INVESTMENT POLICY STATEMENT

FOR

THE TOWN OF PORTSMOUTH, RHODE ISLAND

PENSION PLAN

Prepared by

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Updated
June 30, 2015

THE TOWN OF PORTSMOUTH, RHODE ISLAND PENSION PLAN
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Definitions

For the purposes of this Investment Policy Statement, the following terms shall have the meaning defined herein:

a. **"TPR"** shall refer to The Town of Portsmouth, Rhode Island, a municipality.

b. **"IPS"** shall refer to the Investment Policy Statement for The TPR Defined Benefit Pension Plan.

c. **"The Committee"** shall refer to The TPR Pension Plan's Town Council as Administrator of the Plan.

d. **"Portfolio"** shall refer to The TPR Pension Plan's Portfolio.

e. **"Plan"** shall refer to The TPR Defined Benefit Pension Plan.

f. **"Consultant"** shall refer to the Investment Consultant, Symmetry Partners, LLC, an Investment Advisory Firm registered with the Securities and Exchange Commission and located in Glastonbury, Connecticut. Symmetry considers itself a fiduciary under ERISA with respect to the recommendation to a plan. Symmetry's consulting services include, but are not limited to, initial and continual investment policy creation and review, asset allocation analysis and implementation, investment plan recommendations, fund performance measurements, analysis and reporting and ongoing education on consulting/investment topics for the Town.

g. **"Manager"** shall refer to the Investment Manager, Symmetry Partners, LLC an Investment Advisory Firm registered with the Securities and Exchange Commission and located in Glastonbury, Connecticut. Symmetry Partners is an investment manager (as defined in Section 402 (c) (3) and 3(38) of the Employee Retirement Income Security Act of 1974, as amended). Symmetry is registered under the Investment Advisors Act of 1940. Symmetry Partners has been appointed by The Committee to invest the assets of the Plan.

h. **"Domestic Equities"** shall refer to the portion of the Portfolio that seeks to achieve its investment objective by purchasing a broad and diverse group of common stocks of U.S. companies listed on the NYSE, AMEX and Nasdaq.

i. **"International Equities"** shall refer to the portion of the Portfolio that seeks to achieve its investment objective by purchasing a broad and diverse group of stocks of non-U.S. companies of developed and developing markets, which includes approved emerging markets. Approved markets represent broad coverage of equity securities listed on bona fide securities exchanges or actively traded on over-the-counter markets.

j. **"Real Estate Stocks"** shall refer to the portion of the Portfolio that seeks to achieve its investment objective by purchasing shares of real estate investment trusts (REITS). REITS pool investors' funds for investment primarily in income producing real estate or real estate related loans or interests. REITS can generally be classified as Equity, Mortgage or Hybrid REITS. Equity REITS invest the majority of their assets directly in real property and derive their income primarily from rents. Equity REITS can also realize capital gains by selling properties that have appreciated in value. Mortgage REITS invest the majority of their assets in real estate mortgages and derive their income primarily from interest payments. Hybrid REITS combine the characteristics of both Equity REITS and Mortgage REITS.

k. **"Fixed Income"** shall refer to the portion of the Portfolio that seeks to achieve its investment objective by purchasing higher quality, shorter duration U.S. and non-U.S. issues which may include the following types of fixed income investments: U.S. Government Obligations, U.S. Government Agency Obligations, Corporate Debt Obligations, Bank Obligations, Commercial Paper, Repurchase Agreements, Foreign Government and Agency Obligations, Supranational Organization Obligations, Foreign Issuer Obligations, Eurodollar Obligations.

l. **"Custodian"** shall refer to a bank, insurance company, brokerage firm, or other financial institution that keeps custody of stock certificates and other assets on behalf of the investor. Custodians send regular statements, usually monthly or quarterly, that detail the holdings, values and transactions made in the investor's portfolio during the period.

m. **"Fiduciary"** as defined under the terms of ERISA, is "one who occupies a position of confidence or trust and who exercises any power of control, management or disposition with respect to monies or other property of an employee benefit fund or who has authority or responsibility to do so."

n. **"BSPP"** shall refer to the Benefit Services Payment Provider, which is handled by The Town of Portsmouth, Rhode Island. The BSPP will provide services related to the disbursement and payment of monthly benefit payments to retirees of the Plan. Such services include, but are not limited to, benefit payments to retirees, funding requests to the investment manager, tax reporting to benefit payment recipients, and death claim processing.

Purpose

The Town of Portsmouth, Rhode Island Pension Fund account is a Defined Benefit Plan established in 1965. The purpose of this Investment Policy Statement is to establish a clear understanding between The Committee, the Consultant and the Manager as to the investment goals and management policies applicable to the Plan. This Investment Policy Statement will:

- Establish reasonable expectations, objectives and guidelines in the investment of the Plan's assets.
- Create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Committee, including:
    - Specifying the target asset allocation policy;

- Establishing investment guidelines regarding the selection of permissible securities and diversification of assets;
- Describing an appropriate risk posture for the investment of the Portfolio.

- Define the responsibilities of the Committee, the Consultant and the Manager.
- Encourage effective communications among the Committee, the Consultant and the Manager.

This IPS is intended to be a summary of the investment objectives and investment management procedures that provide guidance for the Committee, the Consultant and the Manager. These policies will be reviewed and revised periodically to ensure they adequately reflect any changes related to the Plan, to the Committee and/or to the capital markets.

Investment Goals and Objectives

The objectives of the portfolio have been established in conjunction with the funding requirements. The Plan's overall investment objective is to fund benefits to Plan beneficiaries through a well-executed investment program. The Plan has the following broad objectives:

- The overall return objective is to achieve a return sufficient to achieve funding adequacy on an inflation-adjusted basis. Funding adequacy is achieved when the market value of assets is at least equal to the Plan's projected benefit obligation (PBO).

- Maintain a funding protection for: a) unexpected developments, b) possible future increases in expense levels and/or c) a reduction in the expected return on investments;

- The assets of the Plan shall be invested to maximize returns for the level of risk taken. The plan shall allow for assets to be invested in a broadly diversified manner in investment vehicles deemed competitive in terms of historical returns and fee structure versus their peer group;

- The Plan shall strive to achieve a compound average annual return over the long term on Plan assets that meet the actuarial return assumption. The actuarial return assumption for the Plan is currently 6.75%. No guarantees can be provided with respect to achieving this objective.

Time Horizon

The determination of how assets are to be invested must take into consideration the Plan's time horizon. Time horizon is a key factor in determining risk tolerance. A shorter investment time horizon is less able to withstand the short-term volatility that is intrinsic to the securities markets. Conversely, assets invested for a longer time period may be able to assume a more aggressive investment posture. The ability to withstand market fluctuations also plays a key role in establishing risk tolerance. Higher levels of short-term risk in a portfolio allow for greater long-term appreciation potential while a more conservative stance traditionally results in a more modest level of capital appreciation.

With respect to this Plan, return assumptions should be based on a seven-year time horizon. A review and analysis should be made every quarter, and a detailed analysis at least annually, to monitor whether allocations and assumptions are achieving stated objectives. Should an investment deviate from expected risk and reward standards by a significant degree, as determined by the Committee and the Consultant, the investment may be re-evaluated at any time.

Risk Tolerance

The assets of the Plan shall be diversified to minimize the risk of large losses within any one asset class, investment type, industry or sector distributions, maturity date, or geographic location, which could seriously impair the Plan's ability to achieve its funding and long-term investment objectives.

The Committee is expected to enforce the objectives outlined within this IPS, exercising reasonable patience. The Committee does not expect to be reactive to short-term investment developments, recognizing that a complete market cycle must be considered before concluding quantitatively on management capabilities. The Committee considers a five-year period to be normal for such assessment, but anticipates making interim qualitative judgments.

Because the Plan is funded over time and volatility of returns does not have an immediate effect on the participant's vested interest, the Plan has a long-term view regarding investment decisions. Portfolio planning decisions will be determined based on a five-year time horizon. Results shall be measured annually as to the impact that annual variance in returns would have on contributions. Risk should also be evaluated on the basis of the Policy Asset Mix. Standard Deviation is a measurement of the dispersion of returns from the mean return; using historical data we can estimate the mean and standard deviation of expected returns. It measures the volatility of a portfolio's returns compared to the average return of the portfolio. The Standard Deviation of the Plan should be within a range that is + or - 10% of the Standard Deviation of the Policy Asset Mix, based upon an analysis of all five-year rolling time periods of Symmetry model performance compared to a monthly rebalanced data stream from January 2002 to December 2011. No guarantee can be provided for any range stated in this IPS.

Beta is another way to measure the risk level of the portfolio compared to the risk level of the Market. If the Policy Mix were used as a proxy for the Market, a beta equal to one would indicate a risk level equivalent to the Policy Asset Mix. The Beta of the Plan should be within a range that is + or - 10% of the Beta of the Policy Asset Mix, based upon an analysis of all five-year rolling time periods of Symmetry model performance compared to a monthly rebalanced data stream from January 2002 to December 2011. No guarantee can be provided for any range stated in this IPS.

Investment Guidelines

Based upon the investment objectives and risk tolerances stated in this document, the Plan's Target Allocation stated below is presently considered appropriate for the Portfolio. Full investment discretion is given to the Manager, subject to the investment guidelines below. The plan shall maintain an asset allocation, using the Target Allocation as its primary benchmark for the Plan's Policy Asset Mix, with deviation from the Target allowable as indicated within the Allocation Range:

Asset Category	Allocation Range
Domestic Equities	Large Cap 10% - 25%
	Mid Cap 5% - 20%
	Small Cap 5% - 20%
International Equities	10% - 40%
Real Estate Stocks	0% - 15%
Fixed Income and Cash	15% - 35%

* In order to satisfy the plan's liquidity needs, including an amount necessary to satisfy benefit service payments, the estimated amount of cash equivalents required to meet the plan's liquidity needs is <u>two</u> months of retiree benefit payments to be held within a segregated account through either the custodian in a money market or within the BSPP's account and <u>three</u> months of cash equivalents to be held with the custodian to satisfy ongoing benefit payments and efficiently manage trading within the Portfolio. Liquidity needs are subject to change and may be adjusted accordingly.

Policy Asset Mix

The following asset classes were selected to strive to achieve the objectives of the Committee with an overall mix of 65% equities and 35% fixed income.

Asset Class [1]	Current Allocation [1]
U.S. Equities	**37.7%**
Large Cap Blend	9.9%
Large Cap Value	6.7%
Mid Cap Blend	7.3%
Mid Cap Value	4.6%
Small Cap Blend	5.9%
Small Cap Value	3.4%
International Equities	**22.1%**
International Developed	13.0%
Emerging Markets	9.1%
Global Real Estate	**5.2%**
Fixed Income	**35%**

[1] ***Asset class blends consist of core and growth. Asset class breakdowns calculated by Morningstar as of October 31, 2015 and are subject to change. Current allocations percentages for specific asset classes are approximations and may not add to 100 due to rounding.***

Updated Allocations

From time to time, it may be desirable to amend the Investment Guidelines, Policy Asset Mix or calculations in the Plan. When the Committee makes such changes, updates will be attached to this Investment Policy Statement as an *Appendix* and will be considered part of this Investment Policy Statement.

Plan Rebalancing Procedures and Guidelines

From time to time, market conditions may cause the Plan's investment in various asset classes and overall stock and bond mix to vary from the established Target Allocation. To remain consistent with the asset allocation guidelines established by this IPS, the Manager should continuously monitor the Plan and each asset class in which the Plan is invested.

On a quarterly basis, the Manager shall review the Plan's actual allocation against the IPS target allocations of 65% stock and 35% bonds. The Manager will consider the impact of cash flows in managing assets to the Plan's Target Allocation. Cash flows will vary and include, but may not be limited to, monthly benefit payment service requirements and plan contributions. Essentially, cash inflows are invested in the under-performing asset classes and cash outflows are taken from the higher performing asset classes. This continually realigns the current portfolio with its target asset allocation.

Diversification

Direct investments within the Plan shall be limited to individual marketable securities or packaged products (for example, mutual funds). The underlying funds may hold some of these prohibited asset classes. Direct Permissible and Prohibited investments are outlined in the following categories:

Permissible Asset Classes

1. Cash and cash equivalents
2. Fixed Income-Domestic Bonds (Investment Grade)
3. Fixed Income-Non-U.S. Bonds
4. Equities-U.S.
5. Equities-Non-U.S., including Emerging Markets
6. Equities-REITS

Prohibited Asset Classes and/or Security Types

1. Art objects or other collectibles
2. Oil & gas wells
3. Precious metals
4. Venture Capital
5. Short selling
6. Purchase of unregistered or restricted stock
7. Private Placements
8. Leveraged Transactions
9. Commodities Transactions
10. Puts, calls, straddles, or other option strategies, except for hedging
11. Purchases of real estate, with the exception of REITS
12. Hedge Funds
13. Initial Public Offerings (IPOs)

Performance Benchmarks

The Plan's investment results will be monitored on a quarterly basis but evaluated on a long-term basis over at least a market cycle, which is generally five years. Performance will be measured against appropriate market indexes as defined by investment strategy and style. Performance of the Plan should strive to maintain at least a median or better return when measured against peer groups over a five-year time period as defined by investment strategy and style. No guarantees can be provided with respect to achieving this objective.

Duties and Responsibilities

The Consultant

The Consultant is a Registered Investment Advisor with the Securities and Exchange Commission. The Consultant is the primary contact for the Committee and is responsible to conduct the following services:

- Meet with the Committee periodically to keep members apprised of the Plan's investment results and any related issues;
- Assist the Committee in understanding the capital markets and the implications of expected risk and return;
- Educate the Committee in formulating an investment program that accomplishes the goals of TPR 's Portfolio;
- Assist the Committee in developing a sound and consistent IPS;
- Monitor the underlying investments to (1) ascertain compliance to its stated philosophies and styles, (2) inform TPR of any material event that affects the ownership of the Manager or the management of the Plan (3) ensure adherence to the investment guidelines set forth herein;
- Continue to review the investment program and IPS to ascertain their relevance to the changing needs of TPR.

The Investment Manager

The Manager is expected to manage the Plan in a manner consistent with this Investment Policy Statement and in accordance with state and federal law and the Uniform Prudent Investor Act. The

Manager is a Registered Investment Advisor with the Securities and Exchange Commission and shall act as the investment advisor and fiduciary to the Institution's Committee.

The Manager is expected to exercise complete investment discretion within the boundaries of the restrictions outlined in this IPS. Such discretion includes decisions to buy, hold or sell equity or fixed income securities (including cash equivalents) up to the allowable allocations defined in the Investment Guidelines of this IPS, in amounts and proportions reflective of the Manager's current investment strategy. The Manager functions include structuring the asset allocation of the Portfolio, directing cash flows to/from the account, portfolio rebalancing, and creation and distribution of quarterly performance reporting.

It is understood that if implementation is through the purchase of a mutual or commingled fund, it is not possible for the Committee to place restrictions on any aspect of fund management.

The Committee

The Committee shall be responsible for:

- Defining the investment objectives and policies of the Plan;
- Directing the Consultant and Investment Manager to make changes in investment policy and to oversee and to approve or disapprove of the Investment Manager's recommendations with regards to policy, guidelines, objectives and specific investments on a timely basis;
- Providing the Consultant and Manager with all relevant information on its financial conditions and risk tolerances and notifying the Consultant and Manager promptly of any changes to this information;
- Recognizing that its role is advisory as to investment strategy and policy. Both determination and selection of specific investments and securities must be delegated to the Manager. However, the Committee may determine that certain specific investments and securities are unacceptable as assets of the Plan;
- Ensuring that the Investment Policy objectives, goals and guidelines represent the Committee's philosophy regarding the investment of the Plan. The IPS should be reviewed at least annually to ensure that the IPS continues to reflect the Committee's attitudes, expectations, and objectives;
- Retaining the right to assign or change parties responsible for the following services, either in part or in whole, at any time: Actuarial, Investment Consultant, the Investment Manager, the Custodian, the Benefit Service Payment Provider.

The Custodian/Trustee

The Custodian/Trustee shall be responsible for:

- Safekeeping of the Portfolio in accordance with industry standards;
- Collecting all cash receivables;
- Disbursing all payables in accordance with the contract with TPR;
- Maintaining accounting of all transactions including cost and market;
- Taking direction from the Manager to implement security purchases and sales;
- Reconciling and reporting all activity to TPR at least quarterly as directed by the Committee.

Investment Reviews and Communication

Meetings and Communication Between the Committee and the Consultant

As a matter of course, the Consultant shall keep the Committee apprised of any material changes in the Managers' outlook, recommended investment policy, and tactics. In addition, the Consultant shall meet with the Committee periodically to review and explain the Plan's investment results and any related issues. The objective of the evaluation and review process is to monitor the progress of the Portfolio assets in achieving the overall investment objectives. Performance will be measured and reviewed periodically by the Committee and the Consultant with particular attention directed toward determining whether:

- The Portfolios are achieving their stated objectives;
- The Plan is performing satisfactorily in relation to the objectives set forth in this Policy, as a primary consideration, as well as in relation to other investment organizations managing similar pools of capital with similar levels of risk management and the recognized market indices;
- The Manager is adhering to its guidelines set forth herein;
- The Manager is adhering to its stated philosophy and style;
- The overall policies and objectives continue to be appropriate, reasonable and achievable.

Primary Contacts

The TPR Company			
Name	**Title**	**Phone**	**Fax**
James Lathrop	Director of Finance	(401) 643-0308	(401) 683-1916

The TPR Authorized Town Council Representative			
Name	**Title**	**Phone**	**Term of office**
James Seveney	Town Council President	(401) 683-3046	Nov 12 – Nov 14
Mary Donohue Magee	Town Councilor	(401) 378-8485	Nov 12 – Nov 14
Keith Hamilton	Town Councilor	(401) 683-5574	Nov 12 – Nov 14

Ex Officio Member (s)			
Name	**Title**	**Phone**	**Fax**
Emil T. Cipolla	Resident	401-293-5915	
Jeanne Warren	PMEA Treasurer	401-643-0310	401-683-1916

Investment Consultant – Symmetry Partners, LLC			
Name	**Title**	**Phone**	**Fax**
Jason Gentile, CFP	Institutional Advisor	(860) 734-2054	(860) 734-2070
Patrick A. Sweeny	Principal	(806) 734-2081	(860) 734-2070

Investment Manager – Symmetry Partners, LLC			
Name	**Title**	**Phone**	**Fax**
Meghan Martin	Director of Operations	(860) 734-2040	(860) 734-2030
Jason Gentile, CFP	Institutional Advisor	(860) 734-2054	(860) 734-2070
Patrick A. Sweeny	Principal	(806) 734-2081	(860) 734-2070

Other Contacts

- Custodian – Charles Schwab Institutional

• Benefit Payment Service Provider – Town of Portsmouth, Rhode Island

Adoption Agreement

Adopted by the below signed:

The Committee adopted this Investment Policy Statement on this ___ day of ____________, 2013.

TPR

James Lathrop Director of Finance	Signature	Date

The TPR Authorized Town Council Representative(s)

James Seveney Town Council President	Signature	Date
Mary Donohue Magee Town Councilor	Signature	Date
Keith Hamilton Town Councilor	Signature	Date

Consultant

The undersigned Consultant hereby accepts the responsibility to advise and communicate for The Plan in accordance with the terms of this Investment Policy Statement.

Symmetry Partners, LLC

Patrick A. Sweeny, Principal	Signature	Date

Investment Manager

The undersigned Investment Manager hereby accepts the responsibility to manage assets of The Plan in accordance with the terms of this Investment Policy Statement.

Patrick A. Sweeny, Principal	Signature	Date

Appendix

August 5, 2013 Investment Committee Meeting – At this meeting I discussed the upcoming enhancements to the Structured Portfolio. These changes are on the equity side of the portfolio only and the points below reference the impact on our equity positions. The enhancements to your portfolio are reflected in the updated allocations on pages 7 and 8 of the IPS. The detail of these equity changes is in the following talking points:

Talking Points & Frequently Asked Questions

Symmetry is making updates to the equity portion of its Structured models. The changes will slightly increase our emerging markets exposure, use different funds and weightings within our international developed allocation and, for qualified models only, replace the US REIT and International REIT funds with a single Global REIT fund.

The following is a breakdown of these changes:

1. Increase our Emerging Market allocation to 14% as a percentage of total equity from 10%.
   a. Impact to Portsmouth – The equity allocation is currently 65%. 14% of this equals 9.1% versus 6.5% previously
2. Decrease our US Equity allocation by 2% as a percentage of total equity.
   a. Impact to Portsmouth – The equity allocation is currently 65%. A 2% decrease of this equals 1.3% which reduces the allocation to 37.7% versus 39% previously
3. Decrease REIT allocation by 2% as a percentage of total equity
   a. Impact to Portsmouth – The equity allocation is currently 65%. A 2% decrease of this equals 1.3% which reduces Global Real Estate to 5.2% versus 6.5% previously

Change #1 - Increase our Emerging Market allocation to 14%:

Reason for changes:

- To increase the Emerging Market allocation to keep pace with global market cap changes.
- To retain our underweight in International Developed and our U.S. Equity overweighting.

Benefits:

- Emerging Market asset classes may offer better diversification benefits than International Developed asset classes; which have been more highly correlated to U.S. markets.

Change #2 – Restructure our allocation to International Developed equities:

We are restructuring our international developed allocation in order to obtain our value exposure more evenly across both large and small value stocks. Currently we are more concentrated in small value.

We will accomplish this by:

Adding:	**Eliminating:**
DFA International Vector fund (DFVQX)	DFA International Small Company fund (DFISX)
DFA Int'l Value fund (DFIVX)	DFA International Small Value fund (DISVX)

- We will also be changing our allocation to the DFA International Core fund (DFIEX) .

Reason for the changes:

- This change is to more evenly obtain our value exposure across International Large and Small Cap. Currently, we are concentrated in International Small Cap Value.

Benefits:

- A more balanced exposure to the value risk premium across International Small and Large Cap Stocks.

Change #3 – Restructuring our allocation to US and International REITs.
We are combining the positions to use the DFA Global Real Estate fund, which is a fund of the two other funds.

We will accomplish this by:

Adding:	Eliminating:
DFA Global REITfund (DFGEX)	DFA US REIT fund (DFREX)
	DFA International REIT fund (DFITX)

Reason for the changes:

- Using a single fund will allow for updates in market weight ratio between US and International REITS to take place automatically.
- We believe the current expense ratio for the DFA Global REIT fund is reasonable.

Benefits:

- The single fund position lowers the cost for clients using transaction based custody pricing (less trading).
- Automatic updates in the market weight ratio between US and International REITS.

As with any investment strategy there is the possibility of profitability as well as loss.

Appendix B

Summary of portfolio changes discussed during 5/20/2015 meeting

Symmetry is making some research-based enhancements to both the equity and fixed income allocations in the Structured Portfolios in an effort to:

- Increase the portfolios' expected returns
- Add even greater diversification to already broadly diversified portfolios

While still incorporating the Fama/French Three-Factor Model for equities, we have evolved to a more comprehensive, multi-factor approach that will include targeted exposure to the additional equity factor premiums* that we believe are available in:

- The "Profitability" factor and
- The "Momentum" factor

With respect to fixed income, the portfolios are moving from a short-term, high quality pairing configuration to a more market-based approach that seeks to capture additional returns in the bond markets. In an effort to capture these greater returns, the portfolios will:

- Increase diversification across the spectrum of investment grade bonds
- Increase global bond exposure in portfolios with greater equity allocations
- Increase exposure to certain fixed income factors as the overall risk posture of the models increases.* Primarily:
    - The "Maturity" factor and
    - The "Credit" factor

*Symmetry Partners' investment approach seeks to enhance returns by overweighting assets that exhibit characteristics that tend to be in accordance with one or more "factors" identified in academic research as historically associated with higher returns. Please be advised that adding these factors may not ensure increased returns over a market weighted investment and may lead to underperformance relative to the benchmark over the investor's time horizon.

Symmetry Partners, LLC