JOINT GENERAL EMPLOYEE PENSION PLAN BOARD OF TRUSTEES, POLICE PENSION PLAN - RETIREMENT COMMITTEE, AND OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

A Joint Meeting of the General Employee Pension Plan Board of Trustees, Police Pension Plan - Retirement Committee, and Other Post-Employment Benefits (OPEB) Board was held on August 11, 2016, at 9:04 a.m. with Mrs. Tieman, Chair of the General Employee Pension Plan Board of Trustees presiding. Members present were Mr. Hosfelt (departed at 9:45 a.m.), Mr. Gedney, Mr. Mullaney (departed at 9:45 a.m.), Mr. Stallings (departed at 9:44 a.m.), Mr. Koenig, Chief Bernat (departed at 9:45 a.m.), and Mrs. Mitchell. Mr. Anderson, Mr. Cole, Mr. Lewis, Mrs. Mullaney, Mr. Sigler, and Mrs. Hawkins were absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was approved as presented.

ADOPTION OF MINUTES - JOINT CIVILIAN/POLICE PENSION AND OPEB BOARDS MEETING - APRIL 28, 2016

Mr. Mullaney moved for adoption of the minutes of the Joint Civilian/Police Pension and OPEB Boards Meeting of April 28, 2016. The motion was seconded by Mr. Hosfelt and unanimously carried.

Organizational Issues - Election of Chairs

Mr. Koenig moved to open the floor for nominations for the election of chairs. The motion was seconded by Mrs. Mitchell and unanimously carried.

Mrs. Mitchell moved to nominate Ms. Tieman to serve as Chair of the General Employee Pension Plan Board of Trustees. The motion was seconded by Mr. Koenig and carried by a unanimous roll call vote (Mr. Anderson, Mr. Lewis, and Mrs. Mullaney absent).

Mr. Stallings moved to nominate Mr. Mullaney to serve as Chair of the Police Pension Plan - Retirement Committee. The motion was seconded by Chief Bernat and carried by a unanimous roll call vote (Mr. Anderson, Mr. Lewis, and Mr. Sigler absent).

Mrs. Mitchell moved to nominate Mr. Koenig to serve as Chair of the OPEB Board. The motion was seconded by Mr. Hosfelt and carried by a unanimous roll call vote (Mr. Cole and Mrs. Hawkins absent).

By unanimous consent, members closed the floor for nominations for the election of chairs.

General Employee Pension Plan Board of Trustees

By unanimous consent, Ms. Tieman was elected to serve as Chair of the General Employee Pension Plan Board of Trustees.

Police Pension Plan - Retirement Committee

By unanimous consent, Mr. Mullaney was elected to serve as Chair of the Police Pension Plan - Retirement Committee.

OPEB Board

By unanimous consent, Mr. Koenig was elected to serve as Chair of the OPEB Board.

Quarterly Performance Reviews (Quarter Ending June 30, 2016) *(Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the market conditions related to the investments held in the General Employee Pension Plan, Police Pension Plan, and Other Post-Employment Benefits (OPEB) Plan. Referring to Page 3, Market Indices - 2nd Quarter 2016, of the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2016 included in each of the reports for General Employee Pension, Police Pension, and OPEB Plans, he informed members that the economic news within the U.S. was generally good, unemployment was down, and gross domestic product and company earnings were doing well. Mr. Marzinsky explained that the United Kingdom's decision to leave the European Union, known as Brexit, had caused a lot of volatility in the markets. He noted that as the vote started to come in at 3:00 a.m. or 4:00 a.m. in the morning on that Friday, futures in the U.S. markets were down 3% to 4%. Mr. Marzinsky explained that when the markets finally opened on Friday, they were down 3%, and were down another 3% on the following Monday; however, there had been a rebound. He advised that, in spite of this volatility, the quarterly returns were relatively good, with positive equity returns in the U.S. Mr. Marzinsky stated that the Europe Australasia Far East Index (EAFE) had a negative return, driven by what happened in the U.K. Although there were some negative returns internationally, emerging markets, including Brazil, Russia, China, and other smaller developing markets, had positive returns. Mr. Marzinsky stated that equity markets had been positive, which had been good for equity investments, as well as declining interest rates. He reminded members that the Federal Reserve made an adjustment to interest rates late last year, and there were thoughts that they would continue to do this, as they had in 2006 when they made quick, successive adjustments to interest rates. Mr. Marzinsky stated that this did not occur because of unease caused by the initial perception that the U.K. was going to vote to move out of the European Union. He noted that the declining interest rates caused good returns for bonds, so there were good returns throughout for a diversified portfolio, since fixed income and equity investments both did well.

Looking forward, Mr. Marzinsky stated that there was a good jobs report, and the U.S. economy was going well. He stated that the Federal Reserve had been hinting that they were watching things globally. Mr. Marzinsky reminded members that the economic world was becoming more interconnected, and events outside the U.S. can affect the U.S. market overnight. He felt that the Federal Reserve would hold back on interest rate adjustments. Although Mr. Marzinsky indicated that they may make a change within the next couple of months, he believed it would be a small, token adjustment like the one that was made last December.

General Employee Pension Plan

Referring to Page 1 of the Board Meeting Notes for the City of Dover Employees' Pension Plan - Board, Mr. Marzinsky reminded members that accounting data is provided by Wells Fargo, who holds the assets of the plans. He stated that returns for the quarter were positive, in spite of volatility at the end of June, and there were good economic markets in the U.S. that caused fixed income to increase. Equity markets were also good, so there was a positive return for the plan. In regard to the asset allocation for the plan, Mr. Marzinsky explained that funds are rebalanced to target elections

quarterly or when contributions are made to the plan. He indicated that the plan had approximately $35M in assets at the end of the quarter.

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2016 for the General Employee Pension Plan. Referring to Page 9 - Asset Allocation, Mr. Marzinsky advised that there were target investment allocations by asset category, and the investment managers fall into each of the categories. He indicated that there were fixed income and equity investments and the portfolio is rebalanced periodically to the targets to keep the portfolio in sync with expectations of return and risk.

Referring to Page 10 - Investment Policy Review - Active Management, Mr. Marzinsky stated that this scorecard examined some of the underlying statistics of the individual active investment managers within the plan and compared their ranks to other funds in their categories. He explained that the return rank showed how well managers compared to their peers. Mr. Marzinsky noted that a low number is very good, with zero (0) being the best ranking, which the Columbia Strategic Income Y Fund had achieved. He noted that 99 is the worst possible ranking and that some modest underperformance had been seen in the Ivy High Income I Fund over the last year-and-a-half. Mr. Marzinsky assured members that Milliman had been watching this fund for all three (3) of the plans and would continue to do so for at least another quarter. He stated that a bounceback was seen in this fund during the quarter ending June 30, 2016, and he wanted to see if that trend would continue before replacing it. Mr. Marzinsky felt that the other funds ranked well, with most funds ranking in the top half and some near the top percent. He noted that the Vanguard Equity Income Fund ranked in the top 6% over three (3) years and in the top 4% over five (5) years, so there were very good managers in the portfolio.

Referring to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky stated that these index funds were designed to follow a market and include investments in short-term bond markets, intermediate-term bond markets, and some equity markets. He advised that this beta, or market exposure, is the baseline for the plan. Mr. Marzinsky explained that the managers listed under Active Management are known as alpha and are designed to generate a return in excess of the beta. Mr. Marzinsky explained that what is desired is a beta of 1.0, or very close to that, and a low tracking error. He noted that there were no major anomalies with the index funds. Mr. Marzinsky indicated that a low expense ratio was also desired for index funds, and there were no major issues with the plan's index managers.

In reference to Page 12 - Investment Option Return Summary, Mr. Marzinsky noted a return of approximately 2.6% for the quarter and approximately 5% year to date. He stated that volatility in the markets last year had caused the fund's return to decrease, but it was doing very well compared to its peer group in all time periods. Mr. Marzinsky stated that the three-year return of 6.67% was in line with the expected interest rate on the actuarial side. He noted that returns beyond five (5) or six (6) years were realized prior to Milliman providing investment management services for the City. Mr. Marzinsky stated that the returns over the last couple of years were in line with expectations for the asset allocation developed by Milliman for the portfolio.

Police Pension Board

Referring to the Board Meeting Notes for the Police Pension Plan, Mr. Marzinsky indicated that the monthly trust statements from Wells Fargo show the activity for the plan during the period. He noted that the return was approximately 2.6% for the quarter and close to 3% over the last year.

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2016 for the Police Pension Plan. In reference to Page 9 - Asset Allocation, Mr. Marzinsky stated that Milliman periodically reviews the asset allocation to keep it in line with the targets and rebalances to the target allocation as contributions come in.

Referring to Page 10 - Investment Policy Review - Active Management, Mr. Marzinsky explained that these managers were the same as those in the General Employee Pension Plan, there were no major issues, and investments ranked well. He noted that there had been periodic underperformance, but nothing major. Mr. Marzinsky indicated that alpha and Sharpe measures show manager effectiveness compared to other managers on a risk-adjusted basis, on a scale of 0 to 99, and most managers ranked very well. He stated that there was some volatility with a few of the managers, but nothing that was causing concern at this time. Mr. Marzinsky assured members that Milliman would continue to watch the Ivy High Income I Fund for another quarter to see if there were improvements.

In reference to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky stated that there were no major concerns with these investments. He stated that the target for a beta statistic was close to 1.0, and everything was in line with this.

Referring to Page 12 - Investment Option Return Summary, Mr. Marzinsky stated that the return was approximately 2.6% for the quarter, which was in line with the index, and a little over 5% over the last six (6) months. Mr. Marzinsky stated that if the markets continued as they were, the plan could have a good return at the end of the year, in excess of the figure being used for the valuation of the liabilities of the plan. He advised that the one-year return was a little over 3%, and the three-year average was almost 7%. Mr. Marzinsky stated that returns over the last couple of years had been good and were in line with the targets set when the asset allocation was developed for the plan.

OPEB Board

Mr. Marzinsky explained that the OPEB Plan is slightly different from the pension plans because there is no activity going out of the plan and it is not yet paying benefits, as the pension plans are. He stated that less cash is allocated in this plan and, while the other plans have 4% or 4.5% cash to cover monthly benefit payments for pensioners, the OPEB plan is focused on being fully invested. Mr. Marzinsky noted that there is a little cash in the fund as part of the asset allocation as a risk measurement allocation. He advised that the return was slightly over 2.6% for the quarter.

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2016 for the OPEB Plan. Referring to Page 9 - Asset Allocation, he noted that funds are rebalanced to the portfolio's targets at least once per quarter or when a large contribution comes in.

In reference to Page 10 - Investment Policy Review - Active Management, Mr. Marzinsky noted that some of the OPEB managers were different from those managing the City's pension plans. He indicated that the statistics reflected investments that ranked very well compared to their peer groups, and performance was in excess of the indexes for the most part. Mr. Marzinsky advised that there were a couple areas of underperformance, but nothing major, and risk measures were pretty good. Although there were some funds with slightly higher volatility, he noted that they were producing excess returns.

Referring to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky stated that the beta was mostly in line with the target of approximately 1.0, and there were no major concerns with the indexes in the plan.

In reference to Page 12 - Investment Option Return Summary, Mr. Marzinsky stated that the return was approximately 2.7% for the quarter, a little over 5% year to date, slightly over 2.5% over the last year, and almost 7% over the last three (3) years. He stated that this was in line with the 7% target that was initially set for the portfolio.

By unanimous consent, the Quarterly Investment Monitor - Summary Reports for the Quarter Ending June 30, 2016 were accepted as presented.

Annual Review of Investment Policy *(Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Investment Policy Statements for the City of Dover Employee Pension, Police Pension, and OPEB Board Plans. He explained that these policies were directives or guidelines for members on how they manage portfolio assets.

Mr. Marzinsky reviewed Page 2, Section I - Purpose & Background of the Policy Statements, explaining that the boards were responsible for overseeing the plan, with Milliman as the advisor to help members understand what it means to manage assets in the portfolio. He noted that many of the statistics that members review regularly are defined in the Policy Statement, and the purpose of the policy document was to set the stage for managing each of the portfolios.

Referring to Page 3, Section II - Statement of Objectives, Mr. Marzinsky advised that a main objective was to be able to pay all of the benefit obligations and preserve capital. He noted that being allocated and diversified was important, so that when markets move up and down, the portfolio does not move exactly with the market but tries to minimize some of the downward movements and maximize upward movements.

In reference to Page 4, Section III - Control Procedures & Responsibilities, Mr. Marzinsky indicated that this section of each policy addresses the delegation of authority. He stated that the boards oversee what happens with the plans, and members should feel free to ask him questions during meetings, or by calling or emailing him. He expressed the desire for members to understand what is happening with plan assets and the plans' ability to pay benefits.

In reviewing Page 7, Section IV - Investment and Allocation Policy, Mr. Marzinsky stated that a level of return and a level of risk tolerance are set for the plans. He noted that a great return may be achieved, but if there is a significant risk along with this return, there could be periods when the portfolio loses or gains a significant amount of value. Mr. Marzinsky expressed the desire to manage both the return and risk side of investments.

Referring to Page 9, Section V - Investment Manager Guidelines, Mr. Marzinsky stated that this section of each policy provided basic definitions relating to active and passive investment managers. He explained that cash managers should use short term, fixed income and generally investment grade investments; however, they have some discretion to go into different asset categories if they see fit. Referring to Page 10, Mr. Marzinsky advised that equity investments are more long-term. He explained that fixed income assets include cash and short-, intermediate-, and long-term investments. He noted, for example, that the PIMCO long-term bond fund has a duration of approximately 13 years and would cover liabilities up to approximately 13 years. Mr. Marzinsky stated that the equity assets bring the plan out further, to 20 to 30 years, providing long-term capital gains and asset appreciation to the portfolio.

In reference to Page 11, Section VI - Selection of Investment Managers, Mr. Marzinsky stated that managers must provide information and must file with the Investment Advisors Act of 1940. He noted that the alpha, beta, and Sharpe statistics he had referenced previously were written into each investment policy; however, they were also listed on the scorecard page of the Quarterly Investment Monitor Summary Reports so that this information can be monitored based on what was written into each policy. Mr. Marzinsky stated that this page in the quarterly reports shows what is written into each policy and contains key information that should be focused on first before reviewing other portions of the quarterly reports.

Mr. Marzinsky reviewed Page 12, Section VII - Investment Evaluation, and explained that this portion of each policy allows managers to be benchmarked. He stated that the manager's return is defined, as well as the market or benchmark that they are trying to follow or exceed, and this is also written into the Quarterly Investment Monitor Summary Reports.

Referring to Appendix A, Strategic Asset Allocation Policy, Mr. Marzinsky explained that each plan has a slightly different allocation policy. He advised that the Police Pension Plan and the General Employee Pension Plan both have benefits going out of the plans, and it is important to have cash on hand to pay those benefits. Mr. Marzinsky stated that the General Employee Pension Plan pays more in monthly benefit payments than the Police Pension Plan, so there is more allocation to cash and short-term bonds in the General Employee Pension Plan policy to cover those benefit payments. He noted that the investment policy for the Police Pension Plan has a little less cash because monthly benefit payments are lower. Mr. Marzinsky explained that, in determining these allocations, Milliman looked at projections from their actuarial team, who projects benefit payments from the pension plan for the next 100 years. A statistic called duration is calculated from this, which allows Milliman to project the monthly and yearly benefit payments for the next several decades. Mr. Marzinsky explained that this allows Milliman to develop a fixed income allocation that is tied to cash flows. He noted that this was the reason for the subtle differences in the fixed income

allocation between the Police and General Employee Pension Plans. Mr. Marzinsky advised that the OPEB Plan is different because it is not paying regular benefits; therefore, there is a much smaller allocation to cash, which is approximately 2%. He informed members that this cash allocation is for risk management, rather than to pay current benefits.

Mr. Marzinsky referred to the Asset Allocation Analysis - City of Dover - August 2016, prepared by Milliman, Inc., for the Employee Pension, Police Pension and OPEB funds, explaining that a two-step review was conducted, with the first step being focused on asset allocation and the second part on liability. He reiterated that Milliman's actuarial team had provided the investment side of their organization with projected cash flows for the next 100 years. Mr. Marzinsky stated that a level of duration was calculated for each plan, which allows Milliman to fine-tune the allocation of the fixed income investments. He indicated that this information is run through an asset allocation module, which reviews hundreds of thousands of scenarios. Referring to Page 2 of the analysis, Mr. Marzinsky explained Milliman's capital market economic team looks at the next 10 years and predicts the returns for each of the asset categories. For example, he stated that they may believe that cash may have a small return over the next 10 years, perhaps 0.5%, depending on the type of investment. Mr. Marzinsky noted that an expected risk or standard deviation is also predicted. For example, he stated that US Inflation-Indexed Bonds were projected to have a return of approximately 3% over the next 10 years, which would be considered the middle of the road. The risk of this type of investment would be 4.84%, or nearly 5%. With a mean of 3% and a standard deviation which reflected a return of plus or minus 5%, Mr. Marzinsky advised that the return would have some volatility associated with it and could vary from 8% down to -2%. He explained that the risk is calculated for each of the asset categories. He noted that Emerging Markets Equity showed an average return of approximately 10%, with a volatility of approximately 28%, so returns could range from 38% to -18%. Mr. Marzinsky stated that if all of a portfolio's investments were placed in this category and the return went down to -18%, this would not result in a happy investor, and this is why the allocation is managed in different indexes.

Mr. Marzinsky explained that a statistic called correlation looks at historical returns, and a correlation of 1.0 means that the return of an investment is exactly like that of another. He expressed the desire to have a portfolio of discorrelation between different types of investments, so that they do not all move in the same direction at the same time.

Referring to Page 3 of the analysis, Mr. Marzinsky explained that he had entered the current allocation for each of the plans, and they all came out fairly similarly, with returns of approximately 6.5% to 7%. Referring to the Asset Allocation Analysis for the Employee Pension Plan, he advised that Milliman's actuarial team had previously set a target interest rate of 7%; however, the team had lowered this to 6.5%. Mr. Marzinsky noted that a return is desired that at least meets the level of interest projected on the actuarial side, and the current allocation was right in line with the target. He advised members that he had included a couple of other scenarios for members to review. Mr. Marzinsky indicated that the General Employee Pension, Police Pension, and OPEB plans were very close, but there were subtle differences in the fixed income allocation between the Police and the General Employee plans, and a little difference in equity in the OPEB Plan. He advised that returns for all three (3) plans would be generally the same, although there would be some variability.

He noted that the average return for the current model for the General Employee Pension Plan was close to 7% with a standard deviation of approximately 12, so there was a bit of volatility. Mr. Marzinsky explained that the expected return could be cut if it was desired to reduce the level of risk; however, there would be the trade-off of a losing return, as the portfolio would fall below the expected level of interest. He indicated that this would be a more conservative portfolio. Mr. Marzinsky noted that another alternative would be to attempt to increase the expected return to 7%; however, this would increase the risk and volatility in the portfolio. Mr. Marzinsky advised that Milliman did not feel it was necessary to make any significant changes to the portfolio allocations for any of the plans at this point. He stated that the change that was made last year cut down the level of long-term, fixed-income exposure, and if interest rates increase, there would be a negative impact on fixed-income investments.

Mr. Marzinsky stated that each of the Asset Allocation Analysis studies takes approximately one (1) day to complete. He noted that running the data through the liability model, running it through the assets, and tying the two (2) pieces together takes time, and this is carefully evaluated when developing portfolios. Mr. Marzinsky wanted to make sure that members were comfortable and understood this process.

Mr. Marzinsky stated that Milliman's recommendation for the Police Pension Plan, General Employee Pension Plan, and the OPEB Plan was to leave the asset allocations where they are. He noted that Milliman would continue to review the allocations, and if they saw any issues arising, such as the Federal Reserve raising interest rates, they would do an interim study. Mr. Marzinsky stated that the allocations would be reviewed each year, along with the Investment Policy Statements, which set the framework for developing the asset allocations and selecting the portfolio managers.

Mrs. Mitchell moved to accept the Investment Policy Statement for the General Employee Pension Plan *(Attachment #1)*. The motion was seconded by Mrs. Tieman and carried by a unanimous roll call vote (Mr. Anderson, Mr. Lewis and Mrs. Mullaney absent).

Mr. Mullaney moved to accept the Investment Policy Statement for the Police Pension Plan *(Attachment #2)*. The motion was seconded by Mr. Stallings and carried by a unanimous roll call vote (Mr. Anderson, Mr. Lewis, and Mr. Sigler absent).

Mrs. Mitchell moved to accept the Investment Policy Statement for the OPEB Plan *(Attachment #3)*. The motion was seconded by Mr. Koenig and carried by a unanimous roll call vote (Mr. Cole and Mrs. Hawkins absent).

Future Meeting Dates

Mr. Mullaney moved to schedule future meetings for November 10, 2016; February 9, 2017, April 27, 2017; and August 10, 2017, as recommended by staff. The motion was seconded by Mrs. Mitchell and unanimously carried.

Discussion Items Related to the General Employee Pension Plan Board of Trustees *(Requested by Mr. Lester Blakeman During the Joint Civilian/Police Pension and OPEB Boards Meeting of April 28, 2016)*

Civilian (General Employee) Pension Fund Annual Report/Ten-Year Financial History for the Civilian (General Employee) Pension Fund

During the Joint Civilian/Police Pension and OPEB Boards Meeting of April 28, 2016, Mr. Lester Blakeman, former member of the Civilian (General Employee) Pension Board, suggested that a separate annual report be created for the Civilian Pension Board and provided a Sample Civilian Pension Fund Annual Report - Year Ending June 30, 2014. Mr. Blakeman also suggested the development of a ten-year history of the Civilian Pension Fund, which would provide the ability to see what the plan had been doing over time, and provided a Sample Ten-Year History of the Civilian Pension Fund.

During the meeting of August 11, 2016, Mr. Blakeman referred to his Sample Civilian Pension Fund Annual Report - Year Ending June 30, 2014, and advised members that this type of report would include every page from the City of Dover Comprehensive Annual Financial Report (CAFR) that had anything to do with the Civilian Pension Fund, so that Board members could see what is said about the pension in the annual report without having to read the entire report.

Mrs. Donna Mitchell, Controller/Treasurer, explained that the electronic version of the CAFR is tabbed and indexed, and by clicking on the index, it is possible to access the relevant pages. She did not agree with replicating data from the CAFR that is in the total report, stating that if this information was pulled from the CAFR, it would not be an audited set of financial statements and could become misleading. Mrs. Tieman stated that she agreed with Mrs. Mitchell.

In response to Mrs. Tieman, Mrs. Mitchell confirmed that the CAFR was available online.

Mr. Blakeman stated that, even though the document that he was requesting would not be an official report, at least it would include all of the pages that deal with pension, which are in approximately four (4) sections in the CAFR.

Mrs. Tieman asked Mr. Gedney if he would find this helpful. Responding, Mr. Gedney stated that he was unclear about the request. Mrs. Tieman explained that an audit is produced by the City's auditors every year, and the auditors provide a report approving all of the City's businesses and affairs. She stated that, in that audit, there are pages regarding the City's pension fund investments and Mr. Blakeman had extracted those pages. Mrs. Tieman explained that Mrs. Mitchell was saying that all of this information is already in an audit, and pulling it out would result in a report that was not an official audit report.

Mrs. Tieman noted that extracting these pages from the CAFR would also separate the auditor's opinion from the rest of the report and reiterated that the information could be found in the audit. She noted that the audit is reviewed on an annual basis by City Council and suggested perhaps notifying the pension board of this review, although she was not sure what would be gained by this

since notification is provided about the CAFR as a public hearing. Responding, Mr. Blakeman felt that it would be extremely helpful for members of the General Employee Pension Board to be able to see all of the comments made about the pension plan in one (1) place at one (1) time.

Mrs. Tieman questioned what was in the CAFR that Mr. Blakeman felt might be overlooked. Responding, Mr. Blakeman stated that he felt that members should be aware of anything in the report that addresses pension. For example, referring to the letter from SB & Company on page 4 of his Sample Civilian Pension Fund Annual Report - Year Ending June 30, 2014, he stated that the auditors made very clear statements that some pension information is reviewed by the auditors but not at the same level or in the same way as other financial information. Mr. Blakeman noted that SB & Company indicated in their letter that, "We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance." Referring to pages 6 and 7 of his Sample Civilian Pension Fund Annual Report - Year Ending June 30, 2014, Mr. Blakeman expressed his belief that the City of Dover Statement of Net Position Fiduciary Funds and Statement of Changes in Net Position Fiduciary Funds are audited, but that the rest of the pension information in the CAFR is only reviewed.

In response to Mr. Blakeman, Mrs. Mitchell explained that the other information in the CAFR is not audited because it comes from the actuary's report, which is also available on the City's website, and is certified by the actuary. She noted that the audited reports come from the financials and the ledger that the auditor has audited. Mrs. Mitchell advised that the auditors do not audit the statements made by the actuary in the actuary report because this is not their job, and the actuary is certified to do that work.

Mrs. Tieman asked if Mr. Blakeman believed that the pension plan should be audited. Responding, Mr. Blakeman stated that he did not and, from Mrs. Mitchell's comments, he understood that this information was audited and certified by another entity.

Mrs. Tieman questioned what the purpose would be in having an auditor certify that an expert was used if this was already certified by a different entity. Responding, Mrs. Mitchell indicated that Mr. Blakeman was asking for a separate report with just information for retirees, which would be a duplicate report.

Mr. Scott Koenig, City Manager, expressed his understanding that there were statements and pages in the full reports that Mr. Blakeman would like to have pulled together and presented to the pensioners. He was asking that staff pull specific pages, basically the summaries, so they would have a more concise document to look through, instead a 400-page document. Responding, Mrs. Tieman noted that someone would have to be trusted to summarize that data.

Mr. Blakeman advised that there are 25-30 pages of pension information in the CAFR with details about how decisions are made, the number of employees in the plan, how payments are made, and breakdowns of tables that would be useful to someone on the General Employee Pension Board.

Mrs. Tieman suggested that it might be helpful to hold an educational session. Responding, Mrs. Mitchell indicated that staff could walk Board members through how to find information in the CAFR during a meeting. Mr. Blakeman felt that members were not aware that such information was available, noting that they do not receive copies of the CAFR, which is a cumbersome document. He thought that members should be aware so that they could review this information, noting that he found it very useful. In response, Mrs. Mitchell stated that staff could do this for the CAFR, as well as the actuary report. Mr. Koenig suggested that this discussion be placed as the last item on a meeting agenda.

Mrs. Tieman concurred that it is a challenge for new members to understand the information and felt it would be useful to provide an educational session for new pension board members, similar to what is done for new City Council members.

Mr. Koenig concurred with Mr. Blakeman that there is a lot of information, and only some of it is relevant. In response, Mr. Blakeman, referring to pages 9 and 10 of his Sample Civilian Pension Fund Annual Report - Year Ending June 30, 2014, stated that he felt that the Combining Statement of Pension Trust Fund Net Position, and Combining Statement of Changes in Pension Trust Fund Net Pension were particularly helpful since they list additions and deductions, as well as the beginning and ending net position.

Mrs. Mitchell stated that staff tries to provide a Schedule of Changes in Pension Trust Fund Net Assets to members on a quarterly basis and develops this for the CAFR each year. She indicated that staff could issue a ten-year report if this was wanted; however, she questioned what value this would add. Mrs. Mitchell explained that staff used to include ten-year data in the CAFR, but there were Governmental Accounting Standards Board (GASB) changes, and they were told to reduce this data to three (3) years. She noted that new GASB pension standards state that they must go back to 10 years; therefore, ten-year trends are included in the CAFR. In response, Mr. Blakeman stated that it was extremely helpful to him to view the trends to see if the General Employee Pension Plan value was going up or down. Mr. Koenig noted that there would be changes in the information because the plan is now closed and had been closed since 2009. Mr. Blakeman indicated that this would be reflected in the numbers in the report and would be helpful.

Mr. Blakeman referred to Sheet 2 of his Sample Ten-Year History of the Civilian Pension Fund Ten-Year, labeled B-2, explaining that this was a summary of the City's Combining Statement of Changes in Pension Trust Fund Net Pension, which he runs off each year and enters data in. Responding, Mrs. Mitchell stated that staff has this information in Microsoft Excel format by year and could easily compile it into a ten-year spreadsheet and keep this report updated. She noted that staff had been providing this data annually, and Mr. Blakeman stated that this had been very helpful.

Mrs. Tieman reiterated that it would be helpful for the General Employee Pension Board to have a refresher session to go through some of the things that Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., had reviewed this morning to provide members an overview, noting that the amount of information was daunting. She did not believe that this session would be useful for the Police Pension Plan - Retirement Committee or the OPEB Board.

Mr. Koenig moved to review the Civilian (General Employee) Pension Plan portion of the Comprehensive Annual Financial Report (CAFR) and a ten-year financial history of the Civilian (General Employee) Pension Fund at the end of the next meeting. The motion was seconded by Mr. Gedney and unanimously carried.

Mrs. Mitchell moved for adjournment, seconded by Mr. Koenig and unanimously carried.

Meeting adjourned at 10:01 a.m.

Teresa Tieman
Chair, General Employee Pension Plan
Board of Trustees

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Attachments
Attachment #1 - Investment Policy Statement - City of Dover Employee Pension Plan
Attachment #2 - Investment Policy Statement - City of Dover Police Pension Plan
Attachment #3 - Investment Policy Statement - City of Dover OPEB Plan

ATTACHMENT #1
Joint General Employee Pension Plan Board of Trustees,
Police Pension Plan - Retirement Committee,
and OPEB Board Meeting of 08/11/2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER EMPLOYEES PENSION PLAN

August 2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER EMPLOYEES' PENSION PLAN

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I. PURPOSE & BACKGROUND

The Plan is a public employee retirement plan governed by The City of Dover Code of Ordinances.

The purpose of this Investment Policy Statement ("IPS") is to assist the participants of the plan who serve as members of the Employees' Pension Board of the City of Dover ("Board") under Section 2-202 of the City of Dover Code of Ordinances, this Investment Policy Statement ("Statement") presents investment objectives, policies, guidelines, and monitoring and review procedures relating to financial assets (the "Fund") of the City of Dover Employees' Pension Plan ("Plan").

The IPS will function to:

1. State in a written document the Board's expectations, objectives, and guidelines for the investment of Plan assets which the Board judges to be appropriate and prudent, in consideration of the needs of the Plan.
2. Define and assign the responsibilities for the oversight of the Plan's assets.
3. Set forth an investment structure for managing Plan assets. This structure will help to define asset class, Investment Manager styles, asset allocation and acceptable ranges that, combined, will help to generate the risk/return profile needed to meet the objectives of this policy.
4. Encourage effective communication between the Board and the Investment Consultant, as well as any other interested parties.
5. Establish formalized performance criteria that the Investment Managers selected are expected to meet and against which they are to be measured on a regular basis.
6. Serve as a review document to guide Board and Investment Consultant oversight of the investment options of the Plan's assets.
7. Establish the relevant investment time horizon, risk tolerances and performance expectations of the Plan assets and the Board.

II. STATEMENT OF OBJECTIVES

The assets of the Plan are invested under the supervision of the Board.

After reviewing expected short-term and long-term cash flow requirements of the plan, as well as considering the investment time horizon and risk tolerance level believed to be appropriate for the invested assets, the following set of objectives has been established:

1. Preservation of capital.

2. Pay all benefit and expense obligations when due.

3. Achieve a funding cushion to reduce the impact of possible future downturns in the plan's funded status.

4. Achieve or exceed actuarial earnings assumptions.

5. If applicable, effectively manage the funded status volatility and mitigate undue risk exposure under a Liability Driven Investment (LDI) strategy. The approach can assist in managing interest rate and inflationary risks.

6. Control risk exposure through reasonable and rational diversification of the assets into various asset classes.

7. Establish policies based on total return and expected projected payouts rather than current income.

8. Contain costs of administering and managing the portfolio.

9. Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded.

III. CONTROL PROCEDURES & RESPONSIBILITIES

Disclosure

Any member of the Board, Custodian/Directed Trustee or Investment Consultant must make full disclosure of any potential conflicts of interest, including any financial gain that may be received as a result of investment decisions made by those entities, which may be required by applicable law. This disclosure should be made before the investment of the plan assets governed by this Investment Policy Statement. Disclosure should be in written form and presented to the members of the Board.

Delegation of Authority and Responsibilities

The Board is charged under Section 18-51 of the City of Dover Code of Ordinances with overall responsibility for investment of the Fund. To assist the Board in this function, it is authorized and permitted by said Ordinances to appoint an Investment Advisor, Investment Manager or IM(s), including for this purpose banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) Plan assets. Any appointed Investment Advisor must agree to conduct itself in accordance with all applicable City of Dover Ordinances.

The Board shall be responsible for approving any changes to this Investment Policy Statement, and shall be responsible for reviewing the implementation of the Investment Policy Statement not less frequently than annually.

These responsibilities include, but are not limited to:

Board The Board will be responsible for establishing investment objectives, investment policy and monitoring and review procedures. The establishment of standards for measuring, monitoring, evaluating and comparing absolute and relative investment performance to assure that investment returns are reviewed on a regular basis and investment return objectives are met during acceptable periods of time. The establishment of authorization, reporting, control, review and general governance procedures to assure that investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by all Board members, and delivered on a timely basis to any IM and/or Custodian affected by such changes. The establishment of, through contractual relationships with recognized and carefully selected professional organizations, or by alternative means satisfactory to the Board, a retirement plan management structure which will assure appropriate investment management, custody, and surveillance or compliance procedures to meet investment objectives in conformity with the Board's stated investment policies and guidelines. The Board will have discretion to select, add, replace or remove Investment Managers that will be used to meet the Plan's investment objectives, consistent with the recommendations and advice of the Investment Consultant.

Investment Consultant The Investment Consultant will be responsible for: providing recommendations to the Board for the selection of Investment Managers and appropriate asset allocation, consistent with the Investment Policy Statement objectives and guidelines; reviewing the performance of such Investment Managers over time; periodically reviewing and providing recommendations to the Board for revisions to the Investment Policy Statement; and other tasks as deemed appropriate by the Board. The Investment Consultant will act in a non-discretionary capacity.

Custodian/Directed Trustee The Custodian/Directed Trustee appointed by the Board will be responsible for the safekeeping of the fund assets, including all transaction settlements and deliveries and will perform regular accounting of all assets owned, purchased or sold, as well as transactions and movement of assets into and out of the Plan account.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Plan's beneficial ownership of all assets shall be inviolate and in all circumstances perfected. Board or designated IM authority to direct all investment transactions shall similarly be protected.

The Directed Trustee will maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Directed Trustee will also be responsible for the payments to such persons and for such purposes in order to provide benefits to plan participants and the remittance of any tax related payments to the applicable State and Federal bodies.

Fiduciary insurance, and officer liability and omissions and errors insurance coverages, of any Custodian, must meet standards set by the Board from time to time.

Investment Manager(s)
The specific responsibilities of the Investment Manager(s) relating to the investment management of the fund include:

1. Managing the Plan assets under its care, custody, and/or control in accordance with their Investment Policy Statement ('IPS') or Prospectus objectives and guidelines set forth herein.

2. Exercising investment discretion (including holding cash equivalents as an alternative) within their IPS or Prospectus objectives and guidelines set forth herein.

3. Promptly communicating all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:

    i. Investment strategy.
    ii. Portfolio structure.
    iii. Tactical approaches.
    iv. Ownership.
    v. Organizational structure.

vi. Financial condition.
vii. Professional staff.
viii. All legal material and SEC and other regulatory agency proceedings affecting the firm.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting and proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like benefit plans with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, and federal political entities as the pertain to fiduciary duties and responsibilities.

The investments should be relatively liquid, or with a reasonable amount of notice, should be capable of liquidating to cash. There should be no fees or penalties for regular trading or liquidation.

IV. INVESTMENT AND ALLOCATION POLICY

***Investment Horizon*:** The investment guidelines are based on the expectation that the investment horizon will be several years in length. Short-term variability in returns should be expected.

Because of this, the Plan's strategic asset allocation is established with moderate to long-term perspective in mind. The Plan is required to pay retirement benefits to participants as they come due. Therefore, sufficient liquid reserves must be available to satisfy this obligation.

1. The actuary will provide future benefit payment amounts, funding and contribution requirements.

2. The plan should hold a portion of assets in short-term and cash holdings to provide for the schedule of future benefit payments.

***Risk Tolerances*:** It is understood by the Board that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Board also recognizes that some risk must be assumed to achieve the Plan's investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Plan's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the IPS risk tolerances. Factors considered were:

1. It is the intention to fund at least the minimum required contribution (MRC) each year providing ample liquidity.
2. Due to the amount of payouts to occur for many years into the future, the Plan's liabilities exhibit a longer duration (sensitivity to changes in interest rates). As a result, extending durations in the fixed income portion of Plan assets should be considered.
3. The cash balance portion of the plan's liabilities grows at the rate of T-bill + 1%. Future liability growth will be factored into all investment decisions.

As a result of the above-named considerations, the Board believes that the Plan can tolerate some interim variability in market value and rates of return in order to achieve its long-term objectives.

Allowable Investments: Cash and Equivalents, Mutual Funds, Separate Accounts, Options and Futures Contracts, Stocks, Bonds, Commingled Funds, and Collective Trusts, Exchange Traded Funds (ETFs)

Liquidity Policy: The trust will be required to provide periodic distributions in the form of retirement benefit payments to participants. The actuary provides annual assessments of the funding requirements and payments necessary to meet the plans benefit obligations.

Overall Asset Allocation Policy

Based on the Plan's time horizon, risk tolerances, liquidity needs, and asset class preferences and constraints, an efficient or optimal portfolio was identified. This allocation shall be reviewed at least annually and modified as necessary to meet the needs of the Board.

[See Appendix A for the Strategic Asset Allocation Policy of the Plan.]

The current allocation strategy is dynamic in nature under a Liability Drive Investment (LDI) approach. The allocation shall be reviewed periodically, at least annually, and modified as necessary to de-risk the plan, based on the funded status. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

***Rebalancing*:** Rebalancing is the periodic adjustment of the portfolio to restore a pre-defined Target asset allocation, and will be reviewed at least once per calendar quarter, or as such when the allocation of any asset class exceeds the range around its respective target.

Change in Funding Target Level

Based on the asset allocation glidepath and funding target levels outlined in the Asset Allocation Policy, an increase in the Plan funding ratio that elevates the plan to a new increment level will trigger a rebalancing of Plan assets to the new targets. If the Plan funding ratio decreases and meets a lower target level, the plan will not rebalance to the new target asset allocation.

Timing

Rebalancing reviews generally take place quarterly, or at a frequency determined by appropriate by the Board. Generally, the rebalancing transactions will occur over a period of time to reduce undue market timing risk.

The Plan will diversify its investment portfolio to avoid incurring unreasonable risks. Investment maturities should be scheduled to coincide with projected cash flow requirements. As funded status improves, the asset allocation policy targets will reduce equity investments and increase fixed income investments and "de-risk" the plan portfolio.

V. INVESTMENT MANAGER GUIDELINES

Every Investment Manager selected to manage Plan assets shall be selected by their policy or ability to adhere to these general guidelines; however will have discretion to meet the investment objectives of their portfolio or investment fund. Unless receiving prior Board approval, the only allowable investments of the Plan will be in cash and equivalents, mutual funds, separate accounts, options and futures, stocks, bonds, commingled funds, and collective trusts, exchange traded funds (ETFs):

Cash Policy

Cash equivalents will be invested in an appropriate cash-like fund. Returns should be equal to or better than the 90-day Treasury Bill Index (3-month).

Money market mutual funds may be used, so long as these funds meet the high standards suitable for funds of this nature.

Fixed Income Policy

Investment Objectives

These assets are to be invested in a mutual fund, commingled funds, separate accounts, or collective trusts of high-grade index or active fixed income portfolio subject to the limitations set forth below. The investment objectives of the fixed income portion in order of importance are:

1. Preservation of capital
2. Provide for regular dividend and or interest payments
3. Stability of returns – obtain fairly consistent annual returns.

Investment Guidelines

The Plan's fixed income assets will be managed in accordance with the following:

1. All funds selected for the fixed income portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

Equity Policy

Investment Objectives

Equity assets are to be invested in cash and equivalents, mutual funds, separate accounts, options and futures, stocks, bonds, commingled funds, and collective trusts, exchange traded funds (ETFs). Within this framework, the investment objectives of the equity portion are:

1. Long Term Growth of Capital – Assets, exclusive of contribution and withdrawals, should grow in the long run and earn returns equal to the market while risk should be less than the market.

2. Follow a predefined market style (e.g. large cap vs. small cap, value vs. growth) strategy.

Investment Guidelines

The Plan's equity assets will be managed in accordance with the following:

1. All funds selected for the equity portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Fund Managers will be evaluated against their peers on the performance of the total funds under their direct management.

VI. SELECTION OF INVESTMENT MANAGERS

The Board, with the assistance of the Investment Consultant, will select appropriate Investment Managers to manage the Plan assets. Investment Managers must meet the following minimum criteria:

1. Is a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisers Act of 1940.

2. Provide at a minimum, historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all the fully discretionary accounts of similar investment style, and reported net and gross of fees.

3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the Investment Manager relative to other managers of like investment style.

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be supplied by a third party vendor comparable to Lipper or Morningstar.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. Investment Managers will be ranked within the top 50 percent of their respective styles on the Investment Consultant's internal ranking program when available.

7. Some of the measures that may be included in the statistical analysis of a fund would be:

    a. *Alpha* – a measure of fund performance compared to its expected return
    b. *Beta* – the general level of influence a fund's market has over its performance
    c. *Standard Deviation* – a measure of a fund's variation of returns over time
    d. *Sharpe Ratio* – a measure of a fund's risk-adjusted return compared to its risk
    e. *Duration* – a measure of sensitivity to interest rate fluctuations over time

8. The Board will consider replacing an actively managed fund if the rank versus its peer group remains in the bottom 50 percent for four consecutive quarters versus its peer group and if statistical analysis concludes that the fund's level of return does not provide an acceptable ratio as compared to its general level of risk.

9. The Board may consider a fund for replacement when the Investment Manager or policy of the fund is changed. In addition, if there are any substantial transactions with regard to the fund management company or holding, or other types of instabilities in the fund company, replacement will be considered.

10. The Board may also consider replacing a fund if its relative performance over a complete market cycle trails its benchmark.

VII. INVESTMENT EVALUATION

Not more than 90 days after the end of each calendar quarter, the Investment Consultant shall report investment positions and performance results to the Board, based on performance reported by each Fund Manager, to monitor and evaluate progress toward the attainment of longer-term targets.

The target rate of return for the Plan has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The real rate of return is the return in excess of the anticipated rate of inflation as measured by the Consumer Price Index (CPI).

Total Plan Portfolio Performance: Over a complete business cycle, the Plan's overall annualized total return (net of expenses) should perform at or above the Plan Benchmark. The Plan Benchmark is a customized index composed of the following benchmarks for each target asset class and based on the current and prior target asset allocation policy for the Plan:

Asset Category	Index*
Cash & Money Market	BofA ML 3-month T-bill Total Return Index
Short-term Bond	Barclays US Govt/Credit 1-3 Yr TR USD
Inflation Protected Bond	Barclays US Treasury US TIPS TR USD
Intermediate-term Bond	Barclays US Govt 5-10 Yr TR USD
Long-term Bond	BC Long Government/Credit
High Yield Bond	BC High Yield Corporate Bond
Large Cap Value	S&P 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P 500 Growth
Mid Cap Value	S&P 400 Value
Mid Cap Blend	S&P 400 Index
Mid Cap Growth	S&P 400 Growth
Small Cap Value	S&P 600 Value
Small Cap Blend	S&P 600 Index
Small Cap Growth	S&P 600 Growth
World Stock	MSCI AC World Index ND USD
Diversified Emerging Markets	FTSE Emerging NR USD
REIT/Real Estate	MSCI US REIT NR USD

**Or other index as designated by the fund and/or fund manager as an appropriate target benchmark for the investment portfolio or fund.*

Individual Investment Managers: During its periodic meetings but not less than annually, the Board will review the following specifics with regard to each Investment Manager:

1. The manager's adherence to their prospectus.
2. Material changes in the manager's organization, investment philosophy, and/or personnel.
3. Performance compared against an appropriate peer group and benchmark, as listed in the Executive Summary of this IPS, over various time periods.

The Board expects the following criteria to be met by each Investment Manager. If a manager fails to meet these, a further review of the manager will be warranted. The Board reserves the right to replace an Investment Manager at their discretion at any time.

1. The Investment Manager's rank (3-year and 5-year return) versus its peer group is over 50 *(where a percentile ranking of 1 would be the highest a fund could achieve and 100 would be the lowest*). If a fund or Investment Manager's rank (3-year and 5-year return) versus its peer g*roup is over 50, the fund will warrant a closer analytic review. The Board's review will* be comprised of a further analysis of the fund's statistical performance and risk measures.

2. The Investment Manager's risk over 3 to 5 years, as measured by standard deviation, should be equal to or lower than the comparative index. If the standard deviation is higher than the index, an increase in performance is expected.

3. The Investment Manager's Sharpe ratio should be positive over 3 to 5 years and ranked above the peer group median.

4. The Investment Manager's Alpha should be positive over a 3 to 5 year period and ranked above the peer group median.

SIGNATURE

This Statement of Investment Policy approved by action of the Board.

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8/11/16

APPENDIX A

This Appendix to the Investment Policy Statement has been reviewed and approved by the Board:

STRATEGIC ASSET ALLOCATION POLICY

Asset Class	Target
Cash & Short-Term Bond	7%
Non-traditional Bond	5%
Inflation-Protected Bond	5%
Intermediate Term Bond	5%
Long-Term Bond	5%
High Yield Bond	6%
Large Value	11%
Large Growth	14%
Mid Cap Equity	6%
Small Cap Equity	7%
Foreign Equity	12%
Diversified Emerging Mkts	9%
Real Estate	8%
	100.00%

The above ranges will be considered the long-term or policy allocation. The current "Policy" is the Target for such respective Asset Class of investment. There will be a Range of +/- 5% to the Target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

This Appendix to the Statement of Investment Policy approved by action of the Board.

Approved by: _____

Chairman or representative of the Board

Date approved: _____

_____

Controller/Treasurer

ATTACHMENT #2
Joint General Employee Pension Plan Board of Trustees,
Police Pension Plan - Retirement Committee,
and OPEB Board Meeting of 08/11/2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER POLICE PENSION PLAN

August 2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER POLICE PENSION PLAN

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I. PURPOSE & BACKGROUND

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The purpose of this Investment Policy Statement ("IPS") is to assist the participants of the plan who serve as members of the Police Pension Board of the City of Dover ("Board") under Section 2-202 of the City of Dover Code of Ordinances, this Investment Policy Statement ("Statement") presents investment objectives, policies, guidelines, and monitoring and review procedures relating to financial assets (the "Fund") of the City of Dover Police Pension Plan ("Plan").

The IPS will function to:

1. State in a written document the Board's expectations, objectives, and guidelines for the investment of Plan assets which the Board judges to be appropriate and prudent, in consideration of the needs of the Plan.
2. Define and assign the responsibilities for the oversight of the Plan's assets.
3. Set forth an investment structure for managing Plan assets. This structure will help to define asset class, Investment Manager styles, asset allocation and acceptable ranges that, combined, will help to generate the risk/return profile needed to meet the objectives of this policy.
4. Encourage effective communication between the Board and the Investment Consultant, as well as any other interested parties.
5. Establish formalized performance criteria that the Investment Managers selected are expected to meet and against which they are to be measured on a regular basis.
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4. Achieve or exceed actuarial earnings assumptions.

5. If applicable, effectively manage the funded status volatility and mitigate undue risk exposure under a Liability Driven Investment (LDI) strategy. The approach can assist in managing interest rate and inflationary risks.

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4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting and proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like benefit plans with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, and federal political entities as the pertain to fiduciary duties and responsibilities.

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3. The cash balance portion of the plan's liabilities grows at the rate of T-bill + 1%. Future liability growth will be factored into all investment decisions.

As a result of the above-named considerations, the Board believes that the Plan can tolerate some interim variability in market value and rates of return in order to achieve its long-term objectives.

Allowable Investments: Cash and Equivalents, Mutual Funds, Separate Accounts, Options and Futures Contracts, Stocks, Bonds, Commingled Funds, and Collective Trusts, Exchange Traded Funds (ETFs)

Liquidity Policy: The trust will be required to provide periodic distributions in the form of retirement benefit payments to participants. The actuary provides annual assessments of the funding requirements and payments necessary to meet the plans benefit obligations.

Overall Asset Allocation Policy

Based on the Plan's time horizon, risk tolerances, liquidity needs, and asset class preferences and constraints, an efficient or optimal portfolio was identified. This allocation shall be reviewed at least annually and modified as necessary to meet the needs of the Board.

[See Appendix A for the Strategic Asset Allocation Policy of the Plan.]

The current allocation strategy is dynamic in nature under a Liability Drive Investment (LDI) approach. The allocation shall be reviewed periodically, at least annually, and modified as necessary to de-risk the plan, based on the funded status. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

***Rebalancing*:** Rebalancing is the periodic adjustment of the portfolio to restore a pre-defined Target asset allocation, and will be reviewed at least once per calendar quarter, or as such when the allocation of any asset class exceeds the range around its respective target.

Change in Funding Target Level

Based on the asset allocation glidepath and funding target levels outlined in the Asset Allocation Policy, an increase in the Plan funding ratio that elevates the plan to a new increment level will trigger a rebalancing of Plan assets to the new targets. If the Plan funding ratio decreases and meets a lower target level, the plan will not rebalance to the new target asset allocation.

Timing

Rebalancing reviews generally take place quarterly, or at a frequency determined by appropriate by the Board. Generally, the rebalancing transactions will occur over a period of time to reduce undue market timing risk.

The Plan will diversify its investment portfolio to avoid incurring unreasonable risks. Investment maturities should be scheduled to coincide with projected cash flow requirements. As funded status improves, the asset allocation policy targets will reduce equity investments and increase fixed income investments and "de-risk" the plan portfolio.

V. INVESTMENT MANAGER GUIDELINES

Every Investment Manager selected to manage Plan assets shall be selected by their policy or ability to adhere to these general guidelines; however will have discretion to meet the investment objectives of their portfolio or investment fund. Unless receiving prior Board approval, the only allowable investments of the Plan will be in cash and equivalents, mutual funds, separate accounts, commingled funds, options and futures, stocks, bonds, exchange traded funds (ETFs) and collective trusts:

Cash Policy

Cash equivalents will be invested in an appropriate cash-like fund. Returns should be equal to or better than the 90-day Treasury Bill Index (3-month).

Money market mutual funds may be used, so long as these funds meet the high standards suitable for funds of this nature.

Fixed Income Policy

Investment Objectives

These assets are to be invested in a mutual fund, commingled funds, separate accounts, or collective trusts of high-grade index or active fixed income portfolio subject to the limitations set forth below. The investment objectives of the fixed income portion in order of importance are:

1. Preservation of capital
2. Provide for regular dividend and or interest payments
3. Stability of returns – obtain fairly consistent annual returns.

Investment Guidelines

The Plan's fixed income assets will be managed in accordance with the following:

1. All funds selected for the fixed income portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

Equity Policy

Investment Objectives

Equity assets are to be invested in mutual funds, commingled funds, separate accounts, stocks, bonds, options and futures, exchange traded funds (ETFs) or collective trusts. Within this framework, the investment objectives of the equity portion are:

1. Long Term Growth of Capital – Assets, exclusive of contribution and withdrawals, should grow in the long run and earn returns equal to the market while risk should be less than the market.

2. Follow a predefined market style (e.g. large cap vs. small cap, value vs. growth) strategy.

Investment Guidelines

The Plan's equity assets will be managed in accordance with the following:

1. All funds selected for the equity portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Fund Managers will be evaluated against their peers on the performance of the total funds under their direct management.

VI. SELECTION OF INVESTMENT MANAGERS

The Board, with the assistance of the Investment Consultant, will select appropriate Investment Managers to manage the Plan assets. Investment Managers must meet the following minimum criteria:

1. Is a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisers Act of 1940.

2. Provide at a minimum, historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all the fully discretionary accounts of similar investment style, and reported net and gross of fees.

3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the Investment Manager relative to other managers of like investment style.

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be supplied by a third party vendor comparable to Lipper or Morningstar.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. Investment Managers will be ranked within the top 50 percent of their respective styles on the Investment Consultant's internal ranking program when available.

7. Some of the measures that may be included in the statistical analysis of a fund would be:

    a. *Alpha* – a measure of fund performance compared to its expected return
    b. *Beta* – the general level of influence a fund's market has over its performance
    c. *Standard Deviation* – a measure of a fund's variation of returns over time
    d. *Sharpe Ratio* – a measure of a fund's risk-adjusted return compared to its risk
    e. *Duration* – a measure of sensitivity to interest rate fluctuations over time

8. The Board will consider replacing an actively managed fund if the rank versus its peer group remains in the bottom 50 percent for four consecutive quarters versus its peer group and if statistical analysis concludes that the fund's level of return does not provide an acceptable ratio as compared to its general level of risk.

9. The Board may consider a fund for replacement when the Investment Manager or policy of the fund is changed. In addition, if there are any substantial transactions with regard to the fund management company or holding, or other types of instabilities in the fund company, replacement will be considered.

10. The Board may also consider replacing a fund if its relative performance over a complete market cycle trails its benchmark.

VII. INVESTMENT EVALUATION

Not more than 90 days after the end of each calendar quarter, the Investment Consultant shall report investment positions and performance results to the Board, based on performance reported by each Fund Manager, to monitor and evaluate progress toward the attainment of longer-term targets.

The target rate of return for the Plan has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The real rate of return is the return in excess of the anticipated rate of inflation as measured by the Consumer Price Index (CPI).

Total Plan Portfolio Performance: Over a complete business cycle, the Plan's overall annualized total return (net of expenses) should perform at or above the Plan Benchmark. The Plan Benchmark is a customized index composed of the following benchmarks for each target asset class and based on the current and prior target asset allocation policy for the Plan:

Asset Category	Index*
Cash & Money Market	BofA ML 3-month T-bill Total Return Index
Short-term Bond	Barclays US Govt/Credit 1-3 Yr TR USD
Inflation Protected Bond	Barclays US Treasury US TIPS TR USD
Intermediate-term Bond	Barclays US Govt 5-10 Yr TR USD
Long-term Bond	BC Long Government/Credit
High Yield Bond	BC High Yield Corporate Bond
Large Cap Value	S&P 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P 500 Growth
Mid Cap Value	S&P 400 Value
Mid Cap Blend	S&P 400 Index
Mid Cap Growth	S&P 400 Growth
Small Cap Value	S&P 600 Value
Small Cap Blend	S&P 600 Index
Small Cap Growth	S&P 600 Growth
World Stock	MSCI AC World Index ND USD
Diversified Emerging Markets	FTSE Emerging NR USD
REIT/Real Estate	MSCI US REIT NR USD

**Or other index as designated by the fund and/or fund manager as an appropriate target benchmark for the investment portfolio or fund.*

Individual Investment Managers: During its periodic meetings but not less than annually, the Board will review the following specifics with regard to each Investment Manager:

1. The manager's adherence to their prospectus.
2. Material changes in the manager's organization, investment philosophy, and/or personnel.
3. Performance compared against an appropriate peer group and benchmark, as listed in the Executive Summary of this IPS, over various time periods.

The Board expects the following criteria to be met by each Investment Manager. If a manager fails to meet these, a further review of the manager will be warranted. The Board reserves the right to replace an Investment Manager at their discretion at any time.

1. The Investment Manager's rank (3-year and 5-year return) versus its peer group is over 50 *(where a percentile ranking of 1 would be the highest a fund could achieve and 100 would be the lowest*). If a fund or Investment Manager's rank (3-year and 5-year return) versus its peer g*roup is over 50, the fund will warrant a closer analytic review. The Board's review will* be comprised of a further analysis of the fund's statistical performance and risk measures.

2. The Investment Manager's risk over 3 to 5 years, as measured by standard deviation, should be equal to or lower than the comparative index. If the standard deviation is higher than the index, an increase in performance is expected.

3. The Investment Manager's Sharpe ratio should be positive over 3 to 5 years and ranked above the peer group median.

4. The Investment Manager's Alpha should be positive over a 3 to 5 year period and ranked above the peer group median.

SIGNATURE

This Statement of Investment Policy approved by action of the Board.

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8/11/16

APPENDIX A

This Appendix to the Investment Policy Statement has been reviewed and approved by the Board:

STRATEGIC ASSET ALLOCATION POLICY

Asset Class	Target
Cash & Short-Term Bond	8%
Non-traditional Bond	5%
Inflation-Protected Bond	5%
Intermediate Term Bond	4.5%
Long-Term Bond	5%
High Yield Bond	5.5%
Large Value	11%
Large Growth	14%
Mid Cap Equity	6%
Small Cap Equity	7%
Foreign Equity	12%
Diversified Emerging Mkts	9%
Real Estate	8%
	100%

The above ranges will be considered the long-term or policy allocation. The current "Policy" is the Target for such respective Asset Class of investment. There will be a Range of +/- 5% to the Target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

This Appendix to the Statement of Investment Policy approved by action of the Board.

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8/11/16

ATTACHMENT #3
Joint General Employee Pension Plan Board of Trustees,
Police Pension Plan - Retirement Committee,
and OPEB Board Meeting of 08/11/2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER OPEB BOARD

August 2016

INVESTMENT POLICY STATEMENT

CITY OF DOVER OPEB PLAN

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I. PURPOSE & BACKGROUND

The City of Dover OPEB Plan is a post retirement employee benefit program established for the purpose of funding retiree health care and life insurance as provided for in Article VI of Chapter 2 of the City Ordinances. The OPEB fund shall constitute a trust fund that shall be separate and distinct from all other funds, including the pension funds established by Article IV of Chapter 2 (General Employee Pension Plan) and Article III of Chapter 62 (OPEB Plan) of the City Ordinances (City Code).

The purpose of this Investment Policy Statement ("IPS") is to assist the participants of the plan who serve as members of the OPEB Board of the City of Dover ("Board") under Section 2-202 of the City of Dover Code of Ordinances, this Investment Policy Statement ("Statement") presents investment objectives, policies, guidelines, and monitoring and review procedures relating to financial assets (the "Fund") of the City of Dover OPEB Plan ("Plan").

The IPS will function to:

1. State in a written document the Board's expectations, objectives, and guidelines for the investment of Plan assets which the Board judges to be appropriate and prudent, in consideration of the needs of the Plan.
2. Define and assign the responsibilities for the oversight of the Plan's assets.
3. Set forth an investment structure for managing Plan assets. This structure will help to define asset class, Investment Manager styles, asset allocation and acceptable ranges that, combined, will help to generate the risk/return profile needed to meet the objectives of this policy.
4. Encourage effective communication between the Board and the Investment Consultant, as well as any other interested parties.
5. Establish formalized performance criteria that the Investment Managers selected are expected to meet and against which they are to be measured on a regular basis.
6. Serve as a review document to guide Board and Investment Consultant oversight of the investment options of the Plan's assets.
7. Establish the relevant investment time horizon, risk tolerances and performance expectations of the Plan assets and the Board.

II. STATEMENT OF OBJECTIVES

The assets of the Plan are invested under the supervision of the Board.

After reviewing expected short-term and long-term cash flow requirements of the plan, as well as considering the investment time horizon and risk tolerance level believed to be appropriate for the invested assets, the following set of objectives has been established:

1. Preservation of capital.

2. Pay all benefit and expense obligations when due.

3. Achieve a funding cushion to reduce the impact of possible future downturns in the plan's funded status.

4. Achieve or exceed actuarial earnings assumptions.

5. If applicable, effectively manage the funded status volatility and mitigate undue risk exposure under a Liability Driven Investment (LDI) strategy. The approach can assist in managing interest rate and inflationary risks.

6. Control risk exposure through reasonable and rational diversification of the assets into various asset classes.

7. Establish policies based on total return and expected projected payouts rather than current income.

8. Contain costs of administering and managing the portfolio.

9. Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate.

III. CONTROL PROCEDURES & RESPONSIBILITIES

Disclosure

Any member of the Board, Custodian/Directed Trustee or Investment Consultant must make full disclosure of any potential conflicts of interest, including any financial gain that may be received as a result of investment decisions made by those entities, which may be required by applicable law. This disclosure should be made before the investment of the plan assets governed by this Investment Policy Statement. Disclosure should be in written form and presented to the members of the Board.

Delegation of Authority and Responsibilities

The Board is charged under Section 18-51 of the City of Dover Code of Ordinances with overall responsibility for investment of the Fund. To assist the Board in this function, it is authorized and permitted by said Ordinances to appoint an Investment Advisor, Investment Manager or IM(s), including for this purpose banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) Plan assets. Any appointed Investment Advisor must agree to conduct itself in accordance with all applicable City of Dover Ordinances.

The Board shall be responsible for approving any changes to this Investment Policy Statement, and shall be responsible for reviewing the implementation of the Investment Policy Statement not less frequently than annually.

These responsibilities include, but are not limited to:

Board The Board will be responsible for establishing investment objectives, investment policy and monitoring and review procedures. The establishment of standards for measuring, monitoring, evaluating and comparing absolute and relative investment performance to assure that investment returns are reviewed on a regular basis and investment return objectives are met during acceptable periods of time. The establishment of authorization, reporting, control, review and general governance procedures to assure that investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by all Board members, and delivered on a timely basis to any IM and/or Custodian affected by such changes. The establishment of, through contractual relationships with recognized and carefully selected professional organizations, or by alternative means satisfactory to the Board, a retirement plan management structure which will assure appropriate investment management, custody, and surveillance or compliance procedures to meet investment objectives in conformity with the Board's stated investment policies and guidelines. The Board will have discretion to select, add, replace or remove Investment Managers that will be used to meet the Plan’s investment objectives, consistent with the recommendations and advice of the Investment Consultant.

Investment Consultant The Investment Consultant will be responsible for: providing recommendations to the Board for the selection of Investment Managers and appropriate asset allocation, consistent with the Investment Policy Statement objectives and guidelines; reviewing the performance of such Investment Managers over time; periodically reviewing and providing recommendations to the Board for revisions to the Investment Policy Statement; and other tasks as deemed appropriate by the Board. The Investment Consultant will act in a non-discretionary capacity.

Custodian/Directed Trustee The Custodian/Directed Trustee appointed by the Board will be responsible for the safekeeping of the fund assets, including all transaction settlements and deliveries and will perform regular accounting of all assets owned, purchased or sold, as well as transactions and movement of assets into and out of the Plan account.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Plan's beneficial ownership of all assets shall be inviolate and in all circumstances perfected. Board or designated IM authority to direct all investment transactions shall similarly be protected.

The Directed Trustee will maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Directed Trustee will also be responsible for the payments to such persons and for such purposes in order to provide benefits to plan participants and the remittance of any tax related payments to the applicable State and Federal bodies.

Fiduciary insurance, and officer liability and omissions and errors insurance coverages, of any Custodian, must meet standards set by the Board from time to time.

Investment Manager(s)
The specific responsibilities of the Investment Manager(s) relating to the investment management of the fund include:

1. Managing the Plan assets under its care, custody, and/or control in accordance with their Investment Policy Statement ('IPS') or Prospectus objectives and guidelines set forth herein.

2. Exercising investment discretion (including holding cash equivalents as an alternative) within their IPS or Prospectus objective and guidelines set forth herein.

3. Promptly communicating all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:

    i. Investment strategy.
    ii. Portfolio structure.
    iii. Tactical approaches.
    iv. Ownership.
    v. Organizational structure.

vi. Financial condition.
vii. Professional staff.
viii. All legal material and SEC and other regulatory agency proceedings affecting the firm.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting and proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like benefit plans with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, and federal political entities as the pertain to fiduciary duties and responsibilities.

The investments should be relatively liquid, or with a reasonable amount of notice, should be capable of liquidating to cash. There should be no fees or penalties for regular trading or liquidation.

IV. INVESTMENT AND ALLOCATION POLICY

***Investment Horizon*:** The investment guidelines are based on the expectation that the investment horizon will be several years in length. Short-term variability in returns should be expected.

Because of this, the Plan's strategic asset allocation is established with moderate to long-term perspective in mind. The Plan is required to pay retirement benefits to participants as they come due. Therefore, sufficient liquid reserves must be available to satisfy this obligation.

1. The actuary will provide future benefit payment amounts, funding and contribution requirements.

2. The plan should hold a portion of assets in short-term and cash holdings to provide for the schedule of future benefit payments.

***Risk Tolerances*:** It is understood by the Board that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Board also recognizes that some risk must be assumed to achieve the Plan's investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Plan's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the IPS risk tolerances. Factors considered were:

1. It is the intention to fund at least the minimum required contribution (MRC) each year providing ample liquidity.
2. Due to the amount of payouts to occur for many years into the future, the Plan's liabilities exhibit a longer duration (sensitivity to changes in interest rates). As a result, extending durations in the fixed income portion of Plan assets should be considered.
3. The cash balance portion of the plan's liabilities grows at the rate of T-bill + 1%. Future liability growth will be factored into all investment decisions.

As a result of the above-named considerations, the Board believes that the Plan can tolerate some interim variability in market value and rates of return in order to achieve its long-term objectives.

Allowable Investments: Cash and Equivalents, Mutual Funds, Separate Accounts, Options and Futures Contracts, Stocks, Bonds, Commingled Funds, and Collective Trusts, Exchange Traded Funds (ETFs)

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Based on the Plan's time horizon, risk tolerances, liquidity needs, and asset class preferences and constraints, an efficient or optimal portfolio was identified. This allocation shall be reviewed at least annually and modified as necessary to meet the needs of the Board.

[See Appendix A for the Strategic Asset Allocation Policy of the Plan.]

The current allocation strategy is dynamic in nature under a Liability Drive Investment (LDI) approach. The allocation shall be reviewed periodically, at least annually, and modified as necessary to de-risk the plan, based on the funded status. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

***Rebalancing*:** Rebalancing is the periodic adjustment of the portfolio to restore a pre-defined Target asset allocation, and will be reviewed at least once per calendar quarter, or as such when the allocation of any asset class exceeds the range around its respective target.

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Based on the asset allocation glidepath and funding target levels outlined in the Asset Allocation Policy, an increase in the Plan funding ratio that elevates the plan to a new increment level will trigger a rebalancing of Plan assets to the new targets. If the Plan funding ratio decreases and meets a lower target level, the plan will not rebalance to the new target asset allocation.

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Rebalancing reviews generally take place quarterly, or at a frequency determined by appropriate by the Board. Generally, the rebalancing transactions will occur over a period of time to reduce undue market timing risk.

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1. Preservation of capital
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3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

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1. Long Term Growth of Capital – Assets, exclusive of contribution and withdrawals, should grow in the long run and earn returns equal to the market while risk should be less than the market.

2. Follow a predefined market style (e.g. large cap vs. small cap, value vs. growth) strategy.

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3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the Investment Manager relative to other managers of like investment style.

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3. Performance compared against an appropriate peer group and benchmark, as listed in the Executive Summary of this IPS, over various time periods.

The Board expects the following criteria to be met by each Investment Manager. If a manager fails to meet these, a further review of the manager will be warranted. The Board reserves the right to replace an Investment Manager at their discretion at any time.

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2. The Investment Manager's risk over 3 to 5 years, as measured by standard deviation, should be equal to or lower than the comparative index. If the standard deviation is higher than the index, an increase in performance is expected.

3. The Investment Manager's Sharpe ratio should be positive over 3 to 5 years and ranked above the peer group median.

4. The Investment Manager's Alpha should be positive over a 3 to 5 year period and ranked above the peer group median.

SIGNATURE

This Statement of Investment Policy approved by action of the Board.

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8·11·2016

APPENDIX A

This Appendix to the Investment Policy Statement has been reviewed and approved by the Board:

STRATEGIC ASSET ALLOCATION POLICY (1)

Asset Class	Target
Cash & Short-Term Bond	8%
Non-traditional Bond	5%
Inflation-Protected Bond	4%
Intermediate Term Bond	5%
Long-Term Bond	5%
High Yield Bond	6%
Large Value	12%
Large Growth	13%
Mid Cap Equity	7%
Small Cap Equity	9%
Foreign Equity	10%
Diversified Emerging Mkts	9%
Real Estate	7%
	100%

The above ranges will be considered the long-term or policy allocation. The current "Policy" is the Target for such respective Asset Class of investment. There will be a Range of +/- 5% to the Target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

This Appendix to the Statement of Investment Policy approved by action of the Board.

Approved by: Scott D. Koenig

Chairman or representative of the Board

Date approved: 8-11-2016

Donna S. McGuire

Controller/Treasurer