CS McKee

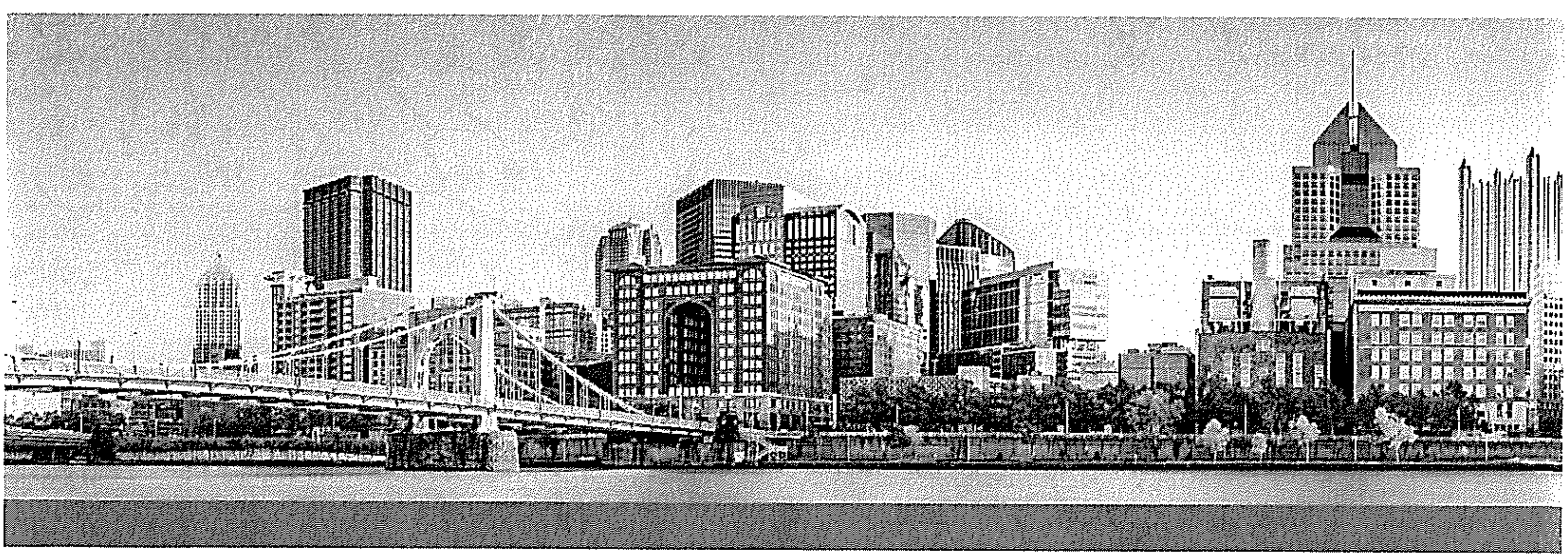
ASSET
MANAGEMENT

INVESTMENT POLICY STATEMENT

South Fayette Township

Police Pension Plan

December 14, 2021



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INTRODUCTION

This Investment Policy Statement is designed to set forth the objectives, policies and guidelines for the investment of the assets of the South Fayette Police Pension Plan. This statement will outline an overall philosophy that is specific enough for The Manager to know what is expected, but sufficiently flexible to allow for changing economic conditions and securities markets.

Hereinafter, the South Fayette Board of Commissioners will be referred to as "The Board" and C.S. McKee Asset Management will be referred to as "The Manager".

This investment policy states the overall investment objectives of the account. It also contains a target asset mix and asset mix restrictions, which in combination with the skills of The Manager, should achieve these objectives.

A. OBJECTIVES

The Manager's primary objectives are to:

1. Implement these policies in a manner consistent with fiduciary standards with the goal to achieve the account's objectives.
2. Notify The Board should circumstances occur in which The Manager believes the policy needs to be modified to achieve these objectives.

The objectives of the account should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk, as defined herein. The Board understands that fluctuating rates of return are characteristic of the securities market. The Manager's greatest concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that term short-term market fluctuations may cause variations in the account performance, The Board expects the account to achieve the following objectives over a five-year moving time period:

1. Desirable Return:

   The return after deducting all investment related expenses will equal or exceed the rate of return assumed by the actuary in the most recent valuation report.

2. Performance Comparisons:

   At least quarterly, The Plan performance will be compared to suitable benchmarks to see how The Plan is doing relative to the financial markets.

The Manager may recommend appropriate changes to the Board. If investment performance ending on the fiscal year of the report made by the Manager to the Board lags the benchmark for the fiscal year or in the three consecutive quarters, the Manager will prepare a written statement explaining the cause.

Investment performance should be summarized for the quarter and from inception on a total return basis and as an annualized return number. Performance reports should follow the GIPS Performance Presentations standards.

In order to help the Board assess risk and risk related performance, the Manager will monitor and report to the Board on the following with respect to the Plan's investments: alpha, beta, R-squared, Sharpe ratio, and standard deviation.

3. Time Horizon:

The Board recognizes that returns will vary from quarter to quarter and year to year. Therefore, more emphasis will be placed on The Manager meeting the objectives of The Plan over a long-term basis (five years) than any short-term period.

B. *ASSET MIX*

Although dynamic capital markets may cause fluctuating risk/return opportunities over a market cycle, the following standards will be used to evaluate The Manager's asset allocation (as measured at market value) over a five-year moving time period.

TARGET ASSET MIX TABLE

Asset Class	Target Percent	Leeway
Equities	60%	+/- 10%
50% - Domestic		
10% - International		
Fixed Income	40%	+/- 10%
Securities Cash and Equivalents	0-10%	+/- 10%

Because security market conditions can vary greatly throughout a market cycle, The Board wishes to avoid the negative implications that oftentimes are associated with efforts to time the securities markets. The Board directs The Manager to adhere to the stated asset mix ranges. The Board believes this approach will increase investment returns and/or reduce risks over time. If The Manager believes that certain opportunities justify allocations beyond the limits prescribed above, The Manager may exceed them only with written consent of The Board.

C. INVESTMENT POUCIES AND PROCEDURES

1. Common Stock Section of the Portfolio:

The Board expects The Manager to maintain the equity portfolio at a risk level roughly equivalent to that of the equity market as a whole.

Equity holdings may be selected from the New York, American and Regional Stock Exchanges, and the NASDAQ market. Common stocks will primarily consist of U.S. based companies; however, the Manager may purchase shares of foreign based companies in the form of American Depository Receipts (ADRs). Up to 5% of the Portfolio may be invested in real estate investment trusts or REITs. Either or both investments may be consummated through the use of SMA's, ETF's or mutual funds.

The fund shall not hold more than 10% of the outstanding voting securities of any one issuer or company. No more than 20% of the equity portion of the portfolio shall be invested in any one industry or similar group of companies, except mutual funds.

2. Portfolio Diversification / Prohibited Activities:

Within the above guidelines, The Board gives The Manager full responsibility for security selection and diversification. The Manager also will have full discretion over turnover and allocation of equity holdings among selected securities and industry groups.

The Manager is prohibited from engaging in short sales, margin transactions, or purchasing collectibles, privately held securities, futures, options, highly leveraged derivative securities, or other specialized investment activities which may subject the assets to undue risk. The Manager may not invest in any class of mutual fund that pays 12b-l, sub-TA, or similar fees unless those fees are used to offset Plan administrative expenses, including the fees of the Manager. The Manager may not engage in a prohibited transaction under section 503(b) of the Internal Revenue Code or in any other activity inconsistent with its duties as a fiduciary.

3. Bond Section of Portfolio:

The portfolio can hold U. S. Treasury, mortgage-backed, asset backed, agency and corporate securities as well as closed-end funds.

All bonds selected for investment must be rated "as investment grade" by Moody's and/or Standard & Poor's (Baa3/BBB-). The weighted average quality of the portfolio will be maintained at a Standard & Poor's rating of A or better, and no more than 15% will be in BBB rated bonds.

It is recognized the average maturity and duration will vary based on the Manager's judgments of interest rate direction.

The Manager must advise the Board, in writing, of any material changes in the Manager's organization, decision making structure, ownership, investment style, key personnel or any other significant change affecting the Manager's relationship with the Fund along with a statement as to the anticipated impact on the Investment Manager's ability to provide the same style and type of money management on a continuing basis.

The Manager will ensure that the Trustee provides monthly activity reports to the primary contacts at the Borough.

4. <u>Cash Flow Patterns and Liquidity Needs:</u>

The Board will notify The Manager of any large pending cash flow needs or contributions.

5. <u>Turnover:</u>

The Board has placed no restrictions on turnover in the account. It is understood that commissions are an expense which will be charged against the account, thereby reducing performance. The Manager shall affect all transactions for the best price and execution and shall keep records of and report all soft dollar transactions.

6. <u>Proxies:</u>

The Board wants The Manager to maximize the long-term investment performance by properly voting all proxy proposals to the best interests of The Fund. It is understood that the Manager in voting the proxies will consider only those factors that may affect the value of the Plan 's investments and not subordinate the interests of the participants and beneficiaries to unrelated objectives.

7. <u>Safekeeping:</u>

All securities shall be held by a custodian appointed by the Board for safekeeping. The custodian shall produce statements at least quarterly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Plan held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts. All assets shall be held within the jurisdiction of U.S. Courts situated within the Commonwealth of Pennsylvania.

8. <u>Monitoring. Communications and Review</u>:

This Investment Policy Statement will be reviewed annually by The Board and The Manager but can be modified, upon mutual agreement, at any time.

Quarterly, each member of The Board will be provided with The Manager's Portfolio Status Report.