POLICE PENSION BOARD

The Police Pension Board meeting was held on February 26, 2014 at 9:30 a.m. with Mr. Scott Koenig, City Manager, presiding in the absence of Chairman Mullaney. Members present were Mr. Stallings, Mr. Unterkofler, and Chief Hosfelt. Mr. Bonar and Mr. Lynn were absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was adopted as presented.

Approval of Minutes - Police Pension Board Meeting of November 14, 2013

Mr. Stallings moved for approval of the minutes of the Police Pension Board meeting of November 14, 2013, seconded by Mr. Unterkofler and unanimously carried.

Quarterly Performance Review *(Quarter Ending December 31, 2013) (Milliman, Inc.*)

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Quarterly Investment Monitor Summary Report for the Quarter Ending December 31, 2013. Referring to the Board Meeting Notes dated February 12, 2014, he noted that the plan had a return of approximately 4% for the quarter, which exceeded the portfolio index of 3.7%. Performance for the year was 9.46%, which was in line with the index. He advised members that plan assets were in line with target allocations at quarter end.

Referring to Page 3 of the report, Market Indices - 4th Quarter 2013, Mr. Marzinsky noted that equities were positive for 2013 for most U.S. stocks. Returns on international stocks were relatively good except for emerging markets, which had negative returns. Interest rates rose through the end of the 2013, which caused negative returns in bond asset categories. Year to date, markets were mixed in the U.S. The Dow Jones industrial average was down approximately 2% year to date, although there had been a comeback since the end of January 2014. The Standard and Poor (S&P) index was approximately even and equity markets were leveling out following a decline at the end of January 2014. Interest rates were decreasing slightly, which led to an increase in bond performance. Mr. Marzinsky stressed the importance of maintaining a balanced portfolio.

In reference to Page 4, Broad Market Commentary - 4th Quarter 2013, Mr. Marzinsky stated that the Federal Open Market Committee performed a $10B tapering from a $85B bond purchase in December and in January announced another tapering. It was thought that this would result in a spike in interest rates, but this had not occurred. The Federal Reserve System had expressed an intent to keep interest rates down through 2015, and it was believed that this would help to spur economic growth. Improvements were being seen in unemployment, but bad weather over the last few months in the U.S. had kept production, consumer purchases, and job growth down. Mr. Marzinsky indicated that the outlook for the market was cautiously optimistic.

Referring to Page 9, Asset Allocation, Mr. Marzinsky indicated that fund balances were in line with targets. He reminded members that the portfolio is rebalanced quarterly and when contributions occur.

Referring to Page 10, Investment Policy Review - Active Management, Mr. Marzinsky reviewed the performance of the funds. He noted that the PIMCO fund was experiencing a management issue in

that its Chief Executive Officer would be leaving the firm within the next couple of months and PIMCO was restructuring its research and upper management sections. Mr. Marzinsky indicated that Milliman would monitor this situation. He noted that the Target Small Capitalization Value T Fund also had positive returns year to date, although there was slight underperformance, and this fund would also be monitored.

Reviewing Page 12, Investment Option Return Summary, Mr. Marzinsky stated that most funds had positive returns for one (1) year; however, bond areas suffered as interest rates rose. The three (3) month return for the Police Pension portfolio was approximately 4%, compared to the index of 3.71%, and the one (1) year return was 9.45%, compared to the index of 9.41%.

Mr. Marzinsky advised members that the Harding Loevner Global Equity Institutional Fund had slight underperformance over the last few years and a potential change was recommended. He indicated that this fund had been included in the Police Pension Fund portfolio by the previous financial advisor as a non-U.S. equity developed markets fund; however, after reviewing its holdings, it was determined that the fund consisted of approximately 50% - 60% U.S. stocks, creating overlap between this fund and other pension investments. Mr. Marzinsky recommended that this fund be replaced. Referring to the Competitor Analysis Report, Mr. Marzinsky stated that Milliman had considered two (2) potential replacement funds, including the MFS Institutional International Equity Fund and the Oppenheimer International Growth Y Fund. He indicated that MFS focuses on large, growing international companies and that Oppenheimer International Growth Y targets companies with good three (3) to five (5) year track records which are focused on new technologies, infrastructure, and sustained growth. Noting that the Oppenheimer fund had better returns, rank compared to its peer group, and risk analytics, Mr. Marzinsky recommended that this fund be chosen as a replacement for the Harding Loevner Fund. He indicated that should members accept the recommendation, the fund would be replaced at the time of the quarterly rebalancing of the portfolio.

Mrs. Donna Mitchell, Controller/Treasurer, stated her concurrence with the recommendation made by Milliman, Inc.

Mr. Stallings moved to replace the Police Pension Fund's investment in the Harding Loevner Global Equity Institutional Fund with the Oppenheimer International Growth Y Fund, as recommended by the investment manager, Milliman, Inc. The motion was seconded by Mr. Unterkofler and unanimously carried.

Update - 2013 Form 1099's for Retirees

Members were provided correspondence from Ms. Virginia Karablacas, Relationship Manager/Vice President, Wells Fargo, dated February 12, 2014 regarding Recent Service Concerns ***(Attachment #1***). Mrs. Donna Mitchell, Controller/Treasurer, advised members that representatives from Wells Fargo were present to speak to members regarding problems experienced in providing Form 1099's for retirees. Mr. Tony Marsella, Wells Fargo Senior Vice President/Managing Director, stated that he was responsible for the Wells Fargo Relationship Management Team in the northeast. He apologized personally for the tax reporting errors and inconvenience caused to retirees. He assured members that he had been involved in several management discussions to ensure that a

process was in place to prevent further recurrence and stressed the importance of his own relationship, as well as Wells Fargo's relationship, with the City of Dover.

Ms. Virginia Karablacas, Wells Fargo Relationship Manager/Vice President, stated that she was ultimately responsible and accountable for the City's overall satisfaction. She indicated that there were two (2) key issues that brought Wells Fargo to the meeting today, Form 1099 corrections and concerns regarding the issuance of monthly payment confirmations/advices to retirees in a timely manner in January and February 2014. Ms. Karablacas stated that the City had not experienced the same level of service over the last couple of months as it had prior to these issues. She informed members that Wells Fargo had evaluated the circumstances, identified the root cause of the issues related to both concerns, and put appropriate corrections in place. She indicated that all of the Form 1099R's had been generated and mailed in early February and pay advices for January, February, and March had been generated and mailed. This matter had received the attention of executive management within Wells Fargo and a number of discussions had been held, which allowed Wells Fargo staff to identify opportunities to enhance their standard operating procedures going forward. Ms. Karablacas stated that her goal was to restore the confidence that the City experienced previously and that Wells Fargo was committed to partnering with Mrs. Mitchell to ensure that the City's needs are met.

Responding to Mr. Unterkofler regarding the target date for mailing monthly pay advices, Ms. Karablacas indicated that confirmations are typically mailed out in advance so that they are received at approximately the time that payments are deposited into the accounts. She reiterated that there was a system problem with the January and February 2014 pay advices and that the root cause had been identified and corrected.

Mr. Stallings moved for adjournment, seconded by Mr. Unterkofler and unanimously carried.

Meeting adjourned at 9:46 a.m.

Mr. Scott Koenig
Acting Chair

SK/JS/dd
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Attachment
Attachment #1 - Correspondence from Ms. Virginia Karablacas, Vice President and Relationship Manager, Wells Fargo, dated February 12, 2014 Regarding Recent Service Concerns

Institutional Retirement & Trust
MAC Y1379-070
123 South Broad Street, 7th Floor
Philadelphia, PA 19109

RECEIVED FEB 19 2014

February 12, 2014

Donna S. Mitchell, CPA
Controller/Treasurer
City of Dover
5 E. Reed Street
Dover, DE 19901

RE: Recent Service Concerns

Dear Donna,

The purpose of this letter is to provide you with a summary of the recent service concerns, including results of our research and the outcomes as outlined in our meeting with you today. We acknowledge that the combination of these issues in a very short period of time has caused significant inconvenience for you, others on your team, and your retirees. We sincerely apologize, and would like to assure you that we have taken the necessary steps to understand the root cause and to implement the appropriate corrective measures.

2013 1099R Corrections

Issue: Upon your notification on January 21, 2014 that there may be a potential issue with the 2013 1099Rs, we immediately began our research. We determined that Wells Fargo did not retroactively correct the IRS payment type code for 49 retirees, which resulted in two 1099Rs being generated and mailed for each retiree. This was caused due to an internal training issue that has been addressed.

Resolution: Wells Fargo has generated and mailed corrected 1099Rs to the 49 retirees. In addition, we have informed our Retirement Service Center regarding this matter in the event further inquiries are received. Further, we have prepared a letter of apology to the impacted retirees. Included in the letter is the contact information for a dedicated Client Service Consultant familiar with the details that will be available to your retirees to address any questions. These letters are being mailed today.

2014 February Payment Confirmations / Advices

Summary: When you alerted us on February 6, 2014 that there may be a potential issue with the 2014 February pay advices, we began our research. We initially advised that advices for individuals set up to receive pay advices had been mailed. We recently determined a system issue that prevented these pay advices from printing.

Resolution: The team is actively working to resolve the system issue that impacted a small number of plans, including yours. In the meantime we are having the February advices printed and sent to all of the retirees.

Together we'll go far



Institutional Retirement & Trust
MAC Y1379-070
123 South Broad Street, 7th Floor
Philadelphia, PA 19109

System Access

Summary: Upon notification from you on January 17, 2014 that you were experiencing issues with editing retiree information on RPP, we immediately began our research. Our research indicates that the issue you experienced is a stand-alone issue. We were able to trace the issue back to a file that was uploaded and recalled several times on December 18 and 19, 2013, which resulted in certain retiree records "freezing". Our technology team reviewed the records on the file, and has taken steps to ensure the retiree records are no longer frozen.

Resolution: We want to ensure that you continue to have a positive experience with RPP as you did prior to this recent issue. We are absolutely available to provide additional training on the system if that would be helpful. Also, we want to be available for you when it is time to make your next edits in the system. If you advise us regarding the timing of future edits, we would be happy to be on the line with you and/or your team to walk through the process.

Donna, our goal is to restore the confidence you once had with Wells Fargo. We understand that these issues have created disruption, and want to stand by you as your partner to provide you with the quality service you have been accustomed to. Further, we are happy to attend the Retirement Board meetings scheduled for the end of February to personally address these issues. Please let us know the specifics of these meetings.

I look forward to seeing you soon. In the meantime, please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Virginia

Virginia Karablacas
Relationship Manager
Vice President
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virginia.karablacas@wellsfargo.com

Together we'll go far

