STATEMENT OF INVESTMENT GUIDELINES

FOR

WESTMORELAND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Jeffrey Balzer, Westmoreland County Controller
Retirement Board Secretary

Gallagher Fiduciary Advisors, LLC
444 Liberty Ave. – Suite 805
Pittsburgh, Pennsylvania 15222
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I. INTRODUCTION

This document defines the investment policies, objectives, and procedures applicable to The Westmoreland County Employees' Retirement System (the Plan) assets. It was proposed by Gallagher Fiduciary Advisors and developed in conjunction with the Trustees.

Experience has shown that the most common and costly error of a fund sponsor is the failure to communicate return expectations, risk tolerances, time horizons, and liquidity needs to its investment managers.

Developing appropriate investment strategies and executing prudent decisions requires a thorough understanding of the fund's investment objectives. Therefore, it is critical for the Trustees to document these investment preferences. Only through this exercise can the Trustees adequately interpret investment activity and results.

The purpose of this document is threefold. First, it will constitute the plan for investing the assets. Second, it will serve as a communication tool between the fund sponsor and the investment managers. Third, these guidelines will provide a framework to measure the ongoing progress of the assets.

Within the constraints imposed by this document, the managers will have total discretion to manage the assets according to their professional judgment and fiduciary obligations. The managers' strategy shall be communicated to the Trustees at regularly scheduled review meetings.

A. Goals

The long-term goals of the assets are to:

1. Manage the assets in a manner that is in the best interest of the participants and beneficiaries of the Plan; and

2. Produce investment results, which meet the Plan's actuarially assumed rate (presently 7.0%), and protect assets from any erosion of purchasing power. In addition, the investment managers should prudently invest to enhance the purchasing power whenever possible; and

3. Produce consistent performance to protect against excessive volatility in the market value from year to year to be able to meet the liquidity needs of the Plan.

B. Investment Discretion

The Trustees intend to monitor such matters as the long-term asset mix and the retention of professional money managers.

However, detailed investment strategies and the ultimate purchases and sales of securities are deemed to be within the discretion of the professional investment advisors.

C. Communications and Responsibilities

The Trustees are charged with the responsibility for the investment assets of the Plan. The Trustees shall discharge their duties solely in the interest of the Plan with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of a plan of like character and like aims.

The Custodian of the Fund is expected to provide monthly statements of portfolio transactions and invested positions (by cost and market).

The Investment Managers of the Fund are expected to:

- provide a written statement acknowledging the acceptance of this document or to submit recommended changes; and

- attend a meeting quarterly to review investment activity and results. During this review, the money manager should indicate current portfolio strategy, as well as comment on the firm's outlook for the economy and capital markets.

The Consultant to the Fund is expected to provide a quarterly review of investment activity and results presented in light of the appropriate standards set forth in this Statement of Investment Guidelines.

II. RECOMMENDED POLICY

Historical performance results and future expectations suggest that common stocks will provide higher total investment returns than fixed-income securities over a long-term investment horizon. However, one can expect an increase in portfolio volatility as the stock percentage is increased.

Based on the investment goals and risk tolerances stated in this document, the following asset mix strategies are appropriate. Investments should not exceed the minimum and/or maximum levels (at market value) without written or verbal permission from the Trustees. The investment managers have discretion to move away from the target allocations; however, this deviation from the target should be an expression of the managers' confidence or concern for the capital markets.

A. Asset Allocation

Section	Target		Range	
Total Plan				
Equities	55%		45% - 65%	
Large Cap/All Cap		30%		24% - 36%
Small/Mid-Cap		6%		2% - 10%
Global		5%		0% - 10%
International		14%		8% - 20%
Hedge Funds	10%		5% - 15%	
Fixed Income	35%		25% - 45%	
Investment Grade		23%		16% - 30%
High Yield		2%		0% - 4%
Private Debt		10%		0% - 15%

Cash	0%	0% - 10%

B. Time Horizon

Progress toward stated goals will be measured regularly; however, the Trustees recognize that the investment managers may require a market cycle to fully implement its investment style.

III. INVESTMENT GUIDELINES AND DEFINITIONS

A. Types of Securities

Equities mean high-quality common or preferred stocks or equivalents (i.e. ADR's, convertible bonds, etc.). Specific constraints include the avoidance of restricted issues, which have limited marketability.

Fixed-Income securities shall be represented by marketable debt issues by:

- U. S. Treasury or Agencies
- U. S. corporations
- U. S. banks or other financial institutions
- Yankee bonds

Cash Equivalent investments may be represented by any of the following:

- U. S. Treasury Bills
- U. S. Government repurchase agreements (with a minimum of 102% collateral)
- Money market funds
- Commercial paper

B. Diversification

Equity Issues--The investment manager should diversify the equity section in an attempt to minimize the impact of substantial loss in any specific industry or issue. Therefore, no more than 10% of the equity section may be invested in any one company (valued at market), or no more than a 1% overweight if the established benchmark company weighting is in excess of 10% . In addition, no more than 30% may be invested in any one industry (valued at market), or no more than a 5% overweight if the established benchmark sector weighting is in excess of 30% .

Fixed-Income Section--The investment manager should diversify the fixed-income section of the fund within the quality and maturity guidelines (outlined in the next section) in an attempt to minimize the adverse effects of interest rate fluctuations. Therefore, except for U. S. Treasury and Agency obligations, the fixed-income section may not contain more than 10% (valued at market) of a given domestic issuer. The investment manager has the latitude to invest no more than 20% of the portfolio market value in Yankee bonds, 20% in the asset-back securities, and 25% in non-Government guaranteed mortgage-back securities.

C. Quality

Equity Issues--There are no qualitative guidelines suggested with regard to equity ratings, rankings, etc., except that prudent standards should be developed and maintained by the investment manager. Convertible bonds will be considered as an equity investment and must be rated investment grade ("Baa/BBB") or better by Moody's Investment Service or Standard & Poor's. Specific constraints include the avoidance of restricted issues which have limited marketability.

Public Fixed-Income Securities--Domestic bonds held in the portfolio must be rated investment grade ("Baa/BBB") or better by Moody's or Standard & Poor's. This guideline is intended to give the investment manager sufficient latitude to periodically take advantage of bond swaps. The average market-weighted quality shall be no less than 3.0 based on the following scale:

U. S. Government and Agencies	5.0
Aaa/AAA Bonds	4.0
Aa/AA Bonds	3.0
A/A Bonds	2.0
Baa/BBB Bonds	1.0

Below investment grade (i.e. high yield) securities are permitted and are limited to 15% of the market value of the fixed income segment of the portfolio and may be achieved through investment in a high yield fixed income fund.

Private Debt -- Ratings standards provided in this Statement of Investment Guidelines or within individual investment manager guidelines are for guidance only; the investment managers are responsible for conducting an independent analysis of the credit worthiness of all securities and their appropriateness as an investment regardless of the classification provided by any ratings provider.

Cash Equivalent Vehicles--If commercial paper is used for short-term investments, it must be of high quality, rated at least the equivalent of "A-1" or "P-1" by Moody's or Standard & Poor's.

D. Duration

The maturities of the bonds held in the portfolio are at the discretion of the investment manager. However, the effective duration of the fixed-income section should not exceed ± 1.5 years of the Bloomberg Aggregate Index duration.

E. Prohibited Investments

Unless specifically approved by the Trustees in writing, in advance, the following categories of securities are not considered appropriate:

Unregistered or restricted stock, except for Rule 144A securities
Commodities
Margin trading
Options and futures, except for hedging
Limited partnerships
Real estate
Oil and gas wells
Private placements
Short selling

Venture capital

The intent of this section is to restrict the use of certain securities. It is not intended to restrict the investment vehicle for implementation of an asset class; therefore, an investment in hedge funds may incorporate some restricted items.

IV. OBJECTIVES

Investment objectives are intended to provide quantifiable benchmarks to measure and evaluate portfolio return and risk. The following objectives apply to the managed assets and should be measured over a three-year period:

A. Return Requirements – (net of fees) - Relative to appropriate indices:

Section	Index	Expectation
Total Plan – 5-yr return	Target Market Index*	Exceed Index by 0.4%
– 5-yr return	Actuarial Rate (7.0%)	Exceed Index by 0.1%
– 5-yr return	Consumer Price Index (CPI)	Exceed Index by 4.0%
Large-Cap Growth Equity	Russell 1000 Growth Index	Exceed Index
Large-Cap Value Equity	Russell 1000 Value	Exceed Index
Large-Cap Core Equity	S&P 500 Index	Exceed Index
All-Cap Core Equity	S&P 500 Index	Exceed Index
Mid-Cap Growth Equity	Russell Mid-Cap Growth Index	Exceed Index
Small-Cap Equity	Russell 2000 Index	Exceed Index
International Equity	MSCI EAFE	Exceed Index
Global Equity	MSCI AC World Index	Exceed Index
Hedge Funds	HFRI FOF Composite Index	Exceed Index
Fixed Income	Bloomberg Aggregate Index (Bloomberg Agg)	Exceed Index

B. Relative to other professionally managed accounts:

Section	Universe	Expectation
Total Plan	All Public Plans Universe**	Top 50%

Each asset class return should rank in the top 50% of the appropriate mutual fund universe. Mutual fund universes are used for net-of-fee comparison.

*Target Market Index is constructed with 30% S&P 500, 6% Russell 2000, 5% MSCI AC World, 14% MSCI EAFE, 10% HFRI FOF Composite, 33% Bloomberg Agg , 2% Bloomberg U.S. Corp High Yield.

**All Public Plans Universe, consisting of all of the public plans within InvestmentMetrics PARis reporting system

V. PRIMARY CONTACTS

Westmoreland County Employees' Retirement System
Jeffrey Balzer – (724) 830-3115

Gallagher Fiduciary Advisors, LLC
Brad Hampton -- (412) 232-1029

Investment Managers:

BlackRock
Steve Bringardner – (312) 395-9334

C.S. McKee (North Square)
Mark Gensheimer. – (412) 566-1234

Emerald Advisors
Mark Schlegel – (610) 285-3045

Federated Hermes
Paul Buckwalter – (412) 288-1243

Grid Iron Partners
Mike Schneck – (724) 935-2720

Grosvenor Institutional Partners
Mark Roman – (312) 506-6542

Janus Henderson
Logan Faelber – (303) 336-5474

Metropolitan West Asset Management
David Vick – (310) 966-8960

Neuberger Berman
Jon Freedman – (212) 476-5612

Newton Investment Management
Jon Ritz – (212) 922-6030
Shenkman Capital
Chris Ade – (212) 293-4555

SIT Investment Associates
David Brown – (612) 359-2565

Stewart Capital Advisors
Karen Hackman – (412) 471-0127

TWIN Capital Management
Sam Gerber – (724) 949-1434

Victory Capital Management
Michael Hackett – (216) 889-2420

WCM
Dan Ledva – (212)-616-0169

Wellington
Angelique Richardson – (617) 263-4009

William Blair
Kevin Fetzer – (312)-364-8863

Custodian:

PNC Bank
John Joos – (412) 768-2331

Addendum

Given the current state of the fixed income markets, the fixed income managers shall use the Barclay's Intermediate Aggregate Index in place of the Barclay's Capital Aggregate Index wherever it appears in this document.