

INVESTMENT POLICY STATEMENT FOR WEST GOSHEN TOWNSHIP

ADMINISTRATIVE AND ROAD EMPLOYEES PENSION FUND;

SEWER EMPLOYEES PENSION FUND; AND

POLICE PENSION FUND

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I. BACKGROUND

West Goshen Township administers its own defined benefit Funds as follows: (1) the West Goshen Township Administrative and Road Employees Pension Fund, (2) the West Goshen Township Sewer Employees Pension Fund, and (3) the West Goshen Township Police Pension Fund (Funds). The fundamental purpose of the Funds is to provide retirement and other benefits for those employees who meet the age and service requirements outlined in the individual Plan Documents. The Administrative and Road Employees Pension and the Sewer Employees Pension Funds (herein, referred to as “The Non-Uniform Pension Funds”) receive funding from the Commonwealth of Pennsylvania and West Goshen Township. The Police Pension Fund receives funding from contributions from the police officers, the Commonwealth of Pennsylvania and West Goshen Township. The West Goshen Board of Supervisors (Trustees) has established these Funds for the benefit of its employees and is responsible for the administration and investment guidelines for the Funds’ assets.

The Trustees have appointed a Pension Committee (Committee), which consists of Trustees, Internal Staff, and a Resident Advisory Board (RAB) to oversee certain policies and procedures related to the operation and administration of the Funds.

II. INTRODUCTION

1. Purpose of this Investment Policy Statement

This investment policy statement outlines the goals and investment objectives of the aforementioned West Goshen Township Funds. This policy statement identifies the operating procedures for the Funds and its agents, specifies the target asset allocation, establishes guidelines for the selection of investment managers, identifies permissible securities, specifies criteria for evaluating the investment performance and addresses numerous administrative issues.

2. Regulatory Environment

The Funds, Committee, and its agents are governed by PA Act 205 and PA Act 44. The Police Pension Fund is also governed by PA Act 600. The Funds and their agents are subject to the Pennsylvania Public Official and Employee Ethics Act. The Funds are not subject to the Employment Retirement Investment Security Act (ERISA); however, ERISA should be used as a guide for administration of the Fund. All Trustees, Internal Staff, the RAB, and external professional providers serve the Funds in a fiduciary capacity and are required to act on behalf of the Funds’ best interest at all times.

3. Investment Objective

The funding obligations of the Funds are long term as defined herein. The investment of the Funds’ assets is to provide for the payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion by achieving and maintaining the following objectives:

- Achieve a long term rate of return sufficient to meet the Funds’ actuarial interest rate;

- Achieve a rate of return after adjusting for inflation sufficient to preserve the purchasing power of the Funds' assets;
- Maintain a prudent risk level that balances growth with the need to preserve capital;
- Diversify the Funds' investments to minimize the risk of large losses or excessive fluctuations in market value from year to year; and
- Achieve long term investment results that compare favorably with similarly invested pension funds and appropriate market indices.

III. RESPONSIBILITIES OF THE FUNDS' REPRESENTATIVES

The Funds are governed by the "Prudent Man Rule" standard and shall be applied in the context of managing the overall portfolios. This "Rule" is a fiduciary standard that requires the Funds be managed with the care, skill, prudence, and diligence that a prudent man familiar with such matters would use in like circumstances. All of the representatives of the Funds are governed by this rule and all professional services provided to the Funds must be performed within these guidelines.

1. Board of Trustees

The Board of Trustees (Trustees) is comprised of the Township's Board of Supervisors who are responsible, with the assistance of professional service providers, for:

- Appointing/delegating fiduciary responsibilities to external professional service provider(s) in a prudent and responsible manner;
- Establishing and maintaining broad policies and objectives for all aspects of the Funds' operations;
- Reviewing and approving the development or revision of the Investment Policy Statement;
- Establishing asset allocation guidelines and performance benchmarks for the strategic asset allocations; and
- Making investment manager selections and monitoring investment performance.

2. Internal Staff

A "Funds Administrator" is appointed by, and serves at the pleasure of the Trustees. The Funds Administrator is the primary contact for the Funds and is responsible for planning, organizing, and administering the operations of the Funds under broad policy guidance and direction from the Trustees.

The Funds Administrator, with the assistance of staff representatives of each department who have equal representation, is responsible for the following:

- Monitors the performance of the investment portfolios;
- Ensures that funds are invested in accordance with Trustees policies;
- Studies, recommends, and implements policy and operational procedures that will enhance the investment program of the Funds;
- Ensures that proper internal controls are developed to safeguard the assets of the Funds; and
- Appoints, under the direction of the Trustees, a review committee at least once every five years and follows the general guidelines under PA Act 44 2009, Chapter 7-A “Standards for Municipal Pensions Systems”, to conduct a search process and selection for external professional service provider(s).

3. Pension Committee

The Pension Committee consists of the West Goshen Township Board of Supervisors (Trustees), the Resident Advisory Board (RAB), and specific West Goshen Township staff members. West Goshen Township staff members and Resident Advisory Board members, as members of the Pension Committee, are appointed on a yearly basis by the Board of Supervisors at the annual reorganization meeting of the Township.

The Pension Committee works with the Professional Service Providers to review asset allocations and performance, and to make recommendations to the Trustees as appropriate.

The Pension Committee meets quarterly with the Professional Service Providers to provide guidance to the Professional Service Providers on matters relating to investment oversight, investment goals, and performance.

4. Resident Advisory Board (RAB)

The Resident Advisory Board consists of five Township residents who have investment experience to provide advice on policies and procedures and who are appointed by and serve at the discretion and for a term determined by the Trustees.

The RAB’s duties and responsibilities are:

- To review asset allocations and performance as members of the Committee and work with the Professional Service Providers to make recommendations to the Trustees as appropriate; and
- Attend quarterly pension meetings to provide an independent perspective on the Funds’ goals, structure, performance, and consultants.

5. Fund Custodian

The Fund Custodian is appointed by the Trustees and operates under contract with the Township to oversee the distribution of Pension Funds and has the following duties and responsibilities:

- Hold Fund assets in a centralized fashion and safeguard these assets at all times;
- Provide accounting and related reporting for the total Fund assets under their control;
- Maintain a general pension checking account to facilitate all contributions, withdrawals and expenses for the Funds. The cash in the account will be maintained in an interest bearing money market account with competitive interest rates;
- Accommodate cash flows of the Funds and rebalance the Funds allocated to the individual investment managers as instructed by the Consultant and the Fund Administrator;
- Determine eligibility for class action suits and register the Funds as appropriate; and
- Provide securities pricing using a recognized third party pricing vendor which will serve as the primary source for performance measurement.

6. Investment Consultant Advisor/Manager

The Investment Consultant Advisor/Manager is retained by the Committee, as approved by the Trustees, and has the following duties and responsibilities:

- Assist in developing the investment policy statement, asset allocation strategy, and the investment manager structure;
- Provide quarterly performance reporting of the individual Funds, assess organizational issues of investment managers, and report on the capital markets with regard to investment trends and portfolio management opportunities;
- Rebalance the Funds' allocation as appropriate (including routine rebalancing as well as tactical allocations) in accordance with the Funds' investment policy allocation (see section V);
- Manage the Funds' assets in a manner consistent with the investment policies outlined in this policy statement and in accordance with applicable laws;
- Promptly notify the Committee of significant changes in the investment manager's investment strategy, organizational structure, financial condition or personnel assigned to manage the Funds' assets;

- Facilitate communication between the Committee, custodian, actuary, and other vendors of the Funds;
- Attend Committee meetings as requested;
- Submit quarterly reports to communicate all relevant issues regarding the investment of the Funds' assets, including information specifically defined by the Committee;
- Perform investment manager searches, recommend investment managers as appropriate, and rebalance the Funds' allocations among investment managers as appropriate;
- Avoid conflicts of interest by prohibiting the acceptance of any additional sources of revenues (brokerage, commissions, asset management, sale of research, marketing, etc.);
- Execute every investment transaction in the best interests of the Funds on a "best execution" basis to ensure that all trades are placed in a timely manner with the best possible execution prices at commission rates that are competitive with market conditions;
- Exercise voting rights and proxies according to the investment manager's discretion in the long term best interests of the Funds; and
- Maintain registration as an investment adviser under the Investment Advisers Act of 1940, or be a bank or insurance company with duly authorized investment authorities.

7. Other External Providers

The Trustees may retain an actuary to prepare actuarial valuations and periodically analyze the actuarial assumptions and experience of the Funds.

The Trustees may retain accounting professionals to independently audit financial records and review internal controls.

IV. INVESTMENT GUIDELINES

1. Risk Tolerances:

The Committee recognizes that the objectives of the Funds cannot be achieved without incurring a certain amount of principal volatility. The Funds will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Funds' stated objectives. Asset allocation is the key determinant of return and, therefore, commitments to asset allocation targets will be maintained through a disciplined rebalancing program.

The Committee seeks to retain investment managers with active investment styles that seek to achieve investment returns exceeding market indexes over longer periods of time. Investment managers will be provided discretion to manage the Funds' assets in the best interest of the Funds and in a manner that creates the best opportunity to generate returns that compare favorably with investment statement standards.

The Funds' investments will be broadly diversified to minimize the risk of substantial loss as measured by a percentage of the Funds' assets. The Committee expects that the Funds' assets will remain as fully invested as practical and that investment managers will refrain from short-term market timing.

The investment program is ultimately for the purpose of meeting the pension Funds' obligations for benefit payments and must be cognizant of its cash flow obligations.

2. The following types of investments are prohibited for the Funds:

- Commodities transactions;
- Restricted securities (letter stock);
- Futures, options, margins, warrants, and short sale transactions;
- Direct purchases of real estate and limited partnerships not advised by a registered investment advisor;
- Leveraged and derivative transactions;
- Direct purchase of oil, gas, timber, or other natural resources;
- Hedge fund or venture capital; and
- Non-marketable securities.

3. Equity guidelines will be as follows:

- The equity portfolio will be well diversified to avoid undue exposure to any single economic sector, industry group, or individual security;
- No more than 5% of the total equity holdings of the entire Fund shall be invested in the securities of any one equity security (based on market value cost at purchase);
- Investments in any company will not exceed 2% of the outstanding shares of the corporation;
- Equity managers will not hold securities that are not representative of their investment style, such as bonds, convertible bonds, preferred stock, or leveraged instruments;
- Foreign equity holdings will be limited to dollar denominated ADR's unless the foreign investment is made through a mutual fund or commingled fund, in which case this restriction does not apply; and

- Annuities as defined herein.

4. Fixed income guidelines will be as follows:

- Investments in any one issuer (based on market value or cost at purchase) will not exceed 5% of the total fixed income assets of the entire Fund. No limitations are placed on investments in U.S. Government guaranteed obligations and fully backed Federal Agency obligations;
- The fixed income assets held by the Fund must maintain investment grade or better as assigned by Moody's or Standard & Poor's (Baa/BBB);
- The average credit quality of the fixed income portfolio must maintain a rating of AA- or better; and
- Fixed income managers will not hold securities that are not representative of their investment style (i.e. stocks, convertible bonds, preferred stock, etc.).

5. The Custodian money market guidelines will be as follows:

- All money market investment options selected for the Funds will be safe and secure and ensure that the Funds' cash reserves are not subject to loss or market value deterioration;
- The Funds' investment in money markets will have daily liquidity without risking loss of principal during liquidation; and
- The custodian must maintain a daily sweep account keeping all funds in a competitive money market fund.

6. Mutual Funds / Commingled Funds guidelines are as follows:

If mutual funds and/or commingled funds are used to implement the investment strategy of the Funds, the prospectus or documents of the funds will govern the investment policies of the Funds' investments. These funds will be registered with the U.S. Securities and Exchange Commission (SEC), adhering to the standards outlined in the Investment Company Act of 1940.

In selecting mutual funds/commingled funds, the Committee and the Investment Advisor/Manager will attempt to select funds that have investment policies that adhere to the spirit of this investment policy statement to the greatest extent possible although exceptions may occur.

7. Annuities

A group Annuity Contract, GA-3544 (Contract), issued by Aetna Life Insurance Company (Aetna) to the Township effective October 1, 1972, as amended October 1, 1979 and thereafter,

is in place and effect to require Aetna to make annuity payments and other payments and refunds to those eligible (Members) in accordance with the provisions of the Contract.

Once all of the funds are distributed to Members as defined in the Contract, all rights and obligations of all persons on such date and of the Township with respect thereto will be determined and the Township will not have any further obligation to fund the Contract.

8. Exceptions to this Investment Policy Statement

The Committee understands that Investment Advisor/Managers may have unique investment skills and/or specialized investment styles that will include investments that are not authorized by this policy statement. The Committee further understands that, in certain circumstances, these non-authorized investments may be in the Funds' best interests and should be considered for special Committee authorization after careful consideration. Accordingly, the Investment Advisor/Manager may recommend, and proceed with, written exceptions to policy as deemed necessary for the effective management of the Funds' assets.

V. ASSET ALLOCATION

The Funds will be invested consistent with an overall asset allocation strategy. This strategy identifies a portfolio structure and sets a long term percentage target for the amount of the Funds' market value that is to be invested in each asset class. Numerous asset classes (i.e., large cap equities, small cap equities, foreign equities, fixed income, etc.) will be considered and each investment manager engaged will be highly specialized in managing the assigned asset class.

The Investment Advisor/Manager shall consistently (at least quarterly) monitor the Funds to ensure that the assets of the Funds are invested in accordance with the asset allocation model. The Investment Advisor/Manager is authorized to reallocate assets among Investment Managers within the ranges identified for each asset class in the asset allocation model.

The Funds will invest assets in accordance with the following asset allocation model using the indicated performance benchmarks as a guide for performance measurement.

The maximum equity exposure for the total Funds will be 70%.

Asset Class	Sub-Asset Class	Normal Allocation	Allocation Range
Equity		60%	55% - 65%
	U.S.	70%	75% - 65%
	Non-U.S.	30%	25% - 35%
Fixed Income		35%	30% - 40%
Cash		5%	0% - 5%

VI. EVALUATION OF INVESTMENT ADVISOR/MANAGERS

1. Selection Criteria for Investment Advisor/Managers

Investment Advisor/Managers retained by the Funds shall be chosen using the following criteria:

- The investment style and discipline of the Investment Advisor/Manager;
- Level of experience, organizational resources, and staffing levels of the Investment Advisor/Manager, and the amount of the Funds' assets managed by the manager relative to the Investment Advisor/Manager's total assets under management;
- Past performance relative to other Investment Advisor/Managers having the same investment objective. Consideration will be given to both consistency of performance and the level of risk taken to achieve results;
- The competitiveness of fees and costs of Investment Advisor/Managers; and
- Type and appropriateness of client and the manager's ability and willingness to service the Funds in a customized fashion.

The Funds will recognize and evaluate Investment Advisor/Managers that have a local geographical presence and will consider local Investment Advisor/Managers when their investment management credentials are competitive with national caliber standards.

2. Measurement Time Period

The investment performance of individual managers will be measured over longer periods of time and less importance will be placed on short term results. Generally, an appropriate measure of time for performance measurement will be three to five years but circumstances may exist which warrant a longer or shorter time period to effectively judge performance by the Committee.

3. Quarterly Return Analysis

Investment performance results of the Funds and the individual Investment Managers will be measured at least on a quarterly basis. The investment performance of each Investment Manager will be measured against specific and appropriate benchmarks and the performance is expected to exceed these benchmarks after fees. The investment performance of the Investment Manager will also be measured against a representative peer universe of professionally managed portfolios with similar investment objectives and the manager's performance is expected to rank in the top half of the manager's respective peer group universe.

All managers will report investment performance calculated on a trade date accounting basis and in a manner consistent with the methodology recommended by the CFA Institute. The performance of each individual manager will be based upon the entire sum of assets assigned

to the manager's discretion including the cash balances associated with the manager's account. The Custodian's pricing will be used as the Funds' official basis for performance measurement.

Quantitative analysis will identify risk characteristics and investment style. Qualitative analysis will consider organizational issues and investment philosophies. Investment Managers must adhere to stated investment philosophies and goals, and invest in a manner consistent with the manager's assigned performance benchmark.

4. Corrective Action

The Committee recognizes the importance of a long-term investment outlook as defined herein when evaluating the performance of Investment Advisor/Managers. The Committee understands the potential for short-term periods when the performance of Individual Advisor/Managers may deviate significantly from the performance of assigned performance benchmark. However, the Committee may require an extra level of scrutiny and place a manager on "Watch Status" which may ultimately lead to termination of the Investment Advisor/Manager based on the following conditions:

- Any material event that affects the organizational structure of the investment management firm. Failure on the part of the Investment Advisor/Manager to notify the Committee of such change in writing may be grounds for termination;
- Twelve month performance ranking in the bottom quartile of peer managers;
- Long term performance that fails to meet investment policy objectives;
- Any material client servicing deficiencies;
- Violation of terms of contract or investment policy without prior written approval from the Committee; and
- Material change in Investment Advisor/Manager philosophy or a failure to remain consistent with the investment style mandate established by the Committee.

The Committee will generally not terminate an Investment Advisor/Manager on the basis of short-term performance. If the Investment Advisor/Manager's organization is sound and the firm is adhering to its investment style discipline, the Committee will allow a sufficient interval of time over which to evaluate performance.

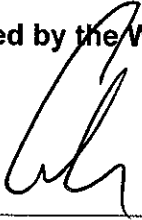
VII. CONCLUSION

This document is made part of the Investment Advisor/Manager's contract with the Trustees by reference and the Investment Advisor/Manager agrees to its terms and conditions. Periodically, the investment policy statement will be reviewed by the Committee and changes made as appropriate.

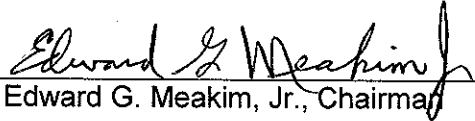
Adoption of Investment Policy Statement

This Policy is not immutable, but any changes or exceptions to it will be in writing and delivered to each money manager.

Approved by the West Goshen Board of Supervisors this 9th day of November, 2011:



Casey LaLonde, Township Manager



Edward G. Meakim, Jr., Chairman

Dr. Robert S. White, Vice Chairman

Patricia B. Mollvaine, Member

Agreed to by Investment Advisor/Manager:



James R. Gorman, Financial Advisor
Vanguard Asset Management Services

Date 11/9/11