OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on February 26, 2014 at 9:00 a.m with Chairwoman Mitchell presiding. Members present were Mr. Hare, Mr. Koenig, and Mrs. Hawkins. Mrs. Williams was absent.

AGENDA ADDITIONS/DELETIONS

Mr. Hare moved for approval of the agenda as presented, seconded by Mr. Koenig and unanimously carried.

Approval of Minutes - OPEB Board Meeting of November 14, 2013

Mr. Hare moved for approval of the minutes of the OPEB Board meeting of November 14, 2013, seconded by Mr. Koenig 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 4.4% for the quarter and approximately 9.65% for the year, which exceeded the portfolio's index. He indicated that the asset allocation was in line with target allocations.

Referring to Page 3 of the report, Market Indices - 4th Quarter 2013, Mr. Marzinsky explained that equities were positive for the year for most U.S. stocks. He stated that a number of bond asset categories had negative returns, especially long-term bonds, and emerging markets did not perform well. 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 for the year 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.

In reference to Page 9, Asset Allocation, Mr. Marzkinsky indicated that fund balances were in line with targets. He reminded members that the portfolio is rebalanced quarterly and when contributions occur. He indicated that the plan had approximately $16.4M in assets, which was an increase from a balance of approximately $12M as of December 31, 2012 and the result of a combination of gains in investments and contributions made to the plan.

Referring to Page 10, Investment Policy Review - Active Management, Mr. Marzinsky stated that plan investments had positive returns across the equity asset categories. 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 had slight underperformance due to overweighting in industrial and consumer goods and that this would also be monitored by Milliman.

In reference to Page 12, Investment Option Return Summary, Mr. Marzinksy stated that the three (3) month return for the portfolio was approximately 4.4%, which exceeded the index of 3.71%. The one (1) year return was 9.65%, compared to the index of 8.94%. He noted that equity returns were

considerably higher for the year, but reminded members that the OPEB portfolio was a balanced portfolio consisting of approximately 60% - 65% equity and 40% fixed income investments.

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 was placed in the OPEB fund portfolio by the previous financial advisor as a non-U.S. equity developed markets investment; 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 fund investments. As a result, 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 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.

Responding to Mr. Hare, Mr. Marzinsky confirmed that the Oppenheimer fund had historically been a good performer. Returns over the year to date, one (1) year, three (3) years, five (5) years, and ten years were strong compared to the fund's index. In addition, the fund ranked in the top 1% of funds in its asset category with a comparable expense ratio to the Harding Loevner Fund.

Mr. Koenig moved to replace the OPEB 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. Hare and unanimously carried.

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

Meeting adjourned at 9:12 a.m.

Donna S. Mitchell
Chairwoman

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