The Borough of Chambersburg Municipal Pension Funds

Investment Policy Statement

Plan Summary Information

Plan Name:	Borough of Chambersburg Retirement Plan for Full-Time Bargaining and Administrative Employees
Type of Plan:	Act 205
Employer EIN#:	23-6002979
Plan Adoption Date:	July 1, 1960
Plan Year-End Date:	December 31
Plan Name:	Borough of Chambersburg Retirement Plan for Members of the Police Force
Type of Plan:	Act 205
Employer EIN#:	23-6002979
Plan Adoption Date:	August 1, 1968
Plan Year-End Date:	December 31
Plan Name:	Borough of Chambersburg Retirement Plan for Paid Firemen
Type of Plan:	Act 205
Employer EIN#:	23-6002979
Plan Adoption Date:	July 1, 1960
Plan Year-End Date:	December 31

Purpose of the Investment Policy Statement

This Investment Policy Statement is intended to assist the Plan's Investment Committee in ensuring that they make investment-related decisions in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring, and evaluation of the investments and investment advisors utilized by the Plan. Specifically, this Investment Policy Statement:

- Defines both investment and plan objectives.
- Defines the roles of those responsible for the Plan's investments.
- Describes the criteria and procedures for selecting investments, strategic asset allocation and investment advisors.
- Establishes investment procedures, measurement standards and monitoring procedures.
- Describes ways to address investments and investment advisors that fail to satisfy established objectives.

This Investment Policy Statement will be reviewed at least annually, and, if appropriate, can be amended to reflect changes in the capital markets or other factors relevant to the Plan.

Investment Objectives

The primary investment objectives include:

- Select investments that offer competitive returns based on risk level.
- Achieve a long-term rate of return, in excess of the annualized inflation rate.
- Control administrative and management costs.
- Maintenance of sufficient liquidity to pay monthly retirement benefits.

Plan Objectives

The primary Plan objectives include:

- Attract and retain high quality employees.
- Provide participants with the opportunity to supplement their retirement income.

The Plan Sponsor established the Plan to provide employees with a vehicle to accumulate assets to fund retirement and other financial needs. It is intended to be operated in accordance with all applicable federal laws and regulations, including the Internal Revenue Code of 1986, as amended.

Roles and Responsibilities

Those responsible for the administration of the Plan's investments include, but are not limited to:

Investment Committee:	The Borough of Chambersburg Pension Committee (717) 264-5151 100 South Second St. Chambersburg, PA 17201
Trustee:	Town Council of the Borough of Chambersburg (717) 264-5151 100 South Second St. Chambersburg, PA 17201
Custodians:	The Vanguard Group, Inc. 455 Devon Park Drive Wayne, PA 19087-1815 Dimensional Fund Advisors, Inc. 12300 Wilshire Blvd. Los Angeles, CA 90025
Investment Advisor:	**Conrad Siegel** *Investment Advisors, Inc.* (717) 652-5633 501 Corporate Circle P.O. Box 5900 Harrisburg, PA 17110-0900

The Plan Sponsor is responsible for selecting the trustee; hiring the investment advisor; and appointing the Investment Officer/Investment Committee. The Investment Committee is responsible for:

- Establishing and maintaining the Investment Policy Statement.
- Evaluating the Plan's investment performance and recommending investment changes.
- Reviewing all costs associated with the management of the Plan's investment program including: expense ratios of each investment option, custody fees, and investment advisory fees.

The trustee is responsible for holding and investing plan assets in accordance with the terms of the Trust Agreement.

The custodian is responsible for the safekeeping of Plan assets.

The investment advisor is responsible for making reasonable investment recommendations consistent with the stated approach of the Plan, and reporting investment results to the Investment Committee on a quarterly basis.

Selection of Investment Advisor

The Trustee will be responsible for the selection of one or more investment advisors (hereafter, an Investment Advisor.) Each Investment Advisor must meet certain minimum criteria:

1. It should be a bank or trust company, insurance company or an investment adviser registered under the (a) Investment Advisers Act of 1940, or (b) state law of the state where the Plan has been adopted and has filed the appropriate documentation with the United States Department of Labor.
2. It should be operating in good standing with regulators and clients, with no material pending or concluded legal actions.

Selection of Investments

The selection of investments offered under the Plan is among the Investment Committee's most important responsibilities. The Plan will maintain a core passive approach. The guidelines for the selection of these passively managed funds are as follows:

- Fund Net Assets $100,000,000 or greater
- Overall expense ratio less than or equal to 1.0%
- No front end or back end sales charges
- Manager tenure 2 years or more taking into consideration the management team as a whole
- Fixed Income Funds
    - Average maturity less than 15 years
    - Average duration less than 10 years
    - Average Morningstar credit quality A or higher

Prohibited Investments

Funds in which the Plan invests shall engage in no more than, the lesser of statutory limits or 50% of the fund, in the following:

- Options or futures contracts;
- Non-marketable securities;
- Un-registered securities;
- Derivatives;
- Private placements;
- Real Estate (excluding diversified REIT mutual funds)
- Short selling or the purchase of securities on margin;
- Commodities;
- Oil, gas, timber, or natural resource properties or other mineral rights;
- Warrants;
- Venture capital;
- Securities lending.

Asset Allocation

The strategic asset allocation will be as follows:

Asset Class	% of Market Value of Portfolio
Money Market	5%
Fixed Income	30%
Large Cap Equity	28%
Mid Cap Equity	9%
Small Cap Equity	9%
International Equity	13%
Emerging Markets Equity	3%
Real Estate	2%
Global Real Estate	1%

Variance from strategic asset allocation should not exceed +/- 5%.

Rebalancing

On a quarterly basis, the asset allocation of the portfolio will be reviewed in conjunction with the strategic asset allocation.

Investment Monitoring and Reporting

The on-going monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain so and that the investment continues to be a prudent investment. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

The Investment Advisor will periodically monitor and address the criteria used in the investment selection process. It is possible that for a short period of time a recommended investment may fall outside of the range of the investment guidelines. This investment will be scrutinized closely to determine the reason for fluctuation, the amount of divergence, and the time period that is anticipated the investment will remain at levels outside of the guidelines. Any exception to the investment guidelines will be properly documented. It is anticipated that any exceptions will be relayed to the Investment Committee via a quarterly investment newsletter.

The Investment Advisor will submit the quarterly investment newsletter to the Investment Committee. This report will highlight the investment guidelines set forth in this Investment Policy Statement. Any exception to the investment guidelines and a recommended course of action will also be addressed in this report. The Investment Committee will review the investment newsletter in a timely manner. The Investment Committee, on a quarterly basis, will evaluate each investment in terms of its performance compared to relevant market indices and peer groups over trailing three-, five-, and ten-year periods. Greater weight will be given to five- and ten-year performance, since longer-term market cycles are more meaningful. Investments consistently under-performing in terms of risk and return will be carefully scrutinized to determine if action is warranted. Both the Investment Advisor and the Investment Committee will maintain a copy of the investment newsletter for their files.

Benchmark Indices

The benchmark indices that will be used in reviewing and monitoring the investment performance of the investments are as follows:

Asset Class	Benchmark Indices
Money Market	Barclays Capital U.S. Treasury Bills Index
Fixed Income	Barclays Capital 1-5 Year U.S. Treasury Index
	Barclays Capital GNMA Index
	Barclays Capital U.S. Government Bond Index
Large Cap Equity	S&P 500 Index
	MSCI U.S. Prime Market Value Index
Mid Cap Equity	MSCI U.S. Mid Cap Value Index
Small Cap Equity	Russell 2000 Value Index
International Equity	MSCI EAFE Value Index
	MSCI EAFE Small Cap Index
Emerging Markets Equity	MSCI Emerging Markets Index
Real Estate	DJ U.S. Select REIT Index
Global Real Estate	S&P Global Ex. U.S. REIT Index

Investment Advisor Termination

An Investment Advisor should be terminated when the Trustee has lost confidence in the Investment Advisor's ability to

1. Continuously provide investment recommendations that achieve performance and risk objectives,
2. Continuously provide investment recommendations that comply with investment guidelines,
3. Comply with reporting requirements, or
4. Maintain a stable organization and retain key relevant investment professionals.

Other than intentional misconduct and gross negligence in performing its duties, there are no bright-line rules for termination. However if the Investment Advisor has consistently failed to adhere to one or more of the above conditions, it is reasonable to presume a lack of adherence going forward. Failure to remedy the circumstances of unsatisfactory performance by the Investment Advisor, within a reasonable time, shall be grounds for termination.

Any recommendation to terminate an Investment Advisor will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. Considerable judgment must be exercised in the termination decision process.

When an Investment Advisor is being terminated, the Investment Advisor shall be:

1. Notified in writing and the Trustee shall appoint a replacement Investment Advisor to provide investment advice regarding the Plan assets.

Coordination With the Plan Document

Notwithstanding the foregoing, if any term or condition of this Investment Policy Statement conflicts with any term or condition in the Plan, the terms and conditions of the Plan shall control.

This Investment Policy Statement shall remain in effect until revised or amended.

Investment Committee

2-24-10

Date

I, the duly authorized representative of the below named investment advisor, do hereby acknowledge receipt of this Investment Policy Statement and agree that any and all investment advice provided to the Investment Committee will be made based on and in accordance with this Investment Policy Statement.

Tara L. Mashack-Behney, CFP®
Conrad Siegel *Investment Advisors, Inc.*

3/1/10

Date