INVESTMENT POLICY STATEMENT

For

Montgomery County Employees' Retirement Plan

Updated November 2018

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Type of Plan:..Defined Benefit

Current Assets:..$498,549,000 (Nov 2018) Planning

Time Horizon:................................Greater than 5 years

Expected Return:...7.5% (4% over CPI)

Asset Allocation:

Asset Class	Sub-Asset Class	Target Allocation	Permitted Variance
Equity		**55%**	**+/- 5%**
	U.S.	27.5%	
	Non-U.S.	27.5%	
Fixed Income (Investment Grade)		**35%**	**+/- 5%**
	U.S. Aggregate Bonds	15%	
	Short-Term Credit	10%	
	Intermediate-Term Credit	10%	
Alternatives		**10%**	**+/- 5%**
Cash		**0%**	**+ 5%**

DESCRIPTION OF PLAN

Montgomery County administers its own defined benefit plan, known as the Montgomery County Employees' Retirement Plan (the "Plan"). The purpose of this plan is to provide retirement benefits for employees of Montgomery County who meet the age and service requirements outlined in the Plan. The Plan consists of contributions from the employees and Montgomery County. The Montgomery County Employees' Retirement Pension Board (the "Board") is established by law to oversee certain policies and procedures related to the operation of the Plan.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Montgomery County Retirement Board (Board) in effectively supervising, monitoring and evaluating the investment of the Montgomery County Employees Retirement Plan (Plan) assets. The Plan's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Board's attitudes, expectations, objectives and guidelines for the investment of all Plan assets.

- Setting forth an investment structure for managing all Plan assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.

- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Plan assets are managed in accordance with stated objectives

- Encouraging effective communications between the Board,Vanguard Institutional Advisory Services, Inc. (Consultant) and hired money managers.

- Establishing formal criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.

- Complying with all fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, and federal entities that may impact Plan assets, including 20 Pa.C.S.A. § 7303 et. seq.

This IPS has been formulated, based upon consideration by the Board of the financial implications of a wide range of policies, and describes the prudent investment process that the Board deems appropriate.

STATEMENT OF OBJECTIVES

The objectives of the Plan have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

(1) To maintain the purchasing power of the current assets and all future contributions by producing positive real rates of return on Plan assets.

(2) To have the ability to pay all benefit and expense obligations when due.

(3) To maintain flexibility in determining the future level of contributions.

(4) To maximize return within reasonable and prudent levels of risk.

(5) To control costs of administering the plan and managing the investments. Investment results are a critical element in achieving the investment objectives, while reliance on contributions is a secondary element.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective.

Risk Tolerances

The Board recognizes the difficulty of achieving the Plan's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives.

In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability was considered. Factors considered were:

- Montgomery County's financial condition enables it to adopt a long-term investment perspective.
- Demographic characteristics of participants suggest a moderate risk tolerance due to the average age of the work force and the timing of the payment of future benefits.
- Funding obligation and future liabilities require a moderate degree of growth and therefore some investment risk.

In summary, Montgomery County's prospects for the future, current financial condition, and several other factors, suggest collectively that the Plan can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 7.5%, which is approximately 4% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for the Plan has been based upon current capital market assumptions and is lower than the actual long-term rates of return historically experienced for each a set class in the IPS.

The Board realizes that market performance varies and that a 7.5% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

Asset Allocation Constraints

The Board believes that the Plan's risk and liquidity posture are, in large part, a function of asset class mix. The Board has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The asset classes listed below were noted as possible classes to include in the Plan's mix. There is no requirement that each class be represented as long as the Board determines that is it both prudent and appropriate to exclude a particular class.

- Domestic Equities
- International Equities
- Managed Volatility
- Alternative Assets
- Private Assets
- Multi Asset
- Domestic Fixed Income
- Non-U.S. Fixed Income
- Ultra Short Duration Fixed Income
- Cash Equivalents

Based on the Plan's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio was identified. The strategic asset allocation of the Plan is as follows:

Asset Class	Sub-Asset Class	Target Allocation	Permitted Variance
Equity		**55%**	**+/- 5%**
	U.S.	27.5%	
	Non-U.S.	27.5%	
Fixed Income (Investment Grade)		**35%**	**+/- 5%**
	U.S. Aggregate Bonds	15%	
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Alternatives		**10%**	**+/- 5%**
Cash		**0%**	**+ 5%**

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed quarterly.

If the Board judges cash flows to be insufficient to bring the Plan within the strategic allocation ranges, the Board shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges (Strategic Allocation).

SECURITIES GUIDELINES

Every money manager selected to manage Plan assets must adhere to the following guidelines.

The following securities and transactions are not authorized unless receiving prior written approval of the Board:

(1) Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.

(2) Pledging or hypothecating securities, except for loans of securities that are fully Collateralized

(3) Investments for the purpose of exercising control of management. This includes, but is not limited to, participating in "hostile or unwanted" takeovers.

(4) Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios

In addition, the guidelines set forth in the prospectus shall prevail for all mutual fund investments.

Domestic Equities:

- Equity holdings in any one company should not exceed more than 5% of the market value of the Plan's domestic equity portfolio.
- Allocation to any one economic sector should be consistent with the level of diversification and prudence required to comply with all applicable laws regarding fiduciary responsibility.
- The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
- The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
- Holdings of individual securities shall be large enough for easy liquidation.

International Equities:

- Equity holdings in any one company shall not exceed more than 5% of the International Equity portfolio.

- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following similar style disciplines.

- Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 40% in any one country.

The manager may enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

Managed Volatility:

The managed volatility portion of the portfolio will typically consist of securities of U.S. and global companies of all capitalization ranges. These securities may include common stocks, preferred stocks, warrants, ETFs, depositary receipts and equity options. The portfolio will invest primarily in companies located in developed countries, but may also invest in companies located in emerging markets. The portfolio seeks to achieve lower volatility by constructing a portfolio of securities that are expected to produce a less volatile return stream to the market. The securities are weighed based on their total expected risk and return, without regard to market capitalization and industry.

Alternative Assets:

Hedge Fund:

Hedge fund of funds will pursue its investment objective by investing primarily in underlying hedge funds, while also opportunistically making other investments. Individual hedge funds may engage in investment strategies that include temporary or dedicated directional market exposures; and will also choose and combine hedge funds in order to target the fund’s return objectives.

A fund’s portfolio may be allocated across several hedge fund styles and strategies. For example, the hedge fund portion of the portfolio may consist of various index-listed as well as over-the-counter securities including but not limited to: common or preferred stock issued by U.S. and non-U.S. corporations, debt securities issued by U.S. and non-U.S. corporations, governments, or government-sponsored agencies, asset-backed securities, convertible bonds, warrants, and exchange-traded funds. The hedge fund portion of the portfolio may also consist of various index-listed or over-the-counter derivative instruments including but not limited to: forward contracts, futures contracts, options, swaps, and swap options. Derivatives may be valued based on the price of underlying debt or equity securities or the level of particular economic variables such as interest rates, inflation rates, currency exchange rates, or commodity prices. In addition to purchasing securities outright, hedge funds may employ specialized investment techniques, such as short-selling and using leverage.

Certain funds may also invest in less liquid, private investment funds. These investments are illiquid, non-publicly traded assets and securities, such as shares in private operating companies. These investments can include strategies such as leveraged buyout funds, venture capital funds, real estate funds and distressed debt funds. The fund will select and manage these portfolios in accordance with its liquidity policy.

Structured Credit

The portfolio pursues its investment objective by investing in a portfolio comprised of collateralized debt obligations ("CDOs") and other structured credit investments. The portfolio will primarily invest in the equity and mezzanine debt securities of CDOs. CDOs involve special purpose investment vehicles formed to acquire and manage a pool of loans, bonds and/or other fixed income assets of various types.

In addition to CDOs, the Plan's investments may include fixed income securities, loan participations, credit-linked notes, medium term notes, registered and unregistered investment companies or pooled investment vehicles, and derivative instruments, such as credit default swaps and total return swaps (collectively with CDOs, "Structured Credit Investments").

Private Assets:

Core Property:

The Property strategy will pursue its investment objective by utilizing a "fund of funds" approach, which includes investments in various investment funds that invest directly in commercial real estate properties, such as real estate investment trusts ("REITS"), hedge funds, private equity funds, hybrid funds and any other "alternative" investment funds (collectively, "Underlying Funds"). The primary investments will be in domestic, open-end funds focused on core real estate properties. Core real estate properties are high-quality, income-generating office and industrial properties, leased or pre-leased to creditworthy companies and governmental entities. The strategy is also permitted to invest in less liquid strategies and properties focused on value-added and opportunistic real estate opportunities. Value-added and opportunistic investment strategies offer the potential for higher returns, often entail some amount of illiquidity, and are typically perceived as having a higher risk profile than core investment strategies.

Dynamic Asset Allocation Strategy:

The goal of this strategy is to serve as an active overlay to a broader strategic portfolio allocation. The strategy seeks to maintain an asset allocation among global asset classes. The allocation among asset classes will be active, based on the views of current market conditions and outlook for each asset class. The strategy may obtain its exposures to a particular asset class by investing directly (e.g., in equity and fixed income securities and other instruments) or indirectly (e.g., through the use of other pooled investment vehicles and derivative instruments, principally futures contracts, forward contracts, options and swaps). The proportional investments in each asset class may change from time to time as risk-adjusted return expectations shift.

Domestic Fixed Income:

- All fixed-income securities held in the portfolio shall have a Moody's, Standard & Poor's or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

- No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the manager has specific written authorization.

- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 15% of the market value of the fixed income portfolio.

- Holdings of individual issues shall be large enough for easy liquidation.

Non U.S. Fixed Income:

The non-U.S. investment-grade portion of the fixed income portfolio will consist primarily of securities of non-U.S. issuers located in at least three countries other than the United States. Any remaining assets may be invested in obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities and preferred stocks. The non-U.S. investment grade portion will concentrate its investments in developed countries.

Non-U.S. investment-grade fixed income securities will be traditional fixed income securities, such as bonds and debentures, and will be issued by foreign private and governmental issuers and may include mortgage-backed and asset-backed securities. The portfolio may also contain structured securities that derive interest and principal payments from specified assets or indices. The portfolio will be comprised primarily of investment grade securities denominated in various currencies, including the European Currency Unit. Investment grade securities are rated in one of the highest four rating categories by an NRSRO, or, if not rated, determined to be of comparable quality as determined by the Investment Manager or a mutual fund sub-Investment Manager.

Ultra Short Duration Fixed Income:

The Ultra Short Duration Fixed Income strategy invests in investment grade U.S. dollar-denominated debt instruments, including: (i) commercial paper and other corporate obligations; (ii) certificates of deposit, time deposits, bankers' acceptances, bank notes and other obligations of U.S. savings and loan and thrift institutions, U.S. commercial banks (including foreign branches of such banks), and foreign banks, that meet certain asset requirements; (iii) U.S. Treasury obligations and obligations issued or guaranteed as to principal and interest by agencies or instrumentalities of the U.S. Government; (iv) mortgage-backed securities; (v) asset-backed securities; (vi) fully-collateralized repurchase agreements involving any of the foregoing obligations; and (vii) U.S. dollar-denominated instruments of foreign issuers. In addition, the Fund may invest in futures contracts, options, swaps and other similar instruments. The portfolio will maintain portfolio duration of 18 months or less under normal market conditions.

Cash/Cash Equivalents:

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.

- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle managed by the custodian.

CONTROL PROCEDURES

Mutual Funds. Each mutual fund selected to manage Plan assets must adhere to the terms and conditions set forth in its prospectus.

Actuarial Policy
All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to an annual review by the Board. This review will focus on analysis of major differences between the Plan's assumptions and actual experience.

Performance Objectives

Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

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.

Monitoring of Funds/Money Managers

Quarterly performance will be evaluated to test progress toward the attainment of longer term targets. It is understood that there are likely to be short term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with funds/managers employing similar styles.

On a timely basis, but not less than four times a year, the Board will meet to focus on the issues listed below and other relevant issues. Consultant will monitor these matters on a regular and continuing basis throughout the year, consistent with its role and responsibility. These include;

- Fund's/Manager's adherence to the IPS guidelines;
- Material changes in the fund's/manager's organization, investment philosophy and/or personnel; and,
- Comparisons of the fund's/manager's results to appropriate indices and peer groups, specifically:

A composite benchmark consisting of the following unmanaged market indices weighted according to the expected target asset allocations stipulated by the Plan's investment guidelines

a) U.S. Equity: MSCI US Broad Market Index or a similar broad domestic index
b) Non-U.S. Equity: MSCI All Country World ex US Investable Market Index, or a similar broad international index
c) Real Estate Investment Trusts: MSCI US REIT Index
d) Investment Grade Fixed Income: Barclays Capital US Aggregate Float Adjusted Index, or a similar aggregate bond index
e) Cash: Citigroup 3-Month T-Bill Index

Rebalancing Policy

It is expected that the Plan's actual asset allocation will vary from its target asset allocation given the varying returns earned on its investments in different asset and sub-asset classes over a given period of time. The Plan will be re-balanced to its target normal asset allocation under the following circumstances

1. Utilize cash flow to realign the portfolio closer to its target asset allocation on an ongoing basis.

2. The investment manager, to determine the deviation from target weightings, will review the portfolio quarterly (March 31, June 30, September 30, and December 31). The following parameters will be applied:

   a) If any asset class (equity or fixed income) within the portfolio is +/-5 percentage points from its target weighting, the portfolio will be rebalanced.

   b) If any fund within the portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced.

3. The investment manager may provide a rebalancing recommendation at any time.

   a) Under certain circumstances, the Investment Manager may:

      (i) make active investment decisions for the Plan in accordance with the terms of the target variance noted above,
      (ii) modify the target variance(s) applicable to the strategy,
      (iii) modify its standard rebalancing operating procedures, and/or
      (iv) suspend some or all of the rebalancing procedures affecting the strategy.

Investment Manager shall only modify or suspend its rebalancing procedures as outlined in this paragraph if it has prudently determined that such suspension is in the best interest of the Plan, its participants and beneficiaries in its reasonable sole discretion. If the Investment Manager has suspended it rebalancing procedures applicable to the Plan, the Investment Manager shall seek to notify Montgomery County Retirement Board as promptly as possible of such decision.

4. The investment manager shall act within a reasonable period of time to evaluate deviation from these ranges.

The risk associated with each manager's portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

The Board is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process.

The performance of the Plan's investment managers will be monitored on an ongoing basis and it is at the Investment Board's discretion to take corrective action by replacing a manager if the Board deems it appropriate at any time.