

INVESTMENT POLICY STATEMENT

**COUNTY OF YORK
RETIREMENT BOARD**

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INTRODUCTION

PURPOSE OF THE STATEMENT

Based upon, and in keeping with requirements governing the conduct of County of York officials serving as members of the County of York Retirement Board (“Board”), this Investment Policy Statement (“Statement”) presents objectives, policies, guidelines, monitoring and review procedures relating to all assets of the County of York Retirement Plan (collectively, the “Plan”). The Plan’s investment program shall be operated in conformance with federal, state, and all other legal requirements.

The Statement's purpose is to:

- 1) Present appropriate goals and objectives relating to the assets of the Plan available for investment (the “Fund”).
- 2) Recognize and/or specify liquidity and diversification requirements and identify any legal constraints affecting investment management of the Fund.
- 3) Promulgate guidelines, consistent with any Board-selected investment time horizon(s), deposit administrator classifications, and/or deposit administrator styles to which any Board-appointed deposit administrator(s) (a “Deposit Administrator”) shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the portion of the Fund managed by that Deposit Administrator (the “Account”).
- 4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating any Deposit Administrator(s) and/or Board-appointed Fund custodian’s (a “Custodian”) investment performance and/or safekeeping of assets and Fund expenses in accordance with investment policies, goals, objectives, guidelines, and/or constraints.
- 5) Foster understanding and effective communication between the Board and Staff, and any persons appointed, employed, designated or in any way called upon by the Board or Staff to serve the Fund and the Plan’s participants and/or beneficiaries.

PLAN DESCRIPTION

The County of York Retirement Plan is a public “county employees’ retirement system” as described in The County Pension Law, Act 96 of August 31, 1971 (P.L. 398) (“Act 96”).

PORTFOLIO MANAGEMENT PRECEPTS

The Board endorses contemporary investment practices, based upon the construction of well-diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns.

STANDARD OF CARE

1. Prudence

The standard of prudence to be used by investment officials shall be the “prudent person” standard and shall be applied in the context of managing an overall portfolio. The “prudent person” standard states that, “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.”

Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan’s varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and socio-political events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

2. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the full Board and Board counsel, any material interests in financial institutions with which they conduct business. They shall further disclose any

personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Plan.

3. Delegation of Authority

Authority to manage the Accounts comprising the Fund is granted to the Deposit Administrator(s). Responsibility for the operation of the investment program is hereby delegated to the Deposit Administrator(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Deposit Administrator(s). The Deposit Administrator(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

RESPONSIBILITIES OF THE BOARD AND STAFF

The Board is charged, under The County Pension Law, with overall responsibility for investment of Fund assets. To assist the Board in this function, the Board is authorized and permitted by Act 96 to appoint Deposit Administrator(s), including for this purpose: banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Pennsylvania law, to manage (including the power to acquire and dispose of) the Fund. Any appointed Deposit Administrator(s) must agree to act in accordance with Act 96 and 20 Pa. C.S. Ch. 73 (relating to fiduciary investments) and all other applicable state and federal laws.

The Board must also develop policies and guidelines regarding Fund investments. Policies and guidelines are inclusive of, but not restricted to:

- 1) Establishment of Investment Objectives, Investment Policy, Investment Guidelines, and Review procedures, as set forth herein.
- 2) Establishment of standards for measuring, monitoring, evaluating and comparing investment performance of the Fund to assure that investment returns are reviewed on a regular basis.
- 3) Establishment of authorization, reporting, control, review and general governance procedures to assure that Fund investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by appropriate Board signatories, and delivered forthwith to any Deposit Administrator(s) and/or Custodian(s) affected by such changes.

- 4) Establishment of, through contractual relationships with professional organizations, or by alternative means satisfactory to the Board, a retirement Fund management structure which will assure appropriate investment management, custody, and compliance procedures to seek to meet objectives in conformity with the Boards' stated investment policies and guidelines.
- 5) Establishment of standards for review of fees of the Deposit Administrators and Custodians.
- 6) The Board shall examine this Statement from time to time and make appropriate revisions.
- 7) The Board may consult with legal counsel as necessary.

RESPONSIBILITIES OF ANY DEPOSIT ADMINISTRATOR(S)

The management of any Account consisting of Fund assets and the responsibilities for investment decisions for that Account are delegated to the Deposit Administrator(s) appointed by the Board to manage that Account. A Deposit Administrator(s) shall exercise complete discretion with respect to the Account (or Accounts) within the limits established by this Statement. Accordingly, the Deposit Administrator shall comply with all applicable laws as they now apply, or as they may apply in the future.

Applicable terms, conditions, limitations and restrictions notwithstanding, any Deposit Administrator(s) serving the Fund shall discharge any duties relating to the Fund solely in the interest of Plan participants and beneficiaries, shall demonstrate appropriate knowledge of the Fund's purpose and contemporary operations, and shall diversify the investments of all Accounts so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment course of action, and/or any securities transaction, a Deposit Administrator managing an Account shall consider all relevant factual and circumstantial information and the impact of such information upon a particular investment, strategy, or program, and upon the Account.

Further, respecting investment strategies, and/or courses of action for the Fund, any Deposit Administrator shall also consider:

- 1) Potential losses and gains; and
- 2) The composition of the Account with regard to:
 - a) Diversification;
 - b) Liquidity and current return relative to the Plan's cash flow requirements; and
 - c) Projected total return relative to the Plan's funding objectives.

Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan's varied and dynamic obligations to its participants and beneficiaries.

Actuarial, economic, and investment, events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

All investment performance data submitted to the Board or to any designee thereof directly or indirectly by or on behalf of any Deposit Administrator(s) shall, as applicable, be submitted in conformity with the Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the CFA Institute.

The delegation of discretion for the management of the Fund and responsibilities for investment decisions shall be limited by the provisions of this Statement. When appointing Deposit Administrator(s), the Board shall require the Deposit Administrator(s) to covenant that it shall adhere to Pennsylvania Fiduciary Standards established by Act 96 and/or by 20 Pa. C.S. Ch. 73, as well as any other Pennsylvania and Federal laws as now apply or may apply in the future.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any Deposit Administrator(s) must meet standards set by the Board from time to time.

If, at any time, a Deposit Administrator(s) believes that this Statement inhibits its investment performance, it is the Deposit Administrator's responsibility to communicate this view to the Board and the Investment Consultant. In addition, the Deposit Administrator will promptly notify the Board and Investment Consultant, in writing, regarding all material or significant changes, including but not limited to:

- 1) Material changes in investment strategy, portfolio structure, tactical approaches, and market value of managed assets;
- 2) Material changes in ownership, organizational structure, financial condition, and/or professional staff of the Deposit Administrator; and
- 3) All material legal, SEC, and other regulatory proceedings affecting the Deposit Administrator or its affiliates.

RESPONSIBILITIES OF THE FUND CUSTODIAN(S)

Any Custodian(s) appointed by the Board shall be responsible for safekeeping of the Fund, including all security transaction settlements and deliveries, and for comprehensive

recordkeeping and reporting, which shall include any custom recordkeeping, record retention, or reporting reasonably required by the Board or its representatives. Ready access to information by the Board and Staff shall be a prime requisite of recordkeeping and reporting services. Transaction records shall be maintained on a trade date basis. Asset pricing should be daily and reported not less often than monthly. Custodians and Deposit Administrators should use nationally accepted asset pricing services.

Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting shall be the primary benchmarks for evaluation of Custodian performance.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). All Fund assets shall be held in the name of the Plan or held for the express benefit of the Plan and segregated on the books and records of Custodian, without rights of set-off or other liens. Board or designated Deposit Administrators' authority to direct all investment transactions shall be protected.

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

The Board may utilize the services of an investment consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies, or any other service deemed necessary and agreed upon by the Board and Investment Consultant. The comments and recommendations of the consultant will be considered by the Board in conjunction with other available information for the purpose of making an informed and prudent decision.

INVESTMENT OBJECTIVES

Investment objectives are long-term in nature. Given the Board's assumptions respecting current and projected Plan and capital market conditions, the Fund objectives are:

- 1) Fund fiduciaries shall discharge their responsibilities and assets shall be invested in a manner consistent with this Statement, and applicable law. Further: (1) all transactions undertaken on behalf of this Fund shall be solely in the interest of the Plan participants and their beneficiaries, and (2) with reference to applicable law, and (3) liquidity and current return consistent with rationally anticipated cash flow requirements of the Plan, shall be governing factors in all investment considerations.
- 2) Consideration shall be given to suitable long-term Fund investment intended to provide capital and income growth. The Board anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle, generally three-to-five (3-5) years.
- 3) Consideration shall also be given, granting conformity with the objectives of 2., above, to providing adequate and timely Fund cash flows to meet anticipated Plan benefit payments, with sufficient reserves to meet unanticipated benefit payments; adequate emphasis, consistent with the foregoing, shall be placed upon current investment return.
- 4) While professional managers may strive to record positive rates of investment return during all measurement periods, securities markets are unlikely to provide a consistently favorable climate, on a shorter-term basis, for longer-term investments. Therefore, the Board sets forth the following investment objectives for comparative or benchmark measures of Fund investment return, and risk or volatility, delineated as follows:
 - a) The Board desires to achieve a positive real (post-inflation) Fund rate of return during any multi-year period and over the life of the Fund. Based upon current and projected Plan and capital market conditions, the Board has set returns meeting or exceeding the Plan's actuarial rate of return assumption at any time, annualized, as the multi-year return target. The Board's target return for the Fund is an annualized 7 .5 percent
 - b) Consistent with the target return in a. above, annualized Fund investment performance, for periods of five (5) years, is desired to meet or exceed the Plan's assumed actuarial rate of return and to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant asset-class indices.
 - c) Consistent with b., above, the Fund's investment return volatility, as measured by the standard deviation of Fund quarterly investment returns, is desired to not exceed the volatility of the Fund policy index during any five (5) year measurement period.

- 5) Investment performance objectives for the Fund are, as stated initially under *Investment Objectives*, above, long-term in nature. Concern respecting market value or Fund investment return volatility and other measures reflecting investment uncertainty, will be addressed by functional constraints imposed by the Board through asset (class) allocations, investment management processes or “styles” chosen, portfolio diversification requirements, and other investment management guidelines and/or limitations, as more fully set forth herein.

INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives:

ASSET ALLOCATION

Asset class allocation, resulting in so-called asset mix, is intended to afford an appropriate approach toward Fund Investment Objectives while limiting investment risk by providing basic diversification. The percentages of asset classes delineated below provide a framework through which the Fund's investments may be adjusted to meet economic and/or investment market conditions while remaining centered on the allocation target deemed appropriate to the Fund's long-term Investment Objectives.

Asset Class	Minimum %	Target %	Maximum %	Benchmark %
Domestic Equity	43	48	53	Russell 3000
International Equity	12	15	18	MSCI EAFE (net)
Fixed Income	27	32	37	Barclay Capital Intermediate
Government/Credit				
Real Estate REIT	2	5	7	MSCI US

In the event a Deposit Administrator invests in more than one asset class, for example, a balance manager or global equity manager, the manager's allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager is allocated ten percent of the *total fund* and invests sixty percent of their allocation in international equities, sixty percent of their allocations will be attributed to international equities and therefore, six percent of the *total fund* allocated to international equities.

ALLOCATION MONITORING/REBALANCING

The Board or its designee(s) shall review asset allocation quarterly to monitor Fund asset allocation targets. In the event that asset allocations fall moderately outside the ranges in the tables above, the appointed Custodian(s) and Deposit Administrator(s) may, in the Board's discretion, be notified and instructed by the Board to adjust cash flows to return the Fund to appropriate asset allocation levels. Should an allowable range be breached substantially, the Deposit Administrator(s) involved may be required by the Board to adjust assets immediately,

as determined by the Board in its discretion. The Board may consider a variety of factors in exercising its discretion, including but not limited to:

- 1) the short-term and long-term goals and needs of the Plan and its participants;
- 2) the recommendation of each of the Deposit Administrator(s) involved;
- 3) current market conditions, including liquidity and price, for selling the securities involved;
- 4) market forecasts or expectations going forward for short, medium and long-range periods; and
- 5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.

The Board may set asset allocation ranges for individual Deposit Administrator(s) different from ranges for the Fund.

LIQUIDITY

Emphasis shall, per Investment Objective, 3, above, page 9, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Board endeavors to meet the Fund's multiple Investment Objectives through asset allocation and constructive Investment Guidelines. Nevertheless, any Deposit Administrator(s) appointed by the Board shall be responsible for seeking, no less frequently than annually, from the Board or its designee(s) current information respecting Fund cash flow requirements and for assisting in meeting said requirements.

DIVERSIFICATION

Fund investments must be diversified broadly to minimize the risk of substantial loss. The Board recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines which follow include certain specific constraints intended to optimize investment diversification.

PROXY VOTING

Matters of political and public interest as well as corporate governance have long been a part of Annual Meetings and proxy activity in the United States. The Board adhere to a policy of proxy voting intended to protect the **long-term value** of the equity securities represented in each vote, provided said vote, when exercised, would be solely in the interest of Plan participants, retirees and beneficiaries. The Board delegates proxy voting authority to any

Deposit Administrator, but if the Board deems it necessary, can take back the authority at any time by notice to the Deposit Administrator in writing.

INVESTMENT GUIDELINES

Investment Guidelines describe for the guidance of Fund Deposit Administrator(s) and for the information of the Fund Custodian(s) a range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible. Investment Guidelines for the Fund appear below. Each individual Deposit Administrator is expected to select equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board. Different guidelines and benchmarks may be assigned to individual Deposit Administrators by written authority of the Board.

GENERAL GUIDELINES

Subject to the asset allocation ranges set forth as a table within *Investment Policy*, above, or separate asset allocation ranges assigned specifically to any Deposit Administrator(s) by the Board, any Deposit Administrator is expected to undertake discretionary management of any Fund portfolio. Nevertheless, when responsible for any Fund investment portfolio, the Deposit Administrator(s) shall report immediately to the Board or its designees any shift between or decrease in market value of asset classes during any calendar quarter which equals or exceeds ten (10) percent of the market value of the assets assigned to the Deposit Administrator(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

The Board has determined that the following investments and investment practices are **not suitable** for the Fund:

- 1) Buying or (short) selling securities on margin, and/or the use of any other form of leverage, including the lending of securities, unless approved in writing in advance by the Board.
- 2) Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a), which are demonstrably marketable and otherwise within guidelines.
- 3) Investment in commodities or in any type of commodities contracts, forward, or futures trading activities, and all forms of portfolio hedging, excepting the limited use of stock options and/or currency hedges; (see See Domestic Equity, International Equity, and Fixed Income Investment Guidelines, below.).
- 4) Fixed income investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax exempt, derivative or synthetic securities, such as collateralized debt obligation (CDOs), credit default swaps (CDS), interest rate swaps and any total

return swaps. Certain exceptions are delineated below (see Domestic Fixed Income Investment Guidelines, page 16-17.)

DOMESTIC EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the domestic equity limit of 53 percent of Fund market value is not exceeded; as necessary, the Custodian(s) may, in the Board's discretion, be instructed to redirect cash flows to the Deposit Administrator(s), or to accommodate Board-directed Deposit Administrator(s) asset allocation revisions, to restore the Asset Allocation currently approved by the Board.

Permissible equity investments shall include convertible securities, which shall be limited to ten (10) percent of Fund assets at market value, as well as American Depositary Receipts (ADRs), equally limited.

Periodic dislocations in the equity and fixed income markets may present opportunities for the Deposit Administrator(s) to take certain securities positions within the domestic equity portion of the Fund's portfolio that, in its opinion, benefit the Plan. Under those market conditions and at the discretion of the Deposit Administrator(s), the Deposit Administrator(s) may invest up to five (5) percent of their equity portfolio in fixed income securities rated investment grade by at least two of the following three rating agencies: Standard and Poors, Moody's and Fitch.

Deposit Administrator(s) shall conform to the Domestic Equity Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Board for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Board at the time any Deposit Administrator was retained to serve the Fund.

Specific Guidelines, Domestic Equity

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Deposit Administrator retained to manage domestic equity securities.
- 2) Each Deposit Administrator shall select equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.
- 3) No Deposit Administrator shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation

or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated.

- 4) No Deposit Administrator may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.
- 5) Deposit Administrator(s) are expected to purchase readily marketable equity securities.
- 6) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by a Deposit Administrator(s) managing domestic U.S. equity securities in “covered” or hedging postures but not in “naked” or speculative postures.
- 7) The total annualized investment return from all domestic equity investments of the Fund is expected to meet or exceed the total annualized return of the Russell 3000 Stock Index for cumulative periods of three (3) years or more.
- 8) Any Deposit Administrator(s) serving as active domestic equity managers may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those Deposit Administrators should exceed their assigned benchmarks, post fees, on an annualized basis over periods of three (3) years or more.
- 9) Any equity security purchased in conformity with the standards for equity securities cited in 2. above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Board with background information and an intended future course of action by any Deposit Administrator(s). The Board may, upon review and at its discretion, approve temporary or indefinite retention or, in the Board’s best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. The Board may consider a variety of factors in exercising its judgment, including but not limited to:
 - 1) the short-term and long-term goals and needs of the Plan and its participants;
 - 2) the recommendation of each of the Deposit Administrator(s) involved;
 - 3) current market conditions, including liquidity and price, for selling the securities involved;
 - 4) market forecasts or expectations going forward for short, medium and long-range periods; and
 - 5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.

- 10) For any individual Deposit Administrator(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of equity securities (5 percent “basket clause”).

INTERNATIONAL/GLOBAL EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the International Equity limit of 18 percent of Fund market value is not exceeded; at the discretion of the Board, the Custodian(s) may be instructed to redirect cash flows to the Deposit Administrator(s), or to accommodate Board-directed Deposit Administrator(s)' asset allocation revisions, to restore the asset allocation currently approved by the Board. Stated percentages may include foreign equity securities admitted to trading on U.S. Stock Exchanges or NASDAQ; American Depositary Receipts (ADRs) shall be designated as international equities.

Specific Guidelines, International Equity

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Deposit Administrator retained to manage international equity securities.
- 2) Investment in International Equity(ies) is permissible up to the maximum stated in the Investment Policy. Excepting mutual or commingled funds approved by the Board, investing in emerging market equity securities is permissible up to a maximum of fifteen (15) percent of any International Equity Deposit Administrator's (IEDA) international equity portfolio at market value. As applicable; proper global, regional, national, industry and individual security diversification must be maintained at all times.
- 3) No IEDA shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated, without written consent of the Board.
- 4) No IEDA may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.
- 5) Any IEDA shall purchase marketable stocks traded on regulated foreign or U.S. stock exchanges for which trading activity is published on a daily basis and for which any

IEDA can demonstrate necessary liquidity as well as acceptable investment quality standards.

- 6) The annualized total investment return from all International Equity investment(s) of the Fund is expected to exceed, after fees, the annualized total return of an appropriate benchmark, to be agreed upon by any IEDA and the Board, for annualized periods of three (3) years or more. In the absence of another selected benchmark, the Morgan Stanley C.I. "EAFE" Index shall serve as bench mark.
- 7) Because an active currency hedging strategy may reduce risk of loss and/or enhance IEDA investment performance, hedging to protect against currency impact upon a security position is permissible. Nevertheless, the purchase of speculative or "naked" currency contracts (i.e., "currency trading" or related risk taking), undertaken without a demonstrable exposed investment position to be hedged in a specific currency, is prohibited.
- 8) Any Deposit Administrator(s) serving as active International equity managers may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those Deposit Administrators should exceed their assigned benchmarks, net of fees, on an annualized basis over periods of three (3) years or more.
- 9) Any equity security purchased in conformity with the diversification and liquidity standards for international equity securities cited above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Board with background information and an intended future course of action by any IEDA(s). The Board may, upon review and at its discretion, approve temporary or indefinite retention or, in the Board's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. The Board may consider a variety of factors in exercising its judgment, including but not limited to:
 - 1) the short-term and long-term goals and needs of the Plan and its participants;
 - 2) the recommendation of each of the IEDA(s) involved;
 - 3) current market conditions, including liquidity and price, for selling the securities involved;
 - 4) market forecasts or expectations going forward for short, medium and long-range periods; and
 - 5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.

- 11) For any individual IEDA(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of equity securities (5 percent "basket clause").

DOMESTIC FIXED INCOME INVESTMENT GUIDELINES

The Board shall review the Fund portfolio at least quarterly to assure that the domestic fixed income securities market value limit of 37 percent is not exceeded. At the discretion of the Board, the Custodian(s) may be instructed by the Board to redirect investment and/or contribution cash flows to the Deposit Administrator(s), or to accommodate immediate Board-ordered Deposit Administrator(s) portfolio structure revisions, to restore the asset allocation currently approved.

The Deposit Administrator(s) shall conform to the Fixed Income Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Board for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Board at the time any Deposit Administrator was retained to serve the Plan.

Specific Guidelines, Domestic Fixed Income

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Deposit Administrator(s) retained to manage a domestic fixed income securities portfolio.
- 2) Each Deposit Administrator is expected to select fixed income investments in conformity with the criteria normally applied in its decision making process and previously reviewed and approved by the Board.
- 3) Suitable fixed income investments include, but are not limited to, U.S. Treasury and Agency securities, taxable municipal securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and banker's acceptances, and commercial paper or other generally utilized money market or cash equivalent investments, including money market mutual funds meeting the quality standards delineated below.
- 4) Deposit Administrators are given latitude in security selection subject to the following restrictions:
 - a) No issuer, other than the U.S. Government or other Federal agencies, may represent more than five (5) percent of the total market value of the fixed income portfolio managed by any Deposit Administrator(s).

- b) The following areas are individually restricted to no more than the below noted percentages of the fixed income portfolio managed by any Deposit Administrator(s).
- i) Mortgage Backed Securities – 30 percent
 - ii) Zero Coupon Bonds – 20 percent
 - iii) Baa or fourth investment grade bonds – 30 percent
 - iv) Foreign fixed income securities, if rated A or above, including Canadian securities denominated in U.S. dollars (i.e., foreign “Yankee” and Canadian U.S. pay securities) – 20 percent
 - v) Securities whose price movements are exacerbated by interest rate changes or principal prepayments, including but not limited to: range accrual notes, IO’s, PO’s – 20 percent
- c) In no event may securities not in any Deposit Administrator’s benchmark exceed 30 percent of the Deposit Administrator’s fixed income portfolio.
- 5) Because an active currency hedging strategy may reduce risk of loss and/or enhance Deposit Administrator’s investment performance, hedging to protect against currency impact upon a security position is permissible. Nevertheless, the purchase of speculative or “naked” currency contracts (i.e., “currency trading” or related risk taking), undertaken without a demonstrable exposed investment position to be hedged in a specific currency, is prohibited.
- 6) At no time shall margin or other leveraged transactions, short sales, forward or futures trading, or any form of portfolio hedging be employed in the management of fixed income investments without prior written approval of the Board.
- 7) The total annualized investment return from all fixed income investments of the Fund is expected to meet or exceed the total annualized return of the benchmark designated on page 11, for cumulative three (3) year periods.
- 8) The average quality of fixed income securities purchased by any Deposit Administrator(s) shall equal or exceed A₂, the third broad investment grade as determined by Moody’s.
- 9) The minimum quality of any single fixed income investment shall be investment grade as defined by two out of three of the following rating agencies; Moody’s, Standard and Poors, or Fitch. If an investment is made in commercial paper, the single standard shall be A1 or P1, or “Prime.”
- 10) The effective duration of fixed income securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall be no more than 25 percent greater or less than the effective duration of the policy benchmark designated on page 11.

- 11) There shall be no limit upon investment in U.S. Treasury securities as a percentage of fixed income investments at cost or market value, except that any single coupon issue thereof may constitute no more than thirty (30) percent of any Deposit Administrator(s)' fixed income investments at market value and any single Treasury zero coupon issue ten (10) percent at market value. Federal Agency securities are hereby limited to fifty (50) percent of fixed income investments at market value, twenty-five (25) percent per agency, and to ten (10) percent, at market value, per any single Federal Agency issue.
- 12) Any fixed income security purchased in compliance with the quality, maturity, and/or diversification standards cited above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Board with background information and an intended future course of action by any Deposit Administrator(s). The Board may, upon review and at its discretion, approve temporary or indefinite retention or, in the Board's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. The Board may consider a variety of factors in exercising its judgment, including but not limited to:
 - 1) the short-term and long-term goals and needs of the Plan and its participants;
 - 2) the recommendation of each of the Deposit Administrator(s) involved;
 - 3) current market conditions, including liquidity and price, for selling the securities involved;
 - 4) market forecasts or expectations going forward for short, medium and long-range periods; and
 - 5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.
- 13) For any individual Deposit Administrator(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of domestic fixed income securities (5 percent "basket clause").
- 14) Any Deposit Administrator (s) managing active Fixed Income portfolios may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those managers should exceed their assigned benchmarks, net of fees, on an annualized basis over periods of three (3) years or more.

REAL ESTATE

The Board shall review the Fund at least quarterly to assure that the real estate limit of seven (7) percent of Fund market value is not exceeded; at the discretion of the Board, the Custodian(s) may be instructed to redirect cash flows to the Deposit Administrator(s), or to accommodate immediate Board-directed Deposit Administrator(s) asset allocation revisions, to

restore the Asset Allocation currently approved by the Board. The Fund does not invest in real estate directly. Permissible real estate investments include:

- 1) Securities issued by publicly-traded real estate investment trusts (“REITs”);
- 2) Securities issued by publicly-traded real estate operating companies (“REOCs”);
- 3) The equity securities of companies principally engaged in the real estate industry and other real estate related investments. A company “principally engaged in the real estate industry” is one that derives at least 50% of its revenues from the ownership, construction, financing, management or sale of commercial or residential real estate or has at least 50% of its assets in such real estate businesses. These equity securities can consist of common stocks (including REIT shares), rights or warrants to purchase common stocks, securities convertible into common stocks where the conversion feature represents a significant element of a security’s value, and preferred stocks; and
- 4) Registered investment companies (i.e., mutual funds) that concentrate their investment portfolio in real estate securities, including securities issued by REITs and REOCs.
- 5) Any Deposit Administrator (s) managing active real estate portfolios may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those managers should exceed their assigned benchmarks, net of fees, on an annualized basis over periods of three (3) years or more.

The total annualized investment return from all real estate investments of the Fund is expected to meet or exceed the total annualized return of the index denoted on page 11, for cumulative periods of three (3) years or more.

MUTUAL AND OTHER COMMINGLED FUNDS

The Fund (and any Account) may include, in whole or in part, of an investment in a mutual fund or other commingled fund. The Board recognizes that there may be deviations between the objectives, intent or specific requirement of this Statement and the stated objectives, intent or content of any mutual fund or other commingled fund. However, every effort shall be made, to the extent practical, prudent and appropriate, to select mutual or other commingled funds that have investment objectives and policies that are consistent with this Statement.

REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Board annually, or whenever circumstances change. The Board shall notify, including and without limitation, the following; the Investment Consultant, any appropriate Deposit Administrator, and the Fund Custodian of any changes and/or additions to this Investment Policy that, in the judgment of the Board, is deemed appropriate.

1. Investment performance will be reviewed quarterly.
2. Fund, asset class (e.g. domestic equity, international equity, domestic fixed income), and asset sub-class and/or “style” returns shall be compared to returns of comparable professionally managed tax-exempt balanced, equity and fixed income portfolios or collective or mutual funds as well as to benchmark indices or index composites and evaluation of the risk/reward posture of the investment.
3. It is expected that the investment performance of any Deposit Administrator(s) will rank above agreed upon benchmark medians over periods of three (3) or more years and will meet or exceed the Investment Objectives previously identified in this Statement. Deposit Administrator(s) are instructed to keep the Board and consultant abreast of any material changes in firm structure, ownership, management and investment team. Any Deposit Administrator(s) failing to keep pace with stated performance norms may be placed on probation and evaluated as to whether it is in the best interest of the Fund to have the Board retain the services of said Deposit Administrator(s).
4. Notwithstanding the provisions of the preceding paragraph, the Board reserves the right to terminate a relationship with any Deposit Administrator(s) at any time, subject to the terms of any investment advisory agreement, if the Board determines that said action is warranted. In addition, the Board reserves the right to remove assets from an Account, in part, at any time.
5. Deposit Administrator(s) shall provide statements of assets under management to the Board quarterly, and shall also comply with reasonable additional requests from the Board, including details of any/all securities transactions and /or “soft dollar” payments if said payments are made at official Board request and/or arise from transactions involving the Fund’s assets.
6. Deposit Administrators shall meet with the Board at least annually, if requested by the Board, to review the Fund and any respective Accounts, and to discuss investment results in the context of all of the goals Investment Objectives, and Investment Guidelines set forth in this Statement.

7. The Boards will periodically review plan fees and expenses, including, but not limited to, investment management and custodial fees and expenses.

SIGNATURES

The effective date of this Investment Policy Statement is _____.

Adopted by the County of York Retirement Board on 6/17/09.



Chairperson



Member



Member

Member



Member



Member