

Understanding the Quarterly Watch Lists

The Retirement Plan Advisory Committee (PRAC) plays an important fiduciary role by actively monitoring the investment strategies, performance, and risk and return characteristics of the Program's investment options. As such, Review/Watch List Guidelines have been established to assist the Committee in evaluating the Plans' investment options. On a quarterly basis, each of the Plans' investment options are evaluated by Hewitt EnnisKnupp, an independent investment consultant, to determine if they are meeting any of the quantitative or qualitative factors established by the Committee (described in detail below). Any investment option that is on the Watch List will be evaluated at regular Committee meetings to determine why it is not meeting the stated benchmarks and to determine whether further action is warranted. Funds that are repeatedly or consistently "on watch" may be candidates for replacement. Please keep in mind that this information should not be taken as investment advice.

Quantitative Factors (Investment Performance)

Working in concert with our administrative service providers (Fidelity, TIAA-CREF, and VALIC), Hewitt EnnisKnupp has established market benchmarks for each of the Plans' investment options. Each benchmark adequately represents the investment universe for each manager. For example, the S&P 500 is used as a benchmark against which performance of the Plans' large-cap or "blue chip" funds are compared. Universe rankings have also been established to provide an understanding of how the fund has performed relative to peers.

Each of the Plans' investment options are evaluated on an annualized, trailing five-year period, measured on a rolling quarterly basis, to determine if any funds should be on watch for that period based on the following criteria:

Actively Managed Funds (net of fees)

- Asset Allocation Funds: Underperformed the benchmark
- Fixed Income: Underperformed the benchmark *and* ranked in bottom 50% of peer group
- Equity: Underperformed the benchmark *and* ranked in bottom 50% of peer group

Passively Managed Funds (net of fees)

- Asset Allocation Funds: Underperformed the benchmark by an annualized 0.2%
- Fixed Income: Underperformed the benchmark by an annualized 0.1%
- U.S. Equity: Underperformed the benchmark by an annualized 0.2%
- International Equity: Underperformed the benchmark by an annualized 0.3%

Qualitative Factors

The objective of qualitative factors is to identify events that could materially affect the management of the portfolio or the Committee's confidence in an investment option. Specific events may include, but are not limited to, the following:

- Significant organizational issues

- Adverse change in portfolio management talent
- Lack of adherence to stated investment philosophy and objectives
- Uncompetitive investment fees

The Committee and the consultant will work together to determine the materiality of an event. An investment fund that meets any of the qualitative factors during the quarter is placed on the Watch List for that period.

Understanding the Watch List Color Coding System

The quarterly reports employ a progressive color coding system to assist the Committee in quickly identifying those investment managers/options that are repeatedly or consistently “On Watch.” As identified in the table on the following page, an investment managers/option’s status on the Watch List will be escalated based on the amount of time it has been on the Watch List.

Status	Watch List Triggers
X	Meets any of the quantitative and/or qualitative factors measured on a rolling quarterly basis over an annualized five-year period
X	Two consecutive quarters of being on the Watch List.
X	Two consecutive quarters of being on the Watch List with a “yellow” designation.
X	Two consecutive quarters of being on the Watch List with an “orange” designation.

When an investment option is placed on the Watch List with a red designation for both the quantitative and/or qualitative monitoring criteria, Hewitt EnnisKnupp will conduct a formal fund review and a recommendation for action will be made to the Committee. It is the Committee’s confidence in the investment manager/option’s ability to accomplish its stated objectives and the extent to which such objectives are consistent with the investment goals and philosophy of the Program that will determine whether an investment manager/option will be retained.

What the Watch List Means for You

It is important that you review and consider the appropriateness of your current investments if one or more of your chosen investment alternatives is repeatedly or consistently “On Watch.” By reviewing your retirement goals, your time to retirement, and your tolerance for risk, you’ll gain a better understanding of whether one or more of the Plans’ other investment options may be right for you., You should contact an investment advisor from your administrative service provider (Fidelity, TIAA-CREF, or VALIC) to help you review your investments and determine if you need to make a change or not.