

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

A Joint Meeting of the General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board was held on November 14, 2019, at 9:03 a.m. with Mrs. Donna Mitchell, City Manager, presiding. Members present were Mr. Gray (departed at 9:30 a.m.), Mr. Rogers (departed at 9:30 a.m.), Major Stump, Mrs. Hawkins (departed at 9:26 a.m. and returned at 9:29 a.m.), Ms. Peddicord, Mr. Gedney, Mr. Knotts, and Mr. Hudson. Mr. Anderson, Mr. Taylor, and Mr. Mullaney were absent.

**ADOPTION OF AGENDA**

**Mr. Rogers moved for adoption of the agenda, seconded by Mr. Gedney and unanimously carried.**

**ADOPTION OF MINUTES - SPECIAL JOINT GENERAL EMPLOYEE PENSION PLAN BOARD, POLICE PENSION RETIREMENT COMMITTEE, AND OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD MEETING OF SEPTEMBER 5, 2019**

Mr. Gedney requested that the minutes of the Special Joint General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board Meeting of September 5, 2019, be amended to reflect that Mr. Hudson was in attendance.

**Mr. Knotts moved for adoption of the minutes of the Special Joint General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board Meeting of September 5, 2019, as amended. The motion was seconded by Major Stump and unanimously carried.**

**QUARTERLY PERFORMANCE REVIEWS (QUARTER ENDING SEPTEMBER 30, 2019) (MILLIMAN, INC.) - GENERAL EMPLOYEE PENSION PLAN, POLICE PENSION PLAN, AND OPEB PLAN**

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Milliman Investment Review for the Quarter Ending September 30, 2019 for the General Employee Pension Plan, Police Pension Plan, and Other Post-Employment Benefits (OPEB) Plan. Mr. Marzinsky noted the following:

- There was volatility during the quarter in July and August due to trade war tensions; however, they finished mixed on U.S. equity.
- The FOMC (Federal Open Market Committee) (FED) adjusted interest rates in July, September, and October. Chairman Jerome Powell, Federal Reserve, has indicated that they were probably not going to have any more near term interest rate adjustments; however, they are keeping an eye on the economy and, if necessary, they will adjust the rates.
- There were generally positive returns in fixed income, equity, U.S. equity, and international equity. Interest rates have gone down, so there were positive returns for bonds and positive returns across the board internationally and in the U.S.

**GENERAL EMPLOYEE PENSION PLAN BOARD, POLICE PENSION  
RETIREMENT COMMITTEE, AND OPEB BOARD  
MEETING OF NOVEMBER 14, 2019**

**PAGE 2**

- The Brexit issue in the UK and the significant impact of the tariff war on China have kept returns down slightly.
- The General Employee Pension Plan had a quarterly return through September 30<sup>th</sup> of 0.66% and then a one-year return of 5.2% for the plan, which is generally in line with or slightly lower than the benchmark for the quarter. For the year the return for the plan was 5.2% versus the benchmark of 3.77%, so the allocation and the investment selection is outperforming the actual benchmark for the plan over the last year.

Referring to the asset allocation of the plan, Mr. Marzinsky stated that Milliman, Inc. has Vanguard funds, Wells Fargo, and Columbia funds.

As a follow up from the Joint General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board meeting of August 1, 2019, Mr. Marzinsky advised that Milliman, Inc. had two manager changes that were approved during the Special Joint General Employee Pension Plan Board, Police Pension Plan Retirement Committee, and Other Post-Employment Benefits (OPEB) Board of September 5, 2019.

Mr. Marzinsky stated that when Milliman, Inc. rebalanced the plan they removed the Prudential Global Investment Management (PGIM) QMA small-cap and replaced it with the Janus Henderson fund and removed the Invesco Oppenheimer International Growth and replaced it with the Morgan Stanley Institutional Growth Fund.

Mr. Marzinsky noted that Milliman, Inc. rebalances the plan periodically to the target allocation that is in the investment policy, or when there are contributions to the plan. Referencing the performance of the plan, Mr. Marzinsky stated that the majority of the investments are in line with or exceeding their index and Milliman, Inc. has a couple of areas of underperformance, such as the Vanguard Primecap Fund. He stated that they did see some modest underperformance with the year-to-date but not to the point where Milliman, Inc. will put it on watch. Mr. Marzinsky noted that the majority of the other investments within the plan are doing very well compared to their peers and their benchmarks.

Referring to the scorecard on page 16 of the packet, Mr. Marzinsky stated that it indicates that the Vanguard Inflation Protected Bond Fund is underperforming its index slightly because it has an X, but it is meeting all of the other category parameters that they look at. Mr. Marzinsky stated that there are no watch funds at this point in time.

Mr. Marzinsky stated that the plan is outperforming its benchmark and over the one-year period it is outperforming its three-year, five-year, and 10-year benchmarks, so the fund itself is doing very good compared to the asset allocation benchmark that Milliman, Inc. uses to compare the performance for the plan. He stated that the performance is generally in line, the risk is in line with the benchmark because the volatility goes across the right bottom on page 17 of the packet, but return is higher for the portfolio. Mr. Marzinsky noted that the portfolio is having the same amount of volatility as up and down market movements, but a better return, so the managers that Milliman, Inc. is putting in the portfolio are outperforming their benchmark with less volatility.

Referring to the Police Pension Plan, Mr. Marzinsky stated that its underlying investments are similar to the General Employee Pension Plan with a slightly different allocation due to the differences in the cash flows and the benefit payments. He noted that there was a slight underperformance for the quarter for the benchmark, but nearly a 5% return for the one-year period compared to the benchmark of 3.38% for the portfolio.

Mr. Marzinsky stated that Milliman, Inc. follows the investment policy for the allocation of the plan, which tells them how much to put into each asset category. He stated that they select these individual investments to go in the asset categories, similar to the other plan, and that Milliman, Inc. did replace two of the funds, which were approved at the Special Joint General Employee Pension Plan Board, Police Pension Plan Retirement Committee, and Other Post-Employment Benefits (OPEB) Board of September 5, 2019 and that happened when Milliman, Inc. rebalanced near the end of September. Mr. Marzinsky stated that it has an asset allocation of almost \$14M, \$13.779M in total assets for the plan. He noted that the performance of the individual investments are the same as the investments in the other plan.

Referring to the Police Pension Plan's scorecard, the fund is meeting its performance in risk criteria. He noted that they have some underperformance. Mr. Marzinsky stated that they have a couple of performance notes, but no watch funds at this point in time. He noted that the year-to-date for the police portfolio's outperforming its benchmark and over the one-year, three-year, five-year and 10-year periods it is outperforming its benchmark. Mr. Marzinsky noted that year-by-year, it is generally outperforming the benchmark with some underperformance in 2011 and 2012. He stated that the risk or the volatility is in line with the volatility of the benchmark, but the performance is higher, so the scorecard is saying the portfolio is outperforming its benchmark with better returns and less or similar volatility to the portfolio.

Referring to the Other Post-Employment Benefits (OPEB) Plan, Mr. Marzinsky stated that total assets at the end of the quarter were \$38.649M with a quarterly return of 0.64%, which is a slight underperformance to the benchmark for the quarter, but nearly 5% for the year versus the benchmark of 3.51%. Mr. Marzinsky stated that there was good performance for the plan compared to its benchmark for the one-year period.

Mr. Marzinsky stated that each of the plans have different cash flow requirements so the Other Post-Employment Benefits (OPEB) Plan has slightly different allocations. He noted that this portfolio had the same two funds that were replaced in the other plans when Milliman, Inc. rebalanced the plan near the end of the quarter, but the allocation follows the investment policy that members discuss every August.

Mr. Marzinsky stated that, in general, there was good performance across the board for the majority of the investments with some underperformance but no watch funds based on the scorecard. He noted that, quantitatively, most of the investments were meeting their performance and risk criteria with a couple of performance notes but no watch funds or significant areas of underperformance at this point in time. Mr. Marzinsky stated that the majority of the actively managed funds are doing well versus peers, returns are in line with their index, risk adjusted measures are doing well, and no watch funds at this point in time.

Referring to the performance of the OPEB Plan, Mr. Marzinsky stated that the allocation of the benchmark is the same allocation of the portfolio except Milliman, Inc. is using the market index. He noted excess performance over all of the time periods, year by year performance is in line with or better than the benchmark in most cases, similar risks, and slight up performance to the benchmark. He noted that they are looking at it on a risk and reward basis. Mr. Marzinsky stated that the majority of the funds are doing very well with no performance issues and no watch funds.

**Mr. Knotts moved for acceptance of the Quarterly Performance Review for the General Employee Pension Plan, seconded by Mr. Gedney and unanimously carried.**

**Mr. Gray moved for acceptance of the Quarterly Performance Review for the Police Pension Plan, seconded by Major Stump and unanimously carried.**

Responding to Mrs. Mitchell, Ms. Peddicord stated that the Investment Policies for the General Employee Pension Plan and Police Pension Plan were reviewed and approved at the Joint General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board meeting of August 1, 2019.

**Mrs. Hawkins moved for acceptance of the Quarterly Performance Review for the OPEB Plan, seconded by Ms. Peddicord and unanimously carried.**

**REVIEW OF OPEB PLAN INVESTMENT POLICY (MILLIMAN, INC.)**

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the changes in the OPEB Plan Investment Policy (**Attachment #1**). He noted that the first line of page 2 of 15 under Purpose and Background had been changed to read "The City of Dover OPEB Plan is a post retirement employee benefit program established for the purpose of funding retiree health care benefits, but may optionally provide other benefits as provided for in the City Ordinances."

Mr. Marzinsky also noted that the first line under Delegation of Authority on page 4 of 15 was changed to read "The Board is charged under the City of Dover Code of Ordinances with overall responsibility for investment of the Fund." He noted that the policy would continue to reference 18-51. Mr. Marzinsky advised that the rest of the policy was unchanged.

**Ms. Peddicord moved for acceptance of the OPEB Board Investment Policy Statement with the presented changes, seconded by Mrs. Hawkins and unanimously carried.** *(City Clerk's Note: The Strategic Asset Allocation for the City of Dover Other Post-Employment Benefits (OPEB) Board was approved during the Joint General Employee Pension Plan Board, Police Pension Retirement Committee, and Other Post-Employment Benefits (OPEB) Board meeting of August 1, 2019.)*

**Mrs. Hawkins moved for adjournment, seconded by Mr. Gedney and unanimously carried.**



**GENERAL EMPLOYEE PENSION PLAN BOARD, POLICE PENSION  
RETIREMENT COMMITTEE, AND OPEB BOARD  
MEETING OF NOVEMBER 14, 2019**

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**PAGE 5**

Meeting adjourned at 9:30 a.m.

Donna S. Mitchell  
City Manager

DSM/jt/tm

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Attachments

Attachment #1 - Investment Policy Statement - City of Dover OPEB Board

## **INVESTMENT POLICY STATEMENT**

### **CITY OF DOVER OPEB BOARD**

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**August 2018**

# INVESTMENT POLICY STATEMENT

## CITY OF DOVER OPEB PLAN

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### *Table of Contents*

<b><u>Section</u></b>	<b><u>Page</u></b>
I. Purpose and Background	2
II. Statement of Objectives	3
III. Control Procedures & Responsibilities	4
IV. Investment & Allocation Policy	7
V. Investment Manager Guidelines	9
VI. Selection of Investment Managers	11
VII. Investment Evaluation	12
Appendix	

## **I. PURPOSE & BACKGROUND**

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The City of Dover OPEB Plan is a post retirement employee benefit program established for the purpose of funding retiree health care benefits, but may optionally provide other benefits as provided for in 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**

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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**

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#### **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 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

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**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**

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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

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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 group 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.

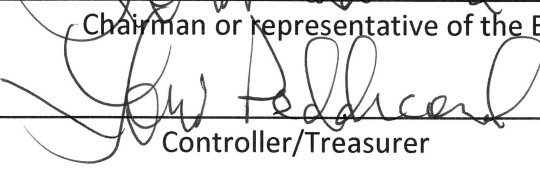
## SIGNATURE

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

Approved by:

  
Chairman or representative of the Board

  
Controller/Treasurer

Date approved:

11/14/19