

The City of Allentown Pension Funds

Investment Policy Statement

May 2014

Table of Contents

INTRODUCTION.....	3
PURPOSE OF THE STATEMENT	3
PLAN DESCRIPTION.....	3
PORTFOLIO MANAGEMENT PRECEPTS	3
STANDARD OF CARE.....	4
RESPONSIBILITIES OF THE BOARD AND STAFF	4
RESPONSIBILITIES OF ANY INVESTMENT MANAGER(S).....	5
RESPONSIBILITIES OF THE FUND CUSTODIAN(S).....	7
RESPONSIBILITIES OF THE INVESTMENT CONSULTANT	7
INVESTMENT OBJECTIVES	8
INVESTMENT POLICY	9
ASSET ALLOCATION.....	9
ALLOCATION MONITORING/REBALANCING	9
LIQUIDITY.....	9
DIVERSIFICATION	9
PROXY VOTING	10
MUTUAL AND OTHER COMINGLED FUNDS... ..	10
INVESTMENT GUIDELINES	11
GENERAL GUIDELINES	11
EQUITY INVESTMENT GUIDELINES	12
FIXED INCOME INVESTMENT GUIDELINES.....	13
REVIEW PROCEDURES	15
SIGNATURES.....	16
ATTACHMENT I ASSET ALLOCATION TABLE FIREMENS.....	17
ASSET ALLOCATION TABLE POLICE.....	18
ASSET ALLOCATION TABLE OFFICERS & EMPLOYEES.....	19

INTRODUCTION

PURPOSE OF THE STATEMENT

Based upon, and in keeping with requirements governing the conduct of the City of Allentown Aggregated Pension Trust Fund through its Board of Trustees (“Board”), this Investment Policy Statement (“Statement”) presents objectives, policies, guidelines, monitoring and review procedures relating to all assets of the City of Allentown Officers’ and Employees’ Retirement Fund, Police Pension Fund and the Paid Firemen’s Pension Fund (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 Fund assets.
- 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), investment manager (an “Investment Manager”) classifications, and/or Investment Manager styles to which any Board-appointed Investment Manager(s) shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the Fund.
- 4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating any Investment Manager(s) and/or Fund Custodian’s (a “Custodian(s)”) investment performance and/or safekeeping of assets in accordance with investment policies, goals, objectives, guidelines, and/or constraints.
- 5) Foster understanding and effective communication between 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 its participants and/or beneficiaries.

PLAN DESCRIPTION

The City of Allentown Retirement Plan consists of several currently enrolling and/or continued retirement plans categorized broadly as serving uniformed and/or non-uniformed City employees, active and/or retired, and their beneficiaries. Each basic category includes more than one continued or currently enrolling retirement plan, each requiring specific administration. Fund assets generally are commingled as to investment management but not as to Fund ownership, administration, or related recordkeeping.

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 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.

3. Delegation of Authority

Authority to manage the investment assets is granted to the Investment Manager(s). Responsibility for the operation of the investment program is hereby delegated to the Investment Manager(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager(s). The Investment Manager(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 with overall responsibility for investment of Fund assets. To assist the Board in this function, the Board is authorized and permitted to appoint Investment Manager(s), including for this purpose: banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Pennsylvania State law, to manage (including the power to acquire and dispose of) the Fund.

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. All modifications of policies and/or guidelines shall be in writing, signed by appropriate Board signatories, and delivered forthwith to any Investment Manager(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 attempt to meet objectives in conformity with the Board's stated investment policies and guidelines.
- 5) The Board shall examine this Statement from time to time and make appropriate revisions.
- 6) The Board may consult with legal counsel as necessary.

RESPONSIBILITIES OF ANY INVESTMENT MANAGER(S)

The management of the Fund and the responsibilities for investment decisions are delegated to the appointed Investment Manager(s). Any Investment Manager(s) shall exercise complete discretion within the clear limits established by this Statement. Accordingly, the Investment Manager shall use its best efforts to comply with all Federal, State, and Local regulations in effect during the term of this agreement. Particular attention should be given to the fiduciary duties established by the prudent person doctrine.

Applicable terms, conditions, limitations and restrictions notwithstanding, any Investment Manager(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 any Fund portfolio(s) 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, any Investment Manager managing any Fund portfolio shall consider all relevant factual and circumstantial information and the impact of such information upon a particular investment, strategy, or program, and upon any investment portfolio of the Fund.

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

- 1) Potential losses and gains
- 2) The composition of the Investment Manager's assigned portfolio(s) with regard to:
 - a) Diversification
 - b) Liquidity and current return relative to the Plan's cash flow requirements.
 - 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, 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.

All investment performance data submitted to the Board or to any designee thereof directly or indirectly by or on behalf of any Investment Manager(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. The Board, when appointing an Investment Manager(s), shall require the Investment Manager(s) to covenant that it shall adhere to all applicable fiduciary standards and any governmental regulations and decisions dealing with the management and investment of pension funds, as well as any other laws as now apply or may apply in the future.

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

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

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

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 staff. 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. Nationally accepted asset pricing should be daily and reported not less often than monthly.

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). The Fund's beneficial ownership of all assets shall be inviolate. Board or designated Investment Managers(s) authority to direct all investment transactions shall similarly 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 represent anticipated results and are long-term in nature. Given Board 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 generally accepted fiduciary standards. Further: (a) all transactions undertaken on behalf of this Fund shall be solely in the interest of Plan participants and their beneficiaries, and (b) with reference to prudence in Investments, set forth earlier in this Statement, safeguards and diversification to which a prudent investor familiar with and managing this Fund under known or foreseeable circumstances would adhere, and (c) liquidity and current return consistent with rationally anticipated cash flow requirements of the Fund, 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.
- 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. Any Fund Investment Manager(s) shall be responsible for seeking periodic projections of Fund liquidity requirements from the Board or any party designated by the Board.
- 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 set forth the following investment objectives for comparative or benchmark measures of Fund investment return, and risk or volatility, delineated as follows:
 - a. Based upon current and projected Plan and capital market conditions, the Board desires net returns meeting or exceeding the Plan's actuarial rate of return assumption as the multi-year return target.
 - b. Consistent with 4 a), above, multiyear (5 year) return is desired to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant asset-class indexes.
- 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.

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 for each of the three plans in addenda to this statement) 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.

In the event an Investment Manager invests in more than one asset class, for example, a balance manager or global equity manager, the manager's benchmark allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager's benchmark is allocated ten percent of the *total fund* and its benchmark is invested 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 their 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) may 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 Investment Manager(s) involved may be required by the Board to adjust assets immediately. The Board may set asset allocation ranges for individual Investment Manager(s) different from ranges for the Fund.

LIQUIDITY

Emphasis shall, per Investment Objective, 3, above, page 8, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Board endeavor to meet the Fund's multiple Investment Objectives through asset allocation and Investment Guidelines. Nevertheless, any Investment Manager(s) appointed by the Board shall be responsible for seeking from the Board or their 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 provided herewith include certain 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 adheres 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 and their beneficiaries. The Board, when delegating proxy voting authority to any Investment Manager(s), may provide general guidance as to the Board's proxy voting standards, but shall provide proxy matter viewpoints only if, and as requested, by any Investment Manager(s).

MUTUAL AND OTHER COMMINGLED FUNDS

Given the nature of mutual and other commingled funds, it is recognized 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 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.

As an exception to Investment Guidelines on next page, the Fund may invest up to 20% of the Fund assets in so-called Global Tactical Asset Allocation (GTAA) funds that may invest in any and all asset classes, including but not limited to; U.S. stocks and bonds, international stocks and bonds and commodities. Derivatives may also be used to access exposure in these areas. Any GTAA investments must be in publically traded mutual funds.

INVESTMENT GUIDELINES

Investment Guidelines describe for the guidance of Fund Investment Manager(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. Different guidelines and benchmarks may be assigned to individual Investment Managers by written authority of the Board.

GENERAL GUIDELINES

Subject to the asset allocation ranges set forth as a table within *Investment Policy, Attachment I*, or separate asset allocation ranges assigned specifically to any Investment Manager(s) by the Board, any Investment Manager is expected to undertake discretionary management of any Fund portfolio. Nevertheless, when responsible for any Fund investment portfolio, the Investment Manager(s) shall report immediately to the Board or their 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 Investment Manager(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

The Investment Manager(s) shall conform to the 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 Investment Manager was retained to serve the Fund.

- 1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Investment Manager retained to manage securities.
- 2) Each Investment Manager shall select investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.
- 3) The total annualized investment return from all investments of each Fund is expected to meet or exceed the total annualized return of the appropriate benchmark designated for each Fund in attachment I for rolling three (3) year periods.
- 4) Any 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 Investment Manager(s). The Board may, upon review, 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. For any individual Investment Manager(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of securities (5 percent "basket clause").

- 5) Any Investment Manager (s) managing active 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 Board has determined, except as noted in Mutual Funds and Other Commingled Funds on page 10, 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 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) Direct 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. Investments in mutual funds that invest in commodities are not considered direct investments.
- 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.

EQUITY INVESTMENT GUIDELINES

- 1) Permissible equity investments shall include convertible securities and publically traded REITS, which shall be limited to five (5) percent of Fund at market value, as well as American Depositary Receipts (ADRs), equally limited.
- 2) No Investment Manager shall invest on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations. Exceptions may be granted to this limitation only if provided for in the investment guidelines of the Investment Manager contract.
- 3) No Investment Manager may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity security(ies) of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

- 4) Investment Manager(s) are expected to purchase marketable equity securities listed on national securities exchanges or actively traded within the national NASDAQ framework; U.S. equity securities, purchased outside the channels cited, or purchased without regard to necessary market liquidity as demonstrated through weekly trading statistics, place upon the Investment Manager(s) a special burden respecting Board tolerance of unacceptable risk and/or losses which might ensue.
- 5) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by an Investment Manager(s) managing U.S. equity securities in “covered” or hedging postures but not in “naked” or speculative postures.
- 6) The total annualized investment return from each equity segment (domestic and international) of each Fund is expected to meet or exceed the total annualized return of its index, as denoted in attachment I, for rolling three (3) year periods.
- 7) Proper global, regional, national, industry and individual security diversification should be maintained at all times.
- 8) Because an active currency hedging strategy may reduce risk of loss and/or enhance manager 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.

FIXED INCOME INVESTMENT GUIDELINES

- 1) 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.
- 2) The Customized Short Duration Manager will seek to successfully meet the anticipated cash flow needs for each of the plans. A secondary goal is adding incremental yield/return to the portfolio. Additional credit risk, however, should only be considered to the extent that it does not compromise the primary goal of meeting cash flow needs. Other expectations for the manager include, but are not limited to:
 - a) Provide an analysis that includes the firm’s plan for meeting cash flows (e.g., types of securities, maturity schedule, etc.).
 - b) Coordinate the process and work cooperatively with the consulting staff, the custodian bank, and any other third parties to ensure that the cash flows are met in the most efficient and cost-effective manner possible.

- 3) Investment Managers 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 Investment Manager(s).
 - b) 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.
 - c) The average quality of fixed income securities purchased by any Investment Manager(s) shall equal or exceed A₂, the third broad investment grade as determined by Moody's.
 - d) So called non investment grade bonds (below Baa) are permissible but may not constitute more than twenty (20) percent of the fixed income portfolio.
 - e) 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 in attachment I.
 - f) 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 Investment Manager(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.
- 4) The total annualized investment return of each fixed income segment of each Fund is expected to meet or exceed the total annualized return of its index, as denoted in attachment I, for rolling three (3) year periods.

REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Board annually, or whenever circumstances change to the extent that the earlier representations are ineffective or inappropriate. All concerned parties shall be notified, in writing, of any changes and/or additions to this Investment Policy.

- 1) Investment performance will be reviewed quarterly.
- 2) Fund asset class (e.g. equity, 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.
- 3) It is expected that the investment performance of any Investment Manager(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. Any Investment Manager(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 Investment Manager(s).
- 4) The Board reserves the right to terminate a relationship with any Investment Manager(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, in part, at any time, provided that contracted asset and/or minimums of any Investment Manager(s) are met.
- 5) Investment Manager(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) Investment Managers shall meet at least annually, if requested by the Board, to review the Fund and any respective portfolio(s) with the Board, and to discuss investment results in the context of all of the goals Investment Objectives, and Investment Guidelines set forth in this Statement.

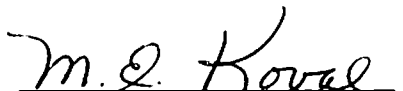
SIGNATURES

The effective date of this Investment Policy Statement is 5/20/14 ~~2012~~: 2014

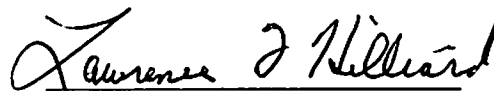
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President



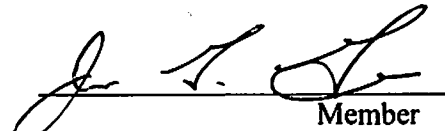
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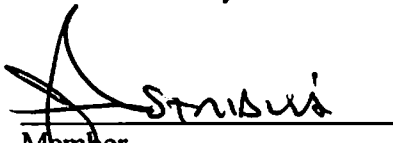


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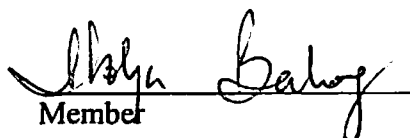
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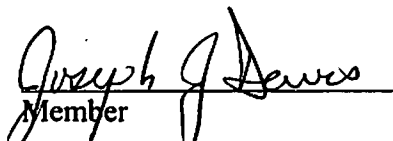
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ATTACHMENT I Paid Firemen's Pension Fund

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	63	68	73	
Domestic	46	51	56	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	27	32	37	
Bonds	0	3	10	Barclay's Aggregate
Short-term Bonds	17	27	37	Barclay's US Gov't 1-5 year
Cash	0	2	5	ML 90 Day T-Bill

* As of March 31, 2014, equities represent approximately 31% of the portfolio. Equities will be increased by approximately 2% per month until 68% equity target is reached.

Police Pension Fund

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	63	68	73	
Domestic	46	51	56	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	27	32	37	
Bonds	5	13	30	Barclay's Aggregate
Short-term Bonds	7	17	27	Barclay's US Gov't 1-5 year
Cash	0	2	5	ML 90 Day T-Bill

* As of March 31, 2014, equities represent approximately 32% of the portfolio. Equities will be increased by approximately 2% per month until 68% equity target is reached.

Officers' and Employees Pension Fund

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	41	46	51	
Domestic	30	35	40	Russell 3000
International	6	11	16	MSCI ACWI Ex US (net)
Fixed Income	49	54	59	
Bonds	0	0	0	Barclay's Aggregate
Short-term Bonds	47	52	57	Barclay's US Gov't 1-5 year
Cash	0	2	10	ML 90 Day T-Bill

ADDENDUM

THE CITY OF ALLENTOWN PENSION FUNDS INVESTMENT POLICY STATEMENT

DATED MAY 20, 2014

(AMENDED AUGUST 16, 2016)

DOCUMENT CHANGES:

ATTACHMENT I.....PAGE 17

1. FIREMEN'S PENSION FUND:

DECREASED FIXED INCOME TARGET FROM 32% TO 29%

DECREASED SHORT-TERM BONDS TARGET FROM 27% TO 24%.

FIXED INCOME MINIMUM AND MAXIMUM RANGES ADJUSTED TO +/-5% OF TARGET.

DECREASED EQUITIES TARGET FROM 68% TO 66%

DECREASED DOMESTIC EQUITY TARGET FROM 51% TO 49%.

MINIMUM AND MAXIMUM RANGES ADJUSTED TO +/-5% OF TARGET.

ADDED 5% PRIVATE REAL ESTATE TARGET TO ASSET ALLOCATION GUIDELINES

GUIDELINES IN EFFECT WHEN AN INVESTMENT TO REAL ESTATE IS MADE

BENCHMARK IS NCREIF ODCE INDEX

MINIMUM AND MAXIMUM RANGES SET TO +/- 5% OF TARGET

ADDED PRIVATE REAL ESTATE GUIDELINES

2. POLICE PENSION FUND:

DECREASED FIXED INCOME TARGET FROM 32% TO 29%

DECREASED SHORT-TERM BONDS TARGET FROM 17% TO 14%.

FIXED INCOME MINIMUM AND MAXIMUM RANGES ADJUSTED TO +/-5% OF TARGET.

DECREASED EQUITIES TARGET FROM 68% TO 66%

DECREASED DOMESTIC EQUITY TARGET FROM 51% TO 49%.

MINIMUM AND MAXIMUM RANGES ADJUSTED TO +/-5% OF TARGET.

ADDED 5% PRIVATE REAL ESTATE TARGET TO ASSET ALLOCATION GUIDELINES

GUIDELINES IN EFFECT WHEN AN INVESTMENT TO REAL ESTATE IS MADE

BENCHMARK IS NCREIF ODCE INDEX

MINIMUM AND MAXIMUM RANGES SET TO +/- 5% OF TARGET

ADDED PRIVATE REAL ESTATE GUIDELINES

ADOPTED NOVEMBER 21, 2017

EFFECTIVE DECEMBER 1, 2017

Brent Hartzell
CHAIRPERSON

MEMBER

MEMBER

MEMBER

MEMBER

MEMBER

MEMBER

MEMBER

MEMBER

Police Pension Fund

TABLE 1:

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	61	66	71	
Domestic	44	49	54	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	24	29	34	
Bonds	5	14	30	Barclay's Aggregate
Short-term Bonds	7	14	27	Barclay's US Gov't 1-5 year
Cash	0	1	5	ML 90 Day T-Bill
Real Estate	0	5	10	NCREIF ODCE

The Board agreed to the asset allocation guidelines listed in the table above—only after an investment in real estate is made. Until that time, the Board agreed to the asset allocation guidelines below:

TABLE 2:

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	63	68	73	
Domestic	46	51	56	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	27	32	37	
Bonds	5	14	30	Barclay's Aggregate
Short-term Bonds	7	17	27	Barclay's US Gov't 1-5 year
Cash	0	1	5	ML 90 Day T-Bill

ATTACHMENT I Paid Firemen's Pension Fund

TABLE 1:

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	61	66	71	
Domestic	44	49	54	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	24	29	34	
Bonds	0	4	10	Barclay's Aggregate
Short-term Bonds	17	24	37	Barclay's US Gov't 1-5 year
Cash	0	1	5	ML 90 Day T-Bill
Real Estate	0	5	10	NCREIF ODCE

The Board agreed to the asset allocation guidelines listed in the table above—only after an investment in real estate is made. Until that time, the Board agreed to the asset allocation guidelines below:

TABLE 2:

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	63	68	73	
Domestic	46	51	56	Russell 3000
International	12	17	22	MSCI ACWI Ex US (net)
Fixed Income	27	32	37	
Bonds	0	4	10	Barclay's Aggregate
Short-term Bonds	17	27	37	Barclay's US Gov't 1-5 year
Cash	0	1	5	ML 90 Day T-Bill

PRIVATE REAL ESTATE INVESTMENT GUIDELINES

Private real estate investment will be implemented through open-end commingled fund vehicles. Direct investment in real estate by the Fund is prohibited.

Pooled real estate investment funds must invest at least 80% of their assets in core real estate investments. Core investments are generally considered to be stable, well-maintained properties located in major metropolitan areas with high occupancy rates and high quality tenants. Property types include, but are not limited to, office, industrial, retail, and multi-family apartments.

Pooled real estate investment funds will diversify their exposures by property type and location and maintain overall occupancy rates in excess of 80%. The Investment Manager(s) should diversify in an attempt to limit exposure to any single property type or to any single geographic area. It is expected that at various points in time, the portfolio may be more heavily exposed to a single property type or location by virtue of opportunities in the market that are expected to generate excess return above long-term expectations. The diversification of the real estate portfolio will be compared to the composition of its peer benchmark the NCREIF ODCE Index.

Limited use of leverage is permissible within pooled real estate investment funds to enhance investment returns and to mirror the NCREIF ODCE Index. Portfolio leverage is limited to a maximum of 40% of the aggregate gross fair market value of the funded investments. Individual holdings may have higher leverage.

ADDENDUM

THE CITY OF ALLENTOWN PENSION FUNDS INVESTMENT POLICY STATEMENT

**DATED MAY 20, 2014
(AMENDED AUGUST 16, 2016)
(AMENDED NOVEMBER 21, 2017)**

DOCUMENT CHANGES:

1. FIREMEN'S PENSION FUND:

DECREASED FIXED INCOME TARGET FROM 29% TO 24%

DECREASED SHORT-TERM BONDS TARGET FROM 24% TO 12%.

INCREASED AGGREGATE BONDS TARGET FROM 4% TO 11%

CASH REMAINS 1%

INCREASED US EQUITY TARGET FROM 49% TO 52%

DECREASED INTERNATIONAL EQUITY TARGET FROM 17% TO 14%

INCREASED PRIVATE REAL ESTATE TARGET FROM 5% TO 10%

**CHANGED SHORT TERM BONDS BENCHMARK FROM BBGBARC US GOVT 1-5 TO 2/3
BBGBARC US GOVT 1-3 AND 1/3 ML 90 DAY TREASURY**

2. POLICE PENSION FUND:

DECREASED FIXED INCOME TARGET FROM 29% TO 24%

DECREASED SHORT-TERM BONDS TARGET FROM 14% TO 6%

INCREASED AGGREGATE BONDS TARGET FROM 14% TO 17%

CASH REMAINS 1%.

INCREASED US EQUITY TARGET FROM 49% TO 52%

DECREASED INTERNATIONAL EQUITY TARGET FROM 17% TO 14%

INCREASED PRIVATE REAL ESTATE TARGET FROM 5% TO 10%

**CHANGED SHORT TERM BONDS BENCHMARK FROM BBGBARC US GOVT 1-5 TO 2/3
BBGBARC US GOVT 1-3 AND 1/3 ML 90 DAY TREASURY**

3. OFFICERS & EMPLOYEES FUND:

**CHANGED SHORT TERM BONDS BENCHMARK FROM BBGBARC US GOVT 1-5 TO 2/3
BBGBARC US GOVT 1-3 AND 1/3 ML 90 DAY TREASURY**

ADOPTED AUGUST 21, 2019

EFFECTIVE SEPTEMBER 1, 2019



CHAIRPERSON