Approved: February 28, 2007
Revised: November 2009
Asset Allocation Table Updated: February 2010
Reviewed for continuity: February 2016
Revised: May 2016
Revised: August 2016

CITY OF YORK MUNICIPAL PENSION FUNDS

STATEMENT OF INVESTMENT POLICY

I. PURPOSE

The following Statement of Investment Policy ("Policy") is established to set forth a framework for management of the assets that have been accumulated for the participants and beneficiaries of the City Of York Municipal Pension Funds ("Fund").

II. STATEMENT OF RESPONSIBILITY

The Board of Trustees ("Board") of the City Of York Municipal Pension Funds is the named investment fiduciary of the Fund, with full power to manage and control Fund assets, approve Fund investments, appoint investment advisors and establish Fund investment objectives. Although not governed by ERISA, the Board has adopted the prudent man standard of care as the standard to be applied in the management of the Fund's investment portfolio. The Board and all of its agents shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974

III. INVESTMENT RETURN OBJECTIVE

This Policy recognizes that the primary objective for the management of Fund assets is to maximize return commensurate with the level of risk undertaken. This objective is established in full consideration of the liquidity needs of the Fund as determined by the Fund's actuary.

With the understanding that investment returns are largely uncertain from year to year, the basic return objective is to be achieved over an averaging period no less than a market cycle (three to five years, at minimum) in duration.

The Target should consider:

1. The actuarial liabilities of the Fund.
2. A review of all prudent asset classes.
3. The expected rate of return, correlation, and standard deviation of all investment asset classes included; and
4. Professional recommendations of the retained investment consultant, if applicable.

The *specific* investment return objective for the overall corpus of Fund assets is to meet or exceed the rate of return assumed in the Fund's actuarial assumptions.

IV. ASSET ALLOCATION

Since the selection and weighting of asset classes is the primary determinant of investment return and volatility, asset choice will be carefully considered by the Board, or its duly authorized representative, in accordance with a systematic allocation process derived from consultation with their advisors. Asset allocation parameters have been developed for various funds within the structure, based on investment objectives and time horizons for intended use. Approved asset classes and policy target ranges are noted as follows:

	% Long-Term Target Allocation	% Range	Index Benchmark
Domestic Equity	**25.0**	**15-35**	**Russell 3000 Index & S&P 500 Index**
International Equity	**25.0**	**15-35**	**MSCI AC World xUS**
Flexible Capital	**15.0**	**10-20**	**HFRI FoF Diversified Index**
Fixed Income	**20.0**	**15-25**	**Custom & Bloomberg Barclays U.S. Aggregate**
Real Assets	**15.0**	**10-20**	**Custom**
Liquid Capital	**0.0**	**0-5**	**Citigroup 3 Month T-Bill**

This Policy specifies that the Target is to be based on market value of assets.

Although this Policy calls for no specific allocation to cash and equivalents ("liquid capital"), it is understood that the Fund will carry nominal amounts of cash in the process of discharging their investment management duties.

V. INVESTMENT MANAGEMENT

A. Investment Consultant

The Fund may retain the services of an independent investment consultant for the purpose of assisting executive management and the Board in developing and attaining the fund objectives. The consultant will assist in establishing objectives, offer alternative models of asset allocation, identify appropriate managers of funds, produce timely quarterly reports that monitor performance of individual managers against similar managers as well as performance of the funds against objectives and appropriate indices. The consultant will also provide guidance on revisions and modifications as appropriate.

The retained investment consultant will be evaluated both qualitatively and quantitatively. Quantitative evaluation criteria shall include risk-adjusted performance comparisons including value-added from asset allocation decisions and investment manager implementation. Qualitative evaluation criteria shall include effective reporting (timeliness, accuracy, etc.) and communications, along with the overall effectiveness of the "external staff" function.

B. Investment Management

Investment managers will be appointed following a systematic search for those with demonstrated quality in the style desired. To optimize access to such managers, while minimizing management fees and transaction costs, no-load mutual funds and pooled funds may be considered together with separate account management. Investment managers are given discretion to manage funds entrusted in accordance with the style for which they are employed, provided they comply with the restrictions and limitations as may be determined by the Board from time to time.

C. Limitations and Restrictions

Not more than 10% of a manager's portfolio may be invested in the securities of any one issuer, with the exception of the U.S. Government or its agencies and other sovereign government issuers. Investments rated below BBB by Standard & Poor's Corporation or a comparable nationally recognized rating service are limited to not more than 15% at cost, of the value of the fixed income assets, and with respect to each issuer, 3%, at cost. Unrated securities considered by the manager to be within the quality guidelines of the account may be purchased. In the case of a split rating, the higher rating shall apply. If a downgrade causes a violation of these guidelines, such downgraded security may be held at the manager's discretion.

The following categories of investments are **not** permitted for investment *without the Board's prior approval or as it relates to alternative investments:* (i) Private placements or restricted securities, other than Rule 144A Securities - except as may be positioned in a commingled fund which does not specifically emphasize private placements; (ii) Commodities - including gold, precious gems or commodity futures; (iii) Conditional sales contracts; (iv) Uncovered options; (v) Short sales or margin purchases; (vi) Transferable certificates of participation in business trusts and limited partnerships; (vii) Use of derivatives or leverage (see Section VI); (viii) Securities of the investment managers or their respective parents, subsidiaries or affiliates; (ix)

Companies that generate a significant percentage of their revenues from the production and sale of tobacco products; and (x) Securities in violation of Commonwealth of Pennsylvania law.

Recognizing that commingled or pooled funds may be utilized, selected investment managers of such funds are exempted from any aforementioned constraints that conflict with their fund guidelines. Fund guidelines and the risk control procedures of candidate investment managers will be a primary consideration in the manager selection process.

VI. USE OF DERIVATIVES

In general, the Fund will not make direct use of derivatives or leverage. However, the Fund may have exposure through certain investment managers, such as those in the Private Equity, Hedge/Absolute Return, and Real Assets. When prudently used, derivative instruments and strategies can be an important element of general portfolio management. Derivatives offer investment management firms effective alternatives to trading physical securities, provided firms have the technical knowledge of the market factors, the quantitative skills to analyze the securities over a range of scenarios and the ability to determine reasonable valuation before purchasing. Portfolio management agreements or manager guidelines must explicitly authorize the use of derivatives, or clearly state when their use is permitted.

The investment manager is responsible for keeping the Board informed on current internal policies regarding the use of derivatives. If any change in the firm's policies is being considered, the manager will notify the Board, in writing, sufficiently in advance to consider the effect of the change and if appropriate, to terminate the portfolio prior to the change taking effect.

VII. OTHER INVESTMENT ISSUES

Proxy Voting

Investment managers of specific asset classes will generally be given the authority to vote all proxies on shares held by the Fund, with the stipulation that voting be conducted in the manner deemed by them to be in the best economic interest of the Fund, in accordance with their regular proxy voting procedures and guidelines. The Board shall periodically review investment manager proxy voting procedures and guidelines (with the assistance of the retained consultant, if applicable).

Likewise, the Board (or its designated representative), shall vote proxies on shares/interests of mutual funds, partnerships, trusts, and/or other co-mingled funds held by the Fund consistent with the stipulation that voting be conducted in the manner deemed to be in the best economic interest of the Fund (in consultation with the retained consultant, if and where applicable).

Rebalancing

The Board recognizes the important role of rebalancing in maintaining the strategic return/risk expectations of the Fund and reducing fund volatility. The asset allocation will be monitored quarterly. If, at any given quarter end, the asset range for one or more of the asset classes deviates from the target policy range, the Board will consider re-balancing the portfolio to be within the approved policy range.

VIII. MANAGER SELECTION AND MONITORING

The Board will select and monitor external managers to invest the assets of the Fund. The Board may delegate certain selection and monitoring functions to the Investment Consultant. The Board will report on the status and performance results of the Fund no less than annually.

The Board seeks managers who demonstrate effective strategies, sustainable advantages, and high-quality organizational structures. Investment managers have full discretion to buy and sell securities and to vote proxies for the securities in which they invest. The Board seeks active managers that will generate superior relative risk-adjusted performance, net of all expenses. Passive mandates may be used in more efficient (occasionally, in less efficient) segments of the capital markets for the purpose of gaining market exposure. The Board shall determine the respective maximum allocations to single active managers.

Attractive firm characteristics include:

- Strong reputation in the marketplace and a meaningful, high-quality, institutional client base
- Aligned interests (e.g., significant amount of principal/employee dollars invested in the funds)
- Stable and experienced professional team and principals/employees own equity in the firm
- Controlled growth and a manageable level of assets under management
- Competitive long-term performance among peers
- Appropriate fees for the strategy employed

The Investment Consultant will conduct due diligence prior to recommending each external manager to the Board. Evaluations may include meetings with key personnel and typically include at least one on-site visit to the principal office. Research also includes reviews of audited financial statements, reference checks with other clients and business associates, and comparison to competitors. The Investment Consultant will use their respective networks of contacts in an effort to gain further confirmation of a manager's abilities and business practices. New firms may have additional business risk and therefore, may be subject to more rigorous due diligence and ongoing monitoring. Selection of investment managers is not geographically restricted.

The ongoing review and analysis, both quantitative and qualitative, of existing investment managers is just as important as the due diligence implemented during the manager selection process. In addition to performance measurement noted below, the Investment Consultant will monitor for consistent implementation of investment strategy and philosophy, appropriate risk controls, adherence to any stated guidelines, and any material changes in the manager's organization and/or personnel.

The performance of the portfolio's investment managers will be actively monitored by the Investment Consultant, who will report any meaningful observations and performance deviations to the Board in a timely manner. Quarterly performance will be evaluated versus appropriate benchmarks and peer universes, but emphasis will be placed on relative performance over longer investment periods.

The Board has the discretion to take corrective action by replacing a manager if deemed appropriate at any time. Corrective action may occur as a result of meaningful organizational or process-related change, and in some cases, sustained relative underperformance. Significant short-term underperformance will also trigger a review. On a yearly basis, the Board will review each manager and evaluate organizational changes and performance as it relates to managers' stated investment goals and peer results.

Manager fees are expected to be reasonable. Incentive performance fees are common in the illiquid asset categories and, in some cases, more traditional asset classes.

IX. CONFLICT OF INTEREST

It is the policy of the Fund to avoid conflicts of interest in its operations and in the selection of investment managers or funds. Therefore, administrative officers and members of the Board shall disclose any financial relationship with any manager being considered. Similarly, the independent consultant shall have no financial relationship with any manager or fund serving the Fund.

X. IMPLEMENTATION

In order to keep current, this Policy is subject to no less than annual review.

XI. HISTORY

February 28, 2007: Policy statement adopted.
May, 21, 2008: Policy statement revised
November 4, 2009: Policy Statement Revised
February 2016: Reviewed for continuity (and addition of liquidity benchmark)
May 2016: Reviewed for continuity (updated the asset allocation table)
August 2016: Reviewed for continuity (added section on manager selection and monitoring)

Kim Bracey
Chairperson/Mayor
January 4, 2010