Statement of Investment Policy, Objectives, and Guidelines
Maryland Association of Counties
Pooled OPEB Trust

GENERAL INFORMATION

The Maryland Association of Counties Pooled OPEB Trust (the "Trust") is an "Other Post-Employment Benefits" membership trust established to help local governments invest current funds toward future obligations for retiree health insurance, a.k.a. "other post-employment benefits." Recent accounting rule changes have highlighted these liabilities on government balance sheets, and many counties are amidst plans to save toward these future costs.

Investing through an entity like the MACo Pooled OPEB Trust offers governments an opportunity under state law to invest funds in a manner suitable for longer term assets, and outside the laws generally governing "public funds." The Trust arrangement ensures that the funds may not be extracted for purposes other than the intended benefits, making that distinction clear. The trust shall be invested consistent with Section 17-102 of the Local Government Article of the Annotated Code of Maryland, as amended from time to time.

SCOPE OF INVESTMENT POLICY

This statement of investment policy reflects the investment policy, objectives, and constraints of the Trust.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

The Trustees of the Trust have adopted this statement of investment policy 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 Trust assets.

3. Offer guidance and limitations to all Investment Managers (hereinafter defined) regarding the investment of Trust assets.

4. Establish a basis for evaluating investment results.

5. Ensure that Trust assets are managed prudently.

6. Establish the relevant Investment Horizon (hereinafter defined) for which Trust assets will be managed.

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

DEFINITIONS

1. "Trust" means the Maryland Association of Counties Pooled OPEB Trust (the "Trust").

2. "Trustees" means the board of trustees established to administer the Trust as specified by the Trust's governing documents.

3. "Fiduciary" means any individual or group of individuals as defined in ERISA, section 3(21)(a).

4. "Investment Manager" means any individual or group of individuals employed to manage the investments of all or part of the Trust assets.

5. "Investment Consultant" means any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

6. "Securities" means the marketable investment securities that are defined as acceptable in this statement.

7. "Investment Horizon" means the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for the Trust is greater than 15 years representing multiple market cycles.

ASSIGNMENT OF DUTIES

The Trustees of the Trust are fiduciaries, and, as such, are responsible for the investment of Trust assets. The Trustees are authorized to rely on professional experts in various fields and for purposes of investing Trust assets, the Trustees will rely on the following:

1. Investment Consultant. The consultant shall assist the Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.

2. Investment Managers. The Investment Managers have discretion to purchase, sell, or hold the specific securities within the Trust's stated investment parameters.

3. Custodian. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following

purchases and sales. The Custodian shall also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Trust accounts.

Additional specialists such as attorneys, auditors, actuaries, and others may be contracted by the Trustees to assist in meeting their responsibilities and obligations to administer Trust assets prudently.

While the Trustees retain control over general investment philosophy and guidelines, the Trustees will not reserve control over day-to-day investment decisions, with the exception of specific limitations described in these statements.

If professional experts employed by the Trust are Fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Trust as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

Responsibilities of the Trustees

The Trustees are charged with the responsibility for the management of the assets of the Trust. The Trustees shall discharge their duties solely in the interest of the Trust, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The specific responsibilities of the Trustees relating to the investment management of Trust assets include:

1. Determining the Trust's risk tolerance and Investment Horizon, and communicating these to the appropriate parties.

2. Establishing reasonable and consistent investment principles, objectives, policies and goals, which will direct the investment of the Trust's assets.

The Trustees are charged with the responsibility for overseeing management of Trust assets. The Trustees is entitled to rely upon the advice offered by the Investment Consultant and Investment Managers contracted by the Trust. The Trustees are authorized to make specific investment decisions as necessary. Specific responsibilities of the Trustees include, but are not limited to:

1. Adhering to guidelines set forth herein.

2. Projecting the Trust's financial needs, and communicating such needs to the Investment Consultants, Investment Managers and other relevant parties on a timely basis.

3. Prudently and diligently selecting or changing qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).

4. Regularly evaluating the performance of the Investment Manager(s) and Investment Consultant(s) to assure adherence to policies, principles, objectives and goals, herein stated and monitoring investment objective progress.

5. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with established guidelines.

6. Holding regular meetings, not less than annually.

7. Taking reasonable and prudent action necessary to protect assets of the Trust.

Responsibility of the Investment Consultant(s)

The Investment Consultant's role is that of a non-discretionary advisor to the Trustees. Investment advice concerning the investment management of Trust assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy, objectives, guidelines and standards including the Trust's risk tolerance.

2. Conducting Investment Manager(s) searches when requested by the Trustees.

3. Providing "due diligence", or research, on the Investment Manager(s).

4. Monitoring the performance of the Investment Manager(s) to provide the Trustees with the ability to determine the progress toward the investment objectives, including recommendations to terminate or rebalance relationships, and quarterly reports critiquing the performance of the Investment Managers compared to chosen indexes.

5. Communicating matters of policy, Investment Manager Research, and Investment Manager performance to the Trustees.

6. Reviewing Trust investment history, market performance and the contents of this investment policy statement with any newly appointed Trustees.

Responsibilities of the Investment Manager(s)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all principles, policies, guidelines, objectives, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

2. Reporting, on a timely basis, quarterly investment performance results.

3. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Trust's investment management.

4. Informing the Trustees regarding any qualitative change to investment management organization: examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

5. Voting proxies on behalf of the Trust and communicating such voting records to the Trustees on a timely basis.

Notwithstanding the foregoing to the contrary, in the event that the Trustees direct the investment of all or a portion of the Trust assets in a pooled investment vehicle such as mutual fund or a collective investment fund, or an exchange traded fund, the Investment Manager for such fund will only be obligated to acquire and maintain units in the fund in accordance with the Trustee's direction and to manage such fund as provided in the governing prospectus, trust agreement or other relevant documents. Any such Investment Manager will have no duty to question any such direction of the trustees, or to make any suggestions to the trustees as to the investment or reinvestment of such Trust assets, and will not be subject to the specific responsibilities provided in paragraphs 1 through 5 hereinabove, nor the investment guidelines hereinafter set forth.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the members of the Trust and for the exclusive purpose of providing benefits to such members and defraying the reasonable expenses of administration.

2. The Trust assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a Trust of like character and with like aims.

3. Assets of the Trust will be invested so as to minimize the risk of large losses.

4. The Trustees may employ one or more Investment Managers of varying styles and philosophies to attain the Trust's objectives.

Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and/or return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Assets - Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve assets, 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 Trustees recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives. However, the Investment Managers are to make reasonable efforts to control risk and will be evaluated and regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherences to Investment Discipline – Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated regularly for adherence to investment discipline.

4. Liquidity – Maintain liquidity sufficient enough to pay benefit and expense obligations when due.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Trust is to emphasize total return; that is the aggregate return from realized and unrealized gains, dividend and interest income.

Specifically, the primary objective in the investment management for Trust assets will be:

1. Growth of Principal – To emphasize growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

The secondary objective in the investment management of Trust assets will be:

2. Liquidity – To ensure the ability to meet all expected or unexpected cash flow needs by investing in securities that can be sold readily and efficiently.

SPECIFIC INVESTMENT GOALS

Over the Investment Horizon established in this statement, it is the goal of the aggregate Trust assets to meet or exceed the return of a blended market index comprised of cash, equities, and fixed income as illustrated in Appendix A of this document. This blended market index may be updated from time to time at the discretion of the Trustees.

VOLATILITY OF RETURNS

The Trustees understand that in order to achieve their objectives for Trust assets, the Trust will experience volatility of returns and fluctuations of market value. They state that the Trust could tolerate of maximum loss of 15% over any one-year period and a maximum loss of 0% over the Investment Horizon. Therefore, the Trustees support an investment strategy that minimizes the probability of losses greater than those stated above. However, they realize that the Trust's return objective is their primary concern. There is, of course, no guarantee that the Trust will not sustain losses greater than those stated herein.

MARKETABILITY OF ASSETS

The Trustees require that all of Trust assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market price.

INVESTMENT GUIDELINES

A. Allowable Assets

1. Cash Equivalents
    - Treasury Bills
    - Money Market Funds
    - STIF Funds
    - Commercial Paper
    - Banker's Acceptances
    - Repurchase Agreements
    - Certificates of Deposit

2. Fixed Income Securities
    - U.S. Government and Agency Securities
    - Corporate Notes and Bonds
    - Mortgage Backed Bonds
    - Preferred Stock
    - Fixed Income Securities of Foreign Governments and Corporations
    - Collateralized Mortgage Obligations

3. Equity Securities
    - Common Stocks
    - Real Estate Investment Trusts (REITs)
    - Convertible Notes and Bonds
    - Convertible Preferred Stocks

- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)

4. Mutual Funds and “Traditional” Exchange Traded Products

5. Other Assets
   - GIC's
   - Limited Partnerships
   - Real Estate Investments

Stock Exchanges

The Trustees requires that all of Trust assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market price. To ensure marketability and liquidity, Investment Managers will execute equity transactions through the major exchanges such as the New York Stock Exchange and NASDAQ over-the-counter markets.

Prohibited Assets
Prohibited investments include, but are not limited to the following:

1. Commodities
2. Private Placements
3. Options
4. Letter Stock
5. Direct Real Estate
6. Speculative Securities
7. “Non-Traditional” Exchange Traded Products

Investments not specifically addressed by this statement are forbidden without the Trustees’ written consent.

Prohibited Transactions
Prohibited transactions include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

Asset Allocation Guidelines
Investment management of the assets of the Trust shall be in accordance with the following asset allocation guidelines:

Aggregate Trust Asset Allocation Guidelines (at market value):

Asset Class	Minimum	Maximum	Target
Equities	50%	70%	60%
Fixed Income	30%	50%	40%
Cash and Equivalents	0%	10%	0%

All above allocations will be reviewed regularly by the Trustees.

Guidelines for Core Fixed Income Investments and Cash Equivalents

1. Trust assets may be invested only in investment grade bonds with minimum rating of Baa3 by Moody's / BBB- by S&P. This restriction does not apply to the high-yield fixed income allocation.

2. The duration of the portfolio should be within +/- .5 years of the Barclays Capital Aggregate Bond Index ("the Index").

3. As a general diversification requirement, the weighting of any one industry or sector should not exceed 125% of its weighting in the Index. In the event an industry or sector accounts for less than 3% of the Index, this limitation shall be relaxed to 150%. This limitation shall not apply to securities issued by the United States Government or its agencies.

4. As a general diversification requirement, the securities of any one issuer should account for no more than 5% at purchase value of the total portfolio at purchase. This limitation shall not apply to securities issued by the United States Government or its agencies.

5. As a rule, accumulated asset value losses should never exceed more than 20% in any single fixed income security due to declining securities markets. In the event the Investment Manager deems it advisable to retain a position within the account that is in violation of the preceding sentence than it shall promptly present the reason why to the Investment Consultant and to the Trustees and request authorization. Promptly for purposes of the IPS shall mean within one week.

6. If an instrument is downgraded after purchase to a rating or ratings which are below the acceptable ratings set forth above, the investment may continue to be held in the portfolio for a reasonable period of time until the Investment Manager in its discretion determines that such investment can be liquidated in a commercially reasonable manner after taking into account the current market conditions and other relevant factors. The Investment Manager shall promptly notify the Investment Consultant and the Trustees of any investments that are downgraded below acceptable ratings and will detail its plan to liquidate said investment in a commercially reasonable manner.

7. Trust holdings of commercial paper shall have a minimum rating P1 Moody's or A1 S&P. The commercial paper will not exceed 5% of the total investments.

8. 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.

Guidelines for High Yield Fixed Income

1. Certain Trust assets may be invested with an Investment Manager who invests in lower rated fixed income debt securities.

2. The Fixed Income restrictions for this category are as follows:

    - Minimum rating of B3 by Moody's or B- by S &P.
    - No non-rated securities
    - Assets must be sufficiently diversified as no single investment represents more than 5 % of portfolio assets at cost value.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Trustees intend to evaluate the portfolio(s) over at least one full investment cycle, but reserves the right to terminate an Investment Manager for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

If at any time the Investment Manager feels that the objectives of these guidelines cannot be met, or the guidelines constrict performance, the Investment Consultant and the Trustees should so be notified in writing.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and market expectations as established in this statement of investment policy, the Trustees plan to regularly review the investment policy.

This statement of Investment Policy Objectives and Guidelines is adopted on _______________ by vote of the Trustees of the Trust.

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Date

Appendix A

Historical Primary Policy Changes

6/1/15 – Present

Percentage	Index
35.20%	Barclays Capital Aggregate Bond Index
22.30%	S&P 500 Index
15.00%	MSCI EAFE (Net)
8.00%	Russell 2000 Index
6.50%	CRSP US Mid Cap Index
5.00%	MSCI Emerging Markets (Net)
5.00%	Barclays US Corp High Yield 2% Issuer Capped Index
3.00%	MSCI US REIT Index