments. Qualitative factors which will be reviewed on an on-going basis include any fundamental changes in a manager's investment philosophy, organizational structure, SEC investigation and/or complaint, financial condition (including any significant changes in total assets under management), personnel and fee structure.

The Board believes that over a five-year period, an investment manager should rank in the upper half of the universe of all active managers with similar objectives.

The Statement of Investment Policy will be reviewed at least annually to determine the continued appropriateness of the SIP in achieving the stated purpose. However, it is not expected that the SIP will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the SIP.

Criteria for Placement on "Watch List":

1. Underperformance versus benchmarks.
2. Style drift (i.e., significant deviation from the originally stated investment objective or originally pursued asset class).
3. Lead manager changes.
4. Inappropriate fund manager and/or fund family activity.

Criteria for Replacement of Fund:

1. Underperformance versus benchmarks for a minimum of two consecutive years (a minimum of eight consecutive quarters) and a maximum of three consecutive years (a maximum of twelve consecutive quarters).
2. Style drift that jeopardizes overall diversification of the fund mix.
3. Lead manager change, and new manager is unacceptable to the Investment Committee, or unacceptable to advisers to the Committee.
4. Inappropriate fund manager and/or fund family activity.

Section 6 – Nonapplication

The Statement of Investment Policy is not applicable to self-directed brokerage accounts that invest in individual securities or other segregated investment funds, which are subject to investment direction by participants.

Acknowledgment of Receipt of Statement of Investment Policy

I have read and fully understand the Statement of Investment Policy for the Bloomfield Township 457(b) Deferred Compensation, 401(a) Defined Contribution, and Retirement Health Savings Plans. Any investment advice or recommendation to the Bloomfield Township Trustees and employees shall comply with the requirements, as described within this Policy:

By: _____
Edward A. Schwartz, President

Date: _____