Town of Redding
OPEB Trust Fund

INVESTMENT POLICY STATEMENT

Adopted: April 2021

Revised:
November 2022
October 2023
February 2024
April 2025
April 2026

Introduction & Purpose

The Town of Redding Other Post-Employment Benefit ("OPEB") Trust Fund (the "Trust") has been established to provide post-employment retirement benefits to those individuals eligible to receive them. This policy statement outlines the goals and investment objectives for the Trust. This document is also intended to provide guidelines for managing the Trust, and to outline specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Trust;
- Describes an appropriate risk posture for the investment of the Trust's assets;
- Defines the responsibilities of the Board of Finance acting in its capacity as the OPEB Trust Board (the "Board") and other parties responsible for the management of the Trust;
- Establishes investment guidelines regarding the selection of investment managers and diversification of assets;
- Specifies the authority of the Board to determine funding;
- Specifies the criteria for evaluating the performance of the investment managers and of the Trust as a whole.

Investment Objectives

The Trust's assets shall be invested in accordance with sound investment practices that embody long-term investment fundamentals. In establishing the investment objectives of the Trust, the Board has taken into account the financial needs and circumstances of the Trust, the time horizon available for investment, the nature of the Trust's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with these attributes, the Board has determined that the investment of these assets shall be guided by the following goals:

- To attain by 2031 or beyond, in the discretion of the Board, the level of assets that will enable the Trust to begin paying benefits on a sustainable basis;
- To sustain the stated actuarial target of the Trust once that level of assets has been attained;
- To maintain sufficient liquidity to meet the obligations of the Trust;
- To diversify the assets of the Trust in order to reduce volatility;
- To contribute to the Trust, ideally each year, recognizing that the Board has discretion as to whether to contribute and how much to contribute;
- In those years when the Board chooses to make an annual contribution, the normal investment schedule should ordinarily be quarterly;
- To achieve investment results over the long-term that compare favorably with professionally managed portfolios with similar objectives;
- To appropriately manage potential risks against returns.

Volatility Objectives

- Diversification will be employed to reduce volatility. The Trust's portfolio will be diversified by incorporating different asset classes and investment styles into the portfolio. Volatility will also be addressed by the use of periodic deposits, ordinarily quarterly, (commonly known as "dollar-cost averaging") when the Board chooses to contribute.
- The volatility of the total portfolio, in aggregate, should be reasonably close to the volatility of a weighted composite of market indices of the target portfolio, which the Board shall review and revise from time to time.

Assignment of Responsibilities

OPEB Trust Board- The Board is charged with the responsibility of managing the assets of the Trust. These responsibilities include: obtaining external advice from an Investment Consultant, as appropriate, in order to ensure prudent balancing of long-term risks/rewards, establishing and maintaining the Trust's investment policy, approving the asset allocation, and monitoring the performance of the investments quarterly. The Board shall discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing.

Investment Consultant -The Board may, at its discretion, engage the services of an investment consultant. The investment consultant's role is to advise the Board in developing and executing its investment policy, and reviewing, at least annually, the Trust's asset allocation. In addition, the investment consultant shall address administrative needs of the fund, monitor the performance of the managers/funds, and communicate on other financial matters of relevance to the oversight of the Trust.

Custodian - The Custodian is responsible for the safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust (for example, to accommodate payments to eligible Plan participants).

Asset Allocation

After consulting with its Investment Consultant, the Board shall determine (i) what categories of assets to consider, (ii) whether to utilize managed or unmanaged funds, and (iii) what target percentage of total assets should be deployed in each category. The asset allocation target ranges are set forth in Schedule A, as it may be amended from time to time. The asset allocation shall represent a long-term view in the initial years of the trust, as the principal goal will be the accumulation of assets. The Board shall reconsider the asset allocation when deciding to begin paying benefits. Specific reporting benchmarks shall reflect the objectives of the specific funds utilized in the portfolio. Short-term market volatility may cause the asset mix to fall outside the targeted range.

Rebalancing

Given the inherent volatility of the capital markets, strategic adjustments in various asset classes may be required to rebalance asset allocation back to its target allocation. The necessity to rebalance will be reviewed periodically, at least annually, and rebalanced at the direction of the Board. Such adjustments shall be executed so as to minimize excessive turnover, transaction costs, and realized losses over the long term.

Selection Criteria for Investments Managers/ Mutual Funds/ Co-Mingled Pools

Investment managers/funds retained by the Trust shall be chosen using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives with consideration granted to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Trust;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund;
- An assessment of the likelihood of future investment success, relative to other opportunities;
- Cost, as compared to competitive entities;
- Access to low-cost funds, especially index funds and Exchange Traded Funds (ETFs).

The Trust will generally utilize a structure of complementary investment styles and asset classes to invest the Trust's assets.

Should additional contributions and/or market value growth permit, the Board may retain additional investment managers/funds to invest the assets of the Trust. Additional managers/funds would be expected to diversify the Trust by investment

style, asset class, and management structure and thereby enhance the probability of the Trust achieving its long-term investment objectives.

Securities Guidelines

The Trust's investments may include separately managed accounts and/or mutual funds/co-mingled funds (including exchange-traded funds "ETFs"). The Board understands that managers have full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups, as particularly detailed in the investment policy statement of each of the Trust's separately managed accounts or in the prospectus/offering memorandum for each mutual fund/co-mingled fund in the portfolio, but the final decision about asset allocation and individual investments remains with the Board.

With respect to separately managed accounts, any securities and transactions that are not permitted in the Trust without prior written Board approval will be detailed in the investment policy statement of each separate account manager and will be included as an attachment to this policy.

With respect to mutual / co-mingled funds and ETFs, the Board will consider the following to ensure proper diversification and function for each of the funds:

1. The mutual fund/co-mingled pool organizations selected should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; (d) cost-effectiveness, and (e) responsiveness to evolving investor requirements.

2. The mutual fund/co-mingled pool used will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least $25 million under management (or, as an organization, $100 million in the same strategy) at the time of selection.

3. Each mutual fund/co-mingled pool, or ETF will be evaluated quarterly by the Board based on timely information provided by the fund/ETF and such other information and research provided by the investment consultant.

Proxy Voting

Each investment manager is responsible for and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies according to their established proxy voting guidelines. A copy of those guidelines, and/or summary of proxy votes shall be provided to the Board upon request.

Investment Monitoring and Reporting

The Board will, at least annually, review performance of the investments in the Trust. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally selected remain intact and that an investment continues to be appropriate for the Trust.

The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Board on potential areas of concern.

Watch list criteria may include the following:

- Behind benchmark performance over a specified period of time;
- Deterioration of risk-adjusted performance;
- Notable style drift / change in investment objective;
- Investment management fees not competitive in marketplace;
- Significant organizational or manager change.

Events that may trigger termination of a manager include, but are not limited to, illegal or unethical behavior on the part of the manager; failure to follow investment guidelines; turnover among key personnel; a change in investment style or strategy; insufficient infrastructure to keep pace with asset growth; significant increase in expenses or fees; performance-related concerns; and any other observation the Board deems may prevent the manager from carrying out its duties effectively. Since several studies have demonstrated that the vast majority of strong long-term performing investment managers suffer multi-year periods of underperformance, failure to meet performance or other qualitative guidelines will not automatically trigger a manager termination. The Board intends to use all known information and their best judgment to determine if and when terminating a manager is warranted. In addition, managers may be terminated at any time for any reason at the discretion of the Board.

Approval

It is understood that this investment policy is to be reviewed periodically, at least annually, by the Board to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers/funds.

The signature below affirms that this statement has been read, understood, accepted, and approved by the Board.

Town of Redding OPEB Trust

Name: Jenifer Wyss, Chairperson

Signature: Jenifer Wyss Date: 4.30.2026

Schedule A

Revised April 2026

Target Asset Allocation Table

Asset Class	Target Weight	Benchmark Index
Fixed Income:		
U.S. Aggregate	28.0%	Bloomberg U.S. Aggregate
Short-Term	4.0%	Bloomberg 1-3 Year Gov/Credit
Inflation Protected	3.0%	Bloomberg U.S. TIPS
Domestic Equities:		
Large Cap	28.0%	S&P 500
Small/Mid Cap	9.5%	Russell 2000 Index
International Equities:		
Developed	16.0%	MSCI EAFE Index
Emerging	7.0%	MSCI Emerging Markets Index
Alternatives	4.5%	MSCI US REIT Index