

INVESTMENT PLAN

[Investment Policy Statement]

Centre County Employees' Retirement Fund

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Introduction

The Retirement Board, which consists of the three County Commissioners, the County Controller, and the County Treasurer, is responsible for the overall management of the Centre County Employees Retirement Fund. The Investment Plan is designed to set forth the objectives, policies and guidelines for the investment of the assets of the Centre County Employees' Retirement Fund. The contracting of the Manager(s) and changes in this plan may be effected by a majority vote of the Retirement Board. This document will outline an overall philosophy that is specific enough for The Manager(s) to know what is expected, but sufficiently flexible to allow for changing economic conditions and securities market.

Hereafter, the Centre County Retirement Board will be referred to as "The Board" and C.S. McKee and Company Inc., Emerald Advisers, Inc., and TWIN Capital will be referred to as "The Manager(s)."

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

A . OBJECTIVES

The managers' primary objectives are to:

1. Implement these policies so as to achieve the account's objectives.
2. Notify The Board should circumstances occur in which The Manager(s) believes the policy needs to be modified to achieve these objectives.

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

1. Desirable Return:

- a.) The account's total return will exceed the increase in the Consumer Price Index by 3% annually.
- b.) The absolute total return will equal or exceed 7.5% annually.

2. Performance Comparisons:

The Manager(s) shall compare their performance on a quarterly basis with the appropriate benchmark agreed upon with The Board and to the 7.5% objective. For the total portfolio and the Manager(s), the comparisons shall be as follows:

Total Portfolio Benchmark

45% S&P 500 Index
35% Barclays Intermediate Aggregate Bond Index
10% EAFE Index
10% Russell 2000 Index

C.S. McKee

50% S&P 500 (Large Cap Core)
40% Barclays Intermediate Aggregate Bond Index
10% EAFE (International)

Emerald Advisers, Inc.

100% Russell 2000 Index

TWIN Capital Management

100% S&P 500 Index

Annually, the Manager(s) will compare their performance to one year, three year and five year trailing periods.

3. Minimum Income Objective:

The actuary credits current income to the Reserve Accounts annually, at a minimum of 7.5% of actuarial cost value of fund assets. Current income is defined as income plus net realized gains and losses. It is recognized that the minimum income objective is influenced annually by The Board's decision to possibly grant the maximum 5½% return on employees' contribution.

4. Time Horizon:

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

B. ASSET MIX

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

TARGET ASSET MIX TABLE:

C.S. McKee

<u>Asset Class</u>	<u>Target Percent</u>
Equities	60%
Fixed Income Securities	40%
Cash and Equivalents	0-6%
Approx. Leeway (except on Cash)	15%

Emerald

<u>Asset Class</u>	<u>Target Percent</u>
Equities	95%
Cash	5%
Approx. Leeway	5%

TWIN Capital

<u>Asset Class</u>	<u>Target Percent</u>
Equities	100%

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

C. INVESTMENT POLICIES AND PROCEDURES

1. Management Authority:

The Board appoints C.S. McKee, Emerald Advisers, Inc., and TWIN Capital Management as Deposit Administrator(s) as defined under Section 29 of Act 96, with the power to manage and direct the account investments, subject to any written limitations by the Retirement Board.

2. Common Stock Section of the Portfolio:

In keeping with the general philosophy, The Board expects The Manager(s) to maintain the equity portfolio at a risk level roughly equivalent to that of the equity market as a whole.

Equity holdings may be selected from the New York, American and Regional Stock Exchanges as well as the NASDAQ market. In addition, approximately 10% of the common stock section of the portfolio, managed by C.S. McKee, can be invested in international equities via an institutional mutual fund. Recognizing that markets fluctuate, an approximate 5% leeway is allowed.

3. Prohibited Securities

The Manager(s) is prohibited from engaging in short sales, margin transactions or other specialized investment activities which may subject the assets to undue risk. It is The Board's desire that no investments be purchased which do not conform to the Prudent Man Rule of the Fiduciaries Code of the Commonwealth of Pennsylvania. The following securities and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements: derivatives, options or futures for the purpose of portfolio leveraging are also prohibited.

Neither real estate equity nor natural resource properties such as oil, gas or timber may be held except by purchase of publicly traded securities, except for existing real estate holdings.

4. Portfolio Diversification:

Within the above guidelines, The Board gives The Manager(s) full responsibility for security selection and diversification, subject to a maximum 5% commitment of the account at cost for an individual security and 15% for a particular industry. The Manager(s) also will have full discretion over turnover and allocation of equity holdings among selected securities and industry groups, within the limits described above.

5. Bond Section of Portfolio:

The portfolio can hold U.S. Treasury, mortgage-backed, asset-backed, agency and corporate securities. Yankee bonds can also be used providing they constitute no more than 6% of the bond portfolio.

All bonds selected for investment must be rated "as investment grade" by Moody's and/or Standard & Poor's. The duration of the bond portfolio should be within 20% of the benchmark bond index.

6. Cash Flow Patterns and Liquidity Needs:

The Board will notify The Manager(s) by phone of any large cash flows in or out of the Fund such as County appropriations or large withdrawals other than normal receipts and disbursements of the Fund.

7. Turnover:

The Board has placed no restrictions on turnover in the account. It is understood that commissions are an expense which will be charged against the account, thereby reducing performance.

8. Brokerage Commissions:

The Board wishes that all transactions be done to the best advantage of the fund. Further, The Board wishes The Manager(s) to know that it is their intention that The Manager(s) negotiate commissions on all transactions and obtain the best prevailing rate, given the circumstances of the transactions.

The Board will notify The Manager(s) in writing of any directed brokers and what percentage of total trades they are to receive.

9. Proxies:

The Board wants The Manager(s) to maximize the long-term investment performance by properly voting all proxy proposals to the best interests of the fund. The Board wishes The Manager(s) to vote against any particular proposal or resolution which would adversely affect shareholder value.

10. Monitoring, Communications and Review:

The Board has retained the law firm of Chimicles & Tikellis LLP to provide services to the Fund to assist the Fund's trustees in meeting their fiduciary responsibilities with respect to securities monitoring of the Fund's investment portfolio and with respect to litigation relating to the Fund's investments.

Chimicles & Tikellis will also help to protect the interests of the Fund and its beneficiaries with respect to recovering damages for wrongdoing that has resulted in losses to the Fund's investment portfolio. These services are provided at no direct cost to the Fund.

The Board is responsible for the selection of The Manager(s) and a change in Manager(s) can be effected by a majority vote of The Board.

This Investment Plan may be reviewed periodically by The Board and The Manager(s), and can be modified, upon mutual consent, at any time.

Quarterly, each member of The Board will be provided with The Managers' Portfolio Status Report. The Board wishes to meet with The Manager(s) periodically to discuss policy and progress.

Primary contact at The Board will be:

Secretary of the Retirement Board
Centre County Controller

Contact at C.S. McKee & Co., Inc. will be:

Jeff Davidek
Senior Vice President

Contact at Emerald Advisers, Inc. will be:

John V. Thompson
Senior Vice President

Contact at TWIN Capital Mgmt. will be:

Geoffrey Gerber, Ph.D.
President

RETIREMENT BOARD

By:


Chairman

Date:

10/7/15

C.S. MCKEE & COMPANY, INC

By: *Espen K. Katal*
CEO
Title

Date: 10/27/15

EMERALD ADVISERS, INC.

By: *Jennet B. Merty II*
President
Title

Date: 11/6/15

TWIN CAPITAL MANAGEMENT, INC.

By: *Dale R.*
President
Title

Date: 10/30/15