AMENDED PENSION PLAN AND RETIREE HEALTH INSURANCE TRUST FOR EMPLOYEES OF THE CITY OF NEWARK, DELAWARE

STATEMENT OF INVESTMENT POLICY,
OBJECTIVES AND GUIDELINES

SCOPE OF THIS INVESTMENT POLICY STATEMENT

This document reflects the investment policy, objectives, and constraints of the entire Amended Pension Plan and the Retiree Health Insurance Trust for Employees of the City of Newark, Delaware.

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

The Amended Pension Plan for Employees of the City of Newark, Delaware is a defined benefit pension plan which provides retirement benefits to eligible employees and their beneficiaries. Contributions are made to the plan by the City of Newark, Delaware, the State of Delaware on behalf of Police participants, and by all participating employees.

The Retiree Health Insurance Trust for Employees of the City of Newark, Delaware is a post-employment benefits trust plan which provides health and life insurance benefits to eligible employees and health insurance to the employees' spouses. Contributions are made to the plan by the City of Newark, Delaware.

This statement of investment policy is set forth by the City Council of Newark, Delaware, acting as Trustees of the Amended Pension Plan and the Retiree Health Insurance Trust for Employees of the City of Newark, Delaware in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Plan assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Plan assets.
4. Establish a basis for evaluating investment results and investment manager performance.

5. Manage Plan assets according to prudent standards as established in common trust law.

6. Establish the relevant investment horizon for which the plan assets will be managed.

7. Meet the fiduciary responsibilities by establishing policies and guidelines for investing plan assets.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DEFINITIONS

1. "Plan" or “Plans” shall mean both the Amended Pension Plan for Employees of the City of Newark and the Retiree Health Insurance Trust for Employees of the City of Newark.

2. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over fund management or any authority or control over management, disposition or administration of the Plan assets.

3. "Pension Committee" shall mean a committee appointed by the Trustees pursuant to Newark City Code Article IX §2-98.4, consisting of the City Manager, the Chief Human Resources Officer, the Director of Finance, the Deputy Director of Finance, one City of Newark resident, and three City of Newark union representatives or their successors as defined by City Code.

4. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investments of all or part of the Plan assets.

5. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

6. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.

7. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon for this plan is twenty (20) years.

DELEGATION OF AUTHORITY

The City Council of Newark, Delaware acting as Trustees of the Amended Pension Plan and the Retiree Health Insurance Trust for Employees of the City of Newark, Delaware are fiduciaries and are responsible for directing and monitoring the investment management of Plan assets. As such, the Trustees are authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Pension Committee (PC). The committee shall be responsible for the internal administration of the Plan.

2. Investment Management Consultant. The Consultant may assist the Trustees in: establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers' performance over time; measuring and evaluating investment performance; recommending changes in investment managers; and other tasks as deemed appropriate.

3. Investment Manager. The investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet the Plan's investment objectives. The investment manager is responsible for investing assets in a manner consistent with this statement.

4. Custodian. The custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plan accounts.

5. Co-Trustee. The Trustees may appoint an outside individual or entity, such as a bank trust department, to be co-trustee. The co-trustee will assume fiduciary responsibility for the administration of Plan assets.

6. Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be employed by the Trustees to assist in meeting their responsibilities and obligations to administer Plan assets prudently.

The Trustees will not reserve direct control over investment decisions, with the exception of specific limitations described in these statements. Managers will be held responsible and accountable to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications which they deem appropriate.

If such experts employed are also deemed to be fiduciaries, they must acknowledge such in writing. All expenses for such experts must be customary and reasonable, and will be borne by the Plan as deemed appropriate and necessary.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Trustees of the Amended Pension Plan and the Retiree Health Insurance Trust for Employees of the City of Newark

The Trustees are charged by law with the fiduciary responsibility for the management of the assets of the Plans. In exercising this fiduciary responsibility, the Trustees are governed by the "prudent person" standard which requires them to conduct themselves faithfully, with intelligence, and exercising sound discretion in the management of their affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of capital to be invested. The specific responsibilities of the Trustees relating to the investment management of the Plans' assets include:

1. Projecting the Plans' financial needs, and communicating such needs to the Investment Managers on a timely basis.
2. Determining the Plans' risk tolerance and investment horizon, and communicating these to the appropriate parties.
3. Establishing reasonable and consistent investment objectives, policies and guidelines which will direct the investment of the Plans' assets.
4. Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultant(s) and Custodian(s).
5. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and monitor investment objective progress.
6. Developing and enacting proper control procedures: For example, replacing Investment Manager(s) due to fundamental change in investment management process, failure to comply with established guidelines, or consistent underperformance of relevant investment return benchmarks.

Responsibility of the Pension Committee

1. Answering all correspondence on the rights and benefits of members and employees.

2. Directing and monitoring the performance of all consultants, managers and custodians.

3. Compiling information on investments for presentation to the Trustees.

4. Keeping records, files and documents belonging to the Trustees.

5. Assisting the Trustees in the discharge of their functions.

6. Reviewing and determining actuarial assumptions.

Responsibility of the Investment Consultants

The Investment Consultant's role is that of a non-discretionary advisor to the Trustees of the Amended Pension Plan and the Retiree Health Insurance Trust for Employees of the City of Newark, Delaware. Investment advice concerning the investment management of Plans' assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.

2. Conducting investment manager searches when requested by the Trustees.

3. Providing due diligence and research on the Investment Manager(s).

4. Monitoring the performance of the Investment Manager(s) to provide the Trustees with the ability to determine the progress toward the achievement of investment objectives.

5. Communicating matters of policy, manager research, and manager performance to the Trustees.

6. Reviewing Plan investment history, historical capital markets performance and the contents of this investment policy statement to any newly elected Trustees.

7. Inform PC when action should be taken to correct Investment Manager performance problems.

Responsibility of the Investment Manager(s)

Each Investment Manager shall at all times be registered in good standing as an investment advisor under the Investment Advisors Act of 1940, and shall acknowledge in writing that it is a "fiduciary" of the Plan within the meaning of the Employee Retirement Income Security Act (ERISA). Each Investment Manager shall discharge its responsibilities with respect to the Plans consistent with ERISA's "prudent person" "exclusive benefit" and all other fiduciary responsibility provisions and regulations of ERISA, and shall not violate any of ERISA's "prohibited transaction" rules.

Each Investment Manager will have discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management responsibility decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

2. Meeting or exceeding the stated investment risk and return targets of the portion of the plan assets under their direct management.

3. Reporting, on a timely basis, quarterly investment performance results.

4. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Plans' investment management.

5. Informing the Trustees regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

6. Voting proxies, if requested by the Trustees, on behalf of the Plan, and communicating such voting records to the Trustees on a timely basis.

7. When placing portfolio transaction orders on behalf of the Plan, each Investment Manager shall obtain execution of orders through responsible broker-dealers at

the most favorable prices and at competitive commission rates, taking into consideration the efficiency of execution of the transaction.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the participants and beneficiaries of the Plans and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.

2. The Plans' assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

3. Diversification is important. Diversification in the Plans requires different types of asset classes with differing rates of return, volatility and correlation so as to minimize the impact of adverse results from certain sectors.

4. Asset allocation is critical to attaining the investment objectives.

5. There is no such thing as riskless investing. Riskier assets generally earn higher rates of return than do less risky assets over long-term horizons.

6. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

7. The Trustees may employ one or more investment managers of varying styles and philosophies to attain the Plans' objectives.

INVESTMENT MANAGEMENT POLICY

1. Long Term Growth of Capital - Emphasis is placed on total return; that is, the aggregate return from capital appreciation and dividend and interest income, after the deduction of management fees. Managers are expected to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Trustees recognize that some risk is necessary to produce long-term investment results that are sufficient to meet the Plans' objectives. However, the investment managers are to make reasonable efforts to control risk,

and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives stated in this Policy.

3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they are hired. Managers will be evaluated regularly for adherence to investment discipline.

4. Diversification - Managers are expected to systematically purchase and hold a wide variety of different instruments or securities to preclude large losses arising from adverse developments in any one geographic or economic area.

STANDARDS OF INVESTMENT PERFORMANCE

In the prudent exercise of its fiduciary responsibility, the Pension Committee intends to periodically evaluate the investment managers' performance by taking into account all relevant measures over a full market cycle (typically five years or longer). Performance results shall be total time-weighted rates of return measured net of investment management fees and all expenses. Volatility will be measured by the standard deviation of quarterly returns.

Total Plan results should:

- exceed the return of a Composite Market Index combining various indices representing the Plan's asset allocation over a full market cycle, after the deduction of management fees.
- be such that the return/risk tradeoff exceeds that of the Composite Market Index over a full market cycle.
- should exceed the annualized average of actuarial discount rate over a 20-year investment horizon.

US Large Cap Equity results should:

- exceed the return of the S&P 500 and Russell 1000 Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed domestic equity funds with similar characteristics over a full market cycle.

US Mid Cap Equity results should:

- exceed the return of the S&P Midcap 400 Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed domestic equity funds with similar characteristics over a full market cycle.

US Small Cap Equity results should:

- exceed the return of the Russell 2000 Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed domestic equity funds with similar characteristics over a full market cycle.

International Equity results should:

- exceed the return of the MSCI EAFE Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed international equity funds with similar characteristics over a full market cycle.

Emerging Market Equity results should:

- exceed the return of the MSCI Emerging Markets Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed international equity funds with similar characteristics over a full market cycle.

Intermediate-Term Fixed Income results should:

- exceed the return of the Barclays Capital U.S. Aggregate Bond Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed domestic fixed income funds with similar characteristics over a full market cycle.

High Yield (Non-Investment Grade Income) results should:

- exceed the return of the Bank of America/Merrill Lynch U.S. Cash Pay High Yield Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed domestic high yield fixed income funds with similar characteristics over a full market cycle.

US Real Estate

- exceed the return of the FTSE NAREIT All Equity REITs Total Return Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed real estate funds with similar characteristics over a full market cycle.

Global Real Estate

- exceed the return of the FTSE EPRA/ NAREIT Developed Europe Index over a full market cycle, after the deduction of management fees.
- attain above median performance in a universe of professionally managed real estate funds with similar characteristics over a full market cycle.

In fulfilling their fiduciary responsibility to periodically review the results achieved by the investment managers, the Pension Committee will not base its judgments regarding a manager's suitability solely on the results of a relatively short time period. Generally, a full market cycle of performance history is needed before results alone can play a substantial role in evaluating a manager. In the short term, other factors can and will be given significant consideration. These may include, but not be limited to, substantive changes in investment strategy, portfolio structure, and market value of the Plans' assets, as well as significant changes in ownership, organizational structure, financial conditions, senior personnel staffing, fees, and industry trends.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, the goals of the aggregate Plan assets are:

1. To attain a funded ratio, as determined by the City's actuary, of 100% reflecting investment income on existing assets and future employer contributions in accordance with the City's funding policy.
2. To minimize fluctuation in the required employer contribution from year to year.
3. To earn long-term returns in excess of the actuarial discount rate.
4. To maintain Plan contributions level as a percent of payroll.
5. To exceed the rate of inflation (as measured by the Consumer Price Index)

by 3%.

DEFINITION OF RISK

The Trustees realize that there are many ways to define risk. Any person or organization involved in the process of managing Plan assets must understand how they define risk so that the assets are managed in a manner consistent with the Plans' objectives and investment strategy as designed in this statement of investment policy. The Trustees define risks as:

1. The probability of losing money over any time period.
2. The probability of losing money over the Plan's investment horizon.
3. The probability of not meeting the Plans' objectives.
4. The probability of not meeting the Plans' liabilities or cash flow requirements.
5. The probability that investment returns of the Plans' assets fail to meet or exceed the return of the Reference Fund.

VOLATILITY OF RETURNS

The Trustees understand that in order to achieve their objectives for Plan assets, the Plans investments will experience volatility of returns and fluctuations of market value. It states that the Plans could tolerate a maximum loss of 5.0% over any one-year period, and a minimum gain of the actuarial discount rate over the investment horizon. Therefore, the Trustees support an investment strategy that minimizes the probability of losses greater than stated above. However, they realize that the Plans' return objective is its primary concern. There is, of course, no guarantee that the plan will not sustain losses greater than those stated herein.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Pension Committee will periodically provide investment consultant with an estimate of expected net cash flow. The Pension Committee will notify the investment consultant in a timely manner, to allow sufficient time to establish necessary liquid reserves.

Given the long-term investment horizon, Plan assets should be fully invested at all times and cash equivalent holdings will be kept to a minimum, both at the overall fund and individual manager levels. Cash equivalents may include money market-type securities (such as certificates of deposit, commercial paper, US Treasury bills, and other similar investments) with an effective maturity date of less than one year at time of purchase. These investments may be used to meet liquidity requirements if necessary.

MARKETABILITY OF ASSETS

The Trustees require that all Plan assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Plan, with minimal impact on market price.

All assets will be of sufficient size and held in issues which are traded in sufficient volume to facilitate transactions at minimum cost and accurate market valuations.

INVESTMENT GUIDELINES

Allowable Assets

1. Cash Equivalents

• Treasury Bills	• Money Market Funds	• Commercial Paper
• Banker's Acceptances	• Repurchase Agreements	• Certificates of Deposit

2. Fixed Income Securities

• U.S. Gov't & Agency	• Corporate Notes and Bonds	• Mortgage Backed Bonds

3. Equity Securities

• Common Stocks	• Preferred Stocks	• American Depository Receipts (ADRs) of Non-U.S. Companies
• Convertible Notes & Bonds	• Convertible Preferred Stocks	

4. Mutual Funds and/or commingled funds which invest in securities as allowed in this statement.

5. Exchange-Traded Funds (ETFs)

6. Pooled Guaranteed Insurance Contracts (GICs)

Fixed Income Securities

Fixed income will be diversified by investment style and strategy (i.e., duration, sector, quality). The fixed income category may include the US dollar denominated marketable bonds and convertible securities. All assets will be of sufficient size and held in issues which are traded in sufficient volume to facilitate transactions at minimum cost and accurate market calculation. The aggregate fixed income portfolio should be well-diversified to avoid undue exposure to maturity, issuer, and credit quality.

Fixed-income obligations of any single issuer, other than securities subject to a guarantee of the United States Government (or any of its agencies or instrumentalities) should represent no more than five percent (5%) of the aggregate fair market value of each Investment Manager's portfolio.

Equity Securities

Equities will be diversified by investment style and strategy (i.e. growth, value, market- oriented, and quantitative and qualitative). The equity category may include US dollar denominated and international common, preferred, and convertible stocks. All assets will be of sufficient size and held in issues which are traded in sufficient volume to facilitate transactions at minimum cost and accurate market valuation. The aggregate equity portfolio should be well-diversified to avoid undue exposure to any single economic sector, industry group, or individual security.

Commodities

Commodities may be invested in through the use of Act 40 mutual funds or exchange-traded funds (ETFs) only. Different types of commodities include agricultural products such as wheat, livestock and soybeans, as well as precious metals and other natural resources such as oil and gas. Certain commodities are often seen as a hedge against inflation and may have lower correlation to the stock market. They can be used to diversify the holdings in a portfolio.

Derivative Securities

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, Collateralized Mortgage Obligations (CMOs), Planned Amortization Class bonds (PACs), Interest-Only bonds (IOs), Principle-Only bonds (POs), residual bonds, etc., and interest rate swaps, among others. Unless a specific type of derivative security is allowed in this document, the Investment Manager(s) may not invest plan assets in those derivative investments used for speculative purposes.

Derivatives may be used in a conservative manner, for cash equitization. Futures and/or options contracts are used to equitize advisor and liquidity reserve cash. The contracts are marked-to-market daily to ensure "market-like" returns, without leveraging a fund. Derivatives may not be used to leverage a fund.

Prohibited Investments

Prohibited investments include, but are not limited to the following:

1. Private Placements
2. Limited Partnerships
3. Venture-Capital Investments
4. Real Estate Properties, except by participation in an open-end fund holding a diverse portfolio of real estate securities
5. Letter Stocks
6. Unlisted or restricted securities
7. Purchase of foreign securities, except those traded on an organized exchange and ADRs
8. Other investments not approved by this policy statement

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

1. Short Selling of securities that are not owned in excess of 30% of the collective (commingled) investment fund
2. Margin Transactions

Non-US Investments & American Depository Receipts

American Depository Receipts (ADRs) are securities representing an ownership interest in the equities of foreign companies. A bank holds the shares in trust and issues depository receipts to American shareholders of the foreign companies. Since these investments are denominated in U.S. Dollars, there is no need for the Plan to engage a custodian with multi-currency accounting and reporting capabilities. Therefore, the Trustees have decided that all investments in non-U.S. equity securities be in the form of ADR's or in shares of mutual/commingled funds priced in US dollars whose underlying investments include non–US common stocks traded on an organized exchange. All assets will be of sufficient size and held in issues which are traded in sufficient volume to facilitate transactions at minimum cost and accurate market valuation. The aggregate equity portfolio should be well-diversified to avoid undue exposure to any single geographic area, economic sector, industry group, or individual security.

Money Market Instruments

The use of common, collective or pooled trusts or funds, or "money market" instruments are permissible only if, in the Investment Manager's opinion, the securities within such funds meet the general quality (and other) constraints of this policy statement.

ASSET ALLOCATION GUIDELINES

Investment management of the assets in the Amended Pension Plan for Employees of the City of Newark, Delaware shall be in accordance with the following asset allocation guidelines:

1. Policy Ranges

ASSET CLASS	Minimum	Target	Maximum
Large Cap U.S. Equity	20%	25%	30%
Mid Cap U.S. Equity	5%	10%	20%
Small Cap U.S. Equity	0%	5%	15%
Non-U.S. International Developed Equity	5%	10%	20%
Emerging Market Equity	0%	5%	10%
Real Estate	0%	5%	10%
High Yield Bonds	0%	7%	15%
Commodities	0%	3%	5%
TOTAL RISK-BASED ASSETS	**60%**	**70%**	**80%**
U.S. Treasury and Federal Agencies Notes/Bonds	0%	10%	35%
Non-Government Notes/Bonds	0%	18%	35%
TOTAL FIXED INCOME ASSETS	**25%**	**28%**	**35%**
CASH	**0%**	**2%**	**30%**

2. The target mix represents a long-term asset allocation strategy for the Plan. Although the Operations and Investment Committee seek to maintain the target mix over the long-term, short-term deviations may occur due to market impact and cash flow.

Rebalancing Policy

The purpose of rebalancing is to ensure that the Plans' actual asset allocation does not drift too far from the strategic asset allocation. The actual asset allocation is monitored monthly relative to established asset allocation policy targets and ranges. A drift of +/-5% from any of the targets triggers a review and rebalancing toward the target asset allocation. The investment manager will monitor the asset allocation and rebalance if necessary when any targets are exceeded by 5% or more. Whenever possible, cash flows into and out of the fund will be used to rebalance.