

## **LOWER MACUNGIE FIRE DEPARTMENT INVESTMENT POLICY**

This Investment Policy reflects the investment policy, objectives, and constraints of the Lower Macungie Fire Department (LMFD) in managing its investment fund (Fund) and is set forth by the LMFD Financial Committee in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Fund assets.
3. Offer guidance and limitations to all investment managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results.

In general, the purpose of this statement is to outline a philosophy which will guide the investment management of the assets towards the desired results. It is intended to be sufficiently specific to be meaningful yet flexible enough to be practical.

### **Delegation of Authority**

The LMFD Financial Committee is a fiduciary and is responsible for directing and monitoring the investment management of Fund assets. As such, the LMFD Financial Committee is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to the Investment Manager.

The Investment Manager has discretion to purchase, sell or hold the specific securities that will be used to meet the Fund's investment objectives.

The LMFD Financial Committee will not reserve any control over investment decisions, with the exception of specific limitations described in these statements. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

### **Investment Management Policy**

1. Preservation of Capital – Consistent with their respective investment styles and philosophies, investment managers should make reasonable efforts to preserve capital understanding that losses may occur in individual securities.
2. Risk Aversion – Understanding that risk is present in all types of securities and investment styles, the LMFD Financial Committee recognizes that some risk is necessary to produce long term investment results that are sufficient to meet the Fund's objectives. However, the investment managers are to make reasonable

efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline – Investment managers are expected to adhere to the investment management styles for which they are hired. Managers will be evaluated regularly for adherence to investment discipline.
4. The LMFD Financial Committee will review all quarterly statements and will require the investment manager to meet with the committee a minimum of once a year to review the entire account and discuss investment strategy for the future.

### **Investment Objectives**

In order to meet its needs, the investment strategy of the Fund is to emphasize a balanced return of current income and growth of principal (from capital appreciation and dividend interest income).

### **Investment Guidelines**

#### Allowable Assets

1. Fixed Income Securities and/or Cash Equivalentents
  - a. Treasury Bills
  - b. Money Market Funds
  - c. STIF Funds
  - d. Commercial Paper
  - e. Certificates of Deposit
  - f. US Government and Agency Securities
  - g. Corporate Notes and Bonds
  - h. Mortgage Backed Bonds
  - i. Preferred Stock
  - j. Fixed Income Securities of Foreign Governments and Corporations
  - k. Collateralized Mortgage Obligations
2. Equity Securities
  - a. Common Stocks
  - b. Convertible Notes and Bonds
  - c. Convertible Preferred Stocks
  - d. American Depository Receipts (ADRs) of Non-US Companies
  - e. Stocks of Non-US Companies (Ordinary Shares) (If appropriate)
  - f. Options – Covered Call Options Only

#### Prohibited Assets and Transactions

1. Commodities and Futures Contracts – except within mutual funds
2. Private Placements

3. Options – except within mutual funds or covered call options as noted above
4. Short Selling – except within mutual funds
5. Margin Transactions – except within mutual funds

**Asset Allocation Guidelines**

<i>Asset Class</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Target</i>
Equities	50%	70%	60%
Fixed Income	30%	50%	40%

**Diversification for Investment Managers**

In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency should not exceed 10% of the total fund and no more than 20% of the total fund should be invested in any one industry. With the exception of US Government securities, no fixed income issue may exceed 15% of the market value of the fixed income portfolio.

**Guidelines for Fixed Income Investments and Cash Equivalents**

1. Fund assets may be invested only in bonds rated BBB or better grade by S&P and/or Moody's.
2. Fund assets may be invested only in commercial paper rated A 1 or better.
3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by S&P and/or Moody's.

Approved On: 9/25/2013