

PENSION COMMITTEE

AGENDA

May 2, 2012

1:00 PM

1. INTRODUCTIONS
2. CALL TO ORDER / PLEDGE OF ALLEGIANCE / MOMENT OF SILENCE
2. CHAIRMAN WILL ASK IF ANYONE IS GOING TO RECORD THE MEETING
3. APPROVAL OF MINUTES
 - a. March 7, 2012
4. OLD BUSINESS
5. NEW BUSINESS
 - a. 1:00pm INR – 1ST Quarter Report – Mike Glackin
 - b. 2:00pm Key Financial – 1st Quarter Report - Patty Brennan
 - c. 2:30pm Victor Cozzone – Final Draft of Investment Policy Statement
6. PUBLIC COMMENT
7. ADJOURNMENT

draft
**EAST GOSHEN TOWNSHIP
PENSION COMMITTEE MEETING
March 7, 2012**

The East Goshen Township Pension Committee met at the East Goshen Township Building on Wednesday March 7, 2012 at 1:00 pm. Committee members present were: Giulio Perillo, Marty Shane, and Mark Miller. Others present were: Rick Smith, Township Manager, and Victor Cozzone, Financial Advisor with Raymond James.

1. Call to Order, Pledge of Allegiance and Moment of Silence

Giulio called the meeting to order, led those present in the Pledge of Allegiance, and asked for a moment of silence to remember our troops.

2. Minutes

The Chairman noted that the minutes of the February 1, 2012 meeting were approved.

3. Recording of Meeting

Giulio asked if anyone present would be recording the meeting. There was no response.

4. Old Business

5. New Business

A. Post Employee Benefit Trust – Mark moved to appoint Marty and Giulio as Trustees of the Post Employee Benefit Trust. Giulio seconded the motion. The motion passed.

The committee reviewed Victor's contract and the forms needed to set up the account. It was decided that the Trustees will oversee the funds but the Township Manager will be authorized to sign transactions.

The Account Information and Client Agreement form was reviewed with the following changes:

1. On page 2, Account Stability, Combined Net Worth, "over \$5,000,000" will be checked.
2. Page 2, Investment Experience, "Annuities" will be moved to "None"
3. Page 3, Tax Certification, "Other" will show "Municipal Trust"

The Ambassador Non-Discretionary Client Agreement – RJA was reviewed. The attached Fee Schedule shows the first \$335,000 will incur a blended fee of 1.9%. After the first year, the fees will be adjusted to the regular fee schedule.

The Equity IPO Client Certification form and the Non-Traditional ETP – Investor Qualification Affidavit (RJA) form were reviewed with no changes.

The Resolution of Governing Body Unincorporated Association form was discussed as to who should sign it.

1 The Investment Policy Statement sets the rules and expectations for the plan. On page
2 2 the "Required Return" is 7.8%. The purpose of the Policy is on page 4, 3rd paragraph.
3 Page 5 lists the Roles and Responsibilities of everyone involved. Giulio referred to an
4 email from Sarah K. Ivy, Attorney, in which she stated that the Board of Trustees and the
5 Pension Committee can be made up of the same individuals, but the functions
6 performed are different. Giulio would like to find out from her if the Committee can
7 designate someone who is not on the Committee to be a Trustee.
8 Part 3 – Objectives, Return Objective mentions 7.8% return. In the Comment at the top
9 of page 7, insert "minimum" before return.
10 Page 7, Risk Objectives – delete the 2nd bullet and the comment.
11 Page 9, 2nd paragraph, 3rd line – Maintains a portfolio of approximately...(change to) 60%
12 equity type investments, 30% fixed income type investments and 10% alternatives/cash
13 type investments.....
14 Rich Greenwald will be the successor if there is a loss of key personnel (Victor).
15 Victor will make the suggested changes and email the forms to Rick. Rick will be the
16 point of contact with Victor for now.

17
18 B. The Committee reviewed a statement from Key Financial regarding investment
19 of cash. In the future, the Committee would like to know the kind of bond that will be
20 purchased. They authorized Rick to approve the request.

21
22 There being no further business to discuss, Giulio made a motion to adjourn the meeting. Mark
23 seconded the motion. The motion passed unanimously. The meeting was adjourned at
24 3:35 pm. The next meeting will be held on Wednesday, April 4, 2012 at 1:00 pm.

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26 Respectfully submitted,

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29 Ruth Kiefer, Recording Secretary
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INVESTMENT POLICY STATEMENT

East Goshen Township Other Post-Employment Benefits Trust

Approved on (Date): _____

Presented by: Victor Cozzone, Raymond James & Associates, Inc.

This investment policy statement should be reviewed and updated at least annually. Any change to this policy should be communicated in writing on a timely basis to all interested parties.

Executive Summary

Type of Plan:	Other Post-Employment Benefits Trust
Current Assets:	\$335,891
Current Liability	No current liabilities
Time Horizon:	Greater than 10 years (or in perpetuity)
Spending Rate:	No current spending required
Required Return:	7.8% nominal return
Investment Objective:	Primary Goal: Income and capital appreciation
Liquidity Requirements:	Low with liquidity reserve expectations for unanticipated distributions. Future contributions to this portfolio are expected to help offset plan losses.
Tax Constraints:	Taxes are not an issue with regards to the management of this portfolio and thus should not be considered a constraint on portfolio construction.

Table of Contents

Part I – Background and Purpose

The purpose of this Investment Policy Statement (IPS) is to provide written and formal financial goals and objectives as well as provide background information on the Other Post-Employment Benefit Trust.

Part II – Roles and Responsibilities

This section defines who is responsible and for what function.

Part III – Objectives

This section introduces the process of identifying desired and required returns, which should take place concurrently with the discussion of risk tolerances. In the end, the IPS must present a return objective that is attainable within the risk constraints of the portfolio.

Part IV – Constraints

All economic and operational constraints should be outlined in this section in order to properly tailor the portfolio without violating any client-imposed restrictions. These constraints include; Time Horizon, Liquidity Requirements, Taxes, Legal and Regulatory Issues and Unique Circumstances and Preferences.

Part V – Asset Allocation

This section outlines the appropriate asset mix that meets the Other Post-Employment Benefit Trust's objectives and constraints as stated in this investment policy statement.

Part VI – Portfolio Monitoring and Reporting

This part sets forth the process and timing of investment monitoring as well as the schedule for performance review.

Part VII – Investment Policy Statement (IPS) Review

This part sets forth the process and timeline for review of the IPS.

Part VIII – Intent of this Agreement

This part sets forth the intent of this agreement

Part I – Background and Purpose

Mission Statement

This Investment Policy Statement (IPS) has been prepared for the *East Goshen Township Other Post-Employment Benefits Trust*, a tax-exempt Trust under IRS Code 501(c)(3). The initial asset allocation strategy may change depending upon the level of grants, operating expenses and future contributions.

This investment portfolio has been established with a long-term focus in mind with the expectation that the assets in this account are not dedicated to any specific short term objectives, liabilities, operating expenses or funding.

The purpose of the Investment Policy Statement is to provide clear guidelines for the management of Trust assets. This Investment Policy Statement establishes policies and guidelines for the investment practice of the Trust. The Investment Policy Statement also outlines objectives, goals, restrictions, and responsibilities for the Board of Trustees, Investment Committee, Investment Consultant, and Investment Managers.

The Trust shall at all times be managed in accordance with all state and federal laws, rules, and regulations including, but not limited to, the Employee Retirement Income Security Act of 1974 (ERISA).

The Other Post-Employment Benefits Trust's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Other Post-Employment Benefits Trust's attitudes, expectations, objectives and guidelines in the management of their assets.
2. Setting forth an investment structure for managing the Other Post-Employment Benefits Trust's assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce an appropriate level of overall diversification and total investment return over the investment time horizon.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance of money managers on a regular basis.
4. Encouraging effective communications between the Post-Employment Benefits Trust, Managers, and interested parties.
5. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the Other Post-Employment Benefits Trust's assets.

Part II – Roles and Responsibilities

Board of Trustees (Township Manager and Chief Financial Officer)

The Board of Trustees shall perform administrative acts with respect to the East Goshen Township Other Post-Employment Benefits Trust at the direction of the Investment Committee.

Investment Committee (Pension Committee)

As a fiduciary, the primary responsibilities of the Investment Committee are:

1. Setting and revising investment policies that the Board of Trustees must implement.
2. Developing investment objectives, asset allocation strategies and performance guidelines.
3. Approving the selection of Investment Consultants, Advisors, Money Managers and Custodians.
4. Reviewing and evaluating investment results and approving changes as needed.
5. Providing periodic performance reports to the Board of Supervisors.
6. Prepare and maintain an investment policy statement.
7. Prudently diversify the account's assets to meet an agreed upon risk/return profile.
8. Prudently select investment options.
9. Control and account for all investment, record keeping and administrative expenses associated with the accounts.
10. Monitor and supervise all service vendors and investment options.
11. Avoid prohibited transactions and conflicts of interest.

Investment Consultant/ Victor Cozzone, Raymond James & Associates, Inc.

The Investment Consultant's role is that of a discretionary advisor to the Other Post-Employment Benefits Trust. Investment advice concerning the investment management of assets will be offered by the Investment Consultant and will be consistent with the investment objectives, policies, guidelines and constraints established in this investment policy statement. Specific responsibilities of the Investment Consultant include:

1. Assist in the development and periodic review of the investment policy.
2. Provide monitoring of the investments to ensure manager compliance with their stated investment objectives.
3. Provide the Investment Committee with quarterly performance updates, including any qualitative changes with regards to the managers.

Investment Managers/ Victor Cozzone, Raymond James & Associates, Inc.

Investment managers are responsible for making investment decisions based upon their predetermined process and philosophy consistent with the Return Objectives below. The specific duties and responsibilities of each manager are:

1. Manage the assets in accordance with the guidelines and objectives set forth within this investment policy statement, the individual manager's marketing materials and/or that which is reported to institutional investment consultants.
2. Use the same care, skill, prudence and diligence under the prevailing circumstances that experienced investment professionals, acting in like capacity, and fully familiar with such matters, would use in like activities for like portfolios, with like aims, in accordance and compliance with the Prudent Investor Rule and all applicable laws, rules, and regulations.
3. Adhere to performance expectations cited in Part VI – Portfolio Monitoring and Reporting

Custodian – Raymond James & Associates

Custodians are responsible for the safekeeping of the Other Post-Employment Benefits Trust's assets. The specific duties and responsibilities of the custodian are:

1. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall portfolios since the previous report.
2. Maintain separate accounts by legal registration.
3. Value the holdings.
4. Collect all income and dividends owed to the Other Post-Employment Benefits Trust.
5. Settle all transactions initiated by the Investment Managers.

Part III – Objectives

The process of identifying required returns should take place concurrently with the discussion of risk tolerances. In the end, the IPS must present a return objective that is attainable within the risk constraints of the portfolio.

Return Objectives and Risk Tolerances:

The Trust's overall investment objective is to fund benefits to Trust beneficiaries through a carefully planned and well executed investment program.

Return Objective

The minimum return objective is to achieve a return that is equal to Consumer Price Index (CPI) + Gross Domestic Product (GDP) + Investment Manager's Fee.

Funding adequacy is achieved when the market value of assets is at least equal to the Trust's projected benefit obligation as defined in Statement of Financial Accounting Standard No. 87 a, as calculated by the Trust's actuary. The Trust has a total return objective of 7.8% per year. In addition, the Trust has the following broad objectives:

1. The assets of the Trust shall be invested to maximize returns for the level of risk taken.
2. The Trust shall strive to achieve a return that exceeds the return of benchmarks composed of various established indexes for each category of investment, in which the weights of the indexes represents the expected allocation of the Trust's investments over a three-to-five year time horizon.

Risk Objectives

1. The assets of the Trust shall be diversified to minimize the risk of large losses within any one asset class investment type, industry or sector distributions, maturity date, or geographic location, which could seriously impair the Trust's ability to achieve its funding and long-term investment objectives.
2. When investing in capital markets, the Investment Committee acknowledges that some risk must be assumed in order to achieve long-term investment objectives, and there are uncertainties and complexities associated with these markets. Through the investment objected selected, the Investment Committee is stating that they are comfortable with a moderate to high degree of risk.

Part IV – Constraints

Time Horizon:

The investment guidelines for the portfolio are based upon an investment horizon of greater than ten years (or in perpetuity) and interim fluctuations should be viewed with appropriate perspective. As such, the policy allocation should be based upon the appropriate long term time horizon.

Comments: No Issues

Liquidity Requirements:

With liquidity defined as either anticipated or unanticipated needs for cash in excess of contributions, the Other Post-Employment Benefits Trust's liquidity requirement is low. Currently, there is not a specific required annual spending requirement in place for the portfolio nor is it expected that the portfolio will incur distributions at this time. With that stated however, the Investment Committee recognizes that the Board of Supervisors may advise the Investment Committee of the need to make distributions in an upcoming calendar year. Therefore, this has been taken into consideration and the Investment Committee has designated that the portfolio maintain an appropriate amount of liquidity.

Comments: No issues

Taxes:

The taxable implications of the Other Post-Employment Benefits Trust are not an issue and tax exempt investments should not be considered for investment unless the risk / return profile of the investment is advantageous to the long-term objectives of the Other Post-Employment Benefits Trust.

Comments: No Issues

Legal and Regulatory Issues:

Any external factors imposed by governmental, regulatory or oversight authorities which constrain investment decision making process have been addressed. Prudent Investor Rules apply. The Prudent Investor Rules state that a fiduciary must:

1. Make investment and management decisions with respect to individual assets in the context of the investment portfolio as a whole and as part of an overall investment strategy, not in isolation.
2. Adhere to fundamental fiduciary duties of loyalty, impartiality, and prudence.
3. Maintain overall portfolio risk at a reasonable level. That is, risk and return objectives must be reasonable and suitable to the portfolio. The tradeoff between risk and return is the fiduciary's central concern.
4. Provide for the reasonable diversification of investments.

5. Act with prudence in deciding whether and how to delegate authority to experts and in selecting supervising agents. Be cost conscious when investing. The fiduciary should incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the fiduciary.

Comments: No Issues

It is required of the Investment Consultant and Investment Manager(s) to adhere to these restrictions when managing the Post-Employment Benefits Trust's assets.

Unique Circumstances:

Unique circumstances may include guidelines for social or special purpose investing; assets legally restricted from sale; directed brokerage arrangements; and privacy concerns. Additionally, assets held outside the investment portfolio and not otherwise considered within this investment policy should be listed here.

Comments: No issues

Part V – Asset Allocation

The Investment Committee believes that long-term investment performance, in large part, is primarily a function of asset class mix. The Other Post-Employment Benefits Trust has reviewed the long-term performance characteristics of the broad asset classes, focusing on balancing the risks and rewards.

History shows that while interest-generating investments, such as bond portfolios, have the advantage of relative stability of principal value, they provide fewer opportunities for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments, such as common stocks, have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long (five years or greater).

In consultation with Other Post-Employment Benefits Trust's Investment Consultant, the Investment Committee has determined that the allocation that best satisfies the Post-Employment Benefits Trust's current objectives and constraints, as stated in this investment policy statement, is a balanced allocation. The Balanced allocation offers a way to balance the potential capital appreciation of common stocks with the income and relative stability of bonds over the long term. It should be less volatile than an all-equity allocation, since prices of stocks and bonds may respond differently to changes in economic conditions and interest rate levels. Maintain a portfolio of approximately 70% equity type investments 20% fixed income type investments, and 10% alternative investments thereby combining growth potential with income and reducing volatility.

Balanced	Lower Limit	Strategic Allocation	Upper Limit
Large-Cap Domestic	20.0%	29.0%	70.0%
Small- to Mid-Cap Domestic	0.0%	14.0%	30.0%
International Equities	0.0%	12.0%	25.0%
Fixed Income	10.0%	20.0%	30.0%
Alternatives	0.0%	10.0%	15.0%
Cash	0.0%	0.0%	7.0%

The Investment Committee will annually review the asset mix..

Part VI – Portfolio Monitoring and Reporting

Investment Managers Performance and Review Expectations

The Investment Committee and Investment Consultant and Investment Managers will meet quarterly to review and evaluate the performance of portfolio. The Investment Consultant and the Investment Managers shall provide the following information to the Investment Committee at these meetings:

- 1) Composite performance relative to appropriate benchmarks for requested time periods
- 2) Commentary on factors affecting performance as well as, the broader capital markets
- 3) Recommendations with regards to overall allocation policy
- 4) All necessary financial statements including detailed portfolio characteristics
- 5) Any other requests of the Investment Committee or Board of Trustees

The Investment Committee acknowledges that decisions made based on short term performance can be detrimental to the longer term prospects of the portfolio. Therefore, the Investment Committee seeks to evaluate the Investment Manager's performance over a full market cycle and reserve judgment based on short term factors. With that said, the Investment Committee, after consultation with the Investment Consultant, will act upon any quantitative or qualitative factor deemed significant enough to affect the near term or long term performance of the portfolio. Examples of this include:

- 1) In the event key personnel is lost (Victor Cozzone) Richard Greenwald will assume responsibilities.
- 2) The Investment Manager deviates significantly from stated philosophy and objectives
- 3) The use of prohibited investments without the prior approval of the Investment Committee

Part VII – Investment Policy Statement (IPS) Review

The Investment Consultant will review this IPS with the Investment Committee annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Frequency of IPS Review

The Investment Committee will use each of its periodic investment performance evaluations as occasions to also consider whether any elements of existing IPS are either insufficient or inappropriate. At a minimum however, the IPS will reviewed annually. Environmental or operational occurrences which could result in modification to the IPS include:

1. Significant changes in expected patterns of the Other Post-Employment Benefits Trust's obligations;
2. Impractical time horizons;
3. Change in the Other Post-Employment Benefits Trust's priorities, as set by the Investment Committee;
4. Convincing arguments for change presented by the Investment Consultant; and
5. Areas found to be important, but not covered by the investment policy

Despite the mandate for the reviews called for in the preceding paragraph, the Investment Committee is fully aware that frequent major changes to the IPS can produce potentially damaging inconsistencies. In particular, the Investment Committee recognizes fully that periodic changes, or even "responses", to current market conditions, particularly the type that can be characterized as reversals of direction, may be particularly undesirable.

Notwithstanding the above, however, the Investment Committee believes that it is important that this IPS be responsive to changing conditions.

Part VIII - Intent of this Agreement

This Investment Policy Statement is not a contractual agreement of any kind and therefore by signing it you will not be bound to any arrangement. It is only meant to be a summary of the agreed upon investment management techniques.

Investment Consultant
Investment Manager

Investment Committee

Date

Date

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