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City of Los Angeles

City of Los Angeles Deferred Compensation Plan

Defined Contribution Performance Evaluation

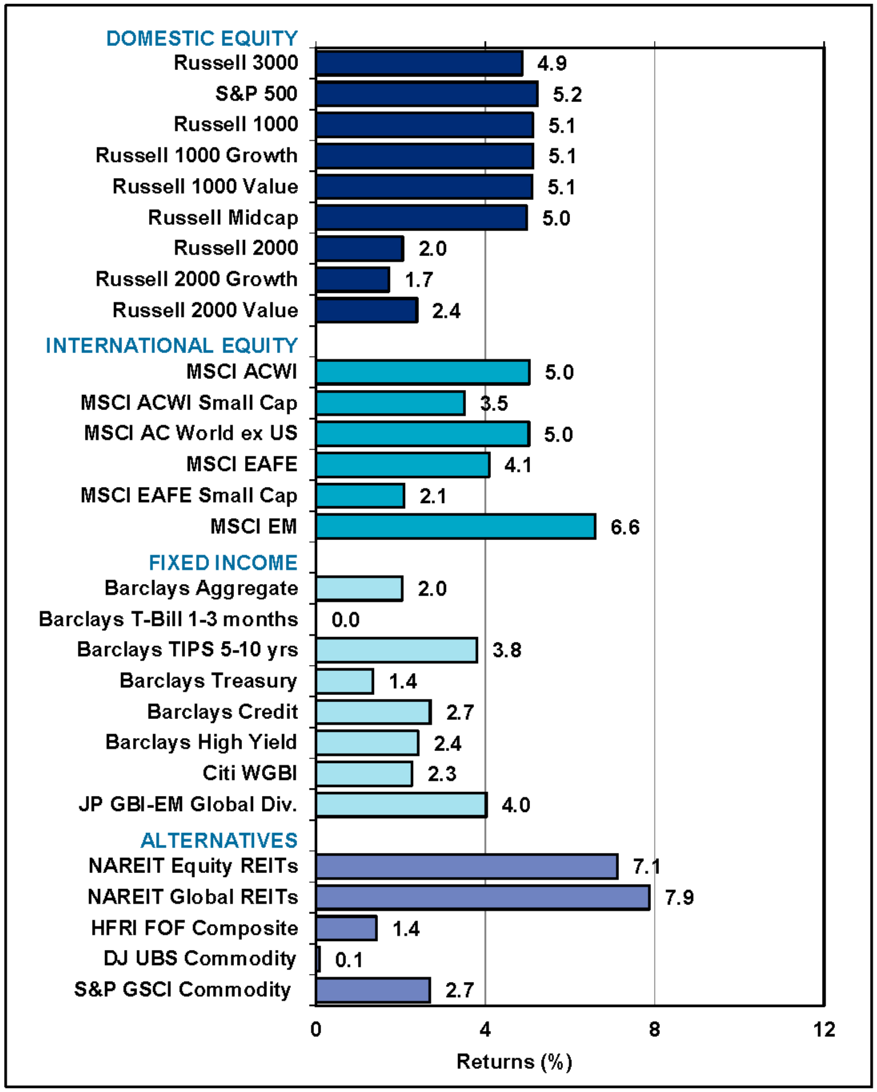
Second Quarter 2014

Services provided by Mercer Investment Consulting, Inc.

Contents

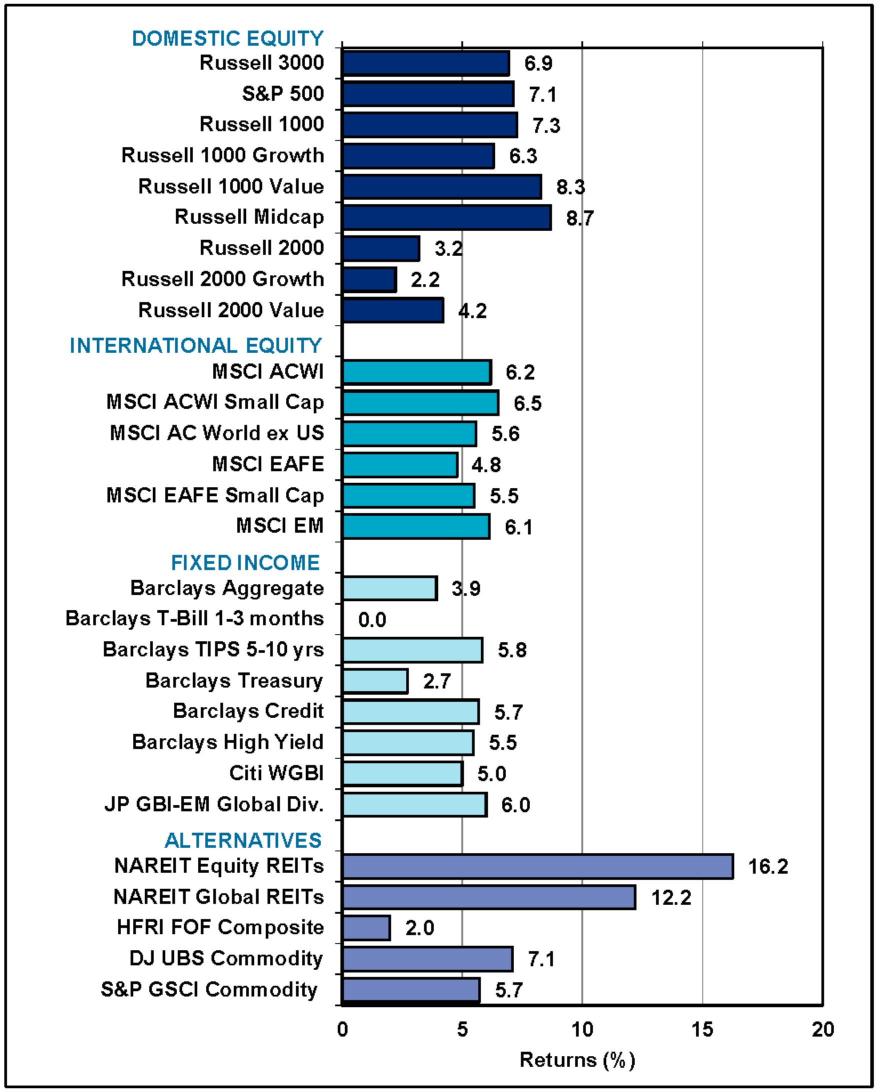
Performance Summary: Quarter in Review

Market Performance
Second Quarter 2014



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

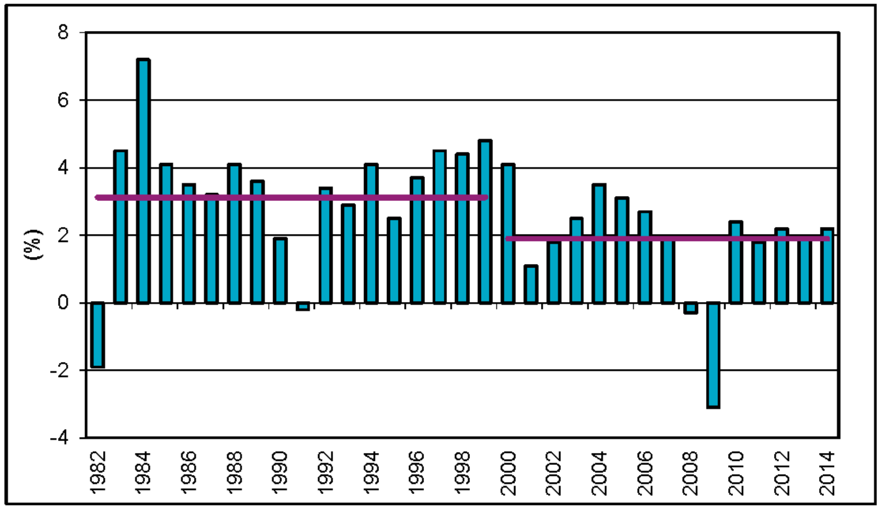
Market Performance
YTD



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

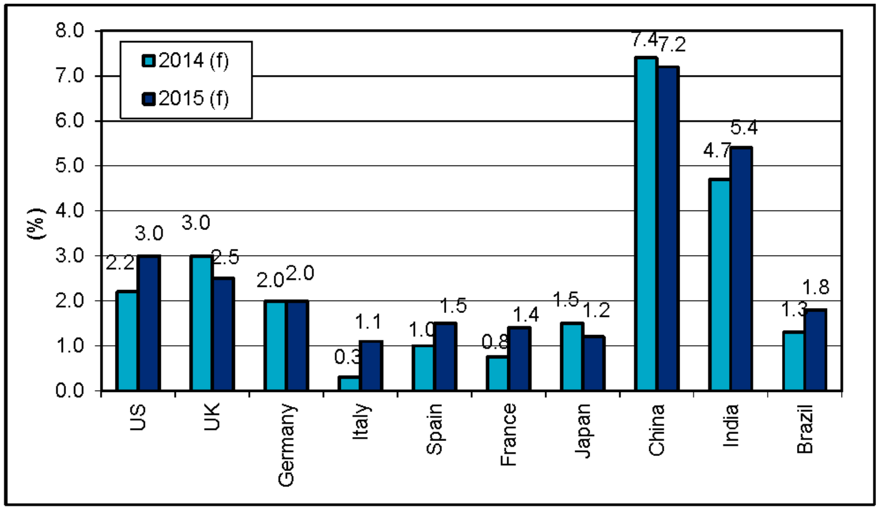
Macro Environment: Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth
(Projections as of June 2014)

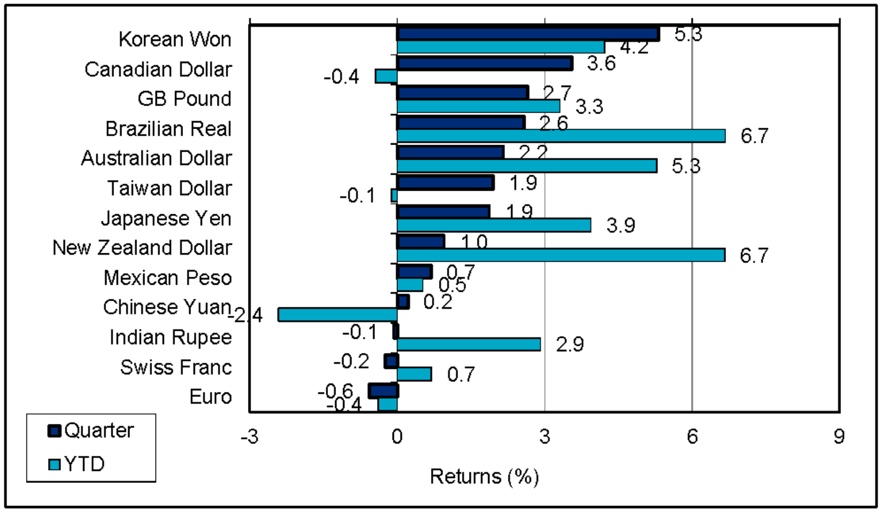


Source: Bloomberg

- After a disappointing first quarter, the global economy appeared to regain its footing in the second quarter. While hopes of a stronger recovery do not appear to be materializing, developed world growth is likely to remain moderate and downside risks appear low.
- In the US, GDP declined at an annualized rate of -2.9% in the first quarter. However, other indicators suggest a much healthier economy, and GDP growth is likely to accelerate over the rest of the year. Employers added an average of 272,000 jobs per month during the quarter and the unemployment rate fell from 6.7% to 6.1%, only slightly above the long-term average of 5.9%. However, business investment remains disappointing, and there are few signs of a pickup. The Eurozone is struggling to generate growth strong enough to reduce elevated unemployment rates. Monetary policy is likely to become more accommodative on a relative basis over the next few years, which could serve to weaken the euro, boosting exports and growth. The Japanese economy stabilized in the second quarter as the impact of fiscal tightening faded. In the near-term, the weak yen has the potential to lift exports. The longer-term outlook for Japan hinges on the ability of the government and corporate sectors to implement structural reforms.
- Financial conditions in emerging market economies appear to have stabilized after a difficult 2013 which saw countries suffer from large capital outflows, currency declines, and inflation spikes. The IMF expects emerging market economies to grow 4.9% in 2014, an improvement from the 4.7% rate in 2013, but well below pre-crisis levels. The outlook for emerging markets over the remainder of 2014 and 2015 is mixed. Stronger developed world growth and the decline in currency values has the potential to boost exports. Also, elections have ushered in new political leadership in several countries and have raised the potential that badly needed structural reforms may be implemented. However, if reforms fail to materialize, it could place further downward pressures on economies. Additionally, EM economies remain vulnerable to further Fed tightening, which could lead to renewed outflows and a further slowdown.

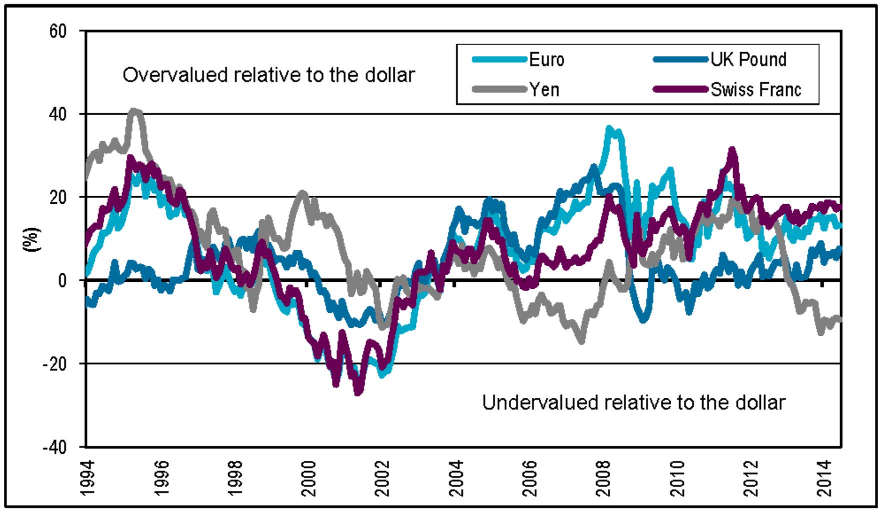
Macro Environment: Currencies

Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar (Based on Relative PPP)

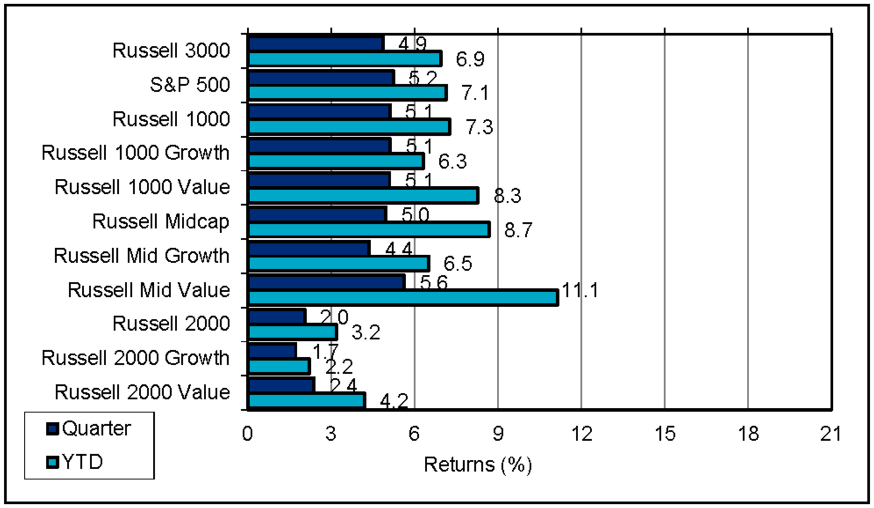


Source: Bloomberg

- On a trade-weighted basis, the US dollar depreciated 0.2% in the second quarter. Despite easier ECB monetary policies, the euro dropped only 0.6% against the dollar. The yen advanced by 1.9%, while emerging market and commodity sensitive currencies were generally higher.
- On balance, the outlook for the dollar is positive against developed currencies over the next few years. The dollar remains inexpensive against most currencies on relative purchasing power parity (PPP) and tighter relative monetary policy should support the dollar. QE3 is on track to end in fall 2014 and the Fed will likely raise its policy rates ahead of other central banks. A negative for the dollar is that the US is a low savings country and continues to run a current account deficit, although it is improving due to falling energy imports.
- While the yen trades at a discount to the dollar on relative PPP, the BoJ will likely remain aggressive in expanding its balance sheet to drive the yen lower and reach its inflation target. However, the timing of additional QE is unknown and the yen could continue range trading until then.
- The Eurozone faces low growth and a realistic risk of deflation. As such, the ECB may take more aggressive monetary actions, perhaps engaging in QE, which should weaken the euro. Additionally, the euro appears expensive on relative PPP, trading at a 13% premium to the dollar.
- While EM currencies remain vulnerable to negative investor sentiment towards specific economies, we do not expect a repeat of 2013 because currency valuations have improved and US rate increases should be more gradual. The currency declines have the potential to lift economic growth and improve trade imbalances, which should serve to improve the financial position of emerging market economies.

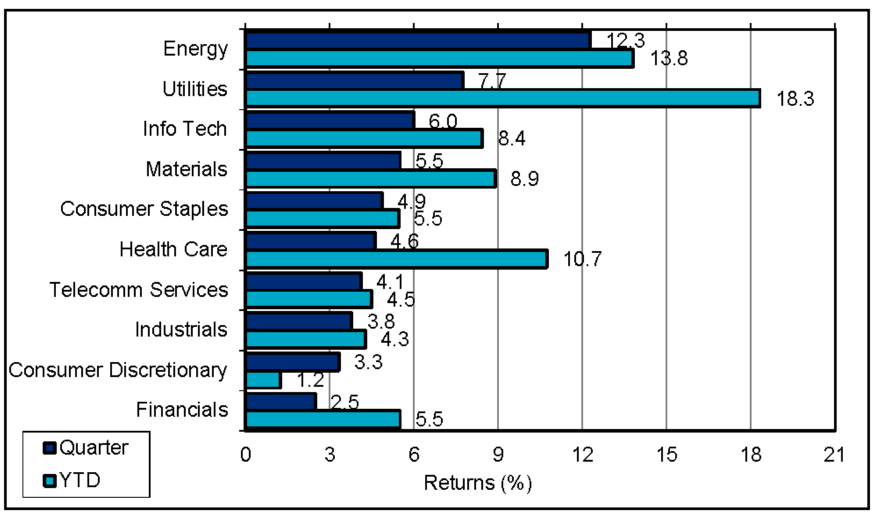
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

Stocks posted strong gains in the second quarter and broad indices hit new highs. Equity markets benefited from improved economic growth and accommodative monetary policy. The Russell 3000 Index increased 4.9% and is up 6.9% in 2014. US stocks outperformed international developed markets by 80 basis points in the second quarter, but lagged emerging markets by 170 basis points for the quarter.

Market Cap

- **Large Caps:** The S&P 500 and Russell 1000 Index rose 5.2% and 5.1%, respectively, in the second quarter. For the quarter, large cap stocks outperformed small cap stocks by 310 basis points.
- **Mid Caps:** The Russell Midcap Index advanced 5.0% in the second quarter. Mid caps have outpaced large and small cap stocks year to date.
- **Small Caps:** Small cap stocks underperformed large and mid cap stocks significantly as the Russell 2000 Index rose just 2.0% in the second quarter. Year to date, small cap stocks have underperformed the S&P 500 by 390 basis points.

Style

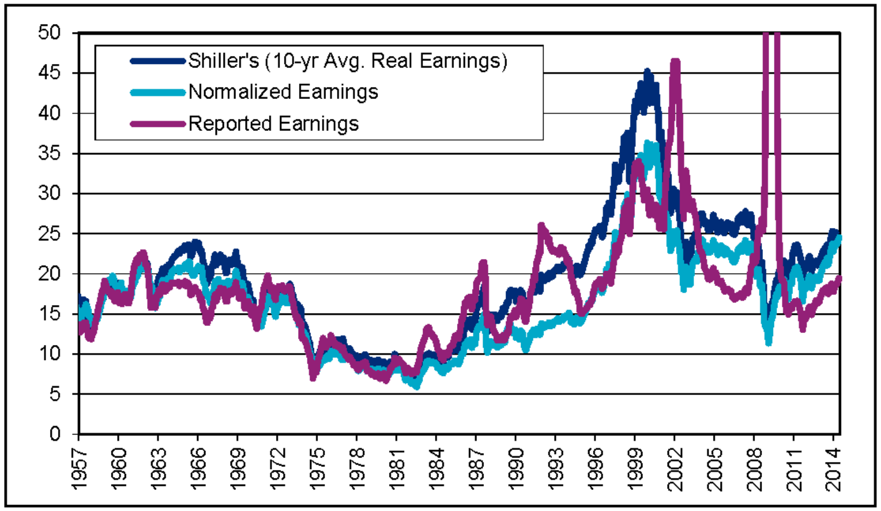
- **Value vs. Growth:** While style performance within large caps was neutral, value surpassed growth within mid and small cap stocks in the second quarter. Small cap growth stocks have struggled in 2014, returning just 2.2% and lagging the broad market by 470 basis points.

Sector

- The energy, utilities, information technology, and materials sectors outperformed the broad market for the quarter, while financials were the biggest laggard.

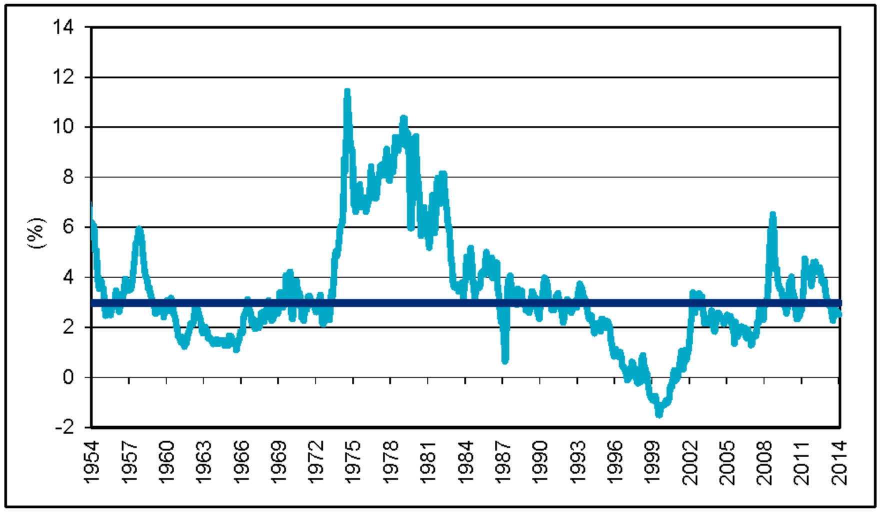
Asset Class: US Equities – Valuation Review

S&P500 – P/E Ratio



Source: S&P, Bloomberg, Mercer

S&P500 – Estimated Equity Risk Premium[1]
Versus Long-Term Treasuries



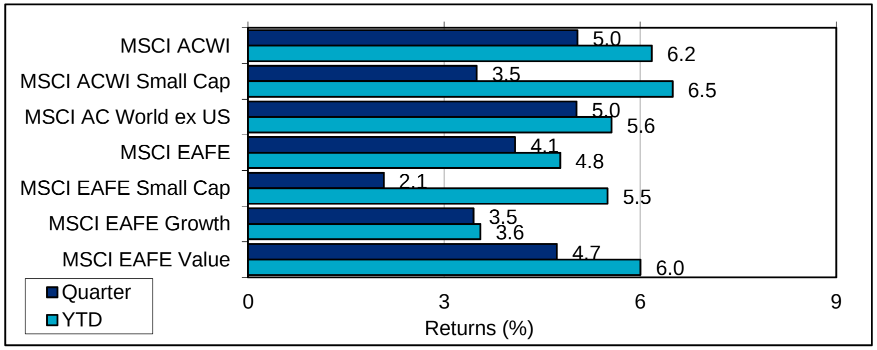
Source: S&P, Bloomberg, Mercer

- Valuations on the S&P 500 moved higher for the quarter as price gains exceeded profit growth. The P/E ratio on trailing earnings moved from 18.6 to 19.4, which is above the 17.2 median since 1956.
- Valuations remain very high based on measures that adjust for record high profit margins. The P/E ratio based on normalized earnings stood at 24.5, 47% above the historical median of 16.7 (since 1956), while the P/E based on average 10-year real earnings (Shiller's methodology) finished the quarter at 25.7, compared to a median of 19.0 (since 1956).
- Analysts are calling for 11.7% EPS growth over the next 12-months. These forecasts hinge on the sustainability of elevated profit margins. While margins tend to mean revert, we believe a return to "normal" could take many years as the secular and cyclical forces supporting margins will be slow to unwind. High margins are being driven in large part by a reduced share of revenue going to employees as the slack in the labor market has reduced worker bargaining power. However, we expect downward pressure on margins over the intermediate-term. Wages are increasing marginally faster than productivity growth and this trend could continue. Also, corporate capital investments have been running well below trend, which could hamper future productivity growth.
- While elevated in absolute terms, valuations look reasonable against bonds. We estimate that the equity risk premium over long-term Treasuries declined marginally from 2.6% to 2.5% during the quarter, as lower bond yields offset higher equity valuations. We expect stocks to outperform bonds, but current valuations suggest long-term returns will be below normal, especially if profit margins get squeezed as we expect.

[1] Definitions:
Shiller's P/E= Current S&P 500 price/average 10-year real earnings
Normalized P/E= Current S&P 500 price/(current trailing twelve month sales * 6.6% profit margin)
Equity Risk Premium= Earnings yield (1/PE) minus the real yield on long-term Treasuries

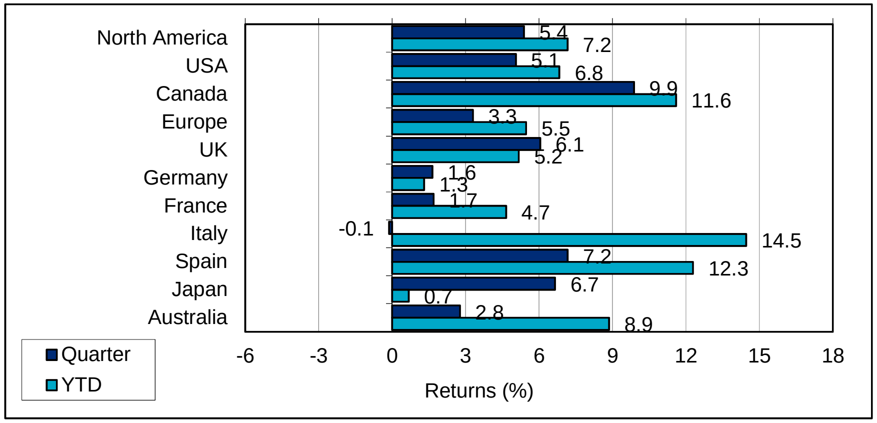
Asset Class: International Equities – Performance Review

International Equity Performance



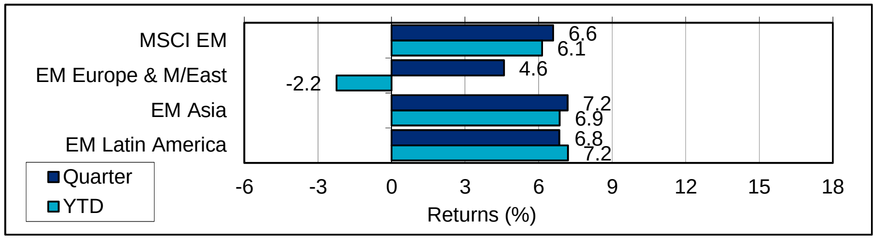
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance



Source: MSCI, Bloomberg

- **International equities** posted a strong quarter with the MSCI ACWI ex-US Index returning 5.0%. Emerging market equities rebounded nicely and outperformed developed equities. Within developed stocks, US equities outperformed non-US markets.

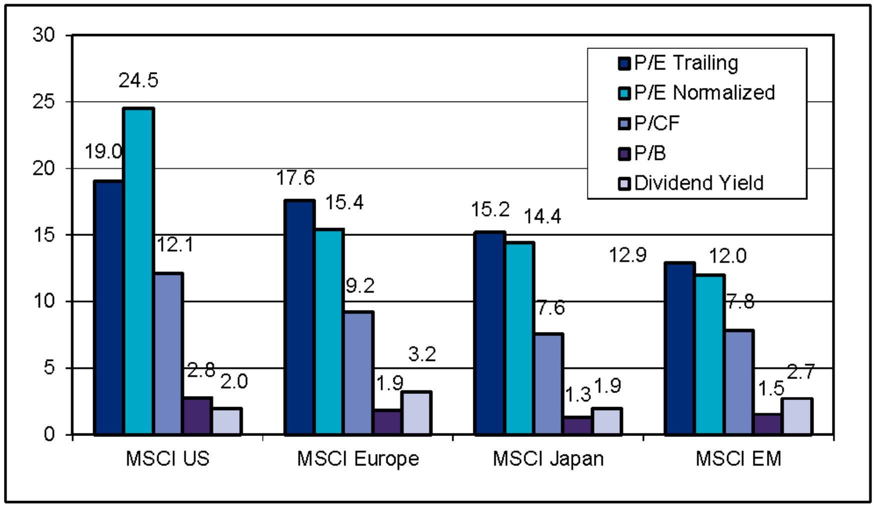
- **International developed stocks** rose 4.1% in the second quarter, but lagged the S&P 500 Index by 110 basis points. Year to date, EAFE has underperformed the S&P 500 by 230 basis points. European stocks advanced only 3.3% in the second quarter, suggesting markets may be concerned about the pace of the recovery and the lack of monetary stimulus. Japanese stocks rebounded following the launch of the "third arrow" of structural reforms, returning 6.7%.

- **International developed small cap stocks** gained 2.1% during the second quarter, underperforming international large cap stocks (MSCI EAFE) by 200 basis points. However, for the year, international small caps have outperformed by 70 basis points.

- **Emerging market stocks** benefited as sentiment and outflows stabilized during the quarter, rising 6.6% and outperforming the S&P 500 by 140 basis points. Asian and Latin America stocks led markets higher in the second quarter as commodity prices rose and growth in China turned upward. For the year, political tensions have weighed on markets in eastern Europe.

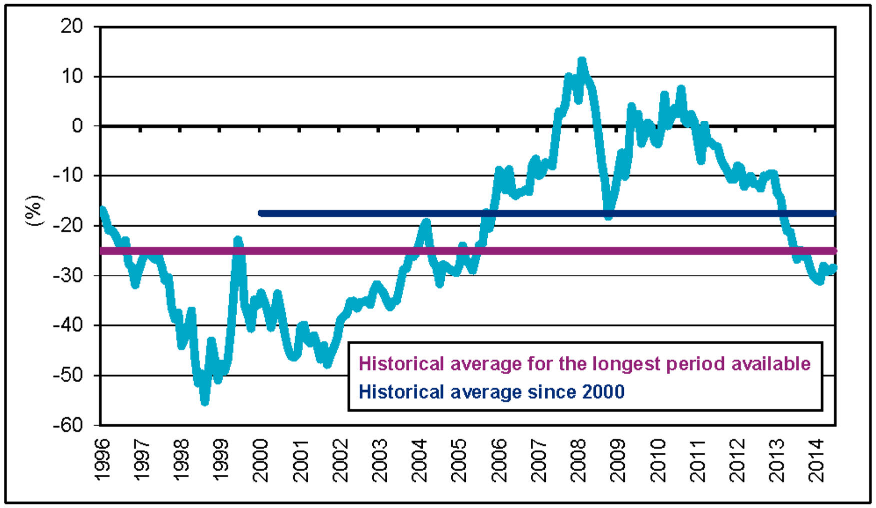
Asset Class: International Equities – Valuation Review

Global Valuations



Source: MSCI, Bloomberg

Valuation of MSCI Emerging Markets to MSCI World
(Based on Average of P/E, P/B and P/CF)

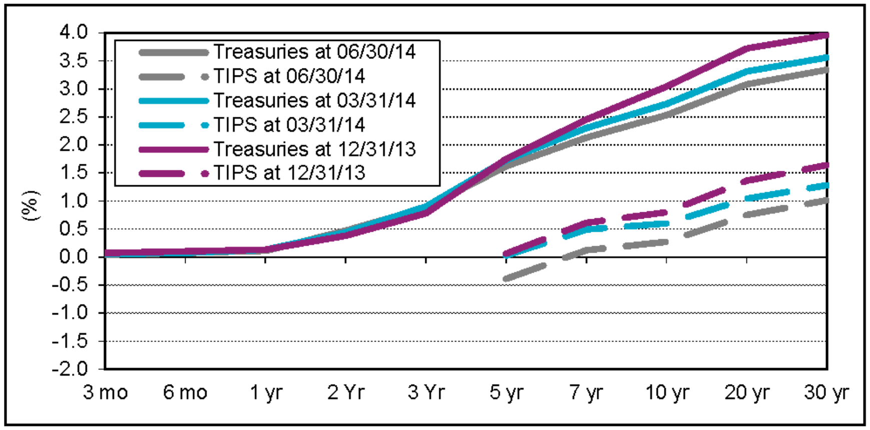


Source: MSCI, Bloomberg

- European firms have struggled as the debt crisis and the recession have weighed on profits. However, earnings are expected to spike nearly 18% in 2014. While overall economic growth remains subpar and the strong euro could crimp export growth, falling borrowing costs and limited wage pressures have the potential to boost profitability. Earnings are 32% below their pre-financial crisis peak and profit margins are 10% below historical averages. The strong returns over the last year have lifted valuations and European stocks are trading at a P/E of 17.6. However, if margins return to historical averages, valuations look more attractive with European stocks trading at a normalized P/E of only 15.4. Based on Shiller's P/E, Europe is trading at a 35% discount to the US compared to a historical average of 15%.
- EPS for Japanese firms have spiked 55% over the last year and earnings have nearly returned to their pre-financial crisis peak, although profit margins remain 20% below 2007-levels. The weak yen and stronger global growth could provide further support to earnings, although a slowdown in domestic growth may weigh on profits. From a structural standpoint, the push for corporate governance reforms has the potential to narrow the profitability gap between Japan and the rest of the world.
- EM profitability has fallen over the last year as slowing growth and higher inflation have weighed on earnings. For example, the ROE on EM equities has fallen an estimated 5% over the last year. Macro tensions appear to have stabilized and currency declines have the potential to lift exports and earnings. However, EM economies remain vulnerable to further monetary tightening and despite new political leadership there is still uncertainty surrounding the potential for structural reform. EM stocks are trading at only 12.9x trailing earnings, a 12% discount to their historical average since 1995. They are also trading at a robust 28% discount to developed stocks. However, discounts are narrowly based, and, accounting for sector differences, relative valuations are less compelling.

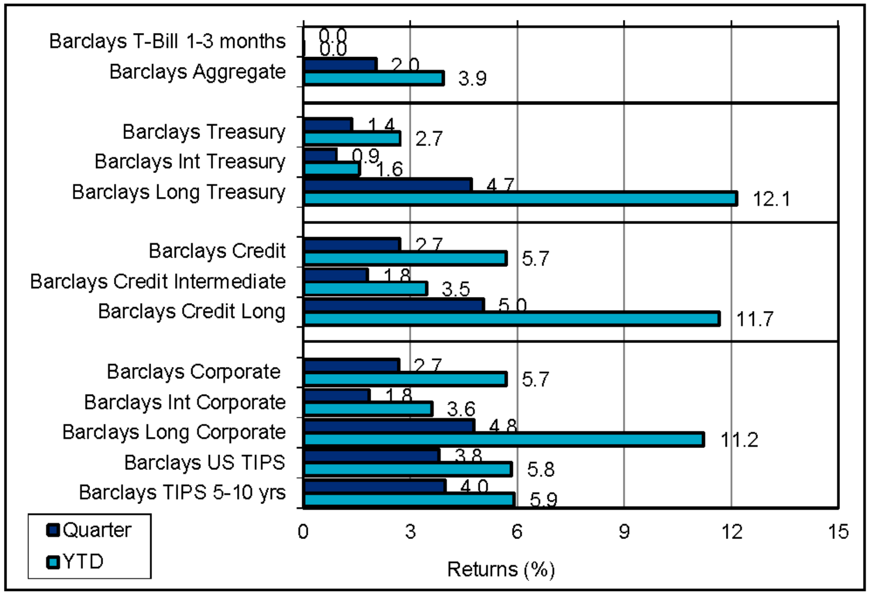
Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration

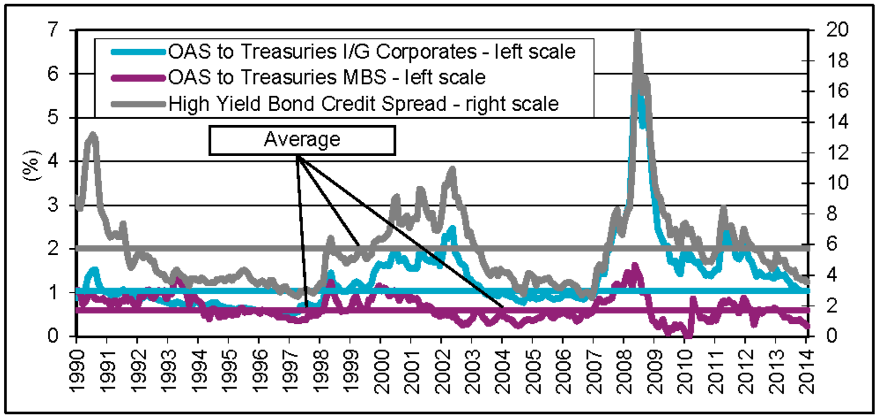


Source: Barclays, Bloomberg

- Interest rates declined in the second quarter with the yield on the 5-year Treasury falling from 1.73% to 1.62%. Treasury yield movements have been mixed in 2014, with shorter-term rates rising slightly, while intermediate-term and long-term rates have declined. As a result, the yield curve has flattened substantially. Year to date, the yield on the 3-year Treasury has risen by 10 basis points to 0.88%, while the yield on the 10-year Treasury has fallen from 3.04% to 2.53%.
- Market expectations on the timing and pace of interest rate increases as well as the ultimate endpoint for the Target Rate are the drivers of yield movements. Despite the looming end of QE3, we still view the Fed as dovish. Bond markets anticipate that the FOMC is likely to keep the Target Rate at zero percent until mid-2015 and slowly increase it afterwards. Absent a significant shift in inflation expectations, the process of interest rate normalization should be gradual.
- **US Bonds** rose in the second quarter as yields declined. The Barclays Aggregate Bond Index returned 2.0% and is now up 3.9% in 2014. Credit outperformed Treasuries as spreads continued to tighten.
- **Long-Duration Bonds** advanced as the yield on 30-year Treasury decreased by 22 basis points to 3.34%. The Barclays Long Treasury, Credit and Corporate Indexes increased by 4.7%, 5.0% and 4.8% in the quarter and have outperformed equity markets year to date.
- **TIPS** outperformed Treasuries, advancing 3.8% in the second quarter. Year to date, TIPS have returned 5.8% while Treasuries have gained 2.7%. TIPS have benefited from their longer duration relative to the Treasury index. Inflation breakeven rates have varied by maturity. For example, 10-year inflation breakeven rates are essentially unchanged in 2014, moving from 2.25% to 2.26%. However, inflation breakeven rates on 5-year TIPS have risen from 1.7% to 2.0%.

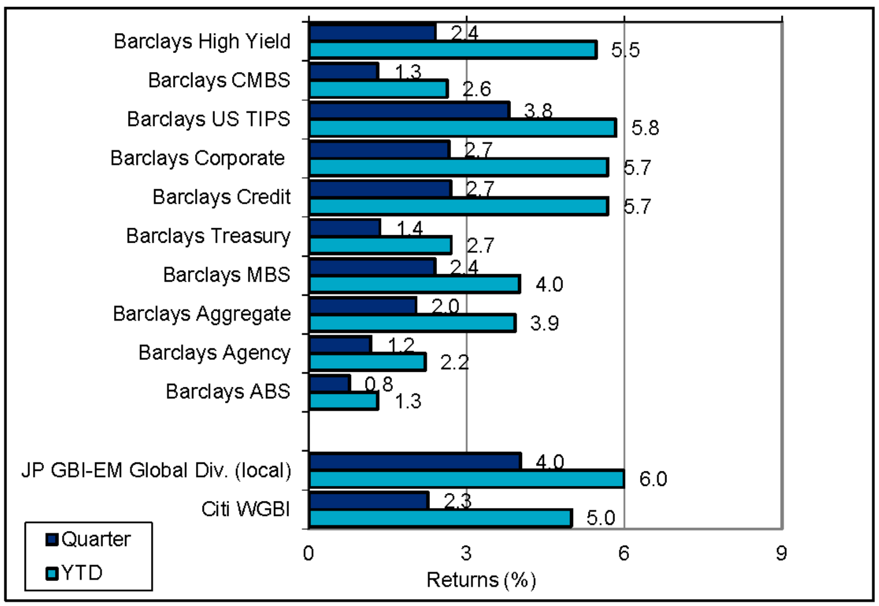
Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance

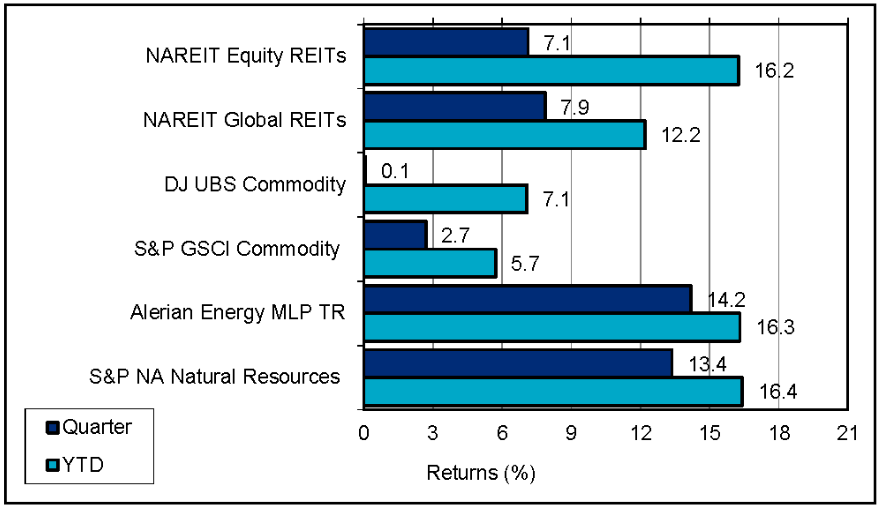


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The yield on investment grade corporate bonds dropped by 20 bps to 2.9% in the second quarter, and the option-adjusted spread to Treasuries slipped by 7 bps to 1.0%, which is slightly below long-term norms. Given the favorable economic outlook, downside risk is limited over the short-term. However, tight spreads and low yields leave limited upside from this point.
- The yield on high yield bonds declined to 4.9% in the second quarter, a record low. The credit spread fell by 20 bps to 3.4%, its lowest level since early 2007. A strengthening US economy combined with healthy corporate balance sheets should keep default rates low in the near-term. However, issuance quality has fallen and there has been a rise in issues with weaker covenants. While not a near-term concern, this could make the next recession more painful for credit investors.
- **US Treasuries** posted gains as the yield on the 10-year Treasury fell from 2.73% to 2.53% during the quarter. The Barclays Treasury Index rose 1.4% and is up 2.7% year to date.
- **US Corporate** bonds outperformed Treasuries by 130 basis points in the second quarter as spreads narrowed. Year to date, I/G corporate bonds have returned 5.7%, outperforming Treasuries by 300 bps.
- **US MBS, Agency, CMBS, and ABS** bonds also benefited from falling yields. The MBS sector outperformed Treasuries, while Agency, ABS and CMBS bonds lagged.
- **High Yield** bonds advanced 2.4% in the second quarter as yields declined and credit spreads narrowed, HY bonds outperformed the Treasury index by 100 bps in the second quarter.
- **Global Bonds** benefited from falling bond yields, with the Citigroup World Government Bond index gaining 2.3% in the second quarter.
- **Local Currency Emerging Market Debt** returned 4.0% for the quarter and is now up 6.0% year to date. After a difficult 2013, local currency EM debt has benefited from a drop in yields and a rebound in currencies in 2014.

Asset Class: Alternatives – Performance Review

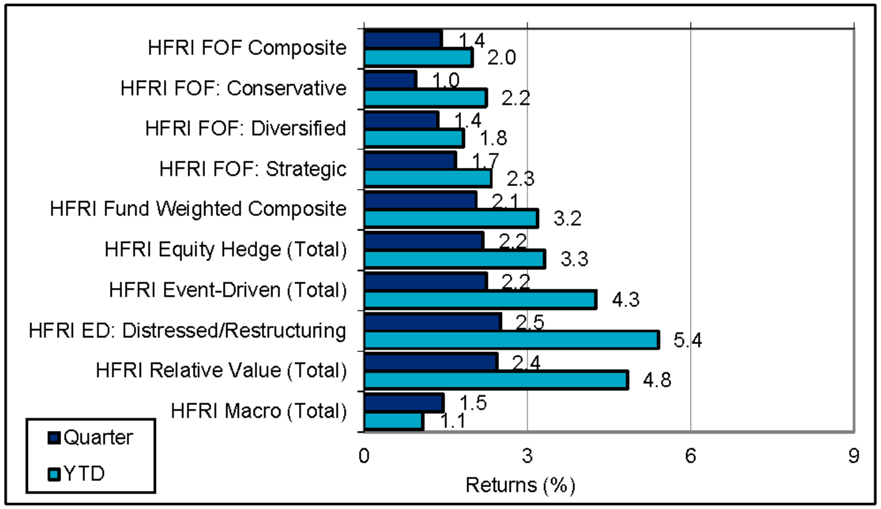
Real Asset Performance



Source: NAREIT, Dow-Jones, UBS, Goldman Sachs

- **REITs** have benefited from falling yields in 2014. Global and US REITs jumped 7.9% and 7.1%, respectively, for the quarter and are up 12.2% and 16.2%, respectively, year to date.
- **Commodities** benefited from geopolitical tensions and improved growth in the second quarter as oil prices rose 4.8%. The S&P NA Natural Resources Index surged 13.4%, while the DJ-UBS Commodity Index eked out a 0.1% gain.

Hedge Fund Performance



Source: HFR

- **Hedge funds** lagged global equities in the second quarter. The HFRI Fund of Funds Composite Index gained 1.4%, while the MSCI ACWI index and the Barclays Aggregate index advanced 5.0% and 2.0%, respectively. Macro strategies continued to lag, while distressed and relative value managers were the better performers.

Summary – Investment Option Array

	Tier I Asset Allocation Risk-Profile Funds	Tier II Core Options	Tier III Specialty Options
Conservative		**Capital Preservation** FDIC-Insured Savings Account JP Morgan Chase Certificates of Deposit	
	DCP Ultra Conservative	**DCP Stable Value** (100% Galliard Separate Account)	
	DCP Conservative	**DCP Bond Fund** (50% Vanguard Total Bond Market Index Fund + 50% PIMCO Total Return Fund)	
	DCP Moderate	**DCP Large-Cap Stock Fund** (100% Vanguard Institutional Index Fund)	
	DCP Aggressive	**DCP Mid-Cap Stock Fund*** (100% Vanguard Mid-Cap Index Fund)	
	DCP Ultra Aggressive	**Small-Cap Equity***** (100% SSgA Russell Small Cap Index Non-Lending Series)	
		International Equity** DWS EAFE Equity Index Fund Fidelity Diversified International Fund	
Aggressive			**Brokerage Window** Schwab PCRA Self-Directed Brokerage Account

* DCP Mid-Cap Stock approved structure is 50% Mid Cap Core + 25% Mid Cap Value + 25% Mid Cap Growth upon completion of Phase II implementation
** Upon completion of Phase II new DCP International Equity Fund with approved structure of 65% International Developed + 17.5% Emerging Markets + 17.5% International Small Cap
***Upon completion of Phase II new DCP Small-Cap Stock with approved structure is 33.3% Small Cap Core + 33.3% Small Cap Value + 33.3% Small Cap Growth

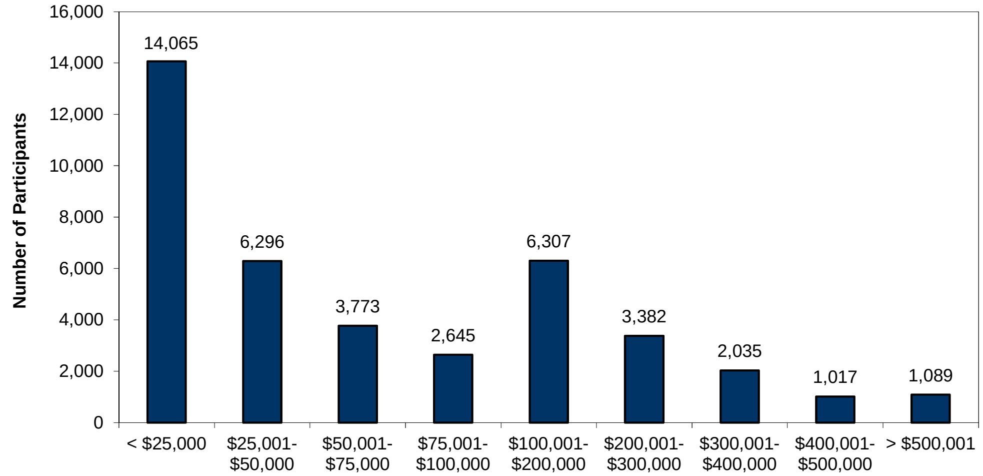
Summary – Plan Highlights, Key Observations and Recommendations

Deferred Compensation Plan Assets

- At quarter-end, assets in the Deferred Compensation Plan totaled $4,492.1 million, increasing $152.1 million (3.5%) from $4,340.0 million at the previous quarter-end. The increase is a result of investment gains and net cash inflows. Contributions (including other deposits) for the quarter totaled $86.1 million compared to withdrawals (including fees) of $69.8 million. Investment gains totaled $135.8 million.

- As of June 30, 2014, there were 40,609 participants with account balances. The average account balance was $110,618, while the median account balance was $49,858. The distribution of participant balances is shown to the right; 34.6% of participants had a balance less than $25,000 and 2.7% had a balance greater than $500,000.

Distribution of Participant Account Balances



- The Deferred Compensation Plan (DCP) Large Cap Stock Fund held the highest percentage of Plan assets (33.0%), followed by the DCP Stable Value Fund (19.9%), Schwab PCRA Self-Directed Brokerage Account (6.6%), and FDIC-Insured Savings Account (6.5%). All other funds held less than 6.0% of Plan assets.

- Assets in the Profile funds (5 customized risk-based Profile funds ranging from Ultra Conservative to Ultra Aggressive) totaled $718.1 million (16.0%) at quarter end; this was an increase of $39.5 million from $678.5 million at the prior quarter end.

Performance

- The Plan's investments are generally meeting performance objectives, and we are recommending no changes at this time.

- The DCP Bond fund outperformed its index during the quarter by 20 basis points; the underlying allocation to the PIMCO Total Return Fund helped relative performance. Tactical exposures to Italian and Spanish debt, an allocation to non-Agency MBS, and exposure to Build America municipal bonds contributed to performance for the quarter.

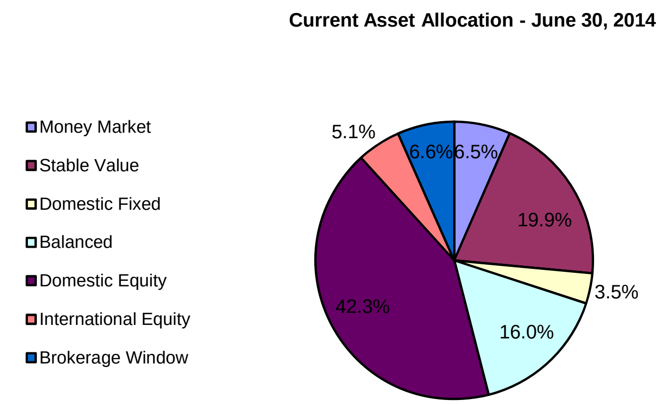
- The Fidelity Diversified International Fund underperformed its index by 20 basis points during the quarter. This was due in part to an underweight allocation to the utilities sector, stock selection within the industrials and telecommunication services sectors, and stock selection within Europe.

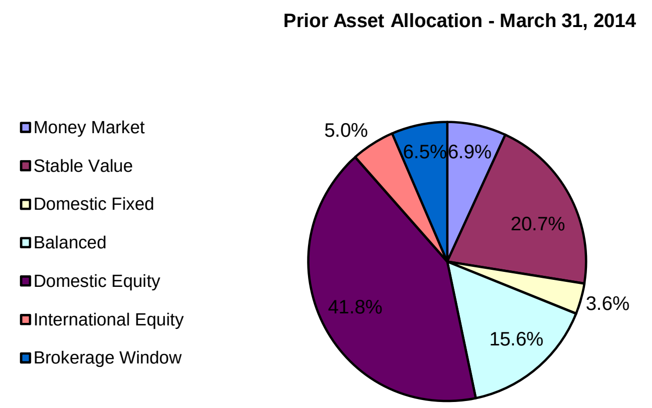
Key Observations and Recommendations

- Searches for the active components of the Plan's investment options are complete, and we are meeting with the Investments Committee to finalize selections.
- For the FDIC-Insured Savings Account, Bank of the West, Bank of America, and City National Bank have weightings of 50%, 25%, and 25%, respectively. For the quarter ending June 30, 2014 their declared rates were as follows: Bank of the West = 0.75% Bank of America = 0.08% and City National Bank = 0.15% yielding a blended rate of 0.43%. As discussed at the September special Board meeting, the blended crediting rate will decline significantly (projected to be 0.23%) after the option moves to the two bank provider framework discussed at the meeting.
- Within the DCP Stable Value Fund, the current separate account managed by Prudential transitioned to a similarly managed bank collective fund, also managed by Prudential. The in-kind transition occurred on September 1, 2014 and will result in a slight fee decrease for the overall fund.

Summary – Asset Allocation

Investment Option	Current Balance	Prior Balance	% of Plan	% Chg vs. Prior
Money Market	**$293,991,376**	**$297,912,170**	**6.5%**	**-0.3%**
FDIC-Insured Savings Account	$293,991,376	$297,594,370	6.5%	-0.3%
JPMorgan Chase Certificates of Deposit	$0	$317,800	0.0%	0.0%
Stable Value	**$895,570,759**	**$896,299,407**	**19.9%**	**-0.7%**
Deferred Compensation Stable Value Fund (Net)	$895,570,759	$896,299,407	19.9%	-0.7%
Domestic Fixed	**$158,753,008**	**$154,757,377**	**3.5%**	**0.0%**
DCP Bond Fund	$158,753,008	$154,757,377	3.5%	0.0%
Balanced	**$718,055,554**	**$678,515,253**	**16.0%**	**0.4%**
Ultra Conservative Profile	$39,512,805	$38,608,432	0.9%	0.0%
Conservative Profile	$99,050,250	$91,540,354	2.2%	0.1%
Moderate Profile	$256,741,482	$244,383,806	5.7%	0.1%
Aggressive Profile	$240,610,628	$227,416,470	5.4%	0.1%
Ultra Aggressive Profile	$82,140,389	$76,566,190	1.8%	0.1%
Domestic Equity	**$1,898,534,130**	**$1,811,953,157**	**42.3%**	**0.5%**
DCP Large Cap Stock Fund	$1,482,953,986	$1,411,560,902	33.0%	0.5%
DCP Mid Cap Stock Fund	$185,345,171	$168,868,135	4.1%	0.2%
SSgA Russell Small Cap Index NL Series Fund	$230,234,973	$231,524,120	5.1%	-0.2%
International Equity	**$228,633,905**	**$218,535,996**	**5.1%**	**0.1%**
DWS EAFE Equity Index Fund Institutional	$47,948,490	$44,474,213	1.1%	0.0%
Fidelity Diversified International Fund	$180,685,414	$174,061,783	4.0%	0.0%
Brokerage Window	**$298,537,459**	**$281,992,713**	**6.6%**	**0.1%**
Schwab PCRA Self-Directed Brokerage Account	$298,537,459	$281,992,713	6.6%	0.1%
Total Plan	**$4,492,076,192[1]**	**$4,339,966,073[2]**	**100%**	





[1] Total Plan Balance as of 6/30/14 excludes $2.8 million in the Forfeiture/Asset Holding Account and $177.1 million in the Participant Loan Account.
[2] Total Plan Balance as of 3/31/14 excludes $2.8 million in the Forfeiture/Asset Holding Account and $173.4 million in the Participant Loan Account.

Summary – Asset Allocation of Underlying Core Funds[3]

	Ultra Conservative Profile	Conservative Profile	Moderate Profile	Aggressive Profile	Ultra Aggressive Profile	Standalone Totals	TOTAL
FDIC-Insured Savings Account	**$0**	**$0**	**$0**	**$0**	**$0**	**$293,832,979**	**$293,832,979**
JPMorgan Chase Certificates of Deposit	**$0**	**$0**	**$0**	**$0**	**$0**	**$0***	**$0**
DCP Stable Value Fund	**$13,605,747**	**$14,601,639**	**$25,018,108**	**$11,677,132**	**$0**	**$895,570,759***	**$960,473,385**
DCP Bond Fund	**$19,597,794**	**$49,079,948**	**$75,697,950**	**$47,107,835**	**$8,029,797**	**$158,098,707**	**$357,612,032**
Vanguard Total Bond Market Index Fund	$9,772,363	$24,473,522	$37,746,484	$23,490,136	$4,004,027	$78,835,297	$178,321,829
PIMCO Total Return Fund	$9,825,431	$24,606,425	$37,951,466	$23,617,699	$4,025,771	$79,263,410	$179,290,202
DCP Large Cap Stock Fund	**$2,022,118**	**$12,663,631**	**$65,103,235**	**$60,768,845**	**$20,695,619**	**$1,482,740,476**	**$1,643,993,925**
DCP Mid Cap Stock Fund	**$1,018,302**	**$5,101,654**	**$26,225,384**	**$36,719,083**	**$16,672,082**	**$185,407,032**	**$271,143,537**
SSgA Russell Sm Cap NL Series S	**$1,029,094**	**$5,152,893**	**$26,476,416**	**$37,071,301**	**$16,835,702**	**$230,234,973***	**$316,800,379**
DWS EAFE Equity Index Fund Instl	**$1,979,659**	**$12,396,285**	**$38,230,150**	**$47,583,323**	**$20,267,134**	**$47,948,490***	**$168,405,041**
Fidelity Diversified International Fund	**$0**	**$0**	**$0**	**$0**	**$0**	**$180,685,414***	**$180,685,414**
Schwab PCRA Self-Directed Brokerage Account	**$0**	**$0**	**$0**	**$0**	**$0**	**$298,537,459***	**$298,537,459**
TOTAL	**$39,252,715**	**$98,996,051**	**$256,751,243**	**$240,927,518**	**$82,500,334**	**$3,773,056,290**	**$4,491,484,151**

[3] Balances will not match figures from the recordkeeping system provided in the quarterly reports (Summary – Asset Allocation in previous page), as the figures shown here unless otherwise noted, are from the Great-West Investment Team reporting system which is based on settlement date and does not include accruals.

* Figure is not available in the Great-West Investment Team reporting system; therefore it is taken from the Summary – Asset Allocation in previous page (recordkeeping system).

Summary – Investment Expense Analysis

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio[4]	Net Expense Diff.	Expense Reimbursement	Investment Management Fee
FDIC-Insured Savings Account	Cash Equivalents	$293,991,376	N/A	N/A	N/A	N/A	N/A	N/A
JPMorgan Chase Certificates of Deposit	Cash Equivalents	$0	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Compensation Stable Value Fund (Net)	Stable Value	$895,570,759	$2,507,598	0.28%	0.46%	-0.18%	0.00%	0.28%
DCP Bond Fund	US Fixed	$158,753,008	$412,758	0.26%	0.52%	-0.26%	0.00%	0.26%
Ultra Conservative	Risk-based	$39,512,805	$102,733	0.26%	0.81%	-0.55%	0.00%	0.26%
Conservative Profile	Risk-based	$99,050,250	$247,626	0.25%	0.81%	-0.56%	0.00%	0.25%
Moderate Profile	Risk-based	$256,741,482	$513,483	0.20%	0.88%	-0.68%	0.00%	0.20%
Aggressive Profile	Risk-based	$240,610,628	$481,221	0.20%	0.93%	-0.73%	0.00%	0.20%
Ultra Aggressive Profile	Risk-based	$82,140,389	$156,067	0.19%	0.93%	-0.74%	0.00%	0.19%
DCP Large Cap Stock Fund	US Large Cap Equity	$1,482,953,986	$296,591	0.02%	0.20%	-0.18%	0.00%	0.02%
DCP Mid Cap Stock Fund	US Mid Cap Equity	$185,345,171	$111,207	0.06%	0.25%	-0.19%	0.00%	0.06%
SSgA Russell Small Cap Index NL Series Fund	US Small Cap Equity	$230,234,973	$138,141	0.06%	0.30%	-0.24%	0.00%	0.06%
DWS EAFE Equity Index Fund Institutional	International Equity	$47,948,490	$239,742	0.50%	0.39%	0.11%	0.00%	0.50%
Fidelity Diversified International Fund	International Equity	$180,685,414	$1,716,511	0.95%	1.00%	-0.05%	0.25%	0.70%
Schwab PCRA Self-Directed Brokerage Account	Brokerage Window	$298,537,459	N/A	N/A	N/A	N/A	N/A	N/A
Total		**$4,492,076,192**	**$6,923,679**	**0.18%**[5]			**0.01%**[5]	**0.17%**[5]
Total with Fixed Per Participant Fee		**$4,492,076,192**	**$9,466,659**	**0.24%**[6]				

[4] Median institutional share class net expense ratio as defined by the respective Mercer Mutual Fund Universe and Lipper institutional share class categorizations. The median stable value management fee is derived from Mercer's quarterly stable value survey. Profile funds are compared to the median institutional expense ratio of the corresponding Mercer Mutual Fund Target Risk Universe.
[5] Total excludes assets in the FDIC-Insured Savings Account, JPMorgan Chase Certificates of Deposit, and Schwab Self-Directed Brokerage Account.
[6] Total estimated annual asset-based fee is $2,542,980 reflecting a quarterly per participant fee of 0.025% on the first $125,000 of balance. The number of participants with a $125k balance or less during the quarter was 28,808, and total assets for this group amounted to $1,067,855,246. There were 11,801 participants with balances in excess of $125k with a billable balance of $1,475,125,000. The total participant count is 40,609.

Summary – Compliance with Investment Policy Performance Standards

Periods ending June 30, 2014

I – Index U – Universe Median	3 Years				5 Years				Comments
	I	U	I	U	I	U	I	U	
Deferred Compensation Stable Value Fund (Net)	✓	✓	✓	✓	✓	✓	✓	✓	Retain.
DCP Bond Fund	✓	✗	✓	✓	✓	✗	✓	✗	Retain. Fund inception was on April 20, 2012 with 50% allocated to PIMCO Total Return Fund Institutional and 50% allocated to Vanguard Total Bond Market Index Fund Inst Plus. Active sleeve search is underway as part of the normal procurement schedule.
Ultra Conservative Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain. No changes to allocations.
Conservative Profile	✓	N/A	✓	N/A	T	N/A	T	N/A	Retain. No changes to allocations.
Moderate Profile	T	N/A	T	N/A	T	N/A	T	N/A	Retain. No changes to allocations.
Aggressive Profile	T	N/A	T	N/A	T	N/A	T	N/A	Retain. No changes to allocations.
Ultra Aggressive Profile	T	N/A	T	N/A	T	N/A	T	N/A	Retain. No changes to allocations.
DCP Large Cap Stock Fund	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
DCP Mid Cap Stock Fund	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
SSgA Russell Small Cap Index Non-Lending Series Fund	T	N/A	T	N/A	T	N/A	T	N/A	Retain.
DWS EAFE Equity Index Fund Institutional	T	N/A	T	N/A	T	N/A	T	N/A	Retain. However, the Fund will be eliminated upon completion of investment menu consolidation.
Fidelity Diversified International Fund	✓	✓	✓	✓	✓	✓	✗	✗	Retain. This strategy will be considered in the search for an active developed international fund which will be a component of the DCP International Fund.

✓ = **Outperformed or matched performance** ✗ = **Underperformed** T = **Index Fund** ☐ = **Prior Quarter**

Summary – Performance

Periods ending June 30, 2014

	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Money Market							
FDIC-Insured Savings Account (Blended Rate – 0.43%)[7]	**6.5%**	**0.1%**	**0.2%**	**0.5%**	**0.5%**	**NA**	**NA**
JPMorgan Chase Certificates of Deposit	**0.0%**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
Stable Value							
Deferred Compensation Stable Value Fund (Net)[8]	**19.9%**	**0.4%**	**0.9%**	**1.9%**	**2.5%**	**3.0%**	**3.8%**
3 Yr Constant Maturity Treasury +50bps		0.3%	0.7%	1.2%	1.0%	1.3%	2.6%
iMoneyNet All Taxable+100bps		0.3%	0.5%	1.0%	1.0%	1.0%	2.5%
Mercer Stable Value Universe Median		*0.4%*	*0.9%*	*1.7%*	*2.2%*	*2.7%*	*3.6%*
Fund Rank in Universe		*41*	*40*	*30*	*29*	*39*	*44*
Domestic Fixed							
DCP Bond Fund[9]	**3.5%**	**2.2%**	**3.8%**	**4.6%**	**4.0%**	**5.6%**	**5.7%**
Barclays US Aggregate		2.0%	3.9%	4.4%	3.7%	4.9%	4.9%
Mercer MF US Fixed Core Universe Median		*2.0%*	*3.9%*	*4.7%*	*4.0%*	*5.8%*	*4.7%*
Fund Rank in Universe		*36*	*51*	*52*	*51*	*54*	*20*
Vanguard Total Bond Market Index Fund Inst Plus[10]	**-----**	**2.0%**	**3.9%**	**4.3%**	**3.6%**	**4.8%**	**4.9%**
Vanguard Spliced Barclays USAgg Float Adj Idx[11]		2.0%	3.9%	4.3%	3.7%	4.9%	4.9%
PIMCO Total Return Fund Institutional	**-----**	**2.4%**	**3.7%**	**4.9%**	**4.3%**	**6.4%**	**6.4%**
Barclays US Aggregate		2.0%	3.9%	4.4%	3.7%	4.9%	4.9%
Mercer MF US Fixed Core Universe Median		*2.0%*	*3.9%*	*4.7%*	*4.0%*	*5.8%*	*4.7%*
Fund Rank in Universe		*25*	*53*	*46*	*44*	*38*	*8*
Risk-based							
Ultra Conservative Profile	**0.9%**	**1.4%**	**2.6%**	**6.0%**	**4.9%**	**6.1%**	**NA**
Ultra Conservative Profile Custom Index[12]		1.8%	3.1%	6.2%	4.3%	5.5%	4.8%

[7] The blended rate is as of 6/30/2014. Bank of the West, Bank of America, and City National Bank have weightings of 50%, 25%, and 25%, respectively; their declared rates at the end of the quarter are as follows: Bank of the West = 0.75%, Bank of America = 0.08%, and City National Bank = 0.15%.
[8] The inception date of the Galliard Stable Value fund is July 1, 2008. Returns prior to the inception date are linked to the Wells Fargo Stable Return fund.
[9] Performance prior to April 2012 is simulated, with a weighting of 50% PIMCO Total Return Fund and 50% Vanguard Total Bond Market Index Fund.
[10] Due to its longer history, performance of Vanguard Total Bond Market Index Fund Inst is shown.
[11] Barclays U.S. Aggregate Bond Index through December 31, 2009; Barclays U.S. Aggregate Float Adjusted Index thereafter.
[12] Effective June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays US Aggregate Index / 5% S&P 500 Index / 2.5% MSCI US Mid Cap 450 Index/ 2.5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 35.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays US Aggregate Index / 5.0% S&P 500 Index / 5.0% Russell 2000 Index / 5.0% MSCI EAFE (NWHT) Index.

Fund: Outperformed Benchmark Underperformed Benchmark Tracked Benchmark **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
Conservative Profile	**2.2%**	**2.6%**	**4.1%**	**10.9%**	**7.2%**	**9.0%**	**NA**
Conservative Profile Custom Index[13]		2.6%	4.2%	10.7%	6.8%	8.7%	6.0%
Moderate Profile	**5.7%**	**3.3%**	**4.9%**	**16.0%**	**10.0%**	**12.6%**	**NA**
Moderate Profile Custom Index[14]		3.3%	5.0%	16.0%	9.8%	12.5%	7.1%
Aggressive Profile	**5.4%**	**3.6%**	**5.2%**	**19.2%**	**11.3%**	**14.6%**	**NA**
Aggressive Profile Custom Index[15]		3.6%	5.4%	19.4%	11.3%	14.7%	7.2%
Ultra Aggressive Profile	**1.8%**	**3.9%**	**5.6%**	**22.4%**	**12.6%**	**16.6%**	**NA**
Ultra Aggressive Profile Custom Index[16]		4.0%	5.8%	22.8%	12.8%	16.8%	7.5%
Domestic Equity							
DCP Large Cap Stock Fund[17]	**33.0%**	**5.2%**	**7.1%**	**24.6%**	**16.6%**	**18.8%**	**7.8%**
S&P 500		5.2%	7.1%	24.6%	16.6%	18.8%	7.8%
DCP Mid Cap Stock Fund[18]	**4.1%**	**4.5%**	**7.9%**	**26.3%**	**15.4%**	**22.0%**	**10.4%**
Vanguard Spliced Mid Cap Index [19]		4.5%	8.0%	26.3%	15.4%	22.0%	10.3%
SSgA Russell Small Cap Index Non-Lending Series Fund	**5.1%**	**2.0%**	**3.2%**	**23.6%**	**14.5%**	**20.1%**	**NA**
Russell 2000		2.0%	3.2%	23.6%	14.6%	20.2%	8.7%
International Equity							
DWS EAFE Equity Index Fund Institutional	**1.1%**	**4.1%**	**4.7%**	**23.3%**	**7.7%**	**11.5%**	**6.7%**
MSCI EAFE NET WHT		4.1%	4.8%	23.6%	8.1%	11.8%	6.9%
Fidelity Diversified International Fund	**4.0%**	**3.9%**	**3.1%**	**23.0%**	**8.8%**	**12.1%**	**7.2%**
MSCI EAFE NET WHT		4.1%	4.8%	23.6%	8.1%	11.8%	6.9%
Mercer MF Intl Equity Universe Median		*3.6%*	*4.3%*	*21.8%*	*7.4%*	*12.1%*	*7.4%*
Fund Rank in Universe		*41*	*69*	*42*	*28*	*49*	*54*

[13] Effective June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50.0% Barclays US Aggregate Index / 12.5% S&P 500 Index / 5% MSCI US Mid Cap 450 Index/ 5.0% Russell 2000 Index / 12.5% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 15.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 50% Barclays US Aggregate Index / 25% S&P 500 Index / 5% Russell 2000 Index / 5% MSCI EAFE (NWHT) Index.

[14] Effective June 1, 2009, the following composite index is used: 10.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 30.0% Barclays US Aggregate Index / 25.0% S&P 500 Index / 10.0% MSCI US Mid Cap 450 Index/ 10.0% Russell 2000 Index / 15.0% MSCI EAFE (NWHT) Index. Prior to June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 35.0% Barclays US Aggregate Index / 40.0% S&P 500 Index / 10.0% Russell 2000 Index / 10.0% MSCI EAFE (NWHT) Index.

[15] Effective June 1, 2009, the following composite index is used: 5.0% 3 Yr Constant Maturity Treasury Index + 50 bps/ 20.0% Barclays US Aggregate Index / 25.0% S&P 500 Index / 15.0% MSCI US Mid Cap 450 Index/ 15.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 20% Barclays US Aggregate Index / 50% S&P 500 Index / 15% Russell 2000 Index / 15% MSCI EAFE (NWHT) Index.

[16] Effective June 1, 2009, the following composite index is used: 10.0% Barclays US Aggregate Index / 25.0% S&P 500 Index / 20.0% MSCI US Mid Cap 450 Index/ 20.0% Russell 2000 Index / 25.0% MSCI EAFE (NWHT) Index. For periods prior to June 1, 2009, the following composite index is used: 60.0% S&P 500 Index / 20.0% Russell 2000 Index / 20.0% MSCI EAFE (NWHT) Index.

[17] The fund is 100% allocated to the Vanguard Institutional Index Fund Inst Pl; performance for the Instl share class shown for the 3-year period and longer due to the shorter history of the Instl Pl shares. Performance shown will be updated accordingly with the addition of underlying funds.

[18] The fund is 100% allocated to the Vanguard Mid Cap Index Fund Instl Pl; performance for the Instl share class shown for the 5-year period and longer due to the shorter history of the Instl Pl shares. Performance shown will be updated accordingly with the addition of underlying funds.

[19] S&P MidCap 400 Index through May 16, 2003; MSCI US Mid Cap 450 Index through January 30, 2013; CRSP US Mid Cap Index thereafter.

Fund: Outperformed Benchmark Underperformed Benchmark Tracked Benchmark **Universe Ranking:** 0% - 50% 51% - 75% 76% - 100%

Summary – Performance of DCP Investment Menu Composite Benchmarks

Periods ending June 30, 2014

	3 Months	YTD	1 Year	3 Years	5 Years	10 Years
DCP Stable Value Index (100% 3-Yr CMT + 50bps)	**0.3%**	**0.7%**	**1.2%**	**1.0%**	**1.3%**	**2.6%**
DCP Bond Fund Index (100% BC Aggregate Bond Index)	**2.0%**	**3.9%**	**4.4%**	**3.7%**	**4.9%**	**4.9%**
DCP Large-Cap Stock Fund Index (100% S&P 500 Index)	**5.2%**	**7.1%**	**24.6%**	**16.6%**	**18.8%**	**7.8%**
DCP Mid-Cap Stock Fund Composite Index	**5.0%**	**8.7%**	**26.9%**	**16.1%**	**22.1%**	**10.4%**
Russell Midcap Index (50%)	*5.0%*	*8.7%*	*26.9%*	*16.1%*	*22.1%*	*10.4%*
Russell Midcap Value Index (25%)	*5.6%*	*11.1%*	*27.8%*	*17.6%*	*23.0%*	*10.7%*
Russell Midcap Growth Index (25%)	*4.4%*	*6.5%*	*26.0%*	*14.5%*	*21.2%*	*9.8%*
DCP Small-Cap Stock Fund Composite Index	**2.1%**	**3.2%**	**23.7%**	**14.6%**	**20.2%**	**8.7%**
Russell 2000 Index (34%)	*2.0%*	*3.2%*	*23.6%*	*14.6%*	*20.2%*	*8.7%*
Russell 2000 Value Index (33%)	*2.4%*	*4.2%*	*22.5%*	*14.6%*	*19.9%*	*8.2%*
Russell 2000 Growth Index (33%)	*1.7%*	*2.2%*	*24.7%*	*14.5%*	*20.5%*	*9.0%*
DCP International Fund Composite Index	**4.2%**	**5.2%**	**22.9%**	**6.9%**	**12.0%**	**8.2%**
MSCI EAFE Index (65%)	*4.1%*	*4.8%*	*23.6%*	*8.1%*	*11.8%*	*6.9%*
MSCI EM Index (17.5%)	*6.6%*	*6.1%*	*14.3%*	*-0.4%*	*9.2%*	*11.9%*
MSCI EAFE Small Cap Index (17.5%)	*2.1%*	*5.5%*	*29.1%*	*9.8%*	*15.2%*	*8.7%*

Fund Profile

Stable Value - Deferred Compensation Stable Value Fund (Net)

Share Class: Separate Account | **Benchmark: 3 Yr Constant Maturity Treasury +50bps**

Investment Philosophy

Galliard's primary emphasis in managing stable value portfolios is safety of principal. Maintaining appropriate liquidity is another key investment objective, for it must be sufficient to accommodate participant changes and provide plan sponsor flexibility. The optimal amount of liquidity typically results in reduced contract charges (wrap fees), which helps to increase the crediting rate. The process then focuses on security selection to ensure competitive returns for participants.Portfolios follow a traditional fixed income management approach with emphasis on high quality securities, broad diversification, adequate liquidity, controlled market risk (duration) and a disciplined risk management process to identify the best fundamental values across fixed income sectors. The investment decision process is team-based, blending top down and bottom up decisions.Galliard manages individual stable value portfolios on a customized basis, based on specific plan needs and characteristics. The hallmarks of their strategy include high credit quality and diversification through the use of security backed contracts (i.e. Synthetic GICs). In structuring stable value portfolios, the process begins by determining the optimal target duration for the plan. Galliard portfolios utilize a two-tiered liquidity management approach, with the first tier compised of the liquidity buffer. The second tier consists of the security backed contracts, which are structured to provide liquidity on a pro-rata basis. Most Galliard seperate accounts utilize various Galliard advised collective funds as the underlying portfolio although outside sub-advisors may also be utilized. Also, depending on the client mandate, traditional GICs may also be used as a diversification strategy.

Fund Characteristics

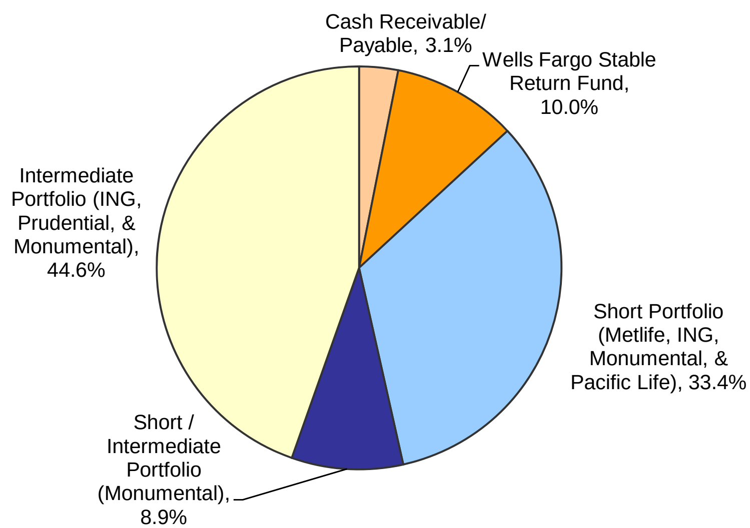
	2Q14	1Q14	4Q13	3Q13
Mkt/Book Value Ratio	102.1%	101.5%	101.2%	101.7%
Avg. Credit Quality	A1/AA-	A1/AA-	A1/AA-	A1/AA-
Effective Duration (yrs)	2.90	2.95	2.93	2.95
Blended Yield	1.8%	1.8%	2.0%	2.1%

- The Fund had net outflows of $0.1 million during the quarter, which represented a decrease of 0.0% in total Fund assets.
- Number of contract issuers: 5
- The Fund’s market-to-book-value ratio increased during the quarter to 102.1%, due to strong market value returns more than offsetting the continued amortization of the Fund's market value premium. The credit quality of the underlying bond portfolios remains strong with 76.9% of the portfolio’s securities rated AAA on average, as rated by S&P, Moody’s, and Fitch.
- Duration distribution guidelines ranged between 2.0 – 3.5 years with a target of 3.0 years.

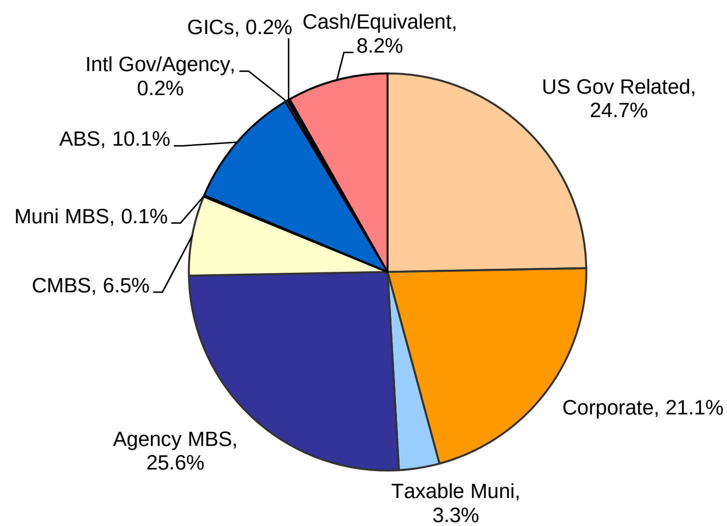
Fund Profile

Stable Value - Deferred Compensation Stable Value Fund (Net)

Fund Composition as of June 30, 2014



Underlying Fixed Income Asset Allocation as of June 30, 2014 (% of MV)



Key Facts and Figures

Portfolio Manager: Galliard Capital Management Inception (in Plan): July 2008	Expense Ratio (Net): 0.28% (0.060% Investment Management Fees / 0.019% Sub-Advisor Fee / 0.176% Wrap Fee / 0.026% Other Fees) Mercer Median Expense Ratio (Net): 0.46%

Fund Profile

Domestic Fixed - DCP Bond Fund

Share Class: N/A	Benchmark: Barclays US Aggregate

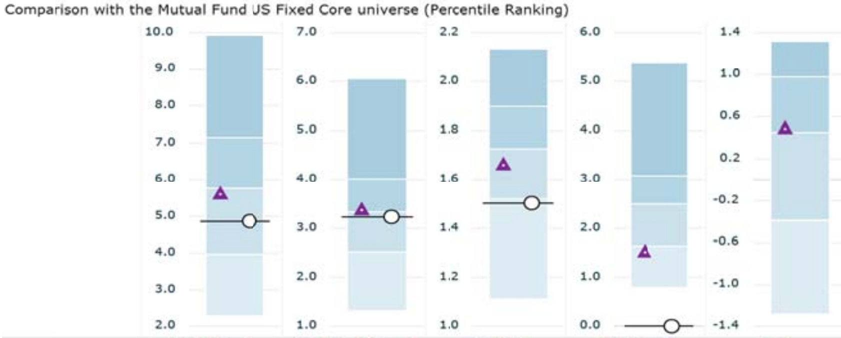
Investment Philosophy

The DCP Bond Fund is a multi-manager strategy using passive and active management. The fund has a 50% allocation to the Vanguard Total Bond Market Index Fund and 50% to the PIMCO Total Return Fund.

Performance Characteristics* as of June 30, 2014

Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending June-14 (quarterly calculations)

Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

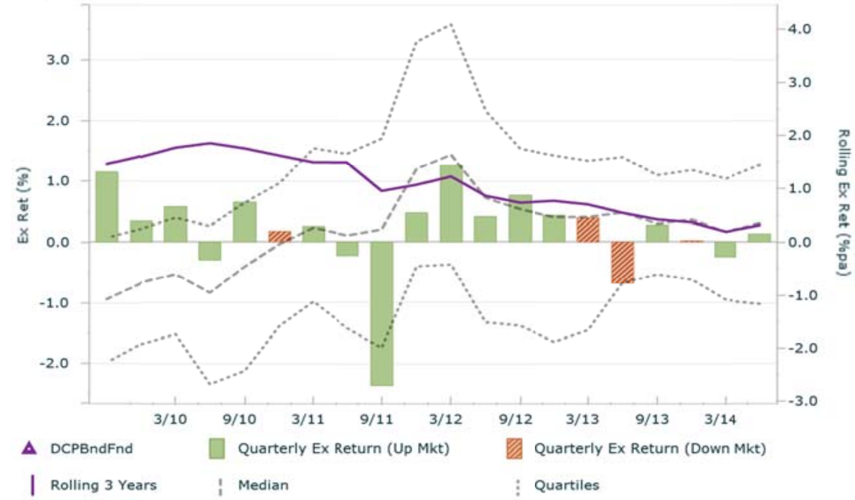


	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
DCPBndFnd	5.6(54)	3.4(48)	1.7(60)	1.5(79)	0.5(49)
BCUSAG	4.9(65)	3.2(56)	1.5(78)	0.0(100)	-
5th Percentile	9.9	6.1	2.1	5.4	1.3
Upper Quartile	7.1	4.0	1.9	3.1	1.0
Median	5.8	3.3	1.7	2.5	0.5
Lower Quartile	4.0	2.5	1.5	1.6	-0.4
95th Percentile	2.3	1.3	1.1	0.8	-1.3
Number	332	332	332	332	332

Excess Return*

Quarterly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending June-14

Comparison with the Mutual Fund US Fixed Core universe



Key Facts and Figures

Expense Ratio (Net): 0.26%

Mercer Median Expense Ratio (Net): 0.52%

* Performance prior to April 2012 is simulated, with a weighting of 50% PIMCO Total Return Fund and 50% Vanguard Total Bond Market Index Fund.

Fund Profile

Domestic Fixed - Passive - Vanguard Total Bond Market Index Fund Inst Plus - VBMPX

Share Class: Inst Plus	**Benchmark: Vanguard Spliced Barclays USAgg Float Adj Idx**

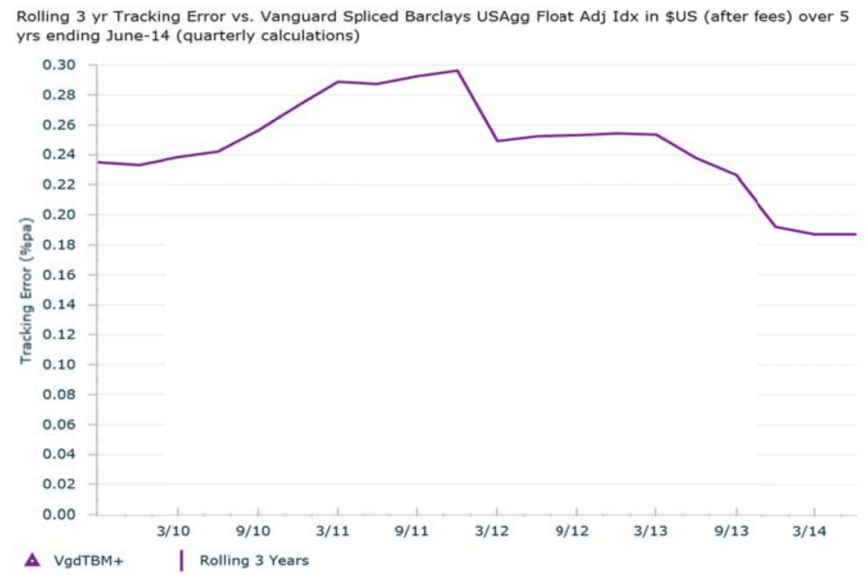
Investment Philosophy

The fund is designed to provide investors with a low-cost method of consistently capturing the return of the U.S. bond market, as defined by the Spliced Barclays US Aggregate Float Adjusted Bond Index. This unmanaged index consists of government, corporate and mortgage-backed securities. The fund is passively-managed using sampling techniques. Securities are selected that will keep the fund's characteristics in-line with those of the index. The key index characteristics that the fund strives to match are sector weightings, coupon, maturity, effective duration, convexity and quality. To ensure good tracking with the index, the fund attempts to remain fully invested, while maintaining characteristics consistent with those of the index.

Portfolio Analysis & Key Observations

- For the second quarter, the Vanguard Total Bond Market Index Fund performed in line with its Barclays U.S. Aggregate Float Adjusted Bond Index benchmark (1.90% vs. 1.97%).
- Government bonds, which account for well over one-third of the index's assets, returned 1.34%. Treasuries edged ahead of agency bonds, while longer-dated securities significantly ourperformed their shorter-dated counterparts. Government mortgage-backed securities returned 2.24%.
- Investment-grade corporate bonds returned 2.66%. Bonds issued by utilities and industrial companies outperformed those of financial institutions.

Tracking Error



Key Facts and Figures

Portfolio Manager: Kenneth E. Volpert; Joshua C. Barrickman Portfolio Manager Average Tenure: 11.5 Years	Total Fund Assets: $117,906 Million Total Share Class Assets: $19,288 Million	Expense Ratio (Net): 0.05% Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Share Class: Institutional	**Benchmark: Barclays US Aggregate**

Investment Philosophy

PIMCO's philosophy emphasizes diversity through multiple strategies, an emphasis on structuring for a long investment horizon and an opportunity set that includes both traditional and non-traditional sectors. PIMCO's investment process starts with an annual Secular Forum at which the firm's investment professionals from around the globe gather to analyze longer-term economic, political and demographic trends. Leading external analysts and scholars are invited to the Forum to augment the firm's internal research. The goal is to look beyond the current business cycle and determine how secular forces will influence the global economy and financial markets over the next three to five years. Quarterly, PIMCO holds Economic Forums to forecast shorter-term economic performance in individual economies. Following PIMCO's Secular and Economic Forums, the PIMCO Investment Committee (IC), establishes the key themes that anchor many of the firm's investment decisions. PIMCO consider both the "top-down" conclusions from PIMCO's Forums, as well as the "bottom-up" market intelligence provided by the firm's teams of sector specialist portfolio managers. Through an iterative series of meetings, the IC defines a set of consistent strategies that are then implemented across the firm's account base, after being tailored to reflect individual client requirements. A team of seasoned investment professionals, including a portfolio manager and account manager, is assigned to each portfolio.

Portfolio Analysis & Key Observations

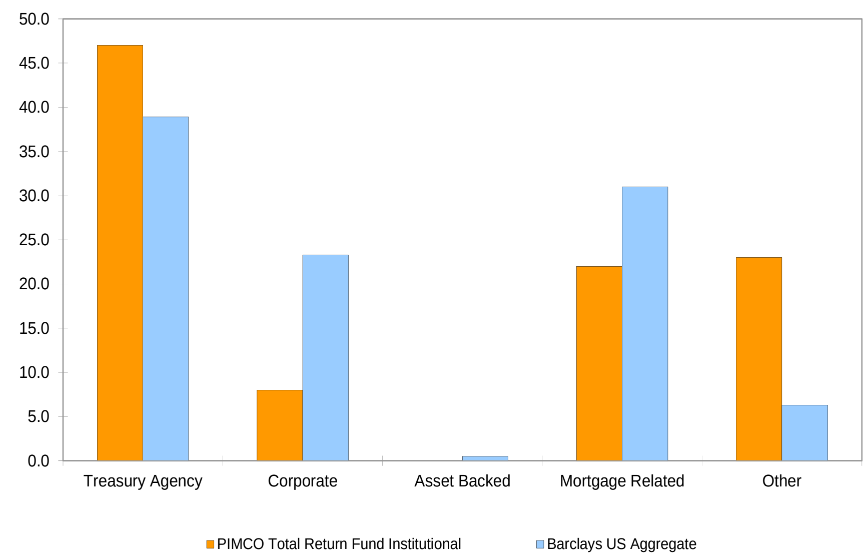
Positive Impact on Performance

- Tactical exposures to Italian and Spanish debt, which rallied on continued monetary accommodation
- Non-Agency MBS allocation which benefited from limited supply and a recovery in the housing sector
- Exposure to Build America municipal bonds as spreads tightened
- Exposure to Mexican and Brazilian local interest rates as rated declined in these regions
- Holdings of TIPS as inflation expectations rose

Negative Impact on Performance

- Underweight to the long-end of the US yield curve, as longer maturity yields declined
- An underweight allocation to Agency MBS, which outperformed like duration treasuries

Sector Allocation as of June 30, 2014



Key Facts and Figures

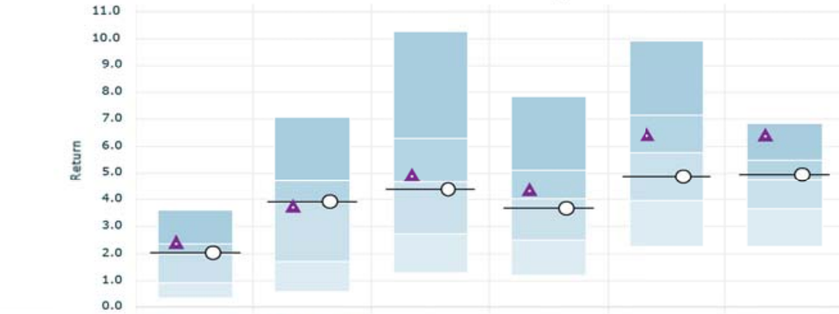
Portfolio Manager: William H. Gross	Total Fund Assets: $225,217 Million	Expense Ratio (Net): 0.46%
Portfolio Manager Average Tenure: 27.0 Years	Total Share Class Assets: $144,453 Million	Mercer Median Expense Ratio (Net): 0.52%

Fund Profile

Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

Return in $US (after fees) over 3 mths, 6 mths, 1 yr, 3 yrs, 5 yrs, 10 yrs ending June-14

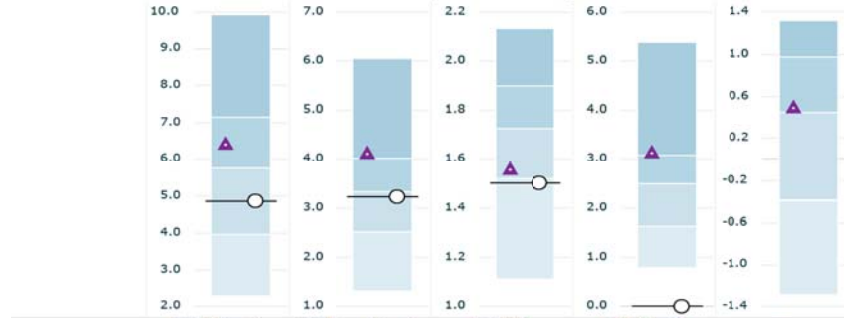
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)



	3 mths (%)	YTD 6 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
PimcoTR	2.4(25)	3.7(53)	4.9(46)	4.3(44)	6.4(38)	6.4(8)
BCUSAG	2.0(46)	3.9(49)	4.4(54)	3.7(61)	4.9(65)	4.9(42)
5th Percentile	3.6	7.1	10.3	7.8	9.9	6.8
Upper Quartile	2.4	4.7	6.3	5.1	7.1	5.5
Median	2.0	3.9	4.7	4.0	5.8	4.7
Lower Quartile	0.9	1.7	2.7	2.5	4.0	3.6
95th Percentile	0.3	0.6	1.3	1.2	2.3	2.3
Number	412	403	392	363	332	258

Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending June-14 (quarterly calculations)

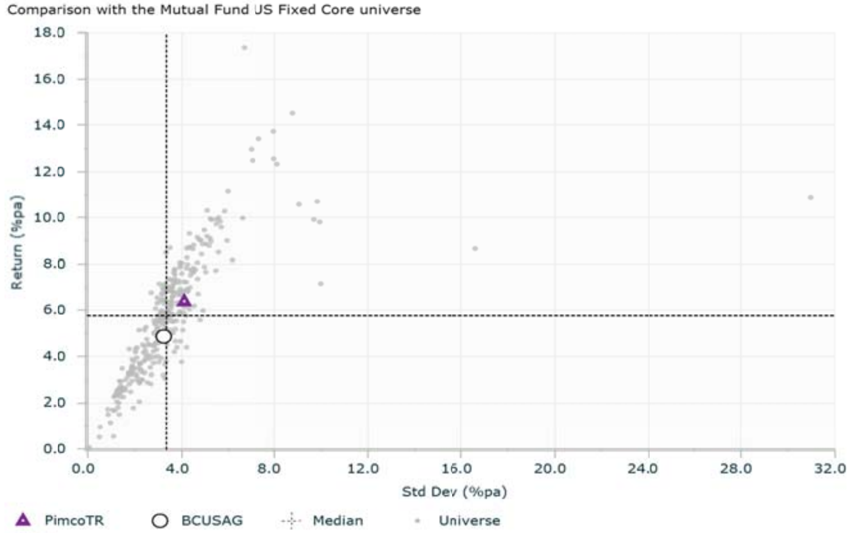
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)



	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
PimcoTR	6.4(38)	4.1(22)	1.6(72)	3.1(24)	0.5(48)
BCUSAG	4.9(65)	3.2(56)	1.5(78)	0.0(100)	-
5th Percentile	9.9	6.1	2.1	5.4	1.3
Upper Quartile	7.1	4.0	1.9	3.1	1.0
Median	5.8	3.3	1.7	2.5	0.5
Lower Quartile	4.0	2.5	1.5	1.6	-0.4
95th Percentile	2.3	1.3	1.1	0.8	-1.3
Number	332	332	332	332	332

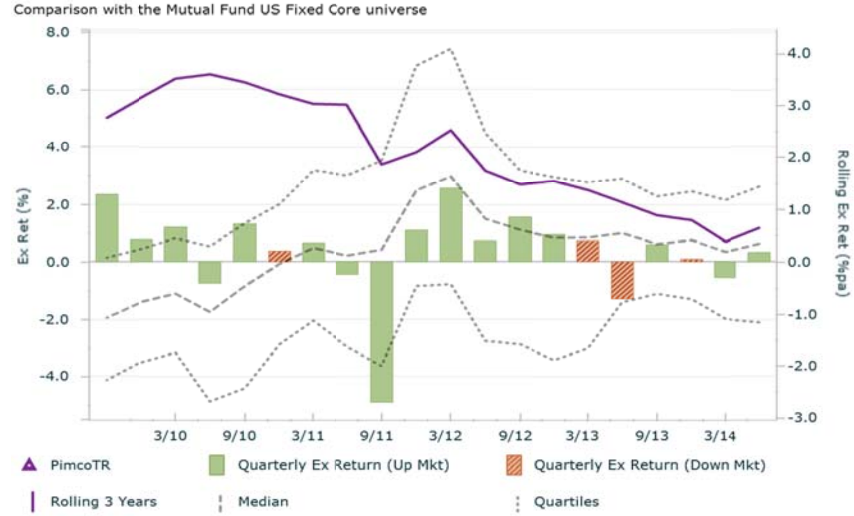
Return and Std Deviation in $US (after fees) over 5 yrs ending June-14 (quarterly calculations)

Comparison with the Mutual Fund US Fixed Core universe



Quarterly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending June-14

Comparison with the Mutual Fund US Fixed Core universe



Risk-based Profile Funds

Profile Funds – Target Allocations

	2Q 2014 Fund Return (%)	*2Q 2014 Benchmark Return (%)*	*Excess Return (%)*	*Ultra Conservative Profile*	*Conservative Profile*	*Moderate Profile*	*Aggressive Profile*	*Ultra Aggressive Profile*
Stable Value								
DCP Stable Value	0.4%	0.3%	0.1%	35.0%	15.0%	10.0%	5.0%	0.0%
Total Stable Value				**35.0%**	**15.0%**	**10.0%**	**5.0%**	**0.0%**
US Fixed Income								
DCP Bond Fund[1]	2.2%	2.0%	0.2%	50.0%	50.0%	30.0%	20.0%	10.0%
Total US Fixed Income				**50.0%**	**50.0%**	**30.0%**	**20.0%**	**10.0%**
US Equity								
Total US Large Cap Equity				***5.0%***	***12.5%***	***25.0%***	***25.0%***	***25.0%***
DCP Large Cap Stock Fund[2]	5.2%	5.2%	0.0%	5.0%	12.5%	25.0%	25.0%	25.0%
Total US Mid/Small Cap Equity				***5.0%***	***10.0%***	***20.0%***	***30.0%***	***40.0%***
DCP Mid Cap Stock Fund[3]	4.5%	4.5%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
SSgA Russell Sm Cap NL Series S	2.0%	2.0%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
Total US Equity				**10.0%**	**22.5%**	**45.0%**	**55.0%**	**65.0%**
Non-US Equity								
DWS EAFE Equity Index Fund Instl	4.1%	4.1%	0.0%	5.0%	12.5%	15.0%	20.0%	25.0%
Total Non-US Equity				**5.0%**	**12.5%**	**15.0%**	**20.0%**	**25.0%**
Total				**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Composed of 50% PIMCO Total Return Fund / 50% Vanguard Total Bond Market Index Fund
[2] Composed of 100% Vanguard Institutional Index Fund
[3] Composed of 100% Vanguard Mid-Cap Index Fund

Fund Profile

Domestic Equity - DCP Large Cap Stock Fund - (100% Vanguard Institutional Index Fund Inst Plus – VIIIX)

Share Class: Institutional Plus	**Benchmark: S&P 500**

Investment Philosophy

The Fund employs an indexing investment approach designed to track the performance of the Standard & Poor`s 500 Index. The Fund 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.

Portfolio Analysis & Key Observations

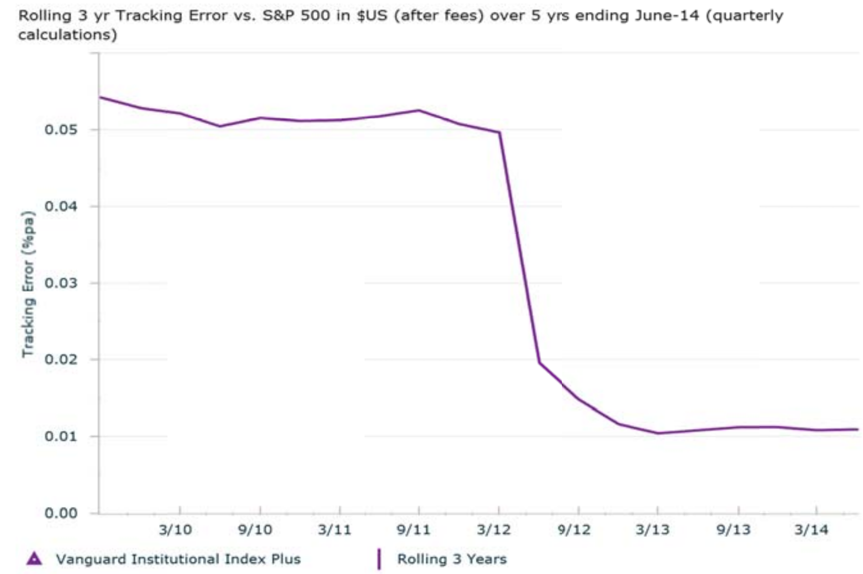
Top performing index sectors:

- Energy (12.1%), utilities (7.8%), and information technology (6.6%)

Bottom performing index sectors:

- Telecommunication services (3.8%), consumer discretionary (3.5%), and financials (2.3%)

Tracking Error



Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $175,529 Million	Expense Ratio (Net): 0.02%
Portfolio Manager Average Tenure: 14.0 Years	Total Share Class Assets: $80,775 Million	Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Domestic Equity - DCP Mid Cap Stock Fund – (100% Vanguard Mid-Cap Index Fund Inst Plus – VMCPX)

Share Class: Institutional Plus	**Benchmark: Vanguard Spliced Mid Cap Index***

Investment Philosophy

Vanguard Mid-Cap Index Fund seeks to track the investment performance of the CRSP US Mid Cap Index, an unmanaged benchmark representing medium-size U.S. firms. Using full replication, the portfolio holds all stocks in the same capitalization weighting as the index. The experience and stability of Vanguard's Quantitative Equity Group have permitted continuous refinement of techniques for reducing tracking error. The group uses proprietary software to implement trading decisions that accommodate cash flow and maintain close correlation with index characteristics. Vanguard Mid-Cap Index Fund is managed internally by Vanguard Quantitative Equity Group. Donald Butler, CFA, is the Portfolio Manager and has been advising the fund since 2004.

Portfolio Analysis & Key Observations

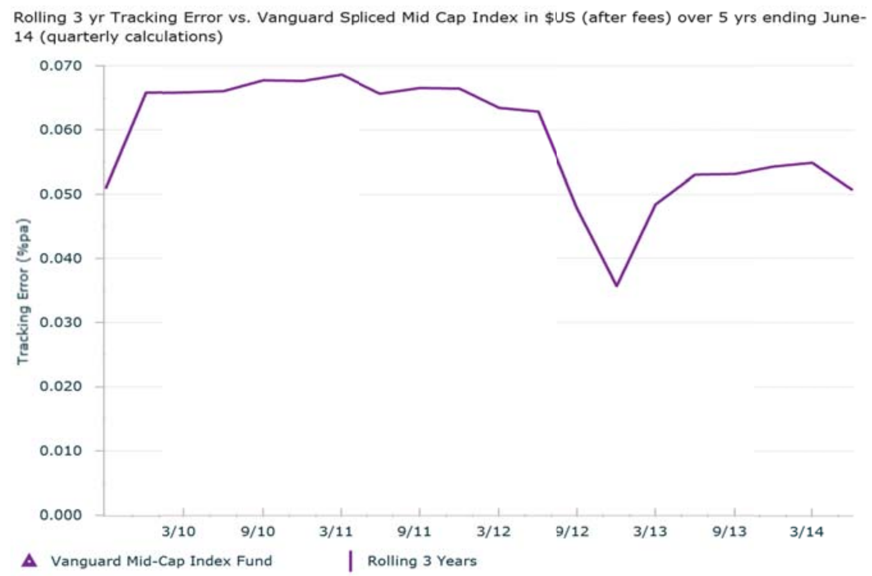
Top performing index sectors:

- Telecommunications (12.8%), energy (10.2%), and utilities (9.0%)

Bottom performing index sector:

- Industrials (2.7%), consumer discretionary (3.0%), and financials (3.2%)

Tracking Error



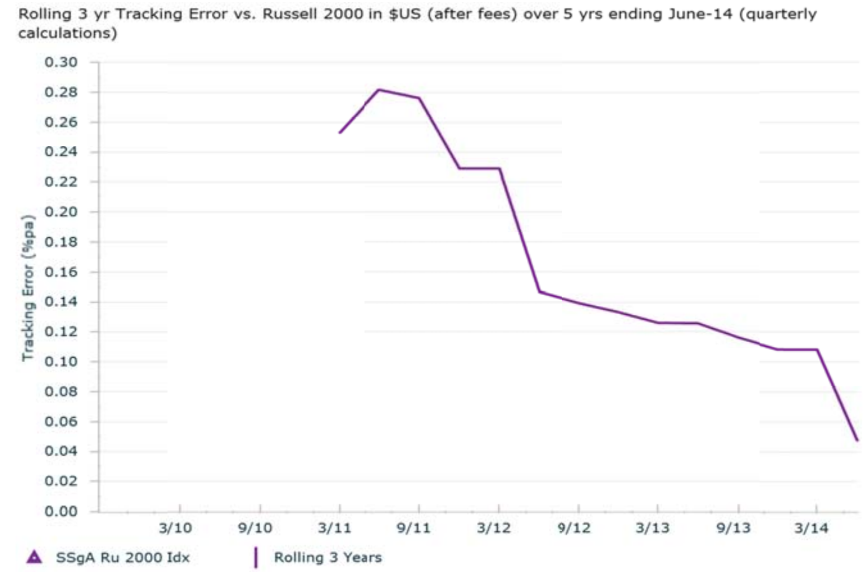
Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $52,688 Million	Expense Ratio (Net): 0.06%
Portfolio Manager Average Tenure: 16.0 Years	Total Share Class Assets: $9,504 Million	Mercer Median Expense Ratio (Net): 0.25%

* S&P MidCap 400 Index through May 16, 2003; the MSCI US Mid Cap 450 Index through January 30, 2013; and the CRSP US Mid Cap Index thereafter

Fund Profile

Domestic Equity - Passive - SSgA Russell Small Cap Index Non-Lending Series Fund

Share Class: S	**Benchmark: Russell 2000**
Investment Philosophy	
SSgA's aim is to achieve returns as close to the index as possible, but in a cost effective manner. Market anomalies will be exploited where they can be, at very low risk levels.SSgA manages the Russell 2000 Index strategy using a full replication process. With regard to the replication approach, securities in the benchmark are purchased in the weights they represent in the benchmark. However, SSgA does allow for small mis-weights in the portfolio, recognizing that the cost of trading to avoid small mis-weights may be greater than any potential improvement in tracking error.	
Portfolio Analysis & Key Observations	**Tracking Error**
Top performing index sectors: • Energy (0.7%), financials (0.4%), and information technology (0.3%) Bottom performing index sectors: • Consumer staples (0.0%), industrials (0.0%), and telecommunication services (0.0%)	

Key Facts and Figures		
Portfolio Manager (Advised Since): David Chin (1999)	Total Fund Assets: $317 Million	Expense Ratio (Net): 0.06% Mercer Median Expense Ratio (Net): 0.30%

Fund Profile

International Equity - Passive - DWS EAFE Equity Index Fund Institutional - BTAEX

Share Class: Institutional	**Benchmark: MSCI EAFE NET WHT**

Investment Philosophy

The fund seeks to replicate, as closely as possible, the performance of the MSCI EAFE Index, which emphasizes stocks of companies in major markets in Europe, Australasia and the Far East. The fund invests for capital appreciation, not income. The fund may lend securities up to 33.3% of total assets to approved institutions. The strategy invests typically 80% of the fund in index securities and select derivative instruments relating to the index.

Portfolio Analysis & Key Observations

Top performing sectors

- Energy (11.3%), utilities (6.7%), and consumer staples (6.0%)

Top performing countries

- Canada (9.9%), Norway (9.9%), and Hong Kong (8.3%)

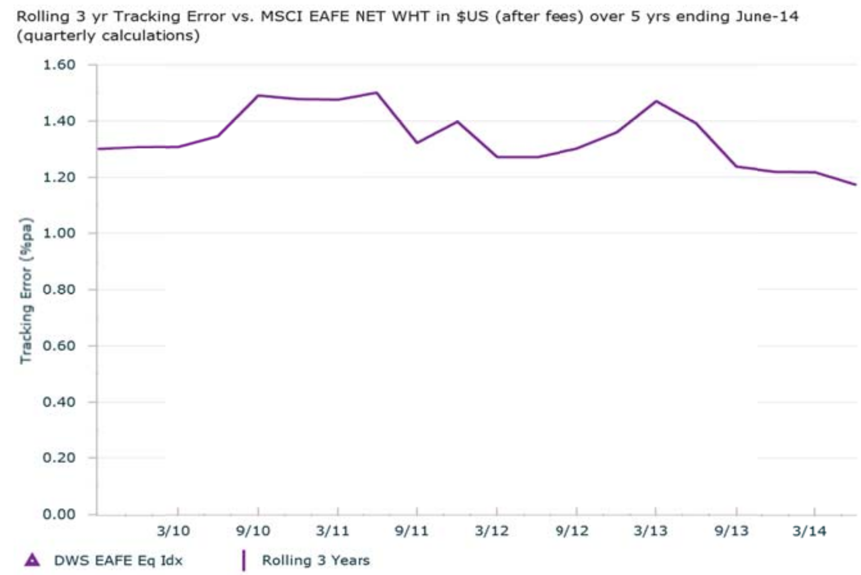
Bottom performing sectors

- Information technology (1.0%), industrials (2.3%), and financials (2.5%)

Bottom performing countries

- Ireland (-9.0%), Portugal (-2.6%), and New Zealand (-1.2%)

Tracking Error



Key Facts and Figures

Portfolio Manager: Thomas O'Brien; Joseph LaPorta Portfolio Manager Average Tenure: 1.0 Years	Total Fund Assets: $273 Million Total Share Class Assets: $273 Million	Expense Ratio (Net): 0.50% Mercer Median Expense Ratio (Net): 0.39%

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Share Class: Standard	**Benchmark: MSCI EAFE NET WHT**

Investment Philosophy

The Diversified International Fund is constructed in a bottom-up fashion by which sector and country weights are driven from individual stock selection, The Fund is constructed with concern for diversification and industry risks, and is highly diversified holding between 200 and 300 companies. The Fund has the flexibility to invest in developed and emerging markets; however, emerging market exposure is generally less than 15% of the Fund. While the process is based on fundamental research and stock selection, thoughtful portfolio construction is important in creating a Fund that strives to be consistent and risk aware. Bill Bower, along with Fidelity's domestic and international equity analysts based in Boston, Tokyo, London, and Hong Kong are actively involved in this research process. While the domestic and international research departments play an integral role in both the buy and sell decisions for the portfolio, the Portfolio Manager has ultimate responsibility for all investment decisions. When analyzing equity securities for inclusion in the portfolio, the fund manager evaluates cash flow multiples, balance sheet leverage relative to potential earnings growth, and valuation relative to historic levels. The fund manager also scrutinizes the quality of management, the alignment of management and shareholders' interests, and the stability of the underlying business. Finally, the manager pays close attention to the differences in accounting standards between countries, and takes these differences into account when selecting securities.

Portfolio Analysis & Key Observations

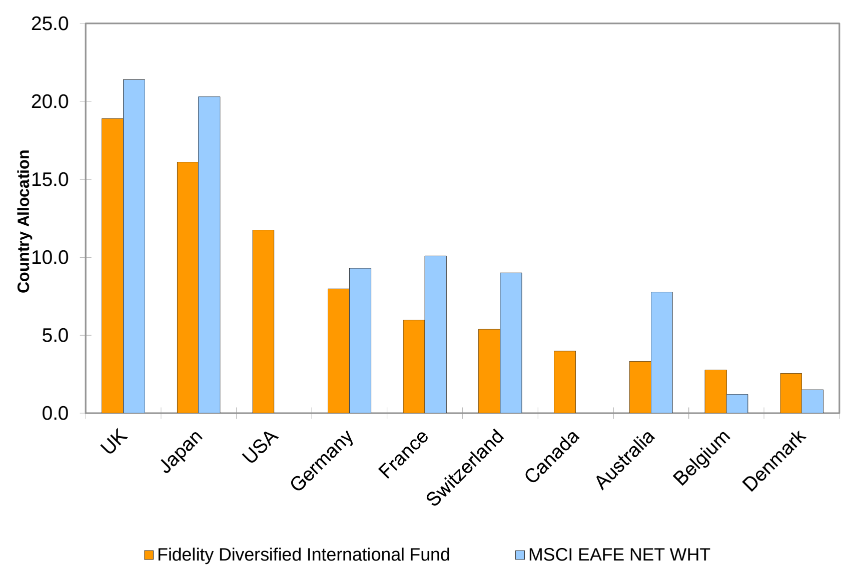
Positive Impact on Performance

- Stock selection within the energy sector
- Stock selection within and an overweight allocation to the consumer staples and health care sectors
- Stock selection within Canada
- Individual contributors to performance: Altice Group, ORIX, Painted Pony Pete, and Golar LNG

Negative Impact on Performance

- An underweight allocation to the utilities sector
- Stock selection within the industrials and telecommunication services sectors
- Stock selection within Europe
- Individual detractors from performance: UBS and KBC Groupe

Country Analysis as of June 30, 2014



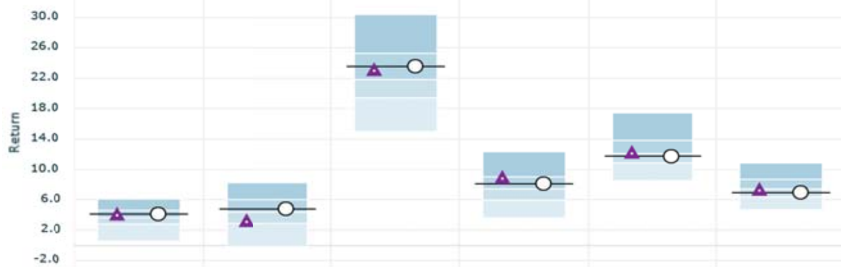
Key Facts and Figures

Portfolio Manager: William Bower	Total Fund Assets: $27,117 Million	Expense Ratio (Net): 0.95%
Portfolio Manager Average Tenure: 13.0 Years	Total Share Class Assets: $15,095 Million	Mercer Median Expense Ratio (Net): 1.00%

Fund Profile

International Equity - Fidelity Diversified International Fund - FDIVX

Return in $US (after fees) over 3 mths, 6 mths, 1 yr, 3 yrs, 5 yrs, 10 yrs ending June-14
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)



	3 mths (%)	YTD 6 mths	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)	10 yrs (%pa)
▲	3.9(41)	3.1(69)	23.0(42)	8.8(28)	12.1(49)	7.2(54)
○	4.1(35)	4.8(42)	23.6(38)	8.1(38)	11.8(57)	6.9(60)
5th	6.0	8.2	30.4	12.3	17.4	10.9
25th	4.6	6.0	25.2	8.9	13.8	8.6
50th	3.6	4.3	21.8	7.4	12.1	7.4
75th	2.8	2.8	19.4	5.9	10.9	6.3
95th	0.6	-0.2	15.0	3.6	8.5	4.7
#	422	416	411	367	328	215

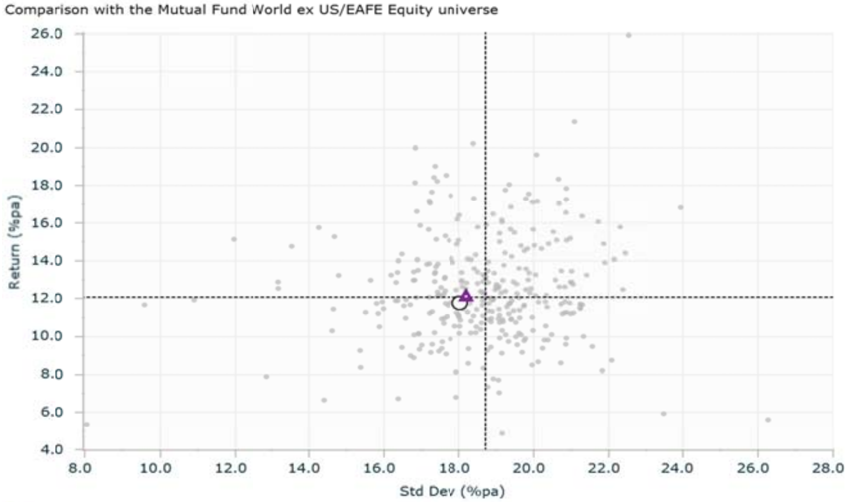
▲ Fidelity Diversified International ○ MSEAFENUSD

Performance characteristics vs. MSCI EAFE NET WHT in $US (after fees) over 5 yrs ending June-14 (quarterly calculations)
Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

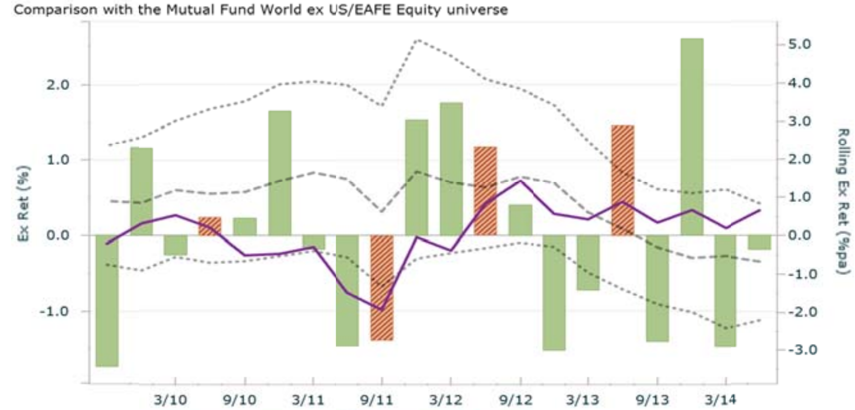
	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲	12.1(49)	18.2(61)	0.7(45)	2.7(88)	0.1(47)
○	11.8(57)	18.0(65)	0.7(52)	0.0(100)	-
5th	17.4	21.3	1.0	7.9	1.1
25th	13.8	19.8	0.7	4.9	0.5
50th	12.1	18.7	0.7	4.0	0.1
75th	10.9	17.5	0.6	3.0	-0.3
95th	8.5	15.6	0.5	2.0	-0.8
#	328	328	328	328	328

▲ Fidelity Diversified International ○ MSEAFENUSD

Return and Std Deviation in $US (after fees) over 5 yrs ending June-14 (quarterly calculations)
Comparison with the Mutual Fund World ex US/EAFE Equity universe



Quarterly Excess Return vs. MSCI EAFE NET WHT with rolling 3 yr line in $US (after fees) over 5 yrs ending June-14
Comparison with the Mutual Fund World ex US/EAFE Equity universe



Appendix A – Investment Manager Updates

Fidelity Investments/Pyramis Global Advisors

Business and Trading Update – June 3, 2014 / June 24, 2014

- *Meeting Highlights:* The meeting represented our first opportunity to meet with Pyramis management (Pam Holding and Mike Jones) following a major reorganization of the investment team in October 2013. We also had the opportunity to meet with representatives from Pyramis and FMRCo to discuss the merger of the Pyramis and FMRCo trading desks. At the second meeting, FMRCo provided an update on its approach to capacity management and international equity research.
- Overall, we found a stable Pyramis analyst team that appears comfortable with the new structure and a growing, but more tenured FMRCo analyst team. We question the benefits of merging the trading desks as there are no obvious advantages for the Pyramis teams and some questions about how they will fare under the new trade allocation rules. The Pyramis and FMRCo analysts verified that research is strong, and the compensation incentives appear well aligned with clients. However, we have reservations about how closely the two teams work together and whether the FMRCo analysts equally embrace a longer-term perspective.
- While the broader Fidelity organization has been implementing changes that may prove beneficial over the longer term, at this time, we believe the large number of changes taking place are distracting. The complexity of the organization suggests there is a high probability of ongoing changes. Therefore, we are not recommending any revision in the business management score.

Appendix B – Disclosures

Important notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

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