TALENT • HEALTH • RETIREMENT • INVESTMENTS

City of Los Angeles

City of Los Angeles Deferred Compensation Plan

Defined Contribution Performance Evaluation

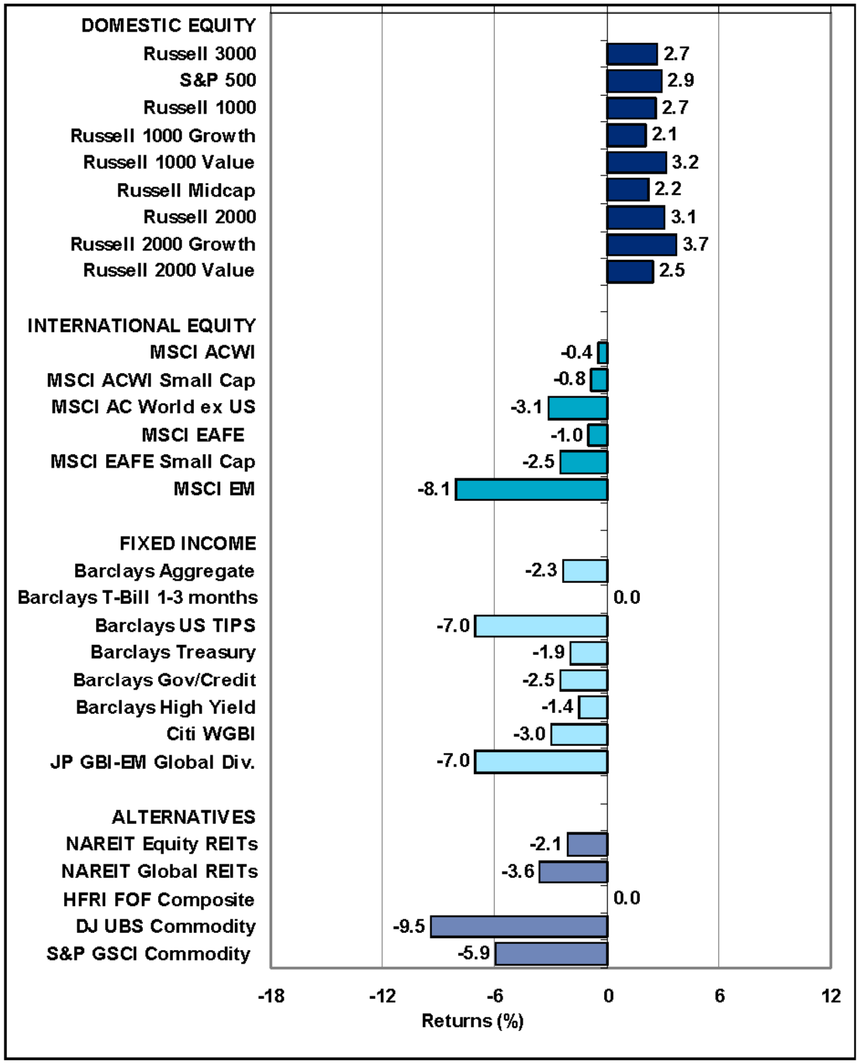
Second Quarter 2013

Services provided by Mercer Investment Consulting, Inc.

Contents

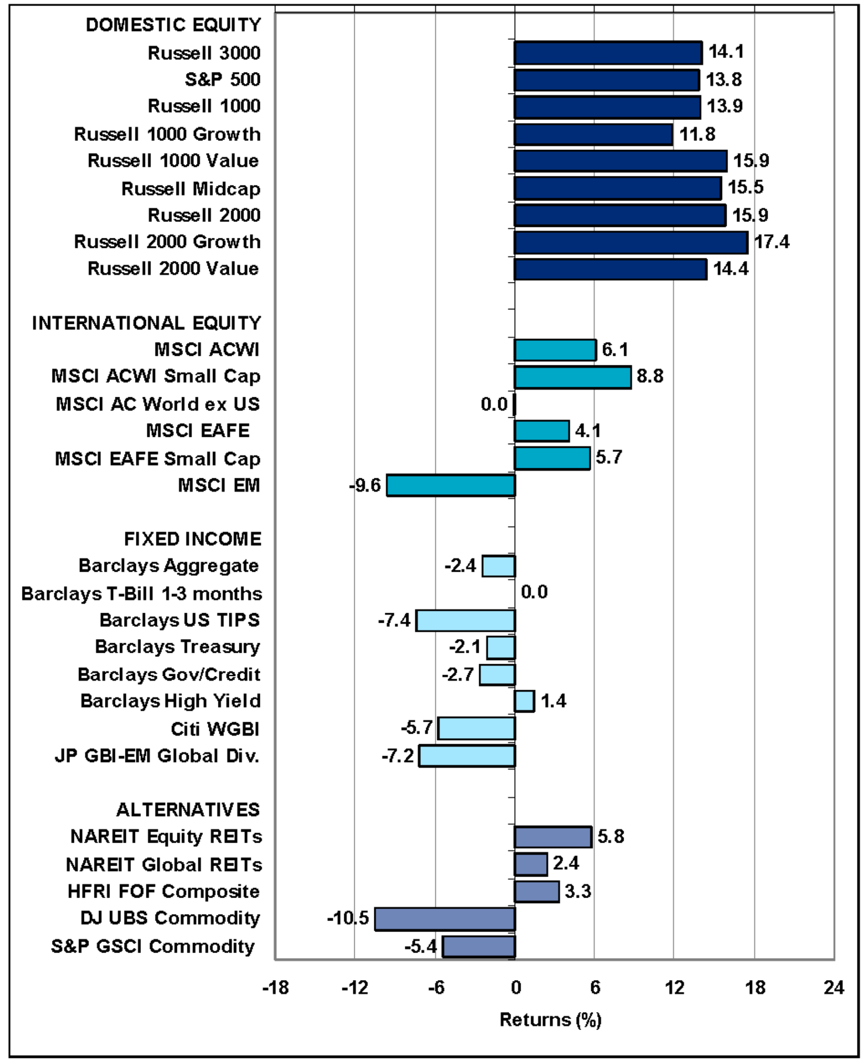
Performance Summary: Quarter in Review

Market Performance
Second Quarter 2013



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

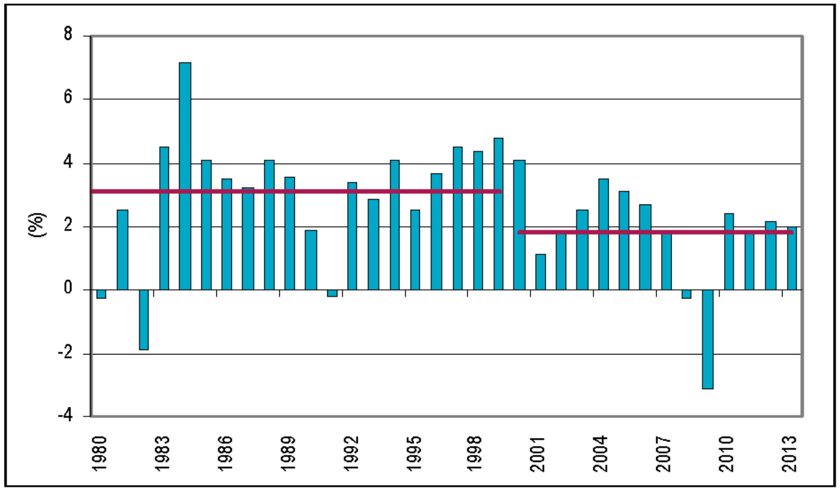
Market Performance
YTD



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

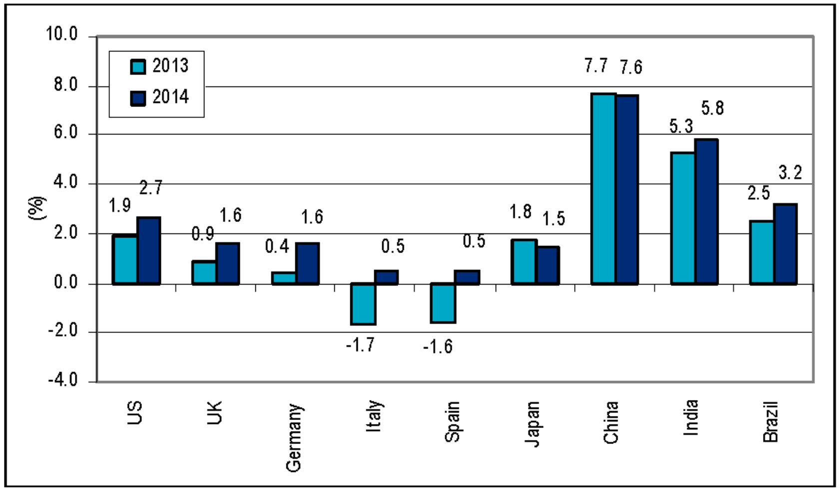
Macro Environment: Economic Review

Annual GDP Growth



Source: Bureau of Economic Analysis

World Economic Growth
(Projections as of June 2013)

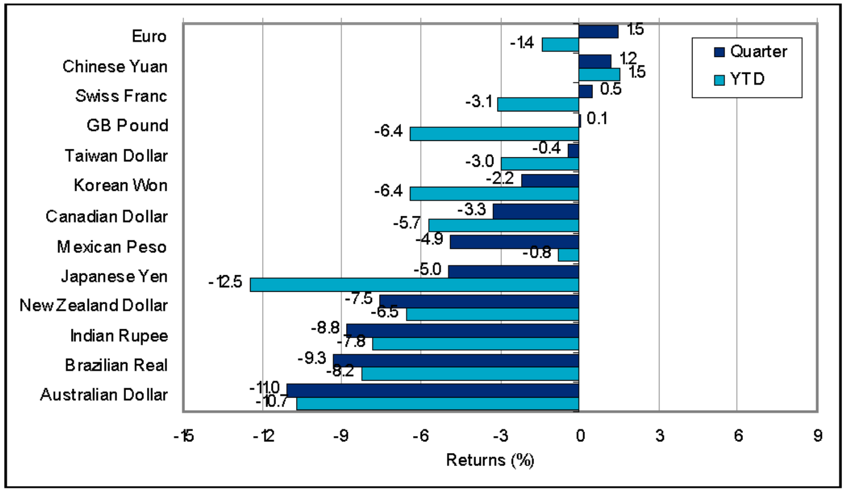


Source: Bloomberg

- Economic growth was weak in the first half of 2013, but was partially offset by positive developments in the private sector. Growth in the second half of the year should improve as the effects of fiscal tightening fade. The improvement in the job market is encouraging. The economy added an average of 196k jobs per month in the second quarter. The unemployment rate remained unchanged at 7.6% for the quarter as labor force participation inched up by 0.2%. Job gains have bolstered personal income, ahead 3.3% from a year ago (through May), providing support to consumer spending. The near-term growth outlook for the US appears solid, especially relative to the rest of the developed world. A recession appears very unlikely over the next twelve months.
- The Eurozone remains stuck in recession; however, a rise in the composite PMI suggests the economy could emerge from recession later this year. Still, the region is likely to struggle for some time and ongoing economic weaknesses could lead to political tensions. The outlook for Japan has improved. Stronger economic growth, improved business confidence and less deflation suggest the BOJ's and PM Abe's policies have gotten off to a good start.
- While the outlook for the developed world has improved marginally, economic data in emerging economies has deteriorated and the outlook remains weak. Chinese money market rates have recently risen reflecting the tightening bias of the PBOC and a desire to squeeze the shadow banking system. While this is a positive development for the long run, it has further dampened economic activity in the short run. In Brazil and India, the structural problems facing the economy and the unwillingness (or inability) of the authorities to enact reforms continue to hamper growth. Despite these short-term headwinds, the secular growth outlook for EM economies is bright due to their structural advantages.

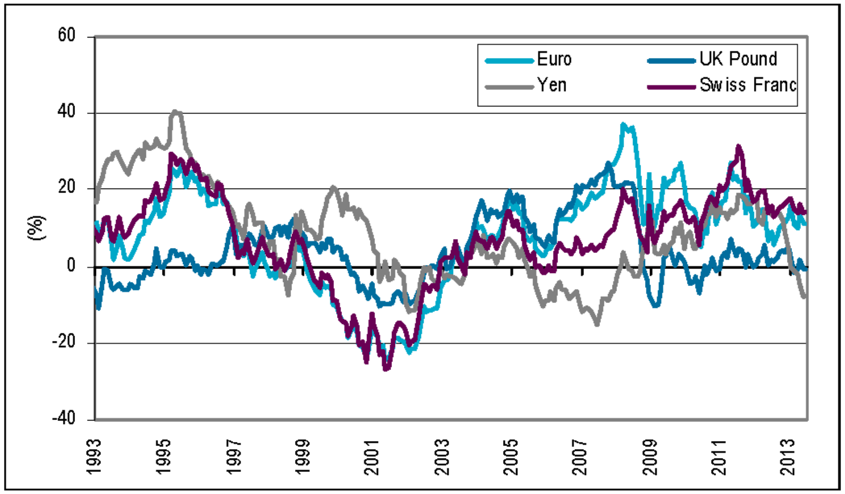
Macro Environment: Currencies

Performance of Foreign Currencies versus the US Dollar



Source: Bloomberg

Currency Valuation versus US Dollar (Based on Relative PPP)

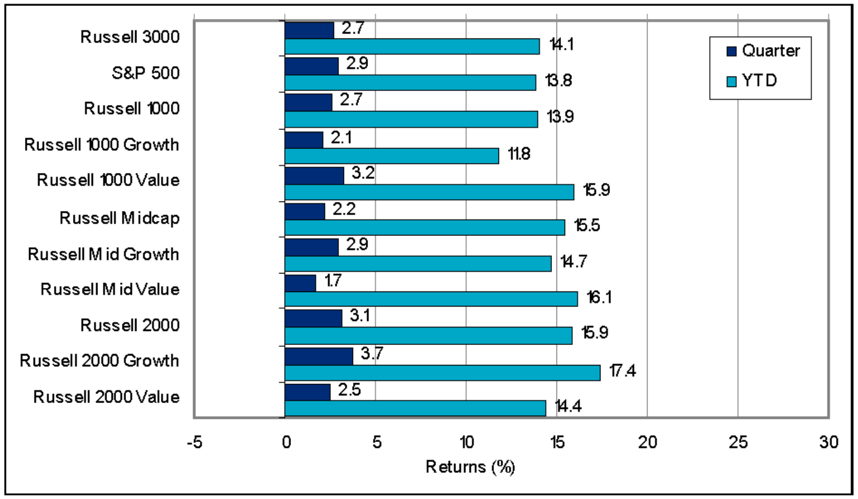


Source: Bloomberg

- On a trade-weighted basis, the dollar advanced by 0.2% in the second quarter. The yen continued its decline, losing another 5.0%, and the Australian dollar dropped 11%. Without significant negative news headlines, the euro appreciated 1.5%. Most major emerging market currencies experienced declines.
- Most developed foreign currencies seem expensive compared to the dollar based on relative purchasing power parity. While the US continues to run a current account deficit, the dollar could benefit from a favorable US economic outlook relative to most developed countries. Higher interest rates amidst the Fed's prospective tapering of QE3 could also boost the dollar.
- While the yen now trades at a discount to the dollar on relative purchasing power parity, the currency tends to move in long cycles, swinging from one valuation extreme to the other. Additionally, the BOJ continues to aggressively pursue a doubling in its monetary base, so the trend of yen weakness could continue over the medium-term. The euro will likely continue to be negatively affected by weak economic fundamentals, leaving it susceptible to declines.
- Emerging market currencies tumbled against the dollar in the second quarter due to growth concerns and speculation on the future course of Fed policy. Central banks have moved to tighter policies and increased interest rates to support their currencies; however, counter-cyclical policy could further depress growth rates. While the secular outlook for emerging market currencies is bright, they could continue to come under short-term pressure.

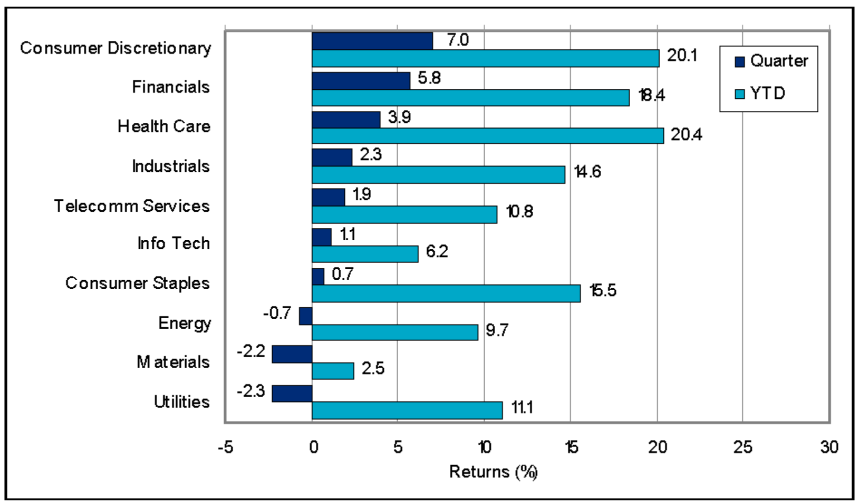
Asset Class: US Equities – Style, Sector, Cap Performance

Style and Capitalization Market Performance



Source: Standard & Poor's, Russell, Bloomberg

Sector Performance



Source: Russell 1000 GICs Sector

Broad Market

- Stocks shrugged off higher interest rates and posted solid gains with the Russell 3000 Index returning 2.7% for the quarter. For the year, the Russell 3000 index is up 14.1%.

Market Cap

- **Large Caps:** The S&P500 Index increased 2.9% in the second quarter and has returned 13.8% year-to-date. Large cap stocks have lagged mid cap and small cap stocks year-to-date.
- **Mid Caps:** The Russell Midcap Index returned 2.2% in the second quarter and is now gaining15.5% year-to-date.
- **Small Caps:** Small cap stocks outperformed large and mid cap stocks as the Russell 2000 Index rose 3.1%. year-to-date, small caps have jumped 15.9%, outperforming the S&P 500 by 210 basis points.

Style

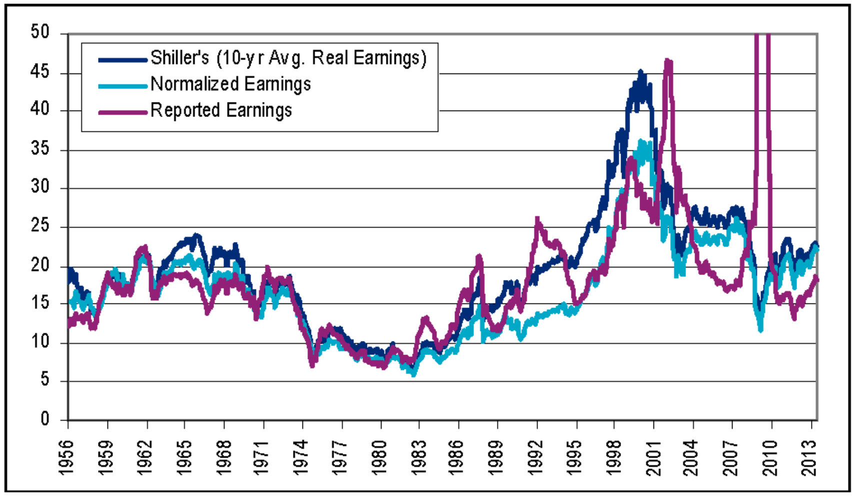
- **Value vs. Growth:** Style performance was mixed in the second quarter. Large cap value stocks outperformed large cap growth stocks by 110 basis points, but growth outperformed value within small caps and mid caps by 120 basis points. Small cap growth was the best performing style, gaining 3.7% and is now up 17.4% year-to-date.

Sector

- The utilities, materials, energy, consumer staples and information technology sectors were the laggards for the quarter, while the consumer discretionary, financials and health care sectors outperformed the broad market.

Asset Class: US Equities – Valuation Review

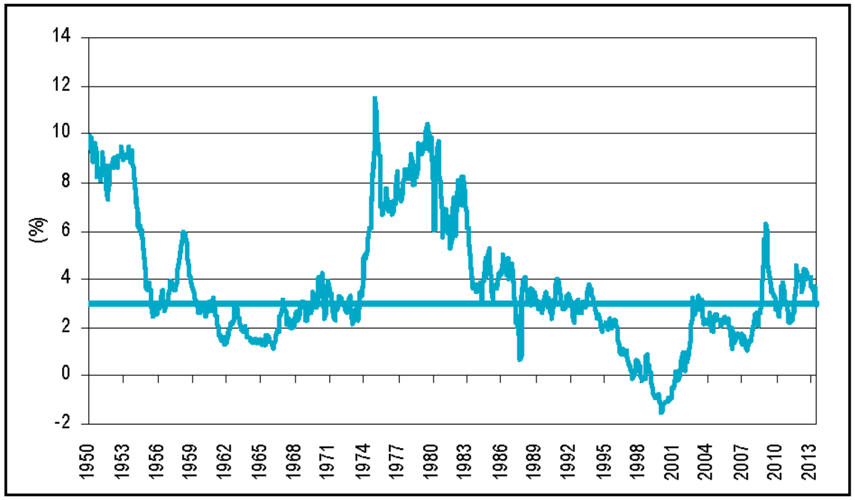
S&P500 – P/E Ratio



Source: S&P, Bloomberg, Mercer

S&P500 – Estimated Equity Risk Premium[1]

Versus Long-Term Treasuries



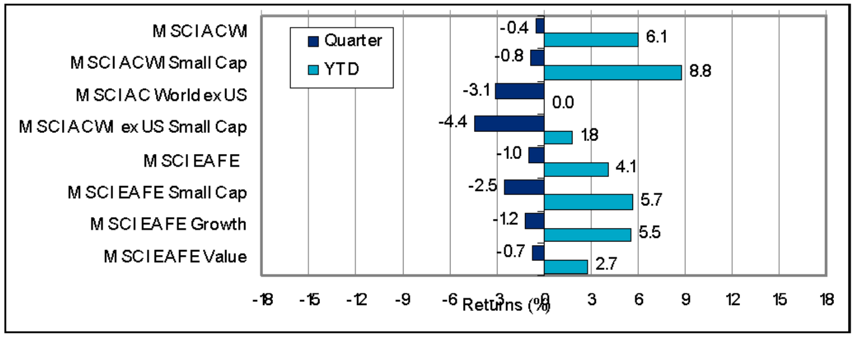
Source: S&P, Bloomberg, Mercer

- Valuations crept up during the quarter. The P/E ratio on trailing reported earnings advanced to 18.3, which is slightly above the 17.2 median since 1956. The reported P/E ratio is supported by historically high corporate profitability.
- While analysts have been revising their earnings per share estimates downward, they still expect a significant improvement in earnings growth in the second half of 2013. This may prove difficult as estimated revenue growth rates are well below estimated earnings growth rates. Since the financial crisis, US corporations have been extremely adept at controlling labor costs, which have aided margins. However, there are signs that this trend has played out, and corporate capital investment remains below trend, which may hurt long-term productivity and profit growth. While we expect profit margins to decline, absent a recession, they should remain above average for the intermediate-term.
- Cyclically-adjusted valuations, which adjust for high profit margins, remain uncomfortably high on an absolute basis. The P/E ratio based on normalized earnings stood at 22.0, which is above the historical median of 16.6 (since 1956), while the P/E based on average 10-year real earnings (Shiller's methodology) finished the quarter at 22.7 compared to a median of 18.9 (since 1956).
- With the rise in interest rates, the appeal of US equities relative to bonds has decreased. Based on the normalized P/E ratio of 22.0, the S&P 500 is priced to provide a real return of 4.0% to 4.5%. While this still compares favorably to yields on Treasuries and corporate bonds, we estimate that the equity risk premium over long-term Treasuries declined to 2.9% at quarter-end, in line with the historical average.

[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

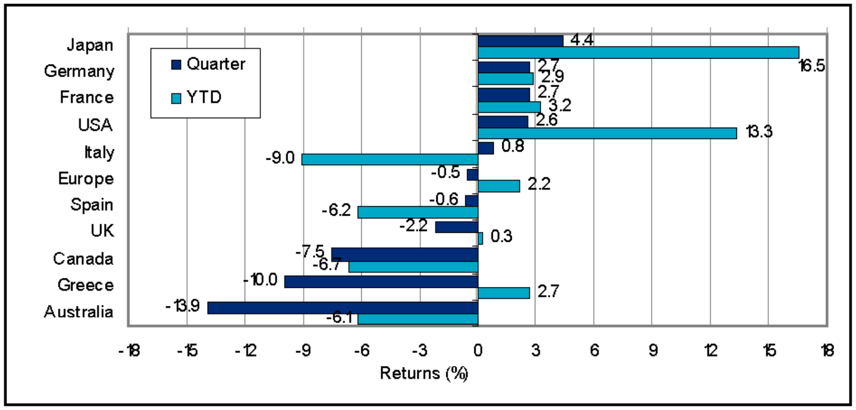
Asset Class: International Equities – Performance Review

International Equity Performance



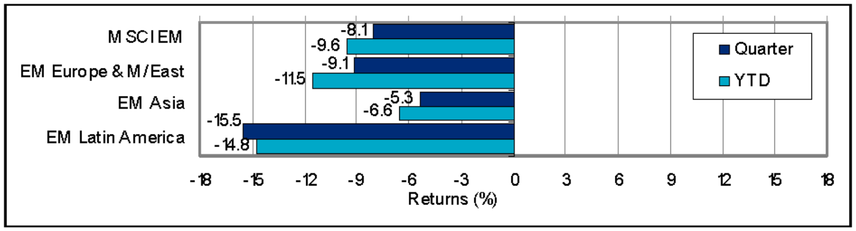
Source: MSCI, Bloomberg

Developed Country Performance



Source: MSCI, Bloomberg

Emerging Market Performance

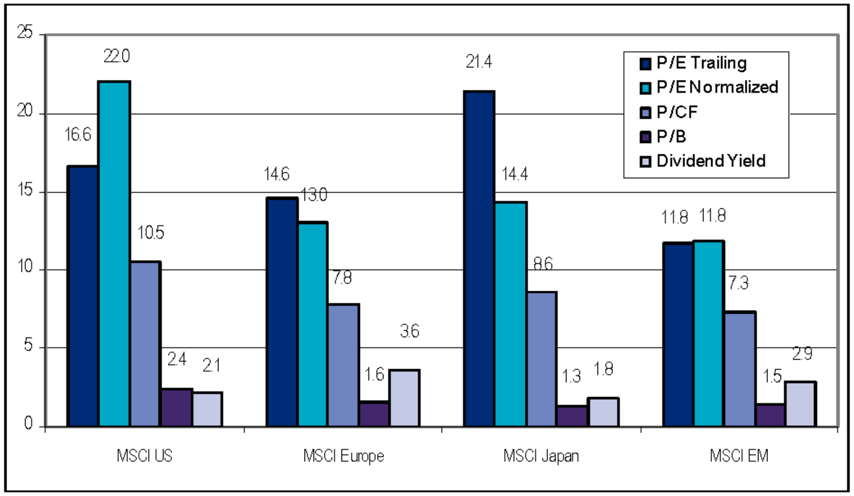


Source: MSCI, Bloomberg

- **International equities** lagged US equities for the quarter and emerging market stocks struggled. The MSCI ACWI-ex US Index shed 3.1% for the quarter and is flat year-to-date, trailing the Russell 3000 by 580 and 1,410 basis points, respectively.
- **International developed stocks** lost 1.0% for the quarter, but is up 4.1% year-to-date. European stocks declined 0.5% and are up just 2.2% year-to-date as the region continues to experience economic struggles. Japanese stocks continued to soar on the heels of the BOJ's stimulus efforts. Japanese stocks returned 4.4% in the second quarter and are up a solid 16.5% so far this year.
- **International small cap stocks** underperformed international developed large cap stocks by 130 basis points for the quarter. The MSCI EAFE Small Cap Index contracted 4.4% for the quarter, but have gained 1.8% year-to-date.
- **Emerging markets** fell sharply, reflecting slowing economies, signs of financial stress in China and political instability in Brazil and Turkey. The MSCI Emerging Markets Index fell 8.1% during the quarter and is down 9.6% year-to-date. Regionally, in the second quarter Asian stocks shed 5.3%, with Chinese equities losing 7.0%. European and Middle Eastern markets slid 9.1% for the quarter and are down 11.5% year-to-date. Latin American equities experienced a steep decline of 15.5% in the second quarter and have now fallen 14.8% year-to-date. The S&P 500 has outperformed emerging markets stocks by 234 percentage points (13.8 vs. -9.6) year-to-date.

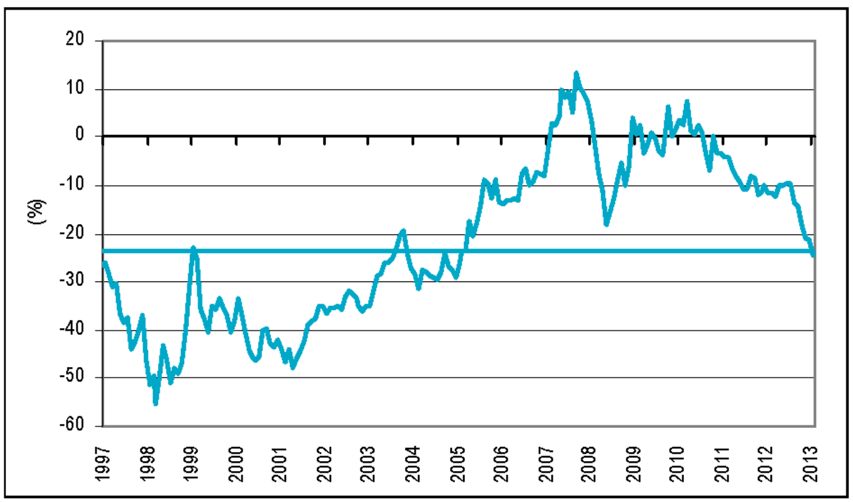
Asset Class: International Equities – Valuation Review

Global Valuations



Source: MSCI, Bloomberg

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

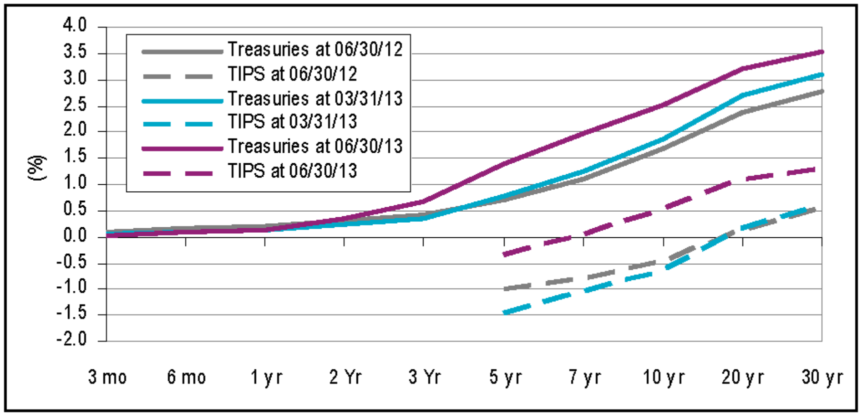


Source: MSCI, Bloomberg

- The recession has taken a toll on European earnings. However, corporations have increasingly turned to bond markets for financing, which should help reduce borrowing costs. The region could also emerge from recession later this year. European equities appear reasonably valued, trading at just 15x trailing earnings. Based on 10-year average real earnings, European stocks traded at a P/E of just 13, a 24% discount to their historical median and a 43% discount to US stocks (13% average).
- The steep decline in the yen coupled with potential structural reforms should be supportive of stocks and profitability. Profit margins have been consistently lower in Japan than elsewhere, and while there are some signs of improvement, it remains to be seen if recent policy changes can translate into improved competitiveness and governance. The valuation picture for Japanese stocks is mixed. Based on 10-year average real earnings, equities appear expensive due to poor historical profitability, trading at a P/E of 23.7. However, if margins can return to pre-crisis levels, stocks appear more reasonable at a P/E of 14.4.
- Softening macro conditions have weighed on EM equity performance. As growth has come in below expectations, profitability has taken a hit. Increases in labor costs and falling commodity prices are also weighing on profits. Earnings per share for EM firms have fallen by 4% over the last year and profit margins have compressed by 8%. Equities appear to be discounting weaker economic conditions and are very attractively valued in absolute and relative terms, trading below their historical averages and at a significant discount to developed stocks. For example, they traded at just 1.5x book value, their lowest level since March 2009 and a 22% discount to developed stocks. Based on its trailing P/E, EM stocks traded at a 21% discount to their historical average and a steep 30% discount to US stocks.

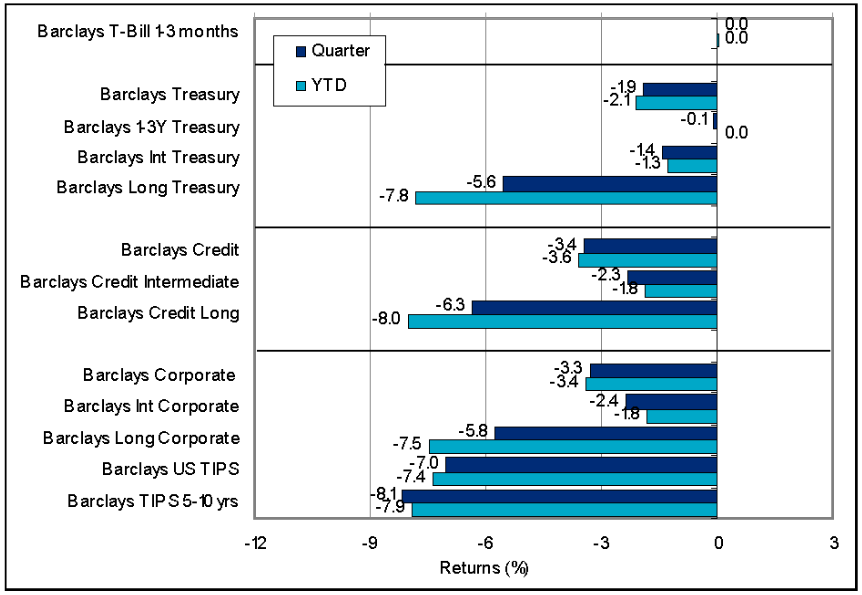
Asset Class: Fixed Income – Interest Rates and Yield Curve

Treasury Yield Curve



Source: Federal Reserve

Bond Performance by Duration

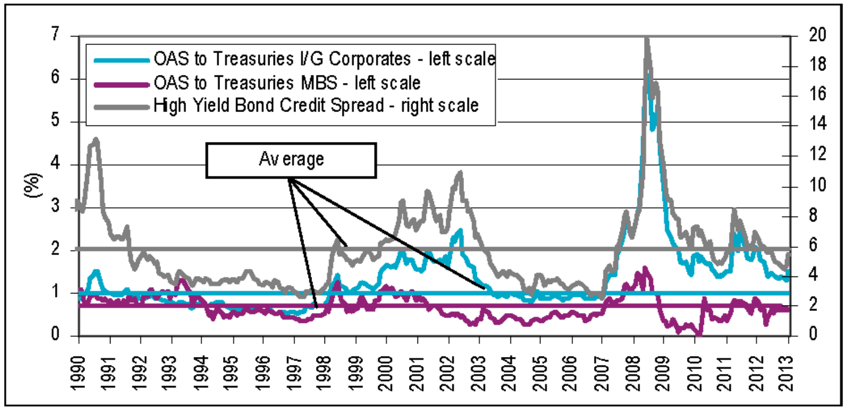


Source: Barclays, Bloomberg

- Interest rates spiked amidst relatively strong US economic data and indications the Fed may reduce asset purchases later in 2013 and end the QE program by mid 2014. The 10-year yield increased from 1.87% to 2.52%, its highest level since the third quarter 2011.
- Real yields on TIPS increased substantially and inflation breakeven rates declined. Five-year TIPS ended the quarter with a real yield of -0.4%, while 10-year TIPS yielded 0.5%, both over 110 basis points higher than at the start of the quarter. The real yield on 10-year TIPS turned positive, reaching its highest level since July 2011. The inflation breakeven rate on 10-year TIPS declined 52 basis points during the quarter to only 2.0%.
- The yield curve steepened during the quarter. Short term rates were close to unchanged; however, longer term yields, which are more heavily influenced by expectations regarding Fed tightening, moved upward.
- **US Bonds** declined during the quarter with the Barclays Aggregate Index falling 2.3%.
- **Long-Duration Bonds** posted heavy losses as the yield on the 20-year Treasury rose by 51 basis points. The Barclays Long Treasury Index fell 5.6% in the second quarter and has dropped 7.8% year-to-date.
- **TIPS** fell a steep 7.1% as the real yield on 10-year TIPS rose from -0.6% to +0.5%. TIPS have underperformed Treasuries by 530 basis points year-to-date as 10-year inflation breakeven rates have fallen from 2.5% to 2.0%. The TIPS index also has a longer duration than the Treasury index.

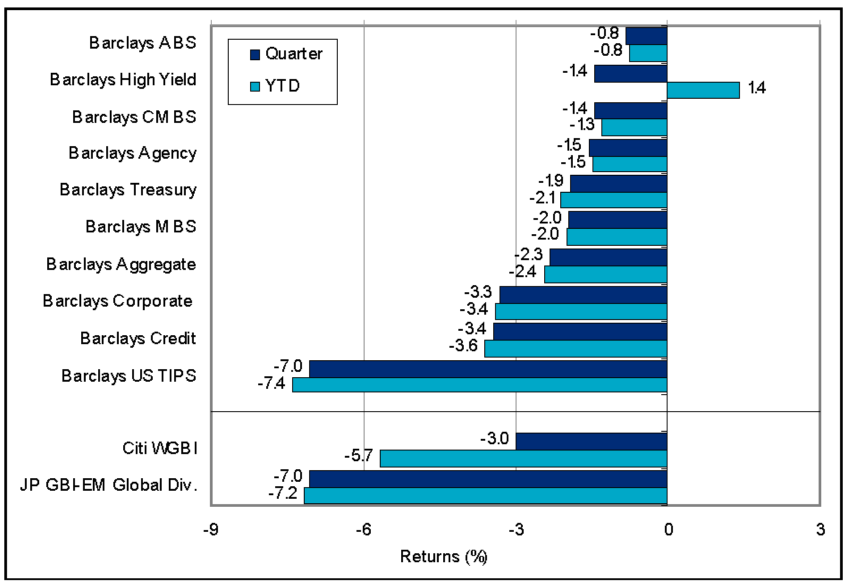
Asset Class: Fixed Income – Credit and Non-US Bonds

Credit Spreads



Source: Barclays

Sector, Credit, and Global Bond Performance

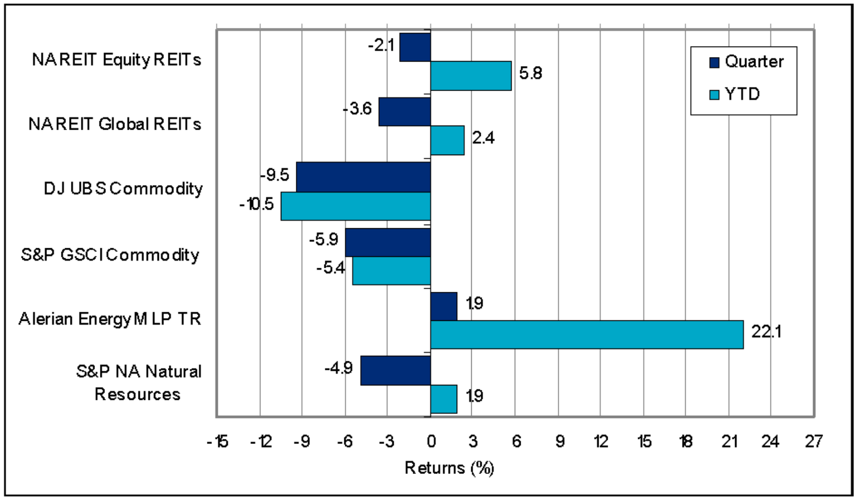


Source: Barclays, Citigroup, JP Morgan, Bloomberg

- The option-adjusted spread on I/G bonds rose by 13 basis points to 1.5%, which is above the historical average of 1.0%. Should the economy continue to recover and Treasury yields revert to the norm, corporate yields will likely follow, but credit spreads should decline, cushioning the impact. Corporate bond spreads are likely to be driven by other factors such as corporate profitability and leverage, and these should remain supportive for some time to come. The option-adjusted spread on HY bonds increased by 36 basis points to 4.9%, in line with the historical median. While there are signs that issuance quality has declined, the current default look remains favorable.
- **US Treasuries** experienced losses as Treasury yields rose sharply. The Barclays Treasury Index lost 1.9% in the second quarter and is down 2.1% year-to-date. TIPS shed 7.0% during the quarter.
- **US Corporate** bonds underperformed Treasuries for the quarter, declining 3.3%. The yield on the Barclays I/G Corporate index rebounded from record lows to 3.4%, a 59 basis points increase.
- **US MBS** bonds shed 2.0%, lagging Treasuries as spreads widened, while **ABS, CMBS, and Agency** bonds outperformed Treasuries.
- **High Yield** bonds held up relatively well, declining by a modest 1.4% and outperforming Treasuries by 50 basis points. The yield on junk bonds increased from 5.7% to 6.7%.
- **Global Bonds** fell most as most currencies declined against the dollar. The Citigroup World Government Bond Index lost 3.0% in the second quarter and is down 5.7% year-to-date.
- **Local Currency Emerging Market Debt** tumbled 7.0% as currencies fell relative to the dollar and interest rates increased.

Asset Class: Alternatives – Performance Review

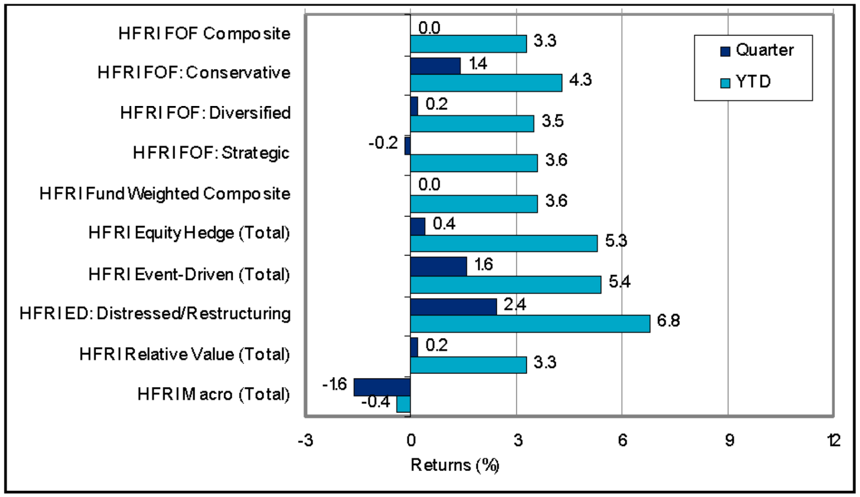
Real Asset Performance



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

- **Global REITs** fell 3.6% in the second quarter, but are still up 2.4% year-to-date. US REITS have outperformed international REITs over both periods.
- **Commodities:** Commodities have posted heavy losses in 2013 due to growth concerns in China. The DJ Commodity Index declined 9.5% in the second quarter and has shed 10.5% year-to-date, while the S&P GSCI Index, which has a larger weighting to energy, has fallen 5.9% and 5.4% for the quarter and year-to-date periods, respectively.

Hedge Fund Performance



Source: HFR

- **Hedge funds** outperformed both global equities and US bonds. The HFRI Fund of Funds Composite Index was flat for the second quarter, while the MSCI ACWI index fell 0.4% and the Barclays Aggregate index tumbled 2.3%. Year-to-date, hedge funds have trailed global equities, but outperformed bonds.

Macro strategies have struggled in recent periods, while the fund of funds conservative, event driven, and distressed/restructuring strategies posted better returns, benefiting from credit dislocations and fairly wide sector dispersion.

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 Stable Value (100% Galliard Separate Account)	
	DCP Ultra Conservative	**DCP Bond Fund** (50% Vanguard Total Bond Market Index Fund + 50% PIMCO Total Return Fund)	
	DCP Conservative	**DCP Large-Cap Stock Fund** (100% Vanguard Institutional Index Fund)	
	DCP Moderate	**DCP Mid-Cap Stock Fund*** (100% Vanguard Mid-Cap Index Fund)	
	DCP Aggressive	**Small-Cap Equity***** (100% SSgA Russell Small Cap Index Non-Lending Series)	
Aggressive	DCP Ultra Aggressive	**International Equity**** DWS EAFE Equity Index Fund Fidelity Diversified International Fund	**Brokerage Window** Schwab PCRA Self-Directed Brokerage Account

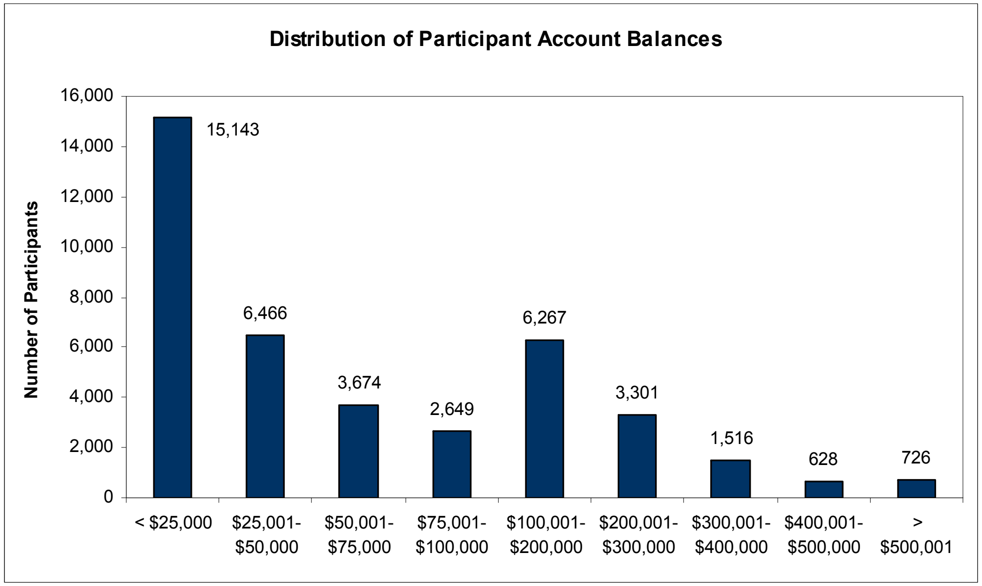
* DCP Mid-Cap Stock approved structure is 50% Mid Cap Core + 25% Mid Cap Value + 25% Mid Cap Growth upon completion of Phase II implementation
** Upon completion of Phase II new DCP International Equity Fund with approved structure of 65% International Developed + 17.5% Emerging Markets + 17.5% International Small Cap
***Upon completion of Phase II new DCP Small-Cap Stock with approved structure is 34% Small Cap Core + 33% Small Cap Value + 33% Small Cap Growth

Summary – Plan Highlights, Key Observations and Recommendations

Deferred Compensation Plan Assets

- At quarter-end, assets in the Deferred Compensation Plan totaled $3,850.6 million, increasing $57.2 million (1.5%) from $3,793.4 million at the previous quarter-end as a result of investment gains and net cash inflows. Contributions (including other deposits) for the quarter totaled $81.1 million compared to withdrawals (including fees) of $65.0 million. Investment gains totaled $41.1 million.

- As of June 30, 2013, there were 40,370 participants with ending account balances. The average account balance was $95,382, while the median account balance was $42,954. The distribution of participant balances is shown to the right; 37.5% of participants had a balance less than $25,000 and 1.8% had a balance greater than $500,000.



- The Deferred Compensation Plan (DCP) Large Cap Stock Fund held the highest percentage of Plan assets (31.9%), followed by the DCP Stable Value Fund (22.5%), FDIC-Insured Savings Account (7.8%), and Schwab PCRA Self-Directed Brokerage Account (6.0%). With the exception of the Profile funds, all other funds held less than 5.0% of Plan assets.

- Assets in the Profile funds (5 customized risk-based Profile funds ranging from Ultra Conservative to Ultra Aggressive) totaled $562.6 million (14.6%) at quarter end; this was an increase of $21.5 million from $541.1 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 trailed its index by 70 basis points during the quarter, driven by its underlying allocation to the PIMCO Total Return Fund, which lagged its benchmark by 130 basis points during the quarter. Underperformance during the quarter was driven by holdings of inflation-linked bonds as breakeven inflation levels narrowed amid reduced inflation expectations, as well as exposure to emerging markets.

Summary – Plan Highlights, Key Observations and Recommendations

Key Observations and Recommendations

- On April 20, 2012, Phase I of the Investment Menu Implementation was completed. The following changes took place:
  - DCP Bond Fund was formed, which is 50% Vanguard Total Bond Market Index Fund and 50% PIMCO Total Return Fund
  - The Vanguard Institutional Index Fund was transitioned to the newly formed DCP Large-Cap Stock Fund, which is 100% passively managed
  - The Hartford Capital Appreciation, American Funds Growth Fund of America, and American Funds Investment Company of America were terminated and assets were mapped to the newly created DCP Large-Cap Stock Fund
  - Investments in the Vanguard Mid-Cap Index Fund were mapped to the newly created DCP Mid-Cap Stock Fund as part of Phase I. Future procurements for active mid value and mid growth managers will occur this year
  - The Lazard US Mid Cap Equity Fund was terminated and assets were mapped to the DCP Mid-Cap Stock Fund

- The next phase of the new line-up configuration will be the procurement process for new managers to build out the DCP Mid-Cap, Small-Cap, and International Stock Funds.

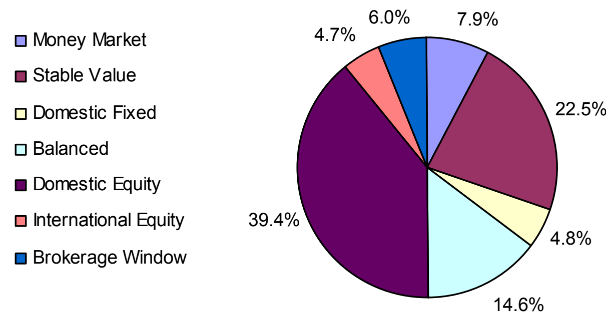
- For the FDIC-Insured Savings Account, Bank of the West, Bank of America, and City National Bank have weightings of 50%, 25%, and 25%, respectively. For the quarter ending June 30, 2013 their declared rates were as follows: Bank of America = 0.14%, Bank of the West = 0.75% and City National Bank = 0.15% yielding a blended rate of 0.45%.

- On January 31, 2013, the Vanguard Mid-cap Index Fund (currently 100% of the DCP Mid-Cap Stock Fund) changed its benchmark from the MSCI US Mid Cap 450 Index to CRSP US Mid Cap Index.

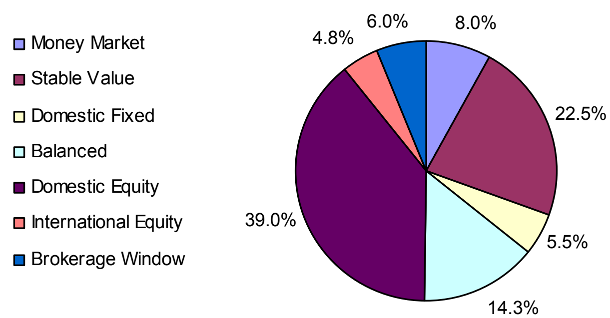
Summary – Asset Allocation

Investment Option	Current Balance	Prior Balance	% of Plan	% Chg vs. Prior
Money Market	**$303,963,723**	**$302,818,021**	**7.9%**	**-0.1%**
FDIC-Insured Savings Account	$299,068,771	$296,880,462	7.8%	-0.1%
JPMorgan Chase Certificates of Deposit	$4,894,952	$5,937,558	0.1%	0.0%
Stable Value	**$867,220,597**	**$853,616,283**	**22.5%**	**0.0%**
Deferred Compensation Stable Value Fund (Net)	$867,220,597	$853,616,283	22.5%	0.0%
Domestic Fixed	**$184,906,680**	**$206,972,806**	**4.8%**	**-0.7%**
DCP Bond Fund	$184,906,680	$206,972,806	4.8%	-0.7%
Risk-based	**$562,619,844**	**$541,089,819**	**14.6%**	**0.3%**
Ultra Conservative	$36,955,524	$38,050,340	1.0%	0.0%
Conservative Profile	$82,053,348	$80,229,404	2.1%	0.0%
Moderate Profile	$205,021,351	$195,682,815	5.3%	0.2%
Aggressive Profile	$181,657,845	$174,681,674	4.7%	0.1%
Ultra Aggressive Profile	$56,931,776	$52,445,585	1.5%	0.1%
Domestic Equity	**$1,518,955,278**	**$1,477,895,450**	**39.4%**	**0.5%**
DCP Large Cap Stock Fund	$1,228,769,630	$1,207,175,606	31.9%	0.1%
DCP Mid Cap Stock Fund	$119,455,842	$109,258,000	3.1%	0.2%
SSgA Russell Small Cap Index Non-Lending Series Fund	$170,729,805	$161,461,844	4.4%	0.2%
International Equity	**$182,684,916**	**$182,305,814**	**4.7%**	**-0.1%**
DWS EAFE Equity Index Fund Institutional	$35,597,830	$35,145,884	0.9%	0.0%
Fidelity Diversified International Fund	$147,087,086	$147,159,931	3.8%	-0.1%
Brokerage Window	**$230,206,151**	**$228,701,894**	**6.0%**	**-0.1%**
Schwab PCRA Self-Directed Brokerage Account	$230,206,151	$228,701,894	6.0%	-0.1%
Total Plan	**$3,850,557,188**	**$3,793,400,087**	**100%**	

Current Asset Allocation - June 30, 2013



Prior Asset Allocation - March 31, 2013



Summary – Investment Expense Analysis

Analysis reflects investment expenses only and does not include an evaluation of plan recordkeeping costs.

Fund	Style	Fund Balance	Estimated Fund Expense	Fund Net Expense Ratio	Median Net Expense Ratio[1]	Net Expense Diff.	Expense Reimbursement	Investment Management Fee
FDIC-Insured Savings Account	Cash Equivalents	$299,068,771	N/A	N/A	N/A	N/A	N/A	N/A
JPMorgan Chase Certificates of Deposit	Cash Equivalents	$4,894,952	N/A	N/A	N/A	N/A	N/A	N/A
Deferred Compensation Stable Value Fund (Net)	Stable Value	$867,220,597	$2,428,218	0.28%	0.46%	-0.18%	0.00%	0.28%
DCP Bond Fund	US Fixed	$184,906,680	$480,757	0.26%	0.54%	-0.28%	0.00%	0.26%
Ultra Conservative	Risk-based	$36,955,524	$96,084	0.26%	0.80%	-0.54%	0.00%	0.26%
Conservative Profile	Risk-based	$82,053,348	$205,133	0.25%	0.80%	-0.55%	0.00%	0.25%
Moderate Profile	Risk-based	$205,021,351	$410,043	0.20%	0.86%	-0.66%	0.00%	0.20%
Aggressive Profile	Risk-based	$181,657,845	$363,316	0.20%	0.95%	-0.75%	0.00%	0.20%
Ultra Aggressive Profile	Risk-based	$56,931,776	$108,170	0.19%	0.95%	-0.76%	0.00%	0.19%
DCP Large Cap Stock Fund	US Large Cap Equity	$1,228,769,630	$245,754	0.02%	0.20%	-0.18%	0.00%	0.02%
DCP Mid Cap Stock Fund	US Mid Cap Equity	$119,455,842	$71,674	0.06%	0.29%	-0.23%	0.00%	0.06%
SSgA Russell Small Cap Index Non-Lending Series Fund	US Small Cap Equity	$170,729,805	$102,438	0.06%	0.29%	-0.23%	0.00%	0.06%
DWS EAFE Equity Index Fund Institutional	International Equity	$35,597,830	$192,228	0.54%	0.40%	0.14%	0.00%	0.54%
Fidelity Diversified International Fund	International Equity	$147,087,086	$1,338,492	0.91%	1.02%	-0.11%	0.25%	0.66%
Schwab PCRA Self-Directed Brokerage Account	Brokerage Window	$230,206,151	N/A	N/A	N/A	N/A	N/A	N/A
Total		**$3,850,557,188**	**$6,042,308**	**0.18%**[2]			**0.01%**	**0.17%**[2]
Total with Fixed Per Participant Fee		**$3,850,557,188**	**$8,413,603**	**0.25%**[3]				

[1] 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.

[2] Total excludes assets in the FDIC-Insured Savings Account, JPMorgan Chase Certificates of Deposit, and Schwab Self-Directed Brokerage Account.

[3] Total estimated annual asset-based fee is $2,371,295, reflecting a quarterly per participant fee of 0.025% on the first $125,000 of balance. The number of participants with less than a $125k balance during the quarter was 29,976, and total assets for this group amounted to $1,072,045,403. There were 10,394 participants with balances in excess of $125k with an aggregate balance of $1,299,250,000. The total participant count is 40,370.

Summary – Compliance with Investment Policy Performance Standards

Periods ending June 30, 2013

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.
Ultra Conservative Profile	✓	N/A	✓	N/A	✓	N/A	✓	N/A	Retain. No changes to allocations.
Conservative Profile	T	N/A	✓	N/A	✓	N/A	✓	N/A	Retain. No changes to allocations.
Moderate Profile	T	N/A	T	N/A	✓	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. However, this investment category will be addressed once investment procurements and restructuring are completed.

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

Summary – Performance

Periods ending June 30, 2013

	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years
Money Market						
FDIC-Insured Savings Account (Blended Rate – 0.45%)[1]	**7.8%**	**0.1%**	**0.2%**	**0.4%**	**0.4%**	**NA**
JPMorgan Chase Certificates of Deposit	**0.1%**	**NA**	**NA**	**NA**	**NA**	**NA**
Stable Value						
Deferred Compensation Stable Value Fund (Net)[2]	**22.5%**	**0.6%**	**1.2%**	**2.6%**	**3.0%**	**3.5%**
3 Yr Constant Maturity Treasury +50bps		0.2%	0.5%	0.9%	1.1%	1.5%
iMoneyNet All Taxable+100bps		0.3%	0.5%	1.0%	1.0%	1.2%
Mercer Stable Value Universe Median (Gross)		*0.5%*	*1.0%*	*2.1%*	*2.9%*	*3.3%*
Fund Rank in Universe		*21*	*12*	*13*	*37*	*31*
Domestic Fixed						
DCP Bond Fund[3]	**4.8%**	**-3.0%**	**-2.8%**	**0.2%**	**4.1%**	**6.2%**
Barclays US Aggregate		-2.3%	-2.4%	-0.7%	3.5%	5.2%
Mercer MF US Fixed Core Universe Median		*-2.4%*	*-2.0%*	*1.1%*	*4.1%*	*5.4%*
Fund Rank in Universe		*80*	*77*	*70*	*50*	*32*
Vanguard Total Bond Market Index Fund Inst Plus[4]	**0.0%**	**-2.4%**	**-2.5%**	**-0.8%**	**3.4%**	**5.2%**
Barclays US Aggregate		-2.3%	-2.4%	-0.7%	3.5%	5.2%
PIMCO Total Return Fund Institutional	**0.0%**	**-3.6%**	**-3.0%**	**1.2%**	**4.7%**	**7.3%**
Barclays US Aggregate		-2.3%	-2.4%	-0.7%	3.5%	5.2%
Mercer MF US Fixed Core Universe Median		*-2.4%*	*-2.0%*	*1.1%*	*4.1%*	*5.4%*
Fund Rank in Universe		*93*	*86*	*47*	*33*	*14*
Risk-based[5]						
Ultra Conservative	**1.0%**	**-1.0%**	**0.7%**	**4.1%**	**5.4%**	**5.1%**
Ultra Conservative Profile Custom Index[6]		-0.8%	0.6%	3.0%	4.6%	4.2%

[1] The blended rate is as of 6/30/2013. 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 America = 0.14%, Bank of the West = 0.75% and City National Bank = 0.15%.
[2] 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.
[3] Performance prior to April 2012 is simulated, with a weighting of 50% PIMCO Total Return Fund and 50% Vanguard Total Bond Market Index Fund.
[4] Due to its longer history, performance of the Vanguard Total Bond Market Index Fund Institutional share class is shown for the 5-year period.
[5] Allocation to the profile funds changed June 1, 2009 with the inclusion of a US mid cap equity component.
[6] 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% 50% - 75% 75% - 100%

	% of Plan	3 Months	YTD	1 Year	3 Years	5 Years
Conservative Profile	**2.1%**	**-0.9%**	**2.4%**	**7.6%**	**7.9%**	**5.5%**
Conservative Profile Custom Index[7]		-0.6%	2.5%	6.8%	7.6%	5.0%
Moderate Profile	**5.3%**	**0.3%**	**6.3%**	**12.9%**	**11.4%**	**6.1%**
Moderate Profile Custom Index[8]		0.4%	6.4%	12.4%	11.3%	5.6%
Aggressive Profile	**4.7%**	**0.8%**	**8.2%**	**16.1%**	**13.3%**	**5.7%**
Aggressive Profile Custom Index[9]		0.9%	8.4%	15.9%	13.2%	5.7%
Ultra Aggressive Profile	**1.5%**	**1.3%**	**10.2%**	**19.4%**	**15.1%**	**5.2%**
Ultra Aggressive Profile Custom Index[10]		1.3%	10.5%	19.5%	15.2%	5.3%
Domestic Equity						
DCP Large Cap Stock Fund[11]	**31.9%**	**2.9%**	**13.8%**	**20.6%**	**18.5%**	**7.1%**
S&P 500		2.9%	13.8%	20.6%	18.5%	7.0%
DCP Mid Cap Stock Fund[12]	**0.0%**	**2.4%**	**15.6%**	**25.1%**	**19.0%**	**8.0%**
Vanguard Spliced Mid Cap Index[13]		2.4%	15.6%	25.0%	19.1%	8.0%
SSgA Russell Small Cap Index Non-Lending Series Fund	**4.4%**	**3.1%**	**15.8%**	**24.0%**	**18.6%**	**8.7%**
Russell 2000		3.1%	15.9%	24.2%	18.7%	8.8%
International Equity						
DWS EAFE Equity Index Fund Institutional	**0.9%**	**-0.9%**	**3.3%**	**18.0%**	**10.2%**	**-0.7%**
MSCI EAFE NET WHT		-1.0%	4.1%	18.6%	10.0%	-0.6%
Fidelity Diversified International Fund	**3.8%**	**0.5%**	**4.9%**	**18.3%**	**10.9%**	**-1.1%**
MSCI EAFE NET WHT		-1.0%	4.1%	18.6%	10.0%	-0.6%
Mercer MF Intl Equity Universe Median		*-0.8%*	*3.1%*	*17.2%*	*10.1%*	*0.0%*
Fund Rank in Universe		*20*	*29*	*38*	*36*	*69*

[7] 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.

[8] 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.

[9] 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.

[10] 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.

[11] The fund is 100% allocated to the Vanguard Institutional Index Fund Inst Pl. Performance is shown and will be updated accordingly with the addition of underlying funds.

[12] The fund is 100% allocated to the Vanguard Mid Cap Index Fund Instl Pl. Performance is shown and will be updated accordingly with the addition of underlying funds.

[13] 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% 50% - 75% 75% - 100%

Summary – Performance of DCP Investment Menu Composite Benchmarks

Periods ending June 30, 2013

	3 Months	YTD	1 Year	3 Years	5 Years
DCP Stable Value Index (100% 3-Yr CMT + 50bps)	**0.2%**	**0.5%**	**0.9%**	**1.1%**	**1.5%**
DCP Bond Fund Index (100% BC Aggregate Bond Index)	**-2.3%**	**-2.4%**	**-0.7%**	**3.5%**	**5.2%**
DCP Large-Cap Stock Fund Index (100% S&P 500 Index)	**2.9%**	**13.8%**	**20.6%**	**18.5%**	**7.0%**
DCP Mid-Cap Stock Fund Composite Index	**2.2%**	**15.4%**	**25.3%**	**19.5%**	**8.3%**
Russell Midcap Index (50%)	*2.2%*	*15.5%*	*25.4%*	*19.5%*	*8.3%*
Russell Midcap Value Index (25%)	*1.7%*	*16.1%*	*27.7%*	*19.5%*	*8.9%*
Russell Midcap Growth Index (25%)	*2.9%*	*14.7%*	*22.9%*	*19.5%*	*7.6%*
DCP Small-Cap Stock Fund Composite Index	**3.1%**	**15.9%**	**24.2%**	**18.7%**	**8.8%**
Russell 2000 Index (34%)	*3.1%*	*15.9%*	*24.2%*	*18.7%*	*8.8%*
Russell 2000 Value Index (33%)	*2.5%*	*14.4%*	*24.8%*	*17.3%*	*8.6%*
Russell 2000 Growth Index (33%)	*3.7%*	*17.4%*	*23.7%*	*20.0%*	*8.9%*
DCP International Fund Composite Index	**-2.5%**	**1.9%**	**16.2%**	**9.2%**	**0.1%**
MSCI EAFE Index (65%)	*-1.0%*	*4.1%*	*18.6%*	*10.0%*	*-0.6%*
MSCI EM Index (17.5%)	*-8.1%*	*-9.6%*	*2.9%*	*3.4%*	*-0.4%*
MSCI EAFE Small Cap Index (17.5%)	*-2.5%*	*5.7%*	*20.9%*	*11.9%*	*2.5%*

Fund Profile

Stable Value - Deferred Compensation Stable Value Fund (Net)

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

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 comprised 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 separate 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

	2Q13	1Q13	4Q12	3Q12
Mkt/Book Value Ratio	101.7%	103.5%	103.9%	104.4%
Avg. Credit Quality	A1/AA-	A1/AA-	A1/AA-	A1/A+
Effective Duration (yrs)	2.95	2.77	2.62	2.47
Blended Yield	2.4%	2.6%	2.7%	2.9%

- The Fund had net inflows of $10.8 million during the quarter, representing an increase of 1.2% in total fund assets. During the quarter, $27 million was reallocated from the Stable Return Fund to the Wells Fargo STIF, which will be the initial source of liquidity for daily participant trades going forward.
- Number of contract issuers: 4
- Credit quality remains strong with 79.4% of fixed income in AAA rated securities and 0.1% in below investment grade securities
- Duration distribution guidelines ranged between 2.0 – 3.5 years with a target of 3.0 years

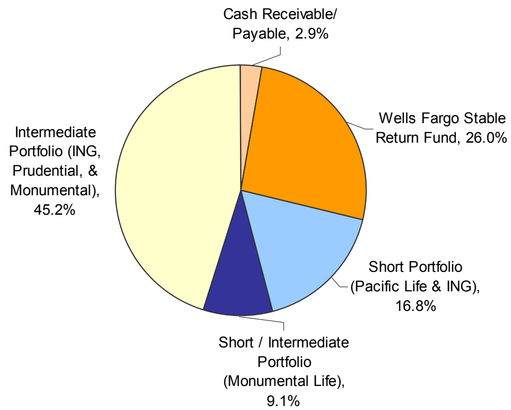
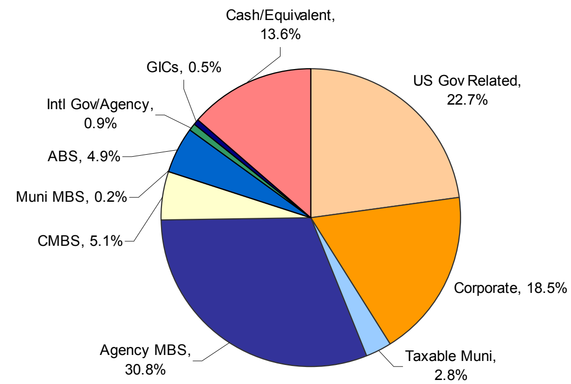
Portfolio Analysis & Key Observations

Contributors:

- Strong stock selection among corporates and Agency MBS as an emphasis on short spread duration and stable cash flow names helped
- A near zero weight to the underperforming sovereign sector

Detractors:

- An overweight to spread sectors, specifically an allocation to TIPS and an overweight to municipals
- Duration and yield curve positioning, as the benefits of a modestly shorter duration were offset by a moderate overweight among intermediate maturities where rates rose the most

Fund Composition as of June 30, 2013	**Underlying Fixed Income Asset Allocation** as of June 30, 2013 (% of MV)
	

Key Facts and Figures

Portfolio Manager: Galliard Capital Management Inception (in Plan): July 2008	Expense Ratio (Net): 0.28% (0.06% Investment Management Fees / 0.028% Sub-Advisor Fee / 0.137% Wrap Fee / 0.052% 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, 2013

Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending June-13 (monthly calculations)

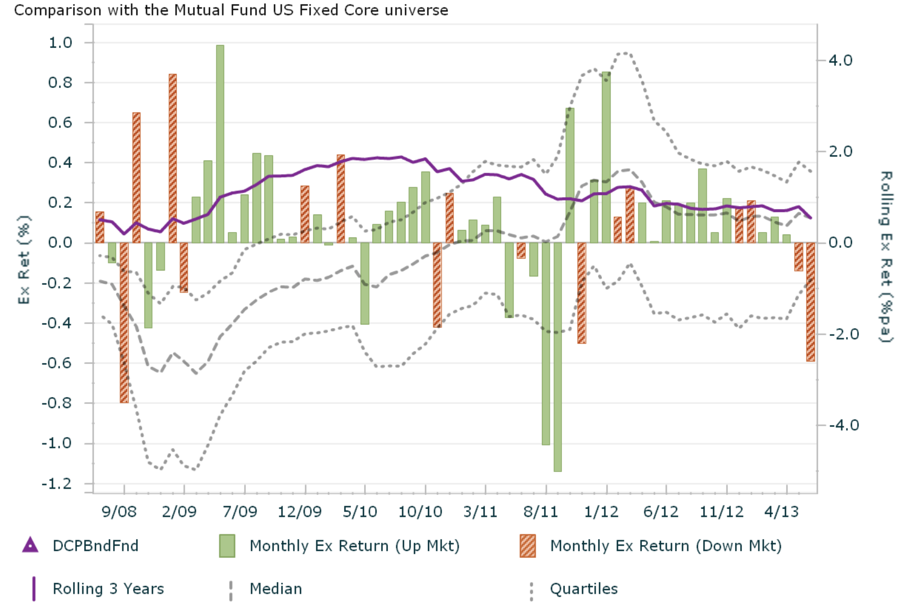
Comparison with the Mutual Fund US Fixed Core universe (Percentile Ranking)

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
DCPBndFnd	6.2*(32)*	3.8*(63)*	1.6*(14)*	1.4*(90)*	0.8*(7)*
BCUSAG	5.2*(56)*	3.7*(66)*	1.4*(36)*	0.0*(100)*	-
5th Percentile	8.4	10.8	1.9	8.8	0.8
Upper Quartile	6.6	5.3	1.5	4.0	0.4
Median	5.4	4.2	1.3	3.2	0.1
Lower Quartile	3.9	3.4	1.0	2.1	-0.4
95th Percentile	2.1	1.7	0.6	1.1	-1.0
Number	326	326	326	326	326

Excess Return*

Monthly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending June-13

Comparison with the Mutual Fund US Fixed Core universe



Key Facts and Figures

Expense Ratio (Net): 0.26%

Mercer Median Expense Ratio (Net): 0.54%

* 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: Institutional Plus	**Benchmark: Barclays US Aggregate**

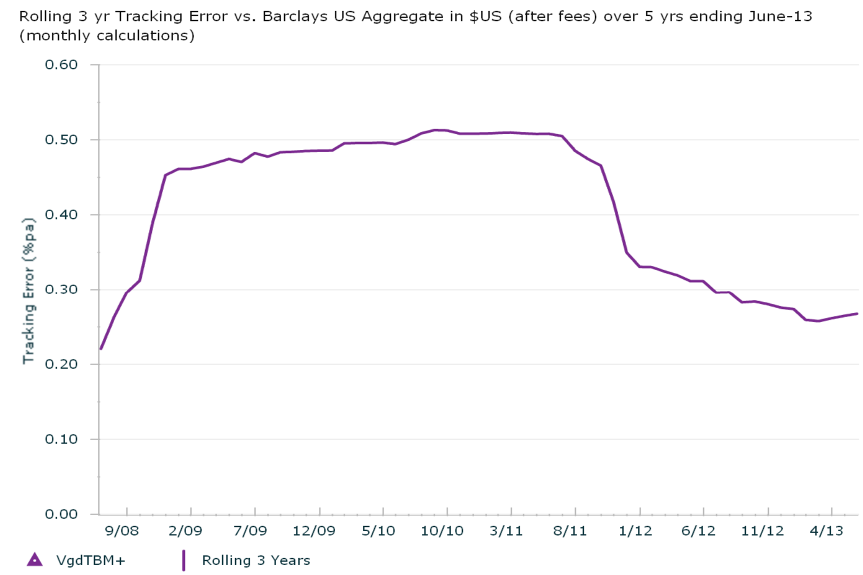
Investment Philosophy

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. The target index for Vanguard Total Bond Market Index Fund, the Spliced Barclays US Aggregate Float Adjusted Bond Index, provides extensive coverage of the major sectors of the debt market. 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

- The Fund is tracking its index as expected

Tracking Error



Key Facts and Figures

Portfolio Manager: Kenneth E. Volpert; Joshua C. Barrickman Portfolio Manager Average Tenure: 10.5 Years	Total Fund Assets: $110,609 Million Total Share Class Assets: $16,832 Million	Expense Ratio (Net): 0.05% Mercer Median Expense Ratio (Net): 0.20%

Fund Profile

Tier IIB - Domestic Fixed - PIMCO Total Return Fund Institutional - PTTRX

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

Investment Philosophy

PIMCO's top-down, core approach to fixed income management is focused on long-term secular trends. The firm seeks to add alpha through multiple sources of active risk including duration, yield curve, country, currency, sector rotation and bottom-up security selection. PIMCO's portfolio construction and risk management efforts are designed to position the portfolio with exposure to a series of moderate risks, ensuring that no single trade idea or risk factor overwhelms the portfolio. Given its dynamic approach to active management, as well as its large size in certain cash markets, PIMCO relies heavily on derivative securities to implement its trade ideas. PIMCO relies on its long-term secular outlook when determining portfolio duration. The firm develops its three-to-five-year secular outlook at annual strategy sessions. This outlook is fine-tuned quarterly. Portfolio duration is typically within 30% of the benchmark. PIMCO actively manages its yield curve positioning based on anticipated central bank actions and inflation expectations. The firm will invest opportunistically across global sovereign curves, and does not limit itself to U.S. interest rate exposure. Within mortgages, PIMCO's proprietary mean reversion model is a primary tool to analyze coupon swaps, which is expected to be one of the firm's largest sources of alpha in the mortgage space given the firm's primary use of forward-settling TBA mortgages in lieu of specified pools. PIMCO has extensive proprietary analytics to evaluate the expected behavior and pricing of specific securities with embedded optionality.

Portfolio Analysis & Key Observations

Contributors:

- Select exposure to non-Agency RMBS, as these securities rallied on the back of an improved housing outlook and recovering household sector
- Exposure to investment grade and select high yield financials, as these bonds outperformed the broader credit market
- Tactical exposure to Italian and Spanish rates, as the European Central Bank's accommodative stance allowed for an improvement in Eurozone sentiment and perceived creditworthiness

Detractors:

- Tactical exposure to emerging market local rates, especially Brazil, as rates rose in the region

Sector Allocation as of June 30, 2013

Key Facts and Figures

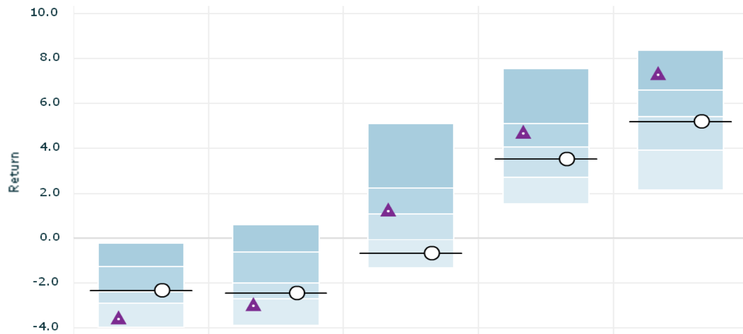
Portfolio Manager: William H. Gross	Total Fund Assets: $267,997 Million	Expense Ratio (Net): 0.46%
Portfolio Manager Average Tenure: 26.0 Years	Total Share Class Assets: $167,421 Million	Mercer Median Expense Ratio (Net): 0.54%

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 ending June-13

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



	3 mths (%)	YTD 6 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
PimcoTR	-3.6*(93)*	-3.0*(86)*	1.2*(47)*	4.7*(33)*	7.3*(14)*
BCUSAG	-2.3*(45)*	-2.4*(64)*	-0.7*(89)*	3.5*(62)*	5.2*(56)*
5th Percentile	-0.2	0.6	5.1	7.6	8.4
Upper Quartile	-1.3	-0.6	2.2	5.1	6.6
Median	-2.4	-2.0	1.1	4.1	5.4
Lower Quartile	-2.9	-2.7	-0.1	2.7	3.9
95th Percentile	-4.0	-3.9	-1.3	1.5	2.1
Number	397	397	385	347	326

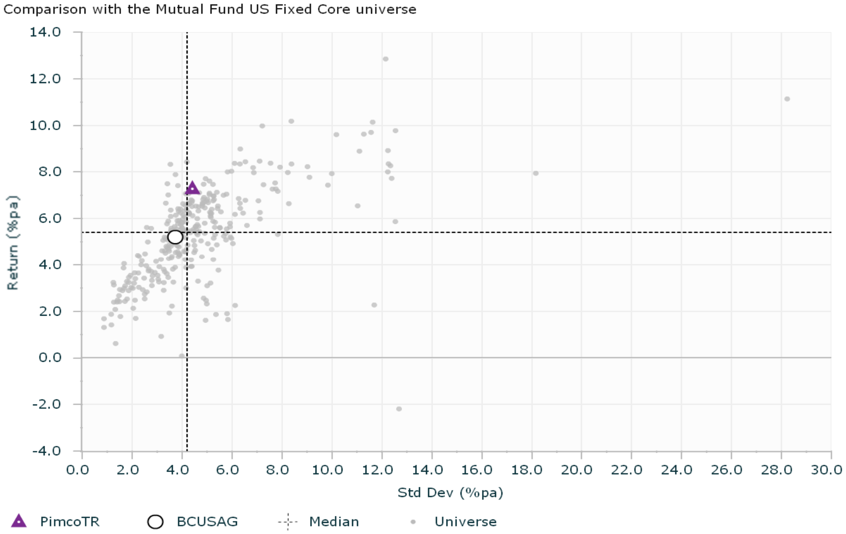
Performance characteristics vs. Barclays US Aggregate in $US (after fees) over 5 yrs ending June-13 (monthly calculations)

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

	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
PimcoTR	7.3*(14)*	4.4*(44)*	1.6*(12)*	2.8*(62)*	0.7*(7)*
BCUSAG	5.2*(56)*	3.7*(66)*	1.4*(36)*	0.0*(100)*	-
5th Percentile	8.4	10.8	1.9	8.8	0.8
Upper Quartile	6.6	5.3	1.5	4.0	0.4
Median	5.4	4.2	1.3	3.2	0.1
Lower Quartile	3.9	3.4	1.0	2.1	-0.4
95th Percentile	2.1	1.7	0.6	1.1	-1.0
Number	326	326	326	326	326

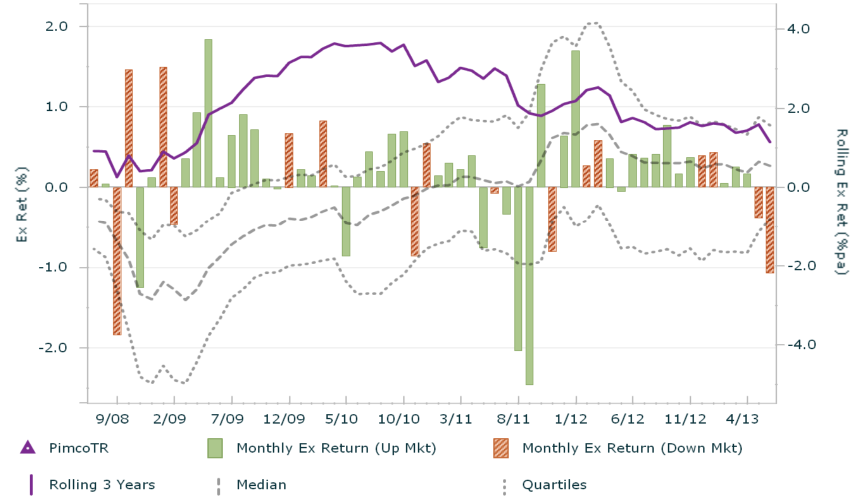
Return and Std Deviation in $US (after fees) over 5 yrs ending June-13 (monthly calculations)

Comparison with the Mutual Fund US Fixed Core universe



Monthly Excess Return vs. Barclays US Aggregate with rolling 3 yr line in $US (after fees) over 5 yrs ending June-13

Comparison with the Mutual Fund US Fixed Core universe



Risk-based Profile Funds

Profile Funds – Target Allocations

	2Q 2013 Fund Return (%)	2Q 2013 Benchmark Return (%)	Excess Return (%)	Ultra Conservative Profile	Conservative Profile	Moderate Profile	Aggressive Profile	Ultra Aggressive Profile
Stable Value								
DCP Stable Value	0.6%	0.2%	0.4%	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]	-3.0%	-2.3%	-0.7%	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]	2.9%	2.9%	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]	2.4%	2.4%	0.0%	2.5%	5.0%	10.0%	15.0%	20.0%
SSgA Russell Sm Cap NL Series S	3.1%	3.1%	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	-0.9%	-1.0%	0.1%	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**

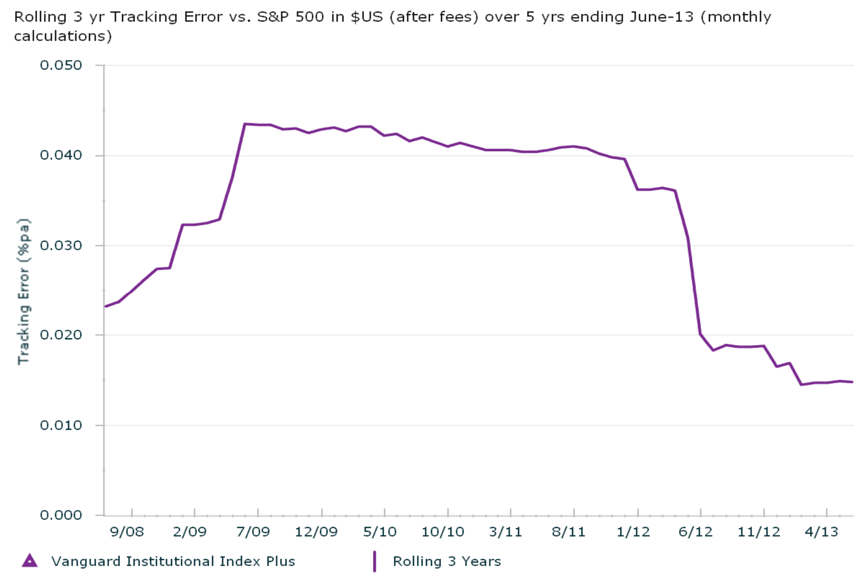
Investment Philosophy

The Fund seeks to track the investment performance of the Standard & Poors 500 Index, an unmanaged benchmark representing U.S. large-capitalization stocks. Using full replication, the portfolio holds all stocks in the same capitalization weighting as the index. The Fund uses proprietary software to implement trading decisions that accommodate cash flow and maintain close correlation with index characteristics. Vanguards refined indexing process, combined with low management fees and efficient trading, has provided tight tracking net of expenses.

Portfolio Analysis & Key Observations

- The Fund is tracking its index as expected

Tracking Error



Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $136,380 Million	Expense Ratio (Net): 0.02%
Portfolio Manager Average Tenure: 13.0 Years	Total Share Class Assets: $58,770 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***

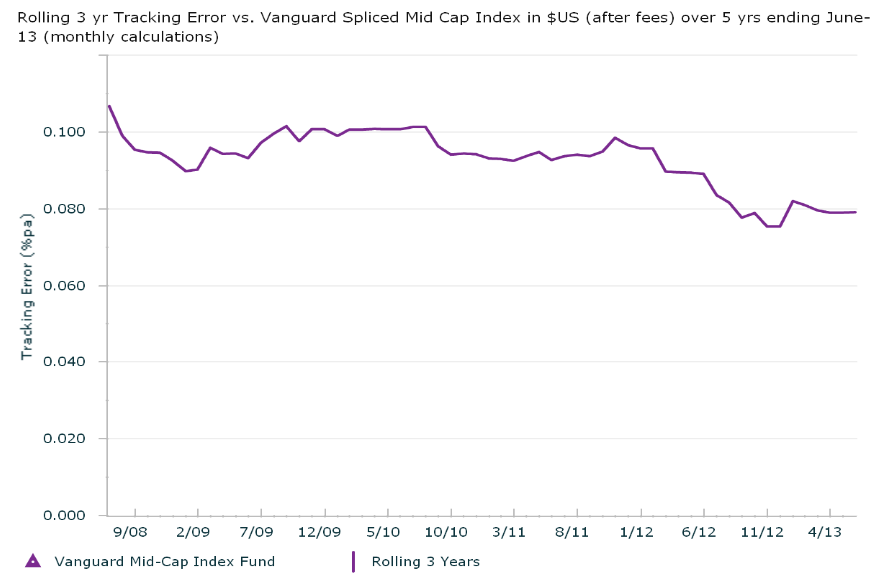
Investment Philosophy

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

- The Fund is tracking its index as expected

Tracking Error†



Key Facts and Figures

Portfolio Manager: Donald M. Butler	Total Fund Assets: $38,675 Million	Expense Ratio (Net): 0.06%
Portfolio Manager Average Tenure: 15.0 Years	Total Share Class Assets: $8,144 Million	Mercer Median Expense Ratio (Net): 0.29%

* 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
† The chart displayed represents the Institutional share class performance

Fund Profile

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

Share Class: S	**Benchmark: Russell 2000**

Investment Philosophy

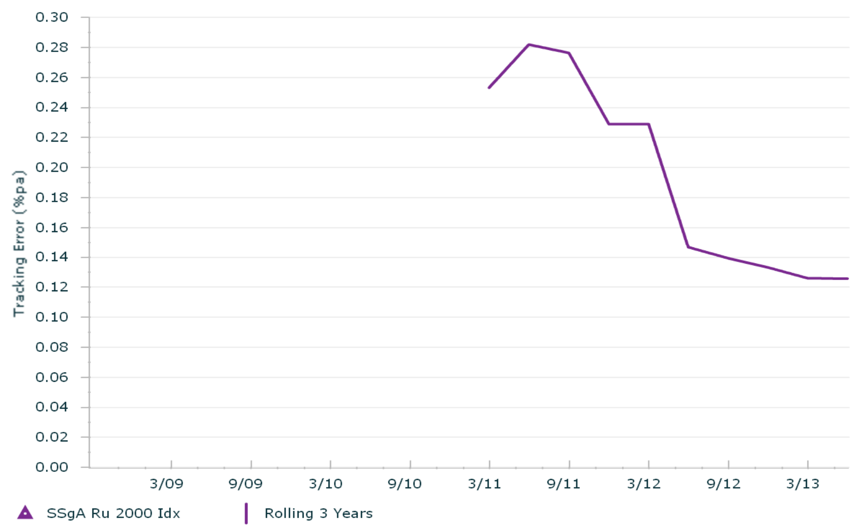
As a passive manager, SSgA's aim is to achieve returns as close to the index as possible, but in a cost effective manner. Market anomalies will be exploited where they can be, at very low risk levels. SSgA manages the Russell 2000 Index strategy using a full replication process. With regard to the replication 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

- The Fund is tracking its index as expected

Tracking Error

Rolling 3 yr Tracking Error vs. Russell 2000 in $US (after fees) over 5 yrs ending June-13 (quarterly calculations)



Key Facts and Figures

Portfolio Manager (Advised Since): David Chin (1999)	Total Strategy Assets: $12,278 Million	Expense Ratio (Net): 0.06% Mercer Median Expense Ratio (Net): 0.29%

Fund Profile

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

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

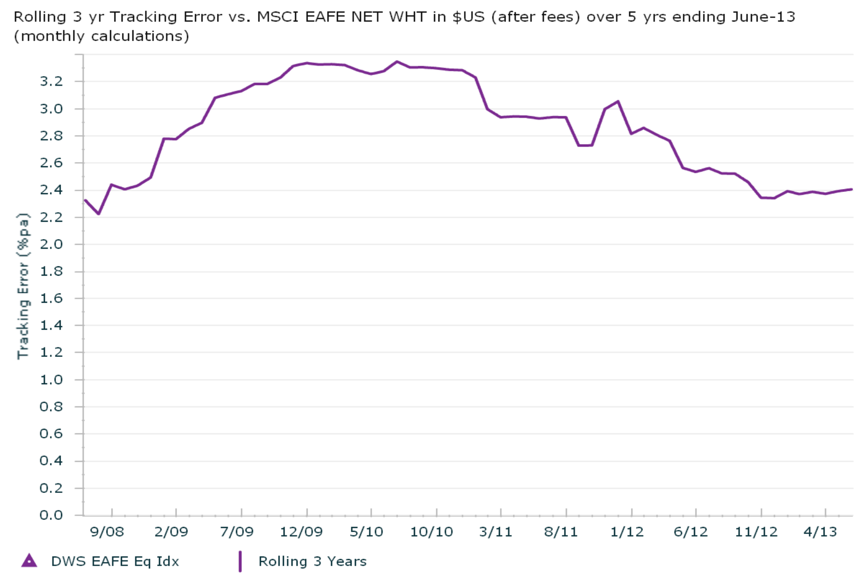
Investment Philosophy

The fund seeks to replicate the performance of a key international index that emphasizes stocks of companies in major markets in Europe, Australasia and the Far East. Management buys the stocks that make up the majority of the index value in roughly the same proportion as the index, then seeks to match the industry and risk characteristics of the index's smaller companies without buying all of those stocks. This approach is designed to maximize the funds liquidity and returns while minimizing its costs.

Portfolio Analysis & Key Observations

- The Fund is tracking its index as expected

Tracking Error



Key Facts and Figures

Portfolio Manager: Shaun Murphy	Total Fund Assets: $236 Million	Expense Ratio (Net): 0.54%
Portfolio Manager Average Tenure: 6.0 Years	Total Share Class Assets: $236 Million	Mercer Median Expense Ratio (Net): 0.40%

Fund Profile

Tier IIB - 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. However, the Fund is constructed with concern for diversification and industry risks. The Fund is highly diversified holding between 200 and 300 companies. Sector positions are generally kept within five-percent of the benchmark weight. This control mitigates industry risk, but leaves enough flexibility for stock selection to drive sector allocations. The Fund has the flexibility to invest in developed and emerging markets; however, emerging market exposure is generally less than 15% of the Fund. The amount of emerging market exposure in the Fund is also driven by bottom-up stock selection. While the process is founded on fundamental research and stock selection, thoughtful portfolio construction is important in creating a Fund that strives to be consistent and risk aware.

The Fund does not engage in currency hedging. The manager may employ derivatives in the management of the Fund, in the form of equity index futures to gain exposure to a particular market and equitize short-term cash flows. The Fund seeks to remain fully invested at all times, and may maintain an average weight in cash of around 5% of total assets.

Portfolio Analysis & Key Observations

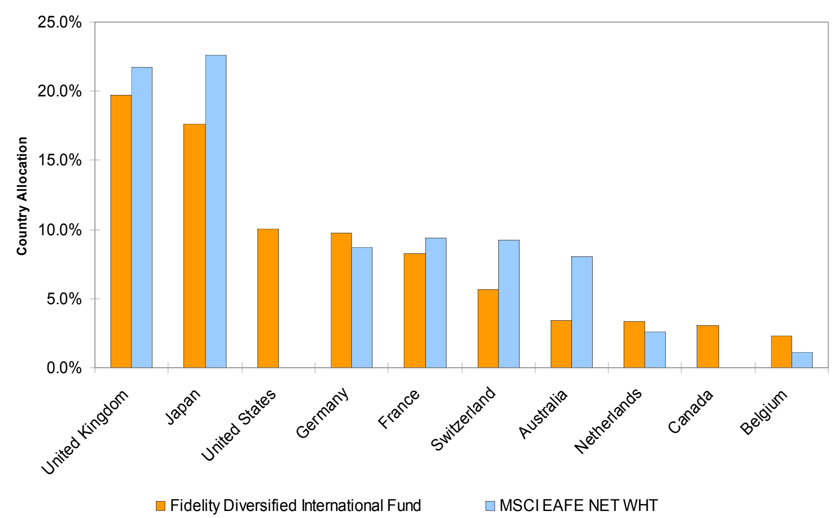
Contributors:

- 8 out of 11 sectors outperformed with financials, materials, and consumer staples leading due to security selection
- Asia Pacific ex Japan was the biggest regional contributor due to market selection

Detractors:

- Telecommunication services and consumer discretionary were the only two lagging sectors due to market selection
- Emerging markets and Canada trailed the benchmark due to security selection

Country Analysis as of June 30, 2013



Key Facts and Figures

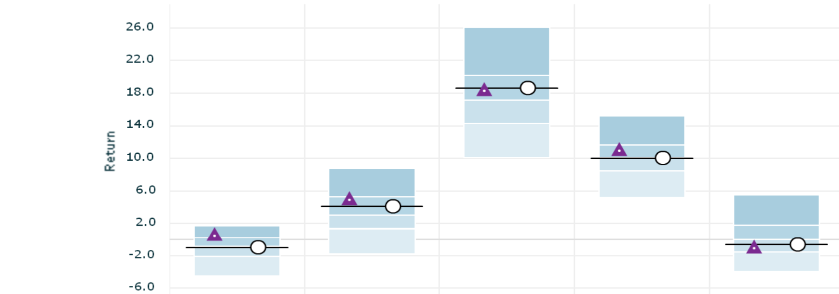
Portfolio Manager: William Bower	Total Fund Assets: $23,270 Million	Expense Ratio (Net): 0.91%
Portfolio Manager Average Tenure: 12.0 Years	Total Share Class Assets: $13,017 Million	Mercer Median Expense Ratio (Net): 1.02%

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 ending June-13

Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

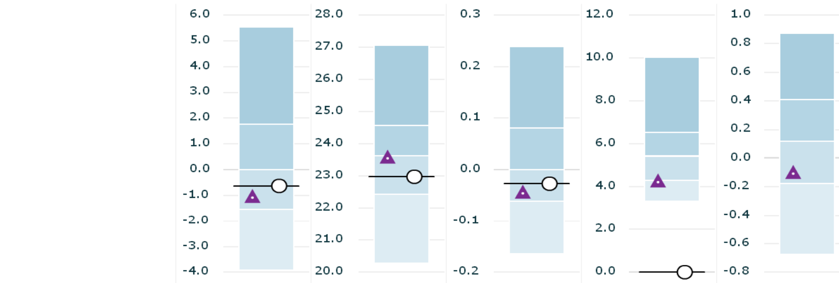


	3 mths (%)	YTD 6 mths (%)	1 yr (%)	3 yrs (%pa)	5 yrs (%pa)
▲	0.5(20)	4.9(29)	18.3(38)	10.9(36)	-1.1(69)
○	-1.0(53)	4.1(37)	18.6(35)	10.0(51)	-0.6(61)
5th Percentile	1.7	8.7	26.1	15.2	5.5
Upper Quartile	0.2	5.3	20.2	11.6	1.8
Median	-0.8	3.1	17.2	10.1	0.0
Lower Quartile	-2.1	1.4	14.3	8.5	-1.5
95th Percentile	-4.5	-1.8	10.1	5.2	-3.9
Number	428	423	408	356	325

▲ Fidelity Diversified International ○ MSEAFENUSD

Performance characteristics vs. MSCI EAFE NET WHT in $US (after fees) over 5 yrs ending June-13 (monthly calculations)

Comparison with the Mutual Fund World ex US/EAFE Equity universe (Percentile Ranking)

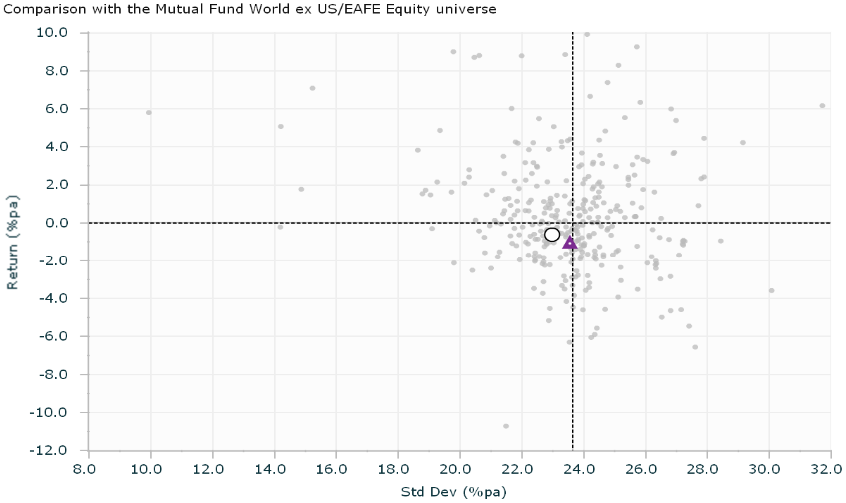


	Ret (%pa)	Std Dev (%pa)	Ret/SD	TE (%pa)	IR
▲	-1.1(69)	23.6(53)	0.0(69)	4.2(77)	-0.1(70)
○	-0.6(61)	23.0(63)	0.0(61)	0.0(100)	-
5th Percentile	5.5	27.1	0.2	10.0	0.9
Upper Quartile	1.8	24.6	0.1	6.5	0.4
Median	0.0	23.6	0.0	5.4	0.1
Lower Quartile	-1.5	22.4	-0.1	4.3	-0.2
95th Percentile	-3.9	20.3	-0.2	3.3	-0.7
Number	325	325	325	325	325

▲ Fidelity Diversified International ○ MSEAFENUSD

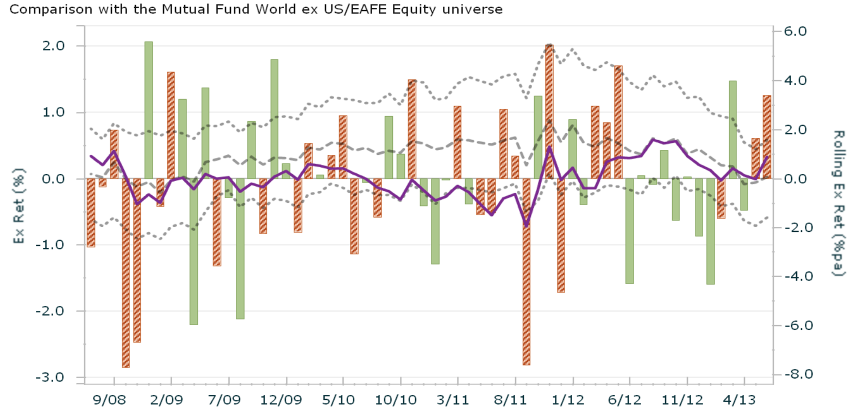
Return and Std Deviation in $US (after fees) over 5 yrs ending June-13 (monthly calculations)

Comparison with the Mutual Fund World ex US/EAFE Equity universe



Monthly Excess Return vs. MSCI EAFE NET WHT with rolling 3 yr line in $US (after fees) over 5 yrs ending June-13

Comparison with the Mutual Fund World ex US/EAFE Equity universe



Appendix A – Investment Manager Updates

Pacific Investment Management Company (PIMCO)

Business Meeting Update – June 17, 2013

- *Meeting Highlights*:
  - PIMCO continue to develop their executive office, which is designed to contribute to their firm-wide strategic, financial and operational initiatives. Kirkowski highlighted how the firm has changed since 2008. In 2008 PIMCO managed USD 700 billion in assets and had 1,200 employees (400 investment professionals), this has grown to over USD 2 trillion (USD 1.7 trillion in third-party assets) as at end March with over 2,300 employees (680 investment professionals). The most interesting development is that just under half of their personnel are now based outside of Newport Beach, including a large New York office.
  - Kirkowski went onto highlight that one of the biggest challenges has been communication but believes the investment process brings everybody together. The secular and cyclical forums are an important part of their process and by bringing all of the investors under one roof 4 times a year ensures that the firm's culture and investment themes remain constant and aligned. Mohamed added that the firm has invested a lot of resources into people training. Most investors have been on courses designed to improve their cognitive thought process and understand behavioral finance. Mohamed believed that this will both improve how the various teams think collectively and also how they develop ideas in new challenging environments. We were impressed with the ways in which PIMCO continue to develop their investment teams thought process. We see this as a way to increase their staff retention record. However, we do note that PIMCO's employees work a lot harder than those at other firms and the constant stream of global conference calls will take its toll on several of the key idea generators.
  - Both Kirkowski and Mohamed discussed the evolving relationship with Allianz. They believe that the relationship has never been better. PIMCO have taken full control over distribution and product development, with Allianz stepping back from the thought leadership process. Neither individual saw it likely that the ownership structure would change going forward. PIMCO have a supporting parent who has ceded control and now allow PIMCO to act autonomously in all decisions. In response Allianz have a partner who deliver a very strong revenue stream. We had some fears that this relationship was slowly being dissolved but our fears were reduced following this meeting. We feel that it would be costly to initiate a management buy out and saw no reason why PIMCO would do this given the recent changes to the relationship which has ceded more control to PIMCO.
  - Mohamed responded to the various concerns we have had in the past about succession planning. He reiterated that he and Bill Gross have no future plans to retire and that they continued to have the support of the firm's 54 global partners. PIMCO go through an election process to elect the CIO and CEO of the firm and they continue to receive strong support, as long as this continues Mohamed saw no reason to start thinking about his future.
  - Mohamed believes that the strong growth in their personnel has led to their process evolving and increased the importance of their regional investment committees, of which there are now three. He believes that the discussion framework is far more global in nature and has broadened the debate onto more non-financial factors affecting market movements. Mohamed admitted that they had underestimated the degree to which central bank policies had impacted the market and were spending a lot of time attempting to understand when these policies would reverse and the resulting market impact. Their investment thesis remains linked to a "stable disequilibrium" whereby central banks continue to "hope" for future growth without having the ability to influence it to a great extent. Mohamed went on to suggest that investors are likely to lose money going forward with more countries seeking some kind of "debt forgiveness" over the coming few years. He also believed that social and political problems will become more heightened and this will increase the need for strong governments, especially within the Eurozone. This all led to what he described as a future "T-Junction" scenario, whereby if the road led to the right the global economy would continue to slowly recover and grow out of the debt overhang. However, if the road veered off to the left a debt spiral would cause sovereign defaults and further social unrest leading

to increased volatility and less homogeneous market movements. This thought process has led PIMCO to de-risk their portfolios in recent weeks and focus more on interest rate carry, or term premium, rather than spread carry to add value.

- We found this meeting useful in adding to our understanding of where PIMCO are heading as a firm. In addition, we found Mohamed's investment insights to be solid and well reasoned and continue to believe his existence at the firm is additive to the whole investment process.

▪ *Issues to Watch*:

- We questioned PIMCO's recent venture into active equity management. They appeared enthusiastic about this approach and continued to insist they would grow their assets organically rather than look to buy a business. They currently manage USD 16 billion in the StocksPLUS fund, which combines derivatives based equity exposure with active bond management, and USD 4 billion in actively managed equities. PIMCO see this move as an extension to their process, building out their investment opportunities across a company's capital structure. We are slightly more skeptical and see this move as an attempt to maintain their asset size if bond markets move into a long term bear market. We do not see this as a negative move; just pragmatic good business sense. However, we believe if they intend to grow this part of the business they will need to think how differently an equity business is managed than a fixed income firm. There are differences between the two and it would be interesting to see how the overarching control of the main investment committees at PIMCO can exert influence on the various equity teams going forward.

- At this meeting we also discussed turnover among investment professionals. PIMCO believe their turnover is about what they would expect from a large organization of around 6% to 7% per annum. They informed us that at least half of these individuals are forced out. In discussion it appeared that PIMCO spend a lot of time on staff training and individual assessment. They have a huge team of individuals that operate separately from the investment teams that evaluate individuals and teams working on a 360 degree assessment process. With the compensation based at least 75% on investment performance the team also have to assess how far each individual has contributed to the overall performance of the various funds and this is a challenging prospect. PIMCO are in the process of revisiting their existing titles and may adopt a different process going forward. As the firm has grown it has been difficult to compare and contrast different products and people in the same manner and they are looking at ways to improve the system. Mohamed did mention that their greatest challenge was to retain their most impressive "number 2s". They increasingly contribute to various products and it is difficult to measure and manage their overall contribution at times.

- One of the concerns we have always highlighted at PIMCO is capacity management. Several of the investors we talked to throughout the day highlighted the existing poor liquidity conditions, especially in investment grade credit. Several of the key investors, including Mohamed, believe that this has benefitted PIMCO. They believe the fall in liquidity has meant that investment banks have been more forthcoming with their existing positions and more eager to off-load their balance sheets, which has led PIMCO to be a liquidity provider to the market. They have also spent a lot of time with small and medium sized companies and countries to build closer working relationships in order to develop and align two way conversations regarding direct lending. They believe that this will continue to benefit houses of their size. Although we believe this gives them great access on the way in, it does not benefit them if they had to exit certain strategies. In addition to building these ties PIMCO are increasingly looking to trade more internally. The whole process has been audited by the SEC and as long as they have client permission they believe that with so many differentiating products they will be able to increase the percentage of cross trading within their funds. This might be an interesting topic for further analysis.

- Both Kirkowski and Mohamed believe the recently announced regulatory changes across the globe will cause several challenges in the years ahead. PIMCO have invested a lot of resources in building a global investment platform. However, if these changes lead to differences in regional work practices it will become difficult to maintain a consistent compensation system and working culture. They continue to monitor these changes, but believe these changes could provide the greatest risk to them continually operating a global investment platform.

Vanguard

Vanguard Passive Fixed Income Review – July 26, 2013

- *Meeting Highlights*:
  - Earlier this year Vanguard promoted Josh Barrickman to lead Vanguard's Bond Indexing Group. Barrickman has worked for Vanguard for 14 years, 10 of which were in bond indexing portfolio management. Barrickman will report directly to Ken Volpert, Head of Taxable Bond Group. Gregory Davis, the previous Head of Bond Indexing, was promoted to lead Vanguard's Australian team. These moves are not surprising as Vanguard tends to promote from within and frequently transfers personnel in its investment management teams in an effort to expand their knowledge.
  - Vanguard runs risk reports using Barclays POINT to monitor contribution to tracking error variance (TEV) from a variety of sources, including curve, swap spread, volatility, and various spread sectors. Idiosyncratic risk is the largest source of TEV, which is to be expected given that the team does not seek to fully replicate all bonds in the index. As of 06/30/13, the Total Bond Market Index Fund had a portfolio of 5,890 bonds compared to the Barclays Aggregate Float Adjusted Index of over 8,000.
  - BlackRock Solutions' Aladdin has been the analytical engine behind the dashboard, and both the portfolio and index are modeled in this system, as would be expected to avoid modeling error between the Barclays and BlackRock systems. Vanguard's use of the both systems to monitor tracking differences is a modest improvement over the use of a single system.

- Vanguard almost exclusively invests in cash market securities, but will use derivatives when they are attractively priced. For example in 2007 Vanguard gained exposure to CMBS through total return swaps (TRS). Vanguard no longer engages in security lending. When the firm did conduct security lending, it would only lend securities “on special” and would conservatively manage the cash. Volpert explained that this resulted in little added value, and “tainted” the firm for engaging in potentially risky practices.

▪ *Issues to watch*: Currently, all of Vanguard’s index funds are benchmarked against Barclays float-adjusted indices. When the Federal Reserve begun its quantitative easing actions in 2009, Barclays adjusted and removed from its indices Treasury securities purchased by the Fed. However Barclays did not adjust for the Fed’s Agency MBS purchases. For indexing purposes, Vanguard felt this was inappropriate and thus were instrumental in getting Barclays to create float-adjusted indices that accounts for both the Fed’s Treasury and Agency purchases. Year to date, the float-adjusted indices have slightly outperformed the non float-adjusted indices. Once the Federal Reserve starts scaling back its easing programs, the returns for the float and non-float indices may diverge significantly. For relative performance attribution purposes, the difference in returns between the indices should be monitored.

Appendix B – Disclosures

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