

AGENDA

Joint Administrative Services Board
July 24, 2011 1:30 p.m.
Joint Government Center

1. **Call to Order.**
Determination of Quorum
2. **Approval of Minutes.** (May 2011 Minutes Attached).
3. **Technology.**

Conference call with Mike Bowen, Systems Engineer, City of Staunton (540-332-3917). The following questions have been posed in advance:

ALREADY ANSWERED

1. How much did it cost? *Initial contract signed December 2002 for \$543,490 including training which does not get billed until used (we did not use all training dollars during implementation but did bring MUNIS back in a year later for a refresher (used some of that money then).*
2. Did it meet expectations? *Definitely*
3. What process was used to implement the system? *MUNIS had a team and we had a team and we worked along side of each other. Great approach... MUNIS comes on site to work along side during setup implementation... then leaves homework for your team to accomplish before MUNIS returns for more implementation.*
4. What problems arose in implementation? *We implemented both City and Schools. Had a bad experience implementing City payroll which delayed go-live. School payroll met Go-Live date went well. This was the only bad experience we had.*
5. How much staff time did it take to implement? *We had a very aggressive time table for implementation so workload was tough for implementation team. Long hours for 6 months... but we all for this was best.*
6. Did it improve your business processes? *Yes*

NEEDING ANSWERS

1. Is your system Schools Interoperability Framework (SIF) compliant?
2. What governance structure do you use to keep school and government on the same system?
3. Does the system have the ability to import and export data, or cross platforms, to reduce staff time and eliminated duplication of effort?
4. Explain how end-user access and accessibility works, for staff to log-in, for instance, and either manipulate data, review data, or print data. Are such changes available in real time?
5. Which systems has Staunton implemented and which have had the most positive impact: Finance/Accounting, Human resources (payroll, benefits, hiring process, data and diversity management), Work flow management; procurement; scheduling; supply chain management; Enterprise systems: RE and PP taxes; Sanitary Authority; Parks and Rec programming?
6. Assuming modular implementation: What was the order of implementation and rough time line? Are there any modules, looking back, that you would have deferred or simply not adopted?
7. What are your thoughts on use of "cloud system" v. purchasing a system that resides in our own servers?
8. Regarding Implementation: Was local team enhanced (more staff help) prior to implementation? If so, was the enhanced team ever reduced in number?
9. What kind of support did you receive from the vendor post implementation? How did it show up? How much did it cost? Was it a satisfactory experience in that regard? Is it ongoing?
10. How did you address data migration? Did you prepare a plan in advance that identified the data to move and the timing? Who generated the data templates? What did you do about archiving? Do you have any written materials that describe the plan for these items (or any other issues related to ERP adoption)
11. How do you address, generally, access control and firewalls?
12. Did you prepare summary of various business processes before implementation
13. Were there many changes to your business practices?
14. Could we benefit from collecting and reviewing other local government Best Practices?
15. Did you define "Best Practices" or did you take a vendor's template in this regard?
16. Is there any other reorganization that a local government might consider before ERP implementation?
17. How did you or would go about creating an objective selection methodology to choose an ERP system?

18. How did you gather the requirements of the various system users?
19. What can we do now to improve or increase our systems and personnel readiness to adopt ERP?
20. Does the system handle personal property tax calculation well?

4. Virginia Retirement System Deferred Compensation Plan. "Be it resolved that the Joint Administrative Services Board recommends that the Board of Supervisors and School Board of Clarke County offer the Commonwealth of Virginia 457 Deferred Compensation Plan to its respective organizations, that participation in the current Nationwide 457 plan be limited to employees enrolled in that program as of September 1, and that once said Nationwide participants elect to defer funds to the Commonwealth program, they will forego their future ability to defer to the Nationwide program."

5. Next Meeting.

David Ash

- Aye

Report from Director

Highlights of the report given by Tom Judge include:

- Treatment of Joint Services Fund in Annual Financial Report.
 - o Auditor has requested that this be treated as a line item in the general fund for the purposes of the annual financial report not as a separate fund.
 - o This item has been shown in the financial report as a separate fund for approximately fifteen years.
 - o Line item would be shown as a lump sum in the financial report but accounting will still show individual contributions that make up the whole.
 - o Tom Judge will follow up with the auditor to determine reasoning and what, if any, associated benefits.

- Treatment of Multi-year appropriations in Annual Financial Report.
 - o Additional schedule would be added to show prior year expenditures and current expenditures and available balance.
 - o Will reverse entries from system to allow reporting that does not duplicate the entries.
 - o Audits have gone from year to year with explainable changes.
 - o The requested change could improve communications by showing prior year expenditures providing the ability to see positive available balances that carry over.
 - o The Board concurred that the suggested approach, if adopted, would be misleading.
 - o Tom Judge will follow up with the auditor to determine reasoning and what, if any, associated benefits.

- Certain after-tax deductions inadvertently handled via payroll deduction.
 - o Individual employee after-tax deductions for such items as insurance or loan payments had been processed until approximately five years ago when it was determined that this could be more easily managed through the employee's banking institution.
 - o Due to a miscommunication, a few new employees and after-tax deductions have been added in during the last five years.
 - o From this point forward, all exiting deductions will grandfathered; and the new Payroll and Benefits Coordinator has been instructed that no new employees or deductions shall be added.

Technology Update

- A. *Outstanding issue: After looking into 9 communities, Staunton has been selected as a comparable example of the changes we are contemplating. The Board will need to review their calendars once again and propose feasible dates because June 10 and 17 will not work for Staunton. All JAS members, as well as John Staelin, have indicated interest in this visit. Questions to pose will continue to be gathered until a few days before the meeting, then shared with Staunton in advance of the meeting.*
- Tom Judge was instructed to ask Staunton IT Director to propose dates that would work for him. Tom Judge will provide the list of dates to the Board, as well as Gordon Russell and David Baggett.
 - Staunton is the most likely candidate – implemented ERP system in 2003. They have a web interface instead of client server system. System built on open standards, relational database - fundamental types of technical requirements.
 - Staunton is happy with their system and is considered a success story.
 - Not shopping for an application but general experience with ERP system.
 - Further review of the Tyler Muni system used for the treasurer application by Staunton will be necessary.
 - Tom Judge distributed a list of questions to pose in advance of the meeting in Staunton.
 - Additional questions for inclusion:
 - Staff development and training requirements and deficiencies?
 - End user interface and client satisfaction?
 - What modules did Staunton use or discard and why?
 - Data conversion issues – how big, how bad, what are expectations?
 - Are you better off now than before?
 - What does end user need to operate the system?
 - What is most useful way to evaluate costs and benefits?
 - Were business processes adapted to system or system adapted to business processes?
 - Governance issues?
 - Did implementation save money?
 - Did everyone gravitate toward and learn or did others bulk.
 - Did it eliminate side accounting?
 - The meeting with Staunton should be more about the process than the product.
 - The trip to Staunton will qualify as a meeting and must be posted.

B. *Update: Loudoun continues to evaluate its ERP proposals and may be negotiating but not announced. Winchester had a public discussion last week regarding its need to update its*

administrative systems. Prince George's County, Virginia recently awarded a contract for implementation of an ERP system. There is a trend there and localities are reacting to reduced economy to reduce things.

This information was provided as an update only and the Board did not discuss this item.

C. Interim Action:

The Board discussed possible action items that could be implemented in advance of any enterprise system.

- If organize data now, it will come out cleaner and more logical later.
- Personnel / Human Resources and employee leave tracking are key focus areas.
- Expert, an RDA HR program, is available.
- Training on Expert could involve expenditure.
- Online applications and applicant tracking is a premium that could be built out later in the process.
- Tom Judge will arrange to meet with the Schools and the General Government to develop recommendations.
- Results of the common data meeting shall be communicated at the next meeting.

Virginia Retirement System Deferred Compensation Plan.

- There are no exit fees for leaving Nationwide.
- Fixed account earnings would be adjusted for leaving midterm.
- Loudoun County left Nationwide due to high fees.
- NACO staff justifies higher fees in terms of the robust services it offers.
- Tom Judge is still exploring options.
- No school employees are currently enrolled in Nationwide.
- No time pressing time constraints for making the decision.
- David Ash will speak with current general government participants about available options.

Options:

- A. Stay with Nationwide.
- B. Leave Nationwide. Add VRS. Transfer all balances to VRS.
- C. Add VRS. No new contributions to Nationwide, but balances can stay.
- D. Add VRS. Employees must choose Nationwide or VRS.
- E. Add VRS. Only existing Nationwide members can continue contributions.

RFP for Occupational Medicine

Dr. Murphy reviewed his request for an RFP for occupational medical services. Highlights are as follows:

- o Occupational medicine would include drug and alcohol testing; bloodborne pathogens; hepatitis B; return to work assessment.
- o Nine different areas want to get the best price have been identified.
- o A sample agreement has been found.
- o Have sample agreement.
- o Numbers have been assigned to each of the options.
- o General government has expressed interest for some employees.
- o Will follow up with David Ash, Mike Legge, and Tom Judge.

Next Meeting

The next meeting of the Joint Administrative Services Board is tentatively scheduled for Monday, August 22, 2011 should it be needed. If there are conflicts, the next regularly scheduled meeting is set for Monday, September 26, 2011 at 12:00 noon in Meeting Room AB of the Berryville Clarke County Joint Government Center.

Adjournment

At 1:58 pm, Chair Emily Rhodes adjourned the meeting.

Minutes Recorded by: David Ash
Prepared By: Lora B. Walburn

PROCEDURAL STEPS FOR ADOPTING THE DEFERRED COMPENSATION PLAN OF THE COMMONWEALTH OF VIRGINIA

- 1) A resolution must be enacted by the governing body of the Employer whereby they formally adopt the Deferred Compensation Plan of the Commonwealth of Virginia. The resolution must be signed and witnessed. A copy of the resolution must be sent to the Virginia Retirement System (VRS) along with the Adoption Agreement.
- 2) Two originals of the Agreement between VRS and the Employer must be signed by the person authorized in the Resolution to sign such documents.
- 3) The Employer Data Sheet must be completed and returned to VRS at the following address:

VRS
PO Box 2500
Richmond, Va. 23218-2500
Attn: Susan Keith

- 4) Once all documentation is found to be in proper order, a representative from the Plan's service agent will contact the plan representative of the Employer and make arrangements for the enrollment process to begin.

*The language in this guide resolution has been written by the VRS Benefit Council and is not subject to modification.

DEFERRED COMPENSATION PLAN SAMPLE RESOLUTION

WHEREAS, the _____, the governing body of the _____, desires to establish a Deferred Compensation Plan for the employees of the _____; and,

WHEREAS, a Deferred Compensation Plan is permitted by the Code of Virginia, Sections 51.1-600 et seq and Internal Revenue Code section 457(b);

Now, Therefore, Be it Resolved That the _____ hereby approves the establishment of a Deferred Compensation Plan for the employees of the _____ in accordance with the provisions of the Virginia Code; and,

BE IT FURTHER RESOLVED That the staff is hereby directed to develop and implement a Deferred Compensation Plan at the earliest possible date but no sooner than _____.

, Chairman

WITNESS:

Date: _____

**DEFERRED COMPENSATION PLAN
OF THE COMMONWEALTH OF VIRGINIA**

EMPLOYER ADOPTION AGREEMENT

THIS AGREEMENT executed this ____ day of _____, 20____,
between _____ hereinafter referred to as the "Employer", and
the Virginia Retirement System hereinafter referred to as the "Plan Sponsor".

WITNESSETH

WHEREAS, the Commonwealth of Virginia has established the Deferred Compensation Plan of the Commonwealth of Virginia (the "Plan") and the Master Trust for the Deferred Compensation Plan of the Commonwealth of Virginia (the "Trust") pursuant to Section 51.1-600 et seq. of the Code of Virginia (1950), as amended, and Internal Revenue Code section 457(b), and

WHEREAS, pursuant to Section 51.1-603.1 of the Code of Virginia (1950), as amended, the Employer desires to enter into an Agreement with the Plan Sponsor to permit participation in the Plan by its eligible employees, and

WHEREAS, the Employer is deemed to be an "eligible employer" within the meaning of Internal Revenue Code Section 457(e)(1)(A), and

WHEREAS, the Employer, by a Resolution of its Governing Body, has directed its responsible official to enter into the Adoption Agreement.

NOW, THEREFORE, in consideration of the premises herein, the parties do agree as follows:

- 1) The Plan Sponsor represents and warrants to the Employer that it shall comply with all applicable laws affecting the Plan.
- 2) The Plan Sponsor represents to the Employer that it shall provide sufficient services to administer the Plan and to appropriately respond to inquires by "eligible employees" and participants.
- 3) The Plan Sponsor or its service agent shall provide the Employer with a quarterly statement that will include a listing by investment option of the total amount deferred by their participants during the quarter and the total value of deferred amounts held on behalf of the participating employees, etc.

- 4) The Employer acknowledges and agrees to the terms and conditions established in the Trust and the Plan.
- 5) The Employer shall permit the Plan Sponsor's service agent to conduct group and individual meetings for the purpose of explaining the Plan or enrolling "eligible employees" on the Employer's premises during normal working hours subject to such reasonable restrictions that the Employer communicates in writing to the Plan Sponsor and which are accepted by the Plan Sponsor.
- 6) The Employer shall be responsible for remitting contributions under the Plan to the Plan Sponsor's service agent in accordance to procedures promulgated by the Plan Sponsor or its service agent. The Employer shall be responsible for the correct reporting and withholding of employees' wages under United States and Virginia income tax laws.
- 7) Should the Employer offer its employees deferred compensation plans in addition to the Commonwealth of Virginia Plan as permitted under Section 51.1-603 of the Code of Virginia (1950), as amended, then the Employer is responsible for providing sufficient information on deferrals to all plans so that assurances can be made that no participants are exceeding the maximum deferral limits under Section 457. Any "Corrective Distribution" for exceeding the deferral limits shall be made from the Employer's other deferred compensation plan(s) and not from the Commonwealth of Virginia Plan.
- 8) This Agreement may be amended from time to time by written agreement between the Plan Sponsor and the Employer.
- 9) The Terms of this Agreement shall be for a three year period beginning on the date of its execution, and thereafter may be terminated by either party upon 60 days written notice to the other party.

IN WITNESS WHEREOF, the parties have caused the Agreement to be duly executed intending to be bound thereby.

Employer

Virginia Retirement System

By: _____

By: _____

Title: _____

Title: _____

Witness: _____

Witness: _____

Investment Options	1 Month	3 Months	Year-to-Date	1 Year	3 Years*	5 Years*	10 Years*	Inception Date	Expense Ratio
Tier I: Asset Allocation Funds¹									
Income & Growth Fund	-0.67	1.74	3.59	10.57	6.36	6.19	5.60	11/99	0.05 ²⁸
Benchmark(75% Barclays Capital Aggregate Bond, 22% Russell 3000, 3% MSCI EAFE indices)	-0.65	1.77	3.61	10.61	6.14	6.01	5.53		
Balanced Growth Fund	-1.02	1.25	4.47	17.50	5.66	5.43	5.18	11/99	0.05 ²⁸
Benchmark(50% Barclays Capital Aggregate Bond, 43% Russell 3000, 7% MSCI EAFE indices)	-1.01	1.26	4.47	17.54	5.46	5.27	5.15		
Long-Term Growth Fund	-1.36	0.75	5.35	24.68	4.75	4.50	4.60	11/99	0.05 ²⁸
Interim Account-Virginia Retirement System Investment Portfolio (IAVRSIP)	-1.36	0.75	5.35	24.68	4.75	4.50	4.60	11/99	0.05 ²⁸
Benchmark(25% Barclays Capital Aggregate Bond, 64% Russell 3000, 11% MSCI EAFE indices)	-1.36	0.74	5.32	24.71	4.47	4.31	4.58		
Tier II: Passively Managed Funds^{1,2}									
Bond Index Fund	-0.30	2.25	2.70	3.88	6.55	6.62	5.81	11/99	0.05 ²⁸
Barclays Capital Aggregate Bond Index	-0.29	2.29	2.72	3.90	6.46	6.52	5.74		
S&P 500 Index Fund	-1.68	0.08	6.01	30.70	3.44	3.00	2.75	11/99	0.02
S&P 500 Index	-1.67	0.10	6.02	30.69	3.34	2.94	2.72		
Russell 1000 Value Index Fund	-2.04	-0.50	5.93	28.97	2.31	1.20	3.97	5/00	0.08 ²⁸
Russell 1000 Value Index	-2.05	-0.51	5.92	28.94	2.28	1.15	3.99		
Russell 1000 Growth Index Fund	-1.42	0.75	6.76	34.80	4.95	5.27	2.15	5/00	0.08 ²⁸
Russell 1000 Growth Index	-1.43	0.76	6.83	35.01	5.02	5.33	2.24		
Russell 3000 Index Fund	-1.80	-0.01	6.38	32.29	4.20	3.47	5.61 ³	8/04	0.07 ²⁸
Russell 3000 Index	-1.80	-0.03	6.35	32.37	4.00	3.35	5.53		
Small/Mid Cap Equity Index Fund ⁴	-2.21	-0.69	7.26	39.06	7.55	5.53	6.66	11/99	0.07 ²⁸
Russell Small Cap Completeness Index	-2.25	-0.74	7.19	38.97	7.33	5.38	6.63		
International Equity Index Fund ^{5,25}	-1.23	1.70	5.18	30.45	-1.59	1.62	5.30	11/99	0.14 ²⁸
MSCI EAFE Index	-1.25	1.56	4.98	30.36	-1.77	1.48	5.66		
Real Estate Investment Trust Index Fund	-3.35	3.91	10.79	34.51	4.33	1.44	11.05 ³	10/02	0.16 ²⁸
Dow Jones U.S. Select REIT Index ²⁶	-3.35	3.97	10.93	34.95	4.71	1.67	11.45		
Tier III: Actively Managed Funds									
Money Market Fund ^{2,6,19}	0.01	0.04	0.10	0.23	0.61	2.25	2.28	11/99	0.10
Barclays Capital 3-Month Treasury Bill Index ²⁷	0.01	0.04	0.09	0.18	0.47	2.07	2.16		
Active Inflation-Protected Bond Fund ^{7,8,19,25}	0.60	3.37	5.34	7.28	4.74	6.66	6.69 ⁹	6/00	0.07
Barclays Capital U.S. Treasury Inflation Notes Index	0.81	3.66	5.81	7.74	5.28	6.91	6.95		
Active Bond Fund ²⁵	-0.36	1.86	2.99	5.93	9.46	8.87	7.37	5/87	0.47 ²⁴
Barclays Capital Aggregate Bond Index	-0.29	2.29	2.72	3.90	6.46	6.52	5.74		0.46
Active High-Yield Bond Fund ^{10,11,25}	-0.95	1.26	4.91	13.91	9.77	7.25	6.70 ¹³	12/78	0.13
Custom Composite Index ¹²	-0.80	1.15	4.57	14.09	10.46	8.18	7.92		
Active Global Equity Fund ^{5,14,15,25}	-2.01	1.76	5.50	29.80	1.22	4.81	8.65 ¹⁶	3/93	0.50 ¹⁷
MSCI World Index	-1.58	0.47	5.29	30.51	0.47	2.28	3.99		
Stable Value Fund ^{18,19}	0.21	0.64	1.29	2.73	3.29	4.11	4.72	2/95	0.24
Current yield as of 6/30/2011 was 2.62% ²⁰									
Virginia Retirement System Investment Portfolio (VRSIP) ²¹	-0.51	2.79	5.28	18.65	0.76 ²²	4.46 ²²	5.56 ²²	7/08	0.66
Intermediate-Term Benchmark ²³	-0.15	3.01	6.39	19.69	1.73	4.56	5.43		
Long-Term Benchmark ²³	-0.15	2.42	6.16	17.54	2.83	4.53	4.23		

VRSIP and benchmark performance returns are reported with a one month lag. Information is as of May 31, 2011.

*Annualized

Tier IV: Self-Directed Brokerage Option

The Self-Directed Brokerage (SDB) Option from TD Ameritrade allows you to select from thousands of mutual funds in addition to your Plans' core investment options. The SDB Option is for knowledgeable investors who acknowledge and understand the risks associated with the mutual funds available through the Option. There is an additional Plan fee of \$12.50 per quarter, as well as transaction fees charged by TD Ameritrade, and investment management fees for the mutual funds you select.

Footnotes

- 1 The VRS Defined Contribution Plans purchase units in various State Street Global Advisors (SSgA) Series Class non-lending collective trust funds in order to provide plan participants with the ability to purchase and redeem units on a daily basis. SSgA Series Class Funds may invest in other SSgA collective trust funds including Base Funds and/or own securities directly.
- 2 The inception dates shown reflect the VRS Defined Contribution Plans investment strategy inception dates. Prior to February 28, 2010 the inception dates shown reflected those of the SSgA Series Class or Base Funds. The change was made due to the length of the strategy performance track records for the Plans and because an investment strategy may be comprised of more than one underlying fund.
- 3 Fund and corresponding benchmark returns since VRS Plans investment strategy inception date.
- 4 Medium-sized companies may suffer more significant losses as well as realize more substantial growth than larger more established companies. Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger more established companies.
- 5 Foreign investments involve special risks, including currency fluctuations and political developments.
- 6 An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.
- 7 The Plans invest in Vanguard's Inflation-Protected Bond Fund Institutional share class.
- 8 The inception date shown reflects the inception date of the Fund. The inception date for the Institutional share class was 12/12/03.
- 9 Performance reflects returns for the Investor share class to provide participants with the Fund's longer performance history that currently is not available with the Institutional share class. The Institutional and the Investor share classes invest in the same base fund; the only difference between the two share classes is the expense ratios. The currently reported expense ratio for the Institutional share class is 0.07% and 0.22% for the Investor share class.
- 10 The Plans invest in Vanguard's High-Yield Corporate Fund Admiral share class.
- 11 The inception date shown reflects the inception date of the Fund. The inception date for the Admiral share class was 11/12/01.
- 12 Custom Composite Index: 95% Barclays Capital High-Yield ex-CCC and 5% Barclays Capital 1-3 Year Treasury Index. The Custom Composite Index approximates the credit quality of the underlying portfolio managed by Vanguard's investment advisor Wellington Management Company.
- 13 Performance reflects returns for the Investor share class to provide participants with the Fund's longer performance history that currently is not available with the Admiral share class. The Admiral share class and the Investor share class invest in the same base fund, the only difference between the two share classes is the expense ratios. The currently reported expense ratio for the Admiral share class is 0.13% and 0.25% for the Investor share class.
- 14 The Plans invest in the American Funds Capital World Growth and Income Fund R-5 share class.
- 15 The inception date shown reflects the inception date of the Fund. The inception date for the class R-5 share class was 5/15/2002.
- 16 Performance reflects hypothetical returns based on Class A share results calculated without a sales charge to provide participants with an indication of how the Fund may have performed over longer periods that currently is not available with the R-5 share class. The R-5 share class and the Class A shares invest in the same base fund, the only difference between the two share classes is the expenses.
- 17 The expense ratio of the Active Global Equity Fund is 0.50%, however, for those participants who invest in this Fund, 0.05% (the annual shareholder service fee paid to ING by American Funds) will be prorated back to their accounts quarterly (0.0125%) based on their balance in the Active Global Equity Fund as of the date plan expenses are run in the preceding quarter. Participants who have taken a full withdrawal from the Plan prior to payment of the credit will forfeit their share of the credited amount. The forfeited amount will be allocated among the remaining participants.
- 18 Performance returns have been linked to the previous investment manager. Returns prior to May 5, 2003 represent performance by MetLife.
- 19 A restriction called an equity wash will be imposed on transfers out of the Stable Value Fund into either the Money Market Fund or the Active Inflation-Protected Bond Fund. This means that you will not be allowed to transfer dollars directly from the Stable Value Fund to either the Money Market Fund or the Active Inflation-Protected Bond Fund. To comply with the equity wash restriction, dollars must be exchanged into stock or other bond funds and remain there for a 90-Day period before they can be exchanged into either the Money Market Fund or the Active Inflation-Protected Bond Fund.
- 20 There is no guarantee that the Fund will earn the current yield in the future.
- 21 The inception date shown reflects the date the VRS investment portfolio was unitized.
- 22 Historical data is based on the returns of the VRS investment portfolio prior to the portfolio being unitized.
- 23 In analyzing the performance of the Fund, the Board uses an Intermediate-Term Benchmark and a Long-Term Benchmark. Both benchmarks are rebalanced monthly.
Intermediate-Term Benchmark: The Intermediate-Term Benchmark represents the strategic asset allocation mix and program level benchmarks established by the Board during its annual asset allocation review.
Long-Term Benchmark: Effective July 2010, the Long-Term benchmark is 60% Russell 3000 Index and 40% Citigroup Broad Investment Grade Index. Prior to July 2010 the benchmark was 70% Russell 3000 Index and 30% Citigroup Broad Investment Grade Index. The two benchmarks are linked for historical performance purposes.
- 24 The gross annual fund operating expense of 0.47% includes "Other Expenses". "Other Expenses" reflect an interest expense. Interest expense results from the Fund's use of certain investments such as reverse repurchase agreements. Such expense is required to be treated as a Fund expense for accounting purposes and is not payable to PIMCO. Any interest expense amount will vary based on the Fund's use of those investments as an investment strategy best suited to seek the objective of the Fund. Annual fund operating expenses excluding interest (net annual fund operating expenses) are 0.46%.
- 25 These funds may impose redemption fees, and/or transfer restrictions, on certain transfers, redemptions or exchanges if assets are held less than the period stated in the fund's prospectus or other disclosure documents. For more information, please refer to the fund's prospectus and/or disclosure documents.
- 26 Effective April 1, 2009, the Real Estate Investment Trust Index Fund's performance benchmark is the Dow Jones U.S. Select REIT Index. Prior to April 1, 2009 the benchmark was known as the Dow Jones Wilshire REIT Index.
- 27 Effective August 1, 2009, the Money Market Fund's performance benchmark is the Barclays Capital 3-Month Treasury Bill Index. Prior to August 1, 2009 the benchmark was the Merrill Lynch 91-Day Treasury Bill Auction Average. The benchmark change was a result of Merrill Lynch's decision to no longer publish a return for the 91-Day Treasury Bill Auction Average.
- 28 SSgA is voluntarily reimbursing the fund for certain expenses. The expense ratio reflects the reimbursement, without which the expense ratio would have been higher. Fund returns reflect the reimbursement, without which they would have been lower.

Tier I Asset Allocation Funds are comprised of several underlying Series Class collective trust funds managed by State Street Global Advisors (SSgA). Tier II Passively Managed Funds invest in various Series Class collective trust funds managed by SSgA. Tier III Actively Managed Funds are comprised of the following: the Money Market Fund invests in a collective trust fund managed by SSgA; the Active Inflation-Protected Bond Fund invests in units/shares of the Vanguard Inflation-Protected Securities Fund Institutional shares (mutual fund); the Active Bond Fund invests in Institutional units/shares of the PIMCO Total Return Fund (mutual fund); the Active High-Yield Bond Fund invests in units/shares of the Vanguard High-Yield Corporate Fund Admiral shares (mutual fund); the Active Global Equity Fund invests in the R-5 units/shares of the American Funds Capital World Growth & Income Fund (mutual fund); and the Stable Value Fund invests in a separate account managed by Galliard Capital Management.

Benchmarks	Descriptions
Barclays Capital 3-Month Treasury Bill Index	Considered indicative of the average yield of three-month Treasury Bills.
Barclays Capital Aggregate Bond Index	Considered indicative of the domestic fixed income market.
Barclays Capital U.S. Treasury Inflation Notes Index	Measures the performance of inflation protected securities issued by the U.S. Treasury.
Russell 3000® Index	Considered indicative of the domestic broad equity market.
S&P 500® Index	Considered indicative of the domestic large-cap equity market.
Russell 1000® Value Index	Considered indicative of the domestic large-cap equity value market.
Russell 1000® Growth Index	Considered indicative of the domestic large-cap equity growth market.
Russell Small Cap Completeness® Index	Considered indicative of the extended broad equity market beyond the S&P 500 exposure.
Dow Jones U.S. Select REIT Index	Provides a measure of publicly traded real estate investment trusts.
MSCI EAFE® Index	Considered indicative of the developed international equity market.
MSCI World Index SM	Considered indicative of the global developed equity market.

All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by ING, The Vanguard Group, Galliard Capital Management, American Funds and Pacific Investment Management Company (PIMCO). Benchmark returns provided by ING, Russell/Mellon Analytical Services, and Vanguard. Although data is gathered from sources believed to be reliable, we cannot guarantee completeness or accuracy.

Performance data represents past performance and is not a guarantee of future results. Current performance may be lower or higher than performance data shown. The investment return and principal value of an investment will fluctuate and shares/units may be worth more or less than their original cost when redeemed.

Fund performance returns shown reflect fund management fees and expenses, but do not reflect the Plan administrative fee charged by ING which would further reduce the returns shown. Plan Administrative Fee: An annual recordkeeping and communication services fee of 18 basis points (0.18%) capped at combined account balances of \$130,000 will be deducted from your account on a quarterly basis (0.0450% per quarter).

Please consider the investment objectives, risk, fees and expenses carefully before investing. For more detailed fund information, go to www.varetire.org and select a Plan under the Defined Contribution Plans tab or call the Plan Information Line at 1-VRS-DC-PLANI (1-877-327-5261).