OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD AGENDA

NOVEMBER 8, 2012 - 11:00 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 - OPEB Board Meeting of August 15, 2012

2. Quarterly Performance Review *(Quarter Ending September 30, 2012) (Milliman, Inc.)*

3. Approval of Amendments to Investment Policy

4. Changes/Additions to Investment Managers *(Milliman, Inc.)*

5. Adjournment

/js
S:\AGENDAS-MINUTES-PACKETS\Misc-Agendas\OPEB\2012\11-08-2012 OPEB BOARD.wpd

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.

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.

OTHER POST EMPLOYMENT BENEFITS (OPEB) BOARD

The Other Post-Employment Benefits (OPEB) Board meeting was held on August 15, 2012 at 3:00 p.m. with Chairwoman Williams presiding. Members present were Mr. Hare, Mr. Koenig, and Mrs. Mitchell. Mrs. Hawkins was absent. Councilman Perza was also present.

AGENDA ADDITIONS/DELETIONS

By unanimous consent, the agenda was approved as presented.

ADOPTION OF MINUTES - OPEB BOARD MEETING OF FEBRUARY 8, 2012

Mr. Hare moved for adoption of the minutes of the OPEB Board meeting of February 8, 2012, seconded by Mrs. Mitchell and unanimously carried.

ORGANIZATIONAL ISSUES - ELECTION OF CHAIR

Mrs. Williams opened the floor for nominations for Chair.

Mr. Hare moved to nominate Mrs. Williams to serve as Chair. Mrs. Williams respectfully declined.

Mr. Hare moved to nominate Mrs. Donna Mitchell, Controller/Treasurer, to serve as Chair, seconded by Mrs. Williams.

Mr. Hare moved to close nominations, seconded by Mr. Koenig and unanimously carried.

The motion to elect Mrs. Mitchell to serve as Chair of the OPEB Board was unanimously carried.

QUARTERLY PERFORMANCE REVIEW *(QUARTER ENDING JUNE 30, 2012) (MILLIMAN, INC.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the Quarterly Performance of the OPEB Trust Fund as of June 30, 2012. He noted that the fund balance was approximately $8.43M at the beginning of the quarter and the ending balance was approximately $10.48M, including contributions of approximately $2.15M. Mr. Marzinsky stated that there was a slight gain during the quarter due to the timing of the contribution. He indicated that the majority of investments, including passive index investments, ranked well and exceeded their benchmarks during this time period and that no changes in investments were recommended at this time.

DISCUSSION - LIABILITY TO ASSET ALLOCATION STUDY *(MILLIMAN, INC.)*

Mr. Jeff Marzinsky, Principal and Employee Benefits Consultant, Milliman, Inc., reviewed the City of Dover, DE - OPEB Asset Liability Study, dated July 31, 2012. He advised members that two (2) factors affect the plan assets: the liability stream (future payments) and the risk/return profile of the assets in the plan, and Milliman considers both when conducting analysis. Using data provided by Mr. Scott Porter, Milliman's actuary, annual projected benefit obligations were used to develop a statistic called duration, which indicates when (on average) payments will be due. Mr. Marzinsky reminded members that the plan has a projected target return of 7% that is used for actuarial valuation and to develop an optimal portfolio.

Mr. Marzinsky explained that the Optimization Input Review on Page 2 of the report listed the projected returns and projected volatility (standard deviation) of OPEB fund investments. He advised members that the Input Correlation on Page 3 reflected how closely the investment asset categories move together and that a correlation of 1.00 indicates an exact match. He noted that assets should not move up or down simultaneously since maintaining diversification is important.

Referring to Page 4 of the report, Mr. Marzinsky indicated that the far right column reflected the OPEB plan's current investment allocations. He reviewed three (3) alternative options that were developed to allow members to consider which would add different asset categories and different allocations within categories. He noted that Option 2 reflected a reduction in stock allocation from 68.0% to approximately 60.73% and that allocating in this manner would create more diversification, hit the same target return, and lower the volatility of the portfolio. Mr. Marzinsky stated that approximately 32% of the portfolio was allocated to fixed income (bond-type) investments and 68% allocated to equities. He felt that this was a fairly good allocation, since weighing the plan more heavily in equities would provide more growth potential, although volatility would be higher.

Responding to Mrs. Williams regarding the relatively high standard deviation, Mr. Marzinsky stated that there would be a long window of time to potentially grow the portfolio, noting that the majority of benefits would become due in 20-30 years. In addition, he noted that growth would be needed within the portfolio and the equity investments would be helpful in this regard.

In response to Mrs. Williams regarding whether the standard deviation would decrease in the future, Mr. Marzinsky indicated that portfolios for pooled investments with a future liability are typically "de-risked" as the liability moves closer to a funded status. Equity is removed from the portfolio and fixed income is added, and this lowers the risk and the standard deviation. He estimated that this could be considered by the City in five (5) or ten (10) years and that Milliman would continue to monitor the status periodically to evaluate how well the plan is funded, how much the assets have grown, and the amount of contributions to the plan.

Mr. Marzinsky explained that the three (3) yellow dots on the graph on Page 5 reflected the three (3) optimal portfolio options. The blue dot, representing the current OPEB plan, indicated that it was not as efficient as the alternative scenarios presented. Page 6 showed the variability of potential returns for the dispersion of expected outcomes and demonstrated that adding the asset categories would reduce the likelihood of a wider dispersion of potential outcomes. Page 7 reflected expected future payments, which allowed for the development of the isolated duration number, which indicated that in approximately 24 years, the core of the benefits would begin to be paid.

Mr. Marzinsky explained that Page 8 revealed a mismatch in the duration of the assets and the duration of the portfolio. He recommended gradually transitioning to a liability-driven investment portfolio. He indicated that Page 9 contained an analysis of the optimal portfolio (Option #2) which would allocate some of the fixed income holdings to longer-term investments and achieve a better match in the duration of the assets to the duration of the liabilities. Mr. Marzinsky noted that the steps involved would be: 1) changing the allocation of the plan by adding different asset categories,

which would reduce the volatility of the portfolio and achieve an expected target return close to the valuation target return; and 2) allocating some of the portfolio to longer-term bond investments, which would start to match the duration of the assets to the duration of the liabilities within the plan.

Referring to the 24-25 year projected duration, Mrs. Williams expressed her concern that the money would come in after it was needed, since most employees would be retired or nearly retired by this time. Mrs. Mitchell explained that the City was in a ten-year phase-in period for funding the liability and these funding assumptions were built into Milliman's report.

In reponse to Mrs. Williams, Mr. Marzinsky stated that the implications of capping the fund would be considered on the actuarial side rather than the investment side.

Mrs. Mitchell stated that capping the fund would decrease the duration mismatch.

Responding to Mr. Koenig, Mr. Marzinsky stated that the 24.97 figure for duration was based on actuarial information, including participant data and when those benefits would come due. A schedule was developed of all payments to be issued in the next 70-80 years and dollar amounts were projected year by year. This data was run through a calculation that determined, on average, when the core or majority of benefits would come due.

In response to Mr. Koenig, Mr. Marzinsky confirmed that the targeted 7% return was very optimistic in the current market. He noted that diversifying into different asset categories would increase the likelihood of meeting target returns. He stated that he was not aware of fixed asset investments that were currently yielding this rate of return; however, some were generating this amount of return based on share price in terms of the net asset value of portfolios.

After further discussion, in response to Mr. Hare, Mr. Marzinsky recommended Option #2 as a "middle of the road" strategy for allocating the OPEB portfolio. He suggest that consideration be given at a subsequent meeting to setting high and low thresholds for each of the asset categories so that the portfolio would not have to be rebalanced frequently.

Mr. Hare moved to adjust the portfolio by adopting Option #2, as outlined on Page 4, Portfolio Options, of the City of Dover, DE OPEB Asset Liability Study dated July 31, 2012 *(Attachment #1)*. The motion was seconded by Mrs. Williams and unanimously carried.

SCHEDULING OF FUTURE MEETING DATES

By unanimous consent members agreed that staff would set future meeting dates and coordinate with members.

Mrs. Williams requested that adequate time be allowed for meetings so that members could consider matters thoroughly.

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

Meeting Adjourned at 3:38 P.M.

Donna S. Mitchell
Chair

DSM/JS/mk/dd/tm
S:\AGENDAS-MINUTES-PACKETS\Misc-Minutes\OTHER POST-EMPLOYMENT BENEFITS (OPEB) BOARD\2012\08-15-2012 OPEB.wpd

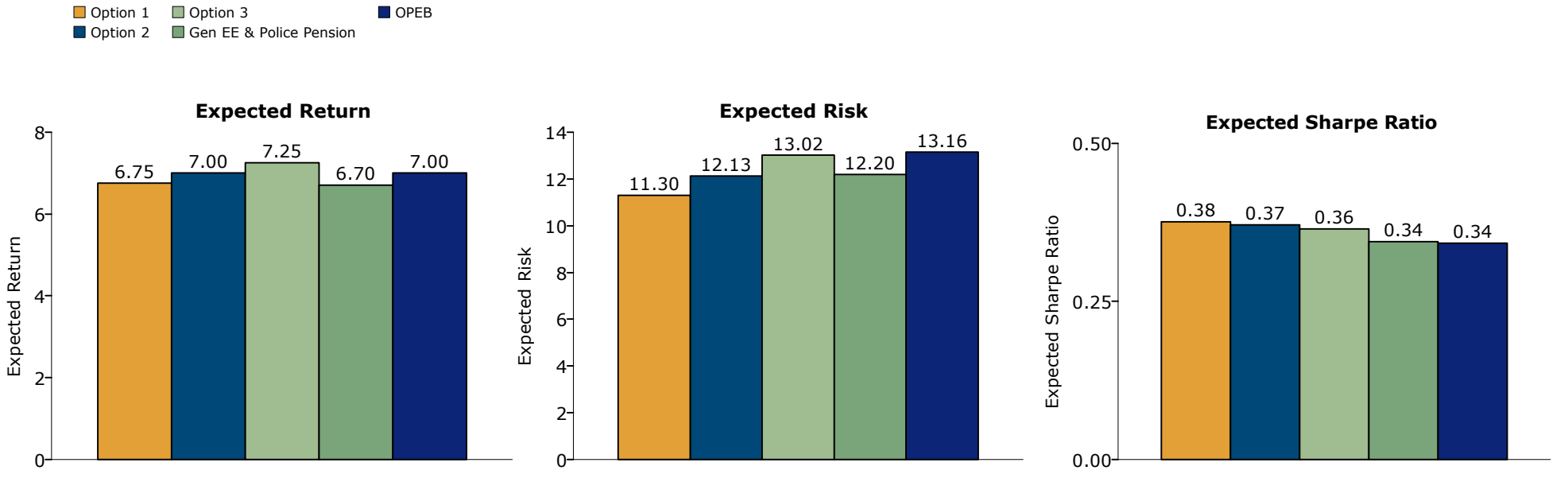
Attachment
Attachment #1 - Page 4, Portfolio Options - City of Dover, DE OPEB Asset Liability Study dated July 31, 2012

Milliman | Asset Allocation Study

Portfolio Options

	Option 1	Option 2	Option 3	Gen EE & Police Pension	OPEB
Cash	5.000	5.000	5.000	2.000	1.000
ML U.S. Treasuries, Inflation-Linked	7.000	7.000	7.000	0.000	0.000
Barclays Capital Interm U.S.Govt/Credit	10.000	10.000	10.000	34.000	31.000
Barclays Capital Long Gov/Credit Index	20.000	17.268	12.287	0.000	0.000
Russell 1000 Value Index	12.117	10.000	11.344	14.000	10.000
Russell 1000 Growth Index	10.000	10.738	14.369	14.000	15.000
Russell Midcap Index	5.000	5.000	5.000	8.000	11.000
Russell 2000 Index	5.000	5.000	5.000	5.000	7.000
FTSE NAREIT REIT: Equity	5.000	4.994	5.000	0.000	0.000
MSCI EAFE (Net) Index	10.000	10.000	10.000	23.000	25.000
MSCI EM (Emerging Markets) Index	10.883	15.000	15.000	0.000	0.000
Fixed Income	**42.00%**	**39.27%**	**34.29%**	**36.00%**	**32.00%**
Equity	**58.00%**	**60.73%**	**65.71%**	**64.00%**	**68.00%**

	Option 1	Option 2	Option 3	Gen EE & Police Pension	OPEB
Expected Return	6.75%	7.00%	7.25%	6.70%	7.00%
Expected Standard Deviation	11.3045	12.1307	13.0225	12.1951	13.1609
Expected Sharpe Ratio	0.3760	0.3710	0.3648	0.3444	0.3422



City of Dover Delaware

OPEB Board

November 8, 2012

Presented by:
Jeff Marzinsky, CIMA, CPC

Milliman, Inc.

TABLE OF CONTENTS

Section I	Market Commentary & Investment Monitor
Section II	Asset Liability Study – Allocation Summary
Section III	Fund Detail Pages
Section IV	Investment Policy Statement Amendment

Milliman | Quarterly Investment Monitor

Market Indices - 3rd Quarter 2012

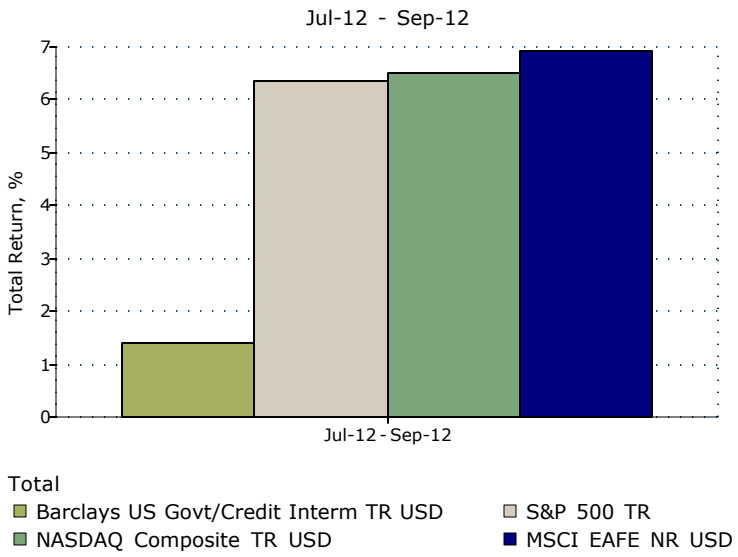


Index	3 Months	1 Year	3 Years	5 Years
BofAML US Treasury Bill 3 Mon	0.03	0.07	0.11	0.72
Barclays US Govt 1-3 Yr TR USD	0.26	0.65	1.49	2.94
Barclays US Govt/Credit Interm TR USD	1.40	4.40	5.18	5.71
Barclays US Government Long TR USD	0.34	6.41	11.93	10.94
Barclays US Long Credit TR USD	5.22	14.91	12.74	10.61
Barclays US Corporate High Yield TR USD	4.53	19.37	12.90	9.34
DJ Industrial Average TR USD	5.02	26.52	14.45	2.16
S&P 500 TR	6.35	30.20	13.20	1.05
NASDAQ 100 TR USD	7.36	32.37	18.71	6.84
NASDAQ Composite TR USD	6.50	30.53	14.81	3.89
Russell 1000 Value TR USD	6.51	30.92	11.84	-0.90
Russell 1000 TR USD	6.31	30.05	13.27	1.22
Russell 1000 Growth TR USD	6.11	29.19	14.73	3.24
Russell 2000 Value TR USD	5.67	32.63	11.72	1.35
Russell 2000 TR USD	5.25	31.91	12.99	2.21
Russell 2000 Growth TR USD	4.84	31.18	14.19	2.96
FTSE NAREIT All REITs TR	1.85	34.37	20.32	2.50
MSCI EAFE NR USD	6.92	13.75	2.12	-5.24
MSCI EAFE Small Cap NR USD	7.89	12.56	4.75	-2.98
MSCI EM NR USD	7.74	16.93	5.63	-1.28

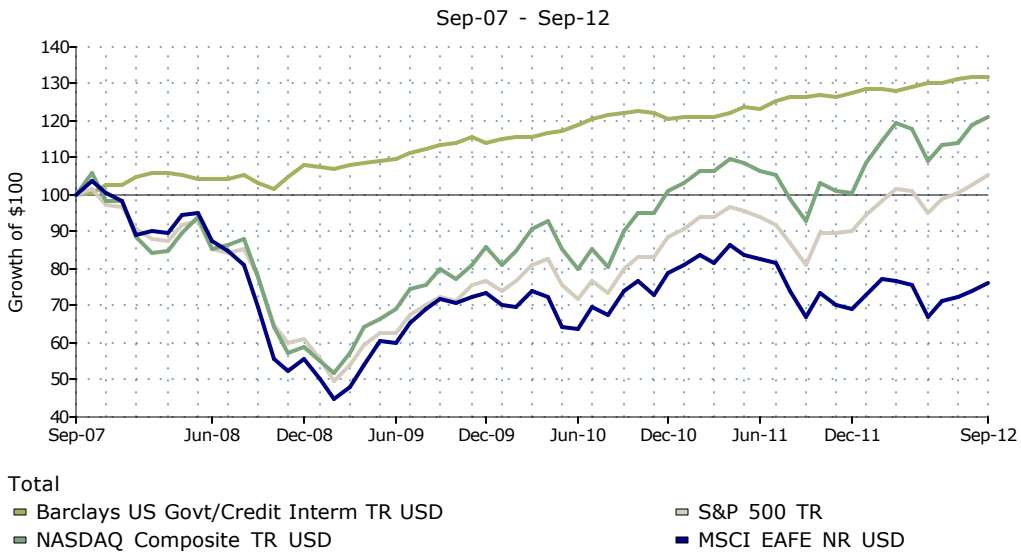
Milliman | Quarterly Investment Monitor

Broad Market Commentary - 3rd Quarter 2012

Broad Markets - Quarter



Broad Markets - Five Years



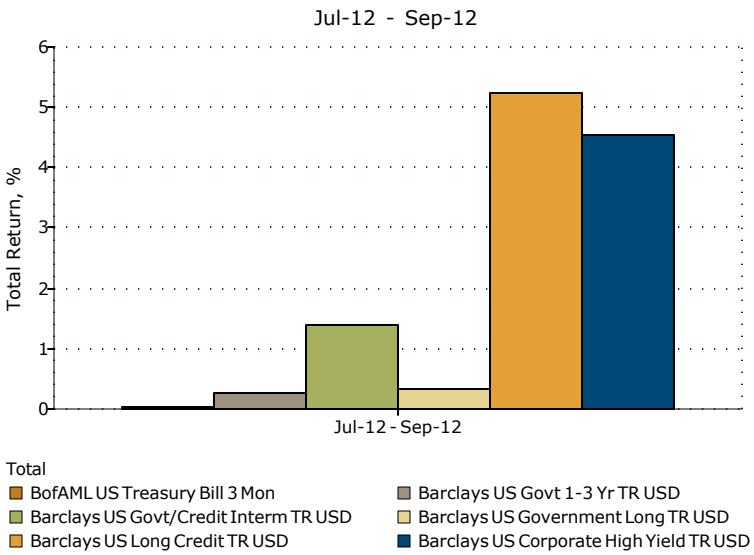
Market Commentary

- The U.S. stock market rose in response to additional stimulus by the Federal Reserve ("QE3") and improvements in certain areas of the U.S. economy, particularly the housing market.
- The international equity markets made substantial gains after the European Central Bank announced it will do "whatever it takes" to preserve the euro and approved a plan to buy unlimited amounts of bonds issued by struggling euro-zone nations.
- The Federal Reserve Bank announced its intentions to purchase $40 billion in mortgage-backed securities each month in an effort to lower mortgage interest rates, help the housing market, and ultimately, reduce unemployment.
- As the quarter ended, mutual fund investors increased their holdings in bonds and decreased their holdings in stocks. For the quarter, bond funds had net inflows of $85.4 billion, while stock funds had net outflows of $48.1 billion. Total money market mutual fund assets increased by $37.69 billion to $2.576 trillion.
- The unemployment rate fell from 8.2% to 7.8%, as total employment increased by 437,000 jobs.
- The price of oil increased from $85 per barrel to $92 during the quarter, an increase of 8.2%.
- For the three months ending September 30, 2012, annualized seasonally adjusted CPI – U was 5.0%. Rising prices for gasoline drove the increase.

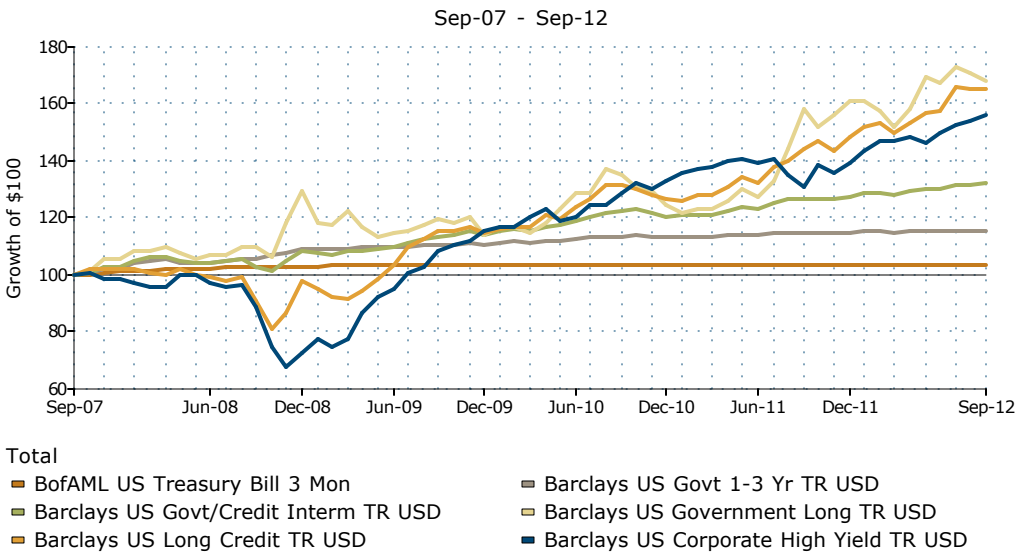
Milliman | Quarterly Investment Monitor

US Fixed Income Market Commentary - 3rd Quarter 2012

US Fixed Income - Quarter



US Fixed Income - Five Years



US Bond Market

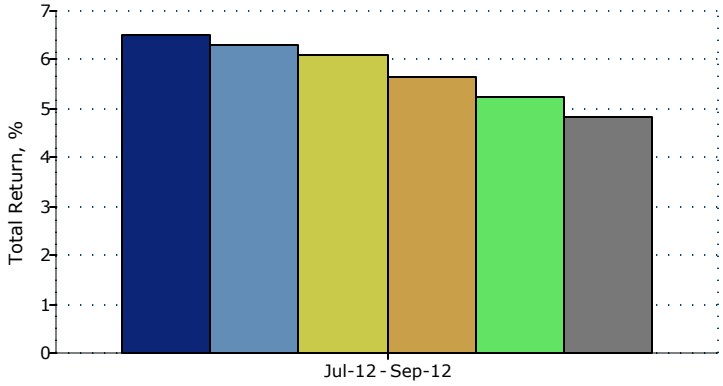
- Most fixed income markets rose in the 3rd quarter, as investors shifted from higher quality bonds to lower quality bonds.
- The short end of the yield curve remained unchanged as the Fed maintained its near-zero interest rate policy.
- Interest rates were virtually unchanged across the yield curve.
- Long-term corporate bonds were the best performing sector this quarter, up 5.53%, as corporate credit spreads hit near record lows in response to strong demand from investors.
- Long-term government bonds were the worst performing sector this quarter, up 0.34%, as investors favored bonds with higher yields.
- 91-Day T-Bill returned 0.03% in the third quarter, the same return as in the second quarter.

Milliman | Quarterly Investment Monitor

US Equity Market Commentary - 3rd Quarter 2012

US Equity - Quarter

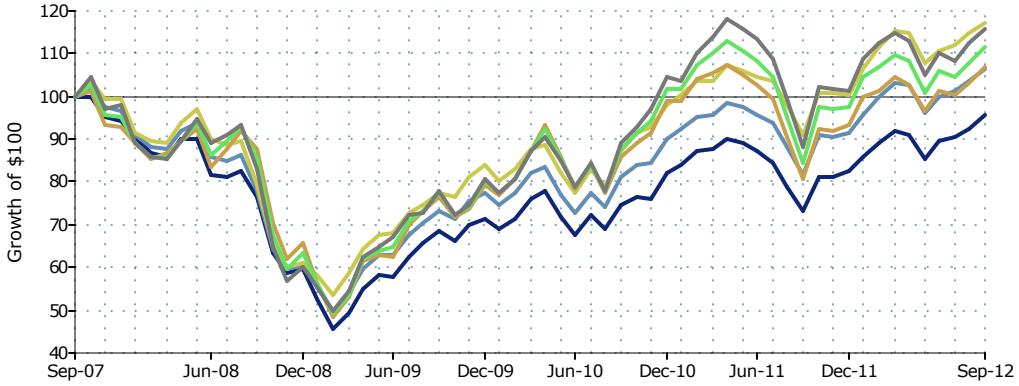
Jul-12 - Sep-12



Total
- Russell 1000 Value TR USD
- Russell 1000 TR USD
- Russell 1000 Growth TR USD
- Russell 2000 Value TR USD
- Russell 2000 TR USD
- Russell 2000 Growth TR USD

US Equity - Five Years

Sep-07 - Sep-12

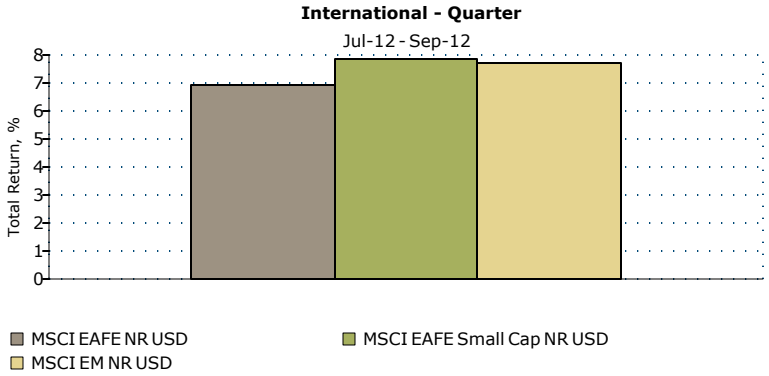


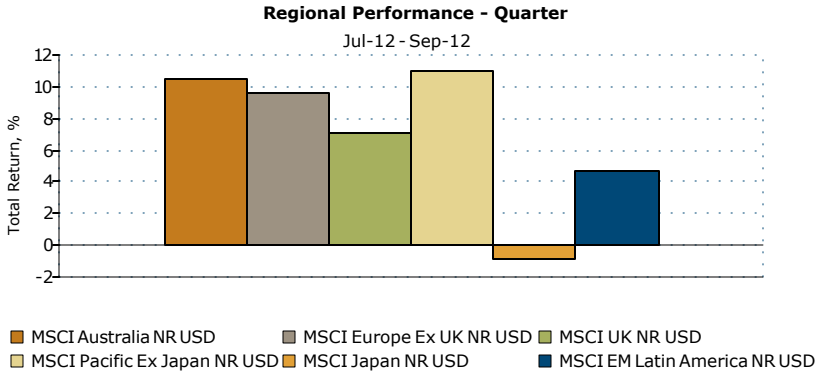
Total
- Russell 1000 Value TR USD
- Russell 1000 TR USD
- Russell 1000 Growth TR USD
- Russell 2000 Value TR USD
- Russell 2000 TR USD
- Russell 2000 Growth TR USD

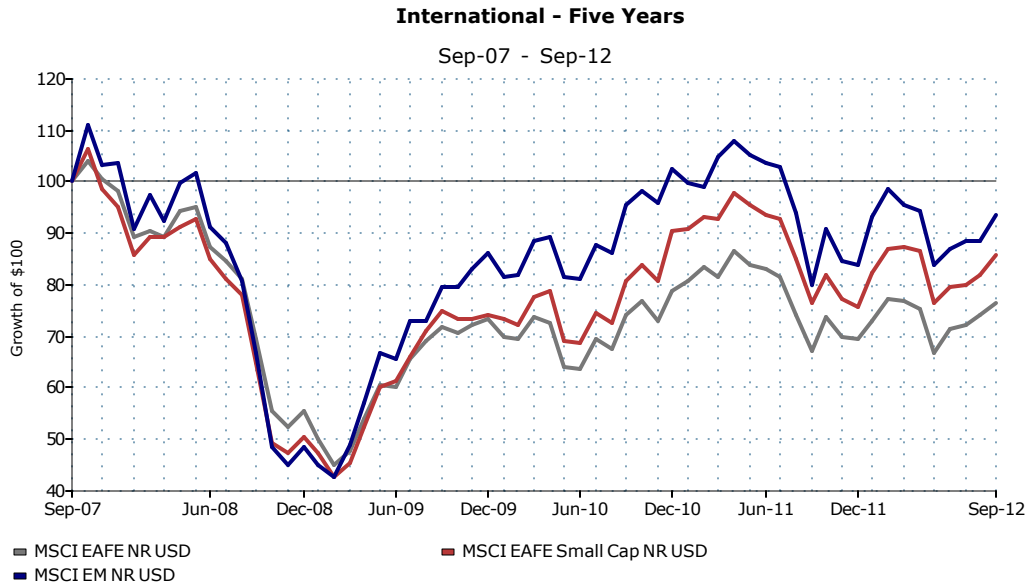
US Stock Market

- Most major domestic equity indices posted a gain for the quarter. The large-cap Russell 1000 Value Index had the best return, up 6.5%.
- Large-cap stocks outperformed small-caps, up 6.3% vs. 5.3%.
- In comparing styles, value stocks did better than growth stocks.
- In a reversal from last quarter, REITs fell 0.38%, as investors favored riskier assets over the relatively stable cash flows offered by commercial real estate. The worst performing sectors were apartments and resorts/lodging.
- Energy was the best performing sector, up 10.14%, on higher crude oil prices and concerns about supply.
- Utilities were the worst performing sector, up 0.01%, as investors generally moved out of lower-risk assets.

International Market Commentary - 3rd Quarter 2012







International Markets

- The dollar was down against the euro, pound, and yen.
- For the quarter, the EAFE Index was up 6.92% and Emerging Markets were up 7.74%. Local currency returns for the EAFE Index and Emerging Markets were 4.67% and 5.91%, respectively.
- Among the major international regions, Indian stocks had the highest return (+14.34%), spurred by a series of economic reforms, including plans to allow foreign investors to buy larger stakes in supermarkets and airlines.
- Stocks in the Asia Pacific region (except for Japan) also rose substantially (+10.71%), especially Hong Kong whose booming property market benefited real estate stocks.
- Small-cap stocks, up 7.9%, outperformed large-cap stocks, up 6.9%.

Performance Summary

Asset Allocation

	Balances As of 09/30/2012	Percent As of 09/30/2012	Balances As of 06/30/2012	Percent As of 06/30/2012	Notes
Wells Fargo Advantage Cash Inv MMkt I	$314,703	2.97%	$315,935	3.01%	
PIMCO Total Return Instl	$1,303,199	12.30%	$1,280,295	12.21%	
Vanguard Total Bond Market Index Signal	$1,894,385	17.88%	$1,868,340	17.83%	
American Funds Washington Mutual R6	$1,053,066	9.94%	$1,033,832	9.86%	
Vanguard 500 Index Signal	$1,540,048	14.53%	$1,518,956	14.49%	
Vanguard Mid Cap Index Adm	$1,108,597	10.46%	$1,100,867	10.50%	
Target Small Capitalization Value T	$742,233	7.00%	$742,595	7.08%	
American Funds New Perspective R6	$1,352,537	12.76%	$1,334,316	12.73%	
Harding Loevner Global Equity Inst	$1,289,051	12.16%	$1,286,406	12.27%	
Plan Total	**$10,597,819**		**$10,481,542**		

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
PIMCO Total Return Instl	25	0	2.51	3.22	1.36	1.30	46	51	0	0
American Funds Washington Mutual R6	7	21	2.46	2.30	0.83	0.83	10	9	32	28
Target Small Capitalization Value T	53	18	-2.63	0.19	0.91	0.90	26	25	20	17
American Funds New Perspective R6	27	19	1.50	2.93	0.96	0.92	32	27	20	19
Harding Loevner Global Equity Inst	27	19	1.56	3.01	0.95	0.94	29	27	19	18

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 becnchmark, 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 Total Bond Market Index Signal	-0.16	NA	1.04	0.28	NA	NA	0.10
Vanguard 500 Index Signal	-0.02	0.02	1.00	0.02	1.00	0.03	0.05
Vanguard Mid Cap Index Adm	-0.08	-0.03	1.00	0.02	1.00	0.04	0.10

Definitions

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

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

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

Investment Option Return Summary

Asset Class	Fund Name	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	Ticker	Mstar Rating	Expense Ratio
Taxable Money Market	Wells Fargo Advantage Cash Inv MMkt I	0.02	0.04	0.05	0.10	0.96	1.94	WFIXX	NA	0.20
	BofA ML 3-month T-bill total return Index	*0.03*	*0.07*	*0.07*	*0.11*	*0.72*	*1.82*	*N/A*	*NA*	*NA*
Intermediate-term Bond	PIMCO Total Return Instl	3.15	9.08	11.51	7.69	8.92	6.95	PTTRX	5.00	0.46
Intermediate-term Bond	Vanguard Total Bond Market Index Signal	1.55	4.02	5.03	6.11	6.53	5.28	VBTSX	3.00	0.10
	BC Intermediate Government/Credit	*1.40*	*3.53*	*4.40*	*5.18*	*5.71*	*4.76*	*N/A*	*NA*	*NA*
	Barclays US Agg Float Adj TR USD	*1.61*	*4.07*	*5.26*	*6.26*	*NA*	*NA*	*N/A*	*NA*	*NA*
Large Value	American Funds Washington Mutual R6	4.68	12.35	25.52	13.85	0.73	7.58	RWMGX	5.00	0.31
	S&P 500 Value	*6.30*	*15.78*	*30.81*	*11.39*	*(1.56)*	*7.79*	*N/A*	*NA*	*NA*
Large Blend	Vanguard 500 Index Signal	6.34	16.42	30.17	13.19	1.07	7.96	VIFSX	4.00	0.05
	S&P 500 Index	*6.35*	*16.44*	*30.20*	*13.20*	*1.05*	*8.01*	*N/A*	*NA*	*NA*
Mid-Cap Blend	Vanguard Mid Cap Index Adm	5.21	12.80	26.47	13.98	1.87	10.34	VIMAX	4.00	0.10
	MSCI US Mid Cap 450 Index USD	*5.23*	*12.84*	*26.53*	*14.05*	*1.90*	*10.94*	*N/A*	*NA*	*NA*
Small Value	Target Small Capitalization Value T	5.02	10.01	26.08	12.50	3.48	12.11	TASVX	4.00	0.71
	S&P 600 Index	*5.40*	*13.80*	*33.35*	*15.14*	*3.29*	*10.74*	*N/A*	*NA*	*NA*
World Stock	American Funds New Perspective R6	6.48	16.29	23.67	8.73	0.86	10.79	RNPGX	4.00	0.46
World Stock	Harding Loevner Global Equity Inst	5.76	16.17	22.77	8.78	0.93	10.06	HLMVX	4.00	0.95
	MSCI AC World Index ND USD	*6.84*	*12.88*	*20.98*	*7.23*	*(2.07)*	*8.61*	*N/A*	*NA*	*NA*
Total Plan	OPEB-GROSS RETURN	4.59	16.95	25.74	NA	NA	NA	N/A	NA	NA
Total Plan	OPEB-NET RETURN	4.50	16.63	25.29	NA	NA	NA	N/A	NA	NA
	OPEB Plan Policy Index	*4.77*	*11.31*	*19.42*	*9.41*	*2.26*	*7.60*	*N/A*	*NA*	*NA*

OPEB

Allocation Adjustment 2012 - Asset Liability Study

Asset Category	Minimum	Target	Maximum	Target Duration	Wgtd Duration	Wgtd Fixed Duration
Cash & Short Term Bond (cash @ 0%)	0%	5%	10%	0.25	0.01	0.03
US Treasuries/Inflation-linked	0%	2%	7%	6.00	0.12	0.30
Intermediate Term Bond	6%	11%	16%	6.00	0.66	1.65
Long Term Bond	17%	22%	27%	14.00	3.08	7.70
Large Cap Value – US Stock	5%	10%	15%	0.00	0.00	
Large Cap Growth – US Stock	5%	10%	15%	0.00	0.00	
Mid Cap – US Stock	0%	5%	10%	0.00	0.00	
Small Cap – US Stock	0%	5%	10%	0.00	0.00	
Real Estate/REIT	0%	5%	10%	0.00	0.00	
Non-US Stock	5%	10%	15%	0.00	0.00	
Emerging Markets	10%	15%	20%	0.00	0.00	
		100%			3.87	9.68

Dynamic Investment Policy	Funded Status						
Asset Category	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	5%	5%	5%	5%	5%	5%	5%
US Treasuries/Inflation-linked	2%	3%	4%	6%	7%	8%	10%
Intermediate Term Bond	11%	11%	12%	12%	13%	16%	18%
Long Term Bond	22%	24%	26%	28%	30%	36%	42%
Large Cap Value – US Stock	10%	10%	9%	9%	8%	7%	4%
Large Cap Growth – US Stock	10%	9%	9%	8%	8%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	5%	5%	4%	3%	3%	3%	3%
Real Estate/REIT	5%	5%	4%	4%	3%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	6%	3%
Emerging Markets	15%	14%	13%	12%	11%	7%	5%

Equity	**60%**	**57%**	**53%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**40%**	**43%**	**47%**	**51%**	**55%**	**65%**	**75%**
Total	100%	100%	100%	100%	100%	100%	100%
Approximate Weighted Plan Duration	3.87	4.21	4.61	5.01	5.41	6.49	7.57
Approximate Fixed Income Duration	9.68	9.80	9.81	9.83	9.84	9.99	10.10

FUND CHANGES REQUIRED TO MEET ALLOCATION POLICY

Fund Manager	Asset Cat	Prior Bal	Asset Class / Strategy	Allocation
Existing Funds				
WF Treas Money Mkt	CA	$109,869	T-Bills	2%
PIMCO Total Ret/Vang Total Bond Index	FI	$2,463,382	Interm Bonds	11%
Vanguard 500 Index	FI	$1,347,271	US Large Caps	0%
Vanguard Mid Cap Index	EQ	$832,669	US Mid Caps	5%
Amer Fund Washington Mutual	EQ	$837,534	US Large Value	10%
Target Small Cap Value	EQ	$623,517	US Small Value	5%
American Fds New Perspc/HardnLoev Glb	EQ	$2,221,701	Global Equity	10%
New Funds				
Vanguard Short Term Bond (used in EE and POL)	FI		Short Bonds	3%
PIMCO Long Duration & Vanguard Long Term Index	FI		Long Bond	22%
Vanguard REIT Index	EQ		US REITs	5%
Vanguard Emerging Mkts Stock Index or ETF	EQ		Emerging Markets Equity	15%
Vanguard Growth Index	EQ		US Large Growth	10%
Vanguard Inflation Protected Sec	FI		Inflation-Indexed Bonds	2%
				100%

Vanguard Short-Term Bond Index Inv

Ticker	Status	Yield	SEC Yield	Total Assets	Mstar Category
VBISX	Open	1.5%	0.43%	$26,100 mil	Short-Term Bond

Morningstar Analyst Rating 10-25-12

Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

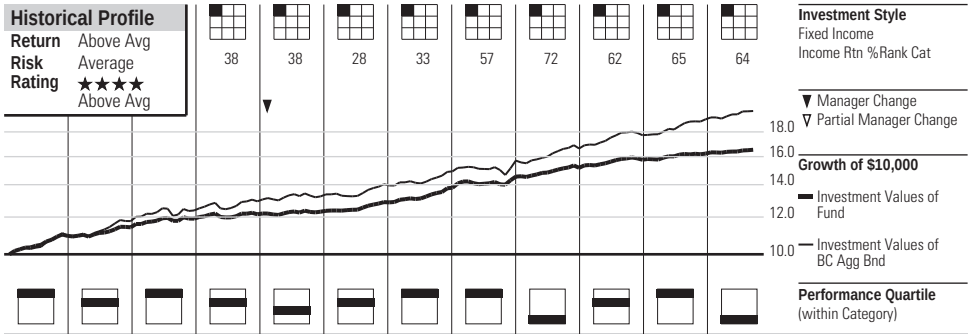
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum

Positive | Negative | Neutral

Historical Profile

Return Above Avg
Risk Average
Rating ★★★★ Above Avg



Investment Style
Fixed Income
Income Rtn %Rank Cat

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of BC Agg Bnd

Performance Quartile (within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
10.19	10.32	10.28	10.14	9.92	9.89	10.13	10.28	10.42	10.55	10.61	10.68	NAV
8.88	6.10	3.37	1.70	1.31	4.09	7.22	5.43	4.28	3.92	2.96	1.82	Total Return %
0.44	-4.16	-0.73	-2.64	-1.12	-0.24	0.25	0.19	-1.65	-2.62	-4.88	-2.17	+/-BC Agg Bnd
-0.15	-2.02	0.02	-0.15	-0.13	-0.13	-0.05	0.30	-0.34	-0.16	-0.18	-0.21	+/-BarCap Gt/Ct 1-5TR
5.85	4.53	3.23	2.99	3.51	4.38	4.71	3.91	2.89	2.22	1.85	1.12	Income Return %
3.03	1.57	0.14	-1.29	-2.20	-0.29	2.51	1.52	1.39	1.70	1.11	0.70	Capital Return %
3	37	21	41	59	44	3	4	85	47	13	83	Total Rtn % Rank Cat
0.57	0.45	0.33	0.30	0.35	0.43	0.46	0.39	0.29	0.23	0.19	0.12	Income $
0.07	0.02	0.06	0.01	0.00	0.00	0.00	0.00	0.00	0.05	0.06	0.00	Capital Gains $
0.21	0.22	0.20	0.18	0.18	0.18	0.18	0.19	0.22	0.22	0.22	—	Expense Ratio %
5.45	5.63	3.17	2.97	3.50	4.32	4.58	3.79	2.78	2.15	1.81	—	Income Ratio %
156	139	111	92	106	106	79	101	77	60	67	—	Turnover Rate %
1,680	2,553	3,041	3,795	2,951	2,731	2,773	3,680	5,283	4,226	3,802	3,255	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	3.03	-1.08	-0.25	3.71	5.43
2009	0.51	1.42	2.04	0.24	4.28
2010	1.13	1.81	1.57	-0.62	3.92
2011	0.09	1.52	0.92	0.41	2.96
2012	0.43	0.56	0.82	—	—

Trailing	Total Return%	+/- BC Agg Bnd	+/- BarCap Gt/Ct 1-5TR	%Rank Cat	Growth of $10,000
3 Mo	0.82	-0.76	-0.07	79	10,082
6 Mo	1.39	-2.29	-0.09	68	10,139
1 Yr	2.23	-2.93	-0.24	80	10,223
3 Yr Avg	2.98	-3.21	-0.24	61	10,921
5 Yr Avg	4.20	-2.33	-0.11	26	12,284
10 Yr Avg	3.73	-1.59	-0.12	30	14,423
15 Yr Avg	4.74	-1.41	-0.22	22	20,030

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	2.23	51	0.73	35
5 Yr (estimated)	3.22	23	0.94	35
10 Yr (estimated)	2.57	23	1.12	44

Potential Capital Gain Exposure: 3% of assets

Rating and Risk

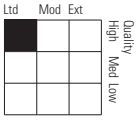
Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	2.23			
3 Yr	2.98	Avg	Avg	★★★
5 Yr	4.20	+Avg	Avg	★★★★
10 Yr	3.73	+Avg	Avg	★★★★
Incept	5.00			

Other Measures	Standard Index BC Agg Bnd	Best Fit Index BarCap Gt/Ct 1-5TR
Alpha	-0.3	-0.3
Beta	0.53	1.03
R-Squared	77	98
Standard Deviation	1.64	
Mean	2.98	
Sharpe Ratio	1.75	

Portfolio Analysis 06-30-12

Total Fixed-Income:1291	Date of Maturity	Amount $000	Value $000	% Net Assets
US Treasury Note 0.375%	07-31-13	473,840	474,356	1.87
US Treasury Note 2.5%	03-31-15	392,198	414,749	1.63
US Treasury Note 2.625%	07-31-14	393,725	412,242	1.62
US Treasury Note 1%	03-31-17	401,590	407,301	1.60
US Treasury Note 0.875%	12-31-16	383,541	387,077	1.52
US Treasury Note 1.75%	05-31-16	354,725	370,964	1.46
US Treasury Note 0.25%	02-28-14	364,650	364,253	1.43
US Treasury Note 2.375%	10-31-14	346,285	362,408	1.43
US Treasury Note 0.75%	06-30-17	333,100	333,570	1.31
US Treasury Note 0.25%	10-31-13	327,095	326,892	1.29
US Treasury Note 0.875%	04-30-17	294,949	297,300	1.17
US Treasury Note 0.875%	02-28-17	281,270	283,776	1.12
US Treasury Note 1.875%	04-30-14	276,005	283,725	1.12
US Treasury Note 2.125%	11-30-14	270,915	282,302	1.11
US Treasury Note 1.25%	10-31-15	274,925	281,754	1.11
US Treasury Note 1%	10-31-16	269,270	273,436	1.08
US Treasury Note 1.875%	02-28-14	262,020	268,736	1.06
US Treasury Note 2.375%	03-31-16	251,547	268,604	1.06
US Treasury Note 1%	09-30-16	262,830	267,020	1.05
US Treasury Note 2.25%	05-31-14	253,755	262,994	1.03

Current Investment Style



[1] figure provided by fund

Avg Eff Duration[1]	2.7 Yrs
Avg Eff Maturity	2.8 Yrs
Avg Credit Quality	AA
Avg Wtd Coupon	2.28%
Avg Wtd Price	103.83% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	96.3	1.1
6% to 8%	2.9	0.4
8% to 10%	0.6	0.3
More than 10%	0.3	0.5

1.00=Category Average

Credit Analysis		% bonds 06-30-12	
AAA	74	BB	0
AA	6	B	0
A	12	Below B	0
BBB	8	NR/NA	0

Sector Breakdown	% of assets
US Treasury	60
Non US Government	2
Government Related	14
Corporate	21
Agency MBS Pass-Through	0
Agency MBS ARM	0
Agency MBS CMO	0
Non-Agency Residential MBS	0
Commercial MBS	0
Asset-Backed	0
Municipal	0
Cash & Equivalents	3
Other	0

Composition - Net

Cash	2.7	Bonds	97.3
Stocks	0.0	Other	0.0

Special Securities

Restricted/Illiquid Secs	Trace
Exotic Mortgage-Backed	0
Emerging-Markets Secs	1
Options/Futures/Warrants	No

Morningstar's Take by David Falkof 10-25-12

Vanguard Short-Term Bond Index sails through stormy weather.

This index fund keeps a higher credit-quality profile than most of its short-term bond peers. The fund tracks the Barclays Capital U.S. 1-5 Year Government/Credit Float Adjusted Index, which has three fourths of its assets in AAA rated bonds (as of Sept. 30, 2012), nearly all of which is U.S. government debt. The median short-term bond fund, meanwhile, has roughly half its assets in bonds rated AAA and only 11% of assets in government bonds. In addition, the fund's 2.7-year average duration (a measure of interest-rate sensitivity) is longer than the category norm of 1.9 years.

As a result of that higher-quality, longer-duration portfolio, the fund has delivered strong performance in risk-averse market environments. During 2008's credit crisis, for instance, investors flocked to high-quality assets, which helped this fund gain 5.5%, topping all but two of its competitors. And amid 2011's market volatility, the fund gained 3.1%, nearly doubling the category norm.

While the fund can provide ballast to a portfolio during turbulent markets, it's also more sensitive to interest-rate changes than its typical peer. The fund's duration is short relative to the broader bond market, but if interest rates rise, it could lag its short-term bond competitors. Moreover, the portfolio's higher-quality emphasis means it produces less income to offset capital losses.

Investors comfortable with those risks, though, have a fine option here. Vanguard's bond indexing team is experienced and capable. Since manager Greg Davis took the helm in 2005, the fund's returns have stayed within 0.15% of its benchmark's during every rolling one-month period through September 2012. Moreover, the fund's rock-bottom 0.11% fee means shareholders get to keep more of what the fund earns. Those advantages make this a solid option for short-term high-quality bond exposure.

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$3000	Add: $100 IRA: $3000
		Min Auto Inv Plan:	$0	Add: $50
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.19%	
Inception:	03-01-94	Actual Fees:	Mgt:0.18%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$71	5Yr:$124 10Yr:$280
Subadvisor:	None	Income Distribution:	Monthly	
NTF Plans:	Vanguard NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

PIMCO Long Duration Total Return Instl

Ticker	Status	Yield	SEC Yield	Total Assets	Mstar Category
PLRIX	Open	3.5%	3.27%	$5,750 mil	Long-Term Bond

Morningstar Analyst Rating 04-10-12

Silver

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Neutral
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

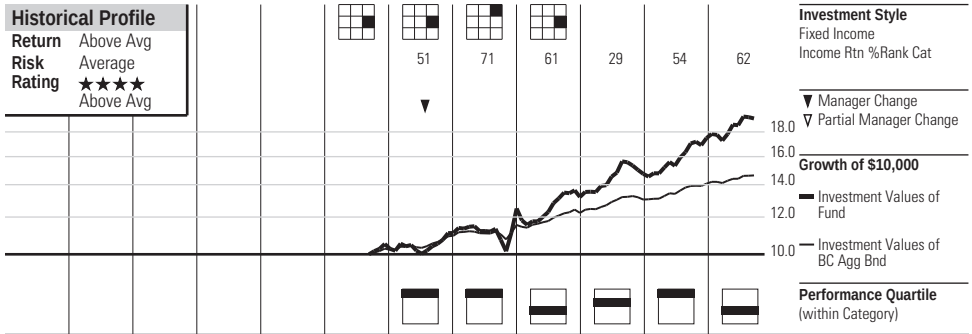
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum

Positive | Negative | Neutral

Historical Profile

Return Above Avg
Risk Average
Rating ★★★★ Above Avg



Investment Style
Fixed Income
Income Rtn %Rank Cat

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of BC Agg Bnd

Performance Quartile (within Category)

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	3.02	-1.99	-4.13	16.10	12.38
2009	-5.92	4.54	9.65	-2.07	5.62
2010	2.36	7.60	7.11	-5.36	11.64
2011	0.23	3.68	11.23	2.58	18.57
2012	-1.18	7.59	3.27	—	—

Trailing	Total Return%	+/- BC Agg Bnd	+/- BC Govt/Cred Long	%Rank Cat	Growth of $10,000
3 Mo	3.27	1.69	0.17	70	10,327
6 Mo	11.11	7.43	0.46	17	11,111
1 Yr	12.63	7.47	1.55	59	11,263
3 Yr Avg	12.49	6.30	0.02	37	14,234
5 Yr Avg	12.68	6.15	1.78	12	18,165
10 Yr Avg	—	—	—	—	—
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	9.58	41	2.58	87
5 Yr (estimated)	10.07	12	2.32	67
10 Yr (estimated)	—	—	—	—

Potential Capital Gain Exposure: 17% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	12.63			
3 Yr	12.49	+Avg	+Avg	★★★★
5 Yr	12.68	+Avg	Avg	★★★★
10 Yr	—	—	—	—
Incept	11.21			

Other Measures	Standard Index BC Agg Bnd	Best Fit Index BC Govt/Cred Long
Alpha	-3.4	1.2
Beta	2.58	0.90
R-Squared	75	93
Standard Deviation	8.05	
Mean	12.49	
Sharpe Ratio	1.50	

Morningstar's Take by Eric Jacobson 04-10-12

If you can't take the heat, you don't belong in PIMCO Long Duration Total Return's kitchen.

The fund's most recent bout of warmth came in this year's first quarter. Amid diminished fears of European crisis contagion and mildly positive economic indicators, U.S. Treasuries sold off, with the 10-year note's yield rising some 48 basis points from the end of January to April 3. That's been enough movement to knock this fund down by more than 3% over the same stretch, among the hardest hits taken by any fund in the long-term bond category.

The root of that outcome is the fund's interest-rate sensitive profile. The fund has--and uses--the flexibility to manage its duration with a wide berth, but it's benchmarked off of the Barclays Long-Term Government/Credit index, which excludes mortgages. They tend to carry modest durations and are virtually absent in the fund, as well. So while it hasn't always been so, the portfolio's duration of late has been running among the longest in the category (13.9 years as of February 2012).

But the other side of that coin looks better when yields are falling, as they did over the summer in 2011. A firmwide PIMCO decision had been in place to shorten the durations of the firm's funds, but this one still had plenty of rate-sensitivity ammo to ride the rally. Its 18.6% gain for 2011 placed it in the category's best quartile.

The fund does look to add value in other ways, including with bets outside of its Treasury and corporate bond focus. Of late it has held 9% in non-U.S. bonds and 8% in municipals, for example, and combined with an overall trend of falling yields, that has worked well over the long haul. The fund has beaten its benchmark handily over the trailing five years through Dec. 31, turning in an 11.7% average annual gain versus 9.7% for the index. But while it may make sense for investors looking to balance out an otherwise short portfolio, or needing a portfolio of this type for other reasons, the fund's basic construction otherwise makes it appropriate for only the most risk-tolerant investors.

Portfolio Analysis 06-30-12

Total Fixed-Income:684	Date of Maturity	Amount $000	Value $000	% Net Assets
US Treasury Bond 4.375%	05-15-41	259,800	347,036	5.95
PIMCO Short-Term Floatin	11-01-12	30,731	307,926	5.28
US Treasury Bond 6.25%	08-15-23	153,050	222,329	3.81
US Treasury Bond 4.25%	11-15-40	155,550	203,503	3.49
Resolution Fdg Fed Bk Pr	10-15-19	134,700	121,660	2.09
FNMA 6.625%	11-15-30	78,200	119,003	2.04
U S Treas Bd Stripped Pr	11-15-39	225,300	102,953	1.77
Resolution Fdg Fed Bk Pr	04-15-30	156,402	96,154	1.65
US Treasury Bond 4.5%	05-15-38	67,700	91,585	1.57
Resolution Fdg Fed Bk Pr	01-15-30	144,300	89,524	1.54
AID 5.5%	04-26-24	64,825	85,340	1.46
FNMA	06-01-17	80,650	76,546	1.31
Tennessee Valley Auth 7.	05-01-30	45,000	69,778	1.20
Quebec Prov Medium Term	12-01-43	62,600	69,733	1.20
U S Treas Sec Stripped I	05-15-37	141,100	68,954	1.18
US Treasury Bond 3.125%	11-15-41	63,500	68,272	1.17
US Treasury Bond 8%	11-15-21	40,855	64,142	1.10
US Treasury Bond 5.25%	02-15-29	42,560	60,043	1.03
US Treasury Bond 4.625%	02-15-40	40,700	56,306	0.97
FNMA 5.625%	07-15-37	38,970	55,884	0.96

Current Investment Style

Duration: Ltd | Mod | Ext
Quality: High | Med | Low

[1] figure provided by fund

Avg Eff Duration[1]	13.9 Yrs
Avg Eff Maturity	22.1 Yrs
Avg Credit Quality	—
Avg Wtd Coupon	5.85%
Avg Wtd Price	116.61% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	13.2	2.9
0% to 6%	50.4	1.0
6% to 8%	31.7	1.0
8% to 10%	4.1	0.4
More than 10%	0.7	0.3

1.00=Category Average

Credit Analysis	% bonds 06-30-12		
AAA	—	BB	—
AA	—	B	—
A	—	Below B	—
BBB	—	NR/NA	—

Sector Breakdown	% of assets
US Treasury	24
Non US Government	3
Government Related	16
Corporate	34
Agency MBS Pass-Through	2
Agency MBS ARM	0
Agency MBS CMO	1
Non-Agency Residential MBS	3
Commercial MBS	1
Asset-Backed	1
Municipal	7
Cash & Equivalents	9
Other	0

Composition - Net

Cash	-6.4	Bonds	105.7
Stocks	0.0	Other	0.7

Special Securities	
Restricted/Illiquid Secs	10
Exotic Mortgage-Backed	0
Emerging-Markets Secs	4
Options/Futures/Warrants	No

Address:	PIMCO Funds Stamford, CT 06902 888-877-4626	Minimum Purchase:	$1000000	Add: $0 IRA: $0
		Min Auto Inv Plan:	$0	Add: —
		Sales Fees:	No-load	
Web Address:	www.pimco-funds.com	Management Fee:	0.25%, 0.25%A	
Inception:	08-31-06	Actual Fees:	Mgt:0.50%	Dist: —
Advisor:	Pacific Investment Management Co LLC	Expense Projections:	3Yr:$160	5Yr:$280 10Yr:$628
Subadvisor:	None	Income Distribution:	Monthly	
NTF Plans:	N/A			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Vanguard Long-Term Bond Index Inv

Ticker	Status	Yield	SEC Yield	Total Assets	Mstar Category
VBLTX	Open	3.9%	3.44%	$5,911 mil	Long-Term Bond

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

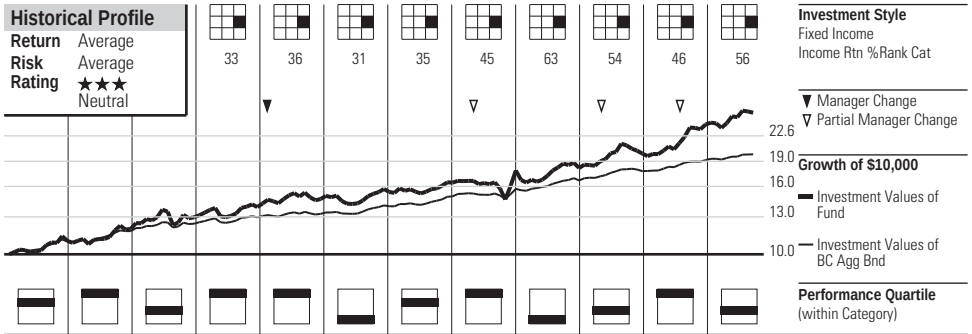
Ken Volpert had been a manager of this fund since 1994, and in 2008, Greg Davis was named comanager. Volpert is no longer listed as a manager but still leads Vanguard's taxable-bond group. Davis' team runs Vanguard's fixed-income index funds, including Short-Term Bond Index VBISX and Total Bond Market Index VBMFX.

Strategy

The fund strives to match the performance of the Barclays Capital US Long Government/Credit Index, which includes investment-grade U.S. Treasury, government-agency, and corporate bonds. Mortgage-backed securities are not included in the index. While management assembles a portfolio that resembles key traits of the index, such as duration (a measure of interest-rate sensitivity) and cash flow, the fund does not hold every security in the index.

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



Investment Style
Fixed Income
Income Rtn %Rank Cat

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of BC Agg Bnd

Performance Quartile (within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
10.83	11.67	11.50	11.82	11.84	11.53	11.65	11.98	11.56	12.04	13.91	14.60	NAV
8.17	14.35	5.50	8.40	5.32	2.67	6.59	8.64	1.76	10.27	22.05	8.33	Total Return %
-0.27	4.09	1.40	4.06	2.89	-1.66	-0.38	3.40	-4.17	3.73	14.21	4.34	+/-BC Agg Bnd
0.89	-0.46	-0.37	-0.16	-0.01	-0.04	-0.01	0.20	-0.16	0.11	-0.44	0.03	+/-BC Govt/Cred Long
6.60	6.25	5.50	5.50	5.20	5.22	5.45	5.44	5.21	5.27	4.99	3.12	Income Return %
1.57	8.10	0.00	2.90	0.12	-2.55	1.14	3.20	-3.45	5.00	17.06	5.21	Capital Return %
30	1	62	22	6	92	32	12	93	72	4	74	Total Rtn % Rank Cat
0.68	0.66	0.63	0.62	0.60	0.60	0.61	0.62	0.61	0.59	0.59	0.43	Income $
0.00	0.00	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.12	0.02	Capital Gains $
0.21	0.21	0.20	0.18	0.18	0.18	0.18	0.19	0.22	0.22	0.22	—	Expense Ratio %
6.30	5.92	5.34	5.34	5.03	5.30	5.34	5.49	5.33	4.87	4.62	—	Income Ratio %
107	141	76	62	52	55	62	67	69	54	45	—	Turnover Rate %
542	794	951	1,310	1,893	1,898	2,277	2,518	2,049	2,250	2,727	2,908	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	1.23	-1.52	-3.60	13.03	8.64
2009	-6.16	2.85	8.59	-2.91	1.76
2010	1.54	8.84	5.54	-5.46	10.27
2011	-0.36	3.35	16.01	2.17	22.05
2012	-2.29	7.55	3.09	—	—

Trailing	Total Return%	+/- BC Agg Bnd	+/- BC Govt/Cred Long	%Rank Cat	Growth of $10,000
3 Mo	3.09	1.51	-0.01	75	10,309
6 Mo	10.87	7.19	0.22	25	11,087
1 Yr	10.69	5.53	-0.39	70	11,069
3 Yr Avg	12.28	6.09	-0.19	43	14,155
5 Yr Avg	10.89	4.36	-0.01	35	16,767
10 Yr Avg	8.01	2.69	-0.10	47	21,609
15 Yr Avg	8.38	2.23	0.00	12	33,438

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	10.37	33	1.70	25
5 Yr (estimated)	8.92	27	1.77	30
10 Yr (estimated)	6.03	41	1.84	24

Potential Capital Gain Exposure: 19% of assets

Rating and Risk

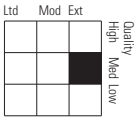
Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	10.69			
3 Yr	12.28	Avg	High	★★★
5 Yr	10.89	+Avg	Avg	★★★★
10 Yr	8.01	Avg	Avg	★★★
Incept	8.38			

Other Measures	Standard Index BC Agg Bnd	Best Fit Index BC Govt/Cred Long
Alpha	-4.7	-0.6
Beta	2.78	1.04
R-Squared	69	99
Standard Deviation	9.06	
Mean	12.28	
Sharpe Ratio	1.32	

Portfolio Analysis 06-30-12

Total Fixed-Income:1198	Date of Maturity	Amount $000	Value $000	% Net Assets
US Treasury Bond 4.375%	11-15-39	152,745	196,946	4.31
US Treasury Bond 4.5%	08-15-39	127,336	167,189	3.66
US Treasury Bond 4.25%	11-15-40	131,115	166,331	3.64
US Treasury Bond 4.25%	05-15-39	111,528	140,821	3.08
US Treasury Bond 4.75%	02-15-41	98,985	135,733	2.97
US Treasury Bond 4.375%	05-15-41	87,320	113,175	2.47
US Treasury Bond 6.25%	08-15-23	76,215	108,845	2.38
US Treasury Bond 4.375%	05-15-40	81,283	104,931	2.29
US Treasury Bond 4.625%	02-15-40	75,576	101,284	2.21
US Treasury Bond 7.125%	02-15-23	63,665	96,214	2.10
US Treasury Bond 4.5%	05-15-38	64,435	84,199	1.84
US Treasury Bond 6.875%	08-15-25	52,425	80,513	1.76
US Treasury Bond 5.25%	11-15-28	55,110	75,337	1.65
US Treasury Bond 3.875%	08-15-40	61,365	73,130	1.60
US Treasury Bond 6.125%	08-15-29	45,140	67,858	1.48
US Treasury Bond 4.375%	02-15-38	49,523	63,459	1.39
US Treasury Bond 6.75%	08-15-26	26,905	41,383	0.90
US Treasury Bond 7.5%	11-15-24	22,090	35,202	0.77
CMT Market Liquidity Rat		23,086	23,086	0.50
General Elec Cap Corp Mt	03-15-32	18,975	21,531	0.47

Current Investment Style



[1] figure provided by fund

Avg Eff Duration[1]	14.6 Yrs
Avg Eff Maturity	24.2 Yrs
Avg Credit Quality	A
Avg Wtd Coupon	5.69%
Avg Wtd Price	128.71% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.1	0.0
0% to 6%	56.1	1.1
6% to 8%	39.7	1.2
8% to 10%	3.7	0.4
More than 10%	0.5	0.2

1.00=Category Average

Credit Analysis	%	% bonds 06-30-12	
AAA	46	BB	0
AA	7	B	0
A	23	Below B	0
BBB	24	NR/NA	0

Sector Breakdown	% of assets
US Treasury	41
Non US Government	4
Government Related	3
Corporate	45
Agency MBS Pass-Through	0
Agency MBS ARM	0
Agency MBS CMO	0
Non-Agency Residential MBS	0
Commercial MBS	0
Asset-Backed	0
Municipal	6
Cash & Equivalents	0
Other	0

Composition - Net

Cash	0.5	Bonds	99.4
Stocks	0.0	Other	0.1

Special Securities

Restricted/Illiquid Secs	1
Exotic Mortgage-Backed	0
Emerging-Markets Secs	4
Options/Futures/Warrants	No

Morningstar's Take by David Falkof 10-12-11

Vanguard Long-Term Bond Index's recent strong performance underscores its significant risks.

After delivering an impressive 10.3% gain in 2010, this index fund returned a remarkable 17.4% year to date through Oct. 7, 2011. During both years, fears about the eurozone's sovereign debt crisis and slowing global growth pushed Treasury yields lower, turbo-charging this fund's performance. That flight to quality has helped this fund in two ways. For one, it holds 41% of its assets in Treasuries, more than any other long-term bond fund (most invest predominantly in corporate bonds). In addition, the fund's 13.9-year duration (a measure of interest-rate sensitivity) is one of the category's highest, allowing it to profit more from falling yields.

Those same characteristics that have helped lately, however, also pose significant risks to the fund. Treasury yields have dropped to all-time lows; in August, the yield on the 10-year note fell below 2% for the first time since the 1950s. When yields eventually rise, the fund's lengthy duration could cause considerable pain in both absolute and relative terms. The fund's higher-quality bias also could cause it to lag other long-term bond funds in a rising-rate environment because higher-quality bonds produce less income to offset capital losses.

The fund's extreme sensitivity to bond yield movements means it's only suitable for long-term investors and institutions looking to match long-dated liabilities. Within that framework, though, it does its job well. Manager Greg Davis has a strong record of tracking this fund's benchmark and has produced similarly capable results at his other bond index fund charges. Moreover, the fund's 0.22% expense ratio makes it the category's cheapest option for no-load investors. Thus, the fund works well for those who can withstand the acute volatility of a long-term bond fund.

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$3000	Add: $100 IRA: $3000
		Min Auto Inv Plan:	$0	Add: $50
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.19%	
Inception:	03-01-94	Actual Fees:	Mgt:0.19%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$71	5Yr:$124 10Yr:$280
Subadvisor:	None	Income Distribution:	Monthly	
NTF Plans:	Vanguard NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Vanguard REIT Index Inv

Ticker	Status	Yield	Total Assets	Mstar Category
VGSIX	Open	3.2%	$28,072 mil	Real Estate

Morningstar Analyst Rating 06-29-12

Silver

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

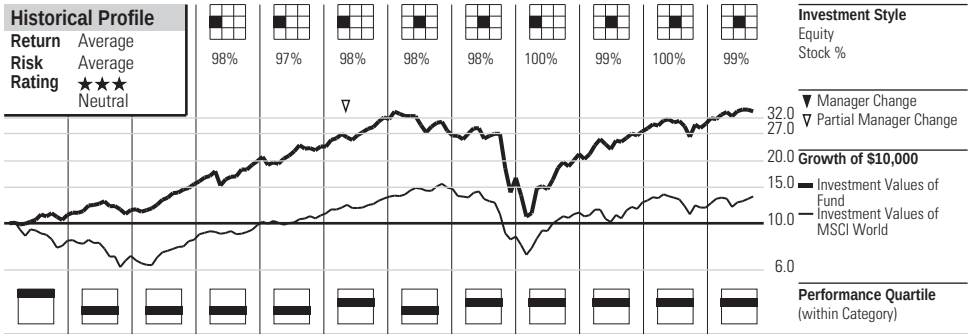
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum

Positive | Negative | Neutral

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



Investment Style
Equity
Stock %

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of MSCI World

Performance Quartile (within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
12.13	11.84	15.18	18.79	19.80	25.58	20.45	12.13	14.84	18.38	19.25	21.58	NAV
12.35	3.75	35.65	30.76	11.89	35.07	-16.46	-37.05	29.58	28.30	8.47	14.72	Total Return %
29.17	23.64	2.54	16.04	2.40	15.00	-25.50	3.66	-0.41	16.54	14.01	1.71	+/-MSCI World
0.00	0.17	-0.53	-2.40	-1.93	-0.90	1.09	2.15	1.12	0.23	-0.90	0.25	+/-DJ Real Est
7.19	6.40	6.74	6.40	5.11	4.82	2.69	2.84	5.41	4.12	3.60	2.57	Income Return %
5.16	-2.65	28.91	24.36	6.78	30.25	-19.15	-39.89	24.17	24.18	4.87	12.15	Capital Return %
20	54	58	68	56	46	51	31	50	32	43	38	Total Rtn % Rank Cat
0.81	0.76	0.78	0.95	0.94	0.94	0.68	0.57	0.64	0.60	0.65	0.49	Income $
0.00	0.00	0.00	0.00	0.22	0.12	0.33	0.41	0.00	0.00	0.00	0.00	Capital Gains $
0.33	0.28	0.27	0.24	0.21	0.21	0.21	0.20	0.21	0.26	0.26	0.24	Expense Ratio %
5.73	4.35	4.90	4.10	3.44	2.91	2.27	2.52	3.36	3.94	2.22	2.30	Income Ratio %
21	10	12	7	13	17	11	13	10	16	12	10	Turnover Rate %
1,230	1,784	3,051	4,663	4,407	6,066	4,137	2,732	3,763	2,585	2,444	2,625	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	2.13	-5.39	5.35	-38.16	-37.05
2009	-32.08	30.03	34.54	9.05	29.58
2010	10.02	-4.01	13.10	7.42	28.30
2011	6.50	3.51	-14.59	15.20	8.47
2012	10.71	3.70	-0.07	—	—

Trailing	Total Return%	+/- MSCI World	+/- DJ Real Est	%Rank Cat	Growth of $10,000
3 Mo	-0.07	-6.78	0.31	56	9,993
6 Mo	3.62	2.32	0.26	42	10,362
1 Yr	32.16	10.57	0.10	36	13,216
3 Yr Avg	20.30	12.82	-0.22	30	17,410
5 Yr Avg	2.55	4.70	0.95	26	11,342
10 Yr Avg	11.31	3.27	0.03	42	29,197
15 Yr Avg	8.70	4.84	-0.24	48	34,950

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	18.83	43	1.22	89
5 Yr (estimated)	1.14	26	1.37	55
10 Yr (estimated)	9.57	41	1.56	53

Potential Capital Gain Exposure: 17% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	32.16			
3 Yr	20.30	Avg	Avg	★★★
5 Yr	2.55	+Avg	+Avg	★★★
10 Yr	11.31	Avg	Avg	★★★
Incept	10.75			

Other Measures	Standard Index MSCI World	Best Fit Index DJ Real Est
Alpha	12.4	0.1
Beta	0.92	0.99
R-Squared	68	100
Standard Deviation	19.06	
Mean	20.30	
Sharpe Ratio	1.06	

Portfolio Analysis 06-30-12

Share change since 03-12 Total Stocks:111	Sector	PE	Tot Ret%	% Assets
Simon Property Group Inc	Real Est	30.0	20.06	10.99
Public Storage	Real Est	44.4	5.96	4.98
Equity Residential	Real Est	—	2.65	4.44
Ventas Inc	Real Est	47.0	16.29	4.32
HCP Inc	Real Est	30.7	10.98	4.29
Boston Properties Inc	Real Est	46.3	12.71	3.81
Prologis Inc	Real Est	138.9	25.46	3.62
Vornado Realty Trust	Real Est	50.5	8.14	3.32
AvalonBay Communities In	Real Est	59.5	6.36	3.19
Health Care REIT, Inc.	Real Est	86.2	9.96	2.91
Host Hotels & Resorts In	Real Est	—	10.09	2.65
Digital Realty Trust, In	Real Est	49.8	8.05	2.14
Macerich Company	Real Est	34.5	16.36	1.85
Kimco Realty Corp	Real Est	58.5	27.16	1.84
General Growth Propertie	Real Est	—	34.88	1.81
SL Green Realty Corporat	Real Est	55.9	21.28	1.64
UDR Inc	Real Est	—	1.49	1.61
Federal Realty Investmen	Real Est	58.5	18.36	1.57
Realty Income Corporatio	Real Est	44.4	20.75	1.32
Essex Property Trust	Real Est	72.5	7.85	1.27

Current Investment Style

Value Blnd Growth	Market Cap	%
Large	Giant	0.0
Mid	Large	48.0
Small	Mid	36.5
	Small	12.9
	Micro	2.7
	Avg $mil:	8,155

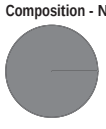
Value Measures		Rel Category
Price/Earnings	42.62	1.07
Price/Book	2.17	1.01
Price/Sales	6.07	1.10
Price/Cash Flow	16.73	1.03
Dividend Yield %	3.45	1.01

Growth Measures	%	Rel Category
Long-Term Erngs	5.82	0.90
Book Value	1.68	0.95
Sales	-5.06	NMF
Cash Flow	-35.34	NMF
Historical Erngs	14.23	1.02

Profitability	%	Rel Category
Return on Equity	7.69	0.99
Return on Assets	2.68	1.03
Net Margin	19.00	1.03

Industry Weightings	% of Stocks	Rel Cat
Retail	13.9	1.2
Residential	14.1	1.1
Industrial	0.7	0.7
Healthcare	15.2	1.1
Office	11.6	1.0
Diversified	4.6	0.9
Hotel/Motel	1.8	1.2
Mgmt & Dev	0.0	0.0
Other	38.0	0.9

Composition - Net



Cash	0.6
Stocks	99.4
Bonds	0.0
Other	0.0
Foreign (% of Stock)	0.0

Morningstar's Take by Rob Wherry 06-29-12

Low fees and a decent record give this fund plenty of appeal.

Vanguard REIT ranks among the cheapest options for diversified real estate exposure. This index fund's 0.24% annual expense ratio is the third lowest in Morningstar's real estate category, placing behind offerings from Fidelity and DFA. (Expenses fall 14 basis points for Vanguard's Admiral share class.) Investors have found that cost structure attractive. With $24 billion in assets, the fund is the largest in the category. The next biggest is just one fifth its size.

The fund tracks an index that encompasses a wide spectrum of real estate firms. The MSCI U.S. REIT benchmark consists of 100-plus securities that focus on apartments, malls, office buildings, and long-term care centers, among other types of properties. The fund does a solid job tracking its bogy. Its valuation profile, average market cap, and yield closely mirror the MSCI Index's. That said, the fund does deviate from category peers in some regards. Granted, like most real estate offerings, this fund is top-heavy. Slightly less than 50% of assets are invested in its top 10 holdings. Almost 50 funds in the category are more concentrated, though, and this offering's 115 holdings doubles the tally of the average actively managed real estate fund. It also avoids some of the sector's more tangential areas, including timber REITs, real estate operating companies, and service firms. Instead, it tilts more toward the real estate industry's higher quality companies like mall operator Simon Property Group SPG.

The fund has an admirable performance record. A high R-squared underscores its close correlation with the index, and its long-term performance has been relatively in line with that bogy, minus fees. When lesser-quality REITs surge, investors should expect this fund to lag. Top-rated actively managed funds have easily beaten it over long periods of time, too. This offering has surpassed the category average over the past decade, though, and it remains a compelling option for investors seeking reliable, low-cost real estate exposure.

Address:	Po Box 2600 Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$3000	Add: $100 IRA: $0
		Min Auto Inv Plan:	$0	Add: $100
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.21%	
Inception:	05-13-96	Actual Fees:	Mgt:0.21%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$77	5Yr:$135 10Yr:$306
Subadvisor:	None	Income Distribution:	Quarterly	
NTF Plans:	Vanguard NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Vanguard Emerging Mkts Stock Idx

Ticker	Status	Yield	Total Assets	Mstar Category
VEIEX	Open	3.2%	$71,720 mil	Diversified Emerging Mkts

Morningstar Analyst Rating 11-15-11

Silver

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Neutral
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

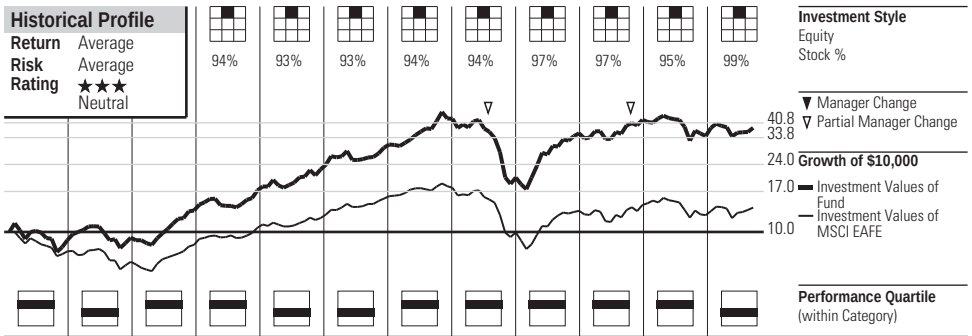
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum

Positive | Negative | Neutral

Historical Profile

Return Average
Risk Average
Rating ★★★ Neutral



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
8.37	7.63	11.85	14.68	19.07	24.27	33.12	14.90	25.90	30.34	24.11	26.47	NAV
-2.88	-7.43	57.65	26.12	32.05	29.39	38.90	-52.81	75.98	18.86	-18.78	11.08	Total Return %
18.56	8.51	19.06	5.87	18.51	3.05	27.73	-9.43	44.20	11.11	-6.64	1.00	+/-MSCI EAFE
-0.26	-1.26	1.83	0.57	-1.95	-2.75	-0.52	0.52	-2.53	-0.02	-0.36	-0.90	+/-MSCI Emg Mkt
2.38	1.46	2.25	2.19	2.15	2.08	2.42	2.11	2.11	1.68	1.74	1.30	Income Return %
-5.26	-8.89	55.40	23.93	29.90	27.31	36.48	-54.92	73.87	17.18	-20.52	9.78	Capital Return %
41	62	30	29	52	72	37	38	36	44	41	54	Total Rtn % Rank Cat
0.21	0.12	0.17	0.26	0.32	0.40	0.59	0.70	0.31	0.43	0.53	0.31	Income $
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains $
0.57	0.57	0.53	0.48	0.45	0.42	0.37	0.32	0.40	0.35	0.33	—	Expense Ratio %
1.67	1.67	2.26	2.44	2.48	2.20	2.24	2.81	2.16	1.97	2.25	—	Income Ratio %
23	65	16	11	15	26	9	20	12	12	10	—	Turnover Rate %
801	896	1,873	3,140	6,018	8,109	13,313	5,143	7,765	3,218	2,279	2,355	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	-10.48	-1.35	-25.98	-27.82	-52.81
2009	0.07	34.14	21.15	8.22	75.98
2010	2.47	-9.12	18.74	7.49	18.86
2011	1.78	-0.97	-23.97	5.99	-18.78
2012	13.94	-8.41	6.45	—	—

Trailing	Total Return%	+/- MSCI EAFE	+/- MSCI Emg Mkt	%Rank Cat	Growth of $10,000
3 Mo	6.45	-0.47	-1.29	64	10,645
6 Mo	-2.50	-1.80	-0.66	55	9,750
1 Yr	17.74	3.99	0.81	37	11,774
3 Yr Avg	5.09	2.97	-0.54	52	11,606
5 Yr Avg	-1.73	3.51	-0.45	40	9,164
10 Yr Avg	16.58	8.38	-0.42	33	46,370
15 Yr Avg	7.51	4.14	—	36	29,630

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	4.60	45	0.46	57
5 Yr (estimated)	-2.28	32	0.57	17
10 Yr (estimated)	16.35	18	0.20	5

Potential Capital Gain Exposure: 2% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	17.74			
3 Yr	5.09	Avg	Avg	★★★
5 Yr	-1.73	Avg	Avg	★★★
10 Yr	16.58	Avg	Avg	★★★
Incept	7.60			

Other Measures	Standard Index MSCI EAFE	Best Fit Index MSCI Emg Mkt
Alpha	3.3	-0.5
Beta	1.03	1.01
R-Squared	81	98
Standard Deviation	22.35	
Mean	5.09	
Sharpe Ratio	0.33	

Portfolio Analysis 06-30-12

Share change since 03-12 Total Stocks:872	Sector	Country	% Assets
Samsung Electronics Co L	Technology	Korea	2.35
China Mobile Ltd.	Comm Svs	China	1.95
America Movil, S.A.B. de	Comm Svs	Mexico	1.51
China Construction Bank	Finan Svs	China	1.47
Gazprom OAO ADR	Energy	Russia	1.30
Taiwan Semiconductor Man	Technology	Taiwan	1.27
Samsung Electronics Co L	Technology	Korea	1.13
Industrial And Commercia	Finan Svs	China	1.07
CNOOC, Ltd.	Energy	China	1.06
Hyundai Motor Co Ltd	Cnsmr Cyc	Korea	0.93
Tencent Holdings Ltd.	Technology	China	0.89
Mtn Group Limited	Comm Svs	South Africa	0.87
Bank Of China Ltd.(Dup)	Finan Svs	China	0.85
Vale SA ADR	Basic Mat	Brazil	0.84
PetroChina Co Ltd H Shar	Energy	China	0.81
Hon Hai Precision Ind. C	Technology	Taiwan	0.79
LUKOIL Oil Company JSC A	Energy	Russia	0.78
Petroleo Brasileiro SA P	Energy	Brazil	0.72
Taiwan Semiconductor Man	Technology	Taiwan	0.70
Itau Unibanco Holding SA	Finan Svs	Brazil	0.69

Morningstar's Take by Gregg Wolper 11-15-11

In one sense, shareholders of Vanguard Emerging Markets Stock Index have reason to be disappointed this year, but in another way, they can be satisfied that they're getting what they wanted.

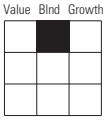
This fund has plunged 23.6% for the year to date through Sept. 23, 2011. The trouble has been spread widely across markets. Of the biggest emerging markets, China (top-ranked in this fund, with 17.3% of assets at the end of August) has been held back by fears of slowing growth and rising inflation, while Brazil (second at 15.2%) has investors concerned about that country's new government as well as a potential decline in exports if China does slow down. Other prominent emerging markets such as India and Russia also have fared poorly this year. Smaller ones, notably Thailand and Indonesia, have held up better, but play far lesser roles in this portfolio.

While this year's decline isn't pleasant for shareholders, the fund is meeting its goal. Its 23.6% loss is exactly the same as the decline in its benchmark, the MSCI Emerging Markets Index.

Matching the index as closely as possible is this fund's mission, so shareholders can't complain if it achieves that aim. Moreover, it has come close to mirroring its benchmark over the long term as well, although that is tougher to measure because to adjust for limited liquidity in some places, Vanguard used a customized MSCI benchmark until 2006 rather than the standard MSCI Emerging Markets Index it now uses.

This fund, therefore, has merit. Moreover, its Admiral shares and exchange-traded fund shares are very cheap, with expense ratios of 0.22% each. Its slightly more costly Investor shares, at 0.35%, are also far less expensive than actively managed alternatives as well as prominent rival ETFs. (The Admiral shares have a $10,000 minimum, while the Investor shares' minimum is $3,000.) If emerging markets return to favor, this fund should reliably deliver their gains. But it will provide no cushion when things go sour.

Current Investment Style



Market Cap	%
Giant	48.0
Large	39.8
Mid	12.0
Small	0.2
Micro	0.0

Avg $mil: 18,201

Value Measures		Rel Category
Price/Earnings	10.56	0.98
Price/Book	1.41	0.89
Price/Sales	0.86	0.89
Price/Cash Flow	4.47	0.81
Dividend Yield %	2.98	0.96

Growth Measures	%	Rel Category
Long-Term Erngs	12.15	0.92
Book Value	11.81	1.19
Sales	-4.42	NMF
Cash Flow	3.86	0.56
Historical Erngs	10.09	0.21

Composition - Net

Cash	0.0	Bonds	0.0
Stocks	98.6	Other	1.4
Foreign (% of Stock)			99.7

Sector Weightings	% of Stocks	Rel MSCI EAFE	3 Year High	3 Year Low
Cyclical	46.02	—		
BasicMat	12.59	—	16	13
CnsmrCyc	8.35	—	9	7
FinanSvs	23.16	—	24	22
Real Est	1.92	—	2	2
Sensitive	41.71	—		
CommSrvs	8.18	—	9	7
Energy	11.41	—	14	11
Industrl	7.57	—	8	7
Technlgy	14.55	—	15	12
Defensive	12.28	—		
CnsmrDef	7.93	—	8	5
Hlthcare	0.97	—	3	1
Utilities	3.38	—	4	3

Regional Exposure	% Stock		% Stock
UK/W. Europe	0	N. America	0
Japan	0	Latn America	21
Asia X Japan	60	Other	19

Country Exposure	% Stock		% Stock
China	18	Taiwan	11
South Korea	15	South Africa	8
Brazil	13		

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$3000	Add: $100 IRA: $0
		Min Auto Inv Plan:	$0	Add: —
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.23%	
Inception:	05-04-94	Actual Fees:	Mgt:0.23%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$106	5Yr:$185 10Yr:$418
Subadvisor:	None	Income Distribution:	Annually	
NTF Plans:	Vanguard NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Vanguard Growth Index I

Ticker	Status	Yield	Total Assets	Mstar Category
VIGIX	Open	1.2%	$27,106 mil	Large Growth

Governance and Management

Stewardship Grade: A

Portfolio Manager(s)

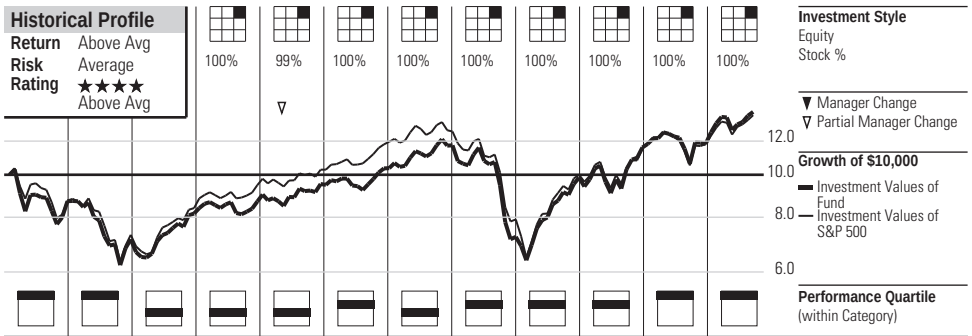
Gerard O'Reilly has been in control of this fund since 2005 but has been with Vanguard since 1992. He also manages Vanguard REIT Index VGSIX and Vanguard Total Stock Market Index VTSMX.

Strategy

Since 2003, this fund has tracked the MSCI U.S. Prime Market Growth Index. This index represents growth stocks contained in the MSCI U.S. Prime Market 750 Index (which contains the 750 largest companies by free-float market capitalization in the United States). MSCI defines style (growth versus value) using an eight-factor model that includes measures ranging from dividend yield to long-term historical sales per share. MSCI also employs buffer zones to limit the migration of stocks between the growth and value camps, which should help keep the fund's portfolio turnover low.

Historical Profile

Return Above Avg
Risk Average
Rating ★★★★ Above Avg



Investment Style
Equity
Stock %

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of S&P 500

Performance Quartile
(within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
26.42	19.95	24.92	26.41	27.54	29.77	33.23	20.30	27.32	31.60	31.79	37.26	NAV
-12.85	-23.58	26.09	7.34	5.24	9.16	12.73	-38.19	36.50	17.17	1.89	18.31	Total Return %
-0.96	-1.48	-2.59	-3.54	0.33	-6.63	7.24	-1.19	10.04	2.11	-0.22	1.87	+/-S&P 500
7.57	4.30	-3.66	1.04	-0.02	0.09	0.92	0.25	-0.71	0.46	-0.75	1.51	+/-Russ 1000Gr
0.72	0.96	1.04	1.32	0.92	1.01	1.07	0.92	1.63	1.37	1.27	1.07	Income Return %
-13.57	-24.54	25.05	6.02	4.32	8.15	11.66	-39.11	34.87	15.80	0.62	17.24	Capital Return %
14	24	58	52	59	30	51	31	39	33	14	23	Total Rtn % Rank Cat
0.22	0.25	0.21	0.33	0.24	0.28	0.32	0.31	0.33	0.37	0.40	0.34	Income $
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Capital Gains $
0.10	0.10	0.10	0.08	0.08	0.08	0.07	0.07	0.08	0.08	0.08	—	Expense Ratio %
0.80	1.10	0.92	1.29	0.89	1.00	0.98	1.09	1.40	1.31	1.26	—	Income Ratio %
31	23	44	24	23	28	23	27	29	26	23	—	Turnover Rate %
921	675	782	1,185	1,448	2,132	3,210	2,016	2,913	3,934	4,726	6,304	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	-9.96	2.38	-12.00	-23.81	-38.19
2009	-4.19	15.59	14.19	7.94	36.50
2010	4.90	-12.12	13.41	12.08	17.17
2011	5.01	0.92	-13.34	10.95	1.89
2012	15.23	-3.85	6.79	—	—

Trailing	Total Return%	+/- S&P 500	+/- Russ 1000Gr	%Rank Cat	Growth of $10,000
3 Mo	6.79	0.44	0.68	31	10,679
6 Mo	2.67	-0.76	0.83	13	10,267
1 Yr	31.26	1.06	2.07	14	13,126
3 Yr Avg	15.10	1.90	0.37	10	15,248
5 Yr Avg	3.57	2.52	0.33	11	11,917
10 Yr Avg	8.38	0.37	-0.03	30	22,361
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	14.87	9	0.19	72
5 Yr (estimated)	3.37	9	0.19	46
10 Yr (estimated)	8.17	28	0.20	56

Potential Capital Gain Exposure: 23% of assets

Rating and Risk

Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	31.26			
3 Yr	15.10	High	Avg	★★★★★
5 Yr	3.57	+Avg	Avg	★★★★
10 Yr	8.38	+Avg	-Avg	★★★★
Incept	3.70			

Other Measures	Standard Index S&P 500	Best Fit Index Russ 1000Gr
Alpha	1.1	-0.1
Beta	1.05	1.03
R-Squared	97	100
Standard Deviation	16.62	
Mean	15.10	
Sharpe Ratio	0.92	

Morningstar's Take by David Falkof 10-05-11

Vanguard Growth Index is a sound low-cost option.

This index fund tracks the MSCI U.S. Prime Market Growth Index, which holds the more-expensively valued and higher-growth stocks among the 750 largest domestic companies. Unlike most other indexes, this one allows companies to remain in the index for additional time if their size or growth characteristics change. This feature reduces the amount of trading required by the fund, leading to improved tax efficiency for investors.

The fund invests broadly across more than 400 holdings, meaning no individual security will drive performance, but its focus on growth leads to some sector biases relative to the broader market. Historically, technology companies have traded at higher premiums than value-oriented companies like financials. As a result, the portfolio holds 25% of assets in technology and 4% in financials, compared with the S&P 500's 17% and 13% respective allocations. So far in 2011, the fund's light financials stake has helped it outpace the broad market as domestic banks have sold off. However, that performance trend could reverse if financials rally.

Generally, the fund's marketlike portfolio makes it unlikely to have standout returns in any short time period. Over the long haul, though, its low fees have helped it deliver modestly above-average results. The fund charges a rock-bottom expense ratio of 0.12%, 1 percentage point less than the typical large-growth fund. As a result, the fund's 4.5% annualized gain since it changed its benchmark in May 2003 through Oct. 4 tops 60% of its large-growth competitors. During that time, manager Gerard O'Reilly has closely tracked the index's performance, keeping the fund's returns after fees within 0.14 percentage points of its benchmark's for every 12-month period.

All told, this index fund is a solid option for investors seeking broad exposure to large-cap growth stocks.

Portfolio Analysis 06-30-12

Share change since 03-12	Total Stocks:411	Sector	PE	Tot Ret%	% Assets
⊕ Apple, Inc.		Technology	15.7	65.37	8.22
⊖ International Business M		Technology	15.1	14.15	3.25
⊕ Coca-Cola Co		Cnsmr Def	20.1	10.60	2.40
⊕ Philip Morris Internatio		Cnsmr Def	17.8	17.65	2.27
⊕ Microsoft Corporation		Technology	14.9	16.95	2.27
⊕ Google, Inc. Class A		Technology	22.3	16.81	2.26
⊕ Wal-Mart Stores Inc		Cnsmr Def	15.5	25.49	1.98
⊕ Oracle Corporation		Technology	15.6	23.35	1.80
⊕ Qualcomm, Inc.		Technology	21.1	15.90	1.42
⊕ Cisco Systems Inc		Technology	12.8	6.83	1.40
⊕ McDonald's Corporation		Cnsmr Cyc	17.2	-6.46	1.36
⊕ Schlumberger NV		Energy	18.0	7.50	1.31
⊕ Amazon.com Inc		Cnsmr Cyc	—	46.92	1.26
⊕ Home Depot, Inc.		Cnsmr Cyc	21.7	45.67	1.23
⊕ Comcast Corp Class A		Comm Svs	20.6	52.13	1.13
⊕ Visa, Inc.		Finan Svs	96.2	33.12	0.98
⊕ UnitedHealth Group Inc		Hlth care	11.3	10.49	0.92
⊕ American Express Co		Finan Svs	13.2	21.77	0.92
⊕ 3M Co		Industrl	15.1	15.25	0.89
⊕ Amgen Inc		Hlth care	18.4	32.95	0.87

Current Investment Style

Value	Blnd	Growth	Market Cap	%
		■	Giant	42.8
			Large	38.6
			Mid	18.3
			Small	0.3
			Micro	0.0

Avg $mil: 45,050

Value Measures		Rel Category
Price/Earnings	15.62	0.95
Price/Book	3.24	1.11
Price/Sales	1.57	0.92
Price/Cash Flow	9.54	1.04
Dividend Yield %	1.29	0.99

Growth Measures	%	Rel Category
Long-Term Ernqs	13.48	1.00
Book Value	9.06	0.92
Sales	8.87	0.96
Cash Flow	16.39	0.99
Historical Ernqs	17.09	0.93

Profitability	%	Rel Category
Return on Equity	28.68	1.19
Return on Assets	12.37	1.08
Net Margin	15.70	1.02

Sector Weightings	% of Stocks	Rel S&P 500	3 Year High	3 Year Low
Cyclical	25.49	0.89		
BasicMat	3.42	1.12	5	3
CnsmrCyc	15.39	1.79	15	11
FinanSvs	4.68	0.30	7	4
Real Est	2.00	1.37	2	1
Sensitive	51.95	1.19		
CommSrvs	3.54	0.88	4	2
Energy	6.00	0.56	10	6
Industrl	13.23	1.16	14	10
Technlgy	29.18	1.66	32	26
Defensive	22.55	0.82		
CnsmrDef	12.47	1.03	15	12
Hlthcare	9.98	0.84	14	9
Utilities	0.10	0.03	0	0

Composition - Net



Cash	0.3
Stocks	99.6
Bonds	0.0
Other	0.1
Foreign (% of Stock)	1.1

Address:	Vanguard Index Funds Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$5000000	Add: $100 IRA: $0
		Min Auto Inv Plan:	$0	Add: —
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.05%	
Inception:	05-14-98	Actual Fees:	Mgt:0.05%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$26	5Yr:$45 10Yr:$103
Subadvisor:	None	Income Distribution:	Quarterly	
NTF Plans:	N/A			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

Vanguard Inflation-Protected Secs Inv

Ticker	Status	Yield	SEC Yield	Total Assets	Mstar Category
VIPSX	Open	2.3%	-1.11%	$44,277 mil	Inflation-Protected Bond

Morningstar Analyst Rating 11-15-11

Gold

Morningstar Pillars

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

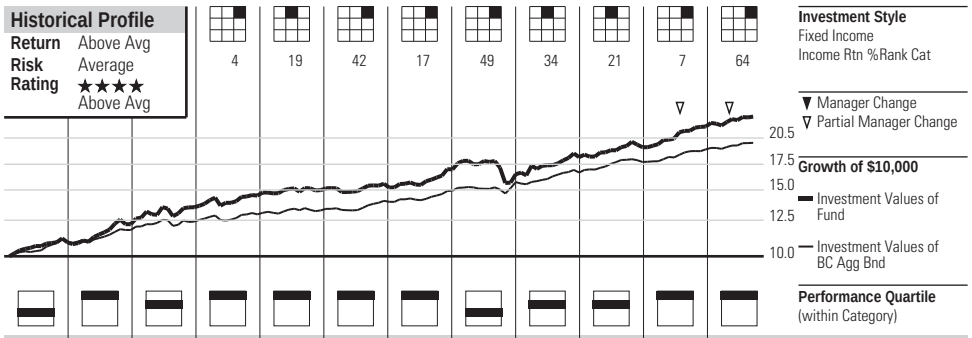
Gold | Silver | Bronze | Neutral | Negative

Pillar Spectrum

Positive | Negative | Neutral

Historical Profile

Return Above Avg
Risk Average
Rating ★★★★ Above Avg



Investment Style
Fixed Income
Income Rtn %Rank Cat

▼ Manager Change
▽ Partial Manager Change

Growth of $10,000
Investment Values of Fund
Investment Values of BC Agg Bnd

Performance Quartile
(within Category)

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	09-12	History
10.62	11.84	12.21	12.57	12.16	11.78	12.45	11.52	12.55	13.00	14.11	14.85	NAV
7.61	16.61	8.00	8.27	2.59	0.43	11.59	-2.85	10.80	6.17	13.24	6.17	Total Return %
-0.83	6.35	3.90	3.93	0.16	-3.90	4.62	-8.09	4.87	-0.37	5.40	2.18	+/-BC Agg Bnd
-0.29	0.04	-0.40	-0.19	-0.25	0.02	-0.05	-0.50	-0.61	-0.14	-0.32	-0.08	+/-BC US Tr US TIPS
4.37	4.39	3.85	4.70	5.53	3.54	5.60	5.01	1.86	2.55	4.43	0.91	Income Return %
3.24	12.22	4.15	3.57	-2.94	-3.11	5.99	-7.86	8.94	3.62	8.81	5.26	Capital Return %
58	14	30	22	22	21	10	57	35	37	10	25	Total Rtn % Rank Cat
0.45	0.46	0.45	0.57	0.68	0.43	0.65	0.61	0.21	0.32	0.57	0.13	Income $
0.07	0.06	0.12	0.07	0.05	0.00	0.00	0.00	0.00	0.00	0.02	0.00	Capital Gains $
0.25	0.25	0.22	0.18	0.17	0.20	0.20	0.20	0.25	0.22	0.20	—	Expense Ratio %
6.38	3.92	4.55	3.46	4.83	4.83	3.87	5.02	2.00	2.48	4.21	—	Income Ratio %
122	75	108	63	73	47	21	28	14	29	28	—	Turnover Rate %
772	2,988	4,746	7,182	6,332	5,440	6,662	8,593	12,946	12,979	15,220	16,269	Net Assets $mil

Performance 09-30-12

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
2008	5.31	-0.14	-3.88	-3.89	-2.85
2009	5.25	0.25	3.05	1.91	10.80
2010	0.36	3.90	2.57	-0.74	6.17
2011	1.85	3.40	4.84	2.56	13.24
2012	0.68	3.24	2.14	—	—

Trailing	Total Return%	+/- BC Agg Bnd	+/- BC US Tr US TIPS	%Rank Cat	Growth of $10,000
3 Mo	2.14	0.56	0.02	33	10,214
6 Mo	5.45	1.77	0.11	20	10,545
1 Yr	8.89	3.73	-0.21	24	10,889
3 Yr Avg	9.16	2.97	-0.13	18	13,007
5 Yr Avg	7.61	1.08	-0.32	30	14,430
10 Yr Avg	6.39	1.07	-0.25	39	18,578
15 Yr Avg	—	—	—	—	—

Tax Analysis	Tax-Adj Rtn%	%Rank Cat	Tax-Cost Rat	%Rank Cat
3 Yr (estimated)	8.00	13	1.06	53
5 Yr (estimated)	6.49	14	1.04	28
10 Yr (estimated)	4.92	11	1.38	37

Potential Capital Gain Exposure: 16% of assets

Rating and Risk

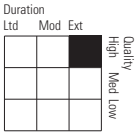
Time Period	Load-Adj Return %	Morningstar Rtn vs Cat	Morningstar Risk vs Cat	Morningstar Risk-Adj Rating
1 Yr	8.89			
3 Yr	9.16	+Avg	+Avg	★★★★
5 Yr	7.61	+Avg	Avg	★★★★
10 Yr	6.39	+Avg	Avg	★★★★
Incept	7.61			

Other Measures	Standard Index BC Agg Bnd	Best Fit Index BC US Tr US TIPS
Alpha	1.2	-0.1
Beta	1.28	1.00
R-Squared	51	99
Standard Deviation	4.84	
Mean	9.16	
Sharpe Ratio	1.82	

Portfolio Analysis 06-30-12

Total Fixed-Income:33	Date of Maturity	Amount $000	Value $000	% Net Assets
US Treasury Note	04-15-16	2,144,000	2,327,050	5.47
US Treasury Note 0.125%	01-15-22	2,044,900	2,201,889	5.18
US Treasury Note 1.125%	01-15-21	1,770,000	2,144,141	5.04
US Treasury Note	07-15-21	1,833,000	2,086,129	4.91
US Treasury Note 2%	01-15-14	1,564,100	2,022,516	4.76
US Treasury Bond 3.875%	04-15-29	864,200	1,956,047	4.60
US Treasury Bond 2.375%	01-15-25	1,213,770	1,952,657	4.59
US Treasury Note 1.25%	07-15-20	1,236,100	1,515,624	3.56
US Treasury Bond 3.625%	04-15-28	683,890	1,501,875	3.53
US Treasury Bond 2%	01-15-26	966,698	1,430,929	3.36
US Treasury Note 0.5%	04-15-15	1,228,600	1,354,754	3.19
US Treasury Bond	02-15-41	887,500	1,332,841	3.13
US Treasury Bond 2.375%	01-15-27	857,389	1,313,565	3.09
US Treasury Note 1.375%	01-15-20	1,022,000	1,265,297	2.98
US Treasury Note 1.875%	07-15-19	923,750	1,191,711	2.80
US Treasury Note 1.25%	04-15-14	1,027,000	1,152,832	2.71
US Treasury Bond 2.5%	01-15-29	770,200	1,146,520	2.70
US Treasury Note 1.375%	07-15-18	936,500	1,141,467	2.68
US Treasury Note 1.625%	01-15-15	847,215	1,085,162	2.55
US Treasury Bond 1.75%	01-15-28	787,125	1,083,985	2.55

Current Investment Style



[1] figure provided by fund

Avg Eff Duration[1]	8.6 Yrs
Avg Eff Maturity	9.6 Yrs
Avg Credit Quality	AAA
Avg Wtd Coupon	1.68%
Avg Wtd Price	135.67% of par

Coupon Range	% of Bonds	Rel Cat
0% PIK	0.0	0.0
0% to 6%	100.0	1.0
6% to 8%	0.0	0.0
8% to 10%	0.0	0.0
More than 10%	0.0	0.0

1.00=Category Average

Credit Analysis	% bonds 06-30-12		
AAA	100	BB	0
AA	0	B	0
A	0	Below B	0
BBB	0	NR/NA	0

Sector Breakdown	% of assets
US Treasury	0
Non US Treasury	0
US Treasury Inflation-Protected	100
Non US Inflation-Protected	0
Government Related	0
Corporate	0
Agency MBS	0
Non-Agency Residential MBS	0
Commercial MBS	0
Asset-Backed	0
Covered Bond	0
Municipal	0

Composition - Net			
Cash	0.1	Bonds	99.9
Stocks	0.0	Other	0.0

Special Securities	
Restricted/Illiquid Secs	0
Exotic Mortgage-Backed	—
Emerging-Markets Secs	0
Options/Futures/Warrants	No

Morningstar's Take by David Falkof 11-15-11

A manager change at Vanguard Inflation-Protected Securities' should be smoother than TIPS' bumpy ride.

In mid-August 2011, Vanguard hired Gemma Wright-Casparius to replace this fund's longtime comanager Ken Volpert, who remains at the firm as head of Vanguard's taxable fixed-income group. Wright-Casparius joins John Hollyer, who has comanaged the fund with Volpert since its June 2000 inception. In her previous role, Wright-Casparius ran a global inflation-linked bond portfolio for Singapore's sovereign wealth fund, although she has no public track record.

These changes aren't terribly concerning. Volpert remains at the firm overseeing the team that manages this fund, and Hollyer has expertly run the fund for years with the same straightforward approach. Unlike some inflation-protected bond peers who augment their Treasury Inflation-Protected Securities holdings with tactical moves in and out of other bond sectors, Hollyer sticks with TIPS, making small shifts along their maturity spectrum depending on where he finds value. He and Wright-Casparius don't plan to change that strait-laced style. The fund's low expense ratio also means they don't need to get fancy for the fund to compete.

The combination of low fees and a no-frills approach has delivered consistently good results over the long run. Since the fund's 2000 inception it has outpaced its typical peer during 87% of rolling three-year periods. Still, there are risks to consider. TIPS have had a great run recently, fueling this fund's 10.2% gain for the year to date through Aug. 29. That strong performance has come as investors seeking safety pushed TIPS' real yields to historic lows, even negative for maturities under 10 years. Although TIPS offer protection against rising inflation, they can suffer losses when real yields rise, as they did in late 2010. The fund is a solid option for long-term TIPS exposure, but investors should brace for some volatility.

Address:	PO Box 2600 Valley Forge, PA 19482 800-662-7447	Minimum Purchase:	$3000	Add: $100 IRA: $3000
		Min Auto Inv Plan:	$0	Add: —
		Sales Fees:	No-load	
Web Address:	www.vanguard.com	Management Fee:	0.17%	
Inception:	06-29-00	Actual Fees:	Mgt:0.17%	Dist: —
Advisor:	Vanguard Group, Inc.	Expense Projections:	3Yr:$64	5Yr:$113 10Yr:$255
Subadvisor:	None	Income Distribution:	Quarterly	
NTF Plans:	Vanguard NTF			

© 2012 Morningstar, Inc. All rights reserved. The information herein is not represented or warranted to be accurate, correct, complete or timely. Past performance is no guarantee of future results. Access updated reports at **mfb.morningstar.com.** To order reprints, call 312-696-6100.

AMENDMENT I

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER OPEB BOARD

The following amendment to the investment policy has been reviewed and approved by the Board:

I. Allocation of Plan Assets – The plan will utilize a dynamic policy linked to funded status of the plan. As funded status improves to the next threshold, the allocation of the plan will be adjusted to the specified allocation. Within each threshold, there will be a range of +/- 5% to the target to allow for modest market fluctuations before rebalancing of the portfolio. The portfolio will be reviewed at least quarterly and adjusted as necessary to maintain alignment with the target allocations.

Dynamic Investment Policy	**Funded Status**						
Asset Category	**40%**	**70%**	**80%**	**85%**	**90%**	**95%**	**100%**
Cash & Short Term Bond	5%	5%	5%	5%	5%	5%	5%
US Treasuries/Inflation-linked	2%	3%	4%	6%	7%	8%	10%
Intermediate Term Bond	11%	11%	12%	12%	13%	16%	18%
Long Term Bond	22%	24%	26%	28%	30%	36%	42%
Large Cap Value – US Stock	10%	10%	9%	9%	8%	7%	4%
Large Cap Growth – US Stock	10%	9%	9%	8%	8%	5%	4%
Mid Cap – US Stock	5%	5%	5%	5%	5%	4%	3%
Small Cap – US Stock	5%	5%	4%	3%	3%	3%	3%
Real Estate/REIT	5%	5%	4%	4%	3%	3%	3%
Non-US Stock	10%	9%	9%	8%	7%	6%	3%
Emerging Markets	15%	14%	13%	12%	11%	7%	5%
Equity	**60%**	**57%**	**53%**	**49%**	**45%**	**35%**	**25%**
Fixed Income/Cash	**40%**	**43%**	**47%**	**51%**	**55%**	**65%**	**75%**

II. Performance Monitoring Benchmarks – The plan will utilize asset category specific benchmarks to monitor investment manager performance. In addition, overall portfolio performance will be benchmarked to a normal portfolio composed of category indexes allocated based on the Dynamic Investment Policy funded status position.

Asset Category	**Index**
Cash & Money Market	CitiGroup 3 Month TBill
Short-term Bond	BofA Merrill Lynch 1-3 Yr Corp Index
Intermediate-term Bond	BarCap Interm US Govt/Credit Index
Long-term Bond	BarCap Long GovtCredit Index
Large Cap Value	S&P/Citi 500 Value
Large Cap Blend	S&P 500 Index
Large Cap Growth	S&P/Citi 500 Growth
Mid Cap Value	S&P/Citi Mid-Cap 400 Value
Mid Cap	S&P 400 Mid Cap
Mid Cap Growth	S&P/Citi Mid-Cap 400 Growth
Small Cap Value	S&P/Citi Small Cap 600 Value
Small Cap	S&P 600 Small Cap
Small Cap Growth	S&P/Citi Small Cap 600 Growth
Non-US Stock	MSCI EAFE
Non-US Small Cap Stock	MSCI EAFE Small Cap
Emerging Markets	MSCI EM (Emerging Markets)
REITS/Real Estate	FTSE NAREIT Equity REIT

AMENDMENT I

TO THE
INVESTMENT POLICY STATEMENT FOR
CITY OF DOVER OPEB BOARD

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

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

Date: _____ Approved by: _____
Chairman

Title: _____



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.

This Milliman work product was prepared solely for the internal business use of our clients. Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

Past performance is no guarantee of future results.

Unless explicitly stated in your Service Agreement, there should be no reliance on Milliman services to provide analysis or reporting on a daily basis, the changes to manager rankings, ratings or opinions thereon.

Unless explicitly stated in your Service Agreement, Milliman services are not intended to monitor investment manager compliance with individual security selection criteria, limits on security selection, and/or prohibitions to the holding of certain securities or security types.

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

Offices in Principal Cities Worldwide