POLICE PENSION BOARD

The Police Pension Board meeting was held on August 14, 2014 at 10:03 a.m. with Mr. Lynn presiding in the absence of Chairman Mullaney. Members present were Mr. Stallings, Mr. Unterkofler, Chief Bernat, and Mr. Koenig. Mr. Anderson was absent.

AGENDA ADDITIONS/DELETIONS

Mr. Stallings moved for approval of the agenda as presented, seconded by Mr. Unterkofler.

Adoption of Minutes - Police Pension Board Meeting of May 1, 2014

Mr. Stallings moved for adoption of the minutes of the Police Pension Board meeting of May 1, 2014, seconded by Mr. Unterkofler and unanimously carried.

Organizational Issues - Election of Chair

Mr. Koenig moved to nominate Mr. Mullaney to serve as Chair of the Police Pension Board, seconded by Mr. Stallings and unanimously carried.

Quarterly Performance Review *(Quarter Ending June 30, 2014)*/Investment Manager Recommendations *(Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Board Meeting Notes dated August 14, 2014. He advised members that the plan assets as of June 30, 2014 were approximately $12.26M, which was an increase from approximately $11.59M on March 31, 2014 and included contributions and pension payments made during the quarter. Performance of the plan portfolio for the quarter was approximately 4%, which was generally in line with the performance of the plan's benchmark index of 4.2%. Over the last year, the plan had a return of approximately 14.6%, which he stated was a good return in relation to the actuarial assumption of approximately 7% - 7.5% and would improve the funded status of the plan.

Referring to Page 2 of the Board Meeting Notes, Mr. Marzinsky indicated that the Vanguard Prime Cap Fund had been closed to new investments; therefore, it was recommended to rebalance to different investments within the plan. In addition, the Vanguard Morgan Growth Fund had shown underperformance and changes were recommended. Mr. Marzinsky explained that this would be discussed later in the meeting.

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending June 30, 2014. Referring to Page 3 - Market Indices - 2nd Quarter 2014, Mr. Marzinsky explained that the market had a very good quarter ending June 30, 2014, with equity markets performing very well and long-term bonds with very good returns as a result of declining interest rates. He stated that the Federal Reserve had indicated that interest rates would be kept low. Unemployment was down and in the 6% range, which was the lowest it had been in the last five (5) or six (6) years. The U.S. market was looking much better and returns for emerging markets, which were negative last year, were also starting to turn around. Caution was recommended going forward since the Dow Jones Industrial Average and Standard & Poor 500 were at high levels; however, returns for the year to date were "pretty good."

Referring to Page 9 - Asset Allocation, Mr. Marzinsky indicated that the plan had approximately $12.2M invested. He stated that approximately $560,000 was held in a Wells Fargo money market

account to make monthly benefit payments to members. Mr. Marzinsky stated that the portfolio had a good balance of funds and that the investments are rebalanced to the target asset allocations as needed or when a contribution is received.

Referring to Page 10 - Investment Policy Review - Active Management, Mr. Marzinsky stated that the Return Rank compared the plan's investment managers to similar investment managers. For example, he explained that the Ivy High Income I rank of 4 indicated that this fund ranked in the top 4% of funds in its category. He indicated that funds in the top 50% were doing well and those below 50% were highlighted. Mr. Marzinsky advised members that the Excess Return reflected the performance of the fund compared to the Standard & Poor and Dow Jones Industrial Average market indexes, noting that each asset category had a different index benchmark.

Mr. Marzinsky pointed out that the Vanguard Morgan Growth Admiral Fund was highlighted and had negative excess returns, which reflected that this fund underperformed its index by 2.84% over three (3) years and also underperformed over five (5) years. He explained that the Relative Standard Deviation indicates the volatility or risk of the fund compared to the risk of its index, and that a number above 1.0 indicates that a fund is more risky and moves up and down more than its index. Mr. Marzinsky stated that the Vanguard Morgan Growth Admiral Fund was taking on more risk than its market index but its performance was not exceeding the index. Mr. Marzinsky explained that lower numbers in Alpha and Sharpe rank are best, with the 99th percentile being the worst; therefore, the Vanguard Morgan Growth Fund ranked in the bottom third over three (3) years and at 65% or below over three (3) years for Sharpe, which indicated that the manager was not performing well compared to other funds in this category. He stated that other funds were generally performing well compared to the indexes and ranks within their category. There was slight underperformance in the Target Small Capitalization Value T Fund; however, it was taking on a little less risk and still ranked well compared to other funds in its category.

Mr. Marzinsky recommended that the Vanguard Morgan Growth Admiral Fund be removed from the plan portfolio and replaced with two (2) other funds, the Vanguard Growth Index and the Vanguard Mid Cap Index, since the Vanguard Morgan Growth Admiral Fund had been investing in both large and small-to-mid-size company stocks. He indicated that if the fund was not exceeding the market index, it would be better to invest in index funds.

Responding to Chief Bernat regarding the percentage of the plan portfolio that the Vanguard Morgan Growth Admiral Fund investments represented, Mr. Marzinsky stated that this was approximately 5% of the plan, which was approximately $600,000, 75% of which would be invested in the Vanguard Growth Index Fund and 25% in the Vanguard Mid Cap Index Fund, which would effectively replicate the current investment allocation.

Mrs. Mitchell stated her concurrence with this recommendation.

Chief Bernat moved in favor of Milliman, Inc.'s recommendation to remove the Vanguard Morgan Growth Admiral Fund from the plan portfolio and invest 75% of the funds in the Vanguard Growth Index Fund and 25% in the Vanguard Mid Cap Index Fund, seconded by Mr. Stallings and unanimously carried.

Annual Review of Investment Policy

Mr. Jeff Marzinsky, Milliman, Inc., advised members that he had redrafted the investment policy prepared by the prior investment advisor and had attempted to simplify the policy. He advised members that an investment policy statement serves as an instruction manual for the board to address their duties. It defines how investment managers are selected and monitored and how it is determined that money will be invested among those managers.

Mrs. Mitchell reminded members that Mr. Marzinsky had provided a draft Investment Policy Statement during their meeting held on May 14, 2014. She stated that she compared the plan's existing policy, the draft policy provided in May 2014, and the revised draft dated August 2014, and felt that the revised draft was a much better and clearer policy.

Mr. Marzinsky reviewed the Investment Policy Statement for the City of Dover Police Pension Plan, August 2014. He noted that it assigned responsibilities of the Board, Milliman, Inc. as the advisor, and Wells Fargo as the trustee and set forth a structure for managing the assets. In reviewing Page 3 - II. Statement of Objectives, he advised members that, during their meeting held earlier in the day, the Civilian Pension Board had approved a change in the wording of Objective #9 to read, "Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded."

Mr. Lynn explained that this change was made by the Civilian Pension Board to clarify the language since members felt uncomfortable with the phrase "terminate the plan if deemed appropriate." He inquired if members wished to make a similar change.

Mr. Koenig moved to amend the language as suggested, seconded by Mr. Lynn.

Mr. Lynn explained that, when looking at Objective #9 as written, he was not necessarily sure that it reflected the intent to protect the pension fund. He felt that members would not wish to vest the employer with the ability to terminate the plan; therefore, it would be more prudent to state that funding the plan could be discontinued if it were fully funded.

Mr. Unterkofler inquired who would determine if funding would be discontinued. Responding, Mr. Lynn and Mrs. Mitchell stated their opinions that the Police Pension Board would make this decision.

The motion to amend the language of Objective # 9 to read "Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded" was unanimously carried.

Mr. Marzinsky explained that the body of the Investment Policy Statement contained the operational goals and objectives for the Board and the actual plan asset allocation was included as Appendix A to the body of the Investment Policy Statement. In this way, the Board could approve the body of the investment policy and make changes to Appendix A - Strategic Asset Allocation Policy as needed.

Chief Bernat moved to approve the Investment Policy Statement, as amended *(Attachment #1),* seconded by Mr. Stallings and unanimously carried.

Mr. Unterkofler moved to authorize Mr. Mullaney to sign the Investment Policy on the Board's behalf, seconded by Mr. Stallings and unanimously carried.

Mr. Marzinsky reviewed the City of Dover, Delaware Police Pension Plan Asset Allocation Study dated July 2014 that was included with the Quarterly Performance Monitor - Summary Report for the Quarter Ending June 30, 2014. Referring to Page 2 - Optimization Input Review, Mr. Marzinsky explained that Milliman, Inc. had developed projections for market returns over the next ten years, as well as the level of risk. In developing a portfolio, return expectations were weighed against the risk. For example, the U.S. Large Value Fund had an expected return of approximately 8% and an Annual Standard Deviation of approximately 17; therefore, the returns for this fund could increase by 17 percentage points to 25% or decline to -9%.

In reference to Page 3 - Input Correlation, Mr. Marzinsky explained that this table reflected how well assets move together. If a portfolio were all equities, they would all go up and down at the same time; therefore, it was desired to mix asset categories to balance movements.

Referring to the Page 4 - Individual and Group Constraints, he indicated that Milliman, Inc. set constraints to allow for a minimum and maximum in each asset category in order to prevent over-investment in the same types of assets.

Mr. Marzinsky stated that page 5 - Portfolio Options, reflected the Current Portfolio Allocation of approximately 60% stocks and 40% fixed income investments in the fifth column, with an expected return of approximately 6.6% per year on average. He stated that during the previous year, the plan had a return of approximately 14% and the sample portfolios provided options for the Board to consider. If members desired to target a slightly higher return, as in Sample Portfolio #1, equity investments could be increased to approximately 67% and fixed income investments decreased to approximately 33%, although this would slightly increase volatility. Sample Portfolios #2 and #3 reflected the potential for greater returns but also greater risk. He stated that the current portfolio was a "more conservative, middle-of-the-road" portfolio. He advised members that actuarial expectations were for an approximate return of 7.5% per year and meeting this expectation would be a good thing for the funded status of the plan and would also affect the future contributions.

Mrs. Mitchell explained that during their meeting of August 14, 2014, the Civilian Pension Board had opted to select Sample Portfolio #1 in an effort to move closer to the actuarial assumption and to help the City with contributions. She did not feel that this would be taking an aggressive approach, such as that in Sample Portfolio #3. She also advised members that this portfolio allocation would be considered at the next annual investment policy review but could also be reviewed on a quarterly basis.

Mr. Lynn informed members that during the Civilian Pension Board meeting of August 14, 2014, Mr. Marzinsky had advised members that there would be no fees involved if a more aggressive approach were adopted and it was later decided to return to the original investment.

Mr. Marzinsky confirmed that the portfolio would be rebalanced each quarter to the selected targets; therefore, no additional trading would be required.

Mr. Unterkofler expressed his desire to defer changes to the asset allocation until Chairman Mullaney could be present.

Mr. Unterkofler moved to defer consideration of changes to the asset allocation until the next meeting, seconded by Mr. Stallings and unanimously carried. *(City Clerk's Office Note: The City of Dover Police Pension Plan Strategic Asset Allocation Policy is Appendix A to the Investment Policy Statement.)*

Future Meeting Dates

Mr. Unterkofler moved for approval of the proposed meeting dates of November 13, 2014; February 12, 2015; May 14, 2015, and August 13, 2015, seconded by Mr. Stallings and unanimously carried.

By unanimous consent, the meeting adjourned at 10:53 a.m.

Sean M. Lynn
Acting Chairman

SML/JS/dd
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Attachment
Attachment #1 - Investment Policy Statement - City of Dover Police Plan - August 2014

INVESTMENT POLICY STATEMENT

CITY OF DOVER POLICE PENSION PLAN

August 2014

INVESTMENT POLICY STATEMENT

CITY OF DOVER POLICE 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 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.
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 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)

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: 8/14/14

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	10%
Inflation-Protected Bond	5%
Intermediate Term Bond	8%
Long-Term Bond	9%
High Yield Bond	8%
Large Value	10%
Large Growth	10%
Mid Cap Equity	5%
Small Cap Equity	8%
Foreign Equity	10%
Diversified Emerging Mkts	10%
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: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8/14/14