CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on August 8, 2013 at 2:00 p.m. with Chairman Bonar presiding. Members present were Councilman Lynn (arrived at 2:07 p.m.), Mr. Blakeman, Mr. Clendaniel, Mrs. Hettinger, Mr. Koenig, and Mrs. Mitchell.

AGENDA ADDITIONS/DELETIONS

Mrs. Mitchell moved to add "and Staff Recommendations" to Agenda Item #4, Investment Manager Recommendations.

Mr. Blakeman moved to approve the agenda as amended, seconded by Mr. Clendaniel and unanimously carried.

Adoption of Minutes - Civilian Pension Board Meeting of May 9, 2013

Mrs. Hettinger moved for adoption of the minutes of the Civilian Pension Board Meeting of May 9, 2013, seconded by Mr. Blakeman and unanimously carried.

Organizational Issues - Election of Chair

Mr. Bonar opened the floor for nominations for Chair of the Civilian Pension Board.

Mr. Clendaniel moved to nominate Mr. Lynn to serve as Chair, seconded by Mr. Blakeman.

Mr. Blakeman moved to close nominations, seconded by Mrs. Hettinger and unanimously carried.

The motion to elect Mr. Lynn as Chair of the Civilian Pension Board was unanimously carried.

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

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed Item #1 of the Investment Committee Meeting Notes - 8/8/2013 Memo included with the Quarterly Investment Monitor Summary Report for the Quarter Ending June 30, 2013. He noted that the plan assets as of the end of the quarter were approximately $30M, an increase from the previous balance of approximately $25M. He advised members that a large contribution was made at the end of the quarter which pushed the plan out of the allocation targets; however, the funds were rebalanced immediately after the end of the quarter and would be in line for the next quarter. The plan return was close to the portfolio benchmark but slightly negative, which was driven by negative bond returns and troubled emerging markets during the quarter. Otherwise, performance was in line with the target benchmark, there were no problems with investment managers, and no changes in managers were recommended.

Investment Manager and Staff Recommendations

Referring to Item #2 of the Investment Committee Meeting Notes - 8/8/2013 Memo included with the Quarterly Investment Monitor Summary Report for the Quarter Ending June 30, 2013, Mr. Marzinsky stated that at least once per year Milliman updates market expectations. He reviewed the Optimization Input Review, noting the expected returns for each asset category, as well as the expected volatility. He explained that long-term bonds and emerging markets were potential areas

of risk and that it was advisable to reduce long-term bond exposure in light of rising interest rates; therefore, some changes in asset allocation were recommended.

Referring to the Portfolio Options chart, Mr. Marzinsky reviewed the recommended adjustments outlined in the Customized Alternative Portfolio column, which reflected the 40% funded status indicated in Amendment II to the Investment Policy for the City of Dover Employees' Pension Board. He indicated that long duration bond and emerging market exposure would be tapered back in this scenario. Some of the long-term bonds would be reallocated to other fixed income investments within the plan, lowering the duration. Similarly, on the equity side, exposure would be reduced to emerging markets and these assets would be reallocated among other stock investments within the plan. The overall 61% equity to 39% fixed income allocation would be maintained. Mr. Marzinsky noted that high-yield investments would be introduced in this portfolio, since these shorter duration investments with lower credit quality would be less susceptible to interest rate adjustments. He explained that the expected return would be approximately the same, the potential risk would increase slightly, and the portfolio would be kept within the guidelines that were previously developed.

Referring to Item #3 of the Investment Committee Meeting Notes - 8/8/2013 Memo, Mr. Marzinsky recommended selection of Ivy High-Income I as fund manager of the high-yield investments, noting that this fund had the best return of the funds reviewed, as well as the best rank in the asset category and the lowest level of volatility over three (3) and five (5) years. He noted that the high-yield portfolios reviewed focused on average on B-rated corporate bonds.

No other changes to the managers of investments in the portfolio were recommended at this time.

Mrs. Hettinger moved to approve Amendment II to the Investment Policy Statement for the City of Dover Employees' Pension Board, seconded by Mr. Lynn and unanimously carried.

Mrs. Mitchell moved to invest in Ivy High-Income I as a new fund. The motion was seconded by Mr. Blakeman and unanimously carried.

Mrs. Mitchell explained that it was staff's recommendation that the Investment Policy for the Civilian Pension Trust be reviewed annually, similar to the City of Dover Investment Policy. She suggested that this be done each August.

Mr. Blakeman moved to amend the Investment Policy for the City of Dover Employees' Pension Board to include a statement that the City of Dover Employees' Pension Plan investment policy be adopted by the Board of Trustees. 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. The motion was seconded by Mrs. Hettinger and carried unanimously. *(City Clerk's Office Note: Subsequent to the meeting, the Investment Policy for the City of Dover Employees' Pension Board was revised to include this statement as well as Amendment II (**Attachment #1**).*

Audit Procedures

Mr. Bill Seymour, SB and Company, LLC, (City Auditor) reviewed a presentation entitled, "City of Dover, Year Ended June 30, 2012, Meeting with Pension Board - August 8, 2013." He noted that SB & Company, LLC had issued an unqualified opinion for the June 30, 2012 City of Dover financial statements, which was the best opinion that could be issued under generally accepted auditing standards and indicated that the financial statements were reasonably free of material misstatement. Mr. Seymour noted that although the pension funds were legally separate from the City, for accounting purposes they were considered part of the overall reporting package since the City had fiduciary responsibility to review and report on the funds. He noted that the pension information was fully scoped within the financial statement audit and was included in the auditor's unqualified opinion.

Referring to the cover letter included in the Financial Section, Part A, Report of Independent Public Accountants included in the 2012 Comprehensive Annual Financial Report (CAFR), Mr. Blakeman noted the inclusion of the following statement:

> *Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the general fund - schedule of revenues, expenditures, and changes in fund balance - budget and actual, the governmental capital projects fund - schedule of revenues, expenditures and changes in fund balance - budget and actual, and required supplemental schedules of funding progress and schedules of employer contributions for the Pension Plans Funds and Other Post Employment Plan, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context . . . We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.*

Mr. Blakeman requested clarification from Mr. Seymour regarding the audit procedures in regard to the Civilian Pension Fund.

Mr. Seymour explained that the Required Supplemental Information included in the CAFR is actuarial information that shows the funding status of the plan and the amount of historical contributions. This is additional information that is required to be disclosed but is not part of the basic financial statements. However, the CAFR includes a statement of net assets of the plan, including the investments, the investment valuation as of June 30th, and any liabilities that the plan would have, as well as a statement of changes in net assets in the plan. The income statement included shows investment income, contributions, and interest dividends, as well as benefit payments and any administrative expenses. Mr. Seymour noted that all of this information is included in the audit, as well as supplemental information that is not part of the audit but is required to be disclosed by management, similar to the statistical section of the CAFR which includes information related to the City (e.g., population, etc.) that is not audited or required to be audited.

Noting that the Combining Statement of Pension Trust Fund Net Assets on Page 124 of the CAFR was included in the Required Supplementary Information section, Mr. Blakeman inquired if this meant that this information was not audited or reviewed by SB & Company, LLC, and if the firm would, therefore, not make statements about it.

Mr. Seymour stated that the Police Pension Fund and the General Employees' Pension Fund were examined individually to ensure that they were not materially misstated and then, for financial reporting purposes, they were combined, and that is what is shown in the basic financial statements, (the audited section) of the CAFR.

Mrs. Mitchell explained that staff and the auditors check to make sure that the numbers in the combined report agree with the numbers in the supplemental information.

Mr. Seymour advised members that the auditor examines whether financial statements are materially correct and this is a two (2) part process that includes: 1) examining the processes and controls that management has put into place to produce an accurate set of financial statements; and 2) substantive testing to ensure that the investment valuations conform with third-party valuations to make sure that the numbers in the financial statements are correct. Mr. Seymour reviewed the steps of a Risk-Based Audit Approach, noting that the idea is to focus on the operations, how management controls risks, and the ultimate effect of misstatement on the financial statements, as well as if there were any additional items that should be brought to the attention of the City. He noted that no pension-specific items were identified.

Mr. Seymour noted SB & Company determined that the City's performance was effective in all five (5) categories relating to evaluation and assessment of control environment, which is the best term that the auditor uses, as were the design and operation of key processes and functions. He noted that the audit performed was not a fraud audit; however, explained that SB& Company was required to maintain a healthy skepticism and look for fraud.

Mr. Blakeman noted that he was recently informed that Board members had fiduciary responsibilities for the General Employees' Pension Fund and, as such, he felt that members could be held accountable. He posed a number of questions related to the administration of the plan, including who handles the process of retirement, who checks to see if it has been handled correctly, how the payer is notified that the retiree needs to be paid, and how it is ensured that the list of names submitted to the payer is the same list that the City holds for those who should be getting checks. He questioned how the City was notified when someone dies, whether the City verifies that checks are being issued only to those who are entitled to receive them, how checks are written, who has to sign them, and whether checks require two (2) party or one (1) party signatures. He indicated that a list of new retirees was issued every six (6) months, but members did not receive a list of those who are deceased. He questioned whether the audit by SB & Company would cover these issues.

Mr. Seymour stated that each of these items could potentially affect the amounts reported in the financial statements; therefore, the processes and controls that management uses to process benefits were considered, including whether management was doing what must be done to ensure that a reasonable process and reasonable controls were in place to prevent and/or detect material errors.

He indicated that all items mentioned by Mr. Blakeman were examined as part of the audit in terms of the information reported in the financial statements. Decisions regarding the frequency of reviewing items such as deaths (e.g., weekly, monthly, etc.) would be made by management and the auditor would consider whether these types of decisions were reasonable. He stated that decisions from a performance standpoint may differ; however, he indicated that SB & Company did not see anything that was "out of line."

In regard to the fiduciary role of board members, Mr. Seymour stated that, in his experience, liabilities were related to board members who acted according to what was best for their own interests. He was unsure if the City carried Directors and Officers (D & O) liability insurance for volunteer board members, which he stated was relatively inexpensive and would protect board members who served as volunteers and were not being fully compensated and noted that this might be something that the City would choose to look at if not covered within the City's current insurance policies.

Mrs. Mitchell explained that she was covered as a staff member but was unsure if volunteer board members were covered.

Mr. Blakeman noted that he had come across instances where problems emerged due to negligence in procedures and it was discovered that a board had not done due diligence to ensure that there were not errors or a lack of appropriate policies.

Mr. Seymour felt that holding discussions like the current one and walking through audit procedures was a deterrent toward improper action and provided an incentive for management to do things correctly. He advised members that he had seen instances where boards were completely negligent, didn't ask questions, and ignored problems raised by auditors. He felt that requiring an external audit and examining insurance from a protection standpoint were appropriate. He noted that additional audits could be performed; however, he did not know that there would be much "bang for the buck" in conducting an audit above and beyond the work that is done by SB & Company. However, he noted that circumstances, including investment performance, could change tomorrow and this could then be more important.

Mrs. Hettinger stated her discomfort with the Pension Board. She noted that she recently came to City Hall with a mentally challenged employee who retired and she was able to assist him in making changes that would benefit him in two (2) instances. She stated that the Civilian Board members currently had no interaction with the employees who vote them into office and that this responsibility had been taken away. She noted that previously when an employee retired, a meeting was held by the Human Resources and Finance Departments, the Pension Board, the retiring employee, and the City Manager. All items were reviewed before the Pension Board, and if they felt this employee was not getting a fair share, the Board was present to speak up for them. She stated that this no longer happened and that the Board had only financial responsibility. Mrs. Hettinger felt that some employees may not understand the retirement process and expressed her desire to represent these individuals. She felt that the Board members were not helping employees as members had in the past and that they might just as well be appointed rather than elected. She was unsure how, when, and by whom the former process was changed and felt that this should be examined.

Mrs. Mitchell stated that the process Mrs. Hettinger described had not been in effect in the City since at least the year 2000. She noted that the Board was formerly provided a copy of the pension application. The Board subsequently recommended that only a list be provided and agreed that the list would be provided after the fact because they were basically providing only a "stamp of approval," since calculations were being done and no changes were being made. Mrs. Mitchell recalled that it had been difficult to schedule meetings and obtain a quorum of Pension Board members to approve retirement applications, especially when employees retired without providing much notice.

Mr. Blakeman stated that the majority of employees who retire do not have the ability to calculate their average salary for the last three years and only receive a piece of paper saying what it is.

Mr. Bonar noted that the State of Delaware has a simple way to determine this information through the State pension website. The employee can add the income earned for the last three (3) years and a pension amount based on the number of years and a retirement plan is generated. He was unsure what the cost of the program was, whether it would be worth the City's while to invest in it, or whether the City could "piggyback" off the State's system.

Mr. Koenig reminded members that the General Employees' Pension Plan was phasing out; therefore, such a program would not be applicable to everyone. He felt it would not apply to the Police Department.

Mrs. Hettinger questioned how the family of a deceased employee would know what benefits they were entitled to.

Mrs. Hawkins, Human Resources Director, stated that she had been in Human Resources since 2000 or 2001 and did not recall attending meetings with employees, Board members, and a member of Human Resources; however, she did recall meetings when the pension application was read into the record and approved by the Board. She concurred that obtaining a quorum of Civilian Pension Board members was a concern. She stated that the Human Resources Department takes great pride in ensuring that employees are educated when they retire and that time is taken to explain the numbers to employees. Before changing over to ADP, staff provided yearly statements to employees in the defined benefit plan so they knew exactly how much was contributed to the plan, which correlated to their check stubs. Mrs. Hawkins advised members that it takes a good deal of time for Human Resources staff to do pension calculations. Documents are reviewed with the employee and explained, and employees are shown the Code and directed to the website to review it further. They are educated on how the numbers are calculated and information is provided to take home, review, and analyze with a spouse, and they are encouraged to return with any questions. Staff goes out of their way to provide the customer service that employees need to retire because it is a huge decision. She acknowledged that there is not the same opportunity for due diligence when employees retire on very short notice. Mrs. Hawkins stated that she was familiar with the State web application for calculating pensions and, from her recollection, the employee must enter their annual salary (the application does not pull from payroll records), must estimate when they plan to retire and their years of service, and the application does a general calculation. She stated that she could provide

this information for employees since the calculation is based on 2% for every year of service. Mrs. Hawkins emphasized that Human Resources staff is available to anyone who needs assistance.

Mrs. Mitchell stated that Human Resources is also available for spouses and families of deceased employees and walks through every step with them.

Mr. Blakeman concurred that his retirement was spelled out exactly by Human Resources staff and their calculations agreed with his personal calculations. His concern was that employees are often intimidated by the setting and reluctant to ask questions or challenge determinations. He felt that prior to 2000, employees felt that they could sit with people they elected to the Board, talk to them separately, and raise questions that they might not be comfortable raising. He acknowledged the problems related to timing in terms of getting a quorum together.

Mr. Seymour noted that no complaints were identified in the audit regarding retirement amounts. He suggested that an email box be created to which only the Board would have access to allow them the ability to review concerns brought forward by retiring employees. Employees could then have access to board members and members could decide how they wish to adjudicate these matters.

Mrs. Hettinger stated that the Human Resources Department did an excellent job; however, some employees at the street level did not believe that management was in their corner. She noted that many individuals in the Civilian Pension Plan were older employees who do not trust middle and upper-level staff.

Mr. Bonar suggested that this topic could be added to a future agenda if members wished to discuss it in further detail.

Mr. Lynn suggested that the Clerk's Office be asked to provide a history of the changes that had occurred by researching the minutes of the meetings that reflect the change in procedure that occurred in approximately 2000 and was described by Mrs. Hettinger.

Responding to Mr. Blakeman regarding the need for a risk-based audit, Mr. Seymour stated that, based upon the information he had seen, he did not feel that there was a need for an additional audit at this point. He felt that, from the Board's perspective, members should consider and communicate to management what retirees were telling them since information and communication was a key component of evaluating and assessing the control environment during the audit procedure. If numerous complaints were being received about pay, this would reveal a symptomatic problem that should be investigated further; however, absent that, there was no "smoking gun" that would indicate that this should be investigated further.

Mr. Blakeman noted, as stated in the presentation, that it was SB & Company's responsibility to "approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone." Since a risk audit had never been done, he questioned if this should be done at least once to say that it had been done, even though no complaints had been received.

Mr. Seymour explained that this verbiage was the standard for the audit that SB & Company was required to do and not necessarily something that Board members would be held to. He felt that the determining factor was how much money the Board wished to spend versus the inherent benefit, considering there were no constituent complaints or any indication of a problem.

Mr. Blakeman inquired if an affirming statement could be put in the CAFR cover letter to indicate what was done for the Pension Fund, including a statement that samples were taken and examined.

Mr. Seymour stated that the opinion referenced that the audit was completed in accordance with generally accepted auditing standards and that the wording was considered standard and could not expand very much unless there were an issue.

Mr. Blakeman stated that he felt much better after the discussion and would not recommend a risk audit at this point. He noted that he would be asking separately about insurance concerns.

Mr. Seymour encouraged Mr. Blakeman to contact him if he had concerns about the plan.

Scheduling of Future Meeting Dates

Mr. Blakeman moved to tentatively schedule meetings for the Civilian Pension Board on November 14, 2013; February 13, 2014; May 8, 2014; and August 14, 2014 at 11:00 a.m. The motion was seconded by Mrs. Hettinger and unanimously carried.

By unanimous consent, the meeting adjourned at 3:12 p.m.

David L. Bonar
Chair

DLB/JS/dd/tm
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Attachment
Attachment #1 - Investment Policy for the City of Dover Employees' Pension Board, as amended

INVESTMENT POLICY

CITY OF DOVER
EMPLOYEES' PENSION BOARD

August 8, 2013

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City of Dover Employees' Pension Board
Investment Policy Statement
Pension Plan

INTRODUCTION

PURPOSES OF THE STATEMENT

Based upon and in keeping with requirements of City of Dover officials and Employees' Pension Plan participants serving 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 Statement's purposes are to:

1. Present appropriate goals and objectives relating to investment management of the Fund.

2. Recognize and/or specify diversification and liquidity requirements and identify any legal constraints affecting investment management of the Fund.

3. Promulgate guidelines, consistent with any Board-selected investment time horizon(s), investment management classifications, and/or investment management styles, to which any Board-appointed Investment Manager (IM) shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the Fund.

4. Establish standards and procedures for monitoring, measuring, reviewing, and absolutely and comparatively evaluating IM investment performance, along with similar standards and procedures for assuring conformity with investment policies, goals, objectives, guidelines, and/or constraints.

5. Foster understanding and effective communications between the Board and Staff and any persons appointed, employed, designated or in any way called upon by the Board or Staff to serve the Plan and its participants and/or beneficiaries.

PLAN DESCRIPTION

The Plan is a public employee retirement plan governed by the City of Dover Code of Ordinances as cited within "Purposes of the Statement," above.

PORTFOLIO MANAGEMENT PRECEPTS

The Board endorses contemporary investment practices, based upon the construction of well diversified multi-asset portfolios, which facilitate control of investment risk and afford reasonably predictable long-term investment returns, primarily by IM selection which maintain distinct investment practices or "styles" within any asset class. The monitoring and appropriate investment performance measurement respecting such styles requires relative comparisons among peers and to chosen (usually index) benchmarks as well as absolute measures respecting the financial progress of the Plan itself.

PRUDENCE IN INVESTMENT

Applicable terms, conditions, limitations and restrictions of applicable law upon Delaware fiduciaries notwithstanding, any IM serving the Fund shall discharge any duties relating to the Fund solely in the interest of Plan participants and beneficiaries, shall demonstrate appropriate knowledge of the Plan's purpose and contemporary operations, and shall diversify the investments of any Fund investment portfolio so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment program, any IM managing any part of the Fund shall consider all relevant factual and circumstantial information and the impact of such information on a particular investment, strategy, or program, and on the Total Fund.

Further, respecting investment strategies, programs and/or specific investment actions for the Fund, any IM shall also consider:

1. potential losses and gains,

2. the composition of any IM-assigned portfolio, and the Total Fund, with regard to
   a. diversification
   b. liquidity and current return relative to the Fund's cash flow requirements
   c. projected total return relative to the Plan's funding objectives

Guidelines respecting Prudence have been developed in light of investment objectives related solely to the Plan's varied and dynamic obligations to its participants and beneficiaries. Actuarial, economic, investment, and even socio-political events and trends are fluid factors affecting the funding of those obligations. Accordingly, these guidelines respecting Prudence are, as a part of this Statement, intended singularly to present broad and balanced considerations to guide incumbent and successor Board and Staff, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

RESPONSIBILITIES OF THE BOARD AND STAFF

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 must also develop prudent management policies and guidelines intended to assure that the Plan will fulfill its objectives. Policies and guidelines are inclusive of, but not restricted to:

1. Establishment of investment objectives, investment policy, investment guidelines, and monitoring and review procedures.

2. 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.

3. 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.

4. 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.

5. The City of Dover Employee's Pension Plan investment policy will be adopted by the Board of Trustees. 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.

The Board shall examine this Statement from time to time and make appropriate revisions. At least annually the Board shall review the Statement entire and communicate any material changes to any persons affected by them.

RESPONSIBILITIES OF THE INVESTMENT MANAGER(S)

Fund management and responsibilities for investment decisions are delegated to any appointed IM. Any IM shall exercise complete discretion within the clear limits established by this Statement. Accordingly, the Board requires adherence to Delaware or other pertinent laws as now apply, or may apply in the future, with particular attention to the standards established by applicable rules of law.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any IM, must meet standards set by the Board from time to time.

If at any time a manager believes that this Investment Policy Statement inhibits its investment performance, it is the manager's responsibility to communicate this view to the Pension Board. In addition, the manager will promptly (within 30 days) notify the Pension Board, in writing, regarding all material or significant matters that change pertaining to the investments of the retirement fund assets, including but not limited to:

- changes in investment strategy portfolio structure, tactical approaches and market value of managed assets;

- changes in ownership organizational structure, financial condition, and/or professional staff of the investment firm; and

- all material legal, SEC and other regulatory proceedings affecting the firm.

RESPONSIBILITIES OF THE PLAN CUSTODIAN(S)

Any Custodian appointed by the Board shall be responsible for safekeeping of the Fund, including all security transaction settlements and deliveries, and for comprehensive recordkeeping and reporting,

which shall include any custom recordkeeping, record retention, or reporting reasonably required by the Board or Staff.

Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting, arising from superior state-of-the-art information systems and committed staff, shall be the primary benchmarks for month-to-month evaluation of Custodian performance.

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.

Ready access to information by the Board and Staff shall be a prime requisite of recordkeeping and reporting services, with no bar as to frequency of access, nor any delay greater than one day acceptable. Transaction records shall be maintained on a trade date basis and shall remain immediately available for at least two years. Nationally accepted asset pricing should be daily and reported not less often than monthly, and "non-trade" transaction records (e.g., stock splits, etc.) should be both available immediately and properly carried into monthly transaction and asset value reports.

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 OBJECTIVES

Investment Objectives for the Plan represent anticipated results and are long-term in nature. Given the Board assumptions respecting current and projected Plan and capital market conditions, the following Objectives have been delineated:

1. All Plan fiduciaries shall discharge their responsibilities and the Fund shall be invested in a manner consistent with [relevant law] and generally accepted fiduciary standards. Further: (1) all transactions undertaken on behalf of the Plan shall be solely in the interest of Plan participants and beneficiaries, and (2) with reference to Prudence in Investment, set forth earlier in this Statement, safeguards and diversification to which a prudent investor familiar with and managing the Fund of this Plan under known or foreseeable circumstances would adhere, and liquidity and current return consistent with rationally anticipated cash flow requirements of the Fund, shall be governing factors in all investment considerations.

2. Consideration shall be given to suitable long-term investment intended to provide Fund capital and income growth which may be utilized to increase future benefits and thus maintain the purchasing power of Plan participants and their beneficiaries; the Board anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle and/or within its selected three-to-five (3-5) year investment time horizon.

3. Consideration shall also be given, granting conformity with the objectives of 2., above, to providing adequate and timely cash flows to meet anticipated Plan benefit payments, with sufficient reserves to

meet relatively smaller flows for unanticipated benefit payments; adequate emphasis, consistent with the foregoing, shall be placed upon current investment return; any Fund IM should expect to receive periodic projections of Fund liquidity requirements but, in the absence of such projections, shall be responsible for seeking necessary information from the Board or any party designated by the Board for this purpose.

4. While professional managers may strive to record positive rates of investment return during all measurement periods, securities markets are unlikely to provide a consistently favorable climate, on a shorter-term basis, for longer-term investments. Therefore, considering usual multi-year economic and/or investment cycles, and the three-to-five (3-5) year investment time horizon selected by the Board, requisite but not exclusive comparative or benchmark measures of investment return, and of risk or volatility, are delineated as follows:

   a. Commensurate with preserving participant and beneficiary purchasing power through the Plan, it is desired to achieve a positive real (post-inflation) rate of return during any multi-year period and over the life of the Plan. Based upon current and projected Plan and capital market conditions, and the extensive historical records provided by such sources as Ibbotson-Sinquefeld, the Board has set returns meeting or exceeding the Plan's actuarial interest rate assumption at any time, annualized, as a gross *multi-year return* target. Concurrently, 3.5 percentage points above the CPI, or an annualized 3.5 percent *real rate of return,* is anticipated for the Total Fund.

   b. Consistent with anticipated real returns (above) and separate asset class returns (below), annualized Total Fund investment performance, for periods of three-to-five (3-5) years or more, is expected to meet or exceed the Plan's assumed actuarial rate and to meet or exceed the annualized investment performance of a "policy index" comprised of a weighted average of relevant asset-class indexes matched with policy or "target" asset allocations in effect on average for the Fund during the period considered.

   c. Consistent with b., above, the Total Fund's investment return volatility, as measured by the standard deviation of quarterly investment returns, is not expected to exceed the volatility of the policy index during any three-to-five (3-5) year measurement period.

   d. Also consistent with b., above, Total Fund domestic equity investment returns are expected to meet or exceed similar annualized returns of the Russell 3000 Stock Index during periods of three-to-five (3-5) years or more; equity investment returns of any specific IM, annualized, are expected to meet or exceed returns of any index or benchmark cited in writing by the Board as appropriate to the investment process or "style" of any specific IM.

   e. Also consistent with b., above, Total Fund domestic fixed income investment returns, annualized, are expected to meet or exceed similar returns of the Lehman Brothers Intermediate Government/Credit Bond Index during periods of three-to-five (3-5) years or more; as in d., above, any index or benchmark may be chosen by the Board as appropriate to the investment process, "style", or time-horizon of any specific IM.

   f. All investment performance data submitted to the Board or its designees directly or indirectly by or on behalf of any IM shall as applicable be submitted in conformity with the North American

Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the Association for Investment Management and Research.

5. Investment performance objectives of the Fund are, as stated initially under Investment Objectives, above, long-term in nature. Concern respecting market value or Fund investment return volatility and other measures reflecting investment uncertainty will be addressed in part by functional constraints imposed by the Board through asset (class) allocations, investment management processes or "styles" chosen, portfolio diversification requirements, and other investment management guidelines and/or limitations.

INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives during acceptable periods of time.

ASSET ALLOCATION

Asset class allocation, resulting in so-called asset mix or investment ratios, is intended to afford an optimum approach toward Investment Objectives while limiting investment risk by assuring basic diversification. The variable percentages of asset classes delineated below provide a framework through which the Fund investments may be adjusted to meet economic and/or investment market conditions while remaining centered on the allocation target deemed most appropriate to the Fund's long-term Investment Objectives.

Asset Class	Minimum %	Target %	Maximum%	Benchmark
Equities	60	65	70	
Domestic	44	49	54	Russell 3000
International	11	16	21	MSCI EAFE (net)
Fixed Income	30	35	40	
Bonds	28	33	38	Barclays Intermediate Gov't/Credit
Cash	0	2	5	ML 90 Day T-Bill

ALLOCATION MONITORING/REBALANCING

The Board shall review asset allocation quarterly to monitor Total Fund allocation targets. In the event that asset allocations because of cash flows or market value changes fall moderately outside the ranges in the tables above, any appointed Custodian may be notified and instructed by the Board to adjust contribution cash flows to any specific IM and thus return the Total Fund to appropriate asset allocation levels. Should an allowable range be breached substantially, i.e., by ten (10) percent of per-portfolio per-IM assets or five (5) percent of Total Fund Assets, any IM involved may be required by the Board to adjust assets immediately. The Board may set asset allocation ranges for any specific IM different from ranges for the Total Fund.

LIQUIDITY

Emphasis shall, per Investment Objectives, 3., above, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Board endeavors to meet all of the Plan's multiple objectives through asset allocation and constructive Investment Guidelines. Nevertheless, any IM appointed by the Board shall be responsible for seeking from the Board or its designee(s) current information respecting cash flow requirements and for assisting in meeting said requirements.

PROXY VOTING

While matters of public interest as well as corporate governance have long been a part of publicly owned corporations' Annual Meetings and proxy voting activity in the United States, the Board continues to believe that the Fund's proxy voting must be based upon the long-term economic value of the securities represented in each case and thus solely in the interests of Plan participants and their beneficiaries.

The Board delegates timely and complete proxy voting to any IM to assure that the interests cited immediately above have been met. Delegation as stated precludes Board interference with or exercise of proxy voting, but does not preclude any IM request for and independent consideration of Board views officially determined and expressed.

DIVERSIFICATION

Total Fund investments must be diversified broadly to minimize the risk of substantial losses. The Board recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines provided herewith include certain provisions intended to optimize investment diversification.

MUTUAL & OTHER COMMINGLED FUNDS

Given the nature of mutual and other commingled funds, it is recognized that there may be deviations between this Investment Policy Statement and the objectives of the mutual and other commingled fund(s). However, every effort shall be made to the extent practical or prudent and appropriate to select mutual and other commingled funds that have investment objectives and policies that are consistent with this Investment Policy.

INVESTMENT GUIDELINES

Investment Guidelines describe for any IM and for the information of any Custodian or interested person a wide range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible.

GENERAL GUIDELINES

Subject to the asset allocation ranges set forth as a table within Investment Policy, above, or separate asset allocation ranges assigned specifically to any IM by the Board, any IM is expected to undertake flexible discretionary management of Fund assets. Nevertheless, when responsible for any investment portfolio, any IM shall report immediately to the Board or its designee(s) any shift between or change in market

value of asset classes which equals or exceeds ten (10) percent of the market value of the assets assigned to the specific IM. For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

The Board has determined that certain investment practices, as well as certain types of investments, are ***not suitable*** for the Fund irrespective of circumstances:

1. Buying or (short) selling securities on margin, and/or the use of any other form of leverage, excepting the lending of securities if approved in writing by the Board.

2. Privately placed or otherwise unregistered securities excepting fixed income securities, issued under SEC Rule 144(a), which are demonstrably marketable and otherwise within guidelines.

3. Investment in commodities or in any type of commodities contracts, forward or futures trading activities, and all forms of portfolio hedging, excepting the limited use of stock options and/or currency hedges; (See Domestic Equity and International Equity Investment Guidelines, below.)

4. Fixed income investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax exempt, indirectly asset backed or spread-dependent, and stripped or otherwise derivative or synthetic securities. Certain exceptions are delineated below.

DOMESTIC EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the domestic equity limit of 54 percent of Fund market value is not exceeded; as necessary, any Custodian will be instructed to redirect cash flows to or from any IM or to accommodate immediate Board-directed IM asset allocation revision to restore the Asset Allocation currently approved by the Board.

Permissible equity investments shall include convertible securities, which shall be limited to ten (10) percent of Fund assets at market value, as well as American Depositary Receipts (ADRs), equally limited.

Any IM retained for this mandate shall conform to the Domestic Equity Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Board for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Board at the time any IM was retained to serve the Fund.

Specific Guidelines, Domestic Equity

1. Full discretion, consistent with the Investment Objectives, Policies, and Guidelines set forth in this Statement, is granted to each IM retained to manage domestic equity securities.

2. Each IM retained for this mandate shall select domestic equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.

3. No IM shall invest on a market value basis more than five (5) percent of the domestic equity portion of any portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations, nor maintain an investment of more than eight (8) percent similarly calculated.

4. No IM may make or maintain an investment equaling or exceeding four and nine-tenths (4.9) percent ownership of the outstanding domestic equity security(ies) of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

5. Each IM is expected to purchase marketable domestic equity securities listed on national securities exchanges or actively traded within the national NASDAQ framework; domestic U.S. equity securities, purchased outside the channels cited, or purchased without regard to necessary market liquidity as demonstrated through weekly trading statistics, place upon any IM a special burden respecting Board tolerance of unacceptable risk and/or losses which might ensue.

6. As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by each IM managing domestic U.S. equity securities in "covered" or hedging postures but not in "naked" or speculative postures.

7. Again the total annualized investment return of all domestic U.S. equity investments of the Fund is expected to meet or exceed the total annualized return of the Russell 3000 Stock Index for cumulative periods of three-to-five (3-5) years or more.

8. Any IM serving as an active domestic U.S. equity manager will be assigned an index or other type of benchmark deemed suitable for it and agreed upon with the Board; as a general expectation any IM should exceed its assigned benchmark, post fees, on annualized bases during periods of three-to-five (3-5) years or more.

INTERNATIONAL EQUITY INVESTMENT GUIDELINES

The Board/Trustees shall review the Fund at least quarterly to assure that the International Equity limit of 21 percent of Fund market value is not exceeded; as necessary, the Custodian(s) will be instructed to redirect cash flows to the DA(s) or to accommodate immediate Board-directed DA(s)' asset allocation revisions to restore the asset allocation currently approved by the Board/Trustees. Stated percentages may include foreign equity securities admitted to trading on U.S. Stock Exchanges or NASDAQ; American Depositary Receipts (ADRs) shall be designated as domestic equities.

Specific Guidelines, International Equity

1. Investment in International Equity, is permissible up to the maximum stated in asset allocation (page 8). Each IM retained as an International Equity Manager must receive specific Board authorization to invest in International Equity. Investing in emerging market equity securities is permissible subject to a maximum of fifteen (15) percent of any international equity portfolio at market value. Appropriate regional, national, industry and individual security diversification must be maintained at all times.

2. Any IM retained for this mandate is expected to select International Equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.

3. No IM shall invest more than five (5) percent of the equity portion of any International Equity portfolio in the equity security(ies) of a single corporation or group of directly affiliated corporations; no IM may maintain an investment equaling or exceeding eight (8) percent ownership in the equity security(ies) of any corporation, or group of directly affiliated corporations, without the written

consent of the Board, nor may any International Equity IM exceed four (4) percent ownership of the outstanding equity of any company or group of affiliated companies.

4. Any IM retained for this mandate shall purchase marketable foreign stocks traded on regulated foreign or U.S. stock exchanges for which trading activity is published on a daily basis and for which any IM can demonstrate necessary liquidity as well as acceptable investment quality standards.

5. The annualized total investment return from any portfolio of International Equity investments of the Fund is expected to meet or exceed after fees the annualized total return of an appropriate benchmark, to be agreed upon by any IM and the Board, for periods of three-to-five (3-5) years or more. In the absence of another selected benchmark, the Morgan Stanley C.I. "EAFE" Index shall serve as benchmark.

6. Because an active currency hedging strategy may reduce risk of loss and/or enhance IM International Equity investment performance, hedging to protect against currency impact upon a security position may be in the best interest of the Fund. Nevertheless, the purchase of speculative or "naked" currency contracts (i.e., "currency trading" or related risk taking undertaken without a demonstrable exposed investment position to be hedged in a specific currency) is prohibited.

DOMESTIC FIXED INCOME INVESTMENT GUIDELINES

The Board shall review the Fund portfolio at least quarterly to assure that the domestic fixed income securities market value limit of 40 percent is not exceeded. As necessary, any Custodian will be instructed by the Board to redirect investment and/or contribution cash flows to or from any IM or to accommodate immediate Board-ordered portfolio revisions to restore the asset allocation currently approved.

Any IM retained for this mandate shall conform to the Domestic Fixed Income Investment Guidelines set forth above and below. Any departure from the Guidelines must be submitted in writing to the Board for prior approval, as must any change in the "style" or investment philosophy, process, or practices approved by the Board at the time any IM was retained to manage domestic fixed income securities of the Fund.

Specific Guidelines, Domestic Intermediate Term Fixed Income

1. Full discretion, consistent with the Investment Objectives, Policies, and Guidelines set forth in this Statement, is granted to each IM retained to manage domestic intermediate term fixed income securities.

2. Any IM retained for this mandate is expected to select domestic intermediate term fixed income investments in conformity with the criteria normally applied in its decision making process and previously reviewed and approved by the Board.

3. Suitable domestic intermediate term fixed income investments include, but are not limited to, U.S. Treasury and Agency securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and bankers acceptances, and commercial paper or other generally utilized money market or cash equivalent investments, including money market mutual funds meeting the quality standards delineated below.

4. Foreign fixed income securities, if rated Baa or above, including Canadian securities, denominated in U.S. dollars (i.e., foreign "Yankee" and Canadian U.S. pay securities) may be purchased to a limit of the applicable fixed income manager's benchmark plus 5% at market value of any domestic intermediate term fixed income securities portfolio.

5. Permissible private placement (Rule 144a) securities, per General Guidelines, 2., p. 10 above, shall not exceed twenty (20) percent of the market value of any domestic intermediate term fixed income portfolio. Fixed income investments may not otherwise include unregistered, deep discount or zero coupon securities (excepting U.S. Treasury, see 12., p. 14, below), tax exempt, indirectly asset backed, spread-dependent, stripped, or otherwise derivative or synthetic securities.

6. At no time shall margin or other leveraged transactions, short sales, forward or futures trading, or any form of portfolio hedging be employed in the management of domestic intermediate term fixed income investments.

7. The total annualized investment return of all domestic fixed income investments of the Fund is expected to meet or exceed the total annualized return of the Lehman Intermediate Government/Credit.

8. The average quality of domestic intermediate term fixed income securities purchased by any IM shall equal or exceed A, the third broad investment grade as determined by any nationally recognized and regulated general or specialty debt/credit rating agency (e.g., including but not limited to Moody's, Standard & Poor's, Fitch, Duff & Phelps, Thompson's Bank Watch). If commercial paper is purchased the single acceptable quality shall be A1 or P1 or "Prime," with no second level considered.

9. The minimum quality of any single fixed income investment shall be investment grade, as defined by two out of three of the following rating agencies; Moody's, Standard and Poors, or Fitch. If an investment is made in commercial paper, the single standard shall be A1 or P1 or "Prime."

10. The average effective duration of domestic fixed income securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall never be more than twelve (12) months greater or less than the most recently published average or effective duration of the fixed income policy benchmark.

11. There shall be no limit upon investment in U.S. Treasury securities as a percentage of domestic intermediate term fixed income investments at cost or market value, except that any single coupon issue thereof may constitute at purchase more than thirty (30) percent of domestic intermediate term fixed income portfolio at market value, nor any single Treasury zero coupon issue ten (10) percent at market value, with a per-portfolio collective limit for Treasury or Agency zero coupon securities of thirty (30) percent at market value and an eight (8) year effective duration limit for any zero coupon security. Federal Agency securities are hereby limited to forty (40) percent of any domestic intermediate term fixed income investment portfolio at market value, with a per-issue limit of ten (10) percent at market value, excepting zero coupon Agency securities which shall be limited to five (5) percent per-issue at market value. Sharply lower limits are set for other types of securities. Without prior written Board approval, excepting Treasury and Agency securities:

    a. any single security issue shall not constitute more than five (5) percent,

b. securities of any single issuer or of directly affiliated issuers shall not constitute more than seven (7) percent,
c. securities of a recognized industry (e.g., steel, auto, aluminum, banking), or
d. securities of a single broad issuer type (e.g., utility, finance, industrial), or
e. of one structural or transaction type (e.g., mortgage-backed, asset-backed),
f. shall not constitute more than twenty (20) percent of any domestic intermediate term fixed income securities portfolio at market value. Permissible Rule 144a securities shall also be limited to twenty (20) percent at market value.

12. Any domestic fixed income security purchased in compliance with the quality, maturity, and/or diversification standards cited in 3., through 12., above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing non-compliance (e.g., occasioning fixed income portfolio decline to sub-standard average quality), may in lieu of immediate depressed or inappropriate sale be reported to the Board, with background information and an intended future course of action, by any IM. The Board may upon review approve temporary or indefinite retention or, in the Board's best judgment, order disposition of the security and a return to full compliance with the Investment Guidelines. Securities retained under such circumstances shall constitute no more than five (5) percent of the market value of domestic intermediate term fixed income securities (5% "basket clause").

13. AAA-rated asset-backed securities and AAA-rated agency and private label mortgage-backed securities, including collateralized mortgage obligations limited to five (5) percent per-issue and ten (10) percent of the market value of any domestic intermediate term fixed income portfolio at the time of purchase, are suitable fixed income investments, provided said obligations afford no features which would increase volatility beyond that of the underlying collateral. (E.g., C.M.O. "floaters" indexed to the London Interbank Offering Rate or LIBOR would not be suitable investments.)

REVIEW PROCEDURES

All Investment Policies, Objectives and Guidelines contained in this Statement shall be reviewed by the Board annually, or whenever circumstances change to the extent that earlier representations are ineffective or inappropriate. All concerned parties shall be notified in writing of any changes and/or additions.

1. Investment performance shall be reviewed quarterly.

2. Total Fund, asset class (e.g., domestic equity, international equity, domestic fixed income), and asset sub-class and/or "style" returns, shall be compared to universes of returns of comparable professionally managed tax-exempt balanced, equity and fixed income portfolios or collective or mutual funds as well as to benchmark indices or index composites.

3. It is expected that the investment performance of an IM will rank above any agreed upon universe median or index over periods of three-to-five (3-5) years and will meet or exceed the Investment Objectives identified in this Statement.

4. The Board reserves the right to terminate a relationship with any IM at any time, subject to the terms of any investment advisory agreement, if the Board determines that said action is warranted. In

addition, the Board reserves the right to remove assets, in part, at any time provided that any contracted asset and/or fee minimum of any IM is met or a change is negotiated.

5. Any IM shall provide statements of assets under management to the Board quarterly, and shall also comply with reasonable additional information requests from the Board, including details of any/all securities transactions and/or "soft dollar" payments if said payments are made at official Board request and/or arise from transactions involving the Fund.

6. Any IM shall meet at least annually, if requested by the Board, to review the Total Fund and any respective portfolio(s) and to discuss investment results in the context of all of the goals, Objectives, Policies and Guidelines set forth in this Statement.

SIGNATURES

The effective date of this Investment Policy Statement, adopted by the City of Dover Employees' Pension Board, is August 8, 2013.

_____

Chairperson

_____

City of Dover-Controller/Treasurer

Amended November 9, 2011
Amended November 8, 2012
Amended August 8, 2013

AMENDMENT I

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER EMPLOYEES' PENSION BOARD

The following amendment to the investment policy has been reviewed and approved by the Board:

I. Allocation of Plan Assets – The plan will utilize a dynamic policy linked to funded status of the plan. As funded status improves to the next threshold, the allocation of the plan will be adjusted to the specified allocation. Within each threshold, 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.

Dynamic Investment Policy	Funded Status						
Asset Category	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	5%	5%	5%	5%	5%	5%	5%
US Treasuries/Inflation-linked	2%	2%	2%	4%	6%	10%	13%
Intermediate Term Bond	13%	15%	16%	18%	18%	21%	24%
Long Term Bond	19%	21%	22%	24%	26%	29%	33%
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	5%	5%	5%	4%	4%	3%	3%
Real Estate/REIT	5%	5%	5%	4%	4%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	5%	3%
Emerging Markets	15%	14%	13%	12%	10%	8%	5%
Equity	**61%**	**57%**	**55%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**39%**	**43%**	**45%**	**51%**	**55%**	**65%**	**75%**

II. Performance Monitoring Benchmarks – The plan will utilize asset category specific benchmarks to monitor investment manager performance. In addition, overall portfolio performance will be benchmarked to a normal portfolio composed of category indexes allocated based on the Dynamic Investment Policy funded status position.

Asset Category	Index
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp Index
Intermediate-term Bond	BarCap Interm US Govt/Credit Index
Long-term Bond	BarCap Long GovtCredit Index
Large Cap Value	S&P/Citi 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/Citi 500 Growth
Mid Cap Value	S&P/Citi Mid-Cap 400 Value
Mid Cap	S&P 400 Mid Cap
Mid Cap Growth	S&P/Citi Mid-Cap 400 Growth
Small Cap Value	S&P/Citi Small Cap 600 Value
Small Cap	S&P 600 Small Cap
Small Cap Growth	S&P/Citi Small Cap 600 Growth
Non-US Equity	MSCI EAFE
Non-US Small Cap	MSCI EAFE Small Cap
Emerging Mkts	MSCI EM (Emerging Markets)
REITS/Real Estate	FTSE NAREIT Equity REIT

AMENDMENT I

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER EMPLOYEES' PENSION BOARD

III. Approval by the Board – To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

This Amendment to the Statement of Investment Policy approved by action of the Board.

Date: Nov 8, 2012 Approved by: _____
Chairman

Title: City Councilman

AMENDMENT II

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER EMPLOYEES' PENSION BOARD

The following amendment to the investment policy has been reviewed and approved by the Board:

I. Allocation of Plan Assets – The plan will utilize a dynamic policy linked to funded status of the plan. As funded status improves to the next threshold, the allocation of the plan will be adjusted to the specified allocation. Within each threshold, 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.

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%

II. Performance Monitoring Benchmarks – The plan will utilize asset category specific benchmarks to monitor investment manager performance. In addition, overall portfolio performance will be benchmarked to a normal portfolio composed of category indexes allocated based on the Dynamic Investment Policy funded status position.

Asset Category	Index
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp Index
Intermediate-term Bond	BarCap Interm US Govt/Credit Index
Long-term Bond	BarCap Long GovtCredit Index
Large Cap Value	S&P/Citi 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/Citi 500 Growth
Mid Cap Value	S&P/Citi Mid-Cap 400 Value
Mid Cap Growth	S&P/Citi Mid-Cap 400 Growth
Small Cap Value	S&P/Citi Small Cap 600 Value
Small Cap Growth	S&P/Citi Small Cap 600 Growth
MSCI ACWI xUS NR	MSCI EAFE
S&P EPAC EMI	MSCI EAFE Small Cap
MSCI EM NR	MSCI EM (Emerging Markets)

AMENDMENT II

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER EMPLOYEES' PENSION BOARD

III. Approval by the Board – To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

This Amendment to the Statement of Investment Policy approved by action of the Board.

Date: 10/28/13 Approved by: _____
Chairman

Title: Chair, Employees Pension Board