# POLICE PENSION BOARD
# AGENDA

**FEBRUARY 12, 2015 - 9:30 A.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 - JOINT CIVILIAN/POLICE PENSION AND OPEB BOARD MEETING OF DECEMBER 11, 2014**

2. **QUARTERLY PERFORMANCE REVIEW (QUARTER ENDING DECEMBER 31, 2014)** *(MILLIMAN, INC.) (STAFF RECOMMENDS ACCEPTANCE OF THE REPORT)*

3. **DISCUSSION – WELLS FARGO BANK PROPOSED FEE CHANGES AND MAILING COST**

4. **ADJOURNMENT BY 9:55 A.M.**

**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.**

**/JS**
**S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Misc-Agendas\PENSION BOARDS\2015\02-12-2015 POLICE PENSION BOARD.wpd**

***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.***

# JOINT CIVILIAN AND POLICE PENSION AND OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARDS

A Joint Meeting of the Civilian Pension, Police Pension, and Other Post-Employment Benefits (OPEB) Boards was held on December 11, 2014, at 9:02 a.m. with Mr. Mullaney, Chairman of the Police Pension Board, presiding. Members present were Mr. Anderson (arrived at 9:12 a.m.), Mr. Blakeman, Mr. Clendaniel, Mr. Koenig, Mrs. Mitchell, Police Chief Bernat, Mr. Stallings (arrived at 9:09 a.m.), Mr. Unterkofler, Mr. Hare, and Mrs. Hawkins. Mrs. Williams and Mrs. Tieman were absent.

**AGENDA ADDITIONS/DELETIONS**

**By unanimous consent, the agenda was adopted.**

**Adoption of Minutes**

Civilian Pension Board Meeting of August 14, 2014

**Mr. Blakeman moved for approval of the minutes of the Civilian Pension Board meeting of August 14, 2014, seconded by Mr. Clendaniel and carried by a unanimous roll call vote (Anderson and Tieman absent).**

Police Pension Board Meeting of August 14, 2014

**Mr. Unterkofler moved for approval of the minutes of the Police Pension Board meeting of August 14, 2014, seconded by Chief Bernat and carried by a unanimous roll call vote (Anderson and Stallings absent).**

OPEB Board Meeting of August 14, 2014

**Mrs. Mitchell moved for approval of the minutes of the OPEB Board meeting of August 14, 2014 seconded by Mr. Hare and carried by a unanimous roll call vote (Williams absent).**

**Organizational Issues - Election of Civilian Pension Board Chair**

**Mr. Clendaniel moved to nominate Mrs. Tieman to serve as Chair of the Civilian Pension Board, seconded by Mr. Blakeman.**

**Mr. Blakeman moved to close nominations, seconded by Mr. Clendaniel and carried by a unanimous roll call vote (Tieman absent).**

**The motion to elect Mrs. Tieman as Chair of the Civilian Pension Board was carried by a unanimous roll call vote (Tieman absent).**

**Discussion - Investment Management and Advisory Services**

Mrs. Donna Mitchell, Controller/Treasurer, explained that the City's current agreement with Milliman, Inc. for investment management and advisory services would be coming up for renewal in March 2015. Referring to the Request for Proposals (RFP) for Consulting and Advisory Services, dated October 14, 2011, and information related to RFP Number 12-0018FN, she explained that this information was provided so that members would be familiar with the process used the last time the City changed its investment manager. Referring to the spreadsheet entitled "Consulting & Advisory Services for Trust Fund Investments RFP #12-0018FN - Fee Schedules," Mrs. Mitchell stated that this scoring sheet had been used to evaluate proposals. She noted that some of the proposals that

were received contained fixed fee arrangements, some had fees based on a percentage of the assets in the fund, and some were based on a combination of fixed fees and percentages. Mrs. Mitchell advised members that staff laid out all of the different types of fees to see what the total cost for each proposal would be, calculations were made based on the amount of assets at that time, and staff's recommendation, based on qualitative and price factors, was to select Milliman, Inc. Mrs. Mitchell requested direction on whether members would like staff to issue another RFP, noting that members could also opt to extend the existing agreement with Milliman, Inc. since there was a provision in the agreement for two (2), one (1) year extensions. She expressed her hope that the Civilian Pension, Police Pension, and OPEB Boards would all be agreeable to working with the same investment manager.

Mr. Blakeman moved to extend the City's current agreement with Milliman, Inc.

Mr. Koenig questioned whether the motion was to extend the agreement for one (1) or two (2) years.

Responding, Mr. Blakeman stated his intent that the agreement be extended for one (1) year. The motion was seconded by Mr. Clendaniel.

**The motion to extend the City's current investment management agreement with Milliman, Inc. for one (1) year carried by a unanimous roll call vote (Anderson, Stallings, Tieman, and Williams absent).**

**Discussion - Trust Fund Custody Services**

Mrs. Donna Mitchell, Controller/Treasurer, advised members that years ago the City utilized Merrill Lynch for both trust fund custody and investment management services. It was the recommendation of the Government Finance Officers Association (GFOA) that these services be split for custodial purposes, so that creditors would not have access to assets; therefore, Wachovia Bank became the provider of custody services for the City. Mrs. Mitchell explained that Wachovia Bank was then bought out by Wells Fargo Bank, and Wells Fargo Bank is the current provider of custody services for the City. She stated that this service had not been obtained through the Request for Proposal (RFP) process and the City's contract with Wells Fargo Bank was open-ended with no expiration date. She provided members with a copy of the City of Dover bill for October 2014 from Wells Fargo Bank that reflected the fees being paid to Wells Fargo Bank for management and disbursement of monthly pension checks ***(Attachment #1)*** . Referring to Page 1 of the bill, Mrs. Mitchell stated that the fees for the month were $2,006.93, noting that this bill reflected total fees for both the Employee and Police Pension Funds and that Page 3 contained a breakdown of amounts charged for each of these two (2) funds. Page 2 provided charges for holding the assets, based on their market value, as well as fees for making pension payments each month. Members were provided preliminary schedules to be included in the City's Comprehensive Annual Financial Report (CAFR), as follows: Statement of Changes in Net Position Fiduciary Funds - Year Ended June 30, 2014 ***(Attachment #2)***, Combining Statement of Changes in Pension Trust Fund Net Pension ***(Attachment #3)***, Schedule of Changes in Pension Trust Fund Net Assets Fiscal Year Ending 6/30/2015 - Police Pension Trust ***(Attachment #4)***, and Schedule of Changes in Pension Trust Fund Net Assets - Fiscal Year Ending 6/30/2015 - Civilian Pension Trust ***(Attachment #5)***. Referring to the Statement of Changes in Net Position - Fiduciary Funds for the Year Ended June 30, 2014, she

advised members that the $21,543 listed under Pension Trust Fund - General Administration reflected the annual cost paid for both the General Employee and Police Pension Plans during the previous fiscal year. She questioned if members were happy with the services provided by Wells Fargo Bank or if they would like her to issue an RFP for trust fund custody services.

Mr. Mullaney stated that he had not seen any problems with Wells Fargo Bank and his checks were being deposited on time.

Mr. Unterkofler reminded members that there had been a brief issue with receipt of retiree statements, as previously discussed during the Civilian and Police Pension Board meetings of February 26, 2014. Responding, Mrs. Mitchell stated that this problem had been resolved and Wells Fargo Bank had come before the Boards and personally apologized.

Mr. Koenig questioned if fees for FY 2016 were estimated to be closer to $24,000 versus the $21,000 in fees reflected in the Statement of Changes in Net Position Fiduciary Funds for the Year Ended June 30, 2014, and Mrs. Mitchell confirmed this.

Mr. Koenig questioned if the Wells Fargo Bank fees were competitive with other organizations. Responding, Mrs. Mitchell expressed her belief that Wells Fargo Bank's fees were very competitive; however, she stated that she could check this if desired. She indicated that she was very happy with the service being provided for the amount that the City was paying.

Mr. Koenig stated that he had no issues as long as Mrs. Mitchell believed the fees were competitive.

In reference to Page 2 of the October 2014 bill from Wells Fargo Bank, Mrs. Hawkins noted a postage charge of $0.49 for each statement that is mailed. She questioned if the City received a discounted rate for postage. Mrs. Mitchell explained that if the statements were mailed through the City's bulk mail, the rate would be discounted. Mrs. Hawkins questioned if there had been discussion with Wells Fargo Bank about a discounted rate. Mrs. Mitchell stated that she would discuss this with Wells Fargo Bank.

Referring to Page 2 of the Wells Fargo Bank bill, Mr. Hare noted that 262 checks were mailed each month and questioned if retirees were paid through electronic transfer. Mrs. Mitchell confirmed this; however, she stated that pay statements are mailed to all retirees. She explained that this could be done electronically; however, staff had determined that this would have to be done "all or none" and could not be offered selectively to some employees.

Responding to Mr. Hare, Mrs. Mitchell explained that the fees for mailing and processing checks were approximately $652.93 per month and $1,354.55 was the administration charge for holding the assets, as reflected on the Wells Fargo Bank bill. She indicated that there were approximately $45.6M in assets. Mr. Hare questioned if Wells Fargo Bank paid the City for the assets; and Mrs. Mitchell stated that this was a management function and Wells Fargo Bank did not pay the City for this.

In response to Mr. Koenig, Mrs. Mitchell explained that difference in the rates (0.0004 vs. 0.0003), reflected on Page 2 of the Wells Fargo Bank bill for October, was because a lower rate applies to assets under $25,000,000, noting that basing fees on asset size was common for investment and custody managers, such as Milliman, Inc. *[Clerk's Office Note: Subsequent to the meeting, Mrs. Mitchell indicated that the rate charged for assets up to $25M was 0.0004 and a lower rate of 0.0003 was charged for the City's assets in excess of that amount.]*

Mr. Blakeman stated his preference not to make a change in custody services if there was no strong reason to do so.

Members took no further action on this item.

**Update on Pacific Investment Management Company (PIMCO) *(Milliman, Inc.)***

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, thanked members for extending Milliman, Inc.'s contract, noting that it was a pleasure to work with everyone from the City, and expressed appreciation for members putting in their time, care, and due diligence for each of the plans.

Mr. Marzinsky advised members that Pacific Investment Management Company (PIMCO) is a bond fund manager whose investments are included in the OPEB, Police Pension, and General Employee Pension plans and that the OPEB plan includes a bond fund called the PIMCO Total Return Fund. He explained that earlier in the year, the Chief Executive Office (CEO) of PIMCO abruptly left the organization and Milliman, Inc. put PIMCO on watch and began performing a closer due diligence, including meeting with management to ensure that their ongoing operations would not be affected by that change. Mr. Marzinsky indicated that in September 2014, Mr. Bill Gross, the manager of the PIMCO Total Return Fund who started PIMCO 30 years ago, abruptly announced that he was leaving. In October 2014, Milliman, Inc. met with the management team of the Total Return Fund to get more insight as to whether there would be fund policy changes.

Mr. Marzinsky informed members that, in the past, PIMCO was known as a very good fund with very good returns; however, the future of the fund was unknown. Many changes were expected with regard to the organization, and many pension plan sponsors and organizations had moved out of the fund. It was anticipated that additional departures from the plan would occur in January and February 2015. As a result, Milliman, Inc. recommended that plan sponsors or investment holders in the PIMCO Total Return Fund, which is in the OPEB plan, do a closer due diligence.

Referring to the Competitor Analysis Report - Core Fixed Income, Mr. Marzinsky stated that he had examined some alternative funds available on the Wells Fargo platform, including the Loomis Sayles Core Plus Bond Y and Dodge & Cox Income Funds, and compared them to the PIMCO Total Return Institutional Fund. Referring to Page 1 of the report, Mr. Marzinsky stated that Trailing Peer Group Performance indicated the rate of return. He indicated that the five ( 5) year returns for PIMCO were "very good" and the % rank was "pretty good;" however, the Loomis and Sayles and Dodge & Cox funds had comparable returns and ranks. Referring to Page 4 of the report, Mr. Marzinsky reviewed information regarding the risk and returns for the funds, noting that the Standard Deviation reflected the volatility of the funds. He stated that the 3-Year Risk indicated that the PIMCO Total Return Fund had a standard deviation of 3.78 and Loomis Sayles Core Plus Bond

Y Fund had a slightly higher standard deviation of 4.34, noting that the Loomis Sayles fund had a slightly lower quality portfolio. He indicated that Dodge & Cox had a lower standard deviation and a little better bond quality. Mr. Marzinsky recommended, if the OPEB Board was concerned with PIMCO as an organization, its change in management, and the unknown future of the entity managing this fund, that Dodge & Cox be considered as a potential replacement. Noting some concerns with Loomis Sayles in that the OPEB fund already had the Ivy High Income Fund, which is a high-yield bond fund, he suggested that Dodge & Cox would be a good complement for the Ivy High Income Fund and a good potential replacement for the PIMCO Total Return Fund.

Mr. Hare questioned how Mr. Marzinsky would personally invest the funds if the money belonged to him. Responding Mr. Marzinsky stated that there were many unknowns in regard to PIMCO and he would move out of the PIMCO Total Return Fund and consider the Dodge & Cox.

**Mrs. Mitchell moved to transfer the OPEB investments from the PIMCO Total Return Fund to the Dodge & Cox Income Fund, as recommended by Milliman, Inc., seconded by Mr. Hare and carried by a unanimous roll call vote (Williams absent).**

Mr. Marzinsky stated that the Police Pension and Employee Pension Plans had holdings in the PIMCO Long Duration Bond Fund. He explained that there had been no changes in the managers of this fund and performance had been good; therefore, Milliman would watch this fund, as well as PIMCO as an organization, and no changes were recommended at this time.

**Quarterly Performance Review (Quarter Ending September 30, 2014)** *(Milliman, Inc.)*
Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, reviewed the market conditions related to the investments held in the OPEB, Civilian Pension, and Police Pension Funds. Referring to Page 3 - Market Indices - 3rd Quarter 2014 of the Quarterly Investment Monitor - Summary Report for the Quarter Ending September 30, 2014 included in each of the reports for the OPEB, Employee Pension, and Police Pension Plan, he explained that the markets through September 30, 2014 reflected generally positive returns in U. S. equities. Three (3) month returns for smaller cap equities showed a declining return, including a big decline during the month of October; however, there was a big rebound in the markets through the end of October and into November. Mr. Marzinsky stated that year-to-date equity market returns were positive, although there had been significant declines earlier in the current week; however, the Dow Jones Industrial Average was still up by approximately 8% and the Standard & Poor 500 by 12%. He indicated that there had been a decline in interest rates on longer-term (five (5) years and longer) investments; however, bonds had been positive year to date. Mr. Marzinsky stated that international indexes reflected concerns abroad and European markets were being affected by a quantitative easing with the European Central Bank, which was causing some volatility and concerns. The emerging market indexes reflected some concerns with growth in China, driving some slightly negative returns. He explained that, in general, there were many positives in the U. S. in that unemployment had declined, and industrial production had increased; however, retail sales were lagging. He stated his belief that those who had been out of work for a long time had debt and concerns about saving and were not "out shopping", leading to dragging sales returns.

OPEB

Referring to Page 9, Asset Allocation, of the Quarterly Investment Monitor - Summary Report for the Quarter Ending September 30, 2014 - Other Post-Employment Benefits Fund, Mr. Marzinsky stated that the plan had approximately $18M in assets. He reminded members that a new asset allocation had been approved during their meeting of August 14, 2014, and indicated that the new asset allocation targets were in place and he anticipated rebalancing the fund before the end of the year. Referring to Page 10 - Investment Policy Review - Active Management, he stated that this was the fund's "scorecard" that looks at the criteria set in the written investment policy to monitor the performance of the various managers. Mr. Marzinsky informed members that the Return Rank columns rank the actual returns of the funds to other managers in like asset categories and the Ivy High Income I Fund ranked in the top 9% and 4% of other managers in its category over three (3) and five (5) years, respectively. Nearly all funds ranked in the top half or better. The Excess Return column compares the return of the manager to the return of the fund's index and positive returns were desired. Mr. Marzinsky noted some underperformance in a couple of the funds, including the Target Small Capitalization Value T Fund, which is a fairly diversified fund with approximately 700 underlying stocks, some of which are retail stocks. He felt there were no major concerns. Mr. Marzinsky explained that the Relative Standard Deviation reflects the volatility of the funds, with a number lower than 1.0 indicating less volatility than the market benchmark, and most funds achieved this. He explained that the Alpha and Sharpe Ranks are some of the risk-adjusted return measurements that Milliman, Inc. examines, with Alpha measuring manager effectiveness and Sharpe looking at the outperformance compared to the index. Mr. Marzinsky felt that everything generally ranked very well and there were no major concerns with active managers at this time, other than the PIMCO Total Return Fund which was addressed earlier.

Referring to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky reviewed the performance of the index funds. He indicated that a beta score close to 1.0 indicates that a fund is following its index as defined in the policy. Since Vanguard had changed some of the underlying indexes that they follow, there were some measurements higher and lower than 1.0; however, there were generally no concerns in the shorter-term periods. Mr. Marzinsky stated that the beta can sometimes be elevated, such as the Vanguard Short-Term Bond Index Signal Fund. Mr. Marzinsky explained that when composing an index, fund managers look at bond issues; however, sometimes they cannot buy them because there are a limited number of bonds, so they try to approximate the return of the index. He indicated that there were no major concerns. In regard to the Expense Ratio, Mr. Marzinsky stated that Milliman, Inc. likes to include Vanguard Funds, especially in pension portfolios, because they typically have the lowest expense ratios available.

In reference to Page 12 - Investment Option Return Summary, Mr. Marzinsky stated that the gross return for the portfolio was 5.16% for the year to date, which was generally in line with the index. There was slight underperformance; however, it was not significant. The one (1) year return was 9.86%, which was "pretty good" for a balanced portfolio and above the actuarial target return, which would improve the funded status for the plan.

Referring to the Board Meeting Notes for the OPEB Plan, Mrs. Hawkins noted that the fund balance on June 30, 2014 was approximately $18M and on September 30, 2014 was approximately $18.3M. She questioned if this difference represented employee contributions, payments coming out, and any

gains or losses. Mr. Marzinsky stated that to calculate the return and balances, Milliman, Inc. looks at the Wells Fargo Bank statements which capture contributions. He explained that the OPEB plan does not have benefits going out; however, there was a slight decline in the market, so some of the smaller cap equity funds had negative returns during that period.

Mr. Koenig questioned what the deductions were if no cash was being paid out. Responding, Mrs. Mitchell stated that benefit payments are being paid through the fund as retirees' health care on the budget report, and this portion is just the unfunded piece. She indicated that when the annual required contribution (ARC) is calculated, staff takes into consideration the amount paid for retirees' health care as part of the required contribution.

**Mr. Hare moved for acceptance of the report, seconded by Mrs. Mitchell and carried by a unanimous roll call vote (Williams absent).**

Civilian

Mr. Marzinsky reviewed the Quarterly Investment Monitor - Summary Report for the Quarter Ending September 30, 2014 - General Employee Pension Plan. Referring to Page 9 - Asset Allocation, he stated that, based on the discussions held at the August 14, 2014 meeting, the plan was rebalanced to the new target allocations of approximately 67% equities and 33% fixed income. At the end of the quarter, the plan had approximately $33.5M in assets. There was a slight decline due to benefit payments and negative returns of some of the smaller cap equity funds in the portfolio; however, this "bounced back" through November.

Mr. Marzinsky reviewed Page 10 - Investment Policy Review - Active Management, explaining that Return Rank values range from 0 to 99, with 0 being the best and 99 the worst. Mr. Marzinsky stated that returns compared to peers were very good; everything was at the 50$^{th}$ percentile or better, with some plans ranking in the top 10%, and there were no major concerns with return rank or category. He indicated that the Excess Return compares the return of the actual fund manager to the return of the index, and the Target Small Capitalization Value T Fund did have slight underperformance due to some retail stocks not having the sales that they anticipated; however, there were no major concerns. Mr. Marzinsky noted that a Relative Standard Deviation below 1.00 indicated less risk than the market benchmark. He explained that the Alpha and Sharpe values range from 0 to 99, with 0 being the best and 99 the worst rank, so some funds had the best risk-adjusted returns available. All funds ranked well and Milliman, Inc. would watch PIMCO as a organization. He noted that this plan did not include the PIMCO Total Return Fund; however, it did have the PIMCO Long Duration Fund. There were no manager changes to that fund, which ranked very well compared to its peers and had returns above the index. Mr. Marzinsky stated that there were no concerns with PIMCO, other than the organizational changes of the Chief Executive Officer (CEO) and investment committee, and this would be monitored. No changes were recommended at this time.

Referring to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky stated that the 3 Year and 5 Year Beta figures were very close to 1.0, indicating that the funds were following their market index closely. He noted that there were some anomalies in the bond funds, which were generally expected; however, there were no major concerns at this time. The Expense Ratio indicated very low expenses of the underlying investments compared to other index providers, so there was a good allocation among Vanguard index funds within the plan.

In reference to Page 12, - Investment Option Return Summary, Mr. Marzinsky indicated that the three (3) month and year-to-date returns indicated performance generally in line with the market benchmark. The gross return for the plan was 5.54% and the net return was 5.32% year to date. He explained that each fund has an assigned benchmark index, which compares its performance to the return that would be realized if the funds were just being invested in the market. Mr. Marzinsky stated that the fund was overperforming the benchmark for the year to date and over one (1) year. The three (3) year performance reflected the returns of the fund's prior advisor's portfolio, and the five (5) year returns reflected some underperformance in the past, which he stated had been remedied with the changes the Board had made to the portfolio. Mr. Marzinsky stated that the 9.78% return was higher than the actuarial valuation return, which would help the funded status of the plan.

**Mrs. Mitchell moved for acceptance of the report, seconded by Mr. Blakeman and carried by a unanimous roll call vote (Tieman absent).**

Police Pension

Referring to Page 1 of the Board Meeting Notes for the Police Pension Plan, Mr. Marzinsky explained that this Quarterly Return Summary reflected actual calculations from the Wells Fargo Bank statements including contributions, withdrawals, fees and expenses, and that market values and the returns are calculated from these statements.

In reference to Page 9 - Asset Allocation, Mr. Marzinsky explained that as of September 30, 2014, the plan had approximately $11.7M in assets. It was down slightly due to some of the negative returns seen in small cap and international investments; however, it was in line with the target allocation established in 2013.

Referring to Page 10 - Investment Policy Return - Active Management, Mr. Marzinsky noted that performance of managers was generally good, and return ranks and excess returns were very good compared to benchmarks. He explained that Return Rank values range from 0 to 99, with 0 being the best and 99 the worst. Mr. Marzinsky stated that returns compared to peers were very good; everything was at the 50$^{th}$ percentile or better, with some plans ranking in the top 10%, and there were no major concerns with return rank or category. He indicated that the Excess Return compares the return of the actual fund manager to the return of the index, and the Target Small Capitalization Value T Fund did have slight underperformance due to some retail stocks not having the sales that they anticipated; however, there were no major concerns. Mr. Marzinsky noted that a Relative Standard Deviation below 1.00 indicated less risk than the market benchmark. He explained that the Alpha and Sharpe values range from 0 to 99, with 0 being the best and 99 the worst rank, so some funds had the best risk-adjusted returns available. Mr. Marzinsky stated that relative standard deviation and risk measures were very good, which led to good Alpha and Sharpe ranks compared to peer groups. All funds ranked well and Milliman, Inc. would watch PIMCO as a organization. He noted that this plan did not include the PIMCO Total Return Fund; however, it did have the PIMCO Long Duration Fund. There were no manager changes to that fund, which ranked very well compared to its peers and had returns above the index. Mr. Marzinsky stated that there were no concerns with PIMCO, other than the organizational changes of the Chief Executive Officer (CEO) and investment committee, and this would be monitored. No changes were recommended at this time.

Referring to Page 11 - Investment Policy Review - Passive Management, Mr. Marzinsky advised members that the index funds were designed to follow the markets and the 3 Year and 5 Year Beta columns reflected that funds were in line with market indicators. He stated that the expense ratio was very low compared to its peer groups.

In reference to Page 12 - Investment Option Return Summary, Mr. Marzinsky explained that this information reflected the underlying performance of the portfolio, and the year-to-date column showed that the returns were approximately 5.15% year to date, generally in line with the index. He stated that the one (1) year performance was 9.41% compared to the index of 9.11%. Mr. Marzinsky reminded members that the prior year returns included the fund allocation of the prior investment advisor, and, generally, returns had been enhanced over the past two (2) years with portfolio changes that had been made.

Mr. Marzinsky stated that performance was generally good and the one (1) year return would help improve the funded status since it exceeded the actuarial target return.

**Mr. Unterkofler moved for acceptance of the report, seconded by Mr. Stallings and carried by a unanimous roll call vote.**

**Review of Asset Allocation (Police Pension)**

During the Police Pension Board meeting of August 14, 2014, members considered the Annual Review of Investment Policy. Mr. Marzinsky reviewed the City of Dover, Delaware Police Pension Plan Asset Allocation Study, dated July 2014. At that time, members deferred consideration of changes to the asset allocation until the next meeting.

During the meeting of December 11, 2014, members reviewed the City of Dover, Delaware Police Pension Plan Asset Allocation Study. Referring to Page 5 - Portfolio Options, Mr. Mullaney stated that three (3) sample options were provided in regard to changing the plan's asset allocation. He stated that the first sample portfolio would increase the allocation to approximately 67% equities and 33% fixed income, which would slightly increase the volatility of the fund, and the second and third sample portfolios would assume greater risk than that. Responding to Mr. Mullaney, Mr. Marzinsky confirmed that the Civilian Pension Board had increased their equity investments to 67% equities and 33% fixed income during their meeting of August 14, 2014. Mr. Marzinsky stated that the Police Pension Fund's current allocation was 60% stock and 40% fixed income.

Mr. Marzinsky stated that the federal government was indicating that they would raise interest rates, which had the potential to negatively affect the value of bonds in the portfolio. He indicated that if the Federal Reserve decides mid-year in 2015 to adjust interest rates, Milliman, Inc. may recommend going a little bit more to equity at that time. He felt that selecting Sample Portfolio #1 would be a "middle of the road step."

Responding to Mr. Mullaney regarding the average return expected with the current 60% equity to 40% fixed income split, Mr. Marzinsky stated that the expected return may be approximately 6.6% over the next 10 years, which would be a little less than the actuarial target return, noting that actual returns and projections may differ. He stated that the projected returns could be increased slightly with the other sample portfolios; however, volatility would also increase.

In response to Mr. Mullaney, Mr. Marzinsky confirmed that his recommendation would be to select Sample Portfolio #1.

Mr. Mullaney moved to reallocate the fund investments based on Sample Portfolio #1, seconded by Mr. Stallings.

Responding to Mr. Anderson, Mr. Marzinsky confirmed that the equity markets were very high right now, noting that records were hit in the last two (2) weeks. However, when looking at the whole U.S. economy, Mr. Marzinsky stated that everything was doing much better and equities are not just based on the market going up. Some of the equity investments in the portfolio were based on some of the underlying companies' ability to pay dividends, which would help the return of the portfolio. He felt there were many indicators of a good future outlook. The U.S. economy was a lot stronger than it had been in the last five (5) or six (6) years and was continuing to improve. Mr. Marzinsky stated that having a diversified portfolio was a good thing. He reminded members that in August 2015 portfolio allocations would be addressed again, and equity markets and interest rates would be examined.

Mr. Anderson questioned if any of the models used dealt with any hedging mechanisms. Responding, Mr. Marzinsky stated that they do have a little hedging; however, some of this hedging is more currency driven. Since it is a fairly balanced portfolio, he stated that there was nothing that creates a volatility-driven hedge within the portfolio. He indicated that this might be a little costly for the size of the portfolio in place.

**The motion to reallocate the fund investments based on Sample Portfolio #1 carried by a unanimous roll call vote.** *[City Clerk's Office Note: The City of Dover Police Pension Plan Strategic Asset Allocation Policy, as amended to reflect the reallocation of fund investments, is Appendix A to the Investment Policy Statement - City of Dover Police Pension Plan* ***(Attachment #6)****.]*

**Chief Bernat moved for adjournment, seconded by Mr. Unterkofler and unanimously carried.**

Meeting adjourned at 9:58 a.m.

Timothy Mullaney
Chairman of the Police Pension Board

TM/JS/dd
S:\AGENDAS-MINUTES-PACKETS-PRESENTATIONS-ATT&EXH\Misc-Minutes\JOINT CIVILIAN AND POLICE PENSION AND OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARDS\2014\12-11-2014 Joint Civilian-Police Pension and OPEB Boards.wpd

*Attachments*

*Attachment #1 - October 2014 - Wells Fargo Bank Bill - Management and Disbursement of Monthly Pension Checks*
*Attachment #2 - Statement of Changes in Net Position Fiduciary Funds - Year Ended June 30, 2014*
*Attachment #3 - Combining Statement of Changes in Pension Trust Fund Net Pension*
*Attachment #4 - Schedule of Changes in Pension Trust Fund Net Assets Fiscal Year Ending 6/30/2015 - Police Pension Trust*
*Attachment #5 - Schedule of Changes in Pension Trust Fund Net Assets - Fiscal Year Ending 6/30/2015 - Civilian Pension Trust*
*Attachment #6 - Investment Policy Statement - City of Dover Police Pension Plan, dated August 2014 (including Appendix A, as amended)*

WELLS FARGO

**Wells Fargo Bank, N.A.**

| | |
|---|---|
| **Fee Advice:** | **9380905** |
| *Account Number:* | 1546008021 |
| *For Period:* | 10/01/2014 - 10/31/2014 |
| *Invoice Date:* | 11/10/2014 |

City of Dover Employee Pension
Donna Mitchell, Treasurer
City of Dover
15 E. Lockerman Street
Dover DE 19901

$0.00
**ADVICE ONLY**

Account Name: City of Dover Employee Pension
Contact: Virginia Karablacas 0056309

Fold Here

| **Summary of Current Period Fees** | **Charged** | **Billed** | **Total** |
|---|---|---|---|
| Administration | $1,354.55 | | $1,354.55 |
| Disburse & Misc Trans | $652.38 | | $652.38 |
| **Total Current Period Fees** | $2,006.93 | | $2,006.93 |

This advice is for informational purposes only and contains detailed fee calculations previously included in your trust statement. The Wells Fargo Institutional Retirement and Trust fee will continue to be charged directly to your account. If you have questions, please contact your relationship manager.



001651

WELLS FARGO

**Wells Fargo Bank, N.A.**

| | |
|---|---|
| **Fee Advice:** | **9380905** |
| *Account Number:* | 1546008021 |
| *For Period:* | 10/01/2014 - 10/31/2014 |
| *Invoice Date:* | 11/10/2014 |

Account Name: City of Dover Employee Pension
Contact: Virginia Karablacas 0056309

| Services | Value / Quantity | | Rate | Frequency | Amount |
|---|---|---|---|---|---|
| **Administration** | | | | | |
| Market Value | 25,000,000.00 | @ | 0.0004 | x 1/12 | 833.33 |
| | 20,848,964.12 | @ | 0.0003 | x 1/12 | 521.22 |
| | | | | **Total Administration** | **$1,354.55** |
| **Disburse & Misc Trans** | | | | | |
| Periodic Benefit Payments | 262.00 | @ | 2.00 | | 524.00 |
| Postage | 262.00 | @ | 0.49 | | 128.38 |
| | | | | **Total Disburse & Misc Trans** | **$652.38** |
| | | | | **Total** | **$2,006.93** |

## Summary

| | |
|---|---|
| **Total Charged to Account** | **$2,006.93** |
| **Total Billed** | **$0.00** |
| **Payment Due** | **$0.00** |



001652

WELLS FARGO

**Wells Fargo Bank, N.A.**

| | |
|---|---|
| **Fee Advice:** | **9380905** |
| *Account Number:* | 1546008021 |
| *For Period:* | 10/01/2014 - 10/31/2014 |
| *Invoice Date:* | 11/10/2014 |

Account Name: City of Dover Employee Pension
Contact: Virginia Karablacas 0056309

| Account Number | Account Name | Charged | Billed | Total |
|---|---|---|---|---|
| 1546008021 | City of Dover Employee Pension | $1,538.46 | | $1,538.46 |
| 1546008030 | City of Dover Police Pension | $468.47 | | $468.47 |
| **Total** | | $2,006.93 | | $2,006.93 |



001653

# City of Dover
## Statement of Changes in Net Position
## Fiduciary Funds
## For the Year Ended June 30, 2014

| | Pension Trust Funds | OPEB Trust Fund |
|---|---|---|
| **Additions:** | | |
| Net Investment Income | $ 5,717,136 | $ 2,169,596 |
| City's Contribution-Payroll Based | 278,036 | 1,715,327 |
| City's Contribution-Lump Sum | 3,884,100 | 3,325,500 |
| Employee Contribution | 211,550 | - |
| State Insurance Premium Tax Proceeds | 471,461 | - |
| Other | 68,502 | 45,353 |
| Total Additions | 10,630,785 | 7,255,776 |
| **Deductions:** | | |
| Benefit Payments | 5,181,969 | 2,113,303 |
| General Administration | 21,543 | 17,500 |
| Refund of Pension Contribution | 20,376 | - |
| Total Deductions | 5,223,888 | 2,130,803 |
| Change in Net Position | 5,406,897 | 5,124,973 |
| Net Position - Beginning | 41,298,059 | 13,627,223 |
| Net Position - Ending | $ 46,704,956 | $ 18,752,196 |

The notes to financial statements are an integral part of this statement.

**The City of Dover, Delaware**
**Combining Statement of Changes in Pension Trust Fund Net Pension**

**For the Year Ended June 30, 2014**

| | Police Pension | General Pension | Totals |
|---|---|---|---|
| Additions | | | |
| Net investment income | $ 1,568,176 | $ 4,148,960 | $ 5,717,136 |
| City's contribution - payroll based | - | 278,036 | 278,036 |
| City's contribution - lump sum | 689,400 | 3,194,700 | 3,884,100 |
| Employee contribution | - | 211,550 | 211,550 |
| State contributions | 471,461 | - | 471,461 |
| Other | 68,502 | - | 68,502 |
| Total Additions to Net Position | 2,797,539 | 7,833,246 | 10,630,785 |
| Deductions | | | |
| Benefit payments | 1,548,151 | 3,633,818 | 5,181,969 |
| Refund of pension contribution | - | 20,376 | 20,376 |
| Total Deductions From Net Position | 1,553,398 | 3,670,490 | 5,223,888 |
| Change in net position | 1,244,141 | 4,162,756 | 5,406,897 |
| Net Position - Beginning | 11,035,206 | 30,262,853 | 41,298,059 |
| Net Position - Ending | $ 12,279,347 | $ 34,425,609 | $ 46,704,956 |

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due, pursuant to formal commitments, to provide contributions. Benefits or refunds are recognized when due and payable in accordance with the terms of each plan. Investment management and consultant fees are paid from the Pension Trusts Funds. All actuarial costs are paid from other City funds.

The State contributes to the City of Dover certain grants on behalf of law enforcement programs. The State assesses a .25% surcharge on insurance policies issued in the State. Each year this amount is allocated to the municipalities in Delaware in direct ratio to the number of officers employed. The State also provides 75% for the annual cost of living increase (COLA) granted to police retirees on January 1 each year. The Police Pension Ordinance provides for these grants to be transferred to the Police Pension Trust. These amounts are included as grants received revenue and Public Safety and Law Enforcement expenditures in the General Fund. .

Total eligible full-time employee wages covered by the two active defined benefit pension plans were $13.4 million this fiscal year.

### i. City of Dover Police Pension Plan

Plan Description
This contributory pension plan began on January 1, 1970 under the authority of the City

on or after September 1, 1982. The City makes employer contributions to all three plans.

The City holds on behalf of the Pension Boards of Trustees the assets of the two single-employer defined benefit plans and, accordingly, is required to prepare pension trust fund financial statements using the accrual basis of accounting. Investments are reported at fair value based on quoted market prices. Receivables and payables represent year end accruals of short-term receipts or charges. The administration of plan assets for both the Police Pension Plan and the General Employee Pension Plan is conducted by the Pension Boards as described in the subsequent disclosures.

Separate pension fund financial statements for each plan have not been issued; accordingly, they are presented as required by GASB Statement No. 34, as follows:

**The City of Dover, Delaware**
**Combining Statement of Pension Trust Fund Net Position**
**June 30, 2014**

| | Police Pension | General Pension | Totals |
|---|---|---|---|
| ASSETS: | | | |
| Cash and cash equivalents | $ 559,525 | $ 1,589,783 | $ 2,149,308 |
| Investments at fair value - Mutual Funds | 11,699,622 | 32,839,160 | 44,538,782 |
| Receivables | 20,200 | - | 20,200 |
| Total Assets | 12,279,347 | 34,428,943 | 46,708,290 |
| LIABILITIES: | | | |
| Accounts Payable | - | (3,334) | (3,334) |
| Net position held in trust for pension benefits | $ 12,279,347 | $ 34,425,609 | $ 46,704,956 |

Investment Policy Statements are adopted by the Board of Trustees for each pension plan. At the current time, both plans have the same category allocations as follows:

| Category Allocation | Target Percentage |
|---|---|
| Money Market | 4.50% |
| Short Term Bonds | 5.50% |
| Inflation Protected Bonds | 6.00% |
| Intermediate Term Bonds | 8.00% |
| Long Term Bonds | 9.00% |
| High Yield Bond | 6.00% |
| Large Cap Value | 10.00% |
| Large Cap Growth | 11.00% |
| Mid Cap | 5.00% |
| Small Cap | 7.00% |
| Real Estate Investment | 8.00% |
| Foreign Equity | 10.00% |
| Emerging Markets | 10.00% |
| | 100.00% |

# City of Dover
## Schedule of Changes in Pension Trust Fund Net Assets
## Fiscal Year Ending 6/30/2015

| Police Pension Trust<br>Cash & Investments | FY 2015<br>Quarter End 9/30/2014 |
|---|---|
| **Beginning Balance (cost) - Wells Fargo** | **$ 10,898,893** |
| **Beginning Balance (cost) - WSFS Bank** | **$ -** |
| **Additions:** | |
| Interest and Dividends | 65,307 |
| Realized Gains and (Losses) | 285,882 |
| | - |
| City's contributions-Payroll | (215) |
| Employee contributions-Payroll | - |
| State grants | - |
| Other (City auction receipts) | - |
| Total contributions | (215) |
| Total additions to net assets | 350,973 |
| **Deductions:** | |
| Benefit payments | 388,902 |
| Administrative Fees - Wells Fargo Custody | 1,431 |
| Refund of pension contribution | - |
| Contractual Services - Investment Advisor | 3,333 |
| Other Expenses | - |
| Total deductions from net assets | 393,667 |
| **Changes in net assets** | $ (42,694) |
| **Ending Balance (cost) - WSFS Bank** | 16,868 |
| **Ending Balance (cost) - Wells Fargo** | 10,839,331 |
| **Total Ending Balance (cost) A** | **$ 10,856,199** |
| **Market value cash & investments, End of Period B** | **$ 11,666,645** |
| **Unrealized gain/(loss) C = (A - B)** | $ 810,446 |
| **Number of Active Retirees** | 48 |

# City of Dover
## Schedule of Changes in Pension Trust Fund Net Assets
## Fiscal Year Ending 6/30/2015

| Civilian Pension Trust | FY 2015 |
|---|---|
| Cash & Investments | Quarter End 9/30/2014 |
| **Beginning Balance (cost) - Wells Fargo** | $ 30,756,793 |
| **Beginning Balance (cost) - WSFS Bank** | - |
| **Additions:** | |
| Interest and Dividends | 174,405 |
| Realized Gains and (Losses) | 657,735 |
| City's contributions-Payroll | 671,794 |
| Employee contributions-Payroll | 48,672 |
| Total contributions | 720,466 |
| Total additions to net assets | 1,552,606 |
| **Deductions:** | |
| Benefit payments | 911,946 |
| Administrative Fees - Wells Fargo Custody | 4,626 |
| Contractual Services - Investment Advisor | 3,333 |
| Total deductions from net assets | 919,905 |
| **Changes in net assets** | $ 632,701 |
| **Ending Balance (cost) - WSFS** | 236,980 |
| **Ending Balance (cost) - Wells Fargo** | 31,152,514 |
| **Total Ending Balance (cost) A** | $ 31,389,494 |
| **Market value cash & investments, End of Period B** | **$ 33,505,366** |
| **Unrealized gain/(loss) C = (A - B)** | $ 2,115,872 |
| **Number of Active Retirees** | 205 |

# INVESTMENT POLICY STATEMENT

# CITY OF DOVER POLICE PENSION PLAN

**August 2014**

**INVESTMENT POLICY STATEMENT**

**CITY OF DOVER POLICE PENSION PLAN**

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# I. PURPOSE & BACKGROUND

The Plan is a public employee retirement plan governed by The City of Dover Code of Ordinances.

The purpose of this Investment Policy Statement ("IPS") is to assist the participants of the plan who serve as members of the Police Pension Board of the City of Dover ("Board") under Section 2-202 of the City of Dover Code of Ordinances, this Investment Policy Statement ("Statement") presents investment objectives, policies, guidelines, and monitoring and review procedures relating to financial assets (the "Fund") of the City of Dover Police Pension Plan ("Plan").

The IPS will function to:

1. State in a written document the Board's expectations, objectives, and guidelines for the investment of Plan assets which the Board judges to be appropriate and prudent, in consideration of the needs of the Plan.
2. Define and assign the responsibilities for the oversight of the Plan's assets.
3. Set forth an investment structure for managing Plan assets. This structure will help to define asset class, Investment Manager styles, asset allocation and acceptable ranges that, combined, will help to generate the risk/return profile needed to meet the objectives of this policy.
4. Encourage effective communication between the Board and the Investment Consultant, as well as any other interested parties.
5. Establish formalized performance criteria that the Investment Managers selected are expected to meet and against which they are to be measured on a regular basis.
6. Serve as a review document to guide Board and Investment Consultant oversight of the investment options of the Plan's assets.
7. Establish the relevant investment time horizon, risk tolerances and performance expectations of the Plan assets and the Board.

# II. STATEMENT OF OBJECTIVES

The assets of the Plan are invested under the supervision of the Board.

After reviewing expected short-term and long-term cash flow requirements of the plan, as well as considering the investment time horizon and risk tolerance level believed to be appropriate for the invested assets, the following set of objectives has been established:

1. Preservation of capital.

2. Pay all benefit and expense obligations when due.

3. Achieve a funding cushion to reduce the impact of possible future downturns in the plan's funded status.

4. Achieve or exceed actuarial earnings assumptions.

5. If applicable, effectively manage the funded status volatility and mitigate undue risk exposure under a Liability Driven Investment (LDI) strategy. The approach can assist in managing interest rate and inflationary risks.

6. Control risk exposure through reasonable and rational diversification of the assets into various asset classes.

7. Establish policies based on total return and expected projected payouts rather than current income.

8. Contain costs of administering and managing the portfolio.

9. Attain a funded status such that the employer has the option to discontinue contributions to the plan if deemed appropriate and fully funded.

# III. CONTROL PROCEDURES & RESPONSIBILITIES

***Disclosure***

Any member of the Board, Custodian/Directed Trustee or Investment Consultant must make full disclosure of any potential conflicts of interest, including any financial gain that may be received as a result of investment decisions made by those entities, which may be required by applicable law. This disclosure should be made before the investment of the plan assets governed by this Investment Policy Statement. Disclosure should be in written form and presented to the members of the Board.

***Delegation of Authority and Responsibilities***

The Board is charged under Section 18-51 of the City of Dover Code of Ordinances with overall responsibility for investment of the Fund. To assist the Board in this function, it is authorized and permitted by said Ordinances to appoint an Investment Advisor, Investment Manager or IM(s), including for this purpose banks, insurance companies, and firms registered under the Investment Advisers Act of 1940 and/or Delaware State law, to manage (including the power to acquire and dispose of) Plan assets. Any appointed Investment Advisor must agree to conduct itself in accordance with all applicable City of Dover Ordinances.

The Board shall be responsible for approving any changes to this Investment Policy Statement, and shall be responsible for reviewing the implementation of the Investment Policy Statement not less frequently than annually.

These responsibilities include, but are not limited to:

Board The Board will be responsible for establishing investment objectives, investment policy and monitoring and review procedures. The establishment of standards for measuring, monitoring, evaluating and comparing absolute and relative investment performance to assure that investment returns are reviewed on a regular basis and investment return objectives are met during acceptable periods of time. The establishment of authorization, reporting, control, review and general governance procedures to assure that investment policies and guidelines are reviewed on a regular basis and conformed to at all times. All modifications of policies and/or guidelines shall be in writing, signed by all Board members, and delivered on a timely basis to any IM and/or Custodian affected by such changes. The establishment of, through contractual relationships with recognized and carefully selected professional organizations, or by alternative means satisfactory to the Board, a retirement plan management structure which will assure appropriate investment management, custody, and surveillance or compliance procedures to meet investment objectives in conformity with the Board's stated investment policies and guidelines. The Board will have discretion to select, add, replace or remove Investment Managers that will be used to meet the Plan's investment objectives, consistent with the recommendations and advice of the Investment Consultant.

Investment Consultant The Investment Consultant will be responsible for: providing recommendations to the Board for the selection of Investment Managers and appropriate asset allocation, consistent with the Investment Policy Statement objectives and guidelines; reviewing the performance of such Investment Managers over time; periodically reviewing and providing recommendations to the Board for revisions to the Investment Policy Statement; and other tasks as deemed appropriate by the Board. The Investment Consultant will act in a non-discretionary capacity.

Custodian/Directed Trustee The Custodian/Directed Trustee appointed by the Board will be responsible for the safekeeping of the fund assets, including all transaction settlements and deliveries and will perform regular accounting of all assets owned, purchased or sold, as well as transactions and movement of assets into and out of the Plan account.

Fund safekeeping and securities settlement procedures shall include direct Custodian participation in one or more appropriate securities depositories (e.g., Depository Trust Company, New York) and, as necessary, correspondent participation in other major depositories (e.g., the Federal Reserve System). The Plan's beneficial ownership of all assets shall be inviolate and in all circumstances perfected. Board or designated IM authority to direct all investment transactions shall similarly be protected.

The Directed Trustee will maintain possession of securities owned by the Plan, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Directed Trustee will also be responsible for the payments to such persons and for such purposes in order to provide benefits to plan participants and the remittance of any tax related payments to the applicable State and Federal bodies.

Fiduciary insurance, and officer liability and omissions and errors insurance coverages, of any Custodian, must meet standards set by the Board from time to time.

Investment Manager(s)
The specific responsibilities of the Investment Manager(s) relating to the investment management of the fund include:

1. Managing the Plan assets under its care, custody, and/or control in accordance with their Investment Policy Statement ('IPS') or Prospectus objectives and guidelines set forth herein.

2. Exercising investment discretion (including holding cash equivalents as an alternative) within their IPS or Prospectus objective and guidelines set forth herein.

3. Promptly communicating all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:

    i. Investment strategy.
    ii. Portfolio structure.
    iii. Tactical approaches.
    iv. Ownership.
    v. Organizational structure.

vi. Financial condition.
vii. Professional staff.
viii. All legal material and SEC and other regulatory agency proceedings affecting the firm.

4. Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan set forth herein. Each manager shall keep detailed records of said voting and proxies and related actions and will comply with all regulatory obligations related thereto.

5. Utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like benefit plans with like aims in accordance and compliance with all applicable laws, rules, and regulations from local, state, and federal political entities as the pertain to fiduciary duties and responsibilities.

The investments should be relatively liquid, or with a reasonable amount of notice, should be capable of liquidating to cash. There should be no fees or penalties for regular trading or liquidation.

# IV. INVESTMENT AND ALLOCATION POLICY

***Investment Horizon*:** The investment guidelines are based on the expectation that the investment horizon will be several years in length. Short-term variability in returns should be expected.

Because of this, the Plan's strategic asset allocation is established with moderate to long-term perspective in mind. The Plan is required to pay retirement benefits to participants as they come due. Therefore, sufficient liquid reserves must be available to satisfy this obligation.

1. The actuary will provide future benefit payment amounts, funding and contribution requirements.

2. The plan should hold a portion of assets in short-term and cash holdings to provide for the schedule of future benefit payments.

***Risk Tolerances*:** It is understood by the Board that achieving the Plan's investment objectives is not guaranteed and there will be time periods for which these objectives will not be met. The Board also recognizes that some risk must be assumed to achieve the Plan's investment objectives and accepts the inevitable fluctuations in returns that will occur. While it is understood that a certain level of risk is expected in the Plan's portfolio, the ability to withstand short and intermediate term variability was specifically considered in the development of the IPS risk tolerances. Factors considered were:

1. It is the intention to fund at least the minimum required contribution (MRC) each year providing ample liquidity.
2. Due to the amount of payouts to occur for many years into the future, the Plan's liabilities exhibit a longer duration (sensitivity to changes in interest rates). As a result, extending durations in the fixed income portion of Plan assets should be considered.
3. The cash balance portion of the plan's liabilities grows at the rate of T-bill + 1%. Future liability growth will be factored into all investment decisions.

As a result of the above-named considerations, the Board believes that the Plan can tolerate some interim variability in market value and rates of return in order to achieve its long-term objectives.

**Allowable Investments:** Cash and Equivalents, Mutual Funds, Separate Accounts, Options and Futures Contracts, Stocks, Bonds, Commingled Funds, and Collective Trusts, Exchange Traded Funds (ETFs)

***Liquidity Policy:*** The trust will be required to provide periodic distributions in the form of retirement benefit payments to participants. The actuary provides annual assessments of the funding requirements and payments necessary to meet the plans benefit obligations.

***Overall Asset Allocation Policy***

Based on the Plan's time horizon, risk tolerances, liquidity needs, and asset class preferences and constraints, an efficient or optimal portfolio was identified. This allocation shall be reviewed at least annually and modified as necessary to meet the needs of the Board.

[See Appendix A for the Strategic Asset Allocation Policy of the Plan.]

The current allocation strategy is dynamic in nature under a Liability Drive Investment (LDI) approach. The allocation shall be reviewed periodically, at least annually, and modified as necessary to de-risk the plan, based on the funded status. The overall performance of the portfolio relative to the liabilities will be reviewed in addition to actual performance of the managers.

***Rebalancing***: Rebalancing is the periodic adjustment of the portfolio to restore a pre-defined Target asset allocation, and will be reviewed at least once per calendar quarter, or as such when the allocation of any asset class exceeds the range around its respective target.

*Change in Funding Target Level*

Based on the asset allocation glidepath and funding target levels outlined in the Asset Allocation Policy, an increase in the Plan funding ratio that elevates the plan to a new increment level will trigger a rebalancing of Plan assets to the new targets. If the Plan funding ratio decreases and meets a lower target level, the plan will not rebalance to the new target asset allocation.

*Timing*

Rebalancing reviews generally take place quarterly, or at a frequency determined by appropriate by the Board. Generally, the rebalancing transactions will occur over a period of time to reduce undue market timing risk.

The Plan will diversify its investment portfolio to avoid incurring unreasonable risks. Investment maturities should be scheduled to coincide with projected cash flow requirements. As funded status improves, the asset allocation policy targets will reduce equity investments and increase fixed income investments and "de-risk" the plan portfolio.

# V. INVESTMENT MANAGER GUIDELINES

Every Investment Manager selected to manage Plan assets shall be selected by their policy or ability to adhere to these general guidelines; however will have discretion to meet the investment objectives of their portfolio or investment fund. Unless receiving prior Board approval, the only allowable investments of the Plan will be in cash and equivalents, mutual funds, separate accounts, commingled funds, options and futures, stocks, bonds, exchange traded funds (ETFs) and collective trusts:

***Cash Policy***

Cash equivalents will be invested in an appropriate cash-like fund. Returns should be equal to or better than the 90-day Treasury Bill Index (3-month).

Money market mutual funds may be used, so long as these funds meet the high standards suitable for funds of this nature.

***Fixed Income Policy***

Investment Objectives

These assets are to be invested in a mutual fund, commingled funds, separate accounts, or collective trusts of high-grade index or active fixed income portfolio subject to the limitations set forth below. The investment objectives of the fixed income portion in order of importance are:

1. Preservation of capital
2. Provide for regular dividend and or interest payments
3. Stability of returns – obtain fairly consistent annual returns.

Investment Guidelines

The Plan's fixed income assets will be managed in accordance with the following:

1. All funds selected for the fixed income portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.

## ***Equity Policy***

Investment Objectives

Equity assets are to be invested in mutual funds, commingled funds, separate accounts, stocks, bonds, options and futures, exchange traded funds (ETFs) or collective trusts. Within this framework, the investment objectives of the equity portion are:

1. Long Term Growth of Capital – Assets, exclusive of contribution and withdrawals, should grow in the long run and earn returns equal to the market while risk should be less than the market.

2. Follow a predefined market style (e.g. large cap vs. small cap, value vs. growth) strategy.

Investment Guidelines

The Plan's equity assets will be managed in accordance with the following:

1. All funds selected for the equity portion must have a readily ascertainable market value and must be readily marketable.

2. Investment Managers selected will be diversified and generally conform to industry guidelines.

3. The Investment Managers shall have discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Fund Managers will be evaluated against their peers on the performance of the total funds under their direct management.

# VI. SELECTION OF INVESTMENT MANAGERS

The Board, with the assistance of the Investment Consultant, will select appropriate Investment Managers to manage the Plan assets. Investment Managers must meet the following minimum criteria:

1. Is a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisers Act of 1940.

2. Provide at a minimum, historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all the fully discretionary accounts of similar investment style, and reported net and gross of fees.

3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the Investment Manager relative to other managers of like investment style.

4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel. This information can be supplied by a third party vendor comparable to Lipper or Morningstar.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. Investment Managers will be ranked within the top 50 percent of their respective styles on the Investment Consultant's internal ranking program when available.

7. Some of the measures that may be included in the statistical analysis of a fund would be:

    a. *Alpha* – a measure of fund performance compared to its expected return
    b. *Beta* – the general level of influence a fund's market has over its performance
    c. *Standard Deviation* – a measure of a fund's variation of returns over time
    d. *Sharpe Ratio* – a measure of a fund's risk-adjusted return compared to its risk
    e. *Duration* – a measure of sensitivity to interest rate fluctuations over time

8. The Board will consider replacing an actively managed fund if the rank versus its peer group remains in the bottom 50 percent for four consecutive quarters versus its peer group and if statistical analysis concludes that the fund's level of return does not provide an acceptable ratio as compared to its general level of risk.

9. The Board may consider a fund for replacement when the Investment Manager or policy of the fund is changed. In addition, if there are any substantial transactions with regard to the fund management company or holding, or other types of instabilities in the fund company, replacement will be considered.

10. The Board may also consider replacing a fund if its relative performance over a complete market cycle trails its benchmark.

# VII. INVESTMENT EVALUATION

Not more than 90 days after the end of each calendar quarter, the Investment Consultant shall report investment positions and performance results to the Board, based on performance reported by each Fund Manager, to monitor and evaluate progress toward the attainment of longer-term targets.

The target rate of return for the Plan has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The real rate of return is the return in excess of the anticipated rate of inflation as measured by the Consumer Price Index (CPI).

***Total Plan Portfolio Performance:*** Over a complete business cycle, the Plan's overall annualized total return (net of expenses) should perform at or above the Plan Benchmark. The Plan Benchmark is a customized index composed of the following benchmarks for each target asset class and based on the current and prior target asset allocation policy for the Plan:

| Asset Category | Index* |
|---|---|
| Cash & Money Market | BofA ML 3-month T-bill Total Return Index |
| Short-term Bond | Barclays US Govt/Credit 1-3 Yr TR USD |
| Inflation Protected Bond | Barclays US Treasury US TIPS TR USD |
| Intermediate-term Bond | Barclays US Govt 5-10 Yr TR USD |
| Long-term Bond | BC Long Government/Credit |
| High Yield Bond | BC High Yield Corporate Bond |
| Large Cap Value | S&P 500 Value |
| Large Cap Blend | S&P 500 Index |
| Large Cap Growth | S&P 500 Growth |
| Mid Cap Value | S&P 400 Value |
| Mid Cap Blend | S&P 400 Index |
| Mid Cap Growth | S&P 400 Growth |
| Small Cap Value | S&P 600 Value |
| Small Cap Blend | S&P 600 Index |
| Small Cap Growth | S&P 600 Growth |
| World Stock | MSCI AC World Index ND USD |
| Diversified Emerging Markets | FTSE Emerging NR USD |
| REIT/Real Estate | MSCI US REIT NR USD |

**Or other index as designated by the fund and/or fund manager as an appropriate target benchmark for the investment portfolio or fund.*

***Individual Investment Managers:*** During its periodic meetings but not less than annually, the Board will review the following specifics with regard to each Investment Manager:

1. The manager's adherence to their prospectus.
2. Material changes in the manager's organization, investment philosophy, and/or personnel.
3. Performance compared against an appropriate peer group and benchmark, as listed in the Executive Summary of this IPS, over various time periods.

The Board expects the following criteria to be met by each Investment Manager. If a manager fails to meet these, a further review of the manager will be warranted. The Board reserves the right to replace an Investment Manager at their discretion at any time.

1. The Investment Manager's rank (3-year and 5-year return) versus its peer group is over 50 *(where a percentile ranking of 1 would be the highest a fund could achieve and 100 would be the lowest*). If a fund or Investment Manager's rank (3-year and 5-year return) versus its peer g*roup is over 50, the fund will warrant a closer analytic review. The Board's review will* be comprised of a further analysis of the fund's statistical performance and risk measures.

2. The Investment Manager's risk over 3 to 5 years, as measured by standard deviation, should be equal to or lower than the comparative index. If the standard deviation is higher than the index, an increase in performance is expected.

3. The Investment Manager's Sharpe ratio should be positive over 3 to 5 years and ranked above the peer group median.

4. The Investment Manager's Alpha should be positive over a 3 to 5 year period and ranked above the peer group median.

## SIGNATURE

**This Statement of Investment Policy approved by action of the Board.**

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 8/14/14

# APPENDIX A

This Appendix to the Investment Policy Statement has been reviewed and approved by the Board:

## STRATEGIC ASSET ALLOCATION POLICY

| Asset Class | Target |
|---|---|
| Cash & Short-Term Bond | 8% |
| Inflation-Protected Bond | 5% |
| Intermediate Term Bond | 6% |
| Long-Term Bond | 7% |
| High Yield Bond | 7% |
| Large Value | 11% |
| Large Growth | 14% |
| Mid Cap Equity | 6% |
| Small Cap Equity | 7% |
| Foreign Equity | 12% |
| Diversified Emerging Mkts | 9% |
| Real Estate | 8% |
| | 100% |

The above ranges will be considered the long-term or policy allocation. The current "Policy" is the Target for such respective Asset Class of investment. There will be a Range of +/- 5% to the Target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations. Any deviations beyond the "Range" must have prior approval by the Board, unless caused by market actions.

To indicate approval of this amendment to the Investment Policy Statement, the appropriate designated Board member shall sign below.

**This Appendix to the Statement of Investment Policy approved by action of the Board.**

Approved by: _____
Chairman or representative of the Board

_____
Controller/Treasurer

Date approved: 12/11/2014

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# MEMO

| | |
|---|---|
| **To:** | City of Dover, Delaware Police Pension Plan – Board |
| **From:** | Jeff Marzinsky – Milliman |
| **Re:** | Board Meeting Notes |

Enclosures: Milliman Quarterly Investment Monitor Report (QIM)

1. Police Pension Plan Investment Review through 12/31/14:
   a. As of quarter end, the plan had $11.9 million, up from $11.7 million at the prior quarter end. During the quarter, the plan had a contribution of $360 thousand, withdrawals of approximately $383 thousand, and fees of $1.43 thousand.
   b. Total performance of the plan portfolio was 3.05% net (3.13% gross) for the quarter, in line with the Plan's benchmark index performance of 2.49%.

**City of Dover**
**Police Pension Plan**
**Quarterly Return Summary**

| Month End | BMV | Contribution | Withdrawls | Fees | Gain | EMV | POLICE-NET RETURN | POLICE GROSS-RETURN |
|---|---|---|---|---|---|---|---|---|
| 1/31/2014 | $ 11,477,849.28 | $ 206,626.39 | $ 129,993.49 | $ 458.75 | $ (126,461.59) | $ 11,427,561.84 | -1.11% | -1.08% |
| 2/28/2014 | $ 11,427,561.84 | $ - | $ 129,993.49 | $ 458.20 | $ 357,379.64 | $ 11,654,489.79 | 3.16% | 3.18% |
| 3/31/2014 | $ 11,654,489.79 | $ - | $ 129,993.49 | $ 227.47 | $ 70,399.16 | $ 11,594,667.99 | 0.61% | 0.64% |
| 4/30/2014 | $ 11,594,667.99 | $ - | $ 130,337.56 | $ 344.70 | $ 68,278.78 | $ 11,532,264.51 | 0.60% | 0.62% |
| 5/31/2014 | $ 11,532,264.51 | $ 46,951.58 | $ 130,455.38 | $ 461.89 | $ 221,591.18 | $ 11,669,890.00 | 1.94% | 1.97% |
| 6/30/2014 | $ 11,669,890.00 | $ 556,834.80 | $ 129,993.49 | $ 465.34 | $ 165,132.98 | $ 12,261,398.95 | 1.37% | 1.40% |
| 7/31/2014 | $ 12,261,398.95 | $ - | $ 129,993.49 | $ 480.44 | $ (139,264.73) | $ 11,991,660.29 | -1.15% | -1.12% |
| 8/31/2014 | $ 11,991,660.29 | $ - | $ 129,454.36 | $ 473.46 | $ 303,442.03 | $ 12,165,174.50 | 2.56% | 2.58% |
| 9/30/2014 | $ 12,165,174.50 | $ - | $ 129,454.36 | $ 477.37 | $ (366,419.08) | $ 11,668,823.69 | -3.04% | -3.02% |
| 10/31/2014 | $ 11,668,823.69 | $ - | $ 129,454.36 | $ 464.87 | $ 275,850.70 | $ 11,814,755.16 | 2.39% | 2.41% |
| 11/30/2014 | $ 11,814,755.16 | $ 360,000.00 | $ 129,784.56 | $ 468.47 | $ 155,285.21 | $ 12,199,787.34 | 1.32% | 1.35% |
| 12/31/2014 | $ 12,199,787.34 | $ - | $ 129,520.40 | $ 553.08 | $ (80,697.46) | $ 11,989,016.40 | -0.67% | -0.64% |
| | | $ 360,000.00 | $ 388,759.32 | $ 1,486.42 | $ 350,438.45 | Quarterly Return | 3.05% | 3.13% |
| | | $ 1,170,412.77 | $ 1,558,428.43 | $ 5,334.04 | $ 904,516.82 | One Year Return | 8.09% | 8.40% |

   c. At quarter end, the plan was rebalance to the recently approved asset allocation targets.

| Category Description | Fund Category | Investment Name | Target Allocation with Additional Asset Classes | Asset Allocation Range |
|---|---|---|---|---|
| Money Market | CA | Wells Fargo Advtg Treas Plus MMkt | 4.00% | 3-13%; target 8% Cash + STB |
| Short Term Bonds | STB | Vanguard Short Term Bond | 4.00% | 3-13%; target 8% Cash + STB |
| Inflation Protected Bonds | TIPS | Vanguard Inflation Prot Sec | 5.00% | 5-10%; target of 5% TIPS |
| Intermediate Term Bonds | INTB | Vanguard Intermediate Bond | 6.00% | 2-11%; target 6% INTB |
| Long Term Bonds | LTB | PIMCO Long Duration | 3.50% | 2-12%; target 7% LTB |
| Long Term Bonds | LTB | Vanguard Long Duration | 3.50% | 2-12%; target 7% LTB |
| High Yield Bond | HYB | Iwy High Income I | 7.00% | 2-12%; target 7% HYB |
| Large Cap Value | LCV | Vanguard Equity Income | 11.00% | 6-16%; target 11% LCV |
| Large Cap Growth | LCG | Vanguard Primecap | 5.42% | CLOSED - no longer accepting contributions |
| Large Cap Growth | LCG | Vanguard Growth Index | 8.58% | 9-19%; target 14% LCG |
| Mid Cap | MCB | Vanguard Mid Cap Index | 3.00% | 1-11%; target 6% MC |
| Mid Cap | MCV | Vanguard Mid Cap Value Index | 3.00% | 1-11%; target 6% MC |
| Small Cap | SCV | Target Small Cap Value | 7.00% | 2-12%; target 7% SC |
| Real Estate Investment | REIT | Vanguard REIT Index | 8.00% | 3-13%; target 8% REIT |
| Foreign Equity | GLB | American Funds New Perspective | 6.00% | 7-17%; target 12% FOR |
| Foreign Equity | FLG | Oppenheimber International Growth Y | 6.00% | 7-17%; target 12% FOR |
| Emerging Markets | EMG | Vanguard Emerging Mkts | 9.00% | 4-14%; target 9% Emg Mkts |

d. The majority of plan investments have performance and rankings generally in line with their peer groups and benchmarks, as well as risk analytics that rank well to their peer groups.
    i. The plan includes the PIMCO Long Duration as a bond manager.
        - During 2014 PIMCO funds has had a variety of management changes within the organization with the resignation of their CEO during March, and the September departure of Bill Gross, manager of the Total Return fund. With the changes in management of the organization, we recommend placing a watch on all PIMCO funds to review stability of management within the organization and their investment management teams.

The analysis in this report was prepared utilizing data from third parties and other sources including but not limited to internal computer software and databases, including among others mpiStylus Pro©,, software designed by Markov Processes International. Reasonable care has been taken to assure the accuracy of the data contained herein, and comments are objectively stated and are based on facts gathered in good faith. These reports do not constitute investment advice with respect to the sale or disposition of individual securities. Milliman disclaims responsibility, financial or otherwise, for the accuracy or completeness of this report.

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Milliman provides a copy of its SEC Form ADV Part II to clients without charge upon request.

# Quarterly Investment Monitor

*Summary Report for the Quarter Ending December 31, 2014*

Prepared for
**City of Dover, Delaware Police Pension Plan**

Milliman



# Contents

Section A: Market Commentary

Section B: Performance Summary

Section C: Core Fund Review

Section D: Glossary

# Milliman | Quarterly Investment Monitor

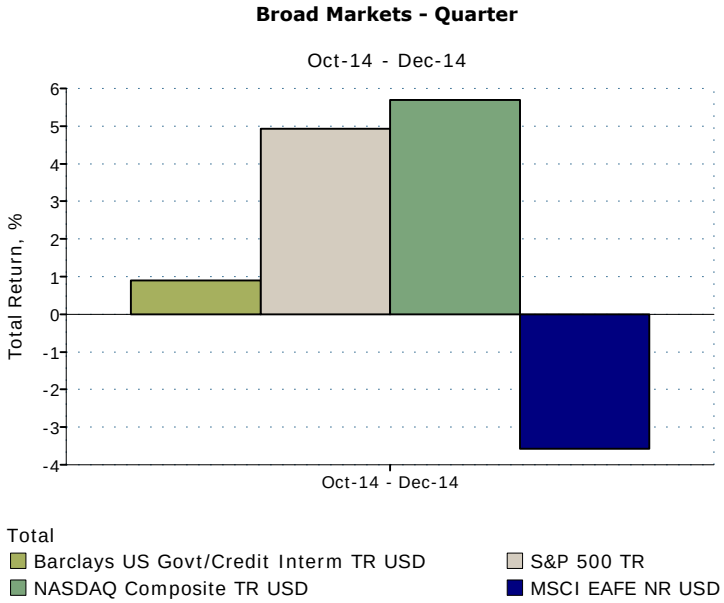
## Market Indices - 4th Quarter 2014

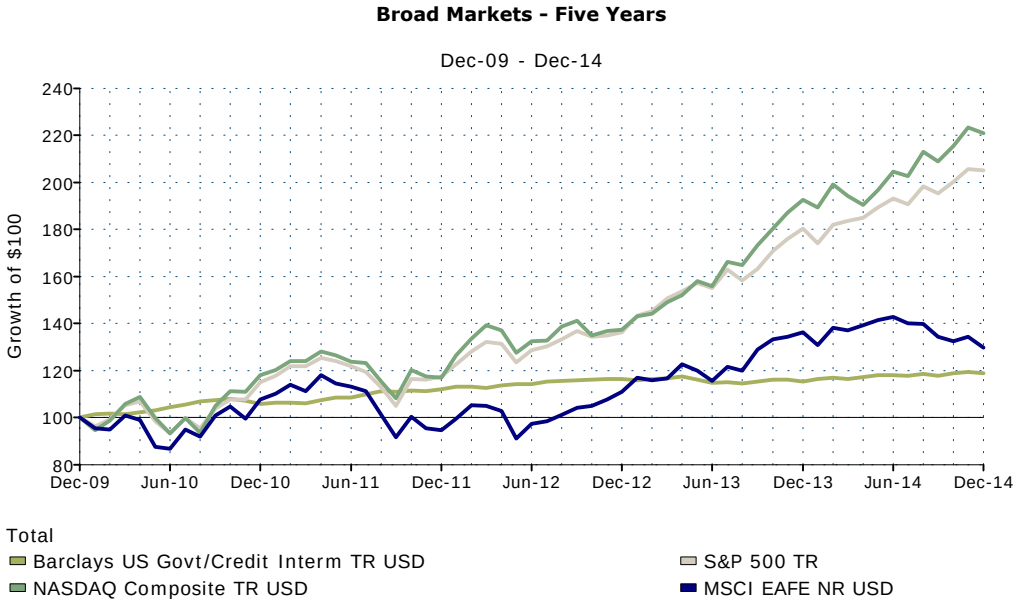


| Index | 3 Months | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|
| BofAML US Treasury Bill 3 Mon | 0.00 | 0.03 | 0.07 | 0.09 |
| Barclays US Govt 1-3 Yr TR USD | 0.19 | 0.64 | 0.51 | 1.09 |
| Barclays US Govt/Credit Interm TR USD | 0.89 | 3.13 | 2.03 | 3.54 |
| Barclays US Government Long TR USD | 8.38 | 24.66 | 4.23 | 9.86 |
| Barclays US Long Credit TR USD | 4.06 | 16.39 | 7.00 | 9.70 |
| Barclays US Corporate High Yield TR USD | -1.00 | 2.45 | 8.43 | 9.03 |
| DJ Industrial Average TR USD | 5.20 | 10.04 | 16.29 | 14.22 |
| S&P 500 TR | 4.93 | 13.69 | 20.41 | 15.45 |
| NASDAQ 100 TR USD | 4.90 | 19.40 | 24.61 | 19.23 |
| NASDAQ Composite TR USD | 5.70 | 14.75 | 23.60 | 17.19 |
| Russell 1000 Value TR USD | 4.98 | 13.45 | 20.89 | 15.42 |
| Russell 1000 TR USD | 4.88 | 13.24 | 20.62 | 15.64 |
| Russell 1000 Growth TR USD | 4.78 | 13.05 | 20.26 | 15.81 |
| Russell 2000 Value TR USD | 9.40 | 4.22 | 18.29 | 14.26 |
| Russell 2000 TR USD | 9.73 | 4.89 | 19.21 | 15.55 |
| Russell 2000 Growth TR USD | 10.06 | 5.60 | 20.14 | 16.80 |
| FTSE NAREIT All REITs TR | 12.44 | 27.15 | 16.39 | 16.63 |
| MSCI EAFE NR USD | -3.57 | -4.90 | 11.06 | 5.33 |
| MSCI EAFE Small Cap NR USD | -2.27 | -4.95 | 13.83 | 8.63 |
| MSCI EM NR USD | -4.50 | -2.19 | 4.04 | 1.78 |

# Milliman | Quarterly Investment Monitor

## Broad Market Commentary - 4th Quarter 2014



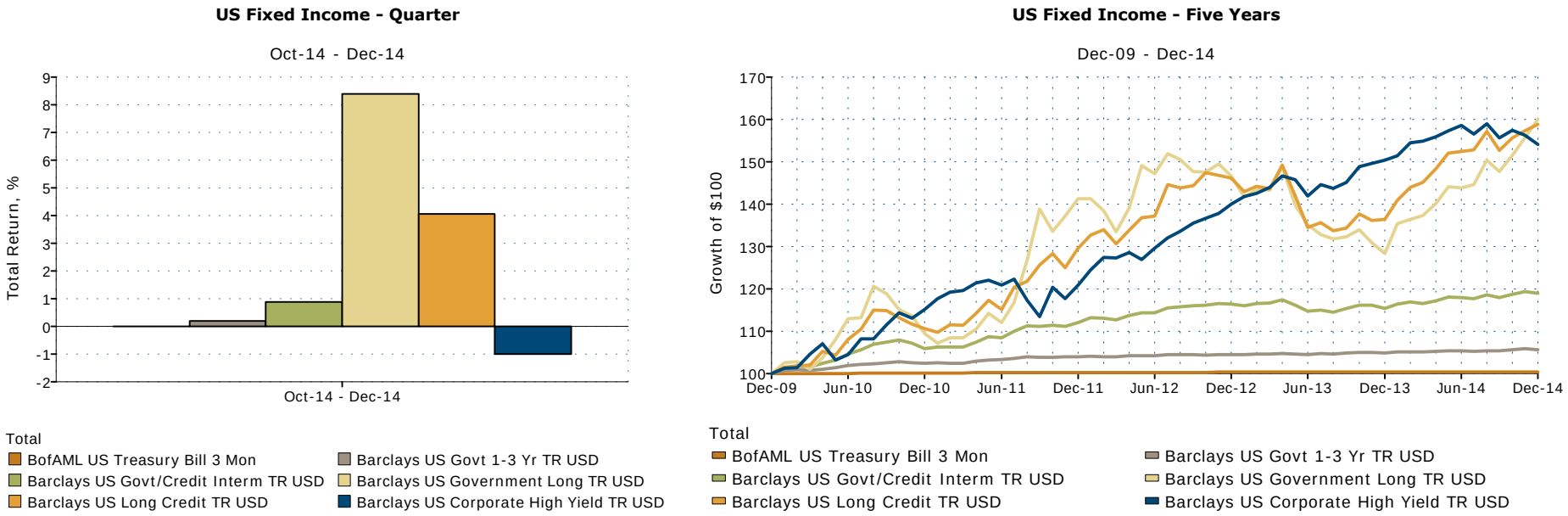




### *Market Commentary*

- The U.S. stock market posted solid returns, driven by improving economic growth, steady growth in corporate earnings, and the Federal Reserve's intent to maintain liquidity with low interest rates.
- Developed international equity markets fell on deteriorating economic conditions in Japan and fears that Europe might fall into another recession.
- Emerging markets declined on worries about falling commodity prices, the financial crisis in Russia, and slowing economic growth in China.
- The Fed ended its securities purchases in October citing "substantial improvement" in labor market conditions. In addition, the Fed said it will likely hold interest rates near zero at least through the first quarter of 2015.
- Mutual fund investors decreased their holdings in stocks and bonds. For the quarter, stock funds had net outflows of $14.1 billion, while bond funds had net outflows of $5.7 billion. Total money market mutual fund assets increased by $141.6 billion to $2.733 trillion.
- The unemployment rate fell from 5.9% to 5.6%, as total employment increased by 866,000 jobs this quarter.
- The price of oil decreased from $91 per barrel to $53 during the quarter, a decrease of 41.8%.

# Milliman | Quarterly Investment Monitor

## US Fixed Income Market Commentary - 4th Quarter 2014

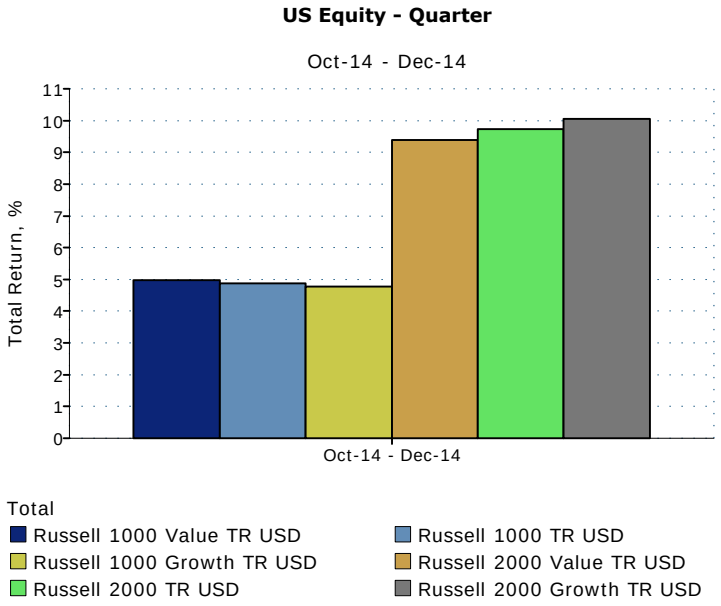


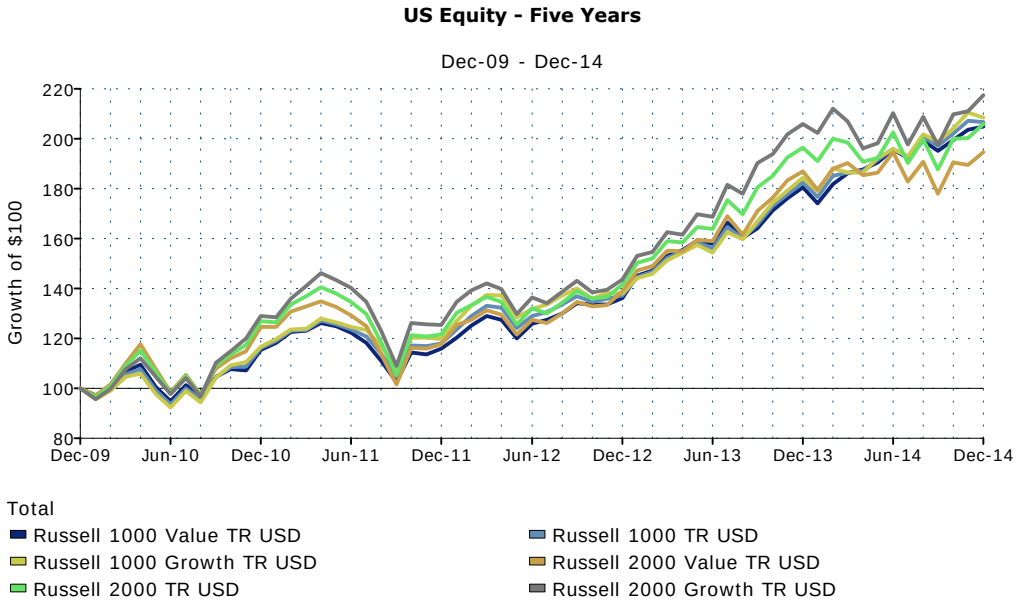

### *US Bond Market*

- The broad fixed income market rose 1.79% in the 4th quarter, as the positive impact from a 0.11% decline in interest rates enhanced the coupon return of 0.78%.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- The yield curve flattened as the 30-year Treasury yield fell by 0.46%, while the 1-year rose by 0.11%.
- Long-term government bonds were the best performing sector this quarter, up 9.36%, as disappointing economic data in Europe and Asia increased demand for safe-haven assets.
- Long-term corporate bonds were up 5.01%, as declining yields on the long end of the curve more than offset widening spreads.
- Global bonds were the worst performing sector this quarter, down 1.73%, on worries that lower oil prices may cause Russian and Venezuelan bonds to default.

# Milliman | Quarterly Investment Monitor

## US Equity Market Commentary - 4th Quarter 2014



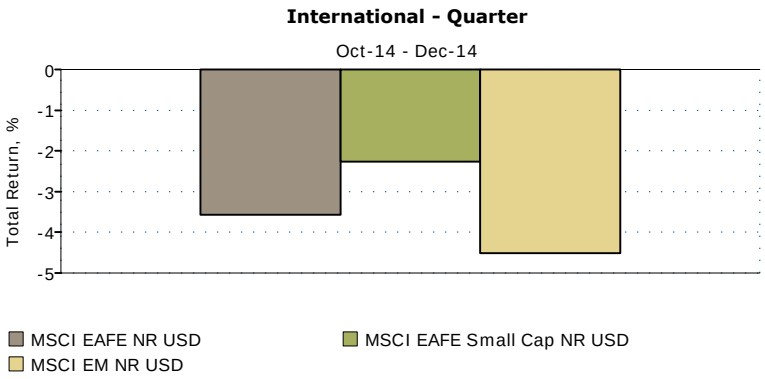



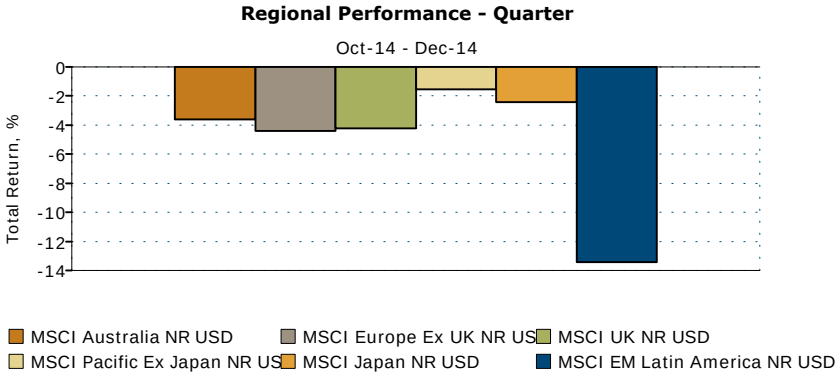

### *US Stock Market*

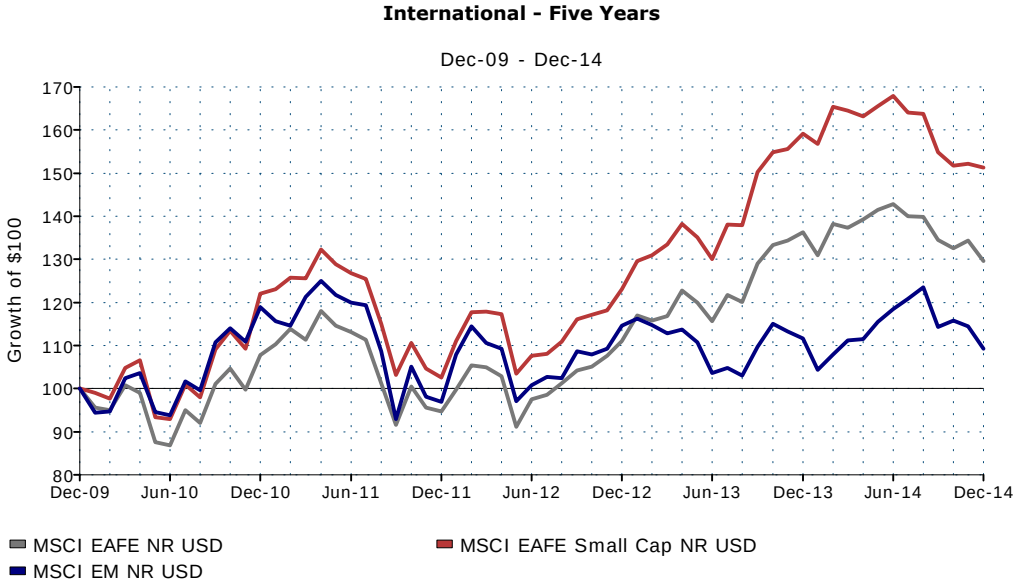
- Most major domestic equity indices posted a gain for the quarter. The small-cap Russell 2000 Growth Index had the best return, up 10.06%.
- In terms of capitalization, small-cap stocks outperformed large-cap stocks.
- In comparing styles, value outperformed growth in the large-cap area of the market, while growth exceeded value in the small-cap area.
- In a reversal from last quarter, REITs rose 15.09%, as fundamentals improved and lower interest rates increased demand for dividend-paying stocks. The best performing REITs were manufactured homes and health care.
- Utilities were the best performing sector, up 12.67%, as investors favored stocks with attractive dividend yields.
- Energy was the worst performing sector, falling 12.22%, as oil prices fell dramatically.

# Milliman | Quarterly Investment Monitor

## International Market Commentary - 4th Quarter 2014




### *International Markets*

- The dollar was up strongly against the euro, yen and pound.
- For the quarter, the EAFE Index was down 3.57%, and Emerging Markets were down 4.50%. Local currency returns for the EAFE Index and Emerging Markets were 1.77% and 0.01%, respectively.
- Among the major international regions, Chinese stocks had the highest return, up 7.17%, as the government announced a surprise cut in interest rates in order to stimulate growth.
- Stocks in Russia had the lowest return, down 32.92% in the 4th quarter and down 46.27% YTD, as investors worried about weaker oil prices, the plummeting ruble, and additional economic sanctions imposed in December.
- Small-cap stocks, down 2.27%, outperformed large-cap stocks, down 3.57%.

# Performance Summary

## Asset Allocation

| | Balances As of 12/31/2014 | Percent As of 12/31/2014 | Balances As of 09/30/2014 | Percent As of 09/30/2014 | Notes |
|---|---|---|---|---|---|
| Wells Fargo Advantage Treas Plus MMkt I | $470,217 | 3.92% | $525,058 | 4.49% | PISXX |
| Vanguard Short-Term Bond Index Adm | $471,020 | 3.93% | $686,466 | 5.86% | VBIRX |
| Vanguard Inflation-Protected Secs I | $586,843 | 4.89% | $588,335 | 5.03% | VIPIX |
| Vanguard Interm-Term Bond Index Adm | $708,357 | 5.91% | $945,327 | 8.08% | VBILX |
| Vanguard Long-Term Bond Index I | $415,676 | 3.47% | $533,978 | 4.56% | VBLLX |
| PIMCO Long Duration Total Return Instl | $412,956 | 3.44% | $531,505 | 4.54% | PLRIX |
| Ivy High Income I | $839,433 | 7.00% | $940,951 | 8.04% | IVHIX |
| Vanguard Equity-Income Adm | $1,364,171 | 11.38% | $1,162,453 | 9.93% | VEIRX |
| Vanguard Growth Index Adm | $1,014,203 | 8.46% | $551,062 | 4.71% | VIGAX |
| Vanguard PRIMECAP Inv | $651,376 | 5.43% | $614,323 | 5.25% | VPMCX |
| Vanguard Mid-Cap Value Index Admiral | $360,359 | 3.01% | $288,189 | 2.46% | VMVAX |
| Vanguard Mid Cap Index Adm | $359,985 | 3.00% | $292,235 | 2.50% | VIMAX |
| Target Small Capitalization Value T | $850,959 | 7.10% | $924,075 | 7.89% | TASVX |
| Oppenheimer International Growth Y | $718,979 | 6.00% | $577,428 | 4.93% | OIGYX |
| American Funds New Perspective R6 | $716,229 | 5.97% | $579,311 | 4.95% | RNPGX |
| Vanguard Emerging Mkts Stock Idx I | $1,101,136 | 9.18% | $1,137,352 | 9.72% | VEMIX |
| Vanguard REIT Index I | $948,409 | 7.91% | $826,599 | 7.06% | VGSNX |
| **Plan Total** | **$11,990,311** | | **$11,704,645** | | |

## 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 | 15 | 7 | 0.02 | -0.01 | 1.03 | 1.02 | 15 | 14 | 20 | 11 |
| PIMCO Long Duration Total Return Instl | 27 | 10 | 0.50 | -0.11 | 0.99 | 0.96 | 64 | 64 | 70 | 60 |
| Ivy High Income I | 8 | 2 | 1.17 | 1.10 | 0.85 | 0.78 | 3 | 1 | 1 | 2 |
| Vanguard Equity-Income Adm | 62 | 10 | -2.30 | 1.10 | 0.90 | 0.84 | 26 | 29 | 5 | 3 |
| Vanguard PRIMECAP Inv | 3 | 15 | 3.66 | 0.16 | 1.01 | 1.06 | 0 | 0 | 7 | 6 |
| Target Small Capitalization Value T | 54 | 46 | -3.20 | -1.86 | 0.90 | 0.88 | 33 | 24 | 25 | 20 |
| Oppenheimer International Growth Y | 17 | 6 | 1.62 | 2.79 | 1.01 | 1.01 | 17 | 16 | 6 | 5 |
| American Funds New Perspective R6 | 18 | 32 | 2.78 | 1.68 | 1.00 | 0.97 | 22 | 15 | 31 | 24 |

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 Adm | 0.26 | 0.70 | 1.96 | 0.59 | 1.86 | 0.71 | 0.10 |
| Vanguard Interm-Term Bond Index Adm | 0.71 | 1.55 | 1.50 | 1.56 | 1.56 | 1.75 | 0.10 |
| Vanguard Long-Term Bond Index I | 0.04 | 0.04 | 1.02 | 0.72 | 1.03 | 0.88 | 0.07 |
| Vanguard Growth Index Adm | 0.80 | 1.02 | 1.00 | 0.51 | 1.00 | 0.78 | 0.09 |
| Vanguard Mid-Cap Value Index Admiral | -0.60 | -0.85 | 1.00 | 0.62 | 0.99 | 1.19 | 0.09 |
| Vanguard Mid Cap Index Adm | -0.30 | -0.32 | 1.01 | 0.36 | 1.02 | 0.76 | 0.09 |
| Vanguard Emerging Mkts Stock Idx I | -0.23 | -0.10 | 0.99 | 1.92 | 1.03 | 2.87 | 0.12 |
| Vanguard REIT Index I | 1.29 | 1.33 | 1.00 | 0.21 | 1.00 | 0.20 | 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.

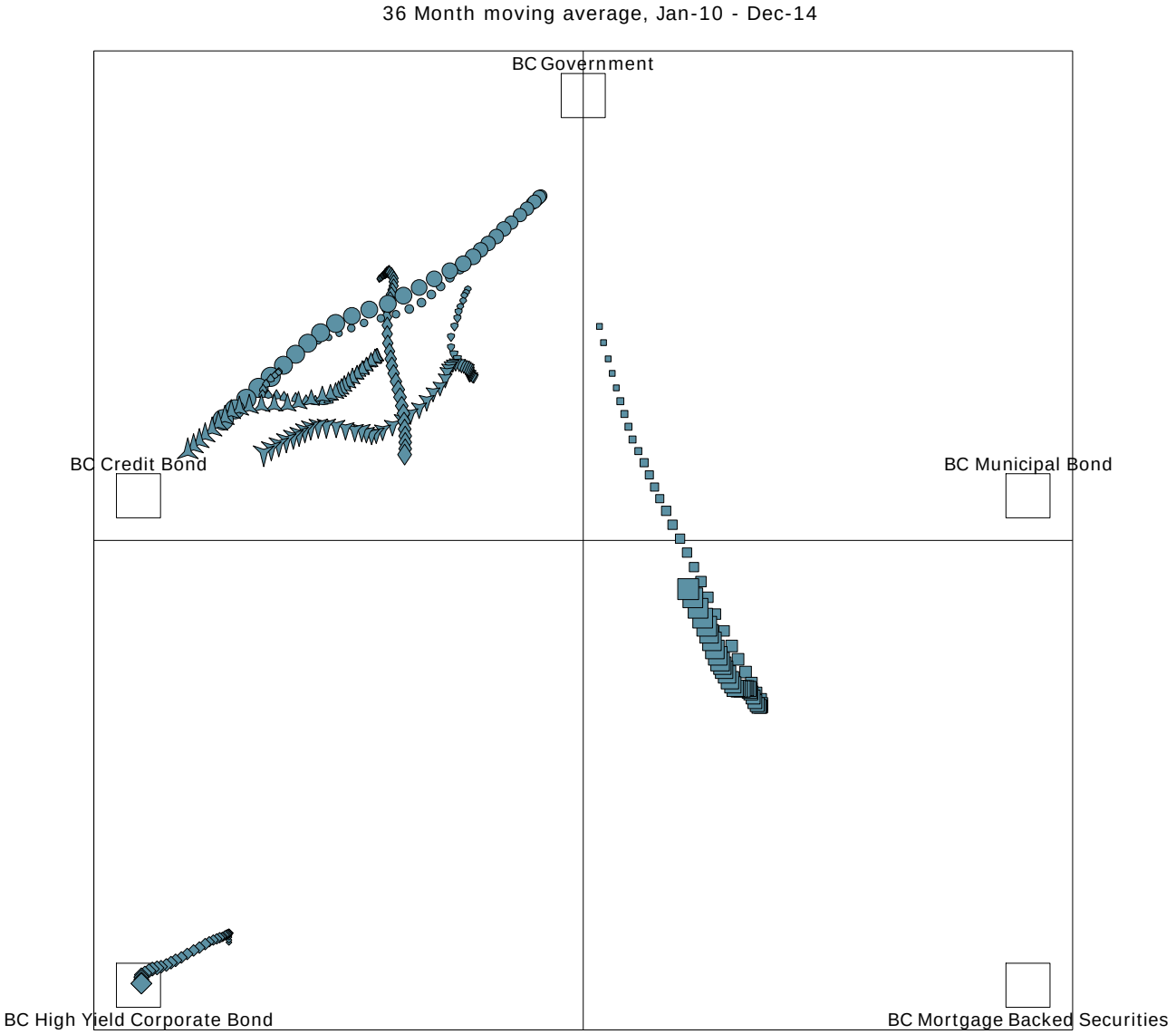
Beta - Fund's Beta or sensitivity to movements compared to its benchmark, a value of 1 implies its moving in sync with its benchmark.

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.

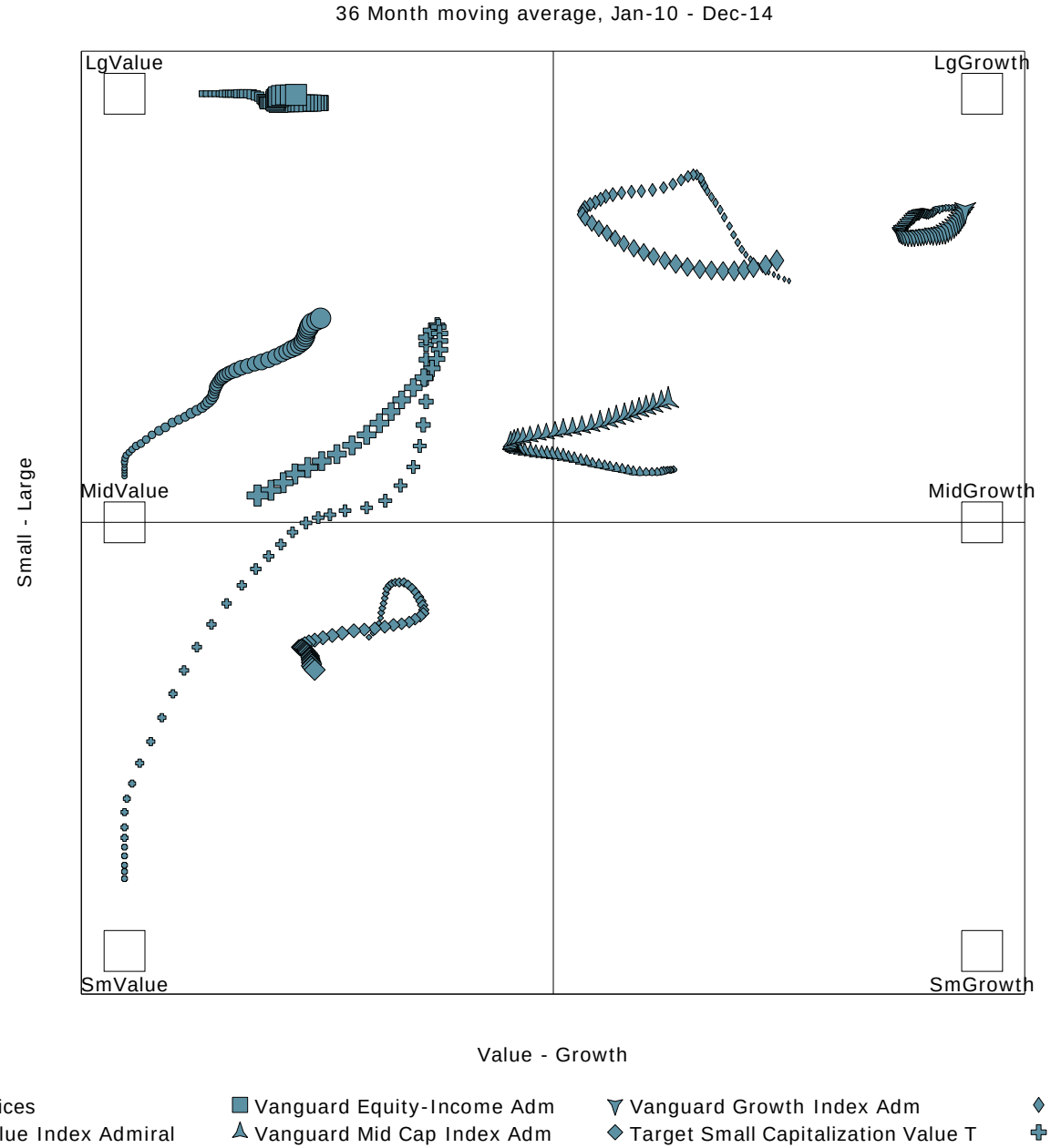
## Investment Option Return Summary

| Asset Class | Fund Name | 3 Months | YTD | 1 Year | 3 Years | 5 Years | 10 Years | Ticker | Mstar Rating | Expense Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| Money Market-Taxable | Wells Fargo Advantage Treas Plus MMkt I | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | 1.41 | PISXX | NA | 0.20 |
| | *BofA ML 91-day Tbill Auction Avg* | *0.00* | *0.03* | *0.03* | *0.07* | *0.09* | *1.54* | *N/A* | *NA* | *NA* |
| Short-term Bond | Vanguard Short-Term Bond Index Adm | 0.34 | 1.26 | 1.26 | 1.15 | 2.11 | 3.31 | VBIRX | 4.00 | 0.10 |
| | *Barclays US Govt/Credit 1-3 Yr TR USD* | *0.17* | *0.77* | *0.77* | *0.89* | *1.41* | *2.85* | *N/A* | *NA* | *NA* |
| Inflation-Protected Bond | Vanguard Inflation-Protected Secs I | 0.20 | 4.07 | 4.07 | 0.46 | 4.10 | 4.30 | VIPIX | 4.00 | 0.07 |
| | *Barclays US Treasury US TIPS TR USD* | *(0.03)* | *3.64* | *3.64* | *0.44* | *4.11* | *4.37* | *N/A* | *NA* | *NA* |
| Intermediate-term Bond | Vanguard Interm-Term Bond Index Adm | 1.87 | 6.96 | 6.96 | 3.39 | 6.03 | 5.54 | VBILX | 4.00 | 0.10 |
| | *Barclays US Agg Float Adj TR USD* | *1.76* | *5.85* | *5.85* | *2.68* | *4.48* | *NA* | *N/A* | *NA* | *NA* |
| Long-term Bond | Vanguard Long-Term Bond Index I | 5.55 | 19.87 | 19.87 | 5.81 | 9.85 | 7.43 | VBLLX | 4.00 | 0.07 |
| Long-term Bond | PIMCO Long Duration Total Return Instl | 5.06 | 19.02 | 19.02 | 6.27 | 9.70 | NA | PLRIX | 4.00 | 0.50 |
| | *BC Long Government/Credit* | *5.60* | *19.31* | *19.31* | *5.77* | *9.81* | *7.36* | *N/A* | *NA* | *NA* |
| High Yield Bond | Ivy High Income I | (1.61) | 1.74 | 1.74 | 9.60 | 10.13 | 8.15 | IVHIX | 5.00 | 0.69 |
| | *BC High Yield Corporate Bond* | *(1.00)* | *2.45* | *2.45* | *8.43* | *9.03* | *7.74* | *N/A* | *NA* | *NA* |
| Large Value | Vanguard Equity-Income Adm | 4.03 | 11.38 | 11.38 | 18.09 | 15.95 | 8.46 | VEIRX | 5.00 | 0.21 |
| | *S&P 500 Value* | *4.78* | *12.36* | *12.36* | *20.40* | *14.86* | *7.03* | *N/A* | *NA* | *NA* |
| Large Growth | Vanguard Growth Index Adm | 5.10 | 13.63 | 13.63 | 20.74 | 16.00 | 8.64 | VIGAX | 4.00 | 0.09 |
| | *CRSP US Large Cap Growth TR USD* | *5.10* | *13.69* | *13.69* | *19.95* | *14.98* | *8.56* | *N/A* | *NA* | *NA* |
| Large Growth | Vanguard PRIMECAP Inv | 5.24 | 18.72 | 18.72 | 24.12 | 16.20 | 10.09 | VPMCX | 5.00 | 0.45 |
| | *S&P 500 Growth* | *5.06* | *14.89* | *14.89* | *20.46* | *16.05* | *8.24* | *N/A* | *NA* | *NA* |
| Mid-Cap Value | Vanguard Mid-Cap Value Index Admiral | 6.96 | 13.98 | 13.98 | 22.10 | 17.20 | NA | VMVAX | 4.00 | 0.09 |
| | *CRSP US Mid Cap Value TR USD* | *6.98* | *14.05* | *14.05* | *22.70* | *18.05* | *9.23* | *N/A* | *NA* | *NA* |
| Mid-Cap Blend | Vanguard Mid Cap Index Adm | 6.64 | 13.76 | 13.76 | 21.27 | 17.04 | 9.47 | VIMAX | 4.00 | 0.09 |
| | *CRSP US Mid Cap TR USD* | *6.65* | *13.83* | *13.83* | *21.57* | *17.36* | *9.50* | *N/A* | *NA* | *NA* |
| Small Value | Target Small Capitalization Value T | 7.25 | 5.89 | 5.89 | 17.98 | 15.10 | 9.24 | TASVX | 4.00 | 0.68 |
| | *S&P 600 Value* | *10.44* | *7.54* | *7.54* | *21.18* | *16.96* | *8.59* | *N/A* | *NA* | *NA* |
| Foreign Large Growth | Oppenheimer International Growth Y | (1.05) | (6.99) | (6.99) | 12.52 | 8.78 | 7.61 | OIGYX | 5.00 | 0.90 |
| | *MSCI EAFE Large Growth NR USD* | *(2.71)* | *(4.70)* | *(4.70)* | *10.90* | *5.99* | *5.11* | *N/A* | *NA* | *NA* |
| World Stock | American Funds New Perspective R6 | 1.82 | 3.56 | 3.56 | 16.88 | 10.85 | 8.29 | RNPGX | 4.00 | 0.45 |
| | *MSCI AC World Index ND USD* | *0.41* | *4.16* | *4.16* | *14.10* | *9.17* | *6.09* | *N/A* | *NA* | *NA* |
| Diversified Emerging Mkts | Vanguard Emerging Mkts Stock Idx I | (3.67) | 0.67 | 0.67 | 4.38 | 1.96 | 8.16 | VEMIX | 4.00 | 0.12 |
| | *FTSE Emerging NR USD* | *(3.49)* | *1.21* | *1.21* | *4.61* | *2.06* | *8.98* | *N/A* | *NA* | *NA* |
| Real Estate | Vanguard REIT Index I | 14.29 | 30.28 | 30.28 | 16.24 | 17.03 | 8.56 | VGSNX | 4.00 | 0.08 |
| | *MSCI US REIT NR USD* | *13.95* | *28.82* | *28.82* | *14.96* | *15.70* | *NA* | *N/A* | *NA* | *NA* |
| Total Plan | POLICE GROSS-RETURN | 3.13 | 8.40 | 8.40 | 9.56 | 7.86 | NA | N/A | NA | NA |
| Total Plan | POLICE-NET RETURN | 3.05 | 8.09 | 8.09 | 9.25 | 7.55 | NA | N/A | NA | NA |
| | *Police Plan Policy Index* | *2.49* | *7.83* | *7.83* | *9.98* | *8.58* | *5.69* | *N/A* | *NA* | *NA* |

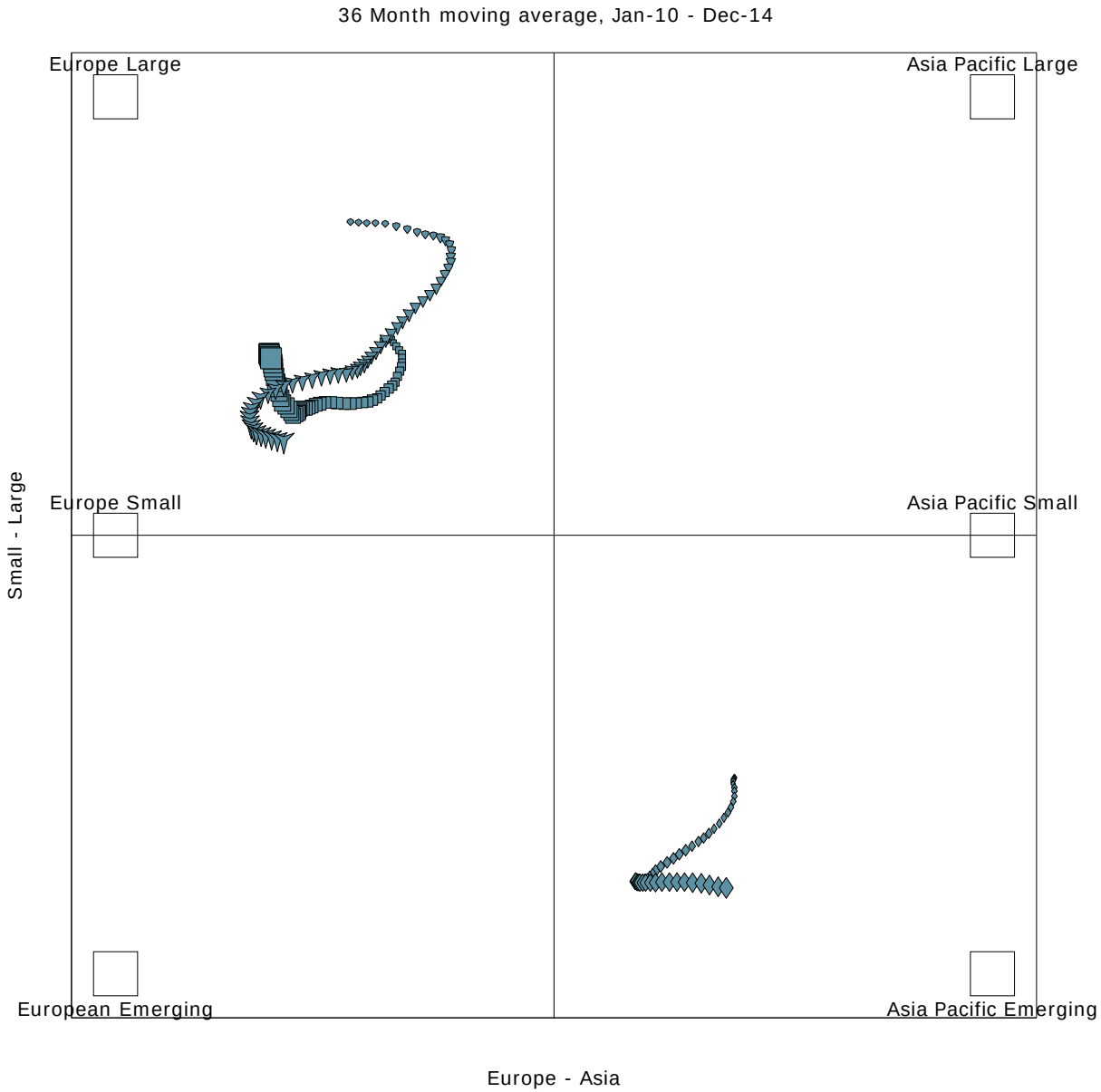
## U.S. Fixed Income Style Map



## U.S. Equity Style Map



# International Equity Style Map

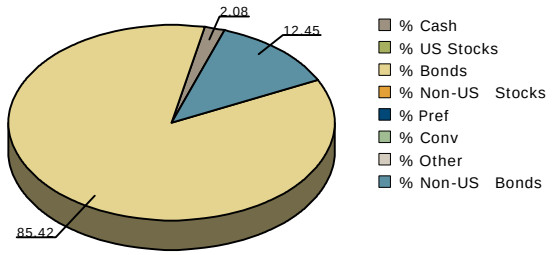


# Core Fund Review

# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Short-Term Bond Index Adm




| 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 | 2.08 |
| % US Stocks | 0.00 |
| % Bonds | 85.42 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.05 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 12.45 |

| 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 |

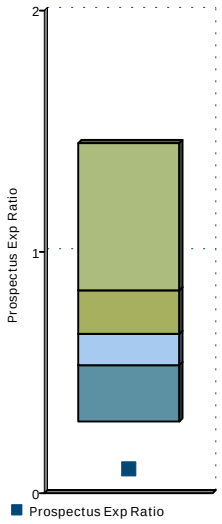
| Credit Quality | |
|---|---|
| Avg Eff Duration | 2.69 |
| Effective Maturity | 2.80 |
| Avg Credit Quality | AA |
| AAA | 72.57 |
| AA | 4.81 |
| A | 12.54 |
| BBB | 10.08 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Note 1.5% | 1.89% |
| US Treasury Note 1.25% | 1.42% |
| US Treasury Note 0.625% | 1.41% |
| US Treasury Note 2.125% | 1.38% |
| US Treasury Note 1.625% | 1.21% |
| US Treasury Note 1.5% | 1.17% |
| US Treasury Note 0.625% | 1.15% |
| US Treasury Note 0.625% | 1.14% |
| US Treasury Note 0.625% | 1.09% |
| US Treasury Note 0.625% | 1.07% |

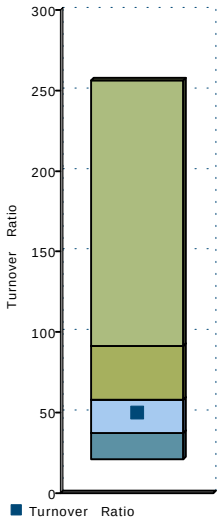
| Portfolio Information | |
|---|---|
| Ticker | VBIRX |
| Morningstar Category | Short-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | 45395.04 |
| Net Assets $MM | 38554.50 |
| Turnover Ratio | 50.00 |
| % Assets in Top 10 Holdings | 12.94 |
| Total Number of Holdings | 2063.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 1.85 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.10 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 68 |
| 5 Year Mstar Rating | ★★★ |
| % Rank Cat 5 Yr | 53 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 30 |

**Expense Ratio vs. Peer Group**



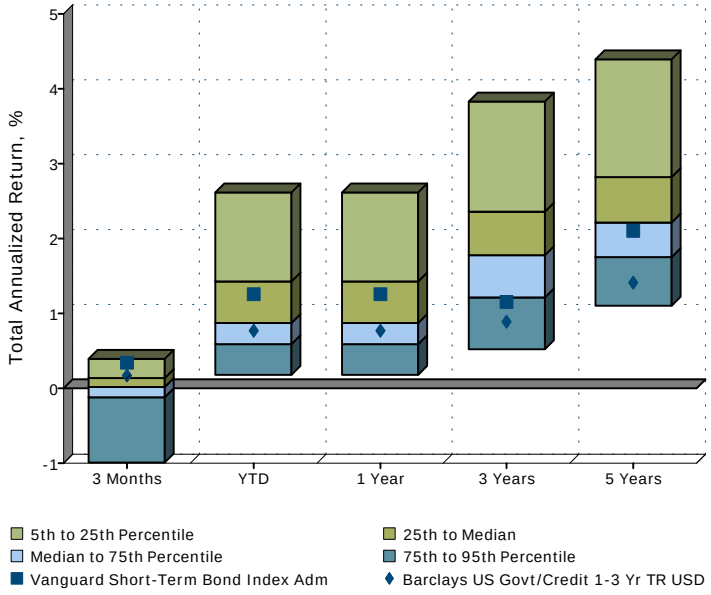

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

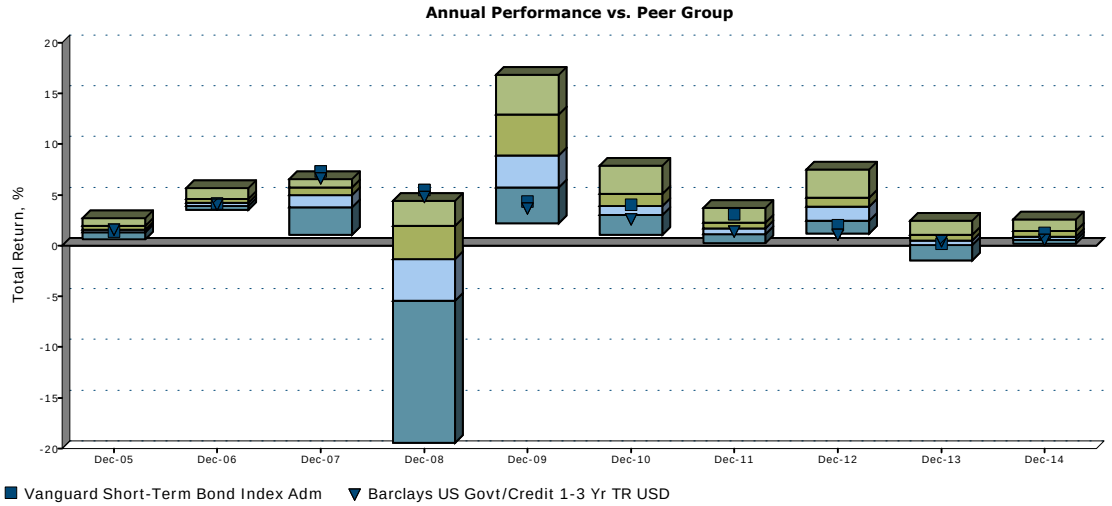
The investment seeks to track the performance of a market-weighted bond index with a short-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 1-5 Year Government/Credit Float Adjusted Index. This index includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities between 1 and 5 years and are publicly issued. All of the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

**Performance vs. Peer Group**

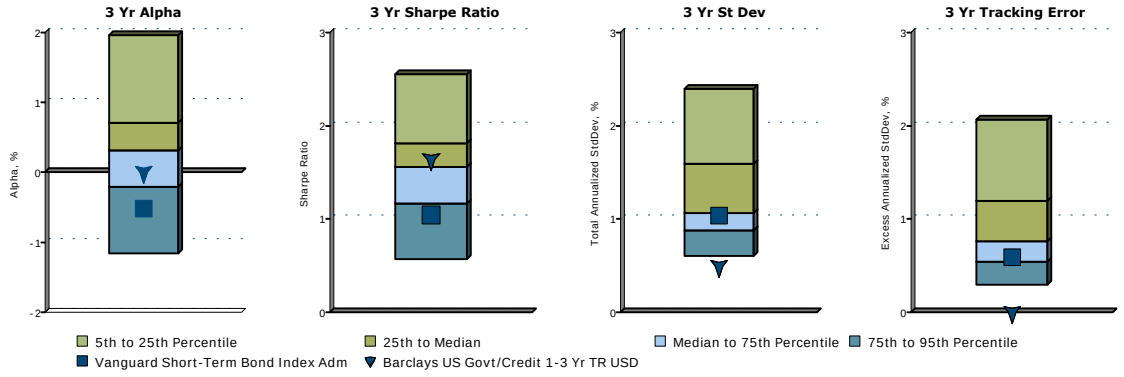



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Adm | 0.34 | 1.26 | 1.26 | 1.15 | 2.11 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 0.17 | 0.77 | 0.77 | 0.89 | 1.41 |
| Universe(5%) | 0.40 | 2.62 | 2.62 | 3.83 | 4.39 |
| Universe(25%) | 0.14 | 1.43 | 1.43 | 2.36 | 2.82 |
| Universe(Median) | 0.02 | 0.87 | 0.87 | 1.78 | 2.21 |
| Universe(75%) | -0.12 | 0.59 | 0.59 | 1.22 | 1.75 |
| Universe(95%) | -0.99 | 0.18 | 0.18 | 0.52 | 1.10 |

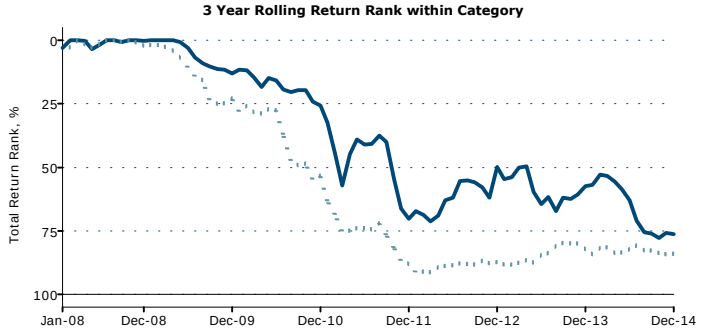
# Vanguard Short-Term Bond Index Adm

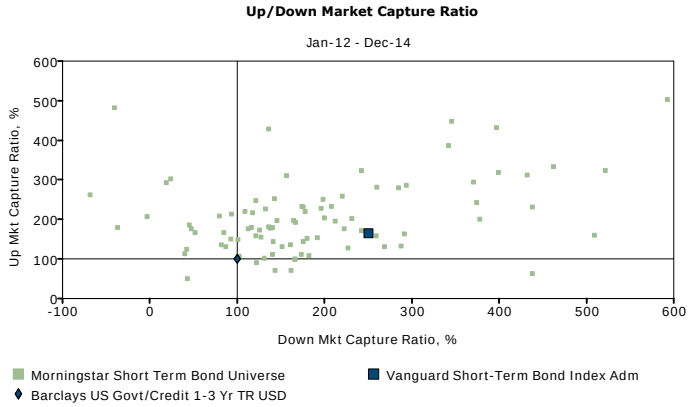


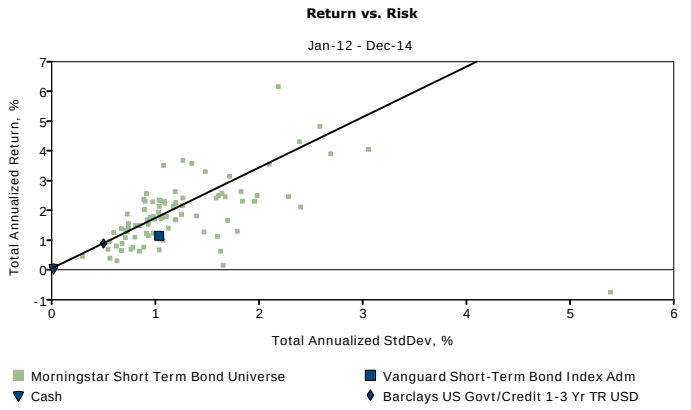

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Adm | 1.38 | 4.16 | 7.31 | 5.51 | 4.38 | 4.03 | 3.08 | 2.05 | 0.17 | 1.26 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 1.77 | 4.25 | 6.83 | 4.97 | 3.82 | 2.80 | 1.59 | 1.26 | 0.64 | 0.77 |



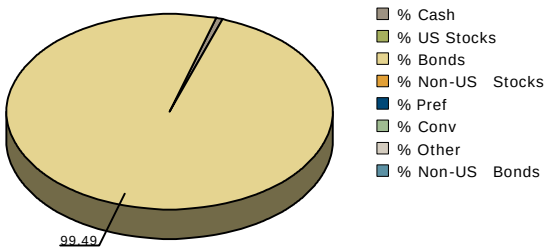

| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Short-Term Bond Index Adm | -0.52 | 1.96 | 89.29 | 1.04 | 1.03 | 0.59 |
| Barclays US Govt/Credit 1-3 Yr TR USD | 0.00 | 1.00 | 100.00 | 1.64 | 0.50 | 0.00 |
| Universe(5%) | 1.97 | 3.45 | 83.65 | 2.55 | 2.40 | 2.07 |
| Universe(25%) | 0.71 | 2.08 | 72.38 | 1.81 | 1.59 | 1.20 |
| Universe(Median) | 0.31 | 1.59 | 63.25 | 1.56 | 1.06 | 0.76 |
| Universe(75%) | -0.21 | 1.29 | 50.80 | 1.17 | 0.88 | 0.54 |
| Universe(95%) | -1.16 | 0.98 | 27.60 | 0.57 | 0.61 | 0.29 |



# 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 | 0.51 |
| % US Stocks | 0.00 |
| % Bonds | 99.49 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

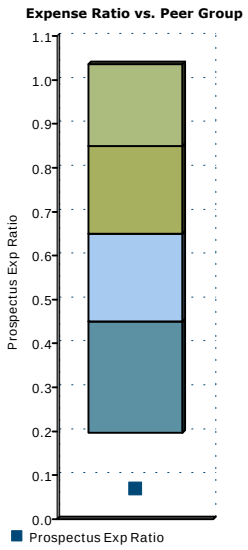
| Sector Allocation | |
|---|---|
| % Basic Materials | NA |
| % Communication Services | NA |
| % Consumer Cyclical | NA |
| % Consumer Defensive | NA |
| % Healthcare | NA |
| % Industrials | NA |
| % Real Estate | NA |
| % Technology | NA |
| % Energy | NA |
| % Financial Services | NA |
| % Utilities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

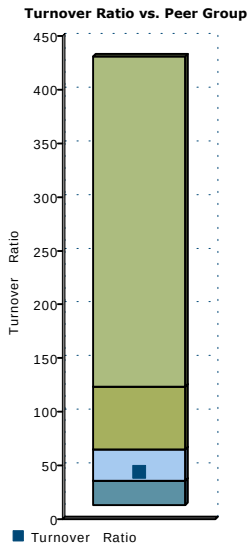
| Credit Quality | |
|---|---|
| Avg Eff Duration | 7.92 |
| Effective Maturity | 8.60 |
| Avg Credit Quality | Government |
| AAA | 100.00 |
| AA | 0.00 |
| A | 0.00 |
| BBB | 0.00 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury TIP | 5.65% |
| US Treasury TIP | 5.00% |
| US TREASURY TIP | 4.70% |
| US Treasury TIP | 4.66% |
| US TREASURY TIP | 4.55% |
| US Treasury TIP | 4.52% |
| US Treasury TIP | 4.41% |
| US Treasury TIP 0.125% | 4.28% |
| US Treasury TIP | 4.05% |
| US Treasury TIP 1.125% | 3.92% |

| Portfolio Information | |
|---|---|
| Ticker | VIPIX |
| Morningstar Category | Inflation-Protected Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | 12063.68 |
| Net Assets $MM | 24831.85 |
| Turnover Ratio | 44.00 |
| % Assets in Top 10 Holdings | 45.74 |
| Total Number of Holdings | 40.00 |
| Manager Name | Gemma Wright-Casparius |
| Manager Tenure | 3.37 |
| Fund Incept Date | 06/29/2000 |
| Prospectus Exp Ratio | 0.07 |
| Phone Number | 800-662-7447 |

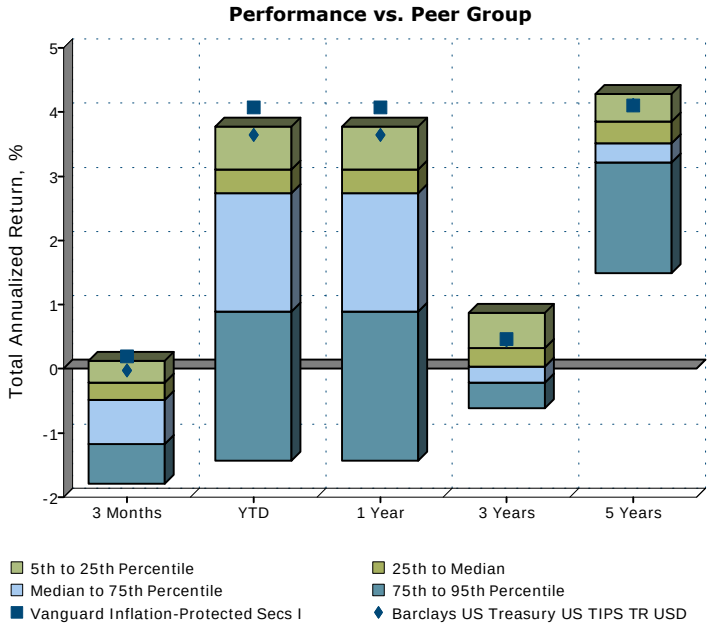
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 18 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 4 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 7 |



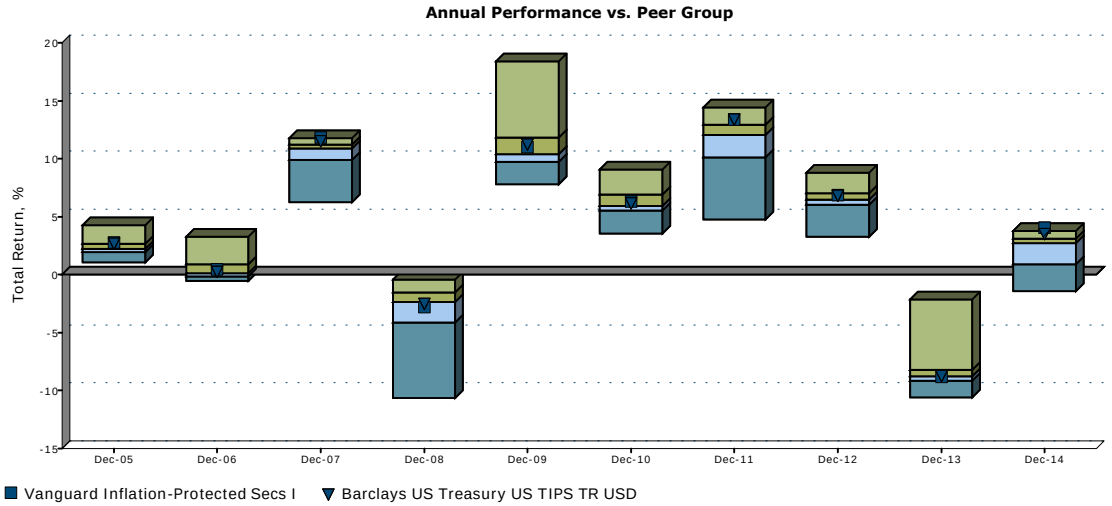

## Investment Strategy Summary

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.

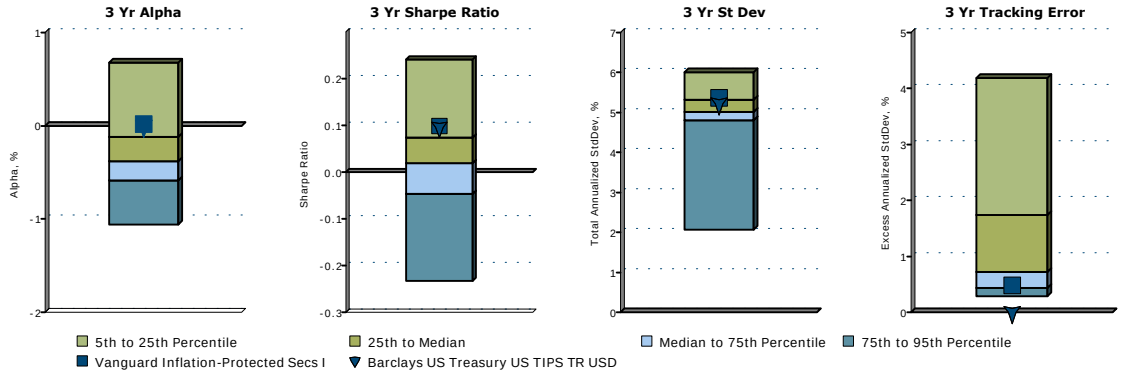



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | 0.20 | 4.07 | 4.07 | 0.46 | 4.10 |
| Barclays US Treasury US TIPS TR USD | -0.03 | 3.64 | 3.64 | 0.44 | 4.11 |
| Universe(5%) | 0.12 | 3.77 | 3.77 | 0.87 | 4.28 |
| Universe(25%) | -0.22 | 3.10 | 3.10 | 0.32 | 3.85 |
| Universe(Median) | -0.49 | 2.74 | 2.74 | 0.04 | 3.52 |
| Universe(75%) | -1.17 | 0.89 | 0.89 | -0.21 | 3.21 |
| Universe(95%) | -1.79 | -1.43 | -1.43 | -0.62 | 1.49 |

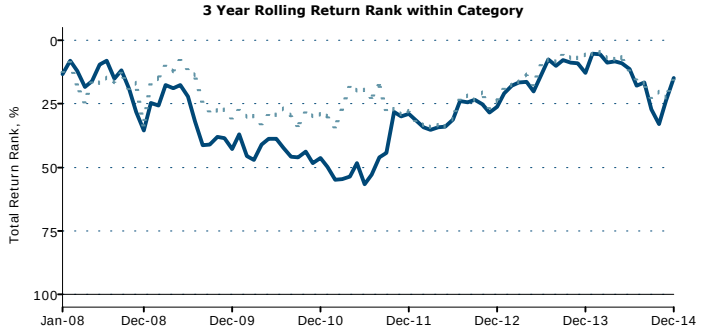
# Vanguard Inflation-Protected Secs I

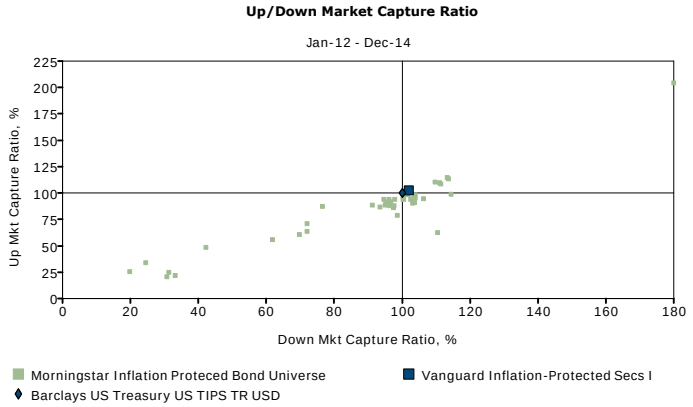


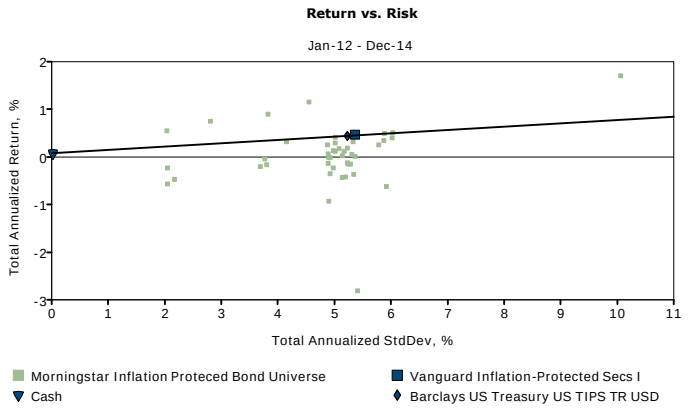

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Inflation-Protected Secs I | 2.78 | 0.46 | 11.82 | -2.81 | 11.03 | 6.33 | 13.39 | 6.87 | -8.83 | 4.07 |
| Barclays US Treasury US TIPS TR USD | 2.84 | 0.41 | 11.64 | -2.35 | 11.41 | 6.31 | 13.56 | 6.98 | -8.61 | 3.64 |




| 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 | 0.02 | 1.02 | 99.25 | 0.10 | 5.36 | 0.48 |
| Barclays US Treasury US TIPS TR USD | 0.00 | 1.00 | 100.00 | 0.10 | 5.22 | 0.00 |
| Universe(5%) | 0.67 | 1.14 | 99.76 | 0.24 | 6.01 | 4.19 |
| Universe(25%) | -0.12 | 1.00 | 99.44 | 0.07 | 5.31 | 1.74 |
| Universe(Median) | -0.38 | 0.96 | 98.45 | 0.02 | 5.01 | 0.72 |
| Universe(75%) | -0.59 | 0.91 | 93.98 | -0.05 | 4.80 | 0.43 |
| Universe(95%) | -1.06 | 0.31 | 57.78 | -0.23 | 2.07 | 0.28 |



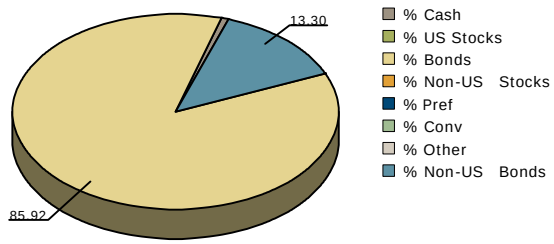



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Interm-Term Bond Index Adm




| 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 | 0.78 |
| % US Stocks | 0.00 |
| % Bonds | 85.92 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 13.30 |

| 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 |

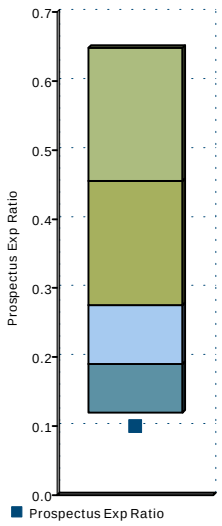
| Credit Quality | |
|---|---|
| Avg Eff Duration | 6.51 |
| Effective Maturity | 7.30 |
| Avg Credit Quality | A |
| AAA | 53.94 |
| AA | 5.07 |
| A | 17.62 |
| BBB | 23.35 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.02 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Note 2.5% | 3.52% |
| US Treasury Note 3.5% | 2.96% |
| US Treasury Note 2% | 2.65% |
| US Treasury Note 2.5% | 2.13% |
| US Treasury Note 2.75% | 1.98% |
| US Treasury Note 1.75% | 1.92% |
| US Treasury Note 2.75% | 1.84% |
| US Treasury Note 3.625% | 1.82% |
| US Treasury Note 2.25% | 1.66% |
| US Treasury Note 3.125% | 1.55% |

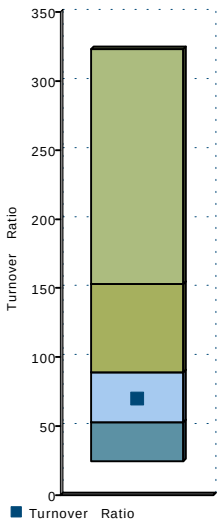
| Portfolio Information | |
|---|---|
| Ticker | VBILX |
| Morningstar Category | Intermediate-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 17234.14 |
| Turnover Ratio | 70.00 |
| % Assets in Top 10 Holdings | 22.03 |
| Total Number of Holdings | 1621.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 6.69 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.10 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 48 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 13 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 10 |

**Expense Ratio vs. Peer Group**



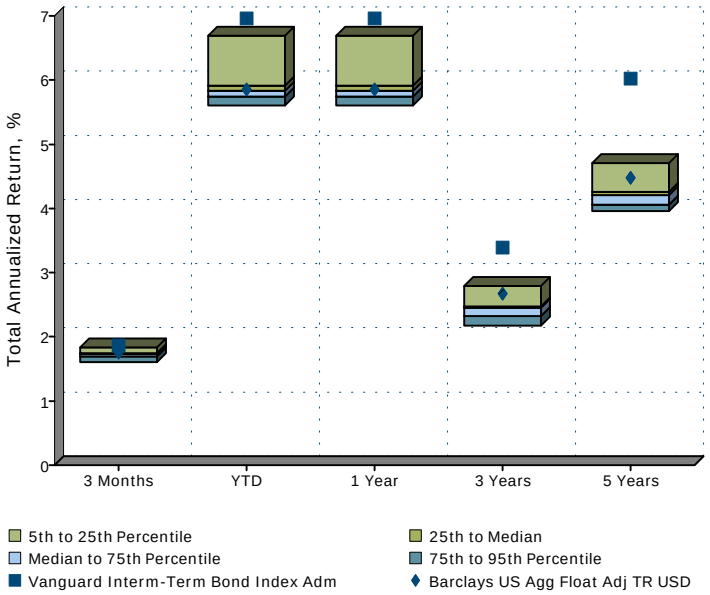

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

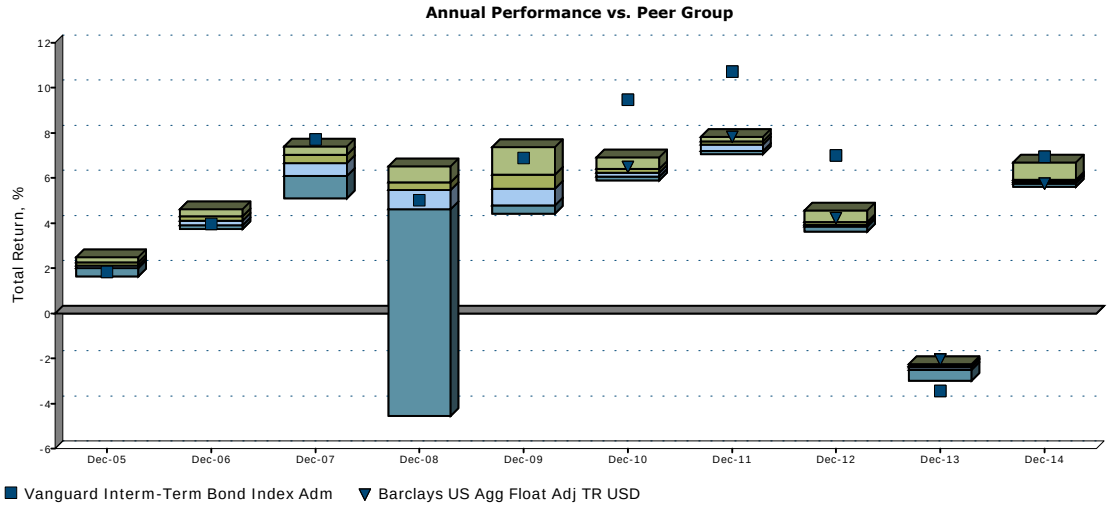
The investment seeks the performance of a market-weighted bond index with an intermediate-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. 5-10 Year Government/Credit Float Adjusted Index. This index includes 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 the fund's investments will be selected through the sampling process, and at least 80% of the fund's assets will be invested in bonds held in the index.

**Performance vs. Peer Group**

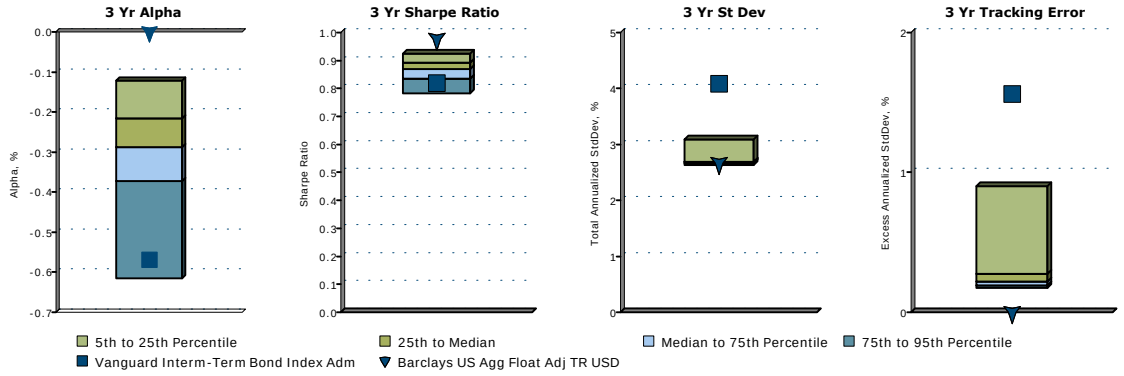



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Interm-Term Bond Index Adm | 1.87 | 6.96 | 6.96 | 3.39 | 6.03 |
| Barclays US Agg Float Adj TR USD | 1.76 | 5.85 | 5.85 | 2.68 | 4.48 |
| Universe(5%) | 1.84 | 6.69 | 6.69 | 2.79 | 4.71 |
| Universe(25%) | 1.75 | 5.91 | 5.91 | 2.48 | 4.25 |
| Universe(Median) | 1.73 | 5.83 | 5.83 | 2.45 | 4.21 |
| Universe(75%) | 1.69 | 5.74 | 5.74 | 2.32 | 4.06 |
| Universe(95%) | 1.61 | 5.60 | 5.60 | 2.17 | 3.96 |

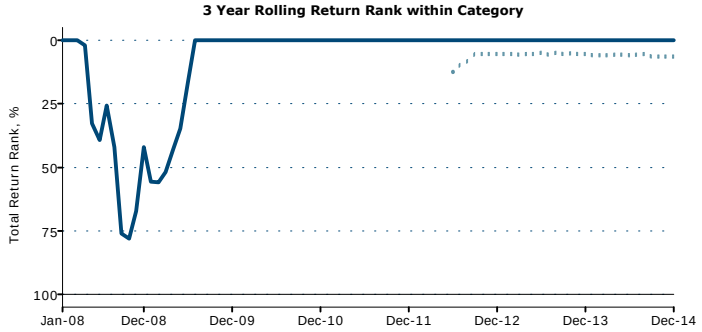
# Vanguard Interm-Term Bond Index Adm

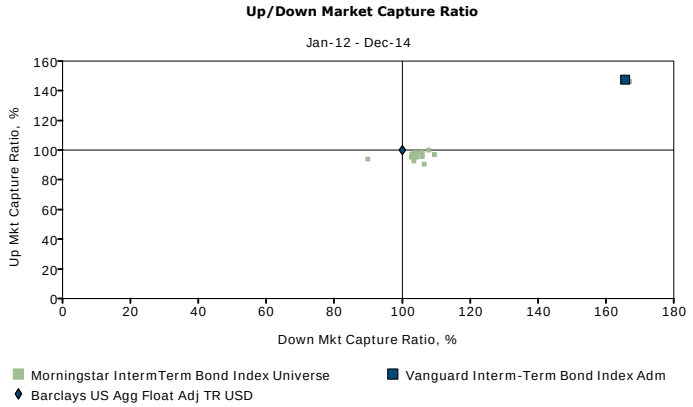


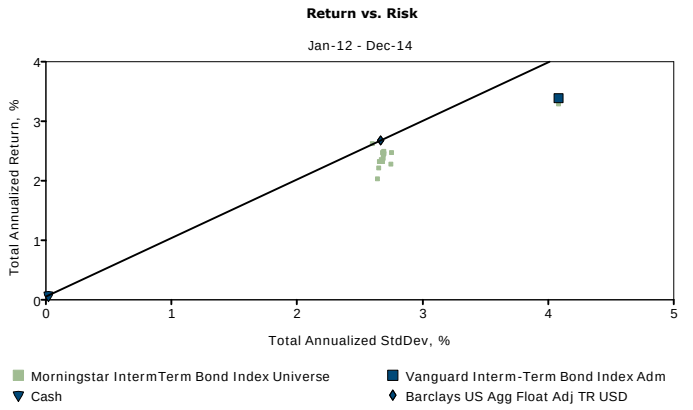

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Interm-Term Bond Index Adm | 1.82 | 3.98 | 7.70 | 5.01 | 6.89 | 9.49 | 10.73 | 7.02 | -3.45 | 6.96 |
| Barclays US Agg Float Adj TR USD | NA | NA | NA | NA | NA | 6.58 | 7.92 | 4.32 | -1.97 | 5.85 |




| 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 Adm | -0.57 | 1.50 | 96.19 | 0.82 | 4.08 | 1.56 |
| Barclays US Agg Float Adj TR USD | 0.00 | 1.00 | 100.00 | 0.98 | 2.66 | 0.00 |
| Universe(5%) | -0.12 | 1.15 | 99.59 | 0.92 | 3.09 | 0.90 |
| Universe(25%) | -0.22 | 1.01 | 99.49 | 0.89 | 2.69 | 0.27 |
| Universe(Median) | -0.29 | 1.01 | 99.34 | 0.87 | 2.69 | 0.22 |
| Universe(75%) | -0.37 | 1.00 | 99.03 | 0.84 | 2.67 | 0.19 |
| Universe(95%) | -0.62 | 0.98 | 95.52 | 0.78 | 2.63 | 0.17 |



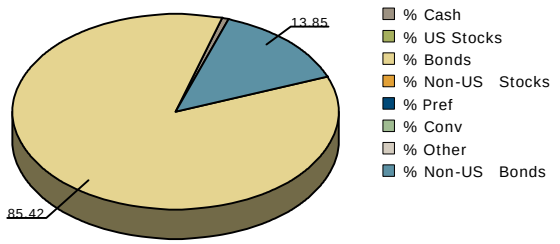



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## 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 | 0.70 |
| % US Stocks | 0.00 |
| % Bonds | 85.42 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.03 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 13.85 |

| 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 |

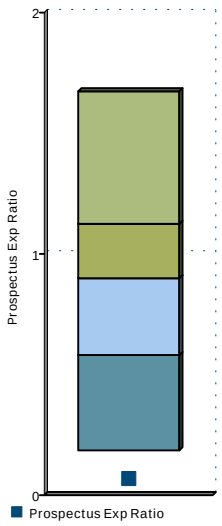
| Credit Quality | |
|---|---|
| Avg Eff Duration | 14.44 |
| Effective Maturity | 24.20 |
| Avg Credit Quality | A |
| AAA | 36.50 |
| AA | 7.03 |
| A | 25.92 |
| BBB | 30.55 |
| BB | 0.00 |
| B | 0.00 |
| Below B | 0.00 |
| NR/NA | 0.00 |

| Top Ten Holdings | |
|---|---|
| US Treasury Bond 3.625% | 2.15% |
| US Treasury Bond 3.75% | 1.96% |
| US Treasury Bond 2.875% | 1.85% |
| US Treasury Bond 2.75% | 1.71% |
| US Treasury Bond 3.125% | 1.71% |
| US Treasury Bond 3.625% | 1.71% |
| US Treasury Bond 2.75% | 1.62% |
| US Treasury Bond 3.125% | 1.37% |
| US Treasury Bond 4.25% | 1.24% |
| US Treasury Bond 4.75% | 1.15% |

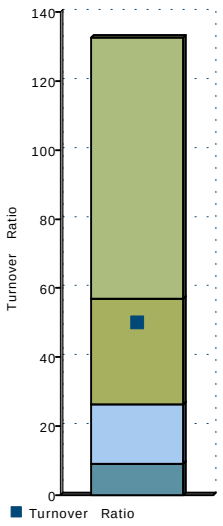
| Portfolio Information | |
|---|---|
| Ticker | VBLLX |
| Morningstar Category | Long-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 8516.37 |
| Turnover Ratio | 50.00 |
| % Assets in Top 10 Holdings | 16.48 |
| Total Number of Holdings | 1860.00 |
| Manager Name | Joshua C. Barrickman |
| Manager Tenure | 1.85 |
| Fund Incept Date | 03/01/1994 |
| Prospectus Exp Ratio | 0.07 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 48 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 19 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | 50 |

**Expense Ratio vs. Peer Group**



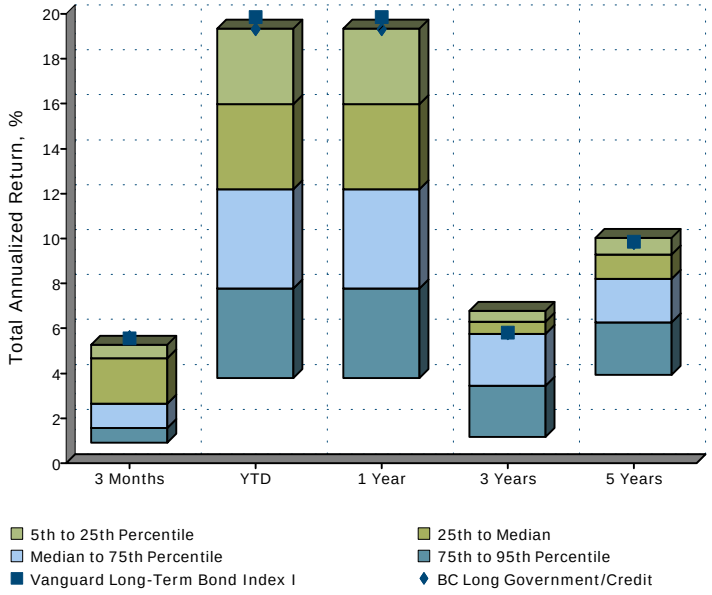

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

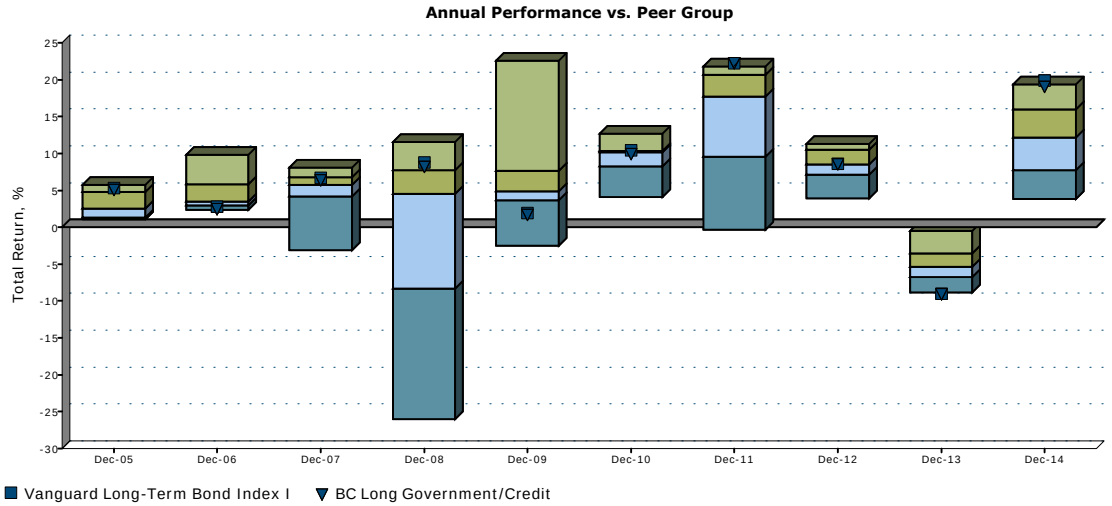
The investment seeks to track the performance of a market-weighted bond index with a long-term dollar-weighted average maturity. The fund employs an indexing investment approach designed to track the performance of the Barclays U.S. Long Government/Credit Float Adjusted Index. This index includes all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

**Performance vs. Peer Group**

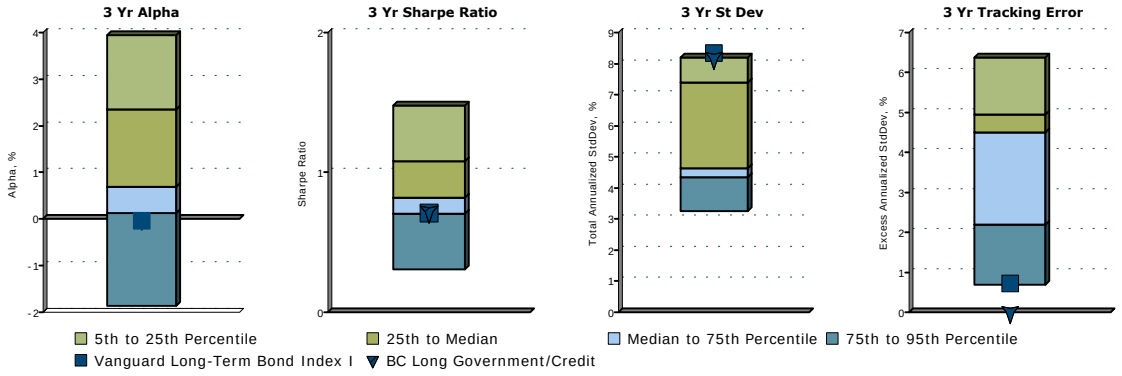



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | 5.55 | 19.87 | 19.87 | 5.81 | 9.85 |
| BC Long Government/Credit | 5.60 | 19.31 | 19.31 | 5.77 | 9.81 |
| Universe(5%) | 5.26 | 19.33 | 19.33 | 6.79 | 10.02 |
| Universe(25%) | 4.66 | 15.99 | 15.99 | 6.30 | 9.29 |
| Universe(Median) | 2.64 | 12.19 | 12.19 | 5.75 | 8.20 |
| Universe(75%) | 1.56 | 7.77 | 7.77 | 3.44 | 6.28 |
| Universe(95%) | 0.92 | 3.80 | 3.80 | 1.17 | 3.92 |

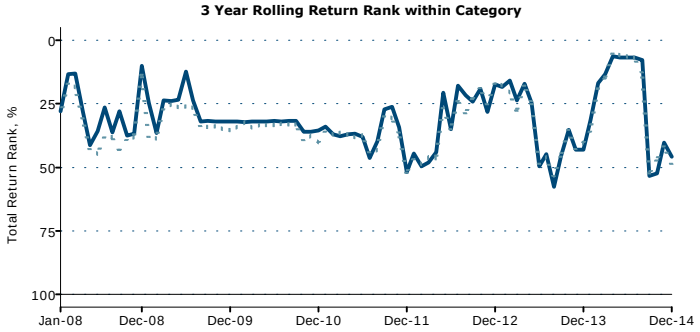
# Vanguard Long-Term Bond Index I

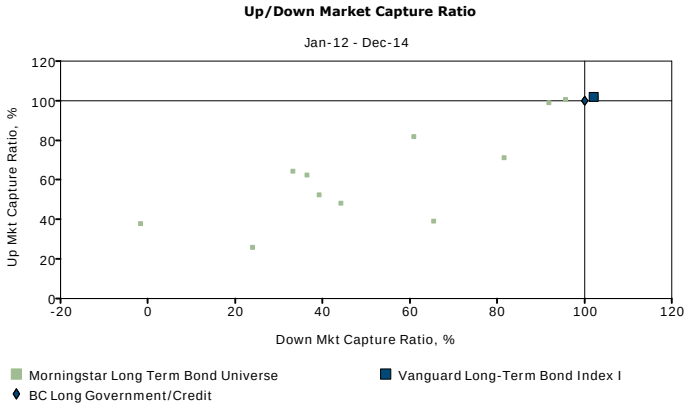


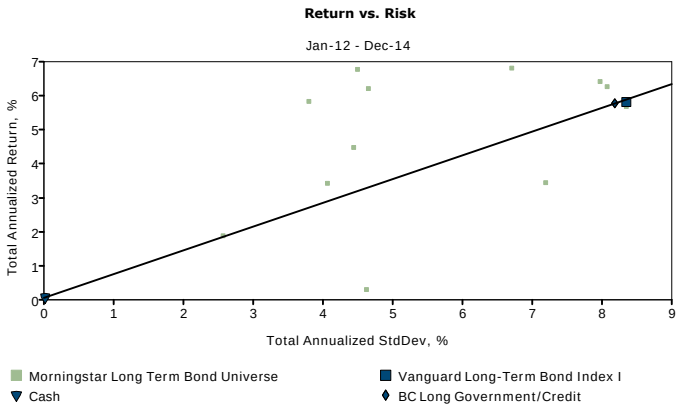

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | 5.32 | 2.75 | 6.71 | 8.77 | 1.91 | 10.43 | 22.23 | 8.63 | -9.01 | 19.87 |
| BC Long Government/Credit | 5.33 | 2.71 | 6.60 | 8.44 | 1.92 | 10.16 | 22.49 | 8.78 | -8.83 | 19.31 |



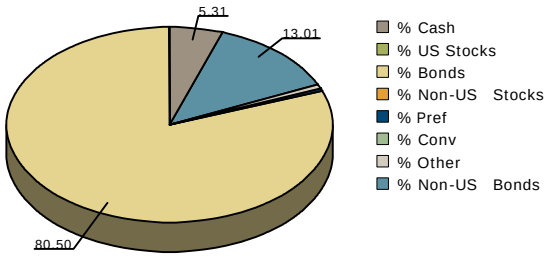

| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Long-Term Bond Index I | -0.04 | 1.02 | 99.28 | 0.71 | 8.35 | 0.72 |
| BC Long Government/Credit | 0.00 | 1.00 | 100.00 | 0.72 | 8.18 | 0.00 |
| Universe(5%) | 3.94 | 1.00 | 99.34 | 1.48 | 8.20 | 6.38 |
| Universe(25%) | 2.36 | 0.86 | 93.71 | 1.08 | 7.39 | 4.95 |
| Universe(Median) | 0.69 | 0.50 | 84.86 | 0.82 | 4.63 | 4.50 |
| Universe(75%) | 0.13 | 0.47 | 74.49 | 0.71 | 4.34 | 2.20 |
| Universe(95%) | -1.87 | 0.27 | 53.42 | 0.31 | 3.25 | 0.69 |



# 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 | 5.31 |
| % US Stocks | 0.06 |
| % Bonds | 80.50 |
| % Non-US Stocks | 0.00 |
| % Pref | 0.53 |
| % Conv | 0.00 |
| % Other | 0.59 |
| % Non-US Bonds | 13.01 |

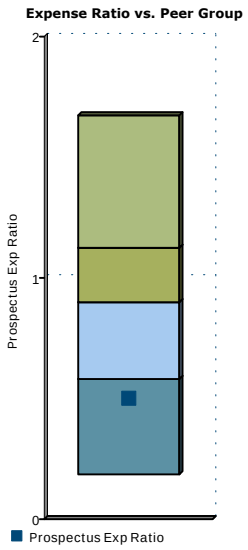
| Sector Allocation | |
|---|---|
| % Basic Materials | 0.00 |
| % Communication Services | 0.00 |
| % Consumer Cyclical | 0.00 |
| % Consumer Defensive | 0.00 |
| % Healthcare | 0.00 |
| % Industrials | 0.00 |
| % Real Estate | 0.00 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 4.99 |
| % Utilities | 95.01 |

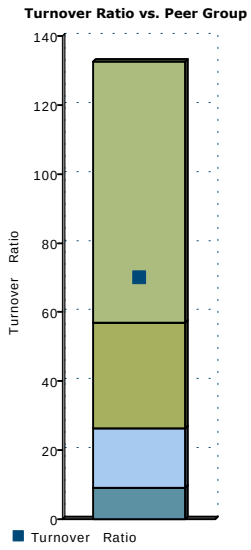
| Credit Quality | |
|---|---|
| Avg Eff Duration | 13.16 |
| Effective Maturity | 20.61 |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Cdx Ig22 5y Ice | 7.74% |
| US Treasury Bond 3.625% | 3.11% |
| US Treasury Bond 2.75% | 3.06% |
| US Treasury Bond 3.125% | 2.13% |
| Resolution Fdg Fed Bk Prin Stp | 1.90% |
| U S Treas Bd Stripped Prin Pmt | 1.87% |
| US Treasury Bond 3.125% | 1.75% |
| US Treasury Bond 2.75% | 1.59% |
| Resolution Fdg Fed Bk Prin Stp | 1.50% |
| AID 5.5% | 1.43% |

| Portfolio Information | |
|---|---|
| Ticker | PLRIX |
| Morningstar Category | Long-term Bond |
| Avg Mkt Cap $MM | NA |
| Cat Med Mkt Cap $MM | NA |
| Net Assets $MM | 4767.95 |
| Turnover Ratio | 70.00 |
| % Assets in Top 10 Holdings | 26.08 |
| Total Number of Holdings | 825.00 |
| Manager Name | Stephen A. Rodosky |
| Manager Tenure | 7.42 |
| Fund Incept Date | 08/31/2006 |
| Prospectus Exp Ratio | 0.50 |
| Phone Number | 888-877-4626 |

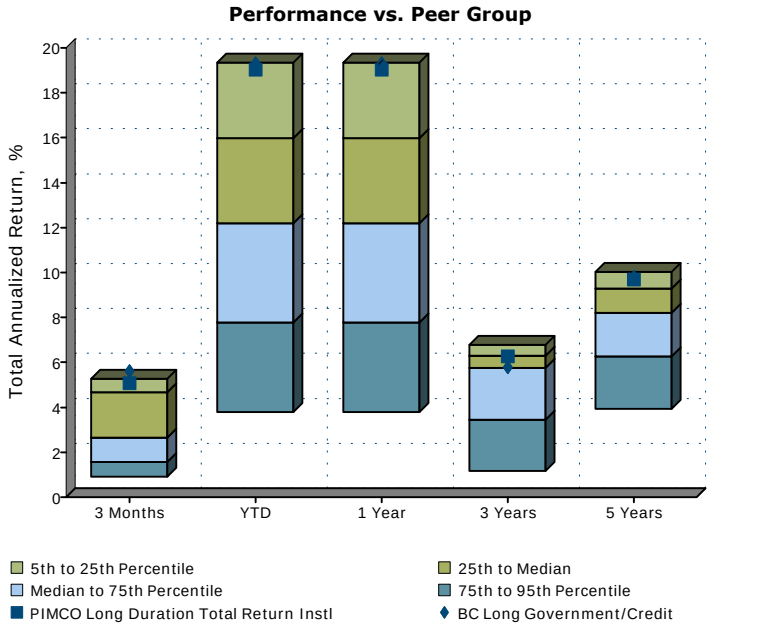
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 35 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 25 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | NA |



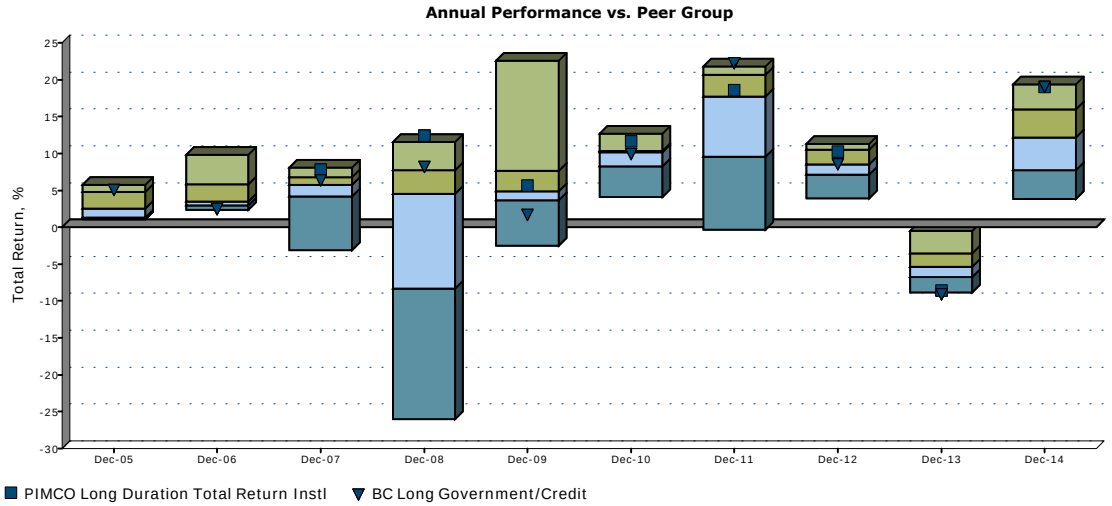

## Investment Strategy Summary

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.

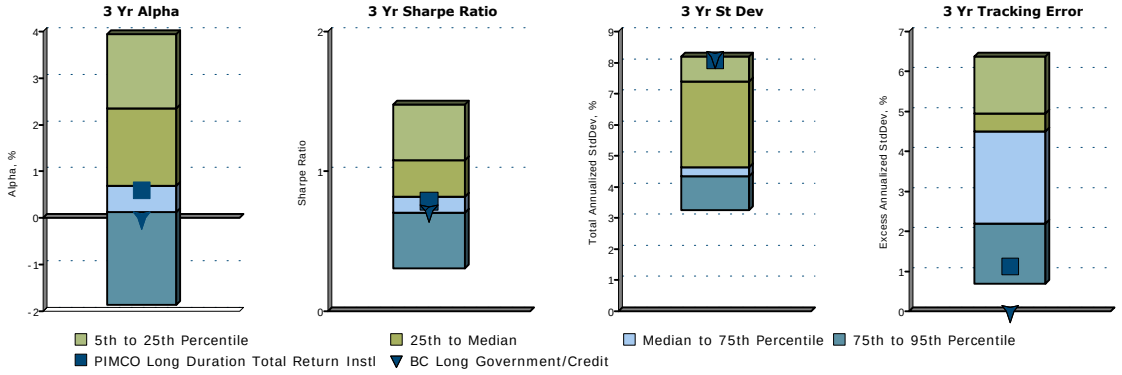



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| PIMCO Long Duration Total Return Instl | 5.06 | 19.02 | 19.02 | 6.27 | 9.70 |
| BC Long Government/Credit | 5.60 | 19.31 | 19.31 | 5.77 | 9.81 |
| Universe(5%) | 5.26 | 19.33 | 19.33 | 6.79 | 10.02 |
| Universe(25%) | 4.66 | 15.99 | 15.99 | 6.30 | 9.29 |
| Universe(Median) | 2.64 | 12.19 | 12.19 | 5.75 | 8.20 |
| Universe(75%) | 1.56 | 7.77 | 7.77 | 3.44 | 6.28 |
| Universe(95%) | 0.92 | 3.80 | 3.80 | 1.17 | 3.92 |

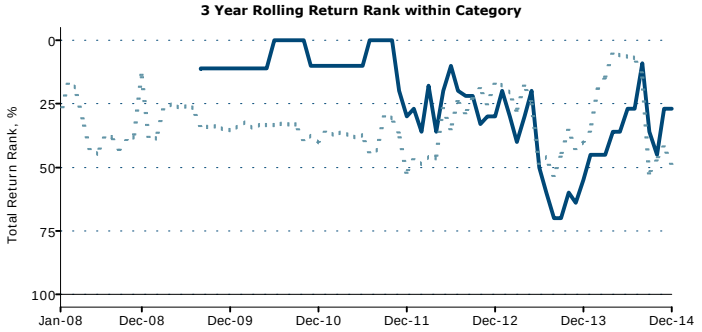
# PIMCO Long Duration Total Return Instl

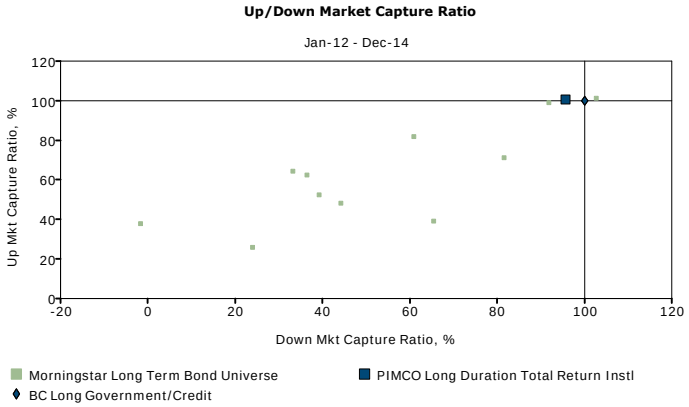


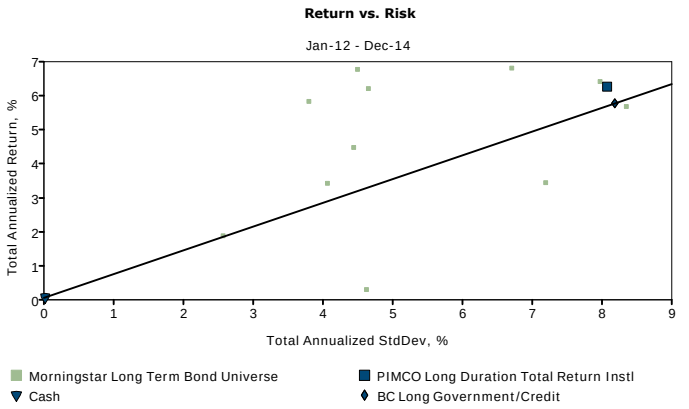

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| PIMCO Long Duration Total Return Instl | NA | NA | 7.83 | 12.38 | 5.62 | 11.64 | 18.57 | 10.28 | -8.56 | 19.02 |
| BC Long Government/Credit | 5.33 | 2.71 | 6.60 | 8.44 | 1.92 | 10.16 | 22.49 | 8.78 | -8.83 | 19.31 |




| 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 | 0.60 | 0.98 | 98.11 | 0.79 | 8.07 | 1.12 |
| BC Long Government/Credit | 0.00 | 1.00 | 100.00 | 0.72 | 8.18 | 0.00 |
| Universe(5%) | 3.94 | 1.00 | 99.34 | 1.48 | 8.20 | 6.38 |
| Universe(25%) | 2.36 | 0.86 | 93.71 | 1.08 | 7.39 | 4.95 |
| Universe(Median) | 0.69 | 0.50 | 84.86 | 0.82 | 4.63 | 4.50 |
| Universe(75%) | 0.13 | 0.47 | 74.49 | 0.71 | 4.34 | 2.20 |
| Universe(95%) | -1.87 | 0.27 | 53.42 | 0.31 | 3.25 | 0.69 |



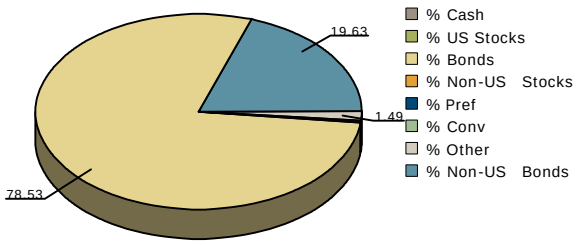



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Ivy High Income I




| Portfolio Region | |
|---|---|
| % United States | 13.08 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 86.92 |
| % 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 | 0.00 |
| % US Stocks | 0.04 |
| % Bonds | 78.53 |
| % Non-US Stocks | 0.29 |
| % Pref | 0.00 |
| % Conv | 0.02 |
| % Other | 1.49 |
| % Non-US Bonds | 19.63 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 0.00 |
| % Communication Services | 0.00 |
| % Consumer Cyclical | 9.14 |
| % Consumer Defensive | 0.00 |
| % Healthcare | 0.00 |
| % Industrials | 0.00 |
| % Real Estate | 0.00 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 0.00 |
| % Utilities | 90.86 |

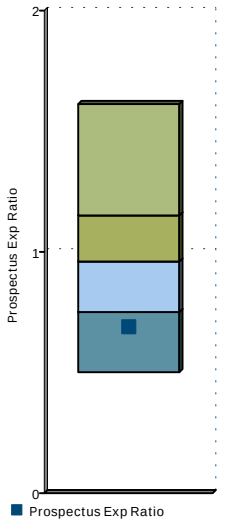
| Credit Quality | |
|---|---|
| Avg Eff Duration | 3.54 |
| Effective Maturity | 5.16 |
| Avg Credit Quality | B |
| AAA | 0.00 |
| AA | 0.00 |
| A | 1.20 |
| BBB | 0.55 |
| BB | 17.41 |
| B | 40.83 |
| Below B | 39.76 |
| NR/NA | 0.25 |

| Top Ten Holdings | |
|---|---|
| Misys Plc And Magic Newco Llc | 2.52% |
| Laureate Educ 144A 9.25% | 2.11% |
| Onex Usi Acquisition 144A 7.75% | 1.16% |
| Pinnacle Operating Corporation 144A 9% | 1.05% |
| Bakercorp Intl 144A 8.25% | 1.02% |
| Tmx Fin Llc/Titlemax Fin 144A 8.5% | 1.02% |
| Jo-Ann Stores 144A 9.75% | 1.01% |
| Natl Finl Partners 144A 9% | 0.90% |
| Vtr Fin Bv 144A 6.875% | 0.89% |
| Tenet Healthcare 8.125% | 0.88% |

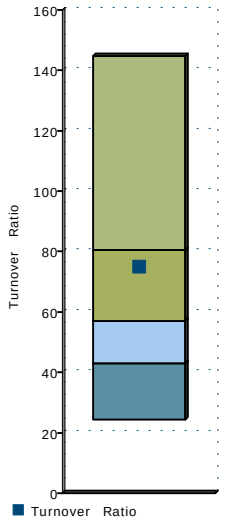
| Portfolio Information | |
|---|---|
| Ticker | IVHIX |
| Morningstar Category | High Yield Bond |
| Avg Mkt Cap $MM | 2905.56 |
| Cat Med Mkt Cap $MM | 11040.97 |
| Net Assets $MM | 8322.27 |
| Turnover Ratio | 75.00 |
| % Assets in Top 10 Holdings | 12.56 |
| Total Number of Holdings | 362.00 |
| Manager Name | Chad A. Gunther |
| Manager Tenure | 0.48 |
| Fund Incept Date | 07/31/1997 |
| Prospectus Exp Ratio | 0.69 |
| Phone Number | 800-777-6472 |

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

**Expense Ratio vs. Peer Group**



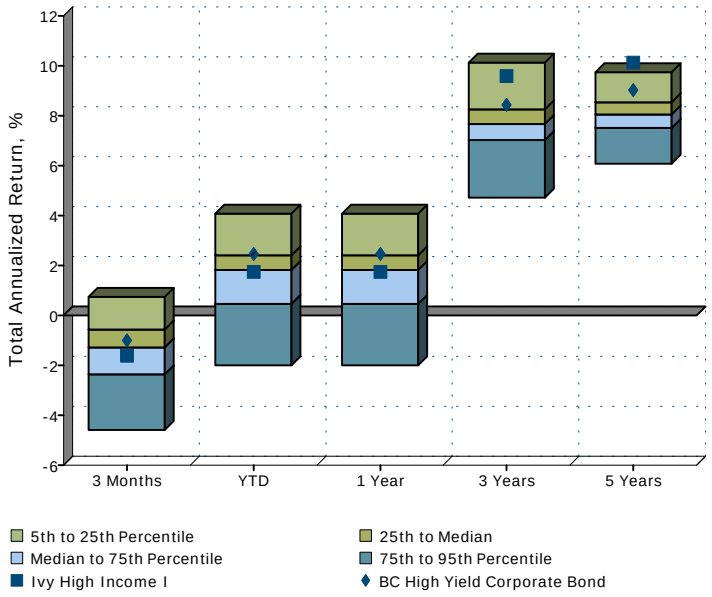

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

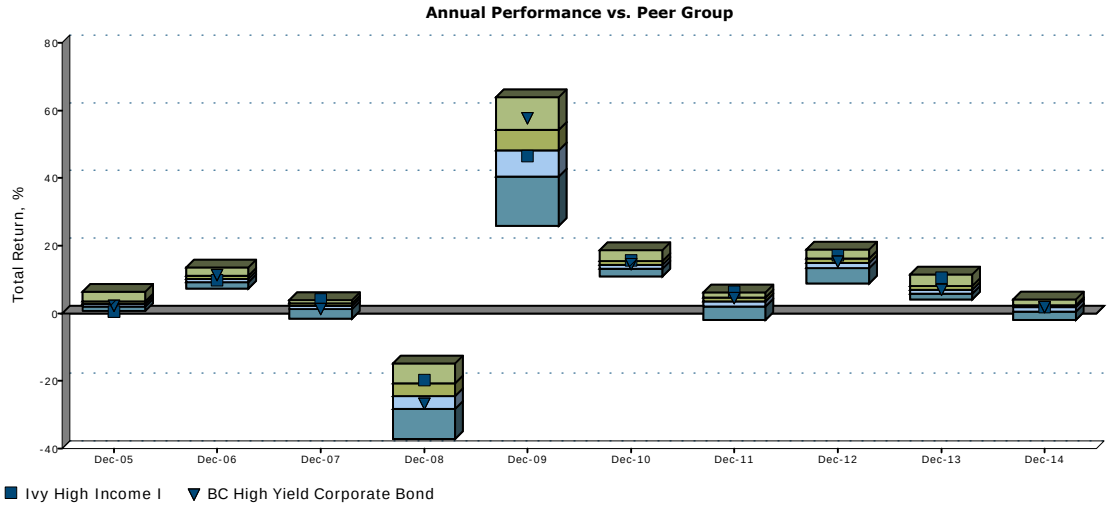
The investment seeks to provide total return through a combination of high current income and capital appreciation. The fund invests primarily in a diversified portfolio of high-yield, high-risk, fixed income securities, including secured and unsecured loan assignments, loan participations and other loan instruments (loans), of U.S. and foreign issuers, the risks of which are, in the judgment of the adviser consistent with the fund's objective. It invests primarily in lower quality debt securities, which include debt securities rated BBB+ or lower.

**Performance vs. Peer Group**

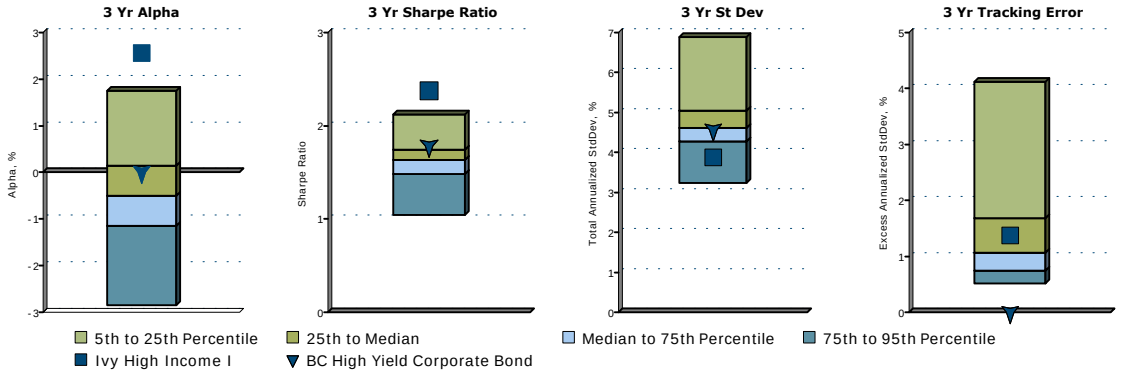



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Ivy High Income I | -1.61 | 1.74 | 1.74 | 9.60 | 10.13 |
| BC High Yield Corporate Bond | -1.00 | 2.45 | 2.45 | 8.43 | 9.03 |
| Universe(5%) | 0.73 | 4.08 | 4.08 | 10.14 | 9.74 |
| Universe(25%) | -0.56 | 2.41 | 2.41 | 8.26 | 8.53 |
| Universe(Median) | -1.29 | 1.81 | 1.81 | 7.66 | 8.06 |
| Universe(75%) | -2.37 | 0.47 | 0.47 | 7.02 | 7.52 |
| Universe(95%) | -4.60 | -2.00 | -2.00 | 4.71 | 6.07 |

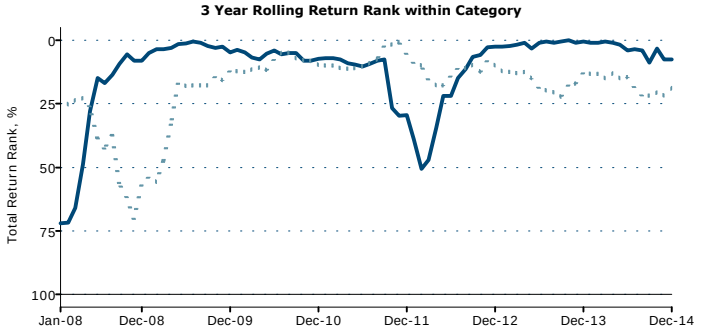
# Ivy High Income I

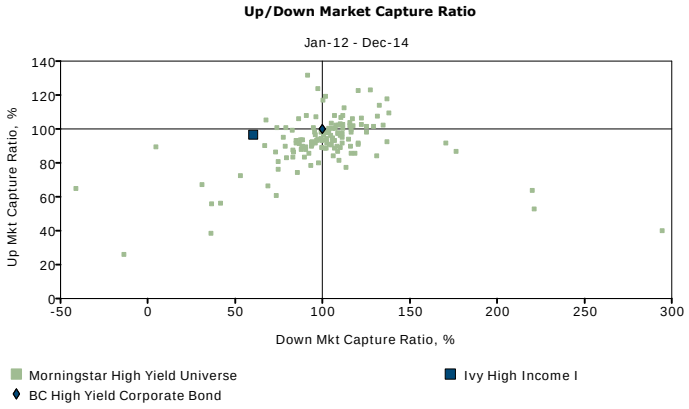


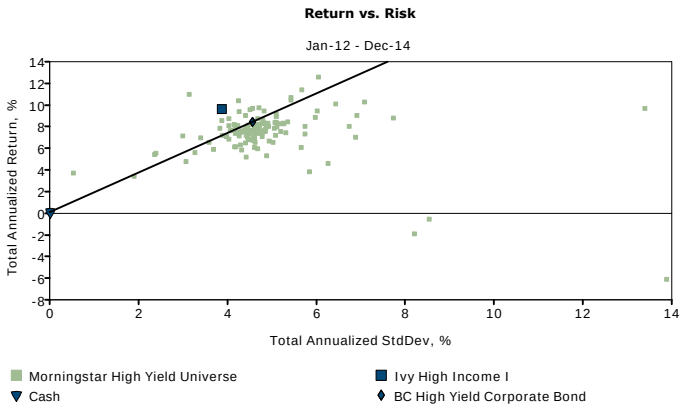

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ivy High Income I | 0.59 | 9.69 | 4.05 | -19.73 | 46.56 | 15.62 | 6.44 | 17.16 | 10.46 | 1.74 |
| BC High Yield Corporate Bond | 2.74 | 11.85 | 1.87 | -26.16 | 58.21 | 15.12 | 4.98 | 15.81 | 7.44 | 2.45 |



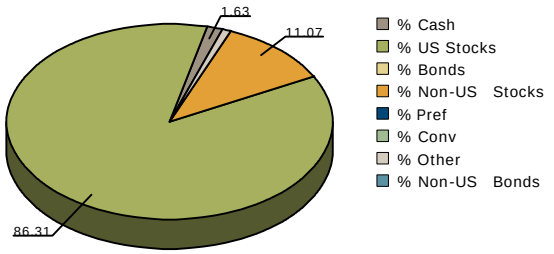

| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Ivy High Income I | 2.56 | 0.82 | 92.10 | 2.37 | 3.88 | 1.38 |
| BC High Yield Corporate Bond | 0.00 | 1.00 | 100.00 | 1.79 | 4.56 | 0.00 |
| Universe(5%) | 1.75 | 1.23 | 98.83 | 2.12 | 6.89 | 4.12 |
| Universe(25%) | 0.14 | 1.06 | 97.70 | 1.74 | 5.04 | 1.68 |
| Universe(Median) | -0.50 | 0.99 | 95.69 | 1.63 | 4.61 | 1.06 |
| Universe(75%) | -1.15 | 0.91 | 89.46 | 1.48 | 4.28 | 0.74 |
| Universe(95%) | -2.85 | 0.61 | 60.08 | 1.04 | 3.24 | 0.51 |



# Vanguard Equity-Income Adm




| Portfolio Region | |
|---|---|
| % United States | 88.63 |
| % Canada | 2.82 |
| % Latin America | 0.00 |
| % United Kingdom | 3.81 |
| % Eurozone | 2.55 |
| % Europe - ex Euro | 2.18 |
| % 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 | 1.63 |
| % US Stocks | 86.31 |
| % Bonds | 0.00 |
| % Non-US Stocks | 11.07 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.99 |
| % Non-US Bonds | 0.00 |

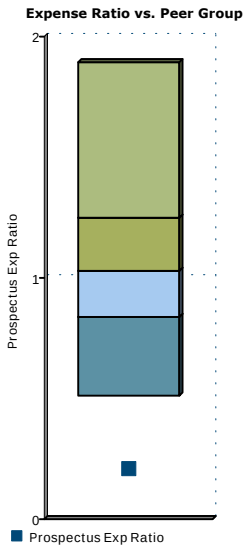
| Sector Allocation | |
|---|---|
| % Basic Materials | 3.38 |
| % Communication Services | 5.02 |
| % Consumer Cyclical | 5.73 |
| % Consumer Defensive | 12.42 |
| % Healthcare | 13.23 |
| % Industrials | 12.39 |
| % Real Estate | 0.00 |
| % Technology | 14.08 |
| % Energy | 11.41 |
| % Financial Services | 15.97 |
| % Utilities | 6.37 |

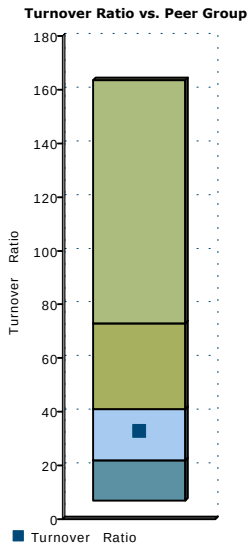
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Wells Fargo & Co | 3.83% |
| Microsoft Corp | 3.77% |
| Johnson & Johnson | 3.64% |
| Verizon Communications Inc | 3.20% |
| Exxon Mobil Corporation | 3.09% |
| Merck & Co Inc | 2.98% |
| Chevron Corp | 2.80% |
| JPMorgan Chase & Co | 2.78% |
| Apple Inc | 2.27% |
| Intel Corp | 2.23% |

| Portfolio Information | |
|---|---|
| Ticker | VEIRX |
| Morningstar Category | Large Value |
| Avg Mkt Cap $MM | 85829.13 |
| Cat Med Mkt Cap $MM | 84087.07 |
| Net Assets $MM | 18794.23 |
| Turnover Ratio | 33.00 |
| % Assets in Top 10 Holdings | 30.61 |
| Total Number of Holdings | 184.00 |
| Manager Name | James P. Stetler |
| Manager Tenure | 11.01 |
| Fund Incept Date | 03/21/1988 |
| Prospectus Exp Ratio | 0.21 |
| Phone Number | 800-662-7447 |

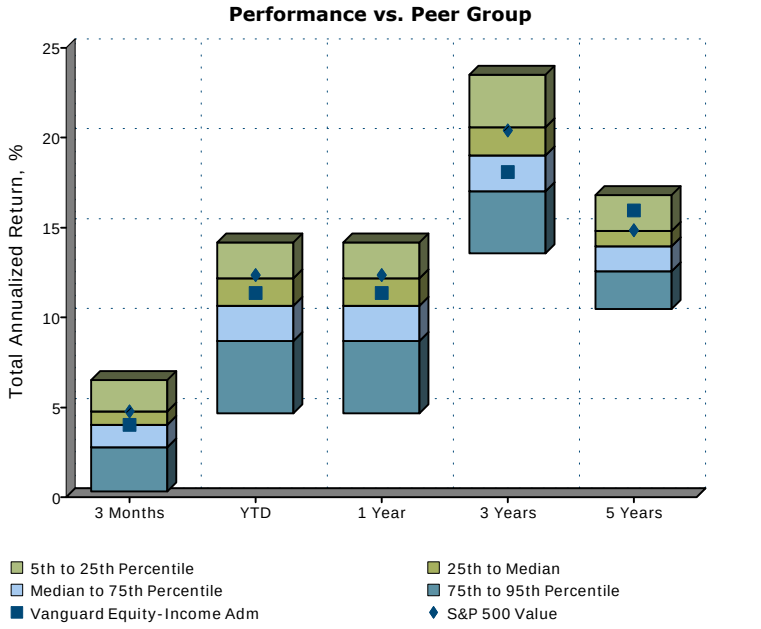
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 58 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 6 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 8 |



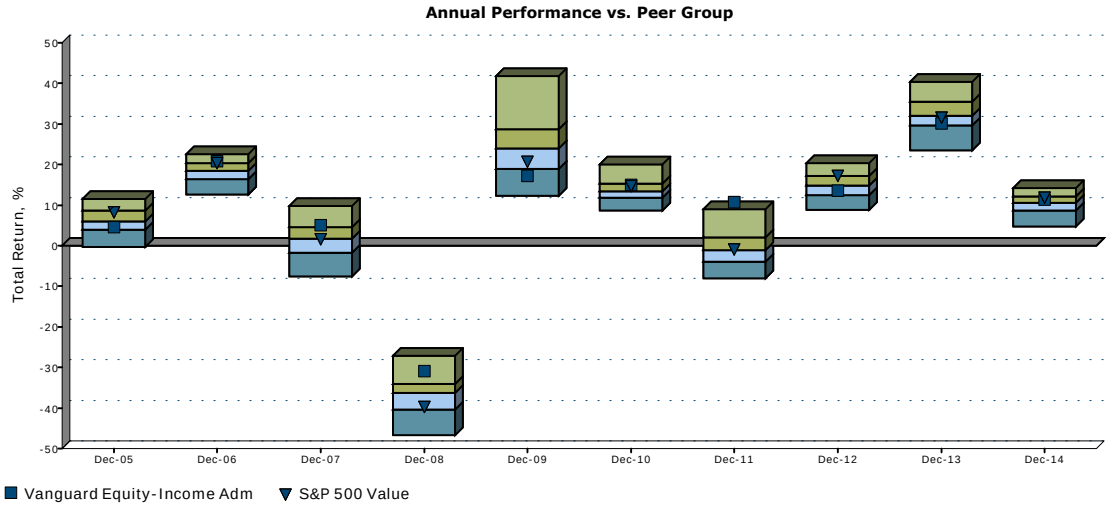

## Investment Strategy Summary

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 typically pay above-average levels of dividend income and are, in the opinion of the purchasing advisor, undervalued relative to other stocks. In addition, the advisors generally look for companies that they believe are committed to paying dividends consistently. Under normal circumstances, the fund will invest at least 80% of its assets in equity securities. The fund uses multiple investment advisors.

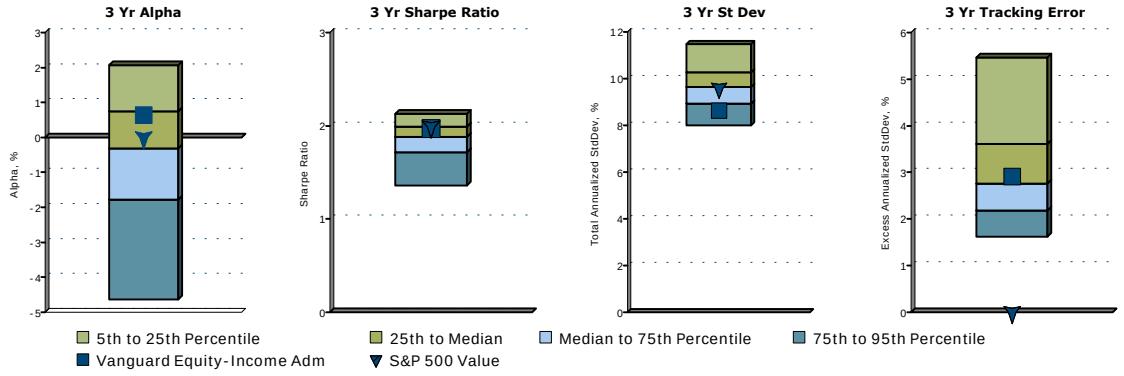



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Equity-Income Adm | 4.03 | 11.38 | 11.38 | 18.09 | 15.95 |
| S&P 500 Value | 4.78 | 12.36 | 12.36 | 20.40 | 14.86 |
| Universe(5%) | 6.51 | 14.16 | 14.16 | 23.51 | 16.82 |
| Universe(25%) | 4.76 | 12.19 | 12.19 | 20.59 | 14.82 |
| Universe(Median) | 4.04 | 10.64 | 10.64 | 19.03 | 13.95 |
| Universe(75%) | 2.78 | 8.68 | 8.68 | 17.02 | 12.58 |
| Universe(95%) | 0.33 | 4.67 | 4.67 | 13.56 | 10.48 |

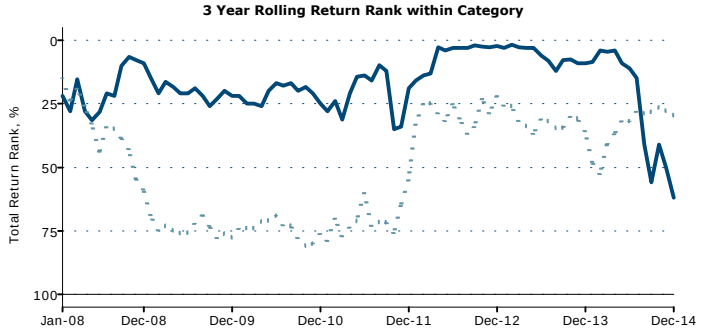
# Vanguard Equity-Income Adm

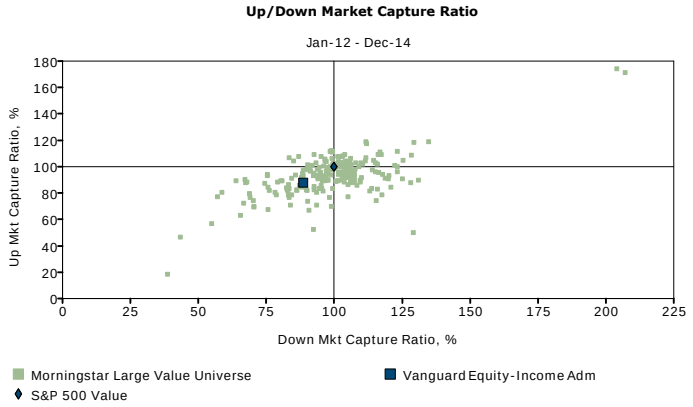


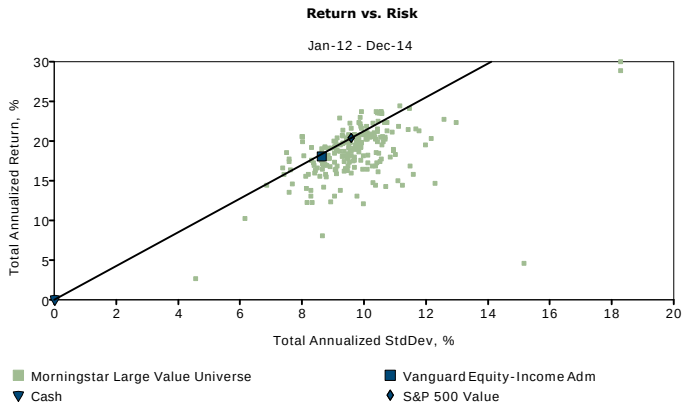

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Equity-Income Adm | 4.52 | 20.77 | 4.99 | -30.86 | 17.26 | 14.99 | 10.69 | 13.58 | 30.19 | 11.38 |
| S&P 500 Value | 8.71 | 20.80 | 1.99 | -39.22 | 21.18 | 15.10 | -0.48 | 17.68 | 31.99 | 12.36 |




| 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 | 0.63 | 0.86 | 91.03 | 1.97 | 8.64 | 2.92 |
| S&P 500 Value | 0.00 | 1.00 | 100.00 | 1.99 | 9.59 | 0.00 |
| Universe(5%) | 2.07 | 1.11 | 97.44 | 2.13 | 11.48 | 5.46 |
| Universe(25%) | 0.74 | 1.03 | 95.28 | 1.99 | 10.29 | 3.60 |
| Universe(Median) | -0.32 | 0.97 | 92.92 | 1.88 | 9.65 | 2.76 |
| Universe(75%) | -1.78 | 0.90 | 87.95 | 1.72 | 8.93 | 2.18 |
| Universe(95%) | -4.64 | 0.73 | 75.07 | 1.36 | 8.00 | 1.63 |



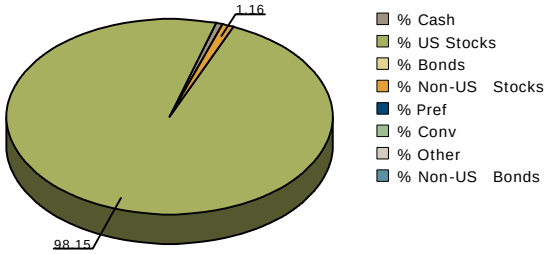



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Growth Index Adm




| Portfolio Region | |
|---|---|
| % United States | 98.83 |
| % Canada | 0.12 |
| % Latin America | 0.00 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.79 |
| % 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 | 0.26 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.69 |
| % US Stocks | 98.15 |
| % Bonds | 0.00 |
| % Non-US Stocks | 1.16 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

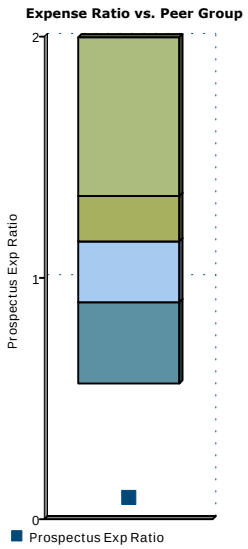
| Sector Allocation | |
|---|---|
| % Basic Materials | 3.10 |
| % Communication Services | 3.77 |
| % Consumer Cyclical | 17.26 |
| % Consumer Defensive | 7.38 |
| % Healthcare | 13.43 |
| % Industrials | 10.89 |
| % Real Estate | 5.09 |
| % Technology | 25.92 |
| % Energy | 6.53 |
| % Financial Services | 6.52 |
| % Utilities | 0.10 |

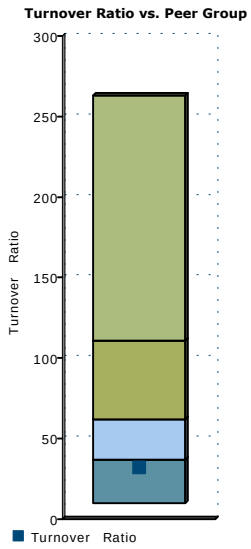
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Apple Inc | 7.85% |
| Coca-Cola Co | 1.95% |
| Facebook Inc Class A | 1.73% |
| Google Inc Class C | 1.72% |
| Google Inc Class A | 1.71% |
| Gilead Sciences Inc | 1.67% |
| Walt Disney Co | 1.58% |
| Oracle Corporation | 1.56% |
| Philip Morris International Inc | 1.50% |
| Home Depot Inc | 1.47% |

| Portfolio Information | |
|---|---|
| Ticker | VIGAX |
| Morningstar Category | Large Growth |
| Avg Mkt Cap $MM | 54903.95 |
| Cat Med Mkt Cap $MM | 71799.63 |
| Net Assets $MM | 45061.93 |
| Turnover Ratio | 32.00 |
| % Assets in Top 10 Holdings | 22.74 |
| Total Number of Holdings | 369.00 |
| Manager Name | Gerard C. O'Reilly |
| Manager Tenure | 20.01 |
| Fund Incept Date | 11/02/1992 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

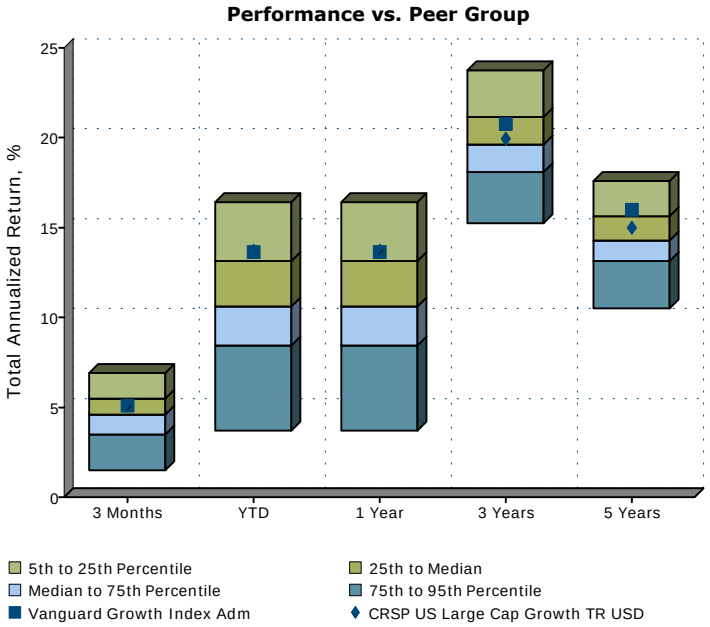
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 28 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 14 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 22 |



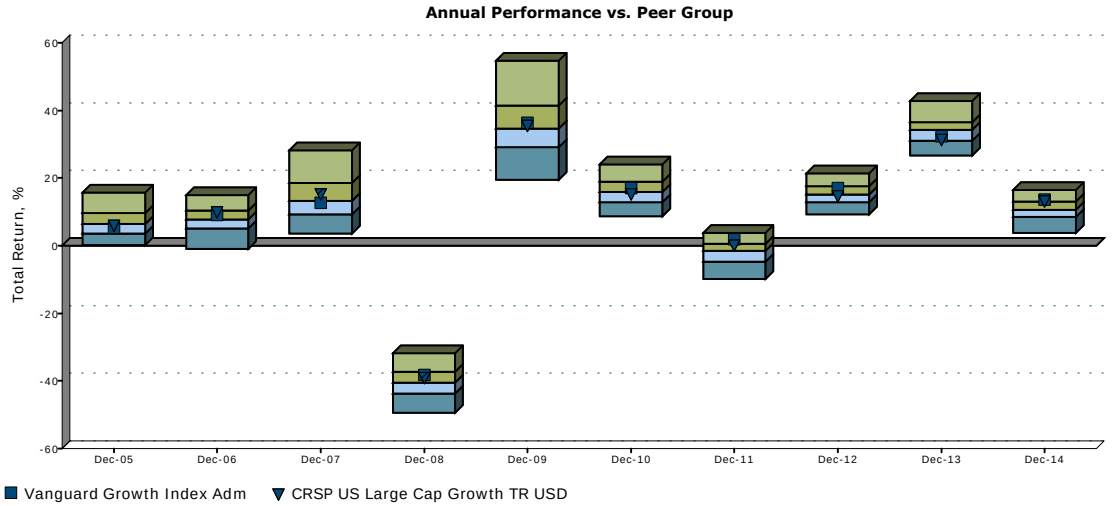

### Investment Strategy Summary

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization growth stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP U.S. Large Cap Growth Index, a broadly diversified index predominantly made up of growth stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

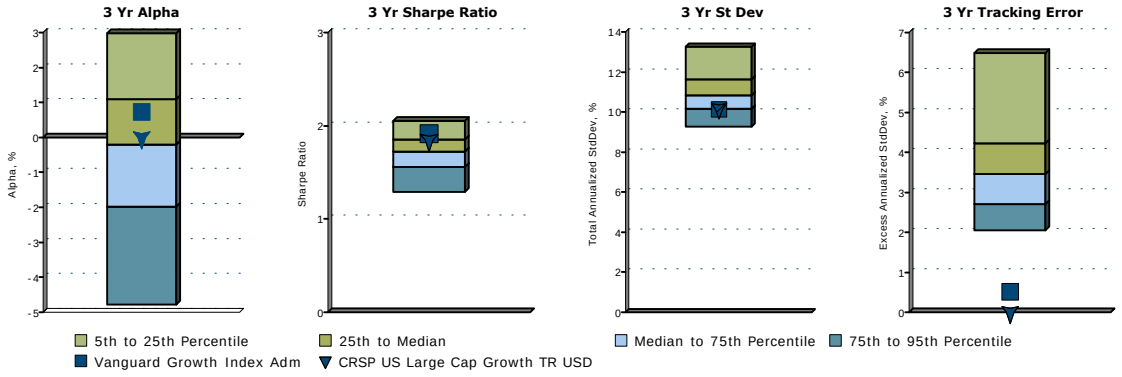



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Growth Index Adm | 5.10 | 13.63 | 13.63 | 20.74 | 16.00 |
| CRSP US Large Cap Growth TR USD | 5.10 | 13.69 | 13.69 | 19.95 | 14.98 |
| Universe(5%) | 6.90 | 16.41 | 16.41 | 23.74 | 17.59 |
| Universe(25%) | 5.50 | 13.14 | 13.14 | 21.16 | 15.63 |
| Universe(Median) | 4.61 | 10.61 | 10.61 | 19.63 | 14.30 |
| Universe(75%) | 3.48 | 8.43 | 8.43 | 18.11 | 13.15 |
| Universe(95%) | 1.49 | 3.70 | 3.70 | 15.23 | 10.51 |

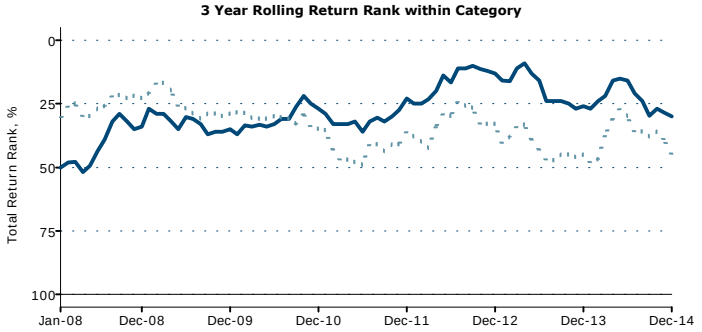
# Vanguard Growth Index Adm

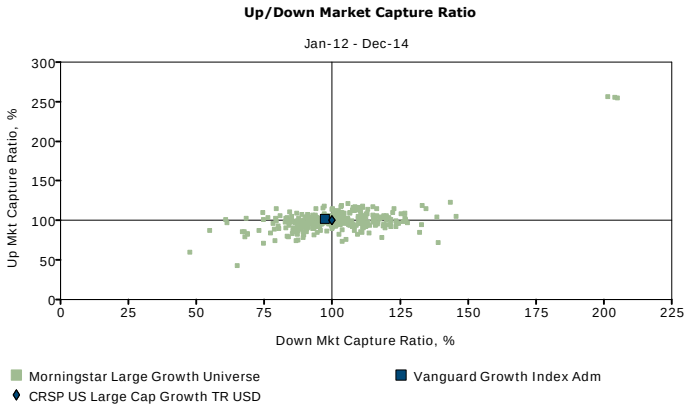


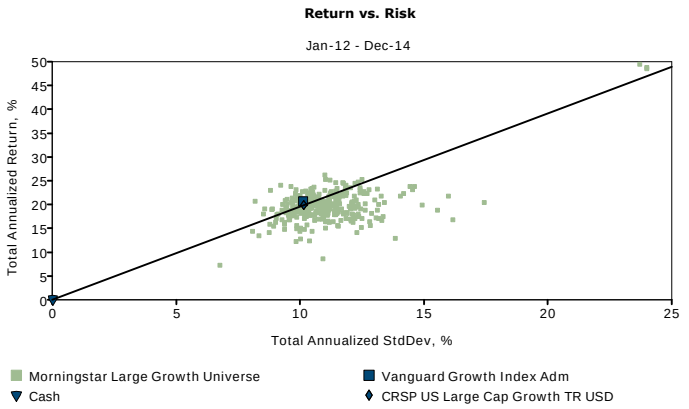

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Growth Index Adm | 5.21 | 9.13 | 12.70 | -38.22 | 36.42 | 17.12 | 1.87 | 17.01 | 32.40 | 13.63 |
| CRSP US Large Cap Growth TR USD | 6.40 | 10.32 | 15.66 | -38.67 | 35.92 | 15.77 | 0.58 | 15.20 | 31.75 | 13.69 |




| 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 Growth Index Adm | 0.73 | 1.00 | 99.75 | 1.92 | 10.14 | 0.51 |
| CRSP US Large Cap Growth TR USD | 0.00 | 1.00 | 100.00 | 1.85 | 10.16 | 0.00 |
| Universe(5%) | 2.97 | 1.19 | 96.26 | 2.05 | 13.27 | 6.49 |
| Universe(25%) | 1.09 | 1.09 | 93.74 | 1.86 | 11.64 | 4.23 |
| Universe(Median) | -0.20 | 1.01 | 90.45 | 1.72 | 10.85 | 3.46 |
| Universe(75%) | -1.98 | 0.95 | 86.52 | 1.56 | 10.16 | 2.71 |
| Universe(95%) | -4.78 | 0.83 | 74.44 | 1.29 | 9.27 | 2.05 |



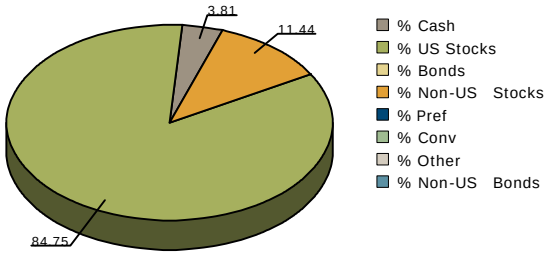



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard PRIMECAP Inv




| Portfolio Region | |
|---|---|
| % United States | 88.11 |
| % Canada | 1.03 |
| % Latin America | 0.03 |
| % United Kingdom | 0.34 |
| % Eurozone | 1.17 |
| % Europe - ex Euro | 8.48 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 0.50 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.33 |

| Portfolio Structure | |
|---|---|
| % Cash | 3.81 |
| % US Stocks | 84.75 |
| % Bonds | 0.00 |
| % Non-US Stocks | 11.44 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

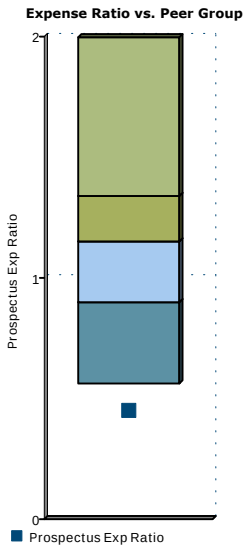
| Sector Allocation | |
|---|---|
| % Basic Materials | 2.46 |
| % Communication Services | 1.73 |
| % Consumer Cyclical | 5.99 |
| % Consumer Defensive | 0.20 |
| % Healthcare | 31.49 |
| % Industrials | 15.54 |
| % Real Estate | 0.00 |
| % Technology | 32.03 |
| % Energy | 4.22 |
| % Financial Services | 6.35 |
| % Utilities | 0.00 |

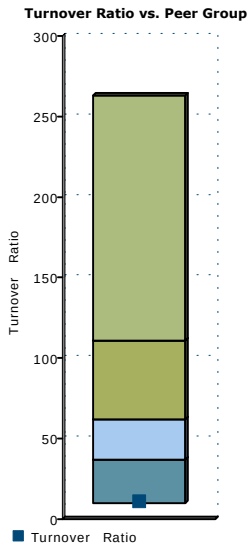
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Biogen Idec Inc | 7.44% |
| Amgen Inc | 5.04% |
| Eli Lilly and Co | 4.26% |
| FedEx Corp | 4.13% |
| Microsoft Corp | 4.09% |
| Roche Holding AG Dividend Right Cert. | 3.91% |
| Texas Instruments Inc | 3.70% |
| Adobe Systems Inc | 3.63% |
| Novartis AG ADR | 2.67% |
| Southwest Airlines Co | 2.63% |

| Portfolio Information | |
|---|---|
| Ticker | VPMCX |
| Morningstar Category | Large Growth |
| Avg Mkt Cap $MM | 63942.24 |
| Cat Med Mkt Cap $MM | 71799.63 |
| Net Assets $MM | 46310.41 |
| Turnover Ratio | 11.00 |
| % Assets in Top 10 Holdings | 41.50 |
| Total Number of Holdings | 128.00 |
| Manager Name | Joel P. Fried |
| Manager Tenure | 26.02 |
| Fund Incept Date | 11/01/1984 |
| Prospectus Exp Ratio | 0.45 |
| Phone Number | 800-662-7447 |

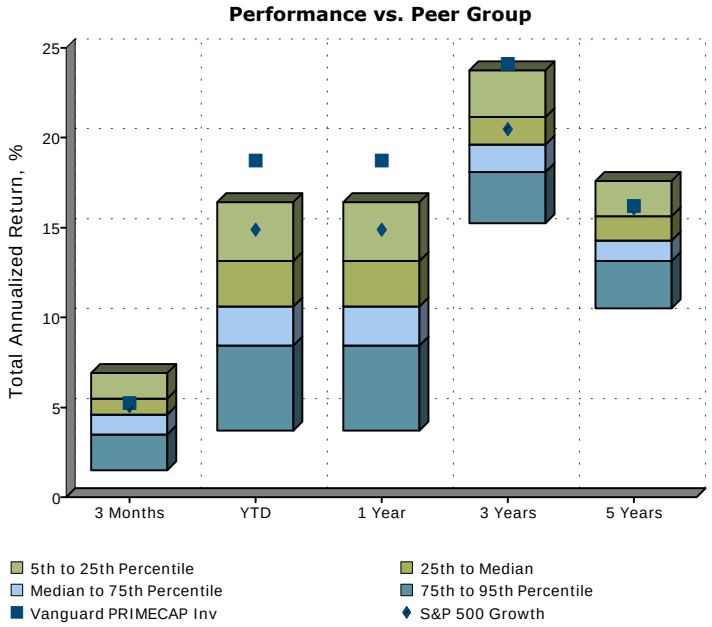
| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★★★ |
| % Rank Cat 3 Yr | 2 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 12 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 4 |



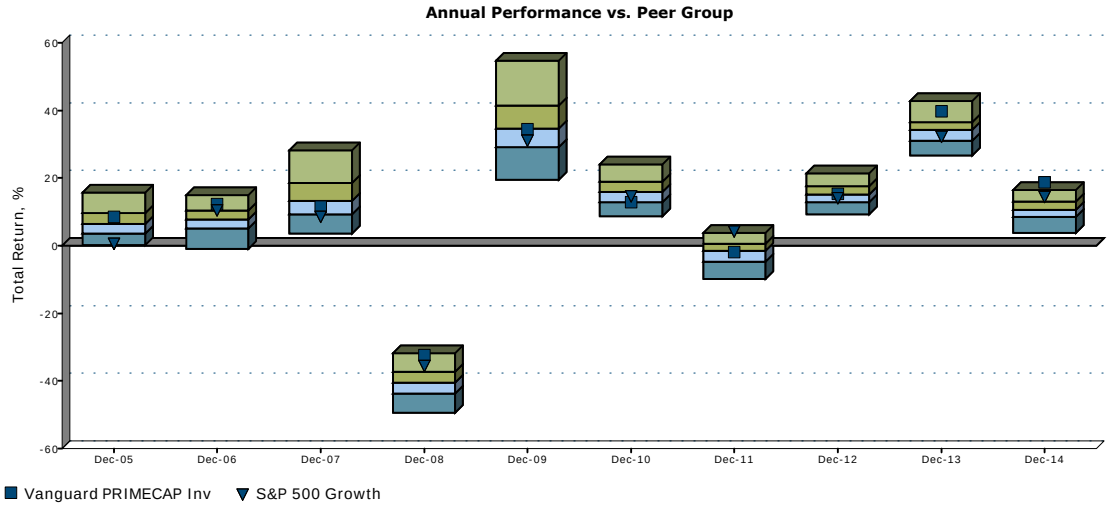

### Investment Strategy Summary

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.

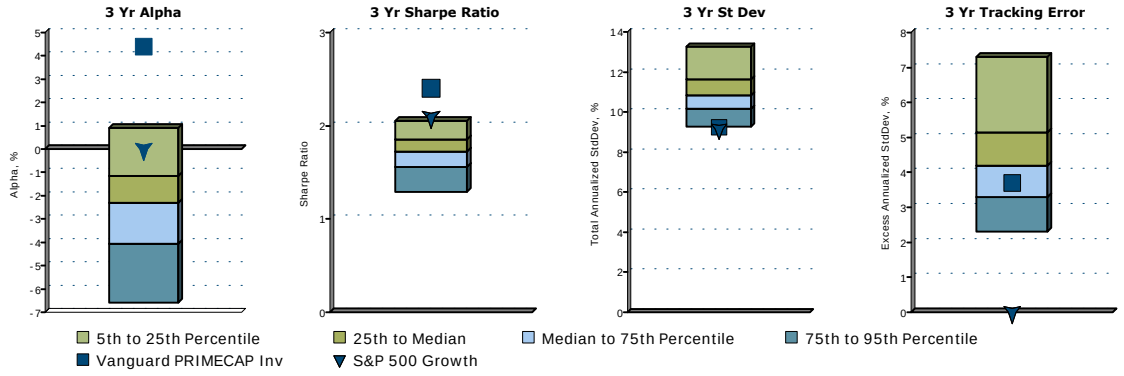



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard PRIMECAP Inv | 5.24 | 18.72 | 18.72 | 24.12 | 16.20 |
| S&P 500 Growth | 5.06 | 14.89 | 14.89 | 20.46 | 16.05 |
| Universe(5%) | 6.90 | 16.41 | 16.41 | 23.74 | 17.59 |
| Universe(25%) | 5.50 | 13.14 | 13.14 | 21.16 | 15.63 |
| Universe(Median) | 4.61 | 10.61 | 10.61 | 19.63 | 14.30 |
| Universe(75%) | 3.48 | 8.43 | 8.43 | 18.11 | 13.15 |
| Universe(95%) | 1.49 | 3.70 | 3.70 | 15.23 | 10.51 |

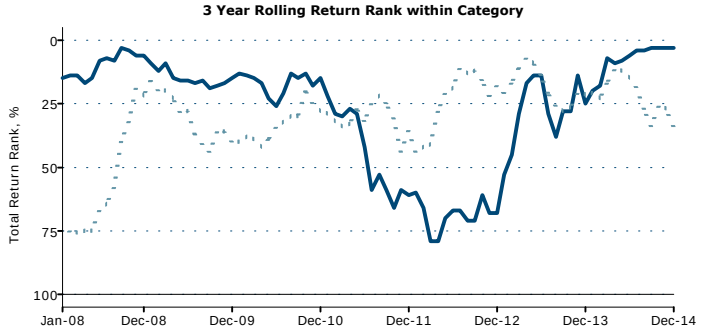
# Vanguard PRIMECAP Inv

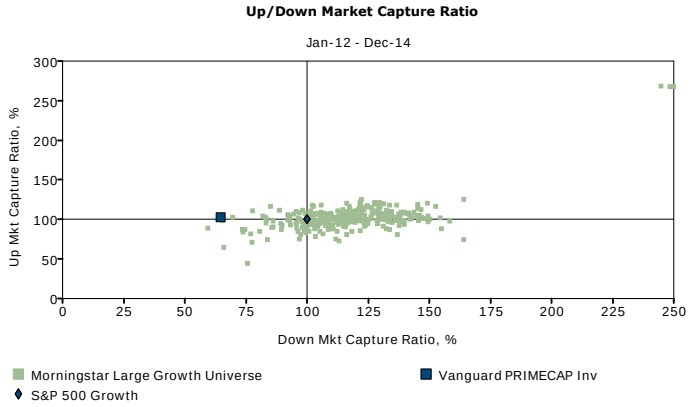


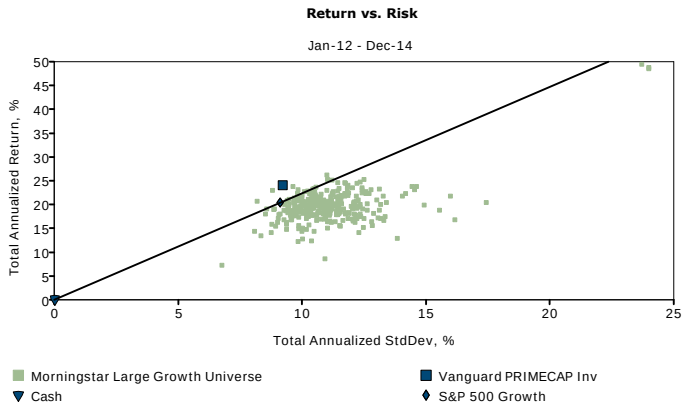

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard PRIMECAP Inv | 8.49 | 12.30 | 11.49 | -32.41 | 34.45 | 12.89 | -1.84 | 15.27 | 39.73 | 18.72 |
| S&P 500 Growth | 1.14 | 11.01 | 9.13 | -34.92 | 31.57 | 15.05 | 4.65 | 14.61 | 32.75 | 14.89 |




| 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 | 4.40 | 0.93 | 84.47 | 2.40 | 9.23 | 3.70 |
| S&P 500 Growth | 0.00 | 1.00 | 100.00 | 2.09 | 9.13 | 0.00 |
| Universe(5%) | 0.90 | 1.26 | 94.96 | 2.05 | 13.27 | 7.30 |
| Universe(25%) | -1.16 | 1.17 | 90.13 | 1.86 | 11.64 | 5.15 |
| Universe(Median) | -2.31 | 1.10 | 86.22 | 1.72 | 10.85 | 4.19 |
| Universe(75%) | -4.06 | 1.05 | 81.32 | 1.56 | 10.16 | 3.30 |
| Universe(95%) | -6.58 | 0.93 | 69.29 | 1.29 | 9.27 | 2.31 |



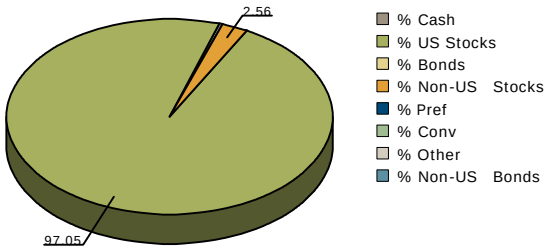



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Mid-Cap Value Index Admiral




| Portfolio Region | |
|---|---|
| % United States | 97.43 |
| % Canada | 0.00 |
| % Latin America | 0.00 |
| % United Kingdom | 1.33 |
| % 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 | 1.25 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.39 |
| % US Stocks | 97.05 |
| % Bonds | 0.00 |
| % Non-US Stocks | 2.56 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 7.34 |
| % Communication Services | 0.80 |
| % Consumer Cyclical | 16.10 |
| % Consumer Defensive | 8.84 |
| % Healthcare | 9.61 |
| % Industrials | 10.44 |
| % Real Estate | 4.46 |
| % Technology | 10.10 |
| % Energy | 4.81 |
| % Financial Services | 17.83 |
| % Utilities | 9.67 |

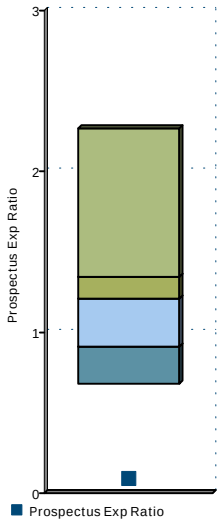
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| United Continental Holdings Inc | 1.38% |
| Mylan Inc | 1.33% |
| Delphi Automotive PLC | 1.32% |
| Seagate Technology PLC | 1.24% |
| Alcoa Inc | 1.23% |
| AmerisourceBergen Corp | 1.17% |
| Hartford Financial Services Group Inc | 1.12% |
| Fidelity National Information Services Inc | 1.06% |
| Boston Scientific Inc | 1.03% |
| Sigma-Aldrich Corp | 0.98% |

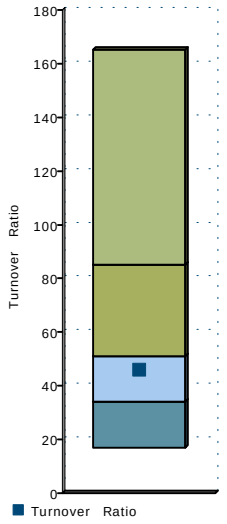
| Portfolio Information | |
|---|---|
| Ticker | VMVAX |
| Morningstar Category | Mid-Cap Value |
| Avg Mkt Cap $MM | 10316.69 |
| Cat Med Mkt Cap $MM | 9289.32 |
| Net Assets $MM | 6930.83 |
| Turnover Ratio | 46.00 |
| % Assets in Top 10 Holdings | 11.87 |
| Total Number of Holdings | 206.00 |
| Manager Name | Donald M. Butler |
| Manager Tenure | 8.38 |
| Fund Incept Date | 09/27/2011 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 16 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 11 |
| 10 Year Mstar Rating | NA |
| % Rank Cat 10 Yr | NA |

**Expense Ratio vs. Peer Group**



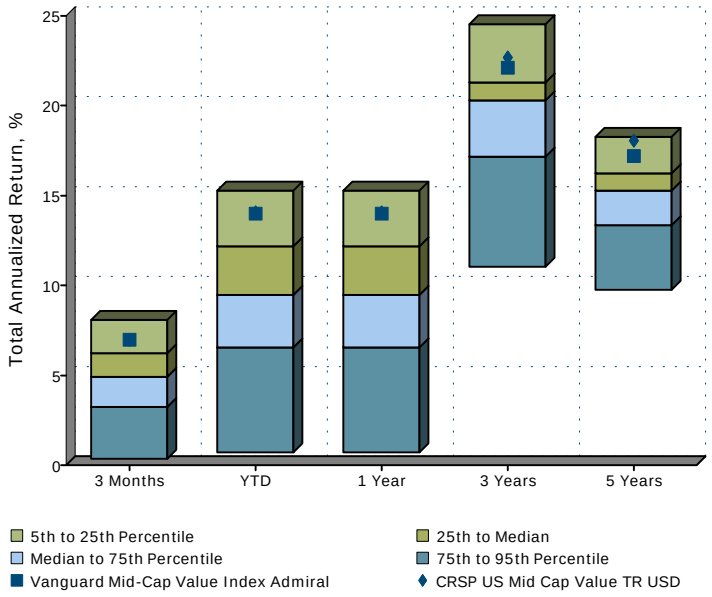

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

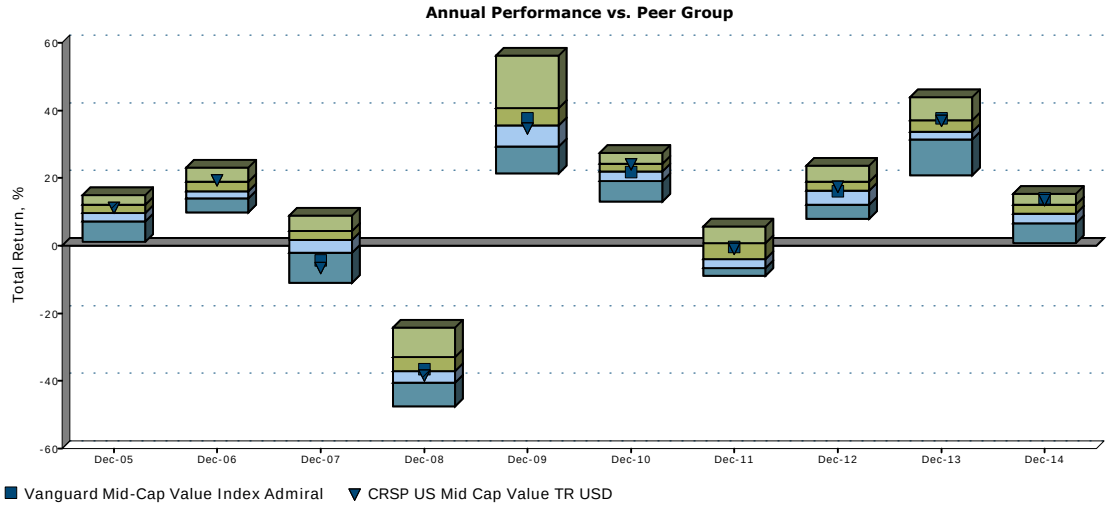
The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization value stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Value Index, a broadly diversified index of value stocks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

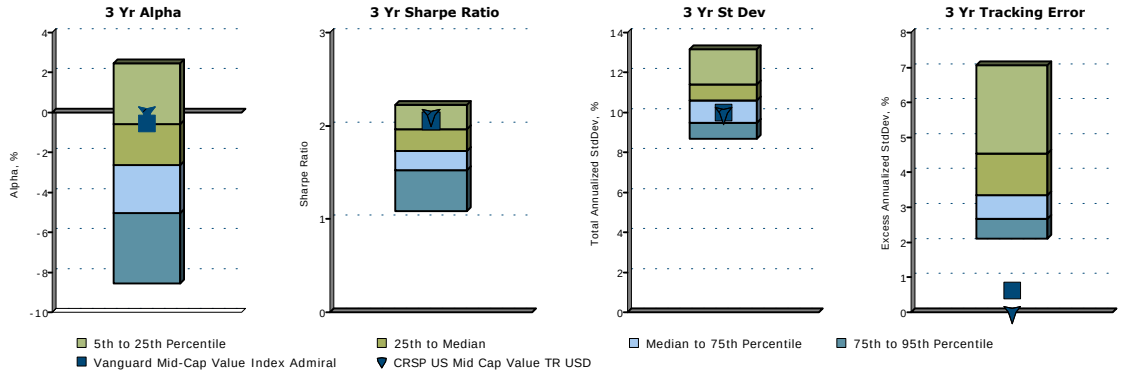



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Mid-Cap Value Index Admiral | 6.96 | 13.98 | 13.98 | 22.10 | 17.20 |
| CRSP US Mid Cap Value TR USD | 6.98 | 14.05 | 14.05 | 22.70 | 18.05 |
| Universe(5%) | 8.10 | 15.27 | 15.27 | 24.53 | 18.26 |
| Universe(25%) | 6.25 | 12.18 | 12.18 | 21.29 | 16.24 |
| Universe(Median) | 4.92 | 9.48 | 9.48 | 20.29 | 15.29 |
| Universe(75%) | 3.25 | 6.55 | 6.55 | 17.15 | 13.34 |
| Universe(95%) | 0.37 | 0.73 | 0.73 | 11.04 | 9.77 |

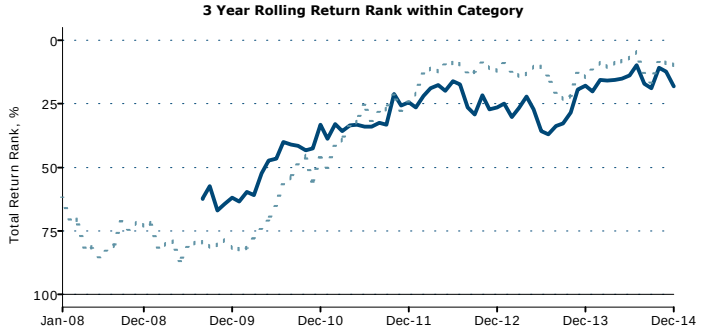
# Vanguard Mid-Cap Value Index Admiral

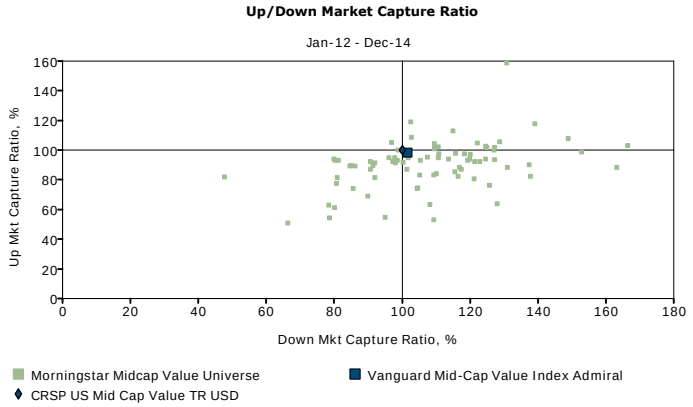


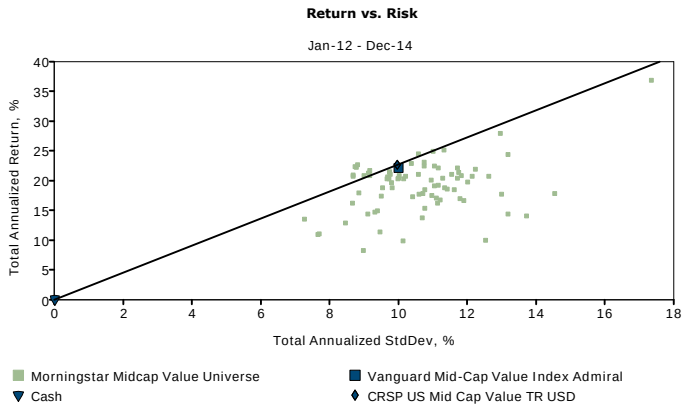

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Mid-Cap Value Index Admiral | NA | NA | -4.27 | -36.54 | 37.74 | 21.82 | -0.29 | 16.02 | 37.66 | 13.98 |
| CRSP US Mid Cap Value TR USD | 11.67 | 19.91 | -6.07 | -37.95 | 35.21 | 24.58 | -0.39 | 17.90 | 37.38 | 14.05 |




| 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 | -0.54 | 1.00 | 99.62 | 2.05 | 10.01 | 0.62 |
| CRSP US Mid Cap Value TR USD | 0.00 | 1.00 | 100.00 | 2.11 | 9.97 | 0.00 |
| Universe(5%) | 2.46 | 1.21 | 95.72 | 2.22 | 13.18 | 7.06 |
| Universe(25%) | -0.58 | 1.10 | 93.52 | 1.96 | 11.41 | 4.54 |
| Universe(Median) | -2.63 | 1.00 | 91.01 | 1.73 | 10.61 | 3.35 |
| Universe(75%) | -5.04 | 0.91 | 84.01 | 1.52 | 9.49 | 2.68 |
| Universe(95%) | -8.54 | 0.69 | 64.35 | 1.08 | 8.67 | 2.10 |



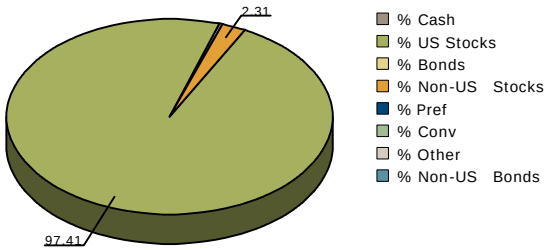



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Mid Cap Index Adm




| Portfolio Region | |
|---|---|
| % United States | 97.69 |
| % Canada | 0.32 |
| % Latin America | 0.00 |
| % United Kingdom | 0.66 |
| % 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 | 0.62 |
| % Asia - Emerging | 0.71 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.28 |
| % US Stocks | 97.41 |
| % Bonds | 0.00 |
| % Non-US Stocks | 2.31 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 5.74 |
| % Communication Services | 1.70 |
| % Consumer Cyclical | 18.46 |
| % Consumer Defensive | 7.34 |
| % Healthcare | 10.57 |
| % Industrials | 14.38 |
| % Real Estate | 5.83 |
| % Technology | 14.89 |
| % Energy | 5.75 |
| % Financial Services | 10.24 |
| % Utilities | 5.10 |

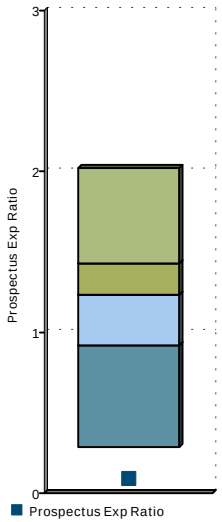
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Vertex Pharmaceuticals Inc | 0.85% |
| Health Care REIT, Inc. | 0.72% |
| Avago Technologies Ltd | 0.71% |
| United Continental Holdings Inc | 0.69% |
| Delphi Automotive PLC | 0.66% |
| Mylan Inc | 0.66% |
| AvalonBay Communities Inc | 0.64% |
| Moody's Corporation | 0.64% |
| Chipotle Mexican Grill Inc Class A | 0.62% |
| Seagate Technology PLC | 0.62% |

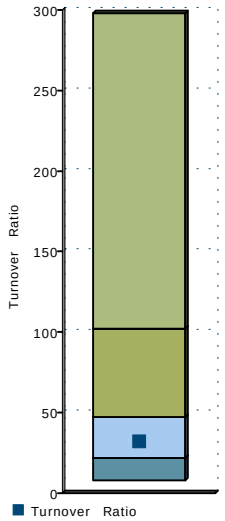
| Portfolio Information | |
|---|---|
| Ticker | VIMAX |
| Morningstar Category | Mid-Cap Blend |
| Avg Mkt Cap $MM | 11160.27 |
| Cat Med Mkt Cap $MM | 7217.71 |
| Net Assets $MM | 58927.74 |
| Turnover Ratio | 32.00 |
| % Assets in Top 10 Holdings | 6.81 |
| Total Number of Holdings | 376.00 |
| Manager Name | Donald M. Butler |
| Manager Tenure | 16.62 |
| Fund Incept Date | 05/21/1998 |
| Prospectus Exp Ratio | 0.09 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 20 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 10 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 9 |

**Expense Ratio vs. Peer Group**



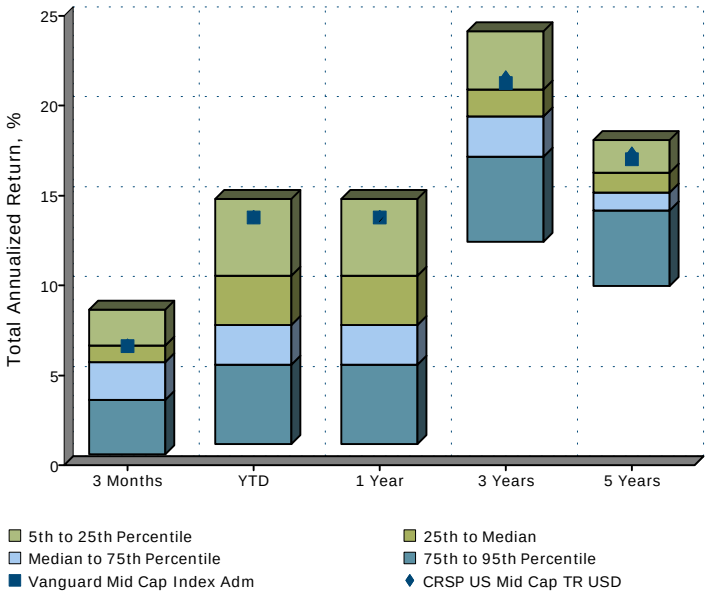

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

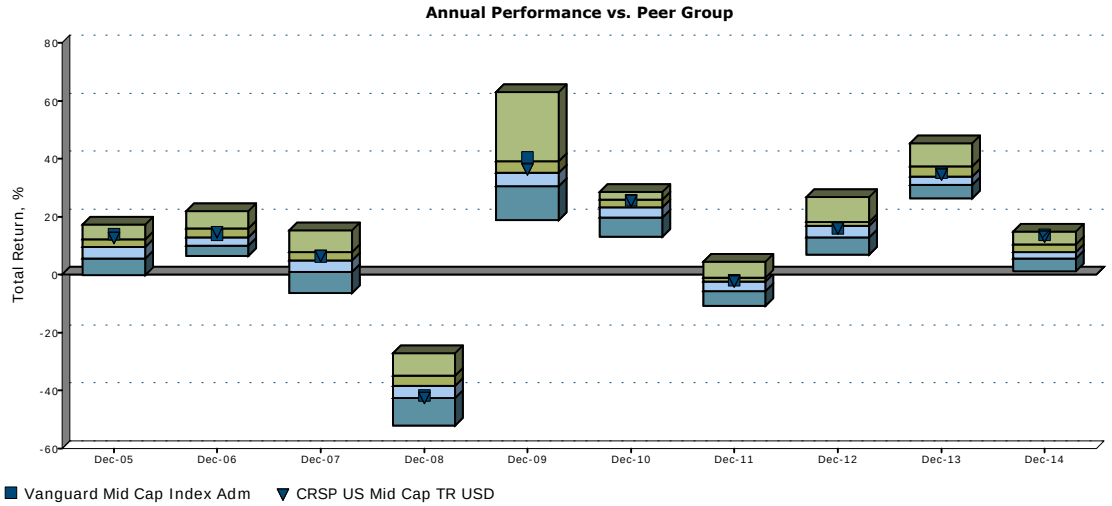
The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP U.S. Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. 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 vs. Peer Group**

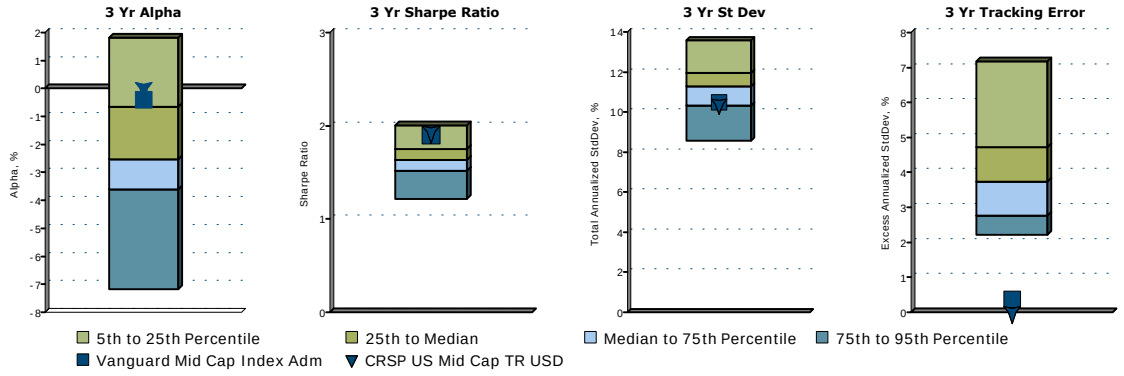



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Mid Cap Index Adm | 6.64 | 13.76 | 13.76 | 21.27 | 17.04 |
| CRSP US Mid Cap TR USD | 6.65 | 13.83 | 13.83 | 21.57 | 17.36 |
| Universe(5%) | 8.65 | 14.80 | 14.80 | 24.13 | 18.10 |
| Universe(25%) | 6.66 | 10.53 | 10.53 | 20.90 | 16.26 |
| Universe(Median) | 5.72 | 7.81 | 7.81 | 19.42 | 15.17 |
| Universe(75%) | 3.63 | 5.59 | 5.59 | 17.15 | 14.18 |
| Universe(95%) | 0.60 | 1.16 | 1.16 | 12.43 | 9.96 |

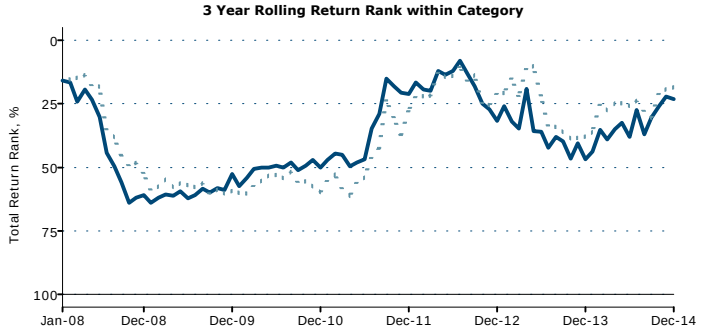
# Vanguard Mid Cap Index Adm

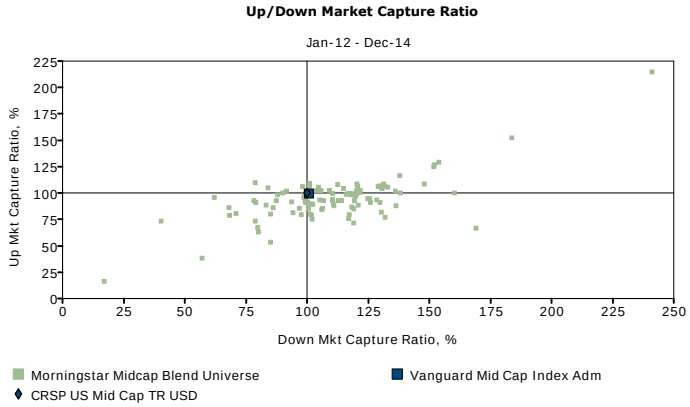


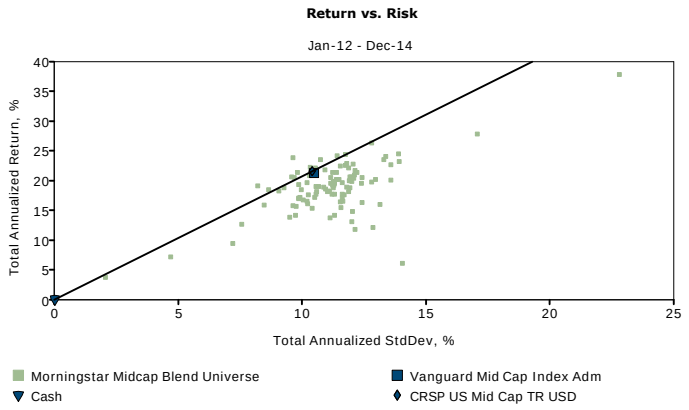

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Mid Cap Index Adm | 14.04 | 13.69 | 6.17 | -41.78 | 40.48 | 25.59 | -1.97 | 15.99 | 35.15 | 13.76 |
| CRSP US Mid Cap TR USD | 13.31 | 15.32 | 7.04 | -41.83 | 36.90 | 26.16 | -1.79 | 16.69 | 35.27 | 13.83 |




| 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 Index Adm | -0.39 | 1.01 | 99.89 | 1.90 | 10.48 | 0.36 |
| CRSP US Mid Cap TR USD | 0.00 | 1.00 | 100.00 | 1.94 | 10.40 | 0.00 |
| Universe(5%) | 1.83 | 1.20 | 96.18 | 2.01 | 13.59 | 7.18 |
| Universe(25%) | -0.66 | 1.08 | 94.57 | 1.75 | 11.95 | 4.73 |
| Universe(Median) | -2.53 | 1.02 | 90.28 | 1.64 | 11.29 | 3.73 |
| Universe(75%) | -3.61 | 0.94 | 85.01 | 1.51 | 10.32 | 2.76 |
| Universe(95%) | -7.18 | 0.73 | 69.63 | 1.21 | 8.57 | 2.22 |



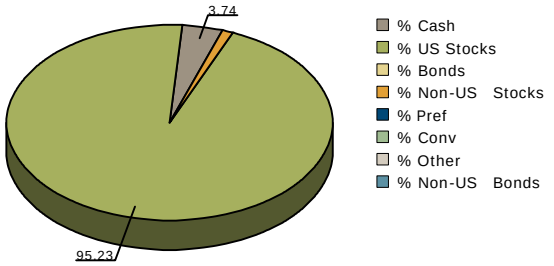



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Target Small Capitalization Value T




| Portfolio Region | |
|---|---|
| % United States | 99.02 |
| % Canada | 0.52 |
| % Latin America | 0.20 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.05 |
| % Europe - ex Euro | 0.00 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.20 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 0.00 |

| Portfolio Structure | |
|---|---|
| % Cash | 3.74 |
| % US Stocks | 95.23 |
| % Bonds | 0.00 |
| % Non-US Stocks | 0.94 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 0.09 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 6.05 |
| % Communication Services | 0.85 |
| % Consumer Cyclical | 12.29 |
| % Consumer Defensive | 3.47 |
| % Healthcare | 8.78 |
| % Industrials | 17.64 |
| % Real Estate | 6.33 |
| % Technology | 13.15 |
| % Energy | 3.98 |
| % Financial Services | 23.69 |
| % Utilities | 3.77 |

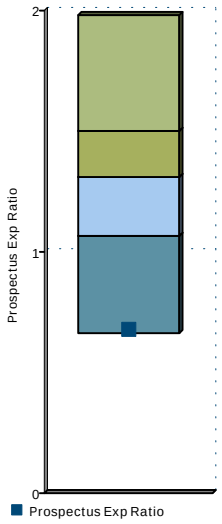
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Webster Financial Corp | 0.84% |
| American Equity Investment Life Holding Co | 0.82% |
| Firstmerit Corp | 0.76% |
| Amsurg Corp | 0.74% |
| Littelfuse Inc | 0.73% |
| Teleflex Inc | 0.73% |
| Silgan Holdings Inc | 0.72% |
| KAR Auction Services Inc | 0.71% |
| EnerSys | 0.70% |
| Bristow Group Inc | 0.64% |

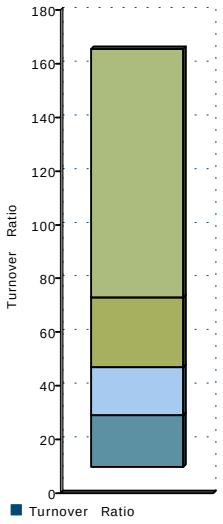
| Portfolio Information | |
|---|---|
| Ticker | TASVX |
| Morningstar Category | Small Value |
| Avg Mkt Cap $MM | 2167.60 |
| Cat Med Mkt Cap $MM | 2501.20 |
| Net Assets $MM | 2114.90 |
| Turnover Ratio | NA |
| % Assets in Top 10 Holdings | 7.40 |
| Total Number of Holdings | 776.00 |
| Manager Name | Paul E. Viera |
| Manager Tenure | 13.01 |
| Fund Incept Date | 01/05/1993 |
| Prospectus Exp Ratio | 0.68 |
| Phone Number | 800-225-1852 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 53 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 33 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 8 |

**Expense Ratio vs. Peer Group**



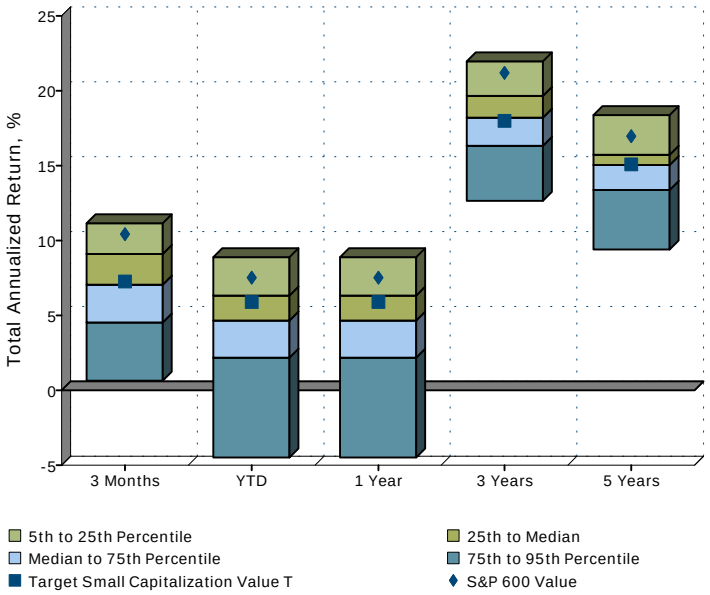

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

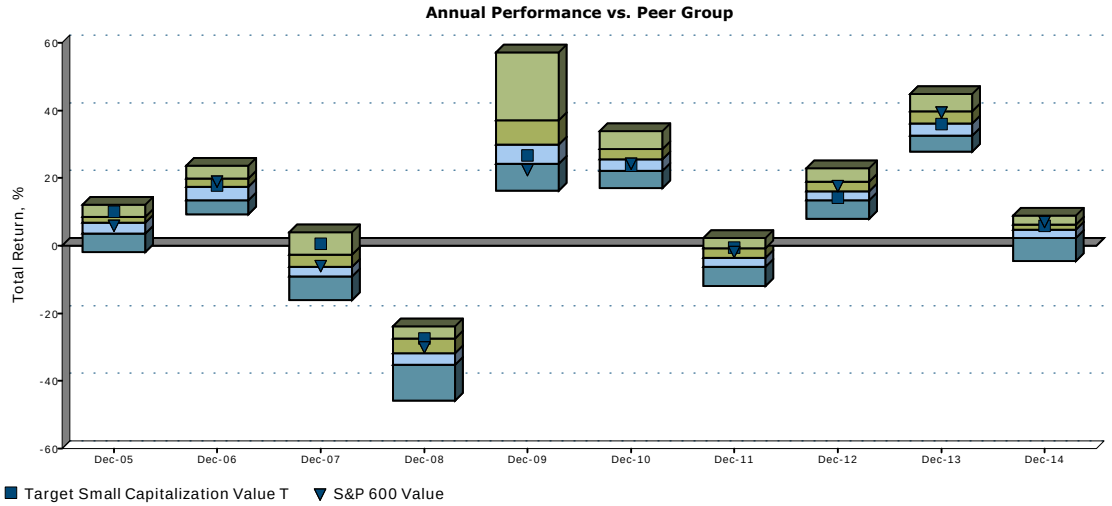
The investment seeks above-average capital appreciation. The Portfolio seeks investments that will increase in value. It normally invests at least 80% of its investable assets in common stocks of small companies. Small companies are those companies with market capitalizations comparable to those in the Russell 2000 Value Index. Market capitalization is measured at the time of purchase.

**Performance vs. Peer Group**

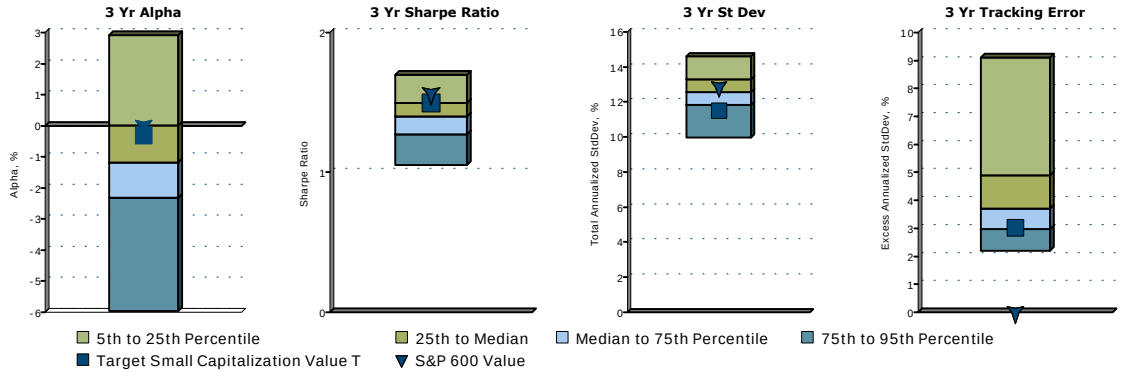



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Target Small Capitalization Value T | 7.25 | 5.89 | 5.89 | 17.98 | 15.10 |
| S&P 600 Value | 10.44 | 7.54 | 7.54 | 21.18 | 16.96 |
| Universe(5%) | 11.17 | 8.88 | 8.88 | 21.95 | 18.39 |
| Universe(25%) | 9.11 | 6.34 | 6.34 | 19.67 | 15.73 |
| Universe(Median) | 7.04 | 4.64 | 4.64 | 18.20 | 15.06 |
| Universe(75%) | 4.53 | 2.19 | 2.19 | 16.34 | 13.36 |
| Universe(95%) | 0.63 | -4.47 | -4.47 | 12.65 | 9.41 |

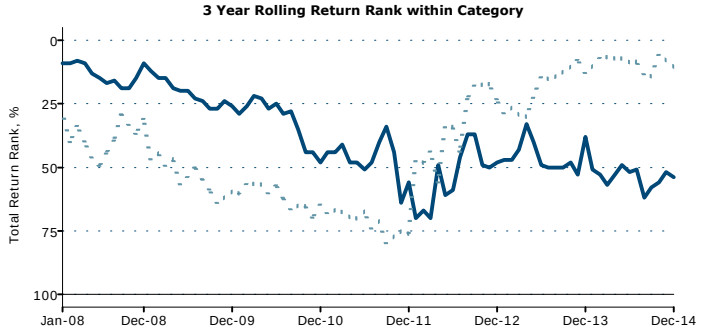
# Target Small Capitalization Value T

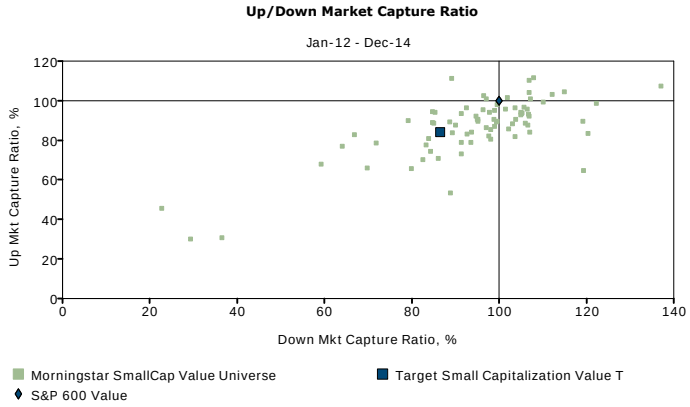


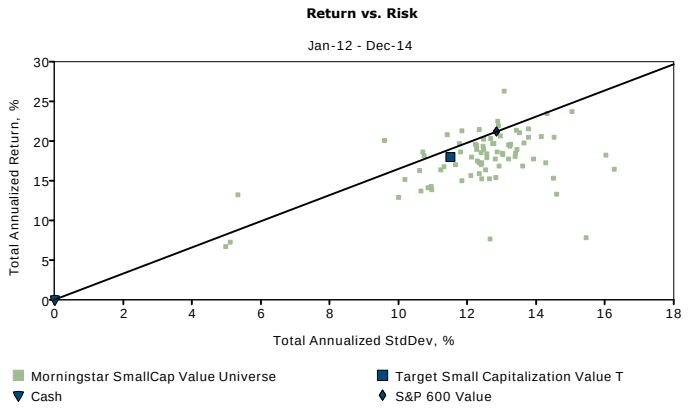

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Target Small Capitalization Value T | 10.10 | 17.72 | 0.52 | -27.45 | 26.69 | 23.63 | -0.48 | 14.14 | 35.87 | 5.89 |
| S&P 600 Value | 6.45 | 19.57 | -5.54 | -29.51 | 22.85 | 24.72 | -1.38 | 18.21 | 39.98 | 7.54 |




| 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 | -0.32 | 0.87 | 95.15 | 1.50 | 11.51 | 3.01 |
| S&P 600 Value | 0.00 | 1.00 | 100.00 | 1.56 | 12.85 | 0.00 |
| Universe(5%) | 2.92 | 1.06 | 97.09 | 1.70 | 14.61 | 9.10 |
| Universe(25%) | 0.02 | 0.99 | 94.99 | 1.50 | 13.29 | 4.90 |
| Universe(Median) | -1.18 | 0.94 | 92.21 | 1.40 | 12.57 | 3.70 |
| Universe(75%) | -2.31 | 0.88 | 86.86 | 1.27 | 11.83 | 2.98 |
| Universe(95%) | -5.95 | 0.71 | 65.73 | 1.05 | 9.98 | 2.21 |



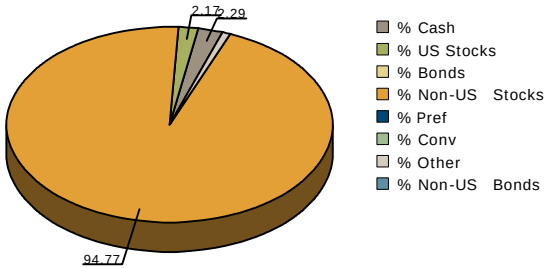



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Oppenheimer International Growth Y




| Portfolio Region | |
|---|---|
| % United States | 2.24 |
| % Canada | 3.30 |
| % Latin America | 1.91 |
| % United Kingdom | 26.06 |
| % Eurozone | 36.90 |
| % Europe - ex Euro | 19.52 |
| % Europe - Emerging | 0.00 |
| % Africa | 0.00 |
| % Middle East | 0.00 |
| % Japan | 4.65 |
| % Australasia | 2.38 |
| % Asia - Developed | 0.00 |
| % Asia - Emerging | 3.03 |

| Portfolio Structure | |
|---|---|
| % Cash | 2.29 |
| % US Stocks | 2.17 |
| % Bonds | 0.00 |
| % Non-US Stocks | 94.77 |
| % Pref | 0.01 |
| % Conv | 0.00 |
| % Other | 0.76 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 4.49 |
| % Communication Services | 6.88 |
| % Consumer Cyclical | 22.63 |
| % Consumer Defensive | 15.42 |
| % Healthcare | 10.07 |
| % Industrials | 20.02 |
| % Real Estate | 0.00 |
| % Technology | 14.89 |
| % Energy | 0.87 |
| % Financial Services | 4.72 |
| % Utilities | 0.00 |

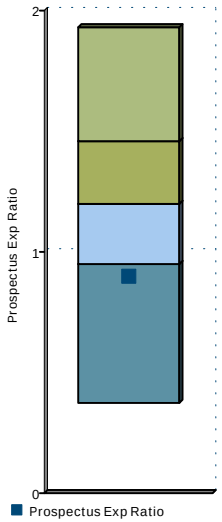
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Continental AG | 1.63% |
| BT Group PLC | 1.52% |
| SAP SE | 1.51% |
| Dollarama Inc | 1.48% |
| Roche Holding AG Dividend Right Cert. | 1.48% |
| Burberry Group PLC | 1.45% |
| Novo Nordisk A/S Class B | 1.43% |
| Royal Boskalis Westminster NV | 1.42% |
| Heineken NV | 1.41% |
| Syngenta AG | 1.41% |

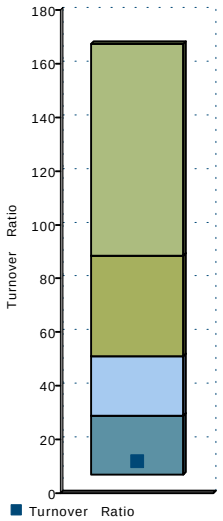
| Portfolio Information | |
|---|---|
| Ticker | OIGYX |
| Morningstar Category | Foreign Large Growth |
| Avg Mkt Cap $MM | 15120.79 |
| Cat Med Mkt Cap $MM | 30926.07 |
| Net Assets $MM | 18448.81 |
| Turnover Ratio | 12.00 |
| % Assets in Top 10 Holdings | 14.75 |
| Total Number of Holdings | 107.00 |
| Manager Name | George R. Evans |
| Manager Tenure | 18.78 |
| Fund Incept Date | 03/25/1996 |
| Prospectus Exp Ratio | 0.90 |
| Phone Number | 800-225-5677 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 18 |
| 5 Year Mstar Rating | ★★★★★ |
| % Rank Cat 5 Yr | 8 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 1 |

**Expense Ratio vs. Peer Group**



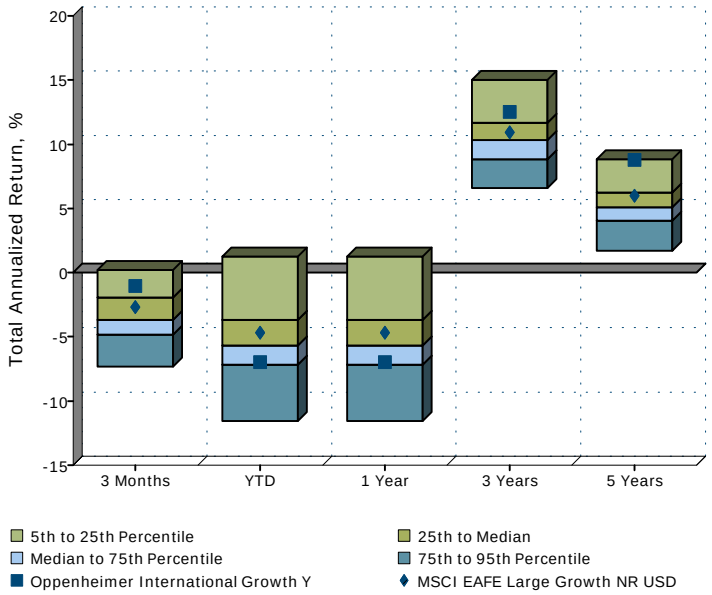

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

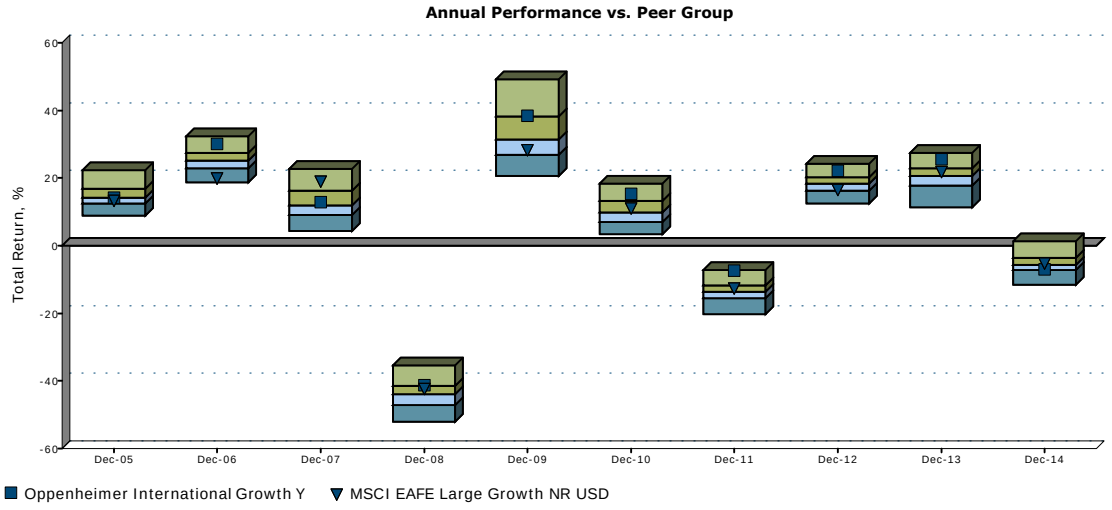
The investment seeks capital appreciation. The fund mainly invests in the common stock of growth companies that are domiciled or have their primary operations outside of the United States. It may invest 100% of its assets in securities of foreign companies. The fund may invest in emerging markets as well as in developed markets throughout the world. It normally will invest at least 65% of its total assets in common and preferred stocks of issuers in at least three different countries outside of the United States, and emphasize investments in common stocks of issuers that the portfolio managers consider to be "growth" companies.

**Performance vs. Peer Group**

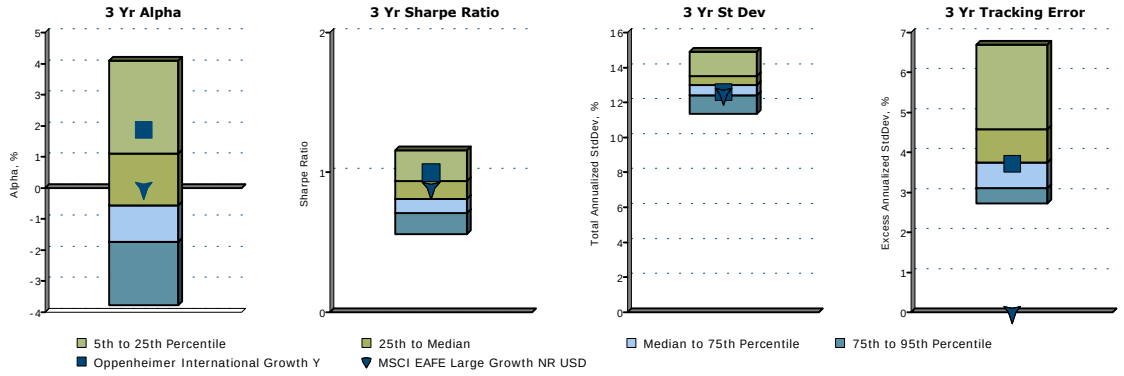



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Oppenheimer International Growth Y | -1.05 | -6.99 | -6.99 | 12.52 | 8.78 |
| MSCI EAFE Large Growth NR USD | -2.71 | -4.70 | -4.70 | 10.90 | 5.99 |
| Universe(5%) | 0.20 | 1.27 | 1.27 | 15.03 | 8.83 |
| Universe(25%) | -1.93 | -3.68 | -3.68 | 11.66 | 6.26 |
| Universe(Median) | -3.66 | -5.67 | -5.67 | 10.34 | 5.08 |
| Universe(75%) | -4.82 | -7.18 | -7.18 | 8.81 | 4.02 |
| Universe(95%) | -7.30 | -11.54 | -11.54 | 6.59 | 1.69 |

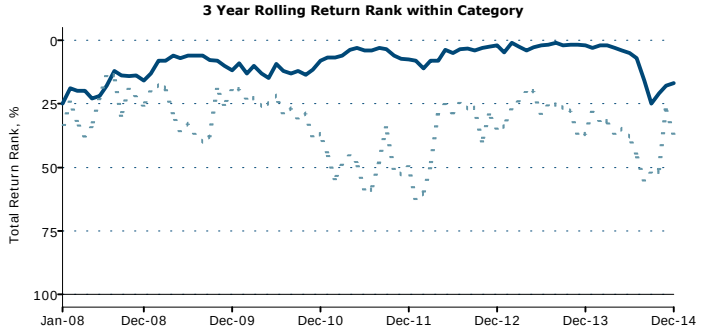
# Oppenheimer International Growth Y

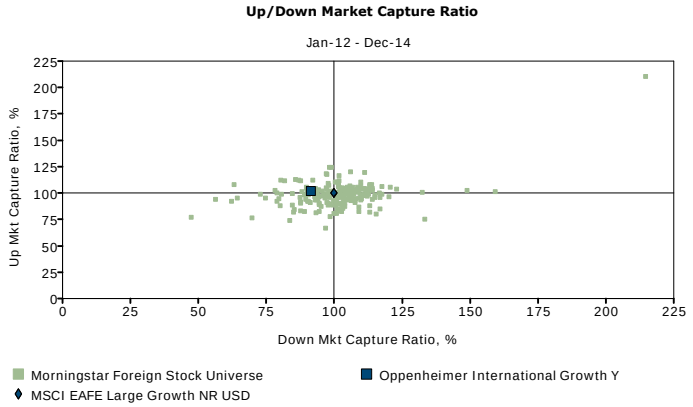


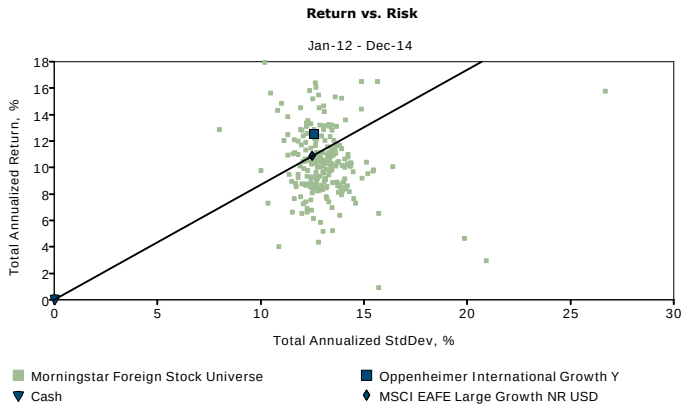

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Oppenheimer International Growth Y | 14.24 | 30.18 | 12.93 | -41.22 | 38.44 | 15.35 | -7.31 | 22.10 | 25.46 | -6.99 |
| MSCI EAFE Large Growth NR USD | 13.89 | 20.44 | 19.51 | -41.74 | 28.81 | 11.48 | -12.04 | 17.06 | 22.28 | -4.70 |




| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Oppenheimer International Growth Y | 1.88 | 0.96 | 91.39 | 1.00 | 12.60 | 3.72 |
| MSCI EAFE Large Growth NR USD | 0.00 | 1.00 | 100.00 | 0.89 | 12.50 | 0.00 |
| Universe(5%) | 4.10 | 1.11 | 95.53 | 1.16 | 14.89 | 6.69 |
| Universe(25%) | 1.11 | 1.04 | 94.27 | 0.94 | 13.51 | 4.58 |
| Universe(Median) | -0.56 | 0.99 | 91.92 | 0.81 | 12.99 | 3.75 |
| Universe(75%) | -1.73 | 0.95 | 89.13 | 0.71 | 12.42 | 3.10 |
| Universe(95%) | -3.78 | 0.86 | 79.30 | 0.56 | 11.35 | 2.72 |



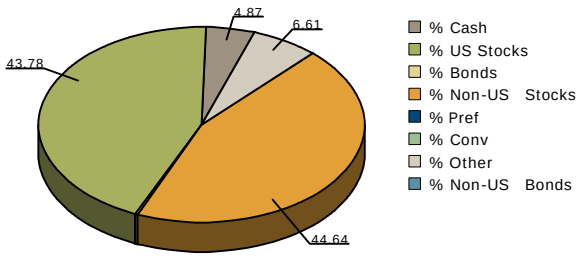



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## American Funds New Perspective R6




| Portfolio Region | |
|---|---|
| % United States | 49.51 |
| % Canada | 2.33 |
| % Latin America | 0.64 |
| % United Kingdom | 7.43 |
| % Eurozone | 13.94 |
| % Europe - ex Euro | 12.32 |
| % Europe - Emerging | 0.00 |
| % Africa | 1.75 |
| % Middle East | 0.00 |
| % Japan | 6.79 |
| % Australasia | 0.91 |
| % Asia - Developed | 3.59 |
| % Asia - Emerging | 0.78 |

| Portfolio Structure | |
|---|---|
| % Cash | 4.87 |
| % US Stocks | 43.78 |
| % Bonds | 0.11 |
| % Non-US Stocks | 44.64 |
| % Pref | 0.00 |
| % Conv | 0.00 |
| % Other | 6.61 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 5.63 |
| % Communication Services | 1.24 |
| % Consumer Cyclical | 16.56 |
| % Consumer Defensive | 11.17 |
| % Healthcare | 16.22 |
| % Industrials | 12.92 |
| % Real Estate | 0.00 |
| % Technology | 17.24 |
| % Energy | 4.25 |
| % Financial Services | 14.77 |
| % Utilities | 0.00 |

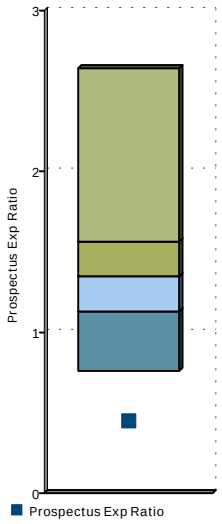
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Novo Nordisk A/S | 5.09% |
| Amazon.com Inc | 2.53% |
| Microsoft Corp | 1.72% |
| Home Depot Inc | 1.40% |
| Delta Air Lines Inc | 1.37% |
| Bayer AG | 1.33% |
| Gilead Sciences Inc | 1.23% |
| Naspers Ltd Class N | 1.23% |
| AIA Group Ltd | 1.22% |
| United Continental Holdings Inc | 1.22% |

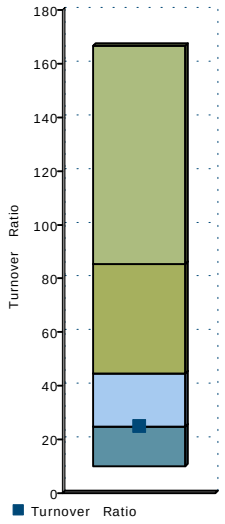
| Portfolio Information | |
|---|---|
| Ticker | RNPGX |
| Morningstar Category | World Stock |
| Avg Mkt Cap $MM | 55046.83 |
| Cat Med Mkt Cap $MM | 42571.58 |
| Net Assets $MM | 56599.95 |
| Turnover Ratio | 25.00 |
| % Assets in Top 10 Holdings | 18.34 |
| Total Number of Holdings | 291.00 |
| Manager Name | Gregg E. Ireland |
| Manager Tenure | 22.10 |
| Fund Incept Date | 03/13/1973 |
| Prospectus Exp Ratio | 0.45 |
| Phone Number | 800-421-4225 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 15 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 29 |
| 10 Year Mstar Rating | ★★★★★ |
| % Rank Cat 10 Yr | 10 |

**Expense Ratio vs. Peer Group**



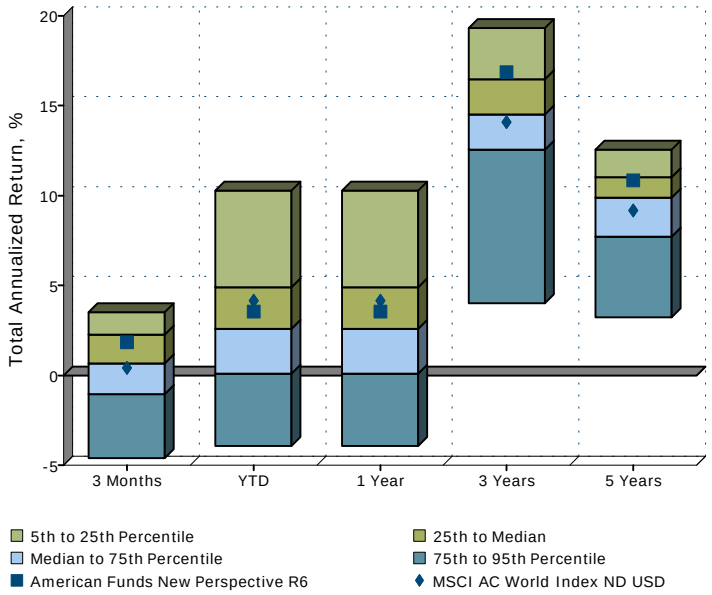

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

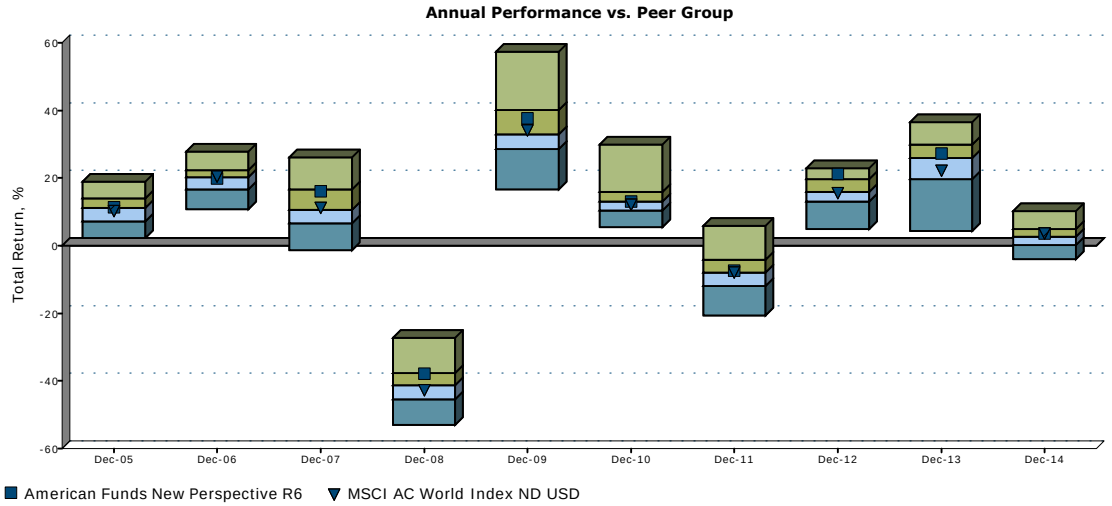
The investment seeks long-term growth of capital; future income is a secondary objective. The fund seeks to take advantage of investment opportunities generated by changes in international trade patterns and economic and political relationships by investing in common stocks of companies located around 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 vs. Peer Group**

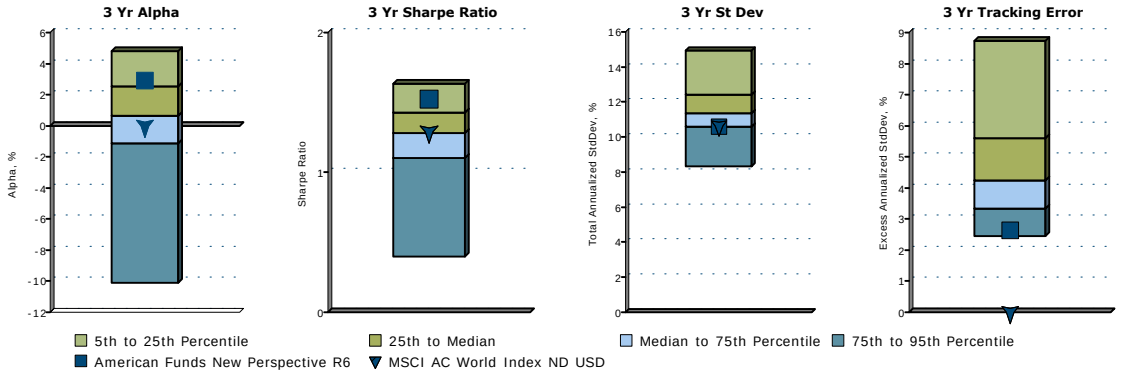



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| American Funds New Perspective R6 | 1.82 | 3.56 | 3.56 | 16.88 | 10.85 |
| MSCI AC World Index ND USD | 0.41 | 4.16 | 4.16 | 14.10 | 9.17 |
| Universe(5%) | 3.51 | 10.26 | 10.26 | 19.33 | 12.55 |
| Universe(25%) | 2.27 | 4.88 | 4.88 | 16.48 | 11.02 |
| Universe(Median) | 0.68 | 2.57 | 2.57 | 14.51 | 9.87 |
| Universe(75%) | -1.04 | 0.11 | 0.11 | 12.57 | 7.70 |
| Universe(95%) | -4.62 | -3.94 | -3.94 | 3.99 | 3.23 |

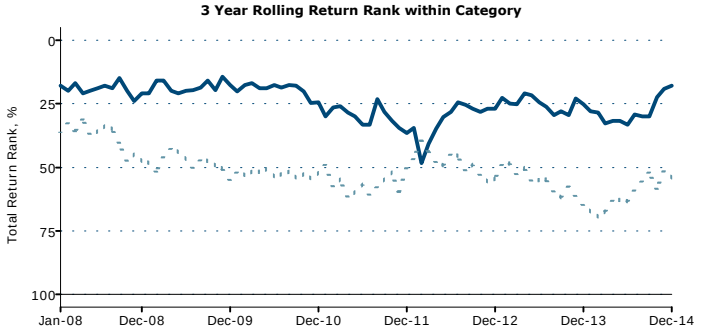
# American Funds New Perspective R6

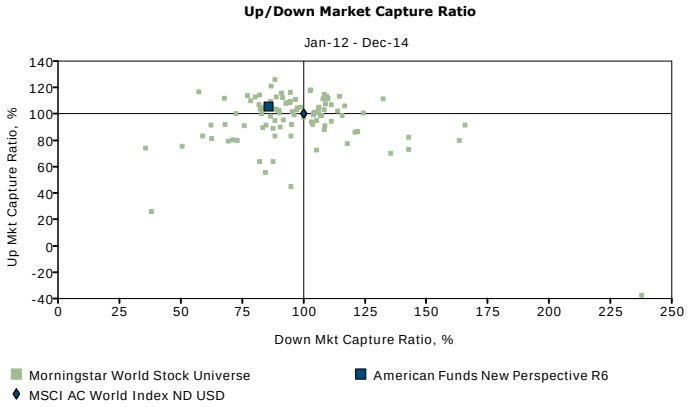


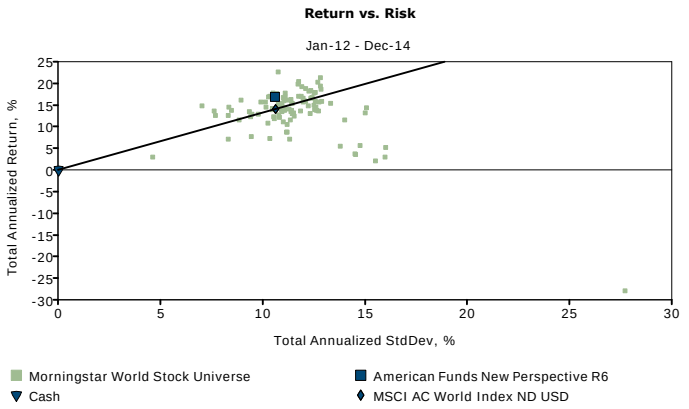

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| American Funds New Perspective R6 | 11.28 | 19.87 | 16.03 | -37.83 | 37.72 | 13.11 | -7.33 | 21.19 | 27.23 | 3.56 |
| MSCI AC World Index ND USD | 10.84 | 20.95 | 11.66 | -42.20 | 34.63 | 12.67 | -7.35 | 16.13 | 22.80 | 4.16 |




| 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 | 2.90 | 0.97 | 93.98 | 1.53 | 10.60 | 2.63 |
| MSCI AC World Index ND USD | 0.00 | 1.00 | 100.00 | 1.29 | 10.64 | 0.00 |
| Universe(5%) | 4.80 | 1.19 | 95.17 | 1.64 | 14.95 | 8.74 |
| Universe(25%) | 2.55 | 1.07 | 91.60 | 1.43 | 12.42 | 5.61 |
| Universe(Median) | 0.64 | 0.99 | 86.29 | 1.28 | 11.36 | 4.25 |
| Universe(75%) | -1.14 | 0.94 | 78.16 | 1.10 | 10.58 | 3.34 |
| Universe(95%) | -10.10 | 0.67 | 53.97 | 0.40 | 8.34 | 2.45 |



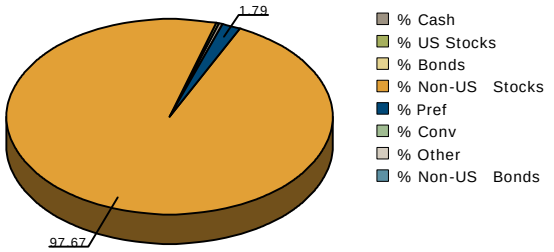



# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## Vanguard Emerging Mkts Stock Idx I




| Portfolio Region | |
|---|---|
| % United States | 0.14 |
| % Canada | 0.00 |
| % Latin America | 18.46 |
| % United Kingdom | 0.00 |
| % Eurozone | 0.06 |
| % Europe - ex Euro | 0.03 |
| % Europe - Emerging | 8.72 |
| % Africa | 9.75 |
| % Middle East | 1.01 |
| % Japan | 0.00 |
| % Australasia | 0.00 |
| % Asia - Developed | 15.09 |
| % Asia - Emerging | 46.74 |

| Portfolio Structure | |
|---|---|
| % Cash | 0.41 |
| % US Stocks | 0.13 |
| % Bonds | 0.00 |
| % Non-US Stocks | 97.67 |
| % Pref | 1.79 |
| % Conv | 0.00 |
| % Other | 0.00 |
| % Non-US Bonds | 0.00 |

| Sector Allocation | |
|---|---|
| % Basic Materials | 8.70 |
| % Communication Services | 8.74 |
| % Consumer Cyclical | 7.83 |
| % Consumer Defensive | 8.46 |
| % Healthcare | 2.53 |
| % Industrials | 5.36 |
| % Real Estate | 2.66 |
| % Technology | 15.35 |
| % Energy | 8.47 |
| % Financial Services | 27.97 |
| % Utilities | 3.93 |

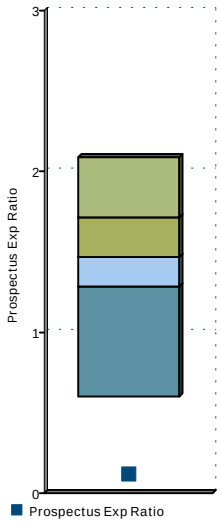
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Tencent Holdings Ltd | 2.11% |
| China Mobile Ltd | 1.84% |
| Taiwan Semiconductor Manufacturing Co Ltd | 1.77% |
| China Construction Bank Corp H Shares | 1.56% |
| Taiwan Semiconductor Manufacturing Co Ltd ADR | 1.40% |
| Industrial And Commercial Bank Of China Ltd H Shares | 1.39% |
| Naspers Ltd Class N | 1.33% |
| Hon Hai Precision Ind Co Ltd | 1.14% |
| Bank Of China Ltd. H Shares | 1.11% |
| America Movil SAB de CV Class L | 1.01% |

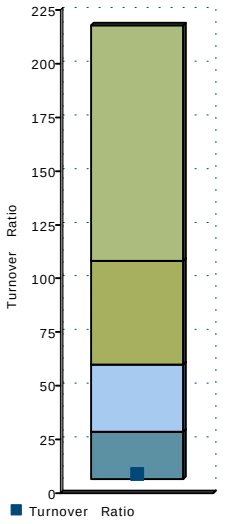
| Portfolio Information | |
|---|---|
| Ticker | VEMIX |
| Morningstar Category | Diversified Emerging Mkts |
| Avg Mkt Cap $MM | 18851.65 |
| Cat Med Mkt Cap $MM | 18804.85 |
| Net Assets $MM | 62465.33 |
| Turnover Ratio | 9.00 |
| % Assets in Top 10 Holdings | 14.66 |
| Total Number of Holdings | 979.00 |
| Manager Name | Michael Perre |
| Manager Tenure | 6.34 |
| Fund Incept Date | 05/04/1994 |
| Prospectus Exp Ratio | 0.12 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★ |
| % Rank Cat 3 Yr | 49 |
| 5 Year Mstar Rating | ★★★ |
| % Rank Cat 5 Yr | 48 |
| 10 Year Mstar Rating | ★★★★ |
| % Rank Cat 10 Yr | 34 |

**Expense Ratio vs. Peer Group**



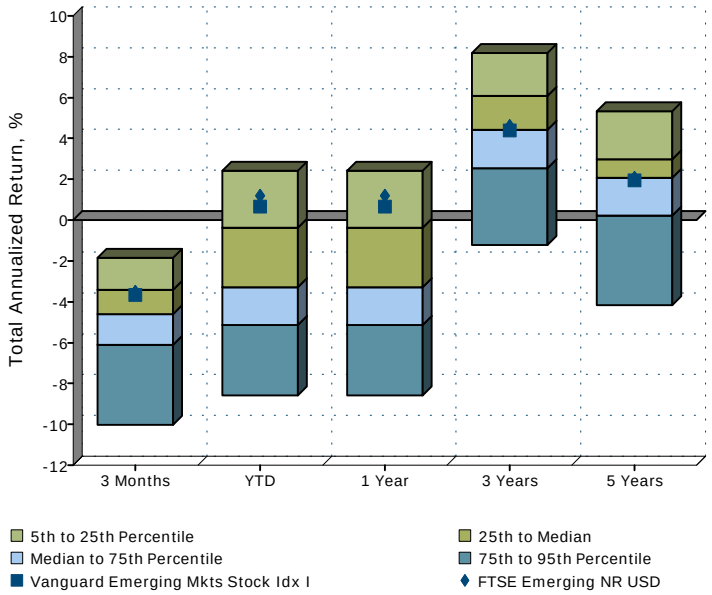

**Turnover Ratio vs. Peer Group**




### 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 Index, while employing a form of sampling intended to reduce risk. The FTSE Emerging Index includes approximately 851 common stocks of companies located in emerging markets around the world.

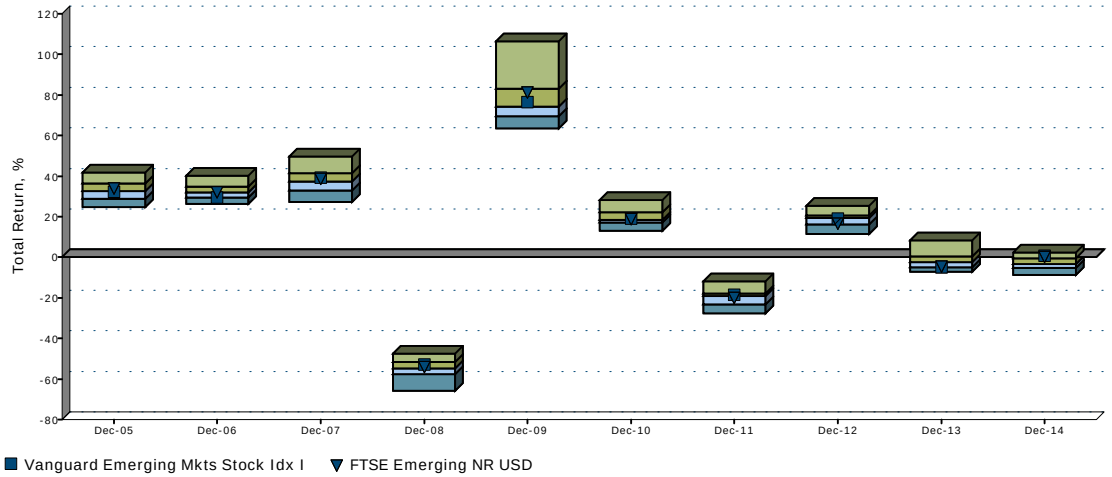
**Performance vs. Peer Group**




| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | -3.67 | 0.67 | 0.67 | 4.38 | 1.96 |
| FTSE Emerging NR USD | -3.49 | 1.21 | 1.21 | 4.61 | 2.06 |
| Universe(5%) | -1.85 | 2.42 | 2.42 | 8.18 | 5.33 |
| Universe(25%) | -3.41 | -0.37 | -0.37 | 6.09 | 2.98 |
| Universe(Median) | -4.60 | -3.30 | -3.30 | 4.42 | 2.08 |
| Universe(75%) | -6.09 | -5.13 | -5.13 | 2.55 | 0.23 |
| Universe(95%) | -10.02 | -8.57 | -8.57 | -1.21 | -4.17 |

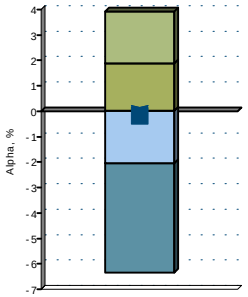
# Vanguard Emerging Mkts Stock Idx I

### Annual Performance vs. Peer Group

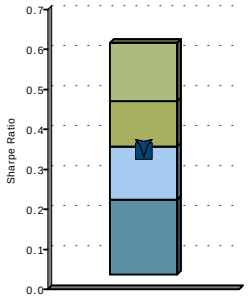



| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | 32.35 | 29.57 | 39.15 | -52.74 | 76.35 | 19.06 | -18.63 | 18.90 | -4.99 | 0.67 |
| FTSE Emerging NR USD | 34.70 | 32.84 | 39.41 | -53.03 | 82.15 | 19.60 | -19.15 | 17.58 | -3.79 | 1.21 |

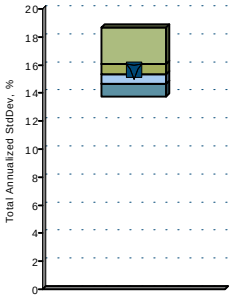
### 3 Yr Alpha



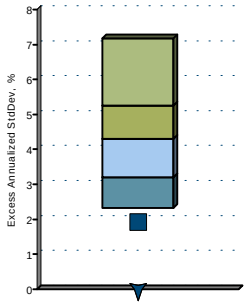

### 3 Yr Sharpe Ratio




### 3 Yr St Dev




### 3 Yr Tracking Error

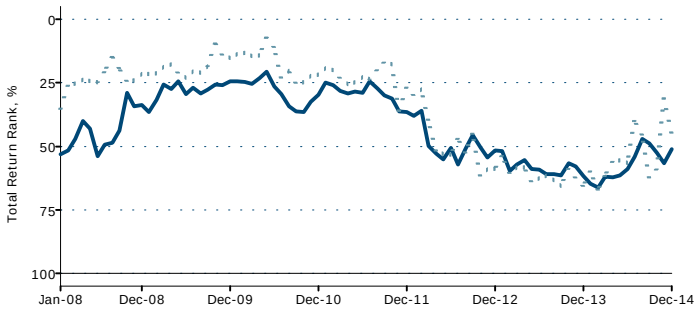



5th to 25th Percentile | 25th to Median | Median to 75th Percentile | 75th to 95th Percentile

Vanguard Emerging Mkts Stock Idx I | FTSE Emerging NR USD

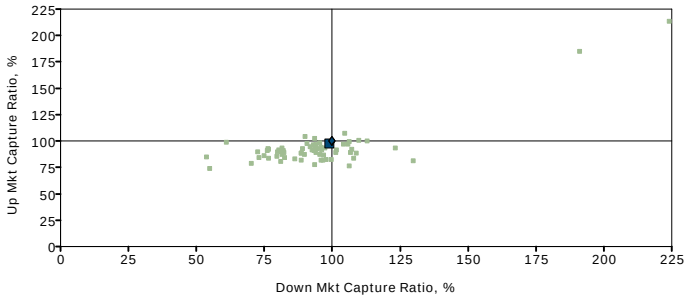
| MPT Statistics | 3 Yr Alpha | 3 Yr Beta | 3 Yr R-Squared | 3 Yr Sharpe Ratio | 3 Yr St Dev | 3 Yr Tracking Error |
|---|---|---|---|---|---|---|
| Vanguard Emerging Mkts Stock Idx I | -0.18 | 0.99 | 98.50 | 0.35 | 15.68 | 1.92 |
| FTSE Emerging NR USD | 0.00 | 1.00 | 100.00 | 0.36 | 15.69 | 0.00 |
| Universe(5%) | 3.93 | 1.13 | 97.85 | 0.62 | 18.66 | 7.17 |
| Universe(25%) | 1.89 | 0.99 | 95.99 | 0.47 | 16.06 | 5.26 |
| Universe(Median) | 0.03 | 0.96 | 93.92 | 0.36 | 15.36 | 4.30 |
| Universe(75%) | -2.04 | 0.90 | 90.81 | 0.22 | 14.67 | 3.20 |
| Universe(95%) | -6.34 | 0.83 | 82.03 | 0.04 | 13.74 | 2.33 |

### 3 Year Rolling Return Rank within Category




### Up/Down Market Capture Ratio

Jan-12 - Dec-14

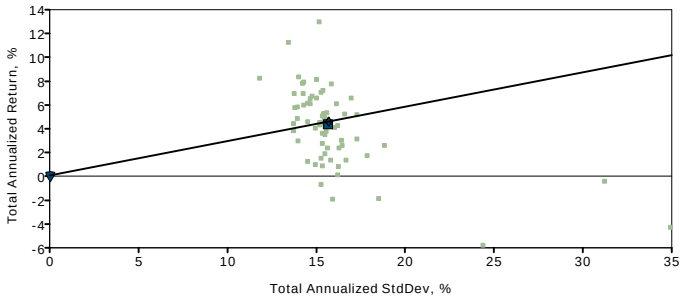



Morningstar Emerging Markets Universe | Vanguard Emerging Mkts Stock Idx I

FTSE Emerging NR USD

### Return vs. Risk

Jan-12 - Dec-14



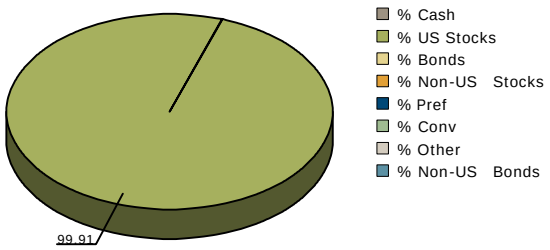

Morningstar Emerging Markets Universe | Vanguard Emerging Mkts Stock Idx I

Cash | FTSE Emerging NR USD

# Milliman | Quarterly Investment Monitor

**Data as of 12/31/2014**

## 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 | 0.09 |
| % US Stocks | 99.91 |
| % 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 | 0.93 |
| % Real Estate | 99.07 |
| % Technology | 0.00 |
| % Energy | 0.00 |
| % Financial Services | 0.00 |
| % Utilities | 0.00 |

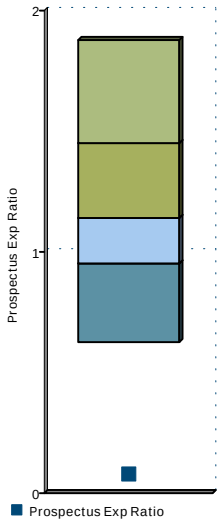
| Credit Quality | |
|---|---|
| Avg Eff Duration | NA |
| Effective Maturity | NA |
| Avg Credit Quality | NA |
| AAA | NA |
| AA | NA |
| A | NA |
| BBB | NA |
| BB | NA |
| B | NA |
| Below B | NA |
| NR/NA | NA |

| Top Ten Holdings | |
|---|---|
| Simon Property Group Inc | 8.35% |
| Public Storage | 4.09% |
| Equity Residential | 3.62% |
| Health Care REIT, Inc. | 3.54% |
| Prologis Inc | 3.14% |
| AvalonBay Communities Inc | 3.13% |
| Ventas Inc | 3.13% |
| HCP Inc | 3.05% |
| Boston Properties Inc | 2.95% |
| Vornado Realty Trust | 2.80% |

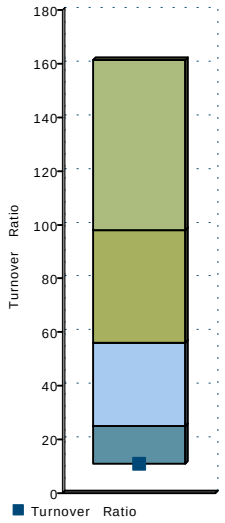
| Portfolio Information | |
|---|---|
| Ticker | VGSNX |
| Morningstar Category | Real Estate |
| Avg Mkt Cap $MM | 9411.37 |
| Cat Med Mkt Cap $MM | 11766.25 |
| Net Assets $MM | 50657.54 |
| Turnover Ratio | 11.00 |
| % Assets in Top 10 Holdings | 37.81 |
| Total Number of Holdings | 145.00 |
| Manager Name | Gerard C. O'Reilly |
| Manager Tenure | 18.65 |
| Fund Incept Date | 05/13/1996 |
| Prospectus Exp Ratio | 0.08 |
| Phone Number | 800-662-7447 |

| Portfolio Ratings | |
|---|---|
| Mstar Rating | ★★★★ |
| 3 Year Mstar Rating | ★★★★ |
| % Rank Cat 3 Yr | 15 |
| 5 Year Mstar Rating | ★★★★ |
| % Rank Cat 5 Yr | 12 |
| 10 Year Mstar Rating | ★★★ |
| % Rank Cat 10 Yr | 26 |

**Expense Ratio vs. Peer Group**



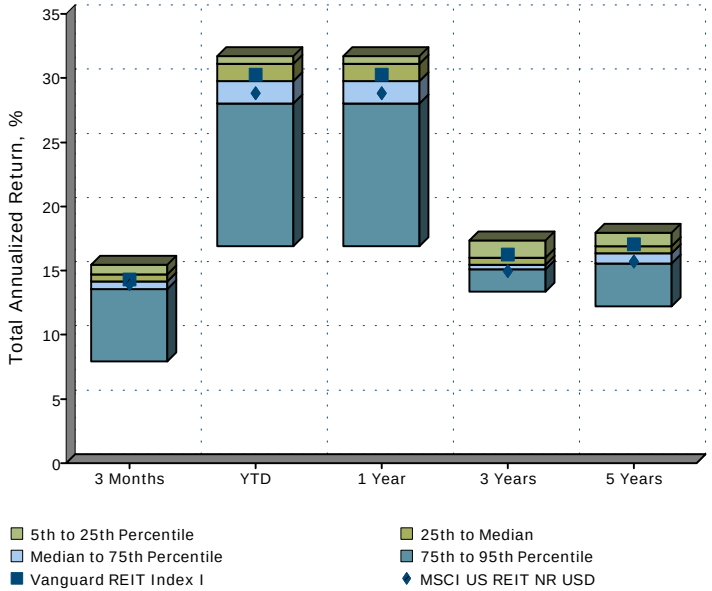

**Turnover Ratio vs. Peer Group**




### Investment Strategy Summary

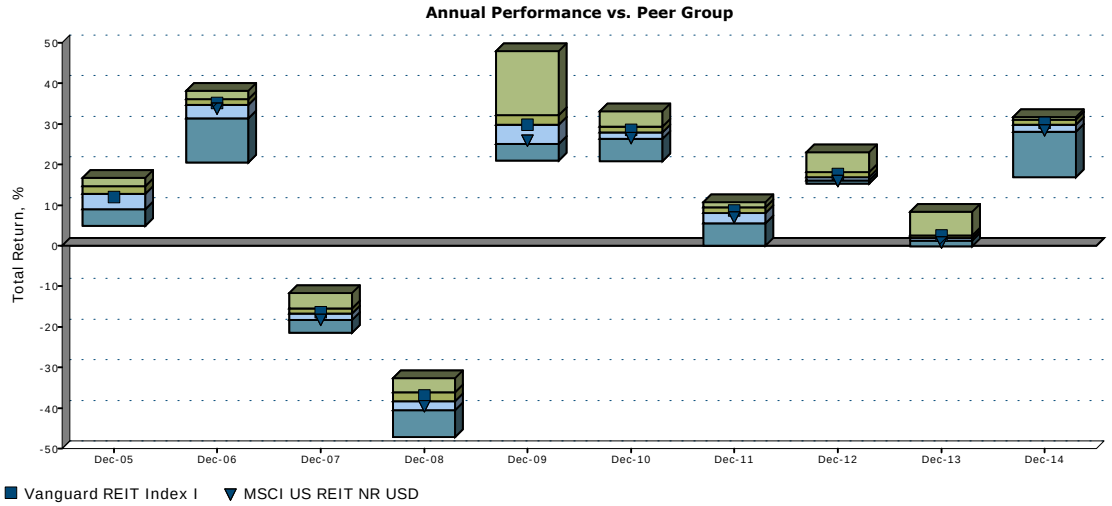
The investment seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs. The fund employs an indexing investment approach designed to track the performance of the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

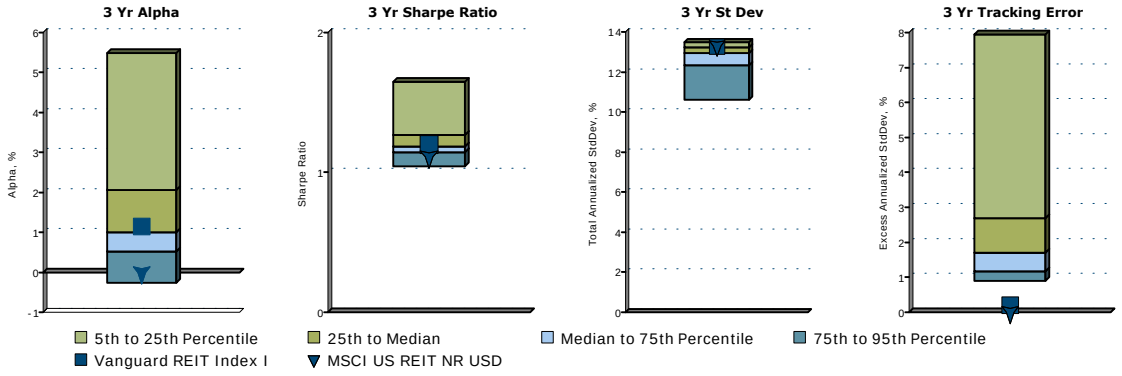



| Performance | 3 Months | Year to Date | 1 Year | 3 Years | 5 Years |
|---|---|---|---|---|---|
| Vanguard REIT Index I | 14.29 | 30.28 | 30.28 | 16.24 | 17.03 |
| MSCI US REIT NR USD | 13.95 | 28.82 | 28.82 | 14.96 | 15.70 |
| Universe(5%) | 15.46 | 31.69 | 31.69 | 17.35 | 17.95 |
| Universe(25%) | 14.69 | 31.10 | 31.10 | 16.01 | 16.90 |
| Universe(Median) | 14.14 | 29.76 | 29.76 | 15.44 | 16.38 |
| Universe(75%) | 13.54 | 28.02 | 28.02 | 15.10 | 15.55 |
| Universe(95%) | 7.91 | 16.89 | 16.89 | 13.34 | 12.21 |

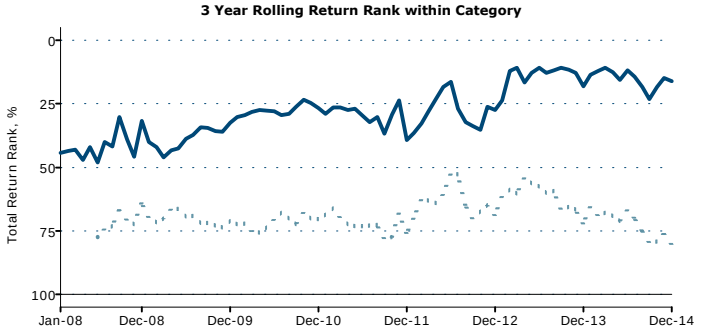
# Vanguard REIT Index I

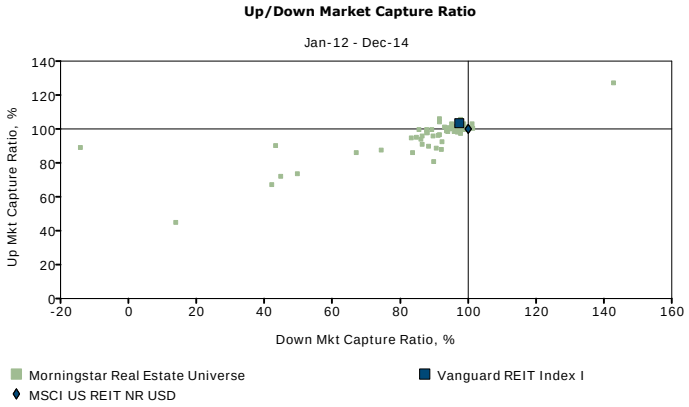


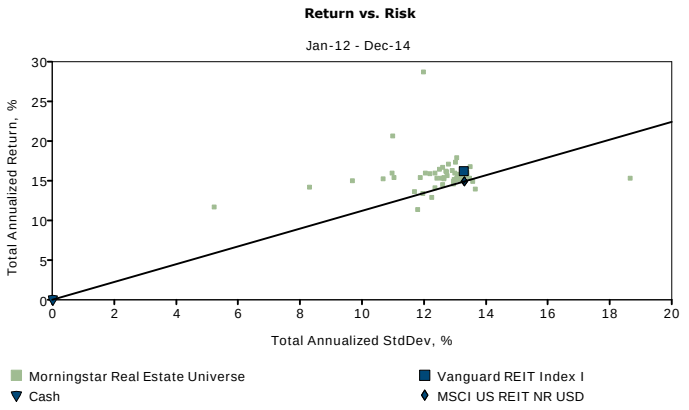

| Annual Return % | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Vanguard REIT Index I | 12.05 | 35.15 | -16.38 | -36.95 | 29.76 | 28.56 | 8.70 | 17.65 | 2.48 | 30.28 |
| MSCI US REIT NR USD | NA | 34.18 | -17.84 | -39.05 | 26.27 | 26.97 | 7.48 | 16.47 | 1.26 | 28.82 |




| 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 | 99.98 | 1.20 | 13.28 | 0.21 |
| MSCI US REIT NR USD | 0.00 | 1.00 | 100.00 | 1.11 | 13.30 | 0.00 |
| Universe(5%) | 5.48 | 1.01 | 99.62 | 1.65 | 13.49 | 7.95 |
| Universe(25%) | 2.06 | 0.99 | 99.26 | 1.27 | 13.22 | 2.68 |
| Universe(Median) | 1.00 | 0.97 | 98.55 | 1.18 | 12.96 | 1.70 |
| Universe(75%) | 0.52 | 0.91 | 96.71 | 1.15 | 12.33 | 1.18 |
| Universe(95%) | -0.26 | 0.63 | 73.95 | 1.05 | 10.62 | 0.89 |



# 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 payments from fixed-income securities and dividend payoffs from common stocks.

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## Stein, Jody

**Subject:** FW: Annual Review Meeting Summary (proposed fee changes)

**From:** Virginia.Karablacas@wellsfargo.com [mailto:Virginia.Karablacas@wellsfargo.com]
**Sent:** Wednesday, January 28, 2015 12:10 PM
**To:** Mitchell, Donna
**Subject:** RE: Annual Review Meeting Summary (proposed fee changes)

Donna,

As a follow up to our brief discussion, please see the responses to your questions below.

I mentioned to you in December when we met that your accounts were scheduled for review in mid-2015, and I was granted approval to expedite this analysis based on your inquiry. We are committed to evaluating our fees on a periodic basis.

Thank you for the opportunity to work through this with you. Let me know if you have any further questions at this time.

Virginia

**From:** Virginia.Karablacas@wellsfargo.com [mailto:Virginia.Karablacas@wellsfargo.com]
**Sent:** Monday, January 26, 2015 1:20 PM
**To:** Mitchell, Donna
**Subject:** FW: Annual Review Meeting Summary (fee review)

Donna,

Just to confirm, I have the three items below as your items in question. If there are additional items, kindly advise.

Thank you.

- Review basis point fees in light of asset size

We reviewed the 3 accounts we currently have with the City of Dover, and propose the following fee structure

- For the Employee and Pension assets

- 3 basis points on the first $50 MM
- 2 basis points on the next $50 MM
- 1 basis point over $100 MM

- For the OPEB

- 3 basis points on the first $50 MM
- 2 basis points on the next $50 MM
- 1 basis point over $100 MM

This results in an 8% fee decrease.

- Postage rate @ $0.49 vs bulk rate

  We propose changing the distribution rate to a flat $2.35.

- Advices – is this all or nothing, or can retirees opt-out?

  Retirees can opt-out if they do not wish to obtain an advice.

**Virginia Karablacas**
Relationship Manager | Vice President

Wells Fargo Institutional Retirement and Trust
123 S. Broad Street, 7th Floor | MAC Y1379-070 | Philadelphia, PA 19109
Tel (215) 670-7735 | Cell (267) 634-9329 | Fax (215) 670-7791

virginia.karablacas@wellsfargo.com

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**From:** Mitchell, Donna [mailto:DMitchell@dover.de.us]
**Sent:** Thursday, December 18, 2014 8:43 AM
**To:** Karablacas, Virginia; Peddicord, Lori
**Cc:** Peddicord, Lori
**Subject:** RE: Annual Review Meeting Summary

Virginia,

Thank you for the follow up and the exceptional customer service you provide to the City of Dover. Both Lori and I enjoyed our discussions as well. It's very relaxing to take time to talk about our joys with our families.

I have reached out to Jeff Marzinsky, Milliman and he has requested we remove Matt Albano from access to reports. We would also like to have Peggy Teal removed as well.

Our wishes to you for a Merry Christmas and a Joyful New Year.

Donna

**From:** Virginia.Karablacas@wellsfargo.com [mailto:Virginia.Karablacas@wellsfargo.com]
**Sent:** Wednesday, December 17, 2014 5:11 PM
**To:** Mitchell, Donna; Peddicord, Lori
**Subject:** Annual Review Meeting Summary

Donna and Lori,

It was so nice to see you both today, and a pleasure to meet Lori. It is nice to have time away from our work environments to catch up on both personal and work related items.

I wanted to summarize the key items we discussed, and the take-a-way items I noted during our discussion.

Value for Cost

I am pleased to hear that you feel the service you are receiving from Wells Fargo is meeting your expectations, and that the services for cost are aligned. I completely understand the Committee's request to review our fees for due diligence purposes and because of asset growth. As discussed, this was scheduled on my end for mid-2015; however, I will move this up to early January 2015. It was good to hear that the Committee decided to postpone the RFP process at this time.

- Review basis point fees in light of asset size
- Postage rate @ $0.49 vs bulk rate
- Advices – is this all or nothing, or can retirees opt-out?

Electronic Statement Recipients

The following individuals are currently set up for TID and TPR online reports. Kindly confirm if any changes are necessary. Peggy's access has been deactivated; therefore, she does not have access to reports even though she is listed below. I have already submitted a request to have Peggy deleted from TID and TPR.

1. Matt Albano
2. Pamela Mayo
3. Katie Heffington
4. Lori Peddicord
5. Donna Mitchell
6. Peggy Teal

OneSource

- I will submit the request to have Lori added for access to One Source.
- On 12/1/2014, I sent a reminder to Katie asking her to log into the system before 12/31/2014.

Custody of Operating Cash

The RFP for these services is underway and responses are due January 9, 2015. Thank you for including Wells Fargo in your search!

OPEB

Milliman had decided, and the Committee approved, eliminating PIMCO from the account.

If I missed anything, or if there is anything else you need at this time, please let me know.

I enjoyed hearing about your children and grandchildren and comparing notes on their Christmas wish list items. I am glad to know that the wish list items from my godchildren is in line with others ☺. Wishing you a very happy and safe holiday season!

Virginia

**Virginia Karablacas**
Relationship Manager | Vice President

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