INVESTMENT POLICY STATEMENT
FOR

THE BEAVER COUNTY EMPLOYEES' RETIREMENT SYSTEM

Adopted February 18, 2009

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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 Beaver County Employees' Retirement System (the "Plan") and provides guidelines for the professional vendors serving the Plan. This statement identifies the operating procedures for the Plan and its agents, specifies the target asset allocation policy, 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 generally recognized as being a time period of at least five years. The investment objectives for the Plan's assets are to:

- Achieve a long term rate of return sufficient to meet the Plan's actuarial interest rate (currently 7.5%).
- 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 compares favorably with similarly invested pension plans and appropriate market indices.

3. General Background

The Plan is a single employer defined benefit plan with a member contributory supplementary feature. The Retirement System includes three retirement funds for different groups of employees. Two of the retirement funds are residual funds (the Administrative Fund and the Collective Bargaining Fund) which provide separate benefits to certain employees of the County nursing home known as Friendship Ridge. These two retirement funds no longer accept new employees and will cease when the last remaining member retires and those respective retirement benefits are satisfied. The third retirement fund is called the County Plan which includes all County employees employed after 1984. For investment purposes, these assets are combined into one consolidated Plan.

As of December 31, 2008, the Plan assets were $170mm and covered approximately 2,000 total lives. At that time, the Plan engaged six investment managers investing in eight specific investment mandates. The plan was moderately under-funded as of the end of 2008 and the Plan sponsor makes annual contributions as determined by the Plan's Actuary.

4. Regulatory Environment

The Plan and its Board are governed by the Commonwealth of Pennsylvania County Pension Law Act 96 of 1971 and the Commonwealth of Pennsylvania Probate, Estates and Fiduciaries Code Section 73. While the Plan is not subject to the Employment Retirement Investment 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.

II. Responsibilities Of The Plan's Representatives

The Plan is governed by the "Prudent Man Rule" which 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. 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 **Retirement Board** (the "Board") is comprised of the three County Commissioners, the County Controller and the County Treasurer. The Board will have the following responsibilities:

- Approve the Investment Policy Statement, establish asset allocation guidelines, make investment manager selections & terminations and monitor investment performance.
- Delegate fiduciary responsibilities to professional advisers in a prudent and responsible manner.
- Authorize the Board's Chairman to act as an authorized representative of the Board. Timeliness may require this individual to address issues that require action before a scheduled Retirement Board meeting can occur. In the absence of the Chairman's ability to act, the additional two County Commissioner's are authorized to jointly act on behalf of the Plan.
- Designate the Board Secretary to act as primary contact for Retirement Board communications.

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

- Hold client assets in a centralized fashion and safeguard these assets at all times.
- Settle investment transactions as instructed by the Plan's 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 manager accounts 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.

- Determine eligibility for class action suits and register the Fund as appropriate.

- Accommodate cash flows of the Plan and rebalance the funds allocated to the individual investment managers as instructed by the Plan Consultant and the Board.

- A general pension and expense checking account will be established to facilitate all contributions and 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** retained by the Board will have the following responsibilities:

- Develop the Plan's investment policy statement.

- Recommend the Plan's asset allocation strategy and related investment manager structure.

- Facilitate communication between the Board, the investment managers, the custodian and other vendors for the Plan.

- Provide quarterly performance measurement reporting for individual investment managers and for the total Plan and assess organizational issues of investment managers.

- Report on the capital markets, investment trends and portfolio management opportunities.

- Perform investment manger searches, recommend investment managers as appropriate and rebalance the Plan's allocations among investment managers as appropriate.

- 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's assets in a manner consistent with the investment policies outlined in this policy statement and in accordance with applicable laws.

- Accommodate the Plan's need for managing cash flows in the most efficient manner possible.

- Execute every investment transaction in the best interests of the Plan on a "best execution" basis to ensure that all trades are placed in a timely manner with the best possible execution prices at commission rates that are competitive with market conditions.

- Promptly notify the Board and Consultant of significant changes in the investment manager's investment strategy, organizational structure, financial condition or personnel assigned to manage the Plan assets.

- Exercise 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.

- Acknowledge in writing that the investment manager is a fiduciary of the Plan in its service to the Plan.

- Submit quarterly reports to communicate all relevant issues regarding the manager's investment of the Plan assets including information specifically defined by the Board and/or the Consultant.

- Attend Retirement Board meetings as requested.

Fiduciary Liability Insurance

The Plan will maintain fiduciary liability 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 fund in an amount established by the Board.

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 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. Investment managers will be provided discretion 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 compare favorably with investment performance standards.

The Plan's investments will be broadly diversified to minimize the risk of substantial loss as measured by a percentage of the Plan's assets. The Board expects that Plan assets will remain as fully invested as practical and that investment managers will refrain from short-term market timing.

1. Prohibited Investments:

   - Restricted securities (letter stock).

   - Futures, options, margins, warrants 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. Equity Guidelines:

- The equity portfolio will 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 (based on market value cost at purchase).

- Investments in any company will not exceed 2% 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.

- Foreign equity holdings will be limited to dollar denominated ADR's unless the foreign investment is made through a mutual fund or commingled fund in which case this restriction does not apply.

3. Fixed Income Guidelines:

- Investments in any one issuer (based on market value or cost at purchase) will not exceed 5% 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.

- The fixed income assets held by the Plan must maintain investment grade or better by Moody's or Standard & Poor's (Baa/BBB or A2/P2).

- The average credit quality of the fixed income portfolio must maintain a rating of AA- or better.

- Duration of portfolio will be maintained from 65% to 135% of the index duration.

- Fixed income managers will not hold securities that are not representative of their investment style (i.e. stocks, convertible bonds, preferred stock, etc.).

4. Custodian's Money Market Guidelines:

- All money market investment options selected for the Fund 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.

5. Real Estate Guidelines:

- Real estate investments will be limited to publicly traded real estate stocks, real estate investment trusts funds (REIT's) and direct investment in limited partnerships of real estate assets managed by qualified real estate investment advisors.

- While liquidity will be considered with any real estate investment, it is understood that some investments may not have immediate liquidity and may be subject to redemption restrictions.

- Underlying real estate holdings should be income producing properties as opposed to speculative or properties held for short term gains.

- Real estate managers will provide a comprehensive quarterly report that includes a financial accounting and a valuation of the investment's asset value established by independent outside appraisals conducted in a fiduciary capacity.

- The investment assets must be held in a trust account governed by a qualified trust company or trust bank.

6. Senior Life Settlement Annuity Guidelines:

- Holdings of senior life settlement insurance annuities should be purchased in pools of sufficient dollar size, number of policies and statistical significance so that the pool's actual mortality can approximate actuarial expectations.

- The senior life settlements manager must provide a comprehensive quarterly report that includes a financial accounting, mortality experience and a valuation of the investment's asset value established by applying FASB Staff Position 85-4-1 (in lieu of an outside appraisal conducted in a fiduciary capacity).

- The senior life settlement annuity assets must be held in a trust account governed by a qualified trust company or trust bank.

7. Private Equity Guidelines:

- Private equity investments are long term investments and returns can not be adequately judged until the investment's ultimate maturity or liquidation. Returns of private equity investments are subject to the "J-curve effect" which results in low or negative returns during the initial 1-4 year holding periods (reflecting start-up costs and the time required for investment strategies to develop full earnings potential) and then greater returns during the later and final years.

- Private equity investments will not have immediate liquidity and the Fund's ability to sell will be limited to contract terms and/or prevailing market conditions.

- The Board will not participate in the management of the investment (i.e. board seats or advisory committee positions).

- Private equity managers will provide a comprehensive quarterly report that includes a financial accounting and a valuation of the investment's value established by independent outside appraisals conducted in a fiduciary capacity.

- The investment assets must be held in a trust account governed by a qualified trust company or trust bank.

8. Securities Lending Guidelines:

- Securities lending must be executed through an established securities lending agent (with a credit rating of A or better) that provides the Fund an indemnification from loss in regards to the counter party financial firm's failure to properly return collateral upon demand.

- Cash collateral received from securities lending must be invested in government guaranteed money market instruments or investment grade money market funds with substantial diversification and adequate credit standards to protect the Fund from credit losses.

9. Mutual Funds/Commingled Fund Guidelines:

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 fund 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.

10. 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 will be invested consistent with 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. Numerous asset classes (i.e. large cap equities, small cap equities, foreign equities, alternate assets, 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 Board will identify one fixed income manager to serve as the Plan's "liquidity manager". This manager will coordinate with the Retirement Board Secretary and associated administrative staff to ensure that the plan's checking account maintains the proper funds balance. This manager may incur a slight modification to its benchmark to allow for a percentage of the account to be maintained in cash.

It will be the general policy to have the assets of the Plan invested in accordance with the following asset allocation model using the indicated performance benchmarks as a guide for investment style.

Asset Class	Target	Range	Benchmark Indexes	Goal for Peer Rank
Total Fund			38% S&P 500/ 12% Russell 2000/ 10% MSCI EAFE/ 30% BarCap Aggregate/ 3% NACREIF / 5% Absolute Return of 8%/ 2% Russell 3000 + 3%	Top Half
Equities	**60%**	**+/-10%**		
Large Cap	38%	+/-10%	S&P 500	Top Half
Small Cap	12%	+/-5%	Russell 2000	Top Half
International	10%	+/-5%	MSCI EAFE	Top Half
Fixed Income	**30%**	**+/-10%**		
Fixed Income	30%	+/-10%	BarCap Aggregate	Top Half
Alternatives	**10%**	**+/-5%**		
Private Placement Real Estate	3%	+/-3%	NACREIF	Top Half
Life Settlement Insurance	5%	+/-3%	Absolute Return of 8%	Top Half
Private Equity	2%	+/-3%	Russell 3000 + 3% (adjusted for the J-curve effect)	Top Half

V. Evaluation of Investment Managers

1. 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 in the Plan.

- Level of experience, organizational resources and staffing levels of the investment manager and the amount of the Plan's assets managed by the manager relative to manager's total assets under management.

- Type and appropriateness of client and the manager's ability and willingness to service the Plan in a customized fashion.

- The competitiveness of fees and costs of investment managers.

The Plan will recognize and evaluate investment managers that have a local geographical presence and will consider local managers when their investment management credentials are competitive with national caliber standards.

2. 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 or shorter time period to effectively judge performance.

3. Quarterly Return Analysis

Investment performance results of the total Plan and the individual investment managers 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 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 the manager's performance is expected to rank in the top half of the manager's respective peer group.

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 Fund'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.

4. 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 representative market indexes. However, the investment manager may require an extra level of scrutiny and the Consultant may recommend to the Board that a manager be placed on "watch status" based on a combination of 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 Consultant of such change in writing 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 contract terms or investment policy without prior written approval.

- Material change in investment manager philosophy or a failure to remain consistent with the investment style mandate established by the Plan for the manager.

The Plan will generally not terminate an investment manager on the basis of short-term performance. If the investment manager's organization is sound and the firm is adhering to its investment style discipline, the Plan will allow a sufficient interval of time over which to evaluate performance.

Not withstanding the above, 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 at any time in accordance with any applicable investment management agreements.

VI. Conclusion

This document is made part of each investment manager's contract with the Plan by reference. Periodically, this 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 18th day of February, 2009.

By the Plan:

Tony Amadio 03/18/09
Mr. Tony Amadio, Chairman Date

Joe Spanik
Mr. Joe Spanik, Trustee Date

Charlie A. Camp
Mr. Charlie Camp, Trustee Date

Connie Javens 3-18-09
Ms. Connie Javens, Trustee Date

David A Rossi 2-18-09
Mr. Dave Rossi, Secretary Date