CIVILIAN PENSION BOARD AGENDA

MAY 9, 2013 - 2:00 P.M.

CITY HALL CONFERENCE ROOM
15 LOOCKERMAN PLAZA
DOVER, DELAWARE

Public comments are welcomed on any item and will be permitted at appropriate times. When possible, please notify the City Clerk (736-7008 or e-mail at CityClerk@dover.de.us) should you wish to be recognized.

AGENDA ADDITIONS/DELETIONS

1. Adoption of Minutes - Civilian Pension Board Meeting of February 14, 2013
   Special Civilian Pension Board Meeting of March 25, 2013

2. Quarterly Performance Review *(Quarter Ending March 31, 2013) (Milliman, Inc.)*
   (Staff Recommends Acceptance of the Report)

3. Discussion - Audit of the General Employees' Pension Fund

4. Adjournment

TO ASSURE THAT THERE WILL BE A QUORUM,
PLEASE RSVP BY CONTACTING THE CITY CLERK'S OFFICE
BY EMAIL AT CITYCLERK@DOVER.DE.US OR BY CALLING 736-7008
AS SOON AS POSSIBLE.

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THE AGENDA ITEMS AS LISTED MAY NOT BE CONSIDERED IN SEQUENCE. THIS AGENDA IS SUBJECT TO CHANGE TO INCLUDE THE ADDITION OR THE DELETION OF ITEMS, INCLUDING EXECUTIVE SESSIONS.

CIVILIAN PENSION BOARD

The Civilian Pension Board meeting was held on February 14, 2013 at 2:00 p.m. with Chairman Bonar presiding. Members present were Councilman Lynn (departed at 2:59 p.m.), Mr. Blakeman, Mr. Koenig, and Mrs. Mitchell. Mr. Clendaniel and Mrs. Hettinger were absent. Council President Leary was also present.

AGENDA ADDITIONS/DELETIONS

Mr. Blakeman stated that, as a point of order, the agenda was not correct. He read a statement into the record as follows:

The agenda is not correct.

A. Action was taken by the Board to discuss a cost-of-living increase for current retirees and beneficiaries in January of each year. This occurred on January 16, 2008; March 13, 2009; February 9, 2011; and February 8, 2012. The action was taken on January 19, 1988.

> *Mr. Walters moved that the question of retiree increases be an automatic agenda item during the month of January for annual review for consideration of possible increase for retirees of the Civilian Pension Plan. The motion was seconded by Mrs. Marvel and carried with Mr. Hudson voting no (Mr. Levitt absent).*

B. The Chair was provided with a request for agenda items dated January 2, 2013, which was hand delivered to the City Clerk's Office. Three (3) of the four (4) items are present on today's agenda. The fourth item, "Discussion of Cost-of-Living Increase for the 2013/2014 Budget" is not. It is my understanding that a request for agenda items made by a member of the Board is to be honored by the Chair.

For both of these reasons, the agenda is not correct.

It is my opinion that this meeting must be adjourned until such time as a new agenda can be published in accordance with the Freedom of Information Act (FOIA) and a new meeting scheduled as soon as possible thereafter.

Mr. Bonar deferred to Mr. William Pepper, Deputy City Solicitor. Mr. Pepper stated that if an item was not on the agenda, it could not be discussed. He was unsure what the internal process was for having items listed on the agenda; however, he stated that the agenda could not be amended at this point.

Mr. Leary explained that it was customary to add items to the agenda only if there was an emergency.

Addressing Mr. Pepper, Mr. Blakeman inquired, since the Board had taken action to require an item to be placed on the agenda every year and failed to include it on this agenda, if the meeting could proceed without correcting this omission. Responding, Mr. Pepper stated that the meeting could take place because the posted agenda would govern the actions to be taken by the Board at this meeting.

Mr. Blakeman questioned if the previous action of the Board could be violated.

Mr. Pepper stated that the items placed on the agenda are, to some extent, within the control of the chair of the body.

Mr. Blakeman questioned if the vote of the Board was not binding or could be ignored.

Mr. Pepper stated that there may be other remedies for this issue; however, adding this item to the agenda today was not one of them.

Mr. Blakeman believed that, for this reason, the meeting should be adjourned until a new agenda could be created.

Mr. Leary stated that the agenda had been published in advance and opportunity had been provided to review it.

Mr. Blakeman moved that the meeting be adjourned. The motion failed for lack of a second.

Mr. Bonar felt that this item did not constitute an emergency; therefore, he stated that the agenda would be followed as published.

Adoption of Minutes - Civilian Pension Board Meeting of November 8, 2012

Mr. Koenig moved for adoption of the Civilian Pension Board Minutes of November 8, 2012, seconded by Mrs. Mitchell and unanimously carried.

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

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Quarterly Investment Monitor Summary Report for the Quarter Ending December 31, 2012. He advised members that assets in the plan totaled approximately $24.61M, with withdrawals for the quarter totaling approximately $870,000 and contributions $184,000. He reminded members that studies of the investment funds were completed during the Summer of 2012 and reallocation of the plan and adjustment of the investments had taken effect during November. He explained that the return for the plan was approximately 1.39% for the quarter versus the index of 1.16%; therefore, the plan had exceeded the index. Referring to Page 9 of the report, Mr. Marzinsky explained that the $0 amounts in the chart reflected new investments that had been added. He stated that Milliman, Inc. would review the allocations when its capital market assumptions are released and may make slight adjustments if needed to hit the target return expectation for the overall plan, but he did not foresee any major changes.

In reviewing the Investment Policy Review - Active Management on Page 10, Mr. Marzinsky noted that investments were ranked against their peers and against the indexes. Information regarding relative risk (standard deviation) and measures of manager effectiveness (Alpha and Sharpe) were also included. He noted some underperformance compared to indexes; however, ranks to peers were strong. He did not see any major concerns in regard to the actively managed investments and no adjustments to fund managers were recommended.

Referring to Page 11, Investment Policy Review - Passive Management, Mr. Marzinsky stated that index funds were performing well. He stated that the goal was for Beta to be approximately 1.0 and Tracking Error to be fairly low.

In regard to the overall performance of the plan reflected on Page 12 of the report (Investment Option Return Summary), Mr. Marzinsky stated that over the last three (3) months, the plan had a better gross and net return than the index. Although the return trailed the index slightly over the last year, he felt that a 9% return for the year was good, noting that this was higher than the actuarial rate of return (6% - 7%). Since the assets grew more than the liabilities of the plan, positive headway was being made in the overall funded status of the plan. Mr. Marzinsky was optimistic about the markets in the future, noting that many good indicators were being seen both nationally and internationally for equity markets. He indicated that as investors pull money out of fixed income to invest in equities, he anticipated some "drag" on the bond investments and this would be monitored.

Noting that the return at the end of the last quarter was approximately $365,000 lower than the balance at the end of the previous quarter (previously $24.9M and currently $24.6), Mr. Blakeman inquired if this was related to the addition of six (6) new funds. Responding, Mr. Marzinsky explained that trust statements from Wells Fargo sometimes reflect activity that occurs after the end of a month or quarter. He noted that there were capital gains and interest payments that were targeted for December 31, 2012 but actually occurred in January, so this could have created some differences in the balances.

Freedom of Information Act (FOIA) Training Session

Deputy City Solicitor William Pepper advised members that anything he said this afternoon was without prejudice to any position that he had heretofore taken on behalf of any client. He reviewed Title 29, Chapter 100. Freedom of Information Act (FOIA), State Code. Mr. Pepper stated that FOIA applies to public bodies and that, as a group of seven (7) members, the Civilian Pension Board was such a body and that a smaller group of Board members may also be a public body. He indicated that included within the definition of public body are groups such as ad hoc committees, special committees, temporary committees, groups, and panels. He informed members that it was unclear how these terms are defined, noting that an ad hoc committee "could mean almost anything" and its definition was a point of contention. Mr. Pepper stated that public business is broadly construed; therefore, if it is "something in your wheelhouse," it is public business. He explained that FOIA defines "meeting" as "a formal or informal gathering of a quorum of the members of any public body for the purpose of discussing or taking action on public business, either in person or by video conferencing;" however, he had been told that meetings are more broadly defined than this. He explained that, 20 years ago, the Attorney General's Office had stated that a series of meetings, held at the home of former Mayor Crawford Carroll with two (2) or three (3) members of Council,

were illegal under FOIA. On another occasion, the Kent County Comprehensive Plan Working Group met with Levy Court Commissioners two (2) or three (3) at a time to educate them on the progress of the project (without the knowledge of the County Attorney) and a FOIA complaint was filed. It was argued that this was not a meeting because there was never a quorum of Commissioners in the room at the same time and information was flowing only one (1) way, with no backflow from the Commissioners. This argument was not litigated because no remedy was imposed. Mr. Pepper stated that in the context of a public body, public business, and public meeting, these incidents illustrate that it may be okay for three (3) members to assemble, but if one (1) of those three (3) talks to a fourth, FOIA has probably been violated. He advised members not to do this or to consult him first. He explained that the FOIA provisions are analagous to a no-contact provision of a bail order. Mr. Pepper informed members that even though the law refers to meetings "in person or by video conferencing," email and telephone calls were probably also included. He explained that such violations adversely affect public relations. He stressed that when he communicates with members of a local government, he may send communications to all members of a committee but he instructs them to never use the "reply all" button and to reply only to him.

In terms of preparing agendas, Mr. Pepper reminded members that meeting notices must be posted seven (7) days prior to a meeting. The agenda is usually posted at the same time and if not, an explanation should be given as to why it was not posted. He stated that he takes the position that agenda items could be added up to six (6) hours prior to the meeting. The only exception would be if an emergency circumstance came up during the meeting, and he could not conceive of an emergency circumstance that would arise for the Civilian Pension Board that would require an addition to the agenda.

Mr. Blakeman inquired if an item could be added to the agenda six (6) hours prior to the meeting if the agenda had already been published. Responding, Mr. Pepper stated that any change to the agenda must be posted at least six (6) hours prior to the meeting. The amended agenda would then be posted and would explain why the item was added.

In regard to open meetings, Mr. Pepper explained that meetings are open to the public unless one (1) of nine (9) exceptions apply. In reviewing these exceptions, he stated that he was not sure that any of them would apply to the function of the Civilian Pension Board, with the unlikely possible exception of a strategy session in the event of a lawsuit, and in this case an executive session could be held only if the attorney were present and only if it would adversely affect the Board's litigation position. Mr. Pepper advised members that there is a specific procedure that must be followed to hold an executive session closed to the public, including making a motion and stating the reason for the executive session. He stated that, as a general rule, Civilian Pension Board meetings should all be open and that legal advice should be sought before attempting to hold a closed session.

Mr. Blakeman stated that he would consult the City Clerk's Office in the future regarding FOIA matters. Responding, Mr. Leary acknowledged that the provisions of FOIA can be difficult and suggested that Mr. Blakeman rely on the City Clerk's Office for guidance in this regard.

Data Request (Received During the Civilian Pension Board Meeting of November 8, 2012)
Members reviewed the Data Request received during the Civilian Pension Board Meeting of November 8, 2012, as follows:

A. List of Each Investment by Name, Type, Numbers of Instruments (Bonds, Stocks, Certificates, Etc.) and the Value of Each at the End of the Reporting Quarter
Mrs. Donna Mitchell, Controller/Treasurer, explained that individual stocks are embedded in mutual funds and it is possible to go online and look up mutual funds; however, it would be too onerous to include this information in an individual report. She noted that the ticker symbols were included in the quarterly performance report provided by Milliman, Inc. Responding, Mr. Blakeman stated that he was completely satisfied in this regard.

B. Cash on Hand at the End of the Reporting Quarter and Who is Holding the Cash and How Much Each is Holding (City of Dover, Wells Fargo, Others)
Mrs. Mitchell stated that, in the past, a quarterly report had been provided; however, since the Finance Department was understaffed, it had been difficult to continue; however, staff had been requested to get this report back on track. Mrs. Mitchell explained that a report had been created but had not yet been sent to members and that the additions, deductions, and the beginning and ending cash balance were included. She cautioned members that the figures provided in this report would not agree with Milliman's figures because the report was prepared on a cost/cash basis as opposed to market value, and there would be accrued dividends at the end of each quarter. She stated that the report would be forwarded to members and suggested that they review the information to see if it was satisfactory and inform staff if additional information was needed. *(Clerk's Office Note: A Schedule of Changes in Pension Trust Fund Net Assets for the Civilian Pension Trust was subsequently provided to members.)*

C. Value of Checks Written Each Quarter (Pensions, Expenses, Pension Refunds, Etc.)
Mrs. Mitchell stated that this information was included in the report discussed under the previous agenda item.

D. Itemized List of General Expenses for Each Quarter
Mrs. Mitchell explained that the total general administration expenses were included in the report to be sent to members (Item #B above); however, an itemized list by vendor was not included. She stated that she could provide information regarding what the expenses consist of, e.g., Milliman fees, Wells Fargo, etc., and Mr. Blakeman expressed his concurrence.

E. List of Each Person Receiving a Pension Check at the End of the Quarter by Name, Amount of Check, and Retirement (Year, Month, Day) Listed in Alphabetical Order by Last Name
Noting that Mr. Pepper had opined that all of this information was not relevant to the Board's duties, Mr. Bonar requested Mr. Pepper to elaborate. Mr. Pepper stated that in examining the list of duties in the Pension Ordinance in Section 2-368 of the Dover Code, he felt that he could "draw a line" between the duties of the Pension Board and who was receiving the pension and the amount; however, he was unsure if the level of detail requested was appropriate. He cautioned members that FOIA does not require the creation of documents,

but once created, they become public record. For this reason, he advises local government clients not to create reports unless there is a need, and specifically, not to create documents pursuant to a request from the public.

Mrs. Mitchell stated that she called the State to determine how such requests are handled and was told that the State Code was changed and the State does not consider this public information and no longer releases information on individual retirement payments. She indicated that this change was made in response to a request from The Wilmington News-Journal for individuals' pension information. She noted that this change did not affect municipalities and applies only to the State Pension Plan. As a side note, Mrs. Mitchell stated that she was told that the State Board of Trustees cannot request or discuss Cost of Living Adjustments (COLAs) because this would be a conflict of interest with their fiduciary responsibility, which was to manage funds and maintain their solvency. She indicated that the State deals with COLAs through the Joint Finance Committee (legislature) during the budget hearings.

To clarify, Mr. Blakeman stated his understanding that a request for a COLA increase would more appropriately be addressed to the administrative committee as opposed to being dealt with by the Pension Board. Responding, Mrs. Mitchell explained that, at the State level, if a group of retirees wish to request a COLA, they go through the Joint Finance Committee process, since that entity controls the budget. If the Joint Finance Committee requires additional information from staff, they would go to staff to determine the impact on the unfunded liabilities, etc., so that data could be gathered.

Mr. Blakeman stated that at one time the City's Pension Board approved COLAs. Mrs. Mitchell stated that the City had done this for a long time; however, her contact at the State indicated that it is not done in this way at the State due to the conflict of interest. Responding to Mr. Blakeman's inquiry about the City's process for approving COLAs, Mrs. Mitchell reminded members that the unfunded liability of the Pension Plan was the City's responsibility.

Mr. Blakeman stated that the elected members of the Civilian Pension Board were elected to represent participants, yet they had no way to find out who these participants were or how to contact them and he felt that this was a severe handicap.

Mrs. Mitchell explained her belief that the role of the Civilian Pension Board was to oversee the management of the funds, not the individual retirees.

Mr. Blakeman stated that four (4) members of the Board are appointed and three (3) are elected; therefore, he felt that the elected board members (the civilians) should represent participants.

Mrs. Mitchell expressed her belief that these individuals were elected to oversee the City's management of the funds.

Mr. Bonar felt that the level of detail being provided was adequate. He stated his agreement with Mrs. Mitchell that the role of the civilian representatives was to oversee the funds and that the Legislative, Finance, and Administration Committee and City Council, in conjunction with labor negotiations, have the overall authority regarding when individuals retire, how much they receive, etc.

Mr. Lynn inquired if Mr. Pepper had ever examined, from a legal perspective, the disparity between Mr. Blakeman's and Mrs. Mitchell's opinions regarding the role of the elected officials on the Civilian Pension Board. Responding, Mr. Pepper stated his belief that the role was to oversee the entire Pension Plan. He did not feel that the three (3) civilian members would represent a particular universe, as City Council members do. He stated he had not reflected on this matter to any great extent.

Mrs. Mitchell advised members that three (3) retirees had requested her not to give out the type of information requested and she was uncomfortable distributing it.

Mr. Blakeman indicated that he was at a loss to contact members of the Pension Plan to keep them informed, although he acknowledged that information could be mailed to members through the City Clerk's Office. He stated that since he was elected to the Board, he should maintain a representational relationship with those in the Plan.

Mrs. Kim Hawkins, Human Resources Director, stated that there were approximately 90 active employees in the plan and felt that these individuals should be focused on as well. *(Clerk's Office Note: The number of active employees participating in the Civilian Pension Plan totaled 138 on this date.)* Mr. Blakeman mentioned that he would like the names of these individuals to be included on the list, if provided.

Mr. Lynn moved to have Mr. Pepper draw up a legal memorandum on that issue to resolve the question one way or the other, seconded by Mr. Blakeman and unanimously carried (Clendaniel and Hettinger absent).

Clarifying the matter to be opined upon, Mr. Pepper stated his understanding that he was being asked to opine to whom the Board members owe a duty, whether it is to the Plan or to the employees and retired participants.

Mr. Bonar concurred.

Mrs. Mitchell stated her understanding that the question was whether the role of the Pension Board members was to support individual plan members or to oversee the financial part of the plan.

Mr. Leary stated his understanding that the issue was whether they were functioning as trustees or as elected representatives.

Mr. Koenig stated his opinion that all of these descriptions were different ways of expressing the same thing.

Mr. Blakeman inquired if it was the duty of a trustee to represent the people in the trust fund.

Mr. Pepper explained that a trustee's fiduciary duty is to the fund, rather than the individual members.

F. List of People Added to the Pension List to Include the Following Information - Full Name, Title, City Code, Service Dates, Total Service Time, Monthly Pension Amount, Effective Date of Retirement, Lump Sump Payment

Mr. Bonar noted that Mr. Pepper had opined that the level of detail did not appear to be relevant to the Board's duties. Mr. Blakeman stated that this information was currently being received every six (6) months from the Human Resources Department and that he included this in the request in order that it would continue to be provided. Responding, Mrs. Mitchell stated that was being provided because it was requested and no legal opinion had been given.

G. List of People Removed from the Pension List with the Effective Date for the End of Pension Payments

Mrs. Mitchell stated that participants are typically removed when staff becomes aware that an individual has passed away through word of mouth, when a call is received, or when an obituary is noticed and staff makes adjustments accordingly. Board Members are not typically informed.

Mr. Blakeman stated that sometimes members know that a participant has passed away and felt that this list could be reviewed by members to determine if staff was unaware that someone had died.

Responding, Mrs. Mitchell requested that the Board Members inform staff if they became aware that a participant had passed.

Mr. Blakeman explained that he receives a list of those going into the Pension Plan but had not received a list of those being removed; therefore, his list became out of date. He felt that if he could get an occasional list of active participants, this would be adequate.

Mrs. Mitchell stated that she did not mind providing information and that it was not staff's desire to hide information but that staff had many priorities.

Mr. Blakeman stated that he would be willing to contact staff occasionally to request information rather than requiring regular provision.

H. Method Used to Remove Pensioners from the Pension Payment List (How Do You Receive Notification of Death)

Mrs. Mitchell stated that this is accomplished when staff is notified through word of mouth, an obituary, or a call from a family member of a participant's passing and that there is no specific policy.

Responding to Mr. Pepper regarding the method used to issue pension payments, Mrs. Mitchell explained that this was accomplished through direct deposit.

Mr. Leary explained that collecting payments made to a deceased individual would constitute fraud.

Mr. Blakeman stated it was his intent to determine if something should be done, perhaps engage an agency, to determine if participants had died.

Mr. Lynn explained that the Social Security Administration maintains a Social Security Death Index.

Mr. Bonar stated his belief that the Social Security Index may not be totally accurate, noting his parents were not on this list, although they had passed away many years ago.

I. Method and Schedule for Verification of Pension List

For clarification, Mr. Leary inquired if it was Mr. Blakeman's intent that the active participant list be cross referenced with the death list. Responding, Mr. Blakeman felt that this was a big hole that should be addressed somehow. Mr. Blakeman requested that a list be provided annually to the Board of all the pension checks going out, without names if necessary.

Mrs. Mitchell stated that names would be required in order to verify the pension list.

J. Audit Schedule and Copy of Last Audit as well as Copies of All Future Audits for the City of Dover General Employees' Pension Plan

Mrs. Mitchell explained that this information is included in the Comprehensive Annual Financial Report (CAFR), which is a public document on the City's website.

Mr. Blakeman stated that the City's annual audit would only include those funds that are transferred from the City to the General Employees' Pension Plan and that funds being managed by other entities are not included.

Mrs. Mitchell explained that the auditors of the City's accounts audit receipts and disbursements in the Pension Plan through the City's records but do not audit mutual funds or funds that go in and out of Wells Fargo, since that would be covered under Wells Fargo's audit. She noted that the fees for a separate audit of the Plan funds would have to be paid from the Civilian Pension Plan fund.

Mr. Blakeman felt that most pension plans are audited and that it might be appropriate for the Civilian Pension Plan funds to be audited once per year or every three (3) years.

Mr. Bonar stated that the Board and pensioners should be made aware that the fees for performing the audit would come from the Civilian Pension Fund.

Mrs. Mitchell stated that Council should also be made aware since this would affect the Plan's unfunded liability.

Mr. Blakeman moved that the cost of performing an annual audit of the General Employees' Pension Fund be examined and reported to the Board, seconded by Mr. Lynn.

Mr. Koenig felt that once per year was too frequent and that this was not a good use of funds.

Mr. Blakeman moved to amend the motion to specify that the cost of performing an audit of the General Employees' Pension Fund every one (1), three (3), and five (5) years be examined and reported to the Board, seconded by Mr. Lynn. The motion carried by a vote of four (4) yes (Bonar, Lynn, Blakeman, and Koenig), one (1) no (Mitchell), and two (2) absent (Clendaniel and Hettinger absent).

Mrs. Mitchell explained that she objected because she felt that it would be cost prohibitive to evaluate all of the mutual funds involved and the manner in which investments are set up.

Financial Activity for the Fiscal Year Ending June 30, 2012 and Results of Actuarial Study

Mrs. Mitchell reviewed information excerpted from a presentation that she provided to Council on January 7, 2013 to update them on the City's unfunded liabilities, including the General Employee Pension Plan. She noted that Page 7 of the Presentation showed that as of June 30, 2012, the Cash and Cash Equivalents were $861,458 and investments in mutual funds totaled $21,187,128, for total assets of $22,048,586. She explained that the cash and cash equivalent figures were a combination of funds at Citizens' Bank and at Wells Fargo. Mrs. Mitchell advised members that the additions and deductions from the Pension Plan showed the benefit payments, general administration costs, and contributions from the City and employees. She pointed out that the general administration cost consists of Wells Fargo fees and Milliman fees for investment advisory services and that actuarial fees are charged to the City's budget rather than the City's pension plans.

Referring to Page 9 of the presentation, Mrs. Mitchell explained that the Annual Required Contribution is determined by the actuarial study.

In reference to the Required Supplementary Information - Schedule of Funding Progress on Page 10, Mrs. Mitchell stated that this reflected the plan assets for the last several years and the Actuarial Accrued Liability, the Unfunded Accrued Liability, and the Funded Ratio, as well as Payroll and the Unfunded Portion as a Percent of Payroll. She explained that all of these charts are required to be included in the Comprehensive Annual Financial Report (CAFR) based on Governmental Accounting Standards Board (GASB) requirements.

Mrs. Mitchell explained that the chart on Page 16 reflected the General Pension, Police Pension, and Other Post-Employment Benefits (OPEB) fund liabilities and assets.

By unanimous consent, the meeting adjourned at 3:03 p.m.

David L. Bonar
Chair

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SPECIAL CIVILIAN PENSION BOARD MEETING

A Special Civilian Pension Board Meeting was held on March 25, 2013 at 9:14 a.m. with Chairman Bonar presiding. Members present were Mr. Lynn, Mr. Koenig, and Mrs. Mitchell. Mr. Blakeman, Mr. Clendaniel, and Mrs. Hettinger were absent. Mrs. Kim Hawkins, Human Resources Director, was also present.

ADOPTION OF AGENDA

By unanimous consent, the agenda was adopted as presented.

Mr. Koenig moved to recess into Executive Session to discuss personnel matters, seconded by Mr. Lynn and unanimously carried.

Meeting recessed at 9:14 a.m.

Meeting reconvened at 9:17 a.m.

REQUEST FOR DISABILITY RETIREMENT - BRUCE MARVEL *(In Accordance with Chapter 2, Article IV, Division 7, Subdivision 1, Section 2-332)*

During the Executive Session, Mrs. Kim Hawkins, Human Resources Director, reviewed a request for disability retirement received from Mr. Bruce Marvel, Motor Equipment Operator III, Streets Division.

Mr. Lynn noted that sufficient medical information had been provided to forego an independent medical evaluation.

Mr. Lynn moved to approve Mr. Marvel's request for disability retirement, seconded by Mrs. Mitchell and unanimously carried.

Mr. Lynn moved for adjournment, seconded by Mr. Koenig and unanimously carried.

Meeting adjourned at 9:18 a.m.

David L. Bonar
Chair

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Quarterly Investment Monitor

Summary Report for the Quarter Ending March 31, 2013

Prepared for
City of Dover, Delaware General Employee Pension Plan

Milliman



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Albany, NY 12203
USA

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milliman.com

MEMO

To:	City of Dover, Delaware General Employee Pension Plan – Board
From:	Jeff Marzinsky & Kevin Abessi/Milliman
Re:	Investment Committee Meeting Notes – 5/09/2013

Enclosures: Milliman Quarterly Investment Monitor Report (QIM)

1. Defined Benefit Pension Plan Investment Review through 3/31/2013:
   a. As of 3/31/2013, assets in the plan total $24.88 million, up from $24.61 million as of 12/31/2012. During the quarter, the plan had contributions of roughly $184 thousand, withdrawals of approximately $878 thousand, and fees of $3,797.60.

   b. Performance of the plan portfolio, with a +4.01% net (+4.09% gross) return, was above the Plan normal portfolio index performance of +3.75%.

   c. Plan asset allocation is within range of target allocations set in November 2012.

Category Description	Fund Category	Investment Name	NEW Target Allocation with Additional Asset Classes	NEW Asset Allocation Range 11/2012
Money Market	CA	Wells Fargo Advtg Treas Plus MMkt	4.50%	0-10%; target 5% Cash + STB
Short Term Bonds	STB	Vanguard Short Term Bond	0.50%	0-10%; target 5% Cash + STB
Inflation Protected Bonds	TIPS	Vanguard Inflation Prot Sec	2.00%	0-7%; target of 2% TIPS
Intermediate Term Bonds	INTB	Vanguard Intermediate Bond	13.00%	8-18%; target 13% INTB
Long Term Bonds	LTB	PIMCO Long Duration	9.50%	14-24%; target 19% LTB
Long Term Bonds	LTB	Vanguard Long Duration	9.50%	14-24%; target 19% LTB
Large Cap Value	LCV	Vanguard Equity Income	10.00%	5-15%; target 10% LCV
Large Cap Growth	LCG	Vanguard Morgan Growth	5.50%	6-11%; target 11% LCG
Large Cap Growth	LCG	Vanguard Primecap	5.50%	6-11%; target 11% LCG
Mid Cap	MCV	Vanguard Mid Cap Value Index	5.00%	0-10%; target 5% MC
Small Cap	SCV	Target Small Cap Value	5.00%	0-10%; target 5% SC
Real Estatement Investment	REIT	Vanguard REIT Index	5.00%	0-10%; target 5% REIT
Foreign Equity	GLB	American Funds New Perspective	5.00%	5-15%; target 10% GLB
Foreign Equity	GLB	Harding Loevner Global Equity	5.00%	5-15%; target 10% GLB
Emerging Markets	EMG	Vanguard Emerging Mkts	15.00%	10-20%; target 15% Emg Mkts

City of Dover
General Employees Pension Plan
Quarterly Return Summary

Month End	BMV	Contribution	Withdrawls	Fees	Gain	EMV	CIVILIAN-NET RETURN	CIVILIAN-GROSS RETURN
1/31/2013	$ 24,607,857.65	$ 42,287.75	$ 283,469.14	$ 1,254.58	$ 479,262.98	$ 24,844,684.66	1.97%	1.99%
2/28/2013	$ 24,844,684.66	$ 41,728.48	$ 289,056.19	$ 1,255.08	$ 154,041.78	$ 24,750,143.65	0.63%	0.65%
3/31/2013	$ 24,750,143.65	$ 100,000.00	$ 305,123.86	$ 1,287.94	$ 334,788.89	$ 24,878,520.74	1.36%	1.39%
		$ 184,016.23	$ 877,649.19	$ 3,797.60	$ 968,093.65	Quarterly Return	4.01%	4.08%

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Section B: Performance Summary

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Section D: Glossary

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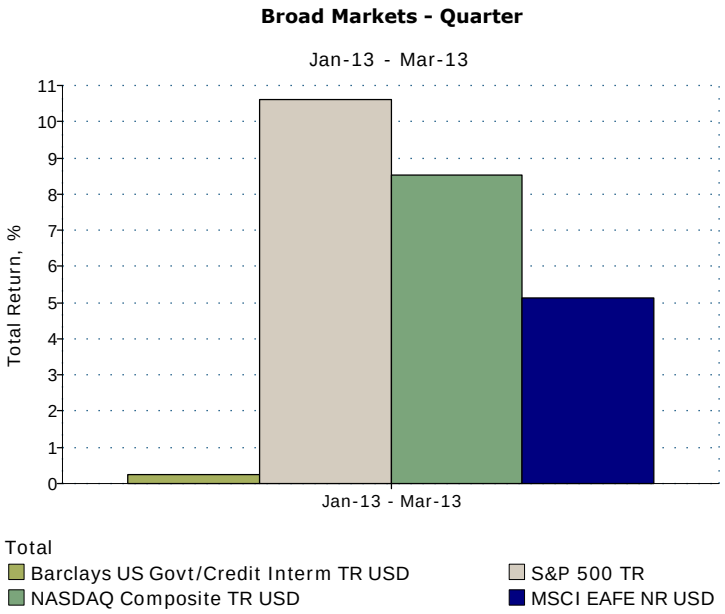
Market Indices - 1st Quarter 2013

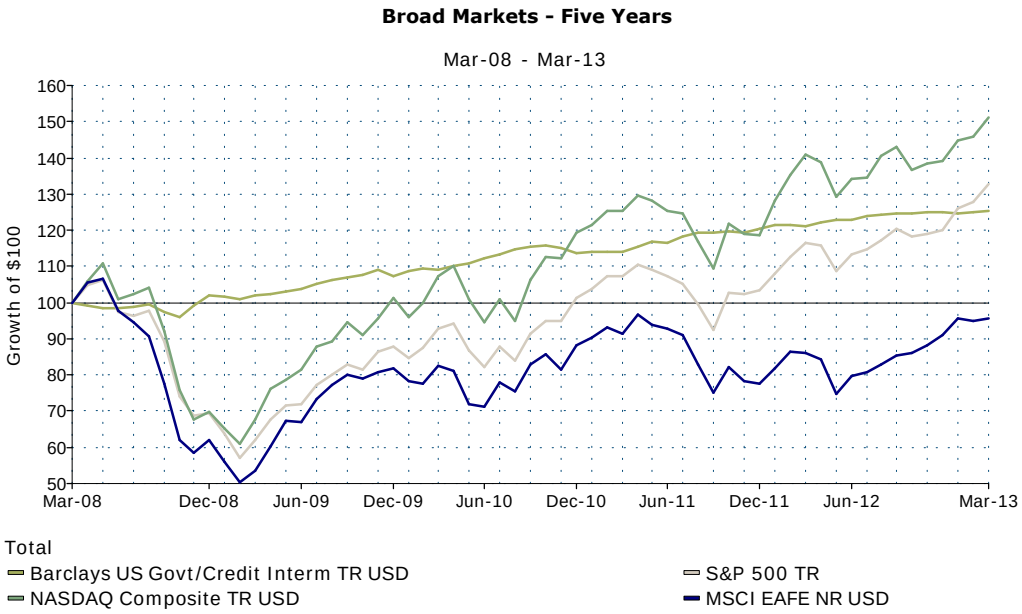


Index	3 Months	1 Year	3 Years	5 Years
BofAML US Treasury Bill 3 Mon	0.02	0.12	0.11	0.34
Barclays US Govt 1-3 Yr TR USD	0.12	0.66	1.29	1.91
Barclays US Govt/Credit Interm TR USD	0.26	3.53	4.75	4.61
Barclays US Government Long TR USD	-2.26	7.42	12.39	8.28
Barclays US Long Credit TR USD	-1.79	9.83	12.05	10.45
Barclays US Corporate High Yield TR USD	2.89	13.13	11.24	11.65
DJ Industrial Average TR USD	11.93	13.37	13.32	6.50
S&P 500 TR	10.61	13.96	12.67	5.81
NASDAQ 100 TR USD	6.25	3.72	13.96	10.58
NASDAQ Composite TR USD	8.52	7.14	12.10	8.59
Russell 1000 Value TR USD	12.31	18.77	12.74	4.85
Russell 1000 TR USD	10.96	14.43	12.93	6.15
Russell 1000 Growth TR USD	9.54	10.09	13.06	7.30
Russell 2000 Value TR USD	11.63	18.09	12.12	7.29
Russell 2000 TR USD	12.39	16.30	13.45	8.24
Russell 2000 Growth TR USD	13.21	14.52	14.75	9.04
FTSE NAREIT All REITs TR	9.11	18.73	17.86	7.55
MSCI EAFE NR USD	5.13	11.25	5.00	-0.89
MSCI EAFE Small Cap NR USD	8.42	13.28	8.41	2.06
MSCI EM NR USD	-1.62	1.96	3.27	1.09

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Broad Market Commentary - 1st Quarter 2013



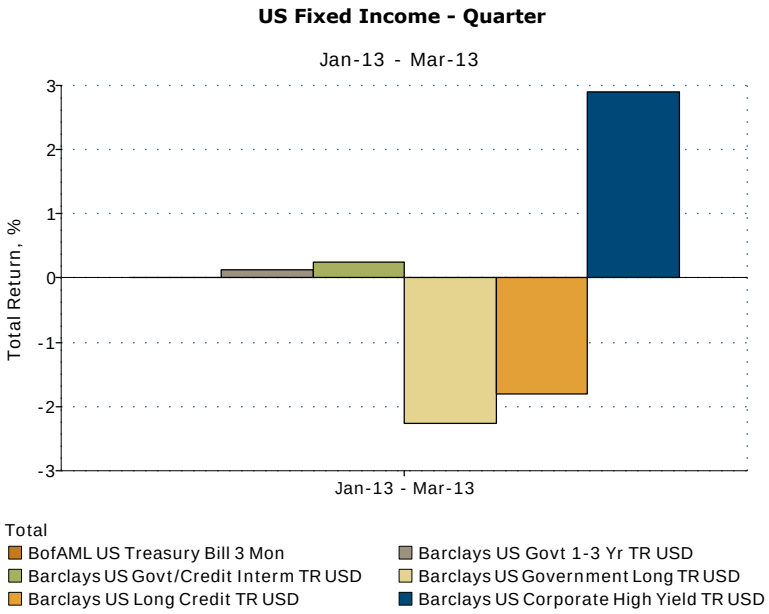


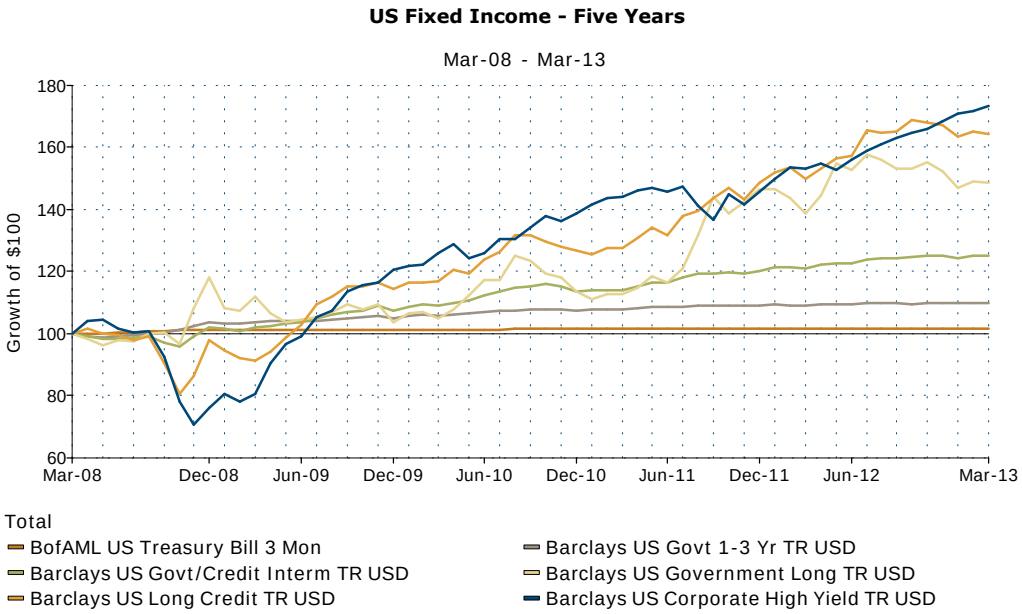
Market Commentary

- The U.S. stock market rose sharply in the 1st quarter on improving U.S. economic data, better than expected corporate earnings, and assurances of continued stimulus by the Federal Reserve Bank.
- Developed international equity markets posted solid returns on efforts by central banks to support economic growth, while emerging markets struggled on weak commodity prices and mixed economic data.
- The Federal Reserve Bank announced it would continue its securities purchases at the current rate of $85 billion per month and keep short-term interest rates low until unemployment falls below 6.5%.
- As the quarter ended, mutual fund investors increased their holdings in bonds and stocks. For the quarter, bond funds had net inflows of $70.4 billion, while stock funds had net inflows of $67.6 billion. Total money market mutual fund assets decreased by $38.1 billion to $2.629 trillion.
- The unemployment rate fell from 7.8% to 7.6%, as total employment increased by 504,000 jobs.
- The price of oil increased from $92 per barrel to $97 during the quarter, an increase of 5.4%.
- For the three months ending March 31, 2013, annualized seasonally adjusted CPI – U was 2.1%. Rising prices for used cars and trucks drove the increase.

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US Fixed Income Market Commentary - 1st Quarter 2013



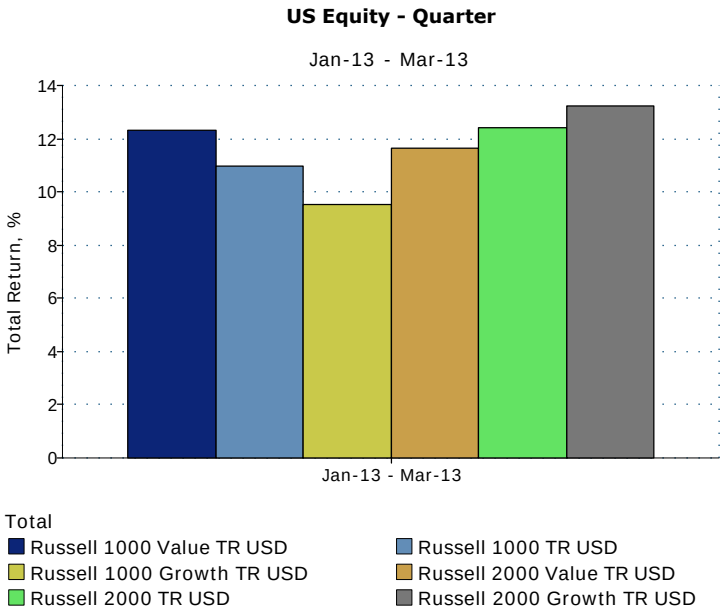


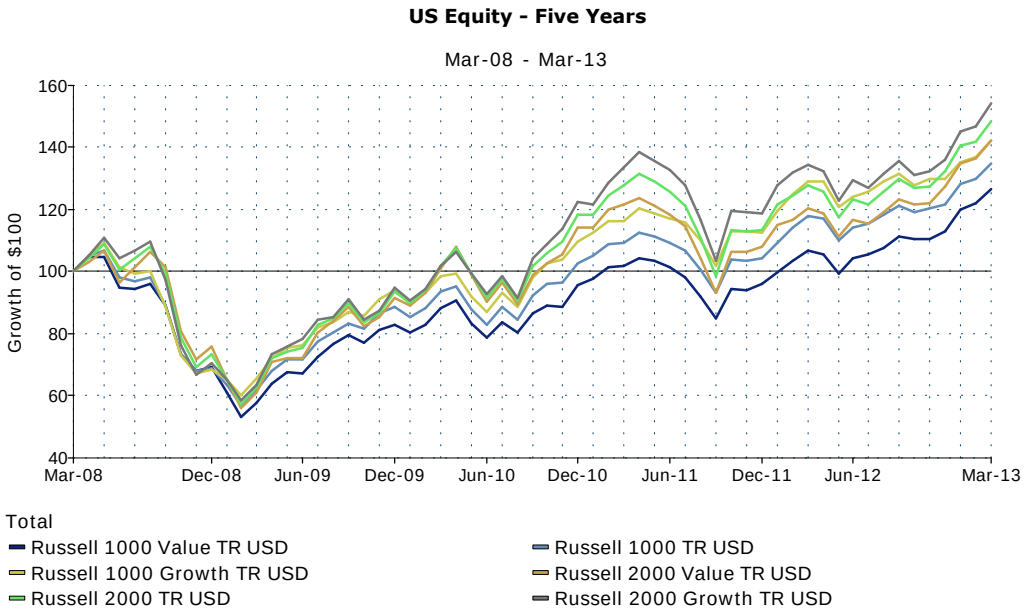
US Bond Market

- The broad fixed income market fell 0.12% in the 1st quarter, as the negative impact from a 0.12% rise in interest rates more than offset the coupon return of 0.80%.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- Interest rates increased slightly from the 5- to the 30-year Treasury rates.
- High-yield bonds were the best performing sector this quarter, up 2.89%, as investors favored bonds with higher yields.
- Long-term corporate bonds were down 2.26% due to rising yields on the long end of the curve.
- Long-term government bonds were the worst performing sector this quarter, down 2.89%, as investors moved out of safe-haven assets.
- 91-Day T-Bill returned 0.02% in the first quarter as compared with 0.04% in the fourth quarter.

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US Equity Market Commentary - 1st Quarter 2013



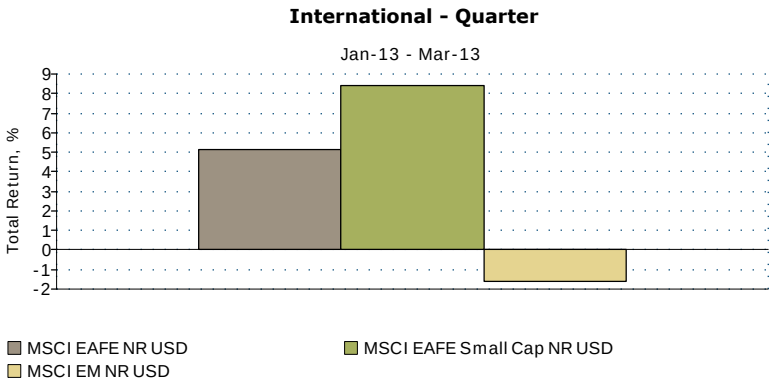


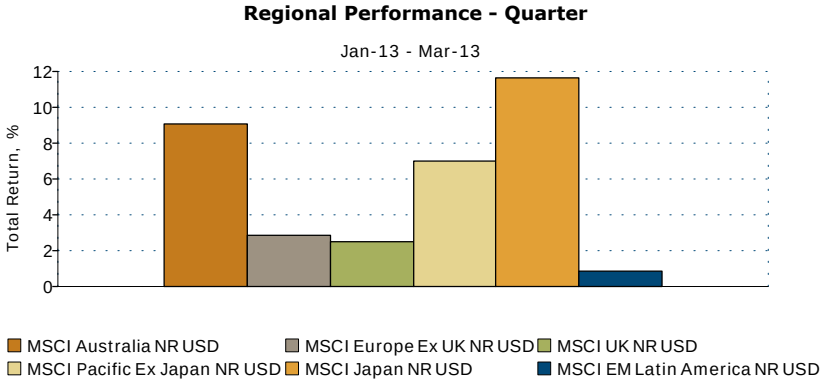
US Stock Market

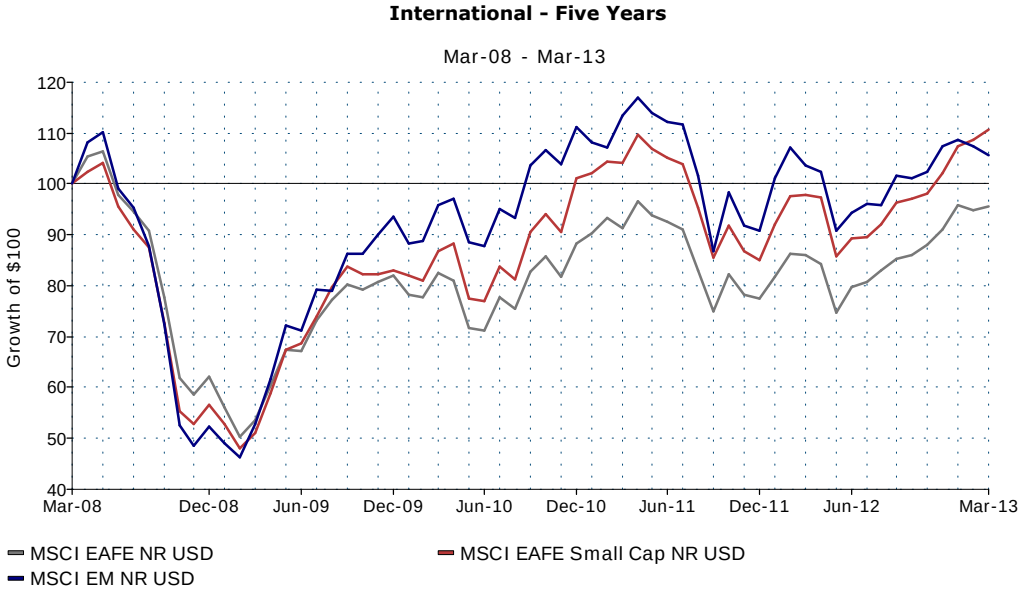
- Most major domestic equity indices posted a gain for the quarter. The small-cap Russell 2000 Growth Index had the best return, up 13.21%.
- In terms of capitalization, small-cap stocks outperformed large-cap stocks.
- In comparing styles, value outperformed growth in the large-cap area of the market, while growth beat value in the small-cap area.
- REITs had a strong quarter, up 7.04%, due to improving fundamentals, ready access to capital, and strong demand for dividend-paying securities. The best performing sectors were manufactured homes and timber.
- Health care was the best performing sector, up 15.82%, with strong gains in biotechnology and more traditional pharmaceutical firms.
- Materials were the worst performing sector, up 4.78%, on concerns about the sustainability of global growth.

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International Market Commentary - 1st Quarter 2013







International Markets

- The dollar was up against the yen, pound, and the euro.
- For the quarter, the EAFE Index was up 5.13% and Emerging Markets were down 1.62%. Local currency returns for the EAFE Index and Emerging Markets were 9.67% and -0.49%, respectively.
- Among the major international regions, Japanese stocks had the highest return, up 12.33%, in response to the Bank of Japan's announcement of more aggressive stimulus to the Japanese economy through quantitative easing.
- Stocks in the Middle East and Africa had the lowest return, down 7.56%, especially in South Africa where investors worried about politics and the mining industry.
- Small-cap stocks, up 8.4%, outperformed large-cap stocks, up 5.1%.

Performance Summary

Asset Allocation

	Balances As of 03/31/2013	Percent As of 03/31/2013	Balances As of 12/31/2012	Percent As of 12/31/2012	Notes
Wells Fargo Advantage Treas Plus MMkt I	$1,097,215	4.41%	$775,587	3.15%	PISXX
Vanguard Short-Term Bond Index Signal	$124,115	0.50%	$489,894	1.99%	VBSSX
Vanguard Inflation-Protected Secs I	$499,046	2.00%	$502,252	2.04%	VIPIX
Vanguard Interm-Term Bond Index Signal	$3,251,938	13.06%	$3,196,866	12.99%	VIBSX
Vanguard Long-Term Bond Index I	$2,387,624	9.59%	$2,345,184	9.53%	VBLLX
PIMCO Long Duration Total Return Instl	$2,377,812	9.55%	$2,334,775	9.49%	PLRIX
Vanguard Equity-Income Adm	$2,499,161	10.04%	$2,420,770	9.84%	VEIRX
Vanguard Morgan Growth Adm	$1,368,625	5.50%	$1,337,394	5.43%	VMRAX
Vanguard PRIMECAP Inv	$1,386,408	5.57%	$1,331,608	5.41%	VPMCX
Vanguard Mid-Cap Value Index Admiral	$1,255,241	5.04%	$1,220,479	4.96%	VMVAX
Target Small Capitalization Value T	$1,256,228	5.05%	$1,223,367	4.97%	TASVX
American Funds New Perspective R6	$1,228,883	4.94%	$1,220,696	4.96%	RNPGX
Harding Loevner Global Equity Inst	$1,241,999	4.99%	$1,212,771	4.93%	HLMVX
Vanguard Emerging Mkts Stock Idx I	$3,660,413	14.70%	$3,757,301	15.27%	VEMIX
Vanguard REIT Index I	$1,260,078	5.06%	$1,242,209	5.05%	VGSNX
Plan Total	**$24,894,786**		**$24,611,153**		

Investment Policy Review - Active Management

Fund Name	Return Rank 3Y	Return Rank 5Y	Excess Return 3Y	Excess Return 5Y	Relative StdDev 3Y	Relative StdDev 5Y	Alpha Rank 3Y	Sharpe Rank 3Y	Alpha Rank 5Y	Sharpe Rank 5Y
Vanguard Inflation-Protected Secs I	21	27	-0.01	-0.23	1.01	1.01	35	20	43	30
PIMCO Long Duration Total Return Instl	38	19	-0.17	1.16	0.92	0.97	81	63	75	50
Vanguard Equity-Income Adm	3	7	3.31	3.03	0.81	0.83	3	3	8	10
Vanguard Morgan Growth Adm	37	49	-1.80	-1.92	1.19	1.15	50	46	53	51
Vanguard PRIMECAP Inv	29	20	-1.22	-0.18	1.10	1.09	24	25	20	19
Target Small Capitalization Value T	53	30	-1.95	-0.24	0.93	0.91	28	27	24	20
American Funds New Perspective R6	25	24	1.86	2.46	0.95	0.93	27	27	29	24
Harding Loevner Global Equity Inst	54	37	-0.05	1.61	0.97	0.94	51	50	40	37

Definitions

Return Rank - Fund's category percentile return rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

Excess Return - Fund's excess return over its benchmark, a value greater than 0 implies the fund's return is higher than its benchmark.

Relative StdDev - Fund's standard deviation relative to its benchmark, a value less than 1 implies the fund's standard deviation is lower than its benchmark.

Alpha Rank - Fund's category percentile Alpha rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

Sharpe Rank - Fund's category percentile Sharpe Ratio rank, a value less than 50 (1 is the best and 100 is the worst) implies the fund is beating more than 50% of its peer group.

Investment Policy Review - Passive Management

Fund Name	Excess Return 3Y	Excess Return 5Y	Beta 3Y	Tracking Error 3Y	Beta 5Y	Tracking Error 5Y	Expense Ratio
Vanguard Short-Term Bond Index Signal	1.08	0.85	1.92	0.70	1.59	0.89	0.11
Vanguard Interm-Term Bond Index Signal	2.81	NA	1.60	1.74	NA	NA	0.11
Vanguard Long-Term Bond Index I	0.11	0.03	1.03	0.87	1.02	0.83	0.07
Vanguard Mid-Cap Value Index Admiral	-0.63	0.70	0.95	2.51	0.99	3.98	0.10
Vanguard Emerging Mkts Stock Idx I	-0.20	-0.22	1.01	3.05	1.02	2.99	0.12
Vanguard REIT Index I	1.29	2.00	1.00	0.21	0.99	0.55	0.08

Definitions

Excess Return - Fund's excess return over its benchmark, a value greater than 0 implies the fund's return is higher than its benchmark.

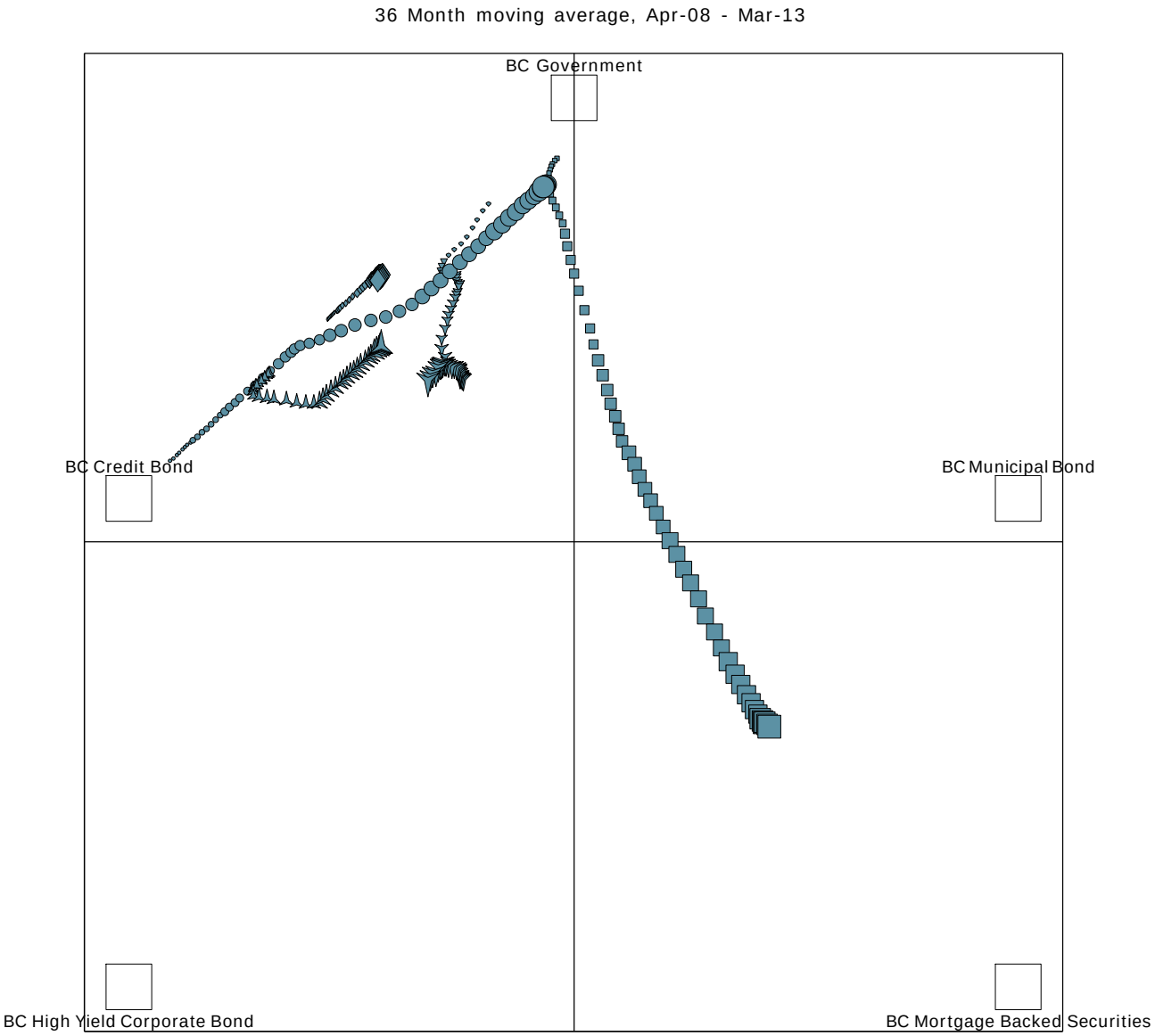
Beta - Fund's Beta or sensitivity to movements compared to its benchmark, a value of 1 implies its moving in sync with its benchmark.

Tracking Error - Fund's Tracking Error versus its benchmark, a value of 0 implies the Fund's ups and downs are the same size as its benchmark.

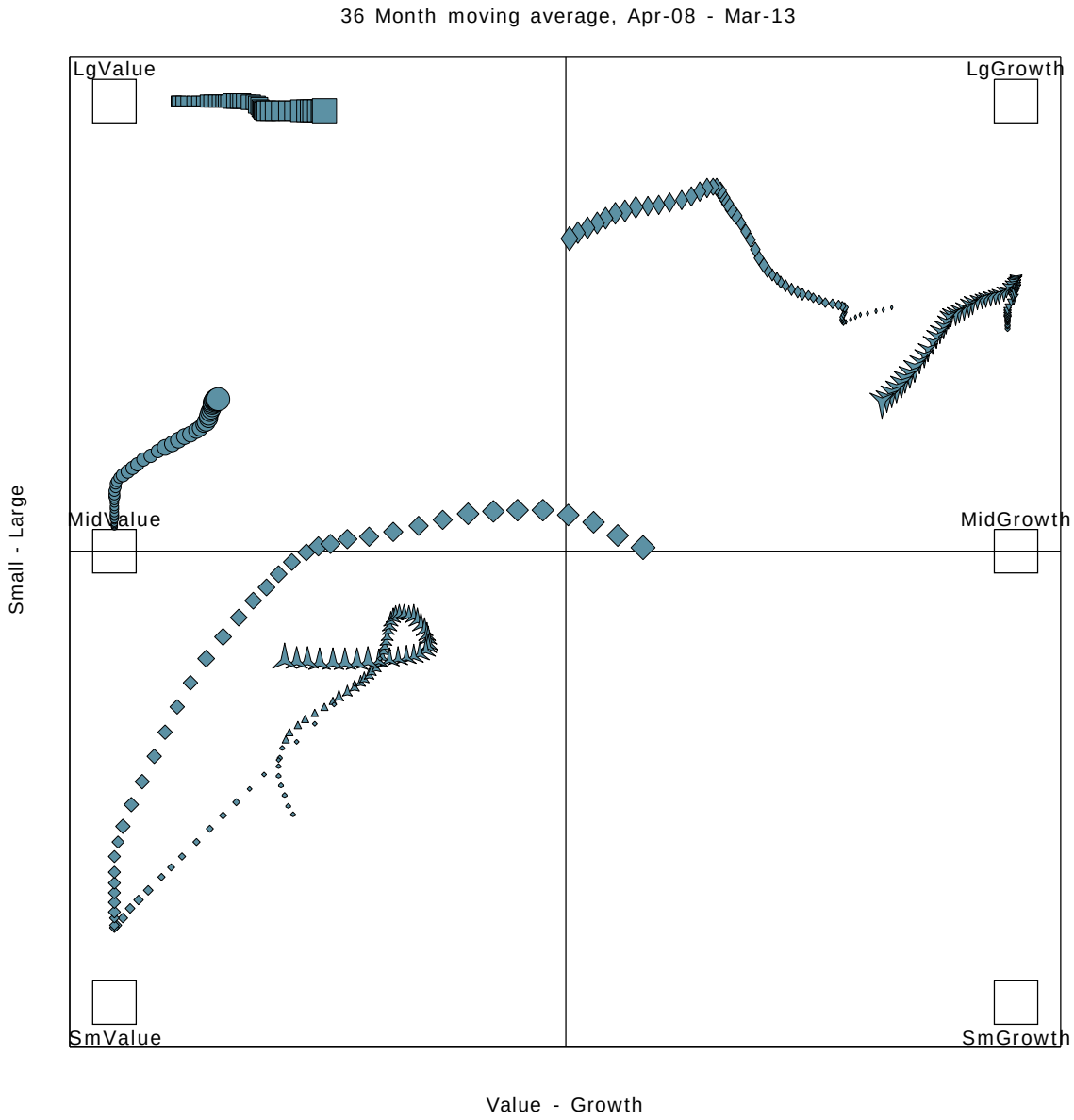
Investment Option Return Summary

Asset Class	Fund Name	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Ticker	Mstar Rating	Expense Ratio
Taxable Money Market	Wells Fargo Advantage Treas Plus MMkt I	0.00	0.00	0.01	0.01	0.20	1.59	PISXX	NA	0.20
	BofA ML 3-month T-bill total return Index	*0.02*	*0.02*	*0.12*	*0.11*	*0.34*	*1.75*	*N/A*	*NA*	*NA*
Short-term Bond	Vanguard Short-Term Bond Index Signal	0.21	0.21	1.80	2.73	3.22	3.57	VBSSX	3.00	0.11
	Barclays US Govt/Credit 1-3 Yr TR USD	*0.20*	*0.20*	*1.09*	*1.65*	*2.37*	*3.06*	*N/A*	*NA*	*NA*
Inflation-Protected Bond	Vanguard Inflation-Protected Secs I	(0.25)	(0.25)	5.83	8.56	5.66	6.20	VIPIX	4.00	0.07
	Barclays US Treasury US TIPS TR USD	*(0.36)*	*(0.36)*	*5.68*	*8.57*	*5.89*	*6.32*	*N/A*	*NA*	*NA*
Intermediate-term Bond	Vanguard Interm-Term Bond Index Signal	0.34	0.34	6.70	8.40	7.20	6.15	VIBSX	4.00	0.11
	Barclays US Agg Float Adj TR USD	*(0.12)*	*(0.12)*	*3.89*	*5.59*	*NA*	*NA*	*N/A*	*NA*	*NA*
Long-term Bond	Vanguard Long-Term Bond Index I	(1.57)	(1.57)	9.39	12.42	9.58	7.57	VBLLX	3.00	0.07
Long-term Bond	PIMCO Long Duration Total Return Instl	(1.11)	(1.11)	10.36	12.14	10.71	NA	PLRIX	4.00	0.50
	BC Long Government/Credit	*(1.98)*	*(1.98)*	*8.94*	*12.31*	*9.55*	*7.52*	*N/A*	*NA*	*NA*
Large Value	Vanguard Equity-Income Adm	11.28	11.28	16.62	15.43	7.10	10.07	VEIRX	5.00	0.21
	S&P 500 Value	*11.97*	*11.97*	*16.64*	*12.12*	*4.07*	*8.94*	*N/A*	*NA*	*NA*
Large Growth	Vanguard Morgan Growth Adm	9.03	9.03	7.21	11.51	5.56	9.01	VMRAX	4.00	0.26
Large Growth	Vanguard PRIMECAP Inv	14.16	14.16	19.23	12.09	7.30	11.46	VPMCX	4.00	0.45
	S&P 500 Growth	*9.33*	*9.33*	*11.61*	*13.31*	*7.48*	*8.10*	*N/A*	*NA*	*NA*
Mid-Cap Value	Vanguard Mid-Cap Value Index Admiral	14.31	14.31	19.25	13.64	8.88	NA	VMVAX	3.00	0.10
	MSCI US Mid Cap 450 Index USD	*13.34*	*13.34*	*15.95*	*14.27*	*8.18*	*12.20*	*N/A*	*NA*	*NA*
Small Value	Target Small Capitalization Value T	12.37	12.37	16.26	13.23	8.96	13.78	TASVX	4.00	0.68
	S&P 600 Index	*11.81*	*11.81*	*16.14*	*15.18*	*9.19*	*12.36*	*N/A*	*NA*	*NA*
World Stock	American Funds New Perspective R6	6.30	6.30	13.16	9.64	4.53	11.78	RNPGX	4.00	0.46
World Stock	Harding Loevner Global Equity Inst	4.71	4.71	6.08	7.73	3.68	10.46	HLMVX	3.00	0.95
	MSCI AC World Index ND USD	*6.50*	*6.50*	*10.55*	*7.78*	*2.06*	*9.36*	*N/A*	*NA*	*NA*
Diversified Emerging Mkts	Vanguard Emerging Mkts Stock Idx I	(2.58)	(2.58)	1.58	3.07	0.87	16.76	VEMIX	3.00	0.12
	MSCI EM NR USD	*(1.62)*	*(1.62)*	*1.96*	*3.27*	*1.09*	*17.05*	*N/A*	*NA*	*NA*
Real Estate	Vanguard REIT Index I	8.11	8.11	14.89	17.30	7.31	12.47	VGSNX	3.00	0.08
	MSCI US REIT NR USD	*7.79*	*7.79*	*13.67*	*16.01*	*5.31*	*NA*	*N/A*	*NA*	*NA*
Total Plan	CIVILIAN-GROSS RETURN	4.08	4.08	7.54	7.23	5.13	NA	N/A	NA	NA
Total Plan	CIVILIAN-NET RETURN	4.01	4.01	7.19	6.81	4.69	NA	N/A	NA	NA
	Employee Plan Policy Index	*3.75*	*3.75*	*8.09*	*8.54*	*4.78*	*7.71*	*N/A*	*NA*	*NA*

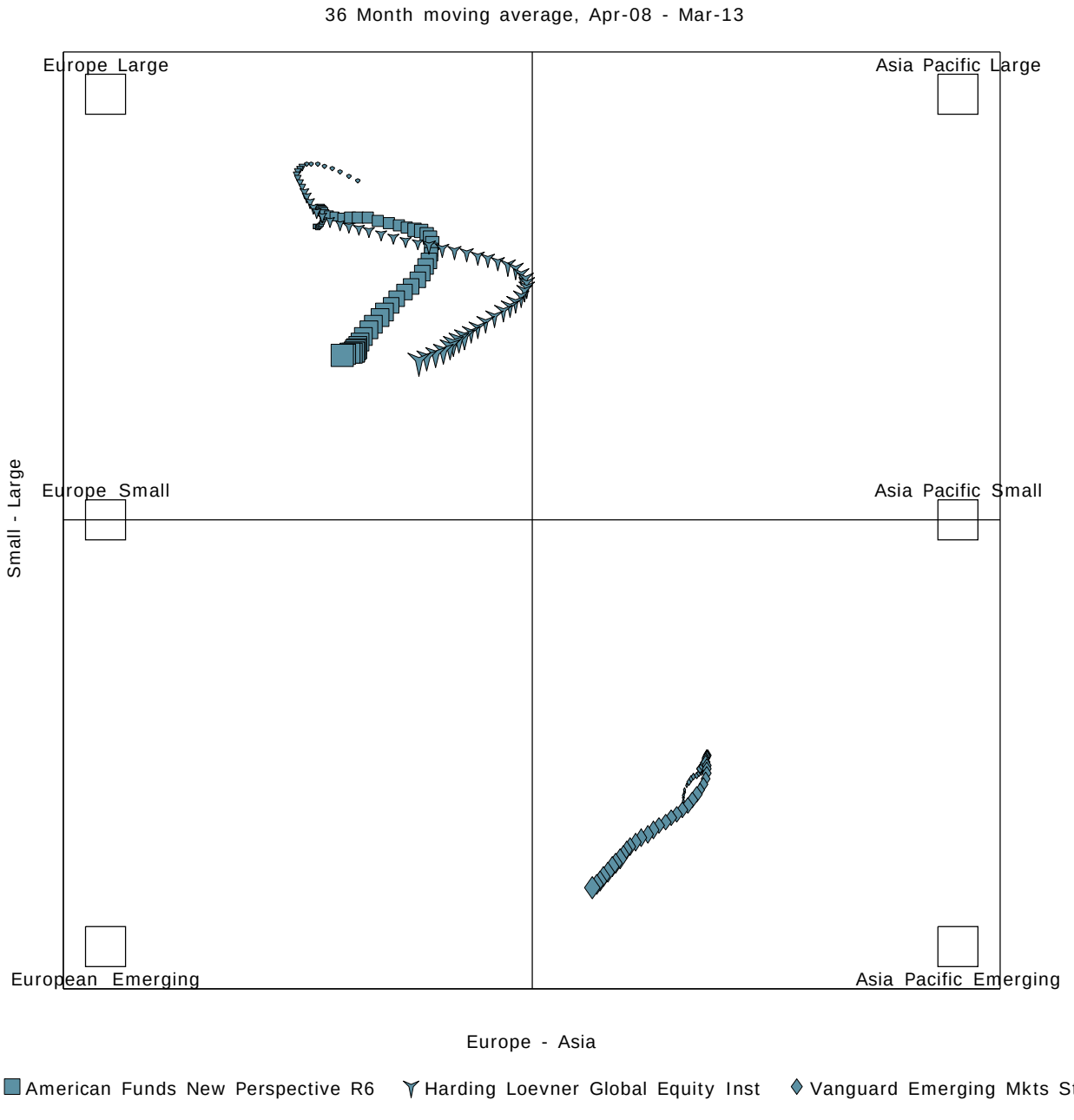
U.S. Fixed Income Style Map



U.S. Equity Style Map



International Equity Style Map

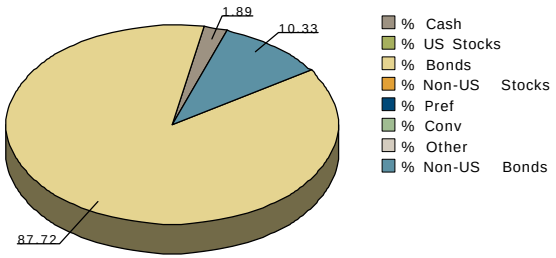


Core Fund Review

Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Vanguard Short-Term Bond Index Signal



Portfolio Region	
% United States	NA
% Canada	NA
% Latin America	NA
% United Kingdom	NA
% Eurozone	NA
% Europe - ex Euro	NA
% Europe - Emerging	NA
% Africa	NA
% Middle East	NA
% Japan	NA
% Australasia	NA
% Asia - Developed	NA
% Asia - Emerging	NA

Portfolio Structure	
% Cash	1.89
% US Stocks	0.00
% Bonds	87.72
% Non-US Stocks	0.00
% Pref	0.05
% Conv	0.00
% Other	0.00
% Non-US Bonds	10.33

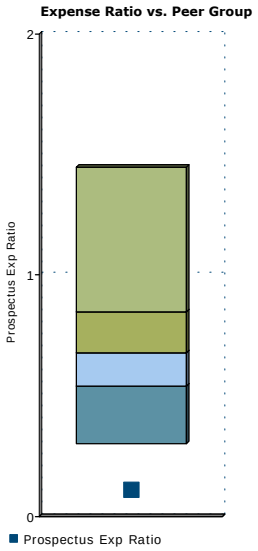
Sector Allocation	
% Basic Materials	NA
% Communication Services	NA
% Consumer Cyclical	NA
% Consumer Defensive	NA
% Healthcare	NA
% Industrials	NA
% Real Estate	NA
% Technology	NA
% Energy	NA
% Financial Services	NA
% Utilities	NA

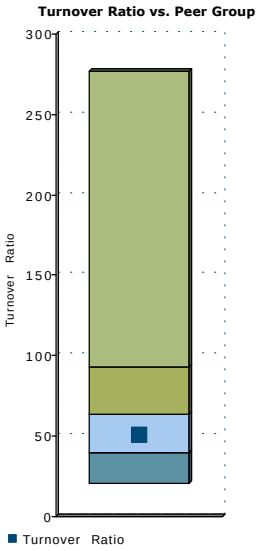
Credit Quality	
Avg Eff Duration	2.69
Effective Maturity	2.80
Avg Credit Quality	AA
US Govt/ Agency	NA
AAA	74.17
AA	6.08
A	11.41
BBB	8.34
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Top Ten Holdings	
US Treasury Note 2.5%	1.57%
US Treasury Note 2.625%	1.56%
US Treasury Note 0.625%	1.56%
US Treasury Note 1%	1.56%
US Treasury Note 1.75%	1.41%
US Treasury Note 2.375%	1.40%
US Treasury Note 0.25%	1.35%
US Treasury Note 0.625%	1.33%
US Treasury Note 1%	1.27%
US Treasury Note 0.75%	1.24%

Portfolio Information	
Ticker	VBSSX
Morningstar Category	Short-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	8141.24
Net Assets $MM	28494.83
Turnover Ratio	51.00
% Assets in Top 10 Holdings	14.25
Total Number of Holdings	1506.00
Manager Name	Joshua C. Barrickman
Manager Tenure	0.10
Fund Incept Date	03/01/1994
Prospectus Exp Ratio	0.11
Phone Number	800-662-7447
Closed to New Investors	No

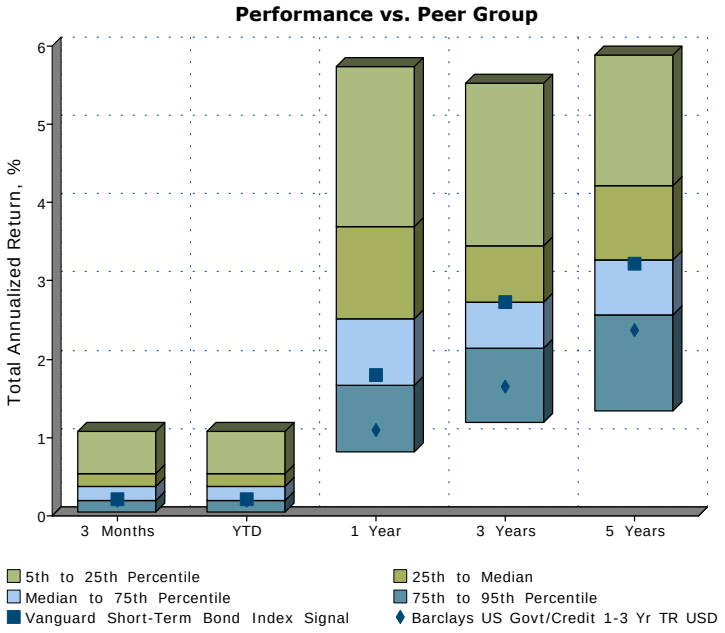
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	48
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	47
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	31





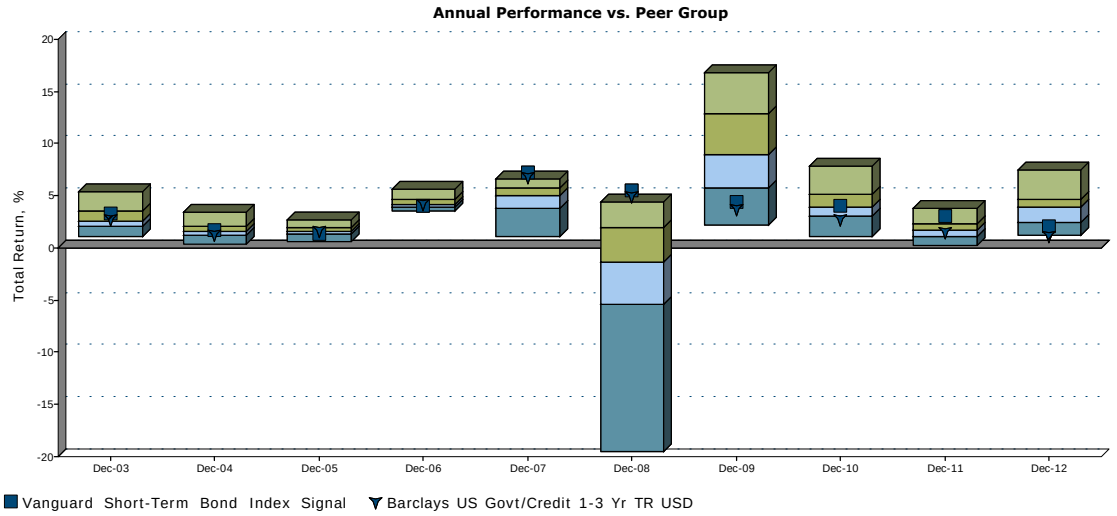
Investment Strategy Summary

The investment seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays Capital U.S. 1-5 Year Government/Credit Float Adjusted Index. It invests by sampling the index. The fund invests at least 80% of assets in bonds held in the index. It maintains a dollar-weighted average maturity consistent with that of the index, which generally does not exceed 3 years.

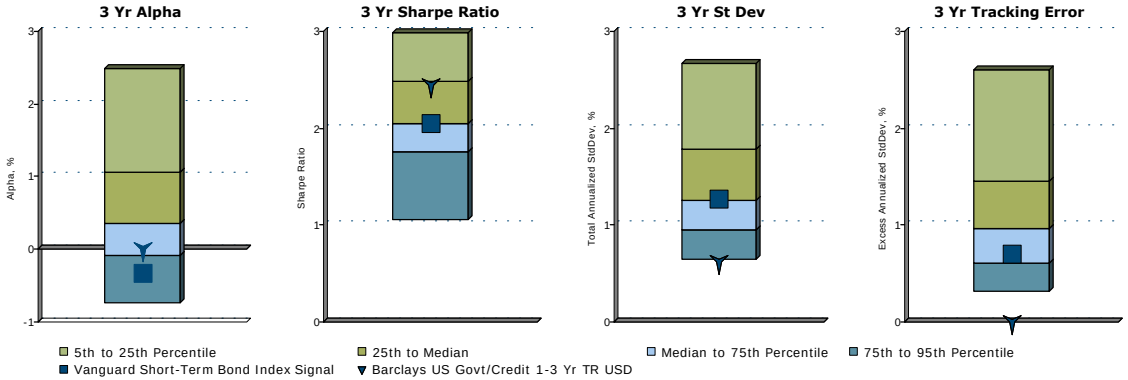


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Short-Term Bond Index Signal	0.21	0.21	1.80	2.73	3.22
Barclays US Govt/Credit 1-3 Yr TR USD	0.20	0.20	1.09	1.65	2.37
Universe(5%)	1.07	1.07	5.73	5.53	5.88
Universe(25%)	0.54	0.54	3.69	3.44	4.22
Universe(Median)	0.37	0.37	2.52	2.73	3.27
Universe(75%)	0.20	0.20	1.67	2.14	2.56
Universe(95%)	0.04	0.04	0.82	1.20	1.34

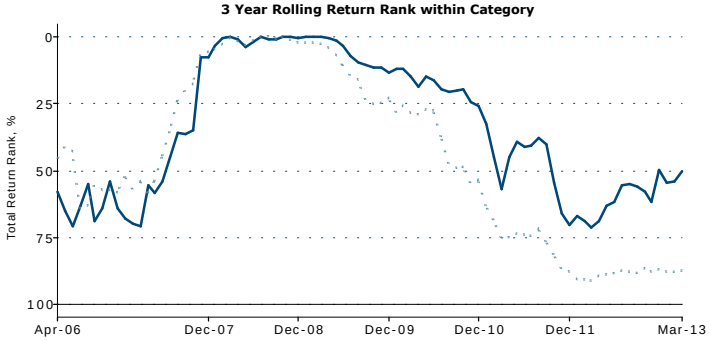
Vanguard Short-Term Bond Index Signal

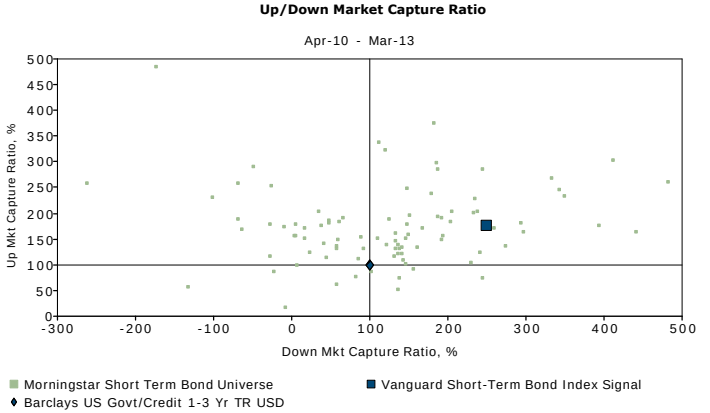


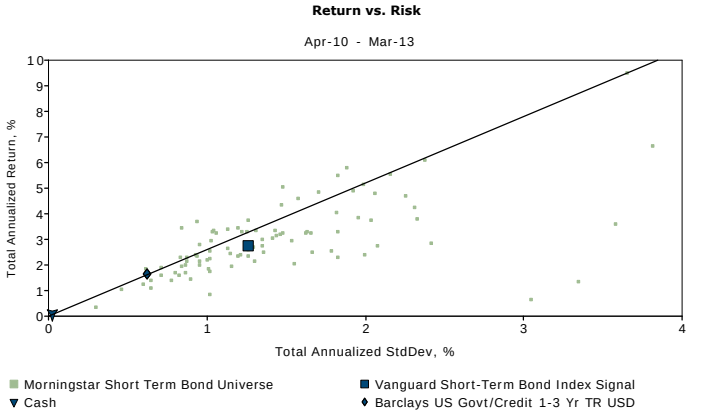
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Short-Term Bond Index Signal	3.37	1.70	1.31	4.09	7.28	5.51	4.38	4.03	3.08	2.05
Barclays US Govt/Credit 1-3 Yr TR USD	2.81	1.30	1.77	4.25	6.83	4.97	3.82	2.80	1.59	1.26



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Short-Term Bond Index Signal	-0.34	1.92	89.63	2.05	1.26	0.70
Barclays US Govt/Credit 1-3 Yr TR USD	0.00	1.00	100.00	2.44	0.62	0.00
Universe(5%)	2.49	2.56	87.41	2.99	2.67	2.60
Universe(25%)	1.07	1.77	73.20	2.48	1.79	1.45
Universe(Median)	0.35	1.33	55.10	2.04	1.26	0.97
Universe(75%)	-0.08	1.14	35.57	1.75	0.95	0.60
Universe(95%)	-0.74	0.68	10.95	1.06	0.65	0.32



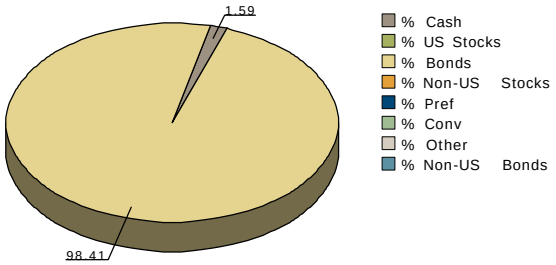




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Vanguard Inflation-Protected Secs I



Portfolio Region	
% United States	NA
% Canada	NA
% Latin America	NA
% United Kingdom	NA
% Eurozone	NA
% Europe - ex Euro	NA
% Europe - Emerging	NA
% Africa	NA
% Middle East	NA
% Japan	NA
% Australasia	NA
% Asia - Developed	NA
% Asia - Emerging	NA

Portfolio Structure	
% Cash	1.59
% US Stocks	0.00
% Bonds	98.41
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

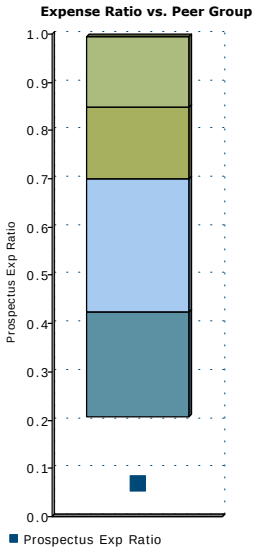
Sector Allocation	
% Basic Materials	NA
% Communication Services	NA
% Consumer Cyclical	NA
% Consumer Defensive	NA
% Healthcare	NA
% Industrials	NA
% Real Estate	NA
% Technology	NA
% Energy	NA
% Financial Services	NA
% Utilities	NA

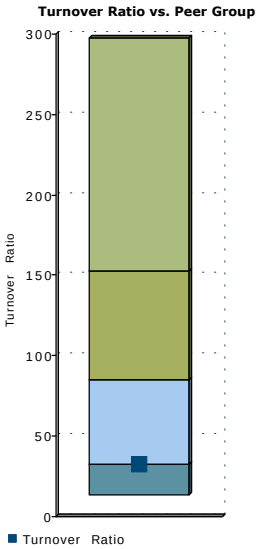
Credit Quality	
Avg Eff Duration	8.45
Effective Maturity	9.30
Avg Credit Quality	Government
US Govt/ Agency	NA
AAA	100.00
AA	0.00
A	0.00
BBB	0.00
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Top Ten Holdings	
US Treasury Note	5.83%
US Treasury Note	5.47%
US Treasury Note 1.125%	5.43%
US Treasury Note	5.38%
US Treasury Note 0.125%	5.17%
US Treasury Note	4.88%
US Treasury Bond 3.875%	4.21%
US Treasury Note 1.25%	4.15%
US Treasury Note 0.5%	4.11%
US Treasury Bond 2.375%	4.07%

Portfolio Information	
Ticker	VIPIX
Morningstar Category	Inflation-Protected Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	10795.85
Net Assets $MM	43147.94
Turnover Ratio	33.00
% Assets in Top 10 Holdings	48.69
Total Number of Holdings	33.00
Manager Name	Gemma Wright-Casparius
Manager Tenure	1.62
Fund Incept Date	06/29/2000
Prospectus Exp Ratio	0.07
Phone Number	800-662-7447
Closed to New Investors	No

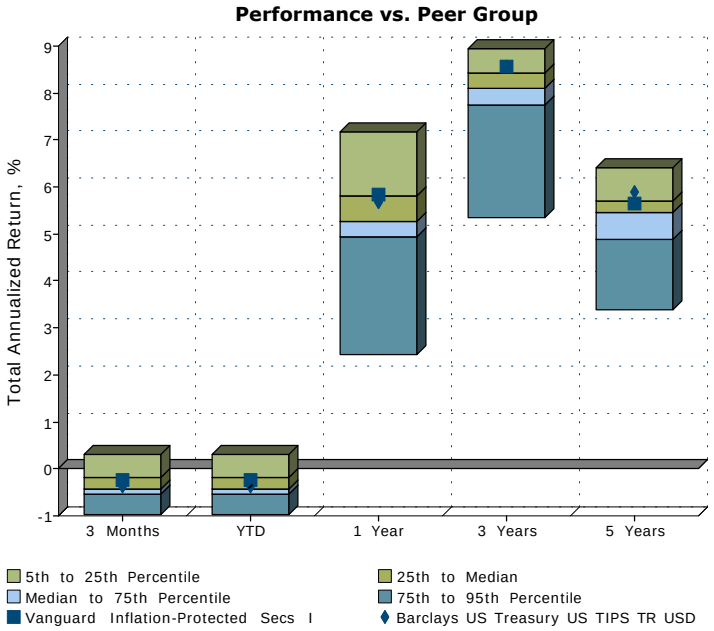
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	10
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	22
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	18





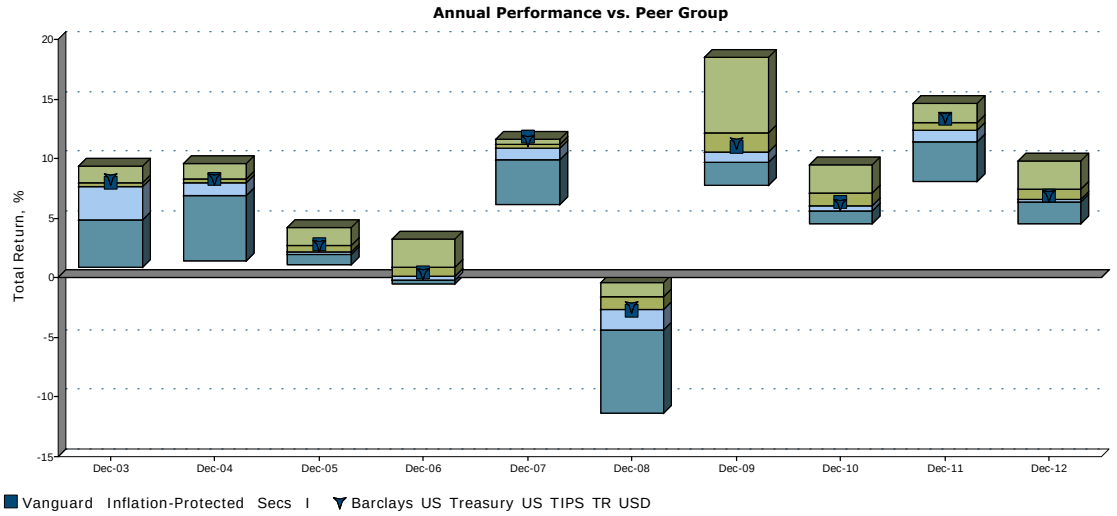
Investment Strategy Summary

The investment seeks to provide inflation protection and income consistent with investment in inflation-indexed securities. The fund invests at least 80% of its assets in inflation-indexed bonds issued by the U.S. government, its agencies and instrumentalities, and corporations. It may invest in bonds of any maturity; however, its dollar-weighted average maturity is expected to be in the range of 7 to 20 years. At a minimum, all bonds purchased by the fund will be rated "investment grade" or, if unrated, will be considered by the advisor to be investment grade.

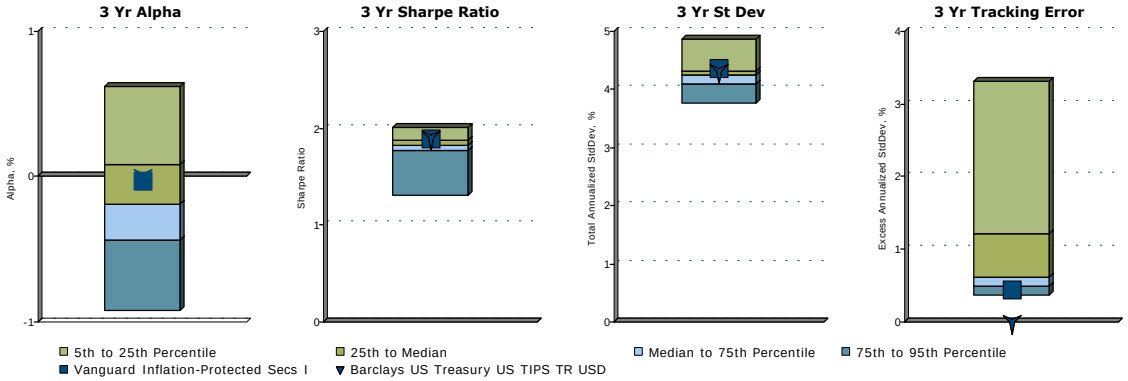


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Inflation-Protected Secs I	-0.25	-0.25	5.83	8.56	5.66
Barclays US Treasury US TIPS TR USD	-0.36	-0.36	5.68	8.57	5.89
Universe(5%)	0.30	0.30	7.18	8.95	6.41
Universe(25%)	-0.17	-0.17	5.81	8.44	5.70
Universe(Median)	-0.42	-0.42	5.26	8.09	5.45
Universe(75%)	-0.53	-0.53	4.95	7.75	4.89
Universe(95%)	-0.96	-0.96	2.43	5.35	3.39

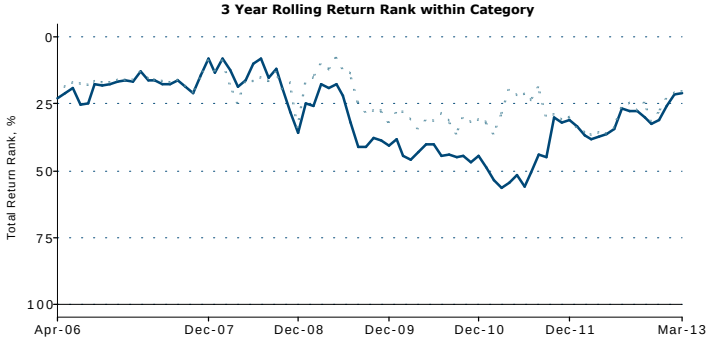
Vanguard Inflation-Protected Secs I

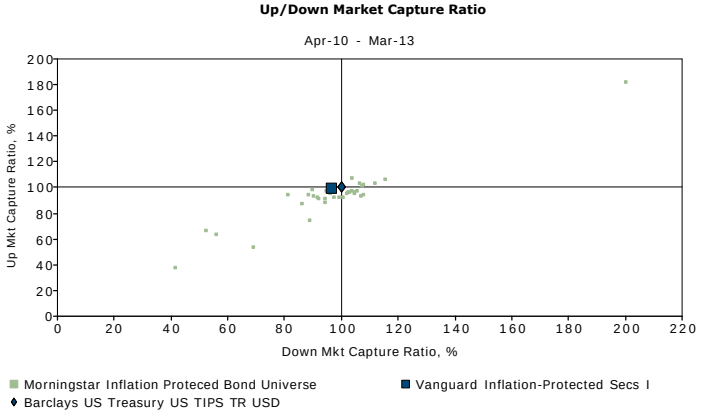


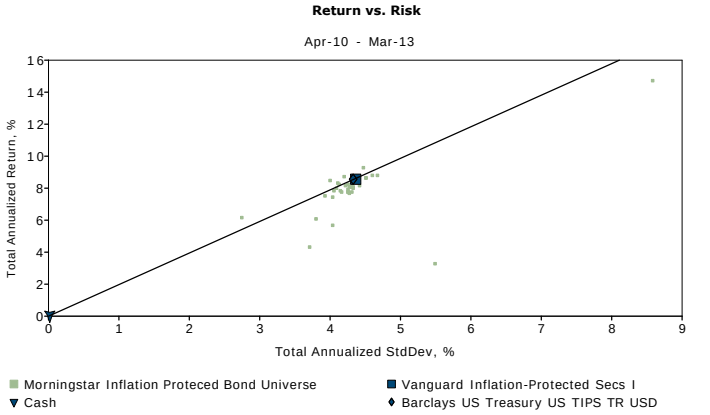
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Inflation-Protected Secs I	8.00	8.25	2.78	0.46	11.82	-2.81	11.03	6.33	13.39	6.87
Barclays US Treasury US TIPS TR USD	8.40	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56	6.98



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Inflation-Protected Secs I	-0.03	1.00	98.95	1.89	4.36	0.45
Barclays US Treasury US TIPS TR USD	0.00	1.00	100.00	1.90	4.32	0.00
Universe(5%)	0.63	1.03	99.25	2.00	4.88	3.32
Universe(25%)	0.09	0.99	98.84	1.87	4.33	1.22
Universe(Median)	-0.19	0.98	98.15	1.82	4.26	0.62
Universe(75%)	-0.44	0.93	92.58	1.77	4.10	0.49
Universe(95%)	-0.92	0.63	65.86	1.31	3.77	0.38



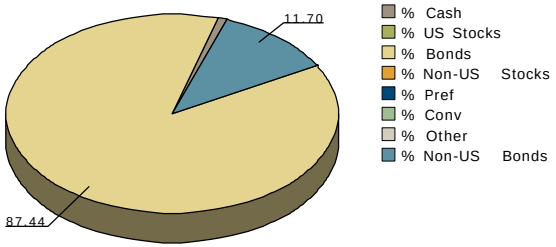




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Vanguard Interm-Term Bond Index Signal



Portfolio Region	
% United States	NA
% Canada	NA
% Latin America	NA
% United Kingdom	NA
% Eurozone	NA
% Europe - ex Euro	NA
% Europe - Emerging	NA
% Africa	NA
% Middle East	NA
% Japan	NA
% Australasia	NA
% Asia - Developed	NA
% Asia - Emerging	NA

Portfolio Structure	
% Cash	0.86
% US Stocks	0.00
% Bonds	87.44
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	11.70

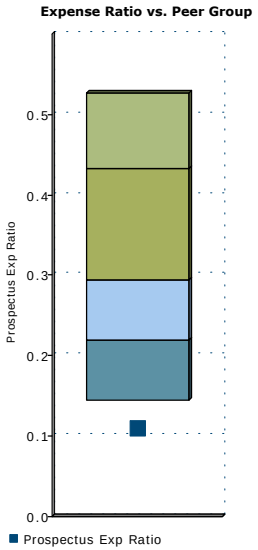
Sector Allocation	
% Basic Materials	NA
% Communication Services	NA
% Consumer Cyclical	NA
% Consumer Defensive	NA
% Healthcare	NA
% Industrials	NA
% Real Estate	NA
% Technology	NA
% Energy	NA
% Financial Services	NA
% Utilities	NA

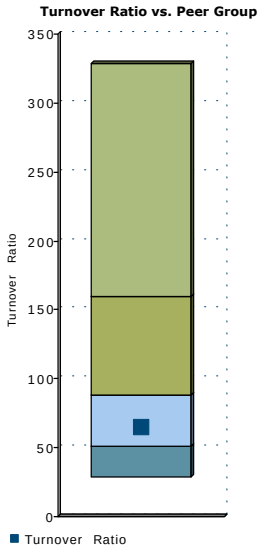
Credit Quality	
Avg Eff Duration	6.48
Effective Maturity	7.30
Avg Credit Quality	A
US Govt/ Agency	NA
AAA	53.01
AA	4.94
A	19.98
BBB	22.07
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Top Ten Holdings	
US Treasury Note 3.625%	3.15%
US Treasury Note 3.5%	3.09%
US Treasury Note 3.625%	2.97%
US Treasury Note 3.125%	2.62%
US Treasury Note 3.375%	2.45%
US Treasury Note 2.625%	2.26%
US Treasury Note 2%	2.26%
US Treasury Note 1.625%	2.25%
US Treasury Note 3.625%	2.05%
US Treasury Note 2.625%	1.99%

Portfolio Information	
Ticker	VIBSX
Morningstar Category	Intermediate-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	16727.21
Net Assets $MM	17106.51
Turnover Ratio	65.00
% Assets in Top 10 Holdings	25.09
Total Number of Holdings	1421.00
Manager Name	Joshua C. Barrickman
Manager Tenure	4.94
Fund Incept Date	03/01/1994
Prospectus Exp Ratio	0.11
Phone Number	800-662-7447
Closed to New Investors	No

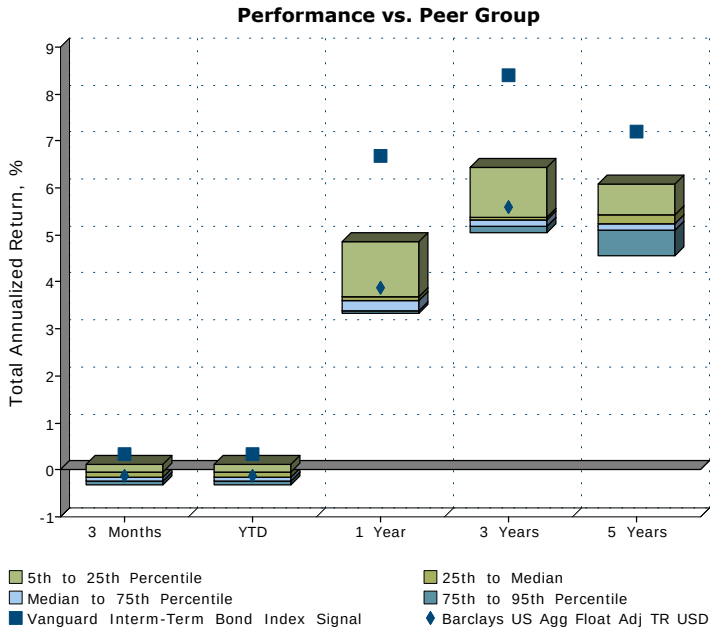
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★★
% Rank Cat 3 Yr	8
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	19
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	14





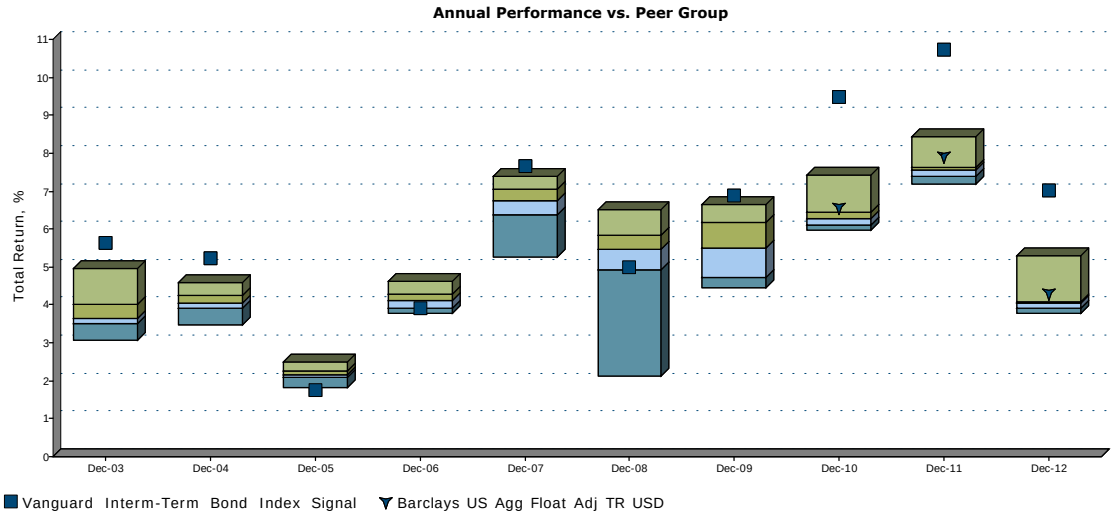
Investment Strategy Summary

The investment seeks to track the performance of a market-weighted bond index with an intermediate-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 5-10 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 5 and 10 years and are publicly issued. All of its investments will be selected through the sampling process, and at least 80% of its assets will be invested in bonds held in the index.

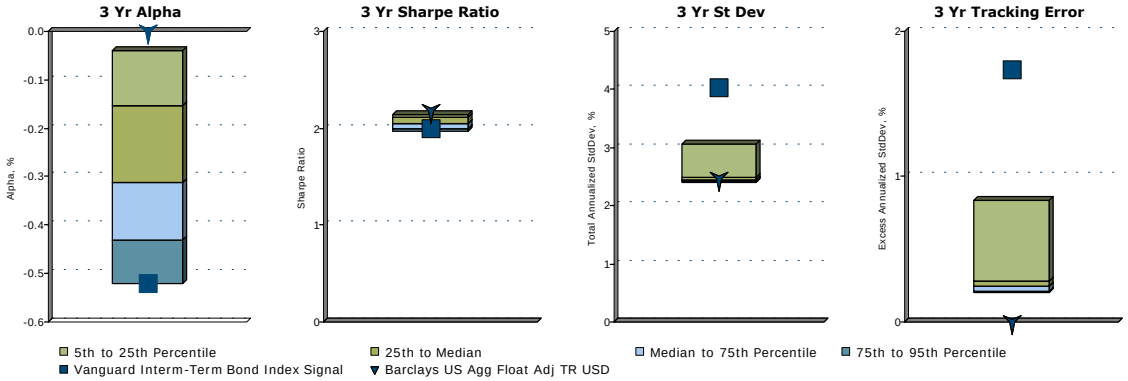


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Interm-Term Bond Index Signal	0.34	0.34	6.70	8.40	7.20
Barclays US Agg Float Adj TR USD	-0.12	-0.12	3.89	5.59	NA
Universe(5%)	0.13	0.13	4.87	6.45	6.09
Universe(25%)	-0.05	-0.05	3.70	5.39	5.42
Universe(Median)	-0.15	-0.15	3.60	5.32	5.25
Universe(75%)	-0.24	-0.24	3.37	5.19	5.10
Universe(95%)	-0.31	-0.31	3.34	5.04	4.55

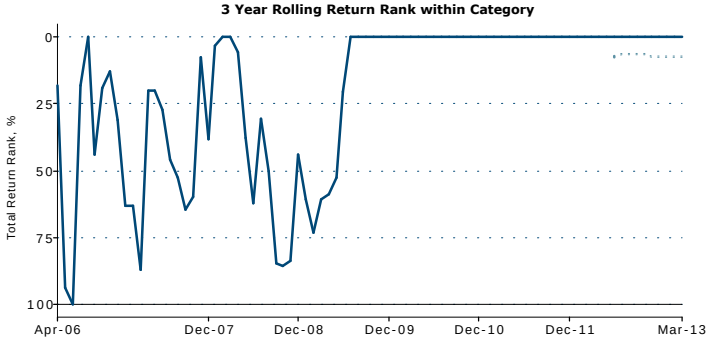
Vanguard Interm-Term Bond Index Signal

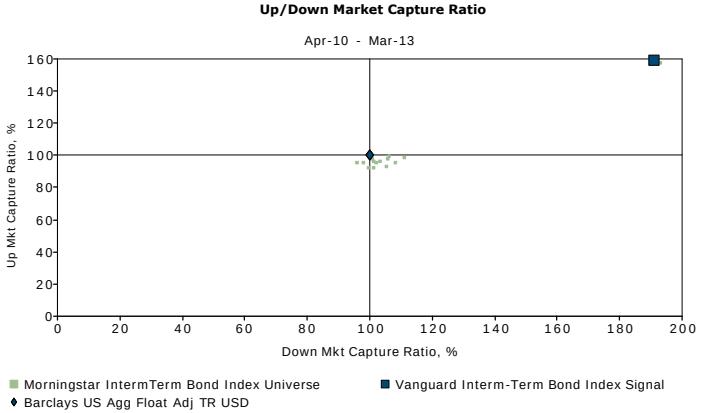


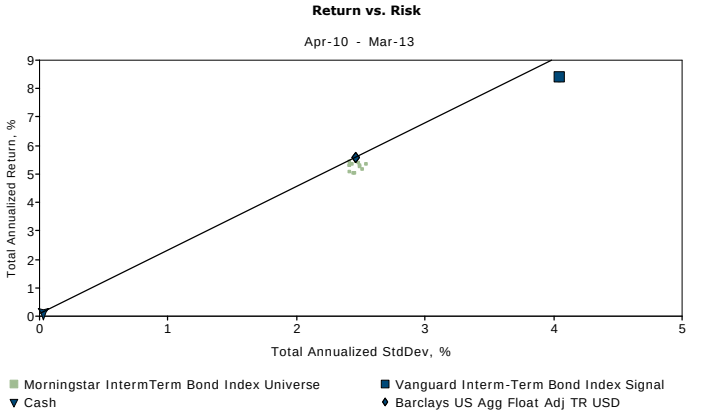
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Interm-Term Bond Index Signal	5.65	5.22	1.75	3.91	7.66	5.01	6.89	9.48	10.73	7.02
Barclays US Agg Float Adj TR USD	NA	NA	NA	NA	NA	NA	NA	6.58	7.92	4.32



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Interm-Term Bond Index Signal	-0.52	1.60	94.75	1.99	4.04	1.74
Barclays US Agg Float Adj TR USD	0.00	1.00	100.00	2.18	2.46	0.00
Universe(5%)	-0.04	1.23	99.34	2.15	3.06	0.84
Universe(25%)	-0.15	1.01	99.25	2.11	2.49	0.28
Universe(Median)	-0.31	0.99	99.03	2.04	2.45	0.25
Universe(75%)	-0.43	0.98	98.70	2.00	2.42	0.21
Universe(95%)	-0.52	0.97	96.84	1.97	2.41	0.20



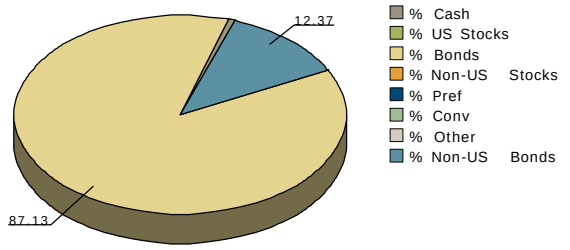




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Vanguard Long-Term Bond Index I



Portfolio Region	
% United States	NA
% Canada	NA
% Latin America	NA
% United Kingdom	NA
% Eurozone	NA
% Europe - ex Euro	NA
% Europe - Emerging	NA
% Africa	NA
% Middle East	NA
% Japan	NA
% Australasia	NA
% Asia - Developed	NA
% Asia - Emerging	NA

Portfolio Structure	
% Cash	0.46
% US Stocks	0.00
% Bonds	87.13
% Non-US Stocks	0.00
% Pref	0.04
% Conv	0.00
% Other	0.00
% Non-US Bonds	12.37

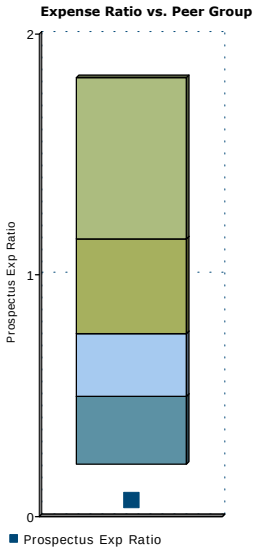
Sector Allocation	
% Basic Materials	NA
% Communication Services	NA
% Consumer Cyclical	NA
% Consumer Defensive	NA
% Healthcare	NA
% Industrials	NA
% Real Estate	NA
% Technology	NA
% Energy	NA
% Financial Services	NA
% Utilities	NA

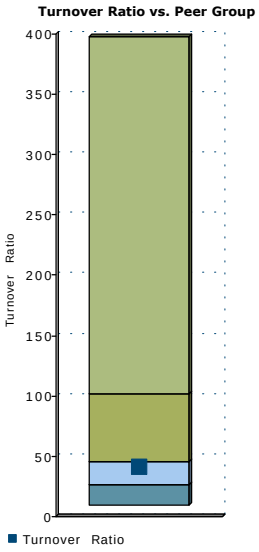
Credit Quality	
Avg Eff Duration	14.77
Effective Maturity	24.10
Avg Credit Quality	A
US Govt/ Agency	NA
AAA	42.05
AA	7.45
A	23.98
BBB	26.52
BB	0.00
B	0.00
Below B	0.00
NR/NA	0.00

Top Ten Holdings	
US Treasury Bond 4.375%	2.75%
US Treasury Bond 4.25%	2.64%
US Treasury Bond 2.75%	2.19%
US Treasury Bond 4.375%	2.10%
US Treasury Bond 4.375%	2.09%
US Treasury Bond 4.75%	2.09%
US Treasury Bond 3.125%	2.07%
US Treasury Bond 4.625%	1.90%
US Treasury Bond 3%	1.88%
US Treasury Bond 4.25%	1.79%

Portfolio Information	
Ticker	VBLLX
Morningstar Category	Long-term Bond
Avg Mkt Cap $MM	NA
Cat Med Mkt Cap $MM	37398.17
Net Assets $MM	5786.18
Turnover Ratio	41.00
% Assets in Top 10 Holdings	21.51
Total Number of Holdings	1434.00
Manager Name	Joshua C. Barrickman
Manager Tenure	0.10
Fund Incept Date	03/01/1994
Prospectus Exp Ratio	0.07
Phone Number	800-662-7447
Closed to New Investors	No

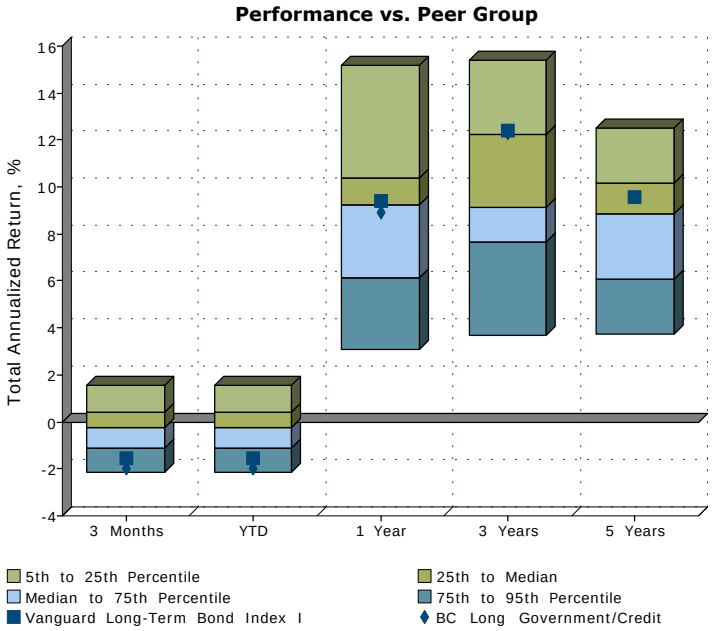
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	34
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	56
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	50





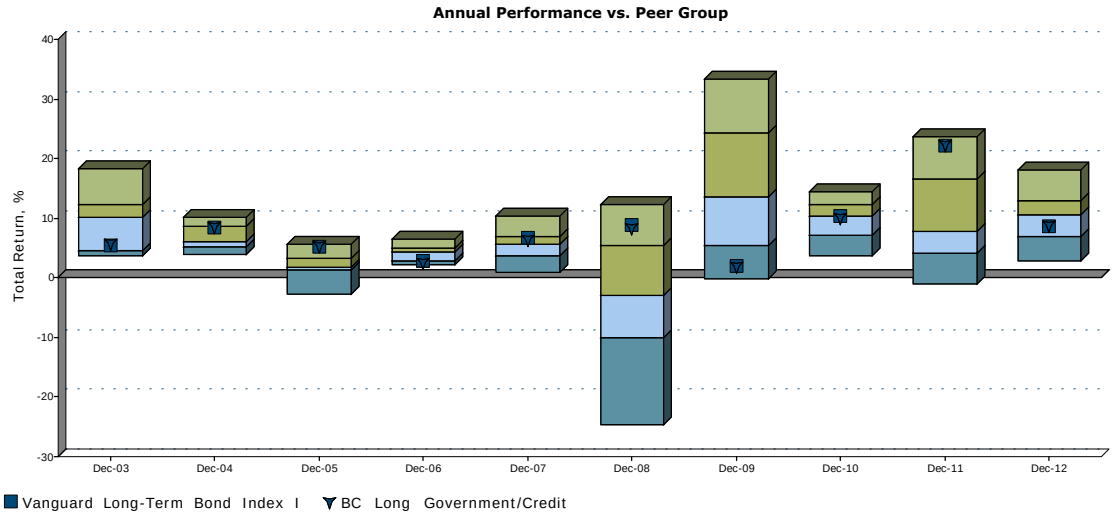
Investment Strategy Summary

The investment seeks to track the performance of a market-weighted bond index with a long-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays Capital U.S. Long Government/Credit Float Adjusted Index. It invests at least 80% of assets in bonds held in the index. The fund maintains a dollar-weighted average maturity consistent with that of the index, which generally ranges between 15 and 30 years.

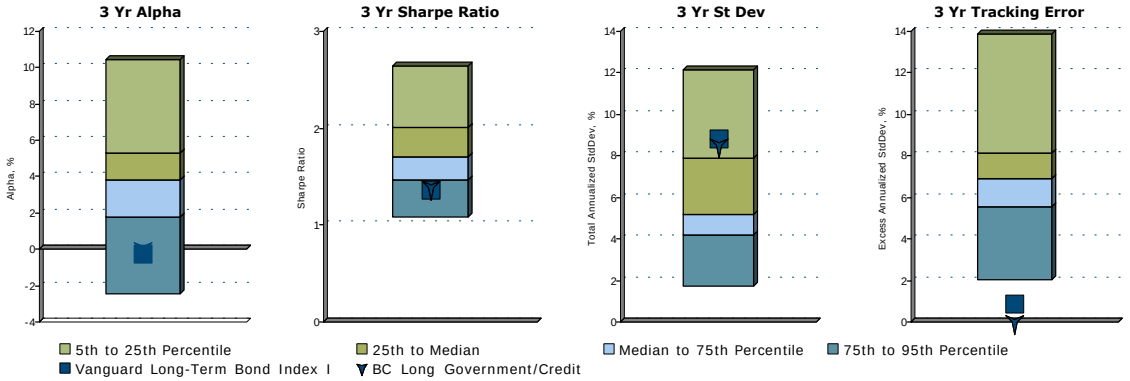


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Long-Term Bond Index I	-1.57	-1.57	9.39	12.42	9.58
BC Long Government/Credit	-1.98	-1.98	8.94	12.31	9.55
Universe(5%)	1.59	1.59	15.16	15.39	12.50
Universe(25%)	0.43	0.43	10.39	12.26	10.19
Universe(Median)	-0.22	-0.22	9.23	9.15	8.85
Universe(75%)	-1.09	-1.09	6.11	7.69	6.11
Universe(95%)	-2.17	-2.17	3.09	3.70	3.76

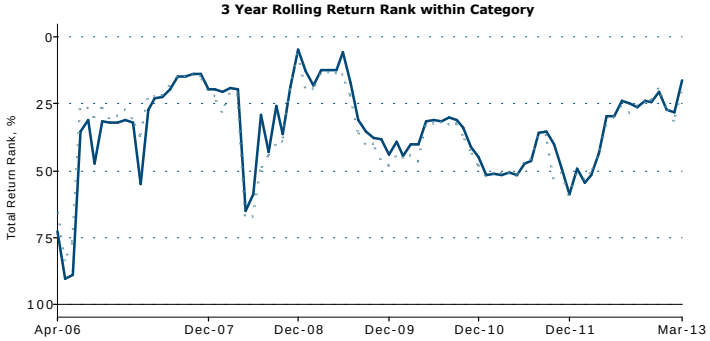
Vanguard Long-Term Bond Index I

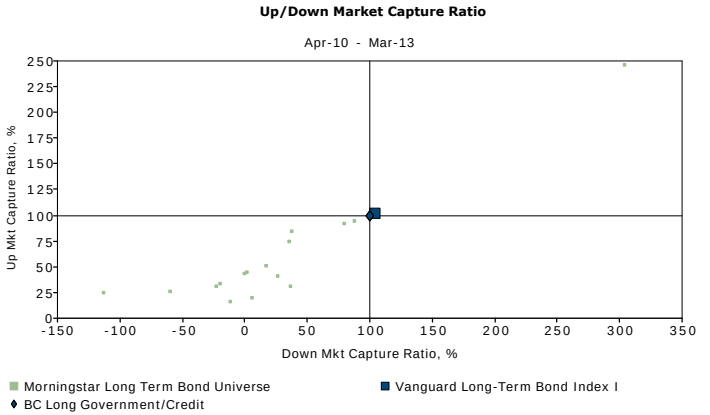


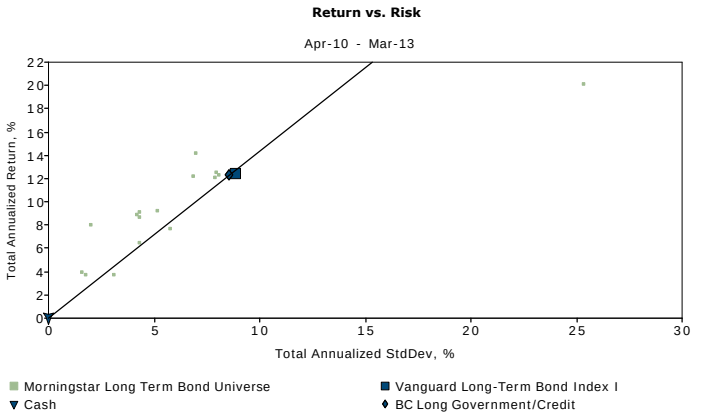
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Long-Term Bond Index I	5.50	8.40	5.32	2.75	6.71	8.77	1.91	10.43	22.23	8.63
BC Long Government/Credit	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Long-Term Bond Index I	-0.25	1.03	99.13	1.36	8.84	0.87
BC Long Government/Credit	0.00	1.00	100.00	1.39	8.54	0.00
Universe(5%)	10.42	1.36	94.17	2.64	12.13	13.88
Universe(25%)	5.28	0.69	78.13	2.01	7.87	8.15
Universe(Median)	3.82	0.32	49.42	1.71	5.17	6.93
Universe(75%)	1.76	0.14	27.89	1.47	4.20	5.55
Universe(95%)	-2.46	-0.08	2.31	1.09	1.73	2.01



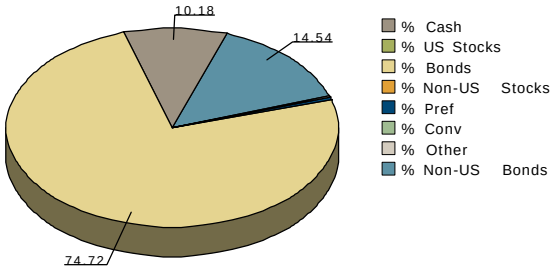




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Data as of 03/31/2013

PIMCO Long Duration Total Return Instl



Portfolio Region	
% United States	100.00
% Canada	0.00
% Latin America	0.00
% United Kingdom	0.00
% Eurozone	0.00
% Europe - ex Euro	0.00
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	10.18
% US Stocks	0.00
% Bonds	74.72
% Non-US Stocks	0.00
% Pref	0.29
% Conv	0.00
% Other	0.26
% Non-US Bonds	14.54

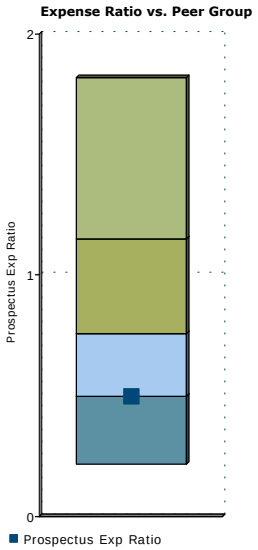
Sector Allocation	
% Basic Materials	0.00
% Communication Services	0.00
% Consumer Cyclical	0.00
% Consumer Defensive	0.00
% Healthcare	0.00
% Industrials	0.00
% Real Estate	0.00
% Technology	0.00
% Energy	0.00
% Financial Services	100.00
% Utilities	0.00

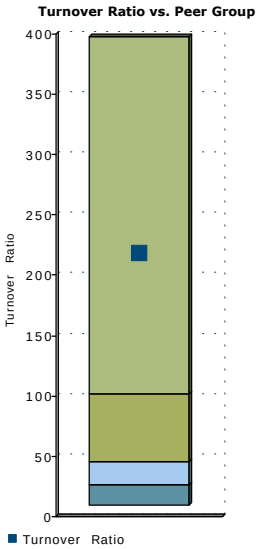
Credit Quality	
Avg Eff Duration	13.69
Effective Maturity	21.70
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
US Treasury Bond 4.375%	3.71%
US Treasury Bond 3.125%	2.98%
US Treasury Bond 4.25%	2.87%
US Treasury Bond 6%	2.50%
US Treasury Bond 5.25%	2.49%
US Treasury Bond 6.25%	2.04%
Irs Usd 3mls/1.50000s 01/04/16-18 Cme	1.97%
US Treasury Bond 4.5%	1.78%
US Treasury Bond 5.375%	1.76%
Quebec Prov Cda 5.75%	1.66%

Portfolio Information	
Ticker	PLRIX
Morningstar Category	Long-term Bond
Avg Mkt Cap $MM	52113.55
Cat Med Mkt Cap $MM	37398.17
Net Assets $MM	6661.57
Turnover Ratio	219.00
% Assets in Top 10 Holdings	23.77
Total Number of Holdings	850.00
Manager Name	Stephen Rodosky
Manager Tenure	5.67
Fund Incept Date	08/31/2006
Prospectus Exp Ratio	0.50
Phone Number	888-877-4626
Closed to New Investors	No

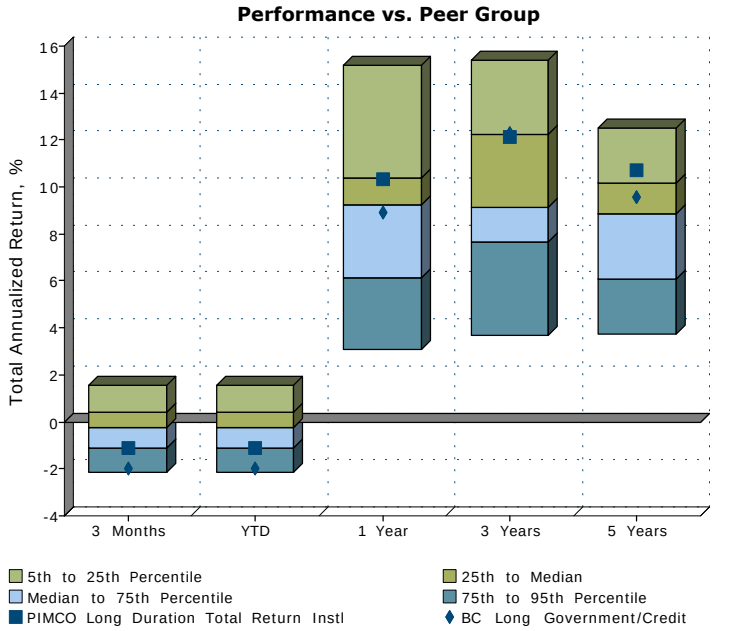
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	43
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	23
10 Year Mstar Rating	NA
% Rank Cat 10 Yr	NA





Investment Strategy Summary

The investment seeks maximum total return, consistent with prudent investment management. The fund 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") that are 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.



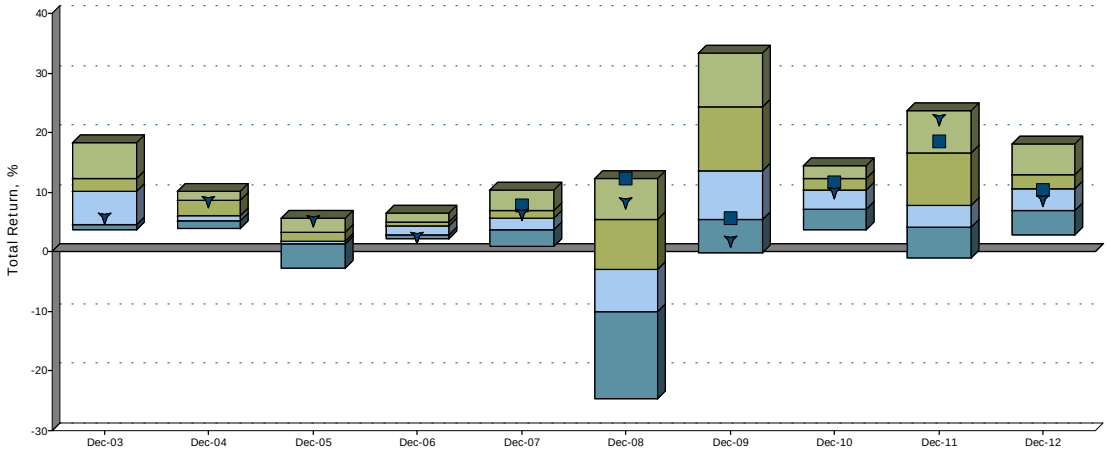
Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
PIMCO Long Duration Total Return Instl	-1.11	-1.11	10.36	12.14	10.71
BC Long Government/Credit	-1.98	-1.98	8.94	12.31	9.55
Universe(5%)	1.59	1.59	15.16	15.39	12.50
Universe(25%)	0.43	0.43	10.39	12.26	10.19
Universe(Median)	-0.22	-0.22	9.23	9.15	8.85
Universe(75%)	-1.09	-1.09	6.11	7.69	6.11
Universe(95%)	-2.17	-2.17	3.09	3.70	3.76

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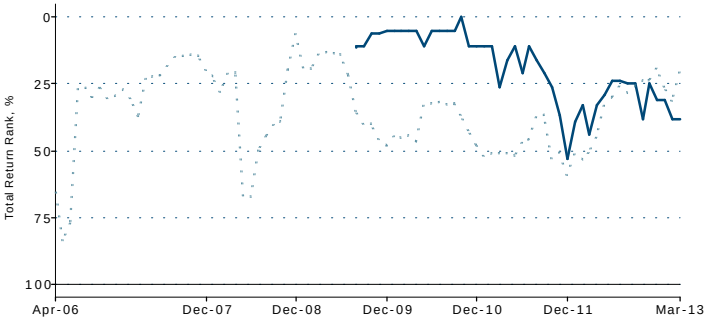
PIMCO Long Duration Total Return Instl

Annual Performance vs. Peer Group



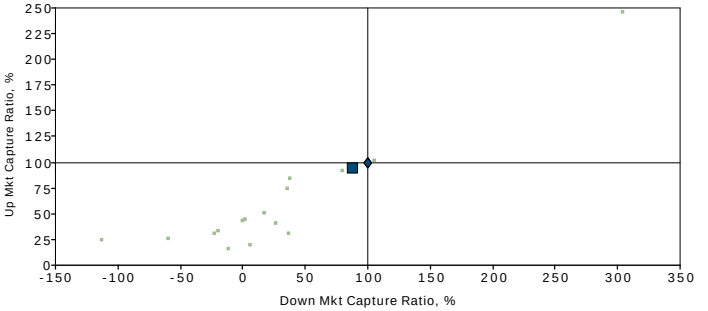
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
PIMCO Long Duration Total Return Instl	NA	NA	NA	NA	7.83	12.38	5.62	11.64	18.57	10.28
BC Long Government/Credit	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78

3 Year Rolling Return Rank within Category

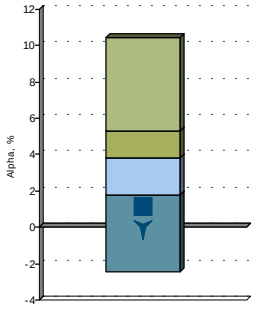


Up/Down Market Capture Ratio

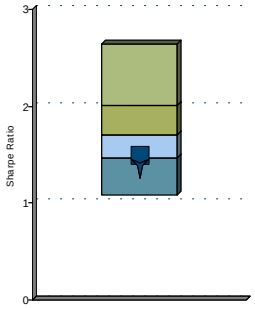
Apr-10 - Mar-13



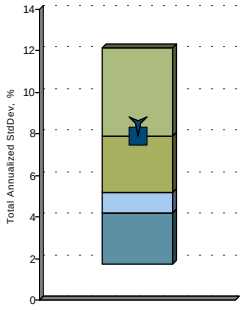
3 Yr Alpha



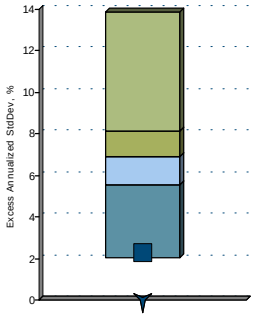
3 Yr Sharpe Ratio



3 Yr St Dev



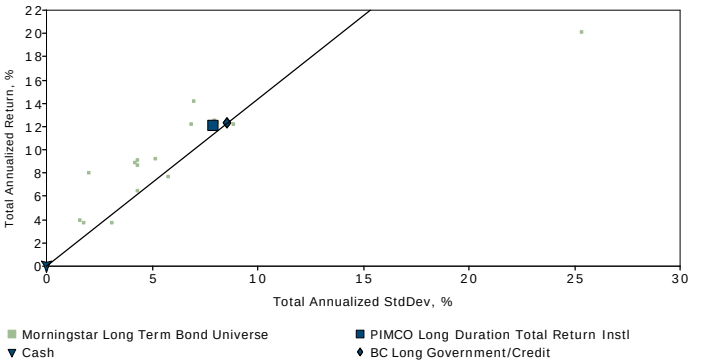
3 Yr Tracking Error



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
PIMCO Long Duration Total Return Instl	1.12	0.89	92.93	1.49	7.87	2.30
BC Long Government/Credit	0.00	1.00	100.00	1.39	8.54	0.00
Universe(5%)	10.42	1.36	94.17	2.64	12.13	13.88
Universe(25%)	5.28	0.69	78.13	2.01	7.87	8.15
Universe(Median)	3.82	0.32	49.42	1.71	5.17	6.93
Universe(75%)	1.76	0.14	27.89	1.47	4.20	5.55
Universe(95%)	-2.46	-0.08	2.31	1.09	1.73	2.01

Return vs. Risk

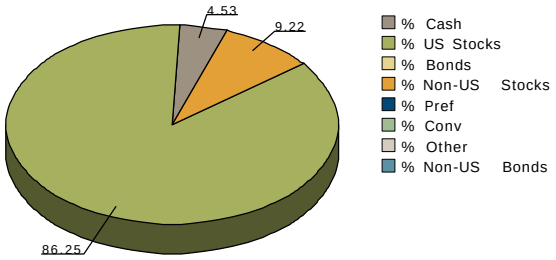
Apr-10 - Mar-13



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Vanguard Equity-Income Adm



Portfolio Region	
% United States	90.34
% Canada	0.59
% Latin America	0.00
% United Kingdom	4.74
% Eurozone	1.78
% Europe - ex Euro	2.55
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	4.53
% US Stocks	86.25
% Bonds	0.00
% Non-US Stocks	9.22
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

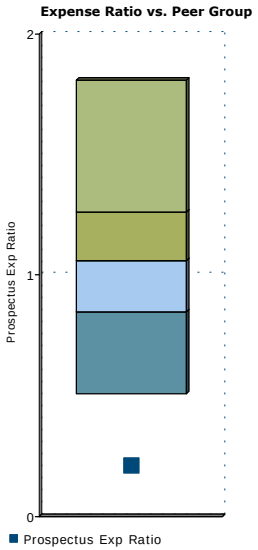
Sector Allocation	
% Basic Materials	3.07
% Communication Services	4.75
% Consumer Cyclical	6.80
% Consumer Defensive	15.12
% Healthcare	13.20
% Industrials	14.45
% Real Estate	0.02
% Technology	9.08
% Energy	13.16
% Financial Services	13.52
% Utilities	6.84

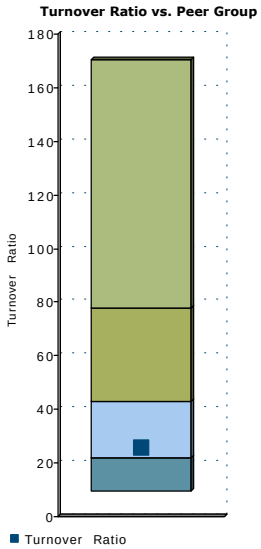
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Exxon Mobil Corporation	4.26%
Chevron Corp	3.81%
Johnson & Johnson	3.40%
Merck & Co Inc	3.16%
Pfizer Inc	2.96%
AT&T Inc	2.86%
JPMorgan Chase & Co	2.84%
General Electric Co	2.70%
Philip Morris International, Inc.	2.36%
Microsoft Corporation	2.13%

Portfolio Information	
Ticker	VEIRX
Morningstar Category	Large Value
Avg Mkt Cap $MM	60552.69
Cat Med Mkt Cap $MM	42909.94
Net Assets $MM	11531.78
Turnover Ratio	26.00
% Assets in Top 10 Holdings	30.48
Total Number of Holdings	153.00
Manager Name	James P. Stetler
Manager Tenure	9.25
Fund Incept Date	03/21/1988
Prospectus Exp Ratio	0.21
Phone Number	800-662-7447
Closed to New Investors	No

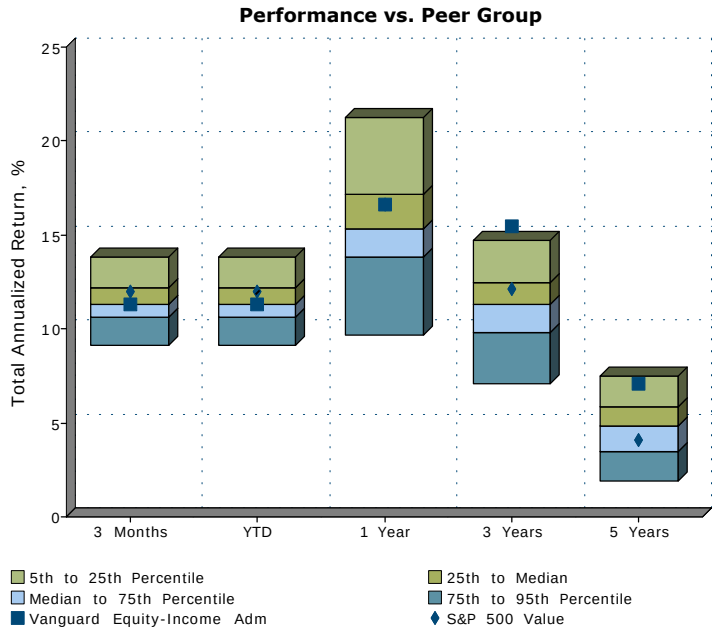
Portfolio Ratings	
Mstar Rating	★★★★★
3 Year Mstar Rating	★★★★★
% Rank Cat 3 Yr	2
5 Year Mstar Rating	★★★★★
% Rank Cat 5 Yr	7
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	9





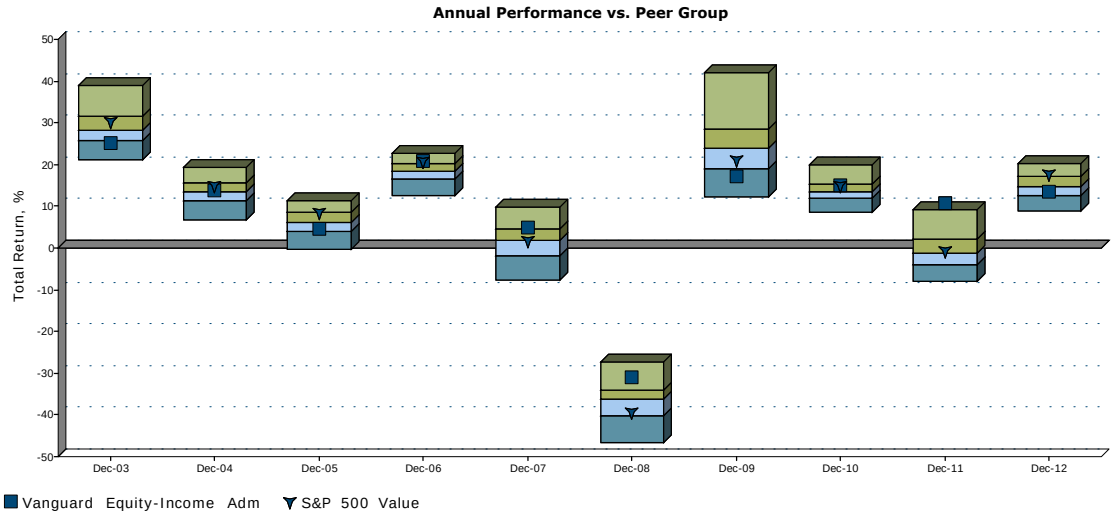
Investment Strategy Summary

The investment seeks to provide an above-average level of current income and reasonable long-term capital appreciation. The fund invests mainly in common stocks of mid-size and large companies whose stocks pay above-average levels of dividend income and are considered to have the potential for capital appreciation. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, it will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.

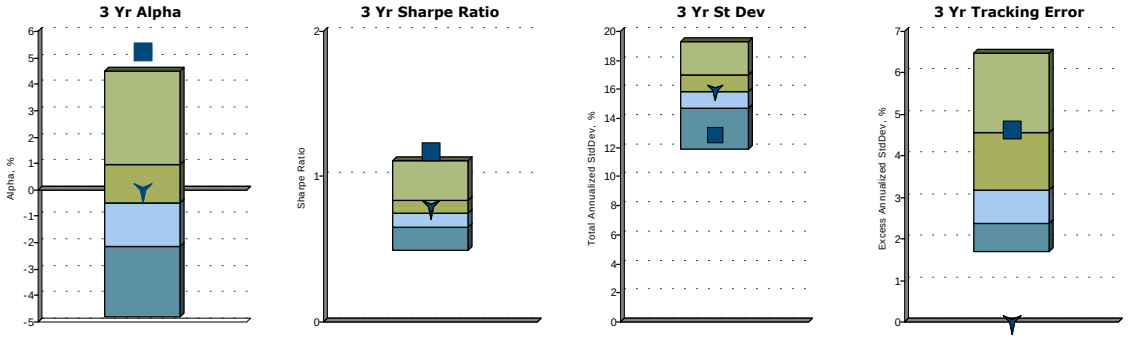


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Equity-Income Adm	11.28	11.28	16.62	15.43	7.10
S&P 500 Value	11.97	11.97	16.64	12.12	4.07
Universe(5%)	13.84	13.84	21.26	14.74	7.52
Universe(25%)	12.19	12.19	17.20	12.43	5.89
Universe(Median)	11.33	11.33	15.33	11.33	4.82
Universe(75%)	10.63	10.63	13.84	9.82	3.50
Universe(95%)	9.13	9.13	9.64	7.07	1.93

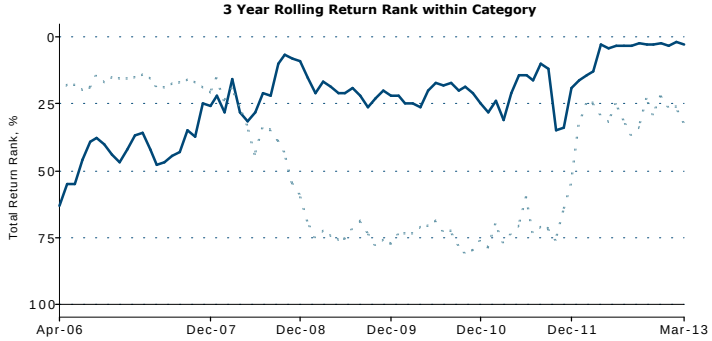
Vanguard Equity-Income Adm

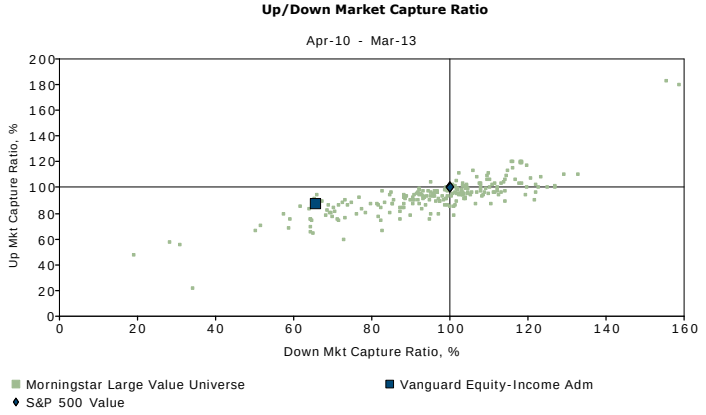


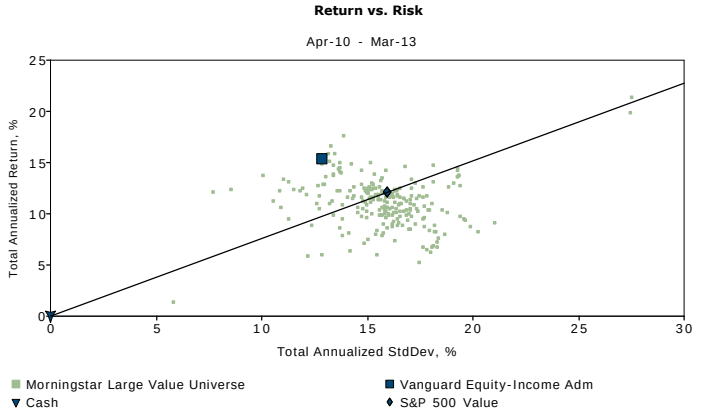
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Equity-Income Adm	25.24	13.69	4.52	20.77	4.99	-30.86	17.26	14.99	10.69	13.58
S&P 500 Value	30.36	15.03	8.71	20.80	1.99	-39.22	21.18	15.10	-0.48	17.68



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Equity-Income Adm	5.24	0.78	94.26	1.17	12.87	4.63
S&P 500 Value	0.00	1.00	100.00	0.79	15.95	0.00
Universe(5%)	4.50	1.19	98.97	1.11	19.28	6.48
Universe(25%)	0.98	1.05	98.23	0.84	17.02	4.55
Universe(Median)	-0.49	0.98	96.96	0.75	15.83	3.17
Universe(75%)	-2.16	0.90	94.57	0.65	14.73	2.37
Universe(95%)	-4.81	0.72	88.95	0.50	11.92	1.71



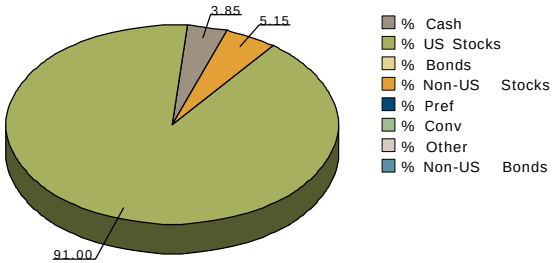




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Vanguard Morgan Growth Adm



Portfolio Region	
% United States	94.64
% Canada	1.20
% Latin America	0.00
% United Kingdom	0.75
% Eurozone	1.00
% Europe - ex Euro	1.44
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.39
% Japan	0.00
% Australasia	0.12
% Asia - Developed	0.27
% Asia - Emerging	0.19

Portfolio Structure	
% Cash	3.85
% US Stocks	91.00
% Bonds	0.00
% Non-US Stocks	5.15
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

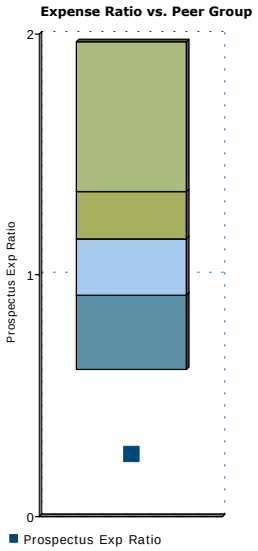
Sector Allocation	
% Basic Materials	3.86
% Communication Services	3.33
% Consumer Cyclical	16.68
% Consumer Defensive	8.89
% Healthcare	15.38
% Industrials	12.20
% Real Estate	1.05
% Technology	27.37
% Energy	5.17
% Financial Services	6.06
% Utilities	0.00

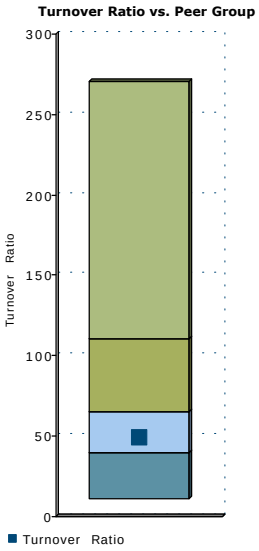
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Apple Inc	4.64%
Cisco Systems Inc	2.34%
Google, Inc. Class A	2.17%
International Business Machines Corp	1.97%
Microsoft Corporation	1.49%
Philip Morris International, Inc.	1.41%
Wal-Mart Stores Inc	1.36%
Amazon.com Inc	1.34%
Coca-Cola Co	1.30%
Verizon Communications Inc	1.16%

Portfolio Information	
Ticker	VMRAX
Morningstar Category	Large Growth
Avg Mkt Cap $MM	31985.84
Cat Med Mkt Cap $MM	37831.31
Net Assets $MM	9265.38
Turnover Ratio	49.00
% Assets in Top 10 Holdings	19.18
Total Number of Holdings	331.00
Manager Name	James P. Stetler
Manager Tenure	9.25
Fund Incept Date	12/31/1968
Prospectus Exp Ratio	0.26
Phone Number	800-662-7447
Closed to New Investors	No

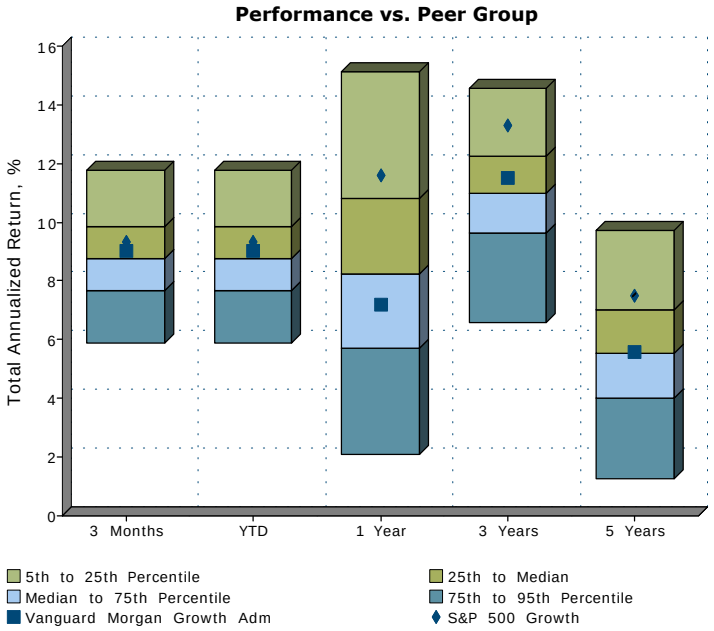
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	35
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	49
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	28





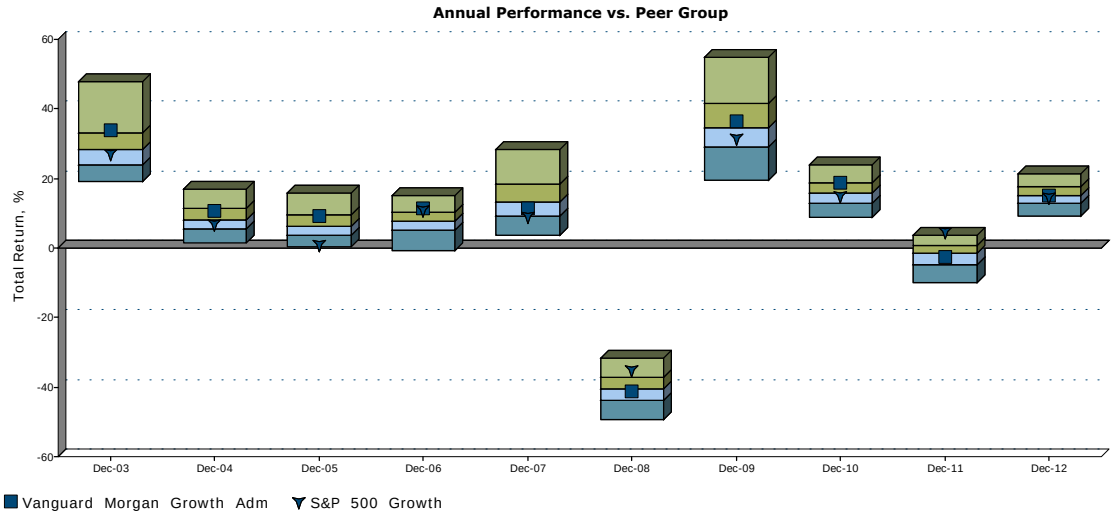
Investment Strategy Summary

The investment seeks long-term growth of capital. The fund invests mainly in the stocks of mid- and large-capitalization U.S. companies whose revenues and/or earnings are expected to grow faster than those of the average company in the market. It uses multiple investment advisors.

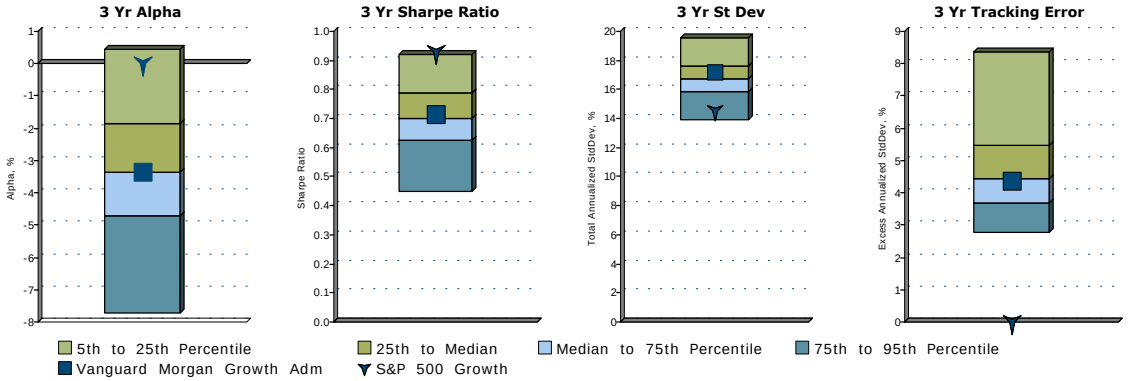


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Morgan Growth Adm	9.03	9.03	7.21	11.51	5.56
S&P 500 Growth	9.33	9.33	11.61	13.31	7.48
Universe(5%)	11.79	11.79	15.12	14.54	9.70
Universe(25%)	9.87	9.87	10.80	12.27	7.03
Universe(Median)	8.76	8.76	8.25	10.97	5.52
Universe(75%)	7.67	7.67	5.70	9.63	4.00
Universe(95%)	5.87	5.87	2.08	6.58	1.24

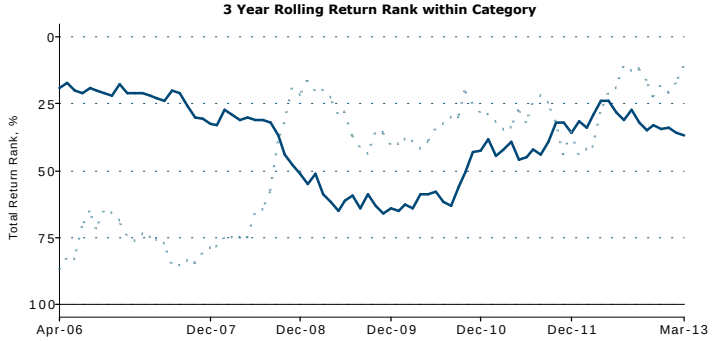
Vanguard Morgan Growth Adm

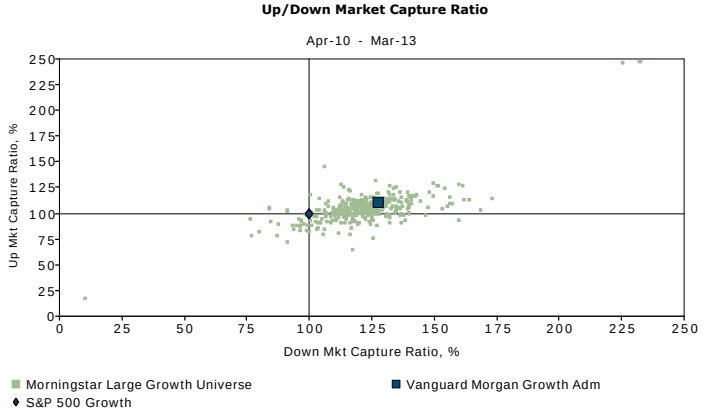


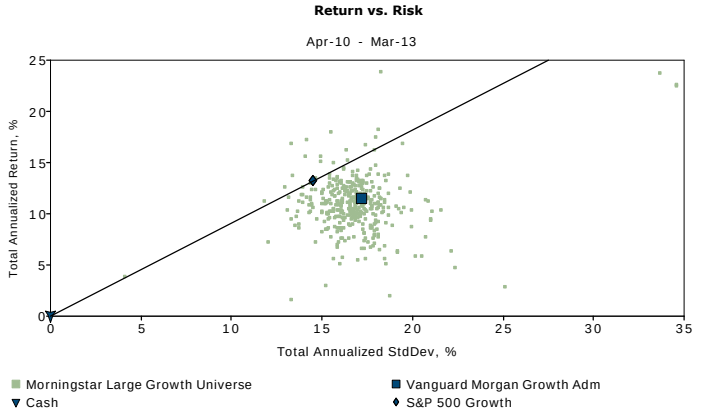
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Morgan Growth Adm	33.91	10.61	9.31	11.32	11.36	-41.33	36.31	18.90	-2.42	15.25
S&P 500 Growth	27.08	6.97	1.14	11.01	9.13	-34.92	31.57	15.05	4.65	14.61



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Morgan Growth Adm	-3.36	1.16	95.43	0.71	17.21	4.35
S&P 500 Growth	0.00	1.00	100.00	0.93	14.50	0.00
Universe(5%)	0.45	1.28	97.27	0.92	19.55	8.38
Universe(25%)	-1.86	1.17	95.64	0.79	17.66	5.46
Universe(Median)	-3.36	1.12	94.20	0.70	16.77	4.44
Universe(75%)	-4.72	1.06	91.79	0.62	15.85	3.70
Universe(95%)	-7.73	0.93	85.62	0.45	13.96	2.78



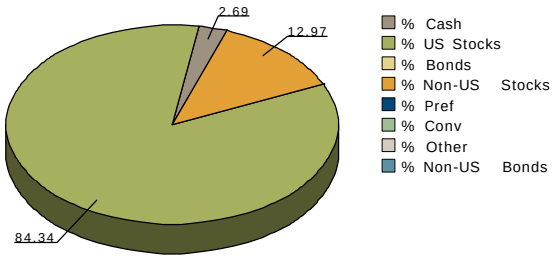




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Vanguard PRIMECAP Inv



Portfolio Region	
% United States	86.67
% Canada	2.70
% Latin America	0.29
% United Kingdom	0.79
% Eurozone	0.92
% Europe - ex Euro	8.24
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.39
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	2.69
% US Stocks	84.34
% Bonds	0.00
% Non-US Stocks	12.97
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

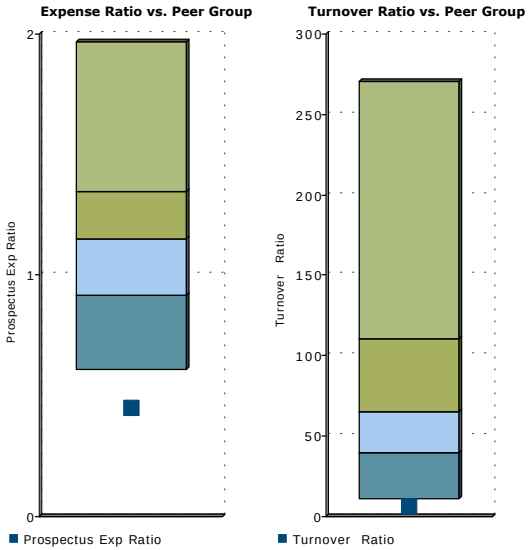
Sector Allocation	
% Basic Materials	3.70
% Communication Services	2.31
% Consumer Cyclical	5.07
% Consumer Defensive	0.98
% Healthcare	31.62
% Industrials	14.36
% Real Estate	0.00
% Technology	31.08
% Energy	4.99
% Financial Services	5.75
% Utilities	0.14

Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Amgen Inc	5.98%
Biogen Idec Inc	5.95%
Google, Inc. Class A	4.13%
Eli Lilly and Company	4.13%
Roche Holding AG	4.08%
FedEx Corporation	3.85%
Texas Instruments, Inc.	3.45%
Microsoft Corporation	3.34%
Novartis AG ADR	3.18%
Adobe Systems Inc	3.05%

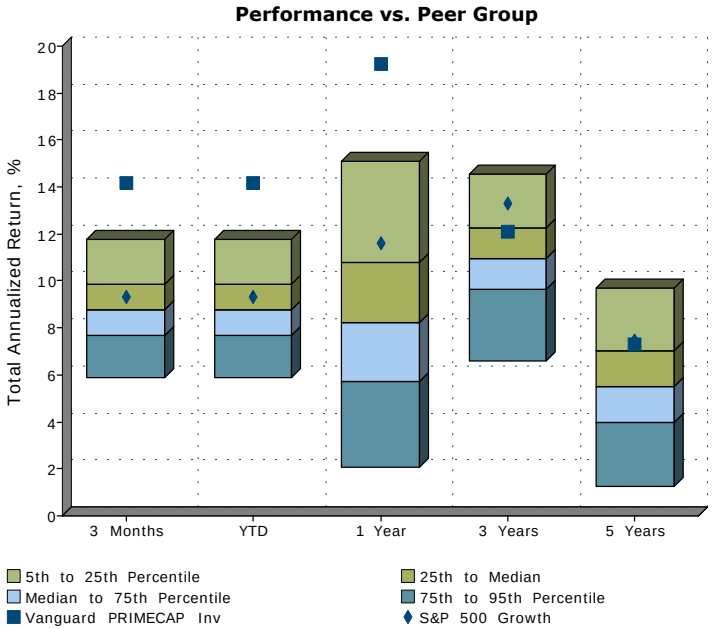
Portfolio Information	
Ticker	VPMCX
Morningstar Category	Large Growth
Avg Mkt Cap $MM	44923.70
Cat Med Mkt Cap $MM	37831.31
Net Assets $MM	33077.98
Turnover Ratio	6.00
% Assets in Top 10 Holdings	41.14
Total Number of Holdings	121.00
Manager Name	Theo A. Kolokotrones
Manager Tenure	27.85
Fund Incept Date	11/01/1984
Prospectus Exp Ratio	0.45
Phone Number	800-662-7447
Closed to New Investors	Yes

Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	27
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	17
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	5



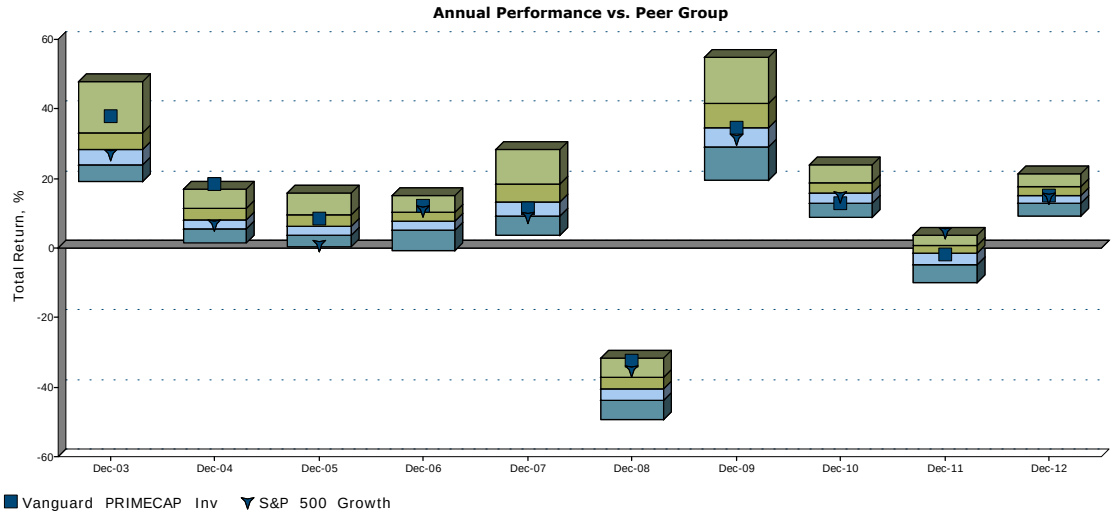
Investment Strategy Summary

The investment seeks long-term capital appreciation. The fund invests in stocks considered to have above-average earnings growth potential that is not reflected in their current market prices. Its portfolio consists predominantly of large- and mid-capitalization stocks.

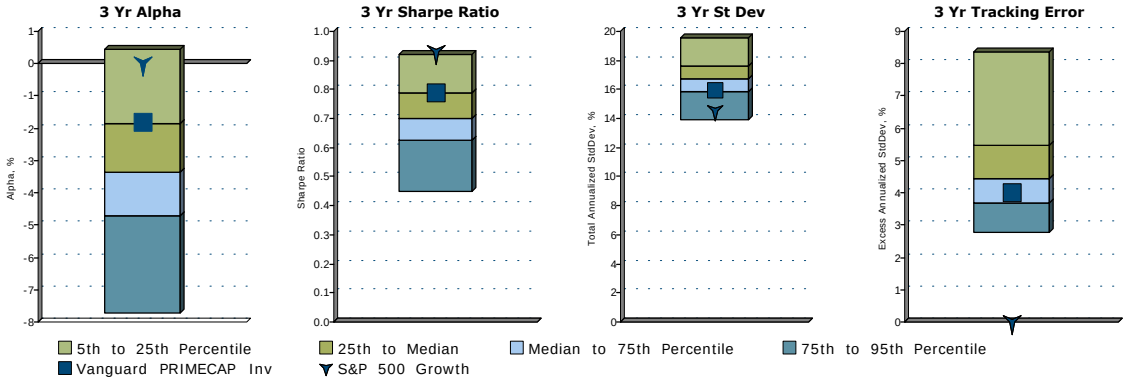


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard PRIMECAP Inv	14.16	14.16	19.23	12.09	7.30
S&P 500 Growth	9.33	9.33	11.61	13.31	7.48
Universe(5%)	11.79	11.79	15.12	14.54	9.70
Universe(25%)	9.87	9.87	10.80	12.27	7.03
Universe(Median)	8.76	8.76	8.25	10.97	5.52
Universe(75%)	7.67	7.67	5.70	9.63	4.00
Universe(95%)	5.87	5.87	2.08	6.58	1.24

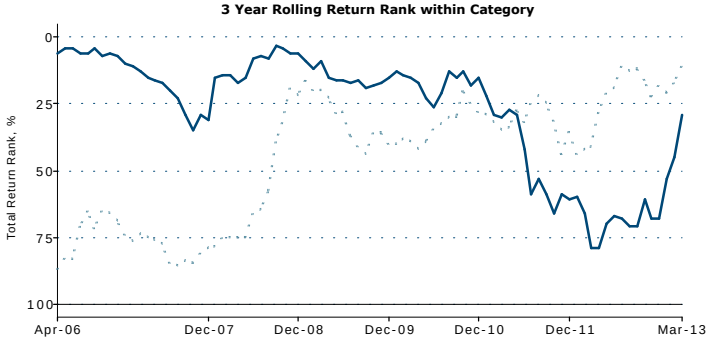
Vanguard PRIMECAP Inv

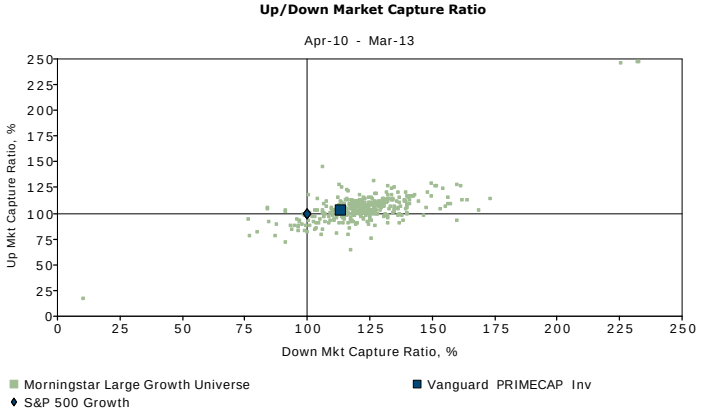


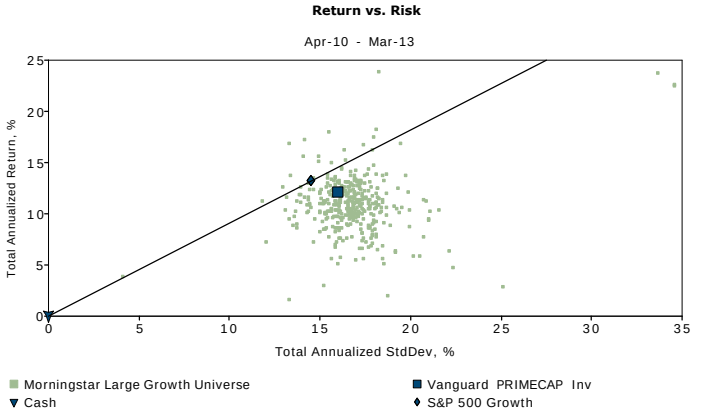
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard PRIMECAP Inv	37.75	18.31	8.49	12.30	11.49	-32.41	34.45	12.89	-1.84	15.27
S&P 500 Growth	27.08	6.97	1.14	11.01	9.13	-34.92	31.57	15.05	4.65	14.61



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard PRIMECAP Inv	-1.81	1.07	94.08	0.79	15.99	4.02
S&P 500 Growth	0.00	1.00	100.00	0.93	14.50	0.00
Universe(5%)	0.45	1.28	97.27	0.92	19.55	8.38
Universe(25%)	-1.86	1.17	95.64	0.79	17.66	5.46
Universe(Median)	-3.36	1.12	94.20	0.70	16.77	4.44
Universe(75%)	-4.72	1.06	91.79	0.62	15.85	3.70
Universe(95%)	-7.73	0.93	85.62	0.45	13.96	2.78



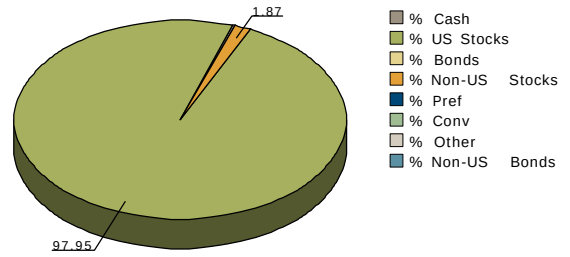




Milliman | Quarterly Investment Monitor

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Vanguard Mid-Cap Value Index Admiral



Portfolio Region	
% United States	98.13
% Canada	0.00
% Latin America	0.00
% United Kingdom	0.27
% Eurozone	0.00
% Europe - ex Euro	1.38
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.22
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	0.18
% US Stocks	97.95
% Bonds	0.00
% Non-US Stocks	1.87
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

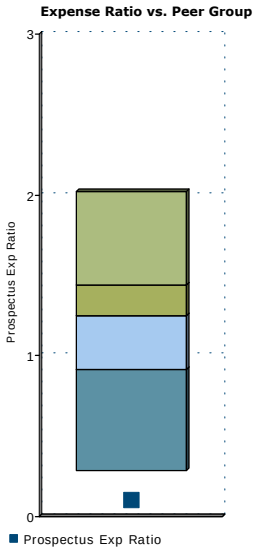
Sector Allocation	
% Basic Materials	7.23
% Communication Services	1.19
% Consumer Cyclical	11.93
% Consumer Defensive	8.45
% Healthcare	5.11
% Industrials	13.46
% Real Estate	9.26
% Technology	10.09
% Energy	6.82
% Financial Services	16.18
% Utilities	10.29

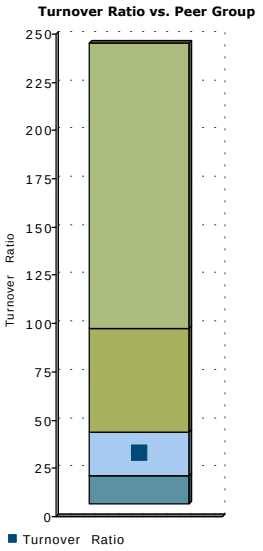
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Mattel, Inc.	1.03%
Host Hotels & Resorts Inc	0.93%
Watson Pharmaceuticals Inc.	0.90%
Seagate Technology PLC	0.90%
Bunge Ltd	0.87%
Eastman Chemical Company	0.86%
DTE Energy Holding Company	0.85%
Pentair Ltd	0.85%
Regions Financial Corporation	0.83%
American Capital Agency Corp.	0.81%

Portfolio Information	
Ticker	VMVAX
Morningstar Category	Mid-Cap Value
Avg Mkt Cap $MM	6009.18
Cat Med Mkt Cap $MM	7410.40
Net Assets $MM	3166.27
Turnover Ratio	33.00
% Assets in Top 10 Holdings	8.82
Total Number of Holdings	256.00
Manager Name	Donald M. Butler
Manager Tenure	6.62
Fund Incept Date	08/17/2006
Prospectus Exp Ratio	0.10
Phone Number	800-662-7447
Closed to New Investors	No

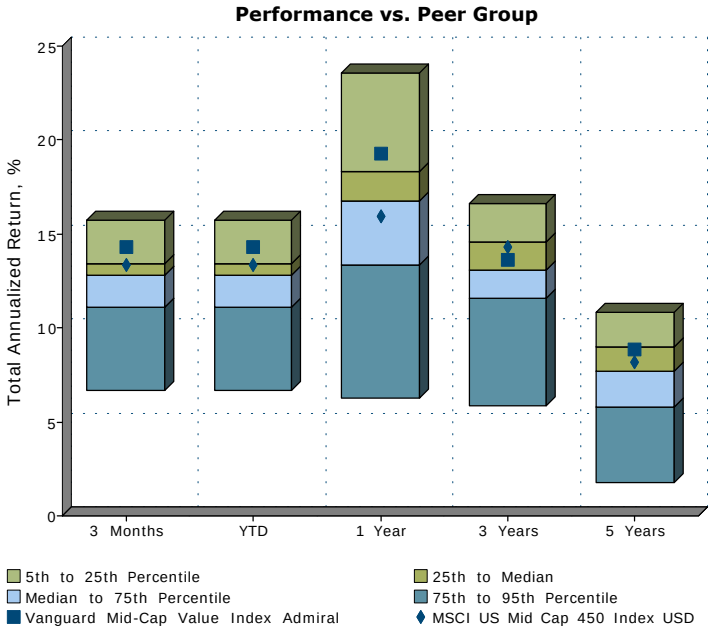
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	28
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	28
10 Year Mstar Rating	NA
% Rank Cat 10 Yr	NA





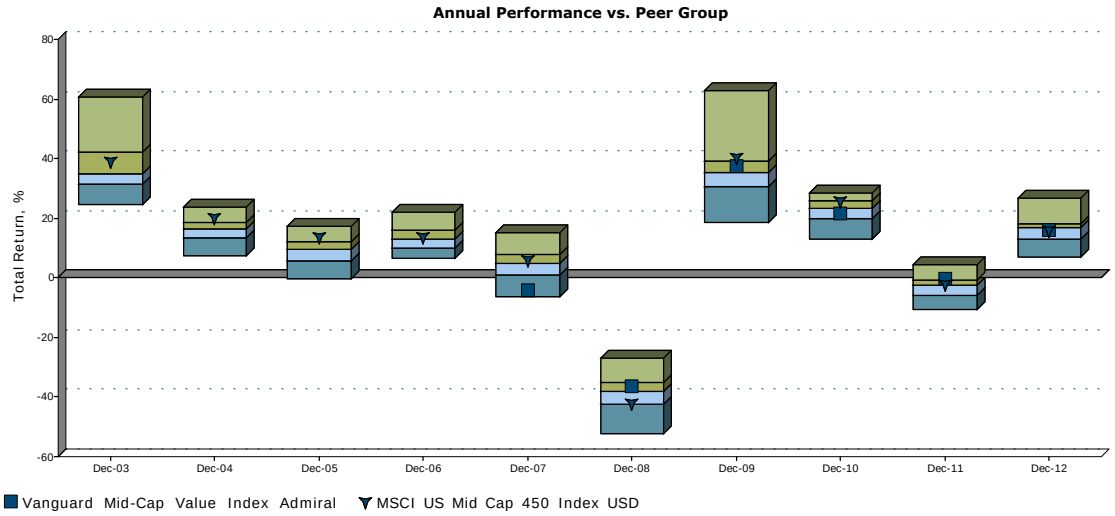
Investment Strategy Summary

The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization value stocks. The fund employs an indexing investment approach designed to track the performance of the MSCI US Mid Cap Value Index, a broadly diversified index of value stocks of mid-size 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.

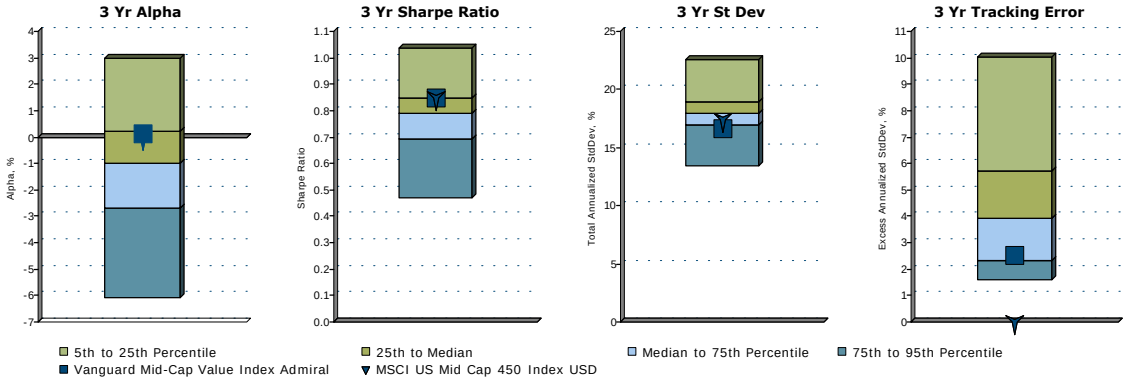


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Mid-Cap Value Index Admiral	14.31	14.31	19.25	13.64	8.88
MSCI US Mid Cap 450 Index USD	13.34	13.34	15.95	14.27	8.18
Universe(5%)	15.72	15.72	23.59	16.61	10.86
Universe(25%)	13.45	13.45	18.34	14.58	9.01
Universe(Median)	12.79	12.79	16.77	13.05	7.67
Universe(75%)	11.11	11.11	13.35	11.61	5.78
Universe(95%)	6.65	6.65	6.27	5.84	1.76

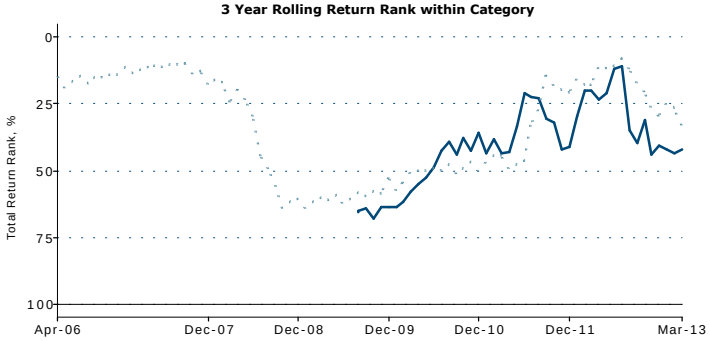
Vanguard Mid-Cap Value Index Admiral

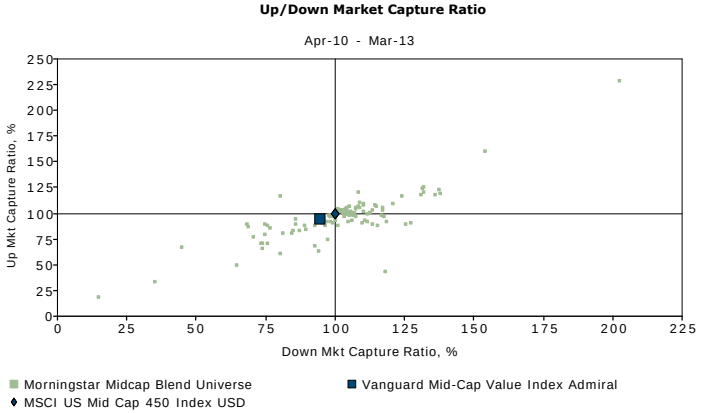


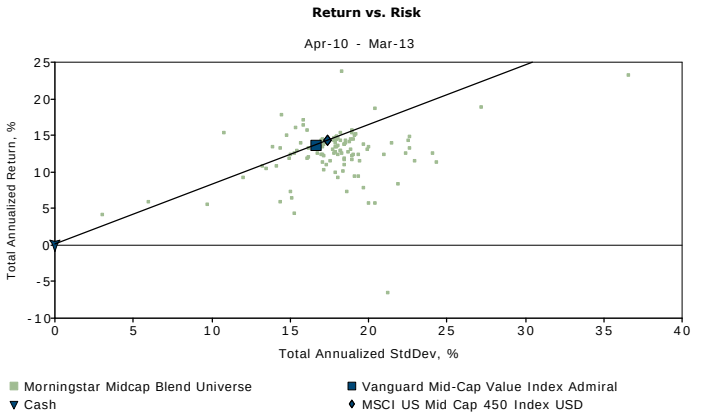
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Mid-Cap Value Index Admiral	NA	NA	NA	NA	-4.30	-36.56	37.70	21.78	-0.32	16.02
MSCI US Mid Cap 450 Index USD	39.05	20.52	13.94	13.75	6.19	-41.80	40.49	25.69	-1.91	16.04



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Mid-Cap Value Index Admiral	0.12	0.95	98.05	0.85	16.62	2.51
MSCI US Mid Cap 450 Index USD	0.00	1.00	100.00	0.85	17.41	0.00
Universe(5%)	3.00	1.27	99.25	1.04	22.60	10.02
Universe(25%)	0.22	1.07	98.51	0.85	18.97	5.72
Universe(Median)	-0.97	1.02	96.61	0.79	17.95	3.91
Universe(75%)	-2.69	0.93	93.90	0.69	16.96	2.32
Universe(95%)	-6.07	0.73	83.44	0.47	13.44	1.62



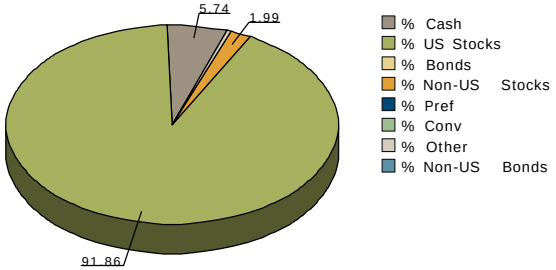




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Target Small Capitalization Value T



Portfolio Region	
% United States	97.88
% Canada	1.04
% Latin America	0.15
% United Kingdom	0.03
% Eurozone	0.69
% Europe - ex Euro	0.00
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.22
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	5.74
% US Stocks	91.86
% Bonds	0.00
% Non-US Stocks	1.99
% Pref	0.00
% Conv	0.00
% Other	0.41
% Non-US Bonds	0.00

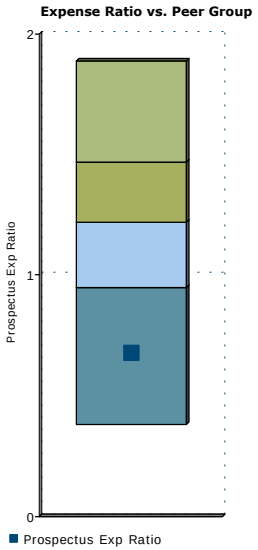
Sector Allocation	
% Basic Materials	7.07
% Communication Services	0.47
% Consumer Cyclical	11.62
% Consumer Defensive	4.66
% Healthcare	6.77
% Industrials	25.45
% Real Estate	6.01
% Technology	8.52
% Energy	6.64
% Financial Services	18.01
% Utilities	4.78

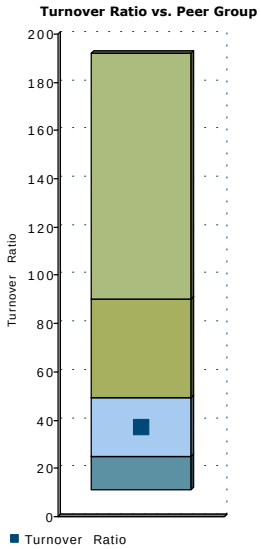
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Bristow Group, Inc.	1.17%
Aaron's, Inc.	1.16%
Teleflex Inc.	0.92%
Lufkin Industries, Inc.	0.82%
Cash America International Inc	0.81%
Raymond James Financial Inc	0.80%
Hexcel Corporation	0.74%
Littelfuse Inc.	0.73%
Silgan Holdings, Inc.	0.73%
Trustmark Corporation	0.73%

Portfolio Information	
Ticker	TASVX
Morningstar Category	Small Value
Avg Mkt Cap $MM	1993.33
Cat Med Mkt Cap $MM	1301.69
Net Assets $MM	1421.95
Turnover Ratio	37.00
% Assets in Top 10 Holdings	8.61
Total Number of Holdings	655.00
Manager Name	Paul E. Viera, Jr.
Manager Tenure	11.25
Fund Incept Date	01/05/1993
Prospectus Exp Ratio	0.68
Phone Number	800-225-1852
Closed to New Investors	No

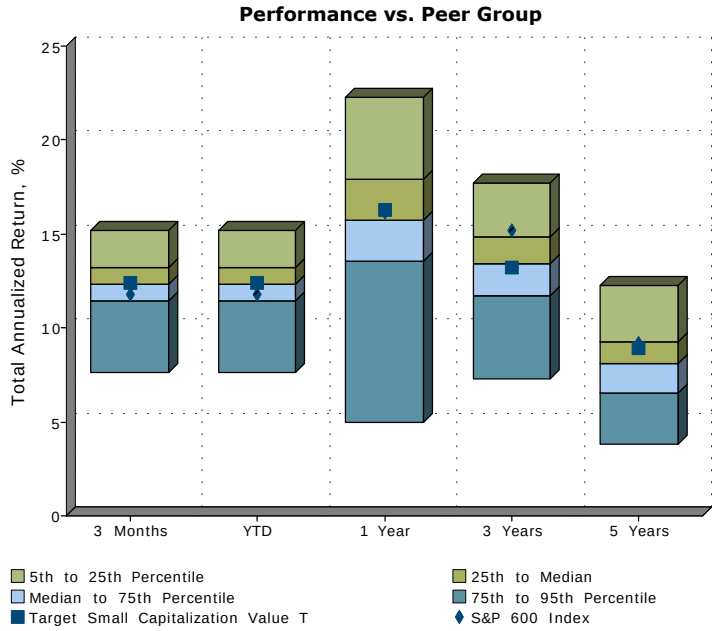
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	32
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	34
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	9





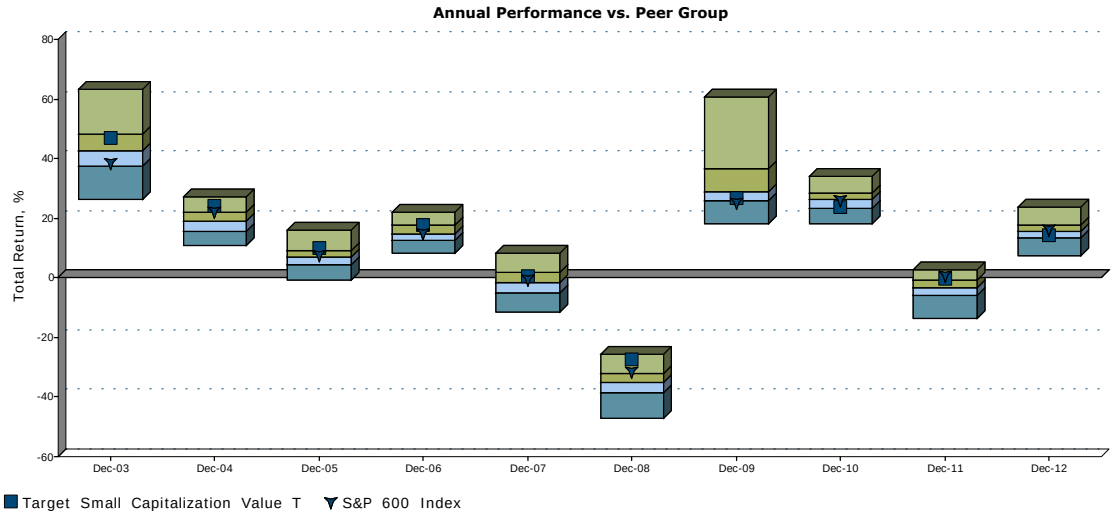
Investment Strategy Summary

The investment seeks above-average capital appreciation. The Portfolio seeks investments that will increase in value. It normally invests at least 80% of its investable assets in common stocks of small companies. Small companies are those companies with market capitalizations comparable to those in the Russell 2000 Value Index. As of December 31, 2012, the Russell 2000 Value Index median market capitalization was approximately $472 million and the largest company by market capitalization was $4.664 billion. Market capitalization is measured at the time of purchase.

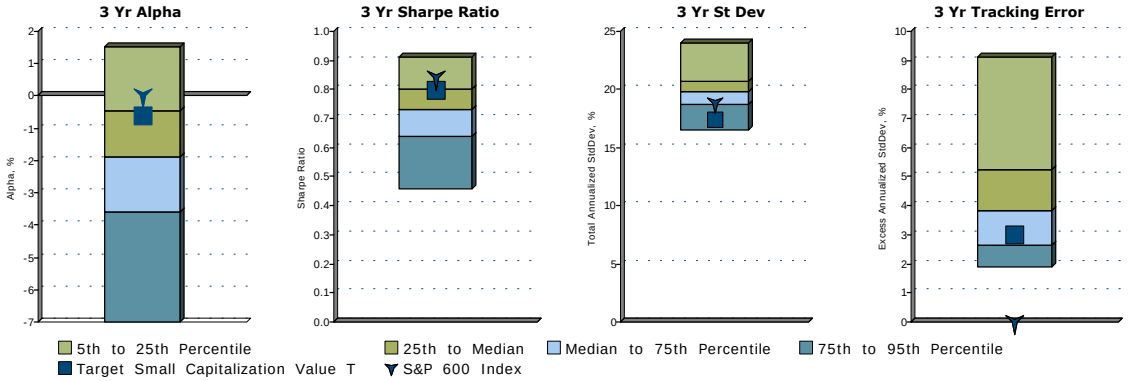


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Target Small Capitalization Value T	12.37	12.37	16.26	13.23	8.96
S&P 600 Index	11.81	11.81	16.14	15.18	9.19
Universe(5%)	15.21	15.21	22.27	17.69	12.25
Universe(25%)	13.18	13.18	17.89	14.84	9.26
Universe(Median)	12.30	12.30	15.72	13.41	8.08
Universe(75%)	11.41	11.41	13.54	11.72	6.55
Universe(95%)	7.60	7.60	4.96	7.26	3.82

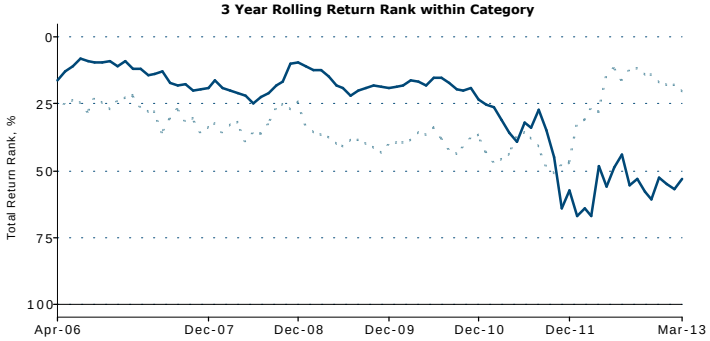
Target Small Capitalization Value T

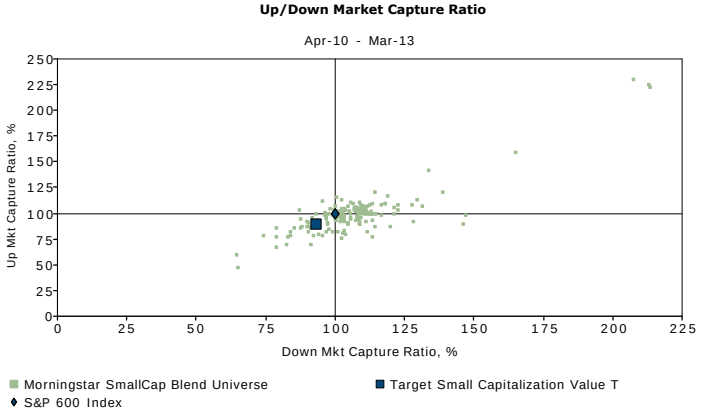


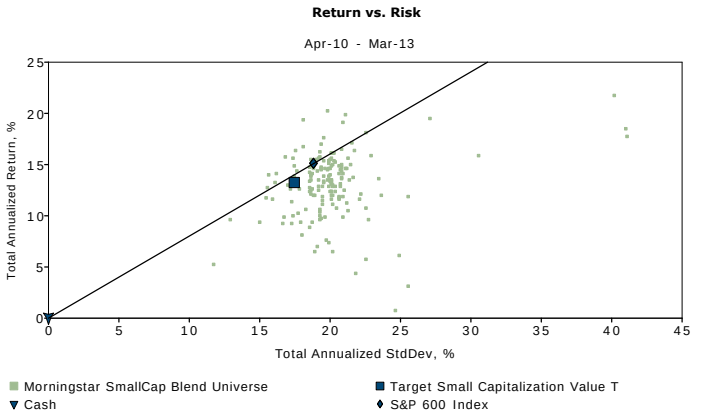
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Target Small Capitalization Value T	47.10	24.02	10.10	17.72	0.52	-27.45	26.69	23.63	-0.48	14.14
S&P 600 Index	38.79	22.65	7.68	15.12	-0.30	-31.07	25.57	26.31	1.02	16.33



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Target Small Capitalization Value T	-0.62	0.92	97.88	0.80	17.42	3.00
S&P 600 Index	0.00	1.00	100.00	0.84	18.83	0.00
Universe(5%)	1.54	1.20	99.40	0.91	23.96	9.14
Universe(25%)	-0.46	1.08	98.53	0.80	20.68	5.23
Universe(Median)	-1.89	1.03	97.08	0.73	19.87	3.82
Universe(75%)	-3.57	0.98	94.44	0.64	18.69	2.63
Universe(95%)	-6.98	0.83	85.23	0.46	16.47	1.88



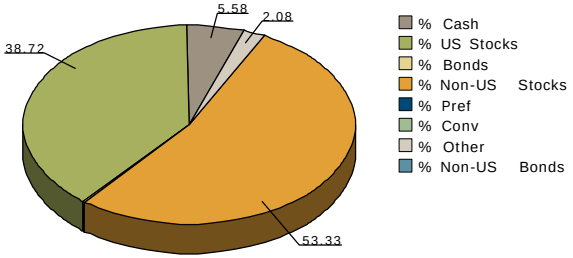




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

American Funds New Perspective R6



Portfolio Region	
% United States	42.07
% Canada	3.44
% Latin America	1.42
% United Kingdom	8.93
% Eurozone	15.13
% Europe - ex Euro	12.60
% Europe - Emerging	0.00
% Africa	3.44
% Middle East	0.00
% Japan	4.57
% Australasia	1.98
% Asia - Developed	5.37
% Asia - Emerging	1.07

Portfolio Structure	
% Cash	5.58
% US Stocks	38.72
% Bonds	0.29
% Non-US Stocks	53.33
% Pref	0.00
% Conv	0.00
% Other	2.08
% Non-US Bonds	0.00

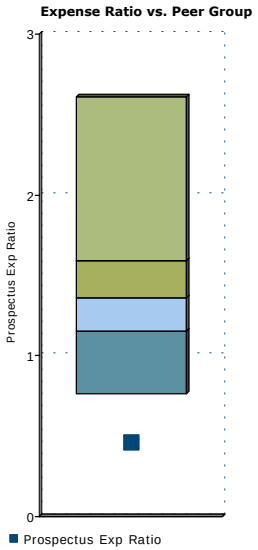
Sector Allocation	
% Basic Materials	7.63
% Communication Services	2.79
% Consumer Cyclical	17.78
% Consumer Defensive	12.47
% Healthcare	17.33
% Industrials	12.85
% Real Estate	0.00
% Technology	11.10
% Energy	6.07
% Financial Services	11.36
% Utilities	0.62

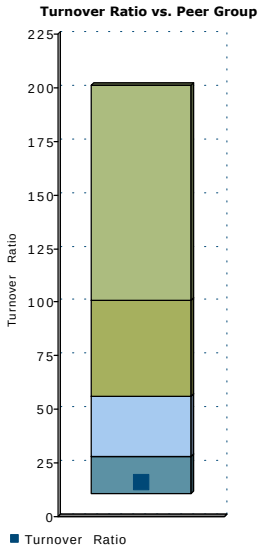
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Novo Nordisk A/S	4.98%
Amazon.com Inc	2.35%
Google, Inc. Class A	1.71%
Home Depot, Inc.	1.67%
Naspers Ltd	1.42%
Nestle SA	1.36%
Shoprite Holdings Ltd	1.31%
Taiwan Semiconductor Manufacturing	1.27%
British American Tobacco PLC	1.25%
ACE Ltd	1.21%

Portfolio Information	
Ticker	RNPGX
Morningstar Category	World Stock
Avg Mkt Cap $MM	43028.76
Cat Med Mkt Cap $MM	25969.20
Net Assets $MM	46232.90
Turnover Ratio	16.00
% Assets in Top 10 Holdings	18.53
Total Number of Holdings	264.00
Manager Name	Gregg E. Ireland
Manager Tenure	20.34
Fund Incept Date	03/13/1973
Prospectus Exp Ratio	0.46
Phone Number	800-421-4225
Closed to New Investors	No

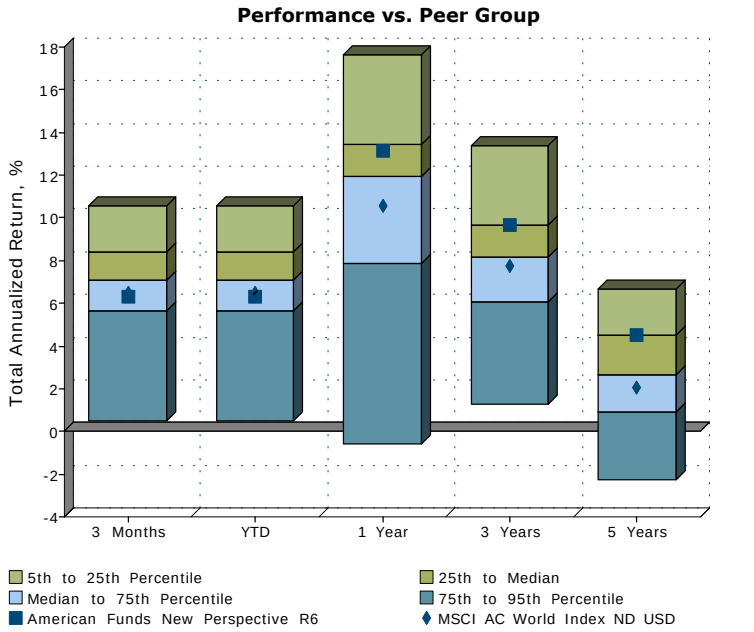
Portfolio Ratings	
Mstar Rating	★★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	26
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	22
10 Year Mstar Rating	★★★★★
% Rank Cat 10 Yr	19





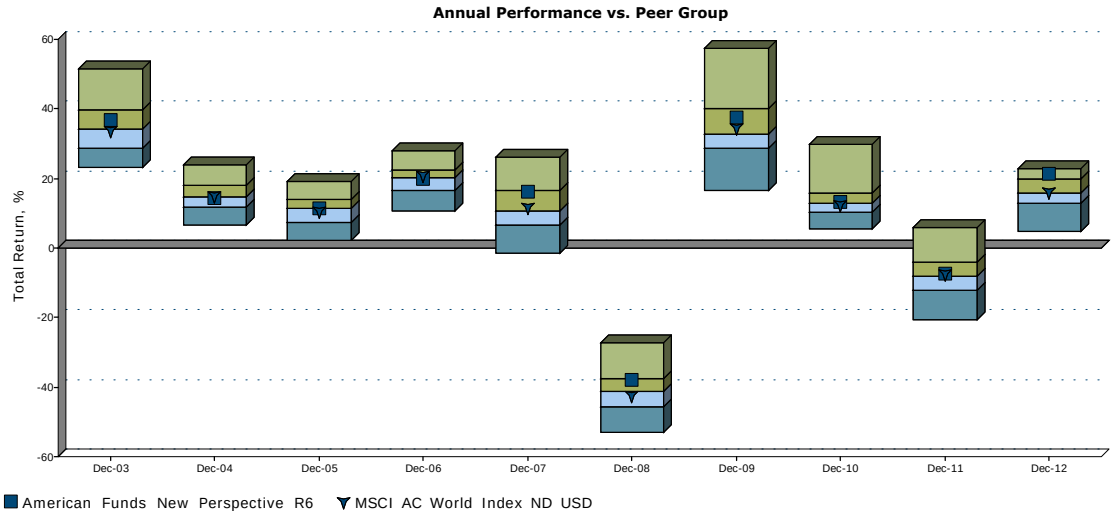
Investment Strategy Summary

The investment seeks long-term growth of capital; future income is a secondary objective. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around the world. In pursuing its primary investment objective, it invests primarily in common stocks that the investment adviser believes have the potential for growth. In pursuing its secondary objective, the fund invests in common stocks of companies with the potential to pay dividends in the future.

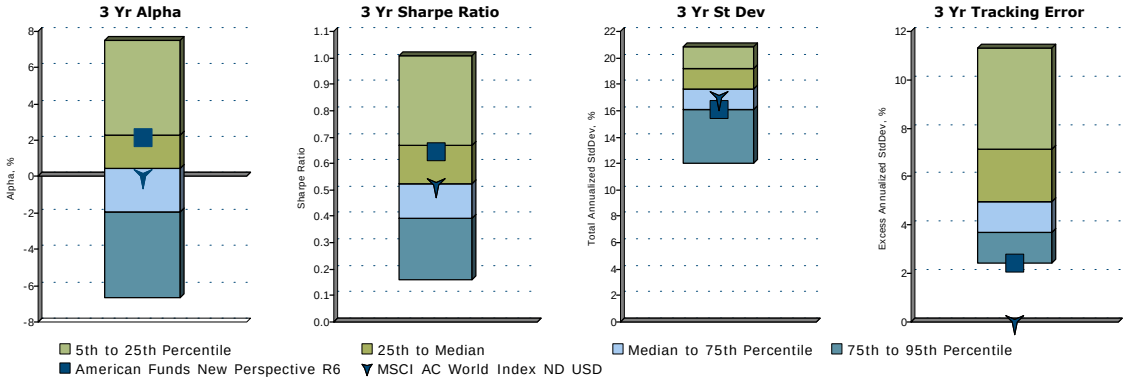


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
American Funds New Perspective R6	6.30	6.30	13.16	9.64	4.53
MSCI AC World Index ND USD	6.50	6.50	10.55	7.78	2.06
Universe(5%)	10.58	10.58	17.66	13.38	6.66
Universe(25%)	8.41	8.41	13.44	9.66	4.49
Universe(Median)	7.09	7.09	11.94	8.16	2.67
Universe(75%)	5.67	5.67	7.86	6.08	0.90
Universe(95%)	0.52	0.52	-0.55	1.29	-2.27

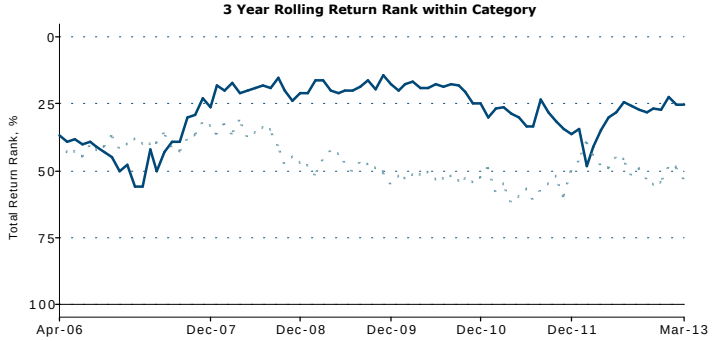
American Funds New Perspective R6

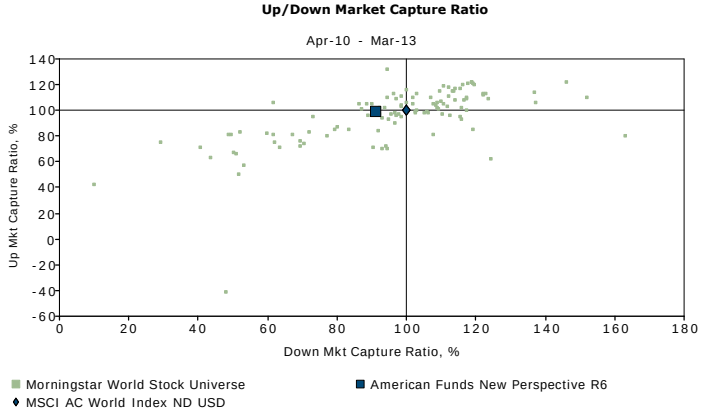


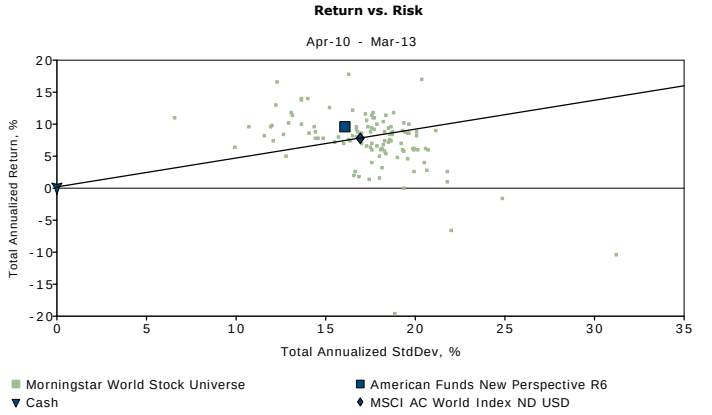
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
American Funds New Perspective R6	36.76	14.27	11.28	19.87	16.03	-37.83	37.72	13.11	-7.33	21.19
MSCI AC World Index ND USD	33.99	15.23	10.84	20.95	11.66	-42.20	34.63	12.67	-7.35	16.13



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
American Funds New Perspective R6	2.12	0.94	98.08	0.65	16.08	2.45
MSCI AC World Index ND USD	0.00	1.00	100.00	0.52	16.96	0.00
Universe(5%)	7.52	1.18	98.07	1.01	20.88	11.32
Universe(25%)	2.26	1.08	96.59	0.67	19.21	7.15
Universe(Median)	0.45	1.01	94.43	0.52	17.64	4.97
Universe(75%)	-1.93	0.86	86.67	0.39	16.08	3.69
Universe(95%)	-6.67	0.61	69.26	0.16	12.06	2.45



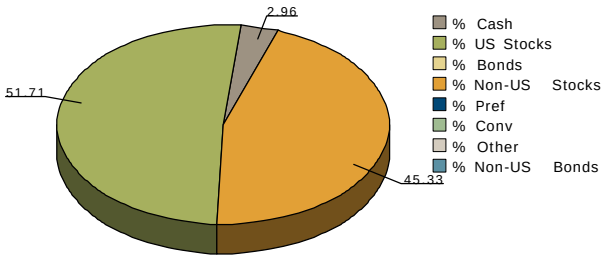




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Harding Loevner Global Equity Inst



Portfolio Region	
% United States	53.29
% Canada	0.00
% Latin America	2.90
% United Kingdom	6.37
% Eurozone	8.24
% Europe - ex Euro	7.35
% Europe - Emerging	2.45
% Africa	1.32
% Middle East	0.00
% Japan	9.36
% Australasia	1.61
% Asia - Developed	2.02
% Asia - Emerging	5.09

Portfolio Structure	
% Cash	2.96
% US Stocks	51.71
% Bonds	0.00
% Non-US Stocks	45.33
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

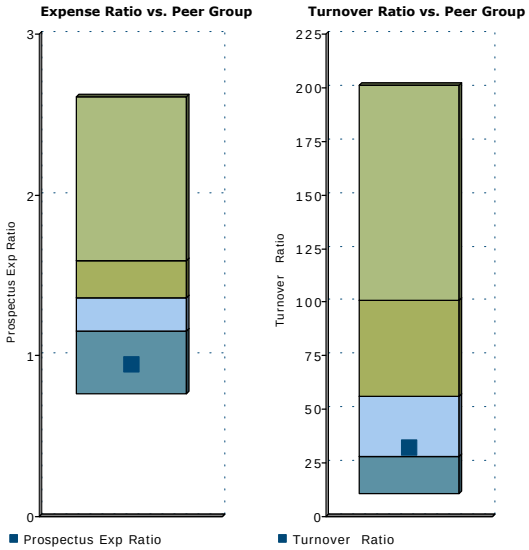
Sector Allocation	
% Basic Materials	3.79
% Communication Services	2.77
% Consumer Cyclical	17.09
% Consumer Defensive	11.99
% Healthcare	7.32
% Industrials	12.41
% Real Estate	0.00
% Technology	20.22
% Energy	6.05
% Financial Services	18.36
% Utilities	0.00

Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
eBay Inc	3.64%
Wells Fargo & Co	3.47%
Unicharm Corp	2.84%
Nestle SA ADR	2.83%
Fanuc Corp	2.74%
Microsoft Corporation	2.50%
Schlumberger NV	2.44%
Standard Chartered PLC	2.38%
Emerson Electric Co.	2.33%
Dassault Systemes SA	2.11%

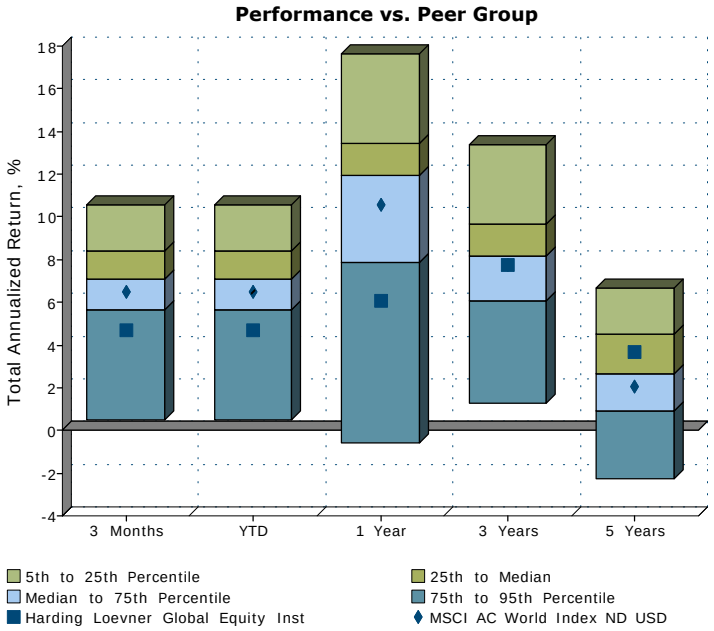
Portfolio Information	
Ticker	HLMVX
Morningstar Category	World Stock
Avg Mkt Cap $MM	32194.95
Cat Med Mkt Cap $MM	25969.20
Net Assets $MM	482.53
Turnover Ratio	32.00
% Assets in Top 10 Holdings	27.28
Total Number of Holdings	67.00
Manager Name	Ferrill Roll
Manager Tenure	12.17
Fund Incept Date	11/29/1996
Prospectus Exp Ratio	0.95
Phone Number	877-435-8105
Closed to New Investors	No

Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	60
5 Year Mstar Rating	★★★★
% Rank Cat 5 Yr	37
10 Year Mstar Rating	★★★★
% Rank Cat 10 Yr	44



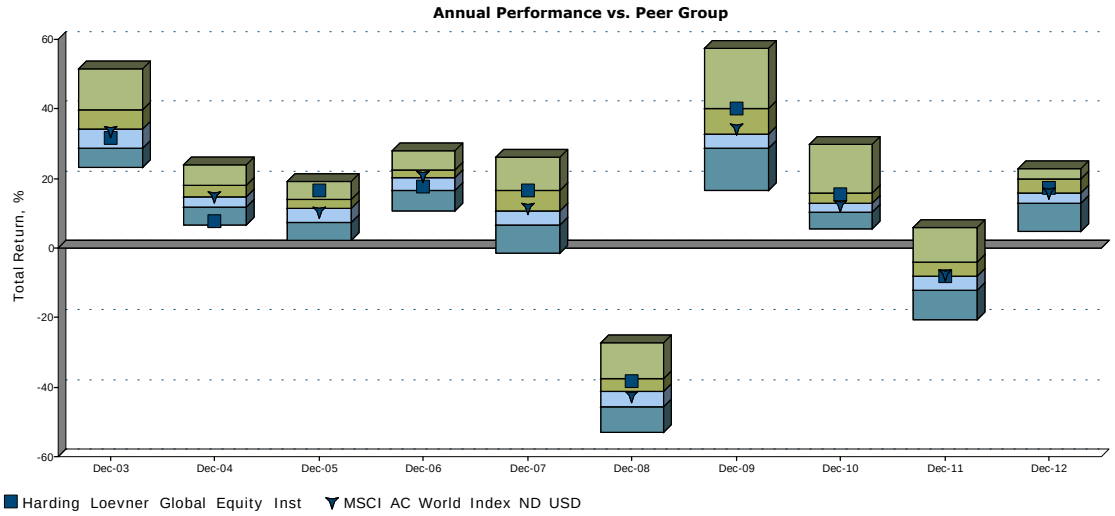
Investment Strategy Summary

The investment seeks long-term capital appreciation. The fund invests in companies based in the U.S. and other developed markets, as well as in emerging and frontier markets. It invests at least 80% of net assets in common stocks, preferred stock, rights and warrants issued by companies that are based both inside and outside the United States, securities convertible into such securities and investment companies that invest in the types of securities in which the fund would normally invest. The fund normally holds 35-75 investments across at least 15 countries.

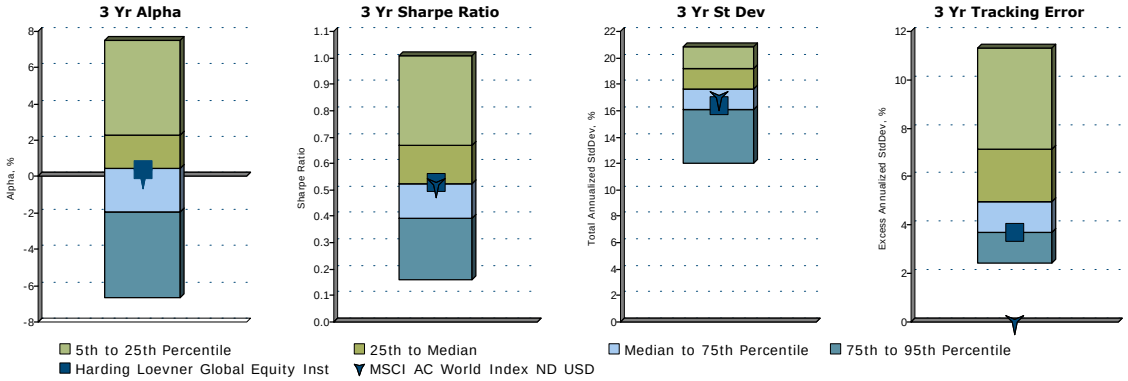


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Harding Loevner Global Equity Inst	4.71	4.71	6.08	7.73	3.68
MSCI AC World Index ND USD	6.50	6.50	10.55	7.78	2.06
Universe(5%)	10.58	10.58	17.66	13.38	6.66
Universe(25%)	8.41	8.41	13.44	9.66	4.49
Universe(Median)	7.09	7.09	11.94	8.16	2.67
Universe(75%)	5.67	5.67	7.86	6.08	0.90
Universe(95%)	0.52	0.52	-0.55	1.29	-2.27

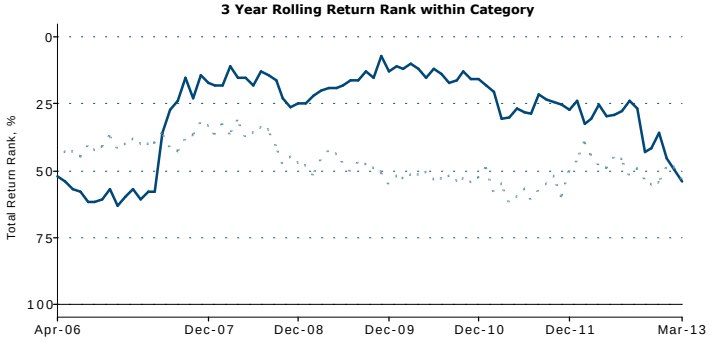
Harding Loevner Global Equity Inst

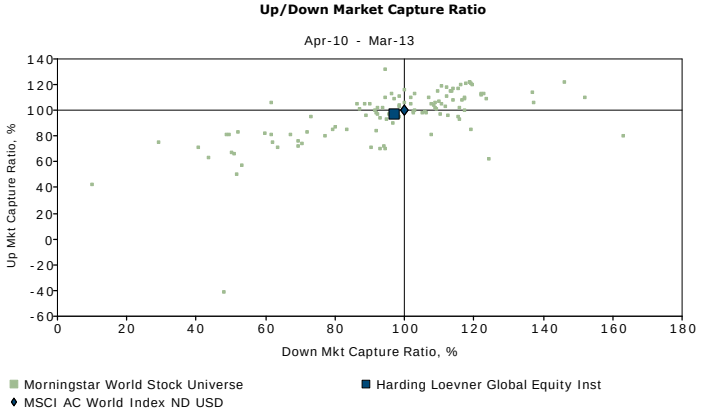


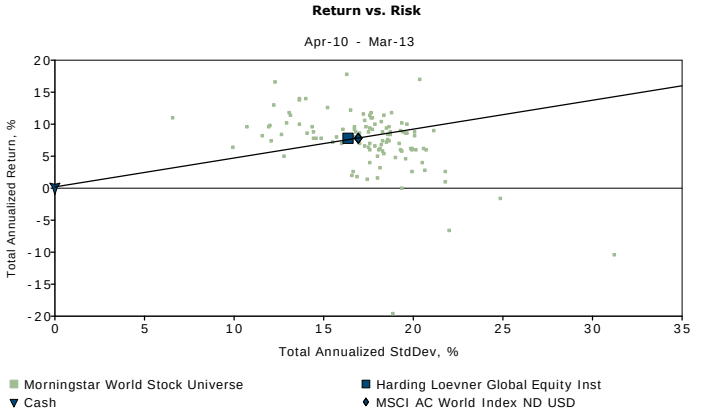
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Harding Loevner Global Equity Inst	31.51	7.61	16.65	17.84	16.39	-38.29	40.16	15.55	-8.22	17.42
MSCI AC World Index ND USD	33.99	15.23	10.84	20.95	11.66	-42.20	34.63	12.67	-7.35	16.13



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Harding Loevner Global Equity Inst	0.36	0.94	95.25	0.53	16.37	3.70
MSCI AC World Index ND USD	0.00	1.00	100.00	0.52	16.96	0.00
Universe(5%)	7.52	1.18	98.07	1.01	20.88	11.32
Universe(25%)	2.26	1.08	96.59	0.67	19.21	7.15
Universe(Median)	0.45	1.01	94.43	0.52	17.64	4.97
Universe(75%)	-1.93	0.86	86.67	0.39	16.08	3.69
Universe(95%)	-6.67	0.61	69.26	0.16	12.06	2.45



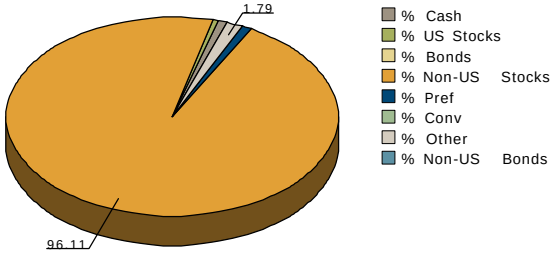




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Vanguard Emerging Mkts Stock Idx I



Portfolio Region	
% United States	0.31
% Canada	0.00
% Latin America	20.57
% United Kingdom	0.00
% Eurozone	0.00
% Europe - ex Euro	0.00
% Europe - Emerging	9.28
% Africa	8.31
% Middle East	0.05
% Japan	0.00
% Australasia	0.00
% Asia - Developed	25.02
% Asia - Emerging	36.45

Portfolio Structure	
% Cash	0.86
% US Stocks	0.30
% Bonds	0.00
% Non-US Stocks	96.11
% Pref	0.94
% Conv	0.00
% Other	1.79
% Non-US Bonds	0.00

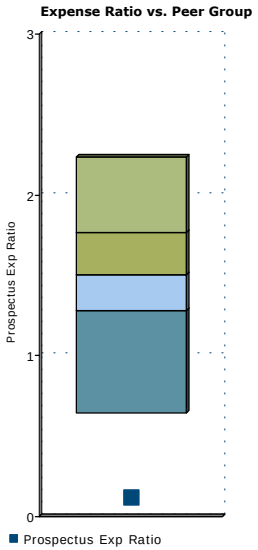
Sector Allocation	
% Basic Materials	11.88
% Communication Services	8.38
% Consumer Cyclical	8.42
% Consumer Defensive	8.29
% Healthcare	1.08
% Industrials	7.65
% Real Estate	1.83
% Technology	14.23
% Energy	10.96
% Financial Services	24.27
% Utilities	3.01

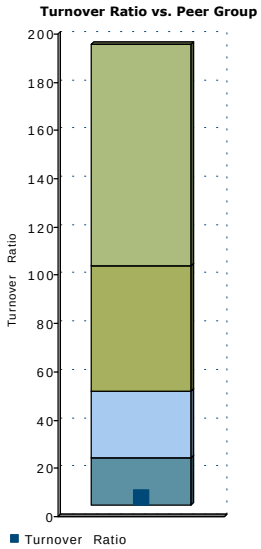
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Samsung Electronics Co Ltd GDR	2.53%
China Mobile Ltd.	1.80%
China Construction Bank Corp H Shares	1.50%
Taiwan Semiconductor Manufacturing ADR	1.34%
Samsung Electronics Co Ltd	1.33%
Industrial And Commercial Bank Of China Ltd.	1.21%
America Movil, S.A.B. de C.V.	1.17%
Gazprom OAO ADR	1.12%
CNOOC, Ltd.	0.99%
Mtn Group Limited	0.90%

Portfolio Information	
Ticker	VEMIX
Morningstar Category	Diversified Emerging Mkts
Avg Mkt Cap $MM	20088.91
Cat Med Mkt Cap $MM	15735.51
Net Assets $MM	74586.62
Turnover Ratio	8.00
% Assets in Top 10 Holdings	13.91
Total Number of Holdings	1111.00
Manager Name	Michael Perre
Manager Tenure	4.59
Fund Incept Date	05/04/1994
Prospectus Exp Ratio	0.12
Phone Number	800-662-7447
Closed to New Investors	No

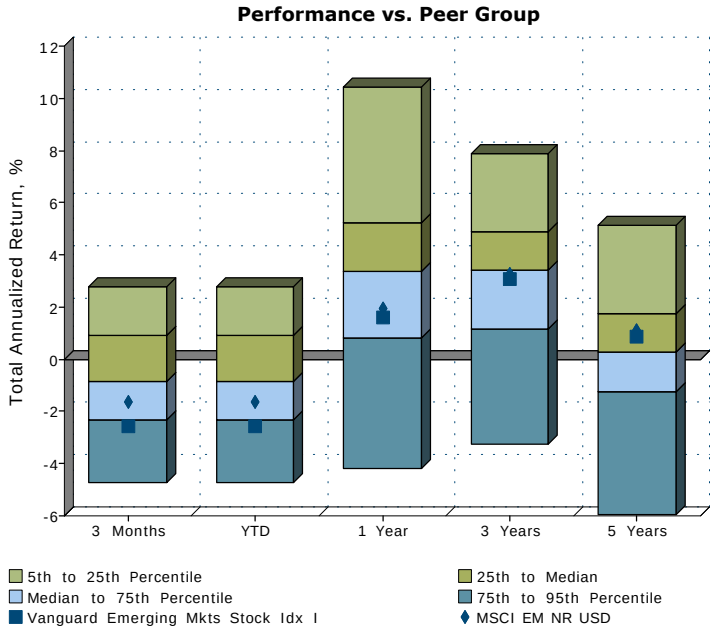
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★
% Rank Cat 3 Yr	58
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	44
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	38





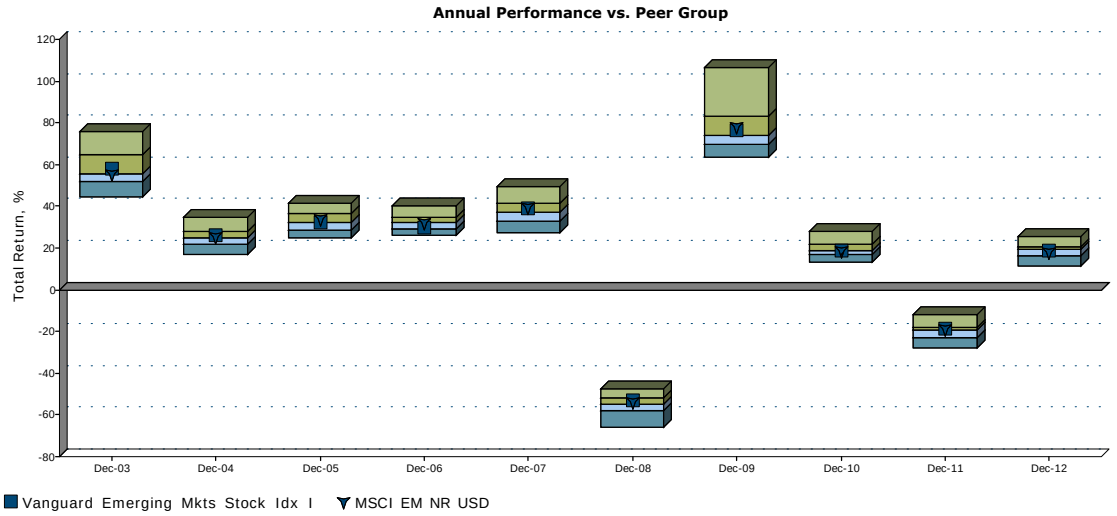
Investment Strategy Summary

The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in emerging market countries. The fund employs an indexing investment approach by investing substantially all (approximately 95%) of its assets in the common stocks included in the FTSE Emerging Transition Index, while employing a form of sampling to reduce risk. The FTSE Emerging Transition Index is a "dynamic" index that represents the components of the FTSE Emerging Index plus South Korean equity exposure.

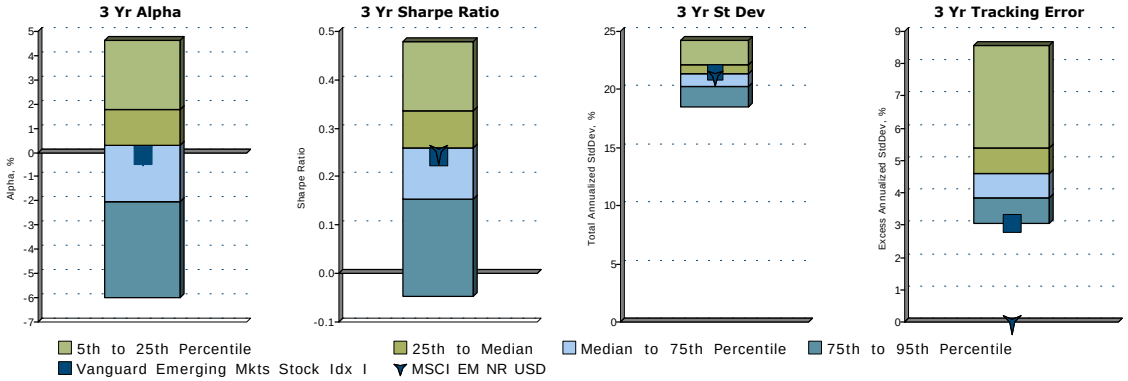


Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard Emerging Mkts Stock Idx I	-2.58	-2.58	1.58	3.07	0.87
MSCI EM NR USD	-1.62	-1.62	1.96	3.27	1.09
Universe(5%)	2.77	2.77	10.41	7.86	5.11
Universe(25%)	0.92	0.92	5.22	4.90	1.75
Universe(Median)	-0.87	-0.87	3.37	3.43	0.26
Universe(75%)	-2.33	-2.33	0.79	1.15	-1.22
Universe(95%)	-4.72	-4.72	-4.20	-3.26	-5.94

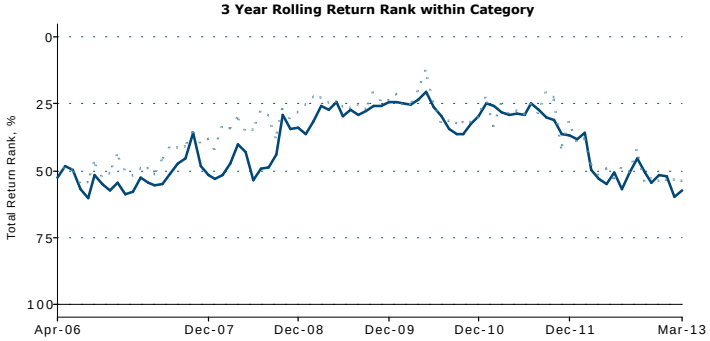
Vanguard Emerging Mkts Stock Idx I

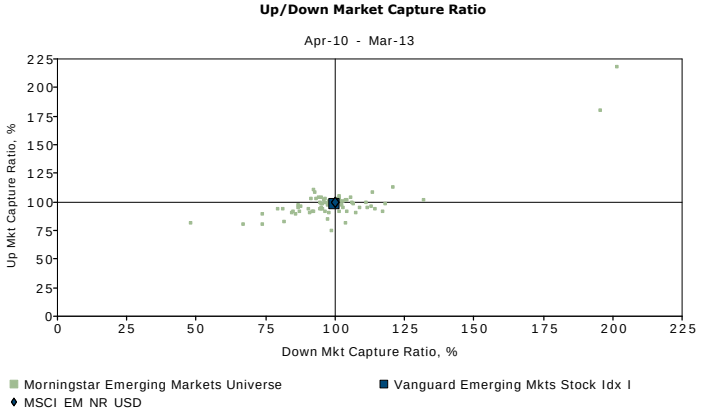


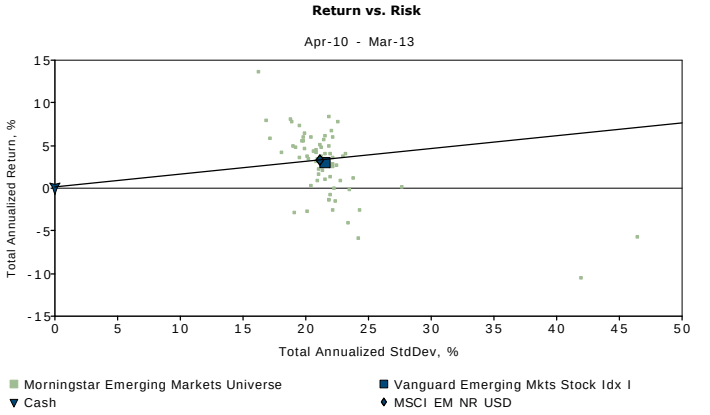
Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard Emerging Mkts Stock Idx I	57.97	26.24	32.35	29.57	39.15	-52.74	76.35	19.06	-18.63	18.90
MSCI EM NR USD	55.82	25.55	34.00	32.14	39.42	-53.33	78.50	18.88	-18.42	18.22



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard Emerging Mkts Stock Idx I	-0.15	1.01	97.99	0.24	21.51	3.05
MSCI EM NR USD	0.00	1.00	100.00	0.25	21.12	0.00
Universe(5%)	4.65	1.12	98.01	0.48	24.20	8.57
Universe(25%)	1.76	1.03	97.02	0.34	22.12	5.38
Universe(Median)	0.30	1.00	95.84	0.26	21.39	4.59
Universe(75%)	-2.01	0.93	94.46	0.16	20.27	3.86
Universe(95%)	-6.00	0.85	90.29	-0.05	18.54	3.03



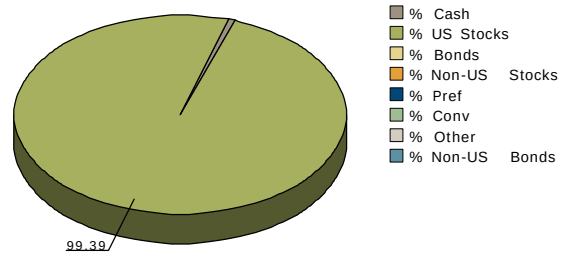




Milliman | Quarterly Investment Monitor

Data as of 03/31/2013

Vanguard REIT Index I



Portfolio Region	
% United States	100.00
% Canada	0.00
% Latin America	0.00
% United Kingdom	0.00
% Eurozone	0.00
% Europe - ex Euro	0.00
% Europe - Emerging	0.00
% Africa	0.00
% Middle East	0.00
% Japan	0.00
% Australasia	0.00
% Asia - Developed	0.00
% Asia - Emerging	0.00

Portfolio Structure	
% Cash	0.61
% US Stocks	99.39
% Bonds	0.00
% Non-US Stocks	0.00
% Pref	0.00
% Conv	0.00
% Other	0.00
% Non-US Bonds	0.00

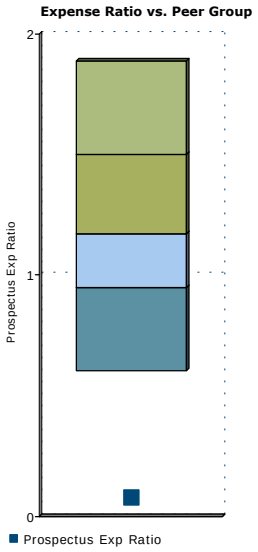
Sector Allocation	
% Basic Materials	0.00
% Communication Services	0.00
% Consumer Cyclical	0.00
% Consumer Defensive	0.00
% Healthcare	0.00
% Industrials	0.00
% Real Estate	100.00
% Technology	0.00
% Energy	0.00
% Financial Services	0.00
% Utilities	0.00

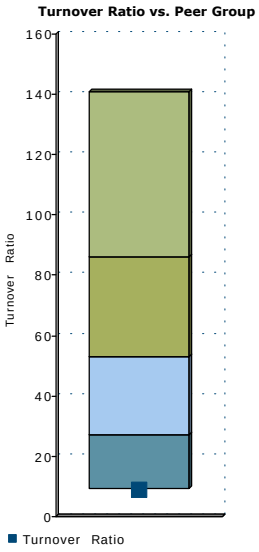
Credit Quality	
Avg Eff Duration	NA
Effective Maturity	NA
Avg Credit Quality	NA
US Govt/ Agency	NA
AAA	NA
AA	NA
A	NA
BBB	NA
BB	NA
B	NA
Below B	NA
NR/NA	NA

Top Ten Holdings	
Simon Property Group Inc	10.69%
Public Storage	4.71%
HCP Inc	4.56%
Ventas Inc	4.26%
Equity Residential	4.06%
Prologis Inc	3.75%
Boston Properties Inc	3.56%
Health Care REIT, Inc.	3.49%
AvalonBay Communities Inc	3.39%
Vornado Realty Trust	2.98%

Portfolio Information	
Ticker	VGSNX
Morningstar Category	Real Estate
Avg Mkt Cap $MM	8224.57
Cat Med Mkt Cap $MM	8397.24
Net Assets $MM	34678.77
Turnover Ratio	9.00
% Assets in Top 10 Holdings	45.45
Total Number of Holdings	119.00
Manager Name	Gerard C. O'Reilly
Manager Tenure	16.89
Fund Incept Date	05/13/1996
Prospectus Exp Ratio	0.08
Phone Number	800-662-7447
Closed to New Investors	No

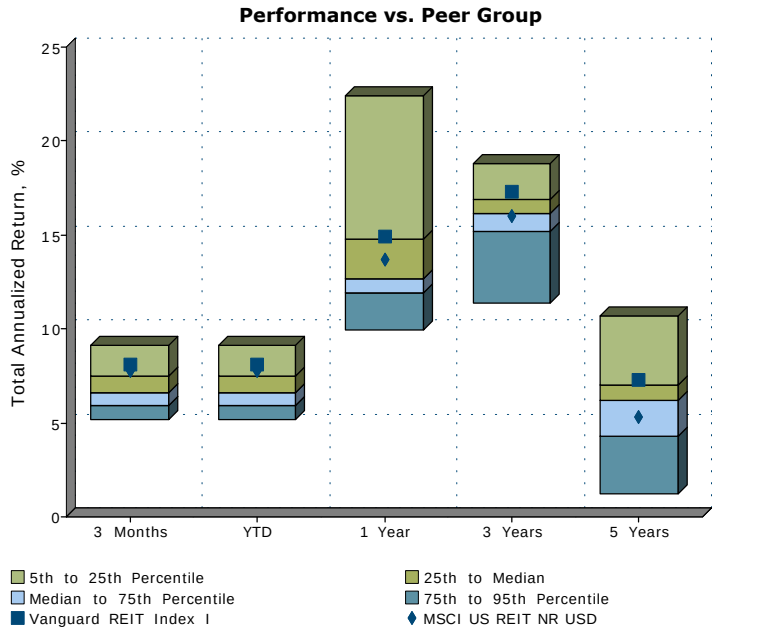
Portfolio Ratings	
Mstar Rating	★★★
3 Year Mstar Rating	★★★★
% Rank Cat 3 Yr	10
5 Year Mstar Rating	★★★
% Rank Cat 5 Yr	16
10 Year Mstar Rating	★★★
% Rank Cat 10 Yr	27





Investment Strategy Summary

The investment seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs. The fund employs an indexing investment approach designed to track the performance of the MSCI US REIT Index. The index is composed of stocks of publicly traded equity real estate investment trusts (known as REITs). It attempts to replicate the 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.

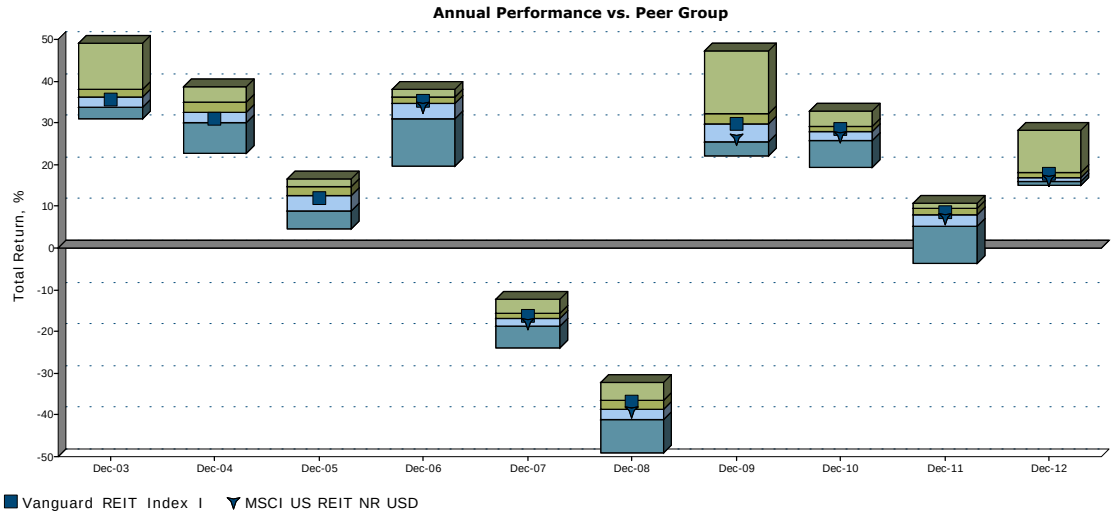


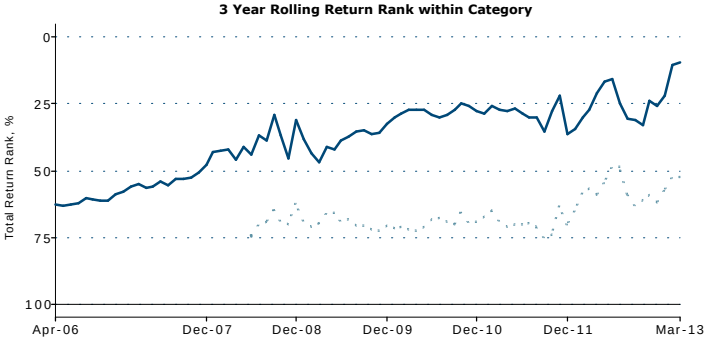
Performance	3 Months	Year to Date	1 Year	3 Years	5 Years
Vanguard REIT Index I	8.11	8.11	14.89	17.30	7.31
MSCI US REIT NR USD	7.79	7.79	13.67	16.01	5.31
Universe(5%)	9.12	9.12	22.41	18.77	10.67
Universe(25%)	7.47	7.47	14.76	16.92	7.05
Universe(Median)	6.60	6.60	12.66	16.11	6.19
Universe(75%)	5.92	5.92	11.91	15.18	4.30
Universe(95%)	5.16	5.16	9.92	11.39	1.25

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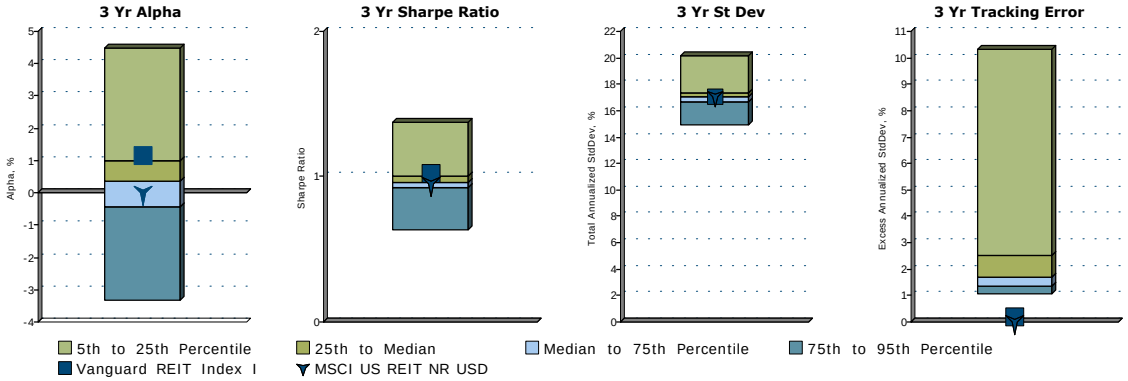
Data as of 03/31/2013

Vanguard REIT Index I

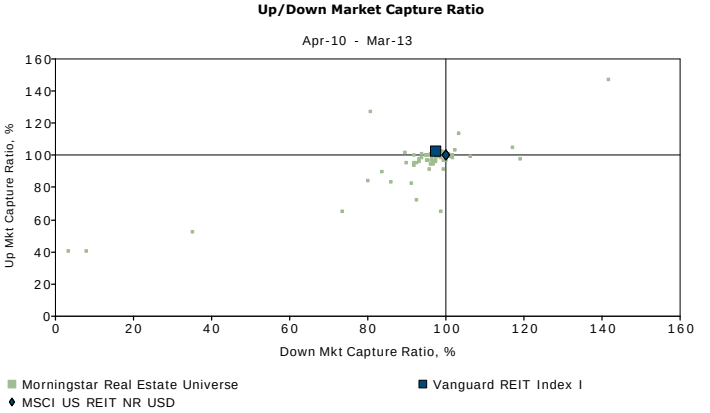


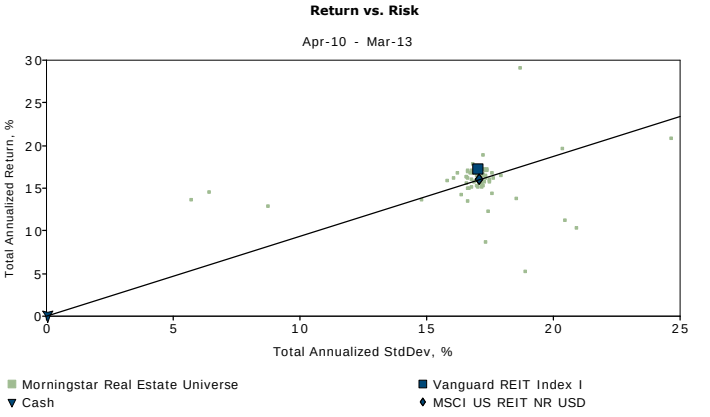


Annual Return %	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vanguard REIT Index I	35.65	30.93	12.05	35.15	-16.38	-36.95	29.76	28.56	8.70	17.65
MSCI US REIT NR USD	NA	NA	NA	34.18	-17.84	-39.05	26.27	26.97	7.48	16.47



MPT Statistics	3 Yr Alpha	3 Yr Beta	3 Yr R-Squared	3 Yr Sharpe Ratio	3 Yr St Dev	3 Yr Tracking Error
Vanguard REIT Index I	1.14	1.00	99.99	1.02	17.02	0.21
MSCI US REIT NR USD	0.00	1.00	100.00	0.95	17.05	0.00
Universe(5%)	4.47	1.07	99.67	1.38	20.14	10.33
Universe(25%)	1.01	1.01	99.42	1.01	17.35	2.54
Universe(Median)	0.35	0.99	99.11	0.96	17.08	1.68
Universe(75%)	-0.43	0.97	98.10	0.92	16.64	1.35
Universe(95%)	-3.31	0.86	80.32	0.64	14.94	1.05





Glossary

Alpha (3 Yr)

Alpha is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative alpha indicates the portfolio has underperformed, given the expectations established by beta.

Average Effective Duration

A measure of a fund's interest-rate sensitivity--the longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration. The relationship between funds with different durations is straightforward: A fund with a duration of 10 years is twice as volatile as a fund with a five-year duration. Morningstar prints an average effective duration statistic that incorporates call, put, and prepayment possibilities.

Average Effective Maturity

Average effective maturity is a weighted average of all the effective maturities of the bonds in a portfolio. Effective maturity takes into consideration mortgage prepayments, puts, calls, adjustable coupons, and other features of individual bonds and is thus a more accurate measure of interest-rate sensitivity. Longer-maturity funds are generally considered more interest-rate sensitive than their shorter counterparts.

Beta

A measure of a fund's sensitivity to market movements. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a fund's excess return over Treasury bills to the market's excess return over Treasury bills, so a beta of 1.10 shows that the fund has performed 10% better than its benchmark index in up markets and 10% worse in down markets, assuming all other factors remain constant. Conversely, a beta of 0.85 indicates that the fund's excess return is expected to perform 15% worse than the market's excess return during up markets and 15% better during down markets.

The Morningstar Rating

Commonly called the Star Rating, is a measure of a fund's risk-adjusted return, relative to funds in its category. Funds are rated from one to five stars, with the best performers receiving five stars and the worst performers receiving a single star.

Risk-adjusted return is calculated by subtracting a risk penalty from each fund total return, after accounting for all loads, sales charges, and redemption fees. The risk penalty is determined by the amount of variation in the fund's monthly return, with emphasis on downward variation. The greater the variation, the larger the penalty. Funds are ranked within their categories and stars are assigned as follows: Top 10% five stars; Next 22.5% four stars; Middle 35% three stars; Next 22.5% two stars; Bottom 10% one star.

Audited Expense Ratio

The percentage of fund assets paid for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV . Sales charges are not included in the expense ratio.

Geometric Average Market Capitalization

Morningstar defines the overall "size" of a stock fund's portfolio as the geometric mean of the market capitalization for all of the stocks it owns. It's calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.
This number is different from the fund's median market cap--the capitalization of the median stock in its portfolio. The geometric mean better identifies the portfolio's "center of gravity." That is, it provides more accurate insight into how market trends (as defined by capitalization) might affect the portfolio.

Net Assets

The month-end net assets of the mutual fund, recorded in millions of dollars. Net-asset figures are useful in gauging a fund's size, agility, and popularity. They help determine whether a small company fund, for example, can remain in its investment-objective category if its asset base reaches an ungainly size.

% Assets in Top 10 Holdings

The aggregate assets, expressed as a percentage, of the fund's top 10 portfolio holdings. This figure is meant to be a measure of portfolio risk. Specifically, the higher the percentage, the more concentrated the fund is in a few companies or issues, and the more the fund is susceptible to the market fluctuations in these few holdings. The figure is calculated from the most recent available fund holdings.

Price/Book Ratio TTM

The weighted average of the price/book ratios of all the stocks in a fund's portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain.

Price/Earnings Ratio TTM

The weighted average of the price/earnings ratios of the stocks in a fund's portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. In computing the average, Morningstar weights each portfolio holding by the percentage of equity assets it represents, so that larger positions have proportionately greater influence on the fund's final P/E.

R-Squared

Reflects the percentage of a fund's movements that can be explained by movements in its benchmark index. An R-squared of 100 indicates that all movements of a fund can be explained by movements in the index. Thus, index funds that invest only in S&P 500 stocks will have an R-squared very close to 100. Conversely, a low R-squared indicates that very few of the fund's movements can be explained by movements in its benchmark index. An R-squared measure of 35, for example, means that only 35% of the fund's movements can be explained by movements in the benchmark index.

Sharpe Ratio

The Sharpe Ratio is a risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the portfolio's historical risk-adjusted performance. It can be used to compare two portfolios directly on how much excess return each portfolio achieved for a certain level of risk.

Standard Deviation

Standard deviation is the statistical measurement of dispersion about an average, which depicts how widely a stock or portfolio's returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that is most likely for a given investment. When a stock or portfolio has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Total Number of Holdings

The total number of different holdings of a fund. This figure is meant to be a measure of portfolio risk. Specifically, the lower the figure, the more concentrated the fund is in a few companies or issues, and the more the fund is susceptible to the market fluctuations in these few holdings. This figure also provides a context for the importance of % assets in top 10 holdings. The figure is calculated from the most recent available fund holdings. It does not include a fund's short positions.

Total Return

Expressed in percentage terms, Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting NAV. Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly.

Turnover Ratio

This is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year.

12-Month Yield

Also known as a distribution yield, Morningstar computes this figure by summing the trailing 12-month's income distributions and dividing the sum by the last month's ending NAV, plus any capital gains distributed over the same period. Income refers only to interest

Disclaimer

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SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

April 15, 2013

Ms. Donna Mitchell
Controller/Treasurer
City of Dover
5 E. Reed Street
Weyandt Hall, Suite 300
Dover, Delaware 19901

Re: Pension Audit Procedures

Dear Ms. Mitchell,

This letter is in response to your request for clarification on audit opinion rendered for the City of Dover (the City) in relation to its Pension Trust Funds.The City elected to present its Police Pension and General Pension financial information together as a single major fund (i.e., Pension Trust Funds) on the City's fiduciary financial statements and include as supplemental information the individual plan information. This presentation is allowable under accounting principles generally accepted in the United States of America.

The opening paragraph of the opinion SB & Company, LLC (SBC) issued dated December 21, 2012, states "We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dover, Delaware." In the third paragraph of the opinion, SBC issued an unqualified opinion on these areas. The Pension Trust Funds is a major fund of the City and falls under our opinion language as such.

The supplemental information that includes the specific Police Pension and General Pension financial statement information is addressed in the sixth paragraph of the opinion. The supplemental information is combining schedule of the two funds (Police and General) that combines the information and agrees to the amounts included in the Pension Trust Funds major fund presentation. The following verbiage from the opinion describes the audit procedures performed on the combining schedule

> "Such information is theresponsibility of management and was derived from and relates directly to the underlyingaccounting and other records used to prepare the financial statements. The information has beensubjected to the auditing procedures applied in the audit of the financial statements and certainadditional procedures, including comparing and reconciling such information directly to theunderlying accounting and other records used to prepare the financial statements or to thefinancial statements themselves, and other additional procedures in accordance with auditingstandards generally accepted in the United States of America."

The City also provided a copy of "Guidelines for Trust Audits" document (the Guidelines) (see appendix A) and inquired of the relation of the information included in the document to the financial statement audit procedures. We observed through reading of the Guidelines that the objective of the Guidelines is to assist the board of directors, trust management, and auditors in establishing the appropriate scope and

extent of audit procedures. The Guidelines further discusses the scope of audit. Specifically, the Guidelines discuss that the areas to be covered in the scope of the audit shall be approved by the board of directors using an analysis of the risks associated with fiduciary products and services provided by each individual financial institution. Such analysis should consider the effectiveness of management, policies, procedures, information systems, controls, and other relevant factors. In this discussion, the Guidelines are discussing both internal and external audit procedures. The internal audit procedures differ significantly from financial statement audit procedures. Specifically, internal audit procedures are designed to test specific areas that are determined by those charged with governance. Whereas, financial statement audit procedures are designed to be in compliance with audit standards generally accepted in the United States of America. There are some areas which naturally overlap between financial statement audit procedures and internal audit procedures.

In the preparation of internal audit procedures, management and the Board of Directors must go through a risk identification and risk valuation exercise to determine the nature and scope of procedures to be performed. We can assist management and Board of Directors in this endeavor.

After development of the risk identification and valuation exercise, an internal audit plan is developed to test areas to provide information on processes. These procedures are tailored specifically to the risk to be reviewed and are developed with management and the Board of Directors.

As the internal audit procedures vary depending upon the nature and risk tolerance of an organization, the effort to complete an internal audit can vary significantly. We estimate that the completion of the risk assessment and internal audit testing can range from $9,000 to $100,000 or greater depending upon the scopes determined for testing.

Please contact me with any questions at 410-584-1404.

Sincerely,

SB & Company, LLC

By:
William A. Seymour

The objective of these guidelines is to assist the board of directors, trust management and auditors in establishing the appropriate scope and extent of audit procedures that would provide conformance with K.A.R. 17-23-5. An effective, comprehensive, audit program is essential to ensure proper monitoring of fiduciary risk.

AUDITOR QUALIFICATIONS

Every trust auditor shall possess proper education and training to evaluate trust administrative and operational functions.

AUDITOR INDEPENDENCE

The independence of the auditors, whether internal or external, should not be compromised. Auditors shall report to the board of directors, enabling the audit function to be independent of trust management. Internal auditors shall not include individuals currently employed in the bank's trust department or trust company's operational staff. External and internal auditors shall not have any conflicts of interest, or direct or indirect material financial interest in the bank or trust company.

SCOPE OF AUDIT

Areas to be covered in the scope of the audit shall be approved by the board of directors using an analysis of the risks associated with fiduciary products and services provided by each individual financial institution. Such analysis should consider the effectiveness of management, policies, procedures, information systems, controls, and other relevant factors.

AUDIT REPORT

The audit report shall be communicated to the board of directors. The report shall:

1) identify the scope of the trust audit;
2) describe the agreed-upon procedures performed;
3) identify the number, type and dollar volume of accounts examined;
4) indicate the results of the audit procedures performed with any exceptions noted; and
5) report on department internal control weaknesses identified, as the tests and procedures of the audit are completed.

External and internal auditors shall retain a documented record of their work to substantiate procedures followed, tests performed, information obtained, and conclusions reached in the audit report.

SAMPLING AND VERIFICATION

Using appropriate sampling techniques, the auditor should perform detailed tests on selected transactions and/or accounts in all major account types, including but not limited to personal trusts, estates, agencies, corporate trusts, collective investment funds, pension, and profit sharing trusts and individual retirement accounts.

AUDIT PROCEDURES

The following items provide a list of audit procedures to be considered in determining the scope of the audit to be performed. The uniqueness of each trust department or company should be taken into consideration when determining whether procedures should be performed. It is not contemplated that the audit procedures described below will be applied to all accounts or transactions, but rather to selected accounts and transactions on a test basis. Items marked with an (*) asterisk indicate those functions to be performed on a quarterly basis when the audit is completed internally. All other functions may be performed annually.

Accounting and Physical Security Controls

Verification of 33% of the account assets, including a confirmation from holders of assets retained outside the bank or trust company.

Determine that assets are adequately safeguarded and held separately from the assets of the bank or trust company.*

Determine that a written vault record of assets under joint custody is maintained.*

Test that joint custody safekeeping receipts exist for securities pledged to the trust department of a bank.*

Test that there is prompt ledger control of assets received as original and subsequent deposits of assets, including stock splits and dividends.

Verify that department, company and fiduciary cash accounts are reconciled to demand deposit statements.*

Test that disbursements are supported by appropriate source documents.*

Verify that periodic and timely reconciliations are performed of the department's statement of condition, if appropriate, and the trust account subsidiary ledgers.*

Test that suspense or operating accounts are reconciled at least monthly, contain only appropriate items, and are cleared without delay.*

Test the outstanding bonds for bond trusteeships by reconcilement or the verification of such reconcilement by others, at least once each calendar year.

Test the reconcilement of bond closing statements of new corporate trusteeships to trustee records. Reconcilement should include trustee records of bonds authenticated and issued, proceeds from bond sales, and initial related accounts.

Test payments from paying agency or dividend disbursing accounts by reconciling or verifying the bank or trust company's reconciliation.

Account Activity Controls

Test commissions and fees paid to the institution.

Test proceeds or payment from sales and purchases of assets to brokers' invoices, purchasers' receipts, or other evidence of sale and purchase prices.

Test accuracy of amounts and receipt of income from investments.*

Test payments for services, such as brokerage fees, real estate management fees, maintenance charges, and other similar disbursements to source documents.

Test to determine that securities transactions are completed in a timely manner and that written trade security confirmations or broker advices are received.*

Operational Compliance

Test that cash receipts are promptly invested or distributed in compliance with the governing document and applicable law.

Test to determine that real estate is insured, is subject to periodic appraisals and inspections that are documented, that property taxes are paid and that real estate loan documentation is sufficient.

Test account transactions for accuracy to source documents.*

Inquire and observe whether dual control over fiduciary assets and accounts is exercised.*

Review closed accounts to ascertain that documentation such as discharges, releases, receipts and accountings are obtained.

Administrative Compliance

Test to determine that original or certified copies of the governing instrument are on file.

Determine that a procedure is in place to create synoptic and account records, and test that such records are maintained and updated periodically.*

Determine the existence of an annual audit of any bank or trust company collective investment fund, if applicable.

Test that tax returns are prepared and filed by the appropriate filing dates.

Review the department's or company's policies for avoiding and clearing, overdrafts and test selected transactions for compliance therewith.*

Review account statements submitted to beneficiaries or other parties and test to ensure such are consistent with the department's or company's account records.*

Determine if the minutes of the board of directors or designated persons and committees document the review of the acceptance and closing of accounts, review and disposition of investments, and discretionary payments of principal or income.*

Test that written approvals or directions from co-fiduciaries are obtained for account discretionary decisions.