OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on November 14, 2013 at 9:04 a.m with Chairwoman Mitchell presiding. Members present were Mr. Koenig and Mrs. Hawkins. Mr. Hare and Mrs. Williams were absent.

AGENDA ADDITIONS/DELETIONS

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

Approval of Minutes - OPEB Board Meeting of August 8, 2013

Mrs. Hawkins moved for approval of the minutes of the OPEB Board meeting of August 8, 2013, seconded by Mr. Koenig 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 Investment Monitor Summary Report for the Quarter Ending September 30, 2013. Referring to Page 3, Market Indices, he noted that, in general, the returns for equity categories were positive for the year to date. He stated that bonds, particularly long-term bonds, were affected early in the year by rising interest rates. Mr. Marzinsky indicated that interest rates had risen by approximately 100 basis points, which would affect plan liabilities in a positive way. He noted improvements in the global economy, including a lessening of unemployment in the U.S., job growth, an expansion in the Gross Domestic Product (GDP), and an increase in personal spending. Indications were that interest rates would be kept low. Mr. Marzinsky expressed cautious optimism regarding the markets, noting that the Dow and Standard and Poor markets were at record highs.

Referring to the Investment Committee Meetings Notes - 11/14/2013, Mr. Marzinsky stated that the assets in the OPEB plan as of September 30, 2013 were approximately $14M, an increase from approximately $13.4 million at the beginning of the quarter. He noted that on September 30, 2012, Plan funds totaled approximately $11M; therefore, there were improvements in assets due to contributions and investment returns over the past year. At the end of the quarter, the plan asset allocation was in line with the target ranges set during the previous meeting. He stated that Milliman, Inc. would make recommendations for change as they see the economy affecting investments in general.

Mr. Marzinsky noted that OPEB investments had generally had positive returns. He noted that two (2) of the investments carried forward from the previous investment manager, American Funds New Perspective and Harding Loevner Equity funds, were global funds that invest primarily in Europe and Asia, but also have some allocation to the United States. Due to the global nature of these funds, he indicated that there may be some overlap with other investments in the plan. Mr. Marzinsky noted that recommendations for potential replacement(s) would be made to the Board at the next meeting. The returns on these investments had been generally good; however, it was felt that they did not fit into the portfolio any longer.

Referring to the Investment Policy Review - Active Management on Page 10 of the Quarterly Investment Monitor Report, Mr. Marzinsky stated that the Return Rank for most of the funds was in the top half or better. He noted that many investments were outperforming their indexes and that the Relative Standard Deviation column reflected figures that were lower than 1, for the most part, indicating that these funds were less volatile than their market indexes.

In reviewing the Investment Option Return Summary on Page 12, Mr. Marzinsky stated that the majority of the individual funds were exceeding their market indexes. He noted some underperformance in a couple of the investments; however, the plan had positive returns over all periods of time. He stated that the plan was close to its target return of 5% - 7% for the one (1) year period and had positive performance and appreciation in assets over the last year.

In summary, Mr. Marzinsky stated that plan assets had shown improvement in value from the prior quarter and the prior fiscal year end. Returns for the plan had been positive. The individual investments were performing well compared to their peers and no changes were recommended at this time. He indicated that Milliman, Inc. would work with Wells Fargo to determine the funds that are available on their platform to make recommendations for replacement of the global equity funds mentioned previously. Mr. Marazinsky noted that Milliman was in the process of redrafting the Plan's investment policy statement and would provide this to the Board early next year, prior to the Board's meeting in August when the investment policy and asset allocation are scheduled to be brought forward for approval.

Mrs. Hawkins moved to accept the report, seconded by Mr. Koenig and unanimously carried.

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

Meeting adjourned at 9:13 a.m.

Donna S. Mitchell
Chairwoman

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