OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on February 14, 2013 at 11:03 a.m with Chairwoman Mitchell presiding. Members present were Mrs. Williams, Mr. Koenig, and Mrs. Hawkins. Mr. Hare was absent.

AGENDA ADDITIONS/DELETIONS

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

Adoption of Minutes - OPEB Board Meeting of November 8, 2012

Mr. Koenig moved for adoption of the minutes of the OPEB Board meeting of November 8, 2012, seconded by Mrs. Hawkins and unanimously carried.

Quarterly Performance Review *(Quarter Ending December 31, 2012) (Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the City of Dover OPEB Quarterly Investment Monitor Summary Report for the quarter ending December 31, 2012. Mr. Marzinsky advised members that the assets of the plan were approximately $12M, increased from $10.95M, noting that a contribution was made and fees were deducted from the plan during the quarter. He stated that funds in the plan were reallocated in November based on the changes approved by members and the portfolio had returned approximately 1.21% for the quarter. He noted that one (1) year market returns on equities were very good and bonds were also positive for the year.

Referring to Page 9 of the report, Mr. Marzinsky noted that the $0 amounts in the chart reflected new investments added to the plan and that the portfolio was now achieving the target allocations approved during the last meeting. He did not foresee any major changes to the portfolio in the near future; however, he noted that rebalancing may be suggested. In addition, he advised members that adjustments to the fund allocations may be recommended when Milliman, Inc.'s capital markets group provides their annual projections on returns and risk by asset category. He noted the inclusion of a number of index investments in the portfolio, which he stated would reduce the investment management expense.

Mrs. Williams questioned the fees versus the rate of return on the investment. Responding, Mr. Marzinsky stated that the return on the plan, as reflected on Page 12 of the report, was approximately 14.3%, the expense ratio was approximately .4% (based on the balances in the plan last year), and the net return was approximately 13.89%. He explained that a rate of 6% to 7% was being used when valuing the fund's liabilities and the assets were growing faster than the liabilities; therefore, the funded status of the plan was improving.

In response to Mrs. Williams, Mr. Marzinsky stated his opinion that the range of fees would probably not exceed 0.5% due to the use of more index investments. He noted that there would always be a trust and custody fee paid to the trust company to hold the assets, cut checks, and perform daily work on the plan.

Referring to Page 10, Investment Policy Review - Active Management, Mr. Marzinsky stated that the fund managers were performing well and all investments ranked well compared to their peer groups. He explained that the three (3) year returns did not show any significant underperformance. The Target Small Capitalization Value T trailed slightly in 2012, but not significantly, and it still ranked well compared to peers and was exceeding the market with less volatility than the market. The Alpha and Sharpe statistics revealed that fund managers were doing well compared to peers for the level of risk taken.

Mr. Marzinsky noted that Milliman, Inc. would be monitoring the investments and inform members of any issues at the next meeting and may adjust the allocation slightly, but no major changes were anticipated.

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

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

Meeting adjourned at 11:18 A.M.

Donna S. Mitchell
Chair

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