CITY OF NORTHAMPTON
OPEB TRUST INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (the "IPS") is to provide a clear understanding regarding the City of Northampton's (the "City") OPEB Trust's (the "Trust") investment objectives, performance goals, and risk tolerance.

A. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds for the City or any of its separately identified enterprises. Any additional contributions to the Trust will be maintained in the same manner.

B. Authority

Massachusetts General Law Chapter 32B, Section 20 allows a city, town, district, county or municipal lighting plant to set up a special trust fund, the Other Post Employment Benefits (OPEB) Liability Trust Fund. The governmental unit's treasurer is the custodian of the fund or in the case of a light plant, an officer designated by the board. Investment of fund monies by the custodian must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

C. Investment Objectives

The investment objectives in order of priority are as follows: Capital Appreciation and then Income. The asset allocation parameters, definitions, and corresponding benchmark(s) for performance comparison can be found in the addendums at the end of this policy.

D. Fossil Fuel Divestment

It is the intention of this IPS, at the direction of the Resolution on Fossil Fuel Divestment dated August 15, 2013, that the City's OPEB Trust shall divest of fossil fuel companies, both directly and indirectly.

As stated in the 2013 resolution, "...a "fossil fuel company" shall be defined as any of the two hundred publicly-traded companies with the largest coal, oil, and gas reserves.... such as those companies listed in the Carbon Tracker Initiative's "Unburnable Carbon" report...".

For on-going compliance to the resolution's definition of fossil fuel divestment, the City's OPEB Trust will cease ownership indefinitely, both directly and indirectly, in the "Carbon Underground 200". This is the term used for the top 200 publicly-traded fossil fuel companies since the "Unburnable Carbon" report of 2010. This list of 200 companies is now maintained by www.fossilfreeindexes.com on an annual basis.

E. Diversification

The following asset classes can be included in the Trust in order to construct a diversified investment portfolio that is both prudent and appropriate given the City's actuarial assumed discount rate, target rate of return, investment objective, and risk tolerance. The investment parameters and asset allocation definitions that will govern the Investment Manager of the diversified portfolio are included in the addendums to this IPS.

Equities

The primary objective of the Trust Funds' equity allocation is to provide long–term total returns that are, at a minimum, consistent with appropriate broad market indexes through full market cycles.

The Investment Manager of the diversified portfolio can purchase and manage the equity allocation using individual equities, such as domestic common stocks, preferred stocks, and/or American-Depository Receipts (ADRs). Direct holdings of common stock, preferred stock, and/or ADRs in any one company should not exceed 5% of the market value of the invested portfolio.

The Investment Manager can also utilize other investment such as, mutual funds, exchange traded funds (ETFs), closed-end funds, etc. Total equity exposure is able to include, both domestic and international equities, both developed and emerging countries and geographic regions, as well as large-, mid-, and small-market capitalization weighted companies. Direct holdings of individual mutual funds, ETFs, and closed-end funds should not exceed 15% of the market value of the invested portfolio.

Investing directly in real estate, private placements, letter stock, or initial public offerings is strictly prohibited. The Investment Manager of the diversified portfolio shall not engage directly in margin transactions, short sales, or any other leveraged or inverse investment vehicles. Mutual funds, exchange-traded funds, and closed-end funds, however, may engage in margin, leverage, and/or short sales. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Fixed Income

The primary objectives of the Trust Funds' fixed income allocation are to preserve capital and generate a reasonable level of cash flow. The secondary objective is to provide price returns that exhibit lower correlation to the broad global equity markets in order to reduce the overall risk of the portfolio.

The Investment Manager of the diversified portfolio can purchase and manage the fixed income allocation using individual bonds that are United States Dollar denominated only. Issuer selection can include domestic corporate bonds and any obligations of the United States Government and/or its agencies. Direct holdings of individual corporate bonds in any one company should not exceed 5% of the market value of the invested portfolio; however, this is not applicable to the United States Government and/or its agencies. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds.

The Investment Manager can also utilize other investment vehicles such as, mutual funds, exchange traded funds, closed-end funds, etc. Total fixed income exposure is able to include, both domestic and international bonds, both developed and emerging countries and geographic regions. Direct holdings of individual mutual funds, ETFs, and closed-end funds should not exceed 15% of the market value of the invested portfolio.

Investing directly in real estate, mortgages, collateral or non-collateral loans, private placements, fixed income or interest rate futures, or any other specialized fixed income ventures is strictly prohibited. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Alternative Investments

The primary objective of the Trust Funds' alternative allocation is to provide long-term capital appreciation that is less correlated to broad global equity and fixed income indexes.

The Investment Manager of the diversified portfolio can only purchase those strategies that are deemed to be alternative through daily-liquid diversified investment vehicles such as, mutual funds, exchange-traded funds, closed-end funds, etc. Direct holdings of individual mutual funds, ETFs, and closed-end funds should not exceed 15% of the market value of the invested portfolio.

Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Cash and Cash Equivalents

Cash will be maintained to provide periodic cash distributions, if and when necessary. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

F. Specific Risks

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

In regards to fixed-income investments, the City will only purchase investment grade securities. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the City's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the City, will be held in the City's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The City will minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As stated above, securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will manage interest rate risk by managing duration, as a measure of interest rate sensitivity, in the Trust.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit.

The City will, as much as feasible, mitigate foreign currency risk.

G. Standards of Care

The standard of prudence to be used by the Treasurer shall be the "Prudent Person" standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

H. Ethics

The Treasurer and Assistant Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial

investment decisions. The Treasurer shall disclose to the Finance Director any material financial interest in financial institutions that do business with the City. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the City's investments.

I. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. Brokers should be recognized, reputable dealers. All cash and securities shall be held in either a bank that is allowable for the deposit of public funds, provided funds on deposit are insured by the Federal Deposit Insurance Corporation (FDIC), or in an Investment Brokerage Account that is insured by the Securities Investor Protection Corporation (SIPC). If a banking institution is selected as manager, the City will subscribe to Veribanc©, a recognized bank rating service.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the City, to supply the following information to the Treasurer:

- Annual financial statements
- If acting as a Registered Investment Adviser, Form ADV Part II report
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the Trust Funds Portfolio.
- A statement that the Advisor has read the City's IPS and will comply with it on an annual basis
- Annual review all advisors through www.finra.org: Broker Check

J. Reporting Requirements

On a semi-annual basis, a report containing the following information will be prepared by the Treasurer and distributed to the Finance Director, as appropriate. The semi-annual report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a quarterly basis and year-to-date basis shall be reported.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

K. Performance Measurement and Evaluation

- The individual and custom benchmarks that will be monitored for performance reporting and analysis of the Trust's portfolio are stated and described in the addendums to this IPS.
- It is expected that the respective asset classes of the Trust's diversified portfolio will outperform their respective benchmarks, net of fees and expenses, on a long term (market cycle) basis.

L. Supervision

- The Treasurer will meet with the investment manager(s) as frequently as semi-annually to monitor the performance of the funds and the investment manager(s) compliance with these guidelines. The Treasurer will receive and review portfolio management reports quarterly.
- The Treasurer will review this Investment Policy Statement at least once a year to ensure that it remains appropriate and complete.
- The Treasurer has the option to review the management of funds to consider going out to bid periodically.

M. Legal References

- Massachusetts General Law Chapter 32B, Section 20
- Massachusetts General Law Chapter 203C, Section 1 through 11

I Kristine Bissell, Treasurer of the City of Northampton have reviewed this IPS and will manage the City's OPEB Trust under my control in accordance with this IPS and any attached Addendums.

Kristine Bissell

Treasurer's Signature

Kristine Bissell

Treasurer's Printed Name

6-16-2017

Date

ADDENDUM #1
INVESTMENT PARAMETERS

The information contained herein shall dictate the long-term asset allocation targets as well as minimum and maximum parameters, when applicable, that will govern the management of the investable portion of the Trust. The methodology for determining specific security and investment strategy definitions is detailed in Addendum #2.

Category	***Min***	***Target***	***Max***
Equity	55%	65%	75%
Domestic Equity	30%	40%	50%
International Equity	15%	25%	35%
Preferred Equity	0%	0%	10%
Fixed Income	25%	35%	45%
Domestic Bonds	15%	25%	35%
International Bonds	0%	10%	20%
Alternatives	0%	0%	10%
Cash	0%	0%	15%
Total	---	100%	---

Kristin Brosseau
Treasurer's Signature

6-16-2017
Date

ADDENDUM #2
ASSET ALLOCATION DEFINITIONS

Asset Class	*Asset Category*	*Morningstar Category*	
Domestic Equity	Large Cap	Large-Cap Blend Large-Cap Growth Large-Cap Value Communications Consumer Cyclical Consumer Defensive Consumer Staples	Energy Financial Healthcare Industrials Technology Utilities Miscellaneous Sector
	Mid Cap	Mid-Cap Blend Mid-Cap Growth	Mid-Cap Value
	Small Cap	Small-Cap Blend Small-Cap Growth	Small-Cap Value
	Preferred Equity	Preferred Stock	
International Equity	Developed	Foreign Large-Cap Blend Foreign Large-Cap Growth Foreign Large-Cap Value World Stock Europe	Foreign Small/Mid Blend Foreign Small/Mid Growth Foreign Small/Mid Value Japan
	Emerging Markets	Emerging Markets India Latin America China	Pacific/Asia Pacific/Asia ex-Japan Miscellaneous Region
Balanced	Balanced	Aggressive Allocation Moderate Allocation Conservative Allocation Tactical Allocation	World Allocation Target Date Retirement Income
Domestic Bond	Investment Grade	Corporate Bond Inflation Protected Bond Intermediate Gov't Bond Intermediate Term Bond Long-Term Bond Long-Term Gov't Stable Value	Muni National Intermediate Muni National Long-Term Muni National Short-Term Muni Single State Short-Term Bond Short-Term Gov't Bond Ultrashort Bond
	Multisector	Multisector Bond	
	High Yield	High-Yield Bond High-Yield Muni	Bank Loans
International Bond	World Bond	World Bond	
	Emerging Markets Bond	Emerging Markets Bond	
Alternatives	Equity Alternatives	Long/Short Equity Private Equity	Market Neutral
	Bond Alternatives	Nontraditional Bond	
	Real Estate	Real Estate Direct Property	Global Real Estate
	Managed Futures	Managed Futures	Currency
	Other Alternatives	Arbitrage Hedge Funds Multi-Alternative Trading/Tactical	Precious Metals Commodities Natural Resources Bear Market

Treasurer's Signature

10-16-2017
Date

ADDENDUM #3
PERFORMANCE REPORTING

The information contained herein shall dictate the individual and blended benchmark(s), when applicable, to be utilized in monitoring the performance of the investable assets of the Trust.

Category	***Index***	***Percentage***
Equity	MSCI AC World IMI Index	65%
Domestic Equity	---	
International Equity	---	
Preferred Equity	---	
Balanced	---	
Fixed Income	Barclays Capital Global Aggregate Bond	35%
Domestic Bonds	---	
International Bonds	---	
Alternatives	---	
Cash	---	
Total		100%

Kristine Brissel
Treasurer's Signature

6-16-2017
Date