

The City of Washington Combined Pension Fund

Request for Proposal for Professional Services

Middle-Market Private Debt Fund Management

Responses due by 2 pm ET, Thursday, October 27, 2016

The City of Washington is soliciting proposals from qualified investment companies to manage approximately \$2.5 million in a middle-market private debt fund (awarded to 1 manager). The City is not seeking credit hedge funds, fund of funds, infrastructure funds, real assets funds, or Act '40 mutual funds.

In conjunction with this RFP, the City has engaged the investment consulting services of Morrison Fiduciary Advisors, Inc. to assist in the evaluation process. Morrison is a fee-only, institutional investment consulting firm with no affiliation with any money manager or broker dealer, which allows Morrison to be completely objective when advising the Plan.

This Request for Proposals (RFP) is issued in accordance with the requirements set forth in Pennsylvania Act 44 of 2009 and any potential vendor should familiarize themselves with this Act and conform to its specific requirements including complete an Act 44 disclosure form as part of its response to this RFP.

The City has approximately \$42 million in aggregated pension plan assets. Attached to this RFP is the Plan's current Investment Policy Statement which can be used as a reference when considering this RFP. Updated IPS language for this asset class will be added during this RFP process.

In selecting the Middle-Market Private Debt Manager, the City has established the following minimum standards.

- Responding firm is a registered investment advisor with the SEC pursuant to the Investment Advisors Act of 1940 for at least 10 years.
- Responding firm and its team have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified by this RFP.
- Responding firm, has over \$1 billion in assets under management, managed over \$300 million in middle-market private debt assets and has raised at least 2 prior funds in this asset class with successful results.
- National-caliber firm in terms of private equity and debt capabilities, institutionally-focused as demonstrated by client base and a fee schedule which reflects the competitiveness of today's marketplace.

I. GENERAL INFORMATION

Firm Name: _____

RFP Contact: _____ Phone # _____

Contact Email: _____

II. FIRM INFORMATION

1. State whether or not you comply with all of the minimum standard requirements listed on the previous page. (If not, please explain.)
2. What is the firm's inception date? Please include the ADV Part 2A as an attached document. (Appendix A)
3. Provide an organizational chart of your firm's private debt investment committee and key decision making personnel along with their experience and years at firm including brief biographies. Also provide the name(s) of the client service personnel that would be assigned to our account including brief biographies.
4. Identify private debt assets under management and a breakdown of those assets between Corporate, Public, Taft Hartley, Foundation & Endowments, and High Net Worth Individuals.
5. If your firm has any broker/dealer affiliations, describe the relationship between your firm and its broker/dealer.
6. Describe any past or pending regulatory action, litigation or other legal proceedings involving the firm or any registered employees and/or principals.
7. Describe your firm's liability insurance (e.g. Errors and Omissions, Fiduciary Liability, Fidelity Bonding) including dollar amounts your firm maintains to protect client assets?
8. Identify your firm's auditor, fund administrator, legal advisor, and any other service providers to the fund.
9. Describe your firm's internal controls regarding cash controls, valuation policies, risk management, and anti-fraud procedures. Has your firm undergone a SAS 70 or SSAE 16 review? If so, please summarize the key findings and any noted deficiencies.

III. INVESTMENT STRATEGY & PROCESS

1. Describe your firm's investment philosophy regarding middle-market private debt and what significant factors influence your success with this asset class? What is considered to be the competitive advantage of this investment philosophy?
2. Describe your firm's due diligence regarding your deal sourcing and credit analysis, both qualitative & quantitative.

IV. PROPOSED FUND TERMS

1. Provide the name of the fund/account being proposed and the investment vehicle being proposed (i.e. separate account, closed-end fund, etc.). Provide a term sheet on the specific product being proposed.
2. Provide anticipated portfolio characteristics including but not limited to: # of positions, average investment size, issuer EBITDA, maximum industry exposure, maximum non-US exposure, and maximum leverage employed.
3. Provide a breakdown of the fund's strategy composition target ranges. (senior secured 1st liens 25%-50%, 2nd liens 15%-20%, mezzanine 0%-15%, unitranche, etc.). Will the fund invest in distressed situations?
4. Provide a breakdown of the fund's geographic focus, industry diversification, and transaction type (Primaries, Direct Co-Investments, Secondaries, etc.).
5. What is the term of the fund, including any possible extensions? Identify the fund's investment period and its harvest period. How does your firm anticipate calling capital from their LP's?
6. What are your fund's target net IRR return goals? What is the Fund's targeted cash pay yield ranges? Are cash distributions intended to be paid quarterly, annually, or semi-annually?
7. Provide a detailed fee schedule regarding the fund you are proposing including management fees, carried interest and a preferred return, if applicable. Are management fees paid on invested capital or committed capital?

V. Submission Information and Summary

Please submit your response to this RFP in the order as follows:

1. Transmittal letter identifying this RFP, your firm, firm RFP contact and an affirmation that all documents and answers submitted are truthful and accurate.
2. RFP answers
3. Act 44 disclosure form completed in its entirety
4. The following 3 appendices in electronic form only listed below:
 - Appendix A: Form ADV Part 2A (**electronic copy only**)
 - Appendix B: Private Placement Memorandum of fund being proposed (**electronic copy only**)
 - Appendix C: Most recent pitch-book on proposed fund with prior fund(s) performance data (**electronic copy only**)

Please submit 1 original proposal of the complete RFP by 2 pm ET, Thursday, October 27, 2016 to Susan Koehler, Pension Coordinator as well as 1 original proposal to the Consultant using the addresses shown below. When submitting responses, please submit by e-mail all of the information identified above in a PDF document by using the email addresses of both parties below. Additionally, submit a hard copy response omitting Appendix A, B and C by mailing directly to both parties below:

**The City of Washington Combined
Pension Fund
Susan Koehler, Pension Coordinator
55 West Maiden Street
Washington, PA 15301
skoehler@washingtonpa.us**

**Morrison Fiduciary Advisors, Inc.
Robert Bulas
1405 McFarland Road
Pittsburgh, PA 15216
rjb@morrisonadvisors.com**

Projected RFP timeline:

RFP Issue Date:	Friday, September 30, 2016
RFP Due Date:	Thursday, October 27, 2016 @ 2pm ET
Anticipated Award:	week of November 28, 2016

To ensure a more efficient evaluation process, respondents should direct all inquiries regarding this RFP to Robert Bulas at Morrison Fiduciary Advisors via email only. Respondents should not contact City Officials directly. At any time during this RFP process, the City has the right to consider all factors and take any action to ensure the Fund obtains the best possible manager evaluation result. These City actions include the City's right to negotiate proposals received, amend the RFP process, accept additional proposals, consider information not contained in the original proposals and consider all factors in addition to price. The City appreciates your interest in serving the Plan and looks forward to your response.

VI. Act 44 Disclosure

ACT 44 DISCLOSURE FORM

THE CITY OF WASHINGTON COMBINED PENSION FUND

LIST OF MUNICIPAL OFFICIALS & EMPLOYEES OF THE REQUESTING MUNICIPAL ENTITY

APPLICANTS: Certain questions on this Disclosure Form will refer to a *“List of Municipal Officials.”* To assist you in preparing your answers, you should consider the following names to be a complete list of pension system and municipal officials and relevant employees.

MUNICIPALITY: Enter below, a list of municipal officials that have any involvement in the administration or management of the pension system – Elected Officials, Appointed Officials and Employees, Board Members, or other Pension Committee Members (if applicable). Do not include employees that are not in a management position or serve on a pension committee or in a decision-making position relative to this pension system. If a category listed below is not applicable, so state.

Elected Officials:			
Name:	Title:	Name:	Title:
Scott Putnam	Mayor	Ryan King	Treasurer
Monda Williams	Councilwoman	Joe Manning	Councilman
Ken Wescott	Councilman	Tracy Graham	Councilwoman
Employees or Appointed Officials:			
Name:	Title:	Name:	Title:
Robert Wilson	Police Representative	Susan Koehler	Pension Coordinator
Gregory Florian	Fire Representative		

APPLICANT STANDARD DISCLOSURE QUESTIONS

APPLICANT INSTRUCTIONS: In accordance with Chapter 7-A of Act 44, 2009, ALL applicants responding to this RFP must complete the following Standard Disclosure Form Questions.

1. Initial each question (except **Q1:**) to provide your response in the space provided to the right of each question.
2. **THEN:** provide explanations for all *“Yes”* or *“Applies”* responses **AND**, the information requested in **Q1: (mandatory)**, on a separate sheet(s) of paper with the question you are responding to clearly noted. Attach your response sheet to this Disclosure Form.

Required Act 44 Professional Services Contract Disclosure Information:

In accordance with Pennsylvania Act 44 of 2009, all Professional Services Contracts must disclose the following information in their Request for Proposal (RFP) response documents. All potential vendors should refer to PA Act 44 of 2009 and become familiar with their procedures and disclosures and then adhere to these standards throughout the RFP process.

1. Disclose the names and titles of each individual who will be providing professional services to the municipal pension system, including advisors or subcontractors and a description of the responsibilities of each individual and their resumes (as an exhibit).

For any individual listed above:

a. Is the individual(s) listed above a current or former official or employee of the municipality entering into the contract: _____(No) , If Yes, please explain below.

b. Is the individual(s) listed above a registered Federal or State lobbyist: _____(No) , If Yes, please explain below:

2. Disclose the terms employment/compensation of any third party intermediary agent or lobbyist who will directly or indirectly communicate with a municipal pension system official(s) or employee(s) in connection with any investment transaction involving the potential vendor and the municipal pension system. _____(not applicable) , If applicable, please explain below:

3. Disclose any person that enters into a professional services contract with a municipal pension system that has a direct financial, commercial, or business relationship with any of the municipal pension system officers or employees which controls the municipal pension system.

_____(not applicable) , If applicable, please explain:

4. Disclose any apparent, potential or actual conflicts of interest of any person or entity who potentially enters into, or applies for, submits an offer or bid for, responds to a request for, or otherwise solicits, a proposal or a contract with the municipal pension system.

_____(not applicable) , If applicable, please explain:

5. Disclose all contributions (political contributions and gifts) to which all of the following apply:

- a. A contribution was made after the Act's December 18, 2009 effective date.
- b. A contribution was made by an officer, director, executive-level employee, or owner of at least 5% of the potential vendor.
- c. The amount of the contribution was at least \$500 in aggregate.
- d. The contribution was made to a candidate for any public office serving in the Commonwealth of Pennsylvania or to an individual who holds that office.
- e. The contribution was made to a political committee of a candidate for public office in the Commonwealth or to an individual who holds that office.

_____(not applicable) , If applicable, please list the name and address of the contributor, the contributor's relationship to the potential vendor, the name, office and position of each person receiving a contribution, the amount of the contribution, and any gifts to an official or employee of the municipal pension system:

APPLICANT VERIFICATION

I, _____, hereby state that I am the _____
for (Name) (Position)

_____ and I am authorized to make this verification.
(Contractor / Company Name)

I hereby verify that the facts set forth in the foregoing Act 44 Disclosure Form for RFP Applicants seeking to provide Professional Services to the City of Washington Combined Pension Fund are true and correct to the best of my knowledge, information and belief. I also understand that knowingly making material misstatements or omissions in this form could subject the responding **Applicant** to the penalties in Section 705-A (e) of Act 44.

I understand that false statements herein are made subject to the penalties of 18 P.A.C.S. § 4904 relating to unsworn falsification to authorities.

Signature Date

DEFINITIONS FOR THIS DISCLOSURE FORM

TERM:	DEFINITION:
CONTRACTOR (ALSO – “APPLICANT”)	<p>Any person, company, or other entity that receives payments, fees, or any other form of compensation from a municipal pension system in exchange for rendering professional services for the benefit of the municipal pension system.</p> <p><u>This term shall also Apply</u> to any Applicant who solicits, applies for, or responds to a Request for Proposal for the purpose of gaining a professional services contract.</p>
SUBCONTRACTOR OR ADVISOR	<p>Anyone who is paid a fee or receives compensation from a municipal pension system – directly or indirectly from or through a contractor.</p>
AFFILIATED ENTITY	<p>Any of the following:</p> <ol style="list-style-type: none"> 1. A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm. 2. An organization recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 501 (c) established by a lobbyist or lobbying firm or an affiliated entity.
CONTRIBUTIONS	<p>As defined in section 1621 of the act of June 3rd, 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.</p>
POLITICAL COMMITTEE	<p>As defined in section 1621 of the act of June 3rd, 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.</p>
EXECUTIVE LEVEL EMPLOYEE	<p><u>ANY employee or person or the person’s affiliated entity who:</u></p> <ol style="list-style-type: none"> 1. Can affect or influence the outcome of the person’s or affiliated entity’s actions, policies, or decisions relating to pensions and the conduct of business with a municipality or a municipal pension system; or 2. Is directly involved in the implementation or development policies relating to pensions, investments, contracts or procurement or the conduct of business with a municipality or municipal pension system.

<p>MUNICIPAL PENSION SYSTEM</p>	<p>Any qualifying pension plan, under Pennsylvania state law, for any municipality within the Commonwealth of Pennsylvania; includes the Pennsylvania Municipal Retirement System. <i>Example: the Combined Pension Plan for the City of Washington.</i></p>
<p>MUNICIPAL PENSION SYSTEM OFFICIALS AND EMPLOYEES; MUNICIPAL OFFICIALS AND EMPLOYEES</p>	<p><u>Specifically</u>, those listed in the preceding section titled: <i>“List of Municipal Officials & Employees for the Requesting Municipality:”</i> and / or whenever applicable, may include <u>any</u> employee of the Requesting Municipality.</p>
<p>PROFESSIONAL SERVICES CONTRACT</p>	<p>A contract to which the municipal pension system is a party to that is: (1) for the purchase of professional services including investment services, legal services, real estate services, and other consulting services; and, (2) not subject to a requirement that the lowest bid be accepted.</p>

**INVESTMENT POLICY STATEMENT
FOR**

**THE CITY OF WASHINGTON COMBINED
PENSION PLAN**

Proposed October 2016

(Updates Previous Policy dated November 2012)

Prepared by:

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This Policy was prepared by Morrison Fiduciary Advisors expressly for client use. Any use of this document for purposes other than use by Morrison clients requires written approval from Morrison Fiduciary Advisors.

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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 City of Washington Combined Pension Plans (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.
- 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.
- Diversify the Plan investments to minimize the risk of large losses or excessive fluctuations in market value from year to year.
- Achieve long term investment results that compare favorably with similarly invested pension plans and appropriate market indices.

3. General Background

The Plan is a single employer defined benefit plan with approximately \$40 million in assets as of June 30, 2016. The Combined Plan includes assets invested on behalf of the Police, Firefighters and Officers & Employee’s Pension Plans. The Plan uses numerous investment managers that manage style specific investment mandates. The Plan was under funded as of the 1-1-11 but the city is meeting its annual minimum municipal obligation to fund the Plan.

4. Regulatory Environment

The Plan is governed by the Pennsylvania Third Class City Code, Pennsylvania Act 205 of 1984, and Pennsylvania Act 44 of 2009. While the Plan is not subject to the Employee Retirement Income Security Act (ERISA), ERISA should be used as a guide for administration of 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 "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 to govern the Plan. 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 **Pension Board** (the "Board") is comprised of the Mayor, Director of Finance, City Controller, City Treasurer and three active members *elected* by the active membership of each employee group (Police, Fire and Non-Uniform). The Board will have the following responsibilities:

- Approve the investment policy statement, establish asset allocation guidelines, make investment manager selections & terminations, execute vendor contracts, monitor investment performance and review professional fees.
- Delegate fiduciary responsibilities to professional advisers in a prudent and responsible manner.
- The Mayor will act as an authorized representative of the Board when not in session to address issues that require attention before a scheduled Board meeting can occur.
- The Plan Administrator (as determined by the Board) will act as primary contact for Board communications.

2. The Plan **Custodian** will have the following responsibilities:

- Hold Plan assets in a centralized fashion and safeguard these assets at all times.
- Settle investment transaction 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.
- Accommodate cash flows of the Plan and rebalance the funds allocated to the individual investment managers as instructed by the Consultant and the Plan Administrator.
- Maintain a general pension checking account 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 competitive for cash accounts.

3. The **Investment Consultant** (the “Consultant”) retained by the Board will have the following responsibilities:

- Assist in developing the investment policy statement, and recommend asset allocation strategy and investment manager structure.
- Facilitate communication between the Board, investment manager(s), custodian, actuary and other vendors of the Plan.
- Provide quarterly performance reporting for individual investment manager(s) and for the total Plan and assess organizational issues of investment company(s) and report on capital markets with regard to investment trends and portfolio management opportunities. This reporting should be compiled in a straightforward manner sufficient to serve as the Committee’s primary quarterly evaluation of each investment manager.
- Perform investment manager searches (in accordance with Act 44 requirements).
- Implement the Plan’s asset allocation strategy, investment manager structure, make investment manager selections/terminations (using no-load mutual fund products available to be purchased and held by the Plans custodian bank) and monitor investment performance. Additional guidelines in this respect are outlined in section IV, Asset Allocation.
- Rebalance the Plan’s allocation as appropriate (including routine rebalancing as well as tactical allocations) in accordance with the Fund’s Board approved investment policy allocation (see section V).
- Attend Board meetings as requested and communicate with Committee members by phone and e-mail in between meetings to keep the Committee fully informed regarding intended changes in asset allocation, investment structure and changes in investment managers.
- Avoid conflicts of interest by prohibiting the acceptance of any additional sources of revenues (brokerage, commissions, asset management, sale of research, marketing, etc.).

4. The **Investment Managers** retained by the Board 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. All equity trades should be executed at 4 cents per share or lower provided such a commission rate can be achieved while ensuring best execution.

- Promptly notify the Board and Consultant of significant changes in the investment manager's 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.
- Report all relevant issues regarding the manager's investment of the Plan's assets as specifically defined by the Board and/or the Consultant.
- Attend Board meetings as requested.

5. Fiduciary Liability Insurance

The Plan will maintain Errors & Omissions insurance for the Plan Trustees and its agents in an amount established by the Board. The Plan's vendors will also maintain fiduciary liability insurance in regards to the professional services provided to the Plan.

III. INVESTMENT GUIDELINES

The Board 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 and rates of return in order to achieve long-term objectives.

The Board prefers investment managers with active investment styles that seek to achieve investment returns exceeding market indexes over longer periods of time. The Board believes that investment managers should be provided the latitude 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 exceed policy statement benchmarks.

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 Board expects that Plan assets will remain as fully invested as practical and that investment manager(s) will refrain from short-term market timing and the accumulation of excess cash balances (generally defined as greater than 5% of assets under management)..

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
 - Restricted securities (144A securities and letter stock)
 - Futures, options, margins, warrants, SWAPs and short sale transactions
 - Direct purchases of real estate and limited partnerships not advised by a registered investment advisor
 - Leveraged and derivative transactions
 - Direct purchase of oil, gas, timber or other natural resources
2. Domestic equities guidelines will be as follows:
 - The equity portfolio should 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 issuer (measured at market or at purchase).
 - Investments in any corporation shall not exceed 5% of the outstanding shares of the corporation.
 - 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 30% of 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 3% 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).
 - Investments in any company will not exceed 2% of the outstanding shares of the corporation.
 - Foreign equity managers will not hold securities that are not representative of their investment style such as 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 time of purchase) will not exceed 7% 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.
- No more than 5% of the market value of the bond portfolio valued at market should be invested in any one corporation.
- The fixed income assets held by the Plan must be rated investment grade or better by Moody's or Standard & Poor's . While the majority of the fixed income securities will be investment grade quality, up to 10% of the Plan assets (20% of the fixed income assets) may be invested in high yield fixed income securities, floating-rate and bank loans (rated below investment grade)
- The average credit quality of the fixed income portfolio must maintain a rating of AA or better.
- Duration of portfolio should be maintained at 65% to 135% 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. Private real estate guidelines will be as follows:

The Plan will consider private real estate investments primarily to provide diversification of the Plan's asset mix and reduce the overall volatility of the Plan's total returns. The Plan will consider private real estate investments subject to the following conditions:

- Private real estate investments are long term investments (at least 5 years) and investment returns can not be adequately judged until the investment's ultimate maturity or liquidation.
- Private real estate investments do not have immediate liquidity and the Plan's ability to sell the investment may be limited to contract terms and/or prevailing market conditions.
- The investment assets must be held in a trust account governed by a qualified trust company or trust bank separate of the investment manager directing the investment.
- The manager must provide at least quarterly valuations of the investment's asset value established by independent outside appraisals conducted in a fiduciary capacity.
- Underlying real estate holdings should be income producing properties as opposed to speculative or properties held for short term gains.

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

- All money market investment options selected for the Plan will be safe and secure and ensure that the Plan's cash reserves are not subject to loss or market value deterioration.
- 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.

7. 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 Board 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.

8. Exceptions to this Investment Policy Statement

The Board understands that investment managers may have unique investment skills and/or specialized investment styles that will include investments that are not authorized by this policy statement. The Board further understands that, in certain circumstances, these non-authorized investments may be in the Plan's best interests and should be considered for special Board 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 Board 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 Board.

IV. ASSET ALLOCATION

The Plan is expected to be invested within 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 and then monitored on a quarterly basis. Numerous asset classes (i.e. large cap equities, small cap equities, foreign equities, fixed income, etc.) will be considered and each investment manager engaged will be highly specialized in managing the assigned asset class.

The Consultant shall consistently (at least quarterly) monitor the Plan to insure that the assets of the Plan are invested in accordance with the asset allocation model. The Consultant is authorized to reallocate assets among investment managers within the ranges identified for each asset class in the asset allocation model provided advance notice of such rebalancing is made in writing to the Board (e-mail acceptable) in advance of the rebalancing.

The general policy of the Plan will be to invest assets in accordance with the following asset allocation model using the indicated performance benchmarks as a guide for investment style. **The maximum equity exposure for the total Plan will be 65%.**

Asset Class	Target	Range	Benchmark Indexes
Total Plan			35% Russell 1000/ 10% Russell 2000/ 10% MSCI ACWI ex. US/ 5% NFI-ODEC Index / 40% Barclay's Intermediate Aggregate/ 5% NCREIF Property Index
Equities	55 %	+/-10%	
Large Cap Equity	35 %	+/-10%	Russell 1000
Small Equities	10 %	+/-5%	Russell 2000
Foreign Equity	10 %	+/-5%	MSCI ACWI ex. US
Fixed Income	40 %	+/-10%	
Intermediate Fixed	40 %	+/-10%	Barclay's Intermediate Aggregate
Real Estate	5 %	+/-5%	NCREIF Property Index

V. EVALUATION OF INVESTMENT MANAGERS

1. Act 44 Vendor Selection Procedures

The Plan will adhere to PA Act 44 Vendor requirements as directed by the Plan Consultant and the Finance Director as follows:

- Annually, require Plan Vendors to submit a conflict of interest policy consistent with standards identified in Act 44.
- Restrict ex-employees of both the City and potential Vendors from being employed by either party or exerting influence of any kind at any point during the RFP process. Employment is defined as the 12 month period of time preceding the beginning of the RFP process.
- Conduct an RFP process in accordance with Act 44 guidelines for the Board's Professional Service hire of a Vendor. A Plan Vendor is defined as a professional service provider that requires the affirmative vote of the Board.
- The Plan Consultant is permitted to direct the Plan to invest in publically offered no-load mutual funds without conducting an Act 44 RFP process provided the investment can be accomplished without the affirmative vote of the Board.

2. 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 of 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.
- Investment manager agreements within the purview of Act 44 RFP process shall require public advertisement, conflict of interest statements and Board approval.

The Plan will recognize and evaluate investment managers that have a local geographical presence and will engage these managers when their investment management credentials are competitive with national caliber standards. Inquiries from firms interested in serving the Plan will be referred to both the Consultant as well as the Plan Administrator for consideration when the Board considers engaging new vendors.

3. Measurement Time Period

The investment performance of individual managers 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 time period to accurately judge performance.

4. Quarterly Return Analysis

Investment performance results of the total Plan and the individual investment manager(s) 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 performance is expected to rank in the top half of 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 their stated investment philosophies and goals and invest in a manner consistent with the manager's assigned performance benchmark.

5. Review of Professional Fees

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

6. 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 managers may deviate significantly from the performance of assigned performance benchmark. However, the Board or Consultant may require an extra level of scrutiny and place a manager on "Watch Status" based on 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 objectives.
- Any material client servicing deficiencies.
- Violation of terms of contract or investment policy without prior written approval from the Board.
- Material change in investment manager philosophy or a failure to remain consistent with the investment style mandate established by the Plan.

The Plan will generally not terminate an investment manager on the basis of short-term performance. If the firm is sound and adhering to its investment style discipline, the Plan 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 Plan reserves the right to terminate any investment manager for any reason in accordance with any applicable investment management agreements.

VI. CONCLUSION

This document is made part of each investment manager’s contract with the Board by reference. By acknowledging in writing the receipt of this statement, the manager(s) agrees to its terms and conditions. Periodically, the investment policy statement will be reviewed by the Board and changes made as appropriate.

VII. EXECUTION

IN WITNESS WHEREOF, the board has caused this investment policy statement to be executed by its duly authorized representatives this ____day of October, 2016.

PLAN

By:

 Scott Putnam, Chairman,, City of Washington Combined Pension Plan

 Date