**Investment Policy Statement**
**for**

# THE PLEASANT RIDGE MANOR EMPLOYEES' PENSION PLAN

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**(UPDATES PREVIOUS POLICY DATED FEBRUARY 2021)**

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# I. INTRODUCTION

1. Purpose of this Investment Policy Statement

This investment policy statement outlines the goals and investment objectives of the Pleasant Ridge Manor Employees' Pension Plan (the "Plan"). This policy statement identifies the operating procedures for the Plan 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. Investment Objective

The funding obligations of the Plan are long term in nature and the investment of the Plan assets should also have a long term focus. The investment objectives for the Plan assets are to:

- Achieve a positive rate of return over the long term sufficient to meet the Plan's actuarial interest rate as determined by the Actuary.
- Provide for the payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion.
- Achieve a rate of return after adjusting for inflation sufficient to preserve the purchasing power of the Plan assets.
- Maintain a prudent risk level that balances growth with the need to preserve capital.
- Achieve long term investment results that compares favorably with similarly invested pension plans and appropriate market indices.

3. General Background

The Plan is a single employer defined benefit plan with a member contributory supplementary feature. The Plan has approximately $61mm in assets as of September 30, 2022. The Plan uses four investment managers with nine style specific investment mandates. The Plan was 101% funded on 1-1-2020.

The Plan's sponsor is the Pleasant Ridge Manor Committee of Trustees which has delegated authority for administering the investments for the Plan to the Pleasant Ridge Manor Retirement Committee (the "Committee"). The Pleasant Ridge Manor Committee of Trustees retains authority for the Plan's design and for funding the Plan.

4. Regulatory Environment

The Plan is governed by the Commonwealth of Pennsylvania County Pension Law Act 96 of 1971 and the Commonwealth of Pennsylvania Probate, Estates and Fiduciaries Code Section 73. While the Plan is not subject to the Employment Retirement Investment Security Act (ERISA), the Plan Consultant and Plan managers serving the Fund should use ERISA as a reference and guide for serving the Plan. The Plan and its agents are subject to the Pennsylvania Public Official and Employee Ethics Act. All Trustees, administrative staff and vendors serving the Plan are serving the Plan in a fiduciary status and are required to act on behalf of the Plan's best interest at all times.

## II. Responsibilities Of The Plan's Representatives

The Plan is governed by the "Prudent Man Rule" is a fiduciary standard that requires the Plan 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 Plan's representatives are governed by this rule and all professional services provided to the Plan must be performed within these guidelines.

1. The **Pleasant Ridge Manor Retirement Committee** shall be comprised of the Chairman of the Committee of Trustees of Pleasant Ridge Manor and two (2) members of the Committee of Trustees appointed by the Chairman. Further, the Chairman shall appoint two (2) other members to serve on the Committee which may include the County Controller and the County's Director of Finance. The Committee shall have the following responsibilities:

   - Approve and monitor the Investment Policy Statement, establish asset allocation guidelines, make Investment Manager selections and terminations, execute vendor contracts, monitor investment performance and review professional fees.
   - Delegate fiduciary responsibilities to professional advisers in a prudent and responsible manner.
   - Authorize the Committee's Chairman, Secretary, Consultant, Investment Managers, Custodian and Solicitor to act as described in the following sections.
   - Execute individual Conflict of Interest Disclosure Statements on an annual basis.

2. The **Committee Chairman** (the "Chairman") will have the following responsibilities:

   - To call each Committee meeting to order and preside over such meeting to conduct business affairs of the Committee.
   - To legally bind the Committee on actions approved by the Committee including contracts and related correspondence and also delegate these same responsibilities to the Secretary.
   - Act as an authorized representative of the Committee when circumstances require actions before a duly convened Committee meeting can be scheduled provided the Committee is notified of the Chairman's actions within 3 business days of the Chairman's actions.

3. The **Committee Secretary** (the "Secretary") will have the following responsibilities:

   - To conduct day to day affairs of the Plan on behalf of the Committee, maintain Plan records, perform Plan reporting, pay vendor invoices and administer procedural functions for the Plan.
   - To execute vendor contracts, agreements, documents and issue Committee resolutions on behalf of the Committee when properly authorized by the Committee and after satisfactory review as necessary by the Plan's Solicitor. In the absence of the Secretary's availability, the Chairman may also execute Plan documents.

- Advertise public Committee meetings, prepare Committee meeting agendas, determine meeting quorums, perform roll calls, record Committee votes and prepare meeting minutes for Committee approval.

- To act as primary contact for all Plan communications.

- With the Consultant, authorize and assist with Plan transfers, asset allocation re-balancing's, capital calls and daily cash management.

4. The Plan **Investment Consultant** (the "Consultant") retained by the Committee will have the following responsibilities:

- Assist in developing the Investment Policy Statement, recommend the asset allocation strategy and Investment Manager structure and guide the Committee throughout its entire fiduciary process.

- Facilitate communication between the Committee, Investment Manager(s), custodian and other vendors and the Plan.

- Provide quarterly performance reporting for individual Investment Manager(s) and for the total Plan. Assess organizational issues of Investment Managers. Report on the capital markets with regard to investment trends and portfolio management opportunities. Reporting should be compiled in a straightforward manner sufficient to serve as the Committee's primary quarterly evaluation of each Investment Manager.

- Rebalance the Plan's asset allocation with discretion as appropriate (including routine rebalancing, tactical allocations and Investment Manager capital calls) in accordance with the Plan's investment policy allocation (see section V).

- Perform Investment Manager searches and recommend Investment Manager(s) for Committee consideration.

- Serve the Plan as a Fiduciary and avoid conflicts of interest by prohibiting the acceptance of any additional sources of revenues (brokerage, commissions, asset management, sale of research, marketing, etc.).

- Execute a Conflict of Interest Disclosure Statement on an annual basis.

5. The Plan **Investment Manager(s)** (the "Investment Manager(s)") retained by the Committee will have the following responsibilities:

- Manage the Plan assets in a manner consistent with the investment policies outlined in this Investment Policy Statement and in accordance with applicable laws.

- Execute every investment transaction in the best interests of the Plan 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. Generally, the commission rates for the Plan should be less than 3 cents per share unless special circumstances exist.

- Promptly notify the Committee and Consultant of any significant changes in the Investment Manager's investment strategy, organizational structure, financial condition or personnel assigned to manage the Plan assets.

- Exercise all voting rights and proxies according to the Investment Manager's discretion in the long-term best interests of the Plan.

- 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 and serve the Plan as a legal fiduciary. Exceptions to this effect must be identified and approved by the Committee in advance of any commitment to a non-conforming Investment Manager.

- Submit quarterly reports to communicate all relevant issues regarding the Investment Manager's investment of the Plan assets including information specifically defined by the Committee and/or the Consultant.

- Attend Committee meetings as requested.

6. The Plan **Custodian** (the "Custodian") will have the following responsibilities:

- Hold Plan assets in a centralized fashion and safeguard these assets at all times.

- Settle investment transactions as instructed by the Investment Managers in the most efficient manner possible.

- Provide fund accounting and related reporting for the total Plan assets as well as for the individual Investment Managers in a timely manner.

- Provide securities pricing using a recognized third-party pricing vendor(s) which will serve as the primary source for performance measurement.

- Determine eligibility for class action suits and register the Plan as appropriate.

- Accommodate cash flows of the Plan and rebalance the funds allocated to the individual Investment Managers as instructed by the Consultant and the Secretary.

- Maintain general pension checking accounts to facilitate all contributions, withdrawals and expenses for the Plan. The cash in the account will be maintained in an interest-bearing money market account with competitive interest rates for cash accounts.

- Accommodate the Plan's securities lending activities.

7. The Plan **Solicitor (the "Solicitor")** will have the following responsibilities:

- Review all vendor contracts and agreements prior to Committee execution and assist the Committee in administering all of the Plan's vendor contracts.

- Provide legal opinions and general legal counsel to the Committee as requested.

- Execute a Conflict of Interest Disclosure Statement on an annual basis.

8. Fiduciary Liability Insurance

The Committee will maintain fiduciary liability insurance for the Committee and its agents to insure it's members against claims made for negligent misrepresentation or breach of fiduciary duty to the Plan in an amount established by the Committee.

9. Fee Sharing Arrangements

All Investment Managers, Consultants and other vendors serving the Plan must disclose in writing any contractual relationships or fee sharing arrangement with any third party, including any local broker agreements and evidence their investment relationship with the Plan by way of a written contract.

## III. INVESTMENT GUIDELINES

The Committee recognizes the complexity of achieving the Plan's investment objectives because of the lack of predictability inherent in the capital markets. The Plan's current financial condition and risk tolerance permit the Plan to experience interim fluctuations in market value in order to achieve long-term objectives.

The Committee prefers investment managers with active investment styles that seek to achieve investment returns exceeding market indexes over longer periods of time. But for large cap domestic equities, a mix of active and index managers will be employed. Investment managers will be provided discretion to manage the Plan assets in the best interest of the Plan and in a manner that creates the best opportunity to generate returns that compare favorably with investment statement standards.

The Plan's investments will be broadly diversified to minimize the risk of substantial loss as measured by a percentage of the Plan assets. The Committee expects that Plan assets will remain as fully invested as practical and that investment managers will refrain from short-term market timing and the accumulation of strategic cash balances (greater than 10% of assets under management) other than transactional cash.

The Plan should establish segregation of duties when reasonably possible and will endeavor to maintain Plan assets at a Custodian independent of the investment management and brokerage activities of the Plan. The Consultant to the Plan should be independent of all other vendor services of the Plan.

1. The following types of investments are prohibited for the Plan:

- Commodities transactions.

- Futures, options, margins, warrants, SWAPs and short sale transactions unless authorized on a manager-by-manager basis

- Leveraged and derivative transactions.

- Direct purchase of oil, gas, timber or other natural resources.

- Hedge funds or venture capital

- Non-marketable securities

2. Domestic equities 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 Plan shall be invested in the securities of any one equity security (based on market value cost at purchase).

- Equity managers will not hold securities that are not representative of their investment style such as bonds, convertible bonds, preferred stock or leveraged instruments.

3. Foreign equity guidelines will be as follows:

- Foreign equity managers will limit holdings of emerging market securities to 35% of the foreign holdings.

- Foreign equity portfolios will be well diversified to avoid undue exposure to any single economic sector, industry group or individual security.

- No more than 10% of the total foreign equity holdings of the entire Plan shall be invested in the securities of any one issuer (based on market value cost at purchase).

- Foreign equity managers will not hold securities that are not representative of their investment style such as domestic stocks, bonds, convertible bonds, preferred stock or leveraged instruments.

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 Plan. No limitations are placed on investments in U. S. Government guaranteed obligations and fully backed Federal Agency obligations.

- Generally, the fixed income assets held by the Plan must be rated investment grade or better by Moody's or Standard & Poor's. With specific Committee authorization granted to specific fixed income managers, up to 12% of the Plan assets may be invested in high yield fixed income securities and floating-rate bank loans rated below investment grade (Baa or BBB).

- The average credit quality of the fixed income portfolio must maintain a rating of A or better.

- Duration of portfolio should be maintained at 65% to 140% of the index duration. (optional)

- Fixed income managers will not hold securities that are not representative of their investment style such as stocks, convertible bonds, preferred stock or leveraged instruments, etc.).

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

- All money market investment options selected for the Plan must hold Government guaranteed money market instruments or be AAA rated by Moody's or Standard & Poor's.

- The Plan's investment in money markets will have daily liquidity without risking loss of principal during liquidation.

- 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 Plan, the prospectus or documents of the fund(s) will govern the investment policies of the Plan investments. In selecting mutual funds/commingled funds, the Committee and the Consultant 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. Exceptions and deviations from Investment Policies

The Committee understands that investment managers may have unique investment skills and/or specialized investment styles that will consider 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 Plan's best interests and should be considered for special Committee authorization after careful consideration. Accordingly, the Consultant may recommend, and the investment managers may request written exceptions to policy as deemed necessary for the effective management of the Plan assets.

Any exceptions to this policy that are identified in any investment manager's portfolios must be reported to the Committee and the Consultant in writing as soon as identified and corrected within 30 days unless specific written authority for the exception is provided by the Committee.

## IV. Asset Allocation

The Plan 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 Plan's market value that is to be invested in each asset class. Numerous asset classes (i.e. large cap equities, small cap equities, foreign equities, etc.) will be considered and each investment manager engaged will be highly specialized in managing the assigned asset class.

The Consultant may in its discretion (with assistance from the Secretary) re-allocate assets in order to rebalance the Plan's assets in accordance with the asset allocation model within the ranges identified for each asset class provided the Consultant notifies the Committee in writing of the proposed transfers and no Committee member objects to the proposed transfer or reallocation within three (3) business days from the time the Consultant notifies the Committee of the proposed reallocation. Any member of the Committee may countermand the Consultant's intention to reallocate assets, in which case the Committee

shall convene to approve or countermand the Consultant's rebalancing at the Chairman's discretion to schedule such meeting as convenient and practical for the Board.
The Committee will identify the fixed income manager to serve as the Plan's "liquidity manager". This manager will coordinate with the Committee Secretary and associated administrative staff to ensure that the Plan's cash account maintains the proper funds balance. This manager may incur a slight modification to its benchmark to allow for a percentage of the account to be maintained in cash.

The Plan 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 Plan will be 70%.**

| Asset Class | Target | Range | Benchmark Indexes | Goal for Peer Rank |
|---|---|---|---|---|
| **Total Plan** | 100% | | 40% Russell 1000/<br>10% Russell 2000/<br>10% MSCI World ex. US (net))/<br>40% Bloomberg Barclay's Govt./Credit | Top Half |
| **Equities** | **60%** | **+/-10%** | | |
| Large Cap Core Equity | 40% | +/-10% | Russell 1000 | Top Half |
| Small Cap Core Equity | 10% | +/-5% | Russell 2000 | Top Half |
| International Equity | 10% | +/-5% | MSCI World ex. US (net) | Top Half |
| **Fixed Income** | **40%** | **+/-10%** | | |
| Fixed Income | 40% | +/-10% | Bloomberg Barclay's Govt./Credit | Top Half |
| Cash | 0% | +/-5% | 90 Day T-Bill | Top Half |

## V. Evaluation of Investment Managers

1. Selection Criteria for Investment Managers

Investment managers retained by the Plan shall be chosen using the following criteria:

- Past performance relative to other investment 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 investment style and discipline of the investment manager and how well the manager's investment style complements other investment managers in the Plan. (as applicable)

- Level of experience, organizational resources and staffing levels of the investment manager and the amount of the Plan assets managed by the manager relative to the investment manager's total assets under management

- Type and appropriateness of reporting and investor communication materials and ability and willingness to service the Plan in a customized fashion.

- The competitiveness of fees and costs of Investment Managers.

The Plan will recognize and evaluate investment managers that have a local geographical presence and will consider local managers when their investment management credentials are competitive with national caliber standards and their proposed investment style meets the asset allocation needs of the Fund's investment allocation policy.

When evaluating local investment managers, the total fees of the manager (investment, marketing, revenue sharing, and sub-advisor) must be competitive with non-local national caliber firm fee schedules.

2. Measurement Time Period

Investment performance 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.

3. Quarterly Return Analysis

Investment performance results of the total Plan and the individual investment managers will be measured on at least a quarterly basis. The investment performance of each investment manager will be measured against specific and appropriate benchmarks and the performance is expected to meet or exceed these benchmarks after fees. The investment performance of each 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. Investment manager returns will be shown gross-of-fees on a quarterly basis.

All managers will report investment performance calculated on a trade date accounting basis and in conformance with the standards established by the CFA Institute's Global Investment Performance

Standards (GIPS). 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 Plan's official basis for performance measurement.

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

4. Review of Professional Fees

At least annually the professional fees and Plan expenses will be analyzed by the Consultant and reviewed by the Committee to ensure costs are reasonable and competitive with industry standards.

5. Corrective Action

The Plan recognizes the importance of a long-term focus when evaluating the performance of Investment Managers. The Plan understands the potential for short term periods when the performance of individual Investment Managers may deviate significantly from the performance of assigned performance indexes. However, the Committee and/or the Consultant may require an extra level of scrutiny and the Consultant may place the Investment Manager on "Watch Status" and report the Investment Manager to the Committee on a quarterly basis. Investment Managers will be considered for addition to the watch list based upon the following conditions:

- Any material event that affects the organizational structure of the Investment Management firm. Failure on the part of the Investment Manager to notify the Plan and the Consultant promptly and in writing of such change 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 Statement objectives over at least a 3 year time period and ideally a five year time period with greater emphasis placed upon longer time periods.
- Any material client servicing deficiencies.
- Violation of terms of contract or Investment Policy without prior written approval from the Committee.
- Material change in investment manager philosophy or a failure to remain consistent with the investment style mandate established by the Plan for the Manager.

The Committee will generally not terminate an Investment Manager on the basis of short-term performance. If the 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.

Any Investment Manager may be replaced at any time as part of an overall restructuring of the Plan. The Committee reserves the right to terminate any Investment Manager for any reason in accordance with any applicable Investment Manager agreements.

## VI. SECURITIES LITIGATION

The Board shall retain law firms to manage securities litigation, file and join suits against corporations whose management has engaged in improper practices to the detriment of the Plan.

The Board will authorize securities litigation as recommended by the Plan's securities litigation counsel and the Solicitor. The Secretary will provide administrative support including, without limitation the execution of documents, segregating and holding of litigation-related securities and voting proxies as directed by the securities litigation firm.

## VII. CONCLUSION

The Pleasant Ridge Manor Pension Investment Policy Statement shall be incorporated into and become a part of every Investment Manager's contract with the Pension Plan, and each Investment Manager contract with the Pension Plan shall include a provision in which the Investment Manager agrees to the terms and conditions set out in the Pension Plan's Investment Policy Statement.

## VIII. EXECUTION

IN WITNESS WHEREOF, upon a majority vote of the Committee, the Secretary of the Committee is hereby authorized to execute this Investment Policy Statement, this 15th day of February 2023.

The Pleasant Ridge Manor Retirement Committee:

2/15/23

**Kyle Foust, Committee Secretary** **Date**