

401(a)

ADVISORY COMMITTEE

**ADMINISTRATION BUILDING
LARGE TRAINING ROOM**

**WEDNESDAY
JUNE 4, 2014**

**(Immediately following the scheduled 9:00am – 12:00pm
401(k)/457 Advisory Committee Meeting)**

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: June 4, 2014

MEMO TO: EBMUD 401(a) Advisory Committee

FROM: Lisa Sorani, Manager of Employee Services *LS*

SUBJECT: Agenda for the March 4, 2014 EBMUD 401(a) Advisory Committee Meeting

The next EBMUD 401(a) Advisory Committee Meeting is on Wednesday, June 4, 2014 in the Small Training Room of the Administration Building. This meeting will occur immediately following the EBMUD 401(k)/457 Advisory Committee meeting.

Attached is the Agenda for the meeting. As required by the Brown Act, the Agenda has been posted at least 72 hours prior to the meeting. Interested members of the public may attend the meeting.

If you have any questions, please contact me at (510) 287-0713.

LS/dd

Attachment

AGENDA

EBMUD 401(a) ADVISORY COMMITTEE

ADMINISTRATION BUILDING

SMALL TRAINING ROOM

WEDNESDAY, JUNE 4, 2014

(Immediately following the 401(k)/457 Advisory Committee Meeting)

ROLL CALL:

PUBLIC COMMENT: The 401(a) Advisory Committee is limited by State Law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

CONSENT CALENDAR:

1. Approval of Minutes – Regular Meeting of March 5, 2014

DISCUSSION:

2. Introduction of New Committee Member, Sophia Skoda (Management) – (Committee Member)
3. Service Report – Suzanne Rogers (Fidelity Investments)
4. Fiduciary Education – Greg Settle (Hyas Group)
5. Market Overview – Greg Settle (Hyas Group)
6. Investment Performance Summary – Greg Settle (Hyas Group)

ACTION:

7. Determination of Revenue Share Environment – Greg Settle (Hyas Group) & Lisa Sorani (Staff)

ITEMS TO BE CALENDARED:

MEETING ADJOURNMENT: *The next regular meeting of the 401(a) Advisory Committee will be held immediately after the 9:00 a.m. 401(k)/457 Advisory Committee Meeting on Wednesday, September 3, 2014.*

MINUTES

401(A) ADVISORY COMMITTEE MEETING

East Bay Municipal Utility District

MARCH 5, 2014

The quarterly meeting of the EBMUD 401(a) Advisory Committee convened at 11:45 am, Wednesday, March 5, 2014 in the Small Training Room of the Administration Building. Delores Turner called the meeting to order.

ROLL CALL

Committee Members present: Eric Sandler and Delores Turner

Committee Members absent: None

Staff members present: Elizabeth Grasseti and Lisa Sorani

Others present: Hyas Group (Greg Settle) and Fidelity Investments (Dee Johnson, Randy Morse, Suzanne Rogers, and Lesley Simsich)

PUBLIC COMMENT

NONE

CONSENT CALENDAR

1. **Approval of Minutes** – Delores Turner moved the Committee accept the November 20, 2013 minutes. The motion was seconded by Eric Sandler and passed unanimously.

DISCUSSION

2. **Staff Report** -- Lisa Sorani informed the Committee that the one-year “put” liquidation option of the Fidelity Managed Income Portfolio II Class I stable value fund was re-invoked for another year. The fund changes voted on in the August 28, 2013 meeting took effect on January 6, 2013 – added the Vanguard Target Date Fund Suite, Huber Small Cap Value Fund and Artisan Small Cap Fund; closed the Fidelity Freedom K Funds and mapped them to the Vanguard Target Date Fund Suite; closed the Heartland Value Fund and mapped it to the Huber Small Cap Value Fund; and closed the Neuberger Berman Genesis Institutional Fund and mapped it ½ to Huber Small Cap Value and ½ to Artisan Small Cap.
3. **Fidelity Service Report** – Suzanne Rogers informed the Committee that the Fidelity team met EBMUD staff for annual business planning to discuss education, campaigns, new website, presentations, guidance counseling, scorecard measures, etc. For the 4th

quarter service review, combined assets were \$322,181,569 with 2,930 participants, substantially higher than industry peers with pension plans and same-size peers with no pension plans. The top four investments by number of participants and total assets were Vanguard Institutional Index, BrokerageLink®, Fidelity Managed Income Portfolio II, and Fidelity Blue Chip Growth K. Fidelity Communication Representative, Dee Johnson, informed the Committee of the upcoming new pre-login NetBenefits® site, the “Plan for Life” (Participant Experience) campaign, and the NetBenefits® mobile application (for cellular phones and tablets), and the Personal Progress Report to be sent to participants beginning in March 2014 to help employees comprehend where they may stand in their progress to retirement. VP Regional Manager of Planning and Guidance Consultants, Randy Morse, informed the Committee of the planning and guidance tools available to participants online 24/7 and that the Planning & Guidance Consultant would email a report to the participant following an in-person meeting.

4. **Revenue Share (\$0 Revenue Share and Per Capita vs Pro Rata)** – Greg Settle of Hyas Group informed the Committee that the vast majority of the public sector utilizes the same revenue share fee structure as EBMUD, with some using the \$0 revenue share fee structure. Fidelity charges EBMUD .045% of end-of-year assets annually. In reviewing just eight industry peers, Hyas Group found that they were all charged an average of 9 basis points (.009%) versus EBMUD’s low 4.5 basis points (.045%). On average, Fidelity earns .6% in revenue based on its contracts with the various fund managers, and agreed to share the excess revenue (the difference between what Fidelity earned from its private contracts and what Fidelity charged) with the EBMUD Plans. The excess **Revenue Share** can be used for Plan expenses and/or allocated to participants. With the **Zero Revenue Share** fee structure, all participants would have to pay a set fee (dollar amount or percentage) for Plan administration.

Fidelity’s revenue arrangement with fund managers is negotiated solely between them and Fidelity, and EBMUD has absolutely no involvement in those contracts. The excess revenue that Fidelity shares with EBMUD is not deducted from participant’s accounts, nor are participants entitled to the excess revenue. As the revenue share is based on Fidelity’s private contracts with other fund managers, it will not be posted on NetBenefits® or in any fund prospectuses. It should be noted that every participant has always paid a management fee (expense ratio) for fund investment (as determined by fund managers) and the management fees are directly tied to revenue share.

A **Pro-Rata** allocation of excess revenue to participants would be based on participants’ account balances. A **Per-Capita** allocation would give each participant the exact same amount of money. This means a participant with a \$500 account balance would get the same amount as a participant with a \$100,000 account balance, which is often viewed as an unfair allocation. Most consider a **Fund-Level Pro-Rata** allocation to be more fair and easier to administer. In this fee structure, only participants in the revenue share funds are allocated excess revenue share monies. However, this fee structure will always be imperfect because of participants regularly going in and out of funds.

The Committee discussed the need to resolve fee structure, \$105,000 issue and the budget (including how to pay consultant fees, RFP expenses, and Committee/staff training). The Committee also noted that most agencies and companies do not pay for plan administration, and that the deferred compensation plans are a voluntary supplemental benefit to save extra money for retirement outside of the District's defined benefit (pension) plan. It was agreed to table the item for a future meeting.

5. **Market Overview** – Greg Settle informed the Committee that US GDP growth for the 4th quarter was estimated at 3.2%, 3rd quarter GDP was revised upward to 4.2%, which made for a very strong half of 2013. Small cap stocks outperformed large cap, and growth outperformed their value style counterparts. Despite recent international upset, investors held steady.
6. **Investment Performance Summary** – Greg Settle informed the Committee that none of the Plans' funds underperformed the investment policy benchmarks. Hyas Group reviewed recent manager changes at PIMCO and recommended the fund be placed on "watch" due to a degree of key-man risk associated with the firm and the potential for further changes in senior management. Delores Turner moved the PIMCO Total Return Fund be placed on "watch". The motion was seconded by Eric Sandler and it passed unanimously.
7. **Investment Policy Statement (IPS)** – Greg Settle reminded the Committee that the IPS was accepted at the last meeting and asked staff to provide Hyas Group with the finalized document.
8. **Hyas Group Contract Renewal** – The Committee discussed the importance of having an unbiased consultant for detailed fund analysis and advice. Greg Settle explained that Hyas Group's other clients with over \$250M in assets request a quarterly fund analysis, and it will be added to the contract that Hyas Group is a co-fiduciary to the Plan. Delores Turner moved the Committee support a \$46,000 Hyas Group contract. The motion was seconded by Eric Sandler and passed unanimously.

ITEMS CALENDARED FOR FUTURE MEETINGS

- Review and Adopt Deferred Compensation Plan Administration Budget
- Review and Adopt Revenue Share / Zero Revenue Share
- Deferred Compensation Plan Expense Payment Policy

ADJOURNMENT

Delores Turner moved the meeting be adjourned. The motion was seconded by Eric Sandler and passed unanimously. The meeting adjourned at 11:57am.

401(k)/457 Advisory Committee Members (5/14/14)

NAME	REPRESENTATION	TELEPHONE	MAIL SLOT	E-MAIL
Delores Turner	Chairperson	287-0383	MS# 601	dturner@ebmud.com
Cynthia Adkisson	Local 2019	287-1627	MS# 704	cadkisso@ebmud.com
David Beyer	Local 21	287-1144	MS# 205	dbeyer@ebmud.com
David Correa	Local 444	287-0426	MS# 80	dcorrea@ebmud.com
Dean DeGiovanni	Local 21	287-1656	MS# 505	ddigiova@ebmud.com
Gerald Hunter	Local 444	287-2041	MS # 76	ghunter@ebmud.com
Eric Sandler	Management	287-0310	MS# 801	esandler@ebmud.com
Sophia Skoda	Management	287-1542	MS #801	sskoda@ebmud.com
David Valenzuela	Local 2019	287-0588	MS# 302	dvalenzu@ebmud.com
Curtis Woodring	Local 39	925-284-1649	MS# 71	dwoodrin@ebmud.com

401(a) Advisory Committee Members (5/14/14)

NAME	REPRESENTATION	TELEPHONE	MAIL SLOT	E-MAIL
Delores Turner	Chairperson	287-0383	MS# 601	dturner@ebmud.com
Eric Sandler	Management	287-0310	MS# 801	esandler@ebmud.com
Sophia Skoda	Management	287-1542	MS# 801	sskoda@ebmud.com

Advisory Committee Staff

NAME	JOB TITLE	TELEPHONE	MAIL SLOT	E-MAIL
Lisa Sorani	Employee Services Mgr	287-0713	MS# 601	lsorani@ebmud.com
Elizabeth Grassetti	Sr. HR Analyst	287-0760	MS# 601	egrasset@ebmud.com
Dhanyale Dunbar	HR Technician	287-0714	MS# 601	ddunbar@ebmud.com



East Bay Municipal Utility District

1st Quarter 2014 Service Review

Presented by,
Suzanne Rogers, Vice President, Managing Director
June 4, 2014

This document was originally prepared for plan sponsor use only.

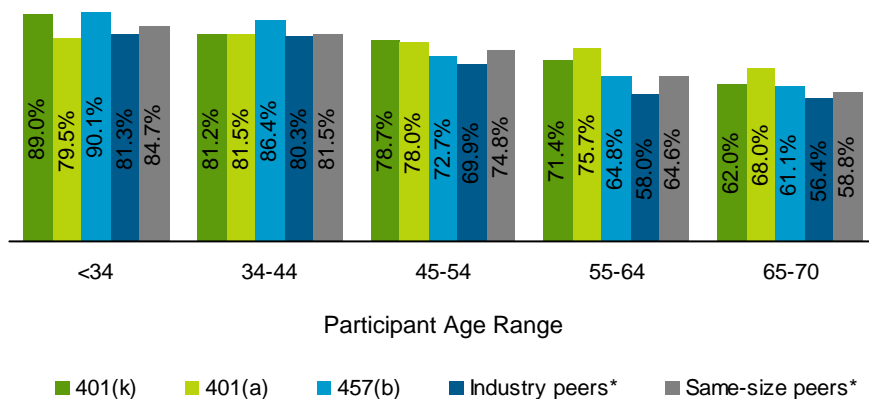


East Bay Municipal Utility District Q1 2014 Review

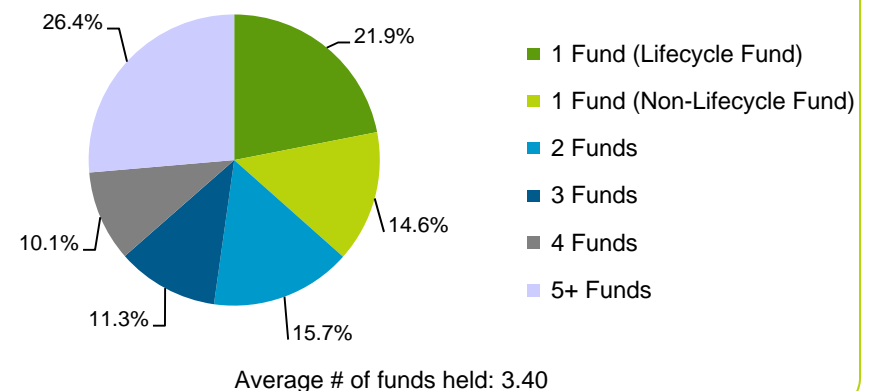


Combined Plan Statistics	03/2014	12/2013	12/2012	Industry Peers*	Same-size Peers*
Total assets	\$328,488,153	\$322,181,569	\$267,862,631	\$104,809,160	\$114,363,996
Total participants	2,959	2,930	2,924	1,610	1,573
YTD Employee contributions	\$4,656,403	\$15,178,387	\$15,085,317	\$4,972,903	\$5,347,582
YTD Rollover contributions	\$448,931	\$805,040	\$2,579,317	\$1,738,735	\$3,790,260
YTD Withdrawals	\$3,165,384	\$16,811,101	\$10,752,660	\$8,588,049	\$8,174,644
YTD Net cash flow	\$2,019,464	(\$1,075,037)	\$6,953,116	\$6,631,777	\$3,183,442
Average balance	\$111,013	\$109,960	\$91,608	\$65,068	\$72,331
# single fund holders (excl. Lifecycle Fund)	435	452	472	325	168

Asset Allocation: % of Equities as of 3/31/2014

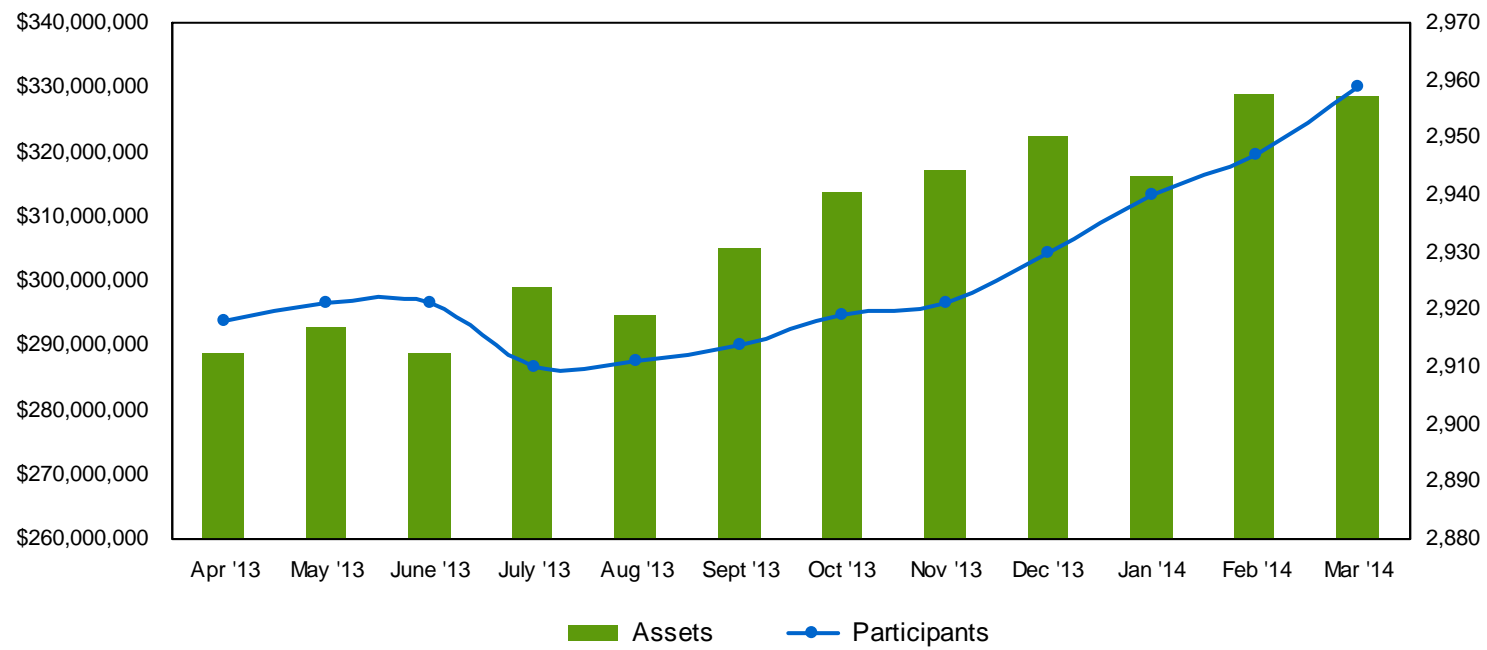


Participant Holdings as of 3/31/2014



* Please see "Important Additional Information" for information regarding plan peer size and industry comparisons. Peer size and industry comparisons are based on 12 month period ending 3/31/2014.

Plan Assets Under Management at Fidelity

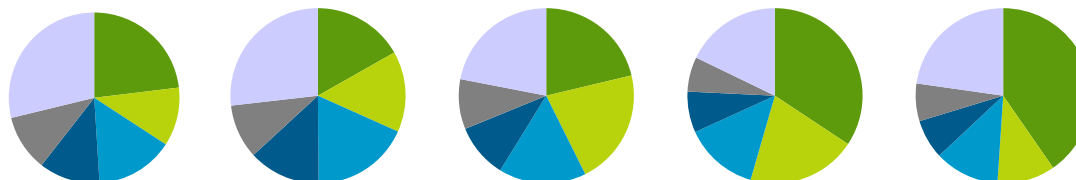


As of 3/31/2014	401(k) Plan	401(a) Plan	457(b) Plan
Total Participants	1,651	429	879
Active Participants	1,274	327	649
Participants Terminated with Balances	377	102	230
Total Plan Assets	\$216,605,570	\$35,300,960	\$76,581,624

Single-Investment Option Holders



Information as of 3/31/2014



How many participants hold:	401(k) Plan	401(a) Plan	457(b) Plan	Industry peers*	Same-size peers*
1 Fund (Lifecycle Fund)	23.1%	16.8%	21.3%	34.3%	40.4%
1 Fund (Non-Lifecycle Fund)	11.1%	14.9%	21.4%	20.2%	10.7%
2 Funds	14.8%	18.2%	16.2%	13.7%	12.0%
3 Funds	11.6%	13.3%	10.0%	7.6%	7.3%
4 Funds	10.7%	10.0%	9.2%	6.4%	6.9%
5 or more Funds	28.8%	26.8%	22.0%	17.8%	22.8%
Average # of Funds Held	3.6 funds	3.5 funds	3.1 funds	2.8 funds	3.0 funds

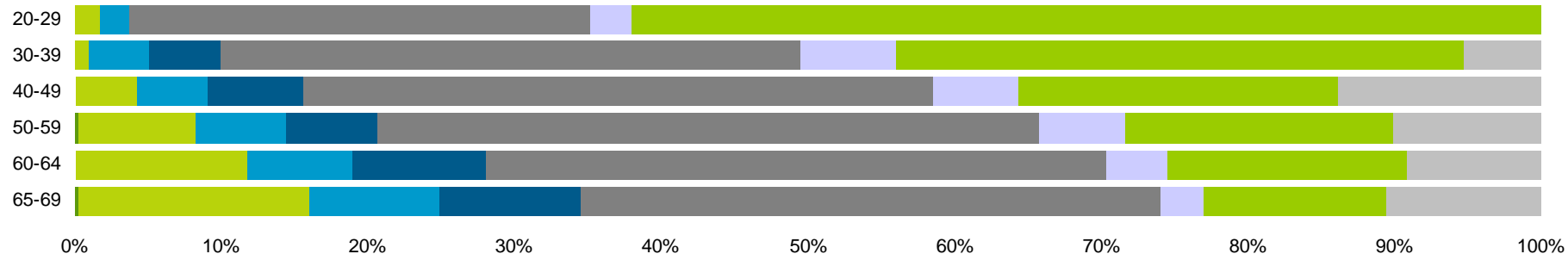
Funds held as a single investment	Asset class	Participants holding this fund			
		401(k)	401(a)	457(b)	Total
MIP II CL 1	Managed Income or Stable Value	70	15	78	163
VANGUARD INST INDEX	Domestic Equity	24	8	18	50
PIM TOTAL RT INST	Bond	9	7	11	27
FID BLUE CHIP GR K	Domestic Equity	12	6	4	22
FID BALANCED K	Balanced/Hybrid	9	3	9	21
Plus 11 other funds	-	30	14	34	78
Lifecycle Funds	-	381	72	187	640
BrokerageLink	-	29	11	34	74

* Please see "Important Additional Information" for information regarding plan peer size and industry comparisons.

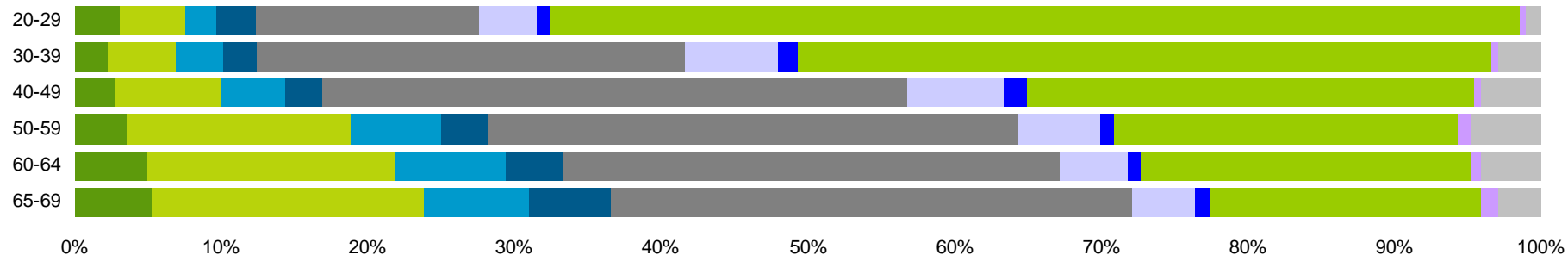
Combined Plan Asset Allocation Analysis



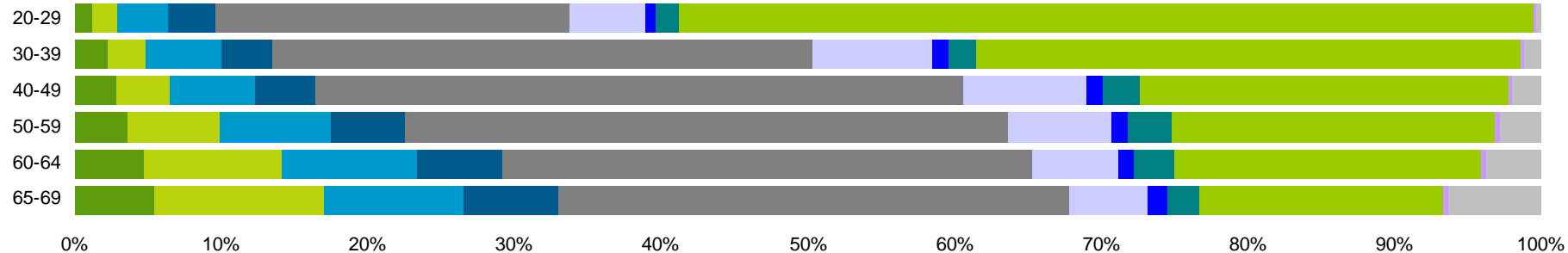
Asset Allocation, by Age Group for Your Plans (as of 3/31/2014)



Industry Peers (Public Sector)



Same-size Peers (1000-2499)

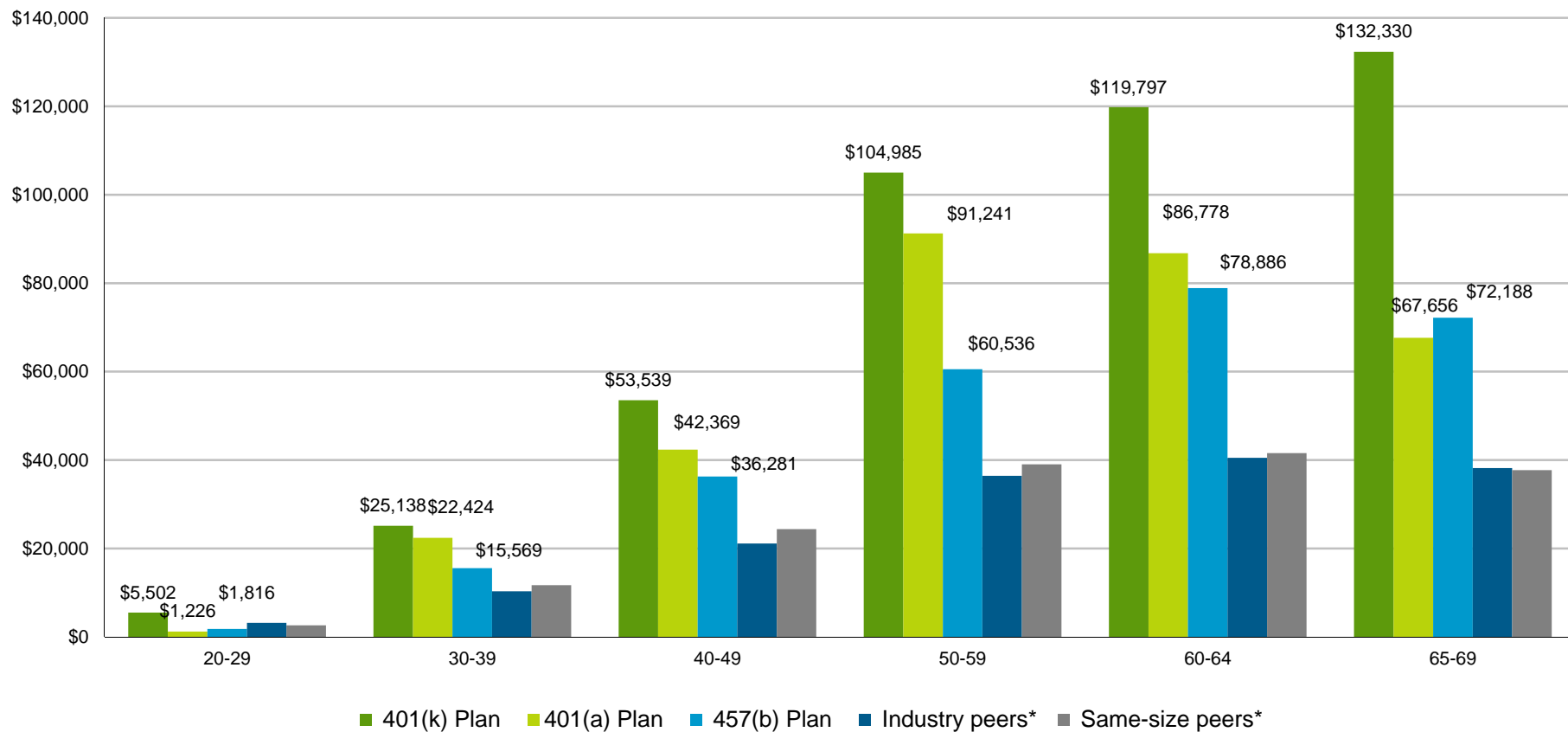


* Please see "Important Additional Information" for information regarding plan peer size and industry comparisons.

Participant Balances



Median Balance Per Participant, as of 3/31/2014



* Please see "Important Additional Information" for information regarding plan peer size and industry comparisons.

Combined Plan Assets by Fund



As of 3/31/2014

Fund	# of Participants Holding Fund	% of Participants Holding Fund	Total Assets	% of Plan Assets
VANGUARD INST INDEX	954	32.24%	\$41,180,257	12.54%
BROKERAGELINK	326	11.02%	\$34,194,249	10.41%
MIP II CL 1	750	25.35%	\$29,484,094	8.98%
FID BLUE CHIP GR K	854	28.86%	\$25,983,973	7.91%
VANG TARGET RET 2020	337	11.39%	\$21,175,433	6.45%
DODGE & COX STOCK	664	22.44%	\$20,933,272	6.37%
PIM TOTAL RT INST	654	22.10%	\$20,054,689	6.11%
HUBER SM CAP VAL IS	726	24.54%	\$17,134,491	5.22%
FID BALANCED K	506	17.10%	\$15,923,474	4.85%
AF EUROPAC GROWTH R6	770	26.02%	\$15,826,086	4.82%
H & W MID CAP VAL I	459	15.51%	\$12,960,049	3.95%
MSIF MID CAP GRTH I	439	14.84%	\$9,489,078	2.89%
VANG TARGET RET 2015	149	5.04%	\$9,303,073	2.83%
VANG WELLESLEY ADM	286	9.67%	\$8,341,997	2.54%
TRP EQUITY INCOME	332	11.22%	\$7,121,175	2.17%
VANG TARGET RET 2025	162	5.47%	\$6,429,233	1.96%
VANG TARGET RET 2030	217	7.33%	\$6,315,597	1.92%
VANG TARGET RET 2010	120	4.06%	\$6,251,025	1.90%

Combined Plan Assets by Fund Continued



As of 3/31/2014

Fund	# of Participants Holding Fund	% of Participants Holding Fund	Total Assets	% of Plan Assets
VANG TARGET RET 2040	185	6.25%	\$4,670,131	1.42%
ARTISAN SMALL CAP IS	391	13.21%	\$3,651,205	1.11%
AM CENT SELECT INST	182	6.15%	\$3,006,400	0.92%
VANG TARGET RET 2035	126	4.26%	\$2,180,925	0.66%
VANG TARGET RET INC	93	3.14%	\$1,742,258	0.53%
VANG TOT BD MKT SIG	122	4.12%	\$1,393,528	0.42%
VANG TARGET RET 2045	70	2.37%	\$1,159,114	0.35%
VANG TARGET RET 2050	60	2.03%	\$1,027,007	0.31%
VANG TOT INTL STK S	75	2.53%	\$809,034	0.25%
FID RETIRE MMKT	37	1.25%	\$685,204	0.21%
VANG TARGET RET 2055	12	0.41%	\$56,170	0.02%
VANG TARGET RET 2060	4	0.14%	\$5,932	0.00%
Total Market Value			\$328,488,153	100.00%

Combined Plan Cash Flow Summary



Cash Inflow	Year ending: 3/2014	Year ending: 3/2013
Contributions*	\$17,208,343	\$16,926,657
Loan Repayments	\$1,884,973	\$1,727,471
Interest on Loans	\$229,898	\$212,539
Total Cash Inflow	\$19,323,213	\$18,866,668
Cash Outflow	Year ending: 3/2014	Year ending: 3/2013
Loan Withdrawals	\$2,431,759	\$1,993,805
Withdrawals	\$16,544,509	\$9,856,452
Transaction-based Fees <i>(Please see your plan recordkeeping agreement for details)</i>	(\$58,981)	\$742
Total Cash Outflow	\$18,917,287	\$11,851,000
Net Cash Flow	\$405,927	\$7,015,668

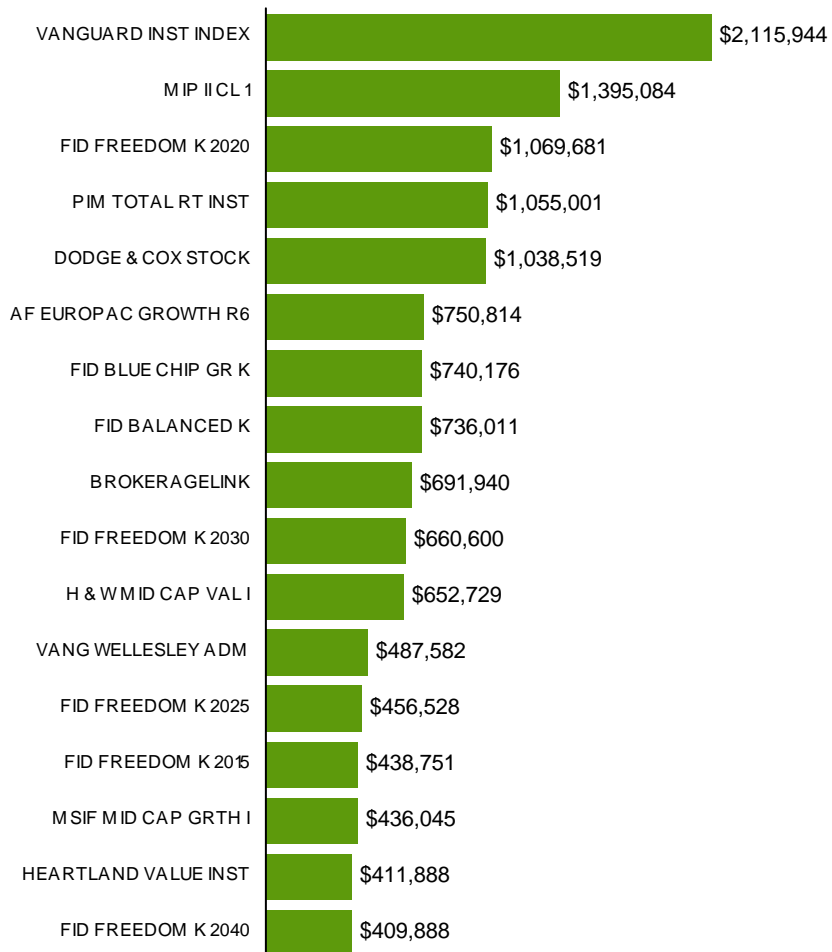
* Contributions are comprised of all employee and employer sources, including rollovers into the plan.

Contributions and Net Exchanges

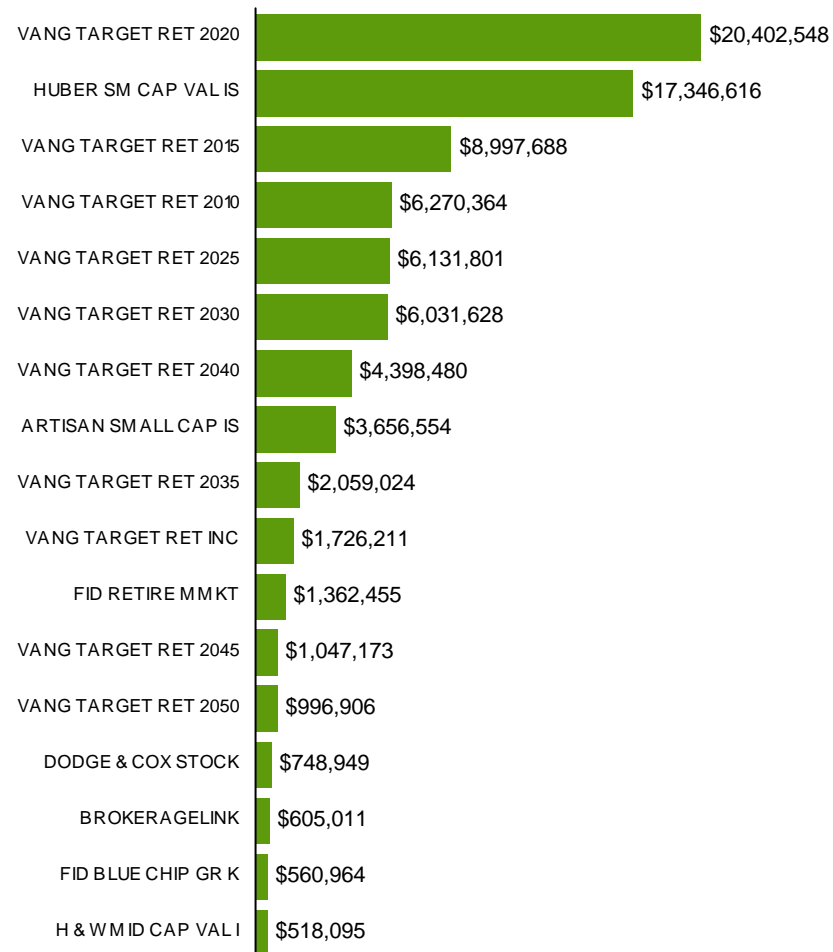


For the 12-month period ending 3/31/2014

Contributions by Fund



Net Exchanges by Fund

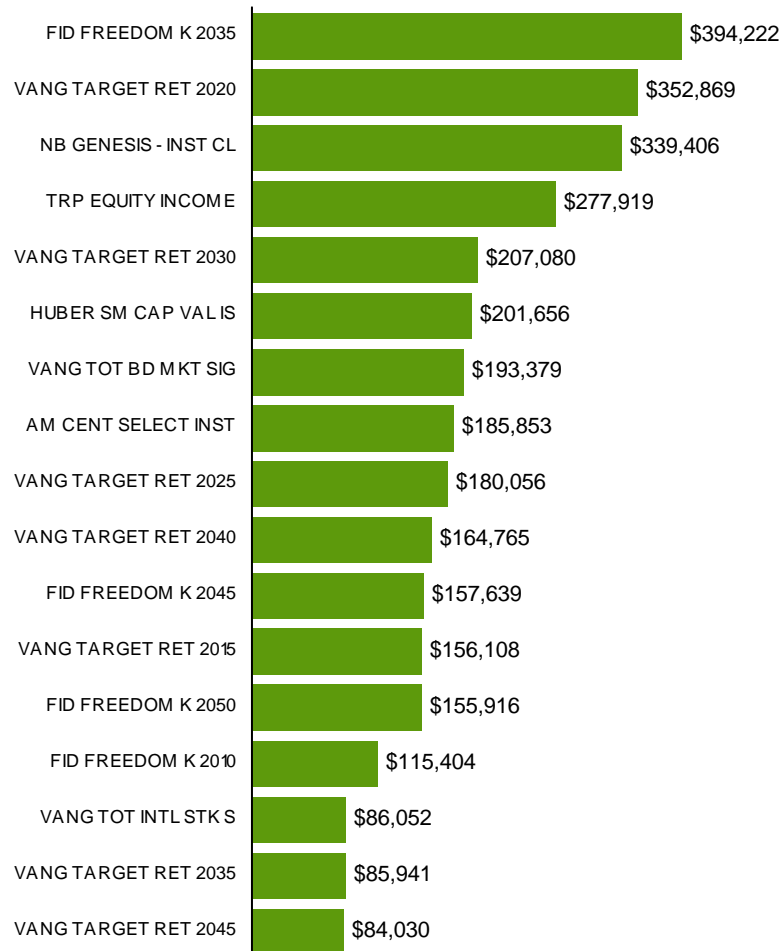


Contributions and Net Exchanges

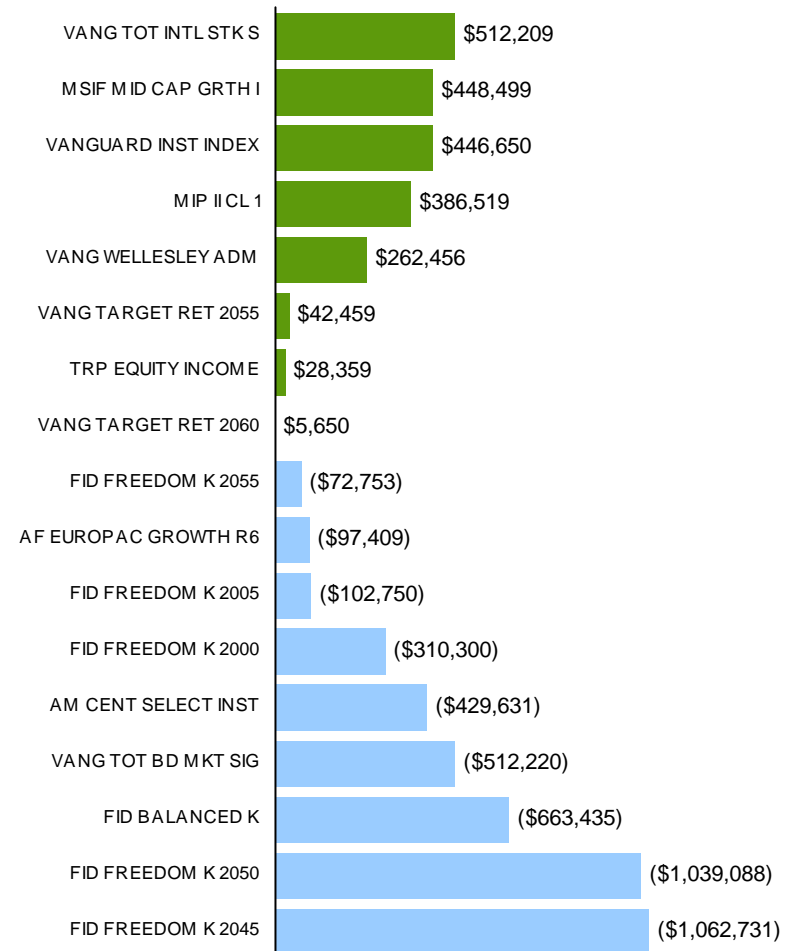


For the 12-month period ending 3/31/2014

Contributions by Fund



Net Exchanges by Fund

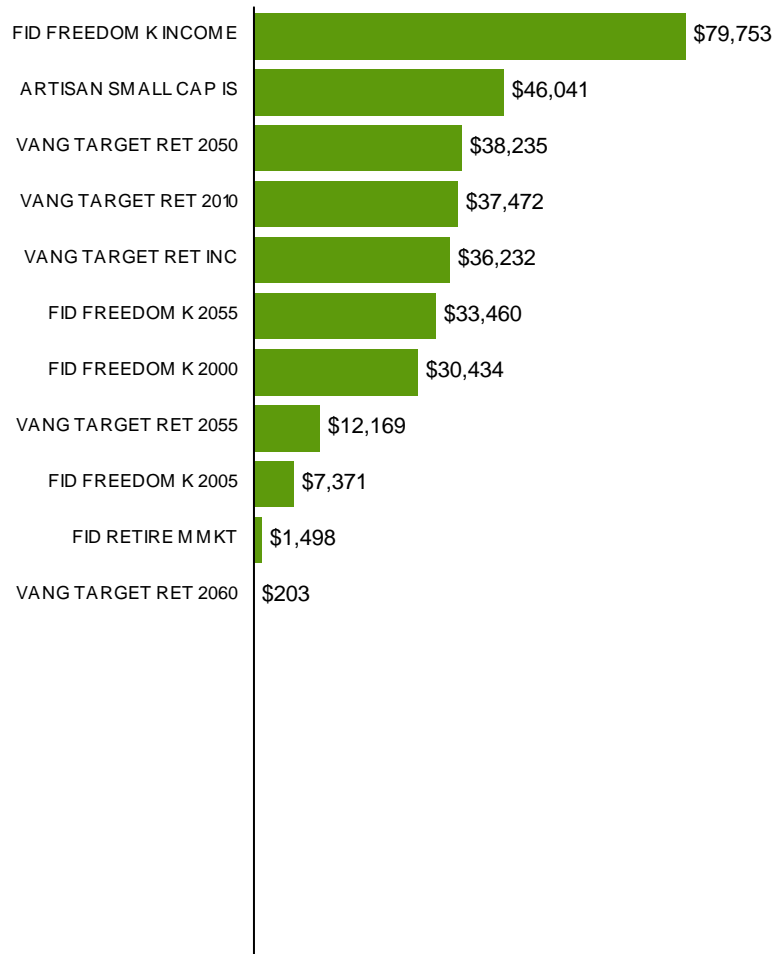


Contributions and Net Exchanges

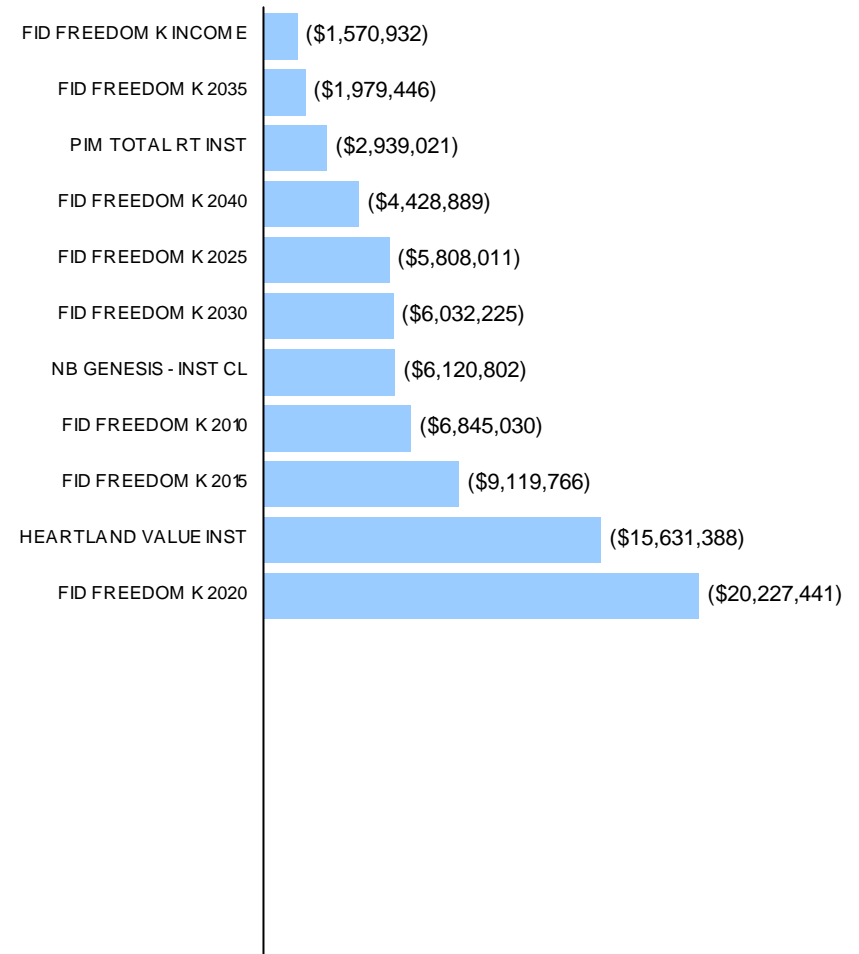


For the 12-month period ending 3/31/2014

Contributions by Fund



Net Exchanges by Fund



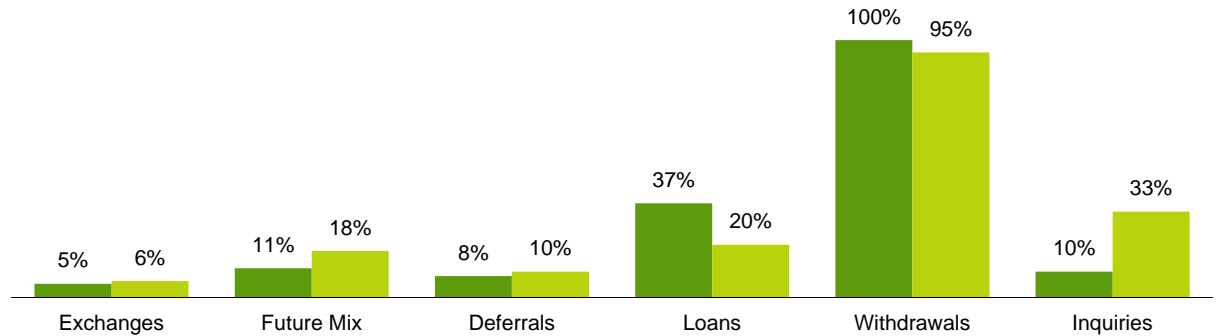
Customer Transactions by Channel



For the 12-month period ending 3/31/2014

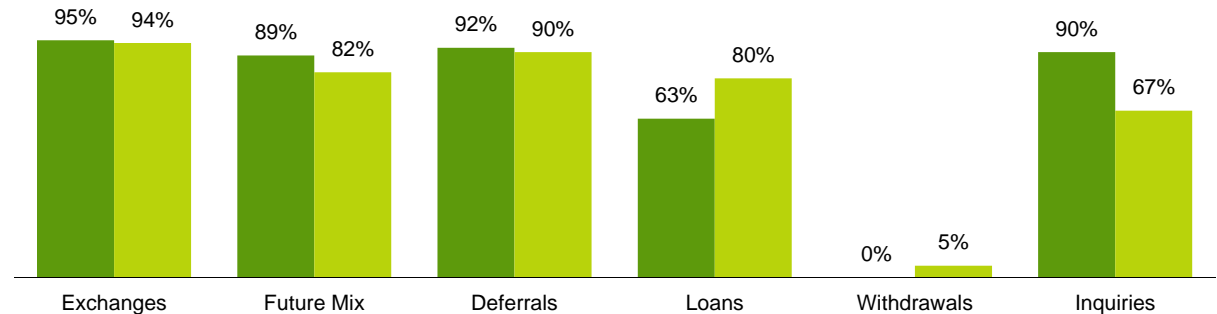
Plan	Total Unique SSNs
401(k)	528 (32% of participants)
401(a)	79 (18% of participants)
457(b)	196 (22% of participants)
Total contacts	7,922

Phone Representatives



Plan	Total Unique SSNs
401(k)	886 (54% of participants)
401(a)	281 (66% of participants)
457(b)	513 (58% of participants)
Total contacts***	149,943

NetBenefits® (Web)



■ Your Plan* ■ Industry Peers** (Public Sector)

* Percentages based on (401(k) Plan: 1,651 participants), (401(a) Plan: 429 participants), (457(b) Plan: 879 participants)

** Please see "Important Additional Information" for information regarding plan peer size and industry comparisons.

*** Total contact counts for the web channel, NetBenefits®, are calculated at the plan level. It is the total number of times participants accessed this channel. For any participants that have more than one plan with Fidelity, the count will be overstated. The measure of Total Unique SSN, expressed as a percentage, is not impacted by this issue.



2014 East Bay MUD – Custom Goals / Communications

- | | |
|--|---|
| 1. Increase participant involvement & interaction. | Custom communication announcements for workshops / one-on-one's. |
| 2. Education / communication of plan fees. | Customize Fees & Expenses Brochure for participants. |
| 3. Asset Allocation / Social Responsibility. | Custom communication discussing the benefits of proper asset allocation & social responsible fund choices. |
| 4. EBMUD Pre-Login site awareness. this | Communicate the introduction & usefulness of new exciting tool - Site is now LIVE. |
| 5. Continue to engage participants & increase enrollment. | Communicate Fidelity commitment to mobile devices & the new user friendly NetBenefits® upgrade. |



2014 Communication and Education Calendar

Performance and Education

Messages that show them where they stand and what steps they can take to improve

JAN	FEB •Guidance	MAR •Savings •Premium Services •Term / Retiree Annual Check-up	APR •Guidance	MAY •Savings 2 nd touch (non-responders) •Premium Services	JUN •Asset Allocation
JUL	AUG •Viewpoints	SEP •Personal Progress Report •Guidance	OCT •Easy Enroll Launch (tenured unenrolled) •Premium Services	NOV •Viewpoints	DEC •Term/Retiree Retirement Income

Triggered communications

Sent based on employee age, behavior, or action

Enrollment / Participation & Onboarding: multi-touch enrollment; new hire Easy Enrollment¹; anniversary of eligibility to enroll; employer contribution and not enrolled; at loan payoff; post-enrollment onboarding

Ongoing Engagement: targeted age-based milestone triggers at age 35, 40/45, 50/55, 60/65, 61.5, 69.5; guidance tools abandoned; high cash balance; fund lineup change; retirement transition services¹

Retirement & Job Changes: At retirement or separation; nine months after separation; new beneficiaries

¹ This is not an existing service and Fidelity Investments reserves the right to modify any portion of the concept.
536867.10.0

Important Additional Information



Strategic Advisers, Inc., a subsidiary of FMR LLC., manages the Fidelity Freedom Funds.

Fidelity Management & Research Company manages Fidelity mutual funds.

Certain company stock plan programs are administered by Fidelity Stock Plan Services LLC. Non-Fidelity mutual funds are managed by non-Fidelity entities. Please consult the prospectus for more information. Class of shares may vary.

Funds offered through a mutual fund window are considered “designated investment options” under the ERISA 404(c) regulation. The plan sponsor retains fiduciary responsibility for deciding and monitoring funds (if any) that are included in the mutual fund window. Additional fees may apply.

A Self-directed Brokerage Account is not for everyone. If you are a sophisticated investor who is willing to take on additional risk and you are prepared to assume the responsibility of more closely monitoring this portion of your portfolio, it could be appropriate for you. However, if you do not feel comfortable actively managing a portfolio of options beyond those offered through your plan’s standard investment options, then a Self-directed Brokerage Account may not be appropriate for you. Remember, it is always your responsibility to ensure that the options you select are consistent with your goals.

The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates.

Indices are unmanaged and you cannot invest directly in an index.

Investment risk information:

In general the bond market is volatile, and bond funds entail interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Bond funds also entail the risk of issuer or counterparty default, issuer credit risk, and inflation risk.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

Foreign securities are subject to interest-rate, currency-exchange-rate, economic, and political risks, all of which are magnified in emerging markets. These risks are particularly significant for funds that focus on a single country or region.

Because of their narrow focus, sector funds may be more volatile than funds that diversify across many sectors.

Investments in mid-sized companies may involve greater risks than those in larger, more well known companies, but may be less volatile than investments in smaller companies.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Neither diversification nor asset allocation ensures a profit or guarantees against loss.

Portfolio Review, Fidelity Income Strategy Evaluator, Retirement Income Planner, myPlan® and Retirement Quick Check are educational tools.

The Savings Planner (Planner) is an educational calculator.

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500 – 999 participants	1,000 – 2,499 participants	2,500 – 4,999 participants
5,000 – 9,999 participants	10,000 – 24,999 participants	25,000+ participants

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East Bay MUD
Fiduciary Fundamentals for
California Public Employer Retirement Plans
June 2014

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HYAS GROUP

Fiduciary Fundamentals for California Public Employer Retirement Plans

- Introduction and Background
- Basic Fiduciary Definitions and Responsibilities
- Retirement Plan Committee Responsibilities
- Case Studies: Issues Confronting Plan Fiduciaries in 2014
- Plan Fees and Expenses

About This Presentation

- Goals
 - Educate members of the East Bay MUD Plans Committee
 - Establish a common level of understanding regarding fiduciary matters
 - Provide a written resource to guide the District in the future
 - Document the education process

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The California Constitution and Local Government DC Plan Oversight

- The California Constitution (Article XVI, Section 17) has requirements for the sound fiduciary oversight of public pension and retirement funds
- Section 53609 of the California Government Code clarifies that 457 Plans are considered to be such retirement plans, “Deferred Compensation Funds are public pension or retirement funds for the purpose of Section 17 of Article 17 of the Constitution”
- The Constitution places duties and obligations on fiduciaries that are virtually identical in concept and language to those found under ERISA
- The California Government Code references as applicable the standards set for private firms, in Section 53213.5

Background: About ERISA

- 1974: Employee Retirement Income Security Act
 - Ford Administration; enacted on Labor Day
- Why?
 - Abuses of existing law by some firms and unions
 - Assets being misused
 - Ten-year “Cliff Vesting” resulting in many never gaining a pension
 - Confusion of conflicting state laws
- The Result: An approach that blends state trust laws to form a national standard for benefit plan definition and administration
- For the public sector, a convenient guide to best practices and accepted methods for plan design and operation

Why Do Public Plans Look to ERISA?

- Convenience: It is a comprehensive guide, with much information
- It is considered to be a high standard
- It is believed by many to be a model that the courts will look to for guidance when considering non-ERISA cases
- It is continually up-dated to reflect changing realities in the retirement plan and investment environment

Public Sector Retirement Plan Fiduciary Oversight Milestones

- 1994: Orange County bankruptcy and 457 Plan investment scandal
- 1996: Federal Law passed placing 457 Plan assets into “trust” status
- 2002: EGTTRA legislation eliminated most differences between 457 plans and private sector 401(k) plans
- 2006: Pension Protection Act; congress vows to make many public employer plans “more like 401(k) plans”
- 2006: California joins several other states in codifying the fiduciary responsibilities of public employers
- 2000-2014: Litigation over failure to oversee 401(k) Plans grows steadily, with most actions regarding investments and fees; 403(b) and 457 Plans are also impacted

Fiduciary Fundamentals for California Public Employer Retirement Plans

Basic Fiduciary Definitions
and Responsibilities

What is a Plan Fiduciary?

- Persons who, by either function or appointment, have discretionary authority over Plan assets and/or administration
- Fiduciary functions
 - Selecting, retaining or terminating record-keepers/plan administrators
 - Selecting, retaining, or terminating investment options
 - Processing and submitting participant contributions
 - Negotiating fees and expenses for plan services and investment
- Must be more than “ministerial”
 - Maintaining records and other administrative roles are not covered
 - Processing payroll does qualify though, if decisions can delay deposits

Core Standards of Fiduciary Conduct

- Duty of Loyalty: The Exclusive Benefit Rule
- Duty of Prudence: The Prudent Expert Rule
- Duty to Provide for Diversification of Plan Assets
- Duty to Act in Accordance with the Plan Document
- Implied: Duty to Monitor Plan Operations and Events of the World that may impact the Plan

Core Standards: Duty of Loyalty

- The Exclusive Benefit Rule: “The fiduciary must discharge duties with respect to the Plan for the exclusive benefit of the participants and their beneficiaries”
 - This is the fundamental underpinning of fiduciary duty
 - A simple test for every decision fiduciaries will make

- With regard to “Business Issues”, the rule does not apply; These “settlor functions” may include:
 - Decision to terminate the plan
 - Decision to increase or decrease benefits
 - Decisions about eligible classes of employees

Core Standards: Duty of Prudence

- The “Prudent Expert Rule”
 - Fiduciaries must act with “the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity” would apply
 - Always be able to answer, “Why did, or didn’t you, act?”
 - Note that Process is at least as important as Outcome

- How to be prudent
 - Have the necessary skills and expertise
 - Research what others in similar roles are doing
 - Use checklists in decision-making process
 - Consult with experts as needed
 - Document your actions

Core Standards: Duty to Diversify

- The “Diversification Rule”
 - “A fiduciary must diversify investments in order to minimize risk of loss unless it would be considered prudent to not diversify investments”
- For defined contribution plans with self-direction of investments by participants...
 - The duty is to provide sufficient investment options such that participants are able to construct a diversified portfolio from Plan options
 - ERISA § 404(c) is an accepted guide to minimums, but only requires three options
 - Fiduciaries must balance the needs of diversification with the potential negative impacts of offering too many choices

Core Standards: Duty to Act in Accordance with the Plan Document

- Plan Document Rule
 - “Fiduciaries must act in accordance with plan documents, but only to the extent that the Plan is consistent with ERISA requirements. Thus, a fiduciary must know and act in accordance with the Plan and have sufficient knowledge of the ERISA requirements”.
- Implied: Duty to monitor plan operations and events of the world that may impact the Plan
 - Not specifically required in code
 - A fundamental obligation; how else can the other duties be met?
 - Example: While driving to work you hear on the radio that a firm that provides investments or services to the Plan for which you are a fiduciary is being investigated for massive fraud and misappropriation. How do you react?

Co-Fiduciary Liability

- A fiduciary who commits a breach is always liable
- Co-fiduciaries may be liable if they:
 - Knowingly participate in the breach
 - Knowingly conceal the breach
 - Have knowledge of the breach, but don't make reasonable efforts to remedy the breach
- Some common breaches:
 - Inappropriate use of Plan assets
 - Direction of Plan business to “friends and relatives”, at the expenses of participants
 - Failure to monitor

Fiduciary Fundamentals for California Public Employer Retirement Plans

Retirement Plan Committee Responsibilities

Retirement Plan Committees

- Formalization and Authority
- Operating Structure
- Functions of The Committee

Committee

Formalization and Authority

- Committee roles and duties should be reflected in plan documentation
 - Plan Document Amendment
 - Minutes of Board Actions
 - Other?

- Interactions with executives and governing bodies
 - Who appoints Committee members?
 - Committee hiring/purchasing authority
 - Committee reports to?

Committee Operating Structure

- Defined by key documents
 - Statement of Investment Policy
 - Operating Policy and Procedures document
 - Fee and Expense Policy
 - Standard Meeting Agenda Format

- Keep minutes of all meetings
 - Show clear process for all Committee actions
 - If it isn't documented, it never happened!

Committee Functions

- Fiduciary Review of Investments
- Fiduciary Review of Service Providers
- Authorize changes to investments
- Authorize changes to investment providers
- Create or approve design of education/counseling programs
- Review and approval of Hardship Withdrawal Requests (optional)
- Monitoring of Fees and Expenses

Fiduciary Fundamentals for California Public Employer Retirement Plans

Case Studies:
Issues Confronting Plan Fiduciaries in 2014

The DOL Responds to New Challenges... ...With Increasing Demands on Fiduciaries

- The importance of target date funds
 - Fastest growing asset class in DC Plan world
 - Often over 70% of assets in 401(k) Plans
 - “The preferred choice” for new hires and young employees
- The search for long-term income solutions
 - DC plan participants do not often choose life-time income options
 - Many will run out of money with years of life left to them
 - The Feds are concerned and have asked the industry for solutions
- Self-directed brokerage options are a concern
 - Some plans now have most of their assets invested in SDBO
 - Some plan sponsors have eliminated most other options from plans
 - The DOL asks, “Is this fiduciary oversight?”

Target Date Fund Oversight

- The DOL is focused on target date funds (TDF's) and has issued suggestions and opinions about TDF selection
- Fiduciaries should understand their TDF's
 - The TDF Suite Philosophy: “To Retirement” or “Through Retirement”?
 - The Glide Path: How fast do the funds become conservative? How conservative?
 - Fund Content: What assets within the broader “stock and bond” categories are held?
 - > Fixed Income: Corporates, Governments, International, High Yield, Inflation Protected?
 - > Equities: Large, Mid, Small, Growth, Value, Foreign?
- Fiduciaries should understand their plan participants
 - How do they feel about risk?
 - How do they intend to use their plan assets after retiring?
 - How are they actually using their plan assets when they retire today?
 - What are their expectations, goals and needs?

The Search for Life-Time Income Solutions

- The DOL has made clear that it thinks providing and encouraging participants to use life-time income products or services is very important
- Traditional annuities are not a popular solution
 - Lack of flexibility and limited or no survivor benefits
 - Low returns promise little inflation protection
 - Cost and complexity
- New “Minimum Guaranteed Withdrawal Benefit” products have appeared
 - Flexible and with some survivor benefits
 - Invested in actual stocks and bonds for inflation protection (in theory)
 - Lower cost (in some cases) but still really complex
- Challenges remain!
 - Plan Sponsors see long-term risk and are asking for a “Safe Harbor” in selection
 - Portability of these products among TPA’s is thus far poor
 - Complexity hinders participant engagement

The Self Directed Brokerage Option Issue

- The DOL is concerned about “abuse” of this feature. Consider:
 - The higher cost of many available investments
 - The higher risk of many available investments
 - Creation of a new role for third party “investment advisors”
- Is it a “Retirement Plan” or a retail investment marketplace?
 - Plan economics, buying power and fiduciary oversight become meaningless
 - Fiduciaries likely have no control over the investment advisors working with plan participants
- DOL is attempting to regulate SDBO's
 - 2012 rules suggestions concerned industry, were pulled back
 - The Department continues to work on a solution
 - New rule proposals or guidance are expected in 2014

Plan Fee and Expenses

- The Regulatory Environment in 2014
- Plan Administration and Investment Management Fees
- Utilization of Plan Assets to Pay Expenses
- Basic Rules for Payment of Plan Fees and Expenses
- Steps to Ensure Sound Fiduciary Process

Plan Fee and Expenses: Regulatory Environment in 2013

- A history of contention and confusion
 - DOL studies have shown that until recently most fiduciaries did not understand plan fees and expenses
 - Participants were even more uninformed
 - There has been a steady stream of calls for reform and disclosure
- DOL implemented ERISA fee disclosure rules in 2012
 - Experts have opined that California public employer 457 plans are required to comply in order to maintain 404(c) Safe-Harbor status
- Rules require disclosure of relationships and fee arrangements
 - Among service providers, consultants, investment providers
 - Also designed to identify and disclose conflicts of interest

Plan Fees and Expenses: Paying With Plan Assets

- Public sector defined contribution plans frequently utilize Plan assets to pay for Plan expenses
- These funds usually are monies returned to the Plan by the TPA, and are sourced from revenues paid to the TPA by Plan investment managers or collected by the TPA as an explicit fee
- Public sector fiduciaries commonly use plan assets to pay for:
 - Consulting Fees
 - Committee Education and Training
 - Purchasing additional plan services from the TPA
- Less common (and harder to document) uses of plan assets:
 - HR Staff time dedicated to Plan administration
 - Materials used for Plan business (paper, copier, etc.)
 - Overhead

Steps to Ensure a Sound Fiduciary Process

- Have a written policy for fee and expense payment
 - Identify what will be paid for with Plan assets
 - Review policy as time passes
 - Identify when and how assets will be returned to participants
 - > Annually?
 - > Pro-rata or per-head?
- Establish a separate account for returned plan assets
 - Review the account regularly
 - Having it maintained by the TPA as a Plan asset may be the best option
 - Identify who is responsible for account maintenance

THANK YOU

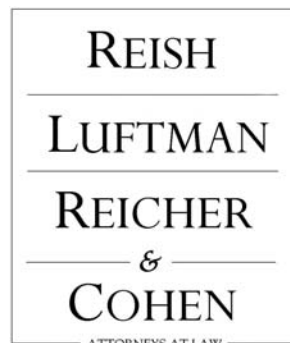
- Discussion?
- Questions?

Fiduciary Duties and Obligations in Administering 457(b) Plans under California Law

A WHITE PAPER

By

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Fiduciary Duties and Obligations in Administering 457(b) Plans under California Law

1. *Introduction*

The purpose of this White Paper is to educate sponsors of plans formed under section 457(b) of the Internal Revenue Code of 1986, as amended (“457(b) plans”) about their fiduciary duties and responsibilities under California law. The discussion will focus on duties imposed on the fiduciaries of California governmental 457(b) plans by the California State Constitution and the Government Code. Those duties are substantially identical to the fiduciary duties imposed on private sector fiduciaries by the Employee Retirement Income Security Act of 1974 (ERISA). As a result, where the California legal provisions are not developed, we will look to the well-developed regulatory and judicial authorities under ERISA to interpret the fiduciary requirements.¹

This White Paper is organized as follows:

- We first discuss the requirements under the California Constitution regarding retirement boards of public pension and retirement systems, including the duties to:
 - act for the exclusive purpose of providing benefits to participants and beneficiaries; and
 - engage in a prudent process for making all decisions related to the operation of the plan, including decisions related to the plan’s investments and services.
- We then discuss how those rules apply to fiduciaries responsible for the investment of money and/or administration of section 457(b) plans.
- Finally, we conclude by describing best practices for fiduciaries in administering 457(b) plans consistent with their obligations under California law.

¹ Government plans are exempt from ERISA. Therefore, we will analyze the federal law for guidance where the state provisions are identical or substantially similar to those under ERISA.

2. *Executive Summary*

The California Constitution provides that retirement boards (and their members) of public pension and retirement systems, including 457(b) plans, have a duty to:

- invest the assets of the plan;
- administer the plan;
- act for the exclusive purpose of providing benefits to participants and beneficiaries; and
- engage in a prudent process for making all decisions related to the operation of the plan, including decisions related to the plan's investments and related services.

The primary duty is the obligation to act for the exclusive purpose of providing retirement benefits to the participants. That is, the other duties must be fulfilled in a manner consistent with the provision of secure, yet meaningful, retirement benefits.

The conduct of fiduciaries in fulfilling that objective is measured under the prudent person standard. Although this standard is not well-developed under California law, the duty to act prudently under ERISA requires that fiduciaries make informed and reasoned decisions about all issues related to management of the plan, for example, plan investments, participant education, expenses, and plan administration. Applying these prudence requirements to California governmental plans, fiduciaries of 457(b) plans must determine the information that is relevant (or needed) to making a particular decision, gather that information, and evaluate the information – in order to make an “informed” decision. The decision must also be “reasoned,” that is, the decision must bear a rational relationship to the relevant information that was reviewed by the fiduciaries. Once they have engaged in that process, the fiduciaries have a duty to take action to implement their decisions.

The prudent process requirement applies to all fiduciary decisions, including the selection and monitoring of the investments in the plan. This means that fiduciaries of 457(b) plans are required to use generally accepted investment theories and prevailing practices within the investment community when selecting or reviewing the investment options for the plan. Generally accepted investment theories include concepts such as modern portfolio theory (MPT)

and strategic asset allocation. Prevailing investment industry standards include both qualitative and quantitative analysis of the investments. Fortunately, fiduciaries are not required to be experts on those issues, but instead may rely on competent consultants – and may rely most heavily on independent advisors (that is, advisors who are not affiliated with the plan providers and/or who are not compensated through the investments that are “bought” by the plan).

The prudent person standard also requires that fiduciaries consider the circumstances prevailing from time to time. This means that fiduciaries must review their decisions periodically – to monitor the choices they previously made – to ensure that their decisions continue to be appropriate for the purpose of providing retirement benefits for the participants.

Because of the complexity of the investment process and the potential losses if imprudent decisions are made, fiduciaries are well-advised to retain the services of prudent experts (and particularly of independent experts) to assist them in the selection and monitoring of the investments.

3. **Discussion**

3.1 **Fiduciary Duties under California Law**

Under the Internal Revenue Code, 457(b) plans can be sponsored by governmental entities and by tax-exempt entities.² ERISA provides a statutory exemption for government plans, including governmental 457(b) plans, from its fiduciary and prohibited transaction provisions.³ As a result, state law governs the fiduciary requirements for the operation and investment of 457(b) plans sponsored by governmental entities.

While ERISA does not regulate the conduct of fiduciaries of government plans, it is the most detailed, comprehensive, and developed body of law concerning the management of retirement plans. As a result, courts often look to ERISA authorities for guidance on fiduciary issues. Further, the California Constitution and Government Code place duties and obligations on fiduciaries (*e.g.*, retirement boards) that are virtually identical, in both concept and wording, to those in ERISA. Thus, to the extent the state law is not well-developed or particularly informative, this White Paper discusses guidance under ERISA.

Subsections (a), (b) and (c) of Article XVI, §17 of the California Constitution contain the provisions governing the fiduciary duties for the administration of public pension and retirement systems.⁴ One obvious question is whether 457(b) plans are subject to these provisions. This is answered in Section 53609 of the Government Code, which provides that deferred compensation plans are “public pension or retirement funds” for purposes of Article XVI, §17 of the California Constitution. In particular, Section 53609 provides:

“Notwithstanding the provisions of this chapter or any other provisions of this code, funds held by a local agency pursuant to a written agreement between the agency and employees of the agency to defer a portion of the compensation otherwise receivable by the agency's employees and pursuant to a plan for such deferral as adopted by the governing body of the agency, may be invested

² IRC §457(e)(1).

³ ERISA §4(b).

⁴ Section 31476 of the California Government Code provides the definition of retirement system: “‘Retirement system’ means each of the systems created and established pursuant to this chapter [This chapter refers to the County Employees Retirement Law of 1937] or its predecessor. The retirement system for county employees created by Chapter 677 of the Statutes of 1937, as amended, is continued in existence under this chapter.”

in the types of investments set forth in Sections 53601 and 53602 of this code, and may additionally be invested in corporate stocks, bonds, and securities, mutual funds, savings and loan accounts, credit union accounts, life insurance policies, annuities, mortgages, deeds of trust, or other security interests in real or personal property. Nothing herein shall be construed to permit any type of investment prohibited by the Constitution.

Deferred compensation funds are public pension or retirement funds for the purposes of Section 17 of Article XVI of the Constitution.” [Emphasis added.]

Thus, if a plan includes deferred compensation funds, section 53609 would apply the requirements of Article XVI, §17 to the fiduciaries of the plan. Since 457(b) plans are deferred compensation plans for state and local governments, 457(b) plans satisfy the definition of public pension and retirement funds for purposes of the California Constitution. This means that the retirement boards, and their members, who are responsible for 457(b) plans (for ease of reference, we refer to retirement boards, committees or other responsible fiduciaries of 457(b) plans as the “board”) are fiduciaries subject to the duties and obligations under Article XVI, §17.

The Constitutional provision describes the following fiduciary duties of public retirement boards:

1. The members of the board have the fiduciary responsibility for the investments of plan assets and administering the plan. The Constitution provides:

“Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board of a public pension or retirement system shall have the **sole and exclusive fiduciary responsibility over the assets** of the public pension or retirement system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries.”
[Emphasis added.]

2. The assets of the plan must be held for the exclusive purpose of providing retirement benefits and defraying reasonable expenses. The duty owed to the participants takes precedence over any other duty. The language of the Constitution states:

“The assets of a public pension or retirement system are trust funds and **shall be held for the exclusive purposes of providing benefits to participants** in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.” [Emphasis added.]

3. The board’s standard of care, as to its fiduciary duty to administer the plan, is the “prudent person” standard. This standard is described as follows:

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.....” [Emphasis added.]

The duties imposed on the governing bodies of California public sector retirement plans, including 457(b) plans, by the California Constitution are discussed in the following sections of this White Paper.

3.2 The Exclusive Purpose Rule

Subsection (b) of Article XVI, §17 of the California Constitution provides that fiduciaries must act for the exclusive purpose of providing benefits to participants and beneficiaries. This is referred to as the exclusive purpose rule.

In 1992, Article XVI, §17 was amended by Proposition 162, which added the last sentence to subsection (b) indicating that a “retirement board’s duty to its participants and their beneficiaries shall take precedence over any other duty.” Prior to the addition of that last sentence, the three duties of providing benefits to participants, defraying reasonable expenses of administration and minimizing employer contributions were of equal importance. The addition of this sentence clarified that the “exclusive purpose” requirement, to provide benefits to members of the retirement system, has priority over a retirement board’s other obligations.

This interpretation echoes the interpretation of the exclusive purpose rule under ERISA. The U.S. Department of Labor (DOL) (the federal agency authorized to interpret and enforce the provisions of ERISA) has explained:

“The Department has construed the requirements that a fiduciary act solely in the interest of, and for the exclusive purpose of providing benefits to, participants and beneficiaries **as prohibiting a fiduciary from subordinating the interests of participants and beneficiaries in their retirement income to unrelated objectives.**”⁵ [Emphasis added.]

Consistent with Article XVI, §17 of the California Constitution, the Government Code §53216.6 provides that the assets of a public retirement system are trust funds and should be held for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the pension system. That section reads as follows:

“The assets of the pension trust are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“The legislative body, trust, or other body authorized to make investments for a pension trust, shall discharge its duties with respect to investing the assets of the pension trust:

“(a) **Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the trust.**” [Emphasis added.]

⁵ DOL Interpretive Bulletin 94-1

In light of these “exclusive purpose” requirements, every action that fiduciaries (*i.e.*, members of retirement boards) take and every decision that they make must be consistent with that purpose. Thus, the exclusive purpose rule establishes the fiduciary objective; that is, providing retirement benefits for the participants.

In order to meet this objective when making decisions regarding the plan, such as investment selection, the board must focus on the goal of accumulating retirement savings. As stated earlier, this duty takes precedence over other duties and considerations. For example, a board cannot prioritize other benefits or payments, or the interests of other parties, over the interests of the participants. To do so would be a fiduciary breach. As another example, board members, as fiduciaries, must diligently and rigorously evaluate the plan and investment expenses and pay no more than is reasonably required for the successful operation of the plan. The failure to gather and evaluate the expense information is also a breach of fiduciary responsibilities. As a practical matter, fiduciaries need to obtain information from the marketplace about the expenses charged by 457(b) providers in order to understand and compare expenses.

In the case of 457(b) plans, in which the individual participants direct the investments, although participants can decide which of the offered investments to use, they cannot decide which investments are available; that is the job of the board. Thus, in evaluating investments, the board must select, monitor and dispose of investments for the exclusive purpose of providing retirement benefits. The board’s conduct in fulfilling this objective is measured under the prudent person standard, which requires that the board act with “care, skill, prudence and diligence” and make informed and reasoned decisions, as discussed in the next section.

3.3 Prudent Person Rule

Subsection (c) of Article XVI, §17 of the California Constitution contains the “prudent person” requirement by which the conduct of the board members in fulfilling the exclusive purpose requirement is measured. The prudent person rule in the California Constitution has a number of elements:

- It requires that fiduciaries of 457(b) plans act with “care, skill, prudence, and diligence.”

- It requires them to do so in the context of the “circumstances then prevailing.”
- It requires that they do so in the same way that “a prudent person acting in a like capacity and familiar with these matters would use.”
- It requires that these steps be taken in connection with the “conduct of an enterprise of a like character and with like aims.”⁶

Unfortunately, California law is not well-developed in terms of either case law or administrative guidance, regarding fiduciary responsibility issues under the California prudent person standard. Fortunately, other than a substitution of the word “person” for the word “man,” the language of the prudent person rule under the California Constitution is identical to the prudent man rule under ERISA. Thus, in order to provide meaningful guidance to fiduciaries of 457(b) plans, we are able to refer to DOL guidance and case law interpreting ERISA.

The DOL has described the steps that a fiduciary must take in fulfilling the prudent man rule, with regard to investments, as follows:

“the requirements of the [prudent man rule] are satisfied if the fiduciary (A) has given **appropriate consideration to those facts and circumstances** that...the **fiduciary knows or should know are relevant to the particular investment** or investment course of action involved...and (B) **has acted accordingly**.”⁷

Thus, the prudent man rule requires fiduciaries to be prudent both substantively and procedurally. As indicated in the DOL regulation, fiduciaries need to determine what information is material and relevant to making a particular decision; they must gather that “relevant” information; they must examine and understand the information; and then they must make an informed and reasoned decision.⁸ In the context of investments, the fiduciaries must understand generally accepted investment principles and prevailing investment industry practices,⁹ which form the “backbone” of a prudent process for investment decisions. Therefore, fiduciaries must engage in a process of determining and gathering the data relevant to make an informed decision

⁶ CA Const. Article XVI, §17(c)

⁷ DOL Regulation Section 2550.404a-1(b)(1).

⁸ See, e.g., DOL Reg. §2550.404a-1(b); 29 CFR 2550.404a-1(b).

⁹ DOL Interpretive Bulletin 96-1

and of evaluating that information to make a reasoned decision. Fiduciaries may use competent consultants and advisors to assist them in fulfilling that standard (*see* Part 3.5 of this White Paper).

Below is a list of factors fiduciaries (such as boards of 457(b) plans) should consider in fulfilling their duty to engage in a prudent process for making decisions:

1. The board must determine which “facts and circumstances” are relevant to making a decision on the issue (*e.g.*, the investments or services to be offered to participants).
2. The board then must gather the relevant information. The collected information must include not only what the board “knows” is significant to the decision, but also what the board “should know” is relevant. The “should know” requirement creates an obligation on the board members to either investigate the issues and facts themselves or to hire an experienced and knowledgeable advisor in order to fully understand the issues and to gather the information that is relevant to the decision.
3. The board must then give “appropriate consideration” to the relevant information. That is, they must review and evaluate the relevant information in order to make a decision that is informed. As part of this process, they may engage experts to assist them in the analysis, but they must prudently select the experts and evaluate their advice; they may not rely “blindly” on their advisors. However, as a practical matter, if the advisors are well-qualified, then the board may place great weight on their recommendations.
4. The board must then reach a decision on the basis of the analysis they have undertaken and the assessment they have made of the information they have considered and the advice they have received. This is the essence of a “reasoned” decision.
5. Finally, the board must implement that decision.

The steps in this process are orderly and logical. While these steps require that board members take a diligent and disciplined approach to managing the plan, they are not overly burdensome. Nevertheless, they do require a level of expertise – expertise in selecting investments and services that will produce meaningful retirement benefits in the context of a participant-directed plan, taking into account the unique needs of the employees covered by the plan. Thus, the key to the prudent process is deciding on and gathering the information that a prudent and knowledgeable fiduciary would determine is needed in order to make an informed and reasoned

decision. And, where the rules require the collection and analysis of data, boards may substantially reduce that burden by working with competent advisors.

3.3.1 Prudence Regarding Plan Investments

As stated in Article XVI, §17 of the California Constitution,

“the retirement board of a public pension or retirement system **shall have plenary authority and fiduciary responsibility for investment of moneys** and administration of the system...”[Emphasis added.]

As the highlighted language indicates, boards have the “fiduciary responsibility” for the investment of assets and the administration of the plan. In discharging their duties to invest the assets of the plan, boards must act in accordance with the “exclusive purpose requirement,” which means that a board must prudently manage investments for the exclusive purpose of accumulating retirement benefits for the participants. As explained in a previous section, the prudent person standard requires that the board engage in a prudent process in making decisions. This prudent process requirement applies to both the selection and monitoring of the investments offered by a plan and for how those investments are actually used by the participants (*see*, Part 3.5). And, when handling those duties, board members must keep in mind that the decisions, including the investment decisions, must be made with an eye to whether they are effective in terms of producing retirement benefits.

The California Constitution also notes that boards have plenary authority for the investment of plan monies. Courts have been careful to point out that the “plenary authority” granted to boards is not an unchecked power. As one court explained, “Plenary power does not mean unreviewable power.”¹⁰ Thus, although boards have plenary authority and fiduciary responsibility over the investments and administration of plans, such duties and obligations are subject to judicial review and oversight.

Based on both legal guidance and our observations of the practices of fiduciaries, the primary investment duties for fiduciaries of participant-directed plans are:

¹⁰ *Board of Retirement v. Santa Barbara County Grand Jury*(1997) 58 Cal.App.4th 1185, 1193; *See also, Singh v. Board of Retirement* (1996) 41 Cal.App.4th 1180, 1190.

- The development of an investment policy for the plan.
- The selection of the investment alternatives to be offered to the participants.
- The selection of investment services for the participants.
- The selection of a “default” investment.
- The selection of advisors if the fiduciary desires assistance or does not have the relevant expertise.
- The monitoring and, if necessary, the removal of investment options.

Each of those activities is a fiduciary act. As such, each must be done according to the prudent person standard – which means that the board must engage in a prudent process to consider and decide each issue. They must review the right information in the right way and reach a reasoned decision. Or, alternatively, they must seek outside help.

Looking to the ERISA requirements related to investments, fiduciaries are required to use generally accepted investment principles, including modern portfolio theory, and prevailing practices within the investment community to establish a plan’s investment policies and to select the investment options.¹¹ By “generally accepted investment theories,” we are referring to the fundamental principles underlying modern concepts of proper investing. These include modern portfolio theory and strategic asset allocation – looking at an investment portfolio as a whole and taking into account diversification within the portfolio. When this guidance is applied to a board, the members of the board must ensure that the number and types of investments are adequate to allow participants to use those investments to properly balance risk and reward according to their individual needs.

For example, in establishing the plan’s investment policy, the board would need to select investment classes in various equity and debt categories that would permit the creation of well-diversified portfolios at the participant level.

If the board does not have a grasp of these theories and principles, it will be difficult, if not impossible, for its members to prudently select the investments to be offered for participant direction. In those situations the board should consider selecting an advisor, especially since the

¹¹ DOL Interpretive Bulletin 96-1.

duties of board members do not end with the selection of the investments. Instead, those duties include an ongoing duty to monitor the investments. This duty to monitor is discussed below.

3.4 The Duty to Monitor

In light of the requirement under the prudent person standard that fiduciaries take into account the “circumstances then prevailing,” boards have an ongoing duty to periodically review the investments and services offered by the plan and to decide whether their initial decisions remain valid in light of changed circumstances. In describing the obligations of fiduciaries, the courts have said that “ERISA fiduciaries must monitor investments with reasonable diligence and dispose of investments which are improper to keep.”¹² And again: “Once an investment has been made, a fiduciary has an ongoing duty to monitor investments with reasonable diligence and remove plan assets from an investment that is improper.”¹³

This means that fiduciaries have a duty to remove specific investments when, under the prudent person standard, they should no longer continue to be available as investment options for participants. It states by the DOL:

“Thus, for example, in the case of look-through investment vehicles, the plan fiduciary has a fiduciary obligation to prudently select such vehicles, as well as a residual fiduciary obligation to periodically evaluate the performance of such vehicles to determine, based on that evaluation, whether the vehicles should continue to be available as participant investment options.”¹⁴

This means that it is not enough for the members of the board to act prudently and in the best interests of the participants in the initial selection of investments. They must periodically review their decisions, gather more relevant information and go through a process of monitoring the performance of the selected investments to determine whether to reaffirm or change their original decision.

¹² *Morrissey v. Curran*, 567 F.2d 546, 548-49 (2d Cir. 1977).

¹³ *Harley v. Minnesota Mining and Manufacturing Company*, 42 F.Supp.2d 898, 906 (D.Minn. 1999).

¹⁴ Preamble to ERISA 404(c) regulation 57 FR 46924 FN.27.

3.5 Delegation of Investment Direction to Participants

As discussed above, the California Constitution and the Government Code provide that the basic fiduciary responsibility of the board in selecting investments is to engage in a prudent process. That process includes an appropriate investigation of the investments, prudent selection of the investments that are to be offered to the participating employees, and the selection of advisors to help in the process.

In our experience, 457(b) plans almost universally delegate investment direction to the participants. That is, while the board members, as fiduciaries, select the investment options for the plan, the participants decide which investments to actually use in their accounts. In that regard, the law contemplates that, consistent with modern portfolio theory,¹⁵ the participants will select from among the investment options to craft portfolios in their accounts which balance their needs for return with their tolerance for risk.¹⁶

The California Government Code recognizes that the board may delegate control over the use of the investments to the participants. However, the Government Code also requires that, for the fiduciaries to avoid liability for potential imprudent investment decisions by the participants, the board must satisfy a number of conditions:

“Notwithstanding any other provision of law, participants choosing individually directed investments shall relieve the trustee and local agency of responsibility under the terms of the plan and trust. **That relief shall be conditioned upon the local agency compliance with communication and education requirements similar to those prescribed in subdivision (c) of Section 1104 of Title 29 of the United States Code for private sector employers.**”¹⁷

[Emphasis added.]

The provision of federal law referred to in that section is also known as ERISA Section 404(c). Section 404(c) provides that fiduciaries of a retirement plan are relieved of liability for losses that are the direct result of a participant’s exercise of control over his account . . . if certain requirements are met.

¹⁵ *Laborers Nat. Pension Fund v. Northern Trust Quantitative Advisors, Inc.*, 173 F.3d 313 (5th Cir 1999). *See, also, In re Unisys Sav. Plan*, 1997 WL 732473 (ED Pa), *Chao v. Moore*, 2001 WL 743204 (D Md), and *In re Enron Corp. Securities*, 2003 WL 222245394 (SD Tx); DOL Regulation 29 CFR §2509.96-1.

¹⁶ DOL Regulation 29 CFR 2550.404c-1(b)(2)(i)(B)(1)(ii).

¹⁷ Ca. Govt. Code § 53213.5(b)

It is important to note that the relief offered to fiduciaries under Section 404(c) of ERISA is limited, because participant investments in a participant-directed plan are limited to the investment options selected by the plan fiduciary. As the DOL has stated:

“All of the fiduciary provisions of ERISA remain applicable to both the initial designation of investment alternatives and investment managers and the ongoing determination that such alternatives and managers remain suitable and prudent investment alternatives for the plan. Therefore, the particular plan fiduciaries responsible for performing these functions must do so in accordance with ERISA.”¹⁸

The DOL has issued a regulation under Section 404(c) (referred to as the 404(c) regulation) discussing the conditions that must be satisfied for the relief from liability granted by that section to be available. In general, the requirements are that the plan provide the participants with an “opportunity to exercise control” and an opportunity to select from a broad range of investment options. There are roughly 20 more detailed requirements in the regulation that must be met in order for fiduciaries to be relieved of liability for losses resulting from participants’ exercise of control over their accounts. In general, the requirements relate to the information that must be provided to participants in order for the participants to make informed investment decisions and the disclosure of restrictions that may be imposed on the participants’ ability to exercise control over their accounts.

In considering the application of the requirements under the section 404(c) regulation to a 457(b) plan, it is important to note that Government Code Section 53213.5 states that the governing body or trustee will be relieved of liability if the plan complies with requirements “similar” to those imposed by ERISA section 404(c). Although it is not entirely clear what is contemplated by the use of “similar,” it appears that substantial compliance with the conditions of the 404(c) regulation would be required.

As a word of warning, our experience is that few boards of California 457(b) plans are aware of this provision. As a result, almost none are complying with the 404(c) conditions. Because of that failure, most boards, and their members, are responsible, as fiduciaries, for the prudence of

¹⁸ Preamble to ERISA 404(c) regulation 57 FR 46922.

the investment decisions made by the participants. (This is in addition to the responsibility for the selection and monitoring of the investments offered to the participants.)

With that in mind, to avoid liability for potential imprudent investment decisions by the participants, boards for California 457(b) plans should comply with the 404(c) requirements with assistance from providers, advisors and benefits lawyers. Additionally, boards should work with their advisors and providers to assist participating employees in prudently investing their accounts, for example, through the use of asset allocation models, age-based lifecycle funds and risk-based lifestyle funds and through investment education advice.

4. Best Practices

Although not an exhaustive list, the following is a summary of best practices that boards of 457(b) plans should consider:

Practice No. 1: Hold quarterly or semi-annual meetings with consultants, providers and other advisors (such as benefits attorneys) to review information about the operation and investment activities of the plan and to evaluate methods for improvement. Report to their appointing authority regarding the board's activities at least once a year.

Practice No. 2: Prudently select the investment options (including the default investment option) to be offered by the plans offered to participants:

- The options should constitute a broad range of investment categories;
- The options should be prudently selected and monitored (which includes removing and replacing investment options that are performing poorly); and
- Options should be suitable and appropriate for the participants.
- The investment considerations and decisions should be based on generally accepted investment theories and prevailing investment industry practices. Competent advisors should be engaged to assist in understanding and applying these principles.

Practice No. 3 Prepare an Investment Policy Statement for the Plan.

Practice No. 4: Establish a process designed to monitor the performance of the investment options in accordance with the criteria and benchmarks set forth in the Investment Policy Statement.

Practice No. 5: Prudently select independent, competent advisors to assist the board. Once the advisor is selected, monitor the performance of the advisor, and remove and replace the advisor if it fails to perform adequately or properly.

Practice No. 6: Document activities including the process of selecting and monitoring investments, because regardless of the process used, the fiduciary should be able to demonstrate compliance with the legal standards.

Practice No. 7: Comply with the requirements under ERISA section 404(c) to obtain relief for the board for liability for losses that are the direct result of a participant's exercise of control over his account.

5. Conclusion

The fiduciary duties imposed on a board with respect to a 457(b) plan of a governmental unit under California law are significant and are similar to the duties and obligations of ERISA fiduciaries. Thus, boards have an obligation to prudently perform their duties for the exclusive purpose of providing retirement benefits to participants and beneficiaries. This obligation encompasses a number of separate tasks, including:

- To act for the exclusive purpose of providing retirement benefits to participants. This obligation takes precedence over all other duties.
- To comply with the law's prudent person standard when carrying out their duties. This duty requires board members to engage in a prudent process when making decisions.
- To prudently select and monitor the investment alternatives offered under the plan. This duty requires that the members of the board develop criteria and policies for selecting investments. The chosen investment options should: constitute a broad range of investment categories; be prudently selected and monitored (which includes removing and replacing investment options that are performing poorly); and be suitable and appropriate for the participants.
- To seek help from competent consultants and advisors.

In addition, boards of 457(b) plans should obtain relief similar to that offered under section 404(c) of ERISA as protection from imprudent participant investment decisions. However, that relief is limited to losses that are the direct result of a participant's exercise of control over his account. Thus, even in those situations, boards remain responsible for the prudent selection and monitoring of the investment options in the plan. Therefore, boards of 457(b) plans should consider adopting practices similar to the "Best Practices" described in this White Paper.

FUND CHANGES

EBMUD 457, 401(k) and 401(a) Plans

Meeting Date	Effective Date	Fund Action	Fund Mapping	Other Significant Action
3/5/14	3/2/14	LIQUIDATION OPTION: Invoked one-year “put” clock to allow possible liquidation of the Fidelity Managed Income Portfolio II Class I stable value fund		
	3/5/14	WATCH: PIMCO Total Return		
11/20/13	1/7/14	ADD: Money Market Asset Class to Core Options Fidelity Retirement Money Market (make active)		
8/28/13	1/7/14	ADD: Huber Small Cap Value Artisan Small Cap Vanguard Target Date Fund suite CLOSE: Heartland Value Fund Institutional Neuberger Berman Genesis Institutional Fidelity Freedom K Funds	MAP TO: Huber Capital Small Cap Value Instl Class Huber Capital Small Cap Value Instl (50%) Artisan Small Cap Instl (50%) Vanguard Target Date Fund suite	
6/5/13	POSTPONED POSTPONED	WATCH: Neuberger Berman Genesis Institutional ADD: Huber Small Cap Value CLOSE: Heartland Value Fund Institutional	MAP TO: Huber Small Cap Value	Fund action postponed to allow for all potential fund changes to be made at the same time.
	3/18/13	LIQUIDATION OPTION: Invoked one-year “put” clock to allow possible liquidation of the Fidelity Managed Income Portfolio II Class I stable value fund		
	3/1/13	ADD: Fidelity Retirement Money Market (restricted transactions) Monies moved from BrokerageLink back to a participant’s EBMUD core investment options were defaulted to the Fidelity Managed Income Portfolio II Fund (MIP II). The MIP II implemented a 90-day equity wash. Fidelity Retirement Money Market (FRTXX) was added solely for the purpose of holding assets moving out of BrokerageLink accounts. All other transaction restricted.		



East Bay MUD
457, 401(a) and 401(k) Retirement Plans
First Quarter 2014

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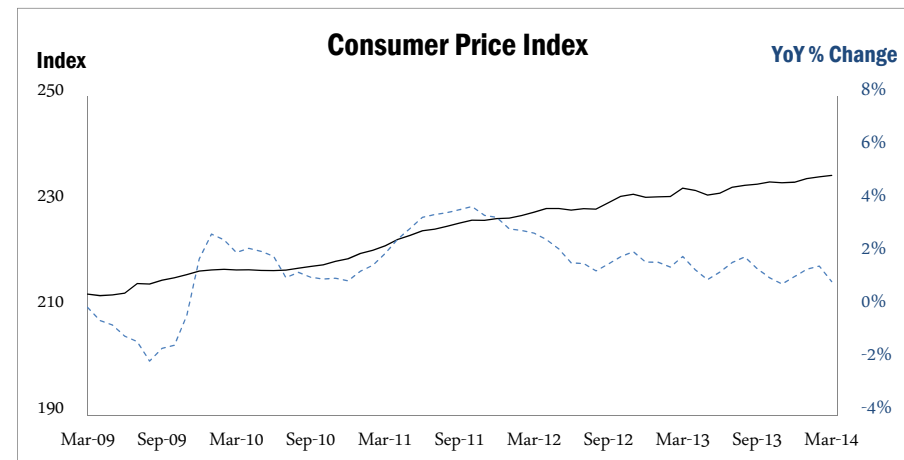
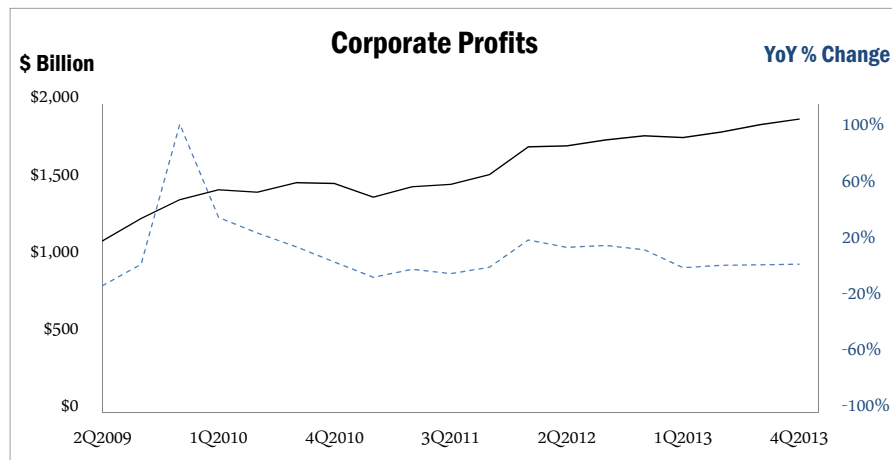
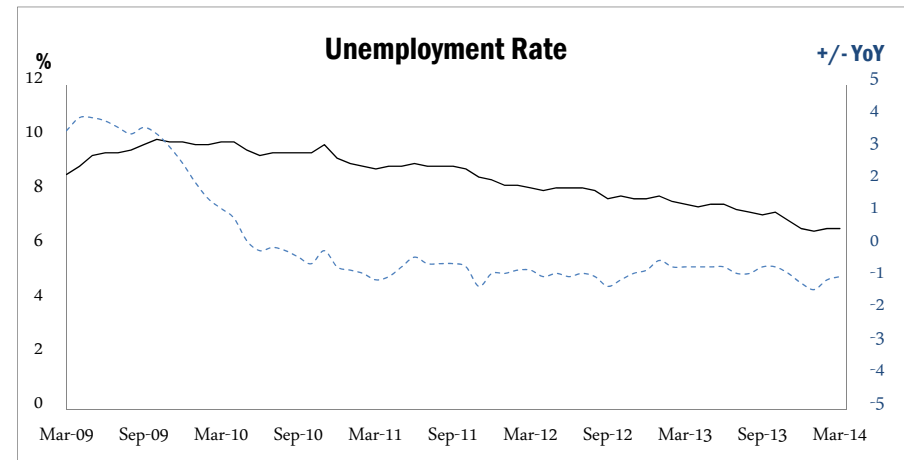
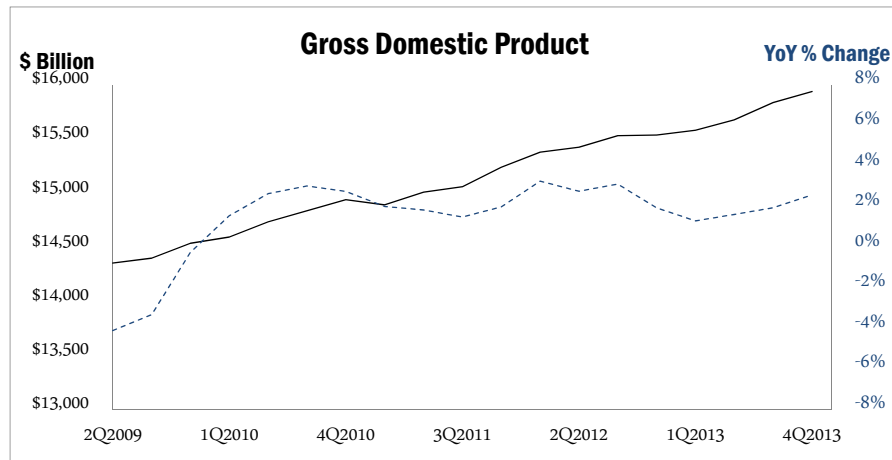
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Section 1

1Q2014 Economic Data



Banking and Lending (Quarterly)					
Category	Recent	5-Yr High	5-Yr Low	5-Yr Avg.	Date
% Loans Non-Performing	2.7%	5.7%	2.7%	4.3%	4Q13
Loss Reserves/Loans	1.8%	3.7%	1.8%	2.8%	4Q13
Total Commercial Banks	5,783	6,942	5,783	6,334	4Q13
% Tightening Lending	-13.7%	64.2%	-21.8%	-0.2%	4Q13

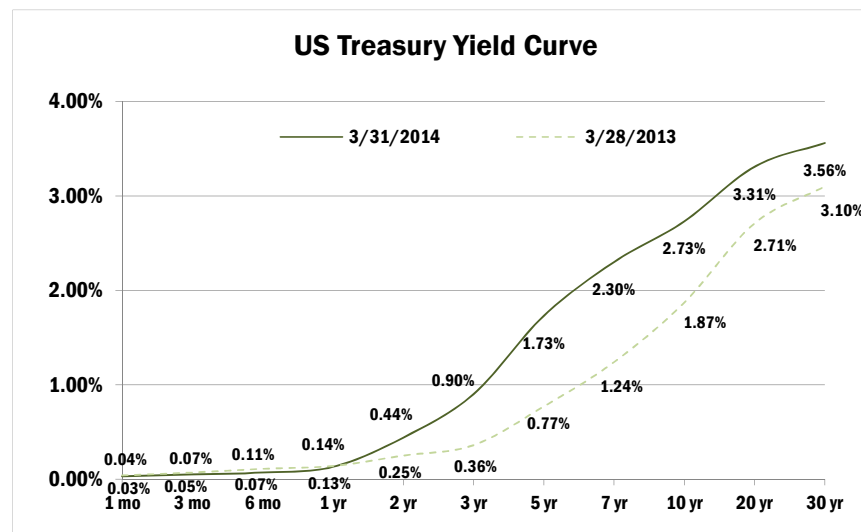
Source: Federal Reserve Bank of St. Louis

Other Prices and Indexes (Monthly)					
Category	Recent	5-Yr High	5-Yr Low	% Off Peak	Date
Gas: Price per Gallon	\$3.55	\$3.90	\$2.07	-9.1%	Mar-14
Spot Oil	\$100.82	\$109.53	\$47.94	-8.0%	Feb-14
Case-Shiller Home Price Index	168.0	168.0	136.9	0.0%	Jan-14
Medical Care CPI	431.3	431.3	371.7	16.0%*	Feb-14

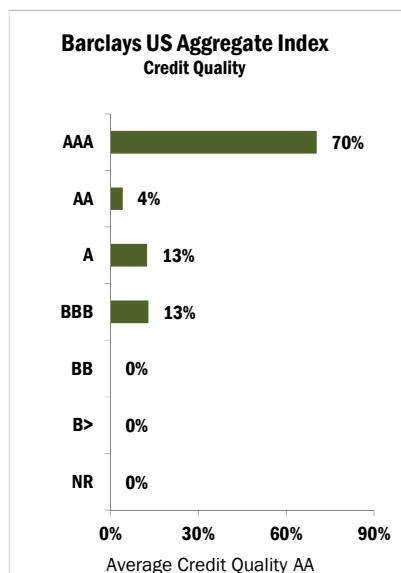
*% Off Low

1Q2014 Bond Market Data

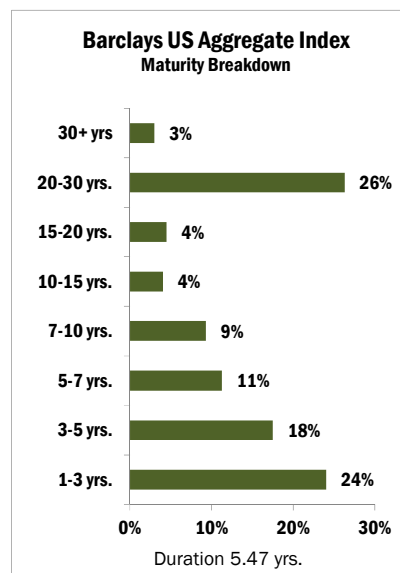
Index	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
90-Day T-Bill	0.02%	0.02%	0.07%	0.07%	0.10%	1.56%
Barclays US Aggregate	1.84%	1.84%	-0.10%	3.75%	4.80%	4.46%
Barclays Short US Treasury	0.04%	0.04%	0.13%	0.16%	0.23%	1.77%
Barclays Int. US Treasury	0.65%	0.65%	-0.84%	2.49%	2.30%	3.58%
Barclays Long US Treasury	7.10%	7.10%	-4.18%	8.34%	4.81%	6.12%
Barclays US TIPS	1.95%	1.95%	-6.49%	3.50%	4.91%	4.52%
Barclays US Credit	2.91%	2.91%	1.02%	5.80%	8.90%	5.20%
Barclays US Mortgage-Backed	1.59%	1.59%	0.20%	2.76%	3.57%	4.58%
Barclays US Asset-Backed	0.54%	0.54%	0.21%	2.78%	6.05%	3.31%
Barclays US High Yield	2.98%	2.98%	7.54%	9.00%	18.25%	8.68%
Barclays Global	2.40%	2.40%	1.88%	2.78%	5.10%	4.50%
Barclays International	2.79%	2.79%	3.24%	2.06%	5.25%	4.48%
Barclays Emerging Market	2.82%	2.82%	0.04%	6.98%	12.45%	8.48%



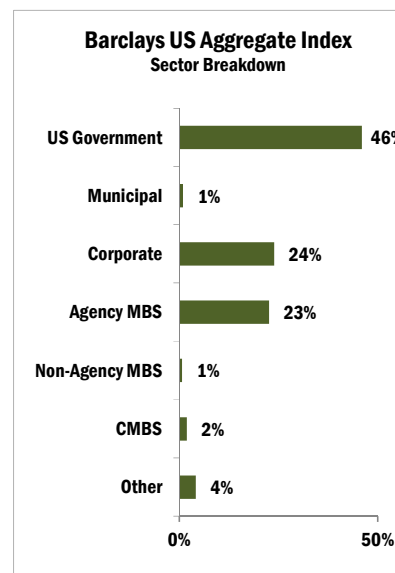
Source: Department of US Treasury



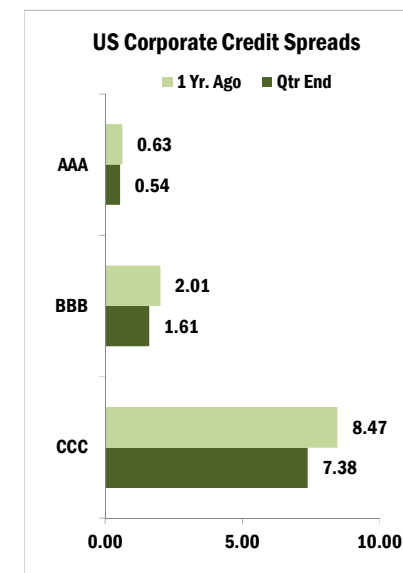
Source: Morningstar



Source: Morningstar



Source: Morningstar



Source: Federal Reserve / Bank of America

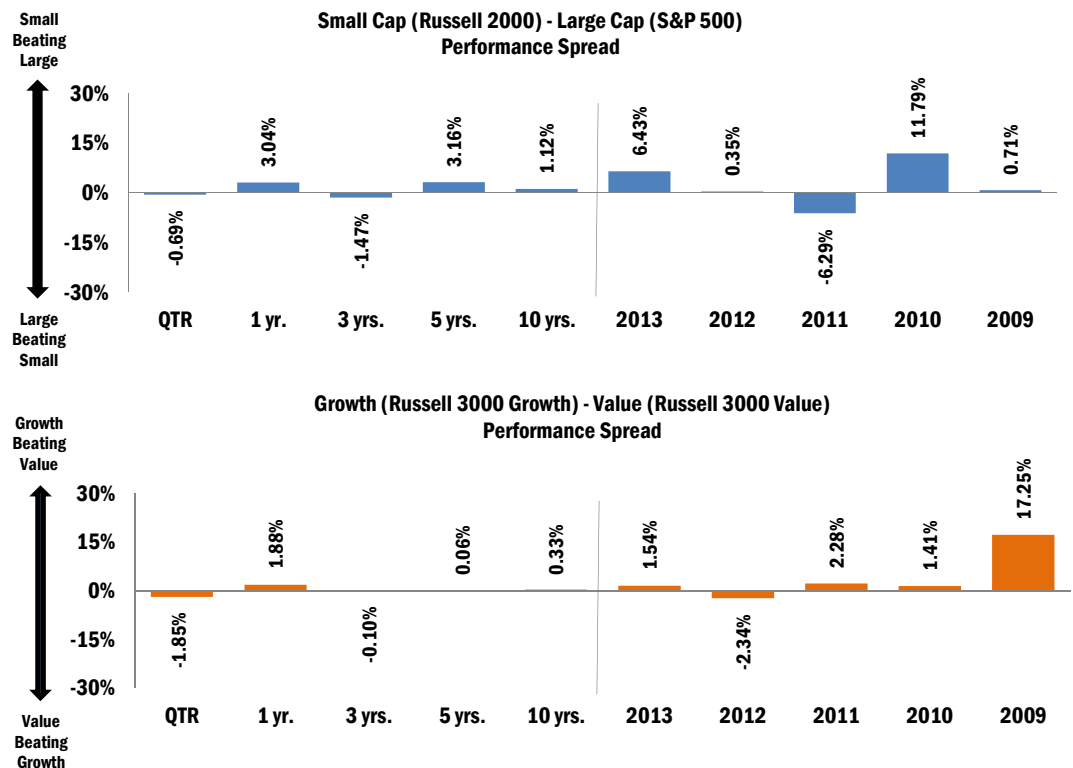
1Q2014 US Equity Market Data

Sectors Weights/Returns (ranked by quarter performance)

S&P 500 Index	Wgt.	Sector	QTR	1 Yr.
	3%	Utilities	10.09%	10.28%
	13%	Health Care	5.81%	29.24%
	4%	Materials	2.86%	23.29%
	16%	Financials	2.61%	24.91%
	19%	Information Technology	2.28%	25.59%
	10%	Energy	0.79%	14.41%
	10%	Consumer Staples	0.50%	10.65%
	2%	Telecom Services	0.47%	2.32%
	11%	Industrials	0.14%	27.29%
	12%	Consumer Discretionary	-2.80%	24.00%
S&P Midcap 400 Index	Wgt.	Sector	QTR	1 Yr.
	3%	Consumer Staples	10.65%	25.97%
	5%	Utilities	7.96%	15.48%
	7%	Materials	5.26%	22.85%
	23%	Financials	4.98%	15.70%
	9%	Health Care	2.61%	28.68%
	0%	Telecom Services	2.48%	25.14%
	6%	Energy	2.03%	16.66%
	13%	Consumer Discretionary	1.26%	27.50%
	17%	Industrials	0.92%	23.52%
	16%	Information Technology	0.82%	19.70%
S&P Smallcap 600 Index	Wgt.	Sector	QTR	1 Yr.
	5%	Energy	10.58%	32.57%
	7%	Materials	4.36%	27.57%
	4%	Utilities	4.09%	12.81%
	19%	Information Technology	2.07%	34.40%
	4%	Consumer Staples	1.27%	28.82%
	15%	Industrials	0.82%	28.07%
	21%	Financials	0.17%	16.71%
	15%	Consumer Discretionary	-1.17%	32.44%
	10%	Health Care	-1.53%	35.96%
	1%	Telecom Services	-2.45%	17.60%

Index Performance Data

Index	QTR	YTD	1 yr.	Annualized		
				3 yrs.	5 yrs.	10 yrs.
S&P 500	1.81%	1.81%	21.86%	14.66%	21.16%	7.42%
Russell 1000 Value	3.02%	3.02%	21.57%	14.80%	21.75%	7.58%
Russell 1000 Growth	1.12%	1.12%	23.22%	14.62%	21.68%	7.86%
Russell Mid Cap	3.53%	3.53%	23.51%	14.39%	25.55%	10.05%
Russell Mid Cap Value	5.22%	5.22%	22.95%	15.17%	26.35%	10.24%
Russell Mid Cap Growth	2.04%	2.04%	24.22%	13.52%	24.73%	9.47%
Russell 2000	1.12%	1.12%	24.90%	13.18%	24.31%	8.53%
Russell 2000 Value	1.78%	1.78%	22.65%	12.74%	23.33%	8.07%
Russell 2000 Growth	0.48%	0.48%	27.19%	13.61%	25.24%	8.87%
Russell 3000	1.97%	1.97%	22.61%	14.61%	21.93%	7.86%
DJ US Select REIT	10.35%	10.35%	4.35%	10.27%	28.92%	8.05%

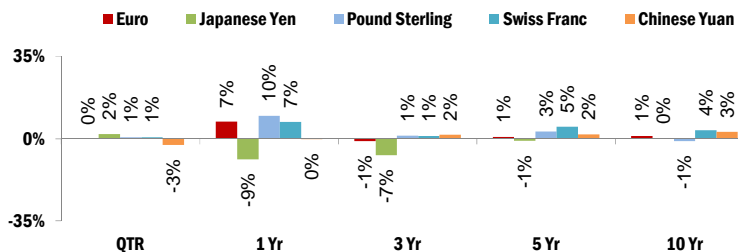


1Q2014 International Market Data

Index Performance Data (net)

Index (US\$)	QTR	YTD	1 yr.	3 yrs.	5 yrs.	10 yrs.
MSCI ACWI ex-US	0.51%	0.51%	12.31%	4.15%	15.52%	7.12%
MSCI EAFE	0.66%	0.66%	17.56%	7.21%	16.02%	6.53%
Europe	2.10%	2.10%	24.50%	8.37%	17.47%	7.41%
United Kingdom	-0.83%	-0.83%	16.77%	9.00%	18.59%	6.80%
Germany	-0.33%	-0.33%	30.70%	9.32%	18.82%	9.75%
France	2.91%	2.91%	29.28%	5.84%	14.55%	6.46%
Pacific	-2.51%	-2.51%	5.06%	5.12%	13.43%	4.76%
Japan	-5.61%	-5.61%	7.53%	5.38%	10.35%	2.19%
Hong Kong	-3.36%	-3.36%	3.74%	5.11%	18.06%	10.06%
Australia	5.92%	5.92%	1.17%	4.72%	19.75%	11.10%
Canada	1.56%	1.56%	6.34%	-1.74%	14.80%	9.33%
MSCI EM	-0.43%	-0.43%	-1.43%	-2.86%	14.48%	10.11%
MSCI EM Latin America	0.33%	0.33%	-13.83%	-8.94%	11.15%	13.78%
MSCI EM Asia	-0.31%	-0.31%	3.06%	-0.04%	15.59%	9.51%
MSCI EM Eur/Mid East	-6.52%	-6.52%	-8.29%	-8.82%	12.98%	5.59%
MSCI ACWI Value ex-US	0.71%	0.71%	13.80%	4.00%	15.80%	7.26%
MSCI ACWI Growth ex-US	0.30%	0.30%	10.84%	4.27%	15.22%	6.93%
MSCI AC World Sm Cap ex-US	3.47%	3.47%	16.28%	5.52%	21.18%	9.31%

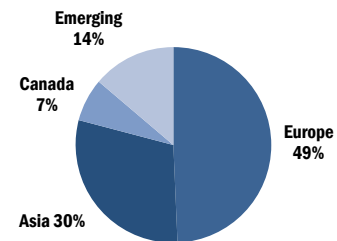
Foreign Currency v. US\$ Returns



Exchange Rates	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12
Japanese Yen	102.98	105.11	98.13	99.34	94.02	86.47
Euro	0.73	0.73	0.74	0.77	0.78	0.76
British Pound	0.60	0.60	0.62	0.66	0.66	0.62
Swiss Franc	0.88	0.89	0.90	0.95	0.95	0.92
Chinese Yuan	6.22	6.05	6.12	6.14	6.21	6.23

Regional Exposure

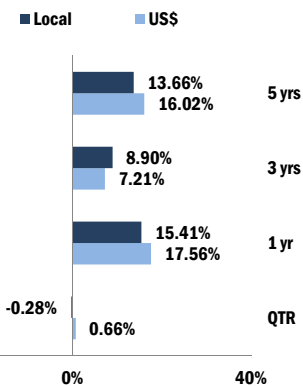
MSCI ACWI ex-USA



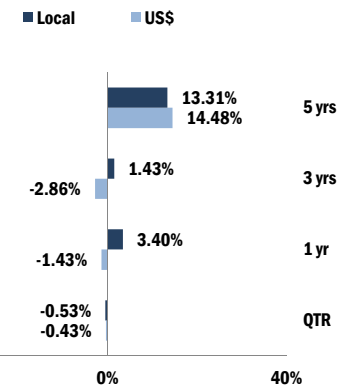
Top 10 Countries (MSCI AC World ex-USA)

UK	15%
Japan	15%
France	8%
Canada	7%
Switzerland	7%
Germany	7%
Australia	6%
China	4%
South Korea	3%
Spain	3%

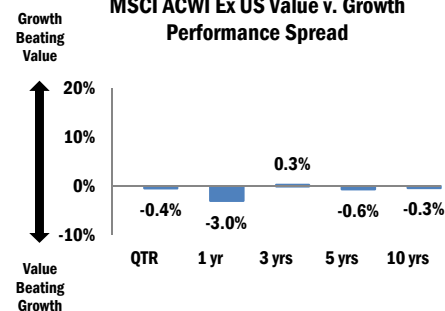
MSCI EAFE Index Return



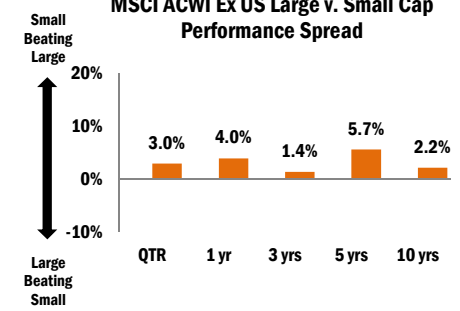
MSCI Emerging Index Return



MSCI ACWI Ex US Value v. Growth Performance Spread



MSCI ACWI Ex US Large v. Small Cap Performance Spread



Historical Market Returns

Ranked by Performance

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	1Q14
Emerging Markets 66.49%	Commod. 31.84%	US Bonds 8.44%	Commod. 25.91%	Emerging Markets 55.82%	Emerging Markets 25.55%	Emerging Markets 34.00%	Emerging Markets 32.14%	Emerging Markets 39.42%	US Bonds 5.24%	Emerging Markets 78.51%	Small Cap 26.85%	Core Real Estate 14.96%	Emerging Markets 18.22%	Small Cap 38.82%	Commod. 6.99%
Intl 30.63%	TIPS 13.18%	TIPS 7.90%	TIPS 16.57%	Small Cap 47.25%	Intl 20.91%	Commod. 21.36%	Intl 26.65%	Intl 16.65%	Global Bonds 4.79%	High Yield 58.21%	Mid Cap 25.48%	TIPS 13.56%	Mid Cap 17.28%	Mid Cap 34.76%	Mid Cap 3.53%
Commod. 24.35%	Core Real Estate 13.17%	High Yield 5.28%	Global Bonds 16.52%	Intl 40.83%	Mid Cap 20.22%	Core Real Estate 20.15%	Small Cap 18.37%	Commod. 16.23%	Cash 1.39%	Intl 41.45%	Emerging Markets 18.88%	US Bonds 7.84%	Intl 16.83%	Large Cap 32.39%	High Yield 2.98%
Small Cap 21.26%	US Bonds 11.63%	Core Real Estate 4.61%	US Bonds 10.26%	Mid Cap 40.06%	Small Cap 18.33%	Intl 16.62%	Large Cap 15.79%	Core Real Estate 14.84%	TIPS -2.35%	Mid Cap 40.48%	Commod. 16.83%	Global Bonds 5.64%	Small Cap 16.35%	Intl 15.29%	Global Bonds 2.40%
Large Cap 21.04%	Mid Cap 8.25%	Cash 3.34%	Core Real Estate 4.58%	High Yield 28.97%	Global Balanced 12.18%	Mid Cap 12.65%	Core Real Estate 15.27%	TIPS 11.64%	Core Real Estate -10.70%	Small Cap 27.17%	Core Real Estate 15.26%	High Yield 4.98%	Large Cap 16.00%	Global Balanced 14.46%	Core Real Estate 2.24%
Mid Cap 18.23%	Cash 5.98%	Small Cap 2.49%	Cash 1.63%	Large Cap 28.68%	Core Real Estate 12.00%	Large Cap 4.91%	Mid Cap 15.26%	Global Bonds 9.48%	Global Balanced -24.51%	Large Cap 26.46%	High Yield 15.12%	Large Cap 2.11%	High Yield 15.81%	Core Real Estate 12.95%	TIPS 1.95%
Global Balanced 12.98%	Global Bonds 3.17%	Global Bonds 1.57%	High Yield -1.41%	Global Balanced 24.27%	High Yield 11.13%	Small Cap 4.55%	Global Balanced 14.53%	Global Balanced 9.07%	High Yield -26.16%	Global Balanced 20.49%	Large Cap 15.06%	Cash 0.06%	Global Balanced 11.06%	High Yield 7.44%	US Bonds 1.84%
Core Real Estate 12.05%	Small Cap -3.02%	Emerging Markets -2.62%	Emerging Markets -6.17%	Commod. 23.93%	Large Cap 10.88%	Global Balanced 4.16%	High Yield 11.85%	US Bonds 6.97%	Small Cap -33.79%	Commod. 18.91%	Intl 11.15%	Global Balanced -0.97%	Core Real Estate 9.76%	Cash 0.07%	Large Cap 1.81%
Cash 4.78%	High Yield -5.86%	Mid Cap -5.62%	Global Balanced -6.58%	Global Bonds 12.51%	Global Bonds 9.27%	Cash 3.25%	Global Bonds 6.64%	Mid Cap 5.60%	Commod. -35.65%	TIPS 11.41%	Global Balanced 9.40%	Mid Cap -1.55%	TIPS 6.98%	US Bonds -2.02%	Global Balanced 1.60%
High Yield 2.39%	Global Balanced -6.70%	Global Balanced -9.04%	Intl -14.95%	TIPS 8.40%	Commod. 9.15%	TIPS 2.84%	Cash 4.85%	Large Cap 5.49%	Large Cap -37.00%	Global Bonds 6.93%	US Bonds 6.54%	Small Cap -4.18%	Global Bonds 4.32%	Global Bonds -2.60%	Small Cap 1.12%
TIPS 2.39%	Large Cap -9.10%	Large Cap -11.89%	Mid Cap -16.19%	Core Real Estate 8.28%	TIPS 8.46%	High Yield 2.74%	US Bonds 4.33%	Cash 4.44%	Mid Cap -41.46%	US Bonds 5.93%	TIPS 6.31%	Commod. -13.32%	US Bonds 4.21%	Emerging Markets -2.60%	Intl 0.51%
US Bonds -0.82%	Intl -15.31%	Commod. -19.51%	Small Cap -20.48%	US Bonds 4.10%	US Bonds 4.34%	US Bonds 2.43%	Commod. 2.07%	High Yield 1.87%	Intl -45.53%	Cash 0.16%	Global Bonds 5.54%	Intl -13.71%	Cash 0.08%	TIPS -8.61%	Cash 0.02%
Global Bonds -5.17%	Emerging Markets -30.83%	Intl -19.73%	Large Cap -22.10%	Cash 1.03%	Cash 1.44%	Global Bonds -4.49%	TIPS 0.41%	Small Cap -1.57%	Emerging Markets -53.33%	Core Real Estate -30.40%	Cash 0.15%	Emerging Markets -18.42%	Commod. -1.06%	Commod. -9.52%	Emerging Markets -0.43%

Global Balanced is composed of 60% MSCI World Stock Index, 35% Barclays Global Aggregate Bond Index, and 5% US 90-Day T-Bills.

Section 2

East Bay MUD
457 Retirement Plan

PLAN ASSET ALLOCATION
First Quarter 2014

Fixed Income	Ticker	Assets	%
Fidelity M&R MIP II: Class I	-	\$8,874,316	11.6%
PIMCO Total Return Instl	PTTRX	\$4,694,346	6.1%
Vanguard Total Bond Market Index Signal	VBTSX	\$350,683	0.5%
Total		\$13,919,345	18.2%

Large Cap	Ticker	Assets	%
Dodge & Cox Stock	DODGX	\$5,738,569	7.5%
T. Rowe Price Equity Income	PRFDX	\$1,562,469	2.0%
Vanguard Institutional Index I	VINIX	\$6,992,798	9.1%
American Century Select Instl	TWSIX	\$1,308,310	1.7%
Fidelity Blue Chip Growth K	FBGKX	\$3,671,850	4.8%
Total		\$19,273,996	25.2%

Mid Cap	Ticker	Assets	%
Hotchkis & Wiley Mid-Cap Value I	HWMIX	\$3,074,633	4.0%
Morgan Stanley Inst Mid-Cap Growth I	MPEGX	\$2,107,270	2.8%
Total		\$5,181,903	6.8%

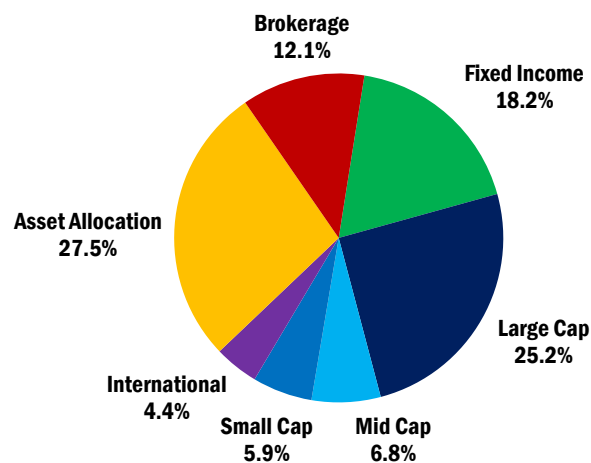
Small Cap	Ticker	Assets	%
Artisan Small Cap IS	APHSX	\$953,337	1.2%
Huber Small Cap Value IS	HUSEX	\$3,549,390	4.6%
Total		\$4,502,727	5.9%

International	Ticker	Assets	%
American Funds EuroPacific Gr R6	RERGX	\$3,111,372	4.1%
Vanguard Total Intl Stock Index Signal	VTSGX	\$217,206	0.3%
Total		\$3,328,578	4.3%

Asset Allocation	Ticker	Assets	%
Fidelity Balanced K	FBAKX	\$3,660,103	4.8%
Vanguard Wellesley Income Adm	VWIAX	\$2,576,716	3.4%
Vanguard Target Retirement Income	VTINX	\$438,148	0.6%
Vanguard Target Retirement 2010	VTENX	\$2,608,678	3.4%
Vanguard Target Retirement 2015	VTXVX	\$2,490,174	3.3%
Vanguard Target Retirement 2020	VTWNX	\$4,830,973	6.3%
Vanguard Target Retirement 2025	VTTVX	\$1,534,082	2.0%
Vanguard Target Retirement 2030	VTHRX	\$1,099,744	1.4%
Vanguard Target Retirement 2035	VTTHX	\$396,949	0.5%
Vanguard Target Retirement 2040	VFORX	\$900,896	1.2%
Vanguard Target Retirement 2045	VTIVX	\$249,518	0.3%
Vanguard Target Retirement 2050	VFIFX	\$238,734	0.3%
Vanguard Target Retirement 2055	VFFVX	\$6,880	0.0%
Vanguard Target Retirement 2060	VTTSX	\$6	0.0%
Total		\$21,031,600	27.5%

Brokerage Assets	\$9,272,323	12.1%
Fidelity Retiree MoneyMarket	\$71,152	0.1%
Total	\$76,581,624	100.0%

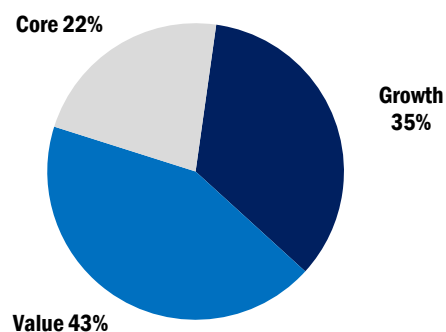
PLAN COMPOSITION



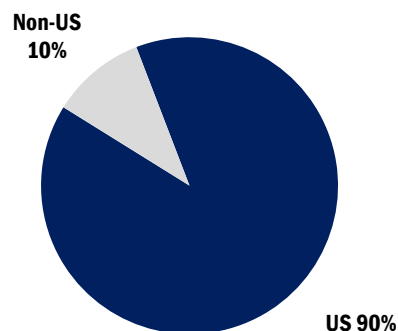
HISTORICAL PLAN ALLOCATION

Asset Class	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Fixed Income	18.2%	18.8%	20.7%	22.1%	22.2%	24.4%	24.2%	-
Large Cap	25.2%	25.4%	24.4%	24.1%	23.0%	21.6%	22.1%	-
Mid Cap	6.8%	6.4%	5.9%	5.9%	6.1%	5.6%	5.4%	-
Small Cap	5.9%	6.1%	5.9%	5.7%	5.6%	5.4%	5.4%	-
International	4.4%	4.2%	4.2%	4.1%	4.2%	4.3%	4.4%	-
Asset Allocation	27.5%	27.3%	27.5%	27.3%	27.7%	27.3%	27.0%	-
Brokerage	12.1%	11.9%	11.3%	10.9%	11.2%	11.4%	11.5%	-
Total	100%	100%	100%	100%	100%	100%	100%	-

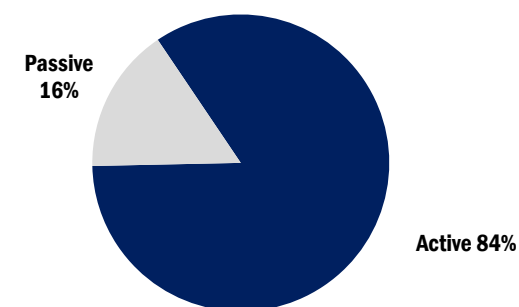
By Equity Style*



By Equity Region*



By Investment Type **



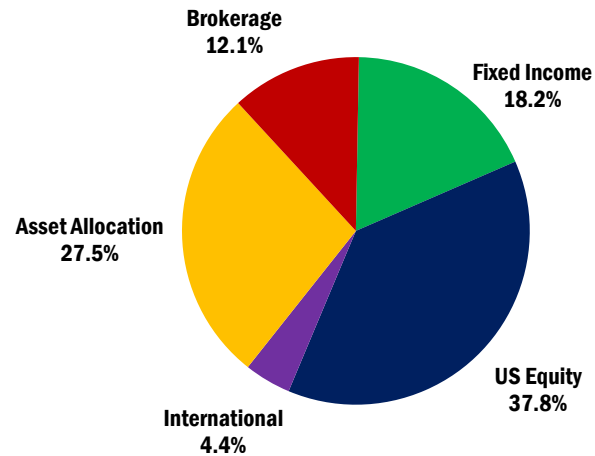
*Excludes Fixed Income, Asset Allocation, and Brokerage assets

**Excludes Asset Allocation and Brokerage assets

East Bay MUD 457 Retirement Plan

PLAN ASSET ALLOCATION First Quarter 2014

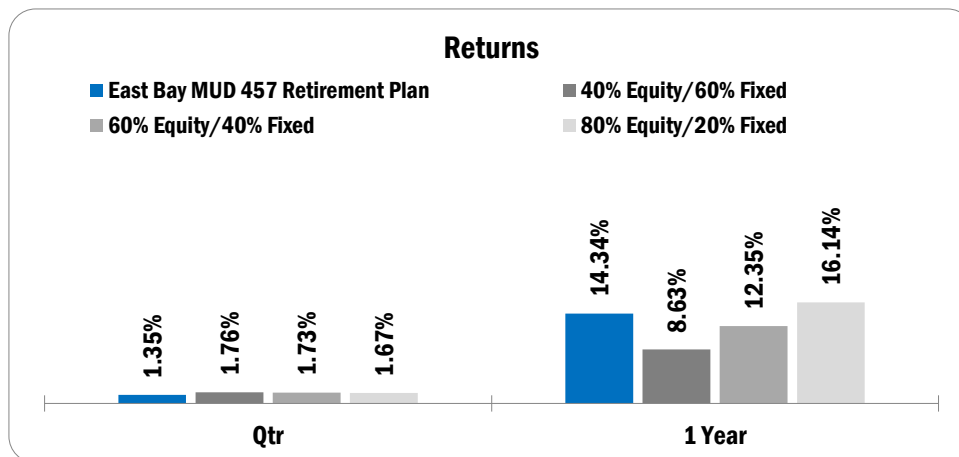
BROAD PLAN ALLOCATION



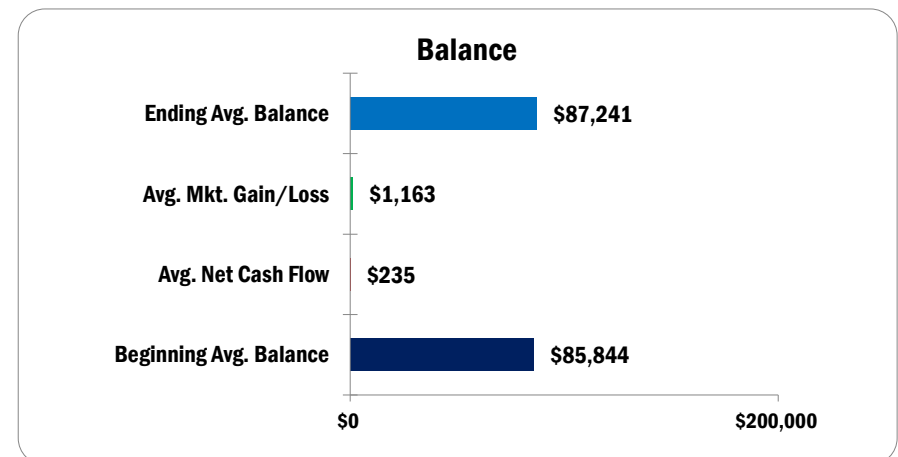
PLAN LEVEL CASH-FLOW

Asset Class	Beginning Market Value	Net Cash Flow	Market Gain/(Loss)	Ending Market Value	Estimated Qtr Return
Fixed Income	\$14,155,554	(\$328,236)	\$92,027	\$13,919,345	0.66%
Large Cap	\$19,107,215	(\$158,886)	\$325,666	\$19,273,996	1.71%
Mid Cap	\$4,835,113	\$189,684	\$157,106	\$5,181,903	3.19%
Small Cap	\$4,565,536	\$50,001	(\$112,811)	\$4,502,727	-2.46%
International	\$3,124,697	\$178,083	\$25,798	\$3,328,578	0.80%
Asset Allocation	\$20,556,483	\$80,626	\$394,491	\$21,031,600	1.92%
Brokerage	\$8,940,163	\$194,740	\$137,421	\$9,272,323	1.52%
Total	\$75,284,761	\$206,012	\$1,019,698	\$76,510,472	1.35%

PLAN LEVEL RETURN



AVERAGE PARTICIPANT BALANCE



Equity Indices: Russell 3000, MSCI ACWI ex USA; Fixed Indices: US Treasury 90 Day T-Bill, Barclays Global Aggregate Bond (rebalanced quarterly)

Section 3

East Bay MUD
401(a) Retirement Plan

PLAN ASSET ALLOCATION
First Quarter 2014

Fixed Income	Ticker	Assets	%
Fidelity M&R MIP II: Class I	-	\$1,933,479	5.5%
PIMCO Total Return Instl	PTTRX	\$2,439,832	6.9%
Vanguard Total Bond Market Index Signal	VBTSX	\$172,000	0.5%
Total		\$4,545,311	12.9%

Large Cap	Ticker	Assets	%
Dodge & Cox Stock	DODGX	\$2,077,449	5.9%
T. Rowe Price Equity Income	PRFDX	\$561,334	1.6%
Vanguard Institutional Index I	VINIX	\$5,294,507	15.0%
American Century Select Instl	TWSIX	\$479,646	1.4%
Fidelity Blue Chip Growth K	FBGKX	\$2,213,693	6.3%
Total		\$10,626,629	30.1%

Mid Cap	Ticker	Assets	%
Hotchkis & Wiley Mid-Cap Value I	HWMIX	\$1,726,450	4.9%
Morgan Stanley Inst Mid-Cap Growth I	MPEGX	\$1,482,804	4.2%
Total		\$3,209,254	9.1%

Small Cap	Ticker	Assets	%
Artisan Small Cap IS	APHSX	\$484,009	1.4%
Huber Small Cap Value IS	HUSEX	\$1,821,115	5.2%
Total		\$2,305,124	6.5%

International	Ticker	Assets	%
American Funds EuroPacific Gr R6	RERGX	\$2,154,368	6.1%
Vanguard Total Intl Stock Index Signal	VTSGX	\$67,956	0.2%
Total		\$2,222,325	6.3%

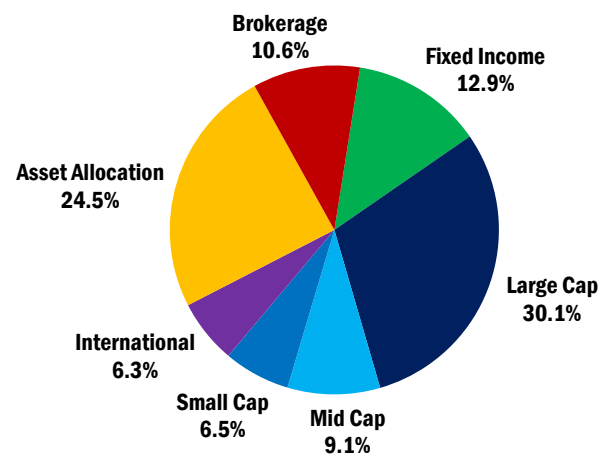
Asset Allocation	Ticker	Assets	%
Fidelity Balanced K	FBAKX	\$1,234,290	3.5%
Vanguard Wellesley Income Adm	VWIAX	\$784,306	2.2%
Vanguard Target Retirement Income	VTINX	\$205,559	0.6%
Vanguard Target Retirement 2010	VTENX	\$309,618	0.9%
Vanguard Target Retirement 2015	VTXVX	\$769,810	2.2%
Vanguard Target Retirement 2020	VTWNX	\$1,861,708	5.3%
Vanguard Target Retirement 2025	VTTVX	\$1,315,881	3.7%
Vanguard Target Retirement 2030	VTHRXX	\$618,408	1.8%
Vanguard Target Retirement 2035	VTTHX	\$552,208	1.6%
Vanguard Target Retirement 2040	VFORX	\$734,962	2.1%
Vanguard Target Retirement 2045	VTIVX	\$151,383	0.4%
Vanguard Target Retirement 2050	VFIFX	\$108,214	0.3%
Vanguard Target Retirement 2055	VFFVX	\$1,267	0.0%
Vanguard Target Retirement 2060	VTTSX	\$0	0.0%
Total		\$8,647,615	24.5%

Brokerage Assets	\$3,722,341	10.5%
Fidelity Retiree MoneyMarket	\$22,361	0.1%
Total	\$35,300,960	100.0%

East Bay MUD 401(a) Retirement Plan

PLAN ASSET ALLOCATION First Quarter 2014

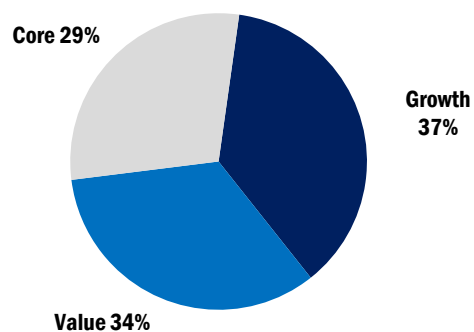
PLAN COMPOSITION



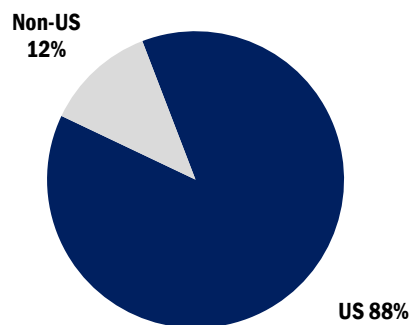
HISTORICAL PLAN ALLOCATION

Asset Class	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Fixed Income	12.9%	13.8%	15.8%	16.6%	17.6%	18.4%	18.0%	-
Large Cap	30.1%	29.5%	28.2%	28.4%	27.5%	26.7%	27.1%	-
Mid Cap	9.1%	8.7%	8.1%	7.9%	7.0%	5.9%	5.8%	-
Small Cap	6.5%	6.5%	6.2%	5.9%	6.2%	6.3%	6.3%	-
International	6.3%	6.1%	6.1%	6.0%	6.2%	6.1%	5.8%	-
Asset Allocation	24.5%	24.8%	25.6%	25.9%	26.0%	26.5%	26.7%	-
Brokerage	10.6%	10.6%	9.9%	9.3%	9.4%	10.0%	10.3%	-
Total	100%	100%	100%	100%	100%	100%	100%	-

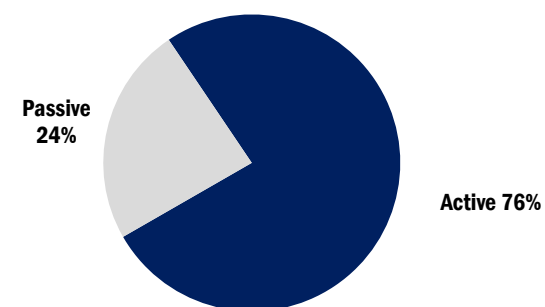
By Equity Style*



By Equity Region*



By Investment Type **



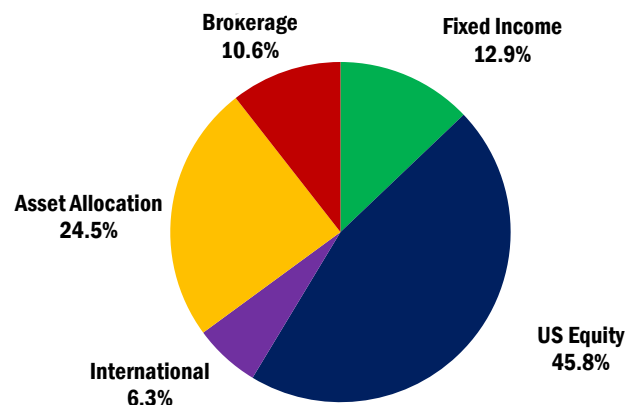
*Excludes Fixed Income, Asset Allocation and Brokerage assets

**Excludes Asset Allocation and Brokerage assets

East Bay MUD 401(a) Retirement Plan

PLAN ASSET ALLOCATION First Quarter 2014

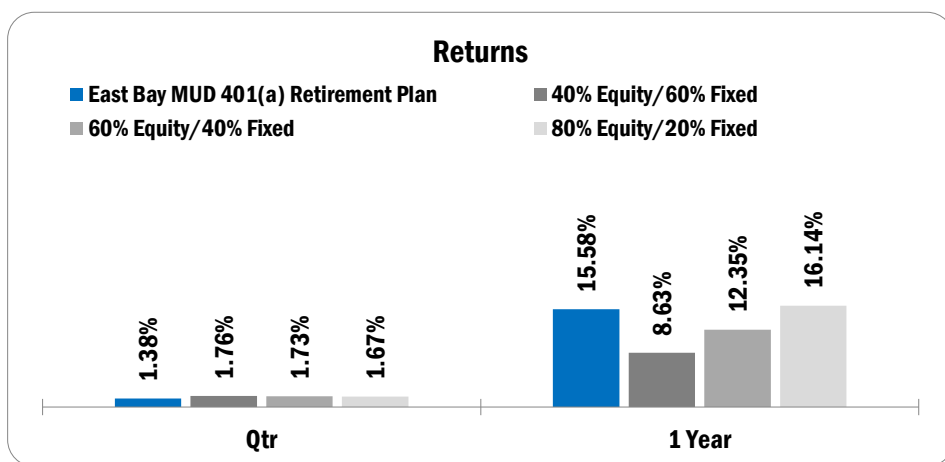
BROAD PLAN ALLOCATION



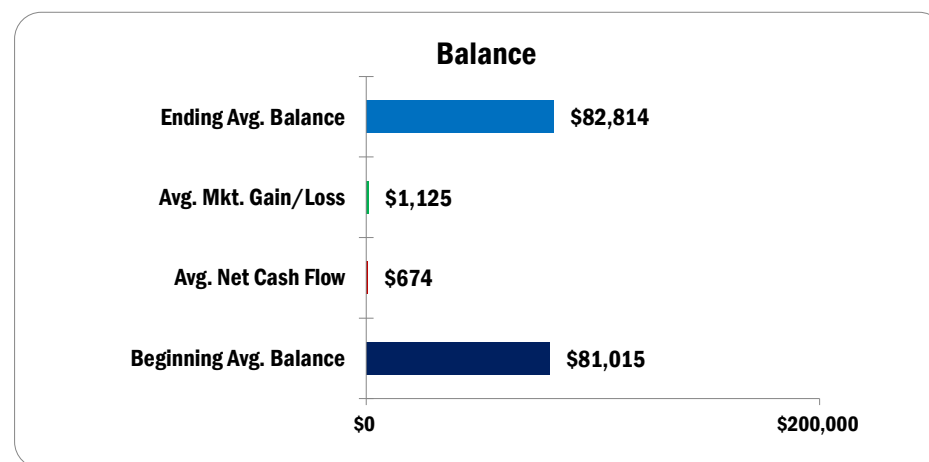
PLAN LEVEL CASH-FLOW

Asset Class	Beginning Market Value	Net Cash Flow	Market Gain/(Loss)	Ending Market Value	Estimated Qtr Return
Fixed Income	\$4,767,029	(\$261,511)	\$39,793	\$4,545,311	0.86%
Large Cap	\$10,189,768	\$246,038	\$190,824	\$10,626,629	1.85%
Mid Cap	\$3,006,708	\$115,086	\$87,460	\$3,209,254	2.86%
Small Cap	\$2,246,711	\$117,105	(\$58,692)	\$2,305,124	-2.55%
International	\$2,101,033	\$104,922	\$16,369	\$2,222,325	0.76%
Asset Allocation	\$8,558,594	(\$71,579)	\$160,600	\$8,647,615	1.88%
Brokerage	\$3,642,459	\$36,902	\$42,980	\$3,722,341	1.17%
Total	\$34,512,301	\$286,964	\$479,334	\$35,278,599	1.38%

PLAN LEVEL RETURN



AVERAGE PARTICIPANT BALANCE



Equity Indices: Russell 3000, MSCI ACWI ex USA; Fixed Indices: US Treasury 90 Day T-Bill, Barclays Global Aggregate Bond (rebalanced quarterly)

Section 4

East Bay MUD
401(k) Retirement Plan

PLAN ASSET ALLOCATION
First Quarter 2014

Fixed Income	Ticker	Assets	%
Fidelity M&R MIP II: Class I	-	\$18,676,298	8.6%
PIMCO Total Return Instl	PTTRX	\$12,920,511	6.0%
Vanguard Total Bond Market Index Signal	VBTSX	\$870,846	0.4%
Total		\$32,467,655	15.0%

Large Cap	Ticker	Assets	%
Dodge & Cox Stock	DODGX	\$13,117,255	6.1%
T. Rowe Price Equity Income	PRFDX	\$4,997,372	2.3%
Vanguard Institutional Index I	VINIX	\$28,892,952	13.3%
American Century Select Instl	TWSIX	\$1,218,443	0.6%
Fidelity Blue Chip Growth K	FBGKX	\$20,098,430	9.3%
Total		\$68,324,452	31.5%

Mid Cap	Ticker	Assets	%
Hotchkis & Wiley Mid-Cap Value I	HWMIX	\$8,158,966	3.8%
Morgan Stanley Inst Mid-Cap Growth I	MPEGX	\$5,899,004	2.7%
Total		\$14,057,971	6.5%

Small Cap	Ticker	Assets	%
Artisan Small Cap IS	APHSX	\$2,213,859	1.0%
Huber Small Cap Value IS	HUSEX	\$11,763,986	5.4%
Total		\$13,977,846	6.5%

International	Ticker	Assets	%
American Funds EuroPacific Gr R6	RERGX	\$10,560,346	4.9%
Vanguard Total Intl Stock Index Signal	VTSGX	\$523,871	0.2%
Total		\$11,084,217	5.1%

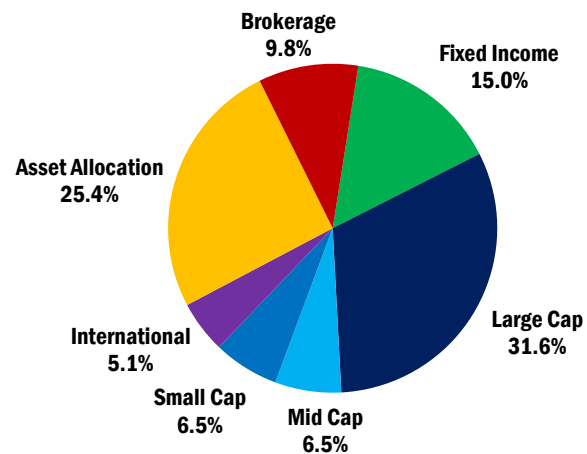
Asset Allocation	Ticker	Assets	%
Fidelity Balanced K	FBAKX	\$11,029,081	5.1%
Vanguard Wellesley Income Adm	VWIAK	\$4,980,975	2.3%
Vanguard Target Retirement Income	VTINX	\$1,098,550	0.5%
Vanguard Target Retirement 2010	VTENX	\$3,332,729	1.5%
Vanguard Target Retirement 2015	VTXVX	\$6,043,089	2.8%
Vanguard Target Retirement 2020	VTWNX	\$14,482,752	6.7%
Vanguard Target Retirement 2025	VTTVX	\$3,579,270	1.7%
Vanguard Target Retirement 2030	VTHRXX	\$4,597,446	2.1%
Vanguard Target Retirement 2035	VTHHX	\$1,231,768	0.6%
Vanguard Target Retirement 2040	VFORX	\$3,034,273	1.4%
Vanguard Target Retirement 2045	VTIVX	\$758,212	0.4%
Vanguard Target Retirement 2050	VFIFX	\$680,058	0.3%
Vanguard Target Retirement 2055	VFFVX	\$48,024	0.0%
Vanguard Target Retirement 2060	VTTSX	\$5,926	0.0%
Total		\$54,902,153	25.3%

Brokerage Assets	\$21,199,585	9.8%
Fidelity Retiree MoneyMarket	\$591,691	0.3%
Total	\$216,605,569	100.0%

East Bay MUD 401(k) Retirement Plan

PLAN ASSET ALLOCATION First Quarter 2014

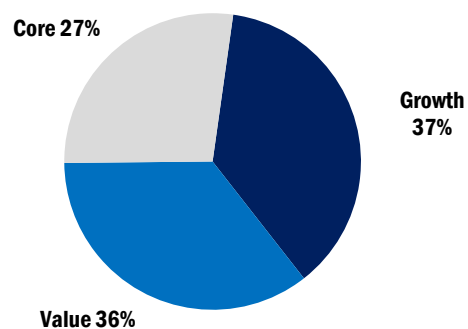
PLAN COMPOSITION



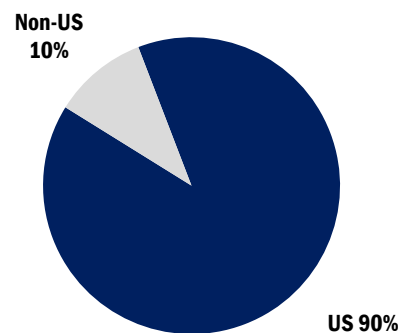
HISTORICAL PLAN ALLOCATION

Asset Class	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12	2Q12
Fixed Income	15.0%	15.5%	16.9%	18.0%	18.6%	20.3%	19.7%	-
Large Cap	31.6%	31.4%	30.4%	30.1%	29.1%	28.1%	28.8%	-
Mid Cap	6.5%	6.3%	5.9%	5.9%	5.5%	4.9%	4.9%	-
Small Cap	6.5%	6.7%	6.6%	6.4%	6.6%	6.5%	6.5%	-
International	5.1%	4.9%	4.8%	4.6%	4.7%	4.9%	4.7%	-
Asset Allocation	25.4%	25.3%	25.5%	25.1%	25.4%	25.3%	25.2%	-
Brokerage	9.8%	10.0%	10.0%	9.9%	10.0%	10.0%	10.1%	-
Total	100%	100%	100%	100%	100%	100%	100%	-

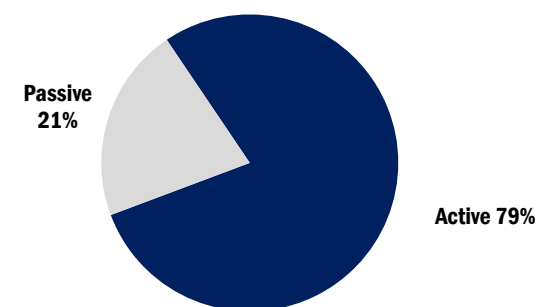
By Equity Style*



By Equity Region*



By Investment Type **



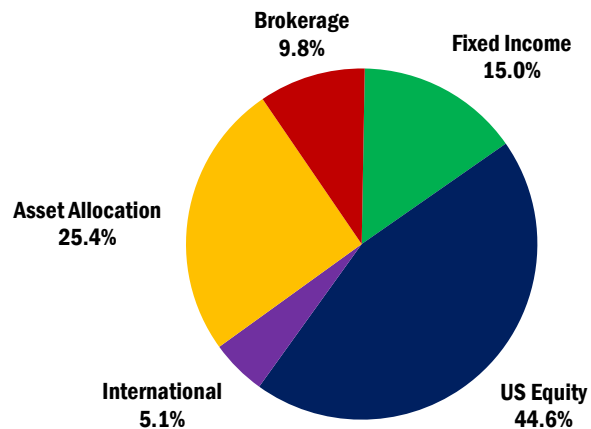
*Excludes Fixed Income, Asset Allocation and Brokerage assets

**Excludes Asset Allocation and Brokerage assets

East Bay MUD 401(k) Retirement Plan

PLAN ASSET ALLOCATION First Quarter 2014

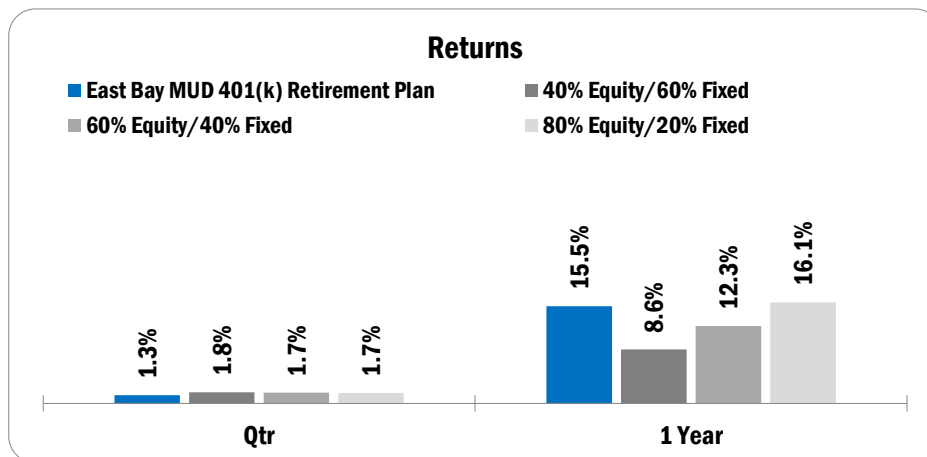
BROAD PLAN ALLOCATION



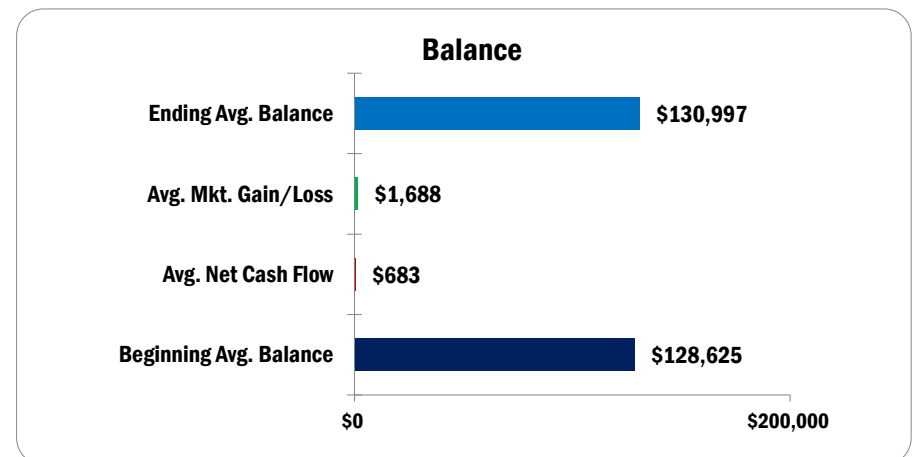
PLAN LEVEL CASH-FLOW

Asset Class	Beginning Market Value	Net Cash Flow	Market Gain/(Loss)	Ending Market Value	Estimated Qtr Return
Fixed Income	\$32,862,361	(\$630,803)	\$236,097	\$32,467,655	0.73%
Large Cap	\$66,578,972	\$509,524	\$1,235,956	\$68,324,452	1.85%
Mid Cap	\$13,341,063	\$312,770	\$404,138	\$14,057,971	2.99%
Small Cap	\$14,208,848	\$130,897	(\$361,900)	\$13,977,846	-2.54%
International	\$10,429,474	\$571,719	\$83,024	\$11,084,217	0.78%
Asset Allocation	\$53,562,705	\$315,978	\$1,023,471	\$54,902,153	1.91%
Brokerage	\$21,119,970	(\$83,358)	\$162,974	\$21,199,585	0.77%
Total	\$212,103,392	\$1,126,725	\$2,783,760	\$216,013,878	1.31%

PLAN LEVEL RETURN



AVERAGE PARTICIPANT BALANCE































Equity Indices: Russell 3000, MSCI ACWI ex USA; Fixed Indices: US Treasury 90 Day T-Bill, Barclays Global Aggregate Bond (rebalanced quarterly)

Section 5

Investment Policy Status

Key:  Pass /  Fail

	Performance Factors	Qualitative Factors	On-Watch Date Initiated	Notes
Fidelity MIP II Class I			-	
PIMCO Total Return Instl			4Q2013	Departure of senior personnel
Vanguard Total Bond Market Index Signal			-	
Dodge & Cox Stock			-	
T. Rowe Price Equity Income			-	
Vanguard Institutional Index I			-	
American Century Select Instl			-	Currently lagging benchmark over the 5-year period and below median peer ranking
Fidelity Blue Chip Growth K			-	
Hotchkis and Wiley Mid-Cap Value I			-	
Morgan Stanley Inst Mid Cap Growth I			-	
Artisan Small Cap IS			-	Added 1Q2014
Huber Small Cap Value IS			-	Added 1Q2014
American Funds EuroPacific Gr R6			-	
Vanguard Total Intl Stock Index Signal			-	

East Bay MUD

457, 401(a), and 401(k) Retirement Plans

INVESTMENT POLICY STATEMENT COMPLIANCE REPORT

First Quarter 2014

Investment Policy Status

Key: ● Pass / ● Fail

	Performance Factors	Qualitative Factors	On-Watch Date Initiated	Notes
Fidelity Balanced K	●	●	-	
Vanguard Wellesley Income Adm	●	●	-	
Vanguard Target Retirement Income	●	●	-	
Vanguard Target Retirement 2010	●	●	-	Added 1Q2014
Vanguard Target Retirement 2015	●	●	-	Added 1Q2014
Vanguard Target Retirement 2020	●	●	-	Added 1Q2014
Vanguard Target Retirement 2025	●	●	-	Added 1Q2014
Vanguard Target Retirement 2030	●	●	-	Added 1Q2014
Vanguard Target Retirement 2035	●	●	-	Added 1Q2014
Vanguard Target Retirement 2040	●	●	-	Added 1Q2014
Vanguard Target Retirement 2045	●	●	-	Added 1Q2014
Vanguard Target Retirement 2050	●	●	-	Added 1Q2014
Vanguard Target Retirement 2055	●	●	-	Added 1Q2014; does not have 5-year track record
Vanguard Target Retirement 2060	●	●	-	Added 1Q2014; does not have 5-year track record

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Fidelity M&R MIP II: Class I	0.26	0.26	1.06	1.27	1.38	2.62	1.08	1.35	1.47	1.59	1.80	3.73
5 Yr Constant Maturity US Treasury Yield	0.40	0.40	1.36	1.10	1.50	2.65	0.43	0.76	1.52	1.93	2.19	2.79
90 day US Treasury	0.01	0.01	0.05	0.06	0.09	1.55	0.06	0.08	0.06	0.15	0.16	1.39
+/- Index	(0.14)	(0.14)	(0.30)	0.17	(0.12)	(0.03)	0.65	0.59	(0.05)	(0.34)	(0.39)	0.94
US SA Stable Value	89	89	93	100	100	100	85	87	90	90	94	88
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
PIMCO Total Return Instl	1.30	1.30	-1.24	4.15	6.87	5.89	-1.92	10.36	4.16	8.83	13.83	4.82
Barclays Capital US Aggregate Bond Index	1.84	1.84	-0.10	3.75	4.80	4.46	-2.02	4.21	7.84	6.54	5.93	5.24
+/- Index	(0.54)	(0.54)	(1.15)	0.40	2.07	1.42	0.10	6.15	(3.68)	2.29	7.90	(0.42)
US OE Intermediate-Term Bond	85	85	88	43	44	5	60	12	87	26	46	11
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Total Bond Market Index Signal	1.91	1.91	-0.21	3.71	4.71	4.42	-2.15	4.15	7.69	6.54	6.04	5.15
Barclays Capital US Aggregate Bond Index	1.84	1.84	-0.10	3.75	4.80	4.46	-2.02	4.21	7.84	6.54	5.93	5.24
+/- Index	0.07	0.07	(0.12)	(0.04)	(0.09)	(0.05)	(0.13)	(0.06)	(0.15)	0.00	0.11	(0.09)
US OE Intermediate-Term Bond	56	56	59	60	81	45	67	83	12	71	89	9
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Dodge & Cox Stock	2.42	2.42	28.83	16.72	24.14	7.69	40.55	22.01	-4.08	13.49	31.27	-43.31
Russell 1000 Value Index	3.02	3.02	21.57	14.80	21.75	7.58	32.53	17.51	0.39	15.51	19.69	-36.85
+/- Style Index	(0.60)	(0.60)	7.26	1.92	2.39	0.10	8.02	4.50	(4.47)	(2.02)	11.58	(6.46)
US OE Large Value	43	43	3	2	4	27	2	2	74	47	14	91
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
T. Rowe Price Equity Income	1.59	1.59	18.55	13.24	21.26	7.52	29.75	17.25	-0.72	15.15	25.62	-35.75
Russell 1000 Value Index	3.02	3.02	21.57	14.80	21.75	7.58	32.53	17.51	0.39	15.51	19.69	-36.85
+/- Style Index	(1.43)	(1.43)	(3.02)	(1.56)	(0.49)	(0.06)	(2.78)	(0.26)	(1.11)	(0.36)	5.93	1.10
US OE Large Value	80	80	75	52	21	32	69	20	48	26	35	39

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Institutional Index I	1.79	1.79	21.81	14.63	21.15	7.42	32.35	15.98	2.09	15.05	26.63	-36.95
S&P 500 Index	1.81	1.81	21.86	14.66	21.16	7.42	32.39	16.00	2.11	15.06	26.46	-37.00
+/- Index	(0.01)	(0.01)	(0.04)	(0.03)	(0.00)	0.01	(0.04)	(0.02)	(0.02)	(0.01)	0.17	0.05
US OE Large Blend	42	42	42	23	24	29	42	35	17	29	52	37
	Qtr	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
American Century Select Instl	-0.62	-0.62	21.98	12.46	19.62	6.16	30.51	14.97	1.62	14.82	35.09	-39.55
Russell 1000 Growth Index	1.12	1.12	23.22	14.62	21.68	7.86	33.48	15.26	2.64	16.71	37.21	-38.44
+/- Style Index	(1.73)	(1.73)	(1.24)	(2.17)	(2.06)	(1.70)	(2.97)	(0.29)	(1.02)	(1.89)	(2.12)	(1.11)
US OE Large Growth	77	77	63	60	58	83	77	50	16	54	45	42
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Fidelity Blue Chip Growth K	1.89	1.89	30.79	15.74	24.61	8.53	40.03	17.95	-2.56	19.80	45.31	-38.52
Russell 1000 Growth Index	1.12	1.12	23.22	14.62	21.68	7.86	33.48	15.26	2.64	16.71	37.21	-38.44
+/- Style Index	0.77	0.77	7.58	1.11	2.93	0.67	6.55	2.69	(5.20)	3.09	8.10	(0.08)
US OE Large Growth	15	15	6	10	5	22	10	21	55	15	13	36
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Hotchkis and Wiley Mid-Cap Value I	5.42	5.42	28.01	18.88	32.65	10.51	42.55	31.09	-8.60	34.41	56.49	-43.05
Russell Mid Cap Value Index	5.22	5.22	22.95	15.17	26.35	10.24	33.46	18.51	-1.38	24.75	34.21	-38.44
+/- Style Index	0.20	0.20	5.06	3.71	6.30	0.27	9.09	12.58	(7.22)	9.66	22.28	(4.61)
US OE Mid-Cap Value	3	3	10	2	2	8	7	2	91	1	3	89
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Morgan Stanley Inst Mid Cap Growth I	0.09	0.09	26.79	9.26	24.94	11.38	38.35	9.49	-6.89	32.94	60.19	-47.22
Russell Mid Cap Growth Index	2.04	2.04	24.22	13.52	24.73	9.47	35.74	15.81	-1.65	26.38	46.29	-44.32
+/- Index	(1.96)	(1.96)	2.57	(4.25)	0.21	1.91	2.61	(6.32)	(5.24)	6.56	13.90	(2.90)
US OE Mid-Cap Growth	76	76	17	86	11	4	21	88	72	6	2	73

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Artisan Small Cap IS	-0.08	-0.08	27.77	16.95	28.38	9.01	43.11	17.90	6.99	20.51	44.14	-43.93
Russell 2000 Growth Index	0.48	0.48	27.19	13.61	25.24	8.87	43.30	14.59	-2.91	29.09	34.47	-38.54
+/- Style Index	(0.57)	(0.57)	0.58	3.34	3.14	0.14	(0.19)	3.31	9.90	(8.58)	9.67	(5.39)
US OE Small Growth	63	63	33	4	6	42	38	11	2	95	21	78
	Qtr	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Huber Small Cap Value IS	-2.32	-2.32	16.99	15.43	34.40	-	34.82	28.85	-2.52	37.92	85.80	-47.95
Russell 2000 Value Index	1.78	1.78	22.65	12.74	23.33	8.07	34.52	18.05	-5.50	24.50	20.58	-28.92
+/- Style Index	(4.09)	(4.09)	(5.66)	2.70	11.07	-	0.30	10.80	2.98	13.42	65.22	(19.03)
US OE Small Value	99	99	95	8	2	-	63	2	27	2	3	98
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
American Funds EuroPacific Gr R6	0.71	0.71	17.97	6.74	15.92	8.47	20.58	19.64	-13.31	9.76	39.35	-40.53
MSCI AC World ex USA (Net)	0.51	0.51	12.31	4.15	15.52	7.12	15.29	16.83	-13.71	11.15	41.45	-45.53
+/- Index	0.21	0.21	5.66	2.59	0.40	1.35	5.29	2.81	0.40	(1.39)	(2.10)	5.00
US OE Foreign Large Blend	29	29	20	32	32	11	40	26	40	54	16	13
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Total Intl Stock Index Signal	0.82	0.82	12.81	4.42	15.40	6.88	15.14	18.21	-14.52	11.06	36.73	-44.10
MSCI AC World ex USA (Net)	0.51	0.51	12.31	4.15	15.52	7.12	15.29	16.83	-13.71	11.15	41.45	-45.53
+/- Index	0.31	0.31	0.50	0.27	(0.12)	(0.25)	(0.15)	1.38	(0.81)	(0.09)	(4.72)	1.43
US OE Foreign Large Blend	27	27	76	79	48	35	83	49	60	41	26	52
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Fidelity Balanced K	2.07	2.07	16.22	10.78	16.71	7.49	20.64	13.04	1.76	13.92	28.29	-31.22
US Balanced Index	1.82	1.82	12.75	10.55	14.79	6.63	17.73	11.37	4.98	12.19	18.46	-21.63
+/- Index	0.25	0.25	3.47	0.23	1.92	0.85	2.91	1.67	(3.22)	1.73	9.83	(9.59)
US OE Moderate Allocation	28	28	5	11	13	9	14	28	24	16	21	82

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Wellesley Income Adm	2.66	2.66	7.84	9.68	13.29	7.29	9.27	10.10	9.74	10.71	16.14	-9.79
US Conservative Index	1.83	1.83	8.36	8.36	11.51	6.03	10.85	9.01	6.12	10.47	14.34	-13.20
+/- Index	0.83	0.83	(0.52)	1.32	1.78	1.26	(1.58)	1.09	3.62	0.24	1.80	3.41
US OE Conservative Allocation	16	16	25	5	17	5	31	43	1	39	78	10
	Qtr	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement Income	1.59	1.59	4.89	6.26	9.32	5.32	5.87	8.23	5.25	9.39	14.28	-10.93
Vanguard Target Income Composite Index	1.63	1.63	5.16	6.37	9.46	5.34	6.01	8.42	5.30	9.42	14.32	-11.34
+/- Index	(0.05)	(0.05)	(0.27)	(0.11)	(0.13)	(0.02)	(0.14)	(0.19)	(0.05)	(0.03)	(0.04)	0.41
US OE Retirement Income	47	47	59	35	73	6	56	67	9	42	80	6
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2010	1.68	1.68	7.15	7.06	12.12	-	9.10	10.12	3.37	11.43	19.32	-20.67
Vanguard Target 2010 Composite Index	1.69	1.69	7.36	7.10	12.15	-	9.54	10.28	3.20	11.62	19.44	-21.05
+/- Index	(0.01)	(0.01)	(0.20)	(0.04)	(0.04)	-	(0.45)	(0.16)	0.18	(0.19)	(0.12)	0.38
US OE Target Date 2000-2010	28	28	45	18	50	-	48	45	8	33	82	37
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2015	1.76	1.76	9.89	8.03	13.70	6.06	13.00	11.37	1.71	12.47	21.30	-24.06
Vanguard Target 2015 Composite Index	1.78	1.78	10.15	8.09	13.76	6.05	13.43	11.50	1.48	12.60	21.38	-24.45
+/- Index	(0.02)	(0.02)	(0.26)	(0.05)	(0.06)	0.00	(0.43)	(0.14)	0.23	(0.13)	(0.08)	0.39
US OE Target Date 2000-2010	24	24	21	10	34	8	21	34	19	34	76	15
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2020	1.81	1.81	11.98	8.74	14.93	-	15.85	12.35	0.60	13.12	23.10	-27.04
Vanguard Target 2020 Composite Index	1.86	1.86	12.25	9.01	15.18	-	16.33	12.51	0.94	13.28	23.41	-27.52
+/- Index	(0.05)	(0.05)	(0.27)	(0.26)	(0.25)	-	(0.48)	(0.16)	(0.34)	(0.16)	(0.32)	0.49
US OE Target Date 2000-2010	15	15	15	9	30	-	18	36	32	35	66	22

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2025	1.78	1.78	13.40	9.27	16.06	6.38	18.14	13.29	-0.37	13.84	24.81	-30.05
Vanguard Target 2025 Composite Index	1.84	1.84	13.74	9.55	16.30	6.49	18.64	13.44	0.02	13.96	25.26	-30.52
+/- Index	(0.06)	(0.06)	(0.34)	(0.29)	(0.24)	(0.11)	(0.50)	(0.14)	(0.39)	(0.12)	(0.45)	0.47
US OE Target Date 2021-2025	22	22	23	13	41	13	24	43	16	37	78	15
	Qtr	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2030	1.74	1.74	14.96	9.81	17.17	-	20.49	14.24	-1.27	14.43	26.72	-32.91
Vanguard Target 2030 Composite Index	1.82	1.82	15.24	10.08	17.41	-	21.01	14.36	-0.94	14.61	27.13	-33.41
+/- Index	(0.08)	(0.08)	(0.29)	(0.28)	(0.25)	-	(0.52)	(0.12)	(0.33)	(0.17)	(0.41)	0.50
US OE Target Date 2026-2030	17	17	19	13	29	-	25	38	22	33	74	18
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2035	1.71	1.71	16.41	10.30	18.15	6.87	22.82	15.16	-2.24	15.14	28.17	-34.66
Vanguard Target 2035 Composite Index	1.79	1.79	16.76	10.59	18.42	6.98	23.38	15.28	-1.91	15.27	28.62	-35.11
+/- Index	(0.09)	(0.09)	(0.35)	(0.30)	(0.27)	(0.12)	(0.56)	(0.12)	(0.33)	(0.14)	(0.45)	0.45
US OE Target Date 2031-2035	17	17	24	16	25	13	23	40	19	26	64	13
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2040	1.66	1.66	17.47	10.74	18.44	-	24.37	15.56	-2.55	15.17	28.32	-34.53
Vanguard Target 2040 Composite Index	1.77	1.77	17.77	11.04	18.75	-	24.78	15.57	-2.11	15.33	28.62	-35.11
+/- Index	(0.12)	(0.12)	(0.30)	(0.29)	(0.31)	-	(0.40)	(0.01)	(0.44)	(0.15)	(0.30)	0.58
US OE Target Date 2036-2040	22	22	15	11	25	-	15	31	19	35	77	4
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2045	1.69	1.69	17.51	10.75	18.46	7.25	24.37	15.58	-2.51	15.19	28.15	-34.56
Vanguard Target 2045 Composite Index	1.77	1.77	17.77	11.04	18.75	7.36	24.78	15.57	-2.11	15.33	28.62	-35.11
+/- Index	(0.09)	(0.09)	(0.26)	(0.28)	(0.29)	(0.11)	(0.41)	0.01	(0.41)	(0.13)	(0.47)	0.55
US OE Target Date 2041-2045	17	17	25	14	37	1	26	43	14	40	83	11

East Bay MUD
457, 401(a), and 401(k) Retirement Plans

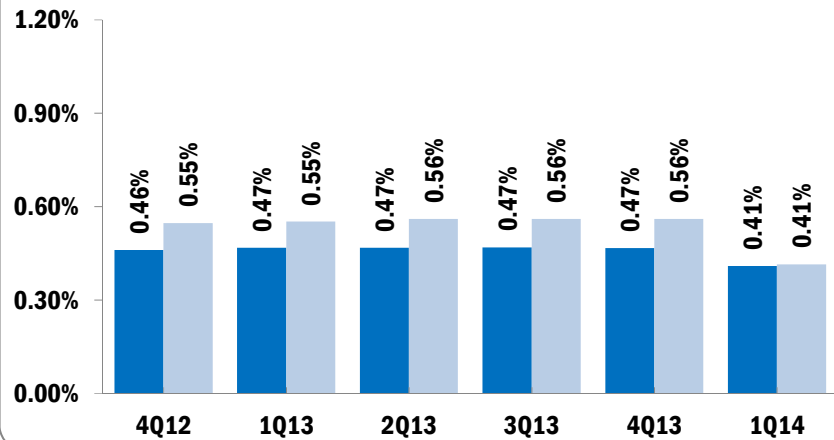
PERFORMANCE REVIEW
First Quarter 2014

	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2050	1.67	1.67	17.46	10.74	18.46	-	24.34	15.58	-2.54	15.20	28.31	-34.62
Vanguard Target 2050 Composite Index	1.77	1.77	17.77	11.04	18.75	-	24.78	15.57	-2.11	15.33	28.62	-35.11
+/- Index	(0.11)	(0.11)	(0.30)	(0.30)	(0.29)	-	(0.44)	0.01	(0.43)	(0.13)	(0.31)	0.49
US OE Target Date 2046-2050	23	23	26	15	33	-	30	44	14	37	89	6
	Qtr	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2055	1.71	1.71	17.50	10.84	-	-	24.33	15.58	-2.27	-	-	-
Vanguard Target 2055 Composite Index	1.77	1.77	17.77	11.04	-	-	24.78	15.57	-2.11	-	-	-
+/- Index	(0.06)	(0.06)	(0.26)	(0.20)	-	-	(0.45)	0.01	(0.16)	-	-	-
US OE Target Date 2051+	16	16	32	14	-	-	36	48	9	-	-	-
	QTR	YTD	1 yr	3 yrs	5 yrs	10 yrs	2013	2012	2011	2010	2009	2008
Vanguard Target Retirement 2060	1.68	1.68	17.50	-	-	-	24.35	-	-	-	-	-
Vanguard Target 2060 Composite Index	1.77	1.77	17.77	-	-	-	24.78	-	-	-	-	-
+/- Index	(0.09)	(0.09)	(0.27)	-	-	-	(0.43)	-	-	-	-	-
US OE Target Date 2051+	19	19	32	-	-	-	34	-	-	-	-	-

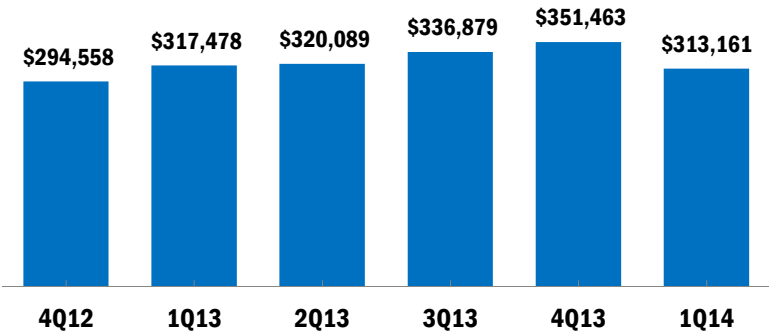
Section 6

Annualized Investment Costs

■ Weighted Expense Ratio ■ Average Expense Ratio



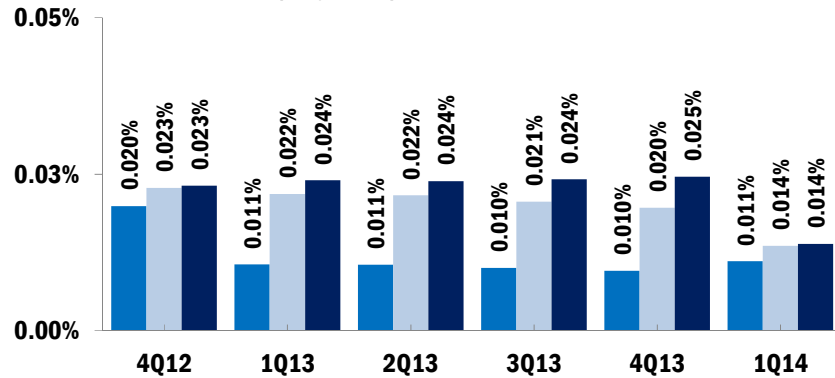
Annualized Investment Costs



Quarterly Contracted Revenue v. Revenue Received

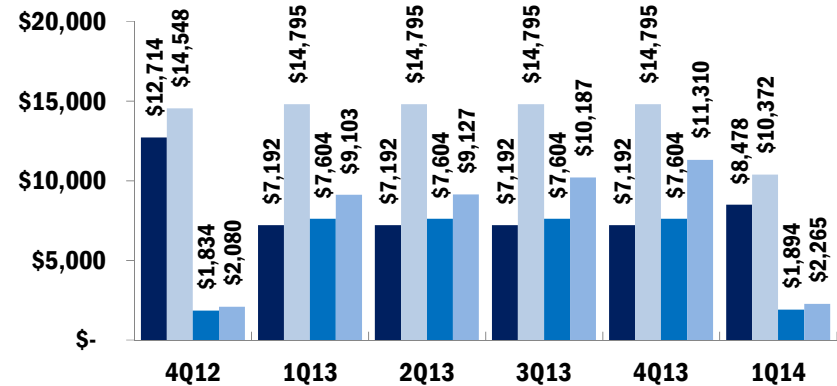
(as a % of total assets)

■ Contracted Revenue ■ Revenue Received (Current Model)
■ Revenue Received (Qtrly Model)

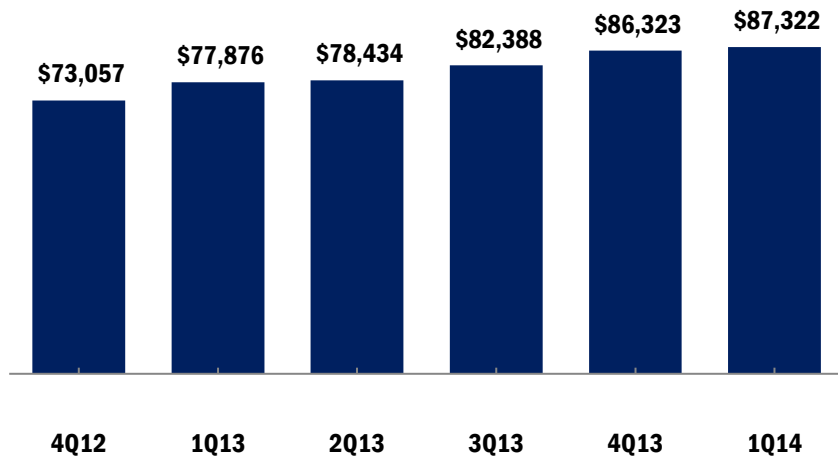


Quarterly Revenue Analysis

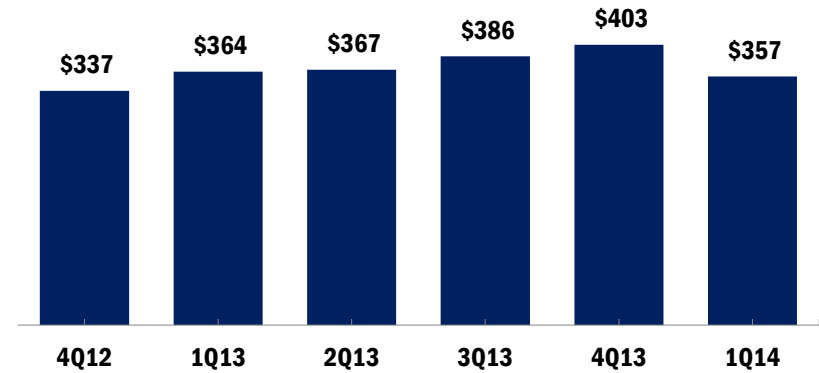
■ Contracted Revenue ■ Revenue Received
■ Rebate (Current Model) ■ Rebate (Qtrly Model)



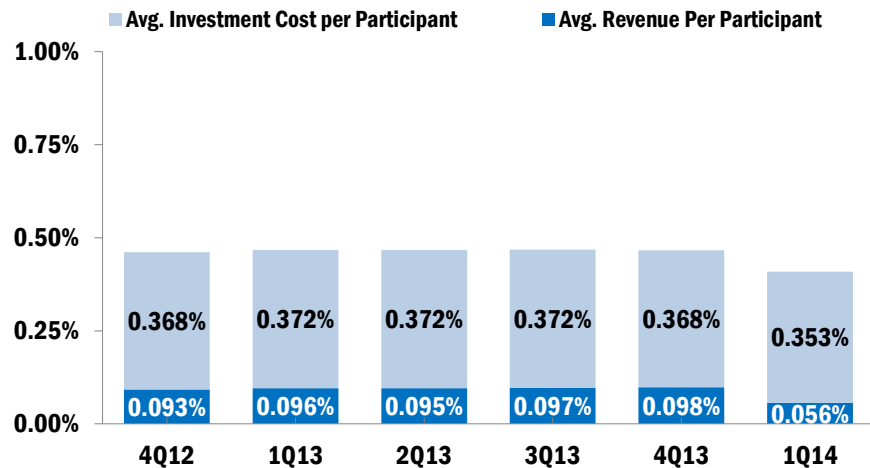
Average Participant Balance



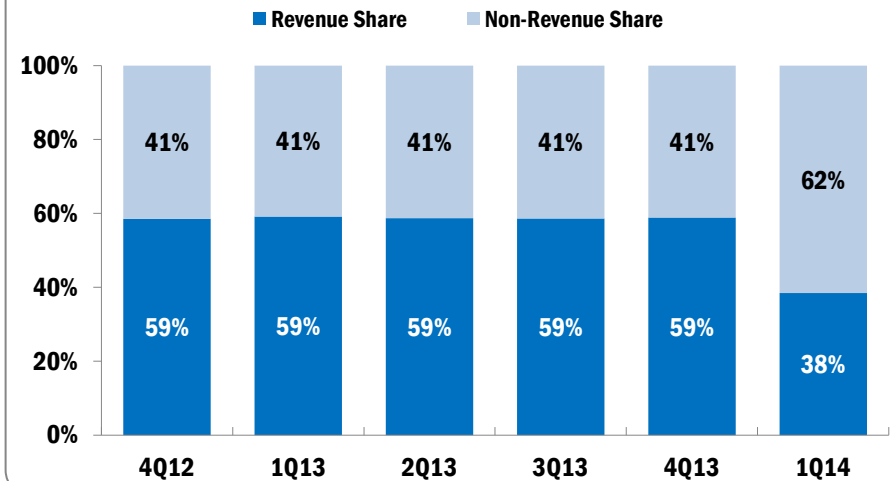
Average Annualized Participant Cost



Annualized Investment Cost Summary



Revenue Share v. Non Revenue Share Funds



East Bay Municipal Utility District 457 Retirement Plan

Estimated 1Q2014 Revenue Reconciliation Report

Name	Annual Expense Ratio	Annual Revenue Share	End-of-Quarter Assets	Pro Rata Revenue Share from Current Investments *	Pro Rata Revenue Share from Previous Investments**	Total Investment Expenses
Fidelity M&R MIP II: Class I	0.51%	0.00%	\$8,874,316	\$0	-	\$45,259
PIMCO Total Return Instl	0.46%	0.03%	\$4,694,346	\$1,408	-	\$21,594
Vanguard Total Bond Market Index Signal	0.08%	0.00%	\$350,683	\$0	-	\$281
Dodge & Cox Stock	0.52%	0.10%	\$5,738,569	\$5,739	-	\$29,841
T. Rowe Price Equity Income	0.67%	0.15%	\$1,562,469	\$2,344	-	\$10,469
Vanguard Institutional Index I	0.04%	0.00%	\$6,992,798	\$0	-	\$2,797
American Century Select Instl	0.80%	0.15%	\$1,308,310	\$1,962	-	\$10,466
Fidelity Blue Chip Growth K	0.61%	0.20%	\$3,671,850	\$7,344	-	\$22,398
Hotchkis & Wiley Mid-Cap Value I	1.07%	0.25%	\$3,074,633	\$7,687	-	\$32,899
Morgan Stanley Inst Mid-Cap Growth I	0.71%	0.15%	\$2,107,270	\$3,161	-	\$14,962
Artisan Small Cap IS	1.22%	0.00%	\$953,337	\$0	\$13	\$11,631
Huber Small Cap Value IS	1.36%	0.15%	\$3,549,390	\$5,237	\$135	\$48,272
American Funds EuroPacific Gr R6	0.50%	0.00%	\$3,111,372	\$0	-	\$15,557
Vanguard Total Intl Stock Index Signal	0.14%	0.00%	\$217,206	\$0	-	\$304
Fidelity Balanced K	0.47%	0.20%	\$3,660,103	\$7,320	-	\$17,202
Vanguard Wellesley Income Adm	0.18%	0.00%	\$2,576,716	\$0	-	\$4,638
Vanguard Target Retirement Income	0.16%	0.00%	\$438,148	\$0	\$15	\$701
Vanguard Target Retirement 2010	0.16%	0.00%	\$2,608,678	\$0	\$89	\$4,174
Vanguard Target Retirement 2015	0.16%	0.00%	\$2,490,174	\$0	\$80	\$3,984
Vanguard Target Retirement 2020	0.16%	0.00%	\$4,830,973	\$0	\$158	\$7,730
Vanguard Target Retirement 2025	0.17%	0.00%	\$1,534,082	\$0	\$48	\$2,608
Vanguard Target Retirement 2030	0.17%	0.00%	\$1,099,744	\$0	\$35	\$1,870
Vanguard Target Retirement 2035	0.18%	0.00%	\$396,949	\$0	\$12	\$715
Vanguard Target Retirement 2040	0.18%	0.00%	\$900,896	\$0	\$29	\$1,622
Vanguard Target Retirement 2045	0.18%	0.00%	\$249,518	\$0	\$6	\$449
Vanguard Target Retirement 2050	0.18%	0.00%	\$238,734	\$0	\$8	\$430
Vanguard Target Retirement 2055	0.18%	0.00%	\$6,880	\$0	\$0	\$12
Vanguard Target Retirement 2060	0.18%	0.00%	\$6	\$0	-	\$0
Brokerage Assets	-	-	\$9,272,323	-	-	-
Fidelity Retiree MoneyMarket	0.42%	0.20%	\$71,152	\$142	-	\$299
Total			\$76,581,624	\$42,343	\$628	\$313,161

	Qtr	Annualized
Weighted Plan Revenue	0.014%	0.056%
Weighted Expense Ratio	0.102%	0.409%
# of Participants	877	

	%	\$
Annual Required Revenue	0.045%	\$34,462
Annual Revenue Received	0.056%	\$42,972
Net Excess / Deficit	0.011%	\$8,510

* - Revenue share from new investments are weighted proportionally to account for holding the assets for 359 days of a 365 day year.

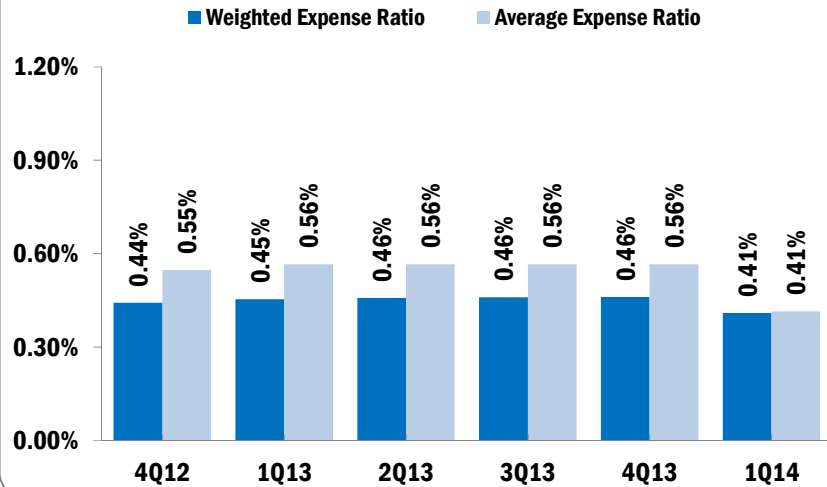
** - Revenue share from previous investments are weighted proportionally to account for holding the assets for 6 days of a 365 day year.

Section 7

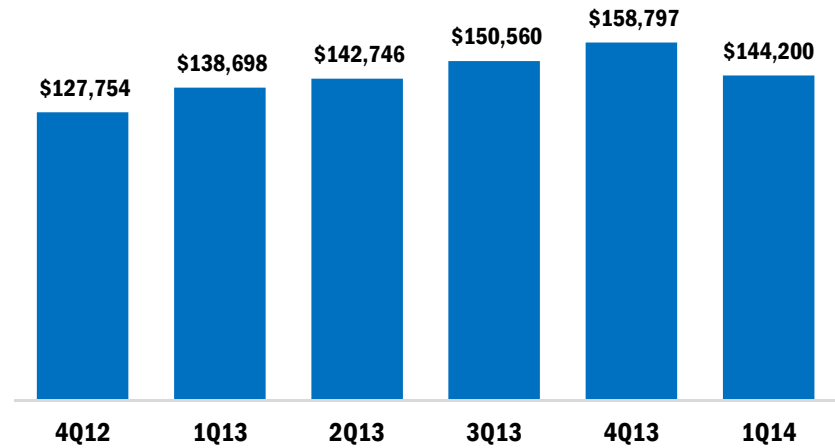
East Bay MUD 401(a) Retirement Plan

Plan Participant Cost and Revenue Analysis Retirement Plans

Annualized Investment Costs

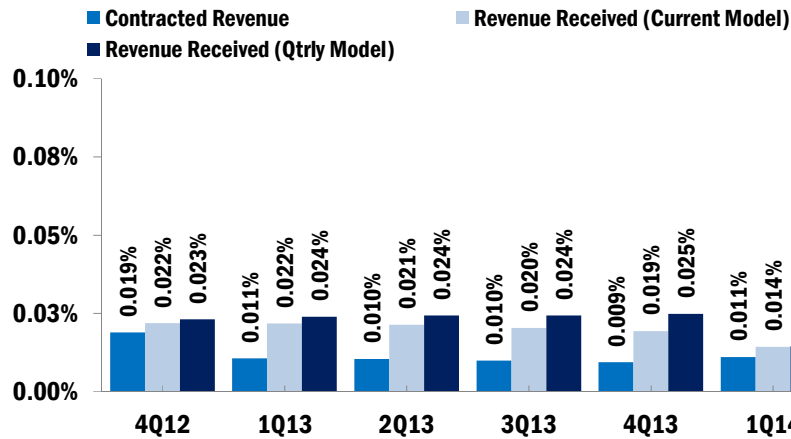


Annualized Investment Cost

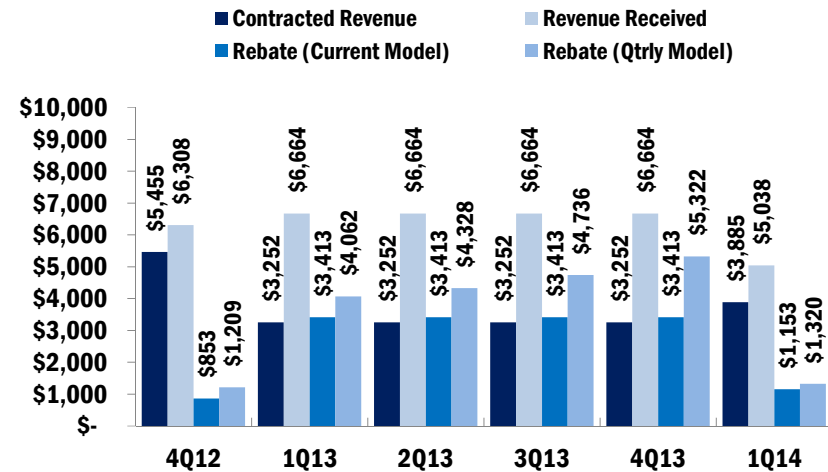


Quarterly Contracted Revenue v. Revenue Received

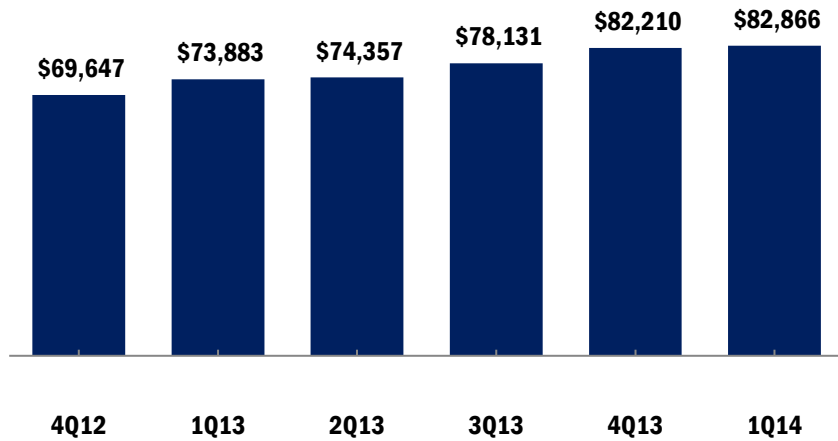
(as a % of total assets)



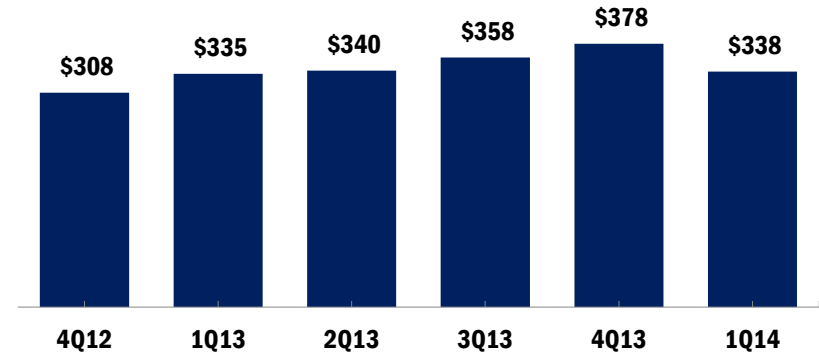
Quarterly Revenue Analysis



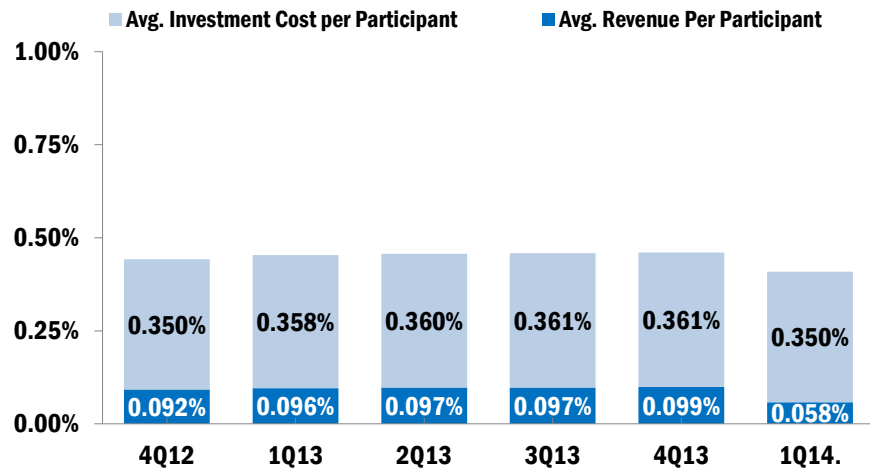
Average Participant Balance



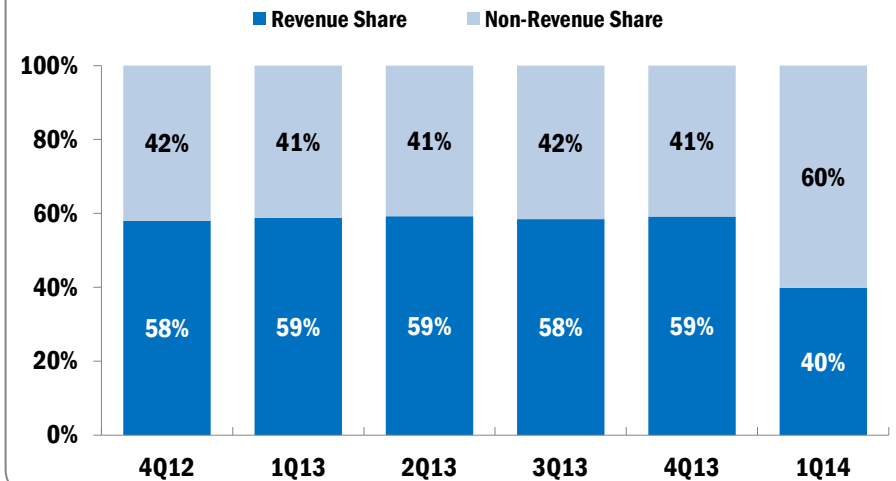
Average Annualized Participant Cost



Annualized Investment Cost Summary



Revenue Share v. Non Revenue Share Funds



East Bay Municipal Utility District 401(a) Retirement Plan

Estimated 1Q2014 Revenue Reconciliation Report

Name	Annual Expense Ratio	Annual Revenue Share	End-of-Quarter Assets	Pro Rata Revenue Share from Current Investments*	Pro Rata Revenue Share from Previous Investments**	Total Investment Expenses
Fidelity M&R MIP II: Class I	0.51%	0.00%	\$1,933,479	\$0	-	\$9,861
PIMCO Total Return Instl	0.46%	0.03%	\$2,439,832	\$732	-	\$11,223
Vanguard Total Bond Market Index Signal	0.08%	0.00%	\$172,000	\$0	-	\$138
Dodge & Cox Stock	0.52%	0.10%	\$2,077,449	\$2,077	-	\$10,803
T. Rowe Price Equity Income	0.67%	0.15%	\$561,334	\$842	-	\$3,761
Vanguard Institutional Index I	0.04%	0.00%	\$5,294,507	\$0	-	\$2,118
American Century Select Instl	0.80%	0.15%	\$479,646	\$719	-	\$3,837
Fidelity Blue Chip Growth K	0.61%	0.20%	\$2,213,693	\$4,427	-	\$13,504
Hotchkis & Wiley Mid-Cap Value I	1.07%	0.25%	\$1,726,450	\$4,316	-	\$18,473
Morgan Stanley Inst Mid-Cap Growth I	0.71%	0.15%	\$1,482,804	\$2,224	-	\$10,528
Artisan Small Cap IS	1.22%	0.00%	\$484,009	\$0	\$6	\$5,905
Huber Small Cap Value IS	1.36%	0.15%	\$1,821,115	\$2,687	\$67	\$24,767
American Funds EuroPacific Gr R6	0.50%	0.00%	\$2,154,368	\$0	-	\$10,772
Vanguard Total Intl Stock Index Signal	0.14%	0.00%	\$67,956	\$0	-	\$95
Fidelity Balanced K	0.47%	0.20%	\$1,234,290	\$2,469	-	\$5,801
Vanguard Wellesley Income Adm	0.18%	0.00%	\$784,306	\$0	-	\$1,412
Vanguard Target Retirement Income	0.16%	0.00%	\$205,559	\$0	\$7	\$329
Vanguard Target Retirement 2010	0.16%	0.00%	\$309,618	\$0	\$11	\$495
Vanguard Target Retirement 2015	0.16%	0.00%	\$769,810	\$0	\$25	\$1,232
Vanguard Target Retirement 2020	0.16%	0.00%	\$1,861,708	\$0	\$64	\$2,979
Vanguard Target Retirement 2025	0.17%	0.00%	\$1,315,881	\$0	\$36	\$2,237
Vanguard Target Retirement 2030	0.17%	0.00%	\$618,408	\$0	\$18	\$1,051
Vanguard Target Retirement 2035	0.18%	0.00%	\$552,208	\$0	\$17	\$994
Vanguard Target Retirement 2040	0.18%	0.00%	\$734,962	\$0	\$22	\$1,323
Vanguard Target Retirement 2045	0.18%	0.00%	\$151,383	\$0	\$4	\$272
Vanguard Target Retirement 2050	0.18%	0.00%	\$108,214	\$0	\$3	\$195
Vanguard Target Retirement 2055	0.18%	0.00%	\$1,267	\$0	\$0	\$2
Vanguard Target Retirement 2060	0.18%	0.00%	\$0	\$0	-	\$0
Brokerage Assets	-	-	\$3,722,341	-	-	-
Fidelity Retiree MoneyMarket	0.42%	0.20%	\$22,361	\$45	-	\$94
Total			\$35,300,960	\$20,539	\$282	\$144,200

	Qtr	Annualized
Weighted Plan Revenue	0.015%	0.058%
Weighted Expense Ratio	0.102%	0.408%
# of Participants	426	

	%	\$
Annual Required Revenue	0.045%	\$15,885
Annual Revenue Received	0.059%	\$20,821
Net Excess / Deficit	0.014%	\$4,935

* - Revenue share from new investments are weighted proportionally to account for holding the assets for 359 days of a 365 day year.

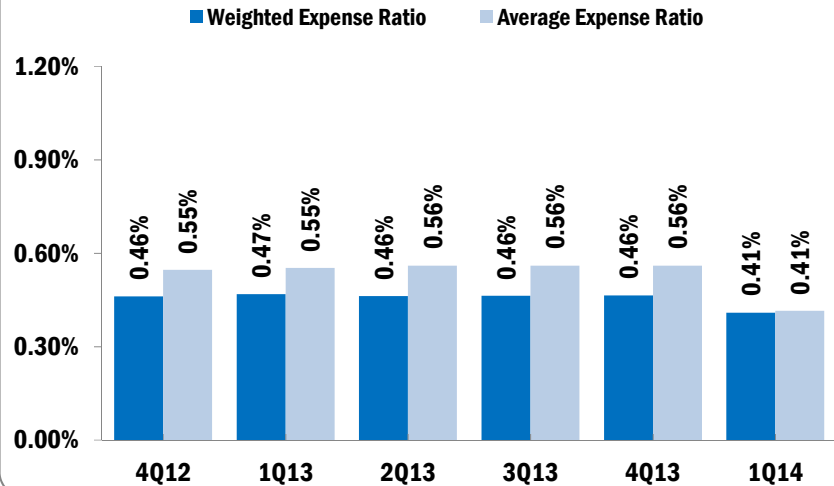
** - Revenue share from previous investments are weighted proportionally to account for holding the assets for 6 days of a 365 day year.

Section 8

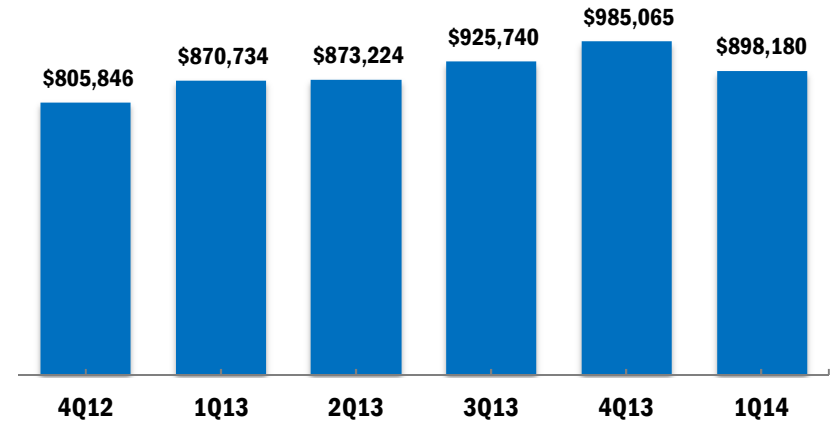
East Bay MUD 401(k) Retirement Plan

Plan Participant Cost and Revenue Analysis Retirement Plans

Annualized Investment Costs

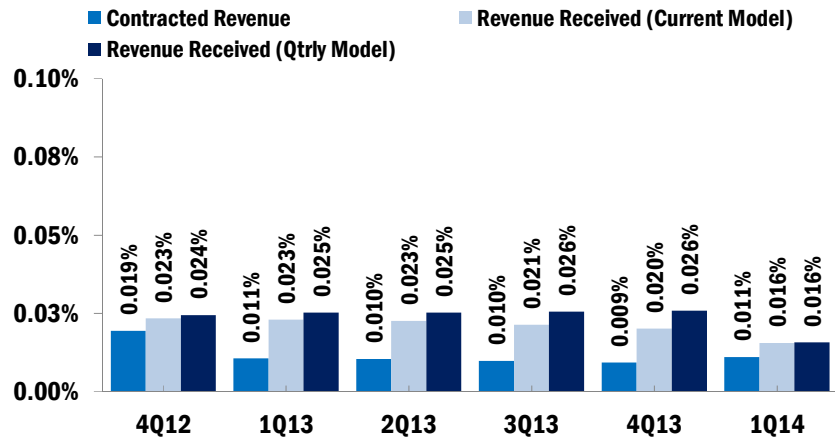


Annualized Investment Cost

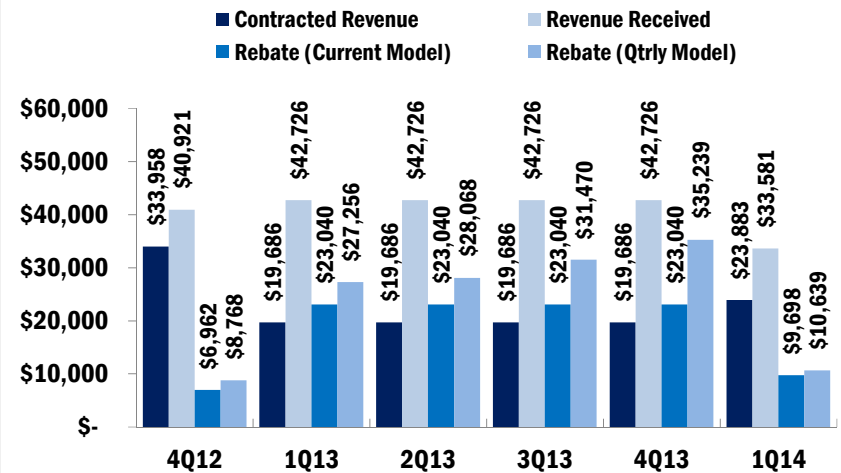


Quarterly Contracted Revenue v. Revenue Received

(as a % of total assets)



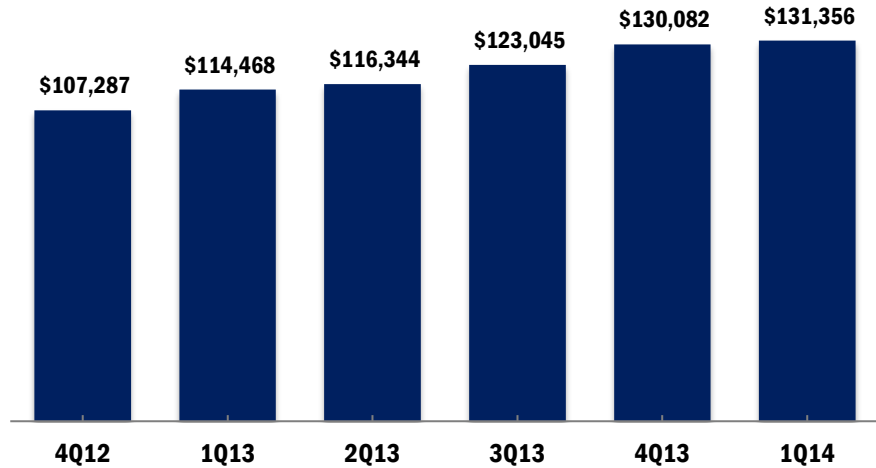
Quarterly Revenue Analysis



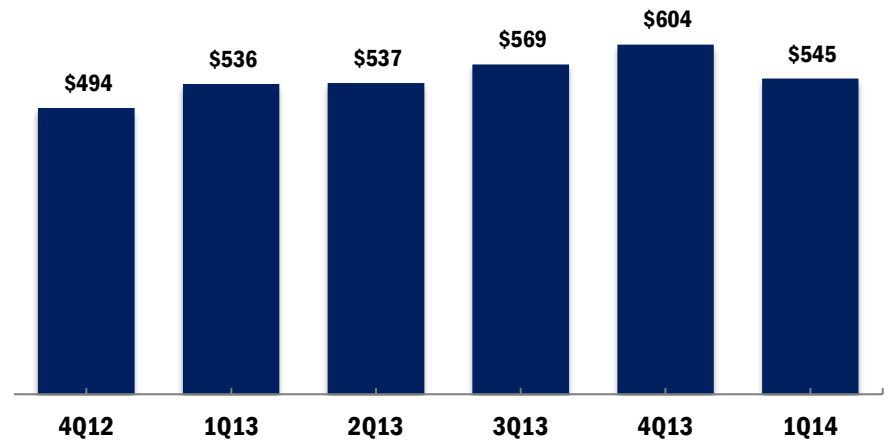
East Bay MUD 401(k) Retirement Plan

Plan Participant Cost and Revenue Analysis Retirement Plans

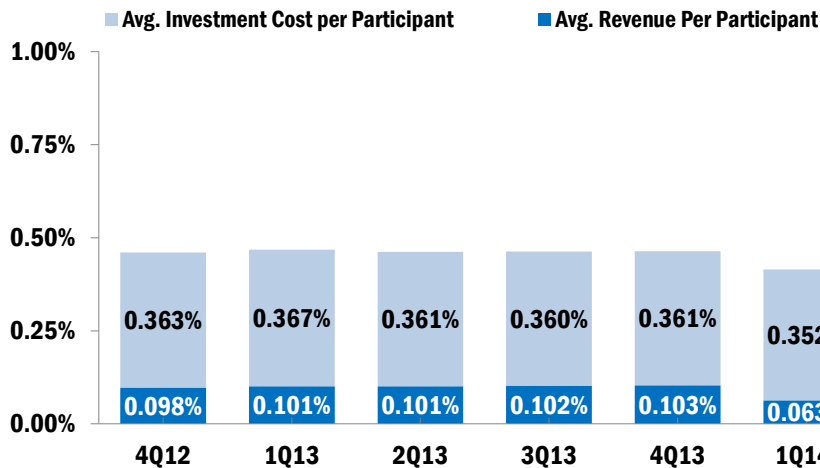
Average Participant Balance



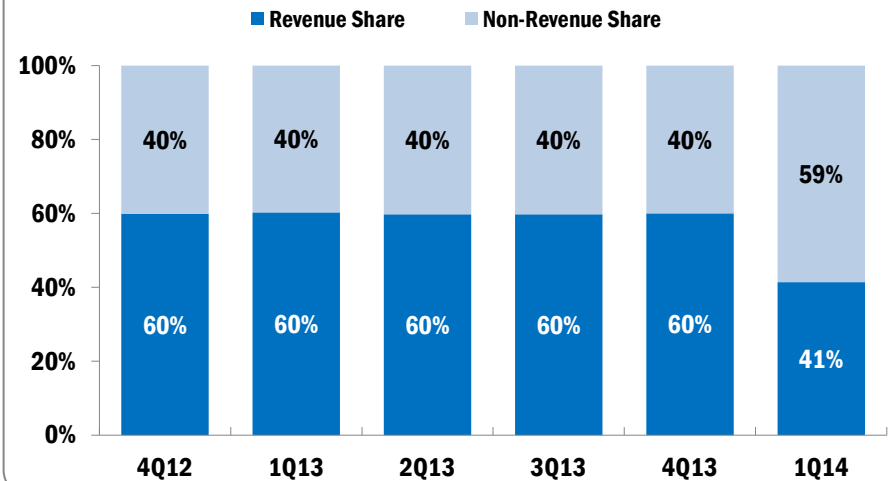
Annualized Investment Cost



Annualized Investment Cost Summary



Revenue Share v. Non Revenue Share Funds



East Bay Municipal Utility District 401(k) Retirement Plan

Estimated 1Q2014 Revenue Reconciliation Report

Name	Annual Expense Ratio	Annual Revenue Share	End-of-Quarter Assets	Pro Rata Revenue Share from Current Investments*	Pro Rata Revenue Share from Previous Investments**	Total Investment Expenses
Fidelity M&R MIP II: Class I	0.51%	0.00%	\$18,676,298	\$0	-	\$95,249
PIMCO Total Return Instl	0.46%	0.03%	\$12,920,511	\$3,876	-	\$59,434
Vanguard Total Bond Market Index Signal	0.08%	0.00%	\$870,846	\$0	-	\$697
Dodge & Cox Stock	0.52%	0.10%	\$13,117,255	\$13,117	-	\$68,210
T. Rowe Price Equity Income	0.67%	0.15%	\$4,997,372	\$7,496	-	\$33,482
Vanguard Institutional Index I	0.04%	0.00%	\$28,892,952	\$0	-	\$11,557
American Century Select Instl	0.80%	0.15%	\$1,218,443	\$1,828	-	\$9,748
Fidelity Blue Chip Growth K	0.61%	0.20%	\$20,098,430	\$40,197	-	\$122,600
Hotchkis & Wiley Mid-Cap Value I	1.07%	0.25%	\$8,158,966	\$20,397	-	\$87,301
Morgan Stanley Inst Mid-Cap Growth I	0.71%	0.15%	\$5,899,004	\$8,849	-	\$41,883
Artisan Small Cap IS	1.22%	0.00%	\$2,213,859	\$0	\$31	\$27,009
Huber Small Cap Value IS	1.36%	0.15%	\$11,763,986	\$17,356	\$460	\$159,990
American Funds EuroPacific Gr R6	0.50%	0.00%	\$10,560,346	\$0	-	\$52,802
Vanguard Total Intl Stock Index Signal	0.14%	0.00%	\$523,871	\$0	-	\$733
Fidelity Balanced K	0.47%	0.20%	\$11,029,081	\$22,058	-	\$51,837
Vanguard Wellesley Income Adm	0.18%	0.00%	\$4,980,975	\$0	-	\$8,966
Vanguard Target Retirement Income	0.16%	0.00%	\$1,098,550	\$0	\$35	\$1,758
Vanguard Target Retirement 2010	0.16%	0.00%	\$3,332,729	\$0	\$110	\$5,332
Vanguard Target Retirement 2015	0.16%	0.00%	\$6,043,089	\$0	\$193	\$9,669
Vanguard Target Retirement 2020	0.16%	0.00%	\$14,482,752	\$0	\$467	\$23,172
Vanguard Target Retirement 2025	0.17%	0.00%	\$3,579,270	\$0	\$112	\$6,085
Vanguard Target Retirement 2030	0.17%	0.00%	\$4,597,446	\$0	\$140	\$7,816
Vanguard Target Retirement 2035	0.18%	0.00%	\$1,231,768	\$0	\$37	\$2,217
Vanguard Target Retirement 2040	0.18%	0.00%	\$3,034,273	\$0	\$97	\$5,462
Vanguard Target Retirement 2045	0.18%	0.00%	\$758,212	\$0	\$24	\$1,365
Vanguard Target Retirement 2050	0.18%	0.00%	\$680,058	\$0	\$22	\$1,224
Vanguard Target Retirement 2055	0.18%	0.00%	\$48,024	\$0	\$2	\$86
Vanguard Target Retirement 2060	0.18%	0.00%	\$5,926	\$0	-	\$11
Brokerage Assets	-	-	\$21,199,585	-	-	-
Fidelity Retiree MoneyMarket	0.42%	0.20%	\$591,691	\$1,183	-	\$2,485
Total			\$216,605,569	\$136,357	\$1,731	\$898,180

	Qtr	Annualized
Weighted Plan Revenue	0.016%	0.063%
Weighted Expense Ratio	0.104%	0.415%
# of Participants	1,649	

	%	\$
Annual Required Revenue	0.045%	\$97,473
Annual Revenue Received	0.064%	\$138,088
Net Excess / Deficit	0.019%	\$40,616

* - Revenue share from new investments are weighted proportionally to account for holding the assets for 359 days of a 365 day year.

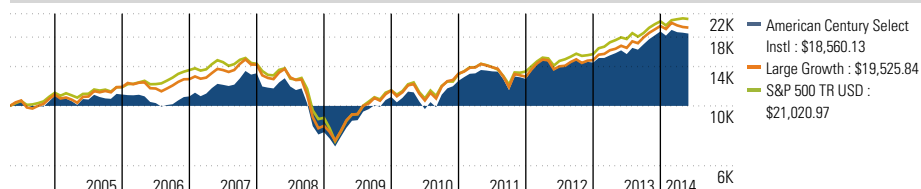
** - Revenue share from previous investments are weighted proportionally to account for holding the assets for 6 days of a 365 day year.

Section 9

American Century Select Instl TWSIX

Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
55.88	↓-0.58 -1.03	0.61	2.2	Open	\$5	None	0.80%	★★★	Large Growth	Large Growth

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks long-term capital growth. The fund normally invests in stocks of companies that the adviser believes will increase in value over time. The portfolio managers make their investment decisions based primarily on their analysis of individual companies, rather than on broad economic forecasts. The portfolio managers use a variety of analytical research tools and techniques to identify the stocks of larger-sized companies that meet their investment criteria. Under normal market conditions, the fund's portfolio will primarily consist of securities of companies whose earnings or revenues are not only growing, but growing at an accelerating pace.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,821	10,167	11,369	13,930	22,158	18,560
Fund	-1.79	1.67	13.69	11.68	17.25	6.38
+/- S&P 500 TR USD	-3.81	-0.05	-1.48	-2.63	-1.45	-1.33
+/- Category	-0.37	0.52	-0.84	-0.20	-0.26	-1.22
% Rank in Cat	61	32	62	54	54	82
# of Funds in Cat	1,754	1,781	1,708	1,494	1,306	916

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	6.42	597.51 USD	1.48 ↑	388.87 - 604.41
⊖ Google Inc Class A	4.88	528.30 USD	-0.16 ↓	511.00 - 1,228.88
⊖ Gilead Sciences Inc	3.05	80.80 USD	0.87 ↑	46.70 - 84.88
Monsanto Co	2.74	116.04 USD	0.56 ↑	94.00 - 117.50
⊖ Walt Disney Co	2.73	80.39 USD	0.30 ↑	60.41 - 83.65
% Assets in Top 5 Holdings	19.81			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	26.86	27.84	26.86	23.20	■ Fund ▼ Cat Avg
Consumer Cyclical	17.08	17.08	15.52	17.88	
Healthcare	13.27	13.59	13.27	15.87	
Industrials	11.81	12.77	11.81	12.19	
Consumer Defensive	10.80	12.01	10.80	7.11	

Dividend and Capital Gains Distributions

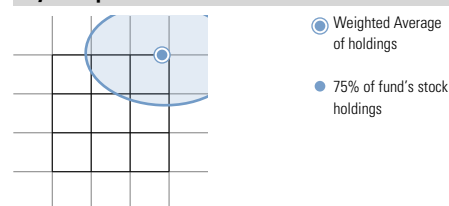
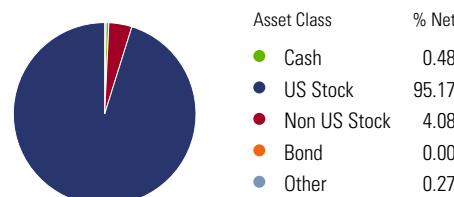
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-17	54.49	0.2200	0.0000	0.0000	0.3500	0.5600
2012-12-18	44.72	0.0000	0.0000	0.0000	0.3300	0.3300
2011-12-20	38.41	0.0000	0.0000	0.0000	0.1800	0.1800
2010-12-14	38.01	0.0000	0.0000	0.0000	0.2000	0.2000
2009-12-22	33.34	0.0000	0.0000	0.0000	0.2300	0.2300

3 Year Average Morningstar Risk Measures

Risk vs. Category (1482)	Avg																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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Pillars

Process	⊕ Positive
Performance	⊖ Neutral
People	⊕ Positive
Parent	⊖ Neutral
Price	⊖ Neutral
Rating	⊖ Bronze

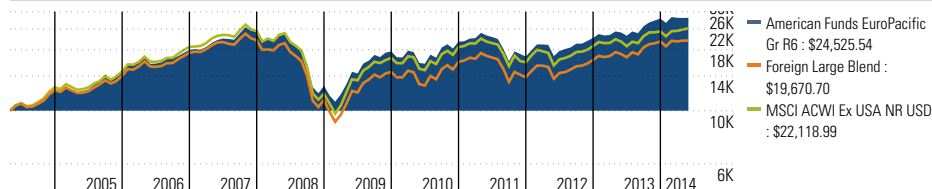
Style Map

Asset Allocation

Management

	Start Date
Keith Lee	2001-10-31
Michael Li	2003-07-31
Christopher J. Krantz	2013-08-05

American Funds EuroPacific Gr R6 RERGX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
49.43	↓-0.25 -0.50	1.25	124.2	Open	\$250	None	0.50%	★★★	Foreign Large Blend	Large Growth

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,082	10,242	11,109	12,133	18,298	24,526
Fund	0.82	2.42	11.09	6.66	12.84	9.39
+/- MSCI ACWI Ex USA NR USD	-2.10	-1.00	1.29	1.79	1.00	1.12
+/- Category	-0.08	-0.19	1.63	0.87	0.76	2.11
% Rank in Cat	49	67	29	32	26	—
# of Funds in Cat	817	834	795	694	622	330

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Novo Nordisk A/S	5.21	230.90 USD	-1.33 ↓	169.60 - 265.30
Bayer AG	2.53	103.50 USD	0.15 ↑	—
⊖ SOFTBANK Corp	2.37	— USD	-3.57 ↓	4,850.00 - 9,320.00
⊖ Novartis AG	2.13	80.20 USD	0.31 ↑	63.45 - 80.40
⊖ Samsung Electronics Co Ltd	1.92	— USD	1.28 ↑	1,209,000.00 - 1,559,000.00

% Assets in Top 5 Holdings 14.15

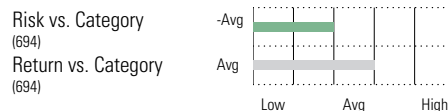
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

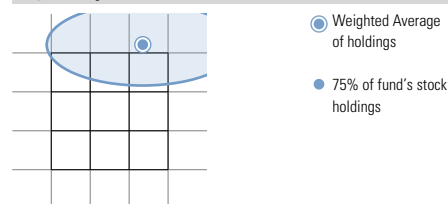
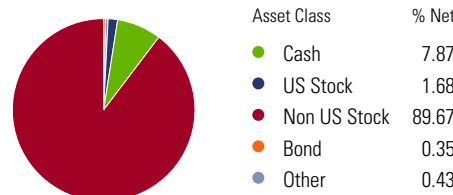
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	21.18	21.32	17.64	21.39	■ Fund ▼ Cat Avg
Technology	15.59	15.59	11.31	7.77	
Healthcare	15.53	15.53	13.57	10.16	
Consumer Cyclical	12.75	13.99	12.75	13.06	
Industrials	10.94	10.94	10.02	11.35	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	48.37	0.0000	0.0000	0.0000	0.6100	0.6100
2012-12-26	40.90	0.0000	0.0000	0.0000	0.8400	0.8400
2011-12-27	35.13	0.0000	0.0000	0.0000	0.7400	0.7400
2010-12-27	40.96	0.0000	0.0000	0.0000	0.7100	0.7100
2009-12-24	38.42	0.0000	0.0000	0.0000	0.7100	0.7100

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★ Gold

Style Map

Asset Allocation

Management

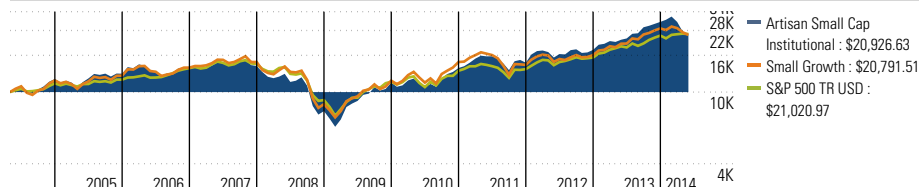
	Start Date
Stephen E. Bepler	1984-04-16
Mark E. Denning	1991-12-31
Robert W. Lovelace	1994-06-01
Carl M. Kawaja	2001-06-01
Nicholas J. Grace	2002-06-01
Sung Lee	2002-06-01
Jesper Lyckeus	2004-12-31
Jonathan Knowles	2006-12-31
Andrew B. Suzman	2007-12-31
Christopher M. Thomsen	2007-12-31

Artisan Small Cap Institutional APHSX

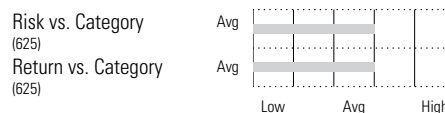
Morningstar Analyst Rating
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
25.28	↓-0.23 -0.90	0.00	1.5	Limited	\$1	None	1.06%	★★★	Small Growth	Small Growth

Growth of 10,000 05-15-2004 - 05-15-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks maximum long-term capital growth. The fund invests no less than 80% of its net assets plus any borrowings for investment purposes at market value at the time of purchase in the common stocks of small companies. It defines a small company as one with a market capitalization less than three times the weighted average market capitalization of companies in the Russell 2000® Index. The fund will not initiate a position in a company unless it has a market capitalization below \$2.5 billion. It may invest in the securities of non-U.S. companies, but only if the securities are purchased or sold in the U.S.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	8,518	9,349	10,680	13,369	25,679	20,927
Fund	-14.82	-6.51	6.80	10.16	20.76	7.66
+/- S&P 500 TR USD	-16.84	-8.23	-8.37	-4.15	2.06	-0.05
+/- Category	-6.84	-3.57	-4.94	1.02	1.02	-0.87
% Rank in Cat	95	97	88	—	—	—
# of Funds in Cat	730	738	709	631	548	373

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Acuity Brands Inc	4.02	121.55 USD	1.44 ↑	72.34 - 146.28
⊕ DexCom, Inc.	3.89	32.42 USD	2.11 ↑	19.25 - 49.83
⊕ Cognex Corporation	3.85	34.52 USD	2.83 ↑	21.47 - 40.14
⊖ AthenaHealth, Inc.	3.45	113.55 USD	-0.57 ↓	82.01 - 206.70
⊕ Cepheid	3.32	42.49 USD	1.12 ↑	30.95 - 55.89
% Assets in Top 5 Holdings	18.52			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	46.10	46.10	40.32	24.79
Consumer Cyclical	19.43	19.43	16.60	15.49
Healthcare	14.96	16.53	11.57	14.25
Industrials	8.10	15.68	8.10	20.06
Basic Materials	3.39	4.22	3.39	4.28

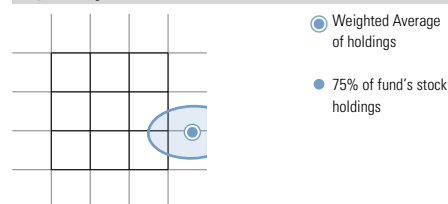
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
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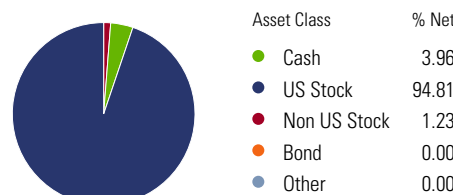
Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊖ Neutral
Rating	Silver

Style Map



Asset Allocation



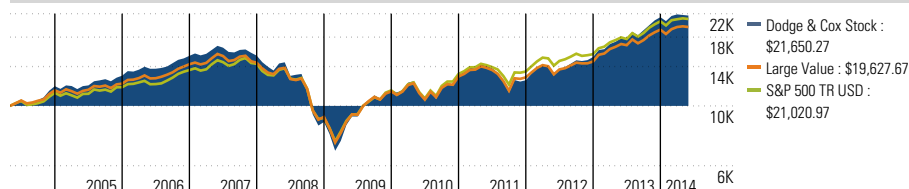
Management

	Start Date
Craig A. Cepukenas	2004-09-27
James D. Hamel	2009-10-01
Andrew C. Stephens	2009-10-01
Matthew H. Kamm	2010-01-13
Jason L. White	2011-01-28

Dodge & Cox Stock DODGX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
170.35	↓0.22 0.13	1.57	55.6	Open	\$2,500	None	0.52%	★★★★	Large Value	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks long-term growth of principal and income; a secondary objective is to achieve a reasonable current income. The fund invests primarily in a diversified portfolio of common stocks. It will invest at least 80% of its total assets in common stocks, including depositary receipts evidencing ownership of common stocks. The fund may also purchase other types of securities, for example, preferred stocks, and debt securities which are convertible into common stock. It may invest up to 20% of its total assets in U.S. dollar-denominated securities of non-U.S. issuers traded in the United States that are not in the S&P 500.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,142	10,127	12,022	15,452	24,614	21,650
Fund	1.42	1.27	20.22	15.61	19.74	8.03
+/- S&P 500 TR USD	-0.60	-0.45	5.05	1.30	1.04	0.32
+/- Category	-0.87	-0.29	5.93	2.90	2.60	0.75
% Rank in Cat	72	68	3	3	6	28
# of Funds in Cat	1,292	1,314	1,235	1,066	946	621

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Hewlett-Packard Co	4.18	32.46 USD	0.15 ↑	20.25 - 33.90
⊖ Capital One Financial Corp	3.95	75.37 USD	-1.37 ↓	58.97 - 78.49
⊖ Wells Fargo & Co	3.92	48.98 USD	-0.10 ↓	39.09 - 50.49
⊖ Microsoft Corporation	3.75	39.48 USD	-0.30 ↓	30.84 - 41.66
⊖ Comcast Corp Class A	2.99	50.02 USD	-0.58 ↓	38.75 - 55.28
% Assets in Top 5 Holdings	18.78			

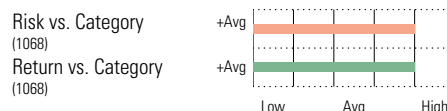
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

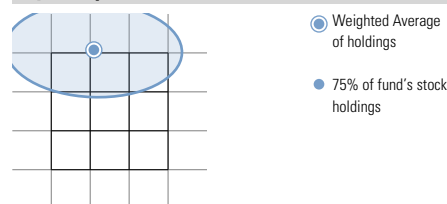
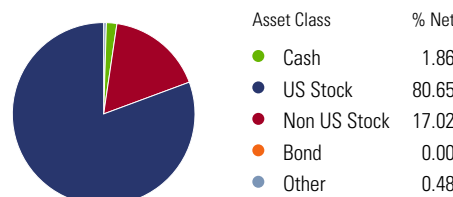
	Fund	3 Yr High	3 Yr Low	Cat Avg	Fund	Cat Avg
🏦 Financial Services	23.01	23.01	22.19	21.25	10	10
💻 Technology	22.08	22.74	21.41	10.77	10	10
🏥 Healthcare	19.67	19.67	18.87	13.18	10	10
⚡ Energy	9.03	9.03	6.55	12.40	10	10
🛒 Consumer Cyclical	7.92	9.38	7.68	8.22	10	10

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-26	169.64	0.0000	0.0000	0.0000	1.1400	1.1400
2013-12-19	164.73	0.0000	0.0000	0.0000	0.4500	0.4500
2013-09-25	151.68	0.0000	0.0000	0.0000	0.4700	0.4700
2013-06-25	139.28	0.0000	0.0000	0.0000	0.6200	0.6200
2013-03-26	134.91	0.0000	0.0000	0.0000	0.5700	0.5700

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Style Map

Asset Allocation

Management

	Start Date
John A. Gunn	1977-01-01
C. Bryan Cameron	1992-01-01
Charles F. Pohl	1992-01-01
Gregory R. Serrurier	1996-01-01
Wendell W. Birkhofer	2002-01-01
David C. Hoeft	2002-01-01
Diana S. Strandberg	2005-01-01
Steven C. Voorhis	2006-05-01
Philippe Barret, Jr.	2013-02-01

Fidelity M&R MIP II: Class I

Snapshot

Morningstar Rating™
★★

Morningstar Category™
Stable Value

Product Assets(Mil)
6,555.20(\$USD)

Account Customization Options

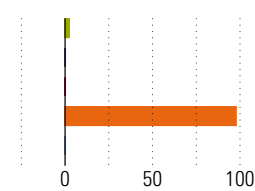
Exclude securities	Access daily portfolio holdings
Modify sector weightings	Access daily performance
Consult with portfolio manager	Access daily risk/MPT stats
Consult with portfolio administrator	Miscellaneous customizations
Tax lot harvest report to broker	

☒ Proactive ☒ By Request ☐ No

Tax Efficiency Options

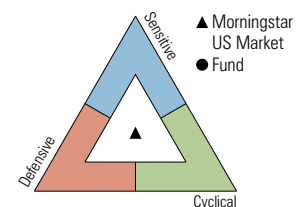
Use tax-optimization software	Analyze taxable income streams
Use tax-lot trading strategies	Sell high cost positions first
Harvest tax losses	Flag short-term gain before trade
Analyze trades by holding period	Analyze potential loss candidates
Use lng-trm cap gains when trading	Receive annual tax document

Portfolio Analysis 3/31/2014



	Value	Blend	Growth
Large			
Mid			
Small			

	Ltd	Mod	Ext
High			
Med			
Low			



Asset Allocation	Long %	Short %	Net %
Cash	2.33	0.00	2.33
US Stock	0.00	0.00	0.00
Non US Stock	0.00	0.00	0.00
Bond	97.67	0.00	97.67
Other	0.00	0.00	0.00

Equity Investment Style

Market Cap (\$Mil) —

Fixed-Income Investment Style

Avg Effective Duration (Yrs)	—
Avg Effective Maturity (Yrs)	0.00
Avg Credit Quality	—

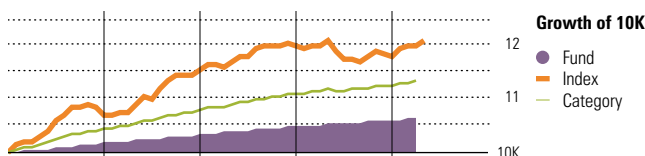
Stock Sectors

	% Stocks
Cyclical	—
Sensitive	—
Defensive	—

Fixed-income investment style data is as of 3/31/2014

Sector data is calculated only using the long position holdings of the portfolio.

Performance 4/30/2014



2010	2011	2012	2013	4/2014	History
1.57	1.47	1.36	1.08	0.36	Quartile Rank (cat)
-2.33	-1.84	-1.40	-0.42	-0.21	Total Return %
-4.97	-6.37	-2.85	3.10	-2.34	+/- Category
—	—	—	—	—	+/- Index*
—	—	—	—	—	Net Assets (Mil)

* Barclays US Agg Bond TR USD

Trailing Total Returns	Trailing Ret %	+/- Index ¹	+/- Cat	% Rnk Cat
YTD	0.36	-2.34	—	88
12 Mo	1.06	1.32	—	27
3 Yr Annualized	1.26	-2.34	—	71
5 Yr Annualized	1.37	-3.51	—	91
10 Yr Annualized	2.60	-2.23	—	70
Inception	—	—	—	—

¹Barclays US Agg Bond TR USD

Ratings and Risk 3/31/2014

	Overall	3 Yr	5 Yr	10 Yr
Morningstar Rating™	★★	★★	★	★★★★
Number Rated	—	—	—	—
Morningstar Risk™	Low	Low	Low	Low
Morningstar Return™	Below Avg	Below Avg	Low	Average
Standard Deviation		0.06	0.07	0.37
Mean		1.26	1.37	2.60

Top 10 Holdings 3/31/2014

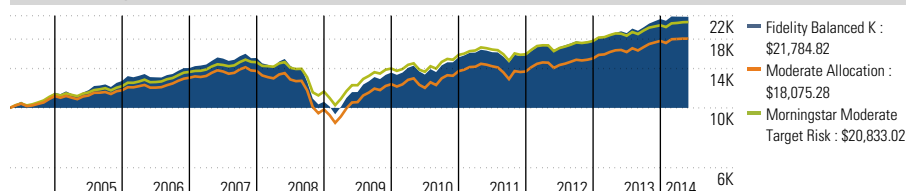
YTD Return as of 5/16/2014	Sector	YTD Return %	% Assets
% Assets in Top 10 Holdings			—
Total Number of Stock Holdings			—
Total Number of Bond Holdings			—
Turnover %			0
12-Month Yield %			—

Fidelity Balanced K FBAKX

Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
23.13	↓0.06 0.26	1.62	25.4	Open	\$—	None	0.46%	★★★★	Moderate Allocation	Large Growth

Growth of 10,000 05-15-2004 - 05-15-2014



Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,194	10,132	11,170	13,447	19,791	21,785
Fund	1.94	1.32	11.70	10.38	14.63	8.10
+/- Morningstar Moderate Target Risk	-0.89	-0.06	2.85	2.31	2.44	0.48
+/- Category	-0.03	-0.01	3.40	2.23	2.00	1.66
% Rank in Cat	49	55	4	11	13	—
# of Funds in Cat	914	927	878	744	671	444

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
✱ US Treasury Note 0.375%	2.75	—	—	—
⊕ Fidelity Cent Inv't Portfolios	2.72	—	—	—
Apple Inc	1.98	597.51 USD	1.48 ↑	388.87 - 604.41
Google Inc Class A	1.92	528.30 USD	-0.16 ↓	511.00 - 1,228.88
⊖ JPMorgan Chase & Co	1.49	53.31 USD	-0.37 ↓	50.06 - 61.48
% Assets in Top 5 Holdings	10.85			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

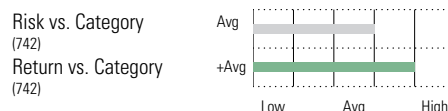
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	17.95	19.39	17.95	13.95
Financial Services	14.84	15.71	14.84	16.79
Healthcare	13.48	13.48	11.92	13.05
Consumer Defensive	11.42	11.59	11.42	8.73
Industrials	10.30	10.30	9.59	12.07

	Fund	BMark	Cat Avg
Government	19.75	71.69	19.69
Agency Mortgage-Backed	15.37	0.09	13.54
Commercial MBS	3.89	0.01	1.31
Government-Related	3.41	2.63	7.53
Non-Agency Residential MBS	3.34	0.01	1.50

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-04-04	23.03	0.0000	0.0000	0.0000	0.1100	0.1100
2013-12-13	22.07	0.2000	0.0800	0.0000	0.0800	0.3700
2013-10-11	21.77	0.8500	0.0000	0.0000	0.1200	0.9700
2013-07-05	21.62	0.0000	0.0000	0.0000	0.0800	0.0800
2013-04-05	21.13	0.0000	0.0000	0.0000	0.0800	0.0800

3 Year Average Morningstar Risk Measures



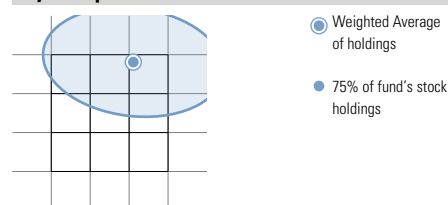
Pillars

Process	Neutral
Performance	Neutral
People	Positive
Parent	Positive
Price	Positive
Rating	Bronze

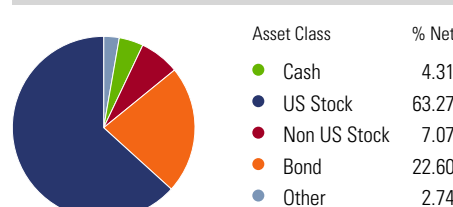
Investment Strategy

The investment seeks income and capital growth consistent with reasonable risk. The fund invests approximately 60% of assets in stocks and other equity securities and the remainder in bonds and other debt securities, including lower-quality debt securities, when its outlook is neutral. It invests at least 25% of total assets in fixed-income senior securities (including debt securities and preferred stock). The fund invests in domestic and foreign issuers.

Style Map




Asset Allocation



Fidelity Balanced K FBAKX

Morningstar Analyst Rating
 Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
23.13	↓0.06 0.26	1.62	25.4	Open	\$—	None	0.46%	★★★★	Moderate Allocation 	Large Growth

Management

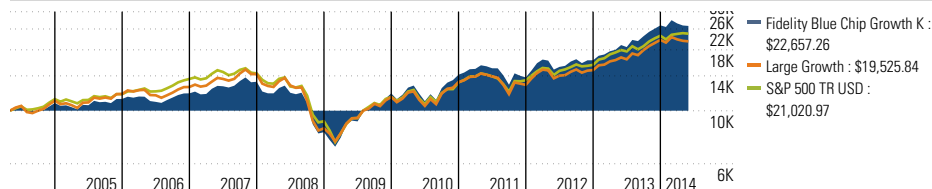
	Start Date
Pramod Atluri	2012-03-01
Steven Kaye	2008-09-30
Robert A. Lee	2008-09-30
Douglas Simmons	2008-09-30
Pierre Sorel	2008-09-30
Robert E. Stansky	2008-09-30
Peter Saperstone	2011-03-25
Tobias W. Welo	2011-11-14
Brian Lempel	2013-04-25
Jonathan Kasen	2013-07-16
Monty Kori	2013-07-16

Fidelity Blue Chip Growth K FBGKX

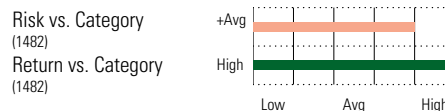
Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
63.46	↓0.38 0.60	0.48	15.8	Open	\$—	None	0.60%	★★★★★	Large Growth	Large Growth

Growth of 10,000 05-15-2004 - 05-15-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks growth of capital over the long term. The fund invests primarily in common stocks of well-known and established companies. It normally invests at least 80% of assets in blue chip companies. The fund invests in companies that Fidelity Management & Research Company believes have above-average growth potential. It invests in securities of domestic and foreign issuers. The fund uses fundamental analysis of factors such as each issuer's financial condition and industry position, as well as market and economic conditions, to select investments.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,946	10,159	11,851	14,916	26,280	22,657
Fund	-0.54	1.59	18.51	14.26	21.32	8.52
+/- S&P 500 TR USD	-2.55	-0.13	3.34	-0.05	2.62	0.81
+/- Category	0.89	0.44	3.98	2.37	3.81	0.92
% Rank in Cat	40	38	11	12	4	—
# of Funds in Cat	1,754	1,781	1,708	1,494	1,306	916

* Currency is displayed in USD

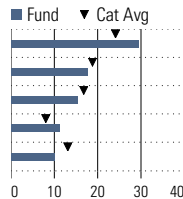
Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Google Inc Class A	5.48	528.30 USD	-0.16 ↓	511.00 - 1,228.88
⊖ Apple Inc	3.09	597.51 USD	1.48 ↑	388.87 - 604.41
⊕ Gilead Sciences Inc	2.67	80.80 USD	0.87 ↑	46.70 - 84.88
⊖ Facebook Inc Class A	2.49	58.02 USD	0.17 ↑	22.67 - 72.59
⊕ Amazon.com Inc	2.11	297.70 USD	0.85 ↑	258.34 - 408.06
% Assets in Top 5 Holdings	15.83			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	29.47	30.91	27.73	23.20
Consumer Cyclical	17.68	20.60	17.68	17.88
Healthcare	15.45	15.45	9.58	15.87
Consumer Defensive	11.27	15.72	11.27	7.11
Industrials	10.14	10.15	8.92	12.19



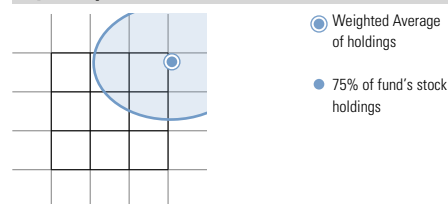
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-13	60.79	1.2900	0.0000	0.0000	0.1300	1.4200
2013-09-06	57.00	2.9500	0.2200	0.0000	0.2000	3.3700
2012-12-27	48.57	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-14	48.54	0.6800	0.0000	0.0000	0.2300	0.9100
2012-09-07	50.66	0.0000	0.0000	0.0000	0.0700	0.0700

Pillars

Process	Neutral
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Bronze

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	-0.01	0.03	0.01	0.00	2.25
US Stock	90.86	0.00	90.86	98.12	90.19
Non US Stock	9.14	0.00	9.14	1.88	7.29
Bond	0.00	0.00	0.00	0.00	0.13
Other	0.02	0.00	0.02	0.00	0.14

Management

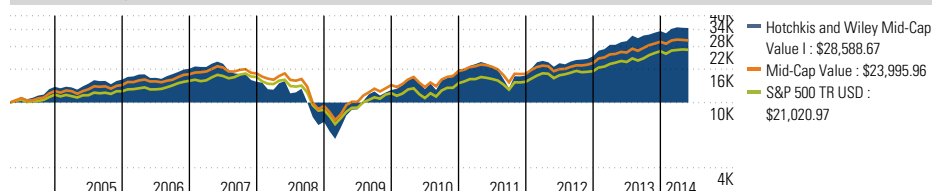
Sonu Kalra
Start Date
2009-07-01

Hotchkis and Wiley Mid-Cap Value I HWMIX

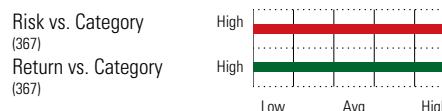
Morningstar Analyst Rating
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
42.48	↓0.08 0.19	0.30	3.3	Limited	\$1	None	1.07%	★★★★	Mid-Cap Value	Mid Value

Growth of 10,000 05-15-2004 - 05-15-2014



3 Year Average Morningstar Risk Measures



Investment Strategy

The investment seeks capital appreciation. The fund normally invests at least 80% of its net assets plus borrowings for investment purposes in equity securities of mid capitalization companies. The Advisor currently considers mid-cap companies to be those with market capitalizations like those found in the Russell Midcap® Index. The fund may also invest in the securities of small capitalization companies and in foreign (non-U.S.) securities. It seeks to invest in stocks whose future prospects are misunderstood or not fully recognized by the market.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,441	10,100	12,171	16,561	32,990	28,589
Fund	4.41	1.00	21.71	18.31	26.96	11.08
+/- S&P 500 TR USD	2.39	-0.72	6.54	4.00	8.26	3.36
+/- Category	2.52	-0.13	5.49	5.65	6.63	1.92
% Rank in Cat	5	53	7	2	1	5
# of Funds in Cat	429	442	417	367	306	193

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ NRG Energy Inc	4.29	33.78 USD	0.30 ↑	24.86 - 35.15
⊕ Great Plains Energy Inc	3.72	25.68 USD	0.86 ↑	21.46 - 27.52
⊖ SunTrust Banks Inc	3.70	37.21 USD	-1.12 ↓	30.17 - 41.26
⊕ Cobalt International Energy Inc	3.50	17.22 USD	-0.29 ↓	13.75 - 30.27
⊕ ARRIS Group Inc	3.48	29.52 USD	1.34 ↑	14.07 - 31.42
% Assets in Top 5 Holdings	18.68			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	28.01	28.01	26.54	20.79	■ Fund ▼ Cat Avg
Utilities	15.72	15.72	8.37	6.81	
Technology	15.04	15.96	10.38	11.85	
Consumer Cyclical	13.39	23.15	13.39	12.17	
Energy	9.41	9.41	7.88	8.48	

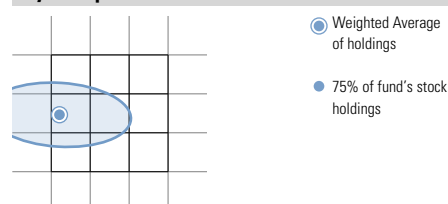
Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-13	38.99	0.0000	0.0000	0.0000	0.1300	0.1300
2012-12-14	28.12	0.0000	0.0000	0.0000	0.1300	0.1300
2011-12-16	20.87	0.0000	0.0000	0.0000	0.0200	0.0200
2010-12-17	23.12	0.0000	0.0000	0.0000	0.0800	0.0800
2009-12-18	17.79	0.0000	0.0000	0.0000	0.1600	0.1600

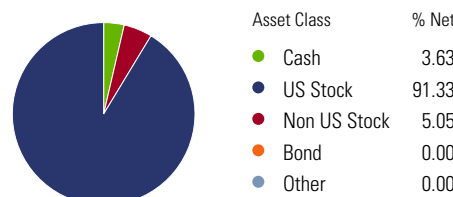
Pillars

Process	Neutral
Performance	Positive
People	Positive
Parent	Positive
Price	Negative
Rating	Bronze

Style Map



Asset Allocation



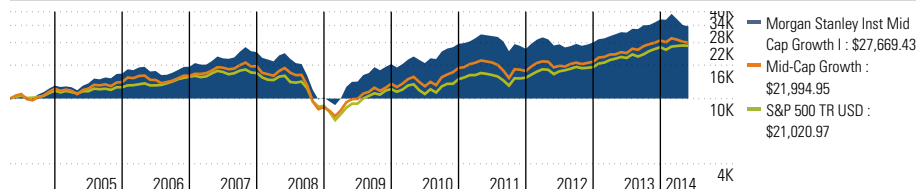
Management

	Start Date
Stanley Majcher	1999-01-01
James B. Miles	1997-01-02
George H. Davis, Jr.	2007-02-23

Morgan Stanley Inst Mid Cap Growth I MPEGX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
41.12	↓-0.31 -0.75	0.00	7.1	Open	\$5	None	0.70%	★★★	Mid-Cap Growth	Mid Growth

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks long-term capital growth. The fund normally invests at least 80% of assets in common stocks of mid cap companies. It seeks to invest in high quality companies it believes have sustainable competitive advantages and the ability to redeploy capital at high rates of return. The fund may invest up to 25% of its net assets in securities of foreign issuers, including issuers located in emerging market or developing countries. It may invest in privately placed securities. In addition, the Portfolio may invest in convertible securities. It may utilize foreign currency forward exchange contracts.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,075	9,662	10,730	11,478	23,162	27,669
Fund	-9.25	-3.38	7.30	4.70	18.29	10.71
+/- S&P 500 TR USD	-11.27	-5.10	-7.87	-9.61	-0.41	3.00
+/- Category	-6.39	-3.40	-5.56	-5.13	-0.49	1.89
% Rank in Cat	95	97	95	96	62	17
# of Funds in Cat	758	765	712	644	562	420

* Currency is displayed in USD

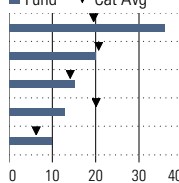
Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Illumina Inc	6.36	144.02 USD	-0.50 ↓	66.11 - 183.30
⊖ AthenaHealth Inc	3.41	113.55 USD	-0.57 ↓	82.01 - 206.70
⊕ Intuitive Surgical Inc	3.30	374.09 USD	2.65 ↑	346.46 - 541.23
⊖ Solera Holdings Inc	2.98	66.25 USD	1.32 ↑	50.39 - 71.15
⊖ Motorola Solutions Inc	2.93	66.30 USD	-0.06 ↓	53.62 - 68.33
% Assets in Top 5 Holdings	18.98			

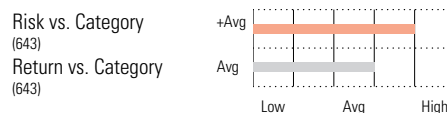
⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

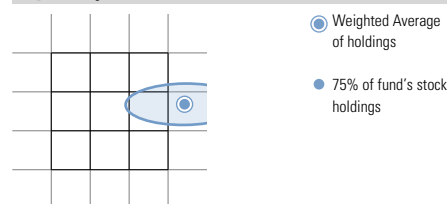
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	35.97	38.04	34.13	18.62
Industrials	19.85	20.01	18.78	19.78
Healthcare	15.12	15.12	9.63	13.20
Consumer Cyclical	12.76	12.91	9.49	19.18
Consumer Defensive	9.78	9.86	6.76	5.35


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-16	43.51	2.2200	0.4300	0.0000	0.0000	2.6400
2012-12-17	34.46	1.1800	0.0000	0.0000	0.1200	1.2900
2011-12-16	32.45	1.7400	0.0900	0.0000	0.0000	1.8300
2010-12-17	37.28	0.0000	0.0000	0.0000	0.1000	0.1000
2009-12-18	27.76	0.0000	0.0000	0.0000	0.0100	0.0100

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	★ Gold

Style Map

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	1.34	0.00	1.34	0.00	1.98
● US Stock	83.14	0.00	83.14	94.89	90.74
● Non US Stock	11.47	0.00	11.47	5.11	7.16
● Bond	0.00	0.00	0.00	0.00	0.08
● Other	4.05	0.09	4.14	0.00	0.05

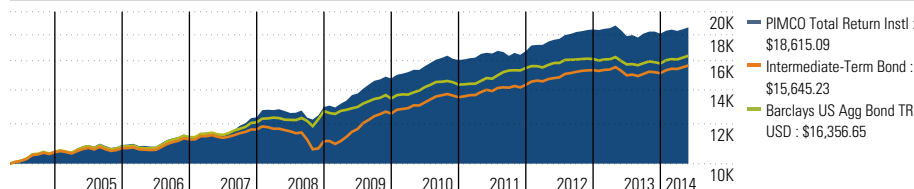
Management

	Start Date
Dennis P. Lynch	2002-01-18
David S. Cohen	2002-01-18
Sandeep (Sam) G. Chainani	2004-06-30
Alexander T. Norton	2005-07-29
Jason C. Yeung	2007-09-30
Armistead B. Nash	2008-09-30

PIMCO Total Return Instl PTTX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.92	↓0.00 0.00	2.15	230.4	Open	\$1	None	0.46%	★★★★	Intermediate-Term Bond	

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,291	10,093	9,993	11,273	13,699	18,615
Fund	2.91	0.93	-0.07	4.08	6.50	6.41
+/- Barclays US Agg Bond TR USD	-0.67	-0.04	-1.50	0.39	1.62	1.37
+/- Category	-0.64	-0.01	-1.45	0.18	0.22	1.57
% Rank in Cat	81	56	90	43	44	6
# of Funds in Cat	1,105	1,117	1,085	950	808	580

* Currency is displayed in USD

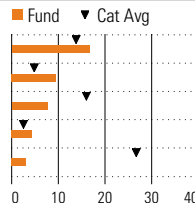
Top Holdings 12-31-2013

	Weight %	Maturity Date	Amount Mil	Value Mil
Irs Usd 1.500 03/18/15-1y (Red) Cme	15.17	03-18-2016	35,754.00	35,990.80
⊖ Irs Usd 3.000 09/21/16-1y (Blu) Cme	9.38	09-21-2017	22,157.50	22,265.66
⚡ Fin Fut Us 5yr Cbt 03/31/14	8.15	04-01-2014	16,212.40	19,343.42
⚡ Irs Usd 1.500 12/16/15-1y (Grn) Cme	6.76	12-16-2016	16,049.50	16,032.66
⚡ Fin Fut Us 10yr Cbt 03/20/14	3.64	03-21-2014	7,015.10	8,631.86
% Assets in Top 5 Holdings	43.10			

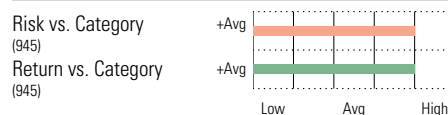
⊕ Increase ⊖ Decrease ⚡ New to Portfolio

Top Sectors 12-31-2013

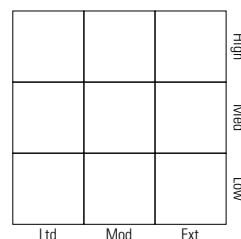
	Fund	BMark	Cat Avg
Other Government Related	16.69	—	12.95
Agency MBS Pass-Through	9.50	—	3.98
U.S. Treasury	7.66	—	15.15
U.S. Treasury Inflation-Protected	4.36	—	1.68
Corporate Bond	3.14	—	25.83


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-04-30	10.84	0.0000	0.0000	0.0000	0.0200	0.0200
2014-03-31	10.78	0.0000	0.0000	0.0000	0.0200	0.0200
2014-02-28	10.86	0.0000	0.0000	0.0000	0.0200	0.0200
2014-01-31	10.82	0.0000	0.0000	0.0000	0.0100	0.0100
2013-12-31	10.69	0.0000	0.0000	0.0000	0.0100	0.0100

3 Year Average Morningstar Risk Measures

Pillars

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Neutral
Price	+	Positive
Rating		Gold

Style Map 03-31-2010

Bond Statistics

	Value
Average Effective Duration (Years)	5.37
Average Effective Maturity (Years)	6.04
Average Credit Quality	Not Rated
Average Weighted Coupon	3.19
Average Weighted Price	—

Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	-42.30	174.68	132.38	—	-0.08
Stock	0.31	0.00	0.31	—	0.24
Bond	140.56	8.39	148.94	—	97.10
Other	1.43	0.06	1.49	—	2.75

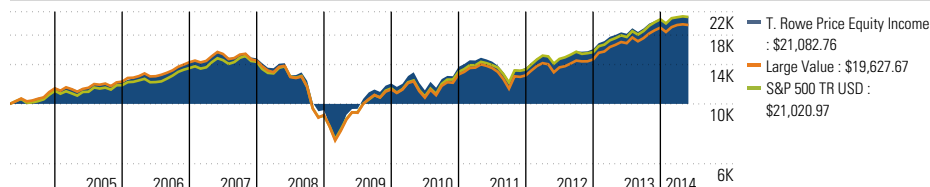
Management

	Start Date
William H. Gross	1987-05-11

T. Rowe Price Equity Income PRFDX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
33.22	↓-0.27 -0.81	1.78	30.2	Open	\$2,500	None	0.67%	★★★	Large Value	Large Value

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks a high level of dividend income and long-term capital growth primarily through investments in stocks. The fund will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in common stocks, with an emphasis on large-capitalization stocks that have a strong track record of paying dividends or that are believed to be undervalued. It generally seeks investments in large-capitalization companies and the fund's yield, which reflects the level of dividends paid by the fund, is expected to normally exceed the yield of the S&P 500 Stock Index.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,178	10,144	11,297	14,507	22,874	21,083
Fund	1.78	1.44	12.97	13.20	18.00	7.74
+/- S&P 500 TR USD	-0.24	-0.29	-2.20	-1.11	-0.70	0.03
+/- Category	-0.52	-0.13	-1.32	0.49	0.85	0.46
% Rank in Cat	62	56	70	44	30	37
# of Funds in Cat	1,292	1,314	1,235	1,066	946	621

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
General Electric Co	2.71	26.67 USD	0.26 ↑	22.76 - 28.09
⊖ JPMorgan Chase & Co	2.64	53.31 USD	-0.37 ↓	50.06 - 61.48
Wells Fargo & Co	2.21	49.08 USD	0.10 ↑	39.09 - 50.49
Chevron Corp	2.13	123.18 USD	-0.51 ↓	109.27 - 127.83
Exxon Mobil Corporation	1.82	100.74 USD	-0.04 ↓	84.79 - 103.45
% Assets in Top 5 Holdings	11.51			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	19.99	20.46	19.86	21.25	■ Fund ▼ Cat Avg
Energy	15.47	15.47	14.03	12.40	
Industrials	14.92	15.90	14.51	10.37	
Consumer Cyclical	12.01	12.12	11.69	8.22	
Technology	9.41	9.67	9.02	10.77	

Dividend and Capital Gains Distributions

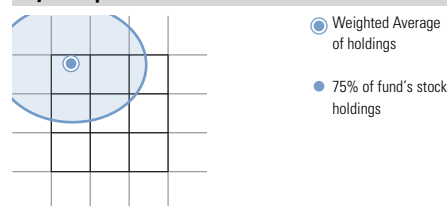
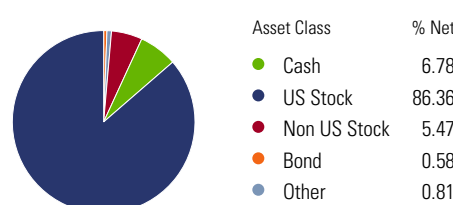
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-27	32.74	0.0000	0.0000	0.0000	0.2000	0.2000
2013-12-12	31.63	0.8500	0.0000	0.0000	0.1400	0.9900
2013-09-26	31.46	0.0000	0.0000	0.0000	0.1400	0.1400
2013-06-26	29.82	0.0000	0.0000	0.0000	0.1300	0.1300
2013-03-26	29.18	0.0000	0.0000	0.0000	0.1300	0.1300

3 Year Average Morningstar Risk Measures

Risk vs. Category (1068)	Avg			
Return vs. Category (1068)	Avg			
		Low	Avg	High

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★ Gold

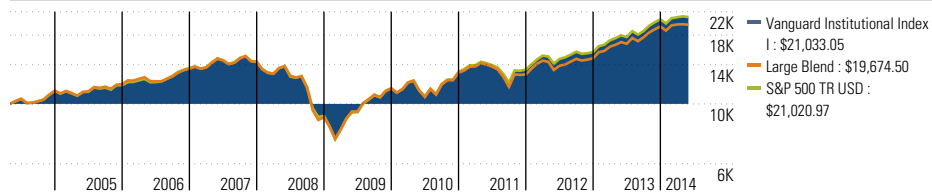
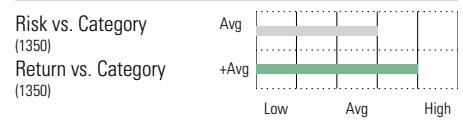
Style Map

Asset Allocation

Management

	Start Date
Brian C. Rogers	1985-10-31

Vanguard Institutional Index I VINIX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
171.85	↓-1.59 -0.92	1.89	168.0	Open	\$5	None	0.04%	★★★★	Large Blend	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

3 Year Average Morningstar Risk Measures

Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,200	10,172	11,513	14,925	23,555	21,033
Fund	2.00	1.72	15.13	14.28	18.69	7.72
+/- S&P 500 TR USD	-0.02	0.00	-0.04	-0.03	-0.01	0.01
+/- Category	0.50	0.06	0.73	1.62	1.28	0.44
% Rank in Cat	32	40	36	20	21	31
# of Funds in Cat	1,673	1,704	1,574	1,351	1,202	805

* Currency is displayed in USD

Top Holdings 04-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	3.12	597.51 USD	1.48 ↑	388.87 - 604.41
Exxon Mobil Corporation	2.63	100.74 USD	-0.04 ↓	84.79 - 103.45
Microsoft Corp	1.81	39.83 USD	0.58 ↑	30.84 - 41.66
Johnson & Johnson	1.70	100.58 USD	-0.11 ↓	82.12 - 101.98
General Electric Co	1.60	26.67 USD	0.26 ↑	22.76 - 28.09
% Assets in Top 5 Holdings	10.86			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 04-30-2014

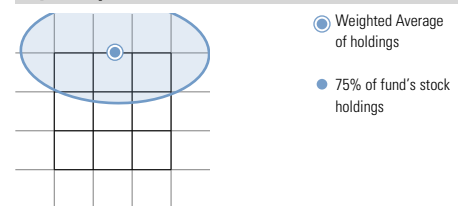
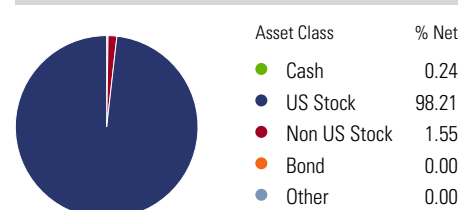
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	16.91	17.21	16.77	16.25
Financial Services	14.74	15.33	14.41	15.56
Healthcare	13.06	13.06	11.93	13.59
Industrials	11.43	11.68	11.05	13.64
Energy	10.56	10.95	10.27	9.68

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-28	170.15	0.0000	0.0000	0.0000	0.8100	0.8100
2013-12-26	168.64	0.0000	0.0000	0.0000	0.8900	0.8900
2013-09-26	155.55	0.0000	0.0000	0.0000	0.7800	0.7800
2013-06-27	147.70	0.0000	0.0000	0.0000	0.7800	0.7800
2013-03-27	143.10	0.0000	0.0000	0.0000	0.6700	0.6700

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

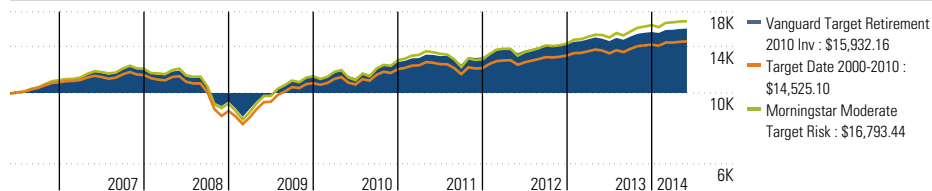
Style Map

Asset Allocation

Management

Donald M. Butler
 Start Date: 2000-12-31

Vanguard Target Retirement 2010 Inv VTENX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.26	↓ -0.07 -0.27	1.59	6.9	Open	\$1,000	None	0.16%	★★★★	Target Date 2000-2010	Large Blend

Growth of 10,000 06-07-2006 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,258	10,119	10,590	12,214	16,664	—
Fund	2.58	1.19	5.90	6.89	10.75	—
+/- Morningstar Moderate Target Risk	-0.25	-0.18	-2.95	-1.18	-1.44	—
+/- Category	0.22	-0.04	0.65	1.24	0.52	—
% Rank in Cat	38	54	39	19	46	—
# of Funds in Cat	168	175	151	137	125	35

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Vanguard Total Bond Market II Idx Inv	36.03	10.77 USD	0.28 ↑	10.40 - 10.92
⊖ Vanguard Total Stock Mkt Idx Inv	27.15	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Shrt-Term Infl-Prot Sec Idx Inv	12.86	24.97 USD	0.08 ↑	24.44 - 25.02
⊕ Vanguard Total Intl Bd Idx Investor	12.12	10.20 USD	0.00 ↓	9.79 - 10.20
⊖ Vanguard Total Intl Stock Index Inv	11.83	17.07 USD	-0.47 ↓	14.25 - 17.15
% Assets in Top 5 Holdings	99.98			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

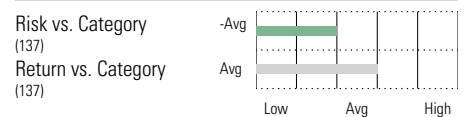
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.90	17.06	14.91	16.78
Technology	14.13	14.64	13.94	14.83
Industrials	12.09	12.12	11.96	11.55
Consumer Cyclical	11.45	11.84	10.51	11.68
Healthcare	11.37	11.37	10.25	11.97

	Fund	BMark	Cat Avg
Government	54.93	67.53	35.37
Agency Mortgage-Backed	12.67	0.07	13.62
Government-Related	4.63	1.66	4.59
Commercial MBS	0.66	0.00	1.48
Covered Bond	0.57	0.02	0.10

Dividend and Capital Gains Distributions

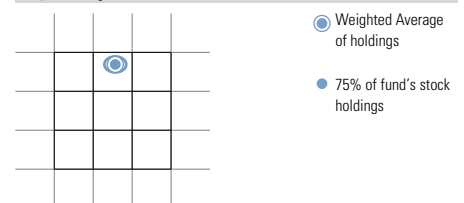
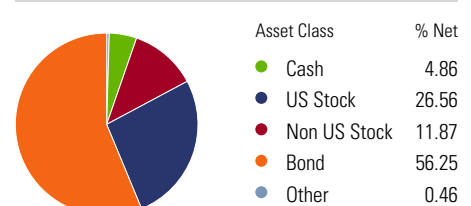
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	25.54	0.3000	0.0000	0.0000	0.4200	0.7200
2012-12-28	24.02	0.0000	0.0400	0.0000	0.5300	0.5700
2011-12-29	22.44	0.0000	0.0400	0.0000	0.6000	0.6300
2010-12-30	22.26	0.0000	0.0400	0.0000	0.5100	0.5500
2009-12-30	20.63	0.0000	0.0000	0.0000	0.4900	0.4900

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2010 (the target year). Its asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

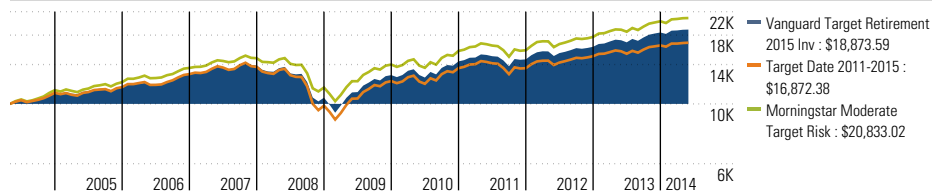
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2015 Inv VTXVX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
15.14	↓-0.06 -0.40	1.72	21.3	Open	\$1,000	None	0.16%	★★★★	Target Date 2011-2015	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,251	10,134	10,762	12,545	17,660	18,874
Fund	2.51	1.34	7.62	7.85	12.05	6.56
+/- Morningstar Moderate Target Risk	-0.32	-0.04	-1.22	-0.22	-0.14	-1.06
+/- Category	0.16	0.06	1.89	1.63	0.95	1.24
% Rank in Cat	41	38	14	10	29	8
# of Funds in Cat	190	199	176	141	118	14

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Vanguard Total Stock Mkt Idx Inv	36.67	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Bond Market II Idx Inv	31.71	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Stock Index Inv	15.83	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Intl Bd Idx Investor	9.48	10.20 USD	0.00 ↓	9.79 - 10.20
⊕ Vanguard Shrt-Term Infl-Prot Sec Idx Inv	6.32	24.97 USD	0.08 ↑	24.44 - 25.02

% Assets in Top 5 Holdings 100.00

⊕ Increase ⊖ Decrease ☆ New to Portfolio

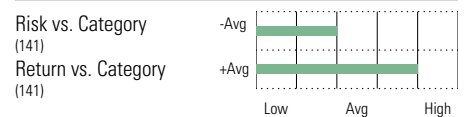
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.05	14.90	16.88
Technology	14.15	14.65	13.95	14.76
Industrials	12.09	12.12	11.96	11.72
Consumer Cyclical	11.46	11.84	10.51	12.02
Healthcare	11.38	11.38	10.25	12.16

	Fund	BMark	Cat Avg
Government	51.38	65.86	33.08
Agency Mortgage-Backed	14.27	0.08	14.19
Government-Related	5.10	1.64	4.71
Commercial MBS	0.75	0.00	1.53
Non-Agency Residential MBS	0.58	0.01	1.61

Dividend and Capital Gains Distributions

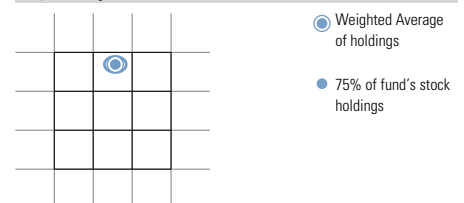
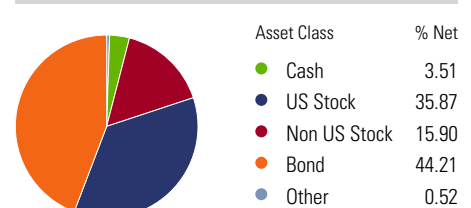
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	14.73	0.0900	0.0000	0.0000	0.2600	0.3500
2012-12-28	13.29	0.0000	0.0200	0.0000	0.3000	0.3200
2011-12-29	12.31	0.0000	0.0200	0.0000	0.3100	0.3300
2010-12-30	12.40	0.0000	0.0200	0.0000	0.2800	0.3000
2009-12-30	11.38	0.0000	0.0000	0.0000	0.2800	0.2800

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2015 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

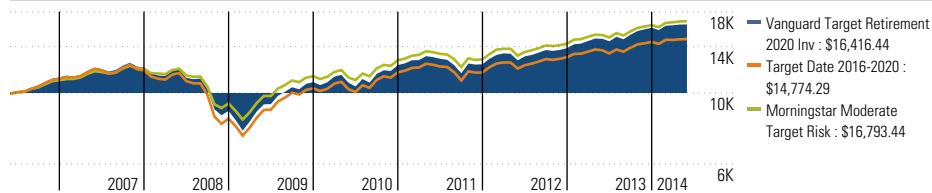
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2020 Inv VTWNX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
27.78	↓-0.12 -0.43	1.74	25.8	Open	\$1,000	None	0.16%	★★★★	Target Date 2016-2020	Large Blend

Growth of 10,000 06-07-2006 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,247	10,142	10,889	12,798	18,473	—
Fund	2.47	1.42	8.89	8.57	13.06	—
+/- Morningstar Moderate Target Risk	-0.36	0.04	0.04	0.50	0.87	—
+/- Category	0.28	0.05	2.41	1.74	1.11	—
% Rank in Cat	30	29	11	7	29	—
# of Funds in Cat	240	248	220	186	165	38

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	43.21	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Bond Market II Idx Inv	30.53	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Stock Index Inv	18.62	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Intl Bd Idx Investor	7.60	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.97			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

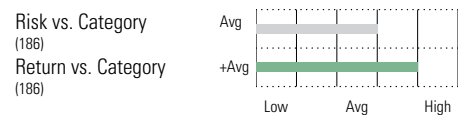
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.05	14.88	16.23
Technology	14.15	14.68	13.96	14.22
Industrials	12.09	12.12	11.96	11.70
Consumer Cyclical	11.46	11.84	10.51	11.86
Healthcare	11.38	11.38	10.26	11.78

	Fund	BMark	Cat Avg
Government	45.34	64.21	29.87
Agency Mortgage-Backed	17.02	0.08	16.31
Government-Related	5.91	1.63	7.90
Commercial MBS	0.89	0.00	1.20
Non-Agency Residential MBS	0.65	0.02	1.54

Dividend and Capital Gains Distributions

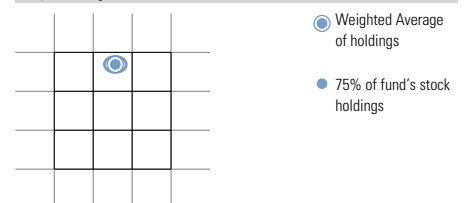
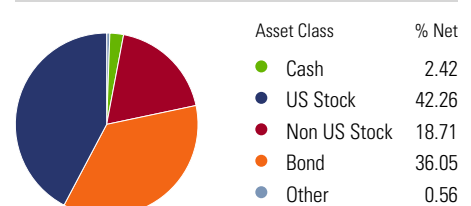
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	27.00	0.0100	0.0000	0.0000	0.4800	0.4900
2012-12-28	23.63	0.0000	0.0300	0.0000	0.5100	0.5300
2011-12-29	21.71	0.0000	0.0300	0.0000	0.5100	0.5400
2010-12-30	22.07	0.0000	0.0400	0.0000	0.4400	0.4800
2009-12-30	20.09	0.0000	0.0000	0.0000	0.4400	0.4400

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2020 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

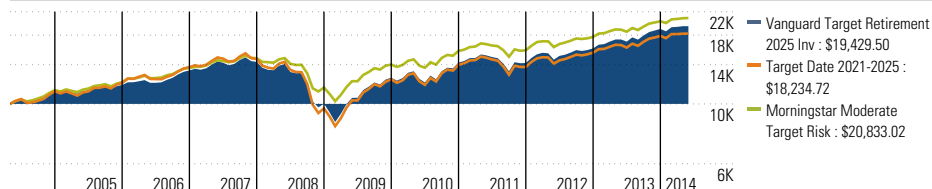
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2025 Inv VTTVX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
16.12	↓-0.08 -0.49	1.78	29.8	Open	\$1,000	None	0.17%	★★★★	Target Date 2021-2025	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,235	10,151	10,977	12,990	19,206	19,429
Fund	2.35	1.51	9.77	9.11	13.94	6.87
+/- Morningstar Moderate Target Risk	-0.48	0.13	0.93	1.04	1.75	-0.75
+/- Category	0.33	0.08	1.72	1.26	0.51	0.64
% Rank in Cat	29	33	18	11	35	13
# of Funds in Cat	195	204	181	134	105	9

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	48.44	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Bond Market II Idx Inv	24.59	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Stock Index Inv	20.85	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Intl Bd Idx Investor	6.12	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.99			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

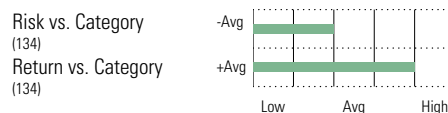
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.05	14.89	16.59
Technology	14.15	14.67	13.96	14.60
Industrials	12.09	12.12	11.96	11.63
Consumer Cyclical	11.46	11.84	10.51	11.75
Healthcare	11.38	11.38	10.26	12.05

	Fund	BMark	Cat Avg
Government	45.13	62.53	29.26
Agency Mortgage-Backed	16.94	0.09	15.23
Government-Related	5.88	1.61	5.75
Commercial MBS	0.88	0.00	1.21
Non-Agency Residential MBS	0.65	0.02	1.50

Dividend and Capital Gains Distributions

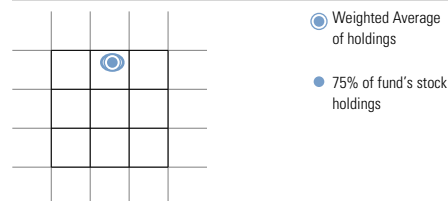
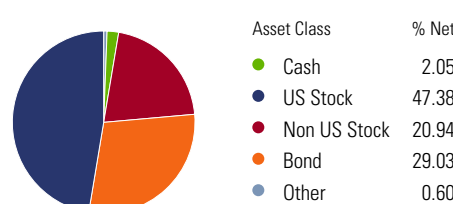
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	15.68	0.0000	0.0200	0.0000	0.2900	0.3000
2012-12-28	13.46	0.0000	0.0100	0.0000	0.3000	0.3100
2011-12-29	12.28	0.0000	0.0100	0.0000	0.2900	0.3000
2010-12-30	12.60	0.0000	0.0200	0.0000	0.2500	0.2700
2009-12-30	11.40	0.0000	0.0000	0.0000	0.2500	0.2500

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2025 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

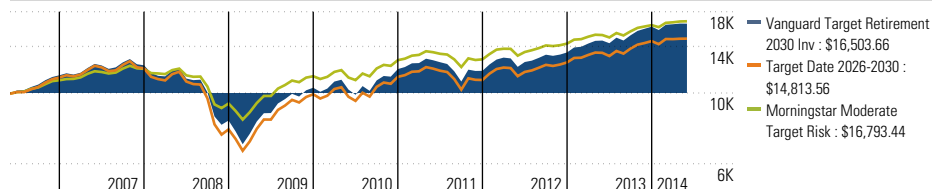
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2030 Inv VTHR

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.24	↓-0.16 -0.56	1.74	21.3	Open	\$1,000	None	0.17%	★★★★	Target Date 2026-2030	Large Blend

Growth of 10,000 06-07-2006 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,217	10,155	11,065	13,174	19,955	—
Fund	2.17	1.55	10.65	9.62	14.82	—
+/- Morningstar Moderate Target Risk	-0.66	0.17	1.81	1.55	2.63	—
+/- Category	0.35	0.01	2.15	1.62	1.11	—
% Rank in Cat	23	40	14	10	23	—
# of Funds in Cat	240	249	220	186	165	33

* Currency is displayed in USD

Top Holdings 03-31-2014

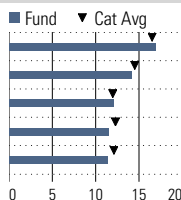
	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	53.67	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	23.12	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	18.57	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	4.63	10.20 USD	0.00 ↓	9.79 - 10.20

% Assets in Top 5 Holdings 99.98

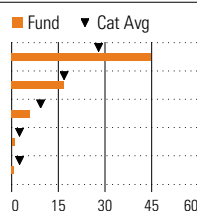
⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.05	14.87	16.05
Technology	14.15	14.70	13.96	14.05
Industrials	12.09	12.12	11.95	11.52
Consumer Cyclical	11.46	11.84	10.51	11.83
Healthcare	11.38	11.38	10.27	11.65



	Fund	BMark	Cat Avg
Government	44.69	60.71	26.67
Agency Mortgage-Backed	16.78	0.10	15.55
Government-Related	5.82	1.59	8.04
Commercial MBS	0.88	0.00	1.23
Non-Agency Residential MBS	0.65	0.02	1.26


Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	27.51	0.0000	0.0300	0.0000	0.4900	0.5300
2012-12-28	23.13	0.0000	0.0100	0.0000	0.5000	0.5100
2011-12-29	20.94	0.0000	0.0200	0.0000	0.4700	0.4900
2010-12-30	21.66	0.0000	0.0200	0.0000	0.4000	0.4200
2009-12-30	19.46	0.0000	0.0000	0.0000	0.3900	0.3900

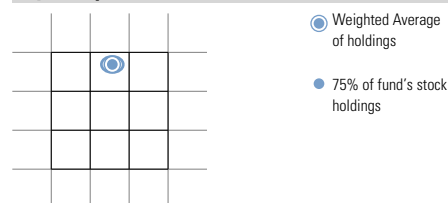
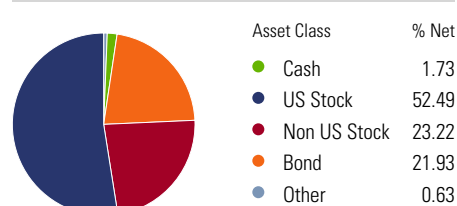
3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2030 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

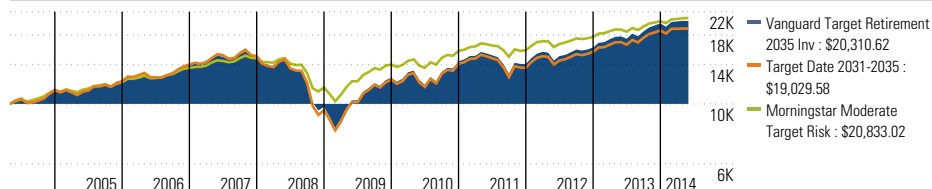
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2035 Inv VTTX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.33	↓-0.11 -0.63	1.87	22.4	Open	\$1,000	None	0.18%	★★★★	Target Date 2031-2035	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,206	10,164	11,158	13,358	20,671	20,311
Fund	2.06	1.64	11.58	10.13	15.63	7.34
+/- Morningstar Moderate Target Risk	-0.77	0.26	2.73	2.06	3.44	-0.27
+/- Category	0.50	0.10	1.78	1.26	0.86	1.00
% Rank in Cat	20	38	14	12	21	13
# of Funds in Cat	195	204	181	134	105	9

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	58.92	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	25.34	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	12.59	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	3.14	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.98			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

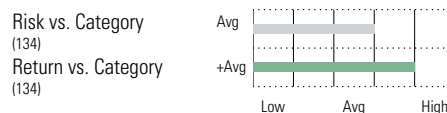
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.05	14.88	16.68
Technology	14.15	14.69	13.96	14.77
Industrials	12.09	12.12	11.95	11.35
Consumer Cyclical	11.46	11.84	10.51	11.74
Healthcare	11.38	11.38	10.27	12.03

	Fund	BMark	Cat Avg
Government	43.90	58.60	24.76
Agency Mortgage-Backed	16.48	0.11	13.06
Government-Related	5.72	1.55	4.96
Commercial MBS	0.86	0.00	0.85
Non-Agency Residential MBS	0.63	0.02	1.07

Dividend and Capital Gains Distributions

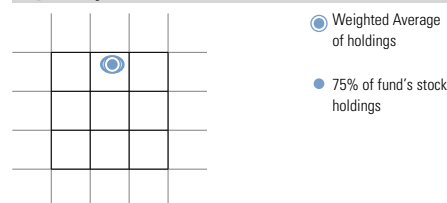
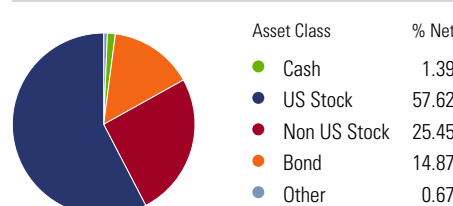
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	16.89	0.0000	0.0000	0.0000	0.3200	0.3200
2012-12-28	13.92	0.0000	0.0100	0.0000	0.3100	0.3100
2011-12-29	12.52	0.0000	0.0100	0.0000	0.2800	0.2900
2010-12-30	13.08	0.0400	0.0100	0.0000	0.2400	0.2900
2009-12-30	11.72	0.0000	0.0000	0.0000	0.2400	0.2400

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2035 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

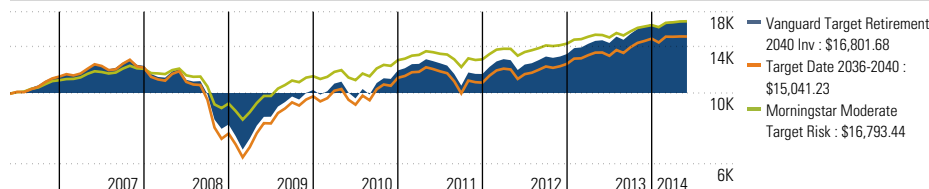
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2040 Inv VFORX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.86	↓-0.19 -0.65	1.73	14.6	Open	\$1,000	None	0.18%	★★★★	Target Date 2036-2040	Large Blend

Growth of 10,000 06-07-2006 - 05-15-2014

3 Year Average Morningstar Risk Measures

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,191	10,169	11,218	13,501	20,916	—
Fund	1.91	1.69	12.18	10.52	15.90	—
+/- Morningstar Moderate Target Risk	-0.92	0.31	3.34	2.45	3.71	—
+/- Category	0.33	0.06	2.44	1.82	1.20	—
% Rank in Cat	25	33	10	8	16	—
# of Funds in Cat	237	246	217	182	161	33

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	62.90	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	26.99	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	8.05	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	2.01	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.94			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.87	17.04	14.87	16.31
Technology	14.16	14.70	13.96	14.41
Industrials	12.09	12.12	11.95	11.34
Consumer Cyclical	11.46	11.84	10.51	11.65
Healthcare	11.39	11.39	10.27	11.77

	Fund	BMark	Cat Avg
Government	42.44	56.32	22.17
Agency Mortgage-Backed	15.93	0.11	12.35
Government-Related	5.53	1.51	5.65
Commercial MBS	0.83	0.00	1.07
Non-Agency Residential MBS	0.61	0.02	0.97

Dividend and Capital Gains Distributions

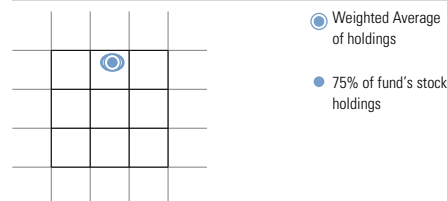
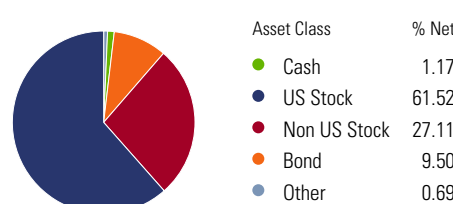
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	28.15	0.0100	0.0000	0.0000	0.5000	0.5100
2012-12-28	22.88	0.0000	0.0100	0.0000	0.5000	0.5000
2011-12-29	20.53	0.0000	0.0100	0.0000	0.4400	0.4500
2010-12-30	21.48	0.0000	0.0700	0.0000	0.3700	0.4400
2009-12-30	19.20	0.0000	0.0000	0.0000	0.3700	0.3700

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2040 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

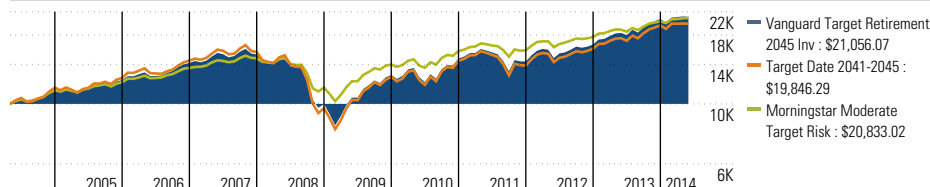
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2045 Inv VTIVX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
18.10	↓-0.12 -0.66	1.84	13.6	Open	\$1,000	None	0.18%	★★★★	Target Date 2041-2045	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,191	10,169	11,218	13,511	20,929	21,056
Fund	1.91	1.69	12.18	10.55	15.92	7.73
+/- Morningstar Moderate Target Risk	-0.91	0.31	3.34	2.48	3.73	0.11
+/- Category	0.51	0.09	1.63	1.26	0.64	0.00
% Rank in Cat	21	35	13	10	16	1
# of Funds in Cat	195	204	181	133	103	1

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	62.93	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	27.07	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	7.96	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	1.98	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.95			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.04	14.87	16.59
Technology	14.15	14.70	13.97	14.25
Industrials	12.09	12.13	11.95	11.63
Consumer Cyclical	11.46	11.84	10.51	12.07
Healthcare	11.38	11.38	10.27	11.80

■ Fund ▼ Cat Avg

0 5 10 15 20

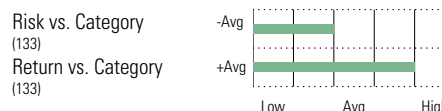
	Fund	BMark	Cat Avg
Government	42.44	54.75	23.31
Agency Mortgage-Backed	15.93	0.12	11.95
Government-Related	5.53	1.47	3.42
Commercial MBS	0.83	0.00	0.80
Non-Agency Residential MBS	0.61	0.02	1.12

■ Fund ▼ Cat Avg

0 15 30 45 60

Dividend and Capital Gains Distributions

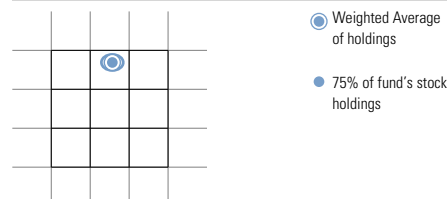
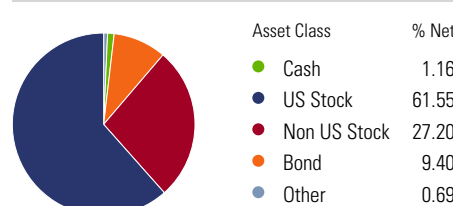
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	17.66	0.0000	0.0000	0.0000	0.3300	0.3300
2012-12-28	14.37	0.0000	0.0100	0.0000	0.3200	0.3200
2011-12-29	12.89	0.0000	0.0100	0.0000	0.2900	0.2900
2010-12-30	13.49	0.0500	0.0500	0.0000	0.2400	0.3500
2009-12-30	12.12	0.0000	0.0000	0.0000	0.2500	0.2500

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2045 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

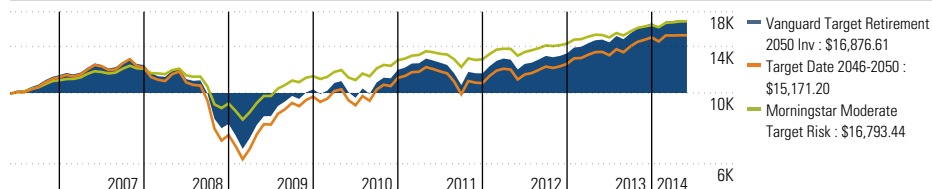
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2050 Inv VFIFX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
28.73	↓ -0.19 -0.66	1.80	6.7	Open	\$1,000	None	0.18%	★★★★	Target Date 2046-2050	Large Blend

Growth of 10,000 06-07-2006 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,192	10,166	11,220	13,505	20,922	—
Fund	1.92	1.66	12.20	10.54	15.91	—
+/- Morningstar Moderate Target Risk	-0.91	0.28	3.35	2.46	3.72	—
+/- Category	0.39	-0.02	2.09	1.54	0.96	—
% Rank in Cat	23	43	14	8	17	—
# of Funds in Cat	222	230	202	156	122	6

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	62.93	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	27.10	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	7.94	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	1.98	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.94			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.88	17.04	14.86	16.42
Technology	14.15	14.71	13.97	14.19
Industrials	12.09	12.13	11.95	11.66
Consumer Cyclical	11.46	11.84	10.51	11.97
Healthcare	11.38	11.38	10.27	11.80

	Fund	BMark	Cat Avg
Government	47.92	55.29	26.50
Corporate	22.05	44.37	28.21
Securitized	18.34	0.21	14.27
Cash & Equivalents	11.02	0.12	28.70
Municipal	0.68	0.00	0.58

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	28.03	0.0000	0.0000	0.0000	0.5200	0.5200
2012-12-28	22.79	0.0000	0.0100	0.0000	0.4900	0.4900
2011-12-29	20.44	0.0000	0.0100	0.0000	0.4400	0.4500
2010-12-30	21.38	0.1200	0.1200	0.0000	0.3700	0.6100
2009-12-30	19.26	0.0000	0.0000	0.0000	0.3700	0.3700

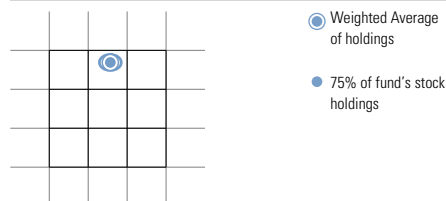
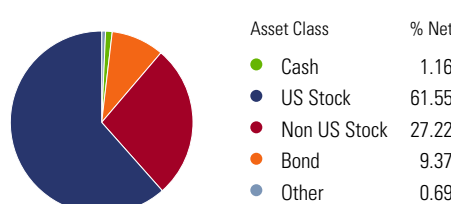
3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2050 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

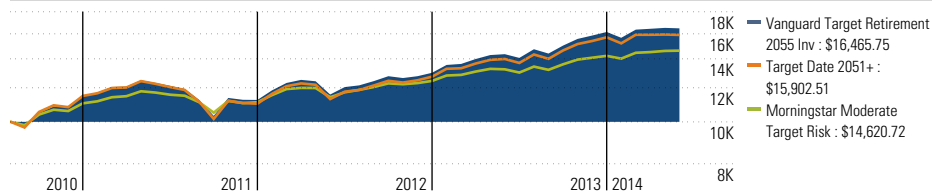
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement 2055 Inv VFFVX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.94	↓ -0.21 -0.67	1.54	1.4	Open	\$1,000	None	0.18%	★★★★	Target Date 2051+	Large Blend

Growth of 10,000 08-18-2010 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,194	10,168	11,218	13,533	—	—
Fund	1.94	1.68	12.18	10.61	—	—
+/- Morningstar Moderate Target Risk	-0.88	0.30	3.34	2.54	—	—
+/- Category	0.61	0.06	1.14	1.03	—	—
% Rank in Cat	17	40	20	14	—	—
# of Funds in Cat	156	182	141	80	23	0

* Currency is displayed in USD

Top Holdings 04-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	62.96	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	26.97	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	8.00	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	1.99	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.92			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

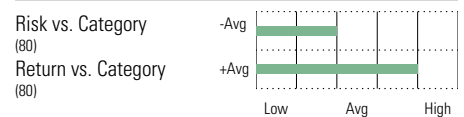
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.79	17.03	14.86	16.06
Technology	14.13	14.72	13.97	13.58
Industrials	12.07	12.14	11.95	11.44
Consumer Cyclical	11.50	11.80	10.51	11.34
Healthcare	11.42	11.28	10.28	11.39

	Fund	BMark	Cat Avg
Government	42.48	53.58	25.80
Agency Mortgage-Backed	15.94	0.13	12.56
Government-Related	5.53	1.35	5.66
Commercial MBS	0.83	0.00	0.68
Non-Agency Residential MBS	0.61	0.03	0.56

Dividend and Capital Gains Distributions

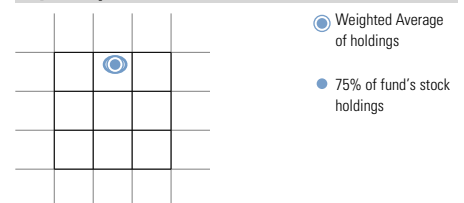
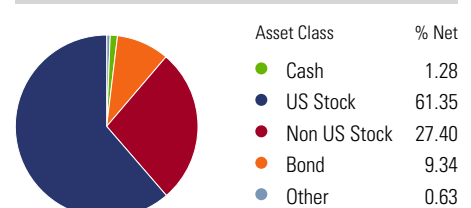
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	30.18	0.0000	0.0000	0.0000	0.4800	0.4800
2012-12-28	24.48	0.0100	0.0100	0.0000	0.4500	0.4600
2011-12-29	21.89	0.0000	0.0100	0.0000	0.3900	0.4000
2010-12-30	22.76	0.0000	0.0400	0.0000	0.1800	0.2200

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2055 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

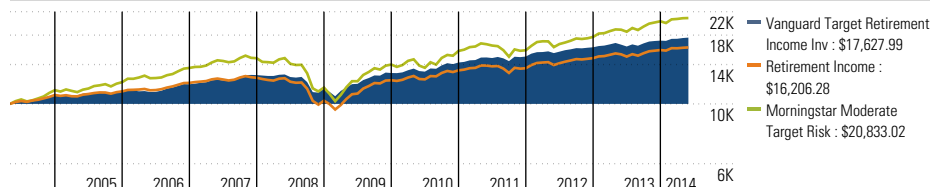
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Target Retirement Income Inv VTINX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
12.78	↓-0.02 -0.16	1.65	10.9	Open	\$1,000	None	0.16%	★★★★	Retirement Income	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,263	10,111	10,454	11,943	15,139	17,628
Fund	2.63	1.11	4.54	6.10	8.65	5.83
+/- Morningstar Moderate Target Risk	-0.20	-0.27	-4.30	-1.98	-3.54	-1.78
+/- Category	0.36	0.00	-0.04	0.65	-0.97	1.11
% Rank in Cat	29	51	46	34	67	6
# of Funds in Cat	293	297	289	268	232	40

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Bond Market II Idx Inv	39.14	10.77 USD	0.28 ↑	10.40 - 10.92
⊖ Vanguard Total Stock Mkt Idx Inv	21.07	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Shrt-Term Infl-Prot Sec Idx Inv	16.73	24.97 USD	0.08 ↑	24.44 - 25.02
⊕ Vanguard Total Intl Bd Idx Investor	13.96	10.20 USD	0.00 ↓	9.79 - 10.20
⊕ Vanguard Total Intl Stock Index Inv	9.03	17.07 USD	-0.47 ↓	14.25 - 17.15
% Assets in Top 5 Holdings	99.93			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

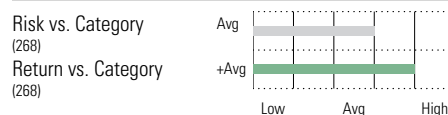
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.87	17.02	14.89	16.54
Technology	14.16	14.67	13.99	14.62
Industrials	12.09	12.13	11.96	11.82
Consumer Cyclical	11.46	11.84	10.51	11.70
Healthcare	11.39	11.39	10.26	11.45

	Fund	BMark	Cat Avg
Government	56.29	71.74	34.28
Agency Mortgage-Backed	12.04	0.04	14.07
Government-Related	4.45	1.69	5.34
Commercial MBS	0.63	0.00	1.45
Covered Bond	0.57	0.01	0.08

Dividend and Capital Gains Distributions

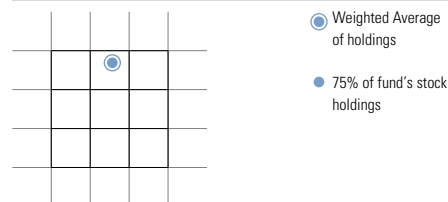
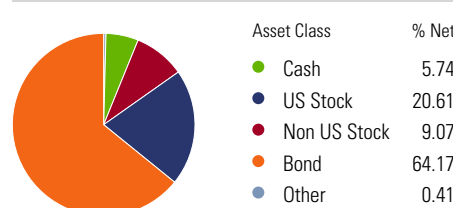
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-28	12.61	0.0000	0.0000	0.0000	0.0500	0.0500
2013-12-26	12.48	0.1900	0.0000	0.0000	0.0600	0.2600
2013-09-26	12.48	0.0000	0.0000	0.0000	0.0400	0.0400
2013-06-27	12.18	0.0000	0.0000	0.0000	0.0600	0.0600
2013-03-27	12.44	0.0000	0.0000	0.0000	0.0400	0.0400

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

Investment Strategy

The investment seeks to provide current income and some capital appreciation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors currently in retirement. Its indirect bond holdings are a diversified mix of short-, intermediate-, and long-term U.S. government, U.S. agency, and investment-grade U.S. corporate bonds; inflation-protected public obligations issued by the U.S. Treasury; mortgage-backed and asset-backed securities; and government, agency, corporate, and securitized investment-grade foreign bonds issued in currencies other than the U.S. dollar.

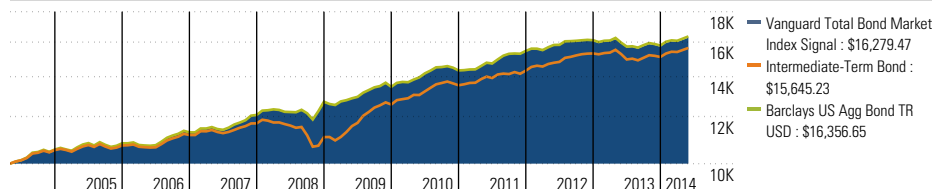
Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

Vanguard Total Bond Market Index Signal VBTX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.83	↓0.01 0.09	2.57	113.6	Limited	\$—	None	0.08%	★★	Intermediate-Term Bond	

Growth of 10,000 05-15-2004 - 05-15-2014

Investment Strategy

The investment seeks the performance of a broad, market-weighted bond index. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Aggregate Float Adjusted Index. This Index represents a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States-including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities-all with maturities of more than 1 year. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,358	10,087	10,131	11,113	12,625	16,279
Fund	3.58	0.87	1.31	3.58	4.77	4.99
+/- Barclays US Agg Bond TR USD	0.00	-0.10	-0.12	-0.10	-0.10	-0.05
+/- Category	0.03	-0.07	-0.07	-0.32	-1.51	0.16
% Rank in Cat	52	73	51	62	80	—
# of Funds in Cat	1,105	1,117	1,085	950	808	580

* Currency is displayed in USD

Top Holdings 04-30-2014

	Weight %	Maturity Date	Amount Mil	Value Mil
US Treasury Note 0.375%	0.68	11-15-2015	805.95	807.72
US Treasury Note 0.25%	0.62	02-29-2016	732.05	730.91
⊕ US Treasury Note 1.5%	0.56	08-31-2018	664.43	665.05
US Treasury Note 0.375%	0.55	01-15-2016	652.45	653.27
⊖ US Treasury Note 2.75%	0.55	02-15-2024	644.24	649.58
% Assets in Top 5 Holdings	2.95			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

Top Sectors 04-30-2014

	Fund	BMark	Cat Avg	
U.S. Treasury	37.33	—	15.15	
Corporate Bond	24.11	—	25.83	
Agency MBS Pass-Through	22.05	—	3.98	
U.S. Agency	3.25	—	1.92	
Other Government Related	2.75	—	12.95	

Dividend and Capital Gains Distributions

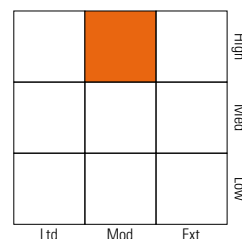
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-04-30	10.75	0.0000	0.0000	0.0000	0.0200	0.0200
2014-03-31	10.69	0.0000	0.0000	0.0000	0.0200	0.0300
2014-02-28	10.73	0.0000	0.0000	0.0000	0.0200	0.0200
2014-01-31	10.70	0.0000	0.0000	0.0000	0.0200	0.0200
2013-12-31	10.56	0.0000	0.0000	0.0000	0.0200	0.0200

3 Year Average Morningstar Risk Measures

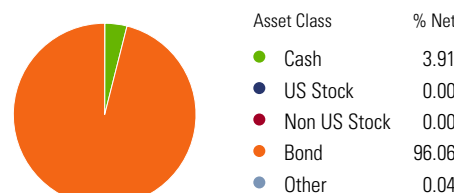
Risk vs. Category (945)	-Avg				
Return vs. Category (945)	-Avg				
	Low	Avg	High		

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★ Gold

Style Map 03-31-2014

Bond Statistics

	Value
Average Effective Duration (Years)	5.62
Average Effective Maturity (Years)	7.70
Average Credit Quality	AA
Average Weighted Coupon	3.60
Average Weighted Price	106.61

Asset Allocation

Management

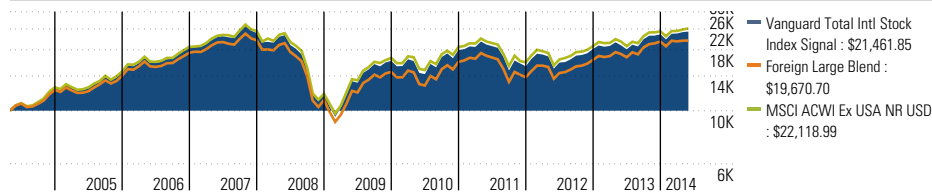
	Start Date
Kenneth E. Volpert	1992-12-01
Joshua C. Barrickman	2013-02-22

Vanguard Total Intl Stock Index Signal VTSGX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.25	↓-0.16 -0.47	3.13	122.8	Limited	\$—	None	0.14%	★★	Foreign Large Blend	Large Blend

Growth of 10,000 05-15-2004 - 05-15-2014



Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States. The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes more than 5,330 stocks of companies located in 45 countries.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,268	10,279	10,953	11,593	17,553	21,462
Fund	2.68	2.79	9.53	5.05	11.91	7.94
+/- MSCI ACWI Ex USA NR USD	-0.25	-0.63	-0.27	0.19	0.06	-0.33
+/- Category	1.78	0.18	0.07	-0.74	-0.18	0.66
% Rank in Cat	16	46	51	69	—	—
# of Funds in Cat	817	834	795	694	622	330

* Currency is displayed in USD

Top Holdings 04-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.15	71.50 USD	0.56 ↑	59.30 - 72.05
⊕ Roche Holding AG	0.96	269.30 USD	1.24 ↑	212.80 - 274.80
⊕ Novartis AG	0.94	80.20 USD	0.31 ↑	63.45 - 80.40
⊕ HSBC Holdings PLC	0.91	632.50 USD	1.20 ↑	587.40 - 772.50
⊕ BP PLC	0.73	507.10 USD	0.82 ↑	426.55 - 510.00

% Assets in Top 5 Holdings 4.69

⊕ Increase ⊖ Decrease ★ New to Portfolio

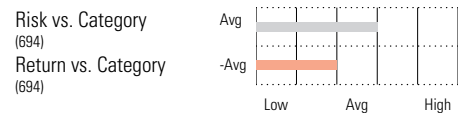
Top Sectors 04-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	22.09	22.42	20.89	21.32	■ Fund ▼ Cat Avg
Industrials	11.33	12.58	10.74	11.43	
Consumer Cyclical	11.07	11.45	10.39	13.02	
Consumer Defensive	9.57	9.86	9.21	10.45	
Basic Materials	9.46	11.00	9.44	8.25	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-24	32.62	0.0000	0.0000	0.0000	0.2400	0.2400
2013-12-19	32.62	0.0000	0.0000	0.0000	0.2900	0.2900
2013-09-20	32.60	0.0000	0.0000	0.0000	0.1500	0.1500
2013-06-21	29.11	0.0000	0.0000	0.0000	0.3900	0.3900
2013-03-21	30.70	0.0000	0.0000	0.0000	0.0800	0.0800

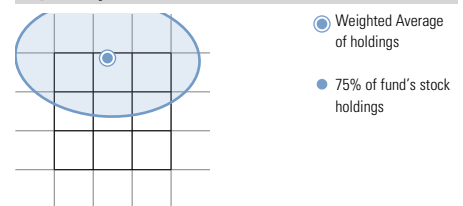
3 Year Average Morningstar Risk Measures



Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	0.46	0.00	0.46	0.01	0.15
● US Stock	0.12	—	0.12	0.07	1.40
● Non US Stock	97.00	—	97.00	98.69	93.92
● Bond	0.00	0.00	0.00	0.00	2.73
● Other	2.42	0.00	2.42	1.23	1.79

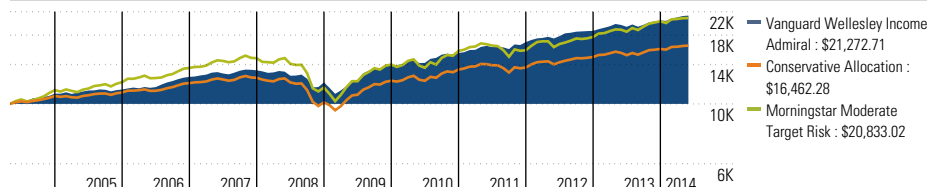
Management

Michael Perre	Start Date 2008-08-12
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Vanguard Wellesley Income Admiral VWIAX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
62.20	↓-0.08 -0.13	3.15	37.3	Open	\$50,000	None	0.18%	★★★★★	Conservative Allocation	Large Value

Growth of 10,000 05-15-2004 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,427	10,130	10,695	13,052	17,920	21,273
Fund	4.27	1.30	6.95	9.28	12.38	7.84
+/- Morningstar Moderate Target Risk	1.44	-0.08	-1.89	1.21	0.19	0.23
+/- Category	1.35	0.09	2.26	3.59	2.55	2.38
% Rank in Cat	19	34	14	6	13	5
# of Funds in Cat	756	772	732	566	487	246

* Currency is displayed in USD

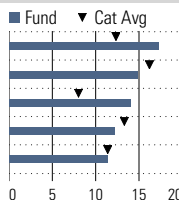
Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
FNMA	1.67	—	—	—
US Treasury Note 1.375%	1.63	—	—	—
Johnson & Johnson	1.62	100.58 USD	-0.11 ↓	82.12 - 101.98
US Treasury Bond 2.875%	1.60	—	—	—
Wells Fargo & Co	1.58	49.08 USD	0.10 ↑	39.09 - 50.49
% Assets in Top 5 Holdings	8.10			

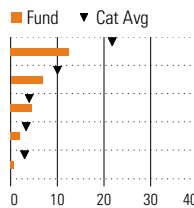
⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 03-31-2014

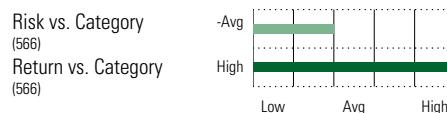
	Fund	3 Yr High	3 Yr Low	Cat Avg
Healthcare	17.23	17.23	14.56	11.88
Financial Services	14.86	14.86	13.28	15.75
Consumer Defensive	13.99	16.37	12.54	7.56
Technology	12.12	12.29	9.49	12.85
Energy	11.38	13.34	11.38	10.93



	Fund	BMark	Cat Avg
Government	12.45	66.56	20.90
Agency Mortgage-Backed	6.85	0.11	9.18
Commercial MBS	4.59	0.01	3.11
Asset-Backed	1.98	0.01	2.45
Non-Agency Residential MBS	0.66	0.01	2.14


Dividend and Capital Gains Distributions

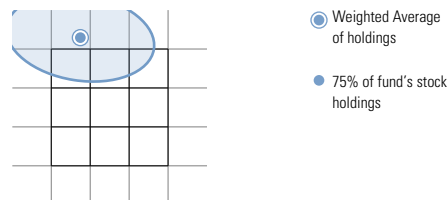
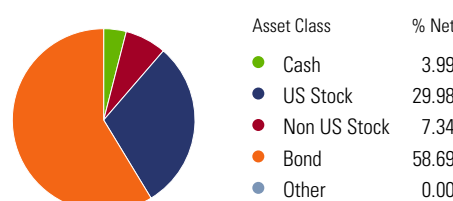
Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2014-03-28	61.05	0.0000	0.0000	0.0000	0.5500	0.5500
2013-12-17	59.45	1.5300	0.1100	0.0000	0.5100	2.1600
2013-09-26	60.34	0.0000	0.0000	0.0000	0.4500	0.4500
2013-06-27	59.55	0.0000	0.0000	0.0000	0.4900	0.4900
2013-03-27	60.21	0.0000	0.0000	0.0000	0.4300	0.4300

3 Year Average Morningstar Risk Measures

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★★ Gold

Investment Strategy

The investment seeks to provide long-term growth of income and a high and sustainable level of current income, along with moderate long-term capital appreciation. The fund invests approximately 60% to 65% of assets in investment-grade corporate, U.S. Treasury, and government agency bonds, as well as mortgage-backed securities. The remaining 35% to 40% of fund assets are invested in common stocks of companies that have a history of above-average dividends or expectations of increasing dividends.

Style Map

Asset Allocation

Management

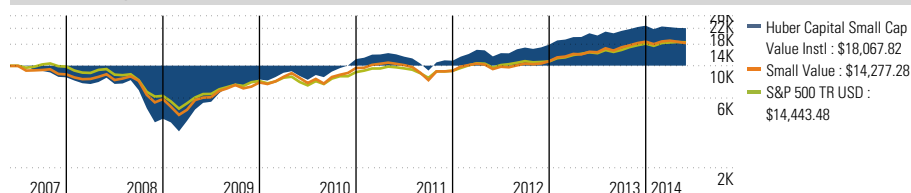
	Start Date
John C. Keogh	2008-06-30
W. Michael Reckmeyer III	2007-12-31

Huber Capital Small Cap Value Instl HUSEX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.51	↓0.08 0.46	0.00	340.6	Open	\$1	None	1.35%	★★★★★	Small Value	Small Value

Growth of 10,000 06-29-2007 - 05-15-2014



Investment Strategy

The investment seeks capital appreciation. The fund invests at least 80% of its net assets (plus borrowings for investment purposes) in common stocks of small capitalization U.S. companies whose stocks are considered by the Adviser to be undervalued. The Adviser currently considers small cap companies to be those with market capitalizations of \$3.0 billion or less and/or those with market capitalizations in the range of those found in the Russell 2000® Value Index. It will invest primarily in domestic U.S. securities but reserves the right to invest up to 20% of its net assets in ADRs, dollar-denominated foreign securities, or directly in foreign securities.

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,619	10,058	10,942	15,333	34,869	—
Fund	-3.81	0.58	9.42	15.31	28.38	—
+/- S&P 500 TR USD	-5.83	-1.14	-5.75	1.00	9.68	—
+/- Category	-1.73	1.68	-5.39	3.92	8.42	—
% Rank in Cat	82	11	95	—	—	—
# of Funds in Cat	389	398	374	317	258	164

* Currency is displayed in USD

Top Holdings 03-31-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ CNO Financial Group, Inc.	7.25	15.91 USD	-0.93 ↓	11.28 - 19.34
⊕ Virtus Investment Partners, Inc.	4.93	182.49 USD	3.40 ↑	152.61 - 248.89
⊕ Granite Real Estate Inc Shs of Granite Real Estate Inc + 1 TU Granite REIT	4.48	40.19 USD	-0.89 ↓	33.89 - 42.79
⊕ Carpenter Technology Corporation	3.40	64.31 USD	-1.06 ↓	43.91 - 67.00
⊕ Rent-A-Center, Inc.	3.25	29.23 USD	1.60 ↑	23.65 - 40.81
% Assets in Top 5 Holdings	23.32			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

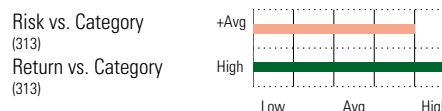
Top Sectors 03-31-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	25.43	25.43	21.57	21.80	■ Fund ▼ Cat Avg
Consumer Cyclical	18.27	21.32	18.27	12.54	
Industrials	13.98	17.81	13.95	18.40	
Basic Materials	10.15	12.85	10.15	7.63	
Technology	7.42	7.42	4.14	13.14	

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-17	13.15	0.0000	0.0000	0.0000	0.0400	0.0400

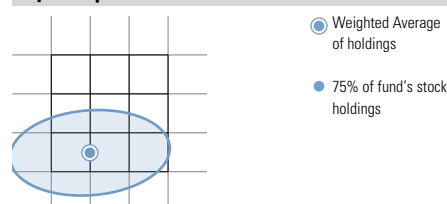
3 Year Average Morningstar Risk Measures



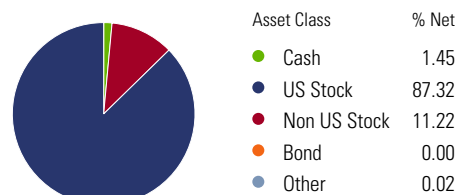
Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

Style Map



Asset Allocation



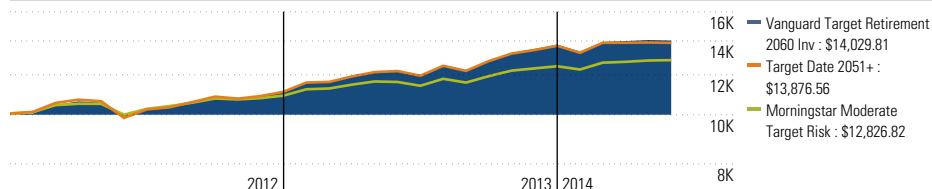
Management

Joseph R. Huber
Start Date 2007-06-29

Vanguard Target Retirement 2060 Inv VTTSX

Morningstar Analyst Rating
Gold

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
27.27	↓-0.18 -0.66	1.34	379.9	Open	\$1,000	None	0.18%		Target Date 2051+	Large Blend

Growth of 10,000 01-19-2012 - 05-15-2014

Performance 05-15-2014

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,194	10,168	11,225	—	—	—
Fund	1.94	1.68	12.25	—	—	—
+/- Morningstar Moderate Target Risk	-0.88	0.30	3.41	—	—	—
+/- Category	0.61	0.06	1.21	—	—	—
% Rank in Cat	18	40	17	—	—	—
# of Funds in Cat	156	182	141	80	23	0

* Currency is displayed in USD

Top Holdings 04-30-2014

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Vanguard Total Stock Mkt Idx Inv	62.98	47.09 USD	-0.88 ↓	39.36 - 47.94
⊕ Vanguard Total Intl Stock Index Inv	26.97	17.07 USD	-0.47 ↓	14.25 - 17.15
⊕ Vanguard Total Bond Market II Idx Inv	8.00	10.77 USD	0.28 ↑	10.40 - 10.92
⊕ Vanguard Total Intl Bd Idx Investor	2.00	10.20 USD	0.00 ↓	9.79 - 10.20
% Assets in Top 5 Holdings	99.95			

⊕ Increase ⊖ Decrease ☆ New to Portfolio

Top Sectors 04-30-2014

	Fund	3 Yr High	3 Yr Low	Cat Avg
Financial Services	16.59	17.03	15.71	16.07
Technology	14.10	14.10	13.83	13.58
Industrials	12.14	12.29	12.10	11.44
Healthcare	11.28	11.28	10.18	11.40
Consumer Cyclical	11.21	11.80	10.98	11.30

0 5 10 15 20

■ Fund ▼ Cat Avg

	Fund	BMark	Cat Avg
Government	42.59	53.58	25.80
Agency Mortgage-Backed	15.97	0.13	12.56
Government-Related	5.54	1.35	5.66
Commercial MBS	0.83	0.00	0.68
Non-Agency Residential MBS	0.61	0.03	0.56

0 15 30 45 60

■ Fund ▼ Cat Avg

Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-12-26	26.59	0.0000	0.0000	0.0000	0.3700	0.3700
2012-12-28	21.53	0.0000	0.0100	0.0000	0.3200	0.3200

3 Year Average Morningstar Risk Measures

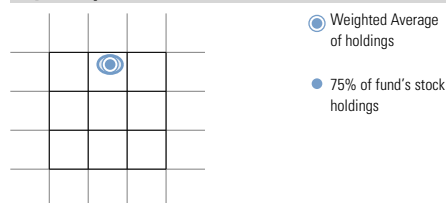
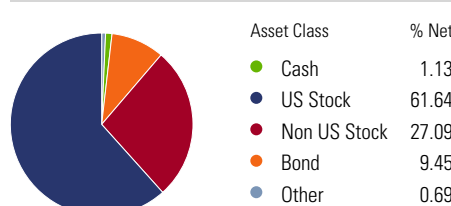
Risk vs. Category (80)	None			
Return vs. Category (80)	None			
	Low	Avg	High	

Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Gold

Investment Strategy

The investment seeks to provide capital appreciation and current income consistent with its current asset allocation. The fund invests in other Vanguard mutual funds according to an asset allocation strategy designed for investors planning to retire and leave the workforce in or within a few years of 2060 (the target year). The fund's asset allocation will become more conservative over time, meaning that the percentage of assets allocated to stocks will decrease while the percentage of assets allocated to bonds and other fixed income investments will increase.

Style Map

Asset Allocation

Management

	Start Date
Michael H. Buek	2013-02-22
William Coleman	2013-02-22
Walter Nejman	2013-02-22

FUND CHANGES

EBMUD 457, 401(k) and 401(a) Plans

12/5/12	12/5/12	POSTPONE: Addition of the ICMA-RC Vantage Trust PLUS Fund and closure of the Fidelity Managed Income Portfolio II Class I		STABLE VALUE FUND: Table discussion of the stable value fund for the 3/6/13 meeting.
11/1/12	3/9/13	ADD: ICMA-RC Vantage Trust PLUS Fund CLOSE: Fidelity Managed Income Portfolio II Class I	MAP TO: ICMA-RC Vantage Trust PLUS Fund	
8/23/12	11/26/12	WATCH CONTINUED: Heartland Value Fund Institutional ADD: T. Rowe Price Equity Income Fund CLOSE: Mutual Beacon Fund Class Z	MAP TO: T. Rowe Price Equity Income	RECORDKEEPER CONTRACT: Accepted Sub-Committee's recommendation to negotiate new contract with Fidelity Investments effective January 1, 2013
	6/1/12	ADD: Heartland Value Fund Institutional American Century Investments Select Fund Institutional CLOSE: Heartland Value Fund American Century Investments Select Fund Investor Class	MAP TO: Heartland Value Fund Institutional American Century Investments Select Fund Institutional	*Change SHARE CLASS – Institutional Class has lower fees*
5/24/12	8/29/12	WATCH CONTINUED: Mutual Beacon WATCH: Heartland Value Fund ADD: Vanguard Total Intl Stock Index Signal		
	3/9/12	LIQUIDATION OPTION: Invoked one-year “put” clock to allow possible liquidation of the Fidelity Managed Income Portfolio II Class I stable value fund		LIQUIDATION OPTION: Invoked one-year “put” clock to allow
3/1/12		WATCH CONTINUED: Mutual Beacon		

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: June 4, 2014

MEMO TO: EBMUD 401(a) Advisory Committee

FROM: Lisa Sorani, Manager of Employee Services *LS*,

SUBJECT: Determination of Revenue Share Environment

The EBMUD 401(a) Advisory Committee is being asked to consider if the EBMUD Deferred Compensation Plans should go to a zero revenue share environment. Greg Settle (Hyas Group) and Lisa Sorani (Staff) will provide a synopsis of the discussions/trainings from recent prior Committee meetings and be available to answer questions.

LS:dd

EBMUD
Deferred Compensation Plan Committee

Discussion of Transitioning to a Zero Revenue Share Fee Model
March 5, 2014

***THE INFORMATION PROVIDED IN THIS DOCUMENT IS STRICTLY FOR
DEMONSTRATIVE PURPOSES ONLY AND DOES NOT REFLECT ANY LEGAL
OBLIGATIONS OF EITHER THE PARTICIPANTS OR THE DISTRICT**

EBMUD DC Plans Today: The Revenue Sharing Model In Action

- EBMUD Plan Fee Dynamics
 - > Fidelity's recordkeeping charges are .045% of assets per year
 - > Plan investments generate about .060% in Revenue Sharing
 - > The difference of about .015% is directed to a Plan Revenue Credit Account

- Amount of Revenue Share depends on the Fund Manager
 - > Some funds pay .25%, some pay .15%, some pay 0%: The average is .060%
 - > Note that different participants will hold different plan investments in differing amounts, based on their individual elections

- Under a Revenue Share arrangement, Revenue Share Funds are:
 - > Used for reasonable and appropriate plan expenses, or
 - > May be returned to participants

Challenges of the Revenue Sharing Model

- Results of Revenue Share:
 - > Different investment products contribute different amounts of revenue, which increase the costs of those investments
 - > Different participants, at their own election, will use more or less of the high-cost investments than others
 - > Not all participants elect to invest in funds that are in revenue share arrangements with Fidelity
- Some Participants Have Expressed that Revenue Share Is Difficult to Understand:
 - > Whether Revenue Share applies is an agreement between the Investment fund and the record-keeper
 - > Plan Sponsors and Plan Participants seek more transparency in these types of agreements.
 - > The Plan document explains how all Plan expenses are paid.
- The Revenue Share Model may tie the Advisory Committee's investment selections for the Plan to Revenue Share management:
 - > Participants' and Committees' decisions on INVESTMENT SELECTION may impact REVENUE SHARE EQUATION
 - > Participants' and Committees' decisions about REVENUE SHARE may drive INVESTMENT SELECTION
 - > It can be difficult to match desired revenue share amounts to actual plan revenues

The Alternative to the Revenue Sharing Model: Zero Revenue Share Investments and Participant Level Fees

The Zero Revenue Share Model

- Many public employer deferred compensation plans have used and continue to use the revenue share model
- Trend shows public employers are re-evaluating and exploring alternatives to using investments that generate revenue sharing
- Current trend is for public employer plan sponsors to use non-revenue sharing funds, and have participants pay for the cost of the record-keeper's services and other costs through a fee that is the same (in dollars or percentage) for all participants and is collected by the record-keeper
- Employers often have the record-keeper collect enough revenue to pay for the record-keeper's fee plus additional costs (consulting, legal, etc.), so they still have revenue credited back to the plan and use the monies according to an expense policy

When Zero Revenue Share Investments Are Not Available: Crediting Back Revenue in the Zero Revenue Share Model

- Though more investment managers are offering “zero revenue share” versions of their funds every year, some desirable fund managers are still only available through funds that generate revenue share
- However, most record-keeper’s have the technology to off-set or credit-back revenue when it does occur, to create a “zero revenue share experience”
- This is done by:
 - Not charging or reducing the administrative fee to a participant whose investments generate revenue credit to the plan
 - Crediting back revenue to participants’ accounts when it occurs
- Crediting back revenue is generally done quarterly, if the plan administrators determine to do so, as a matter of policy

The Impact of the Zero Revenue Share Model

	2013	2014	ZERO REV
	assets	assets	assets
	a/o 12/31/12	a/o 12/31/13	a/o 12/31/13
Total Assets all EBMUD DC Plans (401k, 401a, 457)	\$267,813,880.00	\$322,182,025.93	\$322,182,025.93
Potential Sources to Offset Administration Cost:			
> If current 2013 Fidelity agreement triggers MOUs' provision re: DC Administrative Fees*	\$105,000.00	\$105,000.00	\$105,000.00
> Fidelity's Revenue that can be used to offset plan administration costs**	\$256,751.00	\$194,243.70	\$0.00
Total Sources	\$361,751.00	\$299,243.70	\$105,000.00
Plan Expenses:			
> Fidelity Recordkeeping & Plan Administration Charges .045% of total assets under 2013 signed agreement	\$120,516.25	\$144,981.91	\$144,981.91
> Independent Investment Fund Consultants (annual cost, paid quarterly)	\$36,000.00	\$36,000.00	\$36,000.00
> RFP reserve (RFP done every 5 years)	\$9,000.00	\$9,000.00	\$9,000.00
> Training & Educ. Staff and Committee Members	\$8,000.00	\$8,000.00	\$8,000.00
Total Plan Expenses	\$173,516.25	\$197,981.91	\$197,981.91
Sources Net Expenses	\$188,234.75	\$101,261.78	(\$92,981.91)

**Per current contract with Fidelity, Fidelity will use THEIR revenue share fees earned from THEIR contracts with fund managers to offset plan administration costs and credit any remaining revenue to the EBMUD DC Plans. They have also agreed to operate in a zero revenue share model.

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Using the Zero Revenue Share Model & Collecting Participant Recordkeeping Fees

Current Lineup				Alternative Lineup						Combined Plan Assets (4Q13)	
Fund	Ticker	Exp.	Rev.	Fund	Ticker	Exp.	Rev.	Rev. Credit	Admin Fee.	\$	% of Combined Total
Fidelity M&R MIP II: Class I	-	0.51%	0.00%	Fidelity M&R MIP II: Class I	-	0.51%	0.00%	0.00%	0.03%	\$30,078,958	9.3%
PIMCO Total Return Instl	pttrx	0.46%	0.03%	PIMCO Total Return Instl	pttrx	0.46%	0.03%	0.03%	0.03%	\$20,365,590	6.3%
Vanguard Total Bond Market Index Signal	vbttsx	0.10%	0.00%	Vanguard Total Bond Market Index Signal	vbttsx	0.10%	0.00%	0.00%	0.03%	\$1,340,395	0.4%
Dodge & Cox Stock	dodgx	0.52%	0.10%	Dodge & Cox Stock	dodgx	0.52%	0.10%	0.10%	0.03%	\$20,070,967	6.2%
T. Rowe Price Equity Income	prfdx	0.68%	0.15%	T. Rowe Price Instl Large Cap Value	tilcx	0.59%	0.00%	0.00%	0.03%	\$7,099,093	2.2%
Vanguard Institutional Index I	vinix	0.04%	0.00%	Vanguard Institutional Index I	vinix	0.04%	0.00%	0.00%	0.03%	\$40,490,398	12.6%
American Century Select Instl	twsix	0.80%	0.15%	American Century Select R6	asdex	0.65%	0.00%	0.00%	0.03%	\$3,314,199	1.0%
Fidelity Blue Chip Growth K	fbgkx	0.61%	0.20%	Fidelity Blue Chip Growth K	fbgkx	0.61%	0.20%	0.20%	0.03%	\$24,901,297	7.7%
Hotchkis and Wiley Mid-Cap Value I	hwmix	1.07%	0.25%	Hotchkis and Wiley Mid-Cap Value (sep)	-	0.90%	0.00%	0.00%	0.03%	\$12,155,840	3.8%
Morgan Stanley Inst Mid Cap Growth I	mpegx	0.71%	0.15%	Morgan Stanley Inst Mid Cap Growth IS	mmcgx	0.49%	0.00%	0.00%	0.03%	\$9,027,044	2.8%
Huber Small Cap Value	husex	1.36%	0.15%	Huber Small Cap Value	husex	1.36%	0.15%	0.15%	0.03%	\$17,949,467	5.6%
Artisan Small Cap	aphsx	0.96%	0.00%	Artisan Small Cap	aphsx	0.96%	0.00%	0.00%	0.03%	\$3,071,628	1.0%
American Funds EuroPacific Gr R6	rengx	0.50%	0.00%	American Funds EuroPacific Gr R6	rengx	0.50%	0.00%	0.00%	0.03%	\$15,112,167	4.7%
Vanguard Total Intl Stock Index Signal	vtsgx	0.16%	0.00%	Vanguard Total Intl Stock Index Signal	vtsgx	0.16%	0.00%	0.00%	0.03%	\$543,037	0.2%
Fidelity Balanced K	fbakx	0.47%	0.20%	Fidelity Balanced K	fbakx	0.47%	0.20%	0.20%	0.03%	\$15,611,962	4.8%
Vanguard Wellesley Income Adm	vwiax	0.18%	0.00%	Vanguard Wellesley Income Adm	vwiax	0.18%	0.00%	0.00%	0.03%	\$8,393,673	2.6%
Vanguard Target Retirement Income	vtinx	0.16%	0.00%	Vanguard Target Retirement Income	vtinx	0.16%	0.00%	0.00%	0.03%	\$1,748,538	0.5%
Vanguard Target Retirement 2010	vtex	0.16%	0.00%	Vanguard Target Retirement 2010	vtex	0.16%	0.00%	0.00%	0.03%	\$6,387,012	2.0%
Vanguard Target Retirement 2015	vtvx	0.16%	0.00%	Vanguard Target Retirement 2015	vtvx	0.16%	0.00%	0.00%	0.03%	\$9,061,706	2.8%
Vanguard Target Retirement 2020	vtwnx	0.16%	0.00%	Vanguard Target Retirement 2020	vtwnx	0.16%	0.00%	0.00%	0.03%	\$20,964,431	6.5%
Vanguard Target Retirement 2025	vtvx	0.17%	0.00%	Vanguard Target Retirement 2025	vtvx	0.17%	0.00%	0.00%	0.03%	\$5,968,475	1.9%
Vanguard Target Retirement 2030	vtvx	0.17%	0.00%	Vanguard Target Retirement 2030	vtvx	0.17%	0.00%	0.00%	0.03%	\$5,871,686	1.8%
Vanguard Target Retirement 2035	vtvx	0.18%	0.00%	Vanguard Target Retirement 2035	vtvx	0.18%	0.00%	0.00%	0.03%	\$2,020,461	0.6%
Vanguard Target Retirement 2040	vtvx	0.18%	0.00%	Vanguard Target Retirement 2040	vtvx	0.18%	0.00%	0.00%	0.03%	\$4,523,971	1.4%
Vanguard Target Retirement 2045	vtvx	0.18%	0.00%	Vanguard Target Retirement 2045	vtvx	0.18%	0.00%	0.00%	0.03%	\$1,050,419	0.3%
Vanguard Target Retirement 2050	vtvx	0.18%	0.00%	Vanguard Target Retirement 2050	vtvx	0.18%	0.00%	0.00%	0.03%	\$999,260	0.3%
Vanguard Target Retirement 2055	vtvx	0.18%	0.00%	Vanguard Target Retirement 2055	vtvx	0.18%	0.00%	0.00%	0.03%	\$76,188	0.0%
Brokerage	-	-	0.00%	Brokerage	-	-	0.00%	0.00%	0.03%	\$33,702,591	10.5%
Money Market	-	-	0.00%	Money Market	-	-	0.00%	0.00%	0.03%	\$281,114	0.1%
Combined Totals		0.460%	0.060%	Combined Totals		0.442%	0.042%	0.042%	0.030%	\$322,182,026	100.0%

	Est. Annual \$
Total Revenue from Remaining Revenue Share Funds	\$134,132
Recordkeeping Fees Collected from Participants	\$96,654
Revenue Share to be Refunded Fund Level Pro-Rata	\$134,131

Participant Revenue Credit: Plan-Level Pro-Rata Approach

PLAN-LEVEL PRO-RATA: Assumes Total eligible revenue credit: \$100 *Hypothetical Scenario*

ALLOCATION METHODOLOGY

Participant 1



Account Balance: \$25K

\$25

Participant 2



Account Balance: \$60K

\$60

Participant 3



Account Balance: \$15K

\$15

KEY CONSIDERATIONS

- Efficient method to allocate revenue credit (single allocation per plan)
- to explain to participants
- Agnostic to sources of compensation
- Consistent with DOL guidance on allocation of fees to participants

Participant Revenue Credit: Plan-Level Per-Capita Approach

PLAN-LEVEL PER-CAPITA: Assumes Total eligible revenue credit: \$100

*Hypothetical
Scenario*

ALLOCATION METHODOLOGY

Participant 1



Account Balance: \$25K

\$33.33

Participant 2



Account Balance: \$60K

\$33.33

Participant 3



Account Balance: \$15K

\$33.33

KEY CONSIDERATIONS

- Aligns most closely to the way clients (who pay a recordkeeping fee) allocate charges today
- Consistent with DOL guidance on fee allocation to participants
- Simple to explain to participants

Participant Revenue Credit: Fund-Level Pro Rata Approach

FUND-LEVEL PRO-RATA: Assumes Total eligible revenue credit: \$100

*Hypothetical
Scenario*

ALLOCATION METHODOLOGY

Participant 1



Acct. Holdings:

- Fidelity Blue Chip: \$12.5K (20 bps)
- Vanguard Well Inc: \$12.5K (0 bps)

\$25

Participant 2



Acct. Holdings:

- Dodge & Cox: \$50K (10 bps)
- Fidelity Blue Chip: \$10K (20 bps)

\$70

Participant 3



Acct. Holdings:

- Vanguard Tar 2040: \$60K (0 bps)

\$0

KEY CONSIDERATIONS

- Directs revenue credit only to participants with assets in revenue share funds at a point in time
- Participants pay expense ratio of investment option, not revenue sharing
- Requires disclosure of revenue sharing rates to participants (ERISA PLANS ONLY)
- May not allocate to participants who previously invested in revenue sharing funds
- May complicate the investment selection process for participants
- May incent participants to “game the system”
- Creates false sense of precision → links “excess” revenue to specific funds whereas expenses are managed at the plan-level
- Does not account for compensation from non-fund sources (float)
- More complex to administer (longer cycle time)

Effect of Zero Revenue Share Model to Participants

*Hypothetical
Scenario*

- In the current year, based on the data from slide 7, it would cost approximately 3 basis points per participant per year to cover recordkeeping and plan administration costs.

Participant Account Balance	Annual Fee
\$10,000	\$3/yr
\$100,000	\$30/yr
\$500,000	\$150/yr
\$1,000,000	\$300/yr

- Percent of participants at different asset levels

ACTIVE PARTICIPANT BALANCES	
Average Balance	\$173,000
Under \$50k	31%
\$50k-\$90k	20%
\$100k-\$499k	43%
\$550k +	7%

INACTIVE PARTICIPANT BALANCES	
Average Balance	\$173,000
Under \$50k	33%
\$50k-\$90k	16%
\$100k-\$499k	43%
\$550k +	6%

Issue to Consider in Applying a ZERO Revenue Share Model

- Potentially Difficult to administer:
 - > If offset revenue amounts quarterly, could still miss participants who moved in and out of the investment funds during a quarter
 - > Participants using Brokerage Link could be forced to sell shares to cover participant administrative fees. 10% of plan assets are in Brokerage Link
 - > District would have to DIRECT Fidelity to sell participant shares if money is not in participant's core line up
- Challenge communicating the change to participants:
 - > Plan Documents and MOU do state that participants bear the cost of plan administration
 - > Language in the BD1 to the Board did not discuss participant level fees
 - > Plan costs may increase, increasing participant cost. Fidelity fee of .045% is based on 4 year contract. The competitive bids from the Vendor finalists in the 2012 RFP averaged .06%
 - > Data from NAGDA suggests that participants in other agencies are paying higher fees
- Do fees drive away assets of termed participants?
 - > Would we risk losing access to any institutional class funds if termed participants move their money?