FUND EVALUATION REPORT

Hospitality Industry 401(k) Plan

Investment Review
October 24, 2017

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Retirement Plan Services RFP Responses

Background

- At the June 23 meeting, the Trustees discussed concerns with the fees charged by the Principal Financial Group for the Hospitality Industry 401(k) Plan. The Trustees requested Meketa Investment Group conduct a search and evaluate other providers for bundled retirement plan services, including recordkeeping and administration, investment services, client service, communications, and education. We sent RFPs to the following eight firms:

Recordkeeping Firm	Location	Response
Principal Financial Group	Bethesda, MD	Responded
MassMutual Workplace Solutions	Enfield, CT	Responded
Prudential Retirement	Hartford, CT	Responded
John Hancock Retirement Plan Services	Westwood, MA	Declined
Securian Financial Group	St. Paul, MN	Declined
VOYA Financial	New York, NY	Declined
Nationwide Retirement Plans	Columbus, OH	Declined
Fidelity Workplace Services	Boston, MA	Did Not Respond

- This document first reviews the criteria considered by Meketa Investment Group in its evaluation of bundled services retirement plan providers, and then summarizes the services offered by the three respondents, Principal, MassMutual, and Prudential.

Search Process

- Meketa Investment Group submitted a request for proposal to seven experienced providers of bundled retirement plan services for defined contribution plans. In addition, we submitted a request for an updated proposal from the incumbent, Principal.
  - The Hospitality Industry 401(k) Plan is serviced in a "bundled" manner, by Principal providing custody, recordkeeping, investment services, and administrative services.
- All respondents were evaluated according to the following criteria:
  - defined contribution administrative and recordkeeping capabilities
  - multi-employer plan experience
  - experience and depth of the proposed client service group
  - participant investment expenses
  - recordkeeping and administration fees
  - participant education

Selection Criteria

Defined Contribution Administrative & Recordkeeping Services

- Retirement plan providers should offer comprehensive, fully bundled services, including legal and regulatory compliance assistance, participant account recordkeeping, phone response, internet services, communications and education, and optional participant investment advice. The recordkeeping provider must possess the capacity to seamlessly interface with 29+ feeds, providing them with access to important Plan data through a secure web portal.
- The retirement plan provider needs to commit to transaction and client satisfaction service standards.

Multi-Employer Plan Experience

- The retirement plan provider should possess relevant experience providing services to multi-employer plans.

Experience and Depth of Proposed Client Service Group

- The Plan must be assured of timely responses to inquiries and a consistent, knowledgeable contact within the recordkeeping operation. Generally, a larger and more specialized team is likely to execute Plan transactions more quickly and effectively, make fewer errors, and exhibit better problem solving skills.

Quality & Diversity of Investment Options

- The retirement plan provider must offer a diverse range of available investment options to satisfy a wide range of participant investment objectives, and ensure that the Plan remains compliant with the relevant parts of ERISA.

Selection Criteria (continued)

Participant Investment Expenses

- Investment expenses are borne by the participants. Expenses are collected by the investment managers and deducted from fund performance. Investment expenses must be disclosed in the fund prospectus and in communications materials as an operating expense. Investment operating expenses must be reasonable and competitive relative to services provided, should be fully disclosed to participants, and must be regularly reviewed by the Plan Sponsor.

Recordkeeping and Administrative Fees

- Required revenue for full service recordkeeping and administrative services available in "flat" dollar fee or as a percentage of assets.
- Fees are negotiable and may change depending on Plan structure and investment options.

Participant Education

- The retirement plan provider must offer customized educational materials through a variety of media (e.g., web content, printed materials, on-site presentations) to participants. Materials should explain plan structure and rules, investment options (including risk/reward characteristics), investment expenses, retirement planning concepts, and how the state of the economy and markets may impact conservative, moderate, and more aggressive investments.

Key Considerations

- All plan service providers offer enough investment options, including inexpensive index funds, to create a diversified investment menu for participants. Each of the three responding firms offers over 10,000 investment options.
- Retirement plans services have become more of a commodity business as the capabilities among providers have diminished.
  - Commoditization, along with recent fee disclosure requirements, is driving down the cost of recordkeeping and administrative expenses for defined contribution plans.
  - Thus, Meketa Investment Group believes cost is an important factor in selecting a retirement plan services provider.
- Education is key component to the overall success of a Plan in order to properly engage participants.
  - The finalists offer unlimited[1] on-site enrollment meeting dates and ongoing education sessions.
  - All finalists will work with the Trustees, staff, and Meketa to develop an education and communication plan for participants.

[1] Principal and MassMutual will work with the Plan for initial and ongoing enrollment support and will conduct as many on-site days as needed, provided they meet with at least 20 members per day.

Overview of RFP Respondents

	Principal	MassMutual	Prudential
Firm Location	Des Moines, IA	Springfield, MA	Hartford, CT
Ownership	Publically Owned (NYSE: PFG)	Mutual-MA Life	Publically Owned (NYSE: PRU)
History	Founded in 1879, began offering DB retirement plan services in 1941, expanded to DC plans in 1963, have worked with Taft-Hartley plans since 1962.	Founded in 1851, began offering DB retirement plan services in 1946, expanded to DC plans in 1970s, have worked with Taft-Hartley plans for over 50 years.	Founded in 1875, began offering DB retirement plan services in 1924, expanded to DC plans in 1978, have worked with Taft-Hartley plans since 1955.
Total DC Plans / Taft-Hartley DC Plans	31,528 / 105	24,879 / 43	2,704 / 15
DC Assets Under Administration	$183.7 billion	$138.0 billion	$135.4 billion
Taft-Hartley DC Plan Assets	$1.5 billion	$1.0 billion	$24.4 billion
Years of Servicing Taft-Hartley Plans	50+	50+	60+
Custody Provider	Principal Trust Company	MassMutual Trust Company	Prudential Bank & Trust

Client Relationship Management

	Principal	MassMutual	Prudential
Relationship Manager	Alton Fryer	Eric Sarrazin	Brant Kintz
Location	Bethesda, MD	Springfield, MA	Scranton, PA
Number of Clients Serviced	20-35	10-15	15
Years of Relevant Experience	20	20+	20+

Client Plans Gained/Lost

	Principal[1]	MassMutual	Prudential
DC Taft-Hartley Last 3 Years:			
Gained:	NA	28	5
Lost:	NA	5	5

[1] Principal did not provide this information.

Recordkeeping, Call Center, and Communications/Education

	Principal	MassMutual	Prudential
Education:			
# of Proposed Meeting Days	Unlimited[1]	Unlimited[1]	Unlimited
Participant Support:			
Call Center Hours of Operation	M-F 8:00am-10:00pm	M-F 8:00am-8:00pm	M-F 8:00am-9:00pm
Multi-language Communication	Yes (English and Spanish; other languages through Voiance Language Line)	Yes (English and Spanish; other languages at an additional cost)	Yes (English and Spanish; other languages at an additional cost)
Participant Statement	Statements mailed quarterly within 10 business days of quarter end. Custom statements available online.	Statements mailed quarterly within 15 business days of quarter end. Custom statements available online.	Statements mailed quarterly within 10 business days of quarter end. Custom statements available online.

[1] Principal and MassMutual will work with the Plan for initial and ongoing enrollment support and will conduct as many on-site days as needed, provided they meet with at least 20 members per day.

Recordkeeping/Administration Fees[1]

	Principal	MassMutual	Prudential
Asset-Based Fee:	0.44% $154,000 / $134pp[2]	0.35% $122,500 / $107pp	0.23% $80,500 / $70pp
Hard Dollar-Based Fee[3]:	$176,000 0.50% / $153pp	$151,800 0.43% / $132pp	$83,950 0.24% / $73pp
Use of Firm's Stable Value Fund:	No	No	No
Fee Proposal Guaranteed for:	Three Years	Three Years	Three Years

Other Fees/Costs

	Principal	MassMutual	Prudential
Conversion	Incumbent	None	None
Early Termination	None	None	None
Distributions	$40	None	$50
Hardship Approval	$80	$160	None
QDRO Qualification	$350	$350	$750
Postage/Mailing	Included	Included	Included

- Fund may choose asset-based or flat dollar-based fee.

[1] Based on $35.0 million total assets and 1,150 participants with balances.
[2] Per participant.
[3] Principal quoted a flat fee of $176,000. MassMutual and Prudential quoted fees of $132 and $73 per participant, respectively. The conversions are shown for comparison purposes.

Comparison Summary

	Potential Strengths	Potential Weaknesses
Principal	• No conversion or interruption of service • Relationship Manager is local (Maryland) • Call center has longest open hours	• Highest fees • High client to relationship manager ratio
MassMutual	• Good working relationship with Meketa and other DC clients • Low client to relationship manager ratio	• Fees second from the highest • Relationship manager not local (Massachusetts)
Prudential	• Lowest fees • Largest Taft-Harley business • Good working relationship with Meketa and other DC clients • Low client to relationship manager ratio	• Relationship manager not local (Pennsylvania)

Principal's Fee Structure[1]

Prior to June, 2017

Number of Investment Options:	19 plus 7 Target Date Funds
Average Total Expense Ratio:	0.71%
Average Revenue Sharing Fee:	0.27%; $94,000
0.76% Recordkeeping Fee:	$266,000
Total Paid to Principal:	$360,000
Per Participant:	$313

Post June, 2017

Number of Investment Options:	19 plus 7 Target Date Funds
0.83% Recordkeeping Fee:	$290,000
Total Paid to Principal:	$290,000
Per Participant:	$252

[1] Assumes $35,000,000 total assets and 1,150 participants with balances.

Executive Summary

- The value of the 401(k) Plan increased by $1,589,000 during the third quarter of 2017, ending at $34.1 million on September 30, 2017. The value increased by over $4,550,000 year to date.

Quarter	Market Value ($mm)
2017Q3	$34.1
2017Q2	$32.5
2017Q1	$31.2
2016Q4	$29.6
2016Q3	$28.8

- During the third quarter of 2017, all investment options experienced positive returns.
- All investment options posted positive returns for 1-, 3-, 5-, and 10-years ending third quarter of 2017, except for TIPS, which has slightly negative returns for 1- and 5-year periods.
- The DFA International Small Cap Value and the Vanguard Emerging Markets Stock Index funds were the best performing investments for the quarter, returning 7.6% and 7.8%, respectively.
- The Treasury Money Market fund represents nearly one-sixth (15.7%) of the Plan’s assets as of September 30, 2017.
- Only five of the twenty-five investment options have net expense ratios above the respective Morningstar peer average. The five are Principal Target Date Funds.

Aggregate Performance and Fees
As of 9/30/17

Asset Class	% of 401(k)	"Average" Investment Return 1YR[1] (%)	"Average" Benchmark Return 1YR (%)	Average Investment Management Fee (%)	Average Universe Investment Management Fee (%)
Large Cap U.S. Equity	18	18.4	18.5	0.42	1.05
Small/MidCap U.S. Equity[2]	17	19.5	20.2	0.78	1.20
International Developed Equity	5	23.0	18.6	0.59	1.28
Emerging Market Equity	< 1	18.8	22.5	0.14	1.44
Balanced Assets	33	12.6	9.3	0.87	0.83
High Yield Bonds	3	11.4	9.1	0.80	1.05
Investment Grade Bonds	6	0.2	-0.3	0.41	0.75
Real Estate	2	8.6	7.9[3]	1.15	1.00-2.00[4][5]
Cash	16	0.6	0.7	0.09	0.51
Total Plan	**100**	**14.4**	**13.3**	**0.58**	**1.07**

- The 401(k) Plan "average" outpaced the Total Plan benchmarks' "average" by 1.1% for the trailing twelve months ending September 30, 2017.
- The fees are low, overall, relative to respective peer groups.

[1] Unweighted average of options.
[2] The Victory Sycamore MidCap Value fund is a new investment option on this roster and does not yet have 12 months of historical data.
[3] One quarter lagged. September return not yet available.
[4] The midpoint of 1.50% is used.
[5] As of June 30, 2017. September data not yet available.

Compliance Report as of 6/30/17[1]

Fund Name	Risk Level[2]	Median Peer Risk Level	Performance 1 YR Ending 6/30/17 (%)	Performance 3 YR Ending 6/30/17 (%)	Performance 5 YR Ending 6/30/17 (%)	Performance Relative to Universe Median			Underperform Benchmark	
						1 YR	3 YR	5 YR	3 YR	5 YR
AllianceBernstein/CCI/Brown Small Cap Growth	11.3	11.6	24.4	7.7	13.4	45	**58**	**75**	No	**-0.6**
Capital Research and Mgmt American Funds EuroPacific Growth	8.5	9.4	22.2	3.7	9.6	15	30	32	No	No
Dimensional International Small Cap Value[3]	7.5	8.4	28.8	4.2	13.7	1	21	9	No	No
Fidelity Advisor High Income Advantage	4.1	3.0	14.3	4.9	7.9	10	8	7	No	No
Goldman Sachs Small Cap Value	12.4	11.6	20.8	6.8	14.3	**71**	**68**	**54**	**-0.6**	No
Victory Sycamore MidCap Value[3]	8.4	9.0	15.9	9.9	15.4	**75**	15	50	No	No
Principal Bond and Mortgage	3.1	2.7	1.5	2.3	2.8	26	**64**	41	**-0.2**	No
Principal Large Cap S&P 500 Index	6.1	6.7	17.5	9.3	14.2	**56**	38	49	**-0.3**	**-0.4**
Principal LifeTime 2010	2.9	2.9	7.6	3.1	6.1	**63**	**88**	**59**	No	No
Principal LifeTime 2020	3.6	3.4	10.4	3.9	7.8	29	**57**	33	No	No
Principal LifeTime 2030	4.3	4.2	12.9	4.6	9.0	**58**	**70**	**58**	No	No
Principal LifeTime 2040	4.7	4.7	14.6	4.8	9.9	**76**	**75**	**61**	**-0.4**	**-0.5**
Principal LifeTime 2050	5.0	4.8	15.7	5.1	10.4	**79**	**79**	**74**	**-0.5**	**-0.6**
Principal LifeTime 2060	5.2	4.8	16.2	5.1	NA	**81**	**81**	NA	**-0.5**	NA
Principal LifeTime Strategic Income	2.6	4.5	5.3	2.6	4.4	**79**	**65**	**77**	No	No
Principal MidCap	7.7	8.5	19.3	10.1	15.8	50	22	20	No	No
Principal MidCap S&P 400 Index	9.5	8.7	18.2	8.1	14.5	**57**	44	50	**-0.4**	**-0.4**
Principal Small Cap Blend	12.5	12.4	18.5	6.0	14.8	**85**	**78**	50	**-1.4**	No
Principal Small Cap S&P 600 Index	14.6	12.4	22.2	9..0	15.1	**62**	36	46	**-0.3**	**-0.4**
Principal U.S. Property[4]	1.8	1.7	8.5	11.1	11.4	25-50	**50-75**	**50-75**	**-0.2**	**-0.4**
Touchstone Sands Institutional Growth[5]	12.4	7.1	24.5	6.1	12.9	12	**88**	**79**	**-5.0**	**-2.4**
Vanguard Equity Income	6.0	7.1	13.7	8.5	13.6	**70**	28	50	No	**-0.3**
Vanguard Emerging Markets Stock Index[3]	8.3	9.5	18.9	0.6	3.4	**68**	**62**	**77**	**-0.5**	**-0.6**
Vanguard TIPS	2.9	2.7	-0.8	0.6	0.2	**80**	23	27	No	**-0.1**
Vanguard Treasury Money Market Fund	0.1	0.1	0.4	0.2	0.1	31	22	19	No	**-0.1**

[1] Peer data for September 30, 2017 not yet available.
[2] Risk is measured by the one year standard deviation except for the Principal U.S. Property investment where risk is measured by the five year standard deviation.
[3] Used manager composite for trailing periods before client invested.
[4] Open-ended core real estate fund, not REIT. Compared to open-ended core real-estate.
[5] Investment under review.

Plan Summary

Asset Class Performance Summary

	Market Value 9/30/17 ($)	% of Portfolio	Market Value 6/30/17 ($)
Total Fund Aggregate	**34,127,250**	**100.0**	**32,538,081**
Large Cap Equity Assets	**6,031,687**	**17.7**	**5,725,161**
MidCap Equity Assets	**3,644,598**	**10.7**	**3,517,021**
Small Cap Equity Assets	**2,021,493**	**5.9**	**1,906,878**
International Developed Market Equity Assets	**1,857,927**	**5.4**	**1,713,244**
Emerging Market Equity Assets	**42,619**	**0.1**	**33,618**
Balanced Assets	**11,241,387**	**32.9**	**10,461,869**
Fixed Income Assets	**3,281,621**	**9.6**	**3,206,570**
Cash	**5,373,818**	**15.7**	**5,362,049**
Real Estate Assets	**632,100**	**1.9**	**611,671**

Trailing Net Performance

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund Aggregate	**34,127,250**	**100.0**	**--**						
Large Cap Equity Assets	**6,031,687**	**17.7**	**17.7**						
Touchstone Sands Institutional Growth	1,901,901	5.6	31.5	6.5	29.8	20.2	7.3	12.5	10.0
Russell 1000 Growth				*5.9*	*20.7*	*21.9*	*12.7*	*15.3*	*9.1*
Principal Large Cap S&P 500 Index	3,604,510	10.6	59.8	4.4	14.0	18.2	10.4	13.8	7.1
S&P 500				*4.5*	*14.2*	*18.6*	*10.8*	*14.2*	*7.4*
Vanguard Equity Income	525,276	1.5	8.7	4.5	11.4	16.8	10.3	13.4	7.8
Russell 1000 Value				*3.1*	*7.9*	*15.1*	*8.5*	*13.2*	*5.9*
MidCap Equity Assets	**3,644,598**	**10.7**	**10.7**						
Principal MidCap	2,290,240	6.7	62.8	5.8	19.4	20.4	12.5	15.7	10.6
Russell MidCap				*3.5*	*11.7*	*15.3*	*9.5*	*14.3*	*8.1*
Principal MidCap S&P 400 Index	1,115,619	3.3	30.6	3.1	9.1	17.1	10.8	14.0	8.6
S&P 400 MidCap				*3.2*	*9.4*	*17.5*	*11.2*	*14.4*	*9.0*
Victory Sycamore MidCap Value	238,739	0.7	6.6	3.9	9.4	15.1	12.7	15.6	9.9
Russell MidCap Value				*2.1*	*7.4*	*13.4*	*9.2*	*14.3*	*7.9*
Small Cap Equity Assets	**2,021,493**	**5.9**	**5.9**						
Principal Small Cap S&P 600 Index	1,241,437	3.6	61.4	5.9	8.8	20.8	13.7	15.2	8.9
S&P 600 SmallCap				*6.0*	*8.9*	*21.1*	*14.1*	*15.6*	*9.3*
Principal Small Cap Blend	372,049	1.1	18.4	4.8	7.3	16.2	11.0	14.6	7.2
Russell 2000				*5.7*	*10.9*	*20.7*	*12.2*	*13.8*	*7.8*
AllianceBernstein/CCI/Brown Small Cap Growth	255,674	0.7	12.6	6.8	19.7	22.3	12.3	13.7	8.6
Russell 2000 Growth				*6.2*	*16.8*	*21.0*	*12.2*	*14.3*	*8.5*
Goldman Sachs Small Cap Value	152,333	0.4	7.5	6.0	8.0	20.0	11.2	14.3	9.4
Russell 2000				*5.7*	*10.9*	*20.7*	*12.2*	*13.8*	*7.8*

Total Fund Aggregate

As of September 30, 2017

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
International Developed Market Equity Assets	**1,857,927**	**5.4**	**5.4**						
Capital Research & Management American Funds EuroPacific Growth	314,901	0.9	16.9	6.9	25.9	20.6	7.6	9.5	3.6
MSCI ACWI ex USA Growth				*6.3*	*24.8*	*17.7*	*6.4*	*7.9*	*1.9*
DFA International Small Cap Value	1,543,026	4.5	83.1	7.6	23.3	25.4	10.0	13.6	4.6
MSCI World ex USA SMID Net USD				*6.6*	*22.6*	*19.4*	*8.6*	*10.4*	*3.1*
Emerging Market Equity Assets	**42,619**	**0.1**	**0.1**						
Vanguard Emerging Markets Stock Index	42,619	0.1	100.0	7.8	23.6	18.8	--	--	--
MSCI Emerging Markets				*7.9*	*27.8*	*22.5*	*4.9*	*4.0*	*1.3*
Balanced Assets	**11,241,387**	**32.9**	**32.9**						
Principal LifeTime Strategic Income	316,717	0.9	2.8	2.2	6.7	5.6	3.7	4.2	3.3
DJ Target Today TR USD				*1.3*	*4.4*	*1.7*	*2.5*	*2.4*	*4.0*
Principal LifeTime 2010	1,091,036	3.2	9.7	2.8	8.5	7.9	4.5	5.8	3.6
DJ Target 2010 TR USD				*1.4*	*4.6*	*1.8*	*2.7*	*2.9*	*3.8*
Principal LifeTime 2020	3,840,798	11.3	34.2	3.7	11.2	11.0	5.7	7.6	4.2
DJ Target 2020 TR USD				*2.2*	*7.5*	*4.6*	*4.3*	*5.3*	*4.2*
Principal LifeTime 2030	4,261,486	12.5	37.9	4.4	13.6	13.8	6.6	8.8	4.5
DJ Target 2030 TR USD				*3.2*	*10.5*	*9.7*	*6.1*	*8.0*	*4.9*
Principal LifeTime 2040	1,288,930	3.8	11.5	4.8	15.1	15.7	7.1	9.7	4.6
DJ Target 2040 TR USD				*4.1*	*13.3*	*14.3*	*7.5*	*10.1*	*5.5*
Principal LifeTime 2050	324,571	1.0	2.9	5.2	16.1	16.9	7.5	10.3	4.7
DJ Target 2050 TR USD				*4.5*	*14.6*	*16.4*	*8.1*	*10.7*	*5.8*
Principal LifeTime 2060	117,849	0.3	1.0	5.3	16.4	17.4	7.6	--	--
DJ Target 2055 TR USD				*4.5*	*14.6*	*16.5*	*8.1*	*10.7*	*5.8*

Total Fund Aggregate

As of September 30, 2017

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Fixed Income Assets	**3,281,621**	**9.6**	**9.6**						
Principal Bond and Mortgage	2,092,771	6.1	63.8	1.1	3.9	1.4	2.7	2.5	4.4
BBgBarc US Aggregate TR				*0.8*	*3.1*	*0.1*	*2.7*	*2.1*	*4.3*
Fidelity Advisor High Income Advantage	1,135,501	3.3	34.6	3.1	9.6	11.4	6.8	7.6	7.0
BofA Merrill Lynch US High Yield Master II TR				*2.0*	*7.0*	*9.1*	*5.9*	*6.4*	*7.7*
Vanguard Inflation Protected Securities	53,349	0.2	1.6	0.8	1.7	-1.0	1.6	-0.1	3.8
BBgBarc US TIPS TR				*0.9*	*1.7*	*-0.7*	*1.6*	*0.0*	*3.9*
Cash	**5,373,818**	**15.7**	**15.7**						
Vanguard Treasury Money Market Fund	5,373,818	15.7	100.0	0.2	0.5	0.6	0.3	0.2	0.4
91 Day T-Bills				*0.3*	*0.6*	*0.7*	*0.3*	*0.2*	*0.4*
Real Estate Assets	**632,100**	**1.9**	**1.9**						
Principal U.S. Property	632,100	1.9	100.0	2.0	6.0	8.6	10.8	11.2	4.1

NCREIF-ODCE September return not yet available.

Disclaimer, Glossary, and Notes

Disclaimer

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Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

This document may contain certain forward-looking statements, forecasts, estimates, projections, and opinions (“Forward Statements”). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. A number of factors, in addition to any risk factors stated in this material, could cause actual future results to vary materially from the Forward Statements. No representation is given that the assumptions disclosed in this document upon which Forward Statements may be based are reasonable. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved, or that the Plan will receive a return of the amount invested.

In some cases, Meketa Investment Group assists the Trustees in handling capital calls or asset transfers among investment managers. In these cases, we do not make any representations as to the managers’ use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Trustees.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about is future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays $5 a year interest on each $100 par value. To figure its current yield, divide $5 by $95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay $100 for the bond that can be bought now for $95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{\text{5\% (discount)}}{\text{5 (yrs. to maturity)}} = \begin{array}{c}\text{1\% pro rata, plus}\\ \text{5.26\% (current yield)}\end{array} = \text{6.26\% (yield to maturity)}$$

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.