CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on November 14, 2013 at 11:00 a.m. with Chairman Lynn presiding. Members present were Mr. Blakeman, Mr. Clendaniel, Mrs. Hettinger, Mr. Koenig, and Mrs. Mitchell. Mr. Bonar was absent.

AGENDA ADDITIONS/DELETIONS

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

Approval of Minutes - Civilian Pension Board Meeting of August 8, 2013

During the Civilian Pension Board Meeting of August 8, 2013, the Board approved amending the Investment Policy for the City of Dover Employees' Pension Board to include a statement that the City of Dover Employee's Pension Plan investment policy would be adopted by the Board of Trustees and that the policy will be reviewed with the Investment Manager at least once every year by the Board of Trustees, which is charged with considering the existing policy and any recommendations to modify the policy.

Mr. Blakeman moved to amend the minutes to reflect that the above motion to amend the Investment Policy for the City of Dover Employees' Pension Plan was seconded by Mrs. Hettinger. The motion was seconded by Mr. Clendaniel and unanimously carried.

Mr. Koenig moved to amend Attachment #1 to the August 8, 2013 minutes - Investment Policy for the City of Dover Employees' Pension Board, as amended, to include the correct signature sheet for Amendment II to the policy. The motion was seconded by Mrs. Hettinger and unanimously carried.

Mr. Clendaniel moved for adoption of the minutes as amended, seconded by Mrs. Hettinger and unanimously carried.

Quarterly Performance Review *(Quarter Ending September 30, 2013) (Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Quarterly Performance Monitor Report for the Quarter Ending September 30, 2013. Referring to Page 3, Market Indices, he noted that most equity categories had positive returns for the year to date. He stated that international and emerging markets had been areas for concern and that the rise in interest rates had affected bonds negatively; however, he noted that rising interest rates caused the liability of the plan to decrease. Mr. Marzinsky stated that positive economic signs were being seen globally. Unemployment was lessening, jobs were being added, the gross domestic product (GDP) was expanding, and personal spending increased. There were indications that domestic and global interest rates would be kept low, which would help the economy to improve. Mr. Marzinsky stated that there were many positive economic signs; however, the Dow Jones and Standard and Poor markets were high and a pull-back of equities could occur. He stated that the current outlook was "optimistic but cautious."

Referring to the Investment Committee Meeting Notes dated November 14, 2013, Mr. Marzinsky stated that as of September 30, 2013, plan assets totaled $30.91M, which was an increase from $30.26M at the end of the previous quarter due to contributions and appreciation. He stated that the

asset allocation was generally in line with targets discussed during the Board's August meeting and that asset allocation would continue to be reviewed through development of the ongoing investment policy for the plan, which would be adjusted as the economy and plan valuation change.

Referring to Page 2 of the Investment Committee Meeting Notes, Mr. Marzinsky explained that the previous investment advisor had included two (2) global investments in the plan that overlapped with some of the other funds. He stated that Milliman, Inc. would return to the Board with recommendations for potential replacements for these investments. He noted that the performance of these funds had been adequate; however, from a diversification perspective, this overlap could be problematic.

Referring to Page 10 of the Quarterly Investment Monitor - Investment Policy Review - Active Management, Mr. Marzinsky stated the Return Rank indicated that funds were ranking well in their categories, noting that the Ivy High Income I Fund ranked first. He noted some underperformance compared to the index; however, the Relative Standard Deviation column revealed a lower level of risk than the benchmark. He stated that Milliman was comfortable with the performance of the plan overall, other than the two (2) changes mentioned previously.

Referring to the Investment Option Return Summary on Page 12 of the Report, he stated that most funds were performing very well compared to indexes and that Milliman, Inc. would monitor performance and recommend potential changes if any underperformance continued. No immediate changes to the plan were recommended. He noted that the overall rate of return for the plan for the past year was approximately 6%, which he stated was in line with the 6% - 7% target for the plan. The plan had positive returns over the last three (3) months, Year to Date, One (1) Year, and Three (3) Years. He noted that adjustments made during the summer of 2013 generally led to appreciation. In summary, he noted that the plan assets had shown improvements in value for the quarter and over the last year, due to contributions to the plan and investment returns of the plan. Individually, the investments were performing well in relation to their peer groups. The potential overlap with the two (2) global equity funds in place prior to engagement of Milliman, Inc. would be examined and recommendations would be provided at the Board's next meeting in February. Milliman, Inc. would research funds available on the Wells Fargo platform and make specific recommendations regarding potential replacements. He noted that Milliman, Inc. had drafted a new investment policy for the plan that would be more streamlined and easier to read, and planned to present it to the Board for approval prior to the Board's discussion of investment policy and asset allocation.

Mrs. Donna Mitchell, Controller/Treasurer, advised members that funds were allocated for the Pension Fund during the last week of June 2013 when the final budget ordinance for Fiscal Year 2013/2014 was adopted. She noted that the excess carry-forward was approximately $6.8M and that Mr. Marzinsky had prepared trade tickets to place the funds into pension investments. Mrs. Mitchell indicated that she had asked staff to determine how much of the funds should remain in the bank to cover pension payments and to reduce the amount to be invested accordingly; this would prevent an immediate need to redeem investments to make pension payments. She explained that after Mr. Marzinsky prepared the trade tickets, staff missed an email and the investments were not made until September 6th, therefore, the money remained in a cash account from June 28 until September.

She estimated that this affected the Fund's return by approximately 1 percentage point for the quarter.

Responding to Mr. Blakeman, Mr. Marzinsky stated that approximately $300,000 per month is drawn from the Civilian Pension Fund for benefit payments and confirmed that this is reflected in the Quarterly Activity Reports, "Schedule of Changes in Pension Trusts Fund Assets" that are provided to members.

Mr. Blakeman noted that return of the overall market exceeded the Pension Fund's return. Responding, Mr. Marzinsky explained that when the investment policy was developed, a moderate/conservative allocation was selected rather than an aggressive allocation. He noted that higher volatility would be associated with a more aggressive allocation. He reminded members that the Fund's portfolio was balanced and that approximately half of the Fund's investments were in bonds.

Mr. Blakeman moved for acceptance of the Quarterly Investment Monitor - Summary Report for the Quarter Ending September 30, 2013, seconded by Mrs. Hettinger and unanimously carried.

History - Approval of Routine Applications for Retirement

During the Civilian Pension Board meeting held on August 8, 2013, members requested that the City Clerk's Office be asked to provide a history of a change that occurred in the retirement application review and approval process in approximately 2000, as described by Mrs. Hettinger. Mr. Lynn noted that members recalled that when pensioners retired previously they would appear before the Civilian Pension Board and be given an opportunity to engage in dialog with the Board about their pension benefits prior to retirement.

During the meeting held on November 14, 2013, Mr. Lynn noted that the history provided to members appeared to answer many of the questions that had been raised by members of the Board and indicated that retirees would be directed to the Human Resources Department in lieu of the Civilian Pension Board.

Mrs. Hettinger noted that the minutes stated that the Board would receive quarterly reports on retiring employees. Mrs. Kim Hawkins, Human Resources Director, stated that this information was now being sent to members on a semi-annual basis.

Mr. Blakeman questioned if it would be possible for members to be notified when an employee applies for retirement so that members could contact employees to see if they had any questions.

Mrs. Hawkins stated that the Human Resources Department could provide an email to the City Clerk's Office, which could distribute it to members of the Board. She wished to avoid a situation where employees might receive conflicting information from Board members and the Human Resources Department.

Mrs. Mitchell suggested that, upon receipt of an application for retirement from an employee enrolled in the defined benefit pension plan, the Human Resources Department obtain permission from the employee to sent a notification email to members of the Board, and Mr. Blakeman concurred with this.

Mrs. Hawkins stated her preference that employees continue to consult with the Human Resources Department regarding retirement and she expressed her opinion that this function was beyond the role of the Civilian Pension Board, which was tasked with managing investments rather than the retirement process.

Mr. Blakeman questioned if receiving such emails would exceed the boundaries of the Civilian Pension Board. Responding, Mr. Lynn stated that the role of the Board had not changed significantly since 2005 when the decision was made by the Board to delegate this responsibility to the Human Resources Department. He did not feel that it was outside the scope of the Board's function to receive notification emails regarding retirement.

For clarification, Mr. Koenig questioned if members were requesting notification when a letter regarding retirement is received and a date is determined. Responding, Mr. Blakeman confirmed that this was the case and that he would like to be able to contact retiring individuals, congratulate them, and offer to help in any way possible.

Mr. Clendaniel stated that he had been on the Board since 2009 and felt sure that retiring individuals had questions during that time; however, he noted that no individuals had come before the Board. He indicated that he had received many questions while he was an active employee.

Mr. Lynn noted that the minutes excerpt provided from the Civilian Pension Board meeting held on August 23, 2005 stated that "If any questions or concerns are presented, a Pension Board meeting will be held for the entire board to review and consider for approval."

Mrs. Hawkins stated that retirees typically do not have additional questions since they are provided information by the Human Resources Department.

Mr. Clendaniel stated that retiring employees need to be informed of the opportunity to come to Board members with any questions that cannot be answered by the Human Resources Department.

Mr. Blakeman moved that Civilian Pension Board members be notified at the earliest possible convenience by email when employees have applied for retirement. The motion was seconded by Mrs. Hettinger.

For clarification, Mr. Koenig questioned whether the motion would apply only to retirees covered by the defined benefit pension plan. Responding, Mr. Blakeman also stated a desire to be made aware of the retirement of employees outside this plan.

Mr. Lynn expressed his opinion that receiving information about the retirement of employees outside the defined benefit plan would be beyond the purview of members of the Civilian Pension Board.

Mr. Blakeman moved to amend the motion to address only members of the defined benefit program, seconded by Mrs. Hettinger.

The motion that Civilian Pension Board members be notified by email, at the earliest possible convenience of staff, when employees who are enrolled in the defined benefit pension plan have applied for retirement was unanimously carried.

Mr. Clendaniel noted that some employees in the deferred pension plan do not realize that they are not represented by the Civilian Pension Board.

Mr. Lynn requested Mrs. Hawkins to let retirees know that they have the option of coming before the full Civilian Pension Board should they choose to do so.

By unanimous consent, the meeting adjourned at 11:30 a.m.

Sean M. Lynn
Chair

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