

# **Lower Paxton Township Dauphin County, Pennsylvania**

## ***Request for Proposals:***

### **Defined Benefit Pension Plan Investment Management and Custodial Services**

Issued: January 23, 2022

**Addendum #1 Issued: February 8, 2022**

**Responses Due: February 15, 2022**



Lower Paxton Township  
425 Prince Street  
Harrisburg, PA 17109

## **ADDENDUM #1 – CLARIFICATION FOR QUESTIONS RECEIVED**

**NOTICE IS HEREBY GIVEN** that the following addendum serves to provide clarification and to answer questions received on the Request for Proposal for Defined Benefit Pension Plan Investment and Custodial Services.

Question 1. Could the Township provide us with a copy of each Plan's current investment policy statement? **Attached.**

Question 2. What is the current funded status of each Plan? **Overall, at 1/1/21 actuarial valuations, Police funded at 78.5%, Non-Uniform at 89.5%, and LOSAP at 89.1%.**

Question 3. Do the Plans currently utilize liability driven investing (LDI)? If so, is this approach something the Township is seeking to continue? **No, they have utilized a structured allocation to investing not based on cash flow to cover liabilities.**

Question 4. (A) Will respondent be acting as directed trustee for the pension plans or only custodial services are needed?; (B) The RFP doesn't mention trustee services. Who is the current trustee of each plan? **Directed Trustee services will be a consideration. Current providers are only providing custodial services at this time. Cost for enhance services such as directed trustee should be broken out separately for comparison purposes**

Question 5. Are there any areas (performance, service, fees, etc.) that the Township is seeking improvement upon? **Largest area is consolidation, as there are three different entities managing portions of the funds (only one coordinating benefit payments/related reporting)**

Question 6. Does the Finance Department have a preference for mutual funds, ETFs, separate accounts, or individual securities? Is there a view shared on active versus passive investment approaches? **No preference on investment solutions or vehicles but one would expect diversification to mitigate risk, reduce costs, and maximize results relative to comparable benchmarks. Combination of active and passive solutions would be preferred.**

Question 7. Page 5 of the RFP under Section III Professional Services, question 1 b states: "Identify the limits, if any, of services provided under your proposed fees and your fee schedule for other services included in your proposal but not specifically addressed in the table below". Is there a table missing from the RFP request currently? **The reference was in error, as the table was removed – it should note "Identify the limits, if any, of services provided under your proposed fees and your fee schedule for other services included in your proposal but not specifically addressed above".**

Question 8. Would you be looking for the selected vendor to make the benefit payments to retirees? **Yes, this service is currently being performed by one of our pension management firms.**

Question 9. (A) Would you be looking for the selected vendor to provide any participant recordkeeping services or benefit calculations?; (B) May I ask who the TPA is please?? Is there, or will there be, a separate RFP for those services?? **Currently, these services are provided by our actuaries (Mockenhaupt for the Police and Non-Uniformed Pension Plans, and Conrad Siegel for**

**the LOSAP Plan) – however, we may wish to consider the selected firm for pension management/custody to quote and perform those services in the future.**

Question 10. The tax reporting forms for LOSAP varies from vendor to vendor based on the interpretation of the Internal Revenue Code and the custodian of the assets. What form is currently being issued to retirees from the LOSAP? Can we receive a redacted sample? **The custodian submits 1099-R forms for recipients.**

Question 11. I am preparing a response to your Request for Proposal for Defined Benefit Pension Plan Investment Management and Custodial Services. I will be sending you a hard copy response and am wondering how many copies you will need? **Three copies will suffice.**

Question 12. Will the Township dictate what form to report LOSAP payments on, or will the vendor be responsible for that decision? **The vendor will be responsible for selecting the form for annual reporting, based on their interpretation of Internal Revenue Code requirements relative to reporting such benefits to recipients.**

Question 13. Who administers each plan? **The Township’s LOSAP Plan is administered by Wells Fargo. Wells Fargo also administers portions of the Police and Non-Uniformed Pension Plans, and performs all payments and reporting to benefit recipients. City National Rochdale and Principal also administer portions of the Police and Non-Uniformed Pension Plans, but only for investment purposes. We will be consolidating all these plans and services to a single firm through award in this RFP.**

Question 14. What is your anticipated start date?? **The Township intends to select a firm in March/April 2022.**

Question 15. The way I’m interpreting the RFP, you are asking us to manage the assets and process the pension payments with required 1099 and IRS filings. Correct?? **Correct.**

Question 16. Who will be communicating to us who gets paid, how much and when?? **Monthly payments to all beneficiaries will be made based on “static” census of payments, and Township will communicate any change (i.e. COLA, cease due to death, etc.). New retiree information will be provided by Township, based on Township/Actuary computation.**

Question 17. Is there some kind of monthly payment file?? How does this data get transmitted?? **See [Question 16] above – currently we utilize Wells Fargo’s portal to enter/amend benefits.**

*End of Questions and Answers*

*End of Addenda*

## LOWER PAXTON TOWNSHIP

### INVESTMENT OBJECTIVES FOR ITS PENSION FUNDS

#### I. Introduction

This statement of investment policies and objectives is set forth in order that:

- A. There is a clear understanding on the part of the trustees of the investment policy and objectives of the Lower Paxton Township Pension Fund )"the fund").
- B. The investment managers are given guidance and limitations and understand what is expected of them.
- C. The trustees have a basis for evaluation of the investment performance of the fund.

It is the intent of this statement to establish an attitude and/or philosophy, which will guide the investment managers toward the performance desired. It is intended that the objectives be sufficiently specific to be meaningful, but sufficiently flexible to be practicable. The fund exists for the purpose of providing pension benefits to qualified participants and their beneficiaries. The fund is a defined benefit pension plan. Contributions are made by the Commonwealth of Pennsylvania, Lower Paxton Township, and plan participants.

#### II. Investment Objectives

The fund is a balanced portfolio of guaranteed investment contracts, equity, fixed income, and cash equivalent securities and, as such, is intended to be more aggressive than fixed income oriented portfolios and less aggressive than equity oriented portfolios. In this context, aggressive relates to such issues as investment vehicles, diversification among economic and industry sectors and individual securities, and expected long-term rates of return and return volatility.

Within this framework, the investment objectives are stated in order of importance.

- A. **Preservation of Capital:** This objective recognizes the nature of the fund, its purpose, its participants, and source of funds. That is, the pension fund exists for the purpose of providing benefits to retired employees. Assets must be invested and managed prudently.

Therefore, capital gains, once earned, are to be protected. For example, during protracted down markets, cash can be raised up to the maximum permissible level so that capital losses are limited.

When it is believed by the investment managers that the risks of investing in equities and/or fixed income outweigh the rewards, it is preferred that upside potential be sacrificed rather than risk significant losses in down markets.

- B. Long Term Growth of Capital: It is recognized that short-term fluctuations may result in the loss of capital earned on occasion (i.e. negative rates of return). However, in the absence of contributions and withdrawals, the asset value of the fund should grow in the long run and earn rates of return greater than the balanced index (described in section III. C. 3.) while avoiding excessive risk (see IV. B. 1.).
- C. Preservation of Purchasing Power: Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation in order to preserve the purchasing power of the participants' assets.
- D. Meet or Exceed the Stated Actuarial Assumption: (See 111. B. 1.).

### III. Investment Goals

- A. Investment goals are expected to be achieved over a full-market
  - 1. cycle which has historically lasted from three to five years, and these results should be considered only relative to funds with comparable objectives. Total return shall be measured by the performance of all assets under management, whether invested in equity or fixed income securities or liquid reserves, and will include interest as well as realized and unrealized investment gains and losses (total return).
- B. During the measurement period described in III. A., the following minimum goal is to be achieved:
  - 1. Match or exceed the actuarial rate of return assumption of 6.75% annually.
  - 2. To meet the payment of all future benefits to retirees, beneficiaries, and other plan participants.
  - 3. To enhance, as well as preserve, the assets of the plans.
  - 4. To comply with all legislation affecting the plans.
- C. In addition to the investment goal stated to III. B. 1., the following investment goals are to be achieved:
  - 1. The Large Cap equity investment of the Plan will be expected to generate a premium over and above the S&P 500 composite index, or if assuming low risk, match the index.

2. The Mid/Small Cap equity investment of the Plan will be expected to generate a premium over and above the combined S&P 400 and S&P 600 composite (72% S&P 400 and 28% S&P 600 by market capitalization), or if assuming low risk, match the composite.
3. The International equity investment of the Plan will be expected to generate a premium over and above the Dow Jones World (excluding the U.S.) index.
4. The fixed income investment of the Plan will be expected to generate equal to or greater than the Lehman Aggregate Intermediate Bond Index.

#### IV. Investment Policies

##### A. General

1. Investments are consistent with fiduciary standards; that is
  - a. the safeguards and diversity that a prudent investor would adhere to must be present, and
  - b. all transactions of the fund must be in the sole interest of plan participants.
2. The investment managers are given full investment discretion consistent with the investment objectives and guidelines provided herein regarding the purchase and sale of individual securities.
3. Realization of gains and losses should be viewed solely in terms of investment merits.
4. Subject to the restrictions listed below and consistent with the investment objectives and purpose of the fund, the investment managers shall have full discretion as to the asset mix between equities, fixed income, and cash equivalents, diversification among individual securities, economic and industry sectors, selection of individual equity, fixed income and cash equivalent securities and instruments and portfolio turnover.

##### B. Risk

1. The volatility of returns, as measured by the standard deviation of quarterly rates of return for the portfolio, will be monitored and compared on a continuing basis after sufficient data is available. The portfolio standard deviation should not exceed the balanced index over a period of three years without the consultation of the trustees.

C. Fixed Income Investments Limitations

1. Fixed income investments may be maintained at a maximum of 50% of the total assets managed by an investment manager based upon market value.
2. With the exception of cash equivalents, as noted, not more than 10% of the allowable fixed income assets are to be invested in the obligations of any one issuer, excluding both obligations of the U.S. Government either direct or indirect, and guaranteed investment contracts.
3. Marketable bonds must be rated AA or better and commercial paper REPOs must have a rating of not less than A1 by Standard and Poor's or P1 by Moody's. REPOs are not rated as such but standards must be adhered to.
4. No restrictions are placed on investments in U.S. Government obligations (including fully guaranteed agencies).
5. The weighted average maturity by market value of the fixed income assets (excluding cash equivalent securities maturing in less than one year) should not exceed ten years.
6. Certificates of Deposit
  - a. Must be issued by a major depository that has capital and surplus of \$100 million or more.
  - b. Limited to maturity of one year or less.
  - c. Investment in any one issuer is not to exceed 10% of total fund assets at market.
  - d. Issuer must be federally insured.

D. Equities

Limitations

1. Equity investment may be maintained at a maximum of 60% of the total assets managed by an investment manager based upon market value. However, 10% must be in a high yield equity income investment. To be counted as high yield dividend stock there must be a consistent history of high dividend yield.
  - a. High Dividend & Income Investment Objective - Provide income and long-term capital appreciation.

b. High Dividend & Income Investment Strategy:

- Diversified portfolio of high-quality companies across sectors and size.
- Selected stocks primarily from a universe of common and preferred stocks of any size, master limited partnerships, and real estate investment trusts. The portfolio is diversified across size and industries to provide long-term return potential across varying economic and market conditions.
- Lower valuations to provide potential for purchasing power protection over the long term.

In selecting securities for the portfolio, look for high-quality companies with a stable dividend history, potential for dividend growth, strong financial condition with minimal debt, and attractive valuation.

- Attractive tax-advantaged yield.  
Versus other equity income strategies, the portfolio intends to maintain higher yield, lower price/earnings ratio, and more mid- and small-cap holdings, in order to provide greater income, potential for growth, and uncovered opportunity.
- Reliable income stream to smooth volatility.  
The portfolio's income stream is a significant component of total return and may result in lower volatility and increased downside protection versus a broad-market portfolio.
- Active volatility management in context of entire portfolio.
- Emphasis on yield and total return.

2. Subject to the limitations stated herein and consistent with the investment objectives and purpose of this fund, the investment managers shall have full discretion as to the selection of equities portfolio turnover and diversification standards in order to assure full flexibility in the management of the equity segment.
3. It is expected that the equity portfolio will be managed with the objective of maximizing total return. Therefore, sales of securities need not be restricted in any manner but shall be based on the manager's perception of the investment merits of each security in the portfolio.



4. Not more than 5% of the allowable equity assets of the fund under management shall be invested in the securities of any one issuing corporation.
  5. Not more than 25% of the allowable equity assets of the fund under management shall be invested in any one industry.
  6. Domestic stock investment options of all sizes (large-cap, mid-cap, and small-cap) and all styles (value, growth, and blend) are permitted. Such options may be broadly diversified or concentrated (sector funds) and may be either actively or passively (indexed) managed.
  7. International or foreign stock investment options of all sizes (large-cap, mid-cap, and small-cap) and all styles (value, growth, and blend) are permitted. Such options may be broadly diversified or concentrated (sector funds), may include regional and emerging market funds, and may be either actively or passively (indexed) managed. Such funds shall not exceed 10% of the equity assets managed by an investment manager.
  8. Only owned real estate investment options, including real estate investment trusts of all types and other commingled real estate equity investment options are permitted not to exceed 10% of the total equity assets managed by an investment manager.
- E. Cash and Cash Equivalents

Limitations

1. All cash should be invested in interest bearing securities. U.S. Government Securities, commercial paper, money market funds, CDs, and PLGIT accounts are authorized providing they have a maturity of 91 days or less.
2. There is no minimum cash requirement, while a 100% cash position is permitted if conditions indicate this is appropriate.
3. Stable value investment options, including money market funds, stable value funds, and guaranteed interest arrangements are permitted.

F. Other Restrictions

The following assets and/or transactions are expressly prohibited:

1. Selling short
2. Commodity/Futures

3. Letter stocks
4. Non-marketable securities
5. Margin transactions

6. Derivatives, such as futures and options, or repurchase agreements shall only be permitted as an investment option within mutual fund investments, provided that derivatives and repurchase agreements are not specifically designed for speculative purposes or to leverage the portfolio. Derivatives and repurchase agreements shall compose no more than a targeted amount of 10%, nor more than a maximum amount of 15% of the portfolio under management.

7. Mortgage, pledge, or hypothecate securities

#### V. Investment Performance Review

The performance of the total fund will be measured on a quarterly basis as follows:

- A. The equity and fixed income segments and total fund performance (both rates of return and risk will be measured against commonly accepted benchmarks.
- B. The total fund will be compared to the Consumer Price Index and U.S. Treasury bills.
- C. The total fund will be compared to a universe of portfolios with percentages or equity and fixed income to be indicative of the asset allocation of the fund itself.
- D. Consideration shall be given to the extent to which the investment results are consistent with the objectives and goals as set forth in this statement.

#### VI. Investment Consultants and Managers

The fund may engage the services of an investment consultant and investment manager who possess the necessary specialized research facilities and skilled manpower to meet these investment objectives and guidelines. The trustees require the investment managers to adhere to the statutes of the Commonwealth of Pennsylvania regulating the fiduciary affairs of public employee retirement systems as they relate to the plan assets.

The investment consultant should be able to act as an independent third party consultant to avoid conflict of interest. The consultant must demonstrate the ability to perform proper due diligence in evaluating the investment managers.

#### VII. Communications

A. Consultant and investment manager communications with the trustees.

The trustees expect an open and constant line of communication with the consultants and investment managers.

1. Provide quarterly portfolio valuations at cost and at market, timely confirmations of all transactions, and a monthly summary of all transactions. Investment manager fees shall be deducted from the account and the rate of return for the account shall be shown as net of all fees.
2. Provide an explanation of contemplated major shifts in investment strategy or manager style before implementation.
3. Meet annually with the Board of Trustees unless requested to meet on a more frequent basis.
  - a. Review past investment performance, evaluate the current investment outlook and discuss investment strategy.
  - b. Provide information regarding major changes in investment policy that may result in major investment strategy changes.
  - c. Review any significant changes in management, research, personnel, or ownership within the investment management firms.
4. Other communications that the consultant and investment manager feels are necessary to facilitate achievement of the fund's objectives and goals.
5. It is the responsibility of the investment managers to report any suggestions or alterations in these guidelines or specific contract considerations, which may be desirable for the achievement of greater satisfactory investment results.

B. Trustee communication with consultant and investment managers.

1. On a timely basis, provide the consultant and investment manager with revisions of the master statement of investment policy and objectives.
2. Report any significant changes in the assessment of the income requirement, risk-taking capabilities, or other vital characteristics concerning management of the plans.

VIII. Summary

- A. All investments are to be made for the benefit of the plan participants in a prudent manner.

Adopted October 17, 2000

Amended Sept. 10, 2019

- B. It is expected that the investment managers will manage the assets so that the results will meet the objectives and goals as set forth in the statement.

IMAGE DOCUMENT  
 Acct # 1540044155 / 1540044146  
 Doc # 65  
 Doc Date 2/1/18  
 Notes \_\_\_\_\_  
INVESTMENT GUIDELINES

## Investment Guidelines

Effective Date. January 2, 2018  
 Client/Employer Name ("Client") Lower Paxton Township  
 Account/Plan Name: Lower Paxton Township Police Pension Plan and Non-Uniformed Pension Plan  
 Wells Fargo Account Number(s). 1540044155 & 1540044146

### Purpose

This document for Lower Paxton Township Police and Non-Uniformed Pension Plan, establishes the guideline for the investment of the portfolio's assets. Wells Fargo will not provide discretionary investment services and will place any cash in the Account into an authorized cash investment until Wells Fargo receives all required documentation including these signed Investment Guidelines.

This Guideline should be reviewed periodically and revisions should be made as necessary to reflect changes in circumstances or objectives. All revisions must be made in writing and distributed to the appropriate parties on a timely basis.

### Investment Objective

The investment objective for this account is to realize an annual total investment return consistent with the level of risk undertaken by the account. Please indicate the investment objective below.

#### Balanced Growth

Emphasis is on long-term potential capital appreciation with some consideration for current income. Investments are primarily in equity securities and other asset classes with growth as the primary objective. Fixed Income securities are utilized for risk management. This objective can be considered for investors with above-average risk tolerances for principal volatility and intermediate to longer term time horizons.

### Investment Strategy

Wells Fargo will establish strategic target allocation percentages among the asset classes that are suitable for the investment objective selected. The account will be reviewed periodically to ensure that the actual percentages in each asset class are within the allocation ranges for the selected objective. Cash flow and differing investment performance of each investment within the selected investment objective may affect the actual proportions of each asset class. If the actual proportions are not within the allocation ranges at the time of the periodic account review, the account will be rebalanced to reflect the specified target.

### Asset Allocation Strategy

After consideration of the Client's investment objective and portfolio specifications, the portfolio allocation will be

## Portfolio

Asset Class	Strategic Target	Minimum %	Maximum %	Asset Class Benchmark Index
<b>Equity</b>		5%	55%	
Domestic Large Cap	12.60%	11.00%	14.20%	S&P 500 Index
Domestic Large Value	9.60%	8.40%	10.80%	Russell 1000 Value Index
Domestic Large Growth	9.60%	8.40%	10.80%	Russell 1000 Growth Index
Domestic Mid Cap	8.40%	7.30%	9.50%	S&P Midcap 400 Index
Domestic Small Cap	4.80%	4.20%	5.40%	Russell 2000 Index
International Equity	15%	13.20%	16.80%	MSCI ACWI ex U.S. Index
<b>Fixed Income</b>				
Intermediate Core Bond	37%	32%	42%	Bloomberg Barclays U.S. Aggregate Bond Index
<b>Cash</b>				

<sup>1</sup> The Client will advise the Manager when liquidity for distributions and expenses are necessary. The Manager will provide sufficient liquidity to meet distributions and expenses of the Account.

All trading activity to rebalance the account and/or invest cash will be processed as soon as administratively feasible dependent on circumstances such as completion of documentation, availability of cash or fund manager pre-notification requirements. The Strategic Target weightings may differ from the actual allocation in the account.

## Diversification

The Manager shall maintain a diversified Portfolio consistent with the governing account documents, this Investment Guideline and applicable law at all times

## Portfolio Performance and Review

- 1 Performance of the Portfolio will be monitored, measured, and evaluated over a market cycle with quarterly investment statements provided
  - a. Performance will be measured against an appropriate Asset Class Benchmark Index.
  - b. The total Portfolio Benchmark is constructed using the weightings of the Asset Class Benchmark Indexes as determined by the Strategic Target weightings
  - c. If an Asset Class Benchmark Index changes or there is a change to Strategic Target weightings, Wells Fargo will disclose the change(s) in quarterly reports.
  - d. Individual client Portfolio performance may vary from that of the Portfolio Benchmark.
- 2 Portfolio reviews with the Committee will be held at least annually and sufficiently after the close of the plan year to have performance measurement results available for review.

The undersigned hereby certify

- They are a qualified representative of the account and are authorized to make this certification
- They accept the terms indicated above with regard to Purpose, Investment Objective, Investment Strategy, Asset Allocation Strategy, Diversification, and Portfolio Performance and Review, including, but not limited to, any Benchmark or Strategic Target weightings change
- The Investment Guidelines document has been approved by the client's appropriate committee or authorized signer(s)

Client Name: Lower Paxton Township  
 Name of Signer: Alicia Kroll  
 Title: Finance Manager  
 Signature: [Signature]  
 Date: 2/1/18

Client Name: \_\_\_\_\_  
 Name of Signer: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_

The Portfolio Manager acknowledges receipt and understanding of the Investment Guidelines document.

Entity Name: Wells Fargo Bank, N.A.  
 Name of Signer: Eric Chernoff  
 Title: IAA - Portfolio Strategist  
 Signature: [Signature]  
 Date: 2/15/18

ROCHDALE  
INVESTMENT MANAGEMENT

DC  
RECEIVED

SEP 21 2000

September 1, 2000

Ms. Donna G. Speakman  
Finance Director  
Lower Paxton Township  
75 S. Houck Road  
Harrisburg, PA 17109

Re: Managed Account

3TN-031632 - Lower Paxton Township Municipal Police Pension Plan

Dear Ms. Speakman:

On behalf of all of us at Rochdale, it is my pleasure to officially welcome the Lower Paxton Township Municipal Police Pension Plan as a new member of the Rochdale family. We want to thank you for your decision to enter into an investment management relationship with us. We are delighted to have the Plan as a client and we look forward to a lasting association.

As you know, I will be the Plan's portfolio manager - the person responsible for making the day-to-day decisions necessary for fulfilling the Plan's investment objectives in a manner consistent with its tolerance for risk. After reviewing the paperwork you completed to open the account and consulting with you and Fred Rice, I believe I have a good sense of the Plan's objectives and expectations. This letter will summarize the investment policy that Rochdale has come to understand is consistent with your investment objectives and tolerance for risk.

The most important determinant affecting the achievement of your long-term investment objectives is the decision regarding the allocation of your portfolio across several asset classes. The four main asset classes we consider are the following:

- U.S. Large Companies (S&P 500)
- U.S. Medium and Small Companies
- International Large Companies
- Fixed-Income (Bonds)

Two important considerations in the determination of asset class allocations are the rates of return and the degree of downside fluctuation that may be expected from the various asset classes. Listed below are: (1) Rochdale's forecasted average annual rate of return for each asset class, and (2) the degree of downside volatility we think it reasonable to expect the equity categories to experience from time to time.



# ROCHDALE

INVESTMENT MANAGEMENT

<u>Asset Class</u>	<u>Average Annual Return</u>	<u>Downside Fluctuation</u> *
U.S. Large Companies (S&P 500)	10.0%	35%
U.S. Medium & Small Companies	15.0%	50%
International Large Companies	13.5%	40%
Fixed-Income (Bonds)	6.5%	8%

The investment objective you wish to pursue for this account is one we call “Balanced Growth”. This means you are seeking growth of capital through a portfolio that includes a diversified list of common stocks and high-grade fixed-income securities. Your account will have the following allocation:

<u>Asset Class</u>	<u>Portfolio</u>
U.S. Large Companies (S&P 500)	30%
U.S. Medium & Small Companies	5%
International Large Companies	5%
Fixed-Income (Bonds)	60%

*Cash will be held in a money market fund pending investment.*

For the portion allocated to International Large Companies we will purchase shares of our *Atlas Portfolio*, a proprietary mutual fund developed for the benefit of Rochdale's clients, which is invested in a diversified list of large international companies. This will provide a greater degree of diversification and cost efficiency than would be possible with individual securities.

It is understood that, due to fluctuations in prices, deposits and withdrawals, and receipt of dividend and interest income, the values of the various asset classes will vary. The allocations will be continuously monitored and, periodically (at least annually), we will take the necessary steps to see that the value of each asset class remains within an acceptable range of the established targets. These allocations may be revisited whenever your changing personal or financial circumstances suggest that adjustments might be appropriate.

We believe that the success of our efforts can only be judged over the long-term, experiencing a variety of economic and market circumstances. We suggest you view long-term as at least three to five years.

**If you are not comfortable with the above outlined plan, please let me know so we can discuss appropriate refinements.**

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\* Rochdale's forecasted Average Annual Return and Downside Fluctuation are derived from Rochdale's own research and analysis of the asset class return projections of many of Wall Street's leading market research firms. This research and analysis results in annual return forecast within the high and low forecast ranges of that consensus group. The Average Annual Return and Downside Fluctuation are Rochdale's forecasts and are not a representation by Rochdale that they will actually be realized. Equity returns are volatile. Future rates of return and downside volatility may be greater or less than Rochdale's forecast. Your actual returns will vary and loss of principal is a possibility.

**ROCHDALE**  
INVESTMENT MANAGEMENT

Enclosed for your records are the following:

1. Copy of the *Investment Advisory Agreement* that you completed, which I countersigned to signify acceptance of the account by Rochdale Investment Management.
2. Copy of the *Compensation Disclosure* reflecting that Fred Rice will receive a portion of the management fee.
3. *Part II of Form ADV*, which, as registered investment advisers, we have filed with the Securities and Exchange Commission.
4. Copy of the *Fund Prospectus* and *Managed Account Fund Application* that you signed.

We will provide complete reporting on the activity and results in your portfolio. You will receive the following:

- 1) A transaction confirmation each time there is a purchase or sale in your account and a monthly brokerage statement prepared for us by the Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation which we have retained as our "clearing" firm to fulfill all the responsibilities of custody of your assets. It will summarize all activity for the month, e.g. purchases, sales, dividends, interest, splits, etc., and list all holdings (on a "settlement date" basis) with their market values as of the statement date (which may not be the last day of the month).
- 2) During the third week of each new calendar quarter you will receive a set of investment management reports. Included will be:
  - a) A Portfolio Summary that will provide information about the portfolio's asset allocation, reconciliation of assets for the calendar year to date, and time weighted rate of return, net of all fees and expenses.
  - b) A Portfolio Appraisal providing a detailed picture of your portfolio including cost and income data as of the last day of the quarter. (This report will be on a "trade date" basis rather than settlement date as with the monthly brokerage report and may mean that the two reports will not reconcile exactly.)
  - c) A Schedule of Realized Gains and Losses for the calendar year to date.
  - d) An invoice for our investment management services. Please note that these invoices are for your records only and require no action, as according to your instructions, we will automatically collect the funds directly from your account.
- 3) You will also receive copies of our quarterly newsletter, "The Rochdale Report."

**ROCHDALE**  
INVESTMENT MANAGEMENT

In addition, I encourage you to call my associates, Elizabeth Dooley, CFA or Randall McDonald, with any questions or concerns which may arise and to notify us as early as possible regarding anything which may affect the management of your funds, e.g. anticipated substantial withdrawals from the account, a change in your circumstances or investment objectives. Our toll-free number is 1-800-245-9888. You can also e-mail me at [dc@rochdale.com](mailto:dc@rochdale.com), Elizabeth at [eld@rochdale.com](mailto:eld@rochdale.com) or Randall at [rjm@rochdale.com](mailto:rjm@rochdale.com).

Sincerely,



David Coiro  
Senior Portfolio Manager

DC/eld  
Enclosures

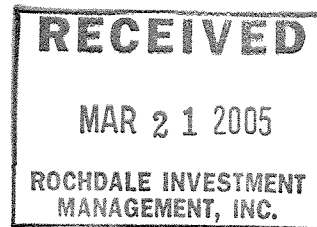
cc: Fred Rice

*As the basis for your portfolio we have set out to understand your investment objectives and risk tolerances as detailed in this engagement letter. Please sign below and return this letter in the self-addressed envelope, or call us to discuss any appropriate modifications in the management of your portfolio. There is an additional copy enclosed for your records.*

X   
Donna G. Speakman



**ROCHDALE**  
INVESTMENT MANAGEMENT



March 9, 2005

Lower Paxton Township Non-Uniformed Pension Plan  
c/o Lower Paxton Township  
425 Prince Street  
Harrisburg, PA 17109

Re: Managed Account

3TN-049337 Lower Paxton Township Non-Uniformed Pension Plan

Dear Ms. Speakman:

On behalf of all of us at Rochdale, it is my pleasure to officially welcome you to the Rochdale family. We want to thank you for your decision to enter into an investment management relationship with us and we look forward to a lasting association.

As your portfolio manager, I am the person responsible for making the day-to-day investment decisions for your Rochdale portfolio. After reviewing the paperwork you completed and consulting with you, I believe I have a good understanding of your investment goals. This letter will summarize the investment policy that Rochdale has come to understand is consistent with your investment objectives and tolerance for risk.

The most important determinant affecting the achievement of your long-term investment objectives is the decision regarding the allocation of your portfolio across several asset classes. The five main asset classes we consider are the following:

- U.S. Large Companies (S&P 500)
- U.S. Medium and Small Companies
- Dividend and Income Companies
- International Companies
- Fixed-Income (Bonds)

Two important considerations in the determination of asset class allocations are the rates of return and the degree of downside fluctuation that may be expected from the various asset classes. Detailed below are: Rochdale's forecasted average annual rate of return for each asset class, and the degree of downside volatility we think it reasonable to expect the equity categories to experience from time to time.

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SAN FRANCISCO



# ROCHDALE

INVESTMENT MANAGEMENT

<u>Asset Class</u>	<u>Average Annual Return</u>	<u>Downside Fluctuation*</u>
U.S. Large Companies (S&P 500)	9 - 10%	-28 - 35%
U.S. Medium & Small Companies	11 - 12%	-35 - 45%
Dividend and Income Companies	8%	-22%
International Companies	12.5%	-30%
Fixed-Income (Bonds)	4%	-10%

As an investor with a moderate investment profile, your main objective for this portfolio is to provide modest capital appreciation and income. You are willing to assume some risk to achieve your objective through a more equal allocation between equities, fixed income or other income producing investments. Your portfolio is intended to provide steady growth while limiting fluctuation to less than that of the overall stock market. Your Rochdale portfolio will have the following allocation:

U.S. Large Companies (S&P 500)	30%	+/- 5%
U.S. Medium and Small Companies	13%	+/- 5%
International Companies	7%	+/- 5%
Dividend and Income Companies	10%	+/- 5%
Fixed-Income	40%	+/- 5%
<i>Cash will be held in a money market fund pending investment.</i>		

For the portion allocated to U.S. Large Companies, we will select from within the S&P 500 approximately fifty-five large cap companies. Similarly for the portion allocated to U.S. Medium and Small Companies, we will select approximately forty stocks that are not within the S&P 500, as well as purchase shares of our *Mid/Small Growth* and *Mid/Small Value Portfolios*, proprietary mutual funds which hold a diversified list of medium and small domestic companies. For the portion allocated to Dividend and Income Companies, we will select approximately 15 to 25 securities including Real Estate Investment Trusts (REITs), exchange traded pipeline master limited partnerships, regional banks and food/staple companies that display moderate volatility characteristics and above average dividends. For the portion allocated to International Companies we will purchase shares of our *Atlas Portfolio*, a proprietary mutual fund which is invested in a diversified list of international companies. For the portion allocated to Fixed Income we will purchase a diversified list of investment-grade fixed-income securities. We utilize the Rochdale mutual funds when we

\* Rochdale's forecasted Average Annual Return and Downside Fluctuation are derived from Rochdale's own research and analysis of the asset class return projections of many of Wall Street's leading market research firms. This research and analysis results in annual return forecast within the high and low forecast ranges of that consensus group. The Average Annual Return and Downside Fluctuation are Rochdale's forecasts for a particular asset class and not any individual security. They are not a representation by Rochdale that they will actually be realized. Equity returns are volatile. Future rates of return and downside volatility may be greater or less than Rochdale's forecast. Your actual returns will vary and loss of principal is a possibility.



## ROCHDALE

INVESTMENT MANAGEMENT

believe that, based on the attributes of an individual's portfolio, they can provide a greater degree of diversification than would be possible with individual securities in a given asset class. A current prospectus for all of the Rochdale mutual funds is available upon request.

It is understood that, due to fluctuations in prices, deposits and withdrawals, and receipt of dividend and interest income, the values of the various asset classes will vary. The allocations will be continuously monitored and, periodically (at least annually), we will take what we believe are the necessary steps to see that the percentage allocated to each asset class remains within an acceptable range of the established targets. These allocations may be revisited whenever your changing personal or financial circumstances suggest that adjustments might be appropriate.

We believe that the success of our efforts can only be judged over the long-term, experiencing a variety of economic and market circumstances. We suggest you view long-term as at least three to five years.

If you have access to the Internet, please visit [www.rochdale.com](http://www.rochdale.com). Your user username is **lowerpax** and your initial password is **Cu5wckNp**. If you would like a personal tour of the website or have any questions on its use please call David Kessler at 1-800-245-9888.

In addition, I encourage you to call my associates, Elizabeth Dooley, CFA or David Kessler, with any questions or concerns which may arise and to notify us as early as possible regarding anything which may affect the management of your funds, e.g. anticipated substantial withdrawals from the account, a change in your circumstances or investment objectives. Our toll-free number is 1-800-245-9888. You can also email me at [dc@rochdale.com](mailto:dc@rochdale.com), Elizabeth at [eld@rochdale.com](mailto:eld@rochdale.com) or David at [dmk@rochdale.com](mailto:dmk@rochdale.com).

Sincerely,

David Coiro *ELD*

David Coiro  
Senior Portfolio Manager

DC/ber  
Enclosures: New Account Paperwork



## ROCHDALE

INVESTMENT MANAGEMENT

*As the basis for your portfolio we have set out to understand your investment objectives and risk tolerances as detailed in this engagement letter. Please sign below and return this letter in the self-addressed envelope, or call us to discuss any appropriate modifications in the management of your portfolio. There is an additional copy enclosed for your records.*

*Donna G. Speakman*  
\_\_\_\_\_  
Ms. Donna G. Speakman

IMAGE DOCUMENT  
 Acct # 25630800  
 Doc # 65  
 Doc Date 2/1/18  
 Notes \_\_\_\_\_  
**INVESTMENT GUIDELINES**

## Investment Guidelines

Effective Date	<u>January 2, 2018</u>
Client/Employer Name ("Client")	<u>Lower Paxton Township</u>
Account/Plan Name	<u>Lower Paxton Township LOSAP</u>
Wells Fargo Account Number(s)	<u>25630800</u>

### Purpose

This document for **Lower Paxton Township Length of Service Awards Program (LOSAP)**, establishes the guideline for the investment of the portfolio's assets. Wells Fargo will not provide discretionary investment services and will place any cash in the Account into an authorized cash investment until Wells Fargo receives all required documentation including these signed Investment Guidelines.

This Guideline should be reviewed periodically and revisions should be made as necessary to reflect changes in circumstances or objectives. All revisions must be made in writing and distributed to the appropriate parties on a timely basis.

### Investment Objective

The investment objective for this account is to realize an annual total investment return consistent with the level of risk undertaken by the account. Please indicate the investment objective below.

#### Balanced Growth

Emphasis is on long-term potential capital appreciation with some consideration for current income. Investments are primarily in equity securities and other asset classes with growth as the primary objective. Fixed Income securities are utilized for risk management. This objective can be considered for investors with above-average risk tolerances for principal volatility and intermediate to longer term time horizons.

### Investment Strategy

Wells Fargo will establish strategic target allocation percentages among the asset classes that are suitable for the investment objective selected. The account will be reviewed periodically to ensure that the actual percentages in each asset class are within the allocation ranges for the selected objective. Cash flow and differing investment performance of each investment within the selected investment objective may affect the actual proportions of each asset class. If the actual proportions are not within the allocation ranges at the time of the periodic account review, the account will be rebalanced to reflect the specified target.

### Asset Allocation Strategy

After consideration of the Client's investment objective and portfolio specifications, the portfolio allocation will be



## Portfolio

Asset Class	Strategic Target	Minimum %	Maximum %	Asset Class Benchmark Index
Equity				
Domestic Large Cap	12.60%	11.00%	14.20%	S&P 500 Index
Domestic Large Value	9.60%	8.40%	10.80%	Russell 1000 Value Index
Domestic Large Growth	9.60%	8.40%	10.80%	Russell 1000 Growth Index
Domestic Mid Cap	8.40%	7.30%	9.50%	S&P Midcap 400 Index
Domestic Small Cap	4.80%	4.20%	5.40%	Russell 2000 Index
International Equity	15%	13.20%	16.80%	MSCI ACWI ex U.S. Index
Balanced				
Intermediate Core Bond	37%	32%	42%	Bloomberg Barclays U.S. Aggregate Bond Index
Cash				

<sup>1</sup> The Client will advise the Manager when liquidity for distributions and expenses are necessary. The Manager will provide sufficient liquidity to meet distributions and expenses of the Account.

All trading activity to rebalance the account and/or invest cash will be processed as soon as administratively feasible dependent on circumstances such as completion of documentation, availability of cash or fund manager pre-notification requirements. The Strategic Target weightings may differ from the actual allocation in the account.

## Diversification

The Manager shall maintain a diversified Portfolio consistent with the governing account documents, this Investment Guideline and applicable law at all times.

## Portfolio Performance and Review

1. Performance of the Portfolio will be monitored, measured, and evaluated over a market cycle with quarterly investment statements provided.
  - a. Performance will be measured against an appropriate Asset Class Benchmark Index.
  - b. The total Portfolio Benchmark is constructed using the weightings of the Asset Class Benchmark Indexes as determined by the Strategic Target weightings.
  - c. If an Asset Class Benchmark Index changes or there is a change to Strategic Target weightings, Wells Fargo will disclose the change(s) in quarterly reports.
  - d. Individual client Portfolio performance may vary from that of the Portfolio Benchmark.
2. Portfolio reviews with the Committee will be held at least annually and sufficiently after the close of the plan year to have performance measurement results available for review.

The undersigned hereby certify:

- They are a qualified representative of the account and are authorized to make this certification.
- They accept the terms indicated above with regard to Purpose, Investment Objective, Investment Strategy, Asset Allocation Strategy, Diversification, and Portfolio Performance and Review, including, but not limited to, any Benchmark or Strategic Target weightings change.
- The Investment Guidelines document has been approved by the client's appropriate committee or authorized signer(s).

Client Name: Lower Paxton Township  
 Name of Signer: Alycia Knott  
 Title: Finance Manager  
 Signature: [Signature]  
 Date: 2/1/18

Client Name: \_\_\_\_\_  
 Name of Signer: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Signature: \_\_\_\_\_  
 Date: \_\_\_\_\_

The Portfolio Manager acknowledges receipt and understanding of the Investment Guidelines document.

Entity Name: Wells Fargo Bank, N.A.  
 Name of Signer: Eric Chernoff  
 Title: IAA - Portfolio Strategist  
 Signature: [Signature]  
 Date: 2/15/18