CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on November 8, 2012 at 2:00 p.m. with Mr. Koenig, City Manager, presiding in the absence of Chairman Bonar. Members present were Mrs. Mitchell, Mr. Blakeman, Mr. Clendaniel, and Mrs. Hettinger. Councilman Lynn was absent.

AGENDA ADDITIONS/DELETIONS

Mr. Blakeman provided members with a handout entitled "Data Request" *(Attachment #1)* and requested that this item be added to the agenda. Mr. Clendaniel moved for approval of the agenda as amended, seconded by Mr. Blakeman and unanimously carried.

Adoption of Minutes - Civilian Pension Board Meeting of August 15, 2012

Mr. Blakeman moved for adoption of the Civilian Pension Board Minutes of August 15, 2012, seconded by Mr. Clendaniel and unanimously carried.

Referring to Attachment #2 to the Civilian Pension Board meeting minutes relating to Adjustments to the Minimum Payment for Pension, Mrs. Mitchell advised members that the City's actuary was working on an overall actuarial study for the City and had advised that this study be completed before performing the acturial study related to the cost of adjusting the minimum monthly pension payment. She noted that the overall study was expected to be completed by mid-December and that the actuary would provide the cost for the City to fully fund a pension increase.

Quarterly Performance Review *(Quarter Ending September 30, 2012) (Milliman, Inc.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the City of Dover Delaware General Employees' Pension Report dated November 8, 2012. He noted that one (1) year returns through September 30, 2012 reflected that the majority of market investments had been performing well, with stocks returning approximately 30%. Mr. Marzinsky stated that there were many positive signs in the U. S. economy, leading to "guarded optimism;" however, he explained that economic difficulties in Europe could drive the U. S. economy down.

Referring to Page 9 of the report, Mr. Marzinsky stated that as of September 30, 2012, plan assets totaled approximately $24.97M and the asset allocation of the plan was in line with the investment policy target. He noted that it was recommended that the plan's investment policy be amended and that the plan be rebalanced after the new investment policy was implemented.

Mr. Marzinsky stated that Page 10 of the report, Investment Policy Review - Active Management served as a "score card," providing information on the performance of the investments, and reminded members that highlighted cells indicated underperformance. He noted that the return rank provides ranking information comparing investments to all other funds in that category over three (3) or five (5) year periods, with 0 indicating the best return and 99 indicating the worst. Mr. Marzinsky indicated that Dimensional Fund Advisors (DFA) funds were underperforming and recommended phasing them out. He stated his belief that the Vanguard Morgan and Vanguard Prime Cap Funds were doing well overall; however, were in a negative cycle, and that he would like to continue to monitor these funds.

Mr. Marzinksky advised members that the index investments listed on Page 11, Investment Policy Review - Passive Management, were designed to follow the market and that these funds were accomplishing this goal.

Mr. Marzinsky explained that Page 12 reflected the returns of all of the investments compared to their indexes over various time periods. He noted that the gross return for the General Employees' Pension Plan over three (3) months was .94% and the net return was .86%. He stated that this reflected slight underperformance compared to the index; however, he felt this could have been influenced by the timing of contributions to and distributions from the plan and that this would be evaluated if rebalanced according to the proposed amendments to the Investment Policy (scheduled for discussion later in the meeting).

Responding to Mr. Blakeman, Mr. Marzinsky explained that the Employee Plan Policy Index on Page 12 reflected the return that might have been achieved if funds had been invested in all index plans. Because some of the actively managed plans underperformed and there were cash flows in and out of the plan, there were differences between market and portfolio performance.

Responding to Mrs. Hettinger, Mr. Marzinsky stated that it was difficult to project how the market would be affected by the recent national election; however, current indicators showed improvements over the past few months.

Mrs. Hettinger expressed her appreciation to Mr. Marzinsky for presenting the information in a clear and understandable manner.

Approval of Amendments to Investment Policy and Changes/Additions to Investment Managers

Mr. Marzinsky revewed suggested changes to the General Employees' Pension Plan Investment Policy and portfolio. Referring to the Allocation Adjustment 2012 - Asset Liability Study table (Page 13), he reminded members that during the meeting held on August 8, 2012, members approved modification of the investment portfolio by adjusting the asset allocation and including additional asset categories to diversify and moderate some of the volatility of the plan. He stated that the table on the top of the page reflected the fund allocations based on the current plan, which he stated was approximately 40% funded, and explained that assets must be brought up to the level of the future liabilities of the plan.

Referring to the Dynamic Investment Policy (Page 12), Mr. Marzinsky stated that proposed policy would allocate approximately 61% of the fund to stocks and 39% to bonds. He advised members that equity growth and periodic contributions were needed for the plan to achieve the funds required to pay future benefits. As the plan becomes better funded, he recommended that aggressive equity exposure be gradually removed and more funds be allocated into fixed income; therefore, when a 70% funded status is achieved, more investments would be moved out of stocks into bond funds, which would "de-risk" the plan by removing some of the volatility. He noted that the goal would be to match the duration of the fixed income investments to the duration of the plan and move toward a liability-driven investment strategy.

Mr. Blakeman inquired why the Dynamic Investment Policy reflected a relatively large gap between the 40% and 70% funded status columns (with regard to making adjustments to de-risk the portfolio) compared to smaller increments between columns as the funding status improved (e.g., from 70% to 80%, 80% to 85%, etc.). Mr. Marzinsky stated that a growth-oriented portfolio would be needed to achieve a higher return on assets; therefore, changing the growth/fixed income ratio of the portfolio was not recommended until the funding status achieves 70%.

Mr. Marzinsky explained that the Fund Changes Required to Meet Allocation Policy (Page 13) included recommended allocations of specific funds to achieve the percentages specified by the Investment Policy. Mr. Marzinsky stated that DFA Targeted Value and DFA International Value Funds were removed from the suggested asset allocation since they were underperforming and other funds were recommended for addition. Mr. Marzinsky stated that the Investment Policy Statement for the City of Dover Employees' Pension Board would have to be amended to incorporate these changes.

In response to Mr. Blakeman regarding the disclaimers included on the last page of the report, Mr. Marzinsky explained that Milliman, Inc. was a fiduciary and had a stake in the success of the Pension Plan. He noted that all information utilized by Milliman, Inc. was assumed to be accurate and Milliman makes projections regarding returns but cannot guarantee them. He noted that the software system used to do the calculations uses a peer review quality control process; therefore, numbers are checked for reasonableness and consistency to make sure calculations are as accurate as possible. He indicated that the analysis provided in the report included the rank and performance of the fund; however, Milliman does not review this on a daily basis or examine individual trades but monitors performance of investment managers over time to ensure that investments conform to the stated portfolio style.

Mr. Blakeman moved for approval of Amendment #I to the Investment Policy Statement for the City of Dover Employees' Pension Board *(Attachment #2)*, seconded by Mrs. Hettinger and unanimously carried.

Data Request

Members reviewed the Data Request ***(Attachment #1)*** submitted by members of the Civilian Pension Board, including Mrs. Fran Hettinger, Mr. Kenneth Clendaniel, Mr. Lester L. Blakeman, and Mr. Sean Lynn.

In reference to Item #1, request for quarterly information regarding specific pension investments, Mr. Marzkinsky reminded members that Milliman's quarterly General Employees' Pension Plan Report dated November 8, 2012 included a list of the mutual funds in which the plan is invested and that each of these funds purchases thousands of individual stocks. In addition, he stated that individual stock holdings may change on a daily basis, so it would be very onerous to track them. He noted that the column labeled "Ticker" on Page 12 provided a symbol which would allow individuals to track the funds on financial reports and Page 9 of the report included the dollar amount invested in these funds by the Employees' Pension Fund. At the suggestion of Mr. Koenig, Mr. Marzinsky stated that in the future the ticker symbol could be added to the "Notes" column on

Page 9 and that members could use these symbols to access information on internet sites such as Morningstar.

In regard to Items #2, #3, and #4, Mrs. Mitchell stated that financial schedules and an overall report are prepared annually for the City's audit and this report could be developed on a quarterly basis and included in the Civilian Pension Board meeting packet. She explained that the report would contain information such as investments, balance sheet accounts, liabilities, lump sum contributions to the plan (City and employee), pension payouts, Milliman fees, bank fees, etc. Mrs. Mitchell advised members that the City was working on its audit, and it was planned to place the audit report (as well as the actuarial study) on the next meeting agenda.

In reference to Item #6, Mr. Blakeman indicated that members were currently receiving a list of those individuals added to the pension list on a semi-annual basis from the Human Resources Department but requested that this be distributed to members each quarter.

In regard to Item #7, referring to individuals being removed from the pension plan upon demise, Mrs. Mitchell explained that typically the City is notified of a retiree's death by a spouse, through word of mouth, or by an obituary in the newspaper. She noted that changes made in health insurance (which is offered through the State plan) frequently bring the death of a participant to the City's attention. She explained that the City requires a death certificate and calculates all adjustments to health and retirement benefits.

Mr. Koenig noted that misrepresenting eligibility for a pension fund was illegal and felt that most individuals involved were honest.

In regard to Item #5, regarding a detailed list of persons receiving a pension, Mrs. Mitchell explained her understanding that once an individual retires and is no longer an active public employee, their personal information is not subject to release under the Freedom of Information Act (FOIA). She felt that an opinion should be obtained from the City Solicitor to ensure that this would hold true for members of the Pension Fund. Although she did not object to releasing aggregate information regarding the Pension Plan, she felt that some retirees might object to the release of their personal information due to privacy concerns.

Mrs. Hettinger stated that she felt that this information was public since participants were former employees.

Mr. Blakeman stated that he felt that a distinction should be made between a request for this information from members of the public versus a request made by the elected board of the Civilian Employees' Pension Plan. He suggested that if the City Solicitor determined that the information could not be released, that a specific code be assigned to each retiree that would allow Board members to track participants.

After further discussion, Mrs. Mitchell suggested that an objective opinion from the City Solicitor be sought.

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

Meeting Adjourned at 3:01 P.M.

Scott D. Koenig
Acting Chair

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Attachments

Attachment #1 - Data Request from Mrs. Fran Hettinger, Mr. Kenneth Clendaniel, Mr. Lester Blakeman, Sr., and Councilman Sean Lynn

Attachment #2 - Amendment I to Investment Policy Statement for City of Dover Employees' Pension Board

DATA REQUEST

In the form of a quarterly report please provide the following information (quarterly report should be received by Board at least one week before the scheduled quarterly meeting)

1. list of each investment by name, type, numbers of instruments (bonds, stocks, certificates, etc.) and the value of each at the end of the reporting quarter
2. cash on hand at the end of the reporting quarter and who is holding the cash and how much each is holding (City of Dover, Wells Fargo, others)
3. value of checks written each quarter (pensions, expenses, pension refunds, etc.)
4. itemized list of general expenses for each quarter
5. list of each person receiving a pension check at the end of the quarter by name, amount of check, date of retirement (year, month, day) listed in alphabetic order by last name
6. list of people added to the pension list to include the following information - full name, title, City code, service dates, total service time, monthly pension amount, effective date of retirement, lump sum payment
7. list of people removed from the pension list with the effective date for the end of pension payments

Additional data requested

1. method used to remove pensioners from the pension payment list (how do you receive notification of death)
2. method and schedule for verification of pension list
3. audit schedule and copy of last audit as well as copies of all future audits for the City of Dover General Employees Pension Plan

Frances Hettinger
Mrs. Hettinger

K. E. Clendaniel
Mr. Clendaniel

Justin L. Blakeman Sr.
Mr. Blakeman

Sean M. Lynn

INVESTMENT POLICY

CITY OF DOVER
EMPLOYEES' PENSION BOARD

May 2007

Amended November 9, 2011
Amended November 8, 2012

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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.

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 7). 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. 9 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. 13, below), tax exempt, indirectly asset backed, spread-dependent, stripped, or otherwise derivative or synthetic securities. (See also 14., p. 14, below).

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 November 9, 2011.

William P. McGlynn
Chairperson

Donna S. Mitchell
City of Dover – Controller/Treasurer

AMMENDMENT I
EMPLOYEES PENSION INVESTMENT POLICY

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%
ge 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	Inde
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp
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