OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on November 8, 2012 at 11:00 a.m with Chairwoman Mitchell presiding. Members present were Mr. Hare, Mrs. Williams, and Mr. Koenig. Mrs. Hawkins was absent.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was adopted as presented.

Adoption of Minutes - OPEB Board Meeting of August 15, 2012

Mr. Hare moved for adoption of the minutes of the OPEB Board meeting of August 15, 2012, seconded by Mr. Koenig and unanimously carried.

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 OPEB Board Report dated November 8, 2012. In regard to the Market Commentary, he noted that equity markets were up approximately 30% and that a return of 8% had been projected in Milliman's capital assumption models. He expressed "guarded optimism" about the market, explaining that unemployment and consumer sentiment had improved in the U. S.; however, advised members that international concerns remained, in connection with austerity measures being taken in the European Union.

In reviewing the Performance Summary, Mr. Marzinsky noted that the assets of the plan totaled approximately $10.6M as of September 30, 3012, as indicated on Page 9. In reference to Page 10, Mr. Marzinsky advised members that the Investment Policy Review - Active Management table provided an overview of investments and their rank within categories on a scale of 0-99 (with 0 being the best and 99 the worst). He explained that this "score card" indicated that all of the active investments in the plan were performing well. Mr. Marzinsky stated that the highlighted cells in the Standard Deviation columns for the PIMCO Total Return Institutional Fund indicated that this fund was slightly more volatile than the market index; however, the returns and ranking information were strong. He explained that the information on Page 11, Investment Policy Review - Passive Management, illustrated that all index investments were following the market as they were designed to do.

Referring to Page 12, Mr. Marzinsky stated that the portfolio had done fairly well during the last three (3) months, with a gross return of 4.59%. He advised members that this would change slightly in the future, in view of Milliman's recommendation to allocate more funds to fixed income investments, which would reduce risk. He noted that the goal was to reduce the volatility of the portfolio, meet the target return, and adjust the duration of the liabilities of the plan to the duration of the assets.

Approval of Amendments to Investment Policy and Changes/Additions to Investment Managers (Milliman, Inc.)

Mr. Marzinsky reviewed suggested adjustments to the City of Dover OPEB Board's investment policy and portfolio. Referring to Page 13 of the City of Dover OPEB Board Report, Mr. Marzinsky explained that the Asset Category table showed the asset allocation and target returns of the portfolio

following the adjustments to the plan made by the Board during their meeting of August 15, 2012. He noted the suggested inclusion of thresholds above and below the target to which asset categories could go up or down before rebalancing would be necessary.

Mr. Marzinsky stated that as the plan achieves a better funded position, risk would be reduced and fixed income investments would be increased, which would "immunize" the portfolio. He explained that the Dynamic Investment Policy on Page 13 set thresholds for the future funding status of the plan. He advised members that the plan was approximately 11% funded, noting that the OPEB fund was begun only in the last few years and that a long period of time would be needed to achieve 100% funded status. Mr. Marzinsky projected that adjustments to the ratio of equities to fixed income investments/cash would be made when the plan achieved 70% funding. He noted that the asset allocation of the portfolio and capital market assumptions would be examined periodically to determine if the 7% target for returns that was established when the portfolio was developed was still reasonable. He advised members that the goal was to tie together the duration of the assets of the plan to the duration of the projected cash flows from the plan.

Mr. Marzinsky explained that the Fund Changes Required to Meet Allocation Policy on Page 13 reflected how the individual investments would be allocated into funding categories, noting that some investment categories and investment funds would be added to the plan. He stated that he had spoken with Wells Fargo and confirmed that the recommended investments were available on their platform.

Noting that there was talk of many municipalities going bankrupt and the possibility of government bailouts and debt forgiveness, Mrs. Williams questioned if municipalities who have been responsible by planning ahead, like the City of Dover, would be penalized in this regard. Responding, Mr. Marzinsky stated that he was unsure how this possibility could impact the plan or the potential legal effect on the City. He indicated that he did not believe that there was a State required minimum level of funding; however, he explained that funding of the plan was the City's commitment to the participants and beneficiaries.

Mrs. Mitchell cautioned that failure by the City to act responsibly in regard to funding the OPEB plan could negatively impact the City's bond rating, which would cause an increase in interest rates and the cost of borrowing funds.

Mr. Marzinsky explained that suggested changes were incorporated in Amendment I to the Investment Policy Statement for the City of Dover OPEB Board for members' consideration.

Mr. Hare moved to approve Amendment I to the Investment Policy Statement for the City of Dover OPEB Board *(Attachment #1)*, seconded by Mrs. Williams and unanimously carried.

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

Meeting Adjourned at 11:27 A.M.

Donna S. Mitchell
Chair

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Attachment
Attachment #1 - Amendment I to the Investment Policy Statement for the City of Dover OPEB Board

The City of Dover OPEB Fund

Investment Policy Statement

Effective Date: July 2010
Amended: November 8, 2012

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INTRODUCTION

Purpose of the Statement

Based upon, and in keeping with requirements governing the conduct of employees and fiduciaries serving as members of the Board of Trustees of the City of Dover OPEB Fund ("Board"), this Investment Policy Statement ("Statement") presents objectives, policies, guidelines, monitoring and review procedures relating to all assets of the City of Dover OPEB Fund (collectively, the "Plan"). The Plan's investment program shall be operated in conformance with federal, state, and all other legal requirements.

The Statement's purpose is to:

1) Present appropriate goals and objectives relating to the assets of the Plan available for investment ("Fund").

2) Recognize and/or specify liquidity and diversification 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 Manager classifications, and/or Investment Manager styles to which any Board-appointed Investment Manager(s) (an "Investment Manager") shall adhere when determining investment strategies, making periodic investment decisions, and/or undertaking specific investment transactions relating to the portion of the Fund managed by that Investment Manager ("Account").

4) Establish standards and procedures for monitoring, measuring, reviewing, and evaluating any Investment Manager(s) and/or Board-appointed Fund custodian's ("Custodian") investment performance and/or safekeeping of assets and Fund expenses in accordance with investment policies, goals, objectives, guidelines, and/or constraints.

5) Foster understanding and effective communication 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 Fund and the Plan's participants and/or beneficiaries.

Plan Description

The City of Dover OPEB Plan is a post retirement employee benefit program established for the purpose of funding retiree health care and life insurance as provided for in Article VI of Chapter 2 of the City Ordinances. The OPEB fund shall constitute a trust fund that shall be separate and distinct from all other funds, including the pension funds established by Article IV of Chapter 2 (General Employee Pension Plan) and Article III of Chapter 62 (Police Pension Plan) of the City Ordinances (*City Code).*

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.

Standard of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

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 socio-political events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the full Board and Board counsel, any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Plan.

3. *Delegation of Authority*

Authority to manage the Accounts comprising the Fund is granted to the Investment Manager(s). Responsibility for the operation of the investment program is hereby delegated to the Investment Manager(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Statement. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Manager(s). The Investment Manager(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Responsibilities of the Board and Staff

The Board is charged with overall responsibility for investment of Fund assets. To assist the Board in this function, the Board is authorized and permitted to appoint Investment Manager(s), to manage (including the power to acquire and dispose of) the Fund. Any appointed Investment Manager(s) must agree to act in accordance with all applicable state and federal laws.

The Board must also develop policies and guidelines regarding Fund investments. Policies and guidelines are inclusive of, but not restricted to:

1) Establishment of Investment Objectives, Investment Policy, Investment Guidelines, and Review procedures, as set forth herein.

2) Establishment of standards for measuring, monitoring, evaluating and comparing investment performance of the Fund to assure that investment returns are reviewed on a regular basis.

3) Establishment of authorization, reporting, control, review and general governance procedures to assure that Fund 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 appropriate Board signatories, and delivered forthwith to any Investment Manager(s) and/or Custodian(s) affected by such changes.

4) Establishment of, through contractual relationships with professional organizations, or by alternative means satisfactory to the Board, an OPEB Fund management structure which will assure appropriate investment management, custody, and compliance procedures to seek to meet objectives in conformity with the Board's stated investment policies and guidelines.

5) Establishment of standards for review of fees of the Investment Managers and Custodians.

6) The Board shall examine this Statement from time to time and make appropriate revisions.

7) The Board may consult with legal counsel as necessary.

Responsibilities of Any INVESTMENT MANAGER(s)

The management of any Account consisting of Fund assets and the responsibilities for investment decisions for that Account are delegated to the Investment Manager(s) appointed by the Board to manage that Account. An Investment Manager(s) shall exercise complete discretion with respect to the Account (or Accounts) within the limits established by this Statement. Accordingly, the Investment Manager shall comply with all applicable laws as they now apply, or as they may apply in the future.

Applicable terms, conditions, limitations and restrictions notwithstanding, any Investment Manager(s) 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 Fund's purpose and contemporary operations, and shall diversify the investments of all Accounts so as to minimize the risk of substantial loss.

When contemplating any investment, investment strategy or investment course of action, and/or any securities transaction, an Investment Manager managing an Account shall consider all relevant factual and circumstantial information and the impact of such information upon a particular investment, strategy, or program, and upon the Account.
Further, respecting investment strategies, and/or courses of action for the Fund, any Investment Manager shall also consider:

1) Potential losses and gains; and

2) The composition of the Account with regard to:

a) Diversification;
b) Liquidity and current return relative to the Plan's cash flow requirements; and
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, and investment, events and trends are factors that affect meeting those obligations. Accordingly, these guidelines are, as a part of this Statement, intended to present broad and balanced considerations to guide incumbent and successor Boards and Staffs, and all other parties concerned, seeking appropriate allocation, investment, safekeeping, monitoring and evaluation of the Fund.

All investment performance data submitted to the Board or to any designee thereof directly or indirectly by or on behalf of any Investment Manager(s) shall, as applicable, be submitted in conformity with the Performance Presentation Standards and/or Global Investment Performance Standards promulgated by the CFA Institute.

The delegation of discretion for the management of the Fund and responsibilities for investment decisions shall be limited by the provisions of this Statement. When appointing Investment Manager(s), the Board shall require the Investment Manager(s) to covenant that it shall adhere to Delaware Fiduciary Standards, as well as any other Delaware and Federal laws as now apply or may apply in the future.

Fiduciary insurance, and officer liability and omissions and errors insurance coverage, of any Investment Manager(s) must meet standards set by the Board from time to time.

If, at any time, an Investment Manager(s) believes that this Statement inhibits its investment performance, it is the Investment Manager's responsibility to communicate this view to the Board and the Investment Consultant. In addition, the Investment Manager will promptly notify the Board and Investment Consultant, in writing, regarding all material or significant changes, including but not limited to:

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

2) Material changes in ownership, organizational structure, financial condition, and/or professional staff of the Investment Manager; and

3) All material legal, SEC, and other regulatory proceedings affecting the Investment Manager or its affiliates.

RESPONSIBILITIES OF THE FUND CUSTODIAN(S)

Any Custodian(s) 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 its representatives. Ready access to information by the Board and Staff shall be a prime requisite of recordkeeping and reporting services. Transaction records shall be maintained on a trade date basis. Asset pricing should be daily and reported not less often than monthly. Custodians and Investment Managers should use nationally accepted asset pricing services.

Safety and continuity of operations shall be the primary objectives of any Custodian. Timely, accurate, and complete recordkeeping and reporting shall be the primary benchmarks for 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). All Fund assets shall be held in the name of the Plan or held for the express benefit of the Plan and segregated on the books and records of Custodian, without rights of set-off or other liens. Board or designated Investment Managers' authority to direct all investment transactions shall be protected.

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

The Board may utilize the services of an investment consultant for the purpose of performance review, asset allocation studies, manager screening and selection and topical studies, or any other service deemed necessary and agreed upon by the Board and Investment Consultant. The comments and recommendations of the consultant will be considered by the Board in conjunction with other available information for the purpose of making an informed and prudent decision.

INVESTMENT OBJECTIVES

Investment objectives are long-term in nature. Given the Board's assumptions respecting current and projected Plan and capital market conditions, the Fund objectives are:

1) Fund fiduciaries shall discharge their responsibilities and assets shall be invested in a manner consistent with this Statement, and applicable law. Further: (1) all transactions undertaken on behalf of this Fund shall be solely in the interest of the Plan participants and their beneficiaries, and (2) with reference to applicable law, and (3) liquidity and current return consistent with rationally anticipated cash flow requirements of the Plan, shall be governing factors in all investment considerations.

2) Consideration shall be given to providing adequate and timely Fund cash flows to meet anticipated Plan benefit payments, with sufficient reserves to meet unanticipated benefit payments; adequate emphasis, consistent with the foregoing, shall be placed upon current investment return. The Board recognizes that short-term assets for current benefit payments are a substantially greater percentage than those of the pension fund.

3) Consideration shall also be given to, granting conformity with the objectives of 2., above, suitable long-term Fund investment intended to provide capital and income growth. The Board anticipates that such capital and income growth will be achieved during each economic and/or securities market cycle, generally three to five (3-5) years.

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, the Board sets forth the following investment objectives for comparative or benchmark measures of Fund investment return, and risk or volatility, delineated as follows:

    a) The Board desires to achieve a positive real (post-inflation) Fund rate of return during any multi-year period and over the life of the Fund. Based upon current and projected Plan and capital market conditions, the Board has set returns meeting or exceeding the Plan's actuarial rate of return assumption at any time, annualized, as the multi-year return target. The Board's target return for the Fund is an annualized 7.5% percent.
    b) Consistent with the target return in a. above, annualized Fund investment performance, for periods of five (5) years, is desired to meet or exceed the Plan's assumed actuarial rate of return and to meet or exceed the annualized investment performance of a Fund "policy index" comprised of a weighted average of relevant asset-class indices.
    c) Consistent with b., above, the Fund's investment return volatility, as measured by the standard deviation of Fund quarterly investment returns, is desired to not exceed the volatility of the Fund policy index during any five (5) year measurement period.

5) Investment performance objectives for 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 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, as more fully set forth herein.

INVESTMENT POLICY

Investment Policy delineates controls and the associated monitoring intended to enhance the likelihood of meeting Investment Objectives:

ASSET ALLOCATION

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

Asset Class	**Minimum %**	**Target %**	**Maximum %**	**Benchmark**
Domestic Equity	49	54	59	Russell 3000
International Equity	9	14	19	MSCI EAFE (net)
Fixed Income	27	32	37	Barclays Intermediate Govt/Credit

The above target allocation is for the investable assets only. The city will keep a cash reserve in a separate account that will pay benefits for each fiscal year.

In the event an Investment Manager invests in more than one asset class, for example, a balanced manager or global equity manager, the manager's allocation to each asset class will be attributed to that particular asset class. For example, if a global equity manager is allocated 10% of the *total fund* and invests 60% of their allocation in international equities, 60% of their allocations will be attributed to international equities and therefore, 6% of the *total fund* allocated to international equities, while the remaining 40% will be attributed to domestic equities and therefore 4% of the *total fund* allocated to domestic equities.

ALLOCATION MONITORING/REBALANCING

The Board or its designee(s) shall review asset allocation quarterly to monitor Fund asset allocation targets. In the event that asset allocations fall moderately outside the ranges in the tables above, the appointed Custodian(s) and Investment Manager(s) may, in the Board's discretion, be notified and instructed by the Board to adjust cash flows to return the Fund to appropriate asset allocation levels. Should an allowable range be breached substantially, the Investment Manager(s) involved may be required by the Board to adjust assets immediately, as determined by the Board in its discretion. The Board may consider a variety of factors in exercising its discretion, including but not limited to:

1) the short-term and long-term goals and needs of the Plan and its participants;

2) the recommendation of each of the Investment Manager(s) involved;

3) current market conditions, including liquidity and price, for selling the securities involved;

4) market forecasts or expectations going forward for short, medium and long-range periods; and

5) risks involved in holding the excess investments and the overall risk tolerances of the Plan.

The Board may set asset allocation ranges for individual Investment Manager(s) different from ranges for the Fund.

Liquidity

Emphasis shall, per Investment Objective, 3, above, page 9, be placed on providing adequate and timely Fund cash flow to permit benefit payments from the Plan when due. The Board endeavors to meet the Fund's multiple Investment Objectives through asset allocation and constructive Investment Guidelines. Nevertheless, any Investment Manager(s) appointed by the Board shall be responsible for seeking, no less frequently than annually, from the Board or its designee(s) current information respecting Fund cash flow requirements and for assisting in meeting said requirements.

Diversification

Fund investments must be diversified broadly to minimize the risk of substantial loss. The Board recognizes that significant diversification is accomplished through asset allocation and the selection of investment management organizations. Nevertheless, the Investment Guidelines which follow include certain specific constraints intended to optimize investment diversification.

Proxy Voting

Matters of political and public interest as well as corporate governance have long been a part of Annual Meetings and proxy activity in the United States. The Board adheres to a policy of proxy voting intended to protect the **long-term value** of the equity securities represented in each vote, provided said vote, when exercised, would be solely in the interest of Plan participants, retirees and beneficiaries. The Board delegates proxy voting authority to any Investment Manager, but if the Board deems it necessary, can take back the authority at any time by notice to the Investment Manager in writing.

INVESTMENT GUIDELINES

Investment Guidelines describe for the guidance of Fund Investment Manager(s) and for the information of the Fund Custodian(s) a range of permissible investment activities and choices while also delineating, specifically or by broader proscription, those which are not permissible. Investment Guidelines for the Fund appear below. Each individual Investment Manager is expected to select equity investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board. Different guidelines and benchmarks may be assigned to individual Investment Managers by written authority of the Board. 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 Investment Manager was retained to serve the Plan.

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 Investment Manager(s) by the Board, any Investment Manager is expected to undertake discretionary management of any Fund portfolio. Nevertheless, when responsible for any Fund investment portfolio, the Investment Manager(s) shall report immediately to the Board or its designees any shift between or decrease in market value of asset classes during any calendar quarter which equals or exceeds ten (10) percent of the market value of the assets assigned to the Investment Manager(s). For the purpose described herein, cash and money market or cash equivalent securities shall be considered an asset class.

1) Full discretion, consistent with the Investment Objectives, Investment Policies, and Investment Guidelines set forth in this Statement, is granted to each Investment Manager.

2) Each Investment Manager shall select investments in conformity with criteria normally applied in its decision making process and previously reviewed and approved by the Board.

3) Investment Manager(s) are expected to purchase readily marketable securities.

4) Any Investment Manager(s) serving as active manager may be assigned indices or other types of benchmarks deemed suitable for them and agreed upon with the Board; as a general expectation those Investment Managers should exceed their assigned benchmarks, post fees, on an annualized basis over periods of three (3) years or more.

5) Any security purchased in conformity with the standards for securities cited in 2. above, but no longer meeting a specific, per-security Investment Guideline standard, and/or by marginal effect causing portfolio non-compliance, may, in lieu of immediate sale, be reported to the Board with background information and an intended future course of action by any Investment Manager(s). The Board may, upon review and at its discretion, 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. The Board may consider a variety of factors in exercising its judgment, including but not limited to:

a. the short-term and long-term goals and needs of the Plan and its participants;
b. the recommendation of each of the Investment Manager(s) involved;
c. current market conditions, including liquidity and price, for selling the securities involved;
d. market forecasts or expectations going forward for short, medium and long-range periods; and
e. risks involved in holding the excess investments and the overall risk tolerances of the Plan.

For any individual Investment Manager(s), securities retained under such circumstances shall constitute no more than five (5) percent of the market value of securities (5 percent "basket clause").

The Board has determined that the following investments and investment practices are **not suitable** for the Fund and thus are prohibited:

1) Buying or (short) selling securities on margin, and/or the use of any other form of leverage, including the lending of securities, unless approved in writing in advance 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, International Equity, and Fixed Income Investment Guidelines, below.).

4) Investments may not include deep discount or zero coupon (excepting U.S. Treasury) securities, tax-exempt, derivative or synthetic securities, such as collateralized debt obligation (CDOs), credit default swaps (CDS), interest rate swaps and any total return swaps. Certain exceptions are delineated below (see Domestic Fixed Income Investment Guidelines, page 16-17.)

MUTUAL AND OTHER COMMINGLED FUNDS

The Fund (and any Account) may include, in whole or in part, an investment in a mutual fund or other commingled fund. The Board recognizes that there may be deviations between the objectives, intent or specific requirement of this Statement and the stated objectives, intent or content of any mutual fund or other commingled fund. However, every effort shall be made, to the extent practicable, prudent and appropriate, to select mutual or other commingled funds that have investment objectives and policies that are consistent with this Statement.

DOMESTIC EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the domestic equity limit of fifty nine (59) percent of Fund market value is not exceeded; as necessary, the Custodian(s) may, in

the Board's discretion, be instructed to redirect cash flows to the Investment Manager(s), or to accommodate Board-directed Investment Manager(s) asset allocation revisions, 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.

Periodic dislocations in the equity and fixed income markets may present opportunities for the Investment Manager(s) to take certain securities positions within the domestic equity portion of the Fund's portfolio that, in its opinion, benefit the Plan. Under those market conditions and at the discretion of the Investment Manager(s), the Investment Manager(s) may invest up to five (5) percent of their equity portfolio in fixed income securities rated investment grade by at least two of the following three rating agencies: Standard and Poors, Moody's and Fitch.

Investment Manager(s) shall conform to the Domestic Equity Investment Guidelines set forth above and below.

Specific Guidelines, Domestic Equity

1) No Investment Manager shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated.

2) No Investment Manager may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

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

4) The total annualized investment return from all domestic equity investments of the Fund is expected to meet or exceed, post fees, the total annualized return of the Russell 3000 Stock Index for cumulative periods three (3) years or more.

INTERNATIONAL/GLOBAL EQUITY INVESTMENT GUIDELINES

The Board shall review the Fund at least quarterly to assure that the International Equity limit of nineteen (19) percent of Fund market value is not exceeded; at the discretion of the Board, the Custodian(s) may be instructed to redirect cash flows to the Investment Manager(s), or to accommodate Board-directed Investment Manager(s)' asset allocation revisions, to restore the asset allocation currently approved by the Board. 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 international equities.

Specific Guidelines, International/ Global Equity

1) Excepting mutual or commingled funds approved by the Board, investing in emerging market equity securities is permissible up to a maximum of twenty (20) percent of any International Equity Investment Manager's (IEIM) international equity portfolio at market value. As applicable; proper global, regional, national, industry and individual security diversification must be maintained at all times.

2) No IEIM shall invest initially on a market value basis more than five (5) percent of the equity portion of any portfolio in the equity securities of a single corporation or group of directly affiliated corporations nor maintain an investment of more than eight (8) percent similarly calculated, without written consent of the Board.

3) No IEIM may make or maintain an investment equaling or exceeding ten (10) percent ownership of the outstanding equity securities of a single corporation, or group of directly affiliated corporations, without the written consent of the Board.

4) As an exception to the general prohibition against so-called alternative investment instruments, stock options may be utilized by IEIM (s) managing international equity securities in "covered" or hedging postures but not in "naked" or speculative postures.

5) Because an active currency hedging strategy may reduce risk of loss and/or enhance IEIM investment performance, hedging to protect against currency impact upon a security position is permissible. 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.

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

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 thirty seven (37) percent is not exceeded. At the discretion of the Board, the Custodian(s) may be instructed by the Board to redirect investment and/or contribution cash flows to the Investment Manager(s), or to accommodate immediate Board-ordered Investment Manager(s) portfolio structure revisions, to restore the asset allocation currently approved.

The Investment Manager(s) shall conform to the Fixed Income Investment Guidelines set forth above and below.

Specific Guidelines, Domestic Fixed Income

1) Suitable fixed income investments include, but are not limited to, U.S. Treasury and Agency securities, taxable municipal securities, marketable debt securities of U.S. corporations, U.S. certificates of deposit and banker's 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.

2) Investment Managers are given latitude in security selection subject to the following restrictions:

   a) No issuer, other than the U.S. Government or other Federal agencies, may represent more than five (5) percent of the total market value of the fixed income portfolio managed by any Investment Manager(s).
   b) The following areas are individually restricted to no more than the below noted percentages of the fixed income portfolio managed by any Investment Manager(s).
      i) Mortgage Backed Securities – 30 percent
      ii) Zero Coupon Bonds (US Treasury only) – 20 percent
      iii) Baa or fourth investment grade bonds – 30 percent
      iv) Foreign fixed income securities, if rated A or above, including Canadian securities denominated in U.S. dollars (i.e., foreign "Yankee" and Canadian U.S. pay securities) – 20 percent
      v) Securities whose price movements are exacerbated by interest rate changes or principal prepayments, including but not limited to: range accrual notes, IO's, PO's – 20 percent
   c) In no event may securities not in any Investment Manager's benchmark exceed 30 percent of the Investment Manager's fixed income portfolio.

3) 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 fixed income investments without prior written approval of the Board.

4) The average quality of fixed income securities purchased by any Investment Manager(s) shall equal or exceed A2, the third broad investment grade as determined by Moody's.

5) 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."

6) The effective duration of fixed income securities, said average including any investments considered to be reserve or cash equivalent assets specific to any fixed income portfolio, shall be no more than 25 percent greater or less than the effective duration of the policy benchmark designated on page 11.

7) There shall be no limit upon investment in U.S. Treasury securities as a percentage of fixed income investments at cost or market value, except that any single coupon issue thereof may constitute no more than thirty (30) percent of any Investment Manager(s)' fixed income investments at market value and any single Treasury zero coupon issue ten (10) percent at

market value. Federal Agency securities are hereby limited to fifty (50) percent of fixed income investments at market value, twenty-five (25) percent per agency, and to ten (10) percent, at market value, per any single Federal Agency issue.

8) The total annualized investment return from all fixed income investments of the Fund is expected to meet or exceed, post fees, the total annualized return of the benchmark designated on page 11, for cumulative three (3) year periods.

Specific Guidelines, Cash

1) Investment Objective
Short-term investments are intended to be conservative and meet any necessary disbursements of the Plan and to accumulate funds for future investment. The short-term investments will be expected to provide returns, post fees, at least equal to the 90 Day U.S. Treasury Bill Index.

2) Permitted Activity
Short-term investments are a permitted class of assets provided they fall within one or more of the following categories:
   a) U.S. Government securities (backed by the faith and credit of the U.S. Government) and U.S. Agency obligations;
   b) certificates of deposit, maturing within 12 months, of any domestic bank meeting the capital standards mandated by the FDIC Improvements Act of 1991, provided that such certificates of deposit from one institution shall not represent more than 5% of the assets of the short-term investment account;
   c) commercial paper, maturing within 9 months, of any domestic issuer, provided that such commercial paper shall be rated not less than A-1 by Standard & Poor or Prime 1 by Moodys;
   d) repurchase agreements secured by U.S. Government or U.S. Agency obligations;
   e) high grade bankers acceptance;
   f) commingled accounts offered by banks or mutual funds that are designed for cash management strategies; and
   g) corporate bonds maturing within 12 months, provided that they are rated not less than A by S&P or A2 by Moody's.

3) Prohibited Activity
Unless specifically approved otherwise by the Board in writing, no short-term investment account shall engage or invest in any of the following and no commingled fund in which the Plan invests as a short-term vehicle shall in the aggregate substantially invest or engage in the following:
   a) options or futures contracts;
   b) non-marketable securities; and
   c) margin transactions or any other borrowing of money except for emergencies, such as a need for a commingled fund to meet redemption requests.

REVIEW PROCEDURES

All *Investment Policies, Objectives and Guidelines* contained in this Statement shall be reviewed by the Board annually, or whenever circumstances occur that may, in the judgment of the Board, significantly affect the Fund. The Board shall notify the Investment Consultant, any appropriate Investment Manager, and/or the Fund Custodian of any changes and/or additions to this Investment Policy that, in the judgment of the Board, are deemed appropriate.

1. Investment performance will be reviewed quarterly.
2. Fund, asset class (e.g. domestic equity, international equity, domestic fixed income), and asset sub-class and/or "style" returns shall be compared to 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 and evaluation of the risk/reward posture of the investment.
3. It is expected that the investment performance of any Investment Manager(s) will rank above agreed upon benchmark medians over periods of three (3) or more years and will meet or exceed the Investment Objectives previously identified in this Statement. Investment Manager(s) are instructed to keep the Board and consultant abreast of any material changes in firm structure, ownership, management and investment team. Any Investment Manager(s) failing to keep pace with stated performance norms may be placed on probation and evaluated as to whether it is in the best interest of the Fund to have the Board retain the services of said Investment Manager(s).
4. Notwithstanding the provisions of the preceding paragraph, the Board reserves the right to terminate a relationship with any Investment Manager(s) 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 from any Investment Manager's Account, in part or in whole, at any time.
5. Investment Manager(s) shall provide statements of assets under management to the Board quarterly, and shall also comply with reasonable additional 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's assets.
6. Investment Managers of individually managed portfolios shall meet with the Board at least annually, if requested by the Board, to review the Fund and any respective Accounts, and to discuss investment results in the context of all of the goals Investment Objectives, and Investment Guidelines set forth in this Statement. Such meetings may take place in person, or over the Internet, or by conference call.
7. The Board will periodically review plan fees and expenses, including, but not limited to, investment management and custodial fees and expenses.

SIGNATURES

The effective date of this Investment Policy Statement is September 9, 2010.

Adopted by the Other Post Employment Benefits (OPEB) Board on September 9, 2010.

Chairperson

Member

Member

Member

Member

Member

AMENDMENT 1
OPEB INVESTMENT POLICY STATEMENT

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%	3%	4%	6%	7%	8%	10%
Intermediate Term Bond	11%	11%	12%	12%	13%	16%	18%
Long Term Bond	22%	24%	26%	28%	30%	36%	42%
Large Cap Value – US Stock	10%	10%	9%	9%	8%	7%	4%
Large Cap Growth – US Stock	10%	9%	9%	8%	8%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	5%	5%	4%	3%	3%	3%	3%
Real Estate/REIT	5%	5%	4%	4%	3%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	6%	3%
Emerging Markets	15%	14%	13%	12%	11%	7%	5%
Equity	**60%**	**57%**	**53%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**40%**	**43%**	**47%**	**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 Stock	MSCI EAFE
Non-US Small Cap Stock	MSCI EAFE Small Cap
Emerging Markets	MSCI EM (Emerging Markets)
REITS/Real Estate	FTSE NAREIT Equity REIT

AMENDMENT I

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER OPEB 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: 11/8/12 Approved by: _____
Chairman

Title: _____