CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on May 1, 2014 at 10:00 a.m with Mr. Koenig presiding in the absence of Chairman Lynn (arrived at 10:12 a.m.). Members present were Mr. Bonar (departed at 10:01 a.m.), Mr. Blakeman, Mr. Clendaniel, Mrs. Hettinger, and Mrs. Mitchell.

AGENDA ADDITIONS/DELETIONS

Mr. Blakeman moved for approval of the agenda as presented, seconded by Mrs. Hettinger and unanimously carried.

Approval of Minutes - Special Civilian Pension Board Meeting of March 10, 2014

Mr. Blakeman moved for approval of the minutes of the Special Civilian Pension Board meeting of March 10, 2014, seconded by Mr. Clendaniel and unanimously carried.

Quarterly Performance Review *(Quarter Ending March 31, 2014) (Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Board Meeting Notes dated May 1, 2014. He advised members that plan assets totaled approximately $32.8M as of March 31, 2014 compared to approximately $24.8M on March 31, 2013, one (1) year ago, noting that contributions and withdrawals had occurred since that time. Mr. Marzinsky stated that the return for the plan was approximately 2.72% for the quarter, exceeding the benchmark of 2.5%. He noted the quarter had been volatile for the stock market and that a comment made by Janet Yellen, Chair of the Federal Reserve, that interest rates could potentially be adjusted upward, caused a rise in short-term interest rates. Mr. Marzinsky noted that long-term interest rates declined slightly. He informed members that the fund had been rebalanced for the quarter according to the asset allocation that was approved during the previous year and was in line with target allocations.

Mr. Marzinsky reviewed the Quarterly Investment Monitor Summary Report for the Quarter Ending March 31, 2014. Referring to Page 9 - Asset Allocation, Mr. Marzinsky reminded members that the Harding Loevner Global Equity Institutional Fund had been replaced in the portfolio by the more focused Oppenheimer International Growth Y equity fund. In reference to Page 10 - Investment Policy Review - Active Management, he noted that PIMCO had experienced some issues with upper management. The Chief Executive Officer (CEO) had resigned abruptly and would be replaced by the Chief Operating Officer (COO). Milliman had visited PIMCO and learned that changes had been made in its management structure. Mr. Marzinsky stated that PIMCO's investment committee would be expanded, which would provide more perspectives on fixed income markets. In addition, Mr. Marzinsky noted that the Target Small Capitalization Value T Fund had underperformed compared to its index; however, on a risk-adjusted basis, it ranked very well compared to its peer group. Mr. Marzinsky assured members that both of these funds would be monitored by Milliman.

In reference to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky explained that these index funds were expected to generally track their market benchmarks. He reminded members that Vanguard had changed some of the underlying benchmarks that were previously followed; therefore, some variances were expected and were not a cause for concern. He noted that short tem returns were generally in line with market indexes. Mr. Marzinsky reminded members that passive index funds have a low expense ratio compared to actively managed

investments. He noted that it was desired to have a diversified portfolio that includes both actively managed and index funds.

Referring to Page 12 - Investment Option Return Summary, Mr. Marzinsky stated that funds in the portfolio had generally positive returns year to date. The only underperforming area was emerging markets, which had a slight negative return. He noted that the portion of the plan's investments in emerging markets was not significant and this allocation was included for diversification.

Mr. Marzinsky reminded members that approximately 40% of plan assets were allocated to fixed income investments, which had performed "generally okay" over the last couple of years as interest rates had declined. However, he cautioned that if interest rates were to go up, the value of bonds would go down and the funds could have negative returns.

Mr. Marzinsky provided members with a draft Investment Policy Statement for the City of Dover Employees Pension Plan ***(Attachment #1)***. He indicated that he incorporated some of the terms of the prior advisor's investment policy statement relating to the roles and responsibilities of the Board in overseeing the portfolio and attempted to simplify some of the other provisions in the policy related to the investment manager selection and monitoring process. Mr. Marzinsky advised members that the Board typically tries to make asset allocation decisions during their August meeting and hoped that providing the draft Policy at this time would allow members an opportunity to review the document, make comments, and determine if they wished to consider changing the Investment Policy Statement as a whole. He stated that he would provide different portfolios for members to review and potentially adjust the overall asset allocation of the plan, with consideration being given to the potential returns and volatility of each portfolio. He stated that the Board's previous goal was to have a somewhat conservative allocation which had resulted in good returns, but not high returns, with low volatility.

Responding to Mr. Blakeman regarding who had prepared the policy, Mr. Marzinsky stated that he had created it himself as a draft and it included no comments at this point. He noted that it was a flexible document that was prepared as an "instruction manual" on what the Board does and to provide guidance on selecting, monitoring, and developing asset allocations.

Mr. Blakeman moved for adjournment, seconded by Mrs. Hettinger and unanimously carried.

Meeting adjourned at 10:15 a.m.

Scott D. Koenig
Acting Chair

SK/JS/dd
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Attachment
Attachment #1 - Draft Investment Policy Statement - City of Dover Employee Pension Plan, dated August 2014

DRAFT

INVESTMENT POLICY STATEMENT

CITY OF DOVER EMPLOYEES PENSION PLAN

August 2014

INVESTMENT POLICY STATEMENT

CITY OF DOVER EMPLOYEES' PENSION PLAN

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I. PURPOSE & BACKGROUND

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

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

The IPS will function to:

1. State in a written document the Plan Sponsor's expectations, objectives, and guidelines for the investment of Plan assets which the Plan Sponsor 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 Plan Sponsor 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 Plan Sponsor 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 Plan Sponsor.

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 terminate the plan if deemed appropriate.

III. CONTROL PROCEDURES & RESPONSIBILITIES

Disclosure

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

Delegation of Authority and Responsibilities

The Board is charged under Section 18-51 of the City of Dover Code of Ordinances with overall responsibility for investment of the Fund. To assist the Board in this function, it is authorized and permitted by said Ordinances to appoint an IM 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 IM 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 the Investment Policy Statement ('IPS') objectives and guidelines set forth herein.

2. Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS 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 Plan Sponsor. The strategic asset allocation of the Plan is as follows:

Asset Class	Range	Target
Cash & Short-Term Bond	5% - 10%	10%
Inflation-Protected Bond	0% - 11%	6%
Intermediate Term Bond	3% - 13%	8%
Long-Term Bond	4% - 14%	9%
High Yield Bond	1% - 11%	6%
Large Value	5% - 15%	10%
Large Growth	6% - 16%	11%
Mid Cap Equity	0% - 10%	5%
Small Cap Equity	2% - 12%	7%
Foreign Equity	5% - 15%	10%
Diversified Emerging Mkts	5% - 15%	10%
Real Estate	3% - 13%	8%

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. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

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 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 meet targets as below, based on the funded status of the plan. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

The strategic asset allocation of the Plan is as follows:

Dynamic Investment Policy	Funded Status Target Allocation						
Asset Category Index	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	10%	7%	5%	5%	5%	5%	5%
US Treasuries/Inflation-linked	6%	7%	7%	8%	9%	10%	13%
Intermediate Term Bond	8%	11%	12%	14%	16%	21%	24%
Long Term Bond	9%	11%	13%	16%	17%	21%	25%
High Yield Bond	6%	7%	8%	8%	8%	8%	8%
Large Cap Value – US Stock	10%	10%	9%	8%	8%	7%	4%
Large Cap Growth – US Stock	11%	9%	9%	8%	7%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	7%	7%	7%	6%	4%	3%	3%
Real Estate/REIT	8%	7%	6%	5%	5%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	5%	3%
Emerging Markets	10%	10%	10%	9%	9%	8%	5%
Equity	**61%**	**57%**	**55%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**39%**	**43%**	**45%**	**51%**	**55%**	**65%**	**75%**
Total	100%	100%	100%	100%	100%	100%	100%

***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, 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, 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: Over a complete business cycle, the Plan's overall annualized total return (net of expenses) should perform at or above the Plan Benchmark. The target allocation is based on the plan's funded status. This Plan Benchmark is a customized index composed of the following benchmarks for each target asset class and based on the funded status target allocation:

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 should not fall in the southeast quadrant of a standard risk/return plot over 3 and/or 5 years.

3. 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.

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

5. 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

_____
Treasurer/Finance Director

Date approved: _____